



# COMMONWEALTH BANK LIMITED

## PROSPECTUS

For the initial public offering of common shares in

### COMMONWEALTH BANK LIMITED

Dated 3 April 2000

Registered on 21 February 2000

This prospectus has been registered pursuant to Section 56 of the Securities Industry Act, 1999  
with The Securities Commission of The Bahamas



## SHARE OFFERING OF 3,000,000 COMMON SHARES OF COMMONWEALTH BANK LIMITED

(Incorporated in The Bahamas on April 20, 1960 under the Companies Act,  
Chapter 279 of the Statute Laws of The Commonwealth of The Bahamas)

This is a prospectus for the subscription for common shares in COMMONWEALTH BANK LIMITED, a Company incorporated in The Commonwealth of The Bahamas. This offer is made solely upon the terms and conditions contained in this prospectus and no person has been authorized to give any information or to make any representations with regard to Commonwealth Bank Limited other than through this prospectus. This prospectus is issued in compliance with the provisions of the Securities Industry Act, 1999 for the purpose of giving information to the public with regard to Commonwealth Bank Limited.

The Directors collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement in the prospectus misleading.

A copy of this prospectus together with all relevant consents, contracts and reports has been filed with the Securities Commission of The Bahamas under the Securities Industry Act, 1999. Such filing shall not be deemed to indicate approval of the contents of this prospectus by the Commission nor create any liability of the Commission nor of the Government of The Commonwealth of The Bahamas in respect of this prospectus nor in respect of any statement contained herein. The Commission has not checked and will not check the accuracy of the statements made and accepts no responsibility for this prospectus or for the financial soundness of the issuer or the value of the securities concerned.

Publication of this prospectus or allocation or trading in the securities described in this prospectus as being offered may commence only after the registration of the prospectus by the Commission.

Documents delivered to the Commission and attached to the copy so delivered are set out on page 62.

This prospectus is intended for use only in The Commonwealth of The Bahamas and is not to be construed as a public offering of any shares herein referred to outside The Bahamas.

*This offer, which opens 9:00 a.m. Monday April 3, 2000 and closes Friday April 28, 2000 at 5:00 p.m., is available to all eligible investors as defined in this prospectus.*

**THE MINIMUM TOTAL SUBSCRIPTIONS WHICH THE DIRECTORS REQUIRE IN ORDER TO PROCEED WITH THE OFFERING SHALL BE ONE (1) MILLION SHARES.**



Steady growth through  
careful nurturing.



## TABLE OF CONTENTS

Eligible Investors	5
Introduction	7
Definitions	8
Summary of Share Offering	9
Use of Proceeds and Share Capital	10
Price History and Dividend Policy	11
Investment Risks	12
Subscription Procedures	13
Directory of Advisors to the Offering	14
Executive Office of the Bank	14
History of The Bank	15
Corporate Strategy	16
Principal and Selling Shareholders	17
Senior Management including Executive Directors	19
Senior Management Shareholdings	22
Non-Executive Directors	23
Non-Executive Directors' Shareholdings	25
Officers and Directors of Subsidiaries	25
Selected Consolidated Statistical, Financial and Other Information	26
Management Discussion and Analysis of Financial Condition and Results of Operations	32
Independent Auditors' Report and Audited Financial Statements	37
Independent Auditors' Report and Financial Projections	52
General Information	57
Experts and Advisors	61
Related Party Transactions	61
Inspection of Documents	62
Directors' Consent	63
Conditions of Application and Allotment	64
Share Application Form - Individual	65
Share Application Form – Company, Trust or Fund	67



*Security.*



## ELIGIBLE INVESTORS

*Eligible investors include Bahamian Citizens, Permanent Residents with an unrestricted right to work, Trusts designated resident for exchange control purposes, and Bahamian Companies wholly owned by Bahamians. Other interested investors may subscribe for common shares but their application would require prior approval from The Central Bank of The Bahamas. No minors are eligible as shareholders.*

**The offer is made only to the following eligible investors:**

### **If an Individual:**

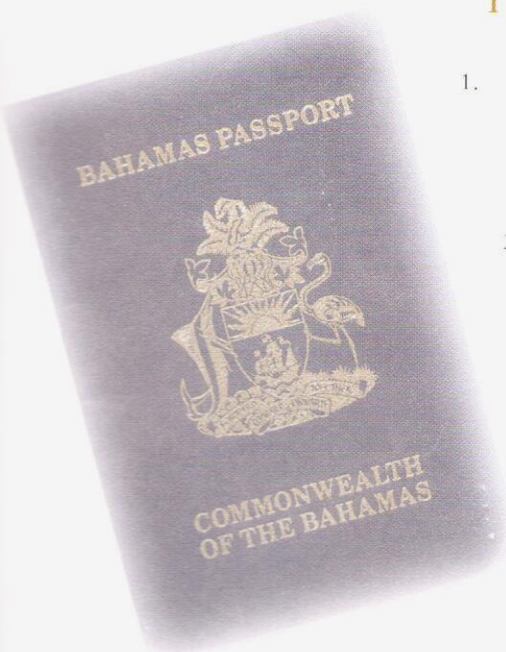
1. The applicant is 18 years of age or older; and
2. The applicant is a citizen of The Bahamas or holds a permanent residency permit with the unrestricted right to work in The Bahamas or is granted approval as an investor in the Bank by The Central Bank of The Bahamas; and
3. The applicant is not applying for the shares as nominee for any other person, corporation, trust or fund that would not be an eligible investor.

### **If a Corporation:**

1. The applicant is incorporated under the laws of The Bahamas and is resident for exchange control purposes; and
2. The applicant is wholly owned by individuals who are citizens of The Bahamas and/or permanent residents with the unrestricted right to work or is granted approval as an investor in the Bank by The Central Bank of The Bahamas; and
3. All necessary corporate actions have been taken to authorize the purchase of the shares.
4. The applicant is not applying for the shares as nominee for any other person, corporation, trust or fund that would not be an eligible investor.

### **If a Trust or Pension Fund:**

1. Beneficiaries of the trust or pension fund are citizens or permanent residents of The Bahamas with the unrestricted right to work or Bahamian resident companies owned by them and/or any other eligible trust or pension fund which is granted approval as an investor in the Bank by The Central Bank of The Bahamas; and
2. Trustees of the trust and managers of the pension fund represent that they have the necessary power and all requisite actions have been taken to enable them to effect the purchase of the shares.
3. The applicant is not applying for the shares as nominee for any other person, corporation, trust or fund that would not be an eligible investor.





The Mall Branch, Freeport



## INTRODUCTION

This share offering is intended to offer a greater number of Bahamians an opportunity to participate in the ownership of the Bank, which has achieved its success by prudent management and unwavering commitment to its customers, staff and the community since becoming a wholly owned Bahamian Bank in 1984.

The Directors have frequently been encouraged to make a public offering by persons in authority and by knowledgeable investors. The Directors have steadfastly held the view that the Bank should only undertake a public share offering after demonstrating sustained growth and profitability over both expanding and contracting economic cycles.

This offering of 3 million common shares represents approximately 10% of the outstanding common shares as shown on page 9. In order to make this offering possible, the three largest shareholders of the Bank (“the selling shareholders”) agreed to sell a portion of their shares back to the Bank. The proceeds of this offering will be used exclusively to fund the purchase of the shares acquired from the selling shareholders.





## DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the meanings assigned to them:

“The Bahamas”	The Commonwealth of The Bahamas.
“Commonwealth Bank, Bank or Company”	Commonwealth Bank Limited and/or its subsidiary companies.
“Capital /Asset ratio”	The amount calculated using a numerator being shareholders’ equity; and a denominator being total assets.
“Central Bank”	The Central Bank of The Bahamas.
“Common shares” or “shares”	Common shares of par value \$0.06 each in the Bank.
“Common dividend payout ratio”	The amount calculated using a numerator being common share dividends and a denominator being net income available to common shareholders.
“Dividend yield”	The percentage calculated using a numerator being actual or projected dividends paid per share in a fiscal period; and a denominator being the offering share price.
“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.
“Net income”	An amount being actual or projected net income in a fiscal period.
“Net income available to common shareholders”	Net income after deduction of preference share dividends that is available for distribution to the common shareholders.
“Net interest margin”	The amount calculated using a numerator being net interest income less preference share dividend and a denominator being total assets.
“Price/earnings multiple”	The amount calculated using a numerator being the offering share price; and a denominator being actual or projected operating income per share.
“Return on assets”	The percentage calculated using a numerator being actual or projected net income available to common shareholders; and a denominator being the actual or projected average total assets of the Bank at the end of the respective fiscal period.
“Return on equity”	The percentage calculated using a numerator being actual or projected net income available to common shareholders; and a denominator being the actual or projected total average equity of the Bank at the end of the respective fiscal period.
“Return on investment”	The percentage calculated using a numerator being actual or projected earnings per share; and a denominator being the offering share price.
“Treasury shares”	The shares redeemed by the Bank from selling shareholders and offered hereby through this share offering.
“\$ or BS”	The legal currency of The Bahamas.



## SUMMARY OF SHARE OFFERING

### THE BANK

Commonwealth Bank Limited 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 Regulation Act, 1965 as amended.

The principal business of the Bank is that of providing full service personal banking. Services include acceptance of savings, fixed and demand deposits, provision of mortgages and consumer financing and the sale of foreign exchange. The Bank has three wholly-owned subsidiaries; Laurentide Insurance and Mortgage Company Limited ("Laurentide"), which provides credit life insurance in respect of the Bank's borrowers, C. B. Securities Ltd., which operates as an investment company, and C. B. Holdings Ltd. which is inactive at this time.

The material contracts of the Bank are included on page 60.

Number of Shares Offered	3,000,000		
Price per share	\$6.00		
Total Proceeds	\$18,000,000		
Minimum Investment	\$300 (50 Shares)		
Total Outstanding Shares after Offering	31,153,332		
Percent offered	9.63%		
	2001	2000	1999
Price/Earnings Multiple	13.33x	13.95x	14.63x
Dividend Yield	5.33%	5.00%	4.67%

The Bank has in excess of 900 shareholders. The Directors hope to substantially expand the current shareholder base as a result of this offering.

No subsequent issue will knowingly be made which could effectively alter the control of the Bank without the prior approval of the common shareholders in general meeting and the approval of The Central Bank of The Bahamas and the Securities Commission of The Bahamas.



## USE OF PROCEEDS

The net proceeds to be received by the Bank from the offering (after issue expenses projected at \$600,000) are estimated to be approximately \$17,400,000. The Bank intends to use the net proceeds of the offering to pay for the common shares purchased from the selling shareholders.

During 1999, the Bank expanded its capital base significantly which saw its shareholders' equity grow to over \$100 million. Upon the completion of this offering, the Bank's capital position will be further strengthened, bringing shareholders' equity to over \$103 million. The Directors believe that the Bank is now the strongest capitalized fully Bahamian owned business entity in The Bahamas. As a result of this capital replenishment, the Directors of the Bank are of the opinion that the Bank has adequate working capital to implement its medium term objectives. Hence, there is no need to raise additional funds for the Bank during this offering.

The plan of distribution is set forth on page 59.

## SHARE CAPITAL

The Bank has an authorized share capital of \$69,500,000 divided as follows:

<u>Share Type</u>	<u>Authorized Shares</u>	<u>Par Value</u>	<u>Authorized Capital</u>
Common	75,000,000	\$ 0.06	\$ 4,500,000
Class A Preference	30,000	\$500.00	\$15,000,000
Class B Preference	10,000	\$500.00	\$ 5,000,000
Class C Preference	50,000	\$100.00	\$ 5,000,000
Class D Preference	100,000	\$100.00	\$10,000,000
Class E Preference	100,000	\$100.00	\$10,000,000
Class F Preference	100,000	\$100.00	\$10,000,000
Class G Preference	100,000	\$100.00	<u>\$10,000,000</u>
<b>TOTAL</b>			<b><u>\$69,500,000</u></b>

*Par value and premium on issued shares are stated on pages 47 and 48 of the Audited Financial Statements.*

Each common share ranks pari passu with each other as to capital, dividends and rights upon liquidation and carries one vote at all shareholders' meetings. Preference shares carry no voting rights. The other rights attached to each class of the preference shares can be found in Note 9 to the financial statements on page 47 and the General Information section on page 58. Pursuant to Article 31 of the Articles of Association of the Bank, the rights attached to any class of shares may not be varied without a resolution of the holders of such shares passed by at least three-fourths of the holders of the issued shares of that class present in person or by proxy at a meeting of such holders.

Table I shows the historical and pro forma Shareholders' Equity Account, assuming full subscription of this offering.

Table I (\$ 000's)

	<u>May 1, 2000</u>	<u>December 31, 1999</u>	<u>December 31, 1998</u>
Share Capital	\$ 62,860	\$62,680	\$ 7,875
Share Premium	17,270	—	9,657
General Reserve	—	—	10,000
Retained Earnings	<u>23,643</u>	<u>22,143</u>	<u>16,449</u>
<b>TOTAL EQUITY</b>	<b><u>\$103,773</u></b>	<b><u>\$84,823</u></b>	<b><u>\$43,981</u></b>
Book Value per Share	\$ 1.37	\$ 0.85	\$ 1.22



## PRICE HISTORY AND DIVIDEND POLICY

The common shares and several classes of preference shares have been publicly traded in the local over-the-counter (OTC) market since 1994. Prior to that time there was no public market for the Bank's shares. The following table sets forth the approximate high and low sales prices of the Bank's common shares for the period noted.

<u>Year</u>	<u>Offer Indications</u>	
	<u>High</u>	<u>Low</u>
1999	\$7.00	\$5.41
1998	\$5.89	\$4.90
1997	\$5.89	\$3.45

Source: Colina Financial Group

It should be noted that the above prices are indications only compiled from various public sources and do not reflect private transactions. There are no official opening or closing prices available.

Effective November 26, 1999, the Bank, in preparation for this share offering, purchased the following common shares as noted below:

<u>Selling Shareholder</u>	<u>No. of Shares</u>
Lady Margaret Symonette	1,600,000
Rupert Winer Roberts, Jr.	900,000
Diana Cecil Symonette	500,000
<b>Total</b>	<b>3,000,000</b>

These shares were purchased for a total consideration of \$17.85 million, or an average price of \$5.95 per share before expenses. The purchase price represented a discount of 12 1/2% on the mid-market price reported on the previous day by local market makers. The Directors have agreed to offer these shares to the public at \$6.00 per share, which represents the Bank's aggregate cost.

This transaction was approved by the Central Bank and paid for by taking a special charge to the General Reserve and Share Premium accounts. Upon completion of this public offering, the Bank's capital accounts will be replenished by crediting Share Premium with the excess proceeds over par value (See Table I).

The Bank proposes to pursue a common dividend pay-out ratio of 60% to 75% of net income, subject to future capital requirements and liquidity of the Bank. The frequency and dividend pay-out ratio is at the discretion of the Directors. The Bank has consistently paid quarterly dividends since 1984. The financial information presented on page 26 shows the dividends paid and projected.

## COMPETITION

The banking business is highly competitive and the profitability of the Bank will depend principally upon its ability to compete and grow its market share within The Bahamas. Commonwealth Bank competes with other commercial banks, mostly Canadian and British owned, credit unions, finance companies and certain other non-financial entities such as retail stores that maintain their own credit programs. The Bank has been able to compete effectively with other financial institutions by emphasizing customer service, including decentralized decision-making on loans, establishing long-term customer relationships and building customer loyalty based on a fundamental belief in the working Bahamian.

## SUPERVISION AND REGULATION

Banking institutions in The Bahamas are regulated and supervised by The Central Bank of The Bahamas. Additionally, banks must operate in compliance with the relevant provisions of The Bank Act, 1909, and The Banks and Trust Companies Regulation Act, 1965, The Insurance Act, 1969, The Companies Act, 1992 and The Money Laundering (Proceeds of Crime Act), 1996 and regulations thereunder.

On November 19, 1999, the Protection of Depositors Act, 1999 became law. As a registered member, deposit accounts at the Bank up to B\$50,000 are insured by the Deposit Insurance Corporation.



## INVESTMENT RISKS

Prior to making an investment decision, prospective investors should review the prospectus and consider the suitability of this investment in light of their personal circumstances. If there is any doubt, they should seek independent professional investment and legal advice.

### **Risk Factors to consider include:**

1. Actual operating results may differ substantially from the financial projections presented in this prospectus.
2. The Bank's projected earnings depend to a large extent on the economy of The Bahamas, which is sensitive to numerous factors that are beyond the Bank's control, such as general economic conditions and macroeconomic policies of the Government of The Bahamas.
3. Investors should be aware that the market value of their investment may go down as well as up. Historical results and profitability do not guarantee future performance.
4. The dividend policy noted on page 11 is based on current financial conditions, levels of liquidity and capital requirements. The Directors can vary the rate of dividend payments with respect to common shares at any time.
5. The Bank is dependent upon certain key management personnel whom it considers important to its future success. The loss of such individuals or other members of senior management could have an adverse impact on the future performance of the Bank. The Bank has employment agreements with these officers and they participate in the Employee Share Option Plan as described on pages 59 and 60.
6. Until there is an established securities exchange for secondary trading, investors may not be able to liquidate their holdings at the prices quoted by local market makers.





## SUBSCRIPTION PROCEDURES

The subscription period shall begin on Monday April 3, 2000, and will close on Friday April 28, 2000. The Board reserves the right to extend or cancel this offer at its discretion.

Eligible investors, as defined on page 5, should complete the detachable subscription form at the end of this prospectus and **deliver it, together with payment, to:**

**Any Commonwealth Bank Limited branch**

East Bay Branch  
The Plaza Branch, Mackey Street  
Town Centre Mall Branch  
Oakes Field Branch  
Cable Beach Branch  
Wulff Road Branch  
The Mall Branch, Freeport  
Lucaya Branch, Freeport  
Abaco Branch, Marsh Harbour

or

**Colina Financial Advisors Ltd.**

2<sup>nd</sup> Floor, Goodmans Bay Corporate Centre  
West Bay Street  
Nassau, Bahamas

Copies of this prospectus may be obtained at all of the above locations.

Subscriptions must be for a minimum of 50 shares and for additional multiples of 50 shares thereafter. Acceptable forms of payment shall be cheque, bank draft, postal order or direct debit.





## DIRECTORY OF ADVISORS TO THE OFFERING

### **Financial Advisors, Escrow Agent and Registrar and Transfer Agent**

Colina Financial Advisors Ltd.  
2<sup>nd</sup> Floor, Goodmans Bay Corporate Centre  
West Bay Street  
Nassau, Bahamas

**Te1: (242) 356 6692 Fax: (242) 356 7375**

### **Placement Agents**

First Bahamas Capital Ltd.  
2<sup>nd</sup> Floor, Goodmans Bay Corporate Centre  
West Bay Street  
Nassau, Bahamas

**Te1: (242) 356 3661 Fax: (242) 356 3677**

### **Counsel and Attorneys and Registered Office of the Bank**

Graham, Thompson & Co  
Sassoon House  
Shirley Street  
Nassau, Bahamas

**Te1: (242) 322 4130 Fax: (242) 328 1069**

### **Auditors**

Deloitte & Touche  
Chartered Accountants  
Dehands House, Centreville  
Nassau, Bahamas

**Te1: (242) 302 4800 Fax: (242) 322 3101**

### **Public Relations**

Diane Phillips & Associates  
Suite 503, The Pilot House  
Nassau, Bahamas

**Te1: (242) 394 0677 Fax: (242) 394 0688**

## EXECUTIVE OFFICE OF THE BANK

### **Commonwealth Bank Limited**

The Plaza  
Mackey Street  
Nassau, Bahamas

**Te1: (242) 394 7373 Fax: (242) 394 5807**



## HISTORY OF THE BANK

“IT IS OUR CUSTOMERS WHO DESERVE OUR GREATEST APPRECIATION AND IT IS TO THEM WE PLEDGE OUR CONTINUED COMMITMENT TO HARNESS AND GROW THEIR FINANCIAL POWER.”

T. B. DONALDSON C.B.E.  
*Chairman*

Commonwealth Industrial Bank was founded in 1960 as a subsidiary of the Laurentide Financial Corporation Limited, a Canadian company. The doors opened with three employees; the office was located in the back of a furniture store; files and supplies were stored in a chest of drawers. The typist's desk was a bureau top.

Despite the no-frills office appointments, the principle on which the new bank was founded was revolutionary in The Bahamas: to become a financial partner to the working Bahamian. For the first time, Bahamians without a lot of means could borrow money to buy furniture, put a child through school, take a vacation or purchase an automobile.

It was a belief in the integrity of the working Bahamian that set the stage for Commonwealth Bank's evolution. Out of that belief and that original lending institution has grown one of the most powerful financial institutions in the nation with nine full-service branches, more than 400 employees and over a half billion dollars in assets.

Commonwealth Bank as we know it today was actually launched in 1984 when it became fully Bahamian owned. Under the new ownership, a revitalized Commonwealth Bank was infused with energy while retaining its founding commitment to its customers. Dramatic growth followed. Two years after Bahamianization, all branches had been automated. The first Bahamian credit card, SunCard, was launched in Freeport in 1984 and introduced in Nassau in 1986. In 1990, Commonwealth Bank was approved by The Central Bank of The Bahamas to be a clearing bank. At the same time the Bank became an Authorized Dealer. This completed the transformation from a savings and loan institution to a complete service bank.

Facilities tripled as the Bank grew from three to nine branches to accommodate a growing customer base. Newer branches were outfitted to provide better customer service.

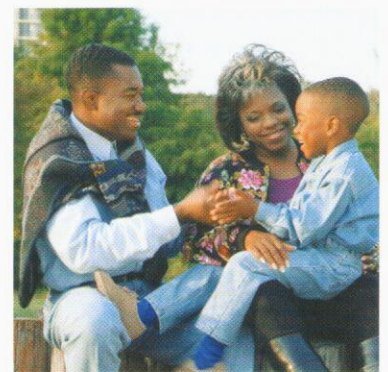
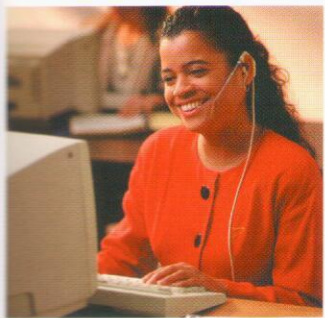
In 1984, the Bank had total assets of \$17 million. As of December 31, 1999, total assets exceeded \$500 million. Today, the Bank boasts a customer base of more than 56,000.

Commonwealth Bank has led the way in:

- Consumer financing
- Providing a domestic credit card
- Enabling returning residents to pay Bahamas Customs duties with a credit card
- Offering extended banking hours to accommodate customers
- Offering fully computerized banking, allowing complete inter-branch services, including networking of Family Island facilities with New Providence.

While Commonwealth Bank was developing new services and products to sustain and grow customer loyalty, its commitment to personnel development was reinforced and supported by training and incentives.

Continuing commitment to staff, to innovative products and to customer satisfaction has helped Commonwealth Bank evolve into the largest and most successful Bahamian financial institution in the nation. Yet never has it lost sight of the principle on which it was founded: A belief in the working Bahamian.





## C O R P O R A T E   S T R A T E G Y

Commonwealth Bank's goal is to provide complete personal banking services for its customers.

The Bank has a history of innovation and sees technology as an enabler in providing customer service and products. Over the past three years, the Bank has invested more than \$5 million dollars in the upgrading and expansion of computer equipment. It now has to leverage that investment into improved services.

### **Response to Competition**

While competition is becoming ever more fierce, the Bank has established itself as the lowest cost provider of credit cards, mortgages and auto loans in The Bahamas. The Bank is also proud of its ability to offer the highest rates on savings and certificates of deposit.

### **Diversification**

The Bank is always sensitive to opportunities to expand its position in the financial services market. However, such expansion must be consistent with the overall strategy of the Bank.

### **Expansion**

The Bank has branches in New Providence, Grand Bahama and Abaco and recently opened its ninth branch, located on Wulff Road in Nassau. Entry cost into new geographic markets is high; part of the challenge for the future is reducing that cost to allow the Bank to serve additional family islands.

### **Additional Products**

The Bank is pursuing the introduction of Automated Banking Machines to expand the availability of banking services to its customers and enhancing Suncard services. At the same time, the Bank is working with the Clearing Banks Committee, investigating the possibilities of establishing a debit card network in The Bahamas.

### **Bahamian Community Commitment**

The Bank plays a major role in the community. It was a major donor toward hurricane relief and has been a consistent supporter of charitable organizations and sponsor of national events. The Bank has taken a position of promoting the preservation of the historic heritage of The Bahamas through its production of videos in conjunction with The Bahamas National Trust and most recently with the Historic Bahamas Millennium Calendar and Art Show.

### **Commitment to Staff**

As a service provider the Bank is committed to providing the most favourable environment for its employees. It does this through competitive remuneration and benefits and, in 1999, undertook a major training campaign to upgrade employee skills in conjunction with the University of North Carolina and the University of Western Ontario.



## PRINCIPAL AND SELLING SHAREHOLDERS

The tables below set forth certain information regarding the beneficial ownership of the common shares of the Bank as at the date of this prospectus and as adjusted to reflect the sale of shares offered hereby. Except as otherwise indicated, the persons or entities listed below have voting and investment power with respect to direct, indirect and related party shareholdings.

Table II shows the pro forma ownership structure and number of common shares outstanding as a result of this offering, assuming full subscription.

**Table II**

Shareholder	Pre-Offer	Percent Owned	Post-Offer	Percent Owned
Lady Margaret Symonette	6,400,000	22.73%	6,400,000	20.54%
Rupert Winer Roberts, Jr.	3,875,860	13.77%	3,875,860	12.44%
Diana Cecil Symonette	2,189,284	7.78%	2,189,284	7.03%
Vaughn William Theodore Higgs	918,090	3.26%	918,090	2.95%
Theodore Brent Symonette	729,101	2.59%	729,101	2.34%
Roland Craig Symonette	717,131	2.55%	717,131	2.30%
Bahamas First Holdings Limited *	711,000	2.53%	711,000	2.28%
Raleigh I. Butler	662,368	2.35%	662,368	2.13%
Franklyn Augustus Butler	648,703	2.30%	648,703	2.08%
Milo B. Butler & Sons Ltd. **	569,635	2.02%	569,635	1.83%
Remaining Shareholders (over 900)	10,732,160	38.12%	10,732,160	34.45%
Treasury Shares being offered	—	—	3,000,000	9.63%
<b>Totals</b>	<b><u>28,153,332</u></b>	<b><u>100.00%</u></b>	<b><u>31,153,332</u></b>	<b><u>100.00%</u></b>

A complete Shareholders' Register as of March 31, 2000 is available for inspection at the Offices of Graham, Thompson & Co., and Colina Financial Advisors Ltd.

\*Bahamas First Holdings Limited is beneficially owned by:

Shareholder	No. of Shares	Percent Owned
Diana Cecil Symonette	2,963,250	10.50%
Lyndhurst Investments Ltd.	1,763,312	6.25%
Maria Chisnall	1,656,910	5.87%
Bilney Investments Limited	1,578,447	5.59%
Rumoso Ltd.	1,482,946	5.25%
Aline McLaughlin	1,464,000	5.18%
Wilshe Ltd.	1,456,294	5.16%
Madeira Holdings Ltd.	1,119,205	3.96%
John A. G. Dunkley	1,022,399	3.62%
Yogar Holdings Ltd.	801,168	2.84%
Other Shareholders	<u>12,923,504</u>	<u>45.78%</u>
<b>Totals</b>	<b><u>28,231,435</u></b>	<b><u>100.00%</u></b>

\*\*Milo B. Butler & Sons Ltd. is beneficially owned by:

Shareholder	No. of Shares	Percent Owned
Franklyn Augustus Butler	3	42%
Eight individuals in joint tenancy: Basil N. Butler, Asa C. Butler, A. Joseph Butler, Edna G. Butler, Matthew McD. Butler, Raleigh I. Butler, Juanita M. Butler, Milo B. Butler, Jr.	4	58%
<b>Totals</b>	<b><u>7</u></b>	<b><u>100.00%</u></b>

Growth.

Wulff Road Branch



Groundbreaking November 1998



Opened March 2000



## SENIOR MANAGEMENT INCLUDING EXECUTIVE DIRECTORS

### Management Team

Commonwealth Bank Limited has assembled a team of experienced professionals to manage the Bank on behalf of its shareholders. The backgrounds of the senior management team are highlighted below:



### **Timothy Baswell Donaldson, C.B.E. – Executive Chairman**

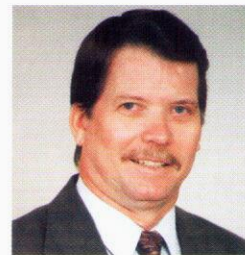
Timothy Baswell Donaldson, C.B.E., is former Ambassador of the Commonwealth of The Bahamas to the United States of America and is former non-resident Ambassador of The Bahamas to Columbia and Mexico. Mr. Donaldson serves as Chairman of the Securities Commission of The Bahamas.

After graduating from Government High School in Nassau, he went to the United States to pursue further education, earning his B.A. and Masters degree in Mathematics. Mr. Donaldson returned to The Bahamas where he began his public service career as Assistant Secretary at the Ministry of Finance. In 1974 he became the first Governor of The Central Bank of The Bahamas and served in that position until 1980, when he resigned to enter the private sector. He has held numerous directorships. Mr. Donaldson has been a director of Commonwealth Bank for a total of eight years.

Mr. Donaldson is a Bahamian citizen born on January 2, 1934. P.O. Box N-7112, Nassau, Bahamas.

### **William Bateman Sands, Jr. – President, Chief Executive Officer and Director**

Mr. Sands has been with Commonwealth Bank for 29 years, serving in various capacities in Freeport and Nassau before being named President in 1997. A graduate of the University of Western Ontario, Richard Ivey Business School, Mr. Sands has been District Manager, Nassau, Vice President, Operations, Senior Vice President and Executive Vice President and Managing Director of Commonwealth Bank. He has participated in the decision-making for nearly three decades as the Bank grew from a lending institution to a major financial force. He has been on the Board of Directors of Commonwealth Bank since 1990.



Mr. Sands is a Bahamian citizen born on May 13, 1952. P.O. Box CB-11109, Nassau, Bahamas.

### **Ian Andrew Jennings – Senior Vice President, Chief Financial Officer and Director**



Mr. Jennings has held a number of senior level positions since joining Commonwealth Bank as Financial Controller in 1984. He is currently Senior Vice President and Chief Financial Officer. Born in the United Kingdom, Mr. Jennings holds a B.Sc. (Economics) from the University of Wales and is a Fellow of the Institute of Chartered Accountants in England & Wales. Mr. Jennings has been on the Board of Directors of Commonwealth Bank since 1997.

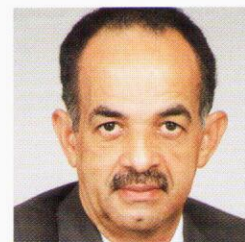
Mr. Jennings is a British citizen and Permanent Resident of The Bahamas born on November 14, 1955. P.O. Box SS-5541, Nassau, Bahamas.



## SENIOR MANAGEMENT INCLUDING EXECUTIVE DIRECTORS

### **Trevor Bryan Thompson – Senior Vice President, Corporate Secretary and Director**

Mr. Trevor Thompson has held numerous senior management and administrative positions in his 35-year career with Commonwealth Bank. In 1974, he was appointed Vice President of Finance and, four years later, was named Vice President and District Manager with responsibility for all branches in The Bahamas. In 1986, Mr. Thompson was appointed Vice President, Administration. In 1992, he was named Senior Vice President and Corporate Secretary. Mr. Thompson has been on the Board of Directors of Commonwealth Bank for 29 years.



Mr. Thompson is a Bahamian citizen born on July 15, 1943. P. O. Box SS-6950, Nassau, Bahamas.

### **Shirley Georgann Cartwright – Vice President, Operations**



Mrs. Shirley Cartwright has more than 28 years banking experience. She joined Commonwealth Bank in 1987 and has since held various management positions, before being appointed Assistant Vice President, Operations in 1993. In 1997, she was appointed Vice President, Operations with overall responsibility for administrative and support functions including Head Office Administration, Marketing, Branch Operations and

Information Systems. Mrs. Cartwright has participated in numerous banking and management courses both locally and abroad.

Mrs. Cartwright is a Bahamian citizen born on February 11, 1950. P.O. Box SS-6263, Nassau, Bahamas.

### **Charlene Rozetta Paul – Vice President and Group Financial Controller**

Mrs. Charlene Paul has 14 years experience in the accounting field. She held the post of Senior Manager at an international accounting firm before joining Commonwealth Bank in 1996 as Vice President of Audit & Inspection. In 1997 she was appointed Vice President and Group Financial Controller. Mrs. Paul is a member of The Bahamas Institute of Chartered Accountants and Fellow of the Chartered Association of Certified Accountants, United Kingdom.



Mrs. Paul is a Bahamian citizen born on December 17, 1963. P.O. Box SS-19278, Nassau, Bahamas.

### **Carole Simone Strachan – Vice President, Audit and Inspection**



Mrs. Carole Strachan has held a number of positions in financial institutions in The Bahamas and the United States, including Financial Controller and Auditor with an international accounting firm. A Certified Public Accountant and Certified Information Systems Auditor, she joined Commonwealth Bank in 1998 as Vice President of Audit & Inspection. Mrs. Strachan is a member of The Bahamas Institute of Chartered Accountants.

Mrs. Strachan is a Bahamian citizen born on January 31, 1965. P.O. Box N-999, Nassau, Bahamas.



## SENIOR MANAGEMENT INCLUDING EXECUTIVE DIRECTORS

### **Anthea Bernadette Delaney – Vice President, Human Resources and Training**

Ms. Anthea Delaney has 20 years managerial and banking experience in Nassau and New York. A former Director and Senior Manager of a major offshore bank, Ms. Delaney joined Commonwealth Bank in May 1999 as Vice President of Human Resources and Training. She holds a Bachelor of Commerce degree in Finance and Personnel Management from Concordia University, Montreal, Canada. Ms. Delaney is an active member of The Bahamas Institute of Bankers.



Ms. Delaney is a Bahamian citizen born on April 29, 1959. P.O. Box N-9733, Nassau, Bahamas.

### **John Rupert Roberts – Assistant Vice President, Operations**



Mr. J. Rupert Roberts has 30 years commercial banking experience, including 12 years at Commonwealth Bank. He has held several senior management positions with the bank including Area Manager, Northern Bahamas. In 1997, Mr. Roberts was appointed Assistant Vice President, Operations with responsibility for commercial and mortgage lending. Mr. Roberts has attended numerous banking and management courses both locally and abroad.

Mr. Roberts is a Bahamian citizen born on May 6, 1955. P.O. Box SS-5541, Nassau, Bahamas.

### **Mavis Ann Burrows – Assistant Vice President and Financial Controller**

Mrs. Mavis Burrows has more than 23 years commercial and offshore banking experience, including 13 years at Commonwealth Bank where she has held various management positions. She served as Financial Controller, before being appointed to Assistant Vice President and Financial Controller in 1999. Mrs. Burrows has attended banking and management courses both locally and abroad.



Ms. Burrows is a Bahamian citizen born on March 26, 1956. P.O. Box SS-6067, Nassau, Bahamas.

### **Silbert Anthony Cooper – Assistant Vice President, Operations**



Mr. Silbert Cooper has had 23 years of commercial banking experience, including 14 years at Commonwealth Bank where he has held various management positions, most recently as Senior Branch Manager, East Bay Street. In 1999, Mr. Cooper was appointed Assistant Vice President, Operations with responsibility for consumer lending and automobile dealer programs. Mr. Cooper has participated in numerous management and banking courses both locally and abroad.

Mr. Cooper is a Bahamian citizen born on September 19, 1957. P.O. Box SS-5541, Nassau, Bahamas.

### **Ian Marcel Wilkinson – Assistant Vice President, Information Systems**

Mr. Ian Wilkinson has spent 20 years in information systems technology in New York and Nassau, before joining Commonwealth Bank in 1986. In 1999, Mr. Wilkinson was appointed Assistant Vice President with overall responsibility for data and information systems. Mr. Wilkinson holds a B.Sc. in Computer Science from New York University where he is pursuing his Master's degree in Computer Science and Information Systems.



Mr. Wilkinson is a Bahamian citizen born on September 7, 1959. P.O. Box SS-6263, Nassau, Bahamas.



## SENIOR MANAGEMENT SHAREHOLDINGS

The following table details the interest of Senior Management (inclusive of Executive Directors) in Commonwealth Bank Limited through direct, indirect and related party holdings:

Name	No. of Shares	Pre - Offer Ownership %	Post-Offer Ownership %
Trevor Bryan Thompson	168,317	0.60%	0.54%
William Bateman Sands, Jr.	168,305	0.60%	0.54%
Ian Andrew Jennings	88,930	0.32%	0.29%
Timothy Baswell Donaldson	71,872	0.26%	0.23%
John Rupert Roberts	31,081	0.11%	0.10%
Shirley Georgann Cartwright	27,394	0.10%	0.09%
Ian Marcel Wilkinson	15,245	0.05%	0.05%
Mavis Ann Burrows	10,532	0.04%	0.04%
Charlene Rozetta Paul	4,937	0.02%	0.02%
Anthea Bernadette Delaney	610	0.00%	0.00%
Silbert Anthony Cooper	253	0.00%	0.00%
Carole Simone Strachan	—	0.00%	0.00%
<b>Totals for Senior Management</b>	<b><u>587,476</u></b>	<b><u>2.10%</u></b>	<b><u>1.90%</u></b>
<b>Total Common Shares Issued</b>	<b>28,153,332</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Total Common Shares Outstanding</b>		<b>28,153,332</b>	<b>31,153,332</b>

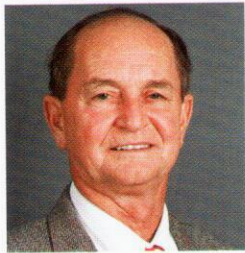
*The aggregate remuneration, inclusive of performance related compensation, of the Management Team of the Bank for the year 1999 and 1998 totaled \$1,882,571 and \$1,921,628 respectively.*





## NON-EXECUTIVE DIRECTORS

### Rupert Winer Roberts, Jr. - Director

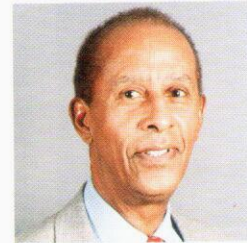


A leading businessman, Mr. Rupert Roberts, Jr. is President of Super Value Food Stores and has extensive holdings in commercial real estate and financial ventures throughout The Bahamas. Those interests include South Bimini International Ltd., Bahamas Paper Converting, Discount Mart Limited, Chekard Limited and Global Bahamas Limited. As founder of Super Value, Mr. Roberts created the country's largest all-Bahamian food store chain. A former chairman of Commonwealth Bank, Mr. Roberts has served on the Board of Directors since 1984.

Mr. Roberts is a Bahamian citizen born on May 28, 1937. P.O. Box N-3039, Nassau, Bahamas

### Reno Jean Brown - Treasurer and Director

Mr. Reno Brown is Director/Treasurer of Commonwealth Bank and Director/Secretary of Pepsi-Cola (Bahamas) Bottling Co. Ltd. Formerly Chairman and Chief Executive Officer of Royal Bank of Scotland International in Nassau, Mr. Brown has twice held directorships with the Bahamas Development Bank. He has also been a director of the Bahamas Mortgage Corporation and the Broadcasting Corporation of The Bahamas. Mr. Brown has been on the Board of Directors of Commonwealth Bank since 1984.



Mr. Brown is a Bahamian citizen born March 26, 1932. P.O. Box GT-2524, Nassau, Bahamas

### Theodore Brent Symonette - Director

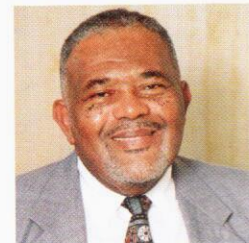


Mr. Brent Symonette has diverse holdings in real estate, financial and commercial interests throughout The Bahamas. He has served as Director/Officer on several boards, including Cost-Rite Limited, Eleuthera Adventures Limited and Blue Hill Road Shopping Centre Limited (Town Centre Mall). Mr. Symonette has been a director of Commonwealth Bank for a total of eight years and has served as Secretary.

Mr. Symonette is a Bahamian citizen born on December 2, 1954. P.O. Box N-3709, Nassau, Bahamas

### Franklyn Augustus Butler, O.B.E. - Director

Mr. Butler is President and CEO of Milo Butler & Sons Co. Ltd. A director of several companies, Mr. Butler has interests in financial, real estate and commercial businesses throughout The Bahamas. Mr. Butler previously served as a Director of the Bahamas Electricity Corporation and is currently Deputy Chairman of The Bahamas Agricultural and Industrial Corporation. He has been on the Board of Directors of Commonwealth Bank since 1984.



Mr. Butler is a Bahamian citizen born on May 24, 1938. P.O. Box N-712, Nassau, Bahamas

### Roland Craig Symonette - Director



Mr. Symonette has diverse holdings in real estate, financial and commercial ventures throughout The Bahamas. He is Chairman of Abaco Markets Ltd. Mr. Symonette serves on the board of directors of several Bahamian companies including Bahamas Fast Ferries. He is President of Freeport Feeder Ltd. and Inter-Island Shipping Co. He has served on the Board of Directors of Commonwealth Bank a total of 15 years.

Mr. Symonette is a Bahamian citizen born on August 31, 1951. P.O. Box N-3709, Nassau, Bahamas



## NON-EXECUTIVE DIRECTORS

### Vincent Yelverton D'Aguilar – Director

Mr. Vincent D'Aguilar has diverse financial, real estate and commercial interests throughout The Bahamas. He has been a director of the Bahamas Hotel Association, a trustee of The Bahamas Hotel and Allied Industries Pension Fund, a director of J.S. Johnson, Global Life Insurance (Bahamas) Limited and Founding Chairman of the Insurance Company of The Bahamas Limited. He has served as Deputy Chairman of the Bahamas Electricity Corporation and President of The Bahamas Chamber of Commerce. Mr. D'Aguilar has been on the Board of Directors of Commonwealth Bank since 1987.



Mr. D'Aguilar is a Bahamian citizen born on December 25, 1932. P.O. Box N-213, Nassau, Bahamas



### Vaughan William Theodore Higgs - Director

Mr. Vaughan Higgs joined the family business, Nassau Paper Company Ltd., in 1967 and is now Vice President and General Manager. Mr. Higgs is a director of several Bahamian companies including New Providence Traders Ltd., Y-II Shipping Co. Ltd., Flagship Business Forms Ltd., Parliament Properties Ltd., and Galleria Cinemas Ltd. He has been on the Board of Directors of Commonwealth Bank since 1994.

Mr. Higgs is a Bahamian citizen born on December 5, 1949. P.O. Box N-4139, Nassau, Bahamas

### George Clifford Culmer – Director

Mr. Clifford Culmer, FCA, founder and partner in the chartered accounting firm of BDO Mann Judd, was the first Bahamian member of the Institute of Chartered Accounts in England and Wales. A founding member of The Bahamas Institute of Chartered Accountants, Mr. Culmer is a member of the council of BDO International and a director of the Bahamas Financial Services Board. He has been on the Board of Directors of Commonwealth Bank since 1998.



Mr. Culmer is a Bahamian citizen born on May 10, 1935. P.O. Box N-10144, Nassau, Bahamas



### Michael Lancelot Barnett – Director

Mr. Michael Barnett has been a partner with Graham Thompson & Co., Attorneys-at-law, since 1983. Mr. Barnett has served as Registrar of Examination, President of the Bahamas Bar Association, Chairman of the Bar Council and as an Acting Justice of the Supreme Court of The Bahamas. He has held directorships in various offshore banks and is a member of the Financial Services Advisory Committee. Mr. Barnett was elected to the Board of Directors of Commonwealth Bank in 1999.

Mr. Barnett is a Bahamian citizen born on August 21, 1954. P.O. Box N-272, Nassau, Bahamas

### Sen. Dr. Marcus Carl Bethel - Director

Dr. Marcus Bethel is Consultant Internist at the Lucayan Medical Centre, Freeport where he was Medical Director/Administrator from 1978-1997. Dr. Bethel, who holds a B.Sc. and an M.D., was presented with the Distinguished Physicians Award by the Medical Association of The Bahamas in 1991. He is currently Opposition Leader in the Senate of The Bahamas. Dr. Bethel has been a director of Commonwealth Bank for a total of four years.



Dr. Bethel is a Bahamian citizen born on July 4, 1947. P.O. Box F-40827, Nassau, Bahamas



## NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS

The following table details the interest of Non-Executive Directors in common shares of Commonwealth Bank Limited through direct, indirect and related party holdings:

Name	No. of Shares Pre- Offer	Pre - Offer Ownership %	Post- Offer Ownership %
Rupert Winer Roberts, Jr.	3,875,860	13.77%	12.44%
Franklyn Augustus Butler	1,218,338	4.33%	3.91%
Vaughan William T. Higgs	918,090	3.26%	2.95%
Theodore Brent Symonette	729,101	2.59%	2.34%
Roland Craig Symonette	717,131	2.55%	2.30%
Reno Jean Brown	517,308	1.84%	1.66%
Vincent Yelverton D'Aguilar	500,000	1.78%	1.60%
Sen. Dr. Marcus Carl Bethel	58,456	0.21%	0.19%
George Clifford Culmer	52,500	0.19%	0.17%
Michael Lancelot Barnett	—	0.00%	0.00%
<b>Totals for Non-Executive Directors</b>	<u>8,586,784</u>	<u>30.52%</u>	<u>27.56%</u>
<b>Total Common Shares Issued</b>	<b>28,153,332</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Total Common Shares Outstanding</b>		<b>28,153,332</b>	<b>31,153,332</b>

*Non-Executive Directors are paid \$7,500 per annum directors' fees. In addition Directors are reimbursed for sitting on sub-committees of the Board. Total payments made to Directors in 1999 and 1998 were \$130,499 and \$151,750 respectively.*

## OFFICERS AND DIRECTORS OF SUBSIDIARIES

### Laurentide Insurance and Mortgage Company Limited

**Timothy Baswell Donaldson – Executive Chairman**  
See Management Section  
**William Bateman Sands, Jr. – President, C.E.O. and Director**  
See Management Section  
**Reno Jean Brown – Treasurer and Director**  
See Directors Section  
**Ian Andrew Jennings – Senior Vice President  
& Chief Financial Officer**  
See Management Section  
**Trevor Bryan Thompson – Senior Vice President  
& Corporate Secretary**  
See Management Section

### C. B. Securities Ltd.

**Timothy Baswell Donaldson – Chairman**  
See Management Section  
**William Bateman Sands, Jr. – President and Director**  
See Management Section  
**Ian Andrew Jennings – Treasurer and Director**  
See Management Section  
**Trevor Bryan Thompson – Secretary and Director**  
See Management Section

### C. B. Holdings Ltd.

**Timothy Baswell Donaldson – Chairman**  
See Management Section  
**William Bateman Sands, Jr. – President and Director**  
See Management Section  
**Ian Andrew Jennings – Vice President and Director**  
See Management Section  
**Reno Jean Brown – Treasurer and Director**  
See Directors Section  
**Trevor Bryan Thompson – Secretary and Director**  
See Management Section





## SELECTED CONSOLIDATED STATISTICAL, FINANCIAL AND OTHER INFORMATION

The following financial ratios are derived from the financial statements and projections on pages 37 to 56 in this prospectus and should be read in conjunction therewith. The dividend yield is calculated using the actual and projected dividend pay-out.

### FOR THE YEARS ENDED 31 DECEMBER (Expressed in B\$ unless otherwise specified)

	Projected 2001	2000	1999	1998	1997	1996	1995
<b>Income Statement Data:</b>							
Interest Income	70,907,000	64,055,000	56,782,609	51,776,568	41,724,241	36,288,837	31,741,5
Interest Expense	<u>(25,597,000)</u>	<u>(23,639,000)</u>	<u>(23,796,128)</u>	<u>(24,761,582)</u>	<u>(19,894,059)</u>	<u>(17,698,742)</u>	<u>(12,787,6</u>
<b>Net Interest Income</b>	45,310,000	40,416,000	32,986,481	27,014,986	21,830,182	18,590,095	18,954,7
Provision for Loan Losses	<u>(2,950,000)</u>	<u>(2,661,000)</u>	<u>(2,545,292)</u>	<u>(3,154,775)</u>	<u>(55,162)</u>	<u>(2,703,746)</u>	<u>(1,974,1</u>
<b>Net Interest Income after Provision for Loan Losses</b>	42,360,000	37,755,000	30,441,189	23,860,211	21,775,020	15,886,349	16,980,1
Non-interest Income	12,200,000	11,550,000	9,983,860	8,812,888	8,862,207	6,820,641	6,375,0
Non-interest Expenses	<u>(35,048,000)</u>	<u>(30,928,000)</u>	<u>(24,741,176)</u>	<u>(21,276,291)</u>	<u>(20,430,524)</u>	<u>(16,684,681)</u>	<u>(15,516,3</u>
<b>Net Income</b>	<u>19,512,000</u>	<u>18,377,000</u>	<u>15,683,873</u>	<u>11,396,808</u>	<u>10,206,703</u>	<u>6,022,309</u>	<u>7,838,4</u>
Net Income available to Common Shareholders	<u>14,058,000</u>	<u>12,923,000</u>	<u>12,733,063</u>	<u>10,871,232</u>	<u>9,710,712</u>	<u>5,526,318</u>	<u>7,389,3</u>
<b>Per Share Data:</b>							
Earnings Per Share	0.45	0.43	0.41	0.35	0.32	0.18	0
Book Value	1.60	1.44	0.85	1.22	1.12	0.98	0
Cash Dividends	0.32	0.30	0.28	0.25	0.18	0.16	0
Script Dividends	0	0	0	0	0.06	0.04	
Weighted Average Common Shares Outstanding ( '000's)	31,292	30,016	30,840	30,985	30,633	30,364	30,000
<b>Balance Sheet Data:</b>							
Total Assets	608,067,000	557,181,000	503,723,037	433,883,959	375,112,844	300,050,666	268,773,
Securities	54,000,000	50,000,000	44,217,276	42,123,555	21,865,149	19,812,278	17,410,
Loans	509,359,000	463,495,000	416,287,295	355,224,065	310,938,567	247,068,996	220,554,
Net Write-offs	1,450,000	1,287,544	1,106,768	1,288,869	1,284,877	1,123,332	853,
Total Deposits	467,195,000	416,353,000	379,556,899	312,926,894	253,227,723	184,039,037	165,561,
Total Shareholders' Equity	111,241,000	106,005,000	84,822,835	43,980,678	40,382,041	35,958,317	34,725,



## SELECTED CONSOLIDATED STATISTICAL, FINANCIAL AND OTHER INFORMATION

**FOR THE YEARS ENDED 31 DECEMBER**

	Projected						
	2001	2000	1999	1998	1997	1996	1995
<b>Performance Ratios:</b>							
Price/Earnings	13.33	13.95	14.63	17.14	18.75	33.33	24.0
Price to Book Value	3.75	4.17	7.06	4.92	5.36	6.12	6.32
Dividend Yield	5.33%	5.00%	4.67%	4.17%	3.00%	2.67%	2.67%
Return on Average Assets	2.39%	2.41%	2.72%	2.69%	2.88%	1.94%	3.03%
Return on Average Shareholders' Equity	29.57%	37.59%	33.30%	29.00%	29.00%	18.00%	24.05%
Common Dividend Pay-out Ratio	71.30%	70.73%	65.90%	71.54%	74.64%	110.12%	65.10%
Efficiency Ratio	60.94%	59.51%	57.58%	59.38%	66.57%	65.66%	61.26%
<b>Asset Quality Ratios:</b>							
Non Performing Assets to Loans	1.75%	1.70%	1.65%	2.44%	1.37%	2.54%	2.28%
Non Performing Assets to Total Assets	1.47%	1.41%	1.37%	1.99%	1.14%	2.09%	1.87%
Net Write-offs to Average Loans	0.30%	0.29%	0.29%	0.39%	0.46%	0.48%	0.42%
Provision for Loan Losses to Total Loans	2.22%	2.11%	2.07%	1.97%	1.65%	2.57%	2.16%
Provision for Loan Losses to Non Performing Loans	126.76%	124.36%	122.43%	80.77%	119.86%	101.24%	98.97%
<b>Liquidity Ratio:</b>							
Average Cash and Securities to Average Total Assets	14.33%	14.36%	14.84%	14.37%	13.86%	14.65%	13.47%
<b>Capital Ratio:</b>							
Average Shareholders' Equity to Average Total Assets	18.43%	17.75%	13.74%	10.43%	11.31%	12.43%	12.92%



## COMMONWEALTH BANK LIMITED CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 1999, 1998, 1997, 1996 and 1995  
(Expressed in Bahamian dollars)

	1999	1998	1997	1996	1995
<b>ASSETS</b>					
Cash and deposits with banks	\$ 12,731,516	\$ 8,846,674	\$ 13,705,226	\$ 11,179,412	\$ 10,340,551
Balances with Central Bank	16,503,921	14,742,208	14,995,711	12,027,440	12,583,532
Government Stock, Investments and Treasury Bills	44,217,276	42,123,555	21,865,149	19,812,278	17,410,956
Loans receivable	407,862,268	348,237,562	305,817,970	240,718,684	215,784,744
Premises and equipment	21,214,418	19,032,693	17,824,404	15,224,199	11,825,699
Other assets	<u>1,193,638</u>	<u>901,267</u>	<u>904,384</u>	<u>1,088,653</u>	<u>827,705</u>
<b>TOTAL</b>	<u>\$503,723,037</u>	<u>\$433,883,959</u>	<u>\$375,112,844</u>	<u>\$300,050,666</u>	<u>\$268,773,187</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Liabilities:</b>					
Deposits	\$379,556,899	\$312,926,894	\$253,227,723	\$184,039,037	\$165,561,357
Life assurance fund	5,764,007	4,941,696	4,635,460	3,235,702	3,086,492
Loans and mortgages payable	—	—	2,323,709	3,618,649	4,127,176
Other liabilities	8,224,478	5,166,277	5,519,082	5,132,078	4,741,810
Dividends payable	<u>26,869</u>	<u>26,648</u>	<u>9,193</u>	<u>37,492</u>	<u>23,186</u>
	393,572,253	323,061,515	265,715,167	196,062,958	177,540,021
Shareholders' loans	<u>25,327,949</u>	<u>66,841,766</u>	<u>69,015,636</u>	<u>68,029,391</u>	<u>56,507,533</u>
<b>Total liabilities</b>	<u>418,900,202</u>	<u>389,903,281</u>	<u>334,730,803</u>	<u>264,092,349</u>	<u>234,047,554</u>
<b>Shareholders' equity:</b>					
Share capital	62,679,900	7,874,821	7,888,816	7,884,405	7,815,239
Share premium	—	9,657,005	9,538,287	7,981,560	6,658,962
Deferred compensation reserve	—	—	(400,000)	(800,000)	(1,200,000)
General reserve	—	10,000,000	10,000,000	10,000,000	10,000,000
Retained earnings	<u>22,142,935</u>	<u>16,448,852</u>	<u>13,354,938</u>	<u>10,892,352</u>	<u>11,451,432</u>
<b>Total shareholders' equity</b>	<u>84,822,835</u>	<u>43,980,678</u>	<u>40,382,041</u>	<u>35,958,317</u>	<u>34,725,633</u>
<b>TOTAL</b>	<u>\$503,723,037</u>	<u>\$433,883,959</u>	<u>\$375,112,844</u>	<u>\$300,050,666</u>	<u>\$268,773,187</u>

Copies of the above Audited Financial Statements are available for inspection (see page 62).



## COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1999, 1998, 1997, 1996 and 1995  
(Expressed in Bahamian dollars)

	1999	1998	1997	1996	1995
INCOME:					
Interest income	\$56,782,609	\$51,776,568	\$41,724,241	\$36,288,837	\$31,741,914
Interest expense	<u>(23,796,128)</u>	<u>(24,761,582)</u>	<u>(19,894,059)</u>	<u>(17,698,742)</u>	<u>(12,787,640)</u>
Net interest income	32,986,481	27,014,986	21,830,182	18,590,095	18,954,274
Loan loss provision	<u>(2,545,292)</u>	<u>(3,154,775)</u>	<u>(55,162)</u>	<u>(2,703,746)</u>	<u>(1,974,107)</u>
	30,441,189	23,860,211	21,775,020	15,886,349	16,980,167
Life assurance, net	2,084,007	2,067,613	1,703,852	1,796,250	1,583,188
Fees and other income	<u>7,899,853</u>	<u>6,745,275</u>	<u>7,158,355</u>	<u>5,024,391</u>	<u>4,791,892</u>
	<u>40,425,049</u>	<u>32,673,099</u>	<u>30,637,227</u>	<u>22,706,990</u>	<u>23,355,247</u>
NON-INTEREST EXPENSES:					
General and administrative	22,589,786	19,487,670	17,566,141	15,180,794	14,212,737
Depreciation and amortization	2,349,140	1,922,371	1,395,048	1,288,484	1,094,872
Directors' and officers' fees	234,250	234,250	199,335	215,403	209,225
(Recovery) provision for loss from robbery	—	(950,000)	1,270,000	—	—
Net (recovery) provision for cheque loss	<u>(432,000)</u>	<u>582,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>24,741,176</u>	<u>21,276,291</u>	<u>20,430,524</u>	<u>16,684,681</u>	<u>15,516,834</u>
NET INCOME	15,683,873	11,396,808	10,206,703	6,022,309	7,838,413
Preference share dividends	<u>(2,950,810)</u>	<u>(525,576)</u>	<u>(495,991)</u>	<u>(495,991)</u>	<u>(449,099)</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$12,733,063</u>	<u>\$10,871,232</u>	<u>\$9,710,712</u>	<u>\$5,526,318</u>	<u>\$7,389,314</u>
AVERAGE NUMBER OF COMMON SHARES (Thousands)	<u>30,840</u>	<u>30,985</u>	<u>30,633</u>	<u>30,364</u>	<u>30,099</u>
EARNINGS PER SHARE	<u>\$ 0.41</u>	<u>\$ 0.35</u>	<u>\$ 0.32</u>	<u>\$ 0.18</u>	<u>\$ 0.25</u>

Copies of the above Audited Financial Statements are available for inspection (see page 62).



## COMMONWEALTH BANK LIMITED

# CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1999, 1998, 1997, 1996 and 1995  
(Expressed in Bahamian dollars)

	1999	1998	1997	1996	1995
<b>PREFERENCE SHARES</b>					
Balance at beginning of year	\$ 6,007,600	\$ 6,046,100	\$ 6,057,100	\$ 6,008,100	\$ 5,000,000
Issued/(redeemed)	<u>54,983,100</u>	<u>(38,500)</u>	<u>(11,000)</u>	<u>49,000</u>	<u>1,008,100</u>
Balance at end of year	<u>60,990,700</u>	<u>6,007,600</u>	<u>6,046,100</u>	<u>6,057,100</u>	<u>6,008,100</u>
<b>COMMON SHARES</b>					
Balance at beginning of year	1,867,221	1,842,716	1,827,305	1,807,139	1,802,683
Issued	1,979	24,505	21,844	20,166	4,456
Purchased for reissue	<u>(180,000)</u>	<u>—</u>	<u>(6,433)</u>	<u>—</u>	<u>—</u>
Balance at end of year	<u>1,689,200</u>	<u>1,867,221</u>	<u>1,842,716</u>	<u>1,827,305</u>	<u>1,807,139</u>
<b>SHARE PREMIUM</b>					
Balance at beginning of year	9,657,005	9,538,287	7,981,560	6,658,962	6,396,680
Issuance of common shares	139,896	141,218	1,940,539	1,322,598	262,282
Issuance of shares – Employee Stock Option Plan	—	(22,500)	—	—	—
Conversion of Shareholders' loans	(774,766)	—	—	—	—
Common shares purchased for reissue	<u>(9,022,135)</u>	<u>—</u>	<u>(383,812)</u>	<u>—</u>	<u>—</u>
Balance at end of year	<u>—</u>	<u>9,657,005</u>	<u>9,538,287</u>	<u>7,981,560</u>	<u>6,658,962</u>
<b>GENERAL RESERVE</b>					
Balance at beginning of year	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Transfer to retained earnings	<u>(10,000,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance at end of year	<u>—</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
<b>DEFERRED COMPENSATION</b>					
	<u>—</u>	<u>—</u>	<u>(400,000)</u>	<u>(800,000)</u>	<u>(1,200,000)</u>
<b>RETAINED EARNINGS</b>					
Balance at beginning of year	16,448,852	13,354,938	10,892,352	11,451,432	8,872,846
Net income	15,683,873	11,396,808	10,206,703	6,022,309	7,838,413
Common share dividends	(8,391,115)	(7,777,318)	(7,248,126)	(6,085,398)	(4,810,728)
Preference share dividends	(2,950,810)	(525,576)	(495,991)	(495,991)	(449,099)
Transfer from general reserve	10,000,000	—	—	—	—
Common shares purchased for reissue	<u>(8,647,865)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance at end of year	<u>22,142,935</u>	<u>16,448,852</u>	<u>13,354,938</u>	<u>10,892,352</u>	<u>11,451,432</u>
<b>SHAREHOLDERS' EQUITY AT END OF YEAR</b>	<u>\$84,822,835</u>	<u>\$43,980,678</u>	<u>\$40,382,041</u>	<u>\$35,958,317</u>	<u>\$34,725,633</u>

Copies of the above Audited Financial Statements are available for inspection (see page 62).



## COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1999, 1998, 1997, 1996 and 1995  
(Expressed in Bahamian dollars)

	1999	1998	1997	1996	1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Interest receipts	\$54,920,934	\$49,791,613	\$38,752,616	\$34,082,626	\$29,989,976
Interest payments	(23,796,128)	(24,761,582)	(19,115,153)	(16,933,989)	(11,553,508)
Life assurance premiums received	4,132,697	3,566,210	4,185,826	2,790,290	2,722,268
Life assurance claims and expenses paid	(1,226,379)	(1,180,583)	(1,082,216)	(844,830)	(868,935)
Fees and commissions received	7,899,853	6,733,496	7,134,717	5,014,460	4,801,825
Recoveries	600,205	998,675	125,898	128,675	110,078
Cheque Loss	(50,000)	(582,000)	—	—	—
Loss from robbery	—	—	(1,270,000)	—	—
Cash payments to employees and suppliers	<u>(21,403,179)</u>	<u>(21,015,458)</u>	<u>(17,596,693)</u>	<u>(15,158,714)</u>	<u>(14,645,607)</u>
	21,078,003	13,550,371	11,134,995	9,078,518	10,556,097
Increase in loans receivable	(61,063,230)	(44,285,498)	(63,869,571)	(27,637,686)	(33,878,907)
Increase in deposits	66,630,005	59,699,171	69,188,686	18,477,680	35,262,938
(Decrease) increase in shareholders' loans	<u>(41,513,817)</u>	<u>(2,173,870)</u>	<u>986,245</u>	<u>11,521,858</u>	<u>9,844,957</u>
Net cash (used in) from operating activities	<u>(14,869,039)</u>	<u>26,790,174</u>	<u>17,440,355</u>	<u>11,440,370</u>	<u>21,785,085</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of Government Stock, Investments and Treasury Bills	(95,717,279)	(93,784,060)	(69,927,693)	(65,974,156)	(8,124,484)
Interest receipts and repayment of Government Stock and Treasury Bills	95,485,233	75,468,375	69,482,896	65,226,168	2,469,309
Purchases of premises and equipment	(4,530,865)	(3,153,839)	(4,060,587)	(4,776,120)	(4,556,558)
Proceeds from sale of equipment and equity investment	—	72,172	65,334	50,353	15,950
Net cash used in investing activities	<u>(4,762,911)</u>	<u>(21,397,352)</u>	<u>(4,440,050)</u>	<u>(5,473,755)</u>	<u>(10,195,783)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Dividends paid	(11,341,704)	(8,285,439)	(6,010,017)	(5,338,114)	(6,438,430)
Repayment of loans and mortgages payable	—	(2,323,709)	(1,294,940)	(508,527)	—
Proceeds from issue of common shares	141,875	142,771	199,981	113,795	266,738
Proceeds from issue of preference shares	54,343,334	—	—	200,000	1,168,100
Purchase of common shares for re-issue	(17,850,000)	—	(390,244)	—	—
Redemption of preference shares	<u>(15,000)</u>	<u>(38,500)</u>	<u>(11,000)</u>	<u>(151,000)</u>	<u>(160,000)</u>
Net cash from (used in) financing activities	<u>25,278,505</u>	<u>(10,504,877)</u>	<u>(7,506,220)</u>	<u>(5,683,846)</u>	<u>(5,163,592)</u>
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	5,646,555	(5,112,055)	5,494,085	282,769	6,425,710
CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,588,882</u>	<u>28,700,937</u>	<u>23,206,852</u>	<u>22,924,083</u>	<u>16,498,373</u>
CASH EQUIVALENTS, END OF YEAR	<u>\$29,235,437</u>	<u>\$23,588,882</u>	<u>\$28,700,937</u>	<u>\$23,206,852</u>	<u>\$22,924,083</u>

Copies of the above Audited Financial Statements are available for inspection (see page 62).



## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations analyses the major elements of the Bank's balance sheet and statement of income. This section should be read in conjunction with the Bank's Financial Statements and accompanying notes and other detailed information appearing elsewhere in the Prospectus.

### 1999 PERFORMANCE:

#### AN OVERVIEW

- **Third consecutive year of record profits**
- **Surpassed \$500 million in total assets**
- **Earnings per share 41 cents - an 18% increase on 1998**
- **Return on common shareholders' equity of 33.3% up 14.75% over 1998**
- **Common share dividends up 12%**
- **Net income after preference dividends increased 17.1%**
- **Gross revenues increased 20%**
- **Non performing loans fell to 1.65% of loans**
- **Efficiency ratio of 57.5%, improved from 59.4% in 1998**
- **\$3/4 million added to general provision**
- **Total capital exceeds \$84 million**
- **\$39.4 million subordinated debt converted to preference shares**
- **3 million common shares purchased for re-issue in the year 2000**
- **Y2K, Hurricane Floyd and communication breakdown between Nassau and Grand Bahama taken in stride**
- **SunCard accepted at Bahamas Customs**

### Overview

For the 12 months ended December 31, 1999, the Bank earned net income of \$15.68 million, an increase of \$4.29 million or 37.6% over the same period in 1998. Earnings per share increased to \$0.41 for the year from \$0.35 for the same period in 1998. This earnings growth was due to the general liquidity in the system that reduced the cost of funds, as well as a change in the capital structure that converted subordinated debt into Preference Shares. The impact of this change is discussed below. The return on average equity for 1999 was 33.3% compared to 29% for 1998. Return on average assets was 2.72% in 1999 up from 2.69% in 1998. The Bank declared and paid common share dividends of 28 cents per share in 1999 and 25 cents in 1998, pay-out ratios of 66% and 71.5% respectively of net income available to common shareholders.

Total assets increased to \$503.7 million from \$433.8 million, an increase of 16%. Deposits increased 21.3%, Shareholders' equity 93%. Loans increased 17%, cash and liquid assets 11.8% and subordinated debt (Shareholder loans payable) fell 62%.

On November 19, 1999 the Protection of Depositors Act 1999 became law. As a registered member under this scheme, deposit accounts at the Bank up to B\$50,000 are insured by the Deposit Insurance Corporation.



## Capital Transactions

During the year the Bank issued \$55 million Preference Shares. In March, 1999, \$15 million of these shares were issued for cash. The remaining shares were issued between July 1 and October 1, 1999 as part of a conversion program of subordinated debt. This program was approved by the Board of Directors and The Central Bank of The Bahamas and details of the transaction are included in Note 8 to the Financial Statements.

On November 26, 1999, the Bank redeemed from three of its major shareholders 3 million ordinary shares for \$17.85 million. Details of this transaction are outlined on page 11, "Price History and Dividend Policy", and in Note 9 to the Financial Statements.

Prior to this transaction total equity exceeded \$100 million. On successful completion of this public offering, total equity will once again exceed \$100 million.

## Results of Operations

### *Net Interest Income*

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

Net interest income for the year ended December 31, 1999 was \$33 million, an increase of \$6 million or 22.2% from \$27 million for the year ended December 31, 1998. The increase in net interest income resulted from increases in the Bank's loan and securities portfolios. This more than compensated for the fall in interest rates as a result of the reduction in Bahamian prime rate on July 1, 1999. The high liquidity that prevailed throughout the year contributed significantly to the reduction in interest expense, despite the 21.3% increase in deposits.

The conversion of subordinated debt to Preference Shares through the year also resulted in a reclassification of interest expense into Preference Share Dividends. In line with International Accounting Standards, this was classified as a dividend after calculation of net profit. Approximately \$1.5 million interest expense was re-classified on this basis.

### *Provisions for Loan Losses*

The provision for loan losses was \$2.55 million for the twelve months ended December 31, 1999 and \$3.15 million for the same period in 1998, a decrease of \$0.6 million or 19%.

### *Non-interest Income*

Non-interest income for the twelve months ended December 31, 1999 was \$10.0 million, an increase of \$1.2 million or 13.6% from \$8.8 million in the same period in 1998.

### *Non-interest Expenses*

In the twelve-month period ended December 31, 1999 non-interest expenses increased \$3.5 million or 16.3% over 1998. However, for the twelve months ended December 31, 1999, the efficiency ratio, calculated by dividing total non-interest expenses (excluding securities gains and losses) by net interest income plus non-interest income, decreased from 59% in 1998 to 57.6%. This decrease was primarily due to increased revenues.

General and administrative expense for the twelve months ended December 31, 1999 was \$22.6 million, an increase of \$3.1 million or 15.9% from \$19.5 million in the same period of 1998. The increase was due to additional personnel costs required to accommodate the Bank's growth. The average number of employees increased during the year to 379 from 352 for 1998, a 7.7% increase. Staff was 404 at December 31, 1999.

Depreciation and amortization expense increased to \$2.3 million for 1999, an increase of \$400,000 or 22% from \$1.9 million for the same period in 1998. The increase was primarily depreciation of the capital investment related to Year 2000 upgrades.

### *Impact of Inflation*

The effects of inflation on the local economy and on the Bank's operating results have been relatively modest for the past several years. Since substantially all of the Bank's assets and liabilities are monetary in nature, such as cash, securities, loans and deposits, their values are less sensitive to the effects of inflation than to changing interest rates which do not necessarily change in accordance with inflation rates. The Bank tries to control the impact of interest rate fluctuations by managing the relationship between its interest rate sensitive assets and liabilities. See "Financial Condition – Interest Rate Sensitivity and Liquidity" below.



## Financial Condition

### Loan Portfolio

Consumer loans made by the Bank include automobile loans, home improvement loans, personal loans (collateralized and uncollateralized) and deposit account collateralized loans. The terms of these loans typically range from 12 to 84 months and vary based upon the nature of collateral and size of loan. Consumer loans typically range from \$5,000 to \$25,000 with the largest consumer loan being \$50,000.

Mortgage loans made by the bank are generally first demand legal mortgages primarily on residential real estate. The Bank finances the purchase of existing residences as well as new construction with terms up to 25 years. The Bank currently offers the lowest financing rate on personal mortgages and is engaged in a campaign to increase its market share in this segment.

On a more restricted basis, the Bank offers mortgage financing for companies to purchase real estate.

### Non-performing Assets

The Bank has well-developed procedures in place to maintain a high quality loan portfolio. These procedures include credit quality policies that begin with the approval of lending policies and underwriting guidelines by the Board of Directors, an independent loan review conducted by the Bank's internal auditor, individual lending limits for officers, Loan Committee approval for large credit relationships and quality loan documentation procedures. The Bank monitors delinquency levels for any negative or adverse trends. There can be no assurance, however, that the Bank's loan portfolio will not become subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

The Bank policy on placing loans on non-accrual status is discussed in Note 2 to the financial statements on page 42.

### Allowance for Loan Losses

The allowance for loan losses is a reserve established through charges to earnings in the form of a provision for loan losses. Based on an evaluation of the loan portfolio, management reviews the adequacy of the allowance for loan losses monthly.

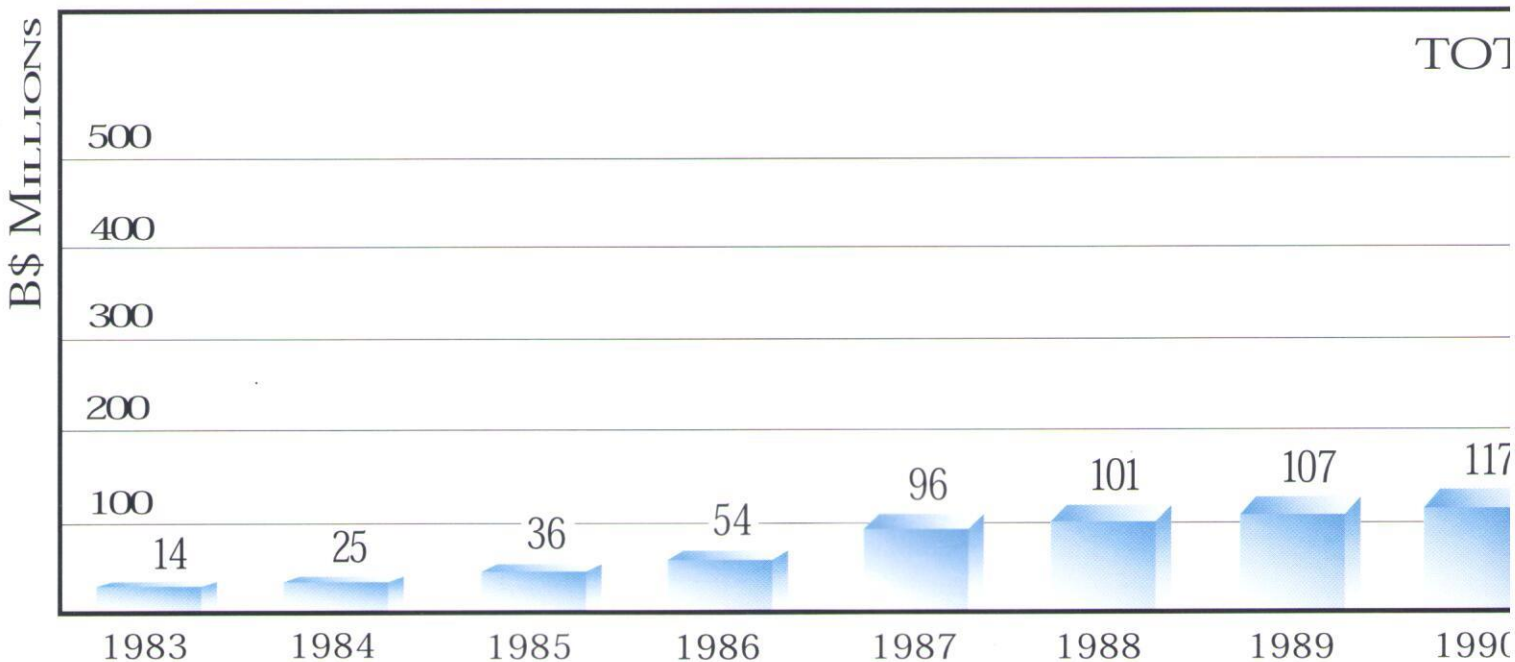
In making its evaluation, management considers the effect of macroeconomic changes in underlying collateral values, the effects of current economic indicators and their probable impact on borrowers. On a microeconomic level management considers the amount of charge-offs for the period, the amount of non-performing loans and related collateral security, the evaluation of its loan portfolio by the Bank's independent loan review function and the annual examination of the Bank's financial statements by its independent auditors. Charge-offs occur when loans are deemed to be uncollectable.

During the year the Bank increased the general provision on consumer loans based on an analysis of the recent rapid growth in the loan portfolio. This growth reflects the overall vibrant condition of the economy. The Bank believes it is prudent to increase the general reserve, so should any downturn occur in the economy, the Bank will be adequately provided against any increased losses that result.

Management believes that the allowance for loan losses at December 31, 1999 is adequate to cover losses inherent in the portfolio as of such date. There can be no assurance, however, that the Bank will not sustain losses in future periods, which could be greater than the size of the allowance at December 31, 1999.

### Deposits

The Bank offers a variety of deposit accounts having a wide range of interest rates and terms. The Bank's deposits consist of demand, savings and time accounts. The Bank relies primarily on advertising, competitive pricing policies and customer service to attract and retain these deposits. Deposits generally provide the primary funding for the Bank's lending and investment activities. The interest paid for deposits is managed carefully to control the level of interest expense.





### Shareholders' Loans Payable

Shareholders' loans payable are unsecured long term notes. They are subordinated debt ranking behind deposits, and are priced accordingly. The terms and conditions of issue were approved by The Central Bank of The Bahamas. Dates of issue ranged from 1989 to 1997 with terms ranging from three to ten years. The remaining maturities are as follows:

<u>Year</u>	<u>Value</u>
2000	\$ 4,535,359
2001	5,441,875
2002	5,806,371
2003	2,495,861
2004	6,748,758
Accrued Interest Payable	<u>299,725</u>
Total	<u>\$25,327,949</u>

During the year, the Bank undertook a successful exercise in converting nearly \$40 million of shareholders' loans payable into permanent preference share capital, thus giving the Bank an unparalleled depth in capital. The terms of conversion were such that the Bank did not incur any additional expense based on the remaining life of the shareholders' loans payable and the preference share dividends payable over the same period.

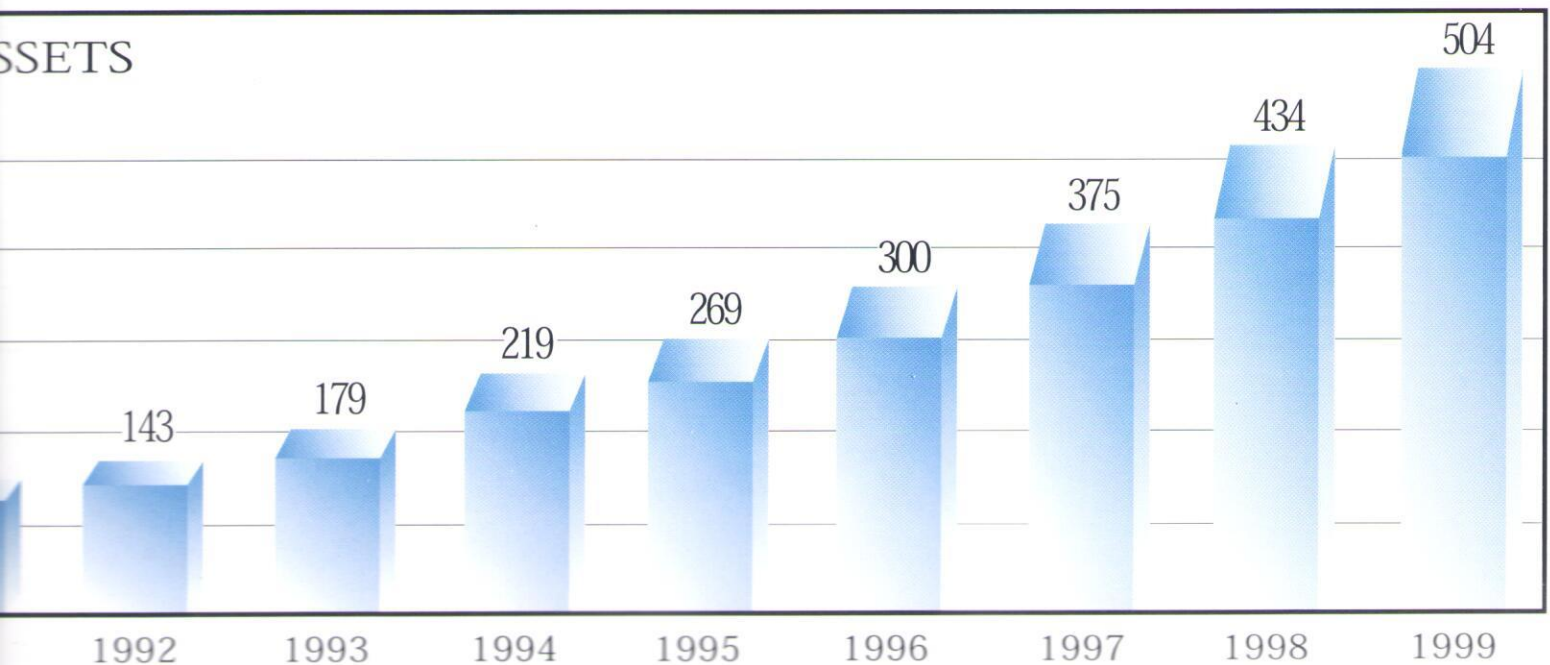
### Interest Rate Sensitivity and Liquidity

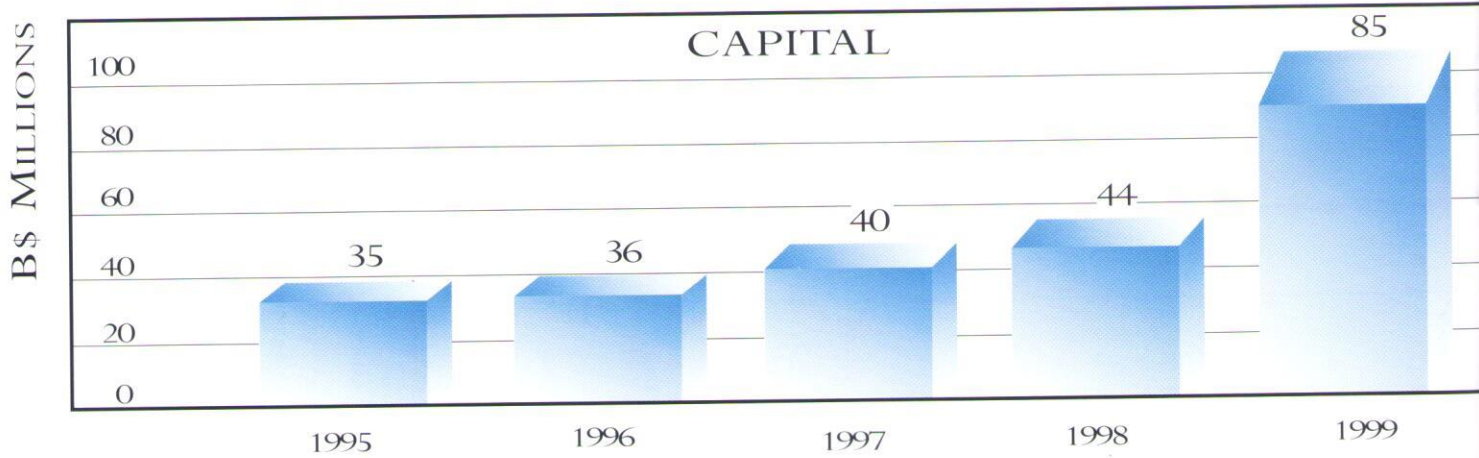
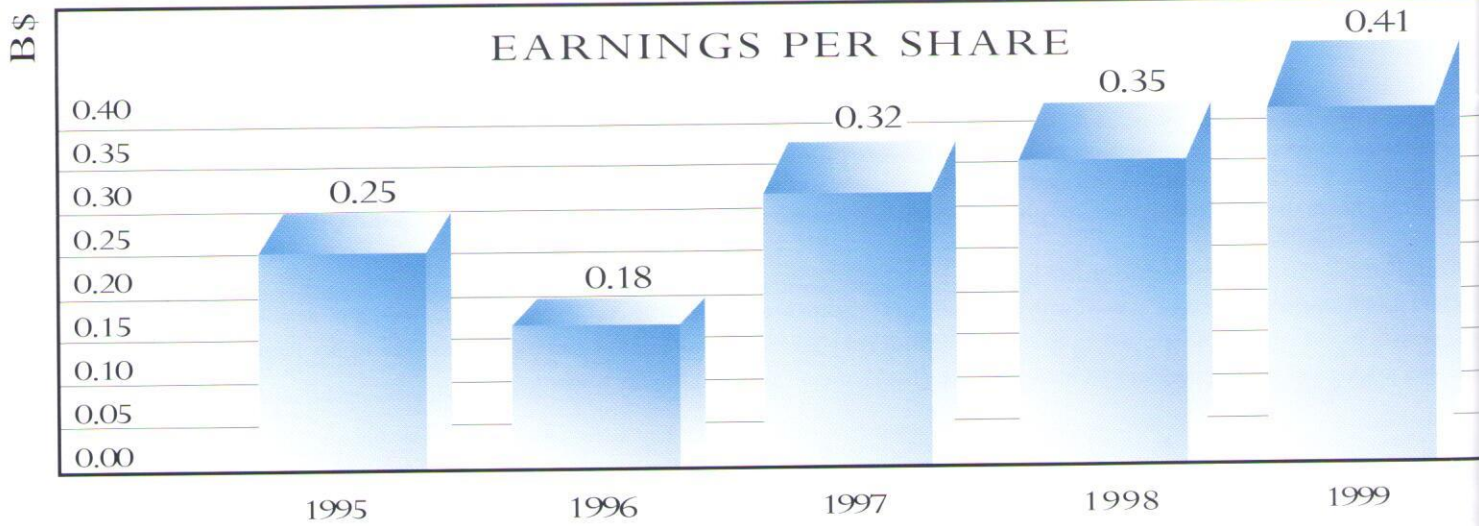
Asset and liability management is concerned with the timing and magnitude of repricing assets compared to liabilities. It is the objective of the Bank to generate stable growth in net interest income and to attempt to control risks associated with interest rate movements. The Bank's Finance Committee approves and establishes pricing and funding decisions with respect to the Bank's overall asset and liability composition.

Liquidity management is critical in protecting the Bank's capital, maintaining public confidence and ensuring that functional needs can be met, including financial commitments and opportunities for profitable business expansion. The Central Bank of The Bahamas requires the Bank to maintain reserve requirements. In practice the Bank's management of liquidity specifies minimum levels of liquid assets that exceed the statutory requirements. The Bank also limits the maximum net outflow of funds for specified time periods, particularly, peak lending periods. At the end of 1999, cash and liquid assets represented 14.5% of total assets.

### Operational Risk

Operational risk is the risk of loss occurring from inadequate internal practices, policies, systems and controls, human error, fraud or management failure. While operational risk can never be fully eliminated, the Bank endeavors to minimize it by ensuring that the appropriate infrastructure, controls, systems and trained and competent people are in place throughout the Bank. Segregation of duties, delegation of authorities, effective training, performance management, communication of risk tolerance, risk monitoring and financial management and reporting are amongst the procedures used to manage operational risk. The Bank also possesses back-up capabilities to support ongoing business operations in the event of adverse conditions. Key operational procedures are approved in accordance with delegated authorities and maintained on an ongoing basis to reflect changes in the business environment.







## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Commonwealth Bank Limited:

We have audited the accompanying consolidated balance sheet of Commonwealth Bank Limited (the "Bank") as of December 31, 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

*Deloitte & Touche*

January 24, 2000

# COMMONWEALTH BANK LIMITED

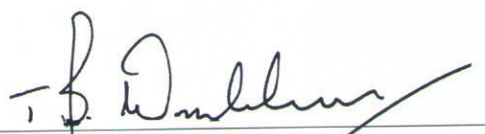
## CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1999

*(Expressed in Bahamian dollars)*

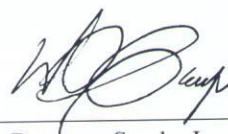
	1999	1998
<b>ASSETS</b>		
Cash and deposits with banks	\$ 12,731,516	\$ 8,846,674
Balances with Central Bank	16,503,921	14,742,208
Government Stock, Investments and Treasury Bills (Note 3)	44,217,276	42,123,555
Loans receivable (Notes 4 and 14)	407,862,268	348,237,562
Premises and equipment (Note 5)	21,214,418	19,032,693
Other assets	<u>1,193,638</u>	<u>901,267</u>
<b>TOTAL</b>	<u>\$503,723,037</u>	<u>\$433,883,959</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Deposits (Note 6)	\$379,556,899	\$312,926,894
Life assurance fund (Note 7)	5,764,007	4,941,696
Other liabilities	8,224,478	5,166,277
Dividends payable	<u>26,869</u>	<u>26,648</u>
	393,572,253	323,061,515
 Shareholders' loans payable (Note 8)	<u>25,327,949</u>	<u>66,841,766</u>
Total liabilities	<u>418,900,202</u>	<u>389,903,281</u>
<b>Shareholders' Equity:</b>		
Share capital (Note 9)	62,679,900	7,874,821
Share premium	—	9,657,005
General reserve	—	10,000,000
Retained earnings	<u>22,142,935</u>	<u>16,448,852</u>
Total shareholders' equity	<u>84,822,835</u>	<u>43,980,678</u>
<b>TOTAL</b>	<u>\$503,723,037</u>	<u>\$433,883,959</u>

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

On behalf of the Board:



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



William Bateman Sands, Jr.  
President and Chief Executive Officer

# COMMONWEALTH BANK LIMITED

## CONSOLIDATED STATEMENT OF INCOME YEAR ENDED DECEMBER 31, 1999

*(Expressed in Bahamian dollars)*

	1999	1998
INCOME:		
Interest income	\$56,782,609	\$51,776,568
Interest expense	<u>(23,796,128)</u>	<u>(24,761,582)</u>
Net interest income	32,986,481	27,014,986
Loan loss provision (Note 4)	<u>(2,545,292)</u>	<u>(3,154,775)</u>
	30,441,189	23,860,211
Life assurance, net (Note 7)	2,084,007	2,067,613
Fees and other income	<u>7,899,853</u>	<u>6,745,275</u>
	<u>40,425,049</u>	<u>32,673,099</u>
NON-INTEREST EXPENSES:		
General and administrative	22,589,786	19,487,670
Depreciation and amortization (Note 5)	2,349,140	1,922,371
Directors' and officers' fees	234,250	234,250
Net recovery for cheque loss	<u>(432,000)</u>	<u>(368,000)</u>
	<u>24,741,176</u>	<u>21,276,291</u>
NET INCOME	15,683,873	11,396,808
PREFERENCE SHARE DIVIDENDS	<u>(2,950,810)</u>	<u>(525,576)</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$12,733,063</u>	<u>\$10,871,232</u>
AVERAGE NUMBER OF COMMON SHARES (Thousands)	<u>30,840</u>	<u>30,985</u>
EARNINGS PER SHARE	<u>\$ 0.41</u>	<u>\$ 0.35</u>

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

# COMMONWEALTH BANK LIMITED

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY YEAR ENDED DECEMBER 31, 1999

*(Expressed in Bahamian dollars)*

	1999	1998
<b>PREFERENCE SHARES (Note 9)</b>		
Balance at beginning of year	\$ 6,007,600	\$ 6,046,100
Issued	54,998,100	—
Redeemed	<u>(15,000)</u>	<u>(38,500)</u>
Balance at end of year	<u>60,990,700</u>	<u>6,007,600</u>
<b>COMMON SHARES (Note 9)</b>		
Balance at beginning of year	1,867,221	1,842,716
Issued	1,979	24,505
Purchased for reissue (Note 9)	<u>(180,000)</u>	<u>—</u>
Balance at end of year	<u>1,689,200</u>	<u>1,867,221</u>
<b>SHARE PREMIUM</b>		
Balance at beginning of year	9,657,005	9,538,287
Issuance of common shares	139,896	118,718
Conversion of shareholders' loans (Note 8)	(774,766)	—
Common shares purchased for reissue	<u>(9,022,135)</u>	<u>—</u>
Balance at end of year	<u>—</u>	<u>9,657,005</u>
<b>GENERAL RESERVE</b>		
Balance at beginning of year	10,000,000	10,000,000
Transfer to retained earnings	<u>(10,000,000)</u>	<u>—</u>
Balance at end of year	<u>—</u>	<u>10,000,000</u>
<b>RETAINED EARNINGS (Note 9)</b>		
Balance at beginning of year	16,448,852	13,354,938
Net income	15,683,873	11,396,808
Common share dividends: 28 cents per share (1998: 25 cents)	(8,391,115)	(7,777,318)
Preference share dividends	(2,950,810)	(525,576)
Transfer from general reserve	10,000,000	—
Common shares purchased for reissue (Note 9)	<u>(8,647,865)</u>	<u>—</u>
Balance at end of year	<u>22,142,935</u>	<u>16,448,852</u>
<b>SHAREHOLDERS' EQUITY AT END OF YEAR</b>	<u><b>\$84,822,835</b></u>	<u><b>\$43,980,678</b></u>

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

# COMMONWEALTH BANK LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 1999

(Expressed in Bahamian dollars)

	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest receipts	\$54,920,934	\$49,791,613
Interest payments	(23,796,128)	(24,761,582)
Life assurance premiums received	4,132,697	3,566,210
Life assurance claims and expenses paid	(1,226,379)	(1,180,583)
Fees and commissions received	7,899,853	6,733,496
Recoveries	600,205	998,675
Cheque loss	(50,000)	(582,000)
Cash payments to employees and suppliers	<u>(21,403,179)</u>	<u>(21,015,458)</u>
	21,078,003	13,550,371
Increase in loans receivable	(61,063,230)	(44,285,498)
Increase in deposits	66,630,005	59,699,171
Decrease in shareholders' loans	<u>(41,513,817)</u>	<u>(2,173,870)</u>
Net cash (used in) from operating activities	<u>(14,869,039)</u>	<u>26,790,174</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Government Stock, Investments and Treasury Bills	(95,717,279)	(93,784,060)
Interest receipts and repayment of Government Stock and Treasury Bills	95,485,233	75,468,375
Purchase of premises and equipment	(4,530,865)	(3,153,839)
Proceeds from sale of equipment and equity investment	<u>—</u>	<u>72,172</u>
Net cash used in investing activities	<u>(4,762,911)</u>	<u>(21,397,352)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid	(11,341,704)	(8,285,439)
Repayment of loans and mortgages payable	—	(2,323,709)
Proceeds from issue of common shares	141,875	142,771
Proceeds from issue of preference shares	54,343,334	—
Common shares purchased for reissue	(17,850,000)	—
Redemption of preference shares	<u>(15,000)</u>	<u>(38,500)</u>
Net cash from (used in) financing activities	<u>25,278,505</u>	<u>(10,504,877)</u>
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	5,646,555	(5,112,055)
CASH EQUIVALENTS, BEGINNING OF YEAR	<u>23,588,882</u>	<u>28,700,937</u>
CASH EQUIVALENTS, END OF YEAR	<u>\$29,235,437</u>	<u>\$23,588,882</u>

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

# COMMONWEALTH BANK LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1999

---

### 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 Regulation Act, 1965 as amended.

The principal business of the Bank is that of accepting savings, fixed and demand deposits and providing consumer finance and mortgage financing on real estate. As at December 31, 1999, the Bank has three wholly-owned subsidiaries which are incorporated in The Commonwealth of The Bahamas. The subsidiary companies are Laurentide Insurance and Mortgage Company Limited ("Laurentide"), which provides credit life insurance in respect of the Bank's borrowers, C.B. Securities Ltd. which was incorporated on September 2, 1996, and operates as an investment company, and C.B. Holding Co. Ltd. which was incorporated on December 8, 1997 and to date has not commenced trading.

The average number of staff employed by the Bank and subsidiary companies during 1999 was 379 (1998: 352).

### 2. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies are as follows:

- a) *Principles of consolidation* - The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiaries made up to December 31, 1999. Significant intercompany transactions and balances have been eliminated on consolidation.
- b) *Recognition of income* - Income is recognized on an accrual basis, except for mortgages and commercial loans receivable placed on a non-accrual basis (see Note 2c) and fees which are recognized on a cash basis.
- c) *Loans receivable* - Loans receivable are carried at the principal amount outstanding, net of unearned income plus accrued interest receivable less provision for loan losses.
  - i) *Mortgages* - Mortgages are placed on a non-accrual basis, and previously accrued interest reversed, whenever payment of principal and/or interest is ninety days past due or in the opinion of management there is some doubt as to the ultimate collectibility.
  - ii) *Commercial Loans* - Commercial Loans are placed on a non-accrual basis and previously accrued interest reversed, whenever payment of principal and/or interest is ninety days past due or in the opinion of management there is some doubt as to the ultimate collectibility.
  - iii) *Consumer Loans* - Consumer Loans are defined as non-performing when principal and/or interest is contractually in arrears for ninety days and no payment has been received in the previous sixty days. Accrued interest on these accounts is fully provided.

- d) *Loans receivable (loans) provision and write-off policy* - The provision for possible loan losses is increased by charges to operating expense and decreased by loans written-off, net of recoveries. The provision for loan losses is based on the Bank's past loan loss experience, customer payment history and other factors which, in management's judgment, deserve current recognition in estimating loan losses.

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

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

- e) *Life assurance fund* - All receipts from the life assurance business of Laurentide are credited to a life assurance fund as required by The 1969 Insurance Act, under which Laurentide is registered. The fund is reduced in respect of expenses of the life assurance business and any surplus disclosed by actuarial valuation.
- f) *Foreign currency translation* - Assets and liabilities in other currencies have been translated into Bahamian dollars at the appropriate rates of exchange prevailing as of December 31, 1999. Income and expense items have been translated at actual rates on the date of the transaction.
- g) *Premises and equipment* - These assets are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis and are charged to non-interest expenses over the estimated useful lives of the assets as follows:

Buildings	40 years
Leasehold improvements	Lease term
Furniture, fittings and equipment	3 - 10 years

- 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 ordinary shares outstanding during the year. Earnings per share does not materially change for the reissue of treasury shares.
- i) *Pension costs* - Pension costs are determined by actuarial valuation using the single premium method whereby the cost in any year is the present value of the benefits accruing in that year based on estimated final salaries. Pension costs are charged to general and administrative expenses.
- j) *Deposits and shareholders' loans payable* - Deposits and shareholders' loans payable are stated at principal plus accrued interest.
- k) *Government Stock, Investments and Treasury Bills* - Investments in Government Stock and Treasury Bills are stated at cost plus accrued interest. Investments in private equity securities are stated at cost.
- l) *Related parties* - Related parties include officers, directors, shareholders with shareholdings in excess of 5% of equity and companies that are controlled by these parties.
- m) *Cash equivalents* - Cash equivalents are represented by cash and deposits with banks plus accrued interest and non-interest bearing balances with the Central Bank.
- n) *Comparatives* - Certain figures have been restated to comply with the current year's presentation.

### 3. GOVERNMENT STOCK, INVESTMENTS AND TREASURY BILLS

Government Stock, Investments and Treasury Bills is as follows:

	<u>Nominal Value \$</u>	<u>1999</u>	<u>1998</u>
<b>Bahamian Treasury Bills</b>			
Maturity January 14, 1999	8,727,300	\$ —	\$ 8,661,939
Maturity February 18, 1999	6,000,000	—	5,955,000
Maturity March 16, 1999	8,600,000	—	8,538,000
Maturity May 20, 1999	1,985,000	—	1,947,295
Maturity January 13, 2000	16,000,000	15,980,800	—
Maturity February 17, 2000	10,000,000	9,987,000	—
<b>Bahamian Government Stock</b>			
Maturity 2001, Prime plus 0.750%	762,000	762,000	762,000
Maturity 2006, 8.75% Fixed	1,000,000	1,000,000	1,000,000
Maturity 2006, Prime plus 0.15626%	172,500	172,500	—
Maturity 2010, Prime plus 0.625%	438,000	438,000	438,000
Maturity 2011, 7.00% Fixed	2,000,000	2,000,000	2,000,000
Maturity 2011, Prime plus 0.9375%	897,200	897,200	897,200
Maturity 2012, 8.75% Fixed	4,000,000	4,000,000	4,000,000
Maturity 2013, 9.00% Fixed	3,000,000	3,000,000	3,000,000
Maturity 2014, Prime plus 0.5%	695,600	695,600	695,600
Maturity 2014, Prime plus 0.46875%	2,352,900	2,352,900	2,352,900
<b>Bridge Authority Bond</b>			
Maturity 2029, Prime plus 1.375%	233,400	233,400	—
<b>Deposit Insurance Corporation Bond</b>			
Maturity 2004, Prime plus 0.25%	843,000	843,000	—
<b>United States Government Stock</b>			
Maturity 2023, 6.250%      US\$	400,000	400,000	400,000
Maturity 2024, 7.500%      US\$	600,000	582,348	582,348
<b>Investment in Private Equity Securities</b>		500,000	500,000
<b>Accrued Interest Receivable</b>		<u>372,528</u>	<u>393,273</u>
		<u>\$44,217,276</u>	<u>\$42,123,555</u>

#### 4. LOANS RECEIVABLE

Loans receivable is as follows:

	1999	1998
Mortgages	\$ 66,096,730	\$ 54,204,169
Commercial loans	7,292,991	6,402,854
Consumer loans, net	<u>342,897,574</u>	<u>294,617,042</u>
	<u>416,287,295</u>	<u>355,224,065</u>
Less provision for losses:		
At beginning of the year	6,986,503	5,120,597
Loans written-off	(1,224,973)	(1,337,544)
Recoveries	118,205	48,675
Provision charged to expense	<u>2,545,292</u>	<u>3,154,775</u>
At end of the year	<u>8,425,027</u>	<u>6,986,503</u>
Net loans	<u>\$407,862,268</u>	<u>\$348,237,562</u>

Provision for losses is as follows:

	<u>1999</u>	<u>GENERAL</u>	<u>SPECIFIC</u>	<u>TOTAL</u>
Mortgages		\$ 640,435	\$ 120,000	\$ 760,435
Commercial loans		179,656	45,000	224,656
Consumer loans		<u>2,536,005</u>	<u>4,903,931</u>	<u>7,439,936</u>
Total		<u>\$ 3,356,096</u>	<u>\$ 5,068,931</u>	<u>\$ 8,425,027</u>
<u>1998</u>				
Mortgages		\$ 535,163	\$ 28,000	\$ 563,163
Commercial loans		190,560	15,000	205,560
Consumer loans		<u>1,512,205</u>	<u>4,705,575</u>	<u>6,217,780</u>
Total		<u>\$ 2,237,928</u>	<u>\$ 4,748,575</u>	<u>\$ 6,986,503</u>

Non-performing loans are as follows:

	1999	1998
Mortgages	\$ 2,530,312	\$ 3,384,795
Commercial loans	260,124	164,257
Consumer loans	<u>4,091,056</u>	<u>5,101,220</u>
	<u>\$ 6,881,492</u>	<u>\$ 8,650,272</u>
Percentage of loan portfolio	1.65%	2.44%

## 5. PREMISES AND EQUIPMENT

Premises and equipment is as follows:

	Land	Buildings	Leasehold Improvements	Furniture Fittings and Equipment	Total
<b>Cost</b>					
December 31, 1998	\$ 3,291,425	\$ 9,016,133	\$ 2,989,706	\$ 12,353,298	\$ 27,650,562
Additions	—	2,530,514	293,891	1,706,460	4,530,865
Disposals	—	—	—	(3,355,366)	(3,355,366)
December 31, 1999	<u>3,291,425</u>	<u>11,546,647</u>	<u>3,283,597</u>	<u>10,704,392</u>	<u>28,826,061</u>
<b>Accumulated Depreciation and Amortization</b>					
December 31, 1998	—	1,065,551	1,484,292	6,068,026	8,617,869
Charge for the year	—	250,307	276,159	1,822,674	2,349,140
Disposals	—	—	—	(3,355,366)	(3,355,366)
December 31, 1999	<u>—</u>	<u>1,315,858</u>	<u>1,760,451</u>	<u>4,535,334</u>	<u>7,611,643</u>
<b>Net book value</b>					
December 31, 1999	<u>\$ 3,291,425</u>	<u>\$ 10,230,789</u>	<u>\$ 1,523,146</u>	<u>\$ 6,169,058</u>	<u>\$ 21,214,418</u>
December 31, 1998	<u>\$ 3,291,425</u>	<u>\$ 7,950,582</u>	<u>\$ 1,505,414</u>	<u>\$ 6,285,272</u>	<u>\$ 19,032,693</u>

Depreciation and amortization expense is as follows:

	1999	1998
Buildings	\$ 250,307	\$ 227,606
Leasehold improvements	276,159	245,540
Furniture, fittings and equipment	<u>1,822,674</u>	<u>1,449,225</u>
	<u>\$ 2,349,140</u>	<u>\$ 1,922,371</u>

## 6. DEPOSITS

Deposits is as follows:

	1999	1998
Demand deposits	\$ 24,958,994	\$ 19,456,219
Savings accounts	52,713,130	42,719,235
Certificates of deposit	<u>301,884,775</u>	<u>250,751,440</u>
	<u>\$ 379,556,899</u>	<u>\$ 312,926,894</u>

## 7. LIFE ASSURANCE FUND

An actuarial valuation of the life assurance fund was conducted as of December 31, 1999. The calculation was based on the greater of the total of unearned premiums and the actuarial reserve which includes provision for mortality, surrender, expenses and adverse deviations. As a consequence \$2,084,007 (1998: \$2,067,613) being premiums distributable otherwise than to policyholders, was credited to income during the year.

## 8. SHAREHOLDERS' LOANS PAYABLE

Shareholders' loans payable are unsecured and subordinated with terms ranging from three to ten years. Interest rates on shareholders' loans payable vary from 6% to 12% per annum. During the year, shareholders' loans of \$39,443,879 were converted into preference shares. The cost of conversion was \$774,766 and represents the net present value of the difference in interest and dividend payments over the remaining life of the shareholder loans and stamp tax.

## 9. SHARE CAPITAL

Share capital is as follows:

Issued and Outstanding Shares:			1999	1998
Preference Shares:				
Class	Rate %	Par Value B\$		
"A"	9.00	500	\$15,000,000	\$ —
"B"	8.50	500	4,985,000	4,985,000
"C"	8.00	100	1,007,600	1,022,600
"D"	9.00	100	10,000,000	—
"E"	9.00	100	9,998,800	—
"F"	9.00	100	9,999,300	—
"G"	9.00	100	<u>10,000,000</u>	<u>—</u>
Common Shares:			60,990,700	6,007,600
			<u>1,689,200</u>	<u>1,867,221</u>
			<u>\$62,679,900</u>	<u>\$7,874,821</u>

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

### Preference Shares:

Authorized:

B\$

	December 31, 1997	Change In Year	December 31, 1998	Change In Year	December 31, 1999
Class A	\$ 7,500,000	\$ 7,500,000	\$15,000,000	\$ —	\$15,000,000
Class B	5,000,000	—	5,000,000	—	5,000,000
Class C	25,000,000	(20,000,000)	5,000,000	—	5,000,000
Class D	—	10,000,000	10,000,000	—	10,000,000
Class E	—	10,000,000	10,000,000	—	10,000,000
Class F	—	—	—	10,000,000	10,000,000
Class G	—	—	—	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$37,500,000</u>	<u>\$ 7,500,000</u>	<u>\$45,000,000</u>	<u>\$20,000,000</u>	<u>\$65,000,000</u>

**Preference Shares:**

Issued and outstanding:

**B\$**

	December 31, <u>1997</u>	<u>Redemption</u>	December 31, <u>1998</u>	<u>Issue</u>	<u>Redemption</u>	December 31, <u>1999</u>
Class A	\$ —	\$ —	\$ —	\$15,000,000	\$ —	\$15,000,000
Class B	4,985,000	—	4,985,000	—	—	4,985,000
Class C	1,061,100	(38,500)	1,022,600	—	(15,000)	1,007,600
Class D	—	—	—	10,000,000	—	10,000,000
Class E	—	—	—	9,998,800	—	9,998,800
Class F	—	—	—	9,999,300	—	9,999,300
Class G	—	—	—	<u>10,000,000</u>	—	<u>10,000,000</u>
	<u>\$6,046,100</u>	<u>\$ (38,500)</u>	<u>\$6,007,600</u>	<u>\$54,998,100</u>	<u>\$ (15,000)</u>	<u>\$60,990,700</u>

**Common Shares:****B\$0.06 each**

	<u>Number</u>	<u>B\$</u>
<u>Authorized</u>		
December 31, 1998 and December 31, 1999	<u>75,000,000</u>	<u>\$4,500,000</u>
<u>Issued and outstanding</u>		
December 31, 1997	30,711,929	1,842,716
Employee Stock Compensation Plan	382,538	22,952
Cash	<u>25,878</u>	<u>1,553</u>
December 31, 1998	31,120,345	1,867,221
Cash	32,987	1,979
Shares purchased for reissue	<u>(3,000,000)</u>	<u>(180,000)</u>
December 31, 1999	<u>28,153,332</u>	<u>1,689,200</u>

On November 26, 1999, the Bank purchased 3 million ordinary shares from its three largest shareholders discounted at 12.5% from the mid-market price as quoted by Colina Financial Group on that date. The Central Bank approved the temporary reduction in capital pending re-issue of the shares in a public offer. As a condition of approval, the shareholders were required to place the proceeds of the sale on deposit with the Bank until after the date of the share issue. The total value of the transaction \$17,850,000 was allocated to reduce the following accounts:

	<u>Amount</u>
Common shares	\$ 180,000
Share premium	9,022,135
Retained earnings	<u>8,647,865</u>
	<u>\$17,850,000</u>

**10. EMPLOYEE STOCK OPTION PLAN**

On December 14, 1999, the Board of Directors approved an employee stock option plan for key employees with a grant of two million shares on May 1, 2000. Options will vest over five years and vested options may be exercised within six years from the date of grant at the offer price of the Bank's public share issue in the year 2000.

## 11. RELATED PARTIES BALANCES AND TRANSACTIONS

Unless otherwise noted, related party transactions and balances are on normal banking terms. Executive Officers receive preferential rates of interest on loans and mortgages as part of their compensation package.

Related parties balances and transactions are as follows:

	1999	1998
Loans receivable	\$ 5,267,777	\$ 2,696,430
Shareholders' loans payable	\$ 10,201,181	\$ 29,033,570
Deposits	\$ 24,128,774	\$ 12,554,032
Interest income	\$ 218,641	\$ 206,701
Interest expense	\$ 2,708,581	\$ 3,575,763
Rental expense	\$ 154,940	\$ 133,140
Shareholders' loans converted to preference shares	\$ 18,792,389	\$ —

Rental commitments to related party:

Year 2000	\$103,140
Year 2001	\$ 94,546

Commitments under revolving credit lines totaled \$2.6 million as at December 31, 1999.

## 12. BANK PENSION FUND

An actuarial valuation of the Bank's pension fund was carried out at December 31, 1997. The fund is adequately funded based on the actuary's valuation and a subsequent review to December 31, 1998. The Bank currently contributes 9% of employees' gross salaries, which is consistent with actuarial advice.

The Bank administers its own pension fund. The pension fund owns 174,436 (1998: 174,436) common shares of the Bank. These shares have a market value of \$1,186,165 (1998: \$910,000) which represents 10% (1998: 10%) of the pension fund's assets. During the year the pension fund converted its shareholder loans into preference shares. At December 31, 1999 the pension fund owns \$3 million (1998: Nil) preference shares of the Bank.

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

	1999	1998
Shareholders' loans payable	\$ —	\$2,532,049
Deposits	<u>3,864,523</u>	<u>3,756,759</u>
	<u>\$3,864,523</u>	<u>\$6,288,808</u>
Interest expense	<u>\$ 324,448</u>	<u>\$ 425,758</u>

## 13. MATURITY OF ASSETS AND LIABILITIES

The maturity dates of assets and liabilities are as follows:

	1999	1998
<b>ASSETS</b>		
On demand	\$ 50,324,231	\$ 50,984,066
3 months or less	29,386,684	26,724,802
Over 3 months through 6 months	4,229,384	4,470,112
Over 6 months through 12 months	12,276,838	8,400,162
Over 12 months through 24 months	37,419,653	28,453,515
Over 24 months through 5 years	215,318,885	195,388,374
Over 5 years	<u>154,767,362</u>	<u>119,462,928</u>
	<u>\$503,723,037</u>	<u>\$433,883,959</u>
<b>LIABILITIES</b>		
On demand	\$ 30,760,579	\$ 22,651,756
3 months or less	175,762,655	171,823,966
Over 3 months through 6 months	78,670,271	51,522,499
Over 6 months through 12 months	60,194,475	56,294,743
Over 12 months through 24 months	27,208,557	24,127,204
Over 24 months through 5 years	35,491,907	52,170,292
Over 5 years	<u>10,811,758</u>	<u>11,312,821</u>
	<u>\$418,900,202</u>	<u>\$389,903,281</u>

#### 14. CONCENTRATION OF LOANS RECEIVABLE AND LIABILITIES

Concentration of loans receivable and liabilities is as follows:

	1999		1998	
	\$	Number of Accounts	\$	Number of Accounts
Loans receivable:				
Under \$50,000	\$338,049,454	42,323	\$294,360,435	44,779
\$50,001 - \$100,000	32,854,997	474	29,088,999	395
\$100,001 - \$150,000	15,108,830	123	10,547,228	81
\$150,001 - \$300,000	12,606,957	64	9,585,167	46
\$300,001 - \$500,000	6,776,423	18	4,812,329	10
\$500,001 - \$1,000,000	1,571,210	2	1,178,592	2
\$1,000,001 and over	1,539,131	1	-	-
Provision	(8,425,027)	-	(6,986,503)	-
Accrued interest receivable	7,780,293	-	5,651,315	-
	<u>\$407,862,268</u>	<u>43,005</u>	<u>\$348,237,562</u>	<u>45,313</u>
Liabilities:				
Under \$50,000	\$112,703,599	52,381	\$107,526,766	60,249
\$50,001 - \$100,000	45,502,292	629	42,543,561	589
\$100,001 - \$150,000	29,185,679	241	31,513,190	259
\$150,001 - \$300,000	54,554,259	256	51,149,359	245
\$300,001 - \$500,000	38,278,719	95	40,337,697	101
\$500,001 - \$1,000,000	48,278,821	69	53,974,949	76
\$1,000,001 and over	71,109,879	38	47,229,221	29
Accrued interest payable	5,271,600	-	5,493,917	-
Other liabilities	8,224,478	-	5,166,277	-
Dividends payable	26,869	-	26,648	-
Life assurance fund	5,764,007	-	4,941,696	-
	<u>\$418,900,202</u>	<u>53,709</u>	<u>\$389,903,281</u>	<u>61,548</u>

#### 15. COMMITMENTS AND CONTINGENCIES

a) In the ordinary course of business, the Bank had commitments as of December 31, 1999 as follows:

	1999	1998
Mortgage commitments	\$ 8,730,928	\$ 3,948,720
Revolving credit lines	19,769,363	17,363,859
Standby letters of credit	275,296	100,000
Capital expenditures:		
Approved but not yet contracted	-	1,097,615
Contracted	1,402,683	2,257,472
	<u>\$ 30,178,270</u>	<u>\$ 24,767,666</u>

*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 2005, and on maintenance contracts for computer equipment and software expiring no later than 2003 on which the minimum annual rentals are approximately as follows:

##### Minimum Rental Commitments

Year	Leases	Computer Equipment and Software
	\$	\$
2000	709,572	245,882
2001	831,307	248,187
2002	690,391	84,965
2003	647,865	51,000
2004	522,315	-
2005	109,249	-

c) The Bank has an undrawn line of credit with Bank America, Miami for US\$1,000,000 which was established to service customer transactions. This credit line is secured by United States Government Stock US\$1,000,000 disclosed in Note 3.

#### **16. INTEREST RATE SENSITIVITY**

Interest rate sensitivity or interest rate risk results primarily from differences in the maturities or repricing dates of assets and liabilities. Interest rate risk exposures, or "gaps" may produce favourable or unfavourable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. Interest rate gaps are carefully monitored and interest sensitive assets and liabilities are adjusted accordingly with changing market conditions.

#### **17. CREDIT RISK**

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. From this perspective, the Bank's significant exposure to credit risk is primarily concentrated in cash and current accounts, investments and loans. The deposits and investments are predominantly in Bahamian dollars and have been placed with high quality institutions. The loans are short-term and are controlled using specific policies which are designed to maximize the risk/return trade off.

#### **18. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Due to their short-term maturity, the carrying values of the majority of financial assets and liabilities are assumed to approximate their fair value.

#### **19. POST BALANCE SHEET EVENT**

On January 13, 2000, at an Extraordinary General Meeting, the Shareholders approved a public offering of 3 million common shares, from treasury, subject to the approval of the Securities Commission of The Bahamas.



## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of  
Commonwealth Bank Limited:

We have examined the projected consolidated balance sheets of Commonwealth Bank Limited as of December 31, 2000 and 2001, and the related statements of income, shareholders' equity and cash flows for the years then ending in accordance with International Standards on Auditing applicable to the examination of prospective financial information. Management is responsible for the projection including the assumptions set out in the notes thereto on which they are based.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the projection. Further, in our opinion, the projection is properly prepared on the basis of the assumptions and is presented in accordance with International Accounting Standards.

Actual results are likely to be different from the projection since anticipated events frequently do not occur as expected and the variation may be material.

*Deloitte & Touche*

January 24, 2000

# COMMONWEALTH BANK LIMITED

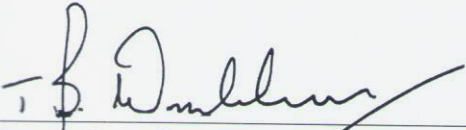
## PROJECTED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2000 AND 2001


(Expressed in thousands of Bahamian dollars)

ASSETS	2000	2001
Cash and deposits with banks	\$ 12,500	\$ 12,500
Balances with Central Bank	18,370	21,542
Government Stock, Investments and Treasury Bills	50,000	54,000
Loans receivable	453,697	498,061
Premises and equipment	21,614	20,964
Other assets	<u>1,000</u>	<u>1,000</u>
TOTAL	<u>\$ 557,181</u>	<u>\$ 608,067</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 416,353	\$ 467,195
Life assurance fund	6,000	6,250
Other liabilities	8,000	8,000
Dividends payable	<u>30</u>	<u>30</u>
	430,383	481,475
Shareholders' loans payable	<u>20,793</u>	<u>15,351</u>
Total liabilities	<u>451,176</u>	<u>496,826</u>
Shareholders' Equity:		
Share capital	62,860	62,872
Share premium	17,220	18,408
Retained earnings	<u>25,925</u>	<u>29,961</u>
Total shareholders' equity	<u>106,005</u>	<u>111,241</u>
TOTAL	<u>\$ 557,181</u>	<u>\$ 608,067</u>

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

On behalf of the Board:

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

  
 William Bateman Sands, Jr.  
 President and Chief Executive Officer

# COMMONWEALTH BANK LIMITED

## PROJECTED CONSOLIDATED STATEMENT OF INCOME YEARS ENDED DECEMBER 31, 2000 AND 2001

*(Expressed in thousands of Bahamian dollars)*

	2000	2001
INCOME:		
Interest income	\$ 64,055	\$ 70,907
Interest expense	<u>(23,639)</u>	<u>(25,597)</u>
Net interest income	40,416	45,310
Loan loss provision	<u>(2,661)</u>	<u>(2,950)</u>
	37,755	42,360
Life assurance, net	2,250	2,400
Fees and other income	<u>9,300</u>	<u>9,800</u>
	<u>49,305</u>	<u>54,560</u>
NON-INTEREST EXPENSES:		
General and administrative	28,072	32,118
Depreciation and amortization	2,600	2,650
Directors and officers' fees	<u>256</u>	<u>280</u>
	<u>30,928</u>	<u>35,048</u>
NET INCOME	18,377	19,512
Preference Share Dividends	<u>(5,454)</u>	<u>(5,454)</u>
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ 12,923</u>	<u>\$ 14,058</u>
AVERAGE NUMBER OF COMMON SHARES (Thousands)	<u>30,016</u>	<u>31,292</u>
EARNINGS PER SHARE	<u>\$ 0.43</u>	<u>\$ 0.45</u>

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

# COMMONWEALTH BANK LIMITED

## PROJECTED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2000 AND 2001

(Expressed in thousands of Bahamian dollars)

	2000	2001
<b>PREFERENCE SHARES</b>		
Balance at beginning of year	\$ 60,991	\$ 60,991
Balance at end of year	<u>60,991</u>	<u>60,991</u>
<b>COMMON SHARES</b>		
Balance at beginning of year	1,689	1,869
Issued	<u>180</u>	<u>12</u>
Balance at end of year	<u>1,869</u>	<u>1,881</u>
<b>SHARE PREMIUM</b>		
Balance at beginning of year	-	17,220
Issuance of common shares	17,820	1,188
Cost of issue	<u>(600)</u>	<u>-</u>
Balance at end of year	<u>17,220</u>	<u>18,408</u>
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	22,143	25,925
Net income	18,377	19,512
Common dividends	(9,141)	(10,022)
Preference share dividends	<u>(5,454)</u>	<u>(5,454)</u>
Balance at end of year	<u>25,925</u>	<u>29,961</u>
<b>SHAREHOLDERS' EQUITY AT END OF YEAR</b>	<u>\$ 106,005</u>	<u>\$ 111,241</u>

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

## PROJECTED CONSOLIDATED STATEMENT OF CASH FLOWS YEARS ENDED DECEMBER 31, 2000 AND 2001

(Expressed in thousands of Bahamian dollars)

	2000	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest receipts	\$ 62,175	\$ 68,827
Interest payments	(23,639)	(25,597)
Life assurance premiums received	4,500	5,300
Life assurance claims and expenses paid	(1,250)	(1,480)
Fees and commissions received	9,300	9,800
Recoveries	50	50
Cash payments to employees and suppliers	<u>(30,613)</u>	<u>(33,192)</u>
	20,523	23,708
Increase in loans receivable	(47,208)	(45,864)
Increase in deposits	36,796	50,842
Decrease in shareholders' loans	<u>(4,535)</u>	<u>(5,442)</u>
Net cash from operating activities	<u>5,576</u>	<u>23,244</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Government Stock, Investments and Treasury Bills	(79,684)	(77,784)
Interest receipts and repayment of Government Stock and Treasury Bills	75,938	73,988
Purchases of premises and equipment	<u>(3,000)</u>	<u>(2,000)</u>
Net cash used in investing activities	<u>(6,746)</u>	<u>(5,796)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid	(14,595)	(15,476)
Proceeds from issuance of common shares	<u>17,400</u>	<u>1,200</u>
Net cash from (used in) financing activities	<u>2,805</u>	<u>(14,276)</u>
<b>NET INCREASE IN CASH EQUIVALENTS</b>	1,635	3,172
<b>CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>29,235</u>	<u>30,870</u>
<b>CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 30,870</u>	<u>\$ 34,042</u>

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

# COMMONWEALTH BANK LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL PROJECTION YEARS ENDED DECEMBER 31, 2000 AND 2001

(Expressed in thousands of Bahamian dollars)

---

### 1. BASIS OF PRESENTATION

These financial projections have been prepared by management for inclusion in a prospectus relating to the offer to the public for common shares in Commonwealth Bank Limited ("the Bank"). The financial projection may not be appropriate for any other purpose. These assumptions reflect the Bank's intentions for the years covered and are based on management's judgement as to the most probable set of expected future economic conditions. In view of the uncertainties inherent in predicting future conditions and actions, actual results achieved during the projected period may vary from the forecasted results and the differences may be material.

The consolidated financial projection include the Bank and its three wholly-owned subsidiaries which are incorporated in the Commonwealth of The Bahamas.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described in Note 2 of the notes to the consolidated financial statements as at December 31, 1999 have been followed in the preparation of these accounts.

### 3. KEY ASSUMPTIONS IN THE FINANCIAL PROJECTIONS

- a. *Regulatory environment* - It is assumed that the existing regulatory environment will continue unchanged without introduction of a legislation that may materially change the business of the company.
- b. *Socio-Economic environment* - It is assumed that economic activity stays at the levels of 1998 and 1999 and that the Bahamian dollar remains pegged at par to the United States dollar for the period of the projection.
- c. *Results of public subscription* - It is assumed that the issue is fully subscribed and the issue cost is \$600,000. It is also assumed that this is the only increase in common or preference Shares in the years of the projection other than the exercise of 200,000 options in May 2001 outlined on page 60 of the prospectus.
- d. *Common dividends* - It is assumed that the common dividends per share will be 30 cents in 2000 and 32 cents in 2001 payable in four equal installments at the end of each quarter.
- e. *Loan growth* - The projection reflects the strategy of the Bank in servicing the personal customer's requirements. The Bank has been very successful in capturing and maintaining its market share of this customer segment, despite increasingly aggressive competition. The projected consolidated balance sheet assumes that loans will increase at less than historic rates due to the increasing competition.
- f. *Loans receivable (loans) provision and write-off policy* - The projection does not anticipate any change in the historic rates of charge off or deterioration in non-performing loans.

The projection maintains total provision for losses at 2% of outstanding loan balances as a guideline.

- g. *Premises and equipment* - The projection does not include any new branch locations. Allowance has been made for the investigation and implementation of remote banking channels, namely banking machines and point of sale debit cards and the development of electronic capture for the bank's credit card portfolio.
- h. *Deposits and shareholders' loan payable* - The projection assumes that the shareholders' loans payable are repaid at maturity, and that funds are replaced by deposits. The projection reflects the successful strategy of the Bank in capturing and maintaining its market share of the deposit market.
- i. *Earnings per share* - All share options are assumed to be exercised in the period they vest so there is no dilution of earnings per share.
- j. *Non-interest expenses* - Non-interest expenses are anticipated to increase and result in an increase in the efficiency ratio for 2000 and 2001 as a result of the opening of the Wulff Road branch. The benefit from the branch in increased total revenues are anticipated to be obtained in the second half of 2001.
- k. *Commitments and contingencies* - No unusual commitments by nature or size are projected in these statements.



## GENERAL INFORMATION

At an Extraordinary General Meeting of the Members held on January 13, 2000, it was resolved:

- i) To approve the consolidation, amendment and restatement of the Memorandum and Articles of Association of Commonwealth Bank;
- ii) To approve an offer of Three million (3,000,000) common shares of the Company to the public and to approve the Directors taking all such steps as are necessary or proper for effectuating the offer and settling and approving the form of prospectus for the purpose of the offer of the shares to the public for subscription and to reasonably determine the offer price of the shares;
- iii) To approve and empower the Directors to execute any and all documentation and or resolutions to effect the aforementioned and to make all necessary filings and supply all necessary information to the Securities Commission to obtain their approval for the offer of the shares to the public.

**The following information is taken from the amended and restated Articles of Association of the Bank and all references to the "Act" mean the Companies Act, 1992;**

1. The Bank in general meeting elects Directors of the Board.
2. Pursuant to Article 71 of the Articles of Association, the Bank's general meeting decide the remuneration of Directors.
3. Pursuant to Articles 32 through 34 of the Articles of Association, the Directors have unlimited powers to borrow such sums and secure such sums on behalf of the Bank upon such terms and conditions, as they think fit.
4. Pursuant to Articles 87 through 88 of the Articles of Association, Directors are vested with the following powers:
  87. The management of the business of the Company shall be vested in the Directors, who in addition to the powers and authorities by these presents or otherwise expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done by the Company and are not hereby or by the Act expressly directed or required to be exercised or done by the Company in general meeting; but subject nevertheless to the provisions of any Act, and of these presents and to any regulations from time to time made by the Company in general meeting; provided that no regulations so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.
  88. Without prejudice to the general powers conferred by the last preceding clause and the other powers conferred by these presents, it is hereby expressly declared that the Directors shall have the following powers, that is to say:-
    - (1) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
    - (2) To purchase or otherwise acquire for the Company any property (real or personal) rights or privileges which the Company is authorised to acquire, at such price, and generally on such terms and conditions, as they think fit.
    - (3) To sell, exchange or otherwise for valuable consideration to dispose of all or any of the property real or personal of the Company and to sign, seal, execute and deliver conveyances, transfers and assignments of any property so sold, exchanged or otherwise disposed of.
    - (4) At their discretion to pay for any property, rights or privileges acquired by, or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, or other securities of the Company and any such shares may be issued.
    - (5) To secure fulfillment of any contracts, or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its unpaid capital for the time being, or in such other manner as they think fit.
    - (6) To institute, conduct, defend, compound or abandon any legal proceedings by and against the Company or its officers, or otherwise concerning the affairs of the Company; and also to compound and allow time for payment or satisfaction of any debts due, and of any claims or demands by or against the Company.
    - (7) From time to time to provide for the management of the Company abroad in such manner as they think fit, and, in particular to appoint any persons to be attorneys or agents of the Company with such powers (including power to subdelegate) and upon such terms as may be thought fit.
    - (8) To invest and deal with any of the moneys of the Company not immediately required for the purposes of the Company and upon such securities and in such manner as they may think fit and from time to time to vary or realize such investments.
    - (9) To enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such debts, deeds and things in the name of and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company.
5. There are no provisions in the Articles of Association that provide for the retirement or non-retirement of Directors under an age limit.

## GENERAL INFORMATION

### The rights attached to preference shares are as follows;

1. The holders of Preference Shares are not entitled to vote at general meetings of the Shareholders and are not entitled to receive notice of or to attend such meetings, unless the same is called for the purpose of altering the rights attached to a class of Preference Shares.
2.
  - (A) The holders of "A" Preference Shares, "D" Preference Shares, "E" Preference Shares, "F" Preference Shares and "G" Preference Shares (hereinafter called "**A, D, E, F, and G Preference Shares**") are entitled to receive out of the monies of the Bank dividends on the amount paid up thereon at the rate of interest to be determined by the Directors at time of issuance which are paid quarterly;
  - (B) The holders of "B" Preference Shares are entitled to receive out of the monies of the Bank dividends on the amount paid up thereon at the rate of eight and one half per centum (8 1/2%) per annum which are paid quarterly; and
  - (C) The holders of the "C" Preference Shares are entitled to receive out of the monies of the Bank dividends on the amount paid up thereon for the periods ending on the 28th of February and the 31st of August each year, (such periods hereinafter called "**the dividend periods**" and such dates hereinafter called "**the dividend payment dates**"). Dividends are calculated on each dividend payment date for the ensuing dividend period at a rate to be determined by the Directors of the Bank on the date of the issue of such "C" Preference Shares which is no less than One and a half per centum (1.5%) below nor more than Three per centum (3%) above the Bahamian Prime Rate determined from time to time by the Central Bank of The Bahamas and prevailing on the said date of issue of such "C" Preference Shares. All dividends calculated as aforesaid are paid in arrears on each dividend payment date for the preceding dividend period.
3.
  - (A) The Bank at the discretion of the Board of Directors may redeem at any time the whole or from time to time any part of the then issued and outstanding A, D, E, F and G Preference Shares, "B" Preference Shares and "C" Preference Shares on payment for each such Preference Share to be redeemed of the amount paid up thereon together with all dividends due thereon up to the date of payment; provided however, that the Bank will have given to the holders of A, D, E, F and G Preference Shares thirty (30) days' clear notice in writing of its intention to redeem such Preference Shares (or part thereof); and further provided that the Bank at the discretion of the Board of Directors may offer to the holders of such A, D, E, F and G Preference Shares (within the said notice) the option to convert all or any of such Preference Shares into Common Shares on condition that the holders of the A, D, E, F and G Preference Shares who wish to exercise such option give the Bank written notice of their intention to do so prior to the last day of the said thirty (30) day period.
  - (B) The "C" Preference Shares are redeemable in the manner following:-
    - (i) The "C" Preference Shares to be redeemed on each occasion are determined by a drawing to be made at such time and place and in such manner as the Board of Directors may determine, but in the presence of at least one of the Directors and a representative of the Auditors of the Bank for the time being;
    - (ii) Forthwith after every such drawing the Bank will give to the holders of the "C" Preference Shares drawn for redemption notice in writing of the Bank's intention to redeem the same and affixing a time (not less than One (1) month ahead) and place for the redemption and surrender of the "C" Preference Shares to be redeemed; and
    - (iii) At the time and place so fixed each such holder are bound to surrender to the Bank his "C" Preference Shares to be redeemed and the Bank will pay to him the amount payable in respect of such redemption.
4. Preference Shares shall rank in a winding up, as regards repayment of capital, in priority to the Common Shares and *pari passu* with all other Preference Shares, but shall confer no right to participation in profits and assets of the Bank other than outstanding dividends due.



## GENERAL INFORMATION

### **Secondary Market for Shares**

The Bank intends to seek listing on the proposed Bahamas International Securities Exchange (BISX) once it becomes operational. In addition, First Bahamas Capital Ltd. and Fidelity Capital Markets Limited have advised the Bank that they will facilitate secondary market trading in the Bank's shares by being market makers. Also, they will publish the "bid" and "asked" prices for the Bank's shares in the daily newspapers.

### **Plan of Distribution of Common Shares**

The Directors wish to achieve the broadest possible distribution of common shares to the greatest number of new shareholders. With this in mind, the Directors propose to employ a bottom up allocation procedure. Under this approach subscribers will be allocated shares across the board in increments of 100 shares until all shares have been allocated.

### **Litigation**

There are no current, pending or threatened material legal proceedings or claims to which the Bank or any of its subsidiaries is a party or of which any of its or their respective property is subject other than routine litigation incidental to the Bank's business. Management is of the opinion that all current litigation will not have any material adverse affect on the Bank's financial position.

### **Offering Cost**

Expenses of the offering are estimated to be \$600,000 inclusive of advisory, legal, accounting, public relations (including advertising and promotion), escrow fees, prospectus costs and any other fees directly attributable to this offering.

### **Employment Agreements**

The Bank has entered into employment agreements with all members of the executive management team. In addition to salaries and other benefits accorded to all Bank employees, members of this group participate in the Executive Management Performance Based Incentive Scheme and Share Option Plan.

### **Executive Management Performance Based Incentive Scheme**

Certain officers, management and staff participate in a performance based incentive scheme. Payments under the scheme are calculated at 15% of the net income before allowance for payments under the scheme, but after preference share dividends and a 10% return on the average annual common shareholder's equity.



## GENERAL INFORMATION

### Share Option Plan

A Share Option Plan has been established for key employees. The prime purpose of the plan is to encourage longevity of service of key employees and to act as an incentive to maximize long-term shareholder value. The Directors have approved an initial grant of 2 million common shares (at the offering price) for this share option plan. Currently, 55 supervisory, management and executive staff members are eligible for participation.

The number of options granted to each participant annually will be determined based on criteria which includes performance, rank, tenure and contribution to the Bank's overall success. The Chairman must approve all individual grants. Other conditions applied to this plan are:

- 1) All unused options expire 6 years from date of grant.
- 2) Options may only be exercised while in the employment of the Bank or subsidiary or affiliated companies unless otherwise approved by the Board.

<u>Period</u>	<u>%</u>	<u>Total</u>
Period ending April 30, 2001	10%	200,000
Period ending April 30, 2002	15%	300,000
Period ending April 30, 2003	20%	400,000
Period ending April 30, 2004	25%	500,000
Period ending April 30, 2005	<u>30%</u>	<u>600,000</u>
TOTAL	<u>100%</u>	<u>2,000,000</u>

### Employee Relations

The Bank has over 400 full-time employees and considers itself to be a leader in staff training and development. Management considers staff relations to be good. The Bank provides employees with a pension plan, group health insurance, loans at preferential rates, incentive programs and other benefits. As a reward for long service, the Bank grants common shares to valued employees. The total number of common shares issued to employees under this program were:

<u>Year</u>	<u>No. of shares</u>
1997	18,479
1998	6,381
1999	3,929

### Insurance Coverage

The Bank reviews insurance coverage annually and is of the opinion that it maintains adequate insurance coverage for its business operations and associated business risks.

### Commissions

No commission is payable or has been paid to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in the Bank, except to First Bahamas Capital Ltd. (FBC) for agreeing to procure subscriptions for shares as part of this offering. Under this agreement, FBC will be compensated based on the number of subscriptions received subject to a maximum fee of \$100,000. Reasonable out-of-pocket expenses in connection with these services will be reimbursed.

### Leases

The Bank has the following material leases in effect:

The Town Centre Branch operates in the southern section of the Town Centre Mall, Blue Hill Road, Nassau. The lease expires in 2001 at an annual rental of \$51,800 for 7,200 square feet. The lease is currently being renegotiated to 2005. The landlord is a company controlled by T.B. Symonette and R. C. Symonette, directors of the Bank.

The Lucaya Branch operates in the Seahorse Shopping Plaza in Lucaya, Grand Bahama. The lease expires in 2001. The annual rental is \$103,140 for 5,157 square feet. The landlord is Milo B. Butler & Sons Investments Limited, a shareholder of the Bank.

The Plaza Branch and Corporate Head Office operate in The Plaza on Mackey Street, Nassau. The lease on the branch premises expires in 2005 and head office premises in 2004. Annual rental is \$647,865 for 24,000 square feet. The Bank also rents 2,550 square feet in the southwest wing of The Plaza complex at an annual rent of \$48,975 expiring in September 2000.

The Bank rents additional space for storage and archiving at non-material amounts.



## EXPERTS AND ADVISORS

Deloitte & Touche, Chartered Accountants, have given and not withdrawn their written consent to the issue of this prospectus with the inclusion herein of their name and reports on historical and projected financial information in the manner and form in which they are included.

Graham, Thompson & Co. has been retained as counsel and attorney to the Bank. The firm does not represent the investing shareholders in the Bank and no independent counsel has been retained to represent such shareholders.

Colina Financial Advisors Ltd. has been retained as financial advisor to the Bank. The Company does not represent the investing shareholders in the Bank and no independent advisor has been retained to represent such shareholders. Colina Financial Advisors Ltd. has given and not withdrawn its consent to the issue of this prospectus with the inclusion herein of its name as financial advisor to the offering in the form and context in which it is included.

Certain partners of Graham, Thompson & Co. have a combined ownership of 64,778 common shares in the Bank.

Certain directors and officers of Colina Financial Advisors Ltd. have a combined ownership of 1,319 common shares in the Bank.

## RELATED PARTY TRANSACTIONS

Related parties include officers, directors, shareholders with shareholdings in excess of 5% of equity and companies that are controlled by these parties.

### Shareholder Loans Payable:

Shareholder loans payable are unsecured and subordinated with terms ranging from three to ten years from the original date of issue.

The maturity of Related Party Shareholders Loans is as follows:-

Year	Principal Value
2001	\$ 753,592
2002	4,515,704
2004	<u>4,931,885</u>
Total	<u>\$10,201,181</u>



## RELATED PARTY TRANSACTIONS

### Loans:

Loans to related parties at December 31, 1999 comprise:-

Classification	Balance
Loans	
Non-Executive Directors	
Unsecured	\$ 347,097
Secured by real estate	\$ 217,121
Executive Officers	
Consumer	\$ 483,528
Mortgages	\$1,076,410
Commercial	\$ 312,268
Non-qualifying loans	\$ 69,919
Unsecured Credit Card Balances	\$ 68,895
Overdrafts	
Cash secured	\$1,539,131
Secured by shares	\$ 693,258
Mortgage bridging facility	\$ 200,892
Unsecured under \$50,000	\$ 259,258
Commitments under revolving credit lines	\$2,600,000

Related party transactions and balances are on normal arms length banking terms for Non Executive Directors.

Executive Officers receive preferential rates of interest on loans and mortgages for personal use. Loans for commercial purposes attract normal banking rates. Loans not qualifying for preferential rates attract normal arms length rates.

### Deposits:

Deposits placed by related parties as at December 31, 1999 are as follows:-

Classification	Balance
Proceeds of sale of Common Shares	\$17,850,000
Other time deposits	4,999,840
Savings balances	120,468
Current account credit balances	<u>1,158,466</u>
Total	<u>\$24,128,774</u>

Lease commitments to related parties are disclosed in General Information: Leases on page 60

## INSPECTION OF DOCUMENTS

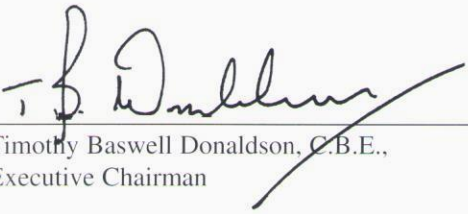
Copies of the following documents are available for inspection at the offices of Colina Financial Advisors Ltd. and the offices of Graham, Thompson & Co. in Nassau during normal business hours from Monday to Friday (excluding public holidays).


1. Memorandum and Articles of Association
2. Certificate of Incorporation
3. Certificate of Good Standing
4. Audited Financial Statements for the calendar years ending 1995 through 1999
5. Corporate Advisors' letters referred to on page 61
6. Copy of the Shareholders' Register of Commonwealth Bank Limited as of March 31, 2000
7. Minutes of the Extraordinary General Meeting of the Members held on January 13, 2000
8. Board Resolution dated January 27, 2000 approving and granting consent to Prospectus
9. Copies of Real Estate Leases
10. Copy of the Shareholders' Register of Bahamas First Holdings Limited as of March 31, 2000
11. Copy of the Shareholders' Register of Milo B. Butler and Sons Ltd. as of March 31, 2000



DIRECTORS' CONSENT

We, the undersigned Directors of COMMONWEALTH BANK LIMITED, collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable inquiries, that to the best of our knowledge and belief there are no other facts, the omission of which would make any statement in this Prospectus misleading. Consent given by Board Resolution dated January 27, 2000.

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

  
William Bateman Sands, Jr.  
President and Chief Executive Officer



## CONDITIONS OF APPLICATION AND ALLOTMENT

A detachable application form for shares can be found at the end of this prospectus. Additional copies of the prospectus and application form may be obtained from the following:

1. All branches of Commonwealth Bank Limited located within The Commonwealth of The Bahamas.
2. Colina Financial Advisors Ltd. located 2<sup>nd</sup> Floor, Goodmans Bay Corporate Centre West Street, Nassau.

**Completed applications must be delivered to Colina Financial Advisors Ltd. (the Escrow Agent for the offering) or any branch of Commonwealth Bank Limited and be accompanied by a remittance in the form of bank draft, postal order or by cheque, crossed non-negotiable (cash not accepted) for the full amount of \$6.00 per share payable to Colina Financial Advisors Ltd. Direct debit payments (for the Bank's customers) can be made by completing the appropriate section on the reverse side of the application form.**

### Terms and conditions

Applications are subject to the following terms and conditions:

1. The Directors reserve the right to reject, in whole or in part, any application.
2. Applications may only be made by eligible investors as described on page 5.
3. Applications must be completed in every respect and must be for a minimum of 50 shares and in increments of 50 thereafter.
4. The number of shares applied for must be paid for in full by bank draft, postal order or by cheque at the time application is made.

### Basis of allotment

Allotment of shares will be at the absolute discretion of the Directors of the Bank. The amount paid on application by any person whose application is not accepted will be returned in full via post and if allotment is made for a lesser number of shares than the number applied for the appropriate balance of the amount paid on application will be returned in the same way. All cheques are liable to be presented for payment by the Escrow Agent upon receipt. If less than 1,000,000 of the shares offered are subscribed for all application monies will be returned in full.

### Evidence of share ownership

Shareholders will be sent a confirmation of their holdings by Colina Financial Advisors Ltd., the Escrow Agent and Registrar and Transfer Agent, within 15 working days of the closing of the offering period. Investors will have a book-entry record maintained by Colina Financial Advisors Ltd. for their individual shareholdings.

This confirmation should be kept in a safe place (as if it were a share certificate) but it will relieve the shareholder of the risk, expense and concern relative to the safekeeping of a share certificate.

With the creation of the Bahamas International Securities Exchange, having book-entry share ownership records will allow shareholders greater flexibility in trading their shares on the proposed Exchange. The rights of ownership evidenced by book entry records are the same as those evidenced by physical certificates.



APPLICATION FORM - INDIVIDUAL

For Individual Applicant(s)
FOR COMMON SHARES OF
COMMONWEALTH BANK LIMITED

Applications for a minimum of 50 shares will be accepted from April 3, 2000 until 5:00 p.m. on April 28, 2000 or until the offer is terminated. Full payment for the shares subscribed must accompany this application. All cheques, bank drafts or postal orders must be made payable to COLINA FINANCIAL ADVISORS LTD. CASH WILL NOT BE ACCEPTED. Direct debit payments can be made by signing the authorisation on the reverse side of this form.

NUMBER OF SHARES REQUESTED: PAYMENT ENCLOSED: Bs
(At Bs6.00 per share for a minimum of 50 and in multiples of 50 thereafter)

SURNAME:

FIRST NAME(S):

( ) Bahamian Citizen ( ) Permanent Resident National Insurance or Passport Number

And if applicable, Co-Owner

SURNAME:

FIRST NAME(S):

( ) Bahamian Citizen ( ) Permanent Resident National Insurance or Passport Number

PLEASE REGISTER JOINT ACCOUNTS AS FOLLOWS (TICK ONE):

- ( ) Joint Tenants with Rights of Survivorship ( ) Tenants in Common
(Joint Tenants with rights of survivorship will be used if no indication is made)

(Please Print the following Information)

P.O.BOX :

ISLAND:

TELEPHONE NUMBER: WORK HOME

Please note the form of dividend payment preference:

- ( ) Dividend cheques to be mailed to above P.O.Box, or ( ) cheques deposited to my bank:

Bank Name:

Bank Branch:

Account Number:

DECLARATION

The Applicant(s), by signing this application, acknowledge(s) receipt of the prospectus dated April 3, 2000 and make(s) the declarations as indicated on the reverse side of this application.

SIGNATURE

SIGNATURE



## APPLICATION FORM - INDIVIDUAL

### FOR COMMON SHARES OF COMMONWEALTH BANK LIMITED

THE APPLICANT(S), BY SIGNING THIS APPLICATION ON THE REVERSE SIDE, MAKE(S) THE FOLLOWING DECLARATIONS:

1. The applicant is 18 years of age or older; and
2. The applicant is a citizen of The Bahamas or holds a permanent residency permit with the unrestricted right to work in The Bahamas or is granted approval as an investor in The Bank by The Central Bank of The Bahamas; and
3. The applicant is not applying for the shares as nominee for any other person, corporation, trust or fund that would not be an eligible investor.

#### BANK INSTRUCTIONS

Authority is hereby given to debit the following described Commonwealth Bank account, by the amount defined overleaf:-

Bank Branch: \_\_\_\_\_

Name of Account: \_\_\_\_\_

Account Number: \_\_\_\_\_

Amount: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

Send completed application and remittance to:

Colina Financial Advisors Ltd.  
2nd Floor, Goodmans Bay Corporate Centre, West Bay Street  
P. O. Box CB 12407  
Nassau, Bahamas  
or  
Any branch of Commonwealth Bank



## APPLICATION FORM - COMPANY, TRUST OR FUND

### FOR USE BY A COMPANY, TRUST OR FUND FOR COMMON SHARES OF COMMONWEALTH BANK LIMITED

Applications for a minimum of 50 shares will be accepted from April 3, 2000 until 5:00 p.m. on April 28,, 2000 or until the offer is terminated. Full payment for the shares subscribed must accompany this application. All cheques, bank drafts or postal orders must be made payable to COLINA FINANCIAL ADVISORS LTD. CASH WILL NOT BE ACCEPTED. Direct debit payments can be made by signing the authorisation on the reverse side of this form.

NUMBER OF SHARES REQUESTED: \_\_\_\_\_ PAYMENT ENCLOSED: BS \_\_\_\_\_  
(At B\$6.00 per share for a minimum of 50 and in multiples of 50 thereafter)

NAME: \_\_\_\_\_

CONTACT PERSON: \_\_\_\_\_

(Please Print the following Information)

P.O.BOX : \_\_\_\_\_

ISLAND: \_\_\_\_\_

TELEPHONE NUMBER: WORK \_\_\_\_\_ HOME \_\_\_\_\_

Please note the form of dividend payment preference:

( ) Dividend cheques to be mailed to above P.O.Box, or ( ) cheques deposited to our bank:

Bank Name: \_\_\_\_\_

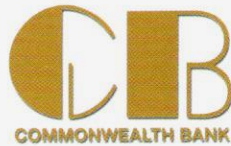
Bank Branch: \_\_\_\_\_

Account Number: \_\_\_\_\_

#### DECLARATION

The Applicant(s), by signing this application, acknowledge(s) receipt of the prospectus dated April 3, 2000 and make(s) the declarations as indicated on the reverse side of this application.

\_\_\_\_\_  
AUTHORISED SIGNATURE (S)  
UNDER SEAL



APPLICATION FORM - COMPANY, TRUST OR FUND

FOR USE BY A COMPANY, TRUST OR FUND
FOR COMMON SHARES OF
COMMONWEALTH BANK LIMITED

THE ENTITY, BY SIGNING THIS APPLICATION ON THE REVERSE SIDE, MAKES THE FOLLOWING DECLARATIONS:

If a Corporation:

- 1. The applicant is incorporated under the laws of The Bahamas and is resident for exchange control purposes; and
2. The applicant is wholly owned by individuals who are citizens of The Bahamas and/or permanent residents with the unrestricted right to work or is granted approval as an investor in The Bank by The Central Bank of The Bahamas; and
3. All necessary corporate actions have been taken to authorize the purchase of the shares.
4. The applicant is not applying for the shares as nominee for any other person, corporation, trust or fund that would not be an eligible investor.

If a Trust or Pension Fund:

- 1. Beneficiaries of the trust or fund are citizens or permanent residents of The Bahamas with the unrestricted right to work or Bahamian resident companies owned by them and/or any other eligible trust or pension fund which is granted approval as an investor in The Bank by The Central Bank of The Bahamas; and
2. Trustees of the trust and managers of the fund represent that they have the necessary power and all requisite actions have been taken to enable them to effect the purchase of the shares.
3. The applicant is not applying for the shares as nominee for any other person, corporation, trust or fund that would not be an eligible investor.

BANK INSTRUCTIONS

Authority is hereby given to debit the following described Commonwealth Bank account, by the amount defined overleaf:-

Bank Branch: \_\_\_\_\_
Name of Account: \_\_\_\_\_
Account Number: \_\_\_\_\_
Amount: \_\_\_\_\_

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Send completed application and remittance to:
Colina Financial Advisors Ltd.
2rd Floor, Goodmans Bay Corporate Centre, West Bay Street
P. O. Box CB 12407
Nassau, Bahamas
OR
Any branch of Commonwealth Bank