

# Debt Investor Discussion Pack

For the full year ended 30 June 2019



**Commonwealth**Bank





Commonwealth Bank



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# Summary



# Summary



**A disciplined response to current context – focus on long term strength and stability**

## **Disciplined execution**

- ▶ Customer focus
- ▶ Appropriate risk appetite
- ▶ Balance sheet settings
- ▶ Risk-adjusted returns

## **Responding to challenges**

- ▶ Customer remediation
- ▶ Lower interest rates
- ▶ Softer housing market
- ▶ Business simplification

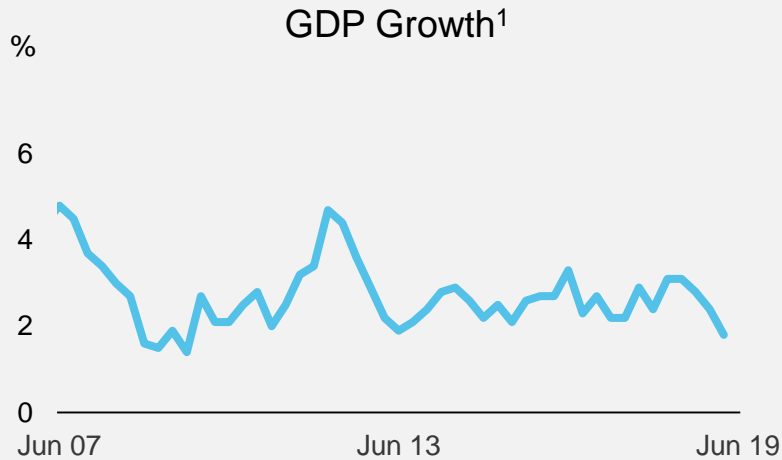
## **Delivering strong core outcomes**

- ▶ Home loans +4%
- ▶ Transaction deposits +9%
- ▶ Deposit funding 69%
- ▶ Strong capital position

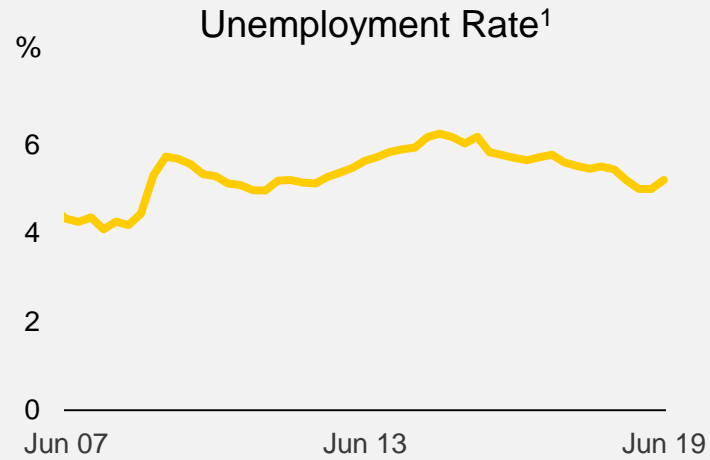
# Australia – the economy has slowed



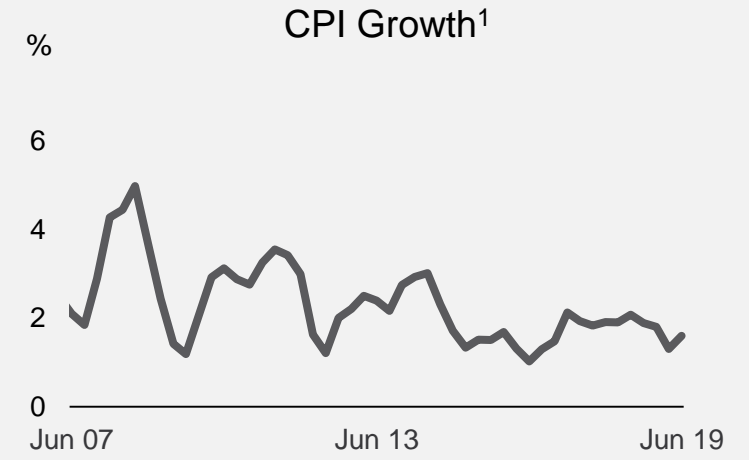
## GDP growth has dipped below trend



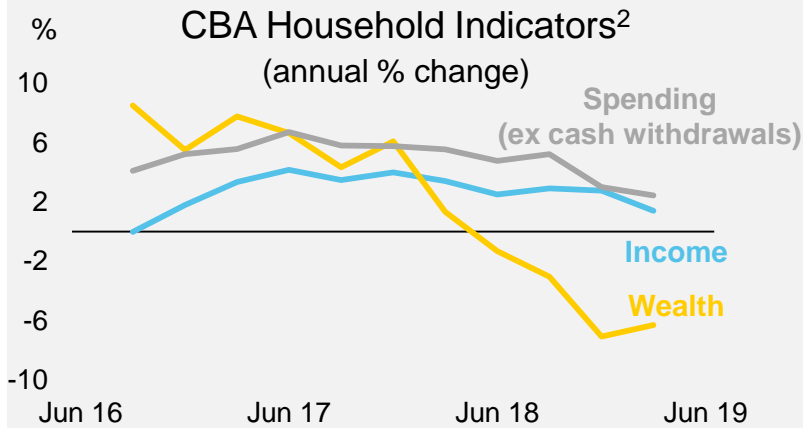
## Progress in reducing unemployment has stalled



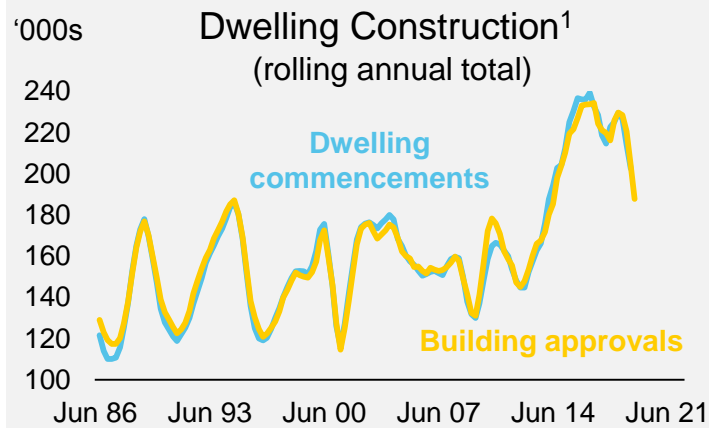
## Inflation rates remain low



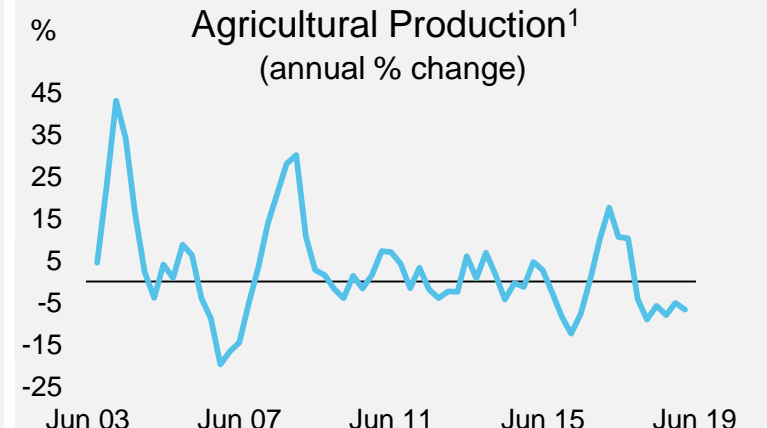
## Consumer spending is soft in the face of weak incomes and falling house prices



## Residential construction has peaked



## The drought continues

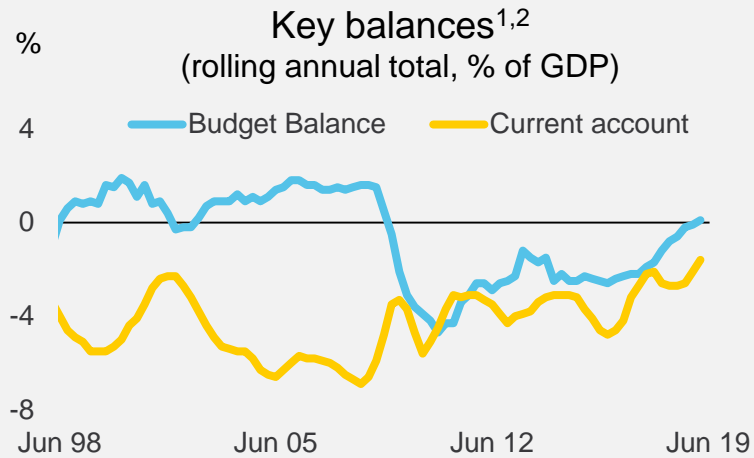


1. Source: ABS 2. Source: CBA

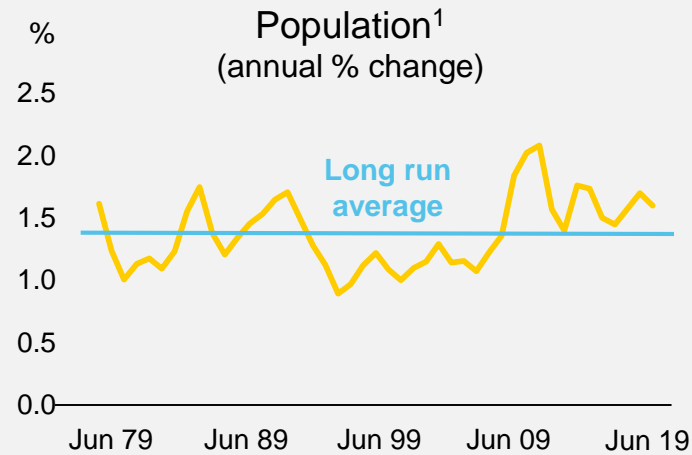
# Australia – some positives



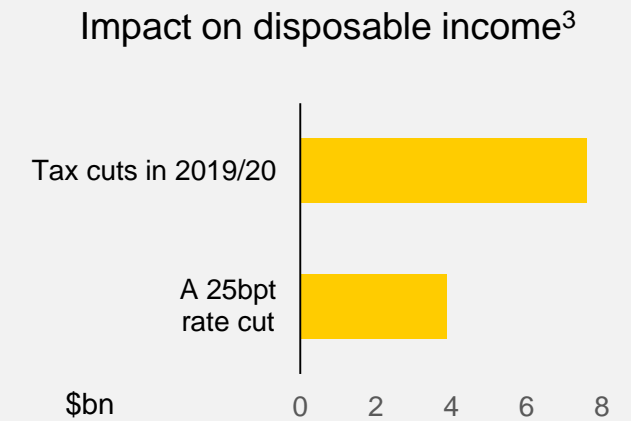
## The major economic imbalances continue to narrow



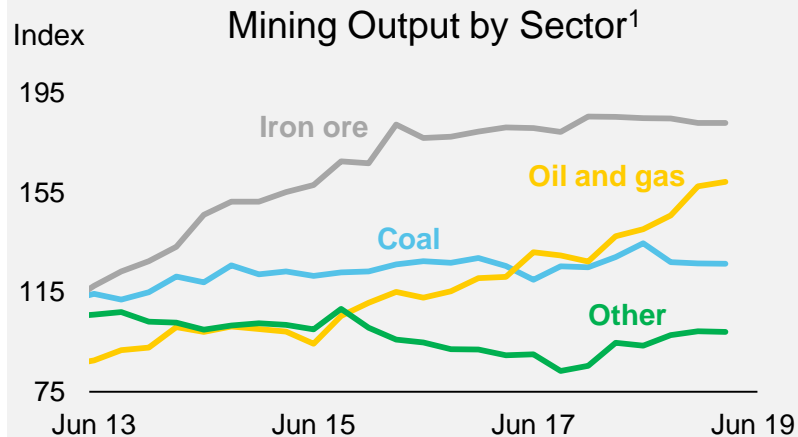
## Population growth remains strong, supporting demand



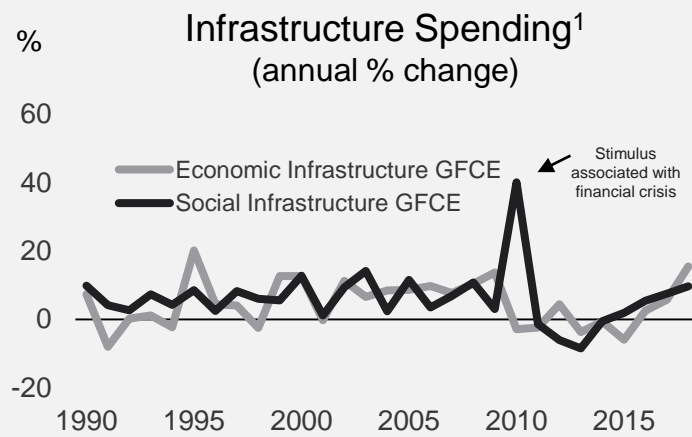
## Policy stimulus is coming via interest rate cuts and tax cuts



## The LNG boom continues



## The infrastructure boom rolls on



## The boost from Asian incomes continues



1. Source: ABS. 2. Source: Dept of Finance. 3. CBA. 4. Source: ABS/ CBA.

# Key economic indicators (June FY)



		2014	2015	2016	2017	2018	2019	2020	2021
<b>World</b>	GDP	3.6	3.5	3.3	3.8	3.6	3.3	3.6	3.6
<b>Australia</b>	Credit Growth % – Total	5.0	5.9	6.2	5.4	4.4	3.3	3½-5½	4½-6½
	Credit Growth % – Housing	6.4	7.3	6.7	6.6	5.6	3.5	3½-5½	4½-6½
	Credit Growth % – Business	3.4	4.5	6.6	4.2	3.2	4.0	4-6	4½-6½
	Credit Growth % – Other Personal	0.6	0.8	-0.6	-1.0	-1.3	-3.5	-2½ to -½	-2 to 0
	GDP %	2.6	2.3	2.8	2.3	2.9	2.1	2.5	2.6
	CPI %	2.7	1.7	1.4	1.7	1.9	1.6	2.1	2.1
	Unemployment rate %	5.8	6.2	5.9	5.7	5.5	5.1	5.0	4.8
Cash Rate %	2.50	2.00	1.75	1.50	1.50	1.25	0.75	0.75	
<b>New Zealand</b>	Credit Growth % – Total	4.4	5.9	7.7	6.5	5.4	5.4	4-6	3-5
	Credit Growth % – Housing	5.3	5.4	8.8	7.7	5.9	6.2	4-6	3-5
	Credit Growth % – Business	2.8	6.0	7.2	6.2	5.7	5.3	4-6	4-6
	Credit Growth % – Agriculture	3.4	7.4	6.0	2.6	2.8	3.1	2-4	2-4
	GDP %	2.7	4.0	3.6	3.4	3.2	2.5	2.8	2.5
	CPI %	1.5	0.6	0.3	1.4	1.5	1.7	1.6	1.6
	Unemployment rate %	5.6	5.4	5.2	5.0	4.5	4.2	4.4	4.3
Overnight Cash Rate %	3.25	3.25	2.25	1.75	1.75	1.50	1.00	1.00	

Credit Growth  
GDP, Unemployment & CPI  
Cash Rate

= 12 months to June  
= Financial year average  
= As at June

World GDP

= Calendar Year Average  
= forecast

Source: ABS, RBA, IMF, StatsNZ, RBNZ

# FY19 – result overview<sup>1</sup>



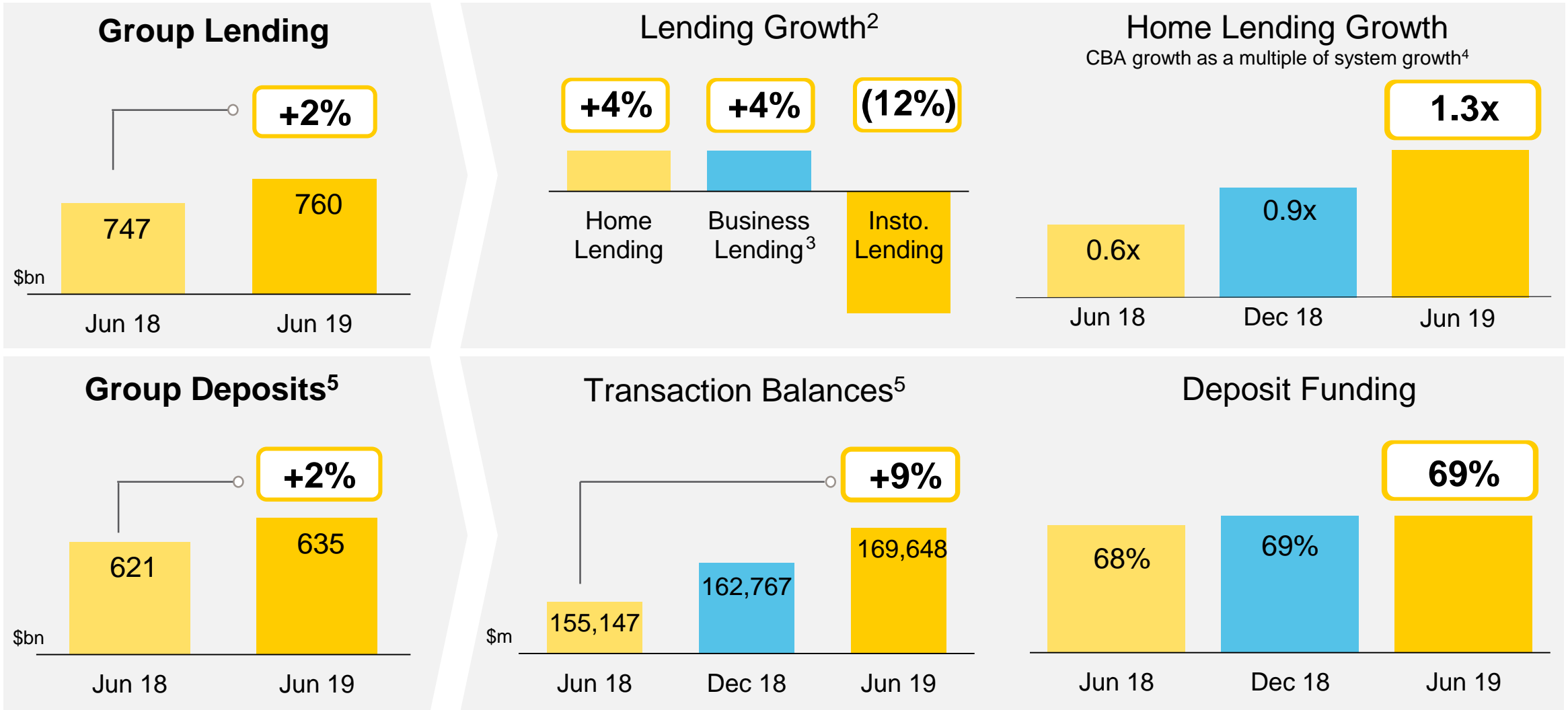
Financial			Balance Sheet, Capital & Funding		
Statutory NPAT <sup>2</sup> (\$m)	8,571	(8.1%)	Capital – CET1 <sup>2,4</sup> (Int'l)	16.2%	70 bpts
Cash NPAT <sup>3</sup> (\$m)	8,492	(4.7%)	Capital – CET1 <sup>2</sup> (APRA)	10.7%	60 bpts
ROE <sup>3</sup> % (cash)	12.5	(110)bpts	Total assets (\$bn)	977	0.1%
EPS <sup>3</sup> cents (cash)	481	(29c)	Total liabilities (\$bn)	907	Flat
DPS <sup>2</sup> \$	4.31	Flat	Average FUA <sup>3</sup> (\$bn)	163	6.0%
Cost-to-income <sup>3</sup> (%)	46.2	210bpts	Deposit funding	69%	1.0%
NIM <sup>3</sup> (%)	2.10	(5)bpts	LT wholesale funding WAM	5.1 yrs	Flat
Op income <sup>3</sup> (\$m)	24,407	(2.0%)	Liquidity coverage ratio <sup>5</sup>	132%	-1.0%
Op expenses <sup>3</sup> (\$m)	11,269	2.5%	Leverage ratio (APRA)	5.6%	10 bpts
LIE to GLAA (bpts)	16	1bpt	Net stable funding ratio	112%	Flat
			Credit Ratings <sup>6</sup>	AA-/Aa3/AA-	Refer footnote 6

1. All movements on prior comparative period unless otherwise stated. 2. Includes discontinued operations. 3. Presented on a continuing operations basis. 4. Internationally comparable capital - refer glossary for definition. 5. Quarter average. 6. S&P, Moody's and Fitch. S&P revised Australian Major Banks outlook to "Stable" from "Negative" on 9 July 2019. Moody's lowered the rating on 19 June 2017, outlook "Stable". Fitch updated outlook on CBA to negative on 7 May 2018.

# Franchise strength



## Volume<sup>1</sup> – resilient core business growth



1. Spot balances. 2. Jun 19 vs Jun 18. 3. Includes NZ. 4. Growth over 6 month period. System source: RBA Lending and Credit Aggregates, adjusted for new market entrants. CBA includes Bankwest and subsidiaries. 5. Includes non-interest bearing deposits.



# Franchise strength<sup>1</sup>

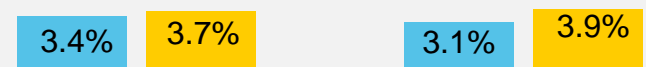


## Above system growth in home lending

### Home Lending<sup>2</sup>

Volume growth

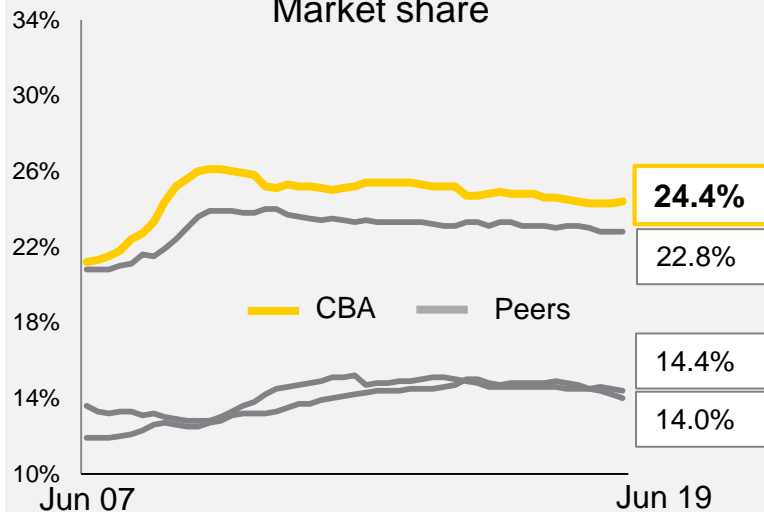
■ System ■ CBA annualised



12 Months  
Jun 19

6 Months  
Jun 19

### Market share



### Business Lending

Volume growth

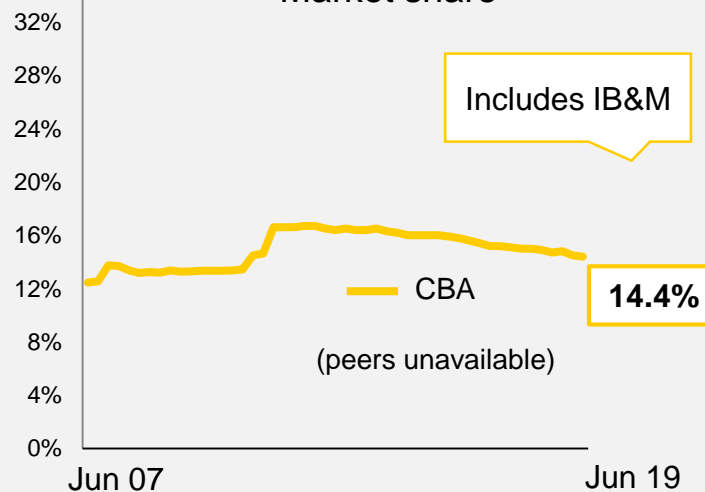
■ System ■ CBA annualised



12 Months  
Jun 19

6 Months  
Jun 19

### Market share



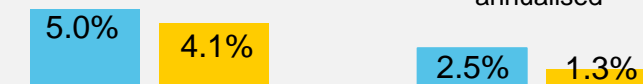
Jun 07

Jun 19

### Household Deposits<sup>2</sup>

Volume growth

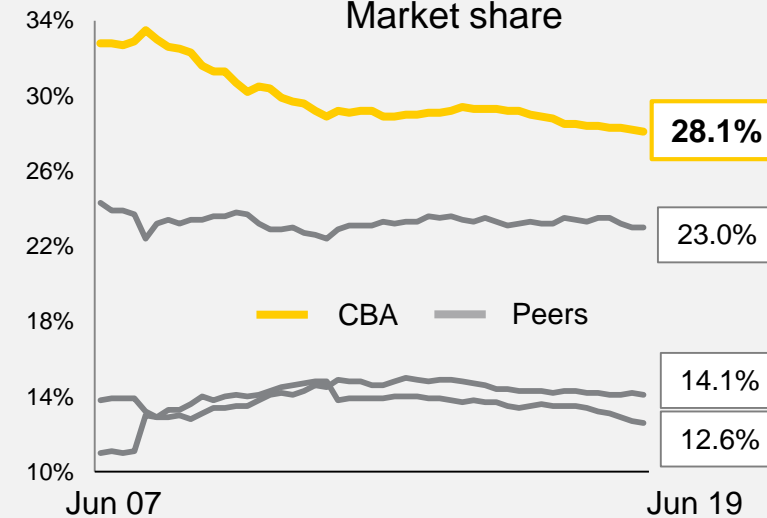
■ System ■ CBA annualised



12 Months  
Jun 19

6 Months  
Jun 19

### Market share



Jun 07

Jun 19

1. Market share sources: RBA Lending and Credit Aggregates and APRA Monthly Banking Statistics. CBA includes Bankwest and subsidiaries. Comparatives have been updated to reflect market restatements. Business lending excludes CMPF. 2. System adjusted for new market entrants.

# Best in digital



## Market leading digital assets, unrivalled engagement, strong growth

### A global mobile banking leader

Forrester Banking Wave™: Global Mobile Apps Asia Pacific 2018<sup>1</sup>



### Recognition and engagement

#1

Mobile app  
Net Promoter Score<sup>2</sup>

#1

Online banking  
(Canstar - 10 years in a row)<sup>3</sup>

#1

Mobile banking  
(Canstar - 4 years in a row)<sup>4</sup>

#1

Ranked in Australia  
(Forrester)<sup>5</sup>

#1

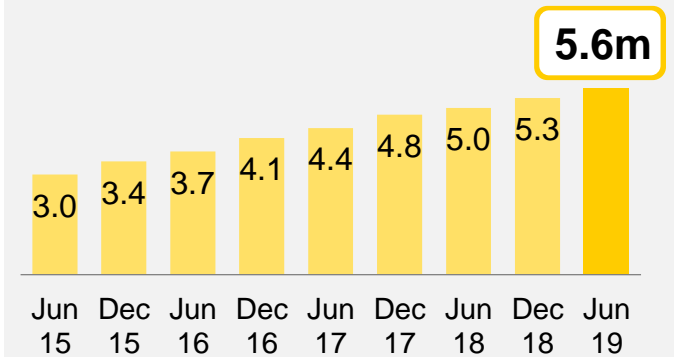
Most Innovative Major Bank  
(DBM Australian Financial Awards)<sup>6</sup>

#1

Best Major Digital Retail Bank  
(DBM Australian Financial Awards)<sup>7</sup>

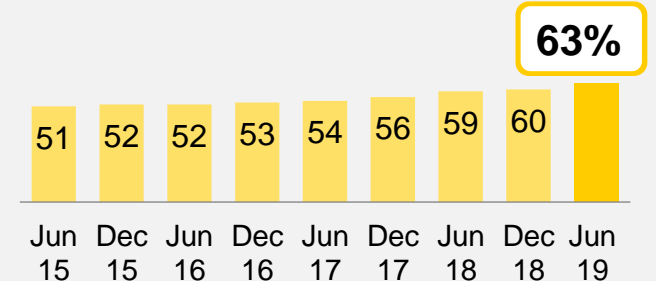
### CommBank app users

Monthly unique customers (m)<sup>8</sup>



### Digital transactions

% of total transactions - by value<sup>9</sup>

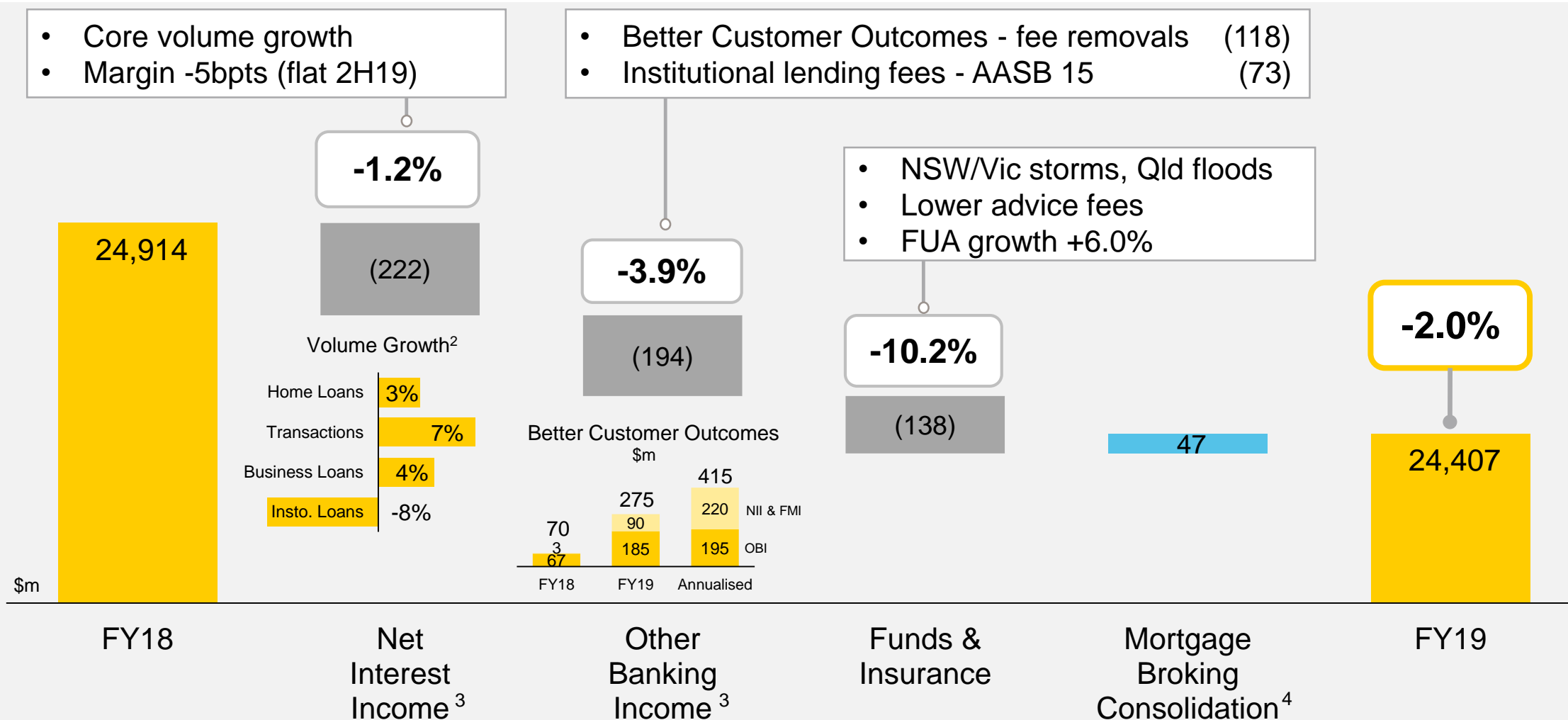


1, 2, 3, 4, 5, 6, 7, 8, 9. Refer to notes slide at back of this presentation for source information. 1. The Forrester Banking Wave™ is copyrighted by Forrester Research, Inc. Forrester and Forrester Wave™ are trademarks of Forrester Research, Inc. The Forrester Banking Wave™ is a graphical representation of Forrester's call on a market. Forrester does not endorse any company, product, or service depicted in the Forrester Banking Wave™. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change.

# Operating income down 2.0%<sup>1</sup>



## Volume growth offset by NIM decline, customer fee removals and weather events

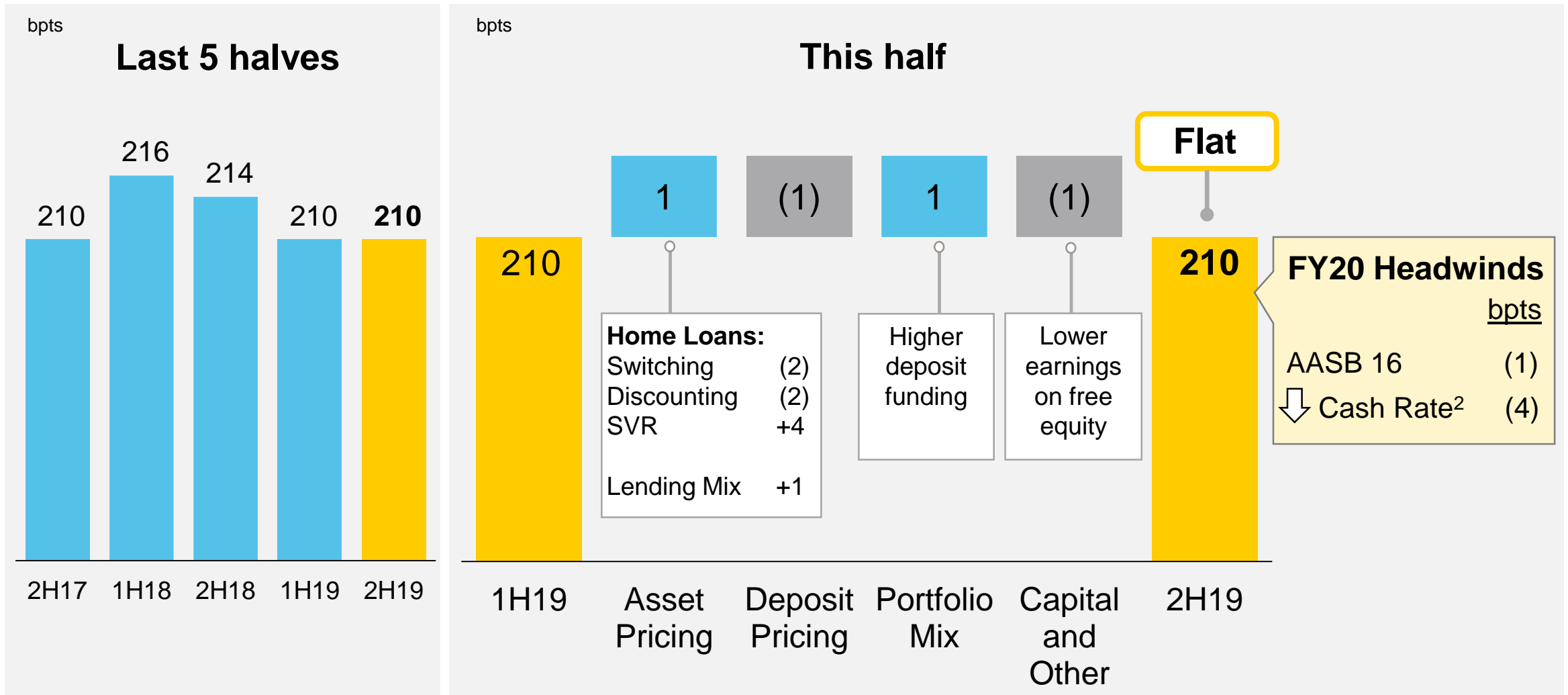


1. Presented on a continuing operations basis. 2. Average balances. 3. Excludes Mortgage Broking consolidation. 4. Includes impact of AHL consolidation and implementation of AASB 15.

# Group margin<sup>1</sup>



## Stable in 2H19 – home lending and deposit competition



1. Presented on a continuing operations basis. Comparative information has been restated to conform to presentation in the current period. 2. Estimated impact of the RBA's cash rate cuts in June and July 2019 on Group NIM, including the deposits impact, lower expected replicating portfolio and equity hedge benefits, and flow through of announced home loan repricing. Excludes impact of any future cash rate movements.



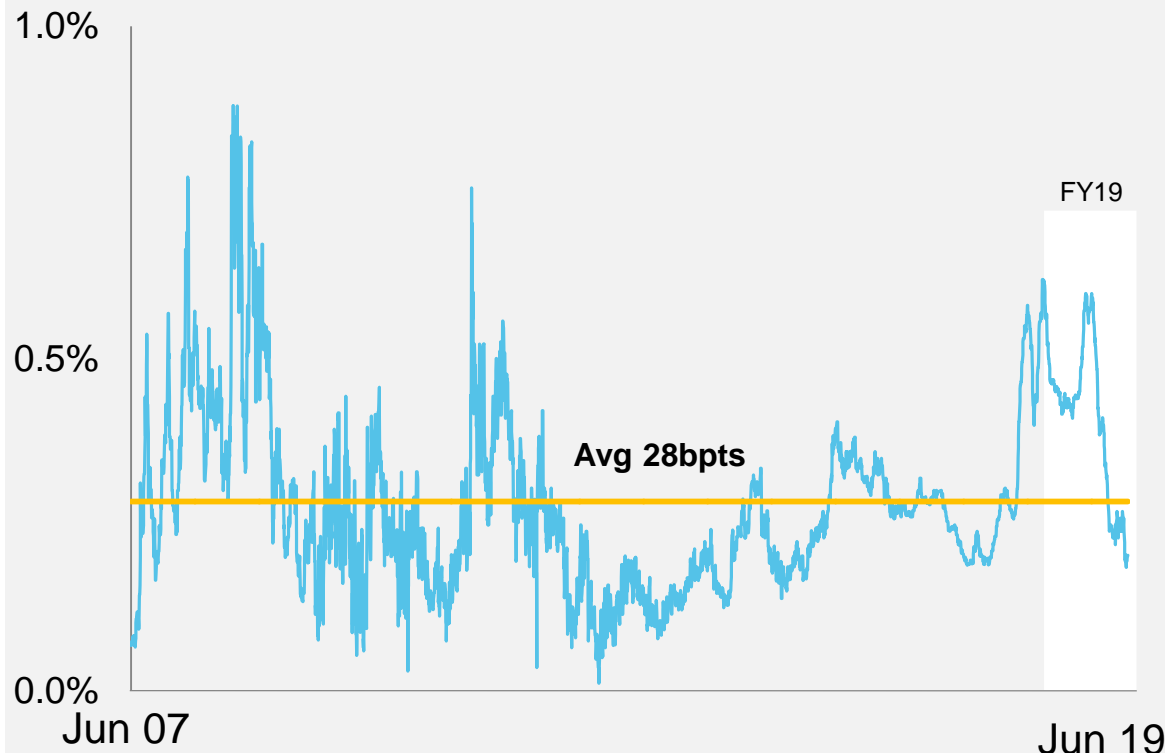
# Group margin



## Basis Risk and RP contributing -4 bpts of Group NIM movement over the year

### Basis Risk

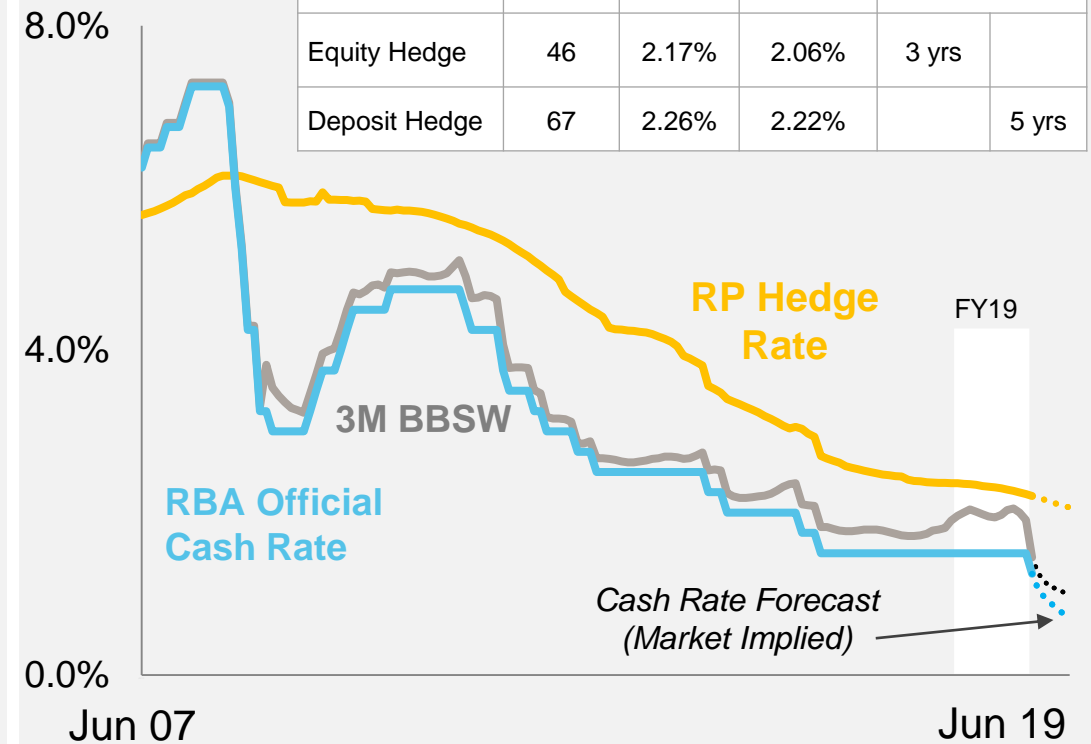
Every 5 bpts = 1 bpt of NIM<sup>1</sup>



### Replicating Portfolio (RP) & Equity Hedge

#### Equity and Deposit Hedge

	Jun 19 Balance \$bn	2H19 Avg. Tractor <sup>2</sup>	Exit Tractor <sup>2</sup> Rate	Average investment term	
Equity Hedge	46	2.17%	2.06%	3 yrs	
Deposit Hedge	67	2.26%	2.22%		5 yrs

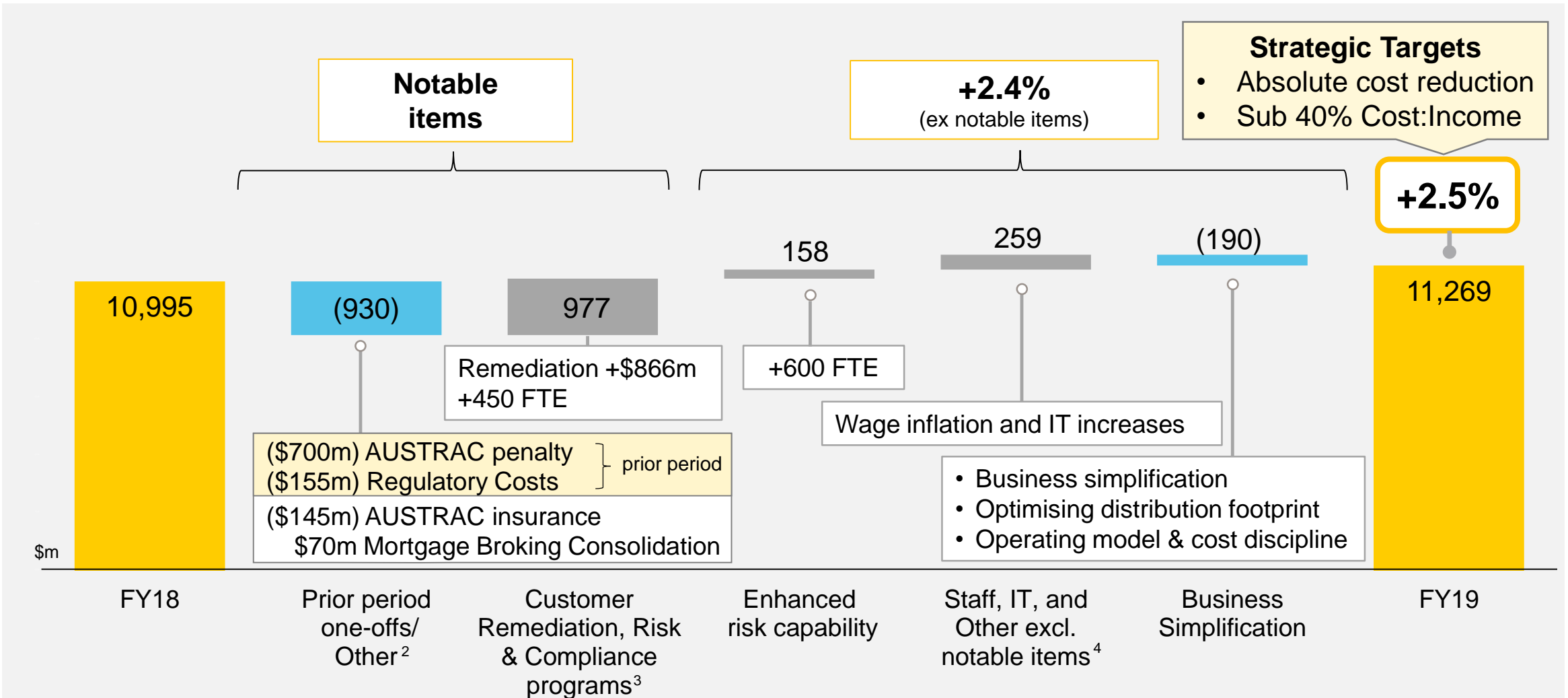


1. Includes the impact of basis risk on replicating portfolio. 2. Tractor is the moving average hedge rate on equity and rate insensitive deposits.

# Operating expenses up +2.5%<sup>1</sup>



Impacted by customer remediation costs, risk and compliance increases



1. Presented on a continuing operations basis. 2. Prior period = FY18. 3. Represents FY19 total customer remediation costs of \$996m (\$918m recognised in continuing operations operating expenses), less FY18 total customer remediation costs of \$131m (\$52m recognised in continuing operations operating expenses). Also includes movement in risk and compliance programs of \$111m. 4. Excludes staff, IT and other costs related to notable items, enhanced risk and resiliency capability and simplification.

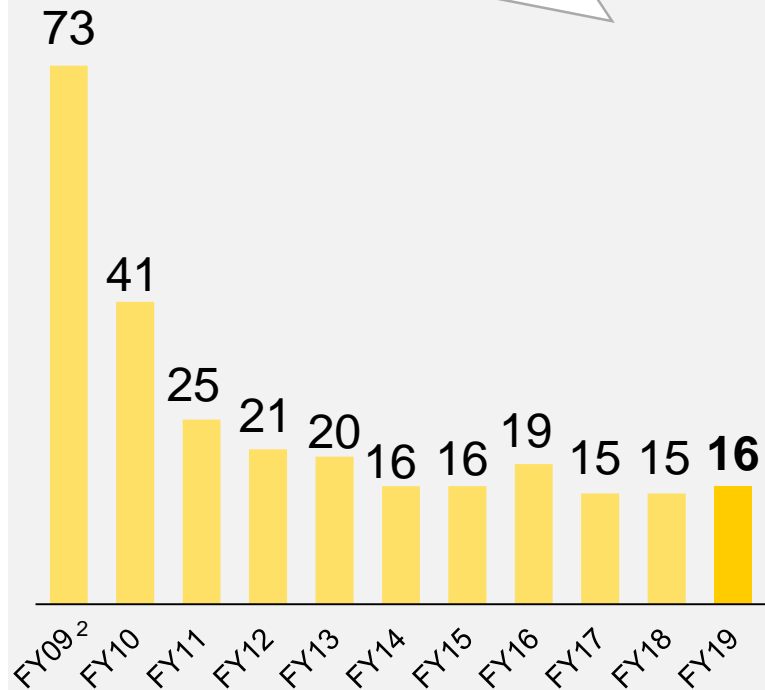
# Credit risk



## Sound portfolio quality – Loan Impairment Expense at 16 basis points – TIA higher

### Loan Loss Rate<sup>1</sup> - Group

Consumer	17
Corporate	14
<b>Group</b>	<b>16</b>



### Loan Loss Rate<sup>1</sup> – Divisions

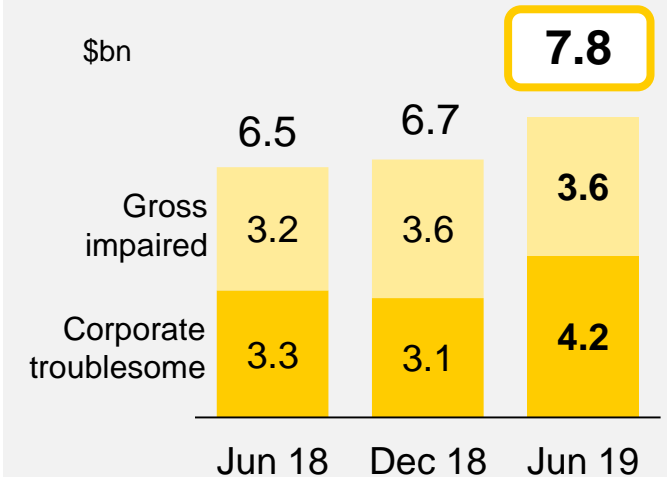
BPB – Small number of larger impairments  
 IB&M – Ongoing portfolio optimisation

bpts	FY18	FY19
RBS	16	17
BPB	14	21
IB&M	7	2
ASB	10	13
<b>Group<sup>3</sup></b>	<b>15</b>	<b>16</b>

### TIA

- Single name exposures
- Emerging signs of weakness - discretionary spending, agriculture and construction

% of TCE	0.60%	0.62%	<b>0.72%</b>
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1. Cash Loan Impairment Expense as a percentage of average Gross Loans and Acceptances (GLAA) (bpts). 2. FY09 includes Bankwest on a pro-forma basis. 3. Includes Other.



Commonwealth Bank

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## Funding, Liquidity and Capital

“ We have maintained our strong funding position with the highest share of stable household deposits in Australia ”

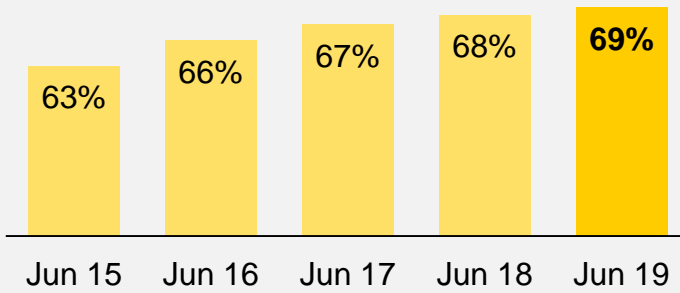


# Funding overview



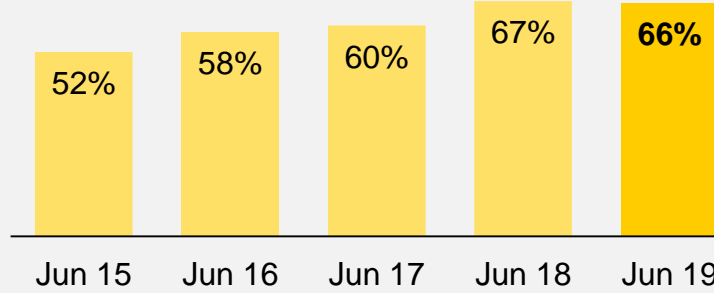
**Resilient balance sheet with ongoing customer deposit growth**

Deposit Funding



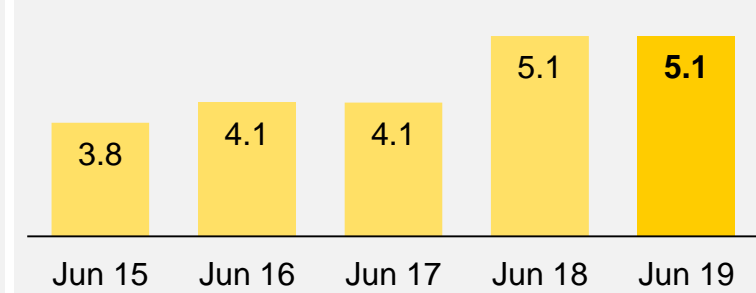
**Stable wholesale funding composition weighted to longer term funding...**

Long Term Funding  
% of total wholesale funding



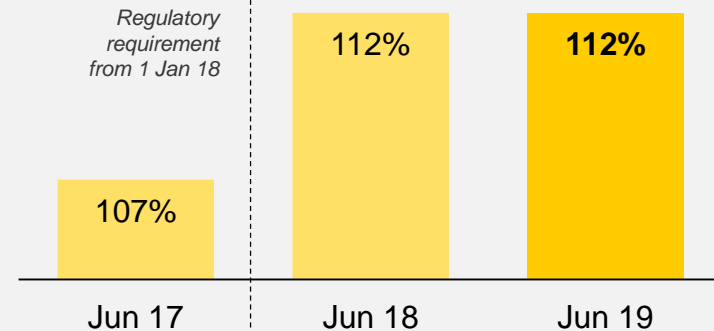
**...with a >5.0yrs WAM to reduce refinancing risk**

Long Term Funding WAM  
Tenor, years



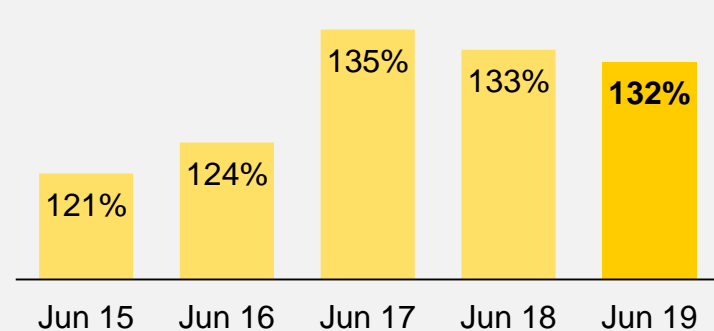
**Efficient balance sheet mix supporting a strong NSFR...**

NSFR



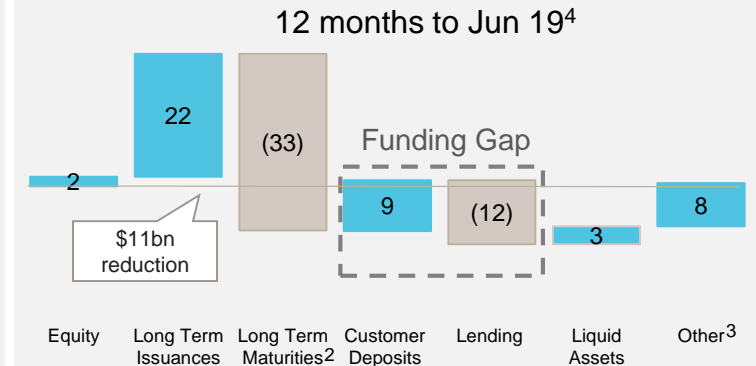
**...and a sound liquidity position with a stable LCR at 132%...**

LCR<sup>1</sup>



**...allowing for a reduction in wholesale funding in FY19**

Sources and Uses of Funds



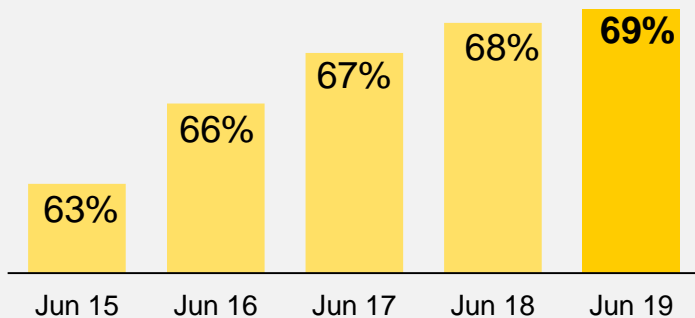
1. Quarter Average. 2. Reported at historical FX rates. 3. Includes \$5.3bn FX revaluation. 4. Numbers do not sum to zero due to rounding.

# Deposit funding

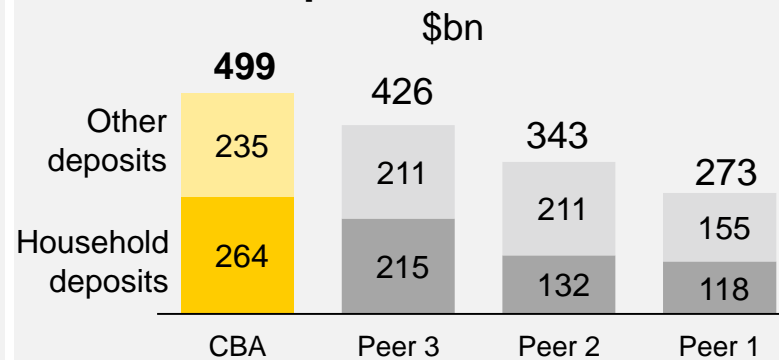


## The Group maintains the highest share of stable, household deposits in Australia

### Deposit Funding

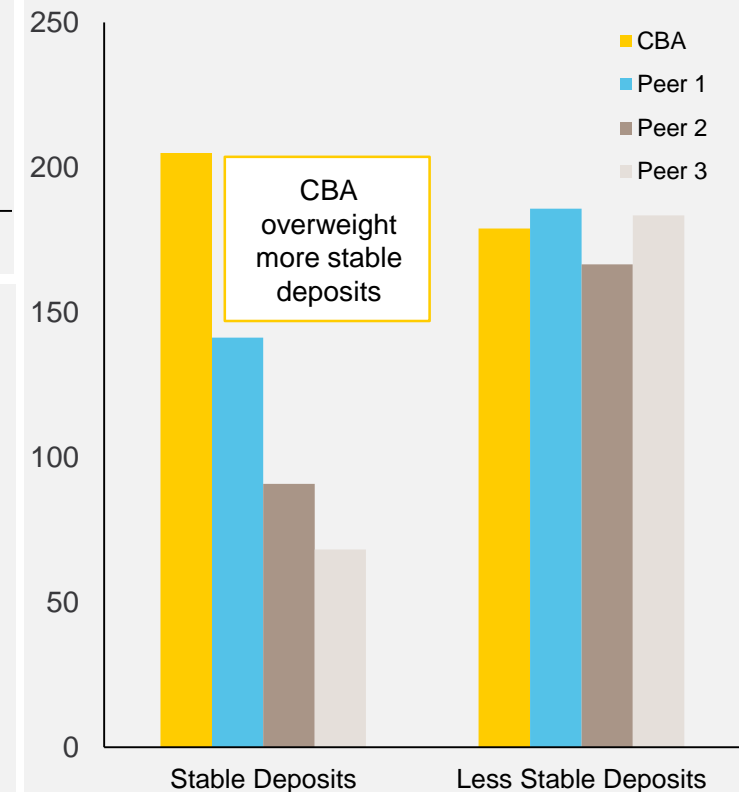


### Deposits vs Peers<sup>1</sup>

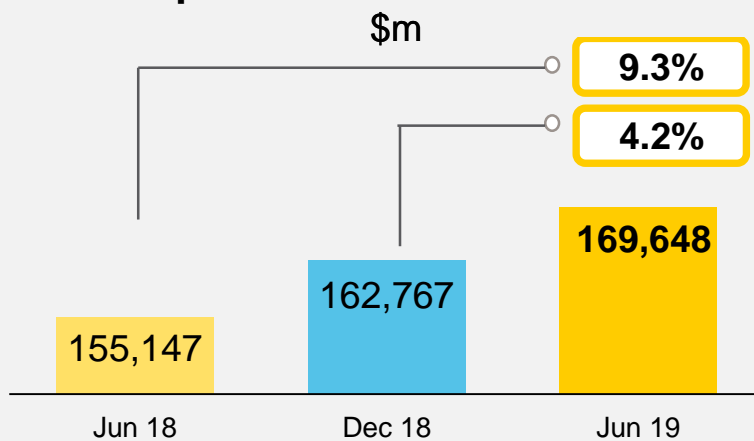


### Deposits in NSFR<sup>5</sup>

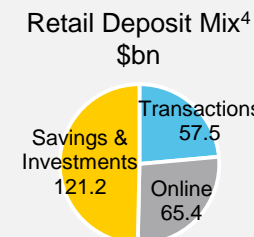
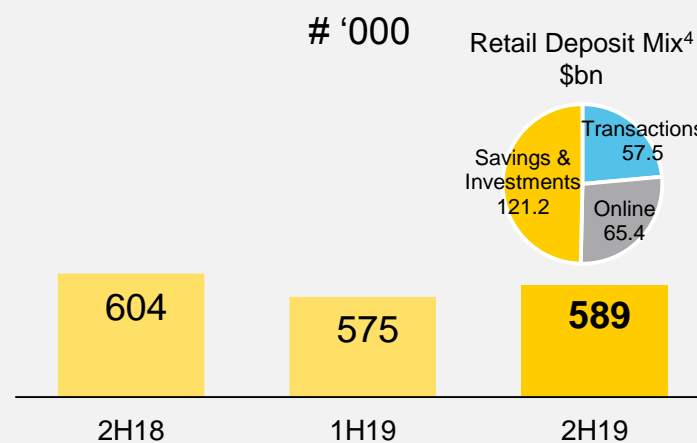
As at 30 June 2019 (\$bn)  
Peers as at 31 March 2019<sup>6</sup>



### Group Transaction Balances<sup>2</sup>



### New Transaction Accounts<sup>3</sup>



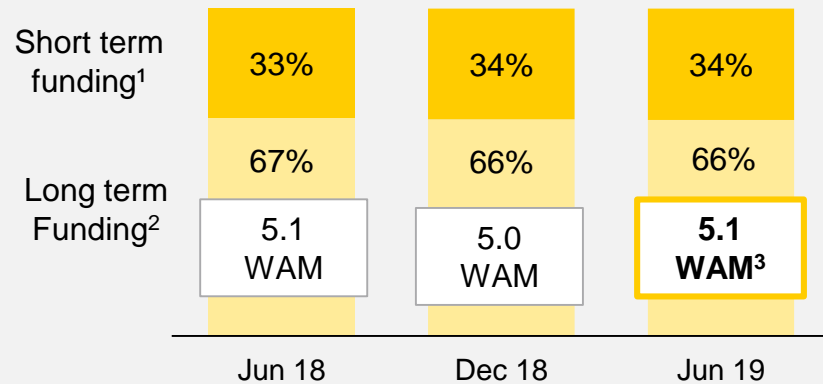
1. Source: APRA Monthly Banking Statistics. Total deposits (excluding CD's). CBA includes Bankwest. 2. Includes non-interest bearing deposits. 3. Number of new personal transaction accounts, excluding offset accounts, includes CBA and Bankwest. 4. Transactions includes non-interest bearing deposits and transaction offsets. Excludes business deposits. Online includes NetBank Saver, Goal Saver, Business Online Saver, Bankwest Hero Saver, Smart eSaver and Telenet Saver. Savings and Investment includes savings offset accounts. 5. Stable and less stable deposits in NSFR calculation. Excludes operational deposits, other deposits and wholesale funding. 6. Source: 31 March 2019 Pillar 3 Regulatory Disclosures; CBA reported as at 30 June 2019.

# Wholesale funding

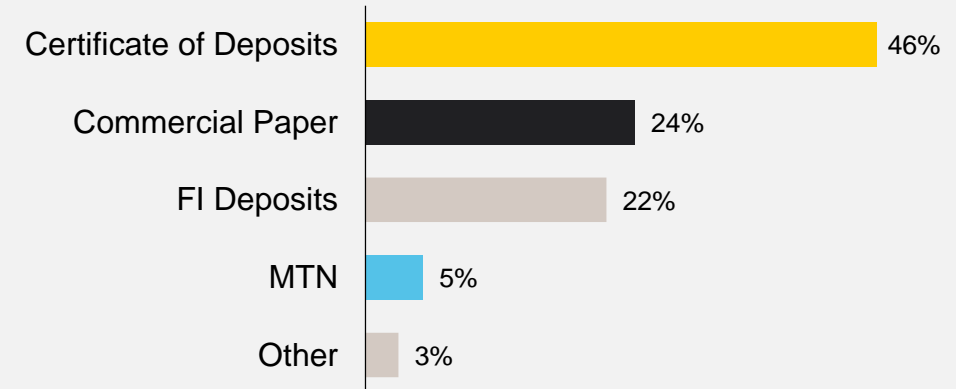


## Diversified wholesale funding across product, currency and tenor

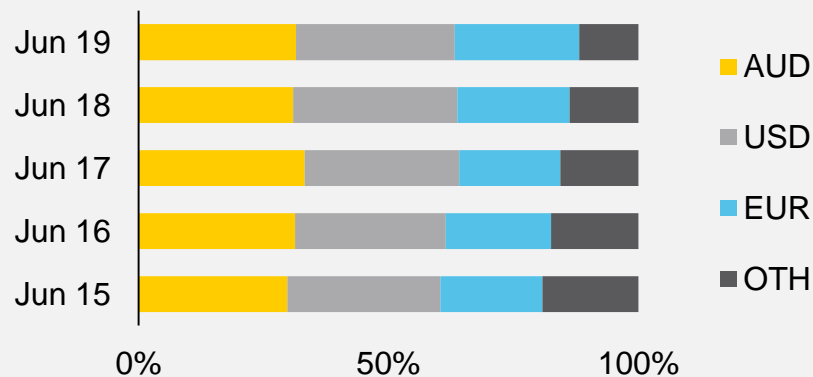
### Portfolio Mix



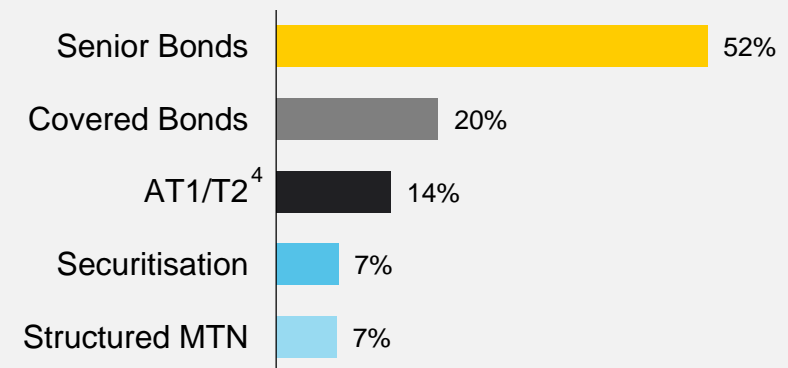
### Short Term funding by product<sup>1</sup>



### Long Term funding by currency<sup>2</sup>



### Long Term funding by product<sup>2</sup>



1. Includes the categories 'central bank deposits' and 'due to other financial institutions'. 2. Includes IFRS MTM and derivative FX revaluation, and includes debt with an original maturity or call date of greater than 12 months (including loan capital). 3. Represents the weighted average maturity of outstanding long term wholesale debt with a residual maturity greater than 12 months at 30 June 19. 4. Additional Tier 1 and Tier 2 Capital.

# Long term funding

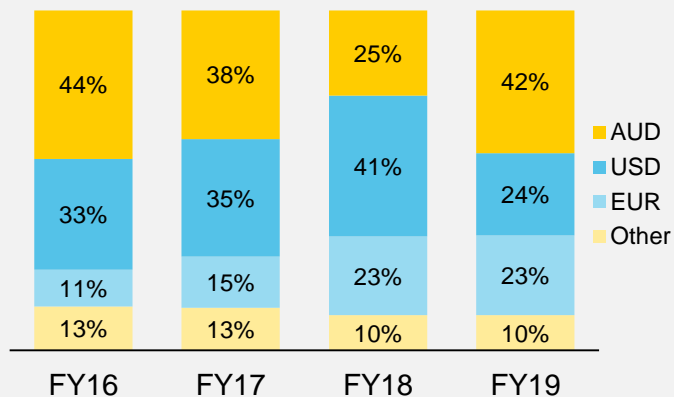


## \$22bn long term wholesale issuance completed FY19

### Group FY19 benchmark issuance

Date	Entity	Type	Tenor (yr)	Volume (m)	Spread at Issue (bpts)
Jul 18	CBA	GBP Senior	3	GBP 250	3m GBP Libor +45
Jul 18	CBA	USD Covered	5	USD 1,250	MS +40
Aug 18	CBA	AUD Senior	3, 5	AUD 3,500	3m BBSW +73 / 93
Sep 18	ASB	NZD Senior	5	NZD 450	BKBM +102
Sep 18	CBA	AUD RMBS	6.8	AUD 1,630	1m BBSW +132
Oct 18	ASB	EUR Covered	7	EUR 500	MS +16
Dec 18	CBA	AUD Tier 1	5.4	AUD 1,500	3m BBSW +370
Jan 19	CBA	AUD Senior	5	AUD 2,500	3m BBSW +113
Jan 19	ASB	CHF Senior	6	CHF 200	MS +58
Feb 19	CBA	EUR Covered	10	EUR 1,000	MS +29
Feb 19	ASB	NZD Senior	3	NZD 500	BKBM +83
Feb 19	CBA	USD Senior	5.25	USD 1,250	T +88, 3m USDL +82
Mar 19	ASB	EUR Senior	5	EUR 500	MS +70
May 19	ASB	USD Senior	5	USD 500	T +100

### New term issuance by currency



### New term issuance by tenor

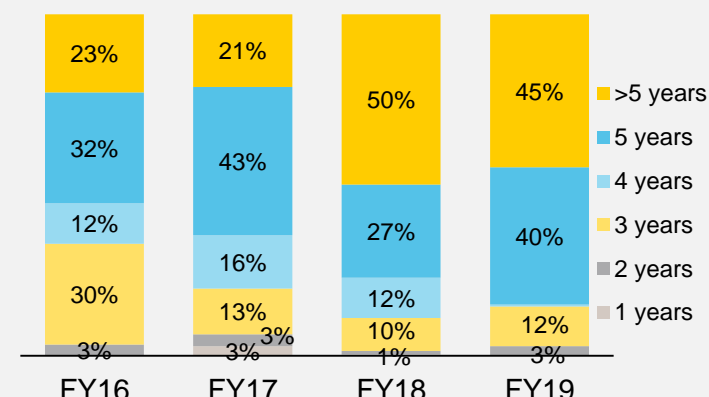
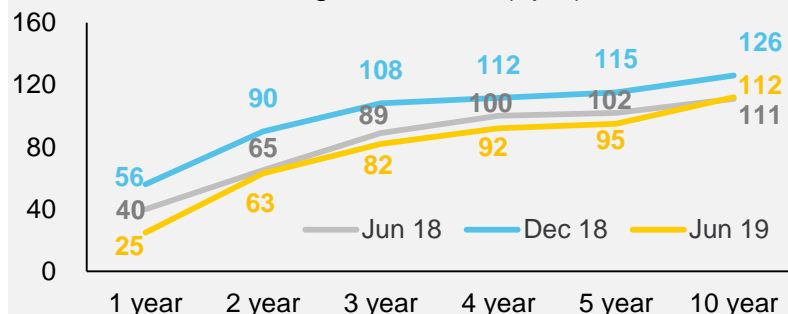


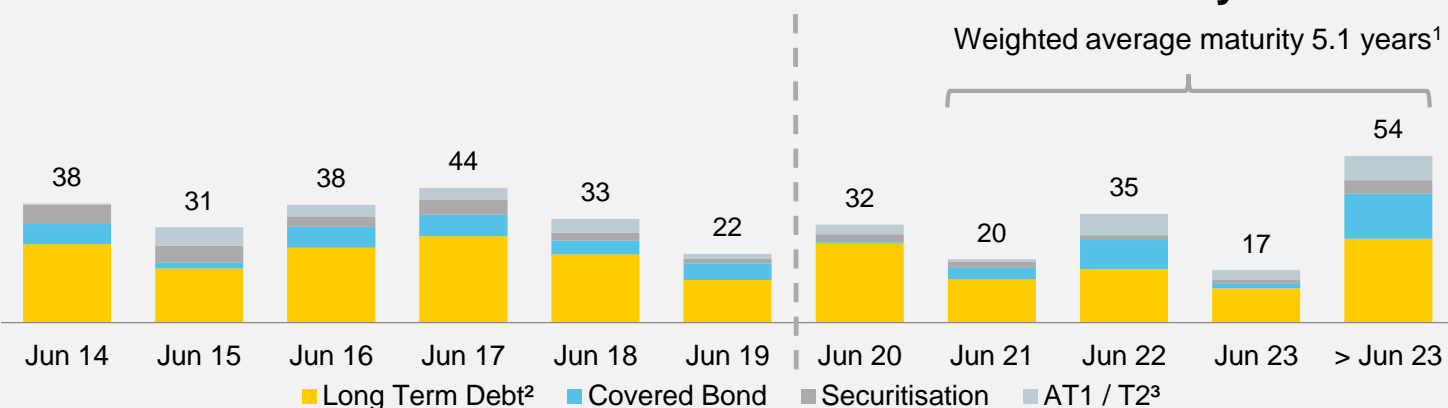
Chart totals do not add to 100% due to rounding.

### Indicative funding cost curves

Margin to BBSW (bpts)



### \$bn Issuance



### Maturity

Weighted average maturity 5.1 years<sup>1</sup>

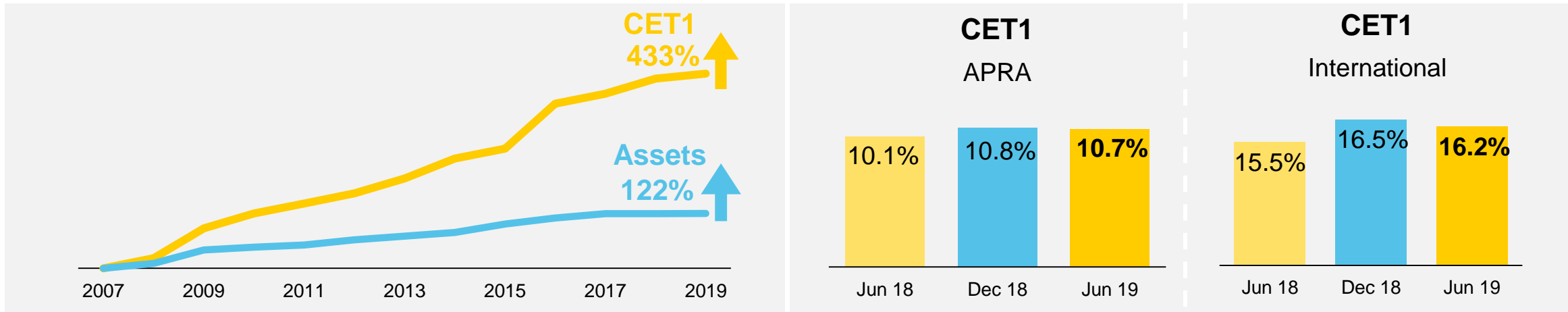
1. Represents the weighted average maturity of outstanding long term wholesale debt with a residual maturity greater than 12 months at 30 June 2019. 2. Includes Senior Bonds and Structured MTN. 3. Additional Tier 1 and Tier 2 Capital.



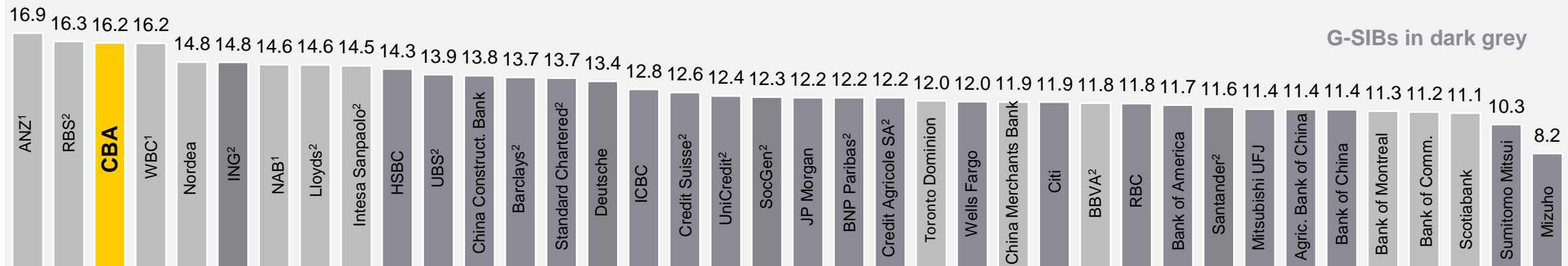
# Capital overview



## Strong capital position maintained over time



## International CET1 ratios



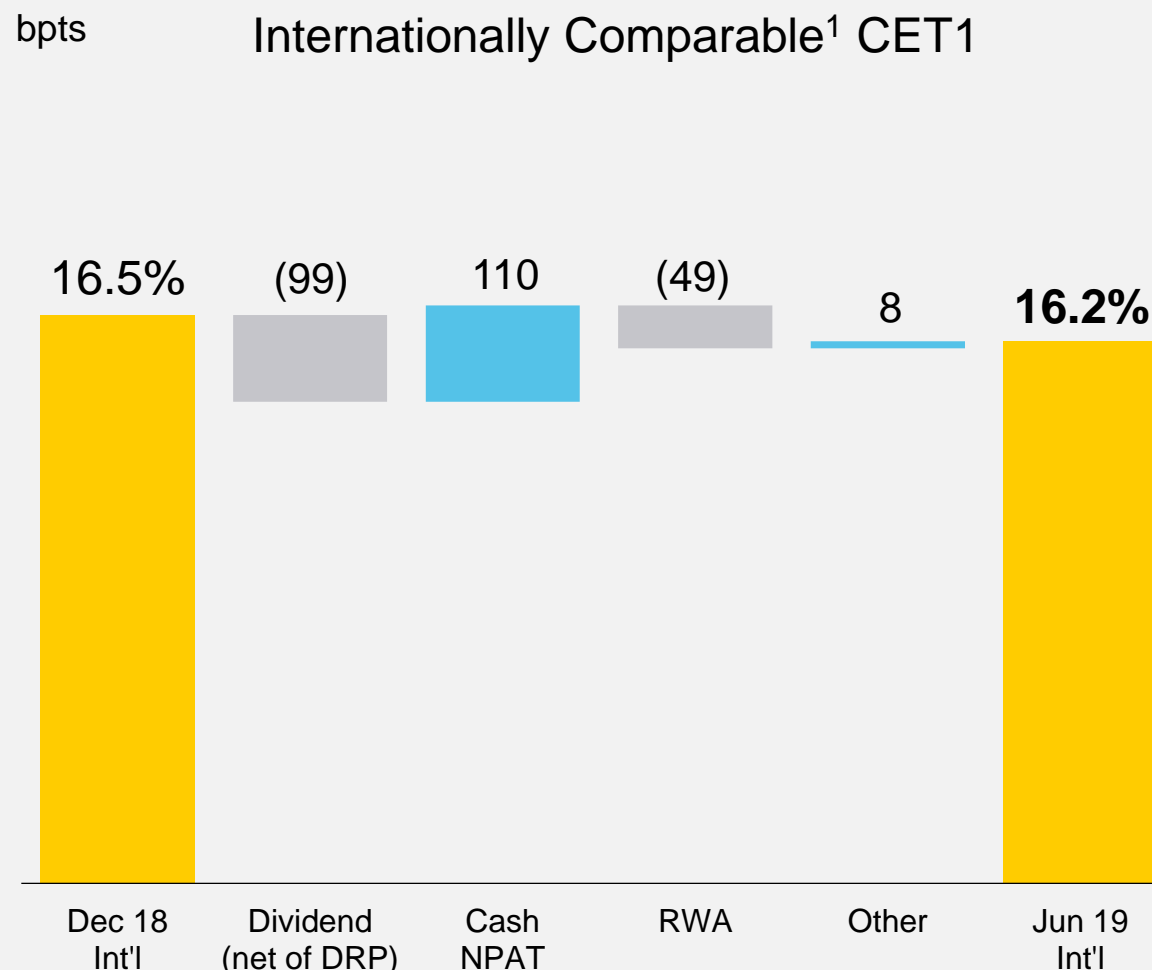
Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 1 August 2019 assuming Basel III capital reforms fully implemented. Peer group comprises listed commercial banks with total assets in excess of A\$800 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley estimate.

1. Domestic peer figures as at 31 March 2019. 2. Deduction for accrued expected future dividends added back for comparability.

# CET1 – internationally comparable



The Group's CET1 ratio of 10.7% translates to 16.2% on an international basis



<b>CET1 APRA</b>	<b>10.7%</b>
Equity investments	1.0%
Capitalised expenses	0.1%
Deferred tax assets	0.4%
IRRBB RWA	0.3%
Residential mortgages	2.1%
Other retail standardised exposures	0.1%
Unsecured non-retail exposures	0.4%
Non-retail undrawn commitments	0.3%
Specialised lending	0.7%
Currency conversion	0.1%
<b>CET1 Internationally Comparable</b>	<b>16.2%</b>
<b>Tier 1 Internationally Comparable</b>	<b>18.7%</b>
<b>Total Capital Internationally Comparable</b>	<b>22.1%</b>

1. Internationally comparable capital - refer glossary for definition.

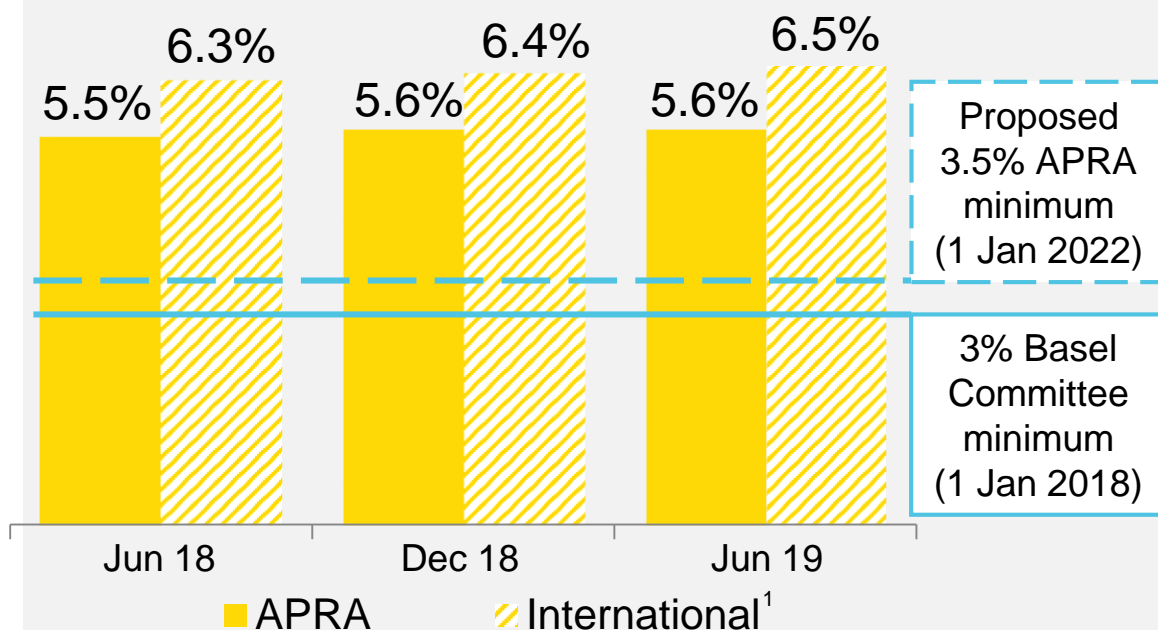
# Leverage ratio



## CBA leverage ratio well above proposed APRA minimum

Leverage ratio introduced to constrain the build-up of leverage in the banking system.

$$\text{Leverage ratio} = \frac{\text{Tier 1 Capital}}{\text{Total Exposures}}$$



\$m	Jun 19
Tier 1 Capital	57,355
Total Exposures	1,023,181
<b>Leverage Ratio (APRA)</b>	<b>5.6%</b>

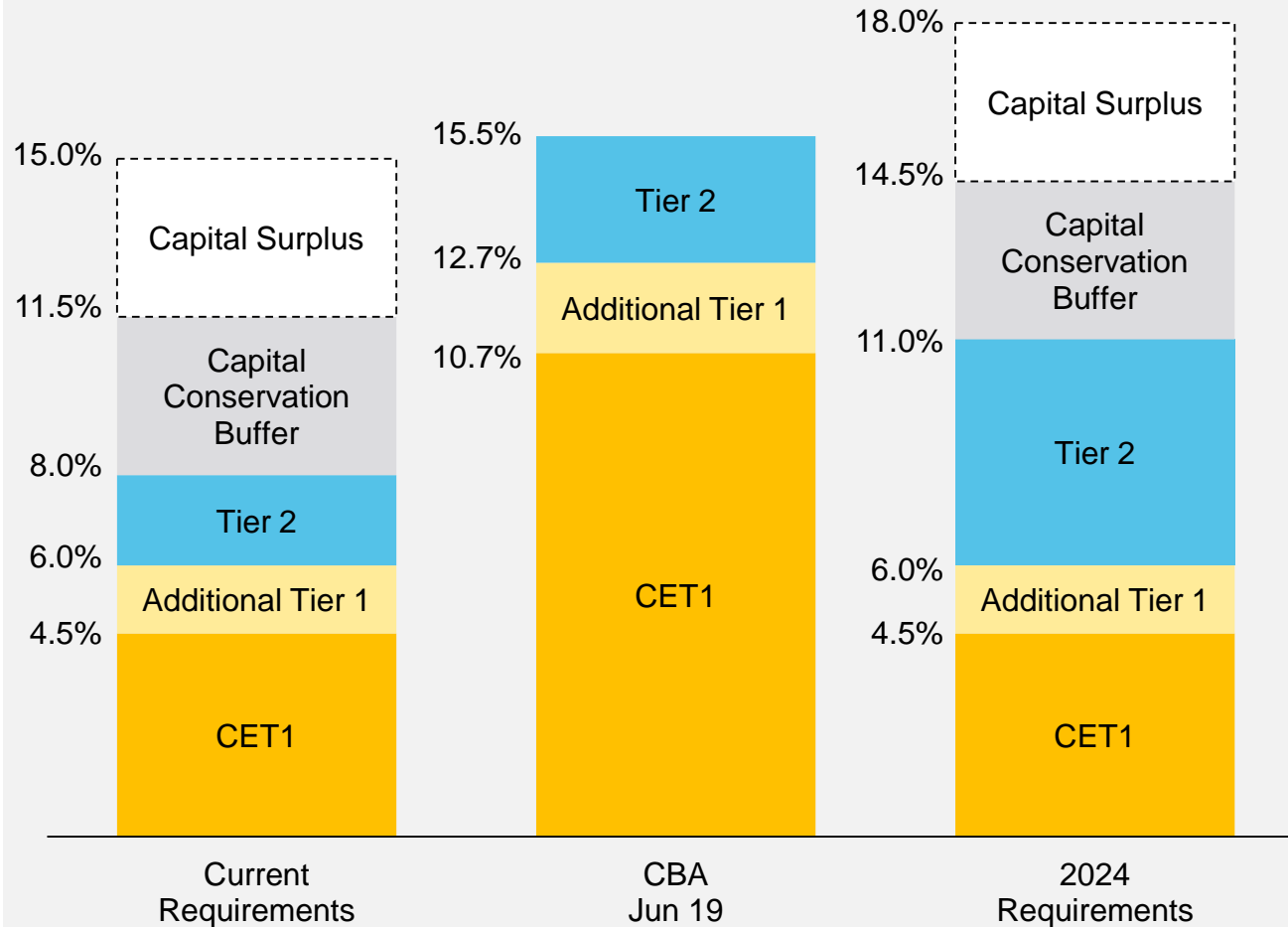
\$m	Jun 19
<b>Group Total Assets</b>	<b>976,502</b>
Less subsidiaries outside the scope of regulatory consolidations	(18,064)
Add net derivative adjustment	4,317
Add securities financing transactions	304
Less asset amounts deducted from Tier 1 Capital	(21,002)
Add off balance sheet exposures	81,124
<b>Total Exposures</b>	<b>1,023,181</b>

1. The Tier 1 capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study entitled "International capital comparison study", and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

# APRA's LAC proposal



## 3% increase in Total Capital by 2024 to increase loss absorbing capacity (LAC)



- Additional 3% of RWA in Total Capital applicable to all domestically systemically important banks (D-SIBs) by 1 January 2024.
- This represents additional \$13.6bn of Total Capital requirement for CBA.
- Over the next four years, APRA will consider feasible alternative methods for raising additional 1-2% of RWA, in consultation with industry and other stakeholders.

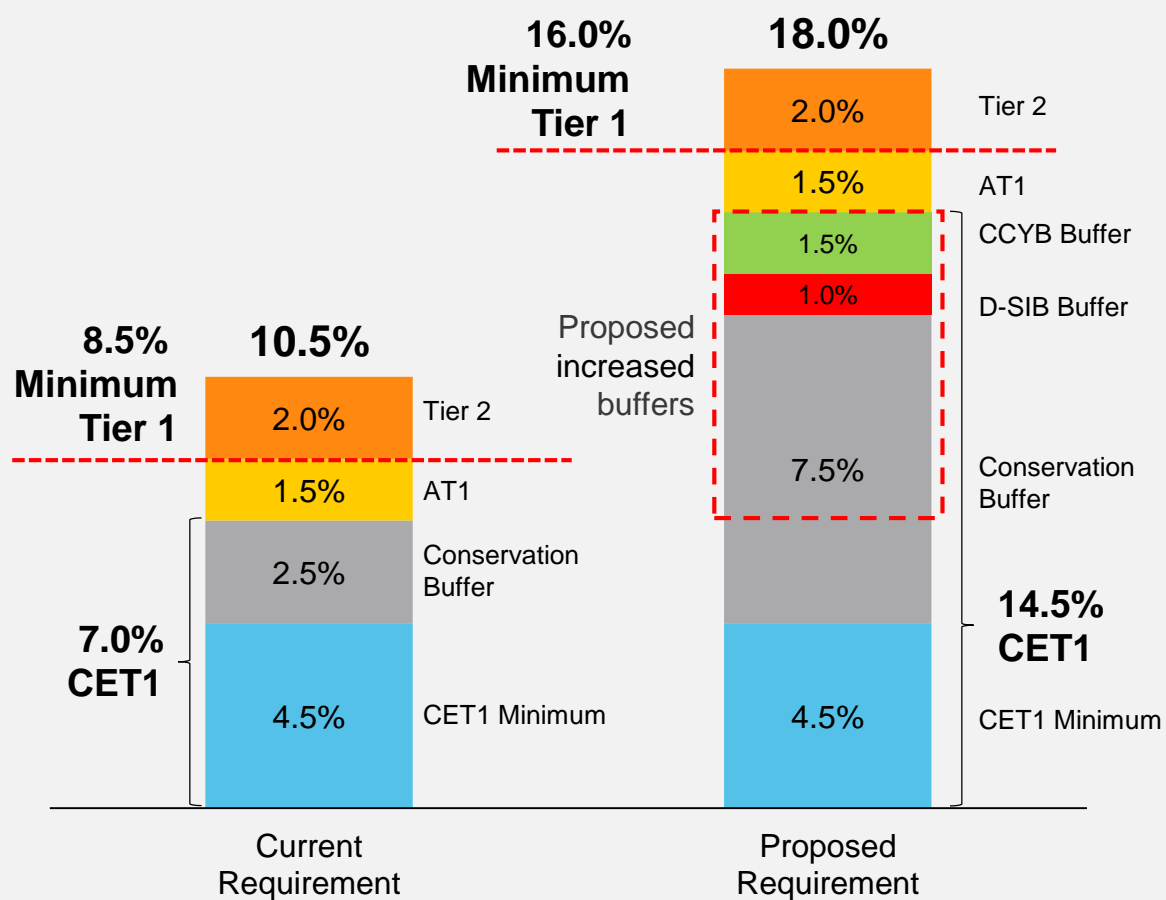
\$bn	Jun 19
<b>Risk Weighted Assets</b>	<b>452.8</b>
<b>Additional Total Capital requirement @ 3%</b>	<b>13.6</b>

# RBNZ capital proposal



## New Zealand Tier 1 minimum to increase to 16%

### RBNZ proposed capital requirement changes



- Potential capital increase in ASB of ~NZ\$3bn, assuming current balance sheet size and composition.
- RBNZ expected to finalise reforms towards the end of calendar year 2019.
- Implementation expected to commence from April 2020 with a transitional period of a number of years.
- Proposals not expected to change reported CBA Level 2 CET1 and manageable at Level 1 CET1.
- Sufficient capacity exists under both current and proposed APS222 (Association with Related Entities) limits to absorb the proposed additional capital requirement.



# Regulatory capital changes



Change	Details	Implementation
<b>APRA's unquestionably strong</b>	<ul style="list-style-type: none"> <li>Capital to exceed unquestionably strong benchmark of CET1 &gt;10.5% by 1 Jan 2020</li> </ul>	1 Jan 2020
<b>APRA's revisions to the ADI capital framework</b>	<p>APRA commenced consultation in 2018 on:</p> <ul style="list-style-type: none"> <li>Revisions to risk-based capital requirements for credit, interest rate risk in the banking book and operational risk</li> <li>Transparency, comparability and flexibility of the ADI capital framework</li> </ul> <p>APRA commenced consultation on standardised approaches for credit and operational risk and simpler method for calculating capital requirements for residential mortgages in June 2019</p>	1 Jan 2022 (Operational RWA 1 Jan 2021)
<b>Loss Absorbing Capacity ("LAC")</b>	<ul style="list-style-type: none"> <li>Total Capital increase of 3% for all domestically systemically important banks (D-SIBs)</li> </ul>	1 Jan 2024
<b>RBNZ Capital Review</b>	<ul style="list-style-type: none"> <li>RBNZ commenced consultation in 2017, final consultation paper released Dec 2018</li> <li>RBNZ expected to finalise reforms towards the end of 2019</li> <li>Implementation proposed from Apr 2020 with a transitional period of a number of years</li> <li>Minimal impact expected at Level 2 CET1, manageable at Level 1 CET1 (within APS222 capacity limits)</li> </ul>	Transition period commencing Apr 2020
<b>Leverage ratio</b>	<ul style="list-style-type: none"> <li>APRA commenced consultation in 2018</li> <li>Proposed minimum 3.5%</li> <li>APRA expects that IRB ADIs will continue to report leverage ratios under the existing framework</li> </ul>	1 Jan 2022
<b>Counterparty Credit Risk (SA-CCR)</b>	<ul style="list-style-type: none"> <li>Effective 1 Jul 2019</li> </ul>	1 Jul 2019
<b>AASB 16 Leasing</b>	<ul style="list-style-type: none"> <li>Effective 1 Jul 2019</li> </ul>	1 Jul 2019
<b>APS 220 Credit Risk Management</b>	<ul style="list-style-type: none"> <li>Consultation closed Jun 2019</li> </ul>	1 Jul 2020



### 3

## Business Units

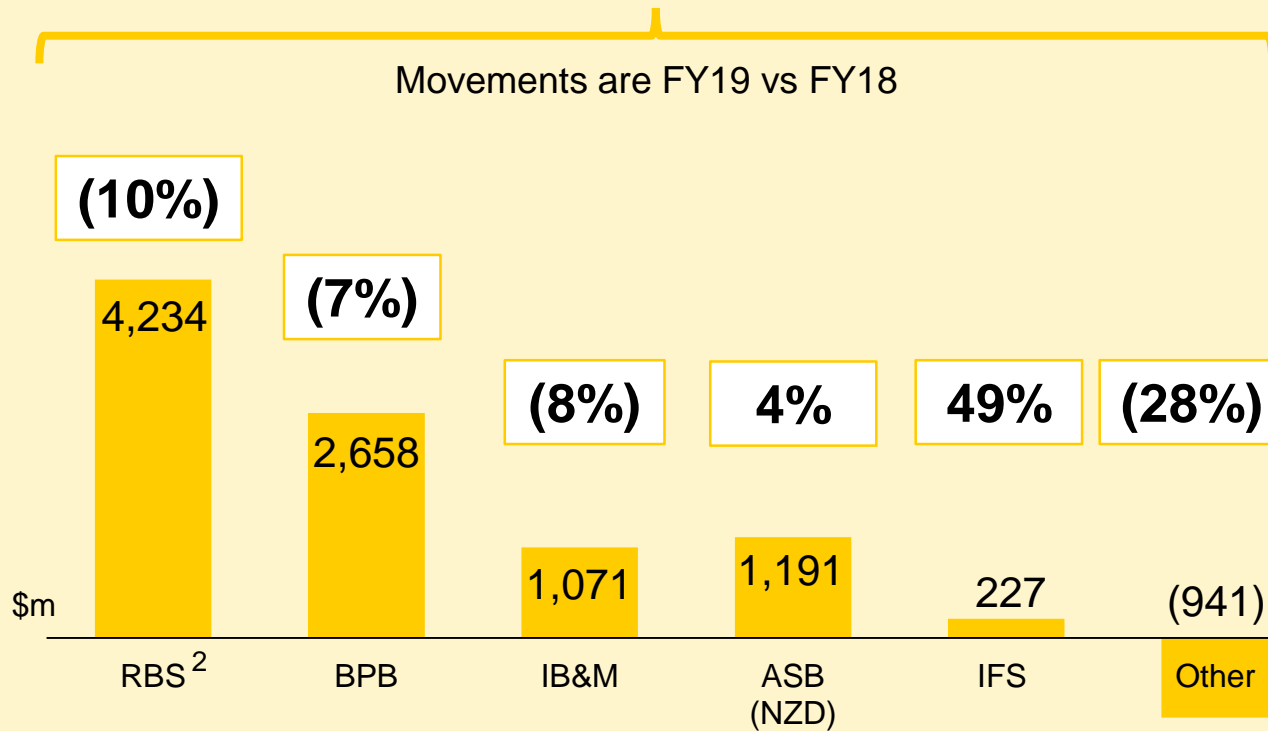
**“ We have maintained sound business fundamentals and momentum in a challenging operating context ”**

# Business Units



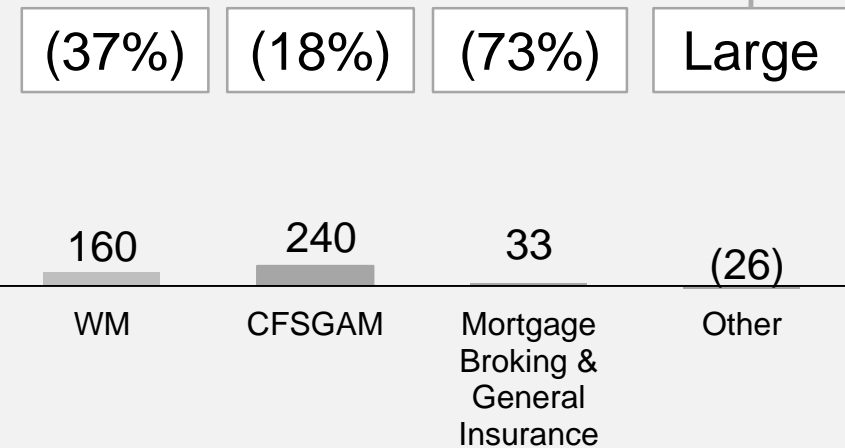
## Core businesses contribute 95% of Group NPAT

~ 95% of Group NPAT<sup>1</sup>



## Divestments/ Strategic Reviews

Life	13
IFS Discontinued	(15)
Sovereign	-
Eliminations	(24)



1. Calculation based on the sum of the BU NPAT figures presented above divided by FY19 cash NPAT (incl. discontinued operations). 2. Includes Bankwest and Commonwealth Financial Planning, excludes General Insurance and Mortgage Broking.



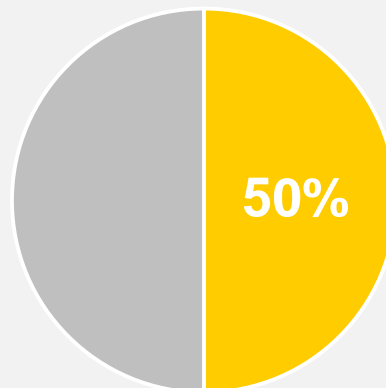
# Retail Banking Services (RBS)<sup>1</sup>



## Home loan growth above system – offset by margin pressures across the sector



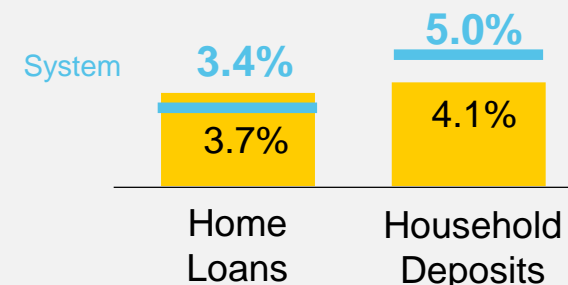
### % of Group NPAT<sup>2</sup>



### Volume growth<sup>3,4</sup>

Balancing growth and returns - managing regulatory requirements

12 months to Jun 19



RBS provides simple, convenient and affordable banking products and services to personal and business customers, through Australia's largest branch and ATM network, and market leading digital channels

\$m	Jun 18	Jun 19	%
Income	11,470	10,959	(4)
Expense	(4,102)	(4,213)	3
LIE	(652)	(693)	6
NPAT	4,703	4,234	(10)

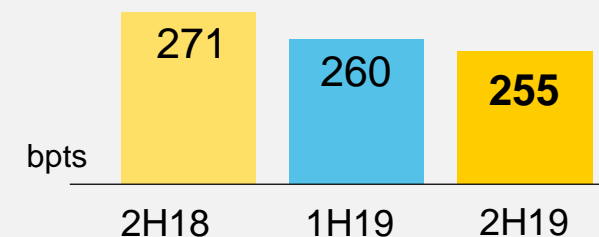
**Income** - lower NIM partly offset by asset growth.

**Expenses** – inflation, risk and compliance spend.

**LIE** - higher personal loan collective provisions.

### Margin

Driven by home loan competition (discounting) and customer switching



1. Includes Bankwest and Commonwealth Financial Planning, excludes General Insurance and Mortgage Broking consolidation. 2. Group Cash NPAT excludes Corporate Centre and Other. 3. Source: RBA Lending and Credit Aggregates and APRA Monthly Banking Statistics. Includes home loan balances included in the Business and Private Banking (BPB) division 4. System adjusted for new market entrants.

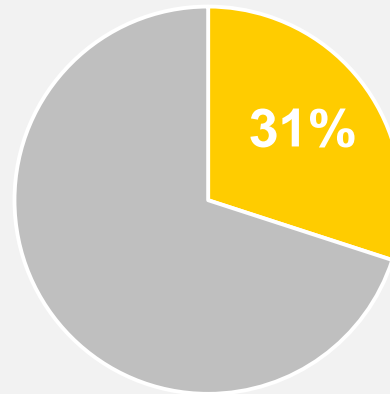
# Business & Private Banking (B&PB)



Result impacted by home loan margins, remediation expenses and increased LIE



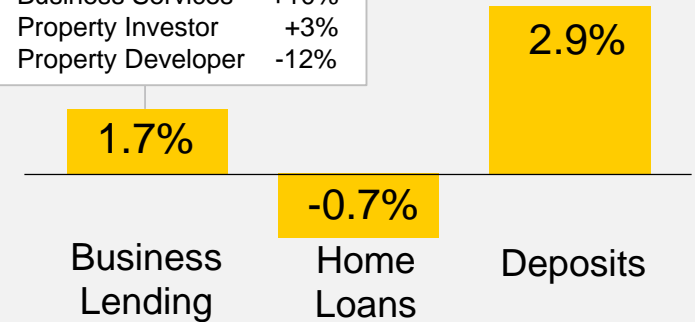
% of Group NPAT<sup>1</sup>



Volume growth

Jun 19 vs Jun 18

Transport & Storage	+10%
Business Services	+10%
Property Investor	+3%
Property Developer	-12%



We are continuing to invest in our business digital and analytics platforms, including extension of the Customer Engagement Engine (CEE). We have hired more corporate bankers and created a new team of relationship managers to support our small business customers. We have launched Apple Pay for Business and BizExpress to provide same day decisions on small business loans<sup>2</sup>.

\$m	Jun 18	Jun 19	%
Income	6,540	6,573	1
Expense	(2,230)	(2,409)	8
LIE	(247)	(362)	47
NPAT	2,845	2,658	(7)

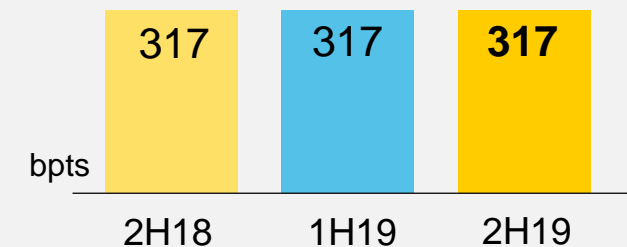
**Income** – Business growth offset by Retail Products.

**Expenses** - Higher remediation costs.

**LIE** – Small number of large individual exposures.

Margin

Higher business lending and home loan margins in the half, offset by lower deposit margins



1. Group Cash NPAT excludes Corporate Centre and Other. 2. BizExpress is being rolled out to eligible existing customers for simple business loans up to \$250K unsecured and \$1m secured.



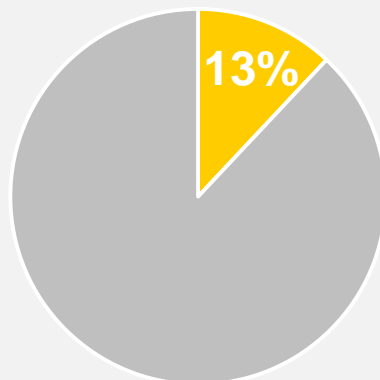
# Institutional Banking and Markets (IB&M)



## Lower markets revenue, continued focus on portfolio optimisation

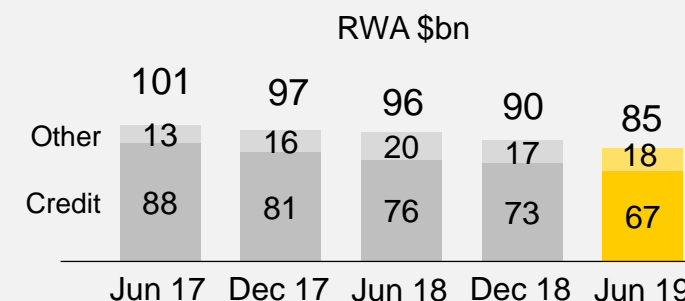


### % of Group NPAT<sup>1</sup>



### Volume growth

Front book discipline, back book optimisation



Institutional Banking and Markets serves the commercial and wholesale banking needs of large Corporate, Institutional and Government clients across a full range of financial services solutions, including access to debt capital markets, transaction banking, working capital and risk management

\$m	Jun 18	Jun 19	%
Income	2,671	2,444	(8)
Expense	(1,067)	(1,043)	(2)
LIE	(80)	(17)	(79)
<b>NPAT</b>	<b>1,170</b>	<b>1,071</b>	<b>(8)</b>

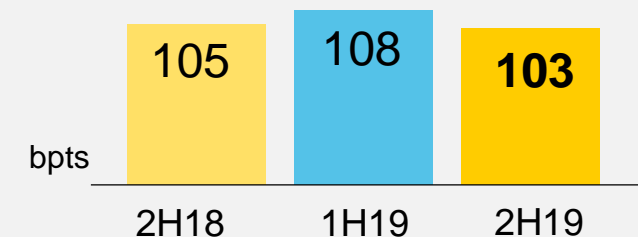
**Income** - lower lending volumes and Markets income.

**Expenses** – one-offs in FY18, higher risk/compliance.

**LIE** - lower collective and individual provisions.

### Margin

Lower yields on bond inventories this half



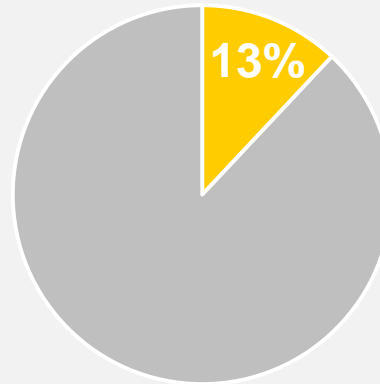
1. Group Cash NPAT excludes Corporate Centre and Other.



## Good revenue growth on solid volumes, partly offset by elevated expenses



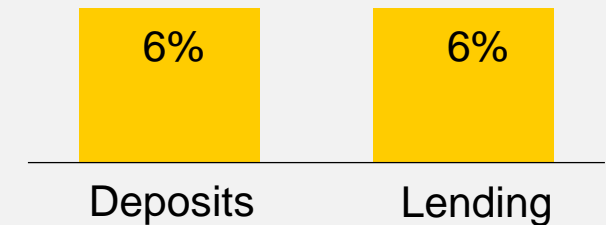
### % of Group NPAT<sup>1</sup>



### Volume growth

Solid volume growth in lending and deposits

12 months to Jun 19



ASB conducts its business through four business units: Retail Banking; Business Banking; Corporate Banking; and Private Banking, Wealth and Insurance. ASB provides products and services across multiple channels including the branch network, digital platforms and mobile relationship managers.

NZD \$m	Jun 18	Jun 19	%
Income	2,600	2,726	5
Expense	(935)	(970)	4
LIE	(80)	(108)	35
NPAT	1,143	1,191	4

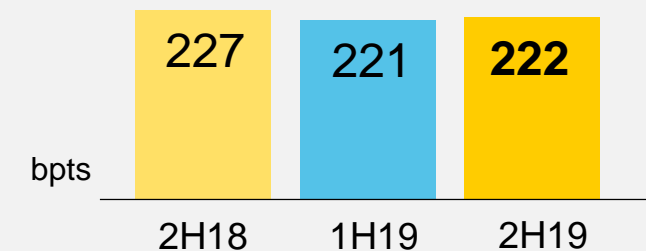
**Income** – Solid balance sheet growth.

**Expenses** – Technology investment, risk/compliance.

**LIE** – Increased rural and business provisioning.

### Margin

Margin remained stable over the half



1. Group Cash NPAT excludes Corporate Centre and Other.





4

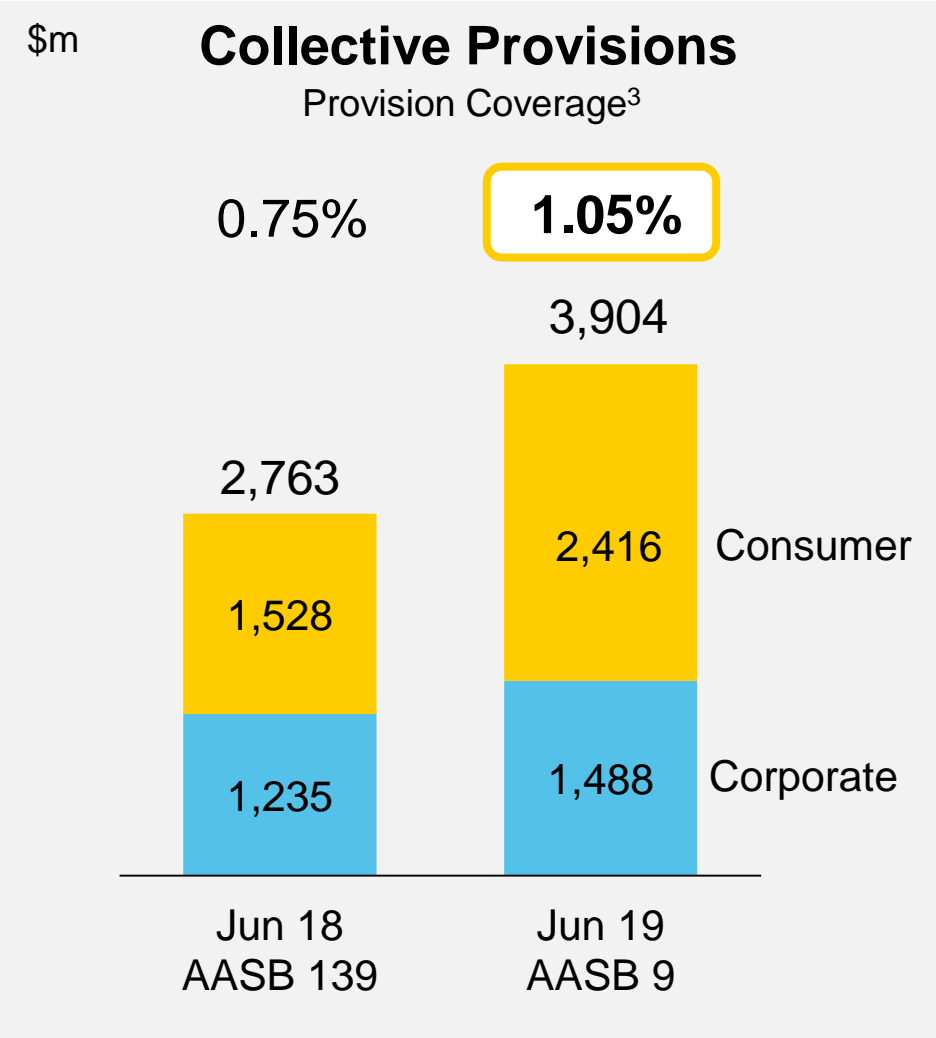
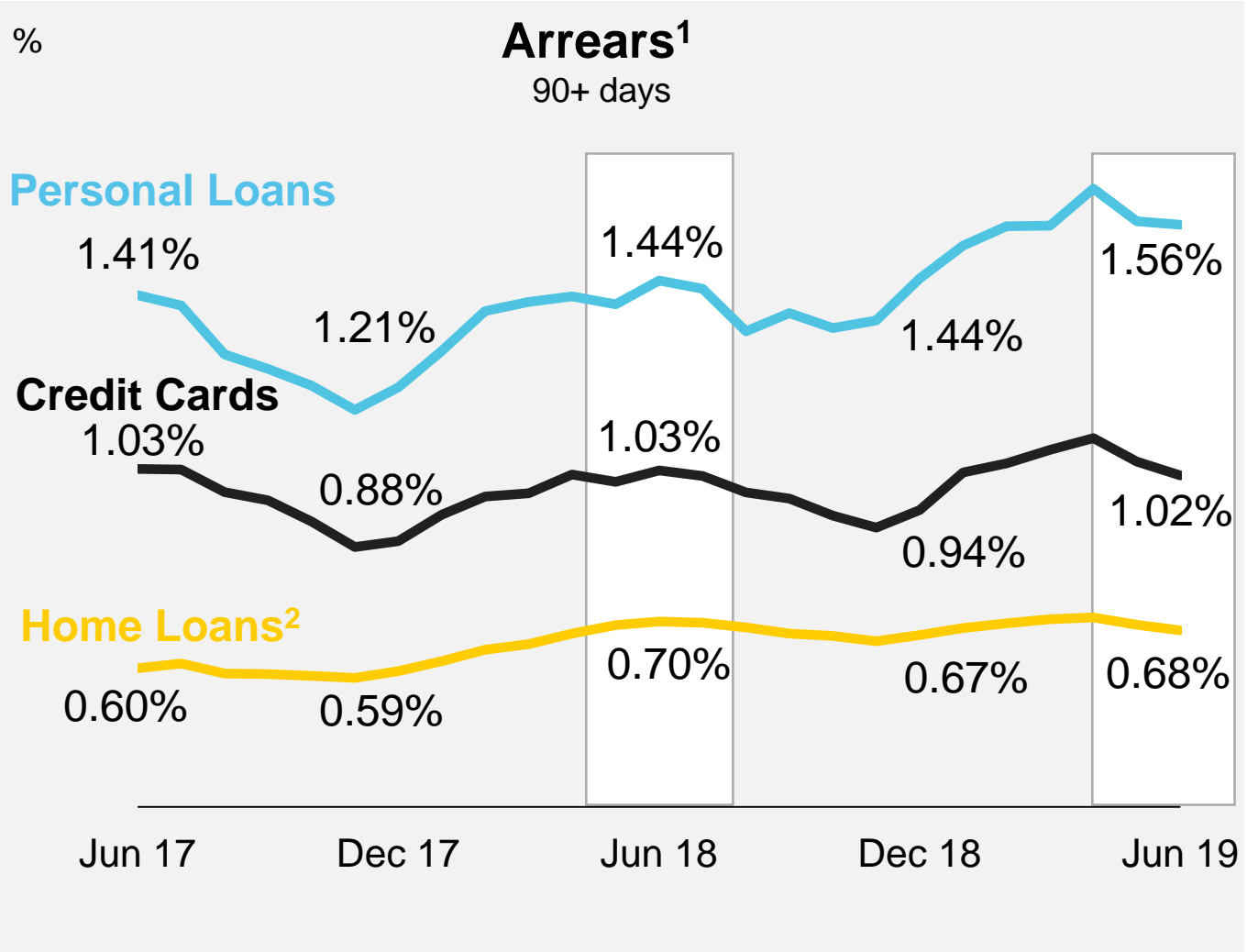
## Asset Quality

“ Supporting Australian businesses with \$36 billion of new business lending this year ”

# Credit risk – consumer credit quality & provisions



Economic conditions broadly supportive - some pockets of stress

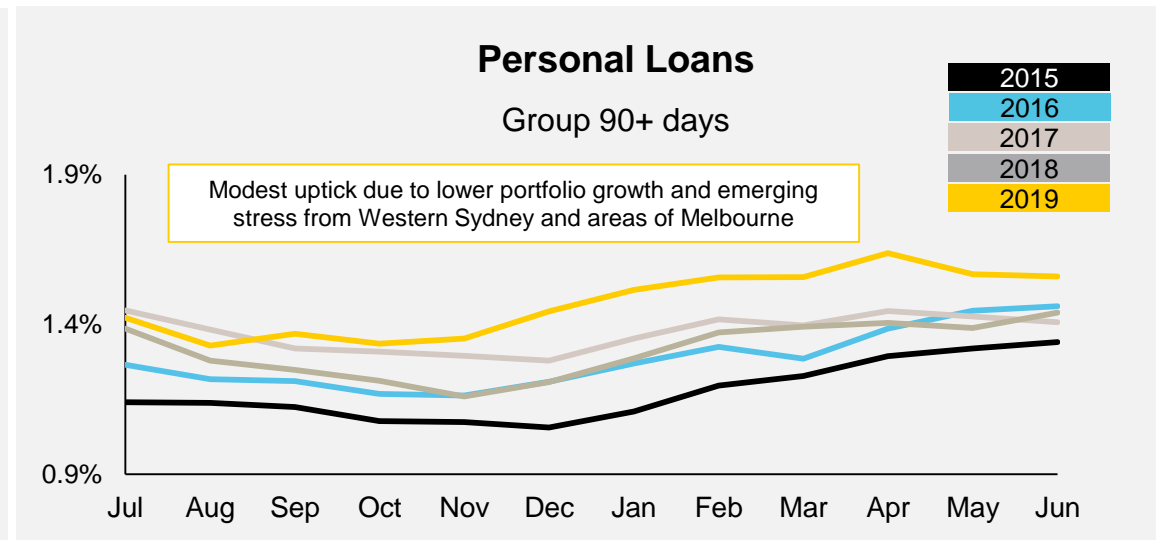
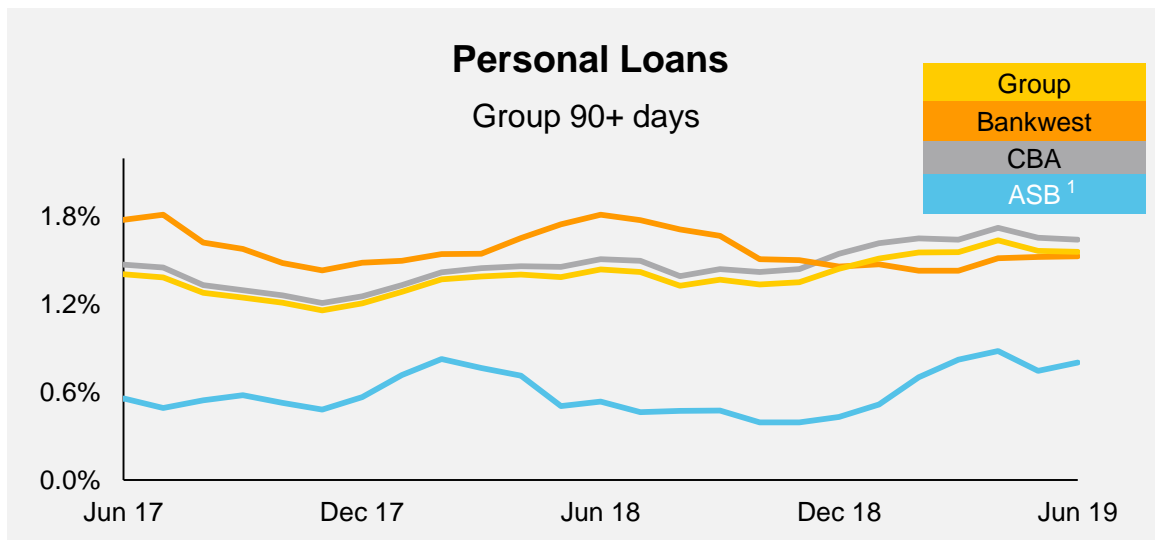
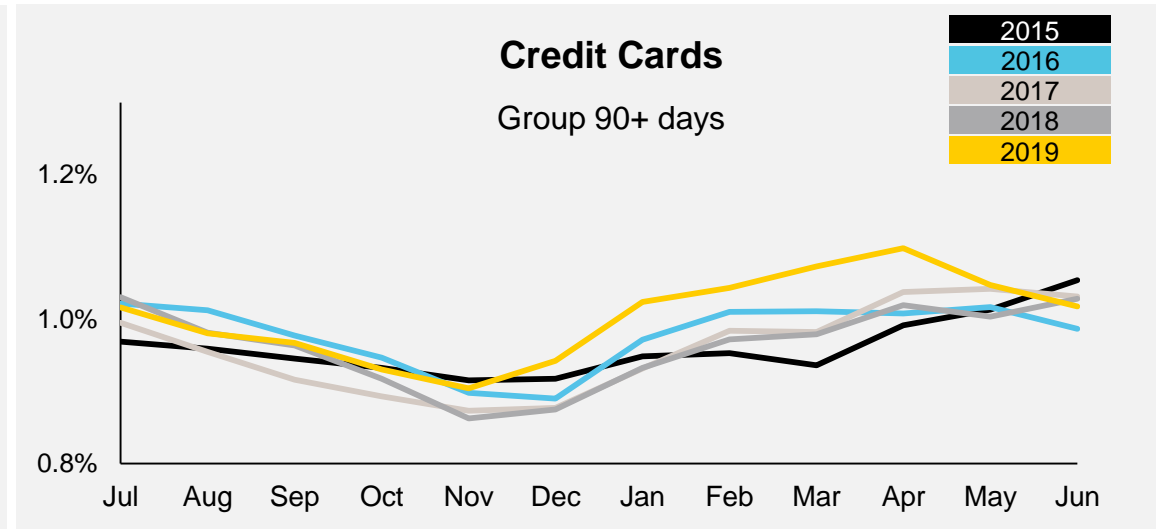
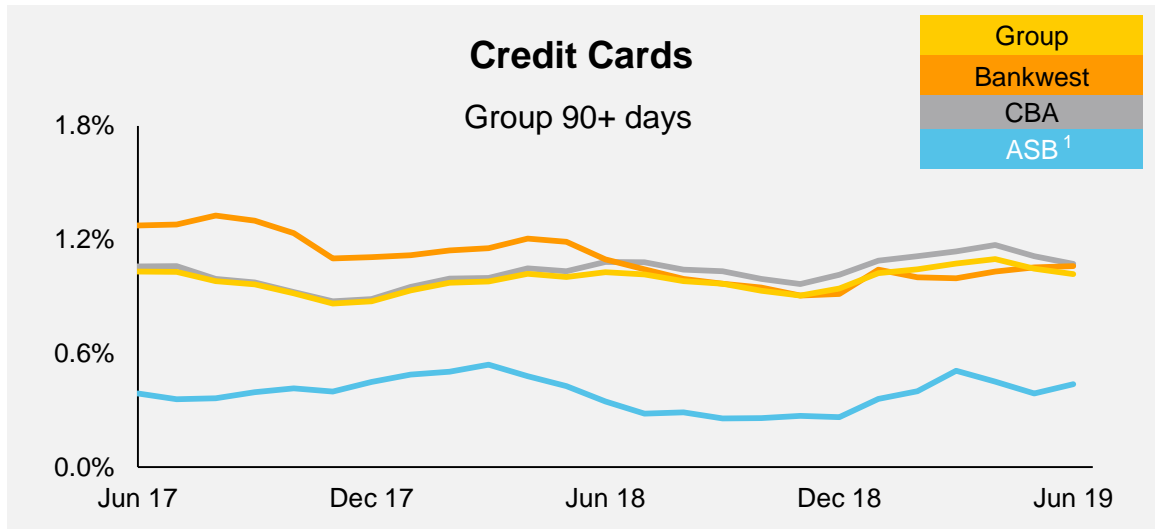


1. Group consumer arrears including New Zealand. 2. Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans. 3. Collective provisions divided by credit risk weighted assets.

# Consumer arrears



## Personal Loan arrears moderating but remain elevated



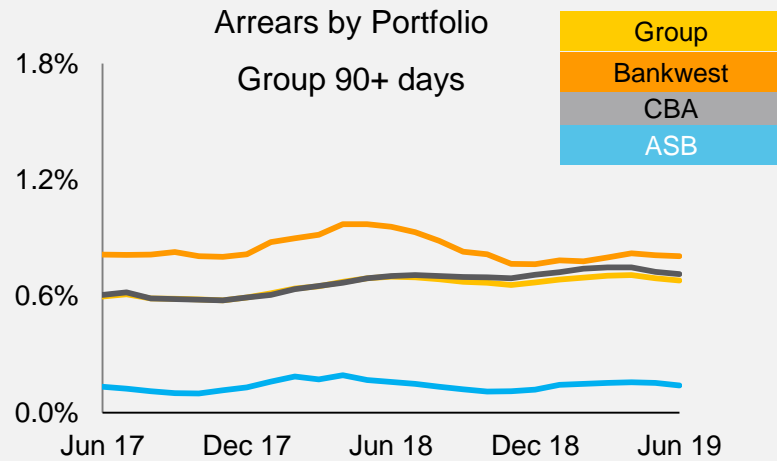
1. ASB write-off Credit Card and Personal Loans typically around 90 days past due if no agreed repayment plan.



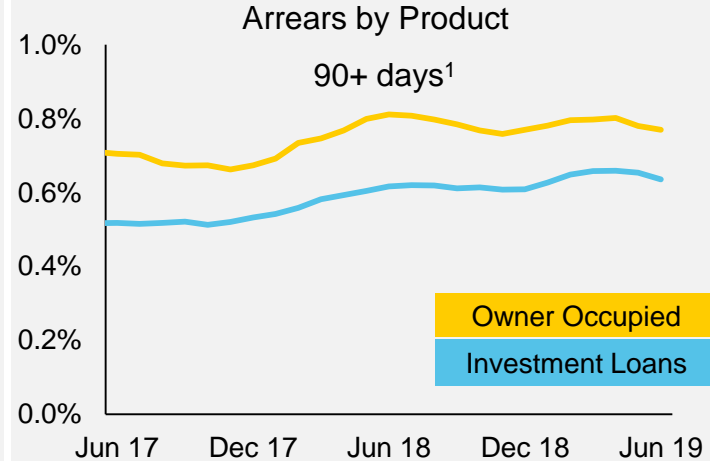
# Home loan arrears



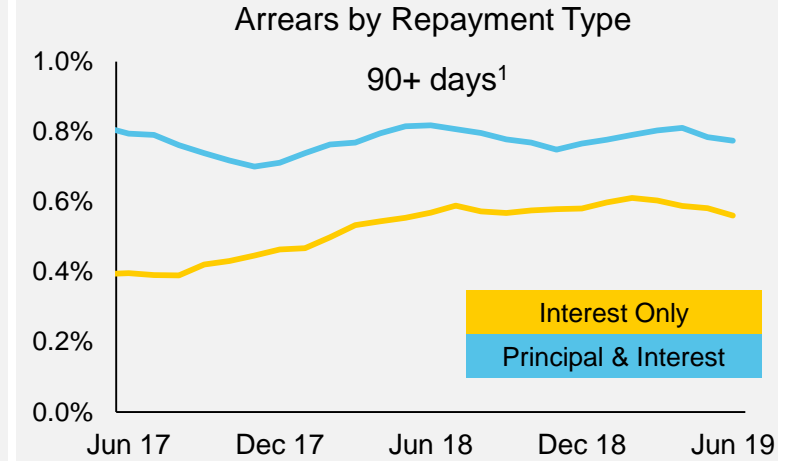
## Group portfolio arrears broadly stable this half



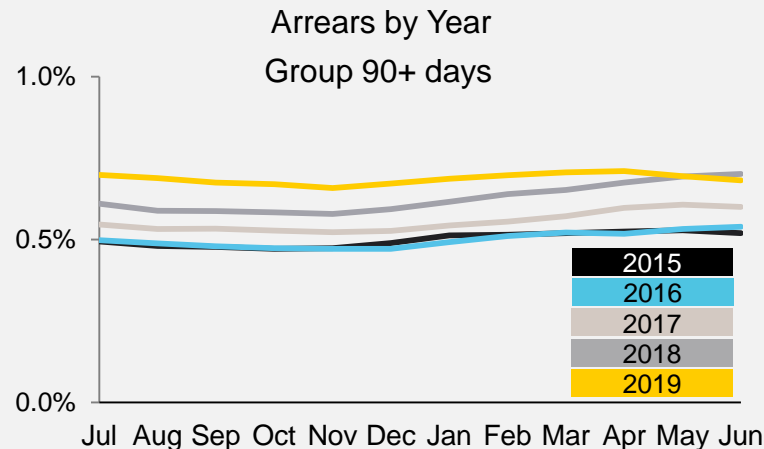
## Trends are broadly consistent across loan types....



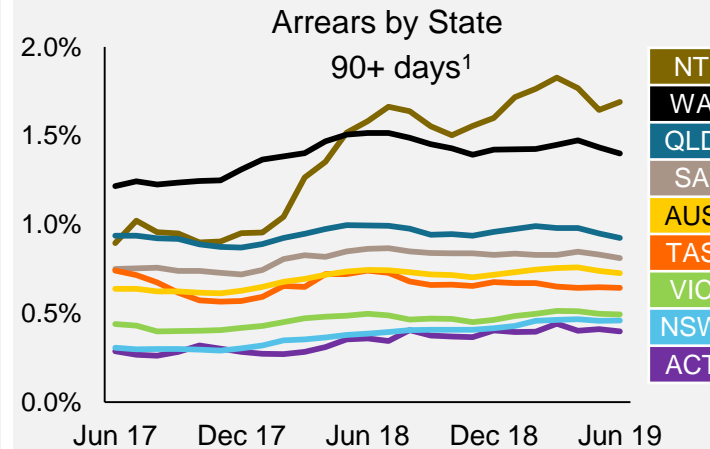
## ....with interest only arrears steady over the last 12 months



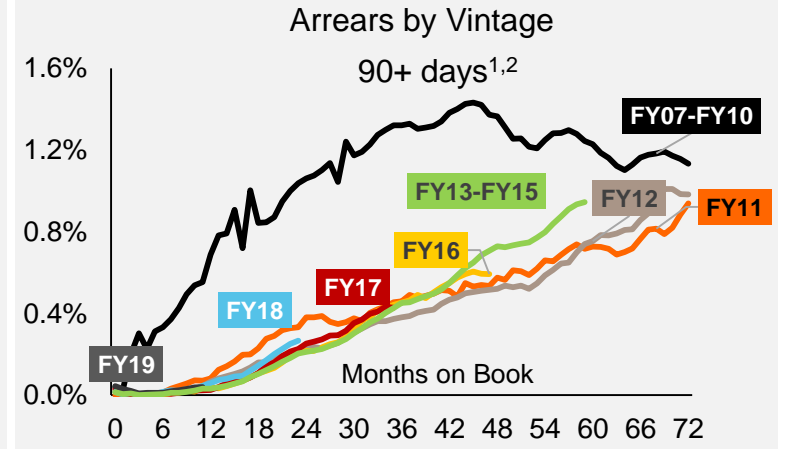
## Overall arrears are down on 2018, though marginally elevated vs prior years...



## ....reflecting pockets of stress in particular geographies



## Vintage performance since 2007-2010 continues to be relatively steady



1. CBA including Bankwest. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group. 2. Bankwest included from FY08.

# Credit exposure summary



**TIA/TCE higher this half at 0.72% - some emerging signs of stress**

	Group TCE		TIA \$m		TIA % of TCE	
	Dec 18	Jun 19	Dec 18	Jun 19	Dec 18	Jun 19
Consumer	57.8%	58.6%	1,832	2,101	0.29%	0.33%
Sovereign	10.0%	9.7%	-	-	-	-
Property	6.2%	6.3%	652	775	0.97%	1.14%
Banks	4.6%	4.5%	9	9	0.02%	0.02%
Finance – Other	4.9%	4.9%	78	35	0.15%	0.07%
Retail & Wholesale Trade	2.0%	1.9%	478	636	2.15%	3.16%
Agriculture	2.1%	2.1%	1,042	989	4.65%	4.40%
Manufacturing	1.4%	1.4%	375	403	2.46%	2.71%
Transport	1.5%	1.4%	225	259	1.41%	1.72%
Mining	1.3%	1.1%	314	199	2.30%	1.74%
Business Services	1.3%	1.1%	278	333	1.97%	2.72%
Energy	0.9%	0.9%	2	86	0.02%	0.84%
Construction	0.8%	0.8%	419	579	5.08%	7.10%
Health & Community	0.8%	0.8%	222	224	2.49%	2.47%
Culture & Recreation	0.6%	0.6%	62	101	0.93%	1.64%
Other	3.8%	3.9%	761	1,070	1.82%	2.51%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6,749</b>	<b>7,799</b>	<b>0.62%</b>	<b>0.72%</b>

# Corporate portfolio quality<sup>1</sup>



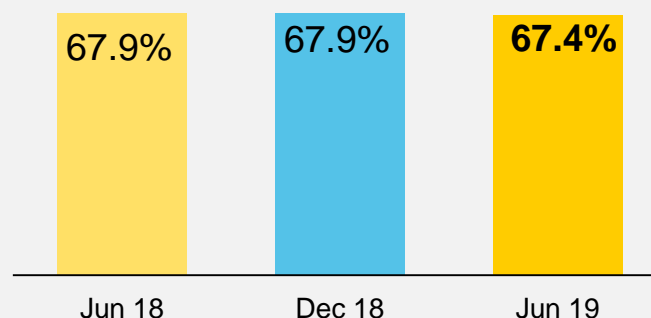
Approximately 67% investment grade – weighted to Australia/NZ

## Exposures by Industry

TCE \$bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Jun 19
Sovereign	95.8	9.1	0.5	-	105.4
Property	3.1	6.2	14.7	44.2	68.2
Banks	23.1	22.0	3.2	0.1	48.4
Finance - Other	23.9	22.6	4.0	2.2	52.7
Retail & Wholesale Trade	0.1	1.2	4.0	14.8	20.1
Agriculture	-	0.1	2.7	19.7	22.5
Manufacturing	-	2.3	4.4	8.1	14.8
Transport	-	1.4	7.4	6.3	15.1
Mining	-	3.2	5.1	3.1	11.4
Energy	0.3	2.2	5.9	1.8	10.2
All other ex Consumer	1.7	5.9	18.3	42.3	68.2
<b>Total</b>	<b>148.0</b>	<b>76.2</b>	<b>70.3</b>	<b>142.6</b>	<b>437.1</b>

## Corporate Portfolio Quality

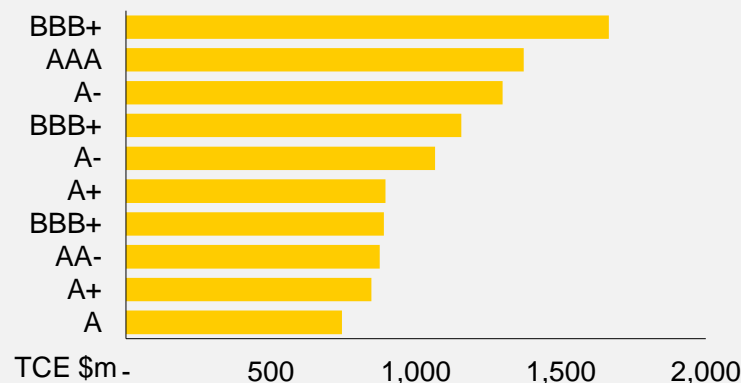
Investment Grade



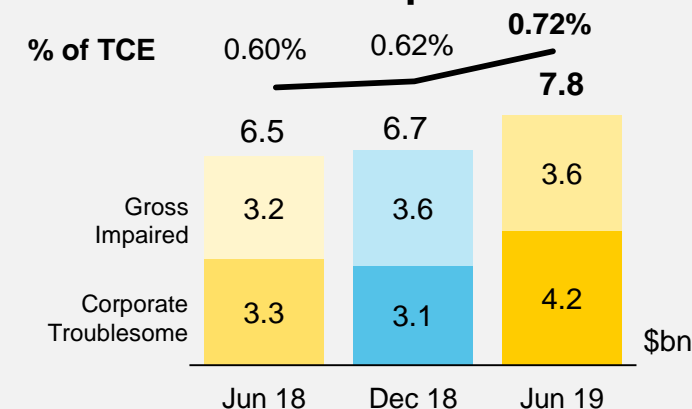
## Group TCE by Geography

	Jun 18	Dec 18	Jun 19
Australia	77.6%	77.9%	78.4%
New Zealand	10.0%	10.4%	10.6%
Europe	4.7%	3.9%	3.5%
Other	7.7%	7.8%	7.5%

## Top 10 Commercial Exposures



## Troublesome and Impaired Assets



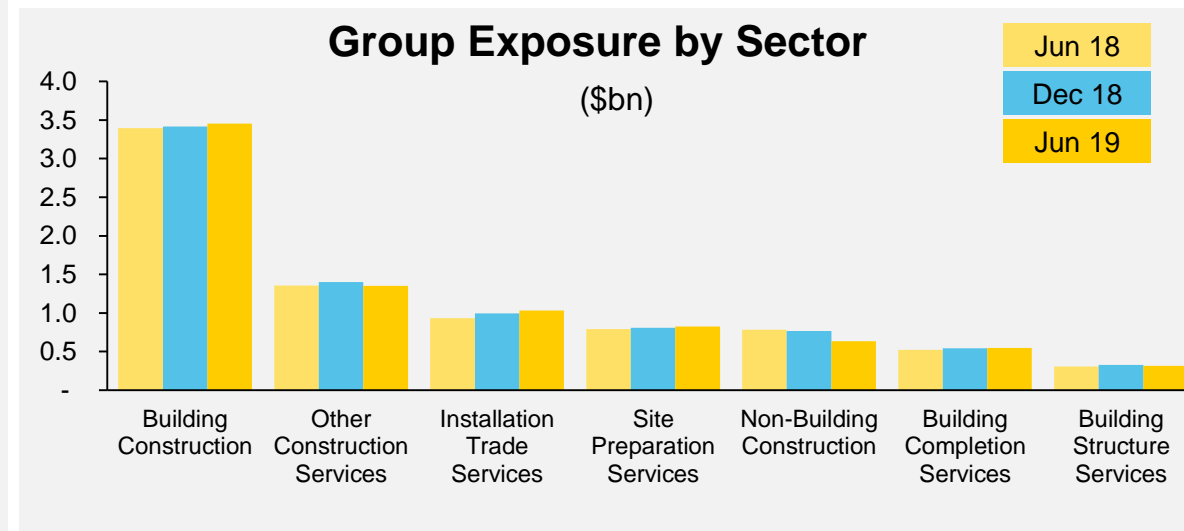
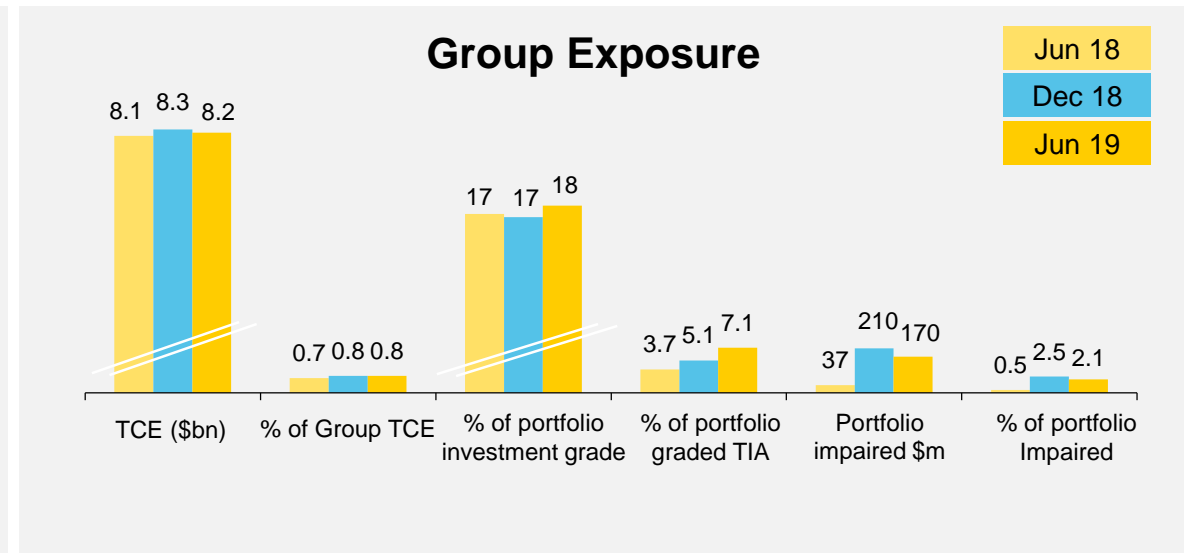
1. CBA grades in S&P equivalents.

# Sectors of interest - Construction



## Outlook remains cautious

- Exposures of \$8.2bn (0.8% of Group TCE) with no material changes to sector composition.
- Portfolio rated 18% investment grade and 41% of exposures secured.
- On-going higher risk is evidenced by elevated TIAs reflecting recent failures and challenging market conditions. Impaired portfolio is lower in the half following a large single name write off.
- Indirect risk is evident in other industry classifications not captured in Construction.
- Recent losses, while elevated, are consistent with the sector's disproportionate share of write offs over the longer term.
- Revised origination guides introduced and detailed portfolio monitoring continues.
- The credit outlook remains cautious despite a positive growth outlook largely from Government supported infrastructure projects.

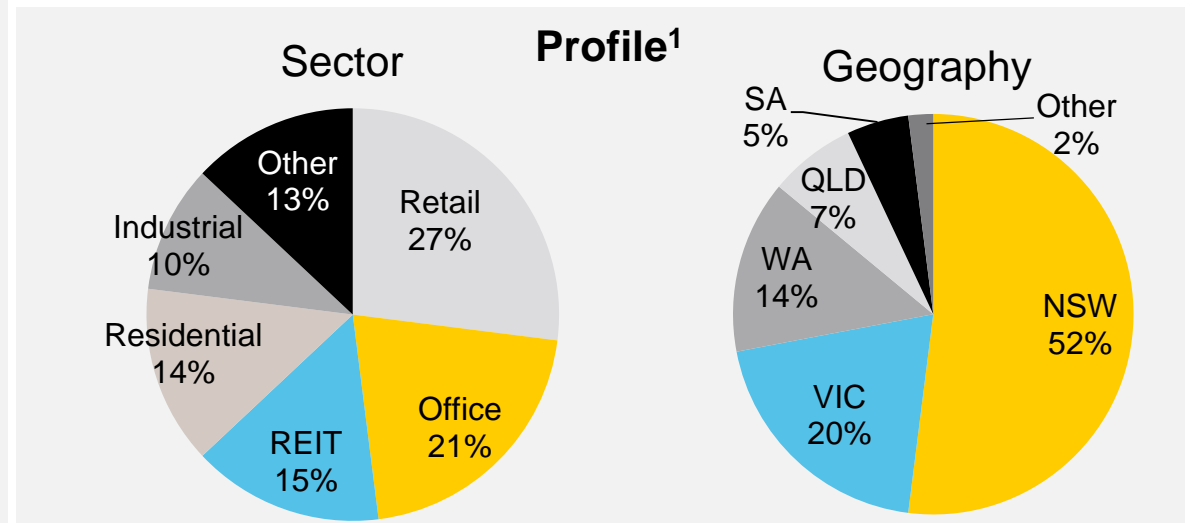
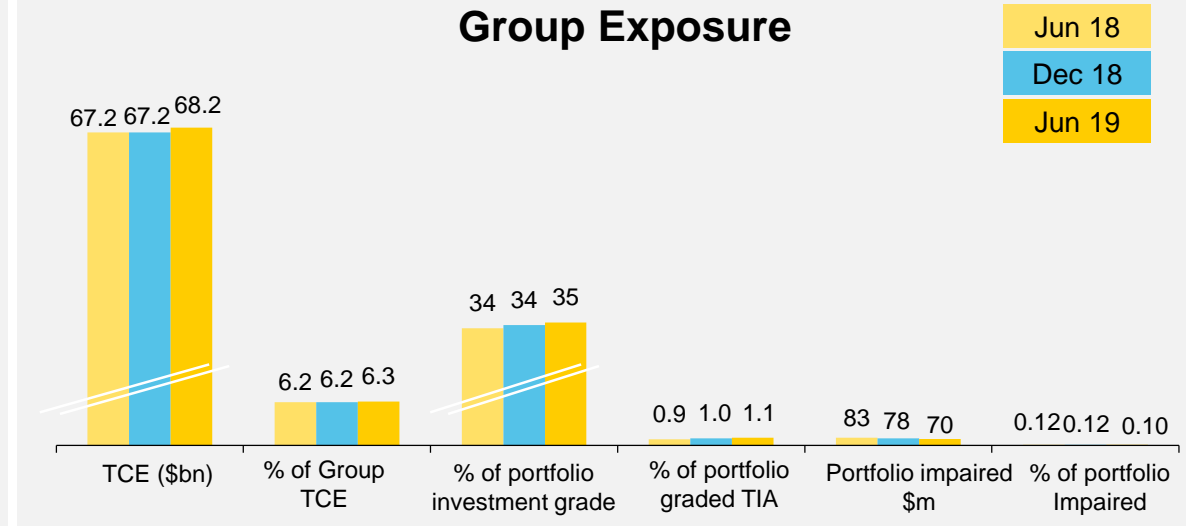


# Sectors of interest – Commercial Property



## Portfolio weighted to NSW – TIA low at 1.1%

- Increase in investment exposures driving moderate increase exposure for the half year (+1.4%).
- Diversified across sectors and by counterparty.
- Lower apartment development exposures.
- Top 20 counterparties primarily investment grade (weighted average rating of BBB equivalent) and account for 16.6% of Commercial Property exposure.
- 35% of the portfolio investment grade, majority of sub-investment grade exposures secured (91%).
- Impaired exposures remain low (0.10% of the portfolio).
- Geographical weighting remained steady this half.
- Ongoing comprehensive market, exposure monitoring of the portfolio.



1. Sector profile is Group wide Commercial Property. Geographic profile is domestic Commercial Property.

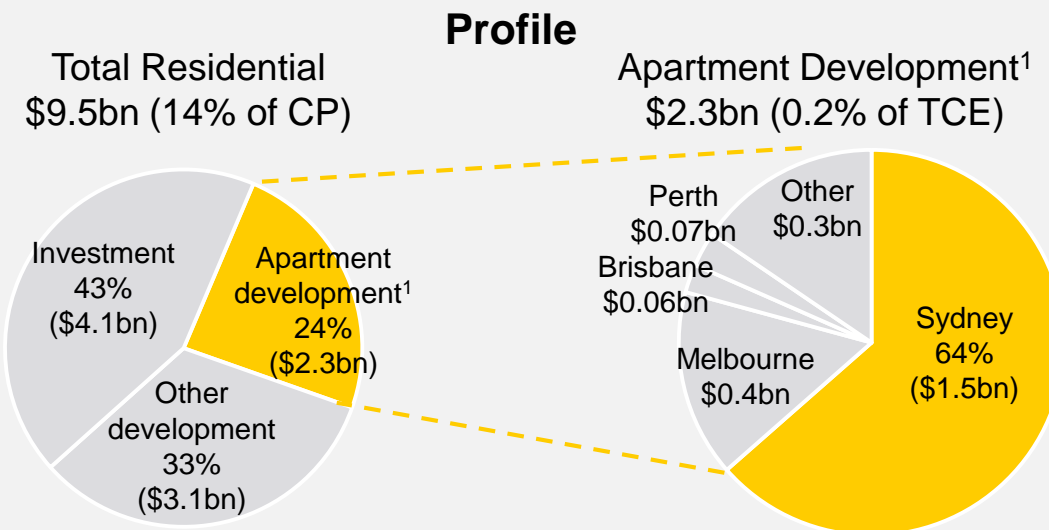


# Sectors of interest – Residential Apartments



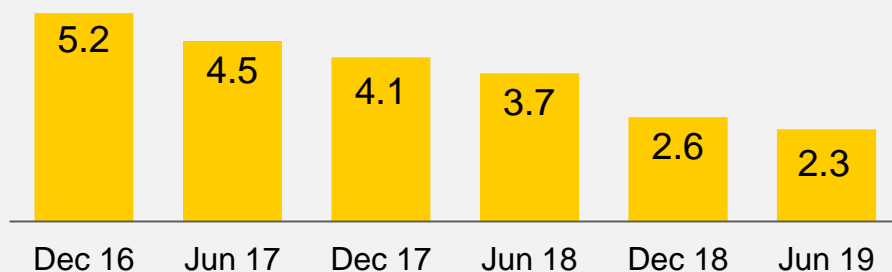
## Weighted to Sydney – portfolio dynamics broadly stable during the half year

- Apartment Development<sup>1</sup> exposure reduced by \$2.9bn (56%) since Dec 16.
- Facilities being repaid on time from pre-sale settlements.
- Weighting to Sydney - Sydney developments are diversified across the metropolitan area.
- Portfolio LVR and Qualifying Pre-sales (QPS)<sup>2</sup> broadly stable at 55.3% and 107.7% respectively.
- Ongoing comprehensive market, exposure and settlement monitoring on the portfolio.



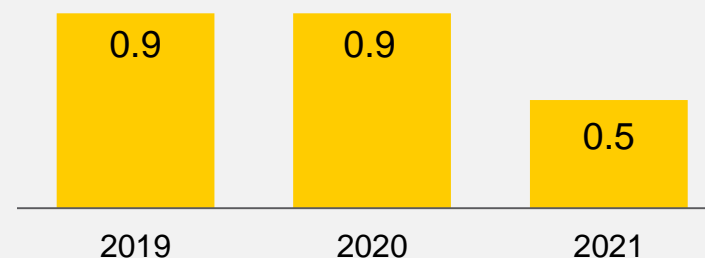
### Residential Apartment Development

Total Exposure (\$bn)



### Exposure Maturity Profile<sup>1</sup>

(\$bn)



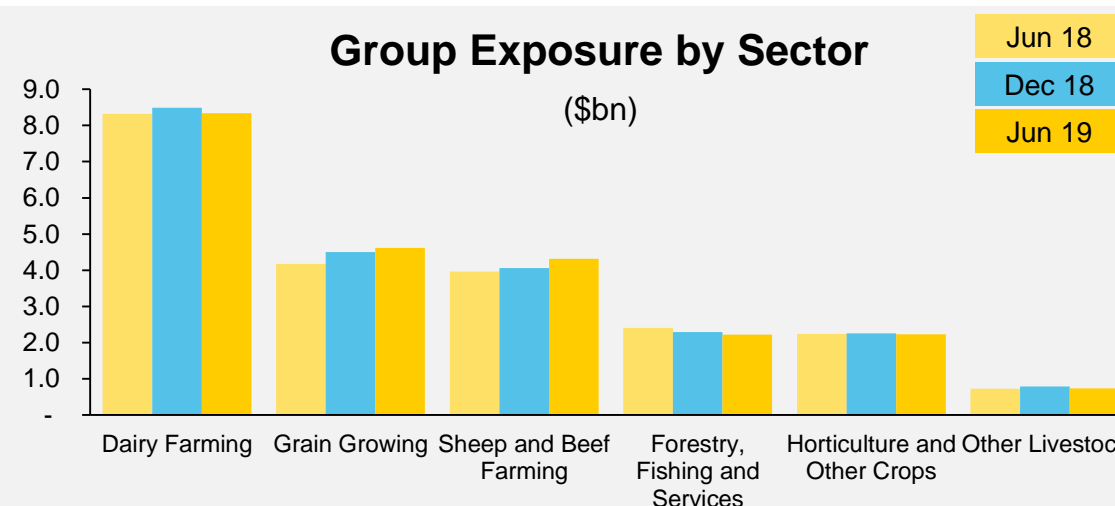
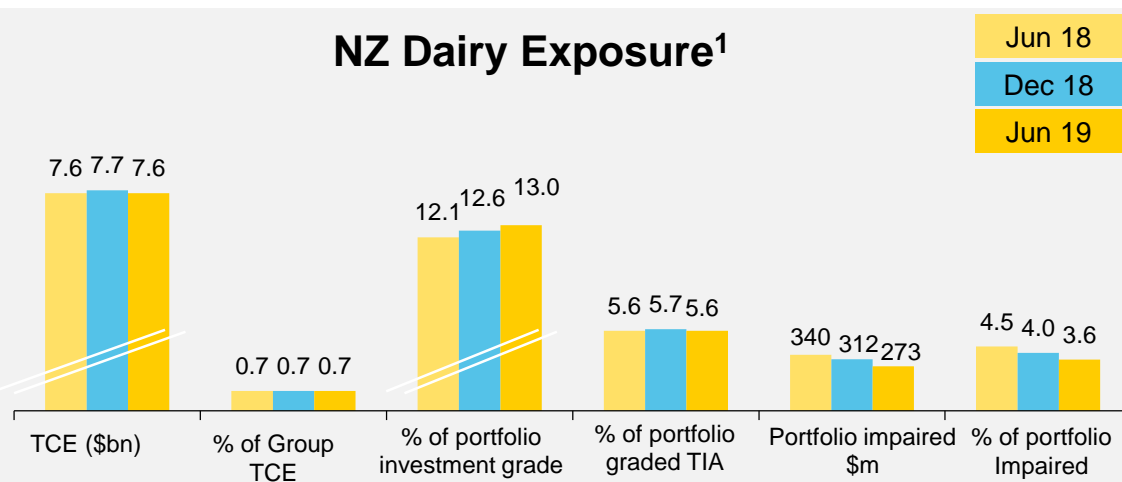
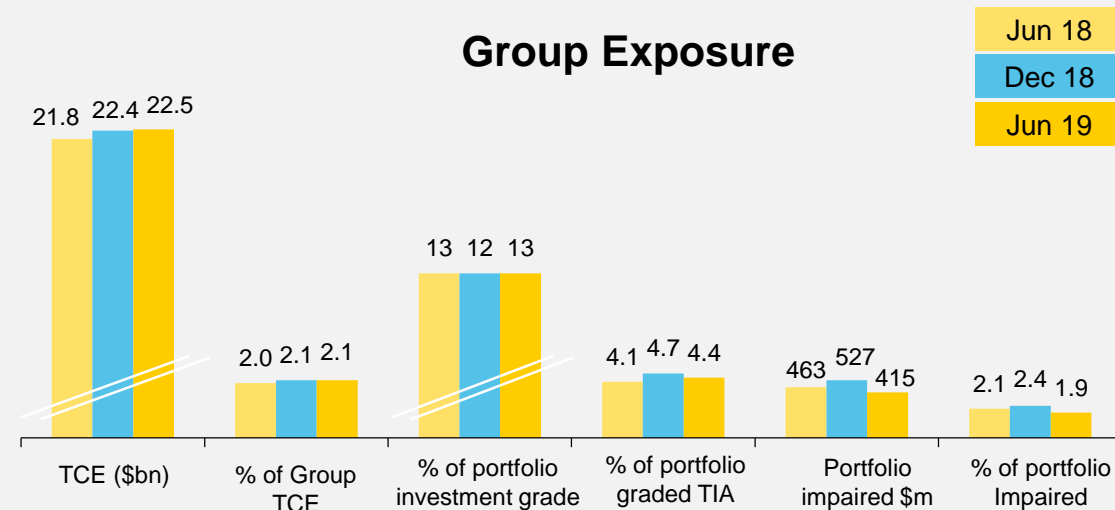
1. Apartment Developments > \$20m. Brisbane, Melbourne and Perth defined as all postcodes within a 15km radius of the capital city and Sydney is all metropolitan Sydney based on location of the development. Other is all other locations. 2. QPS cover is the ratio of Qualifying Pre Sales to loan exposures.

# Sectors of interest – Agriculture



## Well diversified portfolio, weighted to NZ dairy

- Group agriculture exposure of \$22.5bn (2.1% of Group TCE) – diversified by geography, sector, client base.
- Australian agriculture portfolio is facing weak seasonal and drought conditions. The Australian dairy sector is encountering challenging conditions.
- NZ dairy sector outlook remains stable with market forecast for 2019/20 milk prices continuing to support recovery in the NZ dairy portfolio.

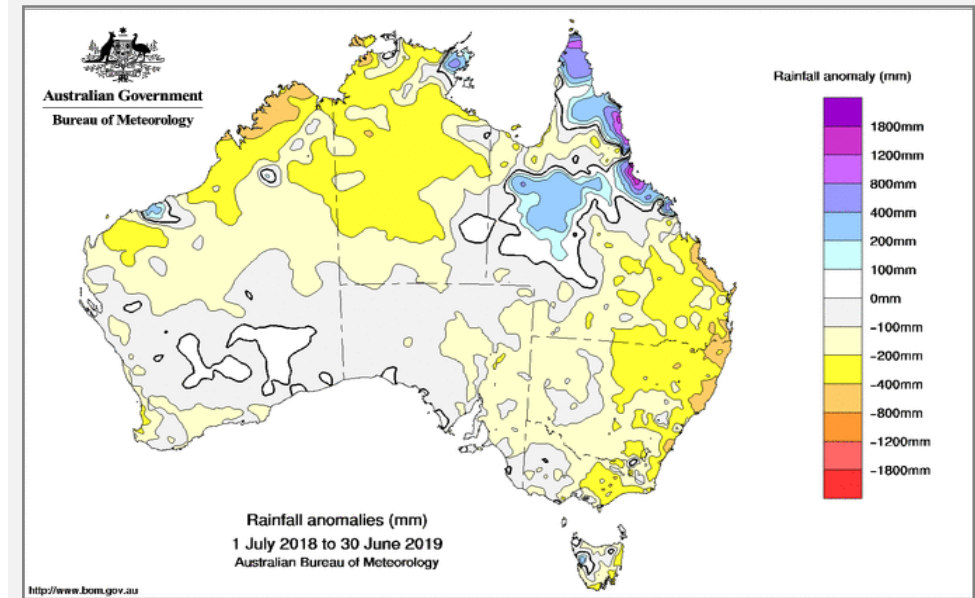


1. New Zealand dairy exposure (AUD) included in Group exposure.

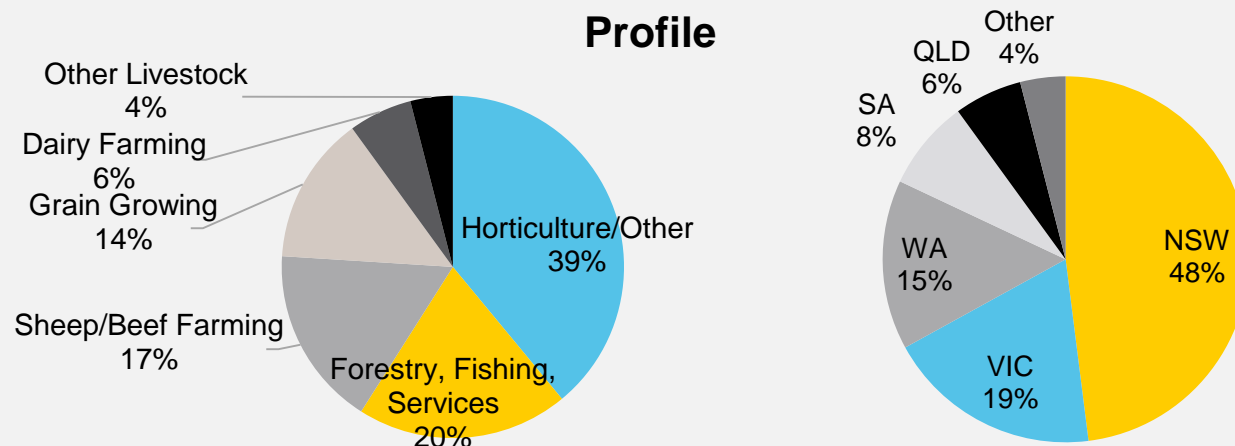
# Sectors of interest – drought affected areas

## \$8 million raised to support farmers and communities in drought affected regions

- CBA enacted its emergency assistance package in June 2018 for drought impacted clients.
- Drought more pronounced in NSW and Victoria, with conditions drier than long term averages.
- Past droughts have not materially impacted the portfolio's performance due to diversification by geography, industry and exposure size.
- The impact on clients is being closely monitored, with the drought's severity expected to become more evident over the next 12 to 18 months. 2017 was a good crop year and commodity prices have been favourable, which assisted clients leading into the drought.



### Profile



### Australian Agriculture Exposure

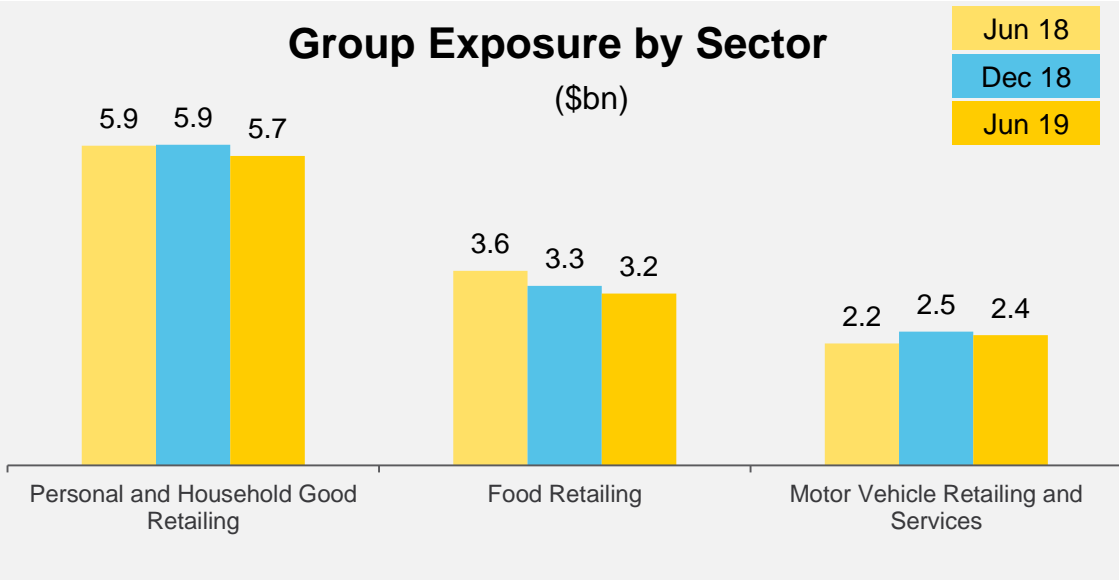
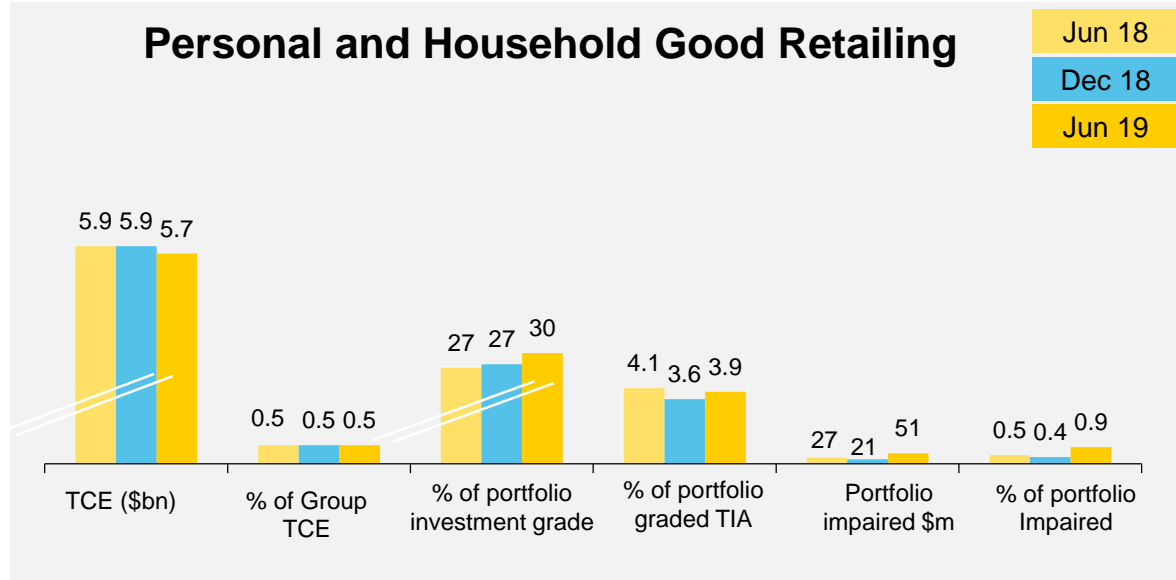
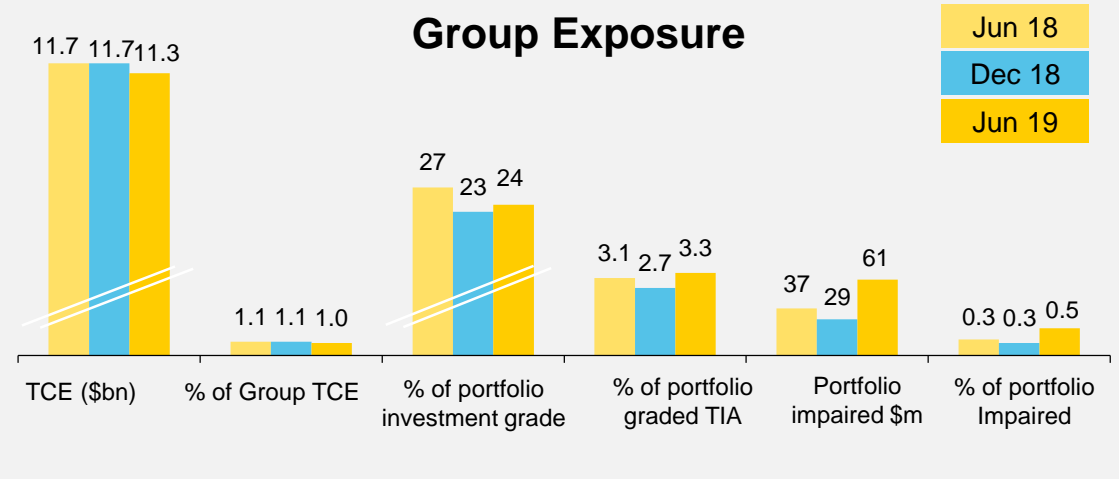
	Jun 18	Dec 18	Jun 19
Exposure (TCE)	\$11.0bn	\$11.2bn	\$11.2bn
% of Group TCE	1.02%	1.03%	1.03%
% of portfolio investment grade	12%	10%	11%
% of portfolio graded TIA	3.6%	4.6%	4.2%
% of portfolio impaired	0.7%	1.6%	0.8%

# Sectors of interest – Retail Trade



## Conditions remain challenging

- The retail trade sector remains weak, challenged by low wage growth, falling house prices, continued subdued consumer sentiment, and online disrupters.
- Retail trading conditions, particularly in the discretionary retail sectors, are expected to continue to be challenged by higher competition and downward pressure on prices and profitability, notwithstanding recent fiscal and monetary stimulus.
- Impairment increase due mainly to a single name exposure.







**5**

## **Areas of Interest**

**“We are Australia’s leading bank, with over 48,000 employees serving over 17 million customers”**



# A simpler bank – divestments/reviews



Status <sup>1</sup>		Future
Sovereign	Completed Jul 18	<b>Stronger</b> CET1 10.7% 10.5% Unquestionably strong Jun 19 11.8% Includes divestments <sup>1</sup> ~130bpts Pro-forma <sup>2</sup>
TymeDigital	Completed Nov 18	
CFSGAM	Completed Aug 19	
BoCommLife	Expected Completion 1H20	<b>Simpler core business</b> Group NPAT FY19 Non-Core Core ~95%
CommInsure Life	Expected Completion 1H20	
PTCL	Expected Completion 1H20	
Aligned Advice:		
- Count Financial	Expected Completion 1H20	
- Financial Wisdom	Assisted Closure	
- CFP-Pathways	Cessation	
General Insurance	Strategic Review	
VIB	Strategic Review	
CFS & Mortgage Broking <sup>3</sup>	Intention to exit	

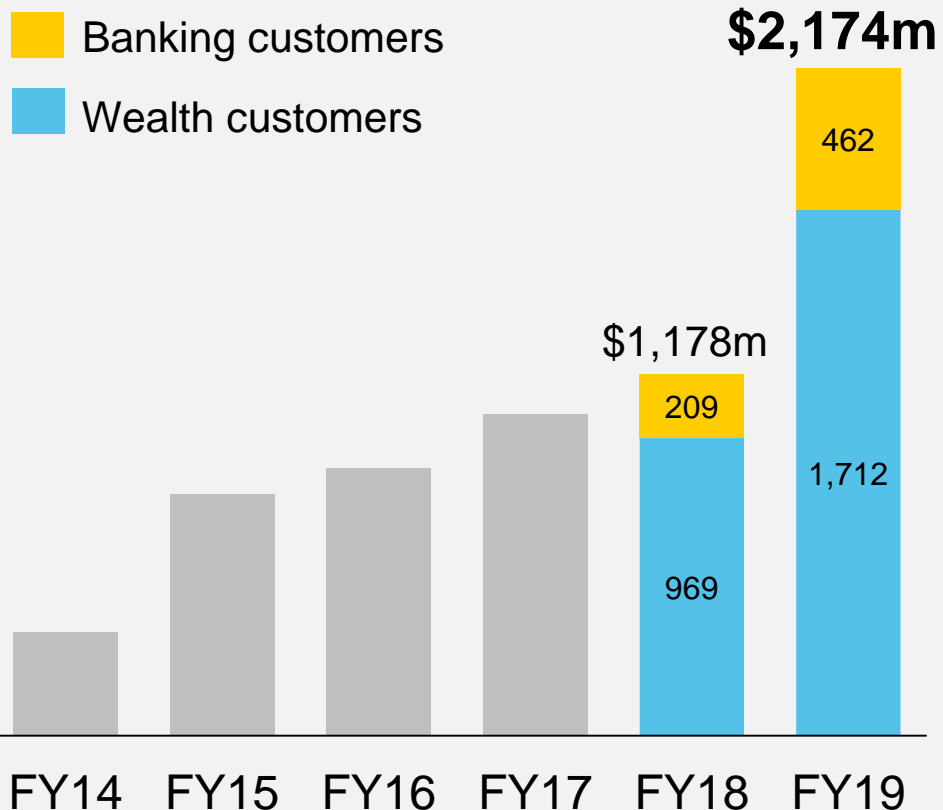
1. Completion of divestments subject to regulatory approvals. The sale of BoCommLife is a condition precedent for the sale of CommInsure Life. Expected completion dates in financial years. 2. Pro-forma includes divestments of CFSGAM, BoCommLife, CommInsure Life, PTCL and the impact of regulatory changes. 3. Includes Colonial First State, Aussie Home Loans (AHL) and CBA's minority shareholding in ASX-listed Mortgage Choice.

# Customer remediation

## Committed to remediating customers quickly

### Remediation and Program Costs

Cumulative spend and provisions



\$m	1H19	2H19	FY19	Total to-date
Aligned Advice remediation <sup>1</sup>	200	334	534	534
<b>Wealth customer refunds</b> <ul style="list-style-type: none"> <li>Includes an estimate of refunds and interest to customers relating to advice quality, fees where no service was provided in the Commonwealth Financial Planning Business, Credit Card Plus, Commlnsure Life Insurance and Loan Protection Insurance.</li> </ul>	46	72	118	459
<b>Banking customer refunds</b> <ul style="list-style-type: none"> <li>Business Banking remediation</li> <li>Package fees</li> <li>Interest and fee remediation</li> </ul>	30	152	182	375
Other program costs <sup>2</sup>	6	156	162	806
<b>Total</b>	<b>282</b>	<b>714</b>	<b>996</b>	<b>2,174</b>

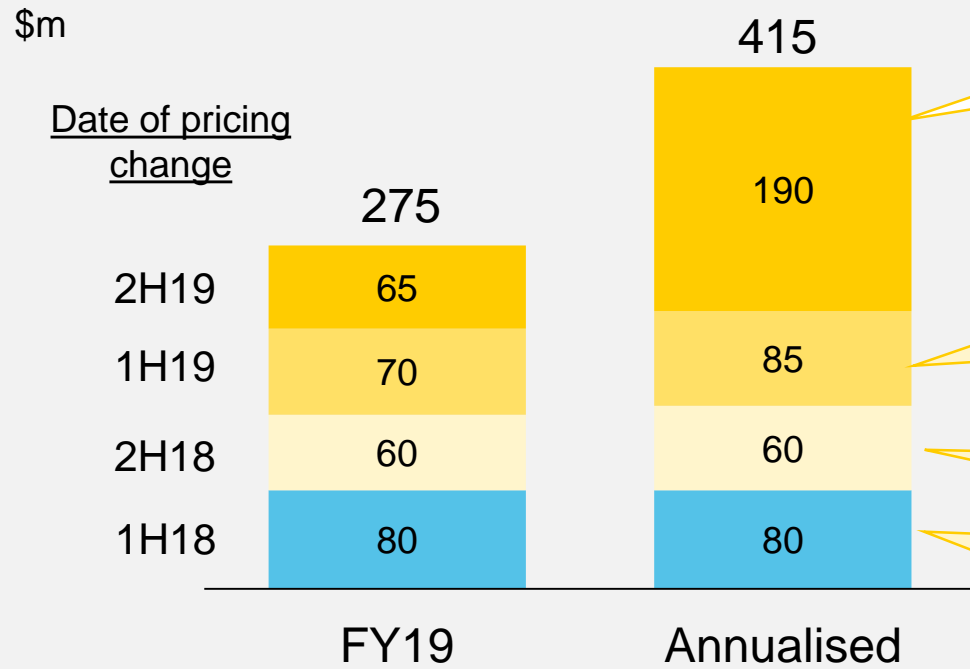
1. Total Aligned Advice remediation of \$534m includes \$374m in customer refunds (including \$123m of interest) and \$160m of program costs. Customer refunds assume a refund rate of 24% (excluding interest). This compares with a 22% refund rate for salaried adviser remediation. 2. Other program costs recognised in 2H19 includes regulatory response costs including the implementation of Royal Commission recommendations.

# Better customer outcomes



## Delivering savings to our customers through fee removals and pre-emptive alerts

### Income forgone by date of initiative



	RBS	BPB	WM
NII	45	5	-
OBI	170	15	-
FMI	25	-	15
<b>Total</b>	<b>240</b>	<b>20</b>	<b>15</b>

	RBS	BPB	WM
NII	70	10	-
OBI	180	15	-
FMI	55	-	85
<b>Total</b>	<b>305</b>	<b>25</b>	<b>85</b>

### Examples

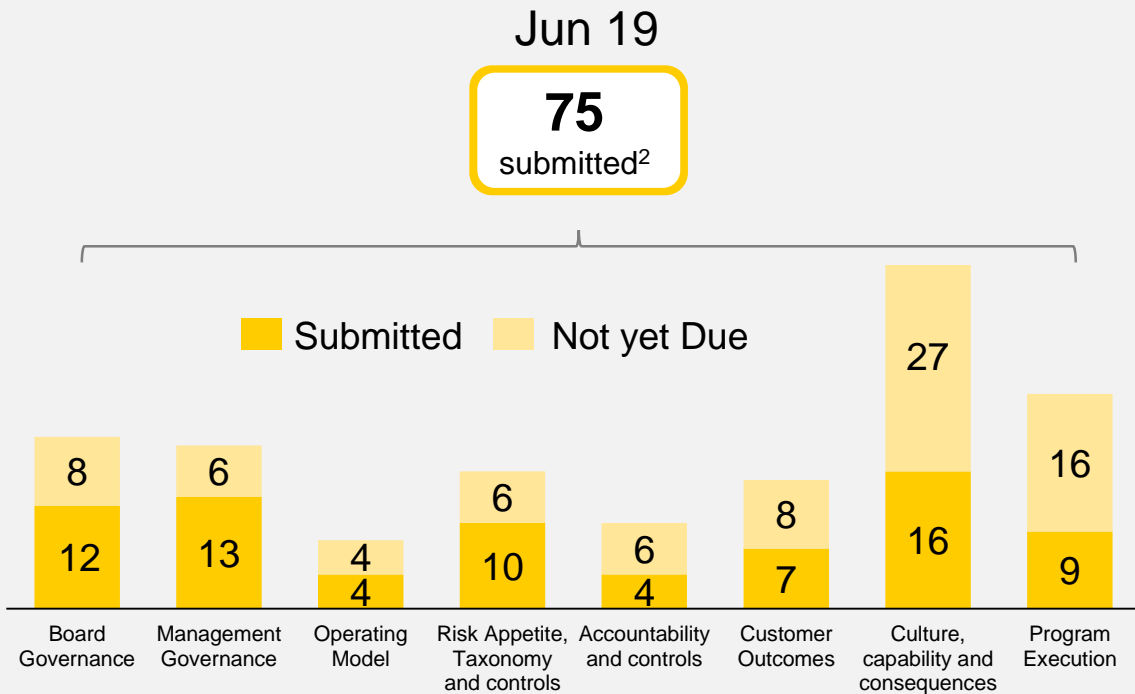
	RBS	BPB	WM
• Calculation of interest on credit cards	✓	✓	
• Wealth Management – Protecting Your Super			✓
• CFP – removal of ongoing service fees	✓		
• Wealth Management – CFS repricing			✓
• Overdrawn account alerts	✓	✓	
• Transaction account waivers	✓	✓	
• Credit Card, PL Protection insurance removed	✓	✓	
• Everyday banking fee and pricing changes	✓	✓	
• Overdrawn approval fee change	✓	✓	
• Credit card – low fee card fee waiver	✓	✓	
• IMT fee reductions	✓	✓	
• Streamline account transaction fee changes	✓	✓	
• ATM fee removal	✓	✓	

Better customer outcomes initiatives
  Regulatory response

# Regulatory engagement

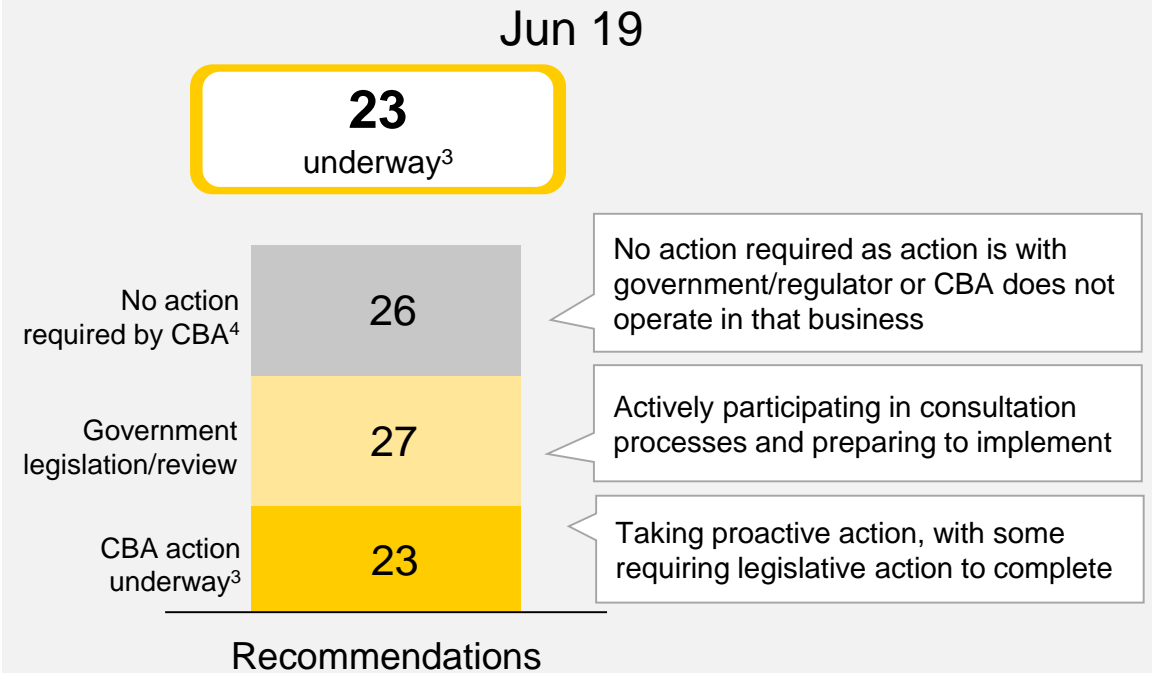


## Remedial Action Plan<sup>1</sup>



- ▶ 48% of milestones submitted<sup>2</sup>
- ▶ All milestones to be submitted by June 2021

## Royal Commission



- ▶ CBA welcomed all recommendations
- ▶ Implementation Taskforce chaired by Deputy CEO

1. The Remedial Action Plan is CBA's response to the recommendations contained in the Final Report of the Australia Prudential Regulation Authority (APRA) Prudential Inquiry into CBA released in May 18. 2. To Independent Reviewer. 3. Recommendations that are underway - some requiring legislative action to complete. 4. No action required as action is with Government/ regulator or CBA does not operate in that business.

# Responding to heightened regulatory requirements



## Engaging with greater frequency with our regulators across a range of matters

- **Royal Commission** – addressing recommendations and implementing the necessary changes
- **APRA** – delivering all 156 milestones of the Remedial Action Plan, with updates to APRA by the Independent reviewer every 3 months. Delivering on APRA requirements and recommendations as part of meeting their ongoing prudential supervision.
- **ASIC** – dealing with Enforceable Undertakings and addressing a number of matters in relation to the Group
- **Financial Crime** – continued strengthening of financial crime capabilities and responding to ongoing requests from domestic and offshore regulators
- **Risk uplift** – engaging with regulators on large improvement programs for data management and privacy
- **Remediation and Compliance programs** – promptly refunding customers and fixing business processes and systems
- **Banking Code of Practice** – ensuring compliance with the new code from 1 July 2019
- **New legislation** – ensuring we deliver on key government policies on comprehensive credit reporting and open banking
- **New regulatory obligations** – ensuring compliance with new requirements, including data security, large credit exposures and compliance with RBNZ BS11 requirements for our New Zealand subsidiary ASB
- **Class Actions** – managing ongoing shareholder and superannuation class actions
- **Employee matters** – working with applicable regulators / stakeholders to resolve identified discrepancies in employee arrangements and entitlements.

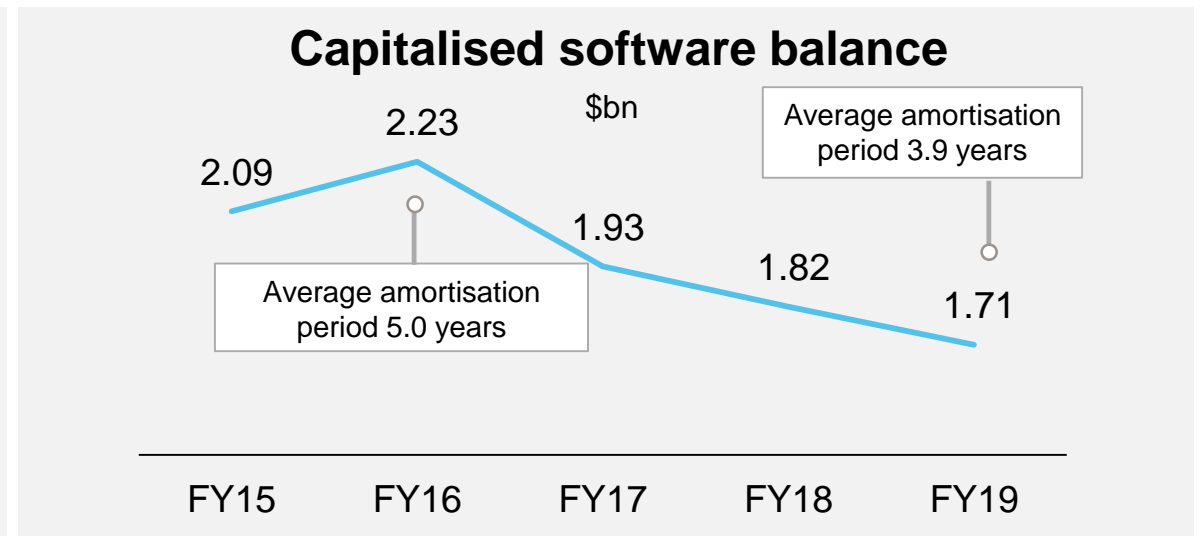
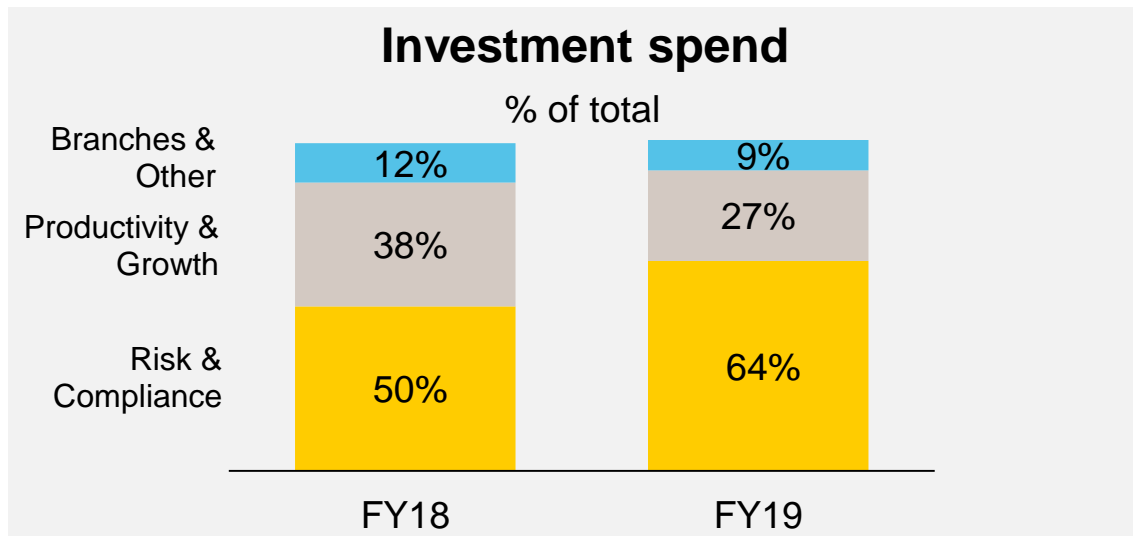
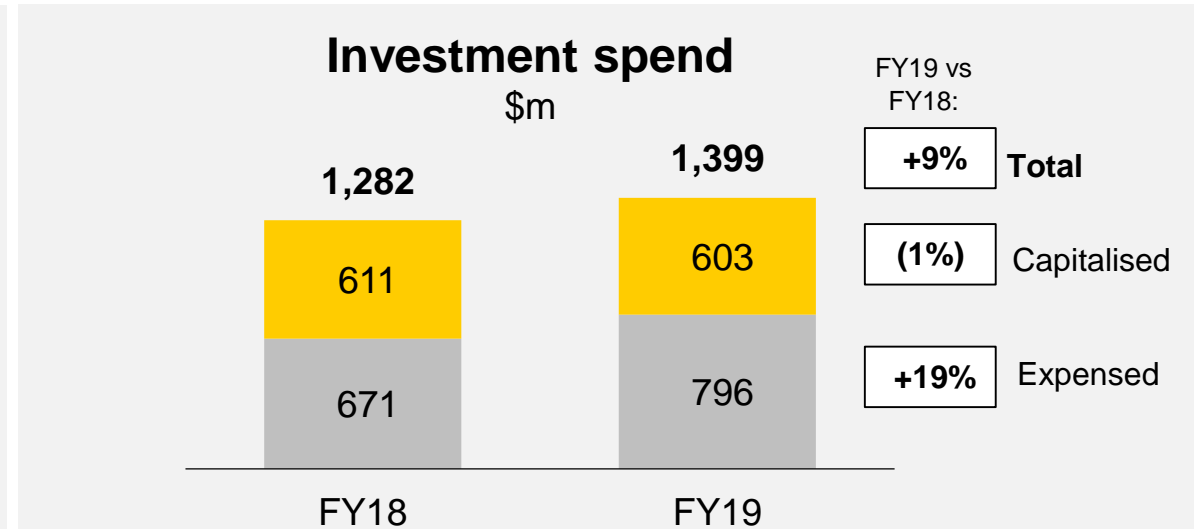
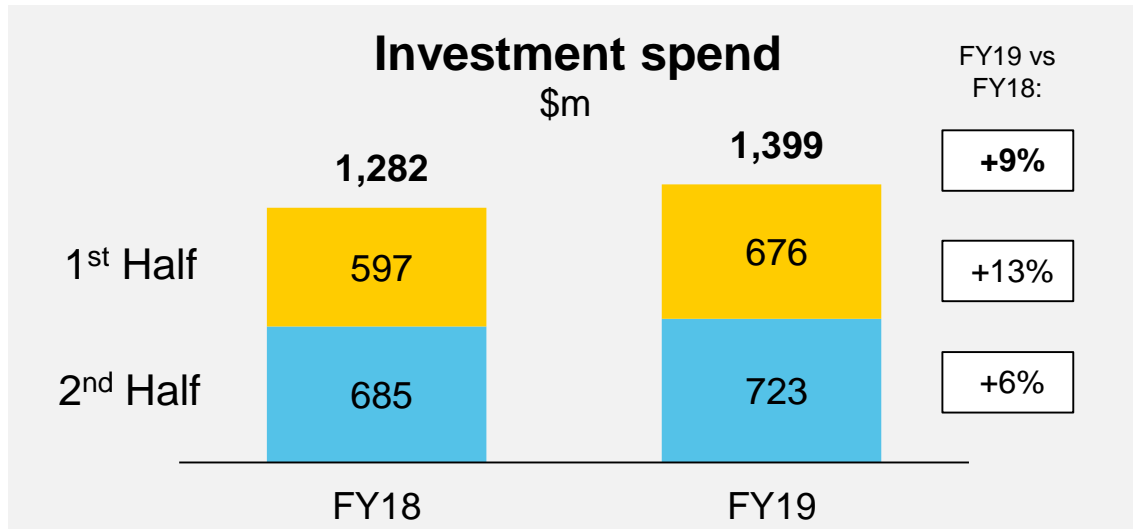
The Bank and its operations are subject to heightened regulatory scrutiny and requirements. Regulatory actions (including potential enforcement actions) or policy changes may negatively impact the Bank's financial position or standing. There are a range of matters where the outcome and any associated costs cannot be reliably estimated, therefore these matters would be treated as contingent liabilities. Further disclosure regarding the Group's contingent liabilities is provided in the 30 June 2019 year end Financial Statements.



# Investment spend<sup>1</sup>



Up 9% in FY19 – risk and compliance now 64% of total spend

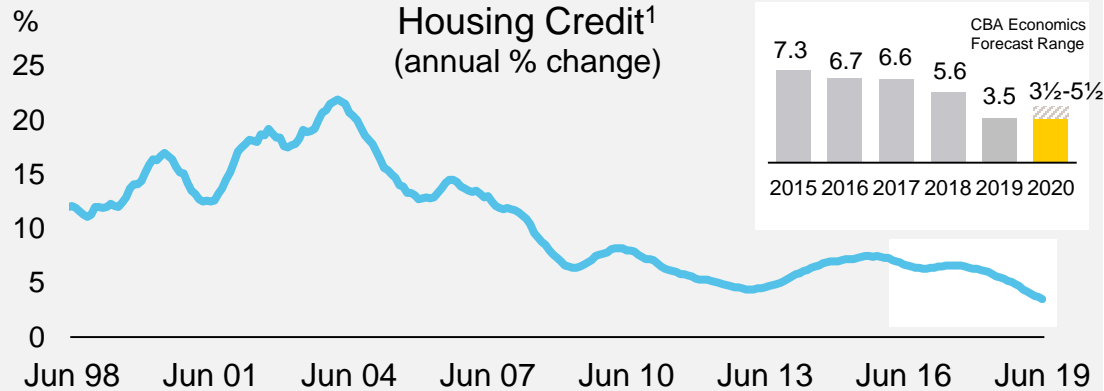


1. Comparative information has been restated to conform to presentation in the current period.

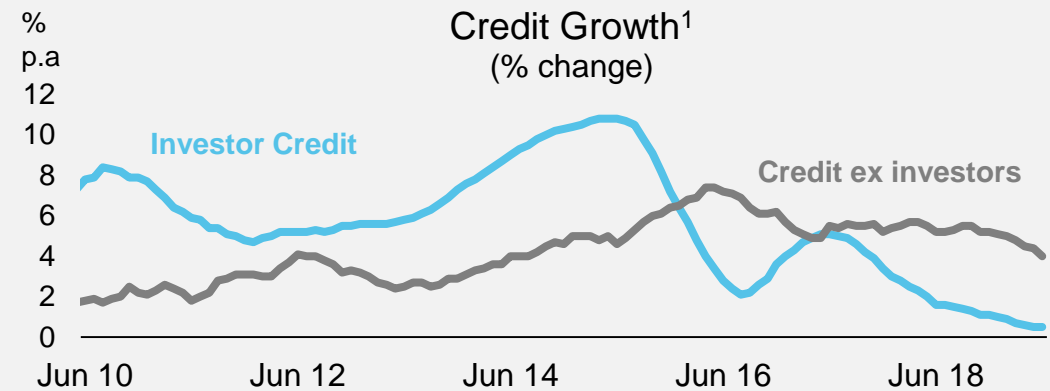
# Home lending – system overview



The recent modest slowdown in housing credit growth is expected to extend into calendar year 2020



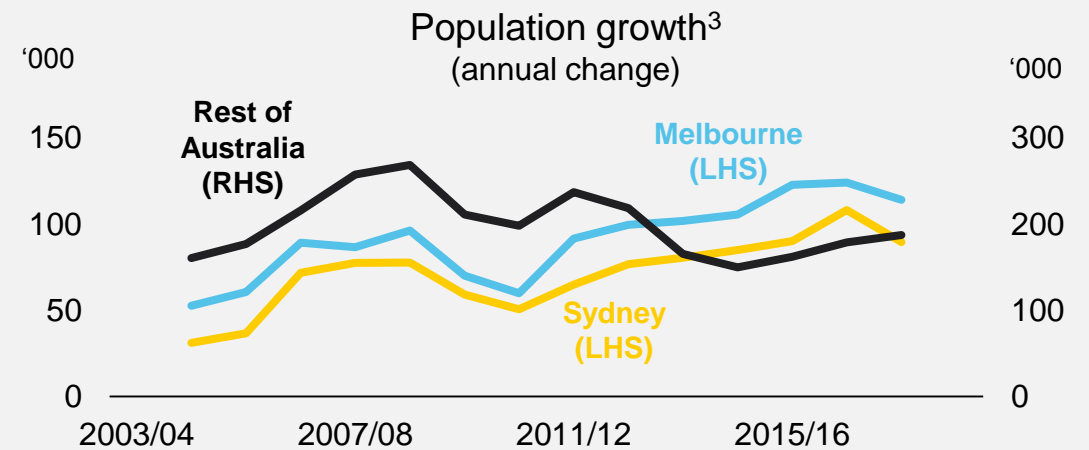
The slowdown has been driven by a combination of regulatory/other factors, largely in investment lending



Despite recent house price softening, most capital cities remain well up over the long term<sup>2</sup>

Period movements to Jun 19 (%)	10yrs	3yrs	1yr	6mths
Sydney	64	(1)	(10)	(4)
Melbourne	59	5	(9)	(4)
Brisbane	11	-	(3)	(3)
Adelaide	22	5	-	(1)
Perth	(6)	(13)	(9)	(5)
<b>Capital Cities (Combined)</b>	<b>42</b>	<b>-</b>	<b>(8)</b>	<b>(4)</b>

Housing credit demand continues to be supported by population growth

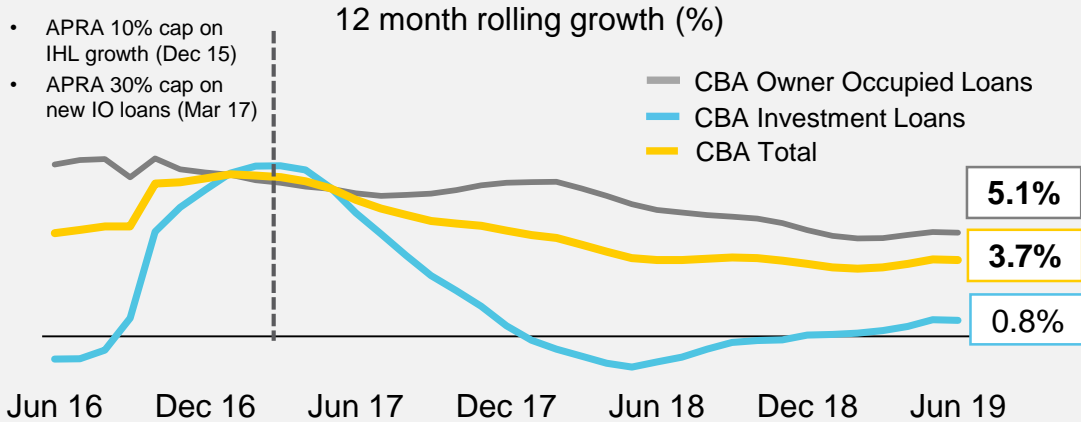


1. Source: RBA Lending and Credit Aggregates. 2. Source: CoreLogic Hedonic Home Value Index. 3. Source: ABS.

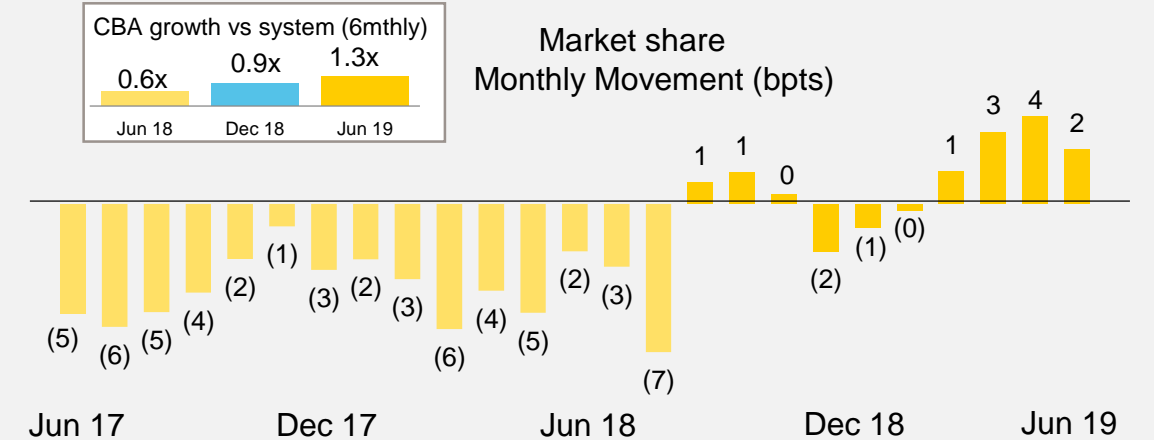
# Home lending - CBA<sup>1</sup>



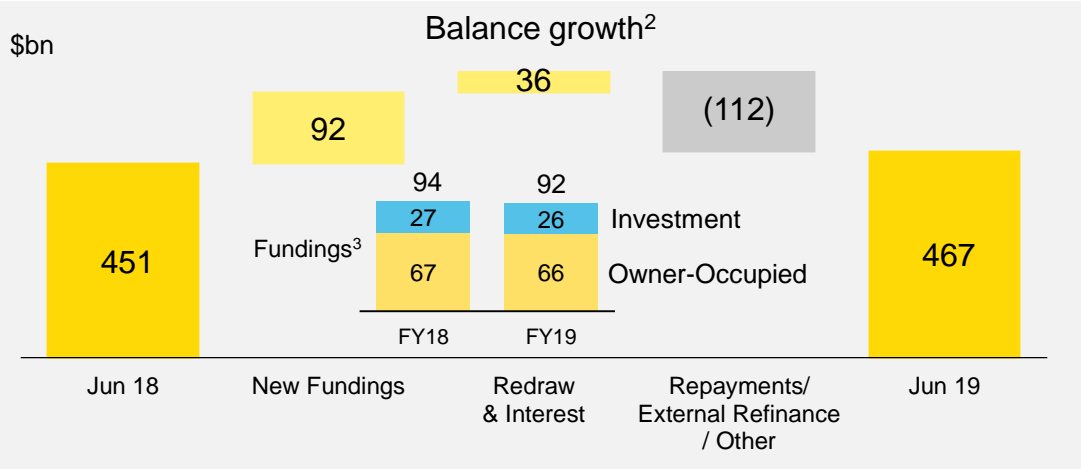
## CBA adopted regulatory changes early and avoided riskier segments at the peak of the market



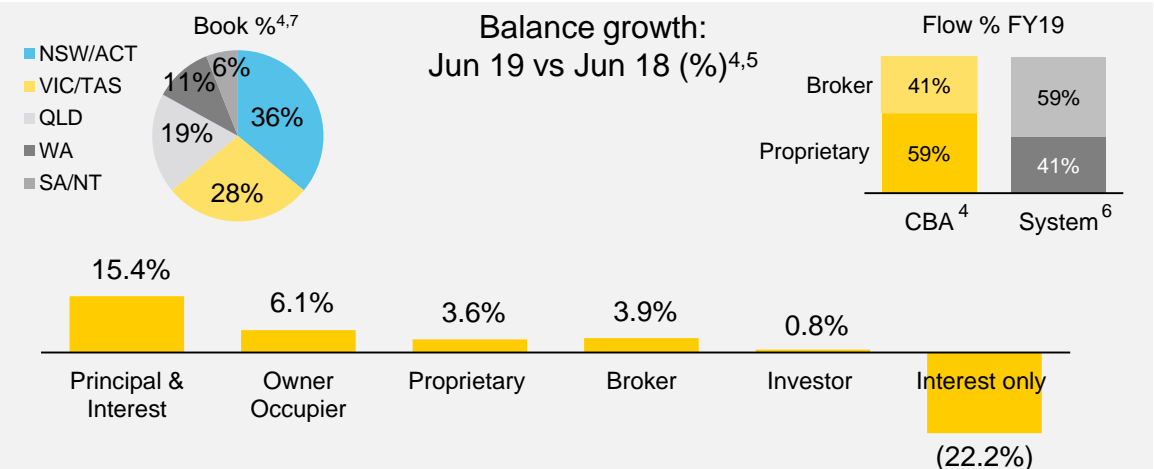
## Whilst some market share was ceded as a result, more recent growth has been at or above system



## FY19 funding levels were modestly lower than FY18, reflecting the market slowdown



## The Bank's focus remains on the core markets of owner-occupied and proprietary lending



1, 2, 3, 4, 5, 6, 7. Refer to notes slide at back of this presentation for source information.

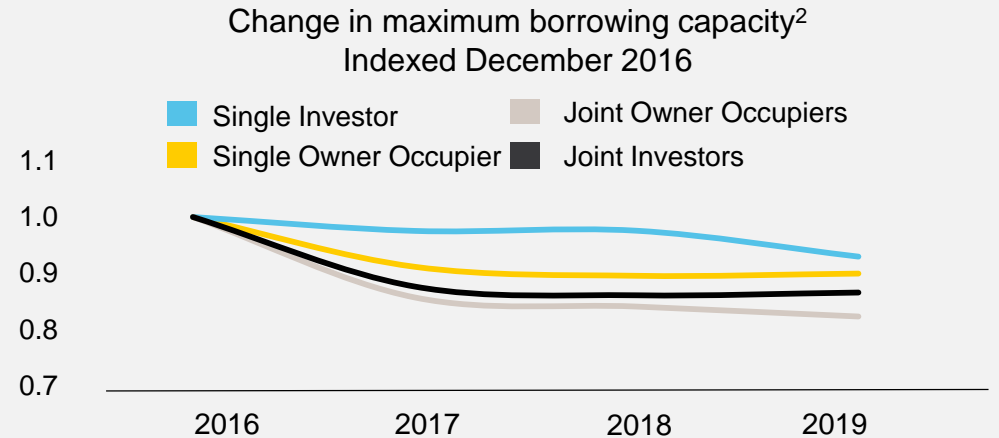
# Borrowing capacity relatively stable<sup>1</sup>



## A number of strengthened servicing policies and practices have been implemented since June 2015

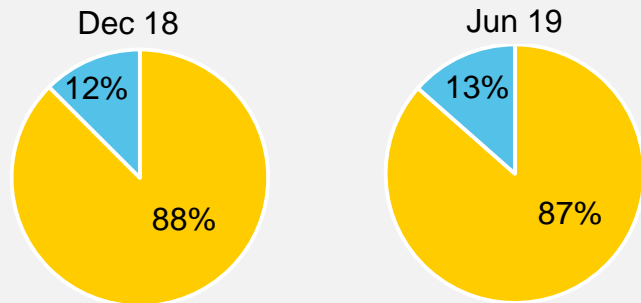
- Increased serviceability buffers on income and debt in line with regulatory guidance
- Income and household-scaled living expense models used in serviceability test
- Limits on lending in high risk areas, non-residents
- LVR limits on interest only and investment lending
- Removed Low Doc loans from sale
- Introduced limits on high Debt-to-Income ratios
- Serviceability assessments prior to in-life IO switching
- Data-driven liability verification tools, including Comprehensive Credit Reporting

## Despite tightening, maximum borrowing capacity has remained relatively stable over the last 12-18 months

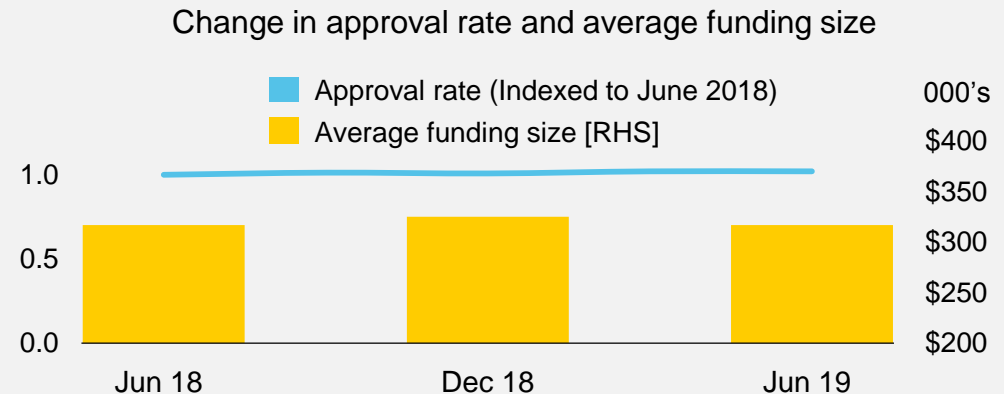


## Few borrowers are currently utilising their full borrowing capacity<sup>3</sup>

- CBA applicants with additional capacity to borrow
- CBA applicants who borrowed at capacity



## ...with minimal change in average loan size and approval rates



1. CBA excluding Bankwest. 2. Scenarios based on differing assumptions with respect to family types, number of dependents, loan size, income sources and existing liabilities/commitments.

3. Applications that have passed system serviceability test; borrowed at capacity reflects applicants with minimal net income surplus.

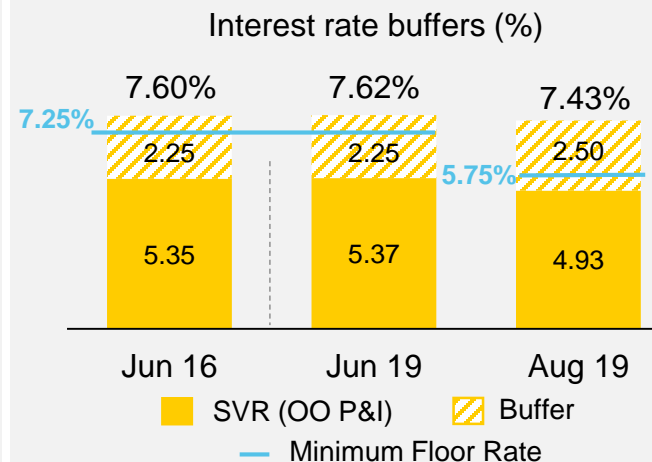
# Serviceability assessment<sup>1</sup>



## New loan applications are assessed based on a range of income and expenditure metrics

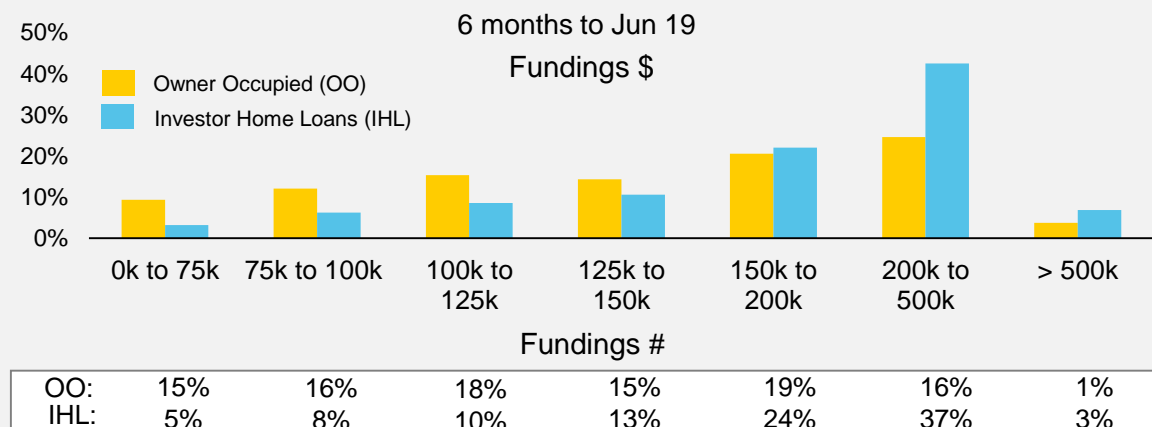
<b>Income</b>	<ul style="list-style-type: none"> <li>All income used in application to assess serviceability is verified</li> <li>80% or lower cap on less stable income sources (e.g rent, bonus)</li> <li>90% cap on tax free income, including Government benefits</li> <li>Limits on investor income allowances, e.g. RBS restrict rental yield to 4.8% and use of negative gearing where LVR&gt;90%</li> </ul>
<b>Living Expenses</b>	<ul style="list-style-type: none"> <li>Living expenses captured for all customers</li> <li>Servicing calculations use the higher of declared expenses or HEM adjusted by income and household size</li> <li>Continued focus on reducing HEM reliance</li> </ul>
<b>Interest Rates</b>	<ul style="list-style-type: none"> <li>Assess customer ability to pay based on the higher of the customer rate plus serviceability buffer<sup>2</sup> or minimum floor rate</li> <li>Interest Only (IO) loans assessed on principal and interest basis over the residual term of the loan</li> </ul>
<b>Existing Debt</b>	<ul style="list-style-type: none"> <li>CBA requires and reviews transaction statements to identify undisclosed debts</li> <li>Automatic review of CBA personal transaction account and Comprehensive Credit Reporting (CCR) data to identify undisclosed customer obligations</li> <li>All existing customer commitments are verified</li> <li>For repayments on existing mortgage debt:             <ul style="list-style-type: none"> <li>CBA &amp; OFI repayments recalculated using the higher of the actual rate plus a buffer or min. floor over remaining loan term</li> <li>Credit cards calculated at an assessment rate of 3.82%</li> </ul> </li> </ul>

## An interest rate buffer is used in loan servicing tests



- Loans assessed based on the higher of the customer rate<sup>2</sup> + buffer, or minimum floor rate
- APRA advised that ADI's will set their own floor for use in serviceability assessments, effective 5 July 2019.
- CBA now applies a minimum floor rate of 5.75% and a buffer of 2.50%, effective 22 July 2019.

## Applicant gross income band<sup>3</sup>



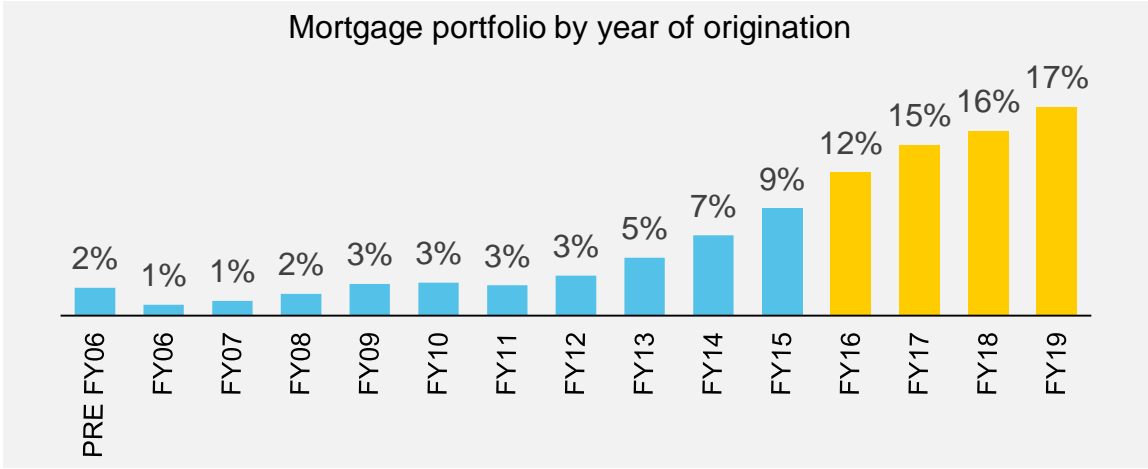
1. CBA excluding Bankwest unless stated otherwise. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group. 2. Customer rate includes any customer discounts that may apply. 3. CBA including Bankwest.



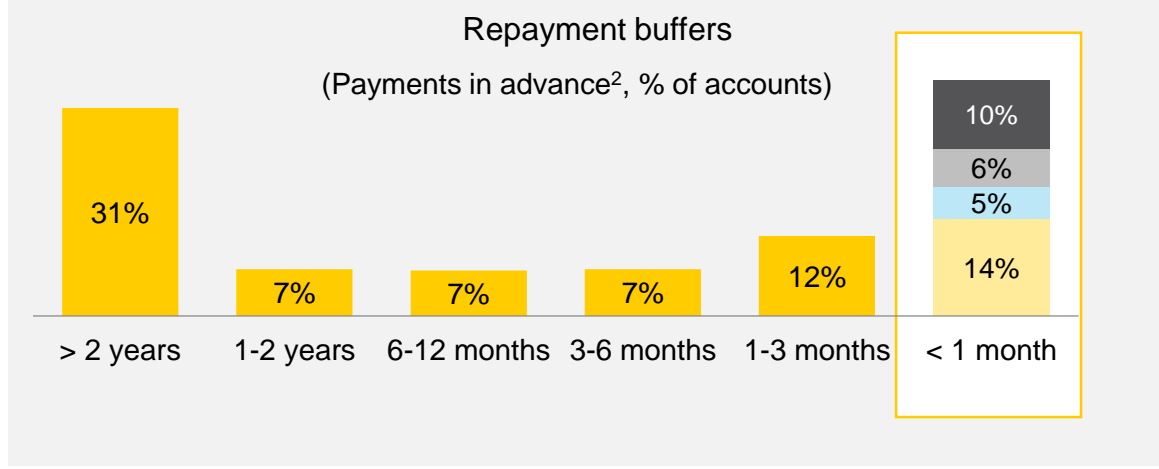
# Portfolio quality remains sound<sup>1</sup>



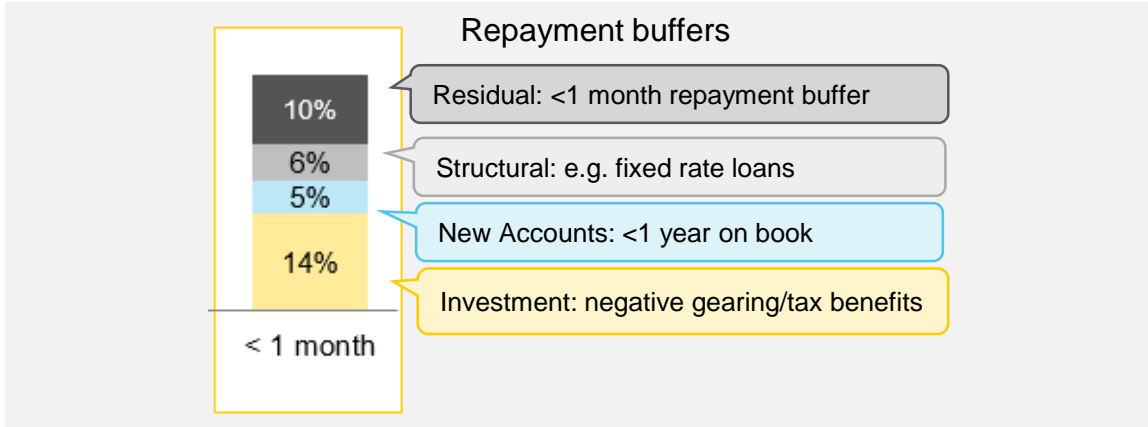
## Approximately 60% of the book was originated under tightened standards from FY16



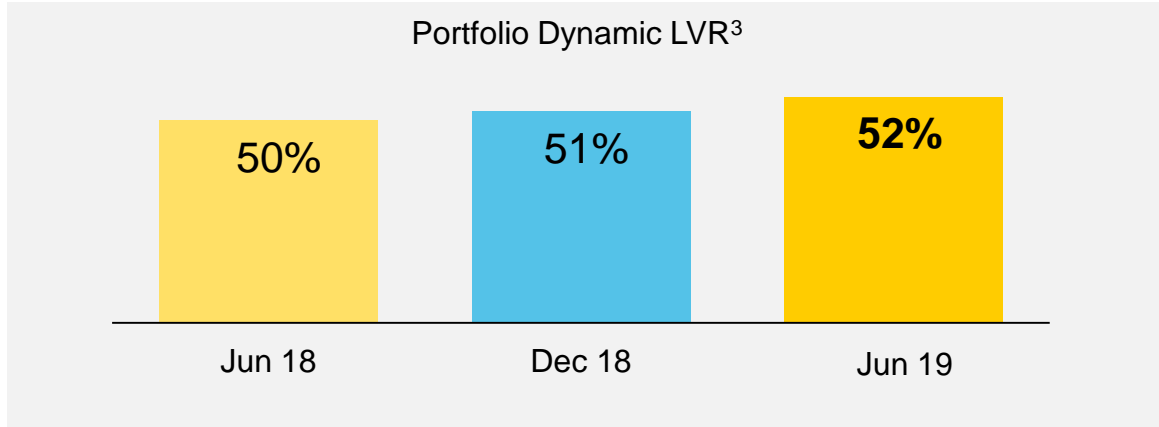
## Significant repayment buffers in place



## Those with less than 1 month buffer include investors, those with fixed rates and new borrowers



## Portfolio LVR remains strong, despite recent house prices softening

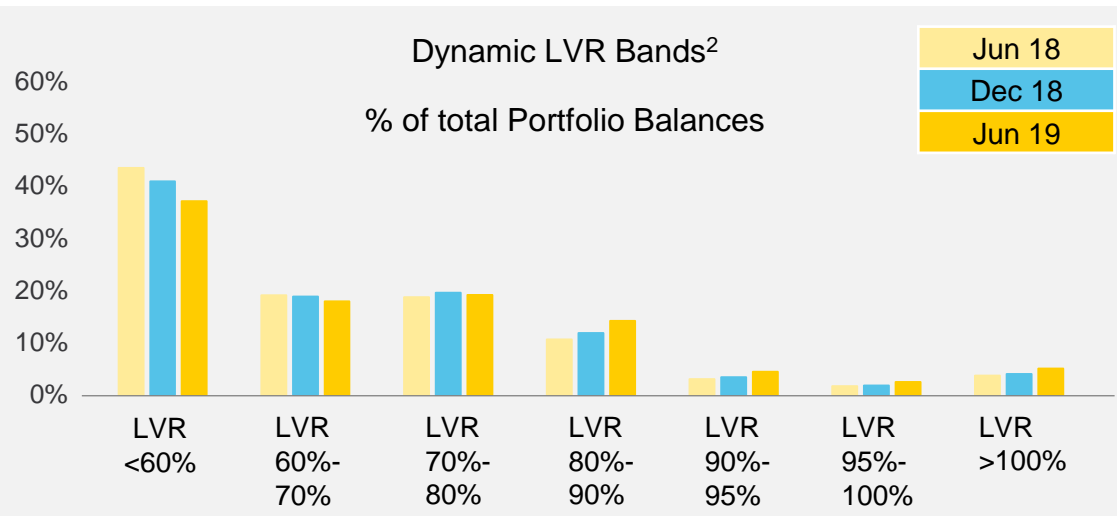
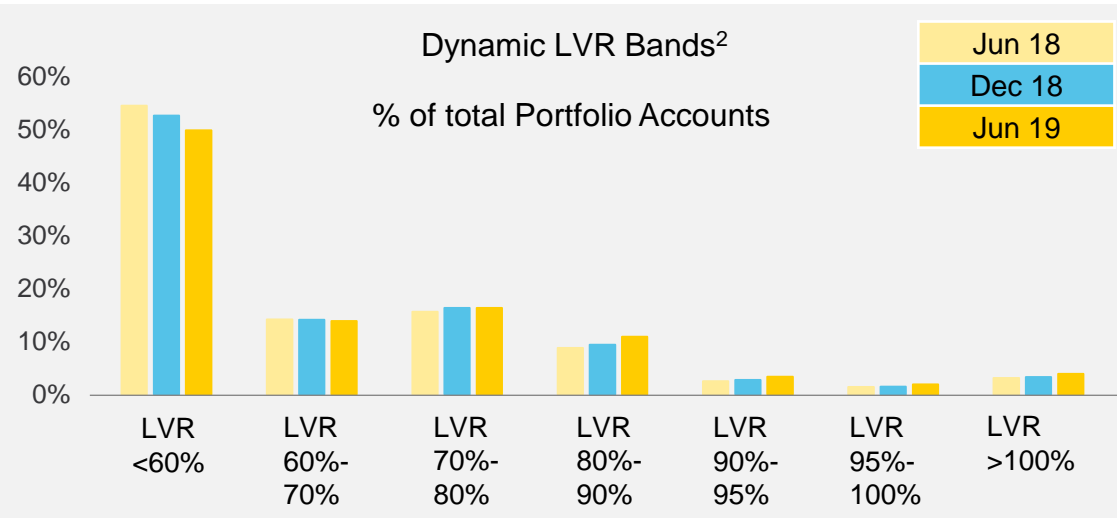


1. CBA including Bankwest. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group. 2. Includes offset facilities, excludes loans in arrears. 3. Based on outstanding balances, taking into account cross-collateralisation. Offset balances not considered. Includes Bankwest, Line of Credit and Reverse Mortgage.

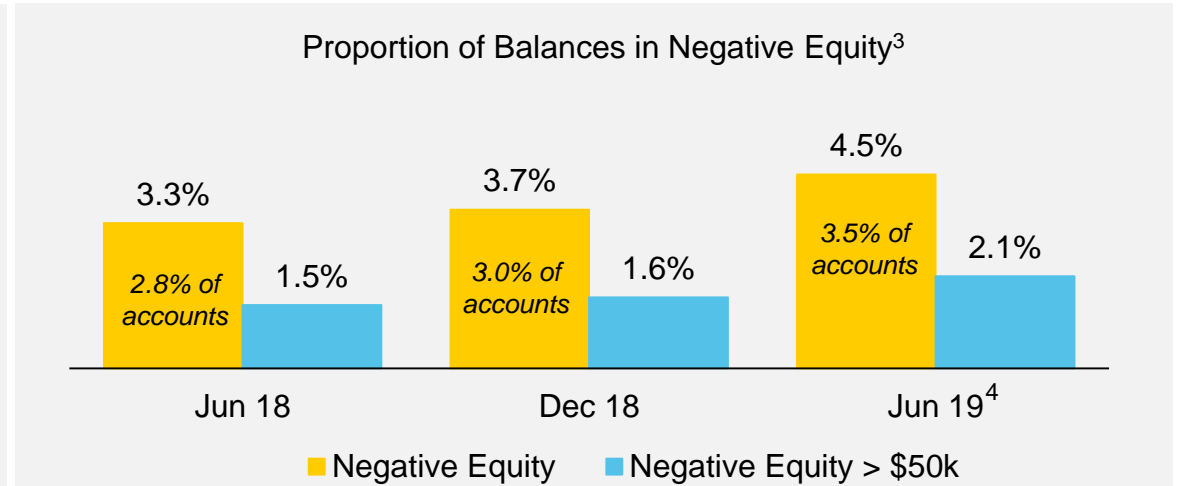
# Portfolio LVRs<sup>1</sup>



**Portfolio LVRs remain strong, with a modest uptick in higher LVR bands given market softening**



**Approximately 3.5% of accounts and 4.5% of balances are in a negative equity<sup>3</sup> position**



- CBA updates house values on a monthly basis using internal and external valuation data
- Negative equity arises when the outstanding loan (less offset balances) exceeds the updated house value
- 4.5% of balances are in negative equity
- 72% of negative equity is from WA and QLD
- Over 50% of home loans in negative equity have Lenders Mortgage Insurance
- 66% of customers ahead of repayments

1. CBA including Bankwest. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group. 2. Taking into account cross-collateralisation. Offset balances not considered. 3. Based on outstanding balances, taking into account cross-collateralisation and offset balances. 4. Based on Jun 19 valuations.

# Home loan portfolio – CBA



## A balanced approach to portfolio quality, growth and returns

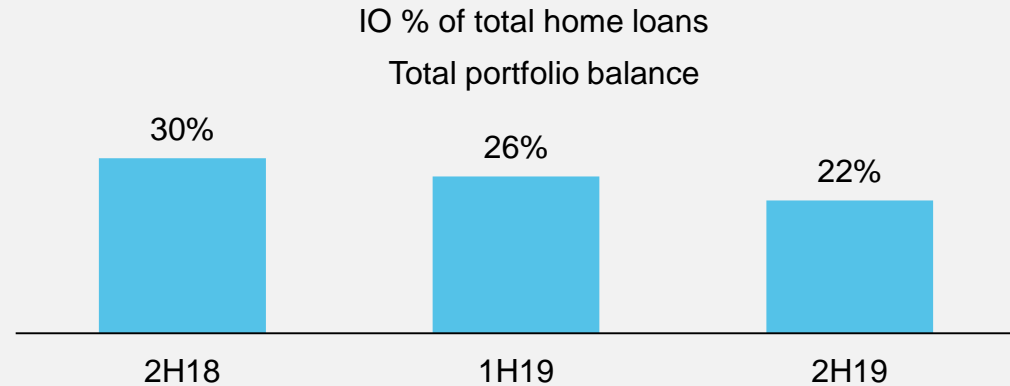
Portfolio <sup>1</sup>	Jun 18	Dec 18	Jun 19	New Business <sup>1</sup>	Jun 18	Dec 18	Jun 19
Total Balances - Spot (\$bn)	451	458	467	Total Funding (\$bn)	45	49	43
Total Balances - Average (\$bn)	443	455	462	Average Funding Size (\$'000) <sup>7</sup>	319	326	320
Total Accounts (m)	1.8	1.8	1.8	Serviceability Buffer (%) <sup>8</sup>	2.25	2.25	2.25
Variable Rate (%)	81	80	80	Variable Rate (%)	86	82	80
Owner Occupied (%)	65	66	66	Owner Occupied (%)	70	70	71
Investment (%)	32	31	31	Investment (%)	29	29	28
Line of Credit (%)	3	3	3	Line of Credit (%)	1	1	1
Proprietary (%)	55	55	54	Proprietary (%)	59	55	52
Broker (%)	45	45	46	Broker (%)	41	45	48
Interest Only (%) <sup>2</sup>	30	26	22	Interest Only (%)	23	23	22
Lenders' Mortgage Insurance (%) <sup>2</sup>	21	21	21	Lenders' Mortgage Insurance (%) <sup>2</sup>	16	16	18
Mortgagee In Possession (bpts)	5	5	6	Debt-to-Income <sup>9</sup> (DTI) > 6 (%)	12	12	11
Negative Equity (%) <sup>3</sup>	3.3	3.7	4.5				
Annualised Loss Rate (bpts)	3	3	3				
Portfolio Dynamic LVR (%) <sup>4</sup>	50	51	52				
Customers in Advance (%) <sup>5</sup>	78	78	78				
Payments in Advance incl. offset <sup>6</sup>	32	35	33				
Offset Balances – Spot (\$bn)	42	46	45				

1. CBA including Bankwest. All portfolio and new business metrics are based on balances and fundings respectively, unless stated otherwise. All new business metrics are based on 6 months to Jun18, Dec18, Jun19. Excludes ASB.
2. Excludes Line of Credit (Viridian LOC/Equity Line).
3. Negative equity arises when the outstanding loan balance (less offset balances) exceeds updated house value. Based on outstanding balances, taking into account both cross-collateralisation and offset balances. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group.
4. Dynamic LVR defined as current balance/current valuation.
5. Any amount ahead of monthly minimum repayment; includes offset facilities.
6. Average number of monthly payments ahead of scheduled repayments.
7. Average Funding Size defined as funded amount / number of funded accounts.
8. Serviceability test based on the higher of the customer rate plus an interest rate buffer or min floor rate.
9. Total Debt Amount / Gross Income; excludes Bridging Loans.

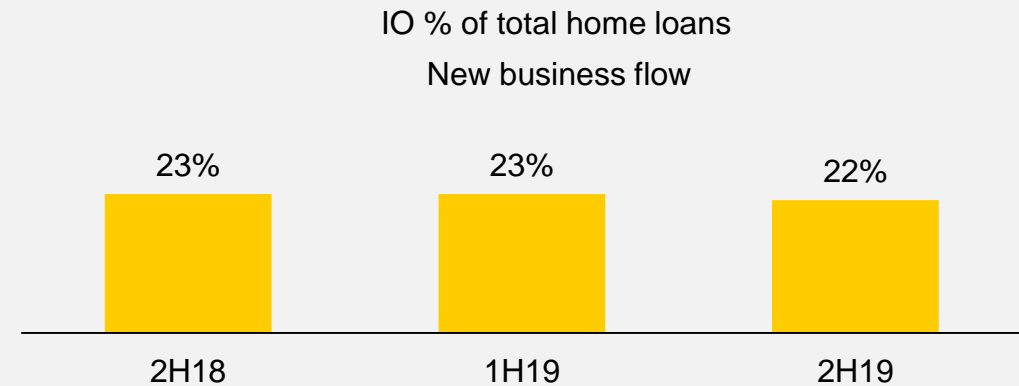
# Interest only (IO) home loans<sup>1</sup>



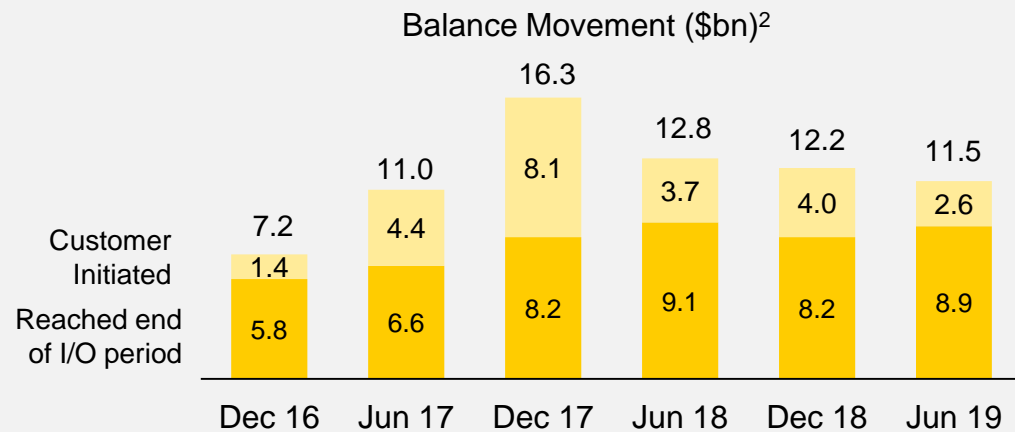
## IO loans account for a reducing proportion of total portfolio balances...



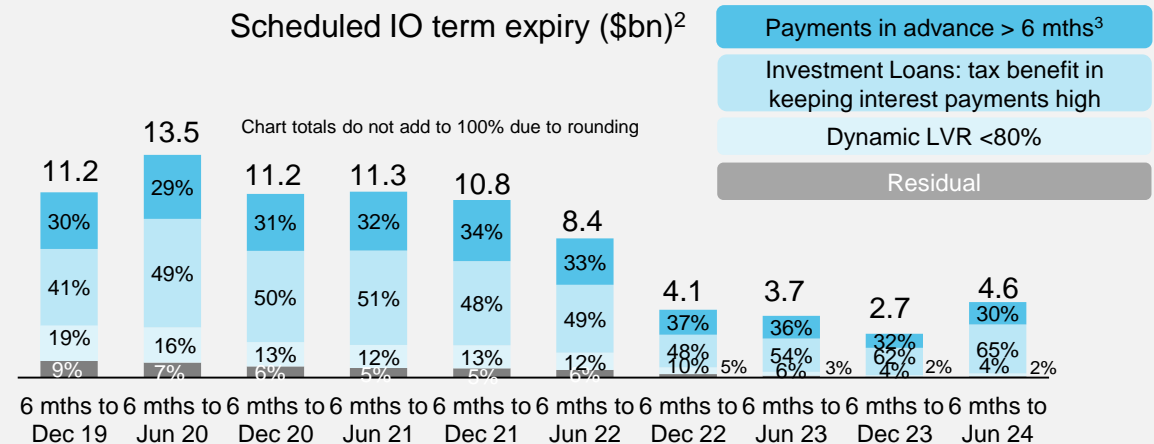
## ...and a reducing proportion of total new business flow



## Switching from IO to Principal and Interest (P&I) peaked in the Dec 17 half



## The IO portfolio is dominated by investor loans and those well in advance of repayments



1. CBA including Bankwest unless stated otherwise. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group. 2. Excludes Bankwest.

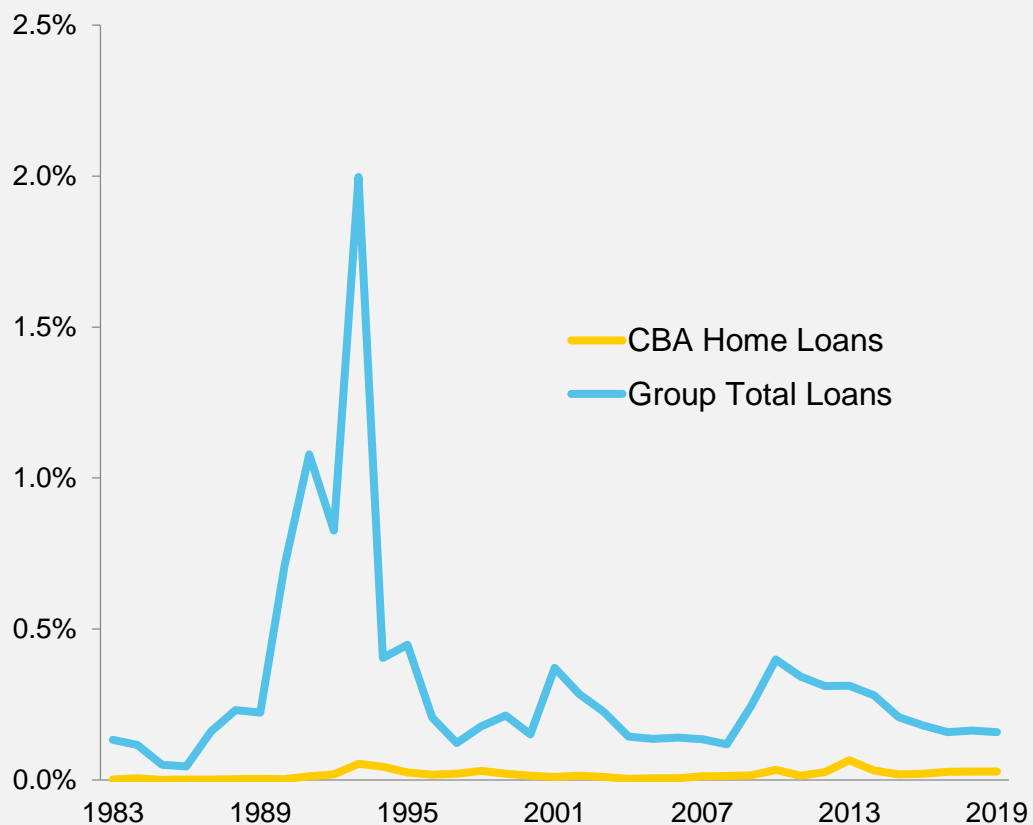
3. Payments in Advance defined as the number of monthly payments ahead of scheduled repayments by 6 or more months.

# Portfolio losses, insurance and stress testing<sup>1</sup>

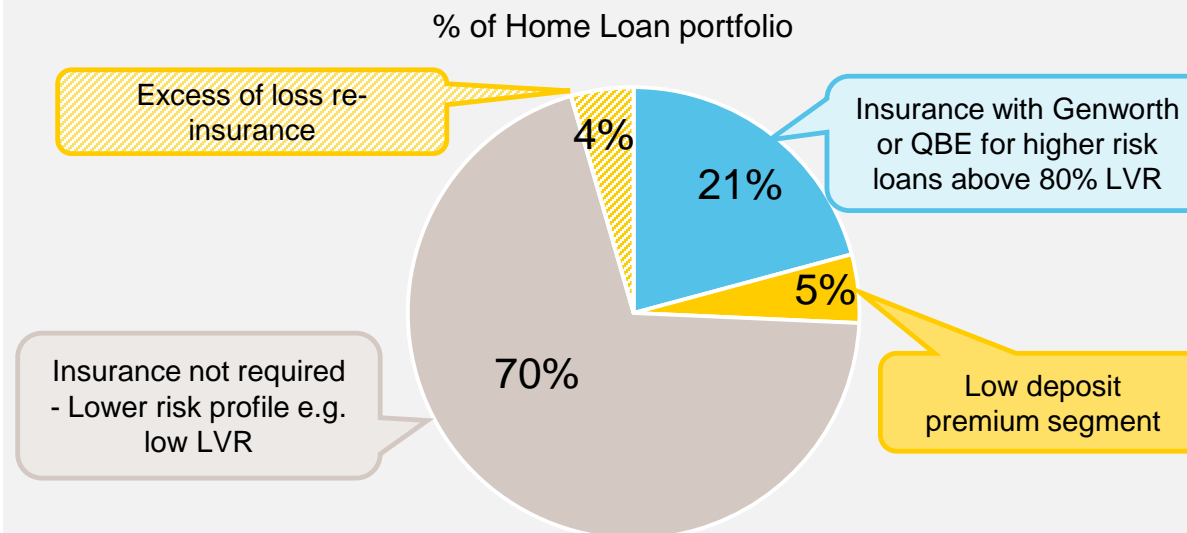


## Portfolio losses remain low - and manageable under a severe stress scenario

### Losses to average gross loans<sup>2</sup>



### Portfolio Insurance Profile<sup>3</sup>



### Stress testing

- A severe stress test scenario is modelled on an ongoing basis.
- Scenario includes stresses to house prices (31% decline), unemployment (11%), cash rates (reduced to 0.5%).
- Losses<sup>4</sup> are estimated over three years: Gross 3-year losses of \$4.09b, or \$3.17b net of insurance.

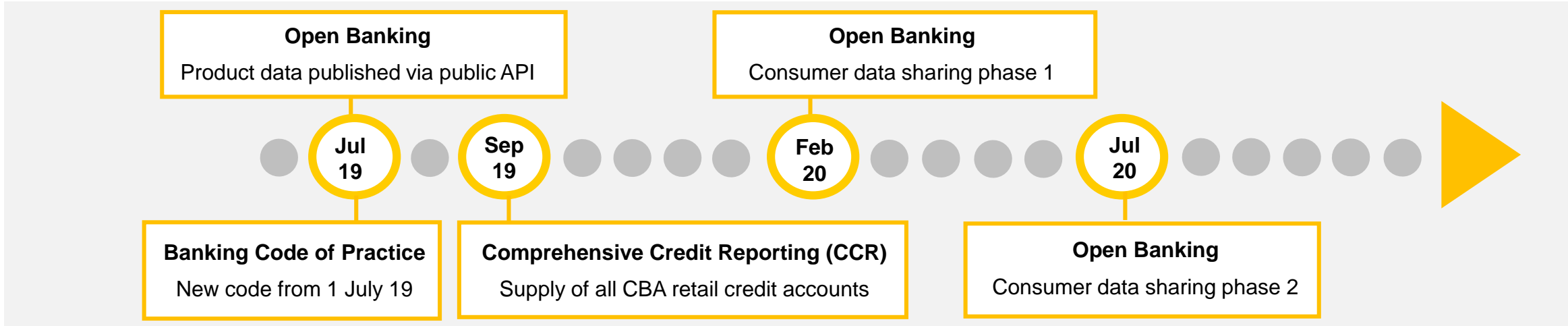
1. CBA including Bankwest. 2. Bankwest included from FY09. 3. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group. 4. Increase in gross stressed losses from last half reflects slow down in housing market. Net losses reflect stressed macroeconomic and LMI assumptions (50%). Results based on December 2018 data.



# Doing business openly, responsibly and sustainably



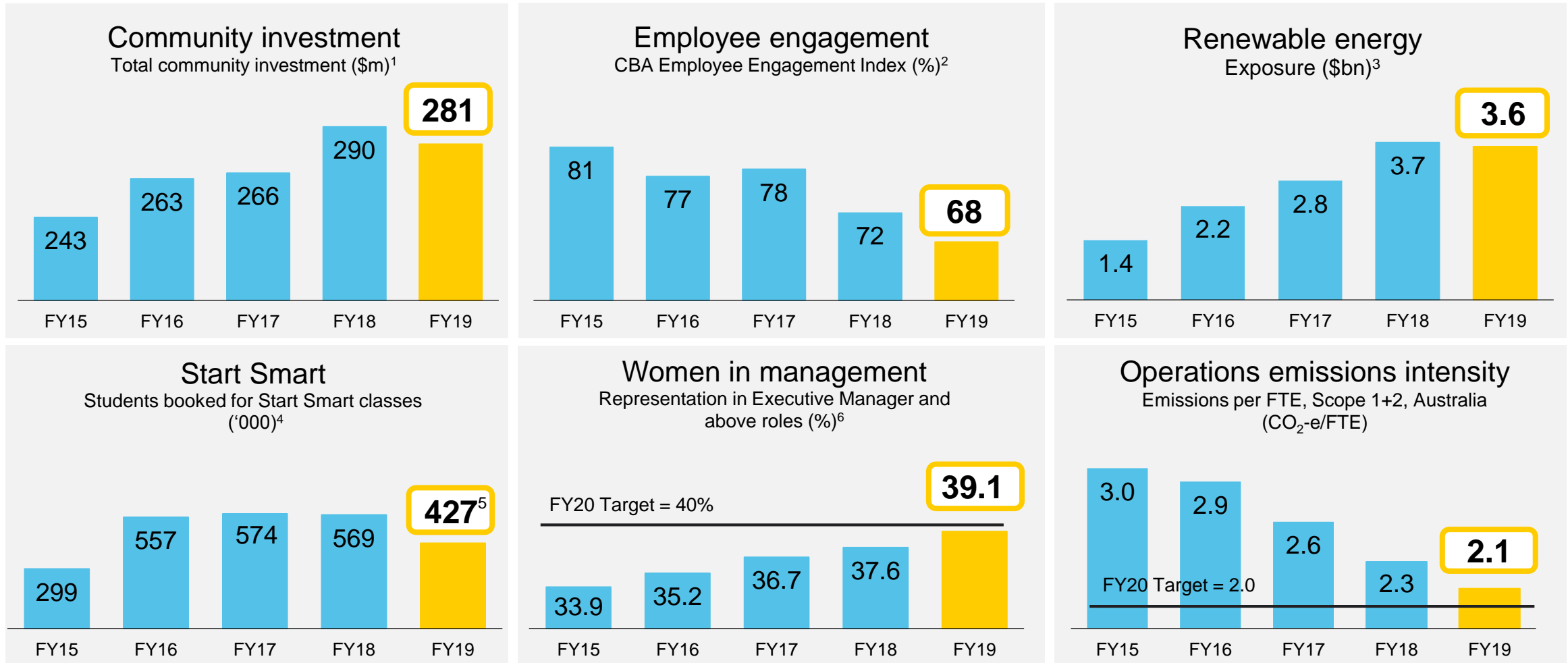
Banking Code of Practice	Open Banking	Comprehensive Credit Reporting (CCR)
<ul style="list-style-type: none"> <li>▶ New Code approved by ASIC, commenced 1 July 2019.</li> <li>▶ Provides strong, enforceable and more customer focused standards for banks to deliver.</li> <li>▶ Aligns with CBA's commitment to improve the financial wellbeing of our customers and communities.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Enabling customers to take control of their data, with the right to direct data to accredited third parties. Information protected by new privacy obligations.</li> <li>▶ From 1 July, CBA began publishing product data via a public Application Programming Interface (API).</li> <li>▶ Consumers will be able to share their data, with different products progressively enabled from Feb 2020.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Enhancing customers financial security and enabling better risk based decisions for credit applications.</li> <li>▶ CBA has implemented the supply of 50% of retail credit accounts, increasing to 100% by Sep 2019.</li> <li>▶ Use of CCR data for decisions on home lending and unsecured credit applications commenced Oct 2018.</li> </ul>



# Doing business openly, responsibly and sustainably



## Delivering balanced and sustainable outcomes



1. Community investment includes cash, forgone revenue, time and management costs. 2. People and Culture survey measures satisfaction, retention, advocacy and pride, showing the proportion of employees replying with a score of 4 or 5. 3. Includes lending and banking services. 4. Start Smart sessions cover different topics and the same student may be booked to attend a number of sessions. 5. The Start Smart Pathways program for vocational students ceased in FY19. 6. Excludes ASB.

# Doing business openly, responsibly and sustainably



## Continued climate change-related disclosures in line with TCFD recommendations<sup>1</sup>

Our **phased approach** to managing climate change risk is published in the 2019 Annual Report

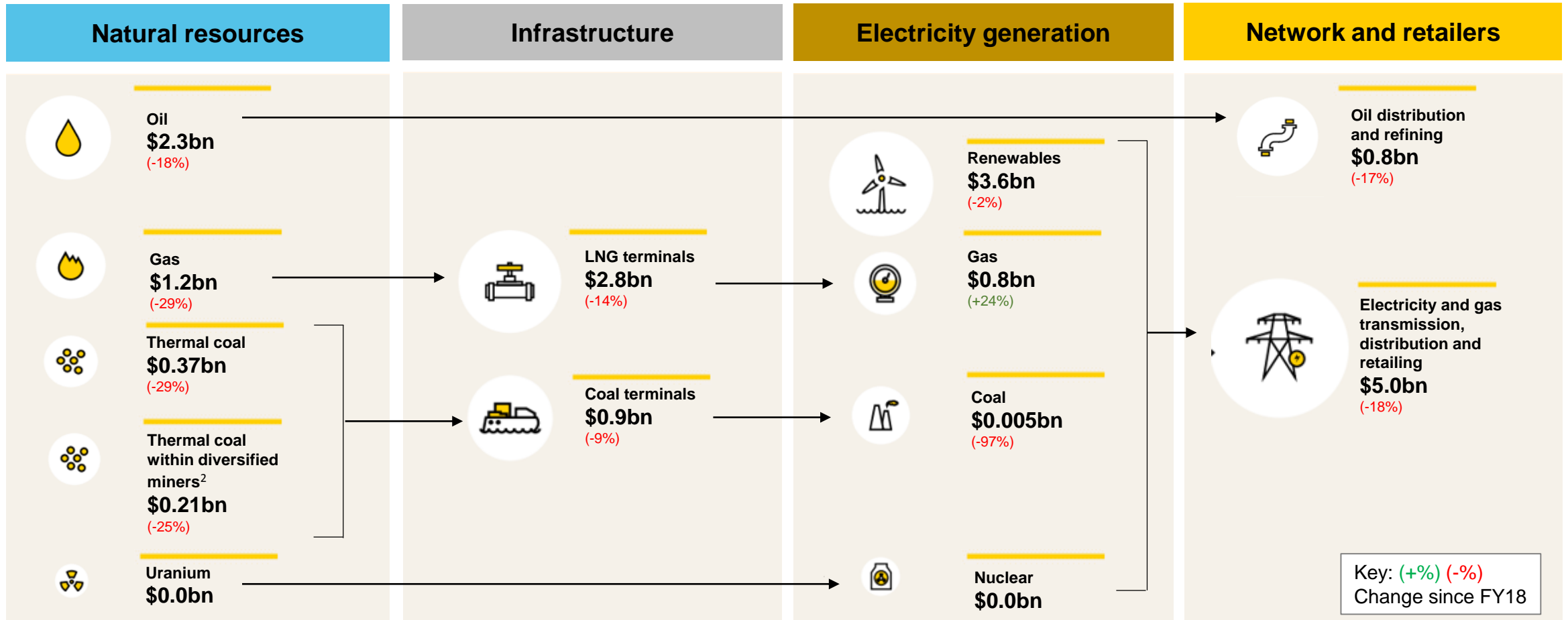
Governance	Strategy	Risk management	Metrics and targets
<ul style="list-style-type: none"> <li>The <b>Board governs</b> our approach to climate risks and opportunities</li> <li>Group Environmental and Social Policy developed with <b>updated climate commitments</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Second phase</b> of climate <b>scenario</b> analysis completed on physical risks and opportunities in Australian agriculture<sup>2</sup></li> <li><b>Clear commitment</b> around thermal coal mining and coal-fired power generation</li> <li>Continued focus on delivering <b>strategic actions</b> to managing climate risk in Home Lending and Insurance</li> </ul>	<ul style="list-style-type: none"> <li><b>Inclusion of physical climate risk</b> into ESG Risk Assessment Tool for business lending</li> <li>Updated <b>energy value chain</b> analysis and reporting</li> <li>Updated <b>client due diligence</b> for climate sensitive sectors</li> </ul>	<ul style="list-style-type: none"> <li>Source <b>100% of our electricity consumption</b> from renewable energy by 2030 (FY19 65%)</li> <li><b>Low carbon project funding</b> of \$15bn by 2025 (\$5.1bn at FY19<sup>3</sup>)</li> <li>Decrease the <b>emissions intensity</b> of our business lending portfolio to 0.26kg CO<sub>2</sub>-e/\$</li> </ul>

1. The Financial Stability Board's Task Force on Climate-related Financial Disclosures developed recommendations, released in June 2017, on financial disclosures to help investors better understand climate-related risks and opportunities to support more appropriate pricing of risks and allocation of capital globally. 2. Details on climate scenario analysis can be found on pages 55-63 in the 2019 Annual Report [www.commbank.com.au/annualreports](http://www.commbank.com.au/annualreports) 3. Reported exposure in the FY18 Annual Report (page 57) was \$7.3 billion. A review found this was overstated and the correct FY18 figure for low carbon project funding is \$4.6 billion.

# Energy value chain<sup>1</sup>



## Declining exposure to coal



1. All figures are Total Committed Exposures (TCE) as at 30 June 2019. Figures represented have been specifically derived based on material client exposures. Not included are 'Other energy-related' exposures (\$0.8bn) which comprise smaller loans and energy trading entities. 2. Thermal coal exposure within each diversified miner is calculated as the Group's exposure to the miner, excluding exposure to coal subsidiaries, multiplied by the percentage EBITA contribution of thermal coal in its latest annual financial statements. Exposure to coal subsidiaries of diversified miners are allocated to thermal coal.



6

**Sources, Glossary  
& Notes**





## Best in digital

### Slide 10

1. The Forrester Banking Wave™: Global Mobile Apps Summary, 2018. Commonwealth Bank of Australia received the highest industry Wave™ overall score among mobile apps in APAC in Forrester's proprietary Industry Wave™ evaluation. Forrester Research does not endorse any company included in any Industry Wave™ report and does not advise any person or organization to select the products or services of any particular company based on the ratings included in such reports.
2. Net Promoter Score (NPS) – Mobile App (via mobile app on a mobile phone or tablet), Website and Internet Banking (via the website or mobile app): Roy Morgan Research. Australian population 14+ who used the internet banking services of their (self-nominated) main financial institution in the last 4 weeks, rolling average of the last 6 months of spot scores, as at June 2019. Rank based on comparison to ANZ, NAB and Westpac (at a brand level). Net Promoter®, Net Promoter System®, Net Promoter Score®, NPS® and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.
3. Online banking: CBA won Canstar's *Bank of the Year - Online Banking* award for 2019 (for the 10<sup>th</sup> year in a row). Awarded June 2019.
4. Mobile banking: CBA won Canstar's *Bank of the Year - Mobile Banking* award for 2019 (for the 4<sup>th</sup> year in a row). Awarded June 2019.
5. The Forrester Banking Wave™: Australian Mobile Apps, Q2 2019. Commonwealth Bank of Australia received the highest industry Wave™ overall score among mobile apps in Australia in Forrester's proprietary Industry Wave™ evaluation. Forrester Research does not endorse any company included in any Industry Wave™ report and does not advise any person or organization to select the products or services of any particular company based on the ratings included in such reports.
6. DBM Australian Financial Awards - Most Innovative Major Bank. Presented February 2019. Award based on DBM's Consumer Atlas data January to December 2018
7. DBM Australian Financial Awards - Best Major Digital Retail Bank. Presented February 2019. Award based on DBM's Consumer Atlas data January to December 2018
8. The total number of customers that have logged into the CommBank mobile app at least once in the month of June 2019. Includes Face ID logons.
9. The total value (\$) of transfers and BPAY payments made in digital (NetBank, the CommBank mobile app, CommBank tablet app and old mobile app) as a proportion of the total value (\$) of transfers in over-the-counter, ATM, EFTPOS and digital transactions over the period of January – June 2019.

## Home Lending - CBA

### Slide 53

1. CBA including Bankwest unless noted otherwise. Market share includes subsidiaries. System source: RBA Lending and Credit Aggregates.
2. Presented on a gross basis before value attribution to other business units.
3. Includes refinancing & excludes Viridian line of credit (VLOC).
4. Excludes Bankwest.
5. Includes Residential Mortgage Group (RMG). Interest only, Principal and interest, Investor and owner-occupier growth excludes Viridian line of credit (VLOC).
6. System is the average of three quarters to March 2019. Source: MFAA.
7. State Profile excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group. State Profile determined by location of the underlying security.



## Capital & Other

Risk Weighted Assets or RWA	The value of the Group's On and Off Balance Sheet assets are adjusted by risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA website.
CET1 Expected Loss (EL) Adjustment	CET1 adjustment that represents the shortfall between the calculated EL and eligible provisions (EP) with respect to credit portfolios which are subject to the Basel advanced capital IRB approach. The adjustment is assessed separately for both defaulted and non-defaulted exposures. Where there is an excess of EL over EP in either assessments, the difference must be deducted from CET1. For non-defaulted exposures where the EL is lower than the EP, this may be included in Tier 2 capital up to a maximum of 0.6% of total credit RWAs.
Leverage Ratio	Tier 1 Capital divided by Total Exposures, with this ratio expressed as a percentage. Total exposures is the sum of On Balance Sheet items, derivatives, securities financing transactions (SFTs), and Off Balance Sheet items, net of any Tier 1 regulatory deductions that are already included in these items.
Internationally comparable capital	The Internationally Comparable CET1 ratio is an estimate of the Group's CET1 ratio calculated using rules comparable with our global peers. The analysis aligns with the APRA study entitled "International capital comparison study" (13 July 2015).
Derivative Valuation Adjustments (XVA)	A number of different valuation adjustments are made to the value of derivative contracts to reflect the additional costs or benefits in holding these contracts. The material valuation adjustments included within the CBA result are CVA and FVA.
Credit value adjustment (CVA)	The market value of the counterparty credit risk on the derivative portfolio, calculated as the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty's default.
Funding valuation adjustment (FVA)	The expected funding cost or benefit over the life of the uncollateralised derivative portfolio.

## Funding & Risk

Liquidity coverage ratio (LCR)	The LCR is the first quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 Jan 2015. It requires Australian ADIs to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.
High quality liquid assets (HQLA)	As defined by APRA in Australian Prudential Standard APS210: Liquidity. Qualifying HQLA includes cash, government and semi-government securities, and RBNZ eligible securities.
Committed liquidity facility (CLF)	Given the limited amount of Commonwealth government and Semi-government debt in Australia, participating ADIs can access contingent liquidity via the RBA's CLF. The amount of the CLF for each ADI is set annually by APRA. To access the CLF, ADIs need to meet certain conditions and pledge qualifying securities to the RBA.
Net Stable Funding Ratio (NSFR)	The NSFR is the second quantitative liquidity measure of the Basel III reforms, in addition to the LCR. It was implemented by APRA in Australia on 1 Jan 2018. It requires Australian ADIs to fund their assets with sufficient stable funding to reduce funding risk over a one year horizon. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding.
TIA	Corporate Troublesome and Group Impaired assets.
Corporate Troublesome	Corporate Troublesome includes exposures where customers are experiencing financial difficulties which, if they persist, could result in losses of principal or interest, and exposures where repayments are 90 days or more past due and the value of security is sufficient to recover all amounts due.
Total Committed Exposure (TCE)	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes settlement exposures.
Credit Risk Estimates (CRE)	Refers to the Group's regulatory estimates of long-run Probability of Default (PD), downturn Loss Given Default (LGD) and Exposure at Default (EAD).



## Disclaimer

The material in this presentation is general background information about the Group and its activities current as at the date of the presentation, 7 August 2019. It is information given in summary form and does not purport to be complete. Information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consider these factors, and consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

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## Cash Profit

The Profit Announcement discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared in accordance with the Corporations Act and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Bank’s operating results. It is not a measure based on cash accounting or cash flows. The items excluded from cash profit, such as hedging and IFRS volatility and losses or gains on acquisition, disposal, closure and demerger of businesses are calculated consistently with the prior year and prior half disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from cash profit is provided on page 3 of the Profit Announcement (PA), which can be accessed at our website:

[www.commbank.com.au/results](http://www.commbank.com.au/results)

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