Perseverance

Steady Leadership | Reliable Teamwork | Outstanding Results

To persevere is to pursue steadily any initiative; to continue in a course of action even in the face of great difficulty. To persevere is to never give up.

After reporting our first ever loss as a result of the pandemic in 2021, we entered 2022 facing seemingly unsurmountable trials under the theme "What Really Matters is How We Bounce Back." With hope, determination and fortitude, we bounced back in a big way and showed how strong we are as an organization. Our bounce back resulted in Commonwealth Bank reporting record results for 2022 – the largest Total Profit in the Bank's 63-year history. As an organization, we remained resolute to our vision which shaped our behaviour, mindset, risk appetite, and investment decisions. We delivered on our key corporate goals through strategic execution and successful implementation of our ambitious transformation strategies, backed by a positive culture change. We achieved unprecedented results arising from perseverance, leadership and team work.

The solid results we achieved underscore the power of our operating culture, the resiliency of our market-leading position, the value we provide to our customers, and the strength of our financial foundation. Perseverance also means finding new methods to achieve goals when the old methods become less effective. Thus, we sought new opportunities, including leveraging virtual tools to adapt and rise to the needs and expectations of our employees, customers, communities, and shareholders. We are making significant investments in our team-members to reinforce our leadership position in the banking industry and ensure a thriving future for Commonwealth Bank. As we continue to execute our strategy, we are evolving into a more sustainable, digital and data-driven company, committed to enabling a better, safer and more interconnected banking experience for all our stakeholders.

Commonwealth Bank has scaled new heights in fiscal 2022, achieving strong growth across our branch network. Our industry-best practices, superior operational expertise coupled with our "Bahamians Helping Bahamians" culture have helped us deliver unique customer experiences. For us, "Leader in Personal Banking Services" is not just a marketing idea but our organizational philosophy. It strengthens our purpose and resolve while helping us build a resilient and bright future.

As we prepare to celebrate the Nation's 50th Anniversary of Independence, we would like to thank our clients, shareholders and employees for their unwavering trust in our company. Even in the face of difficult circumstances, our team members displayed exemplary commitment through yet another challenging year. We take pride in the way our CB family adapted to the new normal, raised the bar on innovation and remained steadfast towards our goals. We are confident that we will continue to celebrate many great successes together. We embrace 2023 ever mindful of the direction and manner of our bearing: Forward Focused; lifting each other Upward; Persevering Onward and Growing Together!

Our Vision

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

Our Mission

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

Our Values

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

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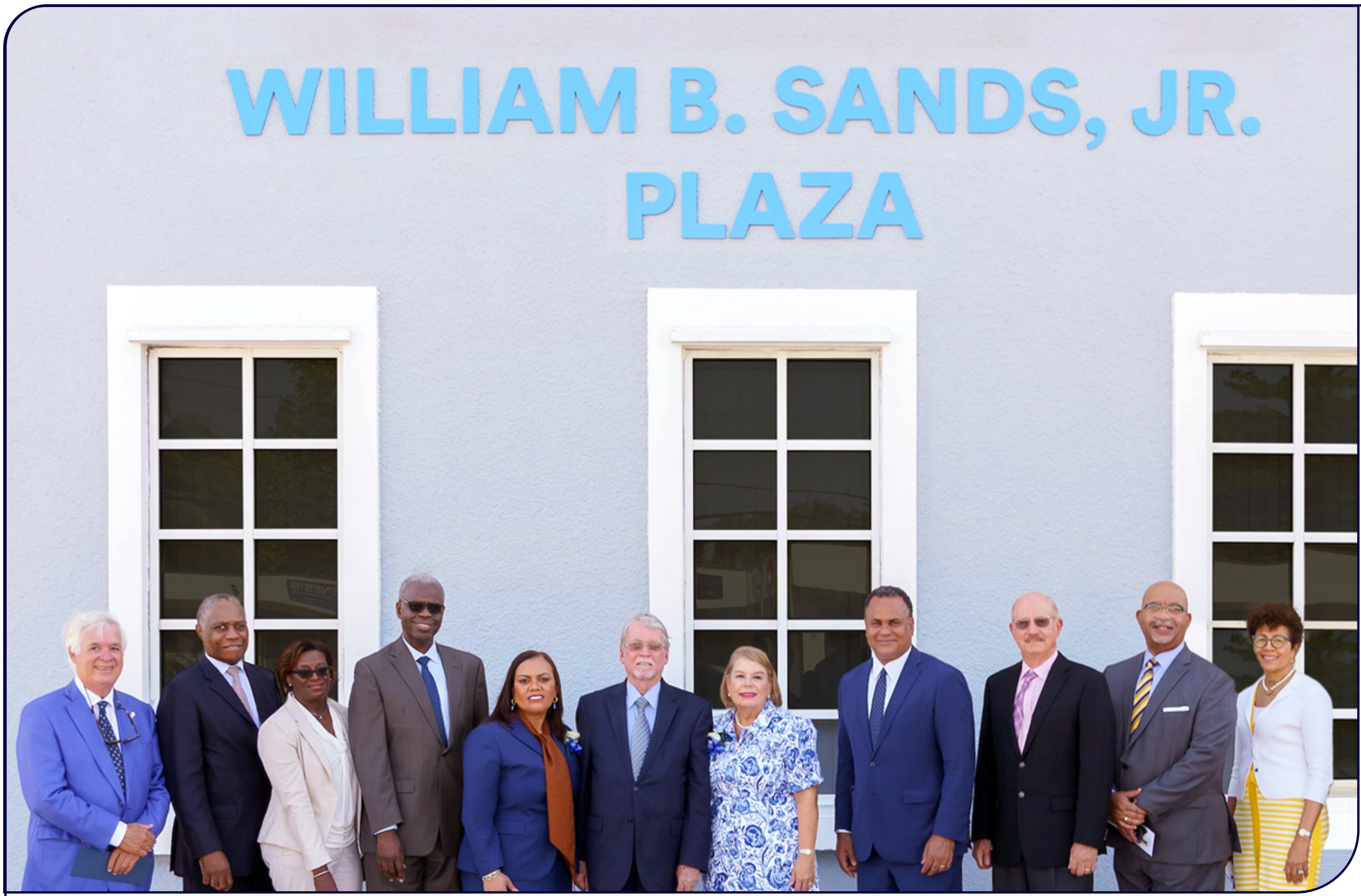


L to R: **Craig Symonette**, Director; **Marcus Bethel**, Retired Director; **Debra Symonette**, Director; **John Rolle**, Governor of the Central Bank of The Bahamas; **Denise Turnquest**, President; **William B. Sands, Jr.**, Executive Chairman and **Mrs. Felicie Sands**; **Michael Halkitis**, Minister of Economic Affairs; **Vaughn Higgs**, Director; **Larry Gibson**, Director and **Earla Bethel**, Director.

William B. Sands, Jr. Plaza
Renaming & Dedication Ceremony

William B. Sands, Jr. is an eighth generation Bahamian raised in a small settlement in Abaco. He began his career at Commonwealth Bank in Freeport, Grand Bahama on December 28, 1971. Today, he is the Executive Chairman of Commonwealth Bank, a position he has held for over ten years marking the crown of his fifty-year career at the Bank.

Mr. Sands rose through the ranks, serving in positions of increasing responsibility, and in a wide variety of senior management and executive roles in both Grand Bahama and New Providence before being appointed to the Board of Directors in 1990, the Bank's President and Chief Executive Officer in 1997 and the Executive Chairman in 2011.

Over the years he has had the opportunity to assist in the development of a large number of employees, many of whom are still with the Bank today.

In reaching the highest post in the most successful Bahamian bank in the nation's history, Mr. Sands became the fourth Bahamian in Commonwealth Bank's 60-year history to be named Chairman of the Board of Directors, and the first as Executive Chairman following in the footsteps of former Chairmen of the Bank, Rupert W. Roberts, the late Robert 'Bobby' Symonette and the late Timothy Baswell Donaldson.

In 2004, he was recognized by the Bahamas Financial Services Board for his commitment and dedication to the financial sector and was named 'Executive of the Year' – a well-deserved recognition.

Under his direction, Commonwealth Bank has continued to excel producing consecutive record breaking performance, historical industry firsts and unrivaled success.

While the Banking industry has changed significantly during Mr. Sands' career, customer service has remained his number one priority. He believes in providing customers with outstanding services and helping them achieve their financial goals, while being responsible and effective financial managers.

Mr. Sands' 50 years of outstanding service excellence has seen him as a champion for the average Bahamian, devoting his life's work to building a Bank that operates at a level that places it among the best and highest performing banks in the region. He is trail-blazer whose leadership, decision-making, belief in education, loyalty to the ordinary Bahamian and commitment to community has made a difference in the lives of thousands.

Financial Highlights

(B$ 000's)	2022	2021	2020	2019	2018 *(Restated)*
Income Statement Data					
Interest income	**$ 120,224**	$ 132,591	$ 142,020	$ 141,630	$ 153,978
Interest expense	**(17,254)**	(17,105)	(13,638)	(14,737)	(19,505)
Net interest income	**102,970**	115,486	128,382	126,893	134,473
Other income	**29,815**	24,643	26,880	25,713	19,108
Insurance recoveries	**-**	-	2,091	4,854	-
Impairment losses	**27,294**	(93,001)	(65,758)	(48,038)	(27,693)
Non-interest expense (including impairment losses)	**(56,864)**	(170,136)	(138,617)	(125,849)	(101,642)
Total (loss) profit	**75,921**	(30,007)	16,645	31,611	51,939
Other comprehensive income	**766**	9	(1,125)	763	(299)
Total comprehensive (loss) income	**76,687**	(29,998)	15,520	32,374	51,640
Per Share Data :					
Book value per share	**$ 0.98**	$ 0.82	$ 0.94	$ 0.96	$ 0.96
Cash Dividend	**$ 0.10**	$ 0.04	$ 0.06	$ 0.10	$ 0.12
Year end share price	**$ 3.58**	$ 3.04	$ 3.59	$ 4.50	$ 4.50
Average common shares outstanding (000's)	**$ 292,613**	$ 289,269	$ 287,744	$ 289,866	$ 291,546
Dividend growth (total)	**150.04%**	-33.33%	-40.00%	-16.67%	0.00%
Balance Sheet Data :					
Total assets	**$ 1,833,229**	$ 1,716,905	$ 1,705,376	$ 1,709,149	$ 1,697,604
Investments	**729,036**	698,857	462,501	436,224	457,572
Gross loans and advances to customers	**862,226**	899,413	1,015,433	1,019,209	1,067,233
Net write-offs	**28,071**	78,655	31,671	34,063	30,193
Total deposits from customers	**1,513,397**	1,462,218	1,415,910	1,419,290	1,311,244
Total shareholders' equity	**287,794**	238,491	269,419	272,837	367,896
Performance Ratios :					
Price/earnings	**$ 13.80**	N/A	$ 62.06	$ 45.00	$ 25.26
Price/book value	**$ 3.64**	$ 3.69	$ 3.83	$ 4.69	$ 4.70
Dividend yield (annual dividend/year end price)	**2.79%**	1.32%	1.67%	2.22%	2.67%
Earning per share	**$ 0.26**	$ (0.10)	$ 0.06	$ 0.10	$ 0.18
Return on average assets	**4.28%**	-1.75%	0.97%	1.71%	2.80%
Return on average shareholders' equity	**28.85%**	-11.82%	6.14%	10.44%	16.94%
Dividend payout ratio	**38.55%**	-38.58%	103.78%	99.36%	74.08%
Efficiency ratio	**63.38%**	55.05%	47.65%	50.99%	48.15%
Net interest margin	**6.44%**	6.04%	7.35%	7.31%	7.68%
Asset Quality Ratios :					
Impaired loans to total loans	**8.44%**	15.76%	8.17%	6.75%	6.08%
Impaired loans to total assets	**4.00%**	8.25%	4.86%	4.02%	3.83%
90 day past due loans to total loans	**8.51%**	16.33%	7.64%	5.73%	5.13%
90 day past due loans to total assets	**4.00%**	8.56%	4.55%	3.39%	3.19%
New write-offs to average loans	**3.22%**	8.22%	3.11%	3.53%	2.77%
Loan impairment allowances to total loans	**8.80%**	14.66%	11.48%	8.48%	7.01%
Loan impairment allowances to non-accrual loans	**121.04%**	99.90%	183.00%	149.18%	138.27%
Loan impairment allowances to impaired loans	**37.83%**	93.05%	140.57%	125.66%	115.31%
Liquidity Ratios :					
Liquidity ratio	**66.16%**	61.62%	53.74%	49.70%	47.01%
Average cash and securities to average total assets	**53.08%**	47.61%	43.28%	39.84%	35.74%
Capital Ratios :					
Average shareholders' equity to average total assets	**14.82%**	14.84%	15.88%	18.81%	21.34%
Tier 1 Capital	**$ 287,793**	$ 238,491	$ 269,419	$ 272,837	$ 367,896
Tier 2 Capital	**$ -**	$ -	$ -	$ -	$ -
Total Capital	**$ 287,793**	$ 238,491	$ 269,419	$ 272,837	$ 367,896
Total risk adjusted assets	**$ 914,473**	$ 890,318	$ 983,103	$ 1,029,607	$ 1,103,741
Tier 1 ratio	**31.47%**	26.79%	27.40%	26.50%	33.33%
Tier 1 + Tier 2 capital ratio	**31.47%**	26.79%	27.40%	26.50%	33.33%
Average number of employees for the year	**557**	560	571	575	586

Perseverance

"You do not make decisions at the zenith or nadir", was a favourite saying of our former President, Chairman and co-founder of the Bahamian Commonwealth Bank. The route is to persevere until you can see your way clear to make the right decision.

It was only one year ago that Commonwealth Bank posted its first ever loss under Bahamian ownership. It was not a time for faint hearts but for perseverance through the next phase of the COVID-19 pandemic. We stayed the course, doing what your Bank does best: Bahamians, helping Bahamians. We extended our credit assistance programs into 2021 which resulted in your Bank's return to profitability being delayed into 2022, when other financial institutions started to recover in 2021.

Steady Leadership

Perseverance in such uncertain times had to come from the top down – the Bank being as one – and while I have had the privilege of working at Commonwealth Bank for over 50 years, of which I had served as a Director for 30 years, it would not have been possible without the support and contribution of your Board of Directors. While we have seen the retirement of Mr. Rupert Roberts and Dr. Marcus Bethel in recent years, their replacements in Mrs. Debra Symonette and Mr. Russell Miller continue the pattern of a diligent and committed Board, focused on the success not just of the Bank but of Bahamian individuals, who are prepared to give more than just lip service to "Forward, Upward, Onward, Together".

This extraordinary period following the impact of Hurricane Dorian and then the COVID-19 pandemic has underlined the prudent and conservative nature of the Board's independent oversight processes in ensuring the sustainability and soundness of the Bank. I am greatly appreciative of their ongoing work on your behalf.

Reliable Teamwork

Our leadership strength also passes down into our teams at all levels of the Bank. Your Executive leadership team acts as the axle turning the Board's direction into management's actions. We successfully transitioned our leadership team upon the retirement of Mr. Silbert Cooper (VP Credit Risk) and Mr. Oswald Dean (VP, Information Technology). We strengthened our team with a blend of internal promotions and external hires. It always gives great pleasure to a Chairman, when active succession takes place from within.

Reliable teamwork, however, does not just encompass the head – it includes management and staff at every level. The customer service representatives on the counters and phones, the accounts officers, special credit and credit officers, the back office staff who handle card services, payments systems, all the administrative staff providing support services of maintenance, technology, regulatory compliance, accounting, training and recruitment. This great team has led the way in serving our customers over the years of the pandemic – persevering through stress and sometimes fear in the early days of the pandemic.

The Bank is greatly indebted to its more than 550 loyal staff for having come through this period.

Outstanding Results

And so it gives me great joy to report that after the loss of 2021, the perseverance, the leadership and the teamwork of the Commonwealth Bank family has resulted in a Total Profit for 2022 of $76 million. This is a record result, being the biggest profit yet reported by Commonwealth Bank. The President's report and the Management Discussion and Analysis will go into more detail about the results. Suffice it to say that based on these results, the Bank was able to restore its 2 cents per share dividend for the third and fourth quarters and pay an extra-ordinary dividend of 4 cents per share in November 2022 and 2 cents per share in February 2023. In addition, your Bank's share price increased by 18% over the year closing at $3.58 on December 31st, 2022.

Final Comments

In 2022 your Bank has experienced excellent results arising from perseverance, leadership and teamwork. It is our people who have brought success and it is the lesson from the last few years that hopefully we have all learned, life is to be shared with our loved ones while we have the opportunity to do so. The last word in the national motto of The Bahamas is "together" – Let us persevere together and build bridges between each other to achieve outstanding results in our communities and our country as we celebrate our 50th anniversary of Independence.

William B. Sands, Jr., DM
Executive Chairman

We Live Here... We Give Here.

Commonwealth Bank is proud of our long-standing record of nation building in partnership with the people and communities of The Bahamas. We feel strongly that a community presence is much more than just a branch or street address and much more than just a place of business. In addition to ensuring that we provide the best possible service, we seek opportunities to serve with our time and talents, to help build healthy, vibrant and sustainable communities and neighbourhoods where we live, work, and raise our families. Our commitment to community engagement is a core value and a strategic priority and we fulfill our philanthropic mission through sponsorship programmes, volunteerism and donations to local organizations.

We believe service involves giving back and we realize that how we give matters as much as what we give. In fact, our employees donate hundreds of hours to community service every year! These volunteer efforts ensure that we are standing by our neighbours whenever, and however, they most need us. We are ***"Bahamians Helping Bahamians".***

L to R: **Lynden Maycock,** LOC Chairman; **Denise Turnquest,** Commonwealth Bank President; **Mario Bowleg,** Minister of Youth, Sports and Culture, and **Fern Hanna,** Carifta Games Bahamas Marketing Director.

Commonwealth Bank Gives $20,000 to Supports the Golden Jubilee CARIFTA Games

CARIFTA brings all countries of the region together by helping to create bonds of commonality and friendship in the face of exciting competition. Sports is an important vehicle that contributes to national development. Participants learn discipline, team work, determination and how to compete fairly - all important lessons our people require to grow and succeed. In keeping with the Bank's commitment to education and the development of Bahamian youth, Commonwealth Bank is pleased to support this prestigious event as these games shine a spotlight on our athletes, our country and our commitment to excel. Sports also enables many Bahamians to gain employment and ownership. It facilitates scholarships, helps us stay fit, de-stress and travel the world as ambassadors of our country.

Commonwealth Bank helps the Music Makers make music on Bay Street

Commonwealth Bank gave the Music Makers Junkanoo group the financial support they needed to prepare for the Boxing Day and New Year's Day parades. Junkanoo is "the event" of the Christmas season in The Bahamas where art, music, tradition and culture come together on Bay Street in a kaleidoscope of vibrant colours and rhythmic sounds. By donating to Junkanoo groups, we lend our support to this spectacular annual event which is part of our identity and we also help to sustain our culture and preserve a creative space accessible for all Bahamians and the world to share. Commonwealth Bank is pleased to sponsor Junkanoo groups as they bring communities together in a positive and meaningful way.

L to R: **Michael Bain,** Assistant Treasurer, Music Makers; **Denise Turnquest,** President, Commonwealth Bank; **Gary Russell,** Chairman, Music Makers and **Perry Thompson,** Treasurer, Music Makers.

Comitted to Community

L to R: **Geoff Andrews, President,** Bahamas National Trust; **Sean Brathwaite, Sr. VP & COO,** Commonwealth Bank Limited and **Joanne Smith, Deputy President,** Bahamas National Trust.

For the Parks, for The Country, for the Future

The Bahamas is home to incredibly unique, beautiful, and diverse ecosystems, species, and natural resources. These land and seascapes are the "jewels" in our crown and are protected in the national parks they manage. These national parks are important to our environment, economy, culture, and our heritage. Commonwealth Bank is an avid proponent of the environment and has been a long standing corporate advocate of Bahamas National Trust.

Commonwealth Bank Ltd. Empowers Junior Achievement Bahamas with a Donation of $10,000.

Commonwealth Bank Ltd. made a $10,000 donation to Junior Achievement Bahamas, renewing our commitment to assist the non-profit youth organization in their efforts to provide programming to students from K5 – 12th Grade, nationwide. Over the past 26 years, the Bank has contributed to Junior Achievement Bahamas tremendously, acting as a Sponsoring Firm and most recently through donations and scholarship grants.

L to R: **Tammy Lecky,** Executive Director of Junior Achievement Bahamas and **Sean Brathwaite,** Sr. VP & COO, Commonwealth Bank Ltd.

2022 Donations

CB Back To School Donation
Carifta Bahamas
Music Makers Junkanoo Group
CB Adopted Schools Programme
Bahamas National Trust
Junior Achievement Bahamas
Valley Boys Junkanoo Group
IACP & IAWP Bahamas Law Enforcement
The Bahamas Feeding Network
Cancer Society Of The Bahamas
Bahamas Red Cross
The Renaissance Project (MOH)
Jr. Baseball League Of Nassau
Optimist North American Championship 2022
Bahamas Law Enforcement Credit Union
Young Life Bahamas

There is an old adage that says "Tough times don't last but tough people do". The Bahamas and your Bahamian Bank have been experiencing tough times since Hurricane Dorian in 2019 through the COVID-19 Pandemic into 2022. To say that the tough times have ended would be premature but we can recognize that they are certainly not as tough as they were. It was tough for me to report your Bank's first loss in my first President's Report last year. Now, I have a much more pleasant responsibility in accounting to you for our best year ever. In 2022, your Bank reported Total Profit of $75.9 million which represents a year of record profit and a $106 million turnaround from 2021. As the Chairman has noted, such a turnaround does not come from one person but from a unified team of dedicated professionals committed to the success of your Bank. Often, when we experience adversity we look for people to blame, but as I wrote last year, the Bank's team was just as dedicated to serving our customers in our worst year as they were in our best year ever. When you are doing the right thing but the results are not what you expect, because of circumstances not controllable by the Bank, you have to persevere and continue doing the right thing. That is why we continued to focus on customer service and leadership development in 2022 and reiterated our beliefs in the development of our leadership team – namely:

As a Matter of Leadership, We Believe:

- in striving for excellence in all aspects of our operations.
- in the value of leadership development as a tool to harness our individual strengths to create value.
- that stronger leaders create stronger teams to ensure that the Bank achieves its strategic goals.
- that developing and retaining current and future leaders who are always learning and improving gives us a strategic advantage.
- in creating meaningful opportunities for our staff, making Commonwealth Bank a great place to work, and keeping our employees fully engaged
- in developing customer-centric behaviors to deliver high-quality service.
- in taking ownership and being accountable for finding solutions that meet our customers' needs.
- in creating a valuable experience for every customer.
- in fostering transparency through honest, open, respectful communication.
- in developing the skills to create meaningful opportunities for innovation to take place.
- that a creative environment that fosters innovation will keep our organization on the cutting edge, promoting economic growth and stability.

In the words of author Jordan Peterson "Experience is the best teacher, and the worst experiences teach the best lessons". We have learned some significant lessons in the last three years to take us forward into the future to better serve our customers and communities.

The Economy

The Central Bank of The Bahamas reported that, after an estimated growth in the economy of 2% in 2021, growth in 2022 was estimated between 7 and 9%, recovering a lot of the ground lost in the 15% decline in 2020. Tourist arrivals have recovered strongly to an expected 7 million visitors in 2022 as restrictions on travel were sharply reduced, if not eliminated, during the year. Liquidity in the economy grew as did external reserves. Private sector credit fell by almost $128 million matching the decline in 2021. Credit quality improved as total private sector arrears fell by $169 million with nearly $142 million written off and $52 million recovered.

While the domestic economy is projected to continue its growth trajectory in 2023, inflationary pressures, concerns over possible further COVID-19 mutations and the ever present threat of climate change pose downside risks.

With COVID-19 restrictions being eased and customers becoming more comfortable with in-branch activity, the Bank was able to reintroduce its very popular Saturday Banking service during the year and expanded the service to our Marsh Harbour Branch in Abaco.

Our 2022 financial performance was primarily underpinned by the recovery of our loan impairment allowances taken during 2020 and 2021. A net charge of $93.0 million in 2021 became a credit in 2022 of $27.3 million. The aforementioned growth in the economy and tourism numbers enabled significant writebacks primarily due, but not limited, to our tourism-related sectors of lending as the influx of activity worked throughout the whole economy. The ratio of loan impairment allowances to total loans fell from 14.66% to 8.80% and the loan impairment allowance to non-accrual loans rebounded from 99.9% to 121.04%.

Total assets for 2022 increased by $116.3 million to $1.83 billion. The first sizeable growth since 2018. $72 million of the increase was in cash and investments, being funded by increases in deposits of $51 million and equity of $49 million.

The results are described in more detail in the section of the "Management Discussion and Analysis".

Performance ratios further demonstrate the impact of the rebound in earnings on the Bank's results for Return on Average Assets, Return on Average Shareholders' Equity and Earnings per Share. The actual ratios can be found in the Financial Highlights on page 5 which reveals the depth of the Bank's safety and soundness. As a result of these strong results, we were able to increase dividend payments to 10 cents per share in calendar 2022 and approve a further 2 cents per share extra-ordinary dividend to be paid in early 2023, restoring the reduced dividends of 2021.

The Road Ahead

While we recorded record total profit in 2022, we recognize that credit conditions for growth remain challenging. While the Credit Bureau will eventually enable lenders to see a customer's total credit position and thus make better lending decisions, as we noted last year, these benefits will accrue over several years.

Conclusion

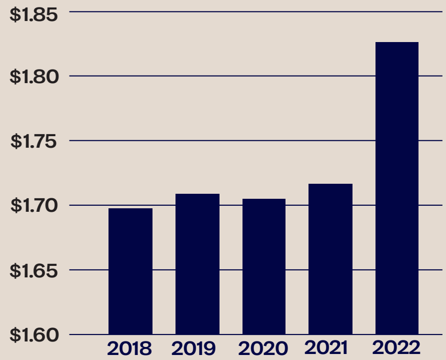
In addition to our investment in our people, we continue to invest in our systems to improve our processes and deliver the products and services our customers demand, although the pandemic's impact on our suppliers has extended some of the delivery times for these projects.

Times and conditions change but our Vision, Mission and Values do not. We Persevere in our belief that Steady Leadership and Reliable Teamwork will produce Outstanding Results.

We remain committed to continuing to operate the Bank in a safe and sound manner that will safeguard our shareholders' investment and future returns.

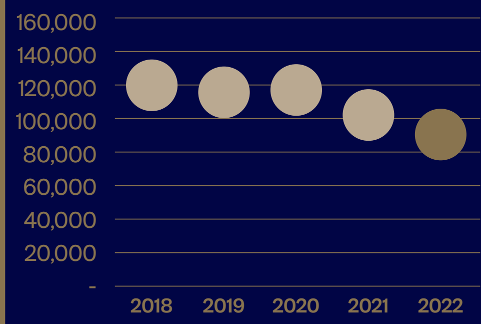
Denise D. Turnquest,
President

Total Assets



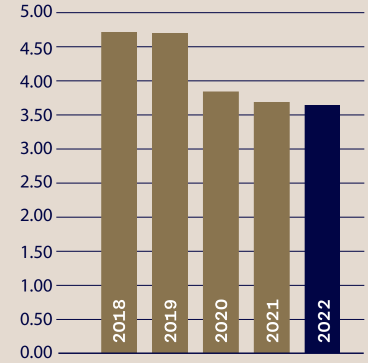
$1.8 (Billion)

Net Interest Income



$103 (Million)

Price to Book Ratio



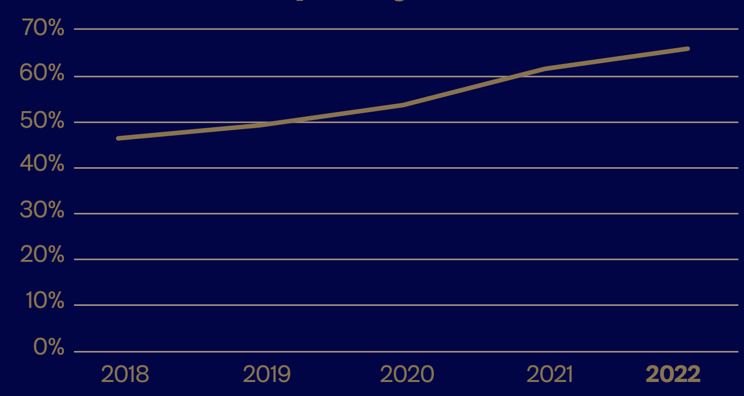
$3.64

Total Dividends Paid

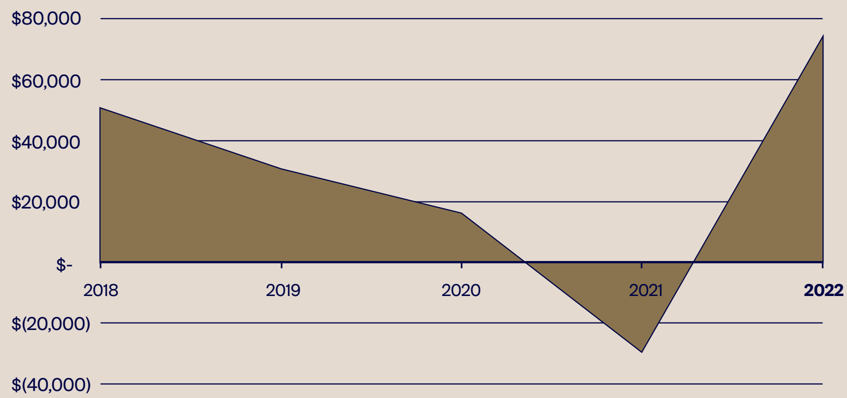
$29.3

(Million)

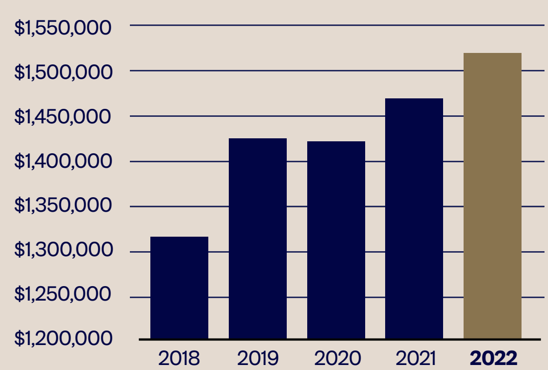
Liquidity Ratio



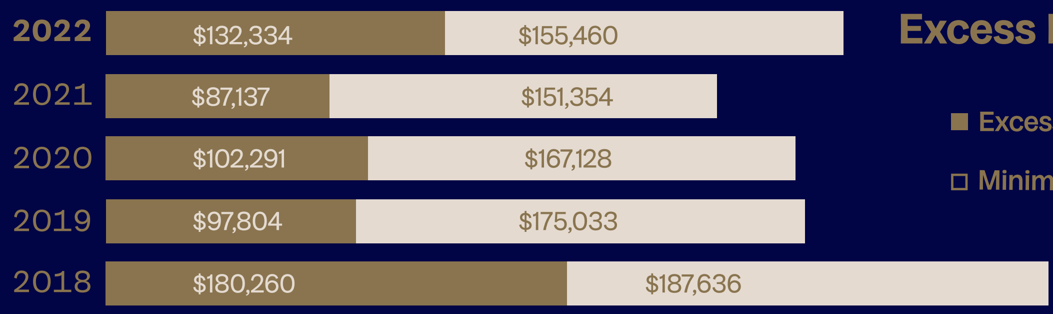
Total Profits **$76** (Million)



Total Deposit Growth



$1.5 (Billion)



Excess Regulatory Capital

■ Excess Regulatory Capital

□ Minimum Regulatory Capital

This Management Discussion and Analysis ("MDA") of our financial condition and results of operations is presented to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the fiscal year ended December 31, 2022, compared to the preceding year. For a complete understanding of trends, events, uncertainties and the effect of critical accounting estimates on our results of operations and financial condition, this MDA should be read carefully together with our Consolidated Financial Statements and related Notes. All amounts reported are based on financial statements prepared under International Financial Reporting Standards (IFRS).

Caution Regarding Forward-Looking Statements

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

Update on the Impact of the COVID-19 Pandemic

The economic impact of the COVID-19 pandemic ("COVID-19") is waning; however, we continue to manage the uncertainty of COVID-19. Our leadership team is continuously monitoring developments related to COVID-19, and ensuring that we adhere to the best practices and procedures.

Executive Summary

Total profit in 2022 was $75.9 million compared to a total loss (and a total comprehensive loss) of $30.0 million in the prior year. Inclusive of the impacts of other comprehensive income, the total comprehensive income in 2022 is $76.7 million. 2022 represents the most profitable year in the Bank's history.

The achievement is primarily founded on the rebound of the economy of The Bahamas, tied to the impressive recovery of the tourism and leisure sectors. While The Bahamas has a history of positive GDP growth, GDP statistics released by the International Monetary Fund ("IMF") showed it did decrease in 2020 due to the economic and social impacts of COVID-19, and exhibited signs of recovery with a growth rate reaching an estimated 2% in 2021. In 2022, GDP continued on its upward trajectory and was estimated to be close between 7%-9%. The rebound in the economy, driven by demand for the country's primary product and largest single economic sector, tourism, has improved the debt servicing capacity of many existing borrowers; and allowed for a mild expansion in credit demand amongst newly qualified borrowers. This combination drove the stellar performance of the Bank's 2022 financial results.

Notwithstanding the economic rebound, with personal lending at our core, good loan performance is key. The critical business elements that have contributed to the growth and success of the Bank have been our attention to the management of credit risk and delinquency. To accomplish this, the Bank committed to flexible but prudent underwriting decisions which created sustained improvement in the quality of loan assets. In addition, the Bank worked closely with delinquent borrowers to find the best options, while complying with regulations, to recover their credit standing and allow for future Bank borrowing. The result was a sustained reversal of the impairment expense in 2022 of $27.3 million when compared to the same period in 2021, which reflected an impairment expense of $93.0 million.

In October 2022, the international credit rating agency, Moody's Corporation ("Moody's"), downgraded The Bahamas' credit rating, while also improving its economic outlook for The Bahamas from negative to stable. Notwithstanding the Moody's downgrade, in November 2022 S&P Global Inc. ("S&P"), affirmed its 2021 sovereign credit ratings on The Bahamas, with a stable outlook; and this continued the favorable changes in the macroeconomic forward-looking indicators ("FLI") around GDP growth. As released by the IMF in October 2022, reduced levels of unemployment offset the elevated inflation levels to mitigate additional reported credit losses by the Bank.

The Bank experienced growth of its non-interest income through the recovery of its net premium income arising from its credit life insurance business, as death claims significantly decreased by 52% in 2022 when compared to the same reporting period in 2021.

In addition, the Bank's management is focused on providing value-added services to customers which are fee-income generating. A part of the growth in fee income is happening because customer accounts are growing as the Bank continues to attract customers through our philosophy of "banking your way" and the convenience of our Saturday banking services. At the close of 2022, the Bank offers full Saturday banking services at our Oakes Field, Cable Beach, Wulff Road, Golden Gates, and Prince Charles locations in New Providence, as well as Freeport, Grand Bahama, and Marsh Harbour, Abaco.

The Bank continues to remain focused on being the complete personal banker for all Bahamians, not just preferred segments. This business posture means that the demographic profile of our customer base is widespread, and as a practice, we place strong weight on our risk management structure to promote making sound business decisions by balancing risk and reward. Our loan customers in the tourism and leisure sectors do create elevated levels of credit risk in our loan assets due to the inherent sensitivity of the tourist product to a myriad of local and global events. However, the Bank is committed to finding the best pricing options for all loan customers and servicing all segments of the Bahamian economy.

The improvements in profitability have affected all the relevant financial ratios positively. Return on assets (ROA) was 4.28% up from -1.75% in 2021. Return on equity (ROE) was 28.85% compared to -11.82% in 2021. Earnings per share (EPS) $0.26 up from -$0.10 in 2021.

We remain strong with total assets of $1.8 billion, compared to $1.7 billion in 2021 and maintain a firm consolidated financial position built on a solid liquidity buffer (available cash and unencumbered high-quality liquid assets at market value). The Bank is required to hold a minimum level of liquid assets against possible liquidity risk, currently set by the Central Bank of The Bahamas ("the Central Bank") at a liquidity ratio of 20%. As of December 31, 2022, the Bank's liquidity ratio is 66%, well above this regulatory limit. Additionally, under our capital plan, the Bank operates with a level of capital above regulatory-established limits. The Bank's capital adequacy ratio is over 30% and well above the Central Bank's requirements of 17%.

We are pleased that our team of professionals took the rebound of the economy, and caused the Bank to deliver an exceptional financial performance in 2022; as we operated without any mass layoff of employees during the very challenging years during the height of COVID-19. As of December 31, 2022, the Bank employed 553 Bahamians and Bahamian Permanent Residents, to allow the Bank to persevere through the very challenging circumstances of the previous three years.

Aligned with our philosophy of sharing our success, the Bank declared an extraordinary dividend in November 2022 of $0.04 per share, totaling $11.7 million. This brought the total dividends paid to shareholders in 2022 to $29.3 million.

Net Interest Income

Our net interest income is $103 million compared to $116 million for 2021. This represents a decrease of 11% which is attributed to a contraction in the loan book, lower average yields, interest reversal on loans charged-off, and interest reversal on the segment of the loan book which is contractually delinquent therefore no interest accrues past ninety days. These effects are primarily driven by the consumer loan class.

Interest expense increased only marginally by 1%. While we are operating in a business environment where the cost of funds is at historically low levels, 2022 saw growth in the non-interest bearing and low-interest bearing customer deposit segment. When combined with the effect of a mild decline in the customer term deposit balances, with reduced interest rates on roll-over in 2022, this resulted in interest expense being well controlled.

Impairment Expense

A financial instrument is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to agreed contractual terms. We are also required under IFRS to recognize an allowance for credit losses on our investments and loans receivable that are performing. In 2022 as in the prior year, we recognize impairment primarily on our investments and loans receivable financial assets. As of December 31, 2022, the consolidated reversal of impairment expense is $27.3 million, or a decrease of 129% from the charge to consolidated net income for 2021.

The Bank's investments in Bahamas Sovereign Debt did not result in a material change to the allowance for credit losses in 2022 based on a quantitative and qualitative analysis of the credit risk associated with holding these investments as of December 31, 2022. With respect to loans receivable, there were positive changes to the allowance for credit losses, and while these were seen across all customer loan segments, they were more significant for borrowers employed in the tourism and leisure sectors. The rebound in the economy, driven by the recovery of the tourism sector, has improved the debt servicing capacity of many existing borrowers, which reduced delinquency and allowed for a mild expansion in credit demand amongst newly qualified borrowers. Further, impairment allowances were favorably impacted by changes in the macroeconomic FLI released by the IMF in April and October 2022 concerning GDP growth and reduced levels of unemployment offsetting the elevated inflation levels as they relate to 2022 and the fiscal year 2023.

In October 2022, Moody downgraded The Bahamas' long-term issuer and senior unsecured ratings to 'B1' from 'Ba3', while also improving its economic outlook for The Bahamas from negative to stable. However, this apparent negative change effectively allowed Moody to align with the 2021 S&P rating change, which was factored into the Bank's 2021 financial performance. Of significance is that the S&P, on November 22, 2022, affirmed its 'B+' long-term foreign and local currency sovereign credit ratings on The Bahamas, with a stable outlook.

When combined, these factors have driven a significant reduction to $76.0 million in the 2022 allowances for loan losses when compared to $131.9 million in 2021.

The nature of our operations makes loan charge-offs a normal part of business activities, and the loan charge-off of $54.9 million stayed within the budget of $56.8 million. However, the economic recovery improved the net charge-off posture of the Bank to $28.1 million compared to $78.6 million in net loan charge-offs during 2021. Included in net charge-offs are loan recoveries of previously charged-off loans totaling $26.8 million and which exceeded that of 2021 by $17.3 million (182%).

Non-interest Income

Non-interest income comprises net premium income from the issuance of credit life insurance policies; bank fees or other income arising from ancillary services to loan and deposit customers, and investment gains and losses. Non-interest income increased by 21% from 2021 and several developments have contributed to this improvement.

Firstly, 2022, compared to 2021, saw growth in fee and other income by 20%, reflecting the full financial impact of fee changes that occurred towards the latter part of 2021. The Bank's management is focused on providing value-added services to customers which are fee-income generating, and more opportunities for customers to interact with the Bank for services through the reintroduction of Saturday banking.

Additionally, credit life premium income increased by 12% in 2022 when compared to 2021. While more credit life insurance policies have been written during the period, it is the substantial reduction in death claims, which when compared to 2021, reduced by 52%, that has favorably contributed to non-interest income.

Further, in 2022 the Bank converted its equity investment in MasterCard Class B shares to MasterCard Class A shares, which had a favorable impact from recognizing the full fair value of the shares, by removing the illiquidity premium from this investment holding, and that has offset the decline in share price experienced between reporting periods. The change in unrealized gains and losses in 2022, compared to 2021, was $577 thousand, or an increase over the prior year of 1110%.

Non-interest Expense

Non-interest expense, exclusive of impairment (reversals)/losses on financial assets, primarily comprises general and administrative expenses along with management estimates for asset depreciation and amortization and directors' costs. As of December 31, 2022, non-interest expense exclusive of impairments (reversals)/losses on financial assets totaled $84.2 million, as compared to $77.1 million in 2021, reflecting a modest increase of 9% from the prior year. While we have managed our costs well against a budgeted amount of $79.8 million and elevated levels of inflation within the economy, we recognised the impact of some necessary investments in our staff and operations, which although budgeted, increased costs above 2021 levels.

Our social investment program, which was reduced in 2021 due to COVID-19, improved in 2022, and significant donations are listed in the section of the Annual Report "Committed to Community".

Management of Financial Position

Our financial position as of December 31, 2022, reflects $1.8 billion in consolidated assets, increased from the prior period level of $1.7 billion in consolidated assets.

The gross loans receivable is $862.2 million as of December 31, 2022 and has decreased by 4% from the prior year from a residual financial impact of COVID-19 affecting segments of the loan portfolio, where despite the Bank having substantially met its loan sales budget and the economic rebound, certain borrowers for various reasons did not bring their indebtedness to the Bank into good standing.

The Bank took a strategic position with respect to its investment and exposure to Bahamas Sovereign Debt, while operating within its prudential limits for managing its financial risks, concentration risk, longer-term financial resilience posture; and profitability. As of December 31, 2022, investment in Bahamas Sovereign Debt and Bahamas Government-related debt (before accrued interest and allowances for credit losses) stood at $652.1 million, compared to $686.8 million as of December 31, 2021. This reflects a decrease of $34.7 million or 5% and comprises both Bahamas Sovereign Debt denominated in Bahamian and United States dollars. These investments represent approximately 36% of total assets, compared to 40% as of December 31, 2021. The Bank's share of Bahamas Sovereign Debt is substantially weighted in instruments with a time-to-maturity of five years or less.

The Bank invested in United States Treasury Bills totaling $65 million as of December 31, 2022, which the Bank did not hold in the prior period, as we seek to diversify our investment holdings for longer-term financial resilience and profitability.

The Bank's deposit base continued to strengthen during 2022. Total deposits as of December 31, 2022, stood at $1.51 billion, compared to $1.46 billion at the prior year's end. This reflects an increase of 3% for the year. Market conditions continue to attract new depositors looking for a better service experience, in particular, the Bank's customer service philosophy of "banking your way" and the convenience of our Saturday banking services reintroduced during 2022 to seven branch locations covering New Providence, Grand Bahama, and Abaco.

The Components of Capital

A strong capital base is a foundation for building and expanding our operations and services safely and soundly. Our total capital increased in 2022 to $287.8 million (2021: $238.5 million) driven solely by the consolidated net profit we experienced in 2022.

The previously mentioned extraordinary dividend of $0.04 per share or $11.7 million, in addition to the regular quarterly dividends paid to shareholders throughout 2022 of $17.6 million brought the total dividends paid to shareholders in 2022 to $29.3 million. The third and fourth quarter regular dividends reflected an increase to 2 cents per share, compared 1 cent per share for the same periods in 2021.

Shareholders who continued their unwavering support of the Bank, even during economically challenging periods, particularly those arising during the height of COVID-19, also experienced an increase in share value to $3.58 per share from $3.04 per share as of December 31, 2022, and 2021, respectively.

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

The Bank's total capital ratio was 32% (2021: 27%). The minimum capital ratio as prescribed by the Central Bank is 17%. Therefore, our ratio exceeds the minimum capital levels by 88% (2021: 59%).

Bank-wide Risk Management

The Bank's risk management structure promotes making 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 our corporate governance regime and overall process of control. When appropriate, the risk management policies and procedures are refreshed and enhanced to address safety and soundness as well as market, regulatory, and operational issues.

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

Credit Risk Management

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

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. Our liquidity position is closely monitored to ensure that, coupled with our strong capital position, sufficient resources are available to address unforeseen distress situations as well as unplanned business opportunities.

The Central Bank imposes a secondary reserve, called the Liquid Asset Requirement (LAR), which mandates commercial banks to maintain a certain percentage of their customer deposits and other liabilities in the form of liquid assets. The LAR ratio at 351% (2021: 356%) shows the Bank has significant reserves of liquidity.

Outlook for 2023

The improved economic outlook for The Bahamas allows for a continued posture of cautious optimism as lending conditions also improve with the economic rebound.

We recognize that the bumper level of profitability that the Bank is experiencing in 2022 is driven by the strong rebound of the economy of The Bahamas after the severe economic shocks brought about because of the COVID-19 pandemic. As the economy continues to normalize and the rate of profitability trends towards historic averages, we plan to focus on the organic growth of our loan book and yields, delinquency management, and improvements in the way we service our customers, which we expect to sustain the Bank's normal level of profitability. Our benchmark for 2023 performance is our pre-Dorian and pre-COVID-19 normalized financial performance, and we expect to match or exceed that in 2023. This will be challenging as The Bahamas is not immune from the global economy and its current inflationary trends. In particular, the United States economy, which is the primary source for our tourists. We are also at risk for the effects of climate change, notably the frequency and severity of storm patterns which have non-controllable impacts on the economy. These events ultimately impact lending conditions for the Bank.We remain cautiously optimistic on these issues and are satisfied that we will maintain a fortified balance sheet to help the Bank navigate these challenges.

Any efforts of the Central Bank to support and expand credit growth are welcomed. However, the credit market has significantly expanded outside of the traditional financial institutions licensed by the Central Bank to organizations that do not have to adhere to debt service ratio limits and other prudential requirements which protect the borrower as well as the industry. Accordingly, regulatory changes which would allow a level playing field for all participants in the credit industry can contribute to our improved competitiveness.

We continue to adapt ourselves to new market realities and position ourselves to take advantage of the opportunities that this "new normal" presents. Recent years have presented tremendous challenges for the Bank. We are still passionate enough to persevere through our obstacles, innovate within our business model, and continue to be the leader in personal banking services. Our vision, culture, and history are still about our calling to empower Bahamians.

Pictured Left to Right, Top to Bottom

Tracy E. Knowles **Debra M. Symonette** **Larry R. Gibson**

Vaughn W. T. Higgs **Denise D. Turnquest**
President

Board of Directors

Pictured Left to Right, Top to Bottom

Earla J. Bethel

Russell M. Miller

Robert D. L. Sands

William B. Sands, Jr., DM
Executive Chairman

R. Craig Symonette

Executive Team

Standing Back Row L to R:

Maxwell Jones, VP Marketing & Business Development; **Branson Gibson**, VP Training & Organizational Development; **Jermaine Williams**, VP & Chief Risk Officer; **Davine Dawkins-Rolle**, VP Internal Audit; **Jevon McIntosh**, VP Information Technology & Innovation; **Claudia Rolle**, VP Human Resources; **Marcus Cleare**, VP Credit Risk; **Frienderick Dean**, VP Accounts Control & Recovery; **Bruno Styles**, VP Retail Banking.

Seated Front Row L to R:

Sean Brathwaite, Sr. VP & COO; **Denise D. Turnquest**, President; **Tangela Albury**, VP & CFO.

Assistant Vice Presidents

Standing Back Row L to R:
Tameka Cooke, AVP Human Resources; **Aaron Adderley**, AVP Financial & Business Planning; **Kendra Culmer**, AVP Internal Audit; **Demetri Bowe**, AVP Marketing & Business Development.

Seated Front Row L to R:
Juliette Fraser, AVP Operations; **Lavado Butler**, AVP Credit Inspection; **Lynda Burrows**, AVP Information Technology.

Daria Bain
Sr. Manager, Golden Gates

Stephen Carroll
Abaco

Darlene Gibson
Freeport

Genesta Jackson
Lucaya

Chantal Nixon
Wulff Road

Raynard North
William B. Sands, Jr. Plaza

Branch Managers

Leroy Dames
Spanish Wells

Michelle Fox
Cable Beach

Carrington Johnson
Oakes Field

Clayton King
East Bay Street

Osvon Pratt
Mortgage Centre

Perry Thompson
Prince Charles Drive

Renee Virgill
Town Centre Mall

Cindy Curtis
Sr. Manager,
Head of Compliance

Kayla Darville
Acting Sr. Manager,
Credit Risk

Gina Greene
Sr. Manager, Marketing
& Customer Care

Rawson Minnis
Sr. Manager,
IT Production

Richard Sands
Sr. Manager, Solution
Delivery & Engineering

Jasmin Strachan
Sr. Manager,
Shared Services

Kayla Callendar
Accounts Control &
Recovery Commercial
& Mortgage

Christine Clarke
IT Projects

Audrey Dames
Fraud Risk Management

Department Managers

Wellington Hepburn
Sr. Manager,
Organizational Development

Stephen Johnson
Sr. Manager, Credit
Inspection

Monique Mason
Sr. Manager,
Card Services Centre

Edward Virgil
Acting AVP, Accounts
Control & Recovery

Lernix Williams
Sr. Manager,
Accounts Control

Mario Burrows
Networking & Systems

Shanette Deveaux
Human Resources

Charmaine Edgecombe
Operations

Jevone Ferguson
Information Security

Department Managers

Rekell Griffin
Business Development

Omar Henfield
Physical Security

Lauren Johnson
Financial Control

Marcia Meeres
Enterprise Risk Management

Tariq O'Brien
Administration

Matthew Sawyer
Credit Risk

D'Adra Smith
Training & Organizational Development

Kateryann Thompson
Financial Business & Planning

Rochelle Wilkinson
Commercial Lending & Private Wealth

Management's Responsibility for Financial Reporting

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

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

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

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

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

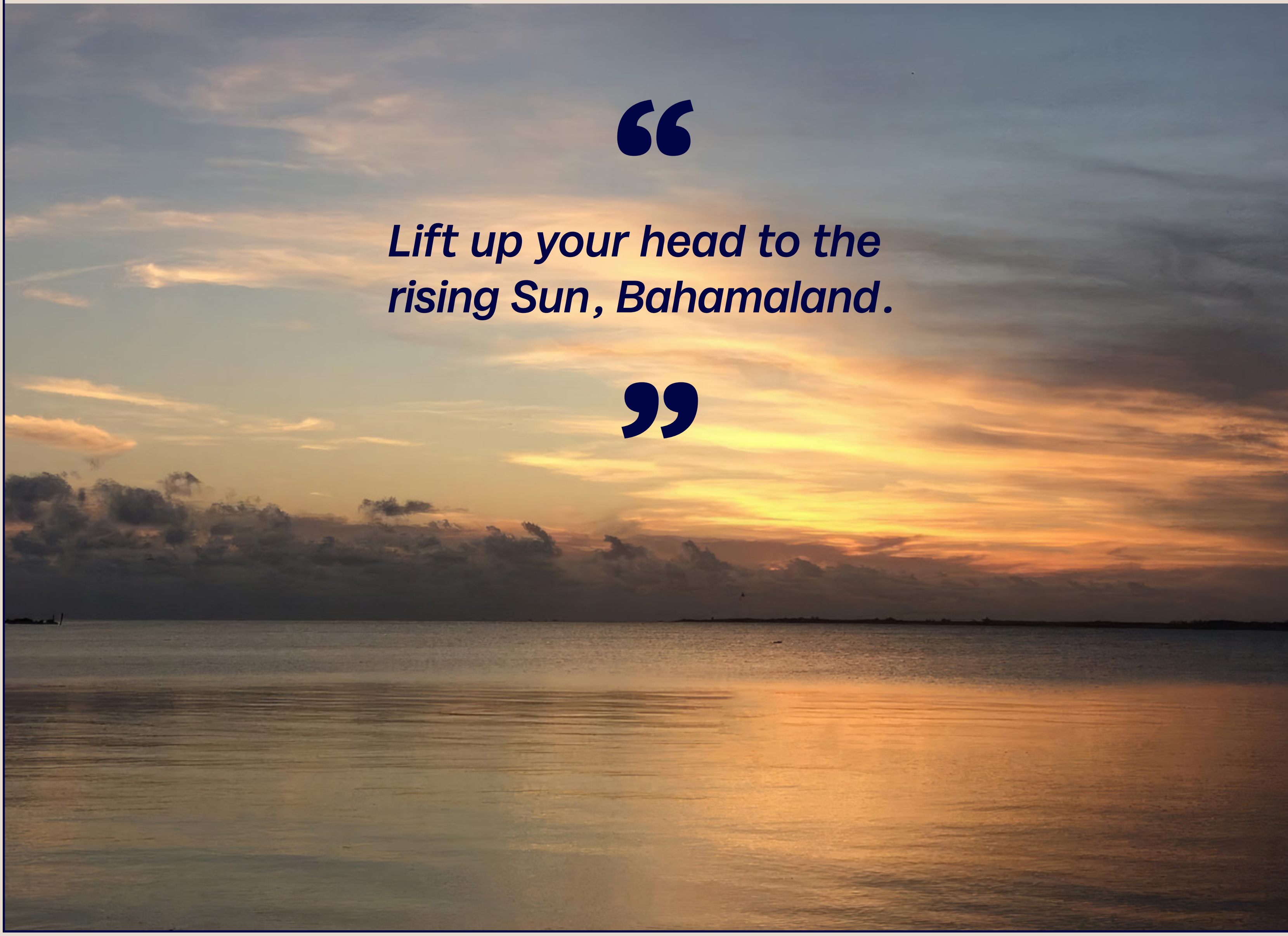
The Board of Directors, based on recommendations from its Audit and Executive Committees, reviews and approves the financial information contained in the Annual Report, including the MDA, and oversees management's responsibilities for the preparation and presentation of financial information, maintenance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

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

Denise D. Turnquest
President

Tangela Albury
VP & CFO

Consolidated Financial Statements For The Year Ended December 31, 2022



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To the Shareholders of Commonwealth Bank Limited

Opinion

We have audited the consolidated financial statements of Commonwealth Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information shown on pages 32 to 72.

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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment assessment of loans and advances to customers ("Loans") (see notes 9 & 25)

Key audit matter	How the matter was addressed in our audit
As at December 31, 2022, Loans comprise 42.89% of the Group's total assets, with total gross Loans of $862.23 million and the related expected credit loss ("ECL") impairment allowance of $75.98 million. The Group determines its Loans ECL as a function of four key factors: Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and the discount rate. The Group models these factors independently and uses various assumptions to develop the models. Key judgments and elements driving higher degrees of estimation uncertainty in the Loans ECL are as follows: - PD model: The Group has developed and implemented a subjective risk parameter PD model based on migration probabilities between the risk ratings in a one-year period. The migration probabilities are assembled in a form of a transition matrix. The PD method applied requires significant judgement. - Significant increases in credit risk "SICR": To assess whether an individual loan facility has experienced a SICR since initial recognition, the Group relies on a subjective internally developed risk rating system described further below. The selection of criteria for identifying SICR is highly dependent on judgement and may significantly impact the staging of loan facilities. - Forward Looking Indicator ("FLI") adjustments: The Group developed a scorecard to assess the impact of macroeconomic factors on the Loans ECL and specifically the FLI adjustment for the PD. The macroeconomic variables chosen, reflect management's judgement relating to the behaviour of the economy and the impact on the performance of the Group's portfolios. - Internal risk rating ("IRR") model and assumptions: Internal ratings are assigned to each loan facility according to the Group's risk management framework and dependent upon management's selected risk characteristics. Each loan facility is assigned a risk rating from 1-8 based (on a calculated risk score) on the borrower's performance pattern and loan characteristics. Specifically, the following data inputs are used to determine the risk rating: · Credit scores - assigned to each loan at the inception of the loan · Days past due - number of days late on a loan payment · Loan status - (restructured, re-written or current) · Payment type - (interest & principal or principal only) · Loan type (e.g. automotive, education, vacation) · Recency of payment (only applicable to consumer loans) · Discounted collateral value (applicable to mortgages, commercial, and equity financed consumer loans) - LGD model: The LGD model applied by the Group is based on subjective factors that are qualitatively set by the management, without any statistical calibration. The ECL is a complex calculation, involving various models derived from management's judgments and assumptions resulting in a high degree of estimation uncertainty. In addition, the Loans ECL is calculated in an ECL model with a specific algorithm. The conceptual soundness of the model's algorithm impacts the overall precision of the ECL. Finally, the ECL on Loans is material to the consolidated financial statements as a whole and for these reasons, we deem this a key audit matter.	As part of our procedures, we performed the following: - Updated our understanding of the methodology, model and assumptions used in the calculation of the Loans ECL. - For adjustments identified, we tested the control over the review and approval of such adjustments by those charged with governance. - On a sample basis, we tested the accuracy of relevant data inputs through direct confirmation with external parties and by validating internal information obtained from the Bank (loan balances, interest rates, contractual maturities, collateral values, days past due, credit scores, loan status, etc.) used in the calculation of the final risk rating. - We performed analytical procedures over internal data to assess the appropriateness of the staging of restructured loans, credit impaired loans, loans modified during the year, and loans with increases in days past due at the reporting date. - We selected a sample of collateralized loans, and obtained the latest appraisal report. We assessed whether the estimation approach for the collateral is in line with the requirements of IFRS 9, and the appraised value when compared to other comparable assets, is considered reasonable. We engaged our KPMG credit specialists, to assist us in performing the procedures below: · Assessed the theoretical soundness and appropriateness of the methodology of the Loans ECL models with respect to the models' design and objective. Models with higher estimation uncertainty evaluated by our credit specialists include (PD, SICR, LGD, IRR and FLI). · Performed a walkthrough of the Loans ECL model inputs, outputs and processes. · Executed a supervised replication that generates model parameters to calculate the model outputs and Loans ECL results. · Performed an evaluation of the Bank's methodology used to calculate its ECL and to assess the appropriateness of the methodology and all final parameters including the final calculation, the PD, the PGD, EAD, expected lifetime of credit facilities, SICR, effective interest rate and FLI. · Performed a retrospective evaluation of the 12-month PD for the period 2018 to 2022 to identify bias in management's assumptions underlying the estimates for the loans ECL and analyzed the ECL model's predictive power.

Impairment assessment of investments carried at amortized cost (see notes 8 & 25)	
Description of key audit matter	**How the matter was addressed in our audit**
As at December 31, 2022, Investments carried at amortized cost ("Investments"), comprise 39.29% of the Group's total assets, with total gross investments carried at amortized cost of $723.60 million and the related expected credit loss ("ECL") impairment allowance of $3.24 million. Key judgments and estimates driving higher degrees of estimation uncertainty in respect to the ECL on investments carried at amortized cost are summarized below: - LGD model: To determine an appropriate LGD for Bahamas' sovereign exposures, the Group analyzed actual losses experienced in recent debt restructurings of various Caribbean nations. Management applied a weighting mechanism for best, base and worst case scenarios. Given the very limited data on sovereign recovery rates, the estimates used to determine the LGD for Bahamas sovereign exposures are highly subjective. - SICR: The selection of criteria for identifying SICR is internally developed and highly dependent on judgement and may significantly impact the Investments ECL. - FLI: Significant judgement is considered when selecting macroeconomic forecasts. Such macroeconomic factors are used to calculate the Investment ECL under multiple probability weighting scenarios. Given the level of significant management judgements involved in determining the LGD and FLI models for the Investments carried at amortized cost and considering the Investments ECL is material to the consolidated financial statements as whole we deem this a key audit matter.	As part of our procedures, we performed the following: - Updated our understanding of the methodology, model and assumptions used in the calculation of the Loans ECL. - For adjustments identified, we tested controls over the review and approval of the adjustments by those charged with governance. - On a sample basis, we tested the accuracy of key data inputs through direct confirmation with external parties and with internal information obtained from the Bank (investment balances, contractual maturities, interest rates) used in the Investments ECL calculation. We engaged our KPMG credit specialists, to assist us in performing procedures below: - Assessed the theoretical soundness and appropriateness of the methodology of the Investments ECL models with respect to the models' design and objective. Models with higher estimation uncertainty evaluated by our credit specialists include (LGD, SICR and FLI). - Challenged management's assumptions used in determining the LGD for the Government of the Bahamas' Sovereign instruments and applied benchmarking analysis. - Performed a walkthrough of the Investments ECL model inputs, outputs and processes. - Performed an evaluation to assess the appropriateness of the methodology and all final parameters including the final calculation, the PD, LGD, EAD, expected lifetime of investment facilities, SICR, discount rate and FLI.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 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 the 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

KPMG

Nassau, Bahamas
April 26, 2023

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 Statement of Financial Position as at December 31, 2022, and the corresponding change in the policy liabilities in the Statement of Profit and Loss and other Comprehensive Income 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 Insurance Commission of the Bahamas)
4. The valuation is appropriate under the circumstances of the company and the financial statements fairly reflect its results
5. Having regard for the results of the investigation performed pursuant to section 62 of the Insurance Act, 2005 the value of actuarial and other policy liabilities, when taken together with the total capital available makes good and sufficient provisions for all unmatured obligations under the terms of the policies in force

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

Actuaries January 27, 2023

Oliver, Wyman Limited

Commonwealth Bank Limited
Consolidated Statement of Financial Position
As at December 31, 2022, with corresponding figures as at December 31, 2021
(Expressed in Bahamian $000s)

	Notes	2022	2021
Assets			
Cash and deposits with banks	5,7	$ 264,223	$ 192,458
Investments, net	5,8	729,036	698,857
Loans and advances to customers, net	5,9,21,24	786,245	767,541
Other assets	5,10	7,985	9,680
Right of use assets	11	1,182	1,301
Premises and equipment	12	44,558	47,068
Total Assets	6	$ 1,833,229	$ 1,716,905
Liabilities and Equity			
Liabilities			
Deposits from customers	5,13,21	$ 1,513,397	$ 1,462,218
Life assurance fund liability	14	581	1,011
Lease liabilities	5,11	1,242	1,369
Other liabilities	5,15,21	30,215	13,816
Total liabilities	6	1,545,435	1,478,414
Equity			
Share capital	16	1,951	1,946
Share premium	16	13,544	11,667
Retained earnings		272,299	224,878
Total equity		287,794	238,491
Total Liabilities and Equity		$ 1,833,229	$ 1,716,905

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

These consolidated financial statements were approved by the Board of Directors on April 25, 2023, and are signed on its behalf by:

Executive Chairman

President

(Expressed in Bahamian $000s)

	Notes		2022		2021
Income					
Interest income, effective interest rate method	5,21	$	120,224	$	132,591
Interest expense	5,6,21		(17,254)		(17,105)
Net interest income			102,970		115,486
Credit life insurance premiums			4,639		4,159
Fees and other income	5,19		24,547		20,432
Net change in unrealised gain on equity investment at FVTPL	5		629		52
Total other income			29,815		24,643
Total income	6		132,785		140,129
Non-interest expense					
General and administrative	20,21,22		77,830		67,794
Impairment (reversals) losses on financial assets	8,9		(27,294)		93,001
Insurance claims			2,200		4,538
Change in insurance reserves	14		(430)		(1)
Depreciation on right of use assets	11		586		661
Other depreciation	12		3,603		3,700
Finance cost on lease liabilities	11		51		149
Loss on disposal of premises and equipment	12		10		12
Directors' fees	21		308		282
Total non-interest expense			56,864		170,136
Total profit (loss)	6,17	$	75,921	$	(30,007)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	22		766		9
Total comprehensive income (loss)		$	76,687	$	(29,998)
Earnings (loss) per common share					
(expressed in dollars)		$	0.26	$	(0.10)

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

Commonwealth Bank Limited
Consolidated Statement of Changes in Equity
As at December 31, 2022, with corresponding figures as at December 31, 2021
(Expressed in Bahamian $000s)

2022

	Notes	Share Capital (Common)	Share Premium	Retained Earnings	Total
As at December 31, 2021		**$ 1,946**	**$ 11,667**	**$ 224,878**	**$ 238,491**
Comprehensive income					
Total profit		-	-	75,921	75,921
Remeasurement gain of defined benefit obligation		-	-	766	766
		-	-	76,687	76,687
Transaction with owners					
Repurchase of common shares	21	(3)	(1,119)	-	(1,122)
Sale of treasury shares	16, 21	8	2,996	-	3,004
Dividends - common shares	16	-	-	(29,266)	(29,266)
		5	1,877	(29,266)	(27,384)
As at December 31, 2022		**$ 1,951**	**$ 13,544**	**$ 272,299**	**$ 287,794**
Dividends per share *(expressed in dollars)*	**$0.10**				

2021

	Notes	Share Capital (Common)	Share Premium	Retained Earnings	Total
As at December 31, 2020		**$ 1,918**	**$ 1,048**	**$ 266,453**	**$ 269,419**
Comprehensive loss					
Total loss		-	-	(30,007)	(30,007)
Remeasurement gain of defined benefit obligation		-	-	9	9
		-	-	(29,998)	(29,998)
Transaction with owners					
Repurchase of common shares	21	(1)	(257)	-	(258)
Sale of treasury shares	16, 21	29	10,876	-	10,905
Dividends - common shares	16	-	-	(11,577)	(11,577)
		28	10,619	(11,577)	(930)
As at December 31, 2021		**$ 1,946**	**$ 11,667**	**$ 224,878**	**$ 238,491**
Dividends per share *(expressed in dollars)*	**$0.04**				

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

(Expressed in Bahamian $000s)

	Notes		2022		2021
Cash flows from operating activities					
Total profit (loss)		$	75,921	$	(30,007)
Adjustments for:					
Depreciation on right of use assets			586		661
Other depreciation			3,603		3,700
Finance cost on lease liabilities			51		149
Impairment (reversals) losses on financial assets			(27,294)		93,001
Interest income			(120,224)		(132,591)
Interest expense			17,254		17,105
Loss on disposal of premises and equipment			10		12
Net change in unrealised gain on equity investment at FVTPL			(629)		(52)
			(50,722)		(48,022)
Change in loans and advances to customers			5,124		4,893
Change in minimum reserve requirement			(1,673)		(1,931)
Change in restricted deposit			-		2,691
Change in right of use assets and other assets			1,994		13,189
Change in lease liabilities and other liabilities			16,859		(3,284)
Change in life assurance fund liability			(430)		(1)
Change in deposits from customers			48,443		37,023
Interest received			124,307		164,068
Interest paid			(14,518)		(7,820)
Net cash from operating activities			129,384		160,806
Cash flows from investing activities					
Purchase of investments			(960,838)		(951,132)
Redemption of investments			930,670		716,778
Purchases of premises and equipment			(1,212)		(7,186)
Proceeds from sale of premises and equipment			109		31
Net cash used in investing activities			(31,271)		(241,509)
Cash flows from financing activities					
Dividends paid			(29,266)		(11,577)
Repurchase of common shares			(1,122)		(258)
Sale of treasury shares			3,004		10,905
Payment of lease liabilities			(638)		(742)
Net cash used in financing activities			(28,022)		(1,672)
Net increase (decrease) in cash and cash equivalents			70,091		(82,375)
Cash and cash equivalents, beginning of year			135,132		217,507
Cash and cash equivalents, end of year	7		205,223		135,132

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

1. Incorporation and Activities

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

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

The principal activities of the Bank and its subsidiaries (the "Group") are described in Note 6. The registered office of the Bank is situated at Sassoon House, Shirley Street, Nassau, Bahamas.

2. Summary of Significant Accounting Policies and Basis of Preparation

(a) Basis of preparation

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

The consolidated financial statements for the year ended December 31, 2022, have been approved by the Board of Directors on April 25, 2023.

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

(b) Use of estimates and judgments

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

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

(c) Principles of consolidation

The consolidated financial statements include the assets, liabilities, financial performance and cash flows of the Group and all of its subsidiaries, after the elimination of intercompany transactions and balances. Subsidiaries are defined as entities controlled by the Group and exclude associates and joint arrangements. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Voting-interest subsidiaries

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

(d) Changes in significant accounting policies

New standards, amendments and interpretations adopted by the Group

Standards and amendments and interpretations to published standards that became effective for the Group's financial year, beginning on January 1, 2022 were, either not relevant or not significant to the Group's operations and accordingly did not have a material impact on the Group's accounting policies or consolidated financial statements.

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

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

IFRS 17 defines clear and consistent rules that aim to increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and key performance indicators. IFRS 17 is applicable for annual periods beginning on or after January 1, 2023. The assessment of the impact on the Group of adopting IFRS 17 and proposed amendments is ongoing with external specialists.

(e) Financial assets and liabilities

Financial assets

Recognition and initial measurement

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

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

Classification and measurement

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

1. Amortised cost

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

Financial assets classified at amortised cost are carried at the amount at which the asset was measured upon initial recognition, minus principal repayments, plus or minus the cumulative amortisation of any premium or discount, and minus any write-down for expected credit losses ("ECL").

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

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

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

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

Business model assessment

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

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

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

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

Contractual cash flow assessment

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

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

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

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

If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

With the exception of investments in equity securities, all financial instruments are classified at amortised cost at the reporting date. Investments in equity securities are classified at FVTPL.

Initial Recognition

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

Initial 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

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

Reclassification

Financial assets are not reclassified after their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Modification

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

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

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

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

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

Derecognition

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

Financial liabilities

Financial liabilities are any liabilities that are:

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

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

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or is designated as FVTPL. Financial liabilities at FVTPL are stated at fair value with any resulting gain or loss recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Initial Measurement
Financial liabilities classified at amortised cost are initially measured at fair value, net of transaction costs.

Subsequent Measurement
Subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

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

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

(f) Impairment of financial assets measured at amortised cost
The Group recognises ECL on financial assets measured at amortised cost. ECL for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses are measured at an amount equal to the 12-month ECL or lifetime ECL depending on the stage in which the asset is classified.

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

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

ECL of financial assets is recognised in three stages:

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

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

In determining whether a SICR has occurred since initial recognition, and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and forward-looking information. Critical accounting judgments and key sources of estimates are discussed in Note 3.

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

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

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

The Group considers all financial assets, except for sovereign and government-related debt to be in credit-impaired when:

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

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

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

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

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

Measurement of ECL
Measurement of ECL is disclosed in Note 24.

Write-off of loans and advances to customer
Loans and advances to customers (and the related ECL) are normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received. Consumer loans are written-off in the month after principal and/or interest payments become 360 days contractually in arrears. Credit card loans are written-off in the month after principal and/or interest payments become 180 days contractually in arrears.

Recovery of previously written-off loans
Recoveries of principal and/or interest on previously written off loans are recognised in impairment losses on financial assets net in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a cash basis or when the loan is rewritten on normal terms prevailing at the time of the rewrite.

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

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

(h) Cash and cash equivalents
For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise cash on hand and unrestricted deposits with banks that have original maturities of three months or less, including cash with the Central Bank, amounts due from banks, and short-term treasury bills. Cash and cash equivalents are carried at amortised costs on the Consolidated Statement of Financial Position.

(i) Investments
Investments in the Consolidated Statement of Financial Position include:

- debt investment securities measured at amortised cost less ECL. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- equity investment securities measured at FVTPL. These are measured at fair value with changes recognised immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(j) Loans and advances to customers
Loans and advances to customers in the Consolidated Statement of Financial Position include loans and advances measured at amortised cost which are initially measured at fair value, and subsequently at their amortised cost using the effective interest method.

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

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

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

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

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

Initial measurement

1. Lease liabilities

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

2. Right of use assets

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

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

Subsequent Measurement

1. Lease liabilities

Lease payments are allocated between principal and finance costs. The finance cost is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Accordingly, the lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount by the lease payments made.

2. Right of use assets

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

(l) Premises and equipment

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

Land is not depreciated.

Depreciation on other premises and equipment assets are computed on a straightline basis, net of residual values, and are charged to profit or loss over their estimated useful lives as follows:

Site improvements	5 – 10 years
Buildings	The shorter of 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

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

Gains or losses arising from the disposal or retirement of an item of premises and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset. Such gains or losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(m) Deposits from customers

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

(n) Life insurance fund liability

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

(o) Offsetting

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

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

(p) Recognition of income and expense

Interest income and interest expense

The Group recognises interest income and interest expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for all financial instruments measured at amortised cost using the effective interest method described below, except for financial assets that have subsequently become credit-impaired ('Stage 3' financial assets). For these Stage 3 financial assets, interest income is calculated using the method for non-performing loans as described below.

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

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

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

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

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

Credit Life Insurance Premiums

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

Fee income

Fee income comprises amounts earned from the ancillary services the Group provides primarily in connection with its offering of loans and advances to customers, and bank deposit services. Fees generated for services performed for the customer over a period of time are recognized over the service period on a straight-line basis. Other fees are recognized at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction, which is generally at the time the customer's account is charged.

Other income and expenses

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

(q) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of such transactions and the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a part of total profit. Translation differences on monetary financial assets measured at FVTPL are included as part of the fair value gains and losses.

(r) Dividends on common shares

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

(s) Earnings per common share

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

(t) Retirement benefit costs

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

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

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

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

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

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

(u) Short-Term Benefits

Short-Term Benefits are employee benefits to be settled wholly before 12 months after the end of the annual reporting period in which the employee renders the related services and is recorded as the services are rendered.

(v) 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 behavioural 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.

(w) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares, and preference shares whose terms do not create contractual obligations, are classified as equity (Note 16).

Treasury shares

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

(x) Other items

1. Financial guarantees and loan commitments

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

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

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

2. *Related parties*

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

i. A person or close member of that person's family is related to a reporting entity if the person:
   a. has control or joint control of the Group
   b. has significant influence over the Group;
   c. is a close family member of an individual or those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Group; or
   d. is a member of the Group's key management personnel, including directors.

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

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

3. *Liability Provisions*

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

4. *Taxation*

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

Effective January 1, 2022, value-added tax was decreased from 12% to 10%. The Group is required to pay value-added tax at a rate of 10% on goods and services as prescribed by the Value Added Tax Act. The Group also pays business license fees in accordance with the Business License Act, real property tax in accordance with the Real Property Tax Act and stamp duty.

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

5. *Business Segments*

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

i. Retail banking – the provision of full-service personal banking including the acceptance of savings, fixed and demand deposits, providing consumer financing through loans, overdrafts and credit cards and mortgage financing on real estate and the sale of foreign exchange.
ii. Credit life insurance – the provision of credit life insurance in respect of the Bank's borrowers through Laurentide.
iii. Real estate holdings - ownership and management of real property which is rented to branches and departments of the Bank through C.B. Holding Co. Ltd.
iv. Investment holdings – holdings of investments in the Bank's common shares through C.B. Securities Ltd.
v. Insurance agency operations – provision of insurance agency services to the Group's insurance company, its sole client through Laurentide Insurance Agency Limited.

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

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

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

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

1. *Impairment of financial assets*

The impairment losses on financial assets represent management's estimate of ECL.

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

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

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

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

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

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

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

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

Limitations in the Bank's IFRS 9 ECL model have previously been identified through the ongoing assessment and validation of the output of the model. In these circumstances, management makes appropriate adjustments to the Bank's allowance for impairment losses to ensure the overall provision adequately reflects all material risks. Refer to note 24 for additional disclosures related such risks.

Post-retirement benefit obligation

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

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

2. *Life insurance fund liability*

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

3. *Classification of financial assets*

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

The assessment considerations are detailed in Note 2(e).

4. Fair value of financial instruments

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

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

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

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

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

Refer to note 8 for more information about the classification of fair values.

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

- Cash and deposit with banks – The fair values of these financial instruments are assumed to approximate their carrying values due to their generally short-term nature or the repricing of interest rates on variable rate products.
- Investments – The estimated fair value of the Group's investments was determined based on their market bid price values and other observable inputs.
- Loans and advances to customers – The estimated fair value of loans and advances to customers determined by valuing the receivables based on current market interest rates relative to the Group's interest rates. The carrying values of these financial instruments approximates their fair values.
- Deposits from customers – The estimated fair value of deposits from customers was determined by valuing the deposits based on current market interest rates relative to the Group's interest rates. The fair values of deposits from customers approximate their carrying values.
- Other financial instruments – Due to their short-term maturity, the carrying values of these financial instruments approximate their fair values.

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. Holdings Co. Ltd.	Bahamas	100%
C.B. Securities Ltd.	Bahamas	100%

5. Financial Instruments

The following tables disclose the categories of financial instruments which are included in the line items in the Consolidated Statement of Financial Position:

	2022		
	Amortized Cost	Designated as Fair Value Through Profit (Loss)	Total
Financial assets			
Cash and deposits with banks	$ 264,223	$ -	$ 264,223
Investments, net	$ 720,364	$ 8,672	$ 729,036
Loans and advances to customers, net	$ 786,245	$ -	$ 786,245
Other assets	$ -	$ -	$ -
Financial liabilities			
Deposits from customers	$ 1,513,397	$ -	$ 1,513,397
Lease liabilites	$ 1,242	$ -	$ 1,242
Other liabilities	$ 15,455	$ -	$ 15,455

	2021		
	Amortized Cost	Designated as Fair Value Through Profit (Loss)	Total
Financial assets			
Cash and deposits with banks	$ 192,458	$ -	$ 192,458
Investments, net	$ 691,933	$ 6,924	$ 698,857
Loans and advances to customers, net	$ 767,541	$ -	$ 767,541
Other assets	$ 2,502	$ -	$ 2,502
Financial liabilities			
Deposits from customers	$ 1,462,218	$ -	$ 1,462,218
Lease liabilites	$ 1,369	$ -	$ 1,369
Other liabilities	$ 13,816	$ -	$ 13,816

The following table shows Consolidated Statement of Profit or Loss and Other Comprehensive Income information on financial instruments:

	2022	2021
Interest income, effective interest rate method		
Loans and advances to customers, net	$ 97,220	$ 108,093
Investments, net	23,004	24,497
Other	-	1
	$ 120,224	$ 132,591
Interest expense		
Deposits from customers	$ 17,254	$ 17,105
Fees and other income		
Deposits from customers	16,132	14,188
Loans and advances to customers, net	6,308	5,773
Net change in unrealized gain on equity investment at FVTPL	629	52
	$ 23,069	$ 20,013

6. Business Segments

The following tables show financial information by business segment:

	2022						
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	$ 128,227	$ 4,558	$ -	$ -	$ -	$ -	$ 132,785
Internal	(1,591)	(407)	3,375	673	468	(2,518)	-
Total Income	$ 126,636	$ 4,151	$ 3,375	$ 673	$ 468	$ (2,518)	$ 132,785
Total profit (loss)							
Internal & external	$ 73,662	$ 3,666	$ 1,219	$ 636	$ 213	$ (3,475)	$ 75,921
Assets	$ 1,837,242	$ 48,331	$ 32,265	$ 15,567	$ 4,254	$ (104,430)	$ 1,833,229
Liabilities	$ 1,562,194	$ 3,109	$ 316	$ 22	$ 13	$ (20,219)	$ 1,545,435
Other Information							
Interest expense	$ 17,315	$ -	$ 138	$ 7	$ -	$ (206)	$ 17,254
Capital additions	$ 1,026	$ -	$ 186	$ -	$ -	$ -	$ 1,212
Depreciation on right of use asset	586	-	-	-	-	-	586
Other depreciation	$ 2,863	$ -	$ 740	$ -	$ -	$ -	$ 3,603

	2021						
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	$ 138,876	$ 1,245	$ 8	$ -	$ -	$ -	$ 140,129
Internal	1,731	(192)	3,898	(4,622)	549	(1,364)	-
Total Income	$ 140,607	$ 1,053	$ 3,906	$ (4,622)	$ 549	$ (1,364)	$ 140,129
Total profit (loss)							
Internal & external	$ (25,469)	$ 1,115	$ 1,472	$ (5,659)	$ 320	$ (1,786)	$ (30,007)
Assets	$ 1,673,433	$ 45,508	$ 31,693	$ 14,984	$ 4,037	$ (52,750)	$ 1,716,905
Liabilities	$ 1,482,325	$ 1,125	$ 4,985	$ 75	$ 11	$ (10,107)	$ 1,478,414
Other Information							
Interest expense	$ 14,963	$ -	$ 313	$ 1,000	$ -	$ 829	$ 17,105
Capital additions	$ 1,989	$ -	$ 5,197	$ -	$ -	$ -	$ 7,186
Depreciation on right of use asset	661	-	-	-	-	-	661
Other depreciation	$ 3,006	$ -	$ 694	$ -	$ -	$ -	$ 3,700

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

7. Cash and Cash Equivalents

	2022	2021
Cash on hand	$ 23,220	$ 23,890
Deposits with banks	13,806	18,012
Balances with The Central Bank of The Bahamas	227,197	150,556
	264,223	**192,458**
Minimum reserve requirement	(59,000)	(57,326)
Cash and cash equivalents	**$ 205,223**	**$ 135,132**

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

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

8. Investments

Investments are as follows:

		2022	
	Gross Amount	Maturity years	Interest rates
Bahamas Government Bahamian dollar debt	$ 608,663	2023-2037	2.50% - 4.88%
Bahamas Government related-debt	18,214	2023-2035	4.25% - 7.00%
United States Government debt	1,000	2023-2024	6.25% - 7.50%
Bahamas Government United States dollar debt	25,248	2023-2024	8.59% - 12.62%
United States treasury bills	64,167	2023	1.90% - 3.21%
Accrued interest receivable	6,310		
Total investments measured at amortised cost	723,602		
Less: Allowance for ECL	(3,238)		
Total investments measured at amortised cost, net	720,364		
Equity investments	8,672		
Total investments, net	$ 729,036		

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

Investments measured at amortized cost, categorized by maturity are as follows:

	2022	2021
Current (due in one year)	$ 354,066	$ 417,107
Non-current (due after one year)	$ 366,298	$ 273,707
	$ 720,364	$ 690,814

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

	2022	
	Net Carrying Amount	Fair Value
Bahamas Government Bahamian dollar debt	$ 605,715	$ 607,149
Bahamas Government related-debt	18,039	18,214
United States Government debt	1,000	1,036
Bahamas Government United States dollar debt	25,133	25,248
United States treasury bills	64,167	64,167
Equity investments	8,672	8,672
Accrued interest receivable	6,310	6,310
Total investments, net	$ 729,036	$ 730,796

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

The table below shows the fair value hierarchy of investments.

	2022			2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Bahamas Government Bahamian dollar debt	$ -	$ 607,149	$ -	$ -	$ 668,696	$ -
Bahamas Government related-debt	-	18,214	-	-	18,232	-
United States Government debt	1,036	-	-	1,149	-	-
Equity investments	8,672	-	-	8,043	-	-
United States treasury bills	64,167	-	-	-	-	-
Bahamas Government United States dollar debt	-	25,248	-	-	-	-

As of December 31, 2022 the majority of the Group's investments in Bahamas Government debt, comprise Bahamas Government Registered Stock and Bahamas Government Treasury Bills.

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

As at December 31, 2022, the Group held equity securities as FVTPL totaling $8.67 million (2021: $8.04 million). The Group's common share holdings in MasterCard Incorporated account for the majority of its equity investments. These shares are carried at fair value with any resulting gains or losses recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. During 2022 the Group's Mastercard share holdings were converted from class B shares to class A shares. The conversion from class B to class A shares resulted in an increase in unrealized gains of $867 thousand at the time of conversion due to the elimination of an illiquidity premium attached to the class B shares.

9. Loans and Advances to Customers, net

Loans and advances to customers are as follows:

	2022	2021
Residential mortgage	$ 161,186	$ 168,318
Business	22,635	20,968
Personal	615,176	636,273
Credit card	34,334	34,738
Government	28,895	39,116
	862,226	899,413
Less: Allowance for ECL	(75,981)	(131,872)
Loans and advances to customers, net	$ 786,245	$ 767,541

Loans categorized by maturity are as follows:

	2022	2021
Current (due within one year)	$ 128,211	$ 61,192
Non-current (due after one year)	658,034	706,349
	$ 786,245	$ 767,541

Included within the carrying amount of gross loans and advances to customers are accrued interest and late fees amounting to $10.6 million (2021: $14.1 million), and effective interest rate adjustments of $4.6 million (2021: $3.4 million), the latter principally comprising deferred fees and other direct costs incurred to originate loans.

The effective interest rate yield earned for the year ended December 31, 2022, is 11.67% (2021: 11.91%). Interest rates on loans outstanding at December 31, 2022 and 2021 range from 2% - 16.25% per annum.

Loans and advances to customers are classified as Level 3 financial instruments.

Movement in Allowance for ECL:

	2022				
	Balance at the Beginning of Year	Loans Written off	Recoveries	Impairment (Reversals)/Losses	Balance at the End of Year
Residential mortgage	$ 13,208	$ (1,971)	$ -	$ (928)	10,309
Business	971	(142)	-	574	1,403
Personal	114,304	(50,391)	25,405	(27,302)	62,016
Credit card	3,022	(2,403)	1,431	100	2,150
Government	367	-	-	(264)	103
Total	$ 131,872	$ (54,907)	$ 26,836	$ (27,820)	$ 75,981

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

10. Other Assets

The composition of other assets is as follows:

Other Assets

	2022	2021
Net defined benefit asset	$ 4,672	$ 4,005
Prepaid expenses	1,923	2,543
Accounts receivable	67	2,502
Other	1,323	630
	$ 7,985	$ 9,680

The pension asset comprises the net asset position of the defined benefit plan as disclosed in Note 22. The net pension asset is not expected to be recovered within one year. All other assets are expected to be recovered within one year.

11. Right of Use Assets and Lease Liabilities

The right of use assets are as follows:

	2022	2021
Opening net book value	$ 1,301	$ 1,935
Additions	467	27
Depreciation	(586)	(661)
Closing net book value	$ 1,182	$ 1,301

	2022	2021
Cost	$ 2,346	$ 1,962
Accumulated depreciation	(1,164)	(661)
Closing net book value	$ 1,182	$ 1,301

For the years ended December 31, 2022, and 2021, there were no direct costs incurred by the Group upon entering a lease.

Lease liabilities are as follows:

	2022	2021
Opening book value	$ 1,369	$ 1,935
Additions	460	27
Finance cost on lease liabilities	51	149
Repayment of lease liabilities	(638)	(742)
Closing book value	$ 1,242	$ 1,369

Of which is:	2022	2021
Current lease liabilities	$ 700	555
Non-current lease liabilities	542	814
	$ 1,242	$ 1,369

The incremental borrowing rate is 4.25% (2021: 4.25%) per annum.

12. Premises and Equipment

The movement of premises and equipment are as follows:

	Land/Site Improvements	Buildings	Leasehold Improvements	Furniture Fittings & Equipment	Total
Cost					
December 31, 2021	14,975	38,954	1,095	40,131	95,155
Additions	-	75	-	1,137	1,212
Disposals	-	-	-	(537)	(537)
December 31, 2022	14,975	39,029	1,095	40,731	95,830
Accumulated Depreciation and Amortization					
December 31, 2021	795	13,838	940	32,514	48,087
Depreciation	49	975	28	2,551	3,603
Disposal	-	-	-	(418)	(418)
December 31, 2022	844	14,813	968	34,647	51,272
Net Book Value					
December 31, 2021	14,180	25,116	155	7,617	47,068
December 31, 2022	14,131	24,216	127	6,084	44,558

13. Deposits from Customers

The composition of deposits from customers is as follows:

	2022	2021
Demand deposits	$ 269,426	$ 243,578
Savings accounts	$ 509,072	475,571
Certificates of deposit	734,899	743,069
	$ 1,513,397	$ 1,462,218

Deposits from customers categorized by maturity are as follows:

Current (due within one year)	$ 1,036,096	$ 1,118,451
Non-current (due after one year)	477,301	343,767
	$ 1,513,397	$ 1,462,218

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 $35.4 million (2021:$32.7 million).

Deposits from customers are classified as Level 3 financial instruments.

Deposits carry fixed interest rates ranging from 0.00% to 6.25% (2021: 0:00% to 6.25%) per annum, but the fixed interest rates are determined based on market rates and can be adjusted at the respective maturities of the deposits based on changes in market rates. The weighted average interest rate incurred on deposits from customers as at December 31, 2022, was 1.16% (2021: 1.20%).

14. Life Insurance Fund Liability

The Group provides credit life insurance in respect of certain of its borrowers through Laurentide. The life insurance fund liability in respect of credit life insurance contracts is calculated as:

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

An actuarial valuation of the life insurance fund liability was conducted as at December 31, 2022, by Oliver Wyman of Toronto, Canada. The valuation included a provision of $292 thousand (2021: $506 thousand) for claims incurred but not yet reported.

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

	2022	2021
Balance at beginning of the year	$ 1,011	$ 1,012
Change in assumptions	32	44
Termination policies	(280)	(267)
Impact of aging	4	(107)
Change in IBNR	(218)	345
New business	23	10
Change in unearned premium reserve	9	(26)
Net change in insurance reserve	(430)	(1)
Balance at end of the year	$ 581	$ 1,011

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

Current (within one year)	342	$ 595
Non-current (after one year)	239	416
	581	$ 1,011

Actuarial Assumption Sensitivities

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

2022

Scenario	Mortality per $1,000	Lapse Rate	Loan Interest Rate	Expense per Policy	Inflation Rate	Initial Interest Rate	Ultimate Interest Rate	Total Reserve (B$)	Increase over Base (B$)	% Increase over Base
Base 2022	5.0	32%	14.02%	$20.79	3.30%	3.45%	3.25%	78		
Lower Interest Rate	5.0	32%	14.02%	$20.79	3.30%	3.11%	2.93%	78	0.40	0.4%
Mortality = 5.50	5.5	32%	14.02%	$20.79	3.30%	3.45%	3.25%	97	19.00	25.0%
Lapse = 28.80%	5.0	29%	14.02%	$20.79	3.30%	3.45%	3.25%	82	4.00	5.3%
Loan Interest = 12.62%	5.0	32%	12.62%	$20.79	3.30%	3.45%	3.25%	78	0.50	0.6%
Expenses = 22.87	5.0	32%	14.02%	$22.87	3.30%	3.45%	3.25%	96	18.00	22.7%
Inflation = 3.63%	5.0	32%	14.02%	$20.79	3.63%	3.45%	3.25%	79	1.00	1.1%

2021

Scenario	Mortality per $1,000	Lapse Rate	Loan Interest Rate	Expense per Policy	Inflation Rate	Initial Interest Rate	Ultimate Interest Rate	Total Reserve (B$)	Increase over Base (B$)	% Increase over Base
Base 2021	5.0	48%	15.50%	$16.34	3.30%	3.45%	3.25%	299		
Lower Interest Rate	5.0	48%	15.50%	$16.34	3.30%	3.11%	2.93%	300	1.00	0.4%
Mortality = 5.50	6.0	48%	15.50%	$16.34	3.30%	3.45%	3.25%	328	29.00	9.7%
Lapse = 43.20%	5.0	43%	15.50%	$16.34	3.30%	3.45%	3.25%	311	12.00	4.0%
Loan Interest = 17.05%	5.0	48%	17.05%	$16.34	3.30%	3.45%	3.25%	300	1.00	0.2%
Expenses = 17.97	5.0	48%	15.50%	$17.97	3.30%	3.45%	3.25%	314	15.00	4.9%
Inflation = 3.63%	5.0	48%	15.50%	$16.34	3.63%	3.45%	3.25%	300	1.00	0.3%

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

15. Other Liabilities

The composition of other liabilities is as follows:

	2022	2021
Accruals and accounts payable	$ 5,516	$ 3,301
Cashier's cheques outstanding	5,674	3,713
Employee related	6,647	567
Other	12,378	6,235
	$ 30,215	$ 13,816

Accruals and accounts payable and Cashier's cheques outstanding are expected to be settled within the next 12 months. The "other" category in the table above is comprised of insurance and taxes payable and other miscellaneous liabilities.

16. Share Capital

The table below presents information about the common shares which were authorized, issued, and fully paid during 2022 and 2021:

	2022	2021
Authorised:		
675,000,000 (2021: 675,000,000) shares of $0.00667 per share	$ 4,500	$ 4,500
Issued and fully paid:		
295,268,556 (2021: 295,268,556) shares of $0.00667 per share	$ 1,968	$ 1,968
Share premium	22,911	26,363
Less: 2,624,094 (2021: 4,474,120) shares held in treasury	(9,384)	(14,718)
Total	$ 15,495	$ 13,613
Share capital	$ 1,951	$ 1,946
Share premium	13,544	11,667
	$ 15,495	$ 13,613

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

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

During 2022 and 2021, the Group paid four quarterly common share dividends. In the first and second quarters of 2022, the Group paid $0.01 per share in quarterly dividends. In the third and fourth quarters of 2022 the Group paid $0.02 per share in quarterly dividends. In 2022, the Group also paid extraordinary dividends of $0.04 per share.

These payments totaled $29.27 million (2021: $11.58 million) in common share dividend payments.

17. Earnings Per Share

	2022	2021
Total profit/(loss) available to common shareholders	$ 75,921	$ (30,007)
Weighted average number of common shares (in thousands)	292,613	289,335
Earnings/(loss) per share (expressed in dollars)	$ 0.26	$ (0.10)

18. Employee share-based Payment Plans

Stock Option Plan

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

The main details of the Plan are as follows:

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

The Plan is being funded by CB Securities Ltd. purchasing shares from the market in advance of the options being exercised. The Bank did not recognize any expenses related to this equity- settled share-based payment plan during 2022 or 2021.

Other share-based payment plans

Under the Bank's employee share purchase plan, non-management staff may purchase the Bank's shares at 90% of the closing market price on the date of grant for a restricted period each year. Employees' ability to purchase shares is restricted to a percentage of their salary according to their position. Shares so purchased vest immediately but are released to the employee on payment for the shares. No shares were made available under this plan in 2022 and 2021.

Shares to be exercised under the stock option plans as at December 31,2022 are Nil (2021:Nil).Options available to be granted under the plans totaled 14,034,000 as of December 31, 2022, and 2021.

19. Fees and Other Income

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

	2022	2021
Loan and credit card fees, excluding commitment and origination fees	$ 6,308	$ 5,773
Deposit account fees	6,838	6,324
Debit card fees	5,902	4,937
Foreign exchange	3,393	2,927
Other	2,106	471
	$ 24,547	$ 20,432

20. General and Administrative Expenses

General and administrative expenses are as follows:

	2022	2021
Staff costs	$ 44,620	$ 35,340
Licenses and taxes (including premium taxes)	12,152	12,205
Professional and service fees	8,210	7,424
Occupancy	4,781	4,055
Advertising	864	1,187
Other	7,203	7,583
	$ 77,830	$ 67,794

Staff costs include pension costs of $1.71 million (2021: $2.2 million) of which $0.1 million (2021: $0.5 million) relates to the DB Provisions (see Note 22). Occupancy includes rental costs for leased properties (see Note 23). Other general and administrative expenses comprise primarily of bank licensing fees, technology licensing fees and profession services fees.

21. Related Parties Balances and Transactions

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

	2022			2021		
	Key Management Personnel $	Other Related Parties $	Total $	Key Management Personnel $	Other Related Parties $	Total $
Loans and advances to customers	3,319	553	3,872	3,370	61	3,431
Deposits from customers	8,455	310,775	319,230	28,907	271,176	300,083
Other liabilities	-	43	43	-	102	102
Interest income	130	32	162	126	8	134
Interest expense	210	8,624	8,834	661	9,434	10,095
General and administrative expense	-	540	540	-	354	354
Commitments under revolving credit lines	163	977	1,140	541	473	1,014

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. Loans and advances to customers are granted at preferential rates which fall within the range disclosed in Note 9. Impairment allowances in respect of these balances are not material. Deposits from customers are granted at preferential rates which fall within the range disclosed in Note 13.

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:

		2022		2021
Short term benefits	$	5,659	$	4,920
Post employment benefits	$	632	$	1,891
Other long term benefits	$	617	$	644
	$	6,908	$	7,455

Purchases and Sale of Shares from and to Subsidiary

During the year, the Bank's wholly-owned subsidiary C.B. Securities Ltd. purchased 327,304 of the Bank's common shares for $1.19 million (2021: shares 89,884 or $0.3 million). C.B. Securities Ltd. holds 2,624,094 (2021: 3,425,169) of the Bank's shares which have a market value of approximately $9.4 million (2021: $13.6 million).

During 2022, 1,127,819 shares (2021: 4,188,919) were sold to an unconsolidated related party for $3 million (2021: $11 million) to facilitate dividend payments.

22. Bank Pension Scheme

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

DB Provisions

The DB Provisions, which is closed to new members, provides pensions based on years of service, contributions and weighted average earnings at retirement. The Bank's funding policy is to make monthly contributions to the DB Provisions based on triennial valuations. The Bank pays on demand to the DB Provisions such periodic contributions as may be required to meet the obligations of the DB Provisions. All employees in active employment of the Bank who had at least 3 years of service or had reached the age of 25, and who met the eligibility requirements were eligible for the DB Provisions. After October 1, 2013, entry to the DB Provisions was closed to all employees.

Assumptions applied to DB Provisions

Discount rate:

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

As at the reporting date, the discount rate assumption for the DB Provisions plan is 5.75% (2021: 5.75%).

Increases in pensionable earnings:

The DB Provisions sets the pension increase rate assumption in line with the expected general wage growth which is influenced by the inflation by which benefits are expected to increase in future years. Although influenced by the inflation rate, the DB Provision does not contractually state that increases will be in line with market inflation. The assumption for 2022 has remained unchanged at 1%.

Mortality:

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

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

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

Expenses:
The expense assumption used in the calculation of the DB Provisions is $102,000 (2021: $102,283). The assumption is based on the average amount of the investment and administrative expenses in the DB Provisions over the past several years.

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

a. Investment risk: The DB Provisions comprises investments in Bahamian Government (and Government-related) securities and private securities. The present value of the DB Provisions liability is calculated using a discount rate of 5.75% (2021: 5.75%). If the return on assets is below the discount rate, it will create a deficit.
b. Interest risk: A decrease in the discount rate will increase the DB Provisions liability.
c. 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.
d. Salary risk: The present value of the DB Provisions liability is calculated by reference to the future salaries of participants. As such, an increase in the salary of the participants will increase the DB Provisions' liability.

An actuarial valuation of the DB Provisions was undertaken by Mercer (Canada) Limited, Toronto, Canada as at December 31, 2022.

The following tables present information related to the Bank's DB Provisions, including amounts recorded in the Consolidated Statement of Financial Position and the components of defined benefit cost:

	2022	**2021**
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 28,170	$ 28,531
Interest income	1,589	1,566
Actual return on plan assets	768	(693)
Administrative costs	(91)	(87)
Employer contributions	-	-
Participant contributions	73	66
Benefits paid	(1,364)	(1,213)
Withdrawals from plan	-	-
Fair value of plan assets at end of year	$ 29,145	$ 28,170

	2022	**2021**
Change in defined benefit obligation:		
Benefit obligation at beginning of year	$ 24,165	$ 24,389
Current employer service costs	232	275
Participant contributions	73	66
Interest cost	1,356	1,335
Withdrawals from plan	-	-
Benefits paid	(1,364)	(1,213)
Experience adjustment	11	(244)
Changes in financial assumptions	-	(443)
Benefit obligation at end of year	$ 24,473	$ 24,165
Benefit obligation at end of year	$ 24,473	$ 24,165
Fair value of plan assets at end of year	(29,145)	(28,170)
Net defined benefit (asset) liability	$ (4,672)	$ (4,005)
Net defined benefit (asset) liability:		
Balance at beginning of year	$ (4,005)	$ (4,142)
Defined benefit included in profit or loss	99	146
Remeasurement included in other comprehensive income	(766)	(9)
Employer contributions	-	-
Balance at end of year	$ (4,672)	$ (4,005)
Components of defined benefit cost:		
Current employer service costs	$ 232	$ 275
Interest cost on defined benefit obligation	1,356	1,335
Interest income on plan assets	(1,586)	(1,566)
Administrative costs	97	102
Pension benefit expense included in staff costs	$ 99	$ 146

22. Bank Pension Scheme (continued)

		2022		2021
Components of remeasurements:				
Changes in actuarial assumptions	$	-	$	(443)
Experience adjustments		(11)		(244)
Return on plan assets excluding interest income		(755)		678
Remeasurements included in other comprehensive income	$	(766)	$	(9)

Weighted-average assumptions to determine defined benefit obligations:	2022	2021
Discount rate	5.75%	5.75%
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:	2022	2021
Discount rate	5.75%	5.60%
Rate of pension increases	1.00%	1.00%
Rate of increase in future compensation	3.50%	3.50%
Mortality Table	UP 1994 Fully generational	UP 1994 Fully generational

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 actuarial assumptions used in the measurement of the defined benefit obligation and defined benefit expense are summarised in the table below:

2022

		Discount Rate		Compensation		Pension		Mortality
Pension obligation	$	740	$	150	$	634	$	544
Pension expense	$	61	$	11	$	43	$	36

2021

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

The effect of assuming an increase of 1 year in life expectancy would increase the benefit obligation by $0.5 million (2021: $0.5 million) and pension benefits expense by $36,000 (2021:$35,000).

The weighted average duration of the defined benefit obligation is 12.6 years (2021: 12.9 years).

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

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

The DB Plan owns shares of the Bank valued at $5.05 million and $4.29 million as of December 31, 2022 and 2021 respectively.

The major categories of DB Provisions assets at December 31, 2022, are as follows:

		2022		2021
Balance at banks	$	845	$	1,307
Equity instruments		10,591		9,435
Government bonds		13,095		12,771
Other debt instruments		2,618		2,655
Preferred equity		1,773		1,773
Mutual Fund		75		-
Other Assets		222		229
Liabilities		(74)		-
Fair value of plan assets	$	29,145	$	28,170

Given that the DB Provisions is currently overfunded, the Bank does not expect to make any contributions in 2023 in respect of the DB Provisions.

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

		2022		2021
Deposits from customers	$	288	$	132
Interest expense	$	-	$	-

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

		2022		2021
DB Provisions gain	$	766	$	9

DC Provisions

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

Contributions to the DC Provisions are deposited into the plan 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:

		2022		2021
Pension expense included in staff costs				
	$	1,610	$	1,639

The DC Provisions owns 171,889 (2021: 283,778) common shares of the Bank. These shares have a market value of $0.8 million (2021: $0.9 million) which represents 5.2% (2020: 4.9%) of the DC Provisions assets.

23. Commitments and Contingencies

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

Loan commitments

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

		2022		2021
Mortgage commitments	$	9,203	$	6,221
Revolving credit lines		26,037		30,671
	$	35,240	$	36,892

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 represent 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, 2022, the Bank's had capital commitments of $0.22 million (2021: $3.7 million).

Lease commitments

The future minimum rental payments required under non-cancellable operating leases as at December 31, 2022, are as follows:

Year		**2022**		**2021**
2022		-		702
2023		618		338
2024		496		317
2025		236		92
2026		91		85
Beyond 2026		48		-
	$	1,489	$	1,534

Letters of credit

The Bank has a standby letter of credit with PNC Bank for US$ 3.3 million.

Liability provisions

The Group is involved in various legal proceedings covering a range of matters that arise in the ordinary course of business activities. As at December 31, 2022, and 2021, the Bank maintained related provisions totalling $0.2 million while the ruling is pending. These provisions are included in other liabilities in the employee-related line item (Note 15), and are estimates of the loss exposure.

24. Risk Management

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by the Group's Enterprise Risk Management function, which represents the second line of internal control defence; and Internal Audit function, which represents the third line of internal control defence. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group's Audit Committee.

The Group has exposures to the following risk: concentration risk, interest rate risk, credit risk, liquidity risk, insurance risk, currency and operational risk.

a. ***Concentration risk -*** Risk concentrations can arise through the Group's exposure to individual counterparties, groups of individual counterparties or related entities; geographical locations; industry sectors; specific products; or service providers. The Group is exposed to the potential loss in value when a significant source of risk concentration moves together in an unfavourable direction.

The concentration of risks not specifically identified in other notes to these consolidated financial statements are as follows:

Geographical concentration - The Group has a concentration of risk in respect of the geographical area, as its operations, deposit customers; and significant assets are domiciled within the Commonwealth of The Bahamas.

Currency concentration - The Group has a concentration in respect of currency as its financial instruments are significantly denominated in a single currency, the Bahamian dollar. It's other significant currency exposure is to the United States dollar, which shows a history of being positively correlated to the Bahamian dollar.

Credit concentration - The Group has a concentration of credit risk when a significant proportion of borrowers are engaged in similar sectorial activities, and have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. A significant concentration of the Group's borrowers are employees of The Government of The Bahamas or its related entities; and large hotel properties operating within the tourism and leisure sectors of The Commonwealth of The Bahamas.

Product concentration – The Group categorizes its loans and advances to customers into loan types including repayment loans personal, business, residential, and government; and revolving loans of credit cards and overdrafts. The Group has a significant concentration of personal loans and advances to customers.

Liquidity concentration – The Group has a concentration of liquidity risk in its reliance on a particular market to realize its liquid asset; and sources of funding for its lending activities. The concentration of liquidity may also arise in the contract terms of repayment for its financial assets and liabilities. A significant concentration of the Group's investments is in financial instruments issued by the Government of The Bahamas or its related entities. Trading levels in the Commonwealth of The Bahamas, whether on BISX or over-the-counter markets, are generally low, and therefore, the ability of the Group to liquidate large positions may be difficult and prices received may be severely impacted. The Central Bank has created a secondary market for certain debt securities issued by the Government of The Bahamas, and prices currently being observed in this market and over-the-counter approximate the face values of such securities.

The Bank manages its concentration of risks through its internal risk management policies and procedures, specifically stated in, but not limited to, its business continuity and recovery planning strategies; its setting of prudent concentration limits and targets for business performance; and its periodic stress testing of its liquidity and capital contingency plans.

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

The capital structure of the Bank consists of equity attributable to the common equity holders of the Bank, comprising issued share capital, general reserves, share premium and retained earnings as disclosed in Notes 16. The Board's Executive Committee reviews the capital structure at least annually. As part of this review, the Executive Committee considers the cost of capital and the risks associated with each type of capital available to fund its business activities. Based on recommendations of the Executive Committee, the Bank manages its capital structure through the payment of dividends, new share issues, (common or preference) and the redemption of preference shares, as applicable.

As prescribed by the Guidelines for the Management of Capital and the Calculation of Capital Adequacy issued by the Central Bank, the Bank is required to maintain a capital adequacy ratio of at least 17% (2021: 17%), which is calculated by dividing the Bank's total eligible capital by its total risk-weighted exposures. The Bank's capital adequacy ratio for 2022 was 32% (2021: 27%). The Group's capital is made up of Tier 1 capital only, which includes share capital and retained earnings.

Regulatory capital requirements for subsidiary companies regulated by the Insurance Commission of The Bahamas are managed through the Bank. The Group's strategy is unchanged from 2021.

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

Under paragraph 60(1)A of The Insurance (General) Regulations, 2010 (the "Regulations") an insurance company is required to have a minimum paid-up and unencumbered share capital of not less than $3 million. As at December 31, 2022, Laurentide has $300,300 (2021: $300,300) in share capital and $2,750,000 (2021: $2,750,000) in contributed surplus. Laurentide's Board passed a resolution on December 6, 2011, making the contributed surplus non-distributable.

Laurentide is required to establish and maintain a minimum statutory deposit of $2 million, such deposit to be held in trust under section 43(2) of the Act and paragraph 62 of the Regulations. The LIM (Laurentide Insurance Management) Statutory Reserve Trust was established on December 20, 2011, with assets valued at $2,289,300 as at December 31, 2022 (2021: $2,289,300).

Laurentide is required to maintain a solvency margin under paragraph 90 of the Regulations. For the Regulations, the margin of solvency means the excess of the value of its admissible assets over the amount of its liabilities. The required margin of solvency is the greater of (a) twenty percent of the premium income, including annuity premiums, in its last financial year; or (b) five hundred thousand dollars, plus the minimum amount of capital required. As at December 31, 2022, the minimum margin of solvency was $959,576 (2021: $1,303,768). Laurentide's solvency margin at December 31, 2022 was $45,222,187 (2021: $44,378,748) resulting in a surplus of $44,262,611 (2021: $43,074,980).

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

As at December 31, 2022, Laurentide had $40,799,376 (2021:$42,907,556) in qualifying assets and $40,799,376 (2021: $42,907,556) in admissible assets as defined under paragraphs 70 and 72 of the Regulations, respectively.

During the year, the Group complied with all externally imposed capital requirements.

c. ***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 Group manages its interest rate sensitivity gaps primarily by matching the maturity and repricing terms of its assets and liabilities. The Bank's interest-bearing financial liabilities, which are primarily its deposits to customers, are not linked to market interest rates and are set by management's interest rate schedule and can be reset following the maturity of any customer deposit. The interest rate schedule is reviewed periodically by the Bank's Asset-Liability Management Committee, and approved by the Board of Directors. The Bank's loan portfolio is generally not linked to market rates, except for mortgage loans with variable interest rates linked to the Bahamian dollar prime and can be reset following the maturity or restructure of any mortgage loan. Loan product interest rates are set by management's interest rate schedule. The interest rate schedule is reviewed periodically by the Bank's Asset-Liability Management Committee, and approved by the Board of Directors. The Group's investment portfolio is generally linked to market interest rates, and the Group does not attempt to hedge specifically against the impact of changes in market interest rates, as it manages by tactical allocation across instrument tenors and cash holdings. The Bank analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration changes in interest rates. Based on these scenarios, the Bank calculates the impact on profit and loss of a defined interest rate shift. The following table sets out the Group's interest rate risk exposure as at December 31, which represents the Group's risk exposure at this point only.

Interest Rate Sensitivity

If market 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 $424 thousand (2021 : $504 thousand).

	Repricing date of interest sensitive instruments				Non interest	
As of December 31, 2022	**Within 3 Months**	**3-12 months**	**Over 1-5 Years**	**Over 5 years**	**rate sensitive**	**Total**
Assets						
Cash and deposits with banks	$ -	$ -	$ -	-	$ 264,223	$ 264,223
Investments, net	208,064	141,985	197,383	173,879	7,725	729,036
Loans and advances to customers, net	32,053	96,158	297,828	360,206	-	786,245
Other assets	-	-	-	-	-	-
Total financial assets	$ 240,117	$ 238,143	$ 495,211	$ 534,085	$ 271,948	$ 1,779,504
Liabilities						
Deposits from customers	$ 607,918	$ 158,752	$ 266,302	$ 210,999	$ 269,426	$ 1,513,397
Lease liabilities	-	-	1,242	-	-	1,242
Other liabilities	-	-	-	-	$ 15,455	$ 15,455
Total financial liabilities	$ 607,918	$ 158,752	$ 267,544	$ 210,999	$ 284,881	$ 1,530,094
Interest Rate Sensitivity Gap	**$ (367,801)**	**$ 79,391**	**$ 227,667**	**$ 323,086**		

As of December 31, 2021	Repricing date of interest sensitive instruments Within 3 Months	3-12 months	Over 1-5 Years	Over 5 years	Non interest rate sensitive	Total
Assets						
Cash and deposits with banks	$ -	$ -	$ -	$ -	$ 192,458	$ 192,458
Investments, net	336,848	75,816	93,757	184,223	8,043	698,687
Loans and advances to customers, net	61,165	10,597	167,388	528,392	-	767,542
Other assets	-	5,675	-	-	4,005	9,680
Total financial assets	$ 398,013	$ 92,088	$ 261,145	$ 712,615	$ 204,506	$ 1,668,367
Liabilities						
Deposits from customers	$ 713,773	$ 161,100	$ 244,390	$ 99,377	$ 243,578	$ 1,462,218
Lease liabilities	-	-	1,369	-	-	1,369
Other liabilities	-	-	-	-	13,816	13,816
Total financial liabilities	$ 713,773	$ 161,100	$ 245,759	$ 99,377	$ 257,394	$ 1,477,403
Interest Rate Sensitivity Gap	**$ (315,760)**	**$ (69,012)**	**$ 15,386**	**$ 613,238**		

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

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

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

Expected Credit Loss Measurement

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

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

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

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

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

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

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

Average lifetime PD	2022	2021
Residential mortgage	54%	67%
Business	43%	55%
Personal	29%	45%
Credit card	47%	50%
Government	13%	11%
Investments	9%	5%

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

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

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

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

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

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

For government loans and securities, the Group used its judgment in the assessment of a significant increase in risk and migration of balances to progressive stages. The assessment takes into consideration the risk rating of external agencies (i.e. Moody's) and the economic environment of the country.

Internal Risk Ratings

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

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

Weighting of Expected Credit Loss

A multiple probability model has been adopted by the Group. The model was developed to allow scenario analysis and management overlay where deemed necessary (this applies to the weighting assigned to the estimates grouping). Three calculations for ECL estimates are generated representing base case, best case and worse case. Once an ECL calculation has been developed for each scenario, a weight is applied to each estimate based on the likelihood of occurrence to arrive at a final weighted ECL. The level of estimation uncertainty has increased since December 31, 2020, as a result of the economic and social disruption caused by the impact of the COVID-19 pandemic. This includes significant judgments relating to:

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

The weighting assigned to each scenario as at December 31, 2022, and December 31, 2021, was as follows:

December 31, 2022	**Base**	**Best**	**Worst**
Residential	65%	5%	30%
Business	65%	5%	30%
Personal	65%	5%	30%
Credit Card	100%	0%	0%
Government	65%	5%	30%
Investments	65%	5%	30%

December 31, 2021	**Base**	**Best**	**Worst**
Residential mortgage	70%	0%	30%
Business	70%	0%	30%
Personal	70%	0%	30%
Credit Card	100%	0%	0%
Government	70%	0%	30%
Investments	70%	0%	30%

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

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

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

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

In October 2022, the international credit rating agency, Moody's Corporation ("Moody's"), downgraded The Bahamas' credit rating to B1 from Ba3, while also improving its economic outlook for The Bahamas from negative to stable. During the prior year, on September 17, 2021, Moody's reviewed The Bahamas' credit rating and downgraded The Bahamas from Ba2 to Ba3.

S&P Global Inc. ("S&P"), in November 2022, affirmed its 2021 sovereign credit ratings on The Bahamas, with a stable outlook. During the prior year, on November 12, 2021, S&P reviewed The Bahamas' credit rating and downgraded it from BB- to B+.

The credit ratings of B1 and B+ of Moody's and S&P respectively are both considered to be noninvestment grade ratings.The aforementioned credit risk downgrades are considered indicative of a SICR for certain exposures (including both loans and advances to customers, and investments) which originated or were acquired by the Bank before October 2022, and this has resulted in certain exposures being classified in stage 2 with a lifetime ECL being recognized.

Maximum Exposure to Credit Risk

For financial assets recognised on the Consolidated Statement of Financial Position, the exposure to credit risk generally 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.

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount - Loans and advances to customers				
Residential mortgage	$ 85,412	$ 45,264	$ 30,510	$ 161,186
Business	14,384	4,901	3,350	22,635
Personal	482,003	102,098	31,075	615,176
Credit card	30,572	2,744	1,018	34,334
Government	-	28,895	-	28,895
	612,371	183,902	65,953	862,226
Allowance for ECL				
Residential mortgage	189	1,492	8,628	10,309
Business	-	75	1,328	1,403
Personal	14,643	22,151	25,222	62,016
Credit card	1,276	349	525	2,150
Government	-	103	-	103
	16,108	24,170	35,703	75,981
Net carrying amount				
Residential mortgage	85,223	43,772	21,882	150,877
Business	14,384	4,826	2,022	21,232
Personal	467,360	79,947	5,853	553,160
Credit card	29,296	2,395	493	32,184
Government	-	28,792	-	28,792
	$ 596,263	$ 159,732	$ 30,250	$ 786,245

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - Investments				
Bahamas Government Bahamian dollar debt	$ 463,873	$ 150,181	$ -	$ 614,054
Bahamas Govt related-debt	7,860	10,634	-	18,494
United States Government Bonds	1,016	-	-	1,016
Bahamas Government United States dollar debt	9,991	15,341	-	25,332
United States treasury bills	64,706	-	-	64,706
	547,446	176,156	-	727,602
Impairment allowances				
Bahamas Government Bahamian dollar debt	926	2,022	-	2,948
Bahamas Govt related-debt	16	159	-	175
United States Government Bonds	-	-	-	-
Bahamas Government United States dollar debt	19	96	-	115
United States treasury bills	-	-	-	-
	961	2,277	-	3,238
Net carrying amount				
Bahamas Government Bahamian dollar debt	462,947	148,159	-	611,106
Bahamas Govt related-debt	7,844	10,475	-	18,319
United States Government Bonds	1,016	-	-	1,016
Bahamas Government United States dollar debt	9,972	15,245	-	25,217
United States treasury bills	64,706	-	-	64,706
	$ 546,485	$ 173,879	$ -	$ 720,364

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

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 Allowance for ECL by Stage

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

- Transfers between Stage 1 and 2 or 3 due to financial assets experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial assets recognised during the period, as well as releases for financials assets de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs, and LGDs in the period, arising from regular refreshing of inputs to the model;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Financial assets de-recognised during the period and write-offs of allowances related to the assets that were written off during the period; and
- The number of days past due of a personal loan facility, as the LGD increases as the number of days past due increases.

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

	2022 and 2021			
Investments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Allowance for ECL as at January 1, 2021	$ 227	$ 3,693	$ -	$ 3,920
Transfers:				
Transfers from Stage 1 to Stage 2	(226)	226	-	-
New financial assets originated	148	-	-	148
Changes in PDs/LGDs/EADs	7	(1,101)	-	(1,094)
Financial assets derecognised/written-off	-	-	-	-
Allowance for ECL as at December 31, 2021	$ 156	$ 2,818	$ -	$ 2,974
Transfers:				
Transfers from Stage 2 to Stage 1	533	(533)	-	-
New financial assets originated	758	162	-	920
Changes in PDs/LGDs/EADs	(412)	(71)	-	(483)
Financial assets derecognised	(74)	(99)	-	(173)
Allowance for ECL as at December 31, 2022	$ 961	$ 2,277	$ -	$ 3,238

Residential mortgage	2022 and 2021 Stage 1	Stage 2	Stage 3	Total
Allowance for ECL as at January 1, 2021	$ 929	$ 3,343	$ 11,143	$ 15,415
Transfers:				
Transfers from Stage 1 to Stage 2	(499)	499	-	-
Transfers from Stage 1 to Stage 3	(145)	-	145	-
Transfers from Stage 2 to Stage 1	23	(23)	-	-
Transfers from Stage 2 to Stage 3	-	(990)	990	-
Transfers from Stage 3 to Stage 1	9	-	(9)	-
Transfers from Stage 3 to Stage 2	-	248	(248)	-
New financial assets originated	-	-	21	21
Changes in PDs/LGDs/EADs	538	535	(888)	185
Financial assets derecognised/written-off	(28)	(54)	(2,331)	(2,413)
Allowance for ECL as at December 31, 2021	$ 827	$ 3,558	$ 8,823	$ 13,208
Transfers:				
Transfers from Stage 1 to Stage 2	(22)	22	-	-
Transfers from Stage 1 to Stage 3	(13)	-	13	-
Transfers from Stage 2 to Stage 1	25	(25)	-	-
Transfers from Stage 2 to Stage 3	-	(37)	37	-
Transfers from Stage 3 to Stage 1	23	-	(23)	-
Transfers from Stage 3 to Stage 2	-	127	(127)	-
New financial assets originated	59	-	28	87
Changes in PDs/LGDs/EADs	(682)	(1,784)	(2,563)	97
Financial assets derecognised/written-off	(28)	369	2,686	3,083
Allowance for ECL as at December 31, 2022	$ 189	$ 1,492	$ 8,628	$ 10,309

Business	2022 and 2021 Stage 1	Stage 2	Stage 3	Total
Allowance for ECL as at January 1, 2021	$ 806	$ 245	$ 117	$ 1,168
Transfers from Stage 2 to 1	24	(24)	-	-
Transfers from Stage 2 to 3	-	(26)	26	-
Transfers from Stage 3 to 1	-	-	-	-
Transfers from Stage 3 to 2	-	-	-	-
New financial assets originated	-	1,758	177	1,935
Changes in PDs/LGDs/EADs	(812)	(1,864)	611	(2,065)
Financial assets derecognised/written-off	(18)	(8)	(41)	(67)
Allowance for ECLas at December 31, 2021	$ -	$ 81	$ 890	$ 971
New financial assets originated	-	9	-	9
Changes in PDs/LGDs/EADs	-	(15)	469	454
Financial assets derecognised/written-off	-	-	(31)	(31)
Allowance for ECL as at December 31, 2022	$ -	$ 75	$ 1,328	$ 1,403

Personal	Stage 1	Stage 2	Stage 3	Total
	2022 and 2021			
Allowance for ECL as at January 1, 2021	$ 41,774	$ 27,955	$ 26,588	$ 96,317
Transfers:				
Transfers from Stage 1 to Stage 2	(2,890)	2,890	-	-
Transfers from Stage 1 to Stage 3	(7,937)	-	7,937	-
Transfers from Stage 2 to Stage 1	3,785	(3,785)	-	-
Transfers from Stage 2 to Stage 3	-	(6,053)	6,053	-
Transfers from Stage 3 to Stage 1	2,048	-	(2,048)	-
Transfers from Stage 3 to Stage 2	-	2,536	(2,536)	-
New financial assets originated/recoveries	-	1,838	2	1,840
Changes in PDs/LGDs/EADs	(17,278)	9,656	58,014	50,392
Financial assets derecognised/written-off	(8,361)	(7,133)	(18,751)	(34,245)
Allowance for ECL as at December 31, 2021	$ 11,141	$ 27,904	$ 75,259	$ 114,304
Transfers:				
Transfers from Stage 1 to Stage 2	(214)	214	-	-
Transfers from Stage 1 to Stage 3	(124)	-	124	-
Transfers from Stage 2 to Stage 1	715	(715)	-	-
Transfers from Stage 2 to Stage 3	-	(466)	466	-
Transfers from Stage 3 to Stage 1	1,231	-	(1,231)	-
Transfers from Stage 3 to Stage 2	-	4,277	(4,277)	-
New financial assets originated/recoveries	3,890	3,069	1,865	8,824
Changes in PDs/LGDs/EADs	(369)	(5,557)	(12,694)	(18,620)
Financial assets derecognised/written-off	(1,627)	(6,575)	(34,290)	(42,492)
Allowance for ECL as at December 31, 2022	$ 14,643	$ 22,151	$ 25,222	$ 62,016

Credit Cards	Stage 1	Stage 2	Stage 3	Total
	2022 and 2021			
Allowance for ECL as at January 1, 2021	$ 3,132	$ 14	$ 54	$ 3,200
Transfers:				
Transfers from Stage 1 to Stage 2	(179)	179	-	-
Transfers from Stage 1 to Stage 3	(169)	-	169	-
Transfers from Stage 2 to Stage 1	108	(108)	-	-
Transfers from Stage 2 to Stage 3	-	(7)	7	-
Transfers from Stage 3 to Stage 1	38	-	(38)	-
Transfers from Stage 3 to Stage 2	-	7	(7)	-
New financial assets originated/recoveries	58	9	42	109
Changes in PDs/LGDs/EADs	(1,416)	254	1,459	297
Financial assets derecognised/written-off	(385)	(15)	(184)	(584)
Allowance for ECL as at December 31, 2021	$ 1,187	$ 333	$ 1,502	$ 3,022
Transfers:				
Transfers from Stage 1 to Stage 2	(656)	656	-	-
Transfers from Stage 1 to Stage 3	(72)	-	72	-
New financial assets originated/recoveries	216	228	119	563
Changes in PDs/LGDs/EADs	1,251	(868)	(1,168)	(785)
Financial assets derecognised/written-off	(650)	-	-	(650)
Allowance for ECL as at December 31, 2022	$ 1,276	$ 349	$ 525	$ 2,150

	2022 and 2021			
	Stage 1	Stage 2	Stage 3	Total
Government				
Allowance for ECL as at January 1, 2021	$ -	$ 480	$ -	$ 480
Changes in PDs/LGDs/EADs	-	(113)	-	(113)
Financial assets derecognised/written-off	-	-	-	-
Allowance for ECL as at December 31, 2021	$ -	$ 367	$ -	$ 367
Transfers:				
Transfers from Stage 2 to Stage 1	36	(36)	-	-
New financial assets originated/recoveries	-	-	-	-
Changes in PDs/LGDs/EADs	(36)	(217)	-	(253)
Financial assets derecognised/written-off	-	(11)	-	(11)
Allowance for ECL as at December 31, 2022	$ -	$ 103	$ -	$ 103

Credit quality

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

	2022		
	Original Contract	Restructured	Total
Cash and deposit with banks			
Neither past due or impaired	$ 264,223	$ -	$ 264,223
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 264,223	$ -	$ 264,223
Investments			
Neither past due or impaired	$ 732,274	$ -	$ 732,274
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 732,274	$ -	$ 732,274
Loans and advances to customers			
Neither past due or impaired	$ 613,387	$ 67,437	$ 680,824
Past due but not impaired	86,917	28,532	115,449
Impaired	57,118	8,835	65,953
	$ 757,422	$ 104,804	$ 862,226

	2021		
	Original Contract	Restructured	Total
Cash and deposit with banks			
Neither past due or impaired	$ 192,458	$ -	$ 192,458
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 192,458	$ -	$ 192,458
Investments			
Neither past due or impaired	$ 701,831	$ -	$ 701,831
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 701,831	$ -	$ 701,831
Loans and advances to customers			
Neither past due or impaired	$ 618,959	$ 37,820	$ 656,779
Past due but not impaired	89,867	11,050	100,917
Impaired	125,355	16,362	141,717
	$ 834,181	$ 65,232	$ 899,413

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

The average mortgage balance was $110,103 (2021: $114,756) while the average business account balance was $215,805 (2021: $227,728). The average consumer balance was $22,689 (2021: 22,927).

The largest exposure to a single loan customer, other than the Government of The Bahamas (Note 9), was approximately $1.6 million (2021: $1.7 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:

	2022		
	Original Contract	Restructured	Total
Loans and advances to customers			
Residential mortgage			
Neither past due or impaired	$ 104,814	$ 891	$ 105,705
Past due but not impaired	24,552	419	24,971
Impaired	30,303	207	30,510
	$ 159,669	$ 1,517	$ 161,186
Business			
Neither past due or impaired	$ 15,505	$ 113	$ 15,618
Past due but not impaired	3,667	-	3,667
Impaired	3,350	-	3,350
	$ 22,522	$ 113	$ 22,635
Personal			
Neither past due or impaired	$ 437,788	$ 66,433	$ 504,221
Past due but not impaired	51,767	28,113	79,880
Impaired	22,447	8,628	31,075
	$ 512,002	$ 103,174	$ 615,176
Credit card			
Neither past due or impaired	$ 26,385	$ -	$ 26,385
Past due but not impaired	6,931	-	6,931
Impaired	1,018	-	1,018
	$ 34,334	$ -	$ 34,334
Government			
Neither past due or impaired	$ 28,895	$ -	$ 28,895
Past due but not impaired	-	-	-
Impaired	-	-	-
	$ 28,895	$ -	$ 28,895
	$ 757,422	$ 104,804	$ 862,226

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

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

The table below shows the distribution of loans and advances to customers that are neither past due nor impaired:

	2022	2021
Satisfactory risk	$ 678,259	$ 653,870
Watch list	2,565	2,909
	$ 680,824	$ 656,779

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

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

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

	2022				
	Residential mortgage	Business	Personal	Credit card	Total
Past due up to 29 days	$ 19,311	$ 2,793	$ 57,852	$ 4,187	$ 84,143
Past due 30 - 59 days	3,258	568	13,162	1,910	18,898
Past due 60 - 89 days	2,402	306	8,866	834	12,408
	$ 24,971	$ 3,667	$ 79,880	$ 6,931	$ 115,449

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

Restructured loans

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

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

Collateral Relative to Loans and advances to customers

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

The principal collateral types are as follows:

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

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

	2022			
	Gross Carrying amount	Allowance for ECL	Net Carrying amount	Value of collateral held
Residential mortgage	$ 30,510	$ 8,628	$ 21,882	$ 30,403
Business	3,350	1,328	2,022	2,824
Personal	31,075	25,222	5,853	179
Credit card	1,018	525	493	-
	$ 65,953	$ 35,703	$ 30,250	$ 33,406

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

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 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)

	2022	2021
Residential mortgage	$ 189	$ 233
Business	12	4
Personal	3,437	1,746
Credit cards	9	148
Government	5	18
Investments	162	149
	$ 3,814	$ 2,298

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

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

Included in deposits from customers are deposits totaling $194.2 million (2021: $234.7 million) from a single customer representing (2021:16.6%) of the total deposits from customers. The amounts are comprised primarily of certificates of deposits from a related party.

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

The following tables 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.

	Within 3 Months	3-12 months	Over 1-5 Years	Over 5 years	Total
As of December 31, 2022					
Assets					
Cash and deposits with banks	$ 264,223	$ -	$ -	$ -	$ 264,223
Investments	222,202	146,205	203,248	179,045	750,700
Loans and advances to customers	50,891	152,674	265,768	779,016	1,248,349
Total financial assets	$ 537,316	$ 298,879	$ 469,016	$ 958,061	$ 2,263,272
Liabilities					
Deposits from customers	$ 879,889	$ 160,134	$ 272,482	$ 233,575	$ 1,546,080
Lease liabilities	155	464	870	-	1,489
Other liabilities	15,455	-	-	-	15,455
Total financial liabilities	$ 895,499	$ 160,598	$ 273,352	$ 233,575	$ 1,563,024
Net liquidity gap	**$ (358,183)**	**$ 138,281**	**$ 195,664**	**$ 724,486**	**$ 700,248**

	Within 3 Months	3-12 months	Over 1-5 Years	Over 5 years	Total
As of December 31, 2021					
Assets					
Cash and deposits with banks	$ 192,458	-	-	-	192,458
Investments	367,616	129,096	316,883	419,988	1,233,583
Loans and advances to customers	74,562	42,672	538,067	824,962	1,480,263
Other assets	2,502	-	-	-	2,502
Total financial assets	$ 637,138	171,768	854,950	1,244,950	2,908,806
Liabilities					
Deposits from customers	$ 960,196	162,536	250,200	121,159	1,494,091
Lease liabilities	-	-	1,369	-	1,369
Other liabilties	13,816	-	-	-	13,816
Total financial liabilities	$ 974,012	162,536	251,569	121,159	1,509,276
Net liquidity gap	**$ (336,874)**	**9,232**	**603,381**	**1,123,791**	**1,399,530**

Management of the Bank's short-term liquidity gap

In the normal course of business, the Group experiences a short-term liquidity gap, where the amounts it holds as deposits for customers may exceed its available liquid assets matching the same maturity. The Group manages this short-term liquidity gap by establishing a Liquidity Buffer of marketable securities with a long-term duration that can be liquidated or applied as collateral to meet unexpected payment obligations while continuing normal banking activities; and without obtaining new funding. The Group also monitors its liquid assets in relation to the demand and savings deposits from customers to ensure that the liquid assets are sufficient to fund withdrawals of demand and savings deposits. Liquidity risks related to certificates of deposits are managed with contractual limitations on the timing and amount of early withdrawals. The Group also has access to inter-bank lending facilitated by The Central Bank of the Bahamas should additional liquidity be needed.

f. ***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

g. ***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.

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

i. ***Off balance sheet risk –*** In the normal course of business, and in order to meet the financing needs of its customers, the Group may enter into financial instruments with off balance sheet risk. These instruments can be classified into the commitments category. The Group mitigates the risks associated with such financial instruments by transacting only with well-established, high credit quality financial institutions. At this time, the Group has no exposure to these instruments with the exception to letters of credit and guarantees (Note 23).

25. Subsequent Events

The Bank has declared an extraordinary dividend for common shares, to all shareholders of record February 21, 2023, of 2 cents per share, totaling $5.9 million.

The Bank has declared a quarterly dividend for common shares, to all shareholders of record at March 15, 2023, and paid the dividend in the amount of $5.9 million.

2022 Summary of Board & Committee Meetings

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

Board Meeting Attendance

William B. Sands, Jr	8
Denise D. Turnquest	7
R. Craig Symonette	7
Vaughn W. T. Higgs	5
Earla J. Bethel	7
Larry R. Gibson	7
Robert D. L. Sands	6
Debra M. Symonette	8
Tracy E. Knowles	7
Russell M. Miller (appointed October 1, 2022)	1

Nominating Committee Report

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

Vaughn W. T. Higgs
Chair
Nominating Committee

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

During the year, the Committee in fulfilling its role:

- **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 recommends these remain separated.
- **Reviewed** the Bank's process for Director Orientation.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2022.

Executive Committee Report

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.

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

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 analysis, 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 to the best of its ability for the year ended December 31, 2022.

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

Premises Committee Report

Directors:
Russell M. Miller
Denise D. Turnquest
Larry R. Gibson
Debra M. Symonette

Larry R. Gibson
Chair
Premises Committee

The Premises Committee provides independent oversight of significant management and board of director approved premises related opportunities by ensuring that the associated development programs are facilitated in accordance with approved business model and the Bahamas Building Code Standard designs and plans. Also, the Committee ensures that the development process is sustained in a cost effective, controlled and secure manner.

Year in Review

During the year, the Committee in fulfilling its role:

- **Reviewed and recommended** or otherwise to the Board of Directors proposals of senior management for expansion of the Bank into non-serviced geographical areas.
- **Reviewed and recommended** or otherwise to the Board of Directors proposals of senior management to purchase/lease land and/or buildings for new locations or redevelopment of existing premises/structures.
- **Reviewed and recommended** to the Board of Directors 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 and monitored** 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 being placed on the effective and efficient use of allocated funds.
- **Assessed and monitored** 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.

The Committee is satisfied that it has appropriately fulfilled its mandate for the year ended December 31, 2022.

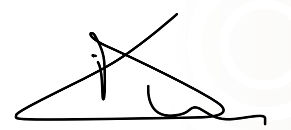
The Pension Committee is responsible for advising the Board of Directors in fulfilling its fiduciary and oversight duties for the Bank's various pension arrangements. As part of this responsibility, members of the committee review the performance of the Pension Plan Trustee, Administrator and Investment 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** Plan Design changes for approval by the Board Executive Committee after considering related cost impacts with the Actuary of the Plan.
- **Reviewed** the Trust Deed and made changes where 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, 2022.

Directors:
Larry R. Gibson
Branson D. Gibson
(Management representative)
Denise D. Turnquest
William B. Sands, Jr., DM
Charlene A. Bosfield
(Employee representative)
Robert D. L. Sands



Denise D. Turnquest
Chair
Pension Committee

IT Committee Report

Directors:
Russell M. Miller
Denise D. Turnquest
Debra M. Symonette
Robert D. L. Sands
R. Craig Symonette

R. Craig Symonette
Chair
IT Committee

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. The Committee ensures that these business applications are maintained and sustained in a cost effective, controlled and secure manner.

Year in Review

During the year, the Committee in fulfilling its role:

- **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 analysis 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, 2022.

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.

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

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 changes; 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 to the best of its ability for the year ended December 31, 2022.

Earla J. Bethel
Chair
Compensation Committee

Audit Committee Report

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

Tracy E. Knowles
Chair
Audit Committee

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

Year in Review

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

Financial Reporting

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

Enterprise Risk Management

- **Reviewed** reporting from the CRO, VP ERM on the Enterprise Risk Management (ERM) Charter implementation, resources and organizational structure in place (including an ERM system,operational tools and people) for the ERM Department and operations of the ERM process across the Bank.
- **Reviewed** reporting from the CRO, VP ERM on the effectiveness and conformity with the ERM Framework, and the Bank's compliance with local and international best practices.

Fraud

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

Internal Control and Disclosure Control

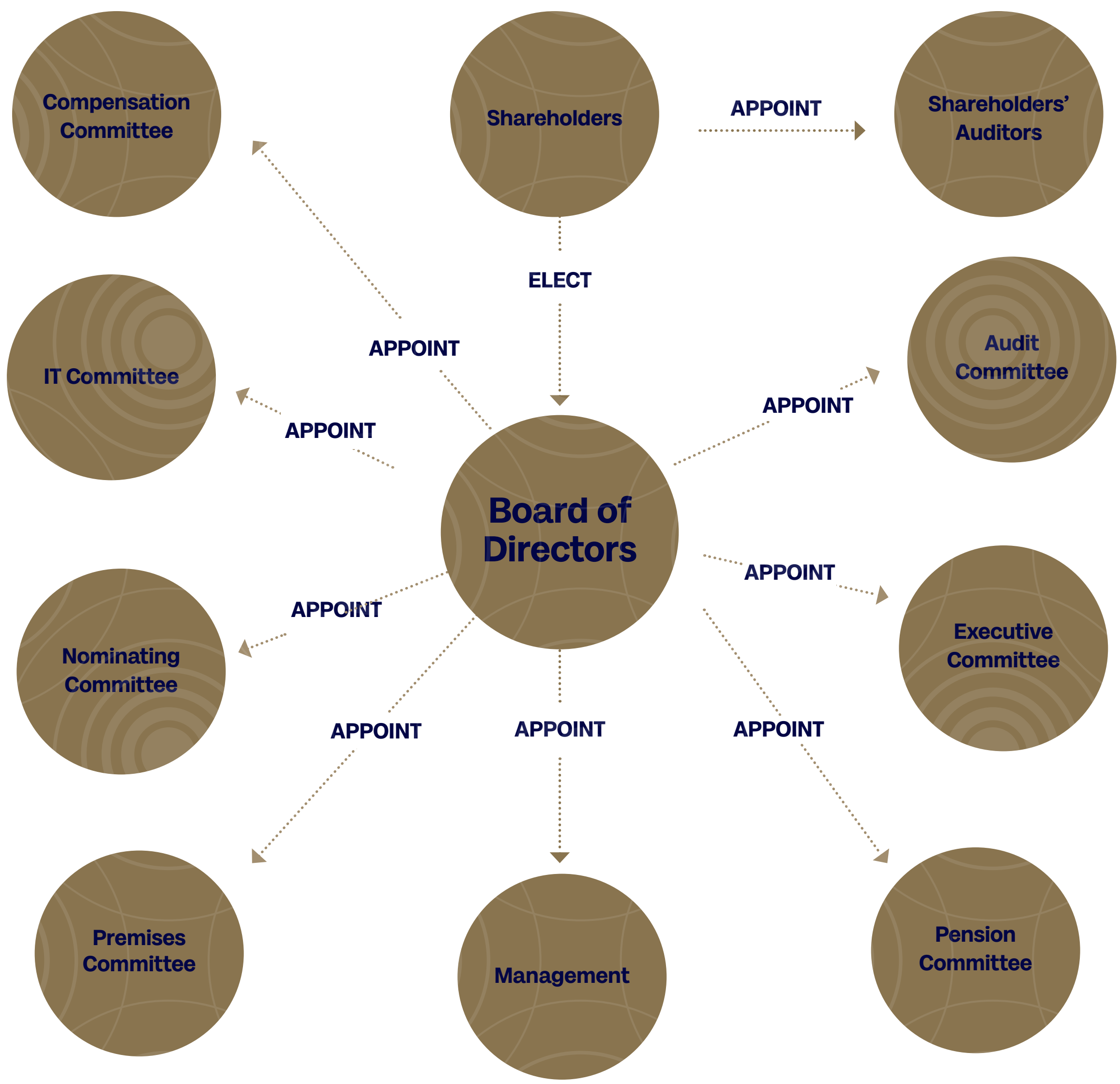
- **Reviewed** the processes involved in evaluating the Bank's internal control environment. Specifically, the Committee approved the annual audit plan; reviewed quarterly reports of the Vice President, Internal Audit related to internal control; compliance and litigation; evaluated internal audit processes;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

Bank's Auditors

- **Recommended** that the incumbent auditor, KPMG be reappointed to perform the 2022 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, 2022.

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



Commonwealth Bank Corporate Governance Profile

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

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

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

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

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

Charter of Expectations

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

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

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

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

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

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

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

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

Senior Level Staffing
- Select, monitor, evaluate (including the Executive Chairman, President and other Senior Executives) and ensure that an effective management succession plan is in place and that the Bank's compensation plans are consistent with the sustainable achievement of the Bank's business objectives, the prudent management of its operations and the risks to which it is exposed, and adherence to its processes, policies procedures and controls;
- Remuneration: Performance-based remuneration is designed to relate some proportion of salary to individual performance. It may be in the form of cash or non-cash payments such as shares and share options.

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

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

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

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

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

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

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

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

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

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

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

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

Shareholder Information

Board of Directors

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

Denise D. Turnquest
President
Commonwealth Bank Limited

Earla J. Bethel
President
DanBrad Ltd.

Larry R. Gibson
Chief Operating Officer, Pensions,
Coralisle Pension Services
(Bahamas Ltd.)

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

Tracy E. Knowles
Businessman

Russell M. Miller
Executive Vice-President
Hotel Operations
Atlantis Paradise Island
(Appointed October 1, 2022)

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

Debra M. Symonette
President
Super Value Food Stores Ltd.

R. Craig Symonette
Chairman
Bahamas Ferries Ltd.

Charlene A. Bosfield
Corporate Secretary

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

Principal Address
Commonwealth Bank Limited
Head Office
William B. Sands, Jr. Plaza
Mackey Street
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

Registrar and Transfer Agent
Bahamas Central Securities Depository
310 Cotton Tree Plaza, Unit 4
East Bay Street
P.O. Box N-9307
Nassau, Bahamas
Tel: (242) 322-5522

Stock Exchange Listing
(Symbol: CBL)

Common Shareholder Listing
Bahamas International Securities Exchange (BISX)

Internet Address
www.combankltd.com

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

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

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

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

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




Bahamian, it's what we have in common.

When we talk about Bahamians, we talk about a diverse people with very different dreams and goals. What we have in common, what makes us truly Bahamian in our hearts and in our souls, is our love for this beautiful country, our faith in the almighty God and our unshakeable belief that we are each our brother's keeper.

Leadership Development Programme 2022 Graduates

Locations

New Providence

Head Office	502-6200
William B. Sands, Jr. Plaza	
Mackey Street	
P.O. Box SS-5541	

Branches

William B. Sands, Jr. Plaza	
Mackey Street	502-6100
Bay & Christie Street	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 ATM Locations
** Saturday Banking Locations

Card Services Centre

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

Call Centre	502-6206

Off-Site ATM Locations

Nassau

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

Freeport

- Cost Right

Abaco

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

Services

Saturday Banking
Auto Financing
Personal Financing
Mortgage Financing
Real Estate Financing
Small Business Lending
Commercial Lending
Overdraft Facilities
Online Banking
Mastercard Credit Card
Mastercard Prepaid Card
Mastercard Gift Card
Visa Debit Card
Savings Accounts
Christmas Club Savings
Student Savings Accounts
Kidz Club Savings Accounts
Mobile Banking
Automated Banking Machines
Foreign Exchange Services
Personal Chequing Accounts
Business Chequing Accounts
Safe Deposit Boxes
Wire Transfers
Certificates Of Deposit
Loans By Phone