ASX Announcement

1H22 Results

For the half year ended 31 December 2021[1]

Strong financial and operational performance delivered in a low rate environment through continued customer focus, disciplined execution and investment.

Commonwealth Bank

Net profit after tax

$4,741m

Statutory NPAT

▲ 26% on 1H21

$4,746m

Cash NPAT

▲ 23% on 1H21

NPAT was supported by strong business outcomes, reduced remediation costs and lower loan loss provisions due to an improved economic outlook but impacted by lower margins.

Dividend

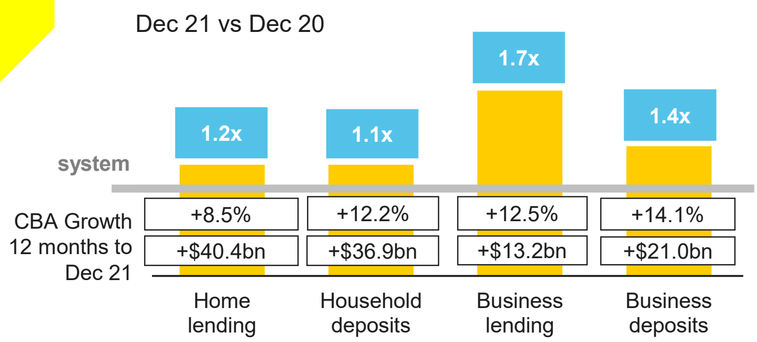
$1.75

Per share, fully franked

▲ 17% on 1H21

The interim dividend was $1.75 per share, fully franked. This represents a normalised cash payout ratio of ~70%, in line with the Board's interim target payout ratio normalised for long run loan loss rates.

Volume growth in core businesses[2]



Net interest margin

1.92%

▼ 17bpts on 2H21

▼ 14bpts on 1H21

▼ 9bpts excl. liquids on 2H21

▼ 5bpts excl. liquids on 1H21

Excluding the impact from increased lower yielding liquid assets, the Bank's net interest margin (NIM) decreased 5bpts due to increased switching to lower margin fixed home loans, the impact of the rising swap rates due to market expectations of higher interest rates, and continued pressure from home loan competition.

Common Equity Tier 1 capital ratio

11.8%

APRA, Level 2[3]

▼ 130bpts on Jun 21

Maintained strong capital surplus post the successful completion of a $6bn off-market share buy-back. CET1 of 18.4% on an internationally comparable basis.

Operating performance[4]

$6,617m

▲ 4% on 1H21

Strong operating performance driven by above system volume growth and lower remediation costs.

For footnotes see page vii of this ASX Announcement.

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Ground Floor Tower 1, 201 Sussex Street, Sydney NSW 2000

Results overview

Building tomorrow's bank today Chief Executive Officer, Matt Comyn

The Bank has delivered a strong financial result in a low rate environment. This has been achieved through continued customer focus and disciplined operational execution.

Higher cash profits were a result of continued volume growth across the business in home lending, business lending and deposits, flat operating costs and significantly lower loan impairment expense due to the improving economic outlook.

We have continued to invest in operational execution and the ongoing strengthening of our business, consistent with our strategic priorities.

A highlight of the result is our continued capital and balance sheet strength. Our disciplined and balanced approach to capital optimises growth, reinvestment and shareholder returns. This has allowed us to return excess capital to our shareholders and lower our share count while remaining strongly capitalised and provisioned. We retain flexibility to provide further support to our customers and communities. As a result, an interim dividend of $1.75 per share, fully franked, has been determined and we continue capital management actions with a $2bn on-market share buy-back.

Key financials

For the half year ended 31 December 2021[1].

- **Statutory NPAT** was $4,741m up 26%.
- **Cash NPAT** of $4,746m was 23% higher due to above system growth in all core markets, lower collective provisions from an improvement in economic outlook and a reduction in remediation expenses.
- **Operating income** was $12,205m up 2%, driven by continued core volume growth and improved volume driven fee income, partly offset by reduced net interest margin.
- **Net interest margin** was 1.92% down by 14bpts. Excluding the impact from increased lower yielding liquid assets, margin reduced by 5bpts mainly driven by switching to fixed rate home loans, the impact of rising swap rates and continued pressure from home loan competition.
- **Operating expenses** were flat at $5,588m, driven by increased staff costs to support higher volumes and delivery of strategic investment initiatives; offset by lower occupancy, IT and remediation costs.
- **Loan impairment expense** decreased $957m to a benefit of $75m reflecting an improved economic outlook. Loan loss provisions remain significantly higher than the expected losses under the central economic scenario.
- **Deposit funding** of 73%, as the Group maintained a significant portion of its funding requirements from customer deposits.
- **Common Equity Tier 1** (CET1) capital ratio of 11.8% (Level 2, APRA).
- **Interim dividend** of $1.75 per share, fully franked.

Outlook Chief Executive Officer, Matt Comyn

Building a brighter future for all.

We expect the Australian economy to have a strong year in 2022 despite early challenges from the Omicron strain of COVID-19. Both the unemployment rate and the underemployment rate are at the lowest since 2008, with high participation rates.

Australian households have accumulated savings and stronger wage growth is expected. An increase in demand for goods relative to services, supply-chain constraints and tightening labour markets will likely lead to a further increase in the rate of inflation.

While the inflationary risk does not currently appear as high in Australia, relative to global peer nations, the RBA has announced the end of quantitative easing in February. The CBA Economics team's forecast is for a modest monetary policy tightening cycle through FY23, with the first official interest rate increase forecast for August 2022.

Non-mining investment is strong, confidence has held up reasonably well, and both exports and infrastructure investment are providing good support.

Looking ahead, we will continue to invest in the business to extend our product offering to our retail and business customers and extend our digital leadership. We are well positioned to support business investment to build Australia's future economy.

Through disciplined execution and our people's care and commitment, we will continue to deliver for our customers, community and our shareholders as we build tomorrow's bank today.

Operating performance

Our banking businesses continued to perform well in a low rate environment, delivering above market growth in home lending, business lending and deposits through customer focus and disciplined execution. Strong volume growth supported operating income and offset the impact of home loan competition and switching.

Operating income

Operating income
Cash basis

$12,205m

1H21 $11,961m ▲ 2%

Net interest margin

1.92%

1H21 2.06% ▼ 14bpts

(excl. liquids ▼ 5bpts)

2H21 2.09% ▼ 17bpts

(excl. liquids ▼ 9bpts)

Net interest income increased 1.5%, driven by above system volume growth in home and business lending, and deposits, partly offset by a decrease in net interest margin.

Net interest margin (NIM) was down 14 basis points. Excluding the impact from increased lower yielding liquid assets, NIM reduced by 5 basis points mainly driven by customers switching to fixed rate home loans, the impact of rising swap rates, and continued pressure from home loan competition.

Looking ahead, we expect home loan price competition and switching to continue to weigh on margins in the second half.

Non-interest income increased 4.1%.

The key drivers were:

- Improved volume related lending and deposit fee income.
- Non-recurrence of prior period aircraft impairments and higher net profits from minority interests.

These increases were partly offset by:

- Lower Global Markets and equities trading income.
- Decreased merchant income mainly due to the impact of COVID-19 including fee waivers.
- Lower insurance income mainly driven by increased weather event claims.

Operating expenses

Operating expenses
Cash basis

$5,588m

1H21 $5,591m ▼ 0.1%

Investment spend

$945m (total spend)

1H21 $856m ▲ 10%

Cost-to-income ratio
Cash basis

45.8% (headline)

1H21 46.7%

Operating expenses were flat, driven by higher staff costs, offset by lower occupancy, IT and remediation costs.

Staff expenses increased 13% mainly driven by increased full-time equivalent staff and wage inflation, partly offset by ongoing business simplification initiatives.

The staff increases were due to:

- Increased loan application processing and higher financial crime assessment volumes.
- Delivery of our strategic investment priorities.
- Increased frontline and technology resources to help our customers and uplift our cyber security and data management capabilities.

Occupancy and equipment expenses decreased 16% reflecting benefits from branch and ATM optimisations, and exiting commercial office space as we continue to consolidate our property footprint.

Information technology expenses decreased 5% due to lower amortisation and business simplification initiatives. This was partly offset by increased IT infrastructure and maintenance costs including higher cloud computing and storage volumes and higher software licence costs.

Remediation costs were significantly lower, primarily driven by reduced Aligned Advice related costs.

The **cost-to-income** ratio (cash basis) was 45.8%.

Provisions and credit quality

Loan impairment expense

Loan impairment expense

-$75m

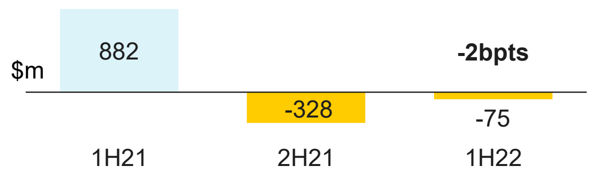
1H21 $882m

Loan impairment expense decreased $957m as a result of lower collective provisions reflecting an improvement in economic outlook and higher collective provision charges in the prior comparative period from the impact of COVID-19.

The loan loss rate reduced to -2 basis points, down from 22 basis points in 1H21.

Loan Loss Rate (bpts)[1]

bpts	1H21	2H21	1H22
Consumer	14	-6	**0**
Corporate	44	-13	**-7**
Total	**22**	**-8**	**-2**



Portfolio credit quality

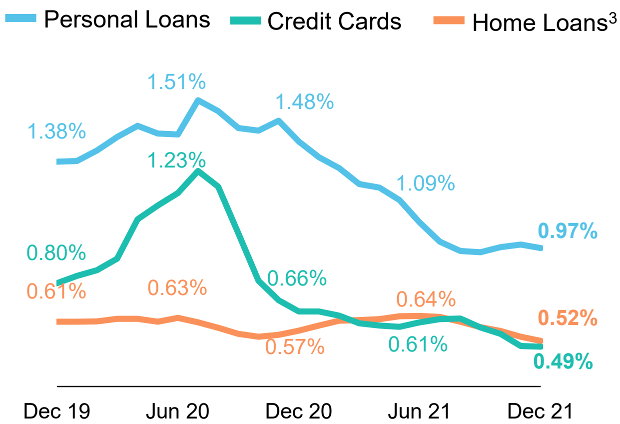
Arrears on home loans and consumer finance remain low. Home loan arrears reduced primarily due to low interest rates, improvement in economic conditions, a strong property market and customer origination quality.

Credit card and personal loan arrears remain low due to improved economic conditions and customer origination quality.

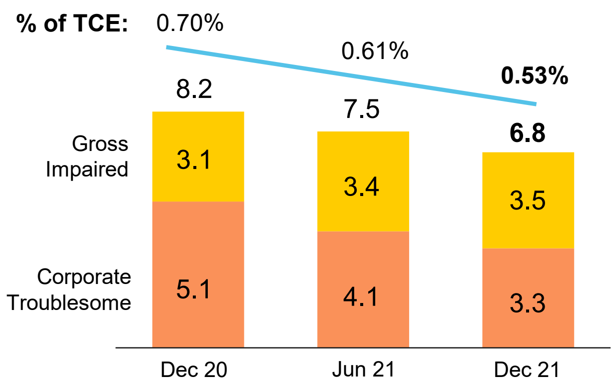
Troublesome and impaired assets decreased to $6.8bn from $7.5bn in 2H21. Corporate troublesome assets decreased by $0.8bn on the prior half, mainly driven by refinancing, repayments and upgrades supported by improved economic conditions, partly offset by the downgrade of a small number of larger exposures into the troublesome portfolio across a range of sectors.

Gross impaired assets increased by $73m on the prior half, mainly driven by an increase in restructured home loans in New Zealand and the impairment of a small number of single name exposures in the corporate portfolio.

Consumer arrears[2] > 90 days (%)



Troublesome and impaired assets ($bn)

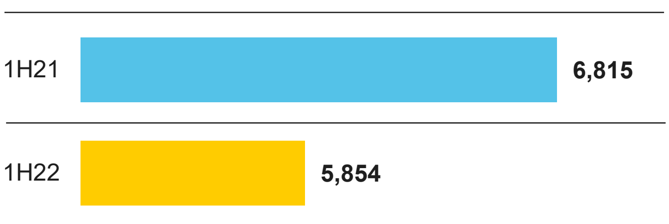


Loan impairment provisions

Our total impairment provisions were $5,854m, a decrease of $961m against 1H21 reflecting an improvement in the economic outlook and lower consumer finance balances, partly offset by increased forward looking adjustments reflecting uncertainties due to higher inflation and interest rate expectations.

Provisioning coverage remains strong with the provision coverage ratio[4] at 1.50%.

Total impairment provisions ($m)



Balance sheet strength

Our capital, liquidity and funding metrics remained strong during 1H22. The strength of our balance sheet means the Bank is well positioned to continue supporting our customers as the Australian economy recovers.

Funding and liquidity

Deposit funding ratio

73%

Dec 20 75%

Liquidity coverage ratio[1]

134%

Dec 20 143%

Net stable funding ratio

131%

Dec 20 123%

Balance sheet settings remain strong. The Bank continued to satisfy a significant portion of its funding requirements from customer deposits with the deposit funding ratio being 73%. Customer deposits increased by $59.2bn during the year.

The Bank remains well positioned from a wholesale funding perspective, with long term wholesale funding accounting for 67% of total wholesale funding.

The Bank's Term Funding Facility (TFF) was fully drawn as at 30 June 2021, with maturities commencing from June 2023. The average tenor of the long term wholesale funding portfolio was 5.0 years (6.5 years excluding the TFF).

In September 2021, APRA announced a sector-wide phased reduction in the reliance on the Committed Liquidity Facility to zero by the end of 2022.

The Bank is well placed to manage the liquidity and funding impacts of both these changes.

The liquidity coverage ratio for the quarter ended 31 December 2021 was 134% which remains significantly above the minimum regulatory requirement of 100%.

The net stable funding ratio as at 31 December 2021 was 131%, well above the regulatory minimum of 100%. The increase in the ratio was due to the growth in customer deposits, the benefit of the TFF and our strong capital position.

Capital

Common Equity Tier 1 capital ratio

11.8%

APRA (Level 2)

Jun 21 13.1%

The Group has a strong capital position with a CET1 capital ratio as at 31 December 2021 of 11.8%.

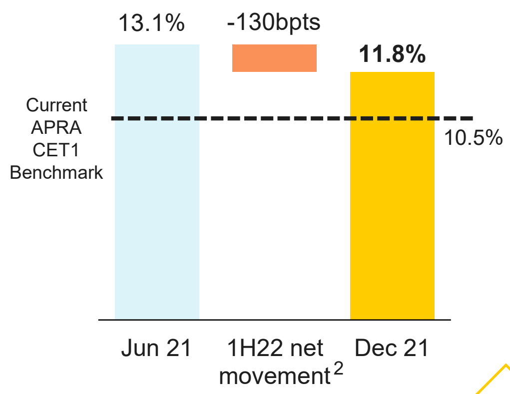
During the first half, the Group successfully completed the $6bn off-market share buy-back that reduced CET1 capital by 133 basis points. Also reducing capital was the 2021 final dividend payment, 79 basis points, and higher risk weighted assets, 54 basis points. The Group's CET1 capital was supported by strong profit generation from the core banking businesses of 98 basis points, and the benefits of proceeds received from the majority sale of Colonial First State of 32 basis points.

The strong capital position and our progress on executing our strategy mean that we are well placed to continue to support our customers, manage ongoing uncertainties and continue returning excess capital to shareholders.

In November 2021 APRA announced revisions to implement Basel III reforms, effective from 1 January 2023. APRA has stated that the new framework does not require banks to raise additional capital.

CET1 %

Level 2



Delivering for shareholders

Dividend

The Bank's strong capital position and disciplined execution continues to support strong and sustainable returns to shareholders.

An interim dividend of $1.75 per share, fully franked, was determined. The interim dividend payout ratio was 62% of the Bank's cash earnings, or ~70% after normalising for long run loan loss rates.

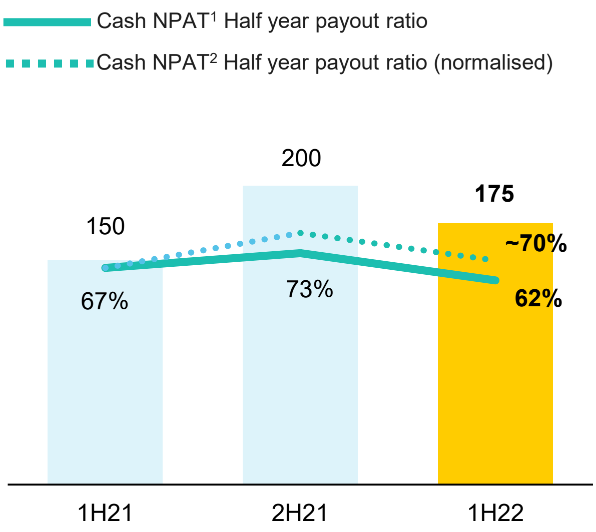
The Bank will continue to target a full year payout ratio of 70-80% of cash NPAT and an interim payout ratio of ~70% of cash NPAT. In considering the sustainability of dividends, the Board will continue to take into account a number of factors, including long term average loss rates.

The Dividend Reinvestment Plan (DRP) continues to be offered to shareholders. No discount will be applied to shares allocated under the plan for the interim dividend. The DRP is anticipated to be satisfied in full by an on-market purchase of shares.

The ex-dividend date is 16 February 2022, the record date is 17 February 2022, the interim DRP participation date is 18 February 2022 and the interim dividend will be paid on 30 March 2022.

Sustainable returns

Dividend per share (cents)



Capital management

Our disciplined and balanced approach to capital optimises growth, reinvestment, shareholder returns and flexibility. CBA's strong capital position creates flexibility to support our customers and manage ongoing uncertainties, while continuing to return surplus capital to shareholders.

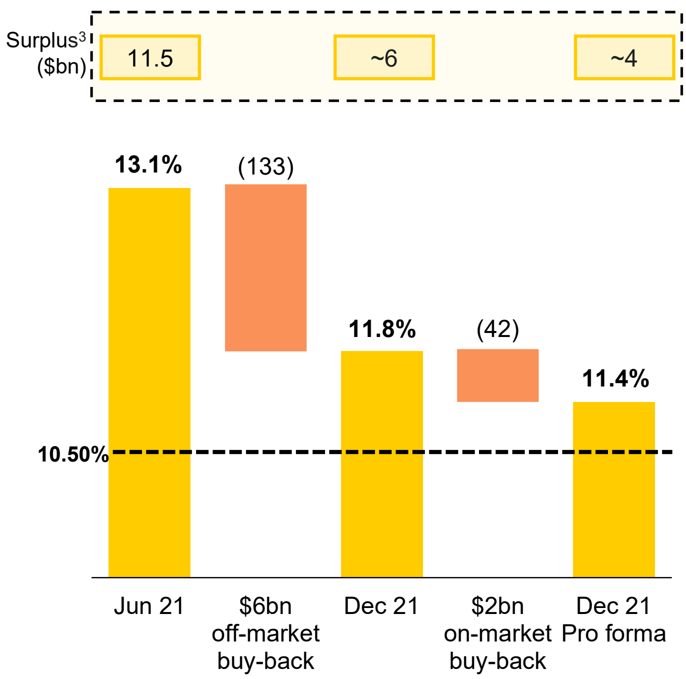
Capital management in 2021 included a $6bn off-market share buy-back and continued neutralisation of the DRP. CBA now intends to undertake further capital management via an on-market buy-back of up to $2bn[4].

The buy-back is expected to reduce the CET1 capital ratio by approximately 42 basis points (Dec 21 pro-forma CET1 of 11.4%). Post the buy-back, CBA will remain well placed to accommodate changes under APRA's new capital framework effective 1 January 23.

CBA expects to commence the buy-back after the completion of the on-market share purchase associated with neutralising the impact of 1H22 DRP.

The timing and actual number of shares purchased under the buy-back will depend on markets conditions, available trading windows, the prevailing share price and other considerations.

Pro-forma CET1 (APRA, Level 2)



Footnotes

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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 2021 and comparisons are to the prior comparative period, the half year ended 31 December 2020.
2. As reported in RBA Lending and Credit Aggregates (Home Lending) and APRA Monthly Authorised Deposit-taking Institution Statistics (MADIS) (Household Deposits). CBA Business Lending multiple estimate is based on Business Banking growth rate (excluding Institutional Banking and Markets) over published APRA and RBA Total Business Lending Data (excluding estimated Institutional Lending balances). CBA business deposits multiple estimate is based on Total CBA Non-Financial business deposit growth rate over Market Non-Financial Business Deposit growth rate, as published by APRA.
3. Includes discontinued operations.
4. Operating income less operating expenses.

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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 2021.

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1. Loan Impairment Expense as a percentage of average Gross Loans and Acceptances (GLAA) (bpts) annualised.
2. Group consumer arrears including New Zealand. APRA's prudential relief for customers on eligible COVID-19 loan repayment deferral arrangements has effectively "stopped the clock" on home loan and personal loan arrears.
3. Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.
4. Total loan impairment provisions as a percentage of credit risk weighted assets.

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1. Quarterly average.
2. Inclusive of share buyback (-133bpts), capital generated from earnings (+98bpts), payment of the 2H21 dividend (-79bpts), benefit from CFS divestment (+32bpts), higher Risk Weighted Assets (-54bpts) and other movements in capital (+6bpts).

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1. Cash NPAT inclusive of discontinued operations.
2. Cash NPAT and dividend payout ratio normalised to reflect a long run loan loss rate.
3. Capital surplus above APRA's 10.5% current CET1 benchmark, incorporates impact of buy-backs as well as other capital and RWA movements.
4. CBA reserves the right to vary, suspend or terminate the buy-back at any time.

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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 21 $m	30 Jun 21 $m	31 Dec 20 $m	Dec 21 v Jun 21 %	Dec 21 v Dec 20 %
Net interest income	9,748	9,702	9,600	-	2
Other banking income	2,359	2,354	2,190	-	8
Total banking income	12,107	12,056	11,790	-	3
Funds management income	80	85	80	(6)	-
Insurance income	18	54	91	(67)	(80)
Total operating income	12,205	12,195	11,961	-	2
Operating expenses	(5,588)	(5,768)	(5,591)	(3)	-
Operating Performance	6,617	6,427	6,370	3	4
Loan impairment benefit/(expense)	75	328	(882)	77	(large)
Net profit before tax	6,692	6,755	5,488	(1)	22
NPAT from continuing operations	4,746	4,785	3,868	(1)	23
NPAT from discont'd operations [2]	100	49	99	large	1
NPAT from continuing operations ("statutory basis")	4,741	5,084	3,759	(7)	26

Cash net profit after tax, by division (continuing operations)	31 Dec 21 $m	30 Jun 21 $m	31 Dec 20 $m	Dec 21 v Jun 21 %	Dec 21 v Dec 20 %
Retail Banking Services[3]	2,331	2,541	2,155	(8)	8
Business Banking	1,489	1,471	1,369	1	9
Institutional Banking and Markets	587	500	426	17	38
New Zealand	679	625	536	9	27
Corporate Centre and Other	(340)	(352)	(618)	(3)	(45)
NPAT from continuing operations	4,746	4,785	3,868	(1)	23

Shareholder ratios & performance indicators (continuing operations unless otherwise stated)	31 Dec 21	30 Jun 21	31 Dec 20	Dec 21 v Jun 21	Dec 21 v Dec 20
Earnings per share – "cash basis" – basic (cents)	272.8	270.0	218.5	1	25
Return on equity – "cash basis" (%)	12.3	12.6	10.5	(30)bpts	180bpts
Dividends per share – fully franked (cents)	175	200	150	(13)	17
Dividend payout ratio – "cash basis" (%) [4]	62	73	67	(large)	(large)
Average interest earning assets ($M) [5]	1,008,070	936,883	922,924	8	9
Net interest margin (%)	1.92	2.09	2.06	(17)bpts	(14)bpts
Operating expenses to total operating income (%)	45.8	47.3	46.7	(150)bpts	(90)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 (CFS).
3. Retail Banking Services including Mortgage Broking and General Insurance.
4. Includes discontinued operations.
5. Average interest earning assets are net of average mortgage offset balances.