Consolidated Financial Statements of

COMMONWEALTH BANK LIMITED

Year ended December 31, 2020

COMMONWEALTH BANK LIMITED

Consolidated Financial Statements

Year ended December 31, 2020

KPMG
PO Box N-123
Montague Sterling Centre
13 East Bay Street
Nassau, Bahamas

Independent Auditors' Report

To the Shareholders of Commonwealth Bank Limited

Opinion

We have audited the consolidated financial statements of Commonwealth Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information shown on pages 8 to 87.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and we have fulfilled our other ethical 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.

Key Audit Matters

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

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Independent Auditors' Report (continued)

Key Audit Matters (continued)

Impairment assessment of loans and advances to customers ("Loans") (See Notes 9 & 24)	
Key audit matter	**How the matter was addressed in our audit**
As at December 31, 2020, Loans comprise a major portion of the Group's assets, with total gross Loans amounting to $1.015 billion and the related accumulated expected credit loss ("ECL") impairment allowance amounting to $116.58 million, with an ECL impairment expense of $61.84 million charged in the current period. IFRS 9 is a complex accounting standard and the Group uses significant judgment, various assumptions and a valuation model to determine both the timing and measurement of impairment losses. The determination of the ECL allowances is highly subjective and judgmental. Small changes in key assumptions may result in a material impact on the Group's consolidated financial statements. Key judgments and estimates driving higher degrees of estimation uncertainty in respect of the timing and measurement of ECLs are summarised below: - Significant increase in credit risk ("SICR"): The selection of criteria for identifying SICR are highly dependent on judgement and may have a significant impact on the ECL for Loans with maturities exceeding 12 months from the reporting date; - Forward looking information: Significant judgement is considered when developing macroeconomic factors. Such factors are used to impact the ECL under multiple probability weighting scenarios; - ECL model: ECL models are inherently complex. During the year, the enhancements of, and changes to, the ECL model required third-party credit specialist's involvement. - Manual overlays and increased judgement as a result of the COVID-19 pandemic: The COVID-19 pandemic has influenced management's decisions to add an additional ECL on Loan exposures in particularly vulnerable sectors (such as Hospitality and Tourism). - Internal risk ratings: Ratings are assigned to each credit facility according to the Group's risk management framework and are dependent upon the risk characteristics for each facility; and	In assessing the ECL impairment allowance on Loans, as part of our procedures, we performed the following: - We considered and updated our understanding of the Group's methodology for recording ECL impairment losses on Loans; - We updated our understanding of the Group's key credit processes and related controls, including but not limited to, granting, recording and monitoring Loans; - We tested the completeness and accuracy of key data inputs used in the calculation of the ECL impairment allowance and evaluated the appropriateness of the risk ratings associated with a sample of loan facilities through testing of the data inputs; - We performed analytical procedures to assess the appropriateness of the staging of restructured Loans, credit impaired Loans, Loans modified during the year, and Loans with increases in days past due at the reporting date; - We performed a retrospective review of the prior year's ECL impairment allowance, to assess whether the Group has historically set adequate ECL impairment allowances; - Using our own credit specialists, we performed reasonableness testing over the ECL model inputs and processes, and replicated calculations to evaluate if outputs positively correlated with data inputs and parameters of the Group's ECL model. Our credit specialists also tested the appropriateness of the factors used in the ECL impairment allowance calculation, including: the probability of default, loss given default, exposure at default, expected lifetime of Loan facilities, significant increases in credit risk, effective interest rates and forward looking information; and - We assessed the Group's compliance with the minimum reserve requirements established by the Central Bank of The Bahamas.

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Independent Auditors' Report (continued)

Key Audit Matters (continued)

Impairment assessment of loans and advances to customers ("Loans") (refer to Notes 9 & 24)	
Key audit matter	**How the matter was addressed in our audit**
- Regulatory requirements: As a result of COVID-19, the Central Bank of The Bahamas ("CBOB") has mandated a minimum reserve requirement for COVID-19 impacted loans. Accordingly, the Bank assessed its ECL to, at a minimum, meet the CBOB's mandates. The ECL is a complex calculation, involving large amounts of data and various judgments and assumptions resulting in a high degree of estimation uncertainty. In addition, the ECL on Loans is material to the consolidated financial statements as whole, and for these reasons we deem this a key audit matter.	

Impairment of investment securities carried at amortized cost (refer to Notes 8 & 24)	
Key audit matter	**How the matter was addressed in our audit**
As at December 31, 2020, Investments carried at amortized cost ("Investments") comprise a significant portion of the Group's assets, which amounted to $458 million with an ECL impairment allowance amounting to $3.92 million. Bahamas Government Registered Stock and Bahamas Government related investments comprise 99% of the Group's Investments. IFRS 9 is a complex accounting standard and the Group uses significant judgment, various assumptions, and a valuation model to determine both the timing and measurement of ECL impairment allowances on Investments. The determination of the ECL impairment allowance is highly subjective and judgmental. Small changes in key assumptions may result in a material impact on the Group's consolidated financial statements. Key judgments and estimates driving higher degrees of estimation uncertainty in respect of the timing and measurement of the ECL impairment allowance on Investments are summarised below: - Significant increase in credit risk ("SICR"): The selection of criteria for identifying significant increases in credit risk are highly dependent on judgement and may have a significant impact on the ECL impairment allowance, specifically focused on the deterioration in sovereign credit risk in the current year; and	In assessing the ECL impairment allowance on Investments, as part of our procedures, we performed the following: - We considered and updated our understanding of the Group's methodology for recording ECL impairment losses on Investments carried at amortized cost; - We obtained external confirmation from third party financial institutions and agreed the aggregate outstanding balances of Investments, interest rates and maturities as of the reporting date to the Group's books and records; - We tested the completeness and accuracy of key data inputs used in the calculation of the ECL impairment allowance and; - Using our own credit specialists, we performed reasonableness testing over the ECL model inputs and processes, and replicated calculations to evaluate if outputs positively correlated with data inputs and parameters of the Group's ECL model. Our credit specialists also tested the appropriateness of the factors used in the ECL calculation, including: the probability of default, loss given default, exposure at default, expected lifetime facilities, significant increases in credit risk, effective interest rates and forward-looking information.

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Independent Auditors' Report (continued)

Key Audit Matters (continued)

Impairment of investment securities carried at amortized cost (refer to Notes 8 & 24)	
Key audit matter	**How the matter was addressed in our audit**
- Forward looking information: Significant judgement is considered when developing macroeconomic forecasts. Such macroeconomic factors are used to calculate the ECL impairment allowance under multiple probability weighting scenarios. The ECL is a complex calculation, involving large amounts of data and various judgments and assumptions resulting in a high degree of estimation uncertainty. In addition, the ECL on Investments is material to the consolidated financial statements as a whole, and for these reasons we deem this a key audit matter.	

Other Information

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

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

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

When we read the Annal report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations or has no realistic alternative but to do so.

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

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Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Independent Auditors' Report (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is John Lopez.

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Nassau, Bahamas
June 18, 2021

OLIVER WYMAN

CERTIFICATION

This Certificate is prepared in accordance with the provisions of the Insurance Act, 2005 in respect of the life and health insurance business of Laurentide Insurance and Mortgage Company Limited.

I have examined the financial position and valued the policy liabilities for its balance sheet as at December 31, 2020, and the corresponding change in the policy liabilities in the income statement for the year then ended.

In my opinion

1. The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfill the required standards of care
2. The methods and assumptions used to calculate the actuarial and the other policy liabilities are appropriate to the circumstances of the company and of the said policies and claims
3. The valuation of actuarial and other policy liabilities has been made in accordance with generally
   accepted actuarial practice (with such changes as determined and any directions made by the Commission)
4. The valuation is appropriate under the circumstances of the company and the financial statements fairly reflect its results
5. Having regard for the results of the investigation performed pursuant to section 62 of the Insurance Act, 2005 the value of actuarial and other policy liabilities, when taken together with the total capital available makes good and sufficient provisions for all unmatured obligations under the terms of the policies in force

Les Rehbeli
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

March 3, 2021

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2020, with corresponding figures as at December 31, 2019
(Expressed in Bahamian $000s)

	Notes	2020	2019
ASSETS			
Cash and deposits with banks	5,7	$ 39,834	$ 117,244
Balances with The Central Bank of The Bahamas	5,7	235,759	164,296
Investments, net	5,8	462,501	436,224
Loans and advances to customers, net	5,9,21,24	898,853	932,796
Other assets	5, 10	22,869	16,059
Premises and equipment	11	45,560	42,530
TOTAL ASSETS	6	$ 1,705,376	$ 1,709,149
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits from customers	5,12,21	$ 1,415,910	$ 1,419,290
Life insurance fund liability	13	1,012	1,682
Other liabilities	14,21	19,035	15,340
Total liabilities	6	1,435,957	1,436,312
EQUITY:			
Share capital	15	1,918	1,921
Share premium	15	1,048	2,708
General reserve	17	-	10,500
Retained earnings		266,453	257,708
Total equity		269,419	272,837
TOTAL LIABILITIES & EQUITY		$ 1,705,376	$ 1,709,149

The accompanying notes form an integral part of the consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on June 18, 2021, and are signed on its behalf by:

Executive Chairman

Raymond L. Winder
President

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended December 31, 2020, with corresponding figures for 2019
(Expressed in Bahamian $000s)

	Notes	2020	2019
INCOME			
Interest income, effective interest rate method	5,21	$ 142,020	$ 141,630
Interest expense	5,6,21	(13,638)	(14,737)
Net interest income		128,382	126,893
Credit life insurance premiums, net		5,374	4,849
Fees and other income	5,19	18,132	18,447
Unrealised gains on equity investment at FVTPL	5	1,283	2,417
Insurance recoveries	11	2,091	4,854
Total other income		26,880	30,567
Total income	6	155,262	157,460
NON-INTEREST EXPENSE			
General and administrative	20,21,22	67,057	70,626
Impairment losses on financial assets	8,9	65,758	48,038
Insurance claims		2,861	1,928
Change in insurance reserves	13	(670)	(1,269)
Depreciation and amortization	6,11	3,248	3,499
Losses on disposal of premises and equipment	11	-	21
Losses on hurricane impaired assets	11	-	2,733
Directors' fees		363	273
Total non-interest expense		138,617	125,849
TOTAL PROFIT	6,16	16,645	31,611
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement (loss) gain of defined benefit obligation	22	(1,125)	763
TOTAL COMPREHENSIVE INCOME		$ 15,520	$ 32,374
BASIC AND DILUTED EARNINGS			
PER COMMON SHARE (expressed in dollars)	16	$ 0.06	$ 0.10

The accompanying notes form an integral part of the consolidated financial statements.

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2020, with corresponding figures for 2019
(Expressed in Bahamian $000s)

		2020					
	Notes	Share Capital (Common)	Share Capital (Preference)	Share Premium	General Reserve	Retained Earnings	Total
As at December 31, 2019		$ 1,921	$ -	$ 2,708	$ 10,500	$ 257,708	$ 272,837
Comprehensive Income							
Total profit		-	-	-	-	16,645	16,645
Remeasurement loss of defined benefit obligation		-	-	-	-	(1,125)	(1,125)
		-	-	-	-	15,520	15,520
Transaction with owners							
Repurchase of common shares		(3)	-	(1,660)	-	-	(1,663)
Transfer of General Reserve to Retained Earnings	17	-	-	-	(10,500)	10,500	-
Dividends - common shares	15	-	-	-	-	(17,275)	(17,275)
		(3)	-	(1,660)	(10,500)	(6,775)	(18,938)
As at December 31, 2020		$ 1,918	$ -	$ 1,048	$ -	$ 266,453	$ 269,419
Dividends per common share (expressed in dollars)		**$0.06**					

The accompanying notes form an integral part of the consolidated financial statements.

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended December 31, 2020, with corresponding figures for 2019
(Expressed in Bahamian $000s)

		2019					
		Share Capital (Common)	Share Capital (Preference)	Share Premium	General Reserve	Retained Earnings	Total
As at December 31, 2018		$ 1,943	$ 81,498	$ 17,198	$ 10,500	$ 256,757	$ 367,896
Comprehensive Income							
Total profit		-	-	-	-	31,611	31,611
Remeasurement gain of defined benefit obligation		-	-	-	-	763	763
		-	-	-	-	32,374	32,374
Transaction with owners							
Repurchase of common shares		(22)	-	(14,490)	-	-	(14,512)
Redemption of preference shares		-	(81,498)	-	-	-	(81,498)
Dividends - common shares	15	-	-	-	-	(29,009)	(29,009)
Dividends - preference shares	16	-	-	-	-	(2,414)	(2,414)
		(22)	(81,498)	(14,490)	-	(31,423)	(127,433)
As at December 31, 2019		$ 1,921	$ -	$ 2,708	$ 10,500	$ 257,708	$ 272,837
Dividends per common share (expressed in dollars)		**$0.10**					

The accompanying notes form an integral part of the consolidated financial statements

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2020, with corresponding figures for 2019
(Expressed in Bahamian $000s)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Total profit		$ 16,645	$ 31,611
Adjustments for:			
Depreciation and amortization	11	3,248	3,499
Impairment losses on financial assets	8,9	65,758	48,038
Gain on insurance recoveries for business interruption		(2,091)	(4,854)
Unrealised gain on equity investments		(1,283)	(2,417)
		82,277	75,877
Change in loans and advances to customers		(27,895)	13,961
Change in minimum reserve requirement		(3,498)	2,361
Change in restricted deposit		(378)	-
Change in other assets		(8,136)	(98)
Change in other liabilities		1,760	(173)
Change in life assurance fund liability		(670)	(1,269)
Change in interest receivable on investments		328	(477)
Change in deposits		(3,380)	108,046
Net cash from operating activities		$ 40,408	$ 198,228
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		$ (398,300)	$ (302,135)
Redemption of investments		369,259	327,139
Purchases of premises and equipment		(4,435)	(1,289)
Net proceeds from the insurance recoveries		2,091	7,587
Net proceeds from sale of premises and equipment		92	21
Net cash (used in) from investing activities		$ (31,293)	$ 31,323
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(17,275)	(31,423)
Repurchase of common shares		(1,663)	(14,512)
Redemption of preference shares		-	(81,498)
Net cash used in financing activities		$ (18,938)	$ (127,433)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(9,823)	102,118
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		227,330	125,212
CASH AND CASH EQUIVALENTS, END OF YEAR	7	$ 217,507	$ 227,330

The accompanying notes form an integral part of the consolidated financial statements.

1. Incorporation and Activities

Commonwealth Bank Limited (the "Bank") was incorporated in The Commonwealth of The Bahamas ("The Bahamas") on April 20, 1960, and is licensed by the Central Bank of The Bahamas to carry out banking business in The Bahamas under the provisions of the Banks and Trust Companies Regulations Act 2000.

The principal activities of the Bank and its subsidiaries ("the Group") are described in Note 6.

The registered office of the Bank is situated at Sassoon House, Shirley Street, Nassau, Bahamas.

2. Summary of Significant Accounting Policies and Basis of Preparation

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These policies have been consistently applied to all years presented and are compliant with IFRS.

The consolidated statements for the year ended December 31, 2020 have been approved by the Board of Directors on June 18, 2021.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value as discussed in the significant accounting policies.

(b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognised prospectively. Actual results could differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

(c) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(c) Principles of consolidation *(continued)*

the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Changes in significant accounting policies

New standards, amendments and interpretations adopted by the Group

In March 2018, the IASB issued the Revisions to References to Conceptual Framework in IFRS Standards, effective for annual periods on or after January 1, 2020. The amendments are intended to replace the references to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing the requirements. The amendments do not have a material effect on the Group’s financial statements.

In October 2018, the IASB issued the revised IFRS 3, Business combinations, which applies to businesses acquired in annual reporting periods beginning on or after January 1, 2020. The amendments to IFRS 3, clarify the definition of a business, to permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments do not have a material effect on the Group's financial statements because the Company has not acquired any subsidiaries during the year.

In October 2018, the IASB issued the Amendments to Definition of Material (Amendments to IAS 1 and IAS 8), effective for annual periods on or after January 1, 2020. The amendments clarify and align the definition of ‘material’ with the definition used in the Conceptual Framework and provide guidance to help improve consistency in the application of that concept. The amendments do not have a material effect on the Group's financial statements.

In September 2019, the IASB issued the Amendments to IFRS9, IAS 39 and IFRS 7, Interest Rate Reform – Phase 1, effective for annual periods on or after January 1, 2020. The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The amendments do not have a material effect on the Group's financial statements.

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(d) Changes in significant accounting policies *(continued)*

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

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements.

Management has not completed its assessment of the impact of the below standards:

- Amendments Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFR7), effective January 1, 2021
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for annual periods beginning on or after January 1, 2022
- COVID-19 Related Rent Concessions (Amendment to IFRS 16) effective for annual periods beginning on or after April 1, 2021
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after January 1, 2022
- Reference to Conceptual Framework (Amendments to IFRS 3) effective for annual periods beginning on or after January 1, 2022
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) effective for annual periods beginning on or after January 1, 2023

The Group anticipates a material impact regarding IFRS 17 *Insurance Contracts* ("IFRS 17") which was issued in May 2017. The current standard, IFRS 4, allows insurers to use local GAAP. IFRS 17 defines clear and consistent rules that aims to increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

The new standard is applicable for annual periods beginning on or after January 1, 2023. The Group has not yet fully assessed the impact of adopting this standard and the proposed amendments.

(e) Loans and advances

Loans and advances to customers in the consolidated statement of financial position include loans and advances measured at amortised cost which are initially measured at fair value, and subsequently at their amortised cost using the effective interest method.

(f) Recognition of income and expense

The Group recognizes interest income and expense in the consolidated statement of profit or loss and other comprehensive income for all financial instruments measured at amortised cost using the effective interest method described below, with the exception of financial assets that have subsequently become credit-impaired ('Stage 3' financial assets). For these financial assets, interest income is calculated using the method for non-performing loans as described below.

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(f) Recognition of income and expense *(continued)*

Loan origination fees for loans are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loans. The adjustment to the effective interest rate has been determined by using the estimated terms of loans to maturity or repayment, if earlier.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fee income is recorded in the consolidated statement of profit or loss and other comprehensive income as "Fees and other income" as the services are performed. The transfer of control occurs when the Group's customer has the ability to direct the use of and obtain the benefits of the services and the contractual performance obligation to the customer has been satisfied.

Credit life insurance premium income is recognized at the time a policy comes into effect. Premiums are shown net of refunds. Policies written prior to 2017 were paid in full at the origination of the contract for the term of the contract. The maximum term of any contract is 72 months. For these policies, the contract amount is recognized as premium income with an associated expense being recognized relative to the life insurance fund liability. Refunds on insurance contracts which have not yet expired are allowed on early withdrawal using the "Rule of 78". The Rule of 78 is a method of calculating how much precalculated interest a lender refunds to a borrower who pays off a loan early. Premiums for policies written in 2017 and subsequent years are assessed on a monthly basis and are calculated on the current balance of the associated loan. Such premiums are recognized when assessed.

Insurance proceeds are recorded in the consolidated statement of profit or loss and other comprehensive income when it is determined that the recovery claim will be settled by the insurer.

In accordance with local regulatory guidelines, a loan is classified as non-performing when payment is contractually 90 days in arrears, or the total amount outstanding outside of contractual arrangements is equal to at least 90 days' worth of payments. When a loan is classified as non-performing, recognition of interest ceases, and interest 90 days in arrears is reversed from income. Loans are generally returned to performing status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(f) Recognition of income and expense *(continued)*

When a loan is granted forbearance, the contractual repayments of principal and interest are deferred until the end of the forbearance period. However, irrespective of the suspension of payment the recognition of interest continues during the forbearance period.

The Bank continues to accrue interest to income on loans specifically assessed as non-performing and where the estimated net realizable value of security held, where applicable, is sufficient to recover the payment of outstanding principal and accrued interest.

Other income relates mainly to other service charges, rental income and foreign exchange. Service charges are recognised as the services are rendered. Rental income is recognised on a straight-line basis over the term of the lease.

Other expenses are recognised as the services are received.

(g) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and unrestricted deposits with banks that have original maturities of three months or less. Cash and cash equivalents are carried at amortised cost.

(h) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Bahamian dollars, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income as a part of total profit. Translation differences on monetary financial assets measured at FVTPL are included as part of the fair value gains and losses.

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(i) Premises and equipment

Premises and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of an item. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of profit or loss and other comprehensive income as a part of net profit during the financial period in which they are incurred.

Land is not depreciated. Depreciation and amortization on other assets are computed on a straight-line basis, net of residual values, and are charged to profit or loss over their estimated useful lives as follows:

Buildings	The shorter of the estimated useful life or a maximum of 40 years
Leasehold improvements	The shorter of the estimated useful life or the lease term
Furniture, fittings and equipment	3 – 10 years
Site improvements	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains or losses arising from the disposal or retirement of an item of premises and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset. Such gains or losses are recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group presents right-of-use "ROU" assets in premises and equipment and lease liabilities in other liabilities in the consolidated Statement of Financial Position. See note 2(w) for recognition and measurement policies for leased assets.

(j) Impairment of non-financial assets

At each reporting date, management reviews the carrying amount of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that there is revaluation surplus.

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(k) Dividends on common shares

Dividends on common shares are deemed declared, and recognised as a deduction from equity, in the period in which the dividends are approved by the Board and receive the applicable regulatory approvals.

(l) Earnings per common share

Earnings per share is computed by dividing total profit, after deducting dividends declared on preference shares, by the weighted average number of common shares outstanding during the year and not held by Group companies.

(m) Retirement benefit costs

The Bank maintains defined benefit ("DB Provisions") and defined contribution ("DC Provisions") pension plans (together referred to as "the plans") covering all of its employees. Assets of the plans are administered by, and under the control of, independent trustees.

The Pension Committee is responsible for advising the Board of Directors in fulfilling its fiduciary and oversight duties for the Bank's pension arrangements. As a part of this responsibility, members of the committee review the performance of the trustees, administrator and investment manager in accordance with the trust deed, plan rules and investment policy statement, as well as providing support and making recommendations, as appropriate. The Pension Committee comprises members of the Bank's Board of Directors, one management employee and one non-management employee elected by the employees triennially.

The Bank's contributions under the defined contribution pension plan are recognised as staff costs in general and administrative expenses.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. The defined benefit obligation is calculated annually by independent actuaries. The asset or liability amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation and the current service cost at the end of the reporting period less the fair value of plan assets.

Pension costs under the DB Provisions include the present value of the current year service cost based on estimated final salaries, interest on obligations less interest on assets, and estimated administrative costs. Current service cost and net interest on the net defined benefit asset or liability are charged to general and administrative expenses.

Changes in the net defined benefit asset or liability recorded in other comprehensive income include actuarial gains and losses on obligations, and assets arising from experience different than assumed and changes in assumptions.

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(n) Share-based payments

Equity-settled share-based payments

The Bank issues equity-settled share-based payments to certain management staff. The Bank determines the fair value of stock options on their grant date using the Black Scholes Model and records this amount as compensation expense. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. When the stock options are exercised the proceeds are recorded in share capital and share premium.

Other Stock Based Compensation Plan

The Bank offers non-management staff the option of purchasing common shares at a 10% discount from the prevailing market rate at the time of the offer.
The amount of discount is recorded as compensation expense with a corresponding increase to share premium. Payments by staff for the shares are credited to share capital and share premium.

(o) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares, and preference shares whose terms do not create contractual obligations, are classified as equity (Note 15).

Treasury shares

Treasury shares represents the Bank's issued shares which have been repurchased by the Bank. Treasury shares are deducted from equity and no gain or loss is recognised on the purchase, sale, issue or cancellation of treasury shares. Any premium or discount to par value is shown as an adjustment to share premium.

(p) Financial assets

The Group's financial assets comprise cash and deposits with bank, balances with the Central Bank of The Bahamas, investments and loans and advances to customers.

For the purposes of the consolidated statement of financial position, financial assets comprise:

i. Cash;
ii. Equity instruments of other entities;
iii. A contractual right to receive cash or another financial asset from another entity or customer, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Group; and
iv. A contract that will or may be settled in the Group's own equity instruments and is either a non-derivative for which the Group is or may be obliged to receive a variable number of the Group's own equity instruments, or a derivative that will or may be settled other than

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(p) Financial assets *(continued)*

v. by exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

C***lassification***

Financial assets are measured at fair value on initial recognition. The Group then classifies its financial assets in the following measurement categories:

i. Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets classified at amortised cost are carried at the amount at which the asset was measured upon initial recognition, minus principal repayments, plus or minus the cumulative amortization of any premium or discount, and minus any write-down for impairment or uncollectability.

ii. Fair value through other comprehensive income ("FVOCI")

A financial asset is measured at FVOCI if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

As of the reporting date, the Group does not classify any of its financial assets included in the consolidated financial statements at FVOCI.

iii. Fair value through profit or loss ("FVTPL")

A financial asset is measured at FVTPL if it is does not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income.

The classification of financial assets is generally based on the business model under which the asset is held and its contractual cash flow characteristics as described below.

Business model assessment

A business model assessment is performed to determine how a portfolio of financial assets is managed in order to achieve the Group's business objectives. Judgment is used in determining the appropriate business model for a financial asset. The three categories of business models are hold to collect, hold to collect and sell, and other.

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(p) Financial assets *(continued)*

Classification *(continued)*

For the assessment of a business model, the Group takes into consideration the following factors:

- How the performance of assets in a portfolio is evaluated and reported to Executives and other key decision makers within the Group's business lines;
- How compensation is determined for the Group's business lines' management that manages the assets;
- Whether the assets are held for trading purposes i.e., assets held within a business model and how those risks are managed; and
- The frequency and volume of sales in prior periods and expectations about future sales activity. Information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are not held to collect, or both held to collect, and sell are assessed at a portfolio level reflective of how the asset or group of assets are managed together to achieve a particular business model.

Financial assets whose performances are evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Contractual cash flow assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payment of principal and interest on the principal amount outstanding.

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(p) Financial assets *(continued)*

Classification *(continued)*

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortisation of premiums/discounts. Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.
With the exception of investments in equity securities, all financial instruments are classified at amortised cost at the reporting date. Investments in equity securities are classified at FVTPL.
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Recognition and derecognition

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

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. For loans and advances to customers, this generally occurs when borrowers repay their obligations, or the loans are sold or written off.

If the Group has neither transferred nor retained substantially all the risks and rewards of ownership, an assessment is made whether the Group has retained control of the financial assets.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristic of the asset. The three measurement categories are as noted above.

Modification

The terms of a financial asset may be modified such that the contractual cash flows are changed. The treatment of a modification depends on the nature of the expected changes.

If the cash flows are substantially different (generally a change of 10% or more), the contractual rights to cash flows from the original asset are deemed to have expired. In this case, the original

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(p) Financial assets *(continued)*

financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

When a new financial asset is recognised, it will generally be recorded in Stage 1, unless it is credit impaired on recognition.

If cash flows are modified when the borrower is in financial difficulty, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. The financial asset continues to be monitored for increases in credit risk and impairment.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated using the original effective interest rate of the asset and the adjustment is recognised as a modification gain or loss in profit or loss.

(q) Financial guarantees and loan commitments

Financial guarantee contracts require the Group to make payments to reimburse the holder for a loss it incurs if a debtor does not make a payment in accordance with the terms of the debt agreement. Financial guarantees are recognised in the consolidated statement of financial position at the higher of the fair value of the fees originally received less cumulative amortization recognised in the consolidated statement of profit or loss, and the expected credit loss, as documented below.

Loan commitments are undrawn firm commitments to provide credit under pre-specified terms and conditions.

The nominal value of the financial guarantees and loan commitments are not recognised in the consolidated statement of financial position. Both financial guarantees and loan commitments are subject to an allowance for expected credit losses and subject to the same impairment considerations as documented in note 2(s) below. Where a financial instrument includes both a loan and a loan commitment component, the loss allowance on the loan commitment is recognised together with the loss allowance for the loan. Where a financial instrument does not include both a loan and a loan commitment component, the loss allowance is recognised as a provision.

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(r) Investments

Investments in the consolidated statement of financial position include:

- debt investment securities measured at amortised cost less impairment. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- equity investment securities mandatorily measured at FVTPL. These are measured at fair value with changes recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

(s) Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and measures impairment losses at an amount equal to the 12-month ECL or lifetime ECL depending on the stage in which the asset is classified.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Impairment of financial assets is recognised in three stages:

Stage 1 – Performing financial assets are categorized as Stage 1 and an allowance is recognised based on default events expected to occur within the next 12 months. On subsequent reporting dates, 12-month ECLs continue to apply where there is no significant increase in credit risk since initial recognition.

Stage 2 – Performing financial assets are categorized as Stage 2 when there is a significant increase in credit risk since initial recognition but the financial asset is not credit impaired. The Group recognises the full lifetime ECLs on Stage 2 financial assets.

Stage 3 - If one or more default events occur which are expected to have an adverse effect on the estimated future cash flows from the financial asset, the Group continues to recognise the full lifetime ECLs. At this stage, the financial asset is credit-impaired and categorized as Stage 3.

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

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

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

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

Changes in credit loss, including the impact of movements between the first stage (12 month ECLs) and the second stage (lifetime ECLs), are recorded in profit or loss.

IFRS 9 requires the use of forward-looking information including reasonable and supportable forecasts of future economic conditions. The requirement to consider a range of economic scenarios and their possible impacts on impairment allowances is a subjective feature of the IFRS 9 ECL model. The Group continues to develop its capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes. To this end, the Bank considers the impact of various economic scenarios by segmenting its exposures subject to IFRS 9's impairment requirements into forborne and non-forborne categories.

In its ECL model, the Bank relies on a broad range of forward-looking information such as economic inputs, including:

- GDP growth of The Bahamas
- Unemployment rates of The Bahamas
- Inflation rates of The Bahamas

Limitations in the Bank's IFRS 9 ECL model have previously been identified through the on-going assessment and validation of the output of the model. In these circumstances, management makes appropriate adjustments to the Bank's allowance for impairment losses to ensure the overall provision adequately reflects all material risks. A key element of the Bank's internal credit risk rating system assesses credit risk based on the recency of payment. In cases where forbearance has been granted, the Bank has no reasonable expectation to receive contractual repayments during the period of forbearance. As such, for loans granted forbearance, the recency of payment is no longer an appropriate indicator of credit risk during the forbearance period. As a result, the Bank amended its IFRS 9 ECL model to remove the recency of payment from the credit risk rating assessment for loans in forbearance.

IFRS 9 does not alter the Group's definition of default currently used to determine whether or not there is objective evidence of impairment of a financial asset.

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2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

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

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

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

Impairment losses for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off of loans and advances

Loans and advances (and the related impairment allowance) are normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received. Consumer installments were previously written-off in the month after principal and/or interest payments become 180 days contractually in arrears. During 2020, management determined that given the recovery rates of previously written-off loans, consumer installments would be written-off in the month after principal and/or interest payment became 360 days contractually in arrears. Credit card loans are written-off in the month after principal and/or interest payments become 180 days contractually in arrears.

Recovery of previously written-off loans

Recoveries of principal and/or interest on previously written off loans are recognised in impairment losses on financial assets net in the consolidated statement of profit or loss and other comprehensive income on a cash basis or when the loan is rewritten on normal terms prevailing at the time of the rewrite.

Renegotiated loans

Loans subject to impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due. The carrying amount of loans that have been classified as renegotiated retain this classification until maturity or derecognition.

(t) Financial liabilities

Financial liabilities are any liabilities that are:

i. Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group;
ii. Contracts that will or may be settled in the Group's own equity instruments and are either a non-derivative for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative that will or may be settled either by exchange of a fixed amount of cash or another financial asset for a fixed number of the

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(t) Financial liabilities *(continued)*

Group's own equity instruments.

Financial liabilities are classified as either a) FVTPL or b) amortised cost.

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated as FVTPL. Financial liabilities at FVTPL are stated at fair value with any resulting gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income.
Financial liabilities classified at amortised cost are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

The Group's financial liabilities comprise deposits accepted from customers and other liabilities. Financial liabilities (or parts thereof) are derecognised when the liability has been extinguished and the obligation specified in the contract is discharged, cancelled, or expires.

All of the Group's financial liabilities are classified at amortised cost.

(u) Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(v) Related parties

A related party is a person or entity that is related to the reporting entity:

i. A person or close member of that person's family is related to a reporting entity if the person:
   a. has control or joint control of the Group
   b. has significant influence over the Group; or
   c. is a member of the Group's key management personnel, including directors.

ii. An entity is related to the Group if any of the following conditions exist:
   a. An entity is a member of the Group;

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(v) Related parties *(continued)*

b. An entity is associated with, or is a joint venture partner with the Group;
c. An entity is a post-employment benefit plan for the benefit of employees of the Group;
d. An entity has the ability to control or exercise significant influence over the Group in making financial or operational decisions; and
e. An entity is jointly controlled or significantly influenced by parties described in i) above.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party. Transactions with related parties are disclosed in Notes 21 and 22.

(w) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group recognizes a right-of-use (ROU) asset in premises and equipment and a lease liability at the lease commencement date.

ROU Asset

A ROU asset is one that represents a lessee's right to use an underlying asset for the lease term. The ROU asset is measured at cost, which is based on the initial amount of the lease liability, and is then adjusted for initial direct costs incurred, an estimate of costs to dismantle or restore the asset, lease incentives, and any payments made before the commencement date of the lease.

The ROU asset is subject to depreciation based on the earlier of the lease term and the useful life. If ownership of the asset will transfer to the Group, or if the Group is reasonably certain to exercise a purchase option, the depreciation is based on the useful life of the ROU asset. Where there is reasonable certainty to exercise an extension or termination option on a lease, these are included in the lease term.

Lease Liability

The Group measures the lease liability at the present value of lease payments to be made over the lease term discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

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

2. Summary of Significant Accounting Policies and Basis of Preparation *(continued)*

(w) Leases *(continued)*

Presentation

The Group presents ROU assets in premises and equipment and lease liabilities in Other liabilities in the Statement of Financial Position.

Short-term leases and leases of low value assets

The Group has elected not to recognize ROU assets and lease liabilities of assets that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payment associated with leases as an expense on a straight-line basis over the lease term.

Prior to January 1, 2019 all of the Group's leases were classified as operating leases in accordance with IAS 17 *Leases.* Operating lease payments were recognised as an expense on a straight-line basis over the term of the lease.

(x) Taxation

Life insurance premium tax is incurred at the rate of 3% of premiums written by the Group's insurance company, and recognised as an expense at the time that premiums are written and included in general and administrative expenses.

Effective July 1, 2018 value added tax was increased from 7.5% to 12%. The Group is required to pay value added tax at a rate of 12% on goods and services as prescribed by the Value Added Tax Act. The Group also pays business license fees in accordance with the Business License Act, real property tax in accordance with the Real Property Tax Act and stamp duty.

There is no other income, capital gains or corporate taxes imposed. The Group's operations do not subject it to taxation in any other jurisdiction.

(y) Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded to the nearest thousand, unless otherwise stated.

(z) Going concern

The outbreak of COVID-19 has had a significant financial impact on the Bank, resulting in increases in the ECL allowance for impairment on loans and advances to customers and investments carried at amortized cost. Consequently, the Group's net profit, earnings pers share and other key financial ratios have been adversely impacted. Management has performed a going concern assessment primarily analyzing its liquidity, solvency, and its ability to adhere to regulatory requirements.

Based on management's analysis there is no evidence of material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Accordingly, management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and that the going concern basis of accounting remains appropriate.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The following are critical estimates and key judgments that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Critical estimates

(a) Impairment of financial assets

The impairment losses on financial assets represents management's estimate of ECLs.

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

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

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

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

The Group has developed an internal risk grade rating system, that indicates the credit risk on an individual basis for loans and advances to customers and for investments carried at amortized cost. The internal risk grades consider a number of qualitative and quantitative factors, considering internal information and external circumstances impacting the borrower, or in the case of investments, of the issuer. The internal risk grades are a primary input into the determination of the probability of default for exposures.

The inputs, assumptions and estimation techniques used in measuring ECLs are further detailed in Note 24.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(continued)*

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

In response to the COVID-19 pandemic, the Bank has assessed and adjusted and the assumptions and judgments used in the ECL calculations, and adjusted its ECL model and business operations to account for the potential impacts.

(b) Post-retirement benefit obligation

The Bank maintains a defined benefit plan as outlined in Note 2 (m). Due to the long-term nature of pension plans, the calculation of benefit expenses and obligations depends on various assumptions such as discount rates, expected rates of return on assets, projected salary increases, retirement age, mortality and termination rates. Any difference between the actual experiences and actuarial assumptions will affect the benefit obligation and expense.

The inputs, assumptions and estimation techniques used in measuring the defined benefit obligation are detailed in Note 22.

(c) Life insurance fund liability

Laurentide Insurance and Mortgage Company Limited ("Laurentide") calculates its actuarial liabilities for individual life insurance policies using the Canadian Policy Premium Method. The calculation of these policy reserves is based on assumptions as to future rates for mortality and morbidity, investment yields, policy lapse and expenses, which contain margins for adverse deviations. Changes in the liability are estimated with the assistance of an independent actuary and charged to profit or loss.

The inputs, assumptions and estimation techniques used in measuring the life insurance liability are detailed in Note 13.

Key judgments

(d) Classification of financial assets

On an annual basis, management assesses the business models within which the financial assets are held. The assessment is made as to whether the contractual terms of a financial asset are solely payment of principal and interest ("SPPI") on the principal amount outstanding.

The assessment considerations are detailed in note 2 (p).

(e) Fair value of financial instruments

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(continued)*

(e) Fair value of financial instruments *(continued)*

Level 2 Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is quoted price in an active market. In most cases the Group's financial instruments are not typically traded on an open market, and therefore management applies judgment to determine their fair value.

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

- Investments – The estimated fair value of the Group's investments was determined based on their market values and other observable inputs and are disclosed in Note 8.
- Loans and advances to customers - The estimated fair value of loans and advances to customers was determined by valuing the receivables based on current market interest rates relative to the Group's interest rates. Fair values relative to loans and advances to customers are disclosed in Note 9.
- Deposits from customers - The estimated fair value of deposits from customers was determined by valuing the deposits based on current market interest rates relative to the Group's interest rates. The fair values of deposit from customers approximate their carrying values.
- Other financial instruments - Due to their short-term maturity, the carrying values of these financial instruments approximate their fair values.

No transfers were made during the period for any investments within the hierarchy.

Since the calculation of fair value is based on management's estimates, which involve uncertainties, the actual fair value realised in a sale or immediate settlement of the instruments may differ from the estimated amount.

4. Subsidiaries

The Group has interests in the following entities:

Name	Country of Incorporation	Shareholding
Laurentide Insurance and Mortgage Company Limited ("Laurentide")	Bahamas	100%
Laurentide Insurance Agency Limited	Bahamas	100%
C. B. Holding Co. Ltd.	Bahamas	100%
C.B. Securities Ltd.	Bahamas	100%

5. Financial Instruments

The following table discloses the categories of financial instruments which are included in the line items in the consolidated statement of financial position:

	2020		
	Amortised Cost	Fair Value Through Profit or Loss	Total
FINANCIAL ASSETS			
Cash and deposits with banks	$ 39,834	$ -	$ 39,834
Balances with The Central Bank of The Bahamas	$ 235,759	$ -	$ 235,759
Investments	$ 455,102	$ 7,399	$ 462,501
Loans and advances to customers	$ 898,853	$ -	$ 898,853
Other assets	$ 22,869	$ -	$ 22,869
FINANCIAL LIABILITIES			
Deposits from customers	$ 1,415,910	$ -	$ 1,415,910

5. Financial Instruments *(continued)*

	2019		
	Amortised Cost	**Fair Value Through Profit or Loss**	**Total**
FINANCIAL ASSETS			
Cash and deposits with banks	$ 117,244	$ -	$ 117,244
Balances with The Central Bank of The Bahamas	$ 164,296	$ -	$ 164,296
Investments	$ 429,659	$ 6,565	$ 436,224
Loans and advances to customers	$ 932,796	$ -	$ 932,796
FINANCIAL LIABILITIES			
Deposits from customers	$ 1,419,290	$ -	$ 1,419,290

The following table shows consolidated statement of profit or loss and other comprehensive income information on financial instruments:

	2020	2019
Interest income, effective interest rate method		
Loans and advances to customers	$ 123,290	$ 124,304
Investments	18,729	17,325
Other	1	1
	$ 142,020	$ 141,630
Interest expense		
Deposits from customers	$ 13,638	$ 14,737
Fees and other income		
Deposits from customers	$ 11,807	$ 10,726
Loans and advances to customers	4,421	6,334
Unrealised gains on equity investment	1,283	2,417
	$ 17,511	$ 19,477

6. Business Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee which is responsible for allocating resources to the reportable segments and assessing their performance. The Group has five operating segments which are organised based on the nature of the products and services provided by each segment.

i. Retail banking – the provision of full-service personal banking including the acceptance of savings, fixed and demand deposits, providing consumer financing through loans, overdrafts and credit cards and mortgage financing on real estate and the sale of foreign exchange.

ii. Credit life insurance – the provision of credit life insurance in respect of the Bank's borrowers through Laurentide.

iii. Real estate holdings - ownership and management of real property which is rented to branches and departments of the Bank through C.B. Holding Co. Ltd.

iv. Investment holdings – holdings of investments in the Bank's common shares through C.B. Securities Ltd.

v. Insurance agency operations – provision of insurance agency services to the Group's insurance company, its sole client through Laurentide Insurance Agency Limited.

The entities within the Group operate within the same geographical area. Non-Bahamian dollar assets and liabilities are not material and are therefore not allocated to business segments.

Inter-segment revenues are charged at competitive market prices. Inter-segment expenses are transferred at cost. All transactions between segments are eliminated on consolidation.

There are no other operations that constitute separate reportable segments. The segment operations are all financial, and principal revenues are derived from interest and fee income. No single customer contributed 10% or more of the Group's total income for the periods covered in the consolidated financial statements.

The following table shows financial information by business segment:

6. Business Segments *(continued)*

	2020						
	Retail Bank	Credit Life Company	Real Estate Holdings	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	$ 148,944	$ 4,129	$ 20	$ -	$ -	$ 2,169	$ 155,262
Internal	1,124	(249)	3,575	(6,226)	679	1,097	-
Total Income	$ 150,068	$ 3,880	$ 3,595	$ (6,226)	$ 679	$ 3,266	$ 155,262
Total profit							
Internal & external	$ 15,332	$ 3,474	$ 1,616	$ (7,310)	$ 381	$ 3,152	$ 16,645
Assets	$ 1,676,063	$ 45,552	$ 27,145	$ 27,976	$ 3,716	$ (75,076)	$ 1,705,376
Liabilities	$ 1,435,615	$ 1,097	$ 10,355	$ 27,409	$ 10	$ (38,529)	$ 1,435,957
Other Information							
Interest expense	$ 10,995	$ -	$ 439	$ 1,066	$ -	$ 1,138	$ 13,638
Capital additions	$ 5,204	$ -	$ 1,166	$ -	$ -	$ -	$ 6,370
Depreciation and amortization	$ 2,681	$ -	$ 567	$ -	$ -	$ -	$ 3,248

	2019						
	Retail Bank	Credit Life Company	Real Estate Holdings	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	$ 147,750	$ 6,441	$ 8	$ -	$ -	$ 3,261	$ 157,460
Internal	294	(300)	3,980	894	635	(5,503)	-
Total Income	$ 148,044	$ 6,141	$ 3,988	$ 894	$ 635	$ (2,242)	$ 157,460
Total profit							
Internal & external	$ 25,012	$ 5,076	$ 2,444	$ 229	$ 345	$ (1,495)	$ 31,611
Assets	$ 1,677,909	$ 45,473	$ 30,368	$ 32,420	$ 3,330	$ (80,351)	$ 1,709,149
Liabilities	$ 1,441,787	$ 1,763	$ 15,038	$ 24,542	$ 5	$ (46,823)	$ 1,436,312
Other Information							
Interest expense	$ 13,854	$ -	$ 613	$ 635	$ -	$ (365)	$ 14,737
Capital additions	$ 1,125	$ -	$ 164	$ -	$ -	$ -	$ 1,289
Depreciation and amortization	$ 2,861	$ -	$ 638	$ -	$ -	$ -	$ 3,499

7. Cash and Cash Equivalents

	2020	2019
Cash on hand	$ 20,824	$ 26,614
Deposits with banks	19,010	90,630
Balances with The Central Bank of The Bahamas	235,759	164,296
	275,593	281,540
Minimum reserve requirement	(55,395)	(51,897)
Time deposit securing letter of credit	(2,691)	(2,313)
Cash and cash equivalents	$ 217,507	$ 227,330

The minimum reserve requirement comprises deposits placed with the Central Bank of The Bahamas (the "Central Bank") to meet statutory requirements of the Bank's licenses and are not available for use in the Bank's day to day operations. As such, these amounts are excluded from balances held with the Central Bank to arrive at cash and cash equivalents. All balances with the Central Bank are non-interest bearing. Cash and deposit balances disclosed above are recoverable within one year.

The financial assets included in cash and cash equivalents are carried at amortized cost, which approximates the fair market value.

8. Investments

Investments are as follows:

	2020		
	Amount	Maturity years	Interest rates
Bahamas Government debt	$ 434,178	2021-2037	2.00% - 4.88%
Government related debt	18,250	2023-2042	4.25% - 7.00%
United States Government debt	1,000	2023-2024	6.25% - 7.50%
Equity investments	8,004		
Accrued interest receivable	4,989		
	466,421		
Less: Allowance for ECL	(3,920)		
Total investment securities	$ 462,501		

8. Investments *(continued)*

	2019		
	Amount	Maturity years	Interest rates
Bahamas Government debt	$ 404,921	2020-2037	1.80% - 4.88%
Government related debt	18,267	2023-2035	4.25% - 7.00%
United States Government debt	1,000	2023-2024	6.25% - 7.50%
Equity investments	6,741		
Accrued interest receivable	5,295		
	436,224		
Less: Allowance for ECL	-		
Total investment securities	$ 436,224		

Investments categorized by maturity are as follows:

	2020	2019
Current (due within one year)	$ 143,770	$ 253,418
Non-current (due after one year)	318,731	182,806
	$ 462,501	$ 436,224

The table below shows the carrying amounts and fair value of Investments.

	2020	
	Carrying Amount	Fair Value
Bahamas Government	$ 430,520	$ 434,550
Government related	17,988	18,250
United States Government	1,000	1,232
Equity investments	8,004	8,004
Accrued interest receivable	4,989	4,989
Total investment securities	$ 462,501	$ 467,025

	2019	
	Carrying Amount	Fair Value
Bahamas Government	$ 404,921	$ 402,574
Government related	18,267	18,267
United States Government	1,000	1,227
Equity investments	6,741	6,741
Accrued interest receivable	5,295	5,295
Total investment securities	$ 436,224	$ 434,104

The majority of the Group's investments are Bahamas Government Registered Stocks.

8. Investments *(continued)*

Other investments include Government related investments such as securities issued by the Bahamas Mortgage Corporation, The University of The Bahamas formerly known as The College of the Bahamas and The Bridge Authority and The Clifton Heritage. There is not a very active market for these investments. Primary brokers of these Government related investments trade similar instruments at par value.

The gross carrying amount of the Group's investments allocated to Stage 1 and Stage 2 is $205.2 million (2019: $429.5 million) and $248.8 million (2019: $Nil), respectively.

As at December 31, 2020, the Group held equity securities as FVTPL totaling $8.0 million (2019: $6.7 million) classified as Level 1 investments. No transfers were made during the year for any investments between the fair value hierarchies. All other investment securities are classified as Level 2. The Group uses observable inputs from secondary market sources and recovery rates for securities classified as Level 2.

The Group's common share holdings in MasterCard Incorporated account for the majority of its equity investments. These shares are carried at fair value with any resulting gains or losses recorded in the consolidated statement of profit or loss and other comprehensive income.

9. Loans and Advances to Customers

Loans and advances to customers are as follows:

	2020	2019
Residential mortgage	$ 185,046	$ 180,530
Business	17,607	25,650
Personal	727,544	735,310
Credit card	40,648	40,719
Government	44,588	37,000
	1,015,433	1,019,209
Less: Allowance for ECL	(116,580)	(86,413)
	$ 898,853	$ 932,796

Loans categorized by maturity are as follows:

Current (due within one year)	$ 48,831	$ 57,235
Non-current (due after one year)	850,022	875,561
	$ 898,853	$ 932,796

Included within the carrying amount of gross loans and advances to customers are accrued interest and late fees amounting to $17.6 million (2019: $14.2 million), and effective interest rate adjustments of $3.3 million (2019: $6.1 million), the latter principally comprising deferred fees and other direct costs incurred to originate loans.

9. Loans and Advances to Customers *(continued)*

The fair value of loans and advances to customers as determined by management is $899 million (2019: $1.02 billion). Loans and advances to customers are stated net of expected credit losses. The estimated fair values of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received using the Central Bank banking sector interest rates. Loans and advances are classified as level 3 securities.

Movement in Impairment Allowances:

	2020				
	Balance at Beginning of Year	Loans Written off	Recoveries	Impairment Losses	Balance at End of Year
Residential mortgage	$ 13,121	$ (1,414)	$ -	$ 3,708	$ 15,415
Business	507	(80)	-	741	1,168
Personal	70,421	(35,361)	7,410	53,847	96,317
Credit card	2,364	(2,494)	268	3,062	3,200
Government	-	-	-	480	480
Total	$ 86,413	$ (39,349)	$ 7,678	$ 61,838	$ 116,580

	2019				
	Balance at Beginning of Year	Loans Written off	Recoveries	Impairment Losses	Balance at End of Year
Residential mortgage	$ 12,918	$ (2,213)	$ 98	$ 2,318	$ 13,121
Business	1,201	(312)	-	(382)	507
Personal	56,472	(47,264)	16,331	44,882	70,421
Credit card	1,847	(1,229)	526	1,220	2,364
Government	-	-	-	-	-
Total	$ 72,438	$ (51,018)	$ 16,955	$ 48,038	$ 86,413

10. Other Assets

The composition of other assets is as follows:

	2020	2019
Pension asset	$ 4,142	$ 5,339
Prepaid expenses	10,031	4,333
Other	8,695	6,387
	$ 22,869	$ 16,059

The pension asset comprises the net asset position of the defined benefit plan as disclosed in note 22. During 2019, the Bank's DC provision (as described in Note 22) included a guaranteed investment option at the discretion of the employee whereby the Bank guaranteed a specified return (the Guaranteed Investment Contract" or "GIC"). The GIC was discontinued effective June 30, 2019 by way of Board resolution. Upon termination of the GIC, employees elected to transfer their assets to the Commonwealth Bank Managed Fund (CB Managed Funds) or one of the existing funds managed by the administrator in the defined contribution plan. The amounts from transferred from the GIC to the CB Managed Funds which is in the defined contribution plan are included in the pension assets as disclosed above. The current plans have no guaranteed rate of return so that all gains and losses on the investments accrue to employees.

The net pension asset is not expected to be recovered within one year. All other assets are expected to be recovered within one year.

Other assets are primarily accounts receivable.

11. Premises and Equipment

The movement of premises and equipment is as follows:

	Land/Site Improvements	Buildings	Leasehold Improvements and ROU assets	Furniture, Fittings and Equipment	Total
Cost					
December 31, 2019	$ 14,496	$ 33,112	$ 1,090	$ 35,622	84,320
Additions	61	1,109	1,940	3,260	6,370
Disposals	(15)	-	-	(116)	(131)
December 31, 2020	$ 14,542	$ 34,221	$ 3,030	$ 38,766	$ 90,559
Accumulated Depreciation and Amortization					
December 31, 2019	$ 690	$ 12,088	$ 881	$ 28,131	$ 41,790
Charge for the year	-	875	31	2,342	3,248
Disposals	-	-	-	(39)	(39)
December 31, 2020	$ 690	$ 12,963	$ 912	$ 30,434	$ 44,999
Net Book Value					
December 31, 2020	$ 13,852	$ 21,258	$ 2,118	$ 8,332	$ 45,560
December 31, 2019	$ 13,806	$ 21,024	$ 209	$ 7,491	$ 42,530

As at December 31, 2020, premises and equipment includes the right-of-use assets of $1.9 million in the leasehold improvements (2019: $Nil) related to leased branches and office premises. Accumulated depreciation for the right of use assets as at December 31, 2020 is Nil (2019: Nil).

During September 2019, Hurricane Dorian impacted the Bank's branches in Grand Bahama and Abaco. The Bank engaged specialists to assess the value of the assets impacted by the hurricane. Based on this assessment, assets with a net book value of $2.8 million were written off in 2019. The Bank recognised $2.1 million (2019: $4.9 million) in recoveries related to Hurricane Dorian.

12. Deposits from Customers

The composition of deposits from customers is as follows:

	2020	2019
Demand deposits	$ 246,069	$ 293,677
Savings accounts	441,582	402,182
Certificates of deposit	728,259	723,431
	$ 1,415,910	$ 1,419,290

Deposits from customers categorized by maturity are as follows:

Current (due within one year)	$ 1,105,174	$ 1,027,299
Non-current (due after one year)	310,736	391,991
	$ 1,415,910	$ 1,419,290

Management has determined that the fair value of deposits from customers approximates their carrying values.

Included in deposits from customers is accrued interest payable to customers totaling $23.4 million (2019: $19.9 million).

13. Life Insurance Fund Liability

The Group provides credit life insurance in respect of certain of its borrowers through Laurentide.

The life insurance fund liability in respect of credit life insurance contracts is calculated as:

i. The sum of the present value of expected future death claims, withdrawal claims and administrative expenses for single premium contracts, and
ii. The sum of the present value of expected future death claims, withdrawal claims, commissions and administrative expenses, less expected future monthly premiums, for monthly premium contracts.

An actuarial valuation of the life insurance fund liability was conducted as at December 31, 2020 by Oliver Wyman of Toronto, Canada. The valuation included a provision of $164 thousand (2019: $322 thousand) for claims incurred but not yet reported.

The movement in the life insurance fund liability is as follows:

13. Life Insurance Fund Liability *(continued)*

	2020	2019
Balance at beginning of the year	$ 1,682	$ 2,951
Change in assumptions	-	23
Termination policies	(298)	(812)
Impact of aging	(242)	(524)
Change in claims incurred but not reported	(157)	(17)
New business	6	22
Change in unearned premium reserve	21	39
Net change in insurance reserve	(670)	(1,269)
Balance at end of the year	$ 1,012	$ 1,682

Balances at the end of the year are expected to be settled as follows:

Current (within one year)	$ 595	$ 1,093
Non-current (after one year)	417	589
	$ 1,012	$ 1,682

Actuarial Assumption Sensitivities

The table below provides the impact of a 10% change in assumptions on mortality rates, policy lapse rates, loan interest rates, expenses and inflation:

2020

Scenario	Mortality per $1,000	Lapse Rate	Loan Interest Rate	Expense per Policy	Inflation Rate	Initial Interest Rate	Ultimate Interest Rate	Total Reserve (B$)	B$ Increase over Base	% Increase over Base
Base 2020	4.5	48%	15.50%	$13.86	3.30%	3.45%	3.25%	619		
Lower Interest Rate	4.5	48%	15.50%	$13.86	3.30%	3.11%	2.93%	621	2	0.4%
Mortality = 4.95	5.0	48%	15.50%	$13.86	3.30%	3.45%	3.25%	662	43	7.0%
Lapse = 43.20%	4.5	43%	15.50%	$13.86	3.30%	3.45%	3.25%	639	20	3.2%
Loan Interest = 17.05%	4.5	48%	17.05%	$13.86	3.30%	3.45%	3.25%	621	2	0.3%
Expenses = 15.25	4.5	48%	15.50%	$15.25	3.30%	3.45%	3.25%	635	16	2.6%
Inflation = 3.63%	4.5	48%	15.50%	$13.86	3.63%	3.45%	3.25%	620	1	0.1%

13. Life Insurance Fund Liability *(continued)*

2019

Scenario	Mortality per $1,000	Lapse Rate	Loan Interest Rate	Expense per Policy	Inflation Rate	Initial Interest Rate	Ultimate Interest Rate	Total Reserve (B$)	B$ Increase over Base	% Increase over Base
Base 2019	4.5	48%	15.50%	$13.86	3.30%	3.45%	3.25%	1,153		
Lower Interest Rate	4.5	48%	15.50%	$13.86	3.30%	3.11%	2.93%	1,157	4	0.4%
Mortality = 4.95	5.0	48%	15.50%	$13.86	3.30%	3.45%	3.25%	1,218	65	5.7%
Lapse = 43.20%	4.5	43%	15.50%	$13.86	3.30%	3.45%	3.25%	1,173	21	1.8%
Loan Interest = 17.05%	4.5	48%	17.05%	$13.86	3.30%	3.45%	3.25%	1,156	3	0.3%
Expenses = 15.25	4.5	48%	15.50%	$15.25	3.30%	3.45%	3.25%	1,176	24	2.1%
Inflation = 3.63%	4.5	48%	15.50%	$13.86	3.63%	3.45%	3.25%	1,154	1	0.1%

14. Other Liabilities

The composition of other liabilities is as follows:

	2020	2019
Accruals and accounts payable	$ 4,510	$ 7,335
Cashier's cheques outstanding	4,719	4,453
Employee related	2,008	1,708
Lease liabilities	1,935	-
Other	5,863	1,844
	$ 19,035	$ 15,340

15. Share Capital

With approval from the Central Bank, the Group redeemed all of its preference shares effective May 1, 2019 for class J, K, L, M and N and October 1, 2019 for class E. All classes are non-cumulative, non-voting with no maturity and require that the shares must have been issued for at least five years. Central Bank approval must also be obtained prior to redemption. Redemption is solely at the option of the Group.

15. Share Capital *(continued)*

Common Shares

	2020	2019
Authorised:		
675,000,000 (2019: 675,000,000) shares of $0.00667 per share	$ 4,500	$ 4,500
Issued and fully paid:		
295,268,556 (2018: 295,268,556) shares of $0.00667 per share	$ 1,968	$ 1,968
Share premium	27,009	27,010
Less: 7,524,204 (2019: 7,114,879) shares held in treasury	(26,011)	(24,349)
Total	$ 2,966	$ 4,629
Share capital	$ 1,918	$ 1,921
Share premium	1,048	2,708
	$ 2,966	$ 4,629

The holdings of treasury shares are to fund the Group's stock-based compensation plans and inject liquidity into the local market.

During the year, the Group repurchased some of its common shares through its subsidiary, C.B. Securities. Details of the purchases are disclosed in Note 21.

During the year, the Group paid three quarterly (2019: four quarterly) common share dividends of $0.02 (2019: $0.02) per share and extraordinary dividends of $NIL (2019: $0.02) per share. These payments totaled $17.3 million (2019: $29.0 million) in common share dividend payments.

16. Earnings Per Share

	2020	2019
Total profit	$ 16,645	$ 31,611
Preference share dividends	-	(2,414)
Total profit available to common shareholders	$ 16,645	$ 29,197
Weighted average number of common shares (in thousands)	288,567	289,866
Earnings per share (expressed in dollars)	$ 0.06	$ 0.10

17. General Reserve

In 2003, by way of Board approval, the Bank established a general reserve of $10 million. The purpose of the general reserve was to provide adequate funding in the event of unusual or distressed financial circumstances experienced by the Bank. In 2007, the Bank increased the general reserve by $0.5 million to further allow for the potential impact of hurricanes. In 2020, the Board of Director's approved the transfer of $10.5 million from its general reserve to retained earnings.

18. Employee share based Payment Plans

Stock Option Plan

On May 16, 2007, the shareholders approved an employee stock option plan (the "Plan") of 2 million shares for designated officers and management staff. The number of shares included in the Plan is amended each time there is a stock split. Currently, there are 18 million shares approved under the Plan.

The main details of the Plan are as follows:

a. Options will be granted annually to participants at the prevailing market price on the date of the grant.
b. Options vest on a straight-line basis over a three-year period.
c. Vested options expire one year after the date of vesting.
d. Options may only be exercised while in the employment of the Bank or subsidiary or affiliated companies unless otherwise approved by the Board.
e. Exercised options are subject to a six-month restriction period before they can be transferred by the participant.
f. Unless otherwise terminated by the Board, the Plan shall continue until the pool of common shares has been exhausted.

The Plan is being funded by CB Securities Ltd. purchasing shares from the market in advance of the options being exercised. The Bank recognised expenses of $Nil (2019: $Nil) related to this equity settled share-based payment plan during the year.

Other share-based payment plan

Under the Bank's employee share purchase plan, non-management staff may purchase the Bank's shares at 90% of the closing market price on the date of grant for a restricted period each year. Employees' ability to purchase shares is restricted to a percentage of their salary according to their position. Shares so purchased vest immediately but are released to the employee on payment for the shares. No shares were made available under this plan in 2020 (2019: Nil shares).

There were no shares outstanding to be exercised under the stock option plans as at December 31, 2020 (2019: Nil). Options available to be granted under the plans totaled 14,034,000 (2019: 14,034,000).

19. Fees and Other Income

Fees and other income derived from contracts with customers are as follows:

	2020	2019
Loan and credit card fees, excluding commitment and origination fees	$ 4,421	$ 6,334
Deposit account fees	5,390	5,007
Debit card fees	3,400	2,643
Foreign exchange	3,017	3,075
Other	1,904	1,388
	$ 18,132	$ 18,447

20. General and Administrative Expenses

General and administrative expenses is as follows:

	2020	2019
Staff costs	$ 34,358	$ 37,472
Licences and taxes (including premium taxes)	11,664	9,959
Professional and service fees	6,512	9,378
Occupancy	4,579	4,403
Advertising	1,206	2,580
Other	8,738	6,834
	$ 67,057	$ 70,626

Staff costs include pension costs of $2.2 million (2019: $2.1 million) of which $0.07 million (2019: $0.2 million) relates to the DB Provisions (see Note 22). Occupancy includes rental costs for leased properties (see Note 23).

21. Related Parties Balance and Transactions

The following table shows balances and transactions with related parties not disclosed elsewhere in these consolidated financial statements:

	2020			2019		
	Key Management Personnel $	Other Related Parties $	Total $	Key Management Personnel $	Other Related Parties $	Total $
Loans and advances to customers	2,307	40	2,347	2,658	867	3,525
Deposits from customers	21,965	267,425	289,391	35,201	227,301	262,502
Other liabilities	-	88	88	-	47	47
Interest income	90	8	98	131	71	202
Interest expense	555	6,343	6,898	728	5,582	6,311
General and administrative expense	-	537	537	-	721	721
Commitments under revolving credit lines	561	1,662	2,223	927	2,434	3,361

Amounts included in loans and advances to customers that relate to residential mortgages and business loans are secured. Amounts related to personal loans and credit cards are unsecured. Impairment allowances in respect of these balances are not material.

Compensation of Key Management Personnel

The remuneration of Directors and other members of key management personnel, those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank, in addition to Directors' fees disclosed in the consolidated statement of profit or loss and other comprehensive income is as follows:

	2020	2019
Short term benefits	$ 4,678	$ 5,828
Post employment benefits	1,080	936
	$ 5,758	$ 6,764

Purchase of Shares by Subsidiary

During the year, the Bank's wholly-owned subsidiary C.B. Securities, purchased 409,885 of the Bank's common shares for $1.7 million (2019: 3,308,695 shares for $14.5 million). During the year, C.B. Securities sold 560 shares (2019: 394 shares) to its Parent at the prevailing market price at the date of the transaction. In 2019, 1,100 preference shares of the Parent at $100 per share were redeemed. C.B. Securities holds 7,524,204 (2019: 7,114,879) of the Bank's shares which have a market value of approximately $27.0 million (2019: $32.0 million).

22. Bank Pension Scheme

The pension plan consists of the Defined Benefit Provisions (DB Provisions) and Defined Contribution Provisions (DC Provisions).

DB Provisions

The DB Provisions, which is closed to new members, provides pensions based on years of service, contributions and weighted average earnings at retirement. The Bank's funding policy is to make monthly contributions to the DB Provisions based on triennial valuations. The Bank pays on demand to the DB Provisions such periodic contributions as may be required to meet the obligations of the DB Provisions.

All employees in active employment of the Bank who had at least 3 years of service or had reached the age of 25, and who met the eligibility requirements were eligible for the DB Provisions. After October 1, 2013 entry to the DB Provisions was closed to all employees.

Assumptions applied to DB Provisions

Discount rate:

In accordance with IAS 19, the discount rate used is determined by reference to market yields at the end of the reporting period on high quality local corporate bonds, or where there is no deep market in such bonds, by reference to market yields on long-term Bahamas Government bonds. Currencies and terms of bond yields used must be consistent with the currency and estimated term of the post-employment benefit obligations being discounted.

As at the reporting date, the discount rate assumption for the DB Provisions plan is 5.60% (2019: – 5.50%).

Increases in pensionable earnings:

The DB Provisions sets the pension increase rate assumption in line with the expected general wage growth which is influenced by the inflation by which benefits are expected to increase in future years. Although influenced by the inflation rate, the DB Provision does not contractually state that increases will be in line with market inflation. The assumption for 2020 has remain unchanged at 3.5%.

Mortality:

The DB Provision uses the 1994 Uninsured Pensioners Mortality Table (UP-94) to determine the mortality rate of the plan members. The UP-94 mortality table was considered appropriate for expected mortality during 1994, however the actual experience in the DB Provision has proven too scarce to produce any credible experience. In instances where the actual experience is not credible, the use of UP-94 is generally accepted.

The Bank has considered the impact of COVID-19 on the mortality assumption and has deemed it unnecessary to alter their long-term assumptions.

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22. Bank Pension Scheme *(continued)*

Expenses:

The expense assumption used in the calculation of the DB Provision is $100,000 (2019: - $100,000). The assumption is based on the average amount of the investment and administrative expenses in the DB Provisions over the past several years.
The DB Provisions typically expose the Bank to the following actuarial risks:

i. Investment risk: The DB Provisions comprises investments in Bahamian Government (and Government-related) securities and private securities. The present value of the DB Provisions liability is calculated using a discount rate of 5.6% (2019: 5.5%). If the return on assets is below the discount rate, it will create a deficit.

ii. Interest risk: A decrease in the discount rate will increase the DB Provisions liability.

iii. Longevity risk: The present value of the DB Provisions liability is calculated by reference to the best estimate of the mortality of participants both during and after their employment. An increase in the life expectancy of the DB Provisions participants will increase the DB Provisions' liability.

iv. Salary risk: The present value of the DB Provisions liability is calculated by reference to the future salaries of participants. As such, an increase in the salary of the participants will increase the DB Provisions' liability.

An actuarial valuation of the DB Provisions was undertaken by Mercer (Canada) Limited, Toronto, Canada as at December 31, 2020.

22. Bank Pension Scheme *(continued)*

The following tables present information related to the Bank's DB Provisions, including amounts recorded in the consolidated statement of financial position and the components of defined benefit cost:

	2020	2019
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 29,286	$ 28,833
Interest income	1,581	1,486
Actual return on plan assets	(1,401)	(90)
Administrative costs	(106)	(107)
Employer contributions	-	165
Participant contributions	72	72
Benefits paid	(767)	(780)
Withdrawals from plan	(134)	(293)
Settlement payments	-	-
Fair value of plan assets at end of year	$ 28,531	$ 29,286

	2020	2019
Change in defined benefit obligation:		
Benefit obligation at beginning of year	$ 23,947	$ 24,206
Current employer service costs	265	358
Participant contributions	72	72
Interest cost	1,288	1,244
Withdrawals from plan	(134)	(293)
Benefits paid	(767)	(780)
Experience adjustment	24	(62)
Changes in financial assumptions	(306)	(798)
Benefit obligation at end of year	$ 24,389	$ 23,947
Benefit obligation at end of year	$ 24,389	$ 23,947
Fair value of plan assets at end of year	(28,531)	(29,286)
Net defined benefit asset	$ (4,142)	$ (5,339)

	2020	2019
Net defined benefit asset:		
Balance at beginning of year	$ (5,339)	$ (4,627)
Defined benefit included in profit or loss	72	216
Remeasurement included in other comprehensive income	1,125	(763)
Employer contributions	-	(165)
Balance at end of year	$ (4,142)	$ (5,339)

22. Bank Pension Scheme *(continued)*

	2020	2019
Components of defined benefit cost:		
Current employer service costs	$ 265	$ 358
Interest cost on defined benefit obligation	1,288	1,244
Interest income on plan assets	(1,581)	(1,486)
Administrative costs	100	100
Pension benefit expense included in staff costs	$ 72	$ 216

	2020	2019
Components of remeasurements:		
Changes in financial assumptions	$ (306)	$ (798)
Experience adjustments	24	(62)
Return on plan assets excluding interest income	1,407	97
Remeasurements included in other comprehensive income	$ 1,125	$ (763)

	2020	2019
Weighted-average assumptions to determine defined benefit obligations:		
Discount rate	5.60%	5.50%
Rate of pension increases	1.00%	1.00%
Rate of increase in future compensation	3.50%	3.50%
Mortality Table	UP 1994 Fully generational	UP 1994 Fully generational
Weighted-average assumptions to determine defined benefit cost:		
Discount rate	5.50%	5.25%
Rate of pension increases	1.00%	1.00%
Rate of increase in future compensation	3.50%	3.50%
Mortality Table	UP 1994 Fully generational	UP 1994 Fully generational

Actuarial assumption sensitivities:

The discount rate is sensitive to changes in market conditions arising during the reporting period.

22. Bank Pension Scheme *(continued)*

The results of a 25 basis points increase or decrease over the financial assumptions used in the measurement of the defined benefit obligation and defined benefit expense are summarised in the table below:

2020

	Discount Rate	Compensation	Pension	Mortality
Pension obligation	$ 777	$ 211	$ 647	$ 556
Pension expense	$ 64	$ 16	$ 45	$ 38

2019

	Discount Rate	Compensation	Pension	Mortality
Pension obligation	$ 798	$ 200	$ 616	$ 553
Pension expense	$ 67	$ 16	$ 42	$ 36

The effect of assuming an increase of 1 year in life expectancy would increase the benefit obligation by $0.6 million (2019: $0.5 million) and pension benefits expense by $38,000 (2019:$36,000).

The weighted average duration of the defined benefit obligation is 13.2 years (2019: 13.8 years).

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the year) has been applied as when calculating the defined benefit liability recognised in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The DB Provisions owns 1,410,825 (2019: 1,410,825) common shares. These shares have a market value of $5.1 million (2019: $6.3 million) which represents 17.70% (2019: 21.63%) of the DB Provisions' assets.

22. Bank Pension Scheme *(continued)*

The major categories of DB Provisions assets at December 31, 2020 are as follows:

	Fair Value of Plan Assets	
	2020	**2019**
Balance at banks	$ 847	$ 942
Equity instruments	9,754	10,724
Government bonds	12,830	13,270
Other debt instruments	2,662	1,869
Preferred equity	2,510	2,528
Other assets	10	7
Liabilities	(82)	(54)
Fair value of plan assets	$ 28,531	$ 29,286

Given that the DB Provisions is currently overfunded, the Bank does not expect to make any contributions in 2021 in respect of the DB Provisions.

DB Provisions funds held at the Bank and related interest expense are as follows:

	2020	**2019**
Deposits from customers	$ -	$ 680
Interest expense	$ -	$ 14

DC Provisions

The DC Provisions requires a defined contribution be made by the Bank for plan members. Eligibility in the DC Provisions includes all employees in active employment of the Bank who have at least 1 year of service or have reached the age of 25, and who met the eligibility requirements of the DC Provisions on or after October 1, 2013 or were hired after September 1, 2013. Contributions to the DC Provisions started on November 1, 2013 for eligible employees.

Prior to June 30, 2019, the DC Provisions included a guaranteed investment option at the discretion of the employee whereby the Bank guaranteed a specified return as defined by the Bank (the "Guaranteed Investment Contract"). This option was primarily invested in Bahamian Government (and Government-related) debt, other fixed income securities, and equity shares in the Bank. The Bank guaranteed a rate of 4.25% which expired in June 2019.

The Guaranteed Investment Contract was replaced by the CB Managed Fund which has no guaranteed rate of return so that all gains and losses on the investments accrue to employees.

22. Bank Pension Scheme *(continued)*

Contributions to the DC Provisions are deposited into the account of each employee and administered by the pension plan's investment manager. Employees may choose from three investment options, two of which are investment funds offered by the investment manager and the other being the CB Managed Fund.

The amounts recognised as an expense under the DC Provisions are as follows:

	2020	2019
Pension expense included in staff costs	$ 1,607	$ 1,646

The DC Provisions owns 683,778 (2019: 683,778) common shares of the Bank. These shares have a market value of $2.5 million (2019: $3.1 million) which represents 4.9% (2019: 25.9%) of the DC Provisions assets.

The GIC available through the DC Provisions expired on June 30, 2019. At termination of the GIC, the surplus of $7.1 million was settled. As a result, there was no pension asset or liability relative to the GIC as at December 31, 2020.

The remeasurement (loss)/gain of defined benefit obligation included in other comprehensive income is as follows:

	2020	2019
DB Provisions (loss)/gain	$ (1,125)	$ 763
	$ (1,125)	$ 763

23. Commitments and Contingencies

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

Loan commitments

In the ordinary course of business, the Group had commitments as at the reporting date, as follows:

	2020	2019
Mortgage commitments	$ 6,657	$ 5,261
Revolving credit lines	33,738	37,332
	$ 40,395	$ 42,593

23. Commitments and Contingencies *(continued)*

Revolving credit lines are undrawn lending facilities that have been approved by the Bank to meet the requirements of customers. They are revocable at the Bank's discretion. The amount shown represents the maximum amount of additional credit that the Bank could be obligated to extend.

These financial instruments are subject to the Group's standard credit policies and procedures.

Capital commitments

As at December 31, 2020, the Bank had capital commitments in the amount of $3.7 million (2019: $3.8 million).

Lease commitments

The future minimum rental payments required under non-cancellable operating leases as at December 31, 2020 are as follows:

Year	2020 $	2019 $
2020	-	384
2021	598	195
2022	547	175
2023	306	-
2024	306	-
Beyond 2024	178	-
	$ 1,935	$ 754

Letters of credit

The Bank has a standby letter of credit with Citibank N.A. for US$2.7 million, which was established to secure settlement transactions with MasterCard and Visa. This standby letter of credit is secured by time deposits totaling $2.7 million (2019: $2.3 million), which are included in 'Cash and deposits with banks' in the consolidated statement of financial position.

Other contingent liabilities

The Group is involved in various legal proceedings covering a range of matters that arise in the ordinary course of business activities. As at December 31, 2020, the Bank maintained related provision recorded since prior year totalling $0.2 million while the ruling is pending. Management considers that adequate provision has been made in these consolidated financial statements, included in other liabilities in the employee related line item (note 14), for any loss that might ultimately arise.

24. Risk Management

Risk management framework:

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.
The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

The group has exposures to the following risk: capital management risk, interest rate risk, credit risk, liquidity risk, insurance risk, currency and operational risk.

a. ***Capital management*** - The Group manages its capital to ensure that it has a strong capital base to support the development of its business. The capital maintained exceeds regulatory capital requirements. The Group maximizes the return to shareholders through optimization of its debt and equity balance. The Group's risk management structure promotes making sound business decisions by balancing risk and reward. It promotes revenue generating activities that are consistent with the Group's risk appetite, the Bank's policies and the maximization of shareholder return.

   The capital structure of the Bank consists of equity attributable to the common equity holders of the Bank, comprising issued share capital, general reserves, share premium and retained earnings as disclosed in Notes 15 and 17. The Board's Executive Committee reviews the capital structure at least annually. As part of this review, the Executive Committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Executive Committee, the Bank manages its capital structure through the payment of dividends, new share issues, (common or preference) and the redemption of preference shares.

   As prescribed by the Guidelines for the Management of Capital and the Calculation of Capital Adequacy issued by the Central Bank, the Bank is required to maintain a capital adequacy ratio of at least 17% (2019: 17%), which is calculated by dividing the Bank's total eligible capital by its total risk-weighted exposures. The Bank's capital adequacy ratio for 2020 was 28% (2019: 26%). The Group's capital is made up of Tier 1 capital only, which includes share capital and retained earnings.

   Capital regulatory requirements for subsidiary companies are managed through the Bank. The Group's strategy is unchanged from 2019.

24. Risk Management *(continued)*

a. ***Capital management*** *(continued)*

Laurentide is licensed to conduct long term insurance business under The Insurance Act 2005 (the "Act").

Under paragraph 60(1)A of The Insurance (General) Regulations, 2010 (the "Regulations") an insurance company is required to have a minimum paid-up and unencumbered share capital of not less than $3 million. As at December 31, 2020, Laurentide has $300,300 (2019: $300,300) in share capital and $2,750,000 (2019: $2,750,000) in contributed surplus. Laurentide's Board passed a resolution on December 6, 2011 making the contributed surplus non-distributable.

Laurentide is required to establish and maintain a minimum statutory deposit of $2 million, such deposit to be held in trust pursuant to section 43(2) of the Act and paragraph 62 of the Regulations. The LIM (Laurentide Insurance Management) Statutory Reserve Trust was established on December 20, 2011, with assets valued at $2,289,300 as at December 31, 2020 (2019: $2,289,300).

Laurentide is required to maintain a solvency margin pursuant to paragraph 90 of the Regulations. For the purposes of the Regulations, margin of solvency means the excess of the value of its admissible assets over the amount of its liabilities. The required margin of solvency is the greater of (a) twenty per cent of the premium income, including annuity premiums, in its last financial year; or (b) five hundred thousand dollars, plus the minimum amount of capital required. As at December 31, 2020, the minimum margin of solvency was $4,031,919 (2019: $4,026,720). Laurentide's solvency margin at December 31, 2020 was $38,986,854 (2019: $38,280,493) resulting in a surplus of $34,954,935 (2019: $34,253,773).

Paragraph 68 of the Regulations stipulates that of the value of the admissible assets which Laurentide must at any time have in order to maintain the minimum margin of solvency required by the Act, at least sixty per cent shall be in the form of qualifying assets.

As at December 31, 2020, Laurentide had $39,426,644 (2019: $40,043,420) in qualifying assets and $39,426,644 (2019: $40,043,420) in admissible assets as defined under paragraphs 70 and 72 of the Regulations, respectively.

During the year, the Group was in compliance with all externally imposed capital requirements.

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

Interest rate risk or interest rate sensitivity results primarily from differences in the repricing dates of assets and liabilities. Interest rate risk exposures or "gaps" may produce favourable or unfavourable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. When assets have a shorter average maturity than liabilities, an increase in interest rates would have a positive impact

24. Risk Management *(continued)*

b. *Interest rate risk (continued)*

on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margin would result. The consolidated gap position shows more assets than liabilities repriced in periods greater than one year. This is a typical position for a financial institution with a large personal customer base.

The Bank analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration changes in interest rates. Based on these scenarios, the Bank calculates the impact on profit and loss of a defined interest rate shift. The following table sets out the Group's interest rate risk exposure as at December 31, 2020, which represents the Group's risk exposure at this point in time only.

Interest Rate Sensitivity

If interest rates increase/decrease by 50 basis points and all other variables remain constant, the Group's profit over the next 12 months is estimated to increase/decrease by $3.6 million (2019: $1.8 million).

	Repricing date of interest sensitive instruments				Non interest	
As of December 31, 2020	Within 3 Months	3 - 12 months	Over 1 - 5 Years	Over 5 years	rate sensitive	Total
Assets						
Cash and deposits with banks	$ 1,162	$ 1,530	$ -	$ -	$ 37,142	$ 39,834
Balances with The Central Bank of The Bahamas	-	-	-	-	235,759	235,759
Investments	115,011	28,759	111,069	199,658	8,004	462,501
Loans and advances to customers	6,997	55,480	197,323	639,052	-	898,853
Other assets	-	18,856	-	-	4,013	22,869
Total financial assets	$ 123,170	$ 104,625	$ 308,392	$ 838,710	$ 284,918	$ 1,659,815
Liabilities						
Deposits from customers	$ 920,341	$ 184,835	$ 189,461	$ 121,274	$ -	$ 1,415,910
Other liabilities	17,100	-	1,935	-	-	19,035
Total financial liabilities	$ 937,441	$ 184,835	$ 191,396	$ 121,274	$ -	$ 1,434,945
Interest Rate Sensitivity Gap	**$ (814,271)**	**$ (80,209)**	**$ 116,996**	**$ 717,436**		

24. Risk Management *(continued)*

	Repricing date of interest sensitive instruments				Non interest	
As of December 31, 2019	Within 3 Months	3 - 12 months	Over 1 - 5 Years	Over 5 years	rate sensitive	Total
Assets						
Cash and deposits with banks	$ 785	$ 1,528	$ -	$ -	$ 114,931	$ 117,244
Balances with The Central Bank of The Bahamas	-	-	-	-	164,296	164,296
Investments	364,566	10,143	33,390	21,384	6,741	436,224
Loans and advances to customers	8,621	14,809	226,581	682,785	-	932,796
Other assets	-	-	-	-	4,858	4,858
Total financial assets	$ 373,972	$ 26,480	$ 259,971	$ 704,169	$ 290,826	$ 1,655,418
Liabilities						
Deposits from customers	$ 828,363	$ 204,035	$ 376,243	$ 10,649	$ -	$ 1,419,290
Other liabilities	-	-	-	-	15,340	15,340
Total financial liabilities	$ 828,363	$ 204,035	$ 376,243	$ 10,649	$ 15,340	$ 1,434,630
Interest Rate Sensitivity Gap	**$ (454,391)**	**$ (177,555)**	**$ (116,272)**	**$ 693,520**		

c. ***Credit risk*** - Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour a financial obligation. This is the most significant measurable risk faced by the Group.

The Bank's credit policies are designed to maximize the risk/return trade off. The Bank's credit policies, including authorized lending limits, are based on a segregation of authority and centralized management approval with periodic independent review by the Bank's Internal Audit department. Consumer credit is assessed and authorized in branches within credit policies established by the Bank. Credit scoring systems are used to ensure that these policies are consistently applied across the Bank. A key factor in the Bank managing and constraining its credit risk exposure is the close review and follow up of its credit portfolios to quickly identify indications of potential failure to perform according to the terms of the contract and to take the appropriate steps to maintain or restore these accounts to performing according to the terms of the contracts.

The Bank's new loans portfolio declined in 2020 compared to the number of new loans approved and issued in 2019. This decline is primarily attributable to the adverse impacts of COVID-19, which resulted in high unemployment rates and fewer low risk borrower. Consequently, the Bank tightened its lending policies, to mitigate against riskier loans.

The Group places its deposits with banks in good standing with the Central Bank.

Expected Credit Loss Measurement

Expected credit loss is the discounted product of the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") parameters defined as follows:

24. Risk Management *(continued)*

Expected Credit Loss Measurement *(continued)*

- PD – The estimate of the likelihood of default over a given time period.

- LGD – The estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including discounted cash flows from any collateral. LGD is expressed as a percentage of the EAD.
- EAD – The estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Except where specifically indicated for a class of financial assets, the ECL method is applied consistently across loans and advances to customers, and investments.

For loans and advances to customers, excluding those exposures where the counterparty is the Government of The Bahamas, the Group uses a Point-in-Time ("PIT") analysis while having regard to historical loss data forward looking macro-economic data.

The lifetime PD of these exposures is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loan. PDs are then adjusted for IFRS 9 to incorporate forward looking information. This is repeated for each economic scenario defined by the Bank.

For exposures (including both loans and advances to customers, and investments) where the counter-party is the Government of The Bahamas the Group uses the historical 12-month PD and lifetime PD of the counter-party's credit rating published by credit rating agencies which are then adjusted for IFRS 9 to incorporate forward looking information.
The table below shows the average lifetime PD for financial instruments which ECL amounts are recognised.

AVERAGE LIFETIME PD

	2020	2019
Residential mortgage	56%	56%
Business	57%	53%
Personal	36%	44%
Credit card	37%	52%
Government	6%	2%
Investments	8%	2%

Included in the average lifetime PD for credit cards is overdrafts and guarantees.

24. Risk Management *(continued)*

Expected Credit Loss Measurement *(continued*

The estimate of expected cash shortfalls reflects the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately by the Bank (e.g. properties collateralized for mortgage loans are not recognised on the Bank's balance sheet).

Such estimates reflect the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable.

Any cash flows that are expected from the realisation of the collateral beyond the contractual maturity of the contract are included in ECL modelling.

Where appropriate, the Group considers the time to sell and the cost to sell. Further, "Forced Sale" discounts are also included to account for reductions in value due to forced sales and deterioration of collateral held.

In addition, the cost directly associated with realising collateral form part of the ECL calculation. In the short term, this is set by the Group's executive management and is based on their understanding of the market, the economic environment and the Group's experience. This is expressed as a discount factor (nominal value). The Group also includes recovery cash flow assumptions in LGD which are discounted back to the point of default at the original effective interest rate.

For government loans and securities, the Group used its judgment in the assessment of significant increase in risk and migration of balances to progressive stages as exposure on securities deteriorated from stage 1 to stage 2 at a higher PD. The assessment takes into consideration the risk rating of external agencies (i.e. Moody's) and the economic environment of the country.

Internal Risk Ratings

Internal risk ratings are assigned according to the Group's risk management framework. Changes in internal risk ratings are primarily reflected in the PD parameters, which are estimated based on the Group's historical loss experience at the relevant risk segment or risk rating level, adjusted for forward-looking information.

Each credit facility is individually risk rated (from 1 – being the lowest to 8 – being the highest) in relation to its probable performance. Risk factors, which are based on the Group's current policy and procedures, are used to determine each loan's risk rating. These risk factors are assigned scoring based on a tiered approach with a higher score being assigned as risk factors increase. The factors and the range score assigned to them are then used to calculate a single risk rating.

Weighting of Expected Credit Loss

A multiple probability model has been adopted by the Group. The model was developed to allow scenario analysis and management overlay where deemed necessary (this applies to the weighing assigned to the estimates grouping). Three calculations for ECL estimates are generated representing base case, best case and worse case. Once an ECL calculation has

24. Risk Management *(continued)*

Weighting of Expected Credit Loss *(continued)*

been developed for each scenario, a weight is applied to each estimate based on the likelihood of occurrence to arrive at a final weighted ECL. The level of estimation uncertainty has increased since December 31, 2019 as a result of the economic and social disruption caused by the impact of the Covid-19 pandemic. This includes significant judgments relating to:

- The selection and weighting of macro-economic scenarios;
- The effect of government and other support measures implemented to mitigate the negative economic impact;
- The uncertainty over the duration and severity of the effect of the pandemic as well as the timing and duration of the recovery;
- The assessment of the impact of the macro-economic scenarios on the ECL given the unavailability of historical information for a similar event;
- The identification and assessment of significant increases in credit risk and impairment especially for loan facilities where borrowers have received support under various government and bank support schemes; and
- The identification and assessment of significant increases in credit risk and impairment especially for exposures where the counterparty's credit rating has deteriorated significantly since initial recognition.

The weighting assigned to each scenario as at December 31, 2020 and December 31, 2019 was as follows:

December 31, 2020 - Non-Forborne Loans

	Base	Best	Worse
Residential mortgage	70%	0%	30%
Business	70%	0%	30%
Personal	70%	0%	30%
Credit Card	100%	0%	0%
Government	70%	0%	30%
Investments	70%	0%	30%

December 31, 2020 - Forborne Loans

	Base	Best	Worse
Residential mortgage	50%	0%	50%
Business	50%	0%	50%
Personal	50%	0%	50%

24. Risk Management *(continued)*

Weighting of Expected Credit Loss *(continued)*

December 31, 2019 - All Loans

	Base	Best	Worse
Residential mortgage	70%	0%	30%
Business	70%	0%	30%
Personal	70%	0%	30%
Credit Card	100%	0%	0%
Government	70%	0%	30%
Investments	70%	0%	30%

Significant Increases in Credit Risk and Incorporation of forward-looking indicators

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessment for significant increases in credit risk on loan portfolios normally include macroeconomic outlook, management judgment, and delinquency and monitoring. Forward looking macroeconomic factors are considered as part of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower.

The ECL model may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of this include changes in adjudication criteria for a particular group of borrowers, changes in portfolio composition and natural disasters impacting the portfolio. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

During March 2020 the Central Bank launched a temporary payment holiday designed to support businesses and borrowers during the Covid-19 pandemic. The payment holiday was granted to loans that were less than 30 days past due and deferred contractual repayments of principal and interest. This Central Bank supported payment holiday ended on August 31, 2020. As at December 31, 2020 the Bank continues to grant forbearance to borrowers that are furloughed and for whom there is objective evidence that employment will resume once the borrower’s employer re-opens. The use of a payment holiday is not considered indicative of a significant increase in credit risk or a substantial modification of the contractual cash flows of the loans to which they were granted as the present value of repayments are expected to remain the same. The underlying long-term credit risk deemed to be driven by economic conditions are captured through the use of forward-looking information.

24. Risk Management *(continued)*

Significant Increases in Credit Risk and Incorporation of forward-looking indicators *(continued)*

As a result of Hurricane Dorian, in 2019 the Group granted forbearance to borrowers in the islands impacted by the hurricane and included an overlay in the ECL model to reflect the increased credit risk. The overlay increased the overall ECL by $11.8 million in 2019. This forbearance program ended during 2020 and the Group now includes these borrowers in its standard ECL measurement. As a result, the Group no longer includes an overlay in its ECL at year end.

During the year the sovereign credit rating of the Government of The Bahamas was downgraded. On March 12, 2020 S&P Global Inc. ("S&P") reviewed The Bahamas' credit rating and left it unchanged at BB+. In April 2020 S&P revisited The Bahamas' credit rating and downgraded the rating from BB+ to BB. During November 2020 the credit rating was again downgraded, from BB to BB-. Prior to the aforementioned credit rating downgrades, The Bahamas' S&P credit rating of BB+ remained unchanged from December 2016. On June 25, 2020 Moody's Corporation ("Moody's") reviewed The Bahamas credit rating and downgraded The Bahamas from Baa3 to Ba2. The credit ratings of Ba2 and BB- of Moody's and S&P respectively are both considered to be non-investment grade ratings. The aforementioned credit risk downgrades are considered indicative of a significant increase in credit risk for exposures (including both loans and advances to customers, and investments) which originated or were acquired by the Bank prior to March 2020, as the credit risk of these exposures has increased significantly since initial recognition. This has resulted in these exposures being classified in stage 2 with a lifetime ECL being recognized.

Maximum Exposure to Credit Risk

For financial assets recognised on the consolidated statement of financial position, the exposure to credit risk equals their carrying amount. For standby letters of credit, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the standby letters of credit are called upon.

For mortgage commitments and revolving credit lines that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognised. The gross carrying amount of the financial assets represents the Group's maximum exposure to the credit risk of these assets.

24. Risk Management *(continued)*

	2020			
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Residential mortgage	$ 86,007	$ 58,416	$ 40,623	$ 185,046
Business	9,600	2,901	5,106	17,607
Personal	608,785	81,661	37,098	727,544
Credit card	40,484	57	107	40,648
Government	-	44,588	-	44,588
	744,876	187,623	82,934	1,015,433
Impairment allowances				
Residential mortgage	929	3,343	11,143	$ 15,415
Business	806	245	117	1,168
Personal	41,773	27,956	26,588	96,317
Credit card	3,132	14	54	3,200
Government	-	480	-	480
	46,640	32,038	37,902	116,580
Carrying amount				
Residential mortgage	85,078	55,073	29,480	169,631
Business	8,794	2,656	4,989	16,439
Personal	567,012	53,705	10,510	631,227
Credit card	37,352	43	54	37,448
Government	-	44,108	-	44,108
	$ 698,236	$ 155,585	$ 45,032	$ 898,853

	2019			
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Residential mortgage	$ 78,422	$ 59,261	$ 42,847	$ 180,530
Business	14,209	7,241	4,200	25,650
Personal	541,662	173,206	20,442	735,310
Credit card	35,807	3,632	1,280	40,719
Government	37,000	-	-	37,000
	707,100	243,340	68,769	1,019,209
Impairment allowances				
Residential mortgage	205	2,603	10,313	13,121
Business	226	96	185	507
Personal	23,367	29,190	17,864	70,421
Credit card	1,040	544	780	2,364
Government	-	-	-	-
	24,838	32,433	29,142	86,413
Carrying amount				
Residential mortgage	78,217	56,658	32,534	167,409
Business	13,983	7,145	4,015	25,143
Personal	518,295	144,016	2,578	664,889
Credit card	34,767	3,088	500	38,355
Government	37,000	-	-	37,000
	$ 682,262	$ 210,907	$ 39,627	$ 932,796

24. Risk Management *(continued)*

	2020			
Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Bahamas Government	$ 207,919	$ 230,262	$ -	$ 438,181
Government related	-	18,530	-	18,530
United States Government	1,015	-	-	1,015
	208,934	248,792	-	457,726
Impairment allowances				
Bahamas Government	226	3,432	-	3,658
Government related	-	262	-	262
United States Government	-	-	-	-
	226	3,694	-	3,920
Carrying amount				
Bahamas Government	207,693	226,830	-	434,523
Government related	-	18,268	-	18,268
United States Government	1,015	-	-	1,015
	$ 208,708	$ 245,098	$ -	$ 453,806

	2019			
Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Bahamas Government	$ 409,093		$ -	$ 409,093
Government related	18,549	-	-	18,549
United States Government	1,015	-	-	1,015
	428,657	-	-	428,657
Impairment allowances				
Bahamas Government	-	-	-	-
Government related	-	-	-	-
United States Government	-	-	-	-
	-	-	-	-
Carrying amount				
Bahamas Government	409,093	-	-	409,093
Government related	18,549	-	-	18,549
United States Government	1,015	-	-	1,015
	$ 428,657	$ -	$ -	$ 428,657

24. Risk Management *(continued)*

The table below sets out the gross carrying amount and corresponding impairment allowances by stage for loans and advances to customers who have been granted forbearance under Bank-specific programmes:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Residential mortgage	$ 65	$ -	$ -	$ 65
Personal	197,662	36,509	146	234,317
	197,727	36,509	146	234,382
Impairment allowances				
Residential mortgage	1	-	-	1
Personal	28,490	13,642	100	42,232
	28,491	13,642	100	42,233
Carrying Amount				
Residential mortgage	65	-	-	65
Personal	169,172	22,867	46	192,085
	$ 169,237	$ 22,867	$ 46	$ 192,150
Other information				
Number of forborne loans	9,238	1,773	21	11,032
% of Carrying Amount of Portfolio	24%	15%	0.1%	21%
% of Total Impairment Allowances	61%	43%	0.3%	36%

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Personal	$ 25,657	$ 16,469	$ 541	$ 42,667
Impairment allowances				
Personal	1,609	10,318	541	12,468
Carrying Amount				
Personal	24,048	6,151	-	30,199
	$ 24,048	$ 6,151	$ -	$ 30,199
Other information				
Number of forborne loans	1,830	1,134	41	3,005
% of Carrying Amount of Portfolio	4%	3%	0%	3%
% of Total Impairment Allowances	6%	32%	2%	14%

Transfers between Stages

At each reporting date, the Group assesses whether the credit risk on its financial assets has increased significantly since initial recognition. The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument, and is not assessed based on the change in the amount of the expected credit

24. Risk Management *(continued)*

losses. This involves setting quantitative tests combined with additional indicators such as credit risk classification and other observable inputs.
Transfers between Stages 1 and 2 are based on the assessment of significant increases in credit risk relative to initial recognition. The impact of moving from 12-month expected credit losses to lifetime expected credit losses, or vice versa, varies by portfolio and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in the Group's expected credit losses.

Movement in Impairment Allowances by Stage

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

- Transfers between Stage 1 and 2 or 3 due to financial assets experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECLs;

- Additional allowances for new financial assets recognised during the period, as well as releases for financials assets de-recognised in the period;

- Impact on the measurement of ECL due to changes in PDs, EADs, and LGDs in the period, arising from regular refreshing of inputs to the model;

- Impacts on the measurement of ECL due to changes made to models and assumptions;

- Financial assets derecognised during the period and write-offs of allowances related to the assets that were written off during the period; and

- The number of days past due of a personal loan facility, as the LGD increases as the number of days past due increases. In 2019 this was not a factor as the LGD remained constant irrespective of the number of days past due.

24. Risk Management *(continued)*

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

	Stage 1	Stage 2	Stage 3	Total
Residential mortgage				
Impairment allowances as at January 1, 2019 (restated)	$ 314	$ 4,569	$ 8,035	$ 12,918
Transfers:				
Transfers from Stage 1 to Stage 2	(9)	9	-	-
Transfers from Stage 1 to Stage 3	(1)	-	1	-
Transfers from Stage 2 to Stage 1	194	(194)	-	-
Transfers from Stage 2 to Stage 3	-	(601)	601	-
Transfers from Stage 3 to Stage 2	-	99	(99)	-
New financial assets originated	28	5	6	39
Changes in PDs/LGDs/EADs	(299)	(1,101)	4,011	2,611
Financial assets derecognised/written-off	(22)	(183)	(2,242)	(2,447)
Impairment allowances as at December 31, 2019	$ 205	$ 2,603	$ 10,313	$ 13,121
Transfers:				
Transfers from Stage 1 to Stage 2	(324)	324		-
Transfers from Stage 1 to Stage 3	(184)		184	-
Transfers from Stage 2 to Stage 1	15	(15)		-
Transfers from Stage 2 to Stage 3		(1,793)	1,793	-
Transfers from Stage 3 to Stage 1				-
Transfers from Stage 3 to Stage 2		72	(72)	-
New financial assets originated	120	8	50	178
Changes in PDs/LGDs/EADs	1,108	2,220	695	4,023
Financial assets derecognised/written-off	(11)	(76)	(1,820)	(1,907)
Impairment allowances as at December 31, 2020	$ 929	$ 3,343	$ 11,143	$ 15,415

24. Risk Management *(continued)*

	Stage 1	Stage 2	Stage 3	Total
Business				
Impairment allowances as at January 1, 2019 (restated)	$ 399	$ 300	$ 502	$ 1,201
Transfers:				
Transfers from Stage 1 to Stage 2	(2)	2		-
New financial assets originated	1			1
Changes in PDs/LGDs/EADs	(167)	(206)	54	(319)
Financial assets derecognised/written-off	(5)	-	(371)	(376)
Impairment allowances as at December 31, 2019	$ 226	$ 96	$ 185	$ 507
Transfers:				
Transfers from Stage 2 to Stage 3	-	(11)	11	-
New financial assets originated	130	-	-	130
Changes in PDs/LGDs/EADs	470	167	6	643
Financial assets derecognised/written-off	(20)	(7)	(85)	(112)
Impairment allowances as at December 31, 2020	$ 806	$ 245	$ 117	$ 1,168

24. Risk Management *(continued)*

	Stage 1	Stage 2	Stage 3	Total
Personal				
Impairment allowances as at January 1, 2019	$ 16,696	$ 23,510	$ 16,266	$ 56,472
Transfers:				
Transfers from Stage 1 to Stage 2	(2,598)	2,598		-
Transfers from Stage 1 to Stage 3	(371)		371	-
Transfers from Stage 2 to Stage 1	1,281	(1,281)		-
Transfers from Stage 2 to Stage 3		(1,967)	1,967	-
Transfers from Stage 3 to Stage 1	377		(377)	-
Transfers from Stage 3 to Stage 2		1,188	(1,188)	-
New financial assets originated/recoveries	6,020	3,575	1,663	11,258
Changes in PDs/LGDs/EADs	6,280	3,900	47,220	57,400
Financial assets derecognised/written-off	(4,318)	(2,333)	(48,058)	(54,709)
Impairment allowances as at December 31, 2019	$ 23,367	$ 29,190	$ 17,864	$ 70,421
Transfers:				
Transfers from Stage 1 to Stage 2	(9,306)	9,306	-	-
Transfers from Stage 1 to Stage 3	(11,807)	-	11,807	-
Transfers from Stage 2 to Stage 1	855	(855)	-	-
Transfers from Stage 2 to Stage 3	-	(13,020)	13,020	-
Transfers from Stage 3 to Stage 1	41	-	(41)	-
Transfers from Stage 3 to Stage 2	-	349	(349)	-
New financial assets originated/recoveries	5,393	1,178	586	7,157
Changes in PDs/LGDs/EADs	36,018	8,857	(922)	43,953
Financial assets derecognised/written-off	(2,787)	(7,050)	(15,377)	(25,214)
Impairment allowances as at December 31, 2020	$ 41,774	$ 27,955	$ 26,588	$ 96,317

24. Risk Management *(continued)*

	Stage 1	Stage 2	Stage 3	Total
Credit Cards				
Impairment allowances as at January 1, 2019	$ 856	$ 583	$ 408	$ 1,847
Transfers:				
Transfers from Stage 1 to Stage 2	(41)	41		-
Transfers from Stage 1 to Stage 3	(14)		14	-
Transfers from Stage 2 to Stage 1	360	(360)		-
Transfers from Stage 2 to Stage 3		(48)	48	-
Transfers from Stage 3 to Stage 1	185		(185)	-
New financial assets originated/recoveries	89	69	146	304
Changes in PDs/LGDs/EADs	(395)	259	1,443	1,307
Financial assets derecognised/written-off	-	-	(1,094)	(1,094)
Impairment allowances as at December 31, 2019	$ 1,040	$ 544	$ 780	$ 2,364
Transfers:				
Transfers from Stage 2 to Stage 1	39	(39)	-	-
Transfers from Stage 3 to Stage 1	11	-	(11)	-
New financial assets originated/recoveries	2,666	132	305	3,103
Changes in PDs/LGDs/EADs	59	(211)	(371)	(523)
Financial assets derecognised/written-off	(683)	(412)	(649)	(1,744)
Impairment allowances as at December 31, 2020	$ 3,132	$ 14	$ 54	$ 3,200

24. Risk Management *(continued)*

	Stage 1	Stage 2	Stage 3	Total
Government				
Impairment allowances as at January 1, 2019	$ -	$ -	$ -	$ -
Transfers:				
Transfers from Stage 1 to Stage 2	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-
Transfers from Stage 2 to Stage 3	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
New financial assets originated/recoveries	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Financial assets derecognised/written-off	-	-	-	-
Impairment allowances as at December 31, 2019	$ -	$ -	$ -	$ -
Transfers:				
Transfers from Stage 2 to Stage 1	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
New financial assets originated/recoveries	-	480	-	480
Changes in PDs/LGDs/EADs	-	-	-	-
Financial assets derecognised/written-off	-	-	-	-
Impairment allowances as at December 31, 2020	$ -	$ 480	$ -	$ 480

24. Risk Management *(continued)*

	Stage 1	Stage 2	Stage 3	Total
Investments				
Impairment allowances as at January 1, 2019	$ -	$ -	$ -	$ -
Transfers:				
Transfers from Stage 1 to Stage 2	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-
Transfers from Stage 2 to Stage 3	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
New financial assets originated/recoveries	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Financial assets derecognised/written-off	-	-	-	-
Impairment allowances as at December 31, 2019	$ -	$ -	$ -	$ -
Transfers:				
Transfers from Stage 2 to Stage 1	-	-	-	-
Transfers from Stage 3 to Stage 1	-	-	-	-
New financial assets originated/recoveries	227	3,693	-	3,920
Changes in PDs/LGDs/EADs	-	-	-	-
Financial assets derecognised/written-off	-	-	-	-
Impairment allowances as at December 31, 2020	$ 227	$ 3,693	$ -	$ 3,920

24. Risk Management *(continued)*

Credit quality

The following table is an analysis of financial instruments by credit quality:

	2020		
	Original Contract	**Restructured**	**Total**
Cash and deposit with banks & Balances with the Central Bank of The Bahamas			
Neither past due or impaired	$ 275,593	$ -	$ 275,593
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 275,593	$ -	$ 275,593
Investments			
Neither past due or impaired	$ 466,421	$ -	$ 466,421
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 466,421	$ -	$ 466,421
Loans and advances to customers			
Neither past due or impaired	$ 810,893	$ 61,696	$ 872,589
Past due but not impaired	55,446	4,464	59,910
Impaired	70,963	11,971	82,934
	$ 937,302	$ 78,131	$ 1,015,433

24. Risk Management *(continued)*

	2019		
	Original Contract	**Restructured**	**Total**
Cash and deposit with banks & Balances with the Central Bank of The Bahamas			
Neither past due or impaired	$ 281,540	$ -	$ 281,540
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 281,540	$ -	$ 281,540
Investments			
Neither past due or impaired	$ 436,224	$ -	$ 436,224
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 436,224	$ -	$ 436,224
Loans and advances to customers			
Neither past due or impaired	$ 715,812	$ 107,206	$ 823,018
Past due but not impaired	111,907	15,515	127,422
Impaired	42,520	26,249	68,769
	$ 870,239	$ 148,970	$1,019,209

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

The average mortgage balance was $112,285 (2019: $105,829) while the average business account balance was $238,549 (2019: $218,846). The average consumer balance was $22,781 (2019: $20,699).

The largest exposure to a single customer, other than the Government of The Bahamas (Note 9), was approximately $1.8 million (2019: $1.8 million). Mortgage loans and business loans can extend up to 35 years and 10 years, respectively while consumer loans can extend up to 10 years.

The credit quality of loans and advances to customers is shown in the following table:

24. Risk Management *(continued)*

	2020		
	Original Contract	**Restructured**	**Total**
Loans and advances to customers			
Residential mortgage			
Neither past due or impaired	$ 116,078	$ 1,147	$ 117,225
Past due but not impaired	26,951	247	27,198
Impaired	40,221	402	40,623
	$ 183,250	$ 1,796	$ 185,046
Business			
Neither past due or impaired	$ 10,049	$ 20	$ 10,069
Past due but not impaired	2,432	-	2,432
Impaired	4,994	112	5,106
	$ 17,475	$ 132	$ 17,607
Personal			
Neither past due or impaired	$ 601,975	$ 60,529	$ 662,504
Past due but not impaired	23,725	4,217	27,942
Impaired	25,641	11,457	37,098
	$ 651,341	$ 76,203	$ 727,544
Credit card			
Neither past due or impaired	$ 38,203	$ -	$ 38,203
Past due but not impaired	2,338	-	2,338
Impaired	107	-	107
	$ 40,648	$ -	$ 40,648
Government			
Neither past due or impaired	$ 44,588	$ -	$ 44,588
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 44,588	$ -	$ 44,588
	$ 937,302	$ 78,131	$ 1,015,433

24. Risk Management *(continued)*

	2019		
	Original Contract	**Restructured**	**Total**
Loans and advances to customers			
Residential mortgage			
Neither past due or impaired	$ 75,473	$ 26,168	$ 101,641
Past due but not impaired	30,156	5,886	36,042
Impaired	23,519	19,328	42,847
	$ 129,148	$ 51,382	$ 180,530
Business			
Neither past due or impaired	$ 14,227	$ 2,402	$ 16,629
Past due but not impaired	4,398	423	4,821
Impaired	3,511	689	4,200
	$ 22,136	$ 3,514	$ 25,650
Personal			
Neither past due or impaired	$ 557,429	$ 78,636	$ 636,065
Past due but not impaired	69,597	9,206	78,803
Impaired	14,210	6,232	20,442
	$ 641,236	$ 94,074	$ 735,310
Credit card			
Neither past due or impaired	$ 31,683	$ -	$ 31,683
Past due but not impaired	7,756	-	7,756
Impaired	1,280	-	1,280
	$ 40,719	$ -	$ 40,719
Government			
Neither past due or impaired	$ 37,000	$ -	$ 37,000
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 37,000	$ -	$ 37,000
	$ 870,239	$ 148,970	$1,019,209

All financial assets outside of loans and advances to customers are neither past due nor impaired.

The table below shows the distribution of loans and advances to customers that are neither past due or impaired:

24. Risk Management *(continued)*

	2020	2019
Satisfactory risk	$ 872,120	$ 818,118
Watch list	469	4,900
	$ 872,589	$ 823,018

Watch list accounts are those that are exhibiting signs of distress or accounts that have been in distress in the past. Indications of distress include: consistent arrears reflecting reduced income of the borrower, death of one of the parties to the loan, marital issues or divorce, illness, diminished business cash flows, etc.

Conversely, satisfactory accounts are accounts that are generally being serviced as agreed with no material indications that the borrower will default.

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

	2020				
	Residential mortgage	Business	Personal	Credit card	Total
Past due up to 29 days	$ 19,137	$ 1,833	$ 18,083	$ 2,282	$ 41,335
Past due 30 - 59 days	4,518	394	5,823	15	10,750
Past due 60 - 89 days	3,543	205	4,036	41	7,825
	$ 27,198	$ 2,432	$ 27,942	$ 2,338	$ 59,910

	2019				
	Residential mortgage	Business	Personal	Credit card	Total
Past due up to 29 days	$ 25,229	$ 3,969	$ 50,999	$ 5,096	$ 85,293
Past due 30 - 59 days	8,792	839	16,427	1,860	27,918
Past due 60 - 89 days	2,021	13	11,377	800	14,211
	$ 36,042	$ 4,821	$ 78,803	$ 7,756	$ 127,422

Restructured loans

Restructuring activity is designed to manage customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such activities include extended payment arrangements, approved debt management plans, deferring foreclosure, modification, loan rewrites and/or deferral of payments pending a change in circumstances. Restructuring of consumer loans normally results in additional collateral, a co-signer or guarantor or a garnishee of salary being added to the loan. Following restructuring, an overdue consumer account is normally reset from delinquent to current status. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that repayment will probably continue. These policies are continually reviewed and their application varies according to the nature of the market, the product, and the availability of empirical data.

24. Risk Management *(continued)*

***Restructured loans** (continued)*

In the Group's current IFRS 9 ECL weighted risk rating model, restructured accounts attract a higher risk weighting than accounts which have not been restructured.

Collateral Relative to Loans and advances to customers

It is the Bank's policy to determine that, at the time of origination, loans are within the customer's capacity to repay, rather than to rely excessively on security. Loans classified as personal typically take into account the customer's standing and employment and credit histories and are generally unsecured. The Bank has guidelines as part of its credit policy on the acceptability of specific classes of collateral which are reviewed regularly.

The principal collateral types are as follows:

- **Personal** - garnishees over salary and chattel mortgages;
- **Residential mortgage** - mortgages over residential properties;
- **Commercial and industrial** - charges over business assets such as premises, stock and debtors;
- **Commercial real estate** - charges over the properties being financed.

The Group closely monitors collateral held for financial assets considered credit-impaired, as it becomes more likely that the Group will take possession of the collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

	2020			
	Gross exposure	Impairment allowance	Carrying amount	Value of collateral held
Residential mortgage	$ 40,623	$ 11,143	$ 29,480	$ 35,275
Business	5,106	117	4,989	9,512
Personal	37,098	26,588	10,510	1,508
Credit card	107	54	53	-
	$ 82,934	$ 37,902	$ 45,032	$ 46,295

	2019			
	Gross exposure	Impairment allowance	Carrying amount	Value of collateral held
Residential mortgage	$ 42,847	$ 10,313	$ 32,534	$ 31,810
Business	4,200	$ 185	4,015	6,130
Personal	20,442	$ 17,864	2,578	-
Credit card	1,280	780	500	-
	$ 68,769	$ 29,142	$ 39,627	$ 37,940

24. Risk Management *(continued)*

The Group's policies regarding obtaining collateral have not changed during the reporting period. There has been no significant change in the overall quality of the collateral held by the Group since the prior period.

ECL sensitivity analysis

Set out below is the impact of changes to the Bank's ECL that would result from possible changes to the Bank's key ECL drivers.

If the loss given default increases/decreases by 5% and all other variables remain constant, the Group's ECL is estimated to increase/decrease as noted below.

Loss Given Default (LGD)

	2020	2019
Residential mortgage	$ 172	$ 658
Business	42	9
Personal	2,662	2,965
Credit cards	159	118
Government	24	-
Investments	284	-
	$ 3,344	$ 3,750

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

The Group manages liquidity and funding risk by ensuring that sufficient liquid assets and funding capacity are available to meet financial commitments, even in times of stress. The Directors' Executive Committee oversees the Group's liquidity and funding risk management framework which includes operating within clearly defined Board limits, regulatory liquidity requirements and strong effective processes to monitor and manage risk, including contingency plans to facilitate managing through a distressed situation.

Included in deposits from customers are deposits totaling $234.0 million (2019: $235.0 million) from a single customer representing 17% of the total deposits from customers. The amounts are comprised primarily of certificate of deposits from a related party.

There have been no changes in the policies and procedures for managing liquidity risk compared to the prior year.

24. Risk Management *(continued)*

a. *Liquidity risk (continued)*

The following table summarizes the cash flows from financial instruments into maturity groupings, based on the remaining period to the contractual maturity dates. The cash flows presented are undiscounted.

As of December 31, 2020	Within 3 Months	3 - 12 months	Over 1 - 5 Years	Over 5 years	Total
Assets					
Cash and deposits with banks	$ 38,096	$ 1,738	$ -	$ -	$ 39,834
Balances with The Central Bank of The Bahamas	235,759	-	-	-	235,759
Investments	115,011	28,759	111,069	199,658	454,497
Loans and advances to customerss	6,997	55,480	197,323	639,052	898,853
Other assets	13,886	-	-	-	13,886
Total financial assets	$ 409,750	$ 85,977	$ 308,392	$ 838,710	$ 1,642,829
Liabilities					
Deposits from customers	$ 920,340	$ 184,835	$ 189,461	$ 121,274	$ 1,415,910
Life insurance fund liability		595	417	-	1,012
Other liabilities	17,100	-	1,935	-	19,035
Total financial liabilities	$ 937,440	$ 185,430	$ 191,813	$ 121,274	$ 1,435,957
Net liquidity gap	**$ (527,690)**	**$ (99,453)**	**$ 116,579**	**$ 717,436**	**$ 206,872**

As of December 31, 2019	Within 3 Months	3 - 12 months	Over 1 - 5 Years	Over 5 years	Total
Assets					
Cash and deposits with banks	$ 116,087	$ 1,157	$ -	$ -	$ 117,244
Balances with The Central Bank of The Bahamas	164,296	-	-	-	164,296
Investments	72,677	48,283	104,705	203,023	428,688
Loans and advances to customers	12,847	15,631	317,889	586,429	932,796
Other assets	4,858	-	-	-	4,858
Total financial assets	$ 370,765	$ 65,071	$ 422,594	$ 789,452	$ 1,647,882
Liabilities					
Deposits from customers	$ 823,354	$ 205,665	$ 375,332	$ 14,939	$ 1,419,290
Life insurance fund liability	273	820	589	-	1,682
Other liabilities	15,340	-	-	-	15,340
Total financial liabilities	$ 838,967	$ 206,485	$ 375,921	$ 14,939	$ 1,436,312
Net liquidity gap	**$ (468,202)**	**$ (141,414)**	**$ 46,673**	**$ 774,513**	**$ 211,570**

b. ***Insurance risk*** - Insurance risk is the risk of loss resulting from the occurrence of an insured event. Laurentide issues contracts for credit life insurance only on loans written by the Bank. All lives insured are debtors under closed-end consumer credit transactions that arise from direct loans with the Bank. The underwriting strategy aims to ensure that the

24. Risk Management *(continued)*

b. Insurance risk *(continued)*

underwritten risks are well diversified to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. At present, this risk does not vary significantly in relation to the location of the risk insured by the Group. To mitigate risk, no insurance contract is issued to persons aged 65 and over. Prior to 2017 no insurance contract was issued to persons aged 60 and over. The amount of life insurance at risk on any one policy is as follows:

Policies written up to 2016:
Auto loans - Maximum of $10,000 or net indebtedness to the Bank
All other loans - Maximum of $20,000 or net indebtedness to the Bank

Policies written after 2016:
All loans - Maximum of $70,000 or net indebtedness to Bank

c. ***Currency risk*** - Currency risk is the risk that the fair values and/or amounts realised on settlement of financial instruments, and settlements of foreign currency transactions, will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised monetary assets and liabilities are denominated in currencies other than the Bank's functional currency. The Bank is not subject to significant currency risk as its foreign currency transactions and monetary assets and liabilities are predominately denominated in currencies with foreign exchange rates currently fixed against the Bank's functional currency.

d. ***Operational risk*** - Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human error or external events not related to credit, market or liquidity risks. The Group manages this risk by maintaining a comprehensive system of internal control and internal audit, including organizational and procedural controls. The system of internal control includes written communication of the Group's policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel and sound accounting policies, which are regularly updated. These controls and audits are designed to provide the Group with reasonable assurance that assets are safeguarded against unauthorized use or disposition, liabilities are recognised, and the Group is in compliance with all regulatory requirements.

25. Subsequent Events

On February 15, 2021, the Melia Nassau Beach Resort announced that effective March 1, 2021 the resort would cease operations and make its staff redundant. The gross carrying amount of the related loans and advances for these customers as at December 31, 2020 was $5,098,761.

On May 18, 2021, Atlantis Resort announced its plan to make 700 of the resort's 7,300 employees redundant. This will affect all levels of employment at the resort. To date, the Group has not completed its estimate of the impact on the ECL allowance relating to the loan portfolio exposed to the Atlantis Resort redundancies.

The Group has determined that both of the above events represent non-adjusting subsequent events and the necessary increase in the ECL impairment provision will be made in 2021.

On March 15, 2021, the Group declared and paid dividends in the amount of $2,952,685.