INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Commonwealth Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commonwealth Bank Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Emphasis of Matter - comparative information

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

Key Audit Matters

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

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

The Risk

As at December 31, 2019, Loans comprise a major portion of the Group's assets, with total gross Loans amounting to $1.019 billion and the related impairment allowance amounting to $86.41 million. Of the $86.41 million, $11.7 million is related to a management overlay that increases provisions as a direct result of the impact and uncertainty specific to Hurricane Dorian impacted loans.

Impairment of Loans was considered to be a key audit area primarily for the following reasons:

- IFRS 9 is a complex accounting standard which requires significant judgment to determine both the timing and measurement of impairment losses.
- The determination of expected credit loss ("ECL") allowances is highly subjective and judgmental. Small changes in key assumptions may result in material differences in the Group's consolidated financial statements. Key judgments and estimates in respect of the timing and measurement of ECLs include:

- The interpretation of the requirements to determine impairment under IFRS 9, which are reflected in the Group's ECL model;
- The identification of exposures with a significant deterioration in credit quality;
- The allocation of Loans to stages 1, 2 and 3 using criteria in accordance with IFRS 9;
- Reasonableness of assumptions used in the calculation of management overlays;
- Completeness and accuracy of data used to calculate the ECL; and
- Accuracy and adequacy of related financial statement disclosures.

Given the assumptions and judgements used in the calculation of the ECL, there is a risk that the actual results may materially differ from estimates.

Our Response

In assessing the impairment losses on Loans, we performed the following procedures:

- Updated our understanding of the Group's methodology to determine the impairment allowance under IFRS 9.
- Updated our understanding of the Group's key credit processes and related controls, including granting, recording, monitoring and ECL provisioning.
- Involved KPMG credit specialists in testing the assumptions, inputs and formulas used in the ECL model and the management overlays. This included assessing the model's arithmetic accuracy and consistency with the requirements of IFRS 9.
- Involved KPMG credit specialists to stress test assumptions used by management.
- Involved KPMG credit specialists to replicate ECL calculations.
- Tested the completeness and accuracy of key data inputs sourced from underlying systems that are applied in the calculation of the impairment allowance.
- Recalculated the risk ratings for a sample of Loans to assess if they were appropriately allocated to the relevant stage, (i.e. stages 1, 2 and 3).
- Performed a retrospective review of assumptions and inputs used in the ECL calculation for the prior period estimate.
- Reviewed relevant IFRS standards to ensure disclosures are accurate and complete.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

KPMG

Nassau, Bahamas
May 25, 2020

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019, with corresponding figures as at December 31, 2018 and January 1, 2018

(Expressed in Bahamian $'000s)

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

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

Executive Chairman

Raymond L. Winder
President

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2019, with corresponding figures for December 31, 2018

(Expressed in Bahamian $'000s)

2019

	Share Capital (Common)	Share Capital (Preference)	Share Premium	General Reserve	Retained Earnings	Total
As at December 31, 2018 - Restated	$ 1,943	$ 81,498	$ 17,198	$ 10,500	$ 256,757	$ 367,896
Comprehensive Income						
Total profit					31,611	31,611
Remeasurement loss 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					(29,009)	(29,009)
Dividends - preference shares	-	-	-	-	(2,414)	(2,414)
	(22)	(81,498)	(14,490)	-	(31,423)	(127,433)
As at December 31, 2019	$ 1,921	$ -	$ 2,708	$ 10,500	$ 257,708	$ 272,837

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

2018

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

Dividends per common share (expressed in dollars) **$ 0.12**

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

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended December 31, 2019, with corresponding figures for December 31, 2018

(Expressed in Bahamian $'000s)

	2019	2018 (Restated)
INCOME		
Interest income, effective interest rate method	$ 141,630	$ 153,978
Interest expense	(14,737)	(19,505)
Net interest income	126,893	134,473
Credit life insurance premiums, net	4,849	2,423
Fees and other income	18,447	15,865
Unrealised gains on equity investment at FVTPL	2,417	820
Insurance recoveries	4,854	-
Other income	30,567	19,108
Total income	157,460	153,581
NON-INTEREST EXPENSE		
General and administrative	70,626	71,078
Impairment losses on financial assets	48,038	27,693
Insurance claims	1,928	2,089
Change in insurance reserves	(1,269)	(2,648)
Depreciation and amortization	3,499	3,157
Losses on disposal of premises and equipment	21	-
Losses on hurricane impaired assets	2,733	-
Directors' fees	273	273
Total non-interest expense	125,849	101,642
TOTAL PROFIT	31,611	51,939
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement gain (loss) of defined benefit obligation	763	(299)
TOTAL COMPREHENSIVE INCOME	$ 32,374	$ 51,640
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars)	$ 0.10	$ 0.16

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2019, with corresponding figures for December 31, 2018

(Expressed in Bahamian $'000s)

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

Note 25 - Prior Period Adjustment

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

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

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

Basis of preparation

The accompanying consolidated financial information is an extract from the consolidated financial statements of Commonwealth Bank Limited as at December 31, 2019 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.

COMMONWEALTH BANK "Leader in Personal Banking Services"