COMMITTED TO SERVICE

Providing first class service is a challenge for any business, but when you are determined to be the first choice of Bahamians for all banking services, providing first class service on a consistent basis is a must. Making that a reality is no accident. At Commonwealth Bank, our service culture permeates everything we do.

It begins with the courtesy of the security personnel who opens the door to the teller who greets that customer with a smile. It extends from the warmth of management to the partnerships our staff form, volunteering in neighbourhoods where they work and live. It is present in one-on-one relationships and in our community involvement in civic, charitable, education and youth development efforts. Whether we are assisting in the granting of a loan or lending support to an elderly shut-in, our directors, executives and staff are fully committed to providing service that is so special it creates a memorable experience, because in the end, your choice in banking is not about the bank. It is about how the bank treats you. It is about how you feel after every transaction.

In an age when portfolios of products among banks regardless of size are similar and when there is an increasing reliance on ever-improving technology, winning customers through superior service is more important than ever. The smile or handshake, pleasant interaction, knowing a customer's name and treating them with respect turns an ordinary transaction into an extraordinary experience.

That is why this annual report is dedicated to the principle: Committed to Service. We could be celebrating record results or the highest assets in our history. We could be honouring several faithful directors who together have served more than 100 years steering this bank. Instead, we are focusing on service because it is service excellence that will enable Commonwealth Bank to retain its position as the once little Bahamian bank for the working Bahamian that is now the nation's most successful retail financial institution. Because we appreciate how critical service is, we wanted to take the opportunity to share with you some of the ways we work along with dedicated employees to ensure that customers experience service excellence. For many years, we have employed three basic paths to service delivery.

Firstly, the bank's Corporate Learning Centre operates year-round providing internal coaching. We believe training is not something you do and stop. It is ongoing and builds strength in interpersonal skills. Secondly, employees along with management enjoy external sales and service training with many having studied a business program in the USA or Canada at the bank's expense. Thirdly, there is an extensive awards and rewards plan that inspires hard work and drives competition. Every year staff members vie for the coveted Chairman's and President's awards for Customer Service Excellence. Awards are given for the most outstanding branch and the most productive department. The prestigious 'Blue Diamond' President and Chairman's floating trophies are presented at an awards gala and displayed by the winning branch for the following year. 'Blue Diamond' Customer Service Champions are also recognized and rewarded.

Together, we believe these pathways produce a service standard that spells excellence. At Commonwealth Bank, we believe it is not good enough to be good, nor sufficient to be satisfactory. At Commonwealth Bank, we are committed to seeing a smile on the face of every customer and though that customer knows that he or she has a choice when banking, the choice is very clear. They will be right back here next time they plan to bank.

1. **OUR VISION** is to be the First Choice of Bahamians for **ALL** Personal Banking Services.
2. **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.
3. **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	2015 STRATEGIC PRIORITIES	2015 INITIATIVES & ACCOMPLISHMENTS	2016 STRATEGIC PRIORITIES
Be responsible and effective financial managers.	The Bank will pursue opportunities arising from improved employment to seek beneficial and sound organic growth.	The Bank was able to achieve limited quality organic growth. Unemployed levels remained high due to the lingering economic malaise throughout the Bahamas and the Caribbean at large e.g. failure of Baha Mar and further deferment of other planned projects.	The Bank will pursue opportunities for sound organic growth and growth from other sources that comply with the Bank's approved strategic plan and well entrenched business model.
	The Bank will seek to increase "share of wallet" by cross-selling of new and existing products and services.	Consumer credit continues to dominate the Bank's successful business model. Revenue expansion from other products and services was limited and somewhat disappointing.	Cross-selling of new and existing Cross-selling of new and existing products and services will be emphasized in 2016. Specific revenue and expense based objectives have been established throughout the Bank. Any expanded products and services will be linked closely with the Bank's core consumer loan products.
	Rebalance the oversight of the underwriting, collection and recovery arms of credit risk management from the Executive to management.	Ongoing and dedicated efforts to enhance credit quality, collection and recovery continued in 2015. Due to the fragility of the economy close senior management oversight continued.	Efforts will be directed at enhancing the Credit Risk succession planning process with the objective being to have the Bank's credit risk process remain effective without extensive management at a Senior Executive level.
	Maintain strong efficiency and productivity levels. Remain an industry leader and ensure revenue generation offsets increases due to the introduction of VAT.	Efficiency and productivity levels remained robust. Some slippage of efficiency ratios occurred in 2015 but the Bank has remained an industry leader despite additional VAT costs.	With advanced technology now available, efforts will be expanded to seek further cost-effective operational improvements in 2016. Our objective is to link closely revenue growth with expense mitigation objectives.
	The Bank's focus on safety and soundness and transparency of the financial results will remain a key objective.	We would encourage stakeholders and customers to review the Management and Discussion and Analysis comments which follow to better appreciate the breadth of transparency of financial information provided in this Annual Report.	The Bank's entrenched culture which emphasizes safety and soundness coupled with transparency of its financial performance and other related activities remains a fundamental standard within the Bank
Lead by example to effect positive change.	A review of Board mandates will be carried out to ensure the mandates are comprehensive and relevant.	Board governance review was completed and the prescribed representation was prepared for the Board confirmation. No non-compliance issues were noted.	In 2016, a review of Board mandates will be carried out to ensure the mandates and board focus parallel market realities as well as the increased regulatory oversight requirements.
	Commitment to youth development and selected charities will continue in 2015.	In 2015, the Bank contributed over $500 thousand to youth development and other charities.	Commitment to youth development and selected charities will continue in 2016.
Provide meaningful opportunities for stakeholders to have input.	Focus will be on streamlining the process to address customer complaints and maintain the high levels of customer service.	Customer dialogue to address customer complaints to maintain high service levels remained an important element in sustaining the reputation and success of the Bank. In 2015, the Bank was awarded the best 'Retail Banking Team - Bahamas" by the CFI (Capital Finance International)	Emphasis on quality customer service and products will continue.
Ensure the Bank is a great place to work.	Succession planning throughout the Bank will continue to be a significant objective in 2015 – The Board will continue to monitor progress.	In 2015, progress was made in developing a fully integrated succession plan	The establishment of a fully integrated succession plan will continue to be a significant objective in 2016. An internal project leader will be assigned to this important accountability
	Specialized training and development programs will be introduced for Executive Management and all management staff. Training programs will continue for all staff levels.	Specialized training and development programs continued in 2015.	With the ever increasing complexity of senior management accountabilities there will be ongoing specialized training programs made available to staff. As part of these programs, a more disciplined follow-up regime will be put in place to measure their cost-effectiveness.
	Ongoing peer reviews of salary and benefits will continue.	Salary and benefits plans continue to compare favorably with peers.	Ongoing peer reviews of salary and benefits will continue to ensure the Bank remains competitive.
Provide customers with outstanding services.	"Chip" enabled Debit Cards and CB MasterCards to be introduced as well as enhanced CB online banking. Customer surveys will continue to ensure that the Bank's products and services address market requirements.	Significant progress was made implementing the infrastructure for "Chip" cards and enhanced online banking.	Customer surveys will continue to ensure that Bank's products and services address market requirements in a cost-benefit manner. All priority product recommendations will be subject to ongoing assessments.

(B$ 000's)	2015	2014	restated 2013	restated 2012	restated 2011
INCOME STATEMENT DATA:					
Interest Income	$ 165,696	$ 156,480	$ 156,910	$ 161,492	$ 163,757
Interest Expense	(29,355)	(31,694)	(35,537)	(41,977)	(47,843)
Net Interest Income	136,341	124,786	121,373	119,515	115,914
Loan Impairment Expense	(24,923)	(21,103)	(24,797)	(44,004)	(24,610)
Net Interest Income after Loan Impairment Expense	111,418	103,683	96,576	75,511	91,304
Non-interest Income	15,776	14,509	12,320	13,866	16,079
Non-interest Expenses	(69,425)	(64,925)	(59,051)	(54,023)	(52,977)
Total Profit	57,769	53,267	49,845	35,354	54,406
Other Comprehensive Income	(2,073)	716	3,737	(763)	(7,363)
Total Comprehensive Income	55,696	53,983	53,582	34,591	47,043
PER SHARE DATA:					
Book Value	2.39	2.18	1.99	1.81	1.81
Cash Dividends	0.30	0.30	0.30	0.29	0.30
Year End Share Price	$ 7.84	$ 7.50	$ 6.91	$ 6.58	$ 7.00
Weighted Average Common Shares Outstanding (000's)	97,525	97,815	97,904	98,339	98,350
Dividend growth (total)	0.00%	0.00%	3.45%	-3.33%	15.38%
BALANCE SHEET DATA:					
Total Assets	$ 1,535,174	$ 1,474,053	$ 1,432,705	$ 1,432,288	$ 1,500,947
Securities	322,743	276,653	278,785	268,196	261,179
Loans	1,139,503	1,115,280	1,085,277	1,105,966	1,139,982
Net Write-offs	18,707	19,916	26,347	37,032	16,933
Total Deposits	1,181,646	1,148,790	1,121,583	1,136,609	1,203,067
Total Shareholders Equity	313,995	294,397	278,941	261,990	263,320
PERFORMANCE RATIOS:					
Price/Earnings	14.52	15.26	15.16	21.54	14.11
Price/Book Value	3.28	3.44	3.47	3.64	3.86
Dividend Yield (Annual Dividend/Year End Price)	3.83%	4.00%	4.34%	4.41%	4.29%
Earnings Per Share	0.54	0.49	0.46	0.31	0.50
Return on Average Assets	3.51%	3.29%	3.09%	2.04%	3.36%
Return on Average Shareholders' Equity	24.89%	23.12%	23.01%	16.31%	28.45%
Ordinary Dividend Payout Ratio	55.53%	61.03%	65.95%	94.91%	60.51%
Efficiency Ratio	47.22%	48.42%	45.99%	42.18%	41.92%
Net Interest Margin	8.76%	8.11%	8.10%	7.97%	7.35%
ASSET QUALITY RATIOS:					
Impaired Loans to Total Loans	5.56%	5.83%	4.03%	5.01%	3.21%
Impaired Loans to Total Assets	4.13%	4.41%	3.05%	3.87%	2.43%
90 Day Past Due Loans to Total Loans	3.93%	4.46%	4.03%	5.01%	3.21%
90 Day Past Due Loans to Total Assets	2.87%	3.37%	3.05%	3.87%	2.43%
Net Write-offs to Average Loans	1.68%	1.81%	2.41%	3.29%	1.52%
Loan Impairment Allowances to Total Loans	5.49%	4.98%	5.01%	5.06%	4.30%
Loan Impairment Allowances to Non-accrual Loans	140.74%	111.69%	124.46%	100.91%	134.05%
Loan Impairment Allowances to Impaired Loans	97.45%	85.38%	124.46%	100.91%	134.05%
LIQUIDITY RATIO:					
Average Cash and Securities to Average Total Assets	26.33%	24.72%	24.07%	23.83%	23.76%
CAPITAL RATIOS:					
Average Shareholders' Equity to Average Total Assets	19.56%	19.92%	19.32%	18.26%	17.66%
CONSOLIDATED CAPITAL ADEQUACY:					
Tier 1 Capital	$ 313,995	$ 294,397	$ 243,956	$ 177,007	$ 178,337
Tier 2 Capital	14,148	$ 13,824	$ 44,950	$ 98,693	$ 99,302
Total Capital	328,143	308,221	288,906	275,700	277,639
Total Risk Adjusted Assets	1,131,840	1,105,912	1,077,045	1,096,837	1,145,483
Tier 1 Ratio	27.74%	26.62%	22.65%	16.14%	15.57%
Tier 1 + Tier 2 Capital Ratio	28.99%	27.87%	26.82%	25.14%	24.24%
Number of Employees Average for the Year	540	552	555	547	547

WILLIAM B. SANDS, JR. / Executive Chairman

COMMONWEALTH COMPLETED ANOTHER SUCCESSFUL YEAR IN 2015.
While market leadership and financial performance are important elements of success, equally important are the products and services provided to all of the Bank's stakeholders, customers and Bahamians at large.

Recently, the Bank was awarded the "Best Retail Banking Team - Bahamas 2015 Award" following the nomination and voting by the CFI (Capital Finance International). The achievement of this award was gratifying to the Board of Directors, our executive and our staff. This award was particularly encouraging as an important objective and vision of the Bank is not only to ensure the sustainability of the Bank in a safe and sound manner but also to be fully ***"Committed to Service".***

Over the past year, the continued dedication to our well entrenched business model has allowed the Bank to weather the extended and challenging economic environment while sustaining strong levels of profitability. The ongoing confidence in the Bank by Bahamians has also allowed the Bank to continue to share our success with our shareholders, other stakeholders and various important social causes.

As Executive Chairman of the Board, my primary objective continues to be to focus on the leadership of the Bank, through the Board of Directors. The Board's independent oversight process supported by the diverse backgrounds and market awareness of each Board member has and continues to add to the ongoing safety and soundness of Commonwealth Bank. Their breadth of awareness of market variables and their encouragement to be flexible and willing to reinvent as situations require, has been a critical element in achieving the Bank's desire to remain strong and prosperous.

CORPORATE GOVERNANCE - INDEPENDENCE & SOUND OVERSIGHT
Corporate Governance has been defined as the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of many stakeholders: - these include but are not limited to Board members, shareholders, management and staff, customers, government and the community it serves. Good corporate governance matters.

A guideline issued by The Central Bank of the Bahamas entitled *Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to do Business within and from within the Bahamas* requires the completion and submission of an annual certificate of compliance from the Board of Directors of each Licensee. No exception to the guidance provided in the Guideline has ever been required to be reported by the Bank.

The Board of Directors of Commonwealth Bank are extremely cognizant of their fiduciary and ethical responsibilities. The Board also seeks to ensure that business activities are not only in compliance with regulatory guidance, internal policies and procedures, as well as international "best practices" but also ensures through independent assessments that established policies and procedures are applied in a reasonable manner to sustain and expand the Bank's operations in a safe and sound manner.

Over the past year, I have again greatly appreciated the ongoing oversight, counsel and guidance provided by the Board in general, as well as each of the individual Board members.

OUR STAFF - CRITICAL TO THE SUCCESS OF THE BANK
Commonwealth Bank's successes have been the result of the dedication of our staff to servicing the needs of Bahamians. In my 2013 and 2014 reports, I indicated the importance of having an effective recruitment, development and succession plan in place to ensure that the embedded momentum of the Bank can be maintained in an ever-increasing and more competitive and technology driven market place.

Further progress in addressing this important objective was made in 2015, as Commonwealth Bank is now a larger and significantly more complex and technology driven entity. Continued emphasis in addressing this important objective will continue.

Sustained success does not come easy. We also know that change is inevitable in the market place as well as within all areas of the Bank's operations.

I want to sincerely thank each of our 544 employees for their continued commitment to the long standing vision and core values established for the Bank.

GOING FORWARD
In a recent report, The Central Bank of the Bahamas has stated: "Expectations are that the economy will continue to grow at a very mild pace in 2016, with the key driver being tourism, supported by a number of varied-scale foreign investments related-scale projects." The Bank supports this opinion and remains cautiously optimistic in their expectations of the degree of growth in the economy in 2016.

The industry is likely to see further changes in the regulatory oversight and tax environment affecting licensed financial institutions in 2016. The additional regulatory oversight is becoming more burdensome for licensed institutions. The Bank is hopeful that any proposals to add more restrictions or guidelines on the industry will be balanced and transparent and allow the industry to reinforce its message about how the industry helps to build economic capacity throughout The Bahamas.

Achieving and sustaining strong levels of profitability through continued emphasis on its entrenched business model is not just a theory, it's a strategy that has helped the Bank grow in a safe and sound manner despite an extended period of a challenging economic environment.

The continuing weak economic conditions will require the Bank to monitor closely any material changes in market conditions and to be able to adjust to new market variables in a timely and effective manner. Innovation and change are concepts that invite both excitement and apprehension. However, to move forward, both innovation and change are required to meet the challenges facing the domestic Financial Services Industry that are much greater now than ever before.

The Bank looks forward to another challenging and successful year in 2016.

WILLIAM B. SANDS, JR.
Executive Chairman

WE LIVE HERE...WE GIVE HERE.

At Commonwealth Bank, we feel strongly that a community presence is much more than just a branch or street address and much more than just a place of business. In addition to ensuring that we provide the best possible service, we seek opportunities to serve with our time and talents, to help build healthy, vibrant and sustainable communities and neighbourhoods where we live, work, and raise our families. Our commitment to community engagement is a core value and a strategic priority and we fulfill our philanthropic mission through sponsorship programs, volunteerism and donations to local organizations.

We believe service involves giving back and we realize that how we give matters as much as what we give. In fact, our employees donate hundreds of hours to community service every year! These volunteer efforts ensure that we are standing by our neighbours whenever, and however, they most need us...by serving as a mentor...making strides against breast cancer...collecting toys and clothes for needy children... serving food at a soup kitchen...the list goes on and on.

We embrace the diversity of our country's social needs, ideas and interests with our primary focus being enriching education opportunities for our youth and invigorating our diverse cultural life. We believe all Bahamians deserve the opportunity to dream, believe and achieve. For this reason we provide financial support through charitable donations to a broad range of initiatives including health and welfare, education and youth programs, arts and culture, sports and athletics, the environment and social contributions. We believe in the power of individuals coming together to make a positive difference through service and we are committed to helping the less fortunate and inspiring the next generation.

It truly is a privilege to serve our communities.

Pictured L to R: Mrs. Linda Moultrie Missick, District Superintendent, Mical; Mr. Charles Wildgoose, President Bahamas Educators' Managerial Union (BEMU); Ian Jennings, President, Commonwealth Bank; The Hon. Dr. Bernard J. Nottage, M.P., Minister of National Security; Mrs. Donella Bodie, Permanent Secretary, Ministry of Education, Science & Technology; Mr. Joel Lewis, Deputy Director of Education; Mrs. T. Nicola McKay, President, New Providence Association of Public High School Principals; Mr. Lionel Sands, Director of Education.

MINISTRY OF EDUCATION: TOOLS TO BUILD A BRIGHTER FUTURE

Commonwealth Bank's approach to Corporate Giving in 2015 focused on enriching education opportunities for our youth, improving the lives of the underprivileged, building healthier communities and creating partnership for positive change.

For the ninth consecutive year, Commonwealth Bank has partnered with the Ministry of Education in preparation for the new school year. This year, as in past years, we are proud to be able to do our part to present back-to-school book bags packed with supplies to thousands of students across The Bahamas. We believe that every child, no matter how modest a background, deserves an equal chance in the classroom. School is hard enough. Facing a class without the pencils you need or the required books is a challenge no child in The Bahamas should have to endure. Our nation's future depends on our young people and the education they receive. That is why we at Commonwealth Bank have invested over the years more than $2 million in education initiatives and education remains our number one outreach commitment.

Pictured L to R: Dr. Homer Bloomfield, Cancer Society of The Bahamas Board Member; Nicole Lewis-Rolle, Cancer Survivor and Patient at the Cancer Care Center; Dr. Williamson Chea, Cancer Society of The Bahamas Board Member; J. Barrie Farrington, Cancer Society of The Bahamas Board Member; Ian Jennings, President of Commonwealth Bank, Lovern Wildgoose, President of The Cancer Society of The Bahamas; Marion Lewis, Commonwealth Bank Staff and Cancer Survivor; Mavis Burrows, Vice President of Operations, Commonwealth Bank and Judith Higgs, Cancer Society of The Bahamas Board Member.

BAHAMAS CANCER SOCIETY: $500,000 PLEDGE TO CANCER CARE CENTRE

For over three decades, The Cancer Society of The Bahamas has extended help, healing and support to patients and their families coping with the challenges of a cancer diagnosis. With the number of new cases of cancer increasing every year, the care and comfort provided to the community by the Cancer Society is indeed invaluable. Commonwealth Bank, too, is dedicated to making the communities we serve a healthier and better place for our neighbours, friends and family. Our corporate giving benchmark is to help organizations that impact many…in this case hundreds.

Commonwealth Bank made its greatest contribution in the fight against cancer with a $500,000 pledge over 10 years to the Cancer Care Centre. This donation will aid the Cancer Care Center with the construction of 16 additional rooms, 4 of which are earmarked for hospice care. The first of its kind in New Providence, the new facility will provide quality care, comfort and hope to patients throughout The Bahamas receiving treatment and adjusting to fighting this serious illness.

> To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity.
>
> *~ Douglas Adams*

Pictured L to R: Denise Turnquest, Sr. Vice President, Credit Risk, Commonwealth Bank; Caroline Turnquest, Director General, Bahamas Red Cross; Ian Jennings, President, Commonwealth Bank; Viola Knowles, Secretary, Bahamas Red Cross and Anthea Cox, Vice President, HR and Training, Commonwealth Bank.

BAHAMAS RED CROSS: $50,000 HURRICANE JOAQUIN RELIEF FUND

As the victims of Hurricane Joaquin began to rebuild their lives and their communities, they were in dire need of help from individuals and organizations from across our great country to succeed. Like all Bahamians we, at Commonwealth Bank, were deeply moved and saddened by the devastation suffered by our brothers and sisters in the southern islands and our Board of Directors, Management and Staff were humbled by the task ahead - and inspired by our country's traditions of generosity in times of need.

Commonwealth Bank joined the nation's efforts to bring relief and hope to the communities and people severely impacted by the storm by partnering with the Bahamas Red Cross. As first responders, the Bahamas Red Cross is in the business of helping people and communities impacted by natural disasters and other social crisis.

Commonwealth Bank quickly donated $50,000 to the Bahamas Red Cross and urged staff and the Bahamian public to partner in donating funds through television, radio and print advertising.

Pictured L to R: Charles Knowles, Vice President, IT, Commonwealth Bank; Mrs. Joey Premock, Vice President, Ranfurly Home; Alex Roberts, Ranfurly Home Administrator; Denise Turnquest, Vice President, Credit Risk, Commonwealth Bank and Mrs. Princess Burrows, Supervisor, Ranfurly Home.

RANFURLY HOME FOR CHILDREN

We believe that all children need love and deserve to live happy and healthy lives.

At Commonwealth Bank, being a good Corporate Citizen is more than what we do, it's who we are. We have embedded our commitment to service, philanthropy, workplace giving and volunteerism into our culture. In order to be a part of the solution, we have to be proactive in finding solutions to issues confronting our communities. The Bank has a longstanding tradition of supporting the Ranfurly Home, a place for hope, for Children and applaud them for the profound impact they have made in the lives of so many young Bahamian children who are in desperate need of family. Commonwealth Bank made its annual contribution to the Ranfurly Home to assist with operational expenses.

Pictured L to R: Frances Ledee, Persis Rodgers Home for the Aged, Administrator and Carole Rodgers, Vice President, Internal Audit, Commonwealth Bank.

PERSIS RODGERS HOME FOR THE AGED

Service is at the very heart of our company's mission and not just serving customers with our banking products – it includes serving and caring about each other, our families and our communities. Within every community we serve there are many wonderful organizations – from those dedicated to meeting basic needs of the less fortunate, to those protecting and enhancing the quality of life we all enjoy as Bahamians. The Persis Rodgers Home for the Aged is such an organization. It is a non-profit organization that provides eldercare and emphasizes the social and personal requirements of senior citizens who need some assistance with daily activities and health care, but who desire to age with dignity.

Commonwealth Bank provided much needed financial assistance to the home with a timely donation.

ABACO CENTRAL HIGH SCHOOL
ALL SAINTS CAMP
BAHAMAS ASSOCIATION OF ATHLETIC ASSOCIATION
BAHAMAS CHILDREN EMERGENCY HOSTEL
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
KEVIN JOHNSON 15TH 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
PERSIS RODGERS HOME
PLATINUM KNIGHTS JUNKANOO GROUP
RANFURLY HOME FOR CHILDREN
REACH
ROTARACT CLUB OF EAST NASSAU
ROTARY CLUB OF SOUTH-EAST NASSAU
ROYAL BAHAMAS DEFENSE FORCE RANGERS
ROYAL BAHAMAS POLICE FORCE
S.C. MCPHERSON JUNIOR HIGH SCHOOL MATH MONTH
SIR VICTOR SASSOON (BAHAMAS) HEART FOUNDATION
SPECIAL OLYMPICS
THE CRISIS CENTRE
THE INSTITUTE OF INTERNAL AUDITORS BAHAMAS CHAPTER
THE NATIONAL ART GALLERY OF THE BAHAMAS
THE NATIONAL BAHAMAS BASKETBALL ASSOCIATION
THE POOP DECK EAGLES CHARITY GOLF TOURNAMENT
THE SALVATION ARMY
UNITY HOUSE
Z-BANDITS JUNKANOO & COMMUNITY ORGANIZATION

IAN A. JENNINGS / President

INTRODUCTION

55 years of helping our customers and our communities - that is the simple and dedicated philosophy of Commonwealth Bank and the theme of the 2015 Annual Report - ***"Committed to Service."*** Service Excellence cannot be achieved in the short-term, nor can it be said that service excellence has been achieved; because it is a continual journey not a destination.

Within Commonwealth Bank, the quest for service excellence has the support of the Board of Directors and is a primary objective of all of our 540 plus staff. We continually reinforce this commitment to get even better at what we do.

Commonwealth Bank is rich in Bahamian history and heritage. It is also a "made in The Bahamas" success story, with all our net income and dividends paid staying in the Bahamas.

The Bank also offers a different value proposition than most of our peers. Being the largest retail full service indigenous bank in The Bahamas, the Bank has been able to develop and introduce a list of products and services that focus on the personal financial needs and service requirements of Bahamians.

SUMMARY OF FINANCIAL PERFORMANCE

Banking in general has an important role to play in building a better future for people and promoting growth in the real economy of The Bahamas. Earnings also provide the Bank with the capital the Bank needs to invest in building an environment in which to assist Bahamians and their communities to achieve their individual objectives. The Bank's financial plan is built upon the concept of sustainable growth where, in the long run the asset growth and return on equity are stable.

A basic premise of our business model is to ensure that the deposits and investments placed with the Bank to enhance their own financial future are invested in ways, not only to ensure the safety and soundness of their funds but also, to assist customer and stakeholders with securing their own financial future.

Commonwealth Bank had another solid profitable year in 2015. The operating results were achieved despite the many challenges associated with a continuing slow economic environment that offered limited growth, strong competition, ongoing pressure on delinquencies and increased regulatory oversight which was supplemented by the added and significant burden of Value Added Tax.

The favorable results have allowed the Bank to sustain its long standing and beneficial dividend distribution policy, contributions to social enterprises while at the same time adding to its capital strength in a safe and sound manner.

KEY ELEMENTS OF THE FINANCIAL RESULTS

Overall asset growth reached in excess of $1.5 Billion, an increase of almost 4% over 2014 and marginally ahead of the established 2015 business financial plan.

Total profit for 2015 was $57.8 Million, an increase of approximately 8.5% over the previous year. The profit levels generated were encouraging particularly in view of the adverse economic environment that has existed since the 2008 global financial crisis.

Contributing to the positive returns has also been the focused attention that has been placed on value based expense mitigation practices which is reflected in the "efficiency ratios" which at 47.22% also showed improvement after the 2014 Business License Fee driven increase.

The strength of a bank is not totally based on the profitability ratios. There are certain financial and performance ratios that are also important in assessing the safety and soundness of a Bank. Amongst these financial and performance ratios are ratios such as earnings per share (E.P.S.), return on assets (R.O.A), return on shareholder's equity (R.O.E,) and net interest margins (N.I.M.)

The Bank continues to be a market leader amongst indigenous banks when considering the overall assessment of the financial strength of the Bank. All of the aforementioned financial and performance ratios showed further improvement in 2015.

CONTROL AND MANAGEMENT OF THE BANK'S CORE ASSETS

The strength and quality of the credit risk portfolio is a determining factor in measuring the success and sustainability of a Bank.

Within Commonwealth Bank the degree of attention and control provided over the Credit Risk Portfolio is reflective of the importance of these assets. The Executive and the Board oversee this process and are instrumental in approving and monitoring credit risk policies and procedures. This emphasis allows them to achieve reasonable assurance of asset quality and that the policies and procedures continue to address market realities and any possible deterioration in a timely manner.

Simply stated and reinforced, is the long standing and entrenched premise of the Bank's credit risk business model:

" 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 independent monitoring program."

Key elements of the Credit Risk management process are the Credit Risk rating system and consumer lending scoring system that aid with the credit origination process. These credit risk assessment aids coupled with a rigorous reporting system are updated as required and aid the Executive and Board with assessing credit risk on an ongoing and anticipatory basis. The overall and stable operating results also reflect the Bank's ongoing application and dedication to the established Credit Risk Management process.

To summarize from a financial perspective, asset quality ratios have continued to improve with non-accrual loans compared to total assets reduced to 2.87% an almost 15% improvement over the previous year. Net write-offs for the year were $18.7 million an improvement of $1.2 Million compared to 2014. Impairment allowances set aside to address the downside potential of current non-accrual loans were conservative at 140.7% of the outstanding non-accrual loan portfolio and net interest margin improved to 8.76%, the strongest margin that has existed over the past several years.

CAPITAL ADEQUACY - REGULATORY DEFINED SUPPORT FOR SHAREHOLDERS AND STAKEHOLDERS.

Within The Bahamas the implied safety associated with a bank's capital level is augmented by another regulatory guideline referred to as the Liquid Asset Ratio. In addition, the Central Bank has also moved to ensure bank compliance with the Basel III, the international capital accord which has placed more emphasis on what is referred to as "tier 1 capital".

The Bank continues to well exceed minimum regulatory capital requirements as well as the imposed minimum Liquid Asset Ratio. Total tier 1 capital amounted to 27.7% and total capital amounted to 29.0%. The regulatory liquidity ratio, which refers to the available cash and securities to average total deposits was 34.5% or almost 73% more than the minimum liquidity levels prescribed by the Central Bank.

The support levels to shareholders and stakeholders have shown continual growth and strength over the past five years. The aforementioned ratios are examples of factors that support the Bank's overall safety and soundness.

You can read more about the Bank's strong financial performance and operating position in the Management's Discussion and Analysis section and Consolidated Financial Statements of this Annual Report.

HELPING BAHAMIANS

Helping Bahamians is a way of life for Commonwealth Bank. In 2015 total donations to various charities and social aid agencies amounted to $562,000. The major recipients of these funds included agencies dedicated to the further development and education of children, youth as well as the COB Emerging Leaders Endowment.

In 2015, The Bank made a major pledge to the Cancer Society of The Bahamas of $500,000 over 10 years. The funds are and will continue to be directed to the extension of the Society's "hospice" and Caring Centre for cancer patients receiving treatment and support during the treatment sessions for their immediate families.

Other worthwhile agencies such as the Red Cross (support for victims of Hurricane Joaquim) and various other agencies/functions deserving support received funds to assist them with their immediate and ongoing charitable functions.

OUR EMPLOYEES - DEDICATED AND SUPPORTIVE

The Board of Directors and the Executive continue to engage directly with our employees - our greatest asset - through a variety of means. The employees' ongoing support and dedication was a critical factor in the Bank and its staff receiving several awards in 2015. Recognition came at the Bahamas Financial Services Industry Excellence Awards in the categories of "Executive of the Year" (Mrs. Denise Turnquest: SVP Credit Risk), and "Mentor of the Year" (Sr. Manager Consumer Lending: Mr. Franklyn Thomas) , the latter award being awarded to the Bank for the third successive year, and the Institute of Internal Auditors (Bahamas Chapter) honoring our Vice President of Internal Audit (Mrs. Carole Rodgers) with a Lifetime Achievement Award.

The Bank will continue to focus its development on "building employees from within the Bank and the Bahamas" where possible. In 2015, several initiatives were introduced. These cover extending the practice of internal training as well as providing focused industry exposure and training from international training facilities in order to provide "high potential" staff with the tools and techniques that will be required by the selected staff to advance to more senior market and operational accountabilities as part of the Bank's succession planning activities.

MARKET LEADERSHIP GOING FORWARD

Admittedly, The Bahamas is likely to continue to face unavoidable headwinds in 2016. However, we also believe that there will continue to be opportunities for additional and sustainable growth. In general, we remain cautiously optimistic as we move into and through 2016.

Ongoing emphasis is also being placed on preparing for new and enhanced products to meet the current expectations of our customers in a secure manner. Our objective is to continue to be a market leader whether customers conduct business in our branches, online or through other technology based channels. Whatever the venue, Commonwealth Bank must be accessible and offer simple and leading banking solutions to be the "Leader in Personal Banking Services" in The Bahamas.

IAN A. JENNINGS
President

DENISE TURNQUEST
Sr. Vice President, Credit Risk

FRANKLYN THOMAS
Sr. Manager, Credit Risk

CAROLE RODGERS
Vice President, Internal Audit

CELEBRATING OUR CHAMPIONS

In a competitive industry chalked with similar products and services, Commonwealth Bank distinguishes itself largely by our talented team of experienced bankers. Across our operations, these bankers time and again bring their passion, dedication and ***"commitment to service".***

We seek to sustain and promote this superior level of service excellence within our Bank, through the cultivation of an employee-focused work place that empowers team members by giving them opportunities to become better equipped to serve and build Commonwealth Bank to its fullest potential.

BFSB 2015 INDUSTRY EXCELLENCE AWARD

The Bahamas Financial Services Board (BFSB) presented top honours to outstanding individuals for their contribution to the growth and development of the financial sector industry. We were proud to have our team members recognized:- ***Denise Turnquest, Sr. Vice President, Credit Risk was awarded BFSB 2015 Industry Excellence Award – Executive of the Year*** and ***Franklyn Thomas, Sr. Manager, Credit Risk was awarded Mentor of the Year.***

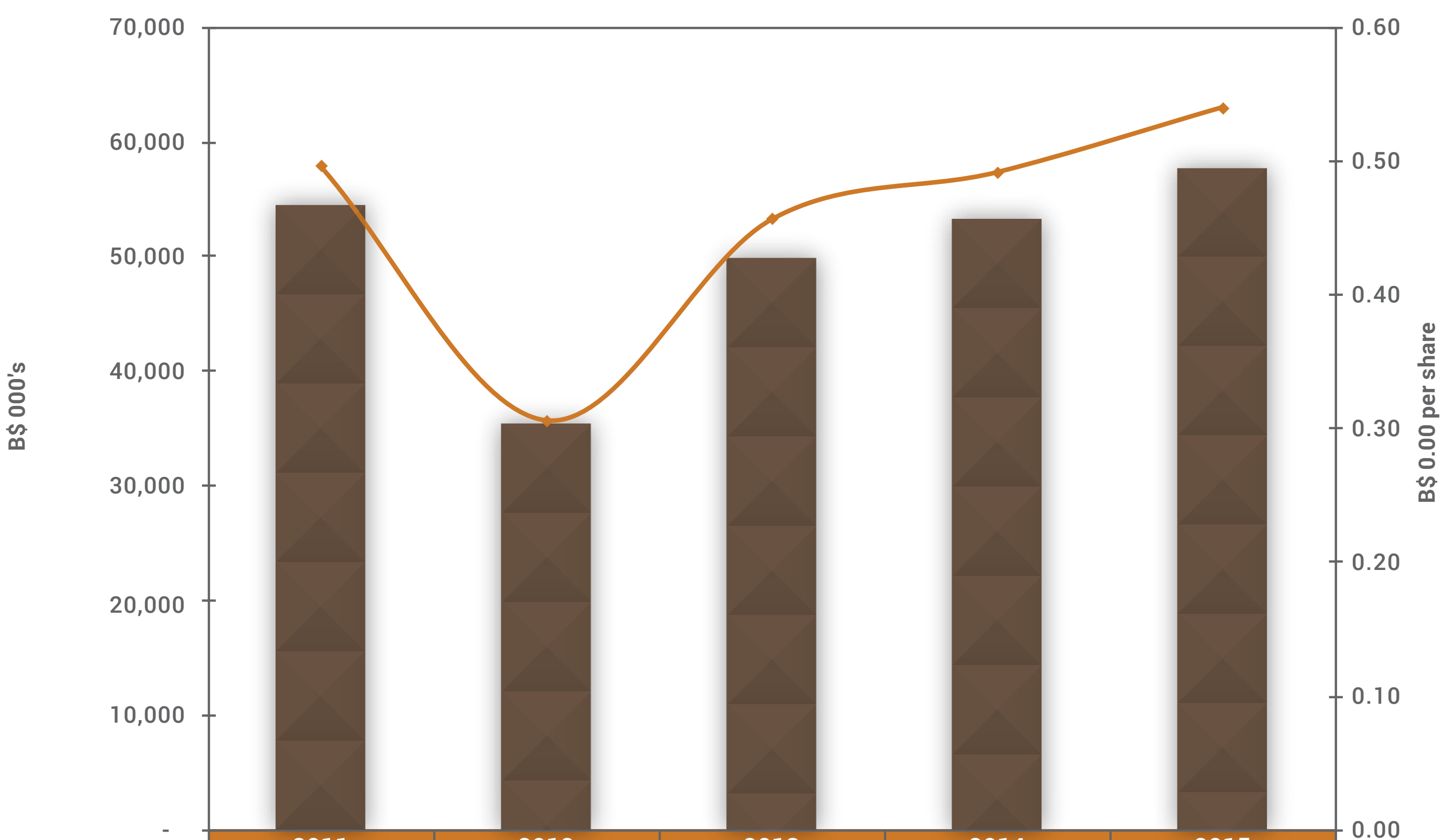
IIABC LIFETIME ACHIEVEMENT AWARD

The Institute of Internal Auditors Bahamas Chapter, (IIABC) presented ***Carole Rodgers, Vice President, Internal Audit*** with the first ever ***Lifetime Achievement Award***. It is the highest honor given by the IIABC for the contributions and accomplishments that the recipient has made to advance the profession and set standards for others to emulate.

FINANCIAL HIGHLIGHTS 2015

	2015	2014	Change
TOTAL PROFIT	$57,769	$53,267	8.45%
TOTAL COMPREHENSIVE INCOME	$55,696	$53,983	3.17%
TOTAL ASSETS	$1,535,174	$1,474,053	4.15%
EARNINGS PER SHARE	$0.54	$0.49	10.20%
RETURN ON COMMON SHAREHOLDERS' EQUITY	24.89%	23.12%	7.66%
COMMON SHARE DIVIDENDS	$0.30	$0.30	0.00%
TOTAL PROFIT AVAILABLE TO COMMON SHAREHOLDERS	$52,668	$48,061	9.59%
GROSS REVENUES	$152,117	$139,295	9.20%
EFFICIENCY RATIO	47.22%	48.42%	-2.48%
LIQUIDITY RATIO	34.52%	33.58%	2.80%
TIER 1 CAPITAL	$313,995	$294,397	6.66%
TOTAL CAPITAL	$328,143	$308,221	6.46%
REGULATORY CAPITAL	28.99%	27.87%	4.02%

TOTAL PROFIT AND EARNINGS PER SHARE



	2011	2012	2013	2014	2015
Total Profit $000's	54,406	35,354	49,845	53,267	57,769
EPS	0.50	0.31	0.46	0.49	0.54

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, 2015, 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 March 7, 2016. All amounts reported are based on financial statements prepared in accordance with International Financial Reporting Standards.

The Bank's President and Assistant Vice President and Group Financial Controller 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 $1.54 billion and market capitalization of $763.9 million. The Bank's core business strategy is to lead all banks in providing personal banking services to consumers. In 2015 the Bank maintained focus on its business model, a strategy that continues to be extremely beneficial to the Bank and its shareholders.

Total Profit in 2015 of $57.8 million exceeded 2014 by 8.5% and represented the Bank's most profitable year in its history despite the introduction of Value Added Tax which increased operating costs by $0.8 million.

The improvement in the financial results was achieved in a year dominated by the fortunes of the Baha Mar development, very modest economic growth and continuing high unemployment in The Bahamas. National statistics revealed a November 2015 unemployment rate of 14.8% a decline of 0.9% from November 2014 (15.7%), but up from the 12% measured at May 2015.

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. For the year 2015, Commonwealth Bank once again had 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.

Total profit in 2015 closed at $57.8 million compared to $53.3 million in 2014. The Balance Sheet remained healthy with Total Assets at December 31, 2015 of $1.54 billion, while Regulatory Capital was 29%, significantly above the 17% required by The Central Bank of The Bahamas.

The Bank's performance in 2015 was reflected in the improvement in its key ratios whereby it exceeded 2014 in its Return on Assets (ROA) 3.51% (2014: 3.29%), Earnings per Share (EPS) $0.54 (2014: $0.49) and Return on Equity (ROE) 24.89% (2014: 23.12%). The Bank continued its historical pattern of dividend distribution to shareholders as it paid out total dividends of more than $29 million in 2015 ($0.30 per share) to the Bank's common shareholders. In February 2016, the Board of Directors approved an extra-ordinary dividend of 6 cents per share to be paid in early March 2016. This will bring the notional dividend payout ratio to 66% for 2015 – although from an accounting perspective this dividend will be recorded as a 2016 dividend.

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, 2015, the Bank's net interest income was $136 million compared to $125 million in 2014. This represents an increase of 9.3%.

As we noted last year, the Bank's primary credit growth in 2014 occurred in the final quarter of the year and therefore had a positive effect on interest income in 2015. The marginal growth of the credit risk portfolio along with favorable interest rate spreads were the main contributors to the expansion of this important financial measure category.

Liquidity in the market continued to be elevated as aggregate deposits in local banks climbed $172 million this year. The increase in liquidity pushed market deposit rates even lower than the 2014 levels resulting in further interest expense savings for the Bank- a 7.4% reduction in total interest expense compared to 2014.

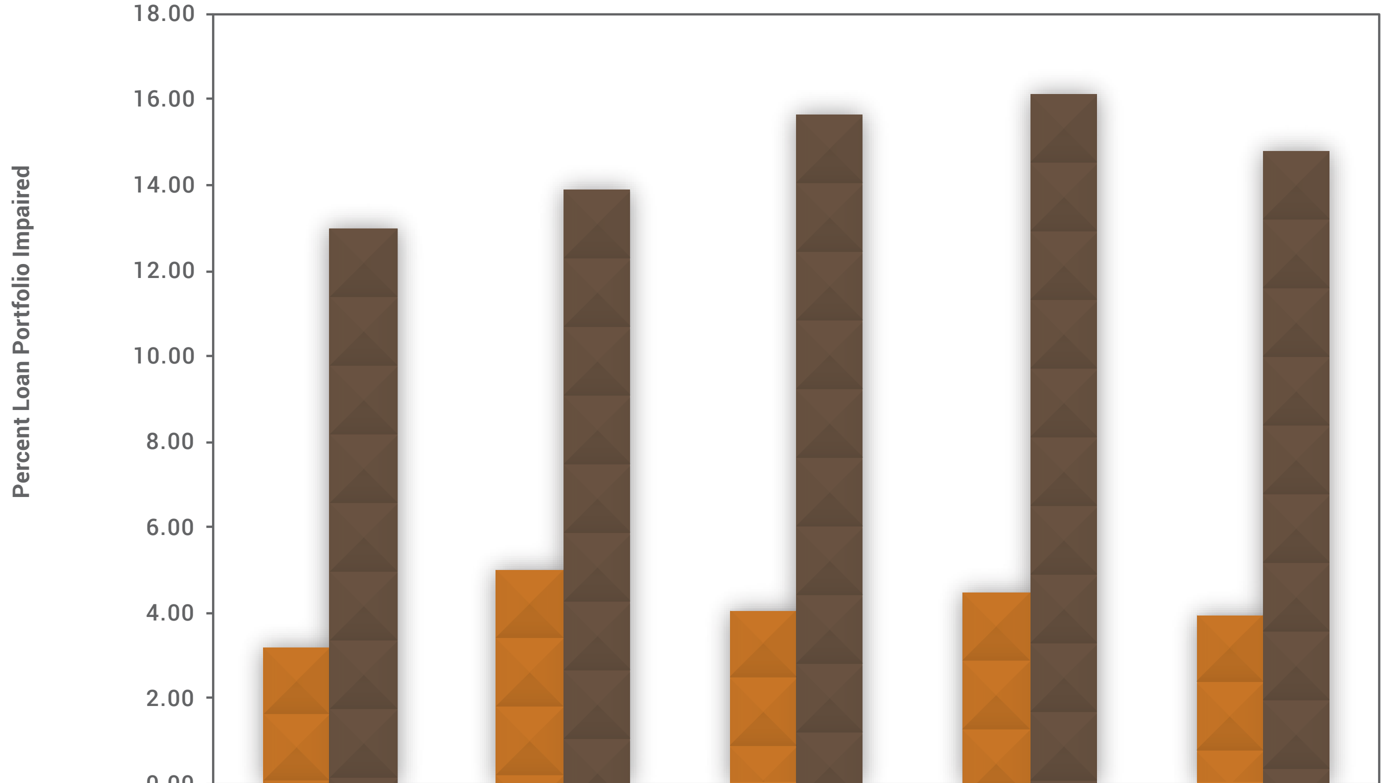
LOAN LOSS IMPAIRMENT

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 has in place a risk rating system that allows for customer accounts to be flagged and reviewed for potential impairment. 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.

The Bank follows international best practice of writing off consumer loans at 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. Total write-offs for the Bank increased in 2015 by 6.1% to $30.1 million from $28.4 million in 2014. The increase reflects the ongoing weaknesses in the economy and the high levels of unemployment.

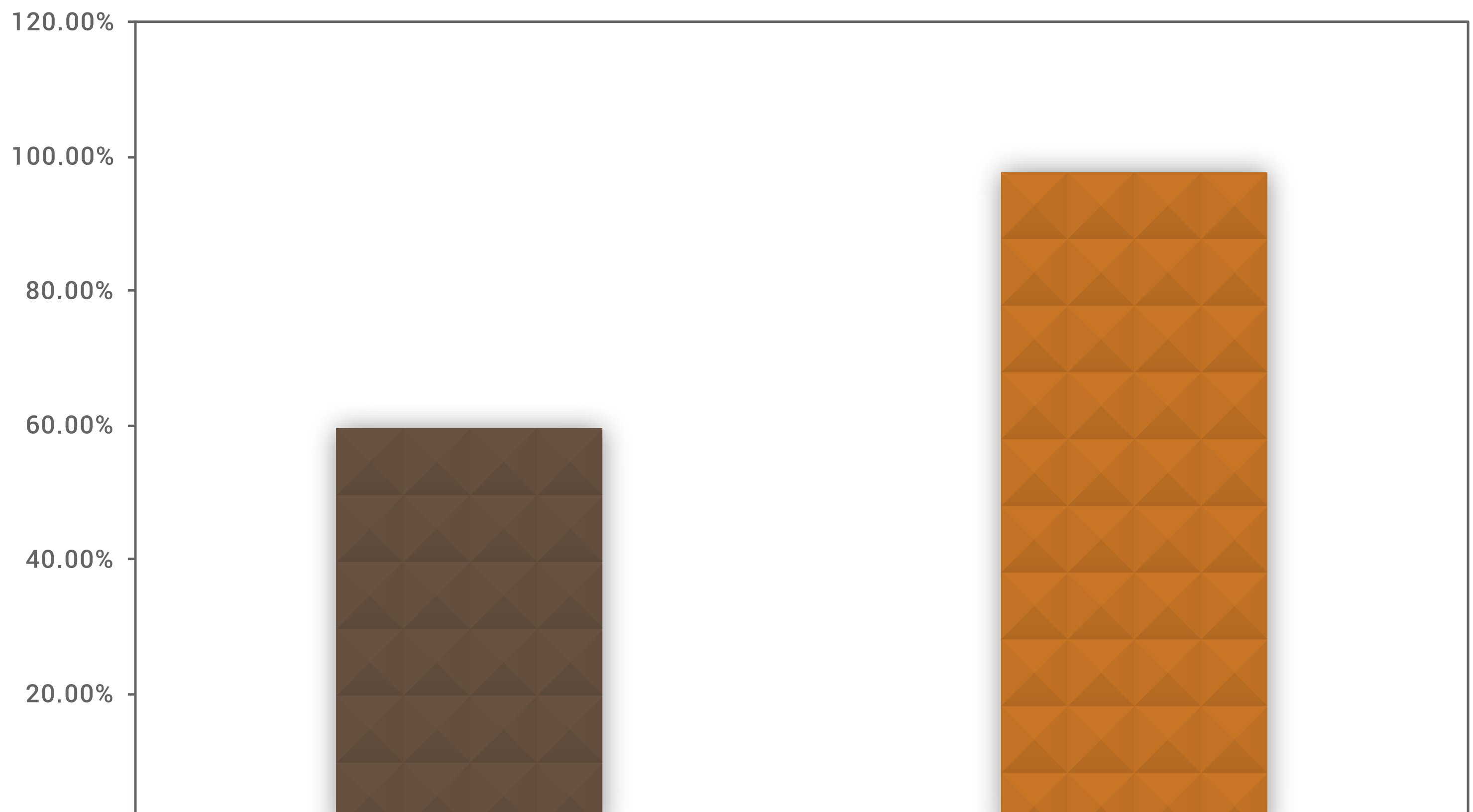
Despite the increase in write-offs during the year, the increased focus by the Bank on the recovery on written-off loans was rewarded significantly by a 34.4% improvement to $11.4 million. (2014: $8.51 million).

PERFORMANCE AGAINST INDUSTRY: PAST DUE LOANS - 90 DAYS + ARREARS



	2011	2012	2013	2014	2015
Commonwealth Bank	3.21	5.01	4.03	4.46	3.93
Industry 90 Days + Past Due	13.00	13.90	15.67	16.13	14.82

IMPAIRMENT ALLOWANCE COVER OF IMPAIRED LOANS AT DECEMBER 2015



Impaired Loan Coverage-Industry	Impaired Loan Coverage-CB
59.65%	97.45%

	2015	2014	Change
Impaired loans	63,388	65,069	(1,681)
% Of loan portfolio	5.60%	5.80%	-0.2%
Impaired allowances	61,773	55,557	6,216
Impaired allowances/ Impaired loans	97.50%	85.40%	12.1%

Total impaired loans decreased in 2015 by 2.6% or $1.7 million over 2014 to $63.4 million. The Bank's total allowances for loan impairment were $61.8 million which represented 5.49% of total loans as at December 31, 2015 (2014: $55.6 million and 4.98%). The percentage of impairment allowances to impaired loans (The Bank classifies loans less than 90 days past due but on a principal only repayment schedule as well as accounts past due 90 or more days as impaired) increased to 97.5% from 85.4% in 2014. Loan impairment expense in 2015 was $24.9 million for the year compared to $21.1 million in 2014, an increase of $3.8 million or 18.1%.

Of the $63.4 million in impaired loans, $37.9 million was secured mortgages and commercial loans, a $6.8 million (15%) decrease over 2014. Allowances for loan impairment are lower for secured loans (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. Percentage cover of loan impairment allowances against these categories is as follows:

	2015	2014	% Change
Secured	57.8%	40.8%	41.7%
Unsecured	156.4%	183.4%	-14.7%
Total	97.5%	85.4%	14.2%

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	4.30%	18.24%	9.21%	7.47%
Industry*	13.11%	23.89%	26.76%	20.09%
Nonperforming Loans (90 days & Over)				
CB	1.54%	11.82%	6.32%	3.93%
Industry*	8.89%	17.62%	21.97%	14.82%

* 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. Net credit life insurance income was $7.1 million in 2015, an increase of $0.9 million (14.5%) from 2014. Total premium collected in 2015 was $18.7 million compared to $16.4 million in 2014, an increase of $2.3 million (14.0%). Death claims experience improved by 16.8% finishing at $1.1 million compared to $1.41 million in 2014.

Other noninterest income grew to $8.6 million, an increase of $0.4 million or 4.4% above 2014.

NONINTEREST EXPENSE

Total noninterest expense in 2015 was $69.4 million compared to $64.9 million in 2014, an increase of 6.9%. Business license taxes increased 7% over 2014 to $7.1 million. Taken with VAT, the Bank's taxes and license fees increased to $8 million, 20% over 2014 ($6.6 million), the increase accounting for 28% of the increase in noninterest expenses.

Staff costs increased by 4% in 2015 to $38.1 million from $36.8 million in 2014. As a part of its ongoing commitment to developing its staff, the Bank started several training and development initiatives in 2015, which are budgeted to continue and expand in 2016.

In November 2015, employees who were members of the Bank's defined benefit pension plan were given the opportunity to transfer their benefits to the defined contribution pension plan. Members representing $50 million of the defined benefit plan's $70 million in assets took advantage of the offer to convert to the defined contribution plan. A settlement cost of $411,000, which equals the difference between the defined benefit obligations settled and the actual transfer value is included in Consolidated Statement of Profit or Loss and Other Comprehensive Income. The revised plan is expected to reduce the level of potential volatility that could result in reporting future financial results in accordance with the guidance provided in IAS 19 - Employee Benefits.

The Bank will continue to seek out beneficial expense mitigation opportunities in 2016.

OPERATIONAL EFFICIENCY

The operational efficiency ratio for the twelve months ended December 31, 2015 (calculated by dividing total non-interest expense by net interest income plus non-interest income less preference share dividends) was 47.2%, well ahead of the industry average and an improvement from 2014. The results reported also remain well within the Bank's goal of less than 50%.

MANAGEMENT OF FINANCIAL POSITION

Total assets at the end of the year was $1.54 billion, an increase of 3.9% over the previous year. Credit risk assets which accounted for 74.3% of the Bank's assets amounted to $1.14 billion at December 31, 2015, an expansion of $24.5 million. (2014 growth: $30 million)

The Bank's consumer loans were $826.4 million as at year-end, an increase of $40.4 million (5.1%) over the previous year. Consumer loans in the banking industry expanded by $18.1 million (0.8%) in 2015. The Bank continued to be "The Leader in Personal Lending" with an unchanged market share of approximately 35%.

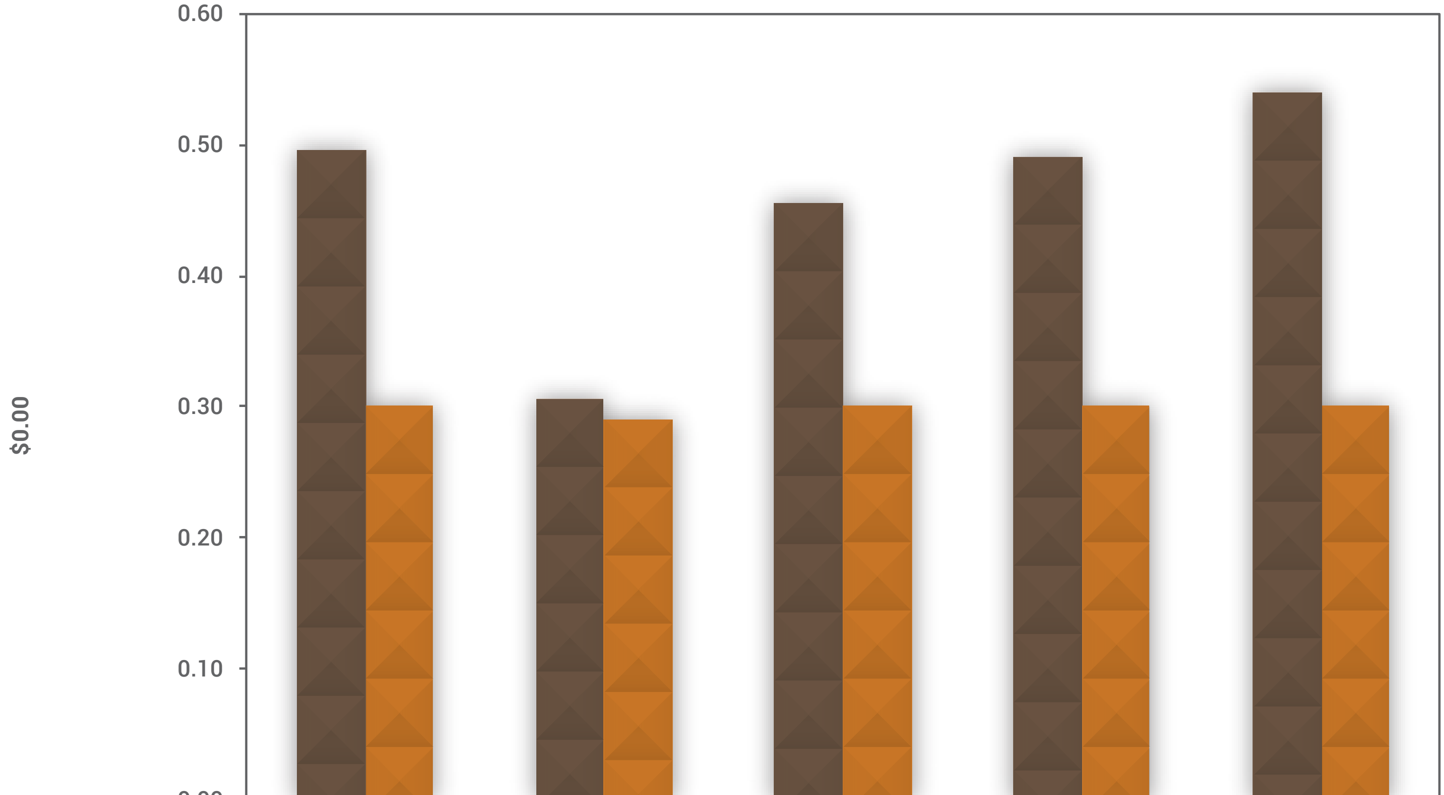
The Bank's mortgage portfolio recorded a decline of $12.3 million (-4.8%) in 2015. Mortgage balances at December 31, 2015 were $242.3 million with additional commitments of $5.9 million compared to $254.1 million with $9.4 million in commitments outstanding at December 31, 2014. At December 31, 2015 the mortgage portfolio made up approximately 21.3% of the total loan portfolio, (2014: 22.8%). Total industry mortgage loans contracted by $26.0 million in 2015. Aggressive marketing by our competitors resulted in most of the reduction in the portfolio during the year.

The Bank is focused on ensuring that the growth in the credit portfolio comes as a result of good quality loans which continues to be a challenge given the current economic environment. To this, end the Bank continues to review and strengthen its lending criteria and practices.

The commercial loan portfolio at December 31, 2015 was $38.1 million or 3.3% of the loan portfolio, (2014: 3.9%), a decline of $5.6 million, (-12.8 %) from the $43.7 million at December 31, 2014. Total commercial loans in the industry also declined in the amount of $23.8 million.

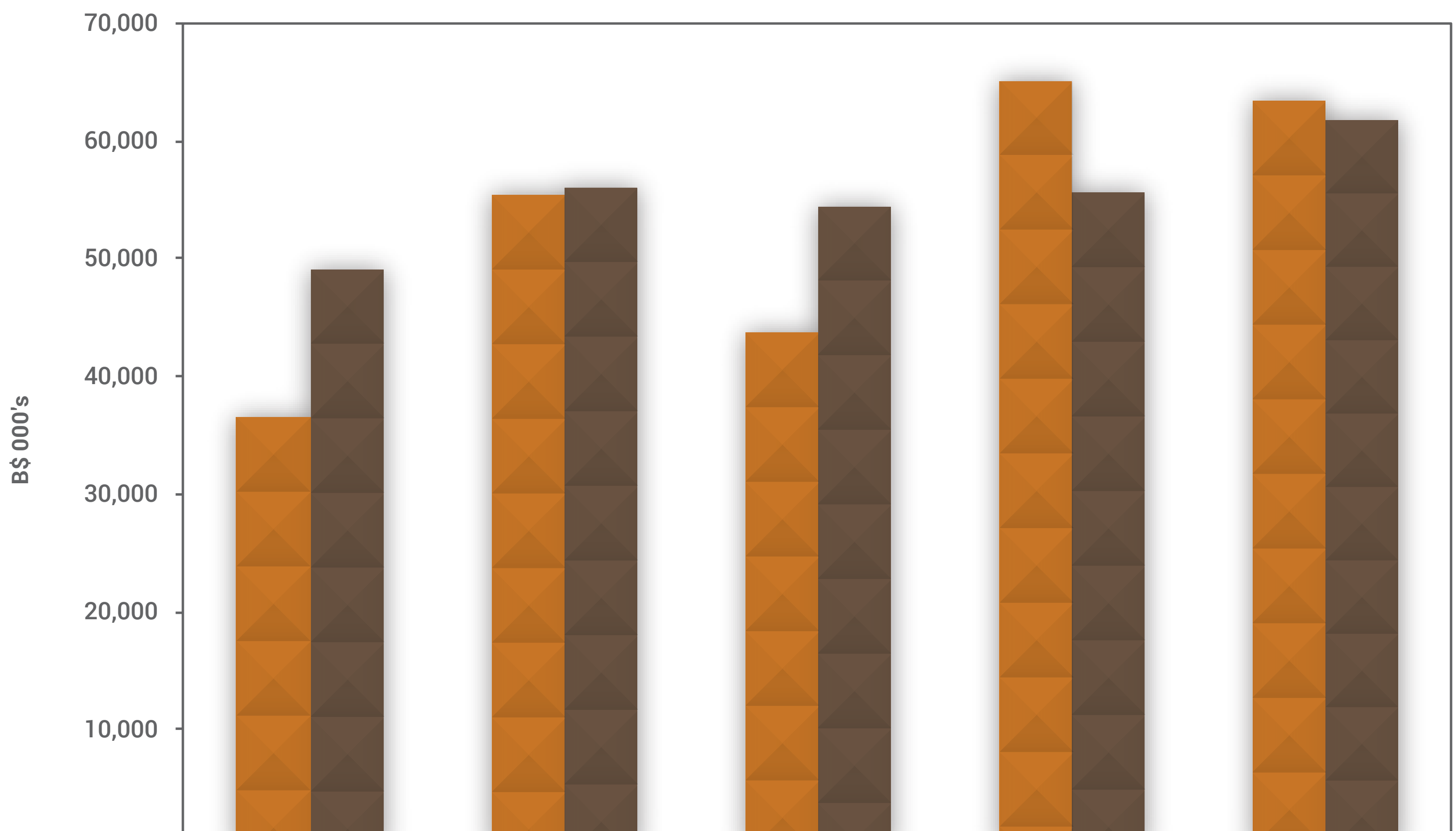
Our credit card loans were $32.6 million, an increase of $1.3 million or 4.0% above 2014. The increase in levels of receivables was as a result of easing some of the constraints on issuing credit cards introduced earlier in the recession.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE



	2011	2012	2013	2014	2015
Earnings Per Share	0.50	0.31	0.46	0.49	0.54
Dividends Per Share	0.30	0.29	0.30	0.30	0.30

IMPAIRED LOANS AND IMPAIRMENT ALLOWANCES



	2011	2012	2013	2014	2015
Impaired Loans	36,545	55,418	43,687	65,069	63,388
Total Allowances	48,989	55,921	54,371	55,557	61,773

Total deposits as at December 31, 2015 closed at $1.18 billion an increase of $32.8 million or 2.9% compared to the deposit levels as at December 31, 2014. In 2015, the Bank's CDs declined by $2 million (-0.2%) while demand deposits and savings accounts grew by $7.3 million and $27.5 million (7% and 16.8%), respectively. This conversion of higher yield CDs to lower yield deposits as well as generally declining CD interest rates enabled the bank to record reduced interest expense despite the increase in overall deposit balances.

The Bank's liquidity continues to be strong with a liquidity ratio of 34.5% compared to Central Bank's minimum required liquidity ratio of 20%.

MANAGEMENT OF CAPITAL RESOURCES

The Bank's total capital increased $19.9 million in 2015 to $328.1 million (2014: $308.2 million). The Total Capital Ratio exceeded The Central Bank's 17% target ratio by $135.7 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 $314.0 million, which was above December 31, 2014 Tier 1 Capital of $294.4 million.

  During the year, the Bank purchased 216,188 of its shares for $1.6 million (2014: 251,158 shares for $1.72 million) through its wholly-owned subsidiary C.B. Securities, resulting in $7.8 million in shares held by the Subsidiary at December 31, 2015 (2014: $5.8 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. The purchase of shares from the market was preapproved by The Central Bank of The Bahamas.

- 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 $14.1 million in capital associated with loan loss allowance (2014: $13.8 million) which is the maximum allowed per Central Bank guidelines.

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 29.0% at December 31, 2015 (2014: 27.9%) exceeds the minimum capital levels by 70.6%.

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 regulations that will impact the Bank in the near term continue to be the US Foreign Account Tax Compliance Act (FATCA) and the OECD's "CRS" Common Reporting Standards which seek to avoid loss of tax revenue in their jurisdictions as a result of offshore financial centre activity. Commonwealth Bank took the necessary steps to register for FATCA with the IRS.

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 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.

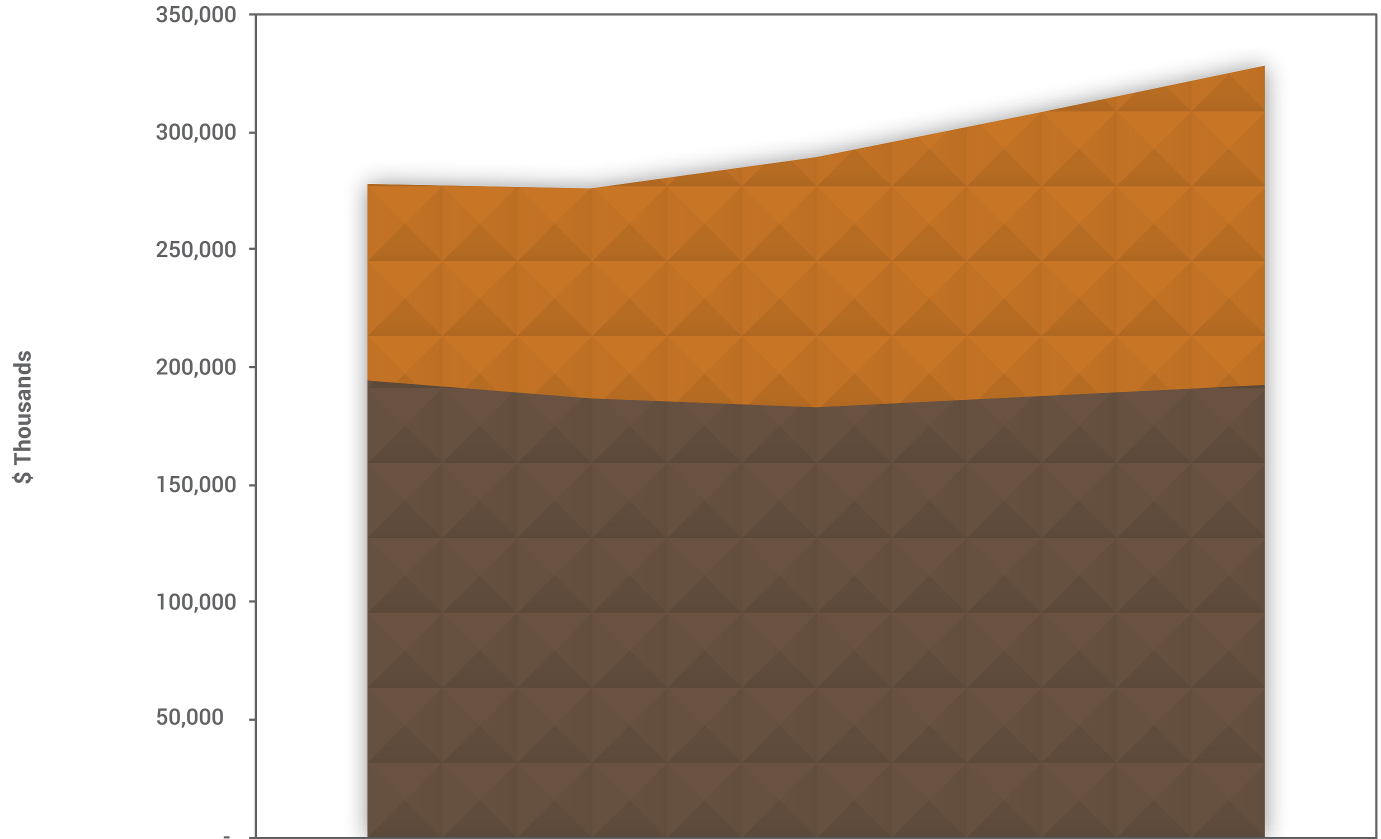
The steps and added discipline to managing credit risk has provided the Bank with a more effective approach to credit risk and moved the Bank to the forefront of compliance with international best practices that are associated with measuring and monitoring overall credit quality. Note 23 in the Consolidated 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 2015 amounted to $110.1 million or 9.7% of the portfolio; (2014: $111.4 million or 10.0%), a decrease of $1.2 million.

During 2016, our credit assessment criteria will continue to be directed at maintaining and sustaining the strong quality of the credit risk portfolios. Also unchanged in 2016 will be our rigorous write-off policies supported by a conservative and anticipatory allowance for impairment methodology.

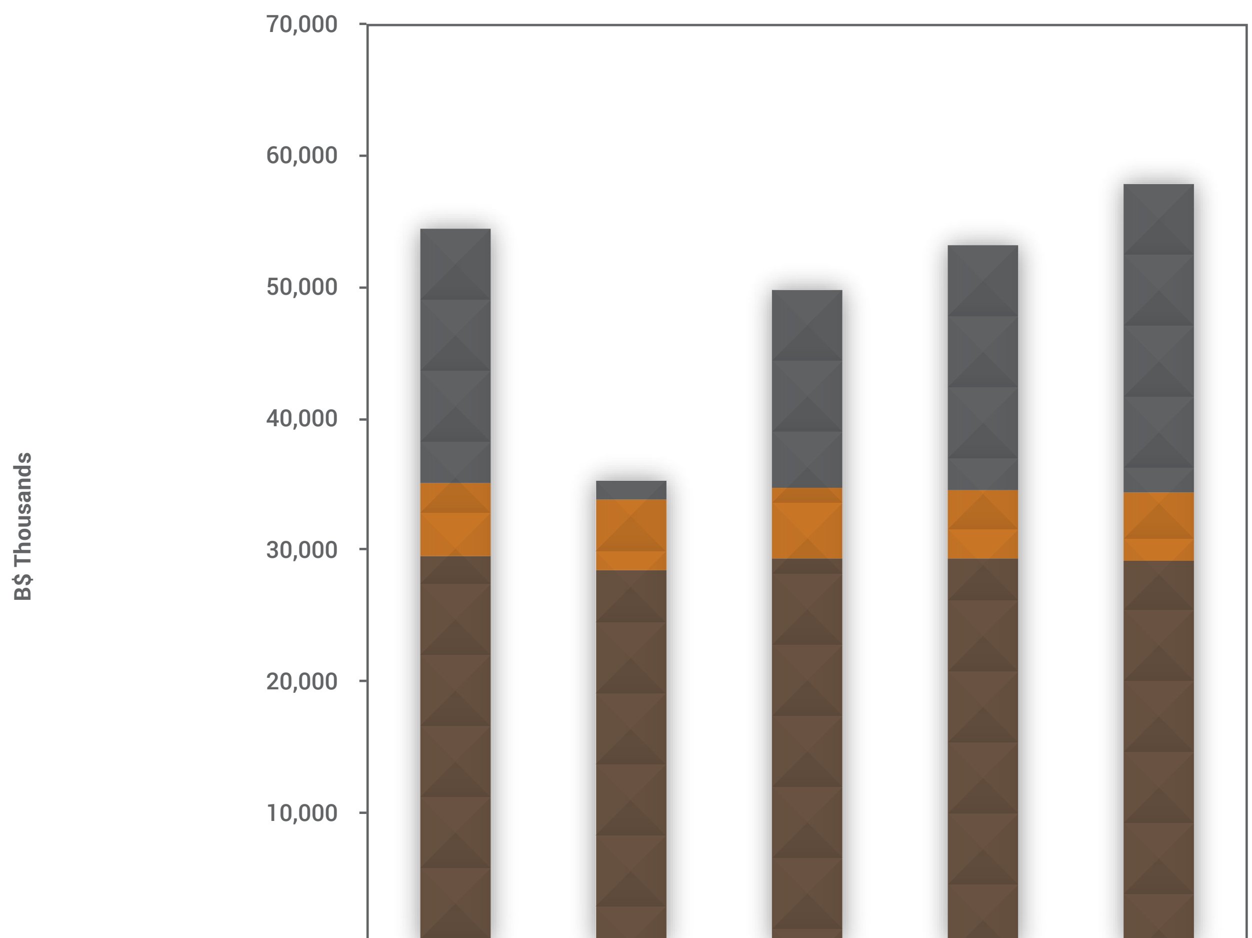
During 2015 work on advancing a credit bureau in The Bahamas continued. The Central Bank of The Bahamas is awaiting legislation to be presented to the House in 2016. However, as the Credit Bureau will have to build its database after introduction, it is expected to take several years before it becomes a meaningful tool in credit origination.

CAPITAL VERSUS REGULATORY CAPITAL



	2011	2012	2013	2014	2015
Excess Regulatory Capital	82,906	89,238	105,838	120,216	135,730
Minimum Regulatory Capital	194,732	186,462	183,068	188,005	192,413

TOTAL PROFIT DISTRIBUTION



	2011	2012	2013	2014	2015
Available for Reinvestment	19,263	1,530	15,168	18,728	23,423
Preference Dividend	5,630	5,311	5,294	5,207	5,101
Common Dividends	29,513	28,513	29,383	29,332	29,245

LIQUIDITY AND FUNDING RISK MANAGEMENT

Liquidity and Funding risk (liquidity risk) is the risk that the Bank may 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 2015, 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 26.3% as at December 31, 2015, above 2014 by 161 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. 2015 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. The Bank announced a significant pledge to the Cancer Society of The Bahamas of $500,000 over a 10 year period to assist in the construction of the extended Caring Centre. The Bank was also an early donor to the Bahamas Red Cross Hurricane Joaquin Relief Fund, donating $50,000 and collecting another $7,000 from staff and customers towards the relief work. 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 year-end the Bank employed 544 full time equivalent employees. 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 provides an atmosphere that both challenges and develops our staff.

OUTLOOK FOR 2016

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 future of Baha Mar continues to cast a cloud over the Bahamian economy, with many uncertainties as to what will happen in 2016. The International Monetary Fund reduced the anticipated GDP growth for 2016 from its original estimate of 2.8% to 1.5%. The economic operating environment experienced in the last half of 2015 is expected to continue in 2016. However, falling oil prices should give some relief to the recent increases in the cost of living index.

We look forward to the introduction of our debit card and "chip" enabled CB MasterCard in 2016 and associated programs to increase our market share in the credit card market. The chip based card projects have had much longer development timelines than was anticipated due to pressure on service provider resources as the industry as a whole seeks to add greater security to its card products.

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 its established vision, mission and core values and key broad objectives.

Seated L to R: Ian A. Jennings, President, R. Craig Symonette

Standing L to R: Larry R. Gibson, Earla J. Bethel, Dr. Marcus R. C. Bethel

Seated L to R: William B. Sands, Jr., Executive Chairman, Rupert W. Roberts, Jr., OBE

Standing L to R: G. Clifford Culmer, Robert D. L. Sands, Vaughn W. Higgs

EXECUTIVE TEAM

Pictured L to R:

CHARLES KNOWLES, V.P. & CIO

DENISE TURNQUEST, Sr. V.P. Credit Risk

IAN A. JENNINGS, President

ANTHEA COX, V.P. Human Resources & Training

CAROLE RODGERS, V.P. Internal Audit

MAVIS BURROWS, V.P. Operations

Pictured L to R:

MAXWELL JONES, Asst. V.P. Accounts Control & Recovery

KENRICK BRATHWAITE, Asst. V.P. Mortgage & Commercial Lending

NEIL STRACHAN, Asst. V.P. Marketing & Business Development

SILBERT COOPER, Asst. V.P. Consumer Lending

GLADYS FERNANDER, Asst. V.P. & Group Financial Controller

JACQUELINE HUNT-FARRINGTON, Asst. V.P. Internal Audit

ASSISTANT VICE PRESIDENTS

Pictured L to R (First Row):

STEPHEN JOHNSON, Town Centre Mall Branch
MONIQUE MASON, Credit Card Centre Branch
DARLENE GIBSON, Lucaya Branch
CHARLENE LOW, Freeport Branch
KAYLA DARVILLE, Mortgage Centre Branch
MARCUS CLEARE, Wulff Road Branch
DARIA BAIN, Golden Gates Branch

Pictured L to R (Second Row):

MATTHEW SAWYER, Abaco Branch
BRANSON GIBSON, Oakes Field Branch
JOHN RIGBY, Commonwealth Bank Plaza Branch
DEMETRI BOWE, Cable Beach Branch
EDWARD VIRGIL, East Bay Street Branch
PERRY THOMPSON, Prince Charles Drive Branch

Pictured L to R (First Row):
KATHERINE HAMILTON, Training
JASMIN STRACHAN, Data Proof
CINDY CURTIS, Head of Compliance
TANYA ASTWOOD, Compensation & Benefits

Pictured L to R (Second Row):
HOPE SEALEY, Commercial Lending
KESHALA KNOWLES, Recruitment
TAMEKA COOKE, Sr. Manager, Employee Relations
JULIETTE FRASER, Sr. Manager, Operations
DERICK MOSS, Systems Operations & Network
FRANKLYN THOMAS, Sr. Manager, Credit Risk
LYNDA BURROWS, Sr. Manager, IT Operations

Pictured L to R (Third Row):
FELIPE VEGA, IT Projects
FRIENDERICK DEAN, Sr. Manager, Accounts Control
REKELL GRIFFIN, Business Development
LAVADO BUTLER, Sr. Manager, Credit Inspection
GINA GREENE, Marketing
LERNIX WILLIAMS, Accounts Control

DEPARTMENT MANAGERS

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

GLADYS FERNANDER
AVP & Group Financial Controller

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/bahamas

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, 2015, 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

March 8, 2016

A member firm of
Deloitte Touche Tohmatsu Limited

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, 2015, 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, 2016

Oliver, Wyman Limited
Oliver, Wyman Limitée

MARSH & McLENNAN COMPANIES

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015
(Expressed in Bahamian $'000s)

		2015		2014
ASSETS				
Cash and deposits with banks (Notes 5, 7 and 23)	$	22,962	$	26,985
Balances with The Central Bank of The Bahamas (Notes 5 and 7)		62,581		62,873
Investments (Notes 5, 8 and 23)		322,743		276,653
Loans receivable (Notes 5, 9, 18, 21 and 23)		1,077,730		1,059,723
Premises and equipment (Notes 10 and 23)		45,032		45,432
Other assets (Note 23)		4,126		2,387
TOTAL	$	1,535,174	$	1,474,053
LIABILITIES AND EQUITY				
LIABILITIES:				
Deposits (Notes 5, 11, 21 and 23)	$	1,181,646	$	1,148,790
Life assurance fund liability (Notes 12 and 23)		12,814		12,409
Other liabilities (Notes 18, 21 and 23)		26,719		18,457
Total liabilities		1,221,179		1,179,656
EQUITY:				
Share capital (Note 13)		83,447		83,561
Share premium		20,352		21,990
General reserve (Note 14)		10,500		10,500
Retained earnings		199,696		178,346
Total equity		313,995		294,397
TOTAL	$	1,535,174	$	1,474,053

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 18, 2016, and are signed on its behalf by:

Executive Chairman

President

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2015
(Expressed in Bahamian $'000s)

	2015	2014
INCOME		
Interest income (Notes 5, 8 and 18)	$ 165,696	$ 156,480
Interest expense (Notes 5 and 18)	(29,355)	(31,694)
Net interest income	136,341	124,786
Loan impairment expense (Note 9)	(24,923)	(21,103)
	111,418	103,683
Life assurance, net	7,134	6,230
Fees and other income (Notes 5 and 16)	8,642	8,279
Total income	127,194	118,192
NON-INTEREST EXPENSE		
General and administrative (Notes 5, 17, 18 and 19)	66,276	61,970
Depreciation and amortization (Note 10)	2,940	2,751
Directors' fees	209	204
Total non-interest expense	69,425	64,925
TOTAL PROFIT	57,769	53,267
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligation (Note 19)	(2,073)	716
TOTAL COMPREHENSIVE INCOME	$ 55,696	$ 53,983
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars)	$ 0.54	$ 0.49

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2015

(Expressed in Bahamian $'000s)

	2015	2014
SHARE CAPITAL		
Preference shares (Note 13)		
Balance at beginning of year	$ 81,608	$ 83,879
Redemption of shares	(110)	(2,271)
Balance at end of year	81,498	81,608
Common shares (Note 13)		
Balance at beginning of year	1,953	1,958
Repurchase of common shares	(4)	(5)
Balance at end of year	1,949	1,953
Total share capital	83,447	83,561
SHARE PREMIUM		
Balance at beginning of year	21,990	23,703
Repurchase of common shares	(1,638)	(1,713)
Balance at end of year	20,352	21,990
GENERAL RESERVE		
Balance at beginning and end of year (Note 14)	10,500	10,500
RETAINED EARNINGS		
Balance at beginning of year	178,346	158,901
Total comprehensive income	55,696	53,983
Common share dividends: 30 cents per share (2014: 30 cents)	(29,245)	(29,332)
Preference share dividends	(5,101)	(5,206)
Balance at end of year	199,696	178,346
EQUITY AT END OF YEAR	$ 313,995	$ 294,397

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

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
(Expressed in Bahamian $'000s)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	$ 149,499	$ 144,162
Interest payments	(29,355)	(31,694)
Life assurance premiums received, net	9,679	9,467
Life assurance claims and expenses paid	(5,364)	(6,433)
Fees and other income received	11,866	12,143
Recoveries (Note 9)	11,441	8,511
Cash payments to employees and suppliers	(59,971)	(61,552)
	87,795	74,604
Increase in loans receivable	(54,371)	(58,430)
Increase in deposits	32,856	27,207
Net cash from operating activities	66,280	43,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(104,922)	(74,576)
Interest receipts from investments	13,574	11,273
Redemption of investments	59,390	78,448
Purchase of premises and equipment (Note 10)	(2,569)	(8,148)
Net proceeds from sale of premises and equipment	30	780
Net cash (used in) from investing activities	(34,497)	7,777
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(34,346)	(34,538)
Repurchase of common shares	(1,642)	(1,718)
Redemption of preference shares	(110)	(2,271)
Net cash used in financing activities	(36,098)	(38,527)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,315)	12,631
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	89,858	77,227
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)	$ 85,543	$ 89,858
MINIMUM RESERVE REQUIREMENT (Note 7)	45,973	44,380
CASH AND CASH EQUIVALENTS IN EXCESS OF THE MINIMUM RESERVE REQUIREMENT	$ 39,570	$ 45,478

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

(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 6.

2. 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, 2015.

New and Amendments to Standards

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions

The adoption of this standard had no material impact on the Bank's Consolidated Financial Statements.

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, 2018)

Amendments to Standards

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
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 IFRS 10 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Annual Improvements to IFRSs 2012-2014 Cycle	

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 24	Related Party Disclosures
IAS 38	Intangible Assets

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 Directors are considering the impact of IFRS 9 when it becomes effective in 2018.

3. 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. 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 3c), 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 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 (2015: 97.525 million; 2014: 97.815 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. Since 2013, assets of the plan are held separately from the Bank in funds under the control of independent Trustees.

In 2013, the plan was divided into two parts – a Defined Benefit Provisions ("DB Provisions") closed to new members and a Defined Contribution Provisions ("DC Provisions") added for new members.

During 2015, the Bank conducted a pension conversion exercise which gave members in the DB Provisions the option to transfer an enhanced value of their pension to the DC Provisions as at October 31, 2015. Effective November 1, 2015 plan members who had not attained the age of 50 were no longer able to accumulate benefits in the DB provisions and are only able to accrue benefits under the DC Provisions. Members who had attained age 50 effective November 1, 2015 had the choice of staying in the DB Provisions or transferring to the DC Provisions for future service.

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 obligations 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 "Other liabilities" 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 0.25% above Bahamian Prime Rate of 4.75% (2014: 4.75%) (Note 19). 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. 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. 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. Currently, this guarantee is 4.25% expiring March 2019. Other than to meet 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.

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 2015, the Bank recognized $0 (2014: $0) associated with employee share-based payment plans in staff costs in General and Administrative expenses in 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.

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.

4. 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 incurred but not yet 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 3c. 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 and Mortgage Company Limited ("Laurentide") 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 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.

5. 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:*

2015	Loans and Receivables	Held-To-Maturity	Available-For-Sale	Other Financial Liabilities	Total
FINANCIAL ASSETS					
Cash and cash equivalents	$ 85,543	$ -	$ -	$ -	$ 85,543
Investments	$ -	$ 322,743	$ -	$ -	$ 322,743
Loans receivable	$ 1,139,503	$ -	$ -	$ -	$ 1,139,503
FINANCIAL LIABILITIES					
Deposits	$ -	$ -	$ -	$ 1,181,646	$ 1,181,646

2014	Loans and Receivables	Held-To-Maturity	Available-For-Sale	Other Financial Liabilities	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

At December 31, 2015 there were no assets or liabilities that were classified as FVTPL (2014: $Nil).

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

	2015	2014
Interest income		
Loans and Receivables	$ 151,565	$ 143,467
Held-to-Maturity	14,131	13,013
	$ 165,696	$ 156,480
Interest expense		
Other Liabilities	$ 29,355	$ 31,694
Fees and other income		
Loans and Receivables	$ 1,827	$ 1,713
General and administrative expense		
Loans and Receivables	$ 195	$ 172

6. 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.

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 and inject liquidity into the local market.

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:

	2015						
	Bank	Insurance Company	Real Estate Holdings	Investment Company	Insurance Agency	Eliminations	Consolidated
Income							
External	$ 117,780	$ 10,652	$ 25	$ 314	$ -	$ (1,577)	$ 127,194
Internal	7,383	(1,428)	3,783	282	1,974	(11,994)	-
Total income	$ 125,163	$ 9,224	$ 3,808	$ 596	$ 1,974	$ (13,571)	$ 127,194
Total profit							
Segment total profit	$ 53,916	$ 7,263	$ 949	$ 307	$ 976	$ (5,642)	$ 57,769
Assets	$ 1,485,111	$ 49,612	$ 29,682	$ 8,150	$ 2,241	$ (39,622)	$ 1,535,174
Liabilities	$ 1,208,484	$ 12,975	$ 20,866	$ 6,813	$ 6	$ (27,965)	$ 1,221,179
Other Information							
Capital additions	$ 1,077	$ -	$ 1,492	$ -	$ -	$ -	$ 2,569
Depreciation and amortization	$ 2,384	$ -	$ 546	$ -	$ -	$ -	$ 2,930

	2014						
	Bank	Insurance Company	Real Estate Holdings	Investment Company	Insurance Agency	Eliminations	Consolidated
Income							
External	$ 109,526	$ 10,247	$ 25	$ 472	$ -	$ (2,078)	$ 118,192
Internal	7,120	(1,335)	3,550	194	1,726	(11,255)	-
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

7. 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:

	2015	2014
Cash and deposits with banks	$ 22,962	$ 26,985
Balances with The Central Bank of The Bahamas	62,581	62,873
Total cash and deposits with banks	$ 85,543	$ 89,858

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, 2015, this reserve requirement was $46.0 million (2014: $44.4 million).

8. INVESTMENTS

Investments are as follows:

	Term to Maturity						2015		2014	
	Within 12 months		Over 12 to 60 months		Over 60 months		Total		Total	
	$	Yield %	$	Yield %	$	Yield %	$	Yield %	$	Yield %
Bahamas Government										
Treasury Bills/Notes	25,952	2.250%	-	-	-	-	25,952	2.250%	4,998	0.549%
Bahamas Government Stock	954	4.716%	48,096	4.645%	217,800	4.817%	266,850	4.786%	244,921	4.849%
Bahamas Government Loan	10,134	3.108%	-	-	-	-	10,134	3.108%	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%	16,190	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%	223	6.760%
United States Treasury Notes	-	-	-	-	1,009	6.932%	1,009	6.932%	1,009	6.936%
Other investments	-	-	-	-	127	23.660%	127	23.660%	264	28.557%
Total investments	37,058	2.642%	48,168	4.883%	237,517	4.898%	322,743	4.566%	276,653	4.766%

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

	2015	2014
Interest income	$ 14,131	$ 13,013

9. LOANS RECEIVABLE

Loans receivable is as follows:

	2015	2014
Residential mortgage	$ 242,327	$ 254,125
Business	38,114	43,719
Personal	826,440	786,064
Credit card	32,622	31,372
	1,139,503	1,115,280
Less: Impairment Allowances	61,773	55,557
	$ 1,077,730	$ 1,059,723

	2015	2014
Individually Assessed Impaired Loans	$ 12,742	$ 19,345
Collectively Assessed Impaired Loans	50,646	45,724
Collectively Assessed Incurred But Not Yet Identified Loans	1,076,115	1,050,211
	1,126,761	1,095,935
Gross Loans and Advances	$ 1,139,503	$ 1,115,280
Individually Assessed allowances as % of individually assessed impaired loans receivable	50.41%	32.17%
Collectively Assessed allowances as % of Collectively assessed loans receivable	4.91%	4.50%
Total allowances as % of total loans receivable	5.42%	4.98%

9. LOANS RECEIVABLE (Continued)

Movement in Impairment Allowances:

	2015				
	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Credit Losses	Balance at End of Year
Individually Assessed					
Residential mortgage	$ 5,425	$ -	$ -	$ 283	$ 5,708
Business	799	-	-	(84)	715
Total Individually Assessed	$ 6,224	$ -	$ -	$ 199	$ 6,423
Collectively Assessed					
Residential mortgage	$ 11,394	(847)	27	4,171	14,745
Business	598	-	-	145	743
Personal	36,075	(28,557)	10,857	20,095	38,470
Credit card	1,266	(744)	557	313	1,392
Total Collectively Assessed	$ 49,333	(30,148)	11,441	24,724	55,350
Total Impairment Allowances	$ 55,557	$ (30,148)	$ 11,441	$ 24,923	$ 61,773
Impairment Allowance					
Impaired Loans Individually Assessed Allowances	$ 6,224	$ -	$ -	$ 199	$ 6,423
Impaired Loans Collectively Assessed Allowances	25,999	(30,148)	11,441	26,094	33,386
Impaired Loans Total Allowances	32,223	(30,148)	11,441	26,293	39,809
Collective Allowances - Incurred but not yet identified	23,334	-	-	(1,370)	21,964
Total Allowances	$ 55,557	$ (30,148)	$ 11,441	$ 24,923	$ 61,773

	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

Impaired loans receivable is as follows:

	2015			2015			2015		
	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	$ 10,977	$ 23,970	$ 34,947	$ 5,708	$ 13,549	$ 19,257	$ 5,269	$ 10,421	$ 15,690
Business	1,765	1,180	2,945	715	696	1,411	1,050	484	1,534
Personal	-	25,065	25,065	-	18,710	18,710	-	6,355	6,355
Credit card	-	431	431	-	431	431	-	-	-
	$ 12,742	$ 50,646	$ 63,388	$ 6,423	$ 33,386	$ 39,809	$ 6,319	$ 17,260	$ 23,579
Percentage of loan portfolio			5.56%						
Percentage of total assets			4.13%						
Percentage of Impaired Allowance to Impaired Loans						62.80%			

	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%			

Impairment allowance on collectively assessed incurred but not yet identified loans is 2.04% (2014: 2.22%) of the incurred but not yet identified loans receivable.

10. 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, 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
Additions	707	825	4	1,033	2,569
Disposals	-	-	-	(97)	(97)
December 31, 2015	14,439	34,797	913	26,419	76,568

10. PREMISES AND EQUIPMENT

	Land/Site Improvements	Buildings	Leasehold Improvements	Furniture, Fittings and Equipment	Total
Accumulated Depreciation and Amortization					
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	28,664
Charge for the year	67	810	31	2,022	2,930
Disposals	-	-	-	(58)	(58)
December 31, 2015	412	9,709	814	20,601	31,536
Net Book Value					
December 31, 2015	$ 14,027	$ 25,088	$ 99	$ 5,818	$ 45,032
December 31, 2014	$ 13,387	$ 25,073	$ 126	$ 6,846	$ 45,432

Depreciation and amortization expense is as follows:

	2015	2014
Land/Site Improvements	$ 67	$ 50
Buildings	810	760
Leasehold improvements	31	28
Furniture, fittings and equipment	2,022	1,894
Total depreciation and amortization	2,930	2,732
Net loss on disposal of fixed assets	10	19
Net depreciation and amortization	$ 2,940	$ 2,751

11. DEPOSITS

The composition of deposits is as follows:

	2015	2014
Demand deposits	$ 112,381	$ 105,023
Savings accounts	191,238	163,724
Certificates of deposit	878,027	880,043
	$ 1,181,646	$ 1,148,790

12. LIFE ASSURANCE FUND LIABILITY

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

An actuarial valuation of the life assurance fund liability was conducted as at December 31, 2015 by Oliver Wyman of Toronto, Canada. The valuation included a provision of $173 thousand (2014: $148 thousand) for claims incurred but not yet reported.

	2015	2014
Balance at beginning of the year	$ 12,409	$ 11,742
Net change in the year	405	667
Balance at end of the year	$ 12,814	$ 12,409

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 2015	4.5	54%	16.20%	13.86	3.30%	3.90%	3.75%	12,814		
Lower Interest Rate	4.5	54%	16.20%	13.86	3.30%	3.51%	3.38%	12,853	39	0.3%
Mortality = 4.95	5.0	54%	16.20%	13.86	3.30%	3.90%	3.75%	13,007	193	1.5%
Lapse = 59.40%	4.5	59%	16.20%	13.86	3.30%	3.90%	3.75%	13,208	394	3.1%
Loan Interest = 17.82%	4.5	54%	17.82%	13.86	3.30%	3.90%	3.75%	12,823	9	0.1%
Expenses = 15.25	4.5	54%	16.20%	15.25	3.30%	3.90%	3.75%	12,862	48	0.4%
Inflation = 3.63%	4.5	54%	16.20%	13.86	3.63%	3.90%	3.75%	12,817	3	0.0%

13. SHARE CAPITAL

Share capital is as follows:

Preference Shares:

	AUTHORISED		
	Beginning and end of year 2014, 2015		Beginning and end of year 2014, 2015
	Rate	Par $	
Class E	Prime + 1.5%	100	45,000
Class F	Prime + 1.5%	100	10,000
Class G	Prime + 1.5%	100	10,000
Class H	Prime + 1.5%	100	10,000
Class I	Prime + 1.5%	100	10,000
Class J	Prime + 1.5%	100	10,000
Class K	Prime + 1.5%	100	10,000
Class L	Prime + 1.5%	100	10,000
Class M	Prime + 1.5%	100	10,000
Class N	Prime + 1.5%	100	10,000
			$ 135,000

	OUTSTANDING 2015			
	Beginning of year	Redemptions	Conversion	End of Year
Class E	$ 32,714	$ (100)		$ 32,614
Class J	9,934	(10)	-	9,924
Class K	9,999	-	-	9,999
Class L	9,987	-	-	9,987
Class M	8,974	-	-	8,974
Class N	10,000	-	-	10,000
	$ 81,608	$ (110)	$ -	$ 81,498

	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 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

As at December 31, 2015 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 2015, Bahamian Prime Rate was 4.75% (2014: 4.75%).

Common Shares:

	$0.02 each Number 000's	$
Authorized:		
December 31, 2014 and 2015	225,000	$ 4,500
Issued and outstanding:		
December 31, 2013	97,904	1,958
Net repurchase of shares	(251)	(5)
December 31, 2014	97,653	1,953
Net repurchase of shares	(217)	(4)
December 31, 2015	97,436	$1,949

14. 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.

15. 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 Ltd. purchasing shares from the market in advance of the options being exercised. The Bank recognized expenses of $0 (2014: $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 2015 (2014: 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, 2014 and December 31, 2015	-	-
Options available to be granted at December 31, 2014 and December 31, 2015	4,678	

16. FEES AND OTHER INCOME

Fees and other income is as follows:

		2015		2014
Fees and commissions	$	1,155	$	1,120
Service charges		3,919		3,477
Card service revenue		681		602
Net foreign exchange revenue and other income		2,887		3,080
	$	8,642	$	8,279

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses is as follows:

		2015		2014
Staff costs	$	38,125	$	36,829
Other		28,151		25,141
	$	66,276	$	61,970

Staff costs include pension costs of $3.3 million (2014: $2.40 million) of which $3.0 million (2014: $2.35 million) relates to the DB Provisions (see Note 19).

18. RELATED PARTIES' BALANCES AND TRANSACTIONS

Related parties' balances and transactions are as follows:

	2015			2014		
	Key Management Personnel $	Other Related Party $	Total $	Key Management Personnel $	Other Related Party $	Total $
Loans Receivable	9,044	1,609	10,653	9,332	3,008	12,340
Deposits	216,987	1,285	218,272	189,347	888	190,235
Other Liabilities	995	-	995	414	-	414
Interest Income	581	179	760	800	123	923
Interest Expense	7,561	3	7,564	7,360	3	7,363
General and Administrative Expense	3,360	-	3,360	3,444	198	3,642
Commitments under revolving credit lines	2,200	1,432	3,632	2,799	39	2,838

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:

		2015		2014
Short term benefits	$	6,933	$	6,606
Post employment benefits	$	588	$	604

19. BANK PENSION SCHEME

Actuarial work on the pension plan was undertaken by Mercer (Canada) Limited, Toronto, Canada as at December 31, 2015. 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:

		2015		2014
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	$	65,933	$	59,469
Interest income		3,547		3,182
Actual return on plan assets		(164)		985
Administrative costs		(154)		(93)
Employer contributions		2,923		2,650
Participant contributions		1,118		1,305
Benefits paid		(484)		(409)
Withdrawals from plan		(1,314)		(1,156)
Settlement payments		(50,720)		-
Fair value of plan assets at end of year	$	20,685	$	65,933

19. BANK PENSION SCHEME (Continued)

	2015	2014
Change in defined benefit obligation:		
Benefit obligation at beginning of year	$ 67,107	$ 61,660
Current employer service costs	2,427	2,225
Enhanced value of settlements	411	-
Participant contributions	1,118	1,305
Interest cost	3,597	3,207
Withdrawals from plan	(1,314)	(1,156)
Benefits paid	(484)	(409)
Experience adjustment	932	275
Settlement payments	(50,720)	-
Changes in financial assumptions	938	-
Benefit obligation at end of year	$ 24,012	$ 67,107
Net defined benefit liability:		
Balance at beginning of year	$ 1,174	$ 2,190
Defined benefit included in profit or loss	3,003	2,350
Remeasurement included in other comprehensive income	2,073	(716)
Employer contributions	(2,923)	(2,650)
Balance at end of year	$ 3,327	$ 1,174
Components of defined benefit cost:		
Current employer service costs	$ 2,427	$ 2,225
Enhanced value of settlements	411	-
Interest cost on defined benefit obligation	3,597	3,207
Interest income on plan assets	(3,547)	(3,182)
Administrative costs	115	100
Pension benefit expense included in staff costs	$ 3,003	$ 2,350
Components of remeasurements:		
Changes in financial assumptions	$ 938	$ -
Experience adjustments	932	275
Return on plan assets excluding interest income	203	(991)
Remeasurements included in other comprehensive income	$ 2,073	$ (716)
Weighted-average assumptions to determine defined benefit obligations:		
Discount rate	5.00%	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
Weighted-average assumptions to determine defined benefit cost:		
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
Pension obligation	$ 999	$ 310	$ 591
Pension expense	$ 67	$ 22	$ 42

The effect of assuming an increase of 1 year in life expectancy would increase the benefit obligation by $0.5 million and pension benefits expense by $36,000.

The weighted average duration of the defined benefit obligation was 17.1 years (2014: 18.5 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 470,275 (2014: 1,631,425) common shares and $0.5 million (2014: $3.87 million) preference shares of the Bank. These shares have a market value of $4.2 million (2014: $16.1 million) which represents 20.24% (2014: 24.32%) of the DB Provisions assets.

The major categories of DB Provisions assets at December 31, 2015 are as follows:

	Fair Value of Plan Assets 2015	Fair Value of Plan Assets 2014
Balance at Banks	$ 2,038	$ 10,891
Equity Instruments	7,688	17,583
Government Bonds	7,573	27,513
Other Debt Instruments	331	250
Preferred Equity	2,961	9,467
Other Assets	152	484
Liabilities	(58)	(255)
Fair Value of Plan Assets	$ 20,685	$ 65,933

The Bank expects that the contributions in 2016 in respect of the DB Provisions will be $3.8 million.

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

	2015	2014
Deposits	$ 1,547	$ 9,557
Interest expense	$ 209	$ 168

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:

	2015	2014
Pension expense included in staff costs	$ 303	$ 50

The DC Provisions owns 1,161,150 (2014: 0) common shares and $1.8 million (2014: $0) preference shares of the Bank. These shares have a market value of $10.6 million (2014: $0) which represents 20.44% of the DC Provisions assets.

20. MATURITY OF ASSETS AND LIABILITIES

The maturity of assets and liabilities are as follows:

	2015	2014
ASSETS		
On demand	$ 83,806	$ 83,121
3 months or less	47,543	35,587
Over 3 months through 6 months	8,954	3,953
Over 6 months through 12 months	13,467	15,196
Over 12 months through 24 months	50,018	36,866
Over 24 months through 5 years	223,233	230,869
Over 5 years	1,108,153	1,068,461
	$ 1,535,174	$ 1,474,053
LIABILITIES		
On demand	$ 113,102	$ 112,038
3 months or less	411,590	365,452
Over 3 months through 6 months	95,430	96,811
Over 6 months through 12 months	187,483	201,239
Over 12 months through 24 months	168,216	151,345
Over 24 months through 5 years	237,839	252,406
Over 5 years	7,519	365
	$ 1,221,179	$ 1,179,656

21. CONCENTRATION OF LOANS RECEIVABLE AND LIABILITIES

The concentration of loans receivable and liabilities are as follows:

	2015		2014	
	$	#	$	#
Loans receivable:				
Under $50,000	$ 677,820	81,144	$ 660,980	63,752
$50,001 - $100,000	230,390	3,706	208,089	3,343
$100,001 - $150,000	57,240	476	62,701	504
$150,001 - $300,000	105,945	524	109,979	531
$300,001 - $500,000	35,330	98	36,956	100
$500,001 - $1,000,000	18,854	30	17,838	27
$1,000,001 and over	13,924	8	18,737	10
Impairment Allowance	(61,773)	-	(55,557)	-
	$ 1,077,730	85,986	$ 1,059,723	68,267
Liabilities:				
Deposits:				
Under $50,000	$ 175,691	60,659	$ 171,553	67,974
$50,001 - $100,000	86,896	1,238	79,397	1,128
$100,001 - $150,000	55,842	461	56,480	464
$150,001 - $300,000	101,448	468	97,799	459
$300,001 - $500,000	87,489	218	89,670	222
$500,001 - $1,000,000	151,910	201	159,598	206
$1,000,001 and over	522,370	227	494,293	216
Life assurance fund liability	12,814	-	12,409	-
Other liabilities	26,719	-	18,457	-
	$ 1,221,179	63,472	$ 1,179,656	70,669

22. COMMITMENTS AND CONTINGENCIES

a. In the ordinary course of business, the Bank had commitments as at December 31, 2015, as follows:

	2015	2014
Mortgage commitments	$ 5,939	$ 9,430
Revolving credit lines	25,849	24,553
Capital expenditures contracted	1,979	1,125
Capital expenditure approved but not yet contracted	1,475	2,017
	$ 35,242	$ 37,125

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.

b. The Bank is obligated under non-cancelable leases on property, all of which are operating leases, expiring no later than 2017, and on maintenance contracts for computer equipment and software expiring no later than 2021 on which the minimum annual rentals are approximately as follows:

	Minimum Rental Commitments	
	Leases	Computer Equipment and Software
Year	$	$
2016	466	1,506
2017	445	1,092
2018	-	827
2019	-	706
2020	-	706
2021	-	275

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 8.

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.

23. 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 13 and 14. 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 Bank. The Bank's strategy is unchanged from 2014.

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, 2015 Laurentide has $300,300 (2014: $300,300) in share capital and $2,750,000 (2014: $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, this deposit is 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, 2015 (2014: $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, 2015, the minimum margin of solvency was $6,743,500 (2014: $6,282,641). Laurentide's solvency margin at December 31, 2015 was $26,907,294 (2014: $27,454,168) resulting in a surplus of $20,163,794 (2014: $21,171,528).

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, 2015, Laurentide had $40,055,312 (2014: $40,055,034) in qualifying assets and $40,055,312 (2014: $40,055,034) 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, 2015, 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 $859 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 $859 thousand.

As of December 31, 2015	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	$ 785	$ -	$ 952	$ -	$ -	$ 83,806	$ 85,543
	0.01%	-	0.02%	-	-	-	0.00%
Investments	276,860	-	-	17,075	28,681	127	322,743
	4.67%	-	-	4.04%	4.48%	-	4.62%
Loans receivable	35,200	266,181	5,441	194,658	576,250	-	1,077,730
	16.12%	7.97%	15.44%	14.88%	14.64%	-	13.09%
Premises and equipment	-	-	-	-	-	45,032	45,032
Other assets	-	-	-	-	-	4,126	4,126
TOTAL	$ 312,845	$ 266,181	$ 6,393	$ 211,733	$ 604,931	$ 133,091	$1,535,174
Liabilities and shareholders' equity							
Deposits	$ 497,896	$ 95,430	$ 187,483	$ 393,241	$ 7,596	$ -	$1,181,646
	1.34%	1.48%	1.66%	2.64%	3.69%	-	1.85%
Other liabilities	-	-	-	-	-	39,533	39,533
Preference shares	81,498	-	-	-	-	-	81,498
	6.25%	-	-	-	-	-	6.25%
Other equity	-	-	-	-	-	232,497	232,497
TOTAL	$ 579,394	$ 95,430	$ 187,483	$ 393,241	$ 7,596	$ 272,030	$1,535,174
INTEREST RATE SENSITIVITY GAP	$ (266,549)	$ 170,751	$ (181,090)	$ (181,508)	$ 597,335	$(138,939)	$ -
CUMULATIVE INTEREST RATE SENSITIVITY GAP	**$ (266,549)**	**$ (95,798)**	**$ (276,888)**	**$ (458,396)**	**$ 138,939**	**$ -**	**$ -**
COMPARATIVE 2014	**$ (136,765)**	**$ 50,023**	**$ (68,507)**	**$ (75,966)**	**$ 117,166**	**$ -**	**$ -**
Average Yield - Earning Assets	5.95%	7.97%	13.14%	14.01%	14.16%		**11.12%**
Average Yield - Paying Liabilities	2.03%	1.48%	1.66%	2.64%	3.69%		**2.14%**
Average Margin 2015	3.91%	6.49%	11.49%	11.36%	10.47%		**8.99%**
Average Margin 2014	4.32%	6.92%	11.95%	11.05%	12.56%		**8.50%**

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:

	2015			2014		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Cash and cash equivalents						
Neither past due or impaired	$ 85,543	$ -	$ 85,543	$ 89,858	$ -	$ 89,858
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 85,543	$ -	$ 85,543	$ 89,858	$ -	$ 89,858
Investments						
Neither past due or impaired	$ 322,743	$ -	$ 322,743	$ 276,653	$ -	$ 276,653
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 322,743	$ -	$ 322,743	$ 276,653	$ -	$ 276,653
Loans receivable						
Neither past due or impaired	$ 884,137	$ 47,033	$ 931,170	$ 844,922	$ 43,795	$ 888,717
Past due but not impaired	101,388	43,557	144,945	114,149	47,345	161,494
Impaired	43,854	19,534	63,388	44,844	20,225	65,069
	$ 1,029,379	$ 110,124	$ 1,139,503	$ 1,003,915	$ 111,365	$ 1,115,280

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:

	2015			2014		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Loans receivable						
Residential mortgage						
Neither past due or impaired	$ 129,804	$ 19,372	$ 149,176	$ 134,157	$ 19,226	$ 153,383
Past due but not impaired	34,935	23,269	58,204	43,041	22,200	65,241
Impaired	20,829	14,118	34,947	20,655	14,846	35,501
	$ 185,658	$ 56,759	$ 242,327	$ 197,853	$ 56,272	$ 254,125
Business						
Neither past due or impaired	$ 27,942	$ 2,316	$ 30,258	$ 23,742	$ 1,554	$ 25,296
Past due but not impaired	3,529	1,382	4,911	7,041	2,178	9,219
Impaired	2,508	437	2,945	9,204	-	9,204
	$ 33,979	$ 4,135	$ 38,114	$ 39,987	$ 3,732	$ 43,719
Personal						
Neither past due or impaired	$ 702,470	$ 25,345	$ 727,815	$ 661,859	$ 23,015	$ 684,874
Past due but not impaired	54,654	18,906	73,560	58,370	22,967	81,337
Impaired	20,086	4,979	25,065	14,474	5,379	19,853
	$ 777,210	$ 49,230	$ 826,440	$ 734,703	$ 51,361	$ 786,064
Credit card						
Neither past due or impaired	$ 23,921	$ -	$ 23,921	$ 25,164	$ -	$ 25,164
Past due but not impaired	8,270	-	8,270	5,697	-	5,697
Impaired	431	-	431	511	-	511
	$ 32,622	$ -	$ 32,622	$ 31,372	$ -	$ 31,372
	$ 1,029,379	$ 110,124	$ 1,139,503	$ 1,003,915	$ 111,365	$ 1,115,280

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

	2015	2014
Satisfactory risk	$ 925,063	$ 882,237
Watch list	6,107	6,480
Sub-standard but not impaired	-	-
	$ 931,170	$ 888,717

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

2015	Residential mortgage	Business	Personal	Credit card	Total
Past due up to 29 days	$ 42,657	$ 3,817	$ 52,267	$ 6,667	$ 105,408
Past due 30 - 59 days	8,992	955	12,345	1,007	23,299
Past due 60 - 89 days	6,555	139	8,948	596	16,238
	$ 58,204	$ 4,911	$ 73,560	$ 8,270	$ 144,945

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

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 22.

e. ***Insurance risk -*** Insurance risk is the risk of loss resulting from the occurrence of an insured event. Laurentide 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.

2015 SUMMARY OF BOARD AND COMMITTEE MEETINGS THE YEAR ENDED DECEMBER 31, 2015

BOARD	5
EXECUTIVE COMMITTEE	5
PREMISES	4
AUDIT	4
COMPENSATION	5
NOMINATING	3
INFORMATION TECHNOLOGY	4
PENSION	5

BOARD MEETING ATTENDANCE

EARLA J. BETHEL	3
MARCUS C. BETHEL	4
G. CLIFFORD CULMER	4
VAUGHN W. T. HIGGS	4
RUPERT W. ROBERTS	5
ROBERT D. L. SANDS	4
R. CRAIG SYMONETTE	5
LARRY R. GIBSON	3
IAN A. JENNINGS	5
WILLIAM B. SANDS	5

Pictured L to R: Rupert Roberts, Jr., OBE, R. Craig Symonette, Earla J. Bethel, William B. Sands, Jr., Vaughn W. Higgs

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, 2015.

RUPERT ROBERTS, JR., OBE
Chairman
Nominating Committee

Pictured L to R: R. Craig Symonette, Rupert Roberts, Jr., OBE, William B. Sands, Jr., Ian A. Jennings, Vaughn W. Higgs

EXECUTIVE COMMITTEE REPORT

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, 2015.

WILLIAM B. SANDS, JR.
Executive Chairman
Executive Committee

Pictured L to R: Larry R. Gibson, Earla J. Bethel, G. Clifford Culmer, 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, Insurance Commission of The Bahamas, Securities Commission of The Bahamas and The Bahamas International Securities Exchange giving effect to the best practices in today's governance environment.

Financial Reporting

- Reviewed with management emerging best practices in response to changes in regulatory guidelines.
- 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 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 responses.
- 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, 2015.

G. C. Culmer

G. CLIFFORD CULMER
Chairman
Audit Committee

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

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, 2015.

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, corporate governance standards and regulatory guidelines and are maintained and sustained in a cost effective, controlled and secure manner. The Committee is responsible for the oversight of the assessment of new technologies and their potential impact on the Bank and its operations.

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, 2015.

R. CRAIG SYMONETTE
Chairman
IT Committee

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

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, 2015.

R W Roberts Jr

RUPERT ROBERTS, JR., OBE
Chairman
Nominating Committee

COMPENSATION COMMITTEE REPORT

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

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, in accordance with the Investment Policy Statement, as well as providing support and guidance to them.

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

YEAR IN REVIEW

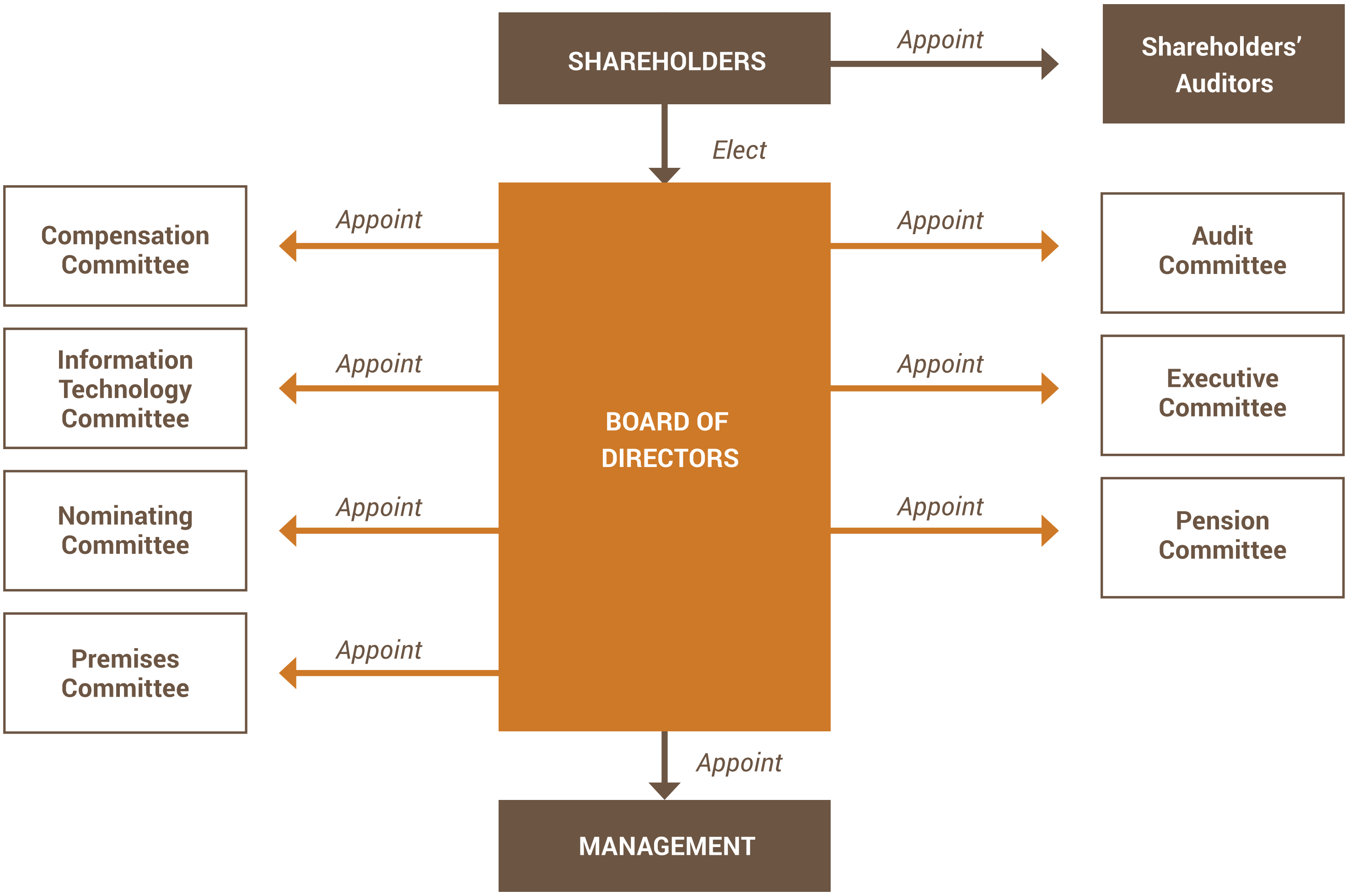
During the year, the Committee in fulfilling its role:

- Reviewed the performance of the Trustee for the Pension Fund and other service providers and recommended changes (where required) to the Board Executive Committee for approval.
- 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 a path for members to move from Defined Benefit to Defined Contribution Plans 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, 2015.

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.

CHARLENE A. BOSFIELD
Corporate Secretary
Commonwealth Bank 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

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