ASX Announcement

3Q23 Trading Update

For the quarter ended 31 March 2023[1]. Reported 9 May 2023. All financial comparisons are to the average of the two quarters of the first half of FY23 unless noted otherwise. Refer to the Appendix for a reconciliation of key financials.

Customer focus and balance sheet strength, delivering for all stakeholders

Our focus on customers, underpinned by our balance sheet strength and consistent operational execution has delivered record customer advocacy scores, volume growth across our core markets, with strong earnings and capital generation.

Our capital position remained strong with CET1 (Level 2) ratio at 12.1% following the payment of $3.5 billion in 1H23 dividends, well above APRA's minimum regulatory requirement of 10.25%. We have maintained our disciplined approach to managing credit, interest rate, funding and liquidity risks, and our balance sheet strength positions us well to continue to support our customers and extend the credit required to grow the Australian economy.

Many of our customers are feeling the strain of higher interest rates and the rising cost of living. We remain committed to supporting our customers through these challenges. As higher interest rates impact the Australian economy in the period ahead, we expect economic growth to continue to moderate. Despite the challenging global economic outlook, Australia is relatively well positioned given the strength of our banking system, the economic tailwinds from a recovery in population growth and relatively high commodity prices. We remain positive on the medium-term outlook. The strength of our balance sheet means we are well placed to continue supporting our customers and the broader Australian economy while delivering predictable and sustainable returns to our shareholders.

Chief Executive Officer, Matt Comyn

Overview

- Unaudited statutory NPAT of $2.6 billion[2] in the quarter. Unaudited cash NPAT of $2.6 billion[2,3] up 1% on 1H23 quarterly average (up 3% on a day-weighted basis) and up 10% on the prior comparative quarter.
- Income flat, driven by volume growth and higher non-interest income, offset by two fewer days in the quarter and lower net interest margins from competitive pressures.
- Expenses flat on a headline basis, down 1% excluding remediation.
- Operating performance flat on the 1H23 quarterly average (up 2% on a day-weighted basis) and up 18% on the prior comparative quarter.
- Loan impairment expense of $223 million, with collective and individual provisions slightly higher. Portfolio credit quality remained sound, with credit provisions increasing slightly to further strengthen our balance sheet position as financial conditions continue to tighten.
- Strong balance sheet settings maintained, with a customer deposit funding ratio of 75%, NSFR of 126% and LCR of 134%.
- Short term wholesale funding represented 7% of total funding. Of total wholesale funding, long term wholesale funding represented 74% with a weighted average portfolio tenor of 4.7 years. A$31 billion of new funding issued (30 June 2022 to 31 March 2023) across multiple markets and products.
- CET1 (Level 2) ratio of 12.1% under APRA's revised capital framework, unchanged in the quarter, after organically generating $3.4 billion of capital and the payment of $3.5 billion in 1H23 dividends to over 860,000 shareholders. This represents an $8.7 billion capital surplus to the minimum regulatory requirement.

Cash NPAT

Unaudited

~$2.6bn

↑ 1% vs 1H23 qtr avg

↑ 10% vs 3Q22

Volume growth[4]

	Mar 23 vs Dec 22	Mar 23 vs Mar 22	
	Balance growth	Growth rate	System multiple
Home lending	+$6.9bn	5.2%	1.0x
Household deposits	+$6.2bn	6.0%	0.7x
Business lending	+$2.6bn	12.0%	1.3x
Business deposits	+$0.7bn	3.7%	1.0x

CET1 Ratio

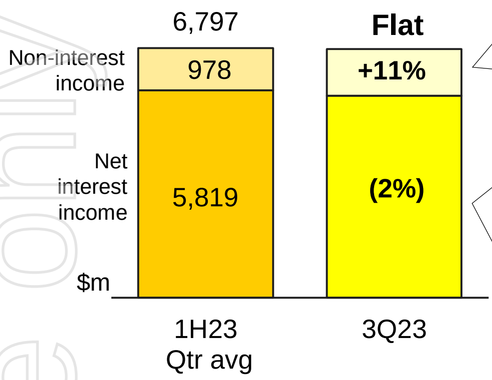
Level 2

12.1%

$8.7 billion surplus to APRA's minimum regulatory requirement

Operating performance

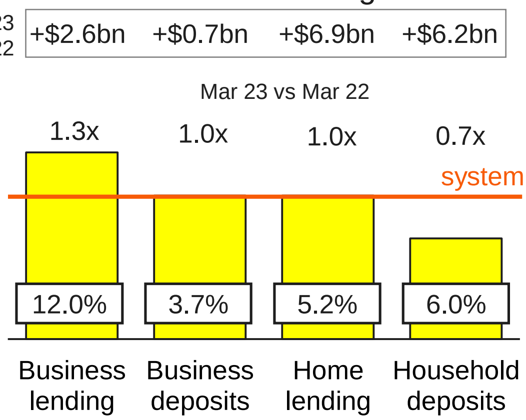
Operating income



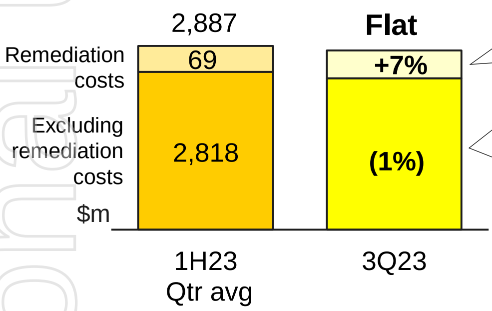
- Higher Markets trading income
- Non-recurrence of 1H23 losses from equity accounted investments

- Two fewer days
- Moderating volume growth
- Lower margin from competitive pressures on home loans and deposits, partly offset by the benefit of rising cash rates on transaction deposits, and higher replicating portfolio and equity hedge returns

Australian volume growth[4]



Operating expenses

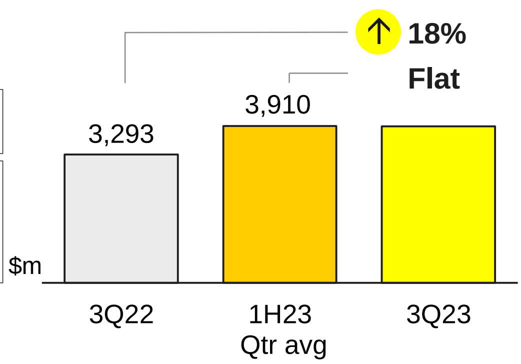


- Slight increase in remediation costs

- Lower staff costs
- Partly offset by higher IT costs, marketing spend and NZ flood relief payments

Operating performance

Operating income less operating expenses

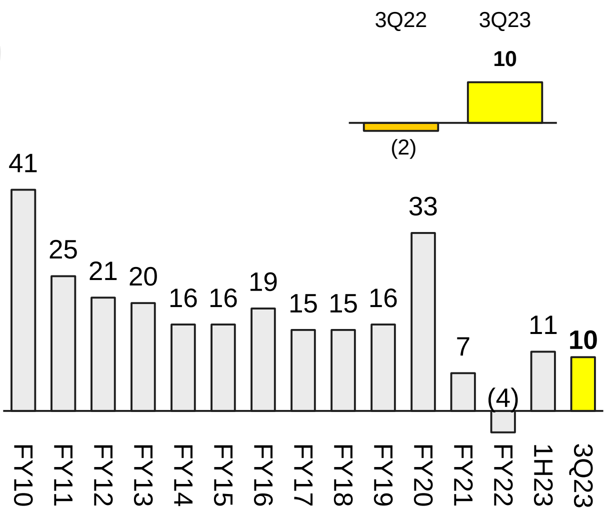


- Operating income was flat in the quarter, with net interest income down 2%, offset by higher non-interest income.
- Net interest income was 2% lower, with volume growth offset by lower net interest margins primarily from continued competitive pressure in home loan pricing and customers switching to higher yielding deposits. This was partly offset by higher earnings on deposits, replicating portfolio and equity hedges from rising interest rates. Competition for home loans has remained intense in Australia and New Zealand.
- The Bank's franchise strength, customer focus and consistent operational execution delivered volume growth across our core products in the quarter. In the Retail Bank, transaction account relationships have continued to grow strongly with 463,000 new retail transaction accounts opened in the quarter, up 33% on the prior quarter. This included significant new migrant transaction account openings, which were ~50% higher than pre-COVID levels. Home loans grew $6.9 billion, at 1.0x system for the 12 months to March 2023, with a focus on retaining existing customers in a highly competitive market. Excluding strong growth in our new digital-only proprietary offering, Unloan, and Bankwest, CBA grew at 0.8x system. Household deposits also grew $6.2 billion in the quarter.
- Our investment in the Business Bank continued to deliver strong franchise outcomes. New transaction account openings remained strong: we now have over 1.1 million business transaction accounts, up 7% on the prior comparative period. Business lending also continued to grow above system, and the Business Bank now contributes ~40% of Group cash NPAT.
- Non-interest income was 11% higher, primarily driven by higher trading income and the non-recurrence of losses from equity accounted investments in the prior half.
- Operating expenses excluding remediation reduced by 1%, due to lower staff costs, partly offset by higher IT spend, marketing spend and New Zealand flood relief payments.
- Operating performance was flat on the 1H23 quarterly average, up 2% after adjusting for day-count.

Provisions and credit quality

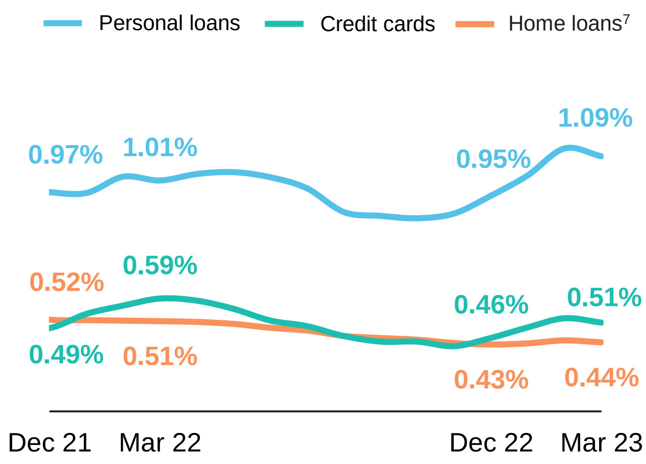
Loan loss rate[5]

bpts



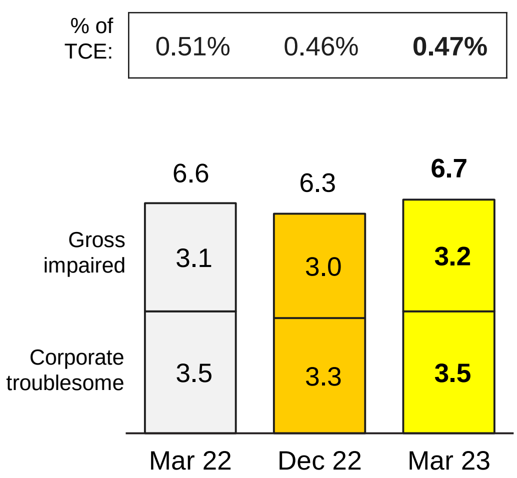
Consumer arrears[6]

90+ days



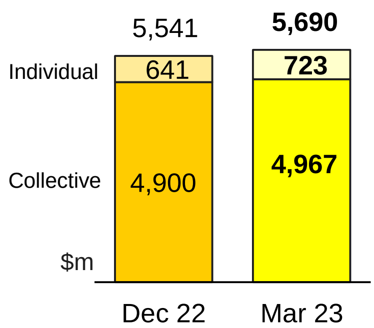
Troublesome and impaired assets

$bn



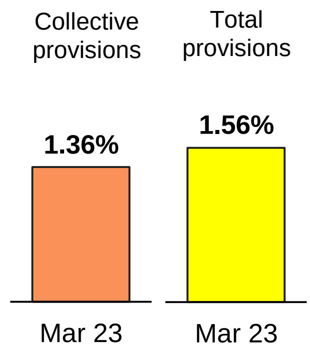
Provisioning

Total credit provisions



Provision coverage

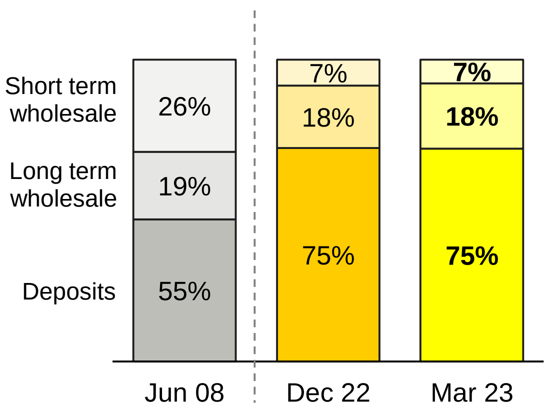
% of credit risk weighted assets[8]



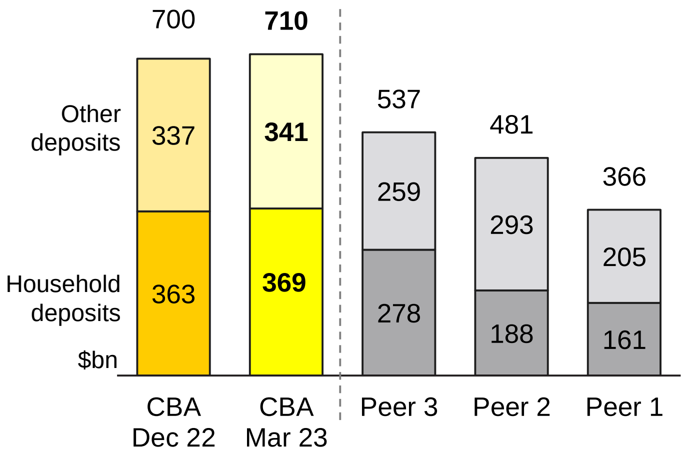
- Key credit quality indicators remained low notwithstanding a modest increase in consumer arrears and Troublesome and Impaired Assets (TIA). Loan impairment expense was $223 million in the quarter, or 10bpts of average Gross Loans and Acceptances.
- Home loan arrears remained low at 0.44% reflecting low levels of unemployment and stability in savings buffers. Consumer finance arrears increased during the quarter (+14bpts and +5bpts for personal loans and credit cards respectively) however remain low relative to long run average loss rates. We expect to see further increases in arrears rates as the full effects of interest rate increases are borne by borrowers in the months ahead.
- TIA were higher at $6.7 billion or 0.47% of Total Committed Exposures (TCE), mainly driven by increases in the construction and commercial property sectors.
- Total credit provisions were $5.7 billion, with a slight increase in collective provisions to $5.0 billion and an $82 million increase in individual provisions to $0.7 billion largely reflecting single name exposures in the construction industry.

Funding and liquidity

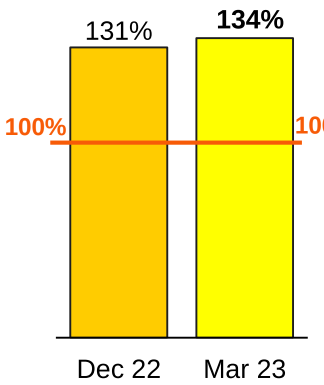
Funding composition
% of total funding



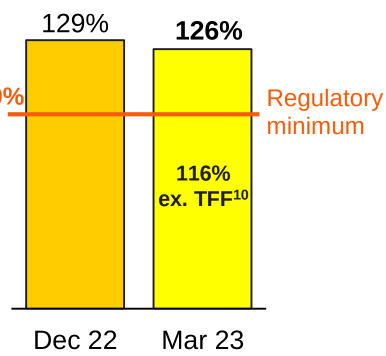
Australian deposits[9]



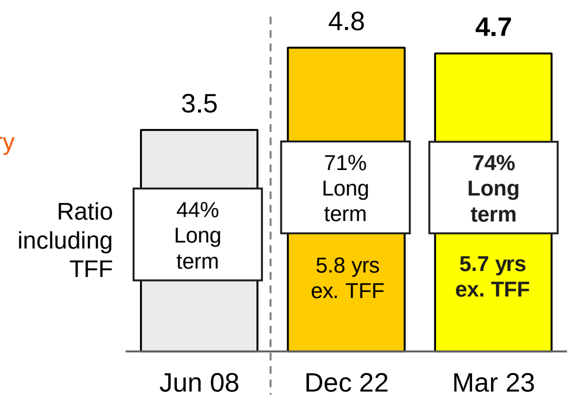
LCR %
Qtr avg



NSFR %
Spot



Wholesale funding
Portfolio tenor
yrs

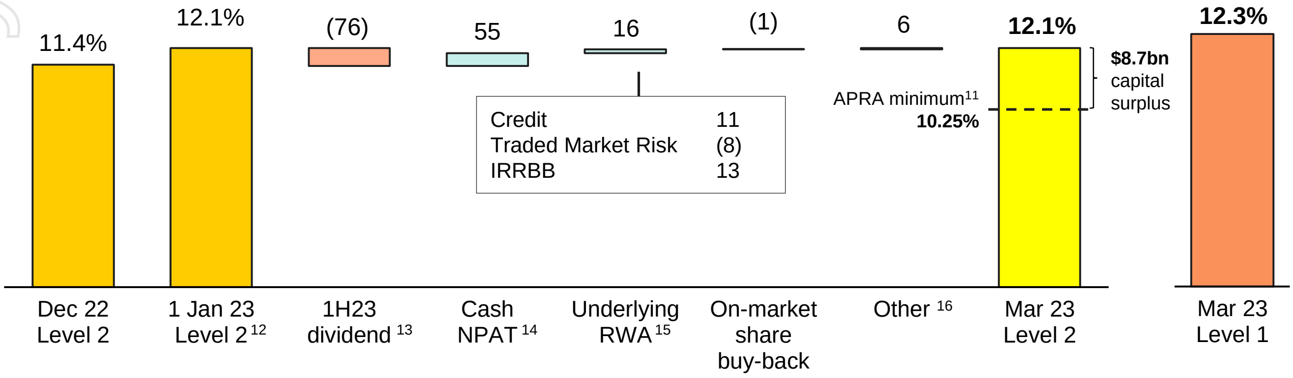


- Balance sheet settings remained strong in the quarter, with customer deposit funding remaining flat at 75%, and the proportion of short term wholesale funding remains well below historical levels.
- The Bank's long term wholesale funding position remained conservative, with a weighted average portfolio tenor of 4.7 years. Good progress has been made on FY23 funding requirements, with approximately A$31 billion of new long term wholesale funding issued since 30 June 2022 to 31 March 2023 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 accounting for the removal of the Committed Liquidity Facility (CLF), which was fully phased out as at 1 January 2023.

Capital

CET1 %

Movement in bpts



- The Group retained a strong capital position with a CET1 (Level 2) ratio of 12.1% as at 31 March 2023, well above APRA's regulatory requirement of 10.25%. Capital generated from earnings (+55bpts), net reduction in total RWA (+16bpts) and positive mark-to-market revaluation on liquid assets (+6bpts) was offset by the impact of the 1H23 dividend (-76bpts) and further progress on the previously announced on-market share buy-back (-1bpt). As at 8 May 2023, as well as purchasing approximately $600m of shares on-market to neutralise the impact of the 1H23 Dividend Reinvestment Plan, the Group had completed approximately $2 billion of the $3 billion share buy-back.
- Credit RWA (excl. FX) decreased by $4.6 billion (+11bpts) in the quarter, with volume growth in mortgages and non-retail lending more than offset by the benefit of new capital models approved and implemented in February 2023. Traded Market Risk increased by $3.4 billion (-8bpts) driven by increased market volatility, whilst Interest Rate Risk in the Banking Book (IRRBB) decreased by $5.5 billion (+13bpts) due to lower embedded losses.
- CBA's Level 2 Tier 1 and total capital ratios at 31 March 2023 were 14.1% and 19.5% respectively.
- CBA's Level 1 CET1 ratio as at 31 March 2023 was 12.3%, +20bpts above Level 2.

Appendix

	1H23 $m	1H23 Qtr avg $m	Movement 3Q23 vs 3Q22	Movement 3Q23 vs 1H23 Qtr avg
Total operating income	13,593	6,797	13%	Flat
Operating expenses ex. remediation costs	(5,636)	(2,818)	5%	(1%)
Remediation costs[17]	*(137)*	*(69)*	*Lge*	*7%*
Total operating expenses	(5,773)	(2,887)	7%	Flat
Operating performance	7,820	3,910	18%	Flat
Loan impairment expense	(511)	(256)	Lge	(13%)
Cash NPAT from continuing operations	5,153	2,577	10%	1%

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, closure, capital repatriation and demerger 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 2022.
4 Source: RBA Lending and Credit Aggregates (home and business lending excl. 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 (excl. IB&M) over published APRA & RBA Total business lending data (excl. estimated institutional lending balances).
5 Loan impairment expense as a percentage of average GLAA annualised.
6 Consumer arrears includes retail portfolios of Retail Banking Services, Business Banking and New Zealand.
7 Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.
8 Credit Risk Weighted Assets (CRWA) on Basel III basis from 1 January 2023. Impact on total provision coverage of changing from Basel II to Basel III was an increase of approximately 12bpts.
9 Source: APRA Monthly ADI Statistics. Total deposits (excluding CDs).
10 NSFR numerator (ASF) excludes the size of CBA's TFF drawdowns. Denominator (RSF) increases weighting for mortgages used as collateral for the TFF by 55%, such that it receives the 65% RSF weighting applicable to unencumbered residential mortgages.
11 Inclusive of 1% default countercyclical capital buffer which may be varied by APRA in the range of 0% to 3.5%.
12 Represents the pro-forma CET1 (Level 2) ratio under the revised capital framework effective 1 January 2023.
13 1H23 dividend: included the on-market purchase of shares in respect of the Dividend Reinvestment Plan.
14 Excludes equity accounted profits from investments which are neutral from a regulatory capital perspective due to the offsetting increase in capital deductions.
15 Excludes impact of FX movements on Credit RWA which is included in ‘Other’.
16 Other includes the impact of intangibles, FX impact on Credit RWA and movements in reserves.
17 Remediation costs in 1H23 of $137 million (pre-tax). Includes $75 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs, and $62 million for Banking, other Wealth and employee related remediation and litigation costs.

Important Information

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The release of this announcement was authorised by the Board.