


The background of the entire cover is a satellite image of Earth, showing blue oceans, white clouds, and green landmasses. Overlaid on this image is a large white geometric pattern composed of several triangles and diamonds of varying sizes, creating a sense of structure and depth.

STRENGTH *Through* ADVERSITY

ANNUAL
REPORT  20
20

An aerial photograph of a tropical island, likely in the Pacific, showing a mix of green land, white sandy beaches, and turquoise water. A large, semi-transparent diamond shape is overlaid on the image, centered on the island. The diamond is composed of several smaller, overlapping diamond shapes, creating a geometric pattern. The text is centered within the diamond.

*It is difficult to say what is impossible,
for the dream of yesterday
is the hope of today
and the reality of tomorrow.*
- Robert H. Goddard



STRENGTH *Through* ADVERSITY

The year 2020 tested the Bank, our systems, our employees and our valued customers in ways that most of us have never before seen. We are proud of and grateful to everyone for the way they embraced the multitude of rapid changes necessary to handle this historic and most extraordinary year.

As a financial institution, we found ourselves juggling the dual challenges presented first by the COVID-19 global health pandemic and then the subsequent economic downturn. This unprecedented and unforeseen turn of events created a stark and complex environment for us at Commonwealth Bank to navigate.

What we did find is that the solid foundation of financial stability and excellent customer service, that has been our focus over our 60 years of business, made it possible for us to make the necessary adjustments quickly.

Throughout our history, and certainly throughout this pandemic, Commonwealth Bank has gone above and beyond to put the needs of our customers first. Despite the challenges and uncertainties that our team were experiencing themselves; nevertheless, they diligently and courageously responded to an unprecedented volume of calls, questions and concerns both in person and virtually.

At the outset of the global health and economic pandemic, Commonwealth Bank took decisive and coordinated action to ensure that our employees remained safe as they continued to serve our customers on the frontline. We were able to keep our doors open and maintain the level of customer service we are known for, even with reduced operating hours and the necessary social distancing and sanitization measures in place.

We are grateful to our customers who, when faced with longer than usual wait times responded with remarkable calm and understanding. We thank you for your patience and your ongoing trust in us. This is something we will never take for granted.

We also implemented a number of customer relief measures as we anticipated and saw the impact this crisis was having on our customers, as they weathered this storm. Commonwealth Bank introduced measures to provide critical financial shock absorption for all customers - individuals, households, small businesses and large corporations - by providing liquidity when they needed it most. We take this responsibility seriously and will continue to stand by our customers.

As the Bank faced this ongoing storm, we distinguished ourselves by staying the course. Even as we were making necessary adjustments, we never lost sight of our purpose, which is to advance sustainable economic growth and financial opportunity. When our customers turned to us in this moment of need, we turned to the core values that have always guided us: partnership, customer service, integrity and excellence.

We have witnessed the spirit of our core values spring to life in very meaningful and tangible ways as well as the determination and unflinching strength of our people to move forward, even in the face of great adversity. The global pandemic that has changed the way we live our lives is not over yet; however, we see signs that things are getting better and will someday soon return to a more normal existence. There will undoubtedly be more challenges to come that will, undoubtedly test our unity, our resourcefulness and endurance. Together, we can rise to meet and overcome these challenges. Just as the heat of the furnace turns iron into hardened steel, the adversity we are experiencing today will give us greater strength for the future – “Strength Through Adversity”.

At Commonwealth Bank, our strengths have always been our products, our expertise and our people. This was the case when we first opened our doors 61 years ago, and it remains the case today as we reflect on a period of time that we suspect future economic historians will consider a defining moment of the 21st Century.



Our Vision, Mission & Core Values

- ◆ **OUR VISION** is to be the First Choice of Bahamians for ALL Personal Banking Services.
- ◆ **OUR MISSION** is to be the leading Bank in The Bahamas providing personal banking services by delivering superior quality service to our customers; retaining and developing employees with outstanding capabilities; creating value for our shareholders and promoting economic growth and stability in our community.
- ◆ **OUR VALUES** are to ensure that Commonwealth Bank is a great place to work; provide meaningful opportunities for Directors and other Stakeholders to have input in setting the direction of the Bank as part of an effective governance regime; provide customers with outstanding services and help them achieve their financial goals; be responsible and effective financial managers so Commonwealth Bank remains strong and prosperous; lead by example and use our resources and expertise to effect positive change in The Bahamas.

Table of Contents

Strategic Priorities	4
Financial Highlights	5
Executive Chairman's Report	7
Committed to Community	8
Abaco Branch Reopens	9
President's Report	11
Management Discussion & Analysis	13
Board of Directors	17
Executive Team	19
Assistant Vice Presidents	20
Branch Managers	21
Department Managers	23
Management's Responsibility for Financial Reporting	24

Financial Statements

Independent Auditors' Report	25
Certification of Actuary	29
Consolidated Statement of Financial Position	30
Consolidated Statement of Profit or Loss & Other Comprehensive Income	31
Consolidated Statement of Changes in Equity	32
Consolidated Statement of Cash Flows	33
Notes to Consolidated Financial Statements	34

Committee Reports

2020 Summary of Meetings	81
Nominating	82
Executive	83
Premises	84
Pension	85
Information Technology	86
Compensation	87
Audit	88

Corporate Governance	89
Charter of Expectations	90
Shareholder Information	91
Locations & Services	92

Strategic Priorities

Core Values	2020 Strategic Priorities	2020 Initiatives and Accomplishments	2021 Strategic Priorities
Be responsible and effective financial managers.	<p>The Bank will continue to pursue opportunities for sound organic growth that comply with the Bank's approved strategic plan and well entrenched business model, while seeking to address the decline in loan receivables.</p> <p>The Bank will continue its focus on favourable operating revenue to cost locations.</p> <p>Cross-selling of new and existing products and services will continue to be emphasized in 2020.</p> <p>Efforts to expand the new credit life insurance product over the remaining consumer loans with the legacy insurance plan will continue.</p> <p>Remote Delivery Channels will continue to be promoted to customers to reduce in branch lobby traffic.</p> <p>Risk oversight will be enhanced in 2020 with the full implementation of the Enterprise Risk Department.</p> <p>Resources in the "Second line of defense" – credit inspection, compliance and risk will be monitored to ensure they are adequate in providing ongoing quality oversight of the Bank.</p> <p>Efforts to seek further cost-effective operational improvements in 2020 will continue. Our objective is unchanged - to recover to prior levels of profitability by optimizing quality revenue growth opportunities with expense mitigation objectives.</p> <p>The safety and soundness of the Bank coupled with transparency of its financial performance and other related activities remains a fundamental standard within the Bank.</p>	<p>The COVID-19 pandemic's impact on the Bahamian economy in 2020 meant that there was no opportunity to grow the loan book in a prudent, meaningful manner.</p> <p>The Bank promoted its remote delivery channels during the year as part of its COVID-19 distancing protocols to protect staff and customers.</p> <p>Enhanced online and mobile app services were added in the year.</p> <p>Credit opportunities during the year were limited by the impact of the pandemic.</p> <p>Mobile and online banking were promoted to customers.</p> <p>Enterprise Risk Assessment Department commenced implementation in 2020.</p> <p>Monitoring of the "second line of defense" indicated some structural realignments were necessary to perform at optimum levels.</p> <p>2020 was adversely impacted by the COVID-19 pandemic. Despite this, the Bank remained safe and secure and efficiency and productivity levels remained robust.</p> <p>We encourage stakeholders and customers to review the Management Discussion and Analysis comments which follow, to better appreciate the breadth of transparency of financial information provided in this Annual Report.</p>	<p>The Bank will continue to assist customers who have been affected by the pandemic and look to assist them in bringing their forborne accounts back to active status. The Bank will take advantage of all prudent credit opportunities that present themselves.</p> <p>The Bank will continue its focus on favourable operating revenue to cost locations, including remote delivery channels.</p> <p>Cross-selling of new and existing products and services will continue to be emphasized in 2021 as normal delivery of services is restored.</p> <p>Efforts to expand the new credit life insurance product over the remaining consumer loans with the legacy insurance plan will continue as normal credit opportunities resume.</p> <p>Remote Delivery Channels will continue to be promoted to customers to reduce in branch lobby traffic.</p> <p>Risk oversight will be enhanced in 2021 with the full implementation of the Enterprise Risk Department.</p> <p>The "Second line of defense" – credit inspection, compliance and risk areas will be realigned to ensure they are providing ongoing quality oversight of the Bank's operations and governance.</p> <p>Efforts to seek cost-effective operational improvements in 2021 will continue. Our objective is unchanged - to recover to prior levels of profitability by optimizing quality revenue growth opportunities with expense mitigation objectives.</p> <p>The safety and soundness of the Bank coupled with transparency of its financial performance and other related activities remains a fundamental standard within the Bank.</p>
Lead by example to effect positive change.	<p>In 2020, the Board will ensure that governance processes reflect increased regulatory oversight requirements.</p> <p>Our 2020 social investment program will continue to be heavily weighted toward hurricane relief initiatives, while continuing to support educational development.</p>	<p>Board governance review was completed and the prescribed representation was prepared for the Board confirmation. No non-compliance issues were noted.</p> <p>In 2020, the Bank's social investment program was redirected toward humanitarian relief to help ameliorate the impact of the pandemic.</p>	<p>In 2021, the Board will review Bank governance to ensure it reflects current best standards and regulatory oversight requirements.</p> <p>Our 2021 social investment program will continue to be heavily weighted toward pandemic relief initiatives. Support of educational development will resume once the urgency of humanitarian relief eases.</p>
Provide meaningful opportunities for stakeholders to have input.	<p>Implementation of new systems to facilitate account on-boarding.</p> <p>Continue customer surveys to ensure that the Bank's products and services address market requirements in a cost-effective manner.</p>	<p>Implementation of new automated solutions to facilitate this commenced.</p> <p>Customer surveys were constrained in the pandemic.</p>	<p>Completion of new systems to facilitate account on-boarding.</p> <p>Resume customer surveys to ensure that the Bank's products and services address market requirements in a cost-effective manner.</p>
Ensure the Bank is a great place to work.	<p>Updating the Bank's succession plan will continue to be a significant ongoing annual objective.</p> <p>Ongoing specialized training programs will be made available to staff.</p> <p>The review of the effectiveness of all training programs is an ongoing process. Emphasis on particular areas is redirected where higher benefits are identified according to the Bank's needs.</p> <p>Continued peer reviews of salary and benefits to ensure the Bank remains competitive.</p>	<p>The Bank's succession plan was updated to reflect changes in Bank personnel and developmental programs.</p> <p>Specialized training and development programs continued in 2020. The Bank's e-learning tools allowed extended development courses to be offered during the periods of lockdown.</p> <p>With lockdown restrictions, the benefits of e-learning training courses were easily assessed against the associated costs.</p> <p>Despite market realities facing the Bank, salary and benefits plans continue to compare favorably with peers, based on an independent market survey.</p>	<p>Updating the Bank's succession plan will continue to be a significant ongoing annual objective.</p> <p>Ongoing specialized training programs will continue to be made available to staff.</p> <p>The review of the effectiveness of all training programs is an ongoing process. Emphasis on particular areas is redirected where higher benefits are identified according to the Bank's needs.</p> <p>Continued peer reviews of salary and benefits to ensure the Bank remains competitive.</p>
Provide customers with outstanding services.	<p>Emphasis will be placed on addressing and correcting issues arising from system upgrades. Oversight of customer service is a key element in maintaining high service levels that are important in sustaining the reputation and success of the Bank.</p> <p>All Master Cards, Gift and Prepaid cards are to be enabled for chip and contactless processing following a further system upgrade.</p> <p>In 2020, further integration is planned for the Credit Card systems through the online/mobile platform.</p>	<p>Remote delivery services were enhanced during the year. COVID-19 protocols negatively impacted face to face customer service.</p> <p>The system upgrade was delayed by the pandemic. The target date is now 2021.</p> <p>Implementation was delayed by the pandemic – now scheduled for implementation in 2021.</p>	<p>Oversight of customer service is a key element in maintaining high service levels that are important in sustaining the reputation and success of the Bank. Required changes to customer service arising out of the pandemic and its required protocols will be reviewed and implemented as required.</p> <p>All Master Cards, Gift and Prepaid cards are to be enabled for chip and contactless processing following a system upgrade.</p> <p>In 2021, further integration is planned for the Credit Card systems through the online/mobile platform.</p>

(B\$ 000's)	2020	2019	2018 (Restated)	2017 (Restated)	2016 (Restated)
Income Statement Data:					
Interest income	\$ 142,020	\$ 141,630	\$ 153,978	\$ 166,760	\$ 168,128
Interest expense	(13,638)	(14,737)	(19,505)	(24,837)	(27,243)
Net interest income	128,382	126,893	134,473	141,923	140,885
Non-interest income	24,789	25,713	19,108	12,251	21,779
Insurance recoveries	2,091	4,854	0	0	0
Impairment losses	(65,758)	(48,038)	(27,693)	(36,613)	(32,442)
Non-interest expenses (including impairment losses)	(138,617)	(125,849)	(101,642)	(103,040)	(105,184)
Total profit	16,645	31,611	51,939	51,134	57,480
Other comprehensive income	(1,125)	763	(299)	9,548	2,508
Total comprehensive income	15,520	32,374	51,640	60,682	59,988
Per Share Data:					
Book value	\$ 0.99	\$ 0.96	\$ 0.96	\$ 0.93	\$ 0.85
Cash dividends	\$ 0.06	\$ 0.10	\$ 0.12	\$ 0.12	\$ 0.12
Year end share price	\$ 3.59	\$ 4.50	\$ 4.50	\$ 4.90	\$ 3.50
Average common shares outstanding (000's)	287,744	289,866	291,546	292,014	292,218
Dividend growth (total)	-40.00%	-16.67%	0%	0%	20%
Balance Sheet Data:					
Total assets	\$ 1,705,376	\$1,709,149	\$1,697,604	\$1,652,800	\$1,610,943
Investments	462,501	436,224	457,572	404,841	309,702
Gross loans and advances to customers	1,015,433	1,019,209	1,067,233	1,131,169	1,195,753
Net write-offs	31,671	34,063	30,193	32,577	21,051
Total deposits from customers	1,415,910	1,419,290	1,311,244	1,274,262	1,240,505
Total shareholders' equity	269,419	272,837	367,896	357,948	335,052
Performance Ratios:					
Price/earnings	59.83%	44.68%	27.77%	30.81%	19.53%
Price/book value	3.61%	4.66%	4.70%	5.29%	4.10%
Dividend yield (annual dividend/year end price)	1.67%	2.22%	2.67%	2.45%	3.43%
Earnings per share	\$ 0.06	\$ 0.10	\$ 0.16	\$ 0.16	\$ 0.18
Return on average assets	0.98%	1.71%	2.80%	2.82%	3.36%
Return on average shareholders' equity	5.81%	10.44%	16.94%	17.18%	20.99%
Dividend payout ratio	103.8%	99.36%	74.08%	75.44%	66.93%
Efficiency ratio	47.65%	50.99%	48.15%	43.09%	44.72%
Net interest margin	7.70%	7.31%	7.68%	8.33%	8.71%
Asset Quality Ratios:					
Impaired loans to total loans	8.17%	6.75%	6.08%	7.12%	5.92%
Impaired loans to total assets	4.86%	4.02%	3.83%	4.89%	4.40%
90 day past due loans to total loans	6.56%	5.73%	5.13%	4.80%	4.16%
90 day past due loans to total assets	3.86%	3.39%	3.19%	3.25%	3.03%
Net write-offs to average loans	3.10%	3.53%	2.77%	2.80%	1.84%
Loan impairment allowances to total loans	11.87%	8.48%	7.01%	6.82%	6.12%
Loan impairment allowances to non-accrual loans	183.00%	149.18%	138.27%	144.03%	150.05%
Loan impairment allowances to impaired loans	145.30%	125.66%	115.31%	95.87%	103.39%
Liquidity Ratios:					
Liquidity ratio	52.0%	49.70%	47.01%	39.13%	34.78%
Average cash and securities to average total assets	41.40%	39.84%	35.74%	29.50%	26.07%
Capital Ratios:					
Average shareholders' equity to average total assets	16.79%	18.81%	21.34%	21.35%	21.23%
Tier 1 capital	\$ 269,419	\$ 272,837	\$ 367,896	\$ 357,948	\$ 335,052
Tier 2 capital	\$ -	\$ -	\$ -	\$ 14,334	\$ 14,763
Total capital	\$ 269,419	\$ 272,837	\$ 367,896	\$ 372,282	\$ 349,815
Total risk adjusted assets	\$ 983,103	\$1,029,607	\$1,103,741	\$1,149,601	\$1,181,518
Tier 1 ratio	27.40%	26.50%	33.33%	31.14%	28.36%
Tier 1 + Tier 2 Capital Ratio	27.40%	26.50%	33.33%	32.38%	29.61%
Average number of employees for the year	571	575	586	577	560



William B. Sands Jr, DM
Executive Chairman

2020 – The year that marked the Bank's 60th anniversary was a year unlike any other year in the history of The Bahamas or of most of the countries in the world. The COVID-19 pandemic has severely impacted every segment in society, our customers, shareholders, staff and The Bahamas in general. With minor exceptions in the summer of 2020, the tourist industry in The Bahamas closed down from March through the end of the year as the COVID-19 pandemic spread throughout the world. The theme for this year's Annual Report reflects this year of challenges – "Strength Through Adversity." Despite everything that 2020 threw at the Bank, your Bank still finished the year strong – our key capital ratios which are featured in the Financial Highlights and Management's Discussion and Analysis, reflect this strength.

Along with the rest of the economy, Commonwealth Bank's performance in 2020 was adversely affected by the COVID-19 pandemic. The cessation of the majority of economic activity in the economy arising from both domestic and international lockdowns and restrictions on travelling resulted in total profit for 2020 falling by almost 47% from 2019 total profit of \$16.6 million.

While the pandemic also delayed the reconstruction of our Marsh Harbour branch after Hurricane Dorian in 2019, we are pleased to advise the branch reopened on March 29, 2021.

As we survey the expected economic landscape for 2021, the Bank sees continuing challenges before the positive impact of vaccination programs in both The Bahamas and North America, the major source of tourists to The Bahamas, takes effect.

The Year in Review

The year was focused on dealing with the impact of the pandemic. Over many years of reporting to you, the shareholders, I have emphasized the importance of safeguarding the safety and soundness of the Bank. The normal expectation is to protect the Bank from economic cycles or storms such as Dorian, but the near total shutdown of the Bahamian economy for over nine months has demonstrated the wisdom of our track record of building safety and soundness into our corporate culture. Our high capital adequacy and liquidity ratios give your Bank insulation against such shocks to the economy as we have had in 2020. This corporate strength allowed the Bank to offer extensive forbearance programs to customers whose employment was affected by the pandemic.

Apart from the economic effects imposed by the pandemic, our staff had to handle the stress of performing customer transactions as the extent of the contagious nature of the pandemic and the degree of personal protective equipment required became evident. It is a testament to their professionalism that the Bank was able to serve its customers through these difficult circumstances.

The unsuccessful stop-go attempts to restart the economy in 2020, especially in November, highlighted the frailty of the economy and the prudence of suspending the December quarterly dividend payment. This decision was not taken lightly but was deemed in the best interest of the Bank and its shareholders. As a result, our total dividends in 2020 were 6 cents per share, the same as earnings per share (6 cents). As we look at 2021, we note that there is a long way to go to restart the economy. This achievement will be greatly impacted by the effectiveness of vaccination programs not only in The Bahamas but in the major tourist source countries. These countries are now trying to determine how international travel will resume as the pandemic is controlled, which will have a direct bearing on the recovery of The Bahamian economy.

Nonetheless, I am pleased to advise that the Bank has been able to declare a 1 cent per share dividend for each of the first two quarters of 2021.

You can be assured that Commonwealth Bank will be walking side by side with its shareholders, customers and staff in the long road to recovery from the pandemic. This continues to be our mantra: "Bahamians helping Bahamians."

Diversity in Leadership

As Executive Chairman of the Board, my principal objective continues to focus on the internal leadership of the Bank and overseeing the sustainability and soundness of the Bank through the Board of Directors. I have again greatly appreciated their ongoing support and guidance through this turbulent year. The Board's independent oversight processes are essential to the ongoing stability, safety and soundness of the Bank.

In 2020, we welcomed Mrs. Debra Symonette to the Board who replaced Mr. R. W. Roberts Jr. O.B.E. subsequent to his retirement after 36 years of dedicated service. The Board has approved the nomination of Mrs. Denise Turnquest as a director. If approved by the shareholders, this will bring the total number female directors to three out of a total of eleven board members - the most diverse your Board has ever been.

Pride in Being Bahamian, Pride in Pursuing Excellence

The strength and ongoing commitment of our more than 550 staff continue to be an essential part of Commonwealth Bank's success. While we commended our staff last year for the recovery after Dorian and their ongoing level of service and support, as noted above, they had to go to extra lengths in maintaining the Bank's services during lockdown and working from home in 2020.

Going Forward - The Need for Further and Careful Transitioning Continues

I will repeat a comment I made last year in respect to Hurricane Dorian damage – "The Bank has always taken a position of cautious optimism about the future and this has not changed." In 2020, it is the same comment but in relation to a vastly different threat to the country and economy. In its history the Bank has carefully planned, strategized, innovated and implemented to overcome all obstacles it has previously faced. I do not believe that it is going to be any different for the challenges we will face going forward.

Final Comments

Our primary objective remains to be the leading Bank in The Bahamas providing personal banking services capable of delivering superior quality products and services to our customers while also providing opportunities for our shareholders and other stakeholders to achieve their financial goals in a safe and sound manner. There will be many trials for the country and your bank to endure before being able to resume the level of activity that was prevalent pre-pandemic.

Going through the furnace of these trials will leave the Bank like steel that is forged in the fire - "Strength Through Adversity".



William B. Sands Jr., DM
Executive Chairman

Committed to Community

We believe in Bahamians Helping Bahamians and take pride in our social responsibility as a good corporate citizen and as a dedicated champion of the communities in which we work and live. It is our privilege to nurture and support our communities and to contribute to the health and wealth of our nation. At Commonwealth Bank, we wish to encourage all like-minded citizens to be of service to our remarkable nation. Let us not only march together, but let us appreciate that by investing in our neighbourhoods, we are investing in each other and in the future of our country.



◆ COMMONWEALTH BANK IS RECOGNIZED FOR LIFETIME ACHIEVEMENT BY THE CANCER SOCIETY OF THE BAHAMAS

The Cancer Society of The Bahamas will recognize Commonwealth Bank with its prestigious 2020 Lifetime Achievement Award at this year's annual Gala "Virtual Vintage" Ball for noteworthy and unwavering support of the Society and valiant advocacy for those living with and affected by the scourge of cancer, here in The Bahamas. Most notable of the Bank's long-standing commitment to the Society is a ten-year pledge of \$500,000, made in 2015.

Pictured L to R:

Delores Farrington, Susan Andrews Award recipient, Cancer Society of The Bahamas; **Raymond Winder**, Commonwealth Bank Ltd., 2020 Lifetime Achievement Award Recipient and **Lovern Wildgoose**, Past President and Director, Cancer Society of The Bahamas

◆ 2020 DONATIONS

- Salvation Army (Nassau)
- Hands for Hunger
- National Family Island Regatta
- Salvation Army (Grand Bahama)
- Bahamas Feeding Network
- Hugh Campbell Basketball Classic
- Bahamas Red Cross (Nassau)
- Cancer Society of the Bahama
- Annual Back to School Supplies Programme
- Great Commission Ministries
- Annual Police IACP Conference 2020

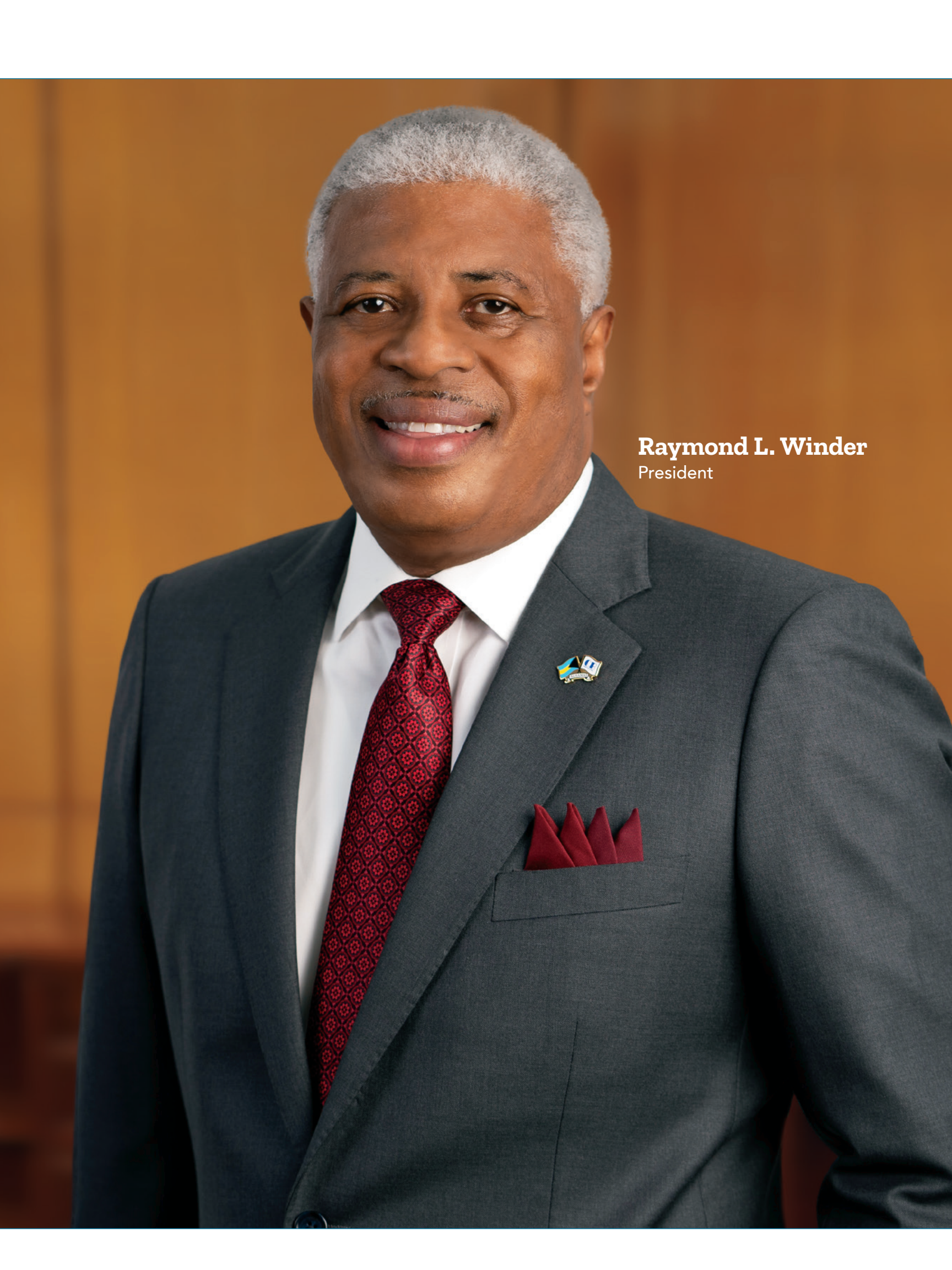


♦ COMMONWEALTH BANK REOPENS NEW AND IMPROVED MARSH HARBOUR BRANCH

We recognize that the threat of hurricanes is a trade-off we accept to call these beautiful islands home. And, like many others who live, work, and raise families here, we know what to do before, during, and after a devastating storm. **Recover. Rebuild. Restore. Reopen.**

Since 1987, the Bank has been privileged to provide financial services to the residents and businesses in Marsh Harbour, the surrounding communities, islands and cays. We remain resolute in our commitment to making the best in local banking services available for our loyal customers, while making a positive impact on the health and stability of the communities we serve. On March 29, 2021, we reopened our doors to a new state-of-the-art facility which is proof-positive of that very commitment; and we salute and thank every individual involved in the success of this endeavour for their innate resilience and resourcefulness. Welcome home Marsh Harbour Branch!





Raymond L. Winder
President

We all know how important Banks are to the country in times of hurricanes, and Commonwealth Bank has a stellar record in recovery, reopening and giving assistance after storms hit. But in 2020, we demonstrated the importance of Banks to the country during a pandemic. Banks were designated as essential services by the emergency powers granted by the Bahamian Parliament. Despite social distancing requirements, work from home requirements and mandatory orders to close our branches, the Bank was able to serve its customers and ensure the health and safety of staff. Additionally, the Bank was able to grant financial aid to the community to assist Bahamians through this most difficult and unprecedented time in our history.

In the Management Discussion and Analysis section of the 2019 Annual Report, the Bank made the following comment - "Even at the time of writing, a new emerging challenge of COVID-19 is poised to change our lives in the short term. The Bank has to adapt itself to new market realities and position itself to take advantages that these new realities present. It is a reminder that life is about change and how the Bank and our customers and shareholders adapt to those changes. Sometimes change is at the individual level. COVID-19 brings changes at the individual, corporate, national and global level. The Bank is already adapting to assist our customers and will continue to do so. The Bank will continue to navigate a cautious path balancing customer demands with prudence. COVID-19 is expected to have an adverse impact on 2020 financial results, albeit the Bank's strong capital and liquidity suggest that even in stressed times the Bank will continue to operate as a going concern."

At the time of writing in May 2020, we were expecting the economy to re-open in July and a recovery from a four month shut down to commence. However, as we know, a second wave of the virus ended that re-opening and despite attempts to start the tourism industry in November, the attempts were unsuccessful. As the Chairman has alluded to in his report, we are looking to a re-opening of the economy in 2021 after the vaccination programs in The Bahamas and primarily the US start to show results.

In preliminary reports on 2020 performance of the Bahamian economy, the Central Bank projected a fall in GDP of at least 15% and reported profits of the domestic banking sector to decline by 37% compared to 2019. A one year fall in GDP of 15% is unprecedented. To underline the global nature of the pandemic, in 2020, the UK had the greatest one year fall in GDP (-9.9%) in over 300 years.

Summary of Financial Performance

The Bahamas negative economic growth in 2020 presented limited credit growth opportunities throughout the year. With companies closing down as a result of Competent Authority Guidelines on a temporary basis or on a permanent basis due to the absence of cash flows, customers were hard pressed to maintain the income flows and thereby qualify for new credit. Forbearance programs were introduced to assist these customers whose employment was put on hold due to the pandemic. These programs complied with Central Bank guidelines on ensuring these accounts continued to be classified as performing loans. While total gross loans were almost unchanged from 2019, personal loans declined by \$7.8 million while loans to the government increased by \$7.6 million. Total assets for the year were unchanged from 2019 at \$1.7 billion.

Total profit for the year was down 47% to \$16.6 million from \$31.6 million in 2019. As a result of assessments of expected credit losses deriving from the impact of the pandemic, loan loss impairment expense increased by \$ 17.7 million for the year compared to 2019.

For the first time, the Bank took an impairment allowance on Bahamas Government issued securities and other investments of \$3.9 million in line with International Financial Reporting Standards. The downgrade of Government Securities by international credit agencies led to the impairment assessments.

Performance ratios further demonstrate the impact of the pandemic on the Bank's results compared to 2019 including Return on Average Assets, Return on Average Shareholders' Equity and Earnings per Share (the actual ratios can be found in the Financial Highlights on page 5).

A review of the financial and statistical data contained in this report will reveal the Bank's safety and soundness is unchallenged despite these results.

Operating costs were controlled within the Bank's objective of maintaining an efficiency ratio below 50%, with improvement over 2019's position.

The Bank's financial results are described in more detail in "Management's Discussion and Analysis of Financial Results".

Our Vision

The Bank's vision and mission statement is based on core values which are dedicated to an effective governance process, safe and sound policies and procedures, a strong risk management discipline and building teamwork and expertise internally. The Bank remains steadfast in its objectives to remain relevant in the ever-changing financial services marketplace while continuing to create economic and social value for all stakeholders.

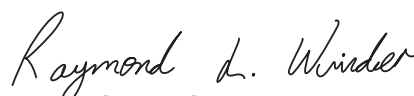
Our Employees - The Core Element of Our Success

The ongoing support of more than 550 full time and supportive staff is critical to the Bank's success. We could not have maintained our operations so consistently without their sacrifices and their support. Our staff are a critical element in our success, and we must continue to invest in their well-being, training and development, maintaining both effective succession planning and employee development programs.

Conclusion

2019 and 2020 have been historically challenging years. Yet your Bank has come through them demonstrating its "Strength through Adversity." The comments we made last year about COVID-19 apply to 2021 as well. Our financial results for 2021 will continue to be negatively impacted until the country can reopen its borders safely and the tourism industry re-established. Then the increase in economic activity will trickle through the whole economy – revitalizing it. There are more tough days ahead but the remarkable strides the medical profession has taken in the last year to test, produce and deploy not just one vaccine but multiple ones are an indication of hope that this pandemic will end.

Our Vision, Mission and Values provide the standard to overcome the present challenges. We are committed to the continual operation of the Bank in a safe and sound manner that will safeguard our shareholders' investment and future returns. Your Bank is Strong and Resilient.


Raymond L. Winder
 President



\$1.7
BILLION

TOTAL DIVIDENDS PAID

\$17.3
MILLION



\$16.6
MILLION

Management Discussion and Analysis

This Management Discussion and Analysis of our financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the fiscal year ended December 31, 2020, compared to the preceding year. For a complete understanding of trends, events, uncertainties and the effect of critical accounting estimates on our results of operations and financial condition, this Management Discussion and Analysis should be read carefully together with our Consolidated Financial Statements and related Notes. This Management Discussion and Analysis is dated June 18, 2021. All amounts reported are based on financial statements prepared in accordance with International Financial Reporting Standards.

The Bank's President and VP & CFO have signed a statement outlining management's responsibility for financial information in this Annual Report.

Caution Regarding Forward-Looking Statements

From time to time, we make written or oral forward-looking statements. By their very nature, forward-looking statements involve numerous factors and assumptions which give rise to the possibility that these forward-looking statements may not be achieved. The Bank cautions readers not to place undue reliance on these statements as a number of important factors, including domestic and external influences, including unknown and unplanned economic and operational factors, could cause our actual results to differ materially from the expectations expressed in these forward-looking statements.

Response to the Pandemic

While 2020 started with the focus on the continuing recovery from Hurricane Dorian, events changed quickly in March as it became evident that the COVID-19 pandemic would bring new challenges on a global basis. Total lockdowns of economies across the globe during peace time were unprecedented in world history let alone in the history of the Commonwealth of The Bahamas. International travel almost ceased and unlike in 2001 after "9/11", resumption has not come quickly – with tourism still negligible at the end of the year.

The Bank came to the assistance of customers as usual with forbearance programs, agreed with the Central Bank of The Bahamas in March 2020 to defer payment schedules until economic activity could pick back up. In addition, the Bank had to adjust to COVID-19 protocols to protect staff and customers.

As noted in the President's report, the Governor of the Central Bank indicated that a 15% reduction in GDP is expected for 2020. This reduction stems from the impact of the pandemic on the tourism industry and its knock-on effects through the whole economy. The restart date for tourism was delayed several times in 2020, and is still uncertain at the time of writing in 2021. The countries representing the source of tourists to The Bahamas are considering how to allow their citizens to travel internationally again. The fact that these discussions are able to go on is due to the advances made in discovering and deploying vaccines to fight the corona virus. To be effective in reopening to tourism, it appears that the vaccine must be widely deployed in both the source markets and The Bahamas itself.

With restrictions in place for in person banking at our physical branch facilities, either social distancing or temporary closures under Competent Authority directives, the Bank's remote channel services showed impressive increases – more than 60% increase in active online banking users, and an almost 40% increase in debit card point of sale transactions. During the year, the Bank had completed the second phase of its on-line banking upgrade – improving security for users doing on-line transactions.

The Bank was also able to effectively use remote working time by staff using remote learning channels to significantly increase the staff development hours achieved for the year.

The Bank's social investment program, reduced due to the pandemic, was focused on supporting humanitarian charities helping those struggling for food and shelter. Significant donations are listed in the section of the Annual Report "2020 Donations".

Executive Summary

While total assets of \$1.7 billion were unchanged from 2019 and 2018, total profit was negatively impacted by the COVID-19 pandemic, resulting in a 47% decline to \$16.6 million for the year ending December 31, 2020 from the \$31.6 million reported for 2019 which itself was impacted by Hurricane Dorian. While market capitalization continued to exceed \$1 billion, the Bank slipped from its position as the largest market capitalization on BLSX.

Despite the challenges of 2019 and 2020, the Bank remains and will remain focused on being the complete personal banker for Bahamians.

The Bank's risk management structure promotes the making of sound business decisions by balancing risk and reward. In an unparalleled global pandemic, the risk factors become difficult to quantify as they are perceived to be increased risk while rewards become more marginalized leading towards a more conservative stance in operations. The biggest impact on the risks facing the Bank were the estimated impairment allowances on extended credit facilities. The Bank's management of the encountered risks is summarized in the notes to the consolidated financial statements.

Total profit for the Bank for 2020 of \$16.6 million was severely impacted by the requirements to take impairment allowances for expected pandemic losses.

As the forbearance plan was granted to customers whose loans were less than 30 days past due. Under the plan, contractual repayments of principal and interest were deferred for borrowers that were furloughed and for whom there was objective evidence that employment would resume once the borrower's employer re-opened. It should be noted that the extension of the forbearance is not considered a significant increase in credit risk or a substantial modification of the contractual cash flows of the loans to which they were granted. The underlying long-term credit risk deemed to be driven by economic conditions are captured through the use of forward looking information fed into the Bank's impairment allowance model.

Under International Financial Reporting Standards requirements for assessing impairment losses, the Bank also took a \$3.9 million impairment allowance against its investment portfolio. The allowance was taken against Bahamian dollar Bahamas Government debt. This allowance was largely driven by the international credit agencies downgrading the rating of The Bahamas Government debt, itself reflecting the strain the pandemic is exerting on the Government's finances. The Bank considers this to be a conservative stance relative to the assessment of the allowance.

The pandemic delayed the reconstruction of the Bank's Abaco branch building such that reopening was in March 2021. Operations were able to continue within the COVID-19 protocols at the temporary branch location during 2020.

The decline in profitability hit all the relevant financial ratios negatively. Return on assets (ROA) was 0.98% down from 1.7% in 2019. Return on equity (ROE) was 5.8% compared to 10.4% in 2019. Earnings per share (EPS) \$0.06 down from \$0.10 in 2019.

Capital adequacy and liquidity ratios continued to be extremely strong 27.4% and 52%, respectively and well above regulatory requirements.

While the Bank maintained its historical pattern of dividend distribution to shareholders for the first three quarters of the year, the Bank made the historic decision to suspend the fourth quarter dividend payment as it became clear that tourism would not reopen in 2020. As a result, the Bank paid out dividends of 6 cents per share on earnings per share of the same amount. Thus, the Board approved an exception to its policy of the 65% payout of common shareholder earnings due to the exceptional reduction in profitability resulting from the pandemic.

Net Interest Income

The Bank's net interest income was \$128 million compared to \$127 million in 2019. This represents an increase of 1.2%. Interest income for 2020 was virtually unchanged from 2019. Interest expense decreased by 7.5% due to reduction in deposit interest rates.

Loan Loss Impairment

A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Once one or more default events have occurred resulting in an adverse effect on the estimated future cash flows, the Bank identifies these accounts as credit-impaired. Accordingly, full lifetime expected credit losses are recognised.

The Bank's total allowance for loan impairment was \$116.6 million which represented 11.5% of total loans (2019: \$86.4 million and 8.5%). Total impaired loans were \$82.9 million (2019: \$68.8 million), of which \$45.7 million or 55% (2019: \$47 million or 68%) were secured mortgages and business loans.

The Bank continues to report strong credit quality ratings. The Bank's delinquency ratio at the end of the year was 9.0% (2019: 11.3%). Similarly, the Bank's nonperforming loan ratio was 6.56% (2019: 5.73%).

Non-interest Income

Total non-interest income excluding insurance recoveries was \$24.8 million compared to \$25.7 million in the prior year. This represents a decrease of 3.6%. The final insurance recoveries from Dorian received in 2020 were \$2.1 million compared to \$4.9 million received in 2019.

Non-interest Expense

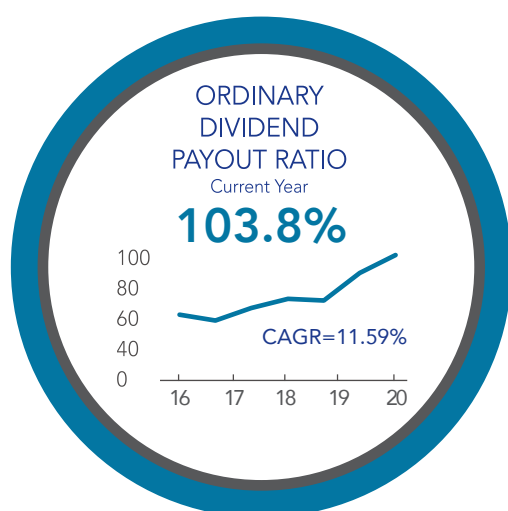
Total non-interest expense, inclusive of impairment losses was \$138.6 million compared to \$125.8 million in 2019, an increase of 10.1%. The driving factor for the increase was the increase in impairment losses by 36.9% increasing to \$65.8 million from \$48.0 million which was discussed earlier in this report. This was offset by a 5% reduction in general and administration expenses and the 100% reduction in losses on hurricane impaired assets.

Staff costs decreased by 8.3% to \$34.4 million from \$37.5 million in 2019. The Bank remains committed to its employees and its aim to attract and retain the best talent to ensure that service to our customers and other stakeholders is maintained at an exceptional level.

Management of Financial Position

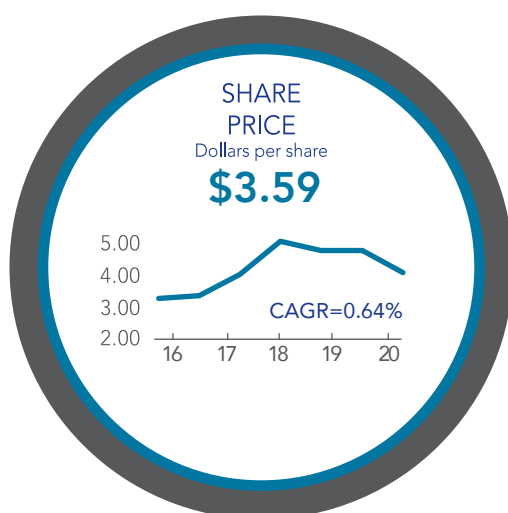
Total assets at the end of the year were \$1.7 billion unchanged from 2019. Loans and advances to customers accounted for 52.7% of the Bank's assets and amounted to approximately \$900 million, a contraction of \$33.9 million. As previously discussed, the contraction in the loan portfolio is a result of the increased loan impairment allowances. Competition in 2020 was stifled as a result of the pandemic.

Personal loans accounted for 72% of the Bank's credit portfolio and totaled \$728 million as at year-end. This represents a decrease of \$7.8 million (-1.1%) over the previous year.



NET INTEREST INCOME

\$128
MILLION



The Bank's mortgage portfolio recorded an increase of \$4.5 million (2.5%). Mortgage balances at the end of the year were \$185.0 million compared to \$180.5 million at December 31, 2019. At December 31, 2020 the mortgage portfolio made up approximately 18.2% of the total loan portfolio (2019: 17.7%).

Although there was a decline in the Bank's credit portfolio during the year, the Bank remains focused on ensuring that the growth in new credit comes as a result of good quality loans. This continues to be a challenge given the current economic environment. To this end, the Bank continues to review its lending criteria and practices.

The business loan portfolio was \$17.6 million or 1.7% of the loan portfolio (2019: 2.5%). This represents a decline of \$8.0 million, (-31.3%) from the \$25.6 million in the previous year.

Credit card loans were \$40.6 million, almost unchanged from 40.7 million in 2019 and represents 4% of the credit portfolio. Loans to Government were 4.4% of the portfolio at \$44.6 million (2019: \$37 million at 3.6%) an increase of 20.5% reflecting the Bank's participation in the Government's Hurricane Dorian relief program.

Total deposits from customers closed at \$1.42 billion almost unchanged from 2019. Demand deposits declined \$47.6 million to \$246.1 million while savings accounts increased \$39.4 million or 9.8%. The Bank's certificates of deposits (CDs) increased by \$4.8 million (0.7%). Generally declining deposit interest rates resulted in the Bank recognising reduced interest expense despite the almost unchanged overall deposit balances.

The Components of Capital

A strong capital base is a foundation for building and expanding the Bank's operations and services in a safe and sound manner. The Bank's total capital decreased \$3.4 million in 2020 to \$269.4 million (2019: \$272.8 million). The Bank determined that the segregation of the general reserve no longer served its original purpose under current IFRS and Central Bank Regulations regarding distributions to shareholders. It was therefore, transferred back into retained earnings during the year.

The Bank's liquidity and capital adequacy ratios remained well above regulatory requirements as noted in the Executive Summary above.

The Bank's total capital ratio was 27.5% (2019: 26.5%). The minimum capital ratio as prescribed by The Central Bank of The Bahamas is 17%. Therefore, the Bank's ratio exceeds the minimum capital levels by 61% (2019: 55%).

Bank-wide Risk Management

The Bank's risk management structure promotes the making of sound business decisions by balancing risks and rewards. The Bank's risk profile and risk appetite are confirmed by the Board of Directors at least annually and updated as required in the corporate policies approved by the Board of Directors. Clearly defined policies, procedures and processes address the approved risk appetite and any anticipated risk potential. Risk management policies address all known risks and are measured and monitored through the Bank's corporate governance regime and overall process of control. When appropriate, the risk management policies and procedures are refreshed and enhanced in order to address safety and soundness as well as market, regulatory and operational issues.

The management and processes of controls designed to mitigate risks are summarized in the notes to the consolidated financial statements and in other sections of this report.

Credit Risk Management

The Board of Directors and the Executive Management work together to ensure the Bank's credit risk management process and supporting policies,

procedures and reporting guidelines remain appropriate in order to effectively manage the Bank's approved credit risk profile through various market conditions. Clearly defined credit risk limits are established, reassessed annually and are supported by the mandatory use of the instituted credit risk rating and scoring systems to ensure a consistent approach is applied throughout the Bank. An aggressive monitoring and reporting process is supported by a strong and proactive credit risk provisioning methodology. Note 24 in the consolidated financial statements shows the overall quality of the portfolio from different perspectives.

The Bank's restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate repayment is likely. Restructured accounts disclosed in the notes to the financial statements include assistance outside normal underwriting criteria. The total restructured accounts at December 2020 amounted to \$78.1 million or 7.7% of the portfolio (2019: \$148.9 million or 14.6%), a decrease of \$70.8 million. This reflects the ongoing efforts of the Bank to work with the customer's ability to service the loan or by ultimately charging off loans where the prospects of recovery are low.

Liquidity and Funding Risk Management

Liquidity and funding risk (liquidity risk) is the risk that the Bank may be unable to generate or obtain sufficient cash or an equivalent in a cost effective manner should a distress situation occur. The Bank's liquidity position is closely monitored to ensure that, coupled with the Bank's strong capital position, sufficient resources are available to address unforeseen distress situations as well as unplanned business opportunities. A liquidity and funding contingency plan has also been developed and is reviewed on a regular basis.

Throughout 2020, liquidity in the banking sector remained strong. This condition resulted in lower market deposit rates, which in turn benefited the Bank by reducing interest expense. Average cash and securities to average total assets was 41.4% at December 31, 2020, an increase above 2019 of 160 basis points. With a liquidity ratio of 52%, the Bank's liquidity levels continue to far exceed the minimum level of 20% prescribed by The Central Bank of The Bahamas.

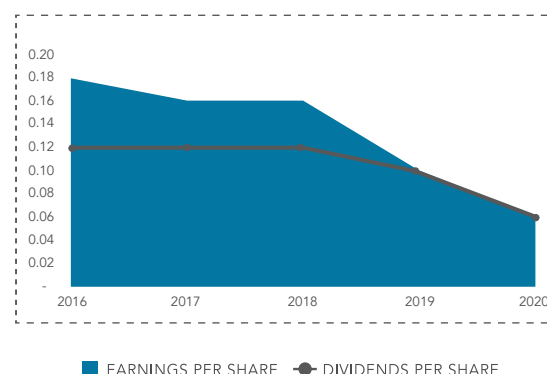
Outlook for 2021

In a recent publication, The Central Bank indicated that the Bahamian "economy is projected to register marginal growth in 2021, with the gradual restart of tourism sector activity expected to occur outside of the peak occupancy period. Developments should continue to be dominated by the COVID-19 pandemic, with the pace of the recovery conditional on improvements on the international health front; the effectiveness, availability and distribution of vaccines; and the subsequent resumption in international travel. Nonetheless, new and ongoing foreign investment-led projects, along with post-hurricane rebuilding works, are anticipated to provide some continued impetus to the construction sector. With regard to the labour market, the elevation in the unemployment rate is expected to persist over the near term, with any job gains concentrated mostly in the construction sector, and in limited re-engagement of tourism sector employees. "

The Bank continues to face a challenged outlook for 2021 until tourism can be re-established with its flow through effect to the rest of the economy. While the Bank paid a reduced dividend of 1 cent per share at March 2021, ongoing dividends are inextricably tied to a resurgence of the economy.

The Bank has to continue to adapt itself to new market realities and position itself to take advantage of the opportunities that this "new normal" presents. The Bank has already adapted to assist our customers and will continue to do so. The last two years have presented tremendous adverse circumstances for the Bank. However, the Bank is still standing not only strong but stronger. The Bank's vision, culture and history is about our calling to empower Bahamians. We are still passionate enough to overcome obstacles, innovate new products and continue to be the leader in personal banking.

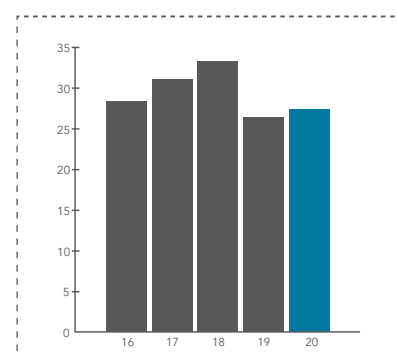
EARNINGS PER SHARE & DIVIDENDS PER SHARE



REGULATORY CAPITAL



TIER 1 CAPITAL RATIO %



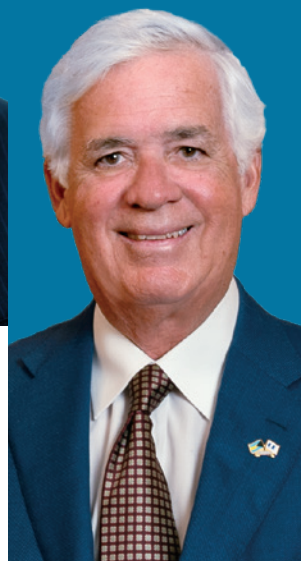
William B. Sands Jr, DM
Executive Chairman
Commonwealth Bank Ltd.
Director Since 1990



Earla J. Bethel
President, Danbrad Ltd.
Director Since 2000



Robert D. L. Sands
Sr. VP, Government &
Community Relations
Baha Mar Ltd.
Director Since 2012



R. Craig Symonette
Chairman, Bahamas Ferries Ltd.
Director Since 1992



Dr. Marcus R. C. Bethel
Consultant Internist & Administrator
Lucayan Medical Centre
Director Since 2008

Vaughn W. Higgs

President, Nassau Paper Co. Ltd.
Director Since 1994



Tracy E. Knowles

Businessman
Director Since 2016



Raymond L. Winder

President
Commonwealth Bank Ltd.
Director Since 2018



Debra M. Symonette

President, Super Value
Food Stores Ltd.
Director Since 2020



Larry R. Gibson

Chief Operating Officer,
Coralisle Pension Services
(Bahamas) Ltd.
Director Since 2006



Pictured Top to Bottom, Left to Right:

Raymond Winder | President; **Sean Brathwaite** | VP Retail Banking; **Michaela Bethell-Stuart** | VP Finance & CFO;
Denise Turnquest | Sr. VP & COO; **Silbert Cooper** | VP Credit Risk



Pictured Top to Bottom, Left to Right:

Maxwell Jones | VP Accounts Control & Recovery; **Davine Dawkins-Rolle** | VP Internal Audit & Credit Inspection; **Oswald Dean** | VP Information Technology; **Claudia Rolle** | VP Human Resources & Training; **Jermaine Williams** | VP & Chief Risk Officer

Assistant Vice Presidents



Pictured Left to Right:

Lynda Burrows | AVP Information Technology; **Tameka Cooke** | AVP Human Resources; **Juliette Fraser** | AVP Operations;
Franklyn Thomas | AVP Credit Risk



Pictured Top to Bottom, Left to Right:

Daria Bain | Sr. Manager, Golden Gates; **Kayla Darville** | Mortgage Centre; **Marcus Cleare** | Sr. Manager, Wulff Road; **Chantal Nixon** | Cable Beach; **Demetri Bowe** | Sr. Manager, CB Plaza; **Darlene Gibson** | Lucaya; **Carrington Johnson** | Town Centre Mall; **Charlene Low** | Freeport; **Branson Gibson** | Sr. Manager, Oakes Field; **Perry Thompson** | Prince Charles Drive; **Matthew Sawyer** | Marsh Harbour; **Edward Virgil** | East Bay Street



Pictured Top to Bottom, Left to Right:

Jasmin Strachan | Sr. Manager, Shared Services; **Jevone Ferguson** | Information Security; **Charmaine Edgecombe** | Operations; **Katherine Hamilton** | Training; **N. Lavado Butler** | Sr. Manager, Credit Inspection; **Omar Henfield** | Physical Security; **Rawson Minnis** | IT Production; **Rekell Griffin** | Business Development; **Kendra Culmer** | Sr. Manager, Internal Audit; **Stevette Munroe** | Financial & Business Planning; **Frienderick Dean** | Sr. Manager, Accounts Control & Recovery



Pictured Top to Bottom, Left to Right:

Cindy Curtis | Sr. Manager, Head of Compliance; **Kayla Callendar** | Accounts Control & Recovery, Commercial & Mortgage; **Rochelle Wilkinson** | Commercial Lending & Private Wealth; **Felipe Vega** | IT Projects; **Gina Greene** | Sr. Manager, Marketing & Customer Care; **Shanette Deveau** | Compensation & Benefits; **Tariq O'Brien** | Administration; **Lernix Williams** | Accounts Control & Recovery; **Keshala Knowles** | Sr. Manager, Human Resources; **Monique Mason** | Card Services; **Wellington Hepburn** | Sr. Manager, Training & Development

Management's Responsibility for Financial Reporting

Commonwealth Bank's management is responsible for the presentation and preparation of the annual Consolidated Financial Statements, Management's Discussion and Analysis ("MD&A") and all other information in the Annual Report.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards.

The Consolidated Financial Statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the estimated impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected. The financial information presented elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

In meeting our responsibility for the reliability of financial information, we maintain and rely on a comprehensive system of internal control and internal audit, including organizational, procedural and internal controls over financial reporting. Our process of controls include written communication of our 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 and conservative accounting policies which we regularly update. This structure ensures appropriate internal control over transactions, assets and records. We also regularly

audit internal controls. These controls and audits are designed to provide us with reasonable assurance that the financial records are reliable for preparing financial statements and other financial information, assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and we are in compliance with all regulatory requirements.

In order to provide their opinion on our Consolidated Financial Statements, the Shareholders' Auditors review our system of internal control and conduct their work to the extent that they consider appropriate.

The Board of Directors, based on recommendations from its Audit and Executive Committees, reviews and approves the financial information contained in the Annual Report, including the MD&A, and oversees management's responsibilities for the preparation and presentation of financial information, maintenance of appropriate internal controls, management and control of major risk areas and assessment of significant and related party transactions.

The Bank's Auditors and its VP Internal Audit and Credit Inspection have full and free access to the Audit Committee of the Board of Directors to discuss audit, financial reporting and related matters.



Raymond L. Winder
President



Michaela Bethell-Stuart
VP & CFO



KPMG
P.O. Box N-123
Montague Sterling Centre
East Bay Street
Nassau, Bahamas

Telephone +1 242 393 2007
Fax: +1 242 393 1772
kpmg.com.bs

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.

Impairment assessment of loans and advances to customers ("Loans") (See Notes 9 & 24)**Key audit matter**

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
- 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.

How the matter was addressed in our audit

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.

Impairment of investment securities carried at amortized cost (refer to Notes 8 & 24)

Description of key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> - <u>Significant increase in credit risk ("SICR")</u>: 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 - <u>Forward looking information</u>: Significant judgement is considered when developing macroeconomic forecasts. Such macroeconomic factors are used to calculate the ECL impairment allowance under multiple probability weighting scenarios. <p>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.</p>	<p>In assessing the ECL impairment allowance on Investments, as part of our procedures, we performed the following:</p> <ul style="list-style-type: none"> - 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.

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 Annual 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.

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.

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.



Nassau, Bahamas
June 18, 2021



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	<u>\$ 1,705,376</u>	<u>\$ 1,709,149</u>
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	<u>1,435,957</u>	<u>1,436,312</u>
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		<u>269,419</u>	<u>272,837</u>
TOTAL LIABILITIES & EQUITY		<u>\$ 1,705,376</u>	<u>\$ 1,709,149</u>

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


President

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at December 31, 2020, with corresponding figures as at December 31, 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

As at December 31, 2020, with corresponding figures as at December 31, 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
<u>Comprehensive Income</u>							
Total profit		-	-	-	-	16,645	16,645
Remeasurement loss of defined benefit obligation		-	-	-	-	(1,125)	(1,125)
		-	-	-	-	15,520	15,520
<u>Transaction with owners</u>							
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					

		2019					
	Notes	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
<u>Comprehensive Income</u>							
Total profit		-	-	-	-	31,611	31,611
Remeasurement gain of defined benefit obligation		-	-	-	-	763	763
		-	-	-	-	32,374	32,374
<u>Transaction with owners</u>							
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.

CONSOLIDATED STATEMENT OF CASH FLOWS

As at December 31, 2020, with corresponding figures as at December 31, 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)
		<u>82,277</u>	<u>75,877</u>
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		<u>\$ 40,408</u>	<u>\$ 198,228</u>
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		<u>\$ (31,293)</u>	<u>\$ 31,323</u>
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		<u>\$ (18,938)</u>	<u>\$ (127,433)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
		(9,823)	102,118
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>227,330</u>	<u>125,212</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	7	<u>\$ 217,507</u>	<u>\$ 227,330</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020, with corresponding figures as at and for the year ended December 31, 2019

(All amounts stated as actual amounts, except tabular amounts which are expressed in Bahamian \$000s)

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 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 IFRS 9, 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.

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 IFR 7), 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.

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 nonperforming, 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.

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.

(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 lease term	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.

(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.

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

Classification

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 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.

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.

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 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.

(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.

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.

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 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;
- 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.

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 per 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.

In response to the COVID-19 pandemic, the Bank has assessed and adjusted 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.
- 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:

	Amortised Cost	2020 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

	Amortised Cost	2019 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
	<u>\$ 142,020</u>	<u>\$ 141,630</u>
Interest expense		
Deposits from customers	<u>\$ 13,638</u>	<u>\$ 14,737</u>
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
	<u>\$ 17,511</u>	<u>\$ 19,477</u>

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.

- 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.
- Credit life insurance – the provision of credit life insurance in respect of the Bank's borrowers through Lauretide.
- 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.
- Investment holdings – holdings of investments in the Bank's common shares through C.B. Securities Ltd.
- Insurance agency operations – provision of insurance agency services to the Group's insurance company, its sole client through Lauretide 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:

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	<u>\$ 462,501</u>		

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	<u>\$ 436,224</u>		

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
	<u>\$ 462,501</u>	<u>\$ 436,224</u>

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	<u>\$ 462,501</u>	<u>\$</u>	<u>467,025</u>

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	<u>\$ 436,224</u>	<u>\$</u>	<u>434,104</u>

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

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)
	<u>\$ 898,853</u>	<u>\$ 932,796</u>

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
	<u>\$ 898,853</u>	<u>\$ 932,796</u>

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.

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	<u>\$ 86,413</u>	<u>\$ (39,349)</u>	<u>\$ 7,678</u>	<u>\$ 61,838</u>	<u>\$ 116,580</u>

	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
	<u>\$ 22,869</u>	<u>\$ 16,059</u>

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	<u>\$ 14,542</u>	<u>\$ 34,221</u>	<u>\$ 3,030</u>	<u>\$ 38,766</u>	<u>\$ 90,559</u>
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	<u>\$ 690</u>	<u>\$ 12,963</u>	<u>\$ 912</u>	<u>\$ 30,434</u>	<u>\$ 44,999</u>
Net Book Value					
December 31, 2020	<u>\$ 13,852</u>	<u>\$ 21,258</u>	<u>\$ 2,118</u>	<u>\$ 8,332</u>	<u>\$ 45,560</u>
December 31, 2019	<u>\$ 13,806</u>	<u>\$ 21,024</u>	<u>\$ 209</u>	<u>\$ 7,491</u>	<u>\$ 42,530</u>

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
	<u>\$ 1,415,910</u>	<u>\$ 1,419,290</u>
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
	<u>\$ 1,415,910</u>	<u>\$ 1,419,290</u>

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:

- The sum of the present value of expected future death claims, withdrawal claims and administrative expenses for single premium contracts, and
- 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:

	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	<u>\$ 1,012</u>	<u>\$ 1,682</u>

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
	<u>\$ 1,012</u>	<u>\$ 1,682</u>

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%

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
	<u>\$ 19,035</u>	<u>\$ 15,340</u>

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, nonvoting 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.

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:

- Options will be granted annually to participants at the prevailing market price on the date of the grant.
- Options vest on a straight-line basis over a three-year period.
- Vested options expire one year after the date of vesting.
- Options may only be exercised while in the employment of the Bank or subsidiary or affiliated companies unless otherwise approved by the Board.
- Exercised options are subject to a six-month restriction period before they can be transferred by the participant.
- 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
	<u>\$ 18,132</u>	<u>\$ 18,447</u>

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
	<u>\$ 67,057</u>	<u>\$ 70,626</u>

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
	<u>\$ 5,758</u>	<u>\$ 6,764</u>

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.

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.

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	<u>\$ 28,531</u>	<u>\$ 29,286</u>
	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	<u>\$ 24,389</u>	<u>\$ 23,947</u>
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	<u>\$ (4,142)</u>	<u>\$ (5,339)</u>
	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	<u>\$ (4,142)</u>	<u>\$ (5,339)</u>

	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	<u>\$ 72</u>	<u>\$ 216</u>

	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	<u>\$ 1,125</u>	<u>\$ (763)</u>

	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.

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	<u>\$ 64</u>	<u>\$ 16</u>	<u>\$ 45</u>	<u>\$ 38</u>
	2019			
	Discount Rate	Compensation	Pension	Mortality
Pension obligation	\$ 798	\$ 200	\$ 616	\$ 553
Pension expense	<u>\$ 67</u>	<u>\$ 16</u>	<u>\$ 42</u>	<u>\$ 36</u>

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.

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	<u>\$ 28,531</u>	<u>\$ 29,286</u>

Given that the DB Provisions is currently over funded, 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	<u>\$ -</u>	<u>\$ 14</u>

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.

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	<u>\$ 1,607</u>	<u>\$ 1,646</u>

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
	<u>\$ (1,125)</u>	<u>\$ 763</u>

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
	<u>\$ 40,395</u>	<u>\$ 42,593</u>

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	-
	<u>\$ 1,935</u>	<u>\$ 754</u>

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.

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

Under paragraph 60(1A) 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 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).

As of December 31, 2020	Repricing date of interest sensitive instruments				Non interest	
	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		

As of December 31, 2019	Repricing date of interest sensitive instruments				Non interest	Total
	Within 3 Months	3 - 12 months	Over 1 - 5 Years	Over 5 years	rate sensitive	
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:

- 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 draw downs 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 counterparty 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.

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 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%

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.

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.

	2020			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers				
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

Loans and advances to customers
Gross carrying amount

	2019			
	Stage 1	Stage 2	Stage 3	Total
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

Investments

Gross carrying amount

	2020			
	Stage 1	Stage 2	Stage 3	Total
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			
	Stage 1	Stage 2	Stage 3	Total
Investments				
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

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 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 financial 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.

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

Business

Impairment allowances as at January 1, 2019

(restated)

Transfers:

Transfers from Stage 1 to Stage 2

New financial assets originated

Changes in PDs/LGDs/EADs

Financial assets derecognised/written-off

Impairment allowances as at December 31, 2019

Transfers:

Transfers from Stage 2 to Stage 3

New financial assets originated

Changes in PDs/LGDs/EADs

Financial assets derecognised/written-off

Impairment allowances as at December 31, 2020

Personal

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

Transfers from Stage 3 to Stage 2

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 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

Transfers from Stage 3 to Stage 2

New financial assets originated/recoveries

Changes in PDs/LGDs/EADs

Financial assets derecognised/written-off

Impairment allowances as at December 31, 2020

	Stage 1	Stage 2	Stage 3	Total
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
	Stage 1	Stage 2	Stage	3 Total
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

Credit Cards

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

Changes in PDs/LGDs/EADs

Financial assets derecognised/written-off

Impairment allowances as at December 31, 2020

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

Changes in PDs/LGDs/EADs

Financial assets derecognised/written-off

Impairment allowances as at December 31, 2020

	Stage 1	Stage 2	Stage 3	Total
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
	Stage 1	Stage 2	Stage 3	Total
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

	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

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

	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	-	-	-
	<u>\$ 281,540</u>	<u>\$ -</u>	<u>\$ 281,540</u>
Investments			
Neither past due or impaired	\$ 436,224	\$ -	\$ 436,224
Past due but not impaired	-	-	-
Impaired	-	-	-
	<u>\$ 436,224</u>	<u>\$ -</u>	<u>\$ 436,224</u>
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
	<u>\$ 870,239</u>	<u>\$ 148,970</u>	<u>\$ 1,019,209</u>

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:

	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
	<u>\$ 183,250</u>	<u>\$ 1,796</u>	<u>\$ 185,046</u>
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
	<u>\$ 17,475</u>	<u>\$ 132</u>	<u>\$ 17,607</u>
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
	<u>\$ 651,341</u>	<u>\$ 76,203</u>	<u>\$ 727,544</u>
Credit card			
Neither past due or impaired	\$ 38,203	\$ -	\$ 38,203
Past due but not impaired	2,338	-	2,338
Impaired	107	-	107
	<u>\$ 40,648</u>	<u>\$ -</u>	<u>\$ 40,648</u>
Government			
Neither past due or impaired	\$ 44,588	\$ -	\$ 44,588
Past due but not impaired	-	-	-
Impaired	-	-	-
	<u>\$ 44,588</u>	<u>\$ -</u>	<u>\$ 44,588</u>
	<u>\$ 937,302</u>	<u>\$ 78,131</u>	<u>\$ 1,015,433</u>

Loans and advances to customers**Residential mortgage**

Neither past due or impaired
 Past due but not impaired
 Impaired

Business

Neither past due or impaired
 Past due but not impaired
 Impaired

Personal

Neither past due or impaired
 Past due but not impaired
 Impaired

Credit card

Neither past due or impaired
 Past due but not impaired
 Impaired

Government

Neither past due or impaired
 Past due but not impaired
 Impaired

2019		
Original Contract	Restructured	Total
\$ 75,473	\$ 26,168	\$ 101,641
30,156	5,886	36,042
23,519	19,328	42,847
\$ 129,148	\$ 51,382	\$ 180,530
\$ 14,227	\$ 2,402	\$ 16,629
4,398	423	4,821
3,511	689	4,200
\$ 22,136	\$ 3,514	\$ 25,650
\$ 557,429	\$ 78,636	\$ 636,065
69,597	9,206	78,803
14,210	6,232	20,442
\$ 641,236	\$ 94,074	\$ 735,310
\$ 31,683	\$ -	\$ 31,683
7,756	-	7,756
1,280	-	1,280
\$ 40,719	\$ -	\$ 40,719
\$ 37,000	\$ -	\$ 37,000
-	-	-
-	-	-
\$ 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:

	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
	<u>\$ 36,042</u>	<u>\$ 4,821</u>	<u>\$ 78,803</u>	<u>\$ 7,756</u>	<u>\$ 127,422</u>

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.

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	-
	<u>\$ 82,934</u>	<u>\$ 37,902</u>	<u>\$ 45,032</u>	<u>\$ 46,295</u>

	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	-
	<u>\$ 68,769</u>	<u>\$ 29,142</u>	<u>\$ 39,627</u>	<u>\$ 37,940</u>

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	-
	<u>\$ 3,344</u>	<u>\$ 3,750</u>

- 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.

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 customers	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 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.

Board	5
Executive	3
Premises	3
Audit	3
Compensation	4
Nominating	3
Information Technology	3
Pension	3

Board Meeting Attendance

Earla J. Bethel	5
Dr. Marcus C. Bethel	3
Vaughn W. Higgs	5
Tracy E. Knowles	5
Rupert W. Roberts Jr, OBE <i>(Retired at November 18 AGM)</i>	3
Debra Symonette <i>(Appointed at November 18 AGM)</i>	2
Robert D. L. Sands	5
R. Craig Symonette	5
Larry R. Gibson	2
Raymond L. Winder	5
William B. Sands Jr, DM	5

Nominating Committee Report

As part of its mandate, **The Nominating Committee** identifies and recommends candidates for nomination to the Board as Directors, monitors the orientation program for new Directors and maintains a process for assessing the performance of the Board and its committees.

YEAR IN REVIEW

Assessed the composition and size of the Board, examining its breadth and diversity of experience and the appropriateness of the number of Directors and the required allocation of Executive and Non-Executive Directors.

Continued to maintain a list of prospective Director Candidates with input from the Board.

Recommended to the Board a list of nominees to stand for election as Directors at the Annual General Meeting.

Reviewed and recommended the levels of Directors' remuneration to the Board for approval at the Annual General Meeting to ensure that it is appropriate to the responsibilities and risks assumed and competitive with other comparable organizations.

Conducted the annual formal evaluation of the effectiveness of the Board and its committees, with participation by all Directors. The conclusions were reviewed with the Board, and form the foundation for changes and compliance with the required certification to The Central Bank.

Reviewed the self assessments and self evaluations completed by individual Board members, which measure the effectiveness of the individual Board members as well as the overall Board and reviewed the overall results with the Board and the Executive Chairman.

Reviewed the roles of the Executive Chairman and President and recommended these remain separated.

Reviewed the Bank's process for Director Orientation.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2020.



Vaughn W. Higgs
Chairperson
Nominating Committee

Directors:

Earla J. Bethel; Vaughn W. Higgs; R. Craig Symonette; William B. Sands Jr, DM

The **Executive Committee** has the power to direct and transact all business of the Bank except that required to be performed by the Board as a whole. The Executive Committee supports the Board in fulfilling its oversight responsibilities in relation to the identification, documentation, measurement and management of significant risks affecting the Bank. The Committee also monitors the Bank's compliance with risk-related regulatory requirements and with its internal risk management policies and procedures. It is responsible for developing and maintaining governance practices consistent with high standards of corporate governance.

YEAR IN REVIEW

During the year, the Committee reviewed strategic, organizational and leadership issues. In fulfilling its role, the Committee:

Approved corporate policies that addressed risk management by means of controls, including controls on the authorities and limits delegated to the President. These policies and controls were aligned with prudent, proactive risk management principles, prevailing market conditions and the business requirements of the approved strategies. They were also designed to be in compliance with the requirements of the laws and regulatory bodies that govern the Bank and its subsidiaries.

Reviewed the allowance for loan impairment.

Reviewed core methods and procedures established by management to control key risks, and deemed by the Committee to be appropriate for prudent business practice.

Reviewed significant credit and market risk exposures, industry sector analyses, topical risk issues, and the strategies of the Bank's major business units, including related risk methodologies.

Reviewed the Bank's Capital Management Strategies and requirements and made recommendations for changes to the Board.

Continued to assess the Bank's system of corporate governance and recommend new initiatives with a view to maintaining high standards of corporate governance.

Reviewed the mandates of the Board Subcommittees and secured its approval by the Board.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2020.



William B. Sands Jr., DM
Executive Chairman
Executive Committee

Directors: William B. Sands Jr, DM; Raymond L. Winder; Vaughn W. Higgs; Earla J. Bethel; R. Craig Symonette

Premises Committee Report

The **Premises Committee** provides oversight of significant management and Board of Directors approved premises related opportunities by ensuring that the associated development programs are facilitated in accordance with approved business models and The Bahamas building code standards, designs and plans and that the development process is sustained in a cost effective, controlled and secured manner.

YEAR IN REVIEW

During the year, the Committee in fulfilling its role:

Reviewed proposals of Senior Management for expansion of the Bank into non-serviced geographical areas.

Reviewed proposals of Senior Management to purchase land and/or buildings for new locations or redevelopment of existing premises.

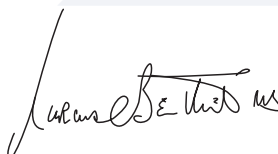
Reviewed cost allocations proposed by Senior Management for all significant leases, leasehold allocations with a view of ensuring the most cost effective policies and procedures are in place to sustain the ongoing operations of the Bank.

Assessed the monitoring of Management's control of significant premises undertakings to ensure an effective oversight and reporting process is in place and that to the extent possible an appropriate level of attention is placed on the effective and efficient use of allocated funds.

Assessed the monitoring of the Bank's compliance, maintenance and administration of significant owned and leased property expense allocations to ensure the Bank's owned and leased properties present the Bank in a most favorable position and in a cost effective manner.

Provided the appropriate recommendations to the Board of Directors.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2020.



Dr. Marcus R. C. Bethel
Chairperson
Premises Committee

Directors: Raymond L. Winder; Larry R. Gibson; Dr. Marcus R. C. Bethel; Debra M. Symonette

The Pension Committee is responsible for advising the Board of Directors in fulfilling its fiduciary and oversight duties for the Bank's various pension arrangements. As part of this responsibility, members of the committee review the performance of the Pension Plan Trustee, 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 is comprised of four members of the Bank's Board of Directors and two employee representatives elected by the employees triennially.

YEAR IN REVIEW

During the year, the Committee in fulfilling its role:

Reviewed the performance of the Trustee for the Pension Fund and other service providers and recommended changes (where required) to the Board Executive Committee for approval.

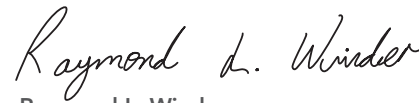
Reviewed and recommended for approval by the Board Executive Committee Plan Design changes after reviewing proposed design changes and cost impact with the Actuary of the Plan.

Reviewed the Trust Deed and determined no changes were necessary.

Reviewed and recommended for approval by the Board Executive Committee funding policy provisions including actuarial assumptions, actuarial cost methods and actuarial valuations of the Plan.

Reviewed and recommended for approval by the Board Executive Committee the statement on investment policy and any changes proposed based on the reports from the Investment Manager and Actuary.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2020.



Raymond L. Winder
Chairperson
Pension Committee

Directors: Robert D. L. Sands; William B. Sands Jr, DM; Raymond L. Winder; Larry R. Gibson; Branson Gibson (Employee representative); Charlene Bosfield (Employee representative)

IT Committee Report

The Information Technology Committee provides independent oversight of significant management and Board of Directors approved technology based platforms and the associated business applications to ensure they are developed in accordance with established system development guidelines, corporate governance standards and regulatory guidelines and are maintained and sustained in a cost effective, controlled and secure manner. The Committee is responsible for the oversight of the assessment of new technologies and their potential impact on the Bank and its operations.

YEAR IN REVIEW

Reviewed and recommended for approval by the Board of Directors the Bank's Technology Development and Maintenance-based Plan.

Reviewed significant technology-based proposals to ensure they were compatible with the strategic and business plans of the Bank and for those significant projects.

Ensured cost-benefit analyses were an integral part of the project development process.

Reviewed on a quarterly basis, project development plans and progress to ensure progress being achieved parallels established performance objectives and project development plans.

Ensured that post-implementation reviews were part of the project implementation process.

Monitored the ongoing development and sustainability of an effective contingent and back-up plan designed to be cost-effective, while providing protection to the Bank in times of distress.

Provided the Board on a quarterly basis with a summary of technology-based activities/concerns and where warranted, provided recommendations for management approval and implementation.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2020.



R. Craig Symonette
Chairperson
IT Committee

Directors: Robert D. L. Sands; R. Craig Symonette; Dr. Marcus R. C. Bethel; Raymond L. Winder

The **Compensation Committee** is responsible for assisting the Board of Directors in ensuring that Human Resources strategies support the Bank's objectives and sustain shareholder value. As part of this responsibility, members of the committee review the performance and approve the compensation of Executive Officers of the Bank.

YEAR IN REVIEW

During the year, the Committee in fulfilling its role:

Reviewed and approved the Bank's overall approach to executive compensation, including principles and objectives, incentive programs, and the policies that govern the ongoing administration of all components of compensation.

Assessed the performance of the Bank's Executive Chairman and President and reviewed the assessment with the Board of Directors; determined the Executive Chairman and President compensation in relation to the Bank's performance for the fiscal year.

Recommended to the Board of Directors the appointment of Officers of the Bank.

Reviewed annual performance assessments submitted by the President for Bank Officers.

Reviewed the Human Resources strategic priorities and progress being made against them, which included:

Enhancing the management of talent and succession; strengthening employee engagement while introducing cultural change; and

Matching training and development with business needs and implementing more cost-efficient training delivery models.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2020.



Earla J. Bethel
Chairperson
Compensation Committee

Directors: R. Craig Symonette; Earla J. Bethel; Vaughn W. Higgs

Audit Committee Report

The Audit Committee supports the Board in overseeing the integrity of the Bank's financial reporting, its internal control, disclosure control and internal audit function, and its compliance with legal and regulatory requirements. The Committee also reviews and assesses the qualifications, independence and performance of the Bank's Auditors.

YEAR IN REVIEW

The mandate setting out the roles and responsibilities of the Audit Committee was reviewed and amended to take into account applicable regulatory requirements, including the rules and regulations issued by The Central Bank of The Bahamas, Insurance Commission of The Bahamas, Securities Commission of The Bahamas and The Bahamas International Securities Exchange giving effect to the best practices in today's governance environment.

Financial Reporting

Reviewed with management adoption by the Bank of new accounting standards and emerging best practices in response to changes in regulatory guidelines.

Reviewed with management and the Bank's Auditors: the appropriateness of the Bank's accounting and financial reporting, the impact of adopting new accounting standards, the accounting treatment of significant risks and uncertainties, the key estimates and judgments of management that were material to the Bank's financial reporting, and the disclosure of critical accounting policies.

Reviewed Management's risk management measures for their appropriateness in relation to risk exposures and specifically the adequacy of the loan impairment allowance.

Reviewed and recommended for approval by the Board: the annual Audited Consolidated Financial Statements, Management's Discussion and Analysis and quarterly unaudited financial releases. Also reviewed and recommended for approval by their respective Boards the Annual Financial Statements and quarterly unaudited financial reports of all subsidiaries.

Enterprise Risk Management

Commenced work on the Enterprise Risk Management (ERM) Charter to ensure that appropriate resources and organizational structure are in place (including an ERM system, operational tools and people) for the effective execution of the ERM process across the Bank.

Commenced work on the ERM Framework to ensure its effectiveness and conformity with local and international best practices.

Fraud

Provided oversight of the Bank's fraud detection and investigation function within the Internal Audit Department.

Reviewed the results of fraud investigations to understand the underlying control gaps, impacts on the Bank, and to ensure the appropriate remedial action was taken to address issues raised.

Reviewed action that was taken against known perpetrators of fraud.

Obtained reasonable assurance with respect to the Bank's procedures for the detection of fraud.

Internal Control and Disclosure Control

Reviewed the processes involved in evaluating the Bank's internal control environment. Specifically, the Committee approved the annual audit plan; reviewed quarterly reports of the VP Internal Audit and Credit Inspection related to internal control; compliance and litigation; evaluated internal audit processes; and reviewed on a regular basis the adequacy of resources and independence of the Internal Audit function.

Met regularly with the VP Internal Audit and Credit Inspection as necessary without management present.

Reviewed existing and proposed Guidelines issued by regulators and discussed with management to ensure compliance.

Reviewed recommendations of the Bank's Auditors and External Regulators, as well as recommendations from the Internal Audit and Credit Inspection functions and management's responses.

Bank's Auditors

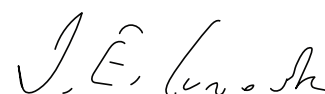
Recommended that the incumbent auditor, KPMG be reappointed to perform the 2020 external audit.

Confirmed that appropriate practices are being followed to safeguard the independence of the Bank's Auditors.

Reviewed the performance of the Bank's Auditors, including the scope and results of the external audit conducted by the Bank's Auditors, and communications to the Committee that are required under International Standards on Auditing.

Met as necessary with the Bank's Auditors.

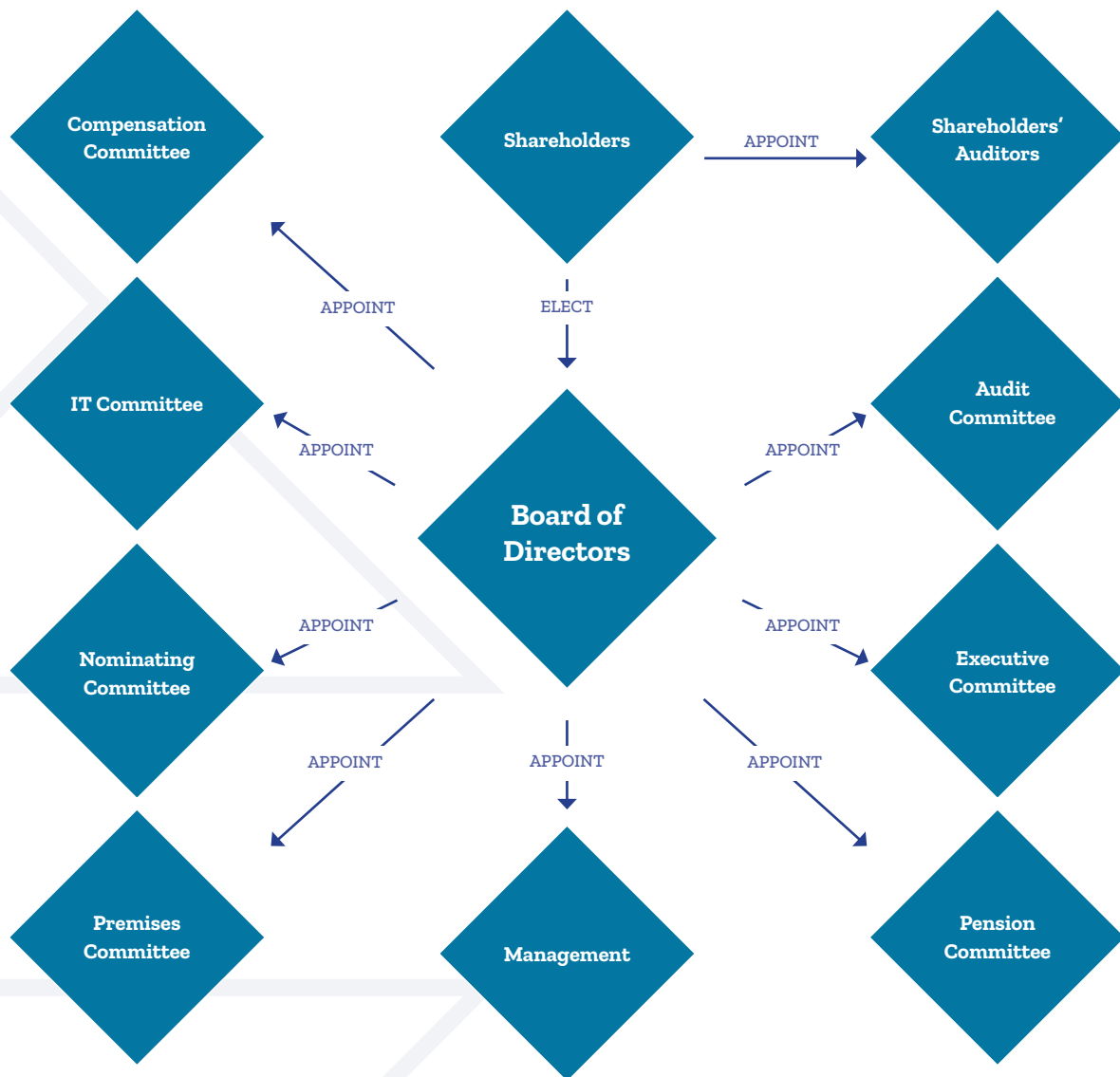
The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2020.



Tracy E. Knowles
Chairperson
Audit Committee

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way in which the Bank is directed, administered and controlled. The corporate governance structure specifies the rules and procedures for making decisions on corporate

affairs. It also provides the structure through which the Bank's objectives are set, as well as the means of attaining and monitoring the performance of those objectives. The process of Governance is illustrated by the chart below.



Commonwealth Bank Corporate Governance Profile

Corporate governance is used to monitor whether outcomes are in accordance with plans and to motivate the organization to be more fully informed in order to maintain or alter organizational activity. Corporate governance is the mechanism by which individuals are motivated to align their actual behaviors with the approved corporate direction.

Corporate governance also includes the relationships among the stakeholders and the goals for which the Bank is governed. The principal stakeholders are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, regulators, and the community at large.

An important theme of corporate governance deals with issues of accountability and fiduciary duty, essentially advocating the implementation of policies and mechanisms to ensure good behaviour and protect shareholders. Another key focus is the economic efficiency view, through which the corporate governance system should aim to

optimize economic results, with a strong emphasis on shareholders welfare.

Of importance is how Directors and Management develop a model of governance that aligns the values of the corporate participants and then evaluate this model periodically for its effectiveness. In particular, Senior Executives should conduct themselves honestly and ethically, especially concerning actual or apparent conflicts of interest, and disclosure in financial reports.

The Directors and Executives of the Bank take their responsibilities seriously. To ensure the individual Directors and Executives comply with the form and substance prescribed in the Bank's governance regime, a Charter of Expectations is in place and compliance with the governance expectations is confirmed by all Directors on an annual basis. The direction provided in the Charter of Expectations is outlined in the following schedule.

Charter of Expectations

ROLE OF THE BOARD:

The Board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance.

MONITORING BY THE BOARD OF DIRECTORS:

The Board of Directors, with its legal authority to hire, fire and compensate top management, safeguards invested capital. Regular board meetings allow potential problems to be identified, discussed and avoided.

Issues involving corporate governance principles include:

- i) oversight of the preparation of the entity's financial statements;
- ii) internal controls and the independence of the entity's auditors;
- iii) review of the compensation arrangements for the Executive Chairman, President and other Senior Executives;
- iv) the way in which individuals are nominated for positions on the Board;
- v) the resources made available to Directors in carrying out their duties;
- vi) oversight and management of risk; dividend policy; capital management; and annual certification to regulatory authorities that the Bank is in compliance with mandated and best practice standards of governance.

BOARD RESPONSIBILITIES

The Board of Directors is explicitly responsible for the stewardship of the Bank. The Board of Directors establishes formal delegations of authority, defining the limits of management's power and authority and delegating to management certain powers to manage the business of the Bank. The delegations of authority conform to statutory limitations specifying responsibilities of the Board that cannot be delegated to management. Any responsibilities not delegated to management remain with the Board. To discharge the Board's responsibility for stewardship, the Board should assume responsibility in the following areas:

Internal Corporate Governance Controls

Internal corporate governance controls monitor activities and then take corrective action to accomplish organisational goals. Examples include:

Strategic Planning Process

- ◆ Provide input to management on emerging trends and issues.
- ◆ Review and approve management's strategic plans.
- ◆ Review and approve the Bank's financial objectives, plans and actions, including significant capital allocations and expenditures.

Monitoring Tactical Process

- ◆ Monitor corporate performance against the strategic and business plans, including assessing operating results to evaluate whether the business is being properly managed.

Risk Assessment

- ◆ Identify and review, at least annually, the principal risks of the Bank's businesses and receive reasonable assurance on an ongoing basis that appropriate policies, procedures and systems are in place to manage these risks.
- ◆ Review the processes that ensure respect for any compliance with applicable regulatory, corporate and any other legal requirements.
- ◆ Review the processes and practices to ensure that prudent and effective policies are in place to identify, measure and monitor the Bank's cumulative positions in respect of its capital and liquidity management.

Senior Level Staffing

- ◆ Select, monitor, evaluate (including the Executive Chairman, President and other Senior Executives) and ensure that an effective management succession plan is in place and that the Bank's compensation plans are consistent with the sustainable achievement of the Bank's business objectives, the prudent management of its operations and the risks to which it is exposed, and adherence to its processes, policies procedures and controls;
- ◆ Remuneration: Performance-based remuneration is designed to

relate some proportion of salary to individual performance. It may be in the form of cash or non-cash payments such as shares and share options.

Integrity

- ◆ Ensure the integrity of the Bank's process of control and management information systems.
- ◆ Ensure ethical behavior and compliance with laws and regulations, audit and accounting principles, and the Bank's own governing documents.

Oversight of Communications and Public Disclosure

- ◆ Assess the effectiveness of the Bank's communications policy and processes to ensure accurate, timely and full public disclosure.

Material Transactions

- ◆ Review and approve material transactions not in the ordinary course of business.

Monitoring Board Effectiveness

- ◆ Assess its own effectiveness in fulfilling the above and other Board responsibilities, including monitoring the effectiveness of individual Directors.

Other

- ◆ Perform such other functions as prescribed by law or assigned to the Board in the Bank's governing documents. The Charter also stipulates the personal and professional characteristics of Directors. This stipulation forms a recruitment model for use in screening and selecting Board nominees.

DIRECTOR ATTRIBUTES

To execute these Board responsibilities, Directors must possess certain characteristics and traits including:

Integrity and Accountability

- ◆ Directors must demonstrate high ethical standards and integrity in their personal and professional dealings, and be willing to act on – and remain accountable for – their boardroom decisions.

Governance

- ◆ The ability to provide thoughtful and wise counsel on a broad range of issues ranks high among the qualities required in Directors. They must develop a depth of knowledge of banking, in order to understand and question the assumptions upon which the strategic and business plans are based, and to form and exercise independent judgement in directing and overseeing the operations of the Bank.

Financial Literacy

- ◆ One of the most important roles of the Board is to monitor financial performance. To do this, Directors must know how to read financial statements, and they should understand the use of financial ratios and other indices for evaluating the Bank's performance.

Communication

- ◆ Openness to others' opinions and the willingness to listen should rank as highly as the ability to communicate persuasively. Directors must approach others assertively, responsibly and supportively, and be willing to raise tough questions in a manner that encourages open discussion.

Track Record and Experience

- ◆ In today's highly competitive world, only companies capable of performing at the highest levels are likely to prosper. Directors must bring a history of achievement that reflects high standards for themselves and others.

Independence

- ◆ The Board of Directors of Commonwealth Bank has adopted standards for determining whether a Director is unrelated or independent. The process adopted by the Board complies with regulatory standards and international best practices. A copy of the standards developed is available to shareholders on request.

Board of Directors

William B. Sands Jr, DM
Executive Chairman
Commonwealth Bank Ltd.

Raymond L. Winder
President
Commonwealth Bank Ltd.

Earla J. Bethel
President
DanBrad Ltd.

Dr. Marcus R. C. Bethel
Consultant Internist &
Administrator
Lucayan Medical Centre

Tracy E. Knowles
Businessman

Larry R. Gibson
Chief Operating Officer
Colonial Pension Services (Bah) Ltd.

Vaughn W. T. Higgs
President
Nassau Paper Co. Ltd.

Rupert W. Roberts Jr, OBE
President
Super Value Food Stores Ltd.
(Retired: November 18, 2020)

Debra Symonette
President
Super Value Food Stores Ltd.
(Board Appointment: November 18, 2020)

Robert D. L. Sands
Sr. VP, Government &
Community Relations
Baha Mar Ltd.

R. Craig Symonette
Chairman
Bahamas Ferries Ltd.

Charlene A. Bosfield
Corporate Secretary
Commonwealth Bank Ltd.



Registered Office

GTC Corporate Services Ltd.
P.O. Box SS-5383
Nassau, Bahamas

Principal Address

Commonwealth Bank Ltd.
Head Office
Commonwealth Bank Plaza,
Mackey St.
P.O. Box SS-5541
Nassau, Bahamas
Tel: (242) 502-6200
Fax: (242) 394-5807

Auditors

KPMG Bahamas
5th Floor,
Montague Sterling Centre,
13 East Bay Street
P.O. Box N-123
Nassau, Bahamas
Tel: (242) 393-2007
Fax: (242) 393-1772
www.kpmg.com/bs

Transfer Agent And Registrar

Bahamas Central Securities Depository
2nd Floor,
Fort Nassau Centre,
British Colonial Hilton,
Bay Street
P.O. Box EE-15672
Nassau, Bahamas
Tel: (242) 322-5573

Stock Exchange Listing

(Symbol: CBL)

Common Shareholder Listing

Bahamas International Securities Exchange (BISX)

Internet Address

www.combankltd.com

Shareholder's Contact

For change of address, change to dividend instructions and estate transfers, Shareholders are requested to write the Bank's Transfer Agent, Bahamas Central Securities Depository, at their mailing address or call the Transfer Agent at:
Tel: (242) 322-5573

Direct Deposit Service

Shareholders may have their dividends deposited directly to an account at any financial institution. To arrange this, please write to Bahamas Central Securities Depository at their mailing address.

Institutional Investor, Broker & Security Analyst Contact

Institutional investors, brokers and security analysts requiring financial information should contact the Corporate Secretary, Investor Relations, by writing us at our Principal Address or by calling:
Tel: (242) 502-6200
Fax: (242) 394-5807

Other Shareholder inquiries may be directed to our Investor Relations Department, by writing to:

The Corporate Secretary

Commonwealth Bank Ltd.
Head Office
Commonwealth Bank Plaza
Mackey St.
P.O. Box SS-5541
Nassau, Bahamas
Tel: (242) 502-6200
Fax: (242) 394-5807

Locations & Services



Marsh Harbour Branch Reopening - March 2021

SERVICES

Saturday Banking
Auto Financing
Personal Financing
Mortgage Financing
Real Estate Financing
Small Business Lending
Commercial Lending
Overdraft Facilities
Online Banking

Suncard Mastercard Credit Card
Mastercard Credit Card
Mastercard Prepaid Card
Mastercard Gift Card
Visa Debit Card
Savings Accounts
Christmas Club Savings
Student Savings Accounts
Kidz Club Savings Accounts

Mobile Banking
Automated Banking Machines
Foreign Exchange Services
Personal Chequing Accounts
Business Chequing Accounts
Safe Deposit Boxes
Wire Transfers
Certificates Of Deposit
Loans By Phone

LOCATIONS

New Providence

Head Office 502-6200
Commonwealth Bank Plaza
Mackey St.
P.O. Box SS-5541

Branches

Commonwealth Bank Plaza
Mackey St. 502-6100
Bay & Christie Sts. 322-1154
Oakes Field 322-3474
Town Centre Mall 322-4107
Cable Beach* 327-8441

Wulff Road* 394-6469
Golden Gates* 461-1300
Prince Charles Drive* 364-9900
Mortgage Centre 397-4940

Grand Bahama

The Mall Drive* 352-8307
Lucaya 373-9670

Abaco

Marsh Harbour 367-2370

Eleuthera

Spanish Wells 333-4800

* Drive through ABM Locations

Card Services Centre

Nassau 502-6150
Freeport 352-4428
Abaco 367-2370

Call Centre

502-6206

Off-Site ABM Locations

Nassau

- ◆ Super Value: Cable Beach, Winton, Golden Gates, Prince Charles Shopping Centre
- ◆ Quality Market South Beach
- ◆ Kelly's Mall at Marathon
- ◆ Coral Towers, Atlantis Resort
- ◆ The Cove, Atlantis Resort
- ◆ Baha Mar

Freeport

- ◆ Cost Right

Abaco

- ◆ Leonard M. Thompson International Airport
- ◆ Maxwell's Supermarket

www.combankltd.com

customerservice@combankltd.com



