Debt Investor Update

FOR THE FULL YEAR ENDED 30 JUNE 2014

CommonwealthBank

August 2014

Notes

Disclaimer

The material that follows is a presentation of general background information about the Group's activities current at the date of the presentation, 13 August 2014. 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.

Cash Profit

The Management Discussion and Analysis discloses the net profit after tax on both a 'statutory basis' and a 'cash basis'. The statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is management's preferred measure of the Group's financial performance, as the non-cash items tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items, such as hedging and IFRS volatility, is treated consistently with prior period disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from statutory profit is provided in the reconciliation of the net profit after tax ("cash basis") on page 3 of the Profit Announcement (PA) and described in greater detail on page 15 of the PA and can be accessed at our website:
http://www.commbank.com.au/about-us/shareholders/financial-information/results/

Results & Strategy

Financial Summary

✓	Largest Australian bank by market capitalisation
✓	AA- / Aa2 / AA- Credit Ratings (S&P, Moodys, Fitch)
✓	~15 million customers
✓	~52,000 staff
✓	1,150 branches (includes Bankwest)
✓	#1 in household deposits
✓	#1 in home lending
✓	#1 wealth management platform - FirstChoice

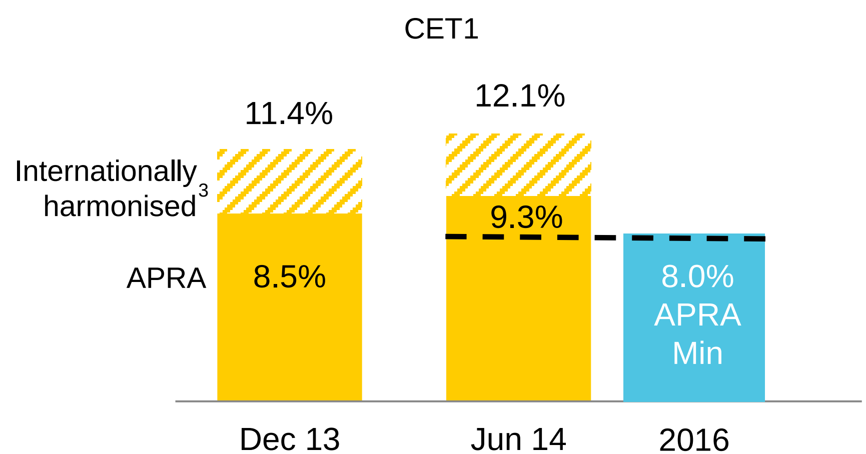
Financial Result – FY14 v FY13

Cash Earnings ($m)	**8,680**	+12%
ROE (cash)	**18.7%**	+50 bpts
Cash EPS ($)	**5.36**	+11%
Dividend per share ($)	**4.01**	+10%
Cost-to-income (%)	**42.9**	(70) bpts
NIM	**214**	+1 bpts

Balance Sheet

Total assets ($bn)	**791**	+5%
Total liabilities ($bn)	**742**	+5%
Funds under advice – spot ($bn)	**253**	+13%
RWA ($bn)	**338**	+3%
Provisions to Credit RWAs (bpts)	**135**	(25) bpts
Liquids ($bn)	**139**	+2%
Deposit funding	**64%**	+1%

Strong capital position



1 Excluding property
2 NZ result in AUD
3 Assumes Basel III Capital reforms have been fully implemented. The methodology is currently the subject of an industry-led review which may result in a higher ratio.

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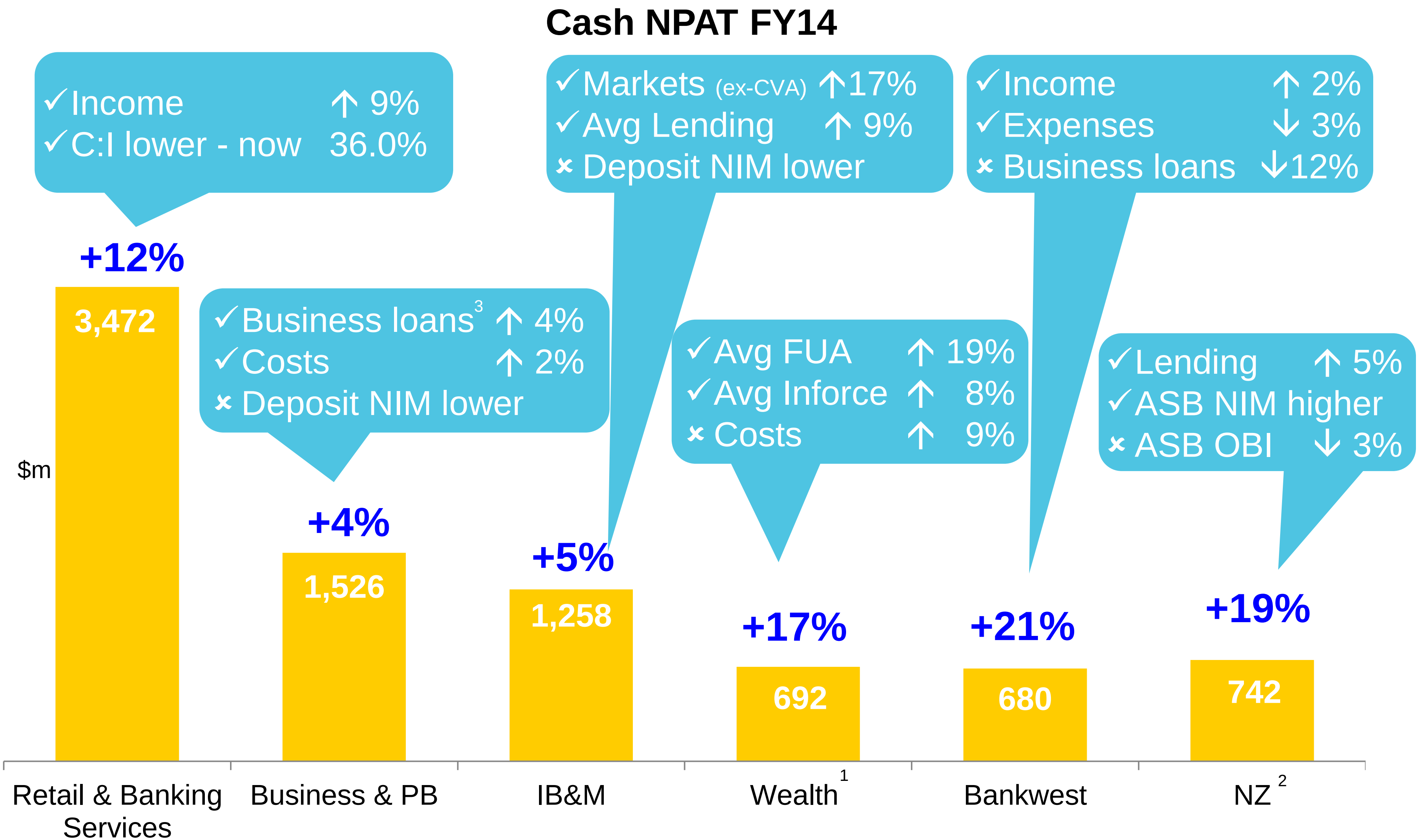
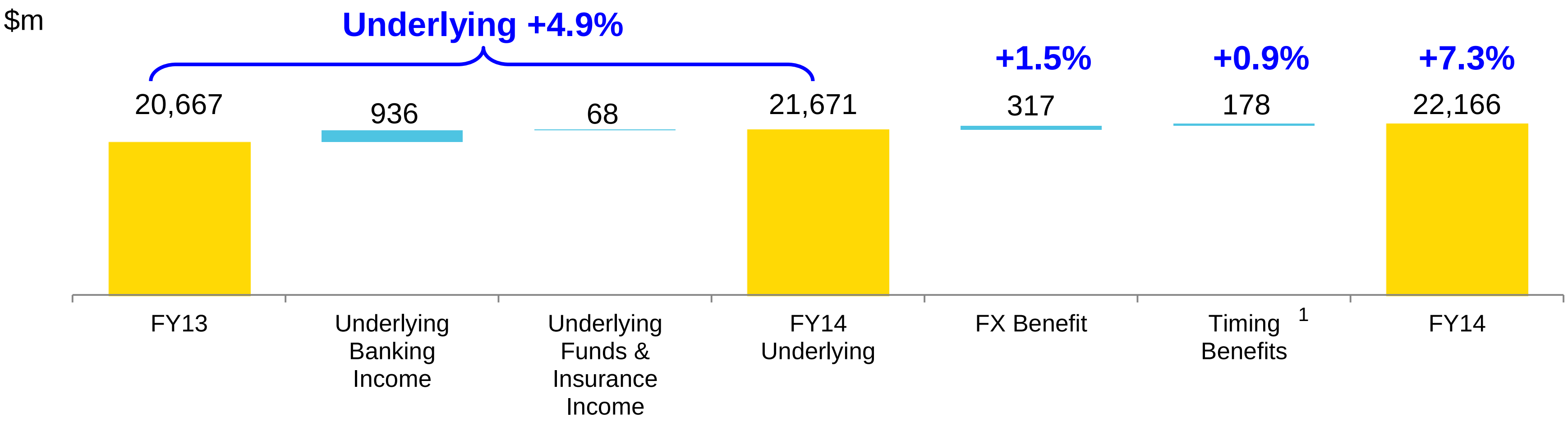
All divisions contributing



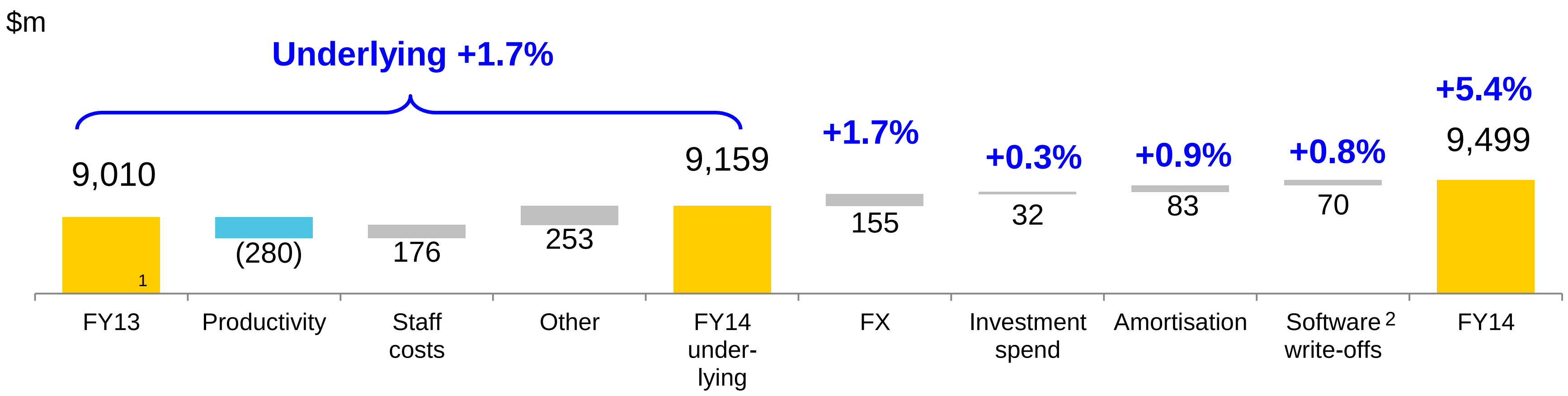
1 Excluding Property
2 NZ result in AUD, performance metrics in NZD
3 Source: RBA

Income and expenses

Operating Income



Operating Expenses



1. Includes the full period benefit of asset re-pricing conducted late in 1H13 and lower short term wholesale funding costs
2. Comparative information has been reclassified to conform to presentation in the current year
3. Represents write-off of approximately 30 individual projects completed prior to 2012

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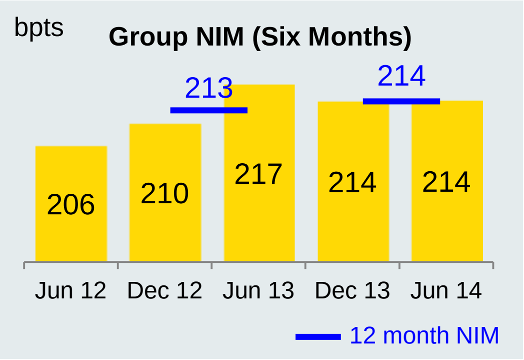
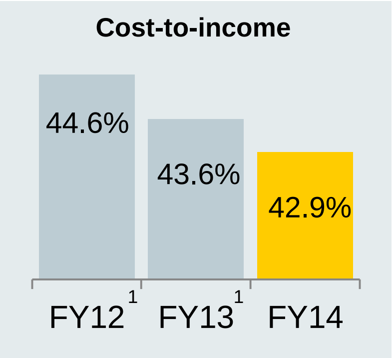
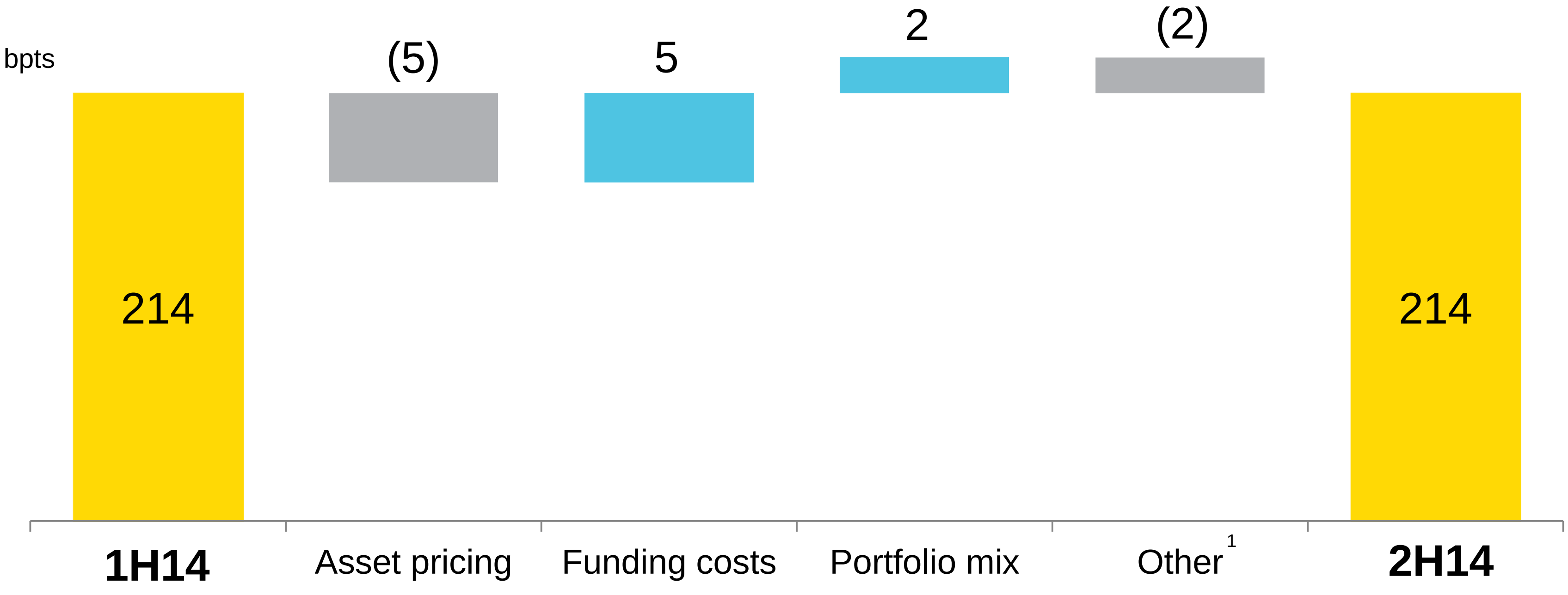
Group NIM flat in the half





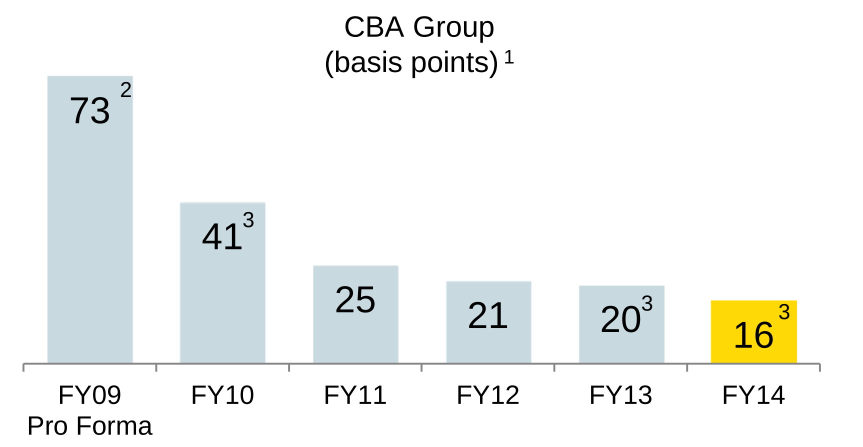
Group NIM



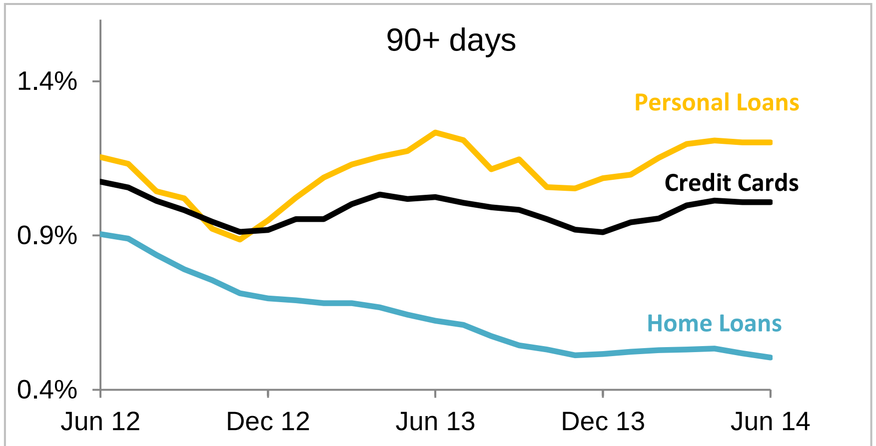
1 Includes Treasury, Replicating Portfolio, impact from change in Non Lending Interest Earning Assets and other unallocated items

Sound credit quality

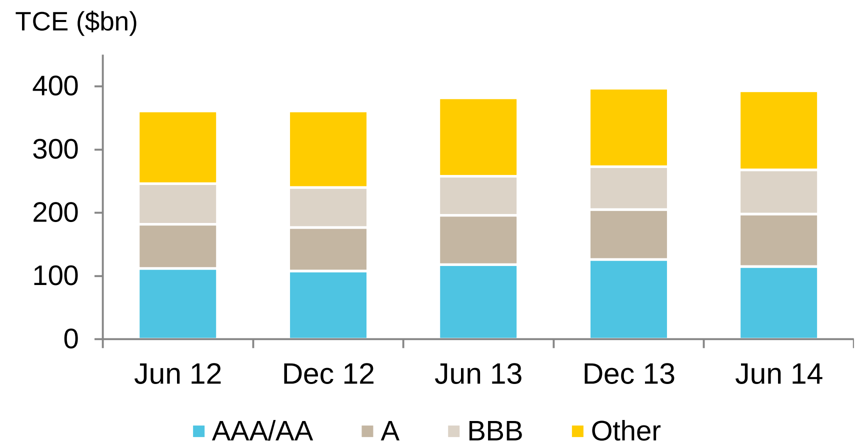
Loan Impairment Expense



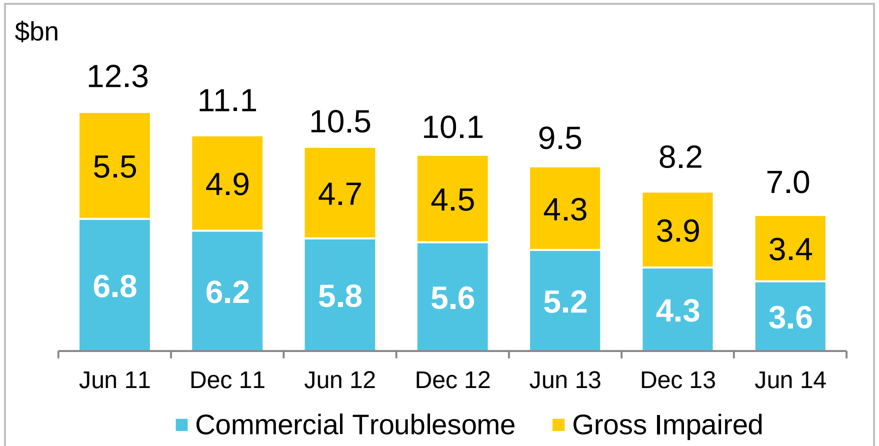
Group Consumer Arrears



Commercial Portfolio Quality[4]



Troublesome and Impaired Assets



1. Basis points as a percentage of average Gross Loans and Acceptances (GLA) **2.** FY09 includes Bankwest on a pro-forma basis and is based on impairment expense for the year **3.**Statutory Loan Impairment Expense (LIE) for FY10 48 bpts, FY13 21 bpts and FY14 16 bpts **4.** Total committed credit exposure (TCE) = balance for uncommitted facilities or greater of limit or balance for committed facilities. Calculated before collateralisation. Includes Bank and Sovereign exposures. CBA grades in S&P equivalents

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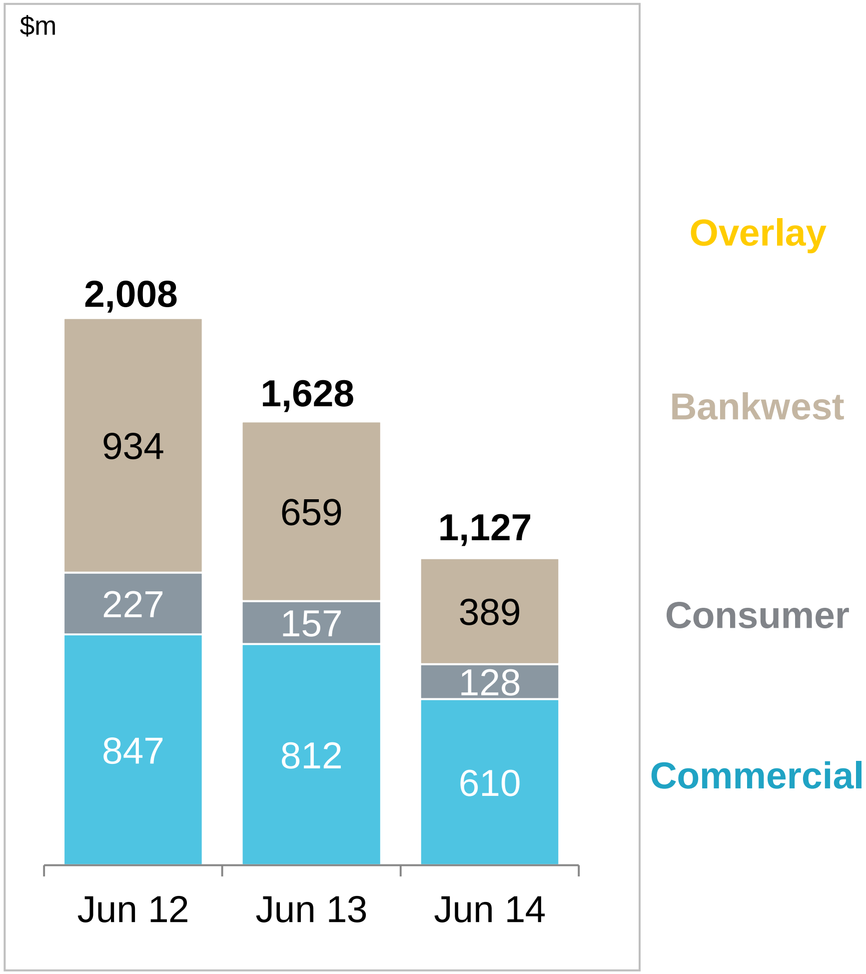
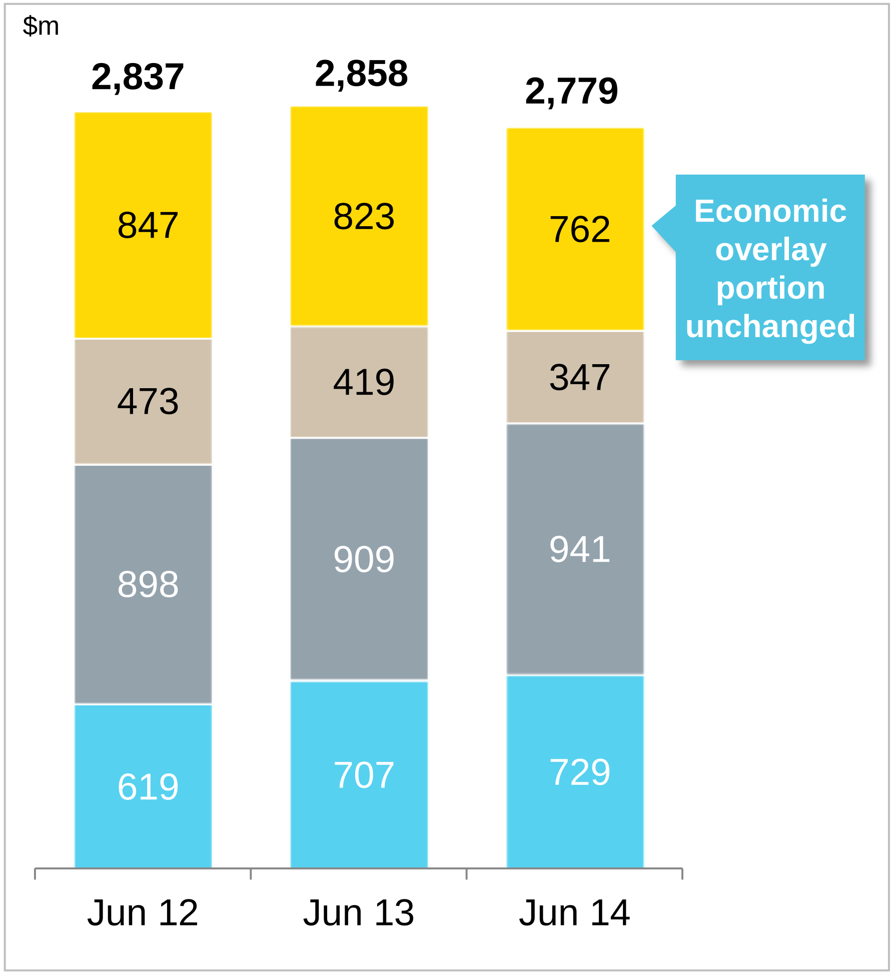
Provisions

Individual Provisions



Collective Provisions



Consistent strategy

Customer Focus

Capabilities

- People
- Productivity
- Technology
- Strength

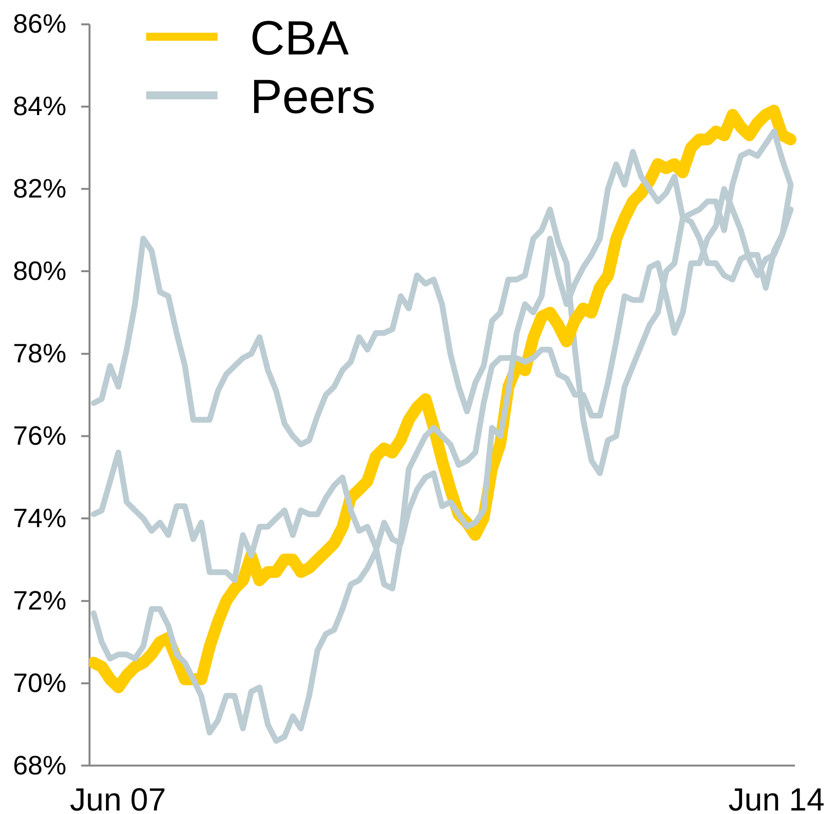
Growth Opportunities

- "One CommBank"
- Continued growth in business and institutional banking
- Disciplined capability-led growth outside Australia

TSR Outperformance

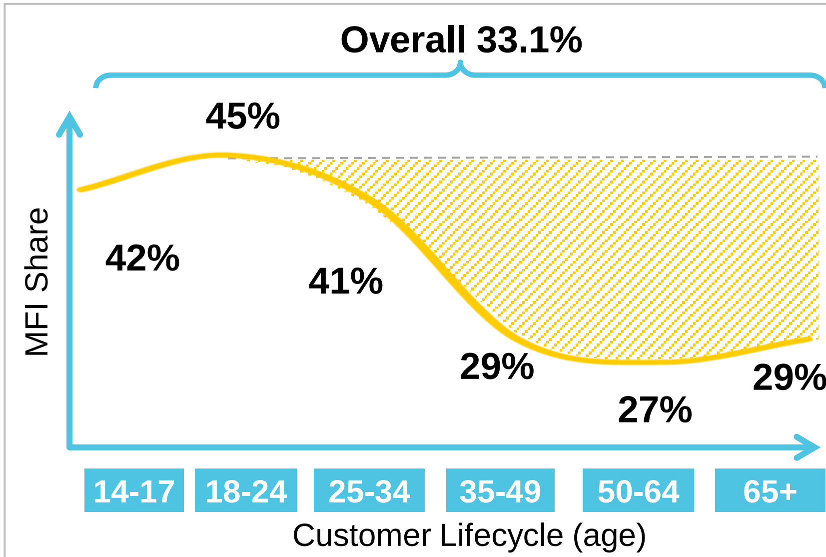
Customer focus - further significant upside

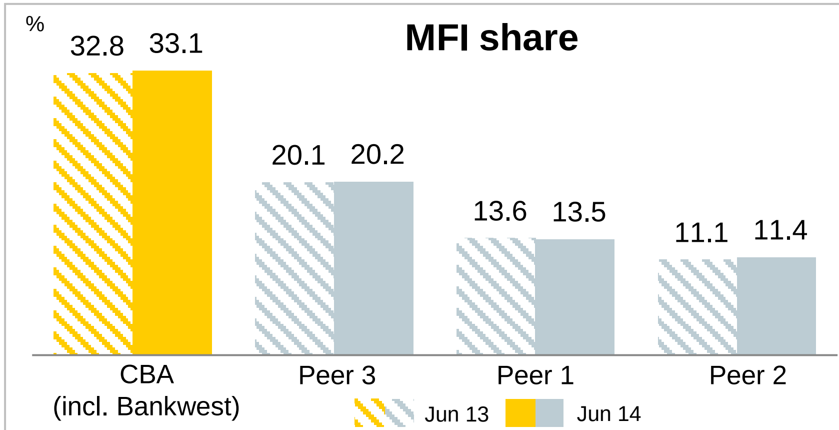
Retail Customer Satisfaction[1]



% Satisfied ('Very Satisfied' or 'Fairly Satisfied')[1]

CBA MFI share by age[2]





1, 2 Roy Morgan research

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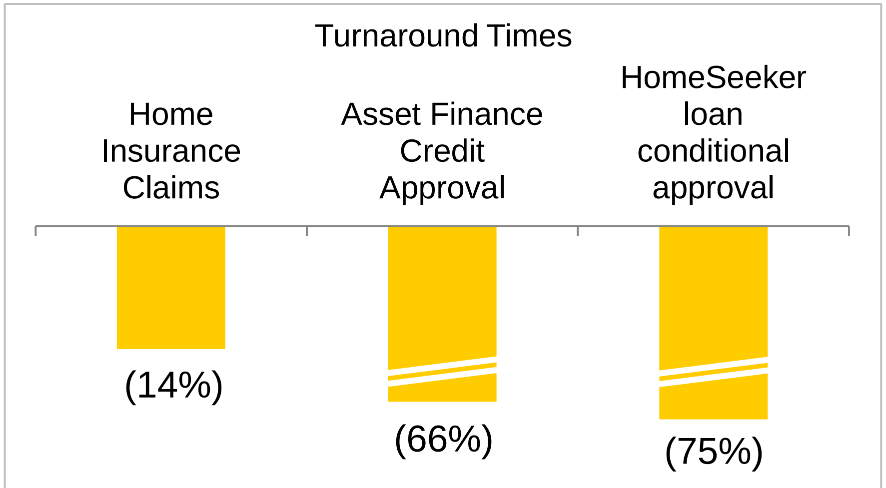
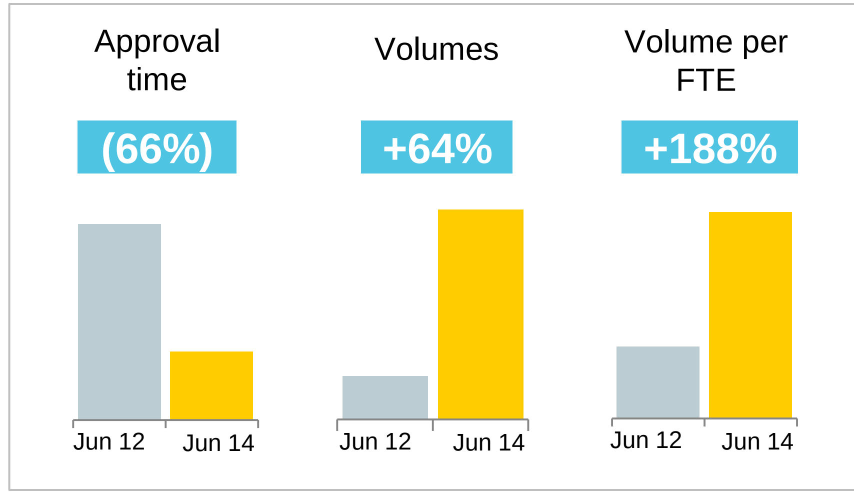
Productivity - Service, efficiency, reinvestment

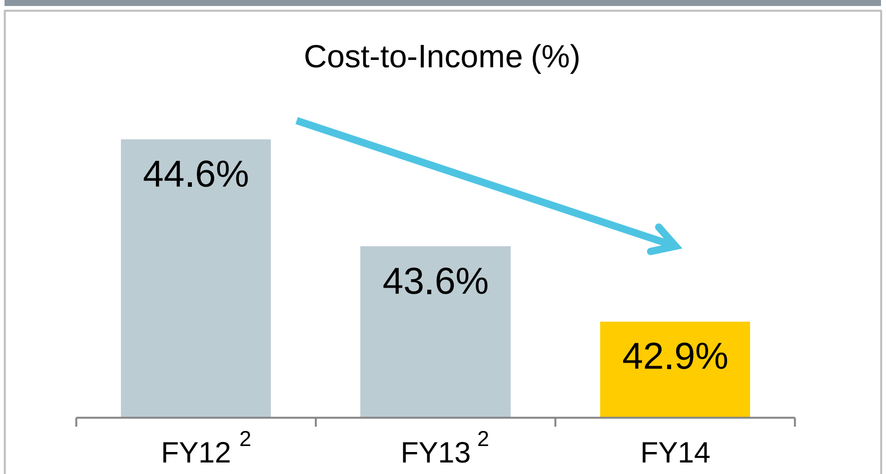
Service Improvements - Examples[1]



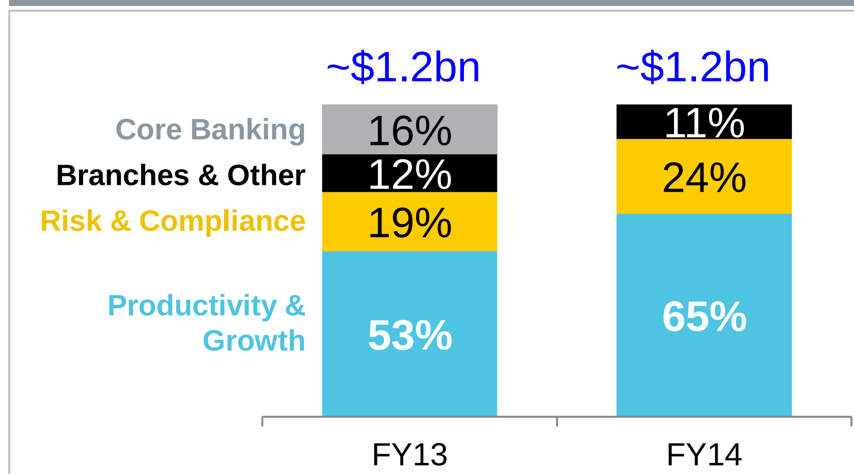
Case Study – Asset Finance



Efficiency



Investment Spend



1 Refer notes page at back of presentation for definition of productivity metrics and timeframes for improvements
2 Comparative information has been restated to conform to presentation in the current year

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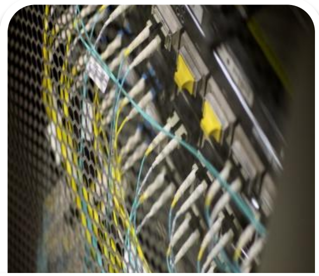
Technology transformation

Putting the customer at the centre of everything we do

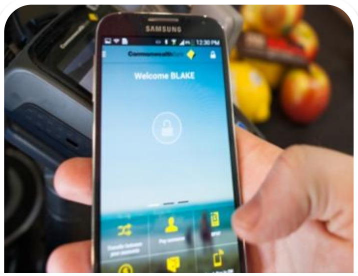
Revitalised front-line customer interface

- Single view of customer across channels
- CommSee
- Revitalised Sales & Service processes



Innovating in the back-end

- Legacy system replacement
- Real-time banking
- Straight-through processing
- Concurrent process redesign
- Simplifying architecture and focus on standardisation
- Building with agile
- Resilient systems



Best-in-class online, mobile & social platforms

- NetBank
- CommBiz
- CommSec
- FirstChoice
- CommBank app
- MyWealth & Essential Super
- CommBiz Mobile
- Pi, Albert, Leo, Emmy

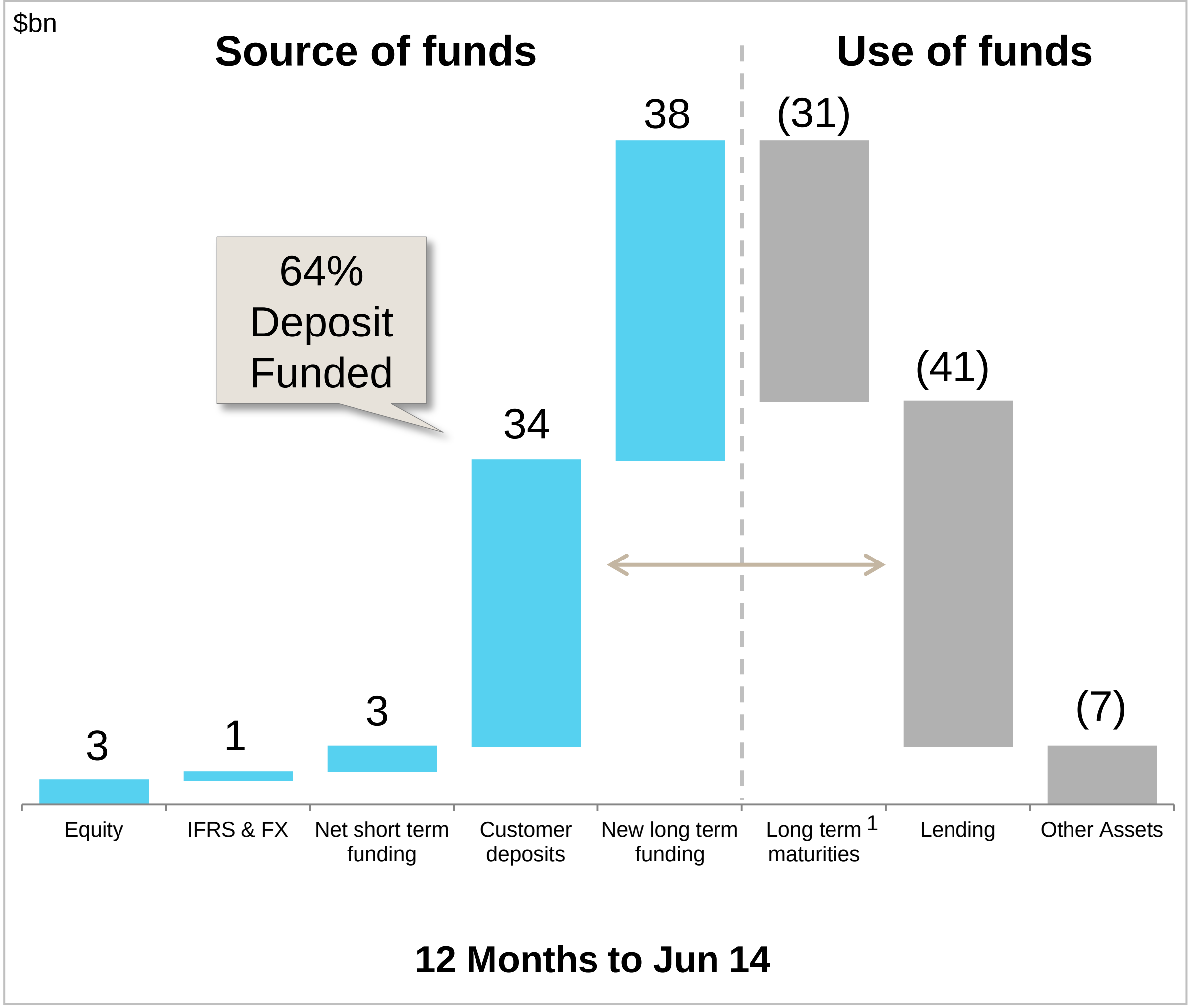
Securing the digital future

- Simplicity and convenience anywhere, anytime, any device
- Real-time customer engagement
- Customer insights through analytics
- Continue to leverage benefits of Core Banking Platform
- Digital end-to-end
- Leading privacy, trust and security

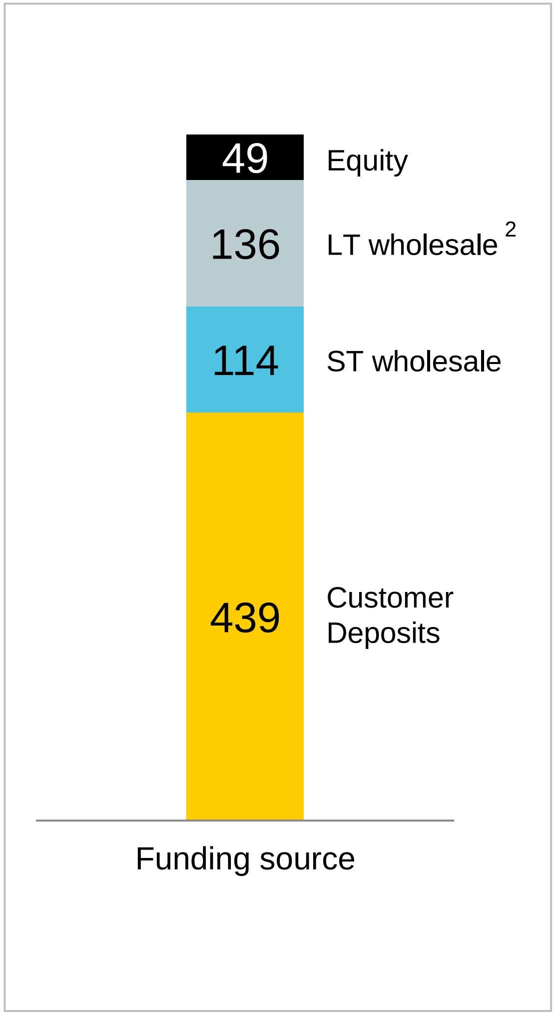
Funding, Capital & Liquidity

Funding – sources and uses

Funding



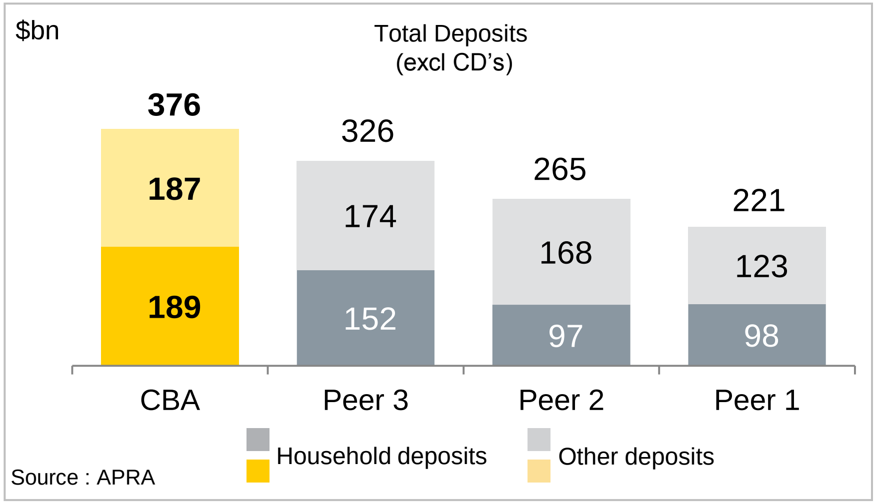
Sources



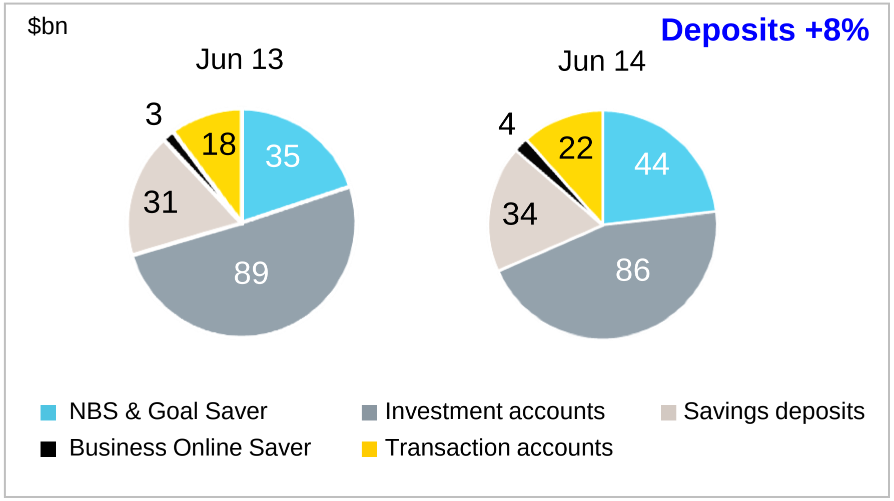
1 Includes Government Guaranteed bonds buyback
2 Maturity based on original issuance

Funding – deposits and costs

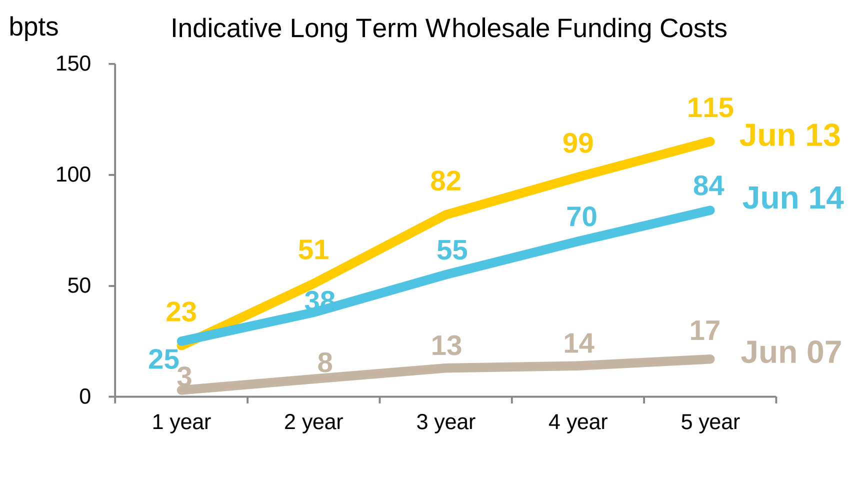
Australian Deposits



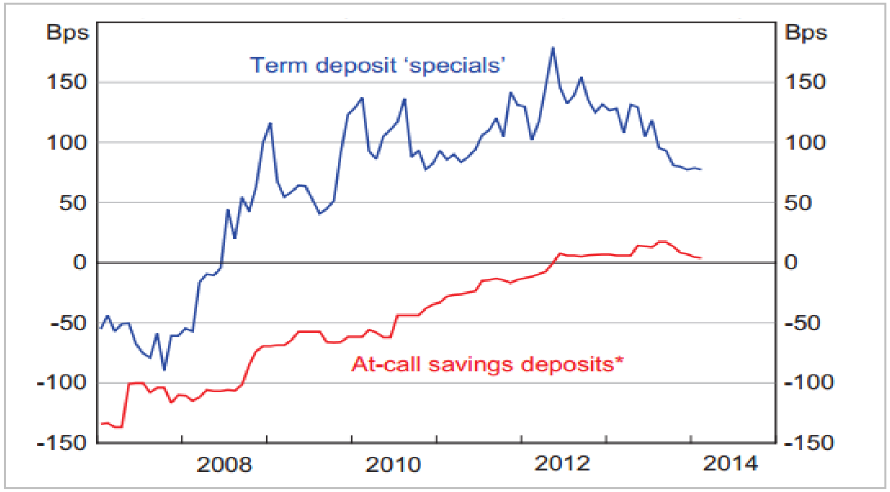
Retail Deposit Mix



Long Term Funding Costs[2]



Deposit spreads over money market rates



1 Maturity profile includes all long term wholesale debt. Weighted Average Maturity of 3.8 years includes all deals with first call or residual maturity of 12 months or greater.
2 CBA Group Treasury estimated blended wholesale funding costs.

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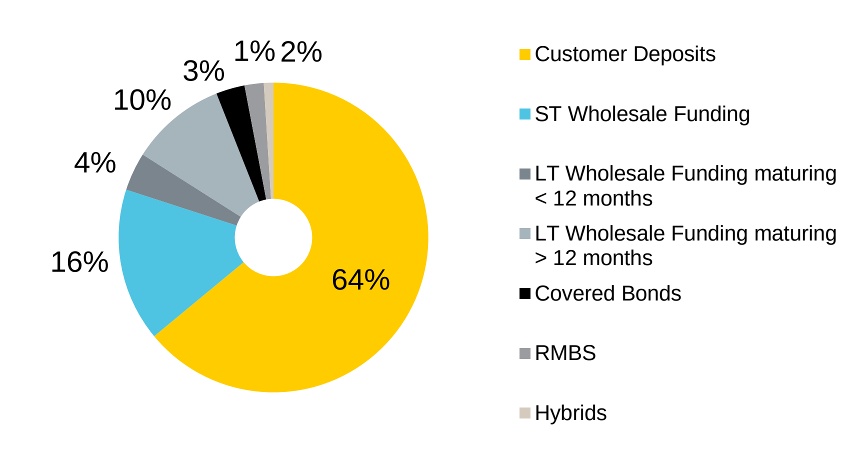
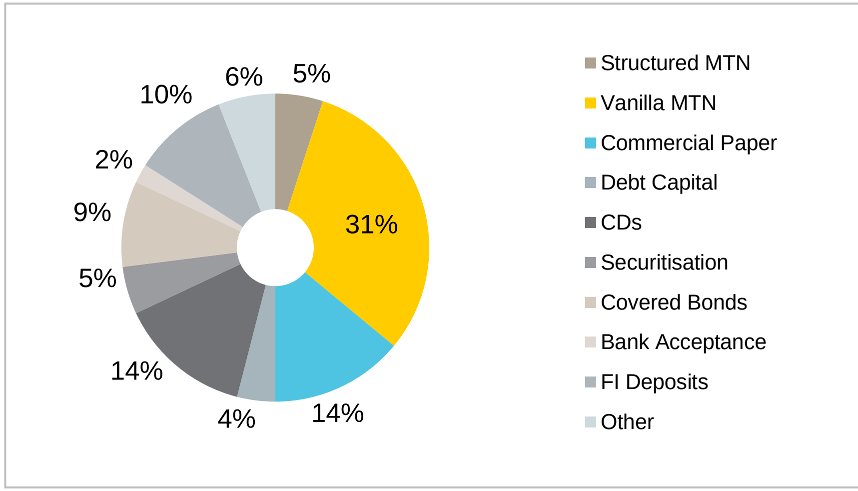
Funding - Portfolio

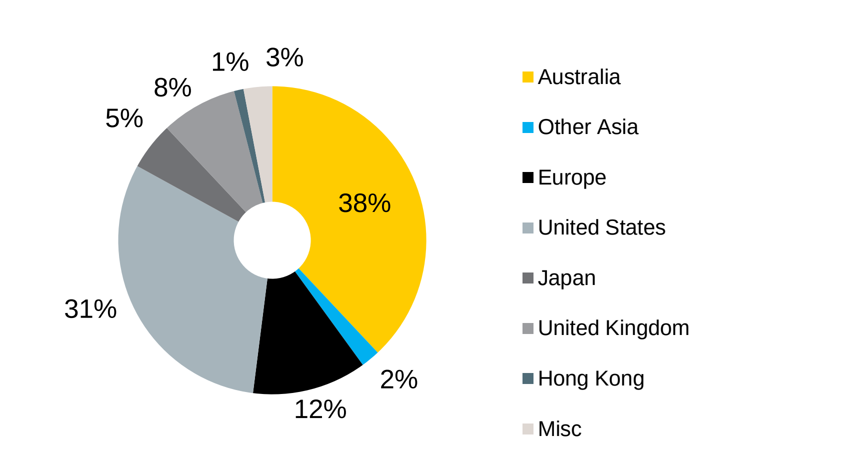
Funding Composition



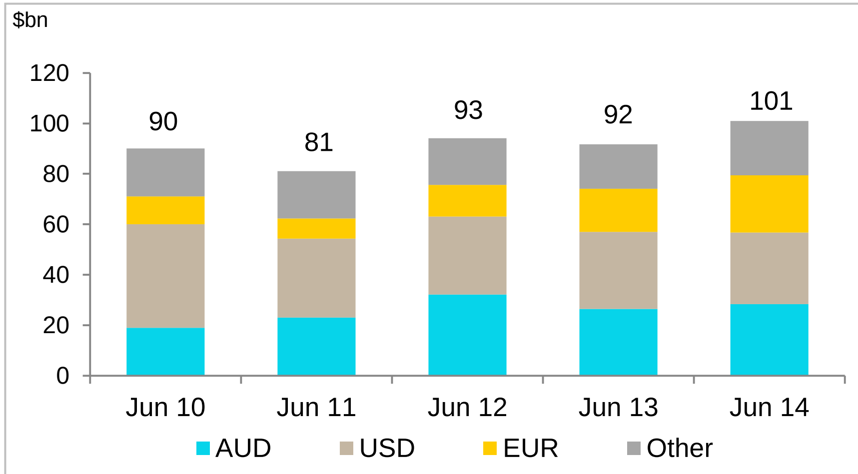
Wholesale Funding by Product



Wholesale Funding by Currency



Term Debt Issues Outstanding (>12mths)[1]



1 Total of debt issues (at current FX) plus A$ Transferable Certificates of deposit. Excludes IFRS.

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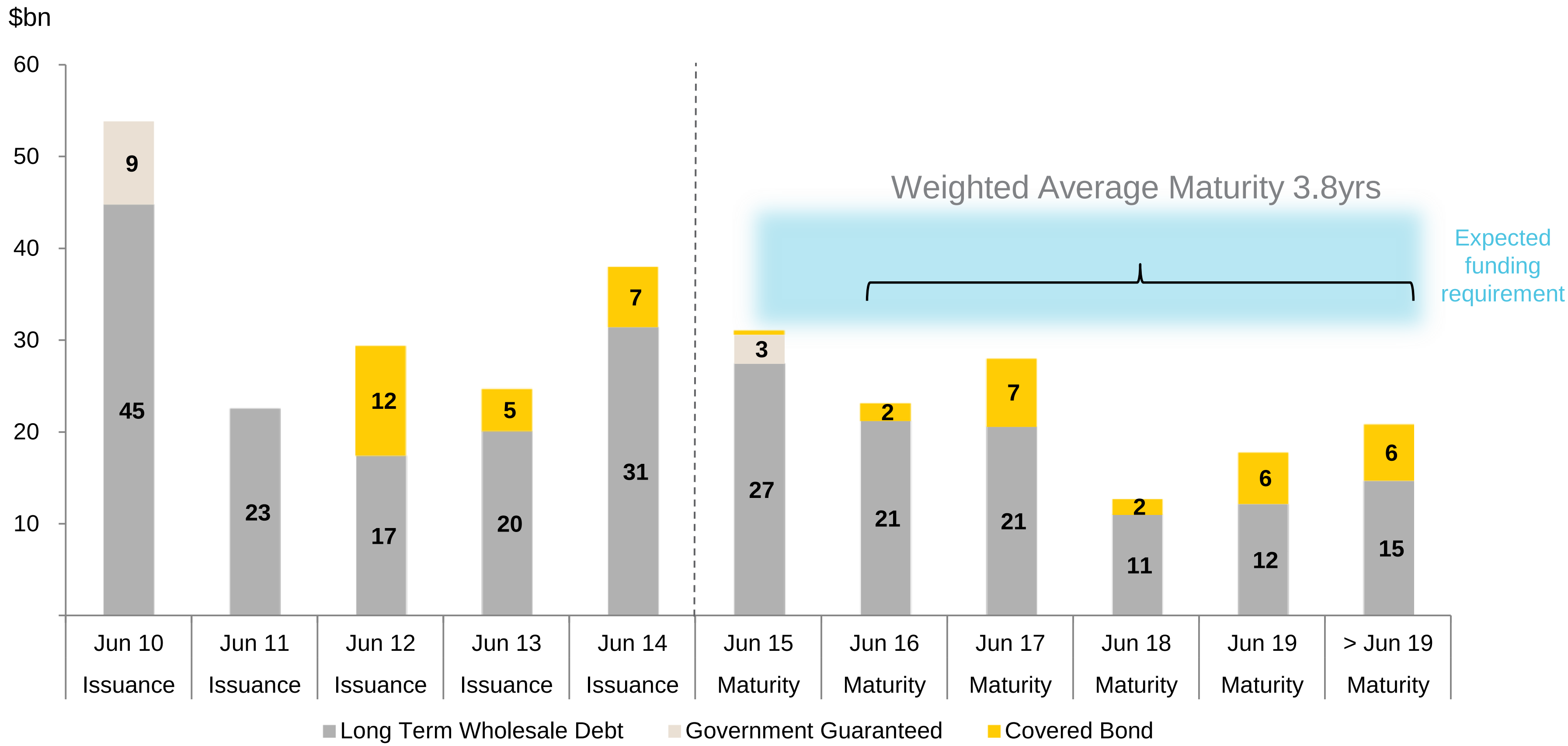
Funding – Issuance and Maturity [1]

- Funding strategy driven by market and investor diversity, appropriate maturity profile and overall cost
- Term wholesale funding requirement has eased materially since FY 2010
- Covered bonds capacity remains ~ 55% or $25bn

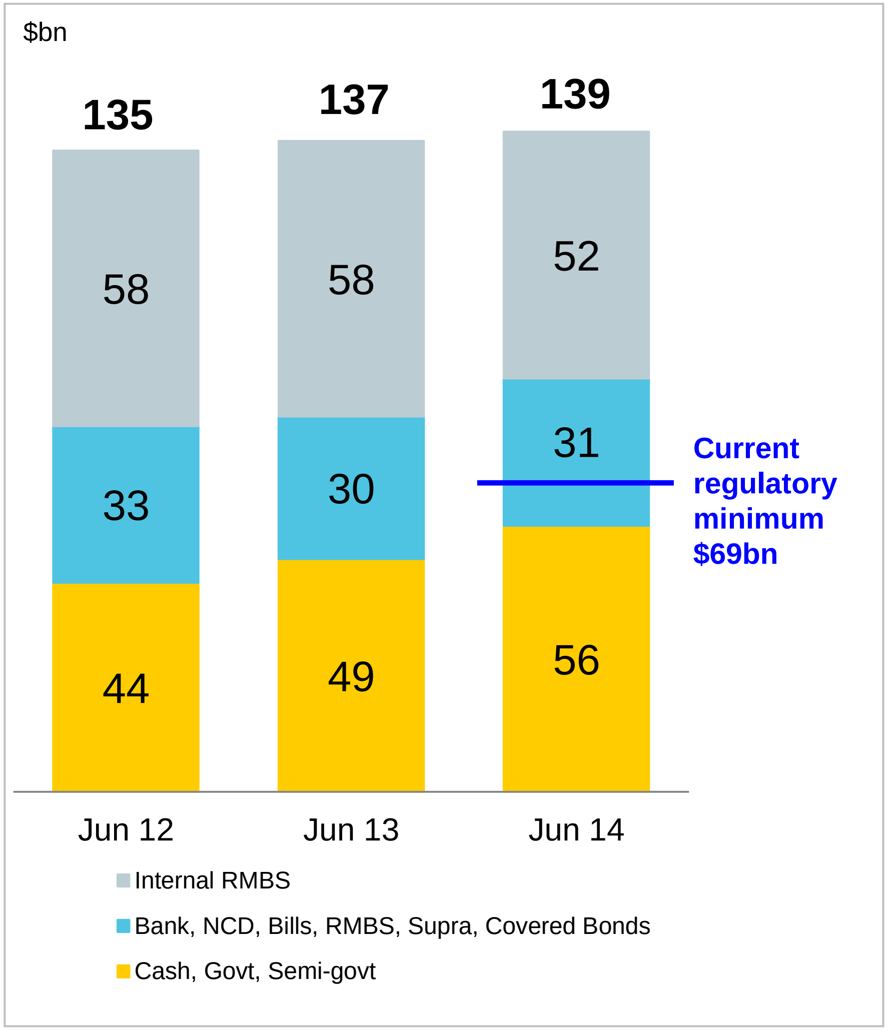


1 Maturity profile includes all long term wholesale debt. Weighted Average Maturity of 3.8 years includes all deals with first call or maturity of 12 months or greater.

Increased liquidity

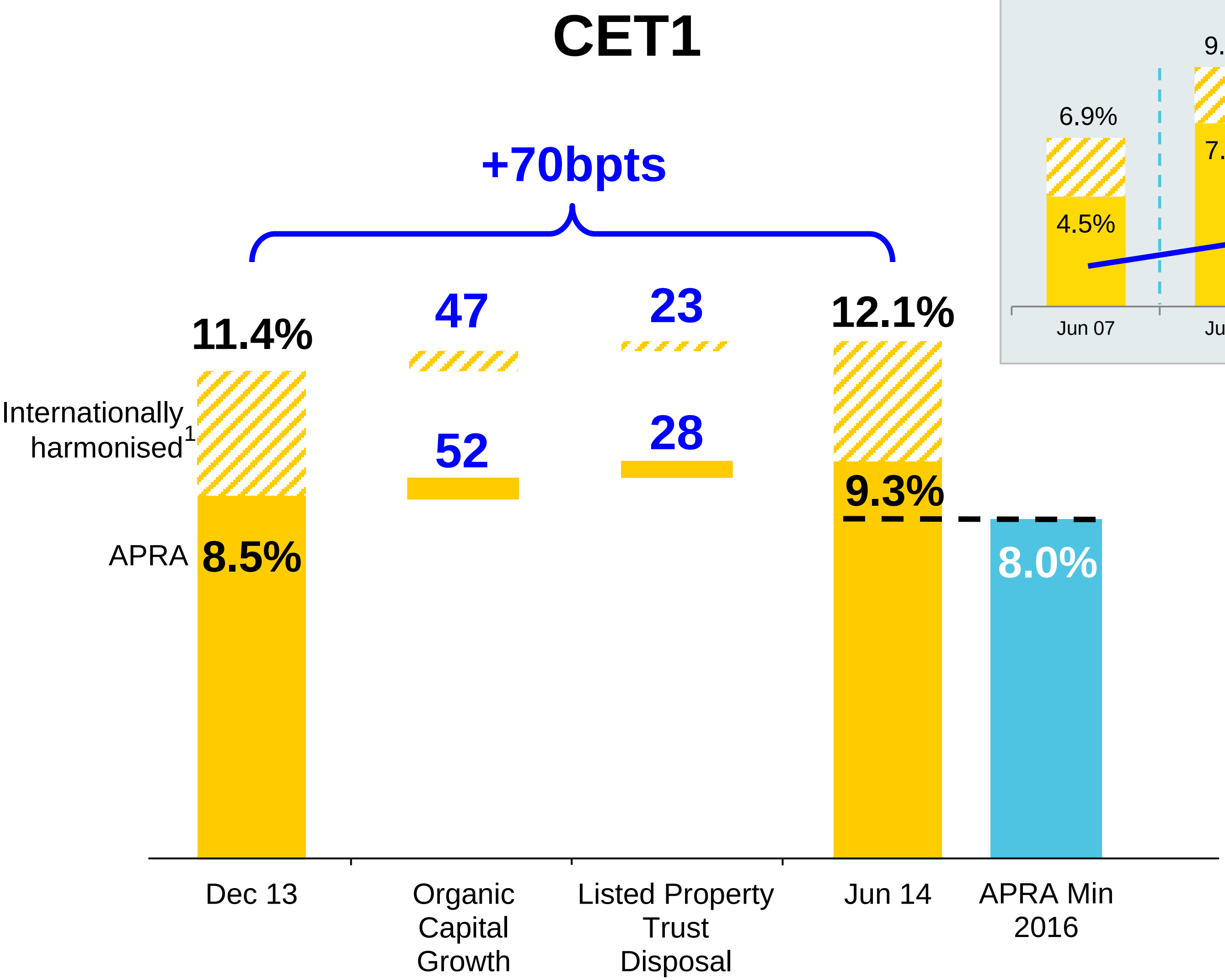
- APRA Prudential Standard (APS210) effective from 1 January 2014
- Full Liquidity Coverage Ratio (LCR) compliance from 2015 – no phase-in
- RBA Committed Liquidity Facility (CLF) remains a core part of LCR compliance for Australian banks given lack of AUD HQLA1
  - Only applies to AUD LCR HQLA shortage
  - 15bp commitment fee on approved amount with additional cost if used
  - Collateralised by RBA repo-eligible securities (including Internal RMBS)
- APRA to determine the size of CLF in context of AUD cash outflows and acceptable HQLA1 holdings
- Formal CLF application in 2014 for 2015

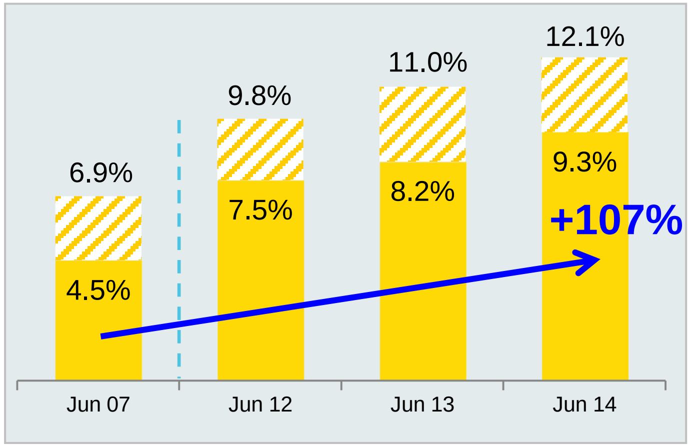
Liquid Assets [1]



1 Liquids reported post applicable haircuts

Strong capital position

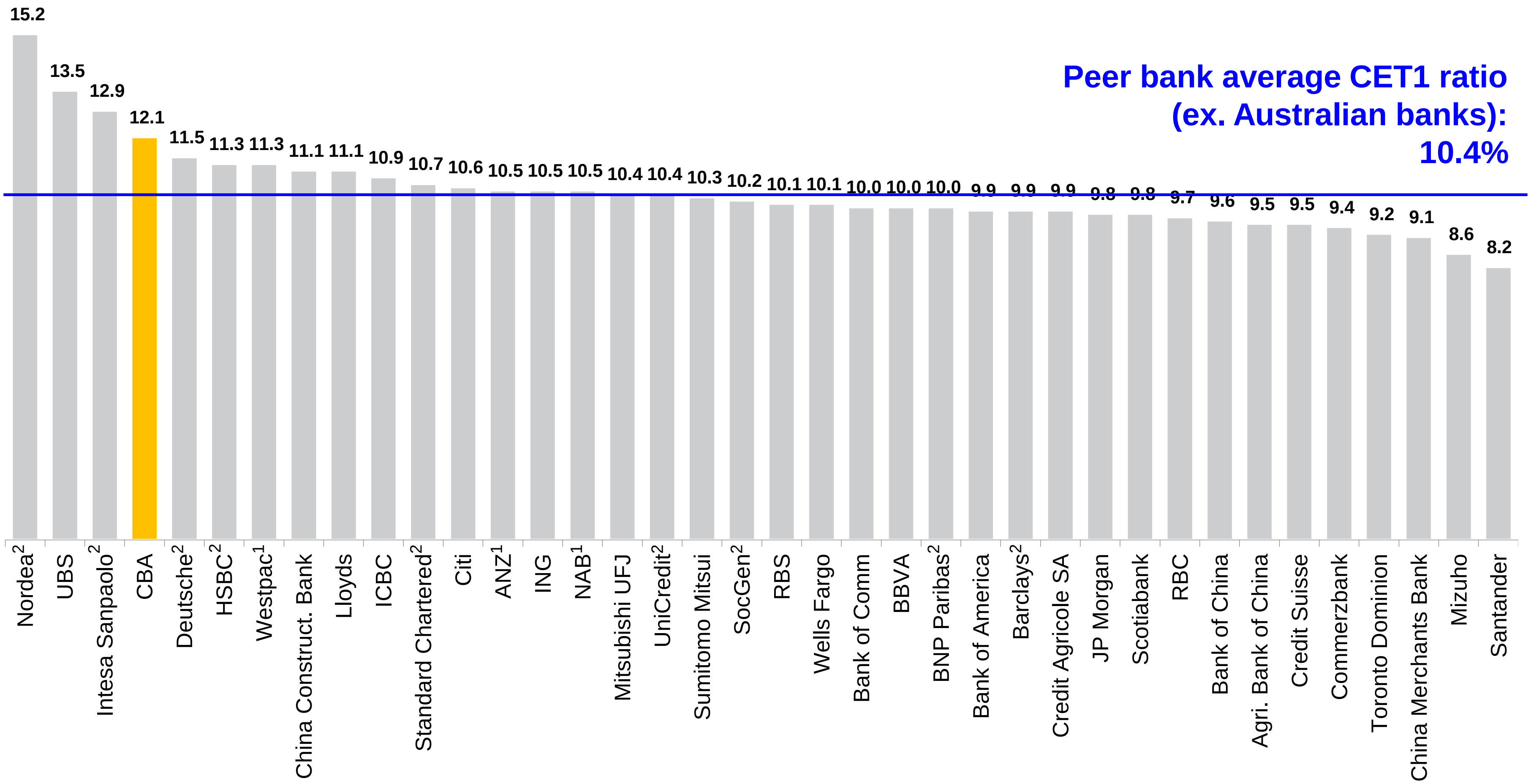




- Strong organic growth
- Jun 14 DRP to be neutralised

1 Assumes Basel III Capital reforms have been fully implemented. The methodology is currently the subject of an industry-led review which may result in a higher ratio.

International Peer Basel III CET1



Source: Morgan Stanley. Based on last reported CET1 ratios up to 8 August 2014 assuming Basel III capital reforms fully implemented. CBA's internationally harmonised capital ratio above includes the most significant differences between APRA and Basel standards. The methodology is currently the subject of an industry-led review which may result in a higher ratio. Peer group comprises listed commercial banks with total assets in excess of A$700 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley estimate.

1 Domestic peer figures as at 31 March 2014
2 Includes deduction for accrued expected future dividends

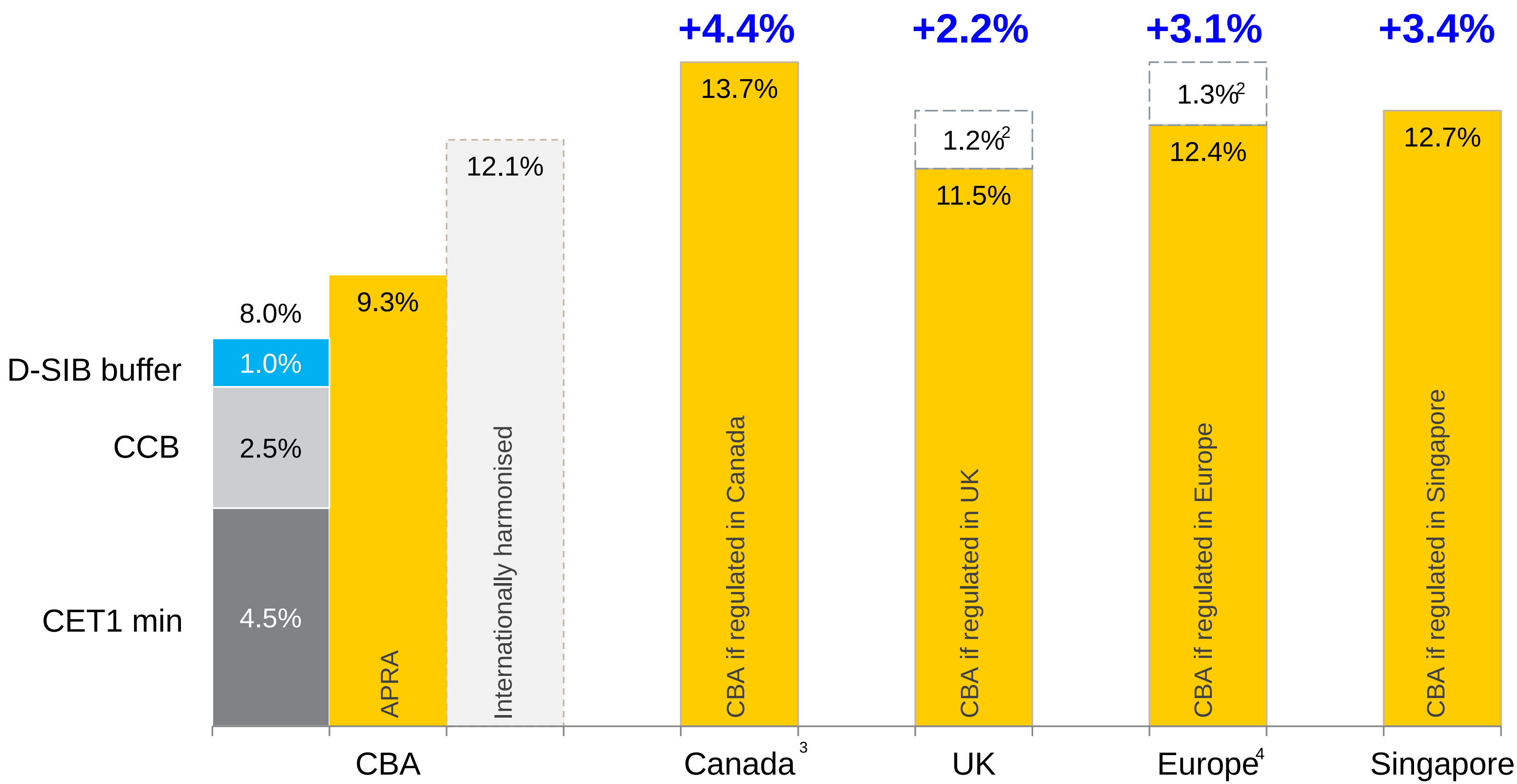
APRA & international comparison

The following table provides details of the impact on CBA Group capital, as at 30 June 2014, of the differences between the APRA Basel III prudential requirements[1] and the requirements of the Basel Committee on Banking Supervision (BCBS).[1]

%	CET1	Tier 1 Capital	Total Capital
Basel III (APRA)	**9.3%**	**11.1%**	**12.0%**
Equity investments	0.9%	0.9%	0.9%
Deferred tax assets	0.3%	0.3%	0.3%
IRRBB risk weighted assets	0.4%	0.5%	0.5%
RWA treatment - mortgages	1.2%	1.4%	1.4%
Total adjustments	**2.8%**	**3.1%**	**3.1%**
Basel III (International)	**12.1%**	**14.2%**	**15.1%**

1 APRA Basel III final standards released September 2012, BCBS December 2010 Paper

CBA CET1 under various regulatory regimes[1]



Source: CBA, PwC and Morgan Stanley. Morgan Stanley has reviewed the methodology used to calculate the impact in Canada, UK, Europe and Singapore .
The internationally harmonised capital ratio above includes the most significant differences between APRA and Basel standards. The methodology is currently the subject of an industry-led review which may result in a higher ratio.

1. Calculations under the non-APRA regimes include the impact of international harmonisation as well as adjusting for additional regulatory constraints imposed by APRA which are not required in those jurisdictions.
2. Since 31 December 2013, UK and European banks have taken a deduction for accrued expected future dividends (if they are paying dividends).
3. Does not include the benefit of the Canadian Government guarantee of mortgage insurers which allows Canadian banks to realise lower risk-weights.
4. Based on CRD IV as implemented by the European Commission.

D-SIB and CCB Buffer

- In December 2013, APRA announced that the Australian major banks are domestic systemically-important banks (D-SIBs)
- From 1 January 2016, D-SIBs are required to hold 1% additional capital in the form of CET1 (called the D-SIB buffer)
- D-SIB buffer forms part of the capital conservation buffer (CCB) – from 1 January 2016, if a bank's CET1 ratio falls within the capital conservation buffer, then it will only be able to use a certain percentage of its earnings to make discretionary payments such as dividends, hybrid Tier 1 distributions and bonuses

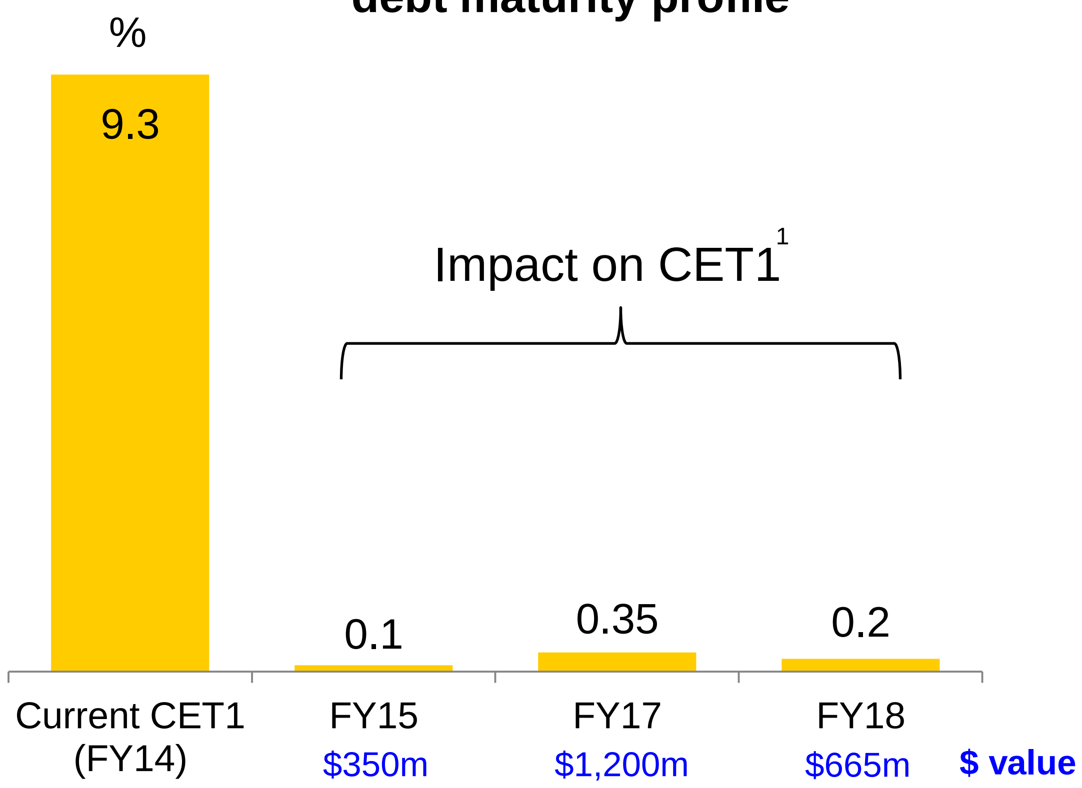
CET1 ratio	Value	% of earnings able to be used for discretionary payments
Above top of CCB	PCR + 3.5%, and above	100%
Fourth quartile of CCB	Less than PCR + 3.5%	60%
Third quartile of CCB	Less than PCR + 2.625%	40%
Second quartile of CCB	Less than PCR + 1.75%	20%
First quartile of CCB	Less than PCR+ 0.875%	0%
Prudential capital ratio	PCR (minimum)	0%

Above example assumes the total CCB (including the D-SIB buffer) is 3.5%

Colonial Group Debt

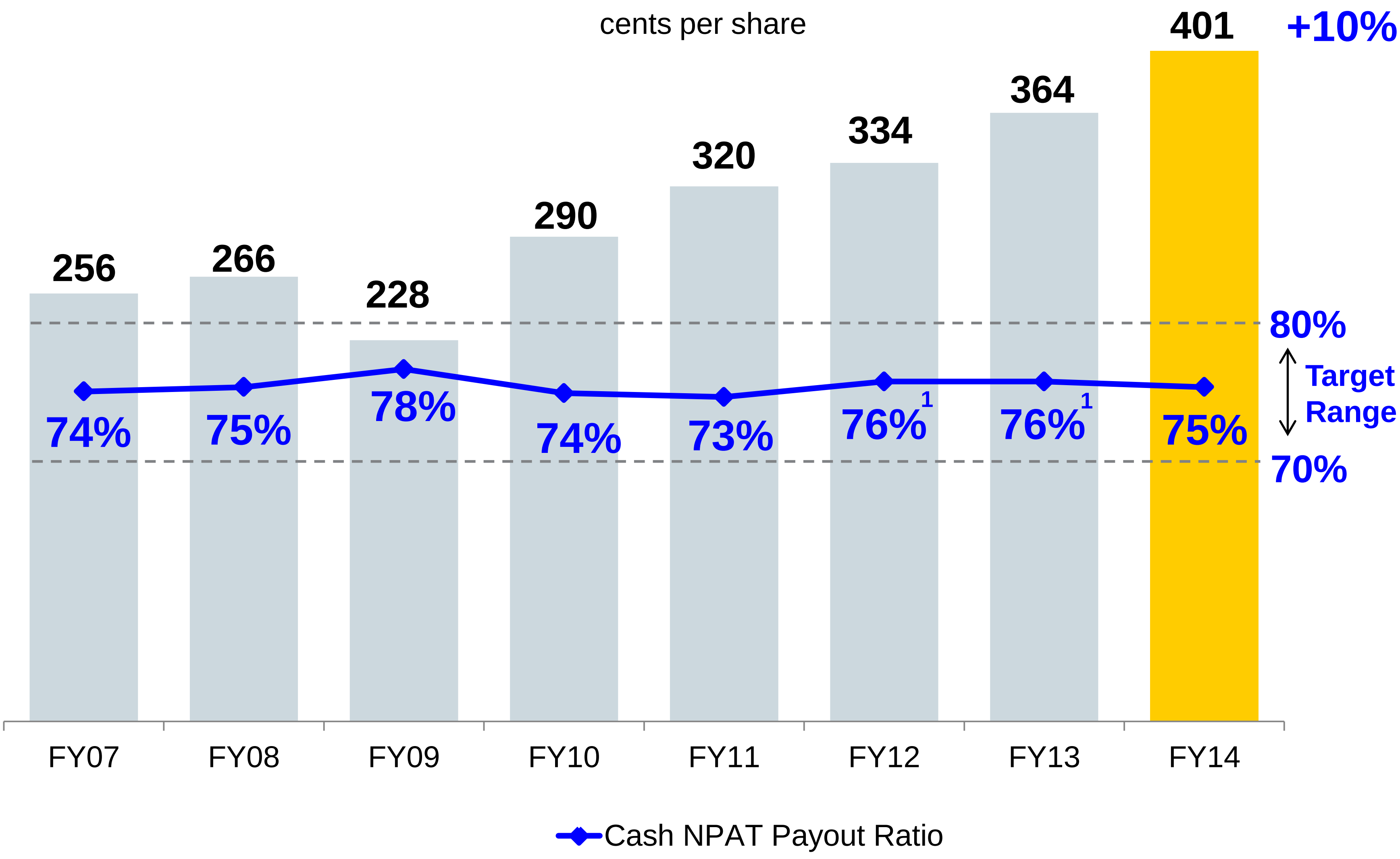
- Capital benefit from Colonial Group debt will be phased out as existing debt matures
- No immediate capital impact and strong capital generation will mitigate impact in future periods
- Timing of APRA Level 3 capital reforms not known but not expected to be material for the Group

Colonial Group debt maturity profile



1 CET1 (APRA) impact based on Jun 14 RWA. Future growth in RWAs is expected to reduce the impact.

Dividend



1 FY12 and FY13 payout ratios restated following retrospective application of AASB 119 Employee Benefits

Regulatory Change

Capital	2015	2016	2018
	Leverage ratio observation period (publicly disclosed) **Level 3 reforms** to be implemented	**Capital conservation buffer** to be implemented (CET1 2.5%) **D-SIB surcharge** to be implemented (CET1 1.0%)	**Leverage ratio** to be implemented

Capital

- Strong capital levels in lead up to implementation of capital conservation buffer and D-SIB surcharge in 2016
- Draft Level 3 (conglomerate) standards released by APRA in May 2013 – expect current capital levels to be sufficient
- Leverage ratio public disclosure from 1 January 2015 testing a 3% minimum based on Tier 1 capital as a percentage of exposures
- APRA expected to follow Basel committee proposals on leverage ratio

Liquidity & Funding	2015	2018
	LCR to be implemented without phase in (LCR > 100%)	**NSFR** to be implemented

Liquidity & Funding

- RBA to provide Committed Liquidity Facility (CLF) to address shortage of $A HQLA1
- Aggregate level of $A HQLAs currently held by scenario analysis banks seen as appropriate
- Net Stable Funding Ratio (NSFR) to be considered after finalisation of global arrangements

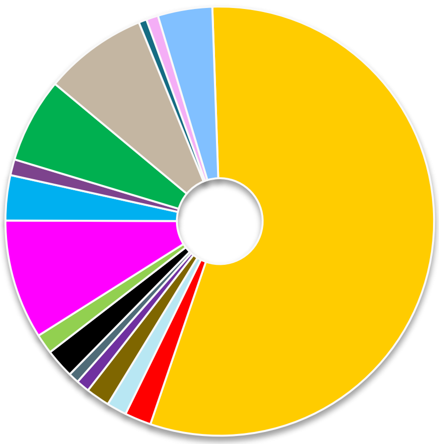
Outlook

- Domestically:
  - Strong foundations, but confidence remains fragile
  - Lower interest rates a positive for housing/construction, offsetting reduced investment in resource sector
  - Increased production from investments in resource sector
- Recent relative stability in global economy, but downside risks remain
- FY15:
  - Improvements in economy likely to be gradual – depending on ongoing stability
  - Coherent economic picture for Australia critical
  - We continue to take a long term view – building on priority capabilities

Credit & housing

Credit Exposures[1] by Industry

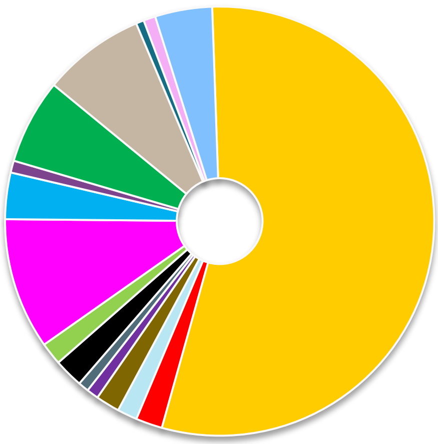
Jun 14



Australia	78.4%
New Zealand	8.9%
Europe	5.0%
Other International	7.7%

	Jun 14	Jun 13
Consumer	55.8%	54.9%
Agriculture	2.0%	2.0%
Mining	1.5%	1.5%
Manufacturing	1.8%	1.8%
Energy	1.0%	0.9%
Construction	0.8%	0.8%
Retail & Wholesale	2.2%	2.2%
Transport	1.5%	1.7%
Banks	9.0%	9.9%
Finance – other	3.4%	3.5%
Business Services	1.2%	0.9%
Property	6.4%	6.4%
Sovereign	7.8%	7.7%
Health & Community	0.6%	0.6%
Culture & Recreation	0.9%	0.9%
Other	4.1%	4.3%
Total	**100%**	**100%**

Jun 13



Australia	78.9%
New Zealand	8.4%
Europe	5.1%
Other International	7.6%

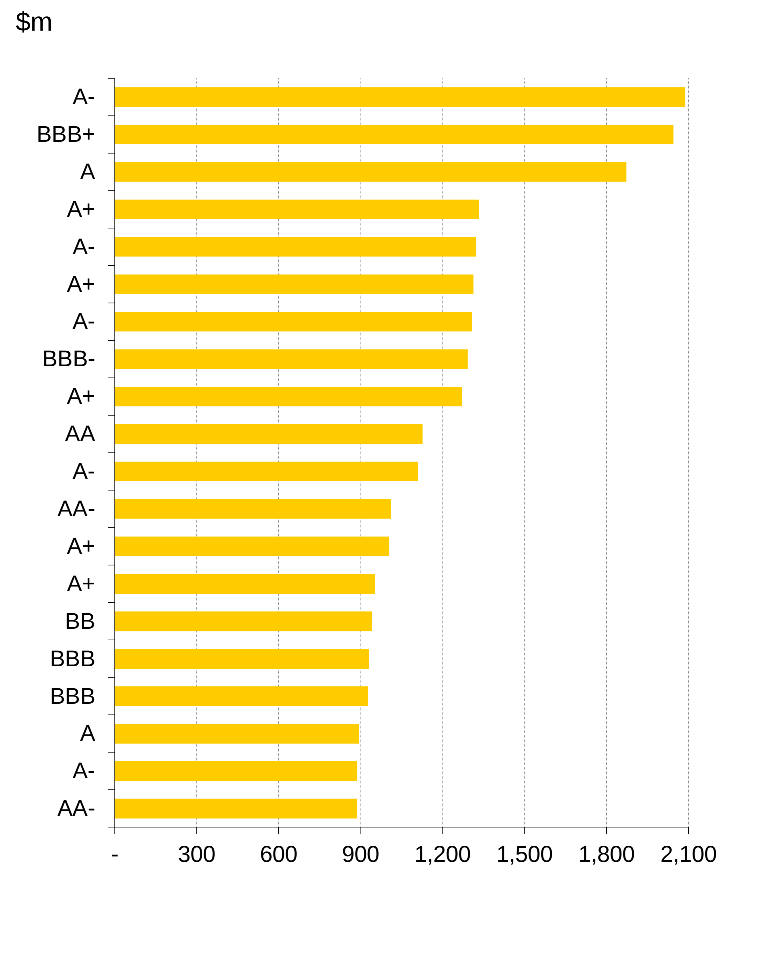
1 Total committed credit exposure (TCE) = balance for uncommitted facilities or greater of limit or balance for committed facilities. Calculated before collateralisation. Includes ASB and Bankwest. Excludes settlement risk.

Sector Exposures

Commercial Exposures by Industry [1,2]

$bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Total
Banks	35.7	39.0	5.8	1.0	**81.5**
Finance Other	10.8	13.5	3.1	3.8	**31.2**
Property	0.8	6.4	11.9	39.2	**58.3**
Sovereign	64.5	5.1	0.6	0.4	**70.6**
Manufacturing	0.2	3.0	5.9	7.0	**16.1**
Retail/Wholesale Trade	0.2	2.1	5.5	12.1	**19.9**
Agriculture	-	0.5	2.1	15.3	**17.9**
Energy	0.2	1.6	6.0	0.8	**8.6**
Transport	0.2	2.0	7.9	3.6	**13.7**
Mining	1.1	4.7	3.7	3.8	**13.3**
All other (ex consumer)	1.8	5.0	17.1	37.6	**61.5**
Total	**115.5**	**82.9**	**69.6**	**124.6**	**392.6**

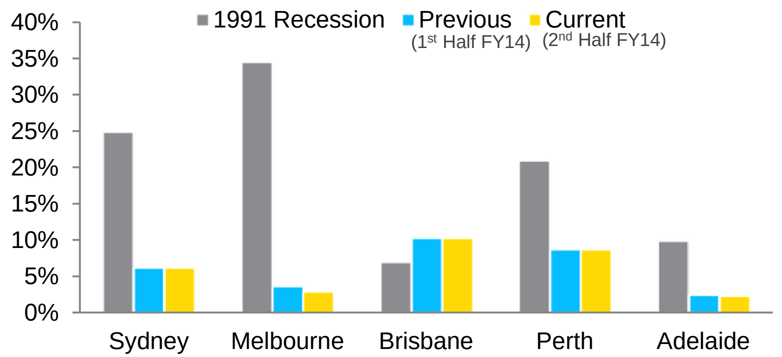
Top 20 Commercial Exposures[2]



1 Gross credit exposure before collateralisation (TCE) = balance for uncommitted facilities and greater of limit or balance for committed facilities. Includes ASB and Bankwest, and excludes settlement exposures and leasing exposures.
2 CBA grades in S&P Equivalents. Includes ASB and Bankwest. Total approved exposure.

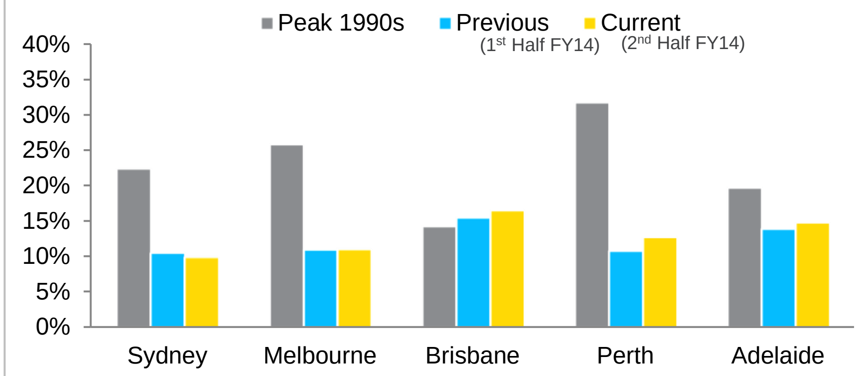
Commercial Property Market

CBD Office Supply Pipeline[1]



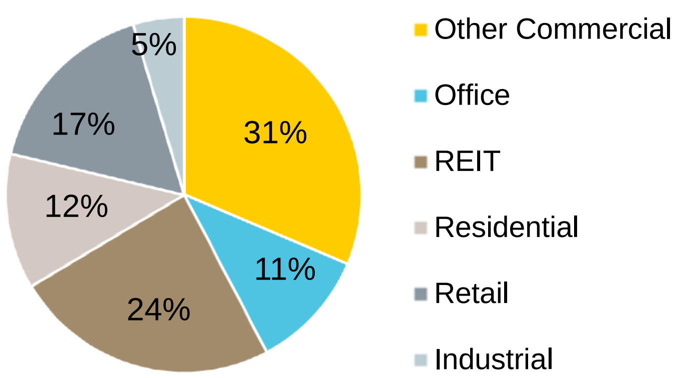
Source : JLL Research

CBD Vacancy Rates

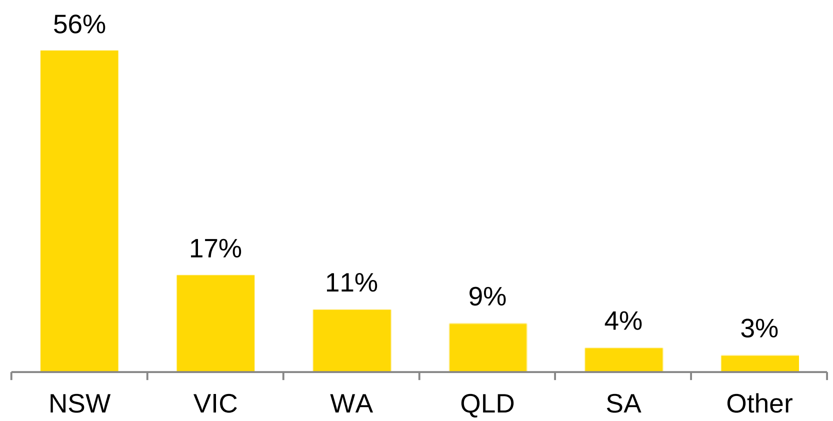


Source : JLL Research

Group Commercial Property Profile[2]



Commercial Property by State[2]



1 The development pipeline includes all projects currently under construction
2 Includes ASB and Bankwest. Excludes service sectors

CommonwealthBank

RBS Home Loan Portfolio

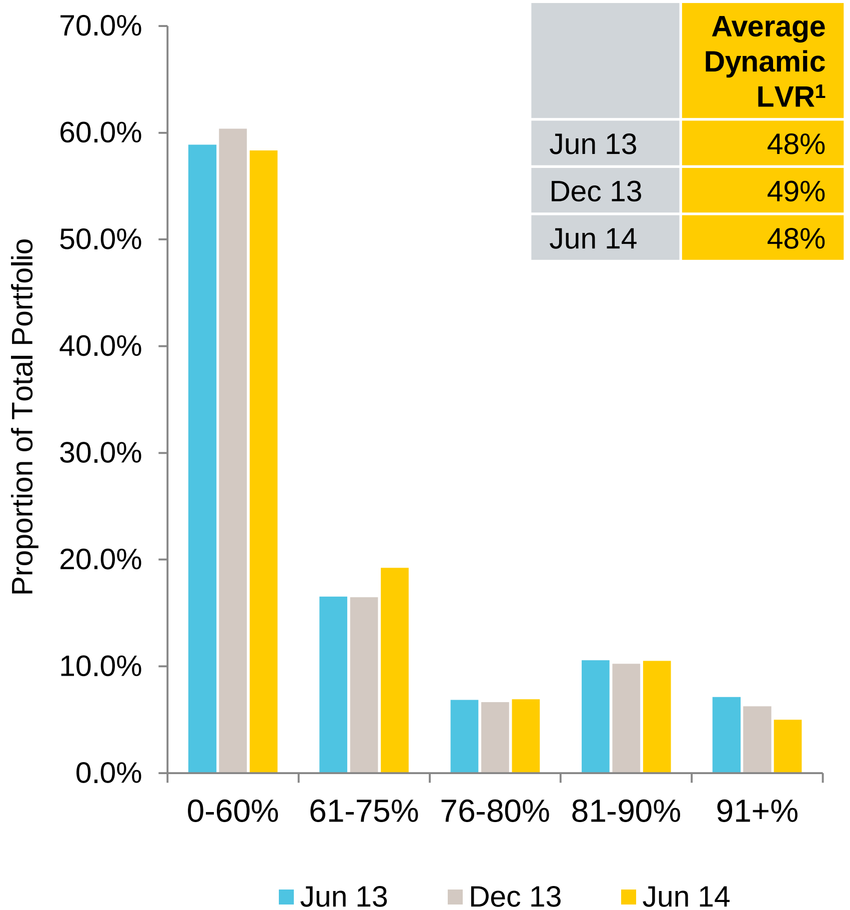
	Jun 14	Jun 13
Total Balances - Spot ($bn)	302	285
Total Balances - Average ($bn)	293	278
Total Accounts (m)	1.5	1.4
Variable Rate - % of balances	81	84
Owner Occupied - % of balances	58	58
Investment - % of balances	35	34
Line of Credit - % of balances	7	8
Proprietary - % of balances	62	63
Broker - % of balances	38	37
Interest Only - % of balances[2]	34	32
First Home Buyers - % of balances	12	14
Low Doc - % of balances	1.4	1.9
LMI - % of balances[3]	24	25
LDP - % of balances[4]	6.3	5.6
MIP - % of balances[5]	0.04	0.08
Customers in Advance (%)[6]	76	80
Payments in Advance (#)[7]	7	7
Portfolio Dynamic LVR (%)[9]	48	48

	Jun 14	Jun 13
Total Funding ($bn)[1]	73	63
Average Funding Size ($'000)[1]	254	244
Serviceability Buffer (%)[8]	1.5	1.5
Variable Rate - % of funding[1]	81	83
Owner Occupied - % of funding[1]	61	62
Investment - % of funding[1]	35	33
Line of Credit - % of funding[1]	4	5
Proprietary - % of funding[1]	62	63
Broker - % of funding[1]	38	37
Interest Only - % of funding[1,2]	35	33
First Home Buyers - % of funding[1]	6	11
Low Doc - % of funding[1]	0.1	0.2
LMI - % of funding[1,3]	21	23
Portfolio Run-Off (%)[1]	19	18

1. 12 months to June.
2. Excludes Viridian LOC.
3. Lenders' Mortgage Insurance.
4. Low Deposit Premium.
5. Mortgagee in Possession.
6. Any payment ahead of monthly minimum repayment.
7. Average number of payments ahead of scheduled repayments.
8. Serviceability test based on the higher of the customer rate plus a 1.5% interest rate buffer or a minimum floor rate.
9. Defined as current balance/current valuation (3 month lag due to data availability).

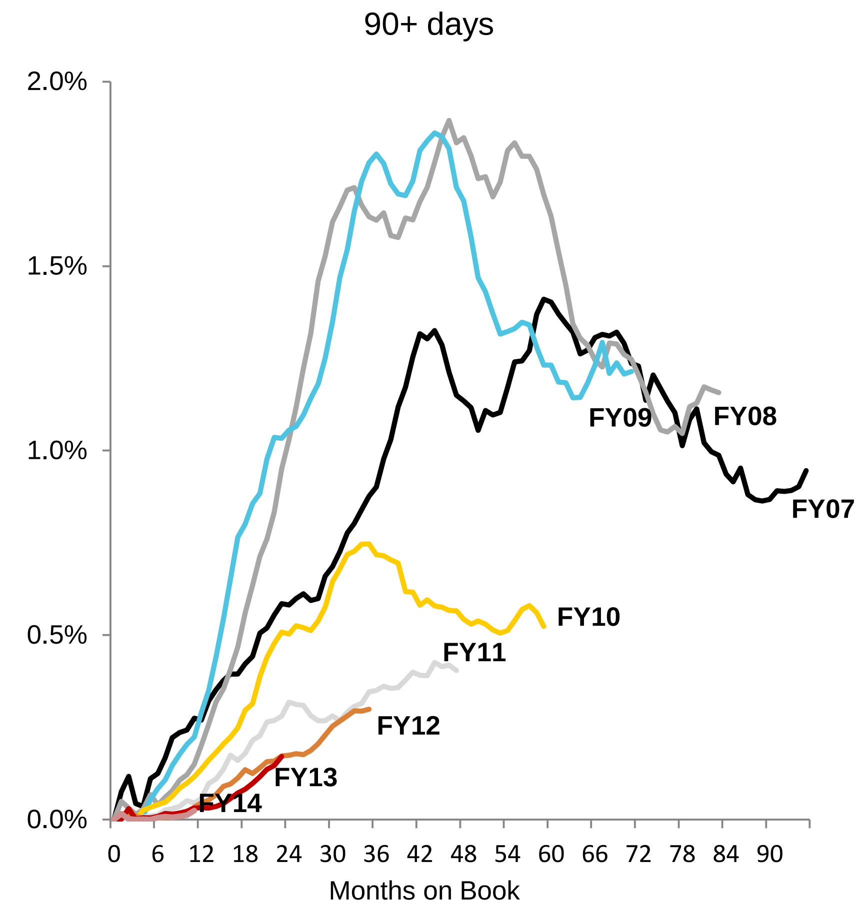
RBS Home Loans – LVR & Arrears

Home Loan Dynamic LVR[1] Profile



	Average Dynamic LVR[1]
Jun 13	48%
Dec 13	49%
Jun 14	48%

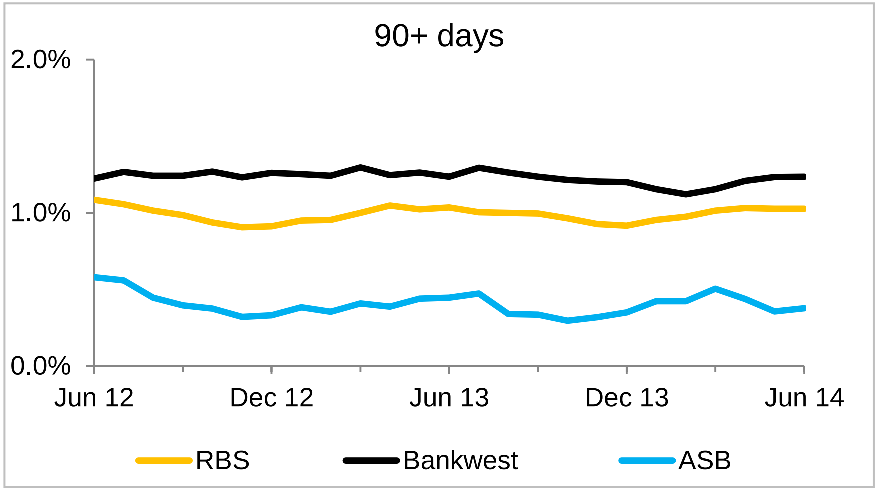
Home Loan Arrears Rates by Vintage



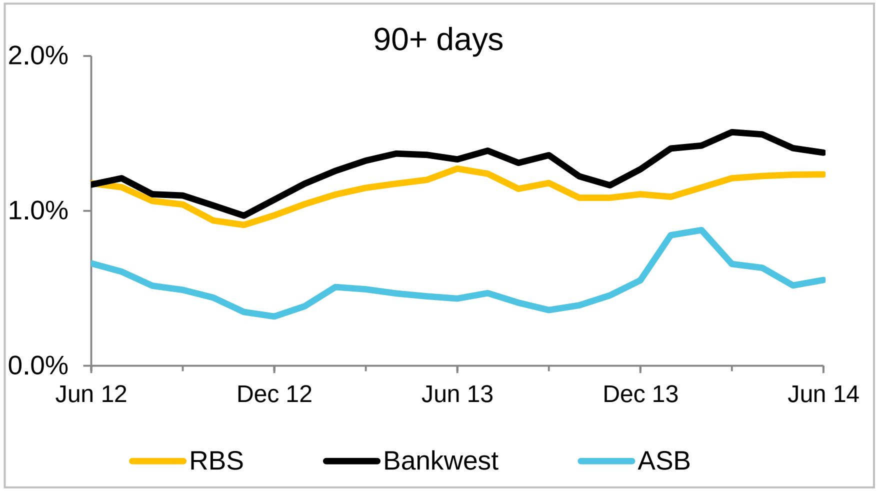
1 Dynamic LVR is current balance / current valuation (3 month lag due to data availability)

Consumer Arrears (Group)

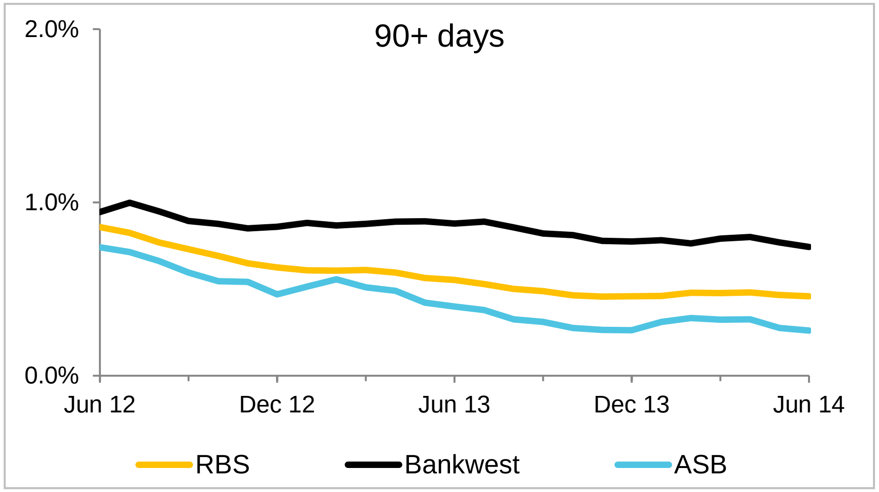
Credit Cards [1]



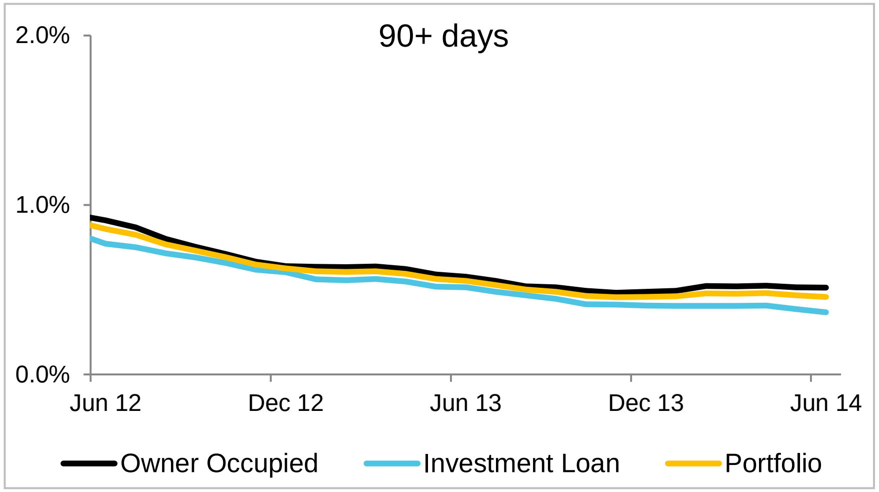
Personal Loans [1]



Home Loans [1]



RBS Home Loans



1 Results not consistently measured/defined across the industry. CBA definition is conservative as it includes Hardship accounts

CommonwealthBank

RBS Home Loans – Stress Test

Observations

- Aggressive 3 year "stress test" scenario of cumulative 32% house price decline and peak 11.5% unemployment
- House prices and PDs are stressed at regional level
- Total potential losses of approximately $1.6bn for the uninsured portfolio only over 3 years
- Potential claims on LMI of $1.2bn[1] over 3 years
- Increase in Net Accounts[2] reflects portfolio volume growth
- Decrease in Existing Accounts[3] due to improvement in property values

Key Assumptions

	Base	Year 1	Year 2	Year 3
Unemployment	5.9%	7.0%	10.5%	11.5%
Hours under-employed[1]	9.4%	11.4%	15.8%	18.4%
Cumulative House Prices	n/a	-15%	-32%	-32%
Cash Rate	2.5%	2.75%	1.00%	1.00%

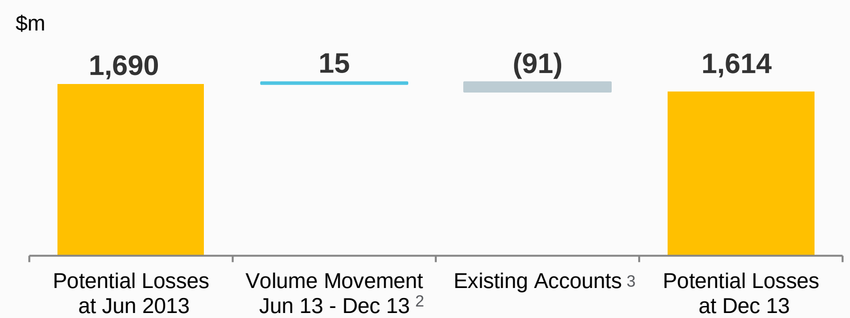
1 The total number of hours not worked relative to the size of the workforce

Key Outcomes

	Year 1	Year 2	Year 3
Stressed Losses	$298m	$546m	$770m
Probability of Default (PD)	1.08%	1.72%	2.48%

- Results based on December 2013, due to the lag in the publication of current valuations data
- Total potential losses of $1,614m for the uninsured portfolio predicted over 3 years

Key Drivers of Movement



1 Conservative in that it assumes all loans that become 90 days in arrears will result in a claim
2 Contribution of accounts opened and closed in the period to potential losses
3 Change in potential loss for accounts that have remained on book between June 2013 and December 2013

Significant differences between Australian and US housing markets minimise risk of a US style house price collapse

	CBA / Aust	US
Unemployment	6.4%[1]	6.2%[2]
No-Recourse Lending	No	Yes
Variable vs Fixed	~85%/15%	~15%/85%
Securitisation %	7.6%[3]	22%[4]
Account ownership	Retained by bank	Extensively on-sold
Arrears	1.28%[5]	5.7%[6]

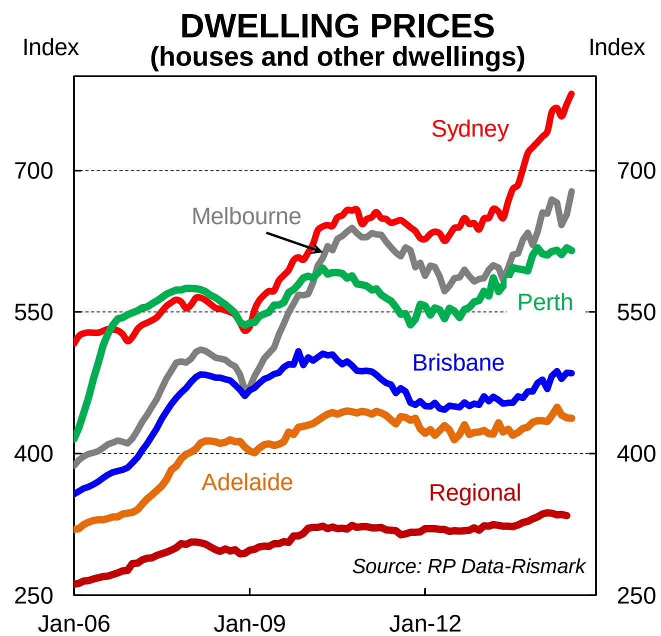
Australian mortgage product

- Principal and interest amortising 25/30 year loan
- Variable interest rate set at bank's discretion
- Limited pre-payment penalty
- Full recourse to borrower
- No tax deduction for owner occupied housing
- Higher risk loans are subject to Lenders Mortgage Insurance (LMI)
- Minimal "low documentation" (ie self certified) market with tighter lending criteria
- Tight consumer credit regulations
- Major banks account for majority of new originations and "originate-to-hold"

1. ABS, Jul'14
2. Bureau of Labor Statistics, Jul'14
3. RBA Mar'14
4. US Federal Reserve Mar'14
5. S&P Mar'14
6. S&P, Jun'14

Rising Australian dwelling prices

Dwelling prices



Dwelling price growth

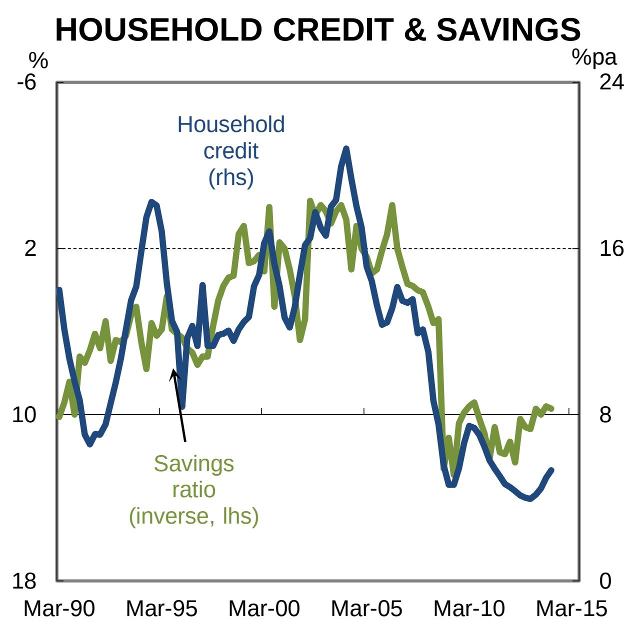
change (%)	3 Years to Jun 14	12 mths to Jun 14	6 mths to Jun 14
Sydney	19.5	15.4	5.5
Melbourne	5.7	9.4	2.9
Brisbane	2.5	7.0	2.3
Adelaide	0.6	2.9	0.8
Perth	10.0	5.2	(0.1)
Australia	**10.2**	**10.1**	**3.3**

Source: RP Data-Rismark, Hedonic Index.

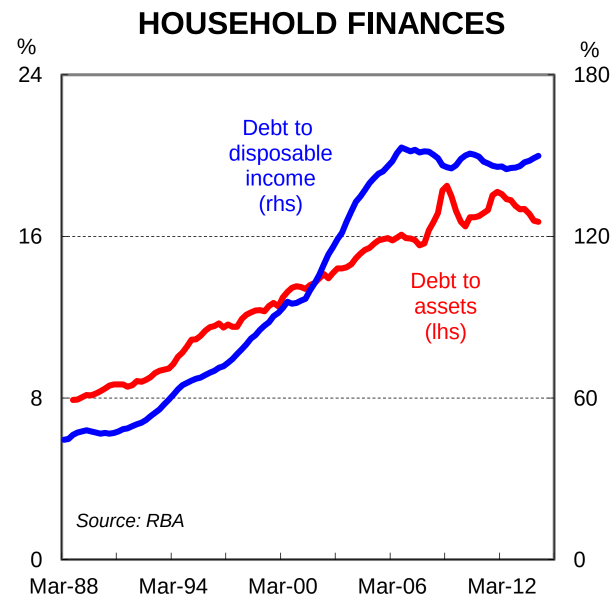
- Rising dwelling prices is one of the transmission paths for monetary policy.
- Higher dwelling prices boost wealth and consumer spending, encourage new construction and lift sentiment.
- House prices are rising ahead of income, so household leverage is lifting again.

Stronger household balance sheets

The household savings rate is below peaks but still remains high



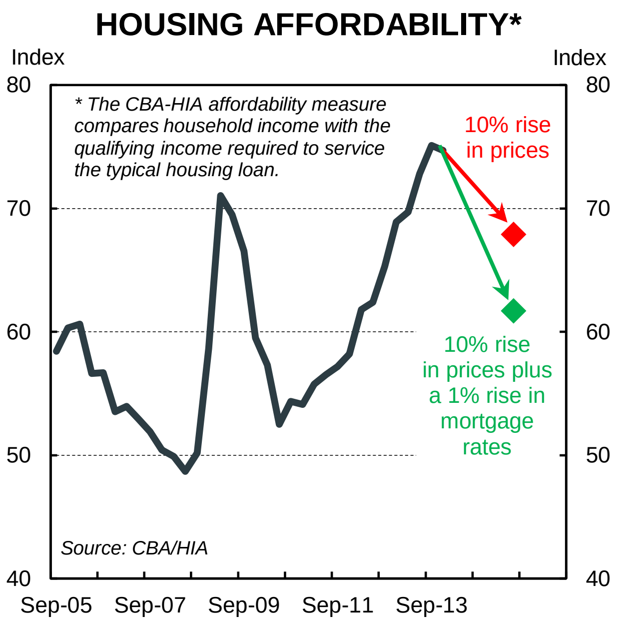
Cautious approach to debt has kept household balance sheets in good shape



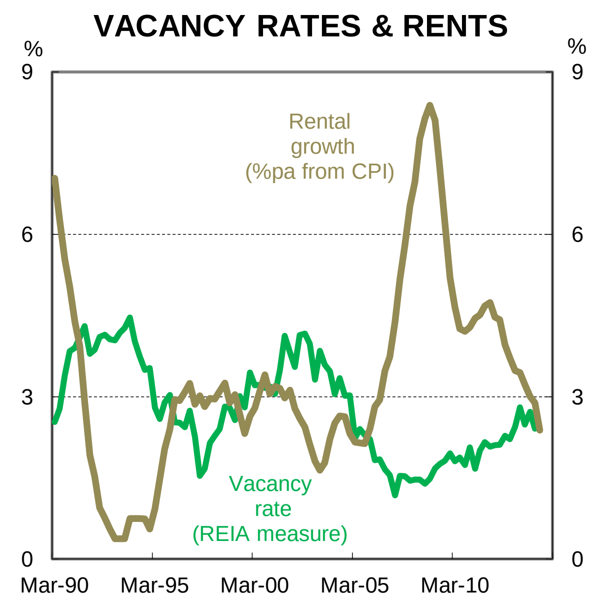
- Household balance sheets are in good shape given high levels of saving and the cautious approach to increasing debt over the past few years.

Natural correction mechanism at work

Rising house prices dampen housing affordability



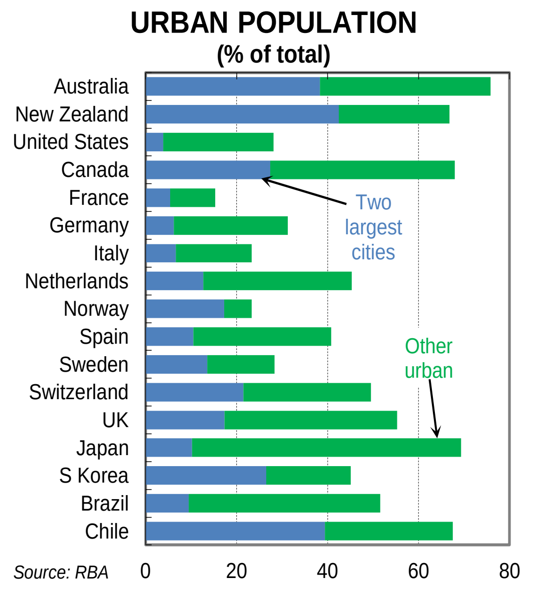
Rising vacancy rates and slower rental growth reduces rental yields

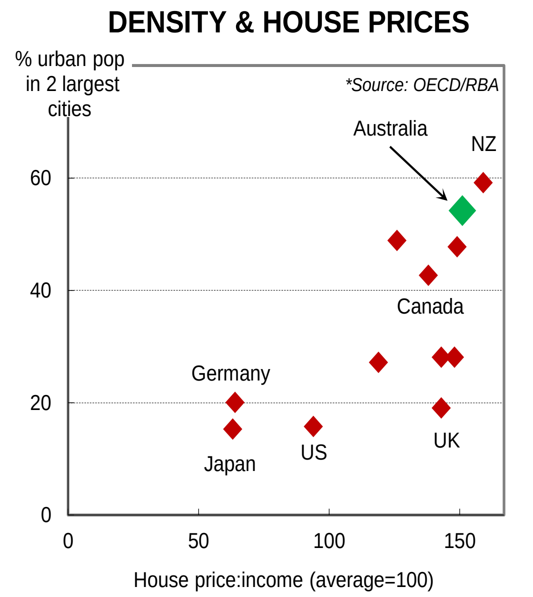


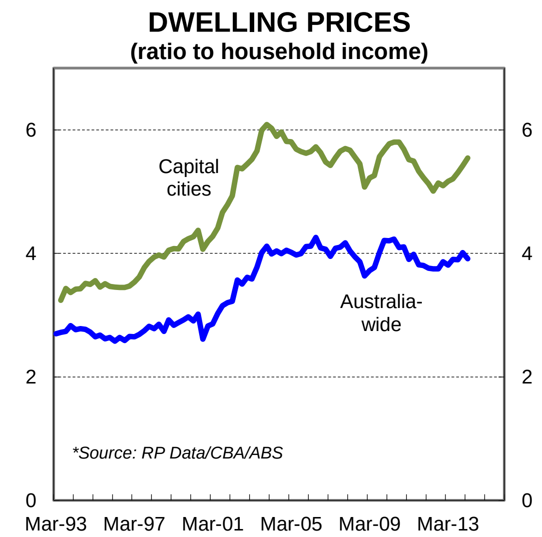
- Natural limits are reached eventually.
  - extra supply lifts vacancy rates and slows dwelling rents; and
  - higher prices reduce affordability and cut rental yields

Urbanisation rates important in assessing house prices

Urban population	Density & house prices	Dwelling prices







- Australia is one of the most urbanised countries in the world; ~38% of urban population live in the two major cities.
- Housing demand and higher incomes are concentrated in the capital cities.
- Price (capital city)-to-Australia-wide income ≈ 5 times.
- Price-to-income (Australia wide) ≈ 4 times.

Economic indicators

CAN

Economic indicators

Economic Summary – Australia

	2010	2011	2012	2013	2014	2015 (f)	2016 (f)
Credit Growth % – Total	3.0	2.7	4.4	3.1	5.1	4-6	4½-6½
Credit Growth % – Housing	8.0	6.0	5.0	4.6	6.4	5¼-7¼	5½-7½
Credit Growth % – Business	-4.0	-2.2	4.4	1.0	3.5	2½-4½	3-5
Credit Growth % – Other Personal	3.0	0.6	-1.4	0.4	0.7	2-4	3-5
GDP %	2.0	2.2	3.6	2.7	2.9(f)	3.0	3.2
CPI %	2.3	3.1	2.3	2.3	2.7	2.7	2.8
Unemployment rate %	5.5	5.1	5.2	5.4	5.8	5.9	5.6
Cash Rate %	4½	4¾	3½	2¾	2½	3	3½

CBA Economist's Forecasts

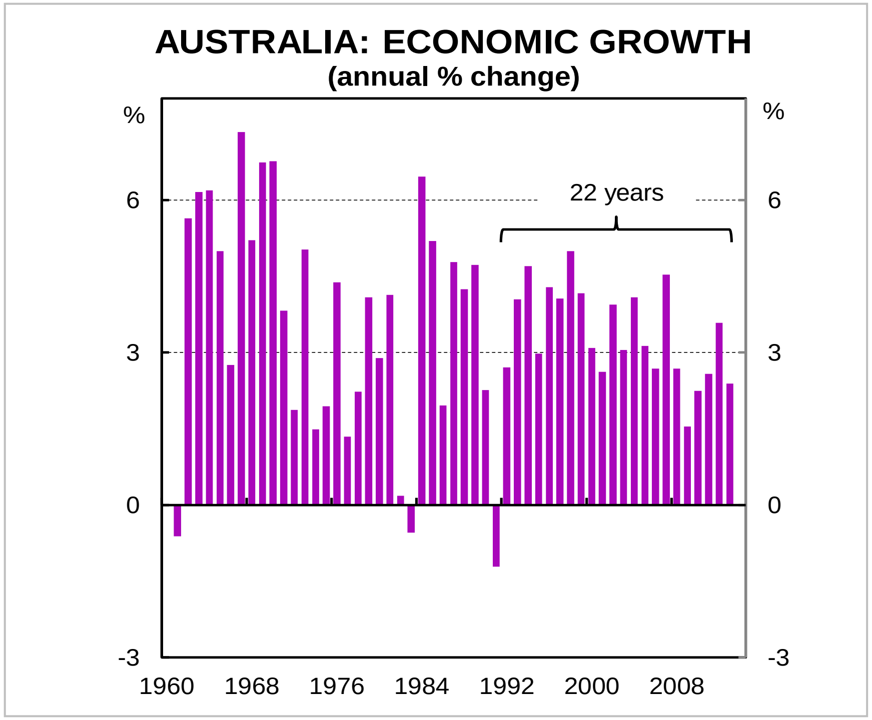
Credit Growth	= 12 months to June qtr
GDP, Unemployment & CPI	= Financial year average
Cash Rate	= As at end June qtr

f = forecast

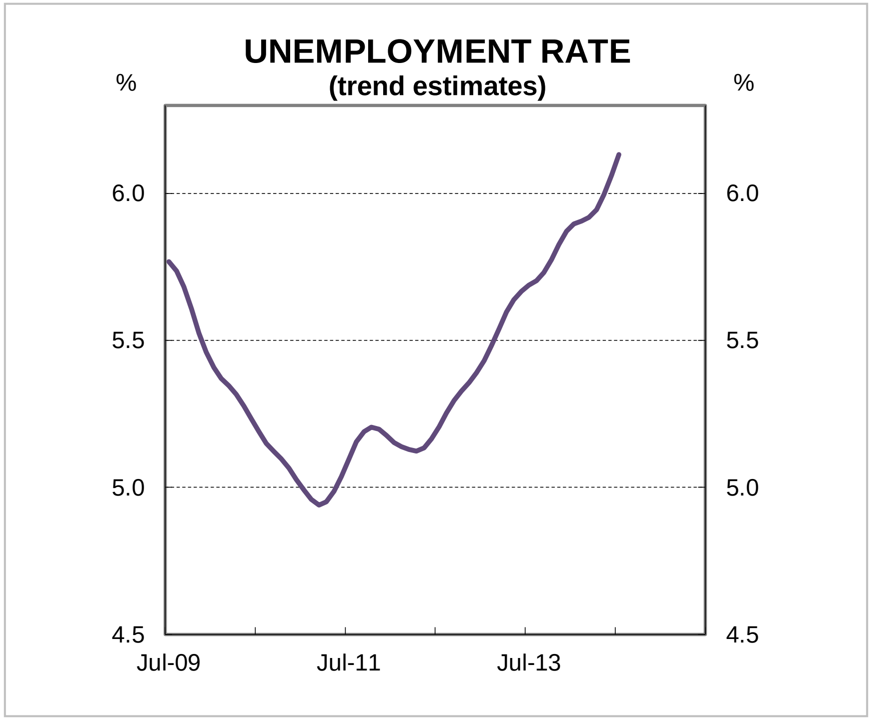
 CommonwealthBank

Australia in perspective

The economy is set to complete 23 years of continuous economic growth…



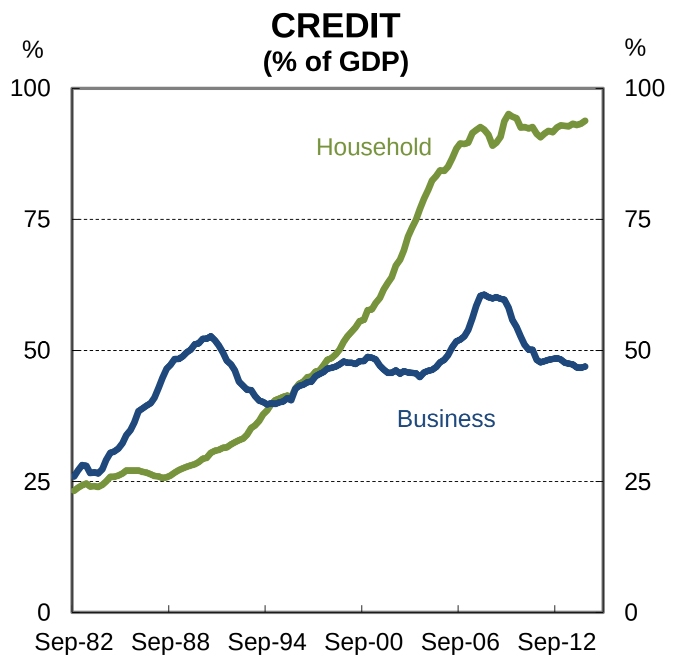
…but the unemployment rate is yet to peak



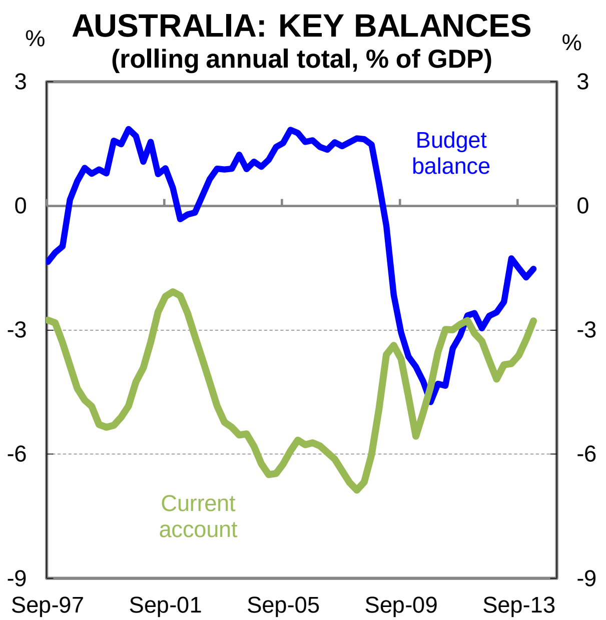
- Australia is set to complete 23 years of uninterrupted economic growth during 2014.
- The economy has returned to trend sooner than most (including the RBA) expected. But, the unemployment rate is still trending up.

Australia in perspective

Household and corporate balance sheets are in good shape



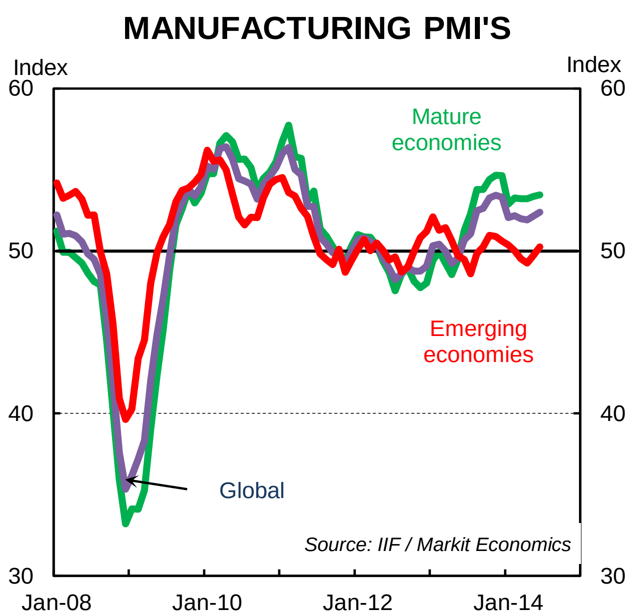
The current account and Budget balance have narrowed in recent years



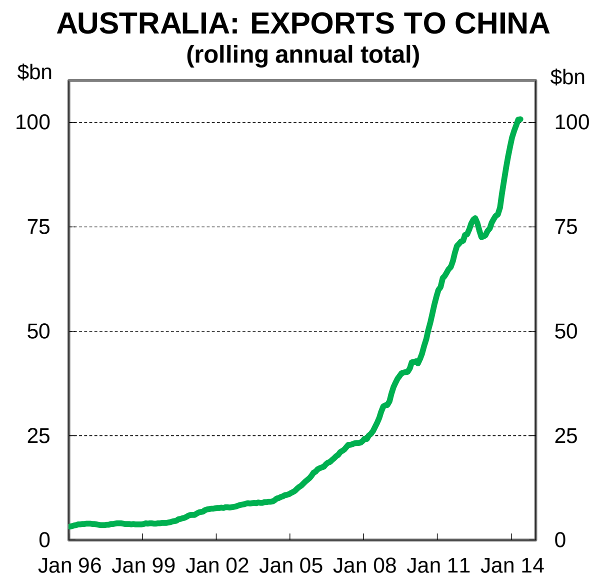
- Household debt as a share of GDP is growing only slowly. Business debt as a share of GDP is well below peak levels.
- Public finances and the financial system remain in good shape. The main internal and external imbalances have narrowed significantly. Australia's AAA credit rating looks secure.

The global backdrop

Global recovery - more advanced economies than emerging economies



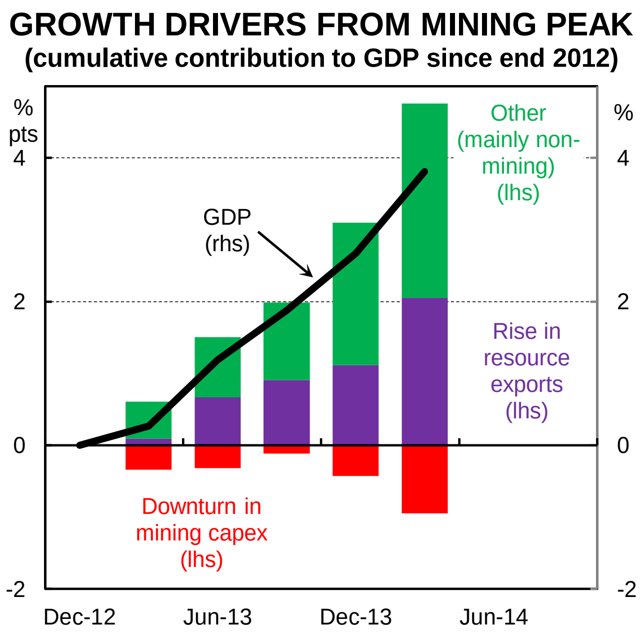
Asian export market s critical to Australia. Exports to China continue to reach new highs



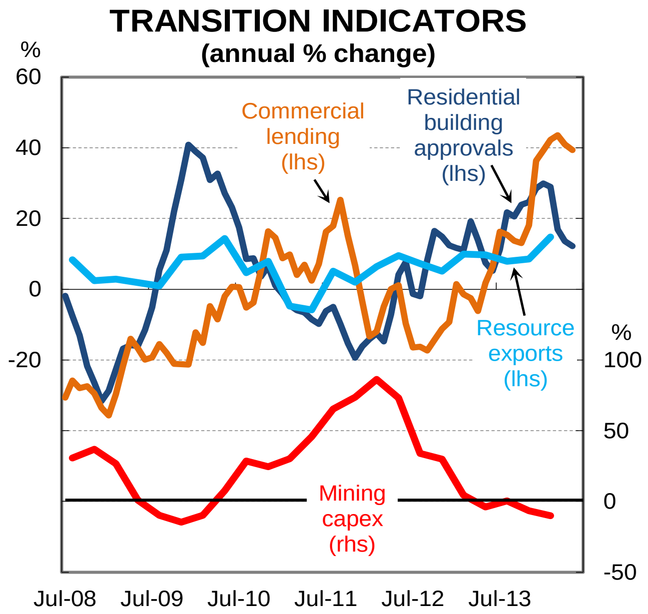
- Rising global momentum reflects synchronised upturn underway in the advanced economies.
- Emerging market and developing economies (EMDE's) maintaining their position but not adding to global momentum. The EMDE's are more important for Australian economic outcomes.

Progress on the growth transition

The non-mining economy will need to make a larger contribution to growth



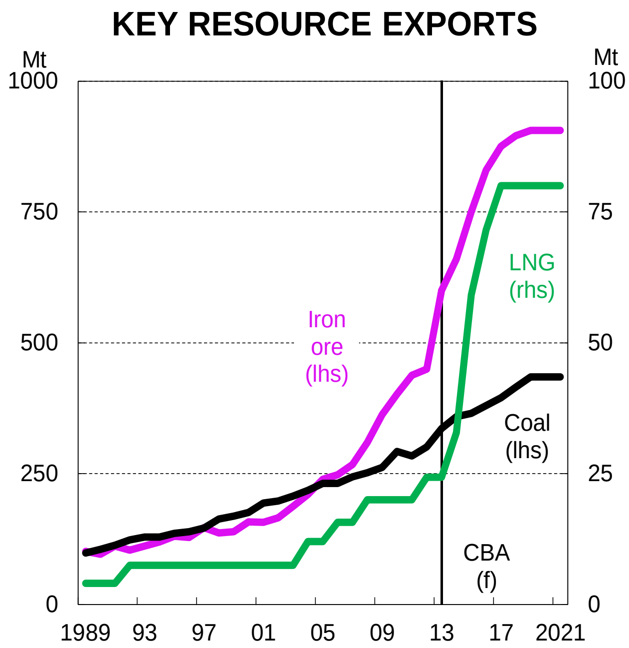
The targeted areas are lifting



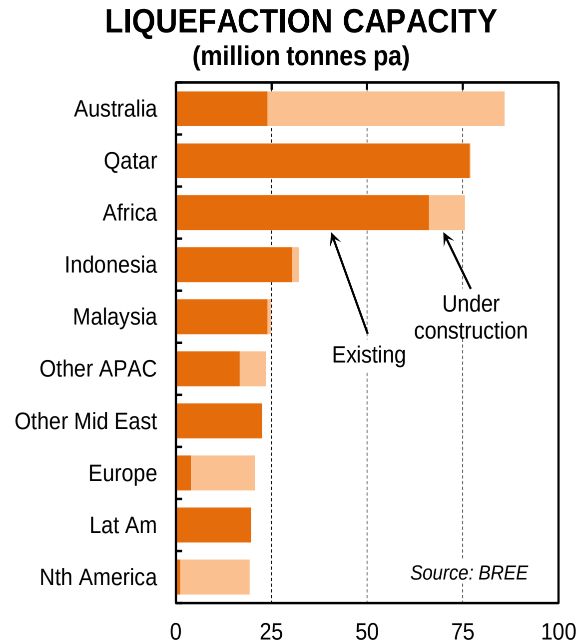
- The economy is transitioning from mining capex to resource exports and the non-mining economy as the major growth drivers.
- Residential construction will grow strongly and non-mining business capex is starting to turn.

Progress on the growth transition – the export boom

Resource exports will grow at 8-10%pa over the next two years



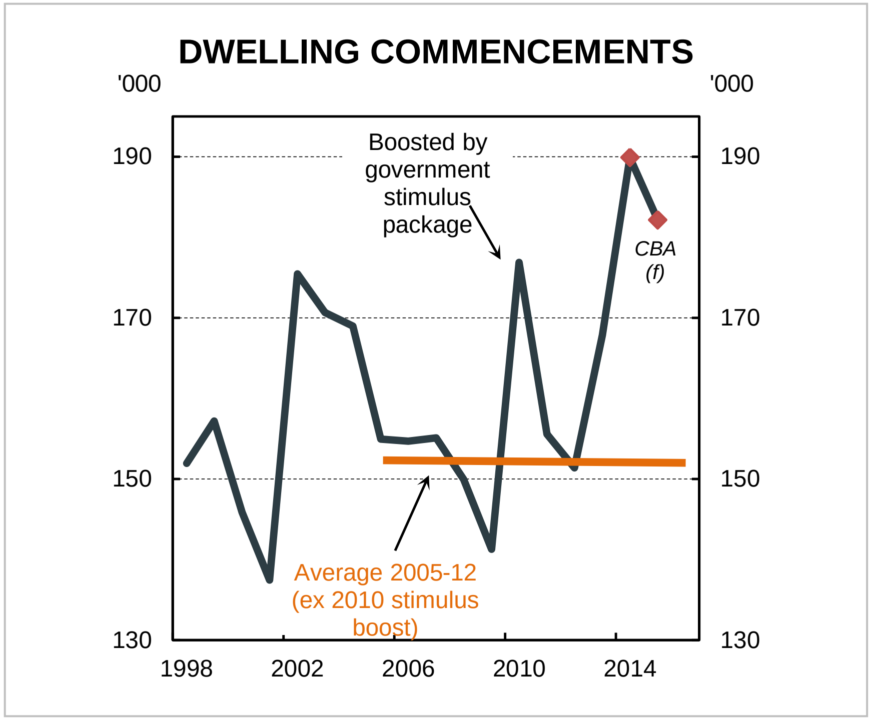
Australia will become the largest LNG exporter before 2020



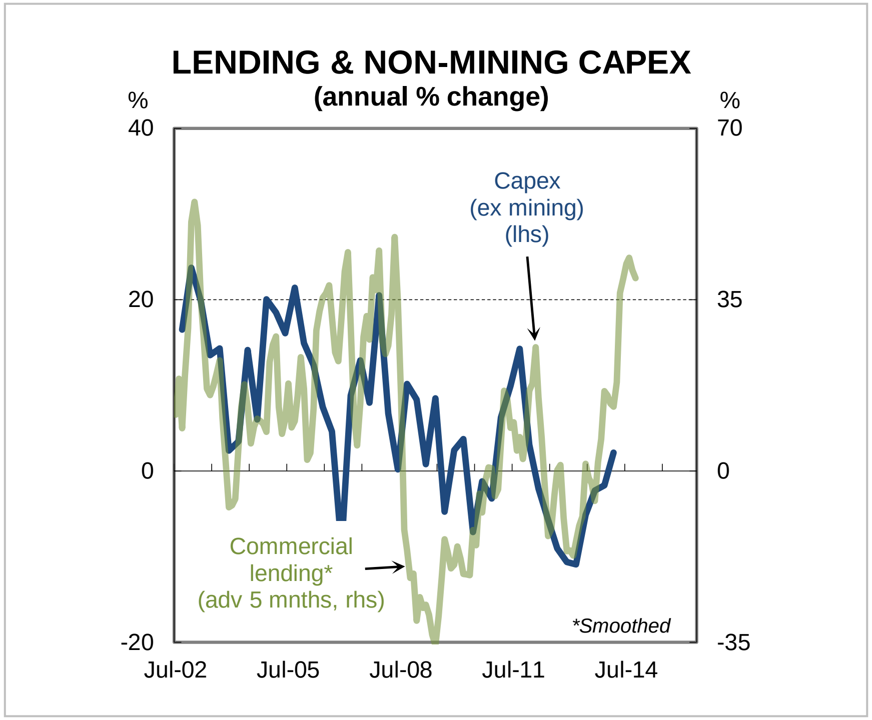
- The resource export or production boom is well underway. We expect resource export volumes to grow at 8-10%pa over the next two years, sufficient to contribute 1¼ppts per annum to GDP growth.
- Australia will become the largest global exporter of LNG before 2020.

Progress on the growth transition – residential construction & non-mining capex

A strong residential construction upturn is underway



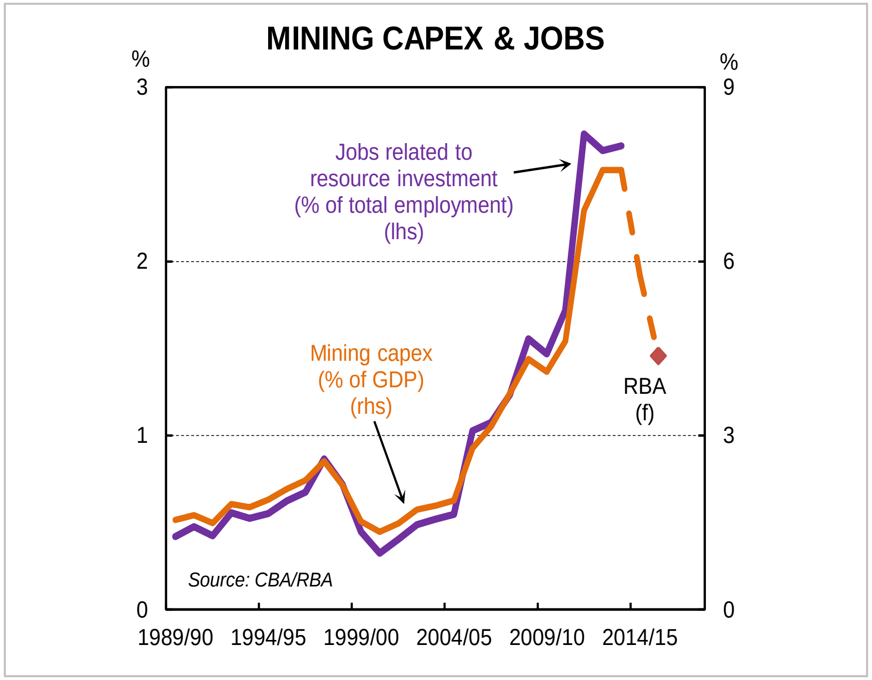
Non-mining capex is beginning to turn up



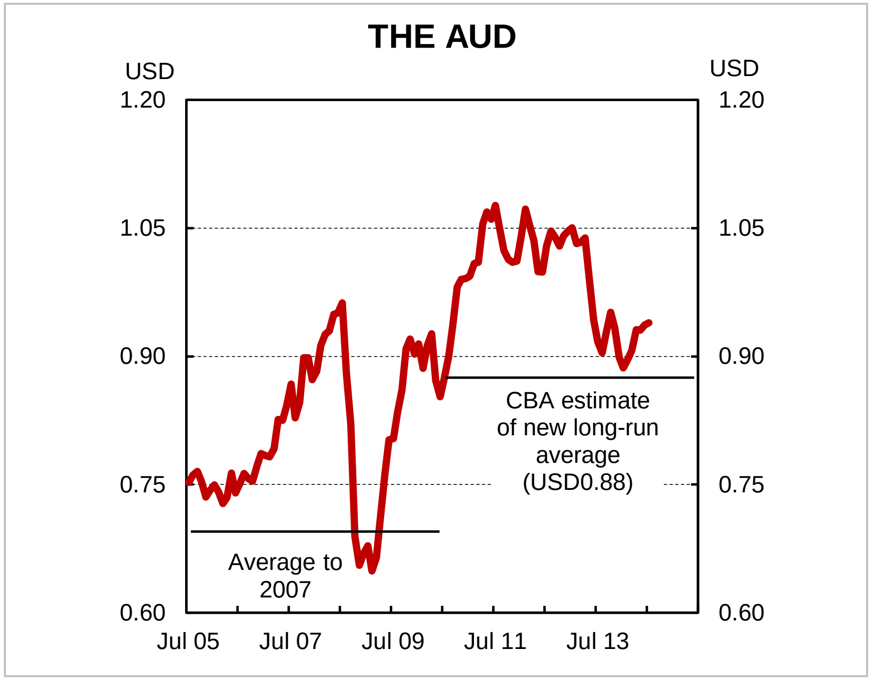
- Targeting residential construction is smart policy. Demographic trends have boosted demand for dwellings. There will be a strong pick up in residential construction over 2014-15.
- Non-mining capex is also part of the growth rebalancing. Commercial finance commitments are lifting which is a good leading indicator of non-mining investment.

Threats to the growth transition

Potential for significant job losses in areas related to resource investment



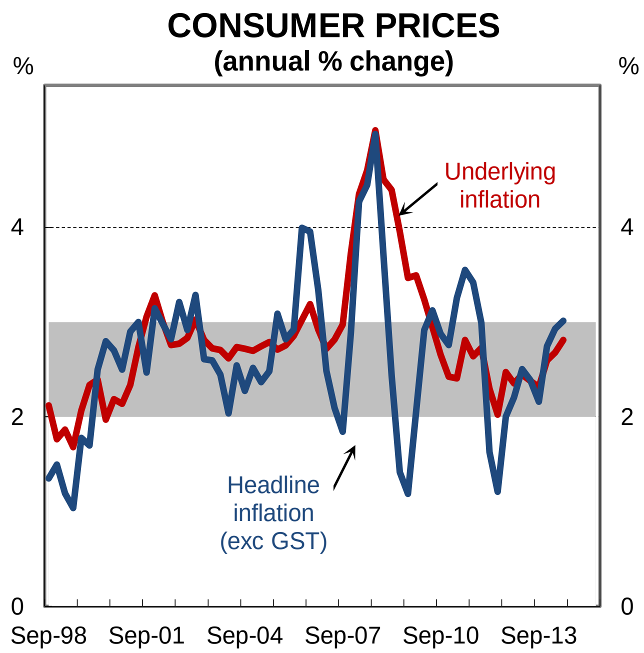
The Australian Dollar remains high by historical standards



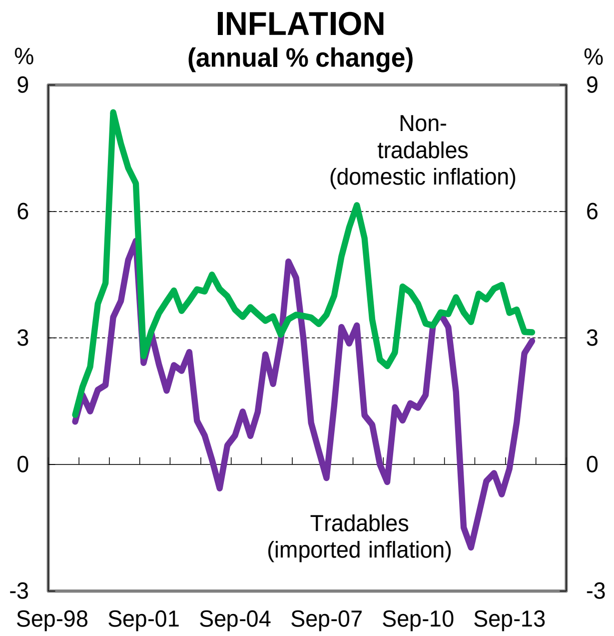
- The operational phase of the mining boom is less labour intensive than the construction phase. There is the potential for significant job losses in the areas related to resource investment.
- An elevated AUD has caused a degree on pain across the non-mining economy. A lower Australian dollar would help the growth transition. The AUD needs to return to a more normal range, but some of the AUD appreciation is structural.

Progress on the inflation transition

Key inflation measures are near the top of the RBA's inflation target



The convergence between domestic & imported inflation has been to the high side

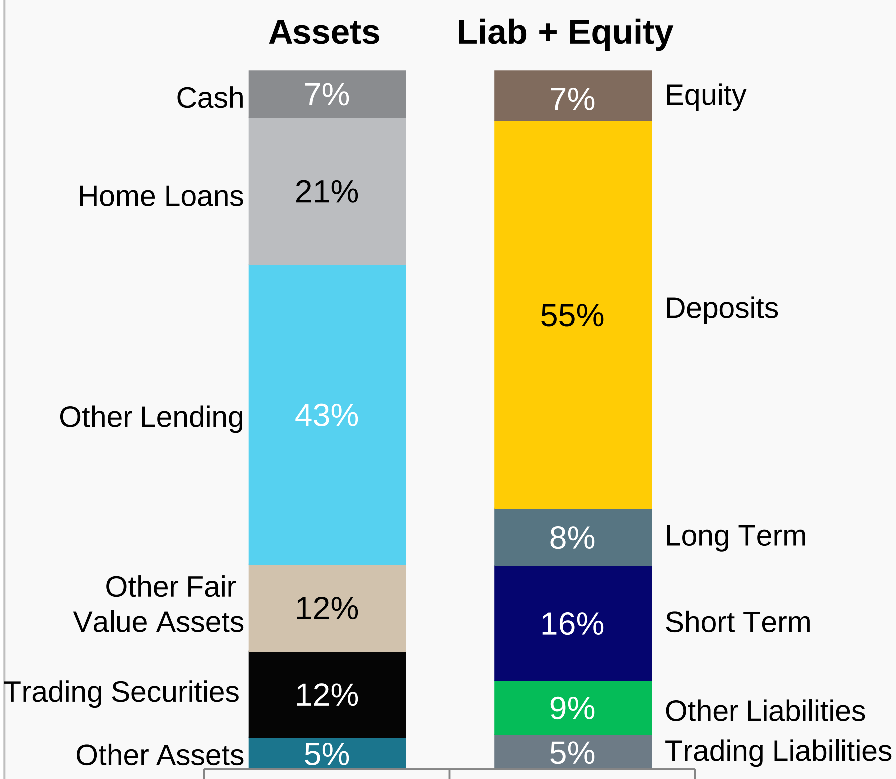


- Key inflation measures are near the top of the RBA inflation target.
- A lower AUD has pushed up imported inflation. Domestic inflation is yet to slow in any significant fashion.

Other information

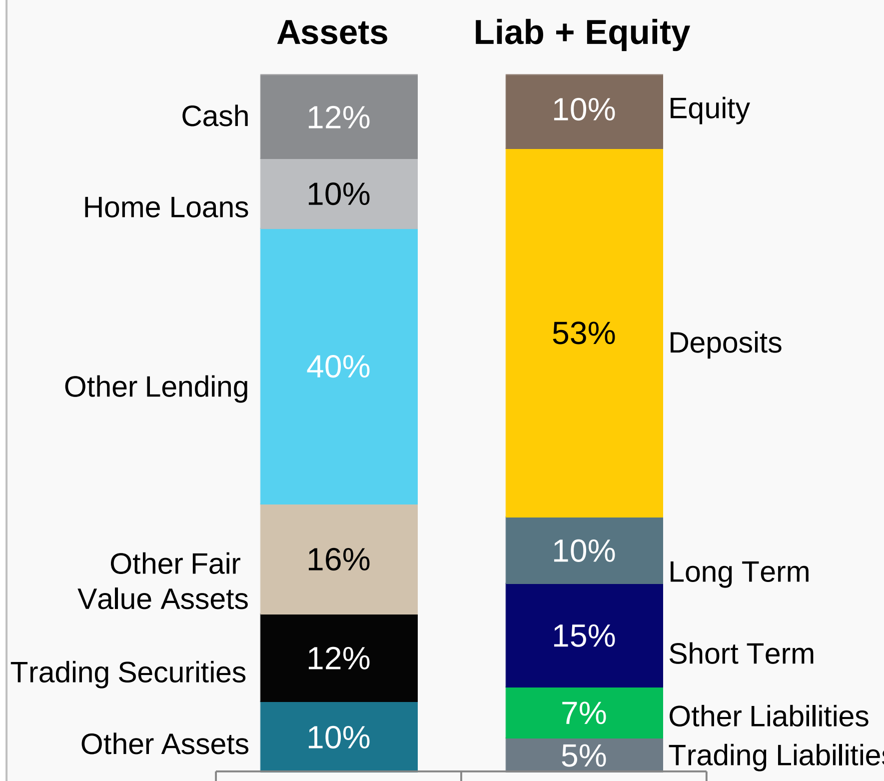
UK and US Balance Sheet Comparison

United Kingdom



Based on analysis of Lloyds, RBS, HSBC and Barclays as at 30 June 2014.
Average of four banks.

USA



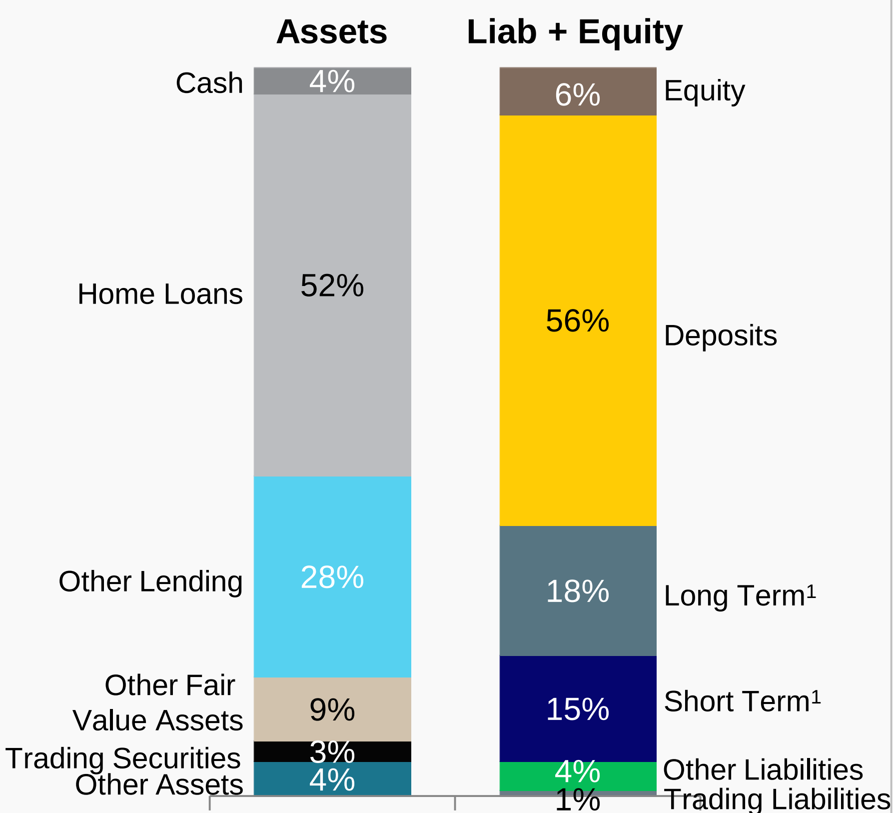
Based on analysis of Citigroup, JP Morgan, Bank of America and Wells Fargo as at 30 June 2014.
Average of four banks.

Based on statutory balance sheets.

Balance sheets do not include derivative assets and liabilities.

Australian Banks – Safe Assets, Secure Funding

Commonwealth Bank



CBA balance sheet as at 30 June 2014.
Balance sheet does not include derivative assets and liabilities.
Based on statutory balance sheet.

Balance Sheet Comparisons

Assets – CBA's assets are safer because:

- 52% of balance sheet is home loans, which are stable/long term
- Trading securities and other fair value assets comprise just 12% of CBA balance sheet compared to 24% and 28% for UK and US banks respectively
- CBA's balance sheet is less volatile due to a lower proportion of fair value assets

	Assets*	
	Amortised cost	**Fair Value**
CBA	82%	18%
UK	45%	56%
US	56%	44%

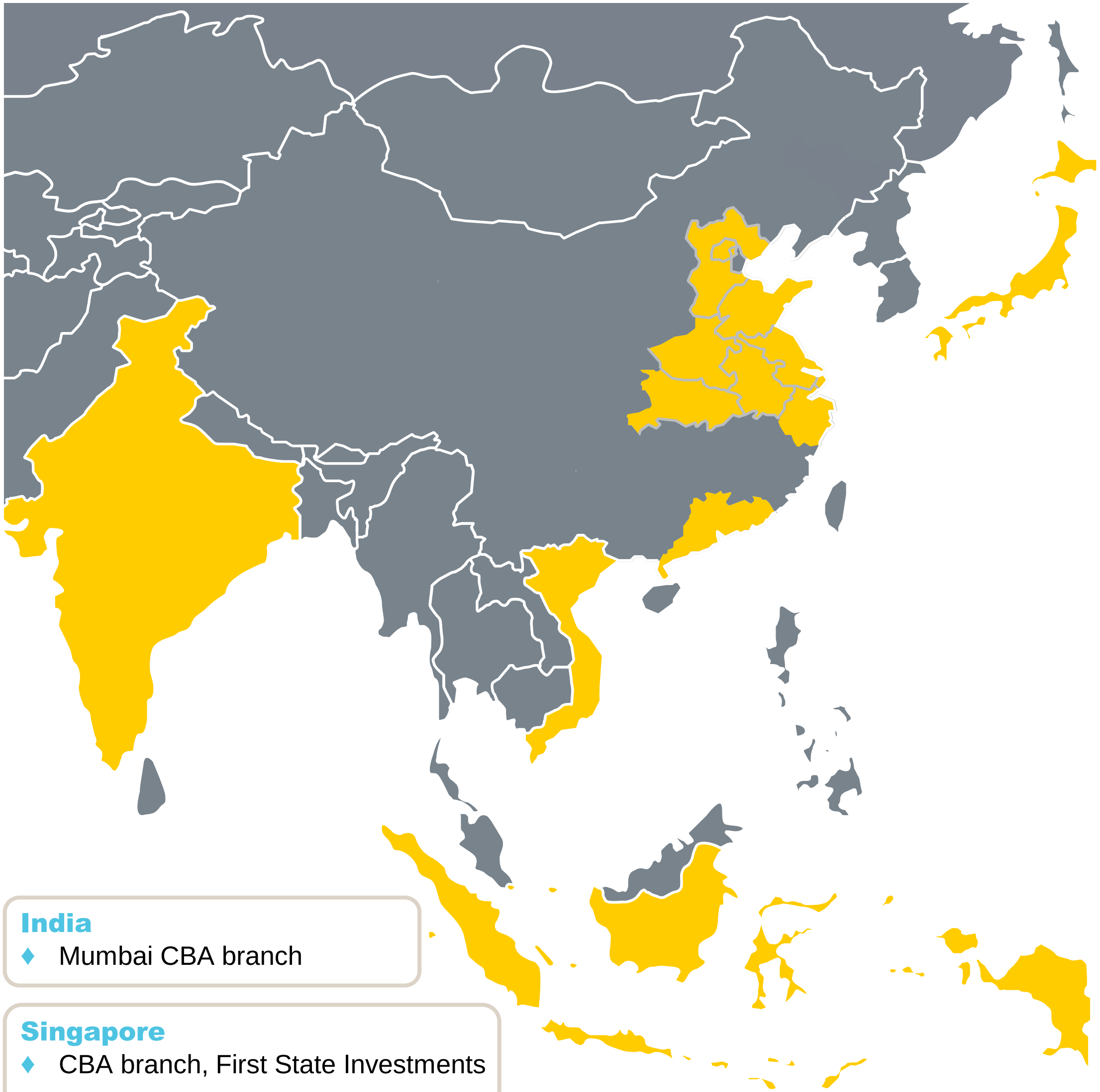
Funding – a more secure profile because:

- Highest deposit base (56% including 30% of stable household deposits)
- Reliance on wholesale funding similar to UK and US banks, although a longer profile than UK banks, which gives CBA a buffer against constrained liquidity in the wholesale markets

* Includes grossed up derivatives.

1 Based on residual maturity.

CBA in Asia



Japan
- Tokyo CBA branch, First State Investments

China
- Bank of Hangzhou (20%): 149 branches
- Qilu Bank (20%): 93 branches
- County Banking
  - Henan: 7 Banks and 2 branches (5 Banks and 2 branches @ 80% and 2 Banks @ 100% shareholding)
  - Hebei: 8 Banks (5 Banks @ 80% and 3 Banks @ 100% shareholding).
- CBA Beijing, Shanghai and Hong Kong branches
- BoCommLife JV (37.5%): operating in 7 provinces
- First State Cinda JV (46%) and First State Investments Hong Kong
- Beijing Rep Office

Vietnam
- Vietnam International Bank (20%): 154 branches
- Hanoi Representative Office
- Ho Chi Minh City CBA branch; 24 ATMs

Indonesia
- PT Bank Commonwealth (99%): 91 branches and 142 ATMs
- PT Commonwealth Life (80%): 33 life offices
- First State Investments

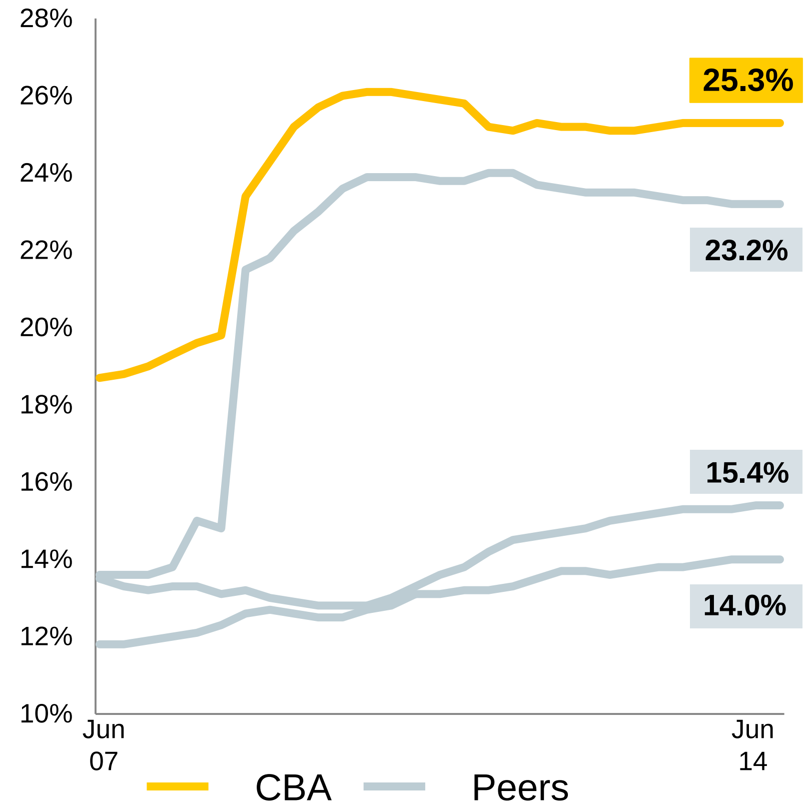
India
- Mumbai CBA branch

Singapore
- CBA branch, First State Investments

Market share

%	Jun 14	Dec 13	Jun 13
Home loans	25.3	25.3	25.3
Credit cards – RBA[2]	24.9	24.7	24.4
Other household lending[3]	18.8	18.2	16.9
Household deposits[4]	28.6	28.6	28.8
Retail deposits[5]	25.4	25.4	25.5
Business lending – RBA	17.8	18.0	18.0
Business lending - APRA	18.9	19.1	19.1
Business deposits – APRA	22.1	21.2	21.7
Asset finance	13.2	13.3	13.3
Equities trading	5.2	5.1	5.2
Australian Retail – admin view[6]	15.8	15.7	15.7
FirstChoice Platform[6]	11.5	11.4	11.5
Australia life ins (total risk)[6]	12.5	12.9	13.1
Australia life ins (individual risk)[6]	12.5	12.7	12.9
NZ home loans	21.9	22.1	22.3
NZ retail deposits	20.6	20.4	20.1
NZ business lending	11.0	10.6	10.4
NZ retail FUA	16.1	17.0	16.7
NZ annual inforce premiums	29.1	29.4	29.5

Home Loans



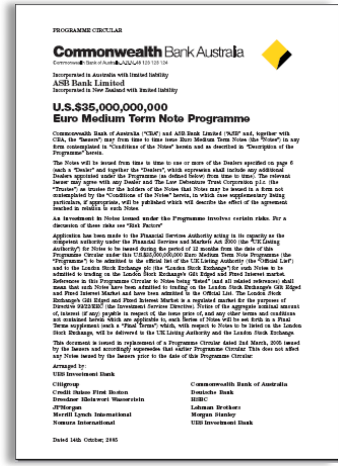
Source: RBA/APRA. CBA includes Bankwest.

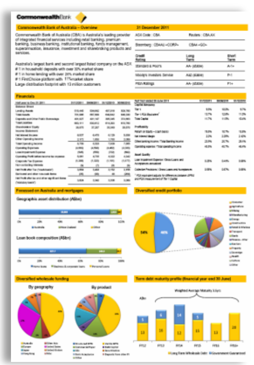
1 Prior periods have been restated in line with market updates. **2** As at 31 May 2014. **3** Other household lending market share includes personal loans, margin loans and other forms of lending to individuals. In the current period, certain revolving credit products were reclassified from Home loans to Other household lending, resulting in the increase in this category. **4** Comparatives have not been restated to include the impact of new market entrants in the current period **5** In accordance with RBA guidelines, these measures include some products relating to both the retail and corporate segments. **6** As at 31 March 2014

Contacts

24 Hour Global Contact Numbers…

Sydney	Direct Line	Email
Paolo Tonucci – Treasurer	+61 2 9303 7748	paolo.tonucci@cba.com.au
Simon Maidment – Deputy Treasurer	+61 2 9118 1339	simon.maidment@cba.com.au
Richard Nelson – Debt Investor Relations	+61 2 9118 1343	richard.nelson@cba.com.au
Patrick Bryant	+61 2 9118 1345	patrick.bryant@cba.com.au
Ed Freilikh – Secured Funding	+61 2 9118 1337	edward.freilikh@cba.com.au
Graham Raward	+61 2 9118 1344	graham.raward@cba.com.au
Sam Narula	+61 2 9117 1296	sameer.narula@cba.com.au
London		
Liam Carden	+44 20 7710 3916	liam.carden@cba.com.au
David Craigie - ASB	+44 20 7710 3947	david.craigie@cba.com.au
New York		
Lisa Balfe	+1 212 336 7730	balfel@cba.com.au





2 Minute Guides to CBA

- English
- French
- German
- Italian
- Spanish
- Thai
- Japanese
- Mandarin
- Cantonese
- Korean
- Vietnamese
- Indonesian

Programme Documentation

- Euro Medium Term Notes
- US Medium Term Notes
- US 3(a)2 (NY Branch)
- Commets
- Commercial Paper (USCP & ECP)
- Covered Bonds

www.commbank.com.au/groupfunding - Ratings reports; documentation; "2 minute guides"
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