20

Twentieth Anniversary of Bahamian Ownership

THEN & NOW

COMMONWEALTH BANK

ANNUAL REPORT 2003

OUR VISION

FIRST CHOICE OF BAHAMIANS FOR ALL FINANCIAL 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

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Seven Consecutive Years of Record Profit

Chairman & President's Report

To our Shareholders

January 31, 2004 marks the 20th anniversary of Commonwealth Bank becoming a 100% Bahamian owned Bank. This 2003 Annual Report takes the opportunity to reflect on the first 20 years of Bahamian stewardship and anticipate the years to come.

The story of Commonwealth Bank is very much the story of the little bank that could. In 1984, Lady Symonette and her stepson, Robert H. "Bobby" Symonette passionately believed that a Bahamian Bank could stand with International Banks on an equal footing. They launched out in faith. Lady Symonette became the largest shareholder and Bobby Symonette was the first President of the wholly owned Bahamian Bank.

In 2003 the Bank achieved record profits for the seventh successive year which further demonstrates that their vision was well founded. In fact, the net income of $23.25 million exceeded the size of the bank in 1984. Total Assets at December 31, 2003 were $702.9 million, compared to $14.6 million in 1984.

Over the last twenty years, one of the things that has changed most is the increasing emphasis that is now being placed on the need for companies to have a sound corporate governance regime. In 1984, little documentation other than that relating to the Financial Results was provided to shareholders. Today, a shareholder must also consider the structure of the company and its corporate governance regime in order to ascertain whether the reported results provide reasonable assurance that the results reported are sustainable as well as accurate.

Commonwealth Bank has always been proud to lead the Bahamian standards of accountability to our shareholders. We believe that as the largest Bahamian public company we should be in the forefront of setting standards of reporting and providing confirmation of how the Bank carries out its activities in a prudent and sound manner. Accordingly, we have expanded our reporting on Corporate Governance in this years' Annual Report. We feel this will enable you to better understand how your Bank manages the inherent risks in day to day banking and how your Board establishes policies to ensure safe and sound operation of the Bank.

Commonwealth Bank fully endorses the initiatives taken by the Central Bank of The Bahamas that will require licensed financial institutions to certify their compliance with the Central Bank's Corporate Governance guidelines. The world of banking has changed since 1984. None of us could have foreseen the impact of money laundering and terrorism on retail banking in the Bahamas. Despite recent amendments to legislation, the need to obtain personal information will continue. In prior years such information would have been considered intrusive. It is a reminder that we now live not only in a global economy, but also a global neighborhood. While Commonwealth Bank supports the initiatives that have been employed to fight terrorism, we must continue to argue for a level playing field for all jurisdictions.

During the last twenty years, our Bank has gone through economic hills and valleys and we have prevailed. Never has this been more true than in the period since September 2001.

T. Baswell Donaldson, C.B.E.
Chairman

Despite the challenges we faced in 2003 with the sluggish economy, Central Bank constraints and new laws and regulations, we increased profits; (up 6% on 2002), maintained our dividends; (34 cents per share) maintained our staffing levels and improved our loan portfolio quality. Non-accrual loans declined from 5.8% at December 2002 to 4.32% at December 2003. This is discussed more fully under Management's comments on operations. Earnings per share increased to 57 cents per share from 53 cents per share, while return on equity dipped slightly to 28.68% from 29.38%, as a result of further strengthening of our capital base by $7 million in the year.

We are very proud of our 430 Commonwealth Bank team members who have remained steadfastly committed to making a demonstrable difference to our customers, shareholders and communities. Their integrity, teamwork and excellence have made it possible for us to report positively once again on the key accomplishments of 2003 and new opportunities for 2004. That spirit was encompassed in Mr. Trevor Thompson who retired this year. Mr. Thompson was one of the original Directors in 1984 when Commonwealth Bank was Bahamianized, but his record of service stretches back to 1967. We are pleased that Mr. Thompson remains on the Board so he can continue to contribute his experience and wisdom to your Bank.

We realize that financial results are not the only important measure of a company's progress and as such, continue to make investments in upgrading technology and staff training that are just as vital for our long-term success.

The year 2003 saw significant upgrades and additions to our portfolio. During the first quarter, we launched the CB MasterCard to our customers. In 2003 we extended SunCard's versatility by enabling it to be used in our ABM's and implemented Point-Of-Sale at our Merchants. This added an international diversity to our successful local credit card services.

During these twenty years your Bank has helped thousands of individuals and businesses manage their finances successfully thus becoming an integral part of the Bahamian economy. We extended our reach to our customers with the installation of four off-site ABM's. In 2004, we look to continue improving our ABM service with the addition of drive through machines in Nassau and Freeport and completing the SunCard Point-of-Sale implementation.

The Bank launched a new state-of-the-art web site in 2003. We will build on this foundation as we plan the introduction of online internet banking services in the fourth quarter of 2004. However, our initial focus will be on upgrading our main computer systems in 2004 to improve our in-branch services. We believe these steps, along with ongoing customer service training, will enable your Bank to meet its commitment to provide the highest levels of customer expectations and service standards.

We separated our commercial and mortgage administration from the personal loan administration in 2003 and while activity in these areas was restricted due to the Central Bank's imposed credit ceiling, we are establishing the framework for controlled diversification of lending into these sectors once the ceiling is removed.

Success is a team effort and we would like to thank our fellow Board members for their service and wise counsel. We thank our employees for their performance, talent, values and commitment. We thank you, our shareholders, for your continued confidence and trust in Commonwealth Bank. Finally, and most importantly, we thank our customers for continuing to give Commonwealth Bank its mission to serve.

"During the last twenty years, our Bank has gone through economic hills and valleys and we have prevailed. Never has this been more true than in the period since September 2001."

William B. Sands, Jr.
President & CEO

CORPORATE GOVERNANCE

CHARTER OF EXPECTATIONS

The Bank has adopted a Charter of Expectations for Directors that sets out the specific responsibilities to be discharged by the Bank's Directors and the individual roles expected of them.

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:

Strategic Planning Process

- Provide input to management on emerging trends and issues.
- Review and approve management's strategic plans.
- Review and approve the Bank's financial objectives, plans and actions, including significant capital allocations and expenditures.

Monitoring Tactical Process

- Monitor corporate performance against the strategic and business plans, including assessing operating results to evaluate whether the business is being properly managed.

Risk Assessment

- Identify the principal risks of the Bank's businesses and ensure that appropriate policies, procedures and systems are in place to manage these risks.

Risk Assessment cont'd.

- Review the processes that ensure respect for any compliance with applicable regulatory, corporate and any other legal requirements.

Senior Level Staffing

- Select, monitor, evaluate (including the Chief Executive Officer and other senior executives) and ensure that an effective management succession plan is in place.

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.

Material Transactions

- Review and approve material transactions not in the ordinary course of business.

Monitoring Board Effectiveness

- Assess its own effectiveness in fulfilling the above and other Board responsibilities, including monitoring the effectiveness of individual Directors.

Other

- Perform such other functions as prescribed by law or assigned to the Board in the Bank's governing documents. The Charter also stipulates the personal and professional characteristics of Directors. This stipulation forms a recruitment model for use in screening and selecting Board nominees.

Director Attributes

To execute these Board responsibilities, Directors must possess certain characteristics and traits:

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 an independent judgement as to the probability that such plans can be achieved.

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.

Trevor B. Thompson
Employee: 1964-2003
Retired Sr. Vice President &
Corporate Secretary
Director

" With the advent of Bahamianization, the Bahamian Bank was truly able to serve the Bahamian Grass Root customer who represented their primary market. This has not changed over the past twenty years. Commonwealth Bank has always seen itself as Bahamian. Because we are Bahamian, we take special care in doing what's right for our customers. How we serve them speaks to a deeper commitment to understand, appreciate and respond to their needs."

- **From our beginning in 1960, CB has embarked on a mission to inspire and develop leaders. The Bank's ability to tap into the abundance of talent from the local community is why we continue to succeed.**

- **4 off-site ABM's, 9 branches, 430 employees, 7500 shareholders, 70,000 customers... The largest Bahamian owned bank for twenty years.**

LOOKING BACK...FORGING AHEAD 1984-2004

The rapid growth of the Bank after 1984 quickly placed tremendous strain on the facilities in the Branch network. Branches that sufficed under stagnant foreign ownership quickly became cramped and ill suited to the needs of a dynamic rejuvenated Commonwealth Bank.

The new Board not only undertook a program of branch expansion but also determined that every branch would be a first class facility for our customers. Relocation from the cramped space at Dunmore Lane was the first priority and in 1986, the Bank opened its new branch and Head Office in 610 East Bay St. A continuous expansion program followed adding new branches in Abaco, Oakes Field and Cable Beach. Branches at Robinson Road and Super Value Golden Gates were combined in to the Town Centre Mall branch in 1992.

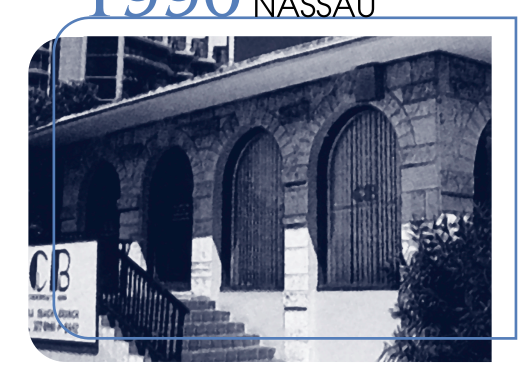
In 1993 the Bank opened its first "Flagship Branch" as it relocated its Freeport Branch to East Mall Drive. The Bank was finally able to move out of its small Cable Beach premises to the second "Flagship Branch" in 1996 as expanding business started to fill our previously spacious locations. The third "Flagship Branch" was completed in 2000 on Wulff Road to become our 9th branch. With our physical presence firmly established, we now look to the future and the establishment of "Virtual Branches" as we plan for Internet Banking.

We are bridging the past to the future through a tradition of excellence thereby setting the stage for another twenty years of outstanding financial performance.

1984 FREEPORT

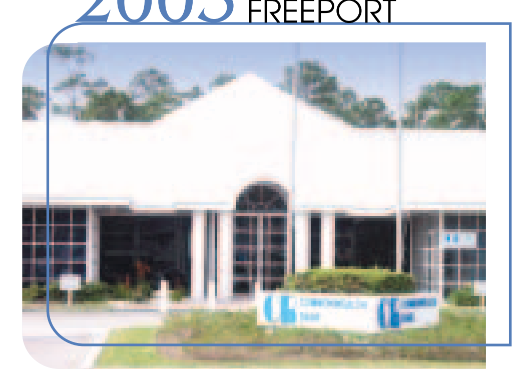
Churchill Square, Grand Bahama

1990 NASSAU



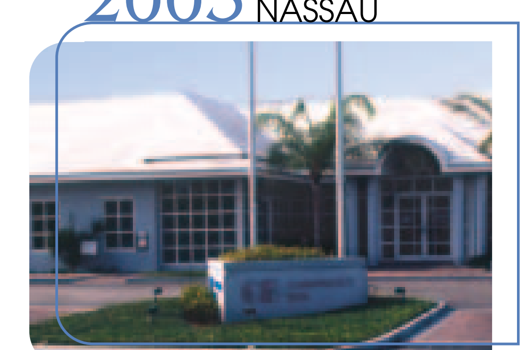
West Bay Street, Cable Beach

2003 FREEPORT



The Mall Drive, Grand Bahama

2003 NASSAU



West Bay Street, Cable Beach

ERA OF EVOLUTION

ROBERTS, JR. Rupert W.

Mr. Rupert Roberts, Jr., was appointed the first Chairman of Commonwealth Bank Limited after Bahamianization in 1984. Under his leadership, the Bank rapidly expanded and flourished after the stagnation experienced in the last years of foreign ownership. The Bank initiated the steps that would lead to it becoming a key player in the Bahamian economy. Management resources were added to replace functions formally carried out in Canada and computerization of all the Banks records started in 1984 and was completed in 1986.

New services were added – Savings Accounts in 1984, SunCard the only Bahamian credit card in 1986, Chequing or Current Accounts in 1988 and the sale of foreign exchange in 1990. This last step came as Commonwealth Bank achieved Clearing Bank status in1990. During his tenure the Bank, also renovated its branches moving to the then Head Office at 610 East Bay Street from Dunmore Lane in 1986 and opening new branches in Oakes Field and Marsh Harbour.

Under his leadership, total assets increased by more than 700 percent to over $125 million. Additionally, net income grew from $1.3 million in 1984 to $4 million in 1992.

Mr. Roberts remains a member of the Board of Directors, serving as Chairman of the Nominating Committee and member of the Finance Committee.

A leading businessman, Mr. Rupert Roberts, Jr. is President of Super Value Food Stores and has extensive holdings in commercial real estate and financial ventures throughout The Bahamas. Those interests include: South Bimini International Ltd., Bahamas Paper Converting, Discount Mart Limited, Checkard Limited and Global Bahamas Limited. As founder of Super Value, Mr. Roberts created the country's largest all-Bahamian food store chain.

CHAIRMAN 1984-1992

BEARES Vernon G.

Known for his ability to lead the development and execution of corporate strategic plans and objectives, Vernon Beares directed Commonwealth Industrial Bank and subsidiary operations in Jamaica beginning in 1960. He was named to the position of Managing Director in 1975.

Mr. Beares' experience was vital during the transition of the sale and subsequent Bahamianization of the Bank. He led the new Commonwealth Bank Ltd., as infused with energy, it retained its founding commitment to its customers while achieving extraordinary growth. Two years after Bahamianization, all branches had been computerized offering customers the convenience of conducting transactions at any branch. In 1984 he negotiated the purchase of a store charge card and turned it into SunCard, the first Bahamian credit card. With its success in Freeport, SunCard was launched into Nassau in 1986.

Mr. Beares retired in 1988 with the satisfaction of knowing that under his guidance, the Bank had successfully made the transition from a Canadian subsidiary company to a fully fledged Bahamian Bank, and from a Finance Company to a Commercial Bank.

MANAGING DIRECTOR 1975-1988

ERA OF GROWTH

SYMONETTE Robert H.

In 1984, Mr. Symonette with Lady Symonette took the steps that would create the modern Commonwealth Bank. Mr. Symonette was Responsible for putting together a group of Bahamian investors to purchase the 71% of Commonwealth Bank held by Canadian investors since 1960. He was instrumental in guiding Commonwealth Bank from the $15 million fledgling he bought at that time to a $375 million institution when he retired as Chairman in 1998. He was President of the Bank from 1984 – 1992, and Chairman from 1992 until shortly before his death in 1998.

Mr. Symonette was a visionary who could never accept that Bahamian was second best. In his capacity as Chairman, the Bank's total assets grew from $143 million to $375 million and net income from $4 million to over $10 million, cementing our position as a powerhouse in the financial sector. He pioneered the concept of Community Banking by introducing branches in Crystal Palace and Lucaya, as well as the construction of new facilities in Freeport, Cable Beach, Wulff Road and Abaco.

Born in 1925, R.H. "Bobby" Symonette was the son of Sir Roland Symonette, The Bahamas' first Premier. Bobby distinguished himself in politics, he was the youngest speaker of the House of Assembly at age 37 and excelled in business co-founding among others, AID, Burns House, Nassau Underwriters and Bahamas First General Insurance Co. In sports he was a world champion yachtsman, representing The Bahamas five times in the Olympic Games.

CHAIRMAN 1992-1998

COCKWELL James D.

Mr. Cockwell returned to the Bahamas from the United States in 1988 to become the second Managing Director under Bahamian ownership. Although a native of Canada, Mr. Cockwell was a Bahamian permanent Resident, with over 25 years experience in banking. In 1989, the Bank's name was shortened to Commonwealth Bank Ltd. to reflect the ongoing transition from Finance Company to a Commercial Bank. The name change heralded the next major step forward as his experienced hand guided the Bank, making history in 1990, when the bank became the first Bahamian-owned financial institution to achieve full Clearing Bank status. In 1992, Mr Cockwell was appointed President and Managing Director. Mr. Cockwell's management skills played a key role in developing the shape of the modern Executive Management Team, including the mentoring of the person who would become the first Bahamian President and CEO.

Prior to joining Commonwealth Bank, he served in a number of executive positions, including General Manager of U.S.A. Operations and Area Manager of The Bahamas and The Cayman Islands of an international Commercial Bank.

Mr. Cockwell retired from the Bank in 1997.

MANAGING DIRECTOR 1988-1997

ERA OF ADVANCEMENT

DONALDSON T. Baswell, C B E

Timothy Baswell Donaldson became the third Bahamian Chairman of the Board in 1998. He has played a prominent role in the Bank since the early eighties, serving on the Board of Directors for more than 12 years. On his watch, total assets have grown from $375 million to $702.9 million today, and net income available to Common Shareholders has increased from $10 million in 1997 to over $17.5 million today.

Mr. Donaldson's Chairmanship has seen the Bank move from a small closely held private company to the largest Bahamian public company today. Under his leadership the Bank has become a state-of-the-art, twenty-first century financial institution. Improvements into the Bank's computer software, introduction of automated banking machines and international credit card services, as well as the establishment of a corporate web site are additions to the products and services offered by the Bank. Mr. Donaldson is passionately committed to the development of the Bank's Human Resources and the maximization of technology in an effort to ensure the continual satisfaction of its customers .

Mr. Donaldson obtained a Bachelors Degree from Fisk University, Masters Degrees from The University of Minnesota and Columbia University and successfully completed a Diploma Course at the International Monetary Fund. He is also a fellow of the London Institute of Bankers.

A former Governor of The Central Bank of The Bahamas, Chairman of The Securities Commission and Ambassador to the United States, Mr. Donaldson presently serves as Chairman of the Board of Directors, of Commonwealth Bank Ltd, Private Trust and United European Bank & Trust.

CHAIRMAN 1998-Present

SANDS, JR. William B.

William B. Sands, Jr. began his career thirty-three years ago with Commonwealth Bank as a Junior Collections Officer in our Freeport Branch. Over the years he has risen through senior management ranks holding posts of Branch Manager, District Manager, Vice President, Senior Vice President and in 1997 was appointed President and CEO.

He is credited with driving and executing a revamping of the company's organizational and capital structure. His executive perspective and experience enable him to develop and review business and financial strategies and processes, as well as evaluate and improve methodologies.

The Bank's realization of seven consecutive years of record profit and significant growth amidst difficult economic market conditions, can be directly attributed to Mr. Sands' stringent attention to detail and emphasis on overseeing credit risk and expense control aspects of the company's operations.

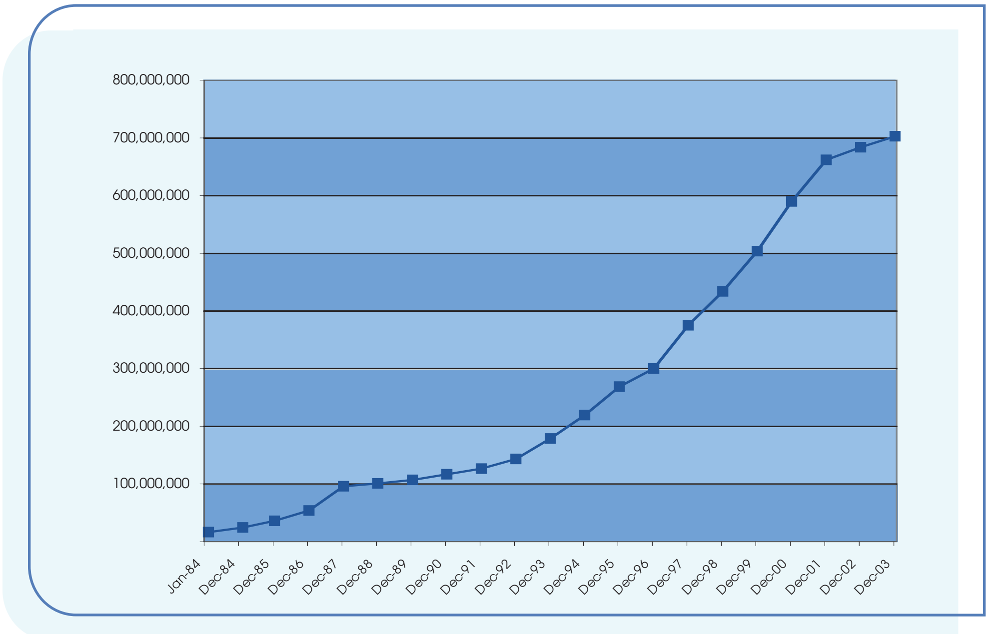
Innovation, fresh forward thinking and leadership development are vital to him as he understands the short and long term impact of attracting, developing and motivating employees with outstanding capabilities. As the Lead Executive, he has personally undertaken the mission to ensure that all levels of staff receive ongoing, unrivaled, first rate training in-house, locally and abroad.

Mr. Sands remains focused on delivering measurable results for our customers, shareholders, employees and communities by fostering a culture of Relationships, Results and Rewards.

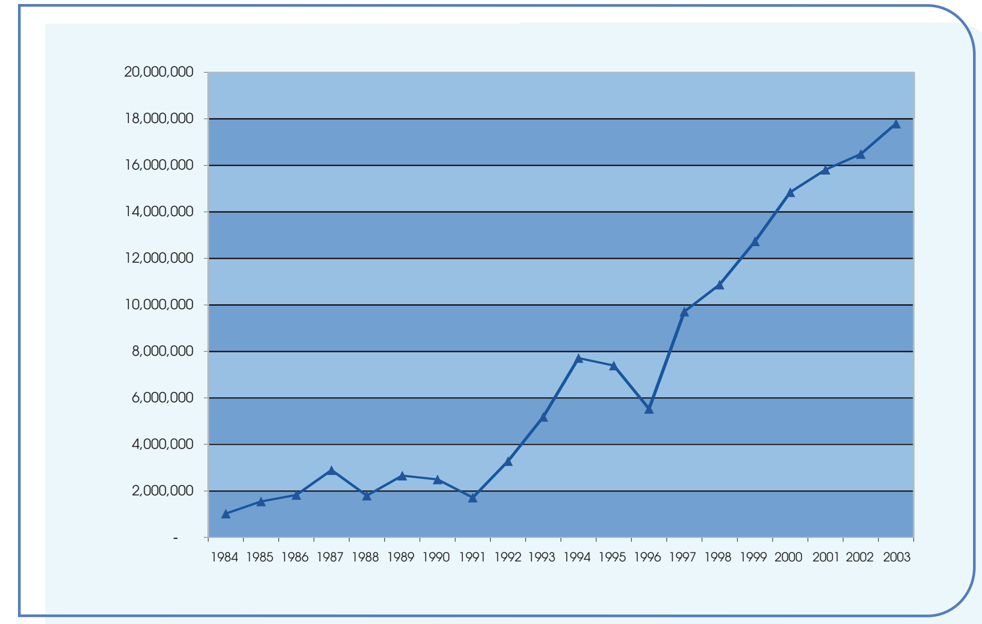
As President and CEO, he maintains a position on the Board of Directors, serving as a member of the Premises, Nominating, Pension Fund, Finance and Audit Committees.

PRESIDENT & CEO 1997-Present

- 1984 – Bahamianization 100% Bahamian ownership
- 1986 – Introduction of SunCard - The only Bahamian credit card; East Bay Street Branch opens
- 1987 – Marsh Harbour Branch opens
- 1988 – Oakes Field Branch opens; Total assets exceed $100 million
- 1990 – Clearing Bank status granted
- 1992 – Town Centre Mall Branch opens
- 1993 – Freeport Branch new premises
- 1995 – Abaco Branch new premises; Total assets exceed $250 million
- 1996 – Cable Beach Branch new premises
- 1997 – Lucaya Branch opening
- 1999 – Total assets exceed $500 million
- 2000 – Largest Bahamian Public Company as a result of Initial Public Offering (IPO); Wulff Road Branch opens
- 2001 – Introduction of ABM's
- 2002 – Introduction of MasterCard



TOTAL ASSETS 1984-2003



NET INCOME AVAILABLE TO COMMON SHAREHOLDERS 1984-2003

TOTAL ASSETS 1984-2003

In 1983, under the last years of Canadian ownership, Commonwealth Industrial Bank Ltd. was like a sleeping tiger as an economic downturn in Canada stunted activity in The Bahamas. Under Bahamian ownership things quickly turned around as new capital was injected into the Bank. Credit restrictions and the downturn in the Bahamian economy slowed growth at the end of the 80's, but the Bank was strategically placed to take full advantage of the economic boom of the 90's that lasted until the tragic events of 2001.

NET INCOME AVAILABLE TO COMMON SHAREHOLDERS 1984-2003

Net income available to common shareholders(net income after preference share dividend) eliminates the effects of varying amounts of preference share capital over the years to give a reliable indication of annual performance. Profibility peaked in 1987 after rapid growth from 1983. The economy overheated in the fourth quarter of 1987 and the resulting slump caused the decline in profitability from 1988 until 1992. Net income available to common shareholders then grew rapidly shadowing the growth in total assets until 1996 when profits dipped as a result of a large issue of subordinated debt that was carried as liquid assets for a large part of the year. Net income available to common shareholders recovered quickly the following year as these funds were used to expand the loan portfolio, thus making 1997 the first of our seven consecutive years of record profit.

Some people believe
consistency is boring.
We believe it's how you create
shareholder value.

BOARD OF DIRECTORS

THEN

Left to Right:
Reno Brown, Franklyn Butler,
Trevor B. Thompson, Rupert Roberts, Jr.,
Lady Symonette, Jerry Hutchinson,
Shervin Thompson, Vernon Beares
and Robert H. Symonette

NINETEEN EIGHTY FOUR

Left to Right
Standing:
Michael Barnett, R. Craig Symonette,
G. Clifford Culmer, Vaughn Higgs,
William B. Sands, Jr., Trevor Thompson,
Ian Jennings and Franklyn Butler
Seated:
Earla Bethel, T. B. Donaldson,C.B.E.
Rupert Roberts, Jr. and J. Barrie Farrington

TWO THOUSAND THREE

NOW

OUR EXECUTIVE TEAM

THEN

Left to Right:
Ken O'Brien,
William B. Sands, Jr.,
Barbara Hepburn,
C.B. Moss,
Trevor B. Thompson
and Vernon Beares

NINETEEN EIGHTY FOUR

Left to Right
Standing:
Ian Jennings, Charlene Paul,
Charles Knowles, Carole Strachan
and Walter Wells
Seated:
Anthea Cox, William B. Sands, Jr.
and Shirley Cartwright

TWO THOUSAND THREE

NOW

ASST. V.P.'s & MANAGERS

Left to Right:
Mavis Burrows
Asst. V.P. Operations
Ian Wilkinson
Asst. V.P. Information Technology
Patrick McFall
Asst. V.P. Corporate Accounts



Left to Right:
Kenrick Brathwaite
Sr. Manager, The Plaza Branch
Wayde Bethel
Manager, Bay Street Branch
Juliette Fraser
Manager, Oakes Field Branch



Left to Right:
Lyndon Davis
Manager, Abaco Branch
J. Rupert Roberts
Sr. Manager, Freeport Branch
Jeffrey Kerr
Manager, Town Centre Mall Branch

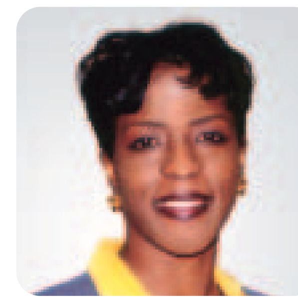
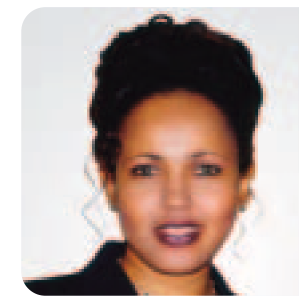


Left to Right:
Maxwell Jones
Sr. Manager, Cable Beach Branch
Neil Strachan
Sr. Manager, Wulff Road Branch
Charlene Low
Manager, Lucaya Branch

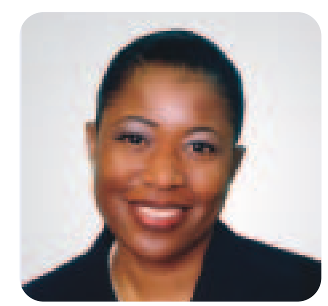
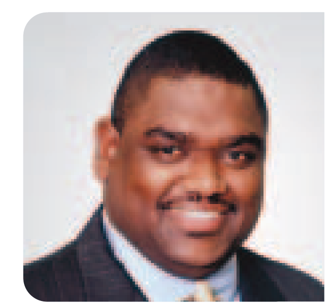




Left to Right:
Franklyn Thomas
Sr. Manager, Accounts Control & Recovery
Silbert Cooper
Sr. Manager, Credit Inspection
Betty Davis
Manager, Special Projects


Left to Right:
Monique Mason
Manager, Corporate Accounts
Gina Greene
Manager, Marketing & Customer Service
Lisa Major
Manager, Training

Left to Right:
Felipe Vega
Manager, Information Technology
Anne Russell
Manager, Human Resources
Erald Thompson
Manager, Internal Audit



Left to Right:
Kayla Johnson
Manager, Mortgage
Godwin Blyden
Manager, Security & Administration
Shawnell Bain
Acting Manager, Credit Card Centre

Amos Saunders & Crystal Ward
(Granddaughter)
Customer since: 1988
Town Centre Mall

"I have been banking with Commonwealth Bank since the late eighties. Not only has Commonwealth Bank been there for me, but they have also helped my granddaughter by giving her a scholarship to The College of The Bahamas and her first job. I am so proud to be a customer. It is because of Commonwealth Bank that Crystal is serving me today as a Customer Service Representative in Town Centre Mall."

- **Commonwealth Bank's community involvement goes beyond a sense of corporate responsibility. We live here, so do our customers. That gives us a vested interest in the well being of this extraordinary country.**

- **We talk a great deal about tradition at Commonwealth Bank. It's a tradition of service that our customers have experienced over the past forty years. We strive to uphold the tradition each and every day. Because we have been successful, we are able to provide our customers with a strong financial partner.**

2003 PERFORMANCE
An Overview

- Seventh consecutive year of record profits
- Total Assets $703 million, up 2.8%
- Earnings per share 57 cents, up 7.6% on 2002
- Return on Common Shareholders Equity 29%
- Common Share Dividends 34 cents
- Net Income Available to Common Shareholders, up 8.0%
- Gross Revenues increased 6.0%
- Efficiency Ratio 50.7% improved from 51.8% in 2002
- Total Capital exceeds $125 Million, up 6.1%

Earnings Per Share

For the year ended December 31, 2003 the Bank earned net income of $23.25 million, an increase of $1.3 million or 6.0% over 2002. Net Income Available to Common Shareholders (Net Income less Preference Share Dividends) increased $1.3 million or 8.0% to $17.8 million. Earnings per share was 57 cents per share compared to 53 cents per share in 2002. Return on equity was 28.68% compared to 29.38% in 2002. Dividends paid were 34 cents per share or 60% of Net Income Available to Common Shareholders (2002: 64%).

BALANCE SHEET MANAGEMENT

Total Assets increased to $702.9 million from $683.8 million, an increase of 2.8% (2002: 3.3%). Gross Loans increased by 1.8% (2002: 2.6%). Deposits increased 2.6%, (2002: 4.0%) Cash and liquid assets increased 6.6% over 2002.

For a second consecutive year, Central Bank restrictions on credit expansion resulted in low growth in Total Assets. With the restrictions in place, excess liquidity in the banking system continued throughout 2003 maintaining the downward pressure on deposit interest rates. The Bank continued improving its credit risk assessment process to ensure that the Bank was servicing its best qualified customers. While the increase in loans was only $10 million in the year, additional revenue was earned as a result of the Bank being more successful in its Government Bond acquisitions, which totaled $7.7 million for the year. Holdings of Government Securities yielding over prime rate are an important source of low risk interest income for the Bank.

CAPITAL MANAGEMENT

Commonwealth Bank's capital base continued to grow in 2003, Shareholders' Equity rose 6% in the year, and, at year-end, the Bank's capital ratios remained the strongest of the locally owned banks. The Bank created a non-distributable General Reserve of $10 million during the year. While the reserve is not a charge against income, it has been set aside to protect the Bank against any future adverse economic conditions no matter what may be their cause. The percentage Common Share Dividend Payout declined from 64.4% to 59.7%. This percentage is below the long term average of 65% that the Bank has adopted as a policy. In 2004, the Board will review the dividends paid with the earnings achieved for the year and adjust dividends declared accordingly.

THE COMPONENTS OF CAPITAL

Bank regulatory capital has two parts:

- Tier 1 Capital, which consists primarily of common shareholders' equity, totaled $64,376,876 at December 31, 2003 and;
- Tier 2 Capital, which consists mainly of cumulative preferred shares, cannot exceed Tier 1 capital. At December 31, 2003 the Bank had $60,990,700 of Preference Shares, which qualified as Tier 2 Capital.

Tier 1 capital, which is more permanent, is the principal focus of markets and regulators.

CAPITAL RATIOS

Capital ratios are the primary indicator of the adequacy of the Bank's capital levels. These ratios are calculated by dividing each of the components of regulatory capital by risk-weighted assets. Commonwealth Bank's Tier 1 ratio strengthened substantially from the previous year, by 104 basis points, to 11.07% as at December 31, 2003. (2002: 10.03%). The total capital ratio, at 21.56%, was 150 basis points higher than last year. (Previous years ratios were re-stated as a result of risk weighting Bahamian Government Securities with maturities over one year.)

Out of the increase in Total Assets for the year of $19 million, $7 million (or 36%) was represented by an increase in Shareholders' Equity.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income represents the amount by which interest income on interest earning assets exceeds interest expense incurred on interest bearing deposits and other liabilities. Net interest income is the principal source of the Bank's earnings. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities combine to affect net interest income.

Net interest income for the year ended December 31, 2003 was $53.0 million compared to $50.5 million in 2002, an increase of $2.5 million or 5.0%. This increase resulted from the increase in the loan receivable base (average loans were $10.2 million higher in 2003 than in 2002) and investment securities (which although they fell by $2.9 million on average for the year compared to 2002, had a higher component of securities earning in excess of the Bahamian Prime Rate). Interest rates on deposits continued to be depressed through the year as excess liquidity in the system could not be re-invested.

Loan Loss Provision

In 2003 the Bank reviewed its philosophy of creating loan loss reserves and write off of loans. The Bank has traditionally followed the accounting practice of UK banks where loans are written off primarily when as a matter of banking judgment , there is no realistic prospect of recovery. The Bank makes a provision for the estimated deficiency on the net realizable value over the carrying value of the loan. Banks with Head Offices in North America follow the US and Canadian accounting practice which generally results in the write off of non-accrual loans more quickly than the UK practice. The effect of the differences in accounting practices is that the Bank's gross loans, provision for loan losses and provision cover ratios may be greater than if the North American practice was followed. It should be emphasized that total expected cash flows and returns from adopting either method would be the same, however, timing differences may arise in reported earnings between the two methods.

Toward the end of 2003, the Central Bank of The Bahamas released the draft "Guidelines for the Measurement, Monitoring and Control of Impaired Assets". The requirements under the draft indicate a direction toward the North American practice of accounting. By requiring adherence to the same accounting practice, an easier basis of comparability will exist between all Central Bank Licensees.

The initial steps taken by the Bank in 2002 to accelerate the process of writing off delinquent accounts falls into the natural evolution of the Bank moving from a UK accounting practice to a North American one. Accordingly, in 2003 the Bank continued its acceleration process. The total value of accounts written of in 2003 was $14.9 million. As indicated last year as a result of earlier write off, the amounts recovered on written off loans would increase significantly. This happened in 2003, with recoveries climbing to $1.1 million from $0.2 million in 2002.

As a result, non-accrual loans fell by $7.8 million and provisions as a percentage of total loans fell from 3.3% to 2.9%. The year end provisions for losses fell to $16.6 million, the first decline since 1997. However, the percentage of provision for losses to non-accrual loans increased by 10.5% from 56.9% to 67.4%. As noted above, as the Bank continues to move toward the North American accounting practice, this percentage will decline.

The control of past due accounts continued to be a major challenge in 2003 as the economy slowly moved forward. The improvements taken in the last two years in credit risk management are expected to reflect positively in the Bank's results from 2004.

Loan loss provision expense was $11.93 million for the year compared to $10.75 million in 2002, an increase of $1.18 million.

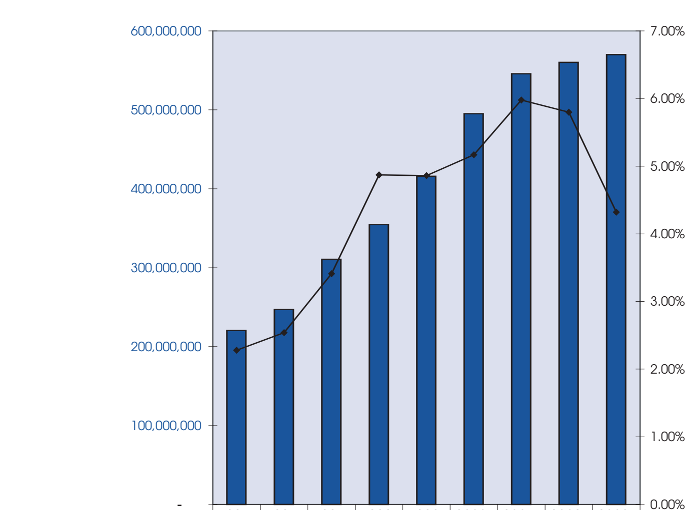
With the realization of the expected increase in recoveries on written off accounts in 2003, the Bank has expanded its Centralized Recovery Department in 2004. The additional resources provided will enable the Bank to continue its success in collection activity on these accounts.

As a result of the continued acceleration, net loans written off increased to $13.8 million for the year or 2.45% of Average Loans. (2002:1.35%)

A further guideline issued by the Central Bank in 2003 "Guidelines for the Management of Credit Risk" required the Bank to restate the composition of the personal loan loss provision between general and specific provisions calculated on a formula driven basis. Notes 2 and 3(e) of the Financial Statements provide further information on the classification of loan loss provision and the effect of the change on Balance Sheet classification. There is no impact on profitability as a result of the change.

The net write off in 2003 represented 86% of the restated specific provision set aside in 2002.

Loans and Percentage Non-Performing



	1995	1996	1997	1998	1999	2000	2001	2002	2003
Loans	220,5	247,0	310,6	354,7	415,8	495,1	545,6	560,04	570,03
Non Performing Assets to Loans	2.28%	2.54%	3.41%	4.87%	4.86%	5.17%	5.98%	5.80%	4.32%

Non Interest Income

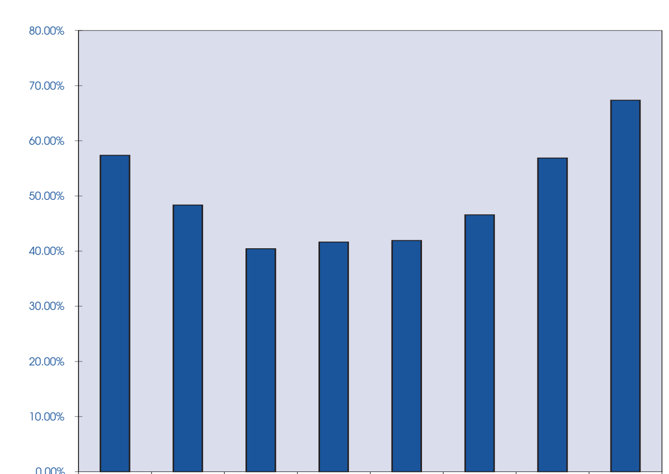
Non interest income recovered from the 10% decline in 2002 to $12.7 million, still $100,000 below 2001. Account transaction fees increased significantly over 2002 due to the extremely successful ABM service. Loan origination revenue, despite increasing over 2002, was still below 2001 when there were no credit restrictions in place.

Non Interest Expense

Non interest expense increased $1.24 million or 4.2% in 2003, (the same value increase as 2002). For the 12 months ended December 31, 2003, the adjusted efficiency ratio (calculated by dividing total non-interest expense by net interest income plus non-interest income less preference share dividends) fell from 51.8% in 2002 to 50.7% in 2003. This is a reflection of the continuing control of operating costs across the Bank throughout the year. A significant factor in controlling costs is the control of the staff complement. The average number of staff was constant for the year at 427. Staff costs increased by $494,000 or 2.6% over 2002.

Depreciation expense decreased 10% to $2.1 million as equipment acquired in the Year 2000 conversion program became fully depreciated. As the Bank enters its 2004 IT program, depreciation expense will increase as new systems come into service.

Provision to Non-Performing Loans



	1996	1997	1998	1999	2000	2001	2002	2003
Provision to Non Performing Loans	57.38%	48.34%	40.42%	41.65%	41.91%	46.57%	56.86%	67.35%

Juanita Grant
Employee: 1960-1998
Mortgage Department

" So many customers were skeptical of going to the big Banks on Bay Street. We made them feel welcomed and helped them. I still meet people from time to time and they say to me, 'Mrs. Grant, Commonwealth helped me so much. I needed money for my child's schooling and now they have achieved their goals and it was only through Commonwealth's help.' I am grateful to have been one of the first members of Team CB. I feel privileged that I was a part of Commonwealth Bank's growth into the solid organization that it is today. They are leaders in providing high quality services to the people they serve. From dresser drawer to top drawer...I am so proud to have been a part of that era."

- **At Commonwealth Bank we take great pride in carefully nurturing our employee relationships. We have created a platform for attracting, developing and motivating employees with outstanding capabilities. This is combined with a strong commitment within our organization to act as a team.**

Chartered Accountants & Management
Consultants
2nd Terrace West
P. O. Box N-7120
Nassau, Bahamas

Telephone: (242) 302-4800
Facsimile: (242) 322-3101
info@deloitte.com.bs

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Commonwealth Bank Limited:

We have audited the accompanying consolidated balance sheet of Commonwealth Bank Limited (the "Bank") as of December 31, 2003, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

February 9, 2004

Deloitte
Touche
Tohmatsu

COMMONWEALTH BANK LIMITED
CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2003
(Expressed in Bahamian dollars)

	2003	2002
ASSETS		
Cash and deposits with banks	$ 9,831,090	$ 19, 223,250
Balances with The Central Bank of The Bahamas	54,593,590	54,185,734
Government Stock, Investments and Treasury Bills (Note 4)	65,307,242	48,329,452
Loans receivable (Notes 5 and 17)	553,445,548	541,582,277
Premises and equipment (Note 6)	18,037,221	18,836,115
Other assets	1,695,728	1,624,075
TOTAL	$ 702,910,419	$ 683,780,903
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits (Note 7)	$ 555,740,146	$ 541,447,114
Life assurance fund (Note 8)	6,341,293	6,270,153
Other liabilities	8,647,285	8,253,012
Dividends payable	26,505	26,869
	570,755,229	555,997,148
Shareholders' loans payable (Note 9)	6,787,614	9,632,217
Total liabilities	577,542,843	565,629,365
Shareholders' Equity:		
Share capital	62,866,249	62,865,739
Share premium	17,662,281	17,617,508
Retained earnings	10,000,000	-
General Reserve (Note 11)	34,839,046	37,668,291
Total shareholders' equity	125,367,576	118,151,538
TOTAL	$ 702,910,419	$ 683,780,903

The accompanying notes form an integral part of the consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 9, 2004, and are signed on its behalf by:

Timothy Baswell Donaldson, C.B.E.
Executive Chairman

William Bateman Sands, Jr.
President and Chief Executive Officer

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2003
(Expressed in Bahamian dollars)

	2003	2002
INCOME:		
Interest income	$ 79,335,944	$ 78,462,570
Interest expense	(26,297,739)	(27,958,990)
Net interest income	53,038,205	50,503,580
Loan loss provision (Note 5)	(11,934,330)	(10,751,791)
	41,103,875	39,751,789
Life assurance, net (Note 8)	2,353,561	2,541,606
Fees and other income	10,353,508	8,967,154
	53,810,944	51,260,549
NON-INTEREST EXPENSES:		
General and administrative (Note 13)	28,297,873	26,817,779
Depreciation and amortization (Note 6)	2,117,662	2,361,553
Directors' fees	144,000	144,000
	30,559,535	29,323,332
NET INCOME	23,251,409	21,937,217
PREFERENCE SHARE DIVIDENDS	(5,454,162)	(5,454,162)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 17,797,247	$ 16,483,055
AVERAGE NUMBER OF COMMON SHARES (Thousands)	31,259	31,241
EARNINGS PER SHARE	$ 0.57	$ 0.53

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, 2003
(Expressed in Bahamian dollars)

	2003	2002
SHARE CAPITAL		
Preference Shares (Note 10):		
Balance at beginning and end of year	$ 60,990,700	$ 60,990,700
Common Shares (Note 10):		
Balance at beginning of year	1,875,039	1,872,842
Issued	510	2,197
Balance at end of year	1,875,549	1,875,039
	62,866,249	62,865,739
SHARE PREMIUM		
Balance at beginning of year	17,617,508	17,407,075
Issuance of common shares	44,773	210,433
Balance at end of year	17,662,281	17,617,508
GENERAL RESERVE		
Balance at beginning of year	-	-
Transfer to general reserve	10,000,000	-
Balance at end of year	10,000,000	-
RETAINED EARNINGS		
Balance at beginning of year	37,668,291	31,806,631
Net Income	23,251,409	21,937,217
Transfer to general reserve	(10,000,000)	-
Common share dividends: 34 cents per share (2002: 34 cents)	(10,626,492)	(10,621,395)
Preference share dividends	(5,454,162)	(5,454,162)
Balance at end of year	34,839,046	37,668,291
SHAREHOLDERS' EQUITY AT END OF YEAR		
	$ 125,367,576	$ 118,151,538

The accompanying notes form an integral part of the consolidated financial statements.

COMMONWEALTH BANK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2003
(Expressed in Bahamian dollars)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest receipts	$ 75,011,396	$ 75,363,458
Interest payments	(26,297,739)	(27,958,990)
Life assurance premiums received	3,902,975	3,511,822
Life assurance claims and expenses paid	(1,634,950)	(1,380,315)
Fees and other income received	10,481,535	8,967,154
Recoveries	1,130,888	220,173
Cash payments to employees and suppliers	(28,107,816)	(33,576,057)
	34,486,289	25,147,245
Increase in loans receivable	(23,797,601)	(14,381,348)
Increase in deposits	14,293,032	20,956,834
Decrease in shareholders' loans payable	(2,844,603)	(5,901,910)
Net cash from operating activities	22,137,117	25,820,821
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Government Stock, Investments and Treasury Bills	(105,587,135)	(137,615,204)
Interest receipts and repayment of Government Stock and Treasury Bills	91,811,611	147,559,851
Purchase of premises and equipment	(1,336,162)	(1,317,108)
Proceeds from sale of equipment	26,000	7,000
Net cash used (from in) investing activities	(15,085,686)	8,634,539
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(16,081,018)	(16,075,462)
Proceeds from common shares issued	45,283	212,630
Net cash used in financing activities	(16,035,735)	(15,862,832)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,984,304)	18,592,528
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	73,408,984	54,816,456
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 64,424,680	$ 73,408,984

The accompanying notes form an integral part of the consolidated financial statements.

COMMONWEALTH BANK LIMITED
YEAR ENDED DECEMBER 31, 2003

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 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, mortgage financing on real estate and the sale of foreign exchange. As at December 31, 2003, the Bank has three wholly owned subsidiaries which are incorporated in The Commonwealth of The Bahamas. The subsidiary companies are Laurentide Insurance and Mortgage Company Limited ("Laurentide"), which provides credit life insurance in respect of the Bank's borrowers, C.B. Securities Ltd., which was incorporated on September 2, 1996, and operates as an investment company, and C.B. Holdings Co. Ltd. which was incorporated on December 8 1997, and to date has not commenced trading.

The average number of staff employed by the Bank and subsidiary companies during 2003 was 427 (2002: 427).

2. CHANGE IN ACCOUNTING POLICY

Loans receivable provision and write-off policy - In 2003 The Central Bank of The Bahamas issued "Guidelines for the Management of Credit Risk". In anticipation of the Guidelines becoming mandatory in 2004, the Bank adopted the classification of provisions between specific and general provision as outlined in the Guidelines. Disclosure for this policy is in Note 3 (e). Previously formula driven provisions on personal loans were classified as specific only if the loan was fully provided. All other provisions on personal loans were classified as general provisions. The change in policy resulted in a restatement of the opening specific provision at January 1, 2003 by an increase of $5.56 million and the equivalent decrease in general provision (2002: $4.25 million increase in specific and decrease in general). There is no impact on net income as a result of the change in policy or of the restatement of the general and specific portions of the loan loss provision.

Comparative figures in the financial statements have been amended to reflect the new presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation - These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Principles of consolidation - The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiaries made up to December 31, 2003. Significant intercompany transactions and balances have been eliminated on consolidation.

(c) Recognition of income - Income is recognized on an accrual basis, except for loans receivable placed on a non-accrual basis (see Note 3d) and fees, which are recognized on a cash basis.

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

A loan is placed on a non-accrual basis whenever principal and/or interest is ninety days contractually past due, unless it is fully secured and collection efforts in progress are reasonably expected to result in repayment of the loan or restoration to current status. A loan that is one hundred and eighty days contractually past due is classified as non-accrual in all situations. When a loan is classified as non-accrual all uncollected interest and fees are reversed from income.

(e) 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 charge is decreased by loans written-off, net of recoveries. The provision reflects the losses inherent in the loan portfolio at the 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 that the Bank no longer expects to recover in full. 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 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 and current economic and other factors affecting the business environment.

The Bank has decided that a general provision for losses on mortgages should amount to a minimum of 1% of outstanding mortgage balances.

A loan is normally written-off if it is contractually in arrears, no payment has been received in the last 180 days and all collateral has been realized. However, if in the opinion of management, further recovery is possible, the loan may be deferred from write-off for a period up to a further 120 days.

(f) Life assurance fund - All receipts from the life assurance business of 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.

(g) Foreign currency translation - Assets and liabilities in other currencies have been translated into Bahamian dollars at the appropriate rates of exchange prevailing as of December 31, 2003. Income and expense items have been translated at actual rates on the date of the transaction.

(h) 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	40 years
Leasehold improvements	Lease term
Furniture, fittings and equipment	3 - 10 years

(i) 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. There is no material difference between basic earnings per share and fully diluted earnings per share.

3. SIGNIFICANT ACCOUNTING POLICIES cont'd.

(j) Post retirement benefits - The Bank adopted International Accounting Standard 19 "Employee Benefits" during the year (Note 15).

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. The cumulative excess of pension fund contributions over the amounts recorded as expenses are recorded as prepaid expense in other assets. Pension costs are charged to general and administrative expenses.

(k) Deposits and shareholders' loans payable - Deposits and shareholders' loans payable are stated at principal plus accrued interest. Borrowing costs are charged to interest expense on the income statement.

(l) Government Stock, Investments and Treasury Bills - Investments in Government Stock and Treasury Bills are stated at cost plus accrued interest.

(m) Related parties - Related parties include officers, directors, shareholders with shareholdings in excess of 5% of outstanding common shares, and companies that are controlled by these parties.

(n) Cash and cash equivalents - Cash and cash equivalents are represented by cash and deposits with banks plus accrued interest and non-interest bearing balances with The Central Bank of The Bahamas. 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, 2003, this reserve requirement was $22,062,938 (2002: $21,159,213).

(o) Comparatives - Certain comparative figures have been restated to comply with the current year's presentation.

4. GOVERNMENT STOCK, INVESTMENTS AND TREASURY BILLS

Government Stock, Investments and Treasury Bills is as follows:

	NOMINAL VALUE $	2003	2002
Bahamian Treasury Bills			
Maturity January 9, 2003	6,000,000	$ -	$ 5,974,200
Maturity February 13, 2003	5,000,000	-	4,978,500
Maturity January 9, 2004	10,000,000	9,975,000	-
Maturity February 12, 2004	10,000,000	9,970,500	-
		19,945,500	10,952,700
Bahamian Government Note			
Due 4/30/03 at prime plus 1.5%		-	3,000,000
Bahamian Government Stock			
Maturity 2005, Prime plus 0.125%	3,000	3,000	3,000
Maturity 2006, 8.75% Fixed	1,000,000	1,000,000	1,000,000
Maturity 2006, Prime plus 0.15625%	2,000	2,000	2,000
Maturity 2010, Prime plus 0.625%	438,000	438,000	438,000
Maturity 2011, 7.00% Fixed	2,000,000	2,000,000	2,000,000
Maturity 2011, Prime plus 0.9375%	897,200	897,200	897,200
Maturity 2012, 8.75% Fixed	4,000,000	4,000,000	4,000,000
Maturity 2013, 9.00% Fixed	3,000,000	3,000,000	3,000,000
Maturity 2014, Prime plus 0.5%	695,600	695,600	695,600
Maturity 2014, Prime plus 0.46875%	2,352,900	2,352,900	2,352,900
Maturity 2014, Prime plus 0.0938%	1,759,700	1,759,700	-
Maturity 2016, Prime plus 0.15625%	172,500	172,500	172,500
Maturity 2017, Prime plus 0.1875%	3,987,700	3,987,700	-
Maturity 2018, Prime plus 0.4375%	438,800	438,800	438,800
Maturity 2018, Prime plus 0.46875%	5,000,000	5,000,000	5,000,000
Maturity 2019, Prime plus 0.46875%	410,400	410,400	410,400
Maturity 2019, Prime plus 0.5%	5,000,000	5,000,000	5,000,000
Maturity 2019, Prime plus 0.5%	500,000	500,000	500,000
Maturity 2020, Prime plus 0.5%	640,600	640,600	640,600
Maturity 2020, Prime plus 0.5%	845,000	845,000	845,000
Maturity 2020, Prime plus 0.53125%	531,600	531,600	531,600
Maturity 2021, Prime plus 0.5625%	757,900	757,900	757,900
Maturity 2021, Prime plus 0.375%	2,192,300	2,192,300	2,192,300
Maturity 2022, Prime plus 0.40625%	933,100	933,100	933,100
Maturity 2023, Prime plus 0.375%	1,541,000	1,541,000	-
Maturity 2023, Prime plus 0.375%	424,800	424,800	-
Balance carried forward		39,524,100	31,810,900

4. GOVERNMENT STOCK, INVESTMENTS AND TREASURY BILLS cont'd.

	NOMINAL VALUE $	2003	2002
Education Bond Authority Maturity 2018, Prime plus 0.25%	3,000,000	3,000,000	-
Bridge Authority Bond Maturity 2029, Prime plus 1.375%	233,400	233,400	233,400
Deposit Insurance Corporation Bond Maturity 2004, Prime plus 0.25%	843,000	843,000	843,000
United States Government Stock			
Maturity 2023, 6.25% US$	400,000	400,000	400,000
Maturity 2024, 7.50% US$	600,000	582,348	582,348
		982,348	982,348
Accrued Interest Receivable		778,894	507,104
		$ 65,307,242	$ 48,329,452

5. LOANS RECEIVABLE

Loans receivable is as follows:

	2003	2002
Residential mortgage	$ 96,827,050	$ 96,894,263
Business	25,651,731	23,508,834
Personal	421,013,064	415,947,809
Credit card	19,189,820	16,300,941
Accrued interest receivable	7,349,666	7,392,586
	570,031,331	560,044,433
Less provision for losses	16,585,783	18,462,156
	$ 553,445,548	$ 541,582,277

Provision for losses is as follows:

2003

	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Losses	Balance at End of Year
Residential mortgage	$ 1,490,919	$ (189,289)	$ -	$ (115,429)	$ 1,186,201
Business	642,082	-	-	48,342	690,424
Personal	15,524,680	(14,039,528)	1,056,516	11,640,386	14,182,054
Credit card	804,475	(712,774)	74,372	361,031	527,104
Total allowance for credit losses	18,462,156	(14,941,591)	1,130,888	11,934,330	16,585,783
Specific provisions	16,069,957	(14,941,591)	1,130,888	11,117,208	13,376,462
General provisions	2,392,199	-	-	817,122	3,209,321
	$ 18,462,156	$ (14,941,591)	$ 1,130,888	$ 11,934,330	$ 16,585,783

2002

	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Losses	Balance at End of Year
Residential mortgage	$ 1,472,406	$ (100,395)	$ -	$ 118,908	$ 1,490,919
Business	612,267	-	-	29,815	642,082
Personal	12,226,587	(7,342,795)	195,564	10,445,324	15,524,680
Credit card	877,397	(255,275)	24,609	157,744	804,475
Total allowance for credit losses	15,188,657	(7,698,465)	220,173	10,751,791	18,462,156
Specific provisions	12,966,880	(7,698,465)	220,173	10,581,369	16,069,957
General provisions	2,221,777	-	-	170,422	2,392,199
	$ 15,188,657	$ (7,698,465)	$ 220,173	$ 10,751,791	$ 18,462,156

Non-Accural Loan Receivable is as follows:

	2003 Gross Non-accrual	2003 Specific Allowance	2003 Net Non-accrual	2002 Gross Non-accrual	2002 Specific Allowance	2002 Net Non-accrual
Residential mortgage	$ 3,592,586	$ 250,462	$ 3,342,124	$ 3,327,576	$ 514,628	$ 2,812,948
Business	1,369,735	169,343	1,200,392	1,056,952	340,472	716,480
Personal	19,071,557	12,729,720	6,341,837	26,840,431	14,519,546	12,320,885
Credit card	592,720	226,937	365,783	1,244,560	695,311	549,249
	$ 24,626,598	$ 13,376,462	$ 11,250,136	$ 32,469,519	$ 16,069,957	$ 16,399,562
Percentage of loan portfolio	4.32%			5.80%		

6. PREMISES AND EQUIPMENT

Premises and equipment is as follows:

Cost	Land	Buildings	Leasehold Improvements	Furniture Fittings and Equipment	Total
December 31, 2002	$ 3,291,425	$ 12,382,681	$ 3,452,137	$ 14,468,404	$ 33,594,647
Additions	-	-	31,276	1,304,886	1,336,162
Less disposals	-	-	-	(67,485)	(67,485)
December 31, 2003	3,291,425	12,382,681	3,483,413	15,705,805	34,863,324
Accumulated Depreciation and Amortization					
December 31, 2002	-	2,278,528	2,552,800	9,927,204	14,758,532
Charge for the year	-	331,220	217,753	1,568,689	2,117,662
Less disposals	-	-	-	(50,091)	(50,091)
December 31, 2003	-	2,609,748	2,770,553	11,445,802	16,826,103
Net Book Value					
December 31, 2003	$ 3,291,425	$ 9,772,933	$ 712,860	$ 4,260,003	$ 18,037,221
December 31, 2002	$ 3,291,425	$ 10,104,153	$ 899,337	$ 4,541,200	$ 18,836,115

Depreciation and amortization expense is as follows:

	2003	2002
Buildings	$ 331,220	$ 332,247
Leasehold improvements	217,753	281,590
Furniture, fittings and equipment	1,568,689	1,747,716
	$ 2,117,662	$ 2,361,553

7. DEPOSITS

Deposits is as follows:

	2003	2002
Demand deposits	$ 33,179,681	$ 33,420,914
Savings accounts	62,897,944	60,436,281
Certificates of deposit	449,506,135	438,208,002
Accrued interest payable	10,156,386	9,381,917
	$ 555,740,146	$ 541,447,114

8. LIFE ASSURANCE FUND

An actuarial valuation of the life assurance fund was conducted as of December 31, 2003. The calculation 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, $2,353,561 (2002: $2,541,606) being premiums distributable otherwise than to policyholders, was credited to income during the year.

9. SHAREHOLDERS' LOANS PAYABLE

Shareholders' loans payable are unsecured and subordinated with terms ranging from three to ten years. Interest rates on shareholders' loans payable vary from 7.75% to 9% per annum (2002: 7.25% to 12% per annum).

10. SHARE CAPITAL

Share capital is as follows:

Preference Shares:

CLASS	Rate %	Par Value B$	Authorized	Issued and Outstanding Beginning and End of Year 2003	2002
A	9.00	500	$ 15,000,000	$ 15,000,000	$ 15,000,000
B	8.50	500	5,000,000	4,985,000	4,985,000
C	8.00	100	5,000,000	1,007,600	1,007,600
D	9.00	100	10,000,000	10,000,000	10,000,000
E	9.00	100	10,000,000	9,998,800	9,998,800
F	9.00	100	10,000,000	9,999,300	9,999,300
G	9.00	100	10,000,000	10,000,000	10,000,000
			$ 65,000,000	$ 60,990,700	$ 60,990,700

All classes of Preference Shares are cumulative, non-voting and redeemable at the discretion of the Board.

10. SHARE CAPITAL cont'd.

Common Shares:

	Number	B$ (B$ 0.06 each)
Authorized:		
December 31, 2002 and December 31, 2003	75,000,000	$ 4,500,000
Issued and Outstanding:		
December 31, 2001	31,214,034	1,872,842
Issuance of new shares	36,616	2,197
December 31, 2002	31,250,650	1,875,039
Issuance of new shares	8,492	510
December 31, 2003	31,259,142	$ 1,875,549

11. GENERAL RESERVE

The general reserve was created in 2003 as non-distributable reserve.

12. EMPLOYEE STOCK OPTION PLAN

On December 14, 1999, the Board of Directors approved an employee stock option plan for key employees with a grant of two million shares on May 1, 2000. Options will vest over the period from the date of grant to April 30, 2005. Vested options may be exercised up to April 30, 2006 at the market price at the date of grant to the employee.

Details of the stock options are as follows:

	NUMBER OF SHARES	
	2003	2002
Outstanding at beginning of year	1,513,900	1,603,650
Granted	48,000	24,000
Expired	(50,000)	(95,000)
Exercised	-	(18,750)
Outstanding at end of year	1,511,900	1,513,900
Of which vested at the end of the year	603,950	319,690
Options available to be granted at end of year	424,100	422,100

Options under this plan will vest as follows:

2004	379,780
2005	536,420

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2003	2002
Staff costs	$ 19,391,151	$ 18,897,292
Other	8,906,722	7,920,487
	$ 28,297,873	$ 26,817,779

Staff costs include pension costs of $847,391 (2002: $883,627) (see Note 15).

14. RELATED PARTIES' BALANCES AND TRANSACTIONS

Related parties' balances and transactions are as follows:

	2003	2002
Loans receivable	$ 6,577,229	$ 5,282,064
Shareholders' loans payable	$ 6,448,044	$ 6,486,170
Deposits	$ 36,614,665	$31,249,514
Interest income	$ 300,150	$ 276,381
Interest expense	$ 1,962,604	$ 2,213,683
Rental expense	$ 282,581	$ 277,033

Rental commitments to related parties are as follows:

2004	$280,215
2005	$141,615
2006	$118,263

As at December 31, 2003, commitments under revolving credit lines totaled $1,846,839 (2002: $1,225,424).

15. 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:

	2003	2002
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 16,239,430	$ 14,929,285
Actual return on plan assets	662,913	615,437
Company contributions	768,363	998,335
Participant contributions	578,327	555,591
Benefits paid	(214,384)	(123,065)
Withdrawals from plan	(617,216)	(736,153)
Fair value of plan assets at end of year	$ 17,417,433	$ 16,239,430
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 15,292,821	$ 14,887,309
Company contributions	886,300	914,900
Participant contributions	578,327	555,591
Interest cost	1,050,309	1,041,099
Benefits paid	(831,600)	(859,218)
Actuarial gain on obligation	508,343	(1,246,860)
Benefit obligation at end of year	$ 17,484,500	$ 15,292,821
Funded status:		
Present value of plan assets in excess of obligations	$ (67,067)	$ 946,609
Unrecognized actuarial loss (gain)	731,558	(203,089)
Prepaid benefit expense	$ 664,491	$ 743,520
Components of pension benefit expense:		
Employer service costs	$ 886,300	$ 914,900
Interest cost	1,050,309	1,041,099
Expected return on plan assets	(1,089,218)	(1,072,372)
Pension benefit expense included in staff costs	$ 847,391	$ 883,627
Movement in prepaid asset recognized in the balance sheet:		
Balance at beginning of year	$ 743,520	$ 628,812
Expense as above	(847,391)	(883,627)
Contributions paid	768,362	998,335
Balance at end of year	$ 664,491	$ 743,520
Actual return on plan assets:		
Expected return on plan assets	$ 1,089,218	$ 1,072,372
Actuarial loss on plan assets	(426,305)	(456,935)
Actual return on plan assets	$ 662,913	$ 615,437
Assumptions at beginning of year:		
Discount rate	6.50%	6.50%
Long term rate of return on plan assets	6.50%	7.00%
Rate of increase in future compensation	4.50%	5.00%
Assumptions at end of year:		
Discount rate	6.25%	6.50%
Rate of increase in future compensation	4.50%	4.50%

The Bank administers its own pension fund. The pension fund owns 379,907 (2002: 359,907) common shares and $3 million (2002: $3 million) preference shares of the Bank. These shares have a market value of $5,370,620 (2002: $5,379,297) which represents 31% (2002: 33%) of the pension fund's assets.

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

	2003	2002
Deposits	$ 2,936,143	$ 3,593,115
Interest expense	$ 170,341	$ 297,090

16. MATURITY OF ASSETS AND LIABILITIES

The maturity dates of assets and liabilities are as follows:

ASSETS	2003	2002
On demand	$ 67,375,654	$ 90,588,682
3 months or less	26,807,822	27,408,122
Over 3 months through 6 months	7,800,704	4,791,903
Over 6 months through 12 months	16,761,640	13,266,839
Over 12 months through 24 months	33,735,211	36,579,756
Over 24 months through 5 years	274,672,082	284,204,025
Over 5 years	275,757,306	226,941,576
	$ 702,910,419	$ 683,780,903

16. MATURITY OF ASSETS AND LIABILITIES cont'd.

LIABILITIES	2003	2002
On demand	$ 33,191,556	$ 33,420,913
3 months or less	223,212,689	255,618,839
Over 3 months through 6 months	90,977,640	91,587,990
Over 6 months through 12 months	114,481,765	87,949,378
Over 12 months through 24 months	44,644,403	33,356,408
Over 24 months through 5 years	70,818,880	54,286,144
Over 5 years	215,910	9,409,693
	$ 577,542,843	$ 565,629,365

17. CONCENTRATION OF LOANS RECEIVABLE AND LIABILITIES

Concentration of loans receivable and liabilities are as follows:

	2003		2002	
	$	Number of Accounts	$	Number of Accounts
Loans receivable:				
Under $50,000	$ 449,695,070	45,632	$ 437,298,303	44,077
$50,001 - $100,000	37,309,108	556	40,854,517	586
$100,001 - $150,000	27,585,873	224	27,445,276	223
$150,001 - $300,000	26,917,770	137	26,071,107	132
$300,001 - $500,000	11,855,017	32	13,148,734	35
$500,001 - $1,000,000	6,806,019	11	2,975,099	5
$1,000,001 and over	2,532,851	2	4,858,811	4
Provision	(16,585,783)	-	(18,462,156)	-
Accrued interest receivable	7,349,666	-	7,392,586	-
	$ 553,465,591	46,594	$ 541,582,277	45,062
Liabilities:				
Under $50,000	$ 130,662,934	46,045	$ 130,572,851	45,794
$50,001 - $100,000	55,702,418	771	59,930,779	834
$100,001 - $150,000	42,143,728	349	40,700,515	339
$150,001 - $300,000	69,377,652	322	71,516,437	336
$300,001 - $500,000	49,508,223	125	56,656,478	145
$500,001 - $1,000,000	86,601,743	121	91,634,063	125
$1,000,001 and over	118,335,821	60	90,590,124	46
Accrued interest payable	10,195,241	-	9,478,084	-
Other liabilities	8,647,285	-	8,253,012	-
Dividends payable	26,505	-	26,869	-
Life assurance fund	6,341,293	-	6,270,153	-
	$ 577,542,843	47,793	$ 565,629,365	47,619

18. COMMITMENTS AND CONTINGENCIES

(a) In the ordinary course of business, the Bank had commitments as of December 31, 2003 as follows:

	2003	2002
Mortgage commitments	$ 8,583,840	$ 2,071,017
Revolving credit lines	16,179,076	17,687,006
Standby letters of credit	487,000	561,118
Capital expenditures contracted	400,124	568,237
	$ 25,650,040	$ 20,887,378

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 2010, and on maintenance contracts for computer equipment and software expiring no later than 2007 on which the minimum annual rentals are approximately as follows:

	Minimum Rental Commitment	
Year	Leases B$	Computer Equipment and Software B$
2004	1,262,405	254,268
2005	1,063,179	232,784
2006	449,406	287,534
2007	66,000	244,447
2008	66,000	-
2009 - 2010	82,500	-

(c) The Bank has an undrawn line of credit with Bank of America, Miami for US$1 million. This credit line is secured by United States Government Stock US$ 1 million disclosed in Note 4.

The Bank has an undrawn line of credit with Citibank NA. The credit line is unsecured and is in the amount of $11 million, and can be drawn down in either Bahamian or United States dollars.

19. INTEREST RATE SENSITIVITY

Interest rate sensitivity or interest rate risk 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. There is no developed derivative market in the domestic banking sector of the economy to assist the Bank in managing interest rate risk. 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, 2003, and represents the Bank's risk exposure at this point in time only:

Maturity or repricing date of interest sensitive instruments

As of December 31, 2003	Within 3 Months	3-6 months	6-12 months	1-5 Years	Over 5 years	Not interest rate sensitive	Total
Assets							
Cash equivalents	-	-	-	-	-	64,424,680	64,424,680
	0.00%	-	-	-	-	-	*0.00%*
Government Stock, Investments and Treasury Bills	54,324,894	-	-	1,000,000	9,982,348	-	65,307,242
	4.43%	-	-	*8.75%*	*8.44%*	-	*5.11%*
Loans receivable	48,719,978	110,585,422	6,943,318	285,022,026	102,174,804	-	553,445,548
	13.30%	*9.08%*	*15.63%*	*15.25%*	*14.16%*	-	*13.53%*
Premises and equipment	-	-	-	-	-	18,037,221	18,037,221
Other assets	-	-	-	-	-	1,695,728	1,695,728
TOTAL	103,044,872	110,585,422	6,943,318	286,022,026	112,157,152	84,157,629	702,910,419
Liabilities and shareholders' equity							
Deposits	246,835,801	89,984,446	106,329,080	112,374,909	215,910	-	555,740,146
	3.79%	*4.51%*	*4.87%*	*6.42%*	*5.86%*	-	*4.65%*
Other liabilities	-	-	-	-	-	15,015,083	15,015,083
Shareholders' loans payable	-	250,414	6,537,200	-	-	-	6,787,614
	0.00%	*7.75%*	*9.00%*	*0.00%*	-	-	*8.95%*
Preferred shares	-	-	-	-	60,990,700	-	60,990,700
	-	-	-	-	*8.94%*	-	*8.94%*
Other equity	-	-	-	-	-	64,376,876	64,376,876
TOTAL	246,835,801	90,234,860	112,866,280	112,374,909	61,206,610	79,391,959	702,910,419
INTEREST RATE SENSITIVITY GAP	(143,790,929)	20,350,562	(105,922,962)	173,647,117	50,950,542	4,765,670	-
CUMULATIVE INTEREST RATE SENSITIVITY GAP	$ (143,790,929)	$ (123,440,367)	$ (229,363,329)	$ (55,716,212)	$ (4,765,670)	$ -	$ -
COMPARATIVE 2002	$ (174,616,996)	$ (166,133,614)	$ (254,561,011)	$ (34,019,155)	$ (11,129,057)	$ -	$ -
Average Yield - Earning Assets	*8.62%*	*9.08%*	*15.63%*	*15.23%*	*13.65%*		*12.73%*
Average Yield - Paying Liabilities	*3.79%*	*4.52%*	*5.11%*	*6.42%*	*8.93%*		*5.11%*
Average Margin 2003	*4.83%*	*4.56%*	*10.52%*	*8.81%*	*4.72%*		*7.62%*
Average Margin 2002	*5.25%*	*4.38%*	*10.14%*	*8.15%*	*2.85%*		*7.56%*

20. CREDIT RISK

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 credits are 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. Consumer credit portfolios are reviewed monthly to identify potential failure to perform according to the terms of the contract.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value represents values at which financial instruments could be exchanged in a current transaction between willing parties. Wherever there is no available trading market, fair values are estimated using appropriate valuation methods.

The carrying values of the majority of financial assets and liabilities are assumed to approximate their fair value.

Persis Adderley
Customer since 1965
Oakes Field Branch

" I've been banking with Commonwealth before many of your managers were even born. Back when you were in Palmdale... long before you even opened Mackey Street, Robinson Road and Bay Street branches. I raised and educated all of my children with Commonwealth Bank's help. Today, I walk into my home branch and all of your staff are like my children. I love Mrs. Fraser. Commonwealth Bank is doing everything in the world to help Bahamians...buy a car, get a mortgage, pay school fees and even go on cruises. I know that was how I was able to do it."

- **From the beginning, Commonwealth Bank opened up new worlds. In 1960, we dedicated ourselves to assisting working class Bahamians within the community by making our innovative financial products available. Our customers could establish credit, save money, buy vehicles and homes, in short-prosper in their own land.**

- **We take pride in getting to know our customers. No matter what their needs, we take the time to exceed our customers' expectation. We have a reputation for partnering with our customers as they establish their financial relationships and staying with them even if they experience difficult times.**

FINANCIAL HISTORY

FOR THE YEARS ENDED 31 DECEMBER

	2003	2002	2001	2000	1999
INCOME STATEMENT DATA:					
Interest Income	79,335,944	78,462,570	70,625,039	66,025,201	56,900,943
Interest Expense	(26,297,739)	(27,958,990)	(26,108,671)	(23,973,368)	(23,796,128)
Net Interest Income	53,038,205	50,503,580	44,516,368	42,051,833	33,104,815
Provision for Loan Losses	(11,934,330)	(10,751,791)	(7,990,185)	(4,644,186)	(2,663,626)
Net Interest Income after Provision for Loan Losses	41,103,875	39,751,789	36,526,183	37,407,647	30,441,189
Non-interest Income	12,707,069	11,508,760	12,825,579	11,587,154	9,983,860
Non-interest Expenses	(30,559,535)	(29,323,332)	(28,088,266)	(28,695,214)	(24,741,176)
Net Income	23,251,409	21,937,217	21,263,496	20,299,587	15,683,873
Per Share Data:					
Book Value	2.06	1.83	1.64	1.43	1.48
Cash Dividends	0.34	0.34	0.34	0.34	0.28
Weighted Average Common Shares Outstanding (000's)	31,259	31,241	31,202	30,153	30,840
Dividend growth (total)	0.00%	0.00%	0.00%	21.43%	12.00%
Balance Sheet Data:					
Total Assets	702,910,419	683,780,903	661,770,860	589,913,044	503,723,037
Securities	65,307,242	48,329,452	55,174,987	49,228,807	44,217,276
Loans	570,031,331	560,044,433	545,663,085	495,121,578	415,896,978
Net Write-offs	13,810,703	7,478,292	3,527,548	1,952,876	1,106,768
Total Deposits	555,740,146	541,447,114	520,490,280	446,672,643	379,556,899
Total Shareholders' Equity	125,367,576	118,151,538	112,077,248	106,562,353	84,822,835
Performance Ratios:					
Price/Earnings	10.95	12.25	14.22	18.35	16.59
Price/Book Value	3.03	3.55	4.43	6.29	8.00
Dividend Yield (Annual Dividend/Year End Price)	5.45%	5.24%	4.69%	3.78%	4.67%
Earnings Per Share	0.57	0.53	0.51	0.49	0.41
Return on Average Assets	2.55%	2.42%	2.50%	2.60%	2.72%
Return on Average Shareholders' Equity	28.68%	29.38%	30.75%	33.64%	32.00%
Ordinary Dividend Payout Ratio	59.71%	64.44%	67.10%	69.94%	65.90%
Efficiency Ratio	50.69%	51.85%	54.13%	59.55%	61.64%
Net Interest Margin	6.77%	6.59%	5.90%	6.20%	5.99%
Asset Quality Ratios:					
Non-accrual Loans to Total Loans	4.32%	5.80%	5.98%	5.17%	4.86%
Non-accrual Loans to Total Assets	3.50%	4.75%	4.93%	4.34%	4.02%
Net Write-offs to Average Loans	2.45%	1.35%	0.67%	0.44%	0.29%
Provision for Loan Losses to Total Loans	2.91%	3.30%	2.78%	2.17%	2.03%
Provision for Loan Losses to Non-accrual Loans	67.35%	56.86%	46.57%	41.91%	41.65%
Liquidity Ratio:					
Average Cash and Securities to Average Total Asset	18.92%	18.70%	15.23%	18.21%	14.84%
Capital Ratios:					
Leverage Ratio Average Shareholders' Equity to Average Total Assets	17.60%	17.15%	17.80%	17.40%	13.74%
Capital Adequacy:					
Tier 1 Capital	$ 64,376,876	$ 57,160,838	$ 51,086,550	$ 45,571,653	$ 41,682,135
Tier 2 Capital	$ 60,990,700	$ 57,160,838	$ 51,086,550	$ 45,571,653	$ 41,682,135
Total Capital	125,367,576	118,151,538	112,077,248	106,562,353	84,822,835
Total Risk Adjusted Assets	581,454,087	569,800,979	570,038,985	531,137,308	447,325,558
Tier 1 Ratio	11.07%	10.03%	8.96%	8.58%	9.32%
Tier 1 + Tier 2 Capital Ratio	21.56%	20.06%	17.92%	17.16%	18.64%

Capital Ratios have been restated to reflect international rating of Bahamian Government Securities. Certain figures have been restated to be consistent with the current year's presentation.

SHAREHOLDER INFORMATION

DIVIDEND DATES FOR 2004
Subject to approval by the Board of Directors.

	Record Dates	Payment Dates
Common Shares and Preferred Shares Series A,B,D,E,F,G	March 14	March 31
	June 13	June 30
	September 15	September 30
	December 15	December 31
Preferred Shares Series C	February 25	February 27
	August 15	August 29

BOARD OF DIRECTORS

T.B. Donaldson, Chairman
Commonwealth Bank Ltd.

W.B. Sands, Jr., President
Commonwealth Bank Ltd.

I.A. Jennings, SVP & CFO
Commonwealth Bank Ltd.

R.W. Roberts, Jr., President
Super Value Foodstores Ltd.

R.C. Symmonette, Chairman
Abaco Markets Ltd.

F. Butler, President & CEO
Milo Butler & Sons Co. Ltd.

V. Higgs, V.P. & General Manager
Nassau Paper Co. Ltd.

T.B. Thompson
Retired

G.C. Culmer, Partner
BDO Mann Judd

M. Barnett, Partner
Graham Thompson & Co.

J.B. Farrington, Vice President
Kerzner International

E. Bethel, President
DanBrad Ltd.

CORPORATE SECRETARY

C. Pinder-Higgs
Commonwealth Bank Ltd.

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

PRINCIPAL ADDRESS
Commonwealth Bank Ltd.
Head Office
The Plaza, Mackey Street
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.
Goodman's Bay Corporate Centre
Third Floor
West Bay Street
P.O. Box CB-12407
Nassau, Bahamas
Tel: 242.502.7010
Fax:242.356.3677

STOCK EXCHANGE LISTING
(Symbol: CBL)

COMMON SHARE LISTING
Bahamas International Securities Exchange (BISX)

INTERNET
www. combankltd.com

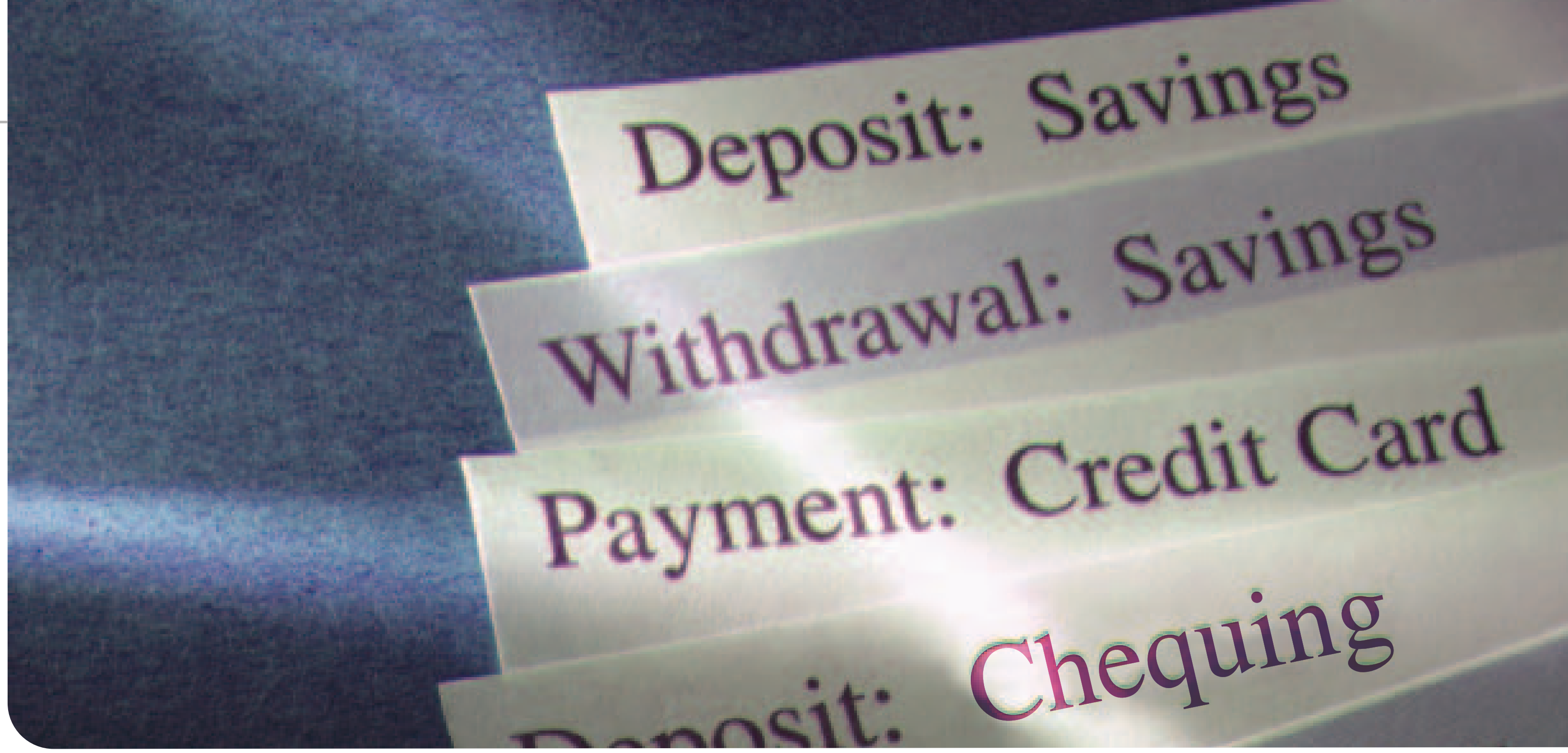
SHAREHOLDERS CONTACT
For change of address, change to dividend instructions and estate transfers, Shareholders are requested to write to the Bank's Transfer Agent, Colina Financial Advisors Ltd., at their mailing address or call the Transfer Agent at 242.502.7010.

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 Street
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 to us at our Principal Address or by calling:
Tel: 242.502.6200
Fax: 242.394.5807



SERVICES

- AUTO LOANS
- PERSONAL LENDING
- MORTGAGE FINANCING
- REAL ESTATE FINANCING
- SMALL BUSINESS LENDING
- COMMERCIAL LENDING
- PERSONAL CHEQUING ACCOUNTS
- OVERDRAFT FACILITIES
- SUNCARD
- MASTERCARD
- CERTIFICATES OF DEPOSIT
- SAVINGS ACCOUNTS
- CHRISTMAS CLUB SAVINGS
- STUDENT SAVINGS ACCOUNTS
- AUTOMATED BANKING MACHINES
- FOREIGN EXCHANGE SERVICES
- SAFETY DEPOSIT BOXES

LOCATIONS

NEW PROVIDENCE

Head Office	502-6200
The Plaza, Mackey Street	502-6100
Bay & Christie Streets	322-1154
Oakes Field	322-3474
Town Centre Mall	322-4107
Cable Beach	327-8441
Wulff Road	394-6469
Mortgage Department	394-6469
Credit Card Centre	502-6150

GRAND BAHAMA

The Mall Drive	352-8307
Lucaya	373-9670
Credit Card Centre	352-4428

ABACO

Marsh Harbour, Don Mackay Blvd.	367-2370

COMMONWEALTH BANK

HEAD OFFICE
The Plaza, Mackey St.
P.O. Box SS-5541
Nassau, Bahamas
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