



COMMONWEALTH BANK
A N N U A L R E P O R T

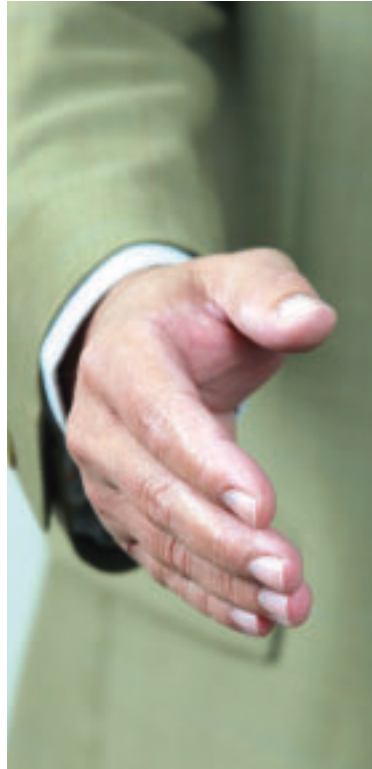
2004

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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



DELIVERING Service Excellence

Delivering means providing Bahamians with the products and services they need to secure their financial dreams. It means that every Commonwealth Bank employee in any capacity understands and is motivated to do “what’s right for our customers” daily. It also means being a socially responsible corporation. At Commonwealth Bank, we are committed to serving as a force for good in the marketplace and in our communities. Such a course, we believe, strengthens our business and our society. It is the right thing to do.

DAILY



T. Baswell Donaldson, CBE
CHAIRMAN

To Our Shareholders

2004 was another historic year for the Bank. Not only did we record another year of record profit with Net Income increasing to \$25.6 million, a 10.1% increase over 2003, but our Total Assets surpassed \$0.75 billion for the first time, climbing 8.9% to \$765.6 million from \$702.9 million in 2003. As a result of our strong performance we were able to increase common share dividends to 39 cents for the year, an increase of 14.7% over the 34 cents per share paid in 2003. A key factor in our success in 2004 was the acquisition of the consumer loan portfolio from Citibank in April. The portfolio performance exceeded our initial expectations in 2004. The rate of the Loan Portfolio Diversification project undertaken by the Bank has been adversely affected by the credit restrictions imposed by the Central Bank. Nevertheless, our mortgage portfolio increased \$16.9 million or 17.5% during the year. The development of our mortgage portfolio is a continuing objective for the Bank to ensure our customers are provided with important products and services.

In reviewing the year-end situation in Grand Bahama and Abaco, the loan portfolio was not showing any signs of distress, however with the uncertainty that the storms have caused primarily in the hotel industry in Grand Bahama, the Bank took a proactive step in increasing its general provision on these accounts to \$1 million or about 10% of the related accounts. In addition to this general provision the Bank still holds its \$10 million general reserve to cover any adverse events arising from distress situations.

Last year was the first year the Bank provided the required certification to the

Central Bank of The Bahamas. In this year's Annual Report we have continued to build on the transparency of our disclosure practices for interested stakeholders by our expanded comments on board accountabilities and responsibilities in our Charter of Expectations, as well as including reports on the activities of the major Board subcommittees. For the first time we have also introduced a Management Statement of Responsibility for the Financial Statements, that outlines the internal processes that underlie the Financial Statements. 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 confirmation of how the Bank carries out its activities in a prudent and sound manner. We feel that this further expansion of our reporting will enable you to better understand how your Bank manages its business and how your Board ensures that the Bank has policies and procedures in place to ensure safe and sound operation of the Bank.

As an example of the Board's continuous oversight of the Bank, the Board has separated responsibilities for the oversight of IT into a new IT subcommittee charged solely with the oversight of the significant Information Technology investment and its role in product development.

The Board recognizes that the new Governance regime requires a greater

standard of attention from your Bank's directors. In this regard a resolution is being presented to the shareholders to approve an increase in non-executive director's fees to an aggregate of \$180,000 per annum. The Board is of the opinion that this better reflects the level of responsibility and liability experienced by the non-executive directors.

Our goal of prudent governance is to continue the improvement in the safety and soundness of the Bank. This includes the application of conservative accounting policies as they evolve and reflect international best practices. The conservative accounting methodology is evidenced by the increase of prudential provisions. The result of which has been a further strengthening of our Balance Sheet without diminution of net income and returns to shareholders. This is discussed in more detail in "Management's Discussion and Analysis of Results" and in the Financial Statements. In keeping with this conservative approach, the Board also feels that it is time to plan for future capital expansion by recommending a resolution at the Annual General Meeting to issue two new classes of Preference Shares totaling \$20 million. The increase in capital will allow the Bank to take advantage of favourable market conditions as they occur.

While the past twenty-one years of Bahamian ownership have been rewarding and exciting as the Bank has developed from the small bank with a big vision to an established leader in the banking sector, we now look forward with even more anticipation to bringing our customers better products and services as part of our theme for 2005 "Delivering Service Excellence".

In December 2004, we launched our first "Customer Appreciation Week". Commonwealth Bank is committed to being recognized as the leader in delivering quality service. We believe that the level of Customer Service will be the main factor for customers selecting their financial institution. Accordingly, in 2005 we will continue to take the steps to achieve this goal of quality service.

In these modern times, virtual branches through the internet are becoming increasingly important. We plan to expand the services offered on our web site from the current MasterCard facilities to banking transactions and inquiries by the second quarter of 2005 and SunCard transactions by the end of the third quarter. The internet banking project is only part of our ambitious Information Technology program. We are now entering the second year of the program, having successfully upgraded our main banking software, changed out front counter teller system, progressed with our SunCard POS systems and started our loan platform implementations. Along with our own technology development, the Central Bank along with the Clearing Banks have been introducing a modernized payment system. The first module introduced in 2004 was an automated large item settlement system. The next stage will be the automated clearing house in 2005, which should affect all our customers.

A key factor in serving customers is the location of the physical branches. To this end the Board will be reviewing possible Family Island locations early in 2005, but the priority will be given to ensuring we are adequately serving the majority of



William B. Sands, Jr.
PRESIDENT & CEO

"...we now look forward with even more anticipation to bringing our customers better products and services as part of our theme for 2005 "Delivering Service Excellence."

Chairman & President's Report cont'd.

the population in New Providence and Grand Bahama. To this end we are actively pursuing a new branch location in the rapidly growing southern area of New Providence. We are also looking at introducing operating efficiencies by centralizing some functions currently performed in the branches. The acquisition of The Plaza Head Office building was a logical step for the Bank. The purchase, completed in September 2004 for \$7.1 million, gives the Bank control over planning and implementing its support operations but guarantees the cost efficiencies of allowing the expansion to occur in the same physical location.

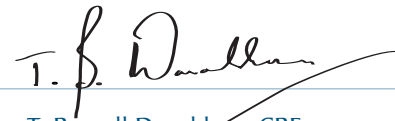
We realize that financial results are not the only measure of a company's progress. In 2004 we were reminded of this as this year will be remembered for the natural disasters it brought with it, in the Caribbean and in South East Asia. Our thoughts and prayers go out to the individuals adversely affected by those natural disasters. While The Bahamas' troubles resulting from Hurricanes Jeanne and Francis pale in comparison with the horrendous loss of life in the Asian Tsunami, nevertheless they challenged us to a new degree. Our Business Continuity Planning proved its value as despite the lack of almost every essential service, we were able to quickly re-open our branches in Abaco and Grand Bahama. We did this so quickly, that in fact your Bank was the first Commercial Bank to re-open after the storms in Freeport and Marsh Harbour. We were able to ship water and food to our staff in Grand Bahama who responded with great dedication in keeping our branches open to service the communities' needs. We offered our customers tailored relief programs to

help them get back on their feet and your Bank also made a significant contribution to the National Hurricane Relief Fund.

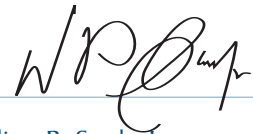
In everything your Bank does, our success depends on the front line staff who interact with our customers and those behind the scenes who act as support and cheerleaders. In order to achieve our vision for the future of the Bank, Staff Training and development are vital. The clearest example of our commitment to improving service goals lies with the Take Ownership initiative, an ongoing training process launched in 2003 that involves every employee, starting with the executive management team. Through continuous training, Commonwealth Bank employees are uncovering new ways to act meaningfully to serve our customers based on a clearer understanding of their needs. Our education and development programs are not only limited to work related training but also include significant assistance to staff studying at a tertiary level in order to improve themselves. In 2004, we were pleased that amongst the many who were successful at Bachelors and Associates degrees, two of our staff completed their MBA's. In 2005 we will continue our programs of internal and external training and development courses.

In recognizing the contribution of our staff to our success in 2004, we would like to note the contribution of Mr. Trevor Thompson over his long association with the Bank. Following his retirement in 2003, Mr. Thompson served faithfully through to this Annual General Meeting, completing 34 years as a Director. He has set a remarkable standard for our staff to emulate.

In closing, we thank our staff who have enabled your bank to enjoy such a successful year in such unique times and of whom we are justly proud. We thank the Board for their guidance, our customers for choosing Commonwealth Bank as their service provider and we thank you, our shareholders for your continued support and trust.



T. Baswell Donaldson, CBE
CHAIRMAN



William B. Sands, Jr.
PRESIDENT & CEO



DELIVERING To Our Customers

Customer Appreciation Week 2004

At Commonwealth Bank our goal is to meet the needs of individual customers. We are committed to helping all our customers -big or small- realize both their financial objectives for today and plans to achieve their goals in the future. Commonwealth Bank customers are diverse. They range from children opening their first savings account to a young couple arranging a mortgage on a new home to individuals wishing to establish a retirement plan. But whether the need is simple or complex, Commonwealth Bank is there to help all our customers achieve their financial goals, regardless of economic circumstance.



At Commonwealth Bank we believe that social responsibility begins with a commitment to ethical behavior. By conducting our business and serving our customers and communities according to the principles of honesty, transparency and accountability, we earn trust that is the foundation of our business.

Delivering On Our Responsibilities

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 and review at least annually the principal risks of the Bank's businesses and receive reasonable assurance on an ongoing basis that

appropriate policies, procedures and systems are in place to manage these risks.

- Review the processes that ensure respect for any compliance with applicable regulatory, corporate and any other legal requirements.
- Review the processes and practices to ensure that prudent and effective policies are in place to identify, measure and monitor the Bank's cumulative positions in respect of its capital and liquidity management.

Senior Level Staffing

- Select, monitor, evaluate (including the Chief Executive Officer and other senior executives) and ensure that an effective management succession plan is in place and that the Bank's compensation plans are consistent with the sustainable achievement of the Bank's business objectives, the prudent management of its operations and the risks to which it is exposed, and adherence to its processes, policies, procedures and controls.

Integrity

- Ensure the integrity of the Bank's process of control and management information systems.
- Ensure ethical behavior and compliance with laws and regulations, audit and accounting principles, and the Bank's own governing documents.

Oversight of Communications and Public Disclosure

- Assess the effectiveness of the Bank's communications policy and processes to ensure accurate, timely and full public disclosure.

Material Transactions

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

Monitoring Board Effectiveness

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

Other

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

Director Attributes

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

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.

Nominating Committee

DELIVERING To Our Shareholders



Shareholder Confidence

Success comes from successful plans and execution. Commonwealth Bank's success lies in its leadership, vision and team building.

A team that has produced eight consecutive years of record profit for the shareholders.

We are proud of the fact that the Bahamas Financial Services Board recognized this in the award to our CEO as BSFB Executive of the Year 2004.



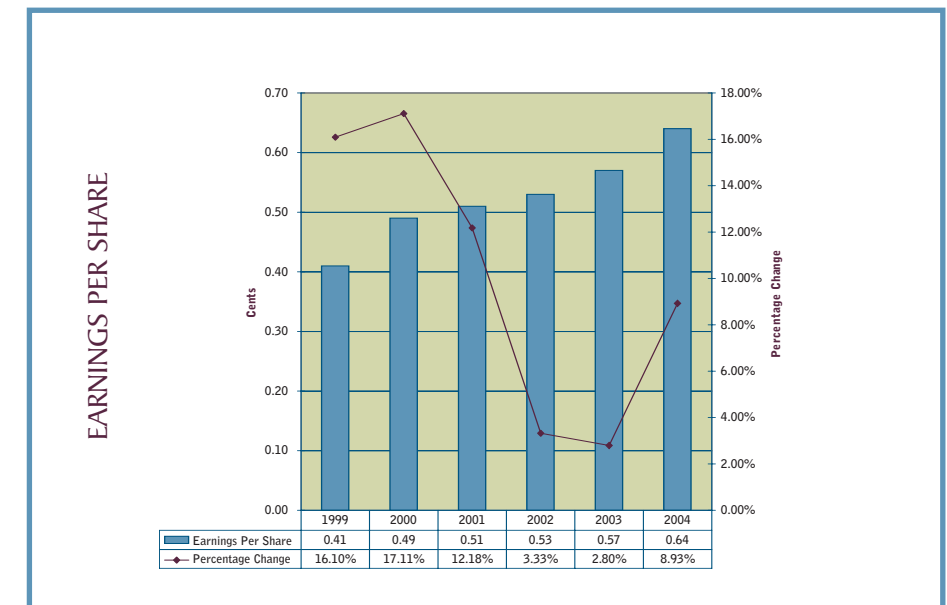
Members L to R: Rupert Roberts, Jr., OBE; T. Baswell Donaldson, CBE; William B. Sands, Jr.; Michael Barnett, R. Craig Symonette & Vaughn Higgs.

As part of its mandate, the 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 recommending one new director be appointed during the year.
- **Reviewed** the roles of Chairman and Chief Executive Officer and recommended to the Board that for the present these roles continue to be separated.
- **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 Meeting.
- **Conducted** the annual formal evaluation of the effectiveness of the Board and its committees, with participation by all directors and reviewed the results with the Board, to form a foundation for further improvements.
- **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 results with the Board and the Chairman.

Rupert Roberts, Jr., OBE
CHAIRMAN
NOMINATING COMMITTEE





Members L to R: G. Clifford Culmer; Michael Barnett; J. Barrie Farrington, CBE; Earla Bethel & William B. Sands, Jr.

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 Company'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 V.P., 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 V.P., 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 V.P., Audit and Inspection and General Counsel on matters relating to compliance and litigation.

- **Reviewed** recommendations of the Company'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.

- **Issued** a request for proposal for the audit. Based on the qualifications, independence, proposed audit plans and fees of the firms considered during the proposal process, the Audit Committee 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 Company's Auditors.

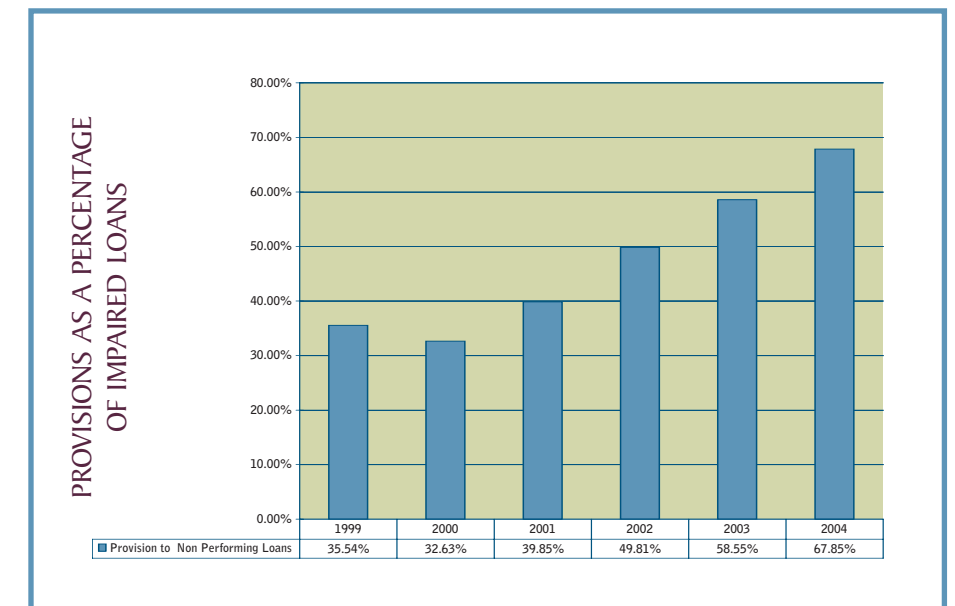
- **Reviewed** and approved all audit and permitted non-audit services performed by the Company's Auditors in accordance with the Committee's Auditor Independence Policy.

- **Reviewed** the performance of the Company's Auditors, including the

scope and results of the audit conducted by the Company's Auditors, and communications to the Committee that are required under generally accepted auditing standards.

- **Met** as necessary with the Company'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, 2004.

G. Clifford Culmer
CHAIRMAN
AUDIT COMMITTEE





Members L to R:
 T. Baswell Donaldson, CBE;
 William B. Sands, Jr.; Rupert
 Roberts, Jr., OBE; R. Craig
 Symonette; Vaughn Higgs &
 Ian 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 is responsible for assisting the Board of Directors to ensure that human resource strategies support the Bank's objectives and sustain shareholder value. 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 internal risk management policies and procedures. The Committee is also responsible for developing and maintaining governance practices consistent with high standards of corporate governance.

Year in Review

During the year, the Committee reviewed strategic, organizational and leadership issues. In fulfilling its role, the Committee:

- **Approved** corporate policies that address risk management by means of controls, including controls on the authorities and limits delegated to the President and 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** 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 President and Chief Executive Officer and reviewed the assessment with the Board of Directors; determined the President and 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 effective training delivery models.
- **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 analysis, 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 recommend new initiatives with a view to maintaining high standards of corporate governance.
- **Reviewed** the mandates of the Board Subcommittees, and secured its approval by the Board.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2004.

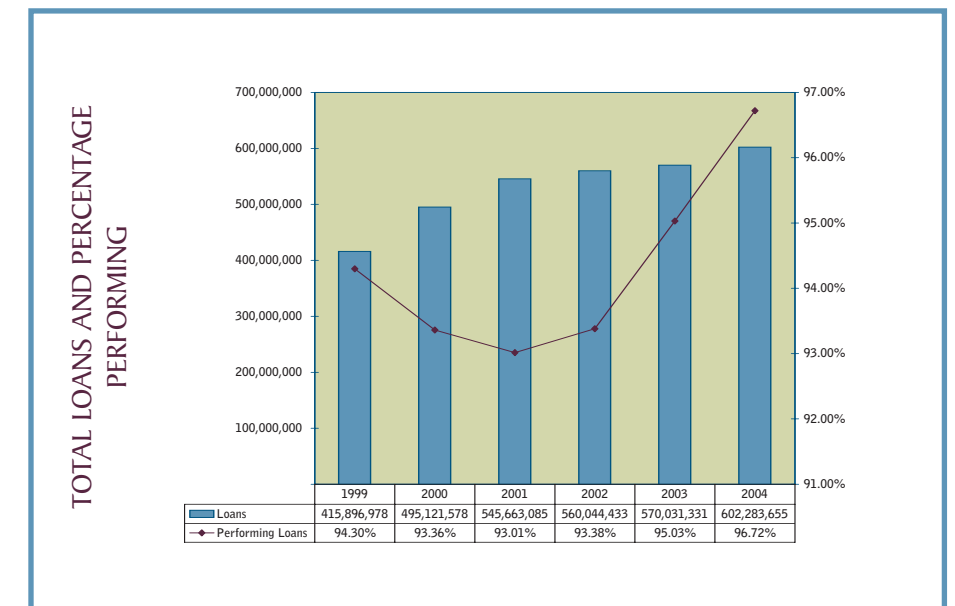

 T. Baswell Donaldson, CBE
 CHAIRMAN
 EXECUTIVE COMMITTEE

Summary of Board and Committee Meetings

Held for the 12-month period ended December 31, 2004

Board	7
Audit Committee	4
Nominating Committee	2
Executive Committee	7
Premises Committee	3
Pension Fund Trustees Committee (a)	2

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



Management Discussion & Analysis of Operating Results

2004 PERFORMANCE

An Overview

- Eighth consecutive year of record profits
- Total Assets \$765 million up 8.9%
- Earnings per share 64 cents up 12.8% on 2003
- Return on common shareholders equity 28.8%
- Common Share dividends 39 cents up 14.7% on 2003
- Net Income available to common shareholders up 13.2%
- Gross Revenues increased 10.6%
- Efficiency Ratio 49.5% improved from 50.7% in 2003
- Total Capital exceeds \$133 million up 6.4%
- Acquisition of The Plaza Head Office Building

For the year ended December 31, 2004 the Bank recorded its eighth year of record Net Income as the economy started to show positive signs of recovery after the September 2001 downturn in the world economy. The Bank reported net income of \$25.6 million, an increase of \$2.35 million or 10.1% over 2003. Net Income Available to Common Shareholders (Net Income less Preference Share Dividends) increased \$2.3 million or 13.2% to \$20.1 million. Earnings per share was 64 cents per share compared to 57 cents per share in 2003. Return on equity was 28.79% compared to 28.68% in 2003. Dividends paid increased to 39 cents per share as a result of an additional extra-ordinary dividend paid in April and an increased extra-ordinary dividend paid in November. Total dividends paid represented 60.9% of Net Income Available to Common Shareholders (2003: 34 cents-59.7%).

BALANCE SHEET MANAGEMENT

The Bank also passed another milestone in Total Assets. In 2004, Total Assets passed \$0.75 billion for the first time, finishing the year at \$765.6 million up from \$702.9 million at December 31, 2003, an increase of 8.9% (2003: 2.8%). Loans increased \$32 million or 5.7% in the year (2003: 1.8%), Deposits increased 10.7%, (2003: 2.6%) and Cash and liquid assets increased \$20.7 million or 15.9% over 2003 (2003:6.6%). A further significant event during the year was the repayment of the last of our subordinated debt.

The lending environment changed during the year as the credit ceiling restriction imposed by the Central Bank in 2001 was lifted during August. The new restrictions introduced in August to replace the credit ceiling were modified in September to allow Hurricane Relief loans to be made. In most cases, the relief that was made available to customers related to waiving payments for existing facilities rather than the issue of new credit.

Excess liquidity remained in the system keeping deposit interest rates low. With excess liquidity came excess demand for Government securities which were heavily oversubscribed during the year. Average rates of discount on Treasury Bills dropped to below 1/10% in December. Government securities continued to be heavily over subscribed, but the Bank was successful in acquiring approximately \$4.75 million stock, although \$843,000 Deposit Insurance Corporation Bond matured during the year.

As noted in The Chairman and President's report, the Bank's subsidiary CB Holding Co. Ltd. acquired The Plaza building complex during the year. This had the result of converting the majority of our long term lease commitments into inter-company transactions which were eliminated on consolidation of the subsidiary accounts. The purchase was funded out of excess liquidity on hand at the time. Despite this purchase, the Bank remained well above the required statutory liquidity levels throughout the year.

CAPITAL MANAGEMENT

Commonwealth Bank's capital base continued to grow in 2004, Shareholders' equity rose 6.4% in the year, and, at year-end, our capital ratios remained the strongest of the locally owned banks. In 2003, the Bank created a non-distributable General Reserve of \$10 million. The purpose of the reserve is to protect the Bank against any future adverse economic conditions no matter what may be their cause. The percentage common share dividend payout increased to 60.94% from 59.7% in 2003. This percentage is below the long term average of 65% that the Bank has adopted as a policy, despite the increase in cash dividends of 14.73% or \$1.57 million.

THE COMPONENTS OF CAPITAL

Bank regulatory capital has two parts:

- Tier 1 Capital, which consists primarily of common shareholders' equity, totaled

\$72,483,254 at December 31, 2004 and

- Tier 2 Capital, consists mainly of cumulative Preference Shares and cannot exceed Tier 1 Capital. At December 31, 2004 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. The risk weighting used for 2004 was amended to conform with the Central Bank of The Bahamas draft guideline on Capital Adequacy. This guideline differs from the weightings used last year with respect to direct claims on the Bahamas Government. Previous years ratings have been restated in the Financial History table to conform with the current presentation.

Commonwealth Bank's Tier 1 ratio strengthened substantially from the previous year, by 72 basis points, to 11.94% as at December 31, 2004 (2003 – 11.22%). The total Capital Ratio, at 21.98%, was 13 basis points higher than last year.

Out of the increase in Total Assets for the year of \$62.7 million, \$7.2 million (or 11.5%) 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

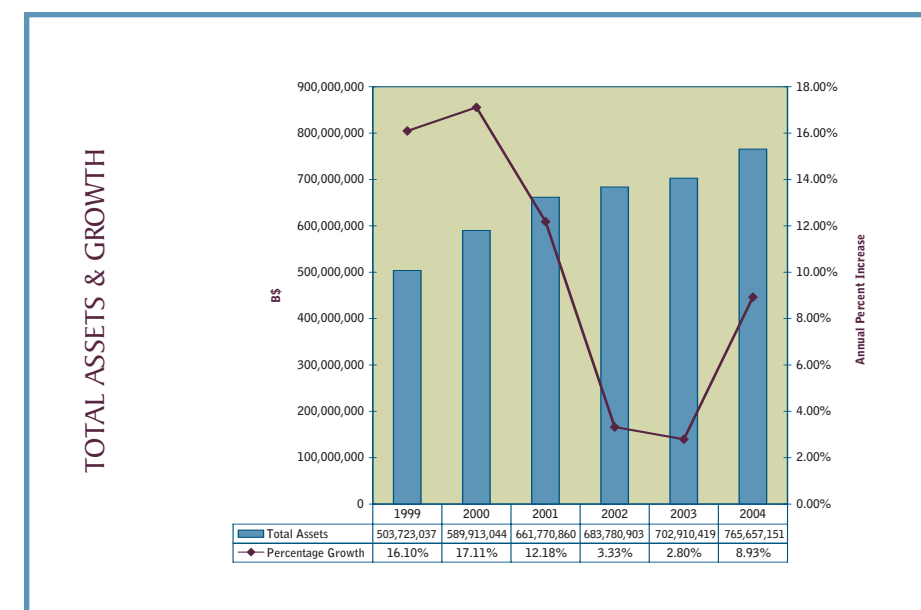
income is the principal source of the Bank's earnings. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities combine to affect net-interest income.

Net-interest income for the year ended December 31, 2004 was \$58.1 million compared to \$53.0 million in 2003, an increase of \$5.1 million or 9.6%. The repayment of the Bank's remaining subordinated debt during the year boosted the increased net interest as high priced debt was replaced by lower priced deposits. On the interest income side, the increase resulted from the increase in the loan receivable base (average total loans were \$577.4 million in 2004 compared to \$555.0 million in 2003) and investment securities which increased by \$3 million or 4.75% on average for the year to \$66.4 million. However, falling yields on Treasury Bills and the inability to acquire the desired levels of Government Stocks resulted in interest income increasing on these securities by only 3.4% over 2003. Interest rates on deposits continued on these securities by historically low levels as excess liquidity in the system continued throughout the year.

LOAN LOSS PROVISION

In 2004, the Bank maintained its acceleration process of writing off loan accounts in a more timely manner in order to ensure the overall quality of the loan portfolio. The total loans written off in 2004 were \$20.7 million. As in 2003, as a result of earlier write offs, the amount recovered on written off loans increased significantly reaching \$3.8 million for the year from \$1.1 million in 2003. Our net loans written off increased to \$17 million for the year compared to \$13.8 million for 2003 or 2.90% of Average Loans (2003: 2.45%).

As noted in the Financial Statements, we amended our policy on recognition of income to classify any account with principal and/or interest payments more than 90 days past due as impaired. This increased our impaired loans by \$5.2 million. The Financial History table has been amended to reflect statistics based on the new definition from 2000 to 2004. Our impaired loans fell from \$28.3 million in 2003 to \$19.8 million in 2004. The total impaired loans as a percentage of total loans fell from 5.0% to 3.3%. At year end our provision for losses was \$13.4 million which represented 67.85% of impaired



loans up from 58.6% in 2003 and 2.23% of total loans, down from 2.91% in 2003. Total provisions included an increase in the general provision for accounts in Grand Bahama and Abaco that took advantage of our hurricane relief programs. These accounts totaled approximately \$11 million. Approximately half of this total was related to the Driftwood property in Grand Bahama. These accounts will be monitored closely in 2005 along with Government's efforts to relieve the distressed business.

Loan loss provision expense was \$13.8 million for the year compared to \$11.9 million in 2003, an increase of \$1.9 million or 15.75%. Impaired loans fell 30.2% or \$8.6 million to \$19.7 million.

While the net write off in 2004 represented 124% of the restated specific provision set aside in 2003, compared to 85% in 2003, this is not a cause for concern. As the acceleration of charge-off continues, the life cycle from performing to non-performing to impaired to charge-off will become ever shorter. As a result, more accounts shown as performing at year-end will be written off during the year. Due to this shorter life cycle, the percentage of general provision to total provision will begin to increase. As we have already seen in 2003 and 2004, the earlier write-off of accounts does not terminate the follow-up efforts to recover the outstanding loan balances. The Bank will vigorously continue this process in 2005.

The steps we have taken in the last few years have moved us to the forefront of international best practice, dramatically improving the credit quality of the portfolio and thus the safety and soundness of the Bank.

NON-INTEREST INCOME

Non-interest income exceeded 2003 by 15% or \$1.9 million. MasterCard was

a significant contributor to the increase in non-interest income during 2004. Transaction based fee income is becoming increasingly important to the Bank as it represents a non-capital intensive income stream to build a stronger bank. Activity at our Automated Banking Machines (ABM's) was strong throughout the year, as a result we added a second machine to four branches, three of which were drive through at Cable Beach, Freeport Mall and Wulff Road. SunCard maintained a stable and healthy level of activity after an initial decline with the introduction of MasterCard. While technical issues slowed down the spread of the point of sale transaction terminals during the year, these were overcome by year end and we are looking forward to each card developing and maintaining its own market niche.

NON-INTEREST EXPENSE

Non-interest expense increased \$2.7 million or 9.0% in 2004, (2003: \$1.2 million increase). For the 12 months ended December 31, 2004 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 50.69% in 2003 to 49.50% in 2004 this marked the fifth consecutive year of improvement and reflects our ability to generate non-interest income at a faster rate than non-interest expenses increase.

After several years of keeping staff complement restricted, we found it necessary to increase staff levels to reflect the business expansion experienced by the Bank, as a result, the average number of staff increased to 440 at December 31, 2004 from 427 at December 31, 2003. In addition to the salary cost of additional staff, the bank also experienced increases in benefit expenses including group insurances and pension cost. As a result, total staff costs increased by \$2 million or 10.4% in 2004.

The control of expenses continues to be a major focus for the Bank. Commitments to long term success in Information Technology and staff development must be funded continuously. In 2004, direct financial assistance to the hurricane victims totaled almost \$200,000 apart from relief loan programs that were offered. Our business contingency planning enabled us to recover quickly after the storms yet required further investment in communication redundancy. In 2005, we are faced with a 60% increase in Bank License fees and at the moment an unspecified increase in insurance premiums. These are just a few examples of the challenges in controlling costs that the bank faces on a daily basis.

Depreciation expense increased 7.3% to \$2.27 million as equipment acquired as part of our ongoing software upgrade became operational and subject to reconciliation. As noted last year, as the Bank progresses with its IT program, depreciation expense will increase as the new systems come into service. Depreciation will also increase in 2005 with a full year's expense for The Plaza building instead of the three months recorded in 2004.

RISK MANAGEMENT

The Bank's risk management structure promotes the making of sound business decisions by balancing risk and reward. As a result, our revenue generating activities are consistent with the level of risk the Bank wishes to accept and drive the maximization of shareholder return. The level of risk which the Bank wishes to accept is set in the corporate policies approved by the Board of Directors addressing the major risk categories of credit risk, liquidity risk and operational risk. The management of these risks is summarized in the Notes to the Financial Statements.

DELIVERING To Our Employees



Mavis Burrows
ASSISTANT VICE PRESIDENT
OPERATIONS
MBA RECIPIENT 2004



Employees Drive Customer Satisfaction

Commonwealth Bank employees have made it a priority to show customers and all stakeholders, that, with Commonwealth Bank, the difference is measurable. To enable employees to achieve this level of performance, Commonwealth Bank works hard to attract, retain and develop the best possible talent by striving to become the employer of choice.

We believe training and development is important for our staff. This improves our ability to deliver high quality service. Our Take Ownership initiative, launched in 2003, is an ongoing training process that involves every employee, including executive management. In 2004, the Bank conducted almost 2,000 man-days of in house training and over 120 days of external training. Our education and development programs also include significant assistance to staff studying at a tertiary level.

As a result, our employees are uncovering new ways to meaningfully serve based on a clearer understanding of customers' needs and aspirations.



Felipe Vega
MANAGER
INFORMATION TECHNOLOGY
MBA RECIPIENT 2004

Board of Directors



Standing from left to right: Michael Barnett; R. Craig Symonette; G. Clifford Culmer; Vaughn Higgs; William B. Sands, Jr.; Trevor Thompson; Ian Jennings & Franklyn Butler. **Seated:** Earla Bethel; T. Baswell Donaldson, CBE; Rupert Roberts, Jr., OBE & J. Barrie Farrington, CBE.

“All growth depends upon activity. There is no development physically or intellectually without effort, and effort means work.”

- CALVIN COOLIDGE

Executive Team



Standing from left to right: Ian Jennings, Sr. V.P. & CFO; Charlene Paul, V.P. Operations; Charles Knowles, V.P. Information Technology; Carole Strachan, V.P. Audit & Inspection and Walter Wells, Sr. V.P. Mortgage & Commercial Lending. **Seated:** Anthea Cox, V.P. Human Resources and Training; William B. Sands, Jr., President & CEO and Shirley Cartwright, Sr. V.P., Credit Risk.

Branch Managers



Standing from left to right: Kenrick Brathwaite, Sr. Manager, The Plaza; Shawnell Bain, Manager, Credit Card Centre; Wayde Bethel, Manager, East Bay Branch; Charlene Low, Manager, Lucaya Branch; Kayla Johnson, Manager, Mortgage Department; Lyndon Davis, Manager, Abaco Branch; Juliette Fraiser, Manager, Oakes Field Branch and Jeffrey Kerr, Manager, Town Centre Mall Branch. **Seated:** Maxwell Jones, Sr. Manager, Cable Beach Branch; J. Rupert Roberts, Sr. Manager, Freeport Branch and Neil Strachan, Sr. Manager, Wulff Rd. Branch.

Asst. V.P.'s & Department Managers



Standing from left to right: Godwin Blyden, Manager, Security & Administration; Lernix Williams, Manager, Accounts Control; Gina Greene, Manager, Marketing & Customer Service; Betty Davis, Manager, Special Projects; Lisa Major, Manager, Training; Monique Mason, Manager, Corporate Accounts; Anne Lightbourn, Manager, Human Resources; Felipe Vega, Manager, Information Technology and Erald Thompson, Manager, Internal Audit. **Seated:** Silbert Cooper, Sr. Manager, Credit Inspection; Patrick McFall, Asst. V.P., Corporate Accounts; Mavis Burrows, Asst. V.P., Operations; Ian Wilkinson, Asst. V.P., Information Technology and Franklyn Thomas, Sr. Manager, Accounts Control & Recovery.

Statement of Management's Responsibility for Financial Information

COMMONWEALTH BANK'S management is responsible for 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.

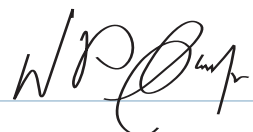
The financial information presented elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

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 system of internal 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 Shareholders' Auditors review our system of internal control and conduct their work to the extent that they consider appropriate.

The Board of Directors, based on recommendations from its Audit and Executive Committees, reviews and approves the financial information

contained in the Annual Report, including the MD&A, and oversees management's responsibilities for the 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 Company's Auditors and the Bank's V.P., Audit and Inspection 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 Jennings
SR. V.P. & CFO

Deloitte.

Deloitte & Touche
Chartered Accountants
and Management Consultants
2nd Terrace, Centreville
P.O. Box N-7120
Nassau, Bahamas

Tel: +1 (242) 302-4800
Fax: +1 (242) 322-3101
<http://www.deloitte.com.bs>

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, 2004, 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, 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



February 4, 2005

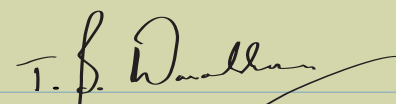
26 Commonwealth Bank Ltd.
Consolidated Balance Sheet

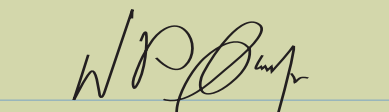
Year ended December 31, 2004
(Expressed in Bahamian dollars)

	2004	2003
ASSETS	\$	\$
Cash and deposits with banks (Note 4)	11,478,746	9,831,090
Balances with the Central Bank of The Bahamas (Note 4)	77,927,966	54,593,590
Investments (Note 5)	60,998,651	65,307,242
Loans receivable (Notes 6 and 18)	588,876,208	553,445,548
Premises and equipment (Note 7)	24,868,538	18,037,221
Other assets	1,507,042	1,695,728
TOTAL	\$ 765,657,151	\$ 702,910,419
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits (Notes 8 and 18)	615,262,725	555,740,146
Life assurance fund (Note 9)	6,278,112	6,341,293
Other liabilities	10,615,853	8,647,285
Dividends payable	26,505	26,505
Shareholders' loans payable (Note 10)	632,183,195	570,755,229
	0	6,787,614
TOTAL LIABILITIES	632,183,195	577,542,843
Shareholders' equity:		
Share capital	62,867,709	62,866,249
Share premium	17,812,690	17,662,281
General reserve (Note 12)	10,000,000	10,000,000
Retained earnings	42,793,557	34,839,046
TOTAL SHAREHOLDERS' EQUITY	133,473,956	125,367,576
TOTAL	\$ 765,657,151	\$ 702,910,419

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 January 20, 2005, and are signed on its behalf by:


T. Baswell Donaldson, CBE
Chairman


William B. Sands, Jr.
Chairman

Commonwealth Bank Ltd. 27
Consolidated Statement of Income

Year ended December 31, 2004
(Expressed in Bahamian dollars)

	2004	2003
INCOME:	\$	\$
Interest income (Note 5)	84,031,581	79,335,944
Interest expense	(25,929,450)	(26,297,739)
Net interest income	58,102,131	53,038,205
Loan loss provision (Note 6)	(13,803,339)	(11,934,330)
Life assurance, net (Note 9)	44,298,792	41,103,875
Fees and other income	2,698,513	2,353,561
	11,928,441	10,353,508
TOTAL INCOME	58,925,746	53,810,944
NON-INTEREST EXPENSES:		
General and administrative (Note 14)	30,903,905	28,297,873
Depreciation and amortization (Note 7)	2,271,601	2,117,662
Directors' fees	148,000	144,000
TOTAL NON-INTEREST EXPENSES	33,323,506	30,559,535
NET INCOME	25,602,240	23,251,409
PREFERENCE SHARE DIVIDENDS	(5,454,162)	(5,454,162)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 20,148,078	\$ 17,797,247
AVERAGE NUMBER OF COMMON SHARES (Thousands)	31,266	31,259
EARNINGS PER SHARE	\$ 0.64	\$ 0.57

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

Consolidated Statement of Changes in Equity

Year ended December 31, 2004
(Expressed in Bahamian dollars)

	2004	2003
SHARE CAPITAL	\$	\$
Preference shares (Note 11):		
Balance at beginning and end of year	60,990,700	60,990,700
Common shares (Note 11):		
Balance at beginning of year	1,875,549	1,875,039
Issued	1,460	510
Balance at end of year	1,877,009	1,875,549
TOTAL SHARE CAPITAL	62,867,709	62,866,249
SHARE PREMIUM		
Balance at beginning of year	17,662,281	17,617,508
Issuance of common shares	150,409	44,773
BALANCE AT END OF YEAR	17,812,690	17,662,281
GENERAL RESERVE		
Balance at beginning of year	10,000,000	0
Transfer to general reserve	0	10,000,000
BALANCE AT END OF YEAR	10,000,000	10,000,000
RETAINED EARNINGS		
Balance at beginning of year	34,839,046	37,668,291
Net income	25,602,240	23,251,409
Transfer to general reserve	0	(10,000,000)
Common share dividends: 39 cents per share (2003: 34 cents)	(12,193,567)	(10,626,492)
Preference share dividends	(5,454,162)	(5,454,162)
BALANCE AT END OF YEAR	42,793,557	34,839,046
SHAREHOLDERS' EQUITY AT END OF YEAR	\$ 133,473,956	\$ 125,367,576

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

Consolidated Statement of Cash Flows

Year ended December 31, 2004
(Expressed in Bahamian dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:	\$	\$
Interest receipts	76,952,879	75,011,396
Interest payments	(25,929,450)	(26,297,739)
Life assurance premiums received, net	4,306,262	3,902,975
Life assurance claims and expenses paid	(2,030,529)	(1,634,950)
Fees and other income received	12,288,040	10,481,535
Recoveries	3,767,956	1,130,888
Cash payments to employees and suppliers	(28,894,652)	(28,107,816)
	40,460,506	34,486,289
Increase in loans receivable	(49,233,999)	(23,797,601)
Increase in deposits	59,522,579	14,293,032
Decrease in shareholders' loans payable	(6,787,614)	(2,844,603)
NET CASH FROM OPERATING ACTIVITIES	43,961,472	22,137,117
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(87,904,981)	(105,587,135)
Interest receipts and redemption of investments	95,524,319	91,811,611
Purchase of premises and equipment	(9,102,918)	(1,336,162)
Proceeds from sale of equipment	0	26,000
NET CASH USED IN INVESTING ACTIVITIES	(1,483,580)	(15,085,686)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(17,647,729)	(16,081,018)
Proceeds from common shares issued	151,869	45,283
NET CASH USED IN FINANCING ACTIVITIES	(17,495,860)	(16,035,735)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,982,032	(8,984,304)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	64,424,680	73,408,984
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 4)	\$ 89,406,712	\$ 64,424,680

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

Commonwealth Bank Ltd.
Year ended December 31, 2004

I. 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 and mortgage financing on real estate and the sale of foreign exchange. As at December 31, 2004, 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. Holding Co. Ltd., which was incorporated on December 8, 1997. C.B. Holding Co. Ltd. operates as a real estate holding company. The company's first transaction was in 2004 when it purchased The Plaza Head Office complex of the Bank.

The average number of staff employed by the Bank and subsidiary companies during 2004 was 440 (2003: 427).

2. CHANGE IN ACCOUNTING POLICY

Loan Accounting Policy - In 2004 The Central Bank of The Bahamas issued "Guidelines for the Measurement, Monitoring and Control of Impaired Assets". In anticipation of the Guidelines becoming mandatory in 2005, the Bank adopted the prescribed write off policy for credit cards at 180 days contractually past due. There was no impact on net income as a result of this change of policy.

The Bank further revised its policy on recognition of income during the year. A loan is defined as impaired whenever payment of principal and/or interest is ninety days contractually past due. When a loan is classified as impaired, all uncollected interest and fees are reversed from income. (2003: A loan was placed on a non-accrual basis whenever principal and/or interest was ninety days contractually past due, unless it was fully secured and collection efforts in progress were 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 was classified as non-accrual in all situations).

This change resulted in a net additional \$5.2 million (2003: \$3.7 million) being classified as impaired loans and accrued interest of \$0.24 million not being taken into income in 2004. As a result of the change in policy the opening specific provision at January 1st, 2004 was restated by an increase of \$0.33 million and an equivalent decrease in general provision (2003: \$0.19 million increase in specific and decrease in general). There is no impact on net income as a result of the restatement of the general and specific portions of the loan loss provision.

Comparative figures in note 6 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 consolidated 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, 2004. Significant inter-company transactions and balances have been eliminated on consolidation.

c. Recognition of income - Income is recognized on an accrual basis, except for impaired loans receivable (see Note 3d) and fees, which are recognized on a cash basis. Discounts on acquired loans are recognized as income on a pro-rated basis in line with the reduction in the acquired portfolio.

d. Loans receivable - Loans receivable are carried at the principal amount outstanding, plus accrued interest receivable less provision for loan losses. Acquired loans are carried at the principal amount less unamortized discount.

A loan is classified as impaired whenever principal and/or interest is ninety days contractually past due. 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, 2004 was \$2.1 million (2003: \$4.3 million).

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

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 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 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 conditions 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 consumer installment 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.

A credit card loan is normally written off when principal or interest payments become 180 days past due.

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, 2004. 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	The estimated useful life or a maximum of 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.

j. Post retirement 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. 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. 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.

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.

4. 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:

	2004	2003
	\$	\$
Cash and deposit with banks	11,478,746	9,831,090
Balances with the Central Bank of The Bahamas	77,927,966	54,593,590
TOTAL CASH AND CASH EQUIVALENTS	\$ 89,406,712	\$ 64,424,680

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, 2004, this reserve requirement was \$23,558,575 (2003: \$22,062,938).

5. INVESTMENTS

Investments are as follows:

	Term to Maturity		2004		2003	
	Within 12 months	Over 12 to 60 months	Over 60 months	Total	Total	Total
	\$	Yield %	\$	Yield %	\$	Yield %
Bahamas Government						
Treasury Bills	11,423,743	0.18%	0	0	11,423,743	0.18%
Bahamas Government						
Registered Stock	3,000	6.13%	1,174,500	8.37%	43,317,300	6.81%
Bridge Authority	0	0	0	0	233,400	7.63%
Deposit Insurance Corporation	0	0	0	0	0	0
Education Authority	0	0	0	0	3,000,000	6.25%
United States						
Government Stock	0	0	0	0	982,348	6.99%
Accrued Interest Receivable	0	0	0	0	864,360	0
Total Investment Securities	11,426,743	0.18%	1,174,500	8.37%	47,533,048	6.78%
					60,998,651	5.56%
					65,307,242	5.11%

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

	2004	2003
	\$	\$
Interest income	3,310,747	3,202,266

6. LOANS RECEIVABLE

Loans receivable is as follows:

	2004	2003
	\$	\$
Residential mortgage	113,758,187	96,827,050
Business	19,720,868	25,651,731
Personal	439,870,214	421,013,064
Credit card	21,458,449	19,189,820
Accrued interest receivable	7,475,937	7,349,666
	602,283,655	570,031,331
Less provision for losses	13,407,447	16,585,783
	\$ 588,876,208	\$ 553,445,548

Provision for losses is as follows:

	2004				
	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Credit Losses	Balance at End of Year
	\$	\$	\$	\$	\$
Residential mortgage	1,186,201	(243,110)	0	627,823	1,570,914
Business	690,424	(42,578)	0	(229,838)	418,008
Personal	14,182,054	(20,316,818)	3,665,471	13,400,367	10,931,074
Credit card	527,104	(147,125)	102,485	4,987	487,451
Total allowance for credit losses	16,585,783	(20,749,631)	3,767,956	13,803,339	13,407,447
Specific provisions	13,709,621	(20,749,631)	3,767,956	12,139,603	8,867,549
General provisions	2,876,162	0	0	1,663,736	4,539,898
TOTAL	\$ 16,585,783	\$ (20,749,631)	\$ 3,767,956	\$ 13,803,339	\$ 13,407,447

	2003				
	Balance at Beginning of Year	Loans Written off	Recoveries	Provision for Credit Losses	Balance at End of Year
	\$	\$	\$	\$	\$
Residential mortgage	1,490,919	(189,289)	0	(115,429)	1,186,201
Business	642,082	0	0	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	16,264,178	(14,941,591)	1,130,888	11,256,146	13,709,621
General provisions	2,197,978	0	0	678,184	2,876,162
TOTAL	\$ 18,462,156	\$ (14,941,591)	\$ 1,130,888	\$ 11,934,330	\$ 16,585,783

Impaired Loans Receivable is as follows:

2004			
	Gross Impaired	Specific Allowance	Net Impaired
	\$	\$	\$
Residential mortgage	4,717,657	473,693	4,243,964
Business	1,407,962	244,282	1,163,680
Personal	13,170,816	7,942,812	5,228,004
Credit card	463,210	206,762	256,448
	\$ 19,759,645	\$ 8,867,549	\$ 10,892,096
Percentage of loan portfolio	3.28%		
Percentage of total assets	2.58%		

2003			
	Gross Impaired	Specific Allowance	Net Impaired
	\$	\$	\$
Residential mortgage	4,672,207	250,462	4,421,745
Business	1,442,670	169,343	1,273,327
Personal	21,619,354	13,062,879	8,556,475
Credit card	592,720	226,937	365,783
	\$ 28,326,951	\$ 13,709,621	\$ 14,617,330
Percentage of loan portfolio	4.97%		
Percentage of total assets	4.03%		

7. PREMISES AND EQUIPMENT

The movement of premises and equipment is as follows:

	Land	Buildings	Leasehold Improvements	Furniture Fittings and Equipment	Total
Cost	\$	\$	\$	\$	\$
December 31, 2003	3,291,425	12,382,681	3,483,413	15,705,805	34,863,324
Additions	1,866,880	5,237,577	134,516	1,863,945	9,102,918
Less disposals	0	0	0	0	0
December 31, 2004	5,158,305	17,620,258	3,617,929	17,569,750	43,966,242
Accumulated Depreciation and Amortization					
December 31, 2003	0	2,609,748	2,770,553	11,445,802	16,826,103
Charge for the year	0	365,188	204,795	1,701,618	2,271,601
December 31, 2004	0	2,974,936	2,975,348	13,147,420	19,097,704
Net Book Value					
December 31, 2004	\$ 5,158,305	\$ 14,645,322	\$ 642,581	\$ 4,422,330	\$ 24,868,538
December 31, 2003	\$ 3,291,425	\$ 9,772,933	\$ 712,860	\$ 4,260,003	\$ 18,037,221

Depreciation and amortization expense is as follows:

	2004	2003
	\$	\$
Buildings	365,188	331,220
Leasehold improvements	204,795	217,753
Furniture, fittings and equipment	1,701,618	1,568,689
	\$ 2,271,601	\$ 2,117,662

8. DEPOSITS

The composition of deposits is as follows:

	2004	2003
	\$	\$
Demand deposits	45,213,072	33,179,681
Savings accounts	76,664,857	62,897,944
Certificates of deposit	482,165,154	449,506,135
Accrued interest payable	11,219,642	10,156,386
	\$ 615,262,725	\$ 555,740,146

9. LIFE ASSURANCE FUND

An actuarial valuation of the life assurance fund was conducted as of December 31, 2004. 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, \$2,698,513 (2003: \$2,353,561) being premiums distributable other wise than to policyholders, was credited to income during the year.

10. SHAREHOLDERS' LOANS PAYABLE

Shareholders' loans payable which were unsecured and subordinated were repaid during the year.

II. SHARE CAPITAL

Share capital is as follows:

Preference Shares

Class	Rate %	Par Value B\$	Authorized	Issued and Outstanding	
			2004	Beginning	End of Year
			\$	\$	\$
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.

II. SHARE CAPITAL CONT'D.

Common Shares

	B\$0.06 each	
	Number	B\$
Authorized:		
December 31, 2003 and December 31, 2004	75,000,000	4,500,000
Issued and outstanding:		
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
Issuance of new shares	24,338	1,460
December 31, 2004	31,283,480	1,877,009

12. GENERAL RESERVE

The general reserve is non-distributable and was created in 2003 to allow the bank to address issues of an unusual or distress situation should they occur.

13. 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	
	2004	2003
Outstanding at beginning of year	1,511,900	1,513,900
Granted	18,100	48,000
Expired	0	(50,000)
Exercised	(15,000)	0
Outstanding at end of year	1,515,000	1,511,900
Of which vested at the end of the year	983,080	603,950
OPTIONS AVAILABLE TO BE GRANTED AT END OF YEAR	406,000	424,100

Additional shares under this plan will vest as follows:

2005 531,920

On January 20, 2005, the Board of Directors approved extending the expiry date of options to April 30, 2011.

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2004	2003
	\$	\$
Staff costs	21,415,169	19,391,151
Other	9,488,736	8,906,722
	\$ 30,903,905	\$ 28,297,873

Staff costs include pension costs of \$1,052,832 (2003: \$847,391) (see Note 16).

15. RELATED PARTIES' BALANCES AND TRANSACTIONS

Related parties' balances and transactions are as follows:

	2004	2003
	\$	\$
Loans receivable	6,951,282	6,577,229
Shareholders' loans payable	0	6,448,044
Deposits	51,756,921	36,614,665
Loans guaranteed by related parties	443,733	0
Interest income	314,068	300,150
Interest expense	2,301,870	1,962,604
Rental expense	277,033	282,581
General expenses	229,905	206,451

Rental commitments to related parties are as follows:

2005	\$ 129,015
2006	\$ 118,263

As at December 31, 2004, commitments under revolving credit lines totaled \$1,530,865 (2003: \$1,846,839).

16. 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:

	2004	2003
Change in fair value of plan assets:	\$	\$
Fair value of plan assets at beginning of year	17,417,433	16,239,430
Actual return on plan assets	1,546,664	662,913
Company contributions	614,351	768,363
Participant contributions	639,971	578,327
Benefits paid	(161,937)	(214,384)
Withdrawals from plan	(188,196)	(617,216)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	\$ 19,868,286	\$ 17,417,433
Change in benefit obligation:	\$	\$
Benefit obligation at beginning of year	17,484,500	15,292,821
Company contributions	1,034,100	886,300
Participant contributions	639,971	578,327
Interest cost	1,182,406	1,050,309
Benefits paid	(350,133)	(831,600)
Plan amendment	28,125	0
Actuarial (gain)/loss on obligation	(91,769)	508,343
BENEFIT OBLIGATION AT END OF YEAR	\$ 19,927,200	\$ 17,484,500
Reconciliation funded status:	\$	\$
Present value of plan assets in excess of obligations	(58,914)	(67,067)
Unrecognized past service cost	28,125	0
Unrecognized actuarial gain	256,799	731,558
PREPAID BENEFIT EXPENSE	\$ 226,010	\$ 664,491

16. BANK PENSION SCHEME CONT'D.

	2004	2003
Components of pension benefit expense:		
Employer service costs	\$ 1,034,100	\$ 886,300
Interest cost	1,182,406	1,050,309
Expected return on plan assets	(1,163,674)	(1,089,218)
PENSION BENEFIT EXPENSE INCLUDED IN STAFF COSTS	\$ 1,052,832	\$ 847,391
Movement in prepaid asset recognized in the Consolidated Balance Sheet:		
Balance at beginning of year	664,491	743,520
Expense as above	(1,052,832)	(847,391)
Contributions paid	614,351	768,362
BALANCE AT END OF YEAR	\$ 226,010	\$ 664,491
Actual return on plan assets:		
Expected return on plan assets	1,163,674	1,089,218
Actuarial gain/(loss) on plan assets	382,990	(426,305)
ACTUAL RETURN ON PLAN ASSETS	\$ 1,546,664	\$ 662,913
Assumptions at beginning of year:		
Discount rate	6.25%	6.50%
Long term rate of return on plan assets	6.50%	6.50%
Rate of increase in future compensation	4.50%	4.50%
Assumptions at end of year:		
Discount rate	6.25%	6.25%
Rate of increase in future compensation	4.50%	4.50%

The Bank administers its own pension fund. The pension fund owns 394,907 (2003: 379,907) common shares and \$3 million (2003: \$3 million) preference shares of the Bank. These shares have a market value of \$5,803,840 (2003: \$5,370,620) which represents 29% (2003: 31%) of the pension fund's assets.

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

	2004	2003
	\$	\$
Deposits	2,547,235	2,936,143
Interest expense	131,531	170,341

17. MATURITY OF ASSETS AND LIABILITIES

The maturity of assets and liabilities is as follows:

	2004	2003
ASSETS	\$	\$
On demand	99,221,854	67,375,654
3 months or less	24,083,983	26,807,822
Over 3 months through 6 months	7,986,425	7,800,704
Over 6 months through 12 months	15,895,549	16,761,640
Over 12 months through 24 months	32,194,003	33,735,211
Over 24 months through 5 years	254,931,907	274,672,082
Over 5 years	331,343,430	275,757,306
	\$ 765,657,151	\$ 702,910,419
LIABILITIES		
On demand	45,213,070	33,191,556
3 months or less	215,539,043	223,212,689
Over 3 months through 6 months	87,632,851	90,977,640
Over 6 months through 12 months	113,926,893	114,481,765
Over 12 months through 24 months	63,674,812	44,644,403
Over 24 months through 5 years	96,007,967	70,818,880
Over 5 years	10,188,559	215,910
	\$ 632,183,195	\$ 577,542,843

18. CONCENTRATION OF LOANS RECEIVABLE AND LIABILITIES

The concentration of loans receivable and liabilities is as follows:

	2004		2003	
	\$	Number of Accounts	\$	Number of Accounts
Loans receivable:				
Under \$50,000	466,441,805	43,189	449,675,027	45,632
\$50,001 - \$100,000	43,796,988	590	37,309,108	556
\$100,001 - \$150,000	32,162,718	261	27,585,873	224
\$150,001 - \$300,000	28,682,942	144	26,917,770	137
\$300,001 - \$500,000	15,121,559	38	11,855,017	32
\$500,001 - \$1,000,000	7,247,821	4	6,806,019	11
\$1,000,001 and over	1,353,885	1	2,532,851	2
Provision	(13,407,447)	0	(16,585,783)	0
Accrued interest receivable	7,475,937	0	7,349,666	0
	\$ 588,876,208	44,227	\$ 553,445,548	46,594

18. CONCENTRATION OF LOANS RECEIVABLE AND LIABILITIES CONT'D.

Liabilities:	\$		\$	
Under \$50,000	136,159,834	47,043	130,662,934	46,045
\$50,001 - \$100,000	62,083,371	883	55,702,418	771
\$100,001 - \$150,000	38,922,787	321	42,143,728	349
\$150,001 - \$300,000	71,154,921	323	69,377,652	322
\$300,001 - \$500,000	50,139,901	125	49,508,223	125
\$500,001 - \$1,000,000	93,028,580	124	86,601,743	121
\$1,000,001 and over	152,553,687	75	118,335,821	60
Accrued interest payable	11,219,642	0	10,195,241	0
Other liabilities	10,615,855	0	8,647,285	0
Dividends payable	26,505	0	26,505	0
Life assurance fund	6,278,112	0	6,341,293	0
	\$ 632,183,195	48,894	\$ 577,542,843	47,793

19. COMMITMENTS AND CONTINGENCIES

a. In the ordinary course of business, the Bank had commitments as of December 31, 2004, as follows:

	2004	2003
	\$	\$
Mortgage commitments	9,563,140	8,583,840
Revolving credit lines	16,435,785	16,179,076
Standby letters of credit	500,000	487,000
Capital expenditures contracted	308,365	400,124
	\$ 26,807,290	\$ 25,650,040

Revolving credit lines - These 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 - These 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:

Year	Minimum Rental Commitments	
	Leases	Computer Equipment and Software
	B\$	B\$
2005	431,415	232,784
2006	397,864	287,534
2007	231,600	244,447
2008	231,600	0
2009	231,600	0
2010	30,300	0

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 US\$1 million disclosed in Note 5.

d. The Bank has an undrawn line of credit with Citibank N.A. 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.

e. The Bank has a standby letter of credit with Citibank N.A. for US\$0.3 million, which was established to secure settlement transactions with MasterCard. This standby credit line is secured by a Time Deposit of B\$0.3 million, which is included in Cash and Deposits with Banks.

20. RISK MANAGEMENT

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 risk appetite of the Bank, Bank policies and the maximization of shareholder return.

a. Interest rate risk - 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. 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, 2004, and represents the Bank's risk exposure at this point in time only:

As of December 31, 2004	Maturity or repricing date of interest sensitive instruments					Not interest rate sensitive	Total
	Within 3 months	3-6 months	6-12 months	1-5 Years	Over 5 Years		
Assets							
Cash equivalents	\$ 0	\$ 0	\$ 300,000	\$ 0	\$ 0	\$ 89,106,712	\$ 89,406,712
	-	-	3.00%	-	-	-	0.01%
Investments	50,016,303	0	0	1,000,000	9,982,348	0	60,998,651
	4.92%	-	-	8.75%	8.44%	-	5.56%
Loans receivable	32,174,449	127,886,883	6,800,565	283,550,968	138,463,343	0	588,876,208
	14.39%	8.67%	14.93%	15.02%	14.25%	-	13.47%
Premises and equipment	0	0	0	0	0	24,868,538	24,868,538
Other assets	0	0	0	0	0	1,507,042	1,507,042
TOTAL	82,190,752	127,886,883	7,100,565	284,550,968	148,445,691	115,482,292	765,657,151
Liabilities and shareholders' equity							
Deposits	241,598,604	86,028,245	111,840,828	165,793,047	10,002,001	0	615,262,725
	3.08%	4.38%	4.70%	6.23%	7.50%	-	4.64%
Other liabilities	0	0	0	0	0	16,920,470	16,920,470
Preference shares	0	0	0	0	60,990,700	0	60,990,700
	-	-	-	-	8.94%	-	8.94%
Other equity	0	0	0	0	0	72,483,256	72,483,256
TOTAL	241,598,604	86,028,245	111,840,828	165,793,047	70,992,701	89,403,726	765,657,151

Cont'd. next page

For the years ended December 31

As of December 31, 2004	Maturity or repricing date of interest sensitive instruments					Not interest rate sensitive	Total
	Within 3 months	3-6 months	6-12 months	1-5 Years	Over 5 Years		
	\$	\$	\$	\$	\$	\$	\$
INTEREST RATE SENSITIVITY GAP							
	(159,407,852)	41,858,638	(104,740,263)	118,757,921	77,452,990	26,078,566	0
CUMULATIVE INTEREST RATE SENSITIVITY GAP							
	(159,407,852)	(117,549,214)	(222,289,477)	(103,531,556)	(26,078,566)	0	0
2003	(143,790,929)	(123,440,367)	(229,363,329)	(55,716,212)	(4,765,670)	0	0
Average Yield - Earning Assets	9.00%	9.50%	15.41%	15.18%	11.77%	-	12.73%
Average Yield - Paying Liabilities	3.75%	5.12%	5.00%	7.03%	8.92%	-	5.17%
Average Margin 2004	5.25%	4.38%	10.41%	8.15%	2.85%	-	7.56%
Average Margin 2003	4.83%	4.56%	10.52%	8.81%	4.72%	-	7.62%

b. 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.

c. Liquidity risk - 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 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 19.

d. 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 Bank's system of internal control includes written communication of policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal account ability; 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 that the Bank is in compliance with all regulatory requirements.

21. 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. 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 fair value is estimated to approximate the carrying value of financial assets and liabilities.

The calculation of fair value is based on management's best estimates, which involve uncertainties, and therefore actual fair value realised in a sale or immediate settlement of the instruments may differ from the estimated fair value.

	2004	2003	2002	2001	2000
Income Statement Data					
Interest Income	\$ 84,031,581	\$ 79,335,944	\$ 78,462,570	\$ 70,625,039	\$ 66,025,201
Interest Expense	(25,929,450)	(26,297,739)	(27,958,990)	(26,108,671)	(23,973,368)
Net Interest Income	58,102,131	53,038,205	50,503,580	44,516,368	42,051,833
Provision for Loan Losses	(13,803,339)	(11,934,330)	(10,751,791)	(7,990,185)	(4,644,186)
Net Interest Income after Provision for Loan Losses	44,298,792	41,103,875	39,751,789	36,526,183	37,407,647
Non-interest Income	14,626,954	12,707,069	11,508,760	12,825,579	11,587,154
Non-interest Expenses	(33,323,506)	(30,559,535)	(29,323,332)	(28,088,266)	(28,695,214)
Net Income	25,602,240	23,251,409	21,937,217	21,263,496	20,299,587

Per Share Data

Book Value	2.32	2.06	1.83	1.64	1.43
Cash Dividends	0.39	0.34	0.34	0.34	0.34
Weighted Average Common Shares Outstanding ('000's)	31,266	31,259	31,241	31,202	30,153
Dividend growth (total)	14.71%	-	-	-	21.43%

Balance Sheet Data

Total Assets	765,657,151	702,910,419	683,780,903	661,770,860	589,913,044
Securities	60,998,651	65,307,242	48,329,452	55,174,987	49,228,807
Loans	602,283,655	570,031,331	560,044,433	545,663,085	495,121,578
Net Write-offs	16,981,675	13,810,703	7,478,292	3,527,548	1,952,876
Total Deposits	615,262,725	555,740,146	541,447,114	520,490,280	446,672,643
Total Shareholders Equity	133,473,954	125,367,576	118,151,538	112,077,248	106,562,353

Performance Ratios

Price/Earnings	11.09	10.95	12.25	14.22	18.35
Price/Book Value	3.06	3.03	3.55	4.43	6.29
Dividend Yield (Annual Dividend/ Year End Price)	5.49%	5.45%	5.24%	4.69%	3.78%
Earnings Per Share	0.64	0.57	0.53	0.51	0.49
Return on Average Assets	2.78%	2.55%	2.42%	2.50%	2.60%
Return on Average Shareholders' Equity	28.79%	28.68%	29.38%	30.75%	33.64%
Ordinary Dividend Payout Ratio	60.52%	59.71%	64.44%	67.10%	69.94%
Efficiency Ratio	49.53%	50.69%	51.85%	54.13%	59.55%
Net Interest Margin	6.88%	6.77%	6.59%	5.90%	6.20%

Asset Quality Ratios

Non-accrual Loans to Total Loans	3.28%	4.97%	6.62%	6.99%	6.64%
Non-accrual Loans to Total Assets	2.58%	4.03%	5.42%	5.76%	5.57%
Net Write-offs to Average Loans	2.90%	2.45%	1.35%	0.67%	0.44%
Provision for Loan Losses to Total Loans	2.23%	2.91%	3.30%	2.78%	2.17%
Provision for Loan Losses to Non-accrual Loans	67.85%	58.55%	49.81%	39.85%	32.63%

Liquidity Ratio

Average Cash and Securities to Average Total Assets	18.31%	18.92%	18.70%	15.23%	18.21%
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Capital Ratios

Leverage Ratio Average Shareholders' Equity to Average Total Assets	18.04%	17.60%	17.15%	17.80%	17.40%
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Capital Adequacy

Tier 1 Capital	72,483,254	64,376,876	57,160,838	51,086,550	45,571,653
Tier 2 Capital	60,990,700	60,990,700	57,160,838	51,086,550	45,571,653
Total Capital	133,473,954	125,367,576	118,151,538	112,077,248	106,562,353
Total Risk Adjusted Assets	607,225,865	573,744,093	564,088,044	562,153,366	523,436,158
Tier 1 Ratio	11.94%	11.22%	10.13%	9.09%	8.71%
Tier 1 + Tier 2 Capital Ratio	21.98%	21.85%	20.27%	18.18%	17.41%

Capital Ratios have been restated to reflect the Central Bank of The Bahamas' Capital Adequacy Guideline. Certain figures have been restated to be consistent with the current year's presentation.

Board of Directors

**T. Baswell Donaldson, CBE
Chairman**

Commonwealth Bank Ltd.

**William B. Sands, Jr.
President**

Commonwealth Bank Ltd.

**Ian A. Jennings
SVP & CFO**

Commonwealth Bank Ltd.

**Rupert W. Roberts, Jr., OBE
President**

Super Value Foodstores Ltd.

**R. Craig Symonette
Chairman**

Abaco Markets Ltd.

**Franklyn Butler
President & CEO**

Milo Butler & Sons Co. Ltd.

**Vaughn Higgs
V.P. & General Manager**

Nassau Paper Co. Ltd.

**Trevor B. Thompson
Retired****G. Clifford Culmer
Partner**

BDO Mann Judd

**Michael Barnett
Partner**

Graham Thompson & Co.

**J. Barrie Farrington, CBE
Vice President**

Kerzner International

**Earla Bethel
President**

DanBrad Ltd.

Corporate Secretary

Charlene Pinder-Higgs

Commonwealth Bank Ltd.

DIVIDEND DATES FOR 2005

Subject to the approval by the Board of Directors

	Record Date	Payment Date
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

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 & ToucheP.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 ADDRESS

www.combankltd.com

SHAREHOLDER'S CONTACT

For change of address, change to dividend instructions and estate transfers, Shareholders are requested to write the Bank's Transfer Agent, 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 SecretaryCommonwealth 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.

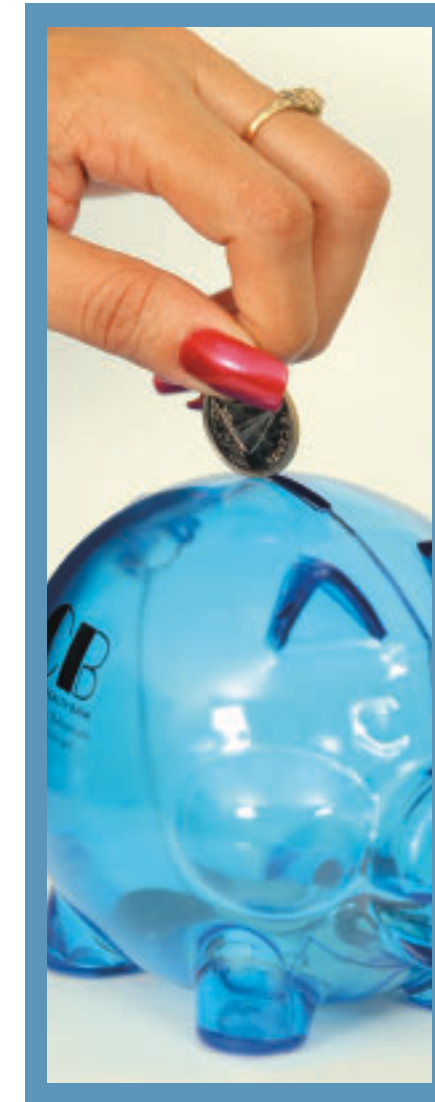
INSTITUTIONAL INVESTOR, BROKER &
SECURITY ANALYST CONTACT

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

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
- Online Banking



LOCATIONS

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

GRAND BAHAMA

The Mall Drive* 352.8307/8
Lucaya 373.9670

ABACO

Marsh Harbour 367.2370

CREDIT CARD CENTRE

Nassau 502.6150
Freeport 352.4428

OFF-SITE ABM LOCATIONS

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

*Drive thru ABM's available

www.combankltd.com

DELIVERING To Our Community



Delivering in Times of Need

For over forty-five years Commonwealth Bank and its employees have been lending a hand to the communities in which we do business. As the oldest “Bahamian Bank” it has been our privilege to have partnered with Bahamians in making our nation a better place in which to live and work.

Life is not always smooth and true partnership is not just about sharing good times. Throughout our history, Commonwealth Bank has recognized and lived up to our responsibility to support our customers and communities in times of need.

A clear example of how effectively and compassionately the Commonwealth Bank family responds in times of trials was during the period following hurricanes Frances and Jeanne. Despite the individual hardships endured by our staff, we were the first Commercial Bank to re-open after the storms in Freeport and Marsh Harbour, enabling customers to take advantage of tailored relief programs to help them begin getting their lives back in order. We provided emergency provisions to those hardest hit, as well as making a significant contribution to the National Hurricane Relief Fund.

OUR CUSTOMERS, OUR BUSINESS



DELIVERING Service Excellence everyday

Delivering means providing Bahamians with the products and services they need to secure their financial dreams. It means that every Commonwealth Bank employee in any capacity understands and is motivated to do "what's right for our customers" daily. It also means being a socially responsible

corporation. At Commonwealth Bank, we are committed to serving as a force for good in the marketplace and in our communities. Such a course, we believe, strengthens our business and our society. It is the right thing to do.

LEADER
In Personal Banking Services



