

Our *Journey* Continues

ANNUAL REPORT  
**2007**





## Our Journey Continues



Commonwealth Bank was the first Bahamian Bank to surpass \$1 Billion in total assets, but to rest at this milestone is, in fact, to take a step backwards in our journey of success.

Banking in the Bahamas is primarily a matter of establishing personal trust between Bank and Customer. This bond of loyalty cannot be bought or established quickly but is built on a history of performance and respect for customers. We can only advance on our journey by continuing our commitment to offer customers products and services tailored to meet their needs. This attitude and promise has been the hallmark which has set Commonwealth Bank apart from other Financial Institutions.

As we continue along our journey, we will uphold the Bank's vision to lead by example and effect positive change wherever we operate.

"It is good to have an end to journey toward, but it is the journey that matters in the end."

- Ursula K. LeGuin

## Our Vision

First Choice of Bahamians for all Banking Services

## Our Mission

To become 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
- Promoting economic growth and stability in our community

## Core Values

We will:

- 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

# Contents

Strategic Priorities	6
Financial Highlights	7
Chairman's Report	8
Community Involvement	10
President's Report	12
Outstanding Achievements	14
Management Discussion & Analysis of Operating Results	16
Customer Loyalty	21
Board of Directors	22
Executive Team	24
Branch Managers	26
AVPs & Department Managers	28
Management Responsibility	30

## FINANCIALS

Independent Auditor's Report	31
Consolidated Balance Sheet	32
Consolidated Statement of Income	33
Consolidated Statement of Changes in Equity	34
Consolidated Statement of Cash Flows	35
Notes to Consolidated Financial Statements	36

Report of the Nominating Committee	59
Report of the Executive Committee	60
Report of the Audit Committee	61
Report of the Premises Committee	62
Report of the IT Committee	63
Report of the Compensation Committee	64
Corporate Governance	65
Charter of Expectations	66
Employee Commitment	67
Services & Locations	68
Shareholder Information	69

# Strategic Priorities

CORE VALUES	2007 INITIATIVES AND ACCOMPLISHMENTS	2008 STRATEGIC PRIORITIES
<b>Be responsible and effective financial managers.</b>	<ul style="list-style-type: none"> <li>Financial targets for ROE, ROA and EPS growth were achieved.</li> <li>The target for maintaining regulatory capital in excess of minimum requirements was achieved.</li> <li>Efficiency Ratios were marginally enhanced.</li> <li>Dividend Payout ratio remained within the long term average goal of 65%.</li> </ul>	<p><b>Establish challenging objectives and firm financial targets.</b></p> <p><b>Concentrate efforts on sales and product innovations to enhance revenue streams.</b></p>
<b>Lead by example to effect positive change.</b>	<ul style="list-style-type: none"> <li>Confirmed our position as a leader in governance.</li> <li>Increased commitment to young Bahamians, vocational students and other social programs.</li> </ul>	<p><b>Sustain an effective governance regime.</b></p> <p><b>Continue to support the development of Bahamian youth through various programs and community services.</b></p>
<b>Provide meaningful opportunities for stakeholders to have input.</b>	<ul style="list-style-type: none"> <li>Improved technology to allow for further focus on significant performance metrics.</li> <li>Implemented a project methodology to assist with assessing the cost benefit of undertakings.</li> <li>Increased the transparency of operations to stakeholders fulfilling the Bank's commitment to be a leader in adopting international standards and best practices.</li> </ul>	<p><b>Further expand on the development of bank-wide performance metrics to assist in measuring and developing profitable products and services.</b></p> <p><b>Continue the Bank's program of increasing its transparency of its operations to shareholders and other stakeholders.</b></p>
<b>Ensure Commonwealth Bank is a great place to work.</b>	<ul style="list-style-type: none"> <li>Made progress developing succession planning for all key individuals.</li> <li>Continued encouraging personal and team development in order to ensure continuity of effective and sound management for the Bank.</li> <li>Implemented an employee satisfaction program.</li> </ul>	<p><b>Continue to fulfill our objective to establish comprehensive succession plans for all key individuals.</b></p> <p><b>Continue to provide international and domestic training programs designed to develop all levels of staff.</b></p> <p><b>Sustain attractive "Pay for Performance" compensation plans.</b></p>
<b>Provide customers with outstanding services.</b>	<ul style="list-style-type: none"> <li>Expanded CB Online customer base.</li> <li>Funds available for the Small Business Loan Fund were drawn down to support selected small business ventures.</li> <li>Deferred further offering of the Bank's card products in preparation of a significant product initiative in 2008.</li> <li>Expanded our availability of Customer Service Representatives throughout the Bank.</li> </ul>	<p><b>Expand integrated product offerings to focus on customer centric opportunities to achieve our vision of being "The First Choice of Bahamians for all Banking Services".</b></p>

# Financial Highlights

For the years ended 31 December (B\$ 000's)	Restated		Restated		Restated	
	2007	2006	2005	2004	2003	
<b>INCOME STATEMENT DATA:</b>						
Interest Income	\$ 130,391	\$ 111,996	\$ 93,569	\$ 88,343	\$ 83,459	
Interest Expense	(40,517)	(32,194)	(25,596)	(25,929)	(26,298)	
Net Interest Income	89,874	79,802	67,973	62,414	57,161	
Provision for Loan Losses	(10,390)	(11,758)	(9,678)	(13,803)	(11,934)	
Net Interest Income after Provision for Loan Losses	79,484	68,044	58,295	48,611	45,227	
Non-interest Income	13,793	11,890	8,819	7,509	6,674	
Non-interest Expenses	(44,743)	(40,487)	(37,612)	(32,624)	(29,995)	
Net Income	48,534	39,447	29,502	23,496	21,906	
<b>PER SHARE DATA:</b>						
Book Value	1.18	0.99	0.84	0.71	0.64	
Cash Dividends	0.26	0.23	0.15	0.13	0.11	
Year End Share Price	\$ 8.37	\$ 4.17	\$ 3.04	\$ 2.37	\$ 2.08	
Weighted Average Common Shares Outstanding ( '000's)	98,298	97,749	95,751	93,798	93,777	
Dividend growth (total)	14.71%	51.11%	15.38%	14.71%	0.00%	
<b>BALANCE SHEET DATA:</b>						
Total Assets	\$ 1,179,174	\$ 1,018,643	\$ 853,976	\$ 765,657	\$ 702,910	
Securities	98,050	86,057	75,179	60,999	65,307	
Loans	975,242	828,547	705,312	602,284	570,031	
Net Write-offs	9,032	5,969	9,934	16,982	13,811	
Total Deposits	935,730	798,394	680,331	615,263	555,740	
Total Shareholders Equity	200,896	182,666	141,637	127,453	121,439	
<b>PERFORMANCE RATIOS:</b>						
Price/Earnings	19.32	11.87	11.80	12.30	11.86	
Price/Book Value	7.11	4.19	3.60	3.34	3.23	
Dividend Yield (Annual Dividend/Year End Price)	3.11%	5.44%	4.94%	5.49%	5.45%	
Earnings Per Share	0.43	0.35	0.26	0.19	0.18	
Return on Average Assets	3.87%	3.65%	3.14%	2.49%	2.35%	
Return on Average Shareholders' Equity	38.68%	36.67%	35.94%	30.50%	29.88%	
Ordinary Dividend Payout Ratio	60.05%	64.62%	57.64%	67.59%	64.59%	
Efficiency Ratio	45.79%	46.76%	52.29%	50.60%	51.38%	
Net Interest Margin	7.12%	7.33%	7.39%	7.44%	7.36%	
<b>ASSET QUALITY RATIOS:</b>						
Non-accrual Loans to Total Loans	1.49%	1.46%	1.32%	3.28%	4.97%	
Non-accrual Loans to Total Assets	1.23%	1.19%	1.09%	2.58%	4.03%	
Net Write-offs to Average Loans	1.00%	0.77%	1.56%	2.90%	2.45%	
Provision for Loan Losses to Total Loan	2.08%	2.29%	1.86%	2.23%	2.91%	
Provision for Loan Losses to Non-accrual Loans	140.05%	156.52%	141.42%	67.85%	58.55%	
<b>LIQUIDITY RATIO:</b>						
Average Cash and Securities to Average Total Assets	16.81%	16.70%	17.69%	18.31%	18.92%	
<b>CAPITAL RATIOS:</b>						
Leverage Ratio						
Average Shareholders' Equity to Average Total Assets	17.73%	17.70%	18.28%	18.04%	17.60%	
<b>CONSOLIDATED CAPITAL ADEQUACY:</b>						
Tier 1 Capital	\$ 115,913	\$ 97,683	\$ 80,779	\$ 66,462	\$ 60,448	
Tier 2 Capital	84,983	84,983	60,858	60,991	60,448	
Total Capital	200,896	182,666	141,637	127,453	121,439	
Total Risk Adjusted Assets	971,602	829,204	732,439	607,226	573,744	
Tier 1 Ratio	11.93%	11.78%	11.03%	10.95%	10.54%	
Tier 1 + Tier 2 Capital Ratio	20.68%	22.03%	19.34%	20.99%	21.07%	
Capital Ratios have been restated to reflect Central Bank of The Bahamas Capital Adequacy Guideline. Certain figures have been restated to be consistent with the current year's presentation.						
Number of Employees Average for the Year	495	467	460	440	427	



# Chairman's Report



**T. BASWELL DONALDSON, CBE, CHAIRMAN**

The Journey Continues – In 2007, your Bank committed to continue to focus on its core values and vision which are directed at being the “First Choice of Bahamians for all Banking Services”. Your Bank remains customer centric. Addressing our customers’ needs is a priority and to honour them with exemplary service and simple but caring help when needed, whether the customer comes from within Commonwealth Bank Ltd. or from outside, remains an integral part of your Bank’s day to day objectives.

By addressing customer needs in a controlled and constructive manner your Bank was once again able to achieve record results for the eleventh consecutive year. With total assets now approaching \$1.2 Billion at December 31, 2007, record profits being recorded for the 11th consecutive year and more than 125,000 customers, your Bank remains the largest indigenous Bank in the Bahamas and is also amongst the largest indigenous Banks in the Caribbean.

Commonwealth Bank Ltd. also remains the largest public company traded on the Bahamas International Securities Exchange (BISX). In 2007, the value of Bank shares traded on the BISX accounted for more than \$9 Million worth of equities traded on the BISX or in excess of 32% of the total value of equities traded.

The Bank believes in sharing its success with shareholders. The ability to provide individual Bahamians with the opportunity to participate and share in the growth of the Bank as an equity partner has always been an important objective of the Bank. To encourage further participation of Bahamians, in November 2007, the Board approved a three-for-one share split. The reaction

by the public to this proactive approach exceeded the Bank’s expectations. In 2007, individual shareholders received dividends of \$.26 an increase of 14.7% over 2006 while capital appreciation of shares over the year exceeded 100% when considering the impact of the three-for-one share split which occurred in November 2007. Further dividend increases are planned for 2008, an extraordinary dividend of \$.06 to be paid on April 30, 2008 was approved by the Board in January 2008. The dividend distribution ratio of 60% for 2007 was marginally less than that distributed in 2006, allowing the Bank to retain additional earnings for further cost effective growth.

The continued expansion and contribution of your Bank was also acknowledged by its peers in 2007. To be acknowledged by your peers for your contribution to the industry at large as well as to have individual staff members nominated by the industry for their specific professionalism and customer service are awards that reflect well on your Bank as well as its staff. The Board was extremely pleased to accept on behalf of the Bank the 2007 Bahamas Financial Services Board award as the industry’s leading financial institution.

As your Chairman, an important objective is to provide guidance and leadership that will enable and encourage the Board and the Bank’s management to continually challenge the status quo to ensure that the Bank remains relevant in today’s complex and increasingly competitive financial services industry.

This is not new to us. Change is a theme that runs through our history. We have always strived to be not only a successful organization but also one that differs from our competition in a way

that improves the quality of life for our customers and communities. This is not a formula that was created overnight. Successful formulas for change take time to develop and must be flexible to meet current and anticipated needs. In 2005, the Bank completed a reassessment of the Bank’s long-term strategies to determine how the Bank could continue to meet the requirements of our various stakeholders. In 2007, the long term strategies were updated to reflect current and anticipated market conditions. The process of review and evolution of our strategies continues and will remain in the forefront of our action plans in the future.

Creating economic value for all stakeholders while sustaining an effective corporate governance regime that is applied on a continual basis in all areas of the Bank and reflecting “international best practices” is an ambitious goal. An example of the application of this governance process is the Bank’s commitment to reviewing accounting policies to ensure the required transparency of information to stakeholders.

In 2007, the Board in reviewing its accounting policies determined that the Bank would adopt the effective interest rate for accounting for loan origination fees as a result of proposed changes to International Accounting Standards. The required changes have required the Bank to restate 2006 earnings in the presentation of the 2007 Annual Report. The restatement was not material.

A sound corporate governance regime is used to monitor whether outcomes are in accordance with plans and to motivate the Bank to be more fully informed in order to maintain or alter the ongoing activities of the Bank as required. Of importance



is how Directors and Management of the Bank develop a model of governance that ensures the principles of honesty, trust and integrity, transparency and commitment to the Bank as well as its customers and the community are applied on an ongoing basis. During the year, the Bank further strengthened its governance process by amending the Board Sub-Committee structure such that the Bank's Audit Committee now consists entirely of Non-Executive Directors. The Bank also created a stand-alone Compensation Committee.

Every Director of the Bank remained highly engaged and vigilant during 2007 and each of them has continued to provide independent and constructive guidance to the Senior Management of the Bank. A self-assessment of the contribution and performance of the Board at large as well as that of the Chairman and President and C.E.O. is carried out by individual board members on an annual basis.

I would like to thank each of the Directors for their continued support and contribution. I would also like to acknowledge the contribution to the Board by Michael Barnett who served as a valuable member of the Bank's board for eight years. During the course of 2007, Mr. Barnett resigned from the Board to pursue other interests.

Being a responsible corporate citizen within The Bahamas is an important role that the Bank takes seriously. The Bank remains committed to taking a leadership role in our community and our focus has and will continue to be directed at supporting the development of youth within The Bahamas.

Success does not come without the dedication, support and commitment of our staff. Commonwealth Bank Ltd. has been fortunate to have been able to attract such a well versed and dedicated group of employees. I am truly appreciative of their commitment to our customers and to the Bank at large.



T. Baswell Donaldson, CBE  
Chairman

## 2007 PERFORMANCE OVERVIEW

- Eleventh consecutive year of record profits
- Net Income increased 23.0% over 2006
- Total Assets \$1,179 million up 15.8%
- Earnings per share 43 cents up 23% over 2006
- Return on Common Shareholders Equity 38.7%
- Common Share Dividends 26 cents up 15% on 2006
- Net Income Available to Common Shareholders up 24%
- Gross Revenues increased 13%
- Efficiency Ratio improved to 45.75%
- Total Capital exceeds \$200 million up 10%
- Golden Gates Branch opened in January 2007 and exceeded performance expectations during the year



They teach new officers in the Police Training College that the first rule of police work is to come home alive at the end of your shift. Police Officers understand that the job they do is often dangerous and all too often deadly. Police Officers accept this risk with the knowledge that they chose to do the job they do, and there are consequences that come with this decision. It is not only what they do; it is who they are.

In these critical times we need to find constructive solutions to curtail the senseless violence, perpetuated by the few. To this end, Commonwealth Bank donated 200 bullet proof vests to the Royal Bahamas Police Force in January 2008.

As good corporate citizens, we aim to answer the needs of the community we serve. By donating these vests we are saying we care about these brave officers that serve and protect our country and want to protect them, as they protect us.

#### BULLET PROOF VEST DONATION TO THE ROYAL BAHAMAS POLICE FORCE

“Only a life lived in the service to others is worth living” - *Albert Einstein*

The success that Commonwealth Bank achieved in 2007 allowed us to contribute to the Bahamian community in a very substantial way. One such example took place in July when we joined the national campaign to provide the Dialysis Unit of the Princess Margaret Hospital with a new dialysis machine.

As the premiere health care facility in The Bahamas, hundreds of patients rely on the Princess Margaret Hospital for dialysis treatment. This life-saving treatment has been used to provide an artificial replacement for lost kidney function as a result of disease, birth defects, or injury. With the increased number of patients visiting the Dialysis Unit four hours per day, three times per week, it is critical to replace out of service and outdated dialysis machines.

Commonwealth Bank’s journey continues with a commitment to serve and the dedication to do what is right in the community we serve.



#### DIALYSIS MACHINE DONATION TO THE PRINCESS MARGARET HOSPITAL

“Kindness is a language we can all speak. Even the deaf can hear it and the blind can see.”

- *Mother Teresa*

# Community Involvement

In 2007, our largest donation was given to the youth of our nation. We worked in tandem with the Ministry of Education, Ministry of Social Services, churches and non-profit organizations to distribute \$250,000 in school supplies: exercise books, pencils, pens, rulers, art supplies, geometry sets and calculators for the disadvantaged students in our nation.

We believe every child in The Bahamas has the potential to effect positive change in our country. As a good corporate citizen it is our responsibility to ensure we invest time and money to nurture that potential. After all, it would be a shame if any child is prevented from learning because he or she did not have the necessary tools to achieve success.



EDUCATIONAL SUPPLIES DONATION TO THE MINISTRY OF EDUCATION

“The goal of education is the advancement of knowledge and the dissemination of truth.” - *John Fitzgerald Kennedy*



MONETARY DONATION TO THE BAHAMAS RED CROSS SOCIETY

If one person can make a difference, imagine what one hundred people can achieve. The Bahamas Red Cross Society, with its estimated one hundred members, is a branch of the Red Cross Society, which is one of the largest humanitarian organizations in the world. This organization is truly making a difference in our community fulfilling its mandate to alleviate human wants, suffering and deprivation.

In light of the valuable contributions that The Bahamas Red Cross Society provides to our nation, Commonwealth Bank was pleased to provide over \$10,000 dollars to assist them in their efforts. The Bahamas Red Cross Society is a fine example of an organization that strives to provide “Service Above Self...” We should all aspire to follow this organization’s example.

“We must be the change we wish to see in the world.” - *Mahatma Gandhi*



# President's Report



**WILLIAM B. SANDS JR., PRESIDENT & CEO**

## OVERVIEW

The theme of this year's report **"Our Journey Continues"** is reflective of management's commitment to focus on strengthening relationships with existing customers and attracting new ones by providing an outstanding level of customer service and product quality. Commonwealth Bank Ltd.'s commitment to Bahamians has and also remains inextricably intertwined with an intense focus on value creation for all Bahamians. This commitment to sustainable revenue growth, effective capital management coupled with an effective process of control along with our efforts to be a leader in all our significant business segments has resulted in another exceptional year for the Bank.

The ability of the Bank to achieve continued growth of assets coupled with record earnings for the eleventh consecutive year in 2007 is reflective of the efforts of all staff, the support of our customers and shareholders and will continue to assist the Bank in supporting its ongoing social and operational initiatives.

## OPERATING PERFORMANCE

The Bank started the year by opening its tenth full service branch and concluded the year by making a further investment in increasing front line staffing levels to ensure that we can continue to provide our customers and other stakeholders with prompt friendly service. The opening of the newest branch at Golden Gates has and continues to confirm our commitment to assist all Bahamians with their banking needs as all segments of the branch's business operations have and continue to exceed our initial expectations.

The Bank has once again been able to achieve and or exceed its significant financial objectives in 2007. At year-end, total assets reached approximately \$1.2 billion an increase of approximately 16% of which loans contributed \$975 million or almost

83% of the total asset base - an increase of 17% over the previous year. Profitability also increased with net income amounting to \$48.5 million an increase of almost 23% - the eleventh consecutive year of increased earnings. Earnings per share on a restated basis were \$.43 and increase of \$.08.

The success of the Bank in 2007 was also shared with the community. In addition to its charities and non-profit organizations and its scholarships to the College of the Bahamas, Commonwealth Bank provided 10,000 "Back to School" packs for children throughout the Bahamas. The Bank also supported the drive to replace dialysis equipment at the Princess Margaret Hospital.

Return on Equity (ROE) and Return on Assets (ROA) which are commonly used ratios to measure bank performance increased again in 2007 with the ROE reaching 38.7% and ROA amounting to 3.9%. Both of these ratios are well regarded within the financial services industry.

The Bank's efficiency ratio which takes into consideration non-interest expenses, compared to revenue generation was 45.8%, a strong performance and a further marginal improvement over 2006. The favourable efficiency ratio is reflective of the Bank's efforts to ensure that any expense growth is matched by increased non-capital intensive revenue sources. The Bank will continue to place emphasis on enhancing its operational effectiveness through emphasis on increased and enhanced technology and cost effective operational techniques and practices designed to contain expense growth.

A core element of the safety and soundness of a Bank is the quality and strength of its capital base. Effective management of the Bank's capital structure is an important element of the Bank's corporate governance regime. As at December 31,

2007, the Tier 1 Capital ratio, which is considered as the primary measure of balance sheet strength amounted to 11.9% with total capital amounting to 20.7%. Both of the aforementioned ratios are well in excess of the Central Bank's regulatory requirements and auger well for supporting the Bank's growth expectations in a cost effective manner.

Another element reflecting the safety and soundness of a Bank is availability of liquidity which usually consists of cash and securities to meet existing and anticipated day to day business requirements. The Bank has and continues to sustain liquidity levels that exceed Central Bank's liquid asset requirements.

## CONTRIBUTORS TO THE ONGOING DEVELOPMENT AND PROFITABILITY OF THE BANK

The core strength of the Bank is its loan portfolio which by design is consumer orientated and contains a well diversified risk profile. Gross consumer loans reached approximately \$661.5 million, an increase of 16.5% over 2006. The growth ratio of the consumer loan portfolio was matched by a similar increase in the mortgage portfolio which at approximately \$233.5 million at the end of the fiscal year had increased in excess of 19%. The parallel growth of the consumer and mortgage portfolio reflects one of the Bank's objectives which is to become the primary personal banker for all Bahamians.

Appreciable growth was also recorded in the Credit Card and Commercial loan portfolios. The Bank was pleased with the growth of the commercial loan portfolio which increased in excess of \$8 million. The growth of this portfolio was in line with the Chairman's commitment to make additional funds available to support the development and sustainability of the small business community.

It was encouraging to note that while appreciable growth of the loan portfolio was achieved in a highly competitive market, historical net interest rate margins were sustained and no significant deterioration in the quality of the loan portfolio occurred.

A critical element of the Bank's integrated process of control and ultimately the success of the Bank is the existence and application of sound credit risk policies and practices. The Bank continued to review and re-assess its credit risk policies and practices in 2007 with emphasis on ensuring that the credit risk policies and practices remained reflective of current market conditions and compliant with the board approved credit risk appetite.

We are satisfied that loan quality remains strong, provisioning policies meet or exceed generally accepted International "Best Practices" for the provisioning of credit risk. Provisioning guidelines are rigorously applied and through effective credit risk management practices, problem situations are identified in a timely manner and a disciplined credit recovery process is applied to mitigate loan losses. An example of the conservative approach to credit risk applied by the Bank is the practice of ensuring the Bank considers the possibility of deterioration in its performing as well as its non-performing portfolio. At year-end 2007 the provision for loan losses to total loans was 2.08% and the provision for loan losses non-accrual loans was 140%.

In 2006, market demands required the Bank to expand its on-line banking product line to remain competitive in the marketplace. Expanded use of our on-line products has occurred and efforts to further encourage our customers to make better use of our more integrated loan and deposit product lines including on-line products as well as our credit card offerings will continue throughout 2008. As well, continued investment in new and enhanced information technology for operational efficiency and control purposes will be necessary in 2008.

Privacy and confidentiality issues permeate through the financial services industry. To maintain a safe and secure technology based framework the Bank undertook a significant review of its physical and logical security techniques and controls in 2007. While no significant weaknesses were noted, the implementation of the recommendations arising out of these specialized reviews have enhanced the Bank's ability to provide an appropriate and enhanced level of privacy and security over customer information and will allow the Bank to build on its existing customer product offerings with confidence.

While investment in technology is important, equally important is the Bank's ongoing investment and commitment to ensuring that the infrastructure of the Bank which is easily defined as the people, systems and procedures that form the governance of the Bank is sustained on an ongoing basis. The Board reinforces this need and supports this important objective on an ongoing basis.

#### GOING FORWARD

The Bank looks forward to 2008 and has developed aggressive and specific objectives for all areas of its operations. We believe that the objectives established will be challenging but attainable provided the operating environment remains stable and parallels the operating environment the Bank has operated in over the past few years. As indicated, our focus will remain customer centric as the Bank endeavours to expand its services to existing as well as new customers. Efforts will also be directed at expanding its non-capital intensive revenue stream through the expansion of existing products and services that allow customers to rely on the Bank for all of their banking requirements.

The Bank is also moving forward to further expand its branch network through the development of property in the Prince Charles area. Completion of this project is currently scheduled for 2009.

There are however external as well as domestic issues that could adversely impact the development and business plan established for the Bank. Further deterioration of international economies could adversely impact the tourism industry causing some of the major infrastructure projects planned or underway to be delayed for particular business reasons. Domestically, further shrinkage of available market liquidity and or adverse monetary policies could adversely impact the availability of credit and ultimately slow the anticipated economic growth of the Bahamas.

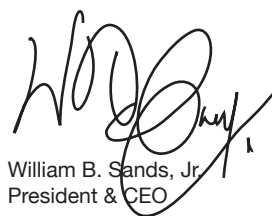
#### CRITICAL CONTRIBUTORS TO OUR SUCCESS

Commonwealth Bank's customer centric objectives remain inextricably linked to the Bank's strategic focus and value creation. In 2007, the Bank committed to adding trained staff to our frontline activities in order to serve our customers more effectively. This program will continue in 2008 in an effort to further expand our full service products to current as well other potential customers and other stakeholders.

In 2007, the Bank continued to expand its staff education and training programs and has strengthened its process of identifying high potential employees through offshore as well as resident expanded education opportunities. The Bank's underlying objective is to ensure that a sustainable succession plan and resource base

of Bahamians exists to support the anticipated growth and continued expansion of the Bank going forward.

The primary contributors to our success are the approximately 500 individuals who deliver our products and services – *our staff*. Their support and ongoing reinforcement of the Bank's mission statement and core values sets it apart from other financial institutions. I am extremely appreciative of their ongoing support and dedication.



William B. Sands, Jr.  
President & CEO



A trailblazer in Bahamian finance, T. Baswell Donaldson, CBE decades-long career has influenced every aspect of banking and finance, from creating an educational training forum to setting the regulatory tone for The Central Bank of The Bahamas as its first Governor.

Perhaps most significant in Mr. Donaldson's career, is his role as President and Founder of The Bahamas Institute of Financial Services. The Institute which opened in 1974 has resulted in growth and development of many banks within the country.

During, Mr. Donaldson's tenure as Chairman, he helped steer the dramatic growth of Commonwealth Bank leading to 11 consecutive years of recorded growth.

The Management and Staff of Commonwealth Bank salute Mr. T. Baswell Donaldson, CBE, Recipient of the first Bahamas Financial Services Lifetime Achievement Award.

**Photo from Left to Right** – Julian Francis, Sir Arthur D. Hanna , Gov. Gen. of the Commonwealth of The Bahamas; T. Baswell Donaldson, CBE, Chairman; Zhivargo Laing, Minister of State and Finance; and Wendy Warren, BFSB Chief Executive Director.

“It is not an annual award but one given as special recognition for a pioneer of our industry!” said Wendy Warren, Board CEO (published Nassau Guardian, October 18, 2007.)



# Outstanding Achievements

Development & Promotion Award – Commonwealth Bank “Leader in Personal Banking Services” wins top honour at The 7th Annual Financial Services Industry Excellence Development & Promotion Award 2007. This prestigious award could not have been won without the commitment and dedication to service by each of our 500 plus CB team members.

**Photo from Left to Right** – Wendy Warren, BFSB Chief Executive Director; T. Baswell Donaldson, CBE, Chairman and Zhivargo Laing, Minister of State and Finance.



Nominees of the Professional of the Year Award and the Achiever of the Year Award.

**Photo: From left to right** – Mr. Maxwell Jones, Senior Branch Manager, Golden Gates Branch; T. Baswell Donaldson, CBE, Chairman; and Ms. Charmaine Smith, Sr. Accounts Officer, Freeport Branch

# Management Discussions

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2007, compared to the preceding years. For a complete understanding of trends, events, uncertainties and the effect of critical accounting estimates on our results of operations and financial condition this Management's Discussion and Analysis should be read carefully together with our Consolidated Financial Statements and related notes. This Management's Discussion and Analysis is dated February 7th, 2008. All amounts reported are based on financial statements prepared in accordance with International Financial Reporting Standards.

The Bank's President and Chief Executive Officer and The Senior Vice President and Chief Financial Officer have signed a statement outlining management's responsibility for financial information in this Annual Report.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements. By their very nature forward-looking statements involve numerous factors and assumptions which give rise to the possibility that these forward-looking statements may not be achieved. The Bank cautions readers not to place undue reliance on these statements as a number of important factors, including external influences, 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 owned Bahamian Clearing Bank in The Commonwealth of The Bahamas as measured by assets and market capitalization. The Bank continues to increase its stature throughout the Caribbean where it is one of the largest indigenous banks ranking alongside Citizens Bank which is domiciled in Trinidad and Tobago.

Throughout 2007, our business strategies and actions continued to be directed at being the Bahamas' complete personal banker based on core values which are dedicated to building teamwork and expertise internally, remaining relevant in the current and expanding financial services marketplace while emphasizing customer satisfaction and loyalty. We believe this focus, applied in a cost effective manner can sustain our history of revenue and earnings growth, enhance productivity while providing quality financial performance supported by an effective and integrated process of control. The Bank employs in excess of 500 Bahamians and Bahamian permanent residents.

The Bank has no employees on work permits and has not had any for over ten years.

Commonwealth Bank's goal is to remain relevant in today's complex and increasingly competitive financial services industry by creating economic and social value for all stakeholders while sustaining an environment that provides impetus to continue to develop and expand within an

effective corporate governance regime, in-depth risk management techniques and practices and overriding process of control that is reinforced and applied on a continual and consistent basis. Throughout this Annual Report and highlighted in the appropriate Management Discussion and Analysis comments and representations are comments supporting and linking how these important elements of an effective governance regime are inextricably linked.

In keeping with ongoing changes in the application of Generally Accepted Accounting Principles and Standards, additional disclosures have been added to the Consolidated Financial Statements, and will be commented on as appropriate in this discussion and analysis.

## OVERVIEW OF 2007

In 2007, we were able to achieve or exceed our significant financial objectives while continuing to expand our portfolio of loan and other consumer based products. Further expansion of our mortgage portfolio which increased 19% to \$233.5 million in 2007 and building on the 36% increase which was achieved in 2006 was coupled by further expansion of our consumer and credit card receivables. Of note was the growth of the commercial loan portfolio which increased approximately 48% to \$25.6 million and confirmed the Bank's commitment to assisting the small business person in achieving their business opportunities. The gross loan portfolio as at December 31, 2007 was in excess of \$975.2 million an increase of greater than 17% matching the percentage of loan growth over the past three years. Total Assets also increased appreciably and reached \$1.2 billion at fiscal year-end an increase of almost 16%. 2007 was the fourth year in which the Bank experienced double digit growth of assets. Contributing to the growth and success, as noted in the President's Report, was the opening of the Golden Gates Branch. The success of the Branch confirmed our objective and plans to provide banking facilities where our customers reside. This trend will continue as we look to further expand our representation in South East New Providence.

The ability to provide Bahamians with the opportunity to participate and share in the growth of the Bank as an equity holder has always been an important objective of the Bank. On October 17th, the shareholders approved a three-for-one stock split which took place on November 9th, 2007. The reaction to this offering exceeded the Bank's expectations. Throughout this report, current and prior year per share data has been restated to reflect the number and par value of shares subsequent to the date the transaction was consummated.

Reduced liquidity in the banking sector surfaced in late 2006, and continued throughout 2007. Associated with increased competition for available liquidity, deposit rate increases continued to place pressure on historical interest rate margins. The Central Bank also moved to restrict new equity instruments during the course of the year adding to the pressure on systemic liquidity.

No tangible progress was made in 2007 concerning the mega project and redevelopment of Cable Beach. However, as the New Year begins, there are indications that the project will move forward in 2008. As indicated in the 2006

Annual Report, we have completed negotiations with the developer which will allow for a new branch to be constructed before we move from the existing premises. No capital expenditure, expense or disruption of service to the Bank is anticipated in relation to the required branch relocation.

The continued expansion and contribution of the Bank to the Bahamas and Bahamians was recognized by its peers in 2007. In particular, the Bank and certain staff members were recognized by the industry for their professionalism and customer service. The Bahamas Financial Services Board's leading financial institution award "the Financial Services Development and Promotion Award" for 2007 was awarded to Commonwealth Bank.

## OUTLOOK FOR 2008

For 2008, our strategic objectives will be focused on further leveraging and building on our strengths. We are confident that to the extent possible, the Bank will continue to expand at a greater rate than our peers which will be supported through the introduction of new and enhanced products, increased use of technology driven systems and procedures and emphasis on cost-containment and expansion of non-capital intensive revenue based products and services. We also look forward to the introduction of the Automated Clearing House, which we anticipate will add operational efficiencies once the initial testing and implementation is complete.

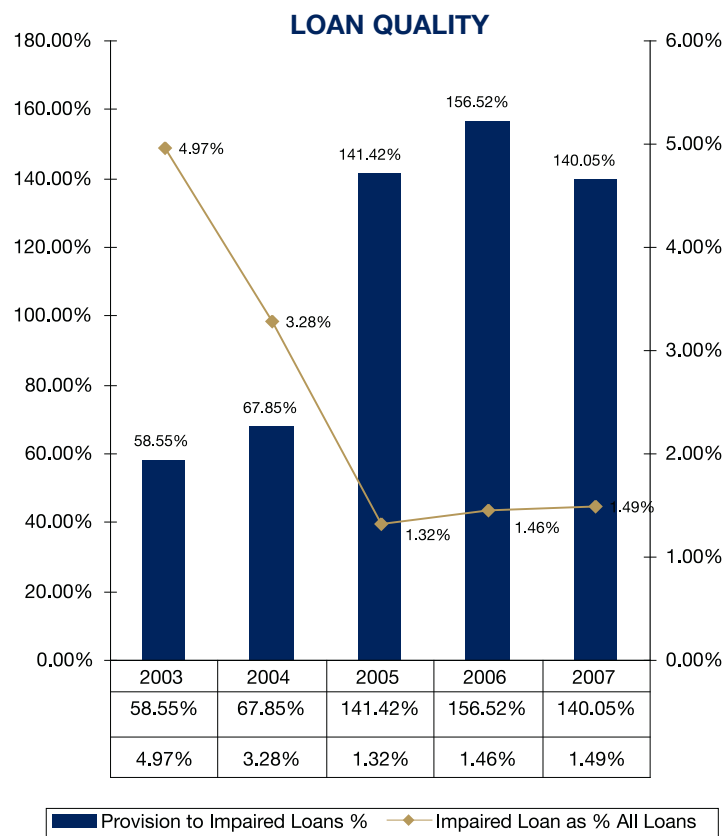
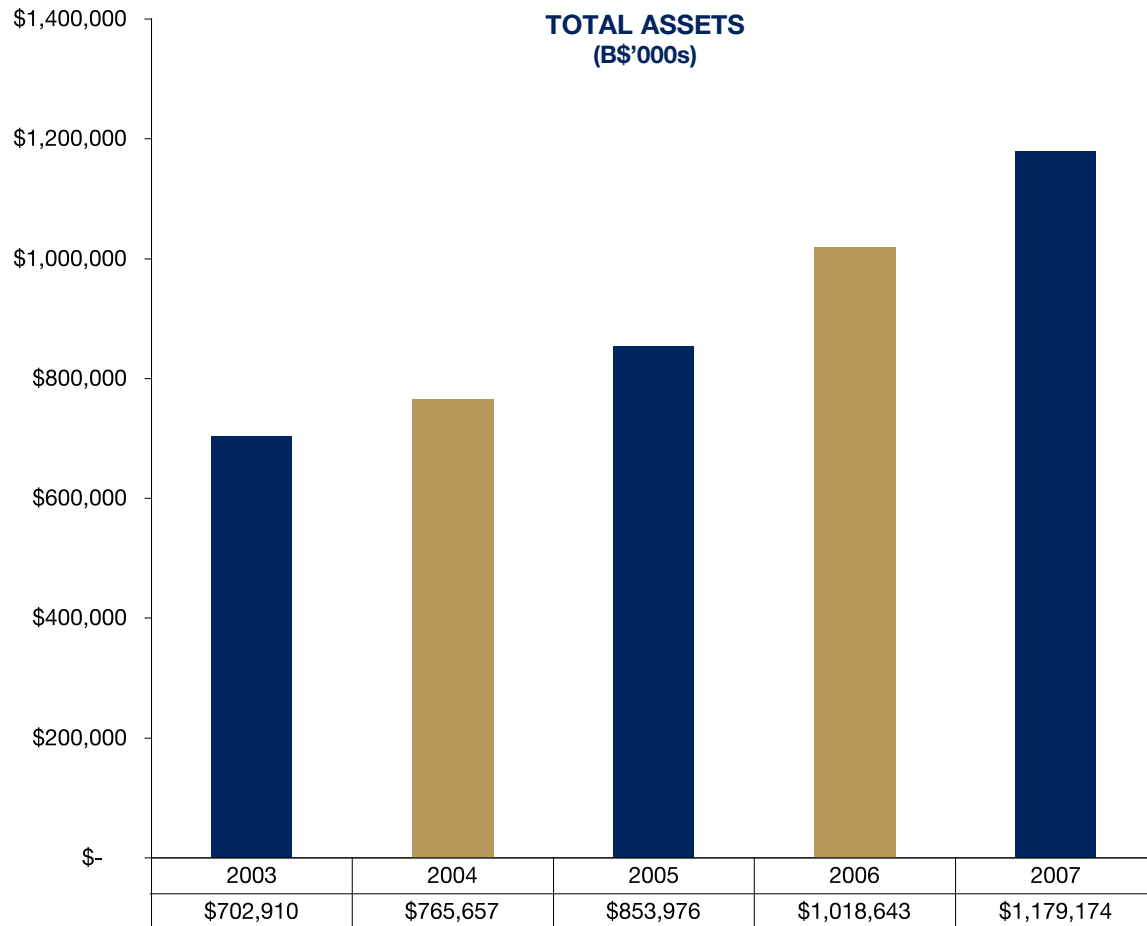
The outlook for 2008 is expected to be challenging. The system-wide pressure on available liquidity is expected to continue. Under this scenario, competition for deposit liabilities will likely continue and historical interest rate margins will come under additional pressure. Another factor that could adversely impact the economy is the continued uncertainty of oil prices.

However, demand for lending products should remain high as a result of current low unemployment rates which have been supported and are expected to continue to be supported by the major infrastructure projects including the redevelopment of Cable Beach and others that are underway or have been identified for development.

Along with internal pressures, external pressures such as the reported deterioration of the U.S. and other international economies alongside the lost tax exemptions in the Bahamas will likely have a negative impact on externally generated asset and revenue growth. Any further material adverse impact on the U.S. and other international economies could also adversely impact projected levels of tourism which when the 2006 and 2007 results are reported are expected to confirm that this important aspect of our economy experienced further decline in 2006 and 2007.

The Bank will continue to closely monitor internal and external dependencies in an effort to direct its marketing and operational thrust to areas that will provide the most value for the efforts expended.

For the year ended December 31, 2007, reported net income was \$48.5 million, an increase of \$9.1 million or 23.0% over (restated) 2006. Net Income Available to Common Shareholders (Net Income Less Preference Share Dividends) increased \$8.2 million or 24.0% to \$42.5 million. Earnings for



2006 were restated due to a change in accounting policy discussed in the next section.

Earnings Per Share was 43 cents per share compared to 35 cents per share in 2006, an increase of 23.7%. Return on Equity was 38.7% compared to 36.7% in 2006. Dividends Paid to shareholders increased 14.7% to 26 cents (2006: 23 cents per share). Total dividends paid represented 60.0% of Net Income Available to Common Shareholders (2006: 23 cents 64.6%).

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are outlined in Note 4 of the Consolidated Financial Statements. Certain of these policies along with estimates made by management in applying these policies are recognized as critical since they require the Bank to make judgments about matters that are inherently uncertain or because of the possibility that significantly different numbers could be reported if different assumptions were applied or different conditions prevailed. Our critical accounting policies and estimates relate to the provision for loan loss, the estimation of fair value, accounting for pension benefits, the actuarial assumptions underlying the life assurance fund and accounting for the deferment of loan fees. These are discussed further in Note 5 of the Consolidated Financial Statements. Our critical accounting policies and estimates are reviewed and approved at least annually by the Audit Committee in consultation with management.

## CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

The Bank has indicated in Note 2, the change in accounting policy adopted in 2007 and in Note 3 of the Consolidated Financial Statements new International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) that have been adopted in this year's Financial Statements, or that will be shortly forthcoming. The goal of the changes in IFRS and IAS is to improve the transparency of reporting to the Bank's stakeholders. In its commitment to be a leader in the governance process the Bank will adopt new IAS and IFRS wherever possible prior to mandatory implementation dates.

## BALANCE SHEET MANAGEMENT

The Bank's risk management structure promotes the making of sound business decisions by balancing risk and reward. As a result, our balance sheet management policies and procedures coupled with our revenue generating activities are consistent with the level of risk the Bank wishes to accept and as prescribed in the corporate policies approved by the Board of Directors. Risk management policies address amongst other factors, Credit Risk, Liquidity Risk and Operational Risk which are measured and monitored through the Bank's governance regime and overall process of control.

Total Assets were \$1,179 million as at December 31, 2007 an increase of 15.8% over the \$1,019 recorded at December 31, 2006, the third year of double digit growth.

Total loans amounted to \$975.2 million in 2007 an increase of \$146.7 million or 17.7% (2006 \$828.5 million an increase of 17.1% over 2005). Deposit growth was \$137.3 million to \$935.7 million or an increase of 17.2% (2006: \$123.5 million an increase of 17.3%). Cash and liquid

assets marginally increased to \$93.5 million in 2007 (2006 \$92.3 million) reflecting the Bank's decision to employ available liquidity in higher yielding assets.

The lending environment in 2007 continued to be very competitive especially in the personal and mortgage lending market. Nevertheless, the Bank was able to sustain its mortgage portfolio with outstanding balances of \$233.5 million and commitments similar to the commitment levels outstanding at December 31, 2006. What was encouraging was the increase in commercial loans which reached \$25.6 million an increase of \$8.3 million or 48.0% (2006: \$17.3 million). The growth of this portfolio was in line with the Chairman's commitment to make additional funds available to support the development and sustainability of the small business community.

Our Credit Card operations were also able to benefit in 2007 from the successful marketing campaign in 2006. At year-end, credit card receivables increased \$2.8 million to \$35.1 million a further increase of 8.7% (December 2006: \$6.1 million increase to \$32.3 million an increase of 23.3%). As in the prior year, our efforts and resources were directed at expanding our point of sale network, acceptance of our MasterCard franchise for multiple purposes and preparing for a major expansion of the Bank's credit card technology framework. In addition, resources were also directed at gaining expanded acceptance of SunCard through focused marketing efforts.

## MANAGEMENT OF CAPITAL RESOURCES

The Bank's total available capital resources continued to expand in 2007 with Shareholder Equity increasing 10.0% to \$200.9 million. The primary source of the increase was the retention of earnings. In 2007, the Bank increased the General Reserve by \$0.5 million to further allow for the potential adverse impact of hurricanes. The increase also came from continuing earnings. The common share dividend payout increased appreciably to \$0.26 per share, an increase of 14.7% over 2006 while the capital appreciation of shares over the year amounted to in excess of 100 percent when considering the impact of the three-for-one share split which occurred in November 2007. Dividend distribution amounted to 60.1% of earnings and reflected the increased earnings of the Bank and the Bank's objective of returning approximately 65% of available earnings to shareholders.

## 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 shareholders' equity, totaled 115.9 million at December 31, 2007 up \$18.2 million or 18.6 percent over 2006.
- Tier 2 Capital, consists mainly of cumulative preference shares and cannot exceed Tier 1 Capital. At December 31, 2007, the Bank had \$85.0 million of Preference Shares, which qualified as Tier 2 Capital.

Tier 1 Capital, which is considered more permanent by stakeholders and is the principal focus of markets and regulators.

As at December 31, 2007 Total Capital was \$200.9 million, an increase of \$47.1 million or 10.0 % over 2006.

The Total Capital Ratio, at 20.6%, at December 31, 2007 is in excess of 2.6 times the minimum capital level required by the existing regulatory requirements.

## CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

The Bank achieved record earning performance in 2007, reflecting continued strong growth of our consumer based business while seeking further integration and expansion of our existing consumer based products and services. The earnings performance in 2007 was the eleventh consecutive year of record earning for the Bank.

Surplus liquidity was available at the beginning of the year which allowed for accelerated credit growth early in the year. Throughout the balance of the year, surplus liquidity levels declined appreciably. This situation contributed to a demand for deposits which resulted in pressure to increase deposit rates and in some cases limited the expansion of credit at historical interest rate spreads. Through effective management of the Bank's liquidity and funding position throughout 2007 and prudential credit allocation, the Bank was able to minimize a certain amount of downside potential of liquidity restraints allowing the loan portfolio to expand in a well controlled manner.

Net Income from continuing operations amounted to \$48.5 million an increase of \$9.1 million or 23.0%. All products and services contributed to the improved performance with the performance further augmented by the Bank's ability to control expense growth and continue to improve overall efficiency levels which in 2007 were 45.8% and the third consecutive year in which overall bank efficiency has improved.

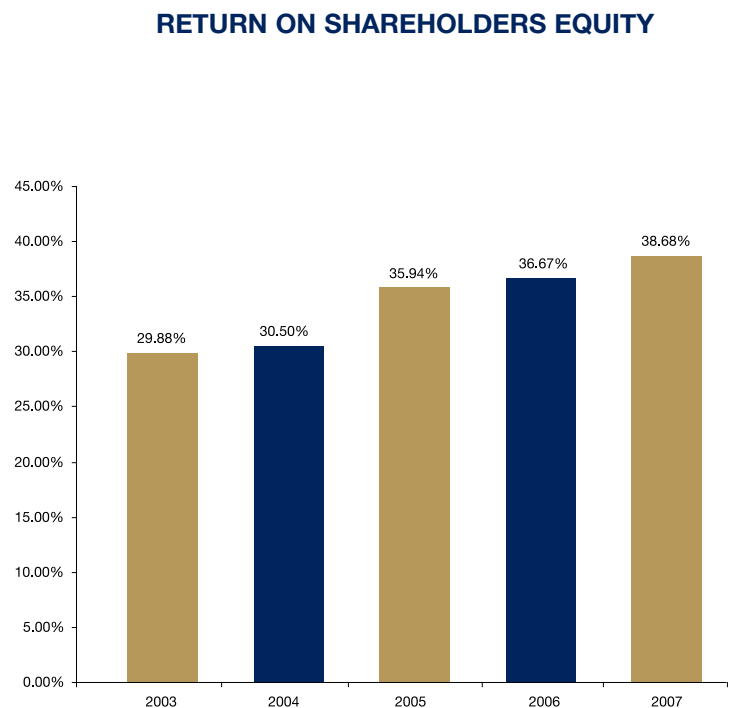
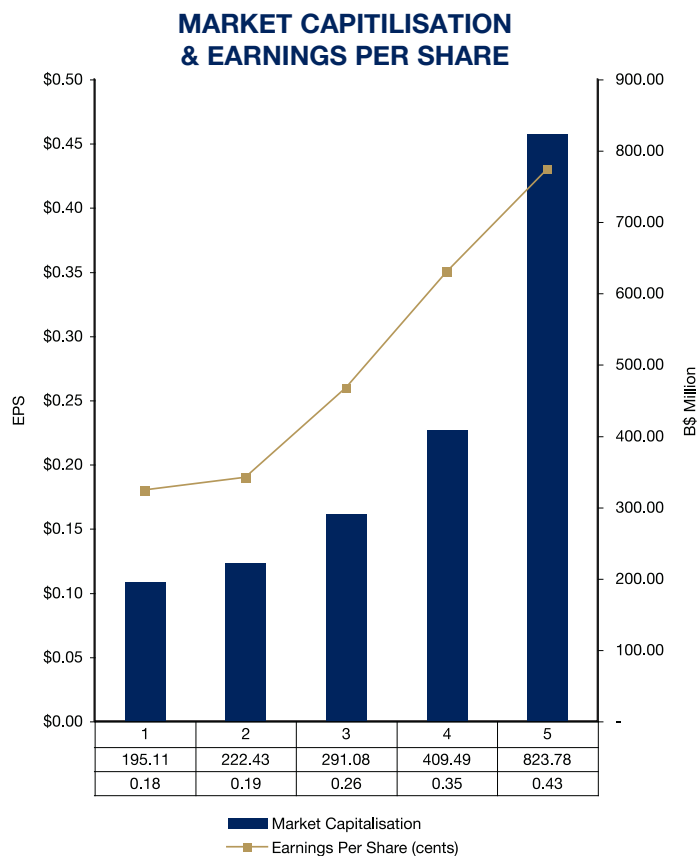
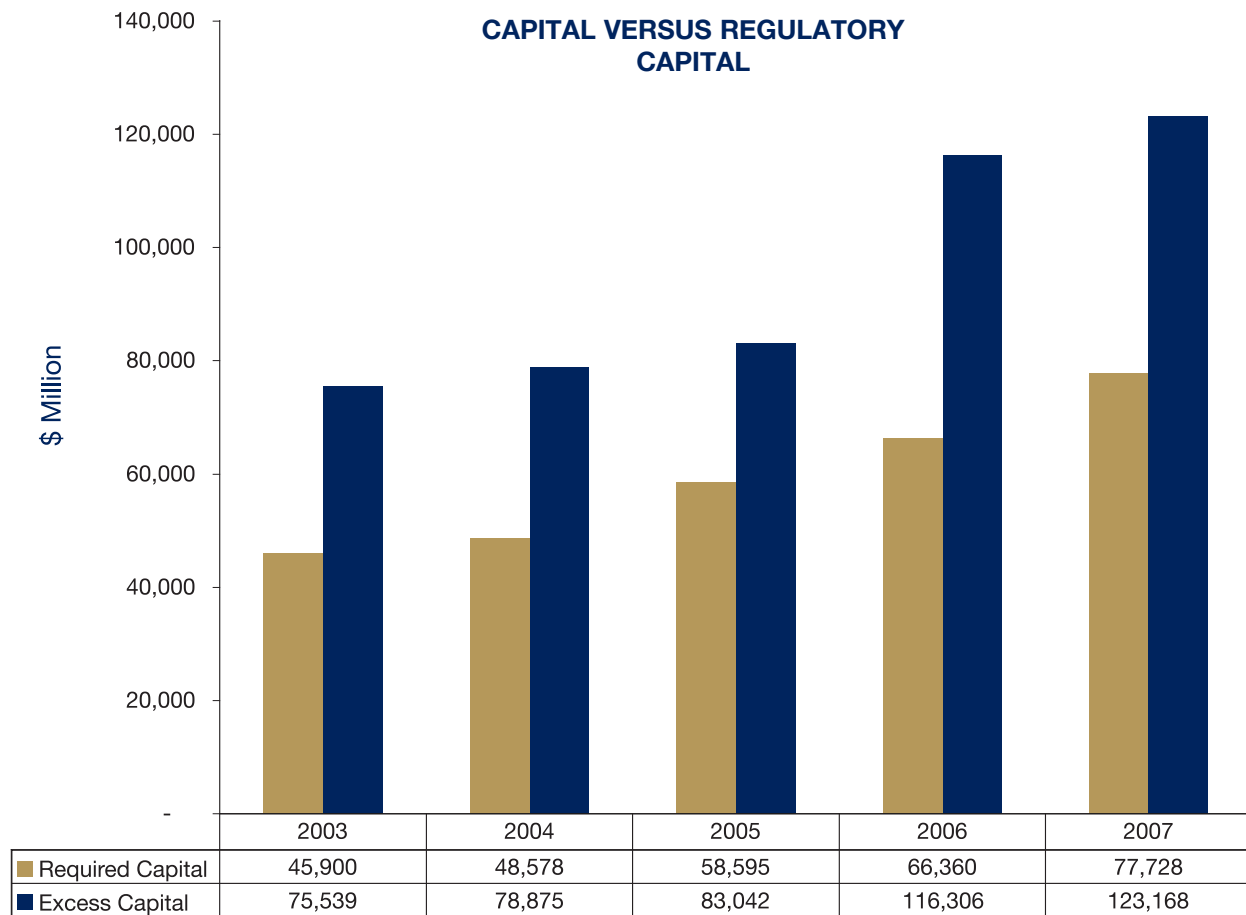
## NET INTEREST INCOME

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 current 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.

Net Interest Income for the year ended December 31, 2007 was \$89.9 million compared to \$79.8 million in 2006, an increase of \$10.1 million or 12.7%. (2006: \$79.8 million an increase of \$11.8 million or 17.4%) Net interest margin declined marginally from 7.3% to 7.1% which reflects positively on the Bank's ability to manage its asset liability profile closely throughout the year while having to operate in an environment of increased deposit costs as a result systemic pressure on available liquidity.

Year-end deposits were \$935.7 million an increase of \$137.3 million or 17.2% over 2006, however, interest expense at \$40.5 million increased by \$8.3 million or 25.8 % percent over 2006. As a result of the demand for deposits, continued pressure on available liquidity plus the ongoing maturity of the deposit portfolio, we expect continued pressure on interest spreads throughout 2008.





## LOAN LOSS PROVISION

Credit quality remains strong. The ratio of net loans written off to average loans has stabilized over the last three years, with 2007 showing an increase to 1% from 0.77% in 2006, the results remain well ahead of those in 2005 which were 1.56%. The total loans written off in 2007 increased to \$14.4 million from \$11.7 million in 2006 and \$14.9 million in 2005. Amounts recovered on written off loans decreased slightly to \$5.4 million from \$5.7 million in 2006 and \$5.0 million in 2005. Recoveries declined as a result of recoveries from the Citibank portfolio falling from \$1.9 million in 2005 to \$1.7 million in 2006 to \$0.9 million in 2007.

Despite the increase in the value of losses, the percentage of net write off to average loans at 1.0% remains historically low, and is noteworthy in that in upholding its commitment to credit quality and following international best practice, the Bank writes off consumer loans at 180 days contractually past due without exception, and has done so since 2005.

The Bank will continue to develop and modify its credit risk rating and scoring models in 2008 and analyze the risk profile of the portfolio quarterly throughout 2008 in order to ensure our credit assessment criteria is directed at maintaining the high quality of the portfolio.

Total impaired loans were stable at 1.49% in 2007 compared to 1.46% at December 2007. The Bank's level of impairment remains appreciably less than the industry at large which was 4.5% at December 2007 (4.2% December 2006).

The Bank's provision for loss was \$20.3 million which represented 140.0% of impaired loans and 2.1% of total loans down from 156.5% and 2.3% respectively for 2006.

Loan loss provision expense in 2007 was \$10.4 million for the year compared to \$11.8 million in 2006, a decrease of \$1.4 million or 11.8%. The increase in loan loss provision as a result of the increase in the portfolio of \$148.3 million was offset by the positive impact of the improved methodology noted above.

The steps and added discipline to managing credit risk we have taken in the last few years has provided a more effective approach to credit risk by the Bank and moved the Bank to the forefront of International Best Practices associated with measuring and monitoring the overall credit quality and ultimately the safety and soundness of the Bank. Enhanced disclosure in note 24 shows the overall quality of the portfolio from different perspectives. The analysis of restructured accounts confirms this approach to credit risk management, the Bank's restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that repayment will probably continue.

## NON-INTEREST INCOME

As noted in the President's Report and outlined in Notes 2, 3 and 4 of the Consolidated Financial Statements, the Bank has amended its accounting policy for the recognition of fee income this year. The most significant impact of this change is in respect to fees relating to loan origination and loan commitment fees. International Accounting Standards outline that... "By applying what is termed the effective rate of interest, an entity

generally amortizes any fee, points paid or received, transaction costs and other premiums or discounts included in the calculation of the effective interest rate over the expected life of the instrument. However, a shorter period is used if this is the period to which the fees, points paid or received, transaction costs, premiums or discounts relates."

In addition "When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts." As a result these fees are reclassified as part of interest income rather than being included as Non-Interest Income. In calculating the effective interest rate, the Bank took into account only the incremental fees outlined in IAS 39 "Financial Instruments: Recognition and Measurement" rather than the more expansive direct costs outlined in IAS 18 "Revenue". This change in accounting policy resulted in the restatement of 2006 earnings, resulting in a decrease in previously reported earnings of \$1 million (2.5%) and 1 cent decrease in earnings per share (2.8%), the deferment of the fees will result in their being taken into income in future years rather than the present year. There is no resulting cash outflow from the Bank from the fee deferment.

## NON-INTEREST INCOME

Non-Interest Income of \$13.8 Million exceeded 2006 by \$1.9 million or 16.0%.

Card products are becoming ever more important to the Bank as MasterCard, Suncard and ComCard all made significant positive contributions to the Bank's profitability in 2007. The Bank plans to continue to leverage its entrenched card products into 2008 and beyond, while at the same time enhancing the services offered. CB Online, our internet banking service, has grown its customer base steadily over the year. This product will form a natural part of this expanded portfolio of advanced technology based products which is being demanded by the marketplace.

Transaction based fee income is a strategically important source of revenue to the Bank as it represents a non capital intensive income stream to build a stronger bank.

## NON-INTEREST EXPENSE

Non-Interest Expense of \$44.7 million increased \$4.2 million or 10.4% compared to \$40.5 million in 2006 which experienced an increase of 7.7% over 2005. The increase in 2007 reflects the additional expenses incurred in the Golden Gates Branch. Control of expenses will continue to be a major focus for the Bank in 2008, since non-interest expense ratios are expected to increase further as the full impact of the Bank's decision to improve teller customer service is realized. The Bank will continue to dedicate resources to improve technology, enhance physical and logical security and develop staff in order to retain its competitive edge and sustain a secure and customer orientated operating environment.

The adjusted efficiency ratio for the twelve months ended December 31, 2007 (calculated

by dividing total Non-Interest Expense by Net Interest Income plus Non-Interest Income less Preference Share Dividends) showed further improvement in 2007. The efficiency ratio for 2007 was 45.8 % compared to 46.7% in 2006. To achieve the levels attained emphasis was again placed on introducing enhanced technology and where possible, continued centralization of operational functions in order to bring additional expertise, concentration and cost containment to repetitive and volume based activities.

Efforts in 2008, will continue to be directed at further assessment of existing policies procedures and work measurement processes in order to provide the level of service required by customers in a cost-effective and increasingly efficient manner. Our objective for 2008, taking into account the factors noted above, is to retain a level of efficiency of less than 50%.

At year-end, the Bank employed a full time equivalent complement of 520. Actual staffing levels for 2007 averaged 495 compared to an average of 467 in 2006.

A significant attribute of the increase in 2007 was associated with the full impact of the Golden Gates Branch and more laterally the decision by the Bank to increase the number of counter staff to ensure that Commonwealth Bank's customers are served in a timely and effective manner. Total staff costs in 2007, increased by \$2.3 million to \$28.9 million or 8.9% .

Depreciation expense decreased marginally to 2.4 million or 4.7% in 2007 over 2006, however, the ongoing investment in the technical and physical infrastructure of the Bank to maintain its position as a leader in personal banking is likely to result in a reversal of this trend in 2007 and the future.

## RISK MANAGEMENT

The Bank's risk management process is a series of fully integrated set of building blocks designed to promote sound business decisions and provide the required balance of risk and reward with the primary element of success being the maximization of shareholder return.

To be successful, a sound risk management process must be evolutionary and flexible enough to address varying market conditions and opportunities. The Bank reviews the critical elements of its risk management process at least annually to ensure the process continues to reflect market conditions and the Bank's current overall risk appetite.

The risk management and process is set out in the Bank's policies, procedures and processes and is confirmed at least annually by the Board of Directors. Amongst other risk elements, the Board of Directors address the specific risk parameters associated with Credit Risk, Liquidity Risk and Operational Risks that are supported by the Bank's overall process of control. The management of these risks is summarized in the Notes to the Consolidated Financial Statements.



# Customer Loyalty



Throughout our history, we have established a strong tradition of being the Bank for Bahamians. It is a tradition anchored by service and support which our customers have come to rely on in order to achieve their financial goals. This Commonwealth Bank tradition promotes leadership, convenience and flexibility in our relationship with our customers who have come to expect trust, personal attention, confidence, commitment, loyalty and support in their banking partner. We thank each of you, our valued customers, for your continuing support of our efforts to build a great business of lasting value.

“Quality in a service or product is not what you put into it.  
It is what the client or customer gets out of it.”

- Peter Drucker



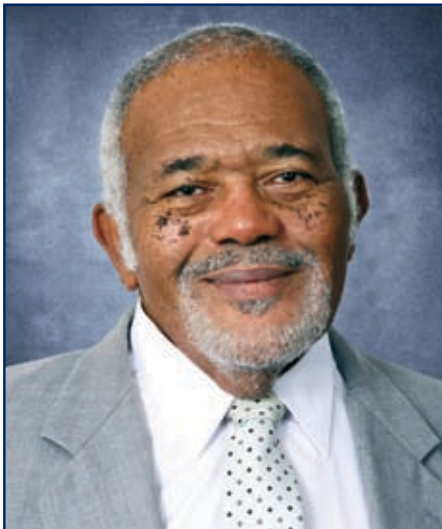
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1. T. BASWELL DONALDSON, CBE, **Chairman**    2. WILLIAM B. SANDS, JR., **President & CEO**    3. EARLA J. BETHEL  
4. FRANKLYN A. BUTLER, OBE    5. G. CLIFFORD CULMER    6. J. BARRIE FARRINGTON, CBE



# Board of Directors



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7. LARRY R. GIBSON    8. VAUGHN W. HIGGS    9. IAN A. JENNINGS, Sr. VP & CFO    10. RUPERT W. ROBERTS, JR., OBE  
11. R. CRAIG SYMONETTE



1. **SHIRLEY CARTWRIGHT**, Sr. VP Credit Risk   2. **CHARLES KNOWLES**, VP Information Technology  
3. **CAROLE STRACHAN**, VP Internal Audit, Credit Inspection & CISO



# Executive Team



4. IAN JENNINGS, Sr. VP & CFO    5. DENISE TURNQUEST, VP Mortgage & Commercial Lending

6. WILLIAM B. SANDS, JR., President & CEO    7. ANTHEA COX, VP Human Resources & Training



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# Branch Managers



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1. MAXWELL JONES, Sr. Manager, Golden Gates Branch
2. J. RUPERT ROBERTS, Sr. Manager, Freeport Branch
3. NEIL STRACHAN, Sr. Manager, Wulff Road Branch
4. FRANKLYN THOMAS, Sr. Manager, Cable Beach Branch
5. DARIA BAIN, Manager, The Plaza Branch
6. LAVADO BUTLER, Manager, East Bay Branch
7. KAYLA DARVILLE, Manager, Mortgage Centre
8. JACQUELYN ESTEVEZ, Manager, Abaco Branch
9. JULIETTE FRASER, Manager Oakes Field Branch
10. JEFFREY KERR, Manager, Town Centre Mall Branch
11. CHARLENE LOW, Manager, Lucaya Branch
12. MONIQUE MASON, Manager, Credit Card Centre



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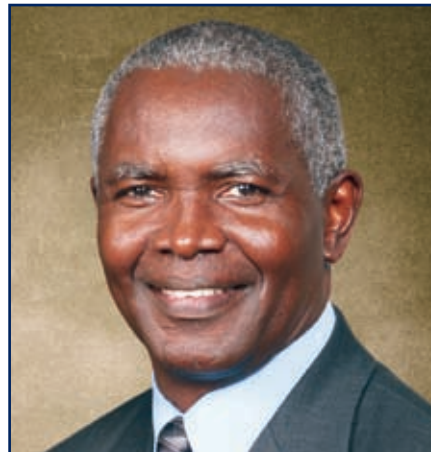
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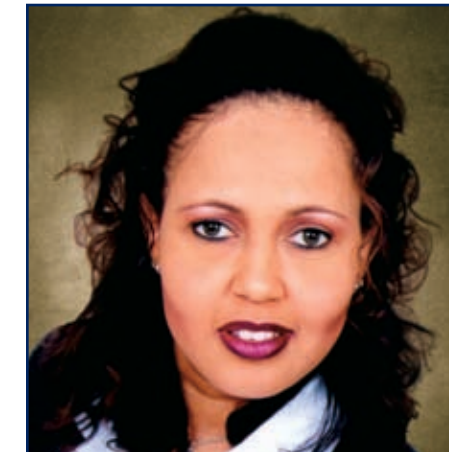
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# AVPs & Department Managers



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1. MAVIS BURROWS, Asst. VP, Operations
2. IAN WILKINSON, Asst. VP, Information Technology
3. PATRICK MCFALL, Asst. VP, Corporate Accounts
4. KENRICK BRATHWAITE, Sr. Manager, Credit Risk
5. SILBERT COOPER, Sr. Manager, Credit Inspection
6. FRIENDERICK DEAN, Sr. Manager, Centralized Collection
7. GLADYS FERNANDER, Sr. Manager, Financial & Business Planning
8. GODWIN BLYDEN, Manger, Security & Administration
9. GINA GREENE, Manager, Marketing & Customer Service
10. ANNE LIGHTBOURN, Manager, Human Resources
11. MARGO ADDERLEY, Manager, Training
12. DEREK MOSS, Manager, Systems Operations & Network
13. ERALED THOMPSON, Manager, Internal Audit
14. FELIPE VEGA, Manager, Information Technology
15. LERNIX WILLIAMS, Manager, Accounts Control



# Management Responsibility

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 Accounting Standards and the requirements of the relevant provisions of the Bank and Trust 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 controls and internal controls over financial reporting. Our process of control includes 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 Bank's 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 presentation and preparation 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, Credit Inspection and CISO have full and free access to the Board of Directors and its committees to discuss audit, financial reporting and related matters.



William B. Sands, Jr.  
President & CEO



Ian A. Jennings  
Sr. VP & CFO

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Commonwealth Bank Limited:

We have audited the accompanying Consolidated Financial Statements of Commonwealth Bank Limited (the "Bank") which comprise the Consolidated Balance Sheet as of December 31, 2007, and the related Consolidated Statements of Income, Changes In Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 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 as to whether the Consolidated Financial Statements are free of 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 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 the Bank as of December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



February 7, 2008

A member firm of  
Deloitte Touche Tohmatsu

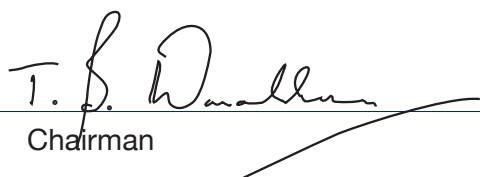
**COMMONWEALTH BANK LIMITED**  
**CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2007**

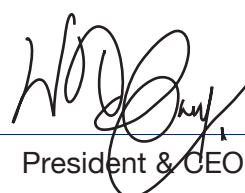
(Expressed in Bahamian \$'000s)

	2007	(Restated) 2006
<b>ASSETS</b>		
Cash and deposits with banks (Note 8)	\$ 20,934	\$ 31,380
Balances with The Central Bank of The Bahamas (Note 8)	72,609	60,915
Investments (Note 9)	98,050	86,057
Loans receivable (Notes 10, 19, 22 and 24)	954,943	809,606
Premises and equipment (Note 11)	30,912	29,669
Other assets	1,726	1,016
<b>TOTAL</b>	<b>\$ 1,179,174</b>	<b>\$ 1,018,643</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
LIABILITIES:		
Deposits (Notes 12, 19 and 22)	\$ 935,730	\$ 798,394
Life assurance fund (Note 13)	16,184	13,353
Other liabilities	26,364	24,230
Total liabilities	978,278	835,977
SHAREHOLDERS' EQUITY:		
Share capital (Note 14)	86,951	86,947
Share premium	27,643	26,429
General reserve (Note 15)	10,500	10,000
Retained earnings	75,802	59,290
Total shareholders' equity	200,896	182,666
<b>TOTAL</b>	<b>\$ 1,179,174</b>	<b>\$ 1,018,643</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 7, 2008, and are signed on its behalf by:

  
Chairman

  
President & CEO



**COMMONWEALTH BANK LIMITED**  
**CONSOLIDATED STATEMENT OF INCOME YEAR ENDED DECEMBER 31, 2007**

(Expressed in Bahamian \$'000s)

	2007	(Restated) 2006
<b>INCOME</b>		
Interest income (Notes 9 and 19)	\$ 130,391	\$ 111,996
Interest expense (Note 19)	(40,517)	(32,194)
Net interest income	89,874	79,802
Loan loss provision (Note 10)	(10,390)	(11,758)
	79,484	68,044
Life assurance, net (Note 13)	3,726	3,534
Fees and other income (Note 17)	10,067	8,356
Total income	93,277	79,934
<b>NON-INTEREST EXPENSE</b>		
General and administrative (Notes 18 and 19)	42,142	37,941
Depreciation and amortization (Note 11)	2,440	2,372
Directors' fees	161	174
Total non-interest expense	44,743	40,487
<b>NET INCOME</b>	<b>48,534</b>	<b>39,447</b>
<b>PREFERENCE SHARE DIVIDENDS</b>	<b>(5,949)</b>	<b>(5,099)</b>
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>\$ 42,585</b>	<b>\$ 34,348</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES (thousands)</b>	<b>98,298</b>	<b>97,749</b>
<b>EARNINGS PER SHARE</b>	<b>\$ 0.43</b>	<b>\$ 0.35</b>

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

**COMMONWEALTH BANK LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED DECEMBER 31, 2007**

(Expressed in Bahamian \$'000s)

	2007	(Restated) 2006
<b>SHARE CAPITAL</b>		
Preference shares (Note 14)		
Balance at beginning of year	\$ 84,983	\$ 60,858
Issuance of Class "C", "H", "I" shares	-	24,125
Balance at end of year	84,983	84,983
Common shares (Note 14)		
Balance at beginning of year	1,964	1,915
Issued	4	49
Balance at end of year	1,968	1,964
Total share capital	86,951	86,947
<b>SHARE PREMIUM</b>		
Balance at beginning of year	26,429	21,725
Issuance of common shares	956	4,996
Stamp tax on share capital increase	-	(300)
Share based payments (Note 16)	258	8
Balance at end of year	27,643	26,429
<b>GENERAL RESERVE</b>		
Balance at beginning of year (Note 15)	10,000	10,000
Transfer from retained earnings (Note 15)	500	-
Balance at end of year	10,500	10,000
<b>RETAINED EARNINGS</b>		
Balance at beginning of year, as previously stated	68,085	54,948
Adjustment for deferred fee income (Note 2)	(8,795)	(7,809)
As restated	59,290	47,139
Net income	48,534	39,447
Transfer to general reserve (Note 15)	(500)	-
Common share dividends: 26.0 cents per share (2006: 22.7 cents)	(25,573)	(22,197)
Preference share dividends	(5,949)	(5,099)
Balance at end of year	75,802	59,290
<b>SHAREHOLDERS' EQUITY AT END OF YEAR</b>	<b>\$ 200,896</b>	<b>\$ 182,666</b>

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

**COMMONWEALTH BANK LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2007**

(Expressed in Bahamian \$'000s)

	2007	(Restated) 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	\$ 119,683	\$ 94,497
Interest payments	(40,517)	(32,194)
Life assurance premiums received, net	10,103	9,473
Life assurance claims and expenses paid	(3,523)	(2,850)
Fees and other income received	10,043	8,300
Recoveries	5,406	5,744
Cash payments to employees and suppliers	(40,878)	(28,032)
	60,317	54,938
Increase in loans receivable	(155,727)	(129,202)
Increase in deposits	137,336	118,063
Net cash from operating activities	41,926	43,799
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(97,257)	(89,573)
Interest receipts and redemption of investments	90,566	82,637
Purchase of premises and equipment (Note 11)	(3,683)	(6,568)
Net cash used in investing activities	(10,374)	(13,504)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(31,522)	(27,296)
Proceeds from common shares issued	960	5,045
Issuance of preference shares	-	24,125
Stamp tax paid on share capital increase	-	(300)
Share based payments (Note 16)	258	8
Net cash (used in) from financing activities	(30,304)	1,582
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	1,248	31,877
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
	92,295	60,418
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 8)</b>		
	\$ 93,543	\$ 92,295

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

## COMMONWEALTH BANK LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

(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 wholly owned) are described in Note 7.

#### 2. CHANGE IN ACCOUNTING POLICY

During the year, the Bank amended its policy on the recognition of fee income. The Bank's new policy is to recognize loan fee income and the related incremental costs as an adjustment to the effective interest rate in compliance with IAS 18 Revenue. In prior years, these fees were recognized on a cash basis. This change in accounting policy has been applied retrospectively. As a result, comparative information has been amended as if the new accounting policy had always been applied.

##### Impact of change in accounting policy

Opening retained earnings as of January 1, 2006 has been reduced by \$7.809 million, which is the amount of the adjustment relating to periods prior to 2006.

	Effect on 2007	Effect on 2006
<b>Balance sheet changes</b>		
Increase in other liabilities	\$ 10,551	\$ 8,795
Decrease in opening retained earnings	\$ 8,795	\$ 7,809
<b>Statement of income changes</b>		
Increase in interest income	\$ 8,518	\$ 7,621
Decrease in fees and other income	\$ 10,991	\$ 9,324
Decrease in general and administrative expenses	\$ 717	\$ 717
Decrease in net income	\$ 1,756	\$ 986
<b>Earnings per share</b>		
Earnings per share as previously reported		\$ 0.36
Earnings per share as restated		\$ 0.35

#### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Bank has adopted IFRS 7 Financial Instruments: Disclosures which is effective for accounting periods commencing January 1, 2007.

The impact of the adoption of this new Standard has been to expand the disclosure provided in these Consolidated Financial Statements regarding the Bank's financial instruments.

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

- The withdrawal of IAS 14 and application of IFRS 8 Operating Segments is effective for accounting periods commencing January 1, 2009.
- The revision of IAS 1 Presentation of Financial Statements is effective for accounting periods commencing January 1, 2009.

The Directors anticipate that the adoption of these Standards will have no material impact on the Bank's Consolidated Financial Statements.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

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

**Principles of consolidation** - The Consolidated Financial Statements include the accounts of the Bank and its wholly-owned subsidiaries made up to December 31, 2007. All intra-group transactions, balances, income and expenses have been eliminated in full on consolidation.

**Basis of preparation** - These 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 (see Note 4b).
- ii. **Fee income** is recorded in the Consolidated Statement of 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 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 recognised as the right to consideration accrues through the provision of the service to the customer.
  - Fees from credit card processing are accrued to the Consolidated Statement of Income 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 Income.
- iv. **Life insurance income** is recognized on the rule of 78 basis over the term of the life policy. The amount taken to income is adjusted by the amount of any surplus or deficit after an annual actuarial valuation.

- b. **Loans receivable** - Loans receivable are carried at the principal amount outstanding, plus accrued interest receivable less provision for loan losses.

A loan is classified as impaired whenever, in management's opinion, there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Whenever principal and/or interest is 90 days contractually past due on a loan it is classified as impaired. When a loan is classified as impaired, all uncollected interest and fees are reversed from income. The amount of interest reversed on impaired loans at December 31, 2007 was \$1.2 million (2006: \$1.0 million).

Payments received on loans that have been classified as impaired are applied first to outstanding interest and then to the remaining principal.

- c. **Loans receivable provision and write-off policy** - The Bank makes provision for bad and doubtful debts by way of a charge to operating expense. The provision is decreased by loans written-off, net of recoveries. The provision reflects the losses inherent in the loan portfolio at the Consolidated Balance Sheet date. There are two types of provision, specific and general, which are discussed below.

**Specific provision** - Specific provisions are made against individual loans and advances where there is no longer reasonable assurance of timely collection of the full amount of principal and interest due to a deterioration in the credit quality of the counter party. For the Bank's portfolio of relatively small homogenous advances such as residential mortgage, personal lending and credit card portfolios, specific provisions are calculated using a formula driven approach. These formulae take into account factors such as the length of time that payments from the customer are overdue, the value of any collateral held and the level of past and expected losses in order to derive an appropriate provision.



For other lending portfolios, specific provisions are calculated on a case by case basis. In establishing an appropriate provision, factors such as the nature and value of any collateral held, the costs associated with obtaining repayment and realization of the collateral, and estimated future cash flows are taken into consideration.

**General provision** - General provisions are made to cover bad and doubtful debts that have not been separately identified at the Consolidated Balance Sheet date, but are known to be present in any loan portfolio. The level of general provision is determined in light of the Bank's past loan loss experience, current economic conditions and other factors affecting the business environment.

The Bank has decided that a general provision for losses on loans receivable should amount to a minimum of 1% of outstanding loan balances that have not been identified as impaired.

Consumer installment and credit card loans are written-off if principal and/or interest payments become 180 days contractually in arrears.

**d. Life assurance fund** - All receipts from the life assurance business of Laurentide Insurance and Mortgage Company Limited ("Laurentide"), are credited to a life assurance fund as required by The 1969 Insurance Act, under which Laurentide is registered. The fund is reduced in respect of expenses of the life assurance business and any surplus disclosed by actuarial valuation.

**e. Foreign currency translation** - Assets and liabilities in other currencies have been translated into Bahamian dollars at the appropriate rates of exchange prevailing as of 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 Income.

**f. 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 expenses 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

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 Income.

**g. Impairment of assets** - At each balance sheet date, the 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 (if any). 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.

**h. Earnings per share** - Earnings per share is computed by dividing the net income, after deducting dividends declared on preference shares, by the weighted average number of common shares outstanding during the year adjusted for the three-for-one share split on November 9, 2007. There is no material difference between basic earnings per share and fully diluted earnings per share.

**i. Retirement benefit costs** - The Bank maintains a defined benefit plan covering all employees in the active employment of the Bank who have at least 3 years of service or have reached the age of 25. The plan 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 plan based on triennial valuations. The Bank pays on demand to the plan such periodic contributions as may be required to meet the costs and expenses of the plan.

Investments held by the pension fund are primarily comprised of equity securities, preference shares, bonds and government stock.

Pension costs for the year are the present value of the current year service cost based on estimated final salaries, interest expense on the liability, expected investment return on the market value of the plan assets and the amortization of both deferred past service costs and deferred actuarial gains and losses. Amortization is charged over the expected average remaining service life of employees covered by the plan. Past service cost is recognized immediately to the extent that the benefits are already vested.

Pension costs are charged to general and administrative expenses.

The retirement benefit obligation recognized in the Consolidated Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

- j. 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 was 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. There were no outstanding vested options at December 31, 2007.

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.

The share based payments expense has been included in staff costs in the general and administrative expenses line of the Consolidated Statement of Income.

- k. Deposits** - Deposits are stated at principal plus accrued interest.
- l. Interest expense** - Interest expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
- m. 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 Income using the effective interest rate method.
- n. Related parties** - Related parties include officers, directors and shareholders with shareholdings in excess of 5% of outstanding common shares, and companies that are controlled by these parties.
- o. 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.
- p. 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 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 profit or loss.

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 cost.

The Bank considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair values.

**q. 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 profit or loss.

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 assets and financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair values.

**r. Leases** - All of the Bank's leases are operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Bank's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the judgments and estimates that management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in the Consolidated Financial Statements.

- a. Provision for credit losses** - The provision for credit losses represents management's estimate of identified credit related losses in the credit portfolios, as well as losses that have not yet been identified at the Consolidated Balance Sheet date. The provision for credit losses is comprised of the specific provision and the general provision. 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.
- 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 arms 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 amounts 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.

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 covering all employees in the active employment of the Bank who have at least 3 years of service or have reached the age of 25. 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.

Actual experience that differs from the actuarial assumptions will affect the amounts of benefit obligation and expense.

- d. Life Assurance Fund** - A surplus on the Life Assurance Fund arising from an actuarial valuation is credited to income. Due to the nature of actuarial valuations which depend on various assumptions such as discount rates, expected rates of return on assets, projected mortality, and policy termination rates, actual experience may differ from the actuarial assumptions.
- 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.

- f. Share based payments** - The fair value of options granted was determined by an independent valuation sponsored by the Bank. The valuation used a Black-Scholes pricing model to determine fair value. The model was based on publicly available historical information and management's estimates and assumptions with regard to future dividend policy, average term of options before exercise and average lapse rate.

The weighted average fair value of options at December 31, 2007 was valued at 56 cents per option and was calculated using the assumptions shown in Note 16.

## 6. FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and financial liabilities as defined by IAS 39 Financial Instruments: Recognition and Measurement:

	2007					
	Loans and Receivables	Held-To- Maturity	Available-For- Sale	Amortised Cost		Total
FINANCIAL ASSETS						
Investments	\$ -	\$ 96,562	\$ 75	\$ -	\$	96,637
Loans receivable	\$ 965,243	\$ -	\$ -	\$ -	\$	965,243



2007						
	Loans and Receivables	Held-To- Maturity	Available-For- Sale	Amortised Cost	Total	
FINANCIAL LIABILITIES						
Deposits	\$ -	\$ -	\$ -	\$ 917,840	\$	917,840
2006						
	Loans and Receivables	Held-To- Maturity	Available-For- Sale	Amortised Cost	Total	
FINANCIAL ASSETS						
Investments	\$ -	\$ 84,790	\$ 75	\$ -	\$	84,865
Loans receivable	\$ 820,076	\$ -	\$ -	\$ -	\$	820,076
FINANCIAL LIABILITIES						
Deposits	\$ -	\$ -	\$ -	\$ 784,185	\$	784,185

At December 31, 2007 there were no assets or liabilities that were classified as FVTPL (2006: \$0).

The following table shows income statement information on financial instruments:

	2007	2006
<b>Interest income</b>		
Loans and Receivables	\$ 124,646	\$ 107,518
Held-To-Maturity Investments	5,302	3,943
Available-For-Sale financial assets	443	535
	\$ 130,391	\$ 111,996
<b>Interest expense</b>		
Financial Liabilities at Amortised Cost	\$ 40,517	\$ 32,194
<b>Fees and other income</b>		
Loans and Receivables	\$ 1,140	\$ 960
<b>Fee expense</b>		
Available-For-Sale financial assets	\$ 157	\$ 155

## 7. BUSINESS SEGMENTS

For management purposes, the Bank including its subsidiaries is organized into two major operating units - Banking and Real Estate. 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 Bank also provides credit life insurance in respect of the Bank's borrowers through Laurentide. For management purposes, Laurentide activities are reported as part of the Bank and therefore are not treated as a separate business segment. The Bank also has a real estate company, C. B. Holding Co. Ltd. that owns and manages real property. The major tenant is the Bank, however there are also several unrelated tenants renting from the company. C.B. Securities Ltd., which was incorporated as an investment company on September 2, 1996, had no activity in the reporting period.

All of the activities of the Bank and its subsidiaries are deemed to be operating within the same geographical area. 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:

	Banking		Real Estate		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Revenue</b>								
External	\$ 93,043	\$ 79,708	\$ 234	\$ 226	\$ -	\$ -	\$ 93,277	\$ 79,934
Internal	663	511	1,457	1,131	(2,120)	(1,642)	-	-
Total Revenue	\$ 93,706	\$ 80,219	\$ 1,691	\$ 1,357	\$ (2,120)	\$ (1,642)	\$ 93,277	\$ 79,934

	Banking		Real Estate		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Net profit</b>								
Segment Net Profit	\$ 48,516	\$ 39,265	\$ 18	\$ 182	\$ -	\$ -	\$ 48,534	\$ 39,447
<b>Assets</b>								
	\$ 1,166,021	\$ 1,006,567	\$ 13,337	\$ 12,570	\$ (184)	\$ (494)	\$ 1,179,174	\$ 1,018,643
<b>Liabilities</b>								
	\$ 978,198	\$ 835,902	\$ 12,207	\$ 11,458	\$ (12,127)	\$ (11,383)	\$ 978,278	\$ 835,977
<b>Other Information</b>								
Capital Additions	\$ 2,435	\$ 2,318	\$ 1,195	\$ 4,250	\$ -	\$ -	\$ 3,630	\$ 6,568
Depreciation	\$ 2,189	\$ 2,221	\$ 251	\$ 151	\$ -	\$ -	\$ 2,440	\$ 2,372

2006 results have been restated to conform to the new policy of recognising loan fee income (see Note 2).

## 8. CASH AND CASH EQUIVALENTS

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:

	2007	2006
Cash and deposits with banks	\$ 20,934	\$ 31,380
Balances with The Central Bank of The Bahamas	72,609	60,915
Total cash and cash equivalents	\$ 93,543	\$ 92,295

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, 2007, this reserve requirement was \$35.8 million (2006: \$30.7 million).

## 9. INVESTMENTS

Investments are as follows:

		Term to Maturity						2007		2006	
		Within 12 months		Over 12 to 60 months		Over 60 months		Total		Total	
		\$	Yield %	\$	Yield %	\$	Yield %	\$	Yield %	\$	Yield %
Bahamas Government											
Treasury Bills	14,897	2.779%	-	-	-	-	14,897	2.779%	9,954	1.839%	
Bahamas Government											
Registered Stock	-	-	7,335	7.833%	71,097	5.955%	78,432	6.131%	71,604	6.052%	
Bridge Authority	-	-	-	-	233	7.125%	233	7.125%	233	7.125%	
Clifton Heritage	-	-	-	-	2,009	6.088%	2,009	6.088%	2,009	6.088%	
United States											
Government Stock	-	-	-	-	991	7.066%	991	7.066%	990	6.990%	
Other equity	-	-	-	-	75	-	75	-	75	-	
	14,897	2.779%	7,335	7.833%	74,405	5.971%	96,637	5.620%	84,865	5.613%	
Accrued interest											
Receivable	-	-	-	-	-	-	1,413	-	1,192	-	
Total Investment											
Securities	14,897	2.779%	7,335	7.833%	74,405	5.971%	98,050	5.620%	86,057	5.613%	

Income from investments is included in the Consolidated Statement of Income as follows:

	2007	2006
Interest income	\$ 5,302	\$ 3,943

## 10. LOANS RECEIVABLE

Loans receivable is as follows:

	2007	2006
Residential mortgage	\$ 233,494	\$ 196,795
Business	35,222	23,405
Personal	661,461	567,588
Credit card	35,066	32,288
	965,243	820,076
Accrued interest receivable	9,999	8,471
	975,242	828,547
Less provision for losses	20,299	18,941
	\$ 954,943	\$ 809,606

Provision for losses is as follows:

	2007				
	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Credit Losses	Balance at End of Year
Residential mortgage	\$ 3,635	\$ (111)	\$ -	\$ 131	\$ 3,655
Business	677	(21)	-	(60)	596
Personal	13,405	(13,275)	4,877	10,257	15,264
Credit card	1,224	(1,031)	529	62	784
Total provision for losses	\$ 18,941	\$ (14,438)	\$ 5,406	\$ 10,390	\$ 20,299
Specific provision	\$ 6,015	\$ (14,438)	\$ 5,406	\$ 9,802	\$ 6,785
General provision	12,926	-	-	588	13,514
Total	\$ 18,941	\$ (14,438)	\$ 5,406	\$ 10,390	\$ 20,299

	2006				
	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Credit Losses	Balance at End of Year
Residential mortgage	\$ 3,463	\$ (111)	\$ -	\$ 283	\$ 3,635
Business	582	(18)	-	113	677
Personal	8,226	(10,849)	5,479	10,549	13,405
Credit card	881	(735)	265	813	1,224
Total provision for losses	\$ 13,152	\$ (11,713)	\$ 5,744	\$ 11,758	\$ 18,941
Specific provision	\$ 3,316	\$ (11,713)	\$ 5,744	\$ 8,668	\$ 6,015
General provision	9,836	-	-	3,090	12,926
Total	\$ 13,152	\$ (11,713)	\$ 5,744	\$ 11,758	\$ 18,941

The general provision for losses on loans receivable that have not been identified as impaired is 1.41% (2006: 1.58%) of the non-impaired loans receivable.

Impaired loans receivable is as follows:

	2007		
	Gross Impaired	Specific Allowance	Net Impaired
Residential mortgage	\$ 4,856	\$ 1,400	\$ 3,456
Business	666	236	430
Personal	7,994	4,813	3,181
Credit card	978	336	642
	\$ 14,494	\$ 6,785	\$ 7,709
Percentage of loan portfolio	1.49%		
Percentage of total assets	1.23%		

		2006	
	Gross Impaired	Specific Allowance	Net Impaired
Residential mortgage	\$ 3,883	\$ 1,037	\$ 2,846
Business	1,060	448	612
Personal	6,261	3,952	2,309
Credit card	897	578	319
	\$ 12,101	\$ 6,015	\$ 6,086
Percentage of loan portfolio	1.46%		
Percentage of total assets	1.19%		

## 11. PREMISES AND EQUIPMENT

The movement of premises and equipment is as follows:

	Land	Buildings	Leasehold Improvements	Furniture, Fittings and Equipment	Total
<b>Cost</b>					
December 31, 2005	\$ 6,004	\$ 17,776	\$ 3,640	\$ 19,639	\$ 47,059
Additions	1,096	3,096	194	2,182	6,568
Disposals	-	-	-	-	-
December 31, 2006	\$ 7,100	\$ 20,872	\$ 3,834	\$ 21,821	\$ 53,627
Additions	185	1,164	26	2,308	3,683
Disposals	-	-	-	(387)	(387)
December 31, 2007	7,285	22,036	3,860	23,742	56,923
<b>Accumulated Depreciation and Amortization</b>					
December 31, 2005	-	3,454	3,154	14,978	21,586
Charge for the year	-	479	142	1,751	2,372
Disposals	-	-	-	-	-
December 31, 2006	-	3,933	3,296	16,729	23,958
Charge for the year	-	580	144	1,716	2,440
Disposals	-	-	-	(387)	(387)
December 31, 2007	-	4,513	3,440	18,058	26,011
<b>Net Book Value</b>					
December 31, 2007	\$ 7,285	\$ 17,523	\$ 420	\$ 5,684	\$ 30,912
December 31, 2006	\$ 7,100	\$ 16,939	\$ 538	\$ 5,092	\$ 29,669

Depreciation and amortization expense is as follows:

	2007	2006
Buildings	\$ 580	\$ 479
Leasehold improvements	144	142
Furniture, fittings and equipment	1,716	1,751
	\$ 2,440	\$ 2,372

## 12. DEPOSITS

The composition of deposits is as follows:

	2007	2006
Demand deposits	\$ 61,230	\$ 60,119
Savings accounts	98,057	90,869
Certificates of deposit	758,553	633,197
	917,840	784,185
Accrued interest payable	17,890	14,209
	\$ 935,730	\$ 798,394



### 13. LIFE ASSURANCE FUND

An actuarial valuation of the Life Assurance Fund was conducted as of December 31, 2007. The valuation was based on the greater of the total of unearned premiums and the actuarial reserve which includes provision for mortality, surrender, expenses and adverse deviations. As a consequence, \$3.726 million (2006: \$3.534 million) being premiums distributable otherwise than to policyholders, was credited to income during the year. Assets of Laurentide representing the Life Assurance Fund are maintained as a separate account with the Bank.

Actuarial Assumption Sensitivities:

The value of the Life Assurance Fund is not affected by a 10% change in the actuarial assumptions for mortality rates, policy lapse rates and the rate of return on fund assets since the total of unearned premiums exceeds the resulting adjusted actuarial reserve total.

### 14. SHARE CAPITAL

Share capital is as follows:

#### Preference Shares:

Preference Shares	Rates		Rates		Rates	
	2007	2006	2007	2006	2007	2006
	Beginning of Year		Rate Changes		End of Year	
Class A	7.0%	7.0%	-	-	7.0%	7.0%
Class B	7.0%	7.0%	-	-	7.0%	7.0%
Class C	7.0%	7.0%	-	-	7.0%	7.0%
Class D	7.0%	7.0%	-	-	7.0%	7.0%
Class E	7.0%	7.0%	-	-	7.0%	7.0%
Class F	7.0%	7.0%	-	-	7.0%	7.0%
Class G	7.0%	7.0%	-	-	7.0%	7.0%
Class H	7.0%	7.0%	-	-	7.0%	7.0%
Class I	7.0%	7.0%	-	-	7.0%	7.0%
Class J	7.0%	-	-	7.0%	7.0%	7.0%
Class K	7.0%	-	-	7.0%	7.0%	7.0%
Class L	7.0%	-	-	7.0%	7.0%	7.0%
Class M	7.0%	-	-	7.0%	7.0%	7.0%
Class N	7.0%	-	-	7.0%	7.0%	7.0%

B\$ 000's		Beginning of Year		Increase		End of Year	
		2007	2006	2007	2006	2007	2006
Authorized	Par \$						
Class A	500	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ 15,000	\$ 15,000
Class B	500	5,000	5,000	-	-	5,000	5,000
Class C	100	5,000	5,000	-	-	5,000	5,000
Class D	100	10,000	10,000	-	-	10,000	10,000
Class E	100	10,000	10,000	-	-	10,000	10,000
Class F	100	10,000	10,000	-	-	10,000	10,000
Class G	100	10,000	10,000	-	-	10,000	10,000
Class H	100	10,000	10,000	-	-	10,000	10,000
Class I	100	10,000	10,000	-	-	10,000	10,000
Class J	100	10,000	-	-	10,000	10,000	10,000
Class K	100	10,000	-	-	10,000	10,000	10,000
Class L	100	10,000	-	-	10,000	10,000	10,000
Class M	100	10,000	-	-	10,000	10,000	10,000
Class N	100	10,000	-	-	10,000	10,000	10,000
		\$ 135,000	\$ 85,000	\$ -	\$ 50,000	\$ 135,000	\$ 135,000

B\$ 000's	Beginning of Year		Issued		End of Year	
	2007	2006	2007	2006	2007	2006
<b>Outstanding</b>						
Class A	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ 15,000	\$ 15,000
Class B	4,985	4,985	-	-	4,985	4,985
Class C	5,000	-	-	5,000	5,000	5,000
Class D	10,000	10,000	-	-	10,000	10,000
Class E	9,999	9,999	-	-	9,999	9,999
Class F	9,999	9,999	-	-	9,999	9,999
Class G	10,000	10,000	-	-	10,000	10,000
Class H	10,000	875	-	9,125	10,000	10,000
Class I	10,000	-	-	10,000	10,000	10,000
Class J	-	-	-	-	-	-
Class K	-	-	-	-	-	-
Class L	-	-	-	-	-	-
Class M	-	-	-	-	-	-
Class N	-	-	-	-	-	-
	\$ 84,983	\$ 60,858	\$ -	\$ 24,125	\$ 84,983	\$ 84,983

All classes of Preference Shares are cumulative, non-voting and redeemable at the discretion of the Board. Dividend rates are variable with Bahamian Prime Rate. At December 31, 2007, Prime Rate was 5.5% (2006: 5.5%).

#### Common Shares:

	B\$0.02 (2006 B\$0.06) each	
	Number 000's	B\$ 000's
<b>Authorized:</b>		
December 31, 2005 and 2006	75,000	\$ 13,500
Share split of 3 new ordinary shares for each ordinary share	150,000	-
December 31, 2007	225,000	\$ 13,500
<b>Issued and outstanding:</b>		
December 31, 2005	31,916	1,915
Issuance of new shares	817	49
December 31, 2006	32,733	1,964
Issuance of new shares	67	4
Issuance of new shares - share split	65,599	-
December 31, 2007	98,399	\$ 1,968

On October 17, 2007, the shareholders approved a three-for-one split effective November 9, 2007.

On January 16, 2008, the Bank declared a dividend of \$0.06 cents per common share payable on April 30, 2008.

## 15. GENERAL RESERVE

The general reserve is non-distributable and was created with a \$10 million allocation from retained earnings in 2003 to allow the Bank to address unusual issues or distress situations should they occur. In 2007, the Bank increased the General Reserve by \$0.5 million to further allow for the potential impact of hurricanes.

## 16. EMPLOYEE SHARE BASED PAYMENT PLANS

### Stock Option Plan:

On May 16, 2007, the shareholders approved an employee stock option plan (“the Plan”) of 2 million shares for designated officers and management staff. This Plan replaced the previous stock option plan which expired on April 30, 2006. 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:

- Options will be granted annually to participants at the prevailing market price on the date of the grant.
- Options vest on a straight-line basis over a three year period.
- Vested options expire one year after the date of vesting.
- Options may only be exercised while in the employment of the Bank or subsidiary or affiliated companies unless otherwise approved by the Board.
- Exercised options are subject to a six month restriction period before they can be transferred by the participant.
- Unless otherwise terminated by the Board, the Plan shall continue until the pool of common shares has been exhausted.

### 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. In 2007, the expiry date for purchase under the plan was October 31, 2007. Employees may purchase shares having a value not exceeding 15% of their salary at the time of the grant. Shares so purchased vest immediately but are released to the employee on payment for the shares. Pursuant to the plan, the Bank issued 32,078 shares in 2007 (2006: 7,712). These shares had the right to participate in the share split.

The following tables summarize the Stock Option Plans:

### New Stock Option Plan

	2007	
	Nominal Value \$0.02 Number of Stock Options	Weighted Average Exercise Price
Outstanding at beginning of year	-	-
Granted (after share split)	936	4.77
Expired or forfeited	-	-
Exercised	-	-
Outstanding at end of year	936	4.77
Of which vested at the end of the year	-	-
Options available to be granted at end of year	5,064	
Outstanding Stock Options as a percentage of outstanding shares	0.95%	
Expected Dividend Yield	1.79%	
Expected Share Price Volatility	10.0%	
Risk Free Rate of Return	5.75%	
Weighted Average Expected Period Until Exercise (in years)	3	

	Nominal Value \$0.06 Number of Stock Options	Weighted Average Exercise Price
Outstanding at beginning of year	921	6.14
Granted	-	-
Expired or forfeited	(117)	6.37
Exercised	(804)	6.11
Outstanding at end of year	-	-
Of which vested at the end of the year	-	-
Options available to be granted at end of year	-	
Outstanding Stock Options as a percentage of outstanding shares	0.00%	

The Bank recognized total expenses of \$258 thousand (2006: \$8 thousand) related to these equity settled share based payment transactions during the year.

## 17. FEES AND OTHER INCOME

Fees and other income is as follows:

		2007	(Restated) 2006
Fees and commissions	\$	2,247	\$ 1,824
Service charges		3,515	2,893
Card service revenue		1,176	1,124
Net foreign exchange revenue and other income		3,129	2,515
	\$	10,067	\$ 8,356

## 18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses is as follows:

		2007	(Restated) 2006
Staff costs	\$	28,881	\$ 26,516
Other		13,261	11,425
	\$	42,142	\$ 37,941

Staff costs include pension costs of \$1.46 million (2006: \$1.29 million) (see Note 20).

## 19. RELATED PARTIES' BALANCES AND TRANSACTIONS

Related parties' balances and transactions are as follows:

		2007	2006
Loans receivable	\$	10,985	\$ 8,643
Deposits	\$	76,858	\$ 67,681
Loans guaranteed by related parties	\$	417	\$ 423
Interest income	\$	604	\$ 490
Interest expense	\$	5,378	\$ 4,421
Rental expense	\$	304	\$ 295
General expenses	\$	584	\$ 439
Commitments under revolving credit lines	\$	4,288	\$ 4,502

Rental commitments to related parties are as follows:

Year	B\$
2008	304
2009	304
2010	152
2011	127

### 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 Income is as follows:

	2007	2006
Short term benefits	\$ 5,218	\$ 4,595
Post employment benefits	\$ 276	\$ 219
Share based payments	\$ 119	\$ -

## 20. BANK PENSION SCHEME

The following tables present information related to the Bank's Defined Benefit Pension Plan, including amounts recorded on the Consolidated Balance Sheet and the components of net periodic benefit cost:

	2007	2006
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	\$ 28,145	\$ 23,711
Actual return on plan assets	8,972	3,443
Company contributions	1,389	1,253
Participant contributions	810	753
Benefits paid	(190)	(273)
Withdrawals from plan	(364)	(742)
Fair value of plan assets at end of year	\$ 38,762	\$ 28,145
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 27,655	\$ 22,544
Employer service cost	1,496	1,233
Participant contributions	810	753
Interest cost	1,773	1,570
Benefits paid	(554)	(1,015)
Actuarial gain on obligation	-	2,570
Benefit obligation at end of year	\$ 31,180	\$ 27,655
Reconciliation of funded status:		
Present value of plan assets in excess of obligations	\$ 7,582	\$ 490
Unrecognized actuarial gain	(7,752)	(590)
Balance at end of year	\$ (170)	\$ (100)
Components of pension benefit expense:		
Current employer service costs	\$ 1,496	\$ 1,233
Interest cost	1,773	1,570
Expected return on plan assets	(1,810)	(1,513)
Pension benefit expense included in staff costs	\$ 1,459	\$ 1,290



	2007		2006	
Movement in accrued pension liability recognized in the Consolidated Balance Sheet:				
Balance at beginning of year	\$	(100)	\$	(63)
Expense as above		(1,459)		(1,290)
Contributions paid		1,389		1,253
Balance at end of year	\$	(170)	\$	(100)
Actual return on plan assets:				
Expected return on plan assets	\$	1,810	\$	1,513
Actuarial loss on plan assets		7,162		1,930
Actual return on plan assets	\$	8,972	\$	3,443
Assumptions at beginning of year:				
Discount rate		6.00%		6.25%
Long term rate of return on plan assets		6.25%		6.25%
Rate of increase in future compensation		4.50%		4.50%
Assumptions at end of year:				
Discount rate		6.00%		6.25%
Long term rate of return on plan assets		6.25%		6.25%
Rate of increase in future compensation		4.50%		4.50%

#### 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 Return on Plan Assets	
Benefit obligation	\$	1,710	\$	890	\$	-
Pension benefits expense	\$	250	\$	140	\$	100

The Bank administers its own pension fund. The pension fund owns 1,461,351 (2006: 1,461,351) common shares and \$3.58 million (2006: \$3.58 million) preference shares of the Bank. These shares have a market value of \$15.9 million (2006: \$9.7 million) which represents 41% (2006: 34%) of the pension fund's assets.

The major categories of plan assets and the expected rate of return at December 31, 2007 for each category are as follows:

	Expected Return		Fair Value of Plan Assets	
	2007	2006	2007	2006
Balance at Banks	3.75%	3.75%	\$ 3,621	\$ 1,583
Equity Instruments	8.10%	8.25%	17,479	10,256
Government Bonds	5.63%	5.63%	11,170	9,670
Preferred Equity	7.00%	7.00%	6,283	6,283
Other Assets	0.00%	0.00%	208	353
Weighted Average Expected Return	6.75%	6.75%	\$ 38,761	\$ 28,145

The overall expected rate of return for 2007 is the weighted average of the expected future returns of the various categories of plan assets as shown above, less a provision for expenses paid from the pension fund. The expected future returns for each category are reviewed periodically and may be changed in future years to reflect developments in financial markets.

The Bank expects that in 2008 the amount recognized in the Income Statement in respect of the pension plan will be \$0.9 million.

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

	<b>2007</b>		<b>2006</b>	
Deposits	\$	2,820	\$	1,320
Interest expense	\$	87	\$	33

## 21. MATURITY OF ASSETS AND LIABILITIES

The maturity of assets and liabilities are as follows:

	2007		2006	
ASSETS				
On demand	\$	94,021	\$	86,245
3 months or less		34,642		89,127
Over 3 months through 6 months		11,115		5,699
Over 6 months through 12 months		16,809		16,417
Over 12 months through 24 months		41,463		39,029
Over 24 months through 5 years		281,937		250,471
Over 5 years		699,187		531,656
	\$	1,179,174	\$	1,018,644

				(Restated)
		2007		2006
LIABILITIES				
On demand	\$	73,642	\$	65,585
3 months or less		299,581		269,140
Over 3 months through 6 months		110,076		101,469
Over 6 months through 12 months		186,352		171,641
Over 12 months through 24 months		117,833		63,598
Over 24 months through 5 years		173,435		147,844
Over 5 years		17,359		16,700
	\$	978,278	\$	835,977

## 22. CONCENTRATION OF LOANS RECEIVABLE AND LIABILITIES

The concentration of loans receivable and liabilities are as follows:

	<b>2007</b>		<b>(Restated) 2006</b>	
	<b>\$ 000's</b>	<b>Number of Accounts</b>	<b>\$ 000's</b>	<b>Number of Accounts</b>
<b>Loans receivable:</b>				
Under \$50,000	\$ 681,852	65,653	\$ 585,819	56,451
\$50,001 - \$100,000	84,802	1,280	79,248	1,192
\$100,001 - \$150,000	60,434	490	53,280	433
\$150,001 - \$300,000	86,790	439	65,665	334
\$300,001 - \$500,000	26,363	71	19,078	51
\$500,001 - \$1,000,000	18,581	27	9,121	14
\$1,000,001 and over	6,421	4	7,865	5
Provision	(20,299)	-	(18,941)	-
Accrued interest receivable	9,999	-	8,471	-
	\$ 954,943	67,964	\$ 809,606	58,480

	2007		(Restated) 2006	
	\$ 000's	Number of Accounts	\$ 000's	Number of Accounts
<b>Liabilities:</b>				
Under \$50,000	\$ 167,886	56,392	\$ 154,945	52,892
\$50,001 - \$100,000	69,195	957	64,484	888
\$100,001 - \$150,000	54,613	453	47,251	394
\$150,001 - \$300,000	84,737	392	76,665	356
\$300,001 - \$500,000	64,480	162	57,735	145
\$500,001 - \$1,000,000	135,286	177	124,449	166
\$1,000,001 and over	341,643	163	258,656	113
Accrued interest payable	17,890	-	14,209	-
Life assurance fund	16,184	-	13,353	-
Other liabilities	26,364	-	24,230	-
	\$ 978,278	58,696	\$ 835,977	54,954

## 23. COMMITMENTS AND CONTINGENCIES

- a. In the ordinary course of business, the Bank had commitments as of December 31, 2007, as follows:

	2007	2006
Mortgage commitments	\$ 22,235	\$ 23,505
Revolving credit lines	31,016	27,039
Standby letters of credit	1,724	1,607
Capital expenditures contracted	348	205
Capital expenditure approved but not yet contracted	850	1,400
	\$ 56,173	\$ 53,756

**Revolving credit lines** - are undrawn lending facilities that have been approved by the Bank to meet the requirements of customers. They are revocable at the Bank's discretion. The amount shown represents the maximum amount of additional credit that the Bank could be obligated to extend. In practice many of these commitments will remain undrawn and the amount is not indicative of future cash requirements.

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

- b. The Bank is obligated under non-cancelable leases on property, all of which are operating leases, expiring no later than 2012, and on maintenance contracts for computer equipment and software expiring no later than 2012 on which the minimum annual rentals are approximately as follows:

Year	Minimum Rental Commitments	
	Leases	Computer Equipment and Software
	B\$	B\$
2008	467	279
2009	450	222
2010	248	200
2011	180	200
2012	-	133

- 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 Stock in the amount of US\$991 thousand as disclosed in Note 9.

- d. The Bank has a line of credit with Bank of Butterfield. The credit line is unsecured and is in the amount of US\$10 million.
- e. The Bank has a standby letter of credit with Citibank N.A. for US\$1 million, which was established to secure settlement transactions with MasterCard. This standby credit line is secured by a time deposit of B\$1 million, which is included in Cash and Deposits with Banks in the Consolidated Balance Sheet.

## 24. RISK MANAGEMENT

- a. **Capital management** - The Bank manages its capital to ensure that it has a strong capital base to support the development of its business. The capital maintained exceeds regulatory capital requirements. The Bank maximizes the return to shareholders through optimization of its debt and equity balance. The Bank's risk management structure promotes making sound business decisions by balancing risk and reward. It promotes revenue generating activities that are consistent with the Bank's risk appetite, Bank's policies and the maximization of shareholder return.

The capital structure of the Bank consists of preference shares and equity attributable to the common equity holders of the Bank, comprising issued capital, general reserves, share premium and retained earnings as disclosed in Notes 14 and 15. The Board's 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.

The Bank's strategy is unchanged from 2006.

- b. **Interest rate risk** - Interest rate risk is the potential for a negative impact on the Consolidated Balance Sheet and/or Consolidated Income Statement 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 maturities or 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 of December 31, 2007, 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 \$1 million.

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 \$1 million.

As of December 31, 2007	Maturity or repricing date of interest sensitive instruments					Non interest rate sensitive	Total
	Within 3 Months	3 - 6 months	6-12 months	1 - 5 Years	Over 5 years		
Assets							
Cash equivalents	\$ 727	\$ -	\$ 333	\$ -	\$ -	\$ 92,483	\$ 93,543
	2.00%	-	2.25%	-	-	-	2.08%
Investments	87,708	-	-	2,026	8,241	75	98,050
	4.96%	-	0.00%	7.00%	8.63%	-	5.62%
Loans receivable	51,343	266,390	4,883	286,489	345,839	-	954,943
	14.76%	8.49%	15.31%	14.65%	13.86%	-	12.66%
Premises and equipment	-	-	-	-	-	30,912	30,912
Other assets	-	-	-	-	-	1,726	1,726
TOTAL	\$ 139,778	\$ 266,390	\$ 5,216	\$ 288,515	\$ 354,080	\$ 125,196	\$ 1,179,174

As of December 31, 2007	Maturity or repricing date of interest sensitive instruments					Non interest rate sensitive	Total
	Within 3 Months	3 - 6 months	6-12 months	1 - 5 Years	Over 5 years		
<b>Liabilities and shareholders' equity</b>							
Deposits	\$ 346,787	\$ 110,076	\$186,352	\$ 275,084	\$ 17,431	\$ -	\$ 935,730
	3.46%	4.88%	5.45%	6.18%	6.91%	-	4.89%
Other liabilities	-	-	-	-	-	42,548	42,548
Preference shares	84,983	-	-	-	-	-	84,983
	7.00%	-	-	-	0.00%	-	7.00%
Other equity	-	-	-	-	-	115,913	115,913
TOTAL	\$ 431,770	\$ 110,076	\$186,352	\$ 275,084	\$ 17,431	\$ 158,461	\$ 1,179,174
INTEREST RATE SENSITIVITY GAP	(291,992)	156,314	(181,136)	13,431	336,649	(33,265)	0
CUMULATIVE INTEREST RATE							
SENSITIVITY GAP	(291,992)	(135,678)	(316,815)	(303,384)	33,265	0	0
COMPARATIVE 2006	(271,309)	(144,174)	(306,821)	(245,264)	28,211	(0)	(0)
Average Yield - Earning Assets	8.54%	8.49%	14.47%	14.55%	13.74%		11.63%
Average Yield - Paying Liabilities	4.15%	4.88%	5.45%	6.18%	6.91%		4.38%
Average Margin 2007	4.39%	3.61%	9.02%	8.37%	6.83%		7.25%
Average Margin 2006	4.36%	3.11%	8.93%	8.82%	7.09%		7.33%

- 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 Balance Sheet, 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:

	2007			2006		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
<b>Cash and cash equivalents</b>						
Neither past due or impaired	\$ 93,543	\$ -	\$ 93,543	\$ 92,295	\$ -	\$ 92,295
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	\$ 93,543	\$ -	\$ 93,543	\$ 92,295	\$ -	\$ 92,295
<b>Investments</b>						
Neither past due or impaired	\$ 98,050	\$ -	\$ 98,050	\$ 86,057	\$ -	\$ 86,057
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	\$ 98,050	\$ -	\$ 98,050	\$ 86,057	\$ -	\$ 86,057
<b>Loans receivable</b>						
Neither past due or impaired	\$ 798,328	\$ 2,518	\$ 800,846	\$ 678,614	\$ 3,410	\$ 682,024
Past due but not impaired	146,143	3,760	149,903	121,688	4,263	125,951
Impaired	13,828	666	14,494	11,705	396	12,101
	\$ 958,299	\$ 6,944	\$ 965,243	\$ 812,007	\$ 8,069	\$ 820,076

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:

	2007			2006		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
<b>Loans receivable</b>						
<b>Residential mortgage</b>						
Neither past due or impaired	\$ 161,817	\$ 1,896	\$ 163,713	\$ 136,547	\$ 2,819	\$ 139,366
Past due but not impaired	61,616	3,309	64,925	50,103	3,443	53,546
Impaired	4,272	584	4,856	3,711	172	3,883
	\$ 227,705	\$ 5,789	\$ 233,494	\$ 190,361	\$ 6,434	\$ 196,795
<b>Business</b>						
Neither past due or impaired	\$ 33,086	\$ 36	\$ 33,122	\$ 21,838	\$ -	\$ 21,838
Past due but not impaired	1,434	-	1,434	465	42	507
Impaired	666	-	666	1,060	-	1,060
	\$ 35,186	\$ 36	\$ 35,222	\$ 23,363	\$ 42	\$ 23,405
<b>Personal</b>						
Neither past due or impaired	\$ 577,015	\$ 586	\$ 577,601	\$ 497,532	\$ 591	\$ 498,123
Past due but not impaired	75,415	451	75,866	62,426	778	63,204
Impaired	7,912	82	7,994	6,037	224	6,261
	\$ 660,342	\$ 1,119	\$ 661,461	\$ 565,995	\$ 1,593	\$ 567,588
<b>Credit card</b>						
Neither past due or impaired	\$ 26,410	\$ -	\$ 26,410	\$ 22,697	\$ -	\$ 22,697
Past due but not impaired	7,678	-	7,678	8,694	-	8,694
Impaired	978	-	978	897	-	897
	\$ 35,066	\$ -	\$ 35,066	\$ 32,288	\$ -	\$ 32,288
	\$ 958,299	\$ 6,944	\$ 965,243	\$ 812,007	\$ 8,069	\$ 820,076

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

	2007	2006
Satisfactory risk	\$ 775,657	\$ 658,344
Watch list	24,114	22,331
Sub-standard but not impaired	1,075	1,349
	<b>\$ 800,846</b>	<b>\$ 682,024</b>

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

	2007				
	Residential mortgage	Business	Personal	Credit card	Total
Past due up to 29 days	\$ 59,373	\$ 454	\$ 60,557	\$ 5,951	\$ 126,335
Past due 30 - 59 days	2,134	871	10,692	1,085	14,782
Past due 60 - 89 days	3,418	109	4,617	642	8,786
	<b>\$ 64,925</b>	<b>\$ 1,434</b>	<b>\$ 75,866</b>	<b>\$ 7,678</b>	<b>\$ 149,903</b>

	2006				
	Residential mortgage	Business	Personal	Credit card	Total
Past due up to 29 days	\$ 46,681	\$ 302	\$ 47,961	\$ 5,972	\$ 100,916
Past due 30 - 59 days	4,691	185	9,999	2,272	17,147
Past due 60 - 89 days	2,174	20	5,244	450	7,888
	<b>\$ 53,546</b>	<b>\$ 507</b>	<b>\$ 63,204</b>	<b>\$ 8,694</b>	<b>\$ 125,951</b>

#### 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 judgement 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. When management determines that there is an increased propensity to default on restructured accounts, the impairment allowance is adjusted to take this into account.

#### Loans Receivable Collateral

It is the Bank's policy to determine that loans are within the customer's capacity to repay, rather than to rely excessively on security. Loans classified as personal typically take into account the customer's standing and employment and credit histories and are generally unsecured. The Bank has guidelines as part of its credit policy on the acceptability of specific classes of collateral which are reviewed regularly.

The principal collateral types are as follows:

- in the personal sector - garnishees over salary and chattel mortgages;
- in the residential mortgage sector - mortgages over residential properties;
- in the commercial and industrial sector - charges over business assets such as premises, stock and debtors;
- in the commercial real estate sector - charges over the properties being financed.

- d. **Liquidity risk** - Liquidity risk is the potential for loss if the Bank is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers and lending, pledging and investment commitments. Managing liquidity and funding risk is essential to maintaining both depositor confidence and stability in earnings.

The Bank manages liquidity and funding risk by ensuring that sufficient liquid assets and funding capacity are available to meet financial commitments, even in times of stress. The Board of Directors' Executive Committee oversees the Bank's liquidity and funding risk management framework which, includes operating within clearly defined Board limits, regulatory liquidity requirements and strong effective processes to monitor and manage risk, including contingency plans to facilitate managing through a distress situation. Standby lines of credit are a significant part of the contingency plan and are disclosed in Note 23.

- e. **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.

# Nominating Committee Report



Photo: From left to right – Vaughn W. Higgs, Earla J. Bethel, Rupert W. Roberts, Jr., William B. Sands, Jr., T. Baswell Donaldson and R. Craig Symonette.

**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.

**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 Chairman.

**Reviewed** the roles of Chairman and Chief Executive Officer and recommended to the Board that for the present, these roles continue to be separated.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2007.

Rupert Roberts, Jr., OBE  
**Chairman**  
Nominating Committee

## 2007 SUMMARY OF BOARD AND COMMITTEE MEETINGS

For the year ended December 31, 2007

Board	6
Audit Committee	5
Nominating Committee	1
Executive Committee	6
Compensation Committee	2
Premises Committee	4
Information Technology Committee	4

Pension Fund Trustees Committee (a)	1
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## BOARD MEETING ATTENDANCE

T. B. Donaldson, CBE	6
W. B. Sands, Jr.	6
I. A. Jennings	6
M. L. Barnett (resigned February, 2007)	0
E. J. Bethel	6
F. A. Butler, OBE	6
G. C. Culmer	6
J. B. Farrington, CBE	4
V. W. Higgs	5
R. W. Roberts, Jr., OBE	5
R. C. Symonette	5
L. R. Gibson	2

(a) The Pension Fund Trustees Committee is not a Board Committee but certain Directors of the Bank serve as members.



# Executive Committee Report



**Photo:** From left to right, Front – Rupert W. Roberts, Jr. and T. Baswell Donaldson; Middle - R. Craig Symonette and William B. Sands, Jr.; and Back - Vaughn W. Higgs and Ian A. Jennings.

**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 Chief Executive Officer. 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 provision and allowance for credit losses 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.

**Continued** to assess the Bank's system of corporate governance and recommended new initiatives with a view to maintaining high standards of corporate governance.

**Reviewed** the mandates of the Board Sub-committees 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, 2007.

T. B. Donaldson, CBE  
**Chairman**  
Executive Committee



# Audit Committee Report



Photo: From left to right – J. Barrie Farrington, Earla J. Bethel, Larry R. Gibson and G. Clifford Culmer.

**The Audit Committee** supports the Board in overseeing the integrity of the Bank's financial reporting, its internal control, disclosure control and internal audit function, and its compliance with legal and regulatory requirements. The Committee also reviews and assesses the qualifications, independence and performance of the Bank's Auditors.

## YEAR IN REVIEW

The charter setting out the roles and responsibilities of the Audit Committee was reviewed and amended to take into account applicable regulatory requirements, including the rules and regulations issued by the Central Bank of The Bahamas, Securities Commission and the Bahamas International Securities Exchange giving effect to the best practices in today's governance environment.

## FINANCIAL REPORTING

Reviewed with management adoption by the Bank of new accounting standards and emerging best practices in response to changes in regulatory guidelines. The Bank's President and Chief Executive Officer and Chief Financial Officer certified the Consolidated Financial Statements and related disclosure materials.

**Reviewed** with management and the Bank's Auditors: the appropriateness of the Bank's accounting and financial reporting, the impact of adopting new accounting standards, the accounting treatment of significant risks and uncertainties, the key estimates and judgements of management that were material to the Bank's financial reporting, and the disclosure of critical accounting policies.

**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 Generally Accepted Accounting Principles 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 Audit and Inspection 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 Audit and Inspection as necessary without management present.

**Reviewed** and approved the Bank's disclosure policy.

**Examined** key regulatory developments and assessed their implications for the Bank.

**Reviewed** the Bank's adherence to the Guidelines and Financial Practices prescribed by the Central Bank of the Bahamas.

**Examined** reports of the VP Audit and Inspection and General Counsel on matters relating to compliance and litigation.

**Reviewed** recommendations of the Bank's Auditors and External Regulators, as well as management's response.

**Assessed and recommended** to the Board qualified persons to serve on the Audit Committee.

## BANK'S AUDITORS

**Recommended** to the Board Deloitte and Touche as best positioned to meet the Bank's extensive service requirements.

**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, 2007.

G. Clifford Culmer  
**Chairman**  
Audit Committee

# Premises Committee Report



Photo: From left to right - Franklyn A. Butler, William B. Sands, Jr., Earla J. Bethel and Larry R. Gibson.

**The Premises Committee** provides oversight of significant management and Board of Director 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

**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/structures.

**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 being 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.

**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, 2007.

Franklyn A. Butler, OBE  
**Chairman**  
Premises Committee



# IT Committee Report



Photo: From left to right – Ian A. Jennings, J. Barrie Farrington, Vaughn W. Higgs, R. Craig Symonette and William B. Sands, Jr.

**The Information Technology Committee** provides independent oversight of significant management and Board of Director approved technology based platforms and the associated business applications to ensure they are developed in accordance with established system development guidelines and are maintained and sustained in a cost effective, controlled and secure manner.

#### YEAR IN REVIEW

**Reviewed** significant technology based proposals to ensure they are compatible with the strategic and business plans of the Bank. Ensured cost benefit analysis is an integral part of the project development process.

**Ensured** that post-implementation reviews are introduced as part of the project implementation process.

**Monitored** the ongoing development 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.

**Reviewed and recommended** for approval by the Board of Directors the Bank's Technology Development and Maintenance Based Plan.

**Reviewed** on a quarterly basis, project development plans and progress to ensure that the progress achieved, parallels established performance objectives and project development plans.

**Provided** the Board on a quarterly basis with a summary of technology based activities/concerns and where warranted provided 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, 2007.

R. Craig Symonette  
**Chairman**  
IT Committee

# Compensation Committee Report



Photo: From left to right, – Rupert W. Roberts, Jr., Vaughn W. Higgs and R. Craig Symonette.

**The Compensation 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 Compensation Committee is responsible for assisting the Board of Directors in ensuring that human resource 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, mid 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 Chief Executive Officer and reviewed the assessment with the Board of Directors; determined the Chief Executive Officer's compensation in relation to the Bank's performance for the fiscal year.

**Reviewed** annual performance assessments submitted by the Chief Executive Officer 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, 2007.

Rupert Roberts, Jr., OBE  
**Chairman**  
Compensation Committee

# Corporate Governance



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.

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. It is the mechanism by which individuals are motivated to align their actual behaviors with the overall participants.

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 to 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 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.



# Charter of Expectations

## 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 Bank's financial statements.
- ii) internal controls and the independence of the Bank's auditors.
- iii) review of the compensation arrangements for the Chief Executive Officer 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.
- vii) dividend policy.

## 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 organizational 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 performance against the strategic and business plans, including assessing operating results to evaluate whether the Bank 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 position in respect of its capital and liquidity management

## SENIOR LEVEL STAFFING

Select, monitor and evaluate the Chief Executive Officer, Executives and Senior Management.

Ensure that an effective management succession plan is in place.

Ensure 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;

Performance-based remuneration is designed to relate some proportion of salary to 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 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.

## 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.

# Employee Commitment



We continue to believe that the people at Commonwealth Bank are the biggest asset we have. Over the years, we have managed to attract and retain personnel with outstanding capabilities. We consider that our success is the result of capitalizing on their strengths.

In 2007, nine of Commonwealth Bank's brightest, enrolled in executive, management and leadership programmes at the renowned Richard Ivey School of Business at The University of Western Ontario, Canada, one of the world's leading executive development organizations.

This investment represents empowerment, growth and development and will be shared with those that enter our doors or walk our halls. We are proud of our team members for making the commitment to expand their knowledge, and sharpen their skills so that they can better serve you.

## **Participants:**

### **Ivey Executive Program**

Carole Strachan

### **Ivey Accelerating Management Talent Program**

Franklyn Thomas

Gladys Fernander

### **Ivey Leadership Program**

Kayla Callender

Edward Virgil

Demetri Bowe

Anne Lightbourn

Daria Bain

Juliette Fraser

"Men and women want to do a good job, a creative job and if they are provided the proper environment, they will do so."

*- Bill Hewlett, Co-founder of Hewlett Packard*

# Services & Locations

Auto Loans	Overdraft Facilities	Automated Banking Machines
Personal Lending	SunCard	Foreign Exchange Services
Mortgage Financing	MasterCard	Personal Chequing Accounts
Real Estate Financing	Certificates of Deposit	BTC Recharge
Online Banking	Savings Accounts	
Small Business Lending	Christmas Club Savings	
Commercial Lending	Student Savings Accounts	

## NEW PROVIDENCE

Head Office 502-6200  
The Plaza, Mackey St.  
P.O. Box SS-5541

## BRANCHES

The Plaza, Mackey St. 502-6100  
Bay & Christie Streets 322-1154  
Town Centre Mall 322-4107  
Oakes Field 322-3474  
Cable Beach\* 327-8441  
Wulff Road\* 394-6469  
Golden Gates\* 461-1300

## GRAND BAHAMA

The Mall Drive\* 352-8307  
Lucaya 373-9670

## ABACO

Marsh Harbour 367-2370

## CREDIT CARD CENTRE

Nassau 502-6150  
Freeport 352-4428  
Merchant Help Line 502-6150

## OFF-SITE ABM LOCATIONS

Super Value (Cable Beach, Winton & Golden Gates)  
Freeport Airport

\*Drive thru ABMs available

## CB ONLINE

[www.combankltd.com](http://www.combankltd.com)

# Shareholder Information

## BOARD OF DIRECTORS

**T. BASWELL DONALDSON, CBE**  
Chairman  
Commonwealth Bank Ltd.

**WILLIAM B. SANDS, JR.**  
President & CEO  
Commonwealth Bank Ltd.

**IAN A. JENNINGS**  
Sr. VP & CFO  
Commonwealth Bank Ltd.

**RUPERT W. ROBERTS, JR., OBE**  
President  
Super Value Food Stores Ltd.

**R. CRAIG SYMONETTE**  
Chairman  
Abaco Markets Ltd.

**FRANKLYN A. BUTLER, OBE**  
President & CEO  
Milo Butler & Sons Co. Ltd.

**VAUGHN W. HIGGS**  
VP & General Manager  
Nassau Paper Co. Ltd.

**LARRY R. GIBSON**  
Vice President  
Atlantic Pension Services

**G. CLIFFORD CULMER**  
Partner  
BDO Mann Judd

**J. BARRIE FARRINGTON, CBE**  
Vice President  
Kerzner International

**EARLA J. BETHEL**  
President  
DanBrad Ltd.

## REGISTERED OFFICE

GTC Corporate Services Ltd.  
P.O. Box SS-5383  
Nassau, Bahamas

## PRINCIPAL ADDRESS

Commonwealth Bank Ltd.  
Head Office  
The 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 & REGISTRAR

Colina Financial Advisors Ltd.  
4th Floor, 308 East Bay Street  
P.O. Box CB-1267  
Nassau, Bahamas  
Tel: 242-502-7010  
Fax: 242-356-3677

## STOCK EXCHANGE LISTING

(Symbol: CBL)

## COMMON SHARE LISTING

Bahamas International Securities Exchange (BISX)

## INTERNET ADDRESS

[www.combankltd.com](http://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, Colina Financial Advisors Ltd., at their mailing address or call the Transfer Agent at 242-502-7010.

Other Shareholder inquiries may be directed to our Investor Relations Department, by writing to:

The Corporate Secretary  
Commonwealth Bank Ltd.  
Head Office  
The 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 Colina Financial Advisors Ltd. 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

## DIVIDEND DATES FOR 2008

Subject to approval by the Board of Directors

## RECORD DATE

March 14  
June 13  
September 15  
December 15

## PAYMENT DATE

March 31  
June 30  
September 30  
December 31

**CHARLENE A. PINDER-BOSFIELD**  
Corporate Secretary  
Commonwealth Bank Ltd.







“Success is not a place at which one arrives but rather the spirit with which one undertakes and continues the journey.”

- Alex Noble





