ASX Announcement

1H23 Results

For the half year ended 31 December 2022[1]

Customer focus and disciplined strategic execution delivering strong financial performance

Net profit after tax

$5,216m

Statutory NPAT

↑ 10% on 1H22

$5,153m

Cash NPAT

↑ 9% on 1H22

Net profit after tax (NPAT) increased, supported by growth in net interest income, partly offset by higher operating costs and loan impairment expense.

Pre-provision profit

$7,820m

↑ 18% on 1H22

Our pre-provision profit is up 18% reflecting disciplined strategic execution, consistent operational performance and the recovery in net interest margins.

Net interest margin (NIM)

2.10%

↑ 23bpts on 2H22

↑ 18bpts on 1H22

Recovery in margins due to rising rate environment, partly offset by competitive pricing pressure.

Dividend

$2.10

Per share, fully franked

↑ 20% on 1H22

The interim dividend was $2.10 per share, fully franked, reflecting the Bank's continued capital and balance sheet strength. This represents a payout ratio of 69% (~70% normalising for long run loan loss rates), in line with the Board's target payout ratio.

Common Equity Tier 1 capital ratio (CET1)

11.4%

APRA (Level 2)[2]

↓ 10bpts on Jun 22

The Bank maintained a strong capital position after the payment of dividends and on-market buy-backs. Excluding the impact from the payment of the 2022 final dividend and $1.3 billion of on-market share buy-backs, CET1 increased 88 basis points. The increase was primarily driven by organic capital generation from earnings. On an internationally comparable basis, CET1 was 18.5%.

Return on Equity (ROE)

14.1%

Cash basis

↑ 80bpts on 2H22

The Bank's return on equity ("cash basis") increased due to the impact of higher cash profit and our continued focus on reducing share-count over the period.

For footnotes see the page viii of this ASX Announcement.

Results overview

Continued customer focus, delivering for shareholders

Chief Executive Officer, Matt Comyn

Our strategic focus on building tomorrow's bank today for our customers is illustrated by CBA's leading customer advocacy scores. We continue to invest in our technology and businesses to improve our customers' lived experience and solve their unmet needs. This focus is a key driver of strong organic growth across all of our businesses.

Higher interim cash profits were a result of volume growth and the recovery in our margins as cash rates rise from historic lows. The result was further supported by sound portfolio credit quality.

Our continued balance sheet strength and capital position creates flexibility to support our customers and manage potential economic headwinds, while delivering predictable and sustainable returns to shareholders.

As a result, a higher interim dividend of $2.10 per share, fully franked, has been determined. We continue our long-term approach to capital management by announcing an intention to increase our on-market share buy-back by an additional $1 billion.

Key financials

For the half year ended 31 December 2022.

- **Statutory NPAT**[1] was $5,216 million, up 10%.
- **Cash NPAT** of $5,153 million was 9% higher reflecting strong operational performance, a rising rate environment and higher loan loss provisioning.
- **Operating income** was $13,593 million, up 12%, driven by volume growth in our core products, a recovery in net interest margin, partly offset by a decrease in other operating income.
- **Net interest margin** was 2.10%, up by 18 basis points, mainly driven by higher earnings on deposits, replicated products and equity hedges in a rising rate environment, partly offset by increased competition.
- **Operating expenses** were $5,773 million, up 5%, driven by wage and supplier inflation, higher information technology costs and remediation, partly offset by productivity initiatives.
- **Loan impairment expense** increased by $586 million to $511 million reflecting ongoing inflationary pressures, rising interest rates, supply chain disruptions and decline in house prices.
- **Deposit funding** of 75%, as the Bank continued to satisfy a significant portion of its funding requirements from retail, business and institutional customer deposits.
- **Common Equity Tier 1** (CET1) capital ratio of 11.4% (Level 2, APRA). On 1 January 2023 this increased to 12.1% under APRA's revised capital framework.
- **Interim dividend** of $2.10 per share, fully franked.

Outlook Chief Executive Officer, Matt Comyn

We are conscious that many Australian households are feeling significant strain from rising interest rates, alongside the rising costs of electricity, groceries and other household items. Despite this, consumer spend remains resilient, with signs of spend slowing in pockets. The fundamentals of the economy remain solid, with low unemployment, strong exports, and returning migration.

Supporting our customers through rising rates and higher cost of living remains a priority and aligns with our purpose, to build a brighter future for all. We are providing personalised support, flexibility and financial assistance for our customers who need support.

We expect business credit growth to moderate and global economic growth to slow during 2023. However, we remain optimistic that a soft landing for the Australian economy can be achieved and positive on the medium-term outlook for Australia. The Bank remains well provisioned and capitalised to continue to support Australian households and businesses.

We are investing in our business to reinforce our customer propositions, extend our digital leadership and keep our customers safe from increasing frauds and scams.

Operating performance

Our businesses continued to perform well, delivering organic growth in home lending, business lending and deposits in a competitive environment.

Operating income

Operating income
Cash basis

$13,593m

1H22 $12,107m ↑ 12%

Net interest margin

2.10%

1H22 1.92% ↑ 18bpts
2H22 1.87% ↑ 23bpts

Net interest income increased 19%. This was primarily driven by a recovery in net interest margins and organic volume growth in home, business and institutional loans.

Net interest margin (NIM) was up 18 basis points. Excluding the 4 basis points reduction in margin from increased lower yielding liquid assets, NIM increased by 22 basis points, mainly from higher earnings on deposits, replicated products and equity hedges in a rising rate environment, partly offset by increasing competitive pressures and the impact of swap and cash rate on lending margins.

Other operating income decreased 17%. The key drivers were:

- Impact from divestments, including CommInsure General Insurance and Bank of Hangzhou;
- Lower equity accounted profits, and
- Reduced CommSec equities income.

These decreases were partly offset by:

- Increased volume driven foreign exchange, deposit and business banking fee income.

Operating expenses

Operating expenses
Cash basis

$5,773m

1H22 $5,490m ↑ 5%

Investment spend

$963m **(total spend)**

1H22 $945m ↑ 2%

Cost-to-income ratio
Cash basis

42.5%

1H22 45.3%

Operating expenses increased 5%, driven by higher staff, information technology and remediation costs, partly offset by productivity initiatives.

Staff expenses increased 5% reflecting wage inflation, a tight labour market and increased full-time equivalent staff, partly offset by higher leave usage.

The staff increases were due to additional resources for the delivery of strategic investment priorities and to support financial crime assessment volumes.

Occupancy and equipment expenses decreased 2% primarily driven by benefits from the consolidation of our property portfolios.

Information technology expenses increased 6% primarily due to inflation, increased software licensing and infrastructure costs, including increased cloud computing volumes, and higher amortisation.

Other expenses increased 5% primarily driven by increased travel and marketing costs, partly offset by productivity initiatives.

Remediation costs were $137 million.

Investment spend increased 2% primarily driven by an increase in productivity and growth initiatives, and growth in IT infrastructure and cyber security spend. This was partly offset by a reduction in risk and compliance spend.

The **cost-to-income** ratio was 42.5%.

Credit quality

We remain well provisioned as customers navigate through a challenging period of increased cost of living pressures and higher interest rates.

Loan impairment expense

Loan impairment

$511m

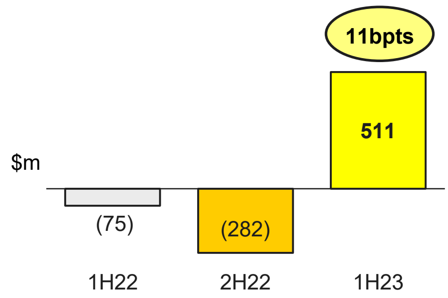
1H22 $75m (benefit)

Loan impairment expense was $511 million, an increase of $586 million, reflecting ongoing inflationary pressures, supply chain disruptions, rising interest rates and decline in house prices.

The loan loss rate increased 13 basis points to 11 basis points.

Loan Loss Rate (bpts)[1]

	1H22	2H22	1H23
Consumer	0	(15)	11
Corporate	(7)	16	13
Total	**(2)**	**(7)**	**11**



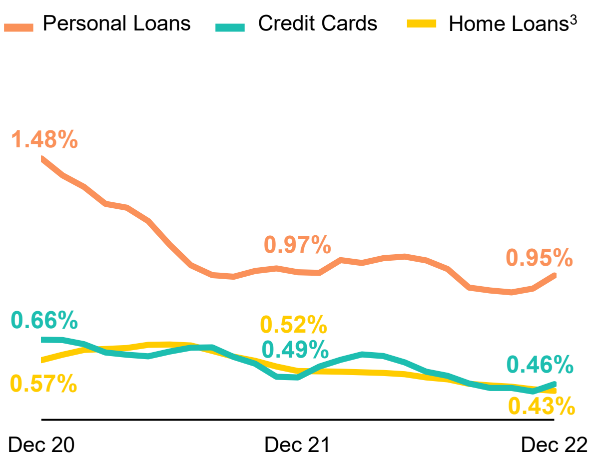
Portfolio credit quality

Consumer arrears remained low mainly due to a strong labour market and seasonal impacts such as the benefit of tax refunds.

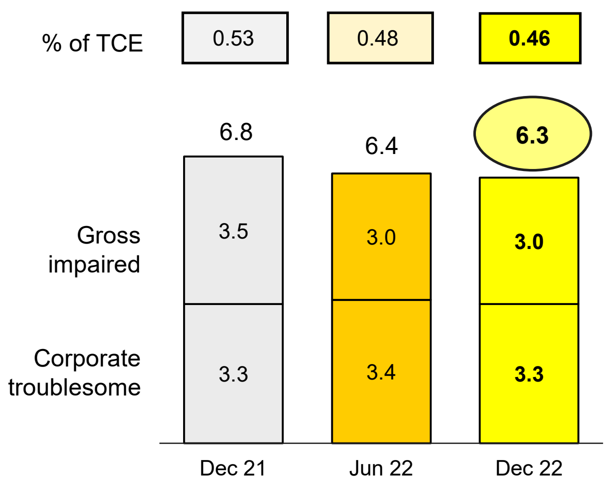
Troublesome and impaired assets decreased by $0.5 billion to $6.3 billion in 1H23. Corporate troublesome assets was flat over the year, but decreased by $0.1 billion over the half, mainly reflecting movements in single name exposures across several sectors.

Gross impaired assets decreased by $0.5 billion to $3.0 billion over the comparative period but broadly flat over the half.

Arrears[2] **>** 90 days (%)



Troublesome and Impaired Assets ($bn)



Balance sheet strength

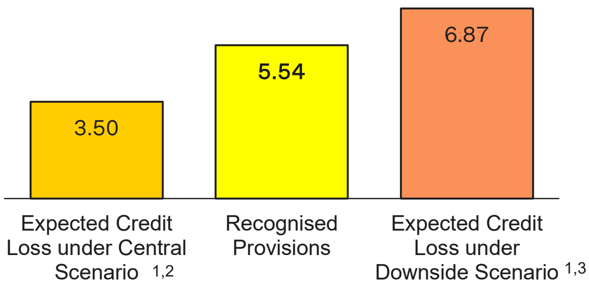
The Bank's disciplined approach to managing credit, funding and liquidity risks continued.

Loan impairment provisions

Our total impairment provisions increased $194 million to $5,541 million on the prior half. This was mainly driven by new collective provisions to reflect ongoing inflationary pressures, rising interest rates, supply chain disruptions and a decline in house prices, partly offset by lower individually assessed provisions.

Total provision coverage as a proportion of credit risk weighted assets was 1.38%. Loan loss provisions remain significantly higher than the credit losses expected under our central economic scenario.

Provisions and Scenarios ($bn)
Dec 22



Funding and liquidity

Deposit funding ratio

75%

Dec 21 73%

Liquidity coverage ratio[4]

131%

Dec 21 134%

Net stable funding ratio[5]

129%

Dec 21 131%

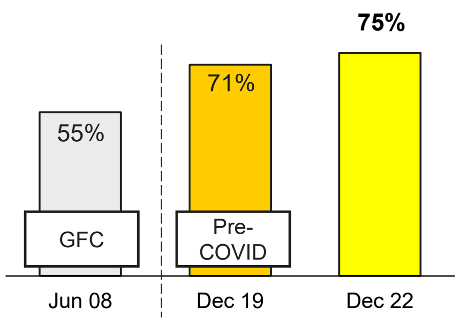
The Bank continued to satisfy a significant portion of its funding requirements from customer deposits, which account for 75% of total funding.

The average tenor of the long-term wholesale funding portfolio was 4.8 years (5.8 years excluding the Term Funding Facility). Long-term wholesale funding accounted for 71% of total wholesale funding.

The **liquidity coverage ratio (LCR)** was 131% which was well above the minimum regulatory requirement of 100%. After excluding the size of CBA's available Committed Liquidity Facility, the LCR was 126%.

The **net stable funding ratio** as at 31 December 2022 was 129%, well above the regulatory minimum of 100%.

Deposit Funding Ratio (%)



Delivering for shareholders

Our balance sheet strength means the Bank has flexibility to support our customers and manage potential headwinds, while continuing to return surplus capital to shareholders.

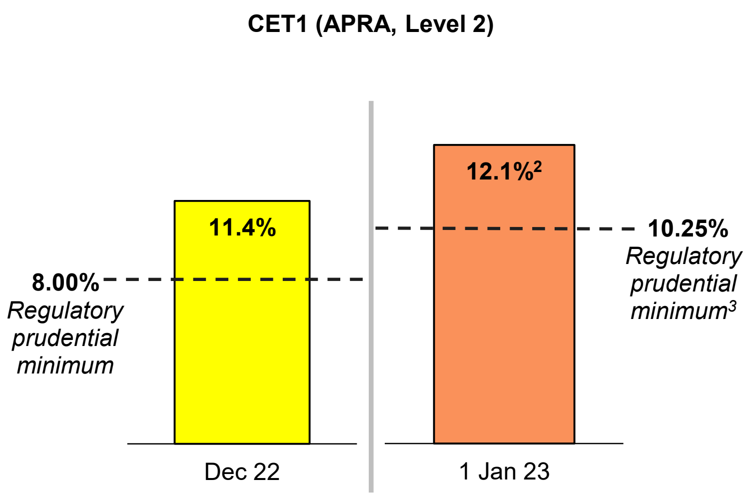
Capital

As at 31 December 2022, the Bank has maintained a strong capital position with a CET1 ratio of 11.4%, and a pro-forma CET1 ratio of 12.1% under APRA's revised capital framework effective from 1 January 2023, well in excess of regulatory minimums. CBA expects to operate with a post-dividend CET1 ratio of >11.0%, except in circumstances of unexpected capital volatility.

The Bank's CET1 ratio was supported by strong organic capital generation from earnings, the removal of the remaining $500 million of APRA operational risk capital add-on, and the divestment of our CommInsure General Insurance business.

As at 31 December 2022, $1.8 billion of the previously announced $2 billion on-market share buy-back has been completed, with the remainder expected to be completed after neutralising the impact of 1H23 Dividend Reinvestment Plan (DRP).

In light of CBA's strong capital position, CBA intends to increase the on-market share buy-back by an additional $1 billion[1]. On completion, the Bank's CET1 ratio is expected to reduce by approximately 25 basis points.



Dividend

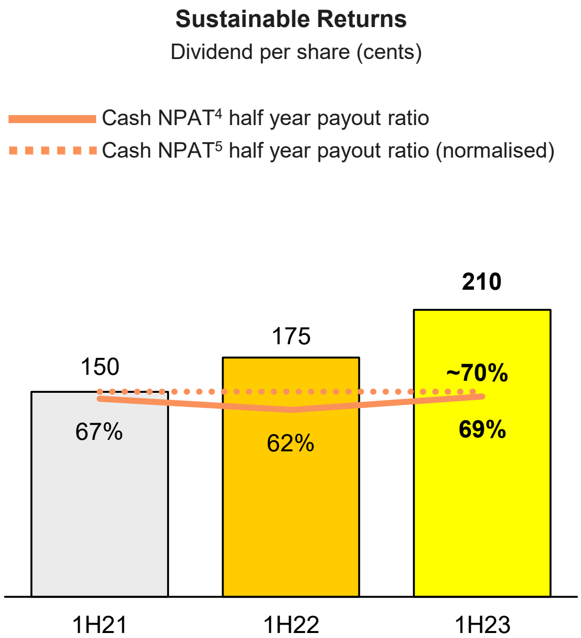
The Bank's capital position, strong capital generation and reduction in share count from share buy-backs continue to deliver strong and sustainable returns to shareholders.

An interim dividend of $2.10 per share, fully franked, was determined, an increase of 35 cents on the prior comparative period. The interim dividend payout ratio was 69% of the Bank's cash earnings, or ~70% after normalising for long run loan loss rates.

The Bank will continue to target a full year payout ratio of 70-80% of cash NPAT and an interim payout ratio of ~70% of cash NPAT.

The DRP continues to be offered to shareholders. No discount will be applied to shares allocated under the DRP for the interim dividend and it is anticipated to be satisfied in full by an on-market purchase of shares.

The ex-dividend date is 22 February 2023, the record date is 23 February 2023, the interim DRP participation date is 24 February 2023 and the interim dividend will be paid on or around 30 March 2023.



How we contribute to Australia

Supporting our customers, the community and the economy

Supporting customers and businesses to build a brighter future

- As Australia's largest home lender, we have funded $77 billion in new lending during 1H23;
- We are helping Australia's businesses by providing $18 billion in new business lending in 1H23;
- Since inception, our *Benefits finder* tool has connected customers to $1 billion in unclaimed benefits, rebates and concessions;
- As Australia's leading bank for savings, we hold over 25% of all household deposits; and
- Customers have access to the largest branch network in the country with over 750 branches.

How we contribute to our communities

- We employ over 53,000 people of which, 90% work in either Australia or New Zealand, which equates to $3.5 billion in staff related expenses in 1H23;
- We launched the CommBank Safe hub to increase customer and community awareness on scams and fraud;
- We support 200 communities organisations right across Australia through our CommBank Staff Foundational Community Grants program; and
- We support those impacted by cancer with 7,000 staff participating in our Can4Cancer run, cycle and walk events raising $2.8 million.

Generating value for shareholders and contributing to Australia's economy

- The average retail shareholder will receive approximately $1,650 in fully franked dividends;
- We have over 860,000 shareholders with 78% of our shares Australian owned;
- We continue our on-market share buy-back program to reduce the number of shares on issue, which supports the return on equity, earnings per share and dividends per share;
- We are one of Australia's largest corporate tax payers, paying over $1.6 billion in Australian corporate income tax in 1H23; and
- 91% of our domestic supplier invoices paid within 30 days.

Footnotes

Page i

1. All information in this section is presented on a continuing operations basis, unless stated otherwise. Comparative information has been restated to conform to presentation in the current period. Unless otherwise stated, all figures relate to the half year ended 31 December 2022 and comparisons are to the prior comparative period, the half year ended 31 December 2021.
2. Level 2 is the consolidated banking group including banking subsidiaries such as ASB Bank, PT Bank Commonwealth (Indonesia) and CBA Europe N.V. Includes discontinued operations.

Page ii

1. For an explanation of and reconciliation between statutory and cash NPAT refer to page 3 of the Profit Announcement for the half year ended 31 December 2022.

Page iv

1. Loan Impairment Expense as a percentage of average Gross Loans and Acceptances (bpts) annualised.
2. Group consumer arrears including New Zealand.
3. Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

Page v

1. Assumes 100% weighting holding all assumptions including forward looking adjustments constant and includes Individually Assessed Provisions.
2. Central Scenario is based on Group's internal economic forecasts and market consensus forecasts as well as other assumptions used in business planning and forecasting.
3. The Downside Scenario contemplates the potential impact of possible, but less likely, adverse macroeconomic conditions, resulting from significant inflationary pressures exacerbated by supply chain disruptions, shortages of goods and labour, and heightened energy prices compounded by geopolitical risks.
4. Quarterly average.
5. The Net Stable Funding Ratio excluding the impact of CBA's Term Facility Funding drawdowns was 118% as at 31 December 2022.

Page vi

1. The timing and actual number of shares purchased under the buy-back will depend on market conditions, available trading windows and other considerations. CBA reserves the right to vary, suspend or terminate the buy-back at any time.
2. Represents 1 Jan 23 pro-forma CET1 ratio under the revised framework, excluding the impact from the continuation of the on-market share buy-back.
3. Effective 1 Jan 23 – 10.25%, inclusive of 1% default countercyclical capital buffer which may be varied by APRA in the range of 0% - 3.5%.
4. Cash NPAT inclusive of discontinued operations.
5. Cash NPAT and dividend payout ratio normalised to reflect long run loan loss rates.

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This announcement has been authorised for release by the Board.

Key financial information

Group performance summary (continuing operations)	Half year ended[1] ("cash basis") 31 Dec 22 $m	30 Jun 22 $m	31 Dec 21 $m	Dec 22 v Jun 22 %	Dec 22 v Dec 21 %
Net interest income	11,637	9,725	9,748	20	19
Other operating income	1,956	2,341	2,359	(16)	(17)
Total operating income excluding one-off item	13,593	12,066	12,107	13	12
Gain on sale of HZB shares	–	*516*	–	*(large)*	–
Total operating income	13,593	12,582	12,107	8	12
Operating expenses excluding one-off item	(5,773)	(5,549)	(5,490)	4	5
Accelerated software amortisation	–	*(389)*	–	*(large)*	–
Total operating expenses	(5,773)	(5,938)	(5,490)	(3)	5
Operating Performance	7,820	6,644	6,617	18	18
Loan impairment (expense)/benefit	(511)	282	75	large	large
Net profit before tax	7,309	6,926	6,692	6	9
NPAT from continuing operations	5,153	4,849	4,746	6	9
NPAT from discontinued operations[2]	10	13	100	(23)	(90)
NPAT from continuing operations ("statutory basis")	5,216	4,932	4,741	6	10

Cash net profit after tax, by division (continuing operations)	31 Dec 22 $m	30 Jun 22 $m	31 Dec 21 $m	Dec 22 v Jun 22 %	Dec 22 v Dec 21 %
Retail Banking Services[3]	2,691	2,600	2,313	4	16
Business Banking	1,972	1,509	1,501	31	31
Institutional Banking and Markets	453	467	591	(3)	(23)
New Zealand	718	586	679	23	6
Corporate Centre and Other	(681)	(313)	(338)	(large)	(large)
NPAT from continuing operations	5,153	4,849	4,746	6	9

Shareholder ratios & performance indicators (continuing operations unless otherwise stated)	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 v Jun 22	Dec 22 v Dec 21
Earnings per share – "cash basis" – basic (cents)	304.1	284.5	272.8	7	11
Return on equity – "cash basis" (%)	14.1	13.3	12.3	80bpts	180bpts
Dividends per share – fully franked (cents)	210	210	175	-	20
Dividend payout ratio – "cash basis" (%)[4]	69	73	62	(400)bpts	large
Average interest earning assets ($M)[5]	1,100,027	1,046,062	1,008,070	5	9
Net interest margin (%)	2.10	1.87	1.92	23bpts	18bpts
Operating expenses to total operating income (excl. one-offs) (%)	42.5	46.0	45.3	(350)bpts	(280)bpts

1. Comparative information has been restated to conform to presentation in the current period.
2. The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and reported as a single cash net profit after tax line item. Discontinued operations primarily includes Colonial First State.
3. Retail Banking Services including General Insurance.
4. Includes discontinued operations.
5. Average interest earning assets are net of average mortgage offset balances.