ASX Announcement

CBA 1Q19 Trading Update

For the quarter ended 30 September 2018[1]. Reported 07 November 2018. All comparisons are to the average of the two quarters of the second half of FY18 unless noted otherwise.

Becoming a simpler, better bank

> CBA continued to show resilient business performance in the first quarter of FY19. The fundamentals of our business remain strong, highlighted in this quarter by continued deposit growth, sound credit quality and balance sheet strength.
>
> The quarter saw continued progress against our strategy, with focus on delivering on our response to the APRA Prudential Inquiry. This is a significant program of change that will ultimately ensure we are a better, more customer focused bank.
>
> The recently announced sale of our global asset management business, Colonial First State Global Asset Management builds on a number of previously announced divestments and the demerger of our wealth management and mortgage broking businesses, and represents another important milestone in our strategy to focus on our core banking businesses and to create a simpler, better bank.
>
> **Chief Executive Officer, Matt Comyn**

Summary

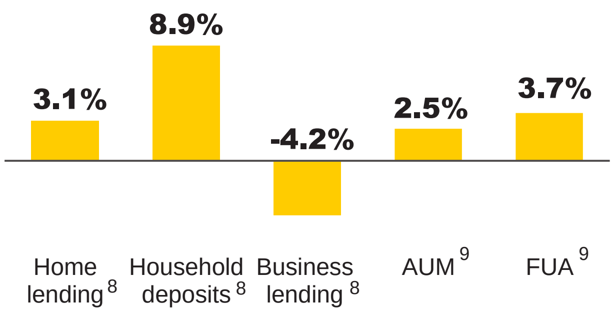
- Unaudited statutory net profit of approximately \$2.45bn[2] in the quarter.
- Unaudited cash net profit[3] of approximately \$2.50bn[2] in the quarter.
- Operating Income up 1%, with higher other banking income offsetting flat net interest income.
- Group Net Interest Margin lower in the quarter due to higher funding costs (including basis risk[4] and replicating portfolio) and home loan price competition.
- Volume growth included 8.9% quarter annualised growth in household deposits. Home lending growth of 3.1% was below system growth of 3.6% (both quarter annualised). Business lending reflected continued portfolio optimisation in the institutional book.
- Operating Expenses ex one-off items[5] down 1% due to timing of investment spend and software impairments in the comparative period.
- Sound credit quality, with Loan Impairment Expense (LIE) of \$216 million in the quarter or 11bpts of GLAA.[6]
- Continued balance sheet strength, with customer deposit funding at 68%, NSFR at 113%, LCR at 133% and the CET1 (APRA) ratio at 10.0%.

Key Financials
Approximate

1Q19	vs 2H18 Quarterly Average: Reported	vs 2H18 Quarterly Average: Ex one-off items[5]
Operating Income	+1%	+1%
Operating Expense	(7%)	(1%)
Operating Performance[7]	+7%	+2%
LIE	(11%)	(11%)
Cash NPAT[3]	**+11%**	**+3%**

Refer appendix for a reconciliation of key financials

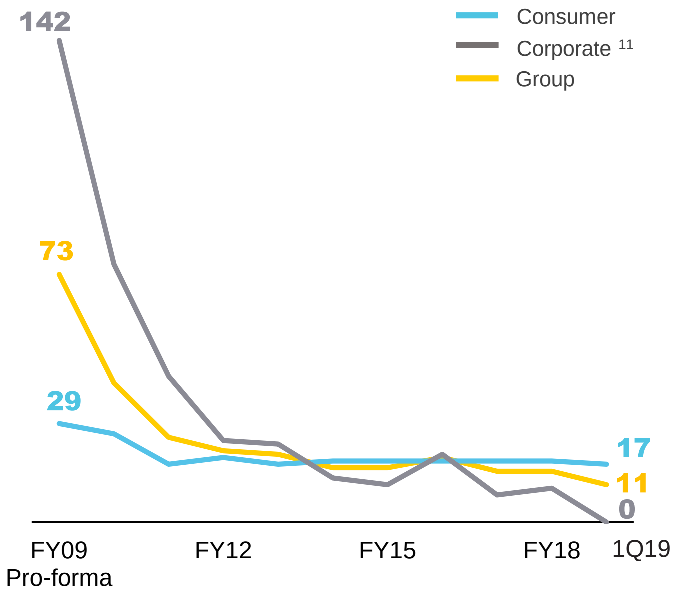
Key Volumes
September 2018 vs June 2018
(quarter annualised, except where noted)



Sound credit quality

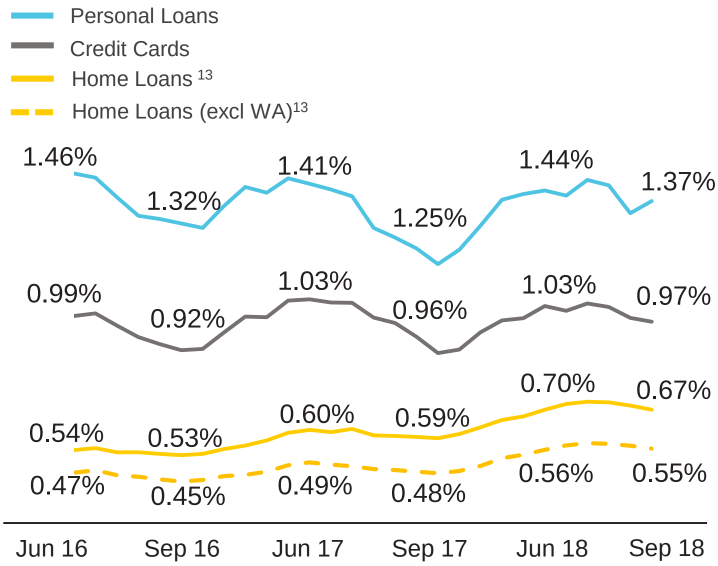
Loan impairment expense[10]

Basis points of GLAA[6]



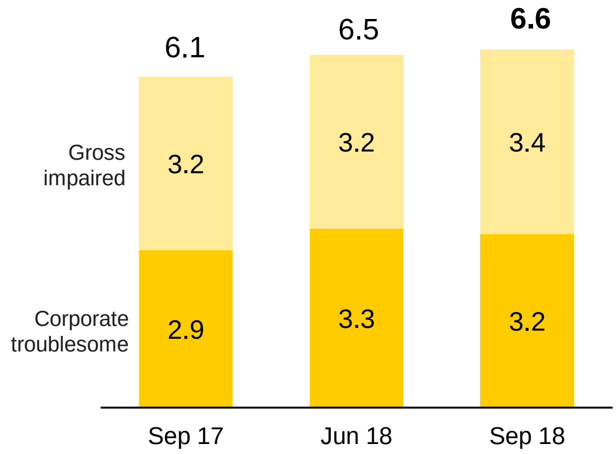
Consumer arrears[12]

90+ days



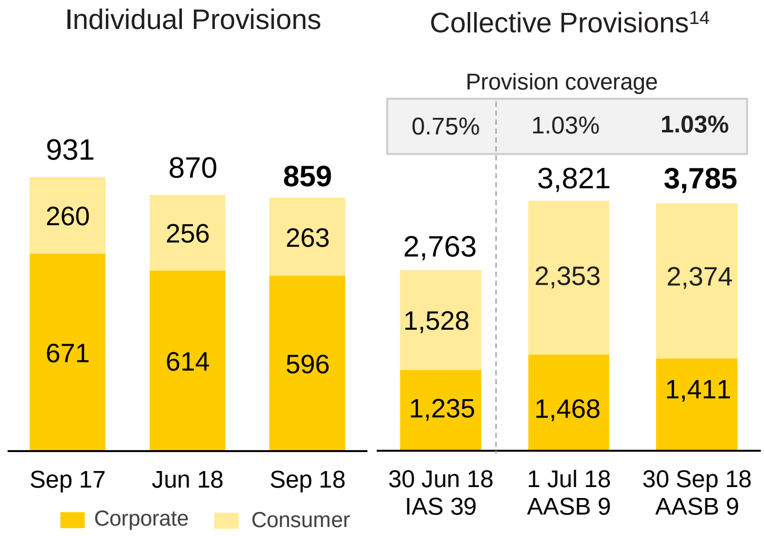
Troublesome and impaired assets

$bn



Credit provisions

$m



- The credit quality of the Group's lending portfolios remained sound. Loan Impairment Expense of $216 million in the quarter equated to 11 basis points of Gross Loans and Acceptances, compared to 15 basis points in FY18. Low corporate LIE reflected some single name improvements, sound portfolio credit quality and continued IB&M portfolio optimisation.

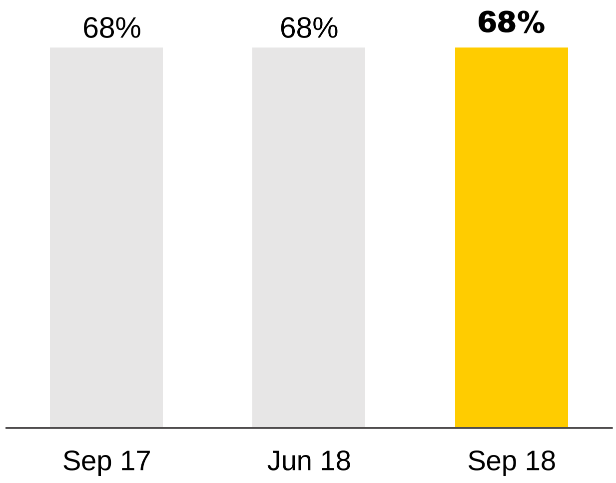
- Consumer arrears were seasonally lower in the quarter. Whilst there was a moderate improvement in home loan arrears, some households continued to experience difficulties with rising essential costs and limited income growth.

- Troublesome and impaired assets increased from $6.5 billion at June 2018 to $6.6 billion in September, driven by an increase in home loan impaired assets and a small number of individual corporate impairments. Troublesome exposures were broadly stable in the quarter.

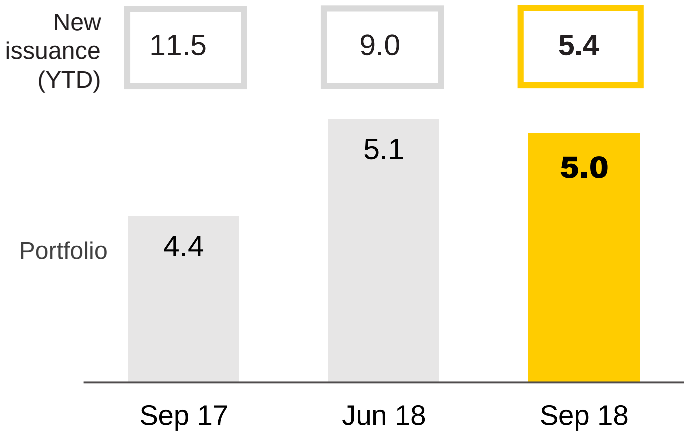
- The Group adopted AASB 9 from 1 July 2018 resulting in a $1.06 billion increase to collective provisions and a 28 bpt increase in collective provision coverage to 1.03% (collective provisions to credit risk weighted assets). Total Provisions were broadly stable in the quarter.

Balance sheet strength

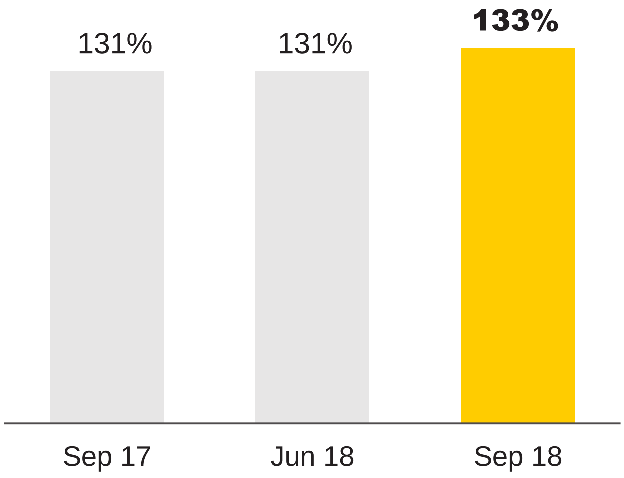
Deposit funding
% of total funding



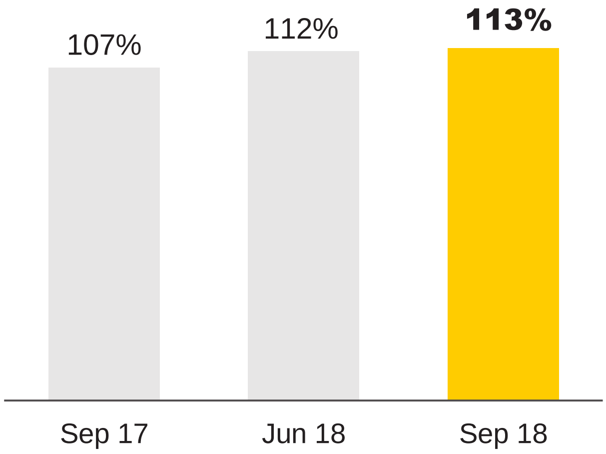
Wholesale funding
Tenor, years



Liquidity coverage ratio
Total liquid assets/Total net cash outflows (%)



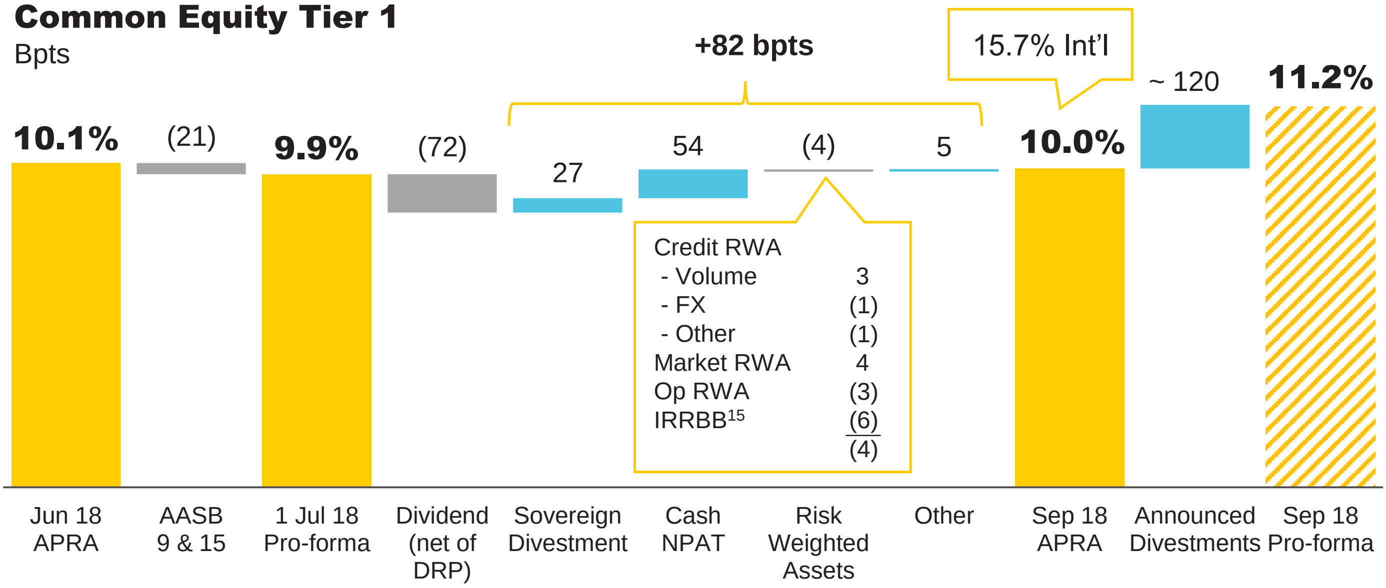
Net stable funding ratio
Available stable funding/Required stable funding (%)



- Funding and liquidity positions remained strong, with customer deposit funding at 68% and the average tenor of the long term wholesale funding portfolio at 5.0 years. The Group issued $8.8 billion of long term funding in the quarter.
- The Liquidity Coverage Ratio (LCR) was 133% at September 2018, up from 131% at June 2018.
- The Net Stable Funding Ratio (NSFR) was 113% at September 2018, up from 112% at June 2018.
- The Group's Leverage Ratio remained relatively stable across the quarter at 5.5% on an APRA basis and 6.2% on an internationally comparable basis.

CET1 at 10.0%

Common Equity Tier 1
Bpts



- The Common Equity Tier 1 (CET1) APRA ratio was 10.0% as at 30 September 2018.
- After allowing for the impact of the implementation of AASB 9 and 15 on 1 July 2018, and the 2018 final dividend (which included the issuance of shares in respect of the Dividend Reinvestment Plan), CET1 increased 82 bpts in the quarter. This was driven by a combination of capital generated from earnings and the benefit from the sale of the Group's New Zealand life insurance operations.
- CBA has previously announced the divestment of a number of businesses as part of its strategy to build a simpler, better bank. These divestments are subject to various conditions, regulatory approvals and timings, and include the sale of the bank's global asset management business, Colonial First State Global Asset Management (CFSGAM, expected completion mid calendar year 2019) and the sales of its Australian life insurance business ("CommInsure Life"), its non-controlling investment in BoComm Life and its 80% interest in the Indonesian life insurance business, PT Commonwealth Life (all expected to complete in the first half of calendar year 2019). Collectively, these divestments will provide an uplift to CET1 of approximately 120 bpts, resulting in a 30 September 2018 pro-forma CET1 ratio of 11.2%.
- In June 2018, CBA announced its commitment to the demerger of NewCo, which includes Colonial First State, Count Financial, Financial Wisdom, Aussie Home Loans and CBA's minority shareholdings in ASX-listed companies CountPlus and Mortgage Choice. The demerger process is expected to be completed by late calendar year 2019, subject to shareholder and regulatory approvals. CFSGAM will no longer form part of NewCo, following the recent announcement of an agreement to sell this business to Mitsubishi UFJ Trust and Banking Corporation.

Becoming a simpler, better bank

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

Matt Comyn, Chief Executive Officer
(CBA FY18 Results, August 2018)

"We are building a simpler, better bank, fully aligned to meeting the needs of customers in our core markets.

We are simplifying our portfolio, operating model and processes to deliver better customer, efficiency, and risk outcomes.

This will be underpinned by stronger capabilities in operational risk and compliance management, cost reduction, data and analytics and a continuing commitment to innovation and customer service.

The result will be a more focused business managed with greater discipline to deliver sustainable returns at lower risk."

Appendix – Key financials reconciliation

	2H18	2H18 Qtr Avg	Approximate Movement 1Q19 vs 2H18 Qtr Avg
Operating Income	$m	$m	
Reported	12,790	6,395	+1%
AHL & eChoice	*(143)*	*(71)*	
Operating Income ex. one-offs	**12,647**	**6,324**	**+1%**
Operating Expense			
Reported	5,863	2,932	(7%)
AHL & eChoice	*(126)*	*(63)*	
AUSTRAC	*(325)*	*(163)*	
One-off regulatory costs	*(45)*	*(22)*	
Operating Expenses ex. one-offs	**5,367**	**2,684**	**(1%)**
LIE	**483**	**242**	**(11%)**
Reported Cash NPAT	4,474	2,237	+11%
Cash NPAT ex. one-offs[5]	**4,818**	**2,409**	**+3%**

Footnotes

[1] Unless otherwise stated, the financial results are presented on a 'continuing operations' basis. This excludes CommInsure Life, BoComm Life and TymeDigital (discontinued operations). The wealth management and mortgage broking businesses to be demerged ("NewCo"), and Colonial First State Global Asset Management ("CFSGAM") are included in continuing operations, consistent with the financial disclosures as at 30 June 2018. It is expected that both NewCo and CFSGAM will be included in discontinued operations in the reported results for the half year ended 31 December 2018.

[2] Rounded to the nearest $50 million.

[3] The cash basis is used by management to present a clear view of the Group'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 period on period and do not discriminate between positive and negative adjustments. For a more detailed description of these items, please refer to Page 4 of the Group's 30 June 2018 Profit Announcement.

[4] Basis risk arises from the spread between the 3 month bank bill swap rate and 3 month overnight index swap rate.

[5] One-off items include the AUSTRAC civil penalty, an increase in income and expense from the consolidation of AHL Holdings Pty Limited (AHL) and acquisition of eChoice, and one-off regulatory costs.

[6] LIE calculated as a percentage of average Gross Loans and Acceptances (GLAA) annualised. Expressed in basis points (bpts).

[7] Operating performance is operating income less operating expenses.

[8] As reported in APRA Monthly Banking Statistics (Historical series) and included in the RBA Financial Aggregates. Home Lending includes CBA subsidiaries, Homepath P/L, Residential Mortgage Group P/L and Wallaby Trust. Business lending (ex CMPF) represents drawn balances and includes specific "business lending" categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills, excluding sub-categories of Banks, ADIs, RFCs and Governments.

[9] Assets Under Management (AUM) and Funds Under Administration (FUA). Volume growth comparison to average AUM and FUA for the quarter ended 30 June 2018. Not annualised.

[10] FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year.

[11] Corporate LIE/GLAA annualised was nil for the quarter on a net basis.

[12] Consumer arrears includes retail portfolios of Retail Banking Services, Business & Private Banking, Bankwest and New Zealand.

[13] Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

[14] AASB 9 impairment was adopted on 1 July 2018, resulting in a $1,058 million increase in collective provisions.

[15] Interest rate risk in the banking book.

Disclaimer

The material in this announcement is general background information about the Group and its activities current as at the date of the announcement, 7 November 2018. It is information given in summary form and does not purport to be complete. It 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 consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

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