

# 1Q23 Trading Update

For the quarter ended 30 September 2022<sup>1</sup>. Reported 15 November 2022. All financial comparisons are to the average of the two quarters of the second half of FY22 unless noted otherwise. Refer to the Appendix for a reconciliation of key financials.

## Executing our strategy, supporting our customers

Consistent and disciplined execution of our strategy delivered strong financial and operational outcomes in the first quarter of FY23, highlighted by Cash NPAT of approximately \$2.5 billion, 12% growth in operating performance and sound portfolio credit quality. In a competitive environment, we remained disciplined and achieved good volume growth in our core markets.

Our capital position remained strong, with CET1 (Level 2) at 11.1%, following the payment of \$3.6 billion in 2H22 dividends. During September, the Group completed its previously announced divestment of CommInsure General Insurance to Hollard Holdings Australia Pty Ltd and APRA released the remaining \$500 million of operational risk capital add-on imposed following the 2018 Prudential Inquiry. We remain committed to ensuring improvements to our governance, culture and risk management practices are sustained.

We recognise the concern and pressure many customers are feeling due to the higher cost of living, and increases in the cash rate. As well as providing a range of measures to help these customers, we also supported customers and communities impacted by natural disasters, particularly those affected by recent flooding.

Our strong balance sheet positions us well to continue helping customers achieve their financial goals, consistent with our purpose to build a brighter future for all. The economy has shown resilience in the face of growing cost of living and interest rate pressures and despite these near-term challenges we remain optimistic on the medium to long term outlook.

Chief Executive Officer, Matt Comyn

## Overview

- ▶ Unaudited Statutory NPAT of ~\$2.7bn<sup>2</sup> in the quarter.
- ▶ Unaudited Cash NPAT of ~\$2.5bn<sup>2,3</sup> up 2%.
- ▶ Income<sup>4</sup> up 9%, driven by higher margins and volume growth, partly offset by reduced non-interest income.
- ▶ Expenses<sup>4</sup> up ~4.5% excl. remediation with higher staff costs partly offset by lower software amortisation and occupancy costs.
- ▶ Operating performance up 12% on the 2H22 quarterly average, and 16% higher than 1Q22.
- ▶ Portfolio credit quality remained sound, with favourable trends in key credit quality indicators.
- ▶ Loan impairment expense of \$222m, with collective provisions slightly higher.
- ▶ Strong balance sheet settings maintained, with a customer deposit funding ratio of 75%, NSFR of 129% and LCR of 134%.
- ▶ CET1 ratio of 11.1%, up 31bpts before payment of \$3.6bn in 2H22 dividends to over 870,000 shareholders in the quarter.

### Cash NPAT Unaudited

~\$2.5bn

▲ 2% vs  
2H22 Qtr Avg

### Volume Growth<sup>5</sup>

Sep 22 vs Jun 22

Sep 22 vs Sep 21

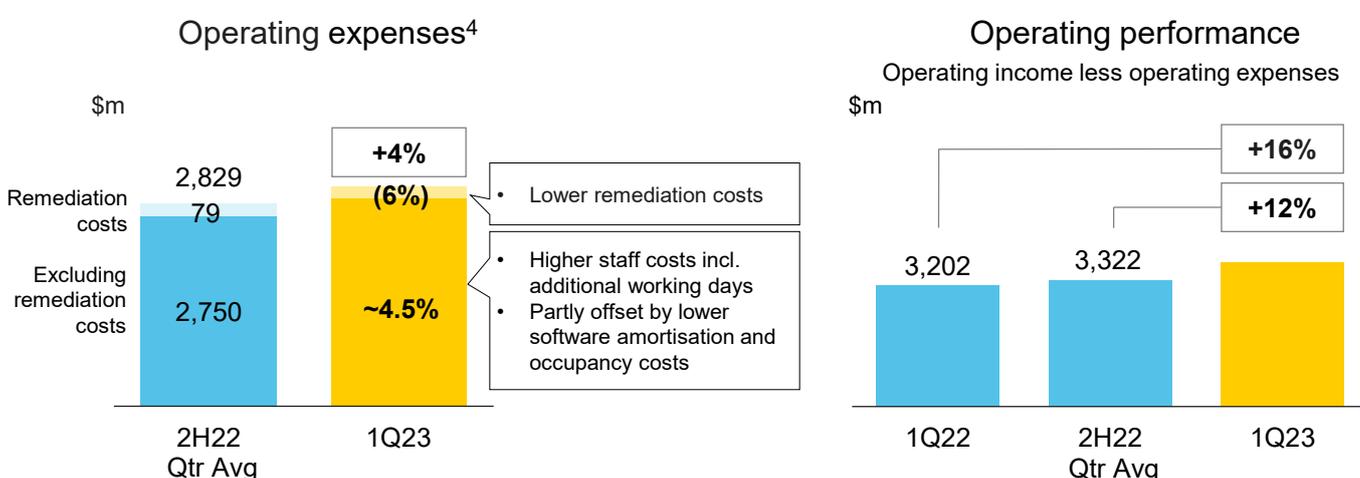
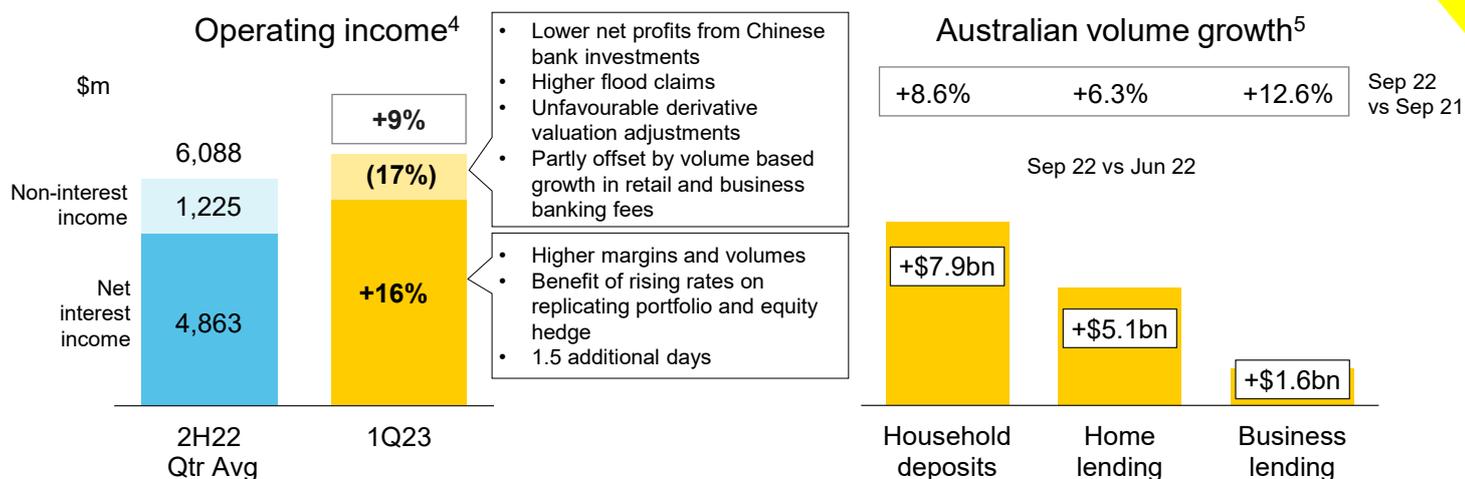
	Bal Growth (\$bn)	Growth Rate	System Multiple
Household deposits	7.9	8.6%	0.9x
Home lending	5.1	6.3%	0.9x
Business lending	1.6	12.6%	1.2x

### CET1 Ratio Level 2

11.1%

▲ 31bpts vs Jun 22  
(excl. dividend)

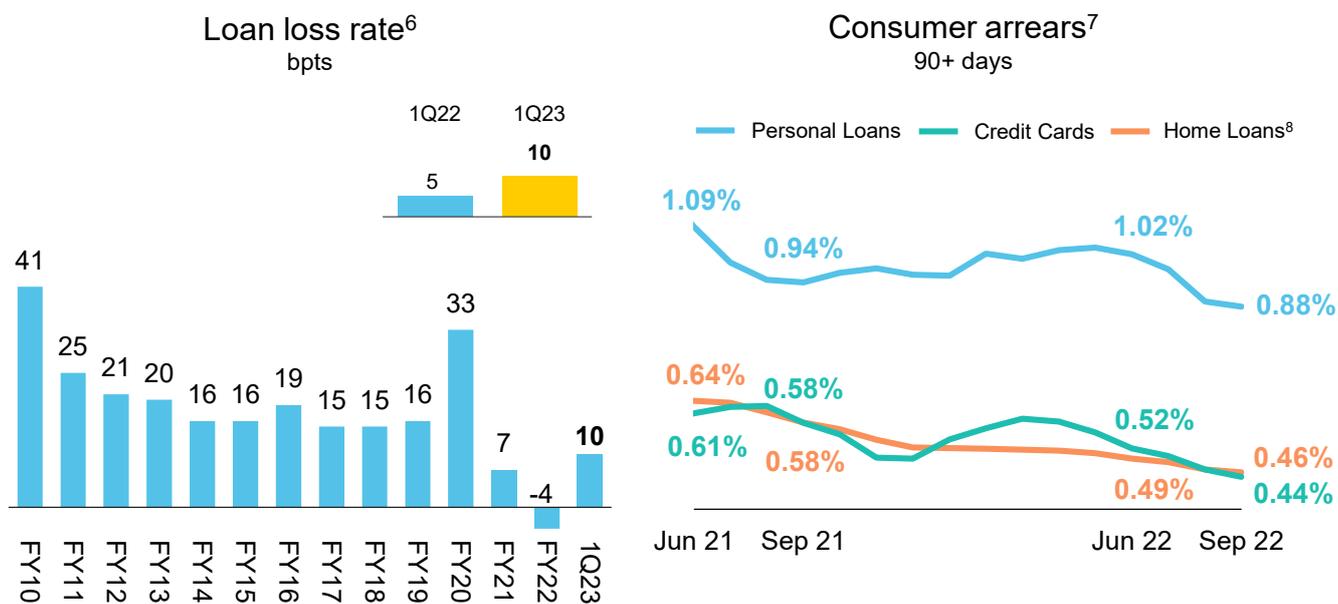
# Operating performance



- Operating income<sup>4</sup> was 9% higher in the quarter, with net interest income up 16%, partly offset by lower non-interest income.
- Net interest income growth of 16% was driven by higher deposit earnings, volume growth across core products, the benefit of rising rates on replicating portfolio and equity hedge balances and 1.5 additional days in the quarter, partly offset by the impact of competition and rising rates on lending products.
- The Group's franchise strength and consistent operational execution underpinned volume growth in home lending, household deposits and business lending in the quarter. Our disciplined approach to managing volume and margin in a highly competitive market delivered balance growth of +\$5.1bn in home lending, slightly below system. Business lending continued to grow at above-system levels year-on-year, with growth across a diverse range of sectors. Household deposits grew below system at +\$7.9bn in the quarter.
- Non-interest income<sup>4</sup> was 17% lower, primarily driven by lower net profits from Chinese bank investments (including the impact of the partial sale of Bank of Hangzhou) and lower insurance income due to the NSW and WA floods, partly offset by higher volume driven retail FX, cards, business lending and merchant fee income.
- Operating expenses<sup>4</sup> excl. remediation were approximately ~4.5% higher, with higher staff costs driven by wage inflation, additional working days, and seasonally lower annual leave usage, partly offset by lower software amortisation and occupancy costs.
- Operating performance was up 12% on the 2H22 quarterly average, and 16% higher than 1Q22.

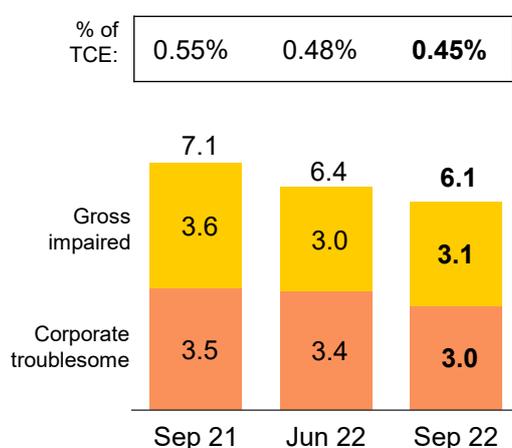


# Provisions and credit quality

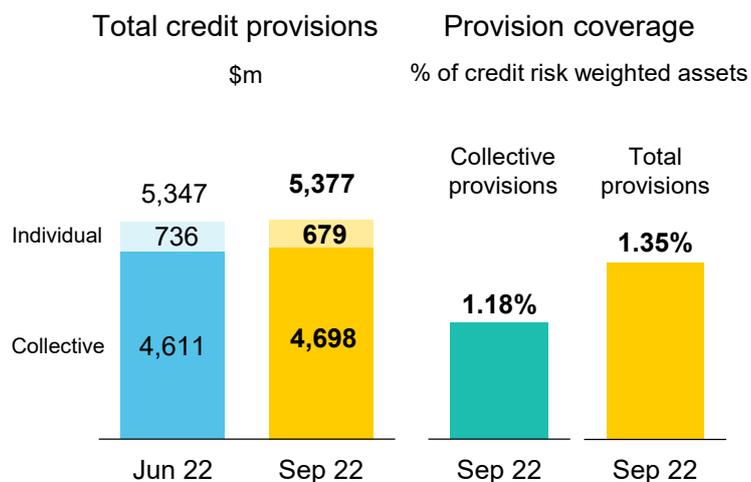


## Troublesome and impaired assets

\$bn



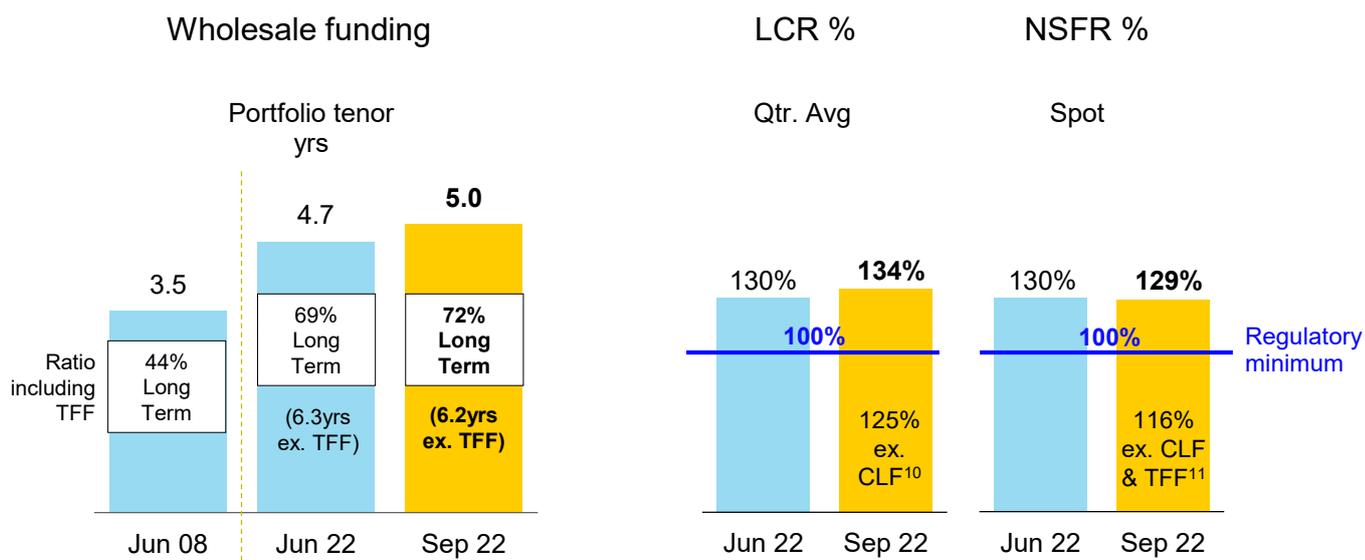
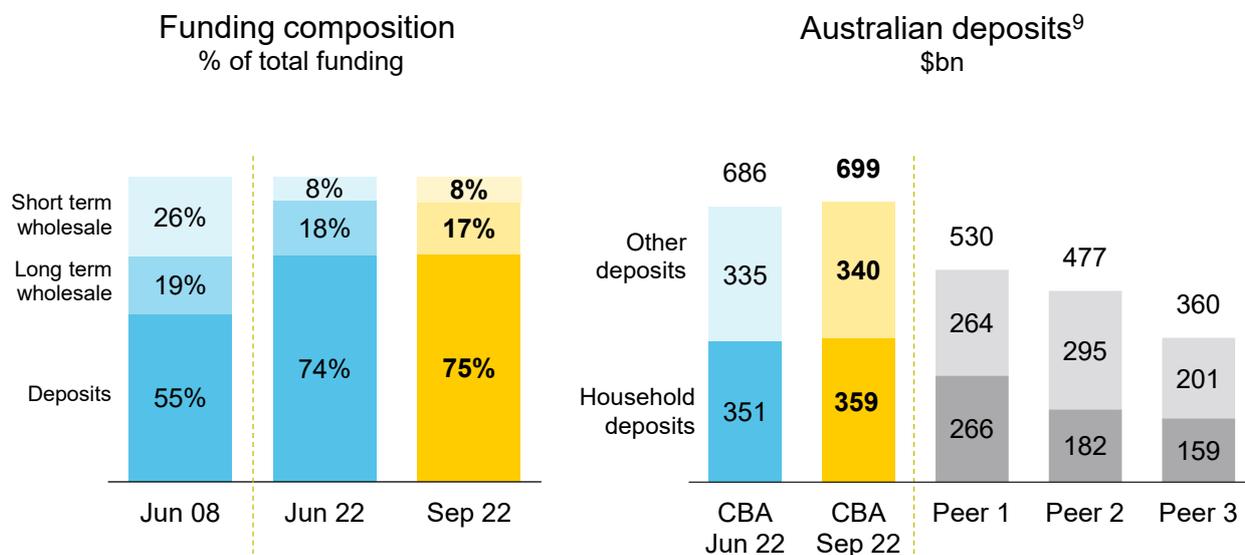
## Provisioning



- Key credit quality indicators improved in the quarter, including lower consumer arrears and reduced levels of Troublesome and Impaired Assets (TIA). Loan impairment expense was \$222m in the quarter, or 10bpts of average Gross Loans and Acceptances.
- Home loan arrears remained low, supported by a strong labour market. Consumer Finance arrears improved in the quarter (-8bpts and -14bpts for Credit Cards and Personal Loans respectively) in line with seasonal trends and underpinned by low levels of unemployment.
- Troublesome and Impaired Assets (TIA) were lower at \$6.1bn or 0.45% of Total Committed Exposures (TCE), reflecting movements in single name exposures across sectors.
- Total credit provisions were \$5.4bn, with slightly higher collective provisions of \$4.7bn and a reduction in individual provisions.



# Funding and liquidity



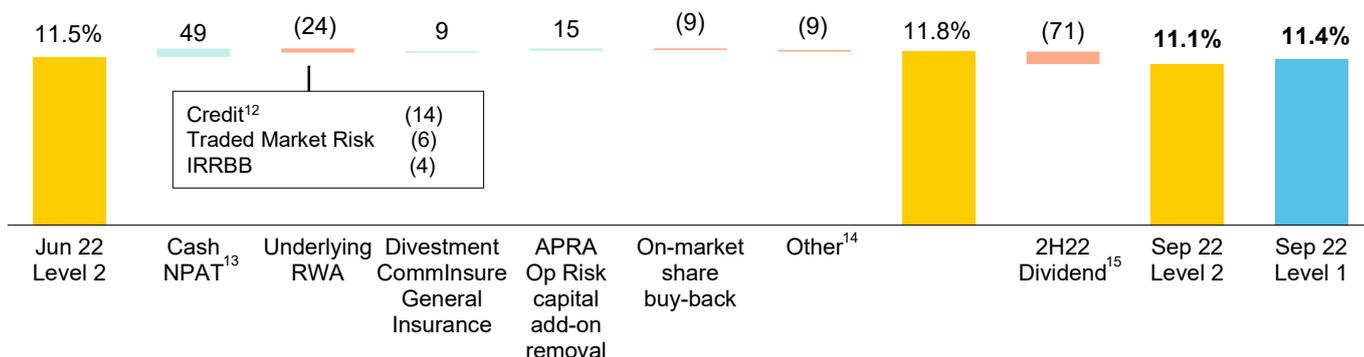
- Balance sheet settings remained strong in the quarter, with customer deposit funding increasing to 75%.
- The Bank's wholesale funding position was further strengthened in the quarter, with a 72% long term funding mix and a weighted average portfolio tenor of 5 years. Good progress has been made on FY23 funding requirements, with approximately A\$14bn of new long term wholesale funding issued since 30 June 2022 to 14 November 2022 across multiple markets and products, despite volatile financial market conditions.
- The Bank's Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) remained well above regulatory minimums after taking into account the phased reduction in the usage of the Committed Liquidity Facility (CLF), which remains on track.



# Capital

## CET1 %

Movement in bpts



- The Group retains a strong capital position with a CET1 (Level 2) ratio of 11.1% as at 30 September 2022, well above the current regulatory requirement. Excluding the impact of the 2H22 dividend (-71bpts), CET1 increased by +31bpts in the quarter. Capital generated from earnings contributed +49bpts, with further positive contributions from the removal of the remaining \$500 million of APRA's operational risk capital add-on (+15bpts) and the completion of the divestment of CommInsure General Insurance (+9bpts). These were partially offset by an increase in Risk Weighted Assets (RWA, -24bpts), further progress on the previously announced \$2 billion on-market share buy-back (-9bpts) and other regulatory adjustments (-9bpts). As at 14 November 2022, the Group had completed approximately \$1.5 billion of the \$2 billion buy-back, with the remainder expected to be completed by the end of the 2022 calendar year, subject to market conditions, available trading windows and other considerations.
- Credit RWA (excl. FX) increased by \$6.3 billion (-14bpts) in the quarter, largely reflecting volume growth across residential mortgages, commercial portfolios and derivatives. Traded Market Risk increased by \$2.8 billion (-6bpts) driven by increased client activity, whilst Interest Rate Risk in the Banking Book (IRRBB) increased by \$1.8 billion (-4bpts) due to higher interest rates.
- CBA's Level 2 Tier 1 and Total Capital ratios at 30 September 2022 were 13.2% and 17.5% respectively. The issuance of \$1,777 million of CommBank PERLS XV Capital Notes in November will partly refinance the upcoming redemption of CommBank PERLS VII Capital Notes. PERLS XV qualify as Basel III compliant Additional Tier 1 Capital of CBA.
- CBA's Level 1 CET1 ratio as at 30 September 2022 was 11.4%, +30bpts above Level 2.
- The Group is well placed to accommodate changes under APRA's new capital framework effective 1 January 2023 and expects to operate with a post-dividend CET1 ratio of >11% (compared to the revised APRA minimum of 10.25%) except in circumstances of unexpected capital volatility.

## Appendix

### Key financials reconciliation

	2H22 \$m	2H22 Qtr Avg \$m	Movement 1Q23 vs 1Q22	Movement 1Q23 vs 2H22 Qtr Avg
Operating income ex. one-off item <sup>4</sup>	12,175	6,088	10%	9%
<i>Gain on sale of HZB shares</i>	516	258		
Total operating income	12,691	6,346	10%	5%
Operating expenses ex. remediation costs and other	5,500	2,750	3%	~4.5%
<i>Remediation costs<sup>16</sup></i>	158	79	45%	(6%)
Operating expenses ex. accelerated amortisation	5,658	2,829	4%	4%
<i>Accelerated software amortisation</i>	389	195		
Total operating expenses	6,047	3,024	4%	(3%)
Operating performance	6,644	3,322	16%	12%
Loan impairment benefit/(expense)	282	141		
Reported cash NPAT from continuing operations	4,849	2,425	13%	2%



# Footnotes

- 1 Unless otherwise stated, the financial results are presented on a 'continuing operations' basis.
- 2 Rounded to the nearest \$100 million.
- 3 The cash basis is used by management to present a clear view of the Group's operating results. It is not a measure based on cash accounting or cash flows. The items excluded from cash profit, such as hedging and IFRS volatility and gains and losses (including post-completion adjustments) associated with the acquisition, disposal and deconsolidation of businesses are calculated consistently period on period and do not discriminate between positive and negative adjustments. For more detail, refer to page 3 of the Profit Announcement for the year ended 30 June 2022.
- 4 Excluding non-recurring and significant one-off items in second half of FY22 (Operating income: \$516m gain on sale of ~10% shareholding in Bank of Hangzhou. Operating expenses: \$389m of accelerated software amortisation).
- 5 Source: RBA Lending and Credit Aggregates (Home and Business Lending excluding IB&M) and APRA Monthly Authorised Deposit Taking Institution (ADI) Statistics (Household Deposits). CBA Business Lending multiple estimate is based on Business Banking growth rate (excluding IB&M) over published APRA and RBA Total Business Lending data (excluding estimated Institutional Lending balances).
- 6 Loan impairment expense as a percentage of average GLAA annualised.
- 7 Consumer arrears includes retail portfolios of Retail Banking Services, Business Banking and New Zealand.
- 8 Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.
- 9 Source: APRA Monthly ADI Statistics. Total deposits (excluding CDs). As at September 2022.
- 10 LCR numerator excludes the size of CBA's available Committed Liquidity Facility (CLF).
- 11 NSFR numerator (ASF) excludes the size of CBA's TFF drawdowns. Denominator (RSF) increases weighting for mortgages used as collateral for the CLF and TFF by 55%, such that it receives the 65% RSF weighting applicable to unencumbered residential mortgages.
- 12 Excludes impact of FX movements which is included in 'Other'.
- 13 Excludes equity accounted profits from investments which are neutral from a regulatory capital perspective due to the offsetting increase in capital deductions.
- 14 Other includes the impact of intangibles, additional equity investments, FX impact on Credit RWA and movements in reserves.
- 15 2H22 dividend: included the on-market purchase of shares in respect of the Dividend Reinvestment Plan.
- 16 Remediation costs in 2H22 of \$158 million (pre-tax). Includes \$77 million for Banking, other Wealth and employee related remediation and litigation costs, and \$81 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs.

## Important Information

The material in this announcement is general background information about the Group and its activities current as at the date of the announcement, 15 November 2022. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

This announcement contains certain forward-looking statements with respect to the financial condition, capital adequacy, operations and business of the Group and certain plans and objectives of the management of the Group. Such forward-looking statements speak only as at the date of this announcement and undue reliance should not be placed upon such statements. Although the Group currently believes the forward-looking statements have a reasonable basis, they are not certain and involve known and unknown risks and assumptions, many of which are beyond the control of the Group, which may cause actual results, conditions or circumstances to differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on forward-looking statements particularly in light of the current economic uncertainties and disruption caused by the ongoing impacts of the COVID-19 pandemic in addition to the conflict in Ukraine and geo-political uncertainty.

Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "would", "could", "expect", "intend", "plan", "aim", "estimate", "target", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding the Group's intent, belief or current expectations with respect to the Group's business and operations, market conditions, results of operations and financial condition, capital adequacy and risk management. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements, whether as a result of new information, future events or results or otherwise, is disclaimed. The Group is under no obligation to update any of the forward-looking statements contained within this announcement, subject to applicable disclosure requirements.

The material in this announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or in any other jurisdiction in which such an offer would be illegal. Any securities of the Group to be offered and sold have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (U.S. Securities Act), or the securities laws of any state or other jurisdiction of the United States. Accordingly, any securities of the Group may not be offered or sold, directly or indirectly, in the United States unless they have been registered under the U.S. Securities Act or are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.

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The release of this announcement was authorised by the Board.

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