

# Deloitte

**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, 2013, 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, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



 February 19, 2014  
 2nd Terrace West, Centreville  
 Nassau, Bahamas

**COMMONWEALTH BANK LIMITED**  
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT DECEMBER 31, 2013  
 (Expressed in Bahamian \$'000s)

|   | 2013                | 2012                | 2011                |
|---|---------------------|---------------------|---------------------|
|   |                     | (Restated)          | (Restated)          |
| <b>ASSETS</b>   |                     |                     |                     |
| Cash and deposits with banks (Notes 5 and 7)                  | \$ 21,815           | \$ 21,224           | \$ 19,926           |
| Balances with The Central Bank of The Bahamas (Notes 5 and 7) | 55,412              | 47,913              | 84,202              |
| Investments (Notes 5 and 8)                                   | 278,785             | 268,196             | 261,179             |
| Loans receivable (Notes 5, 9, 18, 21 and 23)                  | 1,030,906           | 1,050,045           | 1,091,033           |
| Premises and equipment (Note 10)                              | 40,796              | 41,285              | 41,505              |
| Other assets  | 4,991               | 3,625               | 3,102               |
| <b>TOTAL</b>  | <b>\$ 1,432,705</b> | <b>\$ 1,432,288</b> | <b>\$ 1,500,947</b> |
| <b>LIABILITIES AND EQUITY</b>                                 |                     |                     |                     |
| <b>LIABILITIES:</b>   |                     |                     |                     |
| Deposits (Notes 5, 11, 18 and 21)                             | \$ 1,121,583        | \$ 1,136,609        | \$ 1,203,067        |
| Life assurance fund (Notes 12 and 21)                         | 14,635              | 15,070              | 16,472              |
| Other liabilities (Notes 18 and 21)                           | 20,439              | 22,436              | 22,288              |
| Total liabilities   | 1,156,657           | 1,174,115           | 1,241,827           |
| <b>EQUITY:</b>  |                     |                     |                     |
| Share capital (Note 13)                                       | 85,837              | 86,943              | 86,950              |
| Share premium   | 23,703              | 24,551              | 26,641              |
| General reserve (Note 14)                                     | 10,500              | 10,500              | 10,500              |
| Retained earnings   | 156,008             | 136,179             | 135,029             |
| Total equity  | 276,048             | 258,173             | 259,120             |
| <b>TOTAL</b>  | <b>\$ 1,432,705</b> | <b>\$ 1,432,288</b> | <b>\$ 1,500,947</b> |

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 12, 2014, and are signed on its behalf by:



Executive Chairman



President

**COMMONWEALTH BANK LIMITED**  
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 YEAR ENDED DECEMBER 31, 2013  
 (Expressed in Bahamian \$'000s)

|  | 2013              | 2012              |
|--|-------------------|-------------------|
|  |                   | (Restated)        |
| <b>SHARE CAPITAL</b>                                       |                   |                   |
| Preference shares (Note 13)                                |                   |                   |
| Balance at beginning of year                               | \$ 84,983         | \$ 84,983         |
| Redemption of shares                                       | (1,104)           | -                 |
| Balance at end of year                                     | 83,879            | 84,983            |
| Common shares (Note 13)                                    |                   |                   |
| Balance at beginning of year                               | 1,960             | 1,967             |
| Repurchase of common shares                                | (2)               | (7)               |
| Balance at end of year                                     | 1,958             | 1,960             |
| Total share capital  | 85,837            | 86,943            |
| <b>SHARE PREMIUM</b>                                       |                   |                   |
| Balance at beginning of year                               | 24,551            | 26,641            |
| Repurchase of common shares                                | (848)             | (2,090)           |
| Balance at end of year                                     | 23,703            | 24,551            |
| <b>GENERAL RESERVE</b>                                     |                   |                   |
| Balance at beginning and end of year (Note 14)             | 10,500            | 10,500            |
| <b>RETAINED EARNINGS</b>                                   |                   |                   |
| Balance at beginning of year                               | 141,614           | 139,449           |
| Adjustment for actuarial losses on pension plan            | (5,435)           | (4,420)           |
| Balance at beginning of year, as restated                  | 136,179           | 135,029           |
| Total comprehensive income                                 | 54,506            | 34,974            |
| Common share dividends 30 cents per share (2012: 29 cents) | (29,383)          | (28,513)          |
| Preference share dividends                                 | (5,294)           | (5,311)           |
| Balance at end of year                                     | 156,008           | 136,179           |
| <b>EQUITY AT END OF YEAR</b>                               | <b>\$ 276,048</b> | <b>\$ 258,173</b> |

**COMMONWEALTH BANK LIMITED**  
 CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
 AND OTHER COMPREHENSIVE INCOME  
 YEAR ENDED DECEMBER 31, 2013  
 (Expressed in Bahamian \$'000s)

|   | 2013             | 2012             |
|---|------------------|------------------|
|   |                  | (Restated)       |
| <b>INCOME</b>   |                  |                  |
| Interest income (Notes 5, 8 and 18)                                       | \$ 156,910       | \$ 161,492       |
| Interest expense (Notes 5 and 18)   | (35,537)         | (41,977)         |
| Net interest income   | 121,373          | 119,515          |
| Loan impairment expense (Note 9)  | (24,797)         | (44,004)         |
|   | 96,576           | 75,511           |
| Life assurance, net   | 5,293            | 5,668            |
| Fees and other income (Notes 5 and 16)                                    | 7,951            | 8,581            |
| Total income  | 109,820          | 89,760           |
| <b>NON-INTEREST EXPENSE</b>   |                  |                  |
| General and administrative (Notes 5, 17, 18 and 19)                       | 56,285           | 51,308           |
| Depreciation and amortization (Note 10)                                   | 2,576            | 2,520            |
| Directors' fees   | 190              | 195              |
| Total non-interest expense  | 59,051           | 54,023           |
| <b>TOTAL PROFIT</b>   | <b>50,769</b>    | <b>35,737</b>    |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                  |                  |
| Items that will not be reclassified subsequently to profit or loss:       |                  |                  |
| Remeasurement of Defined Benefit Obligation (Note 19)                     | 3,737            | (763)            |
| <b>TOTAL COMPREHENSIVE INCOME</b>   | <b>\$ 54,506</b> | <b>\$ 34,974</b> |
| <b>BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars)</b> | <b>\$ 0.47</b>   | <b>\$ 0.31</b>   |

The Bank's Consolidated Financial Statements were approved by the Board of Directors on February 12th, 2014. The full audited Consolidated Financial Statements including notes, which form an integral part of the Consolidated Financial Statements, are available at [www.combankltd.com](http://www.combankltd.com), from any Commonwealth Bank branch or on request from the Corporate Secretary, Head Office, Commonwealth Bank, P.O. Box SS-5541, Nassau, Bahamas.

**COMMONWEALTH BANK LIMITED**  
 CONSOLIDATED STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2013  
 (Expressed in Bahamian \$'000s)

|   | 2013             | 2012             |
|---|------------------|------------------|
|   |                  | (Restated)       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |                  |                  |
| Interest receipts   | \$ 147,742       | \$ 148,628       |
| Interest payments   | (35,537)         | (41,977)         |
| Life assurance premiums received, net   | 6,588            | 6,175            |
| Life assurance claims and expenses paid                                       | (3,004)          | (3,199)          |
| Fees and other income received  | 9,225            | 9,870            |
| Recoveries  | 8,564            | 7,228            |
| Cash payments to employees and suppliers                                      | (59,838)         | (52,641)         |
|   | 73,740           | 74,084           |
| Increase in loans receivable  | (14,223)         | (10,244)         |
| Decrease in deposits  | (15,026)         | (66,458)         |
| Net cash from (used in) operating activities                                  | 44,491           | (2,618)          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |                  |                  |
| Purchase of investments   | (53,545)         | (70,712)         |
| Interest receipts from investments  | 12,942           | 12,375           |
| Redemption of investments   | 42,934           | 64,185           |
| Purchase of premises and equipment (Note 10)                                  | (2,164)          | (2,530)          |
| Net proceeds from sale of premises and equipment                              | 63               | 230              |
| Net cash from investing activities  | 230              | 3,548            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |                  |                  |
| Dividends paid  | (34,677)         | (33,824)         |
| Repurchase of common shares   | (850)            | (2,097)          |
| Redemption of preference shares   | (1,104)          | -                |
| Net cash used in financing activities   | (36,631)         | (35,921)         |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                   | <b>8,090</b>     | <b>(34,991)</b>  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                           | <b>69,137</b>    | <b>104,128</b>   |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)</b>                        | <b>\$ 77,227</b> | <b>\$ 69,137</b> |
| <b>MINIMUM RESERVE REQUIREMENT (Note 7)</b>                                   | <b>43,776</b>    | <b>44,594</b>    |
| <b>CASH AND CASH EQUIVALENTS IN EXCESS OF THE MINIMUM RESERVE REQUIREMENT</b> | <b>\$ 33,451</b> | <b>\$ 24,543</b> |