Commonwealth Bank

3Q20 Trading Update Presentation

13 May 2020

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Overview

- **Supporting our customers and people**
  - Customer repayment deferrals, waived fees and charges, hardship support
  - Focus on getting support to customers quickly, including via market leading digital apps
  - Significant improvement in employee engagement and pride
- **Strengthened balance sheet settings – prepared for a range of economic scenarios**
  - New $1.5bn overlay provision for potential impacts of COVID-19
  - Strong deposit funding, significant excess liquidity, unquestionably strong capital
  - Further progress on becoming a simpler, better bank with majority sale of Colonial First State
- **March quarter overview**
  - Operational execution delivering volume growth in core markets
  - Underlying expenses down 1% (+5% including additional remediation provision of $135m)
  - CET1 of 10.7% after 1H20 dividend ($3.5bn) and COVID-19 provision ($1.5bn) - (total impact of -111bpts)

Supporting our people and customers

Rapid customer support, high employee engagement and pride

Customers[1]

- **>$9bn** of support to ~100,000 businesses[2]
- **~240k** repayment deferrals on home, personal and business loans
- **>1m** calls and online requests for help (calls to hardship line +800%[3])
- **$3.6bn** additional cash-flow from reducing home loan repayments to minimum[4]
- **>$0.5bn** approved new lending under the Government's SME Guarantee Scheme[5]

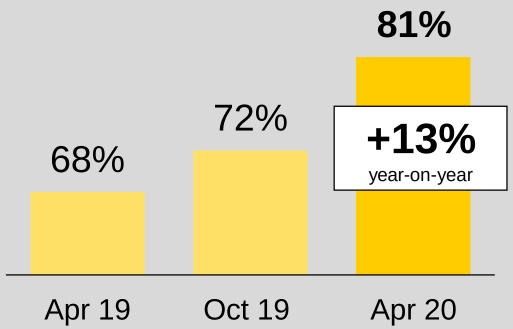
Leading digital assets delivering support quickly and efficiently

- Streamlined processes (deferrals, hardship requests, JobKeeper funding)
- 250m personalised in-app messages regarding COVID-19 support
- 4m visits to new online COVID-19 support page[6]
- 10.2m peak daily logins to CommBank app and NetBank
- 150k new Benefits finder claims started, >500k claims since launch[7]
- Digital wallet transactions up 17% to a record $1bn in March[8]

People

- **30k** of our people with remote working capability
- **$2k** Interest-free one-off net advance available to all employees
- **10** days special leave available to all employees, including casuals
- **680** staff working over ANZAC weekend to bridge JobKeeper applicants
- **81%** employee engagement – highest level recorded in 4 years

Employee Engagement[9]



Employee engagement up 13% to 81% reflecting pride and commitment of our people

1. All figures based on the most recent available data, unless otherwise stated. CBA including Bankwest, unless otherwise stated. 2. Includes additional loans, covenant waivers and drawdowns to JobKeeper-eligible institutional clients, additional loans and drawdowns to mid-sized corporates, small business loan repayment deferrals, home loan deferrals for self-employed individuals and approved loans under the SME Loan Guarantee Scheme. 3. Peak increase in call volumes from the start of the pandemic. 4. From 1 May 2020. Excludes Bankwest. 5. As at 6 May 2020. 6. As at 17 April 2020. 7. 150,000 new claims since COVID-19 lockdown measures were implemented, 15 March 2020 to 6 May 2020. Launch date December 2018. 8. Compared to February 2020. 9. People Engagement Score of 81% for April 2020 Bi-annual engagement survey. An improvement of 13% compared to April 2019.

Customer focus, balance sheet strength

Supporting our customers, prepared for a range of economic outcomes

- Depth and duration of downturn dependent on:
  - Continuing effectiveness of containment measures
  - Effectiveness of Government, prudential and industry response and support measures
- Focus for CBA:
  - Supporting our customers and people
  - Maintaining strong balance sheet settings
  - Being prepared for a range of economic scenarios
  - Continued operational excellence underpinned by the commitment and pride of our people

	RBA Baseline Forecasts[1] (Calendar Years)		
	Actual 2019	2020	2021
GDP %	2.2	-6.0	6.0
Unemployment % - Peak[2] - Implied annual average[2]	5.3	10.0 ~8	8.5 ~8
CPI %	1.8	0.25	1.25

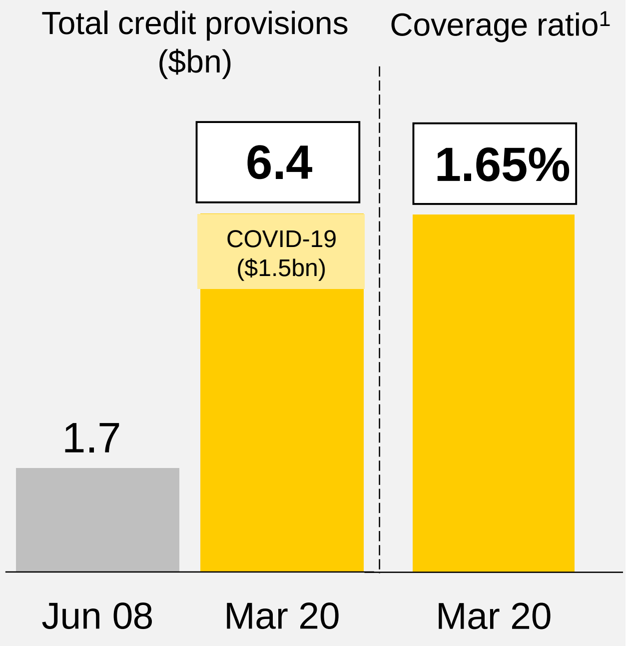
1. Source RBA Statement on Monetary Policy, May 2020 Table 6.1. GDP % and CPI % are for the year ended December. 2. Unemployment peak % and implied annual average % are calculated using June and December quarter averages for 2021 and incorporates March quarter for 2020.

Balance sheet

Long term strengthening – well placed

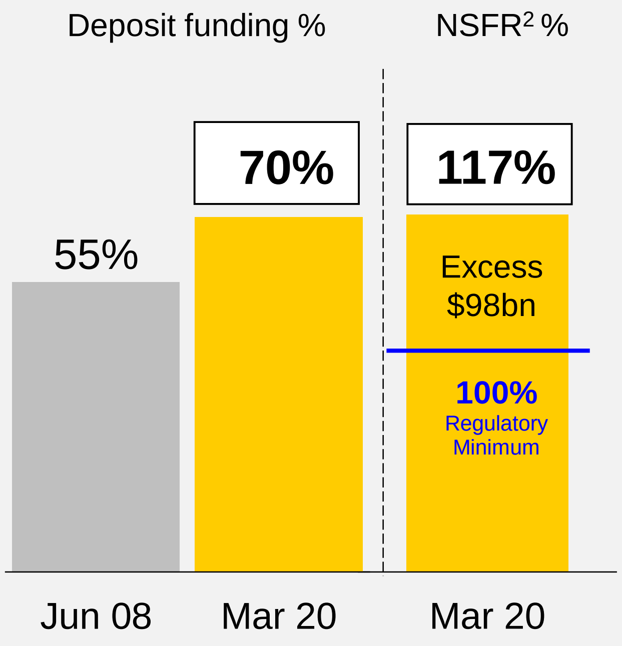
Provisioning

- $1.5bn COVID-19 provision
- Coverage ratio 1.65%



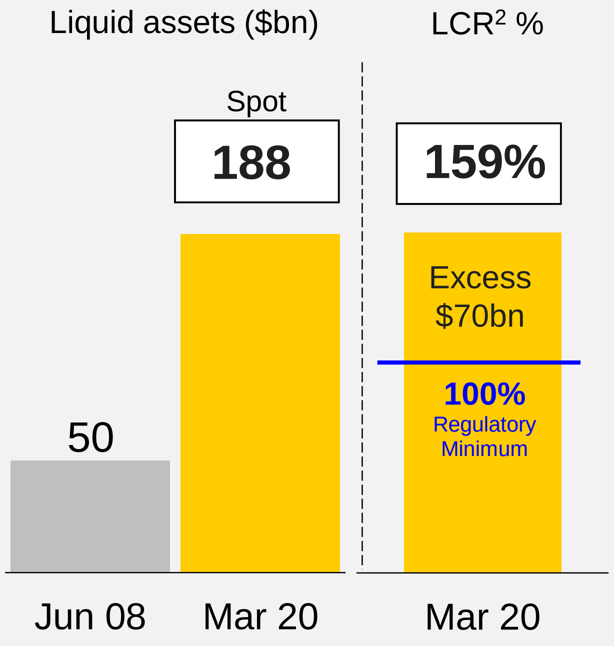
Funding

- 70% deposit funded
- NSFR 117% (excess $98bn)



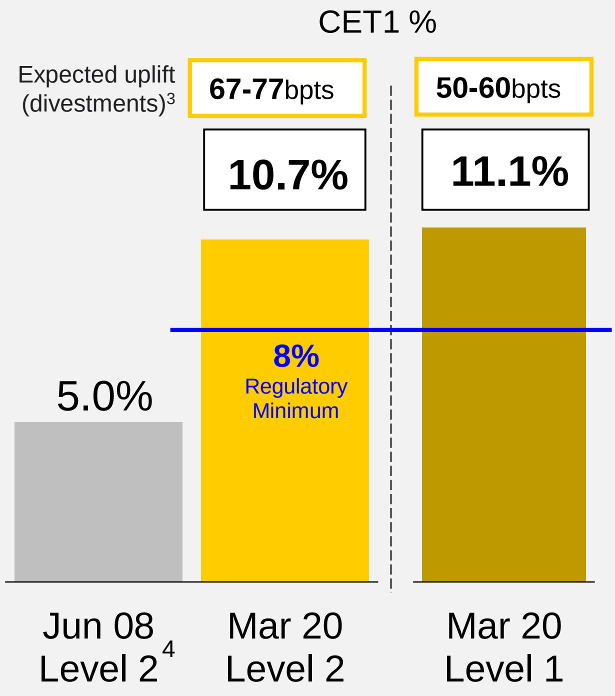
Liquidity

- Liquids $188bn (qtr. avg $150bn)
- LCR 159% (qtr. avg 133%)



Capital

- CET1 10.7% (post 1H20 dividend)
- Expected uplift 67-77bpts (Lvl 2)



1. Total provisions divided by credit risk weighted assets. 2. NSFR: Spot, LCR: Spot. 3. Expected uplift from the finalisation of remaining divestments. 4. Calculated Basel III equivalent.

Progress in becoming a simpler, better bank

Announced divestment of 55% stake in Colonial First State for $1.7 billion to KKR

- Expected to deliver wide range of benefits:
  - Colonial First State to become a more focused standalone business
  - Expected to deliver a range of benefits for members and advisors alike
  - CBA and KKR will commit to undertake a significant investment program; flexibility to participate in future industry consolidation
- Significant financial impacts:
  - Sale price implies multiple of 15.5x pro-forma standalone net profit after tax
  - Post-tax gain on sale of approximately $1.5 billion
  - Expected increase of approximately $1.4 -1.9 billion of CET1 (Level 2) capital equating to 30-40 bpts on an APRA basis as at 31 March 2020
- Timing and approvals:
  - Subject to APRA and FIRB approvals
  - Completion expected to occur in 1H CY21

At a glance

Colonial First State

Established in 1988

A leading retail superannuation and investments business

Approximately $135 billion of Funds Under Administration

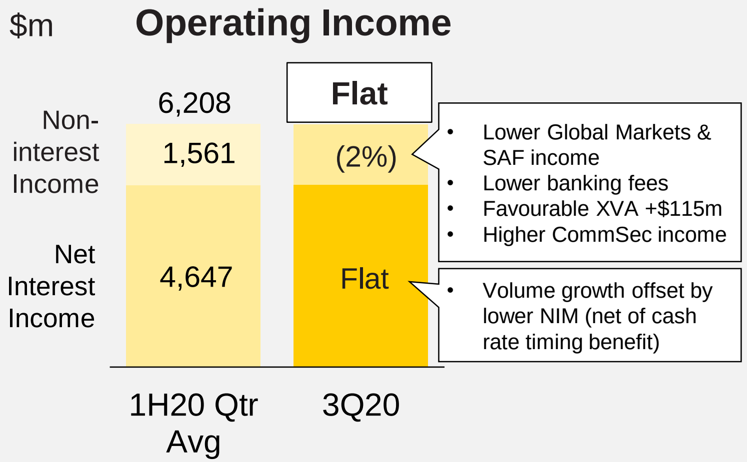
> 1 million members

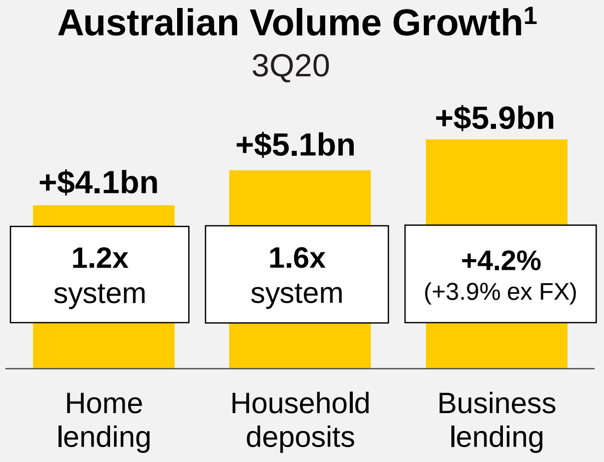
> 2,000 employees

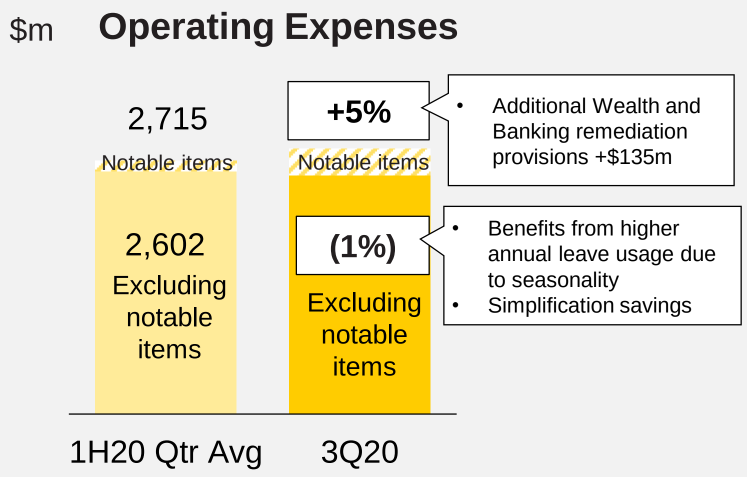
3Q20 – Financial overview

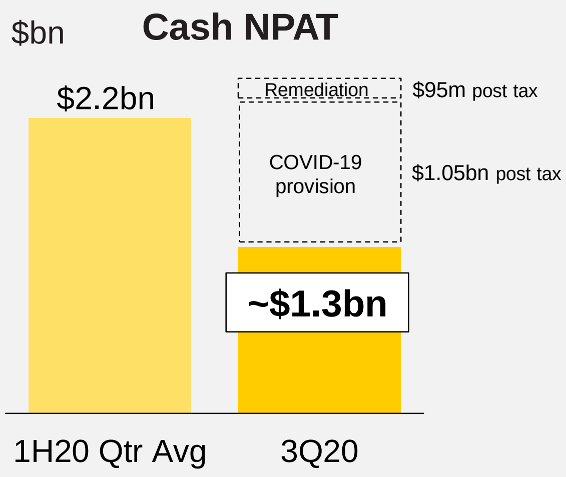
Strong operational execution

- Flat income:
  - Franchise strength underpins volume growth
  - Margin pressures persisting
  - Favourable XVA movement (+$115m)
  - Higher CommSec income (volume)
- Expenses down 1% (underlying):
  - +5% including higher remediation (+$135m)
  - Additional resourcing impacting in Q4
- Cash NPAT of ~$1.3bn impacted by:
  - COVID-19 provision ($1.5bn, pre-tax)
  - Customer remediation (+$135m, pre-tax)









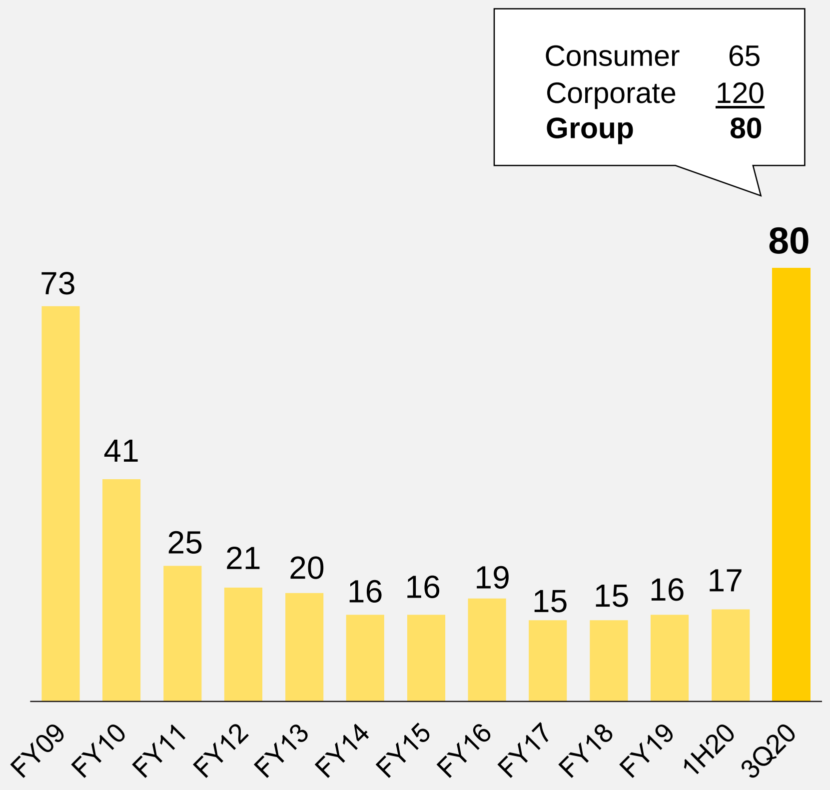
1. As reported in RBA Lending and Credit Aggregates (Home Lending and Business Lending) and APRA Monthly ADI Statistics (Household Deposits). Business lending includes Business and Private Banking, Bankwest, and Institutional Banking and Markets (ex CMPF).

Credit quality

Support packages assisting, seasonally higher arrears - though lower year on year

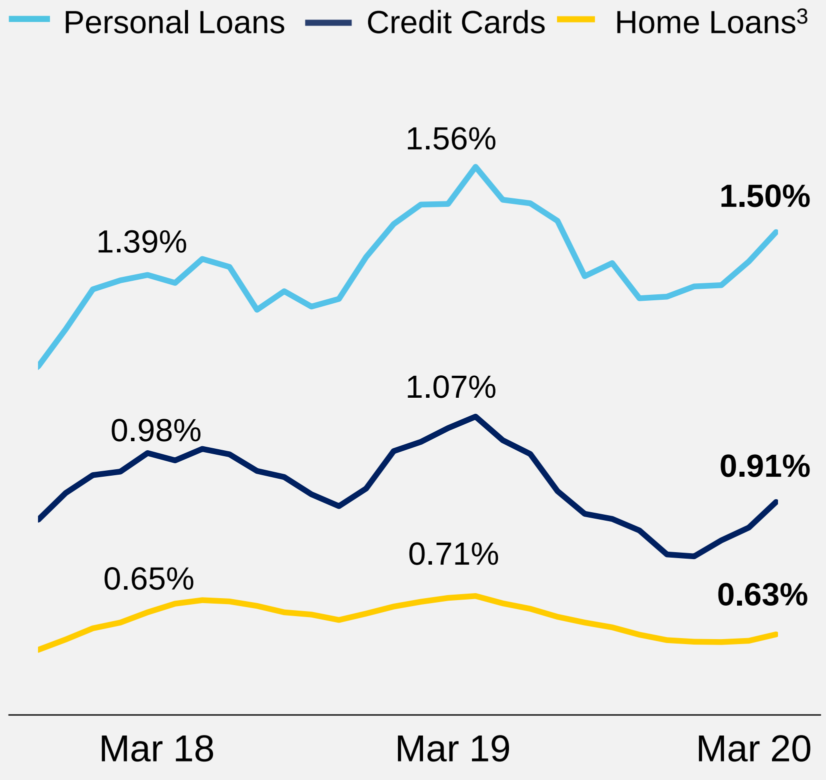
Loan loss rate[1]

bpts



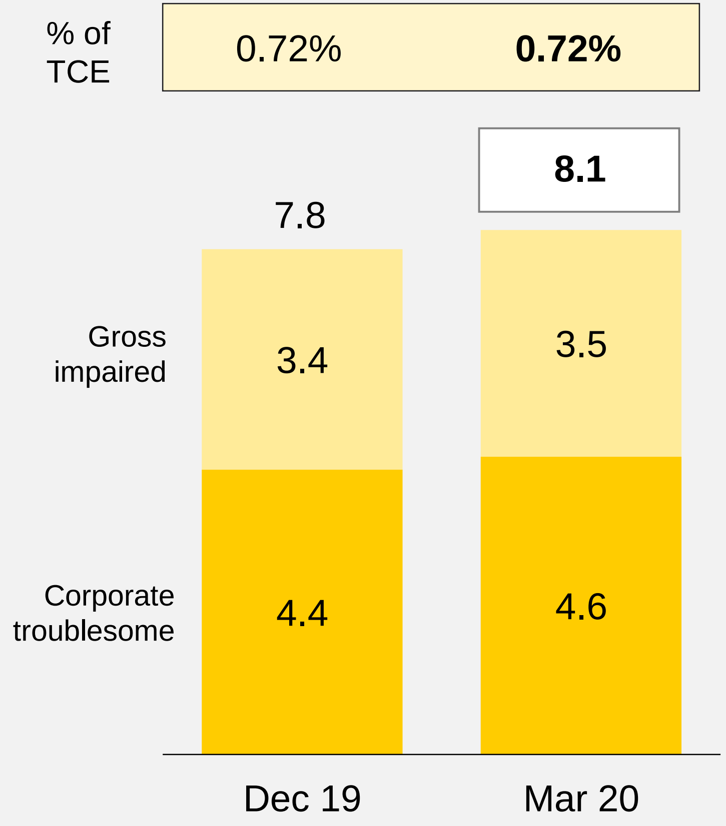
Arrears[2]

90+ days



TIA

$bn

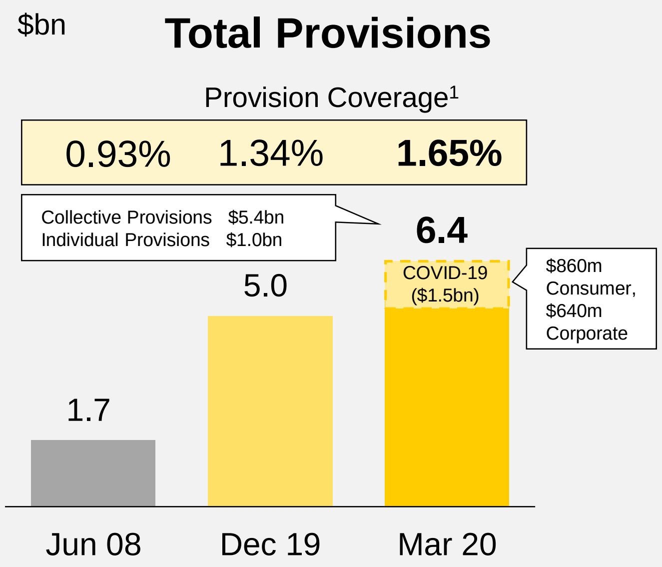


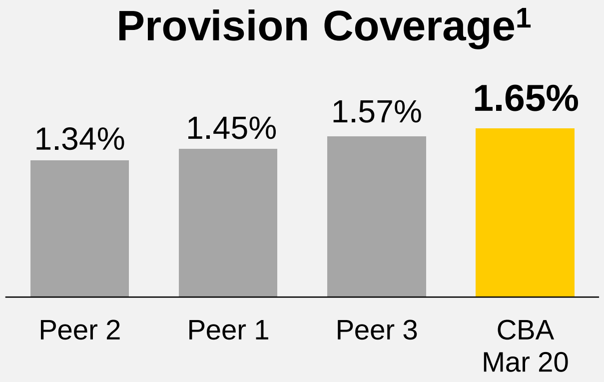
1. Loan impairment expense calculated as a percentage of average Gross Loans and Acceptances (GLAA) annualised. Expressed in basis points (bpts). FY09 includes Bankwest on a pro-forma basis and is based on loan impairment expense for the year. 2. Consumer arrears includes retail portfolios of Retail Banking Services, Business & Private Banking and New Zealand. 3. Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

Provisioning

$1.5bn COVID-19 overlay provision based on both bottom-up analysis and top-down judgement

- Compositional balance sheet strength positions CBA well for a range of possible economic scenarios
- New provision reflects increases to forward looking adjustments
- Bottom-up analysis:
  - granular assessment of likely stress at customer, industry and sector level
  - modelled migration of exposures between stages
  - for retail portfolios, consideration of customer composition across impacted occupations, deferral characteristics and anticipated impacts on arrears and house prices
  - for non-retail portfolios, focus on at-risk industries and geographies
- Top-down judgement:
  - provision coverage and weighted assessment of multiple economic scenarios
  - provision estimate broadly in between the “Downturn” and “Prolonged Downturn” scenarios
  - benchmarked against historical downturns
- Unknowns:
  - duration of restrictions – both domestically and globally
  - benefit of unprecedented fiscal, monetary, prudential and private sector response
  - provision subject to ongoing review against granular portfolio stress testing





1. Total provisions divided by credit risk weighted assets. Peers as at March 2020. Excludes impairment provisions for derivatives at fair value.

Scenarios and Credit RWA migration outcomes

A range of scenarios considered

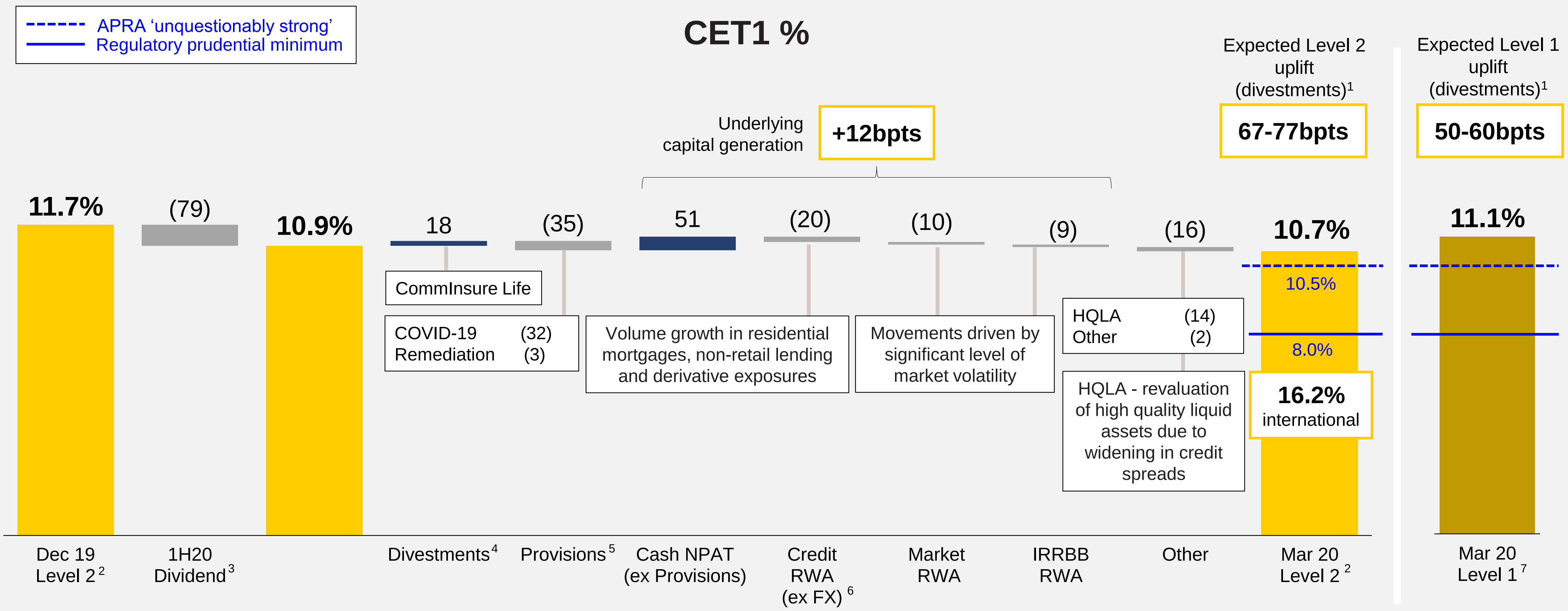
- Macroeconomic assumptions reflect forward looking scenarios updated for current assessments of the impacts of COVID-19
- Outputs consider deterioration of customer credit risk scores and increases to loss given default as value of security declines
- Housing key drivers: unemployment, underemployment, changes to income, house prices
- Non-housing key drivers: range of increasing stress relating to industries most impacted by COVID-19
- Uncertainty exists regarding duration and severity of COVID-19 impacts, associated disruption to economy and extent of future policy responses (Government and prudential)

	Downturn			Prolonged Downturn		
Key assumptions:	CY20	CY21	CY22	CY20	CY21	CY22
GDP %	-6.0%	6.0%	3.0%	-7.1%	-0.8%	2.3%
Unemployment (annual average) %	8.25%	8.0%	6.5%	9.0%	8.5%	6.5%
HPI % fall[1]	-11%			-32%		
Outputs:	*Current Mar-20*					
Credit RWA intensity[2] – housing	*25%*	28%		32%		
Credit RWA intensity[2] – business	*56%*	68%		73%		
Credit RWA intensity[2] – total	*35%*	39%		43%		
Notional Credit RWA increase	*$387bn*	+$42bn		+$86bn		
CET1 impact of notional Credit RWA increase	*n/a*	~90bps		~170bps		

1. House Price Index. Calculated from March 2020 to March 2023. 2. RWA intensity represents the amount of credit risk weighted assets required to be held as a proportion of lending exposures. Housing and business Credit RWA intensity have been calculated excluding specialised lending exposures and exposures subject to the standardised approach.

Capital

CET1 of 10.7% after payment of 1H20 dividend and inclusion of COVID-19 provision



1. Expected CET1 uplifts from previously announced divestments: BoCommLife, CommInsure Life and PTCL and majority sale of Colonial First State. Completion of divestments subject to regulatory approvals 2. Level 2 is the consolidated banking group (including banking subsidiaries such as ASB Bank and PT Bank Commonwealth (Indonesia) and excluding the insurance and funds management businesses. 3. 2020 interim dividend: included the on-market purchase of shares in respect of the Dividend Reinvestment Plan. 4. Relates to additional receipt of funds as part of the divestment of CommInsure Life. 5. Includes additional provisions raised for COVID-19 ($1.5bn) and remediation ($135m). 6. Excludes the impact of FX movement on Credit RWA (-10bpts). FX impact included in "Other" and is offset by movement in foreign currency translation reserve (+10bpts). 7. Level 1 is the CBA parent bank, offshore branches, and extended license entities approved by APRA.

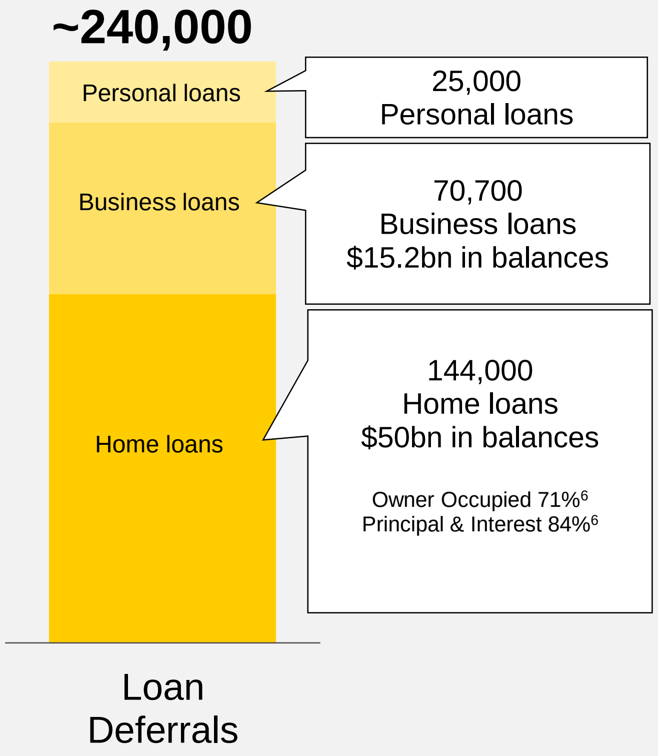
Appendix

Appendix:

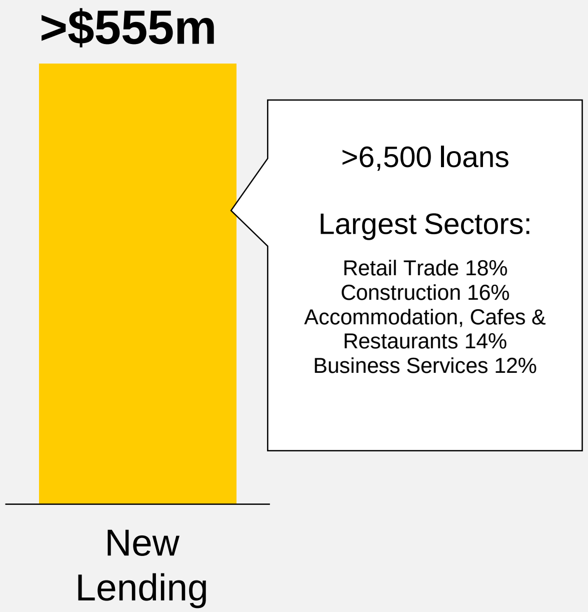
Customer support measures[1]

- >$9bn of support to ~100,000 businesses[2]
- Repayment deferral requests on ~240,000 loans
- Home loan repayments reduced to minimum – releasing up to $3.6bn to Australian households[3]
- Approved over $555m of new lending from over 6,500 applications under the Government's SME Guarantee Scheme[4]
- Business lending rate cut by 125 basis points on all loans linked to the cash rate
- Merchant service fees waived for 60,000 business merchant facilities
- Fixed term owner occupied home loans interest rate reduced to 2.29%
- Term deposit interest rate increased 60bpts – 1.45% higher than the official cash rate[5]

Loan repayment deferral requests



SME Guarantee Scheme



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Appendix:

Home loan portfolio – CBA

Portfolio[1]	Mar 19	Dec 19	Mar 20
Total Balances - Spot ($bn)	461	477	481
Total Balances - Average ($bn)	460	472	480
Total Accounts (m)	1.8	1.8	1.8
Variable Rate (%)	80	81	82
Owner Occupied (%)	66	67	68
Investment (%)	31	31	30
Line of Credit (%)	3	2	2
Proprietary (%)	55	54	54
Broker (%)	45	46	46
Interest Only (%)[2]	24	19	18
Lenders' Mortgage Insurance (%)[2]	21	21	21
Mortgagee In Possession (bpts)	5	5	5
Negative Equity (%)[3]	4.0	4.7	4.1
Annualised Loss Rate (bpts)	3	2	2
Portfolio Dynamic LVR (%)[4]	52	53	53
Customers in Advance (%)[5]	79	82	82
Payments in Advance incl. offset[6]	35	35	36
Offset Balances – Spot ($bn)	46	49	49

New Business[1]	Mar 19	Dec 19	Mar 20
Total Funding ($bn)	20	53	24
Average Funding Size ($'000)[7]	312	343	343
Serviceability Buffer (%)[8]	2.25	2.50	2.50
Variable Rate (%)	79	90	88
Owner Occupied (%)	71	72	73
Investment (%)	28	28	27
Line of Credit (%)	1	0.3	0.2
Proprietary (%)	53	52	53
Broker (%)	47	48	47
Interest Only (%)	22	20	18
Lenders' Mortgage Insurance (%)[2]	18	19	18

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 Dec19 and 3 months to Mar19 and Mar20. 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.

Appendix:

Home loan portfolio – CBA ex Bankwest

Portfolio[1]	Mar 19	Dec 19	Mar 20
Total Balances - Spot ($bn)	390	403	406
Total Balances - Average ($bn)	389	399	405
Total Accounts (m)	1.5	1.6	1.6
Variable Rate (%)	79	81	81
Owner Occupied (%)	65	66	66
Investment (%)	32	31	31
Line of Credit (%)	3	3	3
Proprietary (%)	59	59	59
Broker (%)	41	41	41
Interest Only (%)[2]	24	19	18
Lenders' Mortgage Insurance (%)[2]	19	19	19
First Home Buyers (%)	10	10	10
Mortgagee In Possession (bpts)	4	5	4
Annualised Loss Rate (bpts)	3	2	2
Portfolio Dynamic LVR (%)[3]	50	52	52
Customers in Advance (%)[4]	77	80	81
Payments in Advance incl. offset[5]	37	37	37
Offset Balances – Spot ($bn)	40	42	43

New Business[1]	Mar 19	Dec 19	Mar 20
Total Funding ($bn)	17	44	21
Average Funding Size ($'000)[6]	310	340	339
Serviceability Buffer (%)[7]	2.25	2.50	2.50
Variable Rate (%)	78	90	87
Owner Occupied (%)	71	71	73
Investment (%)	29	29	27
Line of Credit (%)	0.5	0.3	0.2
Proprietary (%)	59	58	59
Broker (%)	41	42	41
Interest Only (%)	22	20	18
Lenders' Mortgage Insurance (%)[2]	17	19	18
First Home Buyers (%)	11	12	15

1. CBA excluding 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 Dec19 and 3 months to Mar19 and Mar20.
2. Excludes ASB. Excludes Line of Credit (Viridian LOC).
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 an interest rate buffer or min floor rate.

Appendix:

Sectors of interest

Sector	Group TCE $bn		TIA % of TCE	
	Mar 20	**%TCE**	**Dec 19**	**Mar 20**
Property	72.9	**6.4%**	1.17%	**1.05%**
Transport, Air Transport and Storage	24.7	**2.2%**	1.65%	**1.76%**
Retail Trade	10.7	**0.9%**	2.95%	**3.78%**
Accommodation, Cafes & Restaurants	9.6	**0.9%**	7.00%	**6.15%**
Health & Community Services	9.1	**0.8%**	1.06%	**1.00%**
Wholesale Trade	8.6	**0.8%**	3.45%	**2.63%**
Construction	8.4	**0.7%**	6.53%	**5.58%**
Culture, Recreational, Other Services	6.0	**0.5%**	1.13%	**2.32%**
Education	2.6	**0.2%**	0.73%	**1.03%**

Sector overview

Property
- Well diversified by geography, sector and counterparty
- Key asset classes are Retail (27%) and Office (23%)
- Portfolio 90% investor and operator (incl. REITS) and 10% developer
- 38% investment grade - some downward re-rating in Retail assets likely

Transport, Air Transport and Storage
- Materially negative outlook for aviation and airports due to disruption. Airline clients seeking rent deferrals and increases to TIAs anticipated
- In Shipping, portfolio is diversified across a number of segments - disruption to global trade flows impacting in some sub-sectors. Tankers currently benefitting from excess supply of oil/need for storage facilities

Retail Trade
- Discretionary Retail Trade (44% of portfolio) expected to be more materially impacted than non-discretionary
- Department store exposures ~$186m
- Internal credit card spend data indicates material slowdown in some categories of consumer consumption

Accommodation, Cafes and Restaurants
- Significantly impacted by reduced tourism, social distancing, Government restrictions on trade
- Impact on portfolio will be influenced by timing of relaxation of Government restrictions and levels of unemployment
- Operating models may require adjustment for social distancing as consumers become more cautious

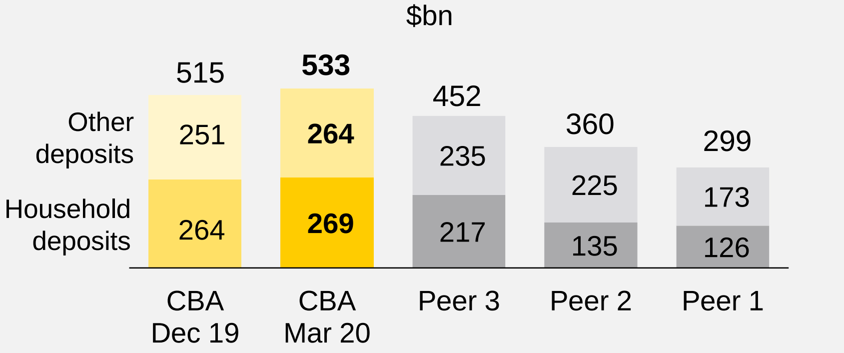
Culture, Recreational, Other Services
- Downgrade of a single name exposure in March 20

Appendix:

Funding and liquidity

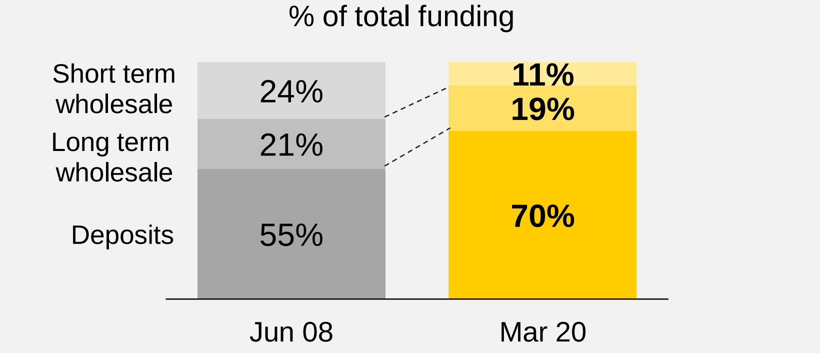
Deposit profile[1]

Highest share of stable household deposits



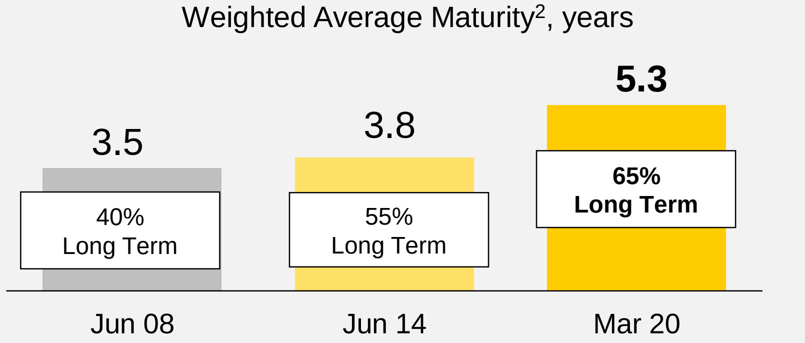
Funding composition

70% deposit funded



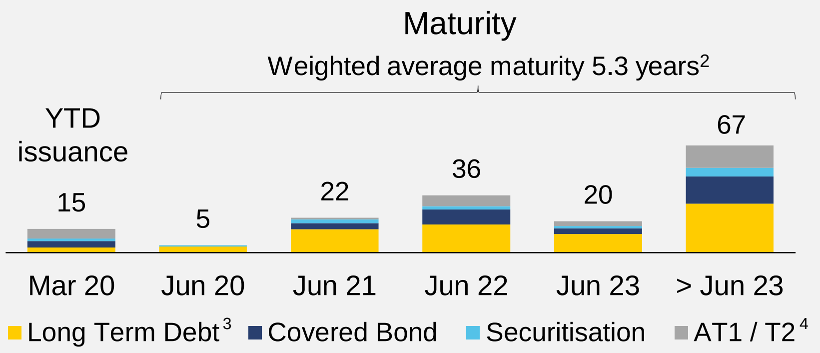
Wholesale funding

Weighted to Long Term



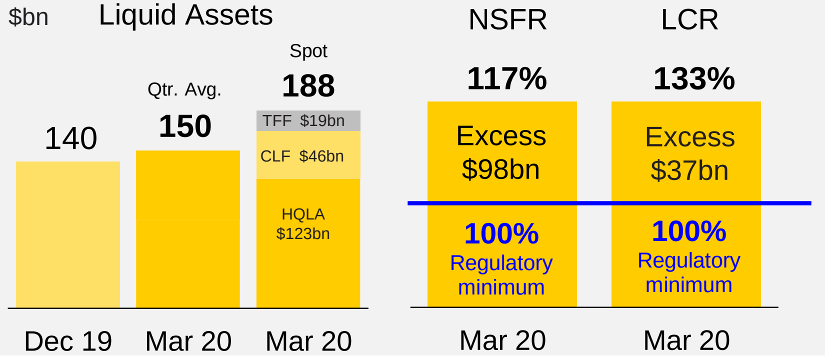
Funding profile

Balanced maturity profile reducing refinancing risk



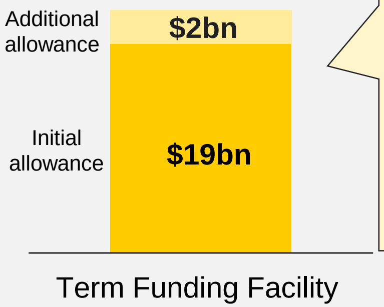
Liquidity metrics[5]

Significant excess liquidity



RBA Term Funding Facility

Additional funding support

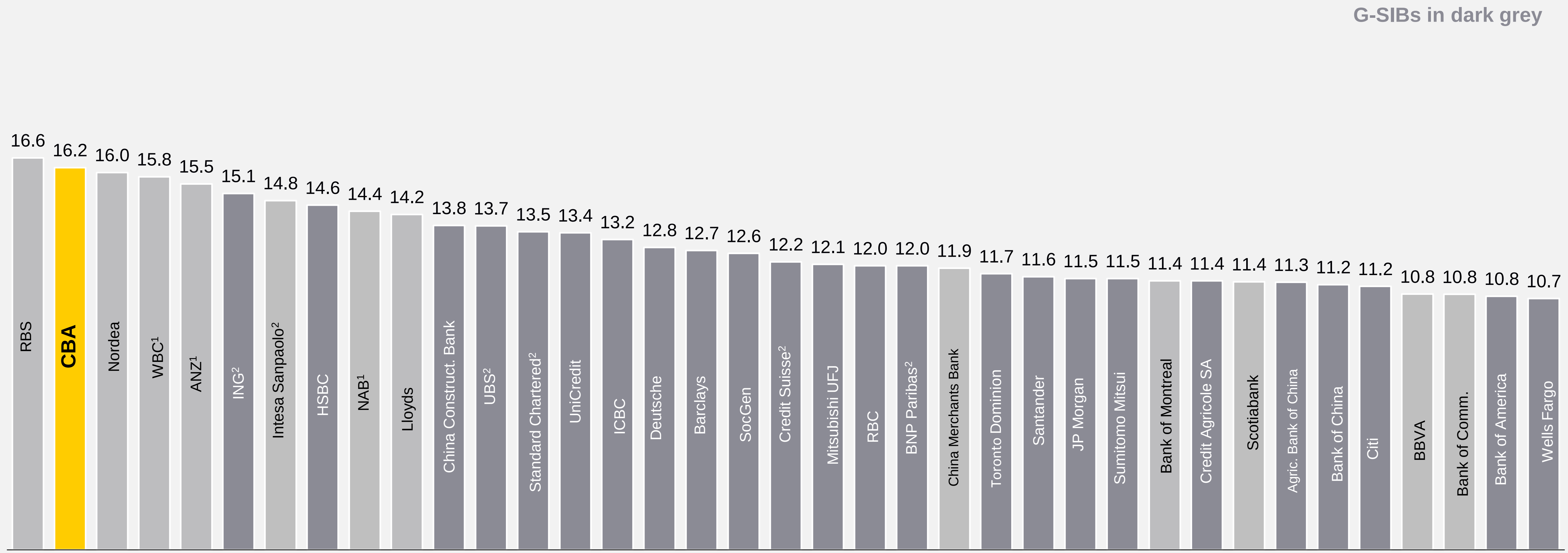


- Low cost, 3 year funding to support lending to businesses
- 3% of existing outstanding credit (Initial Allowance) plus growth in corporate and 5 times growth in SME (Additional Allowance)
- Drawdown available from 6 April 2020

1. Source: APRA Monthly Authorised Deposit Taking Institution Statistics. Total deposits (excluding CDs). As at March 2020 unless otherwise stated. 2. Represents the weighted average maturity of outstanding long term wholesale debt with a residual maturity greater than 12 months as at reporting date. 3. Includes Senior Bonds and Structured MTN. 4. Additional Tier 1 and Tier 2 Capital. 5. NSFR: Spot, LCR: Pillar 3 Quarter Average.

Appendix:

International CET1 ratios



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 6 May 2020 assuming Basel III capital reforms fully implemented. Peer group comprises listed commercial banks with total assets in excess of A$900 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 2020. 2. Deduction for accrued expected future dividends added back for comparability.

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For more information including
an audio webcast of the 3Q20 briefing
commbank.com.au/tradingupdate

This announcement has been authorised for release by Kara Nicholls, Group Company Secretary.