

Audited Financial Statements

BAHAMAS DEVELOPMENT BANK

30 June 2024

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INDEPENDENT AUDITORS' REPORT**T:** +1 (242) 322-7516
F: +1 (242) 322-7517To the Sole Shareholder and the Board of Directors of
BAHAMAS DEVELOPMENT BANKinfo@bakertilly.bs
www.bakertilly.bs***Opinion***

We have audited the financial statements of Bahamas Development Bank ("the Bank"), which comprise the statement of financial position as at 30 June 2024, and the statements of comprehensive operations, changes in capital deficiency, and cash flows for the year ended 30 June 2024, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 30 June 2024, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Bank's liabilities exceeded its assets by \$13,939,792, and had an accumulated deficit of \$72,897,194 as at 30 June 2024. Also, the Bank's loan payable to the Central Bank of the Bahamas with a balance of \$1,500,000 is due on 28 October 2024. Moreover, the Bank's bonds payable amounting to \$2,000,000 will mature in July 2025 and amounting to \$2,000,000 in October 2025. These conditions 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. Also, as disclosed in Note 29 in the financial statements, on 3 January 2025, the Bank was able to obtain approval for financing from African Export-Import Bank ("Afrexim") amounting to \$30 million multi-tranche term loan facility agreement through the Government of The Bahamas to support its operations. As of the audit report date, the Bank received \$2,451,353 of the said loan. Our opinion is not modified concerning this matter.

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.

Key Audit Matters (continued)

Provision for expected credit losses - \$644,897	
The risk	Our response
<p>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.</p> <p>As disclosed in Note 7 in the financial statements, the Bank's gross loan receivables including accrued interest amounted to \$19,840,744 and the related allowance for expected credit losses amounted to \$4,562,673 as at 30 June 2024. Provision for expected credit losses for the year ended 30 June 2024 amounted to \$644,897.</p> <p>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.</p> <p>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.</p>	<p>As part of our audit procedures, we:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> » 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
<p>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.</p> <p>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.</p>	<p>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.</p>

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

Other Information

Management is responsible for the other information. The other information comprises the Bahamas Development Bank Annual Report 2024 (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 2024, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRS, 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 it 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.

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

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

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 achieves fair presentation.

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

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

30 September 2025

Nassau, The Bahamas


CHARTERED ACCOUNTANTS

BAHAMAS DEVELOPMENT BANK

Statement of Financial Position
(Expressed in Bahamian dollars)

30 June 2024


	Notes	2024 \$	2023 \$
ASSETS			
Cash and cash equivalents	5, 24, 27	2,645,485	3,493,136
Investments, at amortized cost	6, 24, 27	3,035,078	3,025,740
Loans receivable, net	7, 24, 27	15,278,071	16,879,453
Due from the Bahamas Government	14, 24, 25, 27	5,005,728	2,978,982
Interest receivable on investments at amortized cost	6, 27	63,685	63,691
Prepayments and other assets, net	8, 27	468,584	356,428
Right-of-use asset, net	23	174,459	84,580
Fixed assets, net	9	2,916,678	3,130,162
TOTAL ASSETS		29,587,768	30,012,172
LIABILITIES AND CAPITAL DEFICIENCY			
LIABILITIES			
Customer deposits	10, 25, 27	525,674	1,050,711
Bonds payable	11, 27	4,000,000	4,000,000
Loans payable	12, 27	35,810,293	36,543,253
Interest payable	11, 12, 27	1,374,154	681,308
Accounts payable and accrued expenses	13, 24, 27	1,284,812	1,325,045
Lease liability	23, 27	178,656	89,714
Defined benefit pension plan obligation	22, 27	353,971	450,397
Total liabilities		43,527,560	44,140,428
CAPITAL DEFICIENCY			
Share capital	15	28,960,255	28,960,255
Contributed surplus	15, 24	30,000,252	28,300,252
Reserve fund	16	273,128	273,128
Other components of equity	22	(276,233)	(338,383)
Accumulated deficit	2	(72,897,194)	(71,323,508)
Total capital deficiency		(13,939,792)	(14,128,256)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		29,587,768	30,012,172

COMMITMENTS AND CONTINGENCIES

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These financial statements were approved on behalf of the Bank on 30 September 2025 by the following:


Director


Director

See accompanying notes. Independent Auditors' Report pages 1 through 4.

BAHAMAS DEVELOPMENT BANK

Statement of Comprehensive Operations
(Expressed in Bahamian dollars)

Year ended 30 June 2024

	Notes	2024	2023 (6-month period)
		\$	\$
INTEREST INCOME			
Loans	7	784,654	461,926
Interest subsidy	14, 24	298,133	151,014
Investments	6	144,981	71,905
Deposits	5	2,059	1,018
Total interest income		1,229,827	685,863
Less: Interest expense	11, 12, 13	(1,552,246)	(791,709)
NET INTEREST LOSS		(322,419)	(105,846)
LOAN RECOVERY	7	87,111	715,724
OTHER INCOME	17, 24	415,352	185,895
TOTAL INCOME, net of interest expense		180,044	795,773
NON-INTEREST EXPENSES			
Staff costs	19, 21, 24	2,794,287	1,344,801
General and administrative costs	20, 22, 24	1,096,295	430,609
Provision (reversal of allowance) for expected credit losses	7	644,897	(639,770)
Depreciation and amortization of fixed assets	9	231,670	118,111
Amortization of right-of-use asset	23	37,591	18,796
Write-off of loans receivable	7	-	169,756
Total non-interest expenses		4,804,740	1,442,303
NET LOSS BEFORE GOVERNMENT SUBSIDY		(4,624,696)	(646,530)
GOVERNMENT SUBSIDY	14, 18, 24	3,051,010	1,647,574
NET (LOSS) INCOME FOR THE YEAR / PERIOD		(1,573,686)	1,001,044
OTHER COMPREHENSIVE INCOME			
Remeasurements of net defined benefit obligation	22	62,150	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR / PERIOD		(1,511,536)	1,001,044

See accompanying notes. Independent Auditors' Report pages 1 through 4.

BAHAMAS DEVELOPMENT BANK

Statement of Changes in Capital Deficiency

(Expressed in Bahamian dollars)

Year ended 30 June 2024

	Notes	Share Capital	Contributed Surplus	Reserve Fund	Other Components of Equity	Accumulated Deficit	Total
		\$	\$	\$	\$	\$	\$
Balances at 1 January 2023		28,960,255	26,800,252	273,128	(338,383)	(72,324,552)	(16,629,300)
Additional capital contribution during the period	15	-	1,500,000	-	-	-	1,500,000
Net income for the period		-	-	-	-	1,001,044	1,001,044
Balances at 30 June 2023		28,960,255	28,300,252	273,128	(338,383)	(71,323,508)	(14,128,256)
Additional capital contribution during the year	15	-	1,700,000	-	-	-	1,700,000
Net loss for the year		-	-	-	-	(1,573,686)	(1,573,686)
Other comprehensive income	22	-	-	-	62,150	-	62,150
Balances at 30 June 2024	15, 16	28,960,255	30,000,252	273,128	(276,233)	(72,897,194)	(13,939,792)

See accompanying notes. Independent Auditors' Report pages 1 through 4.

BAHAMAS DEVELOPMENT BANK

Statement of Cash Flows
(Expressed in Bahamian dollars)

Year ended 30 June 2024

	Notes	2024	2023 (6-month period)
		\$	\$
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Total comprehensive (loss) income for the year / period		(1,511,536)	1,001,044
Adjustments for non-cash items:	8		
Interest income - loans	7	(784,654)	(461,926)
Interest income - subsidy	14, 24	(298,133)	(151,014)
Interest income - investments	6	(144,981)	(71,905)
Interest income - deposits	5	(2,059)	(1,018)
Administration fee - mail boat subsidy	14	(205,859)	(86,999)
Government subsidy	14, 18, 24	(3,051,010)	(1,647,574)
Remeasurements of net defined benefit obligation		(62,150)	-
Interest expense - lease liability	23	3,243	2,266
Interest expense - bonds payable	11	170,234	84,301
Interest expense - loans payable	12	1,382,012	707,408
Net interest on defined benefit pension plan obligation	22	22,408	12,304
Provision (reversal of allowance) for expected credit losses	7	644,897	(639,770)
Depreciation and amortization of fixed assets	9	231,670	118,111
Amortization of right-of-use asset	23	37,591	18,796
Write-off of loans receivable	7	-	169,756
Changes in operating assets and liabilities:			
Decrease (increase) in loans receivable, gross		953,922	(115,485)
(Increase) decrease in prepayments and other assets		(112,156)	5,130
Increase in right-of-use asset		(127,470)	-
Decrease in customer deposits		(525,037)	(103,457)
Decrease in accounts payable and accrued expenses		(40,233)	(538,582)
Increase in lease liability		127,699	-
Increase in defined benefit pension plan obligation		18,000	9,000
Cash used in operations		(3,273,602)	(1,689,614)
Interest received from loans		789,276	393,256
Interest received from investments		144,987	73,076
Interest paid on bonds payable		(170,136)	(85,699)
Interest paid on loans payable		(689,264)	(720,041)
Benefits paid to the pensioners	22	(74,684)	(44,131)
Net cash used in operating activities		(3,273,423)	(2,073,153)
INVESTING ACTIVITIES			
Acquisitions of fixed assets	9	(18,186)	(434)
Additions to investments, at amortized cost	6	(10,138)	-
Proceeds from maturity of investments, at amortized cost	6	800	-
Net cash used in investing activities		(27,524)	(434)
FINANCING ACTIVITIES			
Government subsidy received during the year / period	14	1,528,256	1,649,307
Additional capital contribution received during the year / period	15	1,700,000	1,500,000
Repayments of loans during the year / period	12	(732,960)	(843,567)
Lease payments during the year / period	23	(42,000)	(21,000)
Net cash provided by financing activities		2,453,296	2,284,740
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(847,651)	211,153
Cash and cash equivalents, beginning of the year / period		3,493,136	3,281,983
CASH AND CASH EQUIVALENTS, END OF THE YEAR / PERIOD	5, 24, 27	2,645,485	3,493,136

See accompanying notes. Independent Auditors' Report pages 1 through 4.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

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, agricultural, 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. The Bank has a branch located in Freeport, Grand Bahama Island.

On 17 August 2023, the Board of Directors approved the changing of the financial year end of the Bank from 31 December to 30 June of each year, with effect from the beginning of 2023, as required by the Public Finance Management Act, 2021. The Bank’s current year financial statements were as at and for the year ended 30 June 2024, while comparative financial statements presented are for the period from 1 January to 30 June 2023. As a result, the amounts presented in the prior period financial statements are not entirely comparable.

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 (“\$”), the Bank’s functional currency. All amounts have been rounded to the nearest Bahamian dollar, except when otherwise indicated.

Going concern assumption

For the year ended 30 June 2024, the Bank incurred a total comprehensive loss of \$1,511,536, (total comprehensive income for the 6-month period ended 30 June 2023: \$1,001,044). As of 30 June 2024, the Bank’s liabilities exceeded its assets by \$13,939,792 (2023: \$14,128,256), and the Bank had an accumulated deficit of \$72,897,194 as at 30 June 2024 (2023: \$71,323,508). Also, the Bank’s loan payable to the Central Bank of the Bahamas with a balance of \$1,500,000 is due on 28 October 2024. Moreover, the Bank’s bonds payable amounting to \$2,000,000 will mature in July 2025 and amounting to \$2,000,000 in October 2025.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

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

These financial statements are prepared on a going concern basis, as the Bank's directors and management are satisfied that the Bank can continue in business for the foreseeable future, with the continued assistance of the Government of The Bahamas, through operational funding and debt repayments, which are budgeted in the Government's fiscal year budget for 2025 - 2026. Also, in the subsequent period, as disclosed in Note 29, the Bank was able to obtain additional financing from the African Export-Import Bank ("Afrexim") through the Government of The Bahamas to support its operations.

3. NEW OR REVISED STANDARDS OR INTERPRETATIONS

New and revised standards that are effective for annual periods beginning on or after 1 July 2023

There were no 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 July 2023.

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.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Lack of Exchangeability (Amendments to IAS 21);
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7);
- IFRS 18, *Presentation and Disclosure in Financial Statements*; and
- IFRS 19, *Subsidiaries without Public Accountability: Disclosures*.

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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES

Overall considerations

The financial statements have been prepared using the material accounting policies and measurement bases summarized below.

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.

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 about values or conditions that cannot be known with certainty at the time the financial statements are prepared. A “critical accounting estimate” 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 inherently uncertain matters.

The information presented below provides an overview of the areas that involve a higher degree of judgment 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 judgments 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).

- 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

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

Estimates (continued)

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

Provision for expected credit losses during the year ended 30 June 2024 amounted to \$644,897 (6-month period ended 30 June 2023: reversal of allowance for expected credit losses of \$639,770). The carrying values of the Bank's loans receivables, net of allowance for expected credit losses of \$4,562,673 as at 30 June 2024 (2023: \$3,917,776) amounted to \$15,278,071 as at 30 June 2024 (2023: \$16,879,453).

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 \$2,916,678 as at 30 June 2024 (2023: \$3,130,162).

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.

Judgments

Operating lease commitments - Bank as a lessee

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 while in exchange for consideration". To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations, which are:

- 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 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 use. The Bank assesses whether it has the right to direct "how and for what purpose" the asset is used throughout its use.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

Judgments (continued)

Operating lease commitments - Bank as a lessee (continued)

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 while in exchange for consideration”. To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations, which are:

- 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 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 use. The Bank assesses whether it has the right to direct “how and for what purpose” the asset is used throughout its 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 concerning these are recognized as an expense in the statement of comprehensive operations on a straight-line basis over the lease term. The Bank has an operating lease for its Freeport, Grand Bahama branch, and has accounted for a right-of-use asset and lease liability during the lease term (see Note 23).

Principal versus agent considerations

The Bank enters into 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 Transport and Local Government. 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 contracts. 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 on behalf 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on 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 into 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 concerning particular deposits.

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 expires.

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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

As at 30 June 2024, the Bank's cash and cash equivalents, investments, at amortized cost, loans receivable, including accrued interest, net, due from the Bahamas Government, interest receivable on investments at amortized cost, net, and other assets, net, 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". 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Subsequent measurement of financial assets (continued)

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 that are especially identified as doubtful of collection.

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

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 designates 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, bonds payable, loans payable, and interest payable, accounts payable and accrued expenses, and lease liability, which are measured at amortized cost using the effective interest rate method, and a defined benefit pension plan obligation. 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

Fixed assets (continued)

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, and improvements	-	10 years
Motor vehicles	-	5 years
Computer software and equipment	-	5 years
Office machines and equipment	-	5 years

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation and amortization are removed from the books, and any resulting gain or loss is recognized in the statement of comprehensive 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 asset's recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its fair value less cost of disposal.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the statement of comprehensive 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.

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 statement of financial position. 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).

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

Bank as a lessee (continued)

Measurement and recognition of leases as a lessee (continued)

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.

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 a payment will probably 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 throughout 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 throughout 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

Income and expenses (continued)

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.

The Bank often enters into transactions involving a range of the Bank's services, such as interest income, fees, and commission 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 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 it have been satisfied. These amounts are presented as gross in the statement of comprehensive operations.

Interest income on loans

Interest income 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 in the statement of comprehensive operations.

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 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

Taxation

Under the current system of taxation in The Bahamas, the Bank is not liable to pay income taxes, capital gains, or withholding taxes. However, the Bank is liable to pay Value Added Tax ("VAT") related to revenues, if vatable, which is 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 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.

Effective 1 July 2023, the Government of The Commonwealth of The Bahamas repealed the Business Licence Act, 2010, and its related amendments and regulations with the Business Licence Act, 2023, and the Business Licence Regulations, 2023 ("the BL Act and Regulations").

Accordingly, all businesses, with turnover of \$5 million or over, as defined by the BL Act and Regulations, are required to submit audited financial statements, Statement of Turnover and related Business Licence Return for the calendar year ended 31 December and all businesses, with turnover between \$0.25 million to \$4.99 million, are required to submit reviewed report with Statement of Turnover and related Business License Return for the calendar year ended 31 December. The Bank, being a government business enterprise, is classified as a business and is covered by the BL Act and Regulations.

Government subsidy

The Government of the Commonwealth of The Bahamas, in its mandate, approved to grant some amount of funds to meet the principal and interest repayments of the loans and bonds of the Bank. The Bank recorded the subsidy as a separate line item in the statement of comprehensive operations and recognized it 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.

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 several 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

4. MATERIAL ACCOUNTING POLICIES (continued)

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 its small number of existing retirees. The members will be paid a 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 regularly. Remeasurements are recognized in other comprehensive income when they occur.

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 ("BGRS"), which 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. Income or losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income or losses and are not reclassified to profit or loss in 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. 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.

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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2024 are comprised of the following:

	2024	2023
	\$	\$
Cash at banks	2,060,033	2,929,896
Term deposit	562,052	561,489
Cash on hand	23,400	1,751
	2,645,485	3,493,136

The Bank earns interest on the term deposit at prevailing market interest rates. The average interest rate during the year ended 30 June 2024 was 0.10% (6-month period ended 30 June 2023: 0.10%). During the year, interest earned and received on the term deposit amounted to \$2,059 (6-month period ended 30 June 2023: \$1,018). Cash at banks does not earn interest.

6. INVESTMENTS, AT AMORTISED COST

Investments, at amortized cost, as at 30 June 2024 consist of the following:

	2024	2023
	\$	\$
Fixed deposits	60,678	50,540
BGRS	2,974,400	2,975,200
	3,035,078	3,025,740

The restricted and unrestricted portions of the investments, at amortized cost, as at 30 June 2024, are broken down as follows:

	2024	2023
	\$	\$
Unrestricted funds	1,704,400	1,705,214
Restricted sinking fund	1,270,000	1,270,000
Restricted fixed deposit - corporate credit card collateral	50,678	50,526
Restricted fixed deposit - customs bond	10,000	-
	3,035,078	3,025,740

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

	2024	2023
	\$	\$
Balance, beginning of the year / period	3,025,740	3,025,575
Purchase of investment at amortized cost	10,000	-
Interest on fixed deposit reinvested during the year / period	138	165
Proceeds from maturity of investments, at amortized cost	(800)	-
Balance, end of year / period	3,035,078	3,025,740

In accordance with Section 19 of the Bahamas Development Bank Act, the Bank established a sinking fund amounting to \$1,270,000, for the satisfaction of the Central Bank of the Bahamas bonds totaling \$4,000,000, which are 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

6. INVESTMENTS, AT AMORTISED COST (continued)

In 2021, the Bank established and maintained a \$50,000 fixed-term deposit with the Bank of The Bahamas, as security for the Bank's corporate credit card. The corporate credit card has a limit of \$50,000, subject to an annual interest rate of 18% (2023: 18%).

During the year, the Bank's investments in BGRS, amounting to \$800 (6-month period ended 30 June 2023: Nil), matured. As at 30 June 2024 and 2023, the Bank has met the requirements of the sinking fund.

The fixed-term deposit has a maturity of one (1) year and earns interest at an annual rate of 0.30% (2023: 0.30%). BGRS are held for long-term return and are stated at the amortized cost, approximately equal to their fair value. The BGRS bears interest at annual rates of 4.5% to 5.0%, and has maturity dates of 2025 through 2039 (6-month period ended 30 June 2023: 4.5% to 5.0%, and has maturity dates of 2024 to 2039).

During the year, interest earned from investments, at amortized cost, by the Bank amounted to \$144,981 (6-month period ended 30 June 2023: \$71,905), of which \$63,685 was receivable as at 30 June 2024 (2023: \$63,691), and was presented as interest receivable on investments at amortized cost in the statement of financial position.

7. LOANS RECEIVABLE, net

Loans receivable, net (including accrued interest), as at 30 June 2024 is comprised of the following:

	2024	2023
	\$	\$
Performing	6,347,928	9,933,817
Non-performing	11,325,246	8,972,081
Extraordinary advances	1,405,674	1,217,011
Employees	242,603	152,464
	19,321,451	20,275,373
Add: accrued interest	519,293	521,856
	19,840,744	20,797,229
Less: allowance for expected credit losses	(4,562,673)	(3,917,776)
	15,278,071	16,879,453

Movements in loans receivable, net, during the year are as follows:

	2024	2023
	\$	\$
Balance, beginning of the year / period	20,275,373	20,558,261
Add: loans disbursed	634,399	1,078,746
Less: loan repayments	(1,588,321)	(963,261)
Less: write-off of loans receivable	-	(398,373)
	19,321,451	20,275,373
Add: accrued interest	519,293	521,856
	19,840,744	20,797,229
Less: allowance for expected credit losses	(4,562,673)	(3,917,776)
	15,278,071	16,879,453

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

7. LOANS RECEIVABLE, net (continued)

The outstanding loans earned interest at rates ranging from 0% to 8.50% per annum (2023: 0% to 8.50% per annum). During the year, the Bank earned interest on loans amounting to \$784,654 (6-month period ended 30 June 2023: \$461,926), of which \$519,293 was receivable as at 30 June 2024 (2023: \$521,856), and was included as a part of the total loans receivable in the statement of financial position. In addition, the Bank had no write-offs of loans receivable during the year ended 30 June 2024 (2023: write-offs of \$169,756).

During the year, loan recovery amounted to \$87,111 (6-month period ended 30 June 2023: \$715,724), which represents the funds received by the Bank from the loans that were already written off in previous financial years.

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

	2024	2023
	\$	\$
Balance at the beginning of the year / period	3,917,776	4,786,163
Provision (reversal of allowance) for expected credit losses during the year / period	644,897	(639,770)
Write-offs during the year / period	-	(228,617)
Balance at the end of the year / period	4,562,673	3,917,776

Total write-offs during the year ended 30 June 2024 was Nil (6-month period ended 30 June 2023: \$398,37, which included \$169,756 as direct write-off of loans receivable, and was presented as a part of non-interest expenses in the Bank's statement of comprehensive operations).

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

7. LOANS RECEIVABLE, net (continued)

The following is an aged analysis of all loans' receivable as at 30 June 2024:

30 June 2024	Number of accounts	Loans \$	Collateral held \$	Portion of loans not covered by collateral \$	Allowance for expected credit losses \$	Allowance rate %
General provision						
Current loans	51	2,883,064	5,139,672	-	144,153	5
1 to 30 days	7	607,760	919,916	-	30,388	5
31 to 60 days	12	856,146	2,726,310	-	85,615	10
61 to 90 days	4	2,371,159	2,714,158	-	355,674	15
Specific provision						
91 to 365 days	19	3,692,487	3,896,158	-	974,856	26
Over 365 days	125	8,267,739	12,196,446	-	2,067,963	25
Extraordinary advances linked to inactive loans		643,096	-	643,096	643,096	100
		19,321,451	27,592,660	643,096	4,301,745	
Allowance for expected credit losses on interest		-	-	-	260,928	
		19,321,451	27,592,660	643,096	4,562,673	
30 June 2023						
	Number of accounts	Loans \$	Collateral held \$	Portion of loans not covered by collateral \$	Allowance for expected credit losses \$	Allowance rate %
General provision						
Current loans	57	7,685,968	10,411,845	-	233,894	5
1 to 30 days	14	623,537	1,337,166	-	61,566	5
31 to 60 days	9	994,564	1,440,806	-	292,830	10
61 to 90 days	6	782,213	756,909	25,304	108,637	15
Specific provision						
91 to 365 days	12	2,242,197	3,585,500	-	566,827	25
Over 365 days	125	6,729,883	15,787,616	-	1,779,013	26
Extraordinary advances linked to inactive loans		1,217,011	128,491	1,088,520	614,081	50
		20,275,373	33,448,333	1,113,824	3,656,848	
Allowance for expected credit losses on interest		-	-	-	260,928	
		20,275,373	33,448,333	1,113,824	3,917,776	

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

8. PREPAYMENTS AND OTHER ASSETS, net

Prepayments and other assets, net, as at 30 June 2024 are comprised of the following:

	2024	2023
	\$	\$
Prepayments		
Prepaid expenses	121,585	46,475
Other assets		
Offset loans	166,216	166,216
Accounts receivable	148,931	91,308
Others	23,247	31,335
Security deposits	8,605	8,605
VAT receivable	-	307,049
Total other assets, gross	346,999	604,513
Less: Allowance for expected credit losses	-	(294,560)
Total other assets, net	346,999	309,953
Total prepayments and other assets	468,584	356,428

VAT receivable pertains to the excess of input VAT over output VAT of the Bank. During the year, the Bank wrote off the VAT receivable and related allowance for expected credit losses, as the Bank does not believe the amount was collectible.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

9. FIXED ASSETS, net

Fixed assets, net, as at 30 June 2024 consist of the following:

	Land	Building and building Improvements	Computer Software and Equipment	Furniture, Fixtures, and Improvements	Office Machines and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Cost:							
Balances at 1 January 2023	480,000	2,297,908	2,482,066	1,730,683	568,596	47,612	7,606,865
Additions	-	-	434	-	-	-	434
Write-offs	-	-	(1,803,932)	(1,455,953)	(537,222)	-	(3,797,107)
Balances at 30 June 2023	480,000	2,297,908	678,568	274,730	31,374	47,612	3,810,192
Additions	-	-	17,418	768	-	-	18,186
Balances at 30 June 2024	480,000	2,297,908	695,986	275,498	31,374	47,612	3,828,378
Accumulated depreciation and amortization:							
Balances at 1 January 2023	-	170,654	2,086,423	1,521,587	551,124	29,238	4,359,026
Depreciation and amortization	-	38,299	54,776	17,998	2,296	4,742	118,111
Write-offs	-	-	(1,803,932)	(1,455,953)	(537,222)	-	(3,797,107)
Balances at 30 June 2023	-	208,953	337,267	83,632	16,198	33,980	680,030
Depreciation and amortization	-	76,597	113,864	27,282	5,669	8,258	231,670
Balances at 30 June 2024	-	285,550	451,131	110,914	21,867	42,238	911,700
Net carrying values:							
30 June 2024	480,000	2,012,358	244,855	164,584	9,507	5,374	2,916,678
30 June 2023	480,000	2,088,955	341,301	191,098	15,176	13,632	3,130,162

Write-offs pertain to the write-off of fully depreciated fixed assets from the Bank's fixed asset registers as at 30 June 2023. These items were either obsolete or no longer exist. No write-offs were made during the year.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

10. CUSTOMER DEPOSITS

Customer deposits as at 30 June 2024 consist of the following:

	2024	2023
	\$	\$
Other customer deposits and advances	285,869	320,371
Security deposits held as collateral for loans	183,800	183,800
Insurance premiums	24,394	8,723
Mailboat subsidy - Ministry of Transport (see Note 25)	22,888	522,200
Agriculture Program - Grand Bahama	8,723	15,617
	525,674	1,050,711

Customer deposit is interest-free and unsecured.

11. BONDS PAYABLE

As at 30 June 2024, 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 %	2024	2023
					\$	\$
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 \$170,234 (6-month period ended 30 June 2023: \$84,301), of which \$91,478 was payable as at 30 June 2024 (2023: \$91,380) and was included in interest payable in the statement of financial position.

Bonds payable as at 30 June 2024 are classified as non-current.

12. LOANS PAYABLE

Loans payable as at 30 June 2024 consist of the following:

	2024	2023
	\$	\$
National Insurance Board	34,310,293	35,043,253
The Central Bank of The Bahamas	1,500,000	1,500,000
	35,810,293	36,543,253

Movements in loans payable during the year were as follows:

	National Insurance Board	Central Bank of The Bahamas	Total
	\$	\$	\$
Balance at 1 January 2023	35,761,820	1,625,000	37,386,820
Repayments during the period	(718,567)	(125,000)	(843,567)
Balance at 30 June 2023	35,043,253	1,500,000	36,543,253
Repayments during the year	(732,960)	-	(732,960)
Balane at 30 June 2024	34,310,293	1,500,000	35,810,293
Accrued interest	1,231,203	51,473	1,282,676

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

12. LOANS PAYABLE (continued)

During the year, interest expense incurred by the Bank on loans payable amounted to \$1,382,012 (6-month period ended 30 June 2023: \$707,408), of which \$1,282,676 was payable as at 30 June 2024 (2023: \$589,928).

The loans payable maturity is as follows:

	30 June 2024	30 June 2023
	\$	\$
Due within one (1) year	4,182,936	2,235,022
Due within one (1) to five (5) years	6,879,207	7,611,608
Due after five (5) years	24,748,150	26,696,623
	35,810,293	36,543,253

National Insurance Board

Loan - Office Building

As at 30 June 2024, the Bank had an outstanding loan of \$848,494 (2023: \$909,450) 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 \$60,956 (6-month period ended 30 June 2023: \$59,608) 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 2020. As at 30 June 2024, the outstanding loan balance was \$33,461,799 (2023: \$34,133,803). 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 \$672,004 (6-month period ended 30 June 2023: \$658,959) on its principal balance.

The Central Bank of The Bahamas

As at 30 June 2024, the Bank had an outstanding loan of \$1,500,000 (2023: \$1,500,000) 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 2024. The Bank made no payments on the loan during the year ended 30 June 2024 (6-month period ended 30 June 2023: \$125,000). The loan is due and was demanded for payment by the Central Bank of The Bahamas.

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as at 30 June 2024 are comprised of the following:

	2024	2023
	\$	\$
Accounts payable	1,150,473	1,034,331
Accrued expenses	133,639	285,197
Defined contribution pension plan obligation	700	5,517
	1,284,812	1,325,045

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES (continued)

Accounts payable also include those payable by the Bank to the assets under administration with the SBDC, Roadwork, Agriculture, and Micro-loan programs, which amounted to \$852,119 as of 30 June 2024 (2023: \$813,786).

14. DUE FROM THE BAHAMAS GOVERNMENT

Due from the Bahamas Government as at 30 June 2024 consist of the following:

	2024	2023
	\$	\$
Balance, beginning of the year / period	2,978,982	2,742,702
Government subsidy entitlement for the year / period (see Note 18)	3,051,010	1,647,574
Government subsidy received during the year / period	(1,528,256)	(1,649,307)
Interest subsidy for the year / period	298,133	151,014
Administration fee for the year / period - mailboat operators (see Note 25)	205,859	86,999
Balance, end of the year / period	5,005,728	2,978,982

During the year, the Bahamas Government subsidized the Bank for an amount of \$1,528,256 (6-month period ended 30 June 2023: \$1,649,307) for the principal and interest payments on bonds and loans payable. The Government 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%. Interest subsidy received by the Bank for the year ended 30 June 2024 amounted to \$298,133 (6-month period ended 30 June 2023: \$151,014).

Additionally, the Government agreed for the Bank to be paid administrative fees to facilitate the Government's Mailboat subsidy on behalf of the Ministry of Transport and Local Government. The fee of 2.50% was applied during the year and amounted to \$205,859 (6-month period ended 30 June 2023: \$86,999).

As at 30 June 2024, the Bank had a receivable of government subsidy amounting to \$2,416,366 (30 June 2023: \$893,612) (see Note 18).

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

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Share capital as at 30 June 2024 are comprised of the following:

	2024	2023
	\$	\$
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

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

15. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

During the year, the Bank received additional capital amounting to \$1,700,000 (6-month period ended 30 June 2023: \$1,500,000) from the Ministry of Finance for the operational activities. This amount represents contributed surplus, which amounted to \$30,000,252 as at 30 June 2024 (2023: \$28,300,252) and is separate from the government subsidy that the Bank receives.

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 30 June 2024, the total amount of the Reserve Fund was \$273,128 (2023: \$273,128). The Bank did not allocate any portion of its net profits for the 6-month period ended 30 June 2023.

17. OTHER INCOME

Other income during the year consists of the following:

	2024	2023 (6-month period)
	\$	\$
Fees and commissions	387,157	185,825
Other	28,195	70
	415,352	185,895

18. GOVERNMENT SUBSIDY

The Government agreed to pay the principal and interest expense on the Bank's loans and bonds payable. During the year, the Bank's Government subsidy entitlement amounted to earned \$3,051,010 (6-month period ended 30 June 2023: \$1,647,574), of which \$2,416,366 was receivable as at 30 June 2024 (2023: \$893,612), as disclosed in Note 14.

19. STAFF COSTS

Staff costs during the year consist of the following:

	Note	2024	2023 (6-month period)
		\$	\$
Salaries		1,999,570	885,411
NIB, pension, and insurance	21	474,626	265,420
Directors' expenses		241,994	111,824
Staff benefits and other		78,097	82,146
		2,794,287	1,344,801

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

20. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs during the year are comprised of the following:

	Note	2024	2023 (6-month period)
		\$	\$
Miscellaneous		152,510	50,296
Telephone, telex, and cable		136,343	58,587
Professional fees		120,703	69,833
Subscriptions and entertainment		101,887	29,461
Repairs and maintenance		94,962	42,593
Security expense		85,466	36,038
Computer expenses		76,420	53,545
Travel and transportation		66,606	6,777
Utilities		57,628	19,654
Grant expense program		55,924	-
Executive allowances		34,140	18,120
Advertising		30,362	4,377
Other expenses	22	26,090	14,569
Insurance		25,921	13,933
Bank charges		16,558	2,848
Office supplies and printing		12,925	7,953
Rent		1,850	2,025
		1,096,295	430,609

General and administrative costs included rent expenses during the year amounting to \$1,850 (6-month period ended 30 June 2023: \$2,025), which the Bank has applied the exemption on IFRS 16, due to the relatively short-term nature and low-value 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 a 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 30 June 2024 and 30 June 2023, all funds were administered by Colina Financial Advisors Limited.

Pension contributions expense during the year amounted to \$17,576 (6-month period ended 30 June 2023: \$46,267), which is included in NIB, pension, and insurance expenses, as a part of staff costs, as disclosed in Note 19.

The Bank has set up a funded pension scheme for its retired employees. As at 30 June 2024, the number of retired employees included eight (8) (2023: nine (9)) pensioners.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

22. DEFINED BENEFIT PENSION PLAN OBLIGATION

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 30 June 2024. Based on the management's valuation, there was no significant change in the defined benefit pension plan obligation from 2023. The movements in the defined benefit pension plan obligation and fair value of the plan assets are as follows:

	2024	2023
	\$	\$
Defined benefit pension plan obligation		
Balance at the beginning of the year / period	850,397	873,224
Interest expense	53,608	12,304
Benefits paid to pensioners from the operating fund	(74,684)	(44,131)
Returns on plan asset received by the operating fund	18,000	9,000
Remeasurements of net defined benefit obligation	(93,350)	-
Balance at the end of the year / period	753,971	850,397

	2024	2023
	\$	\$
Fair value of plan assets		
Balance at the beginning of the year / period	400,000	400,000
Expected return on plan assets	31,200	-
Actuarial loss on plan assets	(31,200)	-
Balance at the end of the year / period	400,000	400,000

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

	2024	2023
	\$	\$
Defined benefit obligation	753,971	850,397
Less: Fair value of plan assets	(400,000)	(400,000)
	353,971	450,397

As at 30 June 2024, the plan assets consist of investment in BGRS totaling \$400,000 (2023: \$400,000).

The following information was used by an independent actuary who performed an actuarial valuation for the year ended 30 June 2024.

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 30 June 2024 at 4.8%, and 2022 at 5.2%, the rate on the BGRS with 7-year maturities issued close to the date of valuation.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

22. DEFINED BENEFIT PENSION PLAN OBLIGATIONS (continued)

Estimates and assumptions (continued)

- Mortality rates, 1994 Group Annuity Mortality Table was used. The table below shows the probability of death within 1 year.

Age	Male	Female
60	0.80%	0.44%
65	1.45%	0.86%
70	2.37%	1.37%
75	3.72%	2.27%
80	6.20%	3.94%
85	9.72%	6.77%
90	15.29%	11.63%

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 income related to the net actuarial gain from changes in actuarial assumptions amounted to \$62,150 for the year ended 30 June 2024 (6-month period ended 30 June 2023: Nil). Total remeasurements, classified in the statement of changes in capital deficiency under other components of equity, amounted to \$276,233 as at 30 June 2024 (2023: \$338,383).

During the year, interest expense on defined benefit pension plan obligation amounted to \$22,408 (6-month period ended 30 June 2023: \$12,304). This amount is included in the statement of comprehensive operations under general and administrative costs as other expenses.

23. COMMITMENTS AND CONTINGENCIES

Commitments

As at 30 June 2024, the Bank was committed to extend credit, based on approved but undisbursed loans amounting to \$1,194,508 (30 June 2023: \$1,103,095).

Litigation and Provisions for asserted claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has an established protocol for dealing with such legal claims. 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

23. COMMITMENTS AND CONTINGENCIES (continued)

Litigation and Provisions for asserted claims (continued)

All legal cases against the Bank have been discussed during the monthly board meetings, and the legal department of the Bank keeps the correspondence of all of them. Accordingly, the unresolved legal claims by GMP Holdings dba MV Lady Emerald, Windfield Outten T/A Tiffany Marble Products (Bahamas), and L'L Flak Enterprises Limited, and Lelah Cunningham, against the Bank, which is the Defendant of these cases, as at 30 June 2024, for which adjustments to the Bank's financial statements have not been made due to the uncertainty of its outcome.

As at 30 June 2024, the Bank, as a Plaintiff, had several other 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 has a lease for its Freeport office with Jurobsi Investment Ltd. for an initial period of three (3) years beginning December 2011, at a monthly rental amount of \$3,500, which has since been renewed. On 11 August 2021, the contract was renewed for the period from 1 November 2021 to 30 September 2024, renewable for one (1) year.

On 23 May 2024, the contract was renewed for another three (3) years from 1 July 2024 to 30 June 2027, renewable for one (1) year and with a monthly rental of \$4,000, plus VAT.

Right-of-use asset as at 30 June 2024 consists of the following:

	2024	2023
	\$	\$
Right-of-use asset		
Balance at the beginning of the year / period	256,205	256,205
Additions during the year / period	127,470	-
Balance at the end of the year / period	383,675	256,205
Accumulated amortization		
Balance at the beginning of the year / period	171,625	152,829
Amortization during the year / period	37,591	18,796
Balance at the end of the year / period	209,216	171,625
Net carrying value as at end of year / period	174,459	84,580

Movements in lease liability during the year / period are as follows:

	2024	2023
	\$	\$
Lease liability		
Balance at the beginning of the year / period	89,714	108,448
Additions during the year / period	127,699	-
Interest charge during the year / period	3,243	2,266
Lease payments during the year / period	(42,000)	(21,000)
Balance at the end of the year / period	178,656	89,714

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Notes to Financial Statements

30 June 2024

23. COMMITMENTS AND CONTINGENCIES (continued)

Lease commitments (continued)

The maturity analysis of lease liability is as follows:

	2024	2023
	\$	\$
Due within one (1) year	44,953	38,756
Due within two (2) to five (5) years	133,703	50,958
	178,656	89,714

Interest expense on lease liability is classified in the statement of comprehensive operations under the general and administrative costs as other expenses.

24. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

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.

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Notes to Financial Statements

30 June 2024

24. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

As at and during the year ended 30 June 2024, the Bank's related party balances and transactions are as follows:

	Related party	Relationship	Nature of the balance / transaction	2024 \$	2023 \$
Balances:					
Cash and cash equivalents	Bank of the Bahamas	Affiliate	Cash at bank	2,118,447	2,542,131
Cash and cash equivalents	Central Bank of the Bahamas	Affiliate	Cash at bank	1,818	884
Cash and cash equivalents	Bank of the Bahamas	Affiliate	Term deposit	562,052	561,489
Investments, at amortized cost	Bank of the Bahamas	Affiliate	Fixed deposits	60,678	50,540
Investments, at amortized cost	Central Bank of the Bahamas	Affiliate	Bahamas Government Registered Stocks	2,974,400	2,975,200
Loans receivable, net	Key management personnel	Key management personnel	Loans to key management personnel	60,121	152,464
Due from the Bahamas Government	Ministry of Finance	Government ministry	Receivable from the Government	5,005,728	2,978,982
Accounts payable and accrued expenses	Ministry of Finance	Government ministry	VAT payable	14,319	61,453
Contributed Surplus	Ministry of Finance	Government ministry	Capital contribution	30,000,252	28,300,252
Transactions:					
Government subsidy	Ministry of Finance	Government ministry	Government grants	3,051,010	1,647,574
Interest subsidy	Ministry of Finance	Government ministry	Subsidy income	298,133	151,014
Other income	Ministry of Finance	Government ministry	Fee income	205,859	167,223
Staff costs	Directors	Directors	Directors' stipends and other expenses	241,994	105,299
Staff costs	Key management personnel	Key management personnel	Key management personnel compensation	540,947	317,709
General and administrative costs	Key management personnel	Key management personnel	Executive allowances	34,140	18,120

As at 30 June 2024, due from the Bahamas Government account balance included government subvention, interest subsidy income, and administration fee income to Mailboat subsidy payments.

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 stipend expenses, which are recorded as part of staff costs in the statement of comprehensive operations.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

24. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

No loans were disbursed to the Board of Directors or their close family members during year ended 30 June 2024, and for the 6-month period ended 30 June 2023, respectively. The loans granted to key management personnel bear interest at an annual rate of 4.25% (2023: 4.25%), are unsecured, and have fixed terms of repayment. Other bank employees receive loans on the same terms.

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 30 June 2024, total loans under this program that are off-balance sheet amounted to \$3,317,045 (2023: \$3,319,750). As of 30 June 2024, the cash balance that the Bank held on behalf of the MOF-MLP amounted to \$10,399 (2023: \$7,538).

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 30 June 2024, no administration fees were earned or received for this arrangement.

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

	2024	2023
	\$	\$
Balance at the beginning of the year / period	3,319,750	3,321,548
Loan payments received during the year / period	(2,705)	(1,798)
Balance at the end of the year / period	3,317,045	3,319,750

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 microloan 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 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 the collection of payments and following up with delinquent clients.

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Notes to Financial Statements

30 June 2024

25. ASSETS UNDER ADMINISTRATION (continued)

Sustainable Development (Agriculture Fund) Micro Loan Program (“SDAF-MLP”) Design and Implementation (continued)

As at 30 June 2024, total agricultural loans under this program, that are off-balance sheet, amounted to \$100,870 (2023: \$111,343). As at 30 June 2024, the off-balance sheet cash that the Bank held on behalf of the SDAF-MLP amounted to \$492,823 (2023: \$490,990). During the year ended 30 June 2024 and for the 6-month period ended 30 June 2023, no administration fees were earned and received for this arrangement.

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

	2024	2023
	\$	\$
Balance at the beginning of the year / period	111,343	114,369
Loan payments received during the year / period	(10,473)	(3,026)
Balance at the end of the year / period	100,870	111,343

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

In 2019, an MOU was entered into between the Bank and the SBDC for the provision of a framework for the Bank to act as an executing agency for the SBDC’s Micro-Loan Program. The Bank was 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 30 June 2024, total loans under this program that are off-balance sheet amounted to \$247,271 (2023: \$287,482). As of 30 June 2024, the off-balance sheet cash that the Bank held on behalf of the MLP amounted to \$1,586,464 (2023: \$1,510,655). During the year, the Bank earned and received administration fees amounting to \$50,400 (6-month period ended 30 June 2023: \$25,200), with respect to this arrangement.

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

	2024	2023
	\$	\$
Balance at the beginning of the year / period	287,482	304,922
Loan payments received during the year / period	(40,211)	(17,440)
Balance at the end of the year / period	247,271	287,482

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 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.

BAHAMAS DEVELOPMENT BANK

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30 June 2024

25. ASSETS UNDER ADMINISTRATION (continued)

MSME Business Continuity Loan Programme Agreement (continued)

As at 30 June 2024, total loans under this programme that are off-balance sheet amounted to \$1,783,441 (2023: \$2,470,976). As of 30 June 2024 and 2023, the bank held no off-balance sheet cash on behalf of the MSME programme. During the year, the Bank earned and received administration fees amounting to \$84,971 (6-month period ended 30 June 2023: \$36,900), with respect to this arrangement.

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

	2024	2023
	\$	\$
Balance at the beginning of the year / period	2,470,976	2,709,720
Loans disbursed during the year / period	-	13,190
Loan payments received during the year / period	(687,535)	(251,934)
Balance at the end of the year / period	1,783,441	2,470,976

Hurricane Dorian - Disaster Recovery Loan Programme

As of 30 June 2024, total disaster recovery loans that are off-balance sheet amounted to \$16,495 (2023: \$16,948). As of 30 June 2024, the off-balance sheet cash that the Bank held in reference to the disaster recovery loan program was \$1,500,000 (2023: \$1,500,000). During the year ended 30 June 2024 and the 6-month period ended 30 June 2023, no administration fees were earned and received.

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

	2024	2023
	\$	\$
Balance at the beginning of the year / period	16,948	17,112
Loan payments received during the year / period	(453)	(164)
Balance at the end of the year / period	16,495	16,948

Executing Agency Services - Mailboat Service Contract Payments

In August 2016, the Bank entered an Executing Agency Services Agreement with the 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 every month.

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 to track 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

25. ASSETS UNDER ADMINISTRATION (continued)

Executing Agency Services - Mailboat Service Contract Payments (continued)

As at 30 June 2024, the cash that the Bank held from these Mail boat contract payments amounted to \$22,888 (30 June 2023: \$522,200) and was 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 \$226,445 (6-month period ended 30 June 2023: \$86,999), with respect to this arrangement (see Note 14).

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

	2024	2023
	\$	\$
Due to Mailboat operators, beginning of the year / period	522,200	522,200
Funds received for distribution during the year / period	8,558,488	3,644,942
Funds disbursed during the year / period	(9,057,800)	(3,644,942)
Due to Mailboat operators, end of the year / period	22,888	522,200

26. CONCENTRATIONS OF FINANCIAL ASSETS AND LIABILITIES

As at 30 June 2024, the Bank has the following concentrations of financial assets and liabilities according to geographic region and industry sector:

	Geographic region	Industry	2024 %	2023 %
Cash and cash equivalents	Bahamas	Financial Sector	100.00	100.00
Loans receivable	Bahamas	Service	45.95	42.20
	Bahamas	Transportation	28.71	23.63
	Bahamas	Tourism	14.14	18.40
	Bahamas	Manufacturing	6.95	9.33
	Bahamas	Fishing	2.28	1.53
	Bahamas	Staff	1.65	4.23
	Bahamas	Agriculture	0.32	0.68
			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, which includes 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 parameters 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.

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 if 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 is specifically earmarked to finance projects in the economic sectors as disclosed in Note 26.

The Bank carries interest bearing financial assets and liabilities such as term deposits, investments, at amortized cost, loans payable, lease liability, defined benefit pension plan obligation, and bonds payable. The Bank's interest on its term deposits, investments, at amortized cost - fixed deposits, loans payable, lease liability, and defined benefit pension plan obligation are fixed and are not exposed to changes in market interest rates. However, the coupon rate of investments, at amortized cost - BGRS, and bonds payable are subject to the prime interest rate plus an add-on rate. The table below 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 30 June 2024.

The sensitivity of the financial asset and the financial liability subject to a prime interest rate, plus an add-on rate is as follows:

	Portfolio	Increase/ size decrease	Sensitivity
		in basis	of profit
	\$	points	or loss
			\$
30 June 2024			
Investments, at amortized cost - BGRS	362,700	+50 / (50)	1,814 / (1,814)
Bonds payable	4,000,000	+50 / (50)	(20,000) / 20,000
Interest sensitivity gap			(18,186) / 18,186
30 June 2023			
Investments, at amortized cost - BGRS	362,700	+50 / (50)	1,814 / (1,814)
Bonds payable	4,000,000	+50 / (50)	(20,000) / 20,000
Interest sensitivity gap			(18,186) / 18,186

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (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 amounts, respectively.

Interest rate sensitivity gap analysis as at 30 June 2024:

	2024		
	Interest Bearing	Non-interest Bearing	Carrying value
	\$	\$	\$
Financial assets			
Cash and cash equivalents	562,052	2,083,433	2,645,485
Investments, at amortized cost	3,035,078	-	3,035,078
Loans receivable, including accrued interest, gross	17,915,777	1,924,967	19,840,744
Due from the Bahamas Government	-	5,005,728	5,005,728
Interest receivable on investments at amortized cost	-	63,685	63,685
Other assets, gross	-	346,999	346,999
	21,512,907	9,424,812	30,937,719
Financial liabilities			
Customer deposits	-	525,674	525,674
Bonds payable	4,000,000	-	4,000,000
Loans payable	35,810,293	-	35,810,293
Interest payable	-	1,374,154	1,374,154
Accounts payable and accrued expenses	-	1,284,812	1,284,812
Lease liability	178,656	-	178,656
Defined benefit pension plan obligation	353,971	-	353,971
	40,342,920	3,184,640	43,527,560
Total interest rate risk gap	(18,830,013)	6,240,172	(12,589,841)

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk (continued)

Interest rate risk gap analysis (continued)

	2023		
	Interest Bearing \$	Non-interest Bearing \$	Carrying value \$
Financial assets			
Cash and cash equivalents	561,489	2,931,647	3,493,136
Investments, at amortized cost	3,025,740	-	3,025,740
Loans receivable including accrued interest, gross	20,797,229	-	20,797,229
Due from the Bahamas Government	-	2,978,982	2,978,982
Interest receivable on investments at amortized cost	-	63,691	63,691
Other assets, gross	-	604,513	604,513
	24,384,458	6,578,833	30,963,291
Financial liabilities			
Customer deposits	-	1,050,711	1,050,711
Accounts payable and accrued expenses	-	1,325,045	1,325,045
Bonds payable	4,000,000	-	4,000,000
Loans payable	36,543,253	-	36,543,253
Interest payable	-	681,308	681,308
Lease liability	89,714	-	89,714
Defined benefit pension plan obligation	450,397	-	450,397
	41,083,364	3,057,064	44,140,428
Total interest rate risk gap	(16,698,906)	3,521,769	(13,177,137)

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. A 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 30 June 2024 would have increased by \$94,150 (6-month period ended 30 June 2023: \$91,836). 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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. 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 the 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 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 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.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Expected Credit Loss Measurement (“ECL”) (continued)

The maturity profile is based on historically observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. 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 30 June 2024 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 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	2024 \$	2023 \$
Cash and cash equivalents (excluding cash on hand)	2,622,085	-	-	2,622,085	3,491,385
Loans receivable, including accrued interest, gross	3,901,012	3,208,812	12,730,920	19,840,744	20,797,229
Investments, at amortized cost Due from the Bahamas Government	3,035,078	-	-	3,035,078	3,025,740
	5,005,728	-	-	5,005,728	2,978,982
Interest receivable on investments at amortized cost	63,685	-	-	63,685	63,691
Other assets, gross	346,999	-	-	346,999	604,513
	14,974,587	3,208,812	12,730,920	30,914,319	30,961,540

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum Exposure to Credit Risk (continued)

The following table shows the breakdown of the impairment allowance by portfolio at 30 June 2024:

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	30 June 2024 \$	30 June 2023 \$
Loans receivable, including accrued interest:					
Gross carrying amount					
Consumer loans	3,139,116	3,208,812	11,325,246	17,673,174	18,175,476
Commercial loans	-	-	-	-	730,422
Staff loans	242,602	-	-	242,602	152,464
Extraordinary advances	-	-	1,405,674	1,405,674	1,217,011
Accrued interest	519,294	-	-	519,294	521,856
Loss allowance	(435,469)	(441,288)	(3,685,916)	(4,562,673)	(3,917,776)
Net carrying amount	3,465,543	2,767,524	9,045,004	15,278,071	16,879,453
Investment securities at amortized cost:					
Gross carrying amount	3,035,078	-	-	3,035,078	3,025,740
Loss allowance	-	-	-	-	-
Net carrying amount	3,035,078	-	-	3,035,078	3,025,740
Due from the Bahamas Government:					
Gross carrying amount	5,005,728	-	-	5,005,728	2,978,982
Loss allowance	-	-	-	-	-
Net carrying amount	5,005,728	-	-	5,005,728	2,978,982
Interest receivable on investments at amortized cost, net:					
Gross carrying amount	63,685	-	-	63,685	63,691
Loss allowance	-	-	-	-	-
Net carrying amount	63,685	-	-	63,685	63,691
Other assets:					
Gross carrying amount	346,999	-	-	346,999	604,513
Loss allowance	-	-	-	-	(294,560)
Net carrying amount	346,999	-	-	346,999	309,953

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

30 June 2024

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 30 June 2024 based on contractual maturities:

	2024					Total
	Due on Demand	Less than 1 year	1 to 5 Years	More than 5 years	No specific maturity	
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents (excluding cash on hand)	2,060,033	562,052	-	-	-	2,622,085
Investments, at amortized cost	-	423,378	553,400	2,058,300	-	3,035,078
Loans receivable including accrued interest, gross	-	1,710,221	3,225,251	14,905,272	-	19,840,744
Due from the Bahamas Government	-	-	-	-	5,005,728	5,005,728
Interest receivable on investments at amortized cost	-	63,685	-	-	-	63,685
Other assets, gross	-	172,178	-	-	174,821	346,999
	2,060,033	2,931,514	3,778,651	16,963,572	5,180,549	30,914,319
Financial liabilities						
Customer deposits	282,441	209,433	-	33,800	-	525,674
Accounts payable and accrued expenses	-	1,284,812	-	-	-	1,284,812
Bonds payable	-	-	4,000,000	-	-	4,000,000
Loans payable	1,500,000	2,682,936	6,879,207	24,748,150	-	35,810,293
Interest payable	1,374,154	-	-	-	-	1,374,154
Lease liability	-	44,953	133,703	-	-	178,656
	3,156,595	4,222,134	11,012,910	24,781,950	-	43,173,589
Liquidity gap	(1,096,562)	(1,290,620)	(7,234,259)	(7,818,378)	5,180,549	(12,259,270)

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Notes to Financial Statements

30 June 2024

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 30 June 2023 based on contractual maturities:

	2023					Total
	Due on Demand	Less than 1 year	1 to 5 Years	More than 5 years	No specific maturity	
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents (excluding cash on hand)	2,929,896	561,489	-	-	-	3,491,385
Investments, at amortized cost	-	51,340	362,700	2,611,700	-	3,025,740
Loans receivable, including accrued interest, gross	-	1,948,883	3,515,005	15,333,341	-	20,797,229
Due from the Bahamas Government	-	-	-	-	2,978,982	2,978,982
Interest receivable on investments at amortized cost	-	63,691	-	-	-	63,691
Other assets, gross	-	604,513	-	-	-	604,513
	2,929,896	3,229,916	3,877,705	17,945,041	2,978,982	30,961,540
Financial liabilities						
Customer deposits	-	1,050,711	-	-	-	1,050,711
Accounts payable and accrued expenses	-	1,325,045	-	-	-	1,325,045
Bonds payable	-	-	4,000,000	-	-	4,000,000
Loans payable	-	2,235,022	7,611,608	26,696,623	-	36,543,253
Interest payable	-	681,308	-	-	-	681,308
Lease liability	-	38,756	50,958	-	-	89,714
	-	5,330,842	11,662,566	26,696,623	-	43,690,031
Liquidity gap	2,929,896	(2,100,926)	(7,784,861)	(8,751,582)	2,978,982	(12,728,491)

To manage liquidity risk, the Bank solely relies on the funding from the Government, both for operations and for repayment of loans and bonds and their related interests.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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 30 September 2025, which is the date the financial statements are available to be issued.

On 28 October 2024, the loan payable to the Central Bank of the Bahamas amounting to \$1,500,000 is due. On 30 April 2025, the Bank partially paid this loan amounting to \$250,000.

On 2 June 2025, the Bank received a letter stating that the Government's Cabinet, via ICO (25) 14th Meeting, Regular Conclusion 1, 8 April 2025, authorizing the non-cash transfer of all non-performing and written-off loans of the Bank to Bahamas Resolve Limited, along with their secured physical assets.

On 3 January 2025, the Bank received advice from the Government of The Bahamas on the approval of the \$30 million multi-tranche term loan facility agreement of the Government of The Bahamas with Afrexim. The first tranche of the loan was \$10 million, and as of the audit report date, the Bank received a total of \$2,451,353 from the Ministry of Finance, as drawn downs from this tranche as follows:

- First drawdown - \$665,000 on 3 June 2025;
- Second drawdown - \$982,895 on 25 July 2025; and
- Third drawdown - \$803,458 on 28 August 2025.

Also, as provided for in Part VIII of the Public Debt Management Act, 2021, the Government is prepared to provide the Bank with a short-term loan of \$10 Million subject to 6% interest, subject to the final approval of the Bank's Board of Directors.

BAHAMAS DEVELOPMENT BANK

Notes to Financial Statements

30 June 2024

29. EVENTS AFTER THE REPORTING DATE (continued)

On 13 July 2025, one of the bonds issued to the Central Bank of The Bahamas, amounting to \$2 million, has matured. The Bank is still waiting for the funding from the Government to settle the said bond.

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 4.