ASX Announcement

FY22 Results

For the year ended 30 June 2022[1]

Our continued focus on our customers and disciplined operational and strategic execution has delivered another year of strong financial and operational performance.

Net profit after tax

$9,673m

Statutory NPAT

▲ 9% on FY21

$9,595m

Cash NPAT

▲ 11% on FY21

Net profit after tax (NPAT) was supported by operational performance and volume growth in core businesses as well as sound credit quality and the reduction of provisions related to the uncertainties associated with the impacts of the COVID-19 pandemic.

Pre-provision profit

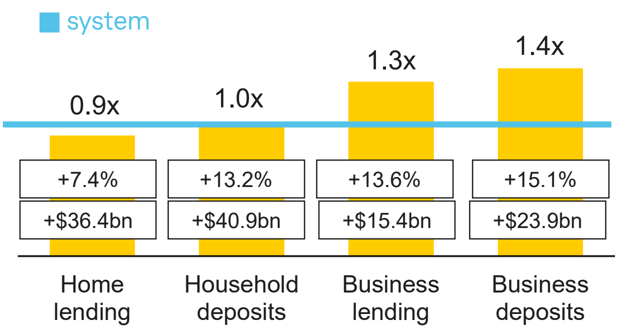
$13,190m

Excluding one-off items[2]

▲ 3.1% on FY21

Our pre-provision profit is up 3% reflecting the operational performance across our core businesses and a disciplined approach to volume/rate trade-offs in a highly competitive market.

Volume growth in core businesses[3]



Net interest margin (NIM)

1.90%

▼ 18bpts on FY21

▼ 10bpts on FY21 excl. liquids

Group NIM declined due to a large increase in low yielding liquid assets and lower home loan margins. Our medium term outlook remains unchanged, with margins expected to increase in a rising rate environment.

Common Equity Tier 1 capital ratio (CET1)

11.5%

APRA (Level 2)[4]

▼ 160bpts on FY21

The Bank maintained a strong capital position after returning $13 billion to shareholders via dividends and buy-backs, and absorbing a significant increase in Risk Weighted Assets associated with the Interest Rate Risk in the Banking Book. On an internationally comparable basis CET1 was 18.6%.

Dividend

$3.85

Per share, fully franked

▲ 10% on FY21

The full year dividend was supported by the Bank's continued capital and balance sheet strength. The final dividend was $2.10 per share, fully franked, delivering a total dividend for the year of $3.85 per share, fully franked.

For footnotes see the page vii of this ASX Announcement.

Results overview

Strong results driven by our customer focus Chief Executive Officer, Matt Comyn

By focusing on serving our customers and maintaining disciplined operational and strategic execution, we have delivered a strong financial result for our shareholders.

Our operating context has changed significantly this year. The economy recovered strongly as we adjusted to living with COVID-19; however, many of our customers have been impacted by devastating natural disasters, and rising cost of living pressures. Around the world, geopolitical tensions have created additional uncertainty in financial markets.

We have focused on strengthening our customer engagements and relationships, and this has resulted in further growth in our core deposit and lending volumes to retail, business and institutional customers.

Our operating performance was higher as a result of this continued volume growth and profitability was further supported by sound portfolio credit quality.

A highlight of the result is our continued balance sheet strength and capital position that has allowed us to support our customers while delivering consistent and sustainable returns to shareholders. As a result, a final dividend of $2.10 per share, fully franked, has been determined, with shareholders receiving full year franked dividends of $3.85.

Key financials

For the full year ended 30 June 2022.

- **Statutory NPAT**[1] was $9,673m, up 9%.
- **Cash NPAT** of $9,595 million was 11% higher reflecting operational performance, volume growth in core businesses and a loan impairment benefit.
- **Operating income**[2] was $24,380 million, up 1% driven by volume related revenue growth in our core products, partly offset by a decrease in net interest margin.
- **Net interest margin** was 1.90%, down by 18bpts. Excluding the impact from increased low yielding liquid assets, margins reduced by 10bpts mainly driven by lower home loan margins, partly offset by increased deposit earnings.
- **Operating expenses**[2] were $11,190 million, down 1.5%, driven by lower remediation costs and productivity benefits, partly offset by higher staff costs.
- **Loan impairment expense** decreased by $911 million to a benefit of $357 million, driven by reduced COVID-19 overlays partly offset by increased forward-looking adjustments for emerging risks including inflationary pressures, supply chain disruptions and rising interest rates.
- **Deposit funding** of 74%, 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 11.5% (Level 2, APRA), well in excess of regulatory minimum capital requirements.
- **Final dividend** of $2.10 per share, taking the total dividend for the year to $3.85 per share, fully franked.

Outlook Chief Executive Officer, Matt Comyn

Against many measures, Australian households and businesses are in a strong position given low unemployment, low underemployment, and strong non-mining investment. However inflation is high, and we have seen a rapid increase in the cash rate which is negatively impacting consumer confidence. We expect consumer demand to moderate as cost of living pressures increase.

It is a challenging time, but we remain optimistic that a path can be found to navigate through these economic conditions. We remain of the view that the medium term outlook for Australia is a positive one. Our purpose, to *build a brighter future for all,* reflects the role we play in supporting our customers and the domestic economy during periods of uncertainty.

We continue to invest in our business, to reinforce our customer propositions and extend our digital leadership position.

Operating performance

Our banking businesses continued to perform well, delivering growth in home lending, business lending and deposits through customer focus and disciplined execution. Volume growth supported operating income and offset the impact of lower home loan margins.

Operating income

Operating income
Cash basis, excl. one-off item

$24,380m

FY21 $24,156m ▲ 0.9%

Net interest margin

1.90% FY22

FY21 2.08% ▼ 18bpts
(excl. liquids ▼ 10bpts)

1.87% 2H22

1H22 1.92% ▼ 5bpts
(excl. liquids ▼ 5bpts)

Net interest income increased 1%. This was driven by volume growth in home and business lending, partly offset by a decrease in net interest margin.

Net interest margin (NIM) was down 18bpts. Excluding the impact from increased low yielding liquid assets, NIM reduced by 10bpts, mainly driven by customers switching to fixed rate loans, the impact of rising swap rates and continued pressure from home loan competition, partly offset by benefits from lower funding costs and improved deposit margins.

Our medium term outlook remains unchanged, with margins expected to increase in a rising rate environment.

Other operating income excluding one-off item[1] increased 1%. The key drivers were:

- Higher retail and business lending and deposit fee income reflecting volume growth; and
- Higher foreign exchange and cards income driven by improved spend and transaction volumes.

These increases were partly offset by:

- A reduction in equities trading income due to lower trading volumes; and
- Lower insurance income driven by higher weather related claims and supply chain disruptions.

Operating expenses

Operating expenses
Cash basis, excl. one-off items

$11,190m

FY21 $11,359m ▼ 1.5%

Investment spend

$1,878m **(total spend)**

FY21 $1,809m ▲ 3.8%

Cost-to-income ratio
Cash basis, excl. one-offs

45.9%

FY21 47.0%

Operating expenses excluding one-offs[2] decreased 1.5%, driven by lower remediation costs and productivity benefits, partly offset by higher staff costs.

Staff expenses increased 9% as a result of the increase in full-time equivalent staff and wage inflation.

The staff increases were due to:

- Additional resources to support increased operational processing and higher financial crime assessment volumes.
- Increased frontline and technology resources to help our customers, uplift our cyber security capabilities and improve system resiliency.
- Continued investment in the delivery of our strategic priorities while reducing reliance on external vendors as we enhance our internal engineering capabilities.

Occupancy and equipment expenses decreased 16% primarily reflecting benefits from the consolidation of our commercial property footprint, and branch and ATM network optimisation.

Information technology expenses decreased 3% primarily driven by lower software amortisation and productivity initiatives. This was partly offset by increased IT infrastructure costs including higher cloud computing volumes and investment in cyber security capabilities and system resiliency.

Other expenses decreased 9% primarily driven by productivity initiatives.

Remediation costs were $324 million lower primarily driven by reduced Aligned Advice related costs.

Provisions and credit quality

Loan impairment expense

Loan impairment

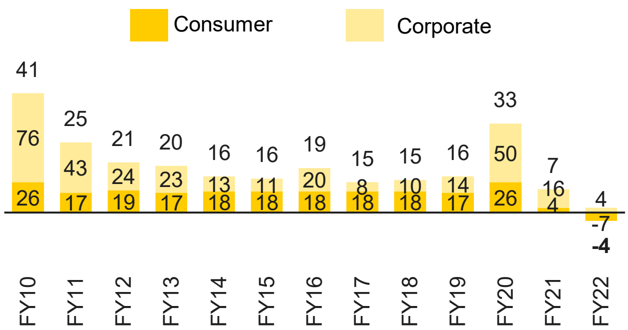
$357m
benefit

FY21 $554m
(expense)

Loan impairment expense decreased $911 million to a benefit of $357 million driven by reduced COVID-19 overlays, partly offset by increased forward-looking adjustments for emerging risks including inflationary pressure, supply chain disruptions and rising interest rates.

The loan loss rate was a benefit of 4bpts.

Loan Loss Rate[1] (bpts)



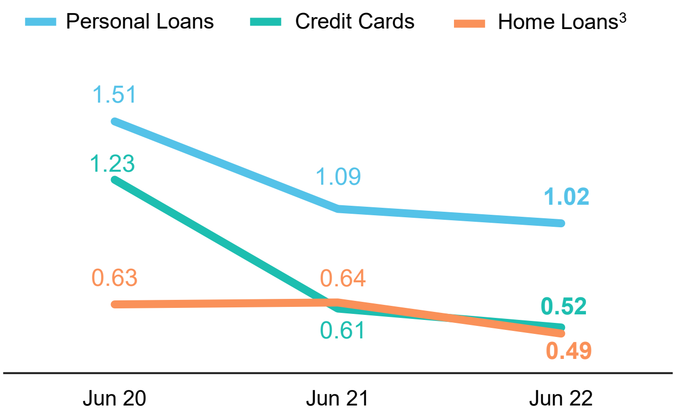
Portfolio credit quality

Consumer arrears remained low reflecting origination quality, low unemployment, and significant household savings buffers.

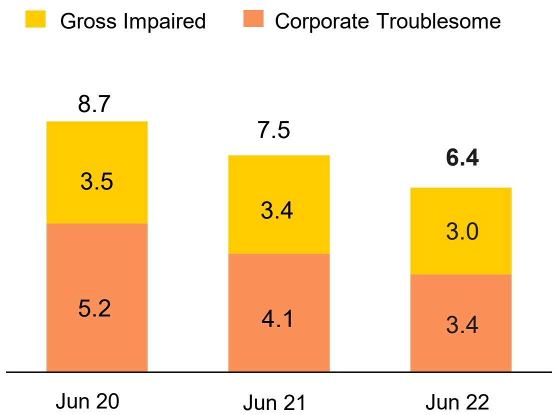
Troublesome and impaired assets decreased to $6.4 billion from $7.5 billion in FY21. Corporate troublesome assets decreased by $0.7 billion over the year, largely driven by refinancing, repayments and client credit quality upgrades supported by improving economic activity.

Gross impaired assets decreased by $0.4 billion to $3.0 billion mainly driven by lower corporate impaired assets due to repayments and credit quality upgrades across a small number of large exposures, and lower impaired assets in ASB due to a reduction of home loans in hardship.

Consumer arrears[2] > 90 days (%)



Troublesome and impaired assets ($bn)

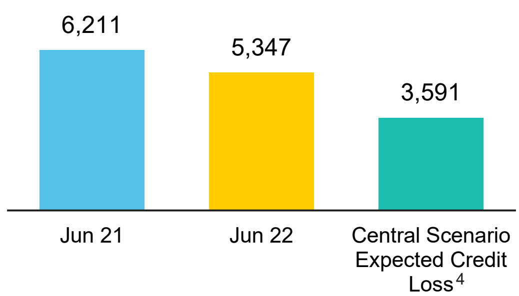


Loan impairment provisions

Our total impairment provisions decreased to $5,347 million from $6,211 million in FY21 reflecting sound portfolio credit quality and the reduced level of COVID-19 overlays. This was partly offset by new provisions for emerging risks, including higher interest rates, inflationary pressures and supply chain disruptions.

Provision coverage as a proportion of credit risk weighted assets was 1.36%. Loan loss provisions remain significantly higher than expected credit losses under our central economic scenario.

Total impairment provisions ($m)



Balance sheet strength

Our capital, liquidity and funding metrics remained strong during FY22. The strength of our balance sheet means the Bank is well positioned to continue supporting our customers and the broader Australian economy.

Capital

Common Equity Tier 1 capital ratio

11.5%

APRA (Level 2)

FY21 13.1%

The Bank has a strong capital position with a CET1 capital ratio as at 30 June 2022 of 11.5%, well in excess of regulatory minimum capital requirements.

During the year, the Bank returned excess capital to shareholders via successfully completing the $6 billion off-market share buy-back and commencing the $2 billion on-market share buy-back announced in February 2022.

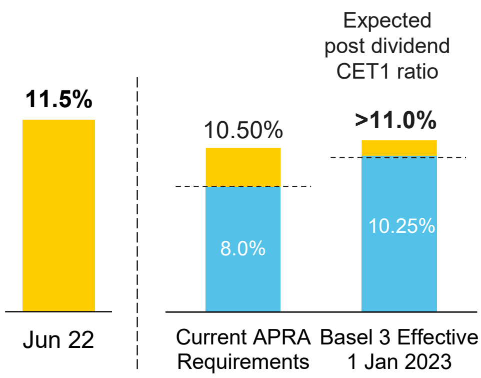
The Bank's CET1 ratio was supported by:

- Profit generation from the core banking business; and
- The benefits of proceeds received from the sale of Colonial First State and Bank of Hangzhou; partly offset by
- Higher Risk Weighted Assets associated with the Interest Rate Risk in the Banking Book.

The divestment of our General Insurance business is expected to provide further capital benefits in FY23 upon completion.

From 1 January 2023, APRA will implement its revisions to the ADI capital framework, which increases the minimum CET1 capital ratio requirement for Australian Banks from 8% to 10.25%. CBA is well placed to accommodate these changes, and expects to operate with a post-dividend CET1 ratio of >11%, except in circumstances of unexpected capital volatility.

CET1 (APRA, Level 2)



Funding and liquidity

Deposit funding ratio

74%

FY21 73%

Liquidity coverage ratio

130%

FY21 129%

Net stable funding ratio

130%

FY21 129%

The Bank continued to satisfy a significant portion of its funding requirements from customer deposits, which account for 74% of total funding. Customer deposits are considered the most stable source of funding.

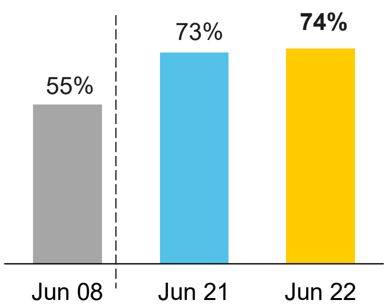
The average tenor of the long term wholesale funding portfolio was 4.7 years (6.3 years excluding the Term Funding Facility). Long term wholesale funding accounted for 69% of total wholesale funding.

The Bank continues to manage the phased reduction in usage of the Committed Liquidity Facility (CLF) to zero by the end of calendar year 2022, in line with APRA's requirement.

The **liquidity coverage ratio (LCR)** for the quarter ended 30 June 2022 was 130% which was well above the minimum regulatory requirement of 100%.

The **net stable funding ratio (NSFR)** as at 30 June 2022 was 130%, well above the regulatory minimum of 100%.

Deposit Funding Ratio (%)



Delivering for shareholders

Dividend

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

A final dividend of $2.10 per share, fully franked, was determined, taking the full year dividend to $3.85. The final dividend payout ratio was 68% of the Bank's cash earnings, or ~75% after normalising for long run loan loss rates.

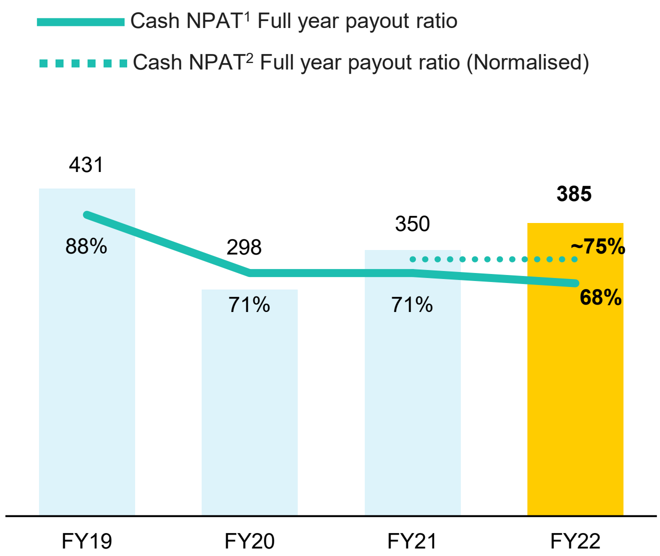
The Bank will continue to target a full year payout ratio of 70-80% of cash NPAT and an interim payout ratio of ~70% of cash NPAT. In considering the sustainability of dividends, the Board will continue to take into account a number of factors, including long-term average loss rates.

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

The ex-dividend date is 17 August 2022, the record date is 18 August 2022, the final DRP participation date is 19 August 2022 and the final dividend will be paid on or around 29 September 2022.

Sustainable returns

Dividend per share (cents)



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.
2. Revenue one-off represents a $516 million (pre-tax) gain on sale of ~10% shareholding in Bank of Hangzhou. Expense one-offs represent $445 million of expense (pre-tax) relating to accelerated software amortisation and other costs.
3. Home lending source: RBA Lending and Credit Aggregates. Household deposits source: APRA Monthly Authorised Deposit-taking Institution Statistics (MADIS). 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. Growth reflects 12 months to June 2022.
4. 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 year ended 30 June 2022.
2. Excluding one-off items, per note 2 above.

Page iii

1. One-off represents a $516 million (pre-tax) gain on sale of ~10% shareholding in Bank of Hangzhou.
2. One-offs represent $445 million of expense (pre-tax) relating to accelerated software amortisation and other costs.

Page iv

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. Central Scenario is based on the Group's internal economic forecasts and considers Central Bank forecasts as well as other assumptions used in business planning and forecasting. Assuming 100% weighting holding all assumptions including forward looking adjustments constant and includes Individually Assessed Provisions.

Page vi

1. Cash NPAT inclusive of discontinued operations.
2. Cash NPAT and dividend payout ratio normalised to reflect a long run loan loss rate.

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This announcement has been authorised for release by the Board.

Key financial information

Group performance summary (continuing operations)	Full year ended [1] ("cash basis") 30 Jun 22 $m	30 Jun 21 $m	Jun 22 v Jun 21 %	Half year ended ("cash basis") 30 Jun 22 $m	31 Dec 21 $m	Jun 22 v Dec 21 %
Net interest income	19,473	19,302	1	9,725	9,748	-
Other operating income	4,907	4,854	1	2,450	2,457	-
Total operating income excluding one-off item	24,380	24,156	1	12,175	12,205	-
Gain on sale of HZB shares	*516*	-	*n/a*	*516*	-	*n/a*
Total operating income	24,896	24,156	3	12,691	12,205	4
Operating expenses excluding one-off items	(11,190)	(11,359)	(1)	(5,602)	(5,588)	-
Accelerated software amortisation and other	*(445)*	-	*n/a*	*(445)*	-	*n/a*
Total operating expenses	(11,635)	(11,359)	2	(6,047)	(5,588)	8
Operating performance [2]	13,261	12,797	4	6,644	6,617	-
Loan impairment benefit / (expense)	357	(554)	(large)	282	75	(large)
Net profit before tax	13,618	12,243	11	6,926	6,692	3
NPAT from continuing operations	9,595	8,653	11	4,849	4,746	2
NPAT from discont'd operations [3]	113	148	(24)	13	100	(87)
NPAT from continuing operations ("statutory basis")	9,673	8,843	9	4,932	4,741	4
Cash net profit after tax, by division (continuing operations)						
Retail Banking Services [4]	4,929	4,696	5	2,598	2,331	11
Business Banking	3,001	2,840	6	1,512	1,489	2
Institutional Banking and Markets	1,050	926	13	463	587	(21)
New Zealand	1,265	1,161	9	586	679	(14)
Corporate Centre and Other	(650)	(970)	(33)	(310)	(340)	(9)
NPAT from continuing operations	9,595	8,653	11	4,849	4,746	2
Shareholder ratios & performance indicators (continuing operations unless otherwise stated)						
Earnings per share – "cash basis" – basic (cents)	557.1	488.5	14	284.5	272.8	4
Return on equity – "cash basis" (%)	12.7	11.5	120 bpts	13.3	12.3	100 bpts
Dividends per share – fully franked (cents)	385	350	10	210	175	20
Dividend payout ratio – "cash basis" (%) [5]	68	71	(300)bpts	73	62	large
Average interest earning assets ($M) [6]	1,026,910	929,846	10	1,046,062	1,008,070	4
Net interest margin (%)	1.90	2.08	(18)bpts	1.87	1.92	(5)bpts
Operating expenses to operating income (excl. one-offs) (%)	45.9	47.0	(110)bpts	46.0	45.8	20 bpts

1. Comparative information has been restated to conform to presentation in the current period.
2. Operating performance excluding one-off items were +3% vs Jun 21 and -1% vs Dec 21.
3. 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 include Colonial First State (CFS).
4. Retail Banking Services including Mortgage Broking and General Insurance.
5. Includes discontinued operations.
6. Average interest earning assets are net of average mortgage and other offset balances.