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COMMONWEALTH

BANK

CHAIRMAN'S REPORT ON UNAUDITED RESULTS JUNE 30, 2023

For the half-year ended June 30, 2023, the Bank recorded a consolidated net profit of \$35.9 million compared to a consolidated net profit of \$42.8 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 second quarter of 2023, although the half-year results reflect milder releases of impairment allowances, consistent with the normalization of lending conditions and post-pandemic economic stabilization.

The Bank's net interest income grew by 16% when considering year-on-year business performance, primarily as a result of 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 resulted in improvements to both the non-performing loan book and the performing loan book delinquency levels quarter-on-quarter. Additionally, interest expense has been controlled. The Bank's non-interest income grew by 21% as of June 30, 2023, as compared to the same period in 2022. The growth in non-interest income is attributed to improved profits in the Bank's credit life product, favorable changes in the unrealized gains on its equity investments, and increased fee income, primarily related to transaction-based fees on the Bank's deposit book. While general and administration expenses are higher than in the second quarter of 2022, this expenditure is both controlled and in step with the Bank's operations plans for the current year.

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 June 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 an extraordinary dividend of two cents per share following the 2023 first-quarter financial results, and a regular quarterly dividend of 2 cents per share bringing total dividends paid at the end of the second quarter of 2023 to 8 cents per share and totaling \$23.5 million (2022: \$5.8 million), supporting a view of cautious optimism for continued stabilization and improved lending conditions.

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. I also extend gratitude to 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)		
	June 30, 2023	December 31, 2022
<b>ASSETS</b>		
Cash and deposits with banks	\$ 284,569	\$ 264,223
Investments, net	751,324	729,036
Loans and advances to customers, net	794,794	786,245
Other assets	14,453	7,985
Right of use assets	908	1,182
Premises and equipment	43,470	44,558
<b>TOTAL ASSETS</b>	<b>\$ 1,889,518</b>	<b>\$ 1,833,229</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Deposits from customers	\$ 1,566,375	\$ 1,513,397
Life assurance fund liability	581	581
Lease liabilities	969	1,242
Other liabilities	23,560	30,215
Total liabilities	1,591,485	1,545,435
Equity:		
Share capital	1,947	1,951
Share premium	11,413	13,544
Retained earnings	284,673	272,299
Total equity	298,033	287,794
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,889,518</b>	<b>\$ 1,833,229</b>

COMMONWEALTH BANK LIMITED		
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
(Expressed in B\$ '000s) (Unaudited)		
	3 months ended June 30, 2023	3 months ended June 30, 2022 (Restated)
<b>INCOME:</b>		
Interest income, effective interest rate method	\$ 34,848	\$ 28,523
Interest expense	(4,326)	(4,317)
Net interest income	30,522	24,206
Credit life insurance premium	1,326	1,199
Fees and other income	6,125	7,835
Net change in unrealised gain (loss)		
on equity investment at FVTPL	730	(915)
Total income	38,703	32,325
<b>NON-INTEREST EXPENSE:</b>		
General and administrative	19,755	17,969
Losses (reversals) on financial assets	986	(247)
Insurance claims	546	465
Change in insurance reserves	-	556
Depreciation on right of use assets	135	105
Other depreciation	891	949
Finance cost on lease liabilities	11	12
Loss on disposal of premises and equipment	7	25
Directors' fees	68	104
Total non-interest expense	22,400	19,938
<b>TOTAL PROFIT</b>	<b>\$ 16,303</b>	<b>\$ 12,387</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified subsequently to profit or loss:	-	-
Remeasurement of Defined Benefit Obligation	16,303	12,387
<b>TOTAL COMPREHENSIVE INCOME</b>		
<b>EARNINGS PER COMMON SHARE</b>	<b>\$ 0.06</b>	<b>\$ 0.05</b>
(expressed in dollars)		

COMMONWEALTH BANK LIMITED		
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
(Expressed in B\$ '000s) (Unaudited)		
	6 months ended June 30, 2023	6 months ended June 30, 2022 (Restated)
<b>INCOME:</b>		
Interest income, effective interest rate method	\$ 68,336	\$ 60,036
Interest expense	(8,590)	(8,556)
Net interest income	59,746	51,480
Credit life insurance premium	2,613	2,459
Fees and other income	12,164	11,613
Net change in unrealised gain/(loss)		
on equity investment at FVTPL	1,113	(964)
Total income	75,636	64,588
<b>NON-INTEREST EXPENSE:</b>		
General and administrative	40,033	35,611
Reversals of impairment losses on financial assets	(3,831)	(17,650)
Insurance claims	1,351	930
Change in insurance reserves	-	556
Depreciation on right of use assets	274	256
Other depreciation	1,777	1,875
Finance cost on lease liabilities	24	26
Losses (gain) on disposal of premises and equipment	(10)	19
Directors' fees	137	172
Total non-interest expense	39,755	21,795
<b>TOTAL PROFIT (LOSS)</b>	<b>\$ 35,881</b>	<b>\$ 42,793</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified subsequently to profit or loss:	-	-
Remeasurement of Defined Benefit Obligation	35,881	42,793
<b>TOTAL COMPREHENSIVE INCOME</b>		
<b>EARNINGS PER COMMON SHARE</b>	<b>\$ 0.12</b>	<b>\$ 0.15</b>
(expressed in dollars)		

COMMONWEALTH BANK LIMITED

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 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

COMMONWEALTH BANK LIMITED		
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		
(Expressed in B\$ '000s) (Unaudited)		
	6 months ended June 30, 2023	6 months ended June 30, 2022 (Restated)
<b>SHARE CAPITAL</b>		
Balance at beginning of period	\$ 1,951	\$ 1,946
Repurchase of common shares	(4)	(2)
Sale of treasury shares	-	9
Balance at end of period	1,947	1,953
<b>SHARE PREMIUM</b>		
Balance at beginning of period	13,544	11,667
Repurchase of common shares	(2,131)	(276)
Sale of treasury shares	-	3,186
Balance at end of period	11,413	14,577
<b>RETAINED EARNINGS</b>		
Balance at beginning of period	272,299	224,878
Total comprehensive income	35,881	42,793
Common share dividends	(23,507)	(5,848)
Balance at end of period	284,673	261,823
<b>EQUITY AT END OF PERIOD</b>		
	<b>\$ 298,033</b>	<b>\$ 278,353</b>

COMMONWEALTH BANK LIMITED		
CONSOLIDATED STATEMENT OF CASH FLOWS		
(Expressed in B\$ '000s) (Unaudited)		
	6 months ended June 30, 2023	6 months ended June 30, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>PROFIT</b>	<b>\$ 35,881</b>	<b>\$ 42,793</b>
Adjustments for:		
Depreciation on right of use assets	274	256
Other depreciation	1,777	1,875
Finance cost on lease liabilities	24	26
Reversals of impairment on Financial Assets	(3,831)	(17,650)
Interest income	(68,335)	(60,036)
Interest expense	8,590	8,556
(Gain)/Loss on disposal of premises and equipment	(10)	19
Net change in unrealised (gain)/loss on equity investment at FVTPL	(1,113)	964
Change in loans and advances to customers	(5,586)	11,096
Change in minimum reserve requirement	(728)	(1,084)
Change in restricted deposit	-	-
Change in right of use assets and other assets	(6,468)	(1,700)
Change in lease liabilities and other liabilities	(6,803)	3,410
Change in life assurance fund liability	0	512
Change in deposits from customers	48,372	39,069
Interest received	67,628	62,333
Interest paid	(3,985)	(10,165)
Net cash from operating activities	65,687	80,274
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(409,121)	(638,426)
Redemption of investments	389,522	691,274
Purchases of premises and equipment	(751)	(800)
Net proceeds from sale of premises and equipment	72	81
Net cash (used in)/from investing activities	(20,278)	52,129
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(23,507)	(5,848)
Repurchase of common shares	(2,135)	(278)
Sale of treasury	-	3,195
Payment of lease liabilities	(149)	(283)
Net cash (used in) financing activities	(25,791)	(3,214)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	19,618	129,189
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>205,224</b>	<b>135,132</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>224,842</b>	<b>264,321</b>

Insurance and Mortgage Company Limited, Laurentide Insurance Agency Limited, C.B. Securities Ltd., and C.B. Holding Co. Ltd.

2. DIVIDENDS

During the six months of the year the Bank paid total dividends per share of 8 cents per common share (2022: 2 cents) for a total payment of \$23.5 million (2022: \$5.8 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:

2023								
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated	
<b>Income</b>								
External	\$ 73,101	\$ 2,535	\$ -	\$ -	\$ -	\$ -	\$ 75,636	
Internal	309	(261)	1,181	246	263	(1,738)	-	
Total income (Loss)	\$ 73,410	\$ 2,274	\$ 1,181	\$ 246	\$ 263	\$ (1,738)	\$ 75,636	
<b>Total Profit (Loss)</b>								
Internal & external	\$ 37,071	\$ 1,466	\$ 503	\$ 236	\$ 123	\$ (3,518)	\$ 35,881	
2022								
	Retail Bank	Credit Life Company	Real Estate Holding	Investment Holdings	Insurance Agency Operations	Eliminations	Consolidated	
<b>Income</b>								
External	\$ 62,773	\$ 1,815	\$ -	\$ -	\$ -	\$ -	\$ 64,588	
Internal	(1,847)	1	2,018	966	244	(1,382)	-	
Total income (Loss)	\$ 60,926	\$ 1,816	\$ 2,018	\$ 966	\$ 244	\$ (1,382)	\$ 64,588	
<b>Total Profit (Loss)</b>								
Internal & external	\$ 42,731	\$ 1,389	\$ 910	\$ 942	\$ 109	\$ (3,288)	\$ 42,793	