Staying the Course

A philosophy of careful and prudent management in our almost 50 year history has allowed Commonwealth Bank to stay the course during the most challenging economic conditions.

As we mark another year of growth amidst an unprecedented global and local economic downturn, Commonwealth Bank's strong balance sheet in 2008, is a testament to our underlying core value "to be a responsible and effective financial manager".

The true test of any good financial institution is not how it performs during strong financial times, but how it can stay the course and succeed during the tough times. Although the Bank looks vastly different from its humble beginnings, it is our commitment to our founding values that allow us to continue to perform at a level that places us among the best and highest performing banks in the country. Not only do we measure performance in financial goals but also in our pledge to assist our communities, whether it be in the aftermath of a hurricane, lending support to our education system or helping our customers affected by the economic downturn.

Each year, the year ahead looks more challenging but we press onward with confidence, knowing that we have the support and dedication of our people. Their expertise, skills and ideas will be the single most important factor in the future success of Commonwealth Bank.

In 2009, we look forward to "staying the course" with optimism - aspiring not only to leadership in the financial services industry, but to generating superior value for our existing and future customers and shareholders who stay the course with us.

"Stay the course, light a star, change the world wherever you are."

~ Richard Le Gallienne

Our Vision

First Choice of Bahamians for all Banking Services

Our Mission

To be the leading Bank in The Bahamas providing personal banking services by:

- Delivering superior quality service to our customers
- Retaining and developing employees with outstanding capabilities
- Creating value for our shareholders
- Promoting economic growth and stability in our community

Core Values

We will:

- Ensure that Commonwealth Bank is a great place to work
- Provide meaningful opportunities for Directors and other stakeholders to have input in setting the direction of the Bank as part of an effective governance regime
- Provide customers with outstanding services and help them achieve their financial goals
- Be responsible and effective financial managers so Commonwealth Bank remains strong and prosperous
- Lead by example and use our resources and expertise to effect positive change in The Bahamas

Contents

FINANCIALS

Strategic Priorities

Core Values	2008 Strategic Priorities	2008 initiatives and accomplishments	2009 Strategic Priorities
Be responsible and effective financial managers.	**Challenging objectives have been established with firm financial targets in place.** **Concentrated efforts will be directed to revenue growth through sales and product innovations.**	• Our Financial targets for ROE, ROA and EPS growth were achieved. • Our target for maintaining regulatory capital in excess of minimum requirements was achieved. • Marginal progress was made. We enhanced our Efficiency Ratio. • Our Dividend Payout ratio at 69% increased marginally and slightly exceeded our long term average goal of 65%.	**Challenging but conservative financial objectives have been established with firm financial targets in place.** **Emphasis to be placed on credit quality and loss mitigation.** **Efforts will be directed to revenue growth through improved analysis of cost / revenue algorithms and product innovations.**
Lead by example to effect positive change.	**Sustain an effective governance regime.** **Continue to support the development of Bahamian youth through various programs and community services.**	• Confirmed our position as a leader in governance. • The Bank increased its commitment to young Bahamians, vocational students and other social programs.	**Expanded governance regime during this time of uncertainty will predominate.** **Continue to assess ongoing support of Bahamian youth through various programs and community services to ensure value is sustained.**
Provide meaningful opportunities for stakeholders to have input.	**Expand on the ability of technology to assist the development of bank-wide performance metrics.** **Continue the Bank's program of increasing its transparency of its operations.**	• Advanced technology has allowed the Bank to bring further focus on significant performance metrics. • Good progress was made to expand the Bank's ability to measure performance attributes on a more timely basis. • The Bank remains a leader in adopting international standards and communicating its results to stakeholders.	**Seek ongoing and expanded input from stakeholders designed to ensure that issues of significance are addressed in a timely manner.** **Continue program of advancing technology to assist the use of bank-wide performance metrics.** **Remain a leader in providing transparency of its operations and results to stakeholders.**
Ensure Commonwealth Bank is a great place to work.	**Continue the program of fulfilling our objective of having a comprehensive succession plan for all key individuals.** **Continue to provide international and domestic training programs designed to develop all levels of staff.** **Sustain attractive "Pay For Performance" compensation plans.**	• Some progress has been made in developing succession planning for all key individuals. More effort will be applied in 2009. • Discipline over training activities improved in 2008. • Training is more focused on individual development. • Expanded employee satisfaction program and continued to carry out compensation surveys.	**Succession for all senior officers will be put in place for key positions.** **International and domestic training programs will be directed at ensuring the succession plan is actualized.** **Sustain attractive "Pay For Performance" compensation plans.**
Provide customers with outstanding services.	**Expand integrated product offerings to focus on customer-centric opportunities to achieve our vision of being "The First Choice of Bahamians for all Banking Services".**	• Expanded credit card offerings in 2008. • Upgrades to existing customer based technology platforms continued Business Continuity Planning emphasis applied to operations. • Continued expansion of the availability of our Customer Service Representatives.	**Continue to expand integrated product offerings to focus on customer-centric opportunities to achieve our vision of being "The First Choice of Bahamians for all Banking Services".**

Financial Highlights

For the years ended 31 December (B$ 000's)	2008	2007	2006	2005	2004
Income Statement Data:					
Interest Income	$ 149,896	$ 130,391	$ 111,996	$ 93,569	$ 88,343
Interest Expense	(50,081)	(40,517)	(32,194)	(25,596)	(25,929)
Net Interest Income	99,815	89,874	79,802	67,973	62,414
Provision for Loan Losses	(16,640)	(10,390)	(11,758)	(9,678)	(13,803)
Net Interest Income after Provision for Loan Losses	83,175	79,484	68,044	58,295	48,611
Non-interest Income	15,754	13,793	11,890	8,819	7,509
Non-interest Expenses	(49,637)	(44,743)	(40,487)	(37,612)	(32,624)
Net Income	49,292	48,534	39,447	29,502	23,496
Per Share Data:					
Book Value	$ 1.29	$ 1.18	$ 0.99	$ 0.84	$ 0.71
Cash Dividends	0.31	0.26	0.23	0.15	0.13
Year End Share Price	7.00	8.37	4.17	3.04	2.37
Weighted Average Number of Common Shares Outstanding (000's)	98,114	98,298	97,749	95,751	93,798
Dividend growth (total)	19.23%	14.71%	51.11%	15.38%	14.71%
Balance Sheet Data:					
Total Assets	$ 1,323,015	$ 1,179,174	$ 1 ,018,643	$ 853,976	$ 765,657
Securities	120,827	98,050	86,057	75,179	60,999
Loans	1,074,902	975,242	828,547	705,312	602,284
Net Write-offs	11,202	9,032	5,969	9,934	16,982
Total Deposits	1,069,136	935,730	798,394	680,331	615,263
Total Equity	211,388	200,896	182,666	141,637	127,453
Performance Ratios:					
Price/Earnings	15.85	19.32	11.87	11.80	12.30
Price/Book Value	5.43	7.11	4.19	3.60	3.34
Dividend Yield (Annual Dividend/Year End Price)	4.43%	3.11%	5.44%	4.94%	5.49%
Earnings Per Share	0.44	0.43	0.35	0.26	0.19
Return on Average Assets	3.44%	3.87%	3.65%	3.14%	2.49%
Return on Average Equity	35.05%	38.68%	36.67%	35.94%	30.50%
Ordinary Dividend Payout Ratio	70.20%	60.05%	64.62%	57.64%	67.59%
Efficiency Ratio	45.28%	45.79%	46.76%	52.29%	50.60%
Net Interest Margin	7.09%	7.12%	7.33%	7.39%	7.44%
Asset Quality Ratios:					
Non-accrual Loans to Total Loans	1.71%	1.49%	1.46%	1.32%	3.28%
Non-accrual Loans to Total Assets	1.39%	1.23%	1.19%	1.09%	2.58%
Net Write-offs to Average Loans	1.08%	1.00%	0.77%	1.56%	2.90%
Provision for Loan Losses to Total Loan	2.39%	2.08%	2.29%	1.86%	2.23%
Provision for Loan Losses to Non-accrual Loans	139.84%	140.05%	156.52%	141.42%	67.85%
Liquidity Ratio:					
Average Cash and Securities to Average Total Assets	17.02%	16.81%	16.70%	17.69%	18.31%
Capital Ratios:					
Leverage Ratio Average Equity to Average Total Assets	16.55%	17.73%	17.70%	18.28%	18.04%
Consolidated Capital Adequacy:					
Tier 1 Capital	$ 126,405	$ 115,913	$ 97,683	$ 80,779	$ 66,462
Tier 2 Capital	84,983	84,983	84,983	60,858	60,991
Total Capital	211,388	200,896	182,666	141,637	127,453
Total Risk Adjusted Assets	1,064,649	971,602	829,204	732,439	607,226
Tier 1 Ratio	11.87%	11.93%	11.78%	11.03%	10.95%
Tier 1 + Tier 2 Capital Ratio	19.86%	20.68%	22.03%	19.34%	20.99%

Certain figures have been restated to be consistent with the current year's presentation.

	2008	2007	2006	2005	2004
Number of Employees Average for the Year	532	495	467	460	440

When major international economies have to operate in a severe recessionary environment, a trickle down effect usually follows which in turn has a deteriorating impact on smaller economies that are dependent on the flow through of capital and disposable income to sustain their own economies. Tourist-based economies are usually adversely impacted by the trickle down effect. As The Bahamas relies greatly on tourism to support its economy, it is now being required to share some of the same type of pain exhibited by other economies. This pain, which became more prevalent during the latter part of the 2008 fiscal year is expected to continue for a significant period.

Despite the increasing pressure on the domestic economy, your Bank has been able to develop and sustain a strong financial position by addressing customer needs in a controlled and constructive manner while applying the underlying core value "to be a responsible and effective manager". The results reported for the 2008 fiscal year support this premise as the Bank completed its twelfth consecutive year, albeit in a more constrained manner, of organic growth.

Net income for 2008 exceeded $49 Million for the first time while total assets also increased to in excess of $1.3 Billion, a 12.2% expansion over 2007. What was especially encouraging is that the growth and profitability recorded was able to be achieved without any significant slippage in commonly used operating metrics such as Return on Assets (ROA), Return on Equity (ROE), Asset Quality and Operational Efficiency. In fact, for each of the assessment criteria noted, the Bank exceeded its 2008 operational objectives. Your Bank's performance continues to place it amongst the largest and highest performing Banks in the Caribbean.

Sharing its success with shareholders remains an important objective for the Bank. The opportunity to participate and share in the growth of the Bank as an equity partner is important. In 2008, the Bank was able to continue this pattern of sharing. Quarterly dividends were increased to 5 cents per share. For the 2008 fiscal year, the return to shareholders was 31 cents per share an increase of 19% over the 2007 fiscal year distribution of common share dividends. The Bank's share price has stabilized subsequent to the stock split in November 2007, finishing 2008 at $7.00. Over a five year period, the compound growth rate of capital appreciation for shareholders was 27.5%.

In 2008, Commonwealth Bank Ltd. was the second largest public company traded on the Bahamas International Securities Exchange (BISX). In 2008, the value of Bank shares traded on the BISX accounted for 18.5% of the total equities traded by both value and volume.

Nevertheless, your Bank has not been immune to the economic downturn. In recognition of the current and anticipated downturn, the Bank extended its rigorous write-off policies and has taken additional prudential reserves to ensure overall credit quality continues to meet or exceed internal, industry credit risk standards, and best practices. All existing credit risk policies and procedures have been further enhanced to reflect current economic conditions and the Bank's lending activities going forward. This conservative approach to credit risk adds another important element to the overall safety and soundness of your Bank.

During 2008, your Bank continued to make significant contributions to its community stakeholders throughout the Commonwealth, by assisting our educators and students in the primary and secondary schools with fundamental school supplies and the latest in technology with 120 sets of laptops and projectors. These contributions were in addition to our normal support of charities, civic and sporting organizations and awards of College of the Bahamas Scholarships.

Your Bank has also undertaken various credit counseling and other types of assistance where warranted. Our approach to "lead by example and use our resources and expertise to effect positive change in The Bahamas" remains a full time commitment with the same goals, strategies and accountabilities that drive other segments of our business.

As your Chairman, an important objective is to provide guidance and leadership that will enable and encourage the Board and senior management to challenge the status quo. Effective governance and the growing focus on risk management require directors to walk a fine line between oversight and active management. Boards can help identify risk, but management is responsible for controlling it.

In times where market anomalies play an important role in achieving success or otherwise, senior managers and board members face a serious test of their work as times get tough. An effective governance regime becomes more critical and is not a luxury that can be set aside during adverse economic conditions.

Developing and sustaining an effective governance regime is not a new theme for the Bank. It is embedded in the culture and the Charter of Expectations of your Bank. The Board has moved quickly, with cooperation of senior management, to examine risk aversion techniques and practices and test possible scenarios in order to prepare for possible contingencies and the existence of a prolonged downturn.

Every Director of your Bank remained highly involved and vigilant during 2008. Their annual independent and constructive self-assessment comments continued to support the direction being taken by the senior management of the Bank. I would like to thank each Director for their continued support and ongoing contribution. I would be remiss, however, if I did not acknowledge the passing of Mr. Franklyn A. Butler, OBE and his contribution to the Bank while serving as a board member between 1984 and 2008. His kind nature and endless patience helped build Commonwealth Bank Ltd. through common sense and uncommon trust and loyalty.

The Bank has always believed in building a strong and flexible management team. At the heart of the Bank's success is a commitment to people. When times are easy, leadership can be taken for granted. When times are more troubling a successful enterprise appreciates and needs a strong and flexible management team. Commonwealth Bank Ltd. has been fortunate to have been able to attract such a committed, strong and flexible management team. I am extremely appreciative of their ongoing commitment and dedication to our customers and to the Bank at large.

The environment we face today is a challenging one with the Board and senior management committed to executing a strategic and business plan designed to achieve the financial objectives they have identified. Your Bank will also work closely with government and other agencies who undertake operational and structural opportunities designed to expand and sustain the Bahamian economy. We remain confident that notwithstanding the present economic downturn, our business model is strong and best suited to serve the long term financial needs of all our present and future customers.

T. Baswell Donaldson, CBE
Chairman

Pictured from Left to Right: **Earle Bethell,** President Elect, Cancer Society of The Bahamas; **William B. Sands, Jr.,** President and CEO - Commonwealth Bank; and **Terrance Fountain,** President, Cancer Society of The Bahamas.

Assistance To The Cancer Society Of The Bahamas

For over thirty (30) years the mission of the Cancer Society of The Bahamas has been to provide education about cancer prevention, risk factors, early detection, symptoms, diagnosis, treatment, and research. The Cancer Society of The Bahamas has been an anchor for many Bahamians, whether a patient or a caregiver, family member or friend of someone diagnosed, helping them face the challenges and changes of cancer, head on.

Today's progress against cancer is the result of enhanced prevention strategies, along with earlier detection and better treatment. The Cancer Society provides help and hope and are champions of the journey from cancer patient to cancer survivor.

Commonwealth Bank is proud to contribute to The Cancer Society of The Bahamas. We applaud their commitment to educate the community on the importance of early detection and healthy lifestyles to ensure a better Bahamas.

The Bahamas National Trust

The natural beauty of The Bahamas infuses our landscape from Walker's Cay in the north to Matthew Town in the south and all of our islands and cays in between. For the last half-century, The Bahamas National Trust has stood as the guardian and chief steward of our cherished natural resources, overseeing the management of more than 700,000 acres of National Parks and protected areas, with the vision to protect, conserve and enhance our wonderful Bahamian heritage for future generations.

As the leading voice for the environment, The Bahamas National Trust is also an advocate of environmental education and public outreach programs encouraging Bahamians to become stakeholders in protecting all of our natural resources that go well beyond our commonly seen assets of sun, sand and sea.

So, on this the 50th Anniversary of The Bahamas National Trust, Commonwealth Bank congratulates and supports this unique Bahamian organization as they continue on their mission to protect our beautiful Bahamaland.

Pictured from Left to Right: **Lynn Gape,** Deputy Executive Director, Bahamas National Trust and **Shirley Cartwright,** Sr. VP Business Development, Sales and Marketing - Commonwealth Bank.

"How wonderful it is that nobody need wait a single moment before starting to improve the world." ~ Anne Frank

Pictured from Left to Right: **Thorsida K. Charles,** Finance Officer of The International Federation of the Red Cross, Trinidad; **Mavis Burrows,** Assistant VP Operations - Commonwealth Bank; **Kim Sawyer,** Director General, Bahamas Red Cross Society and **Anthea Cox,** VP Human Resources - Commonwealth Bank.

Assistance To The Bahamas Red Cross Society

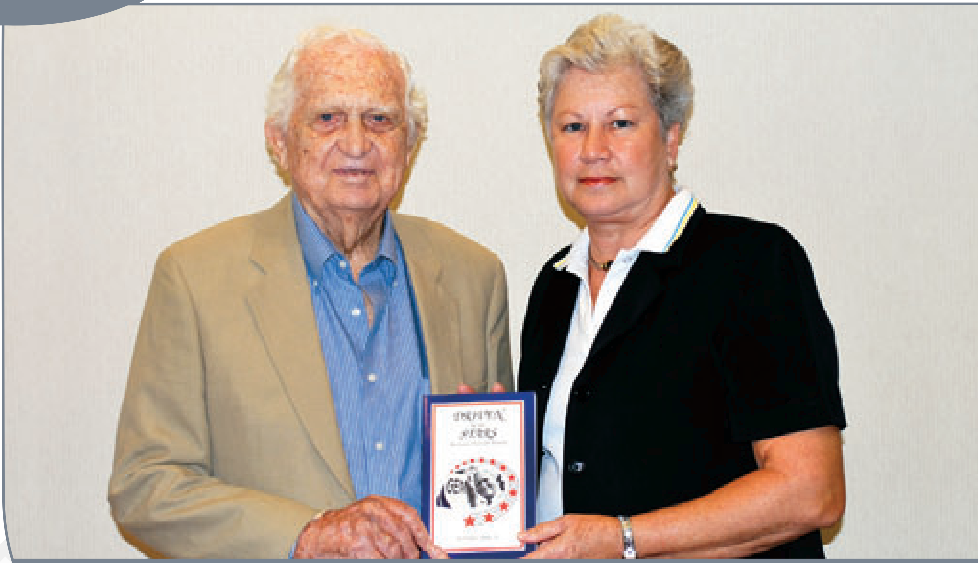
Governed by volunteers and supported by community donations, The Bahamas Red Cross is a nationwide network of field units dedicated to helping people across the street, across the country and across the world. Each year, in communities large and small, victims of disasters turn to neighbours familiar and new.

Commonwealth Bank has been committed to strengthening our local communities since our inception. We are pleased to be a corporate partner of The Bahamas Red Cross Society and support their mission to respond to anyone with disaster-caused needs whenever and wherever a disaster occurs.

To Sir...With Love

Commonwealth Bank was pleased to celebrate with legendary athlete and philanthropist Sir Durward Knowles, on the publication of his book Driven By the Stars. The Bahamas' first Olympic gold medallist chronicles his life story in a rich and lively tale of a boy of humble beginnings pursuing his passion and bringing home the gold. In appreciation of Sir Durward's decades of diligently serving others, the Bank also made donations to two of his favourite causes, One Bahamas and The Association for the Physically Disabled.

Commonwealth Bank is proud to contribute to numerous local, non-profit groups, schools and service organizations, with a particular focus on youth, culture, education, health and the environment.



Pictured from Left to Right: **Sir Durward Knowles** and **Shirley Cartwright,** Sr. VP, Business Development, Sales and Marketing - Commonwealth Bank.

Pictured from Left to Right: **Avard Moncur, Michael Matthieu, Charles Knowles,** VP Information Technology - Commonwealth Bank; **Larry Wilson,** Treasurer - Bahamas Olympic Association; **Chris Brown, Ramon Miller** and **Andretti Bain.**

Monetary Donation To The Bahamas Olympic Association

The essence of the Olympic Brand consists of three essential pillars - Striving for Success, Celebration of Community and Positive Human Values. These three pillars support a powerful, emotive brand that transcends sport and resonates strongly with the people of the world.

Commonwealth Bank supports the Olympic Games and The Bahamas Olympic Association primarily because we share common values. In addition to embracing the vision of a better and more-peaceful world, we encourage the discovery of one's abilities and promote the spirit of competition, the pursuit of excellence and a sense of fair play. We not only support The Bahamas Olympic Association, but also the dreams, aspirations and preparations of the athletes who represent our country on the world stage.

OVERVIEW

The theme of this year's report "Staying The Course" is reflective of the Bank's continuing commitment to Bahamians and its core values, which are customer-centric and focus on value creation for all Bahamians. Yes, as we approach 2009, we must acknowledge that Bahamians and the Bank will likely have to endure some pain associated with the global economic downturn. To the extent possible, the Bank will place continuing emphasis on strengthening its relationships with existing customers and attracting new ones by providing an ever-increasing level of integrated customer service and product quality.

While the current environment may require the Bank to adjust its 2009 strategic priorities and business plans, the Bank will seek and utilize all available avenues to emerge from the current environment a stronger and growth orientated financial institution. Commonwealth Bank's commitment to sustaining a customer-centric environment is embedded in our culture.

Since its inception, the Bank has experienced many peaks and valleys and has survived and grown throughout them all. By following its core values and philosophy through an effective governance regime, employing careful and prudent management coupled with an effective process of control and strong capital management, the Bank will join Bahamians in overcoming these latest challenges.

OPERATING PERFORMANCE

The Bank, in 2008 was again able to achieve or exceed its significant financial objectives. Overall profitability increased marginally in 2008 with net income amounting to $49.3 Million. These results were achieved despite the increased stress on the economy, which began in more earnest during the latter two quarters of 2008.

The ability of the Bank to achieve increased profitability, its twelfth consecutive year of increased profitability, while expanding its service levels and product mix speaks well to the efforts of the Bank's Board and staff and the ongoing and critical support of our customers, shareholders and other stakeholders. The level of performance and support received has also allowed the Bank to continue to support its domestic ongoing social and community initiatives, as the Chairman has detailed in his report.

At year-end total assets exceeded $1.32 Billion - an increase of approximately 12.2% over 2007. Our loan portfolio remains the largest asset of the Bank and at approximately $1,075 Million is almost 81% of the total asset base - a decrease of almost 1.5% from the previous year.

Performance in 2008 as measured by Return on Equity (ROE) and Return on Assets (ROA), commonly used performance ratios, achieved internal financial objectives with the ROE at 35.0% and ROA amounting to 3.4%. Both of these ratios remain above industry average although reflecting a marginal decline for the Bank over 2007, which is discussed further in Management's Discussion and Analysis (MDA).

The Bank's Efficiency Ratio, which takes into consideration non-interest expenses compared to revenue generation was 45.3%, a 0.5% improvement over the result achieved in 2007. The effective use of internal resources added to the Bank's profitability levels through the efficient use of non-capital and deposit intensive resources. The Bank will continue to place emphasis on enhancing its operational effectiveness through enhanced technology and cost-effective operational techniques and practices. These tools and techniques will be supplemented by an effective and flexible human resource base designed to contain expense growth while sustaining a strong process of control and customer service levels.

A core element of the safety and soundness of a Bank is the quality and strength of its capital base. Effective management of the Bank's capital structure is an important element of the Bank's corporate governance regime. As at December 31, 2008, the Tier 1 Capital Ratio, which is considered to be the primary measure of balance sheet strength amounted to nearly 12.0% with total capital amounting to 20.0%. Both of the aforementioned ratios are well in excess of The Central Bank's regulatory requirements and auger well for supporting the Bank's growth expectations and soundness going forward.

Another element reflecting the safety and soundness of a Bank is the availability of liquidity, which usually consists of cash and securities to meet existing and anticipated day-to-day business requirements. The Bank has and continues to sustain liquidity levels that significantly exceed The Central Bank's liquid assets ratio requirement as well as the threshold limits established by the Board of the Bank.

CONTRIBUTORS TO THE ONGOING SOUNDNESS, DEVELOPMENT & PROFITABILITY OF THE BANK

The core strength of the Bank is the quality of its loan portfolio, which by design is consumer orientated and contains a well-diversified risk profile. Gross personal loans reached approximately $733.3 Million, an increase of 10.9% over 2007. Mortgage loan growth at 4.4% slowed in 2008. Credit card receivables, however, recorded appreciable growth. In 2008, credit card receivables amounted to $43.6 Million a further 24.4% growth over 2007. The parallel growth of the consumer and mortgage portfolios reflects one of the Bank's objectives which is, to cautiously expand the customer-centric portfolios.

Appreciable growth was also recorded in the commercial (business) loan portfolio. The Bank was satisfied with the growth of its commercial loan portfolio, which increased 21.4% to $42.8 Million. This growth continues to address the Chairman's undertaking to make additional funds available to support the development and sustainability of the small business community.

A critical element of the Bank's integrated process of control and ultimately the success of the Bank is the existence and application of sound credit risk policies and practices. To sustain credit quality, the Bank continued to re-assess and restructure its credit risk policies and procedures with emphasis on ensuring that the credit risk policies and practices remained reflective of current and anticipated market conditions.

The credit risk quality and oversight measures are supported by a rigorous write-off policy, sound in-depth recovery techniques and practices, and conservative provisioning policies. The Board has strongly supported the action taken by the senior management of the Bank in further strengthening credit risk techniques and practices.

Overall credit quality remains satisfactory with provisioning policies meeting or exceeding generally accepted international "best practices" for the provisioning of credit risk. An example of the conservative approach to credit risk provisioning applied by the Bank is the practice of ensuring the Bank considers the possibility of deterioration in the performing as well non-accrual portfolios. At year-end 2008, the provision for loan losses to total loans was 2.4% and the provision for loan losses to non-accrual loans was 140%. Non-accrual loans were 1.7% of total loans and 1.4% of total assets. These ratios compare favourably to the credit quality ratios reported in 2007 and the industry.

To meet the ever-increasing demands of customers and other stakeholders for new and enhanced products and services, the Bank continued to invest in new and enhanced information technology. Several upgrades to existing technology platforms were implemented in order to provide additional assurance that the Bank's technology based products and services kept up with market requirements. An important element in any of the Bank's technology undertakings is the need to address physical and logical security and operational efficiency issues. In 2008, the Bank again undertook a review of its physical and logical security techniques and controls. No significant weaknesses were noted by the external experts employed. The implementation of the recommendations arising out of the review continues.

In May 2007, the Central Bank issued a guideline on Business Continuity Planning (BCP). Business continuity in times of distress is an important element in the safety and soundness of a financial institution. As with the need to ensure physical and logical security, the Bank, continued to allocate a significant amount of resources to ensuring an appropriate BCP is in place and remains valid. The Bank is satisfied that it complies with the direction provided in The Central Bank BCP guideline.

OUR STAFF – OUR STRENGTH

A strong Bank requires great people. Since inception, the Bank has put in place a disciplined oversight process focused on building character and leadership skills throughout all levels of the organization. The Bank's recruitment policy is directed at employing hard-working and self-motivated Bahamians in an effort to challenge each employee to reach their full potential. Equally important is the continual investment by the Bank in providing training opportunities for staff at all levels in order to add to their breadth and knowledge of current operational and management issues. The continual growth opportunities provided to our management staff is important as these officers are responsible for the development and coaching of our staff and the cultivation of an effective succession plan to support the Bank's potential.

The dedication, support and commitment of our over 540 staff as well as the Board, customers and other stakeholders remain a significant factor in the continued success of the Bank. I am extremely cognizant and appreciative of their efforts.

The Bank was saddened in 2008 by the sudden passing of Mr Franklyn Butler, a long-standing director, shareholder and supporter of the Bank. The Bank will miss his contribution and wise counsel.

GOING FORWARD

The deferment of the major Cable Beach development project, which included the relocation of the Bank's Cable Beach Branch, was disappointing. However, the continued success of the Golden Gates Branch has encouraged the Bank to move ahead with the development of the property in the Prince Charles Drive area. Completion of this project is currently scheduled for the latter part of 2009 and the Bank looks forward to expanding its services to this area.

While 2009 will bring new and different challenges, the Bank is confident that with its strict discipline it is well positioned to address existing and potential opportunities as they occur. Cautious but specific objectives, which reflect the current operational environment and challenges, have been put in place. Emphasis will be placed on controlled sound credit quality and an effective governance regime. Further emphasis will be placed on expanding non-capital intensive revenue stream through the expansion of existing products and services that allow customers to rely on the Bank for all of their banking requirements.

William B. Sands, Jr.
President & CEO

Community Involvement

Pictured from Left to Right: **Jonathan Cancino,** The Amoury Company; **Lionel Sands,** Acting Director of Education; **Elma Garraway,** Permanent Secretary Ministry of Education; **Minister Carl Bethel,** Minister of Education; **T. B. Donaldson,** Chairman - Commonwealth Bank; **Ian Jennings,** Sr. VP & CFO - Commonwealth Bank and **Denise Turnquest,** Sr. VP Credit Risk - Commonwealth Bank.

Donating Tools To Build A Brighter Future Through Education

Commonwealth Bank is strongly committed to developing the communities in which we live and conduct business. As a true community bank, we have provided a bridge for Bahamians to establish an economic foothold in society. We consider making significant contributions to the improvement of our national educational programs to be the first and most important step to advancing the future of our nation. To this end, this year's contribution to education included granting scholarships for students to attend the College of The Bahamas and assisting our educators and students in the primary and secondary schools with fundamental school supplies and, in partnership with the Amoury Company, the latest in technology in the form of 120 sets of laptops and LCD projectors.

"An investment in knowledge always pays the best interest."

~ Benjamin Franklyn

This Management's Discussion and Analysis of our financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the fiscal year ended December 31, 2008, compared to the preceding years. For a complete understanding of trends, events, uncertainties and the effect of critical accounting estimates on our results of operations and financial condition this Management's Discussion and Analysis should be read carefully together with our Consolidated Financial Statements and related notes. This Management's Discussion and Analysis is dated February 9th, 2009. All amounts reported are based on financial statements prepared in accordance with International Financial Reporting Standards.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements. By their very nature forward-looking statements involve numerous factors and assumptions which give rise to the possibility that these forward-looking statements may not be achieved. The Bank cautions readers not to place undue reliance on these statements as a number of important factors, including external influences, could cause our actual results to differ materially from the expectations expressed in these forward-looking statements.

EXECUTIVE SUMMARY

Commonwealth Bank is the largest wholly-owned Bahamian Clearing Bank in The Commonwealth of The Bahamas as measured by assets and market capitalization. The Bank continues to increase its stature throughout the Caribbean where it is one of the largest indigenous banks ranking alongside Citizens Bank which is domiciled in Trinidad and Tobago.

Throughout 2008, our business strategies and actions continued to be directed at being the Bahamas' complete personal banker. The Bank's vision and mission statement is based on core values which are dedicated to an effective governance process, safe and sound policies and procedures, building teamwork and expertise internally, while remaining relevant in the changing and expanding financial services marketplace. We believe this focus, applied in a cost-effective and controlled manner can sustain our history of revenue and earnings growth, enhanced productivity while providing quality financial performance.

The Bank employs 540 Bahamians and Bahamian permanent residents. Their continuing commitment and support to the Bank has been a critical factor in its success. The Bank has no employees on work permits and has not had any for over ten years.

The current and anticipated business environment has changed very quickly. The global deterioration of international economies is having an adverse impact on smaller countries including The Bahamas. Commonwealth Bank's goal is to adjust its operations in order to remain relevant and constructive while continuing to create economic and social value for all stakeholders while sustaining an environment that provides impetus to continue to develop and expand in a well controlled, continual and consistent basis.

Throughout this Annual Report and highlighted in the appropriate Management Discussion and Analysis comments and representations are comments supporting and linking how the important elements of an effective governance regime are inextricably linked to ensuring the Bank continues to prosper.

OVERVIEW OF 2008

In the Bank's 2007 Annual Report, the Bank indicated that its strategic objectives would be focused on further leveraging and building its inherent strengths. For the most part, albeit in a different operating environment, the Bank was able to work toward achieving these objectives.

In 2008, the Bank was able to grow its asset base and increase its earnings marginally. 2008 was the twelfth consecutive year of increased earnings. Key financial objectives were achieved, however, the Bank did not achieve its financial objectives for loan growth. Overall loan quality continues to be strong but some marginal deterioration is beginning to reflect the deteriorating economy.

The Bank cautioned stakeholders in 2007 about the questionable feasibility of some foreign investment projects and the potential impact these projects could have on the Bahamian economy. The unexpected rapidity and depth of the global economic crisis accelerated the reassessment of major projects with the result that a significant number of projects have been deferred or completely stopped. A further contributing factor has been the low levels of tourist arrivals which again is directly associated with the declining global economies.

The impact on the Bahamian economy and more immediately on our customers occurred during the latter part of 2008. It is difficult to quantify the actual impact on the Bank going forward. The Bank has put in place conservative measures designed to address various scenarios and sustain the safety and soundness of the Bank. The measures put in place are discussed in more detail under the relevant sections of the Managements Discussion and Analysis.

Credit expansion slowed considerably to 6.8% in 2008 compared to 10.22% for 2007. Our portfolio of loan and other consumer based products grew 10.2% in the year compared to 17% in 2007, expanding our market share. Expansion of the Bank's mortgage portfolio in 2008 continued but at a slower pace. The mortgage portfolio at $243.7 million was approximately 4.4% higher than reported in 2007. Once again, the commercial loan portfolio increased appreciably to approximately $42.8 million, an increase of approximately 21.4% over 2007. The commercial loan portfolio has been purposely designed to be ancillary to the Bank's core business, that of serving its large consumer base.

Growth of our consumer portfolio also slowed somewhat in 2008. This important portfolio expanded to in excess of $733 million an increase of 10.9% over 2007. In contrast our credit card portfolio grew 24.4% or $8.6 million in 2008.

Total assets increased nearly $150 million, reaching $1.32 billion, at fiscal year-end an increase of 12.2% over 2007. 2008 was the fifth year in which the Bank has experienced double digit growth of assets. Reduced liquidity in the banking sector that existed throughout 2007 and into early 2008, eased in 2008. As foreign reserves inflow came from government borrowing, available liquidity became less of an issue allowing deposit rates to decline, Average Cash and Securities to Average Total Assets increased to 17% from 16.8%.

The success of the Golden Gates Branch, which confirmed our objective and plans to provide banking facilities where our customers reside. As a result, further branch expansion has commenced with the construction of the new Prince Charles Drive Branch. The Bank is looking forward to opening the new branch in late 2009.

While we reported that no tangible progress was being made in 2007 concerning the mega project and redevelopment of Cable Beach, there were indications that the project would move forward in 2008. No further progress has been made and at this time the breadth of the anticipated project appears to be in some jeopardy. No capital expenditure, expense or disruption of service to the Bank has occurred or is anticipated as a result of the status of this project.

OUTLOOK FOR 2009

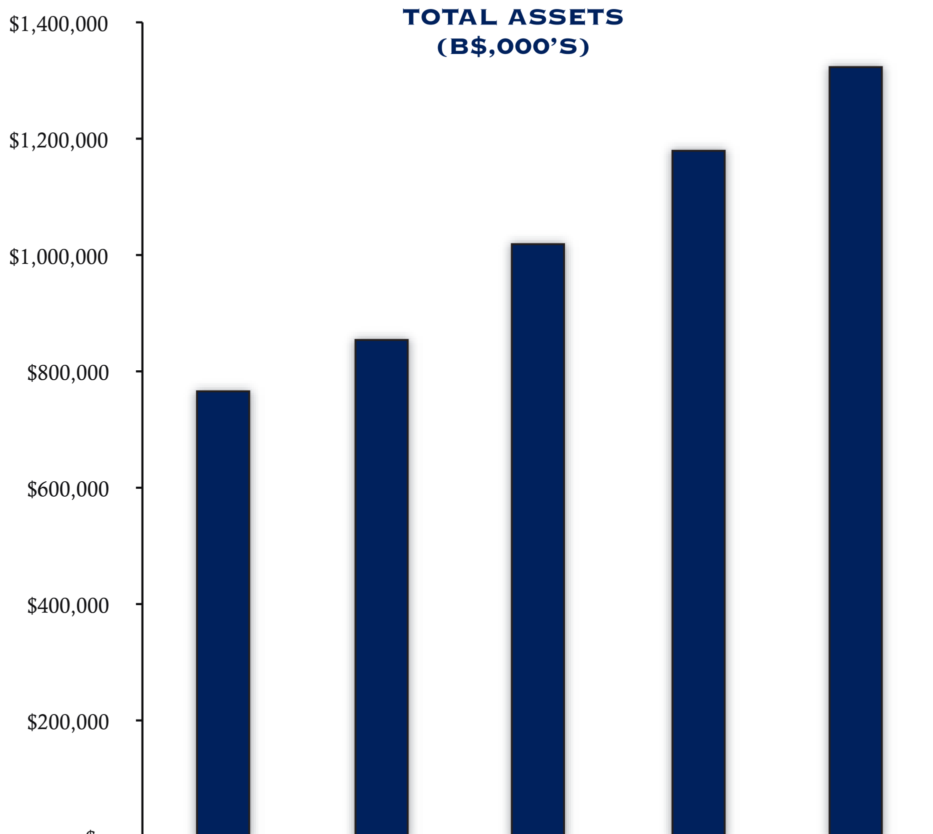
For 2009, our strategic objectives will be focused on sustaining a strong and vibrant Bank despite what is occurring externally and could have a trickle down effect on the Bahamian economy. The Bank will continue to focus on its strengths and the needs of our customers. Expansion is anticipated to be restricted until the global economies begin to recover, particularly the United States of America's (USA) economy since that economy accounts for the majority of our tourist industry.

The Bank has reviewed it strategic priorities and has deferred many ancillary projects, focusing on those for 2009 that will develop our base infrastructure to be ready for an anticipated recovery in 2010. In the same way, all expenditures are being re-examined to determine if it can be safely deferred or eliminated. Continued emphasis will however be placed on developing and enhancing the Bank's information technology platforms in order to ensure safety and privacy of information while at the same time bring to market products and services demanded by a knowledgeable customer base.

Coupled with the Bank's reassessment of market and internal cost control operating priorities, considerable effort has been directed at the Bank's interface with its customers. Credit risk policies and procedures and the associated conservative provisioning policies have been enhanced to reflect market realities to ensure that the required resources are being applied in an effective and controlled manner.

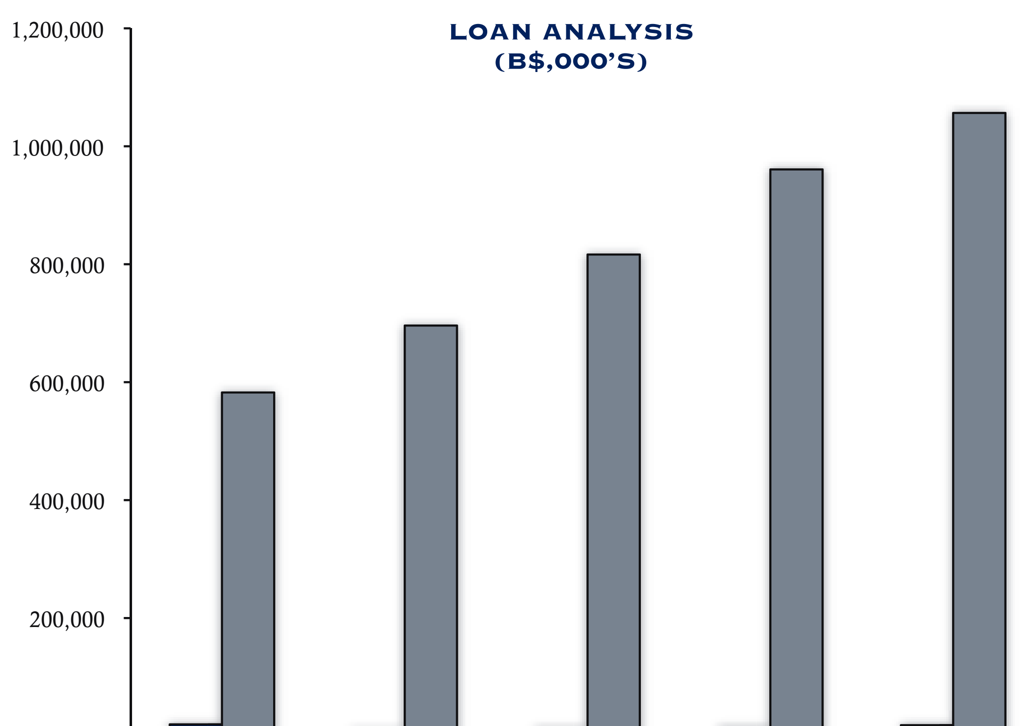
On the positive side, the Bank looks forward to the long awaited introduction of the Automated Clearing House, a Central Bank initiative, which we anticipate will add operational and cost efficiencies once the initial testing and implementation is completed.

The Bank is also cognizant, that during certain times, staff can play an increasingly valuable role in the Bank's success. In line with the core value of "Ensuring That Commonwealth Bank Is a Great



	2004	2005	2006	2007	2008
■	$765,657	$853,976	$1,018,643	$1,179,174	$1,323,015

■ Total Assets $,000's



	2004	2005	2006	2007	2008
■	19,760	9,300	12,101	14,494	18,405
■	582,524	696,012	816,446	960,748	1,056,497

■ Impaired Loans ■ Performing Loans

Place To Work", the Bank will continue to enhance its training and guidance activities and will continue to take steps to challenge and provide a work environment designed to increase the standing and development of our staff.

The outlook for 2009 will be challenging. Demand for lending products is expected to be lower while general income levels reflect market realities. Governmental infrastructure projects have been identified to provide some stimulation. The Bank will assist, where appropriate, any action undertaken by the government.

Along with internal pressures, external pressures such as the reported deterioration of the USA and other international economies alongside the lost tax exemptions in the Bahamas are also anticipated to have a negative impact on externally generated asset and revenue growth. Projected levels of tourism in 2009 are expected to slow following on from the declines of 2006 through 2008.

The Bank will continue to closely monitor internal and external dependencies in an effort to direct its marketing and operational thrust to areas that will provide the most value for the efforts expended. Out of more difficult times strong financial institutions become stronger. The Bank believes that despite the challenges that exist there remains good opportunities for controlled and profitable growth.

2008 PERFORMANCE OVERVIEW

- **Twelfth consecutive year of record profits**
- **Net Income increased 1.56 % over 2007.**
- **Reported net income $49.3 million**
- **Total Assets $1,323 million up 12.2%**
- **Earnings per share 44 cents up 1.97% over 2007**
- **Return on Common Shareholders Equity 35.1%**
- **Common Share Dividends 31 cents up from 26 cents (19.23%) on 2007.**
- **Net Income Available to Common Shareholders up 1.8%**
- **Gross Revenues increased 11.5%**
- **Efficiency Ratio improved to 45.28%**
- **Total Capital exceeds $211 million up 5.2% and is reported as 19.9%**

For the year ended December 31, 2008, reported net income was $49.3 million, an increase of $0.8 million or 1.56% over 2007. Net Income Available to Common Shareholders (Net Income less Preference Share Dividends) increased $0.8 million or 1.8% to $43.34 million.

Earnings per share was 44 cents per share compared to 43 cents per share in 2007, an increase of 1.97%. Return on equity was 35.1% compared to 38.7% in 2007. Dividends paid to shareholders increased 19.2% to 31 cents (2007: 26 cents per share). Total dividends paid in the accounting period represented 70.20% of Net Income Available to Common Shareholders (2007: 26 cents 60.05%). In applying the Bank's policy of paying 65% dividends on average long term Net Income Available to Common Shareholders, the first dividend in the fiscal year is the adjusting amount to bring the quarterly dividends and the November 2008 extra-ordinary dividend to the 65% guideline.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are outlined in Note 3 of the Consolidated Financial Statements. Certain of these policies along with estimates made by management in applying these policies are recognized as critical since they require the Bank to make judgments about matters that are inherently uncertain or because of the possibility that significantly different numbers could be reported if different assumptions were applied or different conditions prevailed. Our critical accounting policies and estimates relate to the provision for loan loss, the estimation of fair value, accounting for pension benefits, the actuarial assumptions underlying the life assurance fund and accounting for the deferment of loan fees. These are discussed further in Note 4 of the Consolidated Financial Statements. Our critical accounting policies and estimates are reviewed and approved at least annually by the Audit Committee in consultation with management.

CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

The Bank has indicated in Note 2 of the Consolidated Financial Statements new International Financial Reporting Standards (IFR's) and International Accounting Standards (IAS) that will be shortly forthcoming. The goal of the changes in IFR's and IAS is to improve the transparency of reporting to the Bank's stakeholders. In its commitment to be a leader in the governance process the Bank will adopt new IAS and IFR's wherever possible prior to mandatory implementation dates.

BALANCE SHEET MANAGEMENT

The Bank's risk management structure promotes the making of sound business decisions by balancing risk and reward. As a result, our balance sheet management policies and procedures coupled with our revenue generating activities are consistent with the level of risk the Bank wishes to accept and as prescribed in the corporate policies approved by the Board of Directors. Risk management policies address amongst other factors credit risk, liquidity risk and operational risk which are measured and monitored through the Bank governance regime and overall process of control. Risk management policies and procedures are monitored closely by the Board and senior management of the Bank throughout each year. When appropriate, the risk management policies and procedures are updated and enhanced in order to address safety and soundness as well as market and operational issues. During 2008, emphasis was placed on ensuring that the Bank's approach to risk management policies was more conservative.

Total Assets were $1,323 million as at December 31, 2008, an increase of 12.2% over the $1,179 million recorded at December 31, 2007, the fourth year of double-digit growth.

Total loans amounted to $1,075 million in 2008 an increase of $99.7 million or 10.2% (2007: $975.2 million, an increase of 17.7% over 2006). Deposit growth was $133.4 million to $1,070 million or an increase of 14.3% (2007: $137.3 million an increase of 17.2%). Cash and liquid assets increased $23 million to $116.6 million in 2008 (2007: $93.5 million) reflecting the reduction in credit expansion in the year and a decision by the Bank to increase its liquidity cushion to address changing market conditions and possible growth opportunities.

A reduction in the rate of credit expansion occurred in 2008. Mortgage lending growth was constrained declining from 13.3% in 2007 to 8.3% in 2008. The Bank followed the industry trend, with the mortgage portfolio increase declining from 19% in 2007 to 4.4% in 2008. Balances at December 31, 2008 were $243.7 million with commitments of $10.7 million reduced from $233.5 million balances with $22.2 million commitments outstanding at December 31, 2007. The increase in the relatively small commercial portfolio was encouraging and continued to address the Chairman's commitment to small businesses in The Bahamas. Loans increased $7.5 million to $ 42.7 million or 21.4% (2007: $35.2 million).

Our Credit Card operations continued to expand in 2008. In May 2008, we completed a move to a new MasterCard processor and recommenced our marketing of the card which had been on hold through the conversion process. Results have been satisfying as we have increased card holders and usage per card. At year-end credit card receivables increased $8.6 million to $43.6 million a further increase of 24.4% (2007: $2.8 million increase to $35.1 million an increase of 8.7%). As in the prior year, our efforts and resources were directed at expanding our SunCard point of sale network, and gaining expanded acceptance of SunCard through focused marketing efforts. Some progress has been made.

MANAGEMENT OF CAPITAL RESOURCES

The Bank's total available capital resources continued to expand in 2008 with Shareholder Equity increasing 5.2% to $211.4 million. The primary source of the increase was the retention of earnings. The common share dividend payout increased appreciably to $0.31 per share, an increase of 19.23% over 2007 ($0.26), nevertheless, in 2008, $12.9 million was re-invested in the Bank.

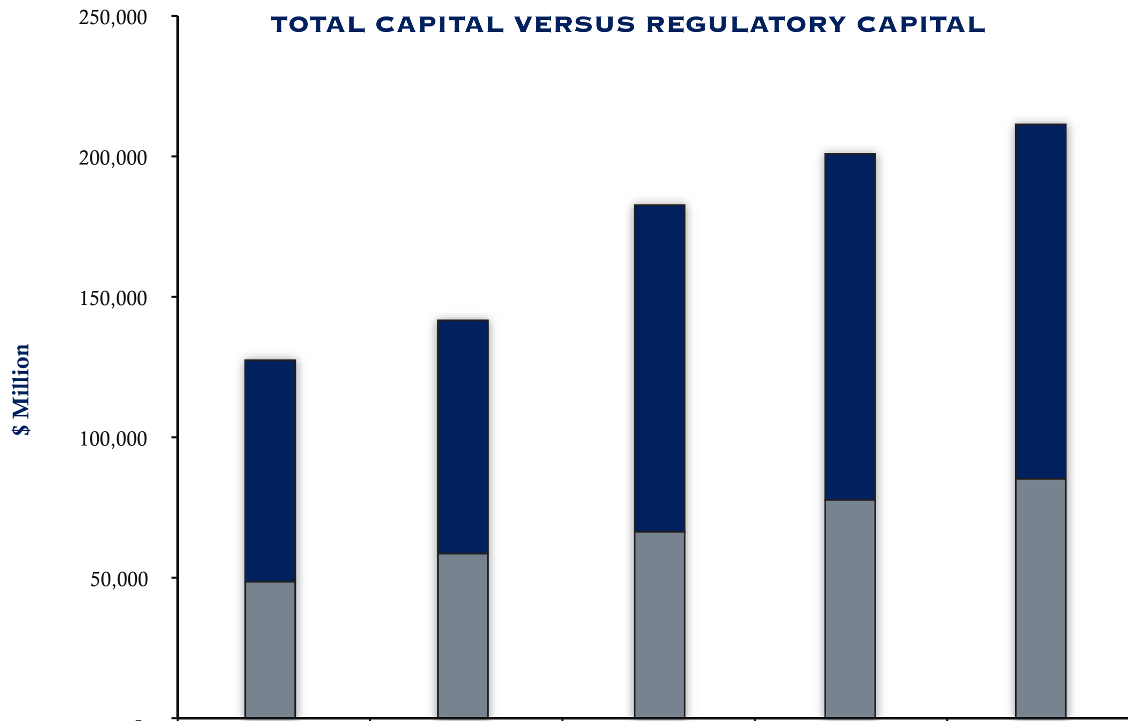
THE COMPONENTS OF CAPITAL

A strong capital base is a foundation for building and expanding the Bank's operations and services in a safe and sound manner. Capital adequacy is governed by regulatory agencies and encompasses two parts:

- Tier 1 Capital, which consists primarily of Common Shareholders Equity, totaled $126.4 million at December 31, 2008 up $10.5 million or 9.0 % over 2007. This increase is after the reduction of $2.8 million representing the Bank's common shares held by its subsidiary C.B. Securities Ltd. at December 31, 2008 (2007: nil). These shares were purchased to fund the Bank's Stock Compensation Plans and will be sold to participants in due course. The Bank determined that purchase of the shares from the market in small quantities, would inject liquidity into the local market and was preferable to issuing new shares from Treasury for these plans.

Graphs

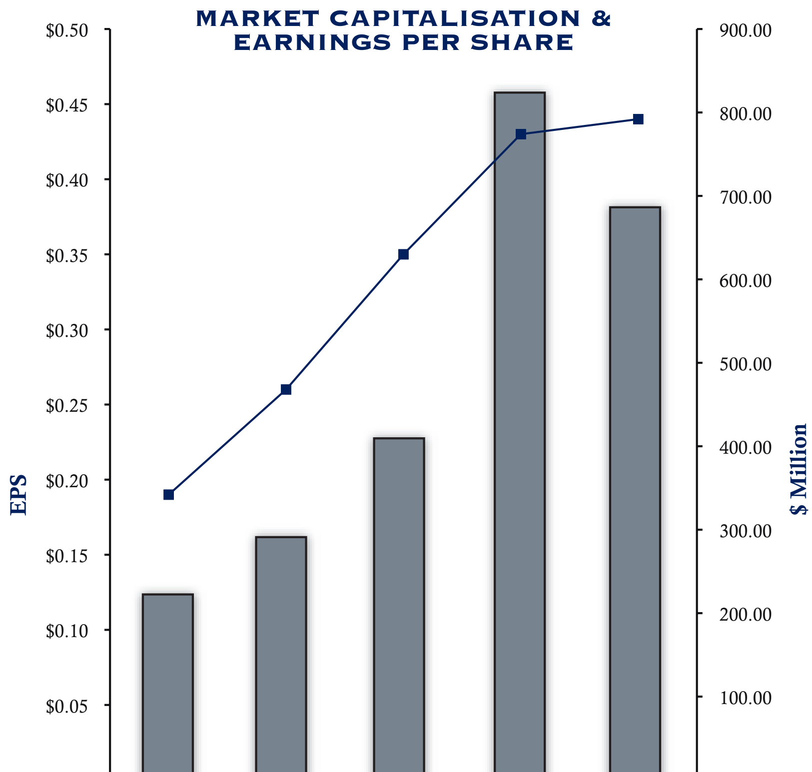
TOTAL CAPITAL VERSUS REGULATORY CAPITAL



	2004	2005	2006	2007	2008
■	78,875	83,042	116,306	123,168	126,173
■	48,578	58,595	66,360	77,728	85,215

■ Excess Capital ■ Regulatory Capital

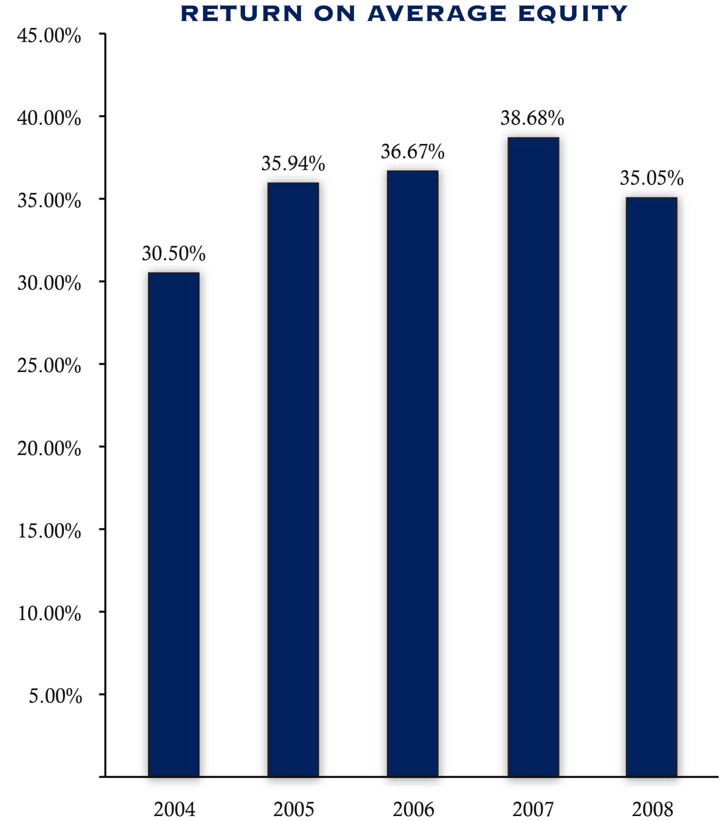
MARKET CAPITALISATION & EARNINGS PER SHARE



	2004	2005	2006	2007	2008
Market Capitalisation	222.43	291.08	409.49	823.78	686.39
Earnings Per Share (cents)	0.19	0.26	0.35	0.43	0.44

Market Capitalisation
Earnings Per Share (cents)

RETURN ON AVERAGE EQUITY



■ Return on Average Equity

- Tier 2 Capital, consists mainly of Cumulative Preference Shares and cannot exceed Tier 1 capital. At December 31, 2008, the Bank had $85.0 million of Preference Shares, which qualified as Tier 2 Capital, unchanged from 2007.

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

The Total Capital ratio, at 19.9%, at December 31, 2008 is in excess of 2.5 times the minimum capital level required by the existing regulatory requirements.

CONSOLIDATED RESULTS FROM CONTINUING OPERATIONS

The Bank, in 2008, was able to achieve a marginal increase in profitability. The earnings performance was the twelfth consecutive year of record earnings for the Bank.

As the year progressed, credit expansion declined resulting in an increase in surplus liquidity. This excess liquidity which was employed in low yield cash equivalents, and Treasury Bills was a key contributor to the decline in Return On Equity (ROE) and Return on Assets (ROA) ratios, although at 35.05% and 3.44% respectively, the Bank's performance remains exceptional when compared to its local peers.

Net income from continuing operations amounted to $49.3 million an increase of $0.8 million or 1.56%. All products and services contributed to the improved performance which was further augmented by the Bank's ability to control expense growth and continue to improve overall efficiency levels which in 2008 were 45.3.% and the fourth consecutive year in which overall Bank efficiency has improved. The Bank's strong efficiency ratio continues to be an industry leader.

NET INTEREST INCOME

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

Net interest income for the year ended December 31, 2008 was $99.8 million compared to $89.9 million in 2007, an increase of $9.9 million or 11.1%. (2007: $89.9 million, an increase of $10.1 million or 12.7%) Net interest margin was unchanged at 7.1% which reflects positively on the Bank's ability to manage its asset liability profile closely throughout the year while having to operate in an environment of decreasing loan demand.

Year-end deposits were $1,069 million, an increase of $133.4 million or 14.25% over 2007. However, interest expense at $50.1 million increased by $9.6 million or 23.6% over 2007. As a result of the declining loan demand but increased competition for deposits from the bond market, we anticipate pressure on available liquidity plus the decline in loan demand to exert downward pressure on interest spreads and net interest margin in 2009.

LOAN LOSS PROVISION

Credit quality remains strong despite the slight deterioration experienced in the Bank's credit quality ratios. The ratio of net loans written off to average loans has stabilized over the last four years, with 2008 showing an increase to 1.08% from to 1.00% in 2007, the results remain well ahead of those in 2005 which were 1.56%. The total loans written off in 2008 increased to $18.8 million from $14.4 million in 2007. Amounts recovered on written-off loans increased significantly to $7.6 million from $5.4 million in 2007. Recoveries from the loan portfolio acquired in 2004 improved in the year to $1.4 million from $ 0.9 million in 2007.

The percentage of net write-offs to average loans at 1.08% remains historically low, and is noteworthy in that in upholding its commitment to credit quality and following international best practice, the Bank writes off consumer loans at 180 days contractually past due without exception, and has done so since 2005. At that time, we noted that while write-offs would increase, we expected that recoveries would similarly increase. This has been our experience to date. In 2009, we anticipate a lagging of recoveries to reflect market realities.

The Bank will continue to develop and modify its credit risk rating and scoring models in 2009 and analyze the risk profile of the portfolio quarterly throughout 2009 in order to ensure our credit assessment criteria is directed at maintaining and sustaining the strong quality of the portfolio.

Rigorous write-off policies supported by conservative and anticipatory provisioning methodology will prevail in 2009. During 2008, the Bank reviewed its consumer loan loss provisioning model and based on experience and economic expectations, introduced a more aggressive anticipatory provisioning methodology most notably on accounts which were considered likely to be adversely affected by any downturn in the economy. The Bank's commercial and mortgage lending activities were also subject to ongoing reviews in 2008.

Total impaired loans increased to 1.71% in 2008 compared to 1.49% at December 2007. The Bank's level of impairment remains appreciably less than the industry at large which was 6% at December 2008 (2007: 4.5%). A contributing factor to the lower impairment ratios is the rigorous write-off policy applied by the Bank

The Bank's provision for loss was $25.7 million which represented 139.8% of impaired loans and 2.4% of total loans compared to 140.0% and 2.1% respectively, for 2007. In fact, the overall provision level against impaired loans remains unchanged despite the increase of 10.22% of the portfolio. This important ratio is considered an industry leader.

Loan loss provision expense in 2008 was $16.6 million for the year compared to $10.4 million in 2007, a decrease of $6.2 million or 60.2%. The increase in loan loss provision was a result of the more aggressive provision methodology mentioned above and the increase in net loan losses arising from the increasing size of the loan portfolio.

The steps and added discipline to managing credit risk the Bank has taken in the last few years has provided a more effective approach to credit risk by the Bank and moved the Bank to the forefront of international best practices associated with measuring and monitoring overall credit quality. Enhanced disclosure in Note 23 shows the overall quality of the portfolio from different perspectives. The analysis of restructured accounts confirms this approach to credit risk management, the Bank's restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that repayment will probably continue.

NON-INTEREST INCOME

Life Assurance Income increased $1.2 million in 2008 to $5.0 million or 33.9%, (2007: $0.2 million to $3.7 million). Death claims experience was unchanged from 2007, (2007: $0.4 million increase over 2006) while premiums collected increased marginally by $0.4 million. However, the required increase in the unearned reserve was only $1 million in 2008 compared to an increase of almost $2.8 million in 2007.

Other Non-interest income of $10.8 million exceeded 2007 by $0.7 million or 6.9%.

Card products are becoming ever more important to the Bank as MasterCard, SunCard and ComCard all made significant positive contributions to the Bank's profitability in 2008. The Bank plans to continue to leverage its entrenched card products although on a conservative basis as a result of market conditions while at the same time enhancing the services offered.

CB Online, our internet banking service, significantly increased its customer base in 2008 as we integrated our MasterCard customers into the product. This product forms a natural part of the expanded portfolio of advanced technology-based products which is being demanded by the marketplace. Transaction based fee income is strategically becoming an ever-increasing important source of revenue for the Bank as it represents a non-capital intensive income stream to build a stronger Bank. Going forward, marketing efforts will continue to target additional revenue generation from this source.

NON-INTEREST EXPENSE

Non-interest expense of $49.6 million increased $4.9 million or 10.9% compared to $44.7 million in 2007 which was increased 10.4% over 2006. The increase in 2008 reflects the additional expenses incurred in providing additional customer service personnel in our branches.

Other contributing factors to the non-interest expense category in 2008 were the efforts the Bank made to improving its technology, enhancing physical and logical security and developing staff which must be funded on a continuous basis in order to retain the Bank's competitive edge.

Depreciation expense increased 15.6% to 2.8 million in 2008, $0.4 million over 2007. As noted in our report last year, the increase is derived from the ongoing investment in the technical and physical infrastructure of the Bank to maintain its position as a leader in personal banking.

Close control of all expense categories will continue to be a major focus for the Bank in 2009.

OPERATIONAL EFFICIENCY

The adjusted efficiency ratio for the twelve months ended December 31, 2008 (calculated by dividing total non-interest expense by net interest income plus non-interest income less preference share dividends) showed further improvement in 2008. The efficiency ratio for 2008 was 45.3% compared to 45.8% in 2007. To achieve the levels attained, emphasis was again placed on introducing enhanced technology and where possible, continued centralization of operational functions in order to bring additional expertise, concentration and cost containment to repetitive and volume based activities.

Efforts in 2009 will continue to be directed at further assessment of existing policies procedures and work measurement processes in order to provide the level of service required by customers in a cost-effective and increasingly efficient manner. Our objective for 2009, taking into account the factors noted above, is to retain a level of efficiency of less than 50%.

At year-end the Bank employed a full time equivalent complement of 540. Actual staffing levels for 2008 averaged 532 compared to an average of 495 in 2007.

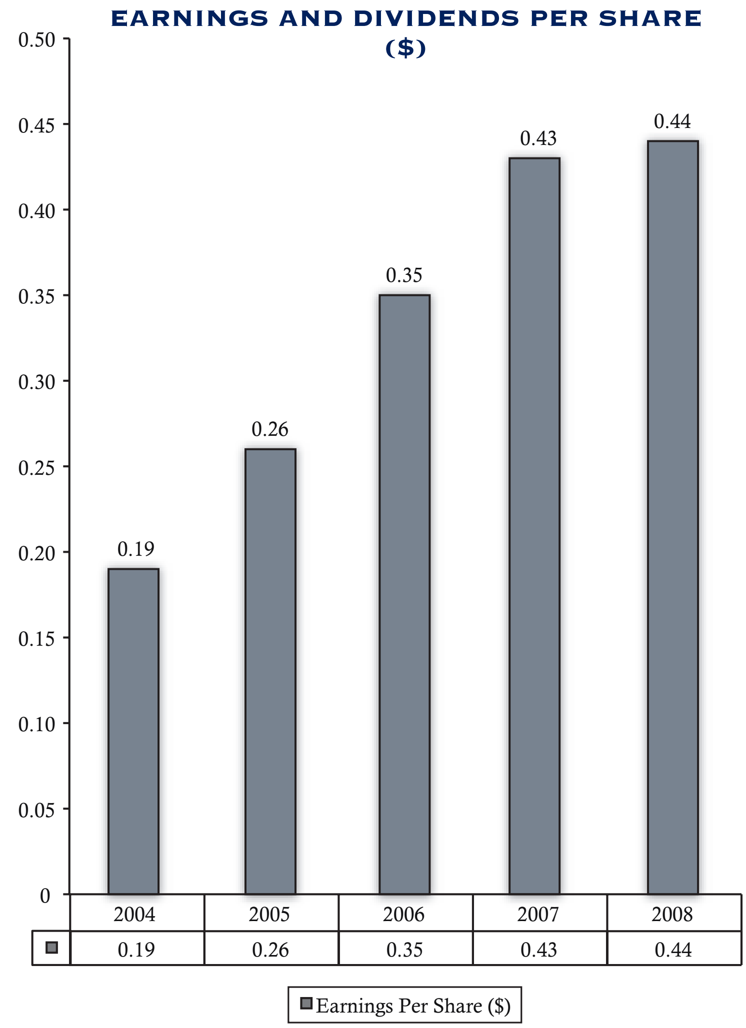
Total staff costs in 2008, increased by $3.0 million to $31.9 million or 10.46% .

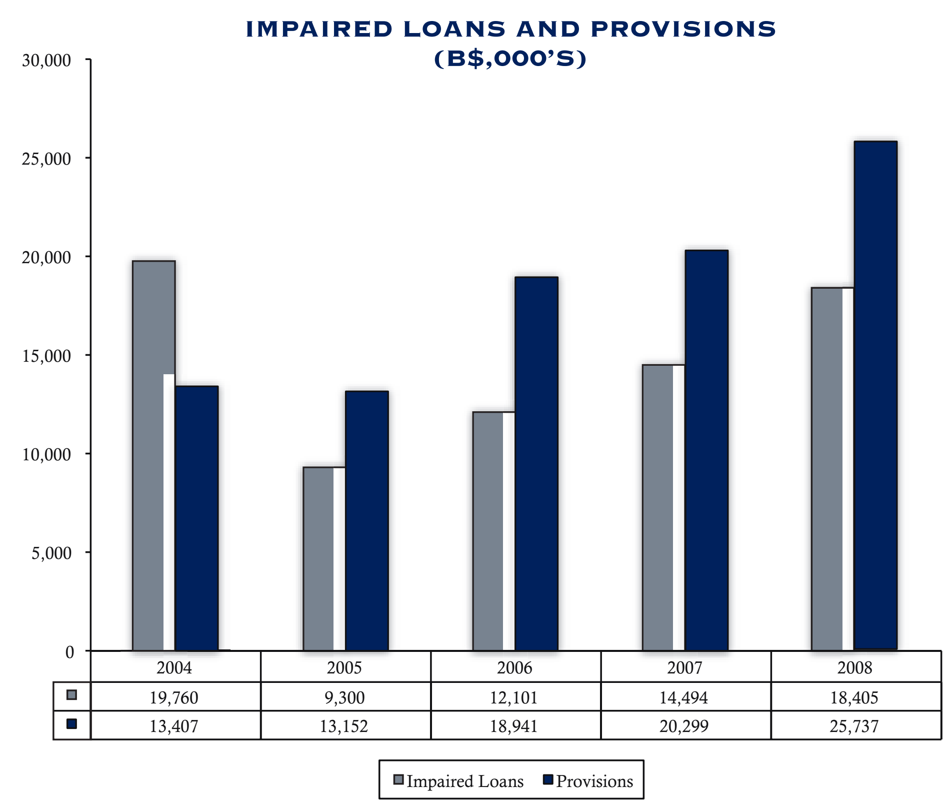
RISK MANAGEMENT

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

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

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





Customer Loyalty

Pictured from Left to Right: **Jeffrey Kerr,** Sr. Manager, Wulff Rd. Branch - Commonwealth Bank; **Carole Strachan,** VP Internal Audit, Credit Inspection & CISO - Commonwealth Bank and **Candice Taylor,** Customer.

Your Bank has a strong commitment to its customers and a dedication to build long-term valued relationships based on the highest level of sincerity, fairness, respect and trust. Our pledge starts with superior customer care delivered by employees whose positive; friendly and "can do" attitudes help match customers' financial needs with appropriate solutions to help them reach their desired goals.

"You don't earn loyalty in a day. You earn loyalty day-by-day."
~ Jeffrey Gitomer

From Left to Right: **William B. Sands, Jr.,** President & CEO; **Larry R. Gibson, Earla J. Bethel, R. Craig Symonette** and **Rupert W. Roberts, Jr., OBE**

Board of Directors

Ian A. Jennings, Sr. VP & CFO; **G. Clifford Culmer, J. Barrie Farrington, CBE, Dr. Marcus R. C. Bethel, Vaughn W. Higgs** and **T. Baswell Donaldson, CBE,** Chairman

"If your actions inspire others to dream more, learn more, do more and become more, you are a leader." ~ John Quincy Adams

Employee Commitment

Ivey Participants Pictured from Left to Right: **Lynda Burrows,** Assistant Manager, IT Operations; **Frienderick Dean,** Sr. Manager, Centralized Collection; **Mavis Burrows,** Assistant VP, Operations; **Chantal Palacious,** Assistant Manager, Credit, Wulff Road Branch; **Denise Turnquest,** Sr. VP, Credit Risk; **Branson Gibson,** Assistant Manager, Accounts Control and **Gina Greene,** Manager, Marketing & Customer Service.

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

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

In 2008, seven of our top performers, participated in executive, management and leadership programmes at one of the world's leading executive development organizations, Richard Ivey School of Business at The University of Western Ontario, Canada.

The Bank's ongoing commitment to provide the finest training and development for our team members translates into confident and skilled financial services experts who take ownership in their respective positions and effectively manage our business. It is these individuals that give Commonwealth Bank its competitive edge. We applaud their professionalism.

Participants: Ivey Executive Program

Denise Turnquest
Mavis Burrows

Ivey Accelerating Management Talent Program

Frienderick Dean

Ivey Leadership Program

Gina Greene
Chantal Palacious
Lynda Burrows
Branson Gibson

Executive Team







Left to Right, Top to Bottom:

William B. Sands, Jr., President & CEO

Ian Jennings, Sr. VP & CFO

Shirley Cartwright, Sr. VP Business Development, Sales & Marketing

Denise Turnquest, Sr. VP Credit Risk

Carole Strachan, VP Internal Audit, Credit Inspection & CISO

Anthea Cox, VP Human Resources & Training

Charles Knowles, VP Information Technology & CIO

Left to Right, Top to Bottom:

Daria Bain
Manager,
The Plaza Branch

Lavado Butler
Manager,
East Bay St. Branch

Wallace Taylor
Manager,
Oakes Field Branch

Jacquelyn Estevez
Manager,
Abaco Branch

J. Rupert Roberts
Sr. Manager,
Freeport Branch

Juliette Fraser
Sr. Manager,
Town Centre Mall Branch











Left to Right, Top to Bottom:

Franklyn Thomas
Sr. Manager,
Cable Beach Branch

Monique Mason
Manager,
Credit Card Centre

Jeffrey Kerr
Sr. Manager,
Wulff Rd. Branch

Kayla Darville
Manager,
Mortgage Centre

Charlene Low
Manager,
Lucaya Branch

Demetri Bowe
Manager,
Golden Gates Branch









Left to Right, Top to Bottom:

Mavis Burrows
Asst. VP Operations

Silbert Cooper
Asst. VP Consumer Credit

Maxwell Jones
Asst. VP Business Development, Sales & Marketing

Patrick McFall
Asst. VP Corporate Accounts

Neil Strachan
Asst. VP Commercial & Mortgage Lending

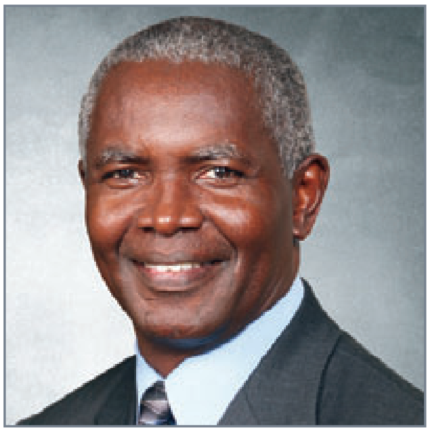
Ian Wilkinson
Asst. VP Information Technology

Kenrick Brathwaite
Sr. Manager, Credit Risk

Frienderick Dean
Sr. Manager, Centralized Collection

Gladys Fernander
Sr. Manager, Financial & Business Planning









Left to Right, Top to Bottom:

Erald Thompson
Sr. Manager, Internal Audit

Margo Adderley
Manager, Training & Development

Godwin Blyden
Manager, Security & Administration

Gina Greene
Manager, Marketing & Customer Service

Anne Lightbourn
Manager, Human Resources

Derek Moss
Manager, Systems Operations & Network

Jasmin Strachan
Manager, Operations

Felipe Vega
Manager, Information Technology

Lernix Williams
Manager, Credit Inspection

Management Responsibility for Financial Reporting

Commonwealth Bank's management is responsible for the presentation and preparation of the annual Consolidated Financial Statements, Management's Discussion and Analysis ("MD&A") and all other information in the Annual Report.

The Consolidated Financial Statements have been prepared in accordance with International Accounting Standards and the requirements of the relevant provisions of the Bank and Trust Act and related regulations.

The Consolidated Financial Statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the estimated impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected. The financial information presented elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

In meeting our responsibility for the reliability of financial information, we maintain and rely on a comprehensive system of internal control and internal audit, including organizational, procedural controls and internal controls over financial reporting. Our process of control includes written communication of our policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel; and sound and conservative accounting policies which we regularly update. This structure ensures appropriate internal control over transactions, assets and records. We also regularly audit internal controls. These controls and audits are designed to provide us with reasonable assurance that the financial records are reliable for preparing financial statements and other financial information, assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and we are in compliance with all regulatory requirements.

In order to provide their opinion on our Consolidated Financial Statements, the Bank's Auditors review our system of internal control and conduct their work to the extent that they consider appropriate.

The Board of Directors, based on recommendations from its Audit and Executive Committees, reviews and approves the financial information contained in the Annual Report, including the MD&A, and oversees management's responsibilities for the presentation and preparation of financial information, maintenance of appropriate internal controls, management and control of major risk areas and assessment of significant and related party transactions.

The Bank's Auditors and its VP Internal Audit, Credit Inspection and CISO have full and free access to the Audit Committee of the Board of Directors to discuss audit, financial reporting and related matters.

William B. Sands, Jr.
President & CEO

Ian A. Jennings
Sr. VP & CFO

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Commonwealth Bank Limited:

We have audited the accompanying Consolidated Financial Statements of Commonwealth Bank Limited (the "Bank") which comprise the consolidated balance sheet as of December 31, 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Consolidated Financial Statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the Consolidated Financial Statements present fairly, in all material respects the financial position of the Bank as of December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

February 6, 2009

A member firm of
Deloitte Touche Tohmatsu

COMMONWEALTH BANK LIMITED
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2008
(Expressed in Bahamian $'000s)

		2008		2007
ASSETS				
Cash and deposits with banks (Note 7)	$	29,387	$	20,934
Balances with The Central Bank of The Bahamas (Note 7)		87,237		72,609
Investments (Note 8)		120,827		98,050
Loans receivable (Notes 9, 18, 21 and 23)		1,049,165		954,943
Premises and equipment (Note 10)		34,208		30,912
Other assets		2,191		1,726
TOTAL	$	1,323,015	$	1,179,174
LIABILITIES AND EQUITY				
LIABILITIES:				
Deposits (Notes 11, 18 and 21)	$	1,069,136	$	935,730
Life assurance fund (Note 12)		17,207		16,184
Other liabilities		25,284		26,364
Total liabilities		1,111,627		978,278
EQUITY:				
Share capital (Note 13)		86,944		86,951
Share premium		25,226		27,643
General reserve (Note 14)		10,500		10,500
Retained earnings		88,718		75,802
Total equity		211,388		200,896
TOTAL	$	1,323,015	$	1,179,174

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

These Consolidated Financial Statements were approved by the Board of Directors on January 27, 2009, and are signed on its behalf by:

Chairman

President & CEO

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2008

(Expressed in Bahamian $'000s)

	2008	2007
INCOME		
Interest income (Notes 8 and 18)	$ 149,896	$ 130,391
Interest expense (Note 18)	(50,081)	(40,517)
Net interest income	99,815	89,874
Loan loss provision (Note 9)	(16,640)	(10,390)
	83,175	79,484
Life assurance, net (Note 12)	4,991	3,726
Fees and other income (Note 16)	10,763	10,067
Total income	98,929	93,277
NON-INTEREST EXPENSE		
General and administrative (Notes 17 and 18)	46,629	42,142
Depreciation and amortization (Note 10)	2,821	2,440
Directors' fees	187	161
Total non-interest expense	49,637	44,743
NET INCOME	49,292	48,534
PREFERENCE SHARE DIVIDENDS	(5,949)	(5,949)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$ 43,343	$ 42,585
WEIGHTED AVERAGE NUMBER OF COMMON SHARES (thousands)	98,114	98,298
EARNINGS PER SHARE	$ 0.44	$ 0.43

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2008

(Expressed in Bahamian $'000s)

		2008		2007
SHARE CAPITAL				
Preference shares (Note 13)				
Balance at beginning and end of year	$	84,983	$	84,983
Common shares (Note 13)				
Balance at beginning of year		1,968		1,964
(Repurchased)/Issued		(7)		4
Balance at end of year		1,961		1,968
Total share capital		86,944		86,951
SHARE PREMIUM				
Balance at beginning of year		27,643		26,429
(Repurchase)/Issuance of common shares		(2,824)		956
Share based payments (Note 15)		407		258
Balance at end of year		25,226		27,643
GENERAL RESERVE				
Balance at beginning and end of year (Note 14)		10,500		10,000
Transfer from retained earnings (Note 14)		-		500
Balance at end of year		10,500		10,500
RETAINED EARNINGS				
Balance at beginning of year		75,802		59,290
Net income		49,292		48,534
Transfer to general reserve (Note 14)		-		(500)
Common share dividends: 31 cents per share				
(2007: 26 cents)		(30,427)		(25,573)
Preference share dividends		(5,949)		(5,949)
Balance at end of year		88,718		75,802
EQUITY AT END OF YEAR	$	211,388	$	200,896

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

COMMONWEALTH BANK LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008
(Expressed in Bahamian $'000s)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest receipts	$ 136,172	$ 119,683
Interest payments	(50,081)	(40,517)
Life assurance premiums received, net	9,650	10,103
Life assurance claims and expenses paid	(3,610)	(3,523)
Fees and other income received	10,719	10,043
Recoveries	7,566	5,406
Cash payments to employees and suppliers	(48,271)	(40,878)
	62,145	60,317
Increase in loans receivable	(110,862)	(155,727)
Increase in deposits	133,406	137,336
Net cash from operating activities	84,689	41,926
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(144,822)	(97,257)
Interest receipts and redemption of investments	128,203	90,566
Purchase of premises and equipment (Note 10)	(6,273)	(3,683)
Proceeds from sale of premises and equipment	84	-
Net cash used in investing activities	(22,808)	(10,374)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(36,376)	(31,522)
Repurchase/Issuance of common shares	(2,831)	960
Share based payments (Note 15)	407	258
Net cash used in financing activities	(38,800)	(30,304)
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,081	1,248
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	93,543	92,295
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 7)	$ 116,624	$ 93,543

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

1. INCORPORATION AND ACTIVITIES

Commonwealth Bank Limited (the "Bank") is incorporated in The Commonwealth of The Bahamas and is licensed by The Ministry of Finance to carry out banking business under the provisions of the Banks and Trust Companies Regulations Act 2000.

The principal activities of the Bank and its subsidiaries (which are wholly owned) are described in Note 6.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Standards

- IFRS 2 Share-based Payments (amendments)
- IAS 19 Employee Benefits (amendments)
- IAS 39 Financial Instruments: Recognition and Measurement (amendment)
- The withdrawal of IAS 14 and application of IFRS 8 Operating Segments is effective for accounting periods commencing January 1, 2009.
- The revision of IAS 1 Presentation of Financial Statements; Requiring a Statement of Comprehensive Income is effective for accounting periods commencing January 1, 2009.

Interpretations

- IFRIC 13 - Customer Loyalty Programmes (effective from annual periods beginning on or after July 1, 2008).
- IFRIC 16 - Hedges of Net Investment in a Foreign Operation (effective from annual periods beginning on or after October 1, 2008), which is not applicable to the Bank.
- IFRIC 18 - Transfers of Assets from Customers (effective from annual periods beginning on or after July 1, 2008)

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation - The Consolidated Financial Statements include the accounts of the Bank and its wholly-owned subsidiaries made up to December 31, 2008. All intra-group transactions, balances, income and expenses have been eliminated in full on consolidation.

Basis of preparation - These Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below:

a. Recognition of income

i. ***Interest revenue*** is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, except for impaired loans receivable (see Note 3b).

ii. ***Fee income*** is recorded in the Consolidated Statement of Income as "Fees and Other Income" unless otherwise noted. The accounting treatment for loan fees varies depending on the transaction.

- Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan origination and commitment fees) and recorded in interest income in the Consolidated Statement of Income.
- Income earned from the provision of services is recognised as revenue as the services are provided.
- Fees in respect of deposit account services are generally charged on a per transaction basis and recognised as the right to consideration accrues through the provision of the service to the customer.
- Fees from credit card processing are accrued to the Consolidated Statement of Income as the service is performed.

iii. ***Rental income*** is recognized on a straight line basis over the term of the relevant lease and is recorded in "Fees and Other Income" in the Consolidated Statement of Income.

iv. ***Life assurance income*** is recognized on the "Rule of 78" basis over the term of the life policy. The amount taken to income is adjusted by the amount of any surplus or deficit after an annual actuarial valuation.

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

A loan is classified as impaired whenever, in management's opinion, there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Whenever principal and/or interest is 90 days contractually past due on a loan it is classified as impaired. When a loan is classified as impaired, all uncollected interest and fees are reversed from income. The amount of interest reversed on impaired loans at December 31, 2008 was $1.6 million (2007: $1.2 million).

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

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

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

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

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

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

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

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

e. **Foreign currency translation** - Assets and liabilities in other currencies have been translated into Bahamian dollars at the appropriate rates of exchange prevailing as of the year end. Income and expense items have been translated at actual rates on the date of the transaction. Gains and losses arising on foreign exchange translation are immediately recognized in the Consolidated Statement of Income.

f. **Premises and equipment** - These assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis and are charged to non-interest expenses over the estimated useful lives of the assets as follows:

Buildings	The shorter of the estimated useful life or a maximum of 40 years
Leasehold improvements	Lease term
Furniture, fittings and equipment	3 - 10 years
Site improvements	5 - 10 years

The gain or loss arising on the disposal or retirement of an item of premises and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Income.

g. **Impairment of assets** - At each balance sheet date, management reviews the carrying amount of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that there is revaluation surplus.

h. **Earnings per share** - Earnings per share is computed by dividing the net income, after deducting dividends declared on preference shares, by the weighted average number of common shares outstanding during the year and not held by group companies. The comparative figure for 2007 reflects the three-for-one share split on November 9, 2007. There is no material difference between basic earnings per share and fully diluted earnings per share.

i. **Retirement benefit costs** - The Bank maintains a defined benefit plan covering all employees in the active employment of the Bank who have at least 3 years of service or have reached the age of 25. The plan provides pensions based on years of service, contributions and weighted average earnings at retirement. The Bank's funding policy is to make monthly contributions to the plan based on triennial valuations. The Bank pays on demand to the plan such periodic contributions as may be required to meet the costs and expenses of the plan.

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

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

Pension costs are charged to general and administrative expenses.

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

j. **Share-based Payments** - The Bank issues equity-settled share-based payments to certain management staff. The Bank determines the fair value of stock options on their grant date using the Black Scholes Model and records this amount as compensation expense. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The fair value determined at the grant date of the equity-settled share-based payments was expensed on a straight-line basis over the vesting period. When the stock options are exercised the proceeds are recorded in share capital and share premium.

Other Stock Based Compensation Plan: The Bank offers non-management staff the option of purchasing common shares at a 10% discount from the prevailing market rate at the time of the offer. The amount of discount is recorded as compensation expense with a corresponding increase to share premium. Payments by staff for the shares are credited to share capital and share premium.

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

k. **Deposits** - Deposits are stated at principal plus accrued interest.

l. **Interest expense** - Interest expense is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

m. **Investments** - Investments are classified as held-to-maturity and are stated at cost plus accrued interest. Investment income is recorded in interest income in the Consolidated Statement of Income using the effective interest rate method.

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

o. **Equity instruments** - An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

p. **Financial assets** - Financial assets are

i. Cash;
ii. An equity instrument of another entity;
iii. A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions favourable to the Bank;
iv. A contract that will or may be settled in the Bank's own equity instrument and is either a non-derivative for which the Bank is or may be obliged to receive a variable number of the Bank's own equity instruments, or a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

Financial assets are classified into the following categories: "Fair Value Through Profit or Loss" (FVTPL); "Held-To-Maturity"; "Available-For-Sale" (AFS); and "Loans and Receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified as FVTPL where the financial asset is either held for trading or is designated as FVTPL. FVTPL assets are stated at fair value, with any resultant gain or loss recognized in profit or loss.

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity are classified as Held-To-Maturity investments. Held-To-Maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as Loans and Receivables. Loans and Receivables are measured at amortised cost using the effective interest method, less any impairment.

AFS financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as a) FVTPL, b) held-to-maturity or c) loans and receivables. AFS assets are stated at fair value, except for investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost.

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

q. **Financial liabilities** - Financial liabilities are any liabilities that are:

i. Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank;

ii. Contracts that will or may be settled in the Bank's own equity instruments and are either a non-derivative for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative that will or may be settled either by exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

Financial liabilities are classified as either a) FVTPL or b) other financial liabilities.

Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated as FVTPL. Financial liabilities at FVTPL are stated at fair value with any resulting gain or loss recognised in profit or loss.

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognized on an effective yield basis.

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

a. **Provision for credit losses** - The provision for credit losses represents management's estimate of identified credit related losses in the credit portfolios, as well as losses that have not yet been identified at the Consolidated Balance Sheet date. The provision for credit losses is comprised of the specific provision and the general provision. The process for determining the allowance involves quantitative and qualitative assessments using current and historical credit information. The process requires assumptions, judgments and estimates relating to i) assessing the risk rating and impaired status of loans; ii) estimating cash flows and realizable collateral values; iii) developing default and loss rates based on historical data; iv) estimating the changes on this historical data by changes in policies, processes and credit strategies; v) assessing the current credit quality based on credit quality trends and vi) determining the current position in the economic cycle.

b. **Fair value of financial instruments** - Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. The best evidence of fair value is quoted price in an active market. In most cases, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. In these cases, the Bank considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair values.

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

c. **Pension benefits** - The Bank maintains a defined benefit plan covering all employees in the active employment of the Bank who have at least 3 years of service or have reached the age of 25. Due to the long term nature of pension plans, the calculation of benefit expenses and obligations depends on various assumptions such as discount rates, expected rates of return on assets, projected salary increases, retirement age, mortality, and termination rates.

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

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

e. **Loan fee income** - Loan fee income and the related incremental costs are treated as an adjustment to the effective interest rate. Management estimates the impact of the adjustment.

The adjustment to the effective interest rate has been determined by using the estimated terms of loans to maturity or repayment if earlier.

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

The weighted average fair value of options at December 31, 2008 was valued at 81 cents (2007: 56 cents) per option and was calculated using the assumptions shown in Note 15.

5. FINANCIAL INSTRUMENTS

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

	2008				
	Loans and Receivables	Held-To-Maturity	Available-For-Sale	Amortised Cost	Total
Financial Assets					
Cash and cash equivalents	$ -	$ -	$ 116,624	$ -	$ 116,624
Investments	$ -	$ 119,021	$ 75	$ -	$ 119,096
Loans receivable	$ 1,063,449	$ -	$ -	$ -	$ 1,063,449
Financial Liabilities					
Deposits	$ -	$ -	$ -	$ 1,044,050	$ 1,044,050

	2007				
	Loans and Receivables	Held-To-Maturity	Available-For-Sale	Amortised Cost	Total
Financial Assets					
Cash and cash equivalents	$ -	$ -	$ 93,543	$ -	$ 93,543
Investments	$ -	$ 96,562	$ 75	$ -	$ 96,637
Loans receivable	$ 965,243	$ -	$ -	$ -	$ 965,243
Financial Liabilities					
Deposits	$ -	$ -	$ -	$ 917,840	$ 917,840

At December 31, 2008 there were no assets or liabilities that were classified as FVTPL (2007: $0).

The following table shows income statement information on financial instruments:

Interest income		2008		2007
Loans and Receivables	$	143,558	$	124,646
Held-to-Maturity Investments		6,158		5,302
Available-For-Sale financial assets		180		443
	$	149,896	$	130,391
Interest expense				
Financial Liabilities at Amortised Cost	$	50,081	$	40,517
Fees and other income				
Loans and Receivables	$	1,225	$	1,140
Fee expense				
Available-For-Sale financial assets	$	178	$	157

6. BUSINESS SEGMENTS

For management purposes, the Bank including its subsidiaries is organized into two major operating units - Banking and Real Estate. The principal business of the Bank is that of providing full service personal banking including the acceptance of savings, fixed and demand deposits, providing consumer financing through loans, overdrafts and credit cards and mortgage financing on real estate and the sale of foreign exchange. The Bank also provides credit life insurance in respect of the Bank's borrowers through Laurentide. For management purposes, Laurentide activities are reported as part of the Bank and therefore are not treated as a separate business segment. The Bank also has a real estate company, C. B. Holding Co. Ltd. that owns and manages real property. The major tenant is the Bank, however there are also several unrelated tenants renting from the company. C.B. Securities Ltd., was incorporated as an investment company on September 2, 1996. CB Securities Ltd. purchased Bank common shares during the year to fund the Bank's stock based compensation plans.

All of the activities of the Bank and its subsidiaries are deemed to be operating within the same geographical area. Inter-segment revenues are accounted for at competitive market prices. Inter-segment expenses are transferred at cost. All transactions between segments are eliminated on consolidation.

The following table shows financial information by business segment:

	Banking		Real Estate		Investment		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue										
External	$ 98,858	$ 93,043	$ 71	$ 234	$ -	$ -	$ -	$ -	$ 98,929	$ 93,277
Internal	742	663	2,258	1,826	(40)	-	(2,960)	(2,489)	-	-
Total Revenue	$ 99,600	$ 93,706	$ 2,329	$ 2,060	$ (40)	$ -	$ (2,960)	$ (2,489)	$ 98,929	$ 93,277
Net profit										
Segment Net Profit	$ 49,079	$ 48,165	$ 345	$ 369	$ (132)	$ -	$ -	$ -	$ 49,292	$ 48,534
Assets	$1,305,991	$1,165,673	$ 17,337	$ 13,685	$ 2,538	$ 11	$ (2,851)	$ (195)	$1,323,015	$ 1,179,174
Liabilities	$ 1,111,533	$ 978,219	$ 15,511	$ 12,207	$ 2,154	$ 490	$ (17,571)	$ (12,638)	$ 1,111,627	$ 978,278
Other Information										
Capital Additions	$ 3,016	$ 2,488	$ 3,257	$ 1,195	$ -	$ -	$ -	$ -	$ 6,273	$ 3,683
Depreciation	$ 2,492	$ 2,177	$ 329	$ 263	$ -	$ -	$ -	$ -	$ 2,821	$ 2,440

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are represented by cash and deposits with banks plus accrued interest and non-interest bearing balances with The Central Bank of The Bahamas as follows:

		2008		2007
Cash and deposits with banks	$	29,387	$	20,934
Balances with The Central Bank of The Bahamas		87,237		72,609
Total cash and cash equivalents	$	116,624	$	93,543

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, 2008, this reserve requirement was $42.1 million (2007: $35.8 million).

8. INVESTMENTS

Investments are as follows:

	Term to Maturity						2008		2007	
	Within 12 months		Over 12 to 60 months		Over 60 months		Total		Total	
	$	Yield %	$	Yield %	$	Yield %	$	Yield %	$	Yield %
Bahamas Government Treasury Bills	23,444	2.659%	-	-	-	-	23,444	2.659%	14,897	2.779%
Bahamas Government Registered Stock	-	-	10,335	8.172%	77,108	5.819%	87,443	6.097%	78,432	6.131%
Bridge Authority Bonds	-	-	-	-	233	7.125%	233	7.125%	233	7.125%
Mortgage Corporation Bonds	-	-	-	-	4,900	5.791%	4,900	5.791%	-	-
Clifton Heritage Bonds	-	-	-	-	2,009	6.088%	2,009	6.088%	2,009	6.088%
United States Government Stock	-	-	-	-	992	7.063%	992	7.063%	991	7.066%
Other Equity	-	-	-	-	75	-	75	-	75	-
	23,444	2.659%	10,335	8.172%	85,317	5.841%	119,096	5.417%	96,637	5.620%
Accrued Interest Receivable	-	-	-	-	-	-	1,731	-	1,413	-
Total Investment Securities	23,444	2.659%	10,335	8.172%	85,317	5.841%	120,827	5.417%	98,050	5.620%

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

	2008	2007
Interest income	$ 6,158	$ 5,302

9. LOANS RECEIVABLE

Loans receivable is as follows:

	2008	2007
Residential mortgage	$ 243,713	$ 233,494
Business	42,775	35,222
Personal	733,323	661,461
Credit card	43,638	35,066
	1,063,449	965,243
Accrued interest receivable	11,453	9,999
	1,074,902	975,242
Less provision for losses	25,737	20,299
	$ 1,049,165	$ 954,943

Provision for losses is as follows:

	2008				
	Balance at Beginning of Year	Loans Written-off	Recoveries	Provision for Credit Losses	Balance at End of Year
Residential mortgage	$ 3,655	$ (192)	$ -	$ 286	$ 3,749
Business	596	(44)	-	248	800
Personal	15,264	(17,451)	7,172	15,335	20,320
Credit card	784	(1,081)	394	771	868
Total provision for losses	$ 20,299	$ (18,768)	$ 7,566	$ 16,640	$ 25,737
Specific provision	$ 6,785	$ (18,768)	$ 7,566	$ 11,601	$ 7,184
General provision	13,514	-	-	5,039	18,553
Total	$ 20,299	$ (18,768)	$ 7,566	$ 16,640	$ 25,737

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

The general provision for losses on loans receivable that have not been identified as impaired is 1.78% (2007: 1.41%) of the non-impaired loans receivable.

Impaired loans receivable is as follows:

	2008		
	Gross Impaired	Specific Allowance	Net Impaired
Residential mortgage	$ 6,212	$ 883	$ 5,329
Business	1,254	384	870
Personal	9,898	5,599	4,299
Credit card	1,041	318	723
	$ 18,405	$ 7,184	$ 11,221
Percentage of loan portfolio	1.71%		
Percentage of total assets	1.39%		

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

10. PREMISES AND EQUIPMENT

The movement of premises and equipment is as follows:

	Land/Site Improvements	Buildings	Leasehold Improvements	Furniture, Fittings and Equipment	Total
Cost					
December 31, 2006	$ 7,100	$ 20,872	$ 3,834	$ 21,821	$ 53,627
Additions	185	1,164	26	2,308	3,683
Disposals	-	-	-	(387)	(387)
December 31, 2007	7,285	22,036	3,860	23,742	56,923
Additions	1,007	2,811	-	2,455	6,273
Transfers	61	731	(796)	4	-
Disposals	-	(165)	(2,270)	(11,857)	(14,292)
December 31, 2008	8,353	25,413	794	14,344	48,904

10. PREMISES AND EQUIPMENT (Continued)

Accumulated Depreciation and Amortization					
December 31, 2006	-	3,933	3,296	16,729	23,958
Charge for the year	-	580	144	1,716	2,440
Disposals	-	-	-	(387)	(387)
December 31, 2007	-	4,513	3,440	18,058	26,011
Charge for the year	23	636	8	2,154	2,821
Transfers	-	532	(532)	-	-
Disposals	-	(163)	(2,270)	(11,703)	(14,136)
December 31, 2008	23	5,518	646	8,509	14,696
Net Book Value					
December 31, 2008	$ 8,330	$ 19,895	$ 148	$ 5,835	$ 34,208
December 31, 2007	$ 7,285	$ 17,523	$ 420	$ 5,684	$ 30,912

11. DEPOSITS

The composition of deposits is as follows:

	2008	2007
Demand deposits	$ 65,628	$ 67,471
Savings accounts	107,045	99,559
Certificates of deposit	871,377	750,810
	1,044,050	917,840
Accrued interest payable	25,086	17,890
	$ 1,069,136	$ 935,730

12. LIFE ASSURANCE FUND

An actuarial valuation of the Life Assurance Fund was conducted as of December 31, 2008. The valuation was based on the greater of the total of unearned premiums and the actuarial reserve which includes provision for mortality, surrender, expenses and adverse deviations. As a consequence, $4.991 million (2007: $3.726 million) being premiums distributable otherwise than to policyholders, was credited to income during the year. Assets of Laurentide representing the Life Assurance Fund are maintained as Government Securities and a separate account with the Bank.

Actuarial Assumption Sensitivities:

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

13. SHARE CAPITAL

Share capital is as follows:

Preference Shares:

B$ 000's			Authorised Beginning and End of Year		Outstanding Beginning and End of Year	
			2008	2007	2008	2007
	Authorized Rate	Par $				
Class A	7.00%	500	$ 15,000	$ 15,000	$ 15,000	$ 15,000
Class B	7.00%	500	5,000	5,000	4,985	4,985
Class C	7.00%	100	5,000	5,000	5,000	5,000
Class D	7.00%	100	10,000	10,000	10,000	10,000
Class E	7.00%	100	10,000	10,000	9,999	9,999
Class F	7.00%	100	10,000	10,000	9,999	9,999
Class G	7.00%	100	10,000	10,000	10,000	10,000
Class H	7.00%	100	10,000	10,000	10,000	10,000
Class I	7.00%	100	10,000	10,000	10,000	10,000
Class J	7.00%	100	10,000	10,000	-	-
Class K	7.00%	100	10,000	10,000	-	-
Class L	7.00%	100	10,000	10,000	-	-
Class M	7.00%	100	10,000	10,000	-	-
Class N	7.00%	100	10,000	10,000	-	-
			$ 135,000	$ 135,000	$ $84,983	$ 84,983

All classes of Preference Shares are cumulative, non-voting and redeemable at the discretion of the Board. Dividend rates are variable with Bahamian Prime Rate. At December 31, 2008, Prime Rate was 5.5% (2007: 5.5%).

Common Shares:

	B$0.02 (2006 B$0.06) each		
	Number 000's		**B$ 000's**
Authorized:			
December 31, 2006	75,000	$	4,500
Share split of 3 new ordinary shares for each ordinary share	150,000		-
December 31, 2007 and 2008	225,000	$	4,500
Issued and outstanding:			
December 31, 2006	32,733		1,964
Issuance of new shares	67		4
Issuance of new shares from the share split	65,599		-
December 31, 2007	98,399		1,968
Repurchase of shares	(344)		(7)
December 31, 2008	98,055	$	1,961

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

Subsequent events:

On January 27, 2009, the Bank declared an extra-ordinary dividend of $0.05 per common share payable on February 27, 2009 and $0.05 per share per calendar quarter payable on the last working day of each respective quarter.

14. GENERAL RESERVE

The general reserve is non-distributable and was created with a $10 million allocation from retained earnings in 2003 to allow the Bank to address unusual issues or distress situations should they occur. In 2007, the Bank increased the General Reserve by $0.5 million to further allow for the potential impact of hurricanes. The Bank did not increase the general reserve in 2008.

15. EMPLOYEE SHARE BASED PAYMENT PLANS

Stock Option Plan:

On May 16, 2007, the shareholders approved an employee stock option plan ("the Plan") of 2 million shares for designated officers and management staff. On October 17, 2007, the shareholders amended the Plan to 6 million shares as a result of the share split.

The main details of the new plan are as follows:

a. Options will be granted annually to participants at the prevailing market price on the date of the grant.

b. Options vest on a straight-line basis over a three year period.

c. Vested options expire one year after the date of vesting

d. Options may only be exercised while in the employment of the Bank or subsidiary or affiliated companies unless otherwise approved by the Board.

e. Exercised options are subject to a six month restriction period before they can be transferred by the participant.

f. Unless otherwise terminated by the Board, the Plan shall continue until the pool of common shares has been exhausted.

The plan is being funded by CB Securities purchasing shares from the market in advance of the options being exercised. The Bank recognized expenses of $407 thousand (2007: $258 thousand) related to this equity settled share based payment plan during the year.

Other share based payment plan:

Under the Bank's employee share purchase plan, non-management staff may purchase the Bank's shares at 90% of the closing market price on the date of grant for a restricted period each year. In 2008, the expiry date for purchase under the plan was October 31, 2008. Employees' ability to purchase shares is restricted to a percentage of their salary according to their position. Shares so purchased vest immediately but are released to the employee on payment for the shares. Pursuant to the plan, the Bank purchased from the market 33,027 shares in 2008 (2007: 32,078 shares issued from treasury). These shares had the right to participate in the share split. The Bank recognised expenses of $34 thousand (2007: $0) related to this equity settled share based payment plan during the year.

The following tables summarize information about the Stock Option Plans:

	2008	
	Nominal Value $0.02 Number of Stock Options	Weighted Average Exercise Price
Outstanding at beginning of year	936	4.77
Granted (after share split)	386	7.13
Expired or forfeited	(41)	4.77
Exercised	(127)	4.77
Outstanding at end of year	1,154	5.56
Of which vested at the end of the year	271	4.77
Options available to be granted at end of year	4,678	
Outstanding Stock Options as a percentage of outstanding shares	1.18%	
Expected Dividend Yield	1.57%	
Expected Share Price Volatility	22.0%	
Risk Free Rate of Return	5.75%	
Weighted Average Expected Period Until Exercise (in years)	3	

	2007	
	Nominal Value $0.02 Number of Stock Options	Weighted Average Exercise Price
Outstanding at beginning of year	-	-
Granted	936	4.77
Expired or forfeited	-	-
Exercised	-	-
Outstanding at end of year	936	4.77
Of which vested at the end of the year	-	-
Options available to be granted at end of year	5,064	
Outstanding Stock Options as a percentage of outstanding shares	0.95%	

The Bank recognized total expenses of $407 thousand (2007: $258 thousand) related to these equity settled share based payment transactions during the year.

16. FEES AND OTHER INCOME

Fees and other income is as follows:

	2008	2007
Fees and commissions	$ 2,241	$ 2,247
Service charges	3,989	3,515
Card service revenue	1,243	1,176
Net foreign exchange revenue and other income	3,290	3,129
	$ 10,763	$ 10,067

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses is as follows:

	2008	2007
Staff costs	$ 31,903	$ 28,881
Other	14,726	13,261
	$ 46,629	$ 42,142

Staff costs include pension costs of $1.36 million (2007: $1.46 million) (see Note 19).

18. RELATED PARTIES' BALANCES AND TRANSACTIONS

Related parties' balances and transactions are as follows:

		2008		2007
Loans receivable	$	11,574	$	10,985
Deposits	$	99,232	$	76,858
Loans guaranteed by related parties	$	1,003	$	417
Interest income	$	992	$	604
Interest expense	$	5,815	$	5,378
Rental expense	$	281	$	304
General expenses	$	421	$	584
Commitments under revolving credit lines	$	5,676	$	4,288

Rental commitments to related parties are as follows:

Year	B$
2009	166
2010	14

Compensation of Key Management Personnel

The remuneration of Directors and other members of key management personnel, those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank, in addition to Directors' fees disclosed on the Consolidated Statement of Income is as follows:

		2008		2007
Short term benefits	$	6,136	$	5,218
Post employment benefits	$	328	$	276
Share based payments	$	269	$	119

19. 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:

Change in fair value of plan assets:		2008		2007
Fair value of plan assets at beginning of year	$	38,762	$	28,145
Actual return on plan assets		(822)		8,972
Company contributions		1,474		1,389
Participant contributions		938		810
Benefits paid		(185)		(190)
Withdrawals from plan		(699)		(364)
Fair value of plan assets at end of year	$	39,468	$	38,762
Change in benefit obligation:				
Benefit obligation at beginning of year	$	31,180	$	27,655
Employer service cost		1,674		1,496
Participant contributions		938		810
Interest cost		1,996		1,773
Benefits paid		(884)		(554)
Plan amendment		388		-
Actuarial gain on obligation		2,746		-
Benefit obligation at end of year	$	38,038	$	31,180

19. BANK PENSION SCHEME (Continued)

Reconciliation of funded status:		2008		2007
Present value of plan assets in excess of obligations	$	1,430	$	7,582
Unrecognized actuarial gain		(1,486)		(7,752)
Balance at end of year	$	(56)	$	(170)

Components of pension benefit expense:		2008		2007
Current employer service costs	$	1,674	$	1,496
Interest cost		1,996		1,773
Expected return on plan assets		(2,470)		(1,810)
Past Service Cost - Vested Benefits		388		-
Amortisation of losses (gains)		(228)		-
Pension benefit expense included in staff costs	$	1,360	$	1,459
Movement in accrued pension liability recognized in the Consolidated Balance Sheet:				
Balance at beginning of year	$	(170)	$	(100)
Expense as above		(1,360)		(1,459)
Contributions paid		1,474		1,389
Balance at end of year	$	(56)	$	(170)
Actual return on plan assets:				
Expected return on plan assets	$	2,470	$	1,810
Actuarial loss on plan assets		(3,292)		7,162
Actual return on plan assets	$	(822)	$	8,972
Assumptions at beginning of year:				
Discount rate		6.00%		6.00%
Long term rate of return on plan assets		6.25%		6.25%
Rate of increase in future compensation		4.50%		4.50%
Mortality Table		GAM 1994		GAM 1994
Assumptions at end of year:				
Discount rate		6.00%		6.00%
Long term rate of return on plan assets		6.25%		6.25%
Rate of increase in future compensation		4.50%		4.50%
Mortality Table		UP 1994 Fully generational		GAM 1994

Actuarial assumption sensitivities

The discount rate is sensitive to changes in market conditions arising during the reporting period. The following table shows the effect of changes in this and the other key assumptions on the plan:

Results of a 25 basis points increase or decrease over the assumption used:

		Discount Rate		Rate of increase in Compensation		Rate of increase in Pension		Rate of Return on Plan Assets
Benefit obligation	$	2,000	$	1,010	$	860	$	-
Pension benefits expense	$	170	$	100	$	60	$	101

The Bank administers its own pension fund. The pension fund owns 1,600,625 (2007: 1,461,351) common shares and $3.58 million (2007: $3.58 million) preference shares of the Bank. These shares have a market value of $14.79 million (2007: $15.9 million) which represents 37.5% (2007: 41%) of the pension fund's assets.

The major categories of plan assets and the expected rate of return at December 31, 2008 for each category is as follows:

	Expected Return		Fair Value of Plan Assets	
	2008	**2007**	**2008**	**2007**
Balance at Banks	5.00%	3.75%	$ 3,214	$ 3,621
Equity Instruments	8.00%	8.10%	16,588	17,479
Government Bonds	5.63%	5.63%	13,362	11,170
Preferred Equity	7.00%	7.00%	6,081	6,283
Other Assets	0.00%	0.00%	229	209
Weighted Average Expected Return	6.75%	6.75%	$ 39,474	$ 38,762

The overall expected rate of return for 2008 is the weighted average of the expected future returns of the various categories of plan assets as shown above, less a provision for expenses paid from the pension fund. The expected future returns for each category are reviewed periodically and may be changed in future years to reflect developments in financial markets.

The Bank expects that in 2009 the amount recognized in the Income Statement in respect of the pension plan will be $1.8 million.

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

	2008	**2007**
Deposits	$ 2,813	$ 2,820
Interest expense	$ 159	$ 87

20. MATURITY OF ASSETS AND LIABILITIES

The maturity of assets and liabilities are as follows:

ASSETS	**2008**	**2007**
On demand	$ 116,624	$ 94,021
3 months or less	52,121	34,642
Over 3 months through 6 months	6,342	11,115
Over 6 months through 12 months	14,320	16,809
Over 12 months through 24 months	46,405	41,463
Over 24 months through 5 years	317,601	281,937
Over 5 years	769,602	699,187
	$ 1,323,015	$ 1,179,174

LIABILITIES	**2008**	**2007**
On demand	$ 70,463	$ 73,642
3 months or less	355,999	299,581
Over 3 months through 6 months	155,412	110,076
Over 6 months through 12 months	214,451	186,352
Over 12 months through 24 months	134,268	117,833
Over 24 months through 5 years	162,118	173,435
Over 5 years	18,916	17,359
	$ 1,111,627	$ 978,278

21. CONCENTRATION OF LOANS RECEIVABLE AND LIABILITIES

The concentration of loans receivable and liabilities are as follows:

	2008		2007	
	$ 000's	Number of Accounts	$ 000's	Number of Accounts
Loans receivable:				
Under $50,000	$ 749,577	73,709	$681,852	72,725
$50,001 - $100,000	94,031	1,444	84,802	1,280
$100,001 - $150,000	61,902	503	60,434	490
$150,001 - $300,000	99,951	503	86,790	439
$300,001 - $500,000	28,797	77	26,363	71
$500,001 - $1,000,000	14,910	22	18,581	27
$1,000,001 and over	14,281	10	6,421	4
Provision	(25,737)	-	(20,299)	-
Accrued interest receivable	11,453	-	9,999	-
	$ 1,049,165	76,268	$ 954,943	75,036
Liabilities:				
Under $50,000	$ 175,493	58,213	$167,886	56,392
$50,001 - $100,000	73,385	1,018	69,195	957
$100,001 - $150,000	57,218	471	54,613	453
$150,001 - $300,000	102,069	477	84,737	392
$300,001 - $500,000	82,439	207	64,480	162
$500,001 - $1,000,000	149,329	195	135,286	177
$1,000,001 and over	404,117	192	341,643	163
Accrued interest payable	25,086	-	17,890	-
Life assurance fund	17,207	-	16,184	-
Other liabilities	25,284	-	26,364	-
	$ 1,111,627	60,773	$ 978,278	58,696

22. COMMITMENTS AND CONTINGENCIES

a. In the ordinary course of business, the Bank had commitments as of December 31, 2008, as follows:

	2008	2007
Mortgage commitments	$ 10,714	$ 22,235
Revolving credit lines	30,641	31,016
Standby letters of credit	3,534	1,724
Capital expenditures contracted	1,975	348
Capital expenditure approved but not yet contracted	1,115	850
	$ 47,979	$ 56,173

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

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

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

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

c. The Bank has an undrawn line of credit with Bank of America, Miami for US$1 million which was established to service customer transactions. This credit line is secured by United States Government Stock in the amount of US$991 thousand as disclosed in Note 8.

d. The Bank has a line of credit with Bank of Butterfield. The credit line is unsecured and is in the amount of US$10 million.

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

23. RISK MANAGEMENT

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

The capital structure of the Bank consists of preference shares and equity attributable to the common equity holders of the Bank, comprising issued capital, general reserves, share premium and retained earnings as disclosed in Notes 13 and 14. The Board Executive Committee reviews the capital structure at least annually. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee the Bank manages its capital structure through the payment of dividends, new share issues, (common or preference) and the redemption of preference shares.

The Bank's strategy is unchanged from 2007.

b. Interest rate risk - Interest rate risk is the potential for a negative impact on the Consolidated Balance Sheet and/or Consolidated Income Statement arising from adverse changes in the value of financial instruments as a result of changes in interest rates.

Interest rate risk or interest rate sensitivity results primarily from differences in the maturities or repricing dates of assets and liabilities. Interest rate risk exposures, or "gaps" may produce favourable or unfavourable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. When assets have a shorter average maturity than liabilities, an increase in interest rates would have a positive impact on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margin would result. The consolidated gap position shows more assets than liabilities repriced in periods greater than one year. This is a typical position for a financial institution with a large personal customer base. The following table sets out the Bank's interest rate risk exposure as of December 31, 2008, and represents the Bank's risk exposure at this point in time only.

Interest Rate Sensitivity:

If interest rates increase by 50 basis points and all other variables remain constant, the Bank's profit over the next 12 months is estimated to decrease by $1.2 million.

If interest rates decrease by 50 basis points and all other variables remain constant, the Bank's profit over the next 12 months is estimated to increase by $1.2 million.

As of December 31, 2008	Within 3 Months	3 - 6 months	6-12 months	1 - 5 Years	Over 5 years	Non interest rate sensitive	Total
	Maturity or repricing date of interest sensitive instruments						
Assets							
Cash equivalents	$ 7,750	$ -	$ 410	$ -	$ -	$ 108,464	$ 116,624
	4.11%	-	2.30%	-	-	-	4.02%
Investments	110,558	-	-	9,188	1,006	75	120,827
	4.72%	-	-	7.00%	8.63%	-	5.42%
Loans receivable	63,524	284,463	5,886	306,336	388,956	-	1,049,165
	14.82%	8.80%	14.96%	14.57%	14.31%	-	12.93%
Premises and equipment	-	-	-	-	-	34,208	34,208
Other assets	-	-	-	-	-	2,191	2,191
TOTAL	$ 181,832	$ 284,463	$ 6,296	$ 315,524	$ 389,962	$ 144,938	$ 1,323,015
Liabilities and shareholders' equity							
Deposits	401,178	155,412	214,451	279,179	18,916	-	1,069,136
	3.80%	5.30%	5.35%	6.25%	7.06%	-	5.03%
Other liabilities	-	-	-	-	-	42,491	42,491
Preference shares	84,983	-	-	-	-	-	84,983
	7.00%	-	-	-	-	-	7.00%
Other equity	-	-	-	-	-	126,405	126,405
TOTAL	$ 486,161	$ 155,412	$ 214,451	$ 279,179	$ 18,916	$ 168,896	$ 1,323,015
INTEREST RATE SENSITIVITY GAP	**(304,329)**	**129,051**	**(208,155)**	**36,345**	**371,046**	**(23,958)**	**0**
CUMULATIVE INTEREST RATE SENSITIVITY GAP	**(304,329)**	**(175,278)**	**(383,434)**	**(347,088)**	**23,958**	**0**	**0**
COMPARATIVE 2007	**(291,992)**	**(135,678)**	**(316,815)**	**(303,384)**	**33,265**	**0**	**0**
Average Yield - Earning Assets	8.22%	8.80%	14.13%	14.14%	14.30%		**11.73%**
Average Yield - Paying Liabilities	4.36%	5.30%	5.35%	6.25%	7.06%		**4.51%**
Average Margin 2008	3.86%	3.50%	8.78%	7.89%	7.24%		**7.22%**
Average Margin 2007	4.39%	3.61%	9.02%	8.37%	6.83%		**7.25%**

c. ***Credit risk*** - Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour a financial obligation. This is the most significant measurable risk the Bank faces.

The Bank's credit policies are designed to maximize the risk/return trade off. The Bank's credit policies including authorized lending limits are based on a segregation of authority and centralized management approval with periodic independent review by the Bank's Internal Audit Department. Consumer credit is assessed and authorized in branches within credit policies established by the Bank. Credit scoring systems are used to ensure these policies are consistently applied across the Bank. A key factor in the Bank managing and constraining its credit risk exposure is the close review and follow up of its credit portfolios to quickly identify indications of potential failure to perform according to the terms of the contract and to take the appropriate steps to maintain or restore these accounts to performing according to the terms of the contracts.

Maximum Exposure to Credit Risk

For financial assets recognised on the Consolidated Balance Sheet, the exposure to credit risk equals their carrying amount. For standby letters of credit, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the standby letters of credit are called upon.

For mortgage commitments and revolving credit lines that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The following table is an analysis of financial instruments by credit quality:

	2008			2007		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Cash and cash equivalents						
Neither past due or impaired	$ 116,624	$ -	$ 116,624	$ 93,543	$ -	$ 93,543
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 116,624	$ -	$ 116,624	$ 93,543	$ -	$ 93,543
Investments						
Neither past due or impaired	$ 120,827	$ -	$ 120,827	$ 98,050	$ -	$ 98,050
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
	$ 120,827	$ -	$ 120,827	$ 98,050	$ -	$ 98,050
Loans receivable						
Neither past due or impaired	$ 856,509	$ 14,941	$ 871,450	$ 779,863	$ 7,773	$ 787,636
Past due but not impaired	167,550	6,044	173,594	158,481	4,632	163,113
Impaired	17,106	1,299	18,405	13,610	884	14,494
	$ 1,041,165	$ 22,284	$ 1,063,449	$ 951,954	$ 13,289	$ 965,243

Financial Assets are past due when a counterparty has failed to make a payment when contractually due.

The credit quality of loans receivable is shown in the following table:

	2008			2007		
	Original Contract	Restructured	Total	Original Contract	Restructured	Total
Loans receivable						
Residential mortgage						
Neither past due or impaired	$ 170,742	$ 2,161	$ 172,903	$ 164,705	$ 1,975	$ 166,680
Past due but not impaired	61,470	3,128	64,598	58,743	3,215	61,958
Impaired	5,321	891	6,212	4,191	665	4,856
	$ 237,533	$ 6,180	$ 243,713	$ 227,639	$ 5,855	$ 233,494
Business						
Neither past due or impaired	$ 29,494	$ 125	$ 29,619	$21,823	$ 36	$ 21,859
Past due but not impaired	11,902	-	11,902	12,603	94	12,697
Impaired	1,254	-	1,254	666	-	666
	$ 42,650	$ 125	$ 42,775	$ 35,092	$ 130	$ 35,222
Personal						
Neither past due or impaired	$ 619,011	$ 12,655	$ 631,666	$ 566,884	$ 5,762	$ 572,646
Past due but not impaired	88,843	2,916	91,759	79,498	1,323	80,821
Impaired	9,490	408	9,898	7,775	219	7,994
	$ 717,344	$ 15,979	$ 733,323	$ 654,157	$ 7,304	$ 661,461
Credit card						
Neither past due or impaired	$ 37,262	$ -	$ 37,262	$ 26,451	$ -	$ 26,451
Past due but not impaired	5,335	-	5,335	7,637	-	7,637
Impaired	1,041	-	1,041	978	-	978
	$ 43,638	$ -	$ 43,638	$ 35,066	$ -	$ 35,066
	$ 1,041,165	$ 22,284	$ 1,063,449	$ 951,954	$ 13,289	$ 965,243

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

	2008	2007
Satisfactory risk	$ 864,119	$ 782,222
Watch list	7,284	5,345
Sub-standard but not impaired	47	69
	$ 871,450	$ 787,636

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

	2008				
	Residential mortgage	**Business**	**Personal**	**Credit card**	**Total**
Past due up to 29 days	$ 54,800	$ 11,096	$ 69,534	$ 3,128	$ 138,558
Past due 30 - 59 days	5,990	624	15,544	1,494	23,652
Past due 60 - 89 days	3,808	182	6,681	713	11,384
	$ 64,598	$ 11,902	$ 91,759	$ 5,335	$ 173,594

	2007				
	Residential mortgage	**Business**	**Personal**	**Credit card**	**Total**
Past due up to 29 days	$ 56,406	$ 11,612	$ 65,549	$ 5,627	$ 139,194
Past due 30 - 59 days	2,134	874	10,672	1,352	15,032
Past due 60 - 89 days	3,418	211	4,600	658	8,887
	$ 61,958	$ 12,697	$ 80,821	$ 7,637	$ 163,113

Restructured loans

Restructuring activity is designed to manage customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such activities include extended payment arrangements, approved debt management plans, deferring foreclosure, modification, loan rewrites and/or deferral of payments pending a change in circumstances. Restructuring of consumer loans normally results in either additional collateral, a co-signer or guarantor or a garnishee of salary being added to the loan. Following restructuring, an overdue consumer account is normally reset from delinquent to current status. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that repayment will probably continue. These policies are required to be kept under continual review and their application varies according to the nature of the market, the product, and the availability of empirically based data. Management has determined that due to a potential increased propensity to default on restructured accounts, both the general allowance on performing accounts and the impairment allowance on non performing accounts are increased to take this into account.

Loans Receivable Collateral

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

The principal collateral types are as follows:

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

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

The Bank manages liquidity and funding risk by ensuring that sufficient liquid assets and funding capacity are available to meet financial commitments, even in times of stress. The Board of Directors' Executive Committee oversees the Bank's liquidity and funding risk management framework which, includes operating within clearly defined Board limits, regulatory liquidity requirements and strong effective processes to monitor and manage risk, including contingency plans to facilitate managing through a distress situation. Standby lines of credit are a significant part of the contingency plan and are disclosed in Note 22.

e. Operational risk - Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human error or external events not related to credit, market or liquidity risks. The Bank manages this risk by maintaining a comprehensive system of internal control and internal audit, including organizational and procedural controls. The system of internal control includes written communication of the Bank's policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel and sound and conservative accounting policies, which are regularly updated. These controls and audits are designed to provide the Bank with reasonable assurance that assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and the Bank is in compliance with all regulatory requirements.

Nominating Committee Report






Rupert W. Roberts, Jr. | **T.B. Donaldson** | **William B. Sands, Jr.** | **Earla J. Bethel** | **R. Craig Symonette** | **Vaughn W. Higgs**

The Nominating Committee identifies and recommends candidates for nomination to the Board as Directors, monitors the orientation program for new Directors and maintains a process for assessing the performance of the Board and its committees.

YEAR IN REVIEW

Assessed the composition and size of the Board, examining its breadth and diversity of experience and the appropriateness of the number of Directors and the required allocation of Executive and Non-Executive Directors.

Continued to maintain a list of prospective Director candidates with input from the Board.

Recommended to the Board a list of nominees to stand for election as Directors at the Annual General Meeting.

Conducted the annual formal evaluation of the effectiveness of the Board and its committees, with participation by all Directors. The conclusions were reviewed with the Board, and form the foundation for changes and compliance with the required certification to the Central Bank.

Reviewed the self assessments and self evaluations completed by individual Board members, which measure the effectiveness of the individual Board members as well as the overall Board and reviewed the overall results with the Board and the Chairman.

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

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2008.

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

2008 SUMMARY OF BOARD AND COMMITTEE MEETINGS

For the year ended December 31, 2008

Board	6
Audit Committee	6
Nominating Committee	1
Executive Committee	8
Compensation Committee	5
Premises Committee	4
Information Technology Committee	3
Pension Fund Trustees Committee (a)	2

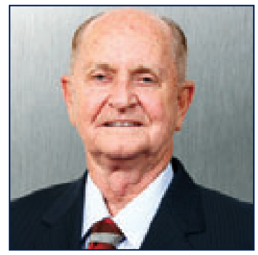
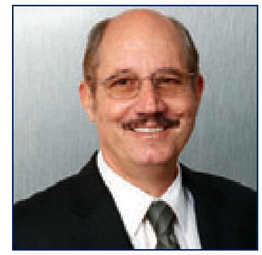
BOARD MEETING ATTENDANCE

T. B. Donaldson, CBE	6
W. B. Sands, Jr.	6
I. A. Jennings	6
E. J. Bethel	5
M. R. C. Bethel (Appointed May 2008)	2
F. A. Butler, OBE (Deceased Oct. 2008)	5
G. C. Culmer	6
J. B. Farrington, CBE	3
V. W. Higgs	6
R. W. Roberts	6
R. C. Symonette	5
L. R. Gibson	6

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

Executive Committee Report




T.B. Donaldson | **William B. Sands, Jr.** | **Ian A. Jennings** | **Rupert W. Roberts, Jr.** | **Vaughn W. Higgs** | **R. Craig Symonette**

The Executive Committee has the power to direct and transact all business of the Bank except that required to be performed by the Board as a whole. The Executive Committee supports the Board in fulfilling its oversight responsibilities in relation to the identification, documentation, measurement and management of significant risks affecting the Bank. The Committee also monitors the Bank's compliance with risk-related regulatory requirements and with its internal risk management policies and procedures. It is responsible for developing and maintaining governance practices consistent with high standards of corporate governance.

YEAR IN REVIEW

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

Approved corporate policies that address risk management by means of controls, including controls on the authorities and limits delegated to the Chief Executive Officer. These policies and controls are aligned with prudent, proactive risk management principles, prevailing market conditions and the business requirements of the approved strategies. They are also designed to be in compliance with the requirements of the laws and regulatory bodies that govern the Bank and its subsidiaries

Reviewed the provision and allowance for credit losses prior to its approval by the Audit Committee.

Reviewed core methods and procedures established by management to control key risks, and deemed by the Committee to be appropriate for prudent business practice.

Reviewed significant credit and market risk exposures, industry sector analyses, topical risk issues, and the strategies of the Bank's major business units, including related risk methodologies.

Continued to assess the Bank's system of corporate governance and 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, 2008.

T.B. Donaldson, CBE
Chairman
Executive Committee

Audit Committee Report





G. Clifford Culmer | **Earla J. Bethel** | **Larry R. Gibson** | **Dr. Marcus R. C. Bethel** | **J. Barrie Farrington**

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

YEAR IN REVIEW

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

FINANCIAL REPORTING

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

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

Reviewed and recommended for approval by the Board: the Audited Consolidated Financial Statements, Management's Discussion and Analysis and unaudited financial releases on a quarterly basis. Also reviewed and recommended for approval by their respective Boards the annual Financial Statements of certain subsidiaries. The Committee concluded these documents were complete, fairly presented and in accordance with Generally Accepted Accounting Principles that were consistently applied.

INTERNAL CONTROL AND DISCLOSURE CONTROL

Reviewed the processes involved in evaluating the Bank's internal control environment. Specifically, the Committee approved the annual audit plan; reviewed quarterly reports of the VP Internal Audit and Credit Inspection related to internal control; evaluated internal audit processes; and reviewed on a regular basis the adequacy of resources and independence of the Internal Audit function.

Reviewed and approved significant policies and procedures relating to internal control and financial governance, as well as the Audit and Inspection mandate.

Met regularly with the Vice President Internal Audit and Credit Inspection as necessary without management present.

Reviewed and approved the Bank's disclosure policy.

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

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

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

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

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

BANK'S AUDITORS

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

Confirmed that appropriate practices are being followed to safeguard the independence of the Bank's Auditors.

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

Reviewed the performance of the Bank's Auditors, including the scope and results of the audit conducted by the Bank's Auditors, and communications to the Committee that are required under Generally Accepted Auditing Standards.

Met as necessary with the Bank's Auditors. The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2008.

G. Clifford Culmer
Chairman
Audit Committee

Premises Committee Report




Earla J. Bethel | **William B. Sands, Jr.** | **Larry R. Gibson** | **Dr. Marcus R. C. Bethel**

The Premises Committee provides oversight of significant management and Board of Director approved premises related opportunities by ensuring that the associated development programs are facilitated in accordance with approved designs and plans and that the development process is sustained in a cost effective, controlled and secure manner.

YEAR IN REVIEW

Reviewed proposals of Senior Management for expansion of the Bank into non-serviced geographical areas.

Reviewed proposals of Senior Management to purchase land and/or buildings for new locations or redevelopment of existing premises/structures.

Reviewed cost allocations proposed by Senior Management for all significant leases, leasehold allocations with a view of ensuring the most cost effective policies and procedures are in place to sustain the ongoing operations of the Bank.

Assessed the monitoring of Management's control of significant premises undertakings to ensure an effective oversight and reporting process is in place and that to the extent possible, an appropriate level of attention is being placed on the effective and efficient use of allocated funds.

Assessed the monitoring of the Bank's maintenance and administration of significant owned and leased property expense allocations to ensure the Bank's owned and leased properties present the Bank in a most favorable position.

Provided the appropriate recommendations to the Board of Directors.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2008.

Earla J. Bethel
Chairman
Premises Committee

A Tribute To Franklyn A. Butler, OBE

May 24th, 1938 - October 24th, 2008

LEGACY OF LEADERSHIP

It was with much sadness that Commonwealth Bank and the nation, suffered an immeasurable loss in 2008 with the passing of Mr. Franklyn A. Butler, OBE Mr. Butler was a visionary, a business leader and a pioneer. He was passionate about our country, our culture and our people, customers, shareholders and staff alike.

Mr. Butler and his fellow board members have been inspirational leaders and architects of our business model, vision and values spanning more than 24 years. As one of the founding members of Commonwealth Bank, after Bahamianization in 1984, he was instrumental in shaping a new culture for the Bank. The re-vitalized Commonwealth Bank was to be the financial partner of the working Bahamian.

Mr. Butler served the Board with honour and distinction and left an indelible imprint on the Bank. He will be remembered for his extensive business experience, discipline, compassion, devotion to God, family and his fellow countryman.

IT Committee Report





R. Craig Symonette | **William B. Sands, Jr.** | **Ian A. Jennings** | **J. Barrie Farrington** | **Vaughn W. Higgs**

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

YEAR IN REVIEW

Reviewed significant technology-based proposals to ensure they are compatible with the strategic and business plans of the Bank.

Ensured cost-benefit analyses are an integral part of the project development process.

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

Monitored the ongoing development of an effective contingent and back-up plan that is designed to be cost-effective while providing protection to the Bank in times of distress.

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

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

Provided the Board on a quarterly basis with a summary of technology-based activities/ concerns and where warranted, provided recommendations for management approval and implementation.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2008.

R. Craig Symonette
Chairman
IT Committee

Compensation Committee Report



Rupert W. Roberts, Jr. **Vaughn W. Higgs** **R. Craig Symonette**

The Compensation Committee has the power to direct and transact all business of the Bank except that required to be performed by the Board as a whole. The Compensation Committee is responsible for assisting the Board of Directors in ensuring that human resources strategies support the Bank's objectives and sustain shareholder value. As part of this responsibility, members of the committee review the performance and approve the compensation of Executive Officers of the Bank.

Year in Review

During the year, the Committee in fulfilling its role:

Reviewed and approved the Bank's overall approach to executive compensation, including compensation principles and objectives for total compensation, any changes to short, mid and long-term incentive programs, and the policies that govern the ongoing administration of all components of compensation.

Recommended to the Board of Directors the appointment of Officers of The Bank.

Assessed the performance of the Bank's Chief Executive Officer and reviewed the assessment with the Board of Directors; determined the Chief Executive Officer's compensation in relation to the Bank's performance for the fiscal year.

Reviewed annual performance assessments submitted by the Chief Executive Officer for Bank Officers.

Reviewed the human resources strategic priorities and progress being made against them, which included:

- enhancing the management of talent and succession; strengthening employee engagement while introducing cultural change; and
- matching training and development with business needs and implementing more cost-efficient training delivery models.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2008.

R W Roberts Jr

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

Corporate Governance

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way in which the Bank is directed, administered and controlled. The corporate governance structure specifies the rules and procedures for making decisions on corporate affairs. It also provides the structure through which the Bank's objectives are set, as well as the means of attaining and monitoring the performance of those objectives.

Corporate governance is used to monitor whether outcomes are in accordance with plans and to motivate the organization to be more informed in order to maintain or alter organizational activity. It is the mechanism by which individuals are motivated to align their actual behaviors with the overall participants.

Corporate governance also includes the relationships among the stakeholders and the goals for which the Bank is governed. The principal stakeholders are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, regulators, and the community at large.

An important theme of corporate governance deals with issues of accountability and fiduciary duty, essentially advocating the implementation of policies and mechanisms to ensure good behaviour to protect shareholders. Another key focus is the economic efficiency view, through which the corporate governance system should aim to optimize economic results, with a strong emphasis on shareholders' welfare.

Of importance is how Directors and management develop a model of governance that aligns the values of the corporate participants and then evaluate this model periodically for its effectiveness. In particular, Senior Executives should conduct themselves honestly and ethically, especially concerning actual or apparent conflicts of interest, and disclosure in financial reports.

The Directors and Executives of the Bank take their responsibilities seriously. To ensure the Directors and Executives comply with the form and substance prescribed in the Bank's governance regime, a Charter of Expectations is in place and compliance with the governance expectations is confirmed by all Directors on an annual basis. The direction provided in the Charter of Expectations is outlined in the following schedule.

Charter of Expectations

ROLE OF THE BOARD

The Board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance.

MONITORING BY THE BOARD OF DIRECTORS

The Board of Directors, with its legal authority to hire, fire and compensate top management, safeguards invested capital. Regular Board meetings allow potential problems to be identified, discussed and avoided.

Issues involving corporate governance principles include:

i) oversight of the preparation of the Bank's financial statements.
ii) internal controls and the independence of the Bank's auditors.
iii) review of the compensation arrangements for the Chief Executive Officer and other Senior Executives.
iv) the way in which individuals are nominated for positions on the Board.
v) the resources made available to Directors in carrying out their duties.
vi) oversight and management of risk.
vii) dividend policy.

BOARD RESPONSIBILITIES

The Board of Directors is explicitly responsible for the stewardship of the Bank. The Board of Directors establishes formal delegations of authority, defining the limits of management's power and authority and delegating to management certain powers to manage the business of the Bank. The delegations of authority conform to statutory limitations specifying responsibilities of the Board that cannot be delegated to management. Any responsibilities not delegated to management remain with the Board. To discharge the Board's responsibility for stewardship, the Board should assume responsibility in the following areas:

INTERNAL CORPORATE GOVERNANCE CONTROLS

Internal corporate governance controls monitor activities and then take corrective action to accomplish organizational goals. Examples include:

STRATEGIC PLANNING PROCESS

Provide input to management on emerging trends and issues.

Review and approve management's strategic plans.

Review and approve the Bank's financial objectives, plans and actions, including significant capital allocations and expenditures.

MONITORING TACTICAL PROCESS

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

RISK ASSESSMENT

Identify and review at least annually, the principal risks of the Bank's businesses and receive reasonable assurance on an ongoing basis that appropriate policies, procedures and systems are in place to manage these risks.

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

Review the processes and practices to ensure that prudent and effective policies are in place to identify, measure and monitor the Bank's cumulative position in respect of its capital and liquidity management

SENIOR LEVEL STAFFING

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

Ensure that an effective management succession plan is in place.

Ensure that the Bank's compensation plans are consistent with the sustainable achievement of the Bank's business objectives, the prudent management of its operations and the risks to which it is exposed, and adherence to its processes, policies procedures and controls.

Performance-based remuneration is designed to relate some proportion of salary to performance. It may be in the form of cash or non-cash payments such as shares and share options.

INTEGRITY

Ensure the integrity of the Bank's process of control and management information systems.

Ensure ethical behavior and compliance with laws and regulations, audit and accounting principles, and the Bank's own governing documents.

OVERSIGHT OF COMMUNICATIONS AND PUBLIC DISCLOSURE

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

MATERIAL TRANSACTIONS

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

MONITORING BOARD EFFECTIVENESS

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

OTHER

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

DIRECTOR ATTRIBUTES

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

INTEGRITY AND ACCOUNTABILITY

Directors must demonstrate high ethical standards and integrity in their personal and professional dealings, and be willing to act on and remain accountable for their boardroom decisions.

GOVERNANCE

The ability to provide thoughtful and wise counsel on a broad range of issues ranks high among the qualities required in Directors. They must develop a depth of knowledge of banking, in order to understand and question the assumptions upon which the strategic and business plans are based, and to form and exercise independent judgement in directing and overseeing the operations of the Bank.

FINANCIAL LITERACY

One of the most important roles of the Board is to monitor financial performance. To do this, Directors must know how to read financial statements, and they should understand the use of financial ratios and other indices for evaluating the Bank's performance.

COMMUNICATION

Openness to others' opinions and the willingness to listen should rank as highly as the ability to communicate persuasively. Directors must approach others assertively, responsibly and supportively, and be willing to raise tough questions in a manner that encourages open discussion.

TRACK RECORD AND EXPERIENCE

In today's highly competitive world, only companies capable of performing at the highest levels are likely to prosper. Directors must bring a history of achievement that reflects high standards for themselves and others.

INDEPENDENCE

The Board of Directors of Commonwealth Bank has adopted standards for determining whether a Director is unrelated or independent. The process adopted by the Board complies with regulatory standards and International Best Practices. A copy of the standards developed is available to shareholders on request.

Prince Charles Drive Branch

Commonwealth Bank will be opening our eleventh full service branch in the Fall of 2009 in the eastern district of New Providence. The opening of this branch is a clear testament of our confidence in the Bahamian economy, as we increase our presence in growing communities across the nation. We have built our almost 50 year history and reputation on providing a way for Bahamians to realize their financial aspirations. We continue to offer much needed banking services that foster economic growth and community development.

The state-of-the-art, 9,000 square foot branch is designed to provide the best possible access to an extensive line of products and services, convenient lobby and drive-through teller hours, safe deposit boxes and 24 hour ABM services.

Commonwealth Bank considers itself fortunate to be able to be a part of building up vibrant communities where people can work and raise their families. We are positive that Prince Charles Drive Branch will provide the Bank with a greater base to spark neighbourhood economic growth and that our present and future customers will benefit from our friendly and professional staff offering personalized service and financial advice.

"Never doubt that a small group of thoughtful, committed people can change the world. Indeed. It is the only thing that ever has."
~ Margaret Mead

Services & Locations

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

NEW PROVIDENCE

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

NEW PROVIDENCE BRANCHES

The Plaza, Mackey St.	502-6100
Bay & Christie Streets	322-1154
Oakes Field	322-3474
Town Centre Mall	322-4107
Cable Beach*	327-8441
Wulff Road*	394-6469
Golden Gates*	461-1300
Mortgage Centre	394-6469
Prince Charles Drive *	(Coming Fall 2009)

GRAND BAHAMA BRANCHES

The Mall Drive*	352-8307
Lucaya	373-9670

*Drive thru ABMs available

ABACO BRANCH

Marsh Harbour	367-2370

CREDIT CARD CENTRE

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

OFF-SITE ABM LOCATIONS

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

CB ONLINE

WWW.COMBANKLTD.COM

Shareholder Information

BOARD OF DIRECTORS

T. Baswell Donaldson, CBE
Chairman
Commonwealth Bank Ltd.

William B. Sands, Jr.
President & CEO
Commonwealth Bank Ltd.

Ian A. Jennings
Sr. VP & CFO
Commonwealth Bank Ltd.

Rupert W. Roberts, Jr., OBE
President
Super Value Food Stores Ltd.

R. Craig Symonette
Chairman
Abaco Markets Ltd.

Vaughn W. Higgs
VP & General Manager
Nassau Paper Co. Ltd.

Larry R. Gibson
Vice President
Atlantic Pension Services

G. Clifford Culmer
Partner
BDO Mann Judd

J. Barrie Farrington, CBE
Vice President
Kerzner International

Earla J. Bethel
President
DanBrad Ltd.

Dr. Marcus R. C. Bethel
Consultant Internist & Administrator
Lucayan Medical Centre

REGISTERED OFFICE

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

PRINCIPAL ADDRESS

Commonwealth Bank Ltd.
Head Office
The Plaza, Mackey St.
P.O. Box SS-5541
Nassau, Bahamas
Tel: 242-502-6200
Fax: 242-394-5807

AUDITORS

Deloitte & Touche
P.O. Box N-7120
Nassau, Bahamas

TRANSFER AGENT & REGISTRAR

Colina Financial Advisors Ltd.
4th Floor, 308 East Bay Street
P.O. Box CB-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 SECRETARY
COMMONWEALTH BANK LTD.

Head Office
The Plaza, Mackey St.
P.O. Box SS-5541
Nassau, Bahamas
Tel: 242-502-6200
Fax: 242-394-5807

DIRECT DEPOSIT SERVICE

Shareholders may have their dividends deposited directly to an account at any financial institution. To arrange this, please write to Colina Financial Advisors Ltd. at their mailing address.

INSTITUTIONAL INVESTOR, BROKER & SECURITY ANALYST CONTACT

Institutional investors, brokers and security analysts requiring financial information should contact the Corporate Secretary, Investor Relations, by writing us at our Principal Address or by calling:

Tel: 242-502-6200
Fax: 242-394-5807

Charlene A. Bosfield
Corporate Secretary
Commonwealth Bank Ltd.

"Challenges are what make life interesting; overcoming them is what makes life meaningful." ~ Joshua J. Marine