Resilience

ANNUAL REPORT > 2021

COMMONWEALTH BANK

Resilience is the language of our Bahamaland and national pride rushes through our veins. And where we are planted, we grow, transforming every idea with hope and every little dream into reality.

Commonwealth Bank is in the business of possibilities by funding hopes and financing dreams. It is written in our story. We are proud to be an institution with the people and financial strength to be able to help our nation and support our customers, both in the challenging times and in the good times, to realize their dreams. Our expert and caring team is ready to deliver the innovative financial solutions you deserve and we will continue to stand with you. Bahamians Helping Bahamians.

~ Commonwealth Bank, Leader in Personal Banking Services

Resilience

· Cherokee Sound Public Dock, Abaco. Longest wooden dock in the Caribbean (890 feet)

From granting the first loan out of a dresser-drawer in the corner of a furniture store over 60 years ago through to today, the spirit of resilience has been engrained in Commonwealth Bank's DNA. Since that modest entry into the financial services sector in The Bahamas, your Bank has faced and successfully overcome a multitude of threats and challenges. We are resilient. We continue to have the capacity to recover quickly from difficulties. Toughness is evident in our ability to accept whatever obstacles we may face and choose actions to respond in the most effective and meaningful way while retaining the solid footing, values and dependable way of doing business that has proved a formula for success. Resilience is a fitting theme for the 2021 Annual Report and for Commonwealth Bank. It is part of the framework of our foundation which recognizes resourcefulness and resilience as our starting point.

2021 has been uniquely difficult, a year like no other, extraordinary on so many fronts. The COVID-19 pandemic is a devastating demonstration that health and the economy are intimately integrated and inter-dependent. The confluence of the pandemic, the impact of social distancing on work, life and the global economy, financial uncertainty, and so much more, have exposed the deepest cracks in our nation's foundation and compelled us to marshal our strength and grow in resilience. Throughout the crisis, we focused on supporting our customers, employees, and communities as we learned about "variants" and the continuation of 2020's unprecedented conditions through 2021 which drastically impacted lives, livelihoods and lifestyles.

Despite the very difficult operating environment, we are pleased to report that Commonwealth Bank remains well anchored on our strong financial and operational foundation. The Bank remains strong financially, despite reporting its first ever loss since Bahamianisation in 1984, our capital base continues to exceed regulatory requirements and provide an important buffer against these unprecedented economic shocks. Our operational strength is the result of our investments in technology, continuous process enhancements, our people and prudent risk management. We were fully operational with minimal disruptions to our services while support measures were implemented to ensure the safety of our employees and customers. Our ability to sustain normal operations is a solid testament to our integrated business continuity management practices and our employees' agility to quickly adapt to the requirements of the new operating environment. We remained focused on our long-term agenda and have recalibrated our strategic goals. We are confident that post Covid-19, the Bank is well positioned to meet any new challenges and opportunities that may arise.

We know that most of our customers have had a difficult year, and for some, those challenges may persist. Commonwealth Bank will be here for them. The founding principle of giving our customers access to something that they could not get from any other bank is a guiding light as we map out our future. We are proud to be an institution with the people and financial strength to be able to help our nation, support our customers both in the desperate times and in the good times to realize their dreams. Commonwealth Bank has big ambitions and we take on big tasks; after all, we built a bank from scratch. But big ideas on their own are not enough. It also takes discipline, attention to detail, high standards, a readiness to adapt and a willingness to make rapid adjustments. Commonwealth Bank has time and again shown that we never shy away from confronting the most pressing challenges. We know that the economic and social recovery will be slow, that we are not yet out of the woods, but the combination of resilience and determination will drive us forward. Whatever happens in the future, we will continue to leverage our leaders' can-do attitude, our employees' willingness to deliver superior customer service, and our strong financial position to our advantage. We are energized by the possibilities ahead.

Our Vision

To be the First Choice of Bahamians for ALL Personal Banking Services.

Our Mission

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

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.

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Dr. Marcus R. C. Bethel

Dr. Bethel has served as director of Commonwealth Bank Limited with great distinction for more than two decades and has played a pivotal role in the Bank's success. Throughout his directorship, he provided substantial insight as a member of the Audit and Information Technology Committees and also serving as Chairman of the Premises Committee for the past year. In addition to being a consummate professional who is highly regarded by his peers, he was a powerful source of guidance, vision and accountability.

The Board of Directors, management and staff of Commonwealth Bank will be forever grateful for his steadfast commitment to the Bank, as we have benefitted immensely from his high standards, knowledge and dedication. His contributions are greatly appreciated. On behalf of the Commonwealth Bank family, it is with deep respect and regard that we wish Dr. Bethel Godspeed and a long, happy and healthy retirement.

Congratulations & Best Wishes

Financial Highlights

(B$ 000's)	2021	2020	2019	2018 *(Restated)*	2017 *(Restated)*
Income Statement Data					
Interest income	$ 132,591	142,020	141,630	153,978	166,760
Interest expense	(17,105)	(13,638)	(14,737)	(19,505)	(24,837)
Net interest income	115,486	128,382	126,893	134,473	141,923
Other income	24,643	26,880	25,713	19,108	12,251
Insurance recoveries	-	2,091	4,854	-	-
Impairment losses	(93,001)	(65,758)	(48,038)	(27,693)	(36,613)
Non-interest expense (including impairment losses)	(170,136)	(138,617)	(125,849)	(101,642)	(103,040)
Total (loss) profit	(30,007)	16,645	31,611	51,939	51,134
Other comprehensive income	9	(1,125)	763	(299)	9,548
Total comprehensive (loss) income	(29,998)	15,520	32,374	51,640	60,682
Per Share Data:					
Book value per share	$ 0.82	$ 0.94	$ 0.96	$ 0.96	$ 0.93
Cash Dividend	$ 0.04	$ 0.06	$ 0.10	$ 0.12	$ 0.12
Year end share price	$ 3.04	$ 3.59	$ 4.50	$ 4.50	$ 4.90
Average common shares outstanding (000's)	289,269	287,744	289,866	291,546	292,014
Dividend growth (total)	-33.33%	-40.00%	-16.67%	0.00%	0.00%
Balance Sheet Data:					
Total assets	$ 1,716,905	$ 1,705,376	$ 1,709,149	$ 1,697,604	$ 1,652,800
Investments	698,857	462,501	436,224	457,572	404,841
Gross loans and advances to customers	899,413	1,015,433	1,019,209	1,067,233	1,131,169
Net write-offs	78,655	31,671	34,063	30,193	32,577
Total deposits from customers	1,462,218	1,415,910	1,419,290	1,311,244	1,274,262
Total shareholders' equity	238,491	269,419	272,837	367,896	357,948
Performance Ratios:					
Price/earnings	N/A	62.06	45.00	25.26	27.98
Price/book value	3.69	3.83	4.69	4.70	5.27
Dividend yield (annual dividend/year end price)	1.32%	1.67%	2.22%	2.67%	2.45%
Earnings per share	$ (0.10)	$ 0.06	$ 0.10	$ 0.18	$ 0.18
Return on average assets	-1.75%	0.97%	1.71%	2.80%	2.82%
Return on average shareholders' equity	-11.82%	6.14%	10.44%	16.94%	17.18%
Dividend payout ratio	-38.58%	103.78%	99.36%	74.08%	75.44%
Efficiency ratio	55.05%	46.93%	50.99%	48.15%	43.09%
Net interest margin	6.04%	7.35%	7.31%	7.68%	8.33%
Asset Quality Ratios:					
Impaired loans to total loans	15.76%	8.17%	6.75%	6.08%	7.12%
Impaired loans to total assets	8.25%	4.86%	4.02%	3.83%	4.89%
90 day past due loans to total loans	16.33%	7.64%	5.73%	5.13%	4.80%
90 day past due loans to total assets	8.56%	4.55%	3.39%	3.19%	3.25%
New write-offs to average loans	8.22%	3.11%	3.53%	2.77%	2.80%
Loan impairment allowances to total loans	14.66%	11.48%	8.48%	7.01%	6.82%
Loan impairment allowances to non-accrual loans	99.90%	183.00%	149.18%	138.27%	144.03%
Loan impairment allowances to impaired loans	93.05%	140.57%	125.66%	115.31%	95.87%
Liquidity Ratios:					
Liquidity ratio	61.62%	53.74%	49.70%	47.01%	39.13%
Average cash and securities to average total assets	47.61%	43.28%	39.84%	35.74%	29.50%
Capital Ratios:					
Average shareholders' equity to average total assets	14.84%	15.88%	18.81%	21.34%	21.35%
Tier 1 Capital	238,491	269,419	272,837	367,896	357,948
Tier 2 Capital	$ -	$ -	$ -	-	$ 14,334
Total Capital	$ 238,491	$ 269,419	$ 272,837	$ 367,896	$ 372,282
Total risk adjusted assets	$ 890,318	$ 983,103	$ 1,029,607	$ 1,103,741	$ 1,149,601
Tier 1 ratio	26.79%	27.40%	26.50%	33.33%	31.14%
Tier 1 + Tier 2 capital ratio	26.79%	27.40%	26.50%	33.33%	29.61%
Average number of employees for the year	560	571	575	586	577

The theme for this year's Annual Report, "Resilience", reflects the ongoing challenges of The Bahamas and the world enduring a second year of the Covid-19 pandemic. In my report last year, I referred to the positive prospects arising out of the vaccination program that was moving through the Western world. 2021 represented a stop/start advance as our target tourism markets accessed the vaccination programs but access for The Bahamas was slowed as the COVAX program of the World Health Organization ramped up. The differential rates of international vaccination led to vaccine passports required by countries for tourists to enter. This was accentuated as we learned of new variants of Covid-19 and uncertainty as to whether vaccines were still effective against them. This peaked in December 2021 – January 2022, when the Omicron Variant overwhelmed all other variants including the more serious Delta Variant. The greater contagious qualities of Omicron resulted in the Bank having to temporarily reduce operating hours and locations as it swept through our staff. At the time of writing, the Omicron wave seems to have passed and restrictions are being relaxed both in The Bahamas and internationally. It is, however, too soon to say that the Covid-19 pandemic is over: our experience over these last two years is to believe we have turned the corner only to encounter a new setback. We must remain cautious and prepared!

While the Chairman's report is primarily to focus on the results of the Bank, this past year has also been a year to remember what is truly important to us. We have lost members of our staff, customers and friends during this pandemic, a picture unfortunately familiar to all those who have borne the same losses. Yet Commonwealth Bank, as a financial institution, also has an important role in bringing economic life back to our communities and nation. As we reported last year, our Marsh Harbour branch re-opened in March 2021 after the devastation of Hurricane Dorian. Not only was your Bank the first to reopen with full-service banking, but we were the only commercial bank open in Marsh Harbour for several months supporting the whole community. Safeguarding our staff and customers was a significant priority, keeping our branches open when we could and shutting them when we had to, based on the incidences of Covid-19 that were occurring. Our staff responded well with vaccination rates above the national average and other protective measures taken to keep our customers and staff safe.

Year In Review

2021 was the first year your Bank reported a net loss for the year since Bahamianisation in 1984. A $30 million loss is a significant result (contributory factors are analysed in more detail in the section of the Annual Report "Management's Discussion and Analysis"). However, the Bank still has a capital base of $238 million, and regulatory capital of 27%, which exceeds statutory requirements by 58%. I am also pleased to report that the Bank was able to pay four quarterly dividends of one cent per share in 2021, after the cancellation of the December 2020 dividend payment.

The Bank's liquidity remains high and so the Bank, despite the disappointing year in 2021, is still well prepared to face the challenges of the future.

We continue to renew the pledge of our corporate culture that we are "Bahamians helping Bahamians". We will continue to walk side by side with our shareholders, customers and staff on the long road to recovery from the pandemic.

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. The Board's independent oversight processes are an essential part of the ongoing stability, safety and soundness of the Bank. I have again greatly appreciated their ongoing support and guidance through this turbulent year.

In 2021, the Bank welcomed the appointment of Mrs. Denise Turnquest as President of the Bank; the first female to hold this title. Congratulations are due to Mrs. Turnquest for this achievement. Strengthening our leadership team, the Bank appointed Mr. Sean Brathwaite as Chief Operating Officer and welcomed Ms. Tangela Albury as Chief Financial Officer.

I would also like to express my thanks to the retiring President, Mr. Raymond Winder, for his contribution as President during the most difficult years the Bank has had to endure.

Excellence as a Bahamian Trait

The strength and ongoing commitment of our more than 550 staff continue to be an essential part of the Bank's success. It has been a difficult time for our staff, who have had to endure so much and yet still shine in their level of commitment and performance in serving our customers.

Final Comments

Our primary objective remains unchanged: to be the leading Bank in The Bahamas, providing 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. As we noted in prior years: there will be many trials for the country and your Bank to endure before being able to resume pre-pandemic levels of activity.

It will be a testament to your Bank's resilience as to how we bounce back to take advantage of the opportunities this new world will offer.

William B. Sands, Jr., DM
Executive Chairman

Raymond L. Winder

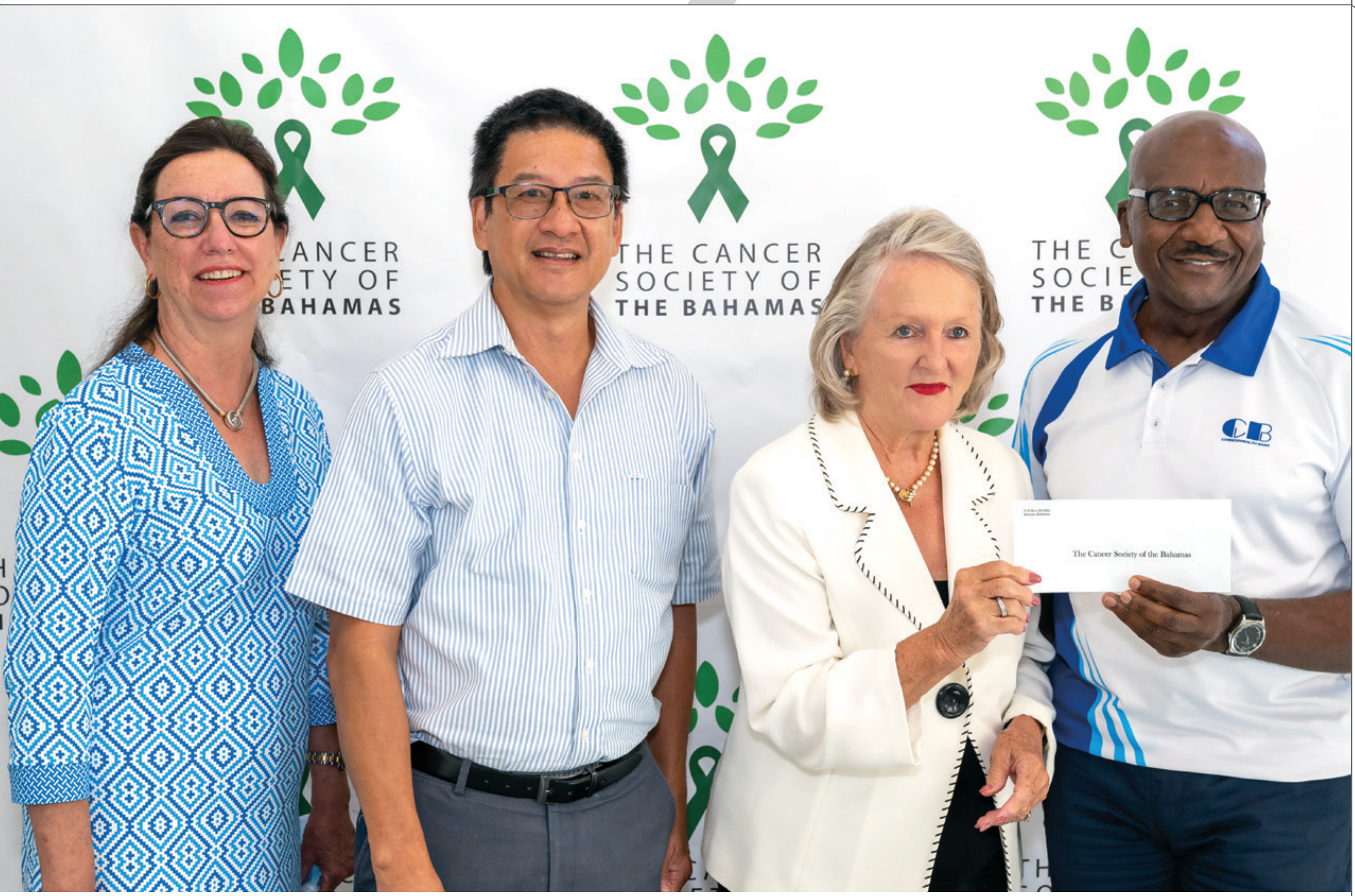
The Board of Directors of Commonwealth Bank Limited hereby advises that Mr. Raymond Winder retired as Executive Director and President of Commonwealth Bank Limited, effective November 30, 2021.

The Board of Directors, Executive Chairman and Management and Staff of Commonwealth Bank Limited would like to thank Mr. Winder for his dedication and commitment to the Bank and wish him a long, happy and healthy retirement.

We believe that the success of our Bank is connected to the well-being of the communities that comprise our Bahamas. Over our 62 years, we have committed to making a difference and have done so by investing our time and resources. Our Corporate Giving program supports local agencies, non-profit organizations, civic programs and projects which help meet the challenges and needs in our neighbourhoods. In addition, our employees make a positive impact in the community through workplace giving and volunteerism which further supports the Bank's commitment to affect meaningful change in the communities where we live, work and conduct business.

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 lend support to the University of The Bahamas as we have done in the past through Commonwealth Bank's Emerging Leaders Endowment Fund. The fund was established to offer hope, encouragement and financial assistance in the form of scholarships to eligible students in good academic standing. We are also proud to sponsor UBFIT and celebrate with the organizers and participants on their fifth-year race milestone.

Pictured L to R: Kandice Eldon, Executive Director, Corporate and Foundation Relations, University of The Bahamas and **Sean Brathwaite,** Sr. VP and COO, Commonwealth Bank Limited.



Commonwealth Bank Limited donates to the Cancer Society of The Bahamas' 3rd Annual Charity Golf Tournament at Baha Mar Golf Course.

Commonwealth Bank recognizes and applauds the Cancer Society for the diligence it displays in the positive social development of our country and its untiring efforts to encourage Bahamians to be vigilant about their well-being, to keep up the awareness campaigns, fund raise and offer spiritual support, care and counselling. Their dedication is unquestionable and their passionate commitment to the people of The Bahamas is admirable.

Photo caption: On hand to receive this donation were: L to R: **Mrs. Robin Symonette,** Golf Tournament Committee Member; **Dr. Williamson Chea,** former President of the Cancer Society; **Mrs. Susan Roberts,** Founder of the Cancer Society and presenting the cheque was **Mr. Silbert Cooper,** Vice President of Credit Risk, Commonwealth Bank.

2021 Donations

- Colby House
- Cancer Society of The Bahamas
- L. E. A. D. INSTITUTE
- HBCU
- Scouts Assoc. of The Bahamas
- Disabled Persons' Organization
- Rotary District 7020 Conference
- National Family Island Regatta
- Junior Achievement
- BAARK
- Sandilands Rehabilitation Centre
- Bahamas National Trust
- The Bahamas Aids Foundation
- Zonta Club of Nassau
- The Bahamas Brass Band

President’s Report

There is an old adage that you teach someone to swim by throwing them in the deep end of the pool and they have no alternative but to swim. Being appointed President in 2021 during the worst global pandemic in over 100 years is the equivalent of being thrown into the deep end. However, the good news is that I am not swimming alone; I am part of a dedicated team committed to the success of Commonwealth Bank.

It is this team that has steered your Bank through the start of the Covid-19 pandemic, working diligently with our customers. Your Bank has gone beyond the extra mile to assist them, but in 2021 we recognized that for many of our customers coming to grips with an economy impacted by the Covid-19 pandemic, repaying their obligations with any certainty would be challenging. As a result, your Bank incurred a significant increase in loan impairment allowance in 2021, resulting in an overall net loss for the year of $30 million compared to a profit of $17 million in 2020.

Based on the strength of the Bank and its capital base, the Bank was able to withstand this result and in addition pay four quarterly dividends of one cent each for the year. As noted in the Chairman’s report, our excess capital over the regulatory requirement sits at 58%. So, despite the 2021 results, your Bank is still, resiliently standing strong.

2021 was an abnormal year when the achievements of success were measured in keeping our branches open and staffed and our staff and customers healthy. Customers continued to show their confidence in your Bank, as they continued to move their accounts from the international banks to Commonwealth Bank. This increase in customers along with Covid-19 pandemic-related issues has challenged our service delivery levels. We have taken the first step to relieve this by recommencing our popular Saturday Banking service in 2022 to give customers an alternative to weekday banking. Our ATMs and Online Banking continue to provide remote access to banking, but we recognize there are still many customers who want to conduct banking transactions personally at a branch.

The Economy

In comments on 2021 performance and the outlook for upcoming years, the Governor of the Central Bank of the Bahamas reported “Economic growth in 2022 is expected to exceed five percent—which would be significantly stronger than the recovery onset of just above two percent in 2021. For the first time in two years, the tourism product is positioned to experience uninterrupted business over the entire calendar period. In contrast, both industry segments only recorded partial year performances in 2021. In particular, neither the seasonal capacity for cruise lines nor hotels is being projected to reach pre-pandemic earnings levels during the first half of 2022. This is noteworthy because it is during the first half of each year that the industry records more than half of its revenues.” The Governor continued “Outstanding credit could remain flat to contracted in 2022. In particular, lending institutions are still held back by delinquency rates which have to improve to levels even below the average ratios experienced ahead of the pandemic. Such an outcome remains dependent upon expanding economic activity, and increasing the pool of qualified borrowers for credit as the economy improves. Structural reforms such as the credit bureau and the anticipated collateral registry will also have positive impacts on this environment over the medium term. In summary, the outlook is for stronger growth in 2022 as the calendar year impact of the economy’s reopening takes hold.”

Summary of Financial Performance

The underlying reason for our 2021 performance was the impact on loan quality from the Covid-19 pandemic. The forbearance plan introduced in 2020 to assist loan customers challenged financially by the Covid-19 pandemic was discontinued in 2021. In December 2020 these accounts, which complied with Central Bank of The Bahamas guidelines on qualifying as performing loans, totaled $234 million.

Total Assets for 2021 were largely unchanged from 2020 at $1.7 billion and total deposits increased by $46 million or 3% to $1.5 billion.

The results are described in more detail in the section of the Annual Report “Management’s Discussion and Analysis”.

Performance ratios further demonstrate the impact of the pandemic on the Bank’s results for Return on Average Assets, Return on Average Shareholders’ Equity and Earnings per Share. The actual ratios can be found in the “Financial Highlights” which reveals the Bank’s safety and soundness is unchallenged despite these results.

Our Champions – Our Employees

The Chairman has already noted the importance of our staff in making your Bank such a success. An ongoing commitment to investing in our staff is critical to ensuring that your Bank has a continuous pipeline of talent for its succession planning and employee development programs.

The Road Ahead

While we recorded record increases in our loan impairment allowances in 2021, we are confident that we can recoup much of this increase as the economic recovery takes place. Indeed, we have started to see signs of this already in the first quarter of 2022.

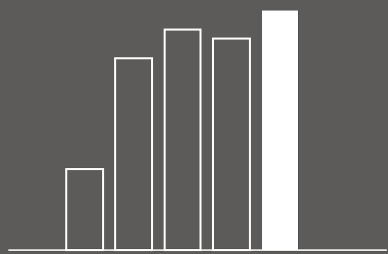
The competition will remain strong in the consumer credit market as both institutions regulated by the Central Bank of The Bahamas and those that are not, fight for eligible qualified customers. While the credit bureau will eventually enable lenders to see a customer’s total credit position and thus make better lending decisions, we will see only marginal benefits in 2022. In 2021, we upgraded our loan and account servicing technology and infrastructure, as part of our continuing investment in technology to improve our processes and deliver the products and services our customers demand.

Conclusion

Our Executive Chairman celebrated 50 years with Commonwealth Bank in 2021. He is the image of “Resilience” as he has overcome many challenges in his career, but few on the scale of the last three years. As the Bank emulates his spirit of resilience, we will be able to take advantage of the opportunities that arise in this new environment. We do not know what the future holds for us but with a resilient spirit, we can march on Forward, Upward, Onward and Together.

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

Denise D. Turnquest,
President



TOTAL ASSETS

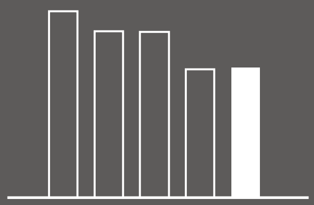
$1.7

BILLION

NET INTEREST INCOME

$15.6

MILLION



PRICE TO BOOK RATIO

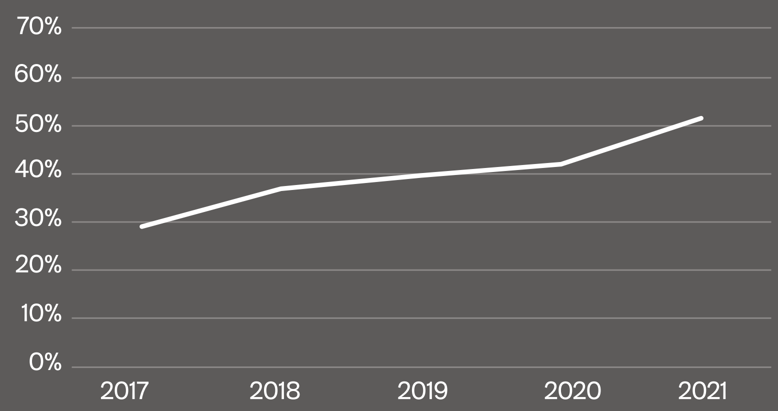
3.96

TOTAL DIVIDENDS PAID

$11.6

MILLION

LIQUIDITY RATIO

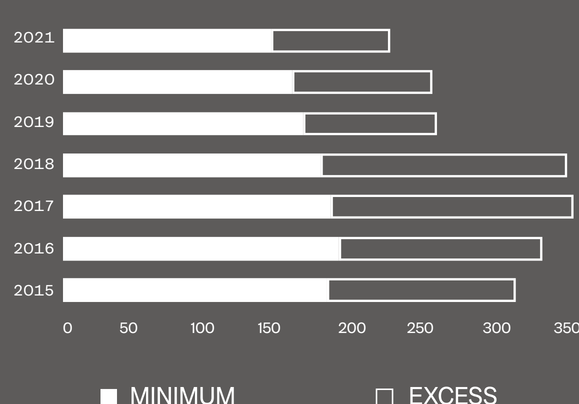


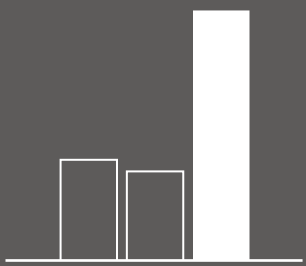
TOTAL PROFITS

$(30)

MILLION

REGULATORY CAPITAL





DEPOSIT GROWTH

$1.5

MILLION

This Management Discussion and Analysis ("MDA") of our financial condition and results of operations is presented 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, 2021, 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 MDA should be read carefully together with our Consolidated Financial Statements and related Notes. All amounts reported are based on financial statements prepared under International Financial Reporting Standards (IFRS).

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. We caution 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.

Update on the Impact of the Covid-19 Pandemic

The Covid-19 pandemic ("Covid-19") remains a highly disruptive influence on Bahamian society. Notwithstanding that the human and social challenges are waning, the economic challenges continue to be felt as the economy is having to recover from catastrophic losses in certain segments, namely the tourism and leisure sectors. The first half of 2021 saw The Bahamas as well as other countries around the world continuing the health-pandemic management strategies of the previous year, with travel and border restrictions, quarantines, and curfews; all of which lowered economic activity and increased general market uncertainty. For tourism-based economies, the tourism and leisure sectors emerged as the epicenter of catastrophic impact arising from Covid-19.

Amidst the continued uncertainty of the economic impact of Covid-19, during 2021, we extended our credit forbearance plan, initially launched in March 2020 and granted to all customers whose loans, at that time, were less than 30 days past due. Under the plan, contractual repayments of principal and interest were deferred. While the initial customer accommodation or deferral was intended for six months, the continued flailing economy of The Bahamas arising from the protracted nature of the pandemic meant our customers continued to experience financial challenges well into early 2021, rendering the initial six-month solution inadequate. The lengthier accommodation of forbearance applied to a certain segment of borrowers, namely those employed in the hotel and leisure sectors. In 2021, RIU announced its temporary closure in January 2021 and its furlough of staff, Melia announced it would close on March 1, 2021, and its redundancy of staff, Sandals pushed back the reopening of its Emerald Bay and Royal Bahamian hotel properties, and in May 2021, Atlantis announced the termination and continued furlough of a significant proportion its staff.

Later in the second quarter of 2021, we were encouraged to see the emergence of an effective vaccine that was widely available and distributed which facilitated the easing of curfews and travel restrictions. The outcome has been an accelerated pace of vaccination; an increased level of economic activity supported by significant pent-up demand for our tourism product; and real GDP growth. Since that time, there has been a modest economic recovery which allowed for the further relaxation of key restrictions on both international and domestic travel resulting in improved levels of employment across all sectors to further spur economic activity. Accordingly, we ended our forbearance plan on August 31, 2021; and help to challenged borrowers is now undertaken through the normal lending protocols which existed pre-Covid-19.

Throughout Covid-19, we have operated and continue to operate, efficiently and effectively, remaining focused on the safety and wellness of both our employees and customers. We signaled our resilience in that we have not conducted any Covid-19 related employee layoffs in 2020 and 2021 as we wanted to support our employees and their families throughout the crisis. We are continuously evaluating and, where opportunity exists, enhancing our prudent risk management processes and activities.

While Covid-19 delayed the reconstruction of our Abaco branch after Hurricane Dorian, we officially reopened in March 2021. We were pleased to be the first bank to reopen fully and continue to serve the residents and businesses of Abaco.

We continue to manage the uncertainty of Covid-19, as the emergence of the Omicron Variant, required us to reinstitute reduced branch opening hours to the public, and where available, facilitate remote work for certain job functions. We continue to require the wearing of masks and appropriate social distancing for all in-person services as mandated by the Ministry of Health for the health and safety of both our employees and customers. This has meant that in-branch lines may appear unusually long. To provide customers with more convenient banking and opportunities to transact, we reintroduced full-service Saturday Banking on March 5, 2022, just shy of two years since its suspension at the onset of Covid-19.

Our leadership team is continuously monitoring developments as it relates to Covid-19, and ensuring that we adhere to the best practices and procedures.

Executive Summary

As a commercial bank that conducts its business solely within The Bahamas, we could not be insulated from the economic impact of Covid-19, and it has had a material impact on our financial results.

While we remain strong with total assets of $1.7 billion, which is largely unchanged from pre-pandemic and pre-hurricane Dorian levels, the key risks which remain as a result of Covid-19 reflect the widespread demographic profile of our customer base. We serve all Bahamians, not just preferred segments such as government workers. Our loan customers in the tourism and leisure sectors experienced significant financial challenges arising from mass hotel redundancies, being placed on furlough, or underemployment because of the significantly reduced work hours. This translated into the reporting of a net loss of $30.0 million, compared with a net profit of $16.6 million for 2020, as the impairment expense from the loan losses eroded net interest income. Impairment expense is $93.0 million, compared with $65.8 million for 2020.

The decline in profitability hit all the relevant financial ratios negatively. Return on assets (ROA) was (1.75%) down from 0.98% in 2020. Return on equity (ROE) was (11.82%) compared to 6.14% in 2020. Earnings per share (EPS) ($0.10) down from $0.06 in 2020.

Despite this decline in profitability as a result of the unparalleled impact of the global pandemic, we will remain focused on being the complete personal banker for all Bahamians; and place strong weight on our risk management structure to promote making sound business decisions by balancing risk and reward.

We maintain a strong level of liquidity (available cash and unencumbered high-quality liquid assets), which positions us well to adapt to stresses posed by this business environment. We are required to hold a minimum level of liquid assets against possible liquidity risk, currently set by the Central Bank of The Bahamas ("Central Bank") at a liquidity ratio of 20%. As of December 31, 2021, our liquidity ratio is 62%, well above this regulatory limit.

Additionally, under our capital plan, we operate with a level of capital above regulatory established well-capitalized limits and continue to maintain this high level and absorb these losses. Our capital adequacy ratio approximates 27% and is well above the Central Bank's requirements of 17%.

During the year we paid quarterly dividends of 1 cent per share bringing total dividends paid for the year to date to 4 cents per share, totaling $11.6 million.

Net Interest Income

Our net interest income is $115.5 million compared to $128.4 million for 2020. This represents a decrease of 10% which is attributed to a contraction in the loan book, lower average yields, increased interest reversal on loans charged-off, and increased interest reversal on the segment of the loan book which is contractually delinquent therefore no interest accrues past ninety days. These effects are primarily driven by the consumer loan class.

Interest expense increased by 25% due to an increase in the average term deposit rates. While we are operating in a business environment where the cost of funds is at historically low levels; 2021 has seen a creep upwards in the cost of funds attributed to the combined effect of increased customer term deposit balances and the locking-in of higher yields offered in 2020 to customers placing funds on longer terms during the height of Covid-19.

Impairment Expense

A financial instrument is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to agreed contractual terms. We are also required under IFRS to recognize an allowance for impairment even on our investments and loans receivable that are performing. In 2021 as in the prior year, we recognize impairment primarily on our investments and loans receivable financial assets. As of December 31, 2021, consolidated impairment expense is $93.0 million, or an increase of 41% over the charge to consolidated net income for 2020. Our investment in Bahamas Sovereign Debt recorded a write-back in impairment allowances of $0.95 million during 2021, based on a quantitative and qualitative analysis of the credit risk associated with holding these investments as of December 31, 2021. The loan impairment expense is a management estimate of the combined outcome of the provisioning for loan losses, the loans deemed to have no fair values which are charged-off, and the efforts to recover those loans previously deemed as having no fair value. The allowance for loan losses was positively impacted by the macro-economic forward-looking indicators (FLI) as they relate to the remainder of the fiscal year 2021 and fiscal year 2022, which were released by the International Monetary Fund (IMF) in October 2021. The nature of our operations makes loan charge-offs a normal part of the business activities. However, the enormity of the recent financial shock associated with the pandemic meant the execution of management plans for the aggressive charge-off of loans showing signs of elevated credit risk. The outcome of this posture is $88.2 million in loan charge-offs during 2021, compared with $39.3 million in loan charge-offs for 2020. 2021 recoveries of previously charged-off loans total $9.6 million and exceeded that of 2020 by $1.9 million (24%).

Non-interest Income

Non-interest income comprises premium income from the issuance of credit life insurance policies; bank fees or other income arising from its ancillary services to loan and deposit customers, and investment gains and losses. In the prior period, it also included insurance recoveries arising out of insurance claims for Hurricane Dorian damages. Non-interest income contracted by 8.32% from December 2020 primarily as a result of a contraction of credit life premium income. Fewer credit life insurance policies have been written during the period. This is because we initially took an extremely conservative lending posture towards writing new loan business against the backdrop of a Covid-19 economic environment that is struggling for recovery. In addition, death claims as of December 2021 totalling $4.5 million, compared to 2020 death claims of $2.9 million, an increase of 55% as compared to 2020.

Non-interest Expense

Non-interest expense, exclusive of impairment losses on financial assets, primarily comprises general and administrative expenses along with management estimates for asset depreciation and amortization; and directors' costs. As of December 31, 2021, non-interest expenses total $77.1 million, as compared to $72.9 million in 2020, and in 2021 reflects a modest increase of 6% from the prior year as we stabilized our costs throughout the year.

Our social investment program, reduced due to Covid-19, was focused on supporting humanitarian charities helping those struggling for food and shelter.

Management of Financial Position

The strength of our consolidated statement of financial position allows for the absorption of net losses, thereby allowing us to experience strong levels of liquidity and capital adequacy for the year-ended 2021 and going forward into 2022. Our financial position as of December 31, 2021, reflects $1.7 billion in consolidated assets, unchanged from the prior period.

The gross loans receivable is $899.4 million as of December 31, 2021; and has decreased by $116.0 million from the prior year. As previously mentioned, in the latter part of 2021, we executed an aggressive charge-off posture to reflect the financial impact of segments of the loan portfolios that were experiencing a heightened risk of loss, and in effect, were not contributing value but ballooning our delinquency position. $88.2 million or 76% of the decrease in gross loans receivable is the result of loan charge-offs during 2021, compared with $39.4 million in loan charge-off for 2020.

The weak demand for consumer credit in 2021 and diminished loan asset quality condition resulted in increased investment and exposure to Bahamas Sovereign Debt as we managed our liquidity. As of December 31, 2021, investment in Bahamas Sovereign Debt and Bahamas Government-related debt stands at $686.9 million, compared to $452.8 million as of December 31, 2020. This reflects an increase of $234.1 million or 52%. These investments represent approximately 40%

of total assets, compared to 27% as of December 31, 2020. Our share of Bahamas Sovereign Debt is substantially weighted in short-term tenors of one year or less as a result of the heightened uncertainty in the early stages of the Covid-19 crisis.

Our deposit base strengthened during the peak period of the pandemic and has increased as the economy moves to a period of expected recovery and market competition for deposits is diminished. Total deposits as of December 31, 2021, rest at $1.5 billion, compared to $1.4 billion at the prior year's end. This reflects an increase of 3% during the year, with no material shift in the distribution between demand deposits and term funding.

The Components of Capital

A strong capital base is a foundation for building and expanding our operations and services safely and soundly. Our total capital decreased in 2021 to $238.5 million (2020: $269.4 million) related solely to the consolidated net loss we experienced in 2021 as we maintained our pattern of dividend distribution to shareholders, totaling $11.6 million (2020: $17.3 million) from the cash flows arising from the sale of its treasury shareholdings. Accordingly, the share premium increased to $11.7 million from $1 million in the prior year.

Our liquidity and capital adequacy ratios remained well above regulatory requirements as noted in the Executive Summary above.

Our total capital ratio was 27% (2020: 28%). The minimum capital ratio as prescribed by The Central Bank is 17%. Therefore, our ratio exceeds the minimum capital levels by 58% (2020: 62%).

Bank-wide Risk Management

Our risk management structure promotes making sound business decisions by balancing risks and rewards. Our 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 our corporate governance regime and overall process of control. When appropriate, the risk management policies and procedures are refreshed and enhanced 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 our credit risk management process and supporting policies, procedures, and reporting guidelines remain appropriate to effectively manage our 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 our operations. An aggressive monitoring and reporting process is supported by a strong and proactive credit risk provisioning methodology. Note 25 in the consolidated financial statements shows the overall quality of the portfolio from different perspectives.

Our 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, and total $65.2 million in 2021, as compared to $78.1 million in 2020, a decrease of $12.9 million or 17%. The restructuring of accounts reflects the ongoing efforts we make 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 we may be unable to generate or obtain sufficient cash or an equivalent in a cost-effective manner should a distress situation occur. Our liquidity position is closely monitored to ensure that, coupled with our strong capital position, sufficient resources are available to address unforeseen distress situations as well as unplanned business opportunities.

The Central Bank imposes a secondary reserve, called the Liquid Asset Requirement (LAR), which mandates commercial banks to maintain a certain percentage of their customer deposits and other liabilities in the form of liquid assets. The LAR is currently set at 20% of demand deposits, 15% of savings and fixed deposits, and 15% of borrowings due to or from the Central Bank or other banks. The LAR is $226.1 million for December 2021 (2020: $218.1 million) and the actual eligible liquid assets total $805.1 million. Accordingly, the LAR ratio is 356% (2020: 300%). As of January 31, 2022, the LAR ratio is 368%.

Outlook for 2022

We are wholly invested in all segments of the Bahamian economy and our performance is closely correlated to the success drivers which propel the economy forward. The report of the IMF dated March 21, 2022, projected real GDP growth of 6% for 2022, and this projection along with its 2021 estimate of real GDP growth of 5.6%, is encouraging as the country seeks to recoup from the 14.5% contraction in real GDP for 2020. Their projections for a reduction in unemployment in 2022 are also favorable conditions that allow for a modest pace of economic recovery with the further resumption of the tourism and leisure sector. Covid-19 is expected to be a significant influence as The Bahamas and The world prepares to live in a post-Covid-19 society. The success of The Bahamas economy is tied to the ever-increasing pressure on fiscal management as a result of the sensitivities of the economy to high debt levels and the threat of climate change. New threats are emerging in 2022, as globalization means that supply chain disruptions and the war in Ukraine can become significant influencers on The Bahamas economy, in particular the likelihood of higher energy costs arising from higher oil prices.

We continue to adapt ourselves to new market realities and position ourselves to take advantage of the opportunities that this "new normal" presents. We have already adapted to assist our customers and will continue to do so. The last three years have presented tremendous adverse circumstances for the Bank. However, we are still standing not only strong but stronger. Our vision, culture, and history are 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.

Pictured Left to Right, Top to Bottom:

William B. Sands, Jr., DM
Executive Chairman

R. Craig Symonette

Vaughn W. T. Higgs

Earla J. Bethel

Dr. Marcus R. C. Bethel

Board of Directors

Pictured Left to Right, Top to Bottom:

Denise D. Turnquest
President

Tracy E. Knowles

Larry R. Gibson

Debra M. Symonette

Robert D. L. Sands

Pictured Left to Right, Top to Bottom:

Denise D. Turnquest
President

Tangela Albury
VP & CFO

Claudia Rolle
VP Human Resources, Training & Organizational Development

Silbert Cooper
VP Credit Risk

Oswald Dean
VP Information Technology

Pictured Left to Right, Top to Bottom:

Sean Brathwaite
Sr. VP & COO

Maxwell Jones
VP Accounts Control & Recovery

Davine Dawkins-Rolle
VP Internal Audit

Jermaine Williams
VP & Chief Risk Officer

Bruno Styles
VP Retail Banking

Assistant Vice Presidents

Pictured Left to Right, Top to Bottom:

Aaron Adderley
Financial & Business Planning

Demetri Bowe
Marketing & Business Development

Lynda Burrows
Information Technology

Lavado Butler
Credit Inspection

Marcus Cleare
Credit Risk

Tameka Cooke
Human Resources

Kendra Culmer
Internal Audit

Frienderick Dean
Accounts Control & Recovery

Juliette Fraser
Operations

Branson Gibson
Training & Organizational Development

Branch Managers

Pictured Left to Right, Top to Bottom:

Daria Bain
Sr. Manager, Golden Gates

Michelle Fox
East Bay Street

Charlene Low
Freeport

Matthew Sawyer
Abaco

Edward Vigil
Sr. Manager, Wulff Road

Darlene Gibson
Lucaya

Chantal Nixon
Cable Beach

Perry Thompson
Prince Charles Drive

Kayla Darville
Mortgage Centre

Carrington Johnson
Oakes Field

Raynard North
Commonwealth Bank Plaza

Renee Virgill
Town Centre Mall

Pictured Left to Right, Top to Bottom:

Cindy Curtis
Sr. Manager,
Head of Compliance

Gina Greene
Sr. Manager, Marketing
& Customer Care

Wellington Hepburn
Sr. Manager,
Organizational Development

Keshala Knowles
Sr. Manager,
Human Resources

Monique Mason
Sr. Manager,
Card Services

Jasmin Strachan
Sr. Manager, Shared Services

Lernix Williams
Sr. Manager, Accounts Control

Kayla Callendar
Accounts Control & Recovery
Commercial & Mortgage

Christine Clarke
IT Projects

Audrey Dames
Fraud Manager

Shanette Deveaux
Compensation & Benefits

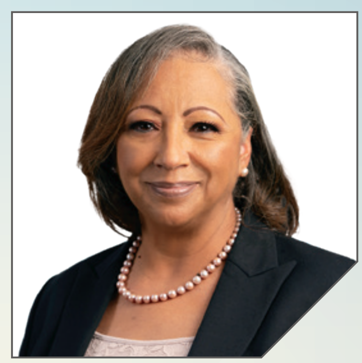
Department Managers











Pictured Left to Right, Top to Bottom:

Charmaine Edgecombe
Operations

Jevone Ferguson
Information Security

Rekell Griffin
Business Development

Omar Henfield
Physical Security

Lauren Johnson
Financial Control

Rawson Minnis
IT Production

Stevette Munroe
Financial Reporting,
Budgeting & Analysis

Tariq O'Brien
Administration

Rochelle Wilkinson
Commercial Lending
& Private Wealth

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 ("MDA") 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 MDA 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 MDA 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 MDA, 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.

Denise D. Turnquest
President

Tangela Albury
VP & CFO

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Nassau, Bahamas

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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, 2021, 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 91.

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, 2021, 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 & 25)	
Key audit matter	**How the matter was addressed in our audit**
As at December 31, 2021, Loans comprise 44.70% of the Group's total assets, with total gross Loans of $899.41 million and the related accumulated expected credit loss ("ECL") impairment allowance of $131.87 million. IFRS 9 is a complex accounting standard. 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. 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 dates; - 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; and - Internal risk ratings: Ratings are assigned to each credit facility according to the Group's risk management framework and dependent upon the risk characteristics for each facility. 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.	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 performed testing over the design and implementation of key controls over the valuation of the ECL, including controls over: the review and approval of changes in the Group's ECL methodology, inputs and key assumptions, and the review and approval of the ECL calculation and corresponding journal entries. Additionally, we updated our understanding of the Group's key credit processes and related controls, including but not limited to, granting, recording and monitoring loans; - On a sample basis, we tested the accuracy of key data inputs (including collateral values, loss given default "LGD" and assumptions used in determining individual customer risk ratings) used in the calculation of the ECL impairment allowance and evaluated the appropriateness of the risk ratings associated with 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; - We assessed the reasonableness of the manual overlay, considering facts and circumstances that led to the additional ECL; and - We engaged our credit specialists, whose scope of work encompassed the following procedures: assessment of the theoretical soundness and appropriateness of the ECL model methodology with respect to the model design and objective; a review of the model inputs, outputs and credit risk processes; and a supervised replication of the ECL model results and a reasonableness test of the model parameters used to calculate the results. Our credit specialists also performed independent testing to assess the appropriateness of the overall ECL calculation and approach, probability of default, loss given default, exposure at default, expected lifetime of credit facilities, significant increases in credit risk, effective interest rate and forward-looking information.

Impairment assessment of investments carried at amortized cost (see notes 8 & 25)	
Description of key audit matter	**How the matter was addressed in our audit**
As at December 31, 2021, Investments carried at amortized cost, comprise 40.24% of the Group's total assets, with total gross investments carried at amortized cost of $693.79 million and the related ECL impairment allowance of $2.97 million. IFRS 9 is a complex accounting standard, and the Group uses significant judgment, and various assumptions to determine both the timing and measurement of ECL impairment allowances on investments carried at amortized cost. The determination of the ECL impairment allowance is highly subjective. 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 ECL impairment allowance on investments carried at amortized cost are summarised below: - Significant increase in credit risk ("SICR"): The selection of criteria for identifying significant increases in credit risk are highly dependent on judgement and may have a significant impact on the ECL impairment allowance, specifically focused on the deterioration in sovereign credit risk in the current year; and - Forward looking information: Significant judgement is considered when developing macroeconomic forecasts. Such macroeconomic factors are used to calculate the ECL impairment allowance under multiple probability weighting scenarios. The ECL is a complex calculation, involving large amounts of data and various judgments and assumptions resulting in a high degree of estimation uncertainty. In addition, the ECL on investments carried at amortized cost is material to the consolidated financial statements as whole and for these reasons, we deem this a key audit matter.	In assessing the ECL impairment allowance on Investments carried at amortized cost, as part of our procedures, we performed the following: - We considered and updated our understanding of the Group's methodology for recording ECL impairment losses on investments carried at amortized cost; - We performed testing over the design and implementation of key controls over the valuation of the ECL, including controls over: the review and approval of changes in the Group's ECL methodology, inputs and key assumptions, and the review and approval of the ECL calculation and corresponding journal entries. - We obtained external confirmation from third party financial institutions and agreed the accuracy of the outstanding balances of investments carried at amortized costs and their maturities as of the reporting date, to the Group's books and records; - We tested the accuracy of key data inputs used in the calculation of the ECL impairment allowance and; - We engaged our credit specialists, who performed reasonableness testing over the ECL inputs and the ECL calculations to evaluate if outputs positively correlated with data inputs and parameters. 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, 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 "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.

KPMG

Nassau, Bahamas
April 22, 2022

OLIVER WYMAN

CERTIFICATION

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

I have examined the financial position and valued the policy liabilities for its balance sheet as at December 31, 2021, 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

January 31, 2022

Oliver, Wyman Limited

Commonwealth Bank Limited

Consolidated Statement of Financial Position

As at December 31, 2021, with corresponding figures as at December 31, 2020

(Expressed in Bahamian $000s)

	Notes		2021		2020
ASSETS					
Cash and deposits with banks	5, 7	$	192,458	$	275,593
Investments, net	5, 8		698,857		462,501
Loans and advances to customers, net	5,9,22,25		767,541		898,853
Other assets	5, 10		9,680		22,869
Right of use assets	11		1,301		1,935
Premises and equipment	12		47,068		43,625
TOTAL ASSETS	6	$	1,716,905	$	1,705,376
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from customers	5,13,22	$	1,462,218	$	1,415,910
Life assurance fund liability	14		1,011		1,012
Lease liabilities	11		1,369		1,935
Other liabilities	15,22		13,816		17,100
Total liabilities	6		1,478,414		1,435,957
EQUITY					
Share capital	16		1,946		1,918
Share premium	16		11,667		1,048
Retained earnings			224,878		266,453
Total equity			238,491		269,419
TOTAL LIABILITIES & EQUITY		$	1,716,905	$	1,705,376

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

These consolidated financial statements were approved by the Board of Directors on April 22, 2022, and are signed on its behalf by:

Executive Chairman **President**

Commonwealth Bank Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2021, with corresponding figures for 2020
(Expressed in Bahamian $000s)

	Notes	2021	2020
INCOME			
Interest income, effective interest rate method	5,22	$ 132,591	$ 142,020
Interest expense	5,6,22	(17,105)	(13,638)
Net interest income		115,486	128,382
Credit life insurance premiums, net		4,159	5,374
Fees and other income	5,20	20,432	18,132
Net change in unrealised gain on equity investment at FVTPL	5	52	1,283
Insurance recoveries	12	-	2,091
Total other income		24,643	26,880
Total income	6	140,129	155,262
NON-INTEREST EXPENSE			
General and administrative	21,22,23	67,794	67,057
Impairment losses on financial assets	8,9	93,001	65,758
Insurance claims		4,538	2,861
Change in insurance reserves	14	(1)	(670)
Depreciation on right of use assets	11	661	-
Other depreciation and amortization	12	3,700	3,248
Loss on disposal of premises and equipment	12	12	-
Finance cost on lease liabilities	11	149	-
Directors' fees		282	363
Total non-interest expense		170,136	138,617
TOTAL (LOSS) PROFIT	6,17	(30,007)	16,645
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gain (loss) of defined benefit obligation	23	9	(1,125)
TOTAL COMPREHENSIVE (LOSS) INCOME		$ (29,998)	$ 15,520
(LOSS) EARNINGS PER COMMON SHARE (expressed in dollars)		$ (0.10)	$ 0.06

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, 2021, with corresponding figures as at December 31, 2020

(Expressed in Bahamian $000s)

2021

	Notes	Share Capital (Common)	Share Premium	Retained Earnings	Total
As at December 31, 2020		**$ 1,918**	**$ 1,048**	**$ 266,453**	**$ 269,419**
Comprehensive loss					
Total loss		-	-	(30,007)	(30,007)
Remeasurement gain of defined benefit obligation		-	-	9	9
		-	-	(29,998)	(29,998)
Transaction with owners					
Repurchase of common shares	22	(1)	(257)	-	(258)
Sale of treasury shares	16, 22	29	10,876	-	10,905
Dividends - common shares	16	-	-	(11,577)	(11,577)
		28	10,619	(11,577)	(930)
As at December 31, 2021		**$ 1,946**	**$ 11,667**	**$ 224,878**	**$ 238,491**
Dividends per share (expressed in dollars)	**$0.04**				

2020

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

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

(Expressed in Bahamian $000s)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Total (loss) profit		$ (30,007)	$ 16,645
Adjustments for:		-	
Depreciation on right of use assets		661	-
Other depreciation and amortization		3,700	3,248
Loan impairment expense		93,001	65,758
Interest income		(132,591)	(142,020)
Interest expense		17,105	13,638
Gain on insurance recoveries for business interruption		-	(2,091)
Loss on disposal of premises and equipment		12	-
Unrealised gain on equity investments		(52)	(1,283)
		(48,171)	(46,105)
Change in loans and advances to customers		4,893	(4,899)
Change in minimum reserve requirement		(1,931)	(3,498)
Change in restricted deposit		2,691	(378)
Change in other assets		13,189	(8,136)
Change in other liabilities		(3,284)	1,760
Change in life assurance fund liability		(1)	(670)
Finance cost on lease liabilities		149	-
Change in deposits		37,023	(6,782)
Interest received		164,068	119,352
Interest paid		(7,820)	(10,236)
Net cash from operating activities		$ 160,806	$ 40,408
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(951,132)	(398,300)
Redemption of investments		716,778	369,259
Purchases of premises and equipment		(7,186)	(4,435)
Net proceeds from insurance recoveries		-	2,091
Net proceeds from sale of premises and equipment		31	92
Net cash used in investing activities		$ (241,509)	$ (31,293)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(11,577)	(17,275)
Repurchase of common shares		(258)	(1,663)
Sale of treasury shares		10,905	-
Payment of lease liabilities		(742)	-
Net cash used in financing activities		(1,672)	(18,938)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(82,375)	(9,823)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		217,507	227,330
CASH AND CASH EQUIVALENTS, END OF YEAR	7	$ 135,132	$ 217,507

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

1. INCORPORATION AND ACTIVITIES

Commonwealth Bank Limited (the "Bank") was incorporated in The Commonwealth of The Bahamas ("The Bahamas") on April 20, 1960, and is licensed by the Central Bank of The Bahamas (the "Central Bank") to carry out banking business in The Bahamas under the provisions of the Banks and Trust Companies Regulations Act 2020.

The Bank's shares are publicly traded and listed on The Bahamas International Securities Exchange ("BISX").

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

(a) Basis of preparation

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 financial statements for the year ended December 31, 2021 have been approved by the Board of Directors on April 22, 2022.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value.

(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

The consolidated financial statements include the assets, liabilities, financial performance and cash flows of the Group and all of its subsidiaries, after the elimination of intercompany transactions and balances. Subsidiaries are defined as entities controlled by the Group and exclude associates and joint arrangements. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and can 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.

Inter-Group 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 are consistent with the policies adopted by the Group.

Voting-interest subsidiaries

Control is presumed with an ownership interest of more than 50% of the voting rights in an entity unless there are other factors that indicate that the Group does not control the entity despite having more than 50%

(d) Changes in significant accounting policies

New standards, amendments and interpretations adopted by the Group

Standards and amendments and interpretations to published standards that became effective for the Group's financial year, beginning on 1 January 2021 were, either not relevant or not significant to the Group's operations and accordingly did not have a material impact on the Group's accounting policies or consolidated financial statements.

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

The application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group's accounting policies or consolidated financial statements in the financial period of initial application, except for IFRS 17 *Insurance Contracts* ("IFRS 17").

The Group anticipates a material impact regarding IFRS 17 which was issued in May 2017. The current standard allows insurers to use local GAAP. IFRS 17 defines clear and consistent rules that aim to increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and 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) Financial assets and liabilities

Financial assets

Recognition and initial measurement

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, or to exchange financial instruments with another enterprise under conditions that are potentially favourable or an equity instrument of another enterprise.

The Group's financial assets are defined as cash and deposits with banks, investments, loans and advances to customers, and accounts receivable which is included in other assets on the consolidated statement of financial position.

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

1. *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 amortisation of any premium or discount, and minus any write-down for expected credit losses ("ECL").

2. *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 (FVOCI).

   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.

   The classification and subsequent measurement of financial assets are determined by the Group's business model for managing the financial asset, and the cash flow characteristics of the financial asset.

Business model assessment

A business model assessment is performed to determine how a portfolio of financial assets is managed 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 the Group's management;
- 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.

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 (SPPI) 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 the 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 after their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Recognition and derecognition
The Group initially recognizes 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-recognized 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 two 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, 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 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.

Financial liabilities

Financial liabilities are any liabilities that are:

- 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;
- 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 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 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.

(f) Impairment of financial assets measured at amortised cost

The Group recognises ECL on financial assets measured at amortised cost. ECL for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses are measured at an amount equal to the 12-month ECL or lifetime ECL depending on the stage in which the asset is classified.

12-month ECL are the portion of ECL 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 ECL are the ECL that results from all possible default events over the expected life of a financial asset.

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

ECL 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 ECL continues to apply where there is no significant increase in credit risk ("SICR") since initial recognition.

Stage 2 – Performing financial assets are categorized as Stage 2 when there is a SICR since initial recognition but the financial asset is not credit-impaired. The Group recognises the full lifetime ECL on Stage 2 financial assets.

In determining whether a SICR has occurred since initial recognition, and when estimating ECL, 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. Critical accounting judgments and key sources of estimates are discussed in Note 3. The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument, and is not assessed based on the change in the amount of the ECL. This involves setting quantitative tests combined with additional indicators such as credit risk classification and other observable inputs. Assets that are more than 30 days past due, but not credit-impaired, are classed as stage 2.

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

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 ECL. At this stage, the financial asset is credit-impaired and categorized as Stage 3.

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 all financial assets, except for sovereign and government-related debt 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.

The Group shall consider its investment in sovereign and government-related debt to have defaulted when payments or an obligation are not made on the agreed date due or when other relevant qualitative and quantitative information becomes available to the Bank, indicating that the sovereign and government-related debt will go into default on or before the reporting date, or within twelve months after the reporting date.

In the event the payment or an obligation due date falls on a non-business day, the instrument is deemed to have effectively defaulted where the payment or obligation is not met within three (3) business days of the due date.

Where payments or an obligation on sovereign and government-related debt is resumed, the default status is deemed cured where payments or obligations are met in full for at least one (1) year from the breach of the sovereign credit arrangement.

Write-off of loans and advances to customers

Loans and advances to customers (and the related ECL) 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 are written-off in the month after principal and/or interest payments become 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.

(g) 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. The 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 a revaluation surplus.

(h) 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, including cash with the Central Bank, amounts due from banks, and short-term treasury bills. Cash and cash equivalents are carried at amortised costs.

(i) Investments

Investments in the consolidated statement of financial position include:

- debt investment securities measured at amortised cost less ECL. 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.

(j) Loans and advances to customers

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.

(k) Leases

Classification and measurement

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (leases with terms of twelve months or less) and leases of low-value assets. Lease contracts are typically made for a fixed period with an extension option which is exercisable by the Group. A lease of low-value assets, on the other hand, is a lease for which an underlying asset is of low value (per the standard, with a value of $5,000 or the equivalent for new similar assets).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

Initial measurement

1. *Lease liabilities*
   Lease liabilities are initially measured as the present value (PV) of the lease payments not paid. The PV is determined by using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used. This rate is defined as the rate of interest that the Group would have to pay to borrow over a similar term and with similar security to obtain an asset of a similar value to the right-to-use asset in a similar economic environment.

2. *Right of use assets*
   Right of use assets are measured at cost comprising the following:

   - The amount of the initial measurement of the lease liability;
   - Any lease payments made at or before the commencement date less any incentives received;
   - Any initial direct costs; and
   - Restoration costs.

Subsequent Measurement

1. *Lease liabilities*
   Lease payments are allocated between principal and finance costs. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Accordingly, the lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount by the lease payments made.

2. *Right of use assets*
   Right of use assets are depreciated using the straight-line method over the shorter period of the lease term and the useful life of the underlying asset. The Group defines the lease term as the period of time in which a contractual lease is in place. The Group assesses whether there is an indication of impairment for the right-of-use asset in accordance with IAS 36, Impairment of Assets. In the event of impairment, a test is performed. Judgments applied by the Group in determining the measurement of its lease liabilities and right-of-use assets are disclosed in Note 11.

(l) 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 costs are charged to the statement of profit or loss and other comprehensive income as a part of total profit during the financial period in which they are incurred.

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

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

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

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

(m) Deposits from customers

Deposits from customers are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Deposits from customers are derecognised when the financial liability has been extinguished.

(n) 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 the consolidated statement of profit or loss and other comprehensive income.

(o) 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.

(p) Recognition of income and expense

The Group recognizes interest income and interest 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, except for 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.

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 the security held, where applicable, is sufficient to recover the payment of outstanding principal and accrued interest.

Credit life insurance premium income is recognized at the time a policy comes into effect. Premiums are shown net of refunds. Policies written before 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 that 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 pre-calculated interest a lender refunds to a borrower who pays off a loan early. Premiums for policies written in 2017 and subsequent years are assessed monthly and are calculated on the current balance of the associated loan. Such premiums are recognized when assessed.

Insurance recoveries 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.

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 can direct the use of and obtain the benefits of the services and the contractual performance obligation to the customer has been satisfied.

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.

Insurance claims are recognized when approved for payment.

Other expenses are recognised as the services are received.

(q) 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 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.

(r) Dividends on common shares

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

(s) Earnings per common share

Earnings per share are computed by dividing the total profit by the weighted average number of common shares outstanding during the year and not held by Group companies.

(t) 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.

(u) 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.

(v) 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 16).

Treasury shares
Treasury shares represents the Bank's issued shares that 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.

(w) Other items
1. *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(f). Where a financial instrument includes both a loan and a loan commitment component, the loss allowance on the loan commitment is recognised together with the loss allowance for the loan. Where a financial instrument does not include both a loan and a loan commitment component, the loss allowance is recognised as a provision.

2. *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 significant influence over the Group;
  c. is a close family member of an individual or those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Group; or
  d. 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 can 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 Note 22.

3. *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.

4. *Corresponding figures*
As disclosed in note 26, certain corresponding figures in the prior year have been reclassified in the current comparative consolidated financial statements to conform with the current year's presentation. There was no effect on net assets, the Consolidated Statement of Changes in Equity or the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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.

(a) Critical estimates

1. *Impairment of financial assets*
The impairment losses on financial assets represent management's estimate of ECL. 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:

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

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 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.

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 ongoing 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. As of August 31, 2021, there were no loans granted forbearance and all loans are now subject to recency of payments as part of the credit risk management. The inputs, assumptions and estimation techniques used in measuring ECL are further detailed in Note 25.

2. Post-retirement benefit obligation

The Bank maintains a defined benefit plan as outlined in Note 2(t). 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 23.

3. Life insurance fund liability

The inputs, assumptions and estimation techniques used in measuring the life insurance liability are detailed in Note 14.

4. Contingent liability

To determine whether or not a contingent liability should be recorded management estimates the probability that an outflow of economic benefits will be required to settle obligations created from past events. If a contingent liability is determined to exist, management records the amount of the liability based on an estimate of the payout that would be needed to settle the obligation, if it is estimable.

(b) Key judgments

1. 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(e).

2. 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:

- Cash and deposit with banks – The fair values of these financial instruments are assumed to approximate their carrying values due to their generally short-term nature or the repricing of interest rates on variable rate products.

- Investments – The estimated fair value of the Group's investments was determined based on their market values and other observable inputs.

- 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.

- 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 deposits 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:

	2021		
	Amortized Cost	Fair Value Through Profit (Loss)	Total
FINANCIAL ASSETS			
Cash and deposits with banks	$ 192,458	$ -	$ 192,458
Investments, net	$ 691,933	$ 6,924	$ 698,857
Loans and advances to customers, net	$ 767,541	$ -	$ 767,541
Other assets	$ 2,502	$ -	$ 2,502
FINANCIAL LIABILITIES			
Deposits from customers	$ 1,462,218	$ -	$ 1,462,218
Lease liabilities	$ 1,369	$ -	$ 1,369

	2020		
	Amortized Cost	Fair Value Through Profit (Loss)	Total
FINANCIAL ASSETS			
Cash and deposits with banks	$ 275,593	$ -	$ 275,593
Investments, net	$ 455,102	$ 7,399	$ 462,501
Loans and advances to customers, net	$ 898,853	$ -	$ 898,853
Other assets	$ 3,850	$ -	$ 3,850
FINANCIAL LIABILITIES			
Deposits from customers	$ 1,415,910	$ -	$ 1,415,910
Lease liabilities	$ 1,935	$ -	$ 1,935

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

	2021	2020
Interest income, effective interest rate method		
Loans and advances to customers	$ 108,093	$ 123,290
Investments	24,497	18,729
Other	1	1
	$ 132,591	$ 142,020
Interest expense		
Deposits from customers	$ 17,105	$ 13,638
Fees and other income		
Deposits from customers	14,188	11,807
Loans and advances to customers	5,773	4,421
Unrealized gain on equity investment	52	1,283
	$ 20,013	$ 17,511

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. Income and expenses directly associated with each segment are included in determining operating segment performance. The Group has five operating segments which are organised based on the nature of the products and services provided by each segment.

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

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

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

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

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

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

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

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

The following table shows financial information by business segment:

	2021						
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	$ 138,876	$ 1,245	$ 8	$ -	$ -	$ -	$ 140,129
Internal	1,731	(192)	3,898	(4,622)	549	(1,364)	-
Total Income (loss)	$ 140,607	$ 1,053	$ 3,906	$ (4,622)	$ 549	$ (1,364)	$ 140,129
Total profit (loss)							
Internal & external	$ (25,469)	$ 1,115	$ 1,472	$ (5,659)	$ 320	$ (1,786)	$ (30,007)
Assets	$ 1,673,433	$ 45,508	$ 31,693	$ 14,984	$ 4,037	$ (52,750)	$ 1,716,905
Liabilities	$ 1,482,325	$ 1,125	$ 4,985	$ 75	$ 11	$ (10,107)	$ 1,478,414
Other Information							
Interest expense	$ 14,963	$ -	$ 313	$ 1,000	$ -	$ 829	$ 17,105
Capital additions	$ 1,989	$ -	$ 5,197	$ -	$ -	$ -	$ 7,186
Depreciation and amortization	$ 3,006	$ -	$ 694	$ -	$ -	$ -	$ 3,700

	2020						
	Retail Bank	Credit Life Company	Real Estate Holding	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/(Loss)	$ 150,068	$ 3,880	$ 3,595	$ (6,226)	$ 679	$ 3,266	$ 155,262
Total profit/(Loss)							
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	$ -	$ 1,139	$ 13,638
Capital additions	$ 5,204	$ -	$ 1,166	$ -	$ -	$ -	$ 6,370
Depreciation and amortization	$ 2,681	$ -	$ 567	$ -	$ -	$ -	$ 3,248

7. CASH AND CASH EQUIVALENTS

	2021	2020
Cash on hand	$ 23,890	$ 20,824
Deposits with banks	18,012	19,010
Balances with the Central Bank	150,556	235,759
Cash and deposits with banks	**192,458**	**275,593**
Minimum reserve requirement	(57,326)	(55,395)
Time deposit	-	(2,691)
Cash and cash equivalents	**$ 135,132**	**$ 217,507**

The minimum reserve requirement comprises deposits placed with 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:

	2021		
	Gross Amount	Maturity years	Interest rates
Bahamas Government debt	$ 668,562	2022-2037	2.50% - 4.88%
Bahamas Government related-debt	18,232	2023-2035	4.25% - 7.00%
United States Government debt	1,000	2023-2024	6.25% - 7.50%
Accrued interest receivable	5,994		
Total investments measured at amortised cost	693,788		
Less: Allowance for ECL	(2,974)		
Total investments measured at amortised cost, net	690,814		
Equity investments	8,043		
Total investments, net	$ 698,857		

	2020		
	Gross Amount	Maturity years	Interest rates
Bahamas Government debt	$ 434,178	2021-2037	2.00% - 4.88%
Bahamas Government related-debt	18,250	2023-2042	4.25% - 7.00%
United States Government debt	1,000	2023-2024	6.25% - 7.50%
Accrued interest receivable	4,989		
Total investments measured at amortised cost	458,417		
Less: Allowance for ECL	(3,920)		
Total investments measured at amortised cost, net	454,497		
Equity investments	8,004		
Total investments, net	$ 462,501		

Investments categorized by maturity are as follows:

	2021	2020
Current (due in one year)	$ 417,107	$ 143,770
Non-current (due after one year)	281,750	318,731
	$ 698,857	$ 462,501

The table below shows the net carrying amount and fair value of investments.

	2021	
	Net Carrying Amount	Fair Value
Bahamas Government debt	$ 665,762	$ 668,696
Bahamas Government related-debt	18,058	18,232
United States Government debt	1,000	1,149
Equity investments	8,043	8,043
Accrued interest receivable	5,994	5,994
Total investments, net	$ 698,857	$ 702,114

	2020	
	Net Carrying Amount	Fair Value
Bahamas Government	$ 430,520	$ 434,550
Bahamas Government related-debt	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 investments, net	$ 462,501	$ 467,025

The table below shows the fair value hierarchy of investments.

	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bahamas Government debt	$ -	$ 668,696	$ -	$ -	$ 434,550	$ -
Bahamas Government related-debt	-	18,232	-	-	18,250	-
United States Government debt	1,149	-	-	1,232	-	-
Equity investments	8,043	-	-	8,004	-	-

As of December 31, 2021 the majority of the Group's investments in Bahamas Government debt, comprise Bahamas Government Registered Stock and Bahamas Government Treasury Bills.

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

As at December 31, 2021, the Group held equity securities as FVTPL totaling $8.04 million (2020: $8 million). 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:

	2021	2020
Residential mortgage	$ 168,318	$ 185,046
Business	20,968	17,607
Personal	636,273	727,544
Credit card	34,738	40,648
Government	39,116	44,588
	899,413	1,015,433
Less: Allowance for ECL	(131,872)	(116,580)
Fair value of loans and advances to customers	$ 767,541	$ 898,853

Loans categorized by maturity are as follows:

	2021	2020
Current (due within one year)	$ 61,192	$ 48,831
Non-current (due after one year)	706,349	850,022
	$ 767,541	$ 898,853

Included within the carrying amount of gross loans and advances to customers are accrued interest and late fees amounting to $14.1 million (2020: $17.6 million), and effective interest rate adjustments of $3.4 million (2020: $3.3 million), the latter principally comprising deferred fees and other direct costs incurred to originate loans.

The effective interest rate yield earned for the year ended December 31, 2021, is 11.91% (2020: 12.13%).

Loans and advances to customers are stated net of expected credit losses. The estimated fair values of loans and advances to customers represent 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 instruments.

Movement in Impairment Allowances:

2021	Balance at the Beginning of Year	Loans Written off	Recoveries	Impairment Losses	Balance at the End of Year
Residential mortgage	$ 15,415	$ (2,884)	$	677	13,208
Business	1,168	(2)		(195)	971
Personal	96,317	(80,749)	9,097	89,639	114,304
Credit card	3,200	(4,577)	460	3,939	3,022
Government	480	-	-	(113)	367
Total	$ 116,580	$ (88,212)	$ 9,557	$ 93,947	$ 131,872

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

10. OTHER ASSETS

The composition of other assets is as follows:

	2021	2020
Pension asset	$ 4,005	$ 4,142
Prepaid expenses	2,543	10,031
Accounts receivable	2,502	3,850
Other	630	4,845
	$ 9,680	$ 22,869

The pension asset comprises the net asset position of the defined benefit plan as disclosed in Note 23.

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

11. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of Use assets are as follows:

	2021	2020
Opening net book value	$ 1,935	$ -
Additions	27	1,935
Depreciation	(661)	-
Closing net book value	$ 1,301	$ 1,935

For the years ended December 31, 2021, and 2020, there were no direct costs incurred by the Group upon entering a lease.

	2021	2020
Cost	$ 1,962	$ 1,935
Accumulated depreciation	(661)	-
Closing net book value	$ 1,301	$ 1,935

Lease liabilities are as follows:

	2021	2020
Opening net book value	$ 1,935	$ -
Additions	27	1,935
Finance cost on lease liabilities	149	-
Repayment of lease liabilities	(742)	-
Closing net book value	$ 1,369	$ 1,935

Of which is:

Current lease liabilities	$ 555	115
Non-current lease liabilities	814	1,820
	$ 1,369	$ 1,935

The incremental borrowing rate is 4.25% (2020: 4.25%) per annum.

12. PREMISES AND EQUIPMENT

The movement of premises and equipment is as follows:

	Land/Site Improvements	Buildings	Leasehold Improvements	Furniture Fittings & Equipment	Total
Cost					
December 31, 2020	14,542	34,221	1,095	38,520	88,378
Additions	31	5,135	-	2,020	7,186
Disposals	-	-	-	(409)	(409)
Transfer	402	(402)	-	-	-
December 31, 2021	14,975	38,954	1,095	40,131	95,155
Accumulated Depreciation					
December 31, 2020	690	12,963	912	30,188	44,753
Depreciation	54	926	28	2,692	3,700
Disposal	-	-	-	(366)	(366)
Transfer	51	(51)	-	-	-
December 31, 2021	795	13,838	940	32,514	48,087
Net Book Value					
December 31, 2020	13,852	21,258	183	8,332	43,625
December 31, 2021	14,180	25,116	155	7,617	47,068

In September 2019, Hurricane Dorian impacted the Bank's branches in Grand Bahama and Abaco. The Bank recognised $Nil (2020: $2.1 million) in recoveries related to Hurricane Dorian.

13. DEPOSITS WITH CUSTOMERS

The composition of deposits from customers is as follows:

		2021		2020
Demand deposits	$	243,578	$	246,069
Savings accounts		475,571		441,582
Certificates of deposit		743,069		728,259
	$	1,462,218	$	1,415,910

Deposits from customers categorized by maturity are as follow:

Current (due within one year)	$	1,118,451	$	1,105,174
Non-current (due after one year)		343,767		310,736
	$	1,462,218	$	1,415,910

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 $32.7 million (2020: $23.4 million).

Deposits carry fixed interest rates ranging from 0.00% to 6.25% (2020: 0:00% to 6.25%) per annum, but the fixed interest rates are determined based on market rates and can be adjusted at the respective maturities of the deposits based on changes in market rates. The weighted average interest rate incurred on deposits from customers as at December 31, 2021, was 1.20% (2020: 0.99%).

14. LIFE INSURANCE FUND LIABILITY

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

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

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

An actuarial valuation of the life insurance fund liability was conducted as at December 31, 2021, by Oliver Wyman of Toronto, Canada. The valuation included a provision of $509 thousand (2020: $164 thousand) for claims incurred but not yet reported.

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

		2021		2020
Balance at beginning of the year	$	1,012	$	1,682
Change in assumptions		44		0
Termination policies		(267)		(298)
Impact of aging		(107)		(242)
Change in IBNR		345		(157)
New business		10		6
Change in unearned premium reserve		(26)		21
Net change in insurance reserve		(1)		(670)
Balance at end of the year	$	1,011	$	1,012

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

Current (within one year)	$	595	$	595
Non-current (after one year)		416		417
	$	1,011	$	1,012

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:

2021										
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 2021	5.0	48%	15.50%	$16.34	3.30%	3.45%	3.25%	299		
Lower Interest Rate	5.0	48%	15.50%	$16.34	3.30%	3.11%	2.93%	300	1	0.4%
Mortality = 5.5	5.0	48%	15.50%	$16.34	3.30%	3.45%	3.25%	328	29	9.7%
Lapse = 43.20%	5.0	43%	15.50%	$16.34	3.30%	3.45%	3.25%	311	12	4.0%
Loan Interest = 17.05%	5.0	48%	17.05%	$16.34	3.30%	3.45%	3.25%	300	1	0.2%
Expenses = 17.97	5.0	48%	15.50%	$17.97	3.30%	3.45%	3.25%	314	15	4.9%
Inflation = 3.63%	5.0	48%	15.50%	$16.34	3.63%	3.45%	3.25%	300	1	0.3%

Management engaged an independent actuary to assist in determining the assumptions used. Management compares the assumptions recommended by the actuary to the Bank's historical experience and other internal and external data when assessing the reasonableness of the assumptions recommended by the actuary.

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%

15. OTHER LIABILITIES

The composition of other liabilities is as follows:

	2021	2020
Accruals and accounts payable	$ 3,301	$ 4,510
Cashier's cheques outstanding	3,713	4,719
Employee related	567	2,008
Other	6,235	5,863
	$ 13,816	$ 17,100

Accruals and accounts payable and Cashier's cheques outstanding are expected to be settled within the next 12 months.

16. SHARE CAPITAL

The table below presents information about the common shares which were authorized, issued, and fully paid during 2021 and 2020.

Common Shares

	2021	2020
Authorised:		
675,000,000 (2020: 675,000,000) shares of $0.00667 per share	$ 4,500	$ 4,500
Issued and fully paid:		
295,268,556 (2020: 295,268,556) shares of $0.00667 per share	$ 1,968	$ 1,968
Share premium	26,363	27,009
Less: 4,474,120 (2020: 7,524,204) shares held in treasury	(14,718)	(26,011)
Total	$ 13,613	$ 2,966
Share capital	$ 1,946	$ 1,918
Share premium	11,667	1,048
	$ 13,613	$ 2,966

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 had sales of its treasury shares and repurchased its common shares through its subsidiary, C.B. Securities. Details of the purchases are disclosed in Note 22.

During the year, the Group paid four quarterly (2020: three quarterly) common share dividends of $0.01 (2020: $0.02) per share and extraordinary dividends of $Nil (2020: $Nil) per share. These payments totaled $11.6 million (2020: $17.3 million) in common share dividend payments.

17. EARNINGS PER SHARE

		2021		2020
Total profit available to common shareholders	$	(30,007)	$	16,645
Weighted average number of common shares (in thousands)		289,335		288,567
Earnings per share (expressed in dollars)	$	(0.10)	$	0.06

18. 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 Directors approved the transfer of $10.5 million from its general reserve to retained earnings.

19. EMPLOYEE SHARE-BASED PAYMENT PLANS

Stock Option Plan

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

The main details of the Plan are as follows:

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

The Plan is being funded by CB Securities Ltd. purchasing shares from the market in advance of the options being exercised. The Bank recognised expenses of $Nil (2020: $Nil) related to this equity settled share-based payment plan during the year.

Other share-based payment plans

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 2021 (2020: Nil shares).

There were no shares outstanding to be exercised under the stock option plans as at December 31, 2021 (2020: Nil). Options available to be granted under the plans totaled 14,034,000 (2020: 14,034,000).

20. FEES AND OTHER INCOME

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

		2021		2020
Loan and credit card fees, excluding commitment and origination fees	$	5,773	$	4,421
Deposit account fees		6,324		5,390
Debit card fees		4,937		3,400
Foreign exchange		2,927		3,017
Other		471		1,904
	$	20,432	$	18,132

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are as follows:

		2021		2020
Staff costs	$	35,340	$	34,358
Licences and taxes (including premium taxes)		12,205		11,664
Professional and service fees		7,424		6,512
Occupancy		4,055		4,579
Advertising		1,187		1,206
Other		7,583		8,738
	$	67,794	$	67,057

Staff costs include pension costs of $2.2 million (2020: $2.2 million) of which $0.5 million (2020: $0.7 million) relates to the DB Provisions (see Note 23). Occupancy includes rental costs for leased properties (see Note 24).

22. RELATED PARTIES BALANCES AND TRANSACTIONS

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

	2021			2020		
	Key Management Personnel $	Other Related Parties $	Total $	Key Management Personnel $	Other Related Parties $	Total $
Loans and advances to customers	3,370	61	3,431	2,307	40	2,347
Deposits from customers	28,907	271,176	300,083	21,965	267,425	289,390
Other liabilities	-	102	102	-	88	88
Interest income	126	8	134	90	8	98
Interest expense	661	9,434	10,095	555	6,343	6,898
General and administrative expense (excluding short term benefits)	-	354	354	-	537	537
Commitments under revolving credit lines	541	473	1,014	561	1,662	2,223

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:

	2021	2020
Short-term benefits	$ 4,920	$ 4,678
Post-employment benefits	1,891	1,080
Other long-term benefits	644	722
	$ 7,455	$ 6,480

Purchases and Sale of Shares from and to Subsidiary

During the year, the Bank's wholly-owned subsidiary C.B. Securities Ltd. purchased 89,884 of the Bank's common shares for $0.3 million (2020: 409,885 shares for $1.7 million). C.B. Securities Ltd. holds 3,425,169 (2020: 7,524, 204) of the Bank's shares which have a market value of approximately $13.6 million (2020: $27.0 million).

During 2021, 4,188,919 shares (2020: nil) were sold to a related party for $12 million (2020: nil) to facilitate dividend payments.

23. 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 5.75% (2020: 5.60%).

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 2021 has remained 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.

Rate of increase of future compensation:
The 'rate of increase in future compensation' assumption of 3.5% remains unchanged from the prior year.

Expenses:
The expense assumption used in the calculation of the DB Provision is $102,283 (2020: $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 5.75% (2020: 5.6%). 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, 2021.

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:

		2021		2020
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	$	28,531	$	29,286
Interest income		1,566		1,581
Actual return on plan assets		(693)		(1,401)
Administrative costs		(87)		(106)
Employer contributions		-		-
Participant contributions		66		72
Benefits paid		(1,213)		(767)
Withdrawals from plan		-		(134)
Fair value of plan assets at end of year	$	28,170	$	28,531

		2021		2020
Change in defined benefit obligation:				
Benefit obligation at beginning of year	$	24,389	$	23,947
Current employer service costs		275		265
Participant contributions		66		72
Interest cost		1,335		1,288
Withdrawals from plan		-		(134)
Benefits paid		(1,213)		(767)
Experience adjustment		(244)		24
Changes in financial assumptions		(443)		(306)
Benefit obligation at end of year	$	24,165	$	24,389
Benefit obligation at end of year	$	24,165	$	24,389
Fair value of plan assets at end of year		(28,170)		(28,531)
Net defined benefit (asset) liability	$	(4,005)	$	(4,142)

		2021		2020
Net defined benefit (asset) liability:				
Balance at beginning of year	$	(4,142)	$	(5,339)
Defined benefit included in profit or loss		146		72
Remeasurement included in other comprehensive income		(9)		1,125
Employer contributions		-		-
Balance at end of year	$	(4,005)	$	(4,142)
Components of defined benefit cost:				
Current employer service costs	$	275	$	265
Interest cost on defined benefit obligation		1,335		1,288
Interest income on plan assets		(1,566)		(1,581)
Administrative costs		102		100
Pension benefit expense included in staff costs	$	146	$	72

		2021		2020
Components of remeasurements:				
Changes in financial assumptions	$	(443)	$	(306)
Experience adjustments		(244)		24
Return on plan assets excluding interest income		678		1,407
Remeasurements included in other comprehensive income	$	(9)	$	1,125
Weighted-average assumptions to determine defined benefit obligations:				
Discount rate		5.75%		5.60%
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		5.60%		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

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:

2021		Discount Rate		Compensation		Pension		Mortality
Pension obligation	$	747	$	139	$	592	$	508
Pension expense	$	61	$	11	$	41	$	35

2020		Discount Rate		Compensation		Pension		Mortality
Pension obligation	$	777	$	211	$	647	$	556
Pension expense	$	64	$	16	$	45	$	38

The effect of assuming an increase of 1 year in life expectancy would increase the benefit obligation by $0.5 million (2020: $0.6 million) and pension benefits expense by $35,000 (2020:$38,000).

The weighted average duration of the defined benefit obligation is 12.9 years (2020: 13.2 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 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 (2020: 1,410,825) common shares. These shares have a market value of $4.3 million (2020: $5.1 million) which represents 15.25% (2020: 17.70%) of the DB Provisions' assets.

The major categories of DB Provisions assets at December 31, 2021, are as follows:

		Fair Value of Plan Assets 2021		2020
Balance at banks	$	1,307	$	847
Equity instruments		9,435		9,754
Government bonds		12,771		12,830
Other debt instruments		2,655		2,662
Preferred equity		1,773		2,510
Other Assets		229		10
Liabilities		-		(82)
Fair value of plan assets	$	28,170	$	28,531

Given that the DB Provisions is currently overfunded, the Bank does not expect to make any contributions in 2022 in respect of the DB Provisions.

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

		2021		2020
Deposits from customers	$	132	$	-
Interest expense	$	-	$	-

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

		2021		2020
DB Provisions gain/(loss)	$	9	$	(1,125)
	$	9	$	(1,125)

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.

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:

		2021		2020
Pension expense included in staff costs	$	1,639	$	1,607

The DC Provisions owns 283,778 (2020: 683,778) common shares of the Bank. These shares have a market value of $0.9 million (2020: $2.5 million) which represents 5.2% (2020: 4.9%) of the DC Provisions assets.

24. COMMITMENTS AND CONTINGENCIES

To meet the financial needs of customers, the Bank enters into various irrevocable commitments 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:

		2021		2020
Mortgage commitments	$	6,221	$	6,657
Revolving credit lines		30,671		33,738
	$	36,892	$	40,395

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, 2021, the Bank had capital commitments of $0.01 million (2020: $3.7 million).

Lease commitments

The future minimum rental payments required under non-cancellable operating leases as at December 31, 2021, are as follows:

		2021		2020
Year		$		$
2021		-		598
2022		702		547
2023		338		306
2024		317		306
2025		92		178
Beyond 2025		85		-
	$	1,534	$	1,935

Letters of credit

In 2020, the Bank had 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 was secured by time deposits totaling $2.7 million, which are included in 'Cash and deposits with banks in the consolidated statement of financial position. In 2021, the standby letter of credit with Citibank was terminated and placed with PNC Bank for US$2.7 million. The standby letter of credit with PNC Bank does not require cash security.

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, 2021, the Bank maintained related provisions totaling $0.2million (2020: $0.2 million) while the ruling is pending. These provisions are included in other liabilities in the employee-related line item (Note 15), for any loss that might ultimately arise.

25. Risk Management

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's 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's 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 17 and 19. 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% (2020: 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 2021 was 27% (2020: 28%). 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 2020.

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

Under paragraph 60(1)A of The Insurance (General) Regulations, 2010 (the "Regulations") an insurance company is required to have a minimum paid-up and unencumbered share capital of not less than $3 million. As at December 31, 2021, Laurentide has $300,300 (2020: $300,300) in share capital and $2,750,000 (2020: $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 under 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, 2021 (2020: $2,289,300).

Laurentide is required to maintain a solvency margin under paragraph 90 of the Regulations. For the Regulations, the 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 percent 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, 2021, the minimum margin of solvency was $1,303,768 (2020: $4,031,919). Laurentide's solvency margin at December 31, 2021 was $44,378,748 (2020: $38,986,854) resulting in a surplus of $43,074,980 (2020: $34,954,935).

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

As at December 31, 2021, Laurentide had $42,907,556 (2020: $39,426,644) in qualifying assets and $42,907,556 (2020: $39,426,644) in admissible assets as defined under paragraphs 70 and 72 of the Regulations, respectively.

During the year, the Group complied 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 favorable or unfavorable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. 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, 2021, which represents the Group's risk exposure at this point 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 $2.4 million (2020: $3.6 million).

As of December 31, 2021	Repricing date of interest sensitive instruments Within 3 Months	3-12 months	Over 1-5 Years	Over 5 years	Non interest rate sensitive	Total
Assets						
Cash and deposits with banks	$ -	$ -	$ -	$ -	$ 192,458	$ 192,458
Investments, net	336,848	75,816	93,757	184,393	8,043	698,857
Loans and advances to customers, net	61,165	10,597	167,388	528,391	-	767,541
Other assets	-	5,675	-	-	4,005	9,680
Total financial assets	$ 398,013	$ 92,088	$ 261,145	$ 712,784	$ 204,506	$ 1,668,536
Liabilities						
Deposits from customers	$ 957,351	$ 161,100	$ 244,390	$ 99,377	$ -	$ 1,462,218
Other liabilities	-	-	-	-	13,816	13,816
Lease liabilities	-	-	1,369	-	-	1,369
Total financial liabilities	$ 957,351	$ 161,100	$ 245,759	$ 99,377	$ 13,816	$ 1,477,403
Interest Rate Sensitivity Gap	**$ (559,338)**	**$ (69,012)**	**$ 15,386**	**$ 613,407**		

As of December 31, 2020	Repricing date of interest sensitive instruments Within 3 Months	3 - 12 months	Over 1 - 5 Years	Over 5 years	Non interest rate sensitive	Total
Assets						
Cash and deposits with banks	$ 1,162	$ 1,530	$ -	$ -	$ 272,901	$ 275,593
Investments, net	115,011	28,759	111,069	199,658	8,004	462,501
Loans and advances to customers, net	6,997	55,480	197,323	639,053	-	898,853
Other assets	-	18,856	-	-	4,013	22,869
Total financial assets	$ 123,170	$ 104,625	$ 308,392	$ 838,711	$ 284,918	$ 1,659,816
Liabilities						
Deposits from customers	$ 920,341	$ 184,834	$ 189,461	$ 121,274	$ -	$ 1,415,910
Other liabilities	17,100	-	-	-	-	17,100
Lease liabilities	-	-	1,935	-	-	1,935
Total financial liabilities	$ 937,441	$ 184,834	$ 191,396	$ 121,274	$ -	$ 1,434,945
Interest Rate Sensitivity Gap	**$ (814,271)**	**$ (80,209)**	**$ 116,996**	**$ 717,437**		

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

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

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

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

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

The table below shows the average lifetime PD for financial instruments in which ECL amounts are recognised.

AVERAGE LIFETIME PD

	2021	2020
Residential mortgage	67%	56%
Business	55%	57%
Personal	45%	36%
Credit card	50%	37%
Government	11%	6%
Investments	5%	8%

Included in the average lifetime PD for credit cards are 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 forms 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 a 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) concerning 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 weighting 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, 2020, 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, 2021, and December 31, 2020, was as follows:

December 31, 2021

	Base	Best	Worst
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%

As at December 31, 2021, the Group did not have any forborne loans.

December 31, 2020 - Non-Forborne Loans

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

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 a 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 includes 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 depend 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.

In March 2020, the 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 the Bank deferred contractual repayments of principal and interest (known as forborne loans). The Bank's forborne loan program ended on August 31, 2020.

On September 17, 2021, Moody's Corporation ("Moody's") reviewed The Bahamas' credit rating and downgraded The Bahamas from Ba2 to Ba3. On November 12, 2021, S&P Global Inc. ("S&P") reviewed The Bahamas' credit rating and downgraded it from BB- to B+. The credit ratings of Ba3 and B+ 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 SICR for certain exposures (including both loans and advances to customers, and investments) which originated or were acquired by the Bank before September 17, 2021, and this has resulted in certain exposures being classified in stage 2 with a lifetime ECL being recognized.

During the prior year 2020, 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-. Before 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 SICR for certain exposures (including both loans and advances to customers, and investments) which originated or were acquired by the Bank before March 2020 and 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.

	2021			
Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Residential mortgage	$ 79,968	$ 50,538	$ 37,812	$ 168,318
Business	12,366	4,305	4,297	20,968
Personal	471,260	68,373	96,640	636,273
Credit card	29,173	2,597	2,968	34,738
Government	-	39,116	-	39,116
	592,767	164,929	141,717	899,413
Impairment allowances				
Residential mortgage	827	3,558	8,823	13,208
Business	-	81	890	971
Personal	11,141	27,904	75,259	114,304
Credit card	1,187	333	1,502	3,022
Government	-	367	-	367
	13,155	32,243	86,474	131,872
Carrying amount				
Residential mortgage	79,141	46,980	28,989	155,110
Business	12,366	4,224	3,407	19,997
Personal	460,119	40,469	21,381	521,969
Credit card	27,986	2,264	1,466	31,716
Government	-	38,749	-	38,749
	$ 579,612	$ 132,686	$ 55,243	$ 767,541

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

	2021 Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - Investments				
Bahamas Government debt	$ 392,070	$ 282,191	$ -	$ 674,261
Bahamas Government related debt	-	18,512	-	18,512
United States Government debt	1,015	-	-	1,015
Gross carrying amount	393,085	300,703	-	693,788
Impairment allowances				
Bahamas Government debt	(156)	(2,645)	-	(2,801)
Bahamas Government related debt	-	(173)	-	(173)
United States Government debt	-	-	-	-
	(156)	(2,818)	-	(2,974)
Carrying amount				
Bahamas Government debt	391,914	279,546	-	671,460
Bahamas Government related debt	-	18,339	-	18,339
United States Government debt	1,015	-	-	1,015
	392,929	297,885	-	690,814

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

As at December 31, 2021, there were no forborne loans. 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 as at December 31, 2020:

	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%

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 ECL;
- Additional allowances for new financial assets recognised during the period, as well as releases for financials assets de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs, and LGDs in the period, arising from regular refreshing of inputs to the model;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Financial assets de-recognised 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.

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.

	2021			
Residential mortgage	Stage 1	Stage 2	Stage 3	Total
Impairment allowances as at January 1, 2020	$ 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 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

Residential mortgage (Continued)	2021 Stage 1	Stage 2	Stage 3	Total
Transfers:				
Transfers from Stage 1 to Stage 2	(499)	499	-	-
Transfers from Stage 1 to Stage 3	(145)	-	145	-
Transfers from Stage 2 to Stage 1	23	(23)	-	-
Transfers from Stage 2 to Stage 3	-	(990)	990	-
Transfers from Stage 3 to Stage 1	9	-	(9)	-
Transfers from Stage 3 to Stage 2	-	248	(248)	-
New financial assets originated	-	-	21	21
Changes in PDs/LGDs/EADs	538	535	(888)	185
Financial assets derecognised/written-off	(28)	(54)	(2,331)	(2,413)
Impairment allowances as at December 31, 2021	$ 827	$ 3,558	$ 8,823	$ 13,208

Business	2021 Stage 1	Stage 2	Stage 3	Total
Impairment allowances as at January 1, 2020	$ 226	$ 96	$ 185	$ 507
Transfers:				
Transfers from Stage 1 to Stage 2	-	(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
Transfers:				
Transfers from Stage 1 to Stage 2	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	24	(24)	-	-
Transfers from Stage 2 to Stage 3	-	(26)	26	-
Transfers from Stage 3 to Stage 1	-	-	-	-
Transfers from Stage 3 to Stage 2	-	-	-	-
New financial assets originated	-	1,758	177	1,935
Changes in PDs/LGDs/EADs	(812)	(1,864)	611	(2,065)
Financial assets derecognised/written-off	(18)	(8)	(41)	(67)
Impairment allowances as at December 31, 2021	$ -	$ 81	$ 890	$ 971

Personal	2021 Stage 1	Stage 2	Stage 3	Total
Impairment allowances as at January 1, 2020	$ 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

	2021			
Personal (Continued)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Transfers:				
Transfers from Stage 1 to Stage 2	(2,890)	2,890	-	-
Transfers from Stage 1 to Stage 3	(7,937)	-	7,937	-
Transfers from Stage 2 to Stage 1	3,785	(3,785)	-	-
Transfers from Stage 2 to Stage 3	-	(6,053)	6,053	-
Transfers from Stage 3 to Stage 1	2,048	-	(2,048)	-
Transfers from Stage 3 to Stage 2	-	2,536	(2,536)	-
New financial assets originated/recoveries	-	1,838	2	1,840
Changes in PDs/LGDs/EADs	(17,278)	9,656	58,014	50,392
Financial assets derecognised/written-off	(8,361)	(7,133)	(18,751)	(34,245)
Impairment allowances as at December 31, 2021	$ 11,141	$ 27,904	$ 75,259	$ 114,304

	2021			
Credit Cards	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment allowances as at January 1, 2020	$ 1,040	$ 544	$ 780	$ 2,364
Transfers:				
Transfers from Stage 1 to Stage 2	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-
Transfers from Stage 2 to Stage 1	39	(39)	-	-
Transfers from Stage 2 to Stage 3	-	-	-	-
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
Transfers:				
Transfers from Stage 1 to Stage 2	(179)	179	-	-
Transfers from Stage 1 to Stage 3	(169)	-	169	-
Transfers from Stage 2 to Stage 1	108	(108)	-	-
Transfers from Stage 2 to Stage 3	-	(7)	7	-
Transfers from Stage 3 to Stage 1	38	-	(38)	-
Transfers from Stage 3 to Stage 2	-	7	(7)	-
New financial assets originated/recoveries	58	9	42	109
Changes in PDs/LGDs/EADs	(1,416)	254	1,459	297
Financial assets derecognised/written-off	(385)	(15)	(184)	(584)
Impairment allowances as at December 31, 2021	$ 1,187	$ 333	$ 1,502	$ 3,022

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Government				
Impairment allowances as at January 1, 2020	$ -	$ -	$ -	$ -
Transfers:				
Transfers between stages	-	-	-	-
New financial assets originated/recoveries	-	-	-	-
Changes in PDs/LGDs/EADs	-	480	-	480
Financial assets derecognised/written-off	-	-	-	-
Impairment allowances as at December 31, 2020	$ -	$ 480	$ -	$ 480
Transfers:				
Transfers between stages	-	-	-	-
New financial assets originated/recoveries	-	-	-	-
Changes in PDs/LGDs/EADs	-	(113)	-	(113)
Financial assets derecognised/written-off	-	-	-	-
Impairment allowances as at December 31, 2021	$ -	$ 367	$ -	$ 367

	2021			
	Stage 1	Stage 2	Stage 3	Total
Investments				
Impairment allowances as at January 1, 2020	$ -	$ -	$ -	$ -
Transfers:				
Transfers between stages	-	-	-	-
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
Transfers:				
Transfers from Stage 1 to Stage 2	(226)	226	-	-
New financial assets originated/recoveries	148	-	-	148
Changes in PDs/LGDs/EADs	7	(1,101)	-	(1,094)
Financial assets derecognised/written-off	-	-	-	-
Impairment allowances as at December 31, 2021	$ 156	$ 2,818	$ -	$ 2,974

Credit quality

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

	2021		
	Original Contract	Restructured	Total
Cash and deposit with banks			
Neither past due or impaired	$ 192,458	$ -	$ 192,458
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 192,458	$ -	$ 192,458
Investments			
Neither past due or impaired	$ 698,857	$ -	$ 698,857
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 698,857	$ -	$ 698,857
Loans and advances to customers			
Neither past due or impaired	$ 618,959	$ 37,820	$ 656,779
Past due but not impaired	89,867	11,050	100,917
Impaired	125,355	16,362	141,717
	$ 834,181	$ 65,232	$ 899,413

	2020		
	Original Contract	Restructured	Total
Cash and deposit with banks			
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

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

The average mortgage balance was $114,756 (2020: $112,285) while the average business account balance was $227,728 (2020: $238,549). The average consumer balance was $22,927 (2020: $22,781).

The largest exposure to a single loan customer, other than the Government of The Bahamas (Note 9), was approximately $1.7 million (2020: $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:

	2021		
	Original Contract	Restructured	Total
Loans and advances to customers			
Residential mortgage			
Neither past due or impaired	$ 99,240	$ 455	$ 99,695
Past due but not impaired	29,997	814	30,811
Impaired	37,216	596	37,812
	$ 166,453	$ 1,865	$ 168,318
Business			
Neither past due or impaired	$ 14,095	$ 22	$ 14,117
Past due but not impaired	2,554	-	2,554
Impaired	4,152	145	4,297
	$ 20,801	$ 167	$ 20,968
Personal			
Neither past due or impaired	$ 440,768	$ 37,343	$ 478,111
Past due but not impaired	51,286	10,236	61,522
Impaired	81,019	15,621	96,640
	$ 573,073	$ 63,200	$ 636,273
Credit card			
Neither past due or impaired	$ 25,740	$ -	$ 25,740
Past due but not impaired	6,030	-	6,030
Impaired	2,968	-	2,968
	$ 34,738	$ -	$ 34,738
Government			
Neither past due or impaired	$ 39,116	$ -	39,116
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 39,116	$ -	$ 39,116
	$ 834,181	$ 65,232	$ 899,413

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

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 nor impaired:

	2021	2020
Satisfactory risk	$ 896,504	$ 872,120
Watch list	2,909	469
	$ 899,413	$ 872,589

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:

	2021				
	Residential mortgage	Business	Personal	Credit card	Total
Past due up to 29 days	$ 20,581	$ 1,772	$ 37,885	$ 3,285	$ 63,523
Past due 30 - 59 days	5,134	746	11,291	1,769	18,940
Past due 60 - 89 days	5,096	36	12,346	976	18,454
	$ 30,811	$ 2,554	$ 61,522	$ 6,030	$ 100,917

	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

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 the 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 that 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 to mitigate potential losses are shown below.

	2021			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Value of collateral held**
Residential mortgage	$ 37,812	$ 8,823	$ 28,989	$ 37,560
Business	4,297	890	3,407	3,999
Personal	96,640	75,259	21,381	449
Credit card	2,968	1,502	1,466	-
	$ 141,717	$ 86,474	$ 55,243	$ 42,008

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

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)

	2021	2020
Residential mortgage	$ 233	$ 172
Business	4	42
Personal	1,746	2,662
Credit cards	148	159
Government	18	24
Investments	149	284
	$ 2,298	$ 3,344

d. *Liquidity risk* - Liquidity risk is the potential for loss if the Group is unable to meet financial commitments promptly 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 distressing situation.

Included in deposits from customers are deposits totaling $234.7 million (2020: $234.0 million) from a single customer representing 16.6% of the total deposits from customers. The amounts are comprised primarily of certificates 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, 2021	Within 3 Months	3 - 12 months	Over 1 - 5 Years	Over 5 years	Total
Assets					
Cash and deposits with banks	$ 192,458	-	-	-	192,458
Investments	367,616	129,096	316,883	419,988	1,233,583
Loans and advances to customers	74,562	42,672	538,067	824,962	1,480,263
Other assets	2,502	-	-	-	2,502
Total financial assets	$ 637,138	171,768	854,950	1,244,950	2,908,806
Liabilities					
Deposits from customers	$ 960,196	162,536	250,200	121,159	1,494,091
Lease liabilities	-	-	1,369	-	1,369
Total financial liabilities	$ 960,196	162,536	251,569	121,159	1,495,460
Net liquidity gap	**$ (323,058)**	**9,232**	**603,381**	**1,123,791**	**1,413,346**

e. *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

f. *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.

g. *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.

h. *Off balance sheet risk* – In the normal course of business, and in order to meet the financing needs of its customers, the Group may enter into financial instruments with off balance sheet risk. These instruments can be classified into the commitments category. The Group mitigates the risks associated with such financial instruments by transacting only with well-established, high credit quality financial institutions. At this time, the Group has no exposure to these instruments with the exception to letters of credits and guarantees (note 24).

26. COMPARATIVE FIGURES

Certain corresponding figures in the prior year are reclassified in the prior year to conform with the current year's presentation.

Reclassification include:

- Cash balances with the Central Bank of the Bahamas of $235,759,123 are reclassified, and presented in Cash and deposits with Banks in the Consolidated Statement of Financial Position.

- The Right of use assets, disclosed in note 11, have been disaggregated from Premises and equipment, and presented separately in the Consolidated Statement of Financial Position.

- Lease liabilities, disclosed in note 11, have been disaggregated from Other liabilities, and presented separately in the Consolidated Statement of Financial Position.

- Interest received and interest paid have been presented separately on the Consolidated Statement of Cash flows.

- The opening balance of cost and the associated accumulated depreciation for furniture and equipment was corrected for the overstatement of $260,000 in the prior year. This resulted in a nil impact to the Consolidated Statement of Financial Position.

27. COVID-19

In December 2019, a novel strain of coronavirus, ("COVID-19"), surfaced in Wuhan, China. This virus continues to spread around the world, resulting in business and social disruption. COVID-19 was declared a global pandemic by the World Health Organization on 11 March 2020.

As the COVID-19 pandemic is ongoing and the near-term worldwide economic outlook remains uncertain, we cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact the consolidated financial statements.

As at the reporting date, any impact on the balances due to the ongoing COVID-19 pandemic has been appropriately accounted for in accordance with the reporting framework. Management does not believe there is any risk to the Group's ability to continue as a going concern for the foreseeable future from the reporting date linked to the COVID-19 pandemic.

We have evaluated all significant activities through to the date these consolidated financial statements were available to be issued and concluded that no additional subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the consolidated financial statements.

28. SUBSEQUENT EVENTS

In February 2022, the Russian government launched a large-scale military invasion of Ukraine ('Russia-Ukraine War"). This has caused widespread disruption to the global financial markets and normal business activity, inclusive of business activity impacted by the imposition of sanctions against individuals and entities linked to Russia and Belarus.

The Russia-Ukraine War is ongoing and the near-term worldwide economic outlook remains uncertain; however, management have evaluated all significant activities through to the date these financial statements were available to be issued and concluded that there is no material impact on our consolidated financial statements.

The Bank has declared a quarterly dividend for common shares, to all shareholders of record at March 15, 2022, and paid the dividend in the amount of $2,952,685.

Notes

2021 Summary of Board & Committee Meetings

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Information Technology	4
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Board Meeting Attendance

Earla J. Bethel	9
Dr. Marcus C. Bethel	9
Vaughn W. T. Higgs	8
Tracy E. Knowles	9
Debra M. Symonette	9
Robert D. L. Sands	8
R. Craig Symonette	8
Larry R. Gibson	9
Denise D. Turnquest *(appointed Director August 18)*	4
William B. Sands, Jr., DM	9

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, 2021.

Vaughn W. T. Higgs
Chair
Nominating Committee

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

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, 2021.

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

Directors: William B. Sands, Jr., DM; Denise D. Turnquest; Vaughn W. T. 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, 2021.

Dr. Marcus R. C. Bethel
Chair
Premises Committee

Directors: Dr. Marcus R. C. Bethel; Denise D. Turnquest; Larry R. Gibson; 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, 2021.

Denise D. Turnquest
Chair
Pension Committee

Directors: Denise D. Turnquest; William B. Sands, Jr., DM; Robert D. L. Sands; Larry R. Gibson; Branson Gibson (Management 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, 2021.

R. Craig Symonette
Chair
IT Committee

Directors: R. Craig Symonette; Robert D. L. Sands; Dr. Marcus R. C. Bethel; Denise D. Turnquest

Compensation Committee Report

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, 2021.

Earla J. Bethel
Chair
Compensation Committee

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

Audit and Risk Committee Report

The Audit and Risk Committee (the Committee) supports the Board in overseeing the integrity of the Bank's financial reporting, its internal control, disclosure control, enterprise risk management functions, 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

- **Reviewed** 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.
- **Reviewed** 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** the 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 related to internal control; compliance and litigation; evaluated the internal audit processes; and reviewed on a regular basis the adequacy of resources and independence of the Internal Audit function.
- **Met** regularly with the Vice President, Internal Audit 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 External Auditors and Regulators, as well as recommendations from the Internal Audit and Credit Inspection functions and Management's responses.

Bank's Auditors

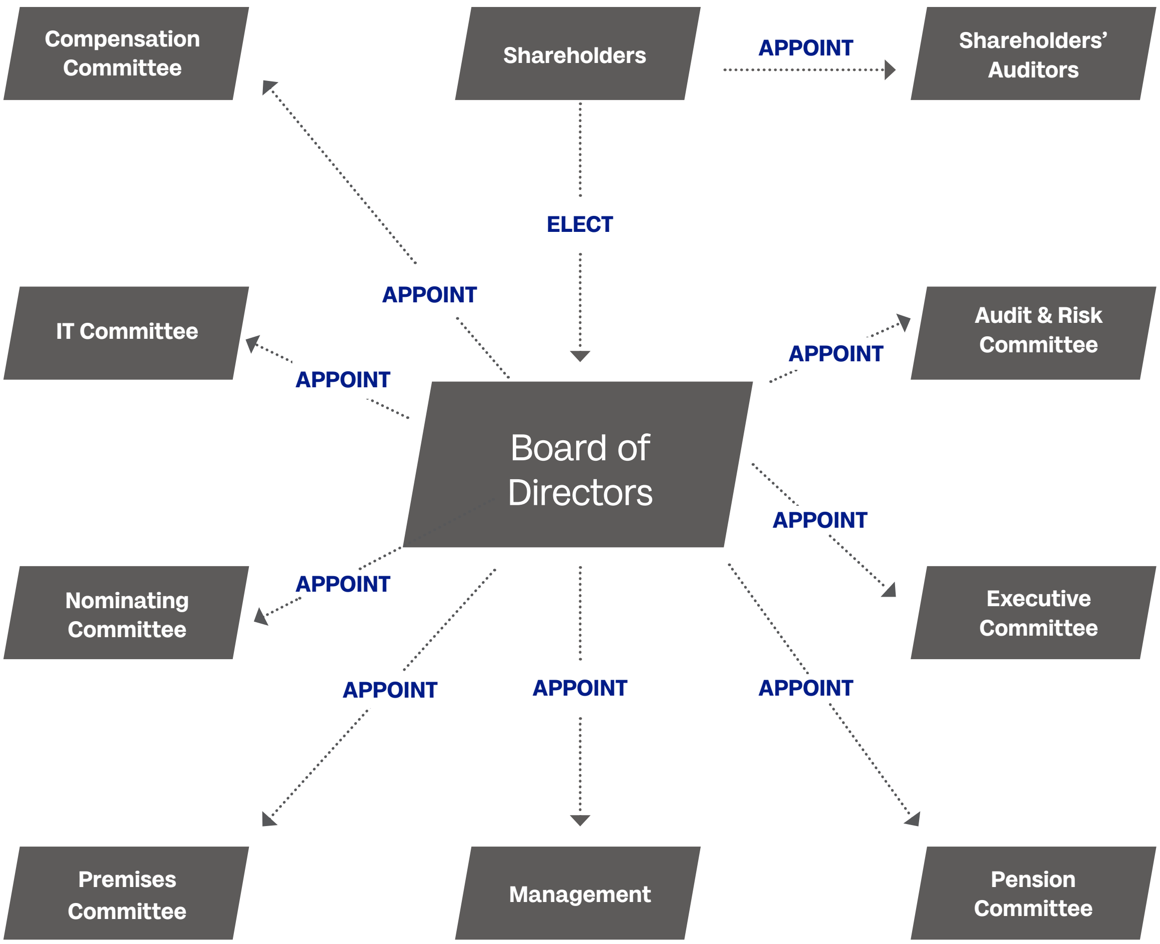
- **Recommended** that the incumbent auditor, KPMG be reappointed to perform the 2021 external audit.
- **Confirmed** that appropriate practices are being followed to safeguard the independence of the Bank's Auditors.
- **Reviewed** the performance of the Bank's Auditors, including the scope and results 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, 2021.

Tracy E. Knowles
Chair
Audit & Risk Committee

Directors: Tracy E. Knowles; Larry R. Gibson; Debra M. Symonette; Robert D. L. Sands

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.

Shareholder Information

Board of Directors

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

Denise D. Turnquest
President
Commonwealth Bank Limited
(Appointed August 18, 2021)

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, Pensions
Coralisle Pension Services (Bahamas) Ltd.

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

Debra M. Symonette
President
Super Value Food Stores Ltd.

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 Limited

Registered Office
GTC Corporate Services Limited
P.O. Box SS-5383
Nassau, Bahamas

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

Saturday Banking Abaco Branch April 2022

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
** Saturday Banking 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

Services

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

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customerservice@combankltd.com

COMMONWEALTH BANK