

COMMONWEALTH BANK | CHAIRMAN'S REPORT ON UNAUDITED RESULTS SEPTEMBER 30, 2018

Commonwealth Bank's total profit for the nine-month period ended September 30, 2018 was \$38.4 million compared to \$39.7 million for the same period of 2017.

While there was a reduction in interest income, the reduction was offset by a decrease in interest expense and a decrease in provision for credit losses. We continue to put focused attention on building a high quality credit portfolio so that our delinquency is maintained at minimum levels.

Total assets at September 30, 2018 were \$1.7 billion, which represents a 3.2% increase from December 2017 total assets of \$1.65 billion.

In keeping with its philosophy of sharing its success with its shareholders, the Bank paid dividends of 2 cents per share during the third quarter. Year-to-date the Bank has paid a total of 8 cents per common share to shareholders including an extraordinary dividend of 2 cents per common share paid in February.

The Bank maintains strong capital and liquidity ratios with capital adequacy in excess of 33% and liquidity ratio above 45%. 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.

As always, we extend our gratitude to our shareholders, loyal customers and the general public for their continued support and patronage. The Board acknowledges and thanks the Commonwealth Bank team who remains committed to the highest level of excellence in serving our valued customers.

William B. Sands, Jr.
Executive Chairman

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

	September 30, 2018	December 31, 2017
ASSETS		
Cash and deposits with banks	\$ 33,939	\$ 30,611
Balances with Central Bank of The Bahamas	198,837	98,288
Investments	415,066	401,588
Loans Receivable	991,734	1,053,969
Other assets	16,777	18,011
Premises and equipment	43,770	44,818
TOTAL	\$ 1,700,123	\$ 1,647,285
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	\$ 1,320,962	\$ 1,274,262
Life assurance fund liability	3,489	5,599
Other liabilities	16,544	14,991
Total liabilities	1,340,995	1,294,852
Equity:		
Share capital	83,441	83,444
Share premium	17,198	19,195
General Reserve	10,500	10,500
Retained earnings	247,989	239,294
Total equity	359,128	352,433
TOTAL	\$ 1,700,123	\$ 1,647,285

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

	3 months ending September 30, 2018	3 months ending September 30, 2017
INCOME:		
Interest income	\$ 38,723	\$ 43,221
Interest expense	(4,969)	(6,162)
Net interest income	33,754	37,059
Life assurance, net	808	969
Fees and other income	3,040	2,620
Total income	37,602	40,648
NON-INTEREST EXPENSE:		
General and administrative	18,366	16,783
Provision for credit losses	6,638	12,630
Depreciation and amortization	764	846
Directors' fees	68	68
Total non-interest expense	25,836	30,327
TOTAL PROFIT	\$ 11,766	\$ 10,321
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of Defined Benefit Obligation	(1,302)	175
TOTAL COMPREHENSIVE INCOME	\$ 10,464	\$ 10,496
BASIC AND DILUTED EARNINGS PER COMMON SHARE		
(expressed in dollars)	\$ 0.04	\$ 0.03

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

	9 months ending September 30, 2018	9 months ending September 30, 2017
INCOME:		
Interest income	\$ 119,139	\$ 129,126
Interest expense	(15,231)	(18,891)
Net interest income	103,908	110,235
Life assurance, net	2,300	1,950
Fees and other income	8,350	7,227
Total income	114,558	119,412
NON-INTEREST EXPENSE:		
General and administrative	52,818	51,417
Loan impairment expense	20,778	25,575
Depreciation and amortization	2,346	2,513
Directors' fees	205	189
Total non-interest expense	76,147	79,694
TOTAL PROFIT	\$ 38,411	\$ 39,718
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of Defined Benefit Obligation	(3,720)	150
TOTAL COMPREHENSIVE INCOME	\$ 34,691	\$ 39,868
BASIC AND DILUTED EARNINGS PER COMMON SHARE		
(expressed in dollars)	\$ 0.12	\$ 0.12

COMMONWEALTH BANK LIMITED NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED SEPTEMBER 30, 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 Laurentide Insurance and Mortgage Company Limited, Laurentide 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

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

	9 months ending September 30, 2018	9 months ending September 30, 2017
SHARE CAPITAL		
Preference Shares		
Balance at beginning and end of period	\$ 81,498	\$ 81,498
Redemption of shares	-	-
Balance at end of period	81,498	81,498
COMMON SHARES		
Balance at beginning of period	1,946	1,947
Repurchase of common shares	(3)	(1)
Balance at end of period	1,943	1,946
TOTAL SHARE CAPITAL	83,441	83,444
SHARE PREMIUM		
Balance at beginning of period	19,195	19,516
Repurchase of common shares	(1,997)	(321)
Balance at end of period	17,198	19,195
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 transition adjustment	865	-
Balance at beginning of period, as restated	240,159	219,396
Total comprehensive income	34,691	39,868
Common share dividends	(23,342)	(23,357)
Preference share dividends	(3,519)	(3,519)
Balance at end of period	247,989	232,388
EQUITY AT END OF PERIOD	\$ 359,128	\$ 345,527

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

	9 months ending September 30, 2018	9 months ending September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest receipts	\$ 107,140	\$ 118,764
Interest payments	(15,231)	(18,891)
Life assurance premiums received (refunded), net	1,776	(3,279)
Life assurance claims and expenses paid	(1,870)	(1,378)
Fees and other income received	8,634	7,374
Recoveries	9,323	10,323
Cash payments to employees and suppliers	(53,959)	(57,998)
	55,813	54,915
Increase in minimum reserve requirement	(1,859)	(1,547)
Increase in restricted deposit	(371)	-
Net decrease/(increase) in loans receivable	32,999	(4,021)
Increase/decrease in deposits	46,700	58,763
Net cash from operating activities	133,282	108,110
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(172,767)	(95,850)
Interest receipts from investments	13,127	11,261
Redemption of investments	158,161	33,516
Purchases of premises and equipment	(1,383)	(2,009)
Net proceeds from sale of premises and equipment	85	39
Net cash from (used in) investing activities	(2,777)	(53,043)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(26,862)	(26,876)
Repurchase of common shares	(1,997)	(322)
Net cash used in financing activities	(28,859)	(27,198)
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,647	27,869
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	77,209	76,189
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 178,856	\$ 104,058

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). The total dividends paid as of the interim date is 8 cents per share for common shares (2017: 8 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						Eliminations	Consolidated
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations			
Income								
External	\$ 111,400	\$ 3,609	\$ 15	\$ -	\$ -	\$ (467)	\$	\$ 114,558
Internal	612	\$ (100)	2,868	\$ (3,726)	363	\$ (19)	\$	-
Total Income	112,012	\$ 3,509	\$ 2,883	\$ (3,726)	\$ 363	\$ (484)	\$	\$ 114,558
Total profit								
Internal								
& External	\$ 34,316	\$ 3,199	\$ 1,085	\$ (4,022)	\$ 99	\$ 3,734	\$	\$ 38,411
	2017						Eliminations	Consolidated
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations			
Income								
External	\$ 116,006	\$ 4,448	\$ -	\$ -	\$ -	\$ (1,059)	\$	\$ 119,412
Internal	825	\$ 138	2,880	\$ 281	217	\$ (4,324)	\$	-
Total Income	116,831	\$ 4,586	\$ 2,880	\$ 281	\$ 217	\$ (5,382)	\$	\$ 119,412
Total profit								
Internal								
& External	\$ 35,289	\$ 3,088	\$ 1,042	\$ 12	\$ 97	\$ (190)	\$	\$ 39,718