

**20
22**



BAHAMAS DEVELOPMENT BANK

Annual Report



www.bdb.gov.bs

20
22

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ACRONYMNS

ALICO	Assets & Liability Review Committee
AWE	Academy for Women Entrepreneurs (AWE)
AFIT	Audit, Finance & IT Committee
BDB	Bahamas Development Bank
BAIC	Bahamas Agricultural and Industrial Corporation
B2B	Business to Business
BSD	Bahamian Dollar
BTC	Bahamas Telecommunication Company
CBD	Caribbean Development Bank
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
DRMS	Digital Records Management Software
GCF	Green Climate Fund
HR	Human Resources
HRLE	Human Resources, Legal & Ethics
IDB	Inter-American Development Bank
IPPF	International Professional Practices Framework
MSME's	Micro, Small & Medium Enterprises
NDB	National Development Bank
OVE/IDB	Oversight of the Inter-American Development Bank
RCO	Resident Coordinators Office
SOP	Standard Operating Procedures
SDG	Sustainable Development Goal
SBAC	Small Business Advisory Committee
SDI	Strategic Development & Initiatives
UN	United Nations
UNDS	United Nations Department of Statistics
UNDESA	United Nations Department of Economic and Social Affairs



ABOUT US

The Bahamas Development Bank ("The Bank" or "BDB") was established in 1974 under the Bahamas Development Bank Act, as a fully government-backed National Development Bank (NDB), to promote Bahamian ventures in industrial, agriculture, tourism, manufacturing, and commercial development. It is mandated to promote economic development and prosperity through the financing of and investing in economically viable projects that create employment, utilize local resources, improve the trade balance, introduce new technologies and skills in agriculture, fisheries, manufacturing, services, tourism, and transportation sectors in The Bahamas. The BDB Act provides The Bank with broad powers, giving the institution the capacity to meet a wide range of opportunities.

MOTTO

Empowering Bahamians for ownership because we're Bahamians too.

MISSION

To be the Government's catalyst in facilitating and stimulating sustainable development through economic expansion and diversification throughout the Commonwealth of The Bahamas.

VISION

To be the developmental financial institution of choice for Sustainable Development throughout The Bahamas.

VALUES

- We foster trust and integrity with our customers and colleagues.
- We uphold accountability and transparency to our stakeholders.
- We deliver professional and excellent customer service.
- We provide innovative products and services.
- We are adaptable learners, we embrace change.



A WORD FROM THE CHAIRMAN

In a year filled with both challenges and opportunities, The Bahamas Development Bank's (BDB) commitment to fostering economic growth and development remained unwavering. I am proud to report that despite the hurdles, we've achieved significant milestones.

Our progress is a testament to the dedication and resilience of our team and the unwavering support of our partners in us. Together, we have continued to empower entrepreneurs, spur innovation, and drive progress in The Bahamas.

This report reflects our journey, our accomplishments, and our vision for the future. I am grateful to everyone who has contributed to our shared success. Let's march forward with determination, knowing that together, we can shape a brighter future for The Bahamas.



A handwritten signature in black ink, appearing to read 'Quinton C. Lightbourne'.

QUINTON C. LIGHTBOURNE

CHAIRMAN OF THE BOARD

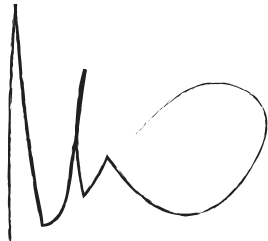


A WORD FROM THE MANAGING DIRECTOR

In 2022, The Bahamas Development Bank (BDB) team worked toward fulfilling our mission of driving economic development in The Bahamas. Our programs and initiatives continued to empower entrepreneurs, support micro, small and medium-sized enterprises (MSMEs), and promote sustainable growth.

This report is a testament to the hard work, creativity, and dedication of our staff, the trust of our board of directors, and collaboration with our partners. It is through these collective efforts that we've been able to make a positive impact on our nation's economic landscape.

As we navigate the path ahead, we remain committed to our mission and look forward to even greater accomplishments. I extend my deepest appreciation to our entire team and our valued stakeholders for their support and belief in our vision.



NICHOLAS HIGGS
MANAGING DIRECTOR



NOTABLE APPOINTMENTS



Managing Director

In July 2022, Mr. Nicholas Higgs was appointed to the position of Managing Director. His appointment makes BDB history as youngest person to take on the role. Mr. Higgs brings extensive experience in development finance, research and capital raising.



Deputy Managing Director

In July of 2022, Mr. Dave Munroe was appointed to the position of Deputy Managing Director after having served at BDB for over 15 years, working his way from Credit to Executive Management. He brings over 28 years of experience in the Banking industry having been employed at leading financial institutions in the Bahamas



Acting Managing Director

Following the departure of Mr. Dave Smith in September 2021 until the appointment of Nicholas Higgs in July 2022, Ashley Outten served as Acting Managing Director. Her contributions were invaluable in ensuring the continuity of The Bank's operations, and her commitment to the organization is deeply appreciated.

Board Appointments

The board selections were drawn from a balanced mix of professionals from across the nation's productive sectors which will serve to guide the institution's lending programs and other activities going forward. Gavin Christie, Tischka Bowleg, Khalil Elliott, Kyron Strachan, Alfred Poitier and Byran Woodside have been appointed to join The Chairman of The Bank, Senator The Hon. Quinton Lightbourne on the BDB Board. Gavin Christie joins as Deputy Chairman of the Board.



MEET OUR BOARD



Quinton C. Lightbourne
Chairman



Gavin Christie
Deputy Chairman



Nicholas Higgs
Managing Director



Bernard Adderley
Board Member



Tischka Bowleg
Board Member



Khalil Elliott
Board Member



Alfred Poitier
Board Member



Kyron Strachan
Board Member



Byran Woodside
Board Member



Larry Wilson
Board Consultant

2022 BOARD COMMITTEES

Small Business Advisory Committee

SBAC makes recommendations to the Board for loan approvals, credit risk policies, guarantees, private equity transactions, and any other project proposals that they would have reviewed as per Part III Section 12 of the BDB Act.

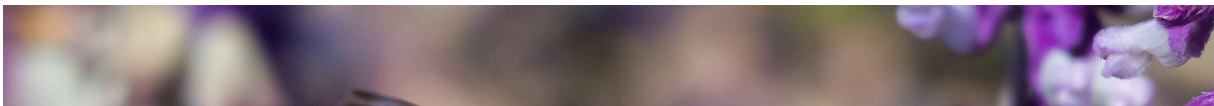
- Quinton Lightbourne – Chair
- Gavin Christie
- Khalil Elliott
- Alfred Poitier
- Nicholas Higgs

Audit, Finance & IT Committee

AFIT advises the Board of Directors on the soundness of BDB's financial management by overseeing standards of integrity and conduct, internal control systems, financial control, and audit processes, including internal audits, the annual financial audit, and any periodic special examination.

- Larry Wilson – Chair
- Quinton Lightbourne
- Gavin Christie
- Alfred Poitier
- Nicholas Higgs

Additionally, the committee aids the Board as a matter of good governance and risk management on how The Bank should anticipate the unexpected and plan for business continuity to minimize service disruption in situations of calamity or crises. AFIT makes recommendations related to investments and ensures that the Bank's Plan is in compliance with its mandate and ensures that BDB's key risks are identified and appropriately managed by recommending risk management policies to the Board regarding such key risks as financial, credit, market, strategic investment, and operational.



2022 BOARD COMMITTEES

Human Resources & Legal

HRLE advises the Board of Directors on matters involving legislation affecting the Bank directly or the market where it operates. Ensures that standard form contracts between the Bank and others are consistent with the Act and reflect the best interest of the Bank. Oversees and advises the Board of Directors on corporate policies and strategies related to human resources, including policies governing recruitment, retention, training, compensation, pension plans, and performance management.

- Byran Woodside – Chair
- Tischka Bowleg
- Alfred Poitier
- Kyron Strachan
- Nicholas Higgs
- Bernard Adderley

Ethics

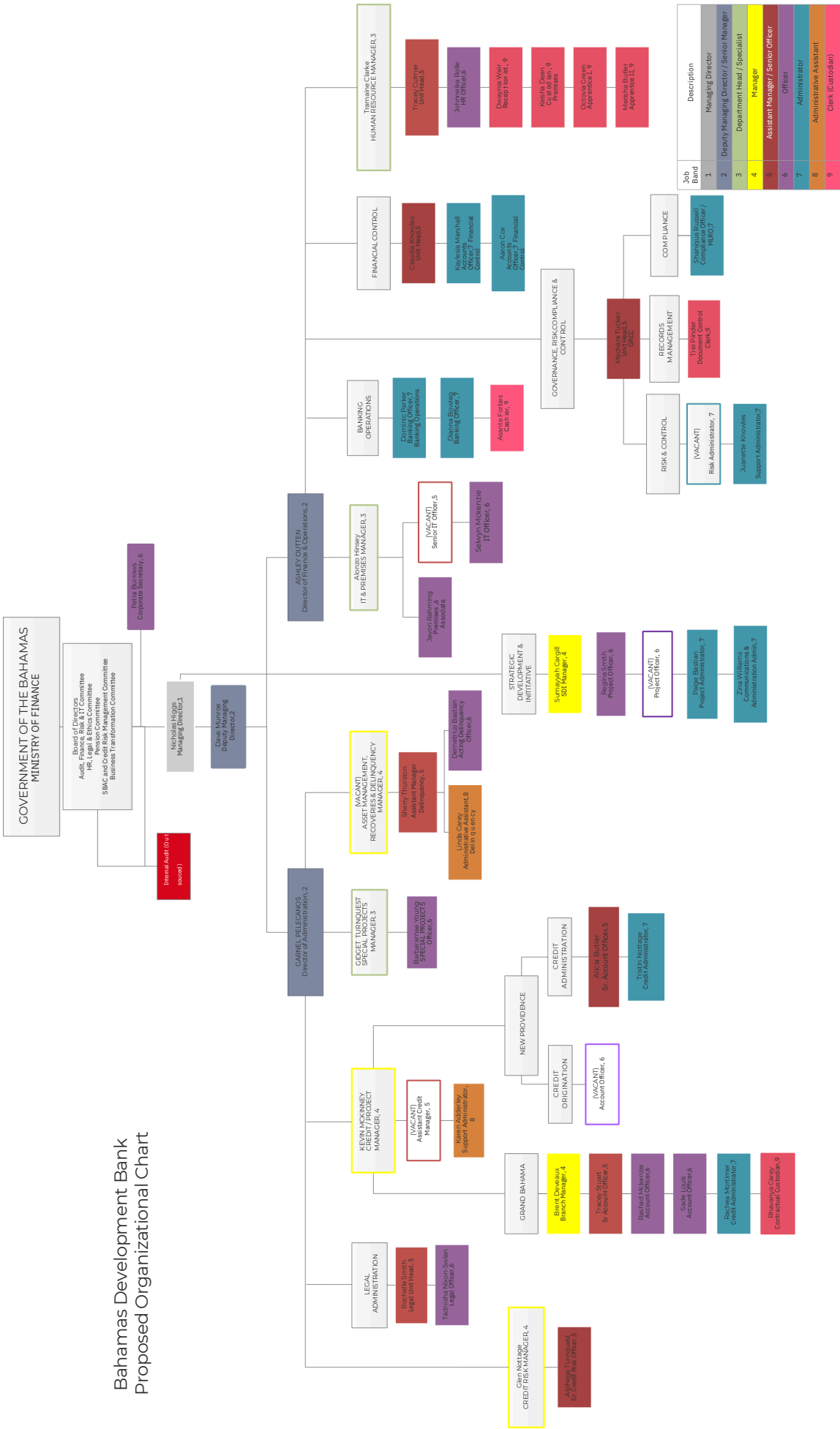
The Ethics Committee assists the Board of Directors in the establishment, embedding and oversight of the Bank's Code of Ethics, and ensure the Board of Directors and staff's compliance with high standards of honesty, integrity and conduct.

- Kyron Strachan – Chair
- Bernard Adderley
- Tischka Bowleg
- Khalil Elliott
- Nicholas Higgs

It also monitors real or perceived conflicts of interest and avoid or appropriately manage conflicts that might affect or might be seen to affect objectivity or ability to act without bias.



Bahamas Development Bank
Proposed Organizational Chart

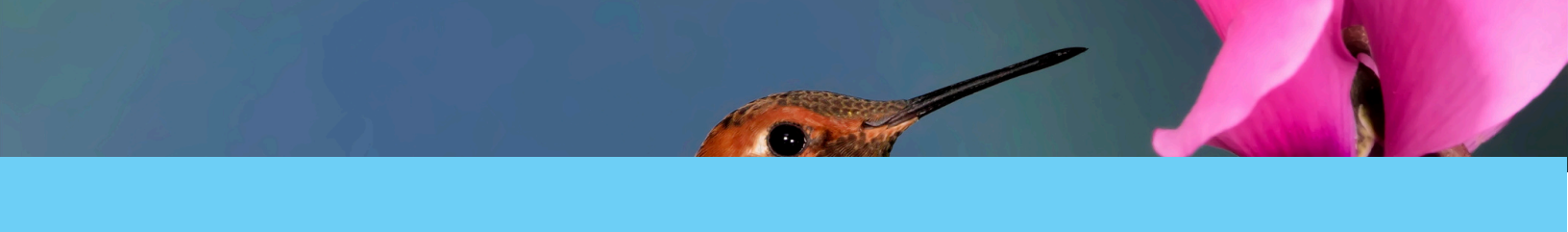


Job Band	Description
1	Managing Director
2	Deputy Managing Director / Senior Manager
3	Department Head / Specialist
4	Manager
5	Assistant Manager / Senior Officer
6	Officer
7	Administrator
8	Administrative Assistant
9	Clerk (Custodian)

DEPARTMENT REPORTS

20
22





STRATEGIC DEVELOPMENT & INITIATIVES

In 2022, SDI continued to provide support to the Office of The Managing Director, strengthen BDB's institutional capacity and develop fruitful partnerships. Under the unit's public relations and marketing function, The Bank continued to reach out and build relationships with local communities.

Outreach and Stakeholder Relationship Management

National Committees and Working Groups

In our ongoing commitment to national development and collaboration, The Bahamas Development Bank actively contributed to various national committees and working groups over the past year. Notably, we participated in the Blue Co write shop hosted by GCF, aimed at crafting a regional project for Blue economy development. Additionally, our engagement extended to the National Climate Change Committee, where the bank participated in Monitoring, Reporting, and Verification Training and made contributions to the Nationally Determined Contribution.

We also lent our expertise to the Sustainable Development Goal Technical Committee for Economic Prosperity and were a part of the National Health Adaptation Plan Working Group. BDB provided contributions to the national report on the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW).

The Bank also continued to be an active member of the Andros Community Cluster Project. These active involvements highlight our dedication to the sustainable growth and prosperity of The Bahamas.



Courtesy Calls

In 2022, The Bahamas Development Bank engaged in a series of courtesy calls with key stakeholders, fostering partnerships and collaboration for economic growth. The year began with The Bank welcoming The Minister of Economic Affairs and Leader of Government Business, Senator The Hon. Min. Michael Halkitis at the first meeting of The Board of Directors. This meeting highlighted the importance that The Bank will play in development finance for the country.

Bank Management and Staff held further meetings throughout the year to continue to build relationships. These interactions included productive meetings with the Inter-American Development Bank, The Ministry of Foreign Affairs, The Bahamas Investment Authority, the Inter-American Institute for Cooperation on Agriculture, the Bahamas Bureau of Standards and Quality, Bahamas Mortgage Corporation, The Chinese Embassy, The Ministry of Foreign Affairs, The Data Commission, The Tourism Development Corporation, and the Bahamas Agriculture and Marine Science Institute. These engagements signify a commitment to enhancing development, investment, and agricultural initiatives in The Bahamas. Additionally, The Bank has a long history in regional partnership. Following The CDB President's visit in December 2021, a second delegation visited in March 2022.

Courtesy calls provided a mechanism for The Bank to make significant strides in bolstering its financial foundation. We pursued recapitalization by proactively working to restore and enhance relationships with key stakeholders, including multilateral development banks, private funds, and domestic financiers. These concerted efforts demonstrate our commitment to ensuring a robust and sustainable financial future, furthering our mission to drive economic prosperity in The Bahamas.



Courtesy Call's Made by BDB Staff Members throughout the Year 2022

Bahamas Development Bank Financing Innovation Expo

On July 2nd and 3rd, of 2022, BDB held the Financing Innovation Expo. The event featured an events pavilion, presentation stage and exhibitor arena. It brought together best-in-class businesses, highlighted opportunities for expansion and provide opportunities to access financing for both participants. The expo highlighted and encouraged innovative businesses and supported B2B purchases and growth.

This event truly highlighted how agencies can work together towards a common goal. Expo participants were able to meet with financing agents from public and private lenders. The free panel presentations aimed at upskilling current and aspiring businesses owners covering topics that included ecommerce integration, creative industry snapshots, introduction to crypto currency and crowdfunding etc.

BAIC hosted hands on creative workshops in jewelry making and candle making. The tourism village showcase managed by the tourism development corporation highlighted unique businesses that contribute to our country's tourism product. The Access Accelerator Small Business Development Center and Shift the Culture assisted in organizing the pitch workshop for a select group of businesses.

BAHAMAS DEVELOPMENT BANK
FINANCING INNOVATION
BUSINESS EXPO
JULY 1st & 2nd, 2022

**Room 1
Presentation
Schedule**

Grow your business with our series of innovative panels and presentations from industry thought leaders

Saturday, July 2, 2022
Crypto Isle, East Bay St
10 AM - 6 PM
FREE ENTRY
Register at www.bdb.gov.bs

Time	Topic	Speaker
10:10-10:45AM	Get Set...Go!	Scotiabank
10:45-11:15AM	Integrating eCommerce	RBC Royal Bank
11:15-12:15PM	Taking Your Business From Vision to Reality	Hollis Lightbourne
12:15-1:15PM	FinTech 101 - Crowdfunding & Crypto	D'Arcy Rahming, ArawakX, Davinia Bain, Crypto Isle
1:30-2:30PM	Opportunities for Financing	BDB, SBC, RBC Royal Bank, BEVF
2:45-3:45PM	Valuing Your Health & Wellness	Walk-In Medical Clinic
3:45-4:45PM	Nassau Cruise Port	Nassau Cruise Port

Partners: RBC, TOURISM DEVELOPMENT CORPORATION, baic, cablexchammas, cryptoisle, BTC BUSINESS, Scotiabank, kanoo, Simplified Lending Ltd., EASY CAR RENTALS



National Partnership Forum and Training

The theme of the 2022 Inaugural Annual SDG Partnership Forum was “Transformational Partnerships for a Sustainable Future” and examined the ways in which non-traditional partners could co-create solutions in a range of focus areas – such as climate action, gender equality, data and laws for inclusion, macro-economic transformation, energy, agriculture, health and well-being – among policymakers, private sector representatives, civil society, academic communities, and other actors. Participants in the Forum included representatives of government, the UNDS, the diplomatic corps, multilateral development banks, civil society, the private sector, youth, philanthropic organizations, parliamentarians, academia and other stakeholders.

Subsequently 3-day in-person National Partnership Training Workshop was held under the joint leadership of the RCO (Resident Coordinator Office) and UN DESA (United Nations Department of Economic and Social Affairs). The Training Workshop was geared towards developing effective partnerships to achieve the SDGs.



Highlights of the Joint Partnership Forum

National Committees, Working Groups and Projects

Launch of the Joint SDG fund

May 30th 2022 marked the launch of the Joint SDG Fund Programme In partnership with the UN & BDB on Building Back through Innovative Financing for Gender Equality and Women's Empowerment referenced initiative in partnership with UN Women. This launch was a part of The Bank's strategic focus on inclusive and gender equitable financing under the Sustainable Development Goal (SDG) framework. Marking the first successful proposal from The Bahamas to this fund. As the project focal point, The Bank will serve on the National Steering Committee, support the development of innovative financing tools and provide financial support to MSMEs involved in the program while bringing together stakeholders, investors and others in the entrepreneurial and financial ecosystem.

This initiative will provide opportunities to leverage regional funds to increase access to finance for Bahamian MSMEs guided by a framework for gender equity. BDB will partner with international financing institutions including FinDev and The Portland Equity Group for fund development and management

Gender Equitable Fund Training

As part of the project, Managing Director Nicholas Higgs, Director of Administration, Garnell Pelecanos and Manager of Strategic Development and Initiatives, Sumayyah Cargill visited Kingston, Jamaica to participate in a fund management training with the support of UN Women. The training assisted BDB in developing a gender equitable financing mechanism. During this time, fund managers from all around the region including Trinidad, Bermuda, Jamaica and The Bahamas came together and were trained on how to consider gender lens analysis and to create a gender action plan.



Toni Brodber from UN Women providing remarks at the Opening Ceremony.



Quinton Lightbourne, Chairman of the Bank providing remarks.



Nicholas Higgs, Garnell Pelecanos, Sumayyah Cargill alongside Toni Brodber and representatives from Bermuda Business Development Agency

International Engagement

Gender

Head of Strategic Development & Initiatives, Sumayyah Cargill spoke on several panels in 2022. These events brought together experts from development institutions, government officials and private sector representatives from across the world to facilitate dialogue and exchange of good practices, lessons learned and advances impacting and driving the global gender agenda.

Monitoring and Evaluation

In November, BDB's Managing Director Nicholas Higgs, and Paige Bastian, Strategic Development & Initiatives Project Administrator accepted an invitation from the Office of Evaluation and Oversight of the Inter-American Development Bank (OVE/IDB) to attend a conference themed "Evaluation in Development Banks: Challenges and Contributions" in Washington, D.C.

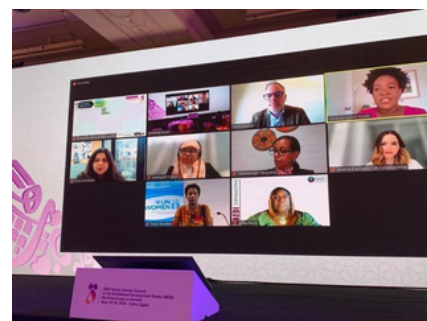
The conference sought to strengthen the recognition of evaluation as a key tool to address the major challenges facing Latin America and the Caribbean through learning, accountability and transparency. It featured presentations and panels on strategic issues related to the institutionalization of evaluation and the role of evaluation in the face of post-pandemic challenges in the region. BDB hopes to implement various lessons learned and regional best practices as it continues to strengthen its institutional arrangements.



Managing Director Higgs and SDI Administrator Paige Bastian in Washington DC



SDI Unit Head Sumayyah Cargill: Featured Speaker at CSW66 Side Event



Sumayyah Cargill presents at the Global Gender Summit of the Multilateral Development Banks Working Group on Gender



Sumayyah Cargill at COP 27 Panel



International Engagement

COP27

As BDB continues to firmly establish itself as a regional leader in gender and climate financing, Sumayyah Cargill, was invited to Egypt to present on a panel at COP27. COP27 is the largest global conference in the world aimed at accelerating global climate action through various methods inclusive of financing. Her travel has been syndicated alongside the Caribbean Development Bank in partnership with UN Women and stems from the UN SDG Fund project for gender equitable financing. While at COP27, Ms. Cargill worked to build connections with global partners and create further opportunities for BDB.



SDI Manager, Sumayyah Cargill, presenting on Gender Lens Investing for Caribbean Resilience, hosted Caribbean Development Bank and UN Women.

Yemanja Collaboration

The Bahamas Development Bank was given the opportunity to nominate four outstanding Bahamian Female Entrepreneurs in agro-business and the creative industries to participate in an initiative titled "Yemanja Collaborative: A Training and Networking Workshop for Women Entrepreneurs" from 5th -7th December 2022 in Jamaica hosted by UN Women.

The training workshop strengthened leadership capacity, empowered and equipped participants to scale their businesses, build their networks and attain mentorship. The following women, who are known to us either through stakeholder engagement or as grant recipients were selected. All expenses were covered by UN Women.



Pictured Together: Mechelle McDonald, - AmberL Skin Care; Felecia Woodside - Mangra Studios; Kache' Knowles - I Is a Bahamamian Bey; and Kentisha Ward- Pop Stop

Event Participation

Launch of the 2022 AWE

The launch of the newest cohort of the US Embassy Academy for Women Entrepreneurs (AWE) program. BDB was represented at the event by our Unit Head of Strategic Development and Initiatives, Sumayyah Cargill. BDB is committed to providing funding opportunities for women-owned businesses in The Bahamas.



BDB Staff at the Launch of AWE 2022

TDC Relaunch

The Tourism Development Corporation extended an invitation to attend its relaunch and stakeholder collaboration meeting. Representing the Bank was Paige Bastian & Zina Williams. At the event the ladies had the opportunity to network with tourism industry professionals as well as view the many crafts that were on display.



BDB Staff at the Relaunch of the Tourism Development Corporation 2022

Corporate Philanthropy and Community Development

Donation to Grand Bahama Children's Home

As a good corporate citizen, BDB recognizes the need to support community organizations that are the cornerstones of civil society. The donation to Grand Bahama Children's Home aligns with The Bank's focus on Family Island Development through youth investment.

Pictured (left to right) are: Freeport Branch Manager, Brent Deveaux, Executive Director of The Home, June Hutchenson, BDB Chairman, Senator The Honorable Quinton C. Lightbourne and Credit Manager, Kevin McKinney.



Visit to local schools

BDB frequently visits local schools to make presentations about the purposes of development banks and how Development Finance Institutions help to grow industry. These visits are just one of the ways we give back to our community, and we hope our presentations will encourage the students to continue their entrepreneurial journey.



Sumayyah Cargill, Zina Williams with students from Akephran International Academy

Grants

Orange Economy Grant

Building on the work of the previous year in the Orange Economy discussion series, BDB began the year by launching a grant for Orange Economy. The \$70,000 technology micro-grant program aimed to equip videographers, musicians, photographers, and other artists with technology to improve the quality of their productions. These grants were aimed at persons who have demonstrated talent and experience in the creative field of their specialization but have had challenges in acquiring professional computing equipment.



BDB Staff and the Orange Economy Grant Recipients

BDB provided MacBook Pros to professionals who clearly articulated the benefit the device will have on their craft and showed a plan for expanding their market penetration. Over 280 completed applications were received. In total, 26 applications from New Providence (26), Grand Bahama (4), Andros (1) and Exuma (1) were chosen.

Family Island Grant

The Bahamas Development Bank ("BDB" or "The Bank") launched the Family Island Grant on April 4th, 2022 with a budget of \$100,000 (BSD) with the aim of supporting business development in the Family Islands of The Bahamas. The goal of this grant program was to provide existing and start up businesses with access to capital that can help to grow or start their businesses. Over 400 applications were received,

In total, 41 applicants were selected to win the \$2,500 grants.



Figure A: Distribution of Family Island Grants by Island throughout The Bahamas



EXECUTING AGENCY AGREEMENTS

BDB has the capacity, by way of its legislation to execute funding on behalf of public and private entities.

Digi Innovative Grants Program

In 2022, BDB partnered with the government of The Bahamas to support Digital Transformation of the public service through the Digi Innovative Grants Program. Entrepreneurs were granted up to 90k for innovations that were aimed at reducing bureaucracy when doing business with the government, increasing transparency, promoting the advancement of technology in the public service and increasing savings overall.

The program was funded by a 900k grant provided by the IDB. BDB was responsible for disbursing the funding under its executing agency function following the November 2022 grant award.



Mailboat Payments

In 2022, BDB continued to support The Ministry of Transport with processing payments for mail boat owners. These subventions are the bedrock of BDB's financing of the mailboat system which allows mailboat owners to access millions of dollars in funding.


\$9,184,350
in Mailboat Payments



CREDIT OPERATIONS

Origination

The Credit Department continued to work to place loans on the books through engagement with local businesses directly through townhalls and events.

Family Island Visits

In 2022, BDB undertook a number of visits to the Family Islands and held town hall meetings with locals and residence in Abaco, Acklins, Crooked Island & Grand Bahama. During these visits, BDB hosted financing clinics where persons would have had the chance to speak one on one with credit officers to discuss their business plans and learnt about financing opportunities at BDB.

On Grand Bahama, the BDB team held a joint townhall meeting with Town Planning for the Community. In Acklins and Crooked Island, the team visited Admiral Ferguson Senior High School to encourage students about their futures.

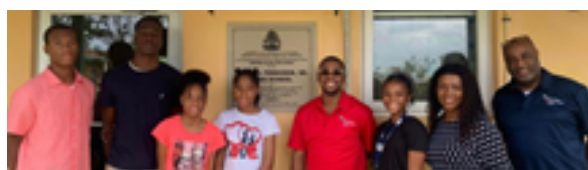


Photo Highlights from the Family Island Visits

Family Island Development

The GEF Pine Islands Project, of which BDB is a partner, is supporting the development of industrial Cascarilla production on these islands, through. As part of this effort, the Acklins Islanders Cooperative Society Ltd received 5 acres in Spring Point and 100 acres in Pine field to begin farming Cascarilla for the first time. Once established, BDB intends to finance a cascarilla processing plant and distillation facility to increase productivity and ensure efficiency.

As part of the visit, The team met with Cooperative Society Members where they viewed the Crown Land acreage granted for Cascarilla farming. They also toured the prototype of the distillation facility which will produce Cascarilla essential oils.



Tour of the Distillation Facility and Acreage

Business Outlooks and Symposiums

Brent Deveaux, Branch Manager for Grand Bahama participated in the Cat Island Business Outlook under the theme MSME Financing Center Offerings. Alicia Butler, Assistant Credit Manager, also presented at the Exuma Business Outlook under the theme Spurring Investment and Growth. Both presentations offered insights on the support that BDB provides to MSMEs. Representatives from the Grand Bahama office also participated in a two day symposium focused on building access for MSEs in Grand Bahama.



**"SPURRING INVESTMENT
GROWTH IN EXUMA"**
Alicia Butler, Assistant Credit Manager
Bahamas Development Bank



BTC InKnowvation Small Business Master Class



Credit in partnership with SDI frequently collaborate on community engagement. Credit Manager, Kevin McKinney along Communications Officer, Zina Williams represented BDB at the by BTC [Bahamas Telecommunication Company] InKnowvation Small Business Master Class which was aimed at building capacity of Bahamian MSMEs.



Mr. McKinney informed participants on MSME funding available at BDB. He was inundated with questions as the audience was keen to receive information on funding for their business.

Zina Williams, Communication Officer shares BDB branded items Kevin McKinney, Credit Manager presents on BDB funding options,

Conversion

Category	Jan '22 - Dec '22
New Applications	\$6,326,589
Approved	\$2,144,385
Declined/Withdrawn	\$3,821,736
Disbursed	1,462,070

As a result of Credits efforts, BDB received over \$6M in applications, resulting in the disbursement of about \$1.5M to businesses throughout The Bahamas. Of these loans, one fell under the category of microloans.

Portfolio Demographics & Distribution

Portfolio Distribution by Island

Seventy percent (70%) of the Bank's loans are granted to businesses in New Providence (NP) and Grand Bahama (GB). Combined, these two islands account for \$13.60 million of the loan portfolio. Andros (Central, North, and South) account for seven percent (7%) of the total portfolio, representing \$1.33M in loans.

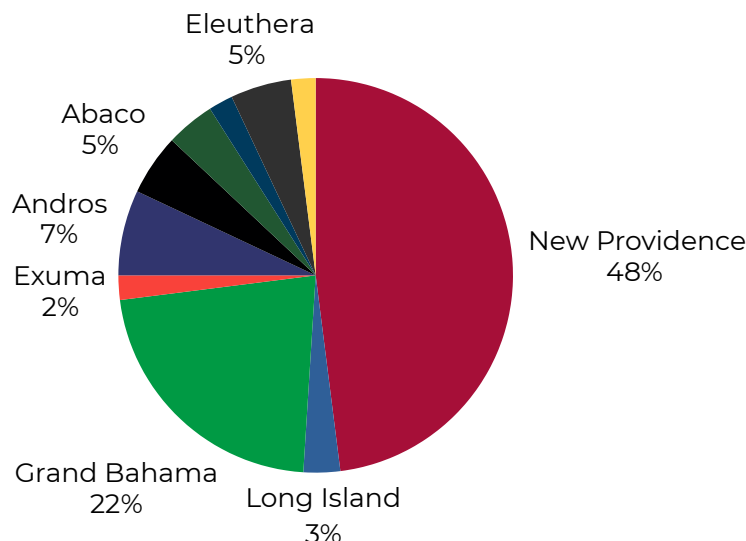


Figure C: BDB Loan Portfolio Distribution by Island 2022

Portfolio Distribution by Sector

The Service Sector represents forty-six percent (46%, \$8.81M) of the Bank's portfolio. Following a distant second, is the Transportation Sector, which accounts for twenty-one percent (21%, \$4.02M) of the loan portfolio. Third, is the Tourism Sector accounting for nineteen percent (19%, \$3.62M) of the loan portfolio. The three sectors noted above account for eighty-six percent (86%, 16.45M) of the total loan portfolio.

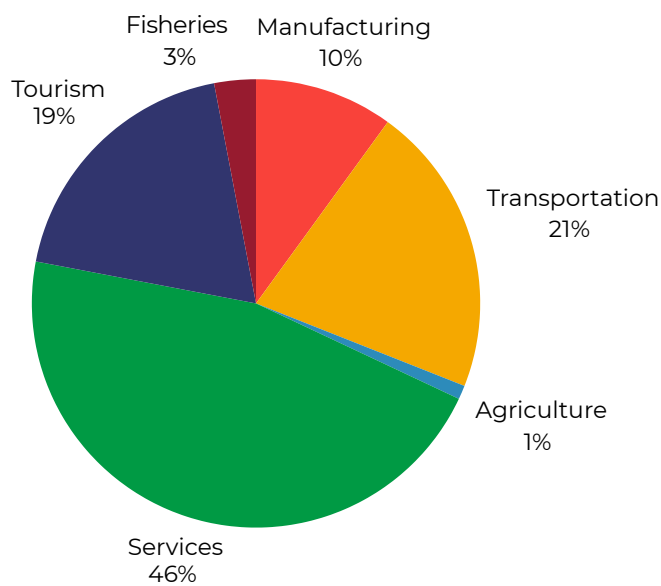


Figure D: BDB Loan Portfolio Distribution by Sector 2022



CREDIT RISK

Portfolio Performance

The Bank's portfolio saw a decline over the course of the year. In 2022, lending targets or fiscal 2022 remained in a tentative status at \$10 million. Loans totalling \$2,146,385.00 or 22% of the target were booked, of which \$753,996.00 was disbursed. Overall, the Bank's loan portfolio grew by 25%. However, the Bank's performing loan base grew by -5.84% and the non-performing loans grew by 43.05%. This shows that the non-performing loans far outpaced the performing loans.

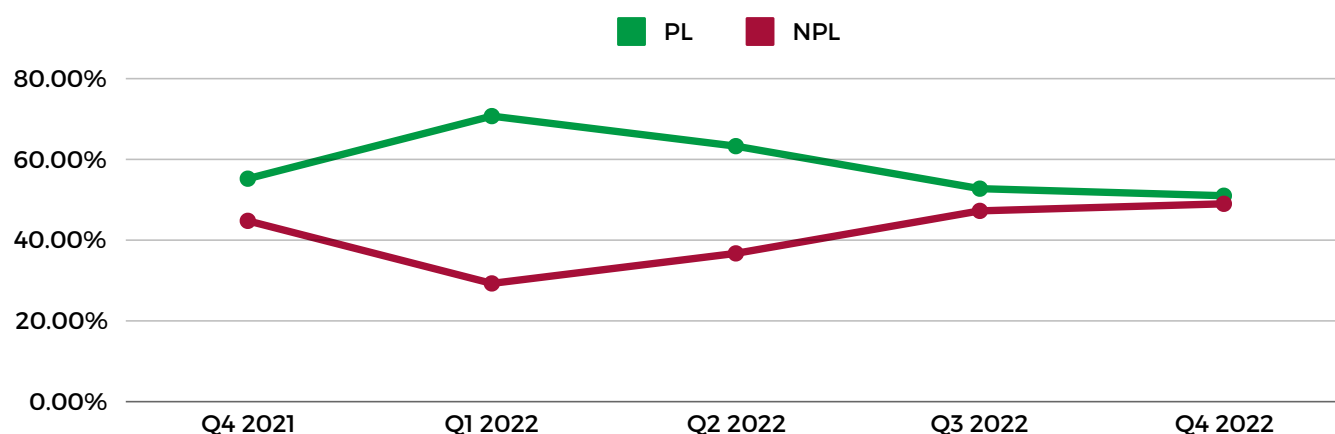


Figure E: BDB Loan Performance Chart 2022

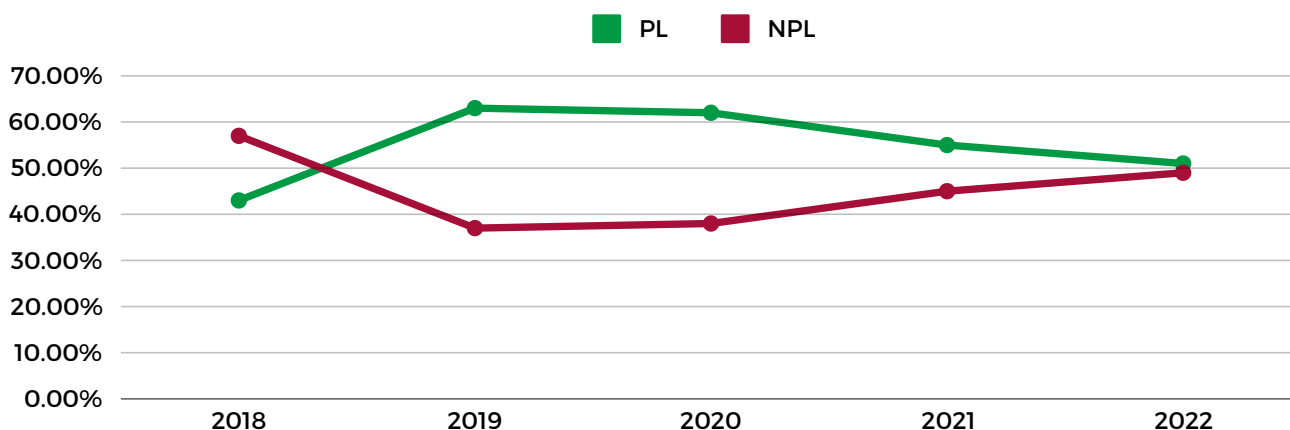


Figure F: BDB Loan Performance Chart 2018-2022

Process Improvement

During the reporting period, the bank took proactive steps to reinforce its commitment to responsible lending and sustainability by revising our delinquency, credit and ALICO policies as well as the developing or updating associated Standard Operating Procedures (SOPs).

New Policies, Procedures Manuals and Revisions approved in 2022

- Credit Policy [Revision]
- Liquidity Risk Management Policy
- Capital Adequacy Assessment Policy
- Interest Rate Assessment Policy
- Investment Management Policy
- Climate business Plan
- On - Granting Manual

One of the key initiatives in this regard was the development and implementation of a revised loan scorecard and Credit Risk Rating Matrix. This newly devised scorecard incorporates a comprehensive evaluation of borrowers' creditworthiness, which now includes a robust assessment of their alignment with the United Nations Sustainable Development Goals (SDGs) and their ability to contribute to improved financial sustainability.

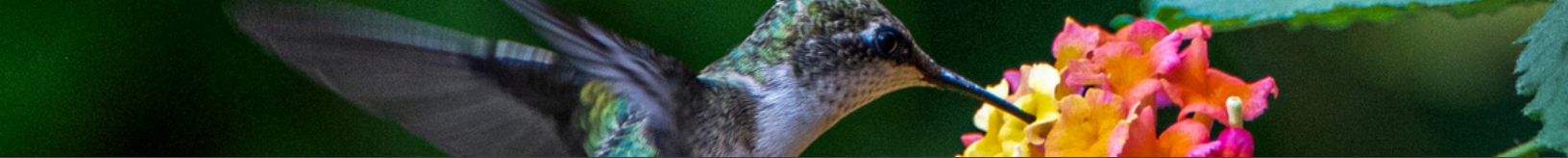
Credit Risk conducted training on these new frameworks to ensure that staff were aware of the impact on the loan adjudication process.

This strategic update to our credit evaluation process underscores our dedication to promoting economic growth that is in harmony with environmental and social objectives. By incorporating the SDGs and financial sustainability factors into our risk assessment, we aim to support projects and businesses that not only demonstrate sound financial prospects but also contribute to the long-term well-being of The Bahamas and its citizens.

Loan Scorecard

Primary Rating Factors		SELECT CRITERIA	SCORE	Weight	SCORE AS %
Financials - Level Review		Audited	10	5.00%	5.00%
Financial Ratios	Profitability	A. Better than industry ave. / improved over previous 12 months	10	5.00%	5.00%
	Liquidity	A. Better than industry ave. / improved over previous 12 months	10	5.00%	5.00%
	Efficiency	A. Better than industry ave. / improved over previous 12 months	10	5.00%	5.00%
	Solvency	A. Better than industry ave. / improved over previous 12 months	10	5.00%	5.00%
Financials - Ability to Service Loan Government Subsidy or Guarantee?		YES	10	10.00%	10.00%
FINANCIAL'S SCORE			60	35.00%	35.00%
CREDIT HISTORY SCORE		No payments past due	10	15.00%	15.00%
OPERATIONS/ MANAGEMENT	Age (Keyman)	18 - 35 years old	10	5.00%	5.00%
	Certification, Industry Experience	10 + years	10	5.00%	5.00%
	Succession Plan	YES	10	5.00%	5.00%
	Operational Plan	YES	10	5.00%	5.00%
MANAGEMENT SCORE			40	20.00%	20.00%
Secondary Rating Factors					
Collateral Pledged	Cover	100 PERCENT or more	10	10.00%	10.00%
	Type	Cash, Government or Approved Agency Guarantees	10	10.00%	10.00%
COLLATERAL SCORE			20	20.00%	20.00%
Tertiary Rating Factors					
Alignment with BDB Sector Targets: (Select)		Agriculture	10	2.00%	2.00%
Economic Impact	No. of Permanent Jobs Created	21 or more	10	2.00%	2.00%
	Direct Contribution to Economy (see Note 1)	\$801k and over	10	2.00%	2.00%
	Forex Savings (see Note 2)	\$601k and over	10	1.00%	1.00%
UN Sustainable Developmental Goals: (Select all that apply)					
Affordable & Clean Energy	Clean Water & Sanitation	Climate Action			
Decent Work & Economic Growth	Gender Equality	Good Health & Well-Being			
Industry, Innovation and Infrastructure	Life Below Water	No Poverty	20	2.00%	2.35%
Life on Land	Partnerships to achieve the Goal	Peace and Justice Strong Institutions			
Quality Education	Reduced Inequalities	Responsible Consumption & Production			
Sustainable Cities & Communities	Zero Hunger				
Sector Performance in BDB Portfolio		Minimal Risk	10	1.00%	1.00%
TERTIARY SCORE			70	10.00%	10.35%
OVERALL TOTAL SCORES			200	100.00%	100%

Maximum Approving Score & Score as %:	200	100.00%
Minimum Approving Score & Score as %:	105	52.50%
Failing Score & Score as %:	104	52.00%



HUMAN RESOURCES

The Human Resources department continued its commitment to staff and their well-being during the pandemic. HR maintained Safety-At-Work protocols previously established, arranged periodic complimentary Covid-19 testing (as needed), sanitization of workspaces, and managed work-from-home rotations throughout 2022.

Staffing Distribution

The Bahamas Development Bank had a staff complement of 46 in 2022. 83% of staff were based in New Providence. The distribution across departments is indicated in the figure below:

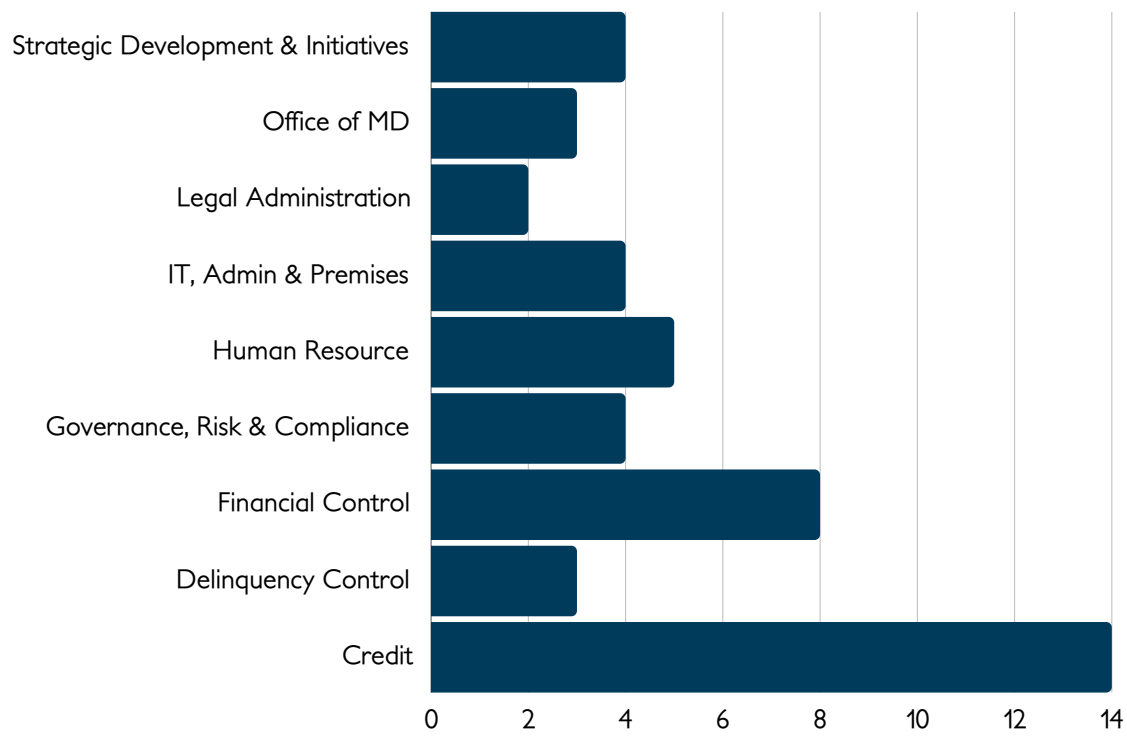


Figure H: BDB Distribution of Staff by Department for Year End 2022

Tenure

BDB staff tenure ranges with a significant portion of employees having 0-4 years of service, accounting for 33 individuals, while the longevity of service is also evident, as 5 staff members have been with the bank for 25-29 years, and 1 employee has surpassed the 30-year mark.

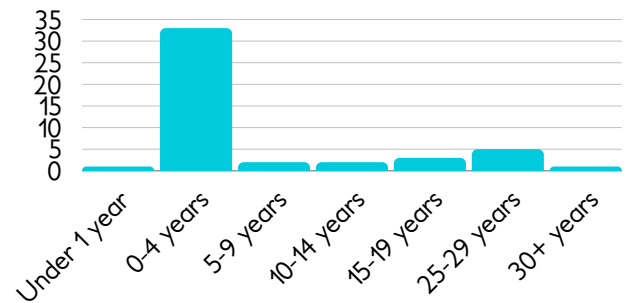


Figure I: Staff Tenure Distribution 2022

Structure

The Bank's organizational structure consists of multiple levels, with Level 6 being the most populous, comprising 15 individuals. It indicates a hierarchical framework with a total of 46 employees distributed across various levels, ensuring a well-structured and organized approach to the Bank's operations and management.

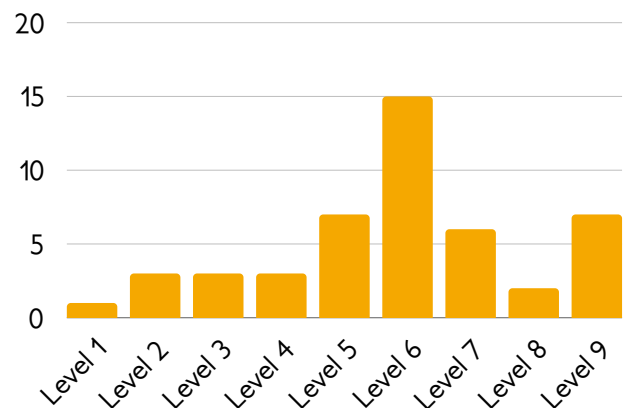


Figure J: Staff Organization Structure 2022

Age & Gender

BDB is an equal opportunity employer as reflected in our HR and Gender Policies. We have a zero-tolerance policy for discrimination and harassment that, along with our benefits and commitment to decent work under SDG Goal 8, makes BDB a great place to work in 2022. Many of our team members are under 35. Through committees and working groups, young people are cultivated to lead in their respective areas.

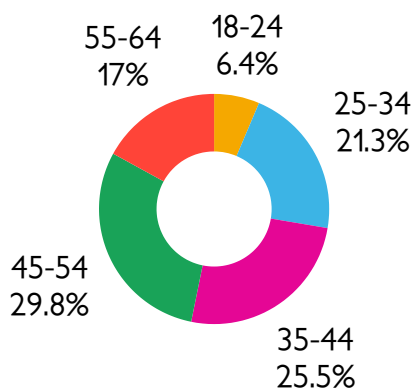


Figure K: Staff Age & Gender Distribution 2022

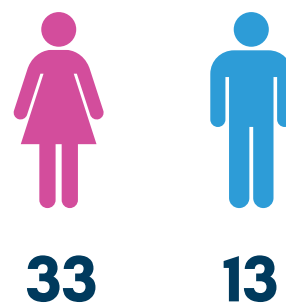


Figure L: Staff Age & Gender Distribution 2022



Learning and Growth

Life-long learning for BDB team members is considered critical at BDB. In 2022, we have continued to take steps to ensure that organizational experience and culture are transmitted through peer-to-peer learning and staff rotations. BDB introduced an e-learning platform for all staff in October 2022 that will allow them to complete courses online at their own pace. A total number of 66 persons completed courses in the platform since its launch in October.

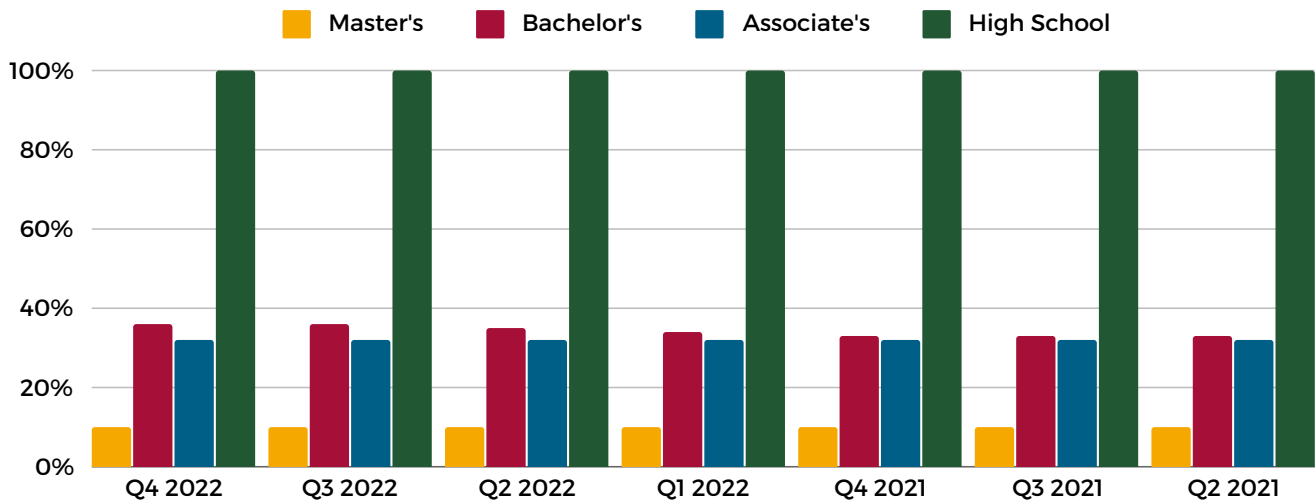


Figure M: Completed Education Level Among Staff Members

Staff Recognition

Employee of the Quarter

Every Quarter, The Bank highlighted employees that brought exceptional commitment and performance to their work.



Q1
Rashad McKenzie



Q2
Sade Hollingsworth



Q3
Karen Adderley



Q4
Tristan Nottage

BDB Employee's of the Quarter 2022

Employee of the Year

Sade Hollingsworth is our 2022 Employee of the Year. Sade's dedication, hard work, and exceptional contributions truly set her apart. Her unwavering commitment to our company's values and goals has made her an asset to the Bank. We are immensely proud of her achievements and look forward to witnessing her continued success. Congratulations, Sade!



Managing Director Higgs & Employee of The Year Sade Hollingsworth 2022

Manager of the Year

The Manager of the Year Award for 2022 went to Gidget Turnquest, Manager of Special Projects. Gidget has exceptional leadership skills, dedication, and an innovative approach. Gidget's exceptional contributions and unwavering support of our company's mission have made her an invaluable manager. We are thrilled to celebrate her well-deserved recognition and look forward to even greater accomplishments. Well done, Gidget, and thank you for your outstanding leadership!



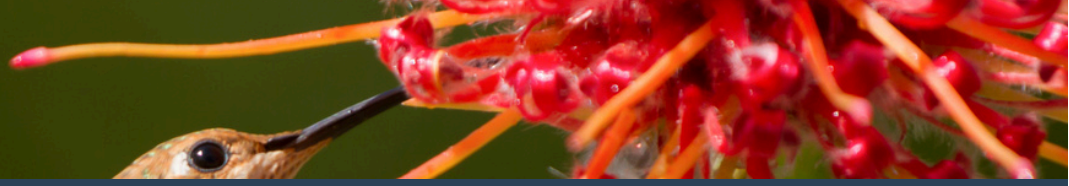
Chairman Lightbourne , Johnnieka Rolle & Manager of The Year Gidget Turnquest 2022

Hummingbird Award

The Hummingbird Award theme for the year 2022 was "Tenacity". Alicia Butler was selected as the deserving staff member this year because of her boundless energy, tireless dedication, and her ability to bring a touch of magic to every project. She is a true hummingbird in our team. We are thrilled to celebrate her with this well-deserved recognition, and we look forward to more of her amazing work and positive influence in the Bank. Way to go, Alicia!



Managing Director Higgs, Deputy Managing Director Dave Munroe, & Hummingbird Award Recipient Alicia Butler 2022



LEGAL

The Legal Department provides legal services and advice to the Bank and ensures that the activities and operations are consistent with relevant statutes and other legal instruments of the Bank. The Department continues to monitor and respond to regulatory developments to ensure that control functions and business lines are responsive on a timely basis and that business impacts, if any, are minimized.

During the year ending 2022, the Department was involved in a range of matters that arose during the ordinary course of business activities. These included active litigation, advice to various arms of the Bank, and review of legal instruments. Legal continues to work with the Assets Recovery Department to liquidate assets and recover on written-off loans. The department also reviews and attempts (where possible) to correct defective titles.





INFORMATION TECHNOLOGY & PREMISES

Information Technology

Software Upgrades

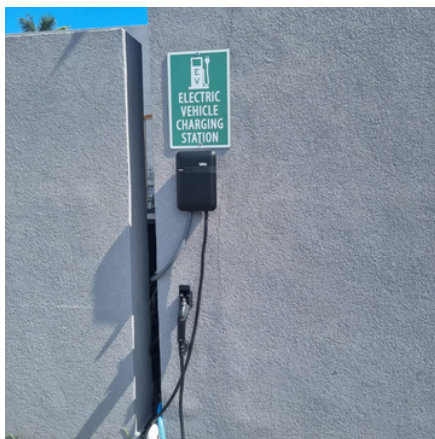
BDB has utilized Alpha Banking as its Loan Management System, since 2019 following end of product life cycle of previous loan management system Clareti Banking. On April 19th 2022 Highgate conducted a full day refresher training session with members of BDB staff following a system upgrade to Alpha 3.2. BDB staff banking operations attended Teller Poster Training, A team from Special Projects attended Collateral Management Module training, and IT staff were invited for the upgrade training as well as sitting in on the previous trainings mentioned. The IT team and Banking Operations department had several virtual meetings with Highgate this quarter in regards to updates on software changes/upgrades in Alpha.

Staffing

The IT department bolstered its capacity through the additional of of new staff member in the role of Technical Officer to assist in troubleshooting and other IT needs at BDB in the first quarter of 2023.

Premises

Green Charging Station



The Bahamas Development Bank has made public commitments to invest in the Green Economy. The placement of an on-site charger station is another act in solidifying our support for green industries and sustainable development.

This charging station located in an urban area provides not only provides charging access for individuals during their commute but serves as an educational/ talking piece for clients and visitors to the Bank.





GOVERNANCE, RISK, COMPLIANCE & CONTROL

Compliance

The Bank has made significant strides in seeking to rectify compliance-related legacy issues. Compliance Rates have improved significantly from 95% non-compliance to approximately 40% non-compliance as of 31 December 2022. This improvement exceeded the 50% non-compliance expectation from the previous year.

Internal Control

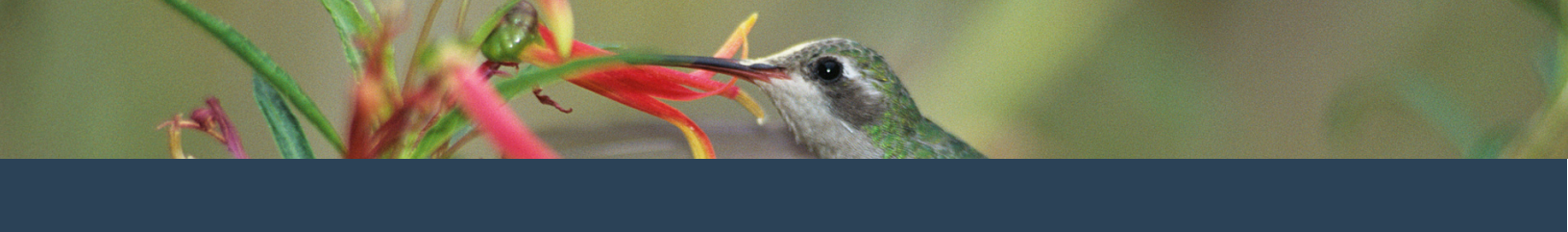
Existing Policies, procedures, and guidance notes are being updated and new notes are created consistently to ensure that the processes of the Bank are sufficiently documented and adequate for the Bank to execute its mandate.

In 2020, the Bank sought the services of an External Assessor to conduct a review on the efficiency and effectiveness of the following business processes and their related internal controls:

- 1.Loan Processing;
- 2.Financial Reporting;
- 3.Corporate Governance Structure and functionality; and
- 4.Internal Audit's compliance with the International Professional Practices Framework (IPPF).

Once completed, the final review report was issued to the Board of Directors. Management is actively working toward resolving a number of issues that were identified within the report. As of 31 December 2022, 72% of the findings that were raised during this review were resolved and updated within the Risk and Control Database that was developed in 2020 to assist with the risk management process.





There was no Annual Control Plan drafted for 2023 because of inadequate staffing resources. Once this issue is rectified, it is expected that all outstanding matter from 2022 and the prior years will be addressed with priority.

Projects & Initiatives

The Governance, Risk, and Control team focused keenly on projects surrounding client files and the information therein. In addition to ensuring that facility holder verification is being carried out, the Compliance Team is also assisting Credit Operations and Credit Risk with the credit Bureau Project by updating the Alpha Banking system with the relevant compliance information. This is to ensure that the Credit Bureau project is actioned in a timely manner and to ensure that the requirements for the Credit Bureau are met. The initial Credit Bureau review revealed an excess of 40,000 errors across all transits. The latest report that was received on 23 November 2022 included 3855 errors related to the Compliance Department. Since then, several meetings were held to discuss the accuracy of the data being reported to CRIF. It was concluded that multiple loans were identified as written off and matured that may need to be excluded from the data given the submission requirements for the portal.

Document Control

In 2019, The Bank took steps toward implementing a digital records management software (DRMS) that will make customer data readily available to relevant staff. Phase I of the implementation was completed in September 2020. The Bank has also invested in the necessary hardware that will facilitate quality image capture of the documents being scanned. The scanning of all active, delinquent, and non-accrual loans were completed on 21 October 2022. The scanning of written off files has commenced and is progressing slowly due to limited resources. We aim to have a minimum of 20% of the written off files completed by the 31 December 2023.



ASSET MANAGEMENT

Delinquency Control

The loan portfolio is the "Bank's" largest asset to date. As a result, an aggressive delinquency control mechanism was implemented to provide a strategic system whereby the Bank can continue providing credit to borrowers and collect revenue. Historically, the focus was on reducing delinquent accounts. In addition, an aggressive approach was taken to advertising properties. The Bank obtained updated appraisals and conducted site visits.

As of December 31, 2022, the NAL rate was 49.39% representing 140 accounts. Additionally, over \$96,000 was collected from the written-off portfolio.

Asset Liquidation

The Delinquency and Legal Departments jointly reviewed files to certify the legitimacy of distressed properties before advertising. As a result, by the end of the year, twenty-four properties were identified for advertising in the new year. These properties were located in Abaco, Grand Bahama and New Providence and are vacant land. The distressed properties listed will be on the Bank's social media platforms, BDB's website, and in the newspapers. During the year, one sale was completed, and several bids were received and pending at the year's close.



**NEW PROVIDENCE
VACANT PROPERTY
FOR SALE**

Tender Number #DPH50048

**PARCEL "B" BEING A
PART OF A LARGER
FIVE (5) ACRE
TRACK OF LAND**

Appraisal value: \$103,000





DIRECTIONS

Traveling east on Carmichael Road from Faith Avenue take the 3rd corner on left, Stewfish Road. The subject property is about 400ft through the corner on the right.

Contact us today!

bdb@bdb.gov.bs
www.bdb.gov.bs
(242) 702-5700





**GRAND BAHAMA
PROPERTY
FOR SALE**

Tender Number #GT0032

**HOLMES ROCK,
PROPERTY LOT "B"**

1 Acre

Appraisal value: \$36,950
Last Appraised Date: November 2022





DIRECTIONS

Traveling west along Queens Highway turn left onto access road for Holmes Rock. Then take the next right onto Quakoo Street. The subject property is on the right-hand-side (currently it is third structure on the right)

Contact us today!

bdb@bdb.gov.bs
www.bdb.gov.bs
(242) 702-5700





**NEW PROVIDENCE
VACANT PROPERTY
FOR SALE**

Tender Number #TD50045

UNION VILLAGE

7,000 Sq. Ft.

Appraisal value: \$63,000
Last Appraised Date: November 2022





DIRECTIONS

Traveling east on Wulff Road from Monroise Avenue take the 1st corner on right, Union Village Road. The subject property is the 5th lot through on the left.

Contact us today!

bdb@bdb.gov.bs
www.bdb.gov.bs
(242) 702-5700







AUDITED FINANCIALS



Audited Financial Statements

BAHAMAS DEVELOPMENT BANK

31 December 2022

BAHAMAS DEVELOPMENT BANK

Audited Financial Statements

31 December 2022

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INDEPENDENT AUDITORS' REPORT

To the Sole Shareholder and the Board of Directors of
BAHAMAS DEVELOPMENT BANK

Opinion

We have audited the financial statements of Bahamas Development Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2022, and the statements of comprehensive operations, changes in capital deficiency, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which indicates that the Bank incurred a total comprehensive loss of \$1,832,517 for the year ended 31 December 2022 and as of that date, the Bank's liabilities exceeded its assets by \$16,629,300. The Bank also had an accumulated deficit of \$72,324,552 as at 31 December 2022. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty, which may cast significant doubt about the Bank's ability to continue as a going concern, without the continued financial support of its Sole Shareholder, the Government of the Commonwealth of The Bahamas.

Key Audit Matters

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

To the Sole Shareholder and the Board of Directors of
BAHAMAS DEVELOPMENT BANK

Key Audit Matters (continued)

Provision for expected credit losses - \$292,901	
The risk	Our response
The existence and valuation of the Bank's loan receivables, comprising various loan types, is the key driver of the Bank's total assets and performance. As disclosed in Note 7 in the financial statements, the Bank's gross loan receivables including accrued interest amounted to \$21,011,447 and the related allowance for expected credit losses amounted to \$4,786,163 as at 31 December 2022. Provision for expected credit losses during the year amounted to \$292,901. The ownership, valuation, presentation, and disclosure of loan receivables are considered to be a key audit area due to the material financial impact of this asset class on the Bank's financial statements. We focused on these areas as a result of the complexity and estimation uncertainty of the Bank's judgment and assumptions, which significantly impacted the results of the ECL model.	As part of our audit procedures, we: • tested the completeness and accuracy of the input data used in the impairment model calculations; • involved our internal experts to assess and review the following: » methodology applied by the Bank in calculating the impairment provision to assess its consistency with the requirements of IFRS 9; » the "Expected Credit Loss ("ECL")" impairment model prepared by management, which included testing the appropriateness and reasonableness of key assumptions and judgments used. • for balances determined to be individually impaired, we tested a sample to assess the reasonableness of management's estimated provisions; and • checked the appropriateness of the disclosures made in relation to the impairment of loan receivables included in these financial statements.
Assets under administration and principal versus agent relationship	
The risk	Our response
The Bank enters into different types of contracts with different partner organizations and recognizes revenue from agency services transactions, as disclosed in Note 25 in the financial statements. IFRS 15, <i>Revenue from Contracts with Customers</i>, requires Management to apply judgment, regarding the nature, amount, and timing of revenue recognition, when assessing the Bank's contracts with the various organizations and when assessing whether the Bank acts as a principal or an agent in these transactions. The assessment of whether the Bank acts as a principal or an agent affects whether revenue is presented on a gross or net basis. The assessment regarding the timing of revenue recognition determines whether revenue is recognized in the appropriate period.	Our procedures included gaining an understanding of the revenue recognition process, performing a walkthrough of the different revenue types, and evaluating the design of controls in this area. We assessed the revenue recognition policy based on IFRS 15, in particular where management applied judgment, including the principal versus agent assessment, and examined whether revenue is recognized in accordance with the Bank's revenue recognition policy. We also inspected a sample of revenue transactions to assess the accrual-based recognition made by the Bank. In addition to substantive audit procedures, we performed database analytical procedures based on the Bank's underlying journal entries.

Key Audit Matters (continued)

Remeasurement of net defined benefit obligation - \$338,383	
The risk	Our response
An independent actuarial valuation of the Bank's defined benefit pension plan obligation was performed for the year ended 31 December 2022. The actuary used the significant actuarial assumptions for the determination of the defined benefit obligation as at 31 December 2022. The significant assumptions are the discount rate and the mortality rates. The mortality rates were based on the 1994 Group Annuity Mortality Table of the probability of death within 1 year. The present value of the defined benefit pension obligation was measured using the projected unit credit method. As disclosed in Note 22 in the financial statements, the Bank's net defined benefit pension plan obligation amounted to \$473,224, which is the net of plan assets of \$400,000, and the Remeasurement of net defined benefit liability, and net interest expense amounted \$338,383, and \$12,768 respectively. The valuation, presentation, and disclosure of net defined pension plan obligation are considered to be a key audit area due to the material financial impact of this liability class on the Bank's financial statements. We focused on these areas as a result of the complexity and estimation uncertainty of the Bank's judgment and assumptions, which significantly impacted the results of the actuarial valuation model.	As part of audit procedures, we: • evaluated whether the actuary has the necessary competence, capabilities, and objectivity of the auditor's expert works; • obtained an understanding of the field of the expertise of the actuary; • evaluated the use of the significant actuarial assumptions, and the relevance and reasonableness of those assumptions and methods in the circumstances; • performed an independent calculation of the net interest expense, and referred to IAS 19, to ensure the calculation is in accordance with the standard; • checked the appropriateness of the disclosures made in relation to the remeasurement of defined benefit pension plan obligations included in these financial statements.

Other information

Management is responsible for the other information. The other information comprises the Bahamas Development Bank Annual Report 2022 (but does not include the Bank's 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 Bank's financial statements does not cover the other information and as such, we did not express any form of assurance conclusion thereon.

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

When we read the Bahamas Development Bank 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.

To the Sole Shareholder and the Board of Directors of
BAHAMAS DEVELOPMENT BANK

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

To the Sole Shareholder and the Board of Directors of
BAHAMAS DEVELOPMENT BANK

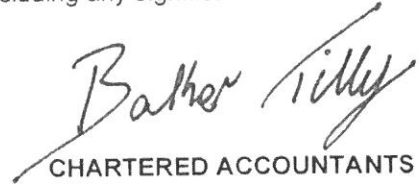
Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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, related safeguards.

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 controls that we identify during our audit.

21 September 2023

Nassau, The Bahamas


CHARTERED ACCOUNTANTS

BAHAMAS DEVELOPMENT BANK

Statement of Financial Position
(Expressed in Bahamian dollars)

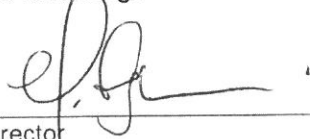
31 December 2022

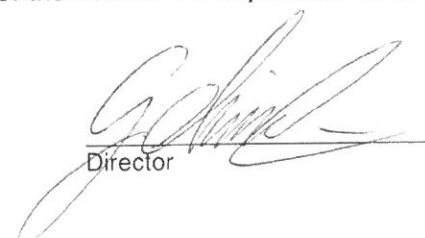
	Notes	2022 \$	2021 \$
ASSETS			
Cash and cash equivalents	5, 27	3,281,983	2,460,100
Investments, at amortized cost	6, 27	3,025,575	6,970,654
Loans receivable, net	7, 27	16,225,284	15,668,074
Due from the Bahamas Government	14, 24, 27	2,742,702	1,960,908
Interest receivable, net	6, 27	65,027	503,143
Prepayments and other assets	8, 27	360,540	280,684
Right-of-use asset	23	103,376	140,966
Fixed assets, net	9	3,247,839	3,427,160
TOTAL ASSETS		29,052,326	31,411,689
LIABILITIES AND CAPITAL DEFICIENCY			
LIABILITIES			
Customer deposits	10, 25, 27	1,154,168	1,633,852
Accounts payable and accrued expenses	11, 24, 27	1,863,627	1,463,961
Lease liability	23, 27	108,448	144,678
Bonds payable	12, 27	4,000,000	4,000,000
Loans payable	13, 27	37,386,820	39,031,896
Interest payable	10, 12, 13, 27	695,339	720,866
Defined benefit pension plan obligation	22, 27	473,224	192,341
Total liabilities		45,681,626	47,187,594
CAPITAL DEFICIENCY			
Share capital	15	28,960,255	28,960,255
Contributed surplus	15, 24	26,800,252	25,821,130
Reserve fund	16	273,128	273,128
Other components of equity	22	(338,383)	-
Accumulated deficit	2	(72,324,552)	(70,830,418)
Total capital deficiency		(16,629,300)	(15,775,905)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		29,052,326	31,411,689

COMMITMENTS AND CONTINGENCIES

23

These financial statements were approved on behalf of the Bank on 21 September 2023 by the following:


Director


Director

See accompanying notes. Independent Auditors' Report pages 1 through 5.

BAHAMAS DEVELOPMENT BANK

Statement of Comprehensive Operations
(Expressed in Bahamian dollars)

Year ended 31 December 2022

	Notes	2022 \$	2021 \$
INTEREST INCOME			
Loans	7	853,390	629,706
Investments	6	226,474	352,276
Interest subsidy	14, 24	304,382	280,386
Deposits	5	2,322	2,784
Total interest income		1,386,568	1,265,152
Interest expense	10, 12, 13	(1,631,052)	(1,691,303)
NET INTEREST LOSS		(244,484)	(426,151)
LOAN RECOVERY	7	90,667	248,631
OTHER INCOME	17, 24	670,365	357,272
TOTAL INCOME, net of interest expense		516,548	179,752
NON-INTEREST EXPENSES			
Staff costs	19, 21, 24	3,179,469	2,655,344
General and administrative costs	20	1,226,309	1,173,210
Write-off of interest receivable	6	396,326	-
Provision for expected credit losses	7	292,901	1,662,575
Depreciation and amortization of fixed assets	9	235,475	286,016
Amortization of right-of-use asset	23	37,590	38,207
Loss on sale of investments in Bahamas government registered stocks	6	169,003	-
Total non-interest expenses		5,537,073	5,815,352
NET LOSS BEFORE GOVERNMENT SUBSIDY		(5,020,525)	(5,635,600)
GOVERNMENT SUBSIDY	18, 24	3,526,391	3,488,844
NET LOSS FOR THE YEAR		(1,494,134)	(2,146,756)
OTHER COMPREHENSIVE LOSS			
Remeasurement of net defined benefit obligation	22	(338,383)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,832,517)	(2,146,756)

See accompanying notes. Independent Auditors' Report pages 1 through 5.

BAHAMAS DEVELOPMENT BANK

Statement of Changes in Capital Deficiency
(Expressed in Bahamian dollars)

Year ended 31 December 2022

	Notes	Share Capital	Contributed Surplus	Reserve Fund	Other components of equity	Accumulated Deficit	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 January 2021		28,960,255	25,821,130	273,128	-	(68,683,662)	(13,629,149)
Total comprehensive loss for the year		-	-	-	-	(2,146,756)	(2,146,756)
Balance at 31 December 2021		28,960,255	25,821,130	273,128	-	(70,830,418)	(15,775,905)
Additional capital contribution during the year	15	-	979,122	-	-	-	979,122
Net loss for the year		-	-	-	-	(1,494,134)	(1,494,134)
Other comprehensive loss		-	-	-	-	-	-
Remeasurement of net defined benefit obligation	22	-	-	-	(338,383)	-	(338,383)
Balance at 31 December 2022	15, 16	28,960,255	26,800,252	273,128	(338,383)	(72,324,552)	(16,629,300)

See accompanying notes. Independent Auditors' Report pages 1 through 5.

BAHAMAS DEVELOPMENT BANK

Statement of Cash Flows
(Expressed in Bahamian dollars)

Year ended 31 December 2022

	Notes	2022 \$	2021 \$
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Total comprehensive loss for the year		(1,494,134)	(2,146,756)
Adjustments for non-cash items:			
Interest income - loans	7	(853,390)	(629,706)
Interest income - investments	6	(226,474)	(352,276)
Interest income - subsidy	14	(304,382)	(280,386)
Interest income - deposits	5	(2,322)	(2,784)
Interest expense - lease liability	23	5,770	4,347
Interest expense - bonds payable	12	170,000	170,000
Interest expense - loans payable	13	1,461,016	1,521,006
Interest expense - customer deposits	10	36	297
Net interest on defined benefit pension plan obligation	22	12,768	42,493
Provision for expected credit losses	7	292,901	1,662,575
Depreciation and amortization of fixed asset	9	235,475	286,016
Amortization of right-of-use asset	23	37,590	38,207
Loss on sale of investments in Bahamas government registered stocks	6	169,003	-
Write off of interest receivable	6	396,326	-
Changes in operating assets and liabilities:			
Increase in loans receivable, gross		(781,894)	(2,269,363)
(Increase) decrease in prepayments and other assets		(77,534)	75,838
(Decrease) increase in customer deposits		(479,684)	248,492
Increase in accounts payable and accrued expenses		399,666	770,558
Increase in defined benefit pension plan obligation		18,000	44,975
Cash used in operations		(1,021,263)	(816,467)
Interest received from loans		785,173	781,206
Interest received from investments		267,894	265,370
Interest paid on bonds payable		(170,000)	(539,639)
Interest paid on loans payable	13	(1,486,543)	(1,143,044)
Interest paid on customer deposits		(36)	(108)
Benefits paid to the pensioners	22	(88,268)	(88,268)
Net cash used in operating activities		(1,713,043)	(1,540,950)
INVESTING ACTIVITIES			
Proceeds from maturity of fixed deposits	6	1,945,451	3,581,428
Proceeds from redemptions of investment in BGRS	6	1,830,995	-
Purchases of investments at amortized cost	6	-	(50,000)
Acquisitions of fixed assets	9	(56,154)	(1,083,573)
Net cash provided by investing activities		3,720,292	2,447,855
FINANCING ACTIVITIES			
Repayments of loans during the year	13	(1,645,076)	(1,135,588)
Lease payments during the year	23	(42,000)	(42,000)
Increase in due from the Bahamas Government		(477,412)	(971,051)
Additional capital contribution received during the year		979,122	-
Net cash used in financing activities		(1,185,366)	(2,148,639)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		821,883	(1,241,734)
Cash and cash equivalents, beginning of the year		2,460,100	3,701,834
CASH AND CASH EQUIVALENTS, END OF THE YEAR	5, 27	3,281,983	2,460,100

See accompanying notes. Independent Auditors' Report pages 1 through 5.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

1. GENERAL INFORMATION AND NATURE OF OPERATIONS

Bahamas Development Bank ("the Bank") was incorporated in accordance with the Bahamas Development Bank Act 1974 ("the Act") to carry on banking business in The Bahamas. The Bank is wholly owned by the Government of the Commonwealth of The Bahamas ("the Government").

The principal activities of the Bank are:

- to promote industrial, agricultural, and commercial development in the Commonwealth of The Bahamas through the financing of, or investing in approved enterprises;
- to encourage the participation in approved enterprises by citizens of the Commonwealth of The Bahamas; and
- generally to promote and enhance the economic development of the Commonwealth of The Bahamas.

The Bank is the Government's primary provider for promoting industrial, agriculture, and commercial development, facilitating participation in approved enterprises while stimulating and enhancing the economic development of The Bahamas.

The Bank officially commenced its operations on 30 March 1978. The Bank's registered head office is located at Robinson Road & Key West Street, Nassau, The Bahamas. As at 31 December 2022, the Bank had one (1) branch (2021: one (1)) located in Freeport, Grand Bahama Island.

2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND GOING CONCERN ASSUMPTION

The Bank's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are expressed in Bahamian dollars ("B\$"), the Bank's functional currency. All amounts have been rounded to the nearest dollar, except when otherwise indicated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going concern assumption and impact of Novel Coronavirus 2019 ("COVID-19") pandemic and global economic crisis

These financial statements are prepared on a going concern basis, as the Bank's directors and management are satisfied that the Bank has the ability to continue in business for the foreseeable future with the continued assistance of the Government of The Bahamas. 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. These considerations include the impact that the global COVID-19 pandemic has had and continue to have, on the Bank's operations.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND GOING CONCERN ASSUMPTION (continued)

Going concern assumption and impact of Novel Coronavirus 2019 ("COVID-19") pandemic and global economic crisis (continued)

In March 2020, the World Health Organization declared a pandemic with regard to the global outbreak of COVID-19, which resulted in Governments around the world issuing directives, and establishing quarantine measures in their respective jurisdictions, to help manage and control the spread of the virus. As a result, global markets experienced significant declines in value resulting from uncertainty caused by the pandemic.

Despite the economic impact of the coronavirus pandemic, the global inflation rate fell to 3.23% in the pandemic's first year, before rising to 4.7% in 2021. This increase came as the impact of supply chain delays began to take more of an effect on consumer prices before the Russia-Ukraine war exacerbated this further. A series of compounding issues such as rising energy and food prices, fiscal instability in the wake of the pandemic, and consumer insecurity have created a new global recession, and global inflation in 2022 is estimated to have reached 8.75%. This is the highest annual increase in inflation since 1996. As a result of global inflation, the central banks around the world including the US Federal Reserve and the Bank of England, have raised interest rates during the year.

These changes impact the livelihood of the people, including the customers, suppliers, and employees of the Bank.

The ongoing impact on the Bank's operations and financial statements during the year are as follows:

Financial Statement area	Description of Impact
Bank's operations and organizational changes	The Bank continues to seek funding from other financial institutions such as the Green Climate Fund ("GCF"), Caribbean Development Bank ("CDB"), Inter-American Development Bank ("IDB"), etc. The Bank also continues to depend on funding from The Government which appointed a new board of directors, which commenced in February 2022.
Cash and deposits with banks including fixed deposits and related income.	The Bank withdrew the funds from its matured fixed deposits, redeemed several of its investments, and redeemed some of the Bahamas Government Registered Stocks at a discounted price to meet the working capital requirements. Customer deposits are constant and some of the loans receivable accounts were settled in full. The Bank liquidated some of the collateral to get such loans to be settled. In September 2023, the Government's Cabinet, via ICO 37 (23) Conclusion 1, welcomed and supported the following for the recapitalization of the Bank, as follows: • The borrowing for both \$20 million from the European Investment Bank ("the EIB") and \$30 million from the African Export-Import Bank ("the AFREXIM") for the purpose of recapitalizing the Bank, with the expectation that the Bank will repay

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

2. STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND GOING CONCERN ASSUMPTION (continued)

Going concern assumption and impact of Novel Coronavirus 2019 ("COVID-19") pandemic and global economic crisis (continued)

Financial Statement area	Description of Impact
Cash and deposits with banks including fixed deposits and related income. (continued)	• The recommendation for the Government of The Bahamas to take on both loan facilities directly; and • Approval for the Ministry of Finance facilitating both loans with the purpose of recapitalizing the Bank.
Loans receivable	The Bank continues to approve and disburse new loans. The Bank adjusted the allowance for expected credit loss as an amount due to the COVID-19 pandemic and has since resumed the collection efforts.
Staff costs	Staff salaries and other benefits increased due to the hiring of additional staff and key management personnel.
Other expenses	The Bank's technology capital expense increased as most of the staff worked from home during the past 12 months. In addition, the Bank incurred a significant amount of expenses to ensure that its staff are in a safe and healthy environment on a consistent basis. (Security, sanitizing, cleaning and testing, etc.).

These factors negatively impacted the Bank's results of operations and increased the provision for loan impairment and expected credit loss expenses in both years 2022 and 2021. As a result, the Bank incurred a total comprehensive loss of \$1,832,517 for the year ended 31 December 2022 (2021: \$2,146,756) and, as of that date, the Bank's liabilities exceeded its assets by \$16,629,300 (2021: \$15,775,905) and had an accumulated deficit of \$72,324,552 as at 31 December 2022 (2021: \$70,830,418).

However, the directors and management are satisfied that the Bank is currently a going concern and that the preparation of these accounts on that basis is appropriate since the Bank continues to receive financing from the government of The Bahamas. The Bank will continue to rely on the Government's support in the foreseeable future.

3. NEW OR REVISED STANDARDS OR INTERPRETATIONS

New and revised standards that are effective for annual periods beginning on or after 1 January 2022:

The Bank has adopted the following new interpretations, revisions, and amendments to IFRS issued by the IASB, which are relevant to and effective for the Bank's financial statements for the annual period beginning 1 January 2022:

- Reference to the Conceptual Framework (Amendments to IFRS 3);
- COVID-19 Rent Related Concessions (Amendments to IFRS 16);

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

3. NEW OR REVISED STANDARDS OR INTERPRETATIONS (continued)

New and revised standards that are effective for annual periods beginning on or after 1 January 2022: (continued)

- Property, Plant, and Equipment: Proceeds Before Intended Use (Amendments to IAS 16);
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements (2018-2020 Cycle):
 - Subsidiary as a First-time Adopter (Amendments to IFRS 1);
 - Fees in the "10 percent" Test for Derecognition of Liabilities (Amendments to IFRS 9);
 - Lease Incentives (Amendments to IFRS 16);
 - Taxation in Fair Value Measurements (Amendments to IAS 41).

These amendments do not have a significant impact on the Bank's financial statements and therefore disclosures have not been made.

Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Bank. Information on those expected to be relevant to the Bank's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations, and amendments not either adopted or listed below are not expected to have a material impact on the Bank's financial statements.

- IFRS 17, *Insurance Contracts*;
- Amendments to IFRS 17, *Insurance Contracts* (Amendments to IFRS 17 and IFRS 4);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12);
- Disclosure of Accounting Policies (Amendments to IAS 1); and
- Definition of Accounting Estimates (Amendments to IAS 8).

These amendments are not expected to have a significant impact on the Bank's financial statements in the period of initial application and therefore the disclosures have not been made.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of Financial Statements

The Financial Statements are presented in accordance with IAS 1, *Presentation of Financial Statements* (Revised 2007). The Bank has elected to present the "Statement of Comprehensive Operations" in one statement.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management's use of estimates and judgments

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

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

The following presents a summary of these significant estimates and judgments:

Estimates

Estimation of provision for expected credit losses on loans receivable

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 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 are also required in applying the accounting requirements for measuring ECL, such as:

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

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management's use of judgments and estimates (continued)

Estimates (continued)

Estimation of provision for expected credit losses on loans receivable (continued)

The level of estimation uncertainty and judgment for the calculation of ECL has increased as a result of the economic effects of the COVID-19 pandemic. An explanation of the inputs, assumptions, and estimation techniques used in measuring ECL is further detailed in Note 27.

Provision for expected credit losses incurred during the year amounted to \$292,901 (2021: \$1,662,575). The carrying values of the Bank's loans receivables, net of allowance for expected credit losses as at 31 December 2022 amounted to \$16,225,284 (2021: \$15,668,074).

Estimation of useful lives of fixed assets

The Bank estimates the useful lives of its fixed assets based on the period over which the assets are expected to be available for use. The estimated useful lives of the fixed assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of the fixed assets is based on the collective assessment of industry practice, internal technical evaluation, and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts of the timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Net carrying values of fixed assets amounted to \$3,247,839 as at 31 December 2022 (2021: \$3,427,160).

Fair value of financial instruments

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 a three-level hierarchy as disclosed in the notes to the financial statements.

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 Bank's financial statements.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management's use of estimates and judgments (continued)

Judgments

Taxation

Under the current system of taxation in The Bahamas, the Bank is not liable to pay income taxes, capital gains, and withholding taxes. However, the Bank is liable to pay Value Added Tax ("VAT") related to revenues, if vatable, and is generally payable to the tax authorities on an accrual basis. On 1 January 2015, the VAT Bill and Regulations became effective in the Commonwealth of The Bahamas. Effective 1 July 2018, the VAT Bill and Regulations were amended, changing the standard rate of VAT from 7.5% to 12%. On 1 January 2022, the standard rate of VAT again changed from 12% to 10%. Input VAT incurred on local purchases is offset against the output VAT, subject to certain restrictions, against VAT-related revenues, or can be reclaimed in cash from the tax authorities under certain circumstances.

Income that is subject to tax is recognized as gross of the taxes and the corresponding withholding tax is recognized as an expense in the statement of comprehensive operations. No other taxes are applicable to the Bank.

Operating lease commitments - Bank as a lessee

For any new contracts entered into on or after 1 January 2021, the Bank considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- The Bank has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; or
- The Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

The Bank has elected to account for short-term leases and leases of low-value assets using practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in the statement of comprehensive operations on a straight-line basis over the lease term. The Bank has entered into an operating lease for its Freeport, Grand Bahama branch for a term of three (3) years and has accounted for a Right-of-use asset and lease liability during the lease term (see Note 23).

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management's use of estimates and judgments (continued)

Judgments (continued)

Principal versus agent considerations

The Bank enters into a memorandum of understanding ("MOU") and / or agency services agreements with different government agencies ("the Program Sponsors") - e.g., the Ministry of Finance ("MOF"), Small Business Development Center ("SBDC"), and Ministry of Labor and National Insurance. Under these MOUs and agency services agreements, the Bank determined that it does not control the services before they are transferred to the program beneficiaries.

These programs are loans and subsidies to specific parties as outlined in their respective programs. In prior years, these transactions are not recorded in the Bank's financial statements, except for the Executing Agency Services - Mailboat Service Contract Payments program. The Bank represents that these transactions - e.g., receipts and disbursements of funds are not recorded in the Bank's financial statements as the Bank is only acting as administrator or an agent of the Program Sponsors.

The following factors indicate that the Bank does not control the services before they are transferred to customers:

- The Bank does not carry the credit risk for these loans and has not evaluated and recorded impairment on these loans in the Bank's financial statements.
- The Bank earns an administration fee for administering these programs; however, the Bank has no discretion in establishing the price for the specified service.

Therefore, the Bank determined that it is an agent in these contracts. The details of the different programs are disclosed in Note 25 to these financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks, together with term deposits, which are short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Investments at amortized cost

These investments include deposits or reserves required by the terms of any agreement entered by the Bank. Restrictions may include legally restricted deposits held as compensating balances against short-term and/or long-term borrowing arrangements, contracts entered into with others, or company statements of intention with regard to particular deposits.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, canceled, or expired.

Classification and initial measurement of financial assets

Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, *Revenue from Contracts with Customers*, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Bank had no financial assets categorized as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognized in the statement of comprehensive operations are presented within net interest loss and provision for expected credit losses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Subsequent measurement of financial assets (continued)

Financial assets at amortized cost (continued)

As at 31 December 2022, the Bank's cash and cash equivalents, investments, at amortized cost, loans receivable, due from the Bahamas Government, interest receivable net, and other assets fall into this category.

Impairment of loans receivable

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses - the "expected credit loss ("ECL") model". This replaces IAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15, and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead, the Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1");
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2"); and
- "Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. "12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Impairment of other assets

The Bank makes use of a simplified approach in accounting for other assets and records the loss allowance as lifetime expected credit losses. Assessment of expected credit losses is made for accounts especially identified to be doubtful of collection.

The level of the allowance is evaluated by management on the basis of factors that affect the collectability of the accounts such as the length of the relationship with the debtor, credit status of debtor based on third party reports, and historical experience and over a 12-month period.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and subsequent measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method, except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of comprehensive operations are included within interest expense.

The Bank's financial liabilities include customer deposits, accounts payable and accrued expenses, lease liability, bonds payable, loans payable and interest payable which are measured at amortized cost using the effective interest rate method. Discounting, however, is omitted where the effect of discounting is immaterial.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or has expired. 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, and the difference in the respective carrying amounts is recognized in the statement of comprehensive operations.

Fixed assets

Fixed assets are initially recognized at cost less depreciation in the statement of financial position. Cost includes the value of consideration exchanged, or fair value in the case of donated or subsidized assets, and those costs directly attributable to bringing the item to working condition for its intended use.

Subsequent expenditure relating to an item of fixed asset is capitalized to the initial cost of the item when the expenditure increases the economic benefits over the life of the item or where that expenditure was necessarily incurred to enable the future economic benefits to be obtained and the expenditure would have been included in the initial cost of the item had the expenditure has been incurred at the time of acquisition.

All other subsequent expenditures are expensed in the period in which they are incurred. Depreciation is computed on a straight-line basis using the following estimated useful lives:

Building and building improvements	-	30 years
Furniture, fixtures & improvements	-	10 years
Motor vehicles	-	5 years
Computer software and equipment	-	5 years
Office machines & equipment	-	5 years

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets (continued)

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to operations.

Impairment of non-financial assets

An assessment is made at each statement of the financial position date to determine whether there is any indication of impairment of any assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the assets' recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount, in which case the impairment is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years.

A reversal of impairment loss is credited to the statement of comprehensive operations.

Right-of-use asset and leases

Bank as a lessee

Measurement and recognition of leases as a lessee

At the lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

BAHAMAS DEVELOPMENT BANK

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31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use asset and leases (continued)

Bank as a lessee (continued)

Measurement and recognition of leases as a lessee (continued)

Subsequent to the initial measurement, the liability will be reduced for payments made. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets and lease liability are presented as separate line items (see Note 23).

Customer deposits

Customer deposits are recognized when the Bank has a legal or constructive obligation as a result of past events, and it is probable that a payment will be required to settle the obligation.

Loans payable

Loans payable are long-term loans and initially recognized at fair value, net of issue costs incurred, and are subsequently recognized at amortized cost. Any difference between net proceeds and the redemption value is recognized in the statement of comprehensive operations over the period of the borrowing using the effective interest method.

Bonds payable

Bonds payable are initially recognized at fair value, net of issue costs incurred, and are subsequently recognized at amortized cost. Any difference between net proceeds and the redemption value is recognized in the statement of comprehensive operations over the period of the borrowing using the effective interest method.

Income and expenses

Income arises mainly from the fees earned in providing administration and corporate services. Typically, fees are billed once they are earned and therefore there is no contractual obligation or pre-payment of fees beyond this time frame.

To determine whether to recognize revenue, the Bank follows a 5-step model:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue when/as a performance obligation(s) are satisfied.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income and expenses (continued)

The Bank often enters into transactions involving a range of the Bank's services such as interest income, fees, and commissions income.

In all cases, the total transaction price for services rendered is allocated amongst the various services performed and based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Income is recognized either at a point in time or over time, when (or as) the Bank satisfies performance obligations by transferring the promised goods or services to its customers.

Interest income and expense are recognized using the effective interest method. Interest subsidy is recognized as income in the period in which the conditions attached to them have been satisfied. These amounts are presented as gross in the statement of comprehensive operations.

Interest on loans

Interest on loans is accrued and credited to income based on the principal amount outstanding. Interest income is only accrued on performing loans. The Bank considers those loans with arrears amounting to less than three (3) months of normal activity as performing.

Accrual of interest on loans classified as non-performing is discontinued and previously recorded, but unpaid interest is reversed and charged against current operations.

Interest income on non-performing loans is recognized only when received or when the loan is refinanced and projected cash proceeds are deemed sufficient to repay both principal and interest.

Other income and expense

Other income and expenses are recognized on an accrual basis.

Government subsidy

The Government of the Commonwealth of The Bahamas, on their mandate, decided to grant some amount of funds to meet the principal and interest repayments of the loans, and bonds of the Bank, and the funds were granted in four (4) tranches during the year. The Bank recorded the subsidy as a separate line item in the statement of comprehensive operations, and recognized on an accrual basis.

Provisions, contingent liabilities, and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Bank and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted in legal disputes or onerous contracts.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions, contingent liabilities, and contingent assets (continued)

Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Defined contribution pension plan

The Bank pays fixed contributions to an independent entity in relation to a pension plan for its qualified employees. The Bank has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the statement of comprehensive operations in the period that relevant employee services are received.

Defined benefit pension plan

The Bank continues to administer the Defined Benefit Pension Plan for existing retirees. The members will be paid monthly pension and lump sum benefits in accordance with the rules of the Defined Benefit Retirement Plan.

The cost of providing such benefits is determined using the projected unit credit method, with actuarial valuations being carried out on a regular basis. Remeasurements are recognized in other comprehensive income when they occur. Past service cost is recognized immediately in the period of a plan amendment or curtailment.

The asset or liability amount recognized in the statement of financial position represents the present value of the defined benefit obligation at the end of the reporting period less, the fair value of plan assets.

The Bank estimates the defined benefit pension plan obligation frequently with the assistance of independent actuaries. This is based on discounting factors and mortality. The discount factor is determined close to the end of the reporting period by reference to yields on recently issued long-term Bahamas Government Registered Stocks that are denominated in the BSD in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.

Net interest expense on the net defined benefit liability is included in General and administrative costs. Losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive loss and are not reclassified to the statement of comprehensive operations in subsequent periods.

Related party transactions

Transactions between related parties are based on terms similar to those offered to non-related parties.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related party transactions (continued)

The parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Foreign currency transactions

Transactions in currencies other than Bahamian dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of the financial position date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Gains and losses arising from translation are included in the statement of profit or loss.

Events after the reporting period

Events after the reporting period that provide additional information about the Bank's position at the reporting date (adjusting event) are reflected in the financial statements. Post-reporting date events that are not adjusting events, if any, are disclosed when material to the Bank's financial statements.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2022 are comprised of the following:

	2022	2021
	\$	\$
Cash at banks	2,718,459	1,897,141
Term deposit	561,224	560,659
Cash on hand	2,300	2,300
	3,281,983	2,460,100

The Bank earns interest on the term deposit at prevailing market interest rates. The average rate during the year ended 31 December 2022 was 0.30% (2021: 0.10%). Cash at banks does not earn interest. During the year, interest income earned and received on the term deposit amounted to \$2,322 (2021: \$2,784).

6. INVESTMENTS, AT AMORTISED COST

Investments, at amortized cost as at 31 December 2022 comprised of the following:

	2022	2021
	\$	\$
Fixed deposits	50,375	1,995,454
Bahamas Government Registered Stocks ("BGRS")	2,975,200	4,975,200
	3,025,575	6,970,654

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6. INVESTMENTS, AT AMORTISED COST (continued)

The restricted and unrestricted portions of the investments as at 31 December 2022 are broken down as follows:

	2022	2021
	\$	\$
Unrestricted funds	1,705,575	5,650,654
Restricted sinking fund	1,270,000	1,270,000
Restricted fixed deposit - corporate credit card collateral	50,000	50,000
	3,025,575	6,970,654

Movements in investments, at amortized cost during the year are as follows:

	2022	2021
	\$	\$
Balance, beginning of the year	6,970,654	10,407,022
Proceeds from maturity of investments at amortized cost	(1,945,451)	(3,581,428)
Redemptions of investments in BGRS	(1,830,995)	-
Loss on sale of investments in BGRS	(169,003)	-
Interest income reinvested during the year	370	95,060
Purchases of investments at amortized cost	-	50,000
	3,025,575	6,970,654

In accordance with Section 19 of the Bahamas Development Bank Act, the Bank established a sinking fund for the partial redemption of the Series C bonds issued to the Central Bank of The Bahamas.

The fixed-term deposits with a maturity of six (6) months to one (1) year earn interest at an annual rate of 0.10% to 0.30% (2021: 0.10% to 1.75%). The Bahamas Government Registered Stocks ("BGRS") are held for long-term return and are stated at the amortized cost, which is approximately equal to its fair value. The BGRS bears interest at annual rates of 4.5% to 5.0% and has maturity dates of 2024 through 2039.

In 2020, the Trustees of the Bank's sinking fund resolved that the full balance of the Bank's sinking fund be released and a new sinking fund be established in accordance with the Act, in the amount of \$1,270,000, for the satisfaction of the Central Bank of the Bahamas bonds totaling \$4,000,000, that were scheduled to mature in 2025. The sinking fund is sufficient to meet the payment obligations for the next twelve (12) months. The sinking fund should be invested in accordance with the established guidelines.

In 2021, the Bank established and maintained a \$50,000 fixed-term deposit with Bank of The Bahamas, as security for the Bank's corporate credit card issued during the year. The corporate credit card has a limit of \$50,000, subject to an annual interest rate of 18% (2021: 18%).

In 2022, the Bank withdrew a total of \$1,945,451 (2021: \$3,581,428) from the fixed deposits which were used for operational purposes. In addition, the Bank redeemed several of its investments in BGRS amounting to \$2,000,000, with proceeds from the disposal of these government stocks amounting to \$1,830,995, and a loss of \$169,003. As at 31 December 2022 and 2021, the Bank has met the requirements of the sinking fund.

BAHAMAS DEVELOPMENT BANK

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6. INVESTMENTS, AT AMORTISED COST (continued)

During the year, interest earned from investments, at amortized cost, by the Bank amounted to \$226,474 (2021: \$352,276), of which \$65,027 was receivable as at 31 December 2022 (2021: \$503,143) and was included in interest receivable, net in the statement of financial position. During the year, a portion of interest receivable was written-off and charged to operations in the amount of \$396,326 (2021: Nil).

7. LOANS RECEIVABLE, net

Loans receivable, net (including accrued interest) as at 31 December 2022 is comprised of the following:

	2022 \$	2021 \$
Performing	9,577,530	10,069,612
Non-performing	9,558,004	8,289,245
Extraordinary advances	1,155,473	1,085,388
Employees	267,254	332,122
	20,558,261	19,776,367
Add: accrued interest	453,186	384,969
	21,011,447	20,161,336
Less: allowance for expected credit losses	(4,786,163)	(4,493,262)
	16,225,284	15,668,074

Movements in loans receivable during the year are as follows:

	2022 \$	2021 \$
Balance, beginning of the year	19,776,367	17,507,004
Add: loans disbursed	2,804,720	3,694,292
Less: loan repayments	(2,022,826)	(1,424,929)
	20,558,261	19,776,367
Add: accrued interest	453,186	384,969
	21,011,447	20,161,336
Less: allowance for expected credit losses	(4,786,163)	(4,493,262)
Balance, end of the year	16,225,284	15,668,074

The outstanding loans earned interest at rates ranging from 0% to 8.50% per annum (2021: 0% to 8.50% per annum). During the year, the Bank earned interest on loans amounting to \$853,390 (2021: \$629,706), of which \$453,186 was receivable as at 31 December 2022 (2021: \$384,969).

During the year, loan recovery amounted to \$90,667 (2021: \$248,631).

Movements in allowance for expected credit losses during the year were as follows:

	2022 \$	2021 \$
Balance, beginning of the year	4,493,262	2,830,687
Provision for expected credit losses	292,901	1,662,575
Balance, end of the year	4,786,163	4,493,262

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

7. LOANS RECEIVABLE, net (continued)

The following is an aged analysis of all loans receivable as of the date of the statement of financial position:

31 December 2022	Number of accounts	Loans	Collateral held	Portion of loans not covered by collateral	Loan loss provision	Provision rate
		\$	\$	\$	\$	%
General provision						
Current loans	66	7,191,472	10,538,298	-	359,334	5
1 to 30 days	8	648,285	1,338,308	-	32,420	5
31 to 60 days	10	1,098,581	1,492,176	-	109,887	10
61 to 90 days	8	906,446	910,984	-	135,971	15
Specific provision						
91 to 365 days	11	2,775,128	4,097,545	-	739,730	100
Over 365 days	129	6,782,876	16,104,312	-	2,350,102	100
Extraordinary advances linked to inactive loans		1,155,473	128,491	1,026,982	832,126	100
		20,558,261	34,610,114	1,026,982	4,559,570	
Allowance for expected credit losses on interest		-	-	-	226,593	
		20,558,261	34,610,114	1,026,982	4,786,163	
31 December 2021	Number of accounts	Loans	Collateral held	Portion of loans not covered by collateral	Loan loss provision	Provision rate
		\$	\$	\$	\$	%
General provision						
Current loans	71	6,525,908	6,151,440	374,468	280,725	5
1 to 30 days	10	2,054,438	1,551,728	502,710	97,896	5
31 to 60 days	7	1,262,877	1,148,564	114,313	112,656	10
61 to 90 days	3	419,478	241,282	178,196	62,610	15
Specific provision						
91 to 365 days	21	2,445,966	2,755,650	-	811,447	100
Over 365 days	46	5,982,312	7,380,301	-	1,790,898	100
Extraordinary advances linked to inactive loans		1,085,388	128,491	956,897	957,113	100
		19,776,367	19,357,456	2,126,584	4,113,345	-
Allowance for expected credit losses on interest		-	-	-	379,917	-
		19,776,367	19,357,456	2,126,584	4,493,262	-

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

8. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets, as at 31 December 2022 is comprised of the following:

	2022	2021
	\$	\$
VAT receivable	294,560	294,560
Offset loans	166,216	166,216
Prepayments	80,829	58,923
Accounts receivable	96,680	28,600
Others	8,210	18,340
Security deposits	8,605	8,605
	655,100	575,244
Less: allowance for expected credit losses	(294,560)	(294,560)
	360,540	280,684

9. FIXED ASSETS, net

Fixed assets as at 31 December 2022 is comprised of the following:

	Land	Building and Improvements	Computer Software and Equipment	Furniture, Fixtures and Improvements	Office Machines and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Cost:							
Balances 1 January 2021	480,000	1,457,867	2,251,901	1,685,642	544,116	47,612	6,467,138
Additions	-	884,425	154,150	25,808	19,190	-	1,083,573
Balances 31 December 2021	480,000	2,342,292	2,406,051	1,711,450	563,306	47,612	7,550,711
Additions	-	14,681	36,183	-	5,290	-	56,154
Transfers	-	(59,065)	39,832	19,233	-	-	-
Balances 31 December 2022	480,000	2,297,908	2,482,066	1,730,683	568,596	47,612	7,606,865
Accumulated depreciation and amortization:							
Balances 1 January 2021	-	34,910	1,889,531	1,367,579	535,270	10,245	3,837,535
Depreciation and amortization	-	60,660	81,556	126,136	8,193	9,471	286,016
Balances 31 December 2021	-	95,570	1,971,087	1,493,715	543,463	19,716	4,123,551
Depreciation and amortization	-	77,332	113,828	27,132	7,661	9,522	235,475
Transfers	-	(2,248)	1,508	740	-	-	-
Balances 31 December 2022	-	170,654	2,086,423	1,521,587	551,124	29,238	4,359,026
Net carrying values:							
31 December 2022	480,000	2,127,254	395,643	209,096	17,472	18,374	3,247,839
31 December 2021	480,000	2,246,722	434,964	217,735	19,843	27,896	3,427,160

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Notes to Financial Statements

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10. CUSTOMER DEPOSITS

Customer deposits as at 31 December 2022 are comprised of the following:

	2022	2021
	\$	\$
Mailboat subsidy - Ministry of Transport (see Note 25)	522,200	1,068,598
Other customer deposits and advances	439,924	354,794
Security deposits held as collateral for loans	173,800	200,852
Insurance premiums	9,521	885
Agriculture Program - Grand Bahama	8,723	8,723
	1,154,168	1,633,852

During the year, interest expense incurred by the Bank on customer deposits amounted to \$36 (2021: \$297), of which Nil was payable as at 31 December 2022 (2021: \$275).

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as at 31 December 2022 are comprised of the following:

	2022	2021
	\$	\$
Accounts payable	1,319,223	998,972
Accrued expenses	524,799	451,761
Defined contribution pension plan obligation	19,605	13,228
	1,863,627	1,463,961

12. BONDS PAYABLE

As at 31 December 2022, the Bank had the following Bahamas Government guaranteed bonds issued to The Central Bank of The Bahamas as follows:

Bond No.	Series	Issue Date	Year of Maturity	Rate %	2022	2021
					\$	\$
10	C	13 July 2005	2025	4.25	2,000,000	2,000,000
11	C	17 October 2005	2025	4.25	1,000,000	1,000,000
12	C	19 October 2005	2025	4.25	1,000,000	1,000,000
					4,000,000	4,000,000

During the year, interest expense incurred by the Bank on the bonds amounted to \$170,000 (2021: \$170,000), of which \$92,778 was payable as at 31 December 2022 (2021: \$92,778).

The bonds payable as at 31 December 2022 is classified as non-current.

13. LOANS PAYABLE

Loans payable as at 31 December 2022 are comprised of the following:

	2022	2021
	\$	\$
National Insurance Board	35,761,820	37,156,896
The Central Bank of The Bahamas	1,625,000	1,875,000
	37,386,820	39,031,896

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13. LOANS PAYABLE (continued)

Movements in loans payable during the year were as follows:

	2021	Additions	Payments	2022
	\$	\$	\$	\$
National Insurance Board	37,156,896	-	(1,395,076)	35,761,820
The Central Bank of The Bahamas	1,875,000	-	(250,000)	1,625,000
Total principal	39,031,896	-	(1,645,076)	37,386,820
Accrued interest	628,088	1,461,016	(1,486,543)	602,561

During the year, interest expense incurred by the Bank on the loans amounted to \$1,461,016 (2021: \$1,521,006), of which \$602,561 was payable as at 31 December 2022 (2021: \$628,088).

The loans payable maturity are as follows:

	2022	2021
	\$	\$
Due within one year	2,198,494	2,127,578
Due within two (2) to five (5) years	7,481,744	7,229,629
Due after five (5) years	27,706,582	29,674,689
	37,386,820	39,031,896

The Central Bank of The Bahamas

As at 31 December 2022, the Bank had an outstanding loan of \$1,625,000 (2021: \$1,875,000) with the Central Bank of The Bahamas. The loan bears interest at 2.00% per annum, is repayable in semi-annual installments of \$125,000 and is due to be fully repaid by 28 October 2028. During the year, the Bank paid an amount of \$250,000 (2021: \$125,000) on the loan.

National Insurance Board

Loan - Office Building

As at 31 December 2022, the Bank had an outstanding loan of \$969,057 (2021: \$1,084,343) with the National Insurance Board, which was used for the purchase of the office building. The loan bears interest at 4.50% per annum, is repayable in quarterly installments, and is due to be fully repaid by 15 September 2029. During the year, the Bank paid an amount of \$115,286 (2021: \$83,141) on its principal balance.

Bonds converted to Loans

The Government of The Bahamas approved the conversion of the \$37,000,000 bonds with the National Insurance Board to a 20-year loan during the year ended 31 December 2021. As at 31 December 2022, the outstanding loan balance was \$34,792,763 (2021: \$36,072,553). The loan bears interest at a rate of 3.94% per annum, is repayable in quarterly installments and is due to be fully repaid in 2040. During the year, the Bank paid an amount of \$1,279,790 (2021: \$927,447) on its principal balance.

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Notes to Financial Statements

31 December 2022

14. DUE FROM THE BAHAMAS GOVERNMENT

Due from the Bahamas Government as at 31 December 2022 is comprised of the following:

	2022	2021
	\$	\$
Balance, beginning of the year	1,960,908	709,471
Government subsidy receivable (see Note 18)	224,772	670,574
Interest subsidy	304,382	280,386
Administration fee - mailboat operators (see Note 25)	221,673	210,885
Salaries paid	30,967	89,592
Balance, end of the year	2,742,702	1,960,908

The principal and interest payments on bonds and loans payable during the year amounting to \$895,345 (2021: \$2,832,709) are subsidized by the Bahamas Government. The Government has agreed to pay the long-term debts of the Bank until further notice.

In 2001, the Government mandated that the lending rate for the Bank should range between 1.00% and 2.50% above the prime rate depending on risk factors. Following that requirement, the Government agreed to subsidize the difference between the Bank's lending rate and the Bank's normal spread of 5.00%.

Furthermore, the Government agreed to pay interest subsidies and salaries of some of the executive staff of the Bank. During the year, interest subsidy income and salaries paid amounted to \$304,382 and \$30,967 respectively (2021: \$280,386, and \$89,592 respectively).

Additionally, the Government agreed for the Bank to apply administrative fees to facilitate the Government's Mailboat subsidy on behalf of the Ministry of Transport and Aviation. The fee of 2.50% applied during the year amounted to \$221,673 (2021: \$210,885).

As at 31 December 2022, the Bank had a receivable of government subsidy amounting to \$224,772 (2021: \$670,574).

Due from (to) the Bahamas Government is interest-free and unsecured.

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Share capital as at 31 December 2022 is comprised of the following:

	2022	2021
	\$	\$
Authorized		
10,000,000 shares of \$5 each	50,000,000	50,000,000
Issued and fully paid		
5,792,051 shares of \$5 each	28,960,255	28,960,255

During the year, the Bank received additional capital amounting to \$979,122 (2021: Nil) from the Ministry of Finance for the operational activities. This amount represents contributed surplus which amounted to \$26,800,252 as at 31 December 2022 (2021: \$25,821,116) and is separate from the government subsidy that the Bank receives.

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16. RESERVE FUND

Under Section 20 of the Act, the Bank is to set aside each year, a minimum of 25% of net profits (if any) to a Reserve Fund to meet contingencies and for other purposes for which it may be required. As at 31 December 2022, the total amount of Reserve Fund was \$273,128 (2021: \$273,128).

17. OTHER INCOME

Other income as at 31 December 2022 consists of the following:

	2022	2021
	\$	\$
Fees and commissions	649,053	349,311
Other	21,312	7,961
	670,365	357,272

18. GOVERNMENT SUBSIDY

The Government agreed to pay the capital and interest expense on the Bank's loans and bonds payable. In 2022, the Bank earned \$3,526,391 (2021: \$3,488,844), of which \$224,772 was outstanding as at 31 December 2022 (2021: \$670,574).

19. STAFF COSTS

Staff costs as at 31 December 2022 consist of the following:

	2022	2021
	\$	\$
Salaries	2,374,008	1,979,551
NIB, pension, and insurance (see Note 21)	491,625	397,651
Directors' expenses	189,914	93,470
Staff benefits and other	123,922	184,672
	3,179,469	2,655,344

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20. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs as at 31 December 2022 consist of the following:

	2022	2021
	\$	\$
Miscellaneous	463,486	269,236
Telephone, telex and cable	147,441	138,755
Professional fees	85,842	91,285
Repairs and maintenance	85,209	102,405
Security expense	77,593	80,511
Computer expenses	61,489	78,558
Travel and transportation	56,750	59,938
Subscriptions and entertainment	51,319	66,560
Executive allowances	43,453	28,800
Utilities	41,771	42,415
Advertising	30,159	53,135
Insurance	27,204	25,770
Other expenses	18,536	46,840
Bank charges	17,383	35,651
Office supplies and printing	11,052	21,083
Rent	7,622	24,040
Provision for VAT receivable	-	8,228
	1,226,309	1,173,210

General and administrative costs include rent expenses amounting to \$7,622 (2021: \$24,040), which consists of storage charges of \$3,510 (2021: \$10,040, and payments to the Hotel Corporation of the Bahamas amounting to \$4,112 (2021: \$14,000) during the year. The Bank has applied the exemption on IFRS16 for this transaction due to the relatively short-term nature of the said lease.

21. DEFINED CONTRIBUTION PENSION PLAN

On 1 February 2011, the Bank changed its pension plan from a Defined Benefit Plan to Defined Contribution Plan where both the Bank (employer) and the employees will contribute 5% of their equivalent gross salary.

Employees have the option to contribute additional sums voluntarily. Employees who were already retired at the time of change were kept under the Defined Benefit Plan (see Note 22).

As at 31 December 2022 and 2021, all funds were administered by Colina Financial Advisors Limited.

Pension contributions during the year amounted to \$99,443 (2021: \$70,995), which is included in NIB, pension, and insurance expenses, as disclosed in Note 19.

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22. DEFINED BENEFIT PENSION PLAN OBLIGATIONS

The Bank has set up a funded pension scheme for its retired employees. As at 31 December 2022 and 2021, the number of retired employees included nine (9) pensionaries.

The plan assets are managed by the Pension fund that is separated from the Bank. The board of trustees of the Pension fund acts in the best interest of the fund and it is responsible for setting the investment policies of the fund.

An independent actuarial valuation of the Bank's defined benefit pension plan was performed for the year ended 31 December 2022. Based on the actuarial valuation, the movements in the defined benefit pension plan obligation and fair value of the plan assets are as follows:

	2022	2021
	\$	\$
Defined benefit obligation		
Defined benefit obligation, 1 January	592,341	593,141
Interest expense	12,768	42,493
Remeasurement of net defined benefit obligation	338,383	-
Benefits paid out of the operating fund	(88,268)	(88,268)
Returns on plan asset received by the operating fund	18,000	44,975
Defined benefit obligation, 31 December	873,224	592,341

	2022	2021
	\$	\$
Fair value of plan assets		
Fair value of plan assets, 1 January	400,000	400,000
Expected return on plan assets	20,800	20,800
Benefits paid	-	-
Actuarial loss on plan assets	(20,800)	(20,800)
Fair value of plan assets, 31 December	400,000	400,000

The liability recognized for the Bank's defined benefit obligation is represented net of plan assets in accordance with IFRS's and it consists of the following amounts:

	2022	2021
	\$	\$
Defined benefit obligation	873,224	592,341
Fair value of plan assets	(400,000)	(400,000)
	473,224	192,341

As at 31 December 2022, the plan assets consist of investment in BGRS totaling \$400,000 (2021: \$400,000). This amount is included in Investments, at amortized cost in the statement of financial position.

BAHAMAS DEVELOPMENT BANK

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22. DEFINED BENEFIT PENSION PLAN OBLIGATIONS (continued)

Estimates and assumptions

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the mortality rates. The mortality rates were based on the 1994 Group Annuity Mortality Table of the probability of death within 1 year. The assumptions used for the valuation of the defined benefit obligation are as follows:

- Discount rates as at 31 December 2022, and 2021 at 5.2%, the rate on the Bahamas Government Registered Stocks with 7 to 10 years maturities issued close to the date of valuation.
- Mortality rates, 1994 Group Annuity Mortality Table was used. The below table shows the probability of death within 1 year.

Age	Male	Female
20	0.05%	0.03%
30	0.08%	0.04%
40	0.11%	0.07%
50	0.26%	0.14%
60	0.80%	0.44%
70	2.37%	1.37%
80	6.20%	3.94%

These assumptions were developed by management with the assistance of an independent actuary. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The present value of the defined benefit pension obligation was measured using the projected unit credit method.

The amounts recognized in other comprehensive loss related to the actuarial losses from changes in actuarial assumptions. This amount is classified in the statement of changes in capital deficiency under other components of equity.

During the year, interest expense on defined benefit pension plan obligation amounted to \$12,768 (2021: \$42,493). The interest expense was calculated on the beginning balance of the net defined benefit pension obligation at each financial year. This amount is included in the statement of comprehensive operations under the other expense.

23. COMMITMENTS AND CONTINGENCIES

Commitments

As at 31 December 2022, the Bank was committed to extend credit based on approved but undisbursed loans amounting to \$1,685,551 (2021: \$2,453,545).

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23. COMMITMENTS AND CONTINGENCIES (continued)

Litigation and Provisions for asserted 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 that the claims may have on its financial standing and/or discloses amounts in accordance with its accounting policies.

The GMP Holdings dba MV Lady Emerald ("the Plaintiff") filed suit against the Bank, claiming that the bank sold the MV Lady Emerald vessel for \$870,000 when it should have been sold for \$1,200,000. The Bank has filed a defense and counterclaim seeking payment of the sums due and outstanding under the lending agreement. According to the Bank's lawyers, the Plaintiff's remaining claims and counterclaims for payments due and owing to them under the mortgages should be dismissed. Since the Plaintiff is involved in litigation, estimating a probable contingent liability or asset was problematic.

In addition, 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 for securing such loans.

Lease commitments

The Bank's Nassau premises were leased from the Hotel Corporation of the Bahamas for an initial period of five (5) years beginning in 1992, with an option to renew for another five (5) years at an annual rent of \$50,000 per annum. The lease agreement has not been renegotiated however the lessor has allowed payments to continue in accordance with the expired lease agreement. The lease was terminated during the year when the Bank moved to its new office in Robinson Road & Key West Street.

The lease on the Bank's Freeport office from Jurosbi Investments Ltd was for an initial period of three (3) years beginning December 2011, at a monthly rental amount of \$3,500, and has since been renewed for an additional three (3) years from 1 December 2018 through 30 November 2021. The Bank also has an option to renew the lease term for an additional one (1) year.

On 11 August 2021, the contract was renewed for a period from 1 November 2021 to 30 September 2024, renewable for one (1) year.

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23. COMMITMENTS AND CONTINGENCIES (continued)

Lease commitments (continued)

Right-of-use asset as at 31 December 2022 is comprised of the following:

	2022	2021
	\$	\$
Right-of-use asset		
At 1 January	256,205	154,061
Additions during the year	-	102,144
At 31 December	256,205	256,205
Accumulated amortization		
At 1 January	115,239	77,032
Amortization during the year	37,590	38,207
At 31 December	152,829	115,239
Net carrying value at 31 December	103,376	140,966

Movements in lease liability during the year is as follows:

	2022	2021
	\$	\$
Lease liability		
At 1 January	144,678	80,187
Additions during the year	-	102,144
Interest charge during the year	5,770	4,347
Lease payments during the year	(42,000)	(42,000)
At 31 December	108,448	144,678

The maturity analysis of lease liability is as follows:

	2022	2021
	\$	\$
Due within one (1) year	37,895	36,230
Due within two (2) to five (5) years	70,553	108,448
	108,448	144,678

Interest expense on lease liability is classified in the statement of comprehensive operations under the other expenses.

24. RELATED PARTY BALANCES AND TRANSACTIONS

The Bank's related parties are comprised of the following:

- Government ministries, corporations and departments that exercise significant influence with the Bank;
- Entities in which the Government has a significant ownership interest; and
- Key management personnel.

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24. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Balances and transactions that the Bank has with such related parties are disclosed in the statement of financial position and accompanying notes. The amounts and terms of these transactions are discussed and agreed upon by the parties.

As at and during the year ended 31 December 2022, the Bank's related party balances and transactions are as follows:

	Name of the related party	Relationship	Nature of the balance / transaction	2022 \$	2021 \$
Balances:					
Loans receivable, net	Key management personnel	Key management personnel	Loans to key management personnel	98,340	126,427
Due from the Bahamas Government	Ministry of Finance	Government ministry	Receivable from the Government	2,742,702	1,960,908
Accounts payable and accrued expenses	Ministry of Finance	Government ministry	VAT payable	12,109	15,616
Contributed Surplus	Ministry of Finance	Government ministry	Capital contribution	26,800,251	25,821,130
Transactions:					
Government subsidy	Ministry of Finance	Government ministry	Government grants	3,526,391	3,488,844
Interest subsidy	Ministry of Finance	Government ministry	Subsidy income	304,382	280,386
Other income	Ministry of Finance	Government ministry	Fee income	221,673	210,885
Staff costs	Directors	Directors	Directors' stipends and other expenses	189,914	93,470
Staff costs	Key management personnel	Key management personnel	Key management personnel compensation	627,518	604,214

As at 31 December 2022, due from the Bahamas Government account balance included government subvention, interest subsidy income, administration fee income with respect to Mailboat subsidy payments, and reimbursement of staff salaries of some of the executive staff of the Bank.

The Board of Directors and key management personnel of the Bank are also classified as related parties. The Bank's transactions with its Board of Directors and key management personnel include salaries and stipends expenses, which are recorded as part of staff cost in the statement of comprehensive operations.

No loans were disbursed to the Board of Directors or their close family members during the year ended 31 December 2022 and 2021. The loans granted to key management personnel bear interest at an annual rate of 4.25% (2021: 4.25%), are secured, and have fixed terms of repayment. Other bank employees receive loans on the same terms.

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25. ASSETS UNDER ADMINISTRATION

Micro Loan Program Design and Implementation

In 2016, the Ministry of Finance ("MOF") and the Bank agreed to enter a partnership agreement to provide some assistance to Micro, Small, and Medium Enterprises ("MSME") via the MOF's Micro Loan Program ("MOF-MLP"). Once the facility is approved by the MOF-MLP Committee, the Bank becomes responsible for administering the loan program. The Bank, through its loan management system, will keep a file on all MOF-MLP borrowers for tracking purposes and will be responsible for the collection of payments and following up with delinquent clients.

As at 31 December 2022, total loans under this program that are off-balance sheet amounted to \$3,321,548 (2021: \$3,335,270). As of 31 December 2022, the cash balance that the Bank held in reference to the MOF-MLP was \$6,262 (2021: \$228,955).

This cash account was registered in the Bank's name and is not recorded in the Bank's records, as it is treated as an off-balance sheet account. During the year ended 31 December 2022 and 2021, no administration fees were earned and received with respect of this arrangement.

Movements in the MOF-MLP loans during the year were as follows:

	2022	2021
	\$	\$
At January 1	3,335,270	3,353,507
Loan payments received	(13,722)	(18,237)
At December 31	3,321,548	3,335,270

Sustainable Development (Agriculture Fund) Micro Loan Program ("SDAF-MLP") Design and Implementation

On 8 February 2017, an Executing Agency Services Agreement was executed between the Bank and MOF. MOF facilitated the release of residual Agricultural Credit Guarantee Fund ("ACGE"), funding from the Central Bank to the Bank for on-lending in the agriculture sector. The funds will be treated as "Assets under Administration" for MOF.

The Bank designed a micro loan program for the Sustainable Development Agriculture and Fisheries Joint Committee which was established to resuscitate and catapult agriculture and agri-business to significance in the Bahamas economy. Applicants seeking consideration under the Sustainable Development (Agriculture Fund) Micro Loan Program ("SDAF-MLP") will be required to submit all documents directly to the BAMSI or a BDB Designate. Once the facility is approved, the Bank will be responsible for administering the loan program. The Bank, through its loan management system, will keep a file on all SDAF-MLP borrowers for tracking purposes and will be responsible for collection of payments and following-up with delinquent clients.

As at 31 December 2022, total agricultural loans under this program, that are off-balance sheet, amounted to \$114,369 (2021: \$127,489). As at 31 December 2022, the off-balance sheet cash that the Bank held in reference to the SDAF-MLP was \$488,975 (2021: \$481,532). During the year ended 31 December 2022 and 2021, no administration fees were earned and received with respect of this arrangement.

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31 December 2022

25. ASSETS UNDER ADMINISTRATION (continued)

Movements in the SDAF-MLP loans during the year were as follows:

	2022	2021
	\$	\$
At 1 January	127,489	131,735
Loan payments received	(13,120)	(4,246)
At 31 December	114,369	127,489

Small Business Development Center Micro-Loan Program ("SBDC-MLP")

In 2019, a Memorandum of Understanding ("MOU") was entered between the Bank and the Small Business Development Center ("SBDC") for the purpose of provision of a framework for the Bank to act as an executing agency for SBDC's Micro-Loan Program.

The Bank is being engaged as SBDC's agent to manage the disbursement, loan supervision, and collection protocols established by SBDC in relation to the SBDC-MLP.

As of 31 December 2022, the total loans under this program that are off-balance sheet amounted to \$304,922 (2021: \$342,997). As of 31 December 2022, the off-balance sheet cash that the Bank held in reference to the MLP was \$1,467,254 (2021: \$96,509).

During the year, the Bank earned and received administration fees amounting to \$54,000 (2021: \$36,000) in respect of this arrangement.

Movements in the SBDC-MLP loans during the year were as follows:

	2022	2021
	\$	\$
At 1 January	342,997	279,293
Loans disbursed	-	86,517
Loan payments received	(38,075)	(22,813)
At 31 December	304,922	342,997

MSME Business Continuity Loan Programme Agreement

On 25 March 2020, a Micro, Small, and Medium Enterprise ("MSME") Business Continuity Loan Programme Agreement was entered into between the Bank and Small Business Development Centre ("SBDC"), a non-profit company incorporated under the laws of the Commonwealth of The Bahamas. The programme aims to provide short-term loan support to Bahamian small businesses impacted by the COVID-19 pandemic, for a total allocation of \$20,000,000. Eligibility includes confirming that the business has been in existence for over one (1) year, a commitment to retain most of the existing staff complement, and a plan to utilize the proceeds of the loan to ensure business continuity.

As at 31 December 2022, total loans under this programme that are off-balance sheet amounted to \$2,709,720 (2021: \$3,117,527). As of 31 December 2022, the off-balance sheet cash that the Bank held in reference to the MSME programme was \$107,373 (2021: \$474,498). During the year, the Bank earned and received administration fees amounting to \$77,400 (2021: \$76,650) in respect of this arrangement.

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25. ASSETS UNDER ADMINISTRATION (continued)

Movements in the MSME loans during the year were as follows:

	2022 \$	2021 \$
At January 1	3,117,527	3,482,105
Loans disbursed	19,097	-
Loan payments received	(426,904)	(364,578)
At December 31	2,709,720	3,117,527

Hurricane Dorian - Disaster Recovery Loan Programme

As of 31 December 2022, total disaster recovery loans that are off-balance sheet amounted to \$17,112 (2021: \$17,112). As of 31 December 2022, the off-balance sheet cash that the Bank held in reference to the disaster recovery loan program was \$1,500,000 (2021: \$1,500,000). During the year ended 31 December 2022 and 2021, no administration fees were earned and received.

Movements in the Hurricane Dorian - Disaster Recovery Loan Programme during the year were as follows:

	2022 \$	2021 \$
At January 1	17,112	17,308
Loan payments received	-	(196)
At December 31	17,112	17,112

Executing Agency Services - Mailboat Service Contract Payments

In August 2016, the Bank entered an Executing Agency Services Agreement with the Ministry of Finance ("MOF") for Mailboat Service Contract Payments. Under this agreement, the Treasury Department transferred one-twelfth (1/12) of the total Government subsidy of the 2016/2017 fiscal year budget allocation of \$8,754,000 for all mail boat operators to the Bank on a monthly basis.

Under this arrangement, the Ministry of Transport notifies the Bank weekly, of all operators eligible for the payment. To be eligible for the payment, the operator must provide a Tax Compliance Certificate ("TCC") in addition to the Ministry of Transport's voyage information and reporting requirements. Upon receiving the required documents along with the funds, the Bank disburses payments directly to the Mailboat operator.

The Bank through its loan management system, keeps a file on all mail boat operators for the purpose of tracking payments. A history of all payments i.e., statement of account will be available to all operators at the Bank's charge for that service. An administration fee of 2.5% of disbursements for the above-mentioned Executing Agency services is to be charged as an offset against the "Due from the Bahamas Government" account monthly.

As at 31 December 2022, the cash that the Bank held in reference to these Mail boat contract payments was \$522,200 (2021: \$1,068,598) and presented as part of the Bank's customer deposits in the statement of financial position. During the year, the Bank earned and received administration fees amounting to \$221,673 (2021: \$210,885) in respect of this arrangement (see Note 14).

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25. ASSETS UNDER ADMINISTRATION (continued)

Movements in the Mailboat Service Contracts Payments during the year were as follows.

	2022	2021
	\$	\$
Due to Mail boat operators, beginning of the year	1,068,598	762,200
Funds received for the distribution	8,320,522	8,729,461
Funds disbursed	(8,866,920)	(8,423,063)
Due to Mail boat operators, the end of the year	522,200	1,068,598

26. CONCENTRATIONS OF FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2022, the Bank has the following concentrations of financial assets and liabilities according to geographic region and industry sector:

	Geographic region	Industry	2022 %	2021 %
Cash and cash equivalents	Bahamas	Financial Sector	100.00	100.00
Loans receivable	Bahamas	Service	45.54	63.84
	Bahamas	Transportation	20.78	14.62
	Bahamas	Tourism	18.70	11.10
	Bahamas	Manufacturing	9.54	7.34
	Bahamas	Fishing	3.22	1.05
	Bahamas	Staff	1.51	1.68
	Bahamas	Agriculture	0.71	0.37
			100.00	100.00
Loans and bonds payable	Bahamas	Financial Sector	100.00	100.00

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's operating and investing activities expose it to a variety of financial risks in the normal course of business including; market risk, interest rate risk, credit risk, liquidity risk, reputational risk, and compliance risk. The Bank's financial performance is affected by its capacity to understand and effectively manage these risks.

The Bank's challenge is not only to measure and monitor these risks but also to manage them as profit opportunities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameter, while optimizing return. Management mitigates this risk by not investing significantly in securities affected by market risk. Market risk is comprised of the following:

Interest rate risk

The Bank provides financial and technical assistance to Bahamian entrepreneurs in the areas of agriculture, fishing, marine and land transportation, tourism, manufacturing, service enterprises, and other commercial operations. Interest rate is the potential adverse risk on earnings caused by movements in interest rates during the period.

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27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk (continued)

The Bank's interest-bearing assets and liabilities expose it to cash flow interest rate risk. Interest margins may increase or decrease as a result of such changes and may reduce or increase losses in the event that unexpected movements arise.

The Bank minimizes interest rate risk through the lending of monies at fixed rates of interest financed by fixed-rate long-term debt, which are specifically earmarked to finance projects in the economic sectors as disclosed in Note 26.

Interest rate risk in Bahamas government registered stocks ("BGRS") and bonds payable

The Bank carries some fixed-income securities, namely BGRS and bonds payable, however, the coupon rate of these investments is subject to prime interest rate plus an add-on rate. The below table demonstrates the sensitivity to a reasonably possible change in these financial instruments, with all other variables held constant in the Bank's statement of comprehensive operations for the year ended 31 December 2022.

The sensitivity of the financial asset and the financial liability subject to a prime interest rate plus an add-on rate

	Portfolio size	Increase / decrease In basis points	Sensitivity of Profit or loss
	\$		\$
31 December 2022			
Fixed income securities measured at amortized cost - BGRS	363,500	+50 / (50)	(1,818) / 1,818
Bonds payable	4,000,000	+50 / (50)	(20,000) / 20,000
Interest sensitivity gap			(18,182) / 18,182
31 December 2021			
Fixed income securities measured at amortized cost - BGRS	363,500	+50 / (50)	(1,818) / 1,818
Bonds payable	4,000,000	+50 / (50)	(20,000) / 20,000
Interest sensitivity gap			(18,182) / 18,182

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Notes to Financial Statements

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27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Interest rate risk (continued)****Interest rate risk gap analysis**

The table below summarizes the Bank's possible exposure to interest rate risk. The table shows the Bank's interest and non-interest bearing financial assets and liabilities carrying amounts respectively.

Interest rate sensitivity gap analysis as at 31 December 2022:

	2022		
	Interest bearing assets \$	Non-interest Bearing Assets \$	Carrying value \$
Financial assets			
Cash and cash equivalents	561,224	2,720,759	3,281,983
Investments, at amortized cost	3,025,575	-	3,025,575
Loans receivable, gross	21,011,447	-	21,011,447
Due from the Bahamas Government	-	2,742,702	2,742,702
Interest receivable, gross	65,027	-	65,027
Other assets	-	574,271	574,271
	24,663,273	6,037,732	30,701,005
Financial liabilities			
Customer deposits	1,154,168	-	1,154,168
Accounts payable and accrued expenses	-	1,863,627	1,863,627
Lease liability	108,448	-	108,448
Bonds payable	4,000,000	-	4,000,000
Loans payable	37,386,820	-	37,386,820
Interest payable	695,339	-	695,339
Defined benefit pension plan obligation	473,224	-	473,224
	43,817,999	1,863,627	45,681,626
Total interest rate risk gap	(19,154,726)	4,174,105	(14,980,621)

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27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Interest rate risk gap analysis (continued)

	2021		
	Interest Bearing Assets \$	Non-interest bearing assets \$	Carrying value \$
Financial assets			
Cash and cash equivalents	560,659	1,899,441	2,460,100
Investments, at amortized cost	6,970,654	-	6,970,654
Loans receivable, gross	20,161,336	-	20,161,336
Due from the Bahamas Government	-	1,960,908	1,960,908
Interest receivable	503,143	-	503,143
Other assets	-	516,321	516,321
	28,195,792	4,376,670	32,572,462
Financial liabilities			
Customer deposits	1,633,852	-	1,633,852
Accounts payable and accrued expenses	-	1,463,961	1,463,961
Lease liability	144,678	-	144,678
Bonds payable	4,000,000	-	4,000,000
Loans payable	39,031,896	-	39,031,896
Interest payable	720,866	-	720,866
Defined benefit pension plan obligation	192,341	-	192,341
	45,723,633	1,463,961	47,187,594
Total interest rate risk gap	(17,527,841)	2,912,709	(14,615,132)

The sensitivity analysis has been performed based on the exposure to interest rates of financial assets and liabilities at the statement of financial position date. 50 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables remained constant, the Bank's net loss and consequently capital deficiency position for the year ended 31 December 2022 would have increased by \$95,774 (2021: \$87,639). This is mainly attributable to the Bank's exposure to interest rates in its fixed-rate liabilities.

Credit risk

Credit risk is the risk of financial loss arising if a customer or counterparty fails to meet its contractual obligations. The Bank's credit risk is primarily attributable to its cash and deposits with other banks and financial institutions and credit exposures to customers, including outstanding loan receivables and committed transactions. The Bank places cash and deposits with reputable local banks and financial institutions. All local contracted banks and financial institutions are regulated and monitored by the Central Bank of The Bahamas and account for 100% of cash at banks and fixed-term deposits at year-end.

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Notes to Financial Statements

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27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit risk is the greatest risk facing the Bank and management therefore carefully manages its exposure to credit risk. Provisions are provided for expected credit losses as of the statement of financial position date (see Note 7). Significant changes in the economies or sectors that represent a concentration in the Bank's portfolio could result in losses that are different from those provided for as of the statement of financial position date.

The Bank mitigates credit risk on its loan portfolio by requiring borrowers to provide collateral equivalent to the loan balance and limiting the total value of any loan originated to a single individual or entity to 10% of total capital. Collateral held includes land, buildings and chattel.

Expected Credit Loss Measurement ("ECL")

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. Expected credit losses 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 exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Expected Credit Loss Measurement ("ECL") (continued)

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

Maximum Exposure to Credit Risk

For financial assets recognized on the statement of financial position, the exposure to credit risk equals their carrying amount. For standby letters of credit, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the standby letters of credit are called upon. For mortgage commitments and revolving credit lines that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities. The maximum exposure to loan commitments as at 31 December 2022 is disclosed in Note 23.

The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognized. 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	2022	2021
	\$	\$	\$	\$	\$
Cash and cash equivalents (excluding the cash on hand)	3,279,683	-	-	3,279,683	2,457,800
Loans receivable, including accrued interest, gross	8,818,844	4,225,810	7,966,793	21,011,447	20,161,336
Investments, at amortized cost	50,375	2,975,200	-	3,025,575	6,970,654
Due from the Bahamas					
Government	-	-	2,742,702	2,742,702	1,960,908
Interest receivable, gross	65,027	-	-	65,027	503,143
Other assets	574,271	-	-	574,271	516,321
	12,788,200	7,201,010	10,709,495	30,698,705	32,570,162

The following table shows the breakdown of the impairment allowance by portfolio at 31 December 2022:

	Stage 1	Stage 2	Stage 3	2022	2021
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	\$	\$
	\$	\$	\$	\$	\$
Loans receivable					
including accrued					
interest:					
<i>Gross carrying amount</i>					
Consumer loans	7,999,309	4,196,413	6,208,087	18,403,809	11,840,680
Commercial loans	-	-	731,724	731,724	6,518,177
Staff loans	237,858	29,397	-	267,255	332,122
Extra ordinary advances	128,491	-	1,026,982	1,155,473	1,085,388
Accrued interest	453,186	-	-	453,186	384,969
Loss allowance	(618,347)	(245,858)	(3,921,958)	(4,786,163)	(4,493,262)
	8,200,497	3,979,952	4,044,835	16,225,284	15,668,074

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum Exposure to Credit Risk (continued)

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	2022 \$	2021 \$
Investment securities at amortized cost:					
Gross carrying amount	50,375	2,975,200	-	3,025,575	6,970,654
Loss allowance	-	-	-	-	-
Carrying amount	50,375	2,975,200	-	3,025,575	6,970,654
Due from the Bahamas Government:					
Gross carrying amount	-	-	2,742,702	2,742,702	1,960,908
Loss allowance	-	-	-	-	-
Carrying amount	-	-	2,742,702	2,742,702	1,960,908
Interest receivable, net:					
Gross carrying amount	65,027	-	-	65,027	503,143
Loss allowance	-	-	-	-	-
Carrying amount	65,027	-	-	65,027	503,143
Other assets:					
Gross carrying amount	279,711	-	294,560	574,271	516,321
Loss allowance	-	-	(294,560)	(294,560)	(294,560)
Carrying amount	279,711	-	-	279,711	221,761

Liquidity risk

The Bank seeks to manage its liquidity to be able to finance all of its operating and capital expenditures. Liquidity management is the responsibility of the Board of Directors, which ensures the Bank maintains a level of liquid assets that can be sold immediately to meet cash requirements for normal operating purposes.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The following tables summarize the maturity profile of the Bank's financial assets and liabilities at 31 December 2022 based on contractual maturities:

	On Demand \$	Less than 1 year \$	2022			Total
			1 to 5 Years \$	More than 5 years \$	No specific maturity \$	
Financial assets						
Cash and cash equivalents	2,720,759	561,224	-	-	-	3,281,983
Investments, at amortized cost	-	50,375	363,500	2,611,700	-	3,025,575
Loans receivable, gross	-	637,704	4,476,851	15,443,706	-	20,558,261
Due from the Bahamas Government	-	-	-	-	2,742,702	2,742,702
Interest receivable, gross	-	65,027	-	-	-	65,027
Other assets	-	574,271	-	-	-	574,271
	2,720,759	1,888,601	4,840,351	18,055,406	2,742,702	30,247,819
Financial liabilities						
Customer deposits	-	1,154,168	-	-	-	1,154,168
Accounts payable and accrued expenses	-	1,863,627	-	-	-	1,863,627
Bonds payable	-	-	4,000,000	-	-	4,000,000
Loans payable	-	2,198,494	7,481,744	27,706,582	-	37,386,820
Interest payable	-	695,339	-	-	-	695,339
Lease liability	-	37,895	70,553	-	-	108,448
	-	5,949,523	11,552,297	27,706,582	-	45,208,402
Liquidity gap	2,720,759	(4,060,922)	(6,711,946)	(9,651,176)	2,742,702	(14,960,583)

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The following tables summarize the maturity profile of the Bank's financial assets and liabilities at 31 December 2021 based on contractual maturities:

	2021					
	On Demand \$	Less than 1 year \$	1 to 5 years \$	More than 5 years \$	No specific maturity \$	Total \$
Financial assets						
Cash and cash equivalents	1,899,441	560,659	-	-	-	2,460,100
Investments, at amortized cost	-	1,995,454	363,500	4,611,700	-	6,970,654
Loans receivable, gross	-	5,231,343	4,276,713	10,653,280	-	20,161,336
Due from the Bahamas Government	-	-	-	-	1,960,908	1,960,908
Interest receivable, gross	-	503,143	-	-	-	503,143
Other assets	-	516,321	-	-	-	516,321
	1,899,441	8,806,920	4,640,213	15,264,980	1,960,908	32,572,462
Financial liabilities						
Customer deposits	-	1,633,852	-	-	-	1,633,852
Accounts payable and accrued expenses	-	1,463,961	-	-	-	1,463,961
Bonds payable	-	-	4,000,000	-	-	4,000,000
Loans payable	-	2,127,578	7,229,629	29,674,689	-	39,031,896
Interest payable	-	720,866	-	-	-	720,866
Lease liability	-	36,230	108,448	-	-	144,678
	-	5,982,487	11,338,077	29,674,689	-	46,995,253
Liquidity gap						
	1,899,441	2,824,433	(6,697,864)	(14,409,709)	1,960,908	(14,422,791)

Reputational risk

Reputational risk arises from operational failures, failure to comply with relevant laws and regulations, or other sources that negatively impact the image or public profile of the Bank. The Bank manages this risk by only engaging in transactions with reputable entities and adhering to a robust know-your-customer ("KYC") regime for current and prospective clients.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

31 December 2022

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Compliance risk

Compliance risk arises in situations where the laws or rules governing certain activities of the Bank are not complied with. The Bank mitigates this risk by continuously educating its staff in this area and by employing its own Compliance Department to ensure that the laws and regulations that affect the Bank's business are adhered to.

28. FINANCING OF OPERATIONS AND CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Bank has incurred significant operating losses in recent years and such losses are projected for the future. The Bank is dependent on funding from the Government and it is anticipated that such funding, via the Government's subsidy, will continue to be made available at a level sufficient to allow the Bank to adequately maintain its operations.

The Bank is not subject to externally imposed capital requirements.

29. EVENTS AFTER THE REPORTING DATE

The Bank evaluated the impact of all post-reporting date events through 21 September 2023, which is the date the financial statements are available to be issued.

In 2021, the Bank had a case brought against it by a former employee. The claimant was seeking judgment for varying amounts before the Industrial Tribunal. On 31 July 2023, the decision was made by the Industrial Tribunal in favor of the claimant, and the Bank was ordered to pay an amount of \$15,521 to the former employee.

On 17 August 2023, the Board of Directors approved the changing of the financial year end of the Bank to 30 June of each year from 31 December, with effect from the beginning of 2023, as required by the Public Finance Management Act 2021. The Board also approved to open an additional bank account at the Bank of the Bahamas specifically for SBDC funds.

In September 2023, the Government's Cabinet, via ICO 37 (23) Conclusion 1, welcomed and supported the following for the recapitalization of the Bank, as follows:

- The borrowing for both \$20 million from the European Investment Bank ("the EIB") and \$30 million from the African Export-Import Bank ("the AFREXIM") for the purpose of recapitalizing the Bank, with the expectation that the Bank will repay the EIB Facility;
- The recommendation for the Government of The Bahamas to take on both loan facilities directly; and
- Approval for the Ministry of Finance facilitating both loans with the purpose of recapitalizing the Bank.

At the date of authorization of these financial statements, there has been no other evidence of significant impact on the Bank's financial position, and there are no other going concern eventualities necessitating disclosure, except as disclosed in Note 2 to the financial statements.

Independent Auditors' Report pages 1 through 5.



2022



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DEVELOPMENT
BANK

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