CommonwealthBank

FY20 Results

Our financial results for the 2020 financial year reflect the impact of COVID-19 on our customers and the economy, however, business performance remained strong due to disciplined execution of our strategy, and we continued to strengthen our balance sheet.[1]

Net profit after tax

$9,634m
Statutory NPAT[2]
▲12.4% on FY19

$7,296m
Cash NPAT
▼11.3% on FY19

NPAT was supported by strong business performance but impacted by higher loan impairment expense due to COVID-19. Statutory NPAT increased due to gains on sale from divestments.

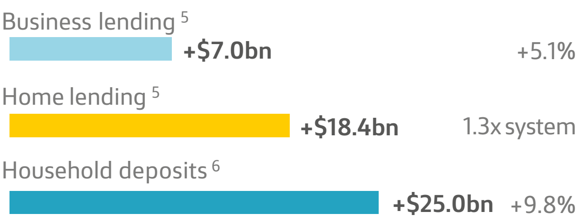
Loan impairment expense, provisions

$2,518m
▲$1,317m on FY19

1.70%
Provision coverage ratio

The loan loss rate increased to 33 basis points[3] (bpts), inclusive of the $1.5bn COVID-19 provision. Peer leading total provision coverage ratio of 1.70%, up from 1.29% in FY19.[4]

Volume growth in core business



Net interest margin

2.07%
▼2 bpts on FY19

Group net interest margin (NIM) declined due to the impact of lower interest rates, partly offset by lower short term funding costs.

Common Equity Tier 1 (CET1) capital ratio

11.6%
APRA, Level 2[2]
▲90 bpts on FY19

Above APRA's 'unquestionably strong' benchmark of 10.5%. CET1 of 17.4% on an internationally comparable basis.

Dividend

$2.98
Per share, fully franked[2]
▼31% on FY19

The final dividend was 98 cents per share, fully franked. The interim dividend was $2.00 per share, fully franked.

COVID-19 related loan deferrals (at 31 July)

135k
Home loans
8% of total accounts
▼from 154k at peak

59k
Business loans
15% of total balances
▼from 86k at peak

COVID-19 related support

$650m+
In loans under Coronavirus SME Guarantee Scheme, >50% of scheme lending.

1m+
Requests for help managed through CBA contact centres and digital channels.

For footnotes see page viii

Result overview

Executing our strategy

Chief Executive Officer, Matt Comyn

The strength of our core banking businesses, combined with strong operational performance, has delivered good outcomes for our customers and shareholders – despite the challenges presented by lower interest rates and COVID-19.

We have now substantially divested our wealth management businesses in line with our simpler, better bank strategy. This has allowed us to focus on delivering performance in our banking businesses. As a result of our focus on operational excellence, we achieved above market growth in home lending and deposits. Our business bank also showed momentum due to investments in new products, service and technology. This includes the growing application of BizExpress, our same-day lending facility.

We continued to extend our digital leadership through increased customer engagement with our market-leading digital assets, and were again awarded *Bank of the Year* for online and mobile banking.[7]

We further strengthened our balance sheet across key capital, funding and liquidity metrics. This has allowed us to support customers and shareholders, while continuing to invest in innovation for future growth.

Our people have also shown great dedication during a challenging period, enabling us to maintain delivery of essential banking services to support the financial wellbeing of our customers and communities, and to deliver strong operational performance for our shareholders.

Key financials

For the full year ended 30 June 2020.[8]

- **Statutory NPAT**[9] including discontinued operations was $9,634m, up 12.4% on FY19. In FY20, statutory NPAT included significant gains realised on the sale of businesses.
- **Cash NPAT** from continuing operations was $7,296m, down 11.3%, largely due to higher COVID-19 loan impairment expense.
- **Operating income** was $23,758m, up 0.8%, as volume growth in home lending and deposits offset the decline in net interest margin.
- **Net interest margin** was 2.07%, down 2 bpts, due to the impact of lower interest rates.
- **Operating expenses** were $10,895m, up 0.7%, driven by higher staff and IT costs, partly offset by lower remediation costs.
- **Loan impairment expense** was $2,518m, an increase of $1,317m, inclusive of the $1.5bn COVID-19 provision. The loan loss rate was 33 bpts of average gross loans and acceptances.
- **Deposit funding** of 74%, up from 69%, due to continued growth in deposit volumes.
- **Common Equity Tier 1** (CET1) capital ratio of 11.6% (Level 2, APRA), up 90 bpts.
- **Final dividend** of 98 cents per share, taking the full year dividend to $2.98 per share, fully franked.

Outlook

Chief Executive Officer, Matt Comyn

We are focused on helping our customers and the economy through the crisis to recovery.

While there is continued uncertainty about the duration and impact of the health crisis, Australia is relatively well positioned. We are starting from a position of fiscal and economic strength. Significant stimulus measures have supported the economy, there is a strong pipeline of infrastructure projects, and the outlook for mining and agriculture exports is strong.

The Government has announced there will be some tapering of measures, but we anticipate continued, targeted support, and monetary policy is likely to remain accommodative for the foreseeable future.

We are, however, prepared for a range of economic scenarios. We have made provisions accordingly and will continue to monitor our lending portfolios closely as the situation evolves. We anticipate that lower credit growth and low interest rates will continue to put pressure on our revenue, requiring a focus on performance, efficiency and capital allocation.

Despite the challenging environment, operational performance in the business remains strong. Combined with our strong balance sheet and capital position, this enables us to continue supporting customers and the economy. Using our strengths in customer service, technology and data we will check-in regularly with customers to assess their financial needs and to support their recovery.

We will also maintain our focus on retail, business and digital banking, to further extend our franchise strength and to deliver long-term performance and returns for shareholders.

The next few months will be critical and some sectors will take longer to recover than others, however, we remain positive about Australia's long-term prospects. We will also continue to work with government, regulators and our industry peers to support initiatives that stimulate economic activity and jobs.

COVID-19 support for customers

Support and assistance

During COVID-19, we have been supporting our customers through the financial and business impacts of the health crisis.

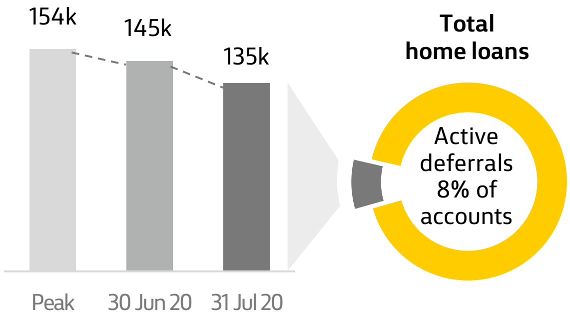
At the outset of the pandemic, we quickly automated the deferral of repayments on all small business loans and put in place online digital solutions for home loan deferral applications. We scaled up resources in our phone and digital banking services to meet the surge in customer inquiries, which saw an 800% increase in calls to our financial assistance line and more than 10.2 million peak daily customer logins.

To deliver much-needed capital to businesses, we provided more than $650 million in new lending under the Government's Coronavirus SME Guarantee Scheme, accounting for more than 50% of all loans under the scheme.

We are now contacting all customers with deferred loans to talk with them about their options, including returning to full or part payment, or converting their loans to interest only. Our Financial Assistance Solutions team is also reaching out to customers who need the most support to provide tailored solutions for their individual needs. Our focus will continue to be on supporting our customers through difficult times.

Home lending deferrals

Australia [10]



Customer assistance

- Ongoing reviews, proactive assistance
- Regular check-ins via digital platforms; deferral opt out process via NetBank, CommBank app
- Direct contact with customers needing most support
- Early exit customers eligible for 1 year Interest Only [11]

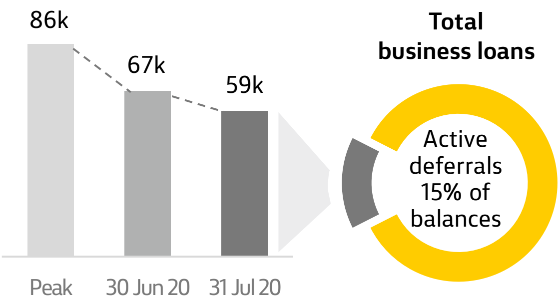
Home lending deferrals

- ~135k deferrals, 8% of accounts
- $48bn in balances
- <20% in higher risk occupations [12]
- 67% with dynamic loan-to-value (LVR) ratio <80%
- 25% making some repayments [13]
- 14% with 12 months or more worth of payments in advance [14]
- Approximately 12% of deferred accounts in higher risk category
- Approximately 14% receiving JobSeeker, 58% of which are joint accounts with only one borrower on JobSeeker [15]*
- Principal and Interest 84%, Interest Only 16%*
- Owner Occupied 72%, Investor 28%*
- NSW 33%, VIC 26%, QLD 18%, WA 16%, Other 7%*

* Based on balances

Business lending deferrals

Australia [16]



Risk segmentation

- Facility level risk-based segmentation based on a range of risk metrics, including customer behaviour, industry sector and cash flows
- Ongoing review and customer contact

Business lending deferrals

- ~86k at peak, ~73k auto-deferred [17]
- ~59k active deferrals
- $14bn in balances (15% of book)
- 30% making repayments in full (30 Jun)*
- 89% secured (30 Jun) [18]*
- >50% relationship managed
- Approximately 30% receiving JobKeeper
- Approximately 23% of deferred accounts in higher risk category
- NSW 33%, VIC 25%, QLD 17%, WA 12%, Other 13%*
- Deferrals by sector*: Commercial Property 15%; Accommodation, Cafes and Restaurants 12%; Agriculture and Forestry 11%; Retail Trade 10%; Business Services 9%; Property Services 7%; Health and Community Services 6%; Manufacturing 5%; Transport and Storage 5%; Other 20%

* Based on balances

Operating performance

Our banking businesses continued to perform well, with strong operational execution delivering above market growth in domestic home lending and deposits. This volume growth supported operating income and helped to offset the impact of historically low interest rates on our net interest margin.

Operating income – Volume growth offset margin decline

Operating income
Cash basis

$23,758m

FY19 $23,577m

Net interest margin

2.07% FY20

FY19 2.09%

2.04% 2H20

1H20 2.11%

Net interest income increased 2%. This was driven by volume growth in home lending and household deposits, partly offset by a decrease in net interest margin due to the impact of lower interest rates.

Home lending grew at 1.3x system[19] due to strong operational execution. Household deposit balances grew 9.8%[20] year-on-year, and spot transaction account balances were up 25%.

Net interest margin (NIM) was 2 bpts lower on FY19, due to the impact of lower interest rates on deposit margins, partly offset by lower short term funding costs.

NIM declined 7 bpts half-on-half. This was due to the low rate environment, as well as the growth in liquid assets.

We expect that previously announced cash rate reductions will be a 7bpt headwind to Group NIM in FY21.

Other operating income decreased by 4%. The key drivers were:

- The removal of certain fees and charges plus fee waivers in response to the impact of COVID-19 on our customers.
- Lower commissions from lower credit card and international transaction volumes from a decline in spend due to COVID-19.
- Impairment losses on our aircraft lease portfolio due to the impact of COVID-19 on the aviation industry.
- Lower advice fees and the cessation of ongoing service fees and trail commissions.
- Higher insurance claims related to bushfires.

Operating expenses – Impacted by increased staff and IT costs

Operating expenses

$10,895m

FY19 $10,824m

Operating expenses increased by 0.7% due to higher staff and IT costs, and spend on risk and compliance.

Staff expenses increased as a result of wage inflation, higher annual leave costs due to lower annual leave usage, and an increase in full-time equivalent staff. The staff increases were due to higher levels of resourcing in call centres, operations and financial assistance; as well as in areas related to remediation and risk and compliance.

Information technology expenses increased due to higher IT infrastructure costs and higher investment spend on risk and compliance.

Notable items included $454m in provisions for remediation and $399m in risk and compliance costs.

Progress continued to be made on remediation, with $732m refunded to customers as at 30 June.

Cumulative **cost savings** of $548m were achieved through business simplification, up from $190m in 2019.

The **cost-to-income** ratio (cash basis) was 45.9%, flat on FY19.

Investment spend increased by 8% to $1,437m, with risk and compliance accounting for 72% of total spend.

Provisions and credit quality

Loan impairment expense – Higher due to the expected impact of COVID-19

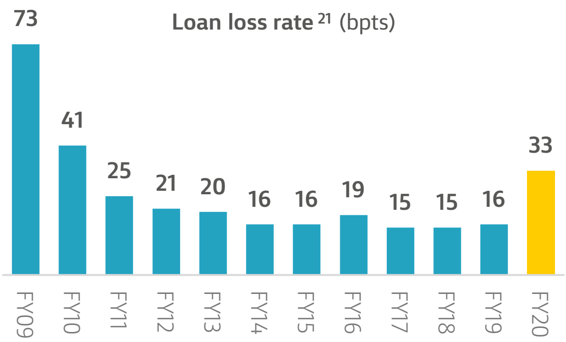
Loan impairment expense

$2,518m

FY19 $1,201m

Loan impairment expense increased as a result of forward looking adjustments made to provisions for the expected impact of COVID-19.

The loan loss rate increased to 33 bpts, up from 16 bpts in FY19. The corporate loan loss rate increased to 50 bpts, up from 14 bpts in FY19. Consumer increased to 26 bpts, up from 17 bpts.



Portfolio credit quality – Monitoring closely for signs of stress

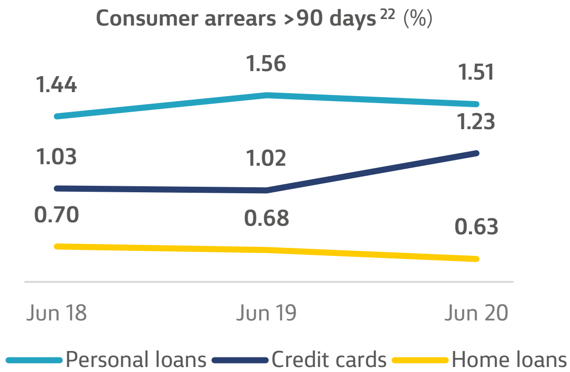
Consumer arrears

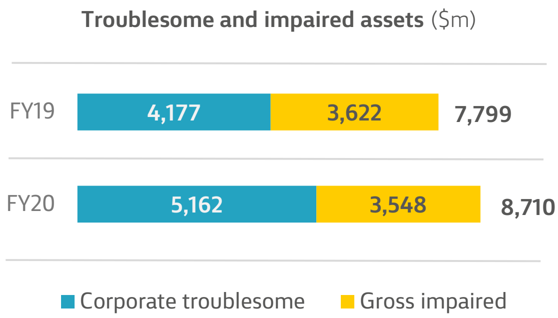
Arrears on home loans and personal loans remained low. In line with APRA's regulatory approach, loans deferred as part of our COVID-19 support packages are not included in arrears, where the loans were otherwise performing.

Credit card arrears were higher, driven by lower card balances and increased hardship due to the impact of COVID-19.

Troublesome and impaired assets

Troublesome and impaired assets increased to $8,710m. This was mainly due to the impact of COVID-19 on corporate customers in transport and storage, manufacturing, culture and recreation, business services, and retail and wholesale trade, as well as continued weakness in sectors impacted by discretionary spending. There was also a small number of individual corporate impairments.





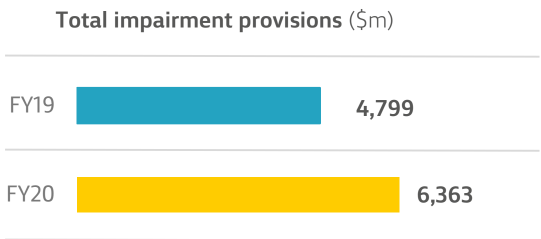
Loan impairment provisions

During the financial year, we took an additional credit provision of $1.5bn for the potential impacts of COVID-19 on our lending portfolios.

This took into account the stress to the economy introduced by COVID-19 and the mitigating impacts of Government and industry assistance packages and support, such as loan repayment deferral arrangements.

Total provisions increased to $6.4bn equating to total provision coverage of 1.70%, up from 1.29% in June 2019.

We continue to monitor our lending portfolios closely and reassess our provisioning levels as the situation around COVID-19 evolves.



Balance sheet strength

The strength of our balance sheet means the Bank has been well-positioned to support customers and the Australian economy through challenging and uncertain times. Our key capital, liquidity and funding metrics strengthened further during FY20.

Capital – Unquestionably strong

Common Equity Tier 1 capital ratio

11.6%

APRA (Level 2)

FY19 10.7%

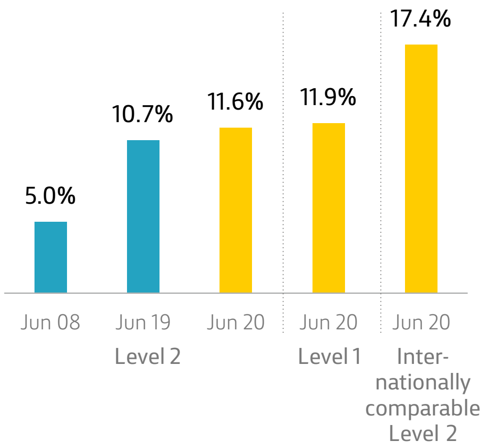
The Group has a strong capital position with a Level 2, CET1 capital ratio of 11.6%, above APRA's 'unquestionably strong' benchmark of 10.5% – notwithstanding the payment of the interim dividend and the adverse impact of the additional $1.5bn provision for the expected impact of COVID-19.

During the year, CET1 capital was supported by:

- Risk-adjusted profits generated in the ordinary course of business (organic capital) as business fundamentals remained strong.
- The benefits from proceeds received in relation to the sales of Colonial First State Global Asset Management PT Commonwealth Life, and the phased divestment of CommInsure Life.

The pro-forma capital uplift from the finalisation of remaining divestments (CommInsure Life, BoCommLife and Colonial First State) is expected to be 58-68 bpts (CET 1, Level 2).

Common Equity Tier 1 capital ratio



Funding and liquidity – Continued to strengthen

Deposit funding ratio

74%

FY19 69%

The **deposit funding ratio** was 74%, up from 69% in FY19, as the Group continued to satisfy a significant portion of its funding requirements from customer deposits. This was due to the growth in customers' transaction and savings account balances and mortgage offset accounts.

As at 30 June, the Group had access to $26.6bn of funding provided through the RBA's three-year Term Funding Facility (TFF), and $1.5bn had been drawn. As at 7 August, the Group's total available TFF allocation was $31.4bn.

The average tenor of new long term wholesale funding (>12 months) was 9 years. The average tenor of the long term wholesale funding portfolio was 5.3 years (excluding TFF drawdown). Long term wholesale funding accounted for 69% of total wholesale funding, up from 66% in FY19.

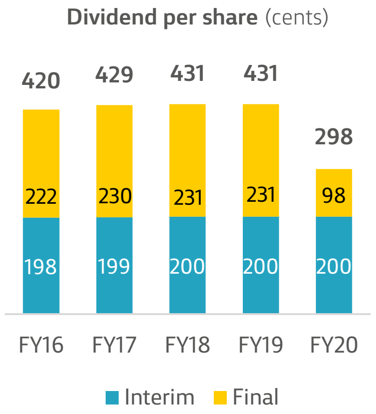
The average **liquidity coverage ratio** (LCR) for the quarter ended 30 June was 155%, significantly above the minimum regulatory requirement of 100%. The increase in LCR during the year was driven by strong deposit growth and the TFF.

The **net stable funding ratio** (NSFR) as at 30 June was 120%, well above the regulatory minimum of 100%. The increase in the ratio was due to the growth in customer deposits, the benefit from the TFF, and the Group's strong capital position.

Delivering for shareholders

Dividends – Focus on sustainable returns for shareholders

- The Group's strong capital position and operational performance continues to support returns for shareholders.
- The final dividend of 98 cents per share reflects APRA's recently updated guidance (which applies until the end of the calendar year) that banks should retain at least 50% of earnings. The final dividend payout ratio was 49.95% of second half statutory earnings.
- This represents a cautious approach to capital management and dividends as we head into a period of economic uncertainty.
- Combined with the interim dividend of $2.00 per share, the final dividend takes the total full year dividend to $2.98 per share, fully franked.
- The ex-dividend date is 19 August, the record date is 20 August and the final dividend will be paid on 30 September.
- The Dividend Reinvestment Plan (DRP) continues to be offered to shareholders. No discount will apply. The deadline for notifying participation is 21 August.



Supporting our people in challenging times

Health and wellbeing

- The **health, safety and wellbeing** of our people is paramount – branches, offices and work practices have been adapted to keep our people and customers safe.
- **Remote working technologies** were quickly scaled to allow 39,000 of our people and delivery partners to work from home or other locations.
- **10 days paid special leave** is available to employees self-isolating or caring for family members.
- **Interest free cash advances** are available to employees experiencing financial hardship due to COVID-19.
- Our people have access to a **coronavirus medical hotline** and free and confidential **counselling services.**
- Our **wellbeing portal** provides dedicated resources for physical, mental and financial health during the pandemic.

Engaged and energised

- Employee engagement has increased 13% year-on-year to 81%, the highest it has been for more than four years.[23]
- Our people report feeling proud of the work they have been doing to deliver essential banking services during this year's bushfires and the coronavirus pandemic.
- In recognition of the commitment and dedication of our people in challenging circumstances, the Bank will be granting up to $1,000 of Commonwealth Bank shares to each eligible employee.

81% Employee engagement

89% Proud to work for CBA

90% Confident in the future of CBA

Footnotes

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1 Comparative information has been restated to conform to presentation in the current period. Unless otherwise stated: all figures relate to the full year ended 30 June 2020 and comparisons are to the prior comparative period, the full year ended 30 June 2019; financials are presented on a continuing operations basis.
2 Statutory NPAT, CET1 and dividend per share include discontinued operations. Discontinued operations includes Colonial First State (CFS), the Bank's Australian and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life. Includes non-controlling interests related to discontinued operations.
3 Cash loan impairment expense as a percentage of average gross loans and acceptances.
4 Total provisions as a percentage of credit risk weighted assets.
5 As reported in RBA Lending and Credit Aggregates (Home lending and Business lending). RBA collection data was aligned to the new regulatory definitions set by APRA from July 2019, therefore the home lending system multiple has been calculated for the 11 months to June 2020 annualised. Business lending includes Business and Private Banking, Bankwest and Institutional Banking and Markets (ex. CMPF) and growth is calculated for 12 months.
6 As reported in APRA Monthly ADI Statistics (MADIS) (Household deposits).

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7 Online banking: CBA won Canstar's *Bank of the Year – Online Banking* award for 2020 (11th year in a row). Mobile banking: CBA won Canstar's *Bank of the Year – Mobile Banking* (5th year in a row). Both awarded in June 2020.
8 See 1 above.
9 For an explanation of and reconciliation between statutory and cash NPAT refer to page 3 of the Profit Announcement for the full year ended 30 June 2020.

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10 Active Australian deferrals as at 31 July 2020. All metrics are based on number of accounts unless noted otherwise.
11 Subject to approval/assessment. Not available to customers in arrears.
12 Higher risk occupations include those in retail, airlines, hospitality, food and travel industries.
13 Includes any loan repayment since deferral started.
14 Includes redraw and offset balances.
15 Based on CBA transactional data and does not capture payment flows to non-CBA accounts.
16 Active Australian deferrals as at 31 July 2020 unless noted otherwise. All metrics are based on number of accounts unless noted otherwise. Total business loans excludes IB&M.
17 Gross auto-deferrals prior to opt-outs.
18 Fully or partially.

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19 See 5 above.
20 See 6 above.

Page v

21 See 3 above. FY09 includes Bankwest on a pro-forma basis.
22 Group consumer arrears including New Zealand.

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23 Bi-annual engagement survey.

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This announcement has been authorised for release by Kara Nicholls, Group Company Secretary.
Commonwealth Bank of Australia 158/2020

Key financial information

Group performance summary (continuing operations)	Full year ended (cash basis)[1] 30 Jun 20 $m	30 Jun 19 $m	Jun 20 v Jun 19 %	Half year ended (cash basis)[1] 30 Jun 20 $m	31 Dec 19 $m	Jun 20 v Dec 19 %
Net interest income	**18,610**	18,224	2	**9,260**	9,350	(1)
Other banking income	**4,837**	4,951	(2)	**2,294**	2,543	(10)
Total banking income	**23,447**	23,175	1	**11,554**	11,893	(3)
Funds management income	**172**	255	(33)	**73**	99	(26)
Insurance income	**139**	147	(5)	**108**	31	large
Total operating income	**23,758**	23,577	1	**11,735**	12,023	(2)
Investment experience	**3**	2	50	**3**	–	n/a
Total income	**23,761**	23,579	1	**11,738**	12,023	(2)
Operating expenses	**(10,895)**	(10,824)	1	**(5,689)**	(5,206)	9
Loan impairment expense	**(2,518)**	(1,201)	large	**(1,869)**	(649)	large
Net profit before tax	**10,348**	11,554	(10)	**4,180**	6,168	(32)
NPAT from continuing operations (cash basis)	**7,296**	8,221	(11)	**2,940**	4,356	(33)
NPAT from discont'd operations (cash basis)[2]	**153**	485	(68)	**15**	138	(89)
NPAT incl. discont'd operations (statutory basis)	**9,634**	8,571	12	**3,473**	6,161	(44)
Cash net profit after tax, by division (continuing operations)						
Retail Banking Services	**3,997**	3,907	2	**1,829**	2,168	(16)
Business and Private Banking	**2,654**	2,931	(9)	**1,156**	1,498	(23)
Institutional Banking and Markets	**655**	1,117	(41)	**179**	476	(62)
New Zealand	**811**	1,059	(23)	**287**	524	(45)
International Financial Services	**131**	250	(48)	**31**	100	(69)
Corporate Centre	**(952)**	(1,043)	(9)	**(542)**	(410)	32
Shareholder ratios & performance indicators (continuing operations)						
Earnings per share – cash basis – basic (cents)	**412.5**	465.5	(11)	**166.2**	246.2	(32)
Return on equity – cash basis (%)	**10.3**	12.1	(180)bpts	**8.3**	12.3	(400)bpts
Dividends per share – fully franked (cents)[3]	**298**	431	(31)	**98**	200	(51)
Dividend payout ratio – cash basis (%)[3]	**70.82**	87.64	large	**58.71**	78.78	large
Average interest earning assets ($M)[4]	**897,409**	871,418	3	**913,139**	881,850	4
Funds under administration (FUA) – average ($M)[5]	**15,332**	14,205	8	**–**	15,332	large
Assets under management (AUM) – average ($M)	**16,941**	14,544	16	**17,272**	16,730	3
Net interest margin (%)	**2.07**	2.09	(2)bpts	**2.04**	2.11	(7)bpts
Operating expenses to total operating income (%)	**45.9**	45.9	–	**48.5**	43.3	large

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 includes Colonial First State (CFS), the Bank's Australian and New Zealand life insurance businesses (CommInsure Life and Sovereign), BoCommLife, TymeDigital SA, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life. Includes non-controlling interests related to discontinued operations.

3 Includes discontinued operations.

4 Average interest earning assets are net of average mortgage offset balances.

5 Average FUA has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.