ASX Announcement

FY21 Results

For the year ended 30 June 2021[1]

Commonwealth Bank

Our financial results for the 2021 financial year reflect the strength of our business and the disciplined execution of our strategy.

Net profit after tax

$8,843m

Statutory NPAT

▲ 19.7% on FY20

$8,653m

Cash NPAT

▲ 19.8% on FY20

Net profit after tax (NPAT) increased due to improved economic conditions and outlook resulting in a lower loan impairment expense and a strong operational performance.

Loan impairment expense and provisions

$554m

▼ 78% on FY20

1.63%

Provision coverage ratio[2]

Loan impairment expense decreased reflecting an improvement in economic conditions and outlook. We have maintained a strong provision coverage ratio of 1.63%, reflecting the economic uncertainty from the continuing impacts of COVID-19.

Volume growth in core businesses[3]

Business lending **+$11bn** >3x system

Home lending **+$31bn** 1.2x system

Household deposits **+$31bn** 1.2x system

Net interest margin

2.03%

▼ 4bpts on FY20

Group NIM declined due to higher liquid assets and the ongoing impact of a low interest rate environment, partly offset by management actions, lower wholesale funding costs and favourable funding mix.

Common Equity Tier 1 capital ratio

13.1%

APRA (Level 2)[4]

▲ 150bpts on FY20

Above APRA's 'unquestionably strong' benchmark of 10.5%. CET1 capital ratio of 19.4% on an internationally comparable basis.

Dividend

$3.50

Per share, fully franked

▲ 17% on FY20

The full year dividend was supported by the Bank's strong capital position. The final dividend is $2.00 per share, fully franked. The interim dividend was $1.50 per share, fully franked.

Customer support[5]

158,000

Home loan customers

~6,800 new deferrals[6]

83,000

Business customers

~240 new deferrals[6]

Through short-term repayment deferrals we have supported many of our customers through the financial challenges posed since the onset of the pandemic.

Capital return

$6.0bn

Off-market share buy-back

The Group's strong capital position and our progress on executing our strategy mean we are well placed to support our customers and manage ongoing uncertainties, while also returning a portion of excess capital to shareholders.

For footnotes see the page vii of this ASX Announcement.

Results overview

A more ambitious agenda Chief Executive Officer, Matt Comyn

The continuing strength of our businesses, combined with a focus on customer needs, digital engagement and consistent operational excellence has contributed to a strong financial result this year.

We are focused on continuing to make progress on our more ambitious strategy – building tomorrow's bank today for our customers. Reimagining banking through new products and partnerships that will support our customers and help build Australia's future economy, while focused on disciplined execution and investing in digital and technology capability.

A highlight of the result is our continued balance sheet strength and very strong capital position that has allowed us to support our customers while delivering strong and sustainable returns to shareholders. As a result, a final dividend of $2.00 per share, fully franked, has been determined, with shareholders receiving a full year franked dividend of $3.50.

Strategic divestments have generated $6.2 billion[1] in excess capital since 2018. Today we have announced an off-market buy-back of up to $6 billion of CBA shares as the most efficient and appropriate way to commence the return of surplus capital, as shareholders will benefit from a lower share count that will support return on equity and dividends per share.

Key financials

For the full year ended 30 June 2021.

- **Statutory NPAT**[2] was $8,843m, up 19.7%.
- **Cash NPAT** of $8,653m was 19.8% higher due to an improvement in economic conditions and outlook resulting in a lower loan impairment expense and a strong contribution from volume growth in all core markets.
- **Operating income** was $24,156m, up 1.7%, with strong volume growth and improved fee income offset by a lower net interest margin.
- **Net interest margin** was 2.03%, down by 4bpts due to higher liquid assets, with the impact of the low-rate environment largely offset by management actions, lower wholesale funding costs and favourable funding mix.
- **Operating expenses** were $11,359m, up 3.3% (up 2.4% excluding remediation costs), driven by investment in the franchise and higher volumes.
- **Loan impairment expense** decreased to $554m as a result of an improvement in economic conditions and outlook. The loan loss rate reduced to 7bpts, down from 33bpts in FY20.
- **Deposit funding** of 73%, as the Group continued to satisfy a significant portion of its funding requirements from customer deposits.
- **Common Equity Tier 1** (CET1) capital ratio of 13.1% (Level 2, APRA), well above APRA's 'unquestionably strong' benchmark of 10.5%.
- **Final dividend** of $2.00 per share, taking the full year dividend to $3.50 per share, fully franked.

Outlook Chief Executive Officer, Matt Comyn

Support during challenging times.

Helping our customers and the broader economy as the recovery continues is our priority.

While the Australian economic recovery continued strongly through most of FY21, the pandemic continues to have an impact on the Australian economy, as well as the health of our communities. The ongoing roll-out of the vaccination program and government support packages will be important to help Australians and the economy on the path back towards full economic activity.

As the past 18 months have shown, Australia has a very strong, stable and secure financial system. This includes well-capitalised and strong banks like the Commonwealth Bank, which together with the support of the federal and state governments, regulators and the broader industry, have helped the country through the worst pandemic in living memory.

We are prepared for a range of different economic scenarios and are well placed to support our customers. We're committed to new and ongoing support measures for those most impacted by COVID-19 and other events. We will continue to work closely with our retail and business customers to understand their needs.

Looking ahead, we anticipate ongoing economic impacts and earnings pressure from lower interest rates. We will continue to invest in the business to reinforce our product offering to our retail and business customers and extend our digital leadership. 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, with a disciplined focus on operational excellence delivering above market growth in home lending, business lending and deposits. Strong volume growth supported operating income and helped to offset the impact of historically low interest rates on our net interest margin.

Operating income

Operating income
Cash basis

$24,156m

FY20 $23,761m ▲ 1.7%

Net interest margin

2.03% FY21

FY20 2.07% ▼ 4bpts

2.04% 2H21

1H21 2.01% ▲ 3bpts

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

Net interest margin (NIM) was down 4 basis points due to higher liquid assets, with the impact of the low-rate environment largely offset by management actions, lower wholesale funding costs and favourable funding mix.

Looking ahead, we expect a number of headwinds to impact Group NIM in the next financial year. These headwinds include: the continuing low-rate environment, price competition across both lending and deposit products, unfavourable mix impacts of customers switching to fixed rate home loans and higher rate deposits, and higher liquids. These headwinds will be partly offset by the benefit of lower funding costs from the RBA's Term Funding Facility.

Other operating income increased 3%. The key drivers were:

- Higher volume-driven retail, business and institutional lending fees.
- Higher CommSec equities income from increased trading volumes.
- Higher one-off net profits from minority investments.

These increases were partly offset by:

- Continuing lower credit card, retail foreign exchange and deposit income from a decline in spend and transaction volumes mainly as a result of COVID-19.

Operating expenses

Operating expenses
Cash basis

$11,359m

FY20 $10,996m ▲ 3.3%

Investment spend

$1,809m **(total spend)**

FY20 $1,437m ▲ 25.9%

Cost-to-income ratio
Cash basis

47.0% **(headline)**

FY20 46.3%

Operating expenses excluding remediation costs were 2% higher.

Staff expenses increased 4% as a result of wage inflation and an increase in full-time equivalent staff to deliver our strategic priorities, partly offset by ongoing business simplification initiatives.

The staff increases were due to:

- Continued investment in digital capabilities, innovation and risk and compliance initiatives.
- Additional resources within our operations functions to support higher lending volumes and financial crime assessment.
- Increased resourcing in financial assistance in response to COVID-19, as well as additional frontline retail lenders and business bankers.

Occupancy and equipment expenses increased 6% due to concurrent rent expenses from vacating commercial office space and consolidating our property footprint, and inflation linked to annual rental reviews.

Information technology expenses increased 1% due to higher IT infrastructure costs and cloud computing, as well as higher investment spend, partly offset by lower amortisation and business simplification initiatives.

Remediation costs increased due to additional provisions for payments to customers and associated remediation program costs, primarily in relation to historical Wealth related issues.

The **cost-to-income** ratio (cash basis) was 47.0%.

Provisions and credit quality

Loan impairment expense

Loan impairment expense

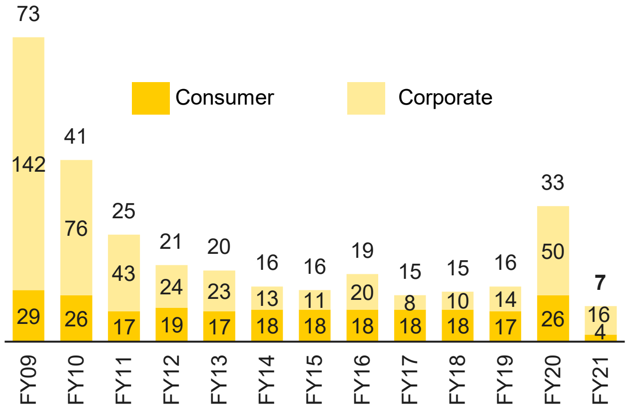
$554m

FY20 $2,518m

Loan impairment expense decreased as a result of an improvement in economic conditions and outlook.

The loan loss rate reduced to 7 basis points, down from 33 basis points in FY20.

Loan Loss Rate[1,2,3] (bpts)

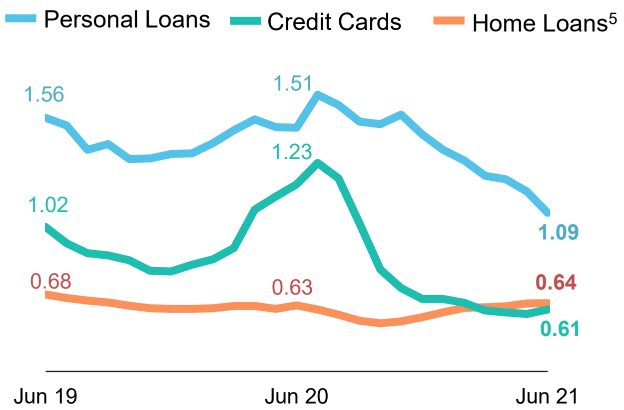


Portfolio credit quality

Arrears on home loans and consumer finance remain low. The small increase in home loan arrears was primarily due to the completion of the original COVID-19 loan deferral program in March 2021 and further modest increases are expected in coming months.

Credit card and personal loan arrears reduced due to improved economic conditions and benefited from customers reducing balances during the year.

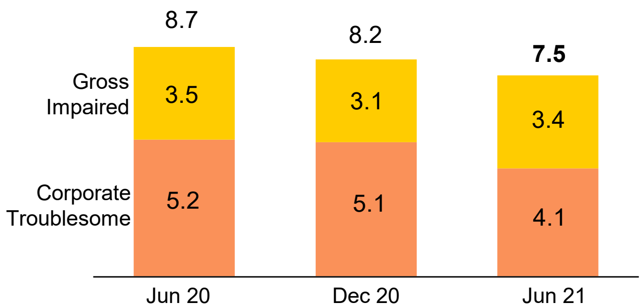
Consumer arrears[4] > 90 days (%)



Troublesome and impaired assets decreased to $7,523m from $8,710m in FY20. Corporate troublesome assets decreased by $1.1bn over the year, due to a range of refinancing, exposure reduction and rehabilitation activities that have been completed in the second half of the financial year.

Gross impaired assets increased by $309m from December 2020 due to the conservative treatment of home loan restructures in New Zealand as we supported customers impacted by COVID-19.

Troublesome and impaired assets ($bn)



Loan impairment provisions

Our total impairment provisions decreased to $6,211m from $6,363m in FY20 reflecting the improved economic conditions and outlook, partly offset by additional overlays which reflect the ongoing economic uncertainty due to the continuing impact of COVID-19.

Provisioning coverage remains strong with the provision coverage ratio at 1.63%.

Total impairment provisions ($m)

Balance sheet strength

Our capital, liquidity and funding metrics remained strong during FY21. The strength of our balance sheet means the Bank is well positioned to continue supporting our customers and helping the broader community and the Australian economy recover.

Capital

Common Equity Tier 1 capital ratio

13.1%

APRA (Level 2)

FY20 11.6%

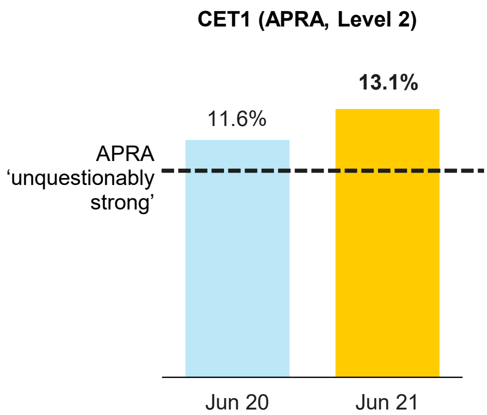
The Group has a strong capital position with a CET1 capital ratio as at 30 June 2021 of 13.1%, well above APRA's 'unquestionably strong' benchmark of 10.5%.

During the year, the Group's CET1 capital was supported by:

- Profits generated in the ordinary course of business (organic capital) as business fundamentals remained strong.
- The benefits of proceeds received from the sales of BoCommLife, CommInsure Life, and other previously announced divestments.

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 commence returning a portion of surplus capital to shareholders.

Additional proceeds from the majority sale of Colonial First State and divestment of CommInsure General Insurance are expected to provide further capital uplifts in the year ahead.



Funding and liquidity

Deposit funding ratio

73%

FY20 74%

Liquidity coverage ratio

129%

FY20 155%

Net stable funding ratio

129%

FY20 120%

Customer deposits increased by $59.8 billion during the year. The Group continued to satisfy a significant portion of its funding requirements from customer deposits with the deposit funding ratio being 73%.

As at 30 June 2021, the Group had accessed $51.1bn of funding provided through the RBA's three-year Term Funding Facility (TFF).

The average tenor of the long term wholesale funding portfolio was 5.1 years (6.4 years excluding the TFF). Long term wholesale funding accounted for 74% of total wholesale funding.

The **liquidity coverage ratio (LCR)** for the quarter ended 30 June 2021 was 129% which was significantly above the minimum regulatory requirement of 100%.

The **net stable funding ratio (NSFR)** as at 30 June 2021 was 129%, 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.

Delivering for shareholders

Dividend

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

A final dividend of $2.00 per share, fully franked, was determined, taking the full year dividend to $3.50. The final dividend payout ratio was 71% of the Bank's cash earnings, or ~75% after normalising for long run loan loss rates.

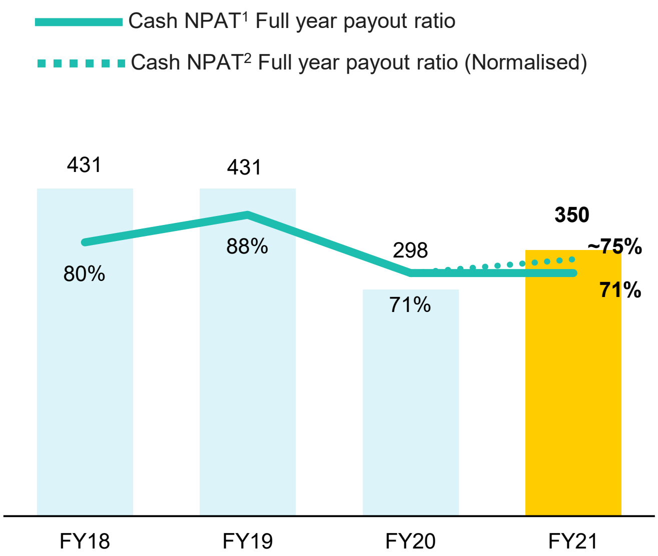
The Bank will continue to target a full year payout ratio of 70-80% of cash NPAT and an interim payout ratio of ~70% of cash NPAT. In considering the sustainability of dividends, the Board will continue to take into account a number of factors, including long term average loss rates.

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 2021, the record date is 18 August 2021, the final DRP participation date is 19 August 2021 and the final dividend will be paid on 29 September 2021.

Sustainable returns

Dividend per share (cents)



Off-market share buy-back

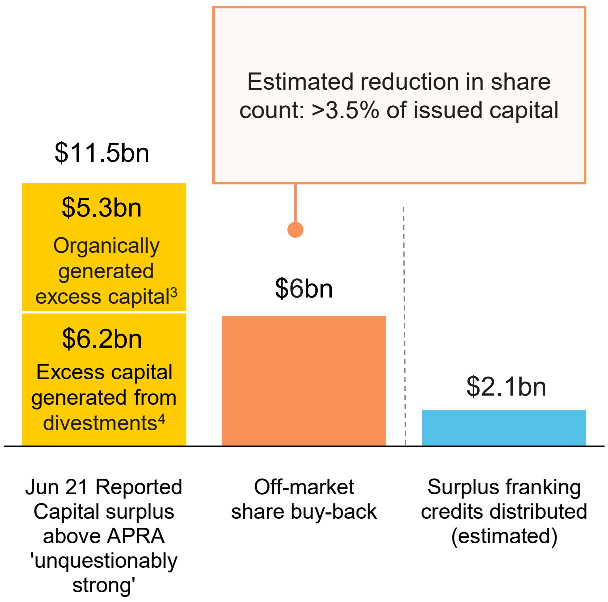
In deciding to commence capital management, the Board considered:

- The resilience of the domestic economy, notwithstanding recent public health measures to contain COVID-19.
- The Group's capacity to adequately absorb potential stress events immediately following completion of the buy-back.
- The Group's strong capital and balance sheet position, ensuring we remain well placed to support customers and manage ongoing uncertainties.
- The optimal structure to be an off-market share buy-back, given shareholders will benefit from a lower share count, which supports return on equity, earnings per share and dividend per share.

In calibrating the size of the buy-back, the Board considered:

- The capital generated from strategic divestments.
- The level of future organic capital generation and expected divestment proceeds.
- The size of franking credit surplus and future ability to fully frank dividends and hybrid distributions.

Financial overview



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.
2. Total loan impairment provisions as a percentage of credit risk weighted assets.
3. As reported in RBA Lending and Credit Aggregates (Home Lending and Business Lending) and APRA Monthly ADI Statistics (Household Deposits). CBA Business Lending multiple estimate is based on Business Banking growth rate (excluding Institutional Banking and Markets) over published APRA Total Business Lending Data (excluding estimated Institutional Lending balances).
4. Includes discontinued operations.
5. Loan repayment deferrals program ended March 2021. Product view.
6. New deferrals from 25 June 2021, as at 31 July 2021.

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1. Excess CET1 capital generated from divestments since 1H19 (total divestment capital uplift of $7.9 billion, of which $6.2 billion was in excess of the unquestionably strong CET1 capital benchmark of 10.5%).
2. 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 2021.

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1. Loan Impairment Expense as a percentage of average Gross Loans and Acceptances (GLAA) (bpts).
2. Comparative information has been restated to conform to presentation in the current period.
3. FY09 includes Bankwest on a pro-forma basis.
4. 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.
5. Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

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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. Net of dividends.
4. Excess CET1 capital generated from divestments since 1H19 (total divestment capital uplift of $7.9 billion, of which $6.2 billion was in excess of the unquestionably strong CET1 capital benchmark of 10.5%).

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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 21 $m	30 Jun 20 $m	Jun 21 v Jun 20 %	Half year ended[1] ("cash basis") 30 Jun 21 $m	31 Dec 20 $m	Jun 21 v Dec 20 %
Net interest income	18,839	18,610	1	9,468	9,371	1
Other banking income	5,007	4,837	4	2,588	2,419	7
Total banking income	23,846	23,447	2	12,056	11,790	2
Funds management income	165	173	(5)	85	80	6
Insurance income	145	141	3	54	91	(41)
Total operating income	24,156	23,761	2	12,195	11,961	2
Operating expenses	(11,359)	(10,996)	3	(5,768)	(5,591)	3
Loan impairment expense	(554)	(2,518)	(78)	328	(882)	large
Net profit before tax	12,243	10,247	19	6,755	5,488	23
NPAT from continuing operations	8,653	7,225	20	4,785	3,868	24
NPAT from discont'd operations[2]	148	182	(19)	49	99	(51)
NPAT from continuing operations ("statutory basis")	8,843	7,388	20	5,084	3,759	35
Cash net profit after tax, by division (continuing operations)						
Retail Banking Services[3]	4,806	4,142	16	2,610	2,196	19
Business Banking	2,758	2,474	11	1,423	1,335	7
Institutional Banking and Markets	922	633	46	499	423	18
New Zealand	1,159	809	43	624	535	17
Corporate Centre and Other	(992)	(833)	19	(371)	(621)	(40)
NPAT from continuing operations	8,653	7,225	20	4,785	3,868	24
Shareholder ratios & performance indicators (continuing operations unless otherwise stated)						
Earnings per share – "cash basis" – basic (cents)	488.5	408.5	20	270.0	218.5	24
Return on equity – "cash basis" (%)	11.5	10.2	130 bpts	12.6	10.5	210 bpts
Dividends per share – fully franked (cents)	350	298	17	200	150	33
Dividend payout ratio – "cash basis" (%)[4]	71	71	-	73	67	large
Average interest earning assets ($M)[5]	929,846	897,409	4	936,883	922,924	2
Net interest margin (%)	2.03	2.07	(4)bpts	2.04	2.01	3 bpts
Operating expenses to total operating income (%)	47.0	46.3	70 bpts	47.3	46.7	60 bpts
Funds Under Administration (FUA) – average ($M)[6]	-	15,332	large	-	-	-
Assets Under Management (AUM) – average ($M)	18,872	16,941	11	19,630	18,179	8

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), CommInsure Life, BoCommLife, Colonial First State Global Asset Management (CFSGAM) and PT Commonwealth Life. Includes non-controlling interests related to discontinued operations.
3. Retail Banking Services including Mortgage Broking and General Insurance.
4. Includes discontinued operations.
5. Average interest earning assets are net of average mortgage and other offset balances.
6. FUA average has been calculated using the average for the period the Group owned Aegis up until 2 December 2019.