ASX Announcement

CBA 1Q20 Trading Update

For the quarter ended 30 September 2019[1]. Reported 12 November 2019. All comparisons are to the average of the two quarters of the second half of FY19 unless noted otherwise. Refer to Appendix for a reconciliation of key financials.

Disciplined execution, balanced stakeholder outcomes

- Well placed in a challenging environment
- Continued volume growth in core markets
- Sound credit quality, some pockets of stress
- Strong capital and balance sheet settings
- Becoming a simpler, better bank
- Balanced outcomes for all stakeholders

"The Bank remains well placed in a challenging operating environment, characterised by global macro-economic uncertainty and historically low interest rates. Our strong capital position and balance sheet settings mean we are well placed to meet the needs of our customers, illustrated by good volume growth in our core markets of home lending, business lending and household deposits. In a low interest rate environment we will continue to maintain a disciplined approach that delivers balanced outcomes for all our stakeholders, including over 6 million savings customers, 1.6 million home loan customers and 800,000 retail shareholders, including many retirees, who rely on our dividend."

Chief Executive Officer, Matt Comyn

1Q20 - Overview

- Unaudited statutory net profit of approximately $3.8bn[2,3] in the quarter, including a $1.5bn gain on sale of CFSGAM[4].
- Unaudited cash net profit from continuing operations of approximately $2.3bn[2,5] up 5% ex notable items.
- Operating income up 3% on a day-weighted basis due to lower basis risk, one-off items and volume growth.
- Operating expenses up 2% (excluding notable items), reflecting higher staff costs and IT amortisation.
- Loan Impairment Expense of $299m, or 16 basis points (bpts) of average GLAA[6].
- Improved arrears across consumer portfolios.
- Troublesome and Impaired Assets slightly higher, with pockets of stress similar to those highlighted at the FY19 results.
- Strong funding position maintained, with deposit funding at 69% and the Net Stable Funding ratio at 112%.
- Strong CET1 ratio of 10.6% after 2019 final dividend payments (-90bpts) and organic generation of 35bpts ex one-offs[7].

Reported Cash NPAT	**Volumes**	**Capital**	**Deposit funding**
Unaudited	Quarter annualised	CET1 capital ratio	% of total funding
$2.26bn	Home lending 3.5%; Household deposits 10.4%; Business lending (BPB) 2.8%	10.6%	69%
+5% (ex-notables)		+35bpts ex dividend/one-offs[7]	flat

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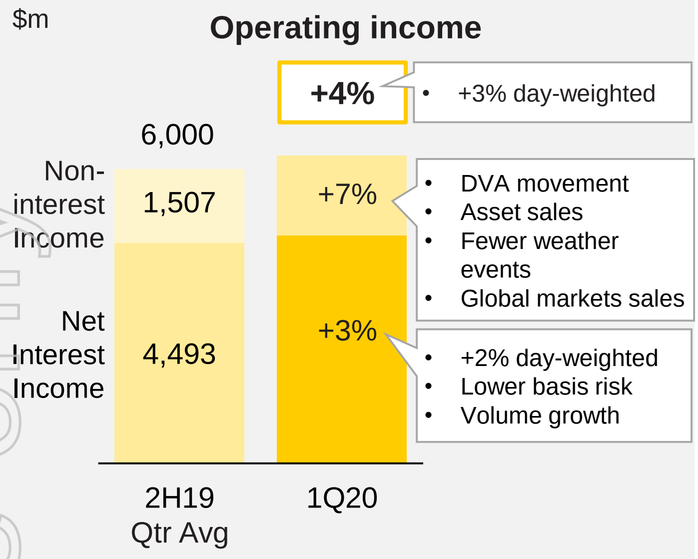
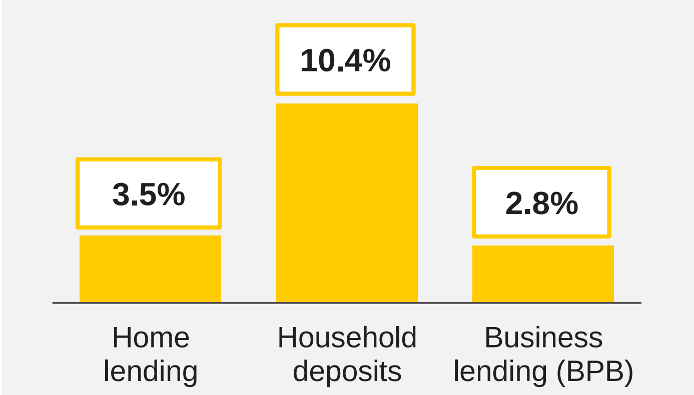
Operating performance

Operating income

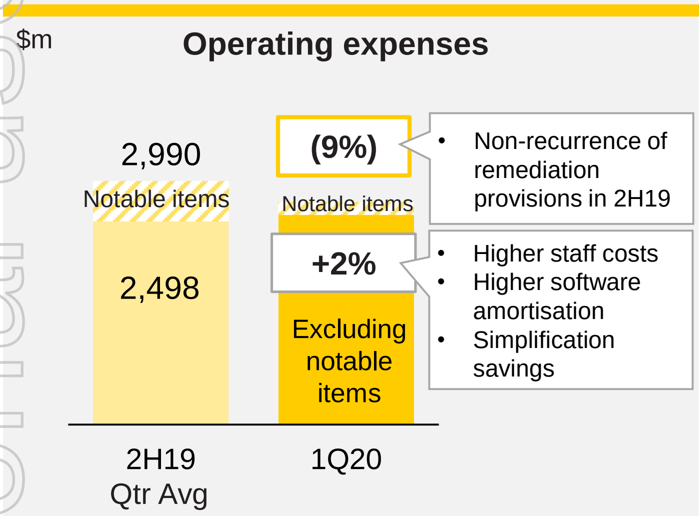


Volume growth[8]

September 2019 vs June 2019 (quarter annualised)

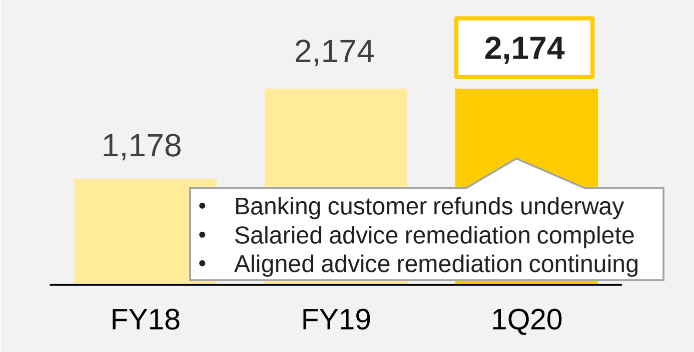


Operating expenses



Customer remediation program

Cumulative spend and provisions (including program costs)



- Net interest income increased 3%, benefiting from 1.5 additional days in the quarter. On a day-weighted basis, Net Interest Income was 2% higher, underpinned by volume growth in core markets of home lending, business lending and household deposits. Excluding a 4bpt benefit from lower basis risk, the Group's Net Interest Margin was lower than June 2019 due to headwinds associated with a low interest rate environment, which will continue to impact margins in future periods.
- Non-interest income increased 7%, benefiting from timing differences and one-off items including a favourable movement in the derivative valuation adjustment (DVA), asset sales in Structured Asset Finance (SAF), higher insurance income from fewer weather events/claims and higher global markets sales. These were partly offset by lower Funds Management income and the ongoing impact of the Bank's Better Customer Outcomes program, which continues to deliver customer savings equivalent to annualised income forgone of $415m.
- Operating expenses (ex notable items) increased 2% due to higher staff costs and IT amortisation, partly offset by business simplification savings. Including notable items, expenses were 9% lower due to the non-recurrence of the substantial customer remediation provisions taken in 2H19.
- The Bank is committed to comprehensively and quickly addressing remediation issues impacting customers of our banking and wealth management businesses. Of the $2.2bn in total program spend and provisions, $1.2bn relates to customer refunds of which approximately $600m has been paid to banking and wealth management customers to-date (ex aligned advice). Salaried adviser ongoing service remediation is now complete and represented a refund rate of 22% (ex interest). Aligned advice remediation work relating to ongoing service fees charged between FY09 and FY18 is continuing. The aligned advice remediation provision recognised in FY19 of $534m included program costs of $160m, $251m in customer refunds and $123m in interest. This assumed a refund rate of 24% (ex interest) and 36% (incl. interest).

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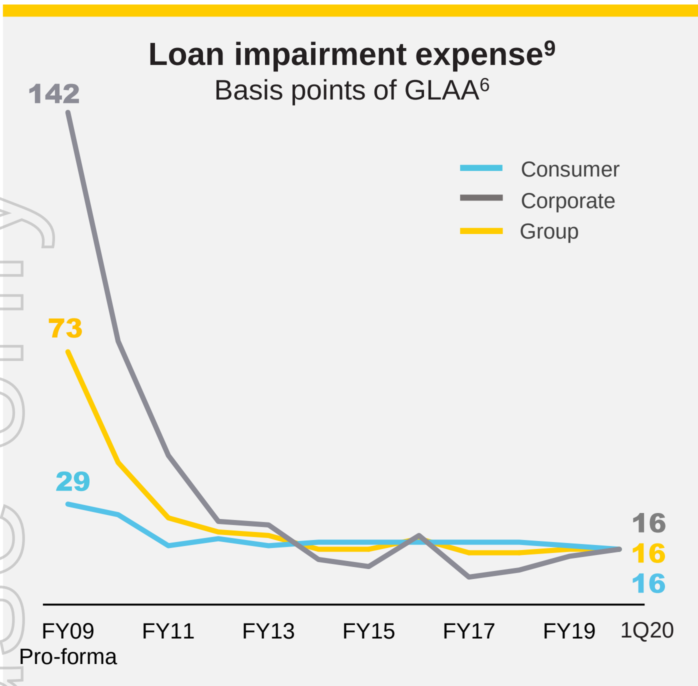
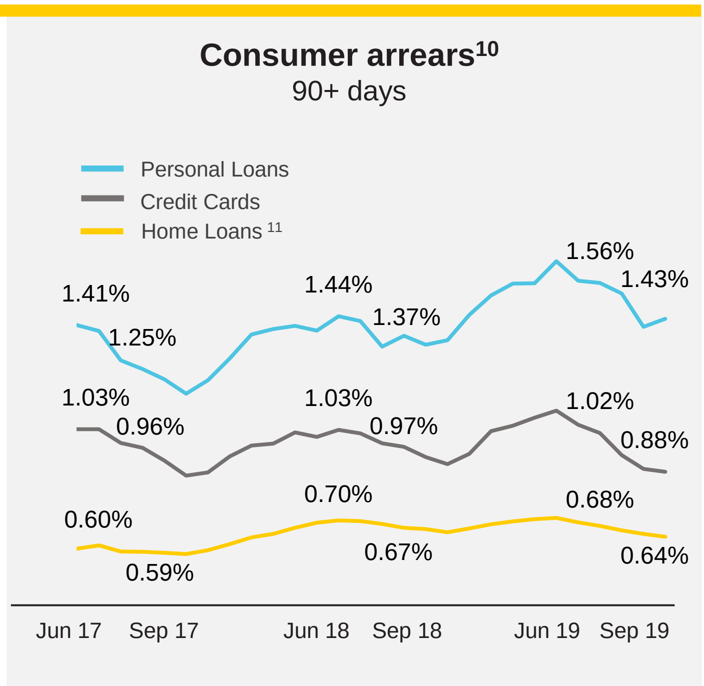
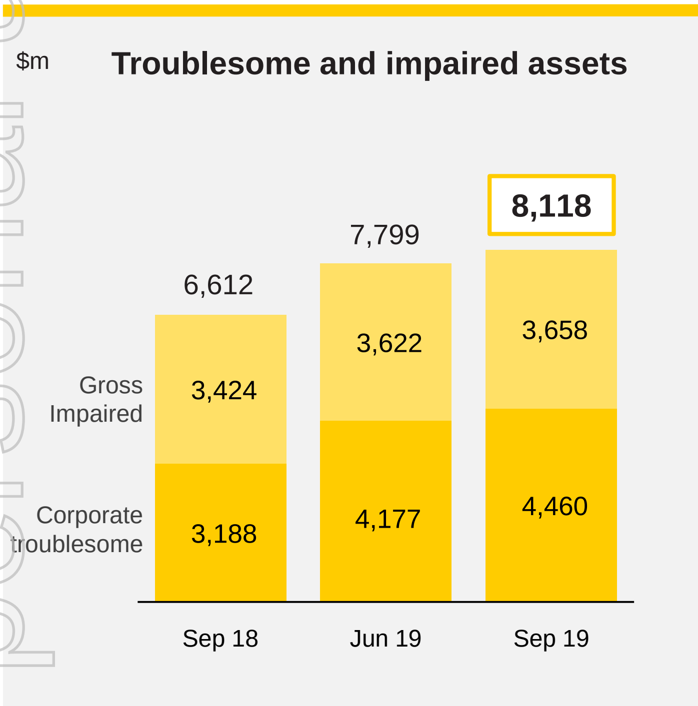
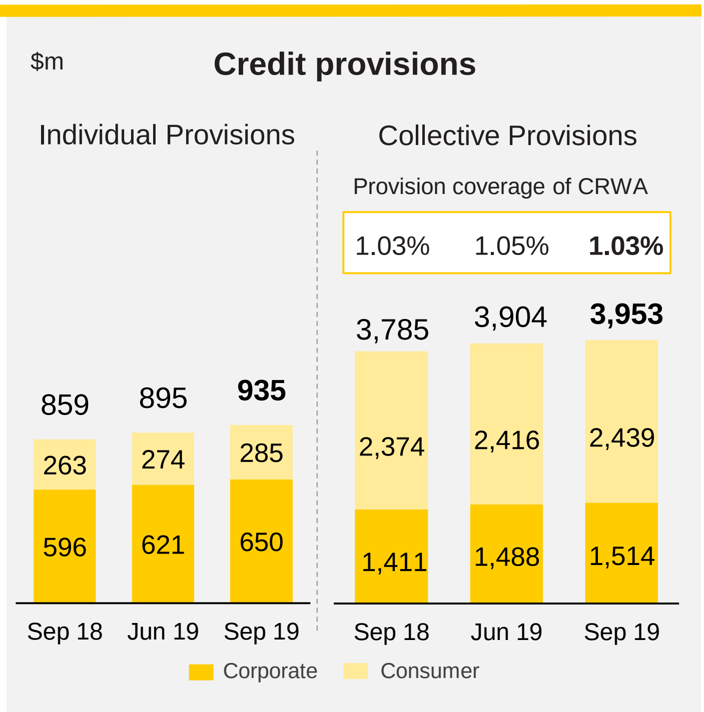
Sound credit quality









- The credit quality of the Group's lending portfolios remained sound. Loan Impairment Expense of $299m in the quarter equated to 16bpts of Gross Loans and Acceptances, unchanged on FY19.
- Consumer arrears improved in the quarter due to seasonality and the benefit of higher tax refunds. Personal Loan arrears rates remained elevated due to lower portfolio growth and continued pockets of stress in Western Sydney and Melbourne.
- Troublesome and impaired assets increased to approximately $8.1bn. Corporate Troublesome assets continued to reflect weakness in discretionary retail, construction and agriculture, as well as single name exposures.
- Prudent levels of credit provisioning were maintained, with total provisions increased by $89m to approximately $4.9bn.

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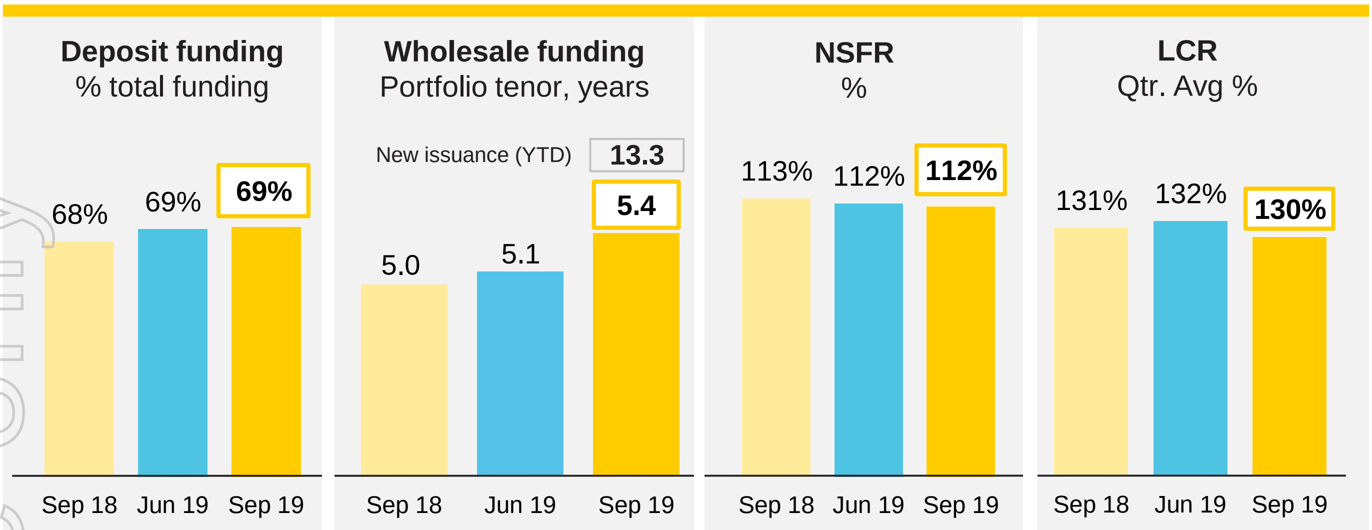
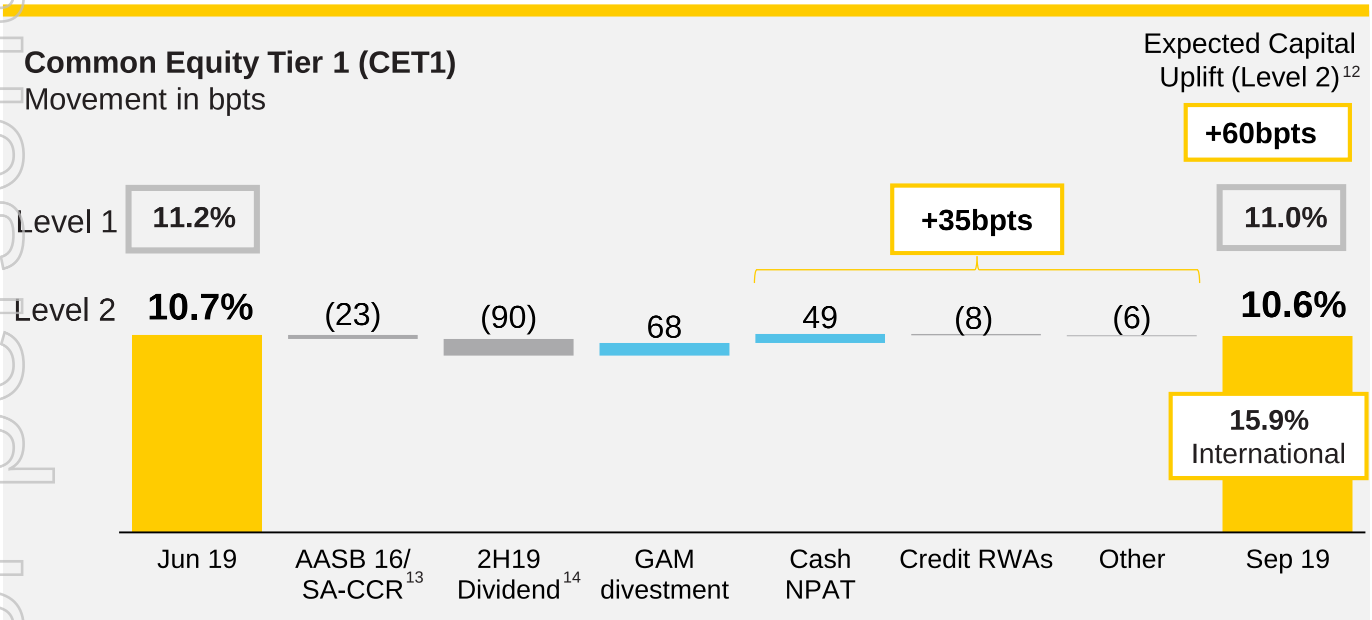
Balance sheet and capital strength



- Funding and liquidity positions remained strong, with customer deposit funding at 69% and the average tenor of the long term wholesale funding portfolio at 5.4 years. The Group issued $5.8bn of long term funding in the quarter, including two long-dated Tier 2 transactions following the release of APRA's loss-absorbing capacity proposal in July 2019, contributing to a weighted average maturity of new issuance in the quarter of 13.3 years.
- Other key metrics were maintained at strong levels over the quarter, with the Net Stable Funding Ratio (NSFR) at 112%, the Liquidity Coverage Ratio (LCR) at 130% and the Group's Leverage Ratio at 5.5% on an APRA basis (6.4% internationally comparable).



- The Common Equity Tier 1 (CET1) APRA ratio was 10.6% as at 30 September 2019. After allowing for the impact of the 2019 final dividend and one-off impacts from regulatory changes (AASB 16 Leases/SA-CCR) and the CFSGAM divestment, CET1 increased 35bpts in the quarter. This was driven by capital generated from earnings, partially offset by higher Credit Risk Weighted Assets driven by revised regulatory treatments and lending volume growth. As at 30 September 2019, the Level 1 CET1 was 11.0%, 40bpts above the Group's Level 2 CET1 Ratio.
- The Group's remaining previously announced divestments[12] are expected to collectively provide an uplift to Level 2 CET1 of approximately 60bpts. As outlined in the Group's FY19 results, a strong expected capital position creates flexibility for the Board in its consideration of capital management initiatives.

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Appendix

Key financials reconciliation

Key financials reconciliation		2H19 $m	2H19 Qtr Avg $m	Movement 1Q20 vs 2H19 Qtr Avg
Operating Income	**Reported**	***11,999***	***6,000***	**4%**
	Mortgage Broking consolidation	*(130)*	*(65)*	
	Operating Income ex. notable items	**11,869**	**5,935**	**4%**
Operating Expense	**Reported**	***5,980***	***2,990***	**(9%)**
	Mortgage Broking consolidation	*(130)*	*(65)*	
	Customer remediation (incl. Aligned Advice)	*(639)*	*(319)*	
	Risk and compliance programs	*(216)*	*(108)*	
	Operating Expenses ex. notable items	**4,995**	**2,498**	**2%**
Loan Impairment Expense (LIE)		**624**	**312**	**(4%)**
Reported Cash NPAT		**3,816**	**1,908**	**18%**
Cash NPAT ex. notable items		**4,415**	**2,207**	**5%**

Footnotes

[1] Unless otherwise stated, the financial results are presented on a 'continuing operations' basis. This excludes CommInsure Life, BoComm Life, TymeDigital SA, CFSGAM and PT Commonwealth Life (discontinued operations), consistent with the financial disclosures as at 30 Jun 2019.
[2] Rounded to the nearest $50 million.
[3] Including discontinued operations.
[4] Divestment of Colonial First State Global Asset Management (CFSGAM) to Mitsubishi UFJ Trust and Banking Corporation, completed 02 August 2019. Final sale proceeds of $4.2 billion, with a post-tax gain on sale of approximately $1.5 billion, inclusive of separation costs and subject to final tax calculations and completion adjustments.
[5] 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 3 of the Group's 30 Jun 2019 Profit Announcement.
[6] LIE calculated as a percentage of average Gross Loans and Acceptances (GLAA) annualised. Expressed in basis points (bpts).
[7] Capital generation excluding payment of the 2019 final dividend and one-off impacts of the CFSGAM divestment and previously announced regulatory changes (SA-CCR/AASB 16 leases).
[8] Home lending and Household deposits as reported under APRA Monthly ADI Statistics. Business lending is limited to Business and Private Banking and excludes Bankwest and Institutional Banking and Markets.
[9] FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year.
[10] Consumer arrears includes retail portfolios of Retail Banking Services, Business & Private Banking and New Zealand.
[11] Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.
[12] Expected CET1 uplifts from previously announced divestments: BoCommLife, CommInsure Life and PTCL. Completion of divestments subject to regulatory approvals.
[13] APS 180 Standardised Approach to measuring counterparty credit risk (SA-CCR): impact on implementation revised from -7bpts to -12bpts following model refinement and consultation with APRA.
[14] 2019 final dividend: included the on-market purchase of shares in respect of the Dividend Reinvestment Plan.

Disclaimer

The material in this announcement is general background information about the Group and its activities current as at the date of the announcement, 12 November 2019. 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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