Celebrating 60 Years

The year 2020 marks the 60th Anniversary of Commonwealth Bank. The 60th anniversary is a diamond anniversary, a stone that seems particulary apt to refer to Commonwealth Bank – a stone that is very strong and resilient, but one that is only created by going through the experience of being exposed to great pressure but coming through with all its attributes increased.

The story of Commonwealth Bank is, very much, the story of the little bank that could; and so we pause to reflect on six decades of unparalleled growth, financial accomplishments and a tradition of service excellence, beginning with our very first modest steps on Wednesday, April 20th, 1960.

Against a landscape of political transformation and monetary growth (GDP growth in 1961 was 10.6% above 1960) , this new financing venture unfolded with a simple philosophy – to become the financial partner of choice for the working Bahamian. A subsidiary of a Canadian Finance company with minority Bahamian ownership, the Bank was conceived as a small consumer finance company, Commonwealth Industrial Bank began as a single-desk operation with three employees, servicing an initial client base comprised of the accounts receivable portfolio of the Home Furniture Company in the Palmdale area of Nassau. The new venture quickly filled a void created by the larger, mainly Canadian, multinational banks by making available an alternative avenue of access to financing for furniture, home improvement, travel and other consumer needs, for the average Bahamian wage earner.

The early 1980s would usher in some dramatic changes for the Bank; as the parent company weathered a recession in Canada it looked to divest its interest in the Bank. A group of 24 Bahamian investors, resolute in their efforts to prove that Bahamians could not only operate a bank, but could and would do so, successfully seized the opportunity to purchase the parent company's interest. This began the era of the Bank's Bahamianization. On Wednesday, February 1, 1984, the new Commonwealth Industrial Bank, an all Bahamian-owned financial institution with $15 million in assets became a reality. In its early years of being the all Bahamian bank, the Bank was considered too inconsequential by the foreign banks to consider it a competitor.

As, 'The Bank for Bahamians with places to go', Commonwealth Bank's history forged ahead, to a new era of Bahamian ownership and just as importantly management. In 1984 there were two work permit holders on the staff, by 1992 this was zero.

As times and conditions continued to change, so did the paradigm of the Bank. Not only would our products and services evolve over the years, so did our name – in 1988 the former Commonwealth Industrial Bank's new corporate name became, simply, Commonwealth Bank.

The 1990s ushered in an era of history making firsts that involved technological advancement, physical expansion and the introduction of the first 'Flagship Branch' at the Mall Drive, Freeport, Grand Bahama. It was during this decade that the Bank made history by becoming the first Bahamian-owned financial institution to achieve Clearing Bank and Authorized Dealer status.

At the dawn of the new millennium, the availability of upgraded computer software paved the way for the introduction of Automated Banking Machines, international credit card services and the launch of the Bank's website. In the year 2000, the Bank's success and profitability was recognized through the tremendously oversubscribed Initial Public Offering for Commonwealth Bank common shares; the result of which, catapulted the Bank to becoming the largest and most successful Bahamian public company.

By 2017, the Bank was the largest company on the Bahamas International Securities Exchange by market capitalization and a leading member of the Bahamas Clearing Banks. The days of being too small to worry the competition were long past.

Our Bank has, over these many years, seen much growth and change and in the face of every challenge demonstrated STRENGTH and conviction. We have weathered many storms together, with RESILIENCE. We have and will continue to make good on our commitment to this nation and its people, through tried and tested EXPERIENCE, that has secured our footing as, 'Leader in Personal Banking Services'.

For those shareholders who invested wisely in the Bank in those early days, those shares have been like diamonds returning increased wealth to them.

Although the Bank looks vastly different from its humble beginnings, it is our commitment to our founding values that allows us to continue to perform at a level that places us among the best and highest performing banks in the country. Not only do we measure performance in financial goals but also in our pledge to assist our communities, whether it be in the aftermath of a hurricane or lending support to our education system. We expect this anniversary annual report will help to demonstrate the evolution of Commonwealth Bank Limited as a high performing and diversified organization. With pride in our history and our unwavering commitment to service excellence, the Bank will continue to strive to build a greater organization, with the accomplishments of the past 60 years as the foundation for our future success.

Our Vision, Mission & Core Values

OUR VISION is to be the First Choice of Bahamians for ALL Personal Banking Services.

OUR MISSION is to be the leading Bank in The Bahamas providing personal banking services by delivering superior quality service to our customers; retaining and developing employees with outstanding capabilities; creating value for our shareholders and promoting economic growth and stability in our community.

OUR VALUES are to ensure that Commonwealth Bank is a great place to work; provide meaningful opportunities for Directors and other Stakeholders to have input in setting the direction of the Bank as part of an effective governance regime; provide customers with outstanding services and help them achieve their financial goals; be responsible and effective financial managers so Commonwealth Bank remains strong and prosperous; lead by example and use our resources and expertise to effect positive change in The Bahamas.

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Strategic Priorities

Core Values	2019 Strategic Priorities	2019 Initiatives and Accomplishments	2020 Strategic Priorities
Be responsible and effective financial managers.	• The Bank will continue to pursue opportunities for sound organic growth that comply with the Bank's approved strategic plan and well entrenched business model. • The Bank will be more focused on favourable operating revenue to cost ratios. • Cross-selling of new and existing products and services will continue to be emphasized in 2019. The Bank will review its fee structure in 2019 based on current cost factors. • Efforts to expand the new credit life insurance product over more of the consumer loan portfolio will continue. • New features of the systems upgraded in 2018 will be promoted to customers. • Risk oversight will be enhanced in 2019 with the addition of an Enterprise Risk Department. • Resources in credit risk will be monitored to ensure they are adequate in providing ongoing quality oversight of the Bank's credit risk process. • Efforts will continue to seek further cost-effective operational improvements in 2019. Our objective is unchanged: to optimize quality revenue growth opportunities with expense mitigation objectives. • The safety and soundness of the Bank coupled with transparency of its financial performance and other related activities remain a fundamental standard within the Bank.	• The Bank continued its constrained credit policy to control lending in higher risk segments as the economy showed little if any growth during the year amid ever increasing competition for higher quality loans. As a result, the Bank's loan portfolio contracted further during the year. • The Bank's fee structure was amended in 2019, with favourable revenue results. • Improved loan origination increased the utilisation of the new credit life premium over the consumer loan portfolio, increasing insurance revenue. • The Bank continued to improve penetration of debit card usage through the customer base, enhancing revenue. Mobile and Online Banking services were promoted to customers. • An Enterprise Risk Assessment Department was established in 2019. • Quality oversight of the credit risk process was maintained through 2019 with planned deployment of resources. • 2019 was adversely impacted by Hurricane Dorian, despite this, the Bank remained safe and secure and efficiency and productivity levels remained robust. During the year, the Bank redeemed its Preference Shares – eliminating an expensive funding source for capital that was no longer required. • We encourage stakeholders and customers to review the Management Discussion and Analysis comments which follow, to better appreciate the breadth of transparency of financial information provided in this Annual Report.	• The Bank will continue to pursue opportunities for sound organic growth that comply with the Bank's approved strategic plan and well entrenched business model, while seeking to address the decline in loan receivables. • The Bank will continue its focus on favourable operating revenue to cost locations. • Cross-selling of new and existing products and services will continue to be emphasized in 2020. • Efforts to expand the new credit life insurance product over the remaining consumer loans with the legacy insurance plan will continue. • Remote Delivery Channels will continue to be promoted to customers to reduce in branch lobby traffic. • Risk oversight will be enhanced in 2020 with the full implementation of the Enterprise Risk Department. • Resources in the "Second line of defense" – credit inspection, compliance and risk will be monitored to ensure they are adequate in providing ongoing quality oversight of the Bank. • Efforts to seek further cost-effective operational improvements in 2020 will continue. Our objective is unchanged - to recover to prior levels of profitability by optimizing quality revenue growth opportunities with expense mitigation objectives. • The safety and soundness of the Bank coupled with transparency of its financial performance and other related activities remains a fundamental standard within the Bank.
Lead by example to effect positive change.	• In 2019, the Board will ensure that governance processes reflect increased regulatory oversight requirements. • Commitment to youth development and selected charities will continue in 2019.	• Board governance review was completed and the prescribed representation was prepared for the Board confirmation. No non-compliance issues were noted. • In 2019, the Bank's social investment program was redirected toward Hurricane Relief as a result of Hurricane Dorian.	• In 2020, the Board will ensure that governance processes reflect increased regulatory oversight requirements. • Our 2020 social investment program will continue to be heavily weighted toward hurricane relief initiatives, while continuing to support educational development.
Provide meaningful opportunities for stakeholders to have input.	• Continue customer surveys to ensure that the Bank's products and services address market requirements in a cost-effective manner.	• Customer surveys identified the need to improve the account on-boarding process and automated solutions were identified to facilitate this.	• Implementation of new systems to facilitate account on-boarding. • Continue customer surveys to ensure that the Bank's products and services address market requirements in a cost-effective manner.
Ensure the Bank is a great place to work.	• A fully integrated succession plan will continue to be a significant objective in 2019. • The Bank will continue efforts to recruit an internal project leader. • Ongoing specialized training programs will be made available to staff. • The effectiveness of all training programs will be reviewed and beneficial programs will be expanded. • Ongoing peer reviews of salary and benefits will continue to ensure the Bank remains competitive.	• In 2019, the succession plan allowed for the transition and retirement of members of Executive Management. The succession planning is dynamic in that as soon as one phase is implemented the planning recommences. • During the year, project methodology was amended to use existing staff and subject matter specialists as project leaders. • Specialized training and development programs continued in 2019. • Benefits of training courses were assessed against the associated costs, and adjusted where they were deficient. • Salary and benefits plans continue to compare favorably with peers, based on an independent market survey.	• Updating the Bank's succession plan will continue to be a significant ongoing annual objective. • Ongoing specialized training programs will be made available to staff. • The review of the effectiveness of all training programs is an ongoing process. Emphasis on particular areas is redirected where higher benefits are identified according to the Bank's needs. • Continued peer reviews of salary and benefits to ensure the Bank remains competitive.
Provide customers with outstanding services.	• Emphasis will be placed on addressing and correcting issues arising from system upgrades. Oversight of customer service is a key element in maintaining high service levels that are important in sustaining the reputation and success of the Bank. • SunCard, Gift and Prepaid cards to be reviewed for chip and contactless enabling. • In 2019, increased integration is planned for the Bank and Credit Card systems through the online/mobile platform.	• Issues arising out of system upgrades in 2018 were successfully addressed during the year. • The Bank was informed of significant changes by the Vendor in how outsourced processing will be handled in the future. While in the short-term this has delayed chip and pin and contactless cards into 2020, it is advantageous to the Bank in the long term.during the year. • New Card features were introduced into the On line and mobile banking platforms during the year	• Emphasis will be placed on addressing and correcting issues arising from system upgrades. Oversight of customer service is a key element in maintaining high service levels that are important in sustaining the reputation and success of the Bank. • All Master Cards, Gift and Prepaid cards are to be enabled for chip and contactless processing following a further system upgrade. • In 2020, further integration is planned for the Credit Card systems through the online/mobile platform.

(B$ 000's)	2019	2018 (Restated)	2017 (Restated)	2016 (Restated)	2015 (Restated)
Income Statement Data:					
Interest income	$ 141,630	$ 153,978	$ 166,760	$ 168,128	$ 161,871
Interest expense	(14,737)	(19,505)	(24,837)	(27,243)	(29,355)
Net interest income	126,893	134,473	141,923	140,885	132,516
Non-interest income	25,713	19,108	12,251	21,779	21,988
Insurance recoveries	4,854	0	0	0	0
Impairment losses	(48,038)	(27,693)	(36,613)	(32,442)	(24,923)
Non-interest expenses (including impairment losses)	(125,849)	(101,642)	(103,040)	(105,184)	(96,489)
Total profit	31,611	51,939	51,134	57,480	58,015
Other comprehensive income	763	(299)	9,548	2,508	(2,073)
Total comprehensive income	32,374	51,640	60,682	59,988	55,942
Per Share Data:					
Book value	$ 0.96	$ 0.96	$ 0.93	$ 0.85	$ 0.73
Cash dividends	$ 0.10	$ 0.12	$ 0.12	$ 0.12	$ 0.10
Year end share price	$ 4.50	$ 4.50	$ 4.90	$ 3.50	$ 2.61
Average common shares outstanding (000's)	289,866	291,546	292,014	292,218	292,575
Dividend growth (total)	-16.67%	0%	0%	20%	0%
Balance Sheet Data:					
Total assets	$1,709,149	$1,697,604	$1,652,800	$1,610,943	$1,537,239
Investments	436,224	457,572	404,841	309,702	324,808
Gross loans and advances to customers	1,019,209	1,067,233	1,131,169	1,195,753	1,139,503
Net write-offs	34,063	30,193	32,577	21,051	18,707
Total deposits from customers	1,419,290	1,311,244	1,274,262	1,240,505	1,181,646
Total shareholders' equity	272,837	367,896	357,948	335,052	316,060
Performance Ratios:					
Price/earnings	$ 44.68	$ 27.77	$ 30.81	$ 19.53	$ 14.45
Price/book value	$ 4.66	$ 4.70	$ 5.29	$ 4.10	$ 3.58
Dividend yield (annual dividend/year end price)	2.22%	2.67%	2.45%	3.43%	3.83%
Earnings per share	$ 0.10	$ 0.16	$ 0.16	$ 0.18	$ 0.18
Return on average assets	1.71%	2.80%	2.82%	3.36%	3.53%
Return on average shareholders' equity	10.44%	16.94%	17.18%	20.99%	24.76%
Dividend payout ratio	99.36%	74.08%	75.44%	66.93%	55.27%
Efficiency ratio	50.99%	48.15%	43.09%	44.72%	46.32%
Net interest margin	7.31%	7.68%	8.33%	8.71%	8.49%
Asset Quality Ratios:					
Impaired loans to total loans	6.75%	6.08%	7.12%	5.92%	5.56%
Impaired loans to total assets	4.02%	3.83%	4.89%	4.40%	4.13%
90 day past due loans to total loans	5.73%	5.13%	4.80%	4.16%	3.93%
90 day past due loans to total assets	3.39%	3.19%	3.25%	3.03%	2.87%
Net write-offs to average loans	3.53%	2.77%	2.80%	1.84%	1.68%
Loan impairment allowances to total loans	8.48%	7.01%	6.82%	6.12%	5.49%
Loan impairment allowances to non-accrual loans	149.18%	138.27%	144.03%	150.05%	140.74%
Loan impairment allowances to impaired loans	125.66%	115.31%	95.87%	103.39%	97.45%
Liquidity Ratios:					
Liquidity ratio	49.70%	47.01%	39.13%	34.78%	34.70%
Average cash and securities to average total assets	39.84%	35.74%	29.50%	26.07%	26.43%
Capital Ratios:					
Average shareholders' equity to average total assets	18.81%	21.34%	21.35%	21.23%	19.67%
Tier 1 capital	$ 272,837	$ 367,896	$ 357,948	$ 335,052	$ 316,060
Tier 2 capital	$ -	$ -	$ 14,334	$ 14,763	$ 14,148
Total capital	$ 272,837	$ 367,896	$ 372,282	$ 349,815	$ 330,208
Total risk adjusted assets	$1,029,607	$1,103,741	$1,149,601	$1,181,518	$1,132,253
Tier 1 ratio	26.50%	33.33%	31.14%	28.36%	27.91%
Tier 1 + Tier 2 Capital Ratio	26.50%	33.33%	32.38%	29.61%	29.16%
Average number of employees for the year	575	586	577	560	540

William B. Sands Jr, DM
EXECUTIVE CHAIRMAN

Executive Chairman's Report

Commonwealth Bank will mark its 60th anniversary in 2020. It is perhaps appropriate that the emblem of the 60th anniversary is a diamond – a stone known for its resilience, strength or hardness and brilliance, a reflection of the experience it has undergone in being exposed to great pressure, and then being carefully selected, treated and processed. These characteristics are a reflection of those required by the Bank and the country in 2019 as on September 1, it was hit by the most devastating hurricane (Dorian) in the history of the independent Bahamas. While New Providence and Spanish Wells were mostly untouched, Abaco suffered widespread extensive damage including the loss of our Marsh Harbour branch, as did areas of Grand Bahama with our Freeport Mall branch flooded while our Lucaya branch came through relatively unscathed. While the Bank was faced with infrastructural damage, the real tragedy was the loss of life of our customers and fellow citizens, which we mourn. We are thankful that all of our staff survived the storm.

The remainder of the year was focused on recovery from Dorian. The Bank contributed financially to the relief efforts through donations to relief agencies and introduced relief plans to assist our customers. We also assisted our staff in Abaco and Grand Bahama affected by the storm. The Bank demonstrated its resilience in recovering by being the first bank to be up and running in Grand Bahama and Abaco after the storm. You can be assured that Commonwealth Bank will be walking side by side with its shareholders, customers and staff in the long road to recovery in Abaco. This is our mantra: "Bahamians helping Bahamians".

Hurricane Dorian, as can be imagined, has had a negative impact on the financial results for 2019. This is discussed further in the President's Report and Management Discussion and Analysis later in this Annual Report.

60 Years of Success

The Bank's history over its 60 years reflects the Bank's philosophy of sharing its success with its shareholders and, since Bahamianisation in 1984, the community. The Bank shares with shareholders by returning profits to them by way of dividends. The Bank took steps during the year to maximise common share dividends in 2020 by redeeming the excess capital the Bank was carrying in the form of Preference Shares. Some $81.5 million Preference Shares were redeemed in two tranches during the year. The redemption reduced the cost to common shareholders of excess capital but without causing an adverse reduction in regulatory capital adequacy as the Central Bank had advised the domestic banks that Preference Shares would shortly be discontinued as qualifying for required regulatory capital.

Throughout the years, Commonwealth Bank has been able to sustain its position as "the largest indigenous Bahamian Bank" while generating measurable and sound profitability in a safe and sound manner. In the current year despite suffering record hurricane damages, the Bank remains a healthy, stable and sound Bahamian Bank. The achievements made since its inception 60 years ago are testament to the trust our customers put in us and to the employees who serve them. It is also a result of the structure and dedicated governance process through which the Bank is guided and governed.

The theme of our 2019 Annual Report, *"Strength, Resilience, Experience,"* celebrates our past 60 years of Bahamian Success without taking our eye off the present and future.

Recognising a Leader

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 continue to add value to the ongoing stability, safety and soundness of the Bank. I have again greatly appreciated their ongoing support and guidance in 2019.

Since 1984, a key member of the Board of Directors has been Mr. R. W. Roberts Jr. O.B.E. Mr. Roberts has determined he will not stand for re-election in 2020 and will so close his 36 years of dedicated service to the Bank as a Director, though he remains the Bank's largest shareholder at the time of writing. While his role and contribution is noted elsewhere in this Annual Report, I wish to go on record in thanking Mr. Roberts for his support, mentorship, counsel and expertise over these years which have benefitted not just me personally but all staff and shareholders in realizing the great success story of Commonwealth Bank.

Pride in Being Bahamian, Pride in Pursuing Excellence

The strength and ongoing commitment of our more than 550 staff have been an essential part of Commonwealth Bank's success. It has been their commitment and their dedication to the Bahamian Success Story, not to become complacent that has contributed to the ability of the Bank to achieve and deliver on our strategic goals.

Going Forward – The Need for Further and Careful Transitioning Continues

In a recent publication, The Central Bank indicated that the Bahamian economy sustained its modest growth during 2019, notwithstanding the impact of Hurricane Dorian. We are now looking to recover from Dorian. The Bank has always taken a position of cautious optimism about the future and this has not changed. In its 60 year history the Bank has carefully planned, strategized, innovated and implemented to overcome all obstacles it has previously faced. I do not believe that it is going to be any different for the challenges we face today.

Final Comments

Our primary objective remains to be the leading Bank in the Bahamas providing personal banking services capable of delivering superior quality of 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.

We can reflect on your Bank's achievements over the last 60 years with pride and can look forward to continuing to write the historic story of Commonwealth Bank into the new decade as we pursue these goals.

William B. Sands Jr, DM
Executive Chairman

Hurricane Dorian Relief

Commonwealth Bank is proud of our long-standing record of nation building in partnership with the people and communities of The Bahamas. We know, that the success of our Bank is directly connected to the vitality and well-being of the communities that comprise our beloved country.

Over our six decades of existence, we have committed to make a difference; and have done so in earnest, by investing our time and resources. Our Corporate Giving Program supports local agencies and projects, which helps meet the needs in our neighborhoods. The Bank is transparent in its assistance policies; they are outlined on our corporate website (www.combankltd.com). 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 and positive change in the communities where we live, work and conduct business.

Mere days after Hurricane Dorian slammed into The Bahamas, leaving a trail of destruction in its wake, Commonwealth Bank, in usual first responder fashion, donated a quarter of a million dollars to direct hurricane relief efforts with donations to the Bahamas Red Cross and NEMA.

At Commonwealth Bank, we are honored to nurture and support the health and wealth of our great nation and her people. We are, *'Bahamians helping Bahamians.'*

NEMA Donation

In the wake of what has been declared The Bahamas' worst natural disaster in recent history, Commonwealth Bank donated $150,000 to the National Emergency Management Agency (NEMA), in fulfilment of its $250,000 pledge to assist with relief efforts associated with Hurricane Dorian. The Agency's commitment to the people of The Bahamas is worthy of commendation.

Pictured L to R:
Denise Turnquest, Sr. Vice President & COO, Commonwealth Bank; **Raymond Winder,** President, Commonwealth Bank; **Captain Stephen Russell,** Director, NEMA and **Tiffany Knowles,** Bahamas Disaster Relief Fund

Bahamas Red Cross Donation

Days after Hurricane Dorian slammed into The Bahamas leaving a trail of destruction in its wake, Commonwealth Bank donated $100,000 to the Bahamas Red Cross to assist with hurricane relief efforts. CB applauds the Bahamas Red Cross for its untiring efforts to meet the immediate needs of individuals displaced by Hurricane Dorian; some of which are CB family members. The Society's passionate commitment and dedication to the people of The Bahamas is unquestionable and admirable.

Pictured L to R:
Terez Curry, President, Bahamas Red Cross and **Raymond Winder,** President, Commonwealth Bank

Ministry of Education Donation

As we continue in our endeavor to develop and support the communities in which we live, work and conduct business, Commonwealth Bank, the 'Education Bank', recently made a donation of Text and Exercise Books, valued at in excess of $50,000, to the Ministry of Education.

Pictured L to R:
Sean Brathwaite, VP, Operations, Commonwealth Bank; **Raymond Winder,** President, Commonwealth Bank; **The Hon. Jeffrey Lloyd,** Minister of Education; **Loniece Hart,** Senior Education Primary Social Studies; **Vanria Jack,** Assistant Director of Education, Humanities

University of The Bahamas Donation

Commonwealth Bank recently made good on a ten-year pledge of $500,000 to the University of The Bahamas, with our tenth and final annual installment of $50,000. The endowment is proof positive of Commonwealth Bank's core value to: lead by example and effect positive change in The Bahamas.

Pictured L to R:
Peter Mitchell, Director, Office of Development, University of The Bahamas; **Claudia Rolle,** VP Human Resources, Commonwealth Bank; **Raymond Winder,** President, Commonwealth Bank; **Dr. Rodney Smith,** President, University of The Bahamas; **Dino Hernandez,** VP Institutional Advancement & Alumni Affairs, University of The Bahamas and **Kandice Eldon,** Executive Director, Corporate & Foundation Relations, University of The Bahamas

Fowler Street Back to School Jamboree

In keeping with our commitment to Corporate Social Responsibility, we staged our 5th annual Back to School Jamboree at the Fowler Street Community Park, Nassau. Under the theme, 'We live Here, We give Here', management and staff joined in the effort to provide some 300 packaged lunches, tasty treats, and school supplies for the children of Fowler Street and the surrounding communities; just in time, for back to school.

Pictured:
Management and staff join in the annual Back to School effort

2019 Donations

- A.F Adderley School
- Bahamas Air Sea Rescue Association
- Bahamas Chess Federation
- Bahamas National Sailing School
- Bahamas National Trust
- Bahamas Red Cross
- Blairwood Academy
- Boys Club of The Bahamas
- C C Sweeting Sr. High School
- Cancer Society of the Bahamas
- Champion Amateur Boxing
- Colby House
- Commonwealth Bank Giants
- Disabled Persons' Organization
- Falcon Boys Club
- Fancy Dancers Junkanoo Group
- Hopedale Centre
- IAAF
- IACP Central Division Welfare Fund
- IWF Bahamas
- Kiwanis Club
- Kevin Johnson Youth Summer Camp
- Kingdor National Parkinson Foundation
- Ministry of Education
- Mount Olive Baptist Church
- Music Makers Junkanoo Group
- NEMA
- Paradise Children's Foundation
- RBPF Dependents' Fund
- Ride For Hope
- Royal Bahamas Police Force Carmichael Division
- Royal Bahamas Police Force Eastern Division
- Royal Bahamas Police Force South Eastern
- Sandilands Rehabilitation Center
- Simpson Penn Foundation
- Sir Victor Sassoon Heart Foundation
- Sister Sister Breast Cancer Support Group
- Stride for Life
- The Bahamas Aids Foundation
- The Bahamas Children Emergency Hostel
- The Bahamas Institute of Chartered Accounts
- The Bahamas Triathlon
- The Gentleman's Club
- The Grand Bahama American Women's Club
- The National Family Island Regatta
- The National L.E.A.D Institute
- The Poop Deck Eagles
- The Randimac Tigers Sporting Club
- Training Centre for Disabled
- Unity House
- University of The Bahamas
- Urban Renewal
- Young Life International
- Youth and Family Centre
- Z-Bandits Junkanoo Organization
- Zonta Club

Thank You & Farewell

Mr. Rupert Roberts Jr. was a key figure in the group that came together in 1984 to buy out the Canadian parent company of Commonwealth Industrial Bank and to launch an all Bahamian Bank into the market place. Throughout his business life, Mr. Roberts has been a champion of belief in the ability of Bahamians to be as good as any one else and this is a key spirit he has brought to the Commonwealth Bank board room in his 36 years of service as a Director. He continually encouraged, cajoled and challenged management to strive forward to compete with the biggest and the best banks in The Bahamas.

Today Commonwealth Bank stands shoulder to shoulder with leading multinational banks in the domestic marketplace as a proud successful Bahamian Bank.

In 1984, Mr. Rupert Roberts Jr. made history, when he was elected the first Chairman of Commonwealth Industrial Bank Ltd. on the occasion of it becoming 100% Bahamian owned. Along with the first President of the Bank, Mr. Robert H. Symonette and Managing Director, Mr. Vernon G. Beares, they formed a dynamic team that set about changing the face of banking in the Bahamas. While Mr. Roberts stepped back from the public spotlight in 1988 when he stood down as Chairman, he never gave up his encouragement and support of management. He would always challenge them to do more, aim higher and never accept defeat as final. With his inspiration and wise counsel, the Bank rapidly expanded and flourished, becoming a key player in the local economy by practicing unique financing concepts and by transforming and migrating the entire business into a newly licensed Bahamian owned commercial bank, setting the standards for an industry benchmark.

Mr. Roberts has served the Board, the Bank and the country with inspiration and enthusiasm toward building a better Bahamas for all.

The Executive Chairman, President, Board of Directors, Executive Team, Management and Staff recognize and salute Mr. Roberts for almost four decades of invaluable contribution and stellar leadership. We express our profound gratitude for the yeoman services he provided and for his role in bringing the Bank to where it is today. We wish him Godspeed and a long, happy and healthy retirement as he begins a new chapter in life.

Rupert W. Roberts Jr, OBE

Raymond L. Winder
PRESIDENT

President's Report

Introduction

In my comments last year, in my first President's Report, I expressed my commitment to continuing the Bank's track record of success and sustaining its reputation of the leading Bahamian Financial Institution.

I could not have imagined how severely the Bank would be tested by the impact of Hurricane Dorian in September 2019. The loss of our Marsh Harbour branch was unprecedented in our 60 year history, not to mention the terrible impact on our customers and staff. Our response to the disaster has demonstrated that as a Bahamian organization we are fast and flexible. Your Bank was the first to resume banking services in both Grand Bahama and in Abaco; the Bank was first to restart ATM service on the island and then to open a physical presence in Marsh Harbour in a temporary location. Plans are now in process for rebuilding our Marsh Harbour branch. The impact of the storm and recovery understandably took precedence in the remaining months of the year. Forbearance plans were introduced to assist customers who lost a combination or all of homes, jobs and businesses. Assessments of the damages to bank buildings were made and plans for rebuilding undertaken. Assistance was given to staff in relocating temporarily to other islands and they were offered relief in the form of financial assistance and emotional / psychological support. The Bank rose to the occasion with contributions of $150,000 to the National Emergency Management Agency (NEMA) and $100,000 to the Bahamas Red Cross to give immediate relief to the victims of the storm. Apart from the impact on the lives and infrastructure in Abaco and Grand Bahama, Dorian also impacted the financial success of the Bank in 2019.

Summary of Financial Performance

The Bahamas sustained modest economic growth through 2019 notwithstanding Hurricane Dorian according to a recent Central Bank of The Bahamas report. Limited credit growth opportunities continued throughout the year as the Bank's credit risk appetite advocated against following the market trend of larger consumer balances for longer terms. Along with the ongoing operation of lending entities that are not regulated by the Central Bank of The Bahamas, the Bahamian consumer continues to be heavily laden with consumer debt. This is placing the Bank at a temporary competitive disadvantage as customers move balances to more aggressive lenders. As a result of these factors plus the losses from Hurricane Dorian, loan receivables fell by $47.4 million for the year.

Under the new International Financial Reporting Standard 9 "Financial Instruments" which was introduced last year, impairment is recognized earlier than under the old accounting treatment. As a result of assessments of expected credit losses deriving from the hurricane damage, loan loss impairment expense increased by $20.3 million for the year compared to 2018. This conservative position had to be taken with the hurricane occurring so close to year end and there being so much uncertainty as to when and if business will be able to re-establish themselves and re-employ their staff – our customers.

After this assessment was done, Commonwealth Bank reported net income of $31.6 million, a decrease of $20 million from 2018. Impairment allowances increased $20.3 million of which $13.4 million was attributable to allowances arising from Dorian. While the Marsh Harbour branch has to be rebuilt, insurance proceeds reflecting replacement cost rather than historic cost gave rise to a $2.3 million offsetting surplus. The results are described in more detail in management's "Discussion and Analysis of Financial Results".

Key Elements of the Financial Results

In 2019 asset growth over 2018 was almost flat at 0.3% reaching $1.709 billion. Gross loans contracted $47.4 million. With the noted contraction in loans, the liquid side of the balance sheet, cash and investments grew $78.4 million or 12.3%.

Performance ratios show the Bank's results compared to 2018 for Return on Average Assets, Return on Average Shareholders' Equity and Earnings per Share (the actual ratios can be found in the Financial Highlights on page 5). A review of the financial and statistical data contained in this report will reveal the Bank's safety and soundness is unchallenged despite these results.

Operating costs were controlled within the Bank's objective of maintaining an efficiency ratio below 50%, with a minor improvement over 2018's position.

Our Employees - The Core Element of Our Past Success

The ongoing support of more than 550 full time and supportive staff is critical to the Bank's success. We could not have re-opened so quickly without their sacrifices and our sustained profitability would not have been achieved without their past support. Our staff are a critical element in our success.

As the Bank looks forward to the future it must continue to maintain both effective succession planning and employee development programs. The Bank continues to encourage staff to develop through its investment in its Corporate Learning Center and program development as well as identification of appropriate external development opportunities for high potential employees.

A key stage in this process is the process to replace the human resources that comprise leadership of the Bank. Change is to be expected and planned for. These changes have occurred but your Bank remains as strong as ever.

Conclusion

Hurricane Dorian may have delayed our transformation efforts to ensure that our culture evolves to support the strengths that will be required in the future in order to address the business model planned by the Bank, but it has not defeated them.

Our experience over 60 years has covered many obstacles which have been overcome. Our Vision, Mission and Values provide the standard to overcome those of the future. We are committed to continue to operate the Bank in a safe and sound manner that will yield the appropriate returns to our shareholder base. Your Bank is Strong, Resilient and Experienced.

Raymond L. Winder

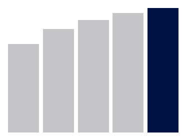
Raymond L. Winder
President

Abaco Rebuild Contract Signing

Construction is anticipated to start shortly to rebuild our Marsh Harbour branch, virtually destroyed during the passage of Hurricane Dorian. Carl G. Treco Contractors & Developers Ltd. has been awarded the 3.9 million dollar contract to construct the new, approximately 9,000 square-foot facility, which is expected to be completed in the fall of 2020. The newly completed branch will feature our signature design and amenities – a spacious customer-friendly lobby, energy efficient fixtures, convenient customer parking and handicap access. The branch will also offer innovative customer care, a full-service loan centre, ABM and night deposit services and customized interior furnishings.

Standing L to R: **Graham Benham,** Senior Quantity Surveyor, Carl G. Treco Contractors & Developers Ltd.; **Ryan Treco,** Vice-President, Carl G. Treco Contractors & Developers Ltd.; **Tariq O'Brien,** Manager - Administration, Commonwealth Bank; **Oswald Dean,** VP - Information Technology, Commonwealth Bank

Sitting L to R: **John Stewart,** Principal, Construction Cost Engineering, Carl G. Treco Contractors & Developers Ltd.; **Larry Treco,** Managing Director, Carl G. Treco Contractors & Developers Ltd.; **Earla Bethel,** Director, Commonwealth Bank; **William B. Sands Jr, DM,** Executive Chairman, Commonwealth Bank



TOTAL ASSETS

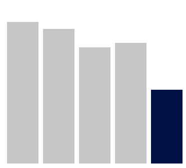
$1.7

BILLION

TOTAL DIVIDENDS PAID

$31.4

MILLION



TOTAL PROFITS

$31.6

MILLION

Management Discussion and Analysis

This Management Discussion and Analysis of our financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the fiscal year ended December 31, 2019, compared to the preceding year. For a complete understanding of trends, events, uncertainties and the effect of critical accounting estimates on our results of operations and financial condition, this Management Discussion and Analysis should be read carefully together with our Consolidated Financial Statements and related Notes. This Management Discussion and Analysis is dated May 25, 2020. All amounts reported are based on financial statements prepared in accordance with International Financial Reporting Standards.

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

Caution Regarding Forward-Looking Statements

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

Executive Summary

With total assets of $1.7 billion, Commonwealth Bank market capitalization of $1.3 billion remained unchanged at December 31, 2019 from 2018, the largest market capitalization on BISX. As noted in the Chairman and President’s Reports, the most significant event in the year was Hurricane Dorian’s impact on the Bank’s operations in Abaco and Grand Bahama. Customers with loan balances of over $47 million were assisted, with the majority of these in Grand Bahama. The resulting significant impact on the 2019 financial statements reflects the widespread demographic profile of our customer base. We serve all Bahamians, not just preferred segments such as government workers. The Bank remains and will remain focused on being the complete personal banker for Bahamians and continues to be the industry leader capturing approximately 40% of the consumer loans market at the end of 2019.

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

The Bank's risk management structure promotes the making of sound business decisions by balancing risk and reward. As a result, our revenue generating activities are consistent with the level of risk the Bank wishes to accept and drive the maximization of shareholder return. The management of these risks is summarized in the notes to the consolidated financial statements.

As outlined in the President’s Report, Total Profit for the Bank for 2019 of $31.6 million was severely impacted by the IFRS 9 requirements to recognise impairment allowances for Hurricane Dorian losses. With the storm hitting the Bahamas in September and customer assistance programs extending into 2020, the Bank took a conservative position at year end in modelling impairment allowances that resulted in a $20.3 million increase in impairment expense or a 73% increase over 2018. In Abaco, consumer loan balances of $18 million were covered by impairment allowances of approximately $11.5 million. Based on past experience, the Bank believes that the net loan balance relating to the Abaco portfolio is low risk . The Abaco branch building is covered by the Bank's insurance at replacement value and the bank has additional expense coverage so that the risk is well mitigated. The replacement cost policy on the building gives rise to an overall $2.1 million gain on disposal of assets for the year. The posted total profit represents a decrease of $20.3 million or 39.1% from 2018.

The decline in profitability hit all the relevant financial ratios negatively Return on assets (ROA) was 1.71% down from 2.8% in 2018. Return on equity (ROE) was 10.4% compared to 16.9% in 2018. Earnings per share (EPS) was down to $0.10 from 2018 $0.16.

Capital adequacy and liquidity ratios continued to be extremely strong (26.5% and 49.7% respectively) and well above regulatory requirements. As a result of projected capital needs and current investing opportunities, the Bank redeemed its $81.5 million Preference shares during the year, eliminating an expensive (in the current market) $4.7 million annual dividend to holders of the Preference shares, so that these funds will in future be available for funding common share dividends.

Despite the redemption, the Bank continued its historical pattern of dividend distribution to shareholders as it paid out total common share dividends of $29 million in 2019 and $2.4 million to preference shareholders. Thus total dividends for the year were covered by current year earnings, although the Board approved an exception to its policy of the 75% payout of common shareholder earnings due to the exceptional reduction in profitability due to Dorian.

Net Interest Income

The Bank's net interest income was $127 million compared to $134 million in 2018. This represents a decrease of 5.5%. Interest income for 2018 decreased by 7.9%. The decline in interest income was due to shrinkage of the loan portfolio which resulted from the Bank strengthening its lending policies, a less than robust economy, increasing competition in the market and the impact of Hurricane Dorian affecting the productivity of branches in Grand Bahama and Abaco.

Interest expense decreased by 24.4% due to reduction in deposit interest rates and a changing composition of deposits with more customers seeking access to their funds by building savings and current accounts rather than the less liquid certificates of deposit.

Loan Loss Impairment

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

The Bank's total allowance for loan impairment was $86.4 million which represented 8.5% of total loans (2018: $72.4 million and 6.7%). Total impaired loans was $ 68.8 million (2018:$64.8 million), of which $47 million or 68% (2018: $45 million or 69%) were secured mortgages and business loans.

The Bank continues to report stronger credit quality ratings overall than the industry. The Bank's delinquency ratio at the end of the year was 11.3% compared to 12.1% for the industry. Similarly, the Bank's nonperforming loan ratio was 5.73% compared to 8.0% for the industry.

Non-interest Income

Total non-interest income was $25.7 million compared to $19.1 million in the prior year. This represents an increase of 34.5%. The increase is the result of market appreciation of the Bank's investment in Mastercard of $1.5 million and an improvement in credit life insurance premiums of $2.4 million. As we noted last year, as existing customers rewrite loans and new customers are on-boarded, gross premiums will continue to increase. The modified credit life insurance product which was introduced in 2017 offers customers greater protection in the event of death prior to their loans being satisfied.

Non-interest Expense

Total non-interest expense, inclusive of impairment losses was $ 126 million compared to $102 million in 2018, an increase of 24%. The driving factor for the increase was the increase in impairment losses by 73% increasing to $48.0 million from $27.7 million which was discussed earlier in this report. The increase in impairment losses was offset by the favorable change in insurance reserves. In the current year, the change in insurance reserves resulted in an increase in the expense of $1.3 million, compared to an increase in the expense of $2.6 million in prior year.

It is the Bank's policy to write off personal loans and credit cards once they become 180 days or more contractually past due. Total write-offs for the Bank increased by 19% to $51.0 million from $42.9 million in 2018.

On the positive side, sustained focus by the Bank on the recovery on written-off loans resulted in $17 million in recoveries compared to $12.6 million in 2018, an increase of 34.9%.

Impairment losses on premises and equipment damaged by hurricane Dorian were $2.8 million. The Bank's insurance reocveries in respct of these losses was approximately $4.9 million.

Staff costs decreased by 5.5% to $37.5 million from $39.6 million in 2018. The Bank remains committed to its employees and its aim to attract and retain the best talent to ensure that service to our customers and other stakeholders is maintained at an exceptional level.

Management of Financial Position

Total assets at the end of the year were $1.7 billion compared to 2018. Loans and advances to customers accounted for 55% of the Bank's assets and amounted to approximately $1 billion, a contraction of $61.5 million. As previously discussed, the contraction in the loan portfolio is a result of the strengthening of the Bank's credit policies to ensure improved credit quality, and the lack of qualified borrowers, amid increasing competition and the impact of Hurricane Dorian.

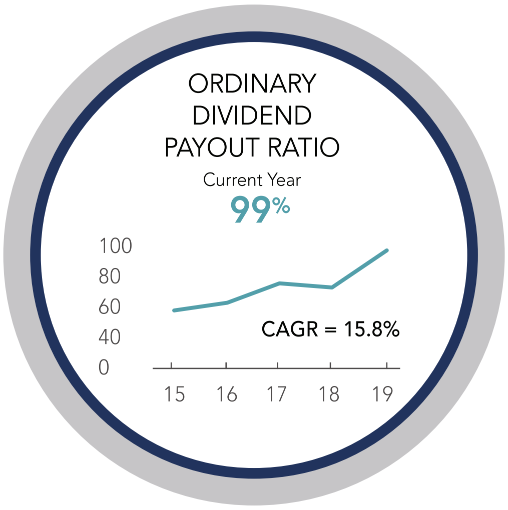
Personal loans accounted for 72% of the Bank's credit portfolio and totaled $735 million as at year-end. This represents a decrease of $42.2 million (-5.5%) over the previous year.

The Bank's mortgage portfolio recorded a decline of $20 million (-10%). Mortgage balances at the end of the year were $180.5 million compared to $200.7 million at December 31, 2018. At December 31, 2019 the mortgage portfolio made up approximately 17.7% of the total loan portfolio (2018: 18.8%).

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

The business loan portfolio was $25.7 million or 2.6% of the loan portfolio (2018: 2.8%), a decline of $3.9 million, (-13.3%) from the $29.6 million in the previous year.
Credit card loans were $41 million, an increase of $4.2 million or 11.4% above 2018.

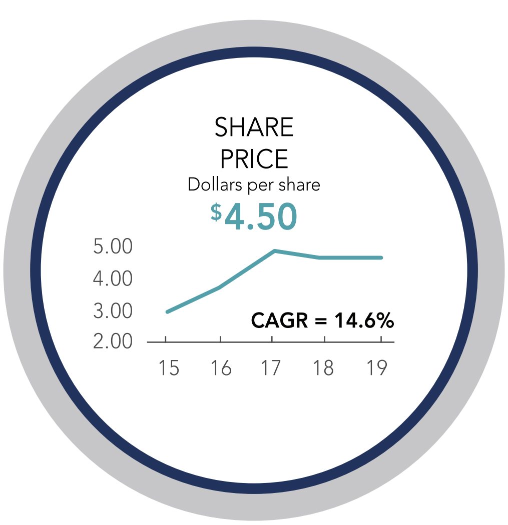
Total deposits from customers closed at $1.4 billion an increase of 7.9% since December 31, 2018. The Bank's certificates of deposits



NET INTEREST INCOME

$127

MILLION



(CDs) declined by $69.2 million (-8.8%) while demand deposits and savings accounts grew by $116.6 million and $61 million (65% and 17.8%), respectively. This conversion of higher yield CDs to lower yield deposits as well as generally declining CD interest rates resulted in the Bank recognising reduced interest expense despite the increase in overall deposit balances.

The Components of Capital

A strong capital base is a foundation for building and expanding the Bank's operations and services in a safe and sound manner.

The Bank's total capital decreased $95.1 million in 2019 to $273 million (2018: $368 million).

As mentioned earlier, the Bank redeemed its Preference shares during the year. Not only was the Bank overcapitalized on its present forecast of activities but also the Central Bank placed the Bank on notice that upcoming regulatory changes would result in Preference Shares no longer qualifying for regulatory capital. Along with the expensive pricing of the preference shares as deposit rates had continuously declined without triggering a reduction in the Bahamas prime rate, which would have cut the cost of the Preference Shares, it was the appropriate time to redeem the shares. After the redemption, liquidity and capital adequacy rations remained well above regulatory requirements.

During the year, the Bank purchased 3,308,695 of its shares for $14.5 million (2018: 499,575 shares for $2 million) through its wholly-owned subsidiary C.B. Securities. At December 31, 2019, 7,114,879 (2018: 3,806,184) shares were held by the subsidiary. The purchase of shares from the market was pre-approved by The Central Bank of The Bahamas. (Part of the purchase completed the readjustment of the Bank's Defined Benefit Pension Plan to a Defined Contribution Pension Plan to within prudential norms.)

The Bank's total capital ratio was 26.5% (2018: 33.3%). The minimum capital ratio as prescribed by The Central Bank of the Bahamas is 17%. Therefore, the Bank's ratio exceeds the minimum capital levels by 55% (2018: 96%).

Bank-wide Risk Management

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

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

Credit Risk Management

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

The Bank's restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate repayment is likely. Restructured accounts disclosed in the notes to the financial statements include assistance outside normal underwriting criteria. The total restructured accounts at December 2019 amounted to $148 million or 14.6% of the portfolio (2018: $135 million or 12.7%), an increase of $13 million. While this total reflected an increase over 2018, $40.6 million of the total related to customers who received assistance after Hurricane Dorian, otherwise the total restructured loans would have been $107.4 million, a reduction of 20.4%. In 2020 the Bank will continue its efforts to reduce restructured loans by rewriting or partially rewriting loans based on the customer's ability to service the loan or by ultimately charging off loans where the prospects of recovery are low.

Liquidity and Funding Risk Management

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

Throughout 2019, liquidity in the banking sector remained strong. This condition resulted in lower market deposit rates, which in turn benefited the Bank by reducing interest expense. Average cash and securities to average total assets was 39.8% at December 31, 2019, an increase of above 2018 by 410 basis points despite the cash outlay of the Preference Share redemption. With a liquidity ratio of 49.7%, the Bank's liquidity levels continue to far exceed the minimum level of 20% prescribed by The Central Bank of The Bahamas.

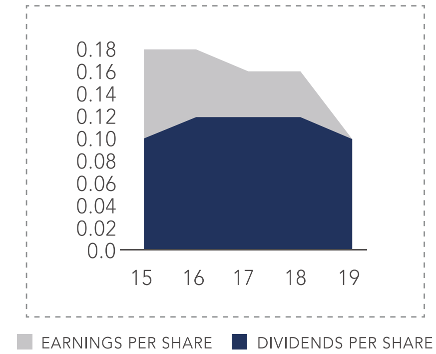
Outlook for 2020

In a recent publication, The Central Bank indicated that the Bahamian economy sustained its modest growth during the year, notwithstanding the impact of Hurricane Dorian. Recovery efforts in Abaco will have a mixed impact on the Bahamian economy, a short to medium term boost as insurance proceeds are received and rebuilding begins, offset by the higher social welfare demands for displaced victims of the storm and the pressure on the national budget from borrowing costs. While the country's removal from the EU blacklist is a positive, the international banking sector remains severely challenged by OECD initiatives against off shore financial centres.

The Bank will continue to faces challenges from competitors in the consumer market field, both those regulated by the Central Bank and those that are not. Even at the time of writing, a new emerging challenge of COVID-19 is poised to change our lives in the short term. The Bank has to adapt itself to new market realities and position itself to take advantages that these new realities present. It is a reminder that life is about change and how the bank and our customers and shareholders adapt to those changes. Sometimes change is at the individual level, COVID-19 brings changes at the individual, corporate, national and global level. The Bank is already adapting to assist our customers and will continue to do so. The Bank will continue to navigate a cautious path balancing customer demands with prudence. COVID-19 is expected to have an adverse impact on 2020 financial results, albeit the Bank's strong capital and liquidity suggest that even in stressed times the Bank will continue to operate as a going concern.

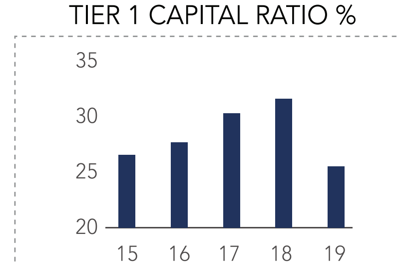
The Bank has used different tag lines over the years: "The Bank for Bahamians with places to go"; "leader in personal banking services" and "Bahamians helping Bahamians" – each one reflects part of the vision, culture and history of the Bank. As we enter a new decade and the 7th decade of the Bank's existence we remain passionate about our calling to empower Bahamians – passionate enough to overcome obstacles, (including COVID-19) innovate new products and continue to be the leader in personal banking.

EARNINGS PER SHARE
and
DIVIDENDS PER SHARE



REGULATORY CAPITAL

TIER 1 CAPITAL RATIO %



Board of Directors

Seated L to R:

William B. Sands Jr, DM | *Executive Chairman*

Rupert W. Roberts Jr, OBE

Standing L to R:

Robert D. L. Sands

Earla J. Bethel

Vaughn W. Higgs

Seated L to R:

R. Craig Symonette

Raymond L. Winder | *President*

Standing L to R:

Tracy E. Knowles

Larry R. Gibson

Dr. Marcus R. C. Bethel

Executive Team

Pictured L to R:

Sean Brathwaite | *VP Operations*

Maxwell Jones | *VP Accounts Control & Recovery*

Michaela Bethell-Stuart | *VP Finance & CFO*

Claudia Rolle | *VP Human Resources & Training*

Raymond Winder | *President*

Denise Turnquest | *Sr. VP & COO*

Davine Dawkins-Rolle | *VP Internal Audit & Credit Inspection*

Silbert Cooper | *VP Credit Risk*

Oswald Dean | *VP Information Technology*

Assistant Vice Presidents

Pictured L to R:

Lynda Burrows | *AVP Information Technology*

Franklyn Thomas | *AVP Credit Risk*

Juliette Fraser | *AVP Operations*

Jermaine Williams | *AVP & Chief Risk Officer*

Tameka Cooke | *AVP Human Resources*

Branch Managers

Front Row L to R:
Daria Bain | *Sr. Manager, Golden Gates*
Darlene Gibson | *Manager, Lucaya*
Branson Gibson | *Sr. Manager, Oakes Field*
Kayla Darville | *Manager, Mortgage Centre*
Charlene Low | *Manager, Freeport*
Marcus Cleare | *Sr. Manager, Wulff Road*
Chantal Nixon | *Manager, Cable Beach*

Back Row L to R:
Perry Thompson | *Manager, Prince Charles Drive*
Stephen Johnson | *Manager, Town Centre Mall*
Matthew Sawyer | *Manager, Marsh Harbour*
Edward Virgil | *Manager, East Bay Street*
Demetri Bowe | *Sr. Manager, CB Plaza*

Department Managers

Front Row L to R:
Rawson Minnis | *IT Production*
Charmaine Edgecombe | *Operations*
Rochelle Wilkinson | *Commercial Lending & Private Wealth*
Katherine Hamilton | *Training*
Cindy Curtis | *Sr. Manager, Head of Compliance*
Shanette Deveaux | *Compensation & Benefits*
Jasmin Strachan | *Sr. Manager, Shared Services*
Anwar McCartney | *Finance & Business Planning*

Middle Row L to R:
Keshala Knowles | *Sr. Manager, Human Resources*
Kayla Callendar | *Accounts Control & Recovery, Commercial & Mortgage*
Jevone Ferguson | *Information Security*
Kendra Culmer | *Sr. Manager, Internal Audit*
Lernix Williams | *Accounts Control*
Tariq O'Brien | *Administration*
Wellington Hepburn | *Sr. Manager, Training & Development*
Omar Henfield | *Physical Security*

Back Row L to R:
Lavado Butler | *Sr. Manager, Credit Inspection*
Monique Mason | *Card Services*
Frienderick Dean | *Sr. Manager, Accounts Control*
Rekell Griffin | *Business Development*
Felipe Vega | *IT Projects*
Gina Greene | *Sr. Manager, Marketing & Customer Care*

1960
Commonwealth Industrial Bank Founded

1984
Commonwealth Industrial Bank Purchased by Bahamian Investors

1986
SunCard, the First Bahamian Credit Card, is Established

1987
Commonwealth Bank Exceeds $92.8 Million in Assets

1988

Commonwealth Industrial Bank Renamed to Commonwealth Bank

1990

Commonwealth Bank Becomes the First Bahamian Owned Clearing Bank

1995

Commonwealth Bank Exceeds $250 Million in Assets

2000

Commwealth Bank's First Public Share Offering

2001
Automatic Banking Machines Introduced

2002
Launch of Commonwealth Bank Mastercard

2005
Commonwealth Bank Internet Banking Introduced

2006
Commonwealth Bank Reaches $1 Billion in Assets

2009
Launch of Saturday Banking

2016
Launch of Commonwealth Bank Visa Debit Card

2018
Launch of CB Online & Mobile Banking

2020
Sixty Years of Growth and Progress

Management's Responsibility for Financial Reporting

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

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

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

In meeting our responsibility for the reliability of financial information, we maintain and rely on a comprehensive system of internal control and internal audit, including organizational, procedural and internal controls over financial reporting. Our process of controls include written communication of our policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel; and sound and conservative accounting policies which we regularly update. This structure ensures appropriate internal control over transactions, assets and records. We also regularly audit internal controls. These controls and audits are designed to provide us with reasonable assurance that the financial records are reliable for preparing financial statements and other financial information, assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and we are in compliance with all regulatory requirements.

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

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

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

Raymond L. Winder

Raymond L. Winder
President

Michaela Bethell-Stuart

Michaela Bethell-Stuart
VP & CFO

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

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

To the Shareholders of Commonwealth Bank Limited

Report on the Audit of the Consolidated Financial Statements

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, 2019, 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.

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, 2019, 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 ("ISA"). 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 Code of Ethics for Professional Accountants ("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.

Emphasis of Matter - comparative information

We draw attention to Note 25 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2018 has been amended and restated. Our opinion is not modified in respect of this matter.

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.

Application of IFRS 9 in the calculation of impairment of Loans and advances to customers ("Loans") (See Notes 9 and 24)

The Risk	Our Response
As at December 31, 2019, Loans comprise a major portion of the Group's assets, with total gross Loans amounting to $1.019 billion and the related impairment allowance amounting to $86.41 million. Of the $86.41 million, $11.7 million is related to a management overlay that increases provisions as a direct result of the impact and uncertainty specific to Hurricane Dorian impacted loans. Impairment of Loans was considered to be a key audit area primarily for the following reasons: • IFRS 9 is a complex accounting standard which requires significant judgment to determine both the timing and measurement of impairment losses. • The determination of expected credit loss ("ECL") allowances is highly subjective and judgmental. Small changes in key assumptions may result in material differences in the Group's consolidated financial statements. Key judgments and estimates in respect of the timing and measurement of ECLs include: - The interpretation of the requirements to determine impairment under IFRS 9, which are reflected in the Group's ECL model; - The identification of exposures with a significant deterioration in credit quality; - The allocation of Loans to stages 1, 2 and 3 using criteria in accordance with IFRS 9; - Reasonableness of assumptions used in the calculation of management overlays; - Completeness and accuracy of data used to calculate the ECL; and - Accuracy and adequacy of related financial statement disclosures Given the assumptions and judgements used in the calculation of the ECL, there is a risk that the actual results may materially differ from estimates.	In assessing the impairment losses on Loans, we performed the following procedures: • Updated our understanding of the Group's methodology to determine the impairment allowance under IFRS 9. • Updated our understanding of the Group's key credit processes and related controls, including granting, recording, monitoring and ECL provisioning. • Involved KPMG credit specialists in testing the assumptions, inputs and formulas used in the ECL model and the management overlays. This included assessing the model's arithmetic accuracy and consistency with the requirements of IFRS 9. • Involved KPMG credit specialists to stress test assumptions used by management. • Involved KPMG credit specialists to replicate ECL calculations. • Tested the completeness and accuracy of key data inputs sourced from underlying systems that are applied in the calculation of the impairment allowance. • Recalculated the risk ratings for a sample of Loans to assess if they were appropriately allocated to the relevant stage, (i.e. stages 1, 2 and 3). • Performed a retrospective review of assumptions and inputs used in the ECL calculation for the prior period estimate. • Reviewed relevant IFRS standards to ensure disclosures are accurate and complete.

Other Information

Management is responsible for the other information. The other information comprises the information to be included in the Group's annual report (but does not include the consolidated financial statements and our auditors' report thereon).

Our opinion on the consolidated financial statements does not cover other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 ISA 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 ISA, 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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
May 25, 2020

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, 2019, 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

Na Ta
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

February 14, 2020

Commonwealth Bank Limited

Consolidated Statement of Financial position

As at December 31, 2019, with corresponding figures as at December 31, 2018 and January 1, 2018 *(Expressed in Bahamian $'000s)*

	2019	2018 (Restated)	January 1, 2018 (Restated)
ASSETS			
Cash and deposits with banks (Notes 5 and 7)	$ 117,244	$ 34,010	$ 30,611
Balances with The Central Bank of The Bahamas (Notes 5 and 7)	164,296	147,772	98,288
Investments (Notes 5 and 8)	436,224	457,572	404,841
Loans and advances to customers (Notes 5, 9, 21 and 26)	932,796	994,795	1,056,231
Other assets (Note 10)	16,059	15,961	18,011
Premises and equipment (Notes 6 and 11)	42,530	47,494	44,818
TOTAL ASSETS (Note 6)	$ 1,709,149	$ 1,697,604	1,652,800
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits from customers (Notes 5, 12 and 21)	$ 1,419,290	$ 1,311,244	$ 1,274,262
Life insurance fund liability (Note 13)	1,682	2,951	5,599
Other liabilities (Notes 14 and 21)	15,340	15,513	14,991
Total liabilities (Note 6)	1,436,312	1,329,708	1,294,852
EQUITY:			
Share capital (Note 15)	1,921	83,441	83,444
Share premium (Note 15)	2,708	17,198	19,195
General reserve (Note 17)	10,500	10,500	10,500
Retained earnings (Note 26)	257,708	256,757	244,809
Total equity	272,837	367,896	357,948
TOTAL LIABILITIES & EQUITY	$ 1,709,149	$ 1,697,604	1,652,800

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

These consolidated financial statements were approved by the Directors on May 25, 2020, and are signed on its behalf by:

Executive Chairman

Raymond L. Winder

President

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2019, with corresponding figures for December 31, 2018 *(Expressed in Bahamian $'000s)*

	2019	2018
INCOME		
Interest income, effective interest rate method (Notes 5 and 21)	$ 141,630	$ 153,978
Interest expense (Notes 5,6 and 21)	(14,737)	(19,505)
Net interest income	126,893	134,473
Credit life insurance premiums, net	4,849	2,423
Fees and other income (Notes 5 and 19)	18,447	15,865
Unrealised gains on equity investment at FVTPL (Note 5)	2,417	820
Insurance Recoveries (Note 11)	4,854	-
Other income	30,567	19,108
Total income (Note 6)	157,460	153,581
NON-INTEREST EXPENSE		
General and administrative (Notes 20,21 and 22)	70,626	71,078
Impairment losses on financial assets (Note 9)	48,038	27,693
Insurance claims (Note 13)	1,928	2,089
Change in insurance reserves (Note 13)	(1,269)	(2,648)
Depreciation and amortization (Notes 6 and 11)	3,499	3,157
Losses on disposal of premises and equipment (Note 11)	21	-
Losses on hurricane impaired assets (Note 11)	2,733	-
Directors' fees	273	273
Total non-interest expense	125,849	101,642
TOTAL PROFIT (Notes 6 and 16)	31,611	51,939
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement (loss) gain of defined benefit obligation (Note 22)	763	(299)
TOTAL COMPREHENSIVE INCOME	$ 32,374	$ 51,640
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars) (Note 16)	$ 0.16	$ 0.16

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2019, with corresponding figures for December 31, 2018 *(Expressed in Bahamian $'000s)*

2019

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

2018

	Share Capital (Common)	Share Capital (Preference)	Share Premium	General Reserve	Retained Earnings	Total
As at December 31, 2017	$ 1,946	$ 81,498	$ 19,195	$ 10,500	$ 242,547	$ 355,686
IFRS 9 transition adjustment - Restated (Notes 2, 9 and 25)	-	-	-	-	2,262	2,262
As at January 1, 2018 - Restated (Note 25)	$ 1,946	$ 81,498	$ 19,195	$ 10,500	$ 244,809	$ 357,948
Comprehensive Income						
Total profit					51,939	51,939
Remeasurement gain of defined benefit obligation	-	-	-	-	(299)	(299)
	-	-	-	-	51,640	51,640
Transaction with owners						
Repurchase of common shares	(3)		(1,997)			(2,000)
Dividends - common shares (Note 15)					(35,000)	(35,000)
Dividends - preference shares (Note 16)	-	-	-	-	(4,692)	(4,692)
	(3)	-	(1,997)	-	(39,692)	(41,692)
As at December 31, 2018 - Restated	$ 1,943	$ 81,498	$ 17,198	$ 10,500	$ 256,757	$ 367,896
Dividends per common share (expressed in dollars)	**$ 0.12**					

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

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with corresponding figures for December 31, 2018 *(Expressed in Bahamian $'000s)*

		2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest receipts	$	129,978	$	139,100
Interest payments		(14,737)		(19,003)
Credit life insurance premiums received, net		4,849		2,423
Credit life insurance claims and expenses paid		(2,595)		(2,575)
Fees and other income received		17,865		16,238
Recoveries, loans and advances to customers (Note 9)		16,955		12,665
Cash payments to employees and suppliers		(70,974)		(71,930)
		81,341		76,918
Increase (decrease) in minimum reserve requirement (Note 7)		2,361		(4,510)
Increase in restricted time deposit (Note 7)		-		(371)
(Increase) decrease in loans and advances to customers		(2,994)		22,057
Increase in deposits from customers		108,046		36,982
Net cash from operating activities		188,754		131,076
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments		(302,135)		(297,127)
Interest receipts from investments		17,062		16,177
Redemption of investments		327,139		245,317
Purchase of premises and equipment (Note 11)		(1,289)		(5,933)
Net proceeds from sale of premises and equipment (Note 11)		21		184
Net cash from (used in) investing activities		40,798		(41,382)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid (Note 15 and 16)		(31,423)		(39,692)
Repurchase of common shares		(14,512)		(2,000)
Redemption of preference shares		(81,498)		-
Net cash used in financing activities		(127,433)		(41,692)
NET INCREASE IN CASH AND CASH EQUIVALENTS		102,119		48,002
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		125,211		77,209
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)	$	227,330	$	125,211

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

1. INCORPORATION AND ACTIVITIES

Commonwealth Bank Limited (the "Bank") is incorporated in The Commonwealth of The Bahamas ("The Bahamas") and is licensed by The Ministry of Finance to carry out banking business in The Bahamas under the provisions of the Banks and Trust Companies Regulations Act 2000.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(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. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(c) Principles of Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

(d) Changes in Significant Accounting Policies

New standards, amendments and interpretations adopted by the Group

IFRS 16 Leases ("IFRS 16") became effective for fiscal periods beginning on or after January 1, 2019 and specifies how the Group should recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

The adoption of IFRS 16 did not have a material impact on the Group's financial statements.

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

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

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

There were no other new standards or proposed amendments which we expect to have a material impact on the consolidated financial statements.

(e) Loans and Advances

Loans and advances in the 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. Loans and advances mandatorily measured at fair value through profit and loss ("FVTPL") or designated as at FVTPL are measured at fair value with changes recognised immediately in profit or loss.

(f) Recognition of Income and Expense

The Group recognises interest income and expense in the consolidated statement of profit or loss and other comprehensive income for all financial instruments measured at amortised cost using the method described below, with the exception of financial assets that have subsequently become credit-impaired ('Stage 3' financial assets). For these financial assets, interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected impairment loss allowance).

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

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

Fee income is recorded in the consolidated statement of profit or loss and other comprehensive income as "Fees and other income" and is generally recognised on an accrual basis when the service has been provided.

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

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

In accordance with local regulatory guidelines, a loan is classified as non-performing when payment is contractually 90 days in arrears or the total amount outstanding outside of contractual arrangements is equal to at least 90 days' worth of payments.

When a loan is classified as non-performing, recognition of interest ceases, and interest 90 days in arrears is reversed from income. Loans are generally returned to performing status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

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

Other income and expenses are recognised on an accrual basis.

(g) Cash and Cash Equivalents

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

(h) Foreign Currency Translation

Functional and Presentation Currency

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

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements 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 a part of the fair value gains and losses.

(i) Premises and Equipment

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

Land is not depreciated. Depreciation and amortization on other assets are computed on a straight-line basis, net of residual values, and are charged to non-interest expense 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.

(j) Impairment of Non-financial Assets

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

(k) Earnings Per Common Share

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

(l) Retirement Benefit Costs

The Bank maintains defined benefit ("DB Provisions") and defined contribution ("DC Provisions") pension 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 plans 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 to other comprehensive income include actuarial gains and losses on obligations, and assets arising from experience different than assumed and changes in assumptions.

(m) 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.

(n) Equity Instruments

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

Treasury Shares

Treasury stock represent the portion of authorized shares that the Bank owns. Treasury shares are purchased and sold at par value. Treasury shares are deducted from equity and no gain or loss is recognized on the purchase, sale, issue or cancellation of shares. Any premium or discount to par value is shown as an adjustment to share premium.

(o) Financial Assets

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

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

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

Classification

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

i. Amortised Cost

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

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

ii. Fair Value Through Other Comprehensive Income (FVOCI)

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

iii. Fair Value Through Profit or Loss (FVTPL)

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

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

- **Business Model Assessment**

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

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

  Financial assets that are not held to collect, or both held to collect and sell are assessed at a portfolio level reflective of how the asset or group of assets are managed together to achieve a particular business model. Financial assets whose performances are evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

- **Contractual Cash Flow Assessment**

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

  In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:
  - contingent events that would change the amount and timing of cash flows;
  - leverage features;
  - prepayment and extension terms;
  - terms that limit the Group claim to cash flows from specified assets; and features that modify consideration of the time value of money.

  Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount. 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.

The Group reclassifies its financial assets when and only when its business model for managing those assets changes.

Recognition and Derecognition

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

Financial assets are derecognised 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 either borrowers repay their obligations, or the loans are sold or written off. If the Group has neither transferred nor retained substantially all the risks and rewards of ownership, an assessment is made whether the Group has retained control of the financial assets.

Measurement

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

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

Modification

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

If the cash flows are substantially different (generally a change of 10% or more), the contractual rights to cash flows from the original asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

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

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

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

(p) 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 for the fair value of the obligation. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

(q) Investments

Investments in the consolidated statement of financial position include

- debt investment securities measured at amortised cost; 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.

(r) Impairment of Financial Assets

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

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

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

Impairment of financial assets is recognised in three stages:

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

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

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

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

The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument, and is not assessed based on the change in the amount of the expected credit losses. 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 expected credit losses) and the second stage (lifetime expected credit losses), are recorded in profit or loss.

IFRS 9 requires the use of more forward looking information including reasonable and supportable forecasts of future economic conditions. The requirement to consider a range of economic scenarios and their possible impact 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.

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

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

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

Write-off of Loans and Advances
Loans and advances (and the related impairment allowance) are normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received. Consumer installment and 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 provisions for credit losses, 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.

(s) Financial Liabilities

Financial liabilities are any liabilities that are:

i. Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group;

ii. Contracts that will or may be settled in the Group's own equity instruments and are either a non-derivative for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative that will or may be settled either by exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments.

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

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated as FVTPL. Financial liabilities at FVTPL are stated at fair value with any resulting gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities classified at amortised cost are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

The Group's financial liabilities comprise deposits accepted from customers, life insurance fund liability, 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.

(t) Offsetting Financial Instruments

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.

(u) Related Party

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

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

ii. An entity is related to the Group if any of the following conditions exist:
- **a.** An entity that is a member of the same group as the Group;
- **b.** An entity that is associated with, or is a joint venture partner with the Group;
- **c.** An entity that is a post-employment benefit plan for the benefit of employees of the Group;
- **d.** An entity has the ability to control or exercise significant influence over the Group in making financial or operational decisions; and
- **e.** An entity is jointly controlled or significantly influenced by parties described in i) above.

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

(v) Leases

Policy prior to January 1, 2019

All of the Bank's leases were classified as operating leases in accordance with IAS 17 Leases. Operating lease payments were recognised as an expense on a straight-line basis over the term of the lease.

Policy after January 1, 2019

The Bank recognises a right-of-use asset and corresponding lease liability for agreements to which it's a lessee, except for leases of short-term leases or low value assets. For short-term and low value leases, lease payments are recorded as an operating expense on a straight-line basis over the lease term.

The lease liability is measured at the present value of the future lease payments, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

The right-of-use asset is initially measured based on the lease liability, and is then adjusted for initial direct costs incurred, an estimate of costs to dismantle or restore the asset, lease incentives, and any payments made before the commencement date of the lease.

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

The right-of-use asset is also subject to the impairment policies for non-financial assets, as described within this note.

(w) 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 on an accrual basis in general and administrative expenses.

Effective July 1, 2018 value added tax ("VAT") 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.

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

(x) Rounding of Amounts

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical Estimates

(a) Loan Impairment Allowances

The allowance for loan impairment represents management's estimate of expected credit losses.

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

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

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

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

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

(b) Post-retirement Benefit Obligation

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

(c) Life Insurance Fund Liability

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

Key Judgments

(d) 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 judgement to determine their fair value.

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

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

The majority of the Group's financial assets and liabilities are valued as Level 2 instruments.

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 carrying amounts of significant financial assets and financial liabilities are as follows:

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

	2018		
	Amortised Cost	Fair Value Through Profit & Loss	Total
FINANCIAL ASSETS			
Cash and deposits with banks	$ 34,010	$ -	$ 34,010
Balances with The Central Bank of The Bahamas	$ 147,772	$ -	$ 147,772
Investments	$ 453,424	$ 4,148	$ 457,572
Loans and advances to customers	$ 994,795	$ -	$ 994,795
FINANCIAL LIABILITIES			
Deposits from customers	$ -	$ -	$ 1,311,244

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

		2019		2018
Interest income, effective interest rate method				
Loans and advances to customers	$	124,304	$	137,700
Investments		17,325		16,277
Other		1		1
	$	141,630	$	153,978
Interest expense				
Deposits from customers	$	14,737	$	19,505
Fees and other income				
Loans and advances to customers	$	6,334	$	6,818
Investments	$	2,417	$	864
Deposits from customers	$	10,726	$	8,982
	$	19,477	$	16,664

6. BUSINESS SEGMENTS

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

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

	2018 (Restated)						
	Retail Bank	Credit Life Company	Real Estate Holdings	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	$ 149,387	$ 4,174	$ 20	$ -	$ -	$ -	$ 153,581
Internal	3,975	(121)	3,816	(641)	480	(7,509)	-
Total Income	$ 153,362	$ 4,053	$ 3,836	$ (641)	$ 480	$ (7,509)	$ 153,581
Total Profit							
Internal & external	$ 49,231	$ 4,116	$ 1,457	$ (1,055)	$ 269	$ (2,079)	$ 51,939
Assets	$ 1,661,086	$ 44,792	$ 29,403	$ 18,723	$ 2,985	$ (59,385)	$ 1,697,604
Liabilities	$ 1,334,697	$ 3,008	$ 16,518	$ 11,074	$ 5	$ (35,594)	$ 1,329,708
Other Information							
Interest expense	$ 19,884	$ -	$ 691	$ 389	$ -	$ (1,459)	$ 19,505
Capital additions	$ 5,113	$ -	$ 820	$ -	$ -	$ -	$ 5,933
Depreciation and amortization	$ 2,517	$ -	$ 640	$ -	$ -	$ -	$ 3,157

7. CASH AND CASH EQUIVALENTS

	2019	2018
Cash on hand	$ 26,614	$ 17,954
Deposits with banks	90,630	16,056
Balances with The Central Bank of The Bahamas	164,296	147,772
	281,540	181,782
Minimum reserve requirement	(51,897)	(54,258)
Time deposit securing letter of credit	(2,313)	(2,313)
Cash and cash equivalents	$ 227,330	$ 125,211

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

8. INVESTMENTS

Investments are as follows:

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

	2018		
	Amount	Maturity Years	Interest Rates
Bahamas Government debt	$ 428,898	2019-2037	1.80% - 4.88%
Government related debt	18,285	2023-2035	4.25% - 7.00%
United States Government debt	1,000	2023-2024	6.25% - 7.50%
Equity	4,357		
Accrued interest receivable	5,032		
Total investment securities	$ 457,572		

Investments categorized by maturity are as follows:

	2019	2018
Current (due within one year)	253,418	130,149
Non-current (due after one year)	182,806	327,423
	$ 436,224	$ 457,572

The majority of the Group's investments are government related, including security investment in The Bahamas Mortgage Corporation which are guaranteed by the government. There is not a very active market for these investments. Primary brokers of these types of instruments trade similar instruments at par value. Accordingly, management determined that their fair values approximate their carrying values.

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:

	2019	2018
Residential mortgage	$ 180,530	$ 200,756
Business	25,650	29,613
Personal	735,310	777,517
Credit card	40,719	36,847
Government	37,000	22,500
	1,019,209	1,067,233
Less: Impairment allowances	(86,413)	(72,438)
	$ 932,796	$ 994,795

Loans categorized by maturity are as follows:

	2019	2018
Current (due within one year)	$ 57,235	$ 53,063
Non-current (due after one year)	875,561	941,732
	$ 932,796	$ 994,795

Included within the carrying amount of gross loans and advances to customers are accrued interest and late fees amounting to $14.2 million (2018: $15.3 million), and effective interest rate adjustments of $6.1 million (2018: $5.9 million), the latter principally comprising deferred fees and other direct costs incurred to originate loans.

The fair value of loans and advances to customers as determined by management is $1.02 billion (2018: $ 1.08 billion).

Movement in Impairment Allowances:

2019

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

2018 (Restated)

	Balance at Beginning of Year	IFRS 9 Transition Adjustment	Loans Written off	Recoveries	Impairment Losses	Balance at End of Year
Residential mortgage	$ 22,035	$ (7,621)	$ (723)	41	(814)	12,918
Business	1,728	(498)	(9)	-	(20)	1,201
Personal	49,845	6,424	(40,000)	12,054	28,149	56,472
Credit card	3,592	(567)	(2,126)	570	378	1,847
Total	$ 77,200	$ (2,262)	$ (42,858)	$ 12,665	$ 27,693	$ 72,438

10. OTHER ASSETS

The composition of other assets is as follows:

	2019	2018
Pension asset	$ 5,339	$ 11,674
Prepaid expenses	4,333	2,920
Other	6,387	1,367
	$ 16,059	$ 15,961

The pension asset comprises the defined benefit plan. The Guaranteed Investment Contract (GIC) was discontinued effective June 30, 2019 by way of Board resolution. Upon termination of the GIC, employees elected to transfer their assets to the CB Managed Fund or one of the existing funds managed by the administrator. The current plans have no guaranteed rate of return so that all gains and losses on the investments accrue to employees.

The net pension asset is classified as non-current. All other assets are expected to be recovered within one year and are classified as current.

Other assets are primarily computer inventory and accounts receivable.

11. PREMISES AND EQUIPMENT

The movement of premises and equipment which is a non-current asset is as follows:

	Land/Site Improvements	Buildings	Leasehold Improvements	Furniture, Fittings and Equipment	Total
Cost					
December 31, 2017	$ 14,466	$ 35,908	$ 965	$ 30,772	$ 82,111
Additions		773	17	5,143	5,933
Disposals	-	-	-	(529)	(529)
December 31, 2018	14,466	36,681	982	35,386	87,515
Additions	30	107	143	1,009	1,289
Writeoffs	-	(3,676)	(35)	(780)	(4,491)
Disposals	-	-	-	7	7
December 31, 2019	14,496	33,112	1,090	35,622	84,320
Accumulated Depreciation and Amortization					
December 31, 2017	561	11,397	856	24,479	37,293
Charge for the year	72	874	20	2,191	3,157
Disposals	-	-	-	(429)	(429)
December 31, 2018	633	12,271	876	26,241	40,021
Charge for the year	57	889	32	2,521	3,499
Writeoffs	-	(1,072)	(27)	(628)	(1,727)
Disposals	-	-	-	(3)	(3)
December 31, 2019	690	12,088	881	28,131	41,790
Net Book Value					
December 31, 2019	$ 13,806	$ 21,024	$ 209	$ 7,491	$ 42,530
December 31, 2018	$ 13,833	$ 24,410	$ 106	$ 9,145	$ 47,494

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

During December, 2019, the Bank settled insurance claims related to the hurricane-damaged assets of $4.9 million.

12. DEPOSITS FROM CUSTOMERS

The composition of deposits from customers is as follows:

	2019	2018
Demand deposits	$ 293,677	$ 177,085
Savings accounts	402,182	341,573
Certificates of deposit	723,431	792,586
	$ 1,419,290	$ 1,311,244

Deposits from customers categorized by maturity are as follows:

		2019		2018
Current (due within one year)	$	1,027,299	$	844,082
Non-current (due after one year)		391,991		467,162
	$	1,419,290	$	1,311,244

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 $19.9 million (2018: $22.6 million).

13. LIFE INSURANCE FUND LIABILITY

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

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

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

An actuarial valuation of the life insurance fund liability was conducted as at December 31, 2019 by Oliver Wyman of Toronto, Canada. The valuation included a provision of $322 thousand (2018: $339 thousand) for claims incurred but not yet reported.

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

		2019		2018
Balance at beginning of the year	$	2 ,951	$	5,599
Change in assumptions		23		(2)
Termination policies		(812)		(1,653)
Impact of aging		(524)		(1,173)
Change in claims incurred but not reported		(17)		114
New business		22		18
Change in unearned premium reserve		39		48
Net change in insurance reserve		(1,269)		(2,648)
Balance at end of the year	$	1,682	$	2,951

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

Current (within one year)	$	1,093	$	1,328
Non-current (after one year)		589		1,623
	$	1,682	$	2,951

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:

2019

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

2018

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 2018	4.5	54%	15.50%	$13.86	3.30%	3.45%	3.25%	2,443		
Lower Interest Rate	4.5	54%	15.50%	$13.86	3.30%	3.11%	2.93%	2,451	8	0.3%
Mortality = 4.95	5.0	54%	15.50%	$13.86	3.30%	3.45%	3.25%	2,532	90	3.7%
Lapse = 59.40%	4.5	59%	15.50%	$13.86	3.30%	3.45%	3.25%	2,446	3	0.1%
Loan Interest = 17.05%	4.5	54%	17.05%	$13.86	3.30%	3.45%	3.25%	2,447	5	0.2%
Expenses = 15.25	4.5	54%	15.50%	$15.25	3.30%	3.45%	3.25%	2,470	27	1.1%
Inflation = 3.63%	4.5	54%	15.50%	$13.86	3.63%	3.45%	3.25%	2,444	2	0.1%

14. OTHER LIABILITIES

The composition of other liabilities, classified as current liabilities, is as follows:

	2019	2018
Accruals and accounts payable	$ 7,335	$ 6,249
Cashier's cheques outstanding	4,453	3,703
Employee related	1,708	2,641
Other	1,844	2,920
	$ 15,340	$ 15,513

15. SHARE CAPITAL

Preference Shares:

AUTHORISED

	Rate	Par $	
Class E	Prime + 1.5%	100	45,000
Class F	Prime + 1.5%	100	10,000
Class G	Prime + 1.5%	100	10,000
Class H	Prime + 1.5%	100	10,000
Class I	Prime + 1.5%	100	10,000
Class J	Prime + 1.5%	100	10,000
Class K	Prime + 1.5%	100	10,000
Class L	Prime + 1.5%	100	10,000
Class M	Prime + 1.5%	100	10,000
Class N	Prime + 1.5%	100	10,000
			$ 135,000

OUTSTANDING

2019

	Beginning of year	Redemptions	Conversion	End of Year
Class E	$ 32,614	$ (32,614)	$ -	$ -
Class J	9,924	(9,924)	-	-
Class K	9,999	(9,999)	-	-
Class L	9,987	(9,987)	-	-
Class M	8,974	(8,974)	-	-
Class N	10,000	(10,000)	-	-
	$ 81,498	$ (81,498)	$ -	$ -

	OUTSTANDING			
	2018			
	Beginning of year	Redemptions	Conversion	End of Year
Class E	$ 32,614	$ -	$ -	$ 32,614
Class J	9,924	-	-	9,924
Class K	9,999	-	-	9,999
Class L	9,987	-	-	9,987
Class M	8,974	-	-	8,974
Class N	10,000	-	-	10,000
	$ 81,498	$ -	$ -	$ 81,498

All classes are non-cumulative, non-voting with no maturity and require that the shares must have been issued for at least five years. Central Bank approval must also be obtained prior to redemption. Redemption is solely at the option of the Group.

With approval from the Central Bank, the Group redeemed all of its preference shares effective May 1, 2019 for class J, K, L, M and N and October 1, 2019 for class E.

For all classes of shares, dividend rates are variable with Bahamian Prime Rate. In 2019, the Bahamian Prime Rate was 4.25% (2018: 4.25%). All preference shares are authorized for reissuance.

Common Shares:

	2019	2018
Authorised:		
675,000,000 (2018: 675,000,000) shares of $0.00667 per share	$ 4,500	$ 4,500
Issued and fully paid:		
295,268,556 (2018: 295,268,556) shares of $0.00667 per share	$ 1,968	$ 1,968
Share premium	27,010	27,011
Less: 7,114,879 (2017: 3,806,184) shares held in treasury	(24,349)	(9,838)
Total	$ 4,629	$ 19,141
Share capital	$ 1,921	$ 1,943
Share premium	2,708	17,198
	$ 4,629	$ 19,141

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

Share capital on the statement of financial position is comprised of the following:

	2019	2018
Common shares	$ 1,921	$ 1,943
Preference shares	-	81,498
	$ 1,921	$ 83,441

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

During the year the Group paid quarterly common share dividends of $0.02 (2018: $0.02) per share and extraordinary dividends of $0.02 (2018: $0.04) per share. These payments totaled $29.0 million (2018: $35.0 million) in common share dividend payments.

16. EARNINGS PER SHARE

		2019		2018
Total profit	$	31,611	$	51,939
Preference share dividends		(2,414)		(4,692)
Total profit available to common shareholders	$	29,197	$	47,247
Weighted average number of common shares (in thousands)		289,866		291,546
Earnings per share (expressed in dollars)	$	0.10	$	0.16

17. GENERAL RESERVE

The general reserve is non-distributable and was created with a $10.0 million allocation from retained earnings in 2003 to allow the Bank to address unusual issues or distress situations should they occur. In 2007, the Bank increased the general reserve by $0.5 million to further allow for the potential impact of hurricanes.

18. EMPLOYEE SHARE BASED PAYMENT PLANS

Stock Option Plan

On May 16, 2007, the shareholders approved an employee stock option plan (the Plan) of 2 million shares for designated officers and management staff. The number of shares included in the Plan is amended each time there is a stock split (Note 15). Currently, there are 18 million shares approved under the Plan.

The main details of the Plan are as follows:

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

The Plan is being funded by CB Securities Ltd. purchasing shares from the market in advance of the options being exercised. The Bank recognised expenses of $nil (2018: $nil) related to this equity settled share based payment plan during the year.

Other Share Based Payment Plan

Under the Bank's employee share purchase plan, non-management staff may purchase the Bank's shares at 90% of the closing market price on the date of grant for a restricted period each year. Employees' ability to purchase shares is restricted to a percentage of their salary according to their position. Shares so purchased vest immediately but are released to the employee on payment for the shares. No shares were made available under this plan in 2019 (2018: nil shares).

There were no shares outstanding to be exercised under the stock option plans as at December 31, 2019 (2018: nil). Options available to be granted under the plans totaled 14,034,000 (2018: 14,034,000).

19. FEES AND OTHER INCOME

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

		2019		2018
Loan and credit card fees, excluding commitment and origination fees	$	6,334	$	6,601
Deposit account fees		5,007		4,238
Debit card fees		2,643		1,593
Foreign exchange		3,075		2,293
Other		1,388		1,140
	$	18,447	$	15,865

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses is as follows:

		2019		2018
Staff costs	$	37,472	$	39,623
Licences and taxes (including premium taxes)		9,959		9,662
Professional and service fees		9,378		8,518
Occupancy		4,403		4,252
Advertising		2,580		2,221
Other		6,834		6,802
	$	70,626	$	71,078

Staff costs include pension costs of $2.1 million (2018: $2.0 million) of which $0.2 million (2018: $0.3 million) relates to the DB Provisions (see Note 22). Occupancy includes rental costs for leased properties (see Note 23).

21. RELATED PARTIES' BALANCES AND TRANSACTIONS

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

	2019			2018		
	Key Management Personnel $	Other Related Parties $	Total $	Key Management Personnel $	Other Related Parties $	Total $
Loans and advances to customers	2,658	867	3,525	3,356	814	4,170
Deposits from customers	35,201	227,301	262,502	34,991	259,521	294,512
Other liabilities	-	47	47	-	107	107
Interest income	131	71	202	169	53	222
Interest expense	728	5,582	6,311	868	6,918	7,786
General and administrative expense	-	721	721	-	773	773
Commitments under revolving credit lines	927	2,434	3,361	1,074	4,717	5,791

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.

As at December 31, 2019 a total of 83,194,370 (2018: 83,829,799) common shares and $nil (2018: $130,654) preference shares were held by key management personnel and directors.

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:

		2019		2018
Short term benefits	$	5,828	$	7,111
Post employment benefits		936		863
	$	6,764	$	7,974

Purchase of Shares by Subsidiary

During the year, the Bank's wholly-owned subsidiary C.B. Securities purchased 3,308,695 of its common shares for $14.5 million (2018: 499,575 shares for $2.0 million). C.B. Securities holds 7,114,879 (2018: 3,806,184) of the Bank's shares which have a market value of approximately $32 million (2018: $17.2 million).

As at December 31, 2019, C.B. Securities held nil of the Bank's preference shares (2018: $110,000). The market value of these shares approximated their carrying value.

22. BANK PENSION SCHEME

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

DB Provisions

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

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

The DB Provisions typically expose the Bank to the following actuarial risks:

i. Investment risk: Currently the DB Provisions has a balanced investment 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 1.25% (2018: 1%) above Bahamian Prime Rate of 4.25% (2018: 4.25%) (Note 20). If the return on assets is below this rate, it will create a deficit.

ii. Interest risk: A decrease in the Bahamian Prime 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.

Actuarial work on the DB Provisions was undertaken by Mercer (Canada) Limited, Toronto, Canada as at December 31, 2019.

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 net periodic benefit cost:

	2019	2018
Change in Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	$ 28,833	$ 29,037
Interest income	1,486	1,447
Actual return on plan assets	(90)	(888)
Administrative costs	(107)	(81)
Employer contributions	165	447
Participant contributions	72	79
Benefits paid	(780)	(749)
Withdrawals from plan	(293)	(459)
Settlement payments	-	-
Fair value of plan assets at end of year	$ 29,286	$ 28,833
Change in Defined Benefit Obligation:		
Benefit obligation at beginning of year	$ 24,206	$ 25,582
Current employer service costs	358	433
Participant contributions	72	79
Interest cost	1,244	1,262
Withdrawals from plan	(293)	(459)
Benefits paid	(780)	(749)
Experience adjustment	(62)	(91)
Settlement payments	-	-
Changes in financial assumptions	(798)	(1,851)
Benefit obligation at end of year	$ 23,947	$ 24,206
Benefit obligation at end of year	$ 23,947	$ 24,206
Fair value of plan assets at end of year	(29,286)	(28,833)
Net defined benefit asset	$ (5,339)	$ (4,627)
Net Defined Benefit Asset:		
Balance at beginning of year	$ (4,627)	$ (3,455)
Defined benefit included in profit or loss	216	348
Remeasurement included in other comprehensive income	(763)	(1,073)
Employer contributions	(165)	(447)
Balance at end of year	$ (5,339)	$ (4,627)
Components of Defined Benefit Cost:		
Current employer service costs	$ 358	$ 433
Interest cost on defined benefit obligation	1,244	1,262
Interest income on plan assets	(1,486)	(1,447)
Administrative costs	100	100
Pension benefit expense included in staff costs	$ 216	$ 348
Components of Remeasurements:		
Changes in financial assumptions	$ (798)	$ (1,851)
Experience adjustments	(62)	(91)
Return on plan assets excluding interest income	97	869
Remeasurements included in other comprehensive income	$ (763)	$ (1,073)

	2019	2018
Weighted-average Assumptions to Determine Defined Benefit Obligations:		
Discount rate	5.50%	5.25%
Rate of pension increases	1.00%	1.00%
Rate of increase in future compensation	3.50%	3.50%
Mortality Table	UP 1994 Fully generational	UP 1994 Fully generational
Weighted-average Assumptions to Determine Defined Benefit Cost:		
Discount rate	5.25%	5.00%
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 summarized in the table below:

2019	Discount Rate	Compensation	Pension
Pension obligation	$ 798	$ 200	$ 616
Pension expense	$ 67	$ 16	$ 42

2018	Discount Rate	Compensation	Pension
Pension obligation	$ 851	$ 195	$ 604
Pension expense	$ 70	$ 15	$ 43

The effect of assuming an increase of 1 year in life expectancy would increase the benefit obligation by $0.5 million (2018: $0.5 million) and pension benefits expense by $36,000 (2018:$37,000).

The weighted average duration of the defined benefit obligation was 13.8 years (2018: 14.5 years).

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

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

The DB Provisions owns 1,410,825 (2018: 1,410,825) common shares and $nil (2018: $0.6 million) preference shares of the Bank. These shares have a market value of $6.3 million (2018: $6.9 million) which represents 21.63% (2018: 23.93%) of the DB Provisions' assets.

The major categories of DB Provisions assets at December 31, 2019 are as follows:

	Fair Value of Plan Assets	
	2019	2018
Balance at banks	$ 942	$ 1,214
Equity instruments	10,724	10,532
Government bonds	13,270	12,523
Other debt instruments	1,869	1,875
Preferred equity	2,528	2,718
Other Assets	7	-
Liabilities	(54)	(29)
Fair value of plan assets	$ 29,286	$ 28,833

Given that the DB Provisions is currently overfunded, the Bank does not expect to make any contributions in 2019 in respect of the DB Provisions.

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

	2019	2018
Deposits from customers	$ 680	$ 981
Interest expense	$ 14	$ 21

DC Provisions

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

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

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

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

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

	2019	2018
Pension expense included in staff costs	$ 1,646	$ 1,630

The DC Provisions owns 683,778 (2018: 2,882,980) common shares and $nil (2018: $1.8 million) preference shares of the Bank. These shares have a market value of $3.1 million (2018: $14.8 million) which represents 25.9% (2018: 29.0%) of the DC Provisions assets.

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

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

	2019	2018
DB Provisions	$ 763	$ 1,073
DC Provisions - Guaranteed Investment Contract	-	(1,372)
	$ 763	$ (299)

23. COMMITMENTS AND CONTINGENCIES

Loan Commitments

In the ordinary course of business, the Group had commitments as at December 31, 2019, as follows:

	2019	2018
Mortgage commitments	$ 5,261	$ 4,308
Revolving credit lines	37,332	27,959
	$ 42,593	$ 32,267

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, 2018 the Bank had capital commitments in the amount of $3.8 million (2018: $nil).

Lease Commitments
The future minimum rental payments required under non-cancellable operating leases as at December 31, 2019 are as follows:

Year	2019 $	2018 $
2019	639	567
2020	384	198
2021	195	13
2022	175	-
2023	-	-
	$ 1,393	$ 778

Letters of Credit
The Bank has a standby letter of credit with Citibank N.A. for US$2.3 million, which was established to secure settlement transactions with MasterCard and Visa. This standby letter of credit is secured by time deposits totaling $2.3 million (2018: $2.3 million) which are included in 'Cash and deposits with banks' in the consolidated statement of financial position.

Other Contingent Liabilities
The Group is involved in various legal proceedings covering a range of matters that arise in the ordinary course of business activities. Management is of the view that no material losses will arise as a result of these proceedings.

24. RISK MANAGEMENT

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 preference shares and equity attributable to the common equity holders of the Bank, comprising issued capital, general reserves, share premium and retained earnings as disclosed in Notes 15 and 17. The Board 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.

The Central Bank requires that the Bank maintains a ratio of total regulatory capital to risk-weighted assets at a minimum of 17% (2018:17%). The Bank's capital ratio for 2019 was 26% (2018: 34%).

Capital regulatory requirements for subsidiary companies are managed through the Bank. The Group's strategy is unchanged from 2018.

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 three million dollars. As at December 31, 2019 Laurentide has $300,300 (2018: $300,300) in share capital and $2,750,000 (2018: $2,750,000) in contributed surplus. Laurentide's board passed a resolution on December 6, 2011 making the contributed surplus non-distributable.

Laurentide is required to establish and maintain a minimum statutory deposit of $2 million, such deposit to be held in trust pursuant to section 43(2) of the Act and paragraph 62 of the Regulations. The LIM (Laurentide Insurance Management) Statutory Reserve Trust was established on December 20, 2011 with assets valued at $2,289,300 as at December 31, 2019 (2018: $2,289,300).

Laurentide is required to maintain a solvency margin pursuant to paragraph 90 of the Regulations. For the purposes of the Regulations, margin of solvency means the excess of the value of its admissible assets over the amount of its liabilities. The required margin of solvency is the greater of (a) twenty per cent of the premium income, including annuity premiums, in its last financial year; or (b) five hundred thousand dollars, plus the minimum amount of capital required. As at December 31, 2019, the minimum margin of solvency was $4,026,720 (2018: $3,746,402). Laurentide's solvency margin at December 31, 2019 was $38,280,493 (2018: $36,985,371) resulting in a surplus of $34,253,773 (2018: $33,238,969).

Paragraph 68 of the Regulations stipulates that of the value of the admissible assets which Laurentide must at any time have in order to maintain the minimum margin of solvency required by the Act, at least sixty per cent shall be in the form of qualifying assets. As at December 31, 2019, Laurentide had $40,043,420 (2018: $39,993,331) in qualifying assets and $40,043,420 (2018: $39,993,331) in admissible assets as defined under paragraphs 70 and 72 of the Regulations, respectively.

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

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

Interest rate risk or interest rate sensitivity results primarily from differences in the repricing dates of assets and liabilities. Interest rate risk exposures or "gaps" may produce favourable or unfavourable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. When assets have a shorter average maturity than liabilities, an increase in interest rates would have a positive impact on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margin would result. The consolidated gap position shows more assets than liabilities repriced in periods greater than one year. This is a typical position for a financial institution with a large personal customer base. The following table sets out the Group's interest rate risk exposure as at December 31, 2019, and represents the Group's risk exposure at this point in time only.

Interest Rate Sensitivity

If interest rates increase/decrease by 50 basis points and all other variables remain constant, the Group's profit over the next 12 months is estimated to increase/decrease by $1.8 million (2018: $1.1 million).

	Repricing Date of Interest Sensitive Instruments				Non-interest	
As of December 31, 2019	Within 3 Months	3 - 12 months	Over 1 - 5 Years	Over 5 Years	Rate Sensitive	Total
Assets						
Cash and deposits with banks	$ 785	$ 1,528	$ -	$ -	$ 114,931	$ 117,244
Balances with The Central Bank of The Bahamas	-	-	-	-	164,296	164,296
Investments	364,566	10,143	33,390	21,384	6,741	436,224
Loans and advances to customers	8,621	14,809	226,581	682,785	-	932,796
Other assets	-	-	-	-	4,858	4,858
Total financial assets	$ 373,972	$ 26,480	$ 259,971	$ 704,169	$ 290,826	$ 1,655,418
Liabilities						
Deposits from customers	$ 828,363	$ 204,035	$ 376,243	$ 10,649	$ -	$ 1,414,290
Other liabilities	-	-	-	-	15,340	15,340
Total financial liabilities	$ 828,363	$ 204,035	$ 376,243	$ 10,649	$ 15,340	$ 1,434,630
Interest Rate Sensitivity Gap	**$ (454,391)**	**$ (177,555)**	**$ (116,272)**	**$ 693,520**		

	Repricing Date of Interest Sensitive Instruments				Non-interest	
As of December 31, 2018 (Restated)	Within 3 Months	3 - 12 months	Over 1 - 5 Years	Over 5 Years	Rate Sensitive	Total
Assets						
Cash and deposits with banks	$ 785	$ 1,528	$ -	$ -	$ 31,697	$ 34,010
Balances with The Central Bank of The Bahamas	-	-	-	-	147,772	147,772
Investments	400,112	-	37,657	15,445	4,358	457,572
Loans and advances to customers	8,959	13,630	232,954	739,252	-	994,795
Other assets	-	-	-	-	15	15
Total financial assets	$ 409,856	$ 15,158	$ 270,611	$ 754,697	$ 183,842	$ 1,634,164
Liabilities						
Deposits from customers	$ 682,227	$ 239,536	$ 379,047	$ 10,434	$ -	$ 1,311,244
Other liabilities	-	-	-	-	15,513	15,513
Total financial liabilities	$ 682,227	$ 239,536	$ 379,047	$ 10,434	$ 15,513	$ 1,326,757
Interest Rate Sensitivity Gap	**$ (272,371)**	**$ (224,378)**	**$ (108,436)**	**$ 744,263**		

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

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

During the year the Bank constrained its credit policy to reduce lending in higher risk operating as the economy still struggled during the year amid increasing competition for higher quality loans. As a result, the Bank's loan portfolio contracted during the year.

The Group places its deposits with banks in good standing with the Central Bank and other regulators in jurisdictions in which deposits are placed.

Expected Credit Loss Measurement

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

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

The Group uses a Point-in-Time ("PIT") analysis while having regard to historical loss data and forward looking macro-economic data.

The lifetime PD 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.

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

	2019	**2018**
Residential mortgage	56%	50%
Business	53%	45%
Personal	44%	35%
Credit card	52%	34%
Government	3%	3%
All portfolios	45%	36%

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

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.

Weighting of Expected Credit Loss

A multiple probability model has been adopted by the Group. The model was developed to allow scenario analysis and management overlay where deemed necessary (this applies to the weighing assigned to the estimates grouping). Three calculations for ECL estimates are generated representing base case, best case and worse case. Once an ECL calculation has been developed for each scenario, a weight is applied to each estimate based on the likelihood of occurrence to arrive at a final weighted ECL.

The weighting assigned to each scenario as at December 31, 2019 and December 31, 2018 was as follows:

	Base	Best	Worse
Residential mortgage	70%	10%	20%
Business	70%	10%	20%
Personal	70%	10%	20%

Significant Increases in Credit Risk

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

The common assessment for significant increases in credit risk on loan portfolios normally include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are considered as part of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower. The ECL model may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of this include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and natural disasters impacting the portfolio. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

As a result of Hurricane Dorian, the Group included an overlay in the ECL model to reflect the increased credit risk in the islands impacted by the hurricane. This overlay resulted in an increase of $11.8 million to the overall ECL.

In addition, due to the increased credit risk for customers in the impacted islands, a loan forbearance was extended to customers whose loans were current.

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.

2019

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

2018 (Restated)

	Stage 1	Stage 2	Stage 3	Total
Gross Carrying Amount				
Residential mortgage	$ 86,796	$ 73,188	$ 40,772	$ 200,756
Business	18,175	7,243	4,195	29,613
Personal	652,066	106,373	19,078	777,517
Credit card	32,115	3,896	836	36,847
Government	22,500	-	-	22,500
	811,652	190,700	64,881	1,067,233
Impairment Allowances				
Residential mortgage	314	4,569	8,035	12,918
Business	399	300	502	1,201
Personal	16,696	23,510	16,266	56,472
Credit card	856	583	408	1,847
Government	-	-	-	-
	18,265	28,962	25,211	72,438
Carrying Amount				
Residential mortgage	86,482	68,619	32,737	187,838
Business	17,776	6,943	3,693	28,412
Personal	635,370	82,863	2,812	721,045
Credit card	31,259	3,313	428	35,000
Government	22,500	-	-	22,500
	$ 793,387	$ 161,738	$ 39,670	$ 994,795

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

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

	Stage 1	Stage 2	Stage 3	Total
Residential Mortgage				
Impairment allowances as at January 1, 2018	$ 554	$ 5,747	$ 8,113	$ 14,414
Transfers:				
Transfers from Stage 1 to Stage 2	(39)	39	-	-
Transfers from Stage 1 to Stage 3	(14)	-	14	-
Transfers from Stage 2 to Stage 1	3	(3)	-	-
Transfers from Stage 2 to Stage 3	-	(579)	579	-
Transfers from Stage 3 to Stage 1	47	-	(47)	-
Transfers from Stage 3 to Stage 2	-	1,217	(1,217)	-
New financial assets originated	28	2	-	30
Changes in PDs/LGDs/EADs	(227)	(1,541)	1,321	(447)
Financials assets derecognised	(38)	(313)	(5)	(356)
Financials assets written-off	-	-	(723)	(723)
Impairment allowances as at December 31, 2018	$ 314	$ 4,569	$ 8,035	$ 12,918
Transfers:				
Transfers from Stage 1 to Stage 2	(9)	9	-	-
Transfers from Stage 1 to Stage 3	(1)	-	1	-
Transfers from Stage 2 to Stage 1	194	(194)	-	-
Transfers from Stage 2 to Stage 3	-	(601)	601	-
Transfers from Stage 3 to Stage 2	-	99	(99)	-
New financial assets originated	28	5	6	39
Changes in PDs/LGDs/EADs	(299)	(1,101)	4,011	2,611
Financials assets derecognised	(22)	(183)	(29)	(234)
Financials assets written-off	-	-	(2,213)	(2,213)
Impairment allowances as at December 31, 2019	$ 205	$ 2,603	$ 10,313	$ 13,121

Business	Stage 1	Stage 2	Stage 3	Total
Impairment allowances as at January 1, 2018	$ 255	$ 344	$ 631	$ 1,230
Transfers:				
Transfers from Stage 1 to Stage 2	(1)	1	-	-
Transfers from Stage 1 to Stage 3	(2)	-	2	-
Transfers from Stage 2 to Stage 1	4	(4)	-	-
Transfers from Stage 2 to Stage 3	-	(162)	162	-
Transfers from Stage 3 to Stage 1	176	-	(176)	-
Transfers from Stage 3 to Stage 2	-	5	(5)	-
New financial assets originated	178	-	-	178
Changes in PDs/LGDs/EADs	(211)	116	320	225
Financials assets derecognised	-	-	(423)	(423)
Financials assets written-off	-	-	(9)	(9)
Impairment allowances as at December 31, 2018	$ 399	$ 300	$ 502	$ 1,201
Transfers:				
Transfers from Stage 1 to Stage 2	(2)	2	-	-
New financial assets originated	1	-	-	1
Changes in PDs/LGDs/EADs	(167)	(206)	54	(319)
Financials assets derecognised	(5)	-	(59)	(64)
Financials assets written-off	-	-	(312)	(312)
Impairment allowances as at December 31, 2019	$ 226	$ 96	$ 185	$ 507

Personal	Stage 1	Stage 2	Stage 3	Total
Impairment allowances as at January 1, 2018	$ 20,408	$ 19,296	$ 16,565	$ 56,269
Transfers:				
Transfers from Stage 1 to Stage 2	(1,209)	1,209	-	-
Transfers from Stage 1 to Stage 3	(1,587)	-	1,587	-
Transfers from Stage 2 to Stage 1	936	(936)	-	-
Transfers from Stage 2 to Stage 3	-	(4,589)	4,589	-
Transfers from Stage 3 to Stage 1	1,030	-	(1,030)	-
Transfers from Stage 3 to Stage 2	-	2,077	(2,077)	-
New financial assets originated/recoveries	5,494	2,035	1,251	8,780
Changes in PDs/LGDs/EADs	(3,342)	5,561	36,033	38,252
Financials assets derecognised	(5,034)	(1,143)	(652)	(6,829)
Financials assets written-off	-	-	(40,000)	(40,000)
Impairment allowances as at December 31, 2018	$ 16,696	$ 23,510	$ 16,266	$ 56,472
Transfers:				
Transfers from Stage 1 to Stage 2	(2,598)	2,598	-	-
Transfers from Stage 1 to Stage 3	(371)	-	371	-
Transfers from Stage 2 to Stage 1	1,281	(1,281)	-	-
Transfers from Stage 2 to Stage 3	-	(1,967)	1,967	-
Transfers from Stage 3 to Stage 1	377	-	(377)	-
Transfers from Stage 3 to Stage 2	-	1,188	(1,188)	-
New financial assets originated/recoveries	6,020	3,575	1,663	11,258
Changes in PDs/LGDs/EADs	6,280	3,900	47,220	57,400
Financials assets derecognised	(4,318)	(2,333)	(792)	(7,443)
Financials assets written-off	-	-	(47,266)	(47,266)
Impairment allowances as at December 31, 2019	$ 23,367	$ 29,190	$ 17,864	$ 70,421

	Stage 1	Stage 2	Stage 3	Total
Credit Cards				
Impairment allowances as at January 1, 2018	$ 852	$ 915	$ 1,258	$ 3,025
Transfers:				
Transfers from Stage 1 to Stage 2	(59)	59	-	-
Transfers from Stage 1 to Stage 3	(9)	-	9	-
Transfers from Stage 2 to Stage 1	617	(617)	-	-
Transfers from Stage 2 to Stage 3	-	(41)	41	-
Transfers from Stage 3 to Stage 1	477	-	(477)	-
Transfers from Stage 3 to Stage 2	-	135	(135)	-
New financial assets originated/recoveries	59	14	10	83
Changes in PDs/LGDs/EADs	(1,081)	118	1,828	865
Financials assets written-off	-	-	(2,126)	(2,126)
Impairment allowances as at December 31, 2018	$ 856	$ 583	$ 408	$ 1,847
Transfers:				
Transfers from Stage 1 to Stage 2	(41)	41	-	-
Transfers from Stage 1 to Stage 3	(14)	-	14	-
Transfers from Stage 2 to Stage 1	360	(360)	-	-
Transfers from Stage 2 to Stage 3	-	(48)	48	-
Transfers from Stage 3 to Stage 1	127	-	(127)	-
Transfers from Stage 3 to Stage 2	58	-	(58)	-
New financial assets originated/recoveries	89	69	146	304
Changes in PDs/LGDs/EADs	(395)	259	1,443	1,307
Financials assets written-off	-	-	(1,094)	(1,094)
Impairment allowances as at December 31, 2019	$ 1,040	$ 544	$ 780	$ 2,364

Credit Quality

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

	2019			2018		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Cash and Deposit with Banks & Balances with the Central Bank of The Bahamas						
Neither past due or impaired	$ 281,540	$ -	$ 281,540	$ 181,782	$ -	$ 181,782
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 281,540	$ -	$ 281,540	$ 181,782	$ -	$ 181,782
Investments						
Neither past due or impaired	$ 436,224	$ -	$ 436,224	$ 457,572	$ -	$ 457,572
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 436,224	$ -	$ 436,224	$ 457,572	$ -	$ 457,572
Loans and advances to customers						
Neither past due or impaired	$ 715,812	$ 107,206	$ 823,018	$ 763,755	$ 93,169	$ 856,924
Past due but not impaired	111,907	15,515	127,422	130,265	15,163	145,428
Impaired	42,520	26,249	68,769	37,929	26,952	64,881
	$ 870,239	$ 148,970	$ 1,019,209	$ 931,949	$ 135,284	$ 1,067,233

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

The average mortgage balance was $105,829 (2018: $108,522) while the average business account balance was $218,846 (2018: $223,909). The average consumer balance was $20,699 (2018: $21,547). The largest exposure to a single customer, other than the Government of The Bahamas (Note 9), was approximately $1.8 million (2018: $2.0 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:

	2019			2018		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Loans and Advances to Customers						
Residential Mortgage						
Neither past due or impaired	$ 75,473	$ 26,168	$ 101,641	$ 80,676	$ 33,142	$ 113,818
Past due but not impaired	30,156	5,886	36,042	40,137	6,029	46,166
Impaired	23,519	19,328	42,847	23,177	17,595	40,772
	$ 129,148	$ 51,382	$ 180,530	$ 143,990	$ 56,766	$ 200,756
Business						
Neither past due or impaired	$ 14,227	$ 2,402	$ 16,629	$ 14,525	$ 3,261	$ 17,786
Past due but not impaired	4,398	423	4,821	7,399	233	7,632
Impaired	3,511	689	4,200	3,545	650	4,195
	$ 22,136	$ 3,514	$ 25,650	$ 25,469	$ 4,144	$ 29,613
Personal						
Neither past due or impaired	$ 557,429	$ 78,636	$ 636,065	$ 617,211	$ 56,766	$ 673,977
Past due but not impaired	69,597	9,206	78,803	75,561	8,901	84,462
Impaired	14,210	6,232	20,442	10,371	8,707	19,078
	$ 641,236	$ 94,074	$ 735,310	$ 703,143	$ 74,374	$ 777,517
Credit Card						
Neither past due or impaired	$ 31,683	$ -	$ 31,683	$ 28,843	$ -	$ 28,843
Past due but not impaired	7,756	-	7,756	7,168	-	7,168
Impaired	1,280	-	1,280	836	-	836
	$ 40,719	$ -	$ 40,719	$ 36,847	$ -	$ 36,847
Government						
Neither past due or impaired	$ 37,000	$ -	$ 37,000	$ 22,500	$ -	$ 22,500
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 37,000	$ -	$ 37,000	$ 22,500	$ -	$ 22,500
	$ 870,239	$ 148,970	$ 1,019,209	$ 931,949	$ 135,284	$ 1,067,233

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

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

	2019	2018
Satisfactory risk	$ 818,118	$ 849,797
Watch list	4,900	7,127
	$ 823,018	$ 856,924

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 flow 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:

2019

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

2018

	Residential Mortgage	Business	Personal	Credit Card	Total
Past due up to 29 days	$ 35,086	$ 7,051	$ 56,157	$ 4,204	$ 102,498
Past due 30 - 59 days	6,304	460	17,015	1,807	25,586
Past due 60 - 89 days	4,776	121	11,290	1,157	17,344
	$ 46,166	$ 7,632	$ 84,462	$ 7,168	$ 145,428

Restructured Loans

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

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

Collateral Relative to Loans and Advances to Customers

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

The principal collateral types are as follows:

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

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

2019

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

	2018 (Restated)			
	Gross Exposure	Impairment Allowance	Carrying Amount	Value of Collateral Held
Residential mortgage	$ 40,772	$ 8,035	$ 32,737	$ 33,677
Business	4,195	502	3,693	5,538
Personal	19,078	16,266	2,812	-
Credit card	836	408	428	-
	$ 64,881	$ 25,211	$ 39,670	$ 39,215

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 reasonably 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)	
	2019	2018
Residential mortgage	$ 658	$ 34
Business	9	4
Personal	2,965	3,152
Credit cards	118	196
	$ 3,750	$ 3,386

If the weightings for the ECL scenarios are increased/decreased by 5% and all other variables remain constant, the Group's ECL is estimated to increase/decrease as noted below.

	ECL Scenario Weighting			
	2019		2018	
	Best	Worse	Best	Worse
Residential mortgage	$ 541	$ 750	$ 211	$ 187
Business	5	12	6	13
Personal	1,528	5,174	1,008	2,829
	$ 2,074	$ 5,936	$ 1,225	$ 3,029

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

The Group manages liquidity and funding risk by ensuring that sufficient liquid assets and funding capacity are available to meet financial commitments, even in times of stress. The Directors' Executive Committee oversees the Group's liquidity and funding risk management framework which includes operating within clearly defined Board limits, regulatory liquidity requirements and strong effective processes to monitor and manage risk, including contingency plans to facilitate managing through a distress situation. Standby lines of credit which are a part of the contingency plan are disclosed in Note 23.

Included in deposits from customers are deposits totaling $234.0 million (2018: $235.0 million) from a single customer representing 17% of the total deposits from customers. The amounts are comprised primarily of certificate of deposits from a related party.

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

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

As of December 31, 2019	Within 3 Months	3 - 12 Months	Over 1 - 5 Years	Over 5 Years	Total
Assets					
Cash and deposits with banks	$ 116,087	$ 1,157	-	-	$ 117,244
Balances with The Central Bank of The Bahamas	164,296	-	-	-	164,296
Investments	72,677	48,283	104,705	203,023	428,688
Loans and advances to customerss	12,847	15,631	317,889	1,447,251	1,793,618
Other assets	4,858	-	-	-	4,858
Total financial assets	$ 370,765	$ 65,071	$ 422,594	$ 1,650,274	$ 2,508,704
Liabilities					
Deposits from customers	$ 823,354	$ 205,665	$ 394,783	$ 14,939	$ 1,438,741
Life insurance fund liability	273	820	589	-	1,682
Other liabilities	15,340	-	-	-	15,340
Total financial liabilities	$ 838,967	$ 206,485	$ 395,372	$ 14,939	$ 1,455,763
Net Liquidity Gap	**$ (468,202)**	**$ (141,414)**	**$ 27,222**	**$ 1,635,335**	**$ 1,052,941**

As of December 31, 2018	Within 3 Months	3 - 12 Months	Over 1 - 5 Years	Over 5 Years	Total
Assets					
Cash and deposits with banks	$ 32,853	$ 1,157	-	-	$ 34,010
Balances with The Central Bank of The Bahamas	147,772	-	-	-	147,772
Investments	99,408	31,589	96,819	357,527	585,343
Loans and advances to customers	12,800	14,374	326,154	1,557,119	1,910,447
Other assets	15	-	-	-	15
Total financial assets	$ 292,848	$ 47,120	$ 422,973	$ 1,914,646	$ 2,677,587
Liabilities					
Deposits from customers	$ 682,361	$ 241,784	$ 404,387	$ 15,348	$ 1,343,880
Life insurance fund liability	332	996	1,623	-	2,951
Other liabilities	15,513	-	-	-	15,513
Total financial liabilities	$ 698,206	$ 242,780	$ 406,010	$ 15,348	$ 1,362,344
Net Liquidity Gap	**$ (405,358)**	**$ (195,660)**	**$ 16,963**	**$ 1,899,298**	**$ 1,315,243**

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 and conservative accounting policies, which are regularly updated. These controls and audits are designed to provide the Group with reasonable assurance that assets are safeguarded against unauthorized use or disposition, liabilities are recognised, and the Group is in compliance with all regulatory requirements.

25. PRIOR PERIOD ADJUSTMENT

While preparing the consolidated financial statements of the Group for the year ended December 31, 2019 management identified that a data input error occurred when entering loan and accrued interest information into the ECL model to determine the IFRS 9 transition adjustment at January 1, 2018. This resulted in an overstatement of the impairment loss on Stage 3 loans at January 1, 2018 of $2.377 million. The opening adjustment to retained earnings therefore includes the correction of a prior period error for $2.377 million, partially offset by the existing transition adjustment of $115 thousand.

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	Impact of Error		
	As Previously Reported	**Adjustment**	**As Restated**
Consolidated Statement of Financial Position			
January 1, 2018			
Loans and advances to customers	$ 1,053,969	$ 2,262	$ 1,056,231
Retained earnings	242,547	2,262	244,809
Total equity	355,686	2,262	357,948
December 31, 2018			
Loans and advances to customers	992,418	2,377	994,795
Retained earnings	254,380	2,377	256,757
Total equity	365,519	2,377	367,896

26. SUBSEQUENT EVENTS

Central Bank Annual License Fee

Up to July 1, 2019, the Bank was required to pay a business license fee of 3% of gross turnover. Effective January 2020, the Bank will be required to pay a new annual license fee to the Central Bank of The Bahamas which includes a 'base fee' calculated by factoring the Bank's total domestic assets, a 'further charge' based upon total domestic liabilities, and a 'Domestic Systemically Important Institution (DSII) levy' based upon the Banks risk weighted assets (RWA).

COVID-19

On December 31, 2019 the World Health Organization ("WHO") was alerted of a novel coronavirus ("COVID-19") emerging in Wuhan, China. On March 11, 2020, the outbreak was declared a global pandemic. COVID-19 health consequences have developed rapidly, and have had adverse impacts on economic and market conditions, both globally and locally.

The Government of The Bahamas has closed the borders, implemented a nationwide lockdown, and restricted the provision of non-essential services.

Moreover, major hotel chains announced mass temporary layoffs during March, 2020. Consequently, management performed a COVID-19 impact assessment to determine the potential financial consequences to the Group. This preliminary assessment indicates that the Group is likely to experience higher than budgeted impairment losses on its loans and investments, and decreases in its original net income projections for the year ending December 31, 2020. Further, in response to the economic impacts of COVID-19 on the Bank's customers, a six-month forbearance was granted to customers who maintained their accounts in good standing. This will result in decreased cash flows from the Bank's loan portfolio.

Management continues to monitor developments relating to the pandemic, and is directing its operational responses based on existing business continuity plans, guidance from the Government of The Bahamas, and general pandemic response best practices. Management is of the view that the Group has the ability to meet current and foreseeable obligations, based on strong capital and liquidity positions.

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2019 SUMMARY OF BOARD & COMMITTEE MEETINGS

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Dr. Marcus C. Bethel	4
Vaughn W. Higgs	5
Tracy E. Knowles	5
Rupert W. Roberts Jr, OBE	4
Robert D. L. Sands	5
R. Craig Symonette	5
Larry R. Gibson	3
Raymond L. Winder	5
William B. Sands Jr, DM	5

Nominating Committee Report

Pictured L to R: Earla J. Bethel; Rupert W. Roberts Jr, OBE; Vaughn W. Higgs; R. Craig Symonette; William B. Sands Jr, DM

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, 2019.

Vaughn W. Higgs
Chairman
Nominating Committee

Executive Committee Report

Pictured L to R: William B. Sands Jr, DM; Rupert W. Roberts Jr, OBE; Vaughn W. Higgs; Rupert W. Roberts Jr, OBE

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, 2019.

William B. Sands Jr, DM
Executive Chairman
Executive Committee

PREMISES COMMITTEE REPORT

Pictured L to R: Raymond L. Winder; Larry R. Gibson; Earla J. Bethel; Dr. Marcus R. C. Bethel

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, 2019.

Earla J. Bethel
Chairperson
Premises Committee

Pension Committee Report

Pictured L to R: Robert D. L. Sands; William B. Sands Jr, DM; Raymond L. Winder; Branson Gibson; Larry R. Gibson

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, 2019.

Raymond L. Winder

Raymond L. Winder
Chairperson
Pension Committee

IT Committee Report

Pictured L to R: Robert D. L. Sands; R. Craig Symonette; Vaughn W. Higgs; Raymond L. Winder

The Information Technology Committee provides independent oversight of significant management and Board of Director 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, 2019.

R. Craig Symonette
Chairman
IT Committee

Compensation Committee Report

Pictured L to R: R. Craig Symonette; Rupert W. Roberts Jr, OBE; Vaughn W. Higgs

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, 2019.

R W Roberts Jr

Rupert W. Roberts Jr, OBE
Chairman
Compensation Committee

Audit Committee Report

Pictured L to R: Tracy E. Knowles; Larry R. Gibson; Earla J. Bethel; Dr. Marcus R. C. Bethel

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

YEAR IN REVIEW

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

Financial Reporting

- **Reviewed** with management adoption by the Bank of new accounting standards and emerging best practices in response to changes in regulatory guidelines.
- **Reviewed** with management and the Bank's Auditors: the appropriateness of the Bank's accounting and financial reporting, the impact of adopting new accounting standards, the accounting treatment of significant risks and uncertainties, the key estimates and judgments of management that were material to the Bank's financial reporting, and the disclosure of critical accounting policies.
- **Reviewed** Management's risk management measures for their appropriateness in relation to risk exposures and specifically the adequacy of the loan impairment allowance.
- **Reviewed and recommended** for approval by the Board: the annual Audited Consolidated Financial Statements, Management's Discussion and Analysis and quarterly unaudited financial releases. Also reviewed and recommended for approval by their respective Boards the Annual Financial Statements and quarterly unaudited financial reports of all subsidiaries.

Enterprise Risk Management

- **Commenced** work on the Enterprise Risk Management (ERM) Charter to ensure that appropriate resources and organizational structure are in place (including an ERM system, operational tools and people) for the effective execution of the ERM process across the Bank.
- **Commenced** work on the ERM Framework to ensure its effectiveness and conformity with local and international best practices.

Fraud

- **Provided** oversight of the Bank's fraud detection and investigation function within the Internal Audit Department.
- **Reviewed** the results of fraud investigations to understand the underlying control gaps, impacts on the Bank, and to ensure the appropriate remedial action was taken to address issues raised.
- **Reviewed** action that was taken against known perpetrators of fraud.
- **Obtained** reasonable assurance with respect to the Bank's procedures for the detection of fraud.

Internal Control and Disclosure Control

- **Reviewed** the processes involved in evaluating the Bank's internal control environment. Specifically, the Committee approved the annual audit plan; reviewed quarterly reports of the VP Internal Audit and Credit Inspection related to internal control; compliance and litigation; evaluated internal audit processes; and reviewed on a regular basis the adequacy of resources and independence of the Internal Audit function.
- **Met** regularly with the VP Internal Audit and Credit Inspection as necessary without management present.
- **Reviewed** existing and proposed Guidelines issued by regulators and discussed with management to ensure compliance.
- **Reviewed** recommendations of the Bank's Auditors and External Regulators, as well as recommendations from the Internal Audit and Credit Inspection functions and management's responses.

Bank's Auditors

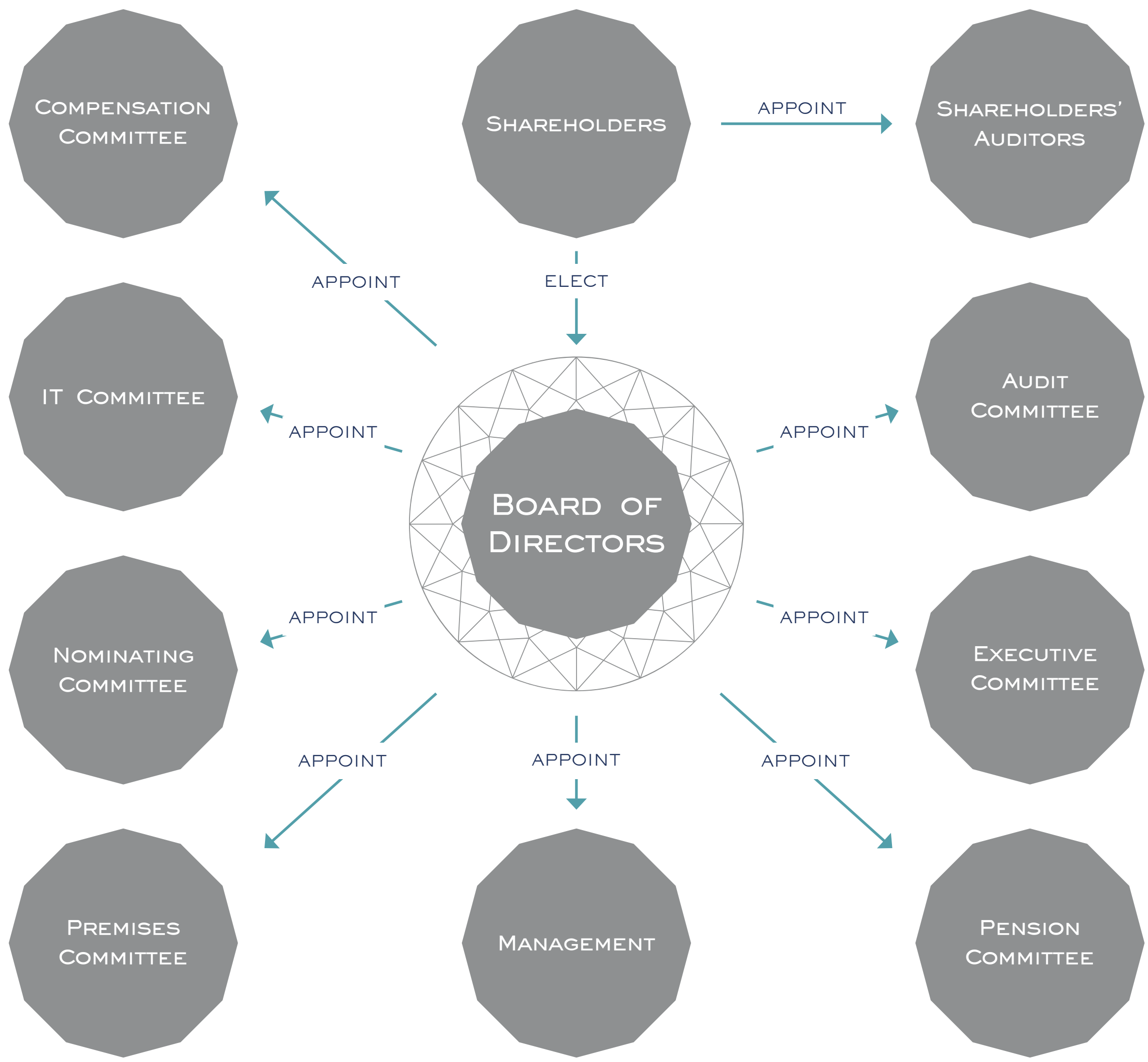
- **Recommended** that the incumbent auditor, KPMG be reappointed to perform the 2019 external audit.
- **Confirmed** that appropriate practices are being followed to safeguard the independence of the Bank's Auditors.
- **Reviewed** the performance of the Bank's Auditors, including the scope and results 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, 2019.

T. E. Knowles

Tracy E. Knowles
Chairman
Audit Committee

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way in which the Bank is directed, administered and controlled. The corporate governance structure specifies the rules and procedures for making decisions on corporate affairs. It also provides the structure through which the Bank's objectives are set, as well as the means of attaining and monitoring the performance of those objectives. The process of Governance is illustrated by the chart below.



Commonwealth Bank Corporate Governance Profile

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

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

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

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

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

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 Ltd.

Raymond L. Winder
President
Commonwealth Bank Ltd.

Earla J. Bethel
President
DanBrad Ltd.

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

Tracy E. Knowles
Businessman

Larry R. Gibson
Vice President
Colonial Pension Services (Bah) Ltd.

Vaughn W. Higgs
VP & General Manager
Nassau Paper Co. Ltd.

Rupert W. Roberts Jr, OBE
President
Super Value Food Stores Ltd.

Robert D. L. Sands
Sr. VP, Administration & External Affairs
Baha Mar Ltd.

R. Craig Symonette
Chairman
Bahamas Ferries Ltd.

Charlene A. Bosfield
Corporate Secretary
Commonwealth Bank Ltd.

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

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

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

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

Stock Exchange Listing
(Symbol: CBL)

Common Shareholder Listing
Bahamas International Securities Exchange (BISX)

Internet Address
www.combankltd.com

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

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

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

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

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

Locations & Services

Grand Opening, Abaco Sub-Branch - Maxwell's Supermarket
Pictured L to R: **Raymond L. Winder**, President, Commonwealth Bank; **Hon. K. Peter Turnquest**, Deputy Prime Minister and **John Rolle**, Governor, Central Bank of The Bahamas

SERVICES

SATURDAY BANKING
AUTO FINANCING
PERSONAL FINANCING
MORTGAGE FINANCING
REAL ESTATE FINANCING
SMALL BUSINESS LENDING
COMMERCIAL LENDING
OVERDRAFT FACILITIES
ONLINE BANKING

SUNCARD MASTERCARD CREDIT CARD
MASTERCARD CREDIT CARD
MASTERCARD PREPAID CARD
MASTERCARD GIFT CARD
VISA DEBIT CARD
SAVINGS ACCOUNTS
CHRISTMAS CLUB SAVINGS
STUDENT SAVINGS ACCOUNTS
KIDZ CLUB SAVINGS ACCOUNTS

MOBILE BANKING
AUTOMATED BANKING MACHINES
FOREIGN EXCHANGE SERVICES
PERSONAL CHEQUING ACCOUNTS
BUSINESS CHEQUING ACCOUNTS
SAFE DEPOSIT BOXES
WIRE TRANSFERS
CERTIFICATES OF DEPOSIT
LOANS BY PHONE

LOCATIONS

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

Branches
Commonwealth Bank Plaza
Mackey St.** 502-6100
Bay & Christie Sts. 322-1154
Oakes Field** 322-3474
Town Centre Mall 322-4107
Cable Beach*/** 327-8441
Wulff Road*/** 394-6469
Golden Gates*/** 461-1300
Prince Charles Drive*/** 364-9900
Mortgage Centre 397-4940

Grand Bahama
The Mall Drive*/** 352-8307
Lucaya 373-9670

Abaco
Marsh Harbour 367-2370

Eleuthera
Spanish Wells 333-4800

* Drive through ABM Locations
** Saturday Banking locations

Card Services Centre
Nassau 502-6150
Freeport 352-4428
Abaco 367-2370

Call Centre 502-6206

Saturday Banking
- Commonwealth Bank Plaza Branch
- Oakes Field Branch
- Cable Beach Branch
- Golden Gates Branch
- Wulff Road Branch
- Prince Charles Drive Branch
- Freeport, Mall Drive Branch

Off-Site ABM Locations

Nassau
- Super Value: Cable Beach, Winton, Golden Gates, Prince Charles Shopping Centre
- Quality Market South Beach
- University of The Bahamas, Harry C. Moore Library
- Kelly's Mall at Marathon

Freeport
- Cost Right

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

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