

CHAIRMAN'S REPORT ON UNAUDITED RESULTS MARCH 31, 2018

Commonwealth Bank's total profit for the first quarter of 2018 was \$13.7 million compared to \$17.7 million for the same period of 2017. The reduction in profit was mainly due to the increase in the provision for credit losses which is a reflection of the continual challenges faced by the Bahamian economy.

Total assets at March 31, 2018 were \$1.67 billion, which was 1% above December 2017 total assets of \$1.65.

At the beginning of the year the Bank adopted International Financial Reporting Standards 9: Financial Instruments. The Bank's provision methodology was amended to ensure compliance with the new standard. As a result of the adoption of this standard, the Bank's opening retained earnings was adjusted upward by \$0.87 million.

The Bank maintains strong capital and liquidity ratios with capital adequacy in excess of 32% and liquidity ratio above 44%. These ratios are well in excess of Central Bank's requirements of 17% and 20%, respectively and are indicative of the Bank's overall safety and soundness.

In keeping with its philosophy of sharing its success with its shareholders, the Bank paid dividends of 4 cents per share during the first quarter. This included an extraordinary dividend of 2 cents per common share paid in February and a quarterly dividend of 2 cents per common share.

I would like to thank our dedicated team for their continued commitment to excellence in serving our customers. I would also like to thank our directors, shareholders, customers, and the public at large for their continued and invaluable support.

William B. Sands, Jr.
Executive Chairman

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in B\$ '000s) (Unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Cash and deposits with banks	\$ 42,159	\$ 30,611
Balances with Central Bank of The Bahamas	138,045	98,288
Investments	389,399	401,588
Loans Receivable	1,034,506	1,053,969
Other assets	20,539	18,011
Premises and equipment	44,585	44,818
TOTAL	\$ 1,669,233	\$ 1,647,285
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	\$ 1,301,033	\$ 1,274,262
Life assurance fund liability	4,559	5,599
Other liabilities	12,685	14,991
Total liabilities	1,318,277	1,294,852
Equity:		
Share capital	83,444	83,444
Share premium	19,197	19,195
General Reserve	10,500	10,500
Retained earnings	237,815	239,294
Total equity	350,956	352,433
TOTAL	\$ 1,669,233	\$ 1,647,285

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in B\$ '000s) (Unaudited)

	3 months ending March 31, 2018	3 months ending March 31, 2017
INCOME		
Interest income	\$ 40,585	\$ 43,121
Interest expense	(5,252)	(6,478)
Net interest income	35,333	36,643
Life assurance, net	893	414
Fees and other income	2,416	2,244
Total income	38,642	39,301
NON-INTEREST EXPENSE		
General and administrative	17,554	17,070
Provision for credit losses	6,537	3,649
Depreciation and amortization	804	827
Directors' fees	68	57
Total non-interest expense	24,963	21,603
TOTAL PROFIT	\$ 13,679	\$ 17,698
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of Defined Benefit Obligation	(3,173)	(25)
TOTAL COMPREHENSIVE INCOME	\$ 10,506	\$ 17,673
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars)	\$ 0.04	\$ 0.06

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in B\$ '000s) (Unaudited)

	3 months ending March 31, 2018	3 months ending March 31, 2017
SHARE CAPITAL		
Preference Shares		
Balance at beginning and end of period	\$ 81,498	\$ 81,498
COMMON SHARES		
Balance at beginning of period	1,946	1,947
Repurchase of common shares	-	-
Balance at end of period	1,946	1,947
Total Share Capital	83,444	83,445
SHARE PREMIUM		
Balance at beginning of period	19,195	19,516
Repurchase of common shares	2	-
Balance at end of period	19,197	19,516
GENERAL RESERVE		
Balance at beginning and end of period	10,500	10,500
RETAINED EARNINGS		
Balance at beginning of period	239,294	219,396
IFRS 9 transition adjustment	865	-
Balance at beginning of period, as restated	240,159	219,396
Total comprehensive income	10,506	17,673
Common share dividends	(11,677)	(11,681)
Preference share dividends	(1,173)	(1,173)
Balance at end of period	237,815	224,215
EQUITY AT END OF PERIOD	\$ 350,956	\$ 337,676

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in B\$ '000s) (Unaudited)

	3 months ending March 31, 2018	3 months ending March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Receipts	\$ 36,573	\$ 39,738
Interest Payments	(5,252)	(6,478)
Life assurance premiums received (refunded), net	486	(1,565)
Life assurance claims and expenses paid	(1,238)	(571)
Fees and other income received	2,503	2,266
Recoveries	2,945	3,304
Cash payments to employees and suppliers	(25,111)	(22,865)
	10,906	13,829
Increase in minimum reserve requirement	(108)	(871)
Increase in restricted deposit	(370)	-
Net decrease/(increase) in loans receivable	10,846	(5,286)
Increase in deposits	26,771	15,402
Net cash from operating activities	48,045	23,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(44,431)	(15,155)
Interest receipts from investments	5,204	4,977
Redemption of investments	55,427	10,016
Purchases of premises and equipment	(583)	(1,301)
Net proceeds from sale of premises and equipment	13	16
Net cash (used in) investing activities	15,630	(1,447)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(12,850)	(12,854)
Repurchase of common shares	2	-
Net cash used in financing activities	(12,848)	(12,854)
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,827	8,773
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	77,209	76,189
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 128,036	\$ 84,962

COMMONWEALTH BANK LIMITED
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
QUARTER ENDED MARCH 31, 2018 *(Expressed in B\$ '000s) (Unaudited)*

1. ACCOUNTING POLICIES

These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting*.

The consolidated financial statements include the accounts of Commonwealth Bank Limited ("the Bank") and its wholly owned subsidiary companies. The subsidiaries are Lauretide Insurance and Mortgage Company Limited, Lauretide Insurance Agency Limited, C.B. Securities Ltd., and C.B. Holding Co. Ltd.

2. Change in Accounting Policy – IFRS 9

Effective January 1, 2018 the Bank adopted International Financial Reporting Standards 9: Financial Instruments (IFRS 9) which replaces International Accounting Standards 39: *Financial Instruments – Recognition and Measurement* (IAS 39). The Bank adopted IFRS 9 to comply with International Financial Reporting Standards which require that financial statements with financial periods beginning on or after 1 January 2018 account for financial instruments under IFRS 9. As permitted, the prior period comparative consolidated financial statements, which are reported under IAS 39, were not restated and are therefore not comparable to the information presented for 2018. However, the opening retained earnings for 2018 has been amended to reflect the impact of the change in accounting policy relative to prior periods.

3. Corresponding Figures

Certain corresponding figures have been adjusted to conform with changes in presentation adopted in the current year.

4. Dividends

The Directors approved interim quarterly dividends in the amount of 2 cents per common share (2017: 2 cents) and extraordinary dividends in the amount of 2 cents per common share (2017: 2 cents). The total dividends paid as of the interim date is 4 cents per share for common shares (2017: 4 cents). The dividends are declared on a quarterly calendar basis. The interim financial statements only reflect the dividends accrued for the interim period.

5. Business Segments

For management purposes, the Bank including its subsidiaries is organized into five operating units – Retail Bank, Credit Life Company, Real Estate Holdings, Investment Holdings and Insurance Agency Operations. The following table shows financial information by business segment:

	2018						
	Retail Bank	Credit Life Company	Real Estate Holdings	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	\$ 37,449	\$ 1,325	\$ 5	\$ -	\$ -	\$ (137)	\$ 38,642
Internal	190	(29)	961	(3,040)	113	1,805	-
Total Income	37,639	1,296	966	(3,040)	113	1,668	38,642
Total profit							
Internal							
& External	\$ 12,167	\$ 1,195	\$ 375	\$ (3,133)	\$ 54	\$ 3,021	\$ 13,679
	2017						
	Retail Bank	Credit Life Company	Real Estate Holdings	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	\$ 38,492	\$ 847	\$ -	\$ -	\$ -	\$ (38)	\$ 39,301
Internal	179	79	1,145	66	44	(1,513)	-
Total Income	38,671	926	1,145	66	44	(1,551)	39,301
Total profit							
Internal							
& External	\$ 16,469	\$ 834	\$ 543	\$ (22)	\$ 15	\$ (141)	\$ 17,698