

# Media Release

## CBA FY17 Results

For the full year ended 30 June 2017<sup>1</sup>  
Reported 9 August 2017



### Commonwealth Bank delivers for Australia

#### CEO Comment: Ian Narev

“Commonwealth Bank’s performance this year has again contributed to the financial wellbeing of our customers, shareholders, our people and the Australian economy. This is the result of our consistent focus on customer satisfaction, innovation and financial strength.”

- Served 16.6 million customers
- Employed 51,800 people, including 41,600 in Australia
- Returned 75% of profits to 800,000+ shareholders, with almost 80% of shareholders based in Australia
- Invested 25% of profits back into the business for growth
- Provided \$197 billion in new lending, including 330,000 home loans
- Helped 1.8 million customers invest for the future
- \$3.9 billion tax expense, Australia’s largest taxpayer

### Financial summary

Performance	FY17	FY17 v FY16	Returns and strength	FY17	FY16
Statutory NPAT <sup>2</sup>	\$9,928m	7.6%	Dividend per share	\$4.29	\$4.20
Cash NPAT	\$9,881m	4.6%	Earnings per share (cash)	\$5.74	\$5.55
Operating performance	\$14,862m	4.9%	Return on equity (cash)	16.0%	16.5%
Loan impairment expense	\$1,095m	(12.8%)	Common Equity Tier 1 - APRA	10.1%	10.6%
Net interest margin	2.11%	(3)bpts	CET1 – International	15.6%	14.4%
Cost-to-income (underlying) <sup>3</sup>	41.8%	(60)bpts	Customer deposits as % funding	67%	66%

### Strong operating performance

#### Positive jaws

FY17 v FY16 underlying basis<sup>3</sup>



- Operating income increased by 3.8%, ahead of operating expense growth of 2.4%, delivering positive jaws on an underlying basis.<sup>3</sup>
- Banking income grew 4.3% due to volume growth in home lending, business lending and deposits.<sup>3</sup> Insurance income fell 1.1% due to loss recognition of \$143 million.
- Invested almost \$1.3 billion whilst maintaining underlying expense growth to 2.4%.<sup>3</sup>
- Higher wholesale funding costs and increased competition in home and business lending more than offset asset repricing, resulting in a 3 basis point decline in the net interest margin to 2.11%.

<sup>1</sup> Unless otherwise indicated all comparisons are to the prior full year ended 30 June 2016.

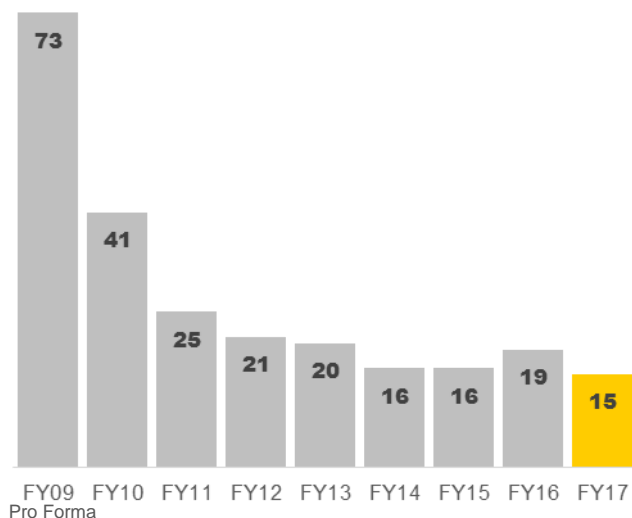
<sup>2</sup> For an explanation of and reconciliation between statutory and cash NPAT, refer to pages 2, 3 and 15 of the Group’s Profit Announcement for the full year ended 30 June 2017, available at [commbank.com.au/shareholder](http://commbank.com.au/shareholder).

<sup>3</sup> “Underlying basis” excludes a \$397 million gain on sale of the Group’s remaining investment in Visa Inc. and a \$393 million one-off expense for acceleration of amortisation on certain software assets.

## Sound credit quality

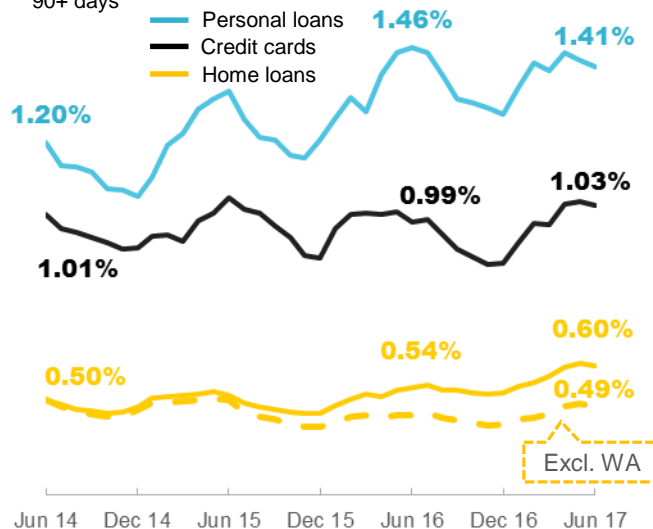
### Loan impairment expense

Group (basis points)



### Consumer arrears

90+ days

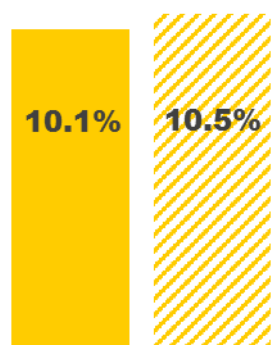


- Loan impairment expense (LIE) remained low, at 15 basis points of gross loans and acceptances. Consumer LIE was flat at 18 basis points, while corporate LIE fell to 8 basis points from 20 basis points.
- Personal loan arrears were elevated in Western Australia and credit card arrears were seasonally higher in 2H17.
- Home loan arrears remained at low levels, despite higher arrears in Western Australia.
- Home lending growth is within regulatory benchmarks.

## Capital, funding and liquidity

### Capital

Basel III Common Equity Tier 1



Jun 17 APRA 1 Jan 20 APRA benchmark

### Deposit Funding

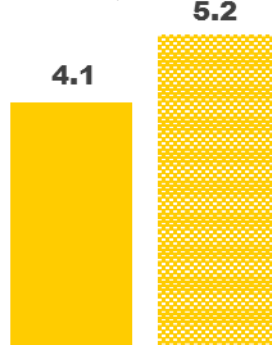
% of total funding



Jun 17

### Wholesale Funding

Tenor (years)



Jun 17 Portfolio FY 17 New issuance

### Liquidity

LCR

129%

Liquid assets \$bn

142

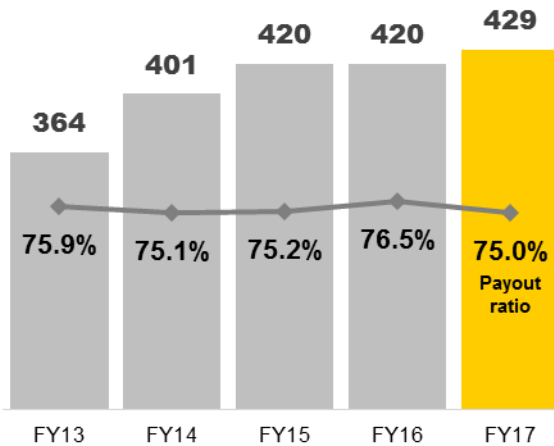
Jun 17

- The Group's Common Equity Tier 1 (CET1) ratio was 10.1% on an APRA basis, and 15.6% on an internationally comparable basis, maintaining CBA's position in the top quartile of international peer banks for CET1.
- Our strong organic capital generation and commitment to financial strength, give us confidence that we will meet APRA's 'unquestionably strong' CET1 ratio average benchmark of 10.5% or more by 1 January 2020.
- Customer deposits contributed 67% of total funding and the Net Stable Funding Ratio (NSFR) was 107%.
- The average tenor of the wholesale funding portfolio was 4.1 years and the average tenor of new issuance was 5.2 years.
- Liquid assets increased from \$134 billion in 2016 to \$142 billion, and the Liquidity Coverage Ratio was 129%.
- The Leverage Ratio was 5.1% on an APRA basis and 5.8% on an internationally comparable basis.

## Returning profits to shareholders

### Full year dividend

(cents per share)



- The strength of CBA's financial performance has supported the Board's aim of stable dividends for shareholders.
- CBA dividends are paid to more than 800,000 shareholders and to millions more through their super funds. A final dividend of \$2.30 per share was determined, delivering a full year dividend of \$4.29 (fully franked).
- 75% of cash NPAT is being returned to shareholders.
- The ex-dividend date is 16 August, the Record Date is 17 August and dividends will be paid on 29 September.
- A discount of 1.5% will apply to the market price of shares issued under the dividend reinvestment plan (DRP) for the final dividend. The deadline for notifying participation in the DRP is 18 August.

## Setting new customer service goals

- Since January 2013, we have been first or equal first more than 80% of the time in retail customer satisfaction.
- As at 30 June 2017, we were number one for retail and internet customer satisfaction and equal first for business.<sup>4</sup>
- Given the extent and consistency of our performance, we have decided to set more ambitious targets. Starting this financial year, the Net Promoter Score (NPS) will become the primary metric by which we assess customer satisfaction and our overarching goal is to be number one in NPS for all customer segments.
- We believe that alignment around this ambitious goal will drive future performance for customers and shareholders.

### Retail customer satisfaction



## Strategic corporate actions

- We are committed to securing and enhancing the financial wellbeing of people, businesses and communities, and the provision of insurance products to our customers remains core to that vision. CommInsure and Sovereign are strong businesses with scale, expertise, competitive products and access to attractive distribution channels.  
  
We are in discussions with third parties in relation to their potential interest in our life insurance businesses in Australia and New Zealand. The outcome of those discussions is uncertain. While the discussions may lead to the divestment of those businesses, we will also consider a full range of alternatives, including retaining the businesses, reinsurance arrangements or other strategic options.
- On 4 August 2017, John Symond exercised his put option which will require us to acquire the remaining 20% interest in Aussie Home Loans (AHL). The purchase price will be determined in accordance with the terms agreed in 2012 and the purchase consideration will be paid in the issue of CBA shares. We will consolidate AHL from completion of the acquisition which is currently expected to be in late August 2017.

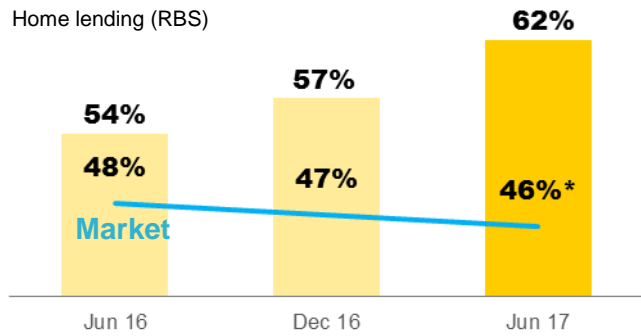
<sup>4</sup> Roy Morgan Research Retail Main Financial Institution Customer Satisfaction; DBM Business Financial Services Monitor.

## Delivering great customer experience across channels

- A strategic priority in FY17 was to enhance the home loan experience for customers by better integrating our branch, online and mobile channels.
- Customers' needs and preferences were gathered through smarter use of data and better conversations across all channels.
- Using this information to serve customers better has resulted in more customers choosing to take out a mortgage through our proprietary channels.

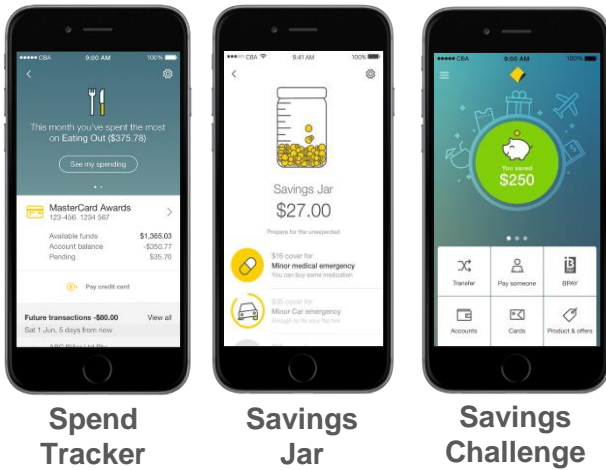
### Proprietary % of total flows

Home lending (RBS)



\* Market as at Mar 17

## Helping customers through technology



- CommBank research on financial wellbeing shows one in three Australian households would struggle to access \$500 in an emergency, and more than a third of Australians are spending more than they earn each month.
- To help our customers better manage their finances we have developed new features in the CommBank app that can help improve financial wellbeing at scale.
- Spend Tracker helps improve everyday spending habits.
- Savings Jar helps customers save for times of need.
- Savings Challenge encourages customers to save for goals and tracks their progress.

## Outlook

### CEO Comment: Ian Narev

"Headline indicators show that the Australian economy remains sound overall, albeit variable. However many households are concerned about job security, wages and the cost of living. Cyclical investment in mining and construction has underpinned our economy for some time. The next wave of more broad-based business investment that we need to secure jobs and lift wages is important. Business balance sheets have the capacity, and we have a strong banking system. But global caution remains high due to geopolitical change and less expansionist monetary policy. So all of us need to focus on working together to create an environment where businesses continue to invest to create rewarding jobs.

For our part, we will continue to strengthen our balance sheet to ensure that we can support our customers through a variety of economic scenarios. We will also maintain our focus on our long term sources of competitive advantage in our customer base and in technology, while accelerating the focus on productivity that we need to remain competitive for the long term, and listening more to our community to strengthen trust. And above all, we will continue to invest in our people, who are the most critical determinant of long term success."

### Media

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### Shareholders

For more information  
[commbank.com.au/results](http://commbank.com.au/results)

## Key financial information

	Full year ended <sup>(1)</sup> (cash basis)			Half year ended (cash basis)		
	30 June 17 \$M	30 Jun 16 \$M	Jun 17 vs Jun 16 %	30 Jun 17 \$M	31 Dec 16 \$M	Jun 17 vs Dec 16 %
<b>Group performance summary</b>						
Net interest income	17,600	16,935	4	8,857	8,743	1
Other banking income <sup>(2)</sup>	5,520	4,860	14	2,534	2,986	(15)
<b>Total banking income</b>	<b>23,120</b>	<b>21,795</b>	<b>6</b>	<b>11,391</b>	<b>11,729</b>	<b>(3)</b>
Funds management income	2,034	2,016	1	1,030	1,004	3
Insurance income	786	795	(1)	393	393	-
<b>Total operating income</b>	<b>25,940</b>	<b>24,606</b>	<b>5</b>	<b>12,814</b>	<b>13,126</b>	<b>(2)</b>
Investment experience	65	141	(54)	49	16	large
<b>Total income</b>	<b>26,005</b>	<b>24,747</b>	<b>5</b>	<b>12,863</b>	<b>13,142</b>	<b>(2)</b>
Operating expenses <sup>(3)</sup>	(11,078)	(10,434)	6	(5,401)	(5,677)	(5)
Loan impairment expense	(1,095)	(1,256)	(13)	(496)	(599)	(17)
<b>Net profit before tax</b>	<b>13,832</b>	<b>13,057</b>	<b>6</b>	<b>6,966</b>	<b>6,866</b>	<b>1</b>
<b>Net profit after tax ("cash basis")</b>	<b>9,881</b>	<b>9,445</b>	<b>5</b>	<b>4,974</b>	<b>4,907</b>	<b>1</b>
<b>Net profit after tax ("statutory basis")</b>	<b>9,928</b>	<b>9,223</b>	<b>8</b>	<b>5,033</b>	<b>4,895</b>	<b>3</b>

### Cash net profit after tax, by division <sup>(1)</sup>

Retail Banking Services	4,964	4,540	9	2,498	2,466	1
Business and Private Banking	1,639	1,522	8	848	791	7
Institutional Banking and Markets	1,306	1,190	10	623	683	(9)
Wealth Management	553	612	(10)	304	249	22
New Zealand	973	881	10	502	471	7
Bankwest	702	778	(10)	347	355	(2)
IFS and Other	(256)	(78)	large	(148)	(108)	37

### Shareholder ratios & performance indicators

Earnings Per Share - "cash basis" - basic (cents) <sup>(1)</sup>	574.4	554.8	4	288.5	285.8	1
Return on equity - "cash basis" (%) <sup>(1)</sup>	16.0	16.5	(50)bpts	16.1	16.0	10 bpts
Return on average total assets - "cash basis" (%) <sup>(1)</sup>	1.0	1.0	-	1.0	1.0	-
Dividends per share - fully franked (cents)	429	420	2	230	199	16
Dividend payout ratio - "cash basis" (%) <sup>(1)</sup>	75.0	76.5	(150)bpts	80.0	69.9	large
Average interest earning assets (\$M) <sup>(4)</sup>	834,741	790,596	6	846,619	823,058	3
Funds Under Administration - average (\$M) <sup>(1)</sup>	152,999	144,913	6	155,855	150,134	4
Assets Under Management - average (\$M)	210,929	202,000	4	214,446	206,996	4
Net interest margin (%)	2.11	2.14	(3)bpts	2.11	2.11	-
Operating expenses to total operating income (%) <sup>(5)</sup>	42.7	42.4	30 bpts	42.1	43.3	(120)bpts

<sup>(1)</sup> Comparative information has been restated to reflect refinements to the allocation of customer balances, revenue and expense methodology including updated transfer pricing allocations, and changes to the recognition of Global Asset Management long-term incentives in Wealth Management.

<sup>(2)</sup> The half year ended 31 December 2016 includes a \$397 million gain on sale of the Group's remaining investment in Visa Inc.

<sup>(3)</sup> The half year ended 31 December 2016 includes a \$393 million one-off expense for acceleration of amortisation on certain software assets.

<sup>(4)</sup> Net of average mortgage offset balances.

<sup>(5)</sup> Excluding a \$397 million gain on sale of the Group's remaining investment in Visa Inc. and a \$393 million one-off expense for acceleration of amortisation on certain software assets, operating expenses to total operating income is 41.8% for the full year ended 30 June 2017.