

COMMONWEALTH BANK | CHAIRMAN'S REPORT ON UNAUDITED RESULTS JUNE 30, 2020

Commonwealth Bank's total profit for the first half of 2020 was \$19.8 million and represents a decrease of \$4.6 million or 18.7% compared to the same period in 2019.

Total assets were \$1.68 billion, compared to \$1.71 billion as at December 2019.

As the Bank continues to navigate these unprecedented times with the evolving impact of the COVID-19 pandemic, we remain committed to the ongoing health and safety of our clients, employees, communities and shareholders. While we cannot predict the future course of this virus in both The Bahamas and the United States of America, the Bank has in place dynamic business continuity plans which are designed to maintain the safety and soundness of the Bank, its operations and staff members.

Net interest income increased slightly by 1.4% which was driven by a decrease in interest expense. Non-interest income was up 6.83% which was primarily due to insurance recoveries from Hurricane Dorian.

Loan impairment expense increased by 63.4% which was driven by the current and forecasted economic conditions due to the COVID-19 pandemic.

The Bank paid quarterly dividends of 2 cents per share bringing total dividends paid for the half year to 4 cents per share. Additionally, the Bank continues to maintain strong capital and liquidity ratios with capital adequacy in excess of 28% and liquidity ratio above 54%. These ratios are well in excess of Central Bank's requirements of 17% and 20% respectively.

As always, we extend our gratitude to our shareholders and valued customers for their ongoing support. I especially want to thank our hardworking and devoted staff members who have not wavered in their commitment to unparalleled customer service even in these very difficult and uncertain times. Their contributions are truly appreciated.

William B. Sands, Jr.
Executive Chairman

COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Expressed in B\$ '000s) (Unaudited)

	June 30, 2020	December 31, 2019
ASSETS		
Cash and deposits with banks	\$ 37,112	\$ 117,244
Balances with Central Bank of The Bahamas	203,353	164,296
Investments	455,612	436,224
Loans receivable	929,531	932,796
Other assets	17,551	16,059
Premises and equipment	41,804	42,530
TOTAL	\$ 1,684,963	\$ 1,709,149
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	\$ 1,388,239	\$ 1,419,290
Life assurance fund liability	1,450	1,682
Other liabilities	15,330	15,340
Total liabilities	1,405,019	1,436,312
Equity:		
Share capital	1,919	1,921
Share premium	1,562	2,708
General reserve	10,500	10,500
Retained earnings	265,963	257,708
Total equity	279,944	272,837
TOTAL	\$ 1,684,963	\$ 1,709,149

COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Expressed in B\$ '000s) (Unaudited)

	3 months ending June 30, 2020	3 months ending June 30, 2019 (Restated)
INCOME:		
Interest income	\$ 35,755	\$ 35,368
Interest expense	(3,063)	(3,843)
Net interest income	32,692	31,525
Life assurance, net	1,000	1,442
Fees and other income	3,671	4,750
Insurance recoveries	2,071	-
Unrealised gains on equity investment	1,190	639
Total income	40,624	38,356
NON-INTEREST EXPENSE:		
General and administrative	15,552	17,550
Depreciation and amortization	1,019	1,017
Loan impairment expense	15,418	7,821
Directors' fees	68	68
Total non-interest expense	32,057	26,456
TOTAL PROFIT	\$ 8,567	\$ 11,900
TOTAL COMPREHENSIVE INCOME	\$ 8,567	\$ 11,900
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars)	\$ 0.03	\$ 0.04

COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Expressed in B\$ '000s) (Unaudited)

	6 months ending June 30, 2020	6 months ending June 30, 2019 (Restated)
INCOME:		
Interest income	\$ 70,947	\$ 71,352
Interest expense	(6,474)	(7,770)
Net interest income	64,473	63,582
Life assurance, net	2,118	1,907
Fees and other income	8,740	8,467
Insurance recoveries	2,071	-
Unrealised (loss) gains on equity investment	(64)	1,668
Total income	77,338	75,624
NON-INTEREST EXPENSE:		
General and administrative	32,577	35,090
Loan impairment expense	23,294	14,256
Depreciation and amortization	1,557	1,809
Directors' fees	137	137
Total non-interest expense	57,565	51,292
TOTAL PROFIT	\$ 19,773	\$ 24,332
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of Defined Benefit Obligation	-	58
TOTAL COMPREHENSIVE INCOME	\$ 19,773	\$ 24,390
BASIC AND DILUTED EARNINGS PER COMMON SHARE (expressed in dollars)	\$ 0.07	\$ 0.08

COMMONWEALTH BANK LIMITED NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED JUNE 30, 2020 (Expressed in B\$ '000s) (Unaudited)

1. ACCOUNTING POLICIES

These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting.

The consolidated financial statements include the accounts of Commonwealth Bank Limited ("the Bank") and its wholly owned subsidiary companies. The subsidiaries are Laurentide Insurance and Mortgage Company Limited, Laurentide Insurance Agency Limited, C.B. Securities Ltd., and C.B. Holding Co. Ltd.

COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Expressed in B\$ '000s) (Unaudited)

	6 months ending June 30, 2020	6 months ending June 30, 2019 (Restated)
SHARE CAPITAL		
Preference shares		
Balance at beginning and end of period	\$ -	\$ 81,498
Redemption of shares	-	(48,894)
Balance at end of period	-	32,604
COMMON SHARES		
Balance at beginning of period	1,921	1,943
Repurchase of common shares	(2)	(6)
Balance at end of period	1,919	1,937
TOTAL SHARE CAPITAL	1,919	34,541
SHARE PREMIUM		
Balance at beginning of period	2,708	17,198
Repurchase of common shares	(1,146)	(3,899)
Balance at end of period	1,562	13,299
GENERAL RESERVE		
Balance at beginning and end of period	10,500	10,500
RETAINED EARNINGS		
Balance at beginning of period, as restated	257,708	256,757
Total comprehensive income	19,773	24,390
Common share dividends	(11,518)	(17,465)
Preference share dividends	-	(1,878)
Balance at end of period	265,963	261,804
EQUITY AT END OF PERIOD	\$ 279,944	\$ 320,144

COMMONWEALTH BANK LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS (Expressed in B\$ '000s) (Unaudited)

	6 months ending June 30, 2020	6 months ending June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 19,773	\$ 24,332
Adjustments for:		
Depreciation and amortization	1,557	1,809
Loan impairment expense	23,294	14,256
Unrealised loss/gains on investments	64	(1,668)
Change in loans and advances to customers	(20,029)	28,807
Change in minimum reserve requirement	(2,402)	2,901
Change in restricted deposit	(378)	-
Change in other assets	(1,492)	(3,540)
Change in other liabilities	(10)	(2,218)
Change in life assurance fund liability	(232)	(589)
Change in deposits	(31,951)	6,751
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(10,906)	70,841
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of investments	(183,038)	(154,389)
Redemption of investments	163,491	181,170
Change in interest receivable on investments	87	510
Purchases of premises and equipment	(823)	(598)
Net proceeds from sale of premises and equipment	-	4
Net cash (used in) from investing activities	(20,283)	26,697
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(11,518)	(19,343)
Repurchase of common shares	(1,148)	(3,905)
Redemption of preference shares	-	(48,894)
Net cash used in financing activities	(12,666)	(72,142)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(43,855)	25,396
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	227,329	125,212
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 183,474	\$ 150,608

2. DIVIDENDS

The Directors approved interim quarterly dividends in the amount of \$0.02 per common share (2019: \$0.02). The total dividends paid as of the interim date is \$0.04 per share for common shares (2019: \$0.04 cents). The dividends are declared on a quarterly calendar basis. The interim financial statements only reflect the dividends accrued for the interim period.

3. BUSINESS SEGMENTS

For management purposes, the Bank including its subsidiaries is organized into five operating units – Retail Bank, Credit Life Company, Real Estate Holdings, Investment Holdings and Insurance Agency Operations. The following table shows financial information by business segment:

	2020						Eliminations	Consolidated
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations			
INCOME								
External	\$ 74,336	\$ 2,992	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 77,338
Internal	640	(219)	1,891	(3,320)	352	656	-	-
Total income	\$ 74,976	\$ 2,773	\$ 1,901	\$ (3,320)	\$ 352	\$ 656	\$ -	\$ 77,338
TOTAL PROFIT								
Internal								
& external	\$ 16,526	\$ 2,636	\$ 1,038	\$ (3,850)	\$ 195	\$ 3,228	\$ -	\$ 19,773

	2019						Eliminations	Consolidated
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations			
INCOME								
External	\$ 72,960	\$ 2,775	\$ 10	\$ -	\$ -	\$ (120)	\$ -	\$ 75,624
Internal	617	(200)	1,995	226	311	(2,949)	-	-
Total income	\$ 73,577	\$ 2,576	\$ 2,005	\$ 226	\$ 311	\$ (3,071)	\$ -	\$ 75,624
TOTAL PROFIT								
Internal								
& external	\$ 21,363	\$ 2,375	\$ 759	\$ (14)	\$ 169	\$ (320)	\$ -	\$ 24,332