Debt Investor Discussion Pack

For the full year ended 30 June 2018

Becoming a simpler, better bank

CommonwealthBank

FY18 Results Update

Capital, Funding & Liquidity

Credit Quality

Strategy

Economics

CommonwealthBank

Transformation underway

Customer and community	• Fixing mistakes and resolving complaints • Continued progress on financial wellbeing
Culture and governance	• New leadership team – 6 new appointments • Renewed purpose and values • Remuneration consequences for executives
Regulatory engagement	• AUSTRAC and BBSW settled • Significant investment in Financial Crimes • APRA endorsed action plan
Stronger, simpler portfolio	• Wealth and mortgage broking businesses demerger • NZ life sale completed ($1,275m) • BoComm Life sale signed ($668m) • Tighter international portfolio

Solid underlying results in a challenging year

Underlying business fundamentals remain strong

Simplify our business

Core banking businesses

- Retail and business banking
  - Australia and New Zealand
- Institutional banking
  - clients with links to Australia

90+%
of FY18 NPAT

Demerger and divestments

- Wealth management
- Mortgage broking
- Life insurance
- South Africa

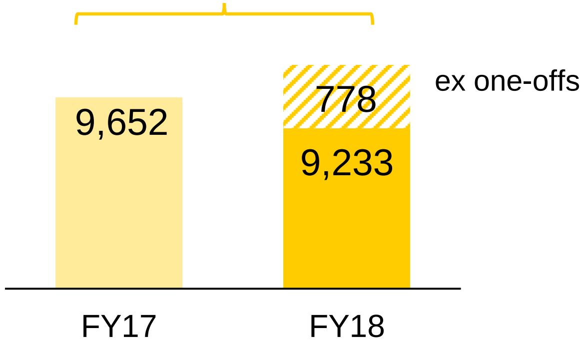
Strategic review

- General Insurance
- VIB (Vietnam)
- PTCL (Indonesia)

FY 18 Result overview

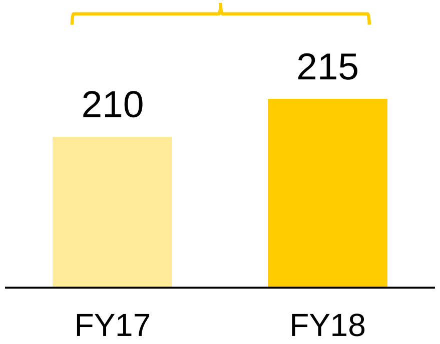
Cash NPAT[1,2] ($m)

+3.7%



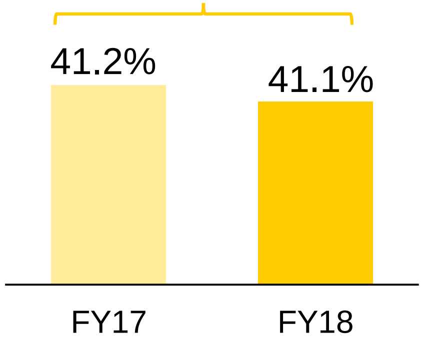
NIM[1]

+5 bpts



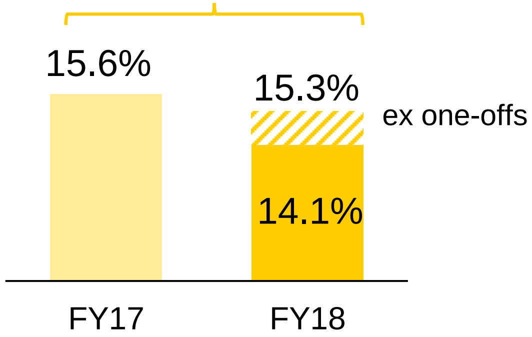
C:I ex one-offs[1,2]

(10)bpts



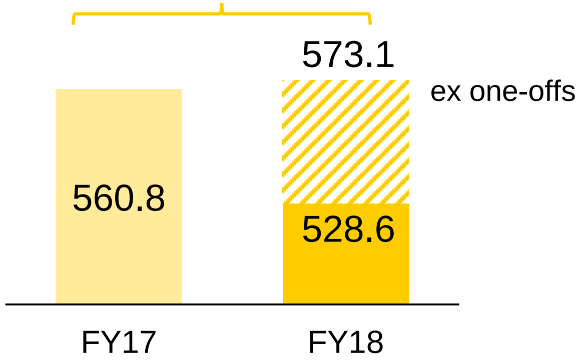
Cash ROE[1,2]

(30)bpts



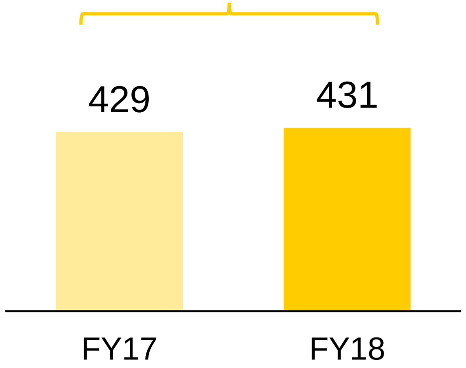
Cash EPS[1,2] (cents)

+2.2%



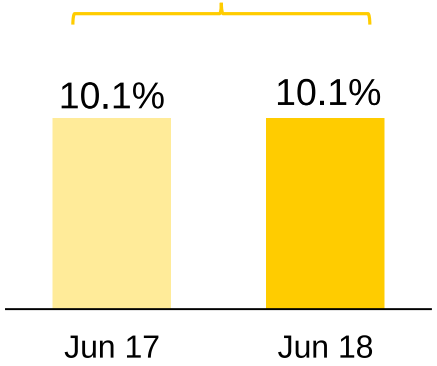
DPS (cents)

+ 2 cents



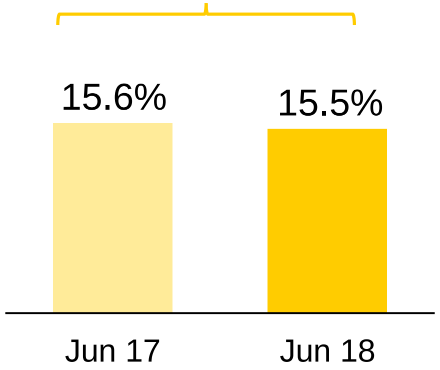
CET1 (APRA)

flat



CET1 (International)[3]

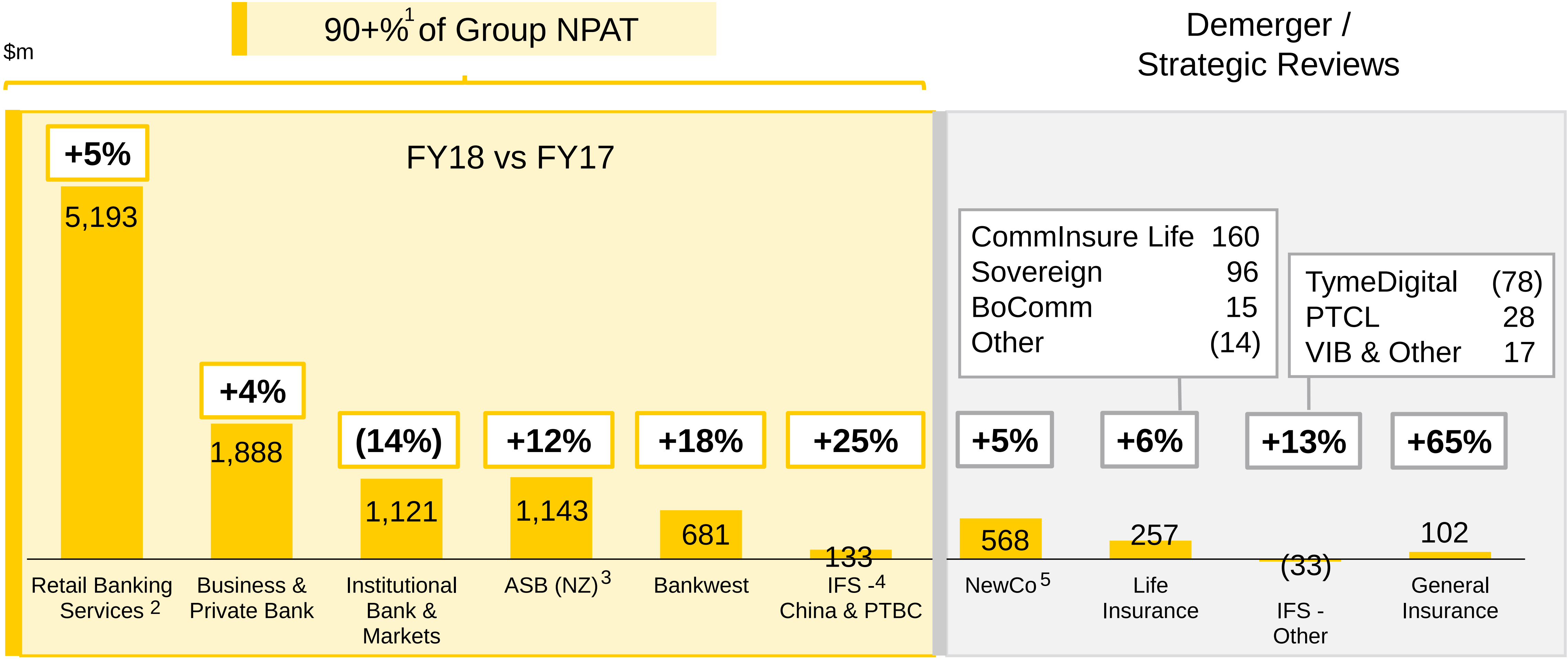
(10)bpts



1. Presented on a continuing operations basis. 2. Excludes one-off items – see slide 17 for a full list of one-off items. 3. Internationally comparable capital - refer to glossary for definition.

Cash NPAT

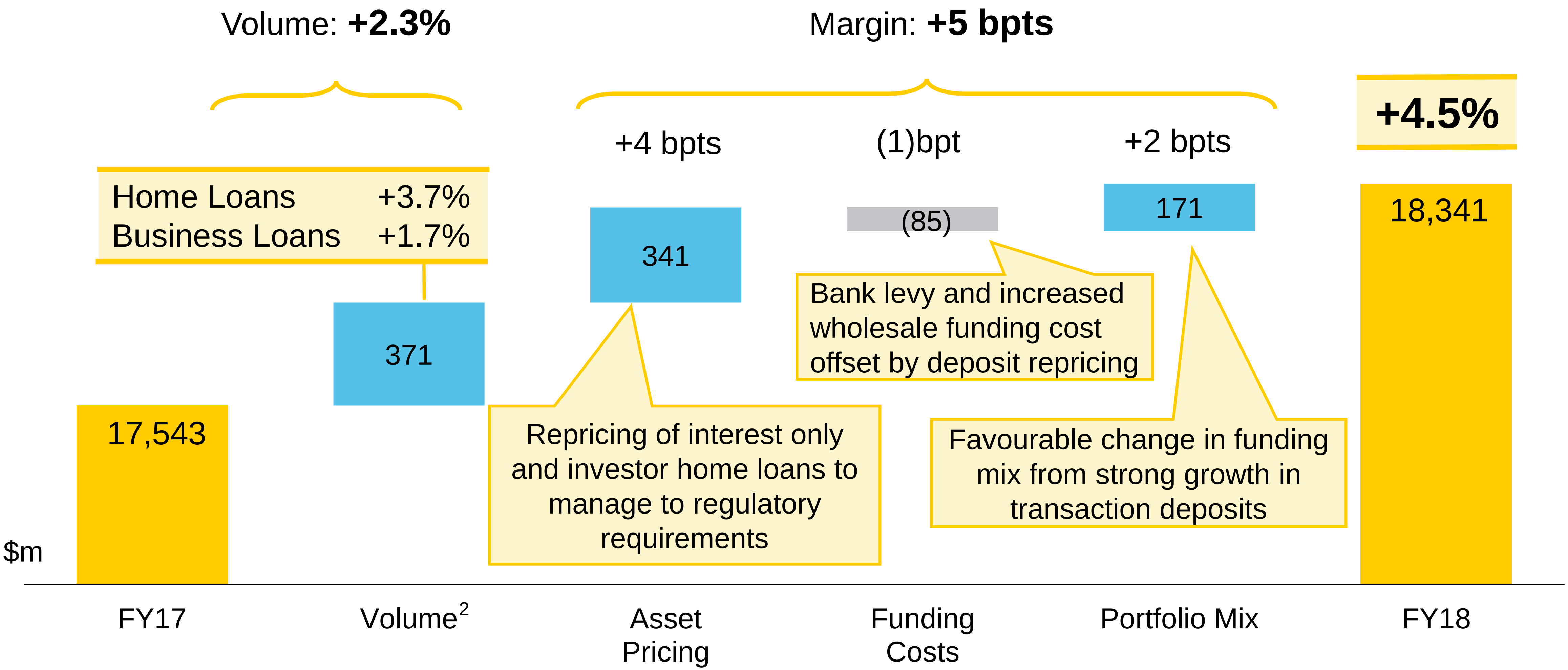
Good contributions across the portfolio



1. Calculation based on the sum of the BU NPAT figures presented above and the FY18 cash NPAT (continuing operations) contribution from Other which was a loss of ($1,366m). 2. Includes NPAT impact of AHL and eChoice. 3. Result in NZD. 4. Includes IFS corporate centre. 5. The pro-forma financial disclosures above provide an unaudited and indicative view of the businesses that CBA intends to demerge (NewCo) as announced by CBA on 25 June 2018. The information provided above is for information purposes only and is not a representation or forecast of the financial position or future performance of NewCo. Past performance and trends should not be relied upon as being indicative of future performance. Further information regarding the demerger and NewCo will be provided to shareholders in due course. NewCo includes some elements currently disclosed in other divisions.

Net Interest Income[1]

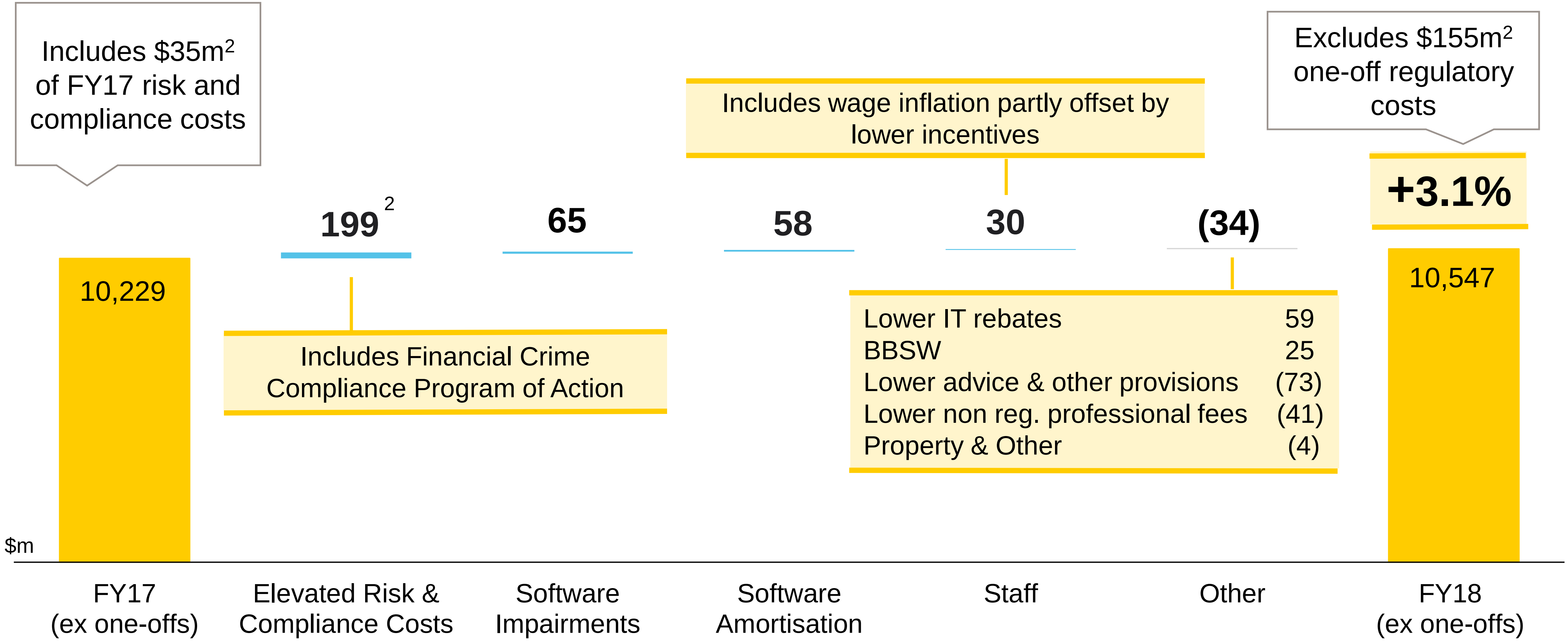
NII growth driven by margin gains from asset repricing and volume growth



1. Presented on a continuing operations basis.
2. Average interest earning assets.

Operating expenses[1]

Elevated risk and compliance costs the largest contributor to expense growth

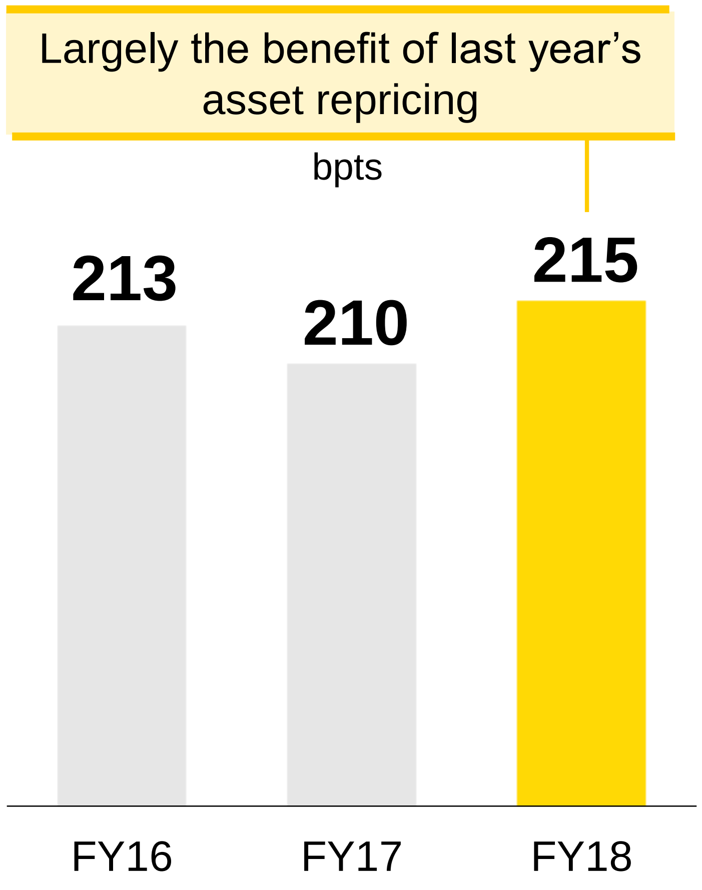


1. Presented on a continuing operations basis. 2. Combined total of $389 million additional provisions for the year ended 30 June 2018. This comprises new risk and compliance provisions of $234 million (a $199 million increase on FY17) and one-off regulatory costs of $155 million. These provisions relate to: Financial Crimes Compliance, ASIC investigation, shareholder class actions, AUSTRAC proceedings, Royal Commission and APRA Prudential Inquiry.

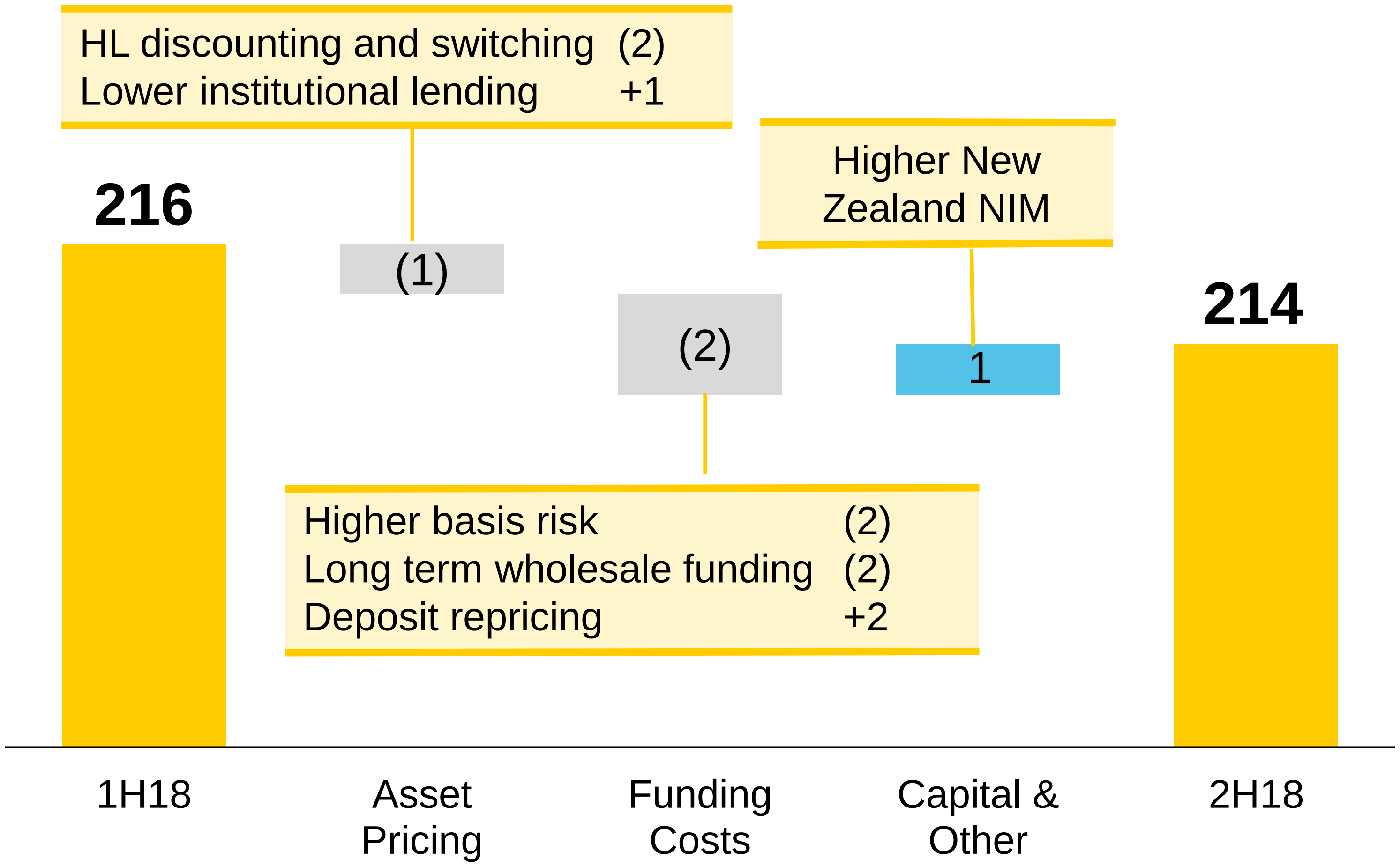
Group margin[1]

Up 5 bpts over the year, but lower home loan margins and basis risk impacted 2H18

12 Months



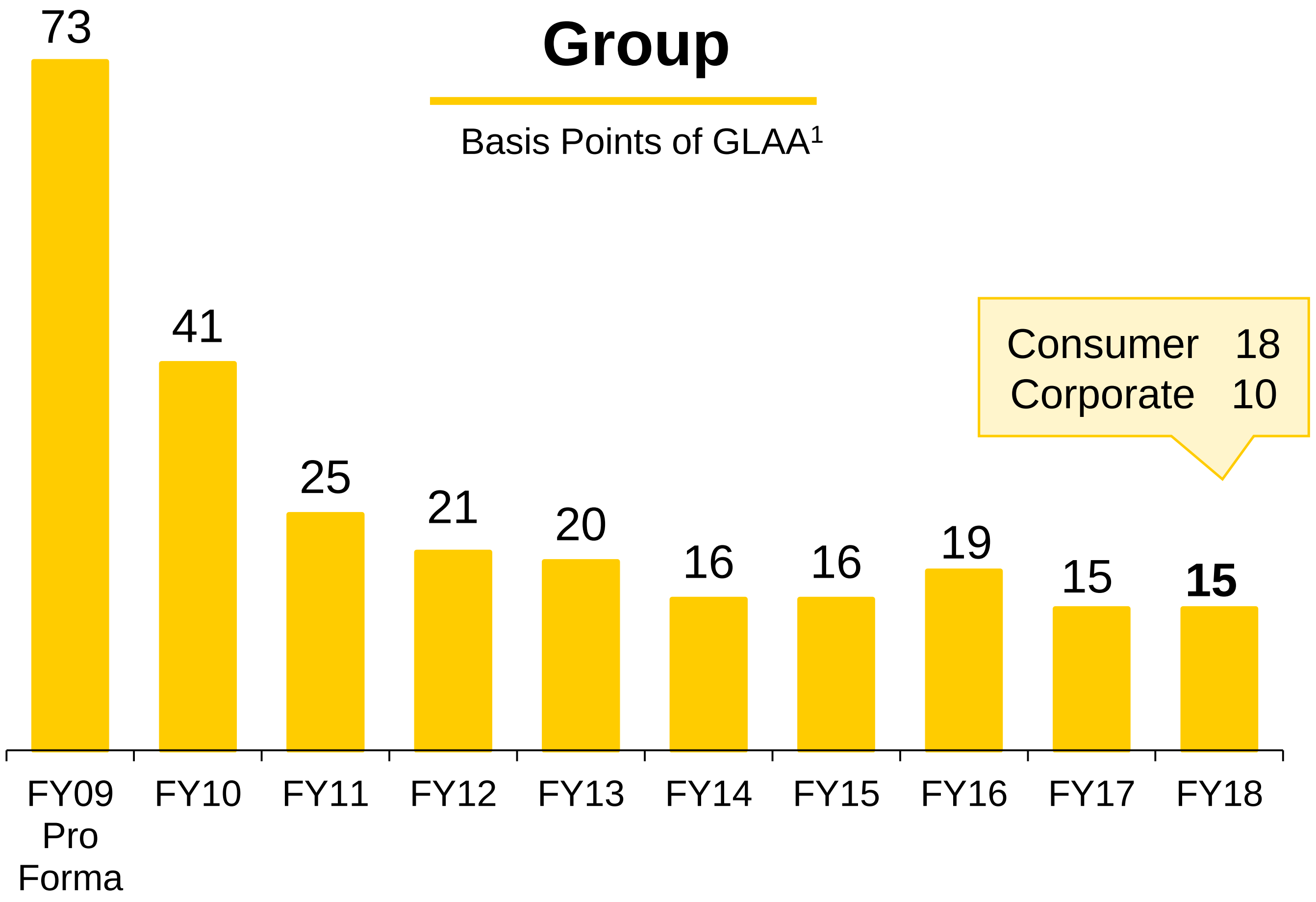
6 Months



1. Comparative information has been restated to conform to presentation in the current period. Presented on a continuing operations basis.

Credit risk - Loan Impairment Expense

Credit risk outcomes broadly stable this period – LIE at 15 basis points



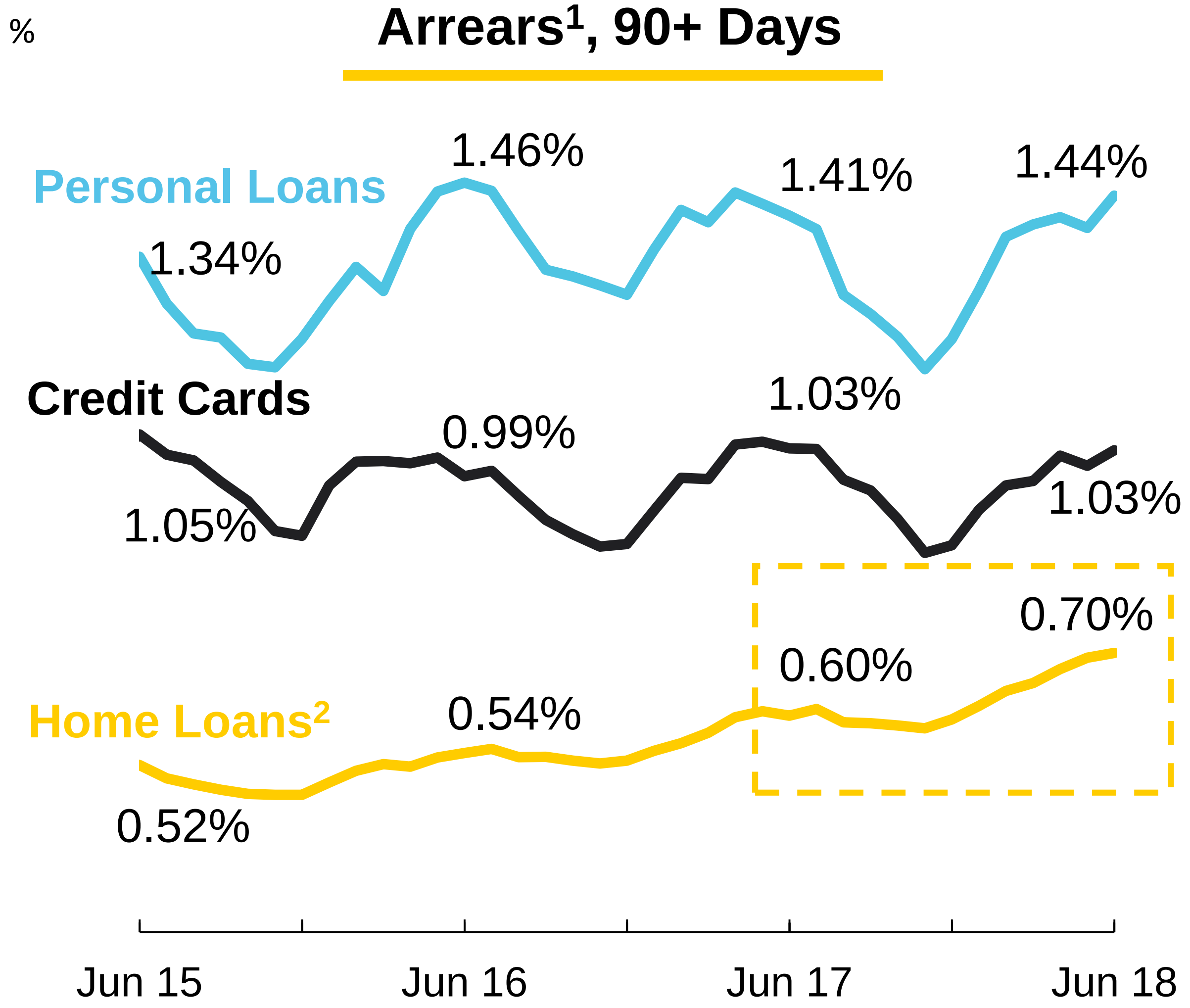
LIE/GLAA

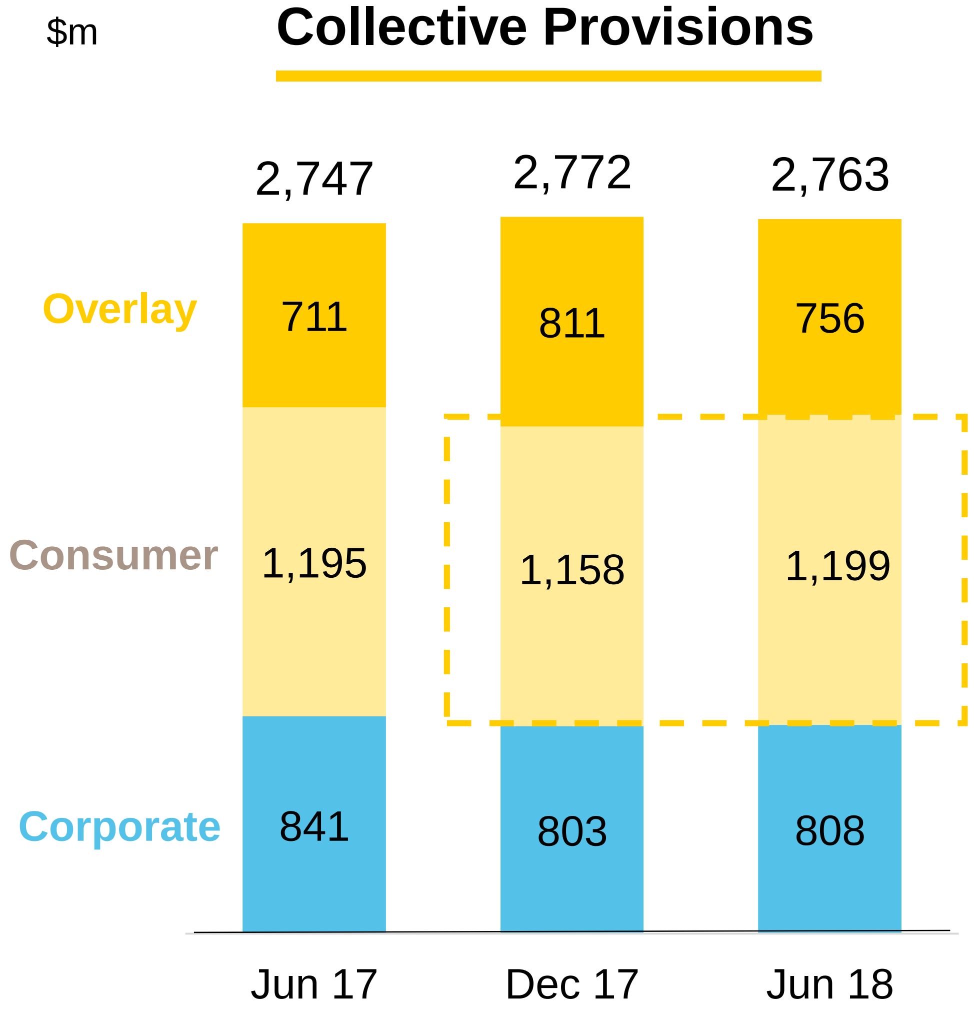
Bpts	FY17	FY18
Retail Banking Services	20	20
Business & Priv Bank	5	11
Inst Bank & Markets	6	8
Bankwest	14	7
ASB (NZ)	9	10
Group[2]	**15**	**15**

1. Cash LIE as a percentage of average GLAA (bpts). FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year. Statutory LIE for FY10 48 bpts and FY13 21 bpts.
2. Includes Other.

Credit risk - consumer arrears

Higher home loan arrears and consumer collective provisions reflecting pockets of stress





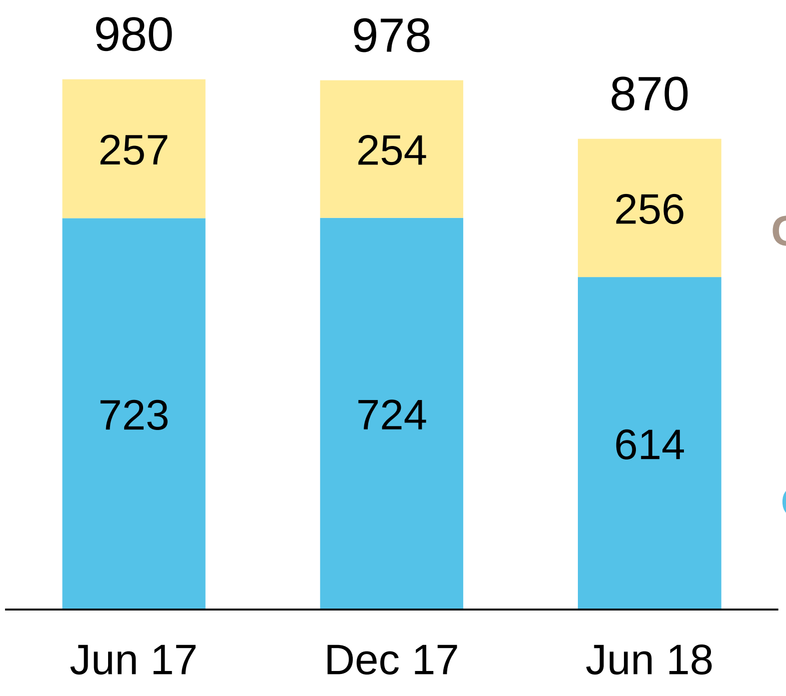
1. Consumer arrears includes retail portfolios of CBA (Retail Banking Services, Business and Private Banking), Bankwest and New Zealand.
2. Excludes Reverse Mortgage, Commonwealth Portfolio Loan (CBA) and Residential Mortgage Group (CBA) loans.

Provisioning

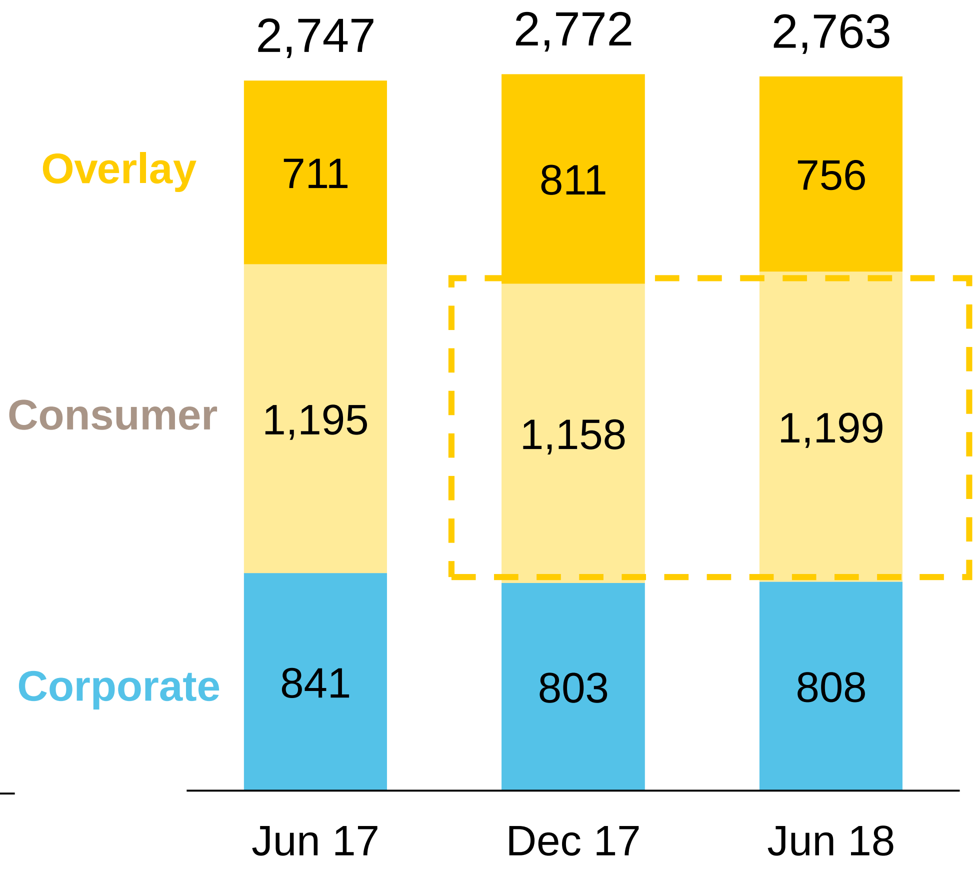
Higher consumer collective provisions

$m

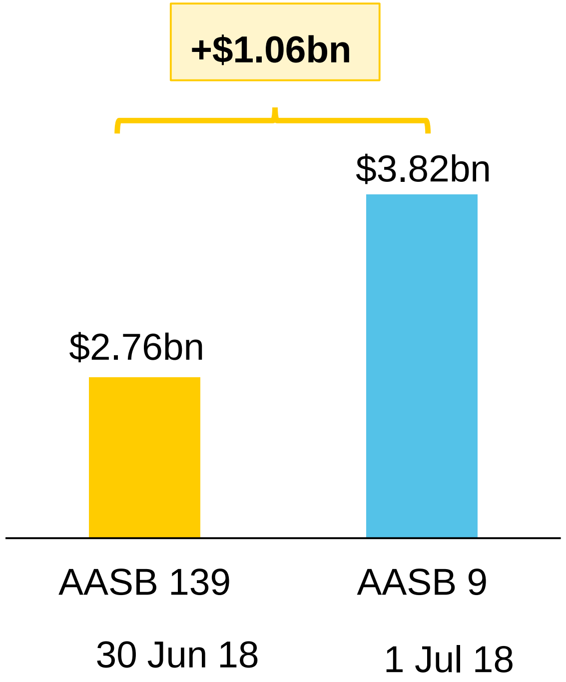
Individual



Collective



AASB9 Impact on Collective Provision (from 1 July, 2018)



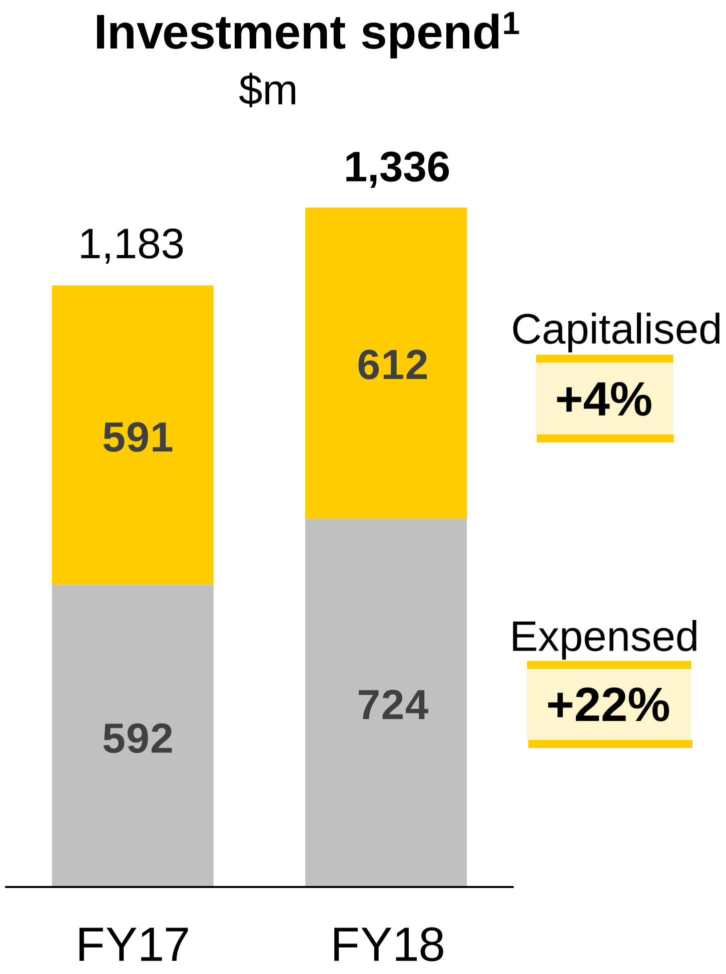
Provision Coverage[1]

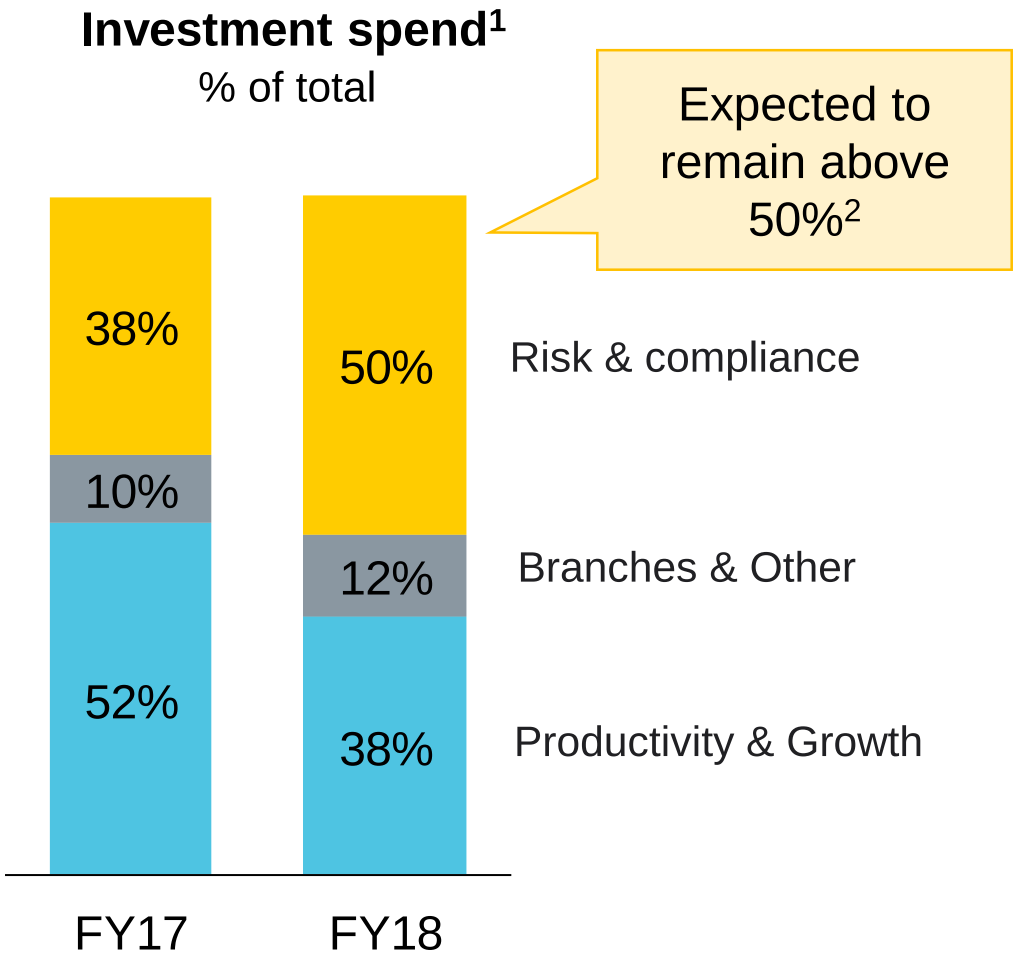
0.75%	**1.03%**

1. Represents collective provisions divided by credit risk weighted assets

Investment spend

Investment expense up 22% on higher financial crimes compliance costs

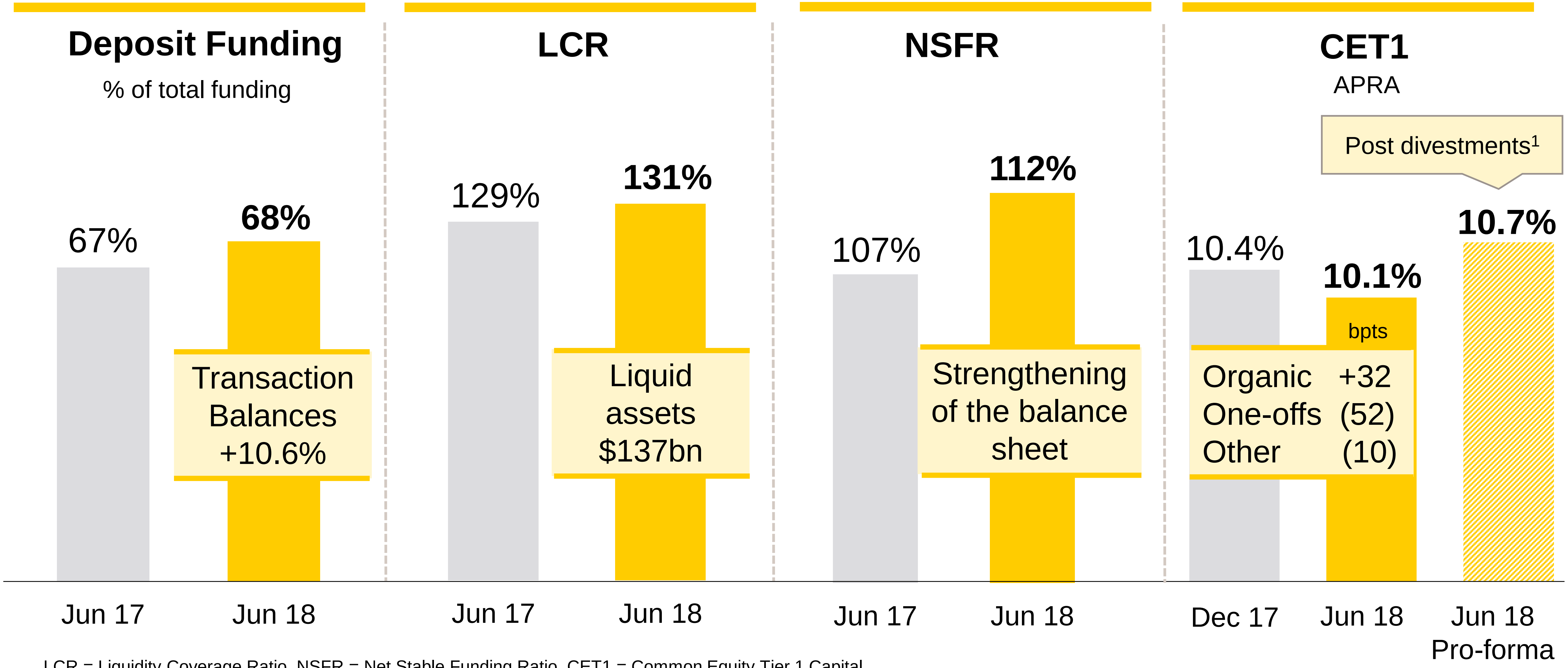




1. Comparative information has been restated to conform to presentation in the current period. 2. The prioritisation of investment toward improving management of non-financial risk is expected to continue, including addressing recommendations made by APRA's Prudential Inquiry. Risk and Compliance spend, including that on Financial Crimes Compliance, is expected to be more than 50% of total FY19 investment spend.

Balance sheet strength

Strong funding and liquidity, pro-forma CET1 capital at 10.7%



LCR = Liquidity Coverage Ratio. NSFR = Net Stable Funding Ratio. CET1 = Common Equity Tier 1 Capital.

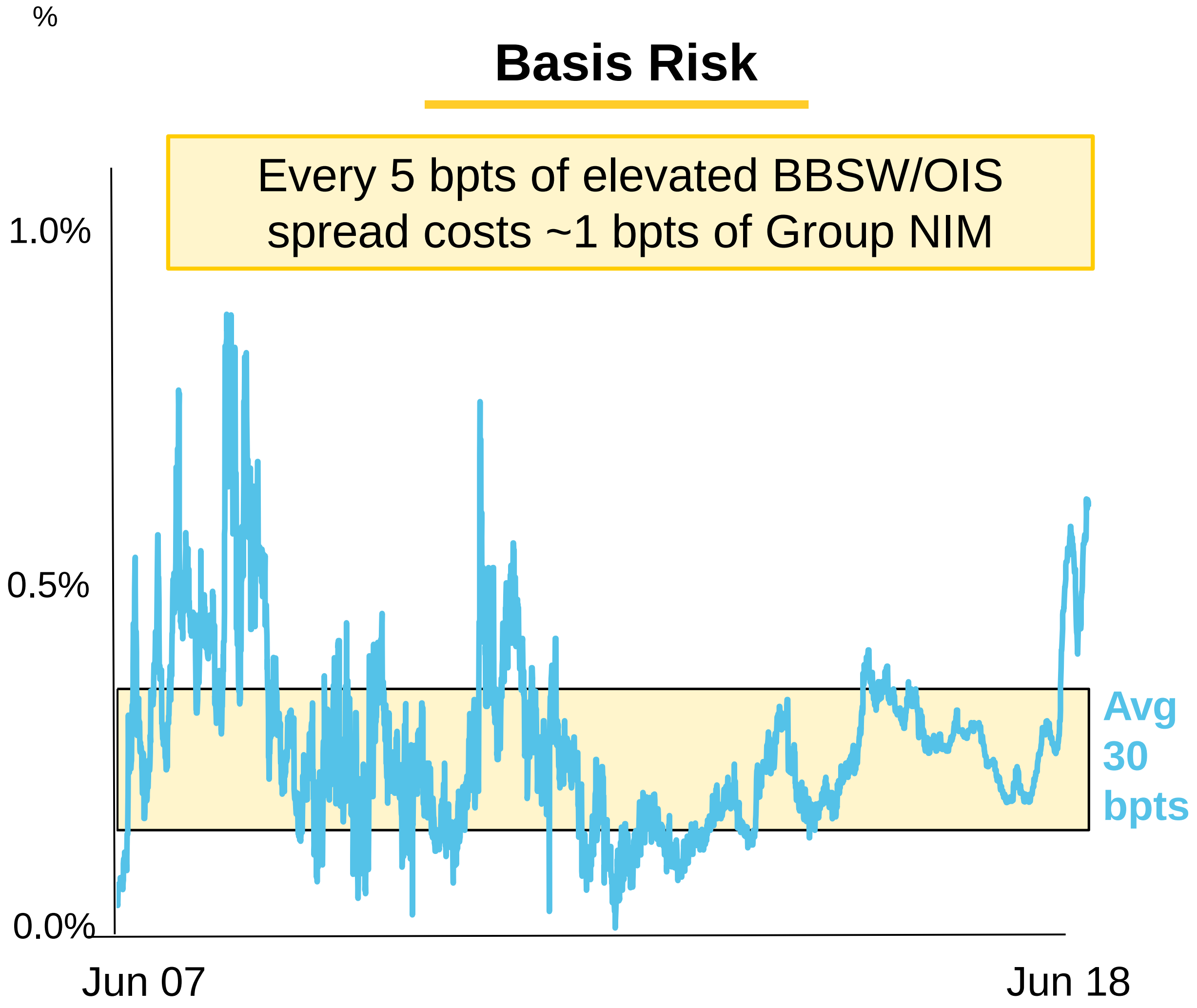
1. Includes impact of AASB 9 & AASB 15, and divestments of Sovereign, CMLA and BoComm Life.

Group margin – key sensitivities

Basis Risk and Replicating Portfolio

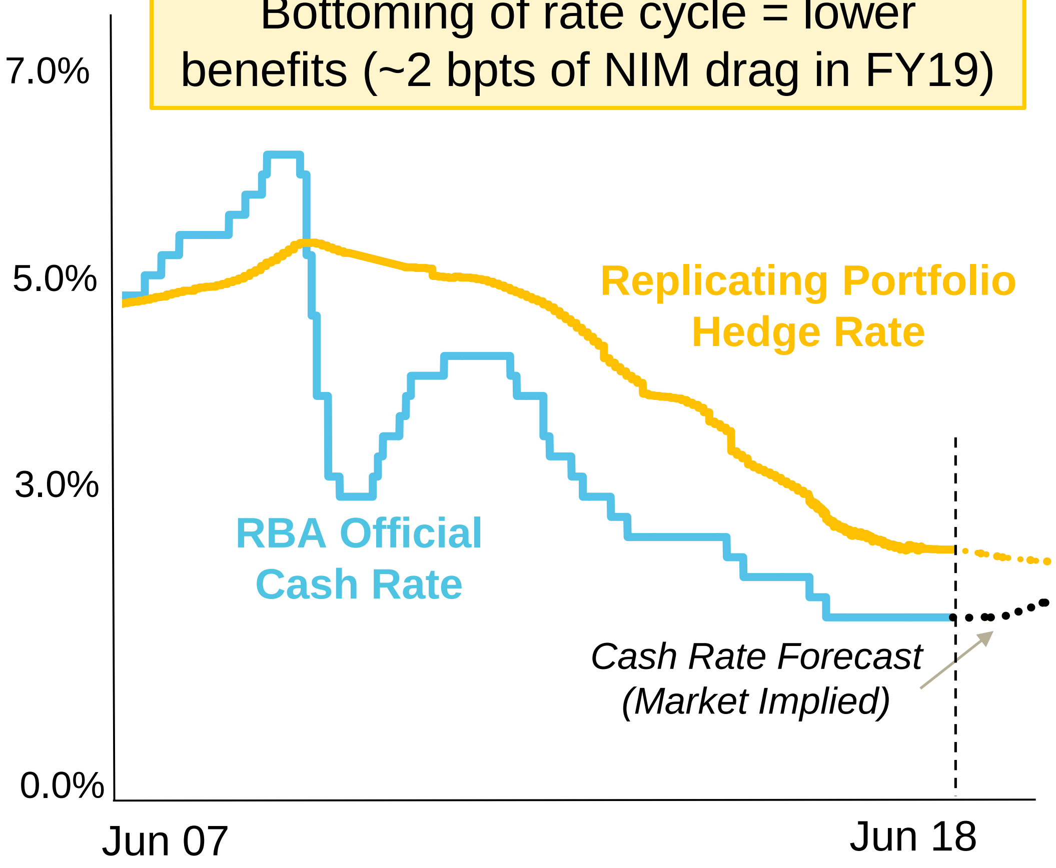
Basis Risk

Every 5 bpts of elevated BBSW/OIS spread costs ~1 bpts of Group NIM



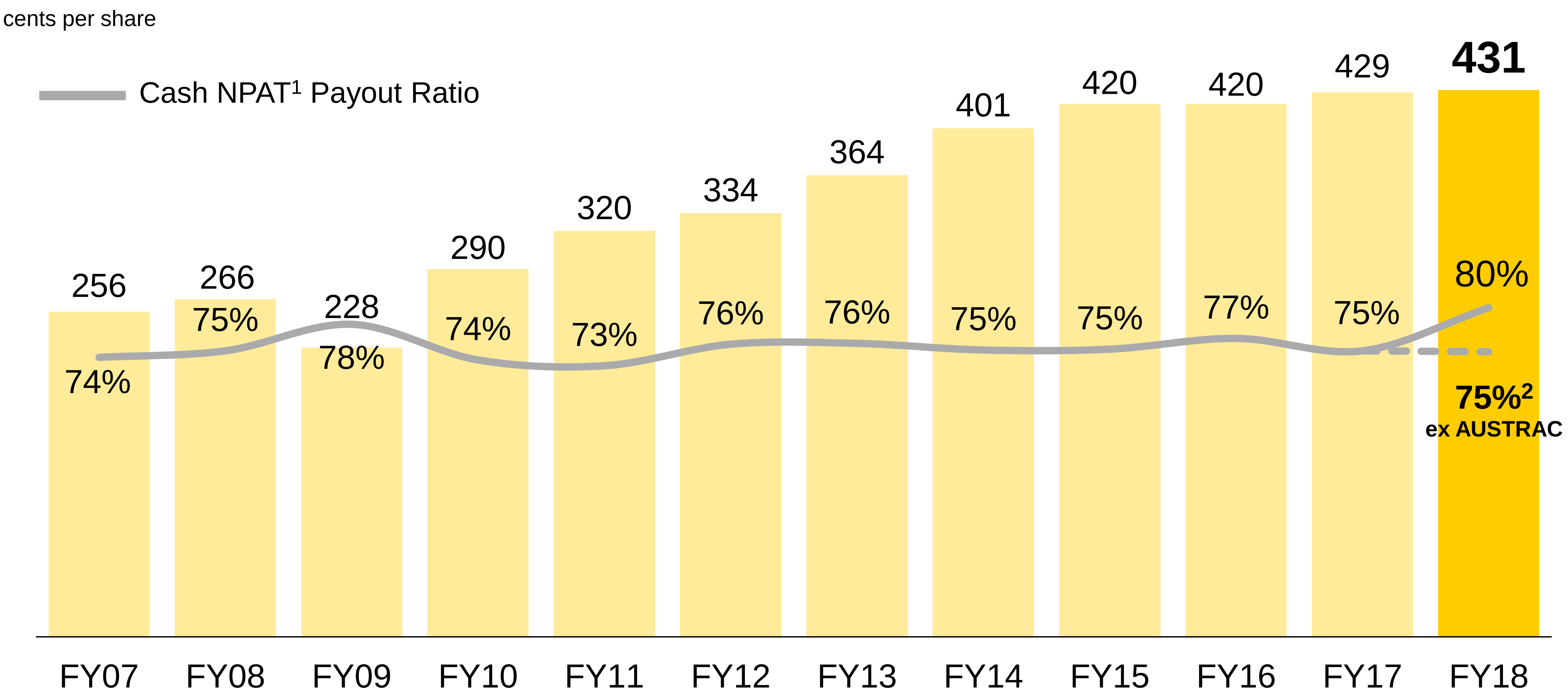
Replicating Portfolio

Bottoming of rate cycle = lower benefits (~2 bpts of NIM drag in FY19)



Dividend

Final dividend of $2.31 - full year $4.31, payout ratio of 75% ex AUSTRAC

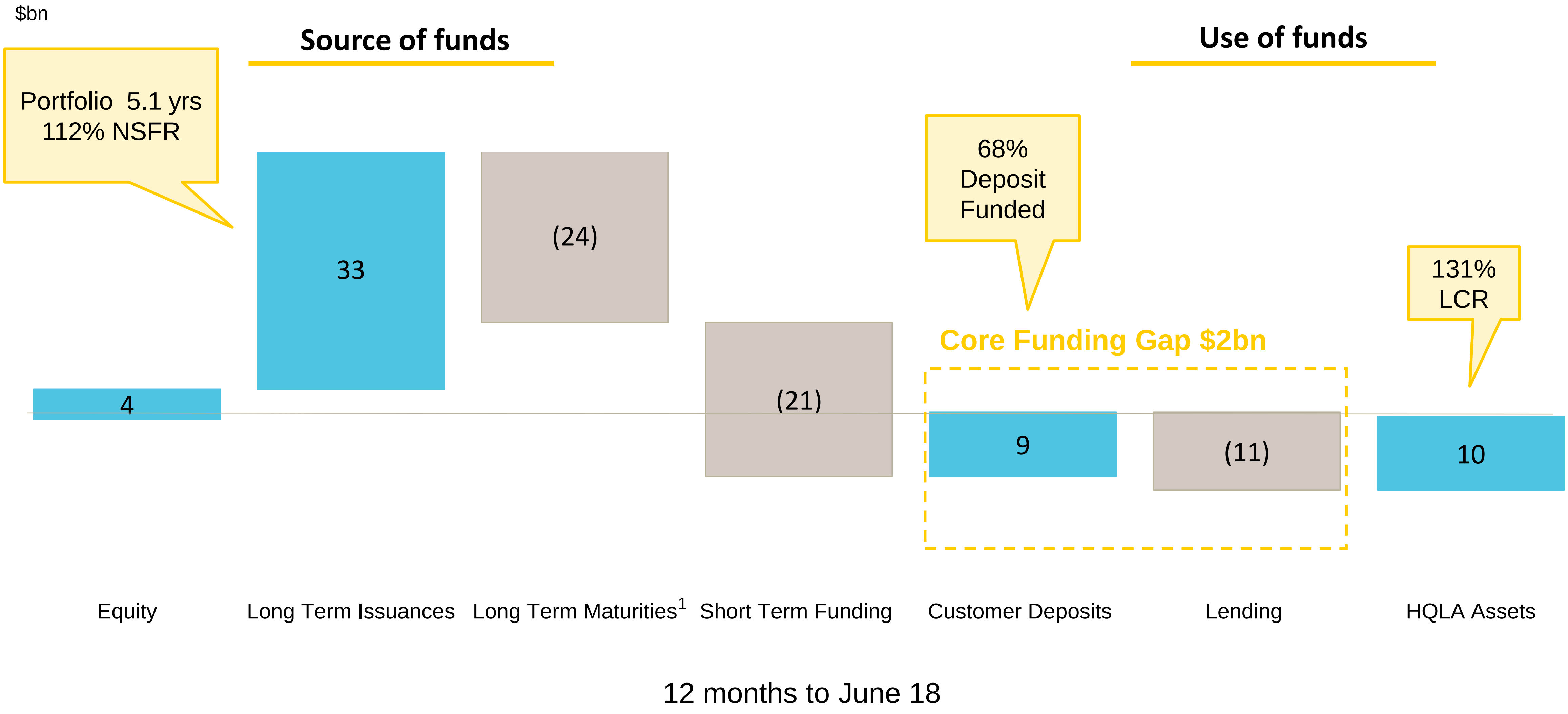


1. Cash NPAT inclusive of discontinued operations. 2. Full year payout ratio excluding the impact of the $700m AUSTRAC penalty.

Deposits, Funding and Liquidity

Funding overview

Over the last 12 months, the Group continued to strengthen its funding position



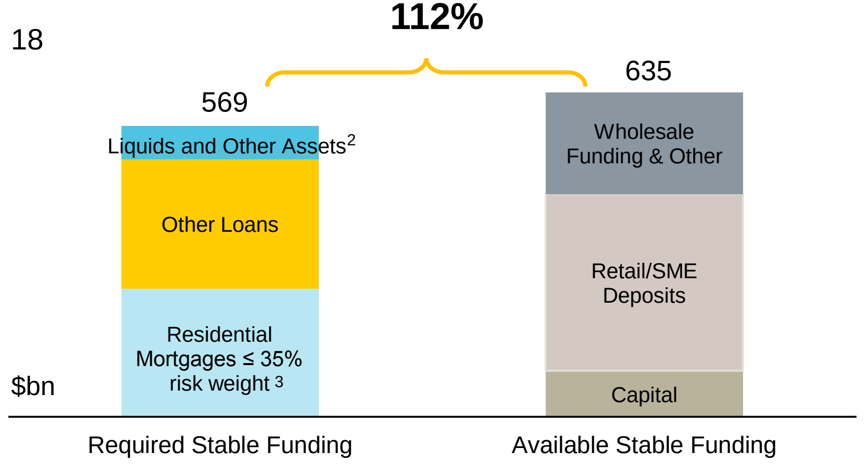
1. Reported at historical FX rates.

Funding and Liquidity Metrics[1]

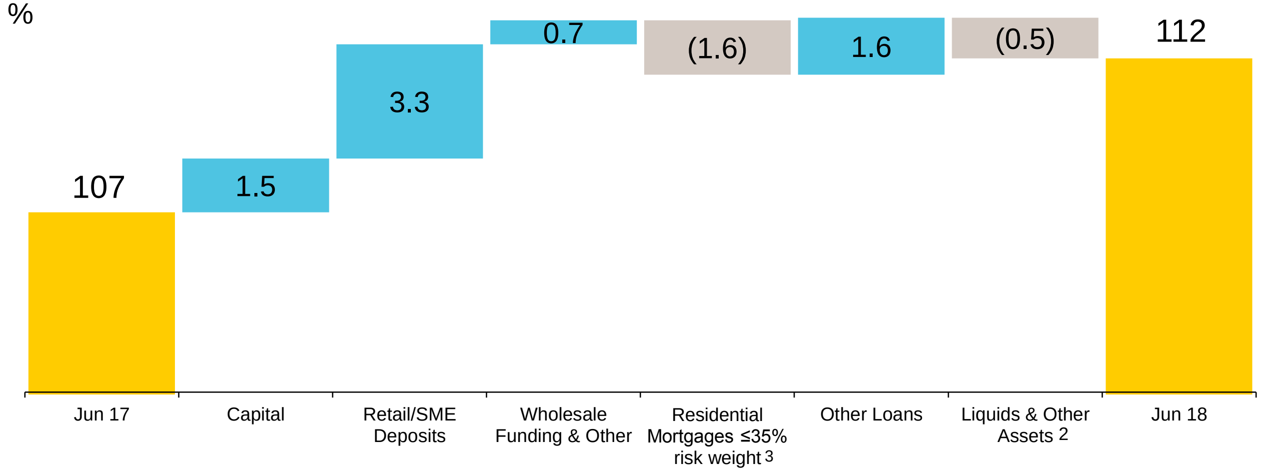
The Group continues to maintain strong funding and liquidity positions

NSFR

Jun 18

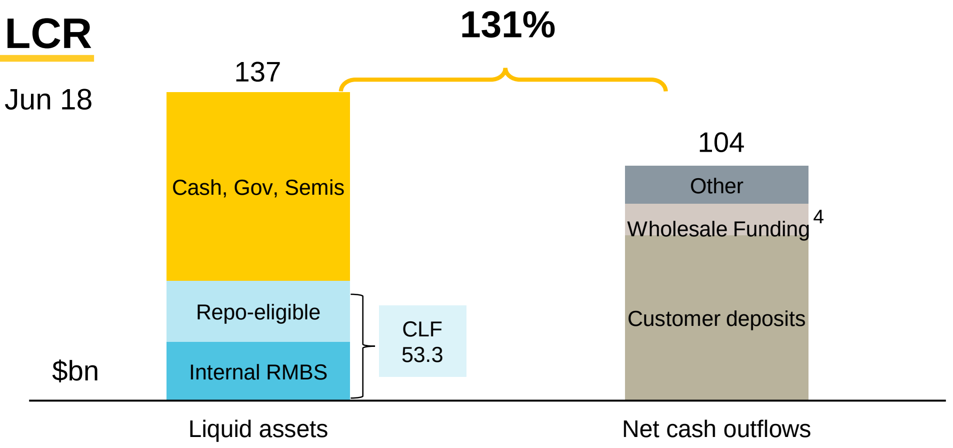


NSFR (%) FY17 vs FY18

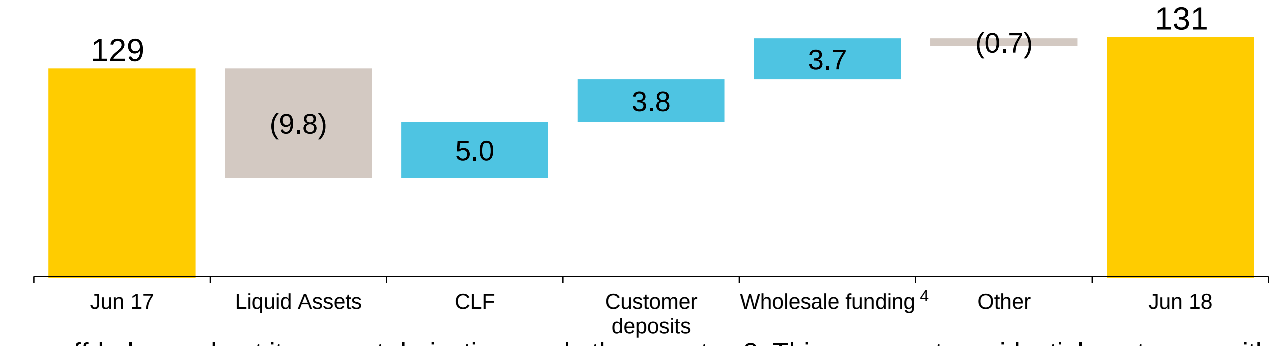


LCR

Jun 18



LCR (%) FY17 vs FY18



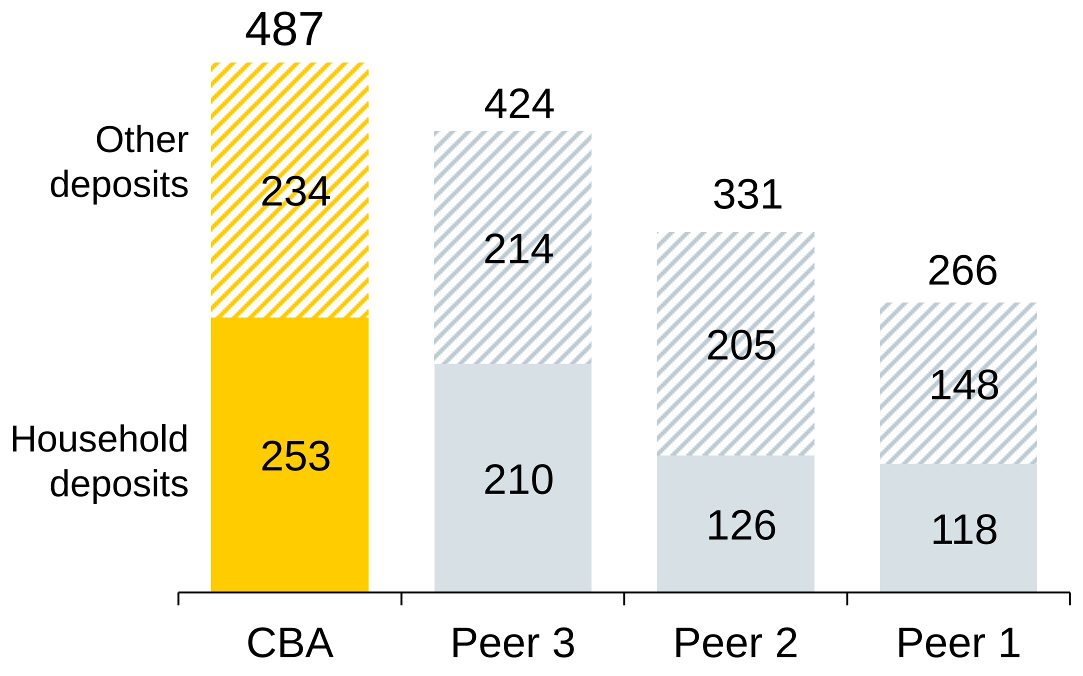
1. All figures shown on a Level 2 basis. 2. 'Other assets' includes non-performing loans, off-balance sheet items, net derivatives and other assets. 3. This represents residential mortgages with risk weighting ≤35% under APRA standard APS112 Capital Adequacy: Standardised Approach to Credit Risk. 4. includes all interbank deposits that are included as short term wholesale funding.

Deposit funding

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

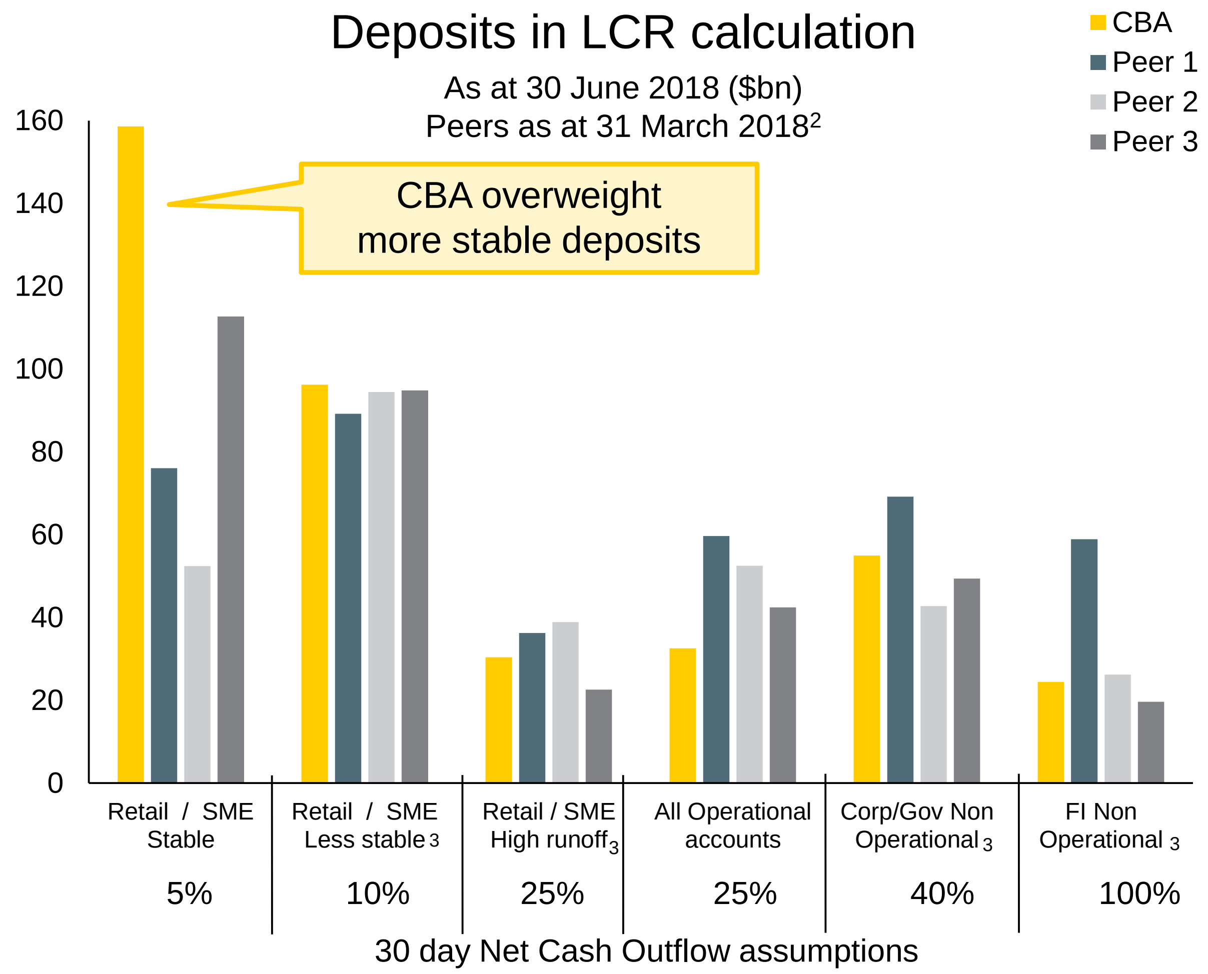
Deposits vs Peers[1]

Jun 18 ($bn)



Deposits in LCR calculation

As at 30 June 2018 ($bn)
Peers as at 31 March 2018[2]



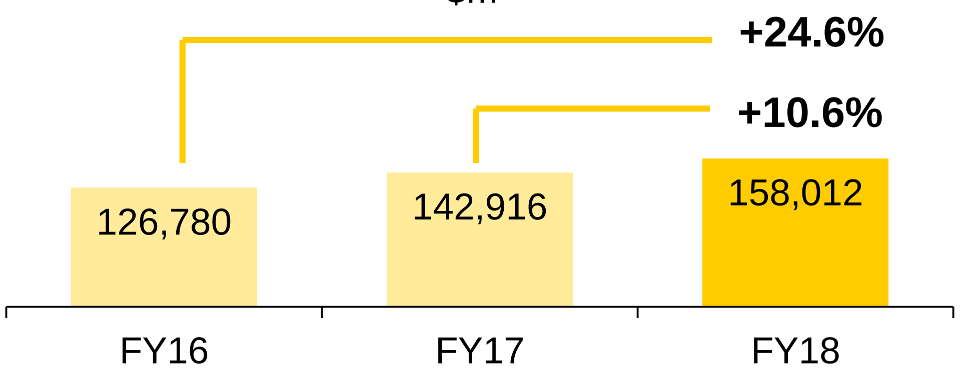
1. System source: APRA Monthly Banking Statistics. Total deposits (excluding CD's). CBA includes Bankwest. 2. Source: 31 March 2018 Pillar 3 Regulatory Disclosure; CBA reported as at 30 June 2018. 3. Peer comparisons are calculated from disclosures assuming there are not material balances in the "notice period deposits that have been called" and the "fully insured non-operational deposits" categories.

Deposit funding – transactions

Over one million new personal transaction accounts were opened in FY18

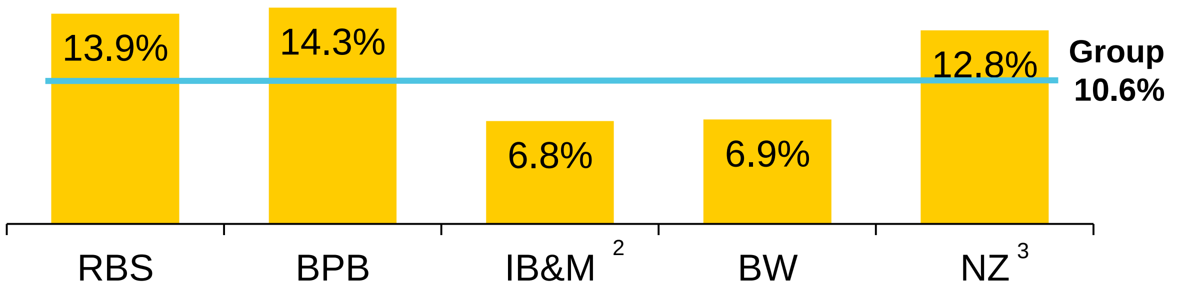
Group Transaction Balances[1]

$m



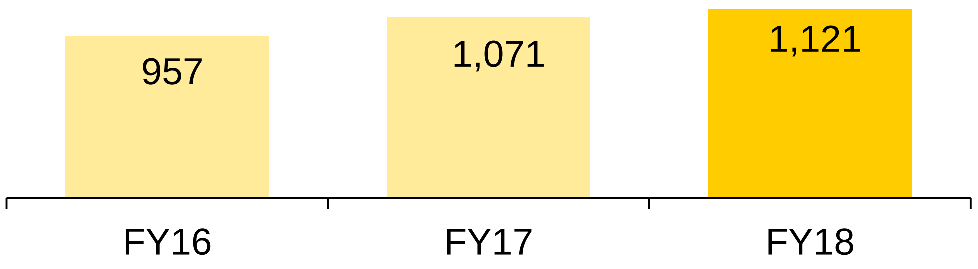
Transaction Balance Growth[1]

FY18 vs FY17



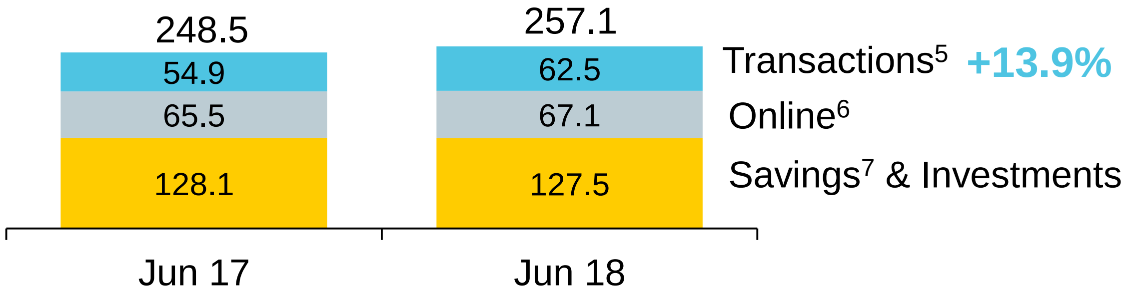
Retail Bank New Transaction Accounts[4]

'000



Retail Deposit Mix

$bn

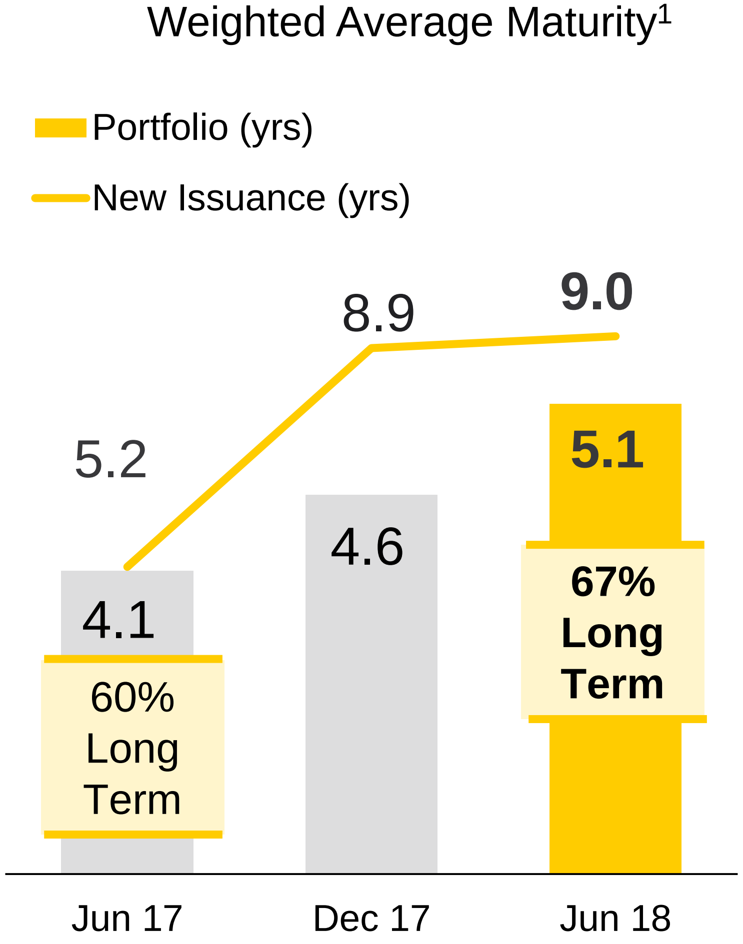


1. Includes non-interest bearing deposits. 2. Includes pooling facilities. 3. Denominated in NZD. 4. Number of new RBS personal transaction accounts, excluding offset accounts. 5. Includes non-interest bearing deposits and transaction offsets. 6. Online includes NetBank Saver, Goal Saver and Business Online Saver. 7. Includes savings offset accounts.

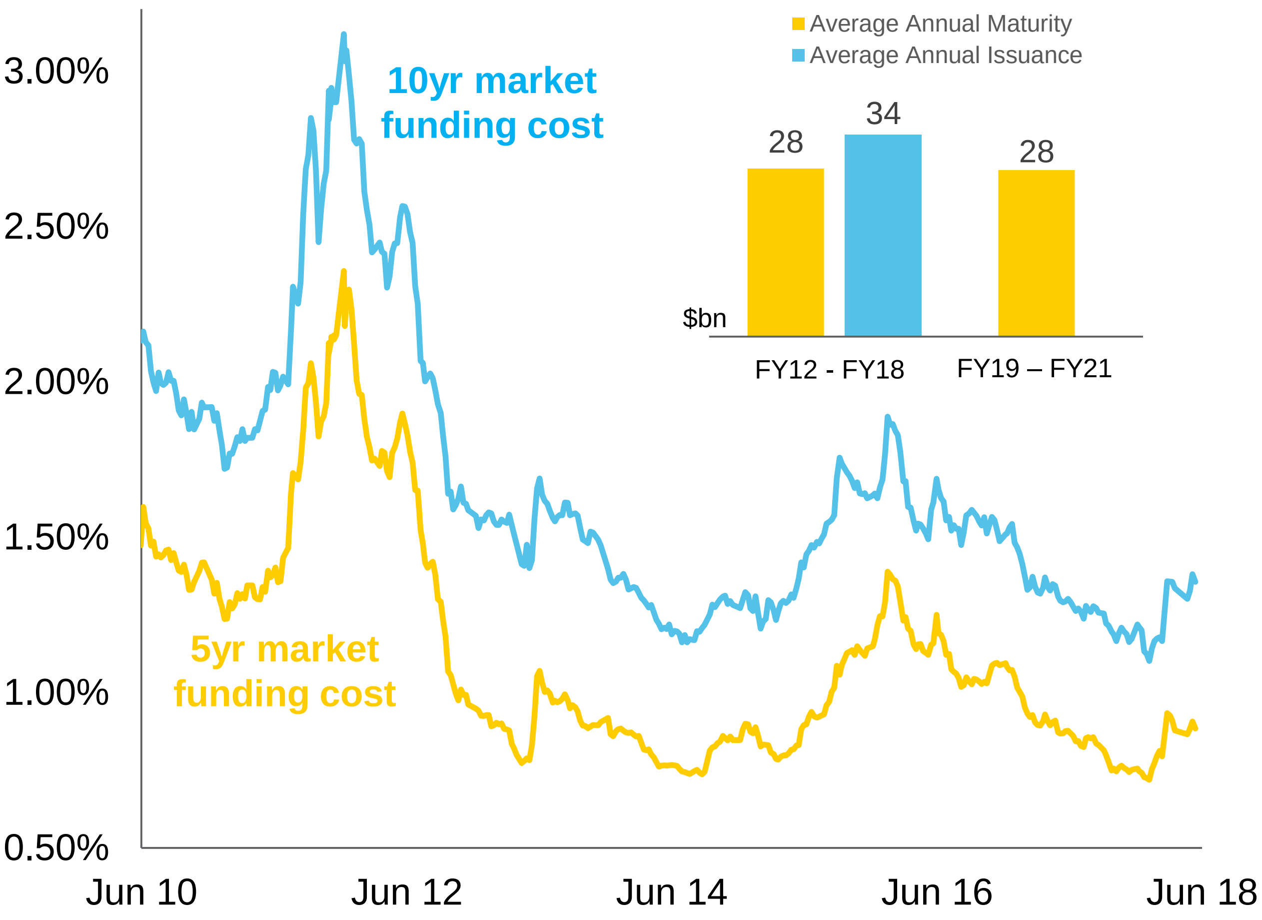
Wholesale funding

Lengthened at favourable rates, reducing refinancing risk – cost pressures emerging

Wholesale Funding



Indicative Funding Costs[2]



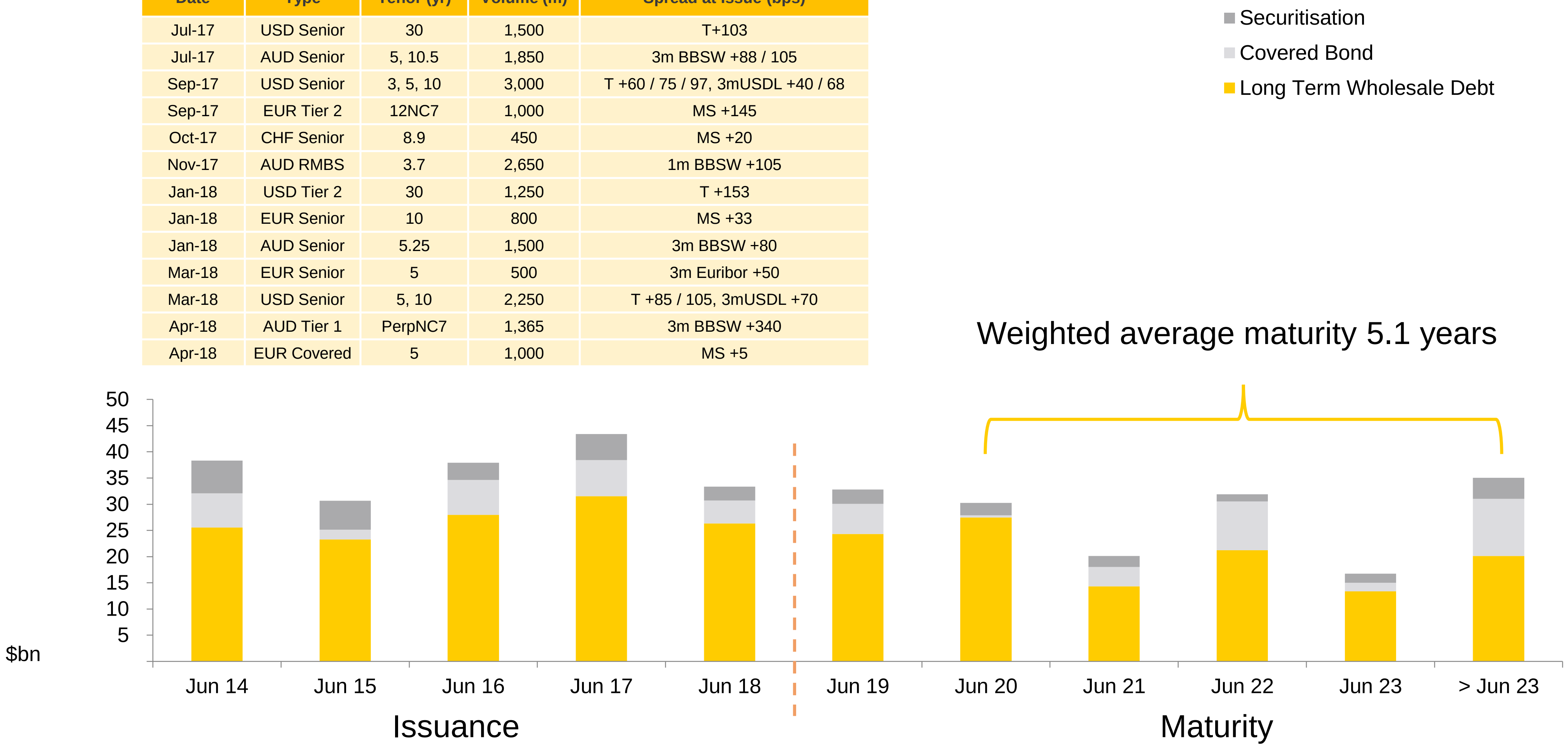
1. Long term wholesale funding (>12 months). 2. Indicative funding costs across major currencies. Represents the spread in BBSW equivalent terms on a swapped basis.

Wholesale funding – issuance and maturity

$33bn wholesale issuance completed FY18

FY18 benchmark issuance

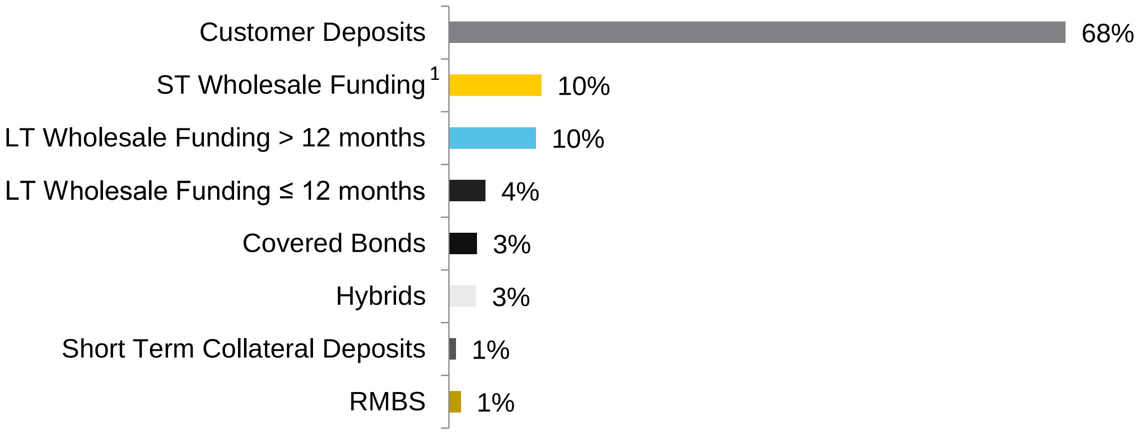
Date	Type	Tenor (yr)	Volume (m)	Spread at Issue (bps)
Jul-17	USD Senior	30	1,500	T+103
Jul-17	AUD Senior	5, 10.5	1,850	3m BBSW +88 / 105
Sep-17	USD Senior	3, 5, 10	3,000	T +60 / 75 / 97, 3mUSDL +40 / 68
Sep-17	EUR Tier 2	12NC7	1,000	MS +145
Oct-17	CHF Senior	8.9	450	MS +20
Nov-17	AUD RMBS	3.7	2,650	1m BBSW +105
Jan-18	USD Tier 2	30	1,250	T +153
Jan-18	EUR Senior	10	800	MS +33
Jan-18	AUD Senior	5.25	1,500	3m BBSW +80
Mar-18	EUR Senior	5	500	3m Euribor +50
Mar-18	USD Senior	5, 10	2,250	T +85 / 105, 3mUSDL +70
Apr-18	AUD Tier 1	PerpNC7	1,365	3m BBSW +340
Apr-18	EUR Covered	5	1,000	MS +5



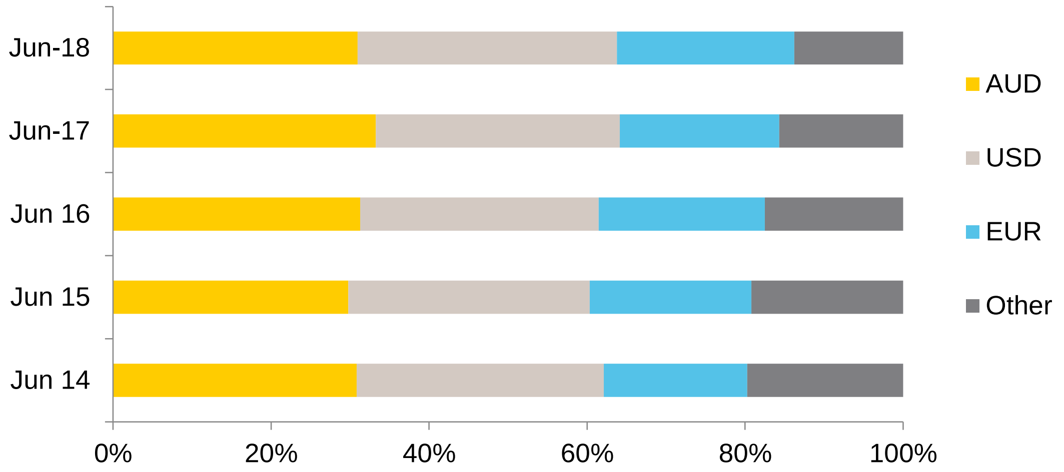
Wholesale funding – composition

Diversified wholesale funding across product, currency and tenor

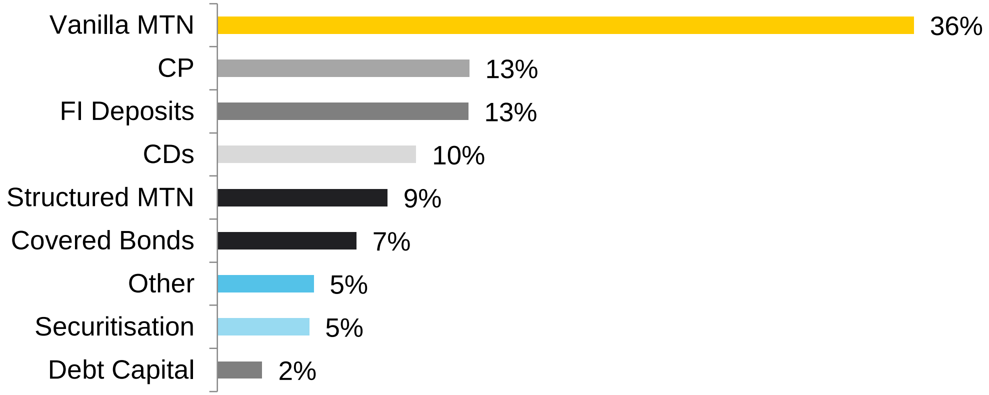
Funding composition



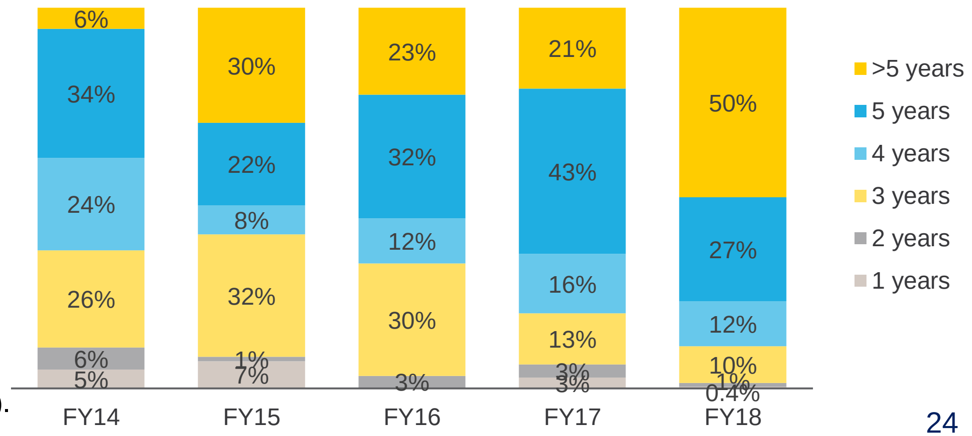
Term Wholesale Funding by Currency[2]



Wholesale Funding by product



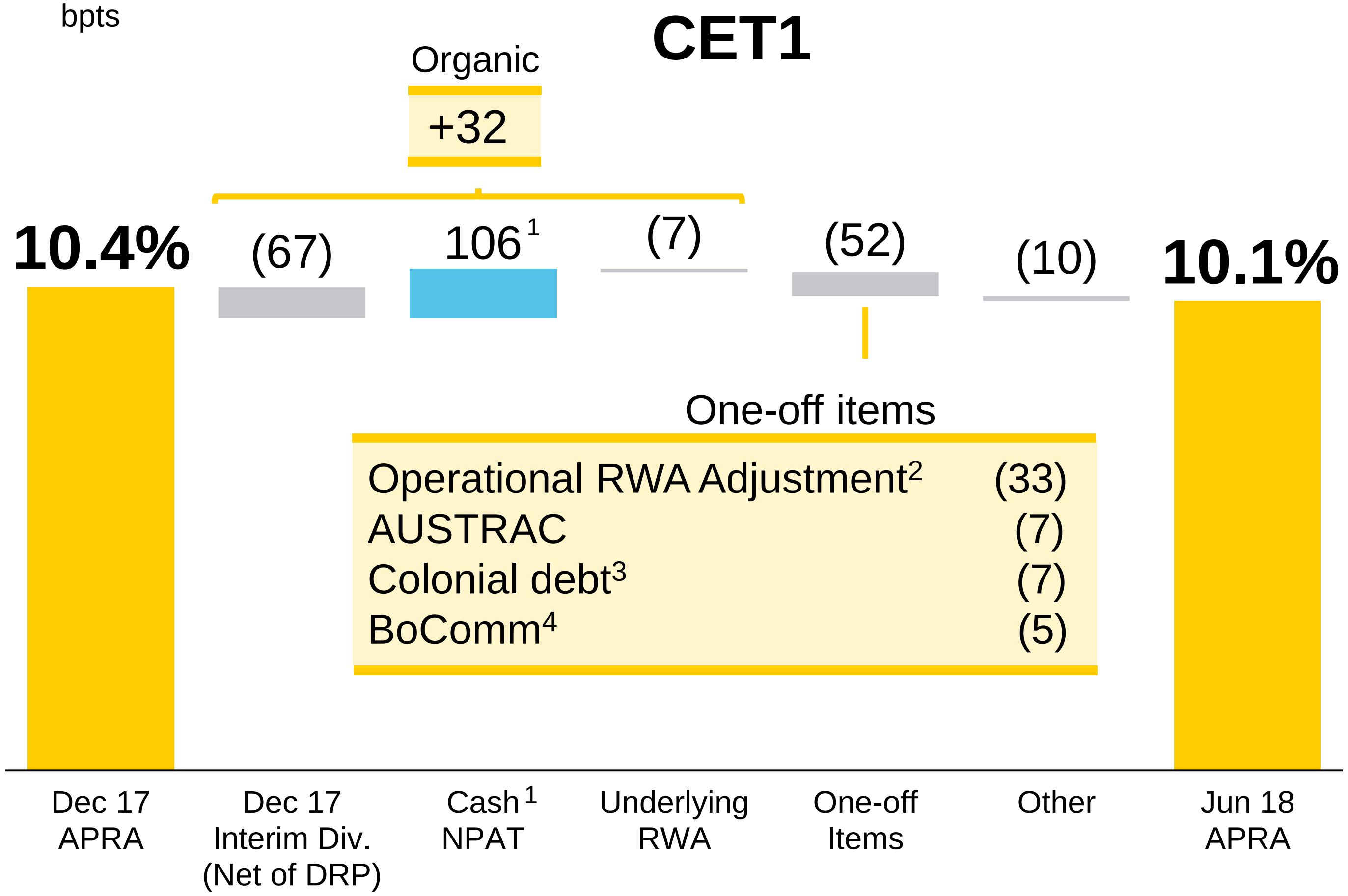
New Term Issuance by Tenor

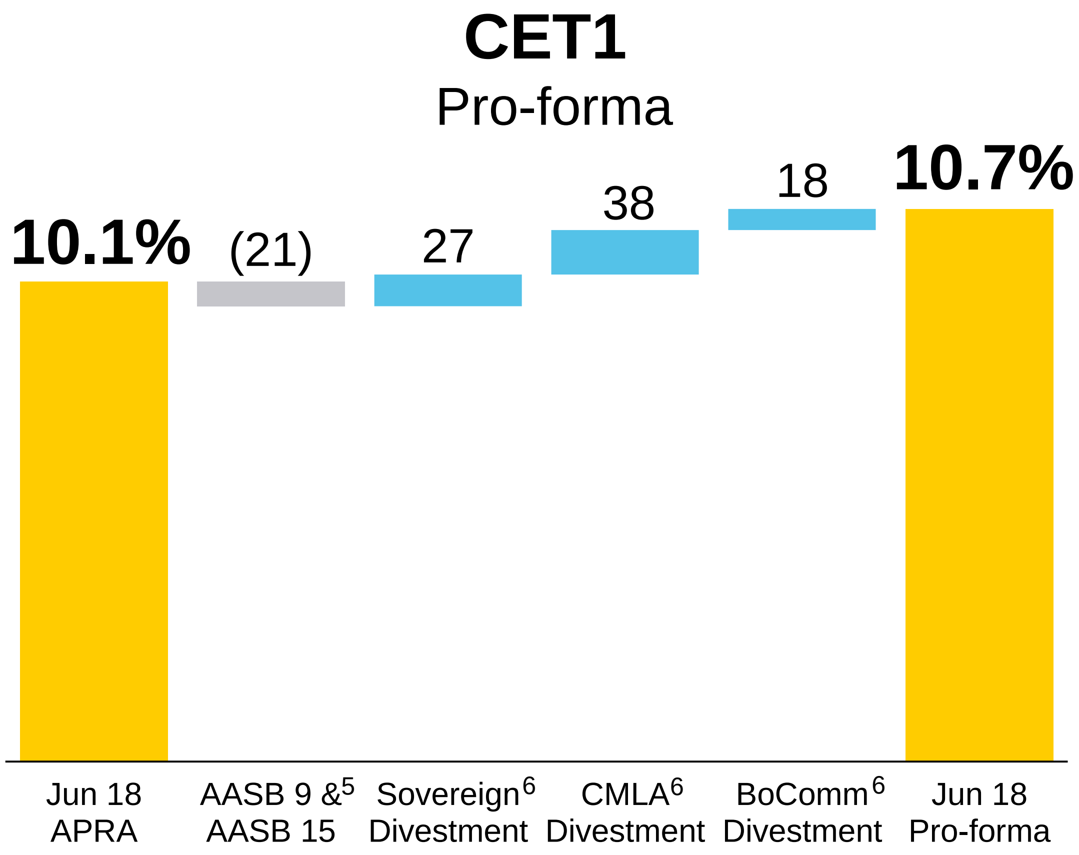


1. Includes the categories 'central bank deposits' and 'due to other financial institutions' (including collateral received).
2. Includes debt with an original maturity or call date of greater than 12 months (including loan capital).

Capital

Op. risk add-on absorbed – clear path to “unquestionably strong” (pro-forma 10.7%)

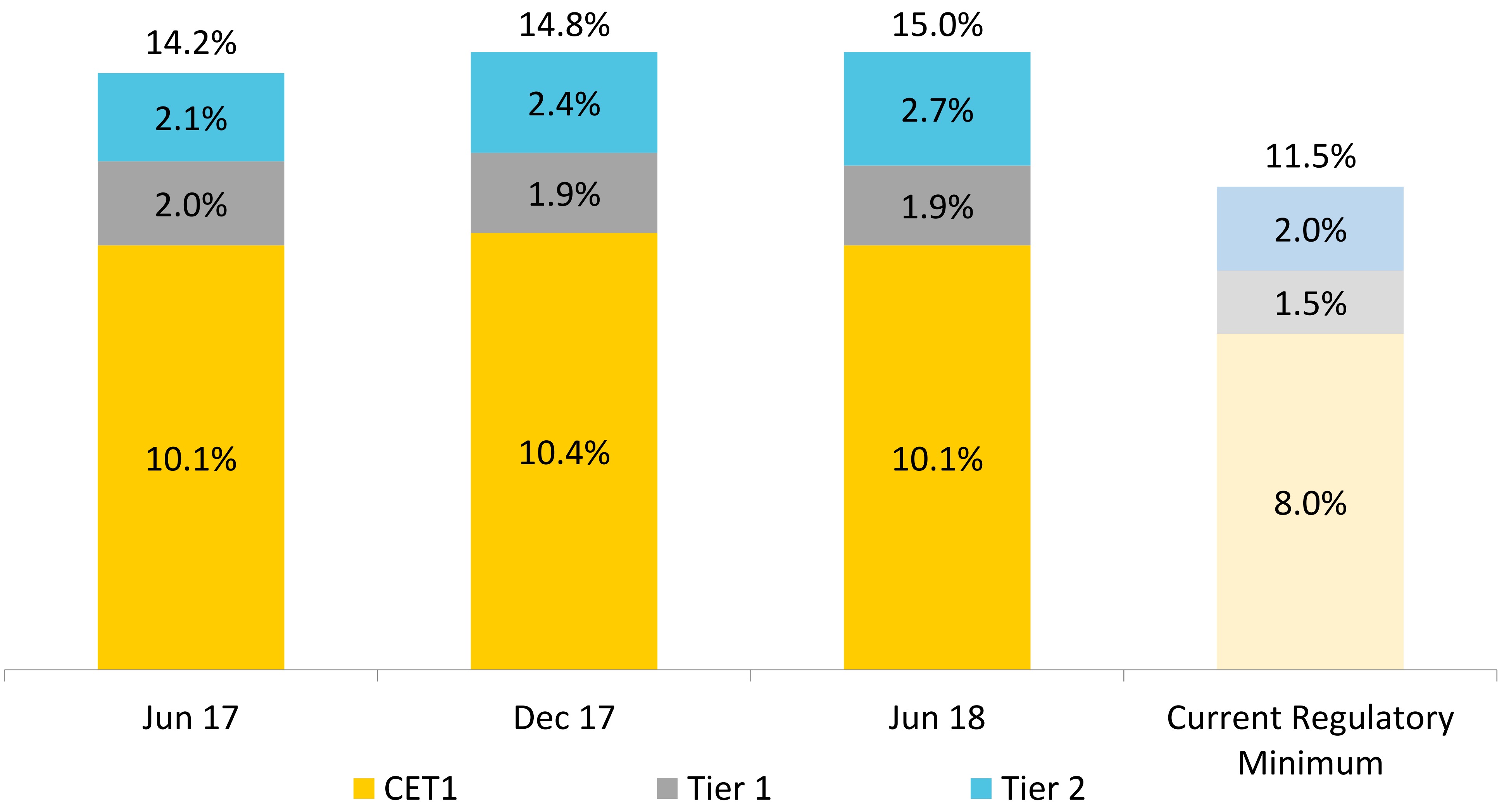




1. $325m (-7bpts) for the AUSTRAC civil penalty shown separately in one-off items ($375m provided for in 1H18). 2. APRA’s requirement to increase operational risk regulatory capital (-28bpts) and movement of Wealth Management Advice business to the regulatory consolidated group (-5bpts). 3. Maturity of final tranche ($315m) of Colonial debt that was subject to transitional relief. 4. Capital injection of AUD $235m into the 37.5% interest in BoComm Life Insurance, which will be fully reimbursed on completion of sale to Mitsui Sumitomo Insurance Co. Ltd. 5. 1 July 2018 implementation. 6. Sale of Sovereign completed July 2018. Sale of CMLA and BoComm expected to be completed by December 2018.

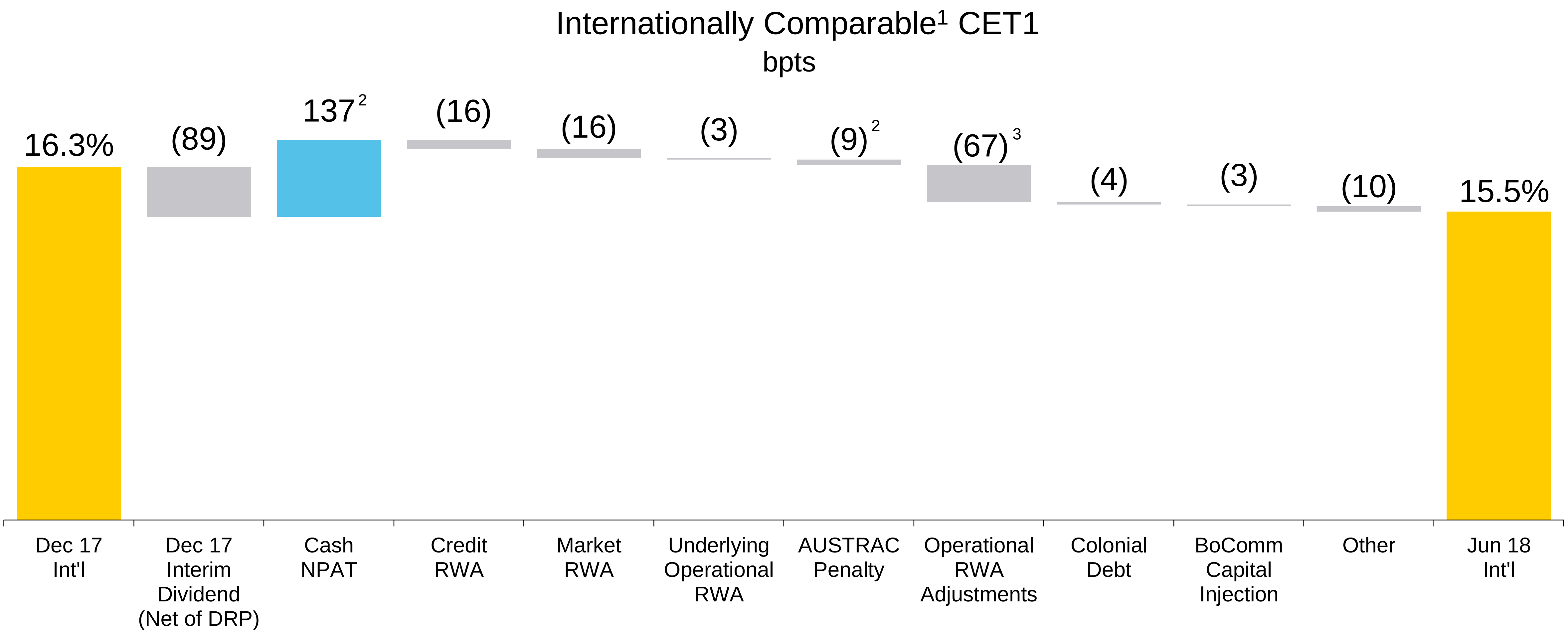
Total capital levels - APRA

Well positioned on regulatory requirements .. > 10.5% 1 Jan, 2020



CET1 – Internationally comparable

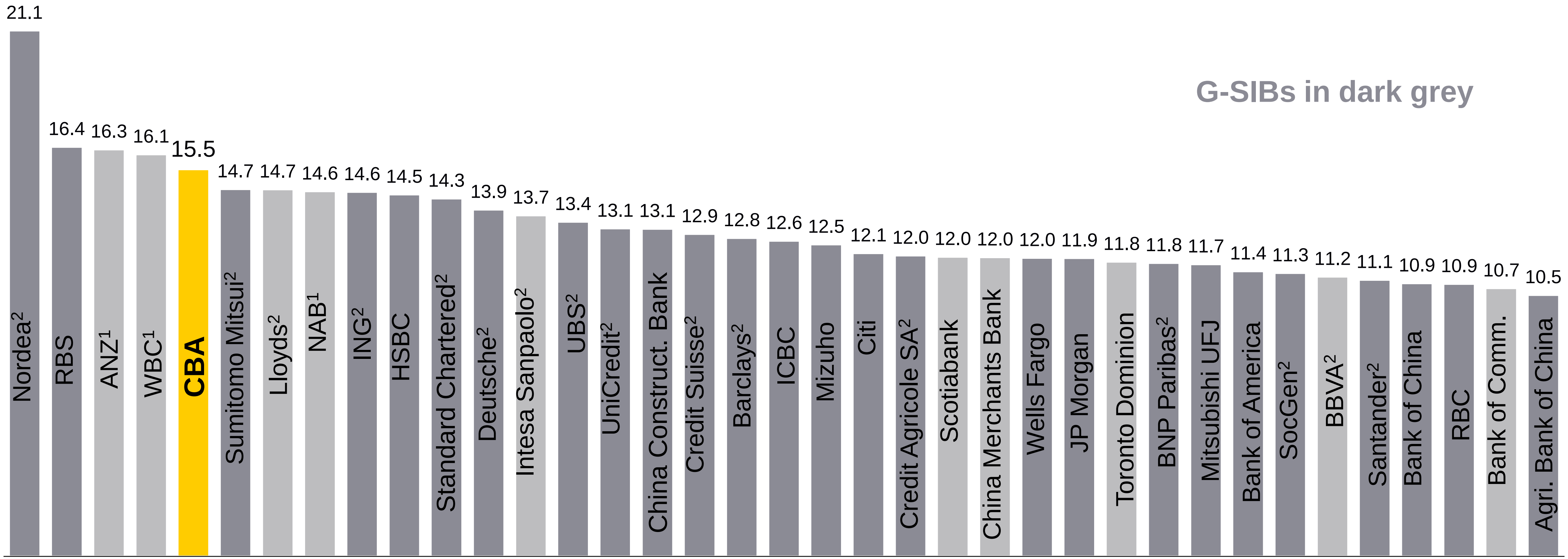
One-off items have driven the internationally comparable ratio lower this half



1. Internationally comparable capital - refer glossary for definition. 2. For the purposes of explaining the movement in CET1, the additional $325m for the AUSTRAC civil penalty has been shown separately. Of the $700m total penalty announced 4 June 2018, $375m was provided for in the Dec-17 (1H18) results. 3. Includes APRA's requirement to increase operational risk regulatory capital and movement of Wealth Management Advice business to the regulatory consolidated group.

International CET1 ratios

The Group is one of the best capitalised banks in the world



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 2 August 2018 assuming Basel III capital reforms fully implemented.
Peer group comprises listed commercial banks with total assets in excess of A$780 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 2018.
2. Deduction for accrued expected future dividends added back for comparability.

APRA and International comparison

The Group's CET1 ratio of 10.1% translates to 15.5% on an international basis

The following table provides details on the differences, as at 30 June 2018, between the APRA Basel III capital requirements and internationally comparable capital ratio[1].

CET1 APRA		**10.1%**
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	1.0%
Capitalised expenses	Balances are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.1%
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.3%
IRRBB RWA	APRA requires capital to be held for Interest Rate Risk in the Banking Book (IRRBB). The BCBS does not.	0.6%
Residential mortgages	Loss Given Default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements and adjustments for higher correlation factor applied by APRA for Australian residential mortgages.	1.8%
Other retail standardised exposures	Risk-weighting of 75%, rather than 100% under APRA's requirements.	0.1%
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements.	0.4%
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements.	0.3%
Specialised lending	Use of AIRB probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factor.	0.7%
Currency conversion	Increase in A$ equivalent concessional threshold level for small business retail and small/medium corporate exposures.	0.1%
CET1 Internationally Comparable		**15.5%**
Tier 1 Internationally Comparable		**18.1%**
Total Capital Internationally Comparable		**21.3%**

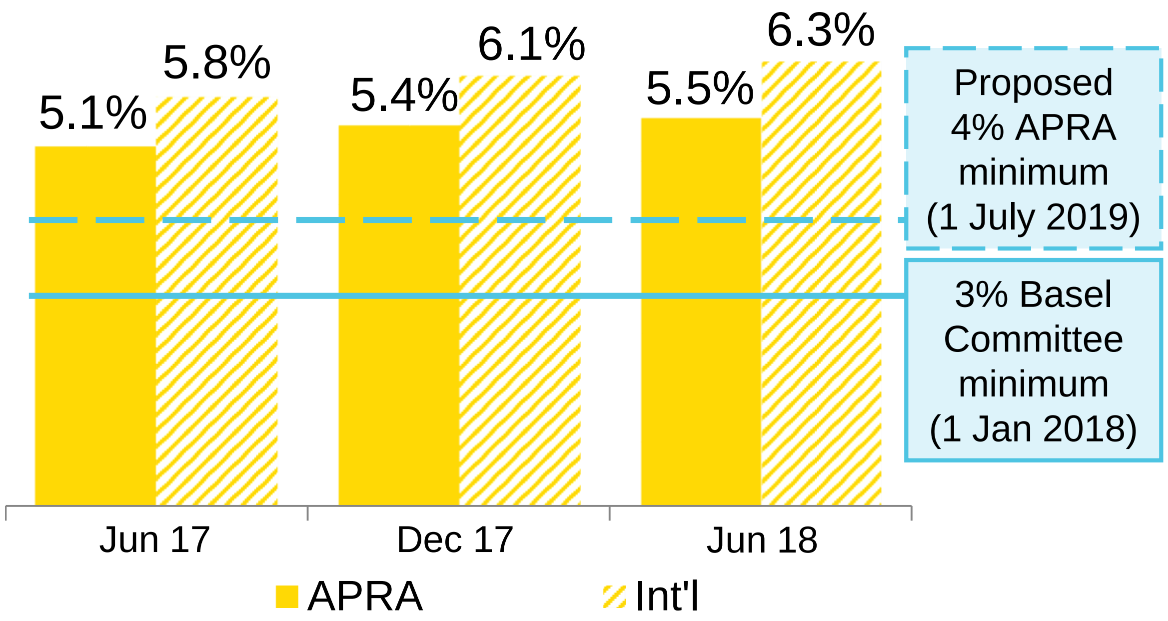
1. Analysis aligns with the APRA study entitled "International capital comparison study" (13 July 2015).

Leverage ratio

CBA leverage ratio is well above prescribed Basel Committee minimum

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

Leverage ratio = Tier 1 Capital / Total Exposures



$m	Jun 18
Tier 1 Capital	56,432
Total Exposures	1,018,622
Leverage Ratio (APRA)	**5.5%**

$m	Jun 18
Group Total Assets	**975,165**
Less subsidiaries outside the scope of regulatory consolidations	(18,091)
Add net derivative adjustment	1,504
Add securities financing transactions	1,010
Less asset amounts deducted from Tier 1 Capital	(20,530)
Add off balance sheet exposures	79,564
Total Exposures	**1,018,622**

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.

Regulatory change timetable

	2018	2019	2020	2021	2022
APRA's unquestionably strong	ADIs to target unquestionably strong capital ratios, which will also cover Basel Committee's finalised Basel III reforms APRA commenced consultation in February 2018		Capital to exceed unquestionably strong benchmark by 1 Jan 2020	Implementation	
Basel III Finalising Post-Crisis Reforms	Basel Committee finalised Dec 2017: • Changes to Standardised & Advanced Credit RWAs • Operational RWAs to Standardised approach • Capital floor of 72.5% (phased approach 1 Jan 2022 – 1 Jan 2027) Further consultation on the minimum capital requirements for Market Risk commenced in Mar 2018 APRA to consult on detailed prudential standards across 2018 and 2019 and finalise in 2019 or later. APRA plans to implement from 1 January 2021, 12 months ahead of Basel Committee implementation timeframe.				Basel Committee implementation date 1 Jan 2022
Leverage ratio	Basel Committee - Regulatory minimum of 3% effective from 1 Jan 2018 (APRA commenced consultation in February 2018, proposed minimum 4% from 1 July 2019)				*(Leverage ratio - revised measurement of certain exposures)*
Counterparty Credit Risk		Implementation 1 July 2019			
Loss Absorbing Capacity ("TLAC")	APRA to commence consultation in late 2018				
AASB 9 Provisioning	Implementation 1 July 2018				
AASB 15 Revenue	Implementation 1 July 2018				
AASB 16 Leasing		Implementation 1 July 2019			

Key economic indicators (June FY)

		2013	2014	2015	2016	2017	2018	2019
World	GDP	3.5	3.6	3.5	3.2	3.8	3.9	3.9
Australia	Credit Growth % – Total	3.1	5.0	5.9	6.2	5.4	4.5	3½-5½
	Credit Growth % – Housing	4.6	6.4	7.3	6.7	6.6	5.6	3½-5½
	Credit Growth % – Business	1.2	3.4	4.4	6.5	4.3	3.2	4-6
	Credit Growth % – Other Personal	0.2	0.6	0.8	-0.6	-1.0	-1.3	-2 to 0
	GDP %	2.6	2.6	2.4	2.8	2.1	2.7	3.1
	CPI %	2.3	2.7	1.7	1.4	1.7	1.9	2.7
	Unemployment rate %	5.4	5.8	6.2	5.9	5.7	5.5	5.4
	Cash Rate %	2.75	2.50	2.00	1.75	1.50	1.50	1.75
New Zealand	Credit Growth % – Total	4.3	4.4	5.8	7.7	6.5	4-6	4-6
	Credit Growth % – Housing	5.2	5.3	5.4	8.8	7.7	4-6	4-6
	Credit Growth % – Business	2.8	2.8	5.9	7.2	6.2	5-7	5-7
	Credit Growth % – Agriculture	4.1	3.4	7.4	6.0	2.6	3-5	4-6
	GDP %	2.3	2.5	3.3	2.7	3.3	2.7	3.5
	CPI %	0.8	1.5	0.6	0.3	1.4	1.7	1.5
	Unemployment rate %	6.2	5.5	5.4	5.2	5.0	4.8	4.6
	Overnight Cash Rate %	2.50	3.25	3.25	2.25	1.75	1.75	2.00

Credit Growth = 12 months to June
GDP, Unemployment & CPI = Financial year average
Cash Rate = As at June
World GDP = Calendar Year Average
■ = forecast

Home and Consumer Lending

CommonwealthBank

Regulatory exposure mix[1]

CBA's portfolio is heavily weighted to home lending

Portfolio	Regulatory Credit Exposure Mix			
	CBA	Peer 1	Peer 2	Peer 3
Residential Mortgages	57%	41%	46%	57%
Corporate, SME, Specialised Lending	26%	31%	38%	29%
Bank	4%	5%	5%	2%
Sovereign	9%	16%	9%	8%
Qualifying Revolving	3%	2%	1%	2%
Other Retail	1%	5%	1%	2%
Total	100%	100%	100%	100%

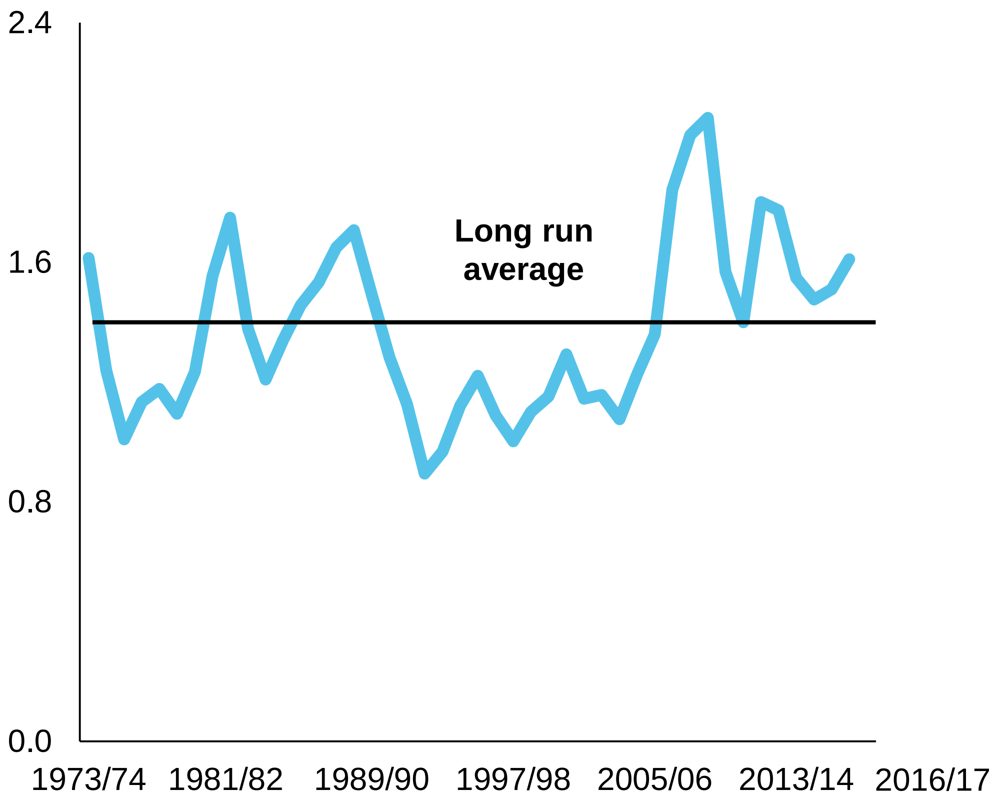
1. Pillar 3 disclosures for CBA as at June 2018 and Peers as at March 2018. Excludes Standardised (including Other Assets, CVA) and Securitisation, which represents 5% of CBA, 4% of Peer 1, 6% of Peer 2 and 5% of Peer 3 before exclusions.

System overview – housing credit

Population growth continues to underpin overall system growth

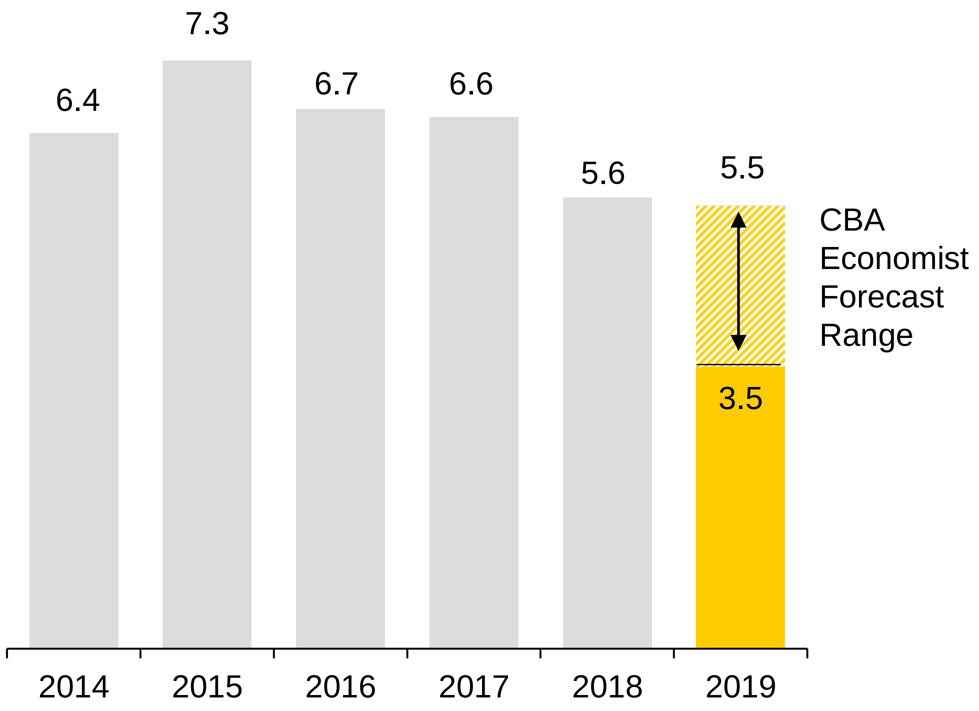
Population[1]

Annual % change



System Housing Credit Growth[2]

Annual % change



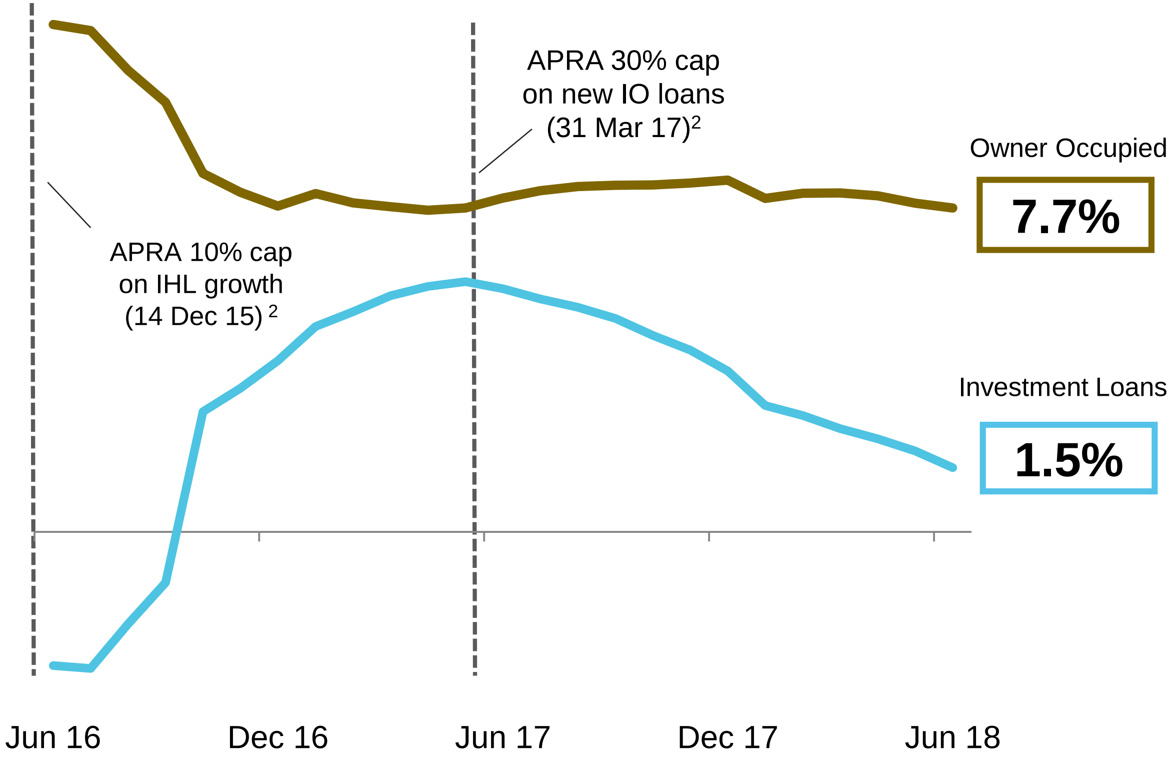
1. ABS. 2. System source: RBA.

System overview - housing credit

Regulatory changes have contributed to a cooling in housing and investment lending

Owner-Occupied vs Investor

System, 12 Month Rolling Growth[1]



Housing Price Growth[3]

Period Movements to June 2018
%

	3 Years	1 Year	6 Months
Sydney	13.5	-4.5	-2.6
Melbourne	21.6	1.0	-1.8
Brisbane	7.8	1.1	0.3
Adelaide	8.6	1.1	0.4
Perth	-9.3	-2.1	-1.0
Capital Cities (Combined)	**12.5**	**-1.6**	**-1.7**

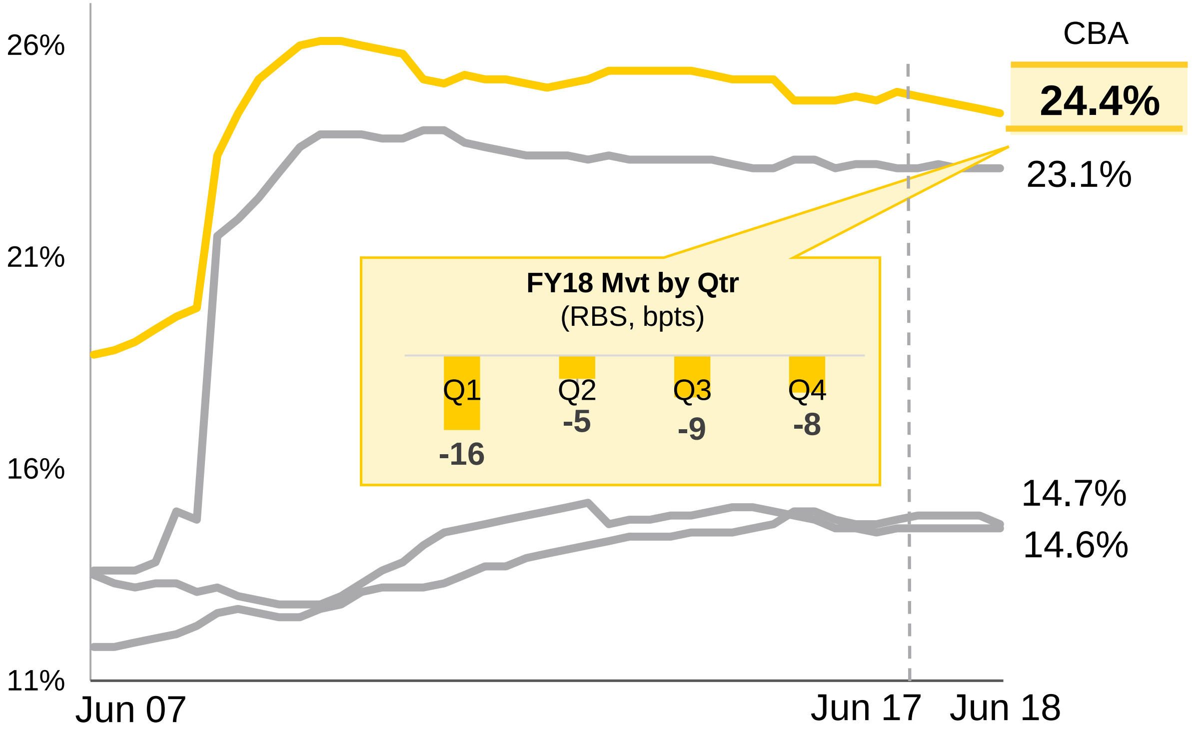
1. Source: RBA Lending and Credit Aggregates. 2. APRA letters to ADIs regarding reinforcing sound lending practices. 3. CoreLogic Hedonic Home Value Index.

CBA home lending[1]

CBA took early measures to manage regulatory requirements, ceding some share

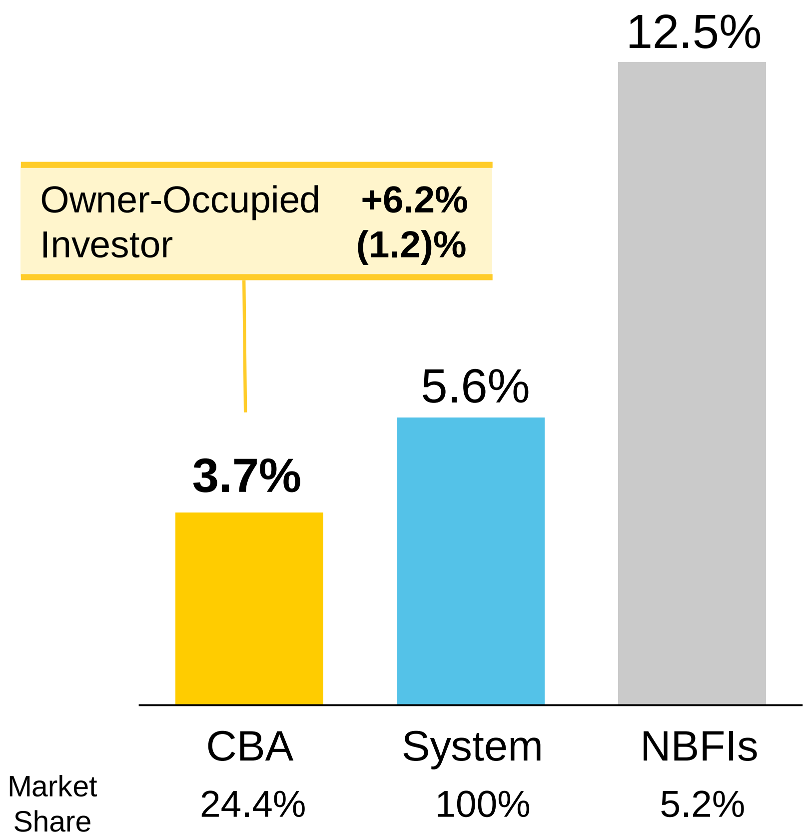
Home Lending

Market share



Home Lending Growth

12 months to Jun 18



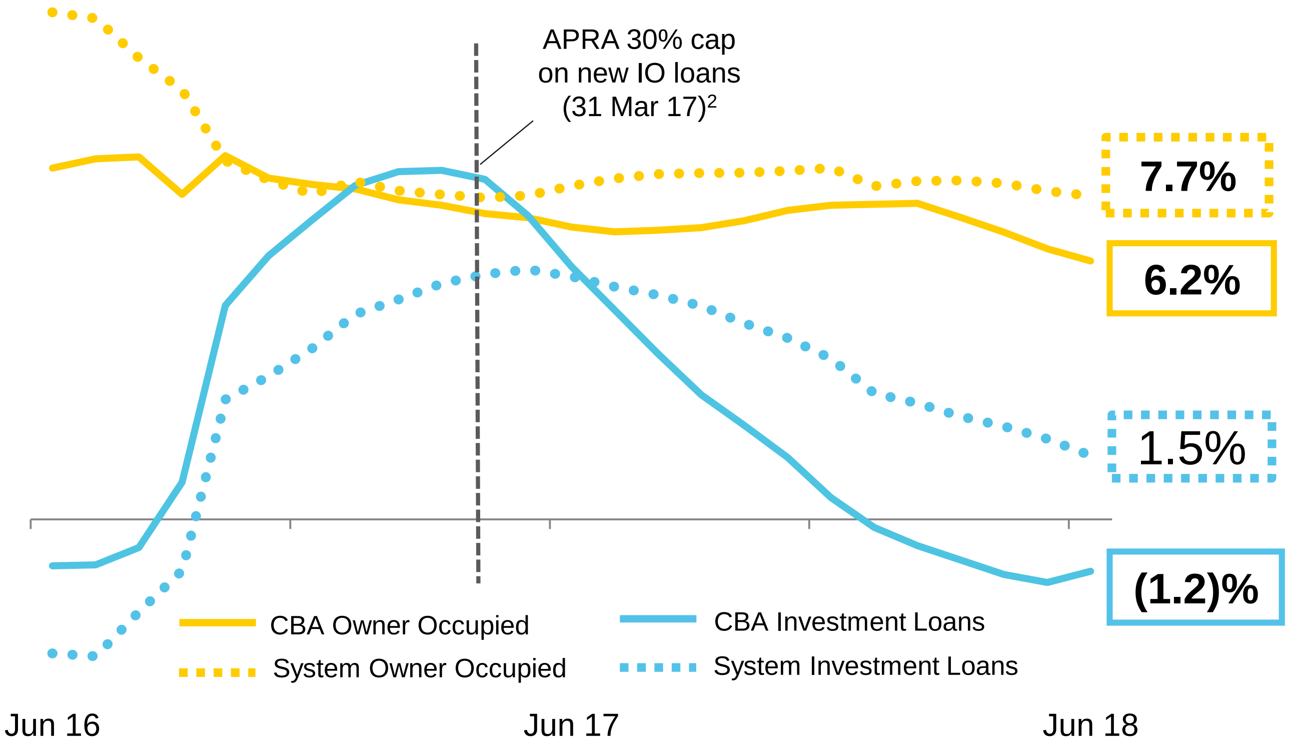
1. System source RBA Lending and Credit Aggregates and APRA Monthly Banking Statistics. CBA includes BWA and subsidiaries. NBFIs: Non-bank financial institutions.

CBA home lending

CBA remains focused on its core market – owner-occupied, proprietary lending

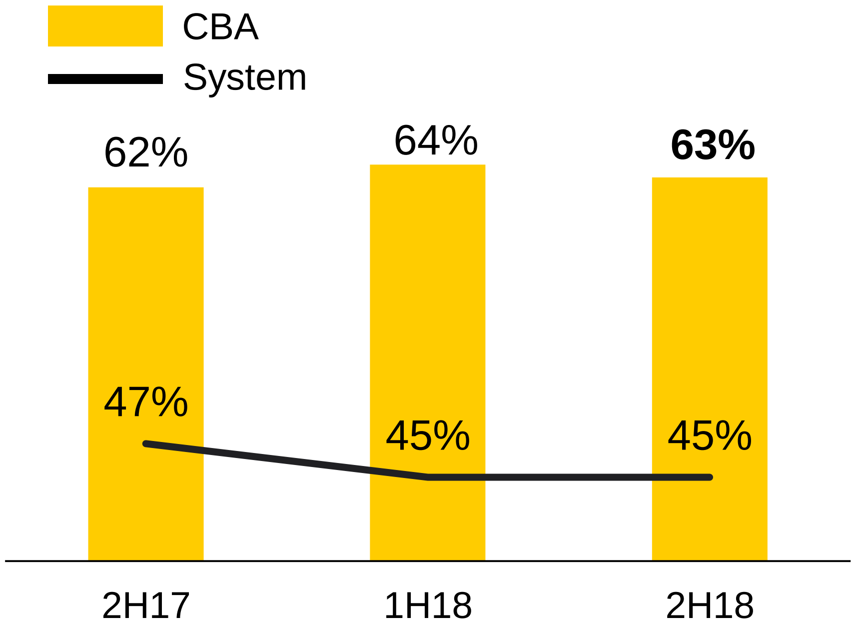
Owner-Occupied vs Investor

12 Month Rolling Growth[1]



Proprietary Home Loans[3]

Proprietary % of Total Home Loan Flows ($)



1. System source RBA Lending and Credit Aggregates. Includes CBA and Bankwest. 2. APRA letter to ADIs regarding reinforcing sound lending practices. 3. CBA only. System as at Mar 18 quarter. Source: MFAA.

Home loan portfolio – Australia

A balanced approach to portfolio quality, growth and returns

Portfolio[1]	Jun 17	Dec 17	Jun 18
Total Balances - Spot ($bn)	436	444	451
Total Balances - Average ($bn)	423	440	443
Total Accounts (m)	1.8	1.8	1.8
Variable Rate (%)	84	82	81
Owner Occupied (%)	63	64	65
Investment (%)	33	32	32
Line of Credit (%)	4	4	3
Proprietary (%)	54	55	55
Broker (%)	46	45	45
Interest Only (%)[2]	39	33	30
Lenders' Mortgage Insurance (%)[2]	22	22	21
Mortgagee In Possession (bpts)	5	5	5
Annualised Loss Rate (bpts)	3	2	3
Portfolio Dynamic LVR (%)[3]	50	50	50
Customers in Advance (%)[4]	77	77	78
Payments in Advance incl. offset[5]	33	33	32
Offset Balances – Spot ($bn)	37	41	42

New Business[1]	Jun 17	Dec 17	Jun 18
Total Funding ($bn)	49	49	45
Average Funding Size ($'000)[6]	309	320	319
Serviceability Buffer (%)[7]	2.25	2.25	2.25
Variable Rate (%)	85	82	86
Owner Occupied (%)	67	71	70
Investment (%)	32	28	29
Line of Credit (%)	1	1	1
Proprietary (%)	57	60	59
Broker (%)	43	40	41
Interest Only (%)	41	22	23
Lenders' Mortgage Insurance (%)[2]	16	17	16
Loan-to-Income[8] (LTI) > 6 (%)	6.0	6.6	5.6

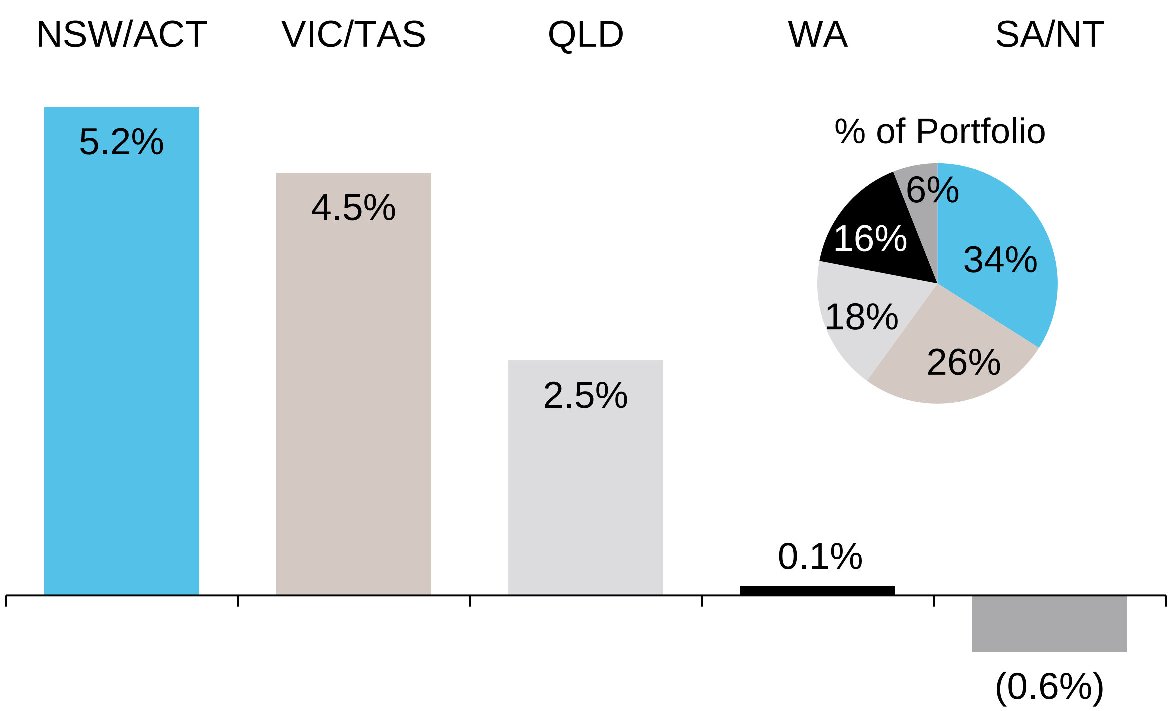
1. All portfolio and new business metrics are based on balances and fundings respectively, unless stated otherwise. All new business metrics are based on 6 months to June and December. Includes RBS (including those originated outside of RBS), Bankwest and Aussie Home Loans.
2. Excludes Line of Credit (Viridian LOC/Equity Line).
3. Dynamic LVR defined as current balance/current valuation.
4. Any amount ahead of monthly minimum repayment; includes offset facilities.
5. Average number of monthly payments ahead of scheduled repayments.
6. Average Funding Size defined as funded amount / number of funded accounts.
7. Serviceability test based on the higher of the customer rate plus a 2.25% interest rate buffer or a minimum floor rate.
8. Loan Amount / Gross Income.

Home lending

Portfolio growth remains strongest in NSW

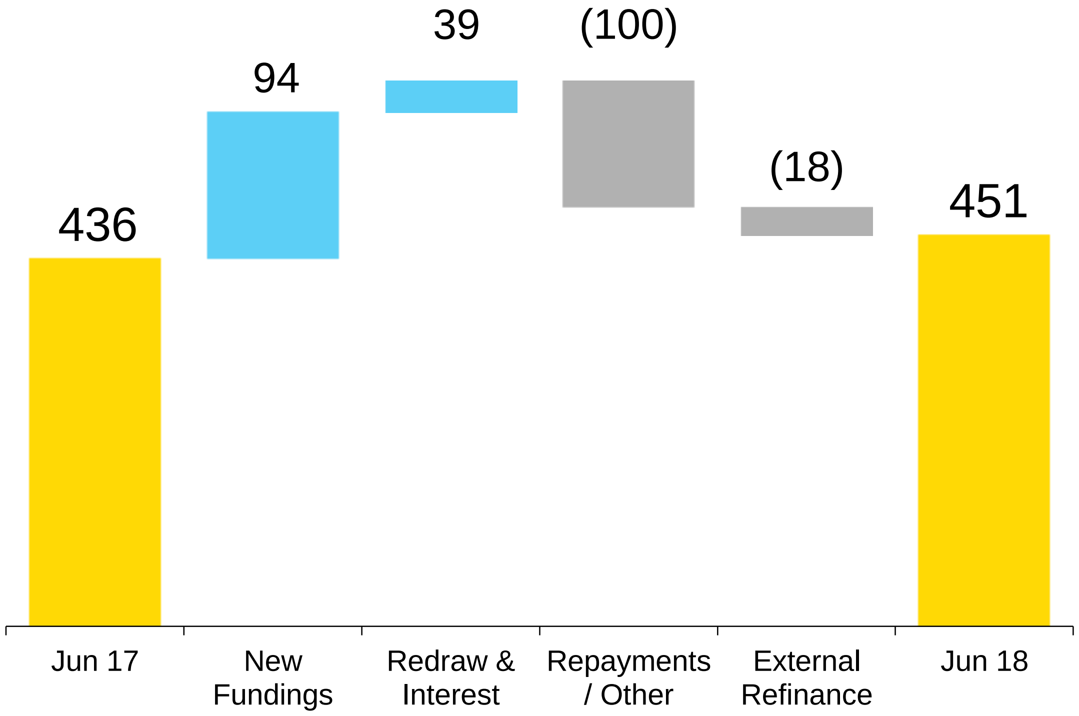
State Profile[1]

FY18 Balance Growth



Balance Growth[1]

$bn



1. Includes CBA and Bankwest. State Profile exclude Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans (CBA) and Residential Mortgage Group (CBA) loans. State Profile determined by location of the underlying security.

Home lending

The Group has continued to tighten its serviceability and underwriting standards

FY16

- Increased serviceability buffers
- Reduced reliance on less stable income sources
- Income scaled living expense estimate in serviceability test
- Limits on lending in high risk areas
- Reduced LVRs for non-residents and removed some foreign income types

FY17

- Limited periods of interest-only (IO) to 5 years maximum
- Further limits on use of rental income and negative gearing
- LVR restrictions on interest-only and investment lending
- Limits on lending to high risk apartment areas
- Increased buffers on existing debts

FY18

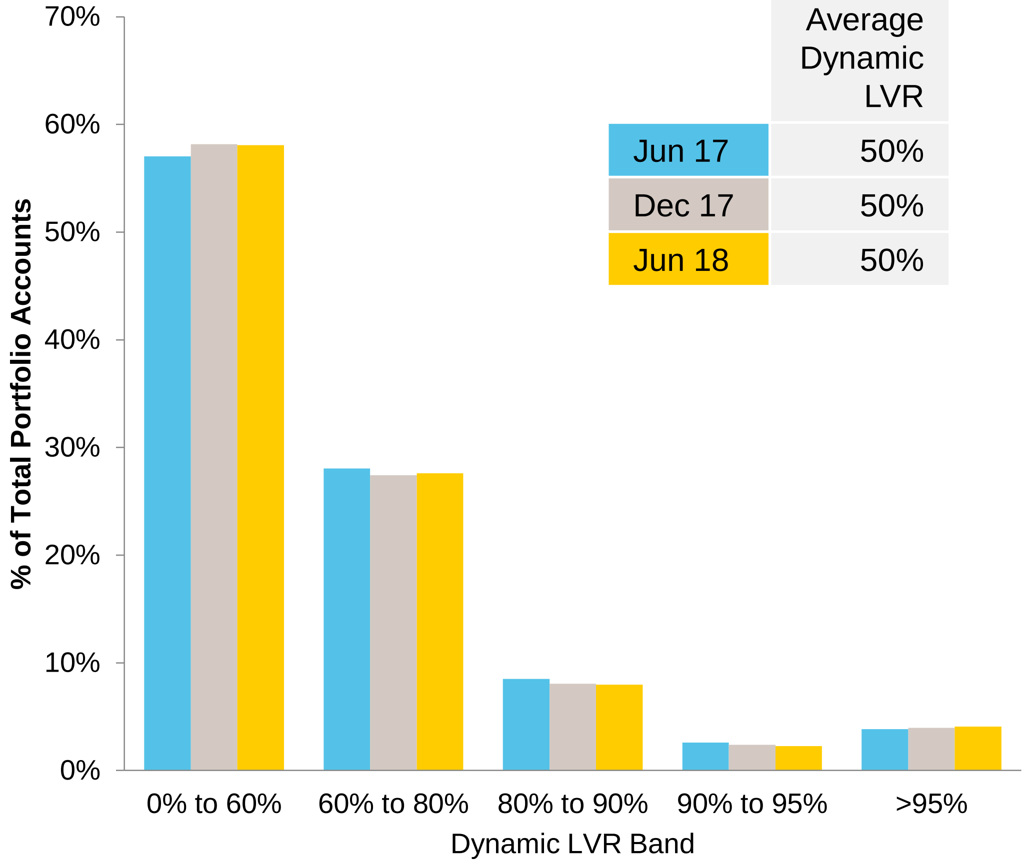
- Further buffers on existing debts
- Increased verification of OFI debts
- Further limits on lending in high risk areas
- Launched Credit Assessment Summary acknowledging borrower information used in assessment
- Introduced minimum rental expense requirement for non-home owners
- Launched new Serviceability Calculator
- Introduced Debt-to-Income referral
- Launched data-driven liability capture

Jun 15 | Jun 16 | Jun 17 | Jun 18

Home lending

Portfolio dynamic LVR at 50% and well insured

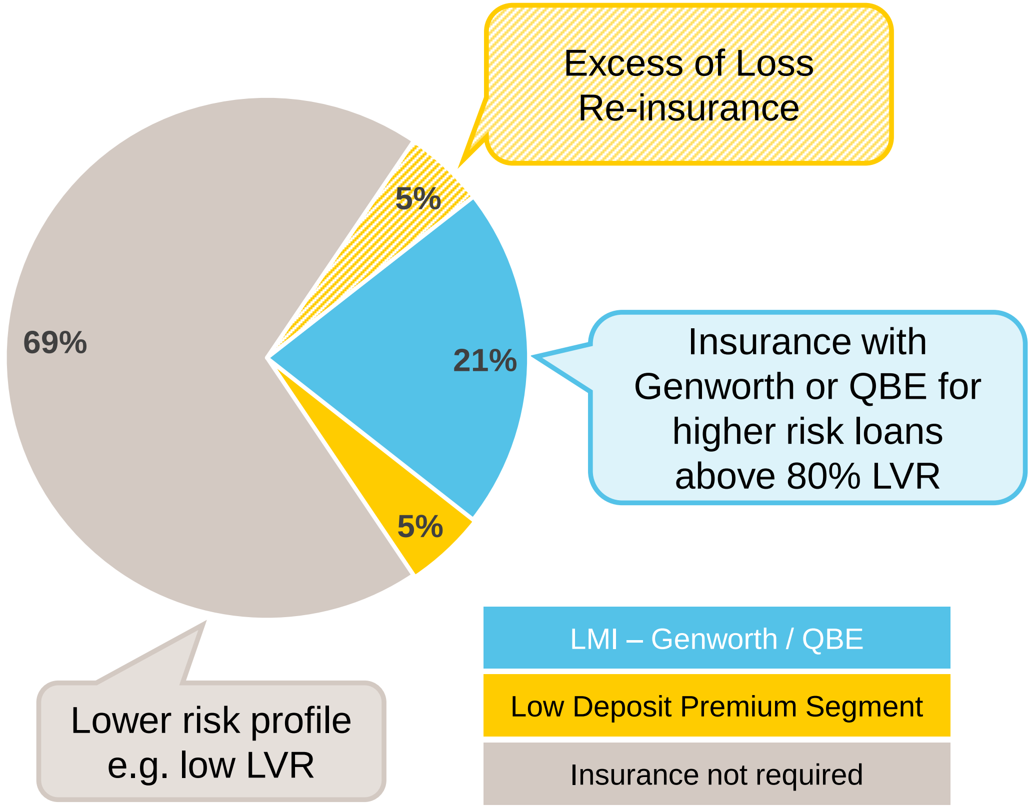
Home loan dynamic LVR[1]



	Average Dynamic LVR
Jun 17	50%
Dec 17	50%
Jun 18	50%

Portfolio Insurance Profile[2]

% of Australian Home Loan portfolio



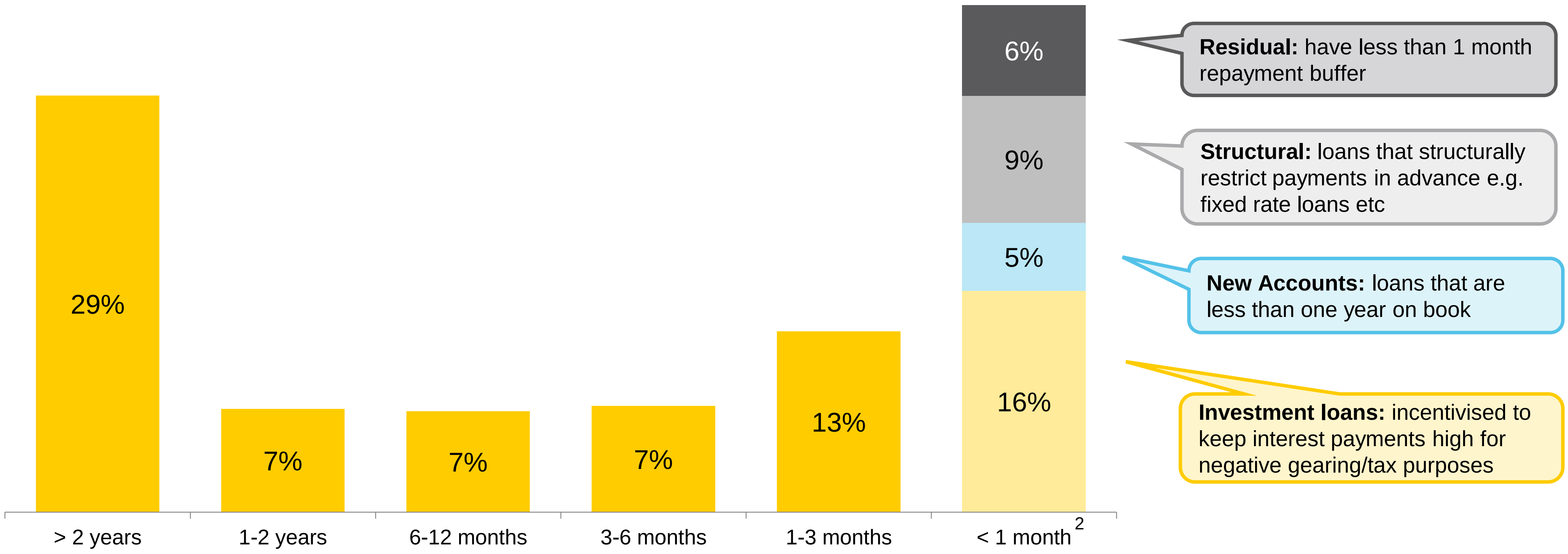
1. Includes CBA and Bankwest. Dynamic LVR is current balance / current valuation. 2. Includes CBA and Bankwest. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Groups loans.

Home lending

Significant repayment buffers reduce portfolio risk

Repayment buffers

(Payments in advance[1], % of accounts)



1. CBA only. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group loans; Includes offset facilities; Loans in arrears (1%) are excluded. 2. Consists of loans that are up-to-date (23%) and less than one month in advance (13%).

Home lending

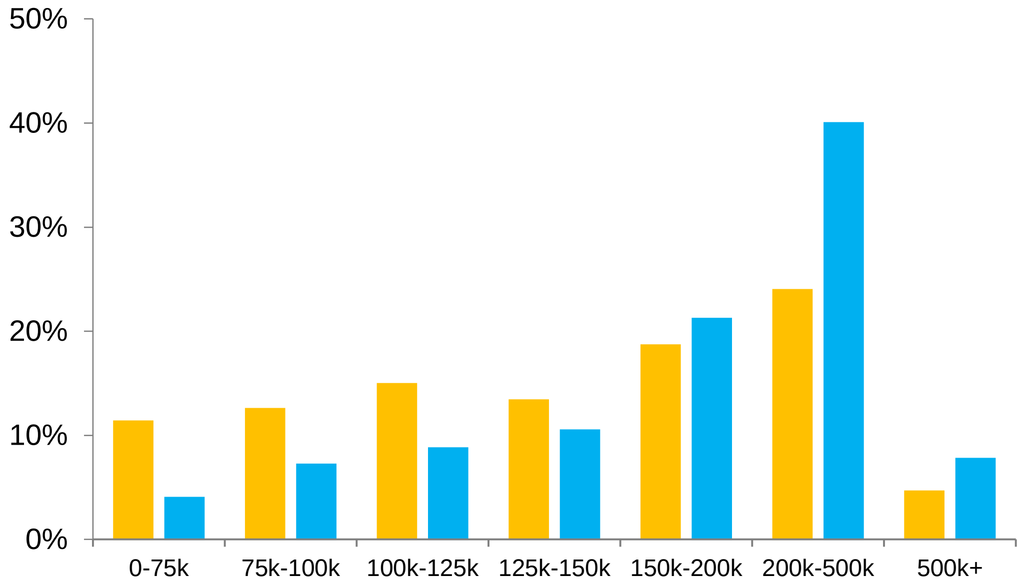
CBA home lending supported by strong income profile

Applicant Gross Income Band[1]

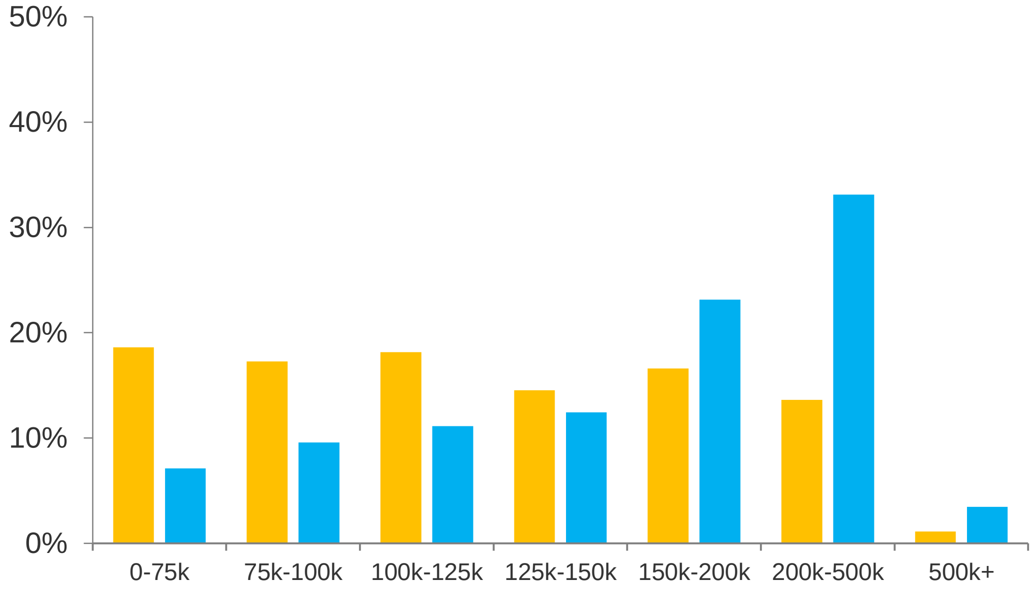
Investor Home Loans

Owner Occupied

Fundings $
6 months to Jun 18



Fundings #
6 months to Jun 18



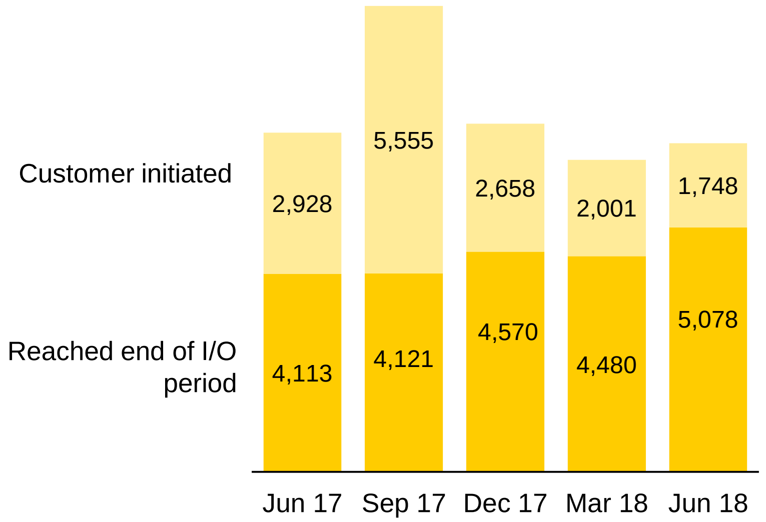
1. CBA only. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

Interest only – switching

Switching activity peaked in Sep 17, with significant buffers in place

Balance Movement ($m)[1]

Interest Only (IO) to Principal and Interest (P&I) Quarterly



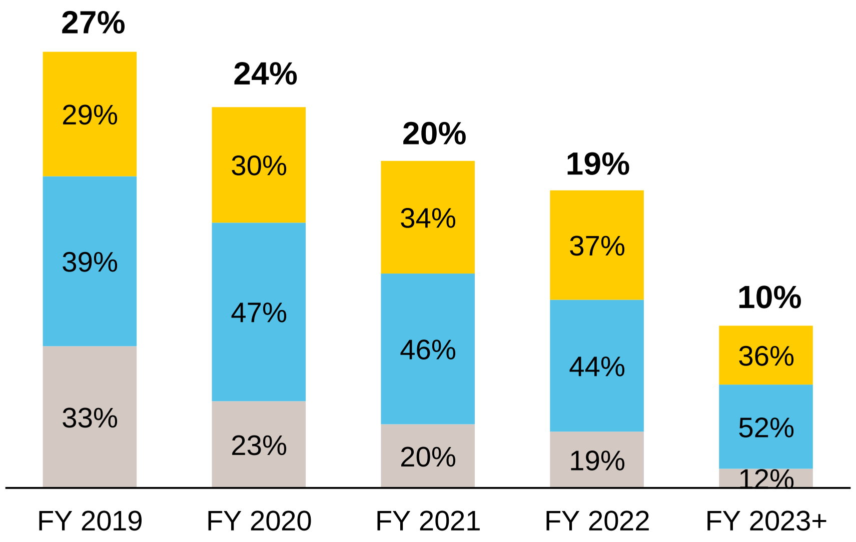
Payments in advance > 6 months[2]: accounts with a financial buffer to absorb any increased repayments

Investment Loans: incentivised to keep interest payments high for negative gearing/tax purposes

Residual: Over 65% originated after June 2015, with increased serviceability buffers

Scheduled IO term expiry[1]

(% of total IO Loans)

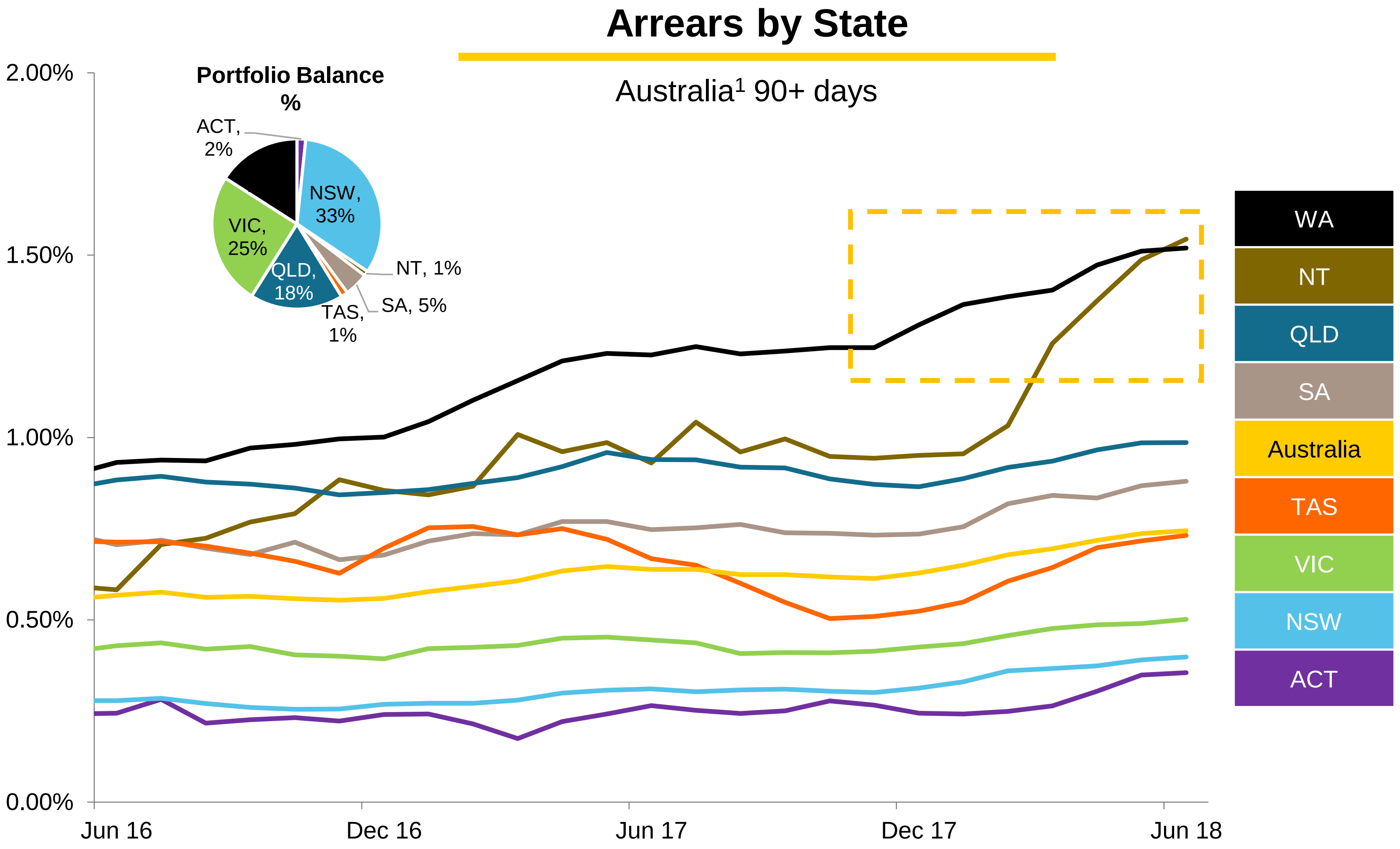


- Pricing and policy tightening measures have encouraged switching to P&I
- Interest only loans are assessed on P&I basis over residual term to ensure increased repayment levels can be met
- Additional serviceability buffers built into serviceability tests provide further support
- Approximately 27% expected to switch in FY2019 – majority are investors and those with large payment buffers

1. CBA only. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group loans. 2. Payments in Advance defined as the number of monthly payments ahead of scheduled repayments by 6 or more months.

Home loan arrears

Largest increases have been in WA and NT

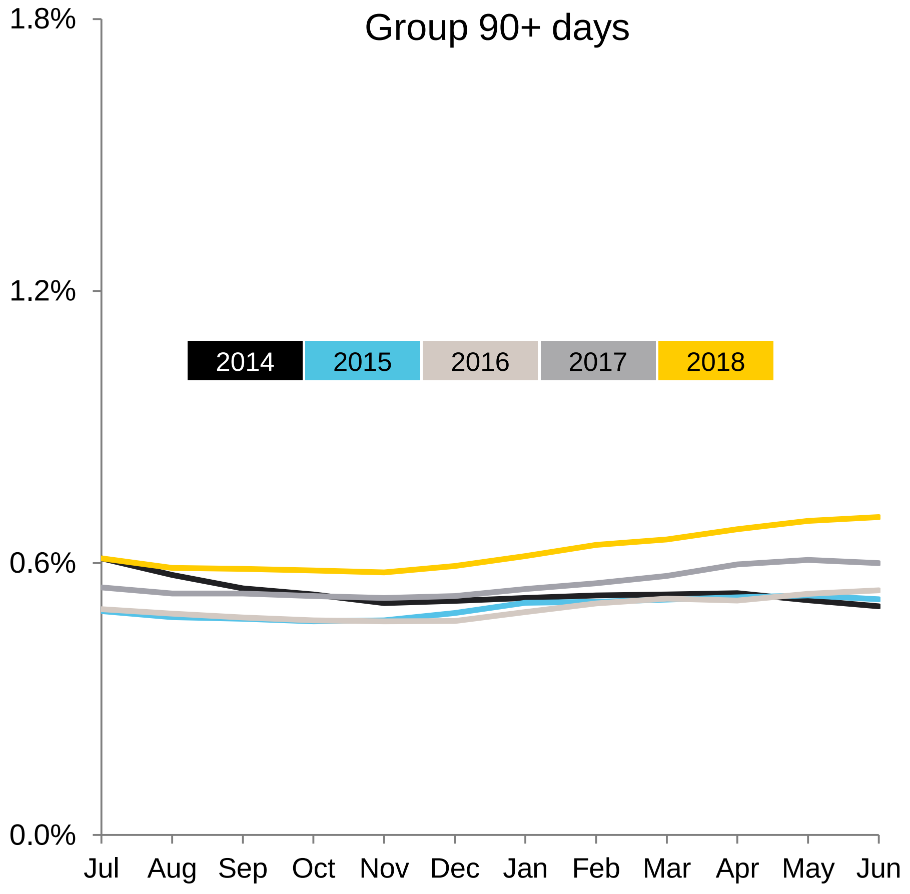


1. Includes CBA and Bankwest. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group.

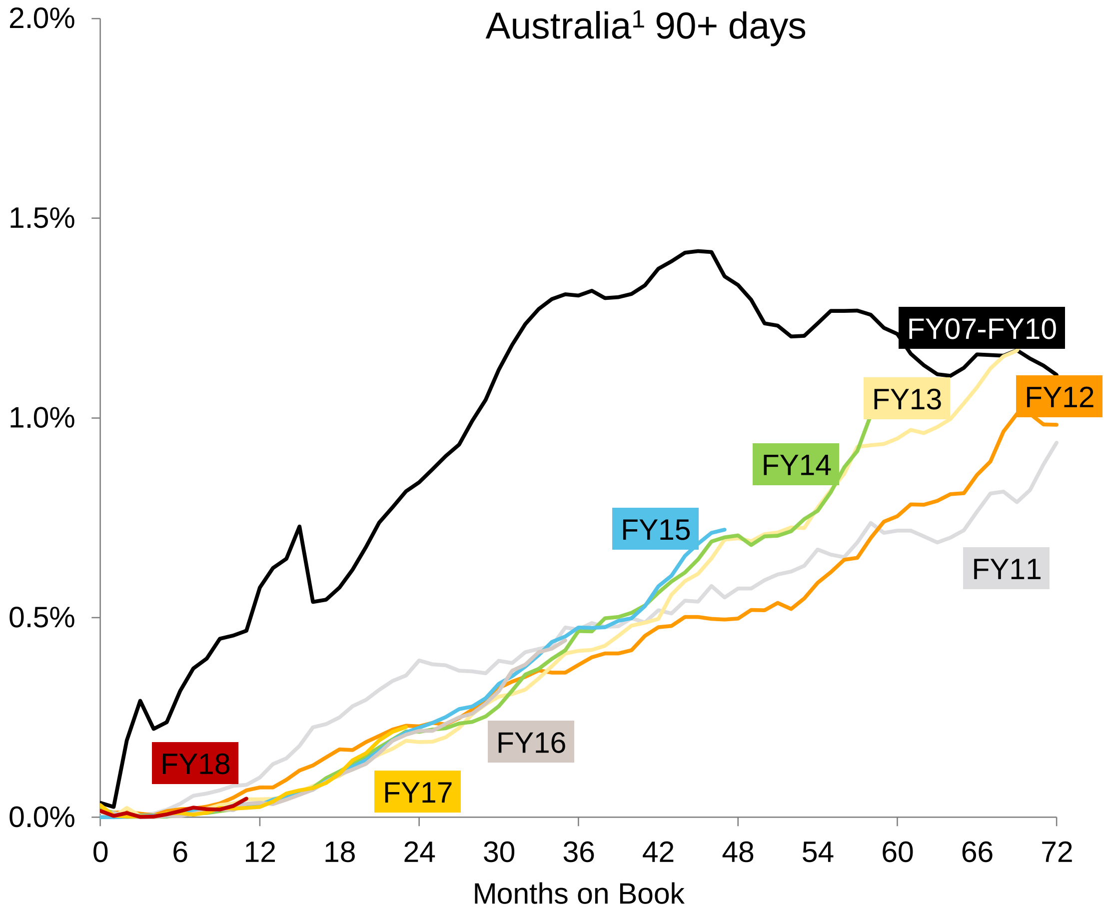
Home loan arrears

Current year arrears elevated but recent vintage performance remain strong

Arrears by Year



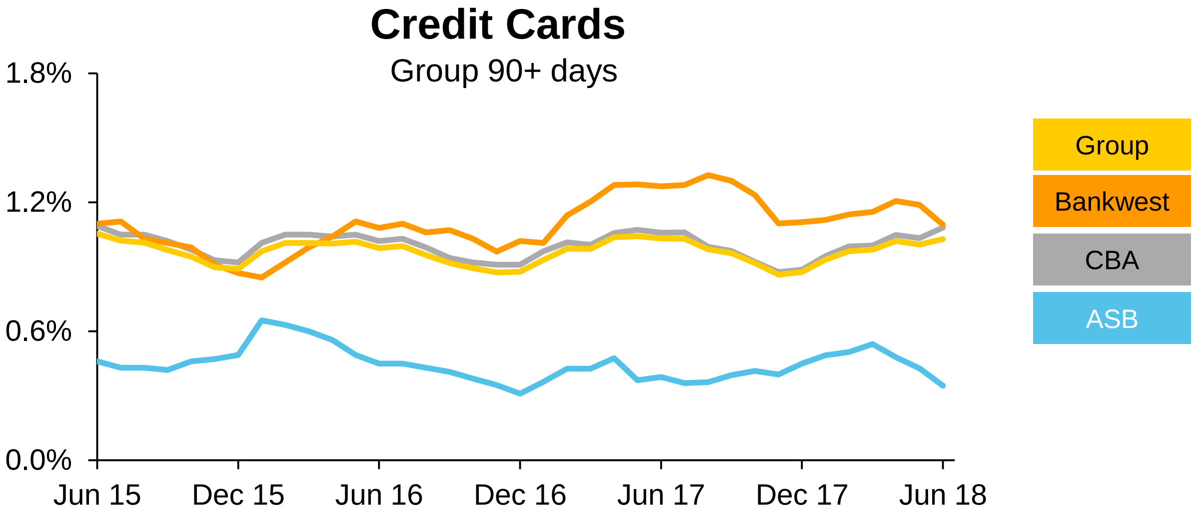
Arrears by Vintage

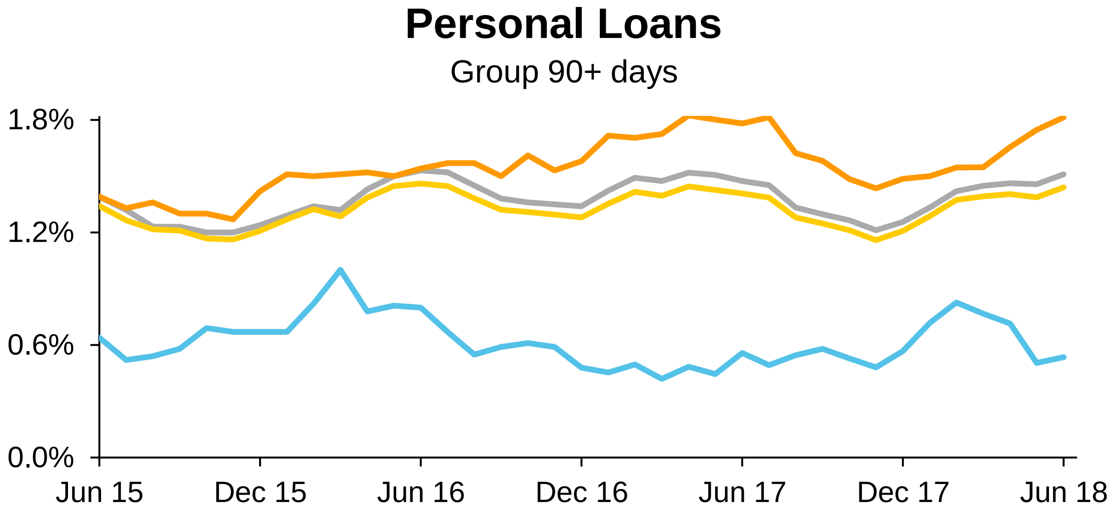


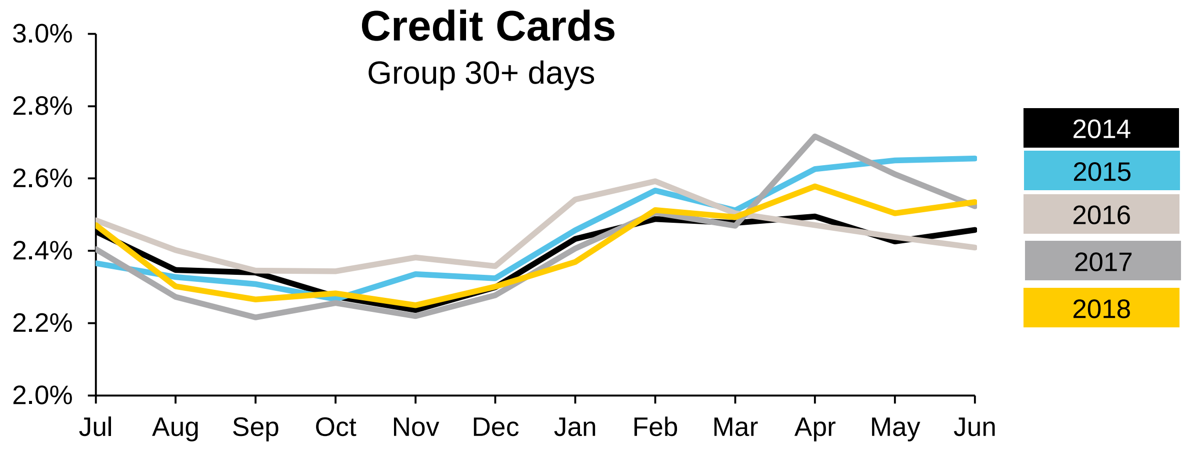
1. Includes CBA and Bankwest. Bankwest included from FY08.

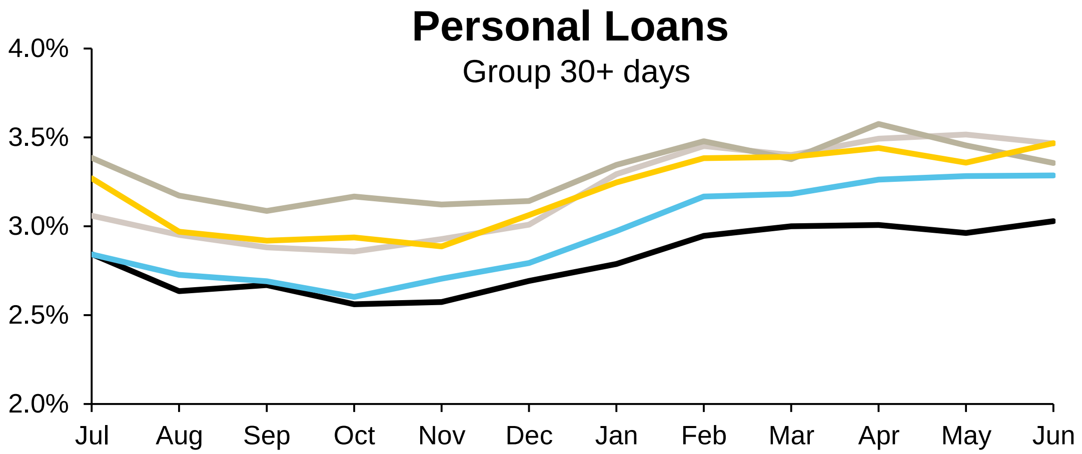
Consumer arrears[1]

Arrears rates remained broadly stable across unsecured retail portfolios







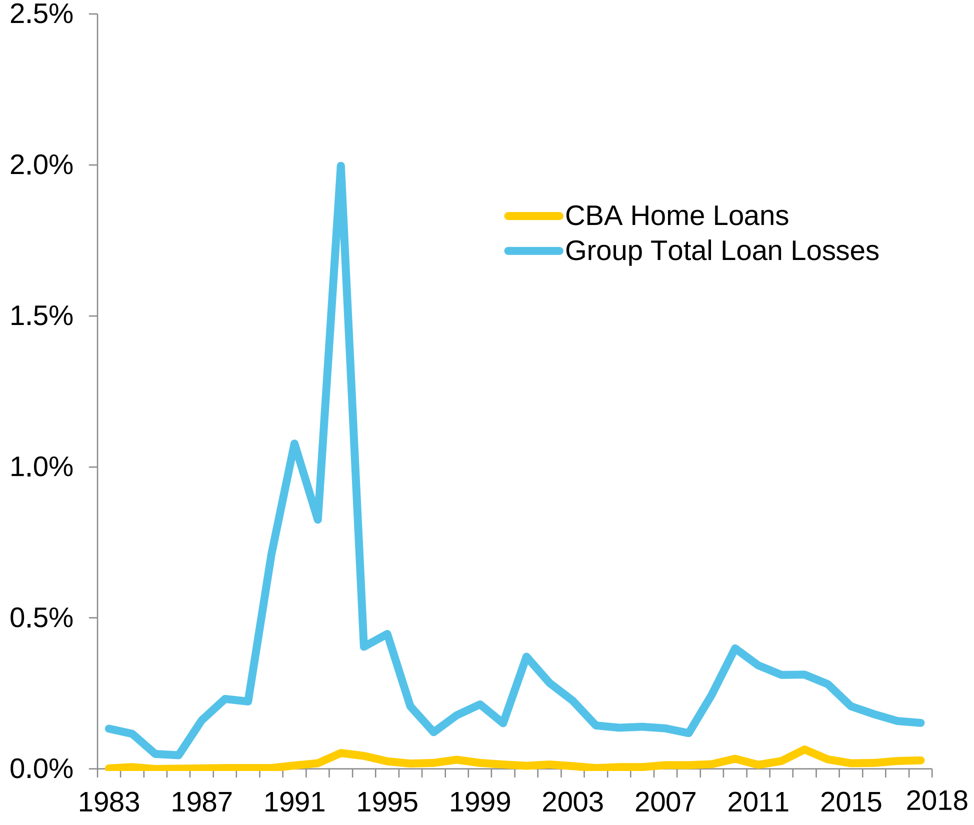


1. Consumer arrears includes retail portfolios of CBA (RBS and BPB), Bankwest and ASB. ASB write-off Credit Card and Personal Loans typically around 90 days past due if no agreed repayment plan.

Home lending

Losses remain low and remain manageable under a stressed scenario

Losses to average gross loans[1]



Stress test

Stress scenario

3 year scenario of cumulative **31%** house price decline, peak **11%** unemployment and a reduction in the cash rate to **0.5%**

Outcomes ($m)	Total	Year 1	Year 2	Year 3
Stressed Losses	**4,061**	783	1,232	2,046
Insured Losses	**1,026**	209	316	501
Net Losses	**3,035**	574	916	1,545
Net Losses (bpts)[2]	**60**	11	18	31
PD %	**n/a**	0.95	1.65	2.39

Marginal decrease in scenario potential net loss outcomes compared to prior period, reflective of relative stability in the portfolio.

1. CBA Home Loans represents Australian Home Loans and includes Bankwest from 2009. 2. Net losses (bpts) is calculated as total net losses divided by average exposure over the three years. Net losses reflect stressed macroeconomic and LMI assumptions (50%). Scenario does not include any benefits of Excess of Loss Re-insurance. Results based on December 2017 data.

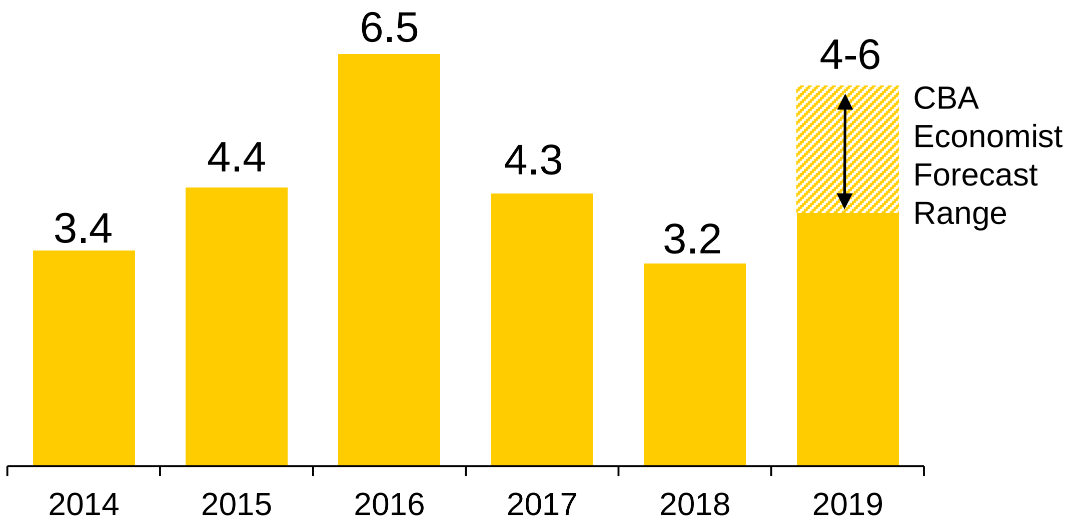
Business and Corporate Lending

System overview – business credit

Business credit growth remained relatively subdued through FY18

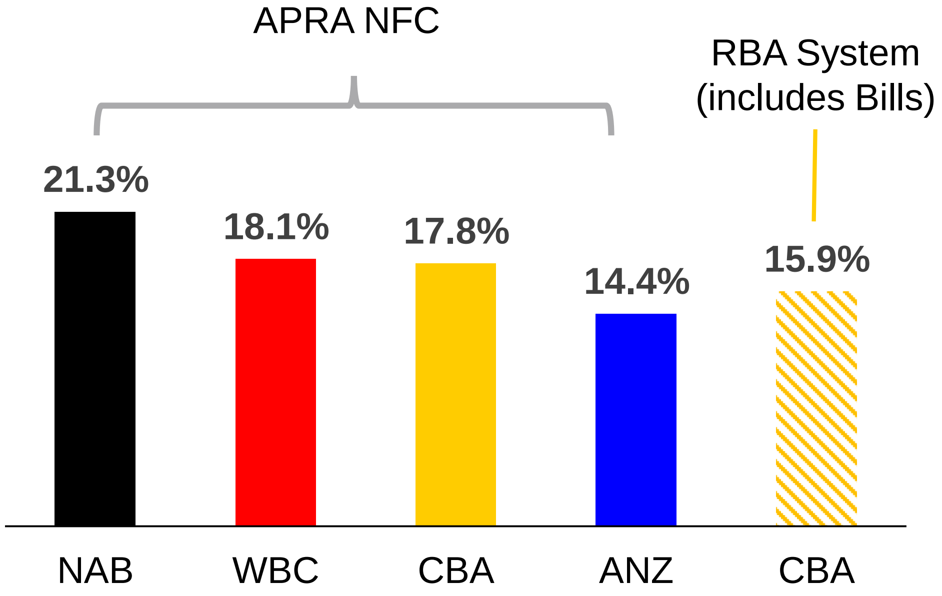
Business Credit Growth[1]

System, Year-to-June %



Market Shares[2]

June 2018



1. Source: RBA. 2. System source: APRA Monthly Banking Statistics (excluded Bills). CBA includes Bankwest

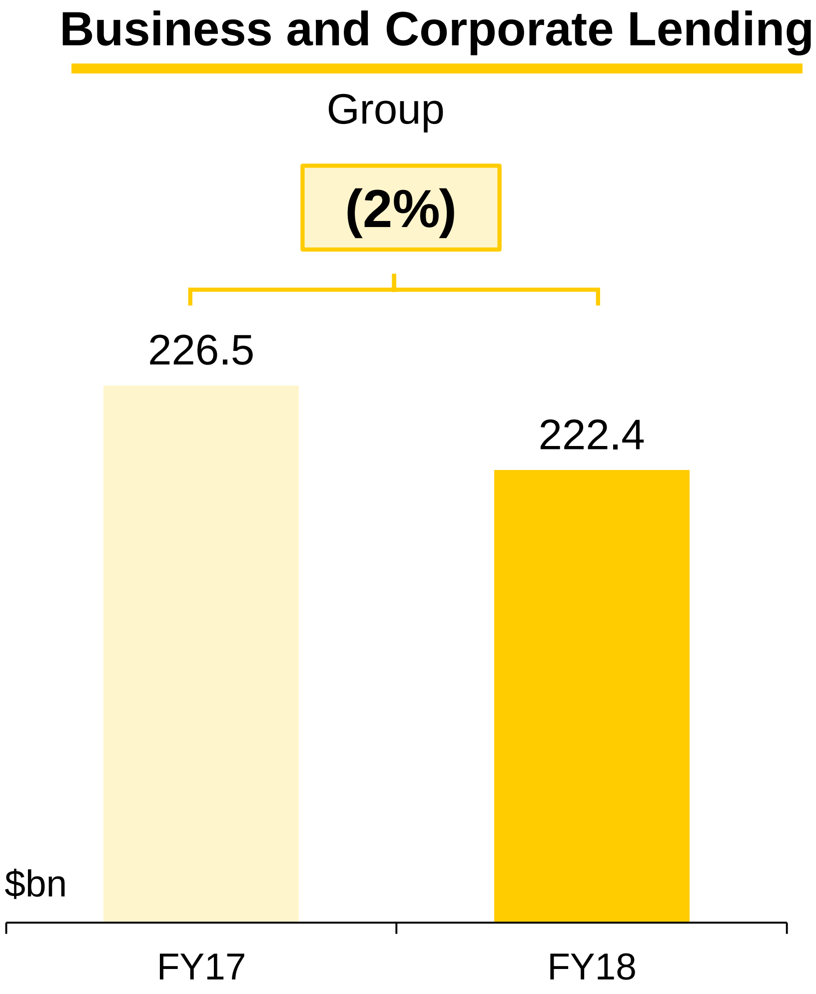
Credit exposure summary

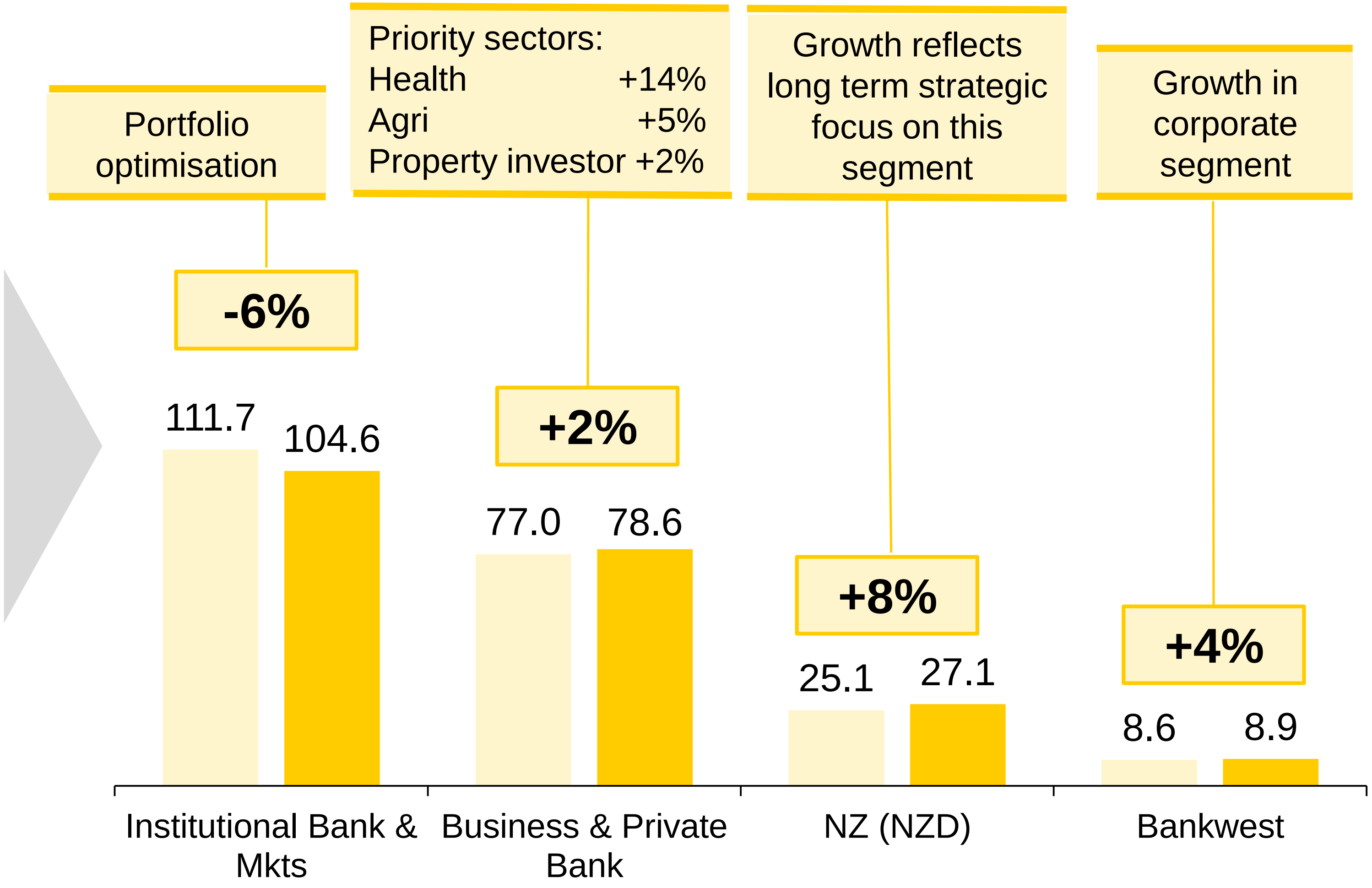
	Group TCE		TIA $m		TIA % of TCE	
	Dec 17	Jun 18	Dec 17	Jun 18	Dec 17	Jun 18
Consumer[1]	56.6%	57.4%	1,511	1,659	0.25%	0.27%
Sovereign	9.7%	9.3%	-	-	-	-
Property	6.3%	6.2%	586	632	0.86%	0.94%
Banks	5.2%	5.5%	9	9	0.02%	0.01%
Finance – Other	5.1%	5.2%	35	31	0.06%	0.05%
Retail, Wholesale Trade	2.1%	2.0%	488	487	2.13%	2.21%
Agriculture	2.0%	2.0%	876	900	4.07%	4.12%
Manufacturing	1.4%	1.4%	290	350	1.90%	2.34%
Transport	1.5%	1.4%	399	659	2.49%	4.29%
Mining	1.3%	1.3%	409	364	2.97%	2.64%
Business Services	1.3%	1.2%	349	184	2.56%	1.44%
Energy	1.1%	1.0%	9	4	0.08%	0.04%
Construction	0.8%	0.7%	223	297	2.73%	3.68%
Health & Community	0.9%	0.9%	225	218	2.42%	2.38%
Culture & Recreation	0.7%	0.6%	47	41	0.66%	0.62%
Other[1]	4.0%	3.9%	579	706	1.35%	1.67%
Total	**100.0%**	**100.0%**	**6,035**	**6,541**	**0.56%**	**0.60%**

1. Comparatives have been restated to conform to treatment in current period.

Business and Corporate Lending

For CBA, focus is on portfolio optimisation and targeted growth in priority segments

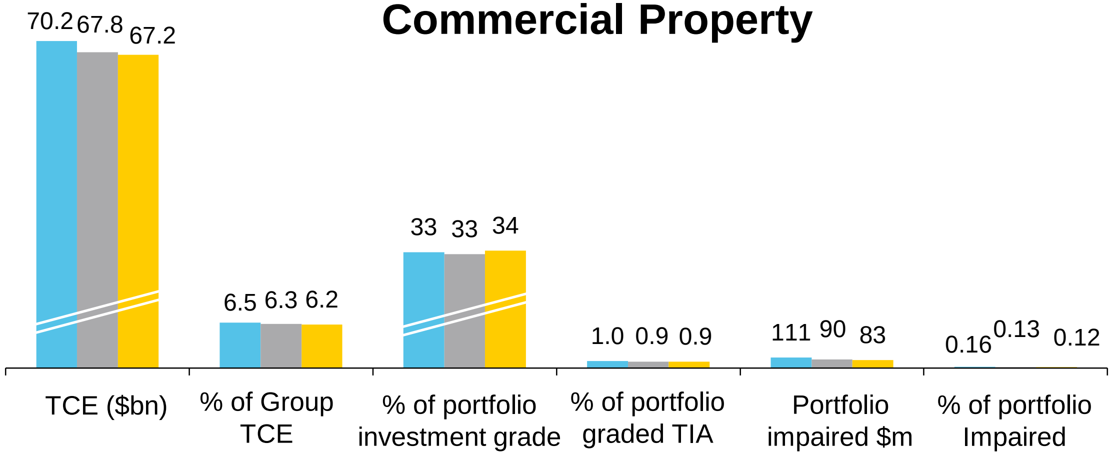




Sectors of Interest

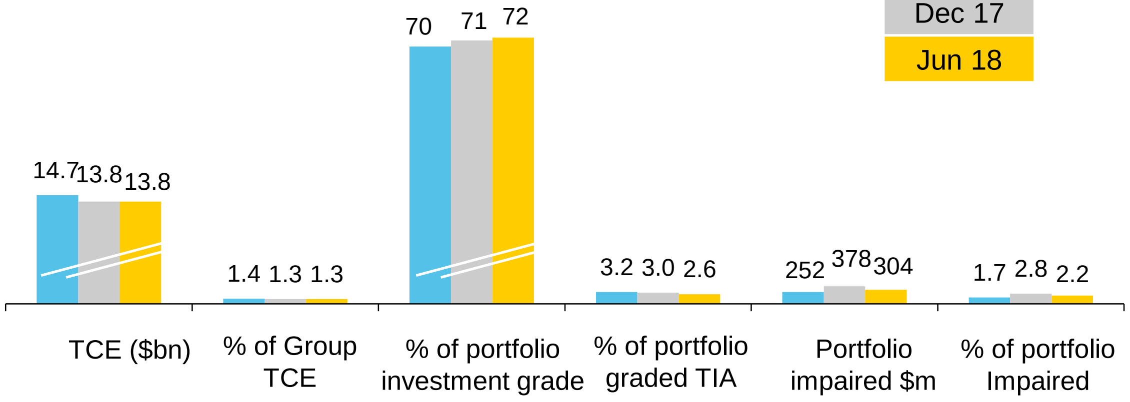
Broadly stable outcomes across most sectors

Commercial Property

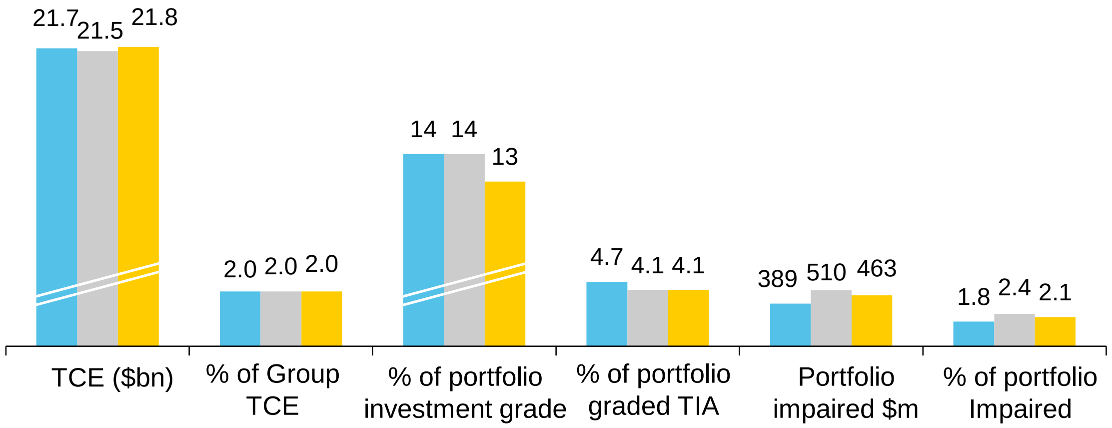


Mining, Oil and Gas

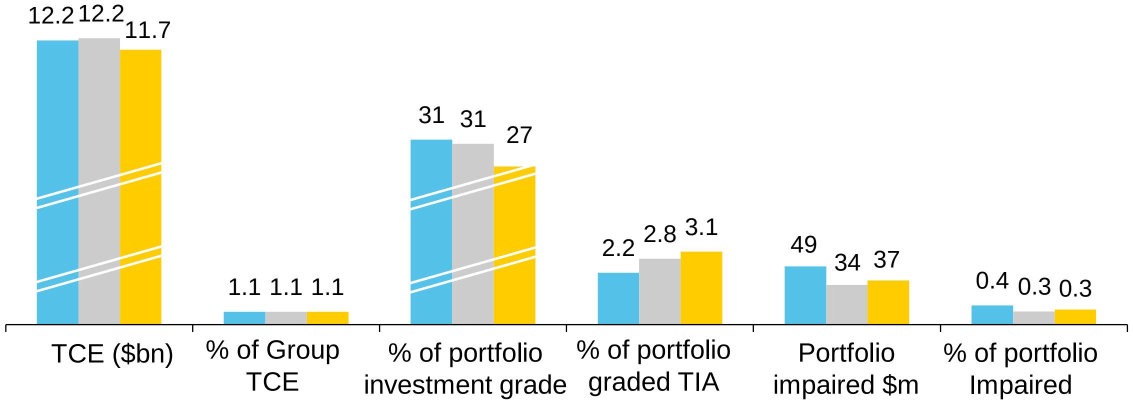
Jun 17
Dec 17
Jun 18



Agriculture



Retail Trade

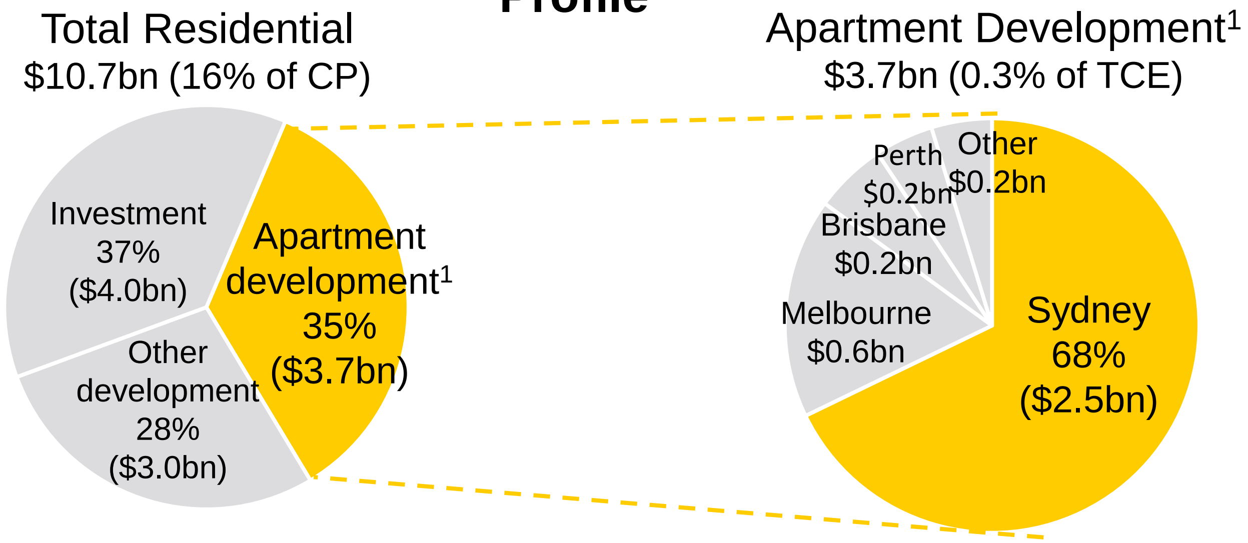


Residential apartments – weighted to Sydney

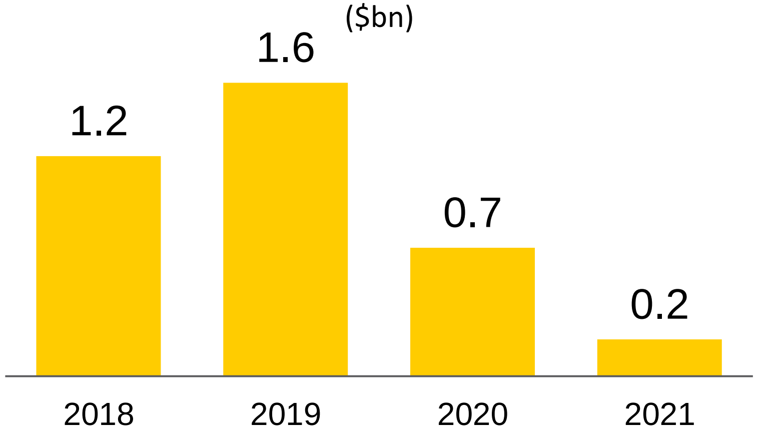
Improved qualifying pre-sales, lower LVR

- Apartment Development[1] exposure reduced $0.3bn for the half.
- Facilities being repaid on time from pre-sale settlements.
- Weighting to Sydney remained stable over the last 6 months.
- Qualifying pre-sales improved to 112.0%.[2]
- Lower Portfolio LVR of 54.3%.
- Sydney developments are diversified across the metropolitan area.
- Ongoing comprehensive market, exposure and settlement monitoring on the portfolio.

Profile



Exposure Maturity Profile[1]



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 refers to level of Qualifying Pre-Sales accepted as a pre-condition to loan funding. QPS Cover is level of QPS held to cover the exposure.

Management & Strategy

CommonwealthBank

Our strategy

Become a simpler, better bank for our customers

- Simplify our business
- Lead in retail and commercial banking
- Best in digital

Supported by stronger capabilities

- Operational risk and compliance
- Cost reduction
- Data and analytics
- Innovation

To deliver balanced and sustainable outcomes

Customers
Better outcomes

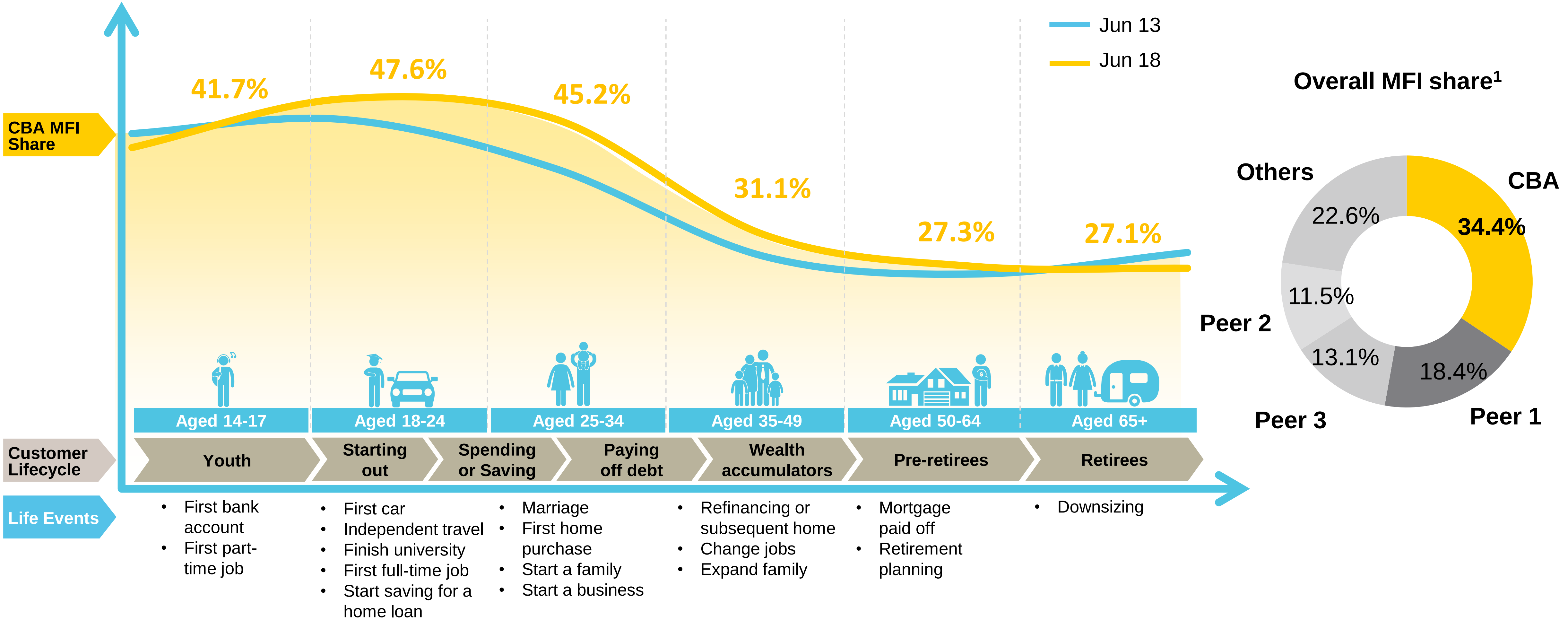
People
Energised, accountable

Shareholders
Long-term sustainable returns

Community
Trusted and reputable

Franchise strength

The Group maintains Australia's largest share of MFI customers[1]



1. Refer to notes slide at back of this presentation for source information.

Leading in digital

Committed to remaining a leader in technology and innovation

#1 Online Banking – 9 years in a row
(CANSTAR)[1]

#1 Mobile Banking – 3 years in a row
(CANSTAR)[2]

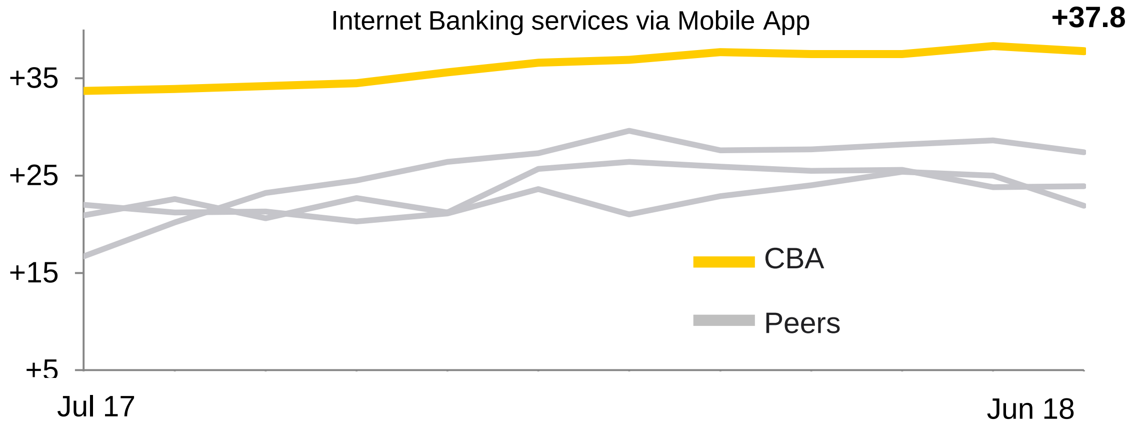
#1 Mobile Banking Provider of the Year
(Money Magazine)[3]

#1 Most Innovative Channel Experience of the Year – Ceba Virtual Assistant
(Australian Retail Banking Awards)[4]

#1 Ranked #1 Australian Mobile Banking App (Forrester)[5]

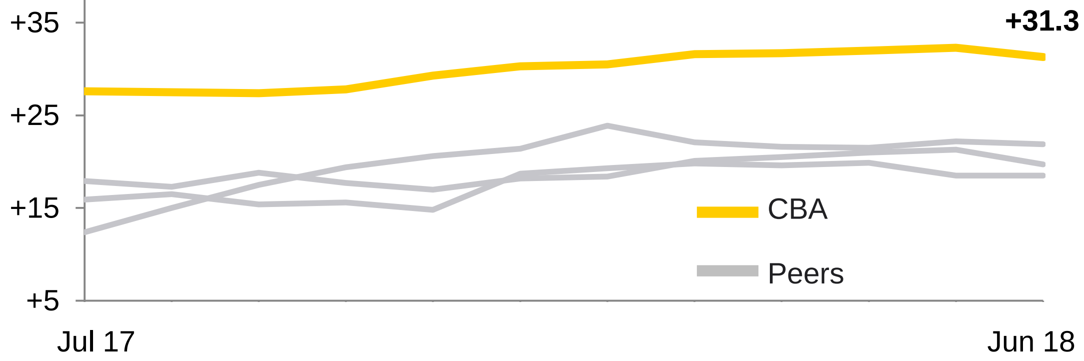
Mobile App Net Promoter Score[6]

Customer's likelihood to recommend main financial institution based on use of Internet Banking services via Mobile App



Internet Banking Net Promoter Score[6]

Customer's likelihood to recommend main financial institution based on use of Internet Banking services via Website or Mobile App



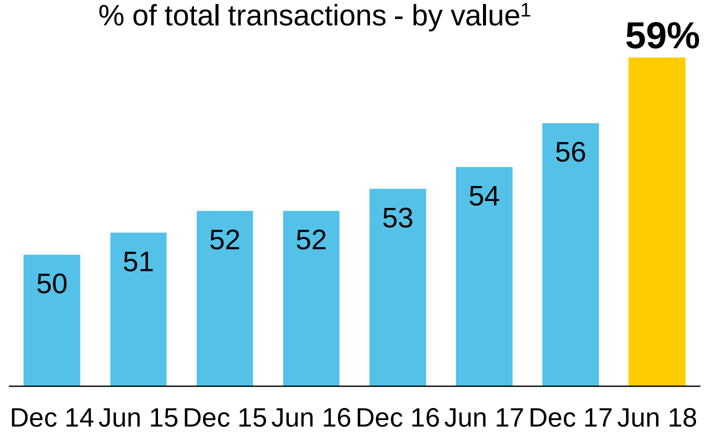
1, 2, 3, 4, 5, 6. Refer to notes slide at back of this presentation for source information.

Real time digital banking

Customer take-up of digital options

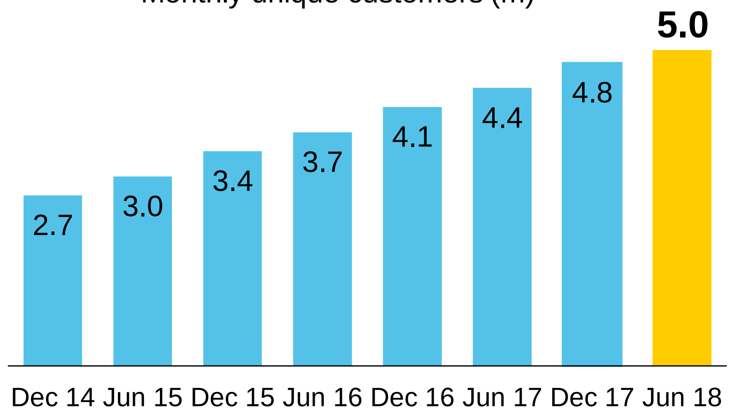
Digital transactions

% of total transactions - by value[1]



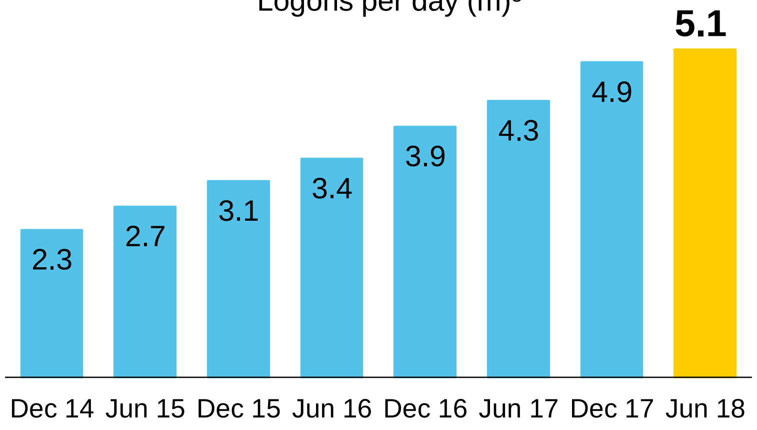
CommBank app users

Monthly unique customers (m)[2]



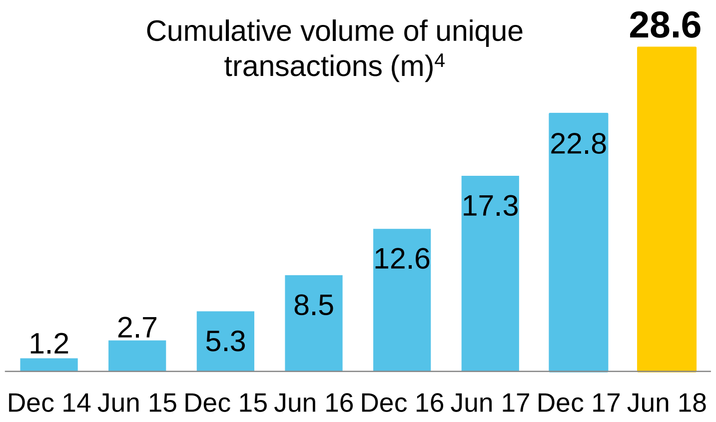
CommBank app

Logons per day (m)[3]



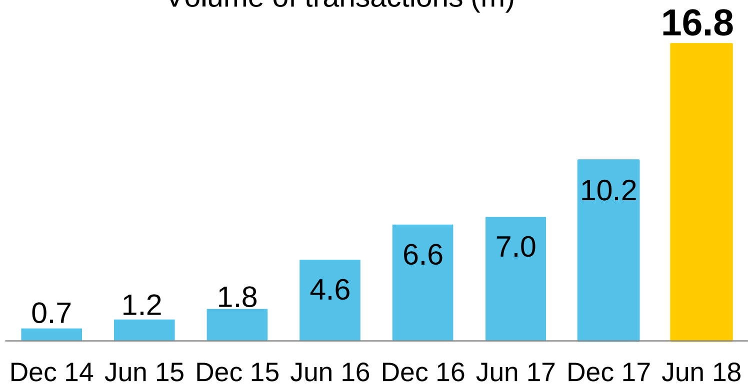
Cardless Cash

Cumulative volume of unique transactions (m)[4]



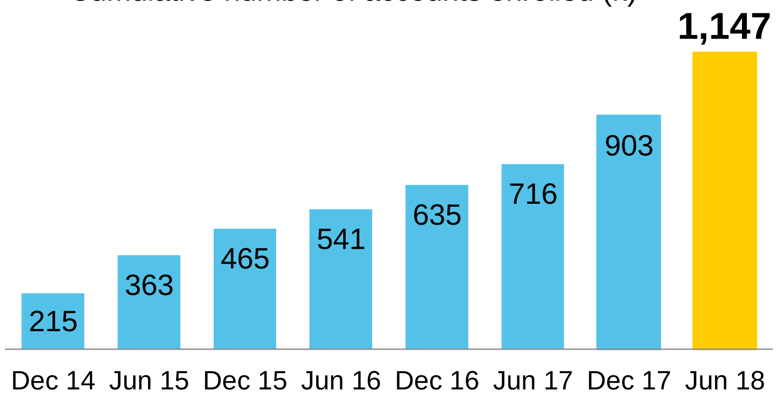
Tap & Pay

Volume of transactions (m)[5]



Lock, Block & Limit

Cumulative number of accounts enrolled (k)[6]



1. Digital transactions include transfers and BPAY payments made in CommBank app and NetBank. 2. CommBank app users are those who have logged into the CommBank App at least once for the month. 3. CommBank app logins per day for the month. 4. Cumulative volume of unique Cardless Cash transactions since April 2014 launch. 5. Volume of Tap & Pay transactions for each 6 month period (includes HCE, Paytag and Tokenisation). 6. Cumulative number of unique accounts that have enrolled for Lock, Block and Limit (excl. temp. lock) since launch.

Glossary

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 regulatory expected loss and eligible provisions 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 regulatory expected loss over eligible provisions in either assessments, the difference must be deducted from CET1. For non-defaulted exposures where the EL is lower than the eligible provisions, 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	A number of different valuation adjustments are made to the value of derivative contracts to reflect the additional costs 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 counterparty credit risk on uncollateralised derivative assets, 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 ADI's 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, Govt and Semi Govt 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	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).

Notes

Disclaimer

The material in this presentation is general background information about the Group and its activities current as at the date of the presentation, 8 August 2018. 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.

This presentation may contain certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and the securities laws of other jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “would”, “could”, “expect”, “intend”, “plan”, “aim”, “estimate”, “target”, “anticipate”, “believe”, “continue”, “objectives”, “outlook”, “guidance” or other similar words, and include statements regarding the Group’s intent, belief or current expectations with respect to the Group’s business and operations, market conditions, results of operations and financial condition, capital adequacy and risk management. Any forward-looking statements included in this presentation speak only as at the date of this presentation and undue reliance should not be placed upon such statements. Although the Group believes the forward-looking statements to be reasonable, they are not certain and involve known and unknown risks and assumptions, many of which are beyond the control of the Group, which may cause actual results, conditions or circumstances to differ materially from those expressed or implied in such statements. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements, whether as a result of new information, future events or results or otherwise, is disclaimed.

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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 4 of the Profit Announcement (PA), which can be accessed at our website: www.commbank.com.au/results

Images