

CommBank PERLS XII Capital Notes

Investor Presentation
9 October 2019



Investments in CommBank PERLS XII Capital Notes are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA. They are not deposit liabilities or protected accounts of CBA under the Banking Act 1959 (Cth).

Disclaimer

This presentation has been prepared by the Commonwealth Bank of Australia ("CBA") in relation to the offer of CommBank PERLS XII Capital Notes ("PERLS XII") (the "Offer"). The Offer will be made in or accompanied by a copy of the Prospectus ("Prospectus"). CBA intends to lodge a replacement Prospectus which will include the margin determined after the Bookbuild to be held on or about 16 October 2019.

The information provided in this presentation is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). Investors should carefully read and consider the Prospectus in full and seek advice from your financial or other professional adviser before deciding to invest in the Offer. Any decision by a person to apply for the PERLS XII should be made on the basis of information contained in the Prospectus and an independent assessment as to whether to invest, and not in reliance on any information contained in this presentation. Anyone wishing to acquire PERLS XII will need to complete the Application Form in or accompanying the Prospectus during the Offer period. To obtain a Prospectus, interested investors should contact their broker or call the PERLS XII Information Line on 1800 992 547 (Monday to Friday 8.00am – 7.30pm, Sydney time) or visit www.commsec.com.au.

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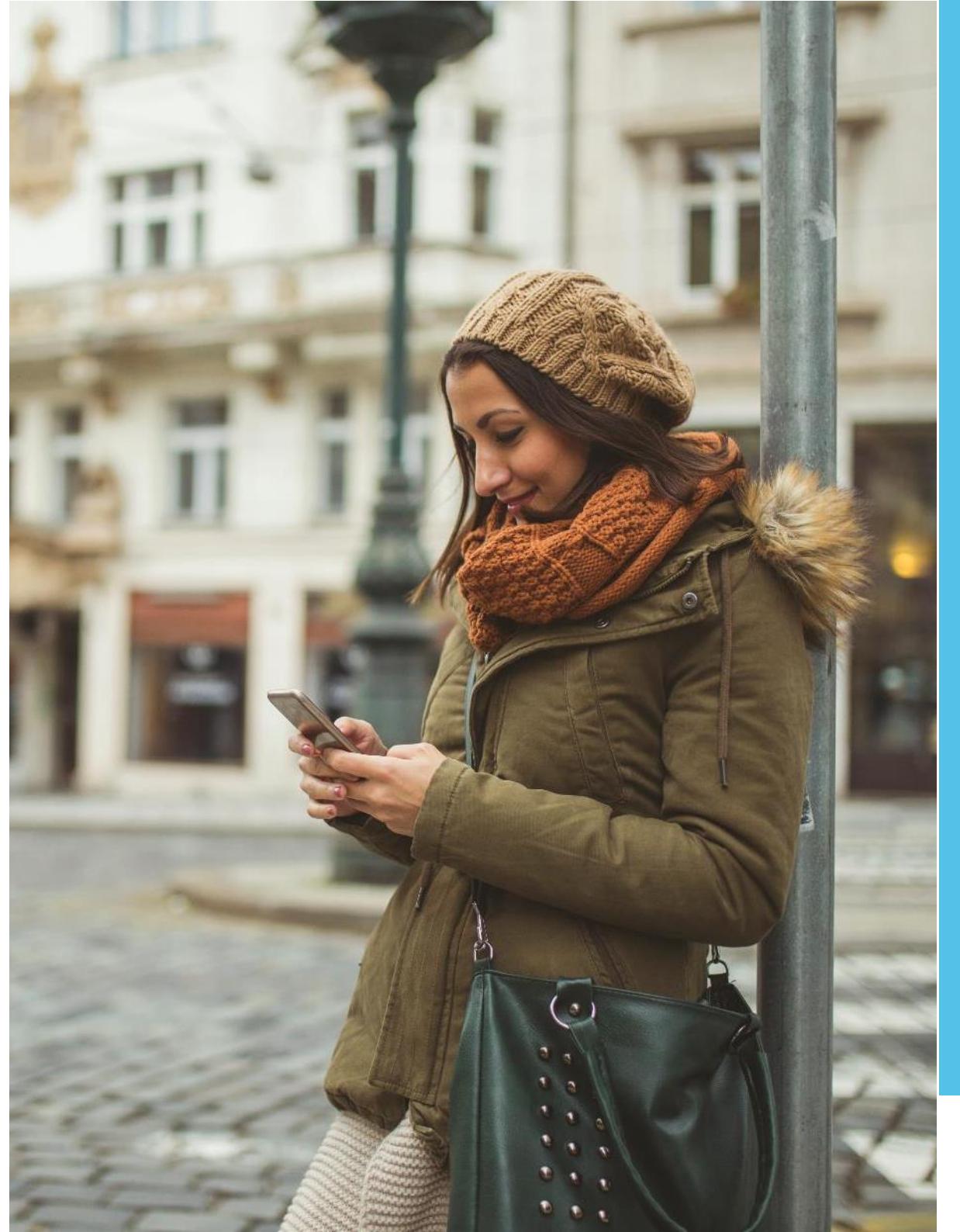
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In this presentation, words which are capitalised have the meanings given to them in the Prospectus.





Overview



Overview

CommBank PERLS XII Capital Notes (“PERLS XII”)	<ul style="list-style-type: none"> ■ PERLS XII are subordinated, unsecured notes issued by CBA
Offer size	<ul style="list-style-type: none"> ■ A\$750 million, with the ability to raise more or less
Use of proceeds	<ul style="list-style-type: none"> ■ The Offer raises Tier 1 Capital to satisfy CBA’s regulatory capital requirements and maintain the diversity of CBA’s sources and types of funding ■ The net proceeds of the Offer will be used to fund CBA’s business
Face Value	<ul style="list-style-type: none"> ■ Initial Face Value is A\$100 per PERLS XII but may be reduced following a Capital Trigger Event or Non-Viability Trigger Event
Term	<ul style="list-style-type: none"> ■ PERLS XII are perpetual, meaning they have no fixed maturity date and if not Exchanged or Redeemed could remain on issue indefinitely (in which case you would not receive your investment back) ■ However, on the Mandatory Exchange Date (20 April 2029), CBA must Exchange all PERLS XII into Ordinary Shares (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) ■ CBA may Exchange or Redeem PERLS XII earlier on the occurrence of certain events (subject to APRA approval)
Automatic early Exchange	<ul style="list-style-type: none"> ■ CBA must Exchange all or a percentage of the Face Value of each PERLS XII, if a Capital Trigger Event or a Non-Viability Trigger Event occurs. The value of Ordinary Shares the Holder receives could be less than the Face Value
Call Date	<ul style="list-style-type: none"> ■ CBA may in its absolute discretion Redeem or Resell all or some PERLS XII on 20 April 2027, subject to APRA approval
Distributions	<ul style="list-style-type: none"> ■ PERLS XII are scheduled to pay floating rate Distributions quarterly, which are expected to be fully franked (subject to Distribution payment conditions) ■ Margin to be determined through the Bookbuild and is expected to be between 3.00% and 3.20% per annum
Offer Structure	<ul style="list-style-type: none"> ■ The Offer comprises: <ul style="list-style-type: none"> – a Broker Firm Offer – offer to retail investors who are clients of a Syndicate Broker; and – a Securityholder Offer – offer to eligible holders of Ordinary Shares, PERLS VII, PERLS VIII, PERLS IX, PERLS X and PERLS XI who have a registered address in Australia ■ The Securityholder Offer Record Date is 2 October 2019
Minimum Application	<ul style="list-style-type: none"> ■ Minimum Application of 50 PERLS XII (A\$5,000) and thereafter in multiples of 10 PERLS XII (A\$1,000)
ASX quotation	<ul style="list-style-type: none"> ■ It is expected that PERLS XII will be quoted under code “CBAPI” on ASX

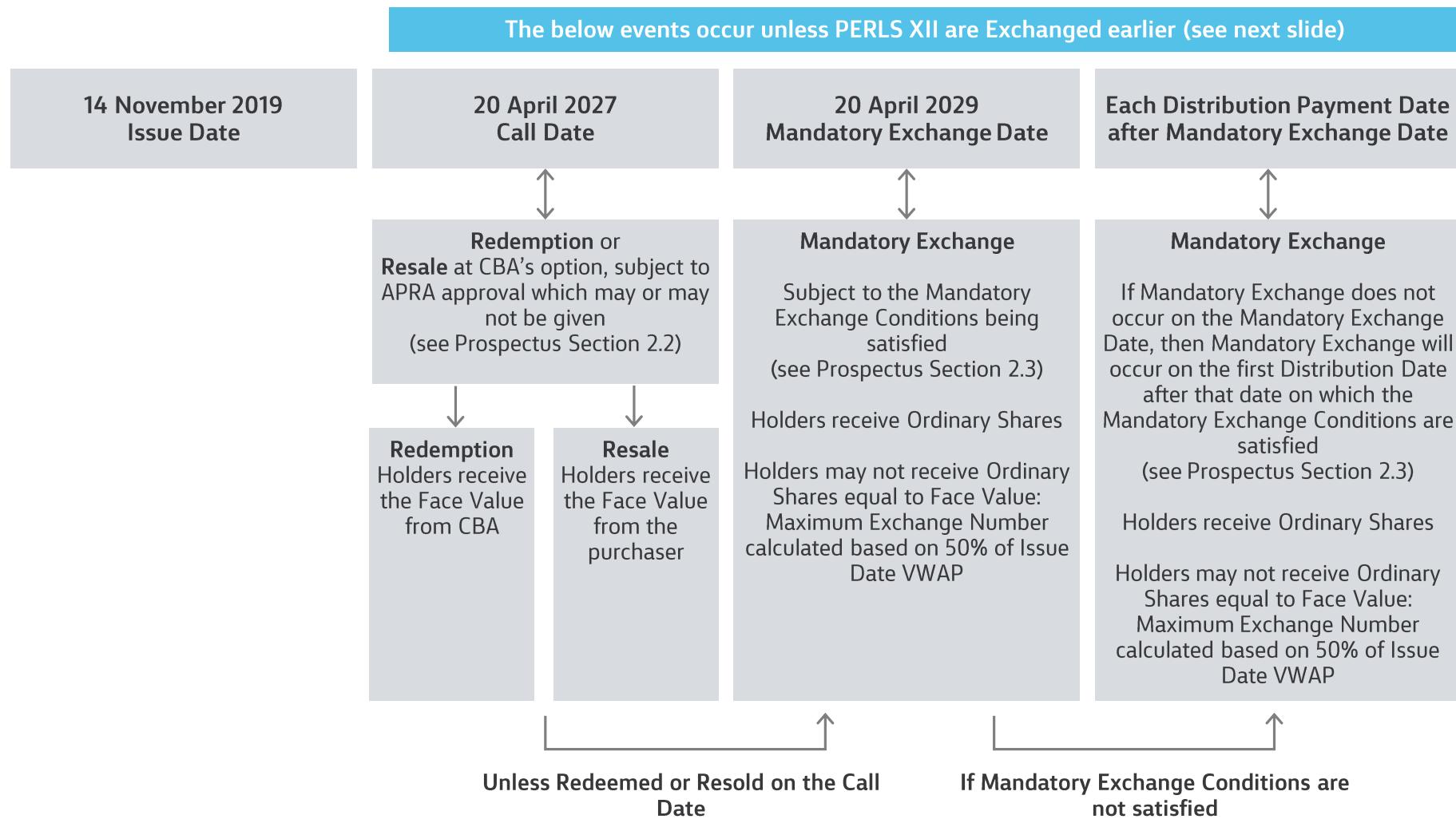


Summary of Call and Exchange Dates

PERLS XII do not have a fixed maturity date but may be Exchanged into Ordinary Shares, Redeemed or Resold. The diagram below summarises when these events could occur.

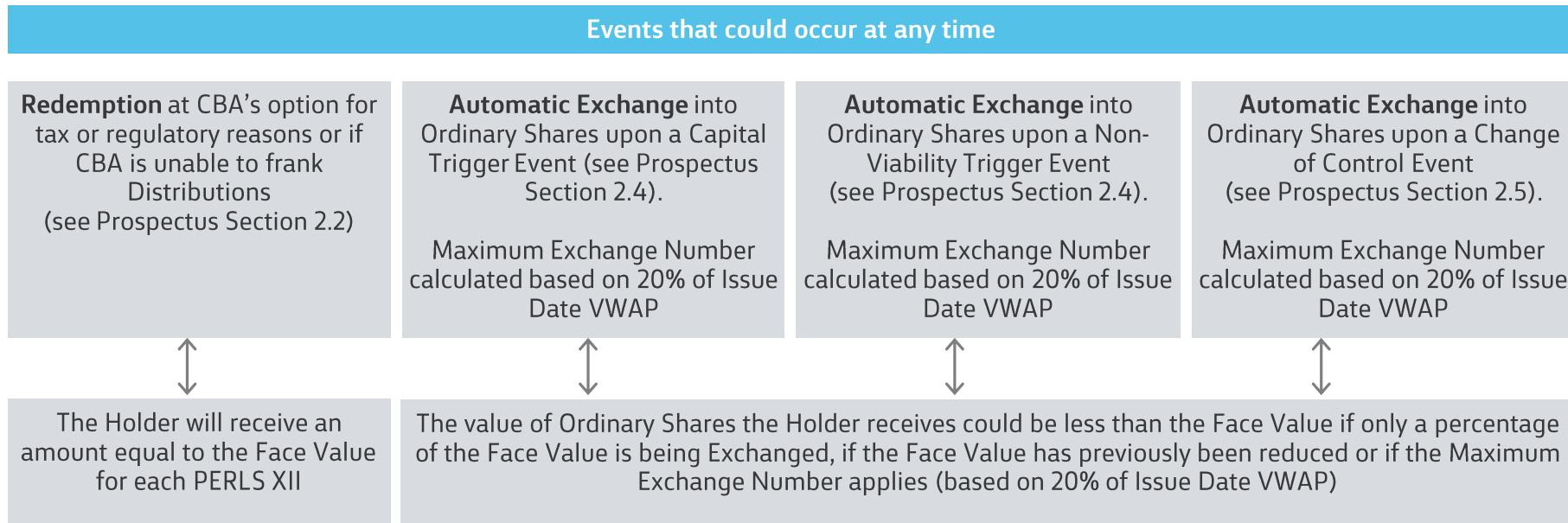
If none of these events occur, PERLS XII could remain on issue indefinitely and the Face Value will not be repaid.

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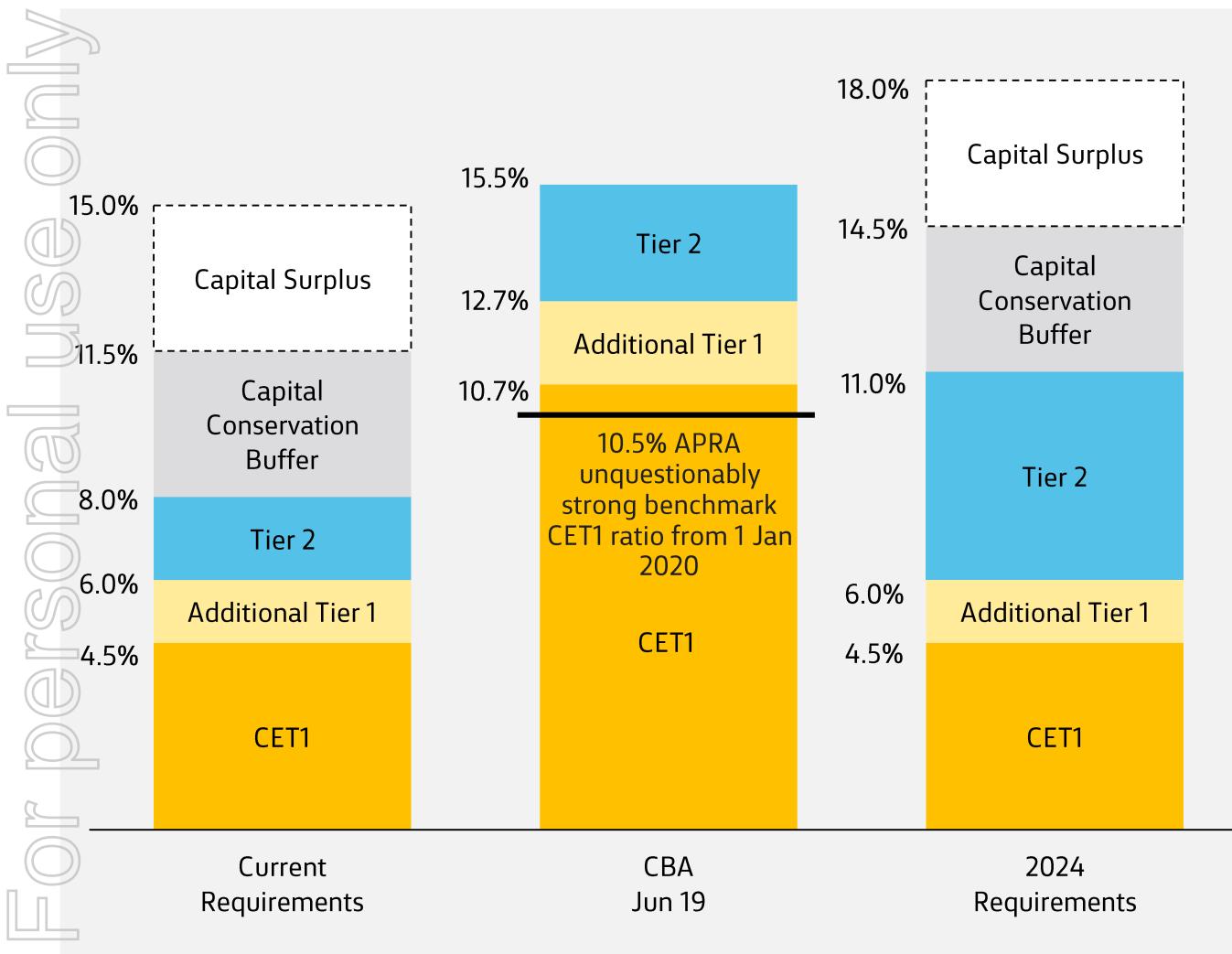
Summary of events that may occur at any time

The diagram below summarises events that could happen at any time.



CBA's unquestionably strong capital position

CBA is well placed to meet APRA's unquestionably strong capital target

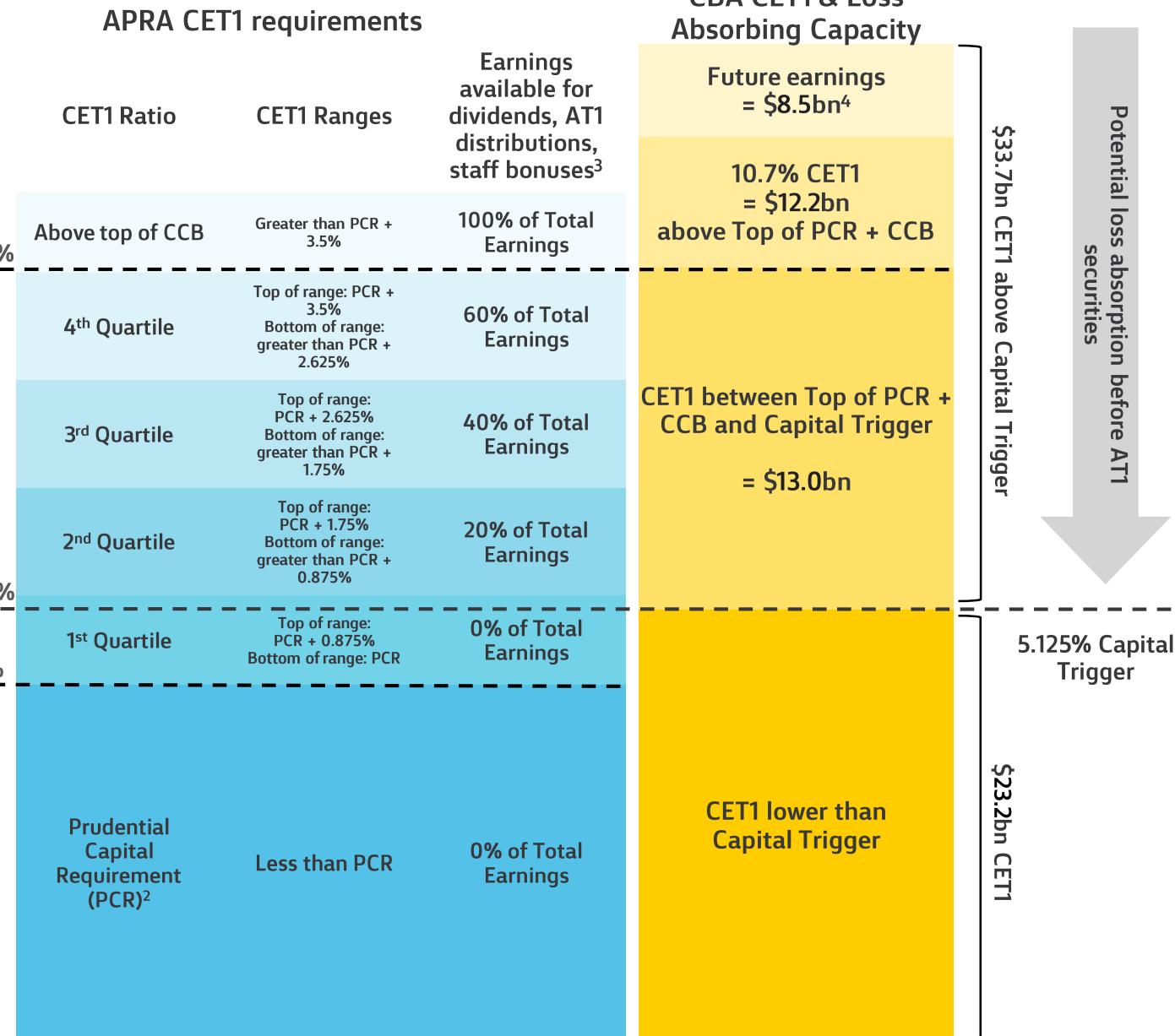


- As at 30 Jun 2019, CBA's Level 2 CET1 ratio was 10.7%, well above APRA's 'unquestionably strong' benchmark CET1 ratio of 10.5% or more by 1 Jan 2020.
- Previously announced divestments (which remain subject to various conditions and regulatory approvals), net of regulatory changes, are expected to increase CBA's Level 2 CET1 ratio to 11.8% on a pro-forma basis.
- APRA's Loss Absorbing Capacity (LAC) requirement for an additional 3% in Total Capital by 1 January 2024 – expected to be largely satisfied by Tier 2 issuance.
- RBNZ capital proposal is subject to finalisation – not expected to change Level 2 CET1, manageable at Level 1 CET1, and within new APS222 capacity limits.



Loss absorbing capacity and AT1 distribution protection

Federally
regulated
bank
capital
buffer
CCyB



1. Assumes that the total CCB (including the D-SIB buffer of 1% and CCyB of 0%) is 3.5%. The CCB is subject to APRA's determination and is not specific to CBA. APRA has set the countercyclical capital buffer (CCyB) applicable to Australian exposures at 0%. The Group has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed. 2. 4.5% minimum plus any additional amount required by APRA. 3. APRA has provided guidance to the industry (30 August 2016) that an ADI can apply to APRA to make discretionary payments in excess of the constraints imposed by the CCB regime. 4. Note that "Future earnings" is not a forecast. It is based on the FY19 Cash NPAT for continuing operations (i.e. \$8.492bn).



Key Dates

Key dates for the Offer	
Securityholder Offer Record Date	2 October 2019
Lodgement of Prospectus with ASIC	9 October 2019
Bookbuild	16 October 2019
Announcement of Margin	17 October 2019
Opening Date for the Offer and lodgement of the replacement prospectus with ASIC	17 October 2019
Closing Date for the Offer	5.00pm (Sydney time) 8 November 2019
Issue Date	14 November 2019
Commencement of deferred settlement trading	15 November 2019
Despatch of Holding Statements	18 November 2019
Commencement of trading on normal settlement basis	19 November 2019

Key dates for CommBank PERLS XII Capital Notes	
First Distribution Payment Date ¹	15 March 2020
Call Date	20 April 2027
Mandatory Exchange Date ²	20 April 2029

Dates may change

The key dates for the Offer are indicative only and subject to change without notice. CBA may, in consultation with the Joint Lead Managers, vary the timetable, including to close the Offer early; close the Broker Firm Offer or Securityholder Offer early; extend the Closing Date; accept late Applications, either generally or in specific cases; or withdraw or vary the terms of the Offer at any time prior to Issue. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application as soon as possible after the Opening Date.

1. Distributions are scheduled to be paid quarterly in arrears on the Distribution Payment Dates (15 March, 15 June, 15 September and 15 December each year). Distributions are discretionary and subject to the Distribution payment conditions being satisfied
2. If the Mandatory Exchange Conditions are not satisfied on that date, then the Mandatory Exchange Date will be the first Distribution Payment Date after that date on which the Mandatory Exchange Conditions are satisfied



Key Features of CommBank PERLS XII Capital Notes



Distributions

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Distributions	<ul style="list-style-type: none">■ PERLS XII are scheduled to pay floating rate Distributions quarterly until that PERLS XII is Exchanged or Redeemed■ The first Distribution is scheduled to be paid on 15 March 2020■ Distributions are expected to be fully franked, but will be grossed up to compensate Holders to the extent that a Distribution is not fully franked■ Distributions are discretionary and subject to the Distribution payment conditions being satisfied■ No Distribution will be paid on Exchange where Exchange occurs due to a Capital Trigger Event or a Non-Viability Trigger Event
Distribution Rate	<ul style="list-style-type: none">■ Distribution Rate = (Market Rate + Margin) x (1 – Tax Rate)■ Market Rate is the Bank Bill Swap Reference Rate (BBSW) expressed as a percentage per annum for a term of 3 months or if CBA determines that BBSW has been affected by a Market Rate Disruption Event, CBA may select an Alternative Market Rate that it considers appropriate and make other related changes to the Terms (subject to APRA's prior written approval in certain circumstances) in accordance with Clause 2.2 of the Terms■ Margin to be determined through the Bookbuild and is expected to be between 3.00% and 3.20% per annum■ It is possible for the Market Rate to become negative. Should this occur, the negative amount will be taken into account in calculating the Distribution Rate
Franking credits	<ul style="list-style-type: none">■ Distributions are expected to be fully franked■ The ability for Holders to use franking credits, either as an offset to a tax liability or by claiming a refund, will depend on that Holder's particular tax circumstance
Dividend and capital restrictions	<ul style="list-style-type: none">■ Distributions may not be paid in certain circumstances■ Distributions that are not paid do not accrue and will not be subsequently paid■ If a Distribution is not paid, from that Distribution Payment Date and until a Distribution is paid in full on a subsequent Distribution Payment Date (or all PERLS XII are Exchanged, Redeemed or otherwise terminated), CBA cannot (subject to certain exceptions):<ul style="list-style-type: none">— declare or determine a dividend on Ordinary Shares; or— return any capital or undertake any buy-backs or repurchases in relation to Ordinary Shares■ Non-payment of a Distribution will not be an event of default and CBA will have no liability to Holders in respect of the unpaid Distribution



Early Redemption & Resale

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Early Redemption Rights for CBA

- CBA may Redeem PERLS XII in the following circumstances (subject to certain conditions including prior written approval by APRA):
 - on the Call Date (20 April 2027) – all or some PERLS XII; or
 - at any time – all of PERLS XII for tax or regulatory reasons
- Approval to Redeem is at the discretion of APRA and may or may not be given

Resale on the Call Date

- On the Call Date (20 April 2027), CBA may elect that Resale occur in relation to all or some PERLS XII
- If Resale occurs, your PERLS XII will be purchased by a third party for a cash amount equal to the Face Value

No early Exchange or Redemption rights for Holders

- You do not have a right to request that your PERLS XII be Exchanged or Redeemed early for any reason
- To realise your investment, you can sell your PERLS XII on ASX at the prevailing market price



Mandatory Exchange

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Mandatory Exchange	<ul style="list-style-type: none">On the Mandatory Exchange Date (20 April 2029), CBA must Exchange all PERLS XII (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) for a variable number of Ordinary Shares with the benefit of a 1% discount¹If all of the Mandatory Exchange Conditions are not satisfied on that date, the Mandatory Exchange Date will be the first Distribution Payment Date after that date on which all the Mandatory Exchange Conditions are satisfied
Maximum Exchange Number	<ul style="list-style-type: none">Calculated according to the formula: (Face Value) / (Relevant Percentage x Issue Date VWAP)The Relevant Percentage is 50% if Exchange is occurring on a Mandatory Exchange Date
Mandatory Exchange Conditions	<ul style="list-style-type: none">There are three Mandatory Exchange Conditions:<ul style="list-style-type: none">First Mandatory Exchange Condition: the VWAP of Ordinary Shares on the 25th Business Day before (but not including) a possible Mandatory Exchange Date is greater than 56% of the Issue Date VWAP;Second Mandatory Exchange Condition: the VWAP of Ordinary Shares during the period of 20 Business Days before (but not including) a possible Mandatory Exchange Date is greater than 50.51% of the Issue Date VWAP; andThird Mandatory Exchange Condition: Ordinary Shares are listed or admitted to trading on the ASX as at the Mandatory Exchange DateThe First and Second Mandatory Exchange Conditions are intended to provide some protection for Holders against Exchange occurring when the price of Ordinary Shares has fallen to such a level that you would only receive the Maximum Exchange NumberThe Third Mandatory Exchange Condition is intended to provide protection to Holders to enable them to sell the Ordinary Shares they receive on the ASX if they wish to do so

1. The number of Ordinary Shares received for each PERLS XII will have a value equal to A\$101.01 (based on the Face Value (initially A\$100) and the VWAP of Ordinary Shares during the 20 Business Days before the Mandatory Exchange Date with the benefit of a 1% discount)



Automatic Early Exchange – Non-Viability Trigger Event

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Non-Viability Trigger Event	<ul style="list-style-type: none">■ A Non-Viability Trigger Event occurs when APRA notifies CBA in writing that it believes:<ul style="list-style-type: none">— Exchange of all or some PERLS XII (or the taking of an action in relation to other capital instruments of the CBA Group), is necessary because, without it, CBA would become non-viable; or— a public sector injection of capital, or equivalent support, is necessary because, without it, CBA would become non-viable
Examples of situations in which a Non-Viability Trigger Event may occur	<ul style="list-style-type: none">■ Whether a Non-Viability Trigger Event will occur is at the discretion of APRA – there are currently no precedents■ The circumstances in which APRA may exercise its discretion are not limited to when APRA may have a concern about a bank's capital levels but may also include when APRA has a concern about a bank's funding and liquidity levels
Exchange following a Non-Viability Trigger Event	<ul style="list-style-type: none">■ If a Non-Viability Trigger Event occurs, CBA must immediately Exchange such number of PERLS XII (or a percentage of the Face Value of each PERLS XII) as specified by APRA or necessary to satisfy APRA that CBA will no longer be non-viable■ On Exchange, Holders receive a variable number of Ordinary Shares (subject to the Maximum Exchange Number) with the benefit of a 1% discount■ The Mandatory Exchange Conditions do not apply and the Terms provide that Exchange occurs automatically without the need for any further act or step by CBA and that CBA will recognise Holders as having been issued Ordinary Shares
Maximum Exchange Number	<ul style="list-style-type: none">■ Calculated according to the formula: (Face Value) / (Relevant Percentage x Issue Date VWAP)■ The Relevant Percentage is 20% if Exchange is occurring as a result of a Non-Viability Trigger Event



Automatic Early Exchange – Capital Trigger Event

Capital Trigger Event	<ul style="list-style-type: none"> A Capital Trigger Event occurs when: <ul style="list-style-type: none"> CBA determines; or APRA notifies CBA in writing that it believes that either or both of the CBA Level 1 Common Equity Tier 1 Capital Ratio or CBA Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%
Exchange following a Capital Trigger Event	<ul style="list-style-type: none"> If a Capital Trigger Event occurs, CBA must immediately Exchange such number of PERLS XII (or a percentage of the Face Value of each PERLS XII) as is sufficient to return the relevant Common Equity Tier 1 Capital Ratio to above 5.125% The Mandatory Exchange Conditions do not apply and the Terms provide that Exchange occurs automatically without the need for any further act or step by CBA and that CBA will recognise Holders as having been issued Ordinary Shares
Maximum Exchange Number	<ul style="list-style-type: none"> Calculated according to the formula: (Face Value) / (Relevant Percentage x Issue Date VWAP) The Relevant Percentage is 20% if Exchange is occurring as a result of a Capital Trigger Event
Common Equity Tier 1 Capital Ratio	<ul style="list-style-type: none"> The Common Equity Tier 1 Capital Ratio is the ratio of CBA's Common Equity Tier 1 Capital to its risk-weighted assets, where Common Equity Tier 1 Capital is the strongest form of capital held by CBA As at 30 June 2019, CBA's Level 2 Common Equity Tier 1 Capital Ratio was 10.7%. This equates to a surplus of approximately A\$25.2bn above the Capital Trigger Event level of 5.125%

CBA Level 2 Common Equity Tier 1 Capital levels (under APRA's approach)

	Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital (A\$bn)	Capital Trigger Event	Capital Trigger Event (A\$bn)	Surplus above Capital Trigger Event	Surplus Common Equity Tier 1 Capital (A\$bn)
30 Jun 2019	10.7%	48.4	5.125%	23.2	5.6%	25.2
31 Dec 2018	10.8%	48.0	5.125%	22.8	5.7%	25.2
30 Jun 2018	10.1%	46.5	5.125%	23.5	5.0%	23.0
31 Dec 2017	10.4%	45.9	5.125%	22.6	5.3%	23.3



Comparison between PERLS XII and other types of investments in CBA

There are differences between savings accounts, term deposits, PERLS XI, PERLS XII and Ordinary Shares. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation considerations) before deciding to invest in PERLS XII. If you have any questions about the differences, you should seek advice from your financial or other professional adviser before deciding to invest in PERLS XII.

	Savings account	Term deposit	PERLS XI	PERLS XII	Ordinary Shares
ASX code	Not quoted on ASX	Not quoted on ASX	CBAPH	CBAP1 ¹	CBA
Legal Form	Deposit	Deposit	Unsecured subordinated debt obligations	Unsecured subordinated debt obligations	Ordinary share
Guarantee under the Australian government Financial Claims Scheme ²	Yes	Yes	No	No	No
Term	At call (usually)	One month to five years (usually)	Perpetual, CBA must exchange for Ordinary Shares on 26 April 2026 if the mandatory exchange conditions are satisfied	Perpetual, CBA must exchange for Ordinary Shares on 20 April 2029 if the Mandatory Exchange Conditions are satisfied	Perpetual (no maturity date)
Margin	N/A	N/A	3.70% per annum	Expected to be between 3.00% and 3.20% per annum and will be determined through the Bookbuild	N/A
Interest/distribution/dividend rate	Variable (Usually)	Fixed (usually)	Floating	Floating	Variable dividends are payable
Interest/distribution/dividend payment dates	Monthly (usually)	End of term or per annum (usually)	Quarterly	Quarterly	Semi-annually
Franking of interest/distribution/dividend	N/A	N/A	Yes	Yes	Yes
Interest/distribution/dividends at issuer's discretion	No	No	Yes	Yes	Yes
Impact on interest/distribution/dividend if interest/distribution/dividend not paid	No	N/A	Yes, applies to Ordinary Shares until next distribution payment date	Yes, applies to Ordinary Shares until next Distribution Payment Date	No
Transferable	N/A	No ³	Yes - quoted on ASX	Yes - quoted on ASX ¹	Yes - quoted on ASX
Investor's ability to withdraw or redeem	Yes	Yes ³	No	No	No
Redemption at CBA's option (Subject to APRA approval and certain other conditions)	No	No	Yes, on 26 April 2024 and in certain specified conditions	Yes, on 20 April 2027 and in certain specified conditions (see Section 2.2)	No
Conversion to Ordinary Shares on a Capital Trigger Event or Non-Viability Trigger Event	No	No	Yes, following a Capital Trigger Event (CET1 ratio equal to or less than 5.125%) or Non-Viability Trigger Event ⁴		N/A
Ranking	See Section 1.1.2 "Ranking of PERLS XII in a winding up of CBA" and Section 2.6 "How will CommBank PERLS XII Capital Notes rank in a winding up?"				

1. CBA will apply for PERLS XII to be quoted by ASX and they are expected to trade under code "CBAP1"

2. The guarantee is provided for up to A\$250,000 deposited per person with each Australian authorised deposit-taking institution

3. Can be withdrawn subject to certain conditions

4. In relation to PERLS XII, see Section 2.4 "Automatic Exchange on a Capital Trigger Event or Non-Viability Trigger Event"



Information about CBA



FY19 Financial Results – Overview

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Financial

	FY19	vs. FY18
Cash NPAT ¹ (\$m)	8,492	(4.7%)
ROE (Cash) ¹ (%)	12.5%	(110)bpts
Cash EPS ¹ (cents)	481	(29c)
DPS ² (\$)	4.31	Flat
Cost-to-Income ^{1,3} (%)	46.2%	210bpts
NIM ¹ (%)	2.10	(5)bpts
Op income ¹ (\$m)	24,407	(2.0%)
Op expenses ¹ (\$m)	11,269	+2.5%
LIE to GLAA (bpts)	16	+1bpt

Balance Sheet, Capital & Funding

	FY19	vs. FY18
Total assets (\$bn)	977	+0.1%
Total liabilities (\$bn)	907	Flat
RWA (\$bn)	453	(1.3%)
Group Deposits (\$bn)	635	+2.0%
Deposit Funding (%)	69%	+1.0%
LT Wholesale Funding WAM (yrs)	5.1	Flat
Capital – CET1 ² (APRA)(%)	10.7%	+60bpts
Capital – CET1 ^{2,4} (Int'l)(%)	16.2%	+70bpts
Liquidity Coverage Ratio ^{2,5} (%)	132%	(1.0%)
Net stable funding ratio (%)	112%	Flat
Leverage Ratio (APRA) (%)	5.6%	+10bpts

1. Presented on a continuing operations basis. 2. Includes discontinued operations. 3. Operating expenses to total operating income. 4. Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' (13 July 2015). 5. Quarter average.

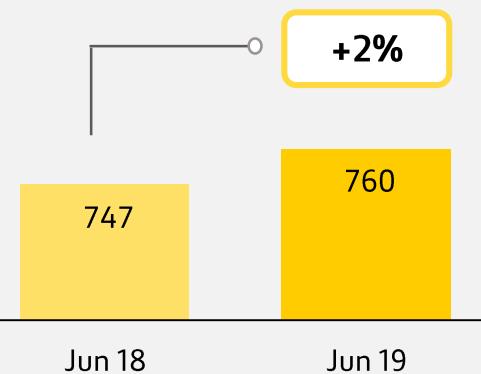


FY19 Financial Results – Overview

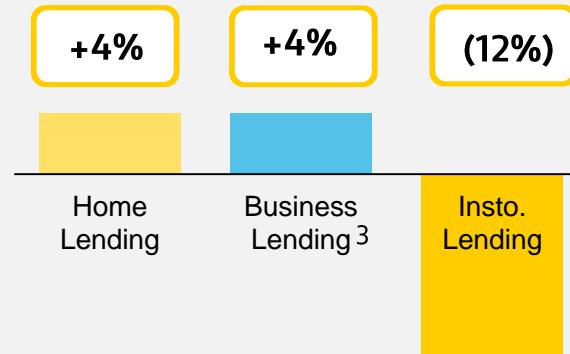
Volume¹ – resilient core business growth

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Group Lending

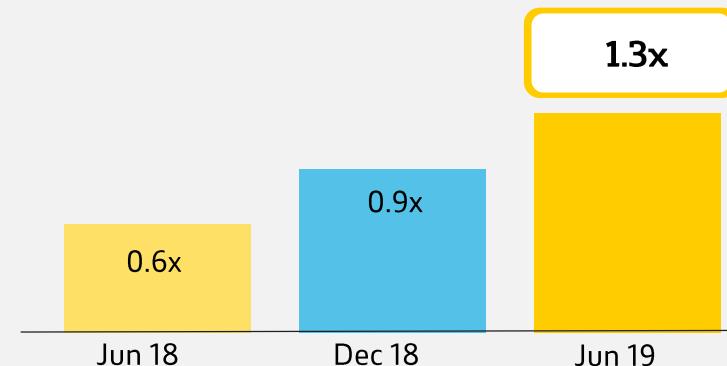


Lending Growth²

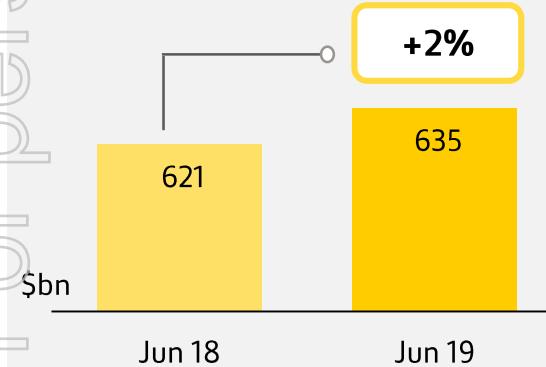


Home Lending Growth

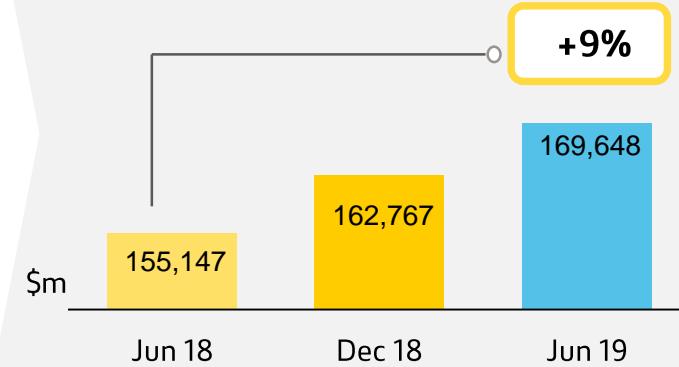
CBA growth as a multiple of system growth⁴



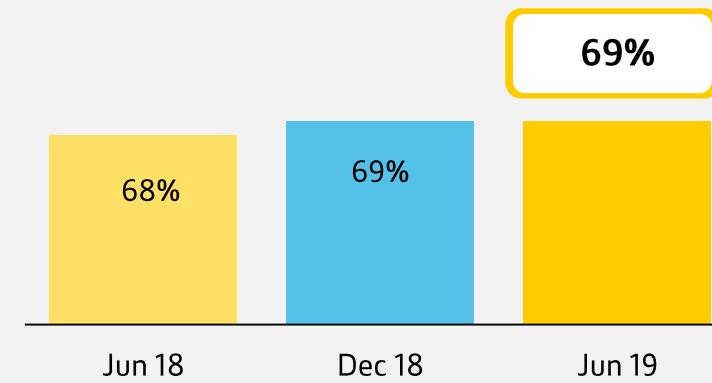
Group Deposits⁵



Transaction Balances⁵



Deposit Funding



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



Balance sheet resilience

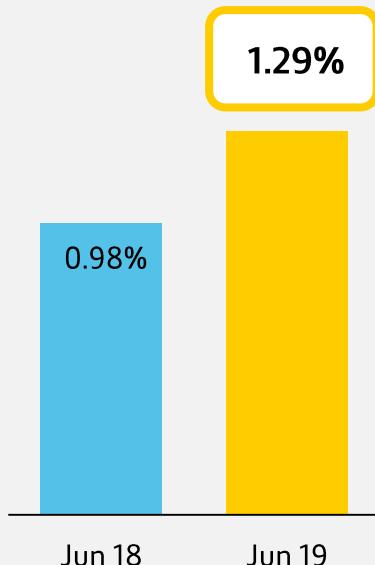
Conservative settings – prepared for a range of possible macro-economic outcomes

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Credit Risk

- Disciplined approach
- Higher AASB 9 provisioning

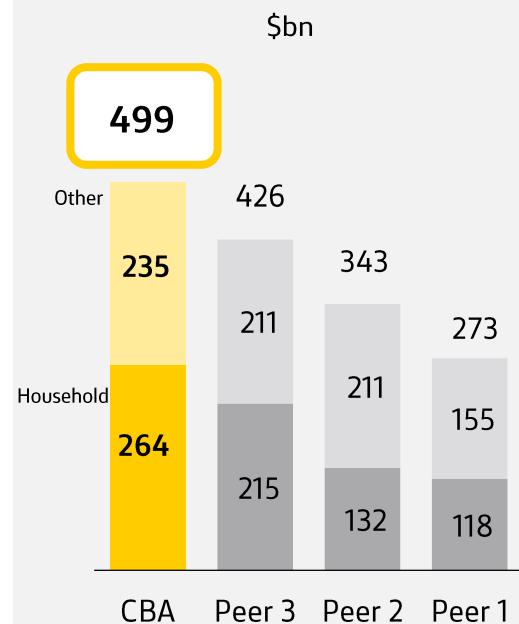
Total Provision Coverage¹



Funding

- Peer leading deposits
- Stable NSFR 112%

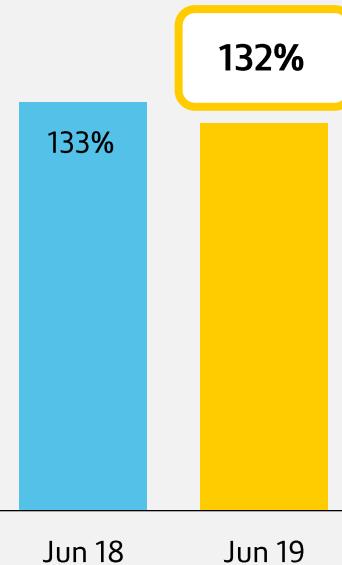
Deposit Balances²



Liquidity

- Sound liquidity position
- LCR well above minimum

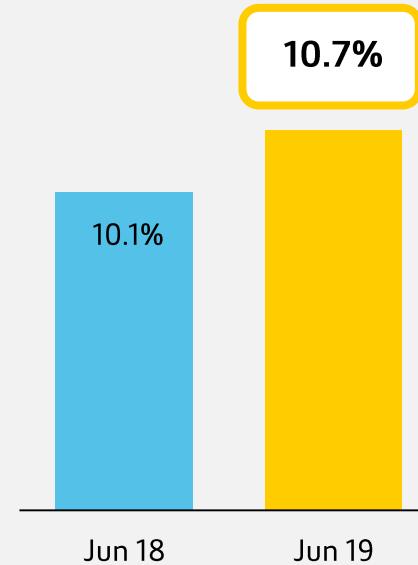
LCR³



Capital

- Unquestionably strong
- Neutralisation of DRP

CET1



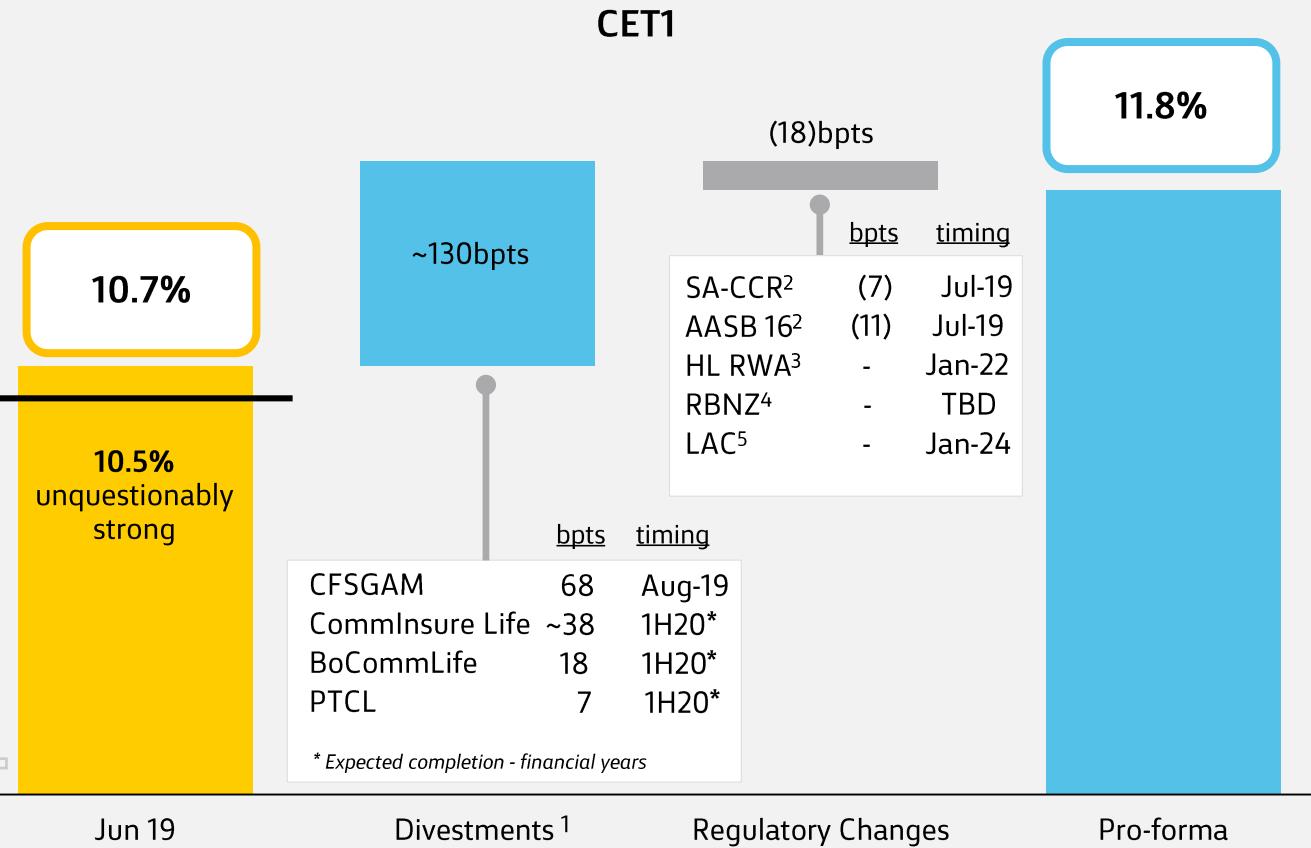
1. Total provisions divided by credit risk weighted assets. 2. Source: APRA Monthly Banking Statistics. Total deposits (excluding CDs). CBA includes Bankwest. 3. Quarter average.



Capital

Expect a significant capital surplus

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Capital Management

- Strong capital position due to divestments
- FY19 dividend maintained and DRP neutralised
- Creates flexibility for the Board in its consideration of capital management initiatives

1. Estimated CET1 increases from previously announced divestments. Divestments not yet completed are subject to regulatory approvals. The sale of BoCommLife is a condition precedent for the sale of Commlnsure Life. 2. APS 180: Standardised approach for measuring counterparty credit risk exposures (SA-CCR) and AASB 16: Leasing. 3. APRA proposal for a simpler method for calculating capital requirements for residential mortgages. Whilst proposed changes are expected to have a minimal impact on CET1, this remains subject to consultation and calibration. 4. RBNZ capital proposals subject to finalisation – not expected to change reported Level 2 CET1 and manageable at Level 1 CET1 (within APS22 capacity limits). 5. APRA requirement for an additional 3% in Total Capital by 1 January 2024 – expected to be largely satisfied by Tier 2 issuance.





Bank Hybrid Securities Basics

Bank hybrid securities basics

ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of CommBank PERLS XII Capital Notes. You can find this guidance by searching “hybrid securities” at www.moneysmart.gov.au.

CBA has developed an interactive module on bank hybrid securities basics and is available to potential investors to help them understand bank hybrid securities, their features and risks. It is available from www.commbank.com.au/about-us/shareholders/securities/bank-hybrid-securities-basics.html, and can be found by searching hybrid securities basics on www.commbank.com.au.

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Menu **Bank hybrid securities and you** How to use

WELCOME TO BANK HYBRID SECURITIES BASICS

Welcome to this module on basic things we think you should know about investing in bank hybrid securities. This is an interactive module and you will have an opportunity to answer questions to test your understanding.

Start Learning >

What will you learn? **How you invest in a bank** **Comparison of investments in a bank** **Risks of bank hybrid securities** **Benefits of bank hybrid securities** **How to monitor a bank's financial position**

Borrowing to invest

- Complex investments
- Capital guaranteed & capital protected
- Exchange traded products (ETPs)
- Foreign exchange trading
- Hedge funds
- **Hybrid securities and notes**
 - Hybrid securities quiz
- Investment and insurance bonds
- Stapled securities

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Managing your money Borrowing & credit Insurance Superannuation & retirement Investing Scams Teaching Calculators & resources

Home > Investing > Complex investments > Hybrid securities and notes

Hybrid securities and notes

Debt and equity

Hybrid securities may be issued by well-known companies, banks and insurers, but they are very different from other fixed interest investments.

Hybrid securities can expose you to ‘equity-like’ risks but only give you ‘bond-like’ returns. Some allow the issuer to exit the deal or suspend interest payments when they choose. Others may convert into ordinary shares, or be written off completely, if the issuer experiences financial difficulty.

Hybrid securities may not be suitable for you if you need steady returns or capital security.

What are hybrid securities?

- The risks of hybrid securities
- Bank hybrid securities
- Corporate hybrid securities
- What you should know before investing in a hybrid security

Hybrid securities are a type of investment that have elements of both debt and equity. They're a way for banks and companies to borrow money from investors.

Like bonds, hybrid securities typically promise to pay interest, at a fixed or floating rate until a time in the future. Unlike bond, the amount and timing of interest payments are not guaranteed. They can also be converted into shares or your investment can be terminated at any time.

Hybrid securities can usually be traded on a secondary market such as the Australian Securities Exchange (ASX).



Key Contacts

Contacts

PERLS XII Information Line – 1800 992 547 (Monday to Friday 8.00am – 7.30pm, Sydney time) during the Offer Period

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Appendix: CommBank PERLS XII Capital Notes – Key Benefits and Key Risks

Key Benefits of PERLS XII

- PERLS XII are scheduled to pay a floating Distribution Rate
- PERLS XII Distributions are scheduled to be paid quarterly in arrears
- PERLS XII pay a fixed Margin above the Market Rate to be determined through the Bookbuild
- PERLS XII Distributions are expected to be fully franked
- PERLS XII are expected to be listed on ASX and may be traded on ASX
- PERLS XII provide investors an opportunity to diversify their investment portfolio

Key Risks of PERLS XII¹

Risks associated with CommBank PERLS XII Capital Notes specifically

- Investments in PERLS XII are not deposit liabilities or protected accounts under the Banking Act
- Holders of PERLS XII are subordinated and unsecured creditors
- Distributions may not be paid
- PERLS XII may be Exchanged for Ordinary Shares on the Mandatory Exchange Date or if certain events occur
- A Capital Trigger Event or Non-Viability Trigger Event may occur
- PERLS XII may not be Exchanged on the scheduled Mandatory Exchange Date
- CBA may Redeem, or procure a Resale of, PERLS XII in certain circumstances
- Holders do not have a right to request that their PERLS XII be Exchanged or Redeemed early
- CBA may raise more debt and issue other securities
- The Distribution Rate will fluctuate
- The market price of PERLS XII will fluctuate
- The liquidity of PERLS XII may be low
- Holders may be subject to FATCA withholding and information reporting
- CBA may amend the Terms
- CBA may substitute for itself a non-operating holding company (“NOHC”)
- CBA may be subject to powers of an ADI Statutory Manager and of APRA

¹. You should read Section 4 “Risk of CommBank PERLS XII Capital Notes” in full before deciding to invest. The risks are outlined in this section are not exhaustive and there may be other risks which may affect the performance of PERLS XII



Appendix: CommBank PERLS XII Capital Notes – Key Benefits and Key Risks

Risks associated with CBA's businesses which may affect CommBank PERLS XII Capital Notes¹

- CBA is subject to extensive regulation and operates in an environment of political scrutiny, which could adversely impact its operations and financial condition
- CBA may be adversely affected by damage to its reputation
- CBA may be adversely impacted by a downturn in the Australian or New Zealand economies
- CBA may be adversely affected by deteriorations in the global financial markets
- CBA is subject to intense competition which may adversely affect its results
- CBA may incur losses due to the operational risks associated with being a large financial institution
- CBA may be adversely impacted by information security risks, including cyber-attacks
- CBA may be adversely affected by human capital risk
- CBA could suffer losses due to climate change
- CBA is subject to compliance risks, which could adversely impact its future results and reputation
- CBA's business could be negatively impacted by substantial legal liability or regulatory action
- CBA may incur losses as a result of the inappropriate conduct of its staff
- CBA may incur losses associated with counterparty exposures
- CBA's results may be adversely affected by liquidity and funding risks
- CBA may be adversely affected by capital adequacy risk
- CBA may be adversely affected by market risks, including interest rates and exchange rates
- CBA's results could be adversely impacted by strategic risks
- CBA's performance and financial position may be adversely affected by acquisitions or divestments of businesses
- CBA could be adversely impacted by investor activism
- CBA may be adversely impacted by insurance risk

1. You should read Section 4 "Risk of CommBank PERLS XII Capital Notes" in full before deciding to invest. The risks are outlined in this section are not exhaustive and there may be other risks which may affect the performance of PERLS XII



Thank you

