ASX Announcement

3Q22 Trading Update

Commonwealth Bank

For the quarter ended 31 March 2022[1] unless noted otherwise. Reported 12 May 2022. All financial comparisons are to the average of the two quarters of the first half of FY22 unless noted otherwise. Refer to Appendix for a reconciliation of key financials.

Maintaining disciplined execution, supporting our customers and communities

"The March quarter underlined the disciplined execution of the Group's strategy, focused on our core banking franchises, which delivered continued volume growth, sound portfolio credit quality and ongoing support for our customers and communities, in particular to those most affected by extreme weather events in many parts of the country including the catastrophic East Coast floods and WA bushfires.

Continued growth in household deposits, home loans, business lending and business deposits was a feature of the quarter. The Group maintained strong balance sheet settings and paid $3 billion in half-year dividends to shareholders. The previously announced on-market share buy-back of up to $2 billion will be conducted across the remainder of this calendar year, and last week regulatory approval was obtained from the China Banking and Insurance Regulatory Commission in respect of our previously announced partial sale of shares in the Bank of Hangzhou Co., Ltd.

Looking ahead, we are well positioned to support business investment to build Australia's future economy. Through disciplined execution of our strategic agenda, we will continue to deliver for our customers, communities and shareholders as we build tomorrow's bank today."

Chief Executive Officer, Matt Comyn

Overview

- Unaudited Statutory NPAT of ~$2.3bn[2,3] in the quarter.
- Unaudited Cash NPAT of ~$2.4bn[2,4] in the quarter.
- Income down 1% (up 1% on a day weighted basis[5]), with 3% volume growth and higher non-interest income helping to offset continued margin pressure from elevated swap rates, mix effects and competition.
- Expenses down 2% on a headline basis, down 1% excluding remediation costs, with the benefit from higher annual leave usage and two fewer days partly offset by increased staffing levels (FTEs).
- Operating performance flat on the 1H22 quarterly average (up 2% day weighted[5]), and 2% higher than 3Q21.
- Loan impairment expense remained low in the quarter (a benefit of $48m, or –2bpts of average Gross Loans and Acceptances).
- Credit provisions reflect continued sound portfolio credit quality and a cautious approach to managing potential risks.
- Strong balance sheet settings maintained, with a customer deposit funding ratio of 74%, NSFR of 131% and LCR of 131%.
- CET1 ratio of 11.1%, with $3.0bn in 1H22 interim dividend payments to over 870,000 shareholders in the quarter.

Cash NPAT
unaudited

~$2.4bn

Flat vs 1H22 qtr. avg

Volume Growth[6]

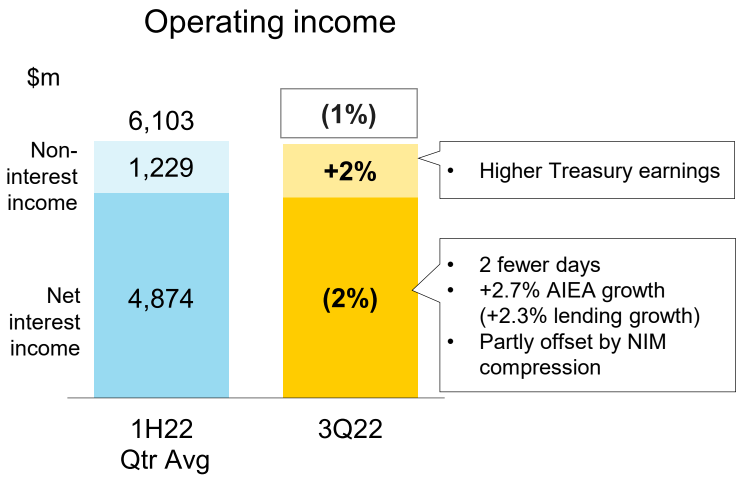
	Mar 22 vs Dec 21	Mar 22 vs Mar 21	
	Bal Growth ($bn)	Growth Rate	System Multiple
Household deposits	8.5	13.5%	1.1x
Home lending	6.9	8.5%	1.0x
Business lending	3.0	12.6%	1.5x
Business deposits	2.2	13.5%	1.4x

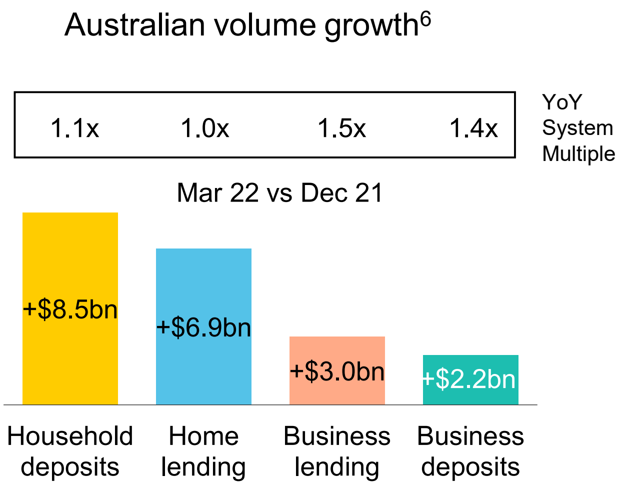
CET1 Ratio
Level 2

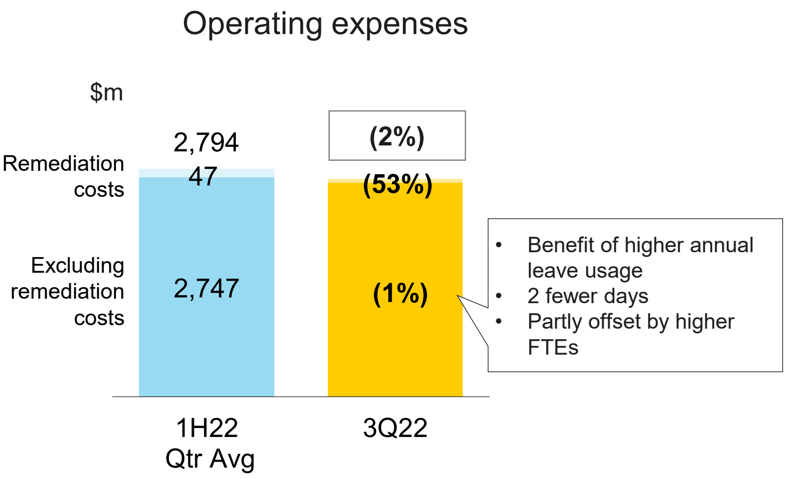
11.1%

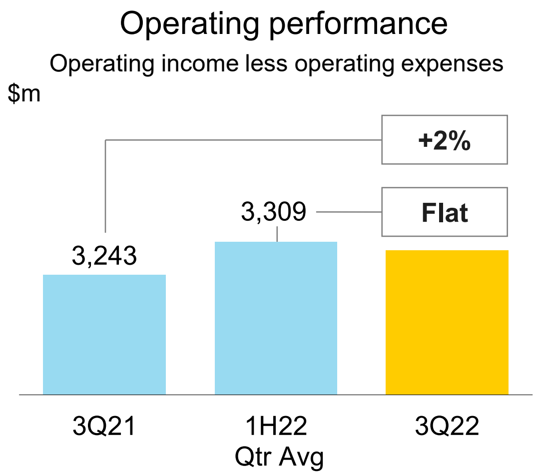
▼ 9bpts vs Dec 21 ex-dividend

Operating performance







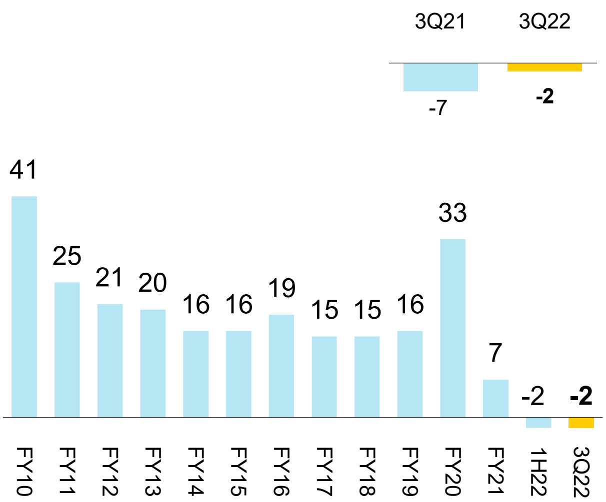


- Operating income was 1% lower in the quarter (or 1% higher on a day weighted[5] basis), with net interest income down 2% (flat day weighted[5]), partly offset by higher non-interest income.
- The Bank's franchise strength and focus on operational execution continued to underpin volume growth in core markets. In home lending, the Bank recorded balance growth of $6.9bn, with proprietary channels accounting for 60% of all new fundings in the quarter (RBS, ex. Bankwest). The Bank's decision to lead the market on fixed home loan interest rate increases (in response to rising swap rates) had the expected softening impact on new home lending volumes, with fixed rate loans as a proportion of new fundings declining from 47% in 1H22 to 27% in March 2022. Domestic business lending has grown by almost 13% over the 12 months to March 2022, with continued above-system, diversified growth across multiple sectors on stable margins. Good deposits growth continued, with household and business deposits increasing by $8.5bn and $2.2bn respectively in the quarter.
- Net interest income was 2% lower (flat day weighted[5]), with the benefit from volume growth offset by a lower net interest margin, which continued to be influenced by those factors called out in the Group's 1H22 results presentation in February, including home loan margin compression from higher swap rates, portfolio mix effects and price competition.
- Non-interest income was 2% higher, primarily driven by increased Treasury earnings, partly offset by lower trading income.
- Operating expenses ex. remediation reduced by 1%, with higher staffing levels to deliver additional volumes and execute on strategic priorities more than offset by the benefit of higher annual leave usage and two fewer days.
- Operating performance was flat vs the 1H22 quarterly average (+2% day weighted[5]), and 2% higher than 3Q21.

Provisions and credit quality

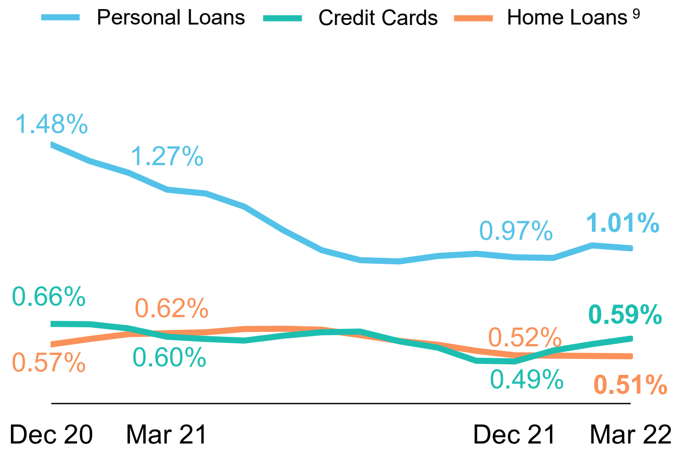
Loan loss rate[7]

bpts



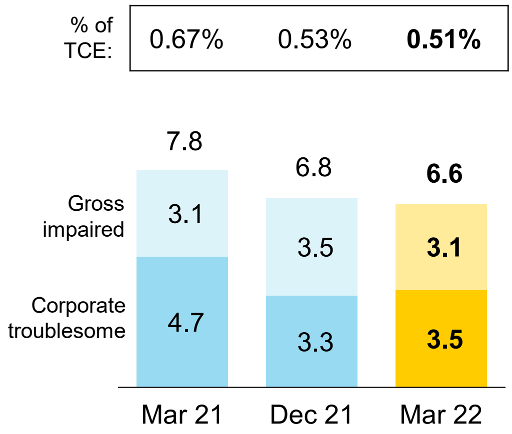
Consumer arrears[8]

90+ days



Troublesome and impaired assets

$bn



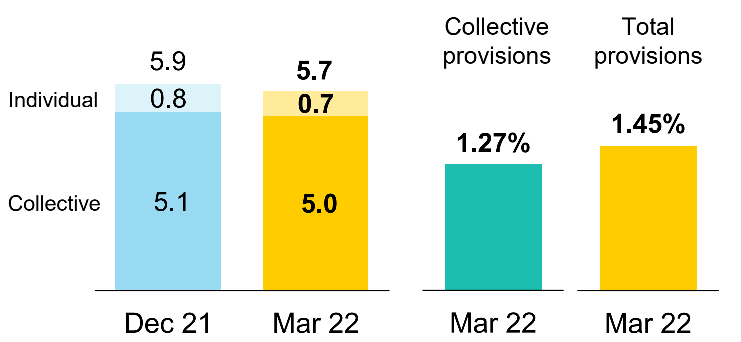
Provisioning

Total credit provisions

$bn

Provision coverage

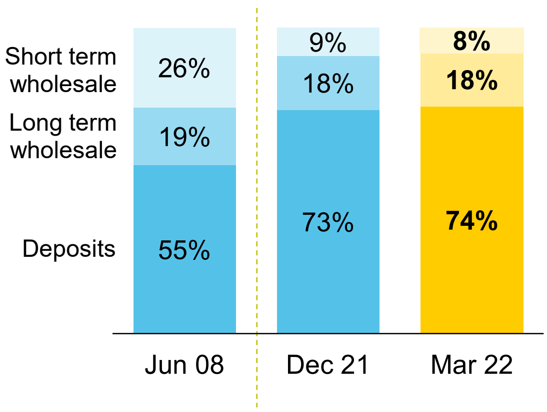
% of credit risk weighted assets



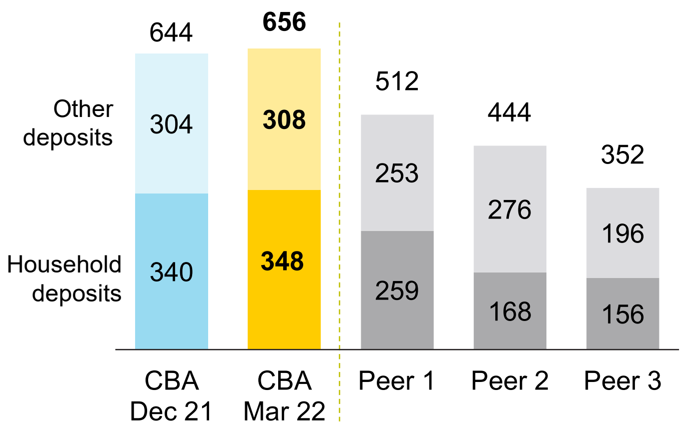
- Improvements in economic conditions and sound portfolio credit quality resulted in a positive outcome for loan impairment expense in the quarter (-$48m or -2 basis points of average Gross Loans and Acceptances). Total credit provisions were slightly lower at $5.7bn, with the Group continuing to maintain a cautious approach to managing potential risks, including higher interest rates, inflationary pressures and supply chain disruptions.
- Home loan arrears remained low, influenced by origination quality, low interest rates, a sound property market and balance growth. Credit card and personal loan arrears began to normalise in the quarter in line with seasonal trends.
- Troublesome and Impaired Assets (TIA) were lower at $6.6bn or 0.51% of Total Committed Exposures (TCE), with movements driven by larger single name exposures across sectors.

Funding and liquidity

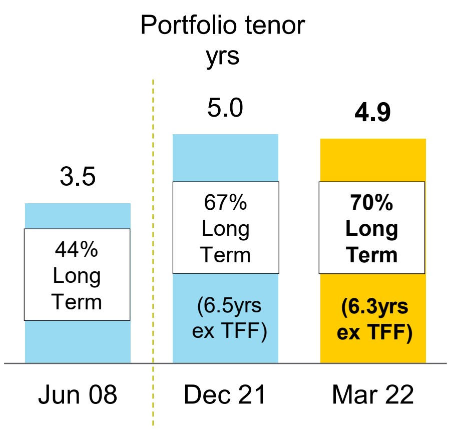
Funding composition
% of total funding



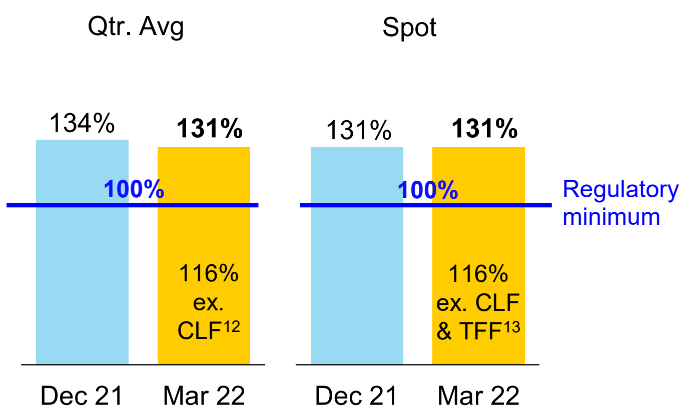
Australian deposits[10]
$bn



Wholesale funding[11]

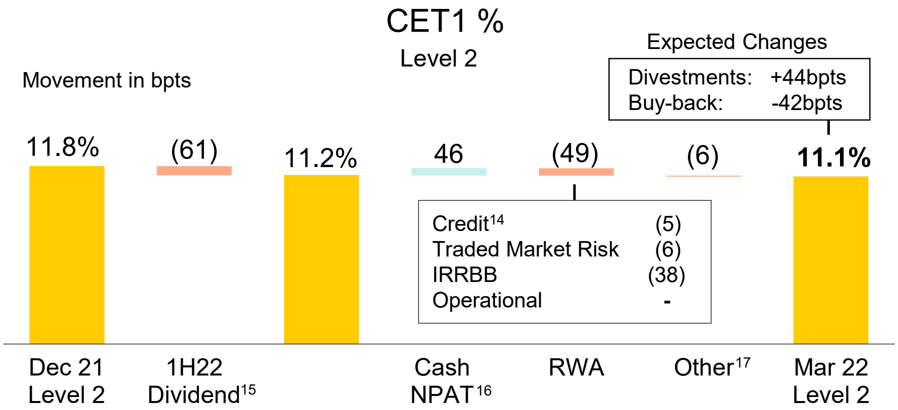


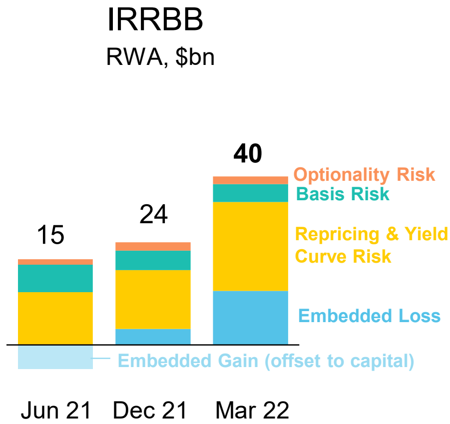
LCR % NSFR %



- Balance sheet settings remained strong in the quarter, highlighted by customer deposit funding increasing to 74%, underpinned by the Bank's franchise strength in stable household deposits (+$8.5bn this quarter).
- The Bank remains well positioned from a wholesale funding perspective, with 70% of wholesale funding long term and a weighted average tenor of 4.9 years. Good progress has been made on FY22 funding requirements, with A$32bn of long term wholesale funding issued as at 31 March 2022 across multiple markets and products.
- The Bank's Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) remained well above regulatory minimums.
- During the quarter, the Bank commenced the phased reduction in usage of the Committed Liquidity Facility (CLF) to zero by the end of 2022, in line with APRA's requirement.

Capital





- The Group retains a strong capital position, with a CET1 (Level 2) ratio of 11.1% as at 31 March 2022, a decrease of 9bpts in the quarter after allowing for the impact of the 1H22 interim dividend (-61bpts). The decrease in the quarter was driven by a combination of higher Risk Weighted Assets (RWA, -49bpts) and other adjustments (-6bpts), partly offset by capital generated from earnings (+46bpts).
- The majority of the increase in RWA was due to Interest Rate Risk in the Banking Book (IRRBB), which increased by $15.7bn (-38bpts) driven by higher swap rates (see below). Credit RWA (ex. FX) increased by $2.0bn (-5bpts) driven by volume growth in mortgages and non-retail exposures, partly offset by data and methodology changes. Traded Market Risk increased by $2.3bn (-6bpts) from higher commodity prices, interest rates and the FX portfolio.
- In order to avoid significant earnings volatility through a rate cycle, the Group's equity is invested over a three year investment term. Due to increased market rate volatility, in particular the significant increase in two and three year swap rates in recent months, the amount of IRRBB capital required by APRA has increased, mainly reflecting the valuation differences to equity invested over a one year term.
- The Group's previously announced divestments of Bank of Hangzhou Co., Ltd (+35bpts) and CommInsure General Insurance (+9bpts) are expected to collectively provide an uplift to Level 2 CET1 of approximately 44bpts. The divestment of a 10% shareholding in Bank of Hangzhou Co., Ltd is expected to be completed around the middle of calendar year 2022, following the recent approval from the China Banking and Insurance Regulatory Commission for the transaction. Completion remains subject to further regulatory approvals. The divestment of CommInsure General Insurance is expected to be completed in the second half of calendar year 2022, subject to Australian regulatory approvals and other conditions. The uplift from divestments is expected to be offset by the on-market share buy-back of up to $2bn (-42bpts) as announced in February 2022. The buy-back will be conducted across calendar year 2022 subject to market conditions, available trading windows and other considerations. Post the buy-back, the Bank will remain well placed to accommodate changes under APRA's new capital framework as announced and to be effective 1 January 2023.
- CBA's Level 2 Tier 1 and Total Capital ratios were 13.2% and 17.1% respectively as at 31 March 2022. CBA's Level 1 CET1 ratio as at 31 March 2022 was 11.5%, 40bpts above Level 2.

Appendix

Key financials reconciliation	1H22 $m	1H22 Qtr Avg $m	Movement 3Q22 vs 3Q21	Movement 3Q22 vs 1H22 Qtr Avg
Operating income	12,205	6,103	(1%)	(1%)
Operating expenses ex. remediation costs and other	5,495	2,747	2%	(1%)
Remediation costs and other[18]	*93*	*47*		
Total operating expenses	5,588	2,794	(3%)	(2%)
Operating performance	6,617	3,309	2%	Flat
Loan impairment benefit/(expense)	75	38	Unfavourable	Favourable
Reported cash NPAT from continuing operations	4,746	2,373	(2%)	Flat

Footnotes

1 Unless otherwise stated, the financial results are presented on a 'continuing operations' basis. This excludes discontinued operations: Colonial First State (CFS), CommInsure Life, BoCommLife and Colonial First State Global Asset Management (CFSGAM), consistent with the financial disclosures as at 31 December 2021.
2 Rounded to the nearest $100 million.
3 Including discontinued operations.
4 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, gains and losses, including post-completion adjustments, associated with the 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 half year ended 31 December 2021.
5 There were 2 fewer working days in 3Q22 compared to the comparative period (1H22 quarterly average) which impacts comparative movements. "Day weighting" adjusts for this difference in the number of working days between periods.
6 Source: RBA Lending and Credit Aggregates (Home and Business Lending) and APRA Monthly Authorised Deposit Taking Institution (ADI) Statistics (Household and Business Deposits). Business Deposits are non-financial businesses including Institutional Banking and Markets (IB&M). 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).
7 Loan impairment expense as a percentage of average GLAA annualised.
8 Consumer arrears includes retail portfolios of Retail Banking Services, Business Banking and New Zealand.
9 Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.
10 Source: APRA Monthly ADI Statistics. Total deposits (excluding CDs). As at March 2022.
11 Long Term Funding ratio includes Term Funding Facility (TFF) drawdowns.
12 LCR numerator excludes the size of CBA's available Committed Liquidity Facility (CLF).
13 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.
14 Excludes impact of FX movements which is included in 'Other'.
15 1H22 interim dividend: included the on-market purchase of shares in respect of the Dividend Reinvestment Plan.
16 Excludes equity accounted profits from investments which are neutral from a regulatory capital perspective due to the offsetting increase in capital deductions.
17 Other includes the impact of intangibles, additional equity investments, FX impact on Credit RWA and movements in reserves.
18 Remediation costs and other in 1H22 of $93 million (pre-tax). Includes $50 million for Banking, other Wealth and employee related remediation and litigation costs, and $43 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, 12 May 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 related 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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This announcement has been authorised for release by Vicki Clarkson, Company Secretary.