COMMONWEALTH BANK

NEW HORIZONS

ANNUAL REPORT 2014

The horizon leans forward, offering you space to place new steps of change.

~ Maya Angelou

NEW HORIZONS

In choosing the theme for the 2014 Annual Report, we at Commonwealth Bank selected New Horizons because it describes our commitment to a balance between changing to meet the future while retaining the solid footing, values and dependable way of doing business that has proved a formula for success since the birth of the modern Commonwealth Bank in 1984.

We recognize that innovation and change are concepts that invite both excitement and apprehension. The need to move forward is compelling as changes in the environment in which we operate are greater now than ever before in Commonwealth Bank's history. We eagerly anticipate the opening of Baha Mar, a $3.5 billion resort project that promises up to 3,000 jobs and vast new opportunities. At the same time, we face increased licensing fees, higher taxation and the implementation of Value Added Tax, which are likely to impact personal spending habits and investment in unknown ways.

Given uncertain outcomes we must be flexible, reinventing ourselves when need be in order to continue providing superior customer service as we reach out to uncharted horizons.

We know change is inevitable and nothing is truer than the statement that "those who stand still while others move forward lose ground." Yet the desire to hold on to the familiar can be so strong that we all instinctively nod when we hear "If it ain't broke, don't fix it."

Thus, in aiming for the ideal balance between tradition and change we do so with you, our shareholders, foremost in our mind.

We will pursue the areas and means of banking that show promise without risking security. We know that where online banking once drew furrowed brows, it is now so widely accepted and appreciated that there is no turning back and our customers will continue to expect more features and avenues of paying bills and doing business online. We are working to introduce and expand these services and products. We introduced SunCard MasterCard in 2014 and in 2015 will continue to improve our card product offerings. Our in-branch service will continue to improve; our online service will continue to offer banking anytime, anywhere with our Saturday Banking and ABM network we will continue to be the most secure and convenient bank in the nation to serve you.

What we will not change is what has made us the largest and most successful publicly-held Bahamian company with more than 6,000 shareholders, 500 employees and $1.5 billion in assets. That is our belief in providing premier personal service as the financial partner of the working Bahamian. We will move faster in service and remain steadfast and risk-averse in prudent lending. We will employ digital technology while constantly developing skills to enhance the personal touch in customer service. We will maintain our support for community efforts that make a difference while our volunteers and team members make differences in their own communities.

We will search for new horizons while keeping our feet firmly planted in what makes Commonwealth Bank your personal banking choice and the investment you treasure.

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.

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CORE VALUES	2014 STRATEGIC PRIORITIES	2014 INITIATIVES AND ACCOMPLISHMENTS	2015 STRATEGIC PRIORITIES
Be responsible and effective financial managers.	• Focused marketing activities will continue in 2014 and will be complemented by an expanded card offering including a new debit and expanded credit card product line. Online banking products will also be expanded. • The loan portfolio is the major asset of the Bank requiring ongoing and dedicated oversight. • Expense mitigation will remain a key objective for the Bank. • Remain an industry leader and ensure revenue generation parallels expense allocations.	• Expanded Marketing activities were continued in 2014. • SunCard MasterCard was introduced June 2014. Debit Card and other expanded Card products delayed by a decision to introduce them as "Chip" enabled cards. • Ongoing and dedicated efforts to enhance credit quality continued and were successful as evidenced by the Bank's improved profitability. • Good control was maintained over expenses with actual expenses below business plan. • At 46.7% the Bank remains an industry leader despite the slippage over prior years due to increased Business License Fees.	• The Bank will pursue opportunities arising from improved employment to seek beneficial and sound organic growth. The Bank will seek to increase "share of wallet" by cross-selling of new and existing products and services; • Rebalance the oversight of the underwriting, collection and recovery arms of credit risk management from the Executive to management. • Maintain strong efficiency and productivity levels. • Remain an industry leader and ensure revenue generation offsets increases due to the introduction of VAT.
Lead by example to effect positive change.	• A review of board mandates will be carried out to ensure the mandates are updated and focus parallel market realities. • Commitment to youth development and selected charities will continue in 2014.	• Board governance review completed and prescribed representation prepared for the Board confirmation. No non-compliance issues noted. • In 2014, the Bank contributed significantly to youth development through its "Back to School" program and other initiatives with the Ministry of Education, the College of the Bahamas and other programs.	• A review of board mandates will be carried out to ensure the mandates are comprehensive and relevant. • Commitment to youth development and selected charities will continue in 2015.
Provide meaningful opportunities for stakeholders to have input.	• The need for timely measurement of the Bank's operations will continue – focused projects have been identified. • The Bank's focus on safety, soundness and transparency of the financial results will continue to be a key objective.	• Computer based performance criteria was further developed to provide more timely measurement criteria to address resolving customer complaints. • The Bank remains a leader in the transparency of operating results and in addressing regulatory requirements.	• Focus will be on streamlining the process to address customer complaints and maintain high levels of customer service. • The Bank's focus on safety and soundness and transparency of the financial results will continue to be a key objective.
Ensure Commonwealth Bank is a great place to work.	• Succession planning throughout the Bank will be a significant objective in 2014 – High potential staff have been identified for special development and training with results being monitored by the Board on an ongoing basis. • Specialized training programs will continue for all staff. • Ongoing peer reviews of salary and benefits will continue.	• Program continued in 2014. • The Bank introduced its "Emerging Leaders" program. • Specialized training programs continued for all staff. • Salary and benefits plans continue to compare favorably with peers.	• Succession planning throughout the Bank will continue to be a significant objective in 2015 – The Board will continue to monitor progress. • Specialized training and development programs will be introduced for Executive Management and all management staff. Training programs will continue for all staff levels. • Ongoing peer reviews of salary and benefits will continue.
Provide customers with outstanding services.	• Advanced card products to be introduced. • Customer surveys will continue to ensure that Bank's products and services address market requirements.	• SunCard MasterCard was introduced. Other products were delayed by the decision to introduce them as "chip" enabled products. • Market supported expanded Saturday banking locations.	• "Chip" enabled Debit Cards and CB MasterCards to be introduced as well as enhanced CB online banking. • Customer surveys will continue to ensure that Bank's products and services address market requirements.

(B$ 000's)	2014	restated 2013	restated 2012	restated 2011	restated 2010
Income Statement Data:					
Interest Income	$ 156,480	$ 156,910	$ 161,492	$ 163,757	$ 161,608
Interest Expense	(31,694)	(35,537)	(41,977)	(47,843)	(49,823)
Net Interest Income	124,786	121,373	119,515	115,914	111,785
Loan Impairment Expense	(21,103)	(24,797)	(44,004)	(24,610)	(18,230)
Net Interest Income after Loan Impairment Expense	103,683	96,576	75,511	91,304	93,555
Non-interest Income	14,509	12,320	13,866	16,079	13,122
Non-interest Expenses	(64,925)	(59,051)	(54,023)	(52,977)	(53,282)
Total Profit	53,267	49,845	35,354	54,406	53,395
Other Comprehensive Income	716	3,737	(763)	(7,363)	(525)
Total Comprehensive Income	53,983	53,582	34,591	47,043	52,870
Per Share Data:					
Book Value	2.18	1.99	1.81	1.81	1.69
Cash Dividends	0.30	0.30	0.29	0.30	0.26
Year End Share Price	$ 7.50	$ 6.91	$ 6.58	$ 7.00	$ 7.00
Script Dividends					
Weighted Average Common Shares Outstanding (000's)	97,815	97,904	98,339	98,350	98,350
Dividend growth (total)	0.00%	3.45%	-3.33%	15.38%	4.00%
Balance Sheet Data:					
Total Assets	$ 1,474,053	$ 1,432,705	$ 1,432,288	$ 1,500,947	$ 1,411,785
Securities	276,653	278,785	268,196	261,179	246,588
Loans	1,115,280	1,085,277	1,105,966	1,139,982	1,088,232
Net Write-offs	19,916	26,347	37,032	16,933	13,336
Total Deposits	1,148,790	1,121,583	1,136,609	1,203,067	1,131,793
Total Shareholders Equity	294,397	278,941	261,990	263,320	251,501
Performance Ratios:					
Price/Earnings	15.26	15.16	21.54	14.11	14.51
Price/Book Value	3.44	3.47	3.64	3.86	4.13
Dividend Yield (Annual Dividend/Year End Price)	4.00%	4.34%	4.41%	4.29%	3.71%
Earnings Per Share	0.49	0.46	0.31	0.50	0.48
Return on Average Assets	3.29%	3.09%	2.04%	3.36%	3.39%
Return on Average Shareholders' Equity (Unadjusted)					
Return on Average Shareholders' Equity	23.12%	23.01%	16.31%	28.45%	30.32%
Ordinary Dividend Payout Ratio	61.03%	65.95%	94.91%	60.51%	53.89%
Efficiency Ratio	48.42%	45.99%	42.18%	41.92%	44.79%
Net Interest Margin	8.11%	8.10%	7.97%	7.35%	7.50%
Asset Quality Ratios:					
Non-accrual Loans to Total Loans	5.83%	4.03%	5.01%	3.21%	2.88%
Non-accrual Loans to Total Assets	4.41%	3.05%	3.87%	2.43%	2.22%
Net Write-offs to Average Loans	1.81%	2.41%	3.29%	1.52%	1.23%
Loan Impairment Allowances to Total Loans	4.98%	5.01%	5.06%	4.30%	3.79%
Loan Impairment Allowances to Non-accrual Loans	85.38%	124.46%	100.91%	134.05%	131.90%
Liquidity Ratio:					
Average Cash and Securities to Average Total Assets	24.72%	24.07%	23.83%	23.76%	21.89%
Capital Ratios:					
Leverage Ratio					
Average Shareholders' Equity to Average Total Assets	19.92%	19.32%	18.26%	17.66%	17.23%
Consolidated Capital Adequacy:					
Tier 1 Capital	$ 294,397	$ 243,956	$ 177,007	$ 178,337	$ 166,518
Tier 2 Capital	$ 13,824	$ 44,950	$ 98,693	$ 99,302	$ 98,461
Total Capital	308,221	288,906	275,700	277,500	264,979
Total Risk Adjusted Assets	1,105,912	1,077,045	1,096,837	1,145,483	1,078,203
Tier 1 Ratio	26.62%	22.65%	16.14%	15.57%	15.44%
Tier 1 + Tier 2 Capital Ratio	27.87%	26.82%	25.14%	24.24%	24.58%
Number of Employees Average for the Year	552	555	547	547	547

WILLIAM B. SANDS, JR.
Executive Chairman

Throughout 2014 Commonwealth Bank continued to focus on its long standing vision and mission which at its core is that of being the first choice of Bahamians for all personal banking services. This vision is supported by a set of embedded values that are designed to provide customers and other stakeholders with outstanding financial products and caring services during development opportunities as well as during more stressful economies.

The ultimate objective is and has been for more than 50 years, to help Bahamians achieve their own financial goals while providing them with a safe and sound financial institution. The Bank has been able to weather the challenging economic and business environment which has occurred over the past six years and as a result sustain the ongoing confidence of the Bahamian public.

Our strong levels of profitability and ongoing dedication to effective risk management techniques and practices have also allowed the Bank to share its success with our stakeholders and various Bahamian social causes.

As Executive Chairman of the Board, my goal is to provide leadership to the Board of Directors - directing its collective strengths and experience in order to oversee and guide management to ensuring stability and creating long-term value for our shareholders. The ongoing safety and soundness of Commonwealth Bank is a critical factor in the Bank's objective to remain strong and prosperous and well prepared for any future growth and opportunities that occur within The Bahamas.

OUR GOVERNANCE REGIME

To support this objective an effective and fully integrated governance regime is in place. This well respected regime follows the best practices set out by The Central Bank of The Bahamas in their guideline: "Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to do Business Within and from Within The Bahamas." The Board of Directors annually certifies compliance with the guideline to the Central Bank.

Supporting and retaining a sound governance regime is critical. The Bank also believes a diverse Board with deep connections throughout The Bahamas is a key element in achieving sustainable success.

To continue to be successful in an ever changing financial market, it is paramount that individual board members, executives and senior management understand the risks of their products and services and how they create value. The Bank's goal has to be set on sustainable not short term profitability.

Board sponsored accountabilities which include the establishment and approval of disciplined standards of reporting, ethical behavior and conduct are important elements of the governance regime which have contributed to the success the Bank has experienced over many years. Where required, board mandates and board member fiduciary accountabilities are reassessed and refreshed annually.

OUR IMPORTANT RESOURCE - OUR PEOPLE

In my 2013 annual report comments, I indicated a critical responsibility of the Board is to ensure the Bank has an effective recruitment, development and succession plan in place to ensure that the embedded momentum of the Bank can be sustained. This objective which includes a need to reinforce the clarity of roles and responsibilities of the senior management team remains an important objective. During 2014 progress has been made, however the ultimate success of this objective remains a work in progress.

The success achieved since the Bank's inception cannot be underestimated nor can the contribution and dedication of many individuals. I want to thank the members of the Board of Directors for their continuing support and contribution throughout 2014, without which we would not have been able to achieve our current levels of success. The Bank has been fortunate to be able to complement the ongoing support of the Board with the strength and dedication of the 532 individual employees that each day work towards maintaining the guidelines provided in the Bank's vision and core values. I want to sincerely thank each of these individuals for their dedication and continuing support of the Bank.

GOING FORWARD

The Central Bank of The Bahamas, in their forecast for the near term, has indicated that the current labor market conditions remain challenging owing to the narrowness of the economic recovery. Preliminary indicators suggest the continuation of a mildly positive growth for 2015. The Baha Mar project remains the only major project likely to have a significant positive impact on the Bahamian economy in 2015. In addition, all financial institutions will continue to feel the adverse impact of the increased financial burden resulting from government sponsored changes to the regulatory and tax environments.

Competition for quality business will be a key factor in our business development plan for 2015. Despite the noted challenges, Commonwealth Bank is looking forward to expanding its market share and loan portfolios in a safe and sound manner through improved customer service and operational efficiencies.

WILLIAM B. SANDS, JR.
Executive Chairman

Deeply ingrained in Commonwealth Bank's corporate culture is a proud tradition of community investment and involvement.

In 2014, we were privileged to do our part in pursuit of strengthening our communities and also identifying new horizons to produce positive change. With the assistance of our dedicated team members, the Bank's reach extended beyond dollars pledged to cultivate deeper connections amongst our customers, neighbours and social partners.

Today, as many local charities, non-profit organizations, civic, religious and community development groups are called upon to do more with less, our commitment to social responsibility and volunteerism is more vital than ever.

We are pleased to share with you an overview of some of those donations as well as a partial list of organizations and groups supported by Commonwealth Bank this year. The recipients include a broad cross section from health and welfare, education and youth programs, arts and culture, the environment and social contributions.

In 2014, we embarked upon meaningful service and that demonstration of support for and within our communities surpassed even our expectation.

Pictured L to R: **Marcellus Taylor, Deputy Director of Education; T. Nicola McKay, President of NPAHSP (New Providence Association of High School Principals); Melanie Griffin, Minister of Social Services; Dr. Bernard Nottage, Minister of National Security and Mavis Burrows, V.P. Operations, Commonwealth Bank.**

MINISTRY OF EDUCATION: SCHOOL SUPPLIES

Commonwealth Bank identifies education as its number one priority because the future of our nation rests in the hands of our children. For the eighth consecutive year, your Bank has provided hundreds of thousands of dollars' worth of educational supplies in partnership with the Ministry of Education. The Bank's commitment to education, including our Emerging Leaders Scholarship Program at COB, now exceeds $2 million.

At this year's fifth annual Ministry of Education - Parenting Forum, Mavis Burrows, Vice President of Operations, linked banking principles to parenting by reminding all parents in attendance that "The best return on investment is not gold or shares or even real estate, but rather, the time spent with their children and the effort they invest in their children's education. Lend to your children - lend them your time, lend them your attention and lend them a sincere listening ear. Applying the principles of banking that lead to return on investment to the act of parenting would reap benefits that extend well beyond any fiscal year's reporting." Her words reinforced the call for increased parental involvement in schools by educators at every level.

Pictured L to R: **Charles Knowles, V.P. IT & CIO, Commonwealth Bank; Nikki Bethell, Chief Media Specialist, Ministry of Education; Jerome Fitzgerald, Minister of Education, Science and Technology; Ian Jennings, President, Commonwealth Bank and Denise Turnquest, Sr. V.P. Credit Risk, Commonwealth Bank.**

EXPANDING LEARNING CHANNELS: CB CONTRIBUTES TO 'THE BAHAMAS LEARNING CHANNEL'

How one learns, what one learns and the pace in which it is undertaken led us to consider 'the best possible education environment for the students of The Bahamas'. Sometimes our students are at their best away from the classroom. In concert with that thought, Commonwealth Bank explored new horizons to expand traditional learning channels and actively entered into a partnership with the Ministry of Education and The Bahamas Learning Channel to develop instructive and purposeful TV programming.

This bold step paved the way for the resurgence of three popular interactive educational TV programs that include the newly revamped Commonwealth Bank GLAT Attack, Commonwealth Bank Family Island GLAT and Commonwealth Bank Science Bowl. These original Bahamian programs are entertaining and accessible to thousands of students and provide a gateway to learn everything from vocabulary; foreign language, science, mathematics and whole lot more.

BAHAMAS RED CROSS

Commonwealth Bank is actively engaged in developing, strengthening and energizing our communities. We regard corporate social responsibility as an investment in society and in our own future. In keeping with our "We Live Here, We Give Here" philosophy, your Bank made a significant donation to the Bahamas Red Cross, which has been an important community partner of the Bank for many years. Governed by volunteers and supported by community donations, The Bahamas Red Cross is a nationwide network of field units dedicated to helping people across the street, across the country and across the world. Each year, in communities large and small, victims of disasters turn to neighbours familiar and new. We support the mission of the Red Cross to respond to anyone with disaster-caused needs, whenever and wherever a disaster occurs.

Pictured L to R: **Caroline Turnquest, Director General, Bahamas Red Cross Society and Anthea Cox, V.P. HR and Training, Commonwealth Bank.**

Pictured L to R: **Princess Burrows, Administrative Assistant, Ranfurly Home; Ian Jennings, President, Commonwealth Bank; Alexandria Mallis-Lynch, President, Ranfurly Home; Alexander Roberts, Administrator, Ranfurly Home and Mavis Burrows, V.P. Operations, Commonwealth Bank.**

CREATING OPPORTUNITIES FOR THE CHILDREN: CB GIFTS $10,000 TO RANFURLY HOME

Your Bank continues in its support for the Ranfurly Home for Children with a $10,000 donation to the organization to help ease their current financial situation. With steady rising cost, a challenged economy, limited government assistance and dwindling donations, it can become a daunting mission to keep the doors open to this indispensable organization that, for over five decades, provided a roof over the heads of children who, through no fault of their own, are not able to live with a biological parent.

We at Commonwealth Bank recognize and support Ranfurly's administrative team's unwavering commitment to ensure their 30+ residents have a safe and secure place to call "home". We know that the support extended is not about the money, but more about creating opportunities for these children, because like our own kids, they deserve a chance and hope for a new horizon.

Pictured L to R: **Major Lester Ferguson, Bahamas Divisional Commander, Salvation Army, Carole Rodgers, V.P. Internal Audit, Commonwealth Bank and Major Miller Cantave, Divisional Secretary, Salvation Army.**

A DOUBLE CHEER OF HOPE: CB MATCHES STAFF DONATIONS

Thousands of persons who might have gone hungry or may have been forgotten over the holidays enjoyed hot meals and home-wrapped gifts, thanks to the generosity of Commonwealth Bank's management and staff who joined hearts and hands to bring more for those who have least. In its second year of "Holiday Cheer" fundraising, the staff donations totaled $7,500 and the Bank matched the sum for a total of $15,000. The Salvation Army, Great Commission Ministries and the Ranfurly Home For Children were the three non-profit organizations that received an equal share of the donated funds. For The Salvation Army, which suffered a 30% decline over previous years, the donation was especially welcome, helping to fund more than 5,000 hot meals or food packages.

Commonwealth Bank employees are incredibly generous – bringing a new horizon of hope with their consistent and tireless efforts of giving back both time and money to their communities. The ongoing support for the "Holiday Cheer" fundraiser further demonstrates the Bank's core values and continued commitment to bettering the lives of our friends and neighbours in the places where we live and work.

Pictured L to R: **Loran Pyfrom, Commodore, BASRA; Patrick McFall, V.P. and CFO, Commonwealth Bank and Christopher Lloyd, Captain, BASRA.**

ANCHORS AWEIGH: CB SUPPORTS SAVING LIVES AT SEA

With hundreds of successful rescues to date, there is no doubting the ongoing contribution The Bahamas Air Sea Rescue Association (BASRA) makes to life around the coastline of The Bahamas. Commonwealth Bank salutes BASRA on 51 years of committed service as it one of the most recognized and respected charitable organizations in the country. BASRA is a non-profit voluntary organization dedicated to saving the lives of distressed seamen or airmen in The Bahamas. In addition to conducting regular boat safety and water safety courses, BASRA's highly trained professional volunteers work with our government to improve safe boating legislation and rules of conduct on the ocean. Commonwealth Bank is indeed privileged to lend its corporate support by donating $3,500 to this unswerving group of volunteers and encourages the Bahamian community to do the same.

CB 2014 DONATIONS:

- Abaco Central High School
- Bahamas Association of Athletic Association
- Bahamas Down Syndrome Association
- Bahamas Learning Channel
- Bahamas LEGO Challenge
- Bahamas National Swimming Federation
- Bahamas National Trust
- Bahamas Primary School Student of the Year
- Bahamas Red Cross
- Bahamas Technical & Vocational Institute
- BASRA
- British Legion Bahamas Branch
- Cancer Society of The Bahamas
- Champion Amateur Boxing Club's Youth
- Development Program
- Christian Counselling Centre
- College of the Bahamas Student Orientation
- Delta Lambda Boulè
- Falcons Boys Club
- Fancy Dancers Junkanoo Group
- Grand Bahama Amateur Basketball Association
- Kevin Johnson 14th Annual Basketball Camp
- Kingdor National Parkinson Foundation
- Kiwanis Club of Nassau
- Ministry of Tourism Cacique Awards
- Music Makers Junkanoo Group
- N.G.M. Major High School, Long Island
- National Family Island Regatta
- New Life Classic Dancers Junkanoo Group
- New Providence Association of the Deaf
- New Providence Basketball Association
- PACE Foundation
- Platinum Knights Junkanoo Group
- Prodigal Sons Junkanoo Group
- Ranfurly Home for Children
- REACH
- Rotaract Club of East Nassau
- Rotary Club of South-East Nassau
- S.C. McPherson Junior High School Math Month
- Sir Victor Sassoon (Bahamas) Heart Foundation
- The Crisis Centre
- The Institute of Internal Auditors Bahamas Chapter
- The National Art Gallery of The Bahamas
- The National Bahamas Basketball Association
- The Physically Challenged Children's Committee
- The Poop Deck Eagles Charity Golf Tournament
- The Salvation Army
- Unity House
- Z-Bandits Junkanoo & Community Organization

Commonwealth Bank, for more than 50 years, has been dedicated to creating a bank with a sound and enviable foundation. The Bank remains the largest "Bahamian" bank offering a full range of banking products and services designed to meet customer and stakeholder needs. Attractive branches and knowledgeable and helpful staff contribute to supporting a vision that is directed at being the *"First Choice of Bahamians for all Personal Banking Services."*

As shareholders, customers and other stakeholders can appreciate, the business and economic environment in The Bahamas as well as other Caribbean and international nations has faced for several years has been one that has been difficult and challenging. Yet the 2014 Annual Report reveals that once again Commonwealth Bank has sustained its long run of successful results. There is not a simple methodology being applied in order to achieve this success, but as outlined in the Executive Chairman's report, the success achieved is closely linked to the various building blocks the Bank has put in place to address customer and stakeholder needs while continually challenging the status quo in a safe and sound manner. Continued emphasis on the long standing business model has provided strong and continued profitability and ever increasing financial stability to shareholders and other stakeholders. The business model focuses on the consumer based lending activities and on providing customers with outstanding services in order to help them achieve their financial goals.

However, as we enter 2015 we are encouraged as we look to the future. We have embraced the vision of this new future in the theme of this Annual Report "New Horizons". We anticipate many changes ahead that will affect both the way we do business and the environment we operate in. The challenges ahead include but are not necessarily limited to regulatory, competitive as well as operational issues. Our history shows that we have succeeded by embracing every challenge that has confronted us and adapting to new market place conditions so we can continue the Bank's long standing mission that is focused on promoting economic growth and stability in our community while being responsible and effective financial managers to ensure Commonwealth Bank remains safe, sound and prosperous.

ANOTHER SOLID PERFORMANCE

Our role is to ensure that the deposits and investments placed with the Bank by customers and other stakeholders to enhance their own financial future are invested in ways, not only to ensure the sustainable safety and soundness of their funds but also, to assist each of them with developing a healthy and collective future.

I am pleased to report that in 2014, the Bank recorded total profit of $53.3 million, an increase of almost 7% over 2013. The Bank also reported improvements in key Return On Equity and Return On Asset financial ratios.

The near record level of profitability has also allowed for sustained dividend distribution to shareholders to continue. In addition, the Bank's liquidity and capital ratios not only remain amongst the strongest in the Bahamas but also when compared to other financial institutions within the Caribbean. In essence, the Bank continues to outperform the industry.

Continued emphasis on the long standing business model has provided strong and continued profitability and ever increasing financial stability to shareholders and other stakeholders. The business model focuses on the consumer based lending activities and on providing customers with outstanding services in order to help them achieve their financial goals.

The Management's Discussion and Analysis section and the Consolidated Financial Statements outlined later in this Annual Report give more financial details about the Bank's performance in 2014.

MANAGEMENT AND CONTROL OVER CRITICAL ASSETS

The Executive and Board oversee an effective risk management process. This oversight is viewed as an opportunity to generate market reality insights. These insights are required in order to develop and sustain appropriate risk management techniques and practices.

There has been considerable media and analyst attention recently regarding how banks manage and control the quality of credit risk portfolios, the largest and most critical of Bank assets. While this attention is understood and warranted, we felt that it is necessary to provide shareholders and other stakeholders, in a general manner, some of the of the Bank's methodology that it applies to the management and control of its credit risk portfolios.

Simply stated, the underlying premise of the Bank's credit risk business model has been and remains:

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

Sustaining the ongoing quality of the credit risk portfolio is a key element in the Bank's ability to create and maintain strong revenue generation. As a result, emphasis is placed on market driven credit risk policies and procedures and timely portfolio management. The management process is augmented by effective collection and monitoring techniques and practices.

Any deterioration in any of the credit risk portfolios is closely monitored which is supported by the aforementioned anticipatory and conservative provisioning methodology to ensure that any downside potential of the portfolios is addressed and accounted for in a timely manner.

Consumer delinquency improved in 2014, however, the ongoing drag in the mortgage market, which has adversely affected all lenders continued to inflate our non-performing loans secured by real estate. This has led us to review and maintain conservative impairment allowances during the year and make amendments so the allowances address quickly market variables. We have maintained our position of holding strong impairment allowances as can be seen in the section "Management Discussion and Analysis".

Taken as a whole, our successful credit risk strategies in 2014 resulted in a reduction of almost $3.7 million in loan impairment expense over 2013.

Equally important to having strong internal credit risk policies and procedures, has been the need to continue the Bank's efforts to mentor and assist Bahamian's who have or are encountering distress situations as a result of the continuing economic downturn. Rehabilitation efforts continued during 2014 and will continue going forward in an effort to lessen the financial burden of Bahamians, where appropriate and assist with the mitigation of potential loan losses.

Supporting an effective risk management process as well as the safety and soundness of the Bank are the policies and procedures that the Bank applies to ensure the integrity of the Bank's technology platforms and customer information. Further enhancements to the back-up and security arrangements were implemented in 2014. Back up and overall contingency plans are also reviewed and tested on an ongoing basis.

IAN A. JENNINGS
President

CAPITAL - A DEFINED CUSHION OF SUPPORT FOR SHAREHOLDERS AND STAKEHOLDERS

Within the Bahamas, the implied capital safety net is augmented by another regulatory guideline referred to as the Liquid Asset Ratio. Efforts in 2014 were directed at moving to and achieving full compliance with the international capital accord referred to as Basel III by restricting our Preference Shares so that all now meet the necessary terms for classification as "Tier 1 Capital".

The Bank's capital levels exceed Central Bank and international regulatory guidelines and requirements. The Bank's Liquid Asset ratio also well exceeds the Central Bank's required Liquid Asset Ratios.

Through organic growth and continued compliance with regulatory capital and liquid asset requirements, the Bank is now stronger than ever.

CONTINUING CONTRIBUTIONS TO BAHAMIANS

Sharing the success the Bank has achieved with Bahamians is an important and integral element of the Bank's overall mission and values. It is part of the Bank's culture to invest back into our communities to support the long term growth and health of the areas where its customers live and work. The Bank's commitment to Bahamians continued throughout 2014.

The ongoing development of the youth is an important factor in the further development of The Bahamas. In 2014, the Bank's continued its thrust to support education in the country by continuing its donation of school supplies to school students through the "Back to School" program, sponsoring the Bahamas Education Channel and working as a partner in a Public Private venture to significantly improve academic performance in our schools. At the same time the bank continued to assist with the further development of The College of The Bahamas.

During these difficult economic times the bank made significant charitable contributions to humanitarian agencies to assist those most impacted by the recession, while at the same time assisting other long standing and much needed charities who do such good work for those in need. In total in 2014, the Bank committed almost $500 Thousand of its profits to charitable organizations and causes.

SUSTAINABLE SUCCESS - A DEDICATED AND SUPPORTIVE STAFF

A contributing factor to the success of the Bank is the long standing objective to only employ Bahamians who have an acute understanding of the Bank's mission and core values and remain committed to enhancing the well-being of our customers and stakeholder communities within the Bahamas. We are pleased to be able to report that the Bank operated in 2014 without the need for a single work permit for any employee.

With the changing needs of our customers, investing in our staff, ensuring their skills evolve with the needs of our current and strategic direction is and will remain a critical element of our succession planning process. The Executive's and Board's commitment and support of an effective and sustained training and development program for staff remain in place.

The Board and Executives have appreciated the ongoing support, dedication and commitment of the 532 employees throughout 2014 without whom our success would not be possible. I thank them and look forward to their continuing development and contribution going forward.

2015 - NEW HORIZONS - BANKING IN A NEW ENVIRONMENT

The Central Bank has indicated in their business forecast that operational headwinds continue to exist and only marginal growth can be expected in 2015. In addition to the economic issues, financial institutions have had to deal with a more intrusive and expensive regulatory environment that now includes Value Added Tax (VAT) on all non interest income except life insurance and the cost of implementing and monitoring of legislation such as compliance with the U.S. Foreign Account Tax Compliance Act (FATCA) legislation.

The Baha Mar opening in 2015 promises to be a welcome stimulus for the local economy and the Bank will ensure that our leading products and services are available to this largely new generation of employees.

2015 also brings the promise of new products - "chip" enabled debit and credit cards to give our customers greater security and enhanced on-line banking to offer customers greater functionality for banking anytime anywhere.

The Bank looks forward to the challenges of 2015 and believes the much tested Business Plan will continue our sustainable profitability for our shareholders and the wider stakeholders to enjoy, while maintaining our position as "The Leader in Personal Banking Services".

IAN A. JENNINGS
President

Seated L to R: **Vanessa Albury, Osvon Pratt, Michelle Dames and Michelle Cabral.**
Standing L to R: **Tara Lockhart, Krystle Barnes, Vanessa Ferguson, Eloise Edwards, Shakera Beneby, Ingrid Musgrove, Thereze Gibson, Claudia Knowles, Demetra Rox, Rhonda Moncur, Crystal Seymour, Javado Cox, Katrina Pinder, Tanya Hutchinson, Sueann Bethel, Camille Ferguson, Barbara Rudy Adderley and Sharmaine Johnson.** Not pictured: **Diane Taylor**

NEW HORIZONS: OUR EMERGING LEADERS

In 2014 Commonwealth Bank launched a new employee initiative to identify and cultivate Emerging Leaders. The participants of the Emerging Leaders Program were selected by their respective management teams from a stellar group of high performing employees with notable leadership potential.

As an Emerging Leader, their participation in this initiative is intended to acquire the necessary soft skills that will prepare and propel each delegate for future growth opportunities with the Bank. The Emerging Leaders will have the opportunity to build relationships with fellow high performing colleagues, develop key leadership competencies, fine tune their business acumen skills and receive mentoring from a dedicated member of the Bank's management team.

It is Commonwealth Bank's mission to 'attract, develop and retain employees with outstanding capabilities' and "make Commonwealth Bank a great place to work". We are indeed delighted for the opportunity to invest in our most important asset...our employees.

MENTOR OF THE YEAR: EDWARD VIRGIL

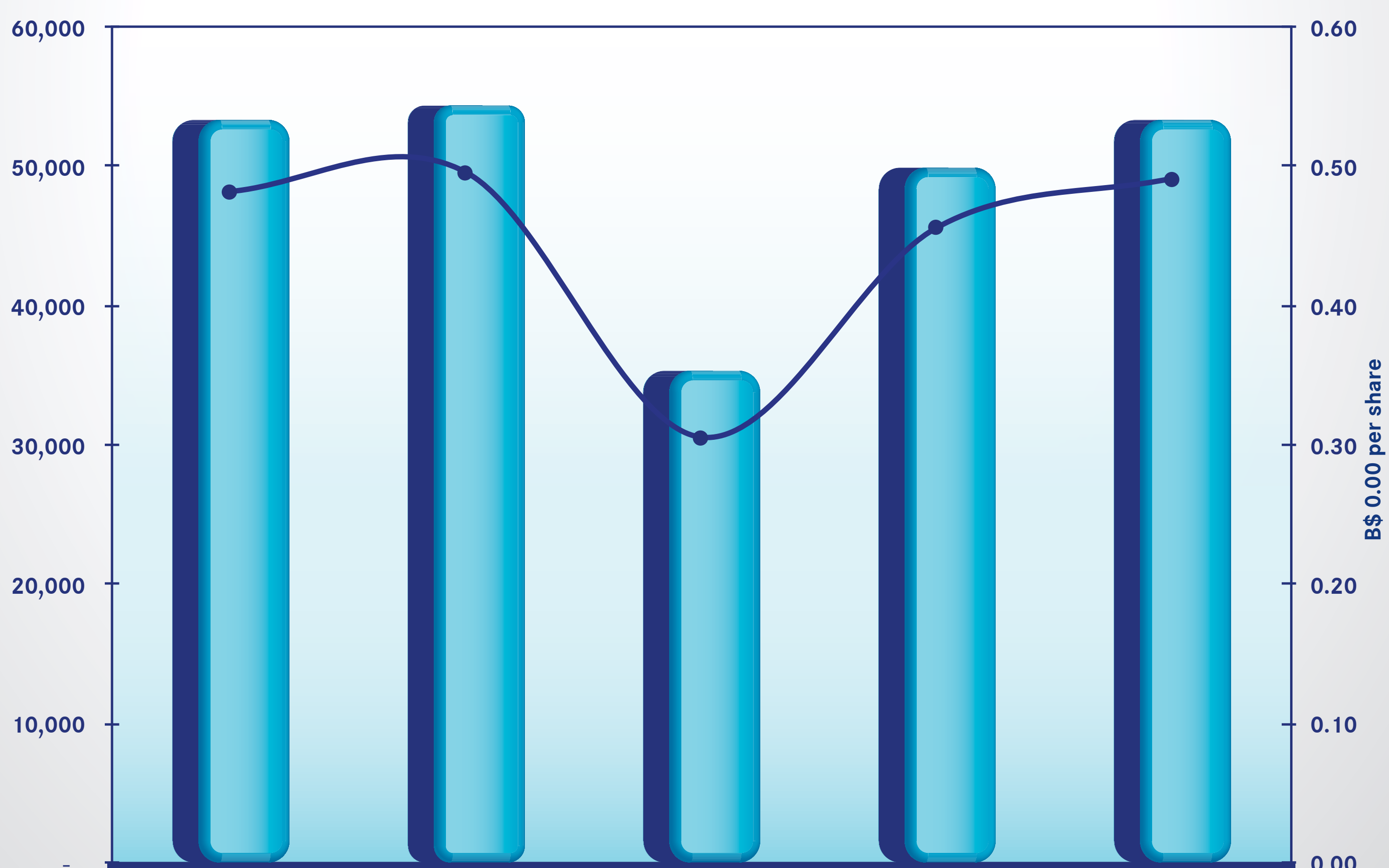
The Bahamas Financial Services Board (BFSB) presented top honors to outstanding individuals for their contribution to the growth and development of the financial sector industry. Commonwealth Bank's Edward Virgil, Acting Manager, East Bay Street Branch, was awarded BFSB 2014 Industry Excellence Award - Mentor of the Year.

Pictured L to R: **Prince Rahming, BFSB Chairman; Edward Virgil, Acting Manager, East Bay Street Branch, BFSB Mentor of the Year Awardee; Attorney General, Senator Hon. Z. C. Allyson Maynard-Gibson and Aliya Allen, BFSB CEO.**

FINANCIAL HIGHLIGHTS 2014

	2014	2013	Change
TOTAL PROFIT	**$53.3 million**	$49.8 million	7.02%
TOTAL COMPREHENSIVE INCOME	**$54.0 million**	$53.6 million	0.75%
TOTAL ASSETS	**$1.474 billion**	$1.433 billion	2.86%
EARNINGS PER SHARE	**49 cents**	46 cents	6.52%
RETURN ON COMMON SHAREHOLDERS EQUITY	**23.12%**	23.01%	0.48%
COMMON SHARE DIVIDENDS	**30 cents**	30 cents	0.00%
TOTAL PROFIT AVAILABLE TO COMMON SHAREHOLDERS	**$48.1 million**	$44.6 million	7.85%
GROSS REVENUES	**$139.3 million**	133.7 million	4.19%
EFFICIENCY RATIO	**48.42%**	45.99%	5.28%
TOTAL CAPITAL	**$294 million**	$279 million	5.38%
REGULATORY CAPITAL	**27.87%**	26.82	3.91%

TOTAL PROFIT AND EARNINGS PER SHARE



	2010	2011	2012	2013	2014
Total Profit $ 000's	53,395	54,406	35,354	49,845	53,267
EPS	0.48	0.50	0.31	0.46	0.49

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, 2014, 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 February 26, 2015. All amounts reported are based on financial statements prepared in accordance with International Financial Reporting Standards.

The Bank's President and Vice President and Chief Financial Officer 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.

EXECUTIVE SUMMARY

Commonwealth Bank is the largest wholly Bahamian owned Clearing Bank in The Commonwealth of The Bahamas with assets of $1.47 billion and market capitalization of $732.4 million. The Bank's core business strategy is to lead all Bahamian banks in providing personal banking services to consumers. In 2014 the Bank maintained focus on its business model, a strategy that continues to pay copious benefits to the Bank and its shareholders.

Total Profit in 2014 of $53.3 million exceeded 2013 by 7% and represented the Bank's third most profitable year in its history despite an increase in regulatory costs of some $5 million.

The improvement was also achieved amidst modest economic growth led by accretions in the tourism and construction segments and high unemployment in The Bahamas. National statistics revealed a November 2014 unemployment rate of 15.7% which represented a 50 basis point decrease from November 2013.

Because of its continuing success and the results of its deliberations on the current and projected social, economic and competitive landscape of the country, the Bank's vision and mission statements have not changed. They have been designed to support the Bank's business model and are dedicated to sustain an effective and transparent governance regime supported by sound policies and procedures while taking advantage of opportunities to expand market share in a cost effective manner.

A critical element that has contributed to the growth and success of the Bank has been its commitment to our Bahamian staff. At December 31, 2014, Commonwealth Bank employed 532 Bahamians and Bahamian Permanent Residents, thus having 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.

FINANCIAL OVERVIEW OF 2014

Total Profit in 2014 closed at $53.3 million compared to $49.8 million in 2013. The Balance Sheet remained healthy with Total Assets at December 31, 2014 exceeding $1.47 billion, while Regulatory Capital was 28%, significantly above the 17% required by The Central Bank of The Bahamas.

The Bank's performance in 2014 was evident in its key ratios whereby it exceeded 2013 in its Return on Average Assets (ROA) 3.29% (2013: 3.09%), Earnings Per Share (EPS) $0.49 (2013: $0.46) and Return on Average Shareholders' Equity (ROE) 23.12% (2013: 23.01%). The Bank continued its historical pattern of dividend distribution to shareholders as it paid out total dividends of more than $29 million in 2014 ($0.30 per share) to the Bank's Common Shareholders.

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.

For the 12 months ended December 31, 2014, the Bank's net interest income was $125 million compared to $121 million in 2013. This represents an increase of 2.8%.

Although the Bank's credit portfolio grew in 2014, total interest income was 0.3% below 2013 because most of the growth occurred in the final quarter and therefore did not impact the full year. The credit expansion this year will have a positive effect on interest income in future years.

Liquidity in the market continued to be elevated as aggregate deposits in local banks climbed $121 million this year. The positive effect of high liquidity is lower market deposit rates which in turn results in lower interest expense. Commonwealth Bank took advantage of this opportunity and thereby achieved an 11% reduction in total interest expense.

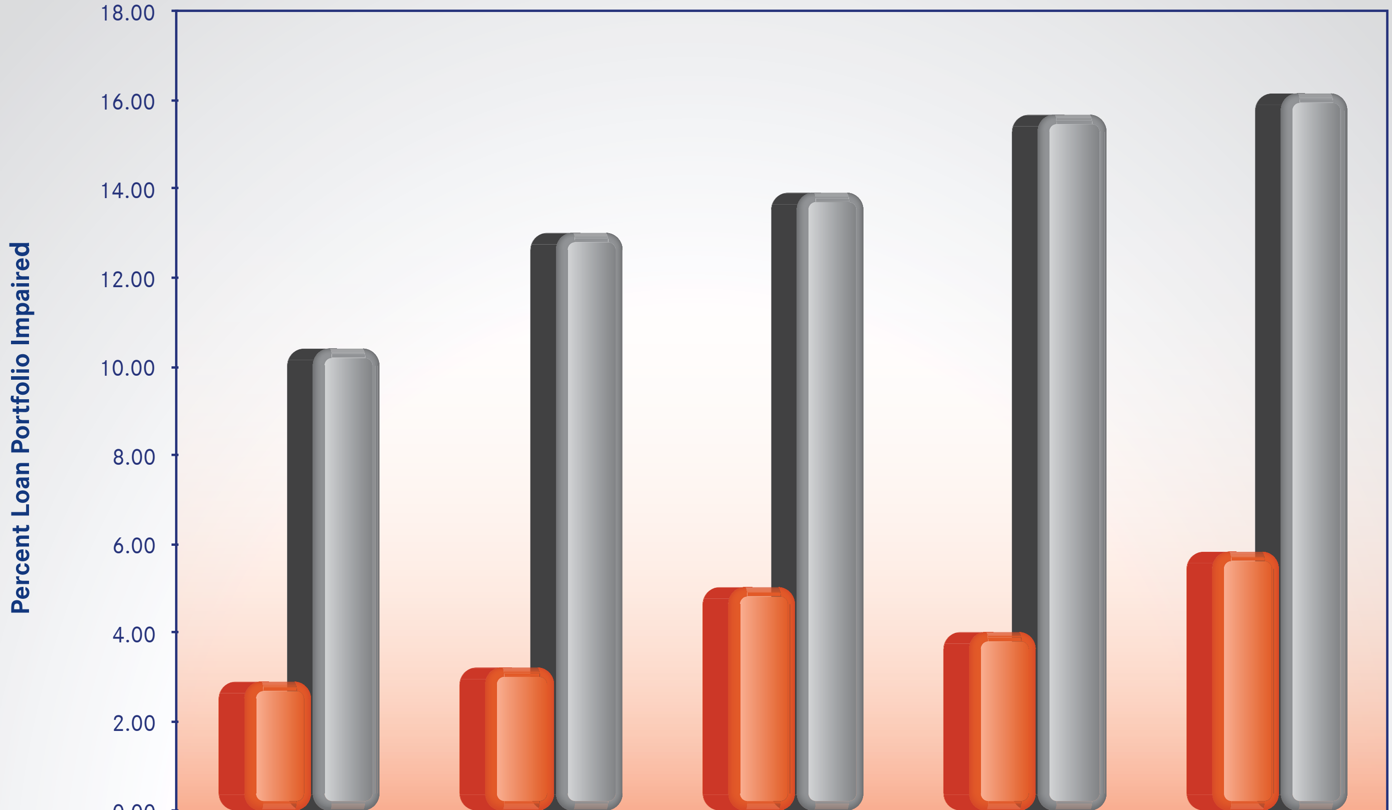
LOAN LOSS IMPAIRMENT

International Financial Reporting Standards (IFRS) require that loans be assessed regularly for impairment losses. Some evidence of loan impairment includes significant financial difficulty of the borrower, a breach of the loan contract (e.g. default on loan payments), local economic conditions (e.g. increase in unemployment rate) and others. Commonwealth Bank fully incorporates these and other factors in its determination of impairment losses. 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.

Total write-offs for the Bank decreased in 2014 by 18.6% to $28.4 million from $34.9 million in 2013. The Bank has an ongoing commitment to the international best practice of writing off consumer loans which are 180 days contractually past due. The Bank has also consistently worked with mortgagors who have experienced financial difficulties beyond their control to help them keep their homes while they find sustainable employment.

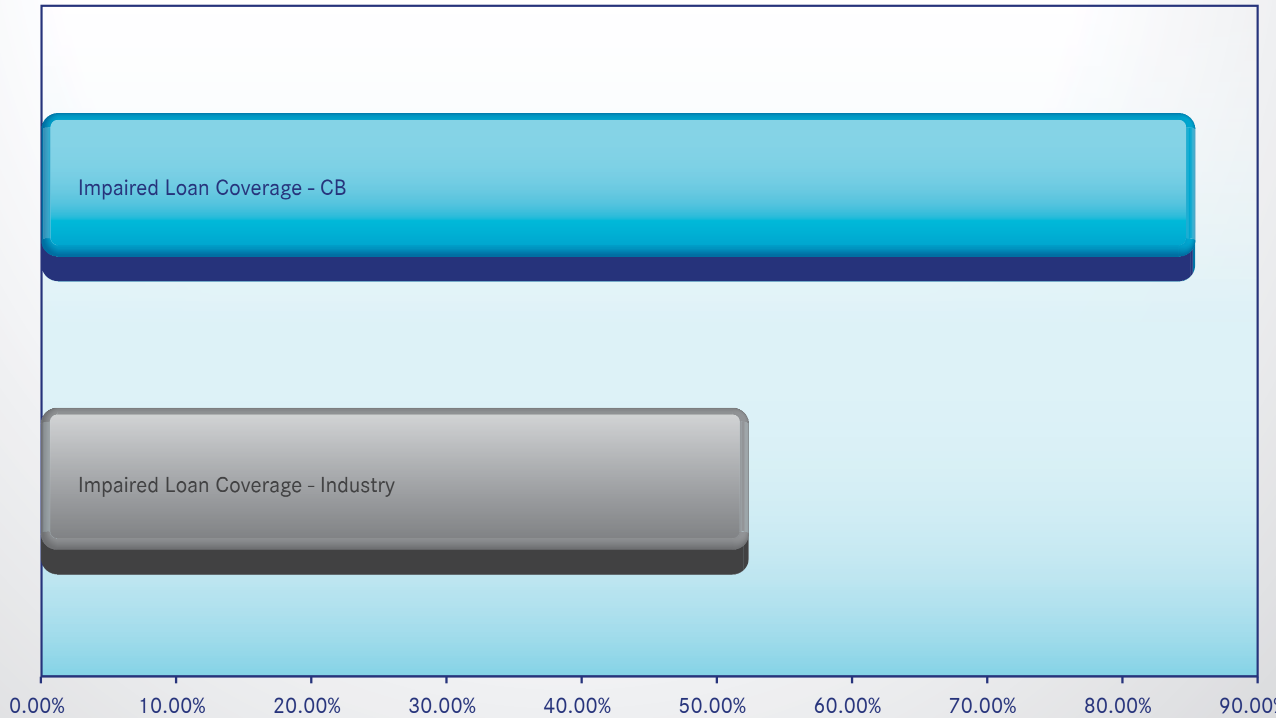
Recoveries on written-off loans declined marginally compared to last year closing 2014 at $8.51 million (2013: $8.56 million).

PERFORMANCE AGAINST INDUSTRY: IMPAIRED LOANS - 90 DAYS + ARREARS



	2010	2011	2012	2013	2014
Commonwealth Bank	2.88	3.21	5.01	4.03	5.83
Industry Impairment	10.38	13.00	13.90	15.67	16.13

IMPAIRMENT ALLOWANCE COVER OF IMPAIRED LOANS AT DECEMBER 2014



Impaired Loan Coverage - CB	Impaired Loan Coverage - Industry
85.38%	52.27%

Total impaired loans increased in 2014 by 49% as the Bank refined its estimates on impairment to include accounts that have been restructured to make principal only payments, whether the customer is meeting their new obligation or not. Total increase in impaired loans was $21.4 million over 2013. Of this amount, $20 million related to this change in estimate of which $12 million were secured mortgages and commercial loans. IFRS requires that any change in estimate be accounted prospectively, which means it must affect only the current and future periods.

The Bank's total allowances for loan impairment were $55.6 million which represented 4.98% of total loans as at December 31, 2014 (2013: $54.4 million and 5.01%). The percentage of impaired allowances to impaired loans was 49.5% in 2014 compared to 58.3% in 2013 resulting in an increase of $6.7 million in the total impaired allowance, while the collective impairment allowance on non-impaired loans was 2.2% in 2014 (2013: 2.8%), a decrease of $5.6 million. Allowances for loan impairment are lower for mortgage and commercial loans where there is significant collateral value underlying the loan in contrast to the personal consumer loan portfolio which is mostly unsecured.

Loan impairment expense in 2014 was $21.1 million for the year compared to $24.8 million in 2013, a decrease of $3.7 million or 14.9%.

Commonwealth Bank continues to report stronger credit quality ratings than the industry at large with reported delinquency and non-accrual ratios more positive than its peers in all major credit categories – consumer, mortgages and commercial loans.

	Consumer	Mortgage	Commercial	Total
Arrears (31 days & Over)				
CB	4.64%	17.19%	12.75%	7.90%
Industry*	13.86%	24.72%	29.39%	21.36%
Nonperforming Loans (90 days & Over)				
CB	1.57%	13.22%	5.54%	4.46%
Industry*	9.57%	18.58%	24.73%	16.13%

* Source: The Central Bank of The Bahamas

NONINTEREST INCOME

The greatest source of noninterest income for the group of companies is generated from the Bank's insurance subsidiary – Laurentide Insurance & Mortgage Company. In 2014, Laurentide changed its accounting policy with respect to its insurance liability to now recognize the amount based on reserves for mortality, early withdrawal and changes in yields and expenses as computed by the company's independent actuary. Previously, the company reported its liability as the greater of the following:

1. Unearned premium income using the Rule of 78 on premium paid in advance over the life of the loan (to a maximum of 72 months), or
2. Aggregate actuarial reserves

IFRS requires that a change in accounting policy be accounted retrospectively, which means that in addition to current and future years, prior years must also be restated as if the change in policy had been in effect in the previous periods. The result of this was a restatement of $2.9 million in 2014 opening retained earnings (2013: $3.8 million). In the current year, the impact was an increase in income of $0.9 million (2013: decrease of $0.9 million).

Including the adjustment, net credit life insurance income was $6.2 million in 2014, an increase of $1.9 million from 2013. The majority of this was due to the change in accounting policy. Total premium collected in 2014 was $16.4 million compared to $12.7 million in 2013. Death claims experience grew modestly by 4.7% to $1.41 million (2013: $1.35 million).

Other noninterest income grew to $8.3 million, an increase of $0.3 million or 4.1% above 2013.

NONINTEREST EXPENSE

Total expense in 2014 was severely impacted by additional business license taxes which exceeded 2013 by $5 million. Total noninterest expenses were $64.9 million compared to $59.1 million in 2013, an increase of $5.9 million or 9.9%. Therefore, 85% of the increase in noninterest expense in 2014 relates to the increase in business license fees.

Staff costs were constrained to a growth of 0.6% in 2014 from $36.6 million in 2013 to $36.8 million in 2014.

In 2015, the Bank will face new challenges as the Government has introduced Value Added Tax with the majority of the Bank's revenue being exempt under the law. Because of this, Commonwealth Bank will not be able to reclaim the input VAT which it pays on its expenses as most other businesses will. Consequently, Commonwealth Bank projects another increase in operating costs in 2015 between $1 - $2 million as a result of Government fees and taxation. Notwithstanding, the Bank will continue to closely monitor all expense categories as a major focus in 2015.

OPERATIONAL EFFICIENCY

The efficiency ratio for the twelve months ended December 31, 2014 (calculated by dividing total non-interest expense by net interest income plus non-interest income less preference share dividends) was 48.4% and remains well ahead of the industry average. While this represents an increase from 2013 when the Bank's efficiency was at 46.0%, it was largely impacted by the increase in business license tax. Nevertheless, it remains well within the Bank's goal of less than 50%.

Efforts in 2015 will continue to be directed at further assessment of existing policies, procedures and work measurement processes in order to provide the level of service required by customers in a cost-effective and increasingly efficient manner.

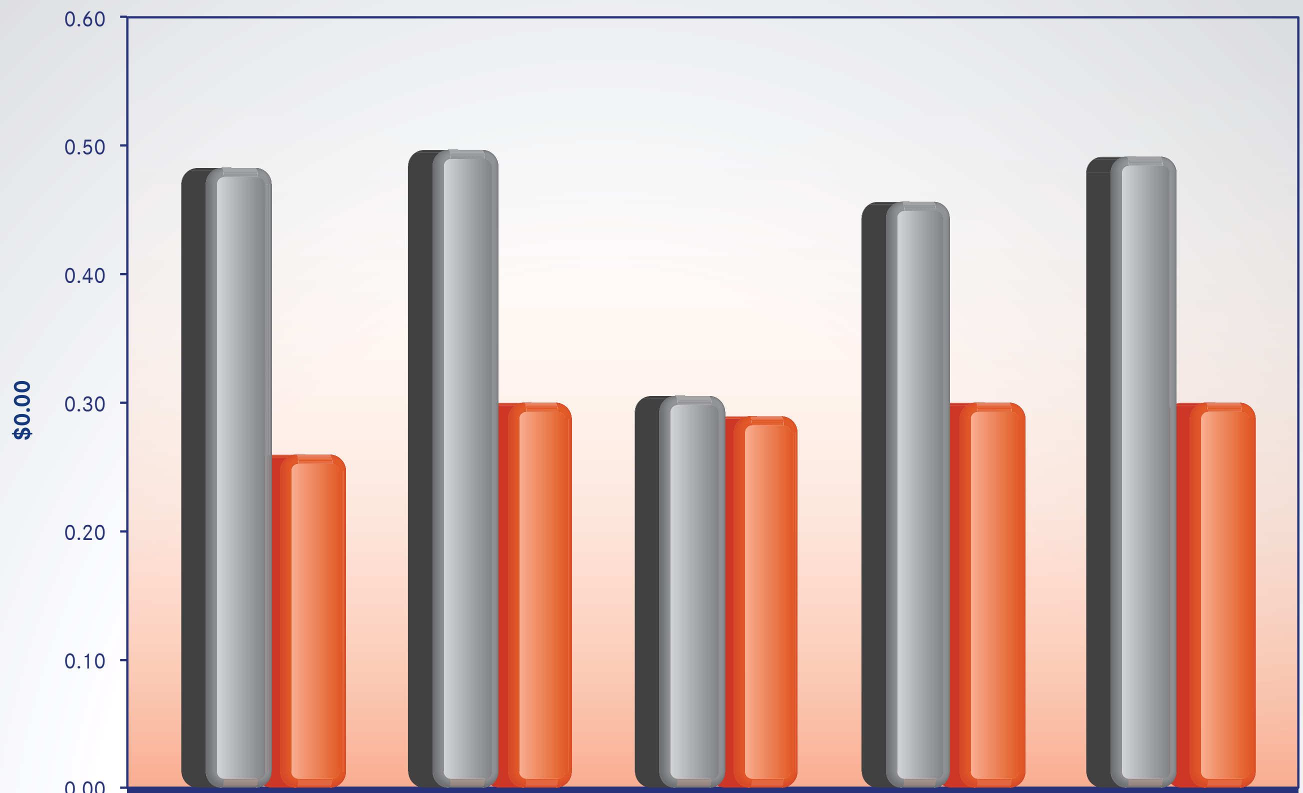
MANAGEMENT OF FINANCIAL POSITION

The Bank's total assets grew slightly in 2014 ending the year at $1.47 billion, from $1.43 billion in 2013. Total loans which accounted for 76% of the Bank's assets amounted to $1.115 billion at December 31, 2014, a growth of $30 million or 2.8% which rebounded from the contraction in 2013 when loans were $1.085 billion which accounted for a decrease of $21 million from 2012.

The Bank's consumer loans were $786.1 million as at December 31, 2014, an increase of $42.0 million (5.6%) from December 31, 2013. For the banking industry, consumer loans expanded by $39 million (1.8%) in 2014. The Bank continued to be "The Leader in Personal Lending" with a market share of approximately 35%.

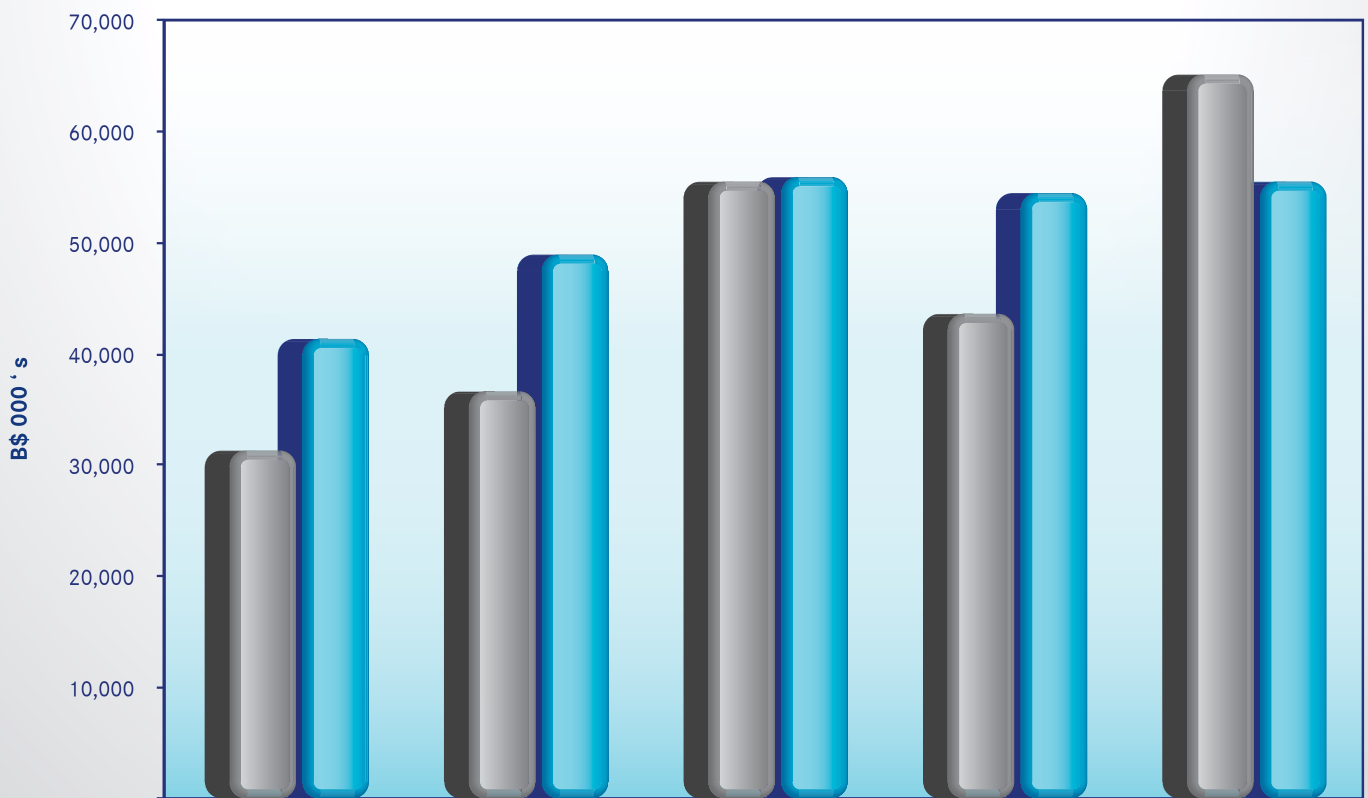
The Bank's mortgage portfolio recorded a marginal decline of 1% in 2014. Mortgage balances at December 31, 2014 were $254.1 million with additional commitments of $9.4 million compared to $256.6 million with $10.6 million in commitments outstanding at December 31, 2013. At December 31, 2014 the mortgage portfolio made up approximately 22.8% of the total loan portfolio. Total industry mortgage loans contracted by $7.0 million in 2014.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE



	2010	2011	2012	2013	2014
Earnings Per Share	0.48	0.50	0.31	0.46	0.49
Dividends Per Share	0.26	0.30	0.29	0.30	0.30

IMPAIRMENT LOANS AND IMPAIRMENT ALLOWANCES



	2010	2011	2012	2013	2014
Impaired Loans	31,290	36,545	55,418	43,687	65,069
Total Allowances	41,272	48,989	55,921	54,371	55,557

The commercial loan portfolio at December 31, 2014 was $43.7 million or 3.9% of the loan portfolio, a decline of 13.5% from the $50.6 million at December 31, 2013. Although small, the commercial loan portfolio remains an important element of the Bank's overall strategy. Total commercial loans in the industry contracted by $146.5 million in 2014 of which $100 million was due to a clearing bank selling part of its portfolio to, a non Bank entity which is outside the scope of The Central Bank of The Bahamas reporting statistics.

Our Credit Card loans were $31.4 million, a reduction of $2.7 million or 7.8% below 2013. The reduction in levels of receivables was as a result of our tight control over the product in successfully controlling delinquency.

Total deposits as at December 31, 2014 closed at $1.149 billion an increase of $27.2 million or 2.4% compared to the deposit levels as at December 31, 2013. In 2014, the Bank's CDs declined by $6.5 million or 0.7% while demand deposits and savings accounts grew by $11.1 million and $22.6 million (11.8% and 16.0%), respectively. This conversion of higher yield CDs to lower yield deposits as well as generally declining CD interest rates enabled the bank to reduce interest expense despite the increase in overall deposit balances.

Cash and balances at banks increased by $12.6 million to $89.8 million in 2014 (2013: $8.1 million increase). The Bank's liquidity continues to be strong with a liquidity ratio of 34% compared to Central Bank's minimum required liquidity ratio of 20%.

MANAGEMENT OF CAPITAL RESOURCES

The Bank's total capital increased $15.5 million in 2014 to $294.4 million. Capital was $278.9 million in 2013. Of the increase, $3.8 million related to the change in accounting policy on the measurement of the insurance liability. Total capital ratio exceeded The Central Bank's 17% target ratio by $106 million.

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. Capital adequacy is governed by regulatory agencies and encompasses two parts:

- Tier 1 Capital, which consists primarily of Common and Preferred Shareholders Equity, totaled $294.4 million, which was above December 31, 2013 tier 1 capital of $244.0 million.

  In December 2012, The Central Bank pronounced that beginning January 1, 2013, based on the existing rights and entitlements, the Bank's preference shares at that time would no longer qualify as Tier 2 Capital at a declining rate of 10% per year. During 2013, the Bank converted $48.9 million preference shares to new classes which qualify as Tier 1 Capital. The remaining $34.9 million shares were converted in 2014 partly impacting the increase in Tier 1 capital in 2014.

  During the year, the Bank purchased 251,158 of its shares for $1.72 million (2013: 132,632 shares for $0.85 million) through its wholly-owned subsidiary C.B. Securities, resulting in $5.8 million in shares held by the Subsidiary at December 31, 2014 (2013: $3.6 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.

- 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 $13.8 million in capital associated with loan loss allowance (2013: 13.5 million). Prior to the 2014 conversion of Preference Shares, $34.9 million Preference Shares qualified as Tier 2 Capital to the extent of 90% based on The Central Bank rules, in addition to the loan loss allowance.

Tier 1 Capital, is considered more permanent by stakeholders and is the principal focus of markets and regulators. The Bank's Total Capital Ratio at 27.9% at December 31, 2014 (2013: 26.8%) exceeds the minimum capital levels by 63.9%.

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.

The Bank's risk management process is also a series of fully integrated set of building blocks that are designed to promote sound business decisions and provide the required balance of risk. Risk management policies address all known risks and are measured and monitored through the Bank's corporate governance regime and overall process of control.

To be successful, a sound risk management process must be evolutionary and flexible enough to address varying market conditions and opportunities. Risk management policies and procedures are monitored closely by the Board and senior management of the Bank throughout each year. 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 Central Bank has also identified a series of specific risk parameters that parallel international regulatory guidance for Banks. Included in this group of generally accepted risks to Banks are Credit Risk, Liquidity Risk and Operational Risk. As part of the internal corporate governance process, ongoing and focused attention is placed on ensuring that the generally accepted industry best practices are applied and monitored in an effective manner by the Bank.

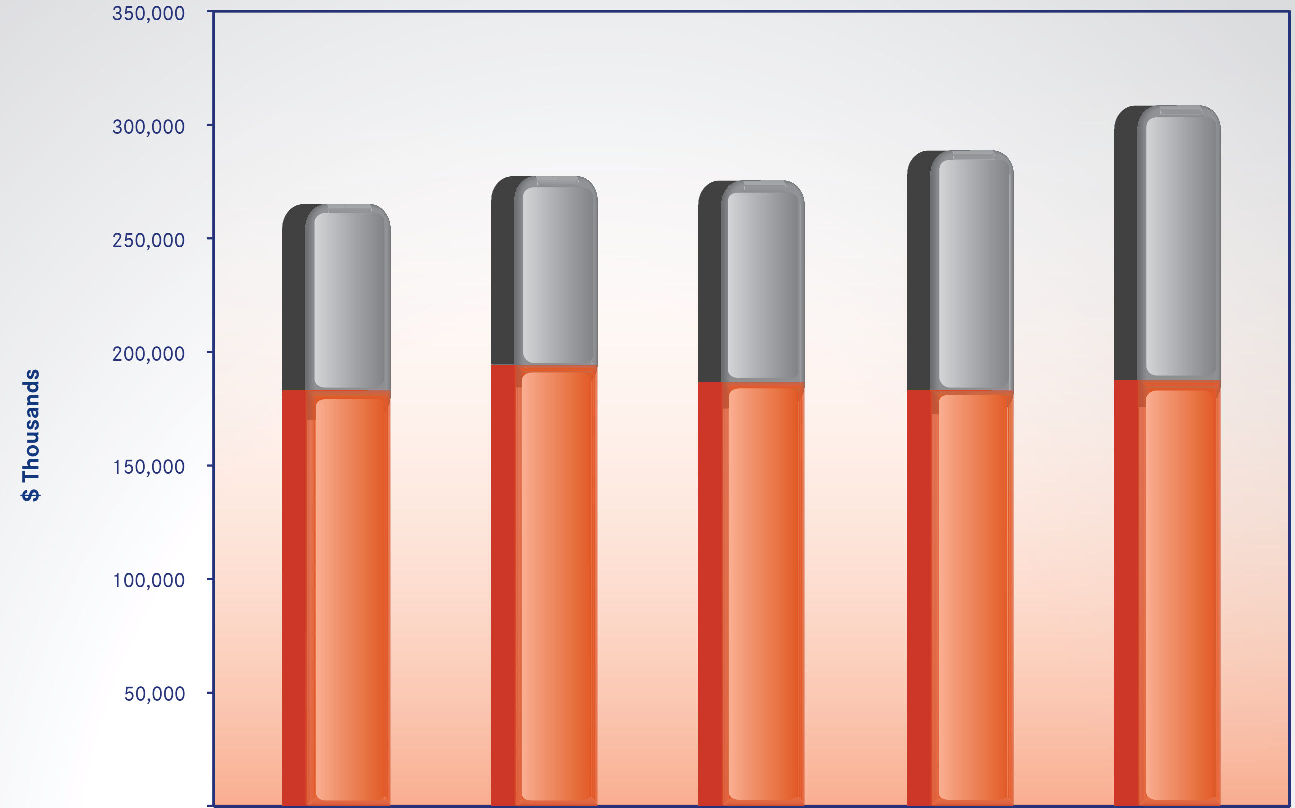
The Bank's business is also impacted by the international environment. Consequently, the Bank monitors changes in international regulations to ensure that they are properly managed and to minimize their impact on the Bank's operations. The most significant international regulation that will impact the Bank in the near term is the US Foreign Account Tax Compliance Act (FATCA) which imposes significant withholding amounts on US dollar activities from Foreign Financial Institutions that do not establish a relationship with the Internal Revenue Service (IRS) of the United States for the purpose of reporting certain financial information to the IRS regarding accounts maintained at the Institution on substantial United States persons. The Bank is in the process of implementing operational changes to address FATCA. Commonwealth Bank is now registered with the IRS having received a Global Identification Number. Reporting under FATCA is scheduled to begin in September 2015.

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

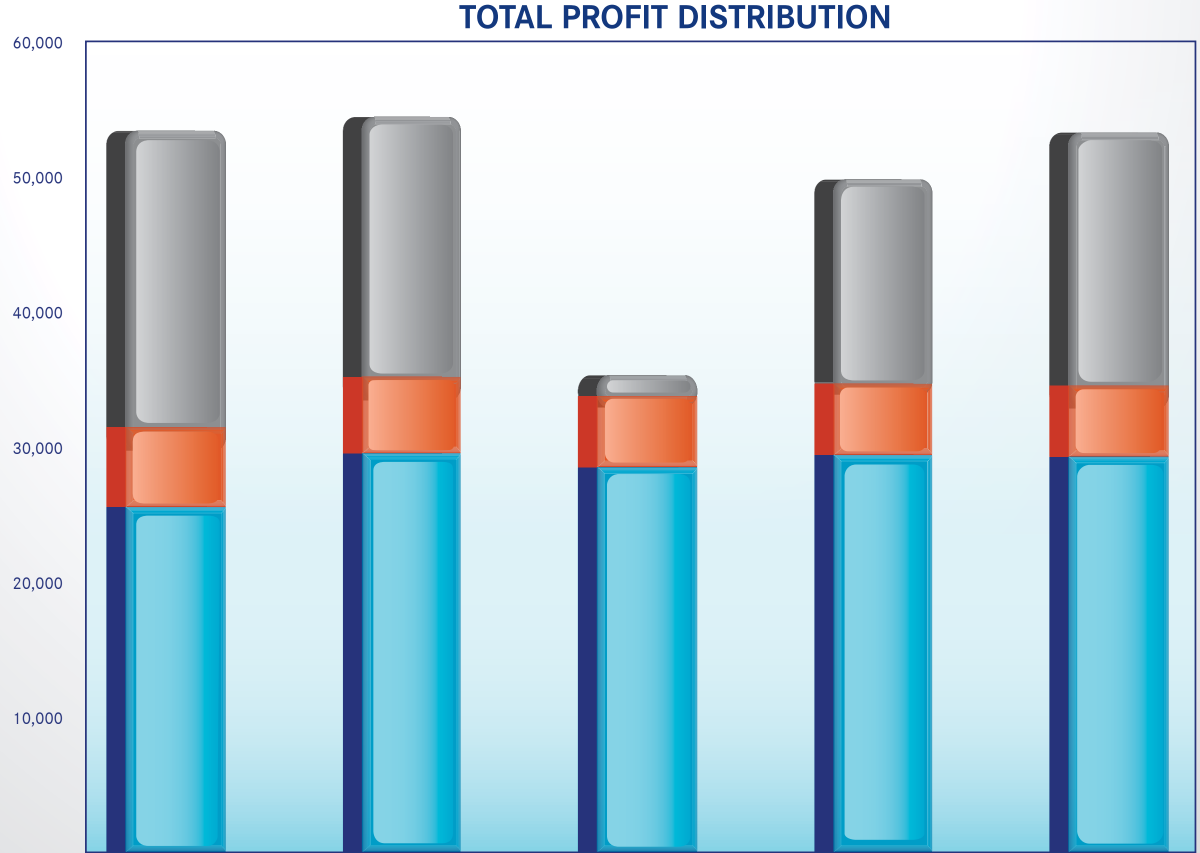
The Board of Directors and the Executive Management work together to ensure the Bank's credit risk management process and supporting policies, procedures and reporting guidelines remain appropriate in order to effectively

CAPITAL VERSUS REGULATORY CAPITAL



	2010	2011	2012	2013	2014
Excess Regulatory Capital	81,684	82,906	89,238	105,838	120,216
Minimum Regulatory Capital	183,295	194,732	186,462	183,068	188,005

TOTAL PROFIT DISTRIBUTION



	2010	2011	2012	2013	2014
Available for Reinvestment	21,878	19,263	1,530	15,168	18,728
Preference Dividend	5,949	5,630	5,311	5,294	5,207
Common Dividends	25,568	29,513	28,513	29,383	29,332

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 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.

The steps and added discipline to managing credit risk has provided the Bank with a more effective approach to credit risk and moved the Bank to the forefront of compliance with international best practices that are associated with measuring and monitoring overall credit quality. 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 include assistance outside normal underwriting criteria. The total restructured accounts at December 2014 amounted to $111.4 million or 10.0% of the portfolio; (2013: $144.7 million or 13.3%), a decrease of $33.3million.

During 2015, our credit assessment criteria will continue to be directed at maintaining and sustaining the strong quality of the credit risk portfolios. Also unchanged in 2015 will be our rigorous write-off policies supported by a conservative and anticipatory allowance for impairment methodology.

During 2014 major steps were taken in advancing a credit bureau in The Bahamas. The preparatory work was completed and The Central Bank of The Bahamas is anticipating legislation will be presented to the House in 2015. However, as the Credit Bureau will have to build its database after introduction, it is expected to take several years before becoming a meaningful tool in credit origination. The Value Added Tax Act was passed in the year, with implementation in January 2015 after the July 1, 2014 implementation date was postponed. Other legislation and regulatory pronouncements remain pending including The Home Owner's Protection Bill. The Bank continues to monitor the potential impact of an increasing regulatory environment.

LIQUIDITY AND FUNDING RISK MANAGEMENT

Liquidity and Funding risk (liquidity risk) is the risk that the Bank could 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 2014, 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 24.72% as at December 31, 2014, above 2013 by 66 basis points. The Bank's liquidity levels continue to exceed the minimum level of 20% prescribed by The Central Bank and also indicate closer control was maintained over surplus liquidity.

COMMUNITY AND SOCIAL CONTRIBUTIONS

Community and social responsibilities remain important to the Bank. 2014 was another year wherein the Bank maintained its substantial commitment to the betterment of the Bahamas and Bahamians. Significant contributions were sustained to support children and youth through the Back to School program, partnering with the Ministry of Education in sponsorship of programming on the Bahamas Learning Channel and participating in a wider public/private initiative to improve reading skills in our schools, as well as the College of the Bahamas Endowment Fund. In excess of 40 other charitable organizations received financial assistance that was made available by the Bank according to their perceived needs.

OUR STAFF – A SIGNIFICANT STRENGTH

At yearend the Bank employed 532 employees, below 2013 by 19 persons due to both a focus on programs engaging part time rather than full time staff and normal attrition. Our staff form 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 provide an atmosphere that both challenges and develops our staff.

OUTLOOK FOR 2015

Each year, the Bank reviews 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.

The introduction of VAT will most likely result in a short term increase in the cost of living, although if sustained the recent trend of lower oil prices will offset this increase. Positive projections in tourism will also help the economy, aided by the opening of Baha Mar in 2015.

Having successfully introduced SunCard MasterCard during 2014, we look forward to the introduction of our debit card and "chip " enabled CB MasterCard in 2015 and associated programs to increase our market share in the credit card market.

Notwithstanding the uncertainty of the net impact of the above, our internal review confirmed that we remain on the right path to offer the Bank the best opportunities to maximize shareholder's returns. Consequently, the Bank will be steadfast in our established vision, mission and core values and key broad objectives. We will therefore:

1. Remain a consumer based bank
2. Optimize our business model
3. Seek to expand the existing market share
4. Seek to minimize expenses and improve operational efficiency

With our ongoing confidence in the long term future of the Bahamas, we enter 2015 with cautious optimism.

Pictured L to R: **Rupert W. Roberts, Jr., OBE, Vaughn W. Higgs, Robert D. L. Sands, Earla J. Bethel, William B. Sands, Jr., Executive Chairman**

Pictured L to R: **G. Clifford Culmer, Ian A. Jennings, President, Larry R. Gibson, R. Craig Symonette, Dr. Marcus R. C. Bethel**

EXECUTIVE TEAM | |

Pictured L to R: **Charles Knowles, V.P. & CIO, Anthea Cox, V.P. Human Resources & Training, Denise Turnquest, Sr. V.P. Credit Risk, Ian A. Jennings, President, Mavis Burrows, V.P. Operations, Patrick McFall, V.P. & CFO and Carole Rodgers, V.P. Internal Audit**

| | ASSISTANT VICE PRESIDENTS

Pictured L to R: **Neil Strachan, Asst. V.P. Marketing & Business Development, Kenrick Brathwaite, Asst. V.P. Internal Audit, Maxwell Jones, Asst. V.P. Accounts Control & Recovery, Ian Wilkinson, Asst. V.P. Information Technology and Silbert Cooper, Asst. V.P. Consumer Lending**

BRANCH MANAGERS

Pictured L to R (First Row):
STEPHEN JOHNSON, Town Centre Mall Branch
DARIA BAIN, Commonwealth Bank Plaza Branch
MARCUS CLEARE, Oakes Field Branch
KAYLA DARVILLE, Mortgage Centre Branch
CHARLENE LOW, Lucaya Branch
DEMETRI BOWE, Golden Gates Branch
MONIQUE MASON, Credit Card Centre Branch
MATTHEW SAWYER, Abaco Branch

Pictured L to R (Second Row):
J. RUPERT ROBERTS, Sr. Manager, Freeport Branch
EDWARD VIRGIL, Acting Manager, East Bay Street Branch
PERRY THOMPSON, Prince Charles Drive Branch
JOHN RIGBY, Acting Manager, Golden Gates Branch
LAVADO BUTLER, Wulff Road Branch

Pictured L to R (First Row):
JASMIN STRACHAN, Data Proof
CINDY CURTIS, Head of Compliance
TANYA ASTWOOD, Compensation & Benefits
KATHERINE HAMILTON, Training
GLADYS FERNANDER, Sr. Manager, Financial & Business Planning

Pictured L to R (Second Row):
FRANKLYN THOMAS, Sr. Manager, Credit Risk
JULIETTE FRASER, Sr. Manager, Operations
LYNDA BURROWS, IT Operations
JACQUELINE HUNT, Sr. Manager, Internal Audit
REKELL GRIFFIN, Business Development
FELIPE VEGA, IT Projects
HOPE SEALEY, Mortgage & Commercial Lending

Pictured L to R (Third Row):
KESHALA KNOWLES, Recruitment
DERICK MOSS, Systems Operations & Network
LERNIX WILLIAMS, Accounts Control
FRIENDERICK DEAN, Sr. Manager, Accounts Control
TAMEKA COOKE, Employee Relations
GINA GREENE, Marketing

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

PATRICK MCFALL
VP & CFO

February 26, 2015

Deloitte.

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Commonwealth Bank Limited:

We have audited the accompanying consolidated financial statements of Commonwealth Bank Limited which comprise the consolidated statement of financial position as at December 31, 2014, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Commonwealth Bank Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

February 27, 2015
2nd Terrace West, Centreville
Nassau, Bahamas

A member firm of
Deloitte Touche Tohmatsu

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, 2014, 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, 2015

Oliver, Wyman Limited

Oliver, Wyman Limitée

MARSH & McLENNAN COMPANIES

| | CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2014 *(Expressed in Bahamian $'000s)*

	December 31, 2014	December 31, 2013 (Restated)	January 1, 2013 (Restated)
ASSETS			
Cash and deposits with banks (Notes 6, 8 and 24)	$ 26,985	$ 21,815	$ 21,224
Balances with The Central Bank of The Bahamas (Notes 6 and 8)	62,873	55,412	47,913
Investments (Notes 6, 9 and 24)	276,653	278,785	268,196
Loans receivable (Notes 6, 10, 19, 22 and 24)	1,059,723	1,030,906	1,050,045
Premises and equipment (Notes 11 and 24)	45,432	40,796	41,285
Other assets (Note 24)	2,387	4,991	3,625
TOTAL	$ 1,474,053	$ 1,432,705	$ 1,432,288
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 6, 12, 19, 22 and 24)	$ 1,148,790	$ 1,121,583	$ 1,136,609
Life assurance fund liability (Notes 13 and 24)	12,409	11,742	11,253
Other liabilities (Notes 19, 22 and 24)	18,457	20,439	22,436
Total liabilities	1,179,656	1,153,764	1,170,298
EQUITY:			
Share capital (Note 14)	83,561	85,837	86,943
Share premium	21,990	23,703	24,551
General reserve (Note 15)	10,500	10,500	10,500
Retained earnings	178,346	158,901	139,996
Total equity	294,397	278,941	261,990
TOTAL	$ 1,474,053	$ 1,432,705	$ 1,432,288

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 19, 2015, and are signed on its behalf by:

Executive Chairman

President

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2014 *(Expressed in Bahamian $'000s)*

		2014		2013 (Restated)
INCOME				
Interest income (Notes 6, 9 and 19)	$	156,480	$	156,910
Interest expense (Notes 6 and 19)		(31,694)		(35,537)
Net interest income		124,786		121,373
Loan impairment expense (Note 10)		(21,103)		(24,797)
		103,683		96,576
Life assurance, net		6,230		4,369
Fees and other income (Notes 6 and 17)		8,279		7,951
Total income		118,192		108,896
NON-INTEREST EXPENSE				
General and administrative (Notes 6, 18, 19 and 20)		61,970		56,285
Depreciation and amortization (Note 11)		2,751		2,576
Directors' fees		204		190
Total non-interest expense		64,925		59,051
TOTAL PROFIT		53,267		49,845
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation (Note 20)		716		3,737
TOTAL COMPREHENSIVE INCOME	$	53,983	$	53,582
BASIC AND DILUTED EARNINGS PER COMMON SHARE				
(expressed in dollars)	$	0.49	$	0.46

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

|| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT DECEMBER 31, 2014 *(Expressed in Bahamian $'000s)*

	2014	2013 (Restated)
SHARE CAPITAL		
Preference shares (Note 14)		
Balance at beginning of year	$ 83,879	$ 84,983
Redemption of shares	(2,271)	(1,104)
Balance at end of year	81,608	83,879
Common shares (Note 14)		
Balance at beginning of year	1,958	1,960
Repurchase of common shares	(5)	(2)
Balance at end of year	1,953	1,958
Total share capital	83,561	85,837
SHARE PREMIUM		
Balance at beginning of year	23,703	24,551
Repurchase of common shares	(1,713)	(848)
Balance at end of year	21,990	23,703
GENERAL RESERVE		
Balance at beginning and end of year (Note 15)	10,500	10,500
RETAINED EARNINGS		
Balance at beginning of year, as originally presented	158,901	136,179
Adjustment for life assurance fund liability (Note 2)	-	3,817
Balance at beginning of year, as restated	158,901	139,996
Total comprehensive income	53,983	53,582
Common share dividends: 30 cents per share (2013: 30 cents)	(29,332)	(29,383)
Preference share dividends	(5,206)	(5,294)
Balance at end of year	178,346	158,901
EQUITY AT END OF YEAR	$ 294,397	$ 278,941

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

CONSOLIDATED STATEMENT OF CASH FLOWS | |

YEAR ENDED DECEMBER 31, 2014 *(Expressed in Bahamian $'000s)*

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	$ 144,162	$ 147,742
Interest payments	(31,694)	(35,537)
Life assurance premiums received, net	9,467	7,076
Life assurance claims and expenses paid	(6,433)	(3,492)
Fees and other income received	12,143	9,225
Recoveries (Note 10)	8,511	8,564
Cash payments to employees and suppliers	(61,552)	(59,838)
	74,604	73,740
Increase in loans receivable	(58,430)	(14,223)
Increase (decrease) in deposits	27,207	(15,026)
Net cash from (used in) operating activities	43,381	44,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(74,576)	(53,545)
Interest receipts from investments	11,273	12,942
Redemption of investments (Note 14)	78,448	42,934
Purchase of premises and equipment (Note 11)	(8,148)	(2,164)
Net proceeds from sale of premises and equipment	780	63
Net cash from investing activities	7,777	230
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(34,538)	(34,677)
Repurchase of common shares	(1,718)	(850)
Redemption of preference shares	(2,271)	(1,104)
Net cash used in financing activities	(38,527)	(36,631)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,631	8,090
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,227	69,137
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 8)	$ 89,858	$ 77,227
MINIMUM RESERVE REQUIREMENT (Note 8)	44,380	43,776
CASH AND CASH EQUIVALENTS IN EXCESS OF THE MINIMUM RESERVE REQUIREMENT	$ 45,478	$ 33,451

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

AS AT DECEMBER 31, 2014 (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 (which are all wholly owned) are described in Note 7.

2. CHANGE IN ACCOUNTING POLICY

During the year, the Bank's wholly owned subsidiary, Laurentide Insurance and Mortgage Company Limited ("Laurentide Insurance"), amended its policy on the valuation of its life assurance fund liability. Under the new policy, Laurentide Insurance estimates its life assurance fund liability based on the valuation provided by its independent actuary, including claims incurred but not reported ("IBNR"). In the prior year, Laurentide Insurance's policy was to estimate the life assurance fund liability as the greater of a) the sum of actuarial reserve plus IBNR, and b) the total unearned premium based on the rule of 78 over the term of each policy. The new method is deemed to be more accurate as it estimates the impact of mortality, morbidity and policy lapse rates.

This new policy was adopted by the Bank in these Consolidated Financial Statements. In 2014, the Bank renamed its life assurance fund to life assurance fund liability.

The impact of the change in accounting policy on the current and prior periods is as follows:

		Effect on 2014		Effect on 2013
Consolidated Financial Statements impact				
Decrease in life assurance fund liability	$	3,810	$	2,893
Increase in opening retained earnings balance	$	2,893	$	3,817
Increase (decrease) in life assurance, net	$	916	$	(924)
Earnings per share impact				
Increase (decrease) in EPS	$	0.01	$	(0.01)

The cumulative impact of the change in accounting policy on periods prior to 2012 is an increase in retained earnings of $4.2 million.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Bank has 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, 2014.

New and Amendments to Standards

IFRS 10, 12 and IAS 27	Investment Entities
IAS 32	Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

At the date of authorization of these Consolidated Financial Statements, the following relevant standards and interpretations were in issue but not yet effective:

New Standards

IFRS 9	Financial Instruments (effective for annual periods beginning on or after January 1, 2018)
IFRS 14	Regulatory Deferral Accounts (effective for annual periods beginning on or after January 1, 2016)
IFRS 15	Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2017)

Amendments to Standards

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions

Annual Improvements to IFRS 2010 to 2012 Cycle

IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 8	Operating Segments
IFRS 13	Fair Value Measurement
IAS 16	Property, Plant and Equipment
IAS 38	Intangible Assets
IAS 24	Related Party Disclosures

Annual Improvements to IFRS 2011 to 2013 Cycle

IFRS 3	Business Combinations
IFRS 13	Fair Value Measurement
IAS 40	Investment Property

The Directors anticipate that the adoption of these standards, with the exception of IFRS 9, will have no material impact on the Bank's Consolidated Financial Statements. The Board is considering the impact of IFRS 9 when it becomes effective in 2018.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation - The Consolidated Financial Statements include the accounts of the Bank and its wholly-owned subsidiaries made up to December 31, 2014. All intra-group transactions, balances, income and expenses have been eliminated in full on consolidation.

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 4c), 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 loan 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. *Loans receivable -* Loans receivable are advances to customers which are not classified either as held for trading or designated 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.

c. *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.

d. ***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.

e. ***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.

f. ***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.

g. ***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 (2014: 97.815 million; 2013: 97.904 million). There is no material difference between basic earnings per share and fully diluted earnings per share.

h. ***Retirement benefit costs*** - The Bank maintains a pension plan covering all employees in the active employment of the Bank. Assets of the plan are held separately from the Bank in funds under the control of independent Trustees. The Trustees include representation from both the employer and employees. The employee representative is determined through an election process held triennially. In 2013, the plan was divided into two parts – a defined benefit provisions closed to new members and a defined contribution provisions added for new members.

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 costs and expenses 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 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 0.5% above Bahamian Prime Rate of 4.75% (2013: 4.75%). 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. 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. 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.

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.

i. ***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 2014, the Bank recognized $0 (2013: $0) associated with employee share-based payment plans in staff costs in the general and administrative expenses line of the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

j. ***Deposits*** - Deposits are stated at amortised cost.

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. ***Investments*** - Investments are classified as held-to-maturity and are stated at cost plus accrued interest. Investment income is recorded in interest income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method.

m. ***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.

n. ***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.

o. ***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 at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

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 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. Cash and equivalents are classified as AFS instruments.

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.

p. ***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.

q. ***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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, which are described in Note 4, 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 Bank'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 that have not yet been 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 4. 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 (h). 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. Actuarial work on the pension plan was undertaken by Mercer (Canada) Limited, Toronto, Canada.

d. *Life assurance fund liability* -Laurentide insurance 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 - 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.

6. 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:

	2014				
	Loans and Receivables	Held-To-Maturity	Available-For-Sale	Amortised Cost	Total
FINANCIAL ASSETS					
Cash and cash equivalents	$ -	$ -	$ 89,858	$ -	$ 89,858
Investments	$ -	$ 276,653	$ -	$ -	$ 276,653
Loans receivable	$ 1,115,280	$ -	$ -	$ -	$ 1,115,280
FINANCIAL LIABILITIES					
Deposits	$ -	$ -	$ -	$ 1,148,790	$ 1,148,790

6. FINANCIAL INSTRUMENTS (Continued)

	2013				
	Loans and Receivables	Held-To-Maturity	Available-For-Sale	Amortised Cost	Total
FINANCIAL ASSETS					
Cash and cash equivalents	$ -	$ -	$ 77,227	$ -	$ 77,227
Investments	$ -	$ 278,785	$ -	$ -	$ 278,785
Loans receivable	$ 1,085,277	$ -	$ -	$ -	$ 1,085,277
FINANCIAL LIABILITIES					
Deposits	$ -	$ -	$ -	$ 1,121,583	$ 1,121,583

At December 31, 2014 there were no assets or liabilities that were classified as FVTPL (2013: $Nil).

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

	2014	2013
Interest income		
Loans and Receivables	$ 143,300	$ 143,945
Held-to-Maturity	13,013	12,920
Amortised Cost	167	45
	$ 156,480	$ 156,910
Interest expense		
Amortised Cost	$ 31,694	$ 35,537
Fees and other income		
Loans and Receivables	$ 1,713	$ 1,759
General and administrative expense		
Amortised Cost	$ 172	$ 137

7. BUSINESS SEGMENTS

For management purposes, the Bank, including its wholly-owned subsidiaries, is organized into five operating units - Bank, Insurance Company, Real Estate Holdings, Investment Company and Insurance Agency.

The principal business of the Bank is that of 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 provides credit life insurance in respect of the Bank's borrowers through Laurentide Insurance and Mortgage Company Limited.

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

The Bank 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.

C.B. Securities Ltd. was incorporated as an investment company on September 2, 1996. C.B. Securities Ltd. purchased Bank common shares during the year to fund the Bank's stock based compensation plans.

All of the activities of the Bank and its wholly-owned subsidiaries are deemed to be operating 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.

The following table shows financial information by business segment:

	2014						
	Bank	Insurance Company	Real Estate Holdings	Investment Company	Insurance Agency	Eliminations	Consolidated
Income							
External	$ 110,261	$ 8,606	$ 25	$ 472	$ -	$ (1,172)	$ 118,192
Internal	6,385	306	3,550	194	1,726	(12,161)	-
Total income	$ 116,646	$ 8,912	$ 3,575	$ 666	$ 1,726	$ (13,333)	$ 118,192
Total profit							
Segment total profit	$ 49,853	$ 6,472	$ 973	$ 484	$ 856	$ (5,371)	$ 53,267
Assets	$ 1,436,849	$ 46,700	$ 28,245	$ 5,808	$ 1,900	$ (45,449)	$ 1,474,053
Liabilities	$ 1,175,566	$ 12,601	$ 20,377	$ 4,777	$ 6	$ (33,671)	$ 1,179,656
Other Information							
Capital additions	$ 6,186	$ -	$ 1,962	$ -	$ -	$ -	$ 8,148
Depreciation and amortization	$ 2,229	$ -	$ 503	$ -	$ -	$ -	$ 2,732

	2013						
	Bank	Insurance Company	Real Estate Holdings	Investment Company	Insurance Agency	Eliminations	Consolidated
Income							
External	$ 102,644	$ 6,870	$ 19	$ 192	$ -	$ (829)	$ 108,896
Internal	5,968	203	3,187	143	1,346	(10,847)	-
Total income	$ 108,612	$ 7,073	$ 3,206	$ 335	$ 1,346	$ (11,676)	$ 108,896
Total profit							
Segment total profit	$ 47,657	$ 4,856	$ 970	$ 198	$ 689	$ (4,525)	$ 49,845
Assets	$ 1,395,208	$ 44,127	$ 26,427	$ 3,611	$ 1,599	$ (38,267)	$ 1,432,705
Liabilities	$ 1,147,667	$ 11,881	$ 19,532	$ 3,065	$ 6	$ (28,387)	$ 1,153,764
Other Information							
Capital additions	$ 2,031	$ -	$ 133	$ -	$ -	$ -	$ 2,164
Depreciation and amortization	$ 2,080	$ -	$ 510	$ -	$ -	$ -	2,590

8. CASH AND DEPOSITS WITH BANKS

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:

	2014	2013
Cash and deposits with banks	$ 26,985	$ 21,815
Balances with The Central Bank of The Bahamas	62,873	55,412
Total cash and deposits with banks	$ 89,858	$ 77,227

The Bank is required to maintain a percentage of customers' deposits as cash or deposits with The Central Bank of The Bahamas. At December 31, 2014, this reserve requirement was $44.4 million (2013: $43.8 million).

9. INVESTMENTS

Investments is as follows:

	Term to Maturity						2014		2013	
	Within 12 months		Over 12 to 60 months		Over 60 months		Total		Total	
	$	Yield %	$	Yield %	$	Yield %	$	Yield %	$	Yield %
Bahamas Government Treasury Bills	4,998	0.549%	-	-	-	-	4,998	0.549%	14,970	0.703%
Bahamas Government Stock	3,264	4.851%	34,105	4.821%	207,552	4.854%	244,921	4.849%	243,865	4.867%
Bahamas Government Loan	6,790	3.108%	-	-	-	0.000%	6,790	3.108%	-	-
Bridge Authority Bonds	-	-	-	-	237	6.267%	237	6.267%	237	6.267%
Mortgage Corporation Bonds	-	-	-	-	16,190	5.000%	16,190	5.000%	16,191	5.000%
Clifton Heritage Bonds	-	-	-	-	2,021	5.305%	2,021	5.305%	2,021	5.305%
College of The Bahamas Bonds	18	6.760%	72	6.760%	133	6.760%	223	6.760%	240	6.762%
United States Treasury Notes	-	-	-	-	1,009	6.936%	1,009	6.936%	1,009	6.940%
Other investments	-	-	-	-	264	28.557%	264	28.557%	252	35.678%
Total investments	15,070	2.642%	34,177	4.883%	227,406	4.898%	276,653	4.766%	278,785	4.683%

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

	2014	2013
Interest income	$ 13,013	$ 12,920

10. LOANS RECEIVABLE

Loans receivable is as follows:

	2014	2013
Residential mortgage	$ 254,125	$ 256,617
Business	43,719	50,552
Personal	786,064	744,069
Credit card	31,372	34,039
	1,115,280	1,085,277
Less: Impairment Allowances	55,557	54,371
	$ 1,059,723	$ 1,030,906

	2014	2013
Individually Assessed Impaired Loans	$ 19,345	$ 8,270
Collectively Assessed Impaired Loans	45,724	35,417
Collectively Assessed Incurred But Not Yet Identified Loans	1,050,211	1,041,590
	1,095,935	1,077,007
Gross Loans and Advances	$ 1,115,280	$ 1,085,277
Individually Assessed allowances as % of individually assessed impaired loans receivable	32.17%	35.84%
Collectively Assessed allowances as % of Collectively assessed loans receivable	4.50%	4.77%
Total allowances as % of total loans receivable	4.98%	5.01%

Movement in Impairment Allowances:

	2014				
	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Credit Losses	Balance at End of Year
Individually Assessed					
Residential mortgage	$ 1,701	$ -	$ -	$ 3,724	$ 5,425
Business	1,263	-	-	(464)	799
Total Individually Assessed	$ 2,964	$ -	$ -	$ 3,260	$ 6,224
Collectively Assessed					
Residential mortgage	$ 11,610	(467)	52	199	11,394
Business	1,123	(191)	-	(334)	598
Personal	37,879	(26,885)	7,937	17,144	36,075
Credit card	795	(885)	522	834	1,266
Total Collectively Assessed	$ 51,407	(28,428)	8,511	17,843	49,333
Total Impairment Allowances	$ 54,371	$ (28,428)	$ 8,511	$ 21,103	$ 55,557
Impairment Allowance					
Impaired Loans Individually Assessed Allowances	$ 2,964	$ -	$ -	$ 3,260	$ 6,224
Impaired Loans Collectively Assessed Allowances	22,523	(28,428)	8,511	23,393	25,999
Impaired Loans Total Allowances	25,487	(28,428)	8,511	26,653	32,223
Collective Allowances - Incurred but not yet identified	28,884	-	-	(5,550)	23,334
Total Allowances	$ 54,371	$ (28,428)	$ 8,511	$ 21,103	$ 55,557

	2013				
	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Credit Losses	Balance at End of Year
Individually Assessed					
Residential mortgage	$ 1,479	$ -	$ -	$ 222	$ 1,701
Business	1,107	-	-	156	1,263
Total Individually Assessed	2,586	-	-	378	2,964
Collectively Assessed					
Residential mortgage	11,396	(1,398)	60	1,552	11,610
Business	929	(440)	-	634	1,123
Personal	40,032	(31,659)	7,956	21,550	37,879
Credit card	978	(1,414)	548	683	795
Total Collectively Assessed	53,335	(34,911)	8,564	24,419	51,407
Total Impairment Allowances	$ 55,921	$ (34,911)	$ 8,564	$ 24,797	$ 54,371
Impairment Allowance					
Impaired Loans Individually Assessed Allowances	$ 2,586	$ -	$ -	$ 378	$ 2,964
Impaired Loans Collectively Assessed Allowances	30,396	(34,911)	8,564	18,474	22,523
Impaired Loans Total Allowances	32,982	(34,911)	8,564	18,852	25,487
Collective Allowances - Incurred but not yet identified	22,939	-	-	5,945	28,884
Total Allowances	$ 55,921	$ (34,911)	$ 8,564	$ 24,797	$ 54,371

Impaired loans receivable is as follows:

	2014			2014			2014		
	Individually Assessed Impaired	Collectively Assessed Impaired	Total Impaired	Individually Assessed Allowance	Collectively Assessed Impaired Allowance	Total Impaired Allowance	Net Impaired Individually Assessed	Net Impaired Collectively Assessed Impaired	Total Net Impaired
Residential mortgage	$ 11,054	$ 24,447	$ 35,501	$ 5,425	$ 9,543	$ 14,968	$ 5,629	$ 14,904	$ 20,533
Business	8,291	913	9,204	799	366	1,165	7,492	547	8,039
Personal	-	19,853	19,853	-	15,638	15,638	-	4,215	4,215
Credit card	-	511	511	-	452	452	-	59	59
	$ 19,345	$ 45,724	$ 65,069	$ 6,224	$ 25,999	$ 32,223	$ 13,121	$ 19,725	$ 32,846
Percentage of loan portfolio			5.83%						
Percentage of total assets			4.41%						
Percentage of Impaired Allowance to Impaired Loans						49.52%			

	2013			2013			2013		
	Individually Assessed Impaired	Collectively Assessed Impaired	Total Impaired	Individually Assessed Allowance	Collectively Assessed Impaired Allowance	Total Impaired Allowance	Net Impaired Individually Assessed	Net Impaired Collectively Assessed Impaired	Total Net Impaired
Residential mortgage	$ 5,702	$ 21,500	$ 27,202	$ 1,701	$ 9,285	$ 10,986	$ 4,001	$ 12,215	$ 16,216
Business	2,568	1,220	3,788	1,263	652	1,915	1,305	568	1,873
Personal	-	12,267	12,267	-	12,358	12,358	-	(91)	(91)
Credit card	-	430	430	-	228	228	-	202	202
	$ 8,270	$ 35,417	$ 43,687	$ 2,964	$ 22,523	$ 25,487	$ 5,306	$ 12,894	$ 18,200
Percentage of loan portfolio			4.03%						
Percentage of total assets			3.05%						
Percentage of Impaired Allowance to Impaired Loans						58.34%			

Impairment allowance on collectively assessed incurred but not yet identified loans is 2.22% (2013: 2.77%) of the incurred but not yet identified loans receivable.

11. 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, 2012	$ 11,765	$ 31,786	$ 829	$ 20,662	$ 65,042
Additions	18	69	20	2,057	2,164
Transfers	(4)	-	4	-	-
Disposals	(2)	(16)	-	(189)	(207)
December 31, 2013	11,777	31,839	853	22,530	66,999
Additions	1,949	2,819	53	3,327	8 ,148
Transfers	6	(6)	3	(3)	-
Disposals	-	(680)	-	(371)	(1,051)
December 31, 2014	13,732	33,972	909	25,483	74,096

	Land/Site Improvements	Buildings	Leasehold Improvements	Furniture, Fittings and Equipment	Total
Accumulated Depreciation and Amortization					
December 31, 2012	252	7,486	731	15,288	23,757
Charge for the year	43	682	24	1,841	2 ,590
Transfers	-	-	-	-	-
Disposals	(1)	(5)	-	(138)	(144)
December 31, 2013	294	8,163	755	16,991	26,203
Charge for the year	50	760	28	1,894	2,732
Transfers	1	(1)	-	-	-
Disposals	-	(23)	-	(248)	(271)
December 31, 2014	345	8,899	783	18,637	2 8,664
Net Book Value					
December 31, 2014	$ 13,387	$ 25,073	$ 126	$ 6,846	$ 4 5,432
December 31, 2013	$ 11,483	$ 23,676	$ 98	$ 5,539	$ 40,796

Depreciation and amortization expense is as follows:

	2014	2013
Land/Site Improvements	$ 50	$ 43
Buildings	760	682
Leasehold improvements	28	24
Furniture, fittings and equipment	1,894	1,841
Total depreciation and amortization	2,732	2,590
Net loss (gain) on disposal of fixed assets	19	(14)
Net depreciation and amortization	$ 2,751	$ 2,576

12. DEPOSITS

The composition of deposits is as follows:

	2014	2013
Demand deposits	$ 105,023	$ 93,951
Savings accounts	163,724	141,100
Certificates of deposit	880,043	886,532
	$ 1,148,790	$ 1,121,583

13. LIFE ASSURANCE FUND LIABILITY

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

An actuarial valuation of the life assurance fund liability was conducted as at December 31, 2014 by Oliver Wyman of Toronto, Canada. The valuation included a provision of $148,345 (2013: $673,878) for claims incurred but not yet reported.

	2014	2013
Balance at beginning of the year	$ 11,742	$ 11,253
Net change in the year	667	489
Balance at end of the year	$ 12,409	$ 11,742

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 2014	4.5	54%	16.00%	13.61	3.30%	3.90%	3.75%	12,260		
Lower Interest Rate	4.5	54%	16.00%	13.61	3.30%	3.51%	3.38%	12,297	37	0.3%
Mortality = 4.95	5.0	54%	16.00%	13.61	3.30%	3.90%	3.75%	12,455	195	1.6%
Lapse = 59.40%	4.5	59%	16.00%	13.61	3.30%	3.90%	3.75%	12,643	383	3.1%
Loan Interest = 17.60%	4.5	54%	17.60%	13.61	3.30%	3.90%	3.75%	12,269	9	0.1%
Expenses = 14.97	4.5	54%	16.00%	14.97	3.30%	3.90%	3.75%	12,307	47	0.4%
Inflation = 3.63%	4.5	54%	16.00%	13.61	3.63%	3.90%	3.75%	12,262	2	0.0%

14. SHARE CAPITAL

Share capital is as follows:

Preference Shares:

	AUTHORISED					
	Beginning and end of year 2013, 2014 Rate	Par $	Beginning of year 2014	Conversion	End of year 2014	Beginning and end of year 2013
Class A	Prime + 1.5%	500	$ 15,000	$ (15,000)	$ -	$ 15,000
Class B	Prime + 1.5%	500	5,000	(5,000)	-	5,000
Class C	Prime + 1.5%	100	5,000	(5,000)	-	5,000
Class D	Prime + 1.5%	100	10,000	(10,000)	-	10,000
Class E	Prime + 1.5%	100	10,000	35,000	45,000	10,000
Class F	Prime + 1.5%	100	10,000	-	10,000	10,000
Class G	Prime + 1.5%	100	10,000	-	10,000	10,000
Class H	Prime + 1.5%	100	10,000	-	10,000	10,000
Class I	Prime + 1.5%	100	10,000	-	10,000	10,000
Class J	Prime + 1.5%	100	10,000	-	10,000	10,000
Class K	Prime + 1.5%	100	10,000	-	10,000	10,000
Class L	Prime + 1.5%	100	10,000	-	10,000	10,000
Class M	Prime + 1.5%	100	10,000	-	10,000	10,000
Class N	Prime + 1.5%	100	10,000	-	10,000	10,000
			$ 135,000	$ -	$ 135,000	$ 135,000

	OUTSTANDING 2014			
	Beginning of year	Redemptions	Conversion	End of Year
Class A	$ 15,000	$ (2,000)	$ (13,000)	$ -
Class B	4,985	(30)	(4,955)	-
Class C	5,000	-	(5,000)	-
Class D	10,000	(241)	(9,759)	-
Class E	-	-	32,714	32,714
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
Class J	9,934	-	-	9,934
Class K	9,999	-	-	9,999
Class L	9,987	-	-	9,987
Class M	8,974	-	-	8,974
Class N	10,000	-	-	10,000
	$ 83,879	$ (2,271)	$ -	$ 81,608

	OUTSTANDING 2013			
	Beginning of year	Redemptions	Conversion	End of Year
Class A	$ 15,000	$ -		$ 15,000
Class B	4,985	-		4,985
Class C	5,000	-		5,000
Class D	10,000	-		10,000
Class E	9,999	(65)	(9,934)	-
Class F	9,999	-	(9,999)	-
Class G	10,000	(13)	(9,987)	-
Class H	10,000	(1,026)	(8,974)	-
Class I	10,000	-	(10,000)	-
Class J	-	-	9,934	9,934
Class K	-	-	9,999	9,999
Class L	-	-	9,987	9,987
Class M	-	-	8,974	8,974
Class N	-	-	10,000	10,000
	$ 84,983	$ (1,104)	$ -	$ 83,879

As at December 31, 2014 all classes are non-cumulative, non-voting 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 2014, Bahamian Prime Rate was 4.75% (2013: 4.75%).

Common Shares:

	$0.02 each Number 000's	$
Authorized:		
December 31, 2012, 2013 and 2014	225,000	$ 4,500
Issued and outstanding:		
December 31, 2012	98,037	1,960
Net issue of shares	(133)	(2)
December 31, 2013	97,904	1,958
Net repurchase of shares	(251)	(5)
December 31, 2014	97,653	$ 1,953

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 purchasing shares from the market in advance of the options being exercised. The Bank recognized expenses of $0 (2013: $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 2014 (2013: 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, 2013 and December 31, 2014	-	-
Options available to be granted at December 31, 2013 and December 31, 2014	4,678	

17. FEES AND OTHER INCOME

Fees and other income is as follows:

	2014	**2013**
Fees and commissions	$ 1,120	$ 1,193
Service charges	3,477	2,959
Card service revenue	602	733
Net foreign exchange revenue and other income	3,080	3,066
	$ 8,279	$ 7,951

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses is as follows:

	2014	2013
Staff costs	$ 36,829	$ 36,621
Other	25,141	19,664
	$ 61,970	$ 56,285

Staff costs include pension costs of $2.40 million (2013: $2.84 million) of which $2.35 million (2013: $2.84 million) relates to the DB Provisions (see Note 20).

19. RELATED PARTIES' BALANCES AND TRANSACTIONS

Related parties' balances and transactions are as follows:

	2014			2013		
	Key Management Personnel $	Other Related Party $	Total $	Key Management Personnel $	Other Related Party $	Total $
Loans Receivable	9,332	3,008	12,340	12,106	10	12,116
Deposits	189,347	888	190,235	180,088	947	181,035
Other Liabilities	414	-	414	766	-	766
Interest Income	800	123	923	696	-	696
Interest Expense	7,360	3	7,363	8,154	3	8,157
General and Administrative Expense	3,444	198	3,642	4,146	-	4,146
Mortgage commitments	-	-	-	-	3,000	3,000
Commitments under revolving credit lines	2,799	39	2,838	2,844	40	2,884

Rental commitments to related parties are as follows:

Year	$
2015	17
2016	0
2017	0
2018	0
2019	0

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:

	2014	2013
Short term benefits	$ 6,606	$ 6,478
Post employment benefits	$ 604	$ 581

20. BANK PENSION SCHEME

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:

	2014	2013
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 59,469	$ 53,543
Interest income	3,182	2,858
Actual return on plan assets	985	787
Administrative costs	(93)	(82)
Company contributions	2,650	2,222
Participant contributions	1,305	1,292
Benefits paid	(409)	(356)
Withdrawals from plan	(1,156)	(795)
Fair value of plan assets at end of year	$ 65,933	$ 59,469

	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 61,660	$ 58,858
Employer service cost	2,225	2,376
Participant contributions	1,305	1,292
Interest cost	3,207	3,049
Withdrawals from plan	(1,156)	(795)
Benefits paid	(409)	(356)
Experience adjustment	275	201
Changes in financial assumptions	-	(2,965)
Benefit obligation at end of year	$ 67,107	$ 61,660
Net defined benefit liability:		
Net defined benefit liability at beginning of year	$ 2,190	$ 5,314
Defined benefit included in profit or loss	2,350	2,835
Remeasurement included in other comprehensive income	(716)	(3,737)
Employer contributions	(2,650)	(2,222)
Balance at end of year	$ 1,174	$ 2,190
Components of pension benefit expense:		
Current employer service costs	$ 2,225	$ 2,376
Interest cost on defined benefit obligation	3,207	3,049
Interest income on plan assets	(3,182)	(2,858)
Administrative costs	100	268
Pension benefit expense included in staff costs	$ 2,350	$ 2,835
Components of remeasurements:		
Changes in financial assumptions	$ -	$ (2,965)
Experience adjustments	275	201
Return on plan assets excluding interest income	(991)	(973)
Remeasurements included in other comprehensive income	$ (716)	$ (3,737)
Assumptions at beginning of year:		
Discount rate	5.25%	5.25%
Rate of pension increases	1.00%	1.00%
Rate of increase in future compensation	3.50%	4.00%
Mortality Table	UP 1994 Fully generational	UP 1994 Fully generational
Assumptions at end of year:		
Discount rate	5.25%	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	Rate of increase in Pension
Benefit obligation	$ 3,021	$ 1,516	$ 1,586
Pension benefits expense	$ 342	$ 177	$ 161

The effect of assuming an increase of 1 year in life expectancy would increase the benefit obligation by $1.7 million and pension benefits expense by $190 thousand.

The weighted average duration of the defined benefit obligation was 18.5 years (2013: 18.9 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 1,631,425 (2013: 1,631,425) common shares and $3.87 million (2013: $3.87 million) preference shares of the Bank. These shares have a market value of $16.10 million (2013: $15.14 million) which represents 24.27% (2013: 25.43%) of the pension fund's assets.

The major categories of DB Provisions assets at December 31, 2014 are as follows:

	Fair Value of Plan Assets	
	2014	**2013**
Balance at Banks	$ 10,891	$ 5,765
Equity Instruments	17,583	16,276
Government Bonds	27,513	27,500
Other Debt Instruments	250	250
Preferred Equity	9,467	8,967
Other Assets	484	773
Liabilities	(255)	(62)
Fair Value of Plan Assets	$ 65,933	$ 59,469

The Bank expects that the contributions in 2015 in respect of the DB Provisions will be $2.3 million.

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

	2014	**2013**
Deposits	$ 9,557	$ 4,350
Interest expense	$ 168	$ 125

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:

	2014	**2013**
Pension expense included in staff costs	$ 50	$ 6

21. MATURITY OF ASSETS AND LIABILITIES

The maturity of assets and liabilities are as follows:

	2014	**2013**
ASSETS		
On demand	$ 83,121	$ 75,679
3 months or less	35,587	29,798
Over 3 months through 6 months	3,953	14,413
Over 6 months through 12 months	15,196	16,064
Over 12 months through 24 months	36,866	40,379
Over 24 months through 5 years	230,869	230,215
Over 5 years	1,068,461	1,026,157
	$ 1,474,053	$ 1,432,705

21. MATURITY OF ASSETS AND LIABILITIES (Continued)

	2014	2013
LIABILITIES		
On demand	$ 112,038	$ 99,422
3 months or less	365,452	278,224
Over 3 months through 6 months	96,811	138,298
Over 6 months through 12 months	201,239	181,861
Over 12 months through 24 months	151,345	129,076
Over 24 months through 5 years	252,406	326,866
Over 5 years	365	17
	$ 1,179,656	$ 1,153,764

22. CONCENTRATION OF LOANS RECEIVABLE AND LIABILITIES

The concentration of loans receivable and liabilities are as follows:

	2014		2013	
	$	#	$	#
Loans receivable:				
Under $50,000	$ 660,980	63,752	$ 646,235	66,311
$50,001 - $100,000	208,089	3,343	189,452	3,057
$100,001 - $150,000	62,701	504	65,551	530
$150,001 - $300,000	109,979	531	112,884	548
$300,001 - $500,000	36,956	100	35,388	95
$500,001 - $1,000,000	17,838	27	20,087	31
$1,000,001 and over	18,737	10	15,680	8
Impairment Allowance	(55,557)	-	(54,371)	-
	$ 1,059,723	68,267	$ 1,030,906	70,580
Liabilities:				
Under $50,000	$ 171,553	67,974	$ 168,387	60,771
$50,001 - $100,000	79,397	1,128	83,261	1,170
$100,001 - $150,000	56,480	464	57,342	470
$150,001 - $300,000	97,799	459	96,101	449
$300,001 - $500,000	89,670	222	83,607	206
$500,001 - $1,000,000	159,598	206	180,406	229
$1,000,001 and over	494,293	216	452,479	204
Life assurance fund liability	12,409	-	11,742	-
Other liabilities	18,457	-	20,439	-
	$ 1,179,656	70,669	$ 1,153,764	63,499

23. COMMITMENTS AND CONTINGENCIES

a. In the ordinary course of business, the Bank had commitments as at December 31, 2014, as follows:

	2014	2013
Mortgage commitments	$ 9,430	$ 10,589
Revolving credit lines	24,553	24,557
Standby letters of credit	-	385
Capital expenditures contracted	1,125	1,417
Capital expenditure approved but not yet contracted	2,017	1,150
	$ 37,125	$ 38,098

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.

Standby letters of credit - are short-term instruments used to facilitate international trade typically on behalf of an importer, subject to specific terms and conditions. They are collateralized by the underlying shipments of goods to which they relate.

b. The Bank is obligated under non-cancelable leases on property, all of which are operating leases, expiring no later than 2016, and on maintenance contracts for computer equipment and software expiring no later than 2020 on which the minimum annual rentals are approximately as follows:

		Minimum Rental Commitments
	Leases	Computer Equipment and Software
Year	**$**	**$**
2015	175	936
2016	104	886
2017	-	553
2018	-	352
2019	-	352
2020	-	117

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 9.

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 Bank 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 Bank maximizes the return to shareholders through optimization of its debt and equity balance. The Bank's risk management structure promotes making sound business decisions by balancing risk and reward. It promotes revenue generating activities that are consistent with the Bank's risk appetite, the Bank'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 14 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.

Capital Regulatory requirements for subsidiary companies are managed through the parent company. The Bank's strategy is unchanged from 2013.

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, 2014 Laurentide has $300,300 (2013: $300,300) in share capital and $2,750,000 (2013: $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, 2014 (2013: $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, 2014, the minimum margin of solvency was $6,282,641 (2013: $5,548,741). Laurentide's solvency margin at December 31, 2014 was $27,454,168 (2013: $28,168,872) resulting in a surplus of $21,171,528 (2013: $22,620,131).

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, 2014, Laurentide had $40,055,034 (2013: $40,049,646) in qualifying assets and $40,055,034 (2013: $40,049,646) in admissible assets as defined under paragraphs 70 and 72 of the Regulations, respectively.

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 Bank's interest rate risk exposure as at December 31, 2014, and represents the Bank'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 Bank's profit over the next 12 months is estimated to decrease by $163 thousand.

If interest rates decrease by 50 basis points and all other variables remain constant, the Bank's profit over the next 12 months is estimated to increase by $163 thousand.

As of December 31, 2014	Repricing date of interest sensitive instruments: Within 3 Months	3-5 months	6-12 months	Over 1-5 Years	Over 5 years	Non interest rate sensitive	Total
Assets							
Cash equivalents	$ 10,501	$ -	$ 951	$ -	$ -	$ 78,406	$ 89,858
	1.67%	0.00%	0.04%	-	-	-	0.20%
Investments	269,067	-	-	6,090	1,232	264	276,653
	4.82%	0.00%	-	4.25%	7.00%	-	4.82%
Loans receivable	58,127	316,390	55,088	438,195	191,923	-	1,059,723
	15.59%	8.89%	14.96%	14.95%	14.85%		13.16%
Premises and equipment	-	-	-	-	-	45,432	45,432
Other assets	-	-	-	-	-	2,387	2,387
TOTAL	$ 337,695	$ 316,390	$ 56,039	$ 444,285	$ 193,155	$ 126,489	$ 1,474,053
Liabilities and shareholders' equity							
Deposits	$ 392,852	$ 129,602	$ 174,569	$ 451,744	$ 23	$ -	$ 1,148,790
	1.43%	1.97%	2.76%	3.75%	2.24%	-	2.61%
Other liabilities	-	-	-	-	-	30,866	30,866
Preference shares	81,608	-	-	-	-	-	81,608
	6.25%	-	-	-	-	-	6.25%
Other equity	-	-	-	-	-	212,789	212,789
TOTAL	$ 474,460	$ 129,602	$ 174,569	$ 451,744	$ 23	$ 243,655	$ 1,474,053
INTEREST RATE SENSITIVITY GAP	$ (136,765)	$ 186,788	$ (118,530)	$ (7,459)	$ 193,132	$ (117,166)	$ -
CUMULATIVE INTEREST RATE SENSITIVITY GAP	**$ (136,765)**	**$ 50,023**	**$ (68,507)**	**$ (75,966)**	**$ 117,166**	**$ -**	**$ -**
COMPARATIVE 2013	**$ (107,601)**	**$ 83,781**	**$ (42,196)**	**$ (53,960)**	**$ 108,827**	**$ -**	**$ -**
Average Yield - Earning Assets	6.58%	8.89%	14.71%	14.80%	14.80%		11.35%
Average Yield - Paying Liabilities	2.26%	1.97%	2.76%	3.75%	2.24%		2.85%
Average Margin 2014	4.32%	6.92%	11.95%	11.05%	12.56%		8.50%
Average Margin 2013	4.28%	5.72%	11.61%	10.84%	12.82%		8.00%

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:

	2014			2013		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Cash and cash equivalents						
Neither past due or impaired	$ 89,858	$ -	$ 89,858	$ 77,227	$ -	$ 77,227
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 89,858	$ -	$ 89,858	$ 77,227	$ -	$ 77,227
Investments						
Neither past due or impaired	$ 276,653	$ -	$ 276,653	$ 278,785	$ -	$ 278,785
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 276,653	$ -	$ 276,653	$ 278,785	$ -	$ 278,785
Loans receivable						
Neither past due or impaired	$ 844,922	$ 43,795	$ 888,717	$ 801,017	$ 73,602	$ 874,619
Past due but not impaired	114,149	47,345	161,494	114,121	52,850	166,971
Impaired	44,844	20,225	65,069	25,407	18,280	43,687
	$ 1,003,915	$ 111,365	$ 1,115,280	$ 940,545	$ 144,732	$ 1,085,277

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:

	2014			2013		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Loans receivable						
Residential mortgage						
Neither past due or impaired	$ 134,157	$ 19,226	$ 153,383	$ 151,048	$ 20,574	$ 171,622
Past due but not impaired	43,041	22,200	65,241	40,356	17,437	57,793
Impaired	20,655	14,846	35,501	16,840	10,362	27,202
	$ 197,853	$ 56,272	$ 254,125	$ 208,244	$ 48,373	$ 256,617
Business						
Neither past due or impaired	$ 23,742	$ 1,554	$ 25,296	$ 30,240	$ 1,093	$ 31,333
Past due but not impaired	7,041	2,178	9,219	14,903	528	15,431
Impaired	9,204	-	9,204	3,319	469	3,788
	$ 39,987	$ 3,732	$ 43,719	$ 48,462	$ 2,090	$ 50,552
Personal						
Neither past due or impaired	$ 661,859	$ 23,015	$ 684,874	$ 592,884	$ 51,935	$ 644,819
Past due but not impaired	58,370	22,967	81,337	52,098	34,885	86,983
Impaired	14,474	5,379	19,853	4,818	7,449	12,267
	$ 734,703	$ 51,361	$ 786,064	$ 649,800	$ 94,269	$ 744,069
Credit card						
Neither past due or impaired	$ 25,164	$ -	$ 25,164	$ 26,845	$ -	$ 26,845
Past due but not impaired	5,697	-	5,697	6,764	-	6,764
Impaired	511	-	511	430	-	430
	$ 31,372	$ -	$ 31,372	$ 34,039	$ -	$ 34,039
	$ 1,003,915	$ 111,365	$ 1,115,280	$ 940,545	$ 144,732	$ 1,085,277

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

		2014		2013
Satisfactory risk	$	882,237	$	860,826
Watch list		6,480		11,498
Sub-standard but not impaired		-		2,295
	$	888,717	$	874,619

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

2014

		Residential mortgage		Business		Personal		Credit card		Total
Past due up to 29 days	$	54,866	$	5,592	$	58,031	$	4 ,086	$	122,575
Past due 30 - 59 days		5,584		1,161		13,625		1,065		21,435
Past due 60 - 89 days		4,791		2,466		9,681		546		17,484
	$	65,241	$	9,219	$	81,337	$	5,697	$	161,494

2013

		Residential mortgage		Business		Personal		Credit card		Total
Past due up to 29 days	$	45,090	$	13,503	$	61,607	$	4,467	$	124,667
Past due 30 - 59 days		7,071		744		15,632		1,639		25,086
Past due 60 - 89 days		5,632		1,184		9,744		658		17,218
	$	57,793	$	15,431	$	86,983	$	6,764	$	166,971

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 accounts on performing accounts and the impairment allowance on non-performing 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 Bank 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 Bank 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 Bank'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 Insurance 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. ***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 Bank 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 Bank'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 Bank with reasonable assurance that assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and the Bank is in compliance with all regulatory requirements.

NOTES

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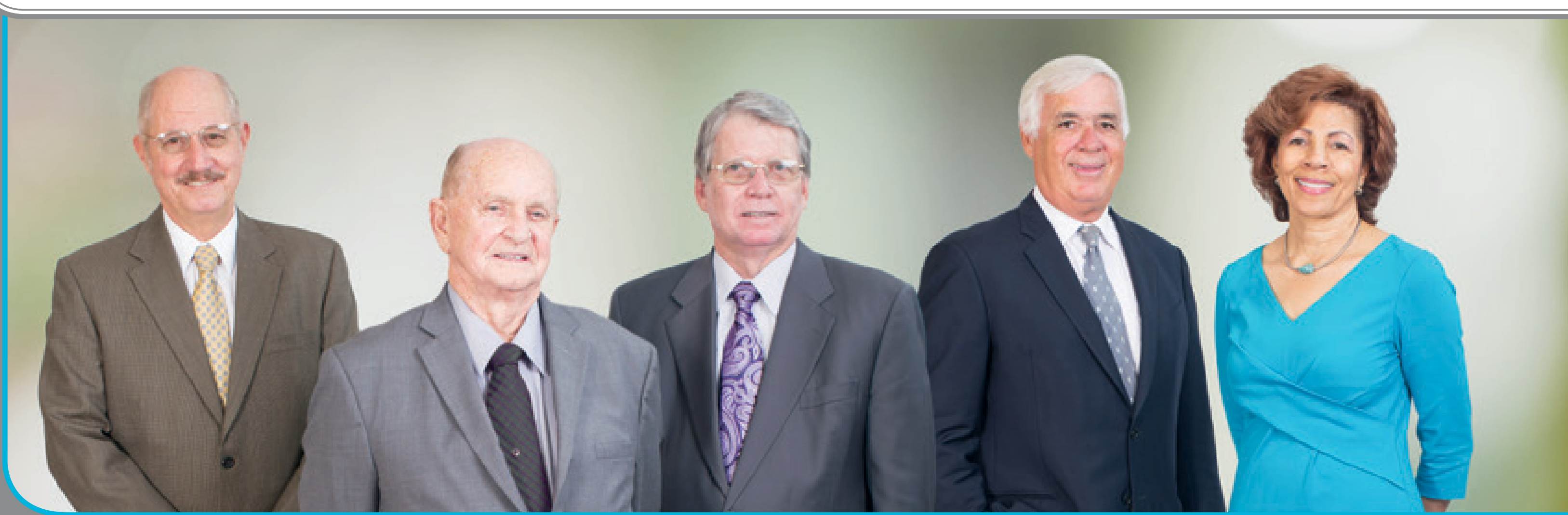
Pension Committee	4

BOARD MEETING ATTENDANCE

W. B. Sands Jr.	7
I. A. Jennings	7
E .J. Bethel	6
M. R. C. Bethel	6
G. C. Culmer	7
V. W. Higgs	6
R. W. Roberts, Jr., OBE	6
R. C. Symonette	5
L. R. Gibson	6
R. D. L. Sands	7

NOMINATING COMMITTEE REPORT | |



Pictured L to R: **Vaughn W. Higgs, Rupert Roberts, Jr., OBE, William. B. Sands, Jr., 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, 2014.

RUPERT ROBERTS, JR., OBE
Chairman
Nominating Committee

Pictured L to R: **R. Craig Symonette, William. B. Sands, Jr., Rupert Roberts, Jr., OBE, Ian A. Jennings, 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, 2014.

WILLIAM. B. SANDS JR.
Executive Chairman
Executive Committee

AUDIT COMMITTEE REPORT | |

Pictured L to R: **Larry R. Gibson, G. Clifford Culmer, Earla J. Bethel, Marcus R. C. Bethel**

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 charter 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, Securities Commission 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. The Bank's President and Vice President and Chief Financial Officer certified the Consolidated Financial Statements and related disclosure materials.
- 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 certain subsidiaries. The Committee concluded these documents were complete, fairly presented and in accordance with International Financial Reporting Standards that were consistently applied.

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; 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, as well as the Audit and Inspection mandate.
- Met regularly with the Vice President Internal Audit as necessary without management present.
- Reviewed and approved the Bank's disclosure policy.
- Examined key regulatory developments and assessed their implications for the Bank.
- Reviewed the Bank's adherence to the Guidelines and Financial Practices prescribed by The Central Bank of The Bahamas and made recommendations to the Board to ensure compliance with new and changing regulations.
- Examined reports of the VP Internal Audit and General Counsel on matters relating to compliance and litigation.
- Reviewed recommendations of the Bank's Auditors and External Regulators, as well as management's response.
- Assessed and recommended to the Board qualified persons to serve on the Audit Committee.

Bank's Auditors

- Recommended to the Board that Deloitte and Touche be reappointed as the Bank's Auditors.
- Confirmed that appropriate practices are being followed to safeguard the independence of the Bank's Auditors.
- Reviewed and approved all audit and permitted non-audit services performed by the Bank's Auditors in accordance with the Committee's Auditor Independence Policy.
- Reviewed the performance of the Bank's Auditors, including the scope and results of the audit conducted by the Bank's Auditors, and communications to the Committee that are required under Generally Accepted Auditing Standards.
- 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, 2014.

G. C. Culmer

G. CLIFFORD CULMER,
Chairman
Audit Committee

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

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 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 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, 2014.

EARLA J. BETHEL
Chairperson
Premises Committee

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 and are maintained and sustained in a cost effective, controlled and secure manner.

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:

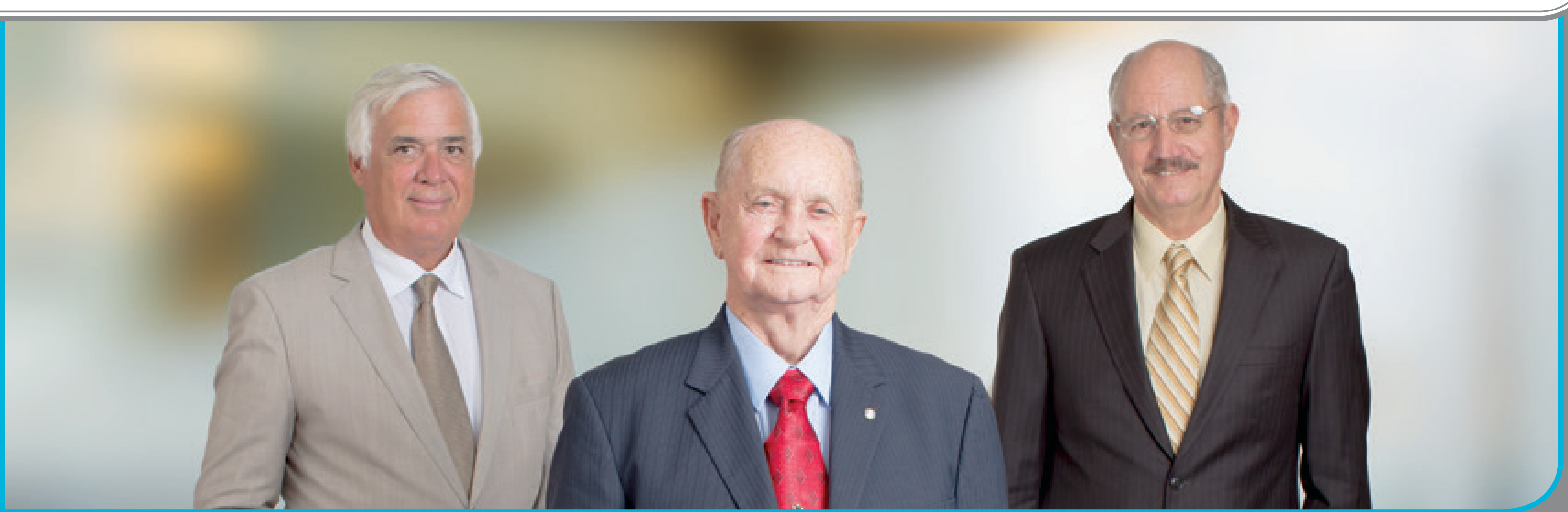
- Ensured cost-benefit analyses are an integral part of the project development process.
- Reviewed on a quarterly basis, project development plans and progress to ensure progress being achieved parallels established performance objectives and project development plans.
- Ensured that post-implementation 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, 2014.

R. CRAIG SYMONETTE
Chairman
IT Committee



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

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, 2014.

RW Roberts Jr

RUPERT ROBERTS, JR., OBE
Chairman
Nominating Committee

PENSION COMMITTEE REPORT

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

The Pension Committee is responsible for assisting the Board of Directors in ensuring that Pension Plans offered by the Bank to its employees support the Bank's Human Resources' objectives and sustain shareholder value. As part of this responsibility, members of the committee review the performance of the Pension Plan Trustee, Administrator and Investment Manager, as well as providing support and guidance to them.

The Pension Committee is comprised of four members of the Bank, Board of Directors and one employee representative elected by the employees triennially. The employee representative is Mr. Neil Strachan.

YEAR IN REVIEW

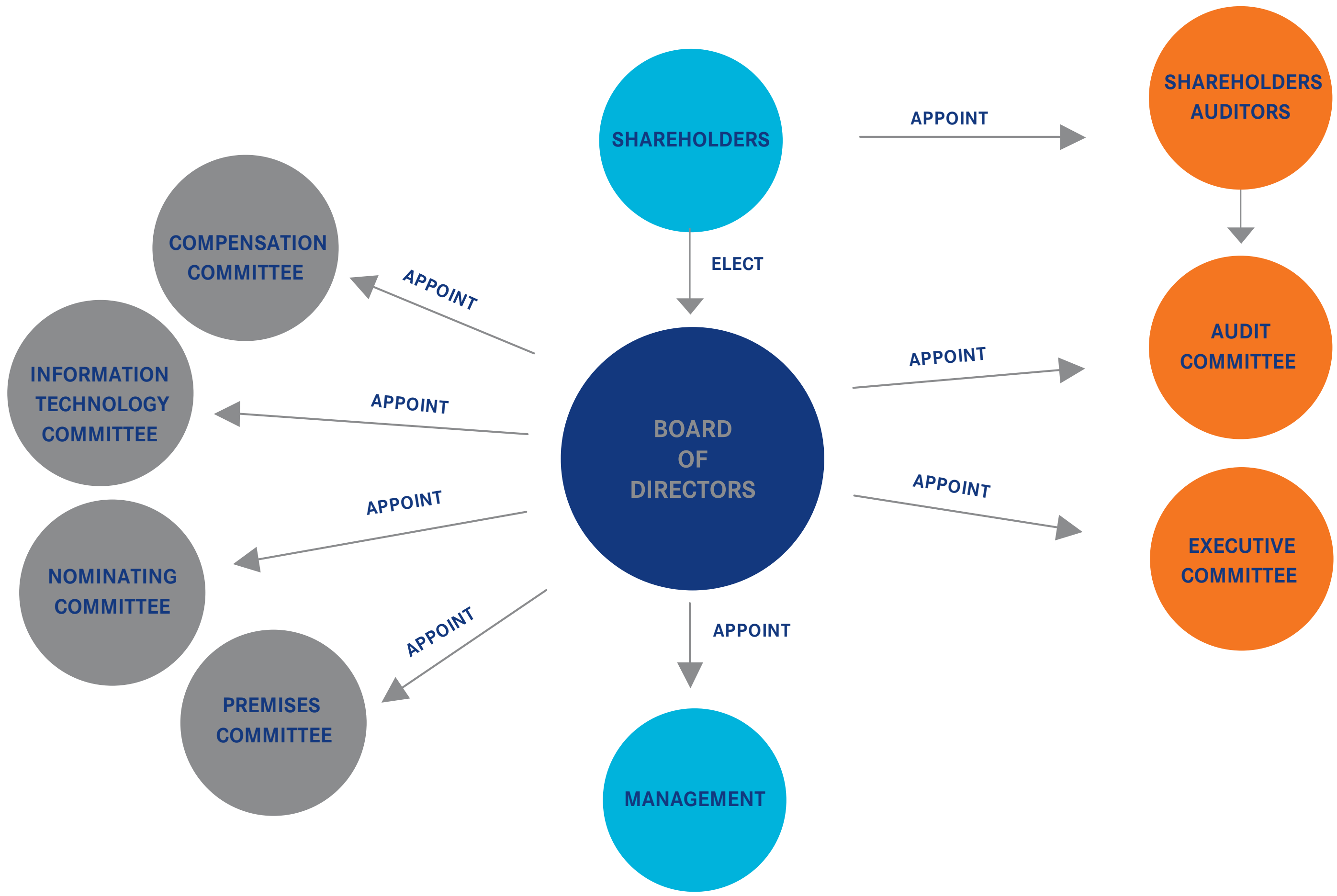
During the year, the Committee in fulfilling its role:

- Reviewed and recommended for approval by the Board Executive Committee the Trustee for the Pension Fund and other service providers.
- 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.
- 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, 2014.

IAN A. JENNINGS
Chairman
Pension 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

G. CLIFFORD CULMER
Partner
BDO Mann Judd

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.

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

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

CHARLENE A. BOSFIELD
Corporate Secretary
Commonwealth Bank Ltd.

SERVICES

- Auto Loans
- Personal Lending
- Mortgage Financing
- Real Estate Financing
- Small Business Lending
- Commercial Lending
- Overdraft Facilities
- SunCard MasterCard Credit Card
- MasterCard Credit Card
- MasterCard Prepaid Card
- MasterCard Gift Card
- Certificates Of Deposit
- Savings Accounts
- Christmas Club Savings
- Kidz Club Savings
- Student Savings Accounts
- Personal Chequing Accounts
- Business Chequing Accounts
- Automated Banking Machines
- Foreign Exchange Services
- Wire Transfers
- Saturday Banking
- Online Banking
- Safe Deposit Boxes
- BTC Prepaid Cell Minutes

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

CREDIT CARD CENTRE
Nassau
502-6150

Freeport
352-4428

CALL CENTRE
502-6206

SATURDAY BANKING
- Commonwealth Bank Plaza Branch
- Oakes Field Branch
- Cable Beach Branch
- Golden Gates 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
- The College Of The Bahamas, Harry C. Moore Library
- Kelly's Mall at Marathon

Freeport
- Freeport Airport
- Cost Right

Abaco
- Maxwell's Supermarket

customerservice@combankltd.com
www.combankltd.com

COMMONWEALTH BANK