Consolidated Financial Statements

BANK OF THE BAHAMAS LIMITED

Year ended June 30, 2022

BANK OF THE BAHAMAS LIMITED

Consolidated Financial Statements

Year ended June 30, 2022

	Page
Independent Auditors' Report	1 – 7
Consolidated Statement of Financial Position	8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to Consolidated Financial Statements	12 – 72

Independent auditors’ report

To the Shareholders of Bank of The Bahamas Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bank of The Bahamas Limited (the Bank) and its subsidiaries (together ‘the Bank’) as at June 30, 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank’s consolidated financial statements comprise:

- the consolidated statement of financial position as at June 30, 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

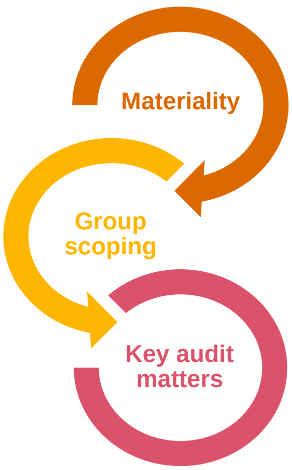
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



- Overall group materiality: $1,680,000, which represents approximately 1% of net assets.

- The consolidated group consists of the Bank and its wholly owned subsidiaries Multi-Card Services Ltd, West Bay Property Holdings Ltd. and BOB Property Holdings Ltd., all incorporated and registered in The Bahamas.
- The audit engagement team was the auditor for the Bank and its subsidiaries.
- A full scope audit was performed on all entities in the group.

- Inputs and assumptions into the Stage 1 and 2 expected credit loss (ECL) model
- Credit impaired (Stage 3) real estate collateralised loans

Audit scope

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

How we tailored our group audit scope

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

Materiality

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

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

Overall Group materiality	$1,680,000
How we determined it	approximately 1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is most commonly measured by users, and is a generally accepted benchmark. We chose 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit & Finance Committee that we would report to them misstatements identified during our audit above $84,000, 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Inputs and assumptions into the Stage 1 and 2 expected credit loss (ECL) model *Refer to notes 4(d), 7, and 32 to the consolidated financial statements for disclosures of related accounting policies and balances.* As at June 30, 2022, the Bank reported total Stage 1 and 2 gross loans and advances to customers of $349.6 million, for which had an allowance for expected credit losses of $10.8 million. The Bank's ECL model requires significant management judgements in determining the related assumptions. These assumptions include: - Probabilities of default (PD): This represents the likelihood that the borrower will default on its obligation over the next twelve months or over the remaining lifetime of the obligation. To determine the PD for loans and advances to customers, the Bank uses the historical days past due data to develop a transition matrix by product type, which is adjusted by forward looking information.	With the assistance of our valuation specialist, we performed the following procedures, amongst others, over the inputs and assumptions into the Stage 1 and 2 ECL model as follows: • Obtained an understanding of management's ECL model including the relevant data inputs, assumptions and methodology. • Evaluated the appropriateness of the Bank's ECL model methodology, data integrity and model performance in comparison to the Bank's accounting policy and the relevant Financial Reporting Framework. • Evaluated the design and tested the operating effectiveness of the relevant controls, including the automated calculation of days past due used to determine the PD rate in the ECL model. • On a sample basis, tested the date of default, maturity date to the terms of the underlying

- Loss given default (LGD): LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

- Forward looking assumptions: Management's determination of the forward-looking assumptions incorporates unemployment rates and Gross Domestic Product (GDP) growth rates as well as the probability weightings applied to them.

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

contracts and recalculated the number of days past due.

- Assessed the competence and objectivity of management's appointed real estate appraisers to determine whether they are appropriately qualified and independent of the Bank.

- On a sample basis, compared the collateral values recorded by management to the independent valuation appraisal reports.

- Compared the key assumptions used by management's real estate appraisers, being comparable sales, to actual comparable sales.

- Agreed unemployment rates and GDP growth rates used by management in the forward-looking information to externally published data.

- Recalculated the probability weightings used and evaluated the weightings used by management in comparison to industry practice and underlying knowledge of the portfolio.

- Tested on a sample basis, the appropriateness of the model design and formulae used by reperforming management's model on selected contracts.

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

Credit impaired (Stage 3) real estate collateralised loans

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

The Stage 3 ECL for defaulted mortgages totalled $23.8 million as at June 30, 2022 with a gross carrying amount of $40.1 million.

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

- Assessed the competence and objectivity of management's appointed real estate

We focused on management's impairment assessment for Stage 3 loans collateralised by real estate as management uses significant judgement in determining the valuation of real estate property pledged as collateral for loans and advances. This is the most significant repayment source for impaired collateralised loans. Due to the expertise and judgements required to value the collateral, management engages a number of independent experts on a periodic basis. Management's experts predominately have used the comparable sales assumption to determine the fair value of collateral held.

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

appraisers to determine whether they are appropriately qualified and independent of the Bank.

- On a sample basis, compared the collateral values recorded by management to the independent valuation appraisal reports.
- Compared the key assumptions used by management's real estate appraisers, being comparable sales, to actual comparable sales.
- On a sample basis, calculated the cost to sell and time to sell based on historical sales.
- On a sample basis, evaluated management's applied discounts used on appraisal reports when compared to historical discounts observed for the changes in appraisal reports.
- Recalculated the Stage 3 provision for collateralised loans and compared to the amounts recorded in the consolidated financial statements.

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

Other information

Management is responsible for the other information. The other information comprises the Bank's Annual Report 2022 (but does not include the consolidated financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Bank's Annual Report 2022, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

September 29, 2022

BANK OF THE BAHAMAS LIMITED

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

As at June 30, 2022
(Expressed in Bahamian Dollars)

	Notes		2022		2021
ASSETS					
Cash and account with the Central Bank	5, 26	$	179,225,867	$	121,331,941
Cash equivalents - Treasury Bills, net	5, 26		81,594,321		44,919,339
Due from banks, net	5		73,177,766		70,535,440
Investment securities, net	6, 26		73,898,709		73,302,590
Loans and advances to customers, net	7, 26		368,588,734		388,656,053
Note receivable, net	8, 26		170,171,425		168,717,788
Investment property	9		6,463,000		6,463,000
Other assets	10, 26		13,018,251		12,762,836
Property and equipment, net	11		8,857,598		7,179,902
Right-of-use assets, net	12, 26		3,592,575		3,066,020
Computer software, net	13		6,680,392		6,071,011
TOTAL ASSETS		**$**	**985,268,638**	**$**	**903,005,920**
LIABILITIES					
Deposits from customers and banks	14, 26	$	760,038,263	$	695,855,586
Other liabilities	15, 26		48,992,393		42,582,597
Lease liabilities	12, 26		3,927,893		3,267,261
Deferred loan fees	3, 26		2,623,836		2,832,533
Total liabilities			**815,582,385**		**744,537,977**
EQUITY					
Share capital	16		42,610,505		42,610,505
Share premium	16		81,950,384		81,950,384
Treasury shares	17		(1,318,224)		(1,318,224)
Net gain on investments at FVOCI	18		2,880,297		3,462,314
Special retained earnings	8		172,122,932		172,122,932
Accumulated deficit			(128,559,641)		(140,359,968)
Total equity			**169,686,253**		**158,467,943**
TOTAL LIABILITIES AND EQUITY		**$**	**985,268,638**	**$**	**903,005,920**

These consolidated financial statements were approved by the Board of Directors on September 27, 2022 and are signed on its behalf by:

Director

Director

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

BANK OF THE BAHAMAS LIMITED

Consolidated Statement of Comprehensive Income

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

	Notes		2022		2021
Interest and similar income	19, 26	$	40,955,214	$	40,099,318
Interest and similar expense	19, 26		(5,556,738)		(6,777,421)
Net interest income			35,398,476		33,321,897
Fees and commission income	20, 26		9,681,776		7,593,349
Fees and commission expense			(204,416)		(289,838)
Net fees and commission income			9,477,360		7,303,511
Other operating income	21		4,220,584		3,541,981
Total operating income			49,096,420		44,167,389
Operating expenses	22, 26		(36,937,006)		(35,633,646)
Impairment losses, net	23, 26		(359,087)		(4,804,522)
Net income			**11,800,327**		**3,729,221**
Other comprehensive income					
Items that will not be reclassified to net income					
Movement in fair value: equity investments at FVOCI	6, 18		(582,017)		640,644
Total comprehensive income for the year		**$**	**11,218,310**	**$**	**4,369,865**
Earnings per share					
Basic income per ordinary share	29	$	0.27	$	0.09

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

BANK OF THE BAHAMAS LIMITED
Consolidated Statement of Changes in Equity

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

	Share Capital	Share Premium	Treasury Shares	Net gain on Investments at FVOCI	Special Retained Earnings	Accumulated Deficit	Total Equity
Balance, June 30, 2020	**$ 42,610,505**	**$ 81,950,384**	**$ (1,318,224)**	**$ 2,821,670**	**$ 172,122,932**	**$ (144,089,189)**	**$ 154,098,078**
Total comprehensive income:							
Net income for the year	-	-	-	-	-	3,729,221	3,729,221
Movement in fair value: equity investments at FVOCI (Notes 6, 18)	-	-	-	640,644	-	-	640,644
Balance, June 30, 2021	**$ 42,610,505**	**$ 81,950,384**	**$ (1,318,224)**	**$ 3,462,314**	**$ 172,122,932**	**$ (140,359,968)**	**$ 158,467,943**
Total comprehensive income:							
Net income for the year	-	-	-	-	-	11,800,327	11,800,327
Movement in fair value: equity investments at FVOCI (Notes 6, 18)	-	-	-	(582,017)	-	-	(582,017)
Balance, June 30, 2022	**$ 42,610,505**	**$ 81,950,384**	**$ (1,318,224)**	**$ 2,880,297**	**$ 172,122,932**	**$ (128,559,641)**	**$ 169,686,253**

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

BANK OF THE BAHAMAS LIMITED
Consolidated Statement of Cash Flows

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

	Notes		2022		2021
Cash flows from operating activities:					
Net income		$	11,800,327	$	3,729,221
Adjustments for:					
Interest income	19		(40,955,214)		(40,099,318)
Interest expense	12,19		5,556,738		6,777,421
Depreciation and amortisation	22		3,378,038		2,723,964
Loss on disposal of property and equipment	11		67,558		16,426
Impairment losses, net	23		359,087		4,804,522
Interest received			40,580,146		41,127,904
Interest paid			(5,642,497)		(6,540,084)
			15,144,183		12,540,056
Decrease/(increase) in loans and advances to customers, net			18,255,692		(29,118,549)
Increase in deposits from customers and banks			64,268,436		62,793,629
Increase in other assets			(255,416)		(3,874,503)
Increase in other liabilities			6,409,796		14,242,493
(Decrease)/increase in deferred loan fees			(208,697)		214,757
Decrease/(increase) in reserve deposit			340,380		(2,192,830)
Net cash provided by operating activities			**103,954,374**		**54,605,053**
Cash flows from investing activities:					
Acquisition of property and equipment	11		(2,855,753)		(1,847,733)
Acquisition of computer software	13		(1,536,638)		(1,400,859)
Purchase of investment securities	6		(21,773,700)		(30,000,000)
Proceeds from maturity of investment securities	6		20,955,000		8,520,800
Net cash used in investing activities			**(5,211,091)**		**(24,727,792)**
Cash flows from financing activity:					
Payment of lease liabilities, net	12		(1,206,205)		(1,368,882)
Net cash used in financing activity			**(1,206,205)**		**(1,368,882)**
Net increase in cash and cash equivalents			97,537,078		28,508,379
Cash and cash equivalents, beginning of year			209,245,659		180,737,280
Cash and cash equivalents, end of year	5	**$**	**306,782,737**	**$**	**209,245,659**

The accompanying notes are an integral part of these consolidated 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, and was the holder of a broker dealer license from the Securities Commission of the Bahamas until August 31, 2021 when the Bank surrendered its broker dealer license.

The Bank's shares are publicly traded and listed on The Bahamas International Securities Exchange. As at June 30, 2022 and 2021, 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, along with its subsidiaries (together, the "Bank") (Notes 2b and 33), services include the provision of commercial and retail banking services, private banking and the issuance of Visa branded stored value, prepaid and credit cards. The Bank is also an agent for American Express. As at June 30, 2022, the Bank had twelve branches (2021: twelve): four in New Providence, one in Grand Bahama, two in Andros, one in San Salvador, one in Inagua, one in Cat Island, one in Eleuthera, and one in Bimini.

2. Basis of preparation

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

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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2. Basis of preparation *(continued)*

(a) Going concern

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

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (Note 33) as at June 30, 2022 and 2021. 'Subsidiaries' are entities controlled by the Bank. The Bank 'controls' an entity if it is exposed to, or has rights, to variable returns from its involvement with the entity (investee) and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

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

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

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

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

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

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

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

2. Basis of preparation *(continued)*

(c) New standards, amendments and interpretations

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, 2021 were either not relevant or not significant to the Bank's operations and accordingly did not have a material impact on the Bank's accounting policies or consolidated financial statements.

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued a narrow-scope amendment to IAS 1 *Presentation of Financial Statements* (IAS 1) which clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8). The amendment is effective for periods beginning on or after January 1, 2023. The amendment is not expected to have a significant impact on the Bank's consolidated financial statements.

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

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

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

Impairment of financial assets

The allowance for loan impairment represents management's estimate of an asset's Expected credit losses ("ECL").

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

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

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

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

The level of estimation uncertainty and judgement for the calculation of ECL has increased as a result of the economic effects of the COVID-19 pandemic. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 32.

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

Fair value of financial instruments

IFRS 13 *Fair Value Measurement* requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses three-level hierarchy as discussed in Note 30.

Recognition and measurement of provisions and contingencies

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

Valuation of investment property

The Bank carries its investment property at fair value, with changes in fair value being recognised in the consolidated statement of comprehensive income. The Bank assesses the fair value of its investment property through the use of independent valuation specialists 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.

Deferred Loan Fees

Commitment fees received to originate a loan or fees that are an integral part of the effective interest rate of a financial instrument, together with the related transaction costs, are deferred and amortised by the system using the effective interest method.

4. Significant accounting policies

(a) Revenue and expense recognition

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

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

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

Fee 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 fee and commission income is recognised as the related services are performed. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(b) Cash and cash equivalents

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

(c) Financial instruments

Recognition and initial measurement

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

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

4. Significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

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 fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;

4. Significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

Business model assessment *(continued)*

- 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.

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.

4. Significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

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.

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

4. **Significant accounting policies** *(continued)*

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

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

Impairment of financial assets is recognised in three stages:

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

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

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

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

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

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

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

IFRS 9 *Financial Instruments* 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

4. Significant accounting policies *(continued)*

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

scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes.
In our assessment of economic scenarios, we considered tourism projections and those sectors impacted by the pandemic as part of our forward-looking information (Note 32).

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

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

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

Write-off of loans and advances

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

Recovery of previously written-off loans

Recoveries of principal and/or interest on previously written off loans are recognised in provisions for credit losses, net in the consolidated statement 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 twelve 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
- 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:

4. Significant accounting policies *(continued)*

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

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit and loss.

Financial liabilities

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

(f) Foreign currency

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

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

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

4. Significant accounting policies *(continued)*

(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.

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

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

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

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

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

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

4. Significant accounting policies *(continued)*

(h) Impairment of non-financial assets

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

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

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

(i) Provisions

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

(j) Related parties

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

(k) Employee benefits

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

4. Significant accounting policies *(continued)*

(k) Employee benefits *(continued)*

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 general and administrative expenses and are funded as incurred.

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 general administrative expenses.

(l) Earnings per share

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

(m) Fiduciary activities

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

(n) Taxes

Under the current laws in the Commonwealth of The Bahamas, the Bank is a value-added tax ("VAT") registrant and required to collect and remit VAT. The standard rate for VAT was 12%, charged on all goods and services that are not zero-rated or exempt as prescribed by the Value Added Tax Act. Effective January 1, 2022, the VAT rate reduced from 12% to 10%.

(o) Investment property

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

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

4. **Significant accounting policies** *(continued)*

(o) Investment property *(continued)*

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 of 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.

(q) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

(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 Directors and Regulator.

(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.

4. Significant accounting policies *(continued)*

(s) Leases *(continued)*

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.

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) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. As at June 30, 2022 and 2021, there was no master netting agreements outstanding. Therefore, any related assets and liabilities are presented gross in the consolidated statement of financial position.

4. Significant accounting policies *(continued)*

(u) Financial guarantees

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

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

(v) Segment reporting

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

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

(w) Comparatives

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

Income Statement

Impairment reversals from financial assets and net credit loss expense were combined in the consolidated statement of comprehensive income.

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

Cashflow Statement

Impairment reversals from financial assets and net credit loss expense were combined in operating activities in the consolidated statement of cash flows.

(Expressed in Bahamian Dollars)

5. Cash and cash equivalents

		2022		2021
Cash	$	13,916,719	$	16,513,314
Deposits with the Central Bank, non-interest bearing (Note 26)		165,309,148		104,818,627
Cash and account with the Central Bank		179,225,867		121,331,941
Cash equivalents - Treasury Bills (Note 26)		81,603,814		44,929,797
Due from banks		73,182,596		70,553,841
Cash, cash equivalents and due from banks (Note 32)		334,012,277		236,815,579
Less: mandatory reserve deposits with the Central Bank		27,229,540		27,569,920
Cash and cash equivalents	$	306,782,737	$	209,245,659

The statutory reserve account with The Central Bank of The Bahamas ("the Central Bank") of $27,229,540 (2021: $27,569,920) is not included in cash and cash equivalents. Mandatory reserve deposits represent the Bank's regulatory requirement to maintain a percentage of deposit liabilities as cash or deposits with the Central Bank. These funds are not available to finance the Bank's day-to-day operations. All balances with the Central Bank are non-interest bearing. Government issued Treasury Bills are presented in the consolidated statement of financial position, net of $9,493 (2021: $10,458) allowance for impairment losses and have maturity dates extending through to September 2022 (2021: July 2021). Money market placements included in Due from banks amount to $7,394,398 (2020: $12,373,362) and are presented in the consolidated statement of financial position, net of $4,830 (2021: $18,401) allowance for impairment losses. Money market placements have maturity dates extending through to August 2022 (2021: September 2021).

(Expressed in Bahamian Dollars)

6. Investment securities, net

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

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

		FVOCI		Amortised cost		Total
Bahamas Registered Stock (Notes 26, 32)	$	-	$	69,390,240	$	69,390,240
Equity Securities (Note 30)		3,685,003		-		3,685,003
Accrued interest receivable (Notes 26, 32)		-		734,618		734,618
Less: Allowance for impairment loss (Notes 26, 32)		-		(507,271)		(507,271)
At June 30, 2021	**$**	**3,685,003**	**$**	**69,617,587**	**$**	**73,302,590**

As at year end, government securities mainly comprise Bahamas Registered Stock which are fixed and variable rate bonds tied to the Bahamian $ Prime Rate issued by The Bahamas Government with interest rates ranging from 3.10% to 5.65% per annum (2021: from 2.78% to 5.65% per annum) and scheduled maturities between 2022 and 2049 (2021: between 2021 and 2049).

(Expressed in Bahamian Dollars)

6. Investment securities, net *(continued)*

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

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

		FVOCI		Amortised cost		Total
At July 1, 2020	$	3,044,359	$	47,023,106	$	50,067,465
Additions		-		30,000,000		30,000,000
Maturities		-		(8,520,800)		(8,520,800)
Movement in fair value: equity investments at FVOCI (Note 18)		640,644		-		640,644
Premium amortisation		-		(46,348)		(46,348)
Movement in accrued interest receivable		-		182,451		182,451
Add: Impairment reversals (Notes 23, 26, 32)		-		979,178		979,178
At June 30, 2021	**$**	**3,685,003**	**$**	**69,617,587**	**$**	**73,302,590**

(Expressed in Bahamian Dollars)

7. Loans and advances to customers, net

		2022		2021
Mortgage residential loans	$	187,679,360	$	201,973,783
Mortgage commercial loans		12,642,103		13,001,352
Commercial loans		59,537,060		66,964,607
Consumer loans		121,111,797		123,732,413
Government (Note 26)		36,299,812		42,941,726
Credit cards		1,693,979		1,365,891
Business overdrafts		619,184		309,927
Personal overdrafts		141,687		158,384
	$	419,724,982	$	450,448,083

Provisions for loan losses are as follows:

		2022		2021
Less: Provision for loan losses				
At July 1	$	64,030,099	$	68,262,712
Amount written-off/charged-off		(12,467,409)		(14,378,418)
Credit loss expense, net (Note 23)		1,283,325		10,145,805
At June 30		52,846,015		64,030,099
Accrued interest receivable (Note 26)		1,709,767		2,238,069
Loans and advances to customers, net	$	368,588,734	$	388,656,053

		2022		2021
Provision for loan losses				
Mortgage residential loans	$	27,266,185	$	33,978,496
Mortgage commercial loans		829,525		983,505
Commercial loans		8,721,013		9,753,835
Consumer loans		15,689,084		18,573,160
Government (Note 26)		86,606		464,803
Credit and prepaid cards		253,602		276,300
	$	52,846,015	$	64,030,099

(Expressed in Bahamian Dollars)

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

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

	2022	2021
Provisions as a percentage of the net loan portfolio	14.34%	16.47%
Provisions as a percentage of non-accrual loans	73.55%	86.32%

Non-performing (impaired) loans are as follows:

		2022		2021
Mortgage residential loans	$	38,985,892	$	47,786,234
Mortgage commercial loans		1,080,497		1,313,695
Commercial loans and overdrafts		19,035,510		12,961,720
Consumer loans and overdrafts		12,732,207		12,061,744
Credit cards		21,189		54,139
	$	71,855,295	$	74,177,532
Percentage of loan portfolio (net)		19.49%		19.09%
Percentage of total assets		7.29%		8.21%

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

		2022			2021	
		Value	No. of Loans and Overdrafts		Value	No. of Loans and Overdrafts
$0 - $ 10,000	$	9,174,234	6,360	$	9,885,256	5,524
$10,001 - $ 25,000		18,380,409	1,058		19,162,267	1,124
$25,001 - $ 50,000		57,770,860	1,561		58,480,294	1,588
$50,001 - $ 100,000		62,001,942	950		64,105,400	995
$100,001 - $ 300,000		142,731,223	833		153,338,595	904
Over $ 300,000		129,666,314	101		145,476,271	115
	$	419,724,982	10,863	$	450,448,083	10,250

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

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

In ($000s)		2022		2021
Mortgage residential loans				
Neither past due nor impaired	$	126,981	$	130,415
Past due but not impaired		21,712		23,773
Impaired		38,986		47,786
	$	187,679	$	201,974
Mortgage commercial loans				
Neither past due nor impaired	$	11,251	$	3,556
Past due but not impaired		311		8,131
Impaired		1,080		1,314
	$	12,642	$	13,001
Commercial loans and overdrafts				
Neither past due nor impaired	$	35,806	$	42,546
Past due but not impaired		5,314		11,766
Impaired		19,036		12,962
	$	60,156	$	67,274
Consumer loans and overdrafts				
Neither past due nor impaired	$	103,044	$	100,923
Past due but not impaired		5,478		10,906
Impaired		12,732		12,062
	$	121,254	$	123,891
Government				
Neither past due nor impaired	$	36,300	$	42,942
Past due but not impaired		-		-
Impaired		-		-
	$	36,300	$	42,942
Credit cards				
Neither past due nor impaired	$	1,582	$	1,209
Past due but not impaired		91		103
Impaired		21		54
	$	1,694	$	1,366

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

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

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

2021, In ($000s)		Principal		Restructured		Total
Mortgage residential loans	$	170,933	$	31,041	$	201,974
Mortgage commercial loans		4,120		8,881		13,001
Commercial loans and overdrafts		34,265		33,009		67,274
Consumer loans and overdrafts		122,276		1,615		123,891
Government		42,942		-		42,942
Credit cards		1,366		-		1,366
	$	375,902	$	74,546	$	450,448

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

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

						2021						
In ($000s)		Mortgage Residential		Mortgage Commercial		Commercial and overdrafts		Consumer and overdrafts		Credit Card		Total
Past due up to 29 days	$	15,126	$	190	$	7,790	$	4,605	$	-	$	27,711
Past due 30 - 59 days		6,137		-		3,973		1,875		76		12,061
Past due 60 - 89 days		2,510		7,941		3		4,426		27		14,907
	$	23,773	$	8,131	$	11,766	$	10,906	$	103	$	54,679

(Expressed in Bahamian Dollars)

8. Note receivable, net and special retained earnings

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

Also, during the financial year ended June 30, 2018, the Bank sold to Resolve another portfolio of non-performing loans with aggregate face value of $134.5 million and net book value of approximately $50.6 million, together with accrued (but suspended) interest on the loans of $33.2 million, in consideration for an unsecured promissory note in the amount of $167.7 million. The difference between the promissory note received and the net book value of the loans and accrued interest transferred to Resolve, amounting to approximately $117.1 million, was credited to Special Retained Earnings. An additional $0.4 million in fees and charges were recognised in Special Retained Earnings. The promissory note with final maturity date of August 31, 2022 bears fixed interest at 3.5% per annum, payable semi-annually on the 28th day of February and the 31st day of August. The terms of the note were restructured subsequent to year end (Note 34).

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.

		2022		2021
Note receivable (Notes 26, 32)	$	167,700,000	$	167,700,000
Accrued interest receivable (Notes 26, 32)		2,491,250		1,556,500
Less: Allowance for impairment loss (Note 26)		(19,825)		(538,712)
	$	**170,171,425**	**$**	**168,717,788**

(Expressed in Bahamian Dollars)

9. Investment property

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

The Bank engaged the services of an independent real estate and valuation expert who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. The fair value of the investment property of $6,463,000 as at June 30, 2022 and 2021 is based on the independent valuation from the appraisal performed in May 2020.

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 $1,150,000 per acre. Management believes that the appraised value continues to appropriately reflect the fair value of the investment property.

10. Other assets

		2022		2021
Prepaid assets		6,682,638	$	6,189,814
Cheques and other items in transit, net		534,012		1,207,787
Accounts receivable		4,997,513		4,636,326
Other assets, net		804,088		728,909
	$	**13,018,251**	**$**	**12,762,836**

As at June 30, 2022, accounts receivable included $4.3 million (2021: $3.6 million) of real property taxes with corresponding accounts payable (Notes 15 and 26). Included in Other assets, net are the Bank’s investments in the Bahamas Automated Clearing House Limited in the amount of $192,681 (2021: $199,167). Included in Clearing and other items in transit, net is a balance for B$ cheque clearing of $490,313 (2021: $326,620) with allowance for unresolved items of $4,143 (2021: $4,143). Included in Other assets, net is a balance for B$ suspense items of $358,856 (2021: $Nil) with an equivalent provision allowance.

(Expressed in Bahamian Dollars)

11. Property and equipment, net

		Land and Building		Leasehold Improvements		Furniture, Fixtures and Equipment		Work in Progress		Total
Cost										
Balance as at June 30, 2020	$	1,164,360	$	5,935,063	$	12,006,010	$	2,729,060	$	21,834,493
Additions		-		-		1,274,666		573,067		1,847,733
Disposal/write-off		-		-		(1,413,125)		-		(1,413,125)
Transfers		-		-		62,649		(62,649)		-
Balance as at June 30, 2021		1,164,360		5,935,063		11,930,200		3,239,478		22,269,101
Additions		-		-		63,081		2,792,672		2,855,753
Disposal/write-off		-		-		(345,330)		-		(345,330)
Transfers		1,975,422		-		1,661,463		(3,636,885)		-
Balance as at June 30, 2022	$	3,139,782	$	5,935,063	$	13,309,414	$	2,395,265	$	24,779,524
Accumulated Depreciation										
Balance as at June 30, 2020	$	734,840	$	5,786,038	$	9,213,976	$	-	$	15,734,854
Depreciation (Note 22)		-		58,119		692,925		-		751,044
Disposal/write-off		-		-		(1,396,699)		-		(1,396,699)
Balance as at June 30, 2021		734,840		5,844,157		8,510,202		-		15,089,199
Depreciation (Note 22)		12,346		24,293		1,073,860		-		1,110,499
Disposal/write-off		-		-		(277,772)		-		(277,772)
Balance as at June 30, 2022	$	747,186	$	5,868,450	$	9,306,290	$	-	$	15,921,926
Net book value:										
Balance as at June 30, 2022	$	2,392,596	$	66,613	$	4,003,124	$	2,395,265	$	8,857,598
Balance as at June 30, 2021	$	429,520	$	90,906	$	3,419,998	$	3,239,478	$	7,179,902

Land in the amount of $44,565 (2021: $44,565) is included in land and building.

(Expressed in Bahamian Dollars)

12. Right-of-use assets and lease liabilities

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

	Right-of-use assets	Lease liabilities
July 1, 2020	$ 3,833,240	$ 4,073,638
Net increase	562,505	562,505
Depreciation expense (Note 22)	(1,329,725)	-
Interest expense (Note 19)	-	195,034
Lease payments	-	(1,563,916)
June 30, 2021	$ 3,066,020	$ 3,267,261

As at June 30, 2022, the current portion of the lease liabilities amounted to $1,305,736 (2021: $1,476,104).

13. Computer software, net

	Computer software	Work in Progress	Total
Cost			
Balance as at June 30, 2020	$ 10,102,344	$ 1,448,624	$ 11,550,968
Additions	648,409	752,450	1,400,859
Transfers	-	-	-
Balance as at June 30, 2021	10,750,753	2,201,074	12,951,827
Additions	45,257	1,491,381	1,536,638
Transfers	1,966,095	(1,966,095)	-
Balance as at June 30, 2022	$ 12,762,105	$ 1,726,360	$ 14,488,465
Accumulated Amortisation			
Balance as at June 30, 2020	$ 6,237,621	$ -	$ 6,237,621
Amortisation (Note 22)	643,195	-	643,195
Balance as at June 30, 2021	6,880,816	-	6,880,816
Amortisation (Note 22)	927,257	-	927,257
Balance as at June 30, 2022	$ 7,808,073	$ -	$ 7,808,073
Net book value:			
Balance as at June 30, 2022	$ 4,954,032	$ 1,726,360	$ 6,680,392
Balance as at June 30, 2021	$ 3,869,937	$ 2,201,074	$ 6,071,011

(Expressed in Bahamian Dollars)

14. Deposits from customers and banks

		2022		2021
Term deposits	$	250,076,359	$	270,097,974
Demand deposits		330,650,094		288,053,939
Savings accounts		177,524,420		135,830,524
		758,250,873		693,982,437
Accrued interest payable		1,787,390		1,873,149
	$	760,038,263	$	695,855,586

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

		2022			2021	
		Value	No. of Deposits		Value	No. of Deposits
$0 - $ 10,000	$	47,970,928	85,786	$	43,668,786	78,748
$10,001 - $ 25,000		37,044,659	2,399		34,212,755	2,215
$25,001 - $ 50,000		37,252,069	1,065		33,894,068	966
$50,001 - $100,000		46,800,142	685		39,295,612	571
$100,001 - $300,000		76,522,668	479		71,415,595	449
Over $300,000		512,660,407	333		471,495,621	320
	$	758,250,873	90,747	$	693,982,437	83,269

In 1999, The Central Bank established the Deposit Insurance Corporation (the "Corporation"). The Bank paid an annual premium of $237,062 (2021: $200,500) 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

		2022		2021
Accounts payable (Note 24)	$	29,793,812	$	24,653,255
Cardholders liability		11,752,047		8,904,221
Cheques and other items in transit		3,992,507		4,556,481
Clearing in transit		108,729		985,526
Deferred revenue		185,985		324,703
Other liabilities		3,159,313		3,158,411
	$	48,992,393	$	42,582,597

(Expressed in Bahamian Dollars)

16. Share capital

		2022		2021
Authorized:				
45,000 Preference shares of B$1,000 each	$	45,000,000	$	45,000,000
105,000,000 Voting common shares of B$1 each		105,000,000		105,000,000
10,000,000 Non-voting common shares of B$1 each		10,000,000		10,000,000
	$	160,000,000	$	160,000,000
Issued and fully paid:				
37,171,570 Voting common shares of B$1 each	$	37,171,570	$	37,171,570
6,022,945 Non-voting common shares of B$1 each		6,022,945		6,022,945
Less: Cost of preference shares		(584,010)		(584,010)
	$	42,610,505	$	42,610,505

Preference shares

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

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.

16. Share capital *(continued)*

Voting common shares

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

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

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

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

Non-voting common shares

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

(Expressed in Bahamian Dollars)

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, 2022 and 2021	235,021	$	1,318,224

18. Net gain on investments at FVOCI

		2022		2021
Balance at July 1	$	3,462,314	$	2,821,670
Movement in fair value: equity investments at FVOCI (Note 6)		(582,017)		640,644
Balance at June 30	$	2,880,297	$	3,462,314

(Expressed in Bahamian Dollars)

19. Net interest income

		2022		2021
Interest and similar income				
Loans and advances to customers	$	30,418,650	$	29,772,388
Notes receivable		5,869,500		5,869,500
Investment securities		2,748,674		2,354,288
Cash and short term investments		1,918,390		2,103,142
		40,955,214		40,099,318
Interest and similar expense				
Banks and customers		(5,183,201)		(6,582,387)
Lease liabilties (Note 12)		(373,537)		(195,034)
		(5,556,738)		(6,777,421)
Total net interest income	$	35,398,476	$	33,321,897

20. Fees and commission income

		2022		2021
Deposit services fees and commission	$	4,960,351	$	3,769,077
Card services fees and commission		3,816,413		3,101,701
Credit services fees and commission		246,805		431,871
Other fees and commission		658,207		290,700
Total fees and commission income	$	9,681,776	$	7,593,349

21. Other operating income

		2022		2021
Foreign exchange	$	2,824,548	$	2,156,324
Other		1,396,036		1,385,657
Total other operating income	$	4,220,584	$	3,541,981

(Expressed in Bahamian Dollars)

22. Operating expenses

		2022		2021
Staff costs (Note 27)	$	18,522,666	$	18,731,352
Licenses and other fees		5,640,237		5,828,346
Information technology		3,840,855		3,564,739
Occupancy (Note 25)		2,565,262		2,213,817
Other administrative expenses		2,095,592		1,730,559
Telecommunication and postage		512,548		449,320
Advertising, marketing and donations		280,513		255,287
Travel and entertainment		101,295		136,262
Operating expenses before depreciation and amortisation	$	33,558,968	$	32,909,682
Depreciation of property and equipment (Note 11)		1,110,499		751,044
Depreciation of right-of-use assets (Note 12)		1,340,282		1,329,725
Amortisation of software (Note 13)		927,257		643,195
Depreciation and amortisation		3,378,038		2,723,964
Total operating expenses	$	36,937,006	$	35,633,646

23. Impairment losses, net

		2022		2021
Loans and advances to customers, net (Notes 7, 26)	$	1,283,325	$	10,145,805
Note receivable (Notes 8, 26)		(518,887)		(4,357,877)
Investment securities (Notes 6, 26)		(390,815)		(979,178)
Cash equivalents - Treasury Bills (Note 5, 26)		(965)		10,458
Money market placements (Note 5)		(13,571)		(14,686)
Impairment losses/(reversals) during the year	$	359,087	$	4,804,522

24. Contingencies

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

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. As a result of the litigation risk inherent in its operations, the Bank is involved in various litigation proceedings in the ordinary course of its business. The Bank has internal and external legal counsel, and formal controls and policies for managing legal claims. With the benefit of professional legal advice, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing and/or discloses amounts in accordance with its accounting policies.

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

In fiscal year 2019, the Bank was made aware of a significant legal claim against the Bank in respect of a judgment in default and related damages of approximately $6 million plus interest and costs for which the Bank recorded provision as at June 30, 2019. The Bank has filed the necessary applications to set aside the default judgment and to set aside the said damages. The Bank has also filed papers to stay the enforcement of damages and in certain circumstances to strike out enforcement steps. In fiscal year 2020, the Bank was successful in having the judgement in default of defense set aside. During fiscal year 2022, the Bank was successful again in the Supreme Court appeal brought about by the plaintiff. As at June 30, 2022, the Bank maintained the related provision recorded since June 2019 while the plaintiff then again, appealed at the Court of Appeal and pending hearing. Management considers that adequate provision has been made in these consolidated financial statements, included in accounts payable (Note 15), for any loss that might ultimately be determined.

(Expressed in Bahamian Dollars)

25. Commitments

The approximate minimum rental commitments (exclusive of the effect of escalation clauses relating to taxes, maintenance, etc.) for the years ended June 30, 2022 and 2021 are as follows:

		2022		2021
No later than 1 year	$	884,788	$	808,595
Later than 1 year and no later than 5 years		1,638,774		1,738,814
Total	$	2,523,562	$	2,547,409

The commitments for loans and advances at June 30, 2022 were $5,843,369 (2021: $7,475,964).

The Bank has a commitment for future capital expenditure of $1,524,861 (2021: $2,004,273).

The Bank has letters of credit and guarantees outstanding of $3,462,229 (2021: $4,212,239).

(Expressed in Bahamian Dollars)

26. Transactions and balances with related parties

The allowance for impairment loss against any of the related party balances as at June 30, 2022 amounted to $232,380 (2021: $1,542,072).

	Government	Other Government Entities	Key Management	Total 2022	Total 2021
Assets					
Deposits with the Central Bank (Note 5)	$ -	$ 165,309,148	$ -	$ 165,309,148	$ 104,818,627
Treasury bills, net (Note 5)	81,594,321	-	-	81,594,321	44,919,339
Investment securities, net (Note 6)	70,795,723	-	-	70,795,723	69,617,587
Loans and advances to customers, net	36,604,528	-	3,069,267	39,673,795	45,684,755
Note receivable, net (Note 8)	-	170,171,425	-	170,171,425	168,717,788
Right-of-use assets, net (Note 12)	880,472	-	-	880,472	166,473
Other assets	4,346,858	2,117,215	-	6,464,073	5,840,647
Total	$ 194,221,902	$ 337,597,788	$ 3,069,267	$ 534,888,957	$ 439,765,216
Liabilities					
Deposits from customers and banks	$ 89,145,692	$ 79,496,268	$ 1,355,499	$ 169,997,459	$ 162,851,728
Other liabilities	28,929,371	7,000	9,667	28,946,038	21,123,216
Lease liabilities (Note 12)	1,053,685	-	-	1,053,685	221,458
Deferred loan fees	22,176	-	-	22,176	36,220
Total	$ 119,150,924	$ 79,503,268	$ 1,365,166	$ 200,019,358	$ 184,232,622
Revenues					
Interest Income	$ 6,328,345	$ 6,425,065	$ 126,349	$ 12,879,759	$ 12,654,645
Fees and commission income	391,634	-	-	391,634	583,344
Total	$ 6,719,979	$ 6,425,065	$ 126,349	$ 13,271,393	$ 13,237,989
Expenses and Impairment losses					
Interest Expense	$ 249,630	$ 595,993	$ 15,292	$ 860,915	$ 1,952,771
Directors fees	-	-	204,611	204,611	166,359
Impairment reversals	(769,976)	(518,887)	-	(1,288,863)	(6,211,920)
Other operating expenses	1,327,634	4,783,843	-	6,111,477	5,958,242
Short-term employee benefits	-	-	2,832,330	2,832,330	2,791,630
Pension expense	-	-	163,547	163,547	155,160
Termination benefits	-	-	3,923	3,923	-
Total	$ 807,288	$ 4,860,949	$ 3,219,703	$ 8,887,940	$ 4,812,242

(Expressed in Bahamian Dollars)

27. Employee benefits

The Bank has a defined contribution plan (the "Plan") in which eligible employees (those having attained 18 years of age and employed on a full-time basis for a continuous period of twelve months) contribute a minimum of 3.50% of their annual salaries and the Bank contributes 6.50%. Employees become fully vested after 5 years of plan membership. The Plan is managed by two Trustees that are independent of the Bank. The Trustees appointed an independent third-party investment manager to manage the assets of the Plan. Contributions for the year ended June 30, 2022 totaled $800,015 (2021: $788,734) recorded as staff costs (Note 22).

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

As at June 30, 2022, the Plan had deposits totaling $Nil (2021: $Nil) with the Bank.

28. Assets under administration

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

		2022		2021
Government guaranteed hurricane relief loans	$	3,769,824	$	7,972,534

The Bank recognised fees totaling $95,978 (2021: $277,848) for the administration of the Government Guaranteed Hurricane Relief Loans program.

(Expressed in Bahamian Dollars)

29. Dividends and earnings per share

Dividends to the Bank's shareholders are recognised as a liability in the period in which they are declared by the Board of Directors and approved by the Bank's Regulator. The Bank did not declare or pay any dividends to common shareholders during the reporting years.

		2022		2021
Net income attributable to ordinary shareholders	$	11,800,327	$	3,729,221
Weighted average number of ordinary shares outstanding		42,959,494		42,959,494
Basic earnings per ordinary share	$	0.27	$	0.09

30. Fair value of assets and liabilities

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

IFRS 13 requires that the classification of financial instruments 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.

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

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

Cash and cash equivalents, other assets and other liabilities

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

Investment securities

The estimated fair values of the Bank's investments are determined based on quoted market prices, when available. If quoted market prices are not available, management's best estimate of the fair value is based on significant market observable inputs disclosed in Note 6. After initial recognition, an ECL is recognised for the Bank's investments measured at amortised cost and therefore the carrying values of these financial instruments approximate their fair values.

As of June 30, 2022, the Bank held equity securities as FVOCI totaling $3,102,986 (2021: $3,685,003) classified as Level 1 investment (Notes 6 and 34). No transfers were made during the year for any investments between the hierarchies.

Loan and advances to customers

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

Deposits from customers

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

Investment property

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

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

31. Regulatory capital

The Central Bank requires that the Bank maintains a ratio of total regulatory capital to risk-weighted assets at a minimum of 18%. The Bank's regulatory capital ratio as at June 30, 2022 stood at 39.6% (2021: 36.9%). Regulatory capital consists of Tier 1 and Tier 2 capital. Total Tier 1 capital comprises of Common Equity Tier 1 ("CET 1"). CET1 ratio must be at least 9.6% of the total Risk Weighted Assets. The Bank is in compliance with this capital requirement at 38.9% as at June 30, 2022 (2021: 36.1%).

Capital regulatory requirements for subsidiary companies are managed through the Bank. The Bank's strategy is unchanged from 2019. 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, 2022 and 2021, the Bank was compliant with all of the externally imposed capital ratio requirements.

Capital risk management

The primary objectives of the Bank's capital management are to comply with externally imposed capital requirements, maintain strong capital ratios to support its business and to 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 consolidated 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, 2022 and 2021, 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.

32. Risk management

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

Credit risk

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. From this perspective, the Bank's significant exposure to credit risk is primarily concentrated in cash and due from banks, investments, notes receivable and loans. Cash, due from banks and investments are predominantly in Bahamian and United States dollars and have been placed with high quality institutions. The Bank maintains deposits in foreign currencies with top 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 expected credit loss based on the credit rating of the Government, given that the Government has undertaken to support Resolve, as more fully described in Note 8.

Credit risk arising from loans is mitigated through the employment of a credit risk management regime that sets limits for sector concentration, as well as single and related party exposure. The Board of Directors approves credit granting limits. In addition, the credit policies provide for credit facilities to be reviewed regularly by the Bank's credit risk management department, internal audit department and annual review by credit officers. Most of the Bank's loans are 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 a Bank approved independent appraiser 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.

32. Risk management *(continued)*

Credit risk *(continued)*

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

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

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

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

In ($000s)		**2022**		**2021**
Cash, cash equivalents and due from banks (Note 5)				
Neither past due nor impaired	$	320,096	$	236,816
Investment securities (Note 6)				
Neither past due nor impaired	$	70,912	$	70,125
Loans and advances to customers (Note 7)				
Neither past due nor impaired	$	314,964	$	321,591
Past due but not impaired		32,906		54,679
Impaired		71,855		74,178
Accrued interest receivable		1,710		2,238
	$	421,435	$	452,686
Note receivable (Note 8)				
Neither past due nor impaired	$	167,700	$	167,700
Accrued interest receivable		2,491		1,557
	$	170,191	$	169,257

32. Risk management *(continued)*

Credit risk *(continued)*

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

Expected Credit Loss Measurement

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

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

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

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

(Expressed in Bahamian Dollars)

32. Risk management *(continued)*

Credit risk *(continued)*

Expected Credit Loss Measurement *(continued)*

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

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

Incorporation of forward-looking information

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

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

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

The weighting assigned to each economic scenario as at June 30, 2021 was as follows:

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

The provision for loan losses reflects the Bank's economic outlook as at June 30, 2022. Subsequent changes to these forecasts and related estimates will be reflected in the provision for loan losses in future periods. The Bahamian economy experienced a significant economic shock during the pandemic. As at June 30, 2022, the economy has nearly fully reopened since the onset of pandemic in March 2020. It is anticipated that the Bahamian economy could fully recover from such economic shock by 2023/2024. The allowance for impairment losses on investment securities recorded reversals of impairment due to the International Monetary Fund's ("IMF") anticipated GDP growth rate for the Bahamian economy in 2023.

(Expressed in Bahamian Dollars)

32. Risk management *(continued)*

Credit risk *(continued)*

Incorporation of forward-looking information (continued)

The Bank considered for its loan portfolio the appropriate economic factors to be The Bahamas' unemployment rate. When considering its macroeconomic factors, management decided to apply a uniform unemployment rate to the entire portfolio without segmentation. It was determined that it was no longer necessary to apply a higher PD rate to the Tourism sector loans as that segment had largely rebounded.

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 and these assumptions are subject to a return to normalcy.

Base Case Scenario
The Bank determined that the IMF's forecast for 2023 to be somewhat optimistic and therefore determined the rate of unemployment to be the average of the IMF's 2022 and 2023 forecasts. This was considered for the entire loan portfolio.

Upside Scenario
The Bank considered the upside scenario in reference to published data from the IMF. It considered the IMF's 2023 forecast.

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

	2022	**2021**	
	Total Portfolio	**Tourism Related**	**Non-Tourism Related**
Base	13.3%	20.6%	16.6%
Upside	12.7%	17.2%	15.9%
Downside	25.6%	25.6%	25.6%

(Expressed in Bahamian Dollars)

32. Risk management *(continued)*

Credit risk *(continued)*

Maximum Exposure to Credit Risk

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

	Stage 1	Stage 2	Stage 3	Total 2022	Total 2021
Loans and accrued interest receivable	$ 285,212,951	$ 62,086,834	$ 71,586,707	$ 418,886,492	$ 450,836,034
Overdrafts and accrued interest receivable	564,436	42,308	247,399	854,143	468,312
Credit cards	1,220,641	452,149	21,189	1,693,979	1,365,891
	$ 286,998,028	$ 62,581,291	$ 71,855,295	$ 421,434,614	$ 452,670,237
Note receivable	$ -	$ 170,191,250	$ -	$ 170,191,250	$ 169,256,500
Investment securities	$ 42,085,667	$ 28,826,511	$ -	$ 70,912,178	$ 70,124,858

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.

32. Risk management *(continued)*

Credit risk *(continued)*

Movement in Impairment Allowances by Stage

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

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

(Expressed in Bahamian Dollars)

32. Risk management *(continued)*

Credit risk *(continued)*

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2022	Total 2021
Investment securities at amortised cost:					
Gross carrying amount	$ 42,085,667	$ 28,826,511	$ -	$ 70,912,178	$ 70,124,858
Loss allowance	(24,384)	(92,071)	-	(116,455)	(507,271)
Carrying amount	$ 42,061,283	$ 28,734,440	$ -	$ 70,795,723	$ 69,617,587

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2022	Total 2021
Investment securities at amortised cost:					
Gross carrying amount as at July 1, 2021	$ 30,245,724	$ 39,879,134	$ -	$ 70,124,858	$ 48,509,554
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	21,887,928	-	-	21,887,928	30,245,724
Financial assets fully derecognized during the year	(10,047,985)	(11,030,783)	-	(21,078,768)	(8,584,072)
Changes in principal and interest	-	(21,840)	-	(21,840)	(46,348)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2022	$ 42,085,667	$ 28,826,511	$ -	$ 70,912,178	$ 70,124,858

(Expressed in Bahamian Dollars)

32. Risk management *(continued)*

Credit risk *(continued)*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2022	Total 2021
Investment securities at amortised cost:					
Loss allowance as at July 1, 2021	$ 64,957	$ 442,314	$ -	$ 507,271	$ 1,486,448
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	10,517	-	-	10,517	64,957
Financial assets fully derecognized during the year	(9,355)	(12,575)	-	(21,930)	(100,867)
Changes to inputs used in ECL calculation	(41,735)	(337,668)	-	(379,403)	(943,267)
Foreign exchange adjustment	-	-	-	-	-
Loss allowance as at June 30, 2022	$ 24,384	$ 92,071	$ -	$ 116,455	$ 507,271

Mortgage residential and mortgage commercial loans					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2022	Total 2021
Loans and advances to customers at amortised cost:					
Gross carrying amount	$ 146,423,730	$ 14,391,558	$ 40,066,389	$ 200,881,677	$ 215,794,511
Loss allowance	(1,594,058)	(2,719,171)	(23,782,481)	(28,095,710)	(34,962,002)
Carrying amount	$ 144,829,672	$ 11,672,387	$ 16,283,908	$ 172,785,967	$ 180,832,509

(Expressed in Bahamian Dollars)

32. 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 2022	Total 2021
Loans and advances to customers at amortised cost:					
Gross carrying amount as at July 1, 2021	$ 149,320,909	$ 17,373,673	$ 49,099,929	$ 215,794,511	$ 219,731,787
Transfers:					
Transfer from Stage 1 to Stage 2	(4,839,397)	4,839,397	-	-	-
Transfer from Stage 1 to Stage 3	(1,992,674)	-	1,992,674	-	-
Transfer from Stage 2 to Stage 1	5,302,384	(5,302,384)	-	-	-
Transfer from Stage 2 to Stage 3	-	(2,276,706)	2,276,706	-	-
Transfer from Stage 3 to Stage 1	507,700	-	(507,700)	-	-
Transfer from Stage 3 to Stage 2	-	330,768	(330,768)	-	-
New financial assets originated or purchased	14,038,071	7,896,428	156,155	22,090,654	26,705,920
Financial assets fully derecognized during the year	(8,544,280)	(8,310,802)	(12,620,580)	(29,475,662)	(22,586,084)
Changes in principal and interest	(7,368,983)	(158,816)	(27)	(7,527,826)	(8,057,112)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2022	$ 146,423,730	$ 14,391,558	40,066,389	200,881,677	$ 215,794,511

Mortgage residential and mortgage commercial loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2022	Total 2021
Loans and advances to customers at amortised cost:					
Loss allowance as at July 1, 2021	$ 2,721,437	$ 3,901,097	$ 28,339,468	$ 34,962,002	$ 43,591,832
Transfers:					
Transfer from Stage 1 to Stage 2	(50,078)	50,078	-	-	-
Transfer from Stage 1 to Stage 3	(87,389)	-	87,389	-	-
Transfer from Stage 2 to Stage 1	304,783	(304,783)	-	-	-
Transfer from Stage 2 to Stage 3	-	(144,580)	144,580	-	-
Transfer from Stage 3 to Stage 1	6,910	-	(6,910)	-	-
Transfer from Stage 3 to Stage 2	-	174,517	(174,517)	-	-
New financial assets originated or purchased	74,338	1,673,913	40,655	1,788,906	559,668
Financial assets fully derecognized during the year	(711,668)	(407,613)	(2,216,456)	(3,335,737)	(10,318,957)
Changes to inputs used in ECL calculation	(664,275)	(2,223,458)	(2,431,728)	(5,319,461)	1,129,459
Foreign exchange adjustment	-	-	-	-	-
Loss allowance as at June 30, 2022	$ 1,594,058	$ 2,719,171	$ 23,782,481	$ 28,095,710	$ 34,962,002

(Expressed in Bahamian Dollars)

32. 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 2022		Total 2021
Loans and advances to customers at amortised cost:										
Gross carrying amount	$	31,753,392	$	46,234,439	$	19,035,510	$	97,023,341	$	110,841,193
Loss allowance		(199,644)		(781,187)		(7,826,788)		(8,807,619)		(10,218,637)
Carrying amount	$	31,553,748	$	45,453,252	$	11,208,722	$	88,215,722	$	100,622,556

Commercial loans, overdrafts and Government										
		Stage 1 12-month ECL		Stage 2 Lifetime ECL		Stage 3 Lifetime ECL		Total 2022		Total 2021
Loans and advances to customers at amortised cost:										
Gross carrying amount as at July 1, 2021	$	43,657,696	$	54,221,777	$	12,961,720	$	110,841,193	$	115,598,380
Transfers:										
Transfer from Stage 1 to Stage 2		(1,247,874)		1,247,874		-		-		-
Transfer from Stage 1 to Stage 3		(23,641)		-		23,641		-		-
Transfer from Stage 2 to Stage 1		1,258,874		(1,258,874)		-		-		-
Transfer from Stage 2 to Stage 3		-		(7,760,621)		7,760,621		-		-
Transfer from Stage 3 to Stage 1		-		-		-		-		-
Transfer from Stage 3 to Stage 2		-		855		(855)		-		-
New financial assets originated or purchased		3,485,303		7,853,794		5,647		11,344,744		10,679,418
Financial assets fully derecognized during the year		(11,451,188)		(3,066,076)		(1,379,138)		(15,896,402)		(19,609,882)
Changes in principal and interest		(3,925,778)		(5,004,290)		(336,126)		(9,266,194)		4,173,277
Foreign exchange adjustment		-		-		-		-		-
Gross carrying amount as at June 30, 2022	$	31,753,392	$	46,234,439	$	19,035,510	$	97,023,341	$	110,841,193

Commercial loans, overdrafts and Government										
		Stage 1 12-month ECL		Stage 2 Lifetime ECL		Stage 3 Lifetime ECL		Total 2022		Total 2021
Loans and advances to customers at amortised cost:										
Loss allowance as at July 1, 2021	$	297,214	$	1,187,671	$	8,733,752	$	10,218,637	$	9,516,357
Transfers:										
Transfer from Stage 1 to Stage 2		(27,382)		27,382		-		-		-
Transfer from Stage 1 to Stage 3		(2,734)		-		2,734		-		-
Transfer from Stage 2 to Stage 1		13,827		(13,827)		-		-		-
Transfer from Stage 2 to Stage 3		-		(711)		711		-		-
Transfer from Stage 3 to Stage 1		-		-		-		-		-
Transfer from Stage 3 to Stage 2		-		855		(855)		-		-
New financial assets originated or purchased		48,757		51,919		5,648		106,324		345,263
Financial assets fully derecognized during the year		(10,541)		(2,385)		(208,581)		(221,507)		(2,580,247)
Changes to inputs used in ECL calculation		(119,497)		(469,717)		(706,621)		(1,295,835)		2,937,264
Foreign exchange adjustment		-		-		-		-		-
Loss allowance as at June 30, 2022	$	199,644	$	781,187	$	7,826,788	$	8,807,619	$	10,218,637

(Expressed in Bahamian Dollars)

32. 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 2022	Total 2021
Loans and advances to customers at amortised cost:					
Gross carrying amount	$ 108,820,906	$ 1,955,294	$ 12,753,396	$ 123,529,596	$ 126,034,533
Loss allowance	(4,742,380)	(730,632)	(10,469,674)	(15,942,686)	(18,849,460)
Carrying amount	$ 104,078,526	$ 1,224,662	$ 2,283,722	$ 107,586,910	$ 107,185,073

Consumer loans, overdrafts and credit cards	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2022	Total 2021
Loans and advances to customers at amortised cost:					
Gross carrying amount as at July 1, 2021	$ 106,672,833	$ 7,245,817	$ 12,115,883	$ 126,034,533	$ 103,382,993
Transfers:					
Transfer from Stage 1 to Stage 2	(1,324,809)	1,324,809	-	-	-
Transfer from Stage 1 to Stage 3	(4,240,295)	-	4,240,295	-	-
Transfer from Stage 2 to Stage 1	1,432,515	(1,432,515)	-	-	-
Transfer from Stage 2 to Stage 3	-	(3,663,928)	3,663,928	-	-
Transfer from Stage 3 to Stage 1	101,046	-	(101,046)	-	-
Transfer from Stage 3 to Stage 2	-	54,112	(54,112)	-	-
New financial assets originated or purchased	27,959,262	372,967	409,892	28,742,121	45,253,093
Financial assets fully derecognized during the year	(14,961,789)	(1,677,198)	(7,039,181)	(23,678,168)	(18,980,125)
Changes in principal and interest	(6,817,857)	(268,770)	(482,263)	(7,568,890)	(3,621,428)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at June 30, 2022	$ 108,820,906	$ 1,955,294	$ 12,753,396	$ 123,529,596	$ 126,034,533

Consumer loans, overdrafts and credit cards	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total 2022	Total 2021
Loans and advances to customers at amortised cost:					
Loss allowance as at July 1, 2021	$ 6,595,959	$ 3,298,173	$ 8,955,328	$ 18,849,460	$ 15,154,523
Transfers:					
Transfer from Stage 1 to Stage 2	(404,336)	404,336	-	-	-
Transfer from Stage 1 to Stage 3	(1,733,909)	-	1,733,909	-	-
Transfer from Stage 2 to Stage 1	885,983	(885,983)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,251,700)	1,251,700	-	-
Transfer from Stage 3 to Stage 1	19,104	-	(19,104)	-	-
Transfer from Stage 3 to Stage 2	-	37,937	(37,937)	-	-
New financial assets originated or purchased	1,144,088	138,086	284,165	1,566,339	3,301,761
Financial assets fully derecognized during the year	(7,888,849)	(941,242)	(3,778,273)	(12,608,364)	(3,955,353)
Changes to inputs used in ECL calculation	6,124,340	(68,975)	2,079,886	8,135,251	4,348,529
Foreign exchange adjustment	-	-	-	-	-
Loss allowance as at June 30, 2022	$ 4,742,380	$ 730,632	$ 10,469,674	$ 15,942,686	$ 18,849,460

(Expressed in Bahamian Dollars)

32. Risk management *(continued)*

Credit risk *(continued)*

ECL sensitivity analysis

Set out below are changes to the Bank's ECL as at June 30, 2022 and 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used by the Bank as key ECL drivers.

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

	2021 ECL Impact of		
Collateral haircut	Change in threshold	Increase in ECL allowance	Decrease in ECL allowance
Loans and advances to customers	(+/- 5)%	$ 3,277,357	$ 3,019,272
Unemployment rate	(+/- 5)%	3,469,666	2,499,430

32. Risk management *(continued)*

Foreign exchange risk

The Bank holds assets and liabilities denominated in currencies other than Bahamian dollars, the measurement currency of the Bank. Consequently, the Bank is exposed to foreign exchange risk since the values of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Bank manages these positions by matching assets with liabilities wherever possible. The table below summarises the Bank's exposure to foreign currency exchange risk at June 30, 2022 and 2021. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk

				2022			
In ($000s)		B$	US$	CAD$	GBP£	Other	Total
Assets							
Cash and account with the Central Bank	$	174,920	$ 4,305	$ -	$ 1	$ -	$ 179,226
Cash equivalents - Treasury Bills, net		81,594	-	-	-	-	81,594
Due from banks, net		-	72,934	244	-	-	73,178
Investment securities, net		70,796	3,103	-	-	-	73,899
Loans and advances to customers, net		359,632	8,957	-	-	-	368,589
Note receivable, net		170,171	-	-	-	-	170,171
Other assets		5,814	293	-	-	-	6,107
Total financial assets	$	862,927	$ 89,592	$ 244	$ 1	$ -	$ 952,764
Liabilities							
Deposits from customers and banks	$	725,313	$ 34,371	$ 5	$ 16	$ 333	$ 760,038
Other liabilities		36,665	1,871	$ 128	$ 82	1	38,747
Lease liabilities		3,928	-	-	$ -	-	3,928
Total financial liabilities	$	765,906	$ 36,242	$ 133	$ 98	$ 334	$ 802,713
Net financial position	$	97,021	$ 53,350	$ 111	$ (97)	$ (334)	$ 150,051
Loan commitments, credit lines and guarantees	$	8,995	$ 311	$ -	$ -	$ -	$ 9,306

				2021			
In ($000s)		B$	US$	CAD$	GBP£	Other	Total
Total financial assets	$	783,596	$ 89,875	$ 329	$ 2	$ -	$ 873,802
Total financial liabilities		693,663	36,979	176	113	391	731,322
Net financial position	$	89,933	$ 52,896	$ 153	$ (111)	$ (391)	$ 142,480
Loan commitments, credit lines and guarantees	$	11,067	$ 621	$ -	$ -	$ -	$ 11,688

32. Risk management *(continued)*

Operational risk

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

Interest rate risk

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

Interest rate sensitivity or interest rate risk results from differences in the maturities or 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 consolidated gap position shows more assets than liabilities repriced in periods greater than one year. This is a typical position for a financial institution with a large personal customer base.

The Bank analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration changes in interest rates. Based on these scenarios, the Bank calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. Based on the simulations performed, the impact on net income and consequently shareholders’ equity of a 100-basis point shift would be a maximum increase or decrease of $1.8 million (2021: $1.7 million).

32. 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.

	2022						
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	$ -	$ -	$ -	$ -	$ -	$ 179,226	$ 179,226
Cash equivalents - Treasury Bills, net	81,594	-	-	-	-	-	81,594
Due from banks, net	73,178	-	-	-	-	-	73,178
Investment securities, net	70,796	-	-	-	-	3,103	73,899
Loans and advances to customers, net	368,589	-	-	-	-	-	368,589
Note receivable, net	170,171	-	-	-	-	-	170,171
Other assets	-	-	-	-	-	6,107	6,107
Total financial assets	$ 764,328	$ -	$ -	$ -	$ -	$ 188,436	$ 952,764
Liabilities							
Deposits from customers and banks	$ 757,166	$ 29	$ 198	$ 2,645	$ -	$ -	$ 760,038
Other liabilities	-	-	-	-	-	38,747	38,747
Lease liabilities	3,928	-	-	-	-	-	3,928
Total financial liabilities	$ 761,094	$ 29	$ 198	$ 2,645	$ -	$ 38,747	$ 802,713
Interest repricing gap	$ 3,234	$ (29)	$ (198)	$ (2,645)	$ -	$ 149,689	$ 150,051

	2021						
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	$ 742,446	$ -	$ -	$ -	$ -	$ 131,356	$ 873,802
Total financial liabilities	696,468	34	124	2,497	-	32,199	731,322
Interest repricing gap	$ 45,978	$ (34)	$ (124)	$ (2,497)	$ -	$ 99,157	$ 142,480

32. Risk management *(continued)*

Liquidity risk

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

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

There is still uncertainty over how the COVID-19 pandemic will impact the Bank's liquidity position. However, based on the Bank's liquidity position as at the date of authorization of these consolidated financial statements, management believes that the Bank has sufficient funding to meet its financial obligations.

32. Risk management *(continued)*

Liquidity risk *(continued)*

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

	2022				
In ($000s)	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	Total
Cash and account with the Central Bank	$ 179,226	$ -	$ -	$ -	$ 179,226
Cash equivalents - Treasury Bills	81,960	-	-	-	81,960
Due from banks	73,190	-	-	-	73,190
Investment securities	2,057	12,772	57,579	10,642	83,050
Loans and advances to customers	70,243	52,844	227,500	292,170	642,757
Note receivable	168,678	-	-	-	168,678
Other assets	6,107	-	-	-	6,107
Total financial assets	$ 581,461	$ 65,616	$ 285,079	$ 302,812	$ 1,234,968

In ($000s)	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	Total
Deposits from customers and banks	$ 622,555	$ 80,633	$ 42,019	$ 28,996	$ 774,203
Other liabilities	38,747	-	-	-	38,747
Lease liabilities	332	966	2,639	-	3,937
Total financial liabilities	$ 661,634	$ 81,599	$ 44,658	$ 28,996	$ 816,887
Net position	$ (80,173)	$ (15,983)	$ 240,421	$ 273,816	$ 418,081
Loan commitments, credit lines and guarantees	$ 9,306	$ -	$ -	$ -	$ 9,306

	2021				
In ($000s)	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	Total
Total financial assets	$ 339,781	$ 78,114	$ 469,826	$ 341,862	$ 1,229,583
Total financial liabilities	567,426	99,083	46,816	31,559	744,884
Net position	$ (227,645)	$ (20,969)	$ 423,010	$ 310,303	$ 484,699
Loan commitments, credit lines and guarantees	$ 11,688	$ -	$ -	$ -	$ 11,688

(Expressed in Bahamian Dollars)

33. Subsidiaries

Subsidiaries of the Bank as at June 30, 2022 and 2021 are as follows:

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

34. Subsequent events

On July 28, 2022, the Bank sold its investment in equity shares (Note 6) and net proceeds amounted to $3.3 million.

The promissory note (Note 8) with maturity date of August 31, 2022 was extended by 3 years to August 31, 2025, at 4% fixed interest rate, with quarterly interest payments.