

COMMONWEALTH BANK | CHAIRMAN'S REPORT ON UNAUDITED RESULTS JUNE 30, 2014

Commonwealth Bank's Total Profit for the six months ended June 30, 2014 was \$25.9 million, a slight reduction of \$100,000 over the same period of 2013. The primary contributing factor to the decline in profits was the increase in business license fees which exceeded \$2 million for the period.

Total assets at June 30, 2014 were \$1.47 billion, an increase of 2.8% above December 2013 total assets of \$1.43 billion.

Commonwealth Bank's asset quality continued to show encouraging signs as our nonperforming loan ratio of 3.99% continues to significantly outperform the industry average nonperforming loans of 16.36% at June 2014, as reported by The Central Bank of The Bahamas. Additionally, the Bank's net loan impairment expense in 2014 was 11% or \$1.2 million below 2013.

The Bank continues to maintain strong capital and liquidity ratios with Capital Adequacy in excess of 25% and liquidity ratio above 36%. These ratios are well in excess of Central Bank's requirements of 17% and 20%, respectively making Commonwealth Bank both financially strong and stable.

Amid an evolving regulatory and tax environment which Commonwealth Bank is closely monitoring, we remain cautiously optimistic about the remainder of 2014 while preparing for 2015, particularly the introduction and impact of VAT.

I am grateful to our 6,000 plus shareholders, our valued customers, and the general public for their ongoing support. I also thank our team of hardworking and devoted employees for their invaluable contributions and excellent customer service which they continue to provide every day.

William B. Sands, Jr.
Executive Chairman

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

	June 30, 2014	December 31, 2013
ASSETS		
Cash and deposits with banks	\$ 23,729	\$ 21,815
Balances with Central Bank of The Bahamas	77,014	55,412
Investments	290,095	278,785
Loans Receivable	1,031,157	1,030,906
Premises and equipment	44,206	40,796
Other assets	6,748	4,991
TOTAL	\$ 1,472,949	\$ 1,432,705
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	\$ 1,151,749	\$ 1,121,583
Life assurance fund	14,549	14,635
Other liabilities	19,591	20,439
Total liabilities	1,185,889	1,156,657
Equity:		
Share capital	85,835	85,837
Share Reserve	23,133	23,700
General Reserve	10,500	10,500
Retained earnings	167,592	156,008
Total equity	287,060	276,048
TOTAL	\$ 1,472,949	\$ 1,432,705

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

	3 months ending June 30, 2014	3 months ending June 30, 2013
INCOME:		
Interest income	\$ 38,794	\$ 39,088
Interest expense	(7,934)	(9,071)
Net interest income	30,860	30,017
Loan impairment expense	(5,264)	(4,391)
	25,596	25,626
Life assurance, net	1,304	1,378
Fees and other income	1,971	1,904
Total income	28,871	28,908
NON-INTEREST EXPENSE:		
General and administrative	15,230	14,793
Depreciation and amortization	696	628
Directors' fees	48	48
Total non-interest expense	15,974	15,469
TOTAL PROFIT	\$ 12,897	\$ 13,439
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of Defined Benefit Obligation	960	(3)
TOTAL COMPREHENSIVE INCOME	\$ 13,857	\$ 13,436
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars)		
	\$ 0.13	\$ 0.12

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

	6 months ending June 30, 2014	6 months ending June 30, 2013
INCOME:		
Interest income	\$ 77,311	\$ 78,076
Interest expense	(15,963)	(18,282)
Net interest income	61,348	59,794
Loan impairment expense	(9,554)	(10,753)
	51,794	49,041
Life assurance, net	2,630	2,678
Fees and other income	3,672	3,689
Total income	58,096	55,408
NON-INTEREST EXPENSE:		
General and administrative	30,718	28,001
Depreciation and amortization	1,338	1,269
Directors' fees	95	95
Total non-interest expense	32,151	29,365
TOTAL PROFIT	\$ 25,945	\$ 26,043
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of Defined Benefit Obligation	3	47
TOTAL COMPREHENSIVE INCOME	\$ 25,948	\$ 26,090
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars)		
	\$ 0.24	\$ 0.24

COMMONWEALTH BANK LIMITED NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014 (Expressed in B\$ '000s) (Unaudited)

1. ACCOUNTING POLICIES

These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statement for the year ended December 31, 2013.

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

	6 months ending June 30, 2014	6 months ending June 30, 2013
SHARE CAPITAL		
Preference Shares		
Balance at beginning and end of period	\$ 83,879	\$ 84,983
COMMON SHARES		
Balance at beginning of period	1,958	1,960
Repurchase of common shares	(2)	(1)
Balance at end of period	1,956	1,959
TOTAL SHARE CAPITAL	85,835	86,942
SHARE PREMIUM		
Balance at beginning of period	23,703	24,551
Repurchase of common shares	(570)	(560)
Balance at end of period	23,133	23,991
GENERAL RESERVE		
Balance at beginning and end of period	10,500	10,500
RETAINED EARNINGS		
Balance at beginning of period	156,008	136,179
Total comprehensive income	25,948	26,090
Common share dividends	(11,743)	(11,755)
Preference share dividends	(2,621)	(2,656)
Balance at end of period	167,592	147,858
EQUITY AT END OF PERIOD	\$ 287,060	\$ 269,291

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

	6 months ending June 30, 2014	6 months ending June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest Receipts	\$ 70,859	\$ 71,745
Interest Payments	(15,963)	(18,282)
Life assurance premiums received, net	3,414	2,737
Life assurance claims and expenses paid	(1,505)	(1,353)
Fees and commissions received	4,307	4,233
Recoveries	3,747	4,220
Cash payments to employees and suppliers	(33,418)	(25,802)
	31,441	37,498
Net (increase) decrease in loans receivable	(13,552)	8,893
Increase in deposits	30,166	12,053
Net cash from operating activities	48,055	58,444
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(31,916)	(14,953)
Redemption of investments	20,642	7,975
Interest receipts from investments	6,419	6,430
Purchases of premises and equipment	(4,761)	(1,580)
Proceeds from sale of premises and equipment	13	42
Net cash used in investing activities	(9,603)	(2,086)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(14,364)	(14,411)
Repurchase of common shares	(572)	(561)
Net cash used in financing activities	(14,936)	(14,972)
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,516	41,386
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	77,227	69,137
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 100,743	\$ 110,523
MINIMUM RESERVE REQUIREMENT	44,278	44,574
CASH AND CASH EQUIVALENTS IN EXCESS OF THE MINIMUM RESERVE REQUIREMENT	\$ 56,465	\$ 65,949

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

2. BUSINESS SEGMENT

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

	2014					
	Bank	Insurance Company	Real Estate Holdings	Investment Company	Insurance Agency	Eliminations Consolidated
Revenue						
External	\$ 54,331	\$ 4,462	\$ 13	\$ 68	\$ -	\$ (778)
Internal	1,058	114	1,714	8	672	(3,566)
Total Revenue	55,389	\$ 4,576	\$ 1,727	\$ 76	\$ 672	\$ (4,344)
Profit or loss						
Internal	\$ 22,280	\$ 2,888	\$ 519	\$ (6)	\$ 330	\$ (66)
& External	\$ 22,280	\$ 2,888	\$ 519	\$ (6)	\$ 330	\$ (66)
2013						
	Bank	Insurance Company	Real Estate Holdings	Investment Company	Insurance Agency	Eliminations Consolidated
Revenue						
External	\$ 51,669	\$ 4,447	\$ 6	\$ 56	\$ -	\$ (770)
Internal	1,032	68	1,635	(9)	577	(3,303)
Total Revenue	52,701	\$ 4,515	\$ 1,641	\$ 47	\$ 577	\$ (4,073)
Profit or loss						
Internal	\$ 22,385	\$ 2,961	\$ 476	\$ (19)	\$ 295	\$ (55)
& External	\$ 22,385	\$ 2,961	\$ 476	\$ (19)	\$ 295	\$ (55)

3. DIVIDENDS

The Directors have approved interim quarterly dividends in the amount of 6 cents per common share (2013: 6 cents). The total dividends paid as of the interim date is 12 cents per share for common shares (2013: 12 cents). The dividends are declared on a quarterly calendar basis. The interim financial statements only reflect the dividends accrued for the interim period.