

COMMONWEALTH BANK | CHAIRMAN'S REPORT ON UNAUDITED RESULTS JUNE 30, 2021

Results for the second quarter of 2021 continued to be adversely impacted by the global COVID-19 pandemic. For the six month period ended June 30, 2021 the Bank recorded a loss of \$10.3 million compared to a profit of \$19.8 million for the same period in the prior year. The Bank's total assets were unchanged from December 31, 2020 at \$1.7 billion.

The pandemic has resulted in increased lending risks and credit losses for the Bank and the financial services sector as a whole. Due to the considerable economic challenges faced by our customers, the Bank's loan impairment expense nearly doubled from \$23.3 million in 2020 to \$45.8 million this quarter and was the largest single contributing factor to the Bank's results. Nevertheless, the Bank continues to maintain high levels of excess capital and retained earnings to absorb these losses. As an indicator of its safety and soundness, the Bank's capital adequacy ratio was in excess of 26% and the liquidity ratio was 58%. Both ratios are well in excess of the Central Bank's requirements of 17% and 20% respectively.

During the quarter the Bank paid quarterly dividends of 1 cent per share bringing total dividends paid for the first half of the year to 2 cents per share, totaling \$5.8 million.

In the Central Bank's Monthly Economic and Financial Developments report for June 2021, it was noted that the Bahamian economy began a slow recovery from the COVID-19 pandemic during the first quarter of 2021. This was due to the resumption of most tourism sector businesses. As has been the case since the onset of the pandemic, the Bank remains committed to supporting its customers as best it can during these extremely difficult times.

I would like to extend my sincere appreciation to our team of professionals that continues to deliver exceptional service to our customers every day. I am truly inspired by their commitment to excellence despite very challenging circumstances. I also extend gratitude to our shareholders and customers for their continued, unwavering support. Together, we will grow stronger through adversity and emerge resilient on the other side of this pandemic.

William B. Sands, Jr.
Executive Chairman

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

	June 30, 2021	December 31, 2020
ASSETS		
Cash and deposits with banks	\$ 39,213	\$ 39,834
Balances with Central Bank of The Bahamas	250,281	235,759
Investments	518,602	462,501
Loans receivable	842,327	898,853
Other assets	12,096	22,869
Premises and equipment	48,818	45,560
TOTAL	\$ 1,711,337	\$ 1,705,376
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	\$ 1,433,423	\$ 1,415,910
Life assurance fund liability	1,277	1,012
Other liabilities	17,266	19,035
Total liabilities	1,451,966	1,435,957
Equity:		
Share capital	1,932	1,918
Share premium	7,034	1,048
Retained earnings	250,405	266,453
Total equity	259,371	269,419
TOTAL	\$ 1,711,337	\$ 1,705,376

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

	6 months ending June 30, 2021	6 months ending June 30, 2020 (Restated)
SHARE CAPITAL		
Common shares		
Balance at beginning of period	\$ 1,918	\$ 1,921
Repurchase of common shares	-	(2)
Sale of common shares	14	-
Balance at end of period	1,932	1,919
Total Share Capital	1,932	1,919
SHARE PREMIUM		
Balance at beginning of period	1,048	2,708
Repurchase of common shares	-	(1,146)
Sale of common shares	5,986	-
Balance at end of period	7,034	1,562
GENERAL RESERVE		
Balance at beginning and end of period	-	10,500
RETAINED EARNINGS		
Balance at beginning of period	266,453	257,708
Total comprehensive income	(10,283)	19,773
Common share dividends	(5,765)	(11,518)
Balance at end of period	250,405	265,963
EQUITY AT END OF PERIOD	\$ 259,371	\$ 279,944

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

	3 months ending June 30, 2021	3 months ending June 30, 2020 (Restated)
INCOME:		
Interest income	\$ 33,962	\$ 35,755
Interest expense	(4,204)	(3,063)
Net interest income	29,758	32,692
Life assurance, net	354	1,000
Fees and other income	5,545	3,671
Insurance recoveries	-	2,071
Unrealised gains on equity investment	180	1,190
Total income	35,837	40,624
NON-INTEREST EXPENSE:		
General and administrative	17,420	15,552
Loan impairment expense	25,056	15,418
Depreciation and amortization	897	1,019
Directors' fees	68	68
Total non-interest expense	43,441	32,057
TOTAL PROFIT & OTHER COMPREHENSIVE INCOME	\$ (7,604)	\$ 8,567
EARNINGS PER COMMON SHARE (expressed in dollars)	\$ (0.03)	\$ 0.03

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

	6 months ending June 30, 2021	6 months ending June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) Profit	\$ (10,283)	\$ 19,773
Adjustments for:		
Depreciation and amortization	1,791	1,557
Loan impairment expense	45,796	23,294
Gain on disposal of impaired assets, premises and equipment	(3)	-
Unrealised gains/(loss) on investments	(180)	64
Change in loans and advances to customers	37,121	44,688
Change in minimum reserve requirement	10,730	(20,029)
Change in restricted deposit	(445)	(2,402)
Change in other assets	-	(378)
Change in other liabilities	10,773	(1,492)
Change in life assurance fund liability	(1,769)	(10)
Change in deposits	265	(232)
Change in deposits	17,513	(31,051)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	74,188	(10,906)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(287,443)	(183,038)
Redemption of investments	231,920	163,491
Change in interest receivable on investments	(387)	87
Purchases of premises and equipment	(5,074)	(823)
Net proceeds from the disposal of impaired assets, premises and equipment	17	-
Net cash (used in) from investing activities	(60,967)	(20,283)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(5,765)	(11,518)
Sale (repurchase) of common shares	6,000	(1,148)
Net cash from (used in) financing activities	235	(12,666)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,456	(43,855)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	217,507	227,329
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 230,963	\$ 183,474

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

	6 months ending June 30, 2021	6 months ending June 30, 2020 (Restated)
INCOME:		
Interest income	\$ 68,303	\$ 70,947
Interest expense	(8,281)	(6,474)
Net interest income	60,022	64,473
Life assurance, net	214	2,118
Fees and other income	10,371	8,740
Insurance recoveries	-	2,071
Unrealised loss on equity investments	180	(64)
Total income	70,787	77,338
NON-INTEREST EXPENSE:		
General and administrative	33,346	32,577
Loan impairment expense	45,796	23,294
Depreciation and amortization	1,791	1,557
Directors' fees	137	137
Total non-interest expense	81,070	57,565
TOTAL PROFIT & OTHER COMPREHENSIVE INCOME	\$ (10,283)	\$ 19,773
EARNINGS PER COMMON SHARE (expressed in dollars)	\$ (0.04)	\$ 0.07

2. DIVIDENDS

During the year to date the Bank paid total dividends of 2 cents per common share (2020: 4 cents) for a total payment of \$5.8 million (2020: \$11.5 million).

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:

	2021						Eliminations	Consolidated
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations			
INCOME								
External	\$ 69,348	\$ 1,431	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ 70,787
Internal	2,208	(134)	1,897	(6,005)	311	1,723	-	-
Total income	\$ 71,556	\$ 1,297	\$ 1,905	\$ (6,005)	\$ 311	\$ 1,723	\$ -	\$ 70,787
TOTAL PROFIT								
Internal								
& external	\$ (5,716)	\$ 1,082	\$ 838	\$ (6,565)	\$ 180	\$ (102)	\$ -	\$ (10,283)

	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

COMMONWEALTH BANK LIMITED NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED JUNE 30, 2021 (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.