

COMMONWEALTH

BANK

Chairman’s Report on Unaudited Results September 30, 2023

For the nine months ended September 30, 2023, the Bank recorded a consolidated net profit of \$50.3 million compared to a consolidated net profit of \$58.2 million for the same period in the prior year. The net profit of the prior period benefited from an extraordinary release of the impairment allowances. The Bank’s operations continue to be favored by the rebound of the Bahamian economy, which has extended into the third quarter of 2023. However, these results reflect milder releases of impairment allowances, consistent with the return to normalized lending conditions.


The Bank’s net interest income grew by 20% when considering quarter-on-quarter business performance, primarily due to strategic management of the Bank’s investments and improvement in the quality of loan assets. The latter is driven by a posture in credit underwriting to manage growth safely and price risk effectively. The attention to delinquency management has improved both the non-performing and performing loan book delinquency levels year-on-year. Additionally, interest expense has been controlled. The Bank’s non-interest income grew by 15% as of September 30, 2023, compared to the same period in 2022. The growth in non-interest income is attributed primarily to favorable changes in the unrealized gains on its equity investment held at fair value through profit and loss and increased transaction-based fee income arising from the Bank’s deposit book. While general and administration expenses are higher than in the third quarter of 2022 by 12%, this is primarily the result of non-controllable expenses, such as the reimposition of business license fees, increased insurance costs, and increased utility costs, namely electricity costs.

As an indication of the Bank’s risk management and commitment to the safety and soundness of our operations, the Bank maintains a fortified consolidated financial position with a strong level of

liquidity (available cash and unencumbered high-quality liquid assets at market value) and capital, which positions the Bank well to adapt to stresses posed by the current business environment. The Bank is required to hold a minimum level of liquid assets against possible liquidity risk, and as of September 30, 2023, has a liquidity ratio of 68%, well above the regulatory limit of 20%. The Bank’s capital adequacy ratio is over 30% and is well above the regulatory requirement of 17%.

During the quarter, the Board of Directors approved increasing the regular quarterly dividend to \$0.03 per share. The dividend represents a 50% increase compared to the regular quarterly dividend of \$0.02 per share, which the Bank’s shareholders had become accustomed to. The increase in regular dividends supports a view of cautious optimism for continued economic stabilization and improved lending conditions. The total dividends paid through to the end of the third quarter of 2023 is 11 cents per share and totals \$32.1 million (2022: \$11.7 million),

I sincerely thank our team of professionals who deliver exceptional service to our customers daily. Their commitment to excellence truly inspires me. I also thank our shareholders and customers for their continued, unwavering support.



William B. Sands, Jr.

Executive Chairman

Commonwealth Bank Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in B\$ '000s) (Unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Cash and deposits with banks	\$ 230,415	\$ 264,223
Investments, net	779,417	729,036
Loans and advances to customers, net	801,983	786,245
Other assets	12,740	7,985
Right of use assets	771	1,182
Premises and equipment	44,146	44,558
TOTAL	\$ 1,869,472	\$ 1,833,229
LIABILITIES AND EQUITY		
Liabilities:		
Deposits from customers	\$ 1,542,456	\$ 1,513,397
Life assurance fund liability	604	581
Lease liabilities	829	1,242
Other liabilities	22,988	30,215
Total liabilities	1,566,877	1,545,435
Equity:		
Share capital	1,945	1,951
Share premium	10,181	13,544
Retained earnings	290,469	272,299
Total equity	302,595	287,794
TOTAL	\$ 1,869,472	\$ 1,833,229

Commonwealth Bank Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in B\$ '000s) (Unaudited)

	9 months ended September 30, 2023	9 months ended September 30, 2022
INCOME:		
Interest income, effective interest rate method	\$ 104,479	\$ 89,319
Interest expense	(12,964)	(12,805)
Net interest income	91,515	76,514
Credit life insurance premiums, net	3,091	3,547
Fees and other income	18,732	18,060
Net change in unrealised gain/(loss) on equity investment at FVTPL	1,182	(1,649)
Total income	114,520	96,472
NON-INTEREST EXPENSE:		
General and administrative	61,114	54,539
Reversals of losses on financial assets	(2,596)	(21,679)
Insurance claims	2,258	1,598
Change in insurance reserves	23	393
Depreciation on right of use assets	411	396
Other depreciation	2,759	2,718
Finance cost on lease liabilities	34	37
Loss (gain)/loss on disposal of premises and equipment	(10)	10
Directors’ fees	219	240
Total non-interest expense	64,212	38,252
TOTAL PROFIT	\$ 50,308	\$ 58,220
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of Defined Benefit Obligation	-	-
TOTAL COMPREHENSIVE INCOME	\$ 50,308	58,220
EARNINGS PER COMMON SHARE	\$ 0.17	\$ 0.20
(expressed in dollars)		

Commonwealth Bank Limited

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2023

(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.

2. DIVIDENDS

During the nine months of the year the Bank paid total dividends per share of 11 cents per common share (2022: 4 cents) for a total payment of \$32.1 million (2022: \$11.7 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

	9 months ended September 30, 2023	9 months ended September 30, 2022
Commonwealth Bank Limited		
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		
(Expressed in B\$ '000s) (Unaudited)		
SHARE CAPITAL		
Balance at beginning of period	\$ 1,951	\$ 1,946
Repurchase of common shares	(6)	(3)
Sale of treasury shares	-	9
Balance at end of period	1,945	1,952
SHARE PREMIUM		
Balance at beginning of period	13,544	11,667
Repurchase of common shares	(3,363)	(738)
Sale of treasury shares	-	3,186
Balance at end of period	10,181	14,115
RETAINED EARNINGS		
Balance at beginning of period	272,299	224,878
Total comprehensive income	50,308	58,220
Common share dividends	(32,138)	(11,702)
Balance at end of period	290,469	271,396
EQUITY AT END OF PERIOD	\$ 302,595	\$ 287,463

Commonwealth Bank Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in B\$ '000s) (Unaudited)

	9 months ended September 30, 2023	9 months ended September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit (Loss)	\$ 50,308	58,220
Adjustments for:		
Depreciation on right of use assets	411	396
Other depreciation	2,759	2,718
Finance cost on lease liabilities	34	37
Loan Impairment expense (reversals)	(2,596)	(21,679)
Interest income	(104,479)	(89,319)
Interest expense	12,962	12,805
(Gain)/Loss on disposal of premises and equipment	(10)	10
Net change in unrealised (gain)/loss on equity investment at FVTPL	(1,182)	1,649
	(41,793)	(35,163)
Change in loans and advances to customers	(14,419)	7,642
Change in minimum reserve requirement	(2,299)	(1,447)
Change in restricted deposit	-	-
Change in right of use assets and other assets	(4,755)	1,260
Change in lease liabilities and other liabilities	(7,525)	8,073
Change in life assurance fund liability	23	395
Change in deposits from customers	21,895	50,859
Interest received	101,050	93,393
Interest paid	(5,801)	(12,363)
Net cash from operating activities	46,376	112,649
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(512,482)	(687,648)
Redemption of investments	467,989	855,171
Purchases of premises and equipment	(2,409)	(1,000)
Net proceeds from sale of premises and equipment	71	112
Net cash used in/from investing activities	(46,831)	166,635
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(32,138)	(11,702)
Repurchase of common shares	(3,369)	(741)
Sale of treasury	-	3,195
Payment of lease liabilities	(149)	(423)
Net cash (used in) from financing activities	(35,656)	(9,671)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,111)	269,613
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	205,224	135,132
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 169,113	404,745

2023							
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	\$ 110,682	\$ 3,838	\$ -	\$ -	\$ -	\$ -	\$ 114,520
Internal	454	(394)	2,557	1,679	399	(4,695)	-
Total Income (Loss)	\$ 111,136	\$ 3,444	\$ 2,557	1,679	\$ 399	\$ (4,695)	\$ 114,520
Total profit (loss)							
Internal & External	\$ 45,669	\$ 2,072	\$ 1,082	\$ 1,665	\$ 187	\$ (367)	\$ 50,308

2022							
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated
Income							
External	\$ 93,653	\$ 2,819	\$ -	\$ -	\$ -	\$ -	\$ 96,472
Internal	(1,760)	(309)	2,531	969	358	(1,789)	-
Total Income (Loss)	\$ 91,893	\$ 2,510	\$ 2,531	969	\$ 358	\$ (1,789)	\$ 96,472
Total profit (loss)							
Internal & External	\$ 44,310	\$ 2,187	\$ 927	\$ 937	\$ 161	\$ 9,698	\$ 58,220

