Independent Auditors' Report

KPMG

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To the Shareholders of Commonwealth Bank Limited

Opinion
We have audited the consolidated financial statements of Commonwealth Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information shown on pages 8 to 91.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidate 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

As at December 31, 2021, Loans comprise 44.70% of the Group's total assets, with total gross Loans of $899.41 million and the related accumulated expected credit loss ("ECL") impairment allowance of $131.87 million.

IFRS 9 is a complex accounting standard. The Group uses significant judgment, various assumptions and a valuation model to determine both the timing and measurement of impairment losses.

The determination of the ECL allowances is highly subjective. Small changes in key assumptions may result in a material impact on the Group's consolidated financial statements. Key judgments and estimates driving higher degrees of estimation uncertainty in respect of the timing and measurement of ECLs are summarised below:

- Significant increase in credit risk ("SICR"): The selection of criteria for identifying SICR are highly dependent on judgement and may have a significant impact on the ECL for loans with maturities exceeding 12 months from the reporting dates;
- Forward looking information: Significant judgement is considered when developing macroeconomic factors. Such factors are used to impact the ECL under multiple probability weighting scenarios;
- ECL model: ECL models are inherently complex. During the year, the enhancements of, and changes to, the ECL model required third-party credit specialist's involvement;
- Manual overlays and increased judgement as a result of the COVID-19 pandemic: The COVID-19 pandemic has influenced management's decisions to add an additional ECL on loan exposures in particularly vulnerable sectors, such as Hospitality and Tourism; and
- Internal risk ratings: Ratings are assigned to each credit facility according to the Group's risk management framework and dependent upon the risk characteristics for each facility.

The ECL is a complex calculation, involving large amounts of data and various judgments and assumptions resulting in a high degree of estimation uncertainty. In addition, the ECL on loans is material to the consolidated financial statements as whole and for these reasons, we deem this a key audit matter.

How the matter was addressed in our audit

In assessing the ECL impairment allowance on Loans, as part of our procedures, we performed the following:

- We considered and updated our understanding of the Group's methodology for recording ECL impairment losses on loans;
- We performed testing over the design and implementation of key controls over the valuation of the ECL, including controls over: the review and approval of changes in the Group's ECL methodology, inputs and key assumptions, and the review and approval of the ECL calculation and corresponding journal entries. Additionally, we updated our understanding of the Group's key credit processes and related controls, including but not limited to, granting, recording and monitoring loans;
- On a sample basis, we tested the accuracy of key data inputs (including collateral values, loss given default "LGD" and assumptions used in determining individual customer risk ratings) used in the calculation of the ECL impairment allowance and evaluated the appropriateness of the risk ratings associated with loan facilities through testing of the data inputs;
- We performed analytical procedures to assess the appropriateness of the staging of restructured Loans, credit impaired loans, loans modified during the year, and loans with increases in days past due at the reporting date;
- We performed a retrospective review of the prior year's ECL impairment allowance, to assess whether the Group has historically set adequate ECL impairment allowances;
- We assessed the reasonableness of the manual overlay, considering facts and circumstances that led to the additional ECL; and
- We engaged our credit specialists, whose scope of work encompassed the following procedures: assessment of the theoretical soundness and appropriateness of the ECL model methodology with respect to the model design and objective; a review of the model inputs, outputs and credit risk processes; and a supervised replication of the ECL model results and a reasonableness test of the model parameters used to calculate the results. Our credit specialists also performed independent testing to assess the appropriateness of the overall ECL calculation and approach, probability of default, loss given default, exposure at default, expected lifetime of credit facilities, significant increases in credit risk, effective interest rate and forward-looking information.

Impairment assessment of investments carried at amortized cost (see notes 8 & 25)

Description of key audit matter

As at December 31, 2021, Investments carried at amortized cost, comprise 40.24% of the Group's total assets, with total gross investments carried at amortized cost of $693.79 million and the related ECL impairment allowance of $2.97 million.

IFRS 9 is a complex accounting standard, and the Group uses significant judgment, and various assumptions to determine both the timing and measurement of ECL impairment allowances on investments carried at amortized cost.

The determination of the ECL impairment allowance is highly subjective. Small changes in key assumptions may result in a material impact on the Group's consolidated financial statements. Key judgments and estimates driving higher degrees of estimation uncertainty in respect of the timing and measurement of ECL impairment allowance on investments carried at amortized cost are summarised below:

- Significant increase in credit risk ("SICR"): The selection of criteria for identifying significant increases in credit risk are highly dependent on judgement and may have a significant impact on the ECL impairment allowance, specifically focused on the deterioration in sovereign credit risk in the current year; and
- Forward looking information: Significant judgement is considered when developing macroeconomic forecasts. Such macroeconomic factors are used to calculate the ECL impairment allowance under multiple probability weighting scenarios.

The ECL is a complex calculation, involving large amounts of data and various judgments and assumptions resulting in a high degree of estimation uncertainty. In addition, the ECL on investments carried at amortized cost is material to the consolidated financial statements as whole and for these reasons, we deem this a key audit matter.

How the matter was addressed in our audit

In assessing the ECL impairment allowance on Investments carried at amortized cost, as part of our procedures, we performed the following:

- We considered and updated our understanding of the Group's methodology for recording ECL impairment losses on investments carried at amortized cost;
- We performed testing over the design and implementation of key controls over the valuation of the ECL, including controls over: the review and approval of changes in the Group's ECL methodology, inputs and key assumptions, and the review and approval of the ECL calculation and corresponding journal entries.
- We obtained external confirmation from third party financial institutions and agreed the accuracy of the outstanding balances of investments carried at amortized costs and their maturities as of the reporting date, to the Group's books and records;
- We tested the accuracy of key data inputs used in the calculation of the ECL impairment allowance and;
- We engaged our credit specialists, who performed reasonableness testing over the ECL inputs and the ECL calculations to evaluate if outputs positively correlated with data inputs and parameters. Our credit specialists also tested the appropriateness of the factors used in the ECL calculation, including: the probability of default, loss given default, exposure at default, significant increases in credit risk, effective interest rates and forward-looking information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Nassau, Bahamas
April 22, 2022

Commonwealth Bank Limited
Consolidated Statement of Financial Position
As at December 31, 2021, with corresponding figures as at December 31, 2020
(Expressed in Bahamian $000s)

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

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

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

Executive Chairman **President**

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

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

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

Commonwealth Bank Limited
Consolidated Statement of Changes in Equity
As at December 31, 2021, with corresponding figures as at December 31, 2020
(Expressed in Bahamian $000s)

2021

	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	(1)	(257)	-	(258)
Sale of treasury shares	29	10,876	-	10,905
Dividends - common shares	-	-	(11,577)	(11,577)
	28	10,619	(11,577)	(930)
As at December 31, 2021	$ 1,946	$ 11,667	$ 224,878	$ 238,491
Dividends per share (expressed in dollars)	$ 0.04			

2020

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

Dividends per share (expressed in dollars) $0.06

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

Commonwealth Bank Limited
Consolidated Statement of Cash Flows
Year ended December 31, 2021, with corresponding figures for 2020
(Expressed in Bahamian $000s)

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

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

Commonwealth Bank Limited
Notes to Consolidated Financial Statements
Year ended December 31, 2021, with corresponding figures as at and for the year ended December 31, 2020
(All amounts stated as actual amounts, except tabular amounts which are expressed in Bahamian $000s)

1. **BASIS OF PREPARATION**
The accompanying consolidated financial Information is an extract from the consolidated financial statements of Commonwealth Bank Limited as at December 31, 2021 and for the year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and is used to submit to the Group's regulators.

The auditors' report included herewith should be read in conjunction with the full set of consolidated financial statements, which can be obtained from Commonwealth Bank Limited's website **www.combankltd.com**.

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www.combankltd.com