

CommBank PERLS X Capital Notes

Investor Presentation
7 March 2018



Investments in CommBank PERLS X 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 X Capital Notes (“PERLS X”) (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 14 March 2018.

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 X 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 X 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 X Information Line on 1300 794 935 (Monday to Friday 8.00am – 7.30pm, Sydney time) or visit www.commsec.com.au.

Investments in PERLS X 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).

This presentation is not a prospectus, product disclosure statement or other offer document under Australian law or under any other law. This presentation is not, and does not constitute, financial product advice, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this presentation nor anything contained herein shall form the basis of any contract or commitment.

The distribution of this presentation, and the offer or sale of PERLS X, may be restricted by law in certain jurisdictions. Persons who receive this presentation outside Australia must inform themselves about and observe all such restrictions. Nothing in this presentation is to be construed as authorising its distribution, or the offer or sale of PERLS X, in any jurisdiction other than Australia and CBA does not accept any liability in that regard. Further PERLS X may not be offered or sold, directly or indirectly, and neither this presentation nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable law or regulations.

To the maximum extent permitted by law, none of CBA, the Arranger or the Joint Lead Managers, or their respective affiliates, directors, officers, partners, employees, advisers and agents of each of them, make any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the PERLS X and accept no responsibility or liability therefore, including for any loss or damage howsoever occurring resulting from the use of or reliance on this presentation by any person. None of CBA, the Arranger or the Joint Lead Managers accept any responsibility or obligation to inform you of any matter arising or coming to their notice, after the date of this presentation, which may affect any matter referred to in this presentation.

This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any U.S. Person (as defined in Regulation S under the U.S. Securities Act of 1933). PERLS X have not been and will not be registered under the U.S. Securities Act of 1933, or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of U.S. Persons. This presentation must not be distributed or released in the United States or to, or relied upon by, a U.S. person or a persons acting for the account or benefit of a U.S. Person.

Past performance is not indicative of future performance and no guarantee of future returns is implied or given. This presentation contains certain forward looking statements that involve risks and uncertainties. These forward looking statements are based on the beliefs of CBA’s management as well as assumptions made by, and information currently available to, CBA’s management, and speak only as of the date of this presentation. CBA can give no assurance that the forward looking statements in this presentation will not materially differ from actual results, and the inclusion of forward looking statements in this presentation should not be regarded as a representation by CBA or any other person that they will be achieved.

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





Overview



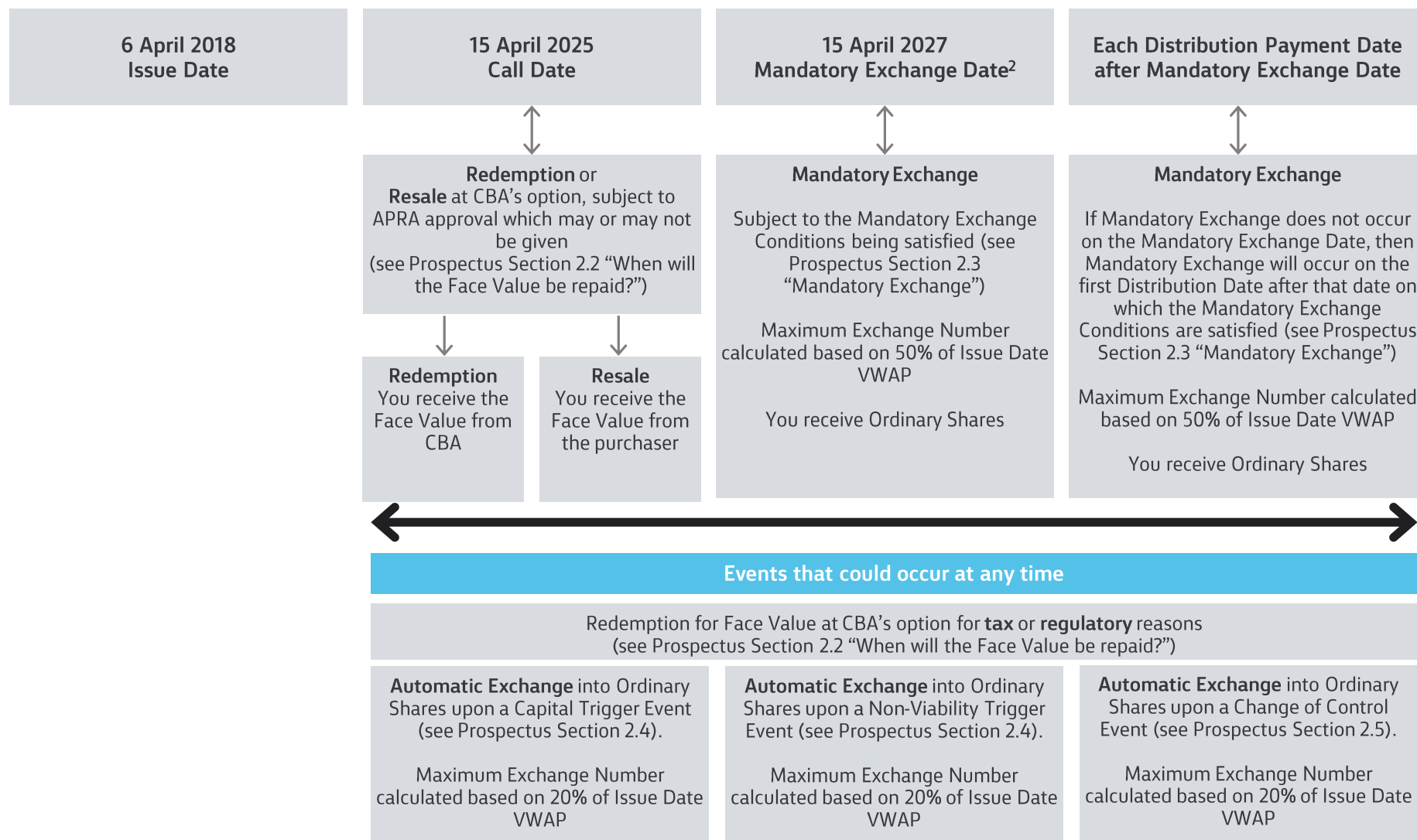
Overview

CommBank PERLS X Capital Notes ("PERLS X")	<ul style="list-style-type: none"> ■ PERLS X are subordinated, unsecured notes issued by CBA
Offer size	<ul style="list-style-type: none"> ■ New money offer of 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 X but may be reduced following a Capital Trigger Event or Non-Viability Trigger Event
Term	<ul style="list-style-type: none"> ■ PERLS X 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 (15 April 2027), CBA must Exchange all PERLS X into Ordinary Shares (subject to the Mandatory Exchange Number and Mandatory Exchange Conditions) ■ CBA may Exchange or Redeem PERLS X earlier on the occurrence of certain events (subject to APRA approval)
Call Date	<ul style="list-style-type: none"> ■ CBA may in its absolute discretion Redeem or Resell all or some PERLS X on 15 April 2025, subject to APRA approval
Distributions	<ul style="list-style-type: none"> ■ PERLS X are scheduled to pay floating rate Distributions quarterly, which are expected to be fully franked ■ Margin to be determined through the Bookbuild and is expected to be between 3.40% and 3.60% 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 VI, PERLS VII, PERLS VIII or PERLS IX who have a registered address in Australia ■ The Securityholder Offer Record Date is 9 March 2018
Minimum Application	<ul style="list-style-type: none"> ■ Minimum Application of 50 PERLS X (A\$5,000) and thereafter in multiples of 10 PERLS X (A\$1,000)
ASX quotation	<ul style="list-style-type: none"> ■ It is expected that PERLS X will be quoted under code "CBAPG" on ASX



Summary of events that may affect PERLS X

PERLS X 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 occur¹. If none of these events occur, PERLS X could remain on issue indefinitely and the Face Value will not be repaid



1. Section references in the diagram are references to sections of the Prospectus
 2. If not Redeemed on the Call Date or Exchanged earlier



Loss absorption capacity and AT1 distribution protection

APRA CET1 requirements

	CET1 Ratio	Value range	% of earnings able to be used for discretionary payments ^{3, 4}
Capital Conservation Buffer (CCB) ¹	Above top of CCB	Greater than PCR + 3.5%	100%
	4 th Quartile	Top of range: PCR + 3.5% Bottom of range: greater than PCR + 2.625%	60%
	3 rd Quartile	Top of range: PCR + 2.625% Bottom of range: greater than PCR + 1.75%	40%
	2 nd Quartile	Top of range: PCR + 1.75% Bottom of range: greater than PCR + 0.875%	20%
	1 st Quartile	Top of range: PCR + 0.875% Bottom of range: PCR	0%
	Prudential capital requirement (PCR) ²	Less than PCR	0%

CBA CET1 loss absorption

Future earnings \$9.6bn ⁵
CET1 above CCB \$10.6bn
CET1 above 5.125% Capital Trigger \$12.7bn
CET1 less than Capital Trigger

\$32.9bn above Capital Trigger

\$22.6bn

Potential loss absorption before AT1 securities

CBA actions to strengthen capital levels

CBA may implement a number of capital actions to strengthen capital levels before reaching the Capital Trigger:

- Reducing dividend payout
- DRP discount and / or underwrite
- Share issuance
- RWA growth restrictions
- Expense management

AT1 distribution protection

- CBA would expect to give priority to payments of Tier 1 Capital distributions to enable CBA to be able to continue paying Ordinary Share dividends

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. Discretionary payments include Ordinary Share dividends, Tier 1 Capital distributions and staff bonuses

4. 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

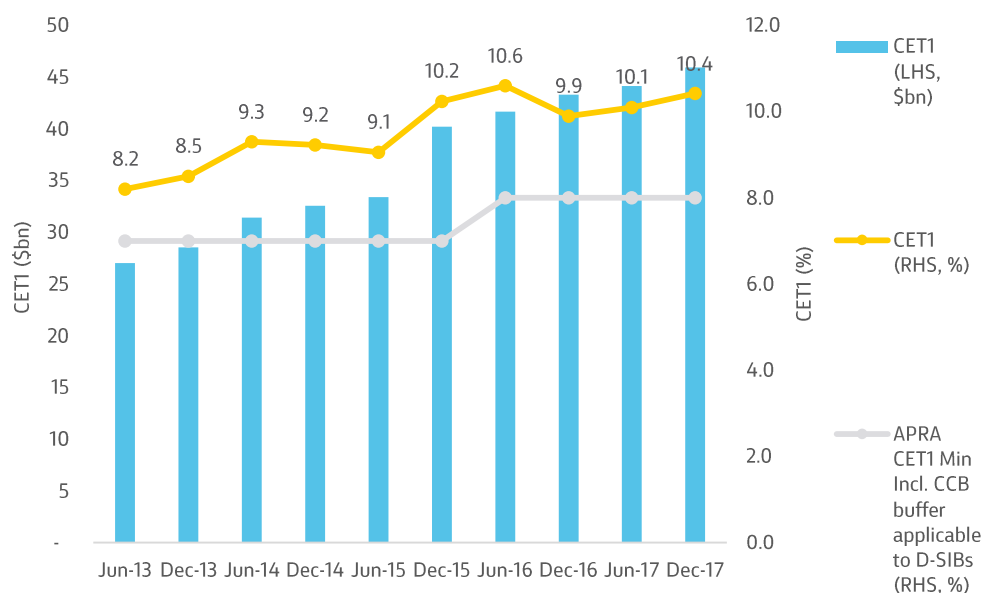
5. Note that "Future earnings" is not a forecast. Based on the prior 12 months of Cash NPAT (1H18 and 2H17 Cash NPAT of \$4,735m and \$4,828m respectively)



CBA's capital levels are well positioned for 'unquestionably strong'

- APRA has implemented a number of actions following the Financial System Inquiry report, including the 'unquestionably strong' recommendation
- APRA announced that Australia's major banks would need an average benchmark Common Equity Tier 1 (CET1) ratio of 10.5% or more by 1 January 2020
- APRA has since released a Discussion Paper to commence its consultation on revisions to the capital framework. APRA has stated it expects the overall impact of the proposals to increase ADIs' risk-weighted assets
- However, APRA's expectation is that this will not require significant additional capital raisings, beyond the capital required within the minimum CET1 ratio of 10.5%, noted above
- CBA's Level 2 CET1 ratio was 10.4% as at 31 December 2017 on an APRA basis, and 16.3% on an internationally comparable basis (as per methodology aligned with the APRA study 'International Capital Comparison Study')
- Consistent with CBA's approach to capital management, CBA will aim to achieve unquestionably strong capital ratios through a range of initiatives, including organic capital generation, commitment to financial strength and announced asset sales

CBA's Level 2 CET1 Capital (APRA basis)



Key Capital Ratios (Level 2 basis)

	Dec-16	Jun-17	Dec-17
CET1 Capital Ratio	9.9%	10.1%	10.4%
Additional tier 1 capital ratio	1.6%	2.0%	2.0%
Tier 1 Capital Ratio	11.5%	12.1%	12.4%
Tier 2 Capital Ratio	2.2%	2.1%	2.4%
Total Capital Ratio	13.7%	14.2%	14.8%
Risk Weighted Assets (RWA) (\$m)	436,481	437,063	440,836
Leverage Ratio	4.9%	5.1%	5.4%
Internationally Comparable Ratios¹			
CET1 Capital Ratio (Internationally comparable)	15.4%	15.6%	16.3%
Leverage Ratio (Internationally comparable)	5.5%	5.8%	6.1%

1. Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' of 13 July 2015



Key Dates

Key dates for the Offer	
Lodgement of Prospectus with ASIC	7 March 2018
Securityholder Offer Record Date	9 March 2018
Bookbuild	14 March 2018
Announcement of Margin	15 March 2018
Opening Date for the Offer and lodgement of the replacement prospectus with ASIC	15 March 2018
Closing Date for the Offer	5.00pm (Sydney time) 29 March 2018
Issue Date	6 April 2018
Commencement of deferred settlement trading	9 April 2018
Despatch of Holding Statements	10 April 2018
Commencement of trading on normal settlement basis	11 April 2018
Key dates for CommBank PERLS X Capital Notes	
First Distribution payment date ¹	15 June 2018
Call Date	15 April 2025
Mandatory Exchange Date ²	15 April 2027

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 X Capital Notes



Distributions

Distributions	<ul style="list-style-type: none"> ■ PERLS X are scheduled to pay floating rate Distributions quarterly ■ The first Distribution is scheduled to be paid on 15 June 2018 ■ 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"> ■ $\text{Distribution Rate} = (\text{Market Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$ ■ Margin to be determined through the Bookbuild and is expected to be between 3.40% and 3.60% per annum
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 then, from that Distribution Payment Date and until a Distribution is paid in full on a subsequent Distribution Payment Date (or all PERLS X 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

Early Redemption Rights for CBA	<ul style="list-style-type: none">■ CBA may Redeem PERLS X in the following circumstances (subject to certain conditions including prior written approval by APRA):<ul style="list-style-type: none">— on the Call Date (15 April 2025) – all or some PERLS X; or— at any time – all of PERLS X 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	<ul style="list-style-type: none">■ On the Call Date (15 April 2025), CBA may elect that Resale occur in relation to all or some PERLS X■ If Resale occurs, your PERLS X will be purchased by a third party for a cash amount equal to their Face Value
No early Exchange or Redemption rights for Holders	<ul style="list-style-type: none">■ You do not have a right to request that your PERLS X be Exchanged or Redeemed early for any reason■ To realise your investment, you can sell your PERLS X on ASX at the prevailing market price



Mandatory Exchange

Mandatory Exchange	<ul style="list-style-type: none"> ■ On the Mandatory Exchange Date (15 April 2027), CBA must Exchange all PERLS X (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) for a variable number of Ordinary Shares with the benefit of a 1% discount¹ ■ If 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: $(\text{Face Value}) / (\text{Relevant Percentage} \times \text{Issue Date VWAP})$ ■ 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; and – Third Mandatory Exchange Condition: Ordinary Shares are listed or admitted to trading on ASX as at the Mandatory Exchange Date ■ The 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 Number ■ The Third Mandatory Exchange Condition is intended to provide protection to Holders to enable them to sell the Ordinary Shares they receive on ASX if they wish to do so

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



Automatic Early Exchange – Non-Viability Trigger Event

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 X (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 X (or a percentage of the Face Value of each PERLS X) 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: $(\text{Face Value}) / (\text{Relevant Percentage} \times \text{Issue Date VWAP})$ ■ 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 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 X (or a percentage of the Face Value of each PERLS X) 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 31 December 2017, CBA's Level 2 Common Equity Tier 1 Capital Ratio was 10.4%. This equates to a surplus of approximately A\$23.3bn 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)
31 Dec 2017	10.4%	45.9	5.125%	22.6	5.3%	23.3
30 Jun 2017	10.1%	44.2	5.125%	22.4	5.0%	21.8
31 Dec 2016	9.9%	43.3	5.125%	22.4	4.8%	20.9
30 Jun 2016	10.6%	41.7	5.125%	20.2	5.5%	21.5



Comparison to other CBA hybrid securities

There are differences between PERLS X and other CBA PERLS securities, and PERLS X may not suit your investment objectives, financial situation or particular needs. 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 X.

		Other hybrid securities issued by CBA			
	CommBank PERLS X Capital Notes	PERLS IX	PERLS VIII	PERLS VII	PERLS VI
Issuer	CBA	CBA	CBA	CBA	CBA
Legal Form	Perpetual note	Perpetual note	Perpetual note	Perpetual note	Perpetual note
Initial Face Value	A\$100	A\$100	A\$100	A\$100	A\$100
ASX code	CBAPG ¹	CBAPF	CBAPE	CBAPD	CBAPC
Margin	Expected to be between 3.40% and 3.60% per annum and will be determined through the Bookbuild	3.90% per annum	5.20% per annum	2.80% per annum	3.80% per annum
Quarterly Distributions	Floating rate, expected to be fully franked	Floating rate, expected to be fully franked	Floating rate, expected to be fully franked	Floating rate, expected to be fully franked	Floating rate, expected to be fully franked
Call Date / Resale Date	15 April 2025 ²	31 March 2022 ²	15 October 2021 ²	15 December 2022 ²	15 December 2018 ²
Exchange	CBA must Exchange on 15 April 2027 if the Mandatory Exchange Conditions are satisfied	CBA must exchange for Ordinary Shares on 31 March 2024 if certain conditions are satisfied	CBA must exchange for Ordinary Shares on 15 October 2023 if certain conditions are satisfied	CBA must exchange for Ordinary Shares on 15 December 2024 if certain conditions are satisfied	CBA must exchange for Ordinary Shares on 15 December 2020 if certain conditions are satisfied
CBA ordinary share price for first mandatory exchange condition	56% of Issue Date VWAP	\$47.09	\$42.28	\$44.03	\$31.41
Capital Trigger Event	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%	Common Equity Tier 1 Capital Ratio equal to or less than 5.125%
Non-Viability Trigger Event	Yes	Yes	Yes	Yes	Yes
Ranking in a winding up (assuming no Exchange)	Ranks equivalent to a preference share	Ranks equivalent to a preference share	Ranks equivalent to a preference share	Ranks equivalent to a preference share	Ranks equivalent to a preference share

1. CBA will apply for quotation of PERLS X on ASX. It is expected that PERLS X will be quoted under this code

2. Call Date/Resale is two years prior to the Mandatory Exchange Date





Information about CBA



1H18 Financial Results

Financial

	1H18	vs 1H17
Cash NPAT (\$m) ¹	4,735	(1.9%)
ROE (Cash) (%) ¹	14.5%	(120) bpts
Cash EPS (\$)¹	2.72	(3.2%)
DPS (\$)	2.00	1 cent
Cost-to-Income (%)¹	43.9%	120 bpts
NIM (%)¹	2.16	6 bpts
NIM (%) ex Treasury & Markets¹	2.14	7 bpts

Balance Sheet

	1H18	vs 1H17
Total assets (\$bn)	962	(1%)
Total liabilities (\$bn)	896	(1.5%)
RWA (\$bn)	441	1%
FUA (\$bn) – average¹	151	9%
Deposit Funding (%)	68%	2%
LT Wholesale Funding WAM (yrs)	4.6	0.4yrs

Operating Performance^{1,2}

	1H18	vs 1H17
Group (\$m)	7,358	-
Retail Banking Services (\$m)	4,145	7%
Business and Private Banking (\$m)	1,422	9%
Institutional Banking & Markets (\$m)	874	(7%)
Wealth Management (\$m)	362	29%
ASB (\$NZm)	694	11%
Bankwest (\$m)	517	11%

Capital & Funding

	1H18	vs 1H17
Capital - CET1 (APRA)(%)	10.4%	50 bpts
Capital - CET1 (Int'l)(%)³	16.3%	90 bpts
Liquidity Coverage Ratio (%)	131%	(4%)
Leverage Ratio (APRA) (%)	5.4%	50 bpts
Leverage Ratio (Int'l)(%)³	6.1%	60 bpts
Net stable funding ratio (%)	110%	n/a

1. Presented on a continuing operations basis

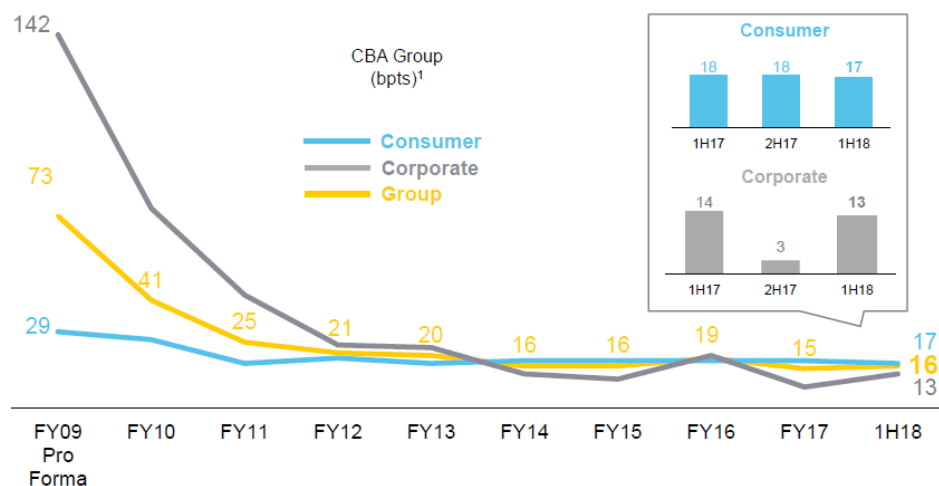
2. Operating performance is Total Operating Income less Operating Expense. Retail Banking Services presents underlying result, excluding the impact of AHL consolidation. Excludes IFS and Other

3. Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' of 13 July 2015



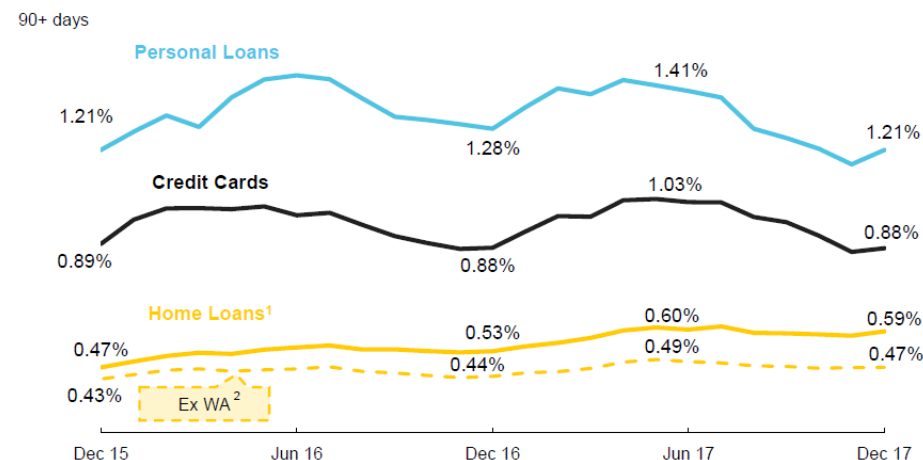
Sound credit quality

Impairment expense at 16 bpts



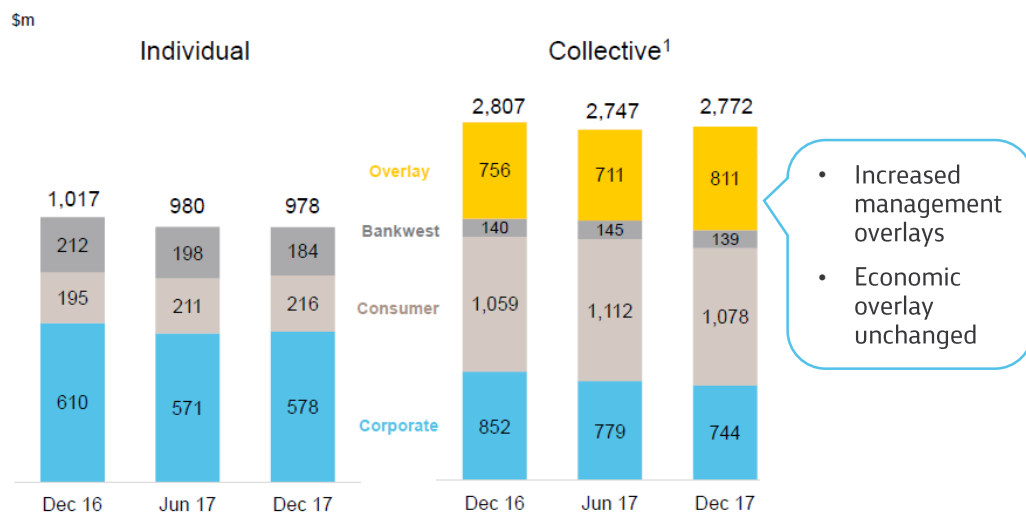
1. Cash LIE as a percentage of average Gross Loans and Acceptances (GLAAs) (bpts). FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year. Statutory LIE for FY10 48 bpts and FY13 21 bpts

Consumer arrears lower this half



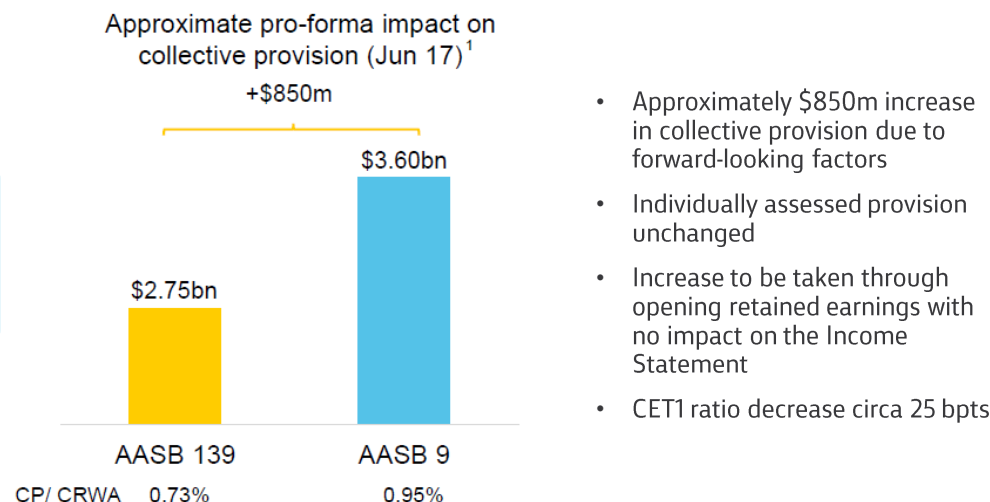
Consumer arrears includes retail portfolios of Retail Banking Services, Business and Private Banking, Bankwest and New Zealand. 1. Excludes Reverse Mortgage, Commonwealth Portfolio Loan (CBA) and Residential Mortgage Group (CBA) loans. 2. Excludes Line of Credit (Viridian LOC/Equity Line)

Provisioning



1. Comparative information has been restated to conform to presentation in the current period

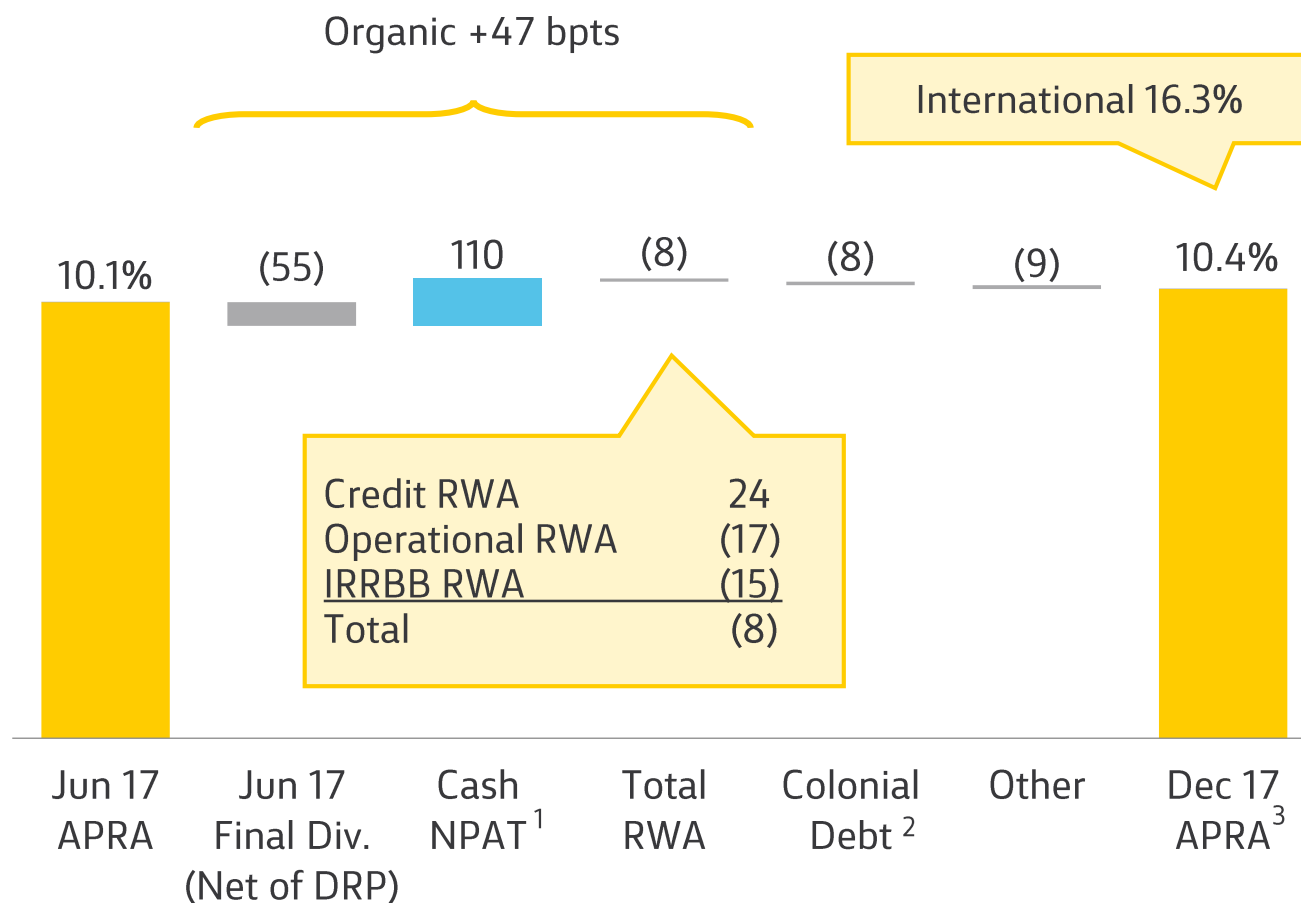
Impact of AASB 9 Financial Instruments



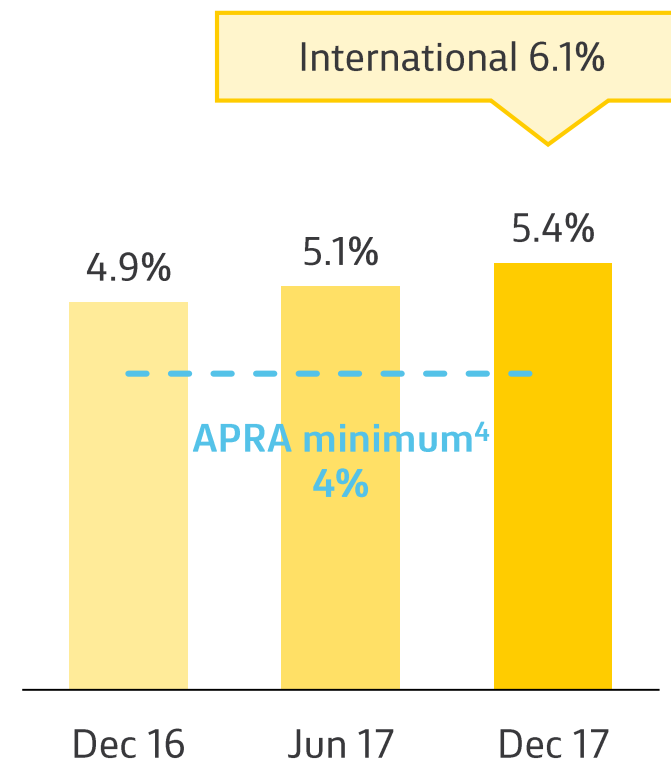
1. Estimated based on actual economic conditions, future forecast economic scenarios, management judgements and assumptions as at 30 June 2017. The transition adjustment on adoption will be based on actual economic conditions, future forecast economic scenarios, management judgements and assumptions as at 1 July 2018

Strong capital position

CET1



Leverage Ratio



1. Includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings

2. Maturity of a further \$350m of Colonial debt compressed CET1 by 8 basis points in the half. The final tranche of Colonial debt (\$315m) is due to mature in the June 2018 half year, with an estimated CET1 impact of -7 basis points

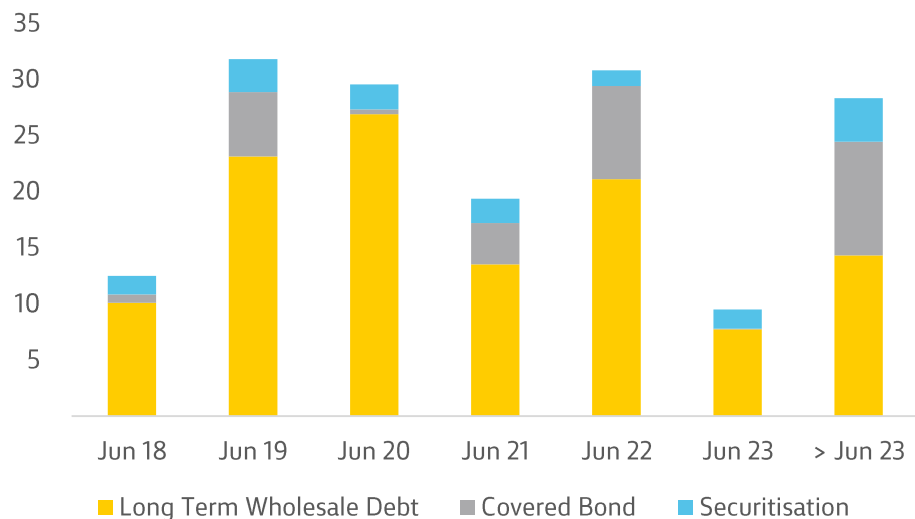
3. The sale of the Australian and New Zealand life insurance operations, which is due to be finalised in calendar year 2018, is expected to result in an uplift to CET1 (APRA) of approximately 70 basis points.

4. APRA proposes to apply a 4 per cent minimum leverage ratio requirement from 1 July 2019

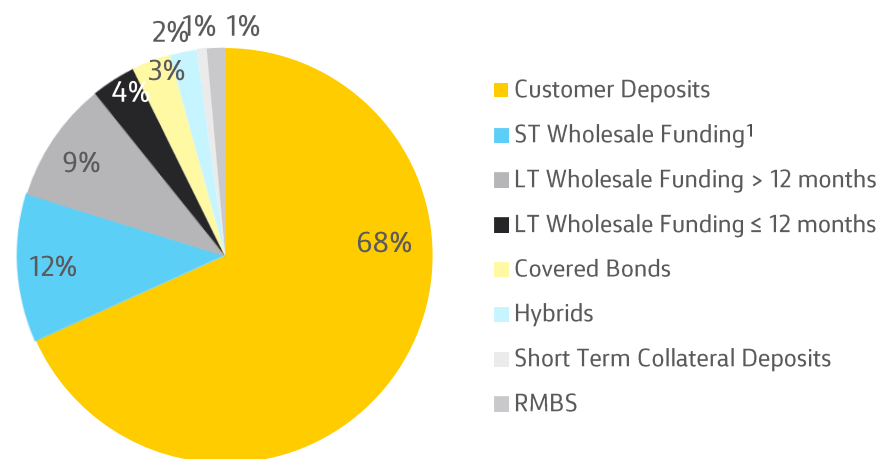


Funding and liquidity

Wholesale funding maturity profile (A\$bn)

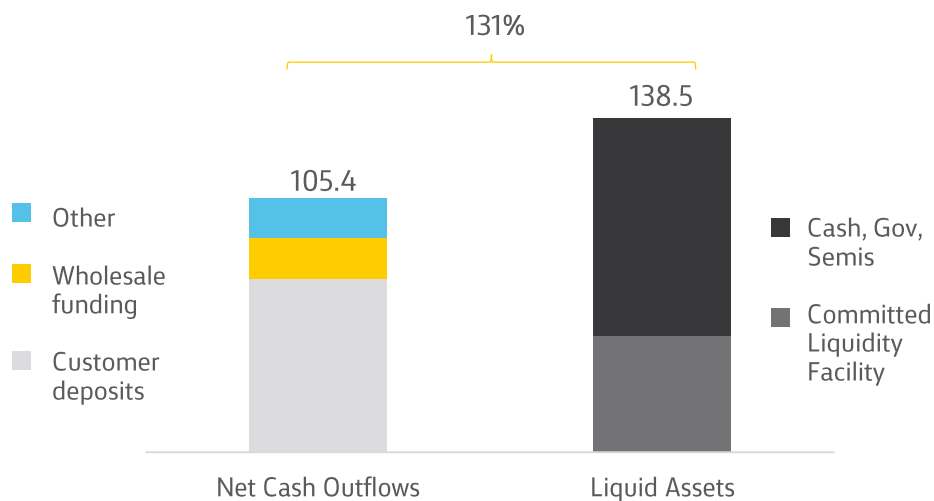


Funding composition

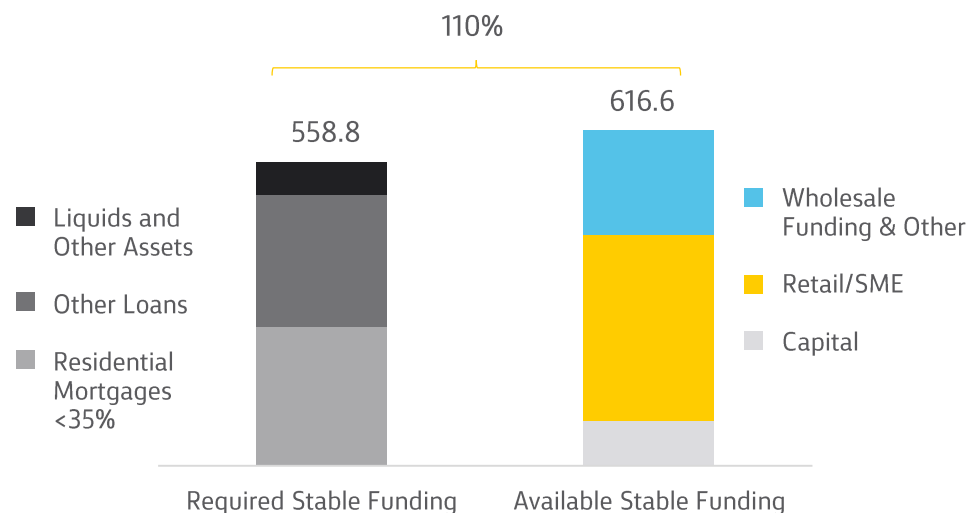


1. Includes the categories 'central bank deposits' and 'due to other financial institutions' (including collateral received)

LCR (A\$bn)



NSFR (A\$bn)





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 X Capital Notes. You can find this guidance by searching “hybrid securities” at www.moneysmart.gov.au.

An interactive module on bank hybrid securities basics 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.

The image displays two overlapping screenshots. The background screenshot is the 'Bank hybrid securities and you' module, featuring a dark header with 'Menu' and 'How to use' links. The main content area has a large 'WELCOME TO BANK HYBRID SECURITIES BASICS' heading, a welcome message, and a 'Start Learning' button. A bottom navigation bar includes icons for 'What will you learn?', 'How you invest in a bank', 'Comparison of investments in a bank', 'Risks of bank hybrid securities', and 'Benefits of bank hybrid securities'. The foreground screenshot is the ASIC MoneySmart website. It shows the ASIC logo and a navigation menu with categories like 'Managing your money', 'Borrowing & credit', 'Insurance', 'Superannuation & retirement', 'Investing', 'Scams', 'Life events & you', and 'Teach'. The 'Investing' category is selected, leading to a page titled 'Hybrid securities and notes'. This page includes a breadcrumb trail 'Home > Investing > Complex investments > Hybrid securities and notes', a list of investment topics on the left, and a main content area with the heading 'Hybrid securities and notes' and a sub-heading 'Consider the features and risks'. The text explains that hybrid securities (including subordinated notes, capital notes, and convertible preference shares) are from well-known companies, banks, and insurers but differ from fixed interest investments. It notes that some hybrid securities make investors take on 'equity-like' risks but only give them at best, 'bond-like' returns. Some have terms and conditions that 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. It concludes that hybrid securities may not be suitable for those needing steady returns or capital security. Two links are provided: 'What are hybrid securities?' and 'The risks of hybrid securities'.

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**

ASIC Australian Securities & Investments Commission

ASIC's MONEYSMART Financial guidance you can trust

Home > Investing > Complex investments > Hybrid securities and notes

Hybrid securities and notes

Consider the features and risks

Hybrid securities (including subordinated notes, capital notes and convertible preference shares) may be from well-known companies, banks and insurers but they are very different from other fixed interest investments.

Some hybrid securities make investors take on 'equity-like' risks but only give them at best, 'bond-like' returns. Some have terms and conditions that 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





Key Contacts



Contacts

PERLS X Information Line – 1300 794 935 (Monday to Friday 8.00am – 7.30pm, Sydney time) during the Offer Period

Issuer		
Commonwealth Bank of Australia	Simon Maidment, Group Treasurer +61 2 9118 1339	Michael Parker, Head of Capital & Regulatory Strategy +61 2 9118 1874
Arranger & Joint Lead Manager		
Commonwealth Bank of Australia	Truong Le +61 2 9118 1205	Daniel Cassels +61 2 9118 1217
Joint Lead Managers		
ANZ Securities Limited	Tariq Holdich +61 2 8037 0167	Adam Gaydon +61 2 8037 0200
Morgan Stanley Australia Securities Limited	Bob Herbert +61 3 9256 8937	James Fleming +61 3 9770 1662
Morgans Financial Limited	Steven Wright +61 7 3334 4941	Michael Johnston +61 2 9043 7645
Westpac Institutional Bank	Allan O'Sullivan +61 2 8254 1425	Ryan Evans +61 2 8254 4694



Appendix: CommBank PERLS X Capital Notes – Key Benefits and Key Risks¹

Key Benefits of PERLS X

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

Key Risks of PERLS X

- Investments in PERLS X are an investment in CBA and may be affected by the ongoing performance, financial position and solvency of CBA and other risks associated with CBA's businesses. They are not deposit liabilities or protected accounts of CBA under the Banking Act
- Investments in PERLS X are subordinated and unsecured liabilities. In a winding up of CBA, there is a risk that you may lose some or all of the money you invested in PERLS X
- Distributions are discretionary and subject to the distribution payment conditions being satisfied. Distributions that are not paid do not accrue and will not be subsequently paid
- PERLS X may be Exchanged for Ordinary Shares on the Mandatory Exchange Date (subject to the Maximum Exchange Number and Mandatory Exchange Conditions) or on another date if certain events occur. This includes if a Capital Trigger Event, Non-Viability Trigger Event or Change of Control Event occurs. There is a risk that on Exchange you may receive a number of Ordinary Shares with a value which is significantly less than the Face Value, including as a result of the application of the Maximum Exchange Number and of the market price for Ordinary Shares at the time you may sell your Ordinary Shares
- Dividends are payable at the absolute discretion of CBA and the amount of each dividend is discretionary (not subject to a formula). In a winding up of CBA, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of CBA. In contrast, distributions on PERLS X are payable in accordance with the Terms and claims of PERLS X holders rank ahead of holders of Ordinary Shares
- If a Capital Trigger Event or Non-Viability Trigger Event occurs and Exchange is not effective and CBA has not otherwise issued Ordinary Shares within 5 Business Days, then Holders' rights under the relevant PERLS X will be terminated and such termination will be taken to have occurred immediately on the date of the occurrence of the Capital Trigger Event or Non-Viability Trigger Event. Your investment in the relevant PERLS X will lose all of its value – the Face Value will not be paid and you will not receive any compensation. This could occur if CBA was prevented from issuing Ordinary Shares by circumstances outside its control, for example, if CBA was prevented by an applicable law or order of any court, or action of any government authority, from issuing Ordinary Shares

1. You should read Section 4 "Risk of CommBank PERLS X 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 X



Appendix: CommBank PERLS X Capital Notes – Key Benefits and Key Risks¹

Key Risks of PERLS X (cont.)

- PERLS X may not be Exchanged on the scheduled Mandatory Exchange Date and you may continue to hold PERLS X indefinitely
- CBA may Redeem PERLS X on the Call Date or at any time for tax or regulatory reasons, subject to APRA's prior written approval. APRA's approval may or may not be given
- You do not have a right to request that your PERLS X be Exchanged or Redeemed early
- CBA may raise more debt and issue further securities which rank equally with or ahead of PERLS X, whether or not secured
- The Distribution Rate will fluctuate with changes in the Market Rate. There is a risk the Distribution Rate may become less attractive compared to returns on comparable securities or investments
- The market price of PERLS X on ASX will fluctuate and you may lose some or all of the money you invested in PERLS X if you sell them
- Liquidity of PERLS X on ASX may be low and you may not be able to sell your PERLS X at an acceptable price or at all
- CBA is subject to extensive regulation and political scrutiny, which may adversely impact CBA's operations or financial position
- CBA may incur losses and experience business disruptions or reputational damage due to substantial legal proceedings or actions by regulators
- CBA may be adversely affected by damage to its reputation among its stakeholders, including customers, investors and the community
- CBA may be adversely affected either directly or indirectly by deteriorations in the global financial markets
- As a financial group whose core businesses are primarily located in Australia and New Zealand, the performance of CBA is dependent on the state of the Australian and New Zealand economies
- CBA may incur losses associated with exposures to counterparties who default on their obligations to CBA
- CBA's liquidity and funding positions may be impacted by adverse financial market conditions, CBA's ability to maintain adequate levels of liquidity and funding and maintain credit ratings
- CBA may not be holding sufficient capital to manage balance sheet growth and/or extreme stress
- CBA is exposed to market risks, including potential losses arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads and drivers of derivative values
- CBA may incur losses due to the operational risks
- CBA's results may be impacted by penalties, sanctions or reputational damage from failure to comply with all applicable laws and regulations
- CBA could incur losses from cyber-attacks and data security breaches
- CBA may incur losses due to an employee, contractor or external service provider not acting in accordance with regulations or CBA's policies, procedures or values
- CBA may be unable to attract, develop, motivate and retain its people to meet current and future business needs

1. You should read Section 4 "Risk of CommBank PERLS X 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 X



Appendix: CommBank PERLS X Capital Notes – Key Benefits and Key Risks¹

Key Risks of PERLS X (cont.)

- Events that the CBA Group has provided insurance against may occur more frequently or with greater severity than anticipated
- CBA's strategic initiatives may not always be successful
- CBA's operations could be adversely impacted by increasing levels of investor activism
- CBA's performance may be adversely impacted by increasing competition, especially from non-Australian financial services providers, new non-bank entrants or smaller providers
- Acquisitions or divestments may not achieve the expected benefits and may disrupt CBA's existing businesses
- CBA's businesses and customers may be adversely affected by the effects of climate change or catastrophic events

1. You should read Section 4 "Risk of CommBank PERLS X 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 X



Thank you

