BAHAMIANS *Helping* BAHAMIANS

As we reflect on the events and accomplishments of 2016, it can be quickly seen that the past year required us to look beyond the financial numbers. 2016 was a year that tested our strength, measured our mettle and challenged our resources. It was a year that Commonwealth Bank was able to demonstrate through volunteer action, outright donations and financial relief what we mean when we say that we are truly ***Bahamians Helping Bahamians.***

While residents and businesses in the southern Bahamas were still recovering from Hurricane Joaquin, economic challenges dominated the archipelago. In New Providence, while Baha Mar remained shuttered other resorts closed for renovations. There were some hopeful signs. Bahamians were able to realize benefits from a long-awaited competitive regime in wireless services, while interest rates remained low, airlift increased and sports tourism was on the rise. And then in early October, the nearly unthinkable happened – another hurricane. This time it would be a Category 4 named Matthew and by the time the 140-mph winds stopped howling and flood waters subsided, nearly every life or household in New Providence, Grand Bahama and North Andros was impacted.

Never before had a storm touched so many lives or caused such widespread damage. Matthew cut a swath through the most populated islands and the densest population pockets.

Commonwealth Bank stepped up immediately to offer desperately needed assistance.

Within hours of the passing of the historic storm, the bank donated $100,000 to the Bahamas Red Cross to help supply food, blankets and other essentials for many left with nothing more than the clothes on their back. Next came a donation of a like sum, $100,000, to NEMA, followed by a $50,000 donation to the Salvation Army. Other donations quickly came to the Grand Bahama Home for the Aged, Raybertha's Senior Citizen Centre, Ranfurly Homes for Children, Persis Rodgers Home for the Aged, the Good Samaritan Home and All Saints Camp. The bank went beyond cash donations. Managers and account representatives met with customers to help reschedule loan obligations or arrange low interest loans for repairs. Volunteers helped in the communities where their branches were located. Staff members whose homes had been hit received support. In all, Commonwealth Bank invested over $500,000 in hurricane relief, spreading it among customers, its own team members and the wider Bahamian public.

At the same time, its major donations to education and the fight against cancer continued. In 2016, contributions to education at every level and from vocational training to University of The Bahamas scholarships and leadership skills topped the $2 million mark since the program began nearly ten years ago. Commonwealth Bank remains the largest publicly-held company supporting education initiatives for Bahamians, reflecting its commitment to helping to create an educated populace that will carry the nation forward.

Before year-end, the bank also donated $50,000 to the Cancer Society of The Bahamas. It was the second installment in the bank's 10-year, $500,000 pledge to the organization that operates the Cancer Caring Centre, a home away from home for those from Family Islands undergoing treatment in Nassau as well as an oasis of emotional, nutritional, physical and other support, friendship and understanding for anyone suffering from cancer. Because of the organization's work in education and early detection, the survival rate among cancer patients is higher than it has ever been.

From a blanket that keeps a child warm to an education that gives a young adult a better chance at success, from understanding the financial strain on customers impacted by a hurricane to reaching out to show the elderly the respect they deserve when too many others have forgotten them, Commonwealth Bank is truly the epitome of Bahamians helping Bahamians.

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

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

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

TABLE OF CONTENTS

STRATEGIC PRIORITIES

CORE VALUES	2016 STRATEGIC PRIORITIES	2016 INITIATIVES & ACCOMPLISHMENTS	2017 STRATEGIC PRIORITIES
Be responsible and effective financial managers.	• The Bank will pursue opportunities for sound organic growth and growth from other sources that comply with the Bank's approved strategic plan and well entrenched business model.	• The Bank was able to achieve organic growth, much of which came from assistance offered to customers impacted by Hurricane Matthew.	• The Bank will continue to pursue opportunities for organic and other sources of growth that comply with the Bank's approved strategic plan and well entrenched business model.
	• Cross-selling of new and existing products and services will be emphasized in 2016. Specific revenue and expense based objectives have been established throughout the Bank. Any expanded products and services will be linked closely with the Bank's core consumer loan products.	• While consumer credit continues to dominate the Bank's successful business model, revenue expansion from other products and services occurred but is still a small percentage of total revenues.	• Cross-selling of new and existing products and services will continue to be emphasized in 2017. Specific revenue and expense based objectives have been established throughout the Bank.
	• Efforts will be directed at enhancing the Credit Risk succession planning process with the objective being to have the Bank's credit risk process remain effective without extensive management at a Senior Executive level.	• Significant progress was made, with the level of Senior Executive oversight reduced.	• Senior Executive level oversight of the Bank's credit risk process to be reduced further without impacting the quality of the assessment.
	• With advanced technology now available, efforts will be expanded to seek further cost-effective operational improvements in 2016. Our objective is to link closely revenue growth with expense mitigation objectives.	• Efficiency and productivity levels remained robust.	• Efforts will continue to seek further cost-effective operational improvements in 2017. Our objective is unchanged - to link closely revenue growth with expense mitigation objectives.
	• The Bank's entrenched culture which emphasizes safety and soundness coupled with transparency of its financial performance and other related activities remains a fundamental standard within the Bank.	• Efficiency ratios improved in 2016. We would encourage stakeholders and customers to review the Management Discussion and Analysis comments which follow to better appreciate the breadth of transparency of financial information provided in this Annual Report.	• The safety and soundness of the Bank coupled with transparency of its financial performance and other related activities remains a fundamental standard within the Bank.
Lead by example to effect positive change.	• In 2016, a review of Board mandates will be carried out to ensure the mandates and board focus parallel market realities as well as the increased regulatory oversight requirements.	• Board governance review was completed and the prescribed representation was prepared for the Board confirmation. No non-compliance issues were noted.	• In 2017, the Board will ensure that governance processes parallel market realities as well as the increased regulatory oversight requirements.
	• Commitment to youth development and selected charities will continue in 2016.	• In 2016, the Bank contributed continued its normal support for youth development and other charities at the prior year's level and in addition added relief and assistance for Hurricane Matthew victims.	• Commitment to youth development and selected charities will continue in 2017.
Provide meaningful opportunities for stakeholders to have input.	• Customer surveys will continue to ensure that the Bank's products and services address market requirements in a cost-benefit manner.	• Customer dialogue to address customer complaints to maintain high service levels remained an important element in sustaining the reputation and success of the Bank.	• Customer surveys will continue to be assessed to ensure that the Bank's products and services address market requirements in a cost-benefit manner.
Ensure the Bank is a great place to work.	• The establishment of a fully integrated succession plan will continue to be a significant objective in 2016. An internal project leader will be assigned to this important accountability.	• In 2016, the succession plan was implemented for the retirement of the VP Operations. Progress continued in developing a fully integrated succession plan. The program is still under the oversight of Senior Executive management, efforts to recruit an internal project leader in 2016 were not successful.	• A fully integrated succession plan will continue to be a significant objective in 2017. Efforts will continue to assign or recruit an internal project leader.
	• With the ever increasing complexity of senior management accountabilities there will be ongoing specialized training programs made available to staff.	• Specialized training and development programs continued in 2016.	• Ongoing specialized training programs will be made available to staff.
	• As part of these programs, a more disciplined follow-up regime will be put in place to measure their cost-effectiveness.	• Benefits of new training courses are being assessed against the associated costs.	• The effectiveness of specialized training programs will be reviewed and beneficial programs will be expanded.
	• Ongoing peer reviews of salary and benefits will continue to ensure the Bank remains competitive.	• Salary and benefits plans continue to compare favorably with peers.	• Ongoing peer reviews of salary and benefits will continue to ensure the Bank remains competitive.
Provide customers with outstanding services.	• Emphasis on quality customer service and products will continue.	• Chip enabled debit cards were introduced in the fourth quarter of the year.	• Introduce "chip" enabled credit cards.
		• Extensive customer service training undertaken during the year.	• Increased emphasis on customer service training will continue into 2017. Emphasis on quality customer service and products will continue.

(B$ 000's)	2016	2015	2014	restated 2013	restated 2012
Income Statement Data:					
Interest Income	$ 171,957	$ 165,696	$ 156,480	$ 156,910	$ 161,492
Interest Expense	(27,243)	(29,355)	(31,694)	(35,537)	(41,977)
Net Interest Income	144,714	136,341	124,786	121,373	119,515
Loan Impairment Expense	(32,442)	(24,923)	(21,103)	(24,797)	(44,004)
Net Interest Income after Loan Impairment Expense	112,272	111,418	103,683	96,576	75,511
Non-interest Income	15,712	15,776	14,509	12,320	13,866
Non-interest Expenses	(70,634)	(69,425)	(64,925)	(59,051)	(54,023)
Total Profit	57,350	57,769	53,267	49,845	35,354
Other Comprehensive Income	2,508	(2,073)	716	3,737	(763)
Total Comprehensive Income	59,858	55,696	53,983	53,582	34,591
Per Share Data:					
Book Value	2.58	2.39	2.18	1.99	1.81
Cash Dividends	0.36	0.30	0.30	0.30	0.29
Year End Share Price	$ 10.50	$ 7.84	$ 7.50	$ 6.91	$ 6.58
Script Dividends					
Weighted Average Common Shares Outstanding (000's)	97,406	97,525	97,815	97,904	98,339
Dividend growth (total)	20.00%	0.00%	0.00%	3.45%	-3.33%
Balance Sheet Data:					
Total Assets	$ 1,608,748	$ 1,535,174	$ 1,474,053	$ 1,432,705	$ 1,432,288
Securities	322,507	322,743	276,653	278,785	268,196
Gross Loans	1,180,753	1,139,503	1,115,280	1,085,277	1,105,966
Net Write-offs	21,051	18,707	19,916	26,347	37,032
Total Deposits	1,240,505	1,181,646	1,148,790	1,121,583	1,136,609
Total Shareholders Equity	332,857	313,995	294,397	278,941	261,990
Performance Ratios:					
Price/Earnings	19.44	14.52	15.26	15.16	21.54
Price/Book Value	4.07	3.28	3.44	3.47	3.64
Dividend Yield (Annual Dividend/Year End Price)	3.43%	3.83%	4.00%	4.34%	4.41%
Earnings Per Share	0.54	0.54	0.49	0.46	0.31
Return on Average Assets	3.36%	3.51%	3.29%	3.09%	2.04%
Return on Average Shareholders' Equity	21.13%	24.89%	23.12%	23.01%	16.31%
Ordinary Dividend Payout Ratio	67.09%	55.53%	61.03%	65.95%	94.91%
Efficiency Ratio	45.48%	47.22%	48.42%	45.99%	42.18%
Net Interest Margin	8.97%	8.76%	8.11%	8.10%	7.97%
Asset Quality Ratios:					
Impaired Loans to Total Loans	5.99%	5.56%	5.83%	4.03%	5.01%
Impaired Loans to Total Assets	4.40%	4.13%	4.41%	3.05%	3.87%
90 Day Past Due Loans to Total Loans	4.22%	3.93%	4.46%	4.03%	5.01%
90 Day Past Due Loans to Total Assets	3.03%	2.87%	3.37%	3.05%	3.87%
Net Write-offs to Average Loans	1.86%	1.68%	1.81%	2.41%	3.29%
Loan Impairment Allowances to Total Loans	6.20%	5.49%	4.98%	5.01%	5.06%
Loan Impairment Allowances to Non-accrual Loans	150.05%	140.74%	111.69%	124.46%	100.91%
Loan Impairment Allowances to Impaired Loans	103.39%	97.45%	85.38%	124.46%	100.91%
Liquidity Ratio:					
Average Cash and Securities to Average Total Assets	26.93%	26.33%	24.72%	24.07%	23.83%
Capital Ratios:					
Leverage Ratio					
Average Shareholders' Equity to Average Total Assets	21.12%	19.56%	19.92%	19.32%	18.26%
Consolidated Capital Adequacy:					
Tier 1 Capital	$ 332,857	$ 313,995	$ 294,397	$ 243,956	$ 177,007
Tier 2 Capital	14,763	14,148	13,824	44,950	98,693
Total Capital	347,620	328,143	308,221	288,906	275,700
Total Risk Adjusted Assets	1,181,079	1,131,840	1,105,912	1,077,045	1,096,837
Tier 1 Ratio	28.18%	27.74%	26.62%	22.65%	16.14%
Tier 1 + Tier 2 Capital Ratio	29.43%	28.99%	27.87%	26.82%	25.14%
Number of Employees Average for the Year	560	540	552	555	547

WILLIAM B. SANDS, JR.,
Executive Chairman

Significant challenges existed for Commonwealth Bank during 2016 as they did for all Bahamians. Not only was the overall economic growth lower than the initial expectations of the Central Bank but The Bahamas also experienced a major hurricane, Hurricane Matthew, during the first week in October. The impact of the hurricane caused significant damage and disruption to current and planned economic activity throughout The Bahamas.

The Government of The Bahamas has estimated that the total damage from the hurricane, including damage to public infrastructure will exceed \$600 million, with an estimated one in three Bahamian households being adversely impacted as were several foreign investment projects.

However, through continued reinforcement of the Bank's long standing business model coupled with a conservative risk assessment process and a sound credit administration program, Commonwealth Bank, to a great extent, was able to effectively weather the headwinds experienced. For the full 2016 fiscal year, the Bank's profitability levels closely parallel the Bank's 2016 financial business plan.

As a result of the financial returns achieved in 2016, the Board of Directors was pleased to be able to recommend continuance of the Bank's long standing shareholder dividend distribution program.

I would also like to draw your attention to a comment that was contained in the 2015 Annual Report of the Bank:

"While market leadership and financial performance are important elements of success, equally important are the products and services provided to all of the Bank's stakeholders, customers and Bahamians at large".

In simple terms these comments represent the core of the Bank's vision, mission and values and were instrumental in identifying the theme of the Bank's 2016 Annual Report... BAHAMIANS HELPING BAHAMIANS.

MY ACCOUNTABILITIES

As Executive Chairman of the Board, my primary objective continues to focus on the leadership of the Bank, through the Board of Directors. The Board's independent oversight process supported by the diverse backgrounds and market awareness of individual board members continues to add to the ongoing safety and soundness of Commonwealth Bank. Their breadth of awareness of the market variables and their encouragement to be flexible, conservative and willing to challenge the status quo has been a critical element of the Bank's desire to remain sound strong and prosperous.

CORPORATE GOVERNANCE - Independence & Sound Oversight

Corporate Governance has been defined as the system of rules, practices and processes by which a company is directed and controlled. Corporate Governance essentially involves balancing the interests of many stakeholders, these include, but are not limited to: Board members, shareholders, management and staff, customers, government and the community the Bank serves. Sound corporate governance matters.

A guideline issued by the Central Bank entitled "Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to do Business within and from with The Bahamas" requires the completion and submission of an annual certificate of compliance from the Board of Directors of each Licensee. No exception to the guidance provided in the *Guideline* has ever been required to be reported to the Central Bank.

The Board of Directors of Commonwealth Bank is extremely cognizant of their fiduciary and ethical responsibilities. The Board also seeks to ensure that business activities are not only in compliance with regulatory guidance, internal policies and procedures, as well as international "best practices" but also ensures through independent assessments that established policies and procedures are applied in a reasonable manner in which to sustain and expand the Bank's operations in a safe and sound manner.

During 2016, a challenging year, I have again greatly appreciated the ongoing oversight, counsel and guidance provided by the Board.

KNOWLEDGEABLE AND FLEXIBLE STAFF – A Critical component of success

Commonwealth Bank has been fortunate to have the continuing dedication of a Bahamian staff complement that has been able to further develop and sustain the required type of service levels being offered to our stakeholders.

Recognition of our employees during 2016 came at the Bahamas Financial Services Industry Excellence Awards in the categories of "Executive of the Year" (Mr. Ian Jennings: President), and "Mentor of the Year" (Mr. Lynden Smith: Special Credit Supervisor). The Executive of the Year has been awarded to the Bank for a third time and the Mentor of the Year for the fourth successive year.

The Bank has also continued to reinforce the need for an effective recruitment and succession planning program to ensure high potential staff are recognized and are provided with the tools and techniques that will ensure that the Bank's potential can be achieved in an ever-increasing and competitive technology driven environment.

SEIZING OUR VISION, EXPANDING OUR MISSION WITHIN OUR WELL ESTABLISHED VALUES

The business of banking continues to change, only now there are opportunities and stress points that arise every day. Retail banking customers are looking more and more to non-traditional technology platforms to meet their banking needs. While my experience over many years has taught me the importance of being able to control our own destiny albeit in an anticipatory and safe and sound manner, this, however, does not limit us to maintaining the status quo. We will continue to reassess our products and services to ensure their content and the Bank's processing capabilities continue to support the Bank's well entrenched leadership role within The Bahamas into the future to meet our customers' needs.

While looking forward is necessary in order to sustain strong levels of profitability we will also continue to reinforce the requirements of our well established business model. This model has been a key element in the sustained success the Bank has experienced.

Despite the indicated business headwinds that face the financial services industry throughout the Bahamas in 2017, we look forward to the expected opportunities that exist in such an environment.

WILLIAM B. SANDS, JR.
Executive Chairman

We believe in BAHAMIANS HELPING BAHAMIANS and take pride in our social responsibility as a good corporate citizen and as a dedicated champion of the communities in which we work and live. It is our privilege to nurture and support our communities and to contribute to the health and wealth of our nation.

The Bank's community efforts are dedicated to building on the foundation of our nation. Our charitable footprint reached more than 150 benevolent initiatives aided by a corporate investment of $834,000 in 2016. As well, our team members extended their reach both inside and outside our branch network to make a positive difference through the gift of their time.

At Commonwealth Bank, we wish to encourage all like-minded citizens to be of service to our remarkable nation. Let us not only march together, but let us appreciate that by investing in our neighbourhoods, we are investing in each other and in our future… Bahamians Helping Bahamians.

COMMONWEALTH BANK DONATES OVER $500,000 TO THE HURRICANE MATTHEW RELIEF EFFORT

THE BAHAMAS RED CROSS SOCIETY
(L-R) Caroline Turnquest, Director General of The Bahamas Red Cross; Craig 'Tony' Gomez, president of The Bahamas Red Cross; Ian Jennings, President, Commonwealth Bank and Carole Rodgers, VP Operations, Commonwealth Bank.

GOOD SAMARITAN HOME
(L-R) Dr. Kendal Capron, Director, Good Samaritan Home and Maxwell Jones, A.V.P. Accounts Control & Recovery, Commonwealth Bank.

GREAT COMMISSION MINISTRIES
(L-R) Oswald Dean, A.V.P. Information Technology, Commonwealth Bank; Maxine Bethel, Office Manager, Great Commission Ministries; and Jasmin Strachan, Manager Shared Services, Commonwealth Bank.

NEMA
(L-R) Gowon Bowe, Hurricane Relief Financial Committee; The Right Honourable Perry Christie, Prime Minister; Ian Jennings, President, Commonwealth Bank and Charles Knowles, VP & CIO, Commonwealth Bank.

PERSIS RODGERS HOME FOR THE AGED
(L-R) Juliette Fraser, A.V.P. Operations, Commonwealth Bank; Shirley Clarke, Administrative Assistant, Persis Rodgers Home; Francis Ladee, President, Persis Rodgers Home, and Oswald Dean, A.V.P. Information Technology, Commonwealth Bank.

UNITY HOUSE
(L-R) Esther Outten, Supervisor, Unity House and Kenrick Brathwaite, A.V.P. Mortgage & Commercial Lending, Commonwealth Bank.

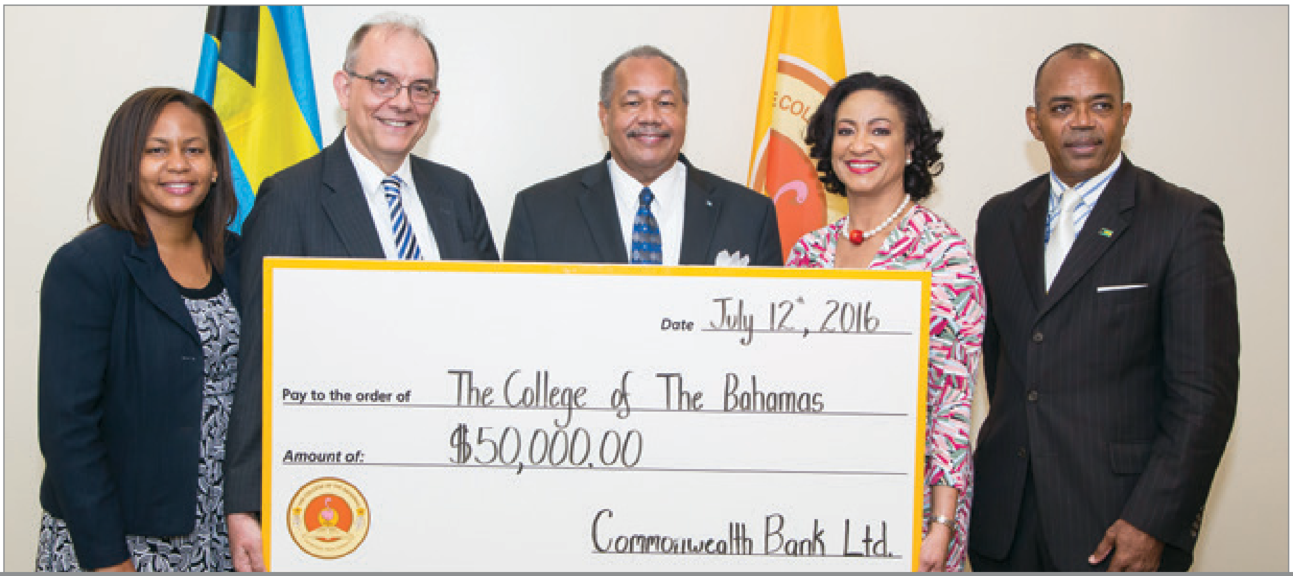
THE SALVATION ARMY
(L-R) Jacqueline Farrington, VP Internal Audit, Commonwealth Bank; Major Clarence Ingram, Divisional Commander, The Salvation Army; Denise Turnquest, Sr. VP Credit Risk, Commonwealth Bank and Major Karen Ingram, The Salvation Army.

ALL SAINTS CAMP
(L-R) Charmaine Rolle, Representative, All Saints Camp; Kashala Forbes, Administrative Assistant, All Saints Camp and Silbert Cooper, A.V.P. Consumer Lending, Commonwealth Bank.

RAYBERTHA'S SENIOR CITIZEN CENTRE
(L-R) Darlene Gibson, CB Lucaya Branch Manager; Geranie Pierre, Raybetha's Senior Citizen Centre; Edna Reckley, Raybertha's Senior Citizen Centre and Charlene Low, CB Mall Drive Branch Manager.

THE GRAND BAHAMA HOME AND DAY CARE FOR THE AGED
(L-R) Darlene Gibson, CB Lucaya Branch Manager; Agatha Thompson, Director of the Grand Bahama Home and Day Care for the Aged and Charlene Low, CB Mall Drive Branch Manager.

"Time and money spent in helping men to do more for themselves is far better than mere giving." - Henry Ford



(L-R) Davinia Blair, VP Advancement, UB; Ian Jennings, President, Commonwealth Bank; Dr. Rodney Smith, President, UB; Anthea Cox, VP HR & Training, Commonwealth Bank and Peter Mitchell, Acting Director, Development & Alumni Relations, UB.

UNIVERSITY OF THE BAHAMAS

Commonwealth Bank has a total and unwavering commitment to education and the reason is clear. The very future of our nation depends on having a population that is educated, able to participate successfully both in business and just as importantly in the trades. The future of our nation depends, too, on a population that embraces hope and demonstrates compassion, and is eager to build a sense of community.

Toward those valuable goals, Commonwealth Bank's donations to education to date exceed $2 million. We touch every segment of the education process, from assisting with those who have special needs, right through to our $500,000 endowment of undergraduate scholarships for Emerging Leaders at The University of The Bahamas.

(L-R) T. Nicole McKay, Principal, C. R. Walker Senior High School; Lillian Quant-Forbes, Deputy Director, Social Services; Gladys Fernander, VP Finance, Commonwealth Bank; Olly Mae Knowles, Assistant Director of Education, Special Services and Theophilus Claridge, Principal, A. F. Adderley Junior High School.

MINISTRY OF EDUCATION: PARENTAL INVOLVEMENT IS THE SINGLE GREATEST DETERMINANT OF A STUDENT'S SUCCESS

Commonwealth Bank recognizes that today's youth are tomorrow's leaders and nation builders and through our Corporate Giving Program we have made the education of primary and high school students a priority. Each year, we distribute 10,000 backpacks filled with school supplies. Over the years, we have donated nearly 100,000 backpacks. This is the seventh year we have sponsored the Parenting Forum along with Association of Secondary School Principals and the 10th year we have worked with the Ministry of Education in readying students for back-to-school. Over those years, we have donated over one hundred LCD projectors and laptops. As we wished students, teachers and administrators a successful and productive school year, we urged parents to become engaged and involved and we implored students to explore every available opportunity. We impressed upon them that education will open windows to knowledge, broaden the basis of understanding and widen the vistas of their world. Commonwealth Bank has contributed more than $2 million to education over the ten years of the program.

(L-R) Dr. Williamson Chea, Vice President of the Cancer Society and head of fund-raising and Denise Turnquest, Sr. VP, Credit Risk, Commonwealth Bank.

BAHAMAS CANCER SOCIETY

The Bahamas ranks among the countries with the highest cancer rates in the world and among the top 20 countries in number of women diagnosed with breast cancer. There is hardly a family in The Bahamas that has not been touched by cancer and for this reason; Commonwealth Bank donated $50,000 to the Cancer Society of The Bahamas as part of its ongoing $500,000, 10-year pledge.

It was the second installment in what will be the single largest contribution to a non-government organization by the Bank. Funds will be used by the Cancer Caring Centre, a home away from home for those undergoing treatment. Two years ago, the Centre announced it had embarked on a drive to raise $3 million to build a desperately needed residential expansion that will allow it to house more patients from Family Islands and provide more daytime services, including emotional, nutritional and other support for patients and their families.

2016 DONATIONS

- ABACO CENTRAL HIGH SCHOOL
- AIDS FOUNDATION OF THE BAHAMAS
- ALL SAINTS CAMP
- BAHAMAS CHILDREN'S EMERGENCY HOSTEL
- BAHAMAS JUDO FEDERATION
- BAHAMAS NATIONAL COUNCIL FOR DISABILITY
- BAHAMAS NATIONAL FEEDING NETWORK
- BAHAMAS NATIONAL TRUST
- BAHAMAS PRIMARY STUDENT OF THE YEAR
- BAHAMAS RED CROSS SOCIETY
- BLAIRWOOD ACADEMY
- BRITISH LEGION BAHAMAS BRANCH
- CANCER SOCIETY
- CHAMPION AMATEUR BOXING CLUB
- CHRISTIAN COUNSELLING CENTER
- CRIME STOPPERS BAHAMAS
- DEPARTMENT OF SOCIAL SERVICES
- DYNASTY JUNKANOO GROUP
- FANCY DANCERS JUNKANOO GROUP
- GOOD SAMARITAN SENIOR CITIZENS' HOME
- GRAND BAHAMA HOME FOR THE AGED
- GREAT COMMISSION MINISTRIES INTERNATIONAL
- HUGH CAMPBELL BASKETBALL CLASSIC
- KINGDOR NATIONAL PARKINSON FOUNDATION
- KIWANIS CLUB OF EIGHT MILE ROCK
- LIGNUM VITAE CENTRE OF HOPE
- MINISTRY OF EDUCATION-2016 BJC/ BGCSE AWARDS CEREMONY
- MUSIC MAKERS JUNKANOO GROUP
- NATIONAL CRIME PREVENTION OFFICE
- NATIONAL EMERGENCY MANAGEMENT AGENCY (NEMA)
- NEW PROVIDENCE WOMEN'S BASKETBALL ASSOCIATION
- PACE FOUNDATION
- PERSIS RODGERS HOME
- PRODIGAL SON JUNKANOO GROUP
- RANFURLY HOME FOR CHILDREN
- RAYBERTHA'S SENIOR CITIZEN CENTER
- REDLAND SOLDIERS JUNKANOO GROUP
- ROOTS JUNKANOO GROUP
- ROYAL BAHAMAS POLICE FORCE RANGERS
- SALVATION ARMY
- SANDILANDS REHABILITATION GROUP
- SIR VICTOR SASSOON (BAHAMAS) HEART FOUNDATION
- SPECIAL OLYMPICS BAHAMAS
- TEEN CHALLENGE
- THE GOVERNOR GENERAL YOUTH AWARD
- THE NATIONAL L.E.A.D INSTITUTE
- THE POLICE STAFF ASSOCIATION
- TRAINING CENTRE FOR THE DISABLED
- UNITY HOUSE
- UNIVERSITY OF THE BAHAMAS-ATHLETIC DEPARTMENT

Congratulations on 45 Years of Service Excellence

"We are all better team members and better people because of the example Mr. Sands sets every day, never resting on what he achieved yesterday, but searching for a way to improve tomorrow for everyone."

- The Commonwealth Bank Family

Forty-five years ago, a young man walked into work at Commonwealth Bank with a shy grin on his face and a sense of excitement about his first job. Today, that man, William B. Sands, Jr. serves as Executive Chairman of the Bank he helped guide from modest beginnings to a financial powerhouse with more than $1.6 billion in total assets and a belief in Bahamians. His vision and leadership have inspired and motivated staff, built confidence among shareholders and improved life and education for thousands of customers.

On his 45th anniversary, and at the pinnacle of a career that has made and continues to make a difference to our nation, the Board of Directors, Management and Staff of Commonwealth Bank take the opportunity to thank Mr. Sands for his dedication and devotion to the Bank and to the Bahamian people.

IAN A. JENNINGS
President

INTRODUCTION

Since the Bank's inception 56 years ago, the Bank, similar to The Bahamas itself, has experienced many peaks and valleys. In successfully overcoming each of the challenges encountered, the Bank has continued to develop and expand its product and service mix in order to address the ever-increasing banking needs of a demanding and knowledgeable consumer oriented customer base.

The business headwinds that have faced the financial services industry in the Caribbean since the global economic downturn originated in 2008 have also continued to persist. Additional stress on the Bahamian economy and our customers continued in October 2016 when Hurricane Matthew passed over The Bahamas causing significant damage throughout the North West Bahamas.

The Bank's response was to assist Bahamians through the implementation of a timely, effective and expanded assistance programs. Simply said, it was to fulfill the Bank's ongoing Vision, Mission and Values of... "Bahamians helping Bahamians."

Key elements of the Bank's hurricane assistance programme focused on Hurricane Matthew donations, special assistance to staff and loan assistance where required. In excess of $500,000 has been committed to those adversely impacted by Hurricane Matthew as well as other social service entities.

Despite the slower economy coupled with the impact of Hurricane Matthew, the Bank was encouraged by being able to sustain its long standing pattern of growth and profitability by following its well entrenched business model. The underlying objective of this long standing business model is:

"The Bank seeks assurance that the deposits and investments placed with it to enhance a customer's own financial future are invested in ways, not only to ensure the safety and soundness of their funds but also, to assist customers and stakeholders with securing their own financial future."

SUMMARY OF FINANCIAL PERFORMANCE

Commonwealth Bank remains a "Made in The Bahamas" success story, with all of its revenue generation and distribution of profits remaining in The Bahamas.

As noted, Commonwealth Bank had another encouraging solid and profitable year in 2016. Despite the impact of Hurricane Matthew, we were able to finish the year only slightly below our 2015 record year. The positive operating results were achieved despite ever-increasing competition and a lingering less than dynamic economic environment which saw a downgrade by Standard and Poor's at the end of the year. Adding to the aforementioned challenges was an increasing tax regime coupled with increased regulatory oversight costs and requirements.

The favorable operating results however, have allowed the Bank to continue to further enhance its capital base in a safe and sound manner in order to prepare the Bank for possible expansion and or growth opportunities should they present themselves in 2017. As well, The Bank has been able to sustain its historical level of contributions to local social organizations, (including large donations to Hurricane Matthew relief) while continuing its shareholder dividend payment policy.

A SUMMARY OF KEY FINANCIAL DATA – ANOTHER SOLID PERFORMANCE

Key Elements of the Financial Performance

Asset growth of approximately 5% was also encouraging. Total assets as at December 31st marginally exceeded the $1.6 Billion level which was a new record for the Bank with the achievement close to the established financial plan for 2016. The asset growth was well spread throughout all asset categories.

Total profit for 2016 was $57.4 Million slightly less than the $57.8 Million reported for the 2015 fiscal year. Contributing to the positive results has been the continuing efforts to control costs through expense mitigation techniques and practices that are reflected in the Bank's reported efficiency ratios.

However, the Bank's financial results were not immune to the impact of Hurricane Matthew. The financial impact centered most notably in the area of loan impairment. The benefit of having a conservative and anticipatory provisioning methodology required the Bank to add to the loan expense category during the fourth quarter of 2016 in order to reflect the market realities and the Bank's conservative accounting policies and procedures. However, we are encouraged by the positive news coming out of the Baha Mar project since the turn of the year and are hopeful that the hotel's opening in 2017 will enable many businesses to participate in and profit from the injection this will make into the economy.

Profitability ratios are not the only indicators of the strength and safety and soundness of a Bank. Rather, other important financial and performance ratios can provide further insight into the ongoing stability of a bank. Some of the more industry accepted measurement criteria used include earnings per share (EPS), return on assets (ROA), return on shareholder equity (ROE), net interest margin (NIM) and capital adequacy (Regulatory Defined) requirements.

I am pleased to report that the Bank continues to report positive and stable operating and performance ratios.

The ongoing excessive liquidity in the economy continued to drive down interest expense rates during the year and culminated in the Central Bank of The Bahamas decreasing the Discount Rate to the Clearing Banks by 0.5% in December 2016. The Clearing Banks decreased the prime rate by the same amount effective January 3, 2017. While the cost of holding excess liquidity decreased as a result of the falling rates, the increase in Total Assets that resulted from higher liquidity, along with the increase in loan impairment expense arising after Hurricane Matthew resulted in dilution of many of our measurement criteria from the high points of 2015, though leaving them at well-respected levels.

CONTROL AND MANAGEMENT OF THE BANK'S CORE ASSETS

The quality and management of the Bank's credit risk portfolio is a critical element in determining the safety and soundness and sustainability of a bank.

Since the Bank's inception, it has followed a simple but well entrenched credit risk model and methodology:

"The Bank will only assume credit risk it understands and that can be managed profitably within the established credit risk policies, procedures and guidelines the credit risk undertaken which must be supported by an effective and timely reporting and independent monitoring program."

The Executive and Board of Directors play an important oversight role of the credit risk portfolio through ensuring the Credit Risk function is facilitated through the development and approval of product limits, sound and anticipatory provisioning and timely credit risk status reports.

Key elements of the Credit Risk management process is the Credit Risk rating system and the consumer lending scoring system that assist lenders in establishing the necessary risk return parameters. These credit risk guidelines supported by a rigorous reporting system are also updated as required by market realities.

The Executive and Board of Directors also play an important role in the Credit Risk function through their independent oversight role. Stable asset quality ratios reflect the Bank's ongoing dedication to the flexible and rigorous Credit Risk Management process.

The mortgage market continues to be stagnant and we continue to see the slowly increasing drag on our non-performing ratios from this sector. However, our Non-performing Loan ratio remains a leading performance indicator in the industry at 4.22%. In contrast, the Central Bank reported Non-performing loans to Total Loans ratio of 12.32% at the end of December 2016.

RETURN TO OUR SHAREHOLDERS

2016 proved to be a historic year for the Bank, in another notable way. The increase in share price from $7.84 at December 31, 2015 to $10.50 at December 31, 2016 resulted in the Bank having the largest market capitalisation of companies listed on BISX. The Bank also continued its trend of leading the way in highest traded securities by volume and value. In addition to the increase in share price during the year, the Bank, in keeping with its philosophy of sharing its success, paid extra-ordinary dividends in February and November 2016. A further extra-ordinary dividend was approved for payment in March 2017, as a final dividend for 2016 (as was the February 2016 dividend for the year 2015). Despite sailing rough seas in the period since the recession of 2008, the Bank has managed to outperform expectations.

A CORE ELEMENT OF THE BANK'S CONTINUING SUCCESS – OUR EMPLOYEES

The fact that the Bank has been able to outperform expectations is the result of the Bank's good fortune to have 555 dedicated and supportive Bahamian employees. The Executive and Board of Directors have appreciated the ongoing support and dedication of our employees without whom the Bank's success would not be possible.

A contributing factor to the success of the Bank has been the long standing objective to only employ "High Potential" Bahamians who have an acute understanding of the Bank's mission and core values and are committed to the well-being of our customers and stakeholders. The Executive and Senior Management were pleased to report that the Bank, in 2016, was able to comply with this objective.

With the changing market requirements and advancement of technology driven products and services, the need for continual investment in our employees is necessary. This commitment is not only to ensure their skills parallel the needs of our current and strategic direction, but it is also a critical element of the Bank's day-to-day operations and succession planning process.

During 2016, the Bank significantly expanded its ongoing training programs to allow employees to further address and better understand the current market realities.

SUSTAINING SUCCESS

The Executive and Board of Directors approach 2017 with cautious optimism. This optimism is supported by the comments contained in the latest Quarterly Economic Review provided by the Central Bank of The Bahamas which stated: "Preliminary information suggests that domestic economic conditions remained mildly positive during the third quarter of 2016, as foreign investment projects provided impetus to the construction sector... while the tourism sector benefited from the hosting of a number of international events. Marginal improved attitudes of consumers have also been noted as a result of continuing customer contact."

Admittedly, The Bahamas is likely to be faced with continued economic headwinds in 2017. Some of the pressure is anticipated to come from geopolitical issues while others will likely be associated with the competitive actions taken by some other domestic financial entities.

Competition for quality business will remain our greatest challenge in 2017. Despite the expected challenges, The Bank looks forward to continuing to expand its market share and loan portfolios through sustaining a sound financial position and prudent risk management policies and practices.

IAN A. JENNINGS
President

IAN A. JENNINGS, President
BFSB 2016 Industry Excellence Award
Executive of the Year

LYNDEN SMITH, Special Credit Supervisor
BFSB 2016 Industry Excellence Award
Mentor of the Year

Our employees are the drivers of our mission and represent our most productive investment. Commonwealth Bank fosters an environment that encourages innovative thinking and new ways to exceed our customers' expectations. It is our belief that an engaged workforce is our competitive advantage and we strive to provide a work environment where all staff members can pursue a rewarding career and reach their fullest potential.

We are fortunate to have colleagues who truly believe in the Bank and its efforts to make far-reaching and positive differences and we will continue to build on our combined strengths to be the best-run, most integrated and relentlessly customer-focused bank in The Bahamas.

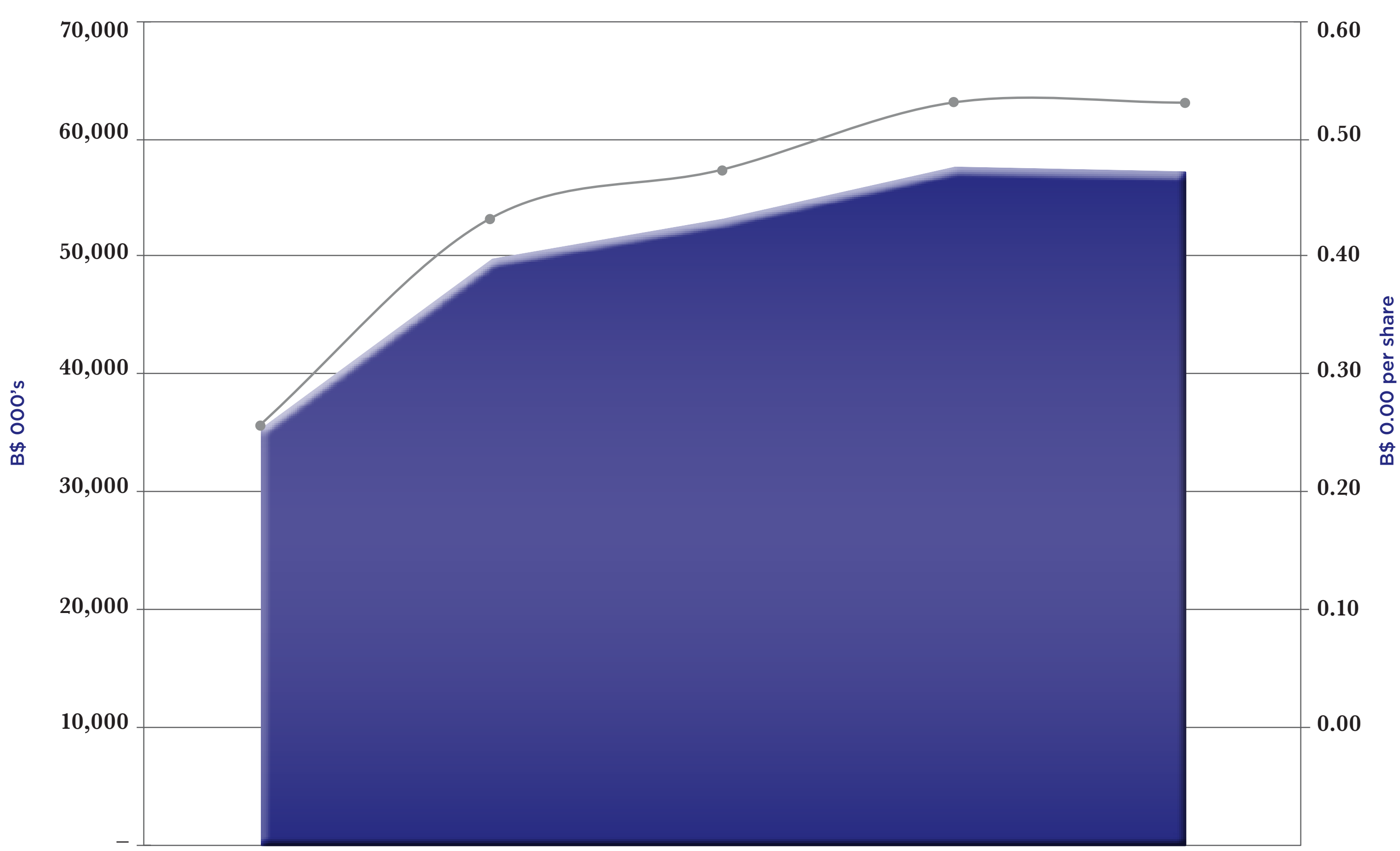
BFSB 2016 INDUSTRY EXCELLENCE AWARD

The Bahamas Financial Services Board (BFSB) presented top honours to outstanding individuals for their contribution to the growth and development of the financial sector industry. We were proud to have our team members recognized, winning both categories for the second consecutive year:- **Ian Jennings, President, was awarded BFSB 2016 Industry Excellence Award – Executive of the Year** and **Lynden Smith, Special Credit Supervisor, Delinquency Department was awarded Mentor of the Year.**

Financial Highlights 2016

	2016	2015	Change
Total profit	$ 57,350	$ 57,769	-0.73%
Total comprehensive income	$ 59,858	$ 55,696	7.47%
Total assets	$ 1,608,748	$ 1,535,174	4.79%
Earnings per share	$ 0.54	0.54	0.00%
Return on common shareholders' equity	21.13%	24.89%	-15.11%
Common share dividends	$ 0.36	$ 0.30	20.00%
Total profit available to common shareholders	$ 52,249	$ 52,668	-0.80%
Gross revenues	$ 160,426	$ 152,117	5.46%
Efficiency ratio	45.48%	47.22%	-3.68%
Liquidity ratio	35.88%	34.52%	3.94%
Tier 1 capital	$ 332,857	$ 313,995	6.01%
Total capital	$ 347,620	$ 328,143	5.94%
Regulatory capital	29.43%	28.99%	1.52%

TOTAL PROFIT AND EARNINGS PER SHARE



	2012	2013	2014	2015	2016
Total Profit $000's	35,354	49,845	53,267	57,769	57,350
EPS	0.31	0.46	0.49	0.54	0.54

This Management's Discussion and Analysis of our financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the fiscal year ended December 31, 2016, compared to the preceding year. For a complete understanding of trends, events, uncertainties and the effect of critical accounting estimates on our results of operations and financial condition, this Management's Discussion and Analysis should be read carefully together with our Consolidated Financial Statements and related Notes. This Management's Discussion and Analysis is dated March 3, 2017. All amounts reported are based on financial statements prepared in accordance with International Financial Reporting Standards.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

EXPANDED INDEPENDENT AUDITORS' REPORT

Included in the consolidated financial statements is an expanded Independent Auditors' Report as required by the International Auditing and Assurance Standards Board (IAASB). According to the IAASB, investors and other users of financial statements have called for the Auditors' report to be more informative – in particular, for auditors to provide more relevant information to users based on the audit that was performed. Overall, the objective of the IAASB was to enhance the communicative value of the Auditors' report, in the public interest. The key elements of the expanded report include disclosures related to the following:

- Key audit matters that, in the professional judgement of the auditors, were of most significance in the audit of the consolidated financial statements;
- Those responsible for information other than the consolidated financial statements included in the annual report;
- Responsibilities of management and those charged with governance for the consolidated financial statements; and
- The Auditors' responsibility for the audit of the consolidated financial statements.

EXECUTIVE SUMMARY

Commonwealth Bank is the largest wholly Bahamian owned clearing bank in The Commonwealth of The Bahamas with assets of $1.6 billion and market capitalization of $1.03 billion at December 31, 2016. The Bank remains focused on being the complete personal banker for Bahamians and continues to be the industry leader capturing approximately 40% of the consumer loans market at the end of 2016.

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

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

Key to the Bank's success over the years has been its commitment to employing Bahamian professionals as part of the Commonwealth Bank team. For the year 2016, the Bank once again had no employees requiring work permits on staff. Equally important to our success is the effective oversight and governance provided by our Executive Management and Board of Directors.

In 2016, the Bank posted profits of $57.4 million which was materially the same as 2015 profits. This was an impressive performance especially considering that during the year the country was heavily impacted by Hurricane Matthew which resulted in hotel closures and associated temporary and permanent job losses. Apart from the hotel closures that came as a result of the storm, there were additional layoffs at several hotels during the year. The much needed injection into the economy that was anticipated from the opening of BahaMar did not materialise as the opening of the resort was deferred to 2017. In light of the foregoing, and the overall lack of economic growth and continuing high levels of unemployment, the Bank fared well as it continued to employ prudent but customer focused lending practices and strategic expense mitigation practices.

The Bank's balance sheet remained healthy with total assets at December 31, 2016 of $1.6 billion, while regulatory capital was 29%, significantly above the 17% required by The Central Bank of The Bahamas.

The Bank's strong performance in 2016 was reflected in key financial ratios including Return on Assets (ROA) of 3.36% (2015: 3.51%), Earnings per Share (EPS) of $0.54 (2015: $0.54) and Return on Equity (ROE) of 21.13% (2015: 24.89%). The decrease in ROA and ROE is as a result of the growth in the Bank's overall assets and equity, respectively while the net income was virtually unchanged.

The Bank continued its historical pattern of dividend distribution to shareholders as it paid out total dividends of more than $35 million in 2016 ($0.36 per share) to the Bank's common shareholders which includes $5.9 million that related to 2015 earnings. In February 2017, the Board of Directors approved an extra-ordinary dividend of 6 cents per share to be paid in March 2017. This will bring the notional dividend payout ratio to 67% for 2016 – although from an accounting perspective this dividend will be recorded as a 2017 dividend.

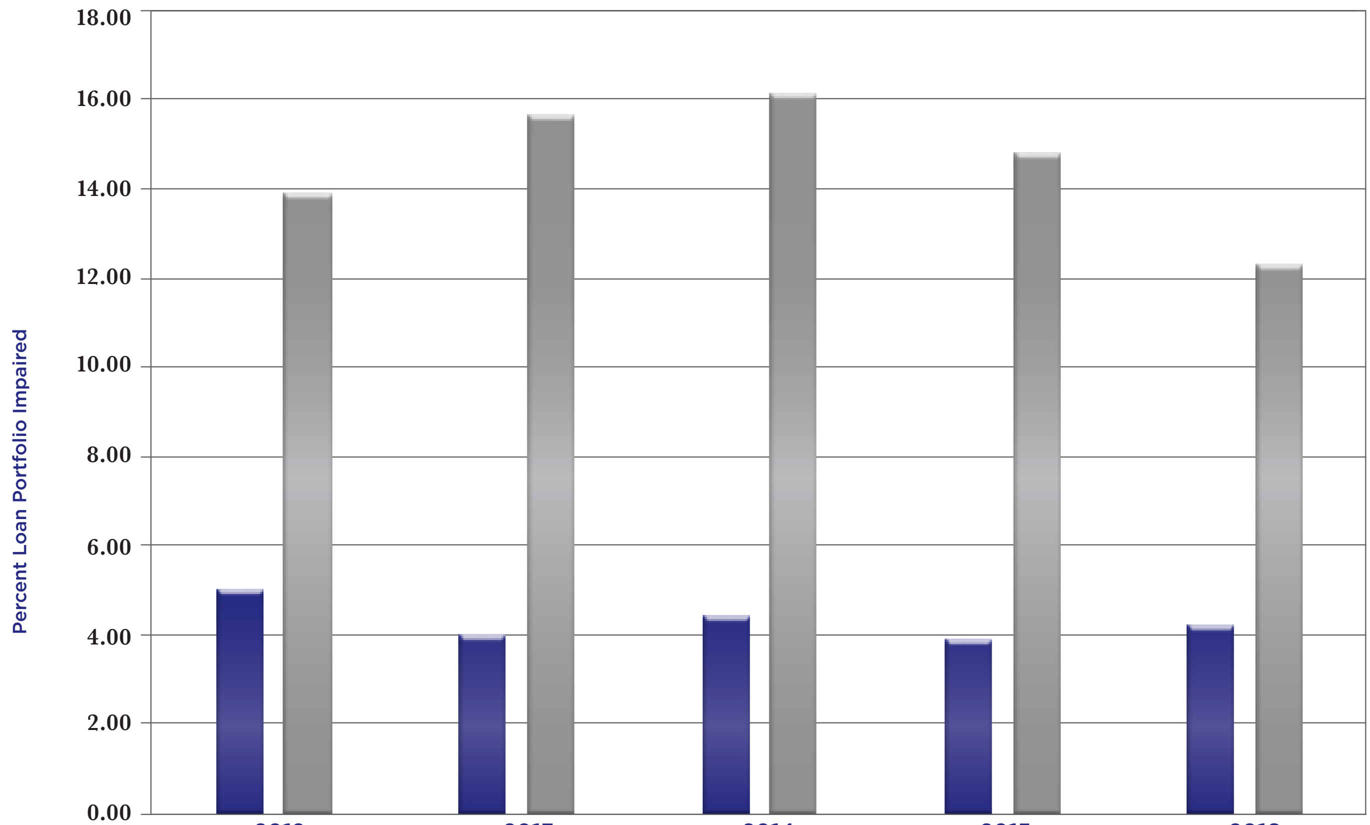
In the fourth quarter, the Bank introduced its chip enabled VISA debit card which offers an improved level of security and convenience to customers. With the new debit card, customers are able to perform point-of-sales and ATM transactions both locally and internationally. The debit card reduces the need to carry cash and the chip technology significantly reduces the risk of fraud. To date, customer acceptance and usage of the debit card has been encouraging.

REVIEW OF CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

NET INTEREST INCOME

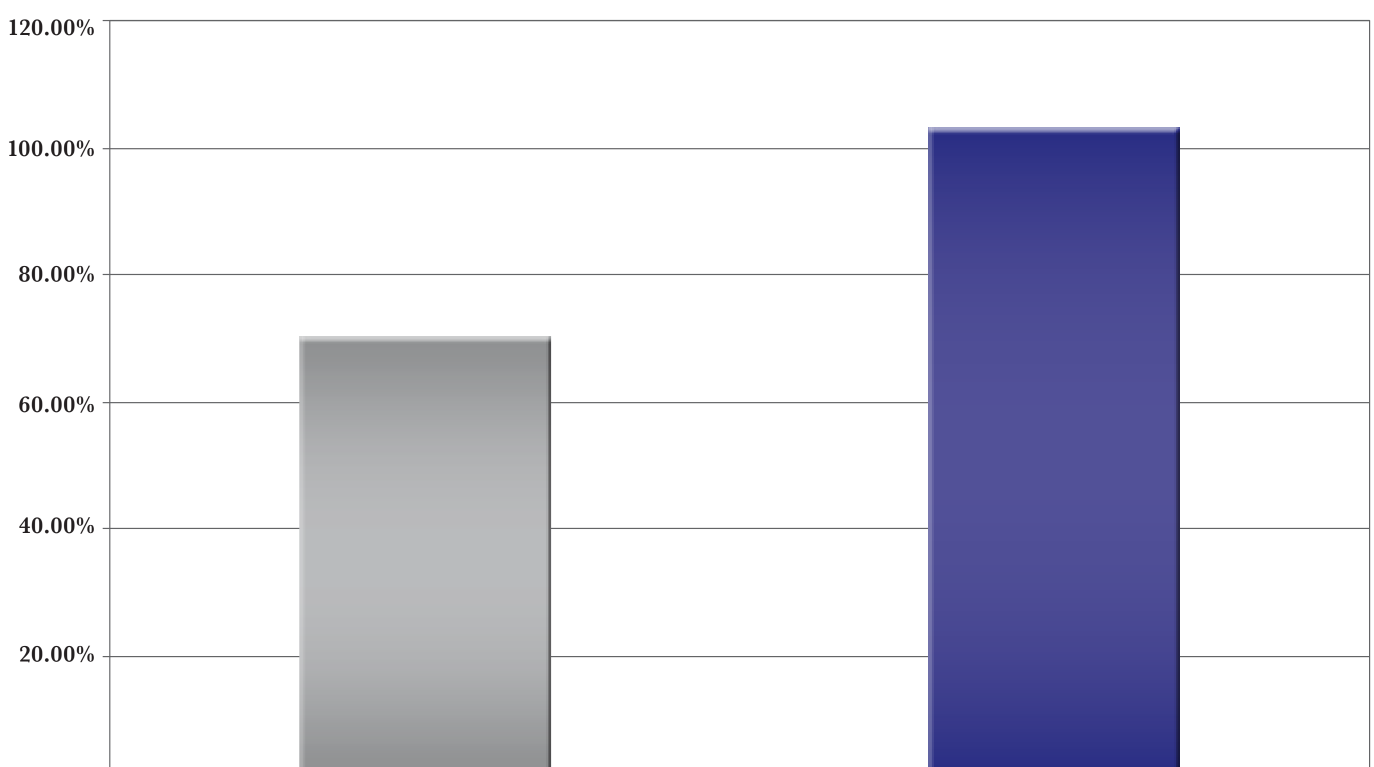
Net interest income represents the amount by which interest income on interest earning assets exceeds interest expense incurred on interest bearing deposits and other liabilities. Net interest income is the principal source of the Bank's earnings. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities combine to affect net interest income.

PERFORMANCE AGAINST INDUSTRY: PAST DUE LOANS - 90 DAYS + ARREARS



	2012	2013	2014	2015	2016
Commonwealth Bank	5.01	4.03	4.46	3.93	4.22
Industry 90 Days + Past Due	13.90	15.67	16.13	14.82	12.32

IMPAIRMENT ALLOWANCE COVER OF IMPAIRED LOANS AT DECEMBER 2016



	Impaired Loan Coverage - Industry	Impaired Loan Coverage - CB
SERIES 2	70.24%	103.40%

For the 12 months ended December 31, 2016, the Bank's net interest income was $145 million compared to $136 million in 2015. This represents an increase of 6.14%. The marginal growth of the credit risk portfolio along with favorable interest rate spreads were the main contributors to the expansion of this important financial measure category.

LOAN LOSS IMPAIRMENT

International Financial Reporting Standards (IFRS) require that loans be assessed regularly for impairment losses. A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. In line with industry standards, the Bank classifies loans that are 90 days or more past due as impaired in addition to loans that are less than 90 past due but on a principal only repayment schedule.

The Bank has in place a risk rating system that allows for customer accounts to be flagged and reviewed for potential impairment. The Bank's allowance for loan losses also incrementally increases as customers' rate of default rises. Further, the Bank proactively recognizes loan impairment arising from delays in real estate security realization.

The Bank follows international best practice of writing off consumer loans at 180 days contractually past due. The Bank has consistently worked with mortgage customers who have experienced financial difficulties to assist them in remaining in their homes while they find sustainable employment. The Bank has also participated in the Government's Mortgage Relief Programme and has a small number of customers who have qualified for the plan. It is important to note that the majority of mortgage customers who had difficulty meeting their obligations, were already being assisted through the Bank's internal assistance plans.

Total write-offs for the Bank increased in 2016 by 11.8% to $33.7 million from $30.1 million in 2015. The increase reflects the ongoing weaknesses in the economy and the high levels of unemployment. While write-offs increased during the year, sustained focus by the Bank on the recovery on written-off loans resulted in a significant increase in recoveries by 10.5% to $12.6 million. (2015: $11.4 million).

	2016	2015	%Change
Impaired loans	70,761	63,388	11.6%
% of loan portfolio	5.9%	5.6%	5.4%
Impaired allowances	73,164	61,773	18.4%
Impaired allowances/ Impaired loans	103.4%	97.5%	6%

Total impaired loans increased in 2016 by $7.3 million (11.6%) to $70.8 million. Contributing to the increase in impaired loans is the effect of the assistance provided after the passage of Hurricane Matthew. After the storm, the Bank provided relief to customers by deferring payments up to 90 days to allow them to recover from the storm an affect much needed repairs to their properties. The customers who took advantage of this program and whose accounts had not received payments for 90 days or more are included in the impaired loans amount. It is expected that the impaired loans will decrease once these accounts are back on their regular payment schedules.

The Bank's total allowances for loan impairment were $73.1 million which represented 6.2% of total loans as at December 31, 2016 (2015: $61.8 million and 5.49%). While impaired loans increased, impairment allowances increased by an even greater percentage of 18.4% which is indicative of the Bank's conservative and prudent approach to managing credit risk. The coverage of impairment allowances to impaired loans also increased by 6% to 103.4%.

Of the $70.8 million in impaired loans, $41.8 million was secured mortgages and business loans, a $3.9 million (10%) increase over 2015. Allowances for loan impairment are lower for secured loans (mortgage and business loans) where there is significant collateral value underlying the loan in contrast to the personal consumer loan portfolio which is mostly unsecured. Percentage cover of loan impairment allowances against these categories is as follows:

	2016	2015	% Change
Secured	59.9%	57.8%	3.7%
Unsecured	166.3%	156.4%	6.3%
Total	103.4%	97.5%	6.0%

Commonwealth Bank continues to report stronger credit quality ratings overall than the industry. With the exception of the mortgage category, the Bank significantly outperformed the industry when reviewing reported delinquency and non-accrual ratios. Over the past two years, the Bank has been challenged by competitively priced offerings from other banks which have attracted some of our top tier mortgage customers resulting in the shrinkage of the mortgage portfolio and in turn has caused struggling accounts to have a greater impact on the overall portfolio quality.

Moving into 2017, management has devised a strategy to solidify the existing mortgage portfolio and to once again put the portfolio on a path to growth while ensuring that the Bank's credit quality standards are maintained.

	Consumer	Mortgage	Business	Total
Arrears (31 days & Over)				
CB	3.59%	19.14%	8.65%	6.79%
Industry*	10.70%	19.38%	27.80%	17.07%
Nonperforming Loans (90 days & Over)				
CB	1.52%	14.97%	5.39%	4.22%
Industry*	7.06%	13.75%	22.81%	12.32%

* Source: The Central Bank of The Bahamas

NON-INTEREST INCOME

The greatest source of noninterest income for the group of companies is generated from the Bank's insurance subsidiary – Laurentide Insurance & Mortgage Company. Net credit life insurance income was $6.3 million, a decrease of $0.8 million (12.1%) from 2015. Total premiums collected in 2016 was $16.7 million compared to $18.7 million in 2015, a decrease of $1.9 million (10.7%). Total death claims for the year was $1.2 million showing a modest improvement of 1.8% over 2015.

Other noninterest income grew to $9.4 million, an increase of $0.8 million or 9.3% above 2015.

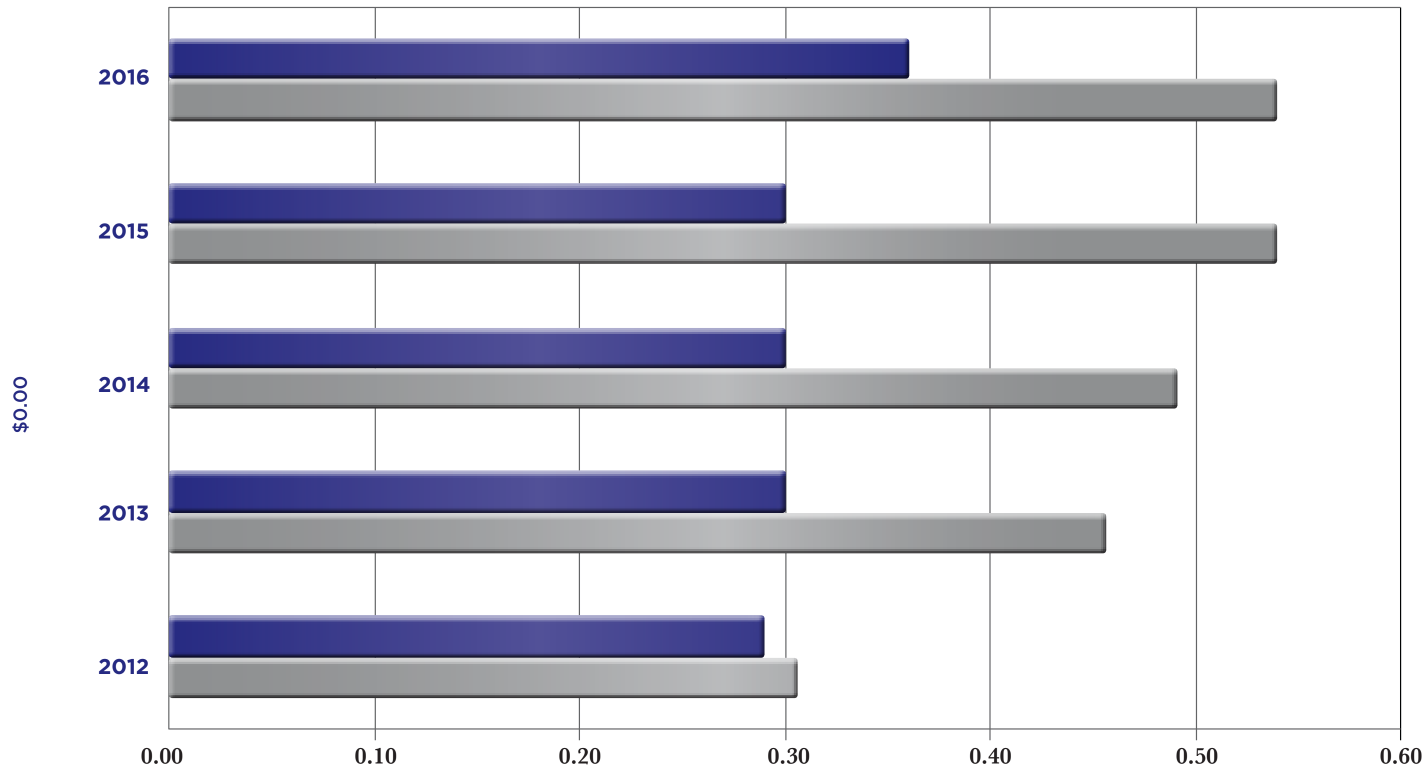
NON-INTEREST EXPENSE

Total noninterest expense in 2016 was $70.6 million compared to $69.4 million in 2015, an increase of 1.7%.

Staff costs decreased by 1.1% in 2016 to $38 million from $38.1 million in 2015.

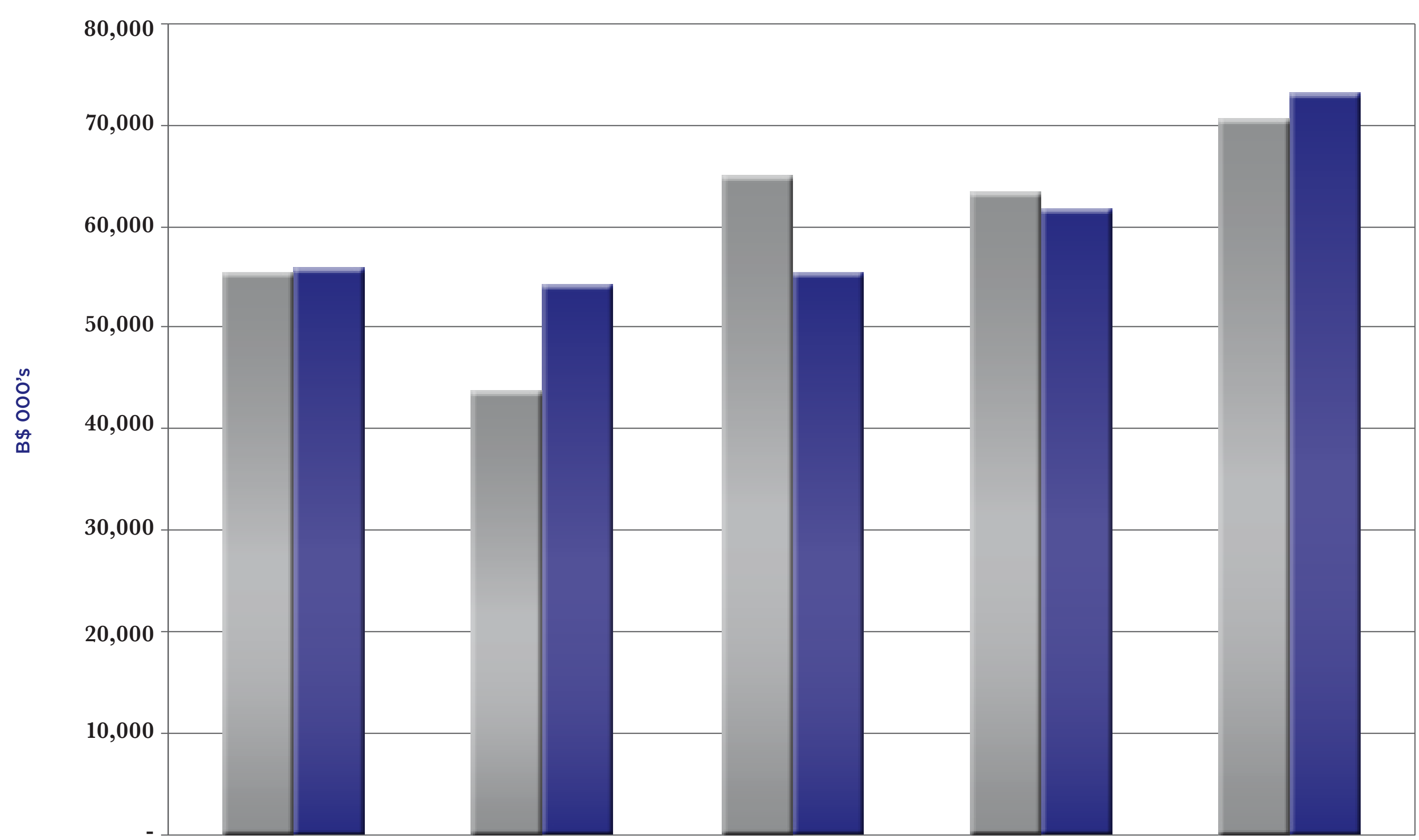
One of the main contributors to the decrease was the reduction in pension costs which offset the normal increase in staff costs. In November 2015, employees who were members of the Bank's defined benefit pension plan were given the opportunity to transfer their benefits to the defined contribution pension plan. Members representing $50 million of the defined benefit plan's $70 million in assets took advantage of the offer to convert to the defined contribution

EARNINGS PER SHARE AND DIVIDENDS PER SHARE



	2012	2013	2014	2015	2016
Dividends Per Share	0.29	0.30	0.30	0.30	0.36
Earnings Per Share	0.31	0.46	0.49	0.54	0.54

IMPAIRED LOANS AND IMPAIRMENT ALLOWANCES



	2012	2013	2014	2015	2016
Impaired Loans	55,418	43,687	65,069	63,388	70,761
Total Allowances	55,921	54,371	55,557	61,773	73,164

plan. This decision by staff resulted in an overall pension cost savings of $1.3 million or 39%. The introduction of the defined contribution plan is expected to reduce the level of volatility in financial results in accordance with the guidance provided in IAS 19 - Employee Benefits. The change in the Bank's net pension asset for the year which totals $2,508 is included in Other Comprehensive Income (OCI) in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

As a part of its ongoing commitment to developing its staff, the Bank continued various training and development initiatives, which are expected to continue in 2017.

OPERATIONAL EFFICIENCY

The operational efficiency ratio is calculated by dividing total non-interest expenses by net interest income plus non-interest income less preference share dividends. It is a simple assessment of how well the Bank is managing its resources. For the twelve months ended December 31, 2016 the Bank's efficiency ratio was 45.48% compared to 47.2% in 2015. The reduction in the ratio indicates that the Bank has improved on its resource management and to put it another way, spent approximately 45 cents to make a dollar rather then 47 cents. The Bank also remained well within the Bank's goal of less than 50%.

MANAGEMENT OF FINANCIAL POSITION

Total assets at the end of the year was $1.6 billion, an increase of 4.8% over the previous year. Credit risk assets which accounted for 73.4% of the Bank's assets amounted to $1.18 billion at December 31, 2016, an expansion of $41.3 million. (2015 growth: $24.5 million).

The Bank's consumer loans were $881.4 million as at year-end, an increase of $60 million (6.7%) over the previous year. Consumer loans in the banking industry expanded by $78.6 million (3.6%) in 2016. The Bank continued to be "The Leader in Personal Lending" with an impressive market share of approximately 40%.

Total industry mortgage loans contracted by $112 (3.6%) million in 2016. The contraction was due mainly to the sale of non-performing mortgages from a bank entity to a non-bank entity. The Bank's mortgage portfolio recorded a decline of $13.9 million (-5.7%) in 2016. Mortgage balances at December 31, 2016 were $228.4 million with additional commitments of $9.2 million compared to $242.3 million with $5.9 million in commitments outstanding at December 31, 2015. At December 31, 2016 the mortgage portfolio made up approximately 19.3% of the total loan portfolio, (2015: 21.3%). Aggressive marketing by our competitors resulted in most of the reduction in the portfolio during the year. As previously indicated, the Bank will aim to reverse the decline in the portfolio in 2017.

The Bank is focused on ensuring that the growth in the credit portfolio comes as a result of good quality loans which continues to be a challenge given the current economic environment. To this, end the Bank continues to review and strengthen its lending criteria and practices.

The business loan portfolio at December 31, 2016 was $34.4 million or 2.9% of the loan portfolio, (2015: 3.3%), a decline of $3.7 million, (-9.6 %) from the $38.1 million at December 31, 2015. Total business loans in the industry also declined in the amount of $59.1 million.

Our credit card loans were $36.5 million, an increase of $3.9 million or 11.9% above 2015. The increase in the levels of credit card receivables was as a result of multiple strategic initiatives including quarterly campaigns and the implementation of various focused and niche marketing initiatives.

Total deposits as at December 31, 2016 closed at $1.2 billion an increase of $58.9 million or 5% compared to the deposit levels as at December 31, 2015. The Bank's CDs declined by $4.7 million (-0.5%) while demand deposits and savings accounts grew by $19.6 million and $44 million (17.4% and 23%), respectively. This conversion of higher yield CDs to lower yield deposits as well as generally declining CD interest rates enabled the bank to record reduced interest expense despite the increase in overall deposit balances.

THE COMPONENTS OF CAPITAL

A strong capital base is a foundation for building and expanding the Bank's operations and services in a safe and sound manner. The Bank's total capital increased $19.5 million in 2016 to $347.6 million (2015: $328.1 million) and encompasses two parts:

- Tier 1 Capital, which consists primarily of Common and Preference Shareholders Equity, totaled $332.9 million, which was above December 31, 2015 Tier 1 capital of $314 million by 6%.

  During the year, the Bank purchased 84,895 of its shares for $0.8 million (2015: 216,188 shares for $1.6 million) through its wholly-owned subsidiary C.B. Securities. At December 31, 2016, 1,070,985 (2015: 986,090) shares were held by the subsidiary with a value of $11.4 million. (2015: $7.8 million). These shares fund the Bank's Stock Compensation Plans and inject liquidity into the local market by the purchase of shares from the market in small quantities. The purchase of shares from the market was preapproved by The Central Bank of The Bahamas.

- Tier 2 Capital consists of loan loss allowance up to a maximum of 1.25% of risk adjusted assets and cannot exceed Tier 1 Capital. The Bank had $14.8 million in capital associated with loan loss allowance (2015: $14.1 million) which is the maximum allowed per Central Bank guidelines.

The Bank's total capital ratio was 29.4% at December 31, 2016 (2015: 29%). The minimum capital ratio as prescribed by The Central Bank of the Bahamas is 17%. Therefore, the Bank's ratio exceeds the minimum capital levels by 73.1% (2015: 70.6%).

BANK-WIDE RISK MANAGEMENT

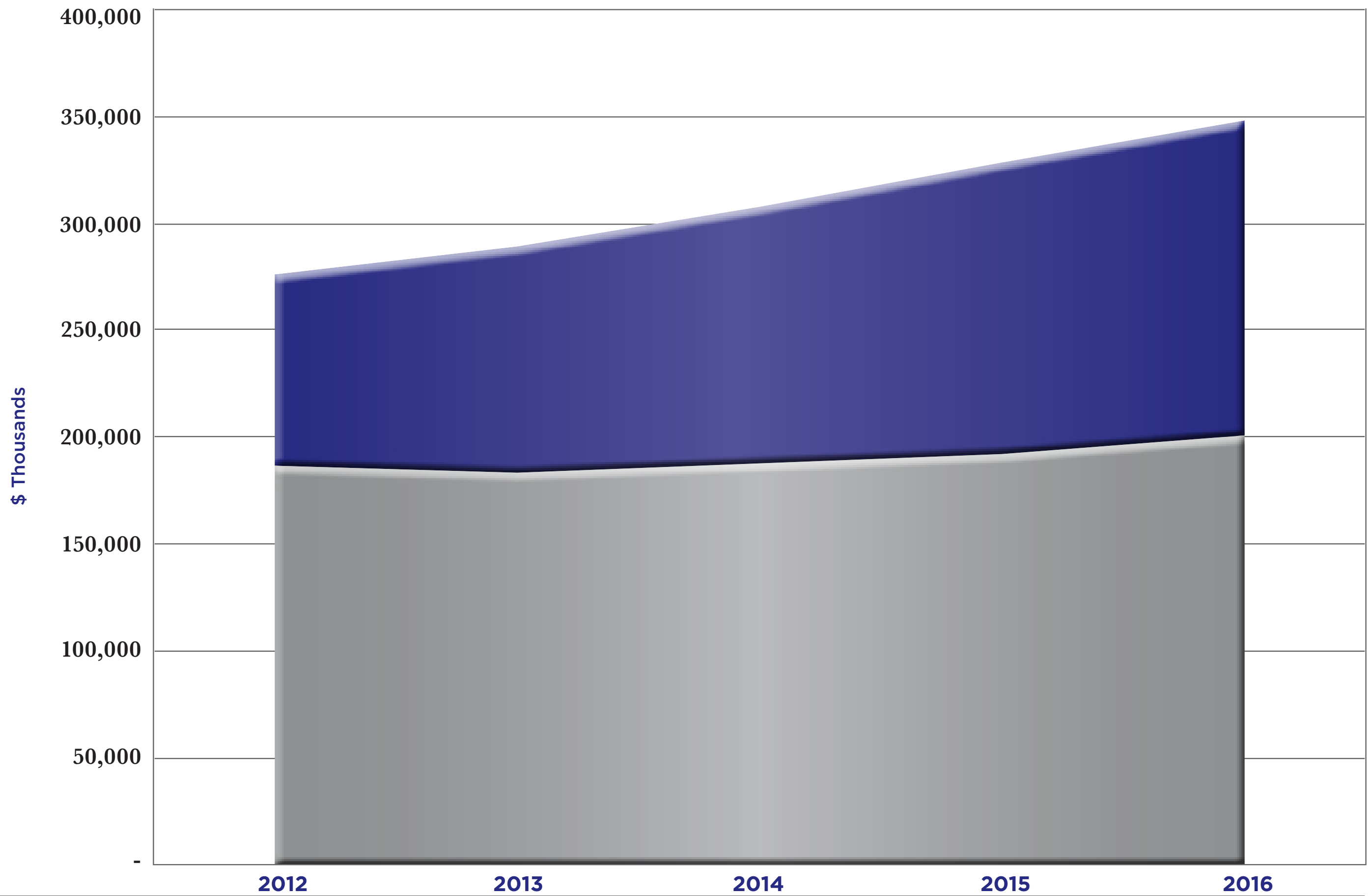
The Bank's risk management structure promotes the making of sound business decisions by balancing risks and rewards. The Bank's risk profile and risk appetite are confirmed by the Board of Directors at least annually and updated as required in the corporate policies approved by the Board of Directors.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

The management and processes of controls designed to mitigate risks are summarized in the notes to the Consolidated Financial Statements and in other sections of this representation.

CREDIT RISK MANAGEMENT

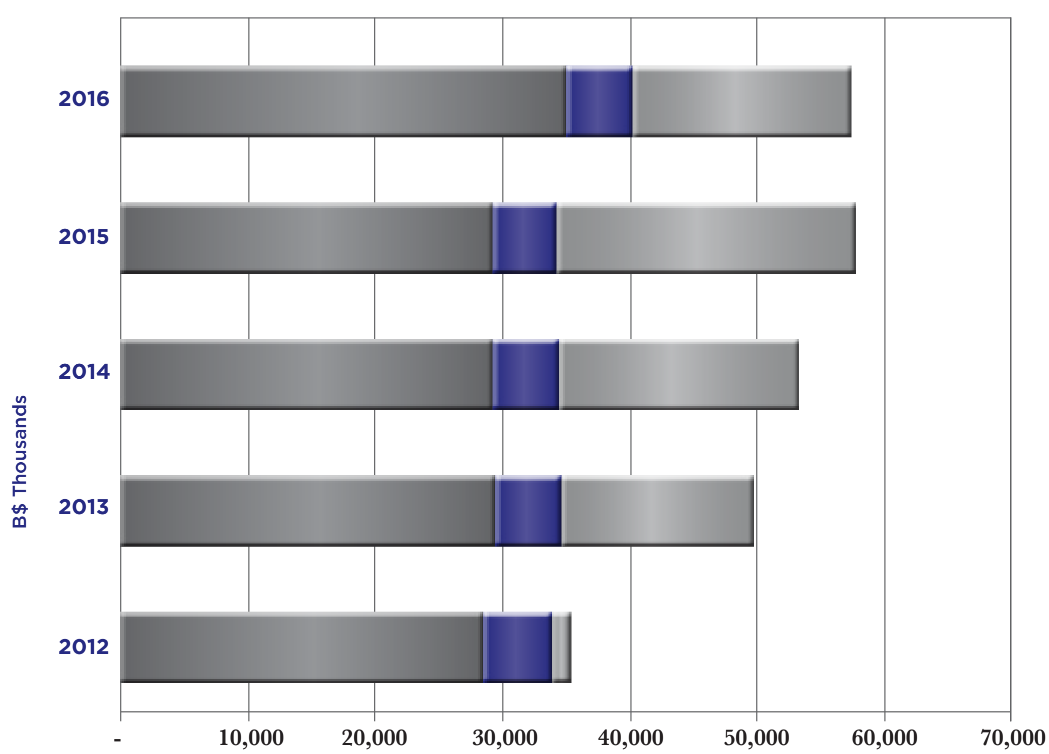
The Board of Directors and the Executive Management work together to ensure the Bank's credit risk management process and supporting policies, procedures and reporting guidelines remain appropriate in order to effectively manage the Bank's approved credit risk profile through various market conditions. Clearly defined credit risk limits are established, reassessed annually and are supported by the mandatory use of the instituted credit risk rating

CAPITAL VERSUS REGULATORY CAPITAL



	2012	2013	2014	2015	2016
Excess Regulatory Capital	89,238	105,838	120,216	135,730	146,837
Minimum Regulatory Capital	186,462	183,068	188,005	192,413	200,783

TOTAL PROFIT DISTRIBUTION



	2012	2013	2014	2015	2016
Common Dividends	28,513	29,383	29,332	29,245	35,057
Preference Dividend	5,311	5,294	5,207	5,101	5,101
Available for Reinvestment	1,530	15,168	18,728	23,423	17,192

and scoring systems to ensure a consistent approach is applied throughout the Bank. An aggressive monitoring and reporting process is supported by a strong and proactive credit risk provisioning methodology. Note 24 in the Consolidated Financial Statements shows the overall quality of the portfolio from different perspectives.

The Bank's restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate repayment is likely. Restructured accounts disclosed in the notes to the consolidated financial statements include assistance outside normal underwriting criteria. The total restructured accounts at December 2016 amounted to $130 million or 11% of the portfolio; (2015: $110.1 million or 9.7%), an increase of $19.8 million. Personal loans accounted for the majority of the increase in restructured accounts with an increase of $20 million. The increase in restructured accounts is another indicator of the challenging economy and also includes accounts where the terms were modified to assist customers impacted by Hurricane Matthew. The level of restructured accounts reflects the Bank's willingness to work with customers where it is probable that customers will continue to make payments on their accounts.

LIQUIDITY AND FUNDING RISK MANAGEMENT

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

Throughout 2016, liquidity in the banking sector remained strong. This condition resulted in lower market deposit rates, which in turn benefited the Bank by reducing interest expense. Average Cash and Securities to Average Total Assets at the Bank was 26.9% as at December 31, 2016, above 2015 by 60 basis points. With a liquidity ratio of 35.9%, the Bank's liquidity levels continue to exceed the minimum level of 20% prescribed by The Central Bank of the Bahamas.

COMMUNITY AND SOCIAL CONTRIBUTIONS

The Bank prides itself in being a Bahamian bank and over the years remained steadfastly committed to the betterment of The Bahamas and Bahamians. 2016 was no different. Community and social responsibilities remained as important to the Bank. Significant contributions were made in support of the nation's children and youth through the annual Back to School program, the Junior Achievement program, as well as the College of the Bahamas Endowment Fund. The Bank was also an early donor to the Bahamas Red Cross, the National Emergency Management Agency (NEMA) and the Salvation Army to assist persons negatively impacted by Hurricane Matthew. The Bank remains committed to its $500,000 pledge to the Cancer Society of The Bahamas to be disbursed over a 10 year period to assist in the construction of the extended Caring Centre. In excess of 50 other charitable organizations received financial assistance that was made available by the Bank according to their perceived needs. These contributions taken together, brought the Bank's total financial support of the community to $834,000 in 2016.

OUR STAFF – A SIGNIFICANT STRENGTH

At year end the Bank employed 555 employees. Our team of highly engaged professionals constitutes the essential driving force of the Bank, without which the Bank could not be successful. In keeping with our core value of "Ensuring that Commonwealth Bank is a Great Place to Work", the Bank continues to review and enhance its succession planning, training and development activities and provides an atmosphere that both challenges and develops our staff.

OUTLOOK FOR 2017

In its recent visit to The Bahamas in December 2016, The International Monetary Fund (IMF) concluded that despite significant damage by Hurricane Matthew, real GDP growth is expected to resume in 2017, supported by construction activity and work toward the completion of the BahaMar resort. More specifically, the IMF estimates potential growth to be between 1 – 1.5% in the medium term and expects that the opening of BahaMar will provide an important boost to growth and employment over the next few years. However, it noted that structural impediments continue to constrain growth over the medium term.

In addition to having to contend with expected modest growth in 2017, The Bahamas will also be challenged with the impact of the recent downgrade of its sovereign debt by Standard & Poor's (S&P) to non-investment grade or "junk status." S&P indicated, "We believe that this lower growth trend will challenge the government's ability to meet its fiscal projections, likely resulting in rising debt." S&P continued, "The erosion of the Bahamas' creditworthiness reflects these growing vulnerabilities within a context of a weak external position with growing levels of external debt, double-digit unemployment, high non-performing loans in the banking system, and high household indebtedness."

Effective January 3, 2017 the prime rate was reduced by 50 basis points from 4.75% to 4.25%. This reduction will work its way through the loan and deposit portfolios based on pricing methodology and rates of rollover or renewal. Overall, it is estimated that the reduction in prime rate will result in a decrease in 2017 net income in excess of $1 million.

Based on the foregoing, it is clear that the economic environment for 2017 will be a challenging one. In order to successfully meet the challenge, the Bank will continually review its business strategies against both external and internal factors for the short and medium terms to ensure that our objectives remain financially viable both for the Bank and its stakeholders.

Our credit assessment criteria will continue to be directed at maintaining and sustaining the strong quality of the credit risk portfolios. Also unchanged in 2017 will be our rigorous write-off policies supported by a conservative and anticipatory allowance for impairment methodology.

We look forward to the introduction of our highly secure "chip" enabled MasterCard credit card and our extremely functional and customer friendly new and improved internet banking platform. With the rollout of these initiatives we expect to increase our share of the credit card market and provide greater convenience for our customers. In our commitment to continually expand our services to our customers, effective the beginning of 2017 our insurance subsidiary will increase the level of credit life insurance coverage available to consumer loan customers from a maximum coverage of $20,000 to $70,000. Additionally, it is expected that later in the year, the same coverage will be available to our credit card holders.

Despite the uncertainty that 2017 brings, our internal assessments confirm that we remain on the right path to allow the Bank the best opportunities to maximize shareholder's returns. We will continue to build on the fundamentals that have assisted the Bank in achieving its leadership position and sharing our success with Bahamians.

Standing L to R: **LARRY R. GIBSON, DR. MARCUS R. C. BETHEL, VAUGHN W. HIGGS**
Seated L to R: **RUPERT W. ROBERTS, JR.,** OBE, **EARLA J. BETHEL**

CLIFFORD G. CULMER RETIRES AFTER 25 YEARS OF SERVICE

Clifford Culmer retired as a Director of Commonwealth Bank at the May 2016 Annual General Meeting after a total of 25 years of outstanding service. Mr. Culmer played a pivotal role in the Bank's success, serving as Chairman of the Audit Committee of the Board since his re-appointment to the Board in 1998.

Throughout his tenure on the Board, Mr Culmer was a consummate professional, highly regarded by his peers. Clifford Culmer led with integrity, wisdom and honour, ensuring that ethics and due diligence were at the forefront of everything we do. The Board of Directors, management, staff and customers of Commonwealth Bank will be forever grateful for his steadfast commitment to Commonwealth Bank, as we have benefitted immensely from Mr. Culmer's high standards, knowledge and dedication.

BOARD OF DIRECTORS

Standing L to R: **R. CRAIG SYMONETTE, ROBERT D. L. SANDS, TRACY E. KNOWLES**
Seated L to R: **IAN A. JENNINGS,** President, **WILLIAM B. SANDS, JR.,** Executive Chairman

EXECUTIVE TEAM

Pictured L to R:

JACQUELINE FARRINGTON, V.P. Internal Audit & Inspection

IAN A. JENNINGS, President

GLADYS FERNANDER, V.P. Finance

CHARLES KNOWLES, V.P. & CIO

ANTHEA COX, V.P. Human Resources & Training

DENISE TURNQUEST, Sr. V.P. Credit Risk

CAROLE RODGERS, V.P. Operations

MAVIS BURROWS, V.P. OPERATIONS RETIRES

It is with sincere appreciation that we thank Mrs. Mavis Burrows for her loyal and dedicated service to Commonwealth Bank. For more than twenty-five years, Mavis Burrows has been an outstanding leader, admired and respected by customers, colleagues and staff. Her contribution to the collective efforts of our Commonwealth Bank family has enabled us to retain our position as the once little Bahamian bank for the working Bahamian that is now the nation's most successful retail financial institution and a much more competitive company, capable of realizing the full potential of a brand that is synonymous with Service Excellence. Your Commonwealth Bank family wishes you Godspeed as you embark on your future endeavours.

ASSISTANT VICE PRESIDENTS

Seated L to R:

OSWALD DEAN, A.V.P. Information Technology

JULIETTE FRASER, A.V.P. Operations

NEIL STRACHAN, A.V.P. Marketing & Business Development

KENRICK BRATHWAITE, A.V.P. Mortgage & Commercial Lending

Standing L to R:

MAXWELL JONES, A.V.P. Accounts Control & Recovery

SILBERT COOPER, A.V.P. Consumer Lending

BRANCH MANAGERS

Front L to R:

DARIA BAIN, Golden Gates

MARCUS CLEARE, Wulff Road

DARLENE GIBSON, Lucaya

KAYLA DARVILLE, Mortgage Centre

BRANSON GIBSON, Oakes Field

CHARLENE LOW, Freeport

MONIQUE MASON, Credit Card Centre

STEPHEN JOHNSON, Town Centre Mall

Back L to R:

PERRY THOMPSON, Prince Charles Drive

JOHN RIGBY, CB Plaza

MATTHEW SAWYER, Abaco

EDWARD VIRGIL, East Bay Street

DEMETRI BOWE, Cable Beach

Front L to R:

JASMIN STRACHAN, Shared Services

KATHERINE HAMILTON, Training

CINDY CURTIS, Head of Compliance

TANYA ASTWOOD, Compensation & Benefits

LYNDA BURROWS, Sr. Manager, IT

Middle L to R:

TARIQ O'BRIEN, Administration

FRANKLYN THOMAS, Sr. Manager Credit Risk

KESHALA KNOWLES, Recruitment

TAMEKA COOKE, Sr. Manager Employee Relations

LAVADO BUTLER, Sr. Manager Credit Inspection

HOPE SEALEY, Commercial Lending

Back L to R:

DERICK MOSS, Systems Operations & Network

REKELL GRIFFIN, Business Development

FELIPE VEGA, IT Projects

LERNIX WILLIAMS, Accounts Control

FRIENDERICK DEAN, Sr. Manager Accounts Control

GINA GREENE, Marketing

ANDRAE THOMPSON, Sr. Manager Financial & Business Planning

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the relevant provisions of the Bank and Trust Companies Regulation Act and related regulations.

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

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

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

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

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

IAN A. JENNINGS
President

GLADYS FERNANDER
VP Finance

Deloitte & Touche
Chartered Accountants
and Management Consultants
2nd Terrace, Centreville
P.O. Box N-7120
Nassau, Bahamas
Tel: + 1 (242) 302-4800
Fax:+ 1 (242) 322-3101
http://www.deloitte.com/bs

To the Shareholders of Commonwealth Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commonwealth Bank Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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' 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.

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.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Loan impairment allowances	At December 31, 2016, the gross loans receivable were $1,180,753,000, against which an impairment allowance of $73,164,000, was recorded. (Refer to note 9 to the consolidated financial statements.) The impairment allowance is considered to be a matter of key significance as it requires the application of judgment and use of subjective assumptions by management. The Group assesses the impairment allowance both individually and collectively, in accordance with the accounting policy set out in note 3d to the consolidated financial statements. Management's determination of the appropriate level of the impairment allowance involves a complex evaluation of many objective and subjective assumptions. It also relies on the integrity of the data used in the model calculations which are derived from various sources.	We tested the design and implementation of the key controls around the process to determine which loans receivable are impaired and the provisions made against those assets. This included testing system-based and manual controls over the timely identification of delinquent and other loans receivable with indicators of impairment. We tested a sample of loans receivable (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner. For the collective impairment models used by the Group, we tested a sample of the data used in the models as well as assessed the model methodology and tested the calculations within the models. We assessed whether the modelling assumptions used considered all relevant risks, and whether the additional adjustments to reflect un-modelled risks were reasonable in light of historical experience, economic climate, current operational processes and the circumstances of the customers. We tested the extraction from underlying systems of historical data used in the models. We also tested the accuracy and completeness of the source data used in the model calculations. For individually assessed loans receivable we selected a sample of loans and, where we deemed them to be impaired, tested the estimates for realization of the associated collateral held and the impairment losses recognized.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Actuarial assumptions used in the valuation of the life assurance fund liability	At December 31, 2016, the life assurance fund liability amounted to $13,268,000 (Refer to note 12 to the consolidated financial statements.) The valuation of the Group's life assurance fund liability is dependent on a number of subjective assumptions about future experience. Some of the economic and non-economic actuarial assumptions used in valuing the liability are judgmental, in particular persistency (the retention of policies over time), longevity (the expectation of how long a policyholder will live and how that might change over time), expenses (future expenses incurred to maintain existing policies to maturity), and the estimated future inflation and interest rates. Management's determination of the assumptions used in calculating the life assurance fund liability involves an evaluation of objective and subjective assumptions and requires consultation and discussion with the Group's actuaries concerning the Group's operations including changes in the internal and external environment.	We tested the design and implementation of key controls around the processes to determine the valuation of the life assurance fund liability. We used our own actuarial specialists to assess the actuarial assumptions, including the consideration and challenge of management's rationale for the judgments applied and any reliance placed on industry information. We also tested the inputs and outputs of the valuation model and its overall integrity.

Other Information

Management and those charged with governance are responsible for the Other Information. The Other Information comprises all the information in the Commonwealth Bank Limited 2016 annual report other than the Group financial statements and our auditors' report thereon ("the Other Information"). Our opinion on the Group 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 Group financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Group 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 the 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 IFRSs, 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 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 Lawrence Lewis.

Deloitte & Touche

Nassau, Bahamas
March 6, 2017

A member firm of
Deloitte Touche Tohmatsu Limited

OLIVER WYMAN

Certification of Actuary

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, a wholly-owned subsidiary of Commonwealth Bank Limited.

I have examined the financial position, and valued the policy liabilities for its balance sheet as at December 31, 2016, and the corresponding change in the policy liabilities in the income statement for the year then ended.

In my opinion:

1. The methods and procedures used in the verification of the valuation data are sufficient and reliable, and fulfill the required standards of care.
2. The methods and assumptions used to calculate the actuarial and the other policy liabilities are appropriate to the circumstances of the company and of the said policies and claims.
3. The valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice (with such changes as determined and any directions made by the Commission).
4. The valuation is appropriate under the circumstances of the company and the financial statements fairly reflect its results.
5. Having regard for the results of the investigation performed pursuant to section 62 of the Insurance Act, 2005 the value of actuarial and other policy liabilities, when taken together with the total capital available makes good and sufficient provisions for all unmatured obligations under the terms of the policies in force.

Leslie P. Rehbeli
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries
Member of American Academy of Actuaries
January 31, 2017

Oliver, Wyman Limited
Oliver, Wyman Limitée

MARSH & McLENNAN COMPANIES

AS AT DECEMBER 31, 2016 (Expressed in Bahamian $'000s)

	2016	2015
ASSETS		
Cash and deposits with banks (Notes 5, 7 and 24)	$ 31,764	$ 22,962
Balances with The Central Bank of The Bahamas (Notes 5 and 7)	93,558	62,581
Investments (Notes 5, 8 and 24)	322,507	322,743
Loans receivable (Notes 5, 9, 19, 22 and 24)	1,107,589	1,077,730
Premises and equipment (Notes 10 and 24)	46,014	45,032
Other assets (Note 24)	7,316	4,126
TOTAL	**$ 1,608,748**	**$ 1,535,174**
LIABILITIES AND EQUITY		
LIABILITIES:		
Deposits (Notes 5, 11, 22 and 24)	$ 1,240,505	$ 1,181,646
Life assurance fund liability (Notes 12 and 24)	13,268	12,814
Other liabilities (Notes 19, 22 and 24)	22,118	26,719
Total liabilities	1,275,891	1,221,179
EQUITY:		
Share capital (Note 13)	83,445	83,447
Share premium	19,516	20,352
General reserve (Note 15)	10,500	10,500
Retained earnings	219,396	199,696
Total equity	332,857	313,995
TOTAL	**$ 1,608,748**	**$ 1,535,174**

The accompanying notes form an integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Board of Directors on February 23, 2017, and are signed on its behalf by:

Executive Chairman

President

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2016 *(Expressed in Bahamian $'000s)*

	2016	2015
INCOME		
Interest income (Notes 5, 8 and 19)	$ 171,957	$ 165,696
Interest expense (Notes 5 and 19)	(27,243)	(29,355)
Net interest income	144,714	136,341
Loan impairment expense (Note 9)	(32,442)	(24,923)
	112,272	111,418
Life assurance, net	6,269	7,134
Fees and other income (Notes 5 and 17)	9,443	8,642
Total income	127,984	127,194
NON-INTEREST EXPENSE		
General and administrative (Notes 5, 18, 19 and 20)	67,363	66,276
Depreciation and amortization (Note 10)	2,989	2,940
Directors' fees	282	209
Total non-interest expense	70,634	69,425
TOTAL PROFIT	57,350	57,769
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement gain/(loss) of defined benefit obligation (Note 20)	2,508	(2,073)
TOTAL COMPREHENSIVE INCOME	$ 59,858	$ 55,696
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars) (Note 14)	$ 0.54	$ 0.54

The accompanying notes form an integral part of the Consolidated Financial Statements.

YEAR ENDED DECEMBER 31, 2016 (Expressed in Bahamian $'000s)

	2016	2015
SHARE CAPITAL		
Preference shares (Note 13)		
Balance at beginning of year	$ 81,498	$ 81,608
Redemption of shares	-	(110)
Balance at end of year	81,498	81,498
Common shares (Note 13)		
Balance at beginning of year	1,949	1,953
Repurchase of common shares	(2)	(4)
Balance at end of year	1,947	1,949
Total share capital	83,445	83,447
SHARE PREMIUM		
Balance at beginning of year	20,352	21,990
Repurchase of common shares	(836)	(1,638)
Balance at end of year	19,516	20,352
GENERAL RESERVE		
Balance at beginning and end of year (Note 15)	10,500	10,500
RETAINED EARNINGS		
Balance at beginning of year	199,696	178,346
Profit for the period	57,350	57,769
Other comprehensive income	2,508	(2,073)
Common share dividends: 36 cents per share (2015: 30 cents)	(35,057)	(29,245)
Preference share dividends	(5,101)	(5,101)
Balance at end of year	219,396	199,696
EQUITY AT END OF YEAR	$ 332,857	$ 313,995

The accompanying notes form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016 (Expressed in Bahamian $'000s)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	$ 159,777	$ 149,499
Interest payments	(27,243)	(29,355)
Life assurance premiums received, net	8,830	9,679
Life assurance claims and expenses paid	(5,292)	(5,364)
Fees and other income received	12,628	11,866
Recoveries (Note 9)	12,643	11,441
Cash payments to employees and suppliers	(75,436)	(59,971)
	85,907	87,795
Increase in loans receivable	(74,944)	(54,371)
Increase in deposits	58,859	32,856
Net cash from operating activities	69,822	66,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(74,485)	(104,922)
Interest receipts from investments	14,731	13,574
Redemption of investments	74,680	59,390
Purchase of premises and equipment (Note 10)	(4,097)	(2,569)
Net proceeds from sale of premises and equipment	124	30
Net cash from (used in) investing activities	10,953	(34,497)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(40,158)	(34,346)
Repurchase of common shares	(838)	(1,642)
Redemption of preference shares	-	(110)
Net cash used in financing activities	(40,996)	(36,098)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,779	(4,315)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	85,543	89,858
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)	$ 125,322	$ 85,543

The accompanying notes form an integral part of the Consolidated Financial Statements.

(All tabular amounts are expressed in Bahamian $'000s, except per share amounts)

1. INCORPORATION AND ACTIVITIES

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

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Group adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2016.

New standards

IFRS 14	Regulatory Deferral Accounts

Amended standards

IFRS 5	Amendments resulting from September 2014 annual improvements to IFRSs
IFRS 7	Amendments resulting from September 2014 annual improvements to IFRSs
IFRS 10 & IAS 28	Amendments to clarify the accounting for the loss of control of a subsidiary when the subsidiary does not constitute a business
IFRS 11	Amendments to clarify the accounting for the acquisition of an interest in a joint operations when the activity constitute a business
IAS 16 & IAS 38	Amendments to clarify acceptable methods of depreciation and amortisation
IAS 27	Amendments to allow the application of the equity method in separate Financial Statements
IFRS 10, IFRS 12 and IAS 28	Amendments to clarify the application of the Consolidation exception for Investment Entities
IAS 1	Amendments to IAS 1 – Disclosure Initiative
IAS 19, IAS 34	Amendments resulting from September 2014 Annual improvements to IFRSs

NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date indicated.

New and amended Standards		Effective for annual periods beginning on or after
IFRS 2	Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 and IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2018
IFRS 7	Additional disclosures (and consequential amendments) resulting from IFRS 9	Concurrent with adoption of IFRS 9
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018

IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
IFRS 16	Leases	1 January 2019
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 7	Disclosure initiative	1 January 2017
IFRS 15	Clarification to IFRS 15	1 January 2018

(*) In December 2015, the IASB deferred the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

The Directors anticipate that the adoption of these standards, with the exception of IFRS 9, will have no material impact on the Group's Consolidated Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance - The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards.

Basis of consolidation - The Consolidated Financial Statements include the financial statements of the Group. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated upon consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Basis of preparation - The Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below:

a. Recognition of income

i. ***Interest revenue*** is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, except for impaired loans receivable. When a loan is classified as impaired (see Note 3d), all uncollected interest and fees are provided for in full and the Bank discontinues accruing additional interest and fees while the loan is deemed impaired.

ii. ***Fee income*** is recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as "Fees and Other Income" unless otherwise noted. The accounting treatment for fees varies depending on the transaction.

- Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan origination and commitment fees) and recorded in interest income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
- Income earned from the provision of services is recognised as revenue as the services are provided.
- Fees in respect of deposit account services are generally charged on a per transaction basis and are recognised as the right to consideration accrues through the provision of the service to the customer.
- Fees from credit card processing are accrued to revenue as the service is performed.

iii. ***Rental income*** is recognized on a straight line basis over the term of the relevant lease and is recorded in "Fees and Other Income" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

iv. ***Life insurance contract*** income is recognized at the time a policy becomes in force. Each policy is paid in full for the term of contract. The maximum term of any contract is 72 months.

Refunds on unexpired insurance contracts are allowed on early withdrawal using the "Rule of 78" method.

b. Cash and Cash equivalents – For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise cash on hand, cash with The Central Bank of The Bahamas and unrestricted deposits with banks that have original maturities of three months or less.

c. ***Loans receivable -*** Loans receivable are advances to customers which are not classified either as held for trading or at fair value. Loans receivable are recognised when cash is advanced to borrowers. They are derecognised when either borrowers repay their obligations, or the loans are sold or written off. They are initially recorded at amortised cost using the effective interest method.

d. ***Impairment of loans receivable -*** Losses for impaired loans receivable are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Whenever principal and/or interest is 90 days contractually past due on a loan or whenever a loan has been renegotiated, such that payments are applied solely to principal, it is assessed as impaired.

Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The carrying amount of impaired loans on the Consolidated Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

When a loan is classified as impaired, all uncollected interest and fees are provided for in full and the Bank discontinues accruing additional interest and fees while the loan is deemed impaired.

Payments received on loans that have been classified as impaired are applied first to outstanding interest and fees and then to the remaining principal.

Individually significant loans receivable

For all loans that are considered individually significant, the Bank assesses on a case-by-case basis at each date of Consolidated Statement of Financial Position whether there is any objective evidence that a loan is impaired. For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- the Bank's aggregate exposure to the customer;
- the amount and timing of expected receipts and recoveries;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession; and
- the likely deduction of any costs involved in recovery of amounts outstanding.

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Collectively assessed loans receivable

Impairment is assessed on a collective basis in two circumstances:

- to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- for homogeneous groups of loans that are not considered individually significant.

Incurred but not yet identified impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Bank has incurred as a result of events occurring before the reporting date, which the Bank is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, loan grade or product);
- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the Consolidated Statement of Financial Position date is likely to be greater or less than that suggested by historical experience.

Homogeneous groups of loans and advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans that are not considered individually significant because individual loan assessment is impracticable.

Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group.

The Bank adopts a formulaic approach which allocates progressively higher percentage loss rates the longer a customer's loan is overdue. Loss rates are based on historical experience.

In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within each portfolio. In certain circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the Consolidated Statement of Financial Position date, for example, where there have been changes in economic, regulatory or behavioural conditions, such that the most recent trends in the portfolio risk factors are not fully reflected in the statistical models.

These additional portfolio risk factors may include recent loan portfolio growth and product mix, unemployment rates, bankruptcy trends, geographic concentrations, loan product features, economic conditions such as trends in housing markets and interest rates, portfolio seasoning, account management policies and practices, current levels of write-offs, adjustments to the period of time between loss identification and write off, changes in laws and regulations and other items which can affect customer payment patterns on outstanding loans, such as natural disasters. These risk factors, where relevant, are taken into account when calculating the appropriate level of impairment allowances by adjusting the impairment allowances derived solely from historical loss experience.

Impairment assessment methodologies are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Write-off of loans and advances

A loan (and the related impairment allowance account) is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount and, for a collateralised loan, when the proceeds from realising the security have been received. Consumer installment and credit card loans are written-off in the month after principal and/or interest payments become 180 days contractually in arrears.

Recovery of previously written-off loans

Recovery of principal and/or interest on previously written off loans are recognized 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.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Renegotiated loans

Loans subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as up to date loans for measurement purposes once the minimum number of payments required under the new arrangements have been received. Loans subject to individual 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.

e. ***Foreign currency translation -*** Assets and liabilities in other currencies have been translated into Bahamian dollars at the appropriate rates of exchange prevailing as at the year end. Income and expense items have been translated at actual rates on the date of the transaction. Gains and losses arising on foreign exchange translation are immediately recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

f. ***Premises and equipment -*** These assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis and are charged to non-interest expense over the estimated useful lives of the assets as follows:

Buildings	The shorter of the estimated useful life or a maximum of 40 years
Leasehold improvements	Lease term
Furniture, fittings and equipment	3 - 10 years
Site improvements	5 - 10 years

The gain or loss arising on the disposal or retirement of an item of premises and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

h. ***Earnings per share -*** Earnings per share is computed by dividing total comprehensive income, after deducting dividends declared on preference shares, by the weighted average number of common shares outstanding during the year and not held by group companies. There is no material difference between basic earnings per share and fully diluted earnings per share.

i. ***Retirement benefit costs -*** The Bank maintains a pension plan covering all employees in the active employment of the Bank. Since 2013, assets of the plan are held separately from the Bank in funds under the control of independent Trustees.

In 2013, the plan was divided into two parts – a Defined Benefit Provisions ("DB Provisions") closed to new members and a Defined Contribution Provisions ("DC Provisions") added for new members.

During 2015, the Bank conducted a pension conversion exercise which gave members in the DB Provisions the option to transfer an enhanced value of their pension to the DC Provisions as at October 31, 2015. Effective November 1, 2015 plan members who had not attained the age of 50 were no longer able to accumulate benefits in the DB provisions and are only able to accrue benefits under the DC Provisions. Members who had attained age 50 effective November 1, 2015 had the choice of staying in the DB Provisions or transferring to the DC Provisions for future service.

Defined Benefit Provisions ("DB Provisions")

The DB Provisions is a defined benefit pension plan. Eligibility in the DB Provisions includes all employees in active employment of the Bank who have at least 3 years of service or have reached the age of 25 and who met the eligibility requirements of the DB Provisions prior to October 1, 2013.

The DB Provisions 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.

Investments held by the DB Provisions are primarily comprised of equity securities, preference shares, bonds and government stock.

Pension costs charged to general and administrative expenses 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. Pension costs charged to other comprehensive income include actuarial gains and losses on obligations and assets arising from experience different than assumed and changes in assumptions.

The DB Provisions obligation recognized in "Other Liabilities" in the Consolidated Statement of Financial Position represents the present value of the DB Provisions obligation as reduced by the fair value of plan assets.

The DB Provisions typically expose the Bank to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

i. Investment risk: Currently the DB Provisions has a balanced investment in Bahamian Government (and Government-related) securities and private securities. The present value of the DB Provisions liability is calculated using a discount rate of 0.25% above Bahamian Prime Rate of 4.75% (2015: 4.75%) (Note 20). If the return on assets is below this rate, it will create a deficit.
ii. Interest risk: A decrease in the Bahamian Prime Rate will increase the DB Provisions liability.
iii. Longevity risk: The present value of the DB Provisions liability is calculated by reference to the best estimate of the mortality of participants both during and after their employment. An increase in the life expectancy of the DB Provisions participants will increase the DB Provisions' liability.
iv. Salary risk: The present value of the DB Provisions liability is calculated by reference to the future salaries of participants. As such, an increase in the salary of the participants will increase the DB Provisions' liability.

Defined Contribution Provisions ("DC Provisions")

The DC Provisions is a defined contribution pension plan. 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.

The Bank pays a predetermined fixed contribution to the DC Provisions in addition to administrative costs of the DC Provisions.

The DC Provisions includes a guaranteed investment option at the discretion of the employee whereby the Bank guarantees a specified return as defined by the Bank. Currently, this guarantee is 4.25% expiring March 2019. Other than to meet the required funding of this segment of the DC Provisions, the Bank has no legal or constructive obligation to pay further contributions to the DC Provisions.

j. ***Share-based payments -*** The Bank issues equity-settled share-based payments to certain management staff. The Bank determines the fair value of stock options on their grant date using the Black Scholes Model and records this amount as compensation expense. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. When the stock options are exercised the proceeds are recorded in share capital and share premium.

Other Stock Based Compensation Plan: The Bank offers non-management staff the option of purchasing common shares at a 10% discount from the prevailing market rate at the time of the offer. The amount of discount is recorded as compensation expense with a corresponding increase to share premium. Payments by staff for the shares are credited to share capital and share premium.

In 2016, the Bank recognized $0 (2015: $0) associated with employee share-based payment plans in staff costs in General and Administrative expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

k. Interest expense - Interest expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

l. Related parties - Related parties include:

i. Key Management Personnel, close family members of Key Management Personnel, and entities which are controlled individually and/or jointly, or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members; or

ii. Non-Key Management Personnel who have significant influence over the Bank and their close family members. Non-Key Management Personnel who control in excess of 5% of the outstanding common shares are considered to have significant influence over the Bank.

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, being the Officers and Directors of the Bank.

Close family members include the spouse of Key and Non-Key Management Personnel and the children and dependents of Key and Non-Key Management personnel or their spouse.

m. Equity instruments - An equity instrument is any contract that evidences a residual interest in the assets of the Bank 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 13).

n. Financial assets - Financial assets are:

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

Financial assets are classified into the following categories: "Fair Value Through Profit or Loss" (FVTPL); "Held-To-Maturity"; "Available-For-Sale" (AFS); and "Loans and Receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified as FVTPL where the financial asset is either held for trading or is designated as FVTPL. FVTPL assets are stated at fair value, with any resultant gain or loss recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity are classified as Held-To-Maturity investments.

Held-To-Maturity investments are recorded non-derivitve financial assets which are at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis. Investment income is recorded in interest income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as Loans and Receivables. Loans and Receivables are non-derivitve financial assets which are measured at amortised cost using the effective interest method, less any impairment.

AFS financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as a) FVTPL, b) Held-To-Maturity or c) Loans and Receivables. AFS assets are stated at fair value. Cost is used to approximate the fair value of AFS assets.

The Bank considers that the carrying amounts of financial assets recorded at amortised cost, less any impairment allowance, in the Consolidated Financial Statements approximate their fair values.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

o. ***Financial liabilities -*** Financial liabilities are any liabilities that are:
   i. Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank;
   ii. Contracts that will or may be settled in the Bank's own equity instruments and are either a non-derivative for which the Bank 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 Bank's own equity instruments.

   Financial liabilities are classified as either a) FVTPL or b) other financial liabilities.

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

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

   The Bank considers that the carrying amounts of financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair values.

p. ***Leases -*** All of the Bank's leases are operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease.

q. ***Taxation*** – Life assurance premium tax is incurred at the rate of 3% of premiums written by the Group's insurance company. Additionally, the Group is required to pay value added tax (VAT) at a rate of 7.5% on goods and services as prescribed by the Value Added Tax Act. Under the laws of The Bahamas, there are no income taxes, capital gains or other corporate taxes imposed.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the judgments and estimates that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Consolidated Financial Statements.

a. ***Loan impairment allowances -*** The allowance for loan impairment represents management's estimate of identified credit related losses in the credit portfolios, as well as losses incurred but not yet identified at the Consolidated Statement of Financial Position date. The impairment allowance for credit losses is comprised of an individual impairment allowance and a collective impairment allowance. The process for determining the allowance involves quantitative and qualitative assessments using current and historical credit information. The process requires assumptions, judgments and estimates relating to i) assessing the risk rating and impaired status of loans; ii) estimating cash flows and realizable collateral values; iii) developing default and loss rates based on historical data; iv) estimating the changes on this historical data by changes in policies, processes and credit strategies; v) assessing the current credit quality based on credit quality trends and vi) determining the current position in the economic cycle. The methods used to calculate collective impairment allowances on homogenous groups of loans that are not considered individually significant are disclosed in Note 3d. They are subject to estimation uncertainty, in part because it is not practicable to identify losses on an individual loan basis because of the large number of individually insignificant loans in the portfolio.

   Management's estimate is that whenever principal and/or interest on a loan is 90 days contractually past due or whenever a loan has been renegotiated, such that payments are applied solely to principal, the loan is assessed as impaired.

b. ***Fair value of financial 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, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. In these cases, the Bank considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair values.

   Premises and equipment are not considered to be financial assets.

IFRS 7 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.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

c. ***Pension benefits -*** The Bank maintains a defined benefit plan as outlined in Note 3(i). 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.

d. ***Life assurance fund liability -*** Laurentide Insurance and Mortgage Company Limited ("Laurentide") calculates its actuarial liabilities for individual life insurance policies using the Canadian Policy Premium Method ("PPM"). The calculation of these policy reserves is based on assumptions as to future rates for mortality and morbidity, investment yields, policy lapse and expenses, which contain margins for adverse deviations.

e. ***Loan fee income -*** Loan fee income and the related incremental costs are treated as an adjustment to the effective interest rate. Management estimates the impact of the adjustment.

The adjustment to the effective interest rate has been determined by using the estimated terms of loans to maturity, or repayment if earlier.

5. FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and financial liabilities as defined by IAS 39 Financial Instruments: Recognition and Measurement:

	2016				
	Loans and Receivables	**Held-To-Maturity**	**Available-For-Sale**	**Other Financial Liabilities**	**Total**
FINANCIAL ASSETS					
Cash and cash equivalents	$ 125,322	$ -	$ -	$ -	$ 125,322
Investments	$ -	$ 322,507	$ -	$ -	$ 322,507
Loans receivable	$ 1,107,589	$ -	$ -	$ -	$ 1,107,589
FINANCIAL LIABILITIES					
Deposits	$ -	$ -	$ -	$ 1,240,505	$ 1,240,505
Life assurance fund liability	$ -	$ -	$ -	$ 13,268	$ 13,268

	2015				
	Loans and Receivables	**Held-To-Maturity**	**Available-For-Sale**	**Other Financial Liabilities**	**Total**
FINANCIAL ASSETS					
Cash and cash equivalents	$ 85,543	$ -	$ -	$ -	$ 85,543
Investments	$ -	$ 322,743	$ -	$ -	$ 322,743
Loans receivable	$ 1,077,730	$ -	$ -	$ -	$ 1,077,730
FINANCIAL LIABILITIES					
Deposits	$ -	$ -	$ -	$ 1,181,646	$ 1,181,646
Life assurance fund liability	$ -	$ -	$ -	$ 12,814	$ 12,814

At December 31, 2016 there were no assets or liabilities that were classified as FVTPL (2015: $Nil).

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

	2016	2015
Interest income		
Loans and Receivables	$ 157,268	$ 151,565
Held-to-Maturity	14,689	14,131
	$ 171,957	$ 165,696
Interest expense		
Deposits	$ 27,243	$ 29,355
Fees and other income		
Loans and Receivables	$ 2,187	$ 1,827
General and administrative expense		
Loans and Receivables	$ 413	$ 195

6. BUSINESS SEGMENTS

For management purposes, the Group is organized into five operating units - Bank, Insurance Company, Real Estate Holdings, Investment Company and Insurance Agency.

The principal business of the Bank, Commonwealth Bank Limited, is providing 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.

The insurance company, Laurentide Insurance and Mortgage Company Limited (Laurentide), provides credit life insurance in respect of the Bank's borrowers.

The Group also has a real estate company, C. B. Holding Co. Ltd. that owns and manages real property which is rented to various Group Companies, including the parent company.

The investment company, C.B. Securities Ltd. was incorporated on September 2, 1996. C.B. Securities Ltd. purchased Bank common shares during the year to fund the Group's stock based compensation plans and inject liquidity into the local market.

The insurance agency, Laurentide Insurance Agency Limited is the Agent for the insurance company, its sole client.

The entities within the Group operate within the same geographical area. Non-Bahamian dollar assets and liabilities are not material and are therefore not divided out into a separate segment. Inter-segment revenues are accounted for 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 both 2015 and 2016.

The following table shows financial information by business segment:

	2016						
	Bank	Insurance Company	Real Estate Holdings	Investment Company	Insurance Agency	Eliminations	Consolidated
Income							
External	$ 120,873	$ 9,821	$ 23	$ 2,677	$ -	$ (5,410)	$ 127,984
Internal	6,860	(1,056)	4,570	376	1,759	$ (12,509)	-
Total income	$ 127,733	$ 8,765	$ 4,593	$ 3,053	$ 1,759	$ (17,919)	$ 127,984
Total profit							
Segment total profit	$ 54,219	$ 6,781	$ 2,051	$ 2,701	$ 855	$ (9,257)	$ 57,350
Assets	$ 1,571,975	$ 52,316	$ 29,861	$ 11,996	$ 2,536	$ (59,936)	$ 1,608,748
Liabilities	$ 1,277,458	$ 13,413	$ 18,994	$ 7,959	$ 6	$ (41,939)	$ 1,275,891
Other Information							
Capital additions	$ 2,861	$ -	$ 1,236	$ -	$ -	$ -	$ 4,097
Depreciation and amortization	$ 2,478	$ -	$ 583	$ -	$ -	$ -	$ 3,061

	2015						
	Bank	Insurance Company	Real Estate Holdings	Investment Company	Insurance Agency	Eliminations	Consolidated
Income							
External	$ 117,780	$ 10,652	$ 25	$ 314	$ -	$ (1,577)	$ 127,194
Internal	7,383	(1,428)	3,783	282	1,974	(11,994)	-
Total income	$ 125,163	$ 9,224	$ 3,808	$ 596	$ 1,974	$ (13,571)	$ 127,194
Total profit							
Segment total profit	$ 53,916	$ 7,263	$ 949	$ 307	$ 976	$ (5,642)	$ 57,769
Assets	$ 1,498,486	$ 49,612	$ 29,682	$ 8,150	$ 2,241	$ (52,997)	$ 1,535,174
Liabilities	$ 1,220,168	$ 12,975	$ 20,866	$ 6,813	$ 6	$ (39,649)	$ 1,221,179
Other Information							
Capital additions	$ 1,077	$ -	$ 1,492	$ -	$ -	$ -	$ 2,569
Depreciation and amortization	$ 2,384	$ -	$ 546	$ -	$ -	$ -	$ 2,930

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is represented by cash and deposits with banks plus accrued interest and non-interest bearing balances with The Central Bank of The Bahamas as follows:

	2016	2015
Cash and deposits with banks	$ 31,764	$ 22,962
Balances with The Central Bank of The Bahamas	93,558	62,581
Total cash and cash equivalents	$ 125,322	$ 85,543
Minimum Reserve Requirement	$ 47,397	$ 45,973
Cash and cash equivalents in excess of the minimum requirement	$ 77,925	$ 39,570

8. INVESTMENTS

Investments is as follows:

	Term to Maturity						2016		2015	
	Within 12 months		Over 12 to 60 months		Over 60 months		**Total**		**Total**	
	$	Yield %	$	Yield %	$	Yield %	$	Yield %	$	Yield %
Bahamas Government Treasury Bills/Notes	12,503	2.058%	4,092	2.227%	5,046	2.478%	21,641	2.188%	25,952	2.250%
Bahamas Government Stock	32,307	4.832%	-	-	233,542	4.780%	265,849	4.786%	266,850	4.786%
Bahamas Government Loan	-	-	5,076	2.463%	10,043	4.232%	15,119	6.694%	10,134	3.108%
Bridge Authority	237	6.267%	-	-	-	-	237	6.267%	237	6.267%
Mortgage Corporation	4,052	4.935%	-	-	12,137	5.022%	16,189	9.957%	16,190	5.000%
Clifton Heritage	-	-	-	-	2,021	5.305%	2,021	5.305%	2,021	5.305%
College of The Bahamas Bonds	-	-	-	-	184	6.784%	184	6.784%	223	6.760%
United States Government Stock	-	-	-	-	1,010	6.897%	1,010	6.897%	1,009	6.932%
Other Equity	-	-	-	-	257	11.771%	257	11.771%	127	23.660%
Accrued interest Receivable	-	-	-	-	-	-	-	-	-	-
Total Investment Securities	49,099	4.141%	9,168	2.357%	264,240	4.898%	322,507	4.584%	322,743	4.566%

Income from investments is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as follows:

	2016	2015
Interest income	$ 14,689	$ 14,131

9. LOANS RECEIVABLE

Loans receivable is as follows:

	2016	2015
Residential mortgage	$ 228,415	$ 242,327
Business	34,444	38,114
Personal	881,405	826,440
Credit card	36,489	32,622
	1,180,753	1,139,503
Less: Impairment Allowances	73,164	61,773
	$ 1,107,589	$ 1,077,730

	2016	2015
Individually Assessed Impaired Loans	$ 14,031	$ 12,742
Collectively Assessed Impaired Loans	56,730	50,646
Collectively Assessed Incurred But Not Yet Identified Loans	1,109,992	1,076,115
	1,166,722	1,126,761
Gross Loans and Advances	$ 1,180,753	$ 1,139,503
Individually Assessed allowances as % of individually assessed impaired loans receivable	62.85%	50.41%
Collectively Assessed allowances as % of Collectively assessed loans receivable	5.52%	4.91%
Total allowances as % of total loans receivable	6.20%	5.42%

Movement in Impairment Allowances:

	2016				
	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Credit Losses	Balance at End of Year
Individually Assessed					
Residential mortgage	$ 5,708	$ -	$ -	$ 2,650	$ 8,358
Business	715	-	-	(255)	460
Total Individually Assessed	$ 6,423	$ -	$ -	$ 2,395	$ 8,818
Collectively Assessed					
Residential mortgage	$ 14,745	(462)	18	1,191	15,492
Business	743	(320)	-	339	762
Personal	38,470	(32,021)	12,111	27,624	46,184
Credit card	1,392	(891)	514	893	1,908
Total Collectively Assessed	$ 55,350	(33,694)	12,643	30,047	64,346
Total Impairment Allowances	$ 61,773	$ (33,694)	$ 12,643	$ 32,442	$ 73,164
Impairment Allowance					
Individually Assessed	$ 6,423	$ -	$ -	$ 2,395	$ 8,818
Collectively Assessed	33,386	(33,694)	12,643	24,260	36,595
	39,809	(33,694)	12,643	26,655	45,413
Incurred but not yet identified	21,964	-	-	5,787	27,751
Total Allowances	$ 61,773	$ (33,694)	$ 12,643	$ 32,442	$ 73,164

	2015				
	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Credit Losses	Balance at End of Year
Individually Assessed					
Residential mortgage	$ 5,425	$ -	$ -	$ 283	$ 5,708
Business	799	-	-	(84)	715
Total Individually Assessed	6,224	-	-	199	6,423
Collectively Assessed					
Residential mortgage	11,394	(847)	27	4,171	14,745
Business	598	-	-	145	743
Personal	36,075	(28,557)	10,857	20,095	38,470
Credit card	1,266	(744)	557	313	1,392
Total Collectively Assessed	49,333	(30,148)	11,441	24,724	55,350
Total Impairment Allowances	$ 55,557	$ (30,148)	$ 11,441	$ 24,923	$ 61,773
Impairment Allowance					
Individually Assessed	$ 6,224	$ -	$ -	$ 199	$ 6,423
Collectively Assessed	25,999	(30,148)	11,441	26,094	33,386
	32,223	(30,148)	11,441	26,293	39,809
Incurred but not yet identified	23,334	-	-	(1,370)	21,964
Total Allowances	$ 55,557	$ (30,148)	$ 11,441	$ 24,923	$ 61,773

Impaired loans receivable is as follows:

	2016			2016			2016		
	Individually Assessed	Collectively Assessed	Total	Individually Assessed Allowance	Collectively Assessed Allowance	Total Allowance	Net Individually Assessed	Net Collectively Assessed	Total Net
Residential mortgage	$ 13,012	$ 26,610	$ 39,622	$ 8,358	$ 14,891	$ 23,249	$ 4,654	$ 11,719	$ 16,373
Business	1,019	1,194	2,213	460	550	1,010	559	644	1,203
Personal	-	27,748	27,748	-	19,977	19,977	-	7,771	7,771
Credit card	-	1,178	1,178	-	1,177	1,177	-	1	1
	$ 14,031	$ 56,730	$ 70,761	$ 8,818	$ 36,595	$ 45,413	$ 5,213	$ 20,135	$ 25,348
Percentage of loan portfolio			5.99%						
Percentage of total assets			4.40%						
Percentage of Impaired Allowance to Impaired Loans						64.18%			

	2015			2015			2015		
	Individually Assessed	Collectively Assessed	Total	Individually Assessed Allowance	Collectively Assessed Allowance	Total Allowance	Net Individually Assessed	Net Collectively Assessed	Total Net
Residential mortgage	$ 10,977	$ 23,970	$ 34,947	$ 5,708	$ 13,549	$ 19,257	$ 5,269	$ 10,421	$ 15,690
Business	1,765	1,180	2,945	715	696	1,411	1,050	484	1,534
Personal	-	25,065	25,065	-	18,710	18,710	-	6,355	6,355
Credit card	-	431	431	-	431	431	-	-	-
	$ 12,742	$ 50,646	$ 63,388	$ 6,423	$ 33,386	$ 39,809	$ 6,319	$ 17,260	$ 23,579
Percentage of loan portfolio			5.56%						
Percentage of total assets			4.13%						
Percentage of Impaired Allowance to Impaired Loans						62.80%			

Impairment allowance on collectively assessed incurred but not yet identified loans is 2.50% (2015: 2.04%) of the incurred but not yet identified loans receivable.

10. PREMISES AND EQUIPMENT

The movement of premises and equipment is as follows:

	Land/Site Improvements	Buildings	Leasehold Improvements	Furniture, Fittings and Equipment	Total
Cost					
December 31, 2014	$ 13,732	$ 33,972	$ 909	$ 25,483	$ 74,096
Additions	707	825	4	1,033	2,569
Disposals	-	-	-	(97)	(97)
December 31, 2015	14,439	34,797	913	26,419	76,568
Additions	27	1,102	41	2,927	4,097
Disposals	-	-	(10)	(376)	(386)
December 31, 2016	14,466	35,899	944	28,970	80,279
Accumulated Depreciation and Amortization					
December 31, 2014	345	8,899	783	18,637	28,664
Charge for the year	67	810	31	2,022	2,930
Disposals	-	-	-	(58)	(58)
December 31, 2015	412	9,709	814	20,601	31,536
Charge for the year	73	821	28	2,139	3,061
Disposals	-	-	(6)	(326)	(332)
December 31, 2016	485	10,530	836	22,414	34,265
Net Book Value					
December 31, 2016	$ 13,981	$ 25,369	$ 108	$ 6,556	$ 46,014
December 31, 2015	$ 14,027	$ 25,088	$ 99	$ 5,818	$ 45,032

Depreciation and amortization expense is as follows:

	2016	2015
Land/Site Improvements	$ 73	$ 67
Buildings	821	810
Leasehold improvements	28	31
Furniture, fittings and equipment	2,139	2,022
Total depreciation and amortization	3,061	2,930
Net (gain) loss on disposal of fixed assets	(72)	10
Net depreciation and amortization	$ 2,989	$ 2,940

11. DEPOSITS

The composition of deposits is as follows:

	2016	2015
Demand deposits	$ 131,944	$ 112,381
Savings accounts	235,222	191,238
Certificates of deposit	873,339	878,027
	$ 1,240,505	$1,181,646

12. LIFE ASSURANCE FUND LIABILITY

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

An actuarial valuation of the life assurance fund liability was conducted as at December 31, 2016 by Oliver Wyman of Toronto, Canada. The valuation included a provision of $104 thousand (2015: $173 thousand) for claims incurred but not yet reported.

	2016	2015
Balance at beginning of the year	$ 12,814	$ 12,409
Net change in the year	454	405
Balance at end of the year	$ 13,268	$ 12,814

Actuarial Assumption Sensitivities

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

Scenario	Mortality per $1,000	Lapse Rate	Loan Interest Rate	Expense per Policy	Inflation Rate	Initial Interest Rate	Ultimate Interest Rate	Total Reserve (B$)	B$ Increase over Base	% Increase over Base
Base 2016	4.5	54%	16.20%	13.86	3.30%	3.90%	3.25%	13,164		
Lower Interest Rate	4.5	54%	16.20%	13.86	3.30%	3.51%	2.93%	13,205	41	0.3%
Mortality = 4.95	5.0	54%	16.20%	13.86	3.30%	3.90%	3.75%	13,380	216	1.6%
Lapse = 59.40%	4.5	59%	16.20%	13.86	3.30%	3.90%	3.75%	13,537	373	2.8%
Loan Interest = 17.82%	4.5	54%	17.82%	13.86	3.30%	3.90%	3.75%	13,175	10	0.1%
Expenses = 15.25	4.5	54%	16.20%	15.25	3.30%	3.90%	3.75%	13,217	53	0.4%
Inflation = 3.63%	4.5	54%	16.20%	13.86	3.63%	3.90%	3.75%	13,167	3	0.0%

13. SHARE CAPITAL

Share capital is as follows:

Preference Shares:

	AUTHORISED		
	Beginning and end of year 2015, 2016		**Beginning and end of year 2015, 2016**
	Rate	**Par $**	
Class E	Prime + 1.5%	100	45,000
Class F	Prime + 1.5%	100	10,000
Class G	Prime + 1.5%	100	10,000
Class H	Prime + 1.5%	100	10,000
Class I	Prime + 1.5%	100	10,000
Class J	Prime + 1.5%	100	10,000
Class K	Prime + 1.5%	100	10,000
Class L	Prime + 1.5%	100	10,000
Class M	Prime + 1.5%	100	10,000
Class N	Prime + 1.5%	100	10,000
			$135,000

	OUTSTANDING 2016			
	Beginning of year	**Redemptions**	**Conversion**	**End of Year**
Class E	$ 32,614	$ -	$ -	$ 32,614
Class J	9,924	-	-	9,924
Class K	9,999	-	-	9,999
Class L	9,987	-	-	9,987
Class M	8,974	-	-	8,974
Class N	10,000	-	-	10,000
	$ 81,498	$ -	$ -	$ 81,498

	OUTSTANDING 2015							
		Beginning of year		Redemptions		Conversion		End of Year
Class E	$	32,714	$	(100)	$	-	$	32,614
Class J		9,934		(10)		-		9,924
Class K		9,999		-		-		9,999
Class L		9,987		-		-		9,987
Class M		8,974		-		-		8,974
Class N		10,000		-		-		10,000
	$	81,608	$	(110)	$	-	$	81,498

As at December 31, 2016 all classes are non-cumulative, non-voting with no maturity and require that the shares must have been issued for at least five years and that the approval of The Central Bank must be obtained prior to redemption.

For all classes dividend rates are variable with Bahamian Prime Rate. In 2016, Bahamian Prime Rate was 4.75% (2015: 4.75%).

Common Shares:

	$0.02 each		
	Number 000's		$
Authorized:			
December 31, 2015 and 2016	225,000	$	4,500
Issued and Outstanding:			
December 31, 2014	97,653		1,953
Net repurchase of shares	(217)		(4)
December 31, 2015	97,436		1,949
Net repurchase of shares	(84)		(2)
December 31, 2016	97,352	$	1,947

14. EARNINGS PER SHARE

		2016		2015
Total profit	$	57,350	$	57,769
Preference share dividends		(5,101)		(5,101)
Total profit available to common shareholders	$	52,249	$	52,668
Weighted average number of common shares		97,406		97,536
Earnings per share (expressed in dollars)	$	0.54	$	0.54

15. GENERAL RESERVE

The general reserve is non-distributable and was created with a $10 million allocation from retained earnings in 2003 to allow the Bank to address unusual issues or distress situations should they occur. In 2007, the Bank increased the general reserve by $0.5 million to further allow for the potential impact of hurricanes.

16. 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. On October 17, 2007, the shareholders amended the Plan to 6 million shares as a result of the share split.

The main details of the new plan are as follows:

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

The Plan is being funded by CB Securities Ltd. purchasing shares from the market in advance of the options being exercised. The Bank recognized expenses of $0 (2015: $0) related to this equity settled share based payment plan during the year.

Other share based payment plan
Under the Bank's employee share purchase plan, non-management staff may purchase the Bank's shares at 90% of the closing market price on the date of grant for a restricted period each year. Employees' ability to purchase shares is restricted to a percentage of their salary according to their position. Shares so purchased vest immediately but are released to the employee on payment for the shares. No shares were made available under this plan in 2016 (2015: Nil shares).

The following tables summarize information about the Stock Option Plans:

	Nominal Value $0.02 Number of Stock Options (000's)	Weighted Average Exercise Price
Outstanding at December 31, 2015 and December 31, 2016	-	-
Options available to be granted at December 31, 2015 and December 31, 2016	4,678	

17. FEES AND OTHER INCOME

Fees and other income is as follows:

	2016	2015
Fees and commissions	$ 1,485	$ 1,155
Service charges	4,086	3,919
Card service revenue	709	681
Net foreign exchange revenue and other income	3,163	2,887
	$ 9,443	$ 8,642

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses is as follows:

	2016	2015
Staff costs	$ 38,013	$ 38,125
Other	29,350	28,151
	$ 67,363	$ 66,276

Staff costs include pension costs of $2.0 million (2015: $3.3 million) of which $0.5 million (2015: $3.0 million) relates to the DB Provisions (see Note 20).

19. RELATED PARTIES' BALANCES AND TRANSACTIONS

Related parties' balances and transactions are as follows:

	2016			2015		
	Key Management Personnel	Other Related Party	Total	Key Management Personnel	Other Related Party	Total
	$	$	$	$	$	$
Loans Receivable	7,371	16	7,387	9,044	1,609	10,653
Deposits	254,721	811	255,532	216,987	1,285	218,272
Other Liabilities	255	-	255	995	-	995
Interest Income	442	84	526	581	179	760
Interest Expense	8,307	-	8,307	7,561	3	7,564
General and Administrative Expense	810	-	810	3,360	-	3,360
Commitments Under Revolving Credit lines	764	3,057	3,821	2,200	1,432	3,632

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 on the Consolidated Statement of Profit or Loss and Other Comprehensive Income is as follows:

	2016	2015
Short term benefits	$ 7,309	$ 6,933
Post employment benefits	$ 442	$ 588

20. BANK PENSION SCHEME

DB Provisions

Actuarial work on the pension plan was undertaken by Mercer (Canada) Limited, Toronto, Canada as at December 31, 2016.

The following tables present information related to the Bank's DB Provisions of the Pension Plan, including amounts recorded on the Consolidated Statement of Financial Position and the components of net periodic benefit cost:

	2016	2015
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 20,685	$ 65,933
Interest income	1,165	3,547
Actual return on plan assets	1,265	(164)
Administrative costs	(152)	(154)
Employer contributions	3,829	2,923
Participant contributions	94	1,118
Benefits paid	(216)	(484)
Withdrawals from plan	(597)	(1,314)
Settlement payments	(172)	(50,720)
Fair value of plan assets at end of year	$ 25,901	$ 20,685
Change in defined benefit obligation:		
Benefit obligation at beginning of year	$ 24,012	$ 67,107
Current employer service costs	397	2,427
Enhanced value of settlements	-	411
Participant contributions	94	1,118
Interest cost	1,183	3,597
Withdrawals from plan	(597)	(1,314)
Benefits paid	(216)	(484)
Experience adjustment	172	932
Settlement payments	(172)	(50,720)
Changes in financial assumptions	2,080	938
Benefit obligation at end of year	$ 26,953	$ 24,012
Net defined benefit liability	$ 1,052	$ 3,327

20. BANK PENSION SCHEME (Continued)

		2016		2015
Net defined benefit liability:				
Balance at beginning of year	$	3,327	$	1,174
Defined benefit included in profit or loss		530		3,003
Remeasurement included in other comprehensive income		1,024		2,073
Employer contributions		(3,829)		(2,923)
Balance at end of year	$	1,052	$	3,327
Components of defined benefit cost:				
Current employer service costs	$	397	$	2,427
Enhanced value of settlements		-		411
Interest cost on defined benefit obligation		1,183		3,597
Interest income on plan assets		(1,165)		(3,547)
Administrative costs		115		115
Pension benefit expense included in staff costs	$	530	$	3,003
Components of remeasurements:				
Changes in financial assumptions	$	2,080	$	938
Experience adjustments		172		932
Return on plan assets excluding interest income		(1,228)		203
Remeasurements included in other comprehensive income	$	1,024	$	2,073
Weighted-average assumptions to determine defined benefit obligations:				
Discount rate		4.50%		5.00%
Rate of pension increases		1.00%		1.00%
Rate of increase in future compensation		3.50%		3.50%
Mortality Table		UP 1994 Fully generational		UP 1994 Fully generational
Weighted-average assumptions to determine defined benefit cost:				
Discount rate		5.00%		5.25%
Rate of pension increases		1.00%		1.00%
Rate of increase in future compensation		3.50%		3.50%
Mortality Table		UP 1994 Fully generational		UP 1994 Fully generational

Actuarial assumption sensitivities:
The discount rate is sensitive to changes in market conditions arising during the reporting period. The following table shows the effect of changes in this and the other key assumptions on the plan:

Results of a 25 basis points increase or decrease over the assumption used:

		Discount Rate	Rate of increase in			
			Compensation		Pension	
Pension obligation	$	1,146	$	369	$	709
Pension expense	$	70	$	25	$	47

The effect of assuming an increase of 1 year in life expectancy would increase the benefit obligation by $0.6 million and pension benefits expense by $41,000.

The weighted average duration of the defined benefit obligation was 16.7 years (2015: 17.1 years).

The Bank administered the DB Provisions until November 1, 2013 when it contracted an independent Trustee and an independent Administrator.

The DB Provisions owns 470,275 (2015: 470,275) common shares and $0.6 million (2015: $0.5 million) preference shares of the Bank. These shares have a market value of $5.5 million (2015: $4.2 million) which represents 21.13% (2015: 20.24%) of the DB Provisions assets.

The major categories of DB Provisions assets at December 31, 2016 are as follows:

	Fair Value of Plan Assets	
	2016	2015
Balance at Banks	$ 3,017	$ 2,038
Equity Instruments	9,078	7,688
Government Bonds	10,622	7,573
Other Debt Instruments	69	331
Preferred Equity	3,204	2,961
Other Assets	-	152
Liabilities	(89)	(58)
Fair Value of Plan Assets	$ 25,901	$ 20,685

The Bank expects that the contributions in 2017 in respect of the DB Provisions will be $0.5 million.

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

	2016	2015
Deposits	$ 2,867	$ 1,547
Interest expense	$ 91	$ 209

DC Provisions

Contributions to the DC Provisions of the Pension Plan started on November 1, 2013 for eligible employees. The amounts recognized as an expense under the DC Provisions are as follows:

	2016	2015
Pension expense included in staff costs	$ 1,492	$ 303

The DC Provisions owns 1,127,660 (2015: 1,161,150) common shares and $1.8 million (2015: $1.8 million) preference shares of the Bank. These shares have a market value of $13.6 million (2015: $10.6 million) which represents 24.4% (2015: 20.44%) of the DC Provisions assets.

The funded status of the Guaranteed Investment Contract available through the DC Provisions was as follows:

	2016	2015
Fair value of plan asset	$ 46,928	$ 44,428
Present value of the funded benefit obligation	(43,415)	(44,126)
Surplus in Guaranteed Investment Contract	$ 3,513	$ 302

21. MATURITY OF ASSETS AND LIABILITIES

The maturity of assets and liabilities are as follows:

ASSETS	2016	2015
On demand	$ 118,633	$ 83,806
3 months or less	50,816	47,543
Over 3 months through 6 months	4,402	8,954
Over 6 months through 12 months	27,383	13,467
Over 12 months through 24 months	46,021	50,018
Over 24 months through 5 years	214,018	223,233
Over 5 years	1,147,475	1,108,153
	$ 1,608,748	$ 1,535,174

	2016	2015
LIABILITIES		
On demand	$ 132,986	$ 113,102
3 months or less	437,853	411,590
Over 3 months through 6 months	90,013	95,430
Over 6 months through 12 months	194,266	187,483
Over 12 months through 24 months	154,229	168,216
Over 24 months through 5 years	249,213	237,839
Over 5 years	17,331	7,519
	$ 1,275,891	$ 1,221,179

22. CONCENTRATION OF LOANS RECEIVABLE AND LIABILITIES

The concentration of loans receivable and liabilities are as follows:

	2016		2015	
	$	#	$	#
Loans receivable:				
Under $50,000	$ 701,590	84,635	$ 677,820	81,144
$50,001 - $100,000	263,819	4,221	230,390	3,706
$100,001 - $150,000	52,910	478	57,240	476
$150,001 - $300,000	100,284	519	105,945	524
$300,001 - $500,000	35,176	97	35,330	98
$500,001 - $1,000,000	16,820	27	18,854	30
$1,000,001 and over	10,154	7	13,924	8
Impairment Allowance	(73,164)	-	(61,773)	-
	$ 1,107,589	89,984	$ 1,077,730	85,986
Liabilities:				
Deposits:				
Under $50,000	$ 190,757	57,982	$ 175,691	60,659
$50,001 - $100,000	92,278	1,325	86,896	1,238
$100,001 - $150,000	61,406	508	55,842	461
$150,001 - $300,000	100,882	474	101,448	468
$300,001 - $500,000	90,050	225	87,489	218
$500,001 - $1,000,000	154,387	204	151,910	201
$1,000,001 and over	550,745	238	522,370	227
Life assurance fund liability	13,268	-	12,814	-
Other liabilities	22,118	-	26,719	-
	$ 1,275,891	60,956	$ 1,221,179	63,472

23. COMMITMENTS AND CONTINGENCIES

a. In the ordinary course of business, the Group had commitments as at December 31, 2016, as follows:

	2016	2015
Mortgage commitments	$ 9,200	$ 5,939
Revolving credit lines	31,946	25,849
Capital expenditures contracted	-	1,979
Capital expenditure approved but not yet contracted	1,120	1,475
	$ 42,266	$ 35,242

Revolving credit lines - are undrawn lending facilities that have been approved by the Bank to meet the requirements of customers. They are revocable at the Bank's discretion. The amount shown represents the maximum amount of additional credit that the Bank could be obligated to extend. In practice many of these commitments will remain undrawn and the amount is not indicative of future cash requirements.

b. The Group is obligated under non-cancelable leases on property, all of which are operating leases, expiring no later than 2017, and on maintenance contracts for computer equipment and software expiring no later than 2021 on which the minimum annual rentals are approximately as follows:

	Minimum Rental Commitments	
	Leases	Computer Equipment and Software
Year	**$**	**$**
2017	562	1,092
2018	413	827
2019	393	706
2020	36	706
2021	-	275

c. The Bank has an undrawn line of credit with Bank of America, Miami for US$1 million which was established to service customer transactions. This credit line is secured by United States Government Treasury Notes in the amount of US$1.009 million as disclosed in Note 8.

d. The Bank has a standby letter of credit with Citibank N.A. for US$1.7 million, which was established to secure settlement transactions with MasterCard. This standby credit line is secured by a time deposit of B$1.7 million, which is included in Cash and Deposits with Banks in the Consolidated Statement of Financial Position.

24. RISK MANAGEMENT

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

The capital structure of the Bank consists of preference shares and equity attributable to the common equity holders of the Bank, comprising issued capital, general reserves, share premium and retained earnings as disclosed in Notes 13 and 15. The Board Executive Committee reviews the capital structure at least annually. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee the Bank manages its capital structure through the payment of dividends, new share issues, (common or preference) and the redemption of preference shares.

The Central Bank requires that the Bank maintains a ratio of total regulatory capital to risk-weighted assets at a minimum of 17%.

Capital regulatory requirements for subsidiary companies are managed through the Bank. The Group's strategy is unchanged from 2015.

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

Under paragraph 60(1)a of The Insurance (General) Regulations, 2010 (the "Regulations") an insurance company is required to have a minimum paid-up and unencumbered share capital of not less than three million dollars. As at December 31, 2016 Laurentide has $300,300 (2015: $300,300) in share capital and $2,750,000 (2015: $2,750,000) in contributed surplus. Laurentide's board passed a resolution on December 6, 2011 making the contributed surplus non-distributable.

Laurentide is required to establish and maintain a minimum statutory deposit of $2 million, such deposit to be held in trust pursuant to section 43(2) of the Act and paragraph 62 of the Regulations. The LIM Statutory Reserve Trust was established on December 20, 2011 with assets valued at $2,289,300 as at December 31, 2016 (2015: $2,289,300).

Laurentide is required to maintain a solvency margin pursuant to paragraph 90 of the Regulations. For the purposes of the Regulations, margin of solvency means the excess of the value of its admissible assets over the amount of its liabilities. The required margin of solvency is the greater of (a) twenty per cent of the premium income, including annuity premiums, in its last financial year; or (b) five hundred thousand dollars, plus the minimum amount of capital required. As at December 31, 2016, the minimum margin of solvency was $6,344,321 (2015: $6,743,500). Laurentide's solvency margin at December 31, 2016 was $26,642,022 (2015: $26,907,294) resulting in a surplus of $20,297,701 (2015: $20,163,794).

Paragraph 68 of the Regulations stipulates that of the value of the admissible assets which Laurentide must at any time have in order to maintain the minimum margin of solvency required by the Act, at least sixty per cent shall be in the form of qualifying assets. As at December 31, 2016, Laurentide had $40,055,034 (2015: $40,055,034) in qualifying assets and $40,055,312 (2015: $40,055,034) in admissible assets as defined under paragraphs 70 and 72 of the Regulations, respectively.

During 2016, the Group was in compliance with all externally imposed capital requirements.

b. Interest rate risk - Interest rate risk is the potential for a negative impact on the Consolidated Statement of Financial Position and/or Consolidated Statement of Profit or Loss and Other Comprehensive Income arising from adverse changes in the value of financial instruments as a result of changes in interest rates.

Interest rate risk or interest rate sensitivity results primarily from differences in the repricing dates of assets and liabilities. Interest rate risk exposures, or "gaps" may produce favourable or unfavourable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. When assets have a shorter average maturity than liabilities, an increase in interest rates would have a positive impact on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margin would result. The consolidated gap position shows more assets than liabilities repriced in periods greater than one year. This is a typical position for a financial institution with a large personal customer base. The following table sets out the Group's interest rate risk exposure as at December 31, 2016, and represents the Group's risk exposure at this point in time only.

Interest Rate Sensitivity

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

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

	Repricing date of interest sensitive instruments					Non interest	
As of December 31, 2015	Within 3 Months	3-5 Months	6-12 Months	Over 1-5 Years	Over 5 years	rate sensitive	Total
Assets							
Cash equivalents	$ 5,786	$ -	$ 952	$ -	$ -	$ 118,584	$ 125,322
	0.01%	-	0.02%	-	-	-	0.00%
Investments	276,495	-	-	17,075	28,680	257	322,507
	4.44%	-	-	4.04%	4.48%	-	4.42%
Loans receivable	37,833	247,333	5,573	177,401	639,449	-	1,107,589
	16.24%	7.97%	15.33%	14.75%	14.48%		13.13%
Premises and equipment	-	-	-	-	-	46,014	46,014
Other assets	-	-	-	-	-	7,316	7,316
TOTAL	$ 320,114	$ 247,333	$ 6,525	$ 194,476	$ 668,129	$ 172,171	$ 1,608,748
Liabilities and shareholders' equity							
Deposits	$ 548,721	$ 90,013	$ 194,266	$ 390,174	$ 17,331	$ -	$ 1,240,505
	1.32%	1.42%	1.58%	2.58%	2.56%	-	1.78%
Life assurance fund liabilities and Other liabilities	-	-	-	-	-	35,386	35,386
Preference shares	81,498	-	-	-	-	-	81,498
	6.25%	-	-	-	-	-	6.25%
Other equity	-	-	-	-	-	251,359	251,359
TOTAL	$ 630,219	$ 90,013	$ 194,266	$ 390,174	$ 17,331	$ 286,745	$ 1,608,748
INTEREST RATE SENSITIVITY GAP	$ (310,105)	$ 157,320	$ (187,741)	$ (195,698)	$ 650,798	$(114,574)	$ -
CUMULATIVE INTEREST RATE SENSITIVITY GAP	**$ (310,105)**	**$ (152,785)**	**$ (340,526)**	**$ (536,224)**	**$ 114,574**	**$ -**	**$ -**
COMPARATIVE 2015	**$ (266,549)**	**$ (95,798)**	**$ (276,888)**	**$ (458,396)**	**$ 138,939**	**$ -**	**$ -**
Average Yield - Earning Assets	5.75%	7.97%	13.10%	13.81%	14.05%		**11.12%**
Average Yield - Paying Liabilities	1.96%	1.42%	1.58%	2.58%	2.56%		**2.06%**
Average Margin 2016	3.80%	6.55%	11.52%	11.23%	11.49%		**9.06%**
Average Margin 2015	3.91%	6.49%	11.49%	11.36%	10.47%		**8.99%**

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

The Bank's credit policies are designed to maximize the risk/return trade off. The Bank's credit policies including authorized lending limits are based on a segregation of authority and centralized management approval with periodic independent review by the Bank's Internal Audit Department. Consumer credit is assessed and authorized in branches within credit policies established by the Bank. Credit scoring systems are used to ensure 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.

Maximum Exposure to Credit Risk

For financial assets recognised on the Consolidated Statement of Financial Position, the exposure to credit risk equals their carrying amount. For standby letters of credit, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the standby letters of credit are called upon.

For mortgage commitments and revolving credit lines that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

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

	2016			2015		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Cash and cash equivalents						
Neither past due or impaired	$ 125,322	$ -	$ 125,322	$ 85,543	$ -	$ 85,543
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 125,322	$ -	$ 125,322	$ 85,543	$ -	$ 85,543
Investments						
Neither past due or impaired	$ 322,507	$ -	$ 322,507	$ 322,743	$ -	$ 322,743
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 322,507	$ -	$ 322,507	$ 322,743	$ -	$ 322,743
Loans receivable						
Neither past due or impaired	$ 913,588	$ 76,370	$ 989,958	$ 884,137	$ 47,033	$ 931,170
Past due but not impaired	86,014	34,020	120,034	101,388	43,557	144,945
Impaired	51,237	19,524	70,761	43,854	19,534	63,388
	$ 1,050,839	$ 129,914	$ 1,180,753	$ 1,029,379	$ 110,124	$ 1,139,503

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

The credit quality of loans receivable is shown in the following table:

	2016			2015		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Loans receivable						
Residential mortgage						
Neither past due or impaired	$ 120,021	$ 24,537	$ 144,558	$ 129,804	$ 19,372	$ 149,176
Past due but not impaired	27,492	16,743	44,235	34,935	23,269	58,204
Impaired	24,491	15,131	39,622	20,829	14,118	34,947
	$ 172,004	$ 56,411	$ 228,415	$ 185,568	$ 56,759	$ 242,327
Business						
Neither past due or impaired	$ 35,441	$ 2,792	$ 38,233	$ 27,942	$ 2,316	$ 30,258
Past due but not impaired	4,862	1,036	5,898	3,529	1,382	4,911
Impaired	1,782	431	2,213	2,508	437	2,945
	$ 42,085	$ 4,259	$ 46,344	$ 33,979	$ 4,135	$ 38,114

	2016			2015		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Personal						
Neither past due or impaired	$ 728,708	$ 49,041	$ 777,749	$ 702,470	$ 25,345	$ 727,815
Past due but not impaired	47,767	16,241	64,008	54,654	18,906	73,560
Impaired	23,786	3,962	27,748	20,086	4,979	25,065
	$ 800,261	$ 69,244	$ 869,505	$ 777,210	$ 49,230	$ 826,440
Credit card						
Neither past due or impaired	$ 29,418	$ -	$ 29,418	$ 23,921	$ -	$ 23,921
Past due but not impaired	5,893	-	5,893	8,270	-	8,270
Impaired	1,178	-	1,178	431	-	431
	$ 36,489	$ -	$ 36,489	$ 32,622	$ -	$ 32,622
	$ 1,050,839	$ 129,914	$ 1,180,753	$ 1,029,379	$ 110,124	$ 1,139,503

The table below shows the distribution of loans receivable that are neither past due or impaired:

	2016	2015
Satisfactory risk	$ 983,878	$ 925,063
Watch list	6,080	6,107
Sub-standard but not impaired	-	-
	$ 989,958	$ 931,170

The analysis of the age of loans receivable that were past due but not impaired is as follows:

2016	Residential mortgage	Business	Personal	Credit card	Total
Past due up to 29 days	$ 34,697	$ 4,785	$ 47,150	$ 4,526	$ 91,158
Past due 30 - 59 days	4,727	399	10,524	881	16,531
Past due 60 - 89 days	4,811	714	6,334	486	12,345
	$ 44,235	$ 5,898	$ 64,008	$ 5,893	$ 120,034

2015	Residential mortgage	Business	Personal	Credit card	Total
Past due up to 29 days	$ 42,657	$ 3,817	$ 52,267	$ 6,667	$ 105,408
Past due 30 - 59 days	8,992	955	12,345	1,007	23,299
Past due 60 - 89 days	6,555	139	8,948	596	16,238
	$ 58,204	$ 4,911	$ 73,560	$ 8,270	$ 144,945

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 either additional collateral, a co-signer or guarantor or a garnishee of salary being added to the loan. Following restructuring, an overdue consumer account is normally reset from delinquent to current status. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that repayment will probably continue. These policies are required to be kept under continual review and their application varies according to the nature of the market, the product, and the availability of empirically based data. Management has determined that due to a potential increased propensity to default on restructured accounts, both the impairment allowance on collectively assessed performing accounts and the impairment allowance on non-performing accounts have been increased to take this into account.

Loans receivable collateral

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:

- in the personal sector - garnishees over salary and chattel mortgages;
- in the residential mortgage sector - mortgages over residential properties;
- in the commercial and industrial sector - charges over business assets such as premises, stock and debtors;
- in the commercial real estate sector - charges over the properties being financed.

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

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

e. ***Insurance risk -*** Insurance risk is the risk of loss resulting from the occurrence of an insured event. Laurentide issues contracts for credit life insurance only on loans written by the Bank. All lives insured are debtors under closed-end consumer credit transactions that arise from direct loans with the Bank. No insurance contract is issued on lives over age 59. The amount of life insurance at risk on any one policy is as follows:

Auto loans - Maximum of $10,000 or net indebtedness to Bank
All other loans - Maximum of $20,000 or net indebtedness to Bank

f. ***Currency risk -*** Currency risk is the risk that the fair values and/or amounts realized 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 recognized monetary assets and liabilities are denominated in currencies other than the Bank's functional currency. The Bank is not subject to significant currency risk as its foreign currency transactions and monetary assets and liabilities are predominately denominated in currencies with foreign exchange rates currently fixed against the Bank's functional currency.

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

2016 SUMMARY OF BOARD AND COMMITTEE MEETINGS

THE YEAR ENDED DECEMBER 31, 2016	
BOARD	6
EXECUTIVE COMMITTEE	4
PREMISES	4
AUDIT	4
COMPENSATION	7
NOMINATING	4
INFORMATION TECHNOLOGY	4
PENSION	4

BOARD MEETING ATTENDANCE	
EARLA J. BETHEL	5
MARCUS C. BETHEL	5
G. CLIFFORD CULMER *(Retired May 2016)*	3
VAUGHN W. T. HIGGS	3
TRACY E. KNOWLES *(Elected May 2016)*	3
RUPERT W. ROBERTS	6
ROBERT D. L. SANDS	6
R. CRAIG SYMONETTE	6
LARRY R. GIBSON	3
IAN A. JENNINGS	6
WILLIAM B. SANDS, JR.	6

NOMINATING COMMITTEE REPORT

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

As part of its mandate, **THE NOMINATING COMMITTEE** identifies and recommends candidates for nomination to the Board as Directors, monitors the orientation program for new Directors and maintains a process for assessing the performance of the Board and its committees.

YEAR IN REVIEW

- Assessed the composition and size of the Board, examining its breadth and diversity of experience and the appropriateness of the number of Directors and the required allocation of Executive and Non-Executive Directors.
- Continued to maintain a list of prospective Director Candidates with input from the Board.
- Recommended to the Board a list of nominees to stand for election as Directors at the Annual General Meeting.
- Reviewed and Recommended the levels of Directors' Remuneration to the Board for Approval at the Annual General Meeting to ensure that it is appropriate to the responsibilities and risks assumed and competitive with other comparable organisations.
- 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, 2016.

R W Roberts Jr

RUPERT W. ROBERTS, JR., OBE
Chairman
Nominating Committee

Pictured L to R: **R. Craig Symonette, Ian A. Jennings, William B. Sands, Jr., Rupert W. Roberts, Jr., OBE, Vaughn W. Higgs**

THE EXECUTIVE COMMITTEE has the power to direct and transact all business of the Bank except that required to be performed by the Board as a whole. The Executive Committee supports the Board in fulfilling its oversight responsibilities in relation to the identification, documentation, measurement and management of significant risks affecting the Bank.

The Committee also monitors the Bank's compliance with risk-related regulatory requirements and with its internal risk management policies and procedures. It is responsible for developing and maintaining governance practices consistent with high standards of corporate governance.

YEAR IN REVIEW

During the year, the Committee reviewed strategic, organizational and leadership issues. In fulfilling its role, the Committee:

- Approved corporate policies that address risk management by means of controls, including controls on the authorities and limits delegated to the President. These policies and controls are aligned with prudent, proactive risk management principles, prevailing market conditions and the business requirements of the approved strategies. They are 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 prior to its approval by the Audit Committee.
- Reviewed core methods and procedures established by management to control key risks, and deemed by the Committee to be appropriate for prudent business practice.
- Reviewed significant credit and market risk exposures, industry sector analyses, topical risk issues, and the strategies of the Bank's major business units, including related risk methodologies.
- Reviewed the Bank's Capital Management Strategies and requirements and made recommendations for changes to the Board.
- Continued to assess the Bank's system of corporate governance and recommend new initiatives with a view to maintaining high standards of corporate governance.
- Reviewed the mandates of the Board Subcommittees, and secured its approval by the Board.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2016

WILLIAM B. SANDS, JR.
Executive Chairman
Executive Committee

PREMISES COMMITTEE REPORT

Pictured L to R: **Ian A. Jennings, Larry R. Gibson, Earla J. Bethel, Robert D. L. Sands, Marcus R. C. Bethel**

THE PREMISES COMMITTEE provides oversight of significant management and Board of Directors approved premises related opportunities by ensuring that the associated development programs are facilitated in accordance with approved Business Model, designs and plans and 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 proposals of Senior Management for expansion of the Bank into non-serviced geographical areas.
- Reviewed proposals of Senior Management to purchase land and/or buildings for new locations or redevelopment of existing premises.
- Reviewed cost allocations proposed by Senior Management for all significant leases, leasehold allocations with a view of ensuring the most cost effective policies and procedures are in place to sustain the ongoing operations of the Bank.
- Assessed the monitoring of Management's control of significant premises undertakings to ensure an effective oversight and reporting process is in place and that to the extent possible an appropriate level of attention is placed on the effective and efficient use of allocated funds.
- Assessed the monitoring of the Bank's compliance, maintenance and administration of significant owned and leased property expense allocations to ensure the Bank's owned and leased properties present the Bank in a most favorable position and in a cost effective manner.
- Provided the appropriate recommendations to the Board of Directors.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2016

EARLA J. BETHEL
Chairperson
Premises Committee

Pictured L to R: **Larry R. Gibson, Denise Turnquest, Ian A. Jennings, William B. Sands, Jr., Robert D. L. Sands**

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 one employee representative elected by the employees triennially. The employee representative is Mrs. Denise Turnquest.

YEAR IN REVIEW

During the year, the Committee in fulfilling its role:

- Reviewed the performance of the Trustee for the Pension Fund and other service providers and recommended changes (where required) to the Board Executive Committee for approval.
- Reviewed and recommended for approval by the Board Executive Committee Plan Design changes after reviewing proposed design changes and cost impact with the Actuary of the Plan. One of these approved changes was the addition of a second employee representative on the committee in 2017.
- Reviewed and recommended for approval by the Board Executive Committee changes to the Trust Deed in line with proposed Plan design changes.
- 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, 2016.

IAN A. JENNINGS
Chairman
Pension Committee

IT COMMITTEE REPORT

Pictured L to R: **Vaughn W. Higgs, R. Craig Symonette, Ian A. Jennings, Robert D. L. Sands**

THE INFORMATION TECHNOLOGY COMMITTEE provides independent oversight of significant management and Board of Director approved technology based platforms and the associated business applications to ensure they are developed in accordance with established system development guidelines, corporate governance standards and regulatory guidelines and are maintained and sustained in a cost effective, controlled and secure manner. The Committee is responsible for the oversight of the assessment of new technologies and their potential impact on the Bank and its operations.

YEAR IN REVIEW

Reviewed and recommended for approval by the Board of Directors the Bank's Technology Development and Maintenance-based Plan.

Reviewed significant technology-based proposals to ensure they are compatible with the strategic and business plans of the Bank and for those significant projects:

- Ensured cost-benefit analyses are 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 are part of the project implementation process.

Monitored the ongoing development and sustainability of an effective contingent and back-up plan that is 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, provide 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, 2016.

R. CRAIG SYMONETTE
Chairman
IT Committee

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

THE COMPENSATION COMMITTEE is responsible for assisting the Board of Directors in ensuring that human resources strategies support the Bank's objectives and sustain shareholder value. As part of this responsibility, members of the committee review the performance and approve the compensation of Executive Officers of the Bank.

YEAR IN REVIEW

During the year, the Committee in fulfilling its role:

- Reviewed and approved the Bank's overall approach to executive compensation, including compensation principles and objectives for total compensation, any changes to short, medium and long-term incentive programs, and the policies that govern the ongoing administration of all components of compensation.
- Recommended to the Board of Directors the appointment of Officers of The Bank.
- Assessed the performance of the Bank's Executive Chairman and reviewed the assessment with the Board of Directors; determined the Executive Chairman's compensation in relation to the Bank's performance for the fiscal year.
- Reviewed annual performance assessments submitted by the President for Bank Officers.
- Reviewed the human resources strategic priorities and progress being made against them, which included:
  - enhancing the management of talent and succession; strengthening employee engagement while introducing cultural change; and
  - matching training and development with business needs and implementing more cost-efficient training delivery models.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2016.

R W Roberts Jr

RUPERT W. ROBERTS, JR., OBE
Chairman
Compensation Committee

AUDIT COMMITTEE REPORT

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

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

YEAR IN REVIEW

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

Financial Reporting

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

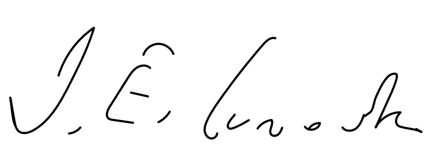
Internal Control and Disclosure Control

- Reviewed the processes involved in evaluating the Bank's internal control environment. Specifically, the Committee approved the annual audit plan; reviewed quarterly reports of the VP Internal Audit 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.
- Reviewed and approved significant policies and procedures relating to internal control and financial governance.
- Met regularly with the Vice President Internal Audit as necessary without management present.
- Reviewed existing and proposed Guidelines issued by regulators and made recommendations to the Board to ensure compliance.
- Reviewed recommendations of the Bank's Auditors and External Regulators, as well as management's responses.
- Assessed and recommended to the Nominating Committee qualified persons to serve on the Audit Committee.

Bank's Auditors

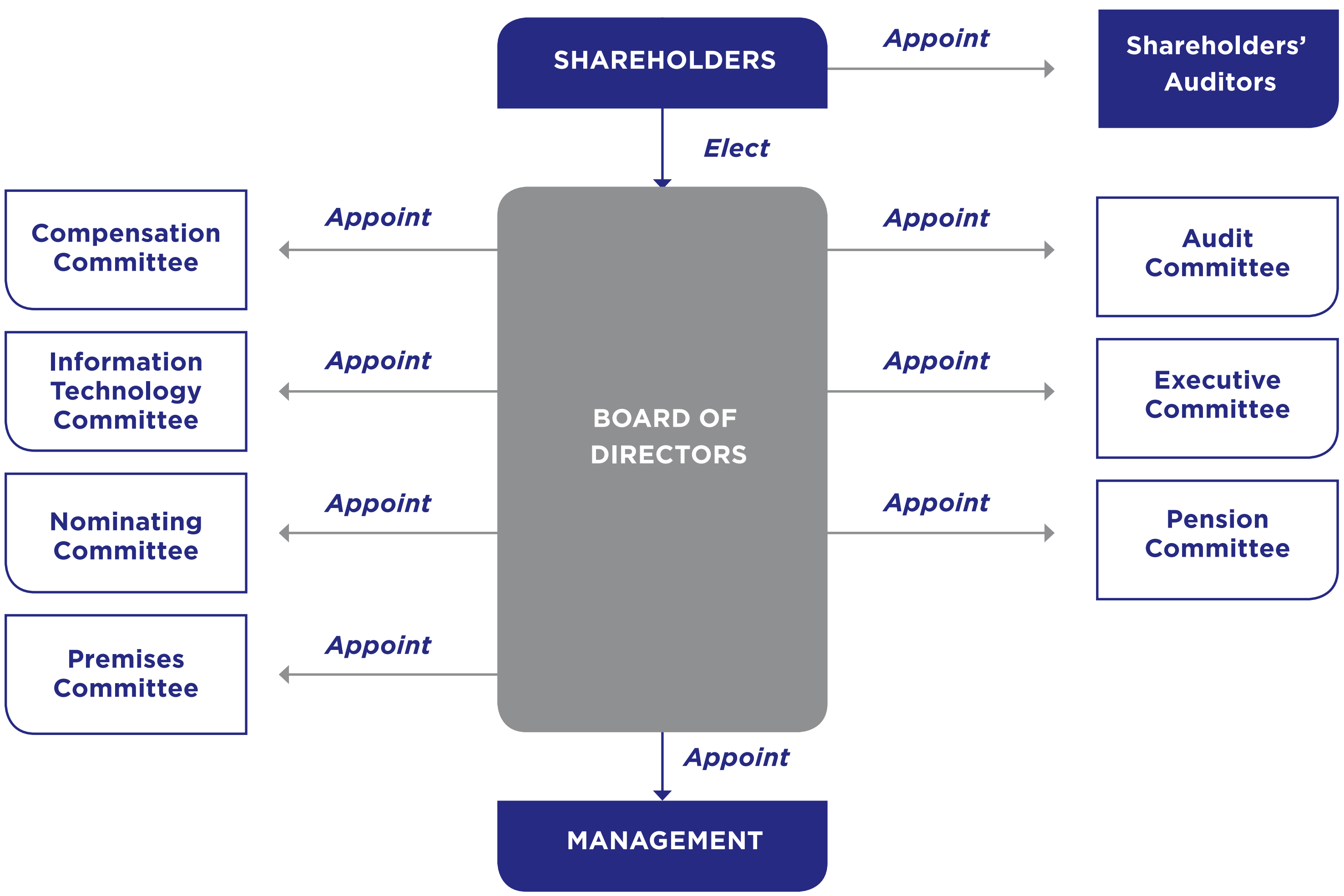
- Recommended after a Tender process, that the incumbent auditor Deloitte & Touche be replaced by PriceWaterhouseCoopers to perform the 2017 external audit.
- Confirmed that appropriate practices are being followed to safeguard the independence of the Bank's Auditors.
- Reviewed the performance of the 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, 2016.



TRACY E. KNOWLES
Chairman
Audit Committee

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



COMMONWEALTH BANK CORPORATE GOVERNANCE PROFILE

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

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

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

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

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

ROLE OF THE BOARD:

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

MONITORING BY THE BOARD OF DIRECTORS:

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

Issues involving corporate governance principles include:

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

BOARD RESPONSIBILITIES

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

Internal corporate governance controls

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

Strategic Planning Process

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

Monitoring Tactical Process

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

Risk Assessment

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

Senior Level Staffing

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

Integrity

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

Oversight of communications and public disclosure

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

Material Transactions

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

Monitoring Board Effectiveness

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

Other

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

DIRECTOR ATTRIBUTES

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

Integrity and Accountability

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

Governance

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

Financial Literacy

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

Communication

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

Track Record and Experience

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

Independence

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

BOARD OF DIRECTORS

WILLIAM B. SANDS, JR.
Executive Chairman
Commonwealth Bank Ltd.

IAN A. JENNINGS
President
Commonwealth Bank Ltd.

EARLA J. BETHEL
President
DanBrad Ltd.

DR. MARCUS R. C. BETHEL
Consultant Internist &
Administrator
Lucayan Medical Centre

TRACY E. KNOWLES
Retired Accountant

LARRY R. GIBSON
Vice President
Colonial Pension Services

VAUGHN W. HIGGS
VP & General Manager
Nassau Paper Co. Ltd.

RUPERT W. ROBERTS, JR., OBE
President
Super Value Food Stores Ltd.

ROBERT D. L. SANDS
Sr. V.P., Administration
& External Affairs
Baha Mar Ltd.

R. CRAIG SYMONETTE
Chairman
Bahamas Ferries Ltd.

REGISTERED OFFICE
GTC Corporate Services Ltd.
P.O. Box SS-5383
Nassau, Bahamas

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

AUDITORS
Deloitte & Touche
P.O. Box N-7120
Nassau, Bahamas

TRANSFER AGENT AND REGISTRAR
Bahamas Central Securities Depository
2nd Floor, Fort Nassau Centre
British Colonial Hilton
Bay Street
P.O. Box EE-15672
Nassau, Bahamas
Tel: (242) 322-5573
STOCK EXCHANGE LISTING
(Symbol: CBL)
COMMON SHARE LISTING
Bahamas International Securities Exchange (BISX)

INTERNET ADDRESS
www.combankltd.com

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

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

INSTITUTIONAL INVESTOR, BROKER & SECURITY ANALYST CONTACT
Institutional investors, brokers and security analysts requiring financial information should contact the Corporate Secretary, Investor Relations, by writing us at our Principal Address or by calling:
Tel: (242) 502-6200
Fax: (242) 394-5807

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

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

CHARLENE A. BOSFIELD
Corporate Secretary
Commonwealth Bank Ltd.

SERVICES

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

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

AUTOMATED BANKING MACHINES
FOREIGN EXCHANGE SERVICES
PERSONAL CHEQUING ACCOUNTS
BUSINESS CHEQUING ACCOUNTS
BTC PREPAID CELL MINUTES
SAFE DEPOSIT BOXES
WIRE TRANSFERS
CERTIFICATES OF DEPOSIT

LOCATIONS

NEW PROVIDENCE

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

BRANCHES

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

GRAND BAHAMA

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

ABACO

Marsh Harbour 367-2370

* Drive through ABM Locations
** Saturday banking locations

CARD SERVICES CENTRE

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

CALL CENTRE 502-6206

SATURDAY BANKING

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

OFF-SITE ABM LOCATIONS

Nassau

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

Freeport

- Freeport Airport
- Cost Right

Abaco

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

customerservice@combankltd.com
www.combankltd.com