


Independent auditors' report

To the shareholders of Commonwealth Bank Limited

Our opinion

In our opinion, the consolidated financial information of Commonwealth Bank Limited (the Bank) and its subsidiaries (together 'the Group') as at December 31, 2017, is prepared, in all material respects, in accordance with the basis of preparation as set out in Note 1 to the consolidated financial information.

What we have audited

The Group's consolidated financial information comprise:

- the consolidated statement of financial position as at December 31, 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the consolidated statement of cash flows for the year then ended.

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 information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter – Basis of preparation

We draw attention to Note 1 to the consolidated financial information, which describes the basis of preparation. The consolidated financial information is prepared to comply with the financial reporting requirements of the Group's regulators. As a result, the consolidated financial information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

We further draw to users' attention the fact that the accompanying consolidated financial information does not comprise a complete set of consolidated financial statements in accordance with International Financial Reporting Standards.

Other Matters

The Group has prepared a separate set of consolidated financial statements for the year ended December 31, 2017 in accordance with International Financial Reporting Standards, on which we issued a separate auditors' report to the shareholders of the Group dated April 30, 2018.

The consolidated financial information of Commonwealth Bank Limited and its subsidiaries for the year ended December 31, 2016 were audited by another firm of auditors whose report, dated March 6, 2017, expressed an unmodified opinion on those statements.

Responsibilities of management and those charged with governance for the consolidated financial information

Management is responsible for the preparation of this consolidated financial information in accordance with the basis of preparation as set out in Note 1 to the consolidated financial information, and for such internal control as management determines is necessary to enable the preparation of consolidated financial information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial information, 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 information

Our objectives are to obtain reasonable assurance about whether the consolidated financial information 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 this consolidated financial information.

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

- Identify and assess the risks of material misstatement of the consolidated financial information, 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 information 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.
- 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 information. 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.

The engagement partner on the audit resulting in this independent auditors' report is Myra Lundy-Mortimer.



Chartered Accountants
Nassau, Bahamas

April 30, 2018

Commonwealth Bank Limited

(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Statement of Financial Position

As at December 31, 2017

(Expressed in thousands of Bahamian dollars)

	2017	2016
	\$	\$
ASSETS		
Cash and deposits with banks	30,611	31,764
Balances with The Central Bank of The Bahamas	98,288	93,558
Investments	401,588	307,507
Loans receivable	1,053,969	1,122,589
Other assets	18,011	7,316
Premises and equipment	44,818	46,014
TOTAL	1,647,285	1,608,748
LIABILITIES AND EQUITY		
LIABILITIES:		
Deposits	1,274,262	1,240,505
Life assurance fund liability	5,599	13,268
Other liabilities	14,991	22,118
Total liabilities	1,294,852	1,275,891
EQUITY:		
Share capital	83,444	83,445
Share premium	19,195	19,516
General reserve	10,500	10,500
Retained earnings	239,294	219,396
Total equity	352,433	332,857
TOTAL	1,647,285	1,608,748

This consolidated financial information was approved by the Directors on March 1, 2018, and are signed on its behalf by:



Executive Chairman



President

Commonwealth Bank Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2017

(Expressed in thousands of Bahamian dollars)

	2017	2016
	\$	\$
INCOME		
Interest income	171,160	171,957
Interest expense	(24,837)	(27,243)
Net interest income	146,323	144,714
Life assurance premiums, net	2,978	6,269
Fees and other income	9,800	9,443
Total income	159,101	160,426
NON-INTEREST EXPENSE		
General and administrative	68,812	67,291
Provision for credit losses	36,613	32,442
Depreciation and amortization	3,339	3,061
Directors' fees	261	282
Total non-interest expense	109,025	103,076
TOTAL PROFIT	50,076	57,350
OTHER COMPREHENSIVE INCOME		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Remeasurement gain/(loss) of defined benefit obligation	9,548	2,508
TOTAL COMPREHENSIVE INCOME	59,624	59,858
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars)	0.16	0.18

Commonwealth Bank Limited
Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2017

(Expressed in thousands of Bahamian dollars)

	Share Capital (Common)	Share Capital (Preference)	Share Premium	General Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
As at January 1, 2017	1,947	81,498	19,516	10,500	219,396	332,857
Comprehensive income						
Total profit	-	-	-	-	50,076	50,076
<i>Other comprehensive income</i>						
Remeasurement gain of defined benefit obligation	-	-	-	-	9,548	9,548
Total comprehensive income	-	-	-	-	59,624	59,624
Transactions with owners						
Repurchase of common shares	(1)	-	(321)	-	-	(322)
Dividends – common shares	-	-	-	-	(35,034)	(35,034)
Dividends – preference shares	-	-	-	-	(4,692)	(4,692)
Total transactions with owners	(1)	-	(321)	-	(39,726)	(40,048)
As at December 31, 2017	1,946	81,498	19,195	10,500	239,294	352,433
Dividends per share (expressed in dollars)	0.12					
As at January 1, 2016	1,949	81,498	20,352	10,500	199,696	313,995
Comprehensive income						
Total profit	-	-	-	-	57,350	57,350
<i>Other comprehensive income</i>						
Remeasurement gain of defined benefit obligation	-	-	-	-	2,508	2,508
Total comprehensive income	-	-	-	-	59,858	59,858
Transactions with owners						
Repurchase of common shares	(2)	-	(836)	-	-	(838)
Dividends – common shares	-	-	-	-	(35,057)	(35,057)
Dividends – preference shares	-	-	-	-	(5,101)	(5,101)
Total transactions with owners	(2)	-	(836)	-	(40,158)	(40,996)
As at December 31, 2016	1,947	81,498	19,516	10,500	219,396	332,857
Dividends per share (expressed in dollars)	0.12					

Commonwealth Bank Limited
Consolidated Statement of Cash Flows

For the Year Ended December 31, 2017

(Expressed in thousands of Bahamian dollars)

	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	156,542	159,777
Interest payments	(26,518)	(27,243)
Life assurance premiums received, net	(3,007)	8,830
Life assurance claims and expenses paid	(1,911)	(5,292)
Fees and other income received	10,028	12,628
Recoveries	12,362	12,643
Cash payments to employees and suppliers	(75,671)	(75,436)
	71,825	85,907
Increase in minimum reserve requirement	(2,351)	(1,424)
Increase in restricted time deposit	(206)	-
Decrease (increase) in loans receivable	19,644	(84,944)
Increase in deposits	33,757	58,859
Net cash from operating activities	122,669	58,398
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(167,551)	(64,485)
Interest receipts from investments	13,733	14,731
Redemption of investments	74,356	74,680
Purchase of premises and equipment	(2,190)	(4,097)
Net proceeds from sale of premises and equipment	51	124
Net cash (used in) from investing activities	(81,601)	20,953
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(39,726)	(40,158)
Repurchase of common shares	(322)	(838)
Net cash used in financing activities	(40,048)	(40,996)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,020	38,355
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	76,189	37,834
CASH AND CASH EQUIVALENTS, END OF YEAR	77,209	76,189

1. Basis of preparation

The accompanying consolidated financial information is an extract from the consolidated financial statements of Commonwealth Bank Limited as at December 31, 2017 and for the year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and is used to submit to the Group's regulators.

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