

INDEPENDENT AUDITORS' REPORT



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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, 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information shown on pages 8 to 87.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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

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

Impairment assessment of loans and advances to customers ("Loans") (See Notes 9 & 24)	
Key audit matter	How the matter was addressed in our audit
As at December 31, 2020, Loans comprise a major portion of the Group's assets, with total gross Loans amounting to \$1.015 billion and the related accumulated expected credit loss ("ECL") impairment allowance amounting to \$116.58 million, with an ECL impairment expense of \$61.84 million charged in the current period.	In assessing the ECL impairment allowance on Loans, as part of our procedures, we performed the following: <ul style="list-style-type: none"> We considered and updated our understanding of the Group's methodology for recording ECL impairment losses on loans; We updated our understanding of the Group's key credit processes and related controls, including but not limited to, granting, recording and monitoring loans; We tested the completeness and accuracy of key data inputs used in the calculation of the ECL impairment allowance and evaluated the appropriateness of the risk ratings associated with a sample of loan facilities through testing of the data inputs; We performed analytical procedures to assess the appropriateness of the staging of restructured Loans, credit impaired Loans, Loans modified during the year, and Loans with increases in days past due at the reporting date; We performed a retrospective review of the prior year's ECL impairment allowance, to assess whether the Group has historically set adequate ECL impairment allowances; Using our own credit specialists, we performed reasonableness testing over the ECL model inputs and processes, and replicated calculations to evaluate if outputs positively correlated with data inputs and parameters of the Group's ECL model. Our credit specialists also tested the appropriateness of the factors used in the ECL impairment allowance calculation, including: the probability of default, loss given default, exposure at default, expected lifetime of Loan facilities, significant increases in credit risk, effective interest rates and forward looking information; and We assessed the Group's compliance with the minimum reserve requirements established by the Central Bank of The Bahamas.
IFRS 9 is a complex accounting standard and the Group uses significant judgment, various assumptions and a valuation model to determine both the timing and measurement of impairment losses.	
The determination of the ECL allowances is highly subjective and judgmental. Small changes in key assumptions may result in a material impact on the Group's consolidated financial statements. Key judgments and estimates driving higher degrees of estimation uncertainty in respect of the timing and measurement of ECLs are summarised below:	
<ul style="list-style-type: none"> Significant increase in credit risk ("SICR"): The selection of criteria for identifying SICR are highly dependent on judgement and may have a significant impact on the ECL for Loans with maturities exceeding 12 months from the reporting dates; Forward looking information: Significant judgement is considered when developing macroeconomic factors. Such factors are used to impact the ECL under multiple probability weighting scenarios; ECL model: ECL models are inherently complex. During the year, the enhancements of, and changes to, the ECL model required third-party credit specialist's involvement. Manual overlays and increased judgement as a result of the COVID-19 pandemic: The COVID-19 pandemic has influenced management's decisions to add an additional ECL on Loan exposures in particularly vulnerable sectors (such as Hospitality and Tourism). Internal risk ratings: Ratings are assigned to each credit facility according to the Group's risk management framework and are dependent upon the risk characteristics for each facility; and Regulatory requirements: As a result of COVID-19, the Central Bank of The Bahamas ("CBOB") has mandated a minimum reserve requirement for COVID-19 impacted loans. Accordingly, the Bank assessed its ECL to, at a minimum, meet the CBOB's mandates. 	
The ECL is a complex calculation, involving large amounts of data and various judgments and assumptions resulting in a high degree of estimation uncertainty. In addition, the ECL on Loans is material to the consolidated financial statements as whole and for these reasons, we deem this a key audit matter.	

Impairment of investment securities carried at amortized cost (refer to Notes 8 & 24)	
Key audit matter	How the matter was addressed in our audit
As at December 31, 2020, Investments carried at amortized cost ("Investments") comprise a significant portion of the Group's assets, which amounted to \$458 million with an ECL impairment allowance amounting to \$3.92 million. Bahamas Government Registered Stock and Bahamas Government related investments comprise 99% of the Group's Investments.	In assessing the ECL impairment allowance on Investments, as part of our procedures, we performed the following: <ul style="list-style-type: none"> We considered and updated our understanding of the Group's methodology for recording ECL impairment losses on Investments carried at amortized cost; We obtained external confirmation from third party financial institutions and agreed the aggregate outstanding balances of investments, interest rates and maturities as of the reporting date to the Group's books and records; We tested the completeness and accuracy of key data inputs used in the calculation of the ECL impairment allowance and; Using our own credit specialists, we performed reasonableness testing over the ECL model inputs and processes, and replicated calculations to evaluate if outputs positively correlated with data inputs and parameters of the Group's ECL model. Our credit specialists also tested the appropriateness of the factors used in the ECL calculation, including: the probability of default, loss given default, exposure at default, expected lifetime facilities, significant increases in credit risk, effective interest rates and forward-looking information.
IFRS 9 is a complex accounting standard and the Group uses significant judgment, various assumptions, and a valuation model to determine both the timing and measurement of ECL impairment allowances on Investments.	
The determination of the ECL impairment allowance is highly subjective and judgmental. Small changes in key assumptions may result in a material impact on the Group's consolidated financial statements. Key judgments and estimates driving higher degrees of estimation uncertainty in respect of the timing and measurement of the ECL impairment allowance on Investments are summarised below:	
<ul style="list-style-type: none"> Significant increase in credit risk ("SICR"): The selection of criteria for identifying significant increases in credit risk are highly dependent on judgement and may have a significant impact on the ECL impairment allowance, specifically focused on the deterioration in sovereign credit risk in the current year; and Forward looking information: Significant judgement is considered when developing macroeconomic forecasts. Such macroeconomic factors are used to calculate the ECL impairment allowance under multiple probability weighting scenarios. 	
The ECL is a complex calculation, involving large amounts of data and various judgments and assumptions resulting in a high degree of estimation uncertainty. In addition, the ECL on Investments is material to the consolidated financial statements as a whole and for these reasons, we deem this a key audit matter.	

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

June 18, 2021
Nassau, Bahamas

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020, with corresponding figures as at December 31, 2019
(Expressed in Bahamian \$'000s)

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

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

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

Executive Chairman

Raymond L. Winder
President

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended December 31, 2020, with corresponding figures for December 31, 2019
(Expressed in Bahamian \$'000s)

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

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2020, with corresponding figures for December 31, 2019
(Expressed in Bahamian \$'000s)

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

Dividends per common share (expressed in dollars) \$ 0.06

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

Dividends per common share (expressed in dollars) \$ 0.10

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

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2020, with corresponding figures for December 31, 2019
(Expressed in Bahamian \$'000s)

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

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

1. Reporting entity
The accompanying consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow are extracts from Commonwealth Bank Limited and its wholly-owned subsidiaries ("the Group") consolidated financial statements. The auditors' report included herewith should be read in conjunction with the full set of consolidated financial statements, which can be obtained on our official website at www.combanktd.com, or requested in writing from Commonwealth Bank Limited located at Star Plaza, Mackey Street, Nassau Bahamas.

