

Debt Investor Discussion Pack

For the full year ended
30 June 2017



Commonwealth Bank of Australia | ACN 123 123 124 | 9 August 2017



Full Year Result - 30 June¹



Financial

Statutory NPAT (\$m)	9,928	7.6%
Cash earnings (\$m)	9,881	4.6%
ROE % (cash)	16.0	(50) bpts
EPS \$ (cash)	5.74	20 cents
DPS \$	4.29	9 cents
Underlying ² C:I	41.8%	(60) bpts
NIM (%)	2.11	(3) bpts
Operating Income (\$m)	25,940	5.4%
Expenses (\$m)	11,078	6.2%
LIE to GLAA (bpts)	15	(4) bpts

Balance Sheet, Capital & Funding

Capital – CET1 (Int'l) ³	15.6%	120 bpts
Capital – CET1 (APRA)	10.1%	(50) bpts
Total assets (\$bn)	976	4.6%
Total liabilities (\$bn)	913	4.6%
Average FUA (\$bn)	153	5.6%
Deposit funding	67%	1%
LT wholesale funding WAM	4.1 yrs	-
Liquidity coverage ratio	129%	9%
Leverage ratio (APRA)	5.1%	10 bpts
Net stable funding ratio	107%	n/a
Credit Ratings ⁴	AA-/Aa3/AA-	Refer footnote 4

1. All movements on prior comparative period unless stated 2. In order to present an underlying view of the result, FY17 growth rates have been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc in Other banking income, and a \$393m one-off expense for acceleration of amortisation on certain software assets. 3. Internationally comparable capital - refer glossary for definition 4. S&P, Moody's and Fitch. S&P put major Australian Banks on "Outlook Negative" 7 Jul 16. Moody's lowered the rating on 19 Jun 17, outlook "Stable". Fitch updated the outlook on the bank sector to "Negative" on 2 Dec 16 – though individual CBA issuer rating remained "Stable".

Divisional contributions

FY17 vs FY16



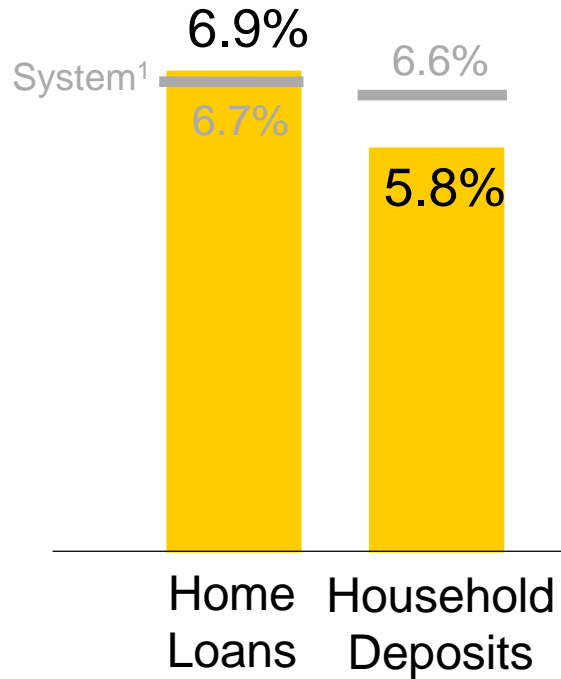
Business Unit ¹	% of Group NPAT	Operating Income	Operating Expenses	Operating Performance	LIE	Cash NPAT	Cost-to-Income FY17
Retail Banking Services (RBS)	50.2%	6.8%	2.3%	8.9%	5.4%	9.3%	30.8%
Business & Private Bank (BPB)	16.6%	3.4%	4.2%	2.8%	(58.0%)	7.7%	39.1%
Institutional Bank & Markets (IB&M)	13.2%	(1.3%)	(0.9%)	(1.6%)	(74.6%)	9.7%	37.6%
Wealth Management	5.6%	(2.5%)	(1.7%)	(4.6%)	n/a	(9.6%)	70.9%
ASB ²	9.5%	4.8%	0.8%	7.1%	(46.9%)	13.0%	35.8%
Bankwest	7.1%	0.7%	2.7%	(0.7%)	large	(9.8%)	42.1%
Int'l Financial Services (IFS)	0.9%	(0.8%)	(12.8%)	44.1%	(3.0%)	78.8%	69.4%

1. Excludes Corporate Centre and other 2. ASB result in NZD except for "% of Group NPAT", which is in AUD



Volume growth

12 months

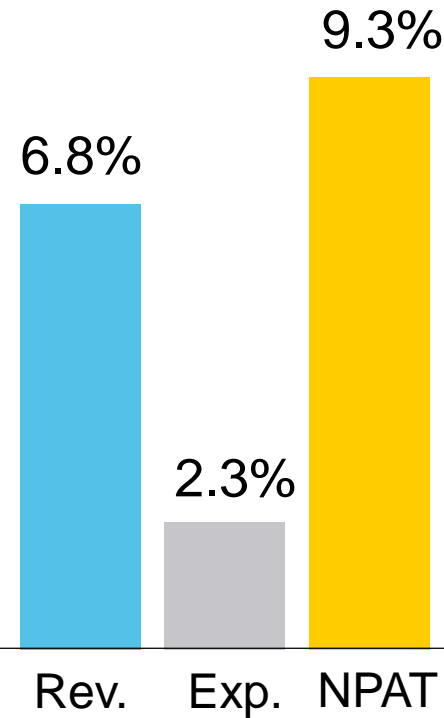


Margins

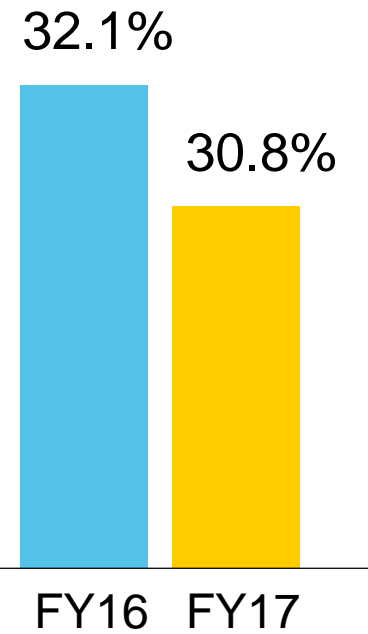
Home loan repricing and improved deposit margins in 2H17 partially offset by mix changes²



Revenue up 6.8%



Lower cost-to-income



1. Adjusted for new market entrants/reporting changes 2. Lower growth in consumer finance products

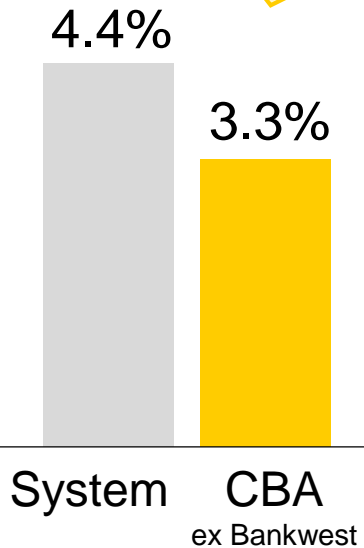
Corporate



Volume growth

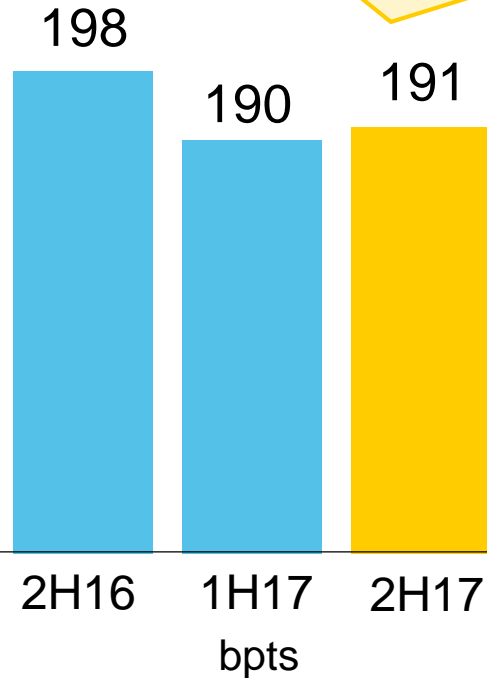
12 months

BPB +5.8%
IB&M flat



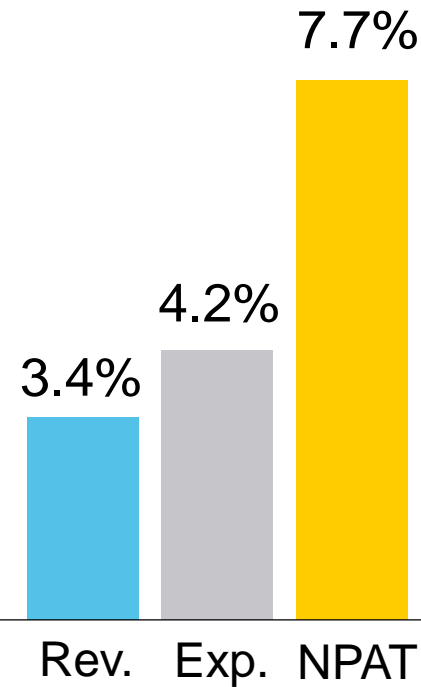
Margins¹

Favourable deposit mix in 2H17 offsetting lending competition and shift to fee-based products



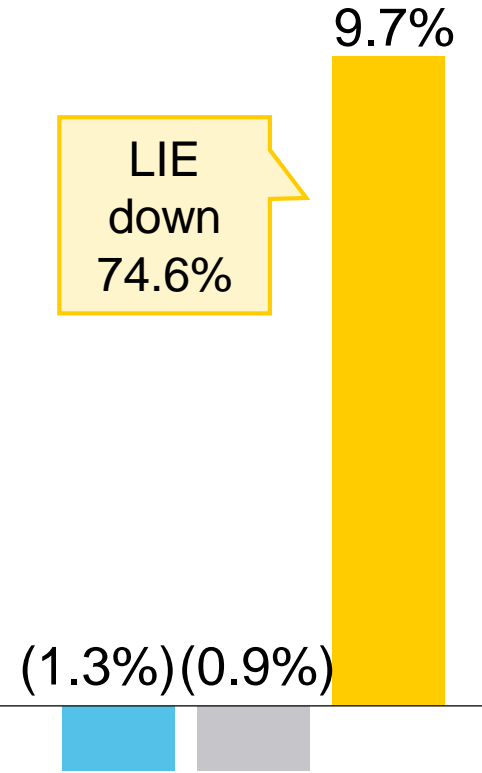
BPB - investment in the frontline

BPB



IB&M – low impairments

IB&M



LIE down 74.6%

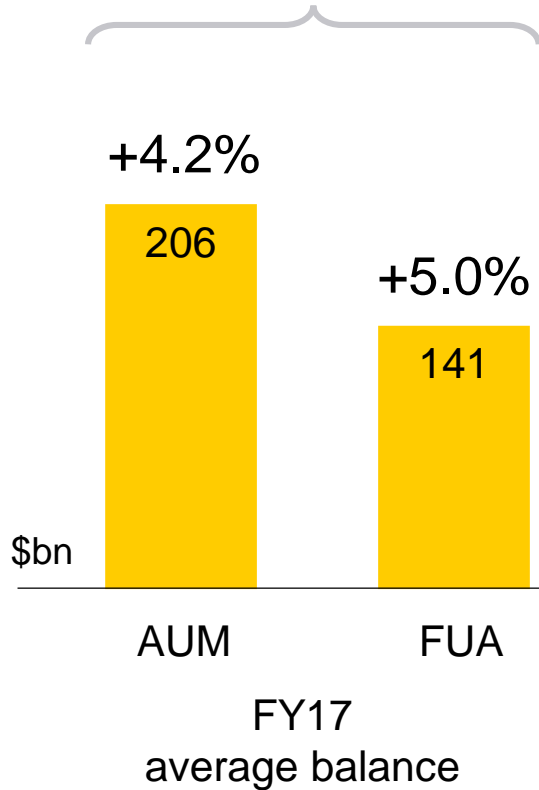
1. Combined Institutional Banking and Markets and Business and Private Banking

Wealth



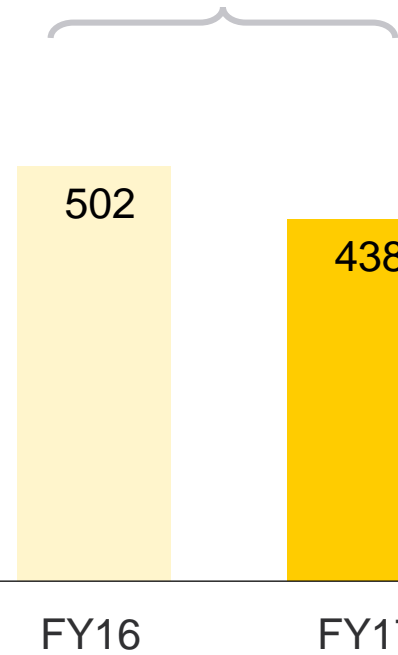
Funds

Offset by FX and lower margins
– mix and remediation

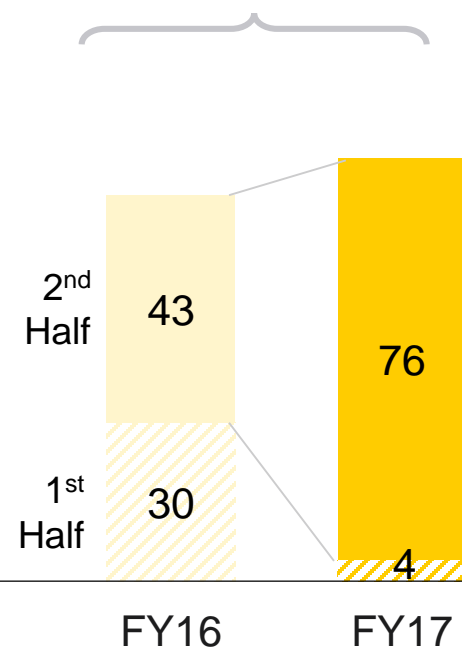


Insurance

Insurance Income
\$m
(12.7%)

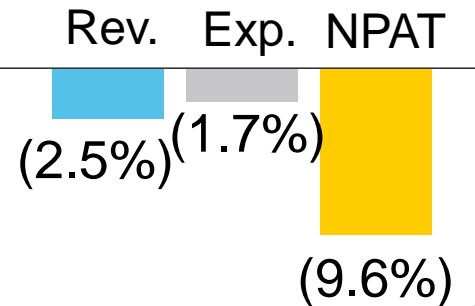


General Insurance
Net Event Claims \$m
+9.5%



Profit lower

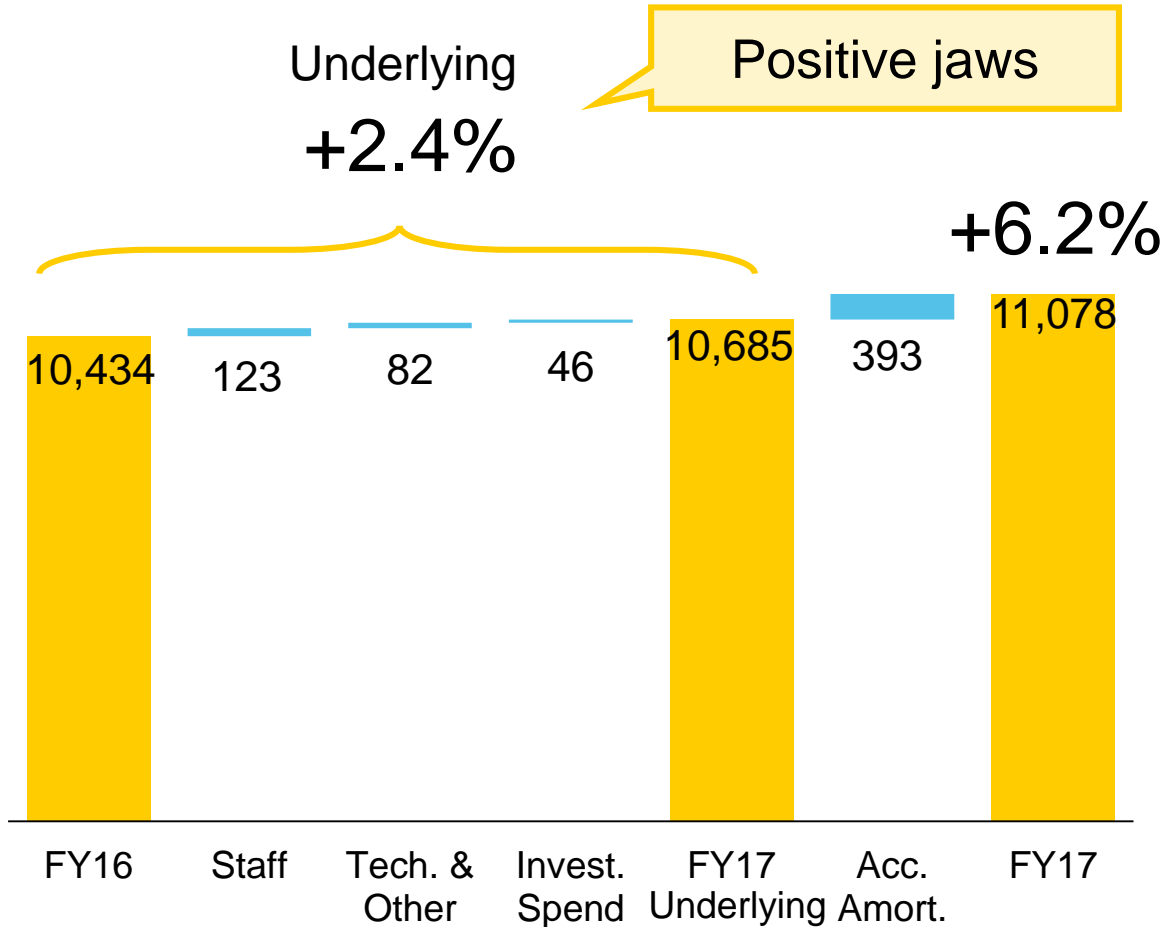
Includes higher
loss recognition
(+\$78m)



Managing costs whilst investing through the cycle

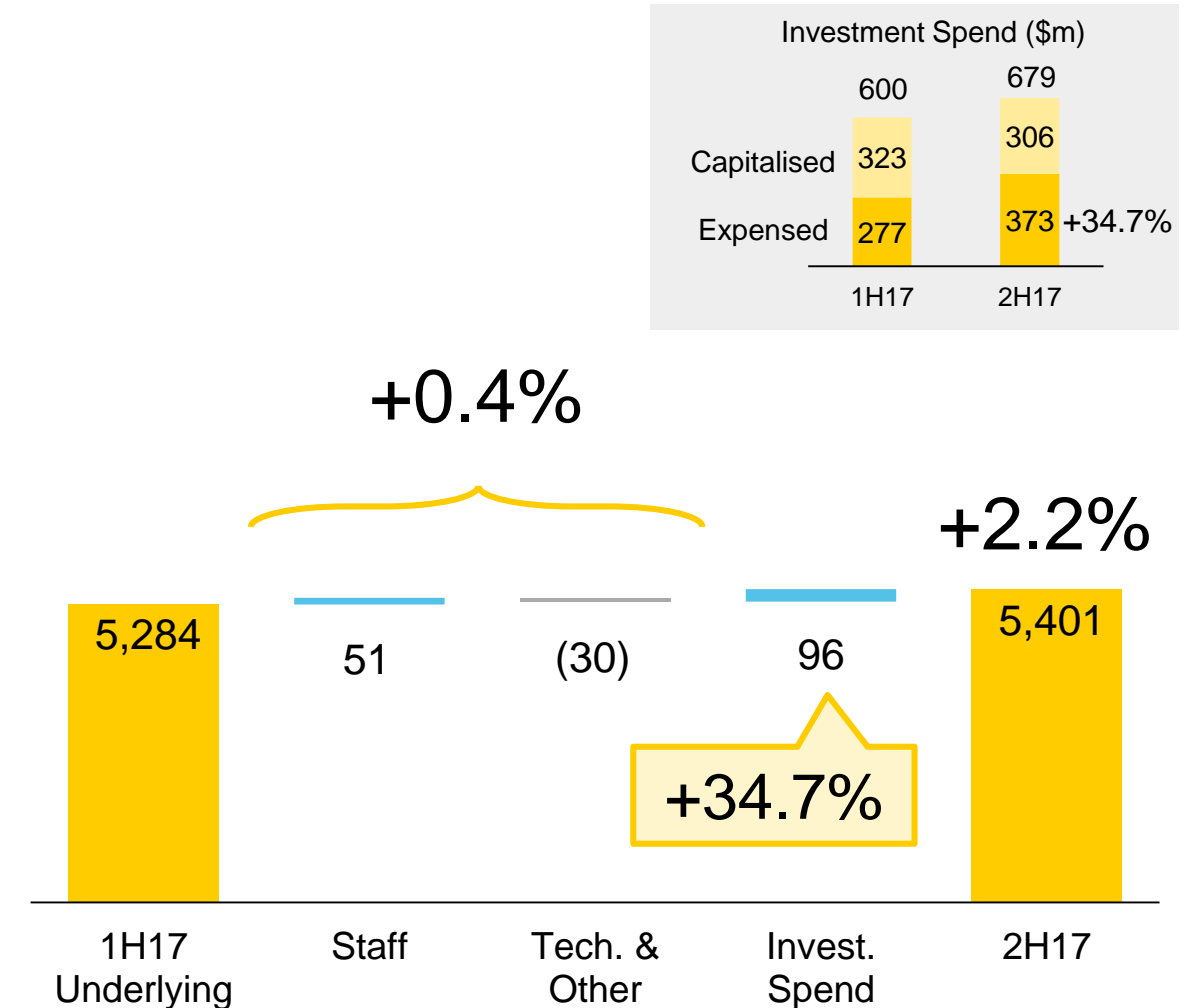
\$m

FY17 vs FY16



\$m

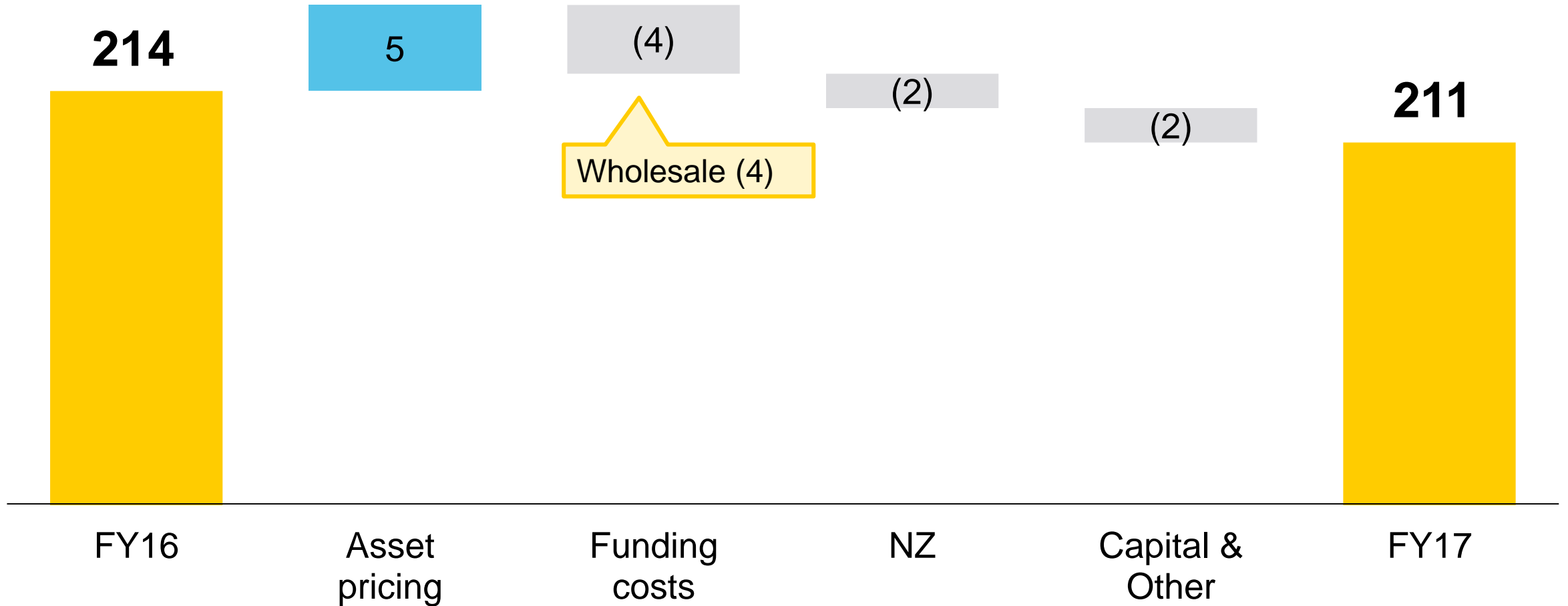
2H17 vs 1H17



Over 12 months, Group NIM down 3 bpts



bpts



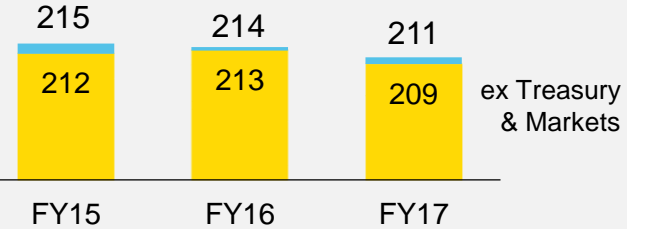
Margin flat this half or +2 bpts ex Treasury & Markets

bpts

Down 3 bpts over 12 months

+2 bpts

Group NIM



211



1H17

(1)

Business lending competition offsetting home loan repricing

Asset Pricing

3

Deposits

Funding Costs

1

Portfolio Mix

(1)

Capital & Other

213



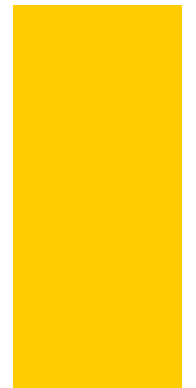
Sub Total

(2)

Liquids (3)

Treasury & Markets

211



2H17

Strategic approach to costs: positive jaws + continuing to invest

Cost to Income

(%)

42.8%

42.4%

underlying¹

41.8%

FY15

FY16

FY17

Expensed:

Gross investment spend

\$m

1,246

1,373

1,279

651

692

679

2nd Half

595

681

600

1st Half

FY15

FY16

FY17

539

604

650

Investment spend

% of total

12%

12%

10%

Branches & Other

30%

37%

37%

Risk & Compliance

58%

51%

53%

Productivity & Growth

FY15

FY16

FY17

1. In order to present an underlying view of the result, FY17 growth rates have been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc in Other banking income, and a \$393m one-off expense for acceleration of amortisation on certain software assets.

Increased risk & compliance spend

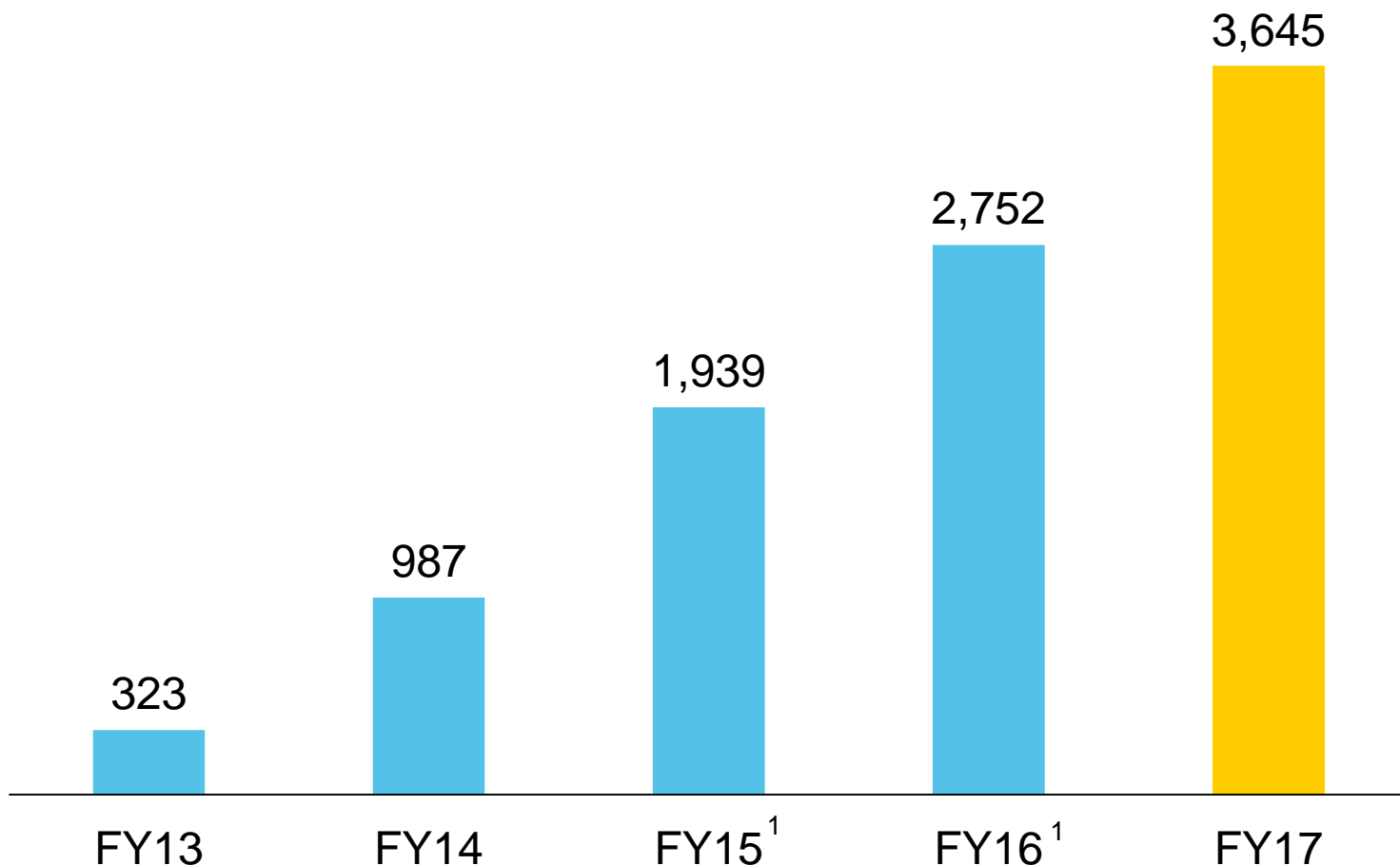


(\$m)

Cumulative

Spend over 5 years

**FY13-17
CAGR
29%**



Examples

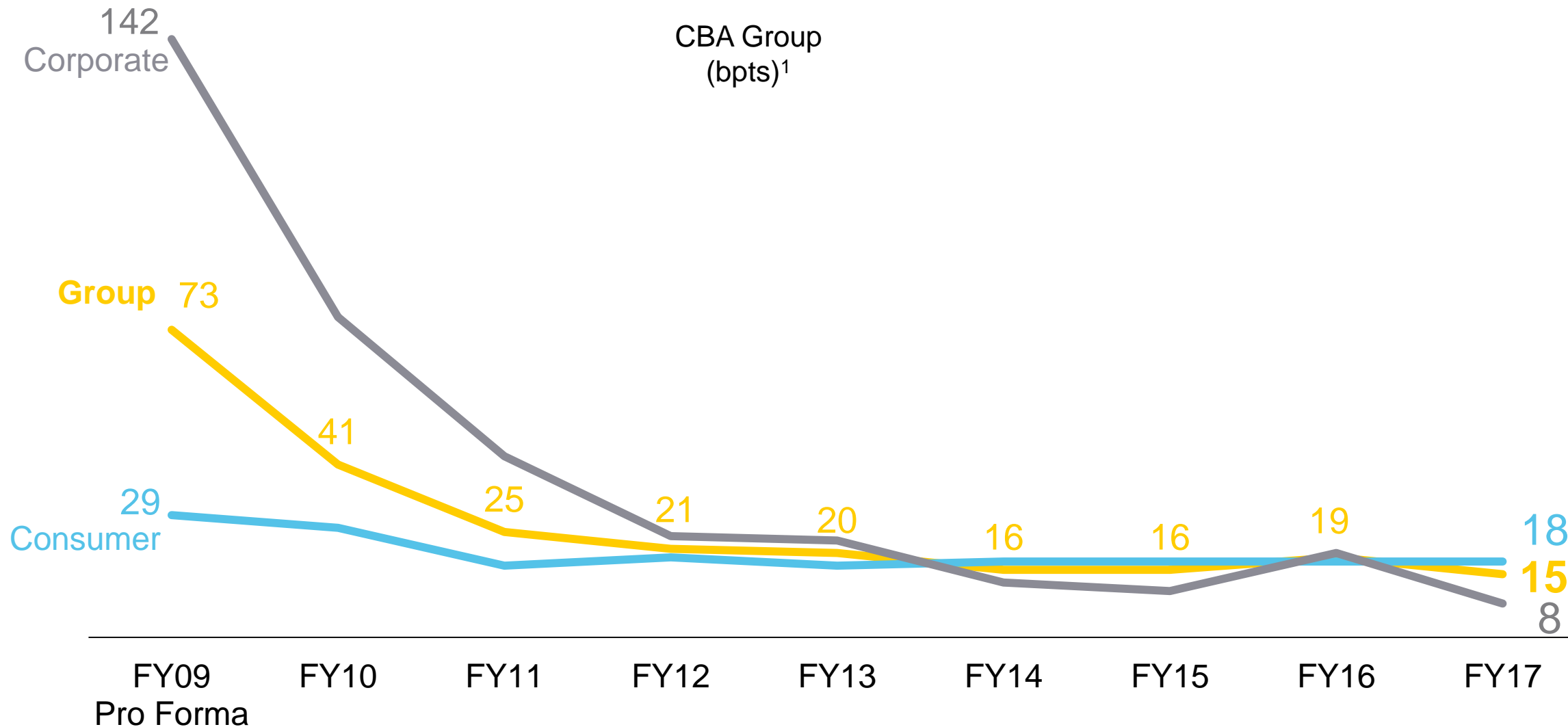
- AML (Anti-Money Laundering)
- FATCA (Foreign Account Tax Compliance Act)
- Stronger Super
- Future Of Financial Advice
- Common Reporting Standard

AML

- Invested more than **\$230m** in our Anti-Money Laundering compliance and reporting processes and systems
- Annually, approximately **4 million** transactions² reported to AUSTRAC (Australian Transaction Reports and Analysis Centre)
- CBA employees required to complete mandatory training on the Anti-Money Laundering and Counter-Terrorism Financing Act

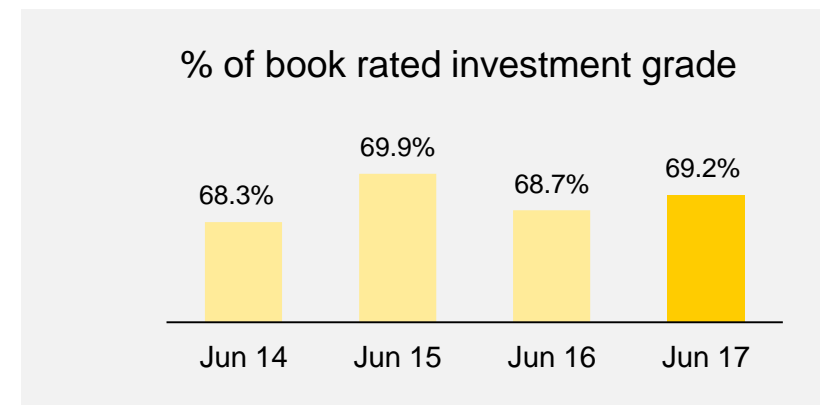
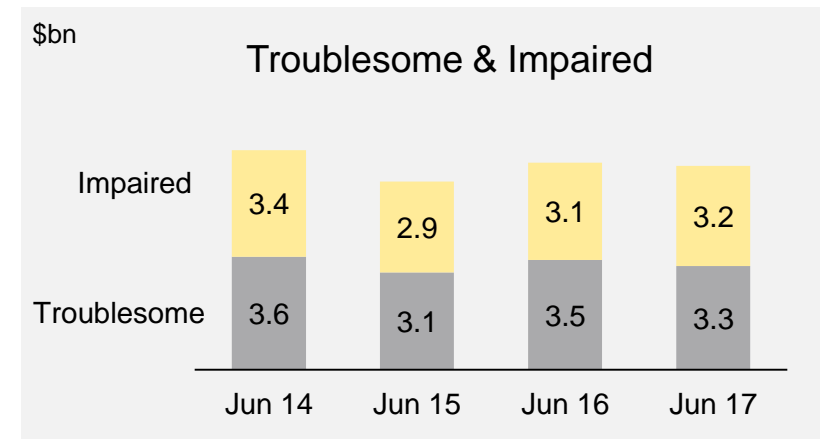
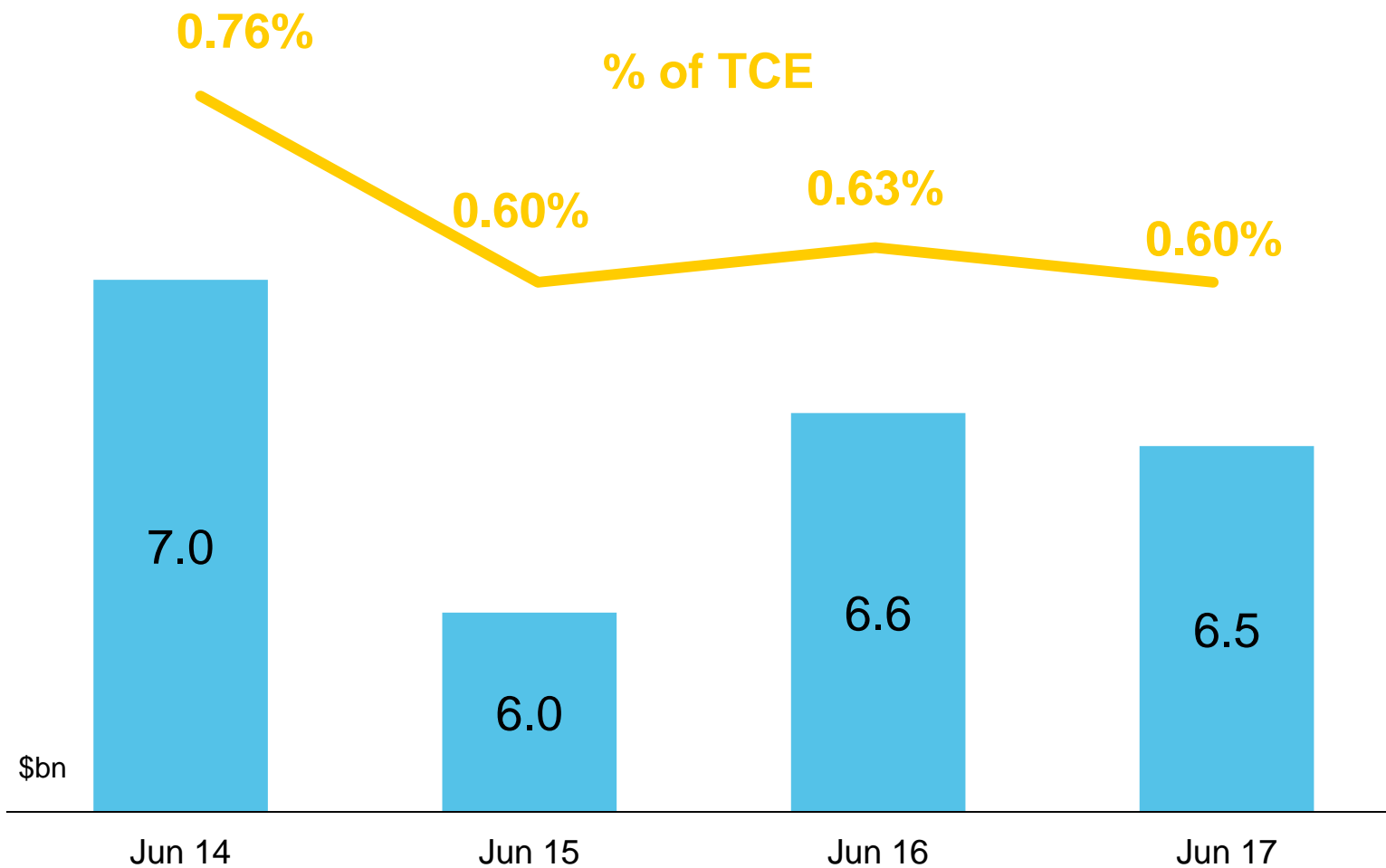
1. Comparative information for FY15 and FY16 has been restated to conform to presentation in the current period. 2. Includes International Funds Transfer Instructions (IFTIs), Threshold Transaction Reports (TTRs) and Suspicious Matter Reports (SMRs)

Impairment expense remains low



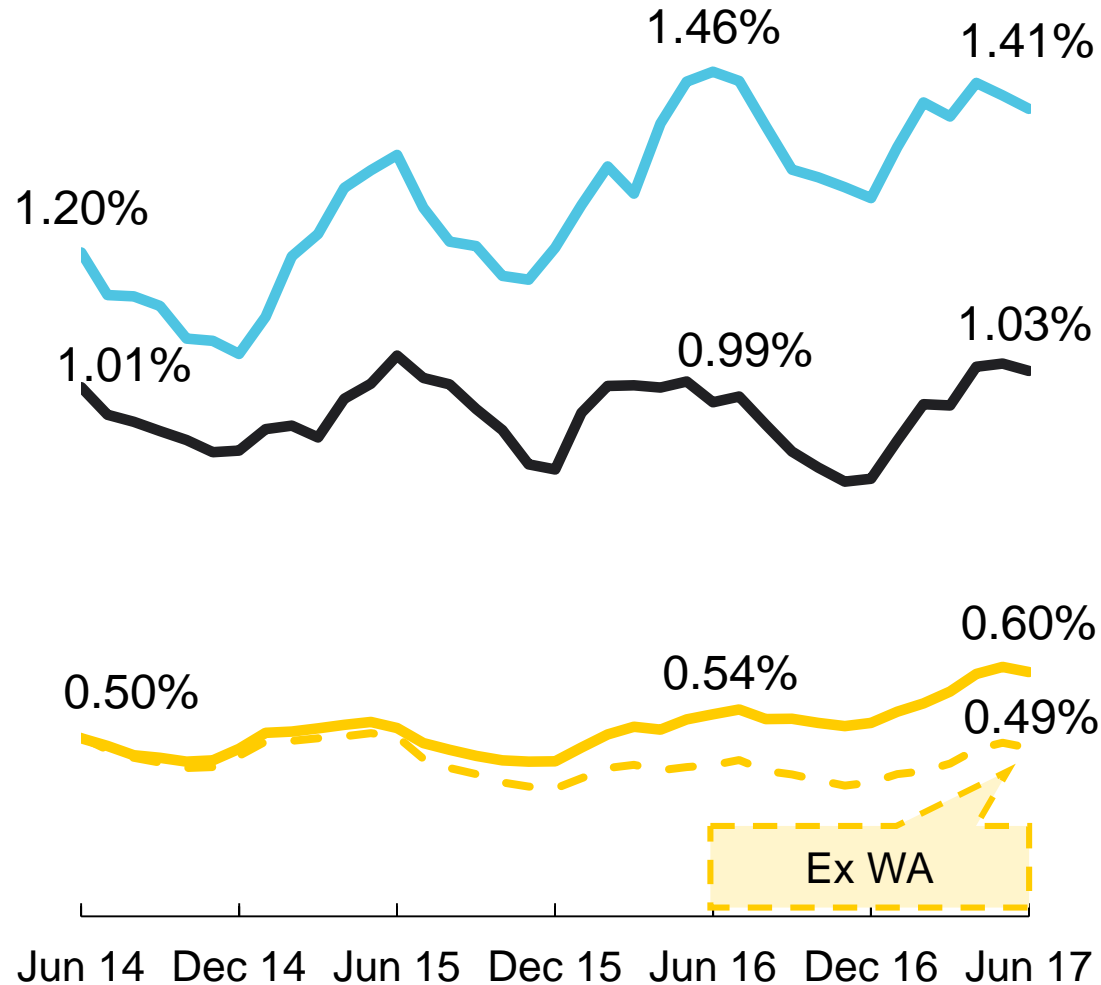
1. Cash LIE as a percentage of average GLAA (bpts). FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year. Statutory LIE for FY10 48 bpts and FY13 21 bpts.

TIAs relatively low and stable



Consumer arrears

90+ days



Personal Loans

- Improving profile
- Remains elevated in WA

Credit Cards

- Seasonally higher 2nd half

Home Loans¹

- Remains low
- Elevated in WA (1.23%)²

WA Home Loans

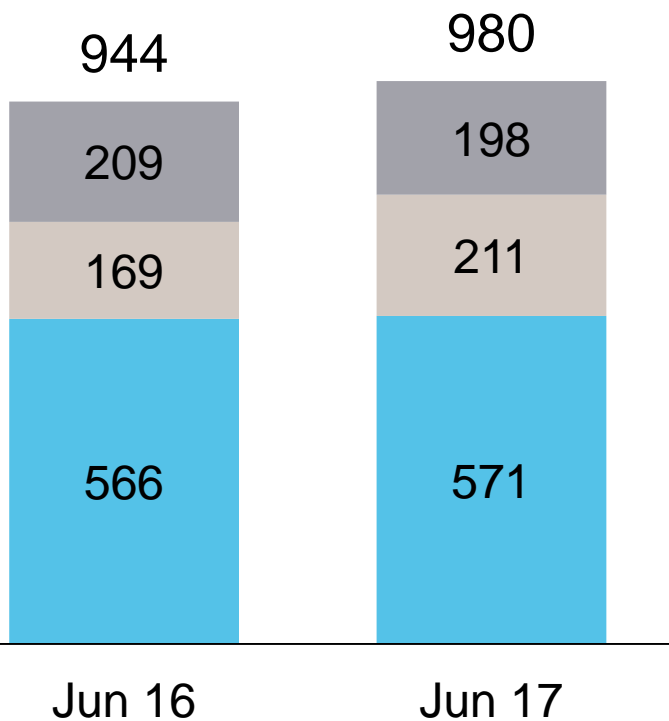
- Increased provisions
- Rigorous stress testing
- Credit policy tightening

1. Excludes Reverse Mortgage, Commonwealth Portfolio Loan (RBS only) and Residential Mortgage Group (RBS only) loans. 2. Excludes Line of Credit (Viridian LOC/Equity Line).

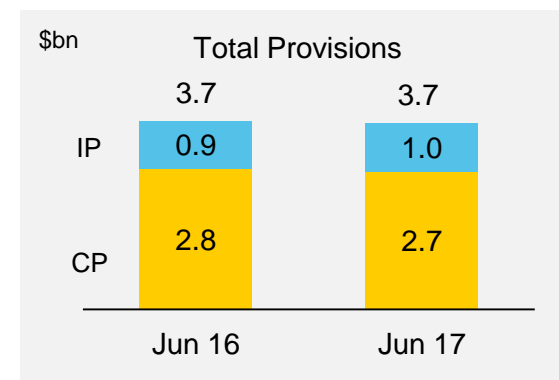
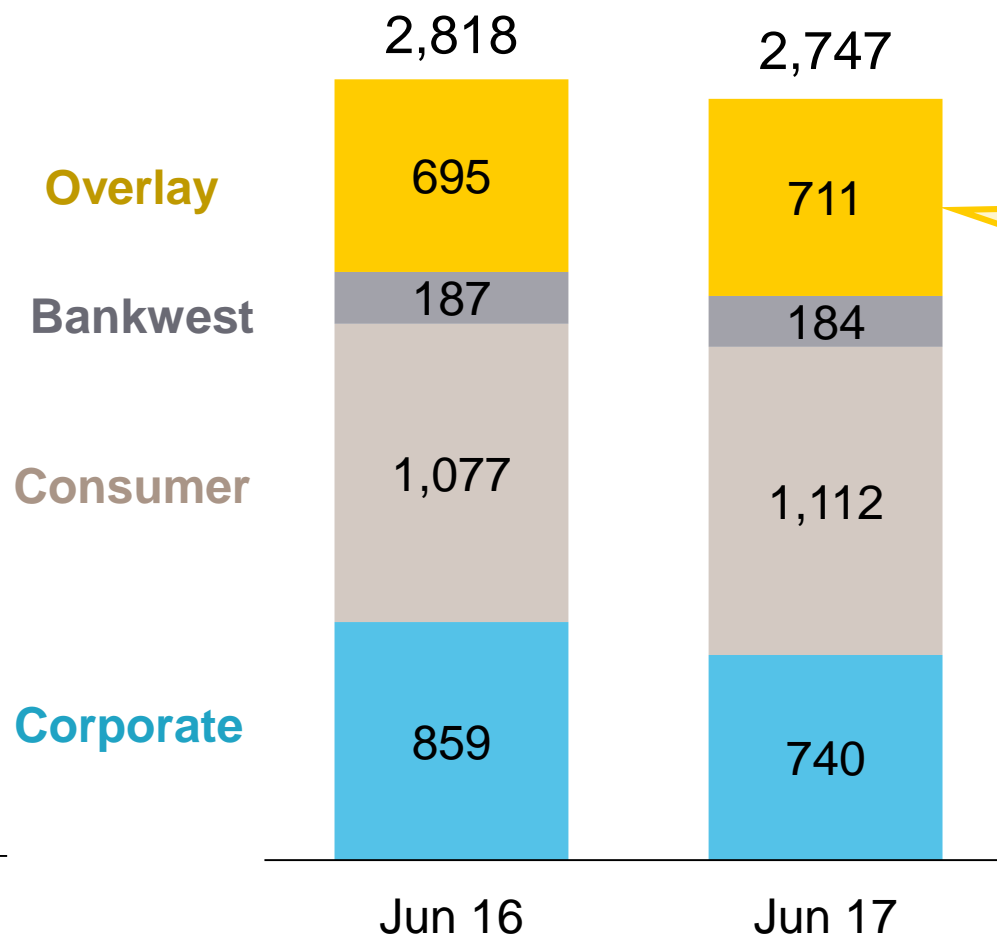
Total provisions of \$3.7bn

\$m

Individual provisions



Collective provisions



Economic overlay unchanged

Funding & Capital



Further **strengthening** our balance sheet



Deposit funding

67%

NSFR

107%

target range 108 - 110% (FY19)

Wholesale funding tenor – portfolio

4.1 yrs

Wholesale funding tenor – new

5.2 yrs

Wholesale funding – long term

60%

LCR

129%

target range 115-130%

RWA optimisation

+25 bpts

RWA¹ contribution to CET1 2H17

CET1 (APRA)

10.1%

APRA benchmark 10.5% by 1 Jan 2020

ROE (cash)

16.0%

1. Underlying - excluding changes to regulatory treatments

Funding overview

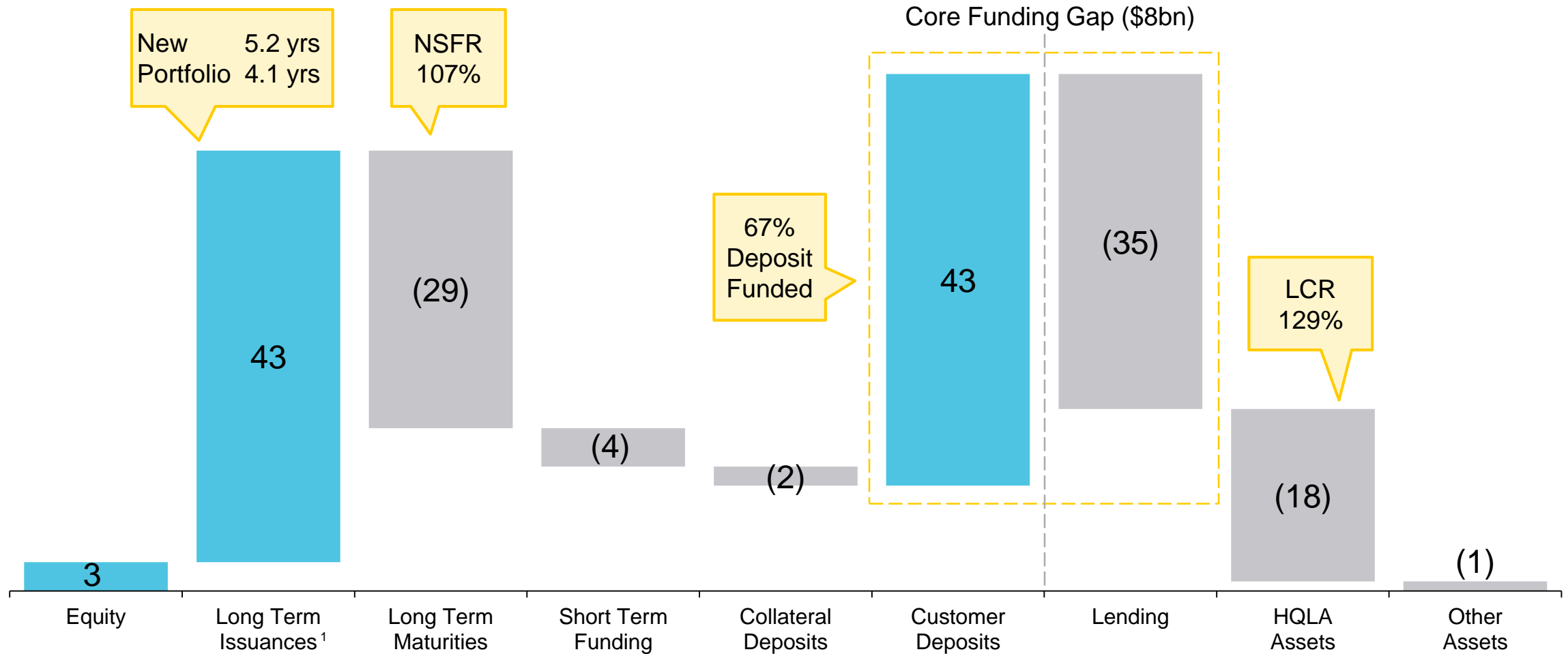


12 months to June 2017

\$bn

Source of funds

Use of funds

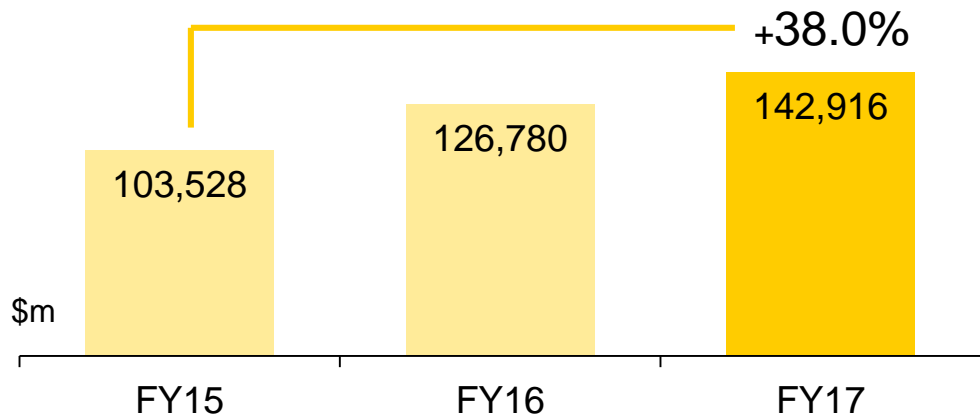


1. Reported at historical FX rates

Deposit funding – transactions

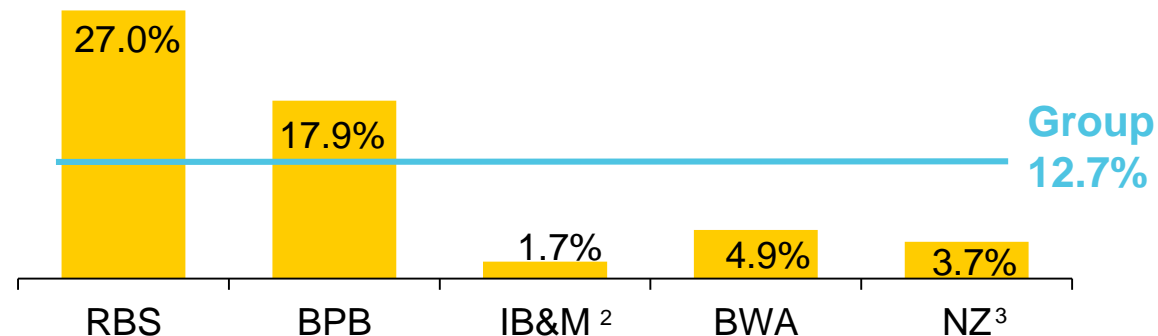


Group Transaction Balances¹



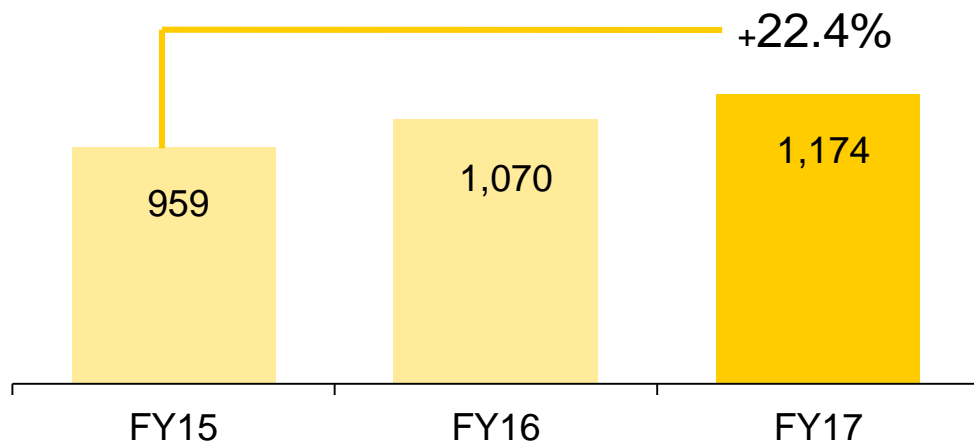
Growth across divisions

FY17 v FY16

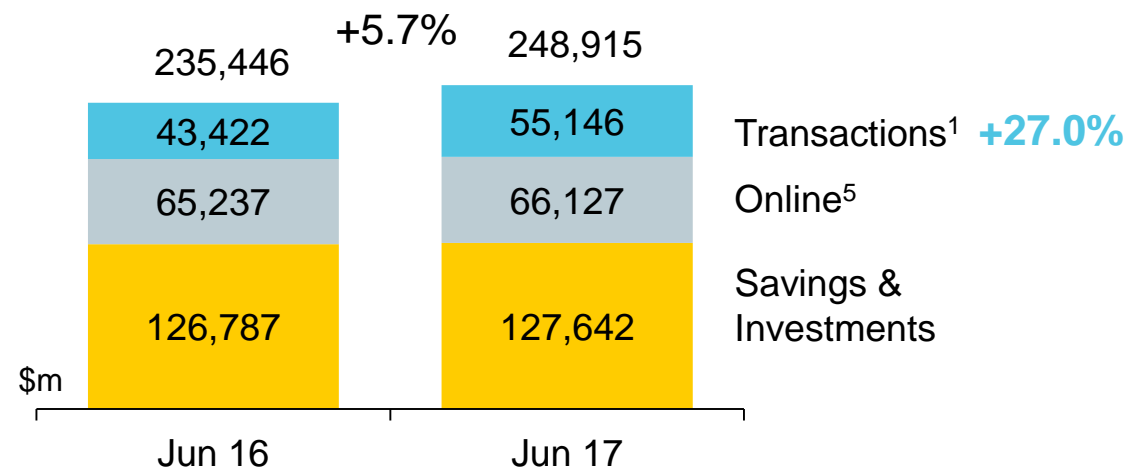


RBS New Transaction Accounts⁴

'000



Retail Deposit Mix



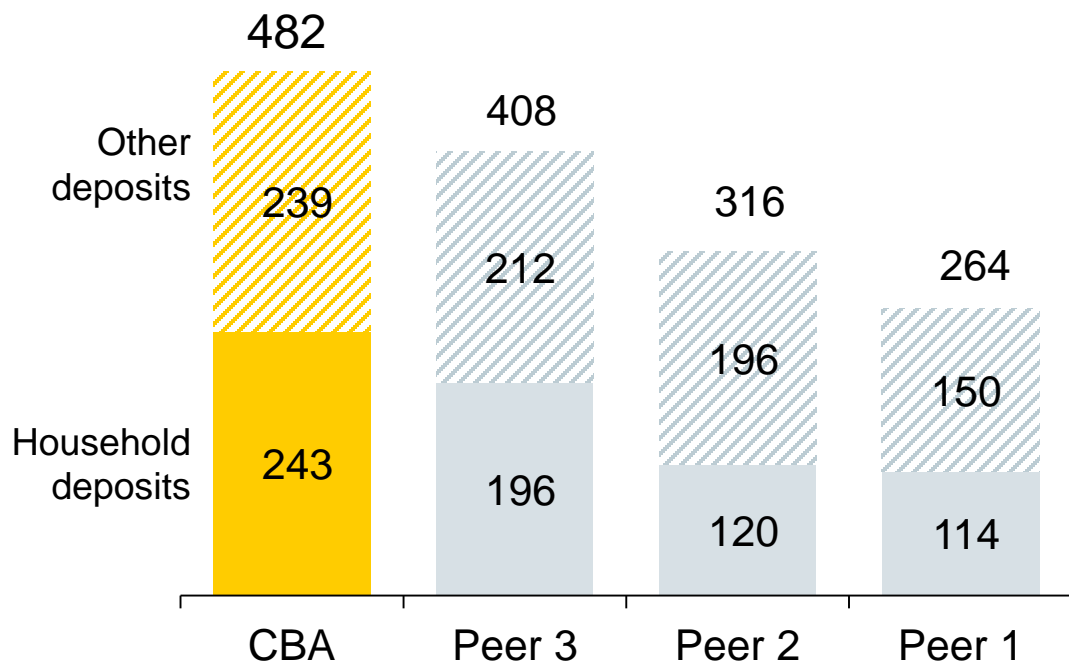
1. Includes non-interest bearing deposits 2. Includes pooling facilities 3. In NZD 4. Number of new RBS personal transaction accounts, including offset accounts 5. Online includes NetBank Saver, Goal Saver and Business Online Saver

Deposit funding



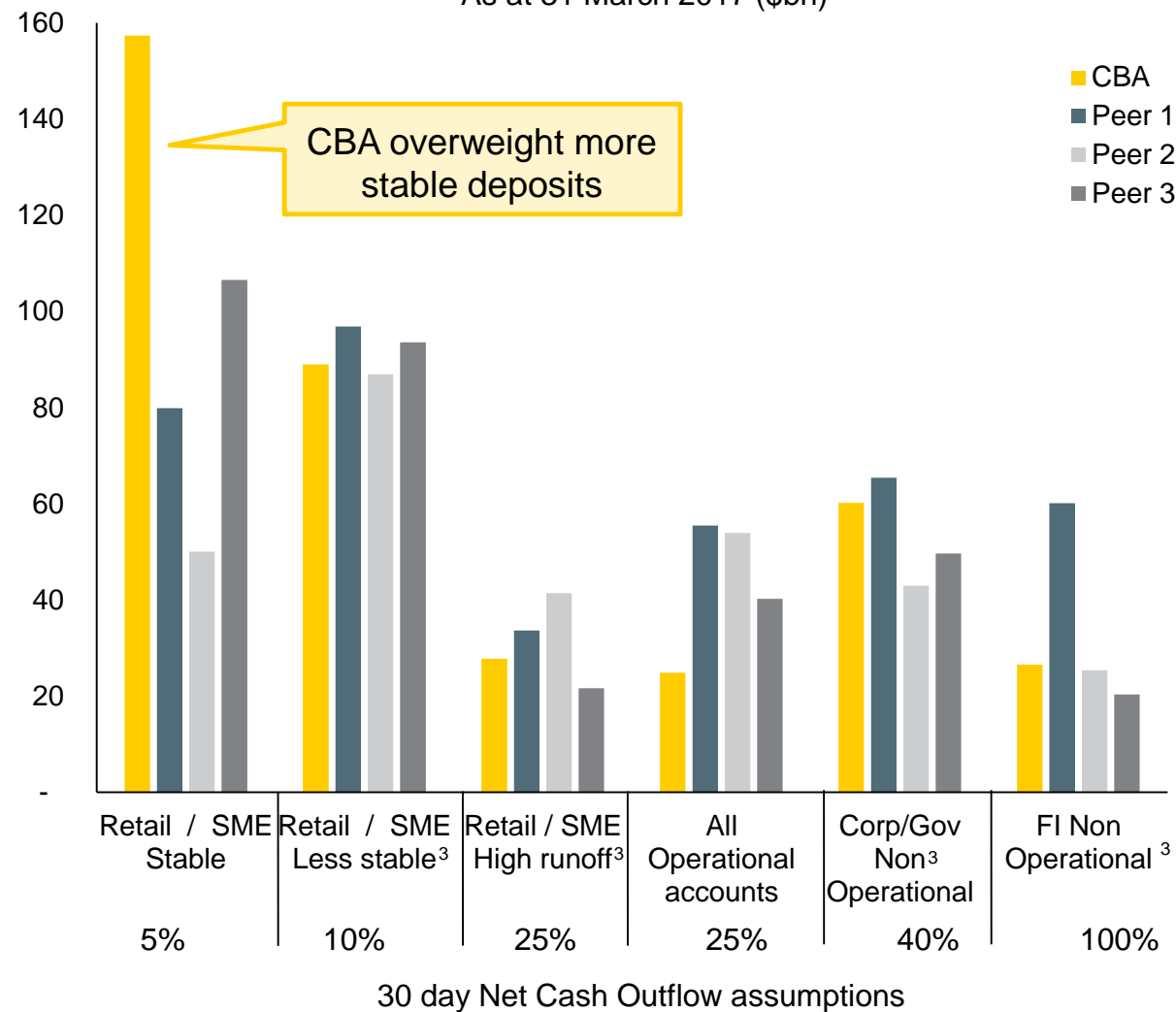
Deposits vs Peers¹

June 2017 (\$bn)



Deposits in LCR calculation²

As at 31 March 2017 (\$bn)

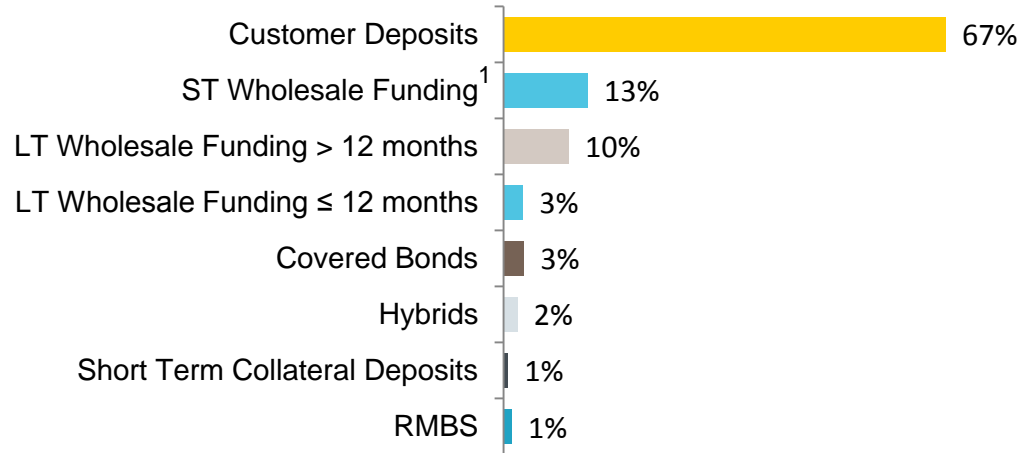


1. Source: APRA. Total deposits (excluding CD's). CBA includes Bankwest. 2. Source: 30 June 2017 Pillar 3 Regulatory Disclosure for 31 March 2017 3. Peer comparisons are calculated from disclosures assuming there are not material balances in the "notice period deposits that have been called" and the "fully insured non-operational deposits" categories.

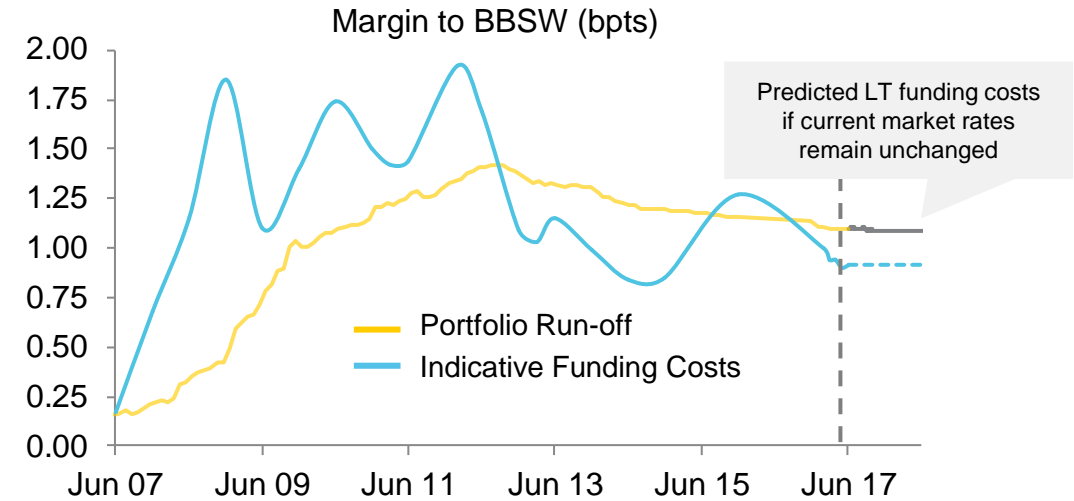
Wholesale Funding – overview



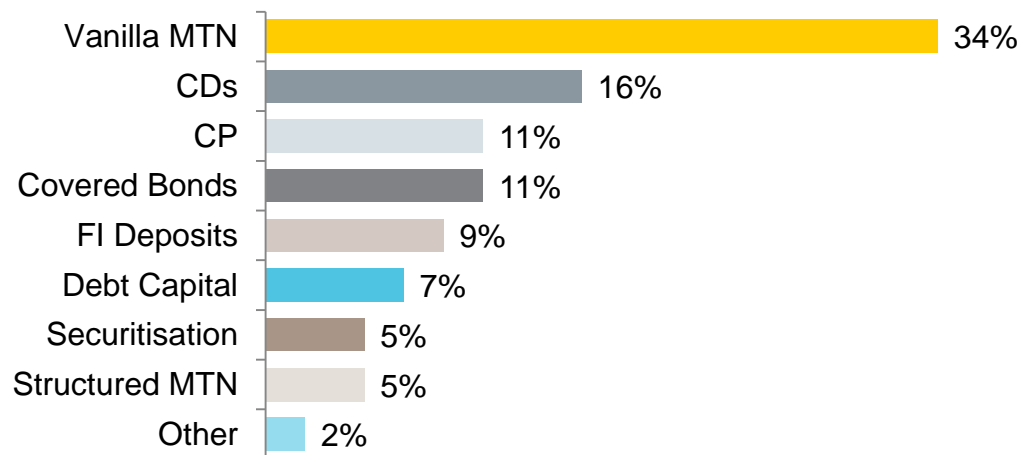
Funding composition



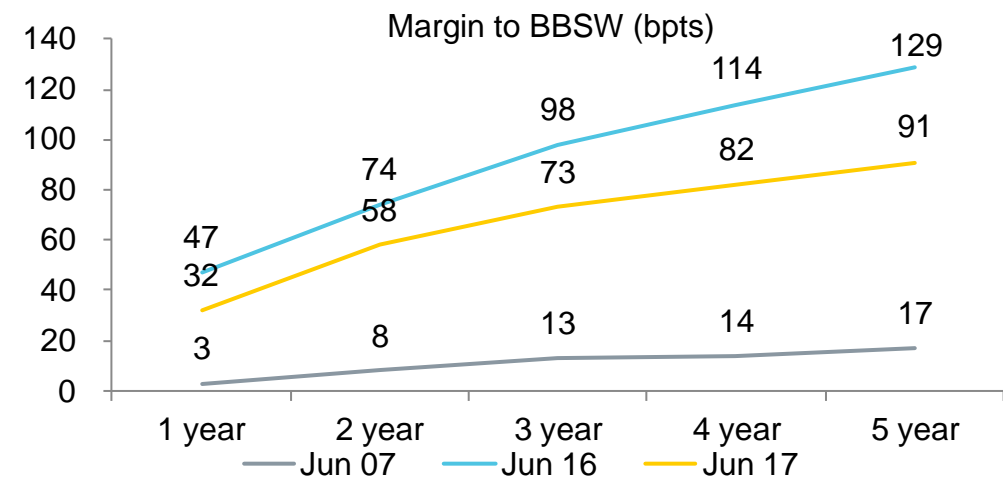
Average long term funding costs



Wholesale Funding by product



Indicative funding cost curves

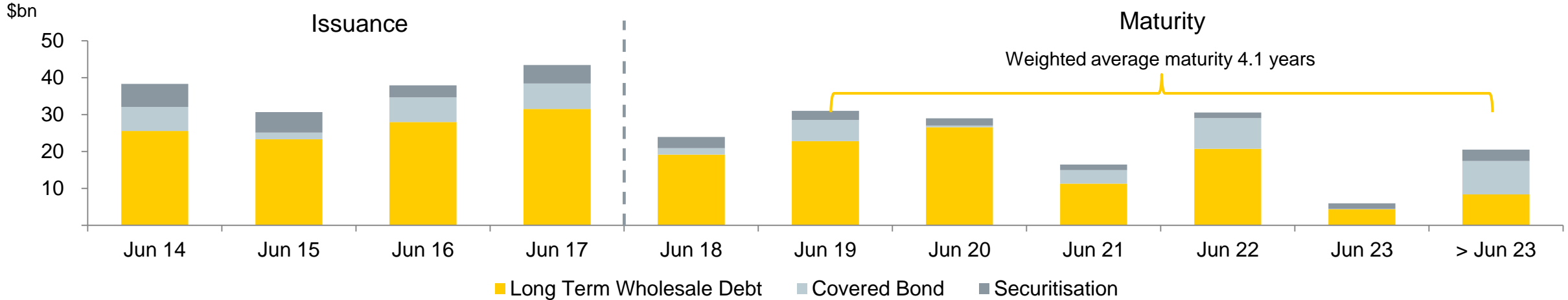


1. Includes the categories 'central bank deposits' and 'due to other financial institutions' (including collateral received) 2. Includes restructure of swaps and reclassification of deals between short and long term funding

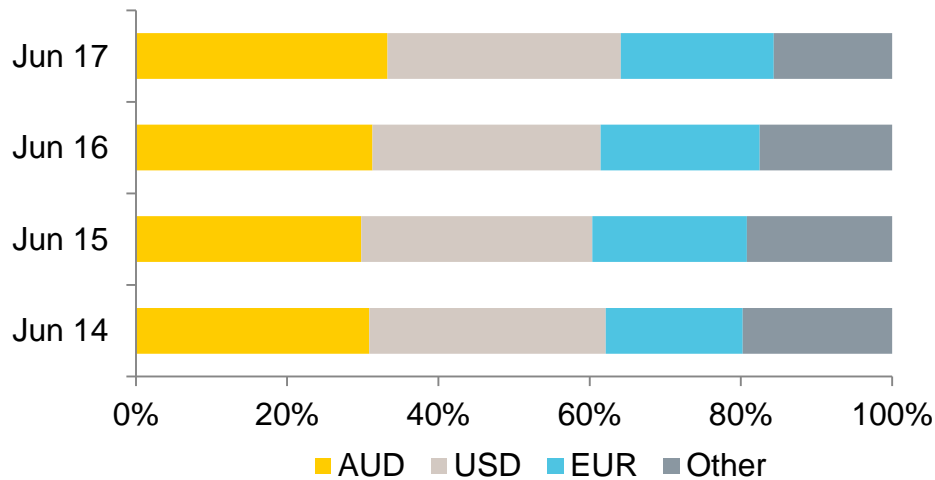
Wholesale Funding – portfolio



Term Wholesale Funding profile – issuance and maturity



Term Wholesale Funding by Currency¹



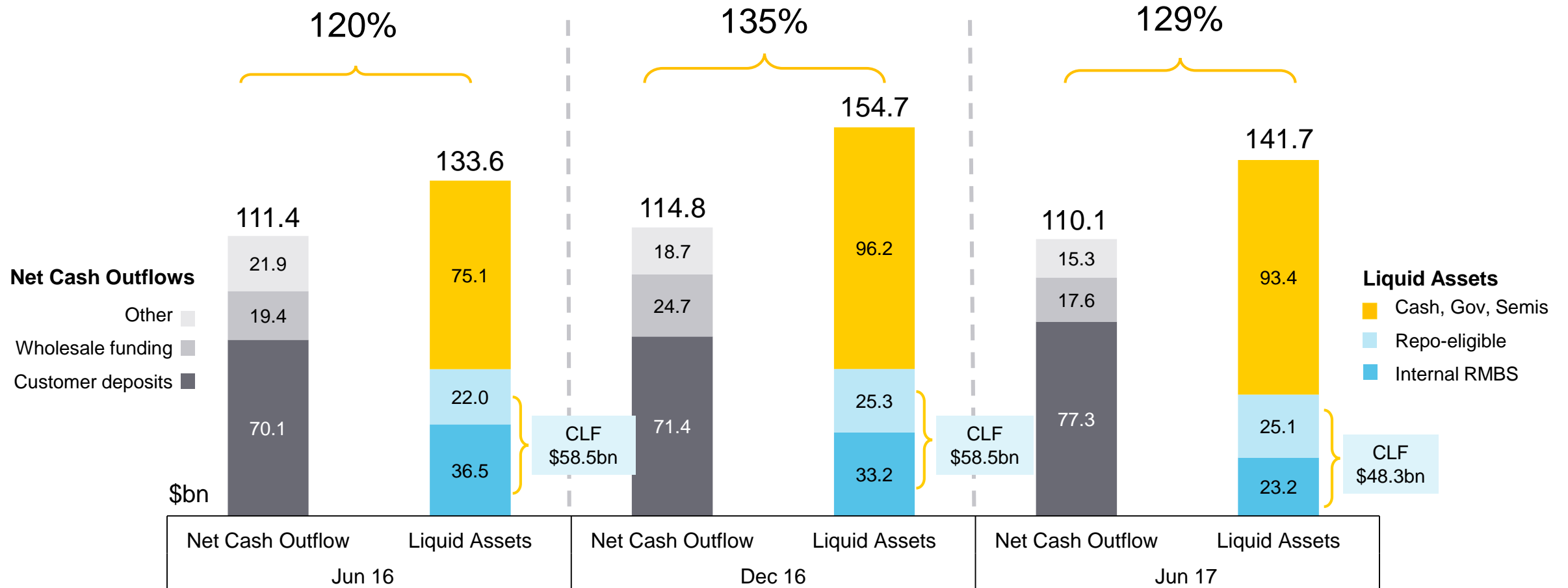
Date	Type	Currency	Size (m)	Tenor (yrs)	Spread (bps)
Jul 16	Senior	AUD	2,275	5	3m BBSW+121
Jul 16	Covered Bond	EUR	1,250	10	MS +20
Aug 16	Senior	USD	3,300	2, 5, 10	T+65, 85, 110
Oct 16	Tier 2	USD	750	5	T+210
Oct 16	Senior	USD	1,000 / 750	3	T+80 / USDL+64
Nov 16	Covered Bond	AUD	2,300	5, 10	3mth BBSW +85 / +102
Dec 16	RMBS	AUD	1,840	3.5	1m BBSW + 111
Jan 17	Senior	AUD	2,650	5	3m BBSW +111
Mar 17	Senior	USD	1,500 / 1,500	3, 5	T+72 / +80 USDL +45 / 70
Mar 17	Climate bond	AUD	650	5	3m BBSW +92
Apr 17	Senior	EUR	750	5.25	MS +32
Apr 17	Covered Bond	EUR	750	7	MS +6
Jun 17	RMBS	AUD	2,400	3.5	1m BBSW +107

1. Includes debt with an original maturity or call date of greater than 12 months (including loan capital)

Liquidity Coverage Ratio (LCR)



- LCR 129% at 30 Jun 2017
- Committed Liquidity Facility reduced by \$10.2bn on 1 Jan 2017 to \$48.3bn
- The Group's Net Stable Funding Ratio (NSFR) is 107%



Leverage ratio – above Basel minimum

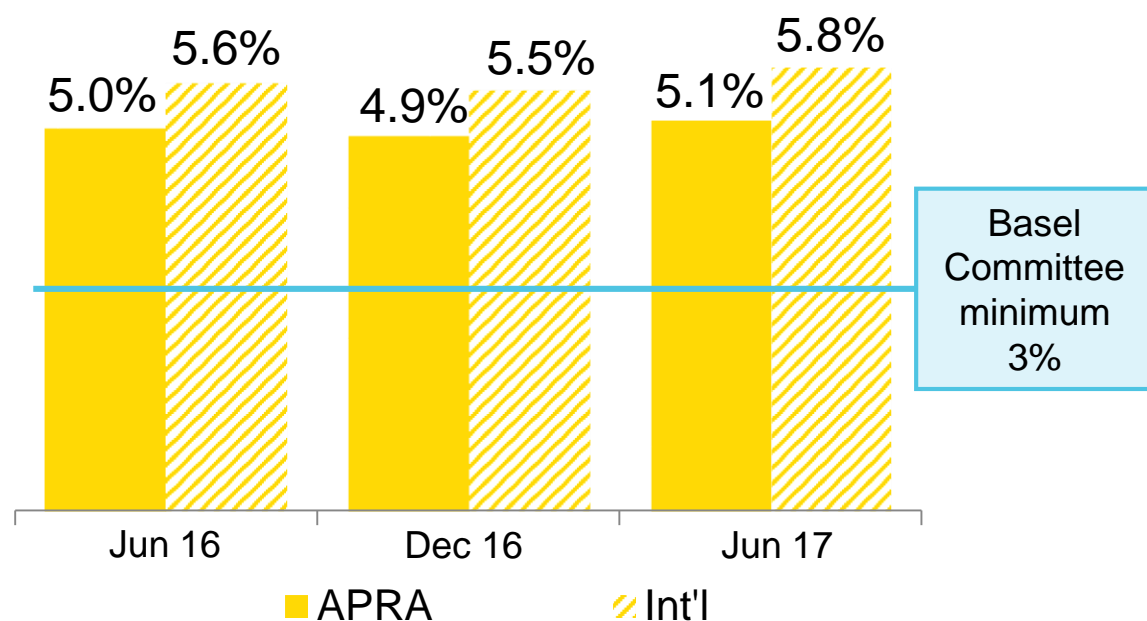


CBA Leverage Ratio well above prescribed Basel Committee minimum

Leverage ratio introduced to constrain the build-up of leverage in the banking system.

Scheduled to be introduced as a minimum requirement from 1 January 2018.

$$\text{Leverage ratio} = \frac{\text{Tier 1 Capital}}{\text{Total Exposures}}$$

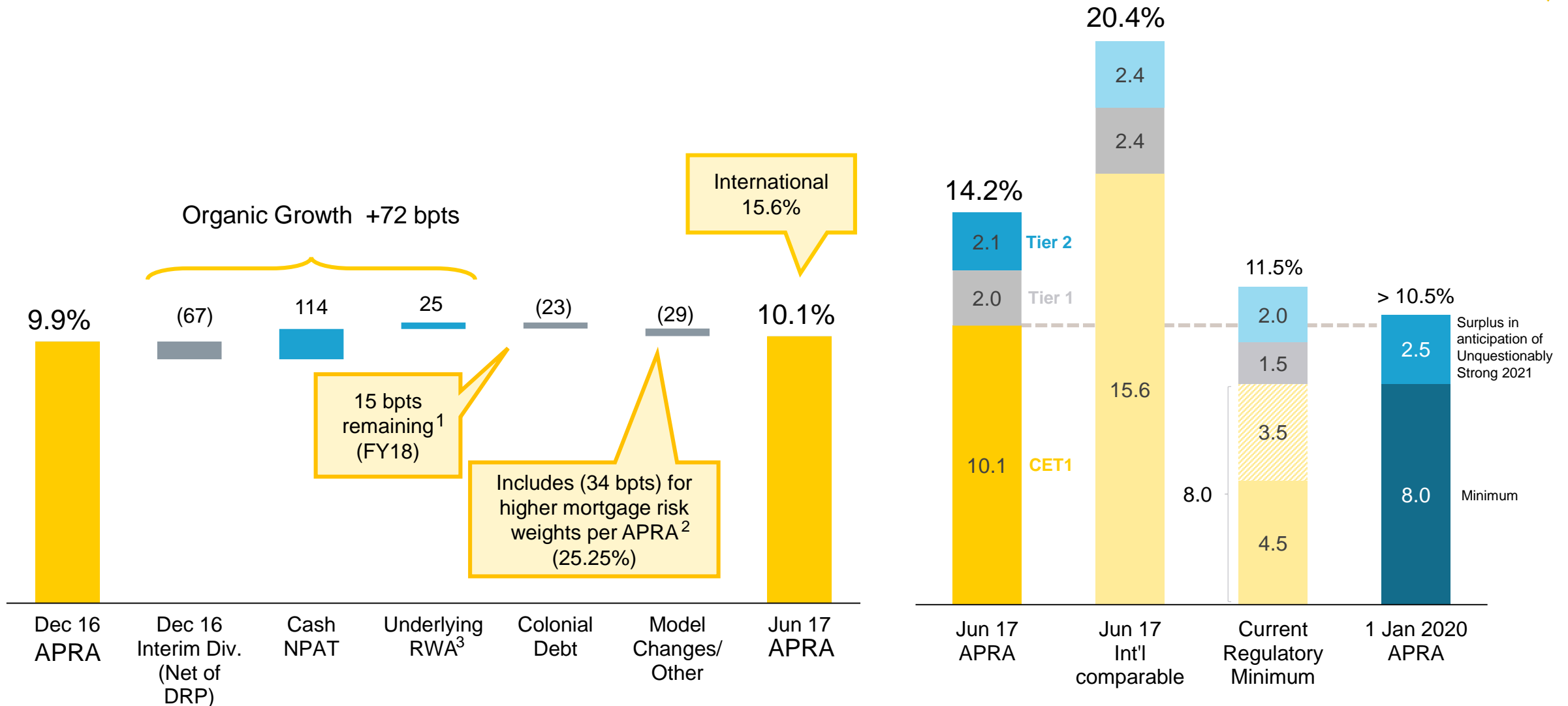


\$m	Jun 17
Tier 1 Capital	52,684
Total Exposures	1,027,958
Leverage Ratio (APRA)	5.1%

\$m	Jun 17
Group Total Assets	976,374
Less subsidiaries outside the scope of regulatory consolidations	(17,362)
Add net derivative adjustment	489
Add securities financing transactions	1,617
Less asset amounts deducted from Tier 1 Capital	(19,261)
Add off balance sheet exposures	86,101
Total Exposures	1,027,958

The Tier 1 capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study entitled “international capital comparison study”, and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

CET1 of 10.1% – organic growth +72 bpts



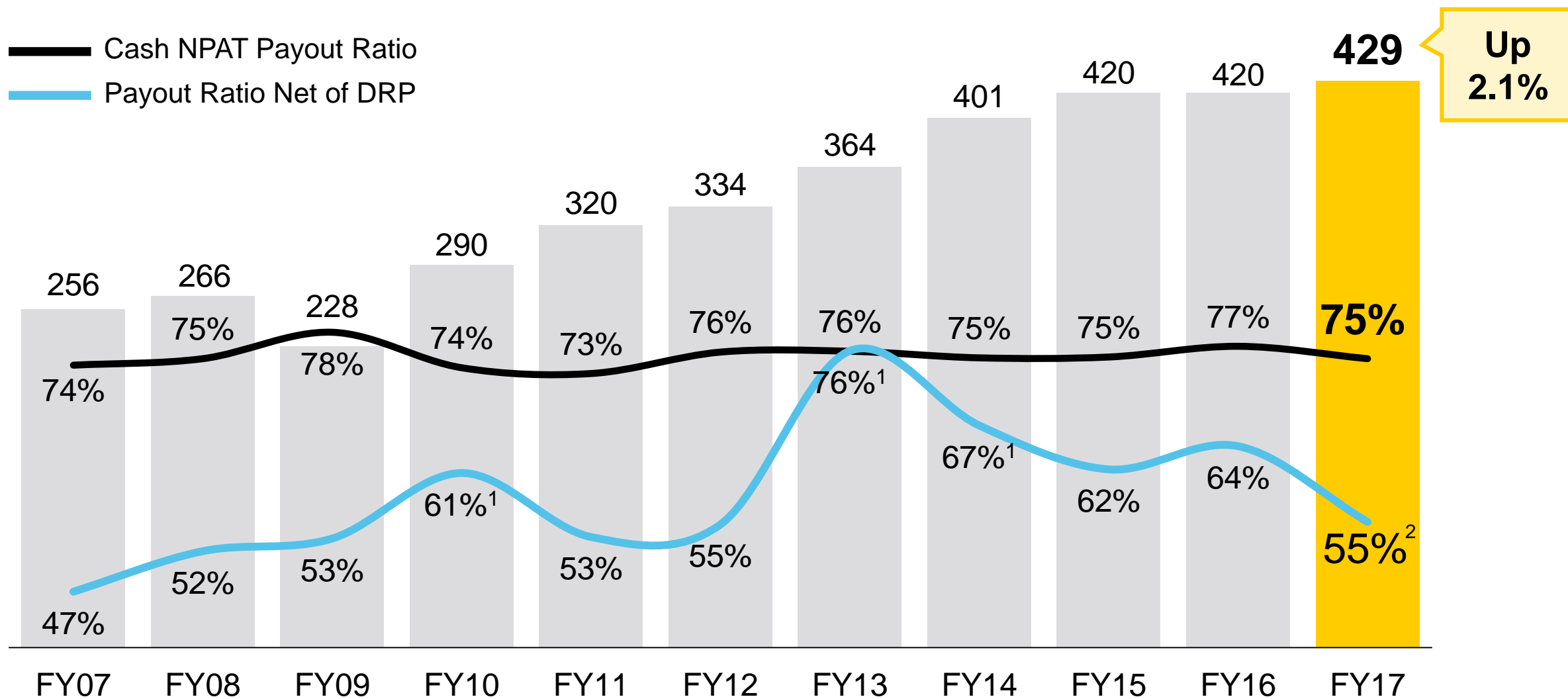
1. \$350m (8 bpts) on 28 Aug 17; \$315m (7 bpts) on 24 Jun 18
2. Consistent with APRA's requirement for an average mortgage risk weighting across all IRB ADI's of at least 25 per cent
3. Underlying - excludes changes to regulatory treatments

Dividend

cents per share

— Cash NPAT Payout Ratio

— Payout Ratio Net of DRP



Up
2.1%

1. DRP Neutralised: 2H10, 1H13, 2H13 and 2H14

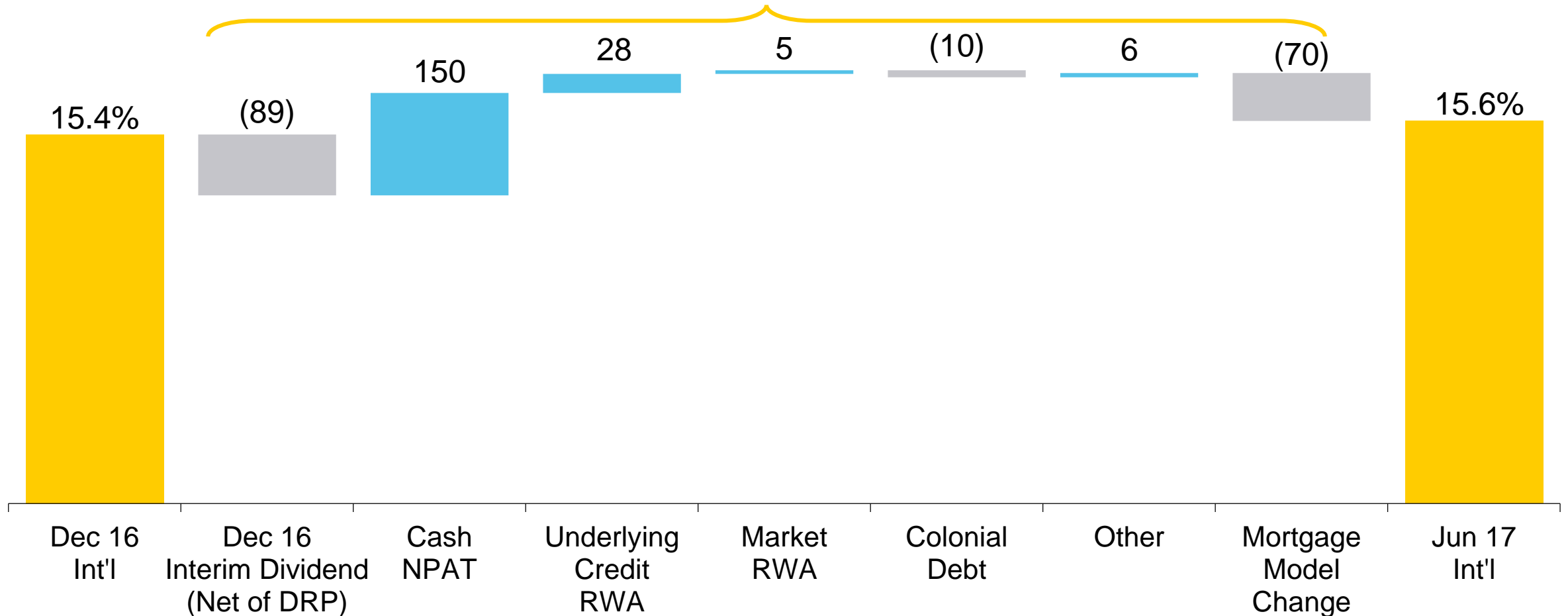
2. Assumes 2H17 DRP participation of 35%

CET1 – Internationally comparable



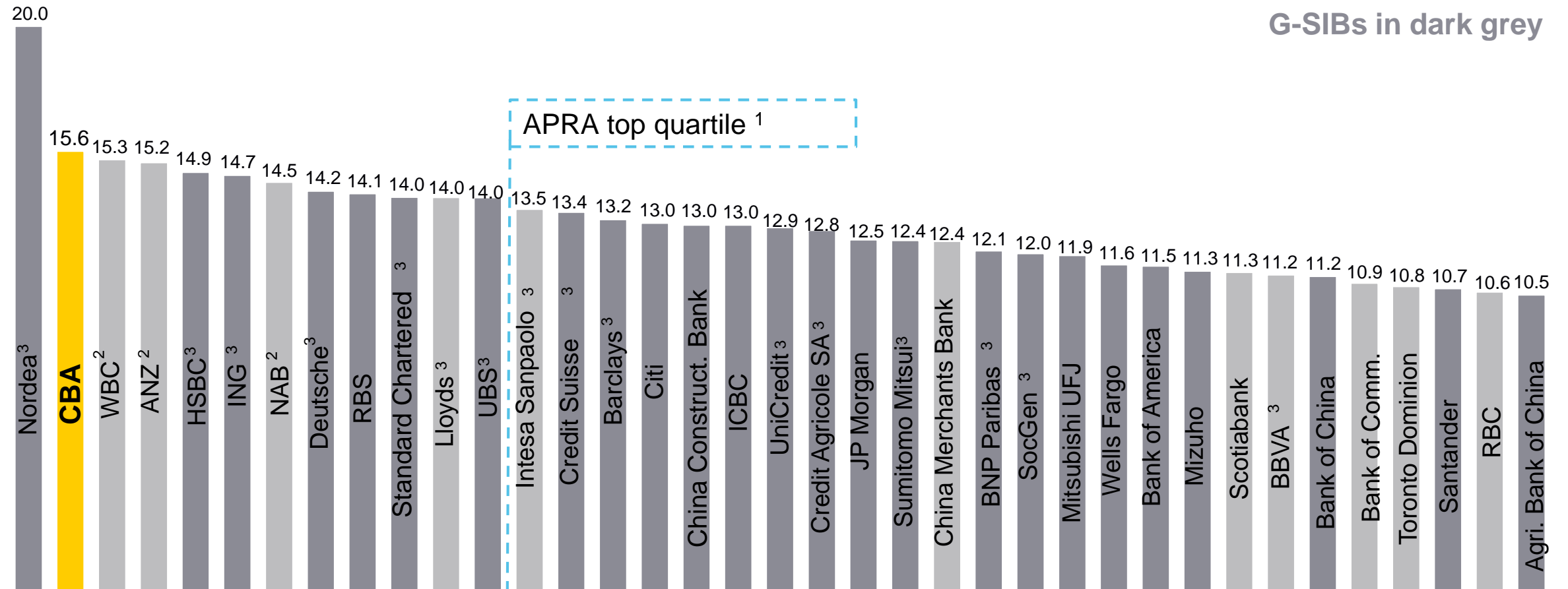
(bpts)

Internationally Comparable¹ CET1 impacted by APRA increase in risk weights for Australian residential mortgages implemented effective 30 June 2017



1. Internationally comparable capital - refer glossary for definition

International CET1 ratios



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 3 August 2017 assuming Basel III capital reforms fully implemented.

Peer group comprises listed commercial banks with total assets in excess of A\$750 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley estimate.

1. APRA has estimated that the 75% percentile is likely to be in the order of 14 per cent as at end December 2016. APRA Information Paper “Strengthening banking system resilience – establishing unquestionably strong capital ratios” (19 July 2017)

2. Domestic peer figures as at 31 March 2017

3. Deduction for accrued expected future dividends added back for comparability

APRA and International comparison



The following table provides details on the differences, as at 30 June 2017, between the APRA Basel III capital requirements and internationally comparable capital ratio¹.

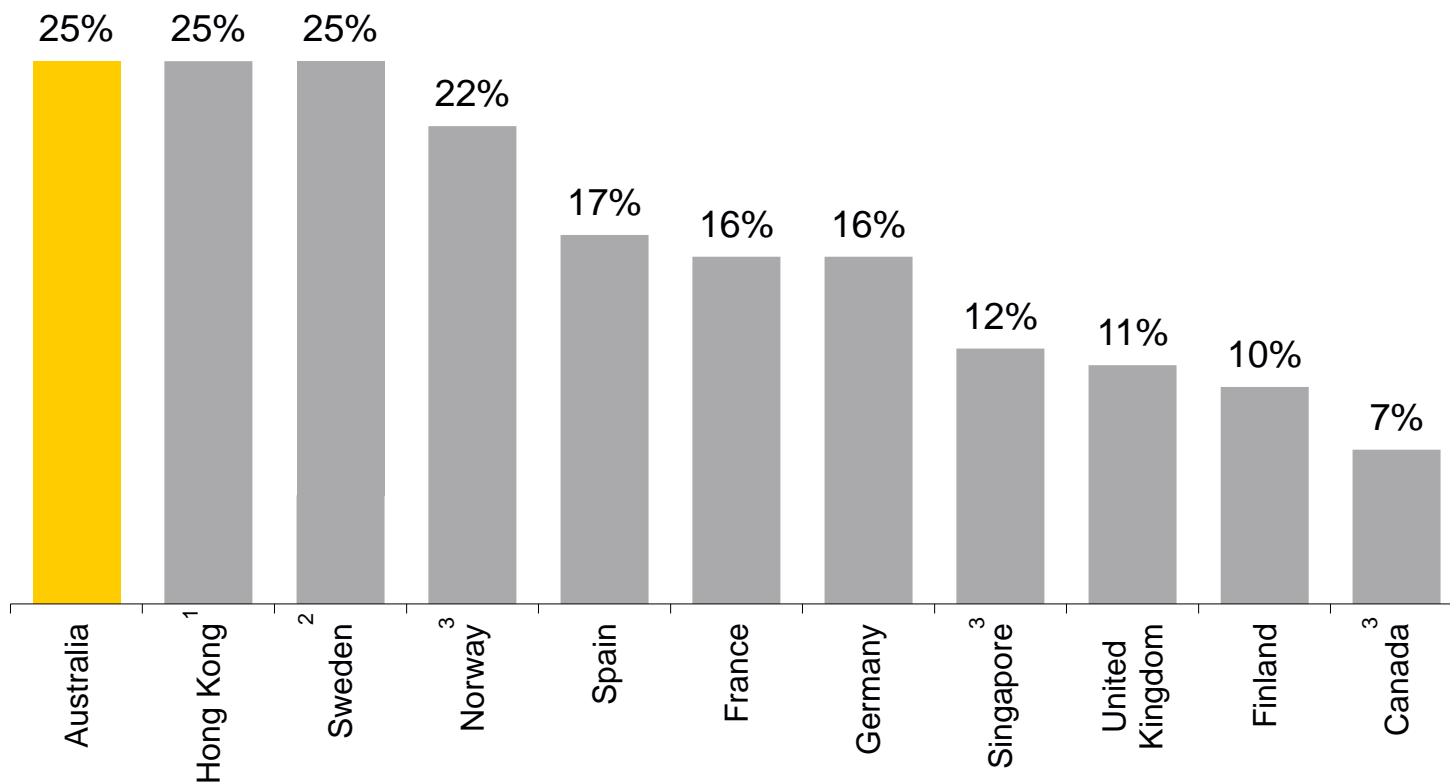
CET1 APRA		10.1%
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.9%
Capitalised expenses	Balances are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.1%
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.3%
IRRBB RWA	APRA requires capital to be held for Interest Rate Risk in the Banking Book (IRRBB). The BCBS does not have any capital requirement.	0.5%
Residential mortgages	Loss Given Default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements and adjustments for higher correlation factor applied by APRA for Australian residential mortgages.	1.8%
Other retail standardised exposures	Risk-weighting of 75%, rather than 100% under APRA's requirements.	0.1%
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements.	0.5%
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements.	0.4%
Specialised lending	Use of AIRB probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factor.	0.8%
Currency conversion	Increase in the A\$ equivalent concessional threshold level for small business retail and small/medium enterprise corporate exposures.	0.1%
Total adjustments		5.5%
CET1 Internationally Comparable		15.6%
Tier 1 Internationally Comparable		18.0%
Total Capital Internationally Comparable		20.4%

1. Analysis aligns with the APRA study entitled "International capital comparison study" (13 July 2015)

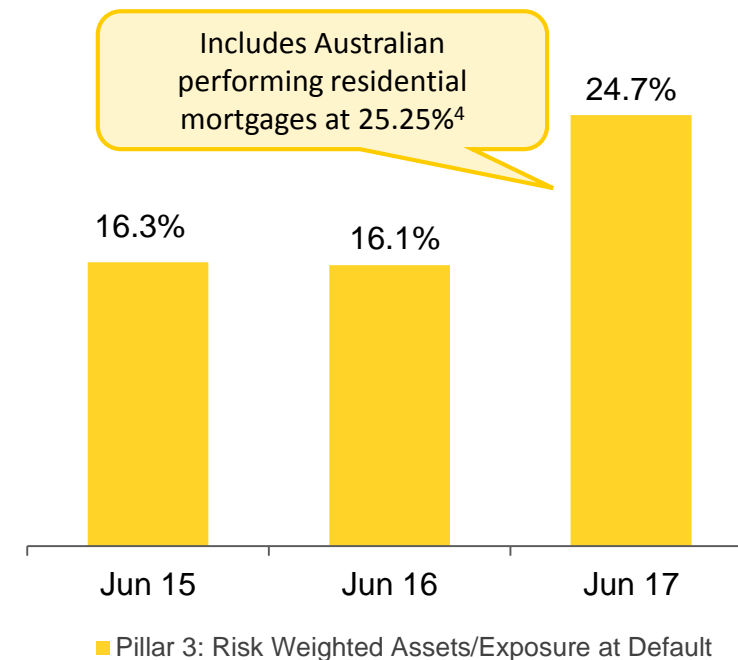
Residential mortgage risk weights



Residential mortgage risk weights by country



Group IRB residential mortgage risk weights



Source: Fourth report on the consistency of risk weighted assets, European Banking Authority, 11 June 2014

1. The Hong Kong regulator has applied a risk-weight floor of 25% (previously 15%) to new Hong Kong residential mortgages granted from May 2017
2. The Swedish regulator has imposed a risk weight floor for Swedish mortgages of 25%, which is implemented as a Pillar 2 charge
3. Sourced from public disclosures of major banks in those countries
4. APRA has applied a risk-weight minimum of 25% (allowing for a Basel expected loss adjustment) on performing Australian IRB residential mortgages. CBA meets this requirement.

Banking levy¹



	\$m
Total liabilities	898,722
<u>Exclusions:</u>	
Financial Claims Scheme deposits	(238,500)
Derivatives	(32,094)
Tier 1 capital securities	(8,160)
Exchange Settlement Account	(5,161)
Adjusted liabilities	614,807

- Applicable to ADIs with liabilities >A\$100bn, i.e. major banks and Macquarie Bank
- Effective from 1 Jul 17 with the first report due Feb 18 & first payment due Mar 18
- Levy is based on 0.06% per annum of Total “Adjusted” Liabilities of the CBA parent

$$\begin{aligned} \$614,807 \times 0.06\% &= \mathbf{\$369m} \text{ (pre-tax)} \\ &= \mathbf{\$258m} \text{ (post tax)} \end{aligned}$$

Regulatory change timetable

	2017	2018	2019	2020	2021
APRA					
Financial System Inquiry	Competition Increase in mortgage risk weights	Unquestionably strong¹ ADIs to target unquestionably strong capital ratios, which will also cover "Basel IV" proposals. Discussion papers, draft prudential standards released for consultation		Release of final prudential standards	Implementation
Leverage ratio	Disclosure requirements only	Implementation			
Securitisation	Implementation				
Counterparty Credit Risk	Implementation				
Basel Committee					
Standardised & Advanced Credit Risk	"Basel IV" BCBS expected to finalise APRA will finalise with "Unquestionably strong"				Implementation to be advised
Capital floors					Implementation to be advised
Standardised Operational Risk					Implementation to be advised
Market Risk					Implementation ²
IRRBB	Finalised Jan 2016	Additional disclosures from 2018			
NSFR	Finalised Apr 2016	Implementation			
IFRS 9 Provisioning	Implementation				

1. APRA Information Paper "Strengthening banking system resilience – establishing unquestionably strong capital ratios" (19 July 2017). 2. APRA advised in March 2017 that finalisation for Australian regulatory purposes not expected until beginning of 2020 at the earliest, with implementation 12 months after the regulations have been finalised.

Strategy

CommonwealthBank



Customer focus



Our Vision

To excel at securing and enhancing the financial wellbeing of people, businesses and communities

Our Values

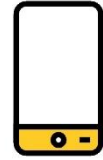
Integrity
Accountability
Collaboration
Excellence
Service

Strategic Capabilities

People



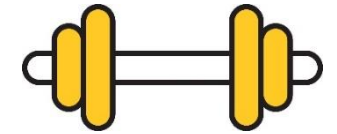
Technology



Productivity



Strength



Our
Growth
Opportunities

“One CommBank”

Continued growth in business and institutional banking

Disciplined capability-led growth outside Australia



TSR Outperformance

CBA overview

Our people and customers

- 51,800 people serving 16.6m customers
- #1 in retail customer satisfaction
- =#1 in business customer satisfaction
- #1 market share in home lending
- #1 market share in household deposits

Technology and innovation

- 1st Australian bank to go real-time, 24x7
- 15m customers using real time banking
- Digital >50% transactions by value
- #1 free financial app in Australia
- #1 internet customer satisfaction

Financial strength

- ~800,000 shareholders
- Total assets of \$976bn
- CET1 (APRA) 10.1%
- Underlying¹ cost-to-income 41.8%
- Deposit funding 67%

	Aust.	NZ	Other	Total
Customers	13.8m	2.3m	0.5m	16.6m
Staff	41.6k	5.7k	4.5k	51.8k
Branches	1,121	123	106	1,350
ATMs	4,398	427	166	4,991

Online Customers	6.2 million
Customer Sat.- Internet	#1
Logons per week CommBank app and Netbank	40 million
Online account opening Savings and transaction accounts	<3 minutes
CommBank app mobile users	4.4 million

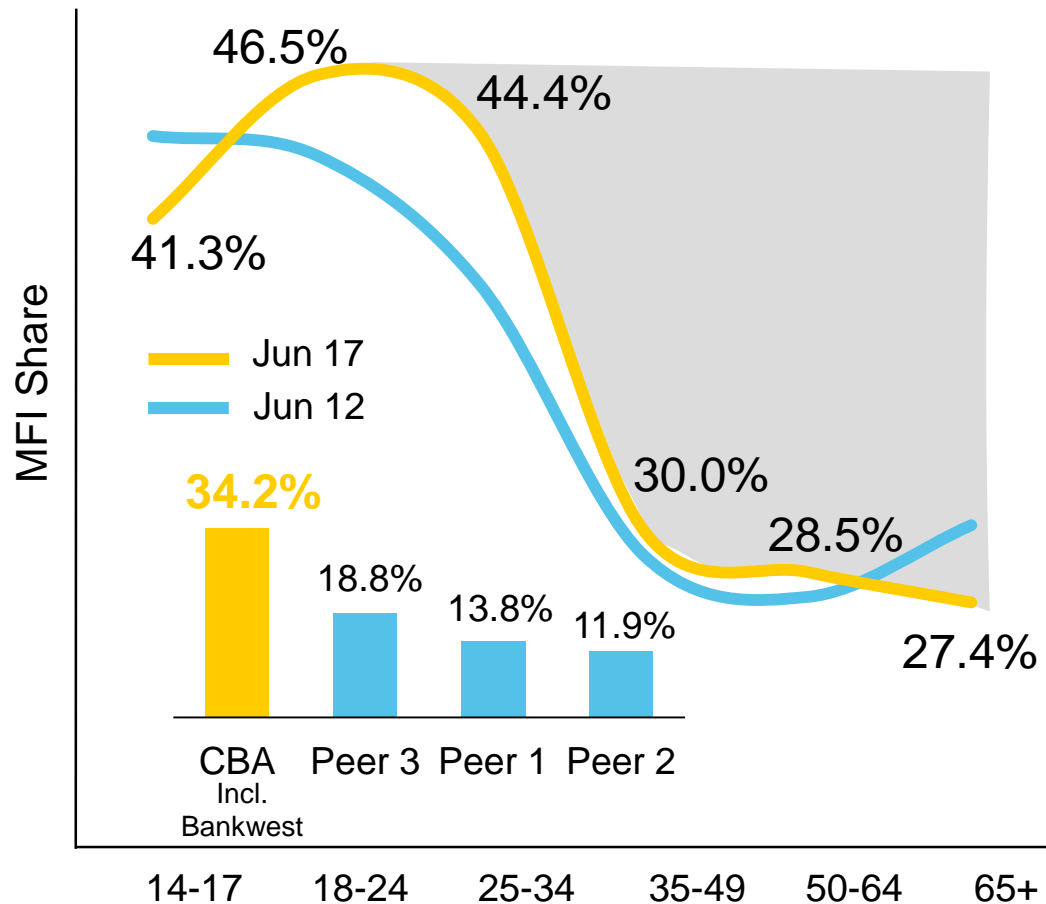
Market Capitalisation	#1
CET1 - APRA	10.1%
CET1 - International	15.6%
Total Assets	\$976bn
Credit Ratings	AA-/Aa3/AA-

1. In order to present an underlying view of the result, FY17 growth rates have been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc in Other banking income, and a \$393m one-off expense for acceleration of amortisation on certain software assets. Refer to the slide at the back of this presentation for source information

Our customer franchise



Customer lifecycle by age



- ▶ Serving 16.6 million customers
- ▶ MFI for 1 in 3 Australians
- ▶ Leading market shares in home lending 25.2% and household deposits 28.8%
- ▶ Highest share-of-wallet amongst peer group (3.07 products per customer)

Delivering for our customers – One CommBank



Smarter analytics

62,000 customer insights each week

More leads

43,000 video-conferencing referrals in FY17

More lenders

93 new branch lenders in FY17

Insurance

8% growth in home & contents insurance¹

Branch investment

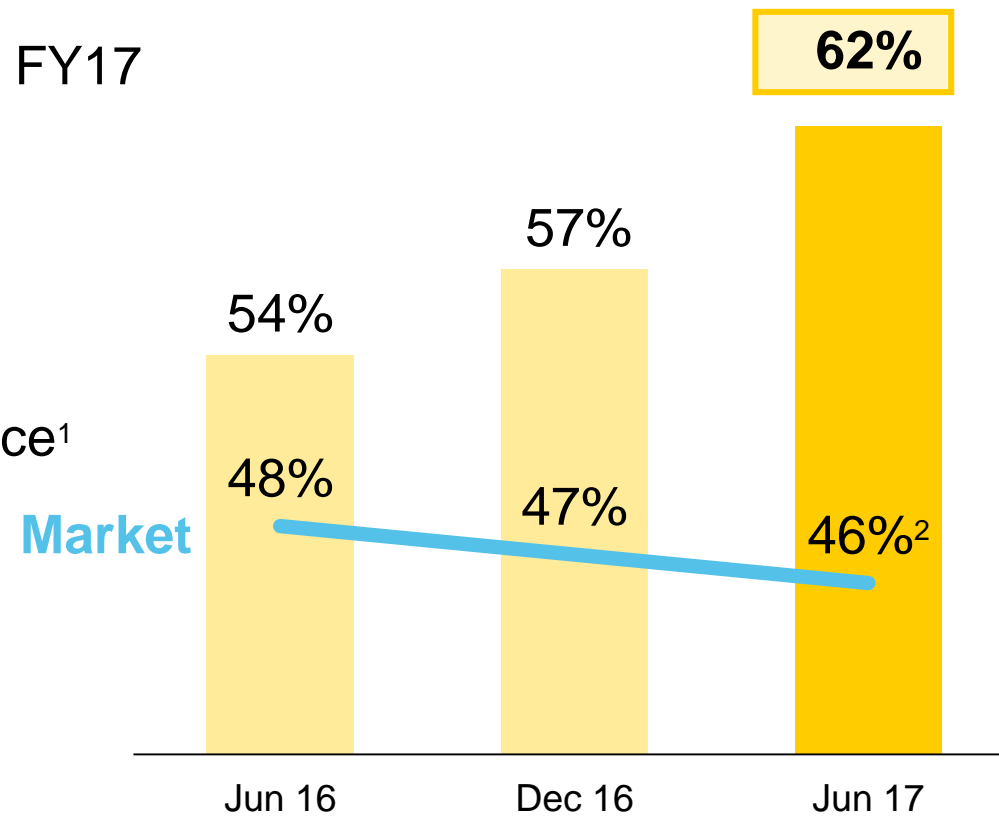
226 new format locations

Smaller footprint

50% reduction in branch space

Proprietary % of Total Flows

Home lending (RBS)



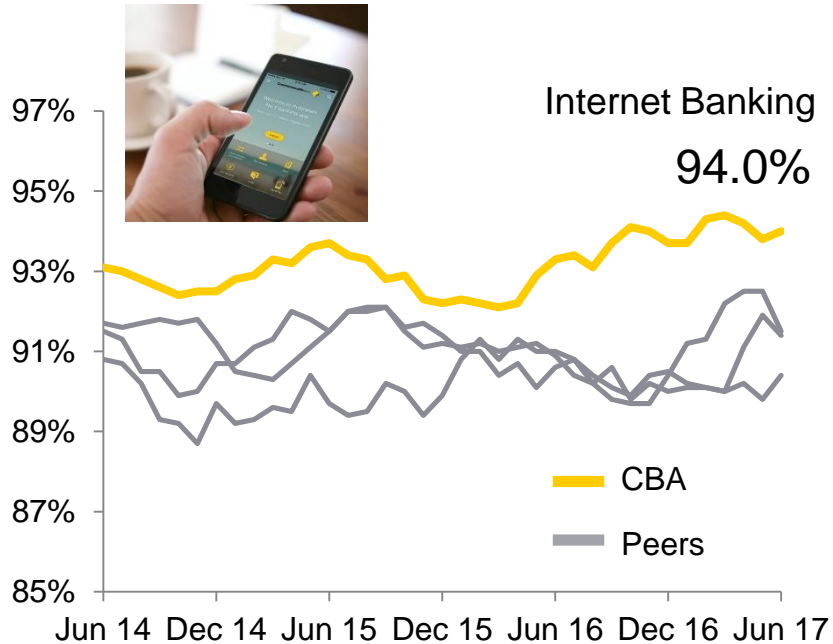
1. Policies with new home loans

2. Market as at Mar 17

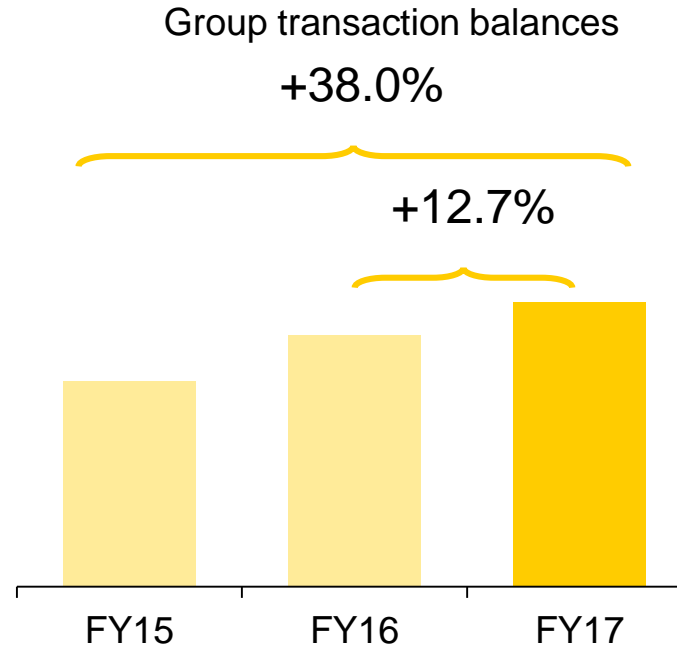
Australia's leading technology bank



More satisfied customers



Leader in real-time



Forefront of innovation



- 6.2 million active online customers
- Digital >50% transactions by value
- #1 free financial app in Australia
- #1 internet customer satisfaction
- #1 on social media
- #1 online banking (Canstar) – 8yrs

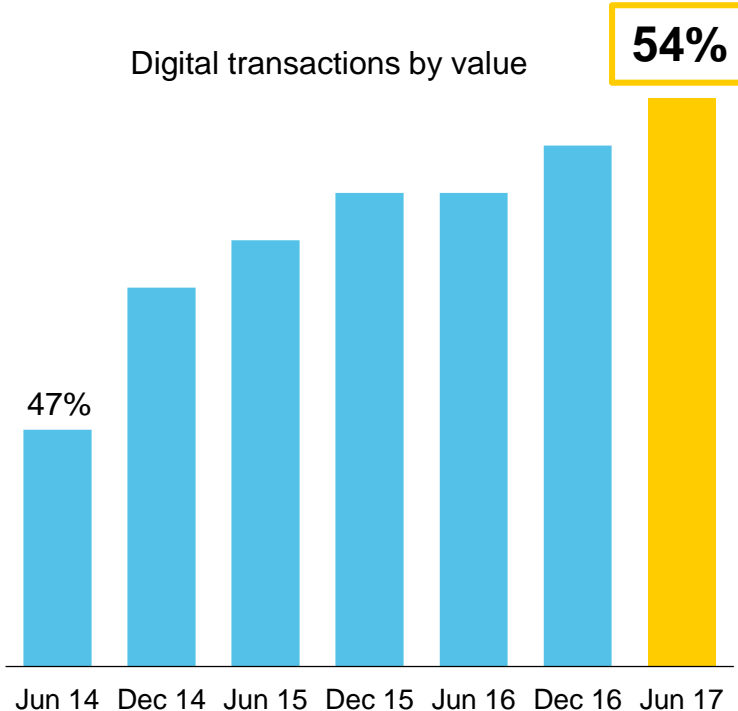
- 1st Australian bank real-time, 24x7
- Real-time since 2010, used by 15 million customers
- Originate and transact in real time: anywhere, anytime, any device
- Strong growth driver - transactions

- Innovating across our business
- Collaborating with industry and the broader community on emerging technologies – quantum computing, blockchain, robotics etc

Delivering for customers – real time, digital banking

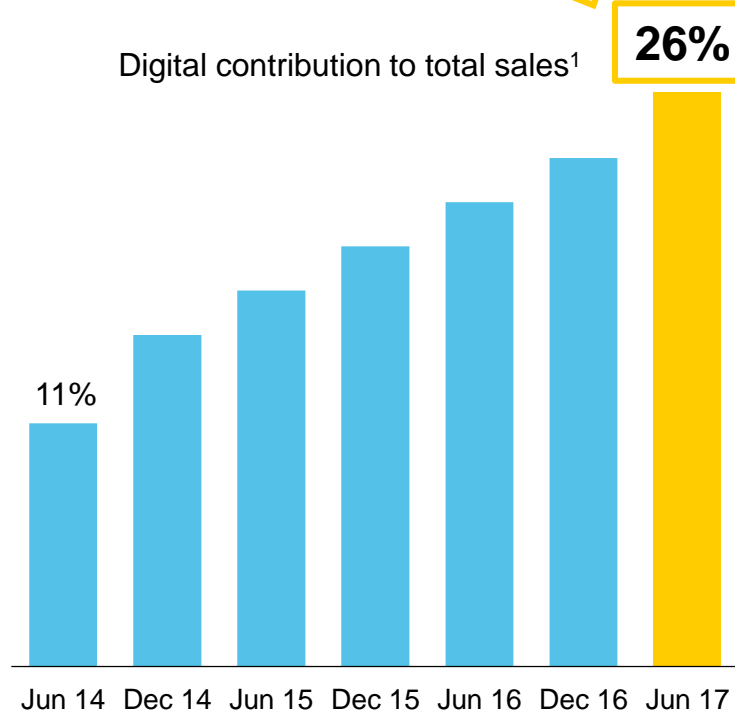
Digital - transactions

54% of all transactions by value now digital



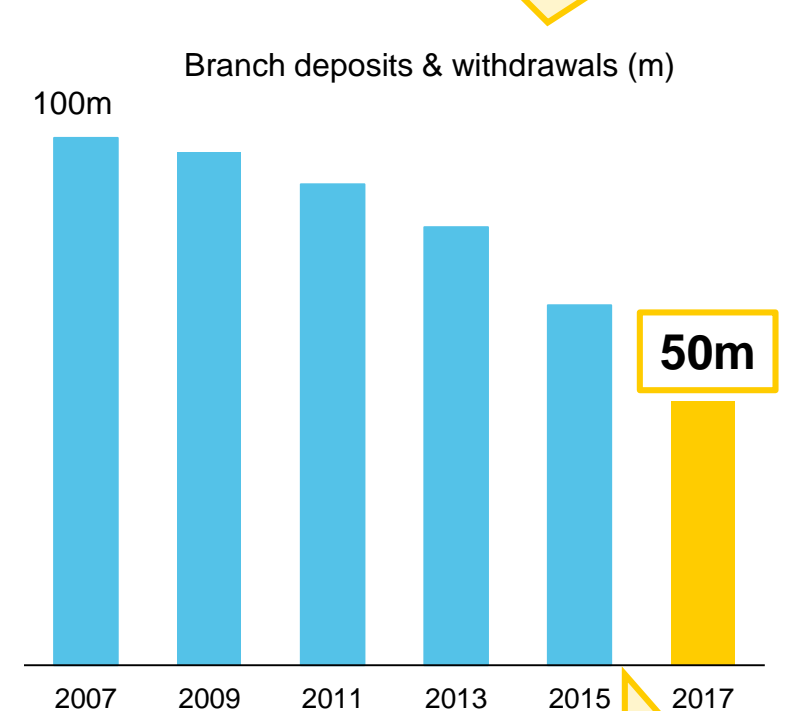
Digital - sales

26% of retail product sales now digital



Repositioning branches

50% smaller footprint – 226 locations



Real time banking – originate and transact in real time – anytime, anywhere, any device

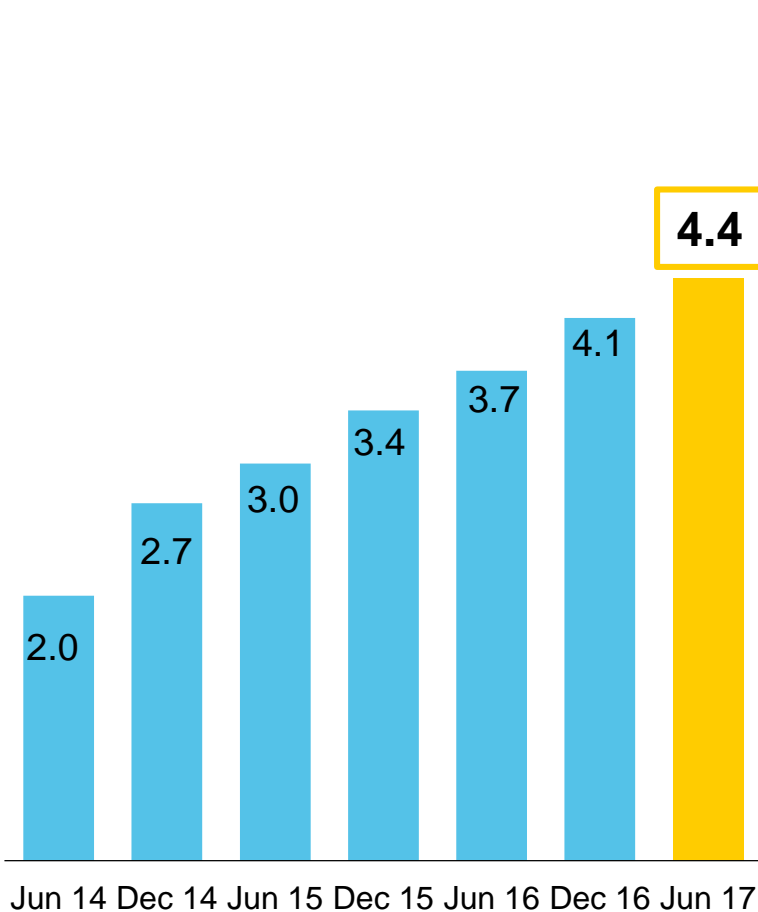
1. Quality new accounts (QNA) for key products originated end-to-end including deposits, credit cards, home loans, personal loans, insurance and business accounts. QNA demonstrates certain types of transactional activity such as deposits, loan repayment deductions etc.

The digital revolution – customer take-up



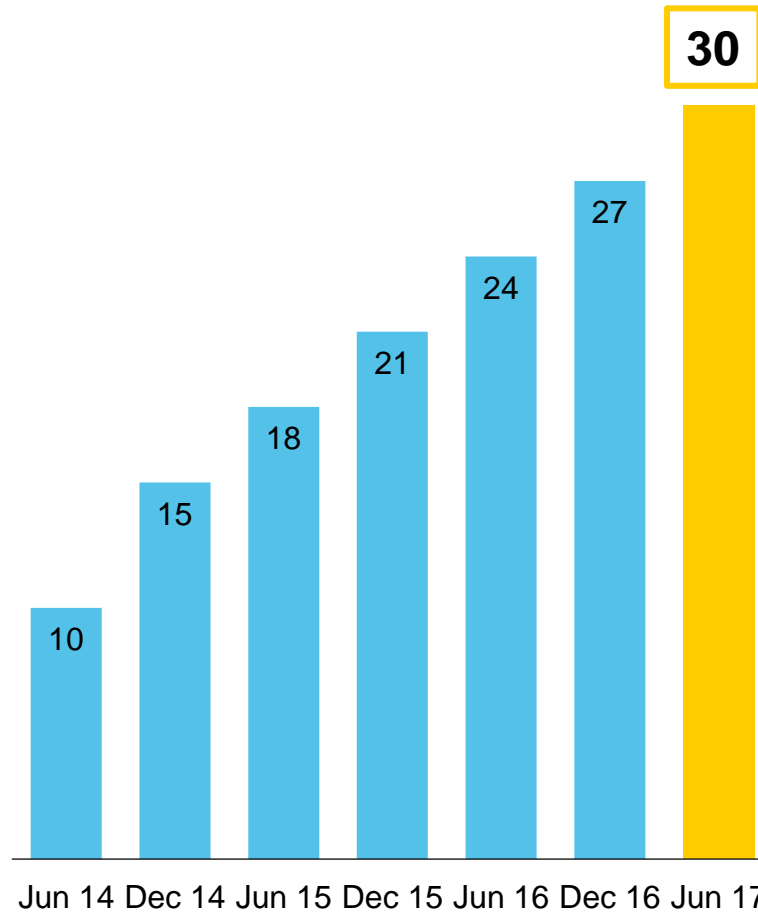
CommBank app users¹

Monthly unique customers (m)



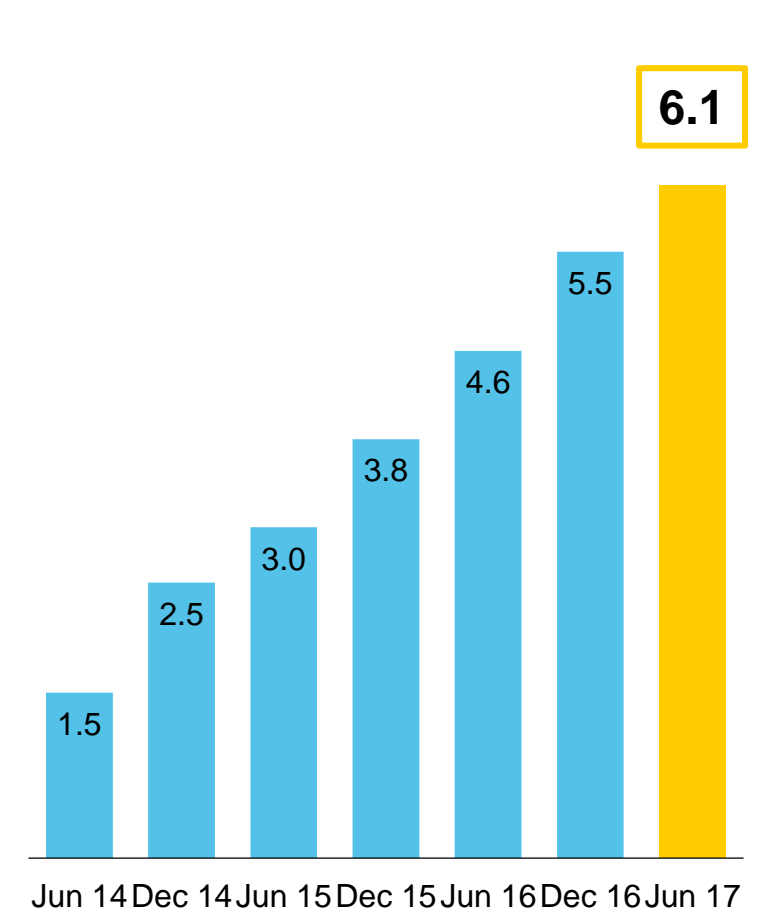
CommBank app

Logons per week (m)



CommBank app

Transactions per week (\$bn)²



Data refers to CommBank app mobile users

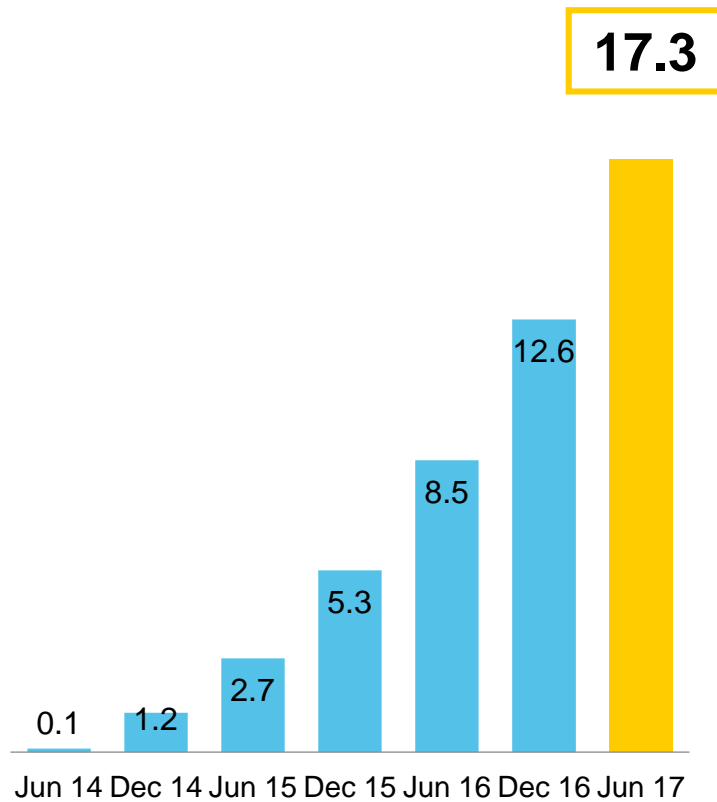
1. Monthly unique users of the CommBank app, defined as anyone who logs into the app for the month 2. Includes BPAY

The digital revolution – customer experience & security



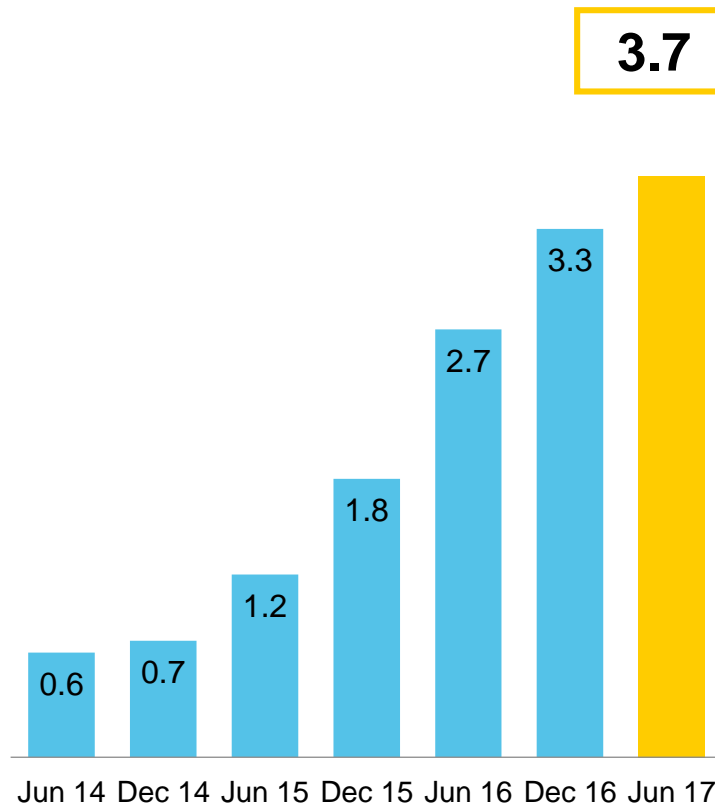
Cardless Cash

Cumulative volume of unique transactions (m)¹



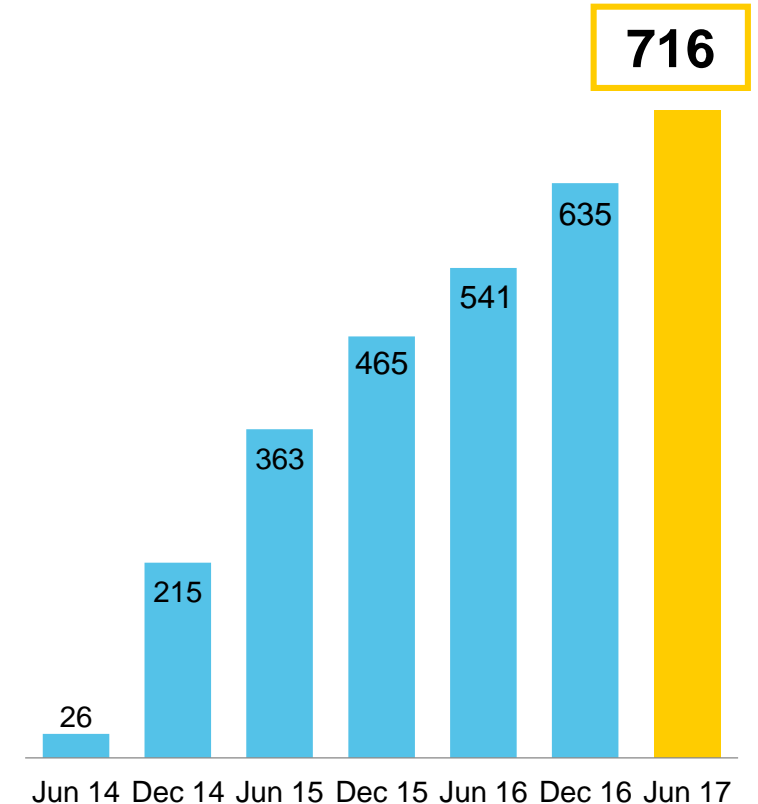
Tap & Pay

Volume of transactions per quarter (m)²



Lock, Block & Limit

Number of accounts enrolled (k)³



1. Launched April 2014 2. Volume of transactions using Tap & Pay (HCE only) 3. Number of unique accounts that have enrolled for Lock, Block and Limit (excl. temp. lock)

Supporting the transition to a low carbon economy

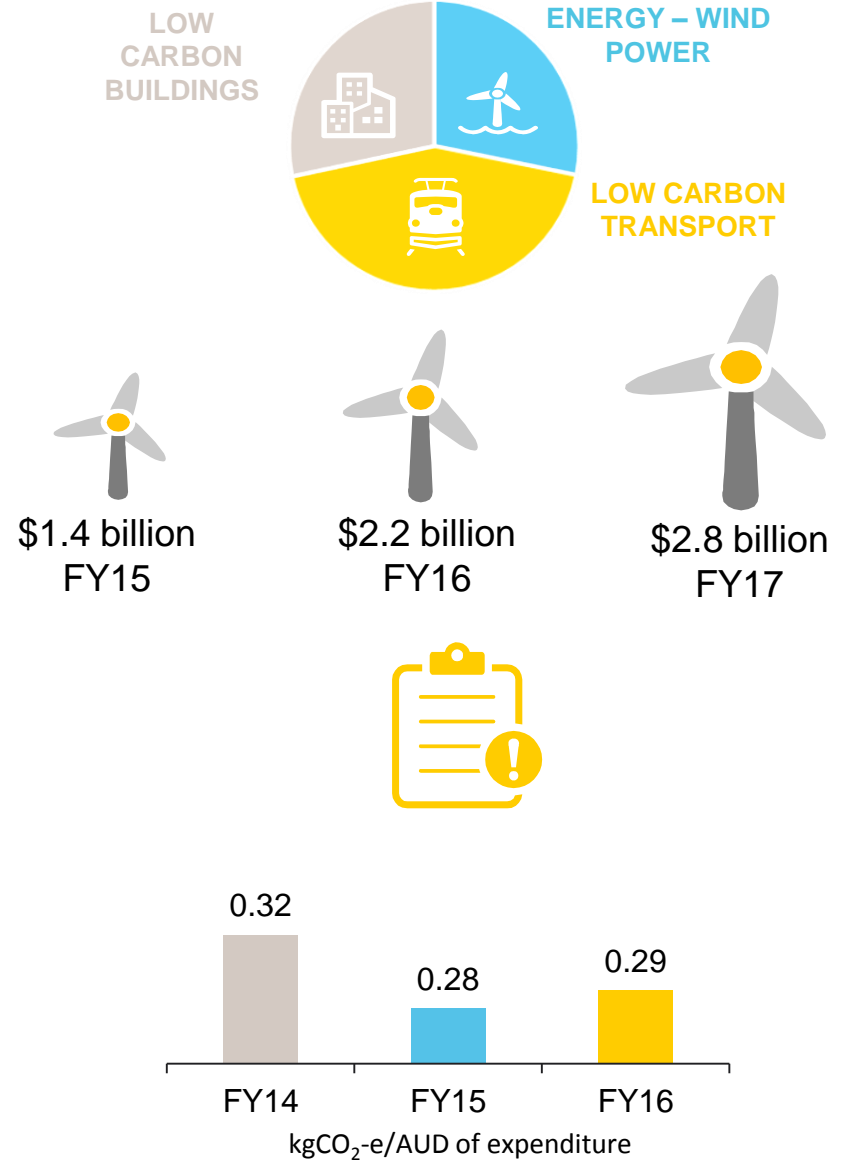


At A\$650 million, our climate bond is **Australia's largest \$A climate bond** issued by a bank

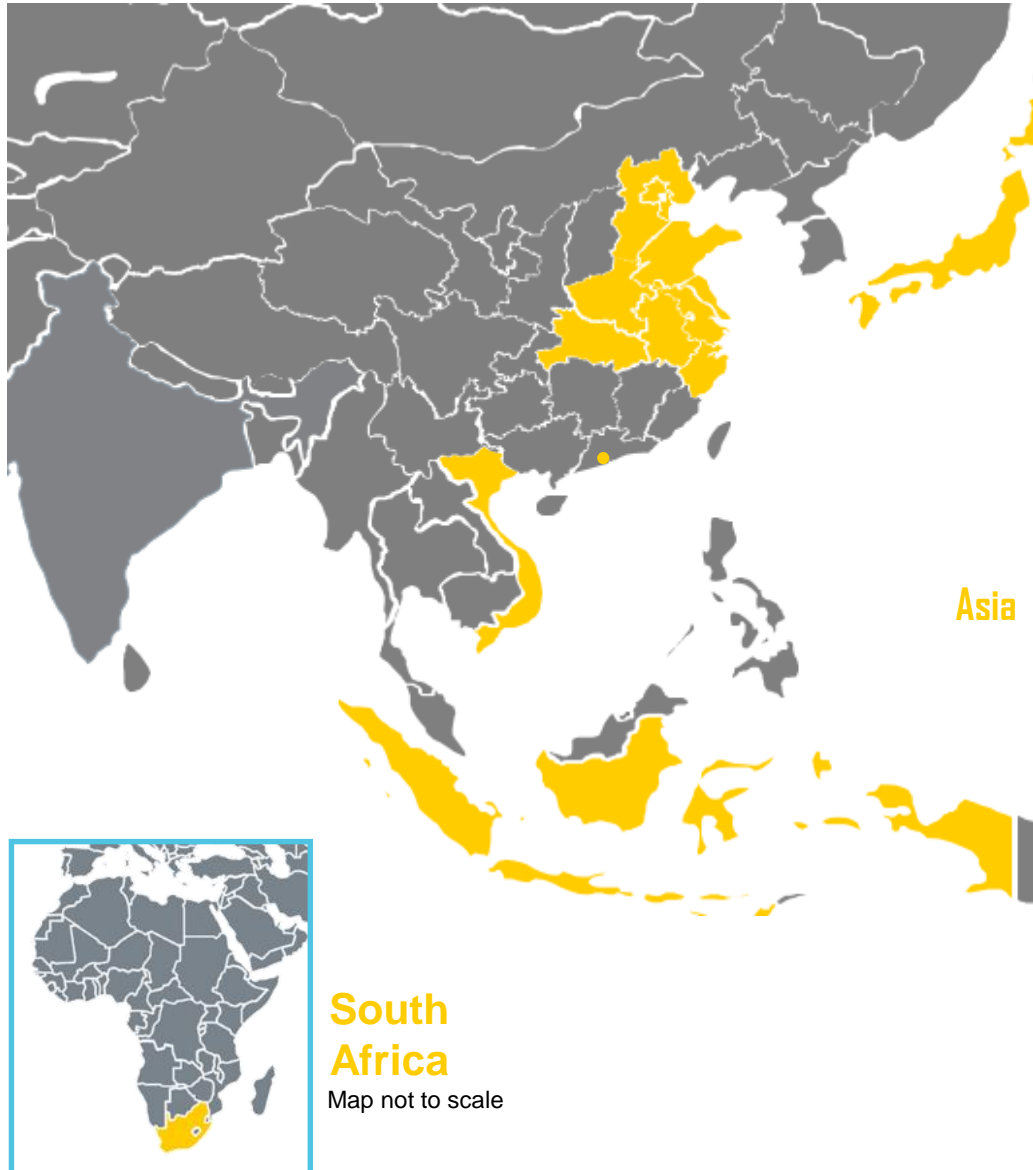
Our lending exposure to **renewable energy generation has grown** to \$2.8 billion

Strengthened our **ESG Lending Assessment Tool** which includes a compulsory ESG risk assessment process for all loans in IB&M and larger loans in BPB, Bankwest and ASB

Released the third report on the **emissions intensity of our business lending portfolio** 0.29 kgCO₂-e/AUD for FY16



CBA in Asia and South Africa



China

- Bank of Hangzhou (18%): 196 branches
- Qilu Bank (20%): 128 branches
- County Banking (Henan & Hebei)¹:
 - 15 branches (10 @ 100% holding, 5 @ 80% holding)
 - 8 sub-branches (2 @ 100% holding, 6 @ 80% holding)
- CBA Beijing, Shanghai and Hong Kong branches
- BoCommLife (37.5%): operating in 12 provinces
- First State Cinda JV (46%) and First State Investments Hong Kong
- Colonial Mutual Group Beijing Rep Office

Indonesia

- PT Bank Commonwealth (99%): 55 branches and 144 ATMs
- PT Commonwealth Life (80%): 25 life offices
- PT First State Investments

Vietnam

- Vietnam International Bank (20%): 156 branches and 400 ATMs
- Hanoi Representative Office

Singapore

- CBA branch
- First State Investments

Japan

- Tokyo CBA branch
- First State Investments

South Africa

- CBSA: 710 kiosks

1. On 27 July 2017, CBA entered into an agreement to transfer CBA's County Bank ownership in China to Qilu Bank, subject to regulatory approvals

Market share¹



%	Jun 17	Dec 16	Jun 16
Home loans ²	25.2	25.2	25.2
Credit cards – RBA ³	24.3	24.4	24.4
Other household lending ⁴	17.0	16.9	16.8
Household deposits	28.8	29.0	29.2
Business lending – RBA	16.5	16.6	16.9
Business lending – APRA	18.6	18.6	18.8
Business deposits – APRA	20.3	19.8	20.2
Asset finance	12.5	12.7	12.9
Equities trading	3.9	4.0	4.7
Australian Retail – administrator view ⁵	15.6	15.5	15.6
FirstChoice Platform ⁵	10.8	10.8	11.0
Australia life insurance (total risk) ⁵	10.6	11.1	11.4
Australia life insurance (individual risk) ⁵	10.1	10.2	10.7
NZ home loans ⁶	21.7	n/a	n/a
NZ customer deposits ⁶	17.8	n/a	n/a
NZ business lending ⁶	14.4	n/a	n/a
NZ retail FUA	15.3	15.5	15.4
NZ annual inforce premiums	27.9	28.0	28.4

1. Prior periods have been restated in line with market updates 2. Adjusted for new market entrants/reporting changes 3. As at 31 May 17 4. Includes personal loans, margin loans and other forms of lending to individuals 5. As at 31 Mar 17. 6. RBNZ published data collection has changed based on a new collection template implemented with all NZ banks. The RBNZ has not republished the equivalent metrics on a restated basis for Jun 16. The restated Dec 16 metrics will be presented in Dec 17 allowing for comparatives on a twelve month basis.

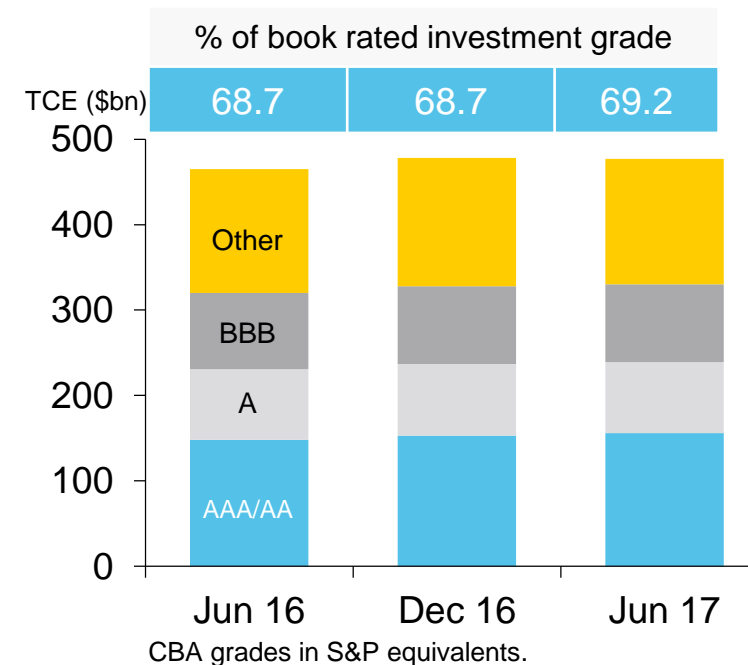
Credit quality & home loans



Credit exposures by industry

	Group TCE		TIA \$m		TIA % of TCE	
	Dec 16	Jun 17	Dec 16	Jun 17	Dec 16	Jun 17
Consumer	54.8%	55.4%	1,409	1,578	0.24%	0.26%
Sovereign	9.5%	9.7%	-	-	-	-
Property	6.7%	6.5%	630	693	0.87%	0.98%
Banks	6.3%	6.1%	9	9	0.01%	0.01%
Finance – Other	5.1%	5.0%	58	50	0.10%	0.09%
Retail & Wholesale Trade	2.4%	2.2%	571	474	2.20%	2.00%
Agriculture	2.0%	2.0%	1,104	1,019	5.21%	4.70%
Manufacturing	1.6%	1.6%	600	430	3.48%	2.47%
Transport	1.5%	1.5%	513	436	3.25%	2.65%
Mining	1.4%	1.4%	538	477	3.62%	3.23%
Business Services	1.3%	1.3%	186	165	1.36%	1.13%
Energy	1.2%	1.1%	49	90	0.38%	0.72%
Construction	0.8%	0.8%	281	290	3.10%	3.19%
Health & Community	0.7%	0.7%	215	197	2.94%	2.45%
Culture & Recreation	0.7%	0.7%	71	54	0.91%	0.73%
Other	4.0%	4.0%	561	538	1.31%	1.23%
Total	100.0%	100.0%	6,795	6,500	0.63%	0.60%

Corporate Portfolio Quality



Group TCE by Geography

	Jun 16	Dec 16	Jun 17
Australia	76.7%	76.4%	76.9%
New Zealand	9.2%	9.7%	9.7%
Europe	5.4%	5.8%	5.5%
Other	8.7%	8.1%	7.9%



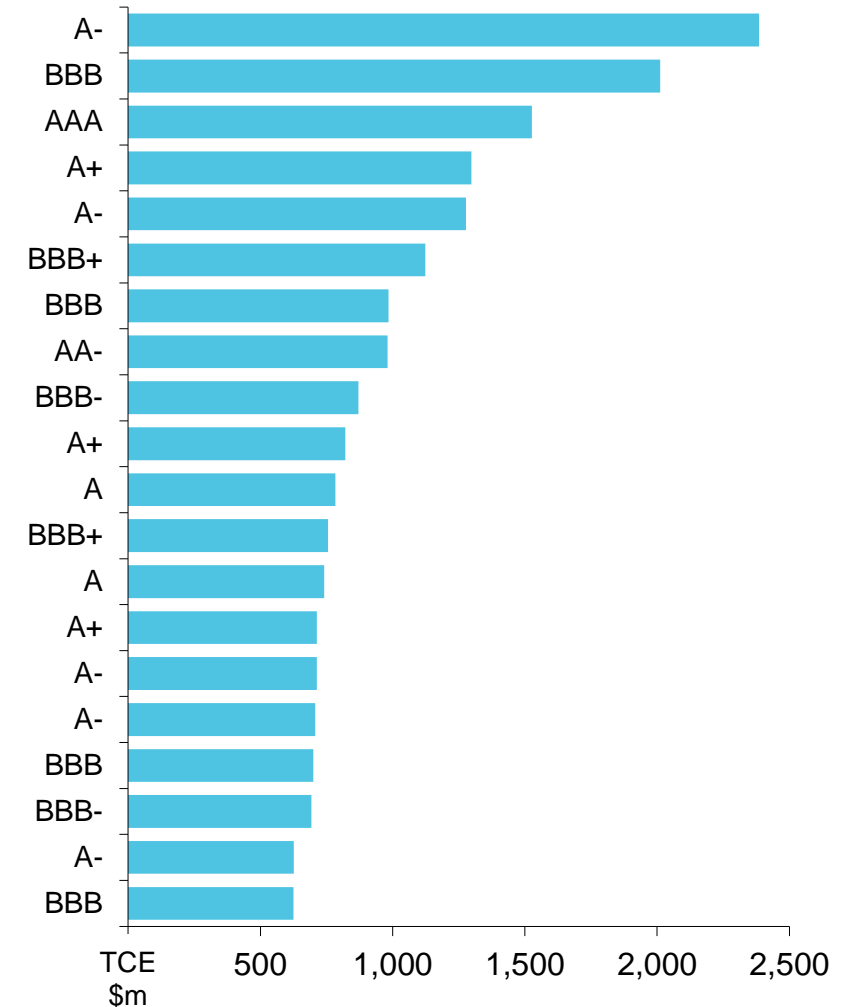
Sector exposures



Exposures by Industry

TCE \$bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Jun 17
Sovereign	98.8	6.2	0.5	0.1	105.6
Property	2.1	6.0	15.3	47.1	70.5
Banks	30.3	26.7	6.7	2.3	66.0
Finance - Other	22.9	22.2	7.3	2.4	54.8
Retail & Wholesale Trade	-	2.6	6.4	14.7	23.7
Agriculture	-	0.5	2.5	18.7	21.7
Manufacturing	-	3.9	5.8	7.7	17.4
Transport	-	1.5	9.3	5.5	16.3
Mining	0.1	3.9	6.2	4.5	14.7
Energy	0.3	2.2	8.5	1.5	12.5
All other excl. Consumer	1.5	7.4	22.2	42.6	73.7
Total	156.0	83.1	90.7	147.1	476.9

Top 20 Commercial Exposures



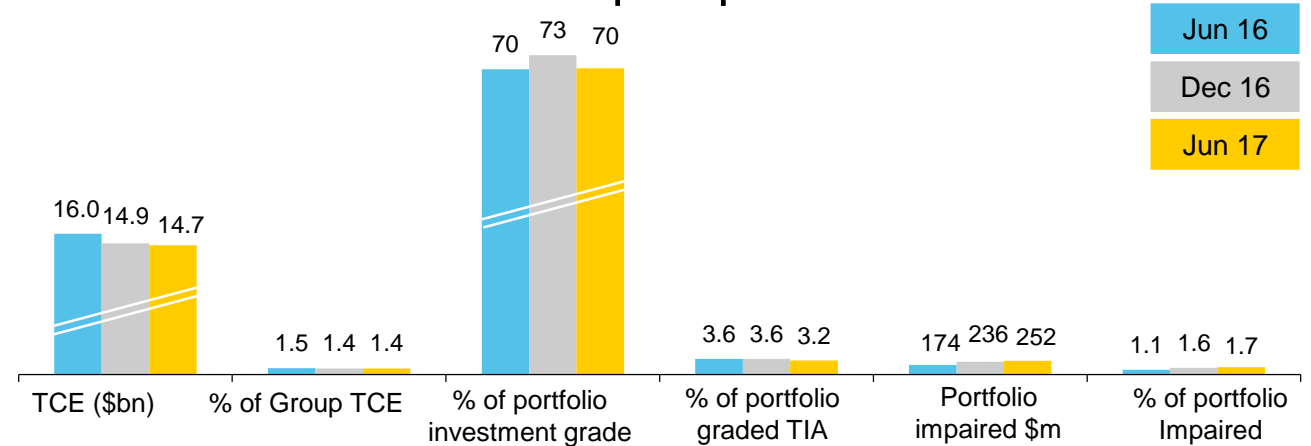
Mining, oil & gas – lower exposure



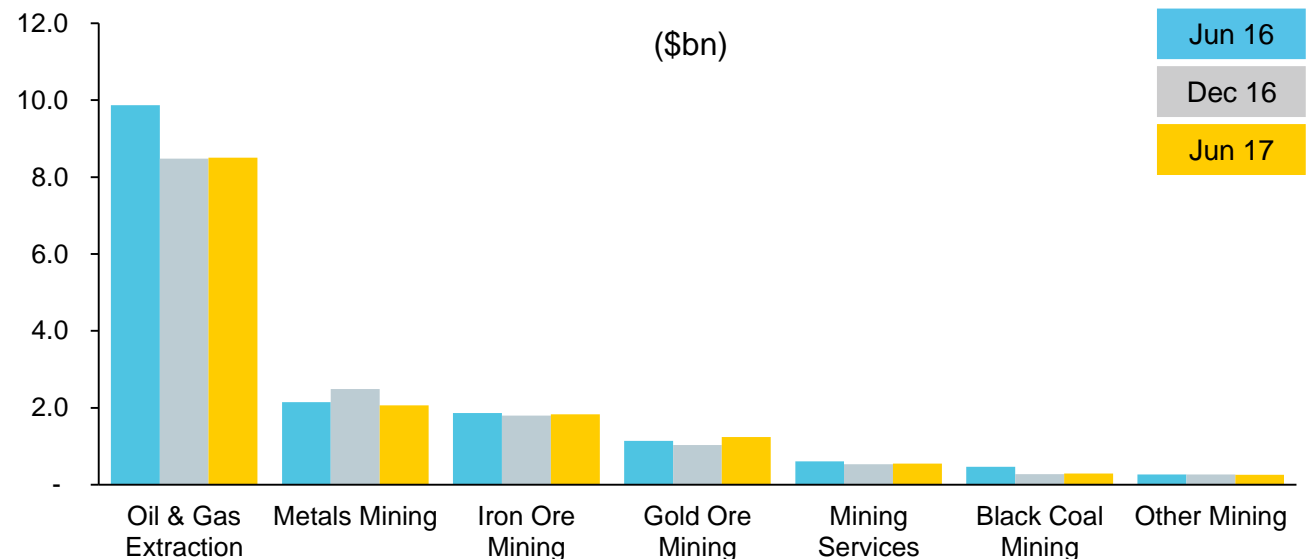
Overview

- Exposure of \$14.7bn (1.4% of Group TCE), \$0.2bn reduction on prior half due to ongoing active portfolio management and repayments.
- Relatively stable performance over the past 12 months:
 - 70% investment grade.
 - Diversified by commodity/customer/region.
 - Focus on quality, low cost projects with strong fundamentals and sponsors.
- Mining services exposure remains modest (3% of total).
- Oil and Gas Extraction is the largest sub-sector (58% of total): 77% investment grade with 31% related to LNG – typically supported by strong sponsors with significant equity contribution.
- TIA level reduced to 3.2% of the portfolio
- General improvement in trading conditions across the Commodity sector. Remain cautious of risk of commodity price pull back. Continued selective approach to new origination.

Group Exposure



Group Exposure by Sector



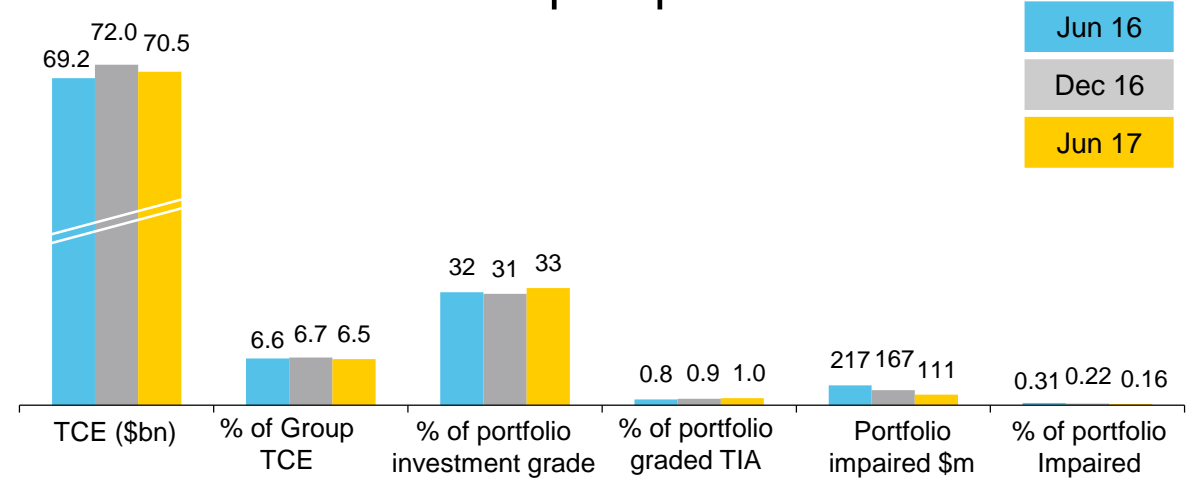
Commercial property – lower exposure



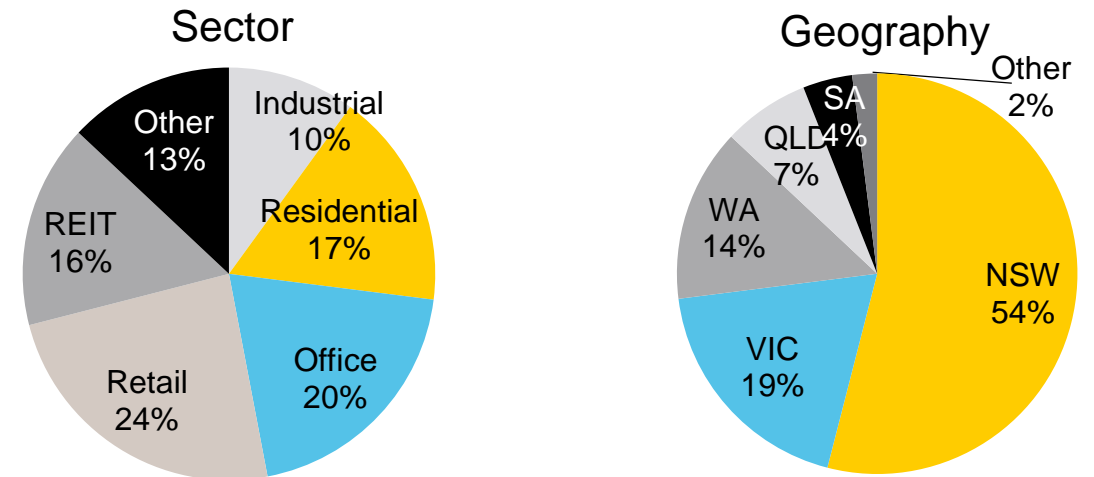
Overview

- Exposure has reduced in the half year, though remains diversified across sectors and by counterparties.
- 86.3% of Commercial Property exposure to investors and REITS, 13.7% to developments (down from 14.7% at the half).
- Top 20 counterparties primarily investment grade (weighted average rating of BBB equivalent) and account for 14.0% of Commercial property exposure.
- 33% of the portfolio investment grade, majority of sub-investment grade exposures secured (96%).
- Impaired exposures remain low (0.2% of the portfolio).
- Portfolio weighting to NSW increased (up from 52% at the half) driven by Sydney's strong economic, employment and population growth and large percentage reductions in apartment exposures in other states during the half.
- Development exposure continues to reduce due to repayments from completed projects and active management of risk appetite in areas of concern.
- Ongoing comprehensive market, exposure and underwriting monitoring on the portfolio.

Group Exposure



Profile



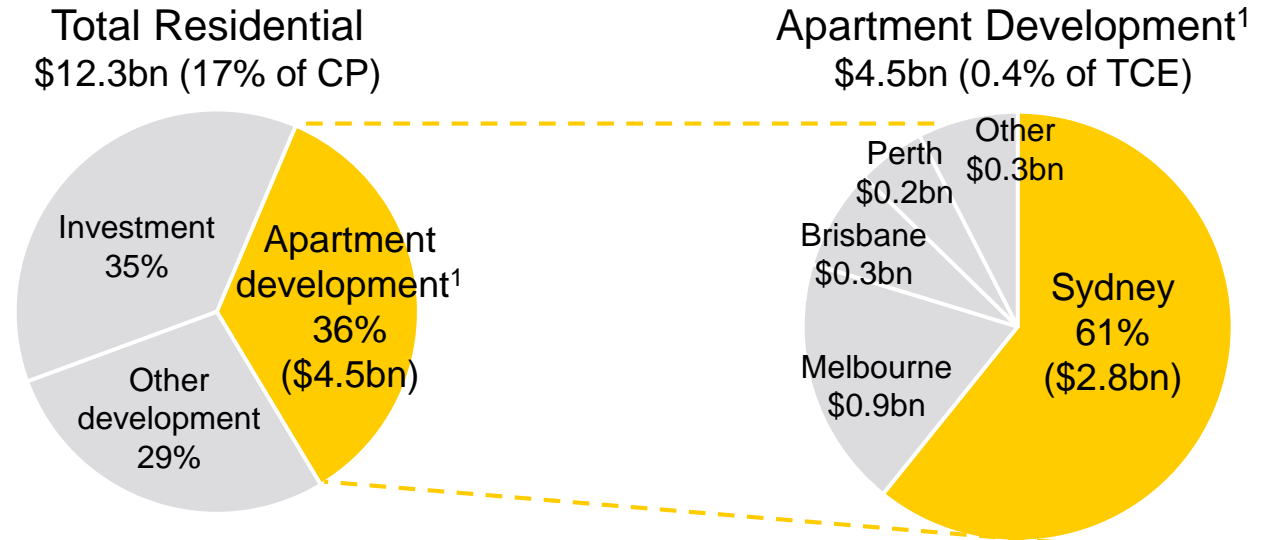
Residential apartments – weighted to Sydney

Overview¹

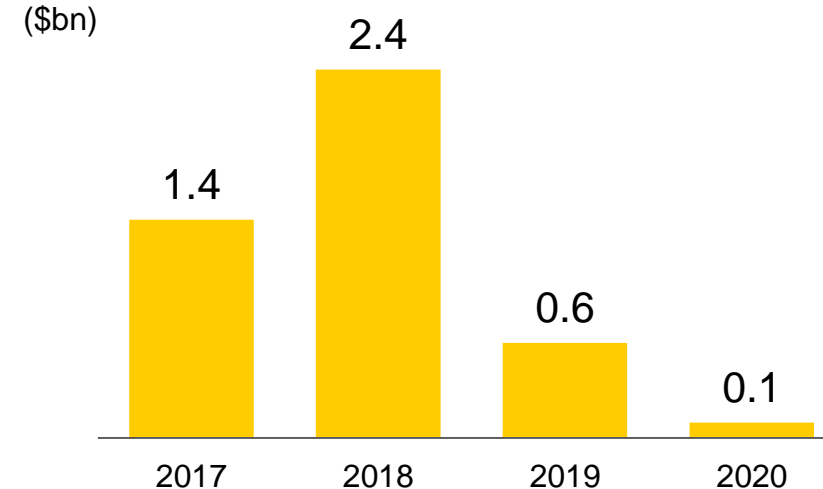
- Apartment Development exposure reduced \$0.7bn (-14%) for the half
- Facilities being repaid on time from pre-sale settlements
- Weighting to Sydney increasing as exposures to other capital cities reducing proportionally quicker
- Qualifying pre-sales of 111.4%²
- Lower Portfolio LVR of 59.0%
- Sydney developments are diversified across the metropolitan area
- Ongoing comprehensive market, exposure and settlement monitoring on the portfolio.

1. Apartment Developments > \$20m. Brisbane, Melbourne and Perth defined as all postcodes within a 15km radius of the capital city and Sydney is all metropolitan Sydney based on location of the development. Other is all other locations.
 2. QPS refers to level of Qualifying Pre-Sales accepted as a pre-condition to loan funding. QPS Cover is level of QPS held to cover the exposure.

Profile (Jun 17)



Exposure Maturity Profile¹



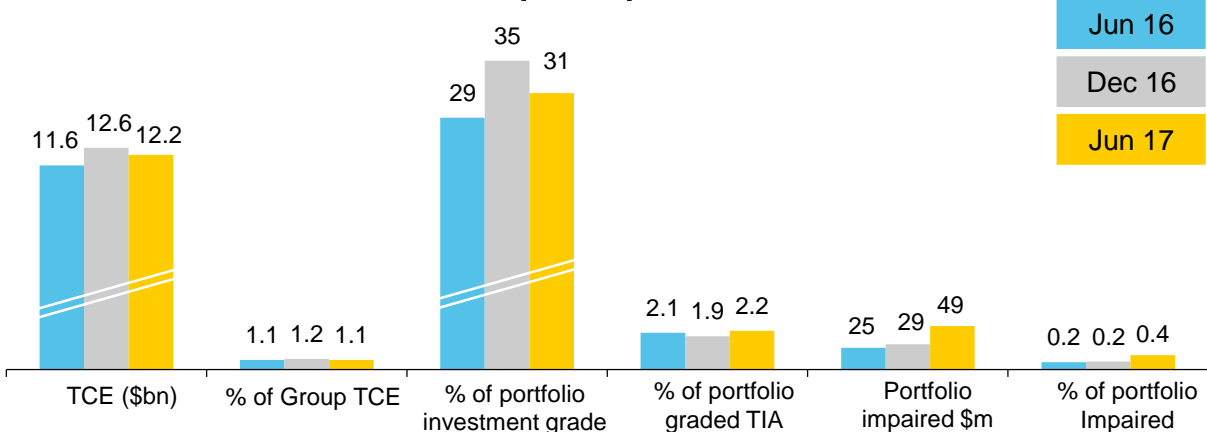
Retail trade



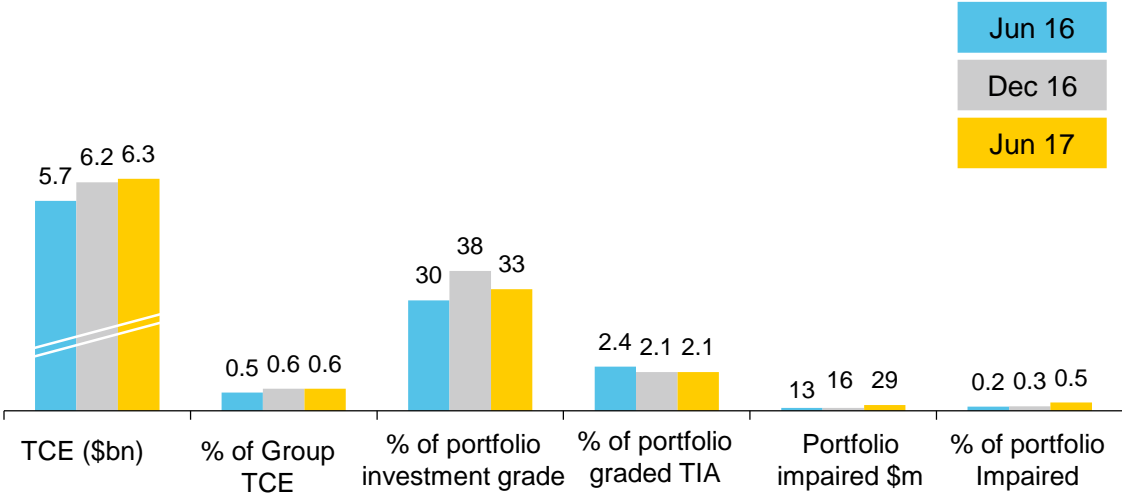
Overview

- Exposure of \$12.2bn (1.1% of Group TCE), \$0.4bn reduction on prior half.
- Personal and household good retailing accounts for \$6.3bn (0.6% of Group TCE)
- Increased online retailing will present additional challenges; increasing volume and margin competition for both online and in-store sales
- Despite pressures in retail sector, through effective transaction appetite and risk management, portfolio health remains sound

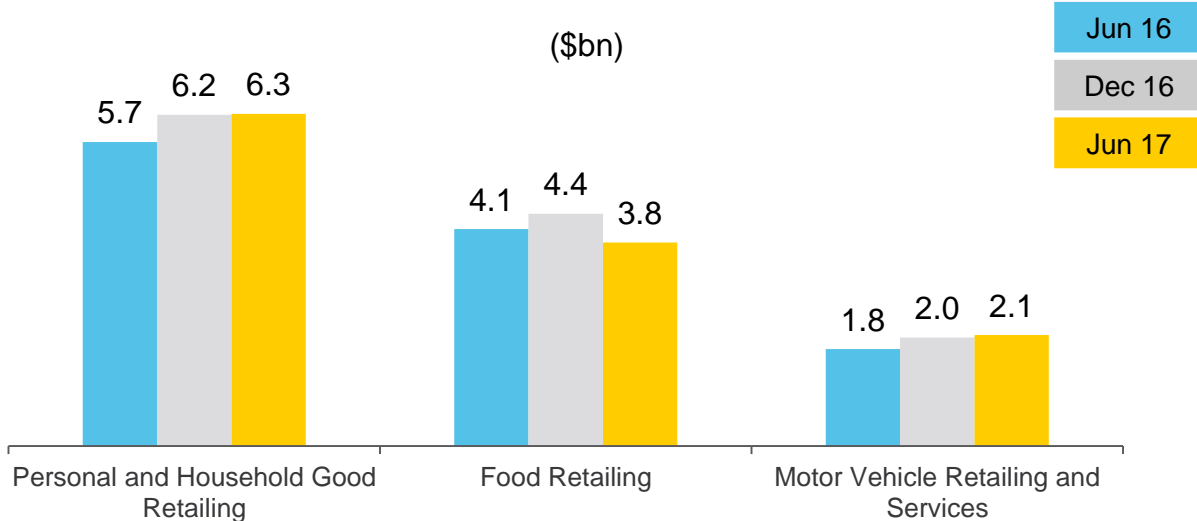
Group Exposure



Personal and Household Good Retailing



Group Exposure by Sector



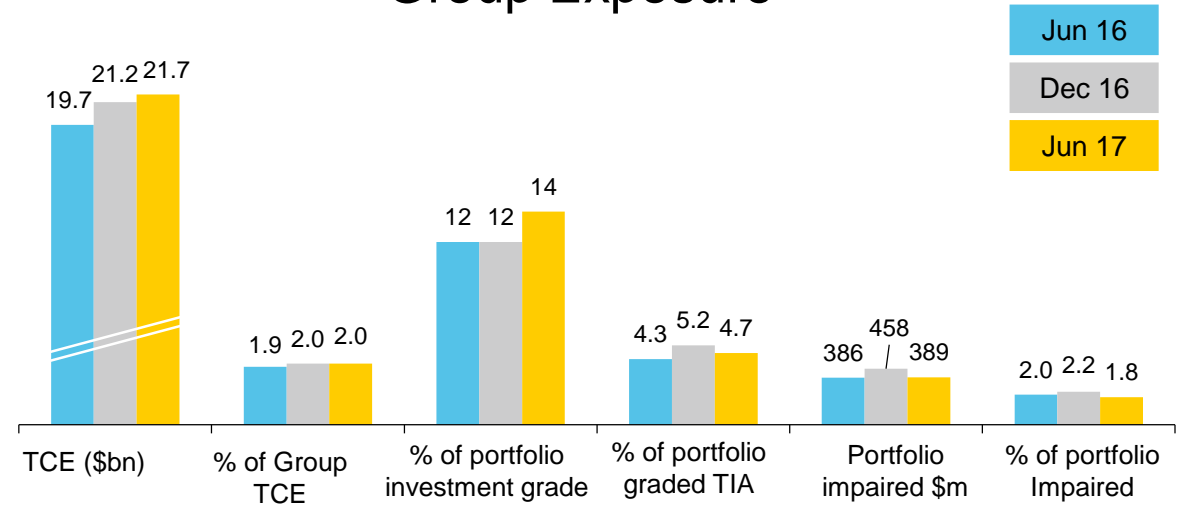
Agriculture – NZ Dairy portfolio quality improving



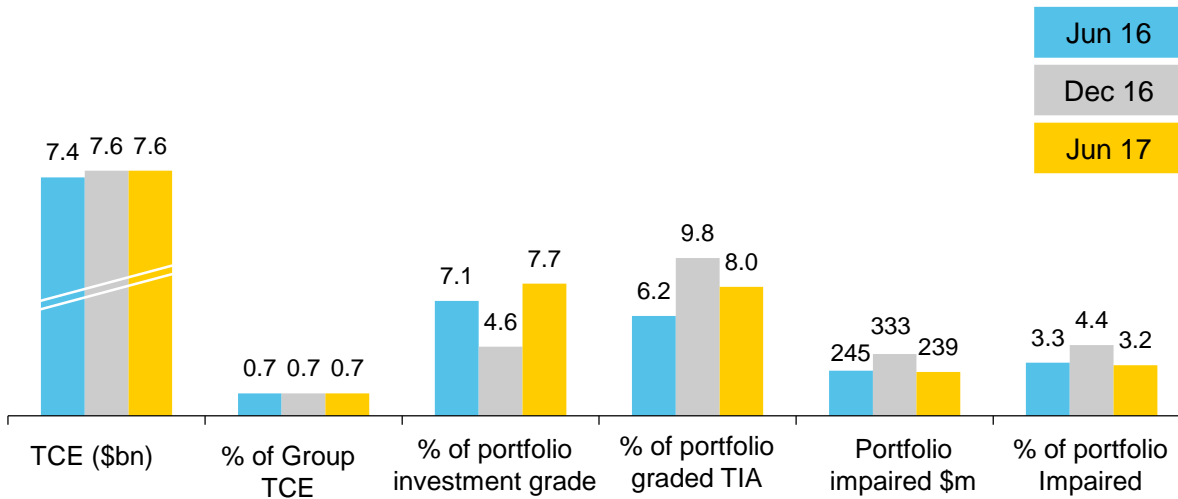
Overview

- Exposure of \$21.7bn (2.0% of Group TCE) is well diversified by geography, sector and client base.
- Australian agriculture portfolio performing well.
- NZ dairy portfolio:
 - Represents 0.7% of Group TCE.
 - Improvement in milk prices is leading to a reduction in TIA levels.
 - Outlook is dependent on improved milk prices being sustained

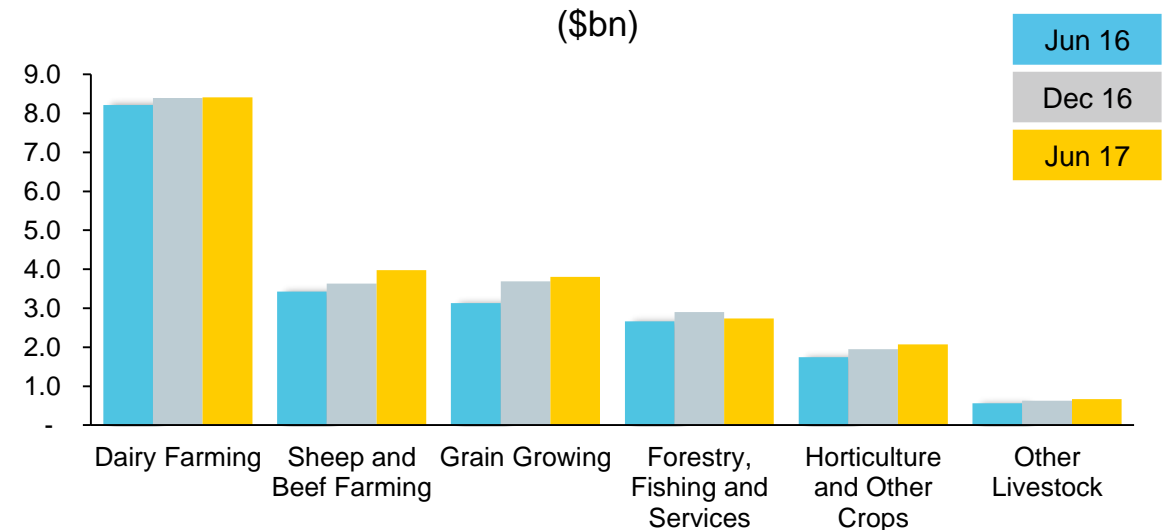
Group Exposure



NZ Dairy Exposure



Group Exposure by Sector



New Zealand dairy exposure (AUD) included in Group exposure.

Home loan portfolio – Australia



Portfolio ¹	Jun 16	Dec 16	Jun 17
Total Balances - Spot (\$bn)	409	423	436
Total Balances - Average (\$bn)	395	416	423
Total Accounts (m)	1.8	1.8	1.8
Variable Rate (%)	85	85	84
Owner Occupied (%)	62	63	63
Investment (%)	33	33	33
Line of Credit (%)	5	4	4
Proprietary (%)	55	54	54
Broker (%)	45	46	46
Interest Only (%) ²	39	40	39
Lenders' Mortgage Insurance (%) ²	24	23	22
Low Doc (%) ²	0.7	0.6	0.5
Mortgagee In Possession (bpts)	5	5	5
Annualised Loss Rate (bpts)	2	2	3
Portfolio Dynamic LVR (%) ³	50	51	50
Customers in Advance (%) ⁴	77	77	77
Payments in Advance incl. offset ⁵	31	35	33

New Business ¹	Jun 16	Dec 16	Jun 17
Total Funding (\$bn)	51	53	49
Average Funding Size (\$'000) ⁶	299	311	309
Serviceability Buffer (%) ⁷	2.25	2.25	2.25
Variable Rate (%)	85	89	85
Owner Occupied (%)	65	62	67
Investment (%)	33	37	32
Line of Credit (%)	2	1	1
Proprietary (%)	50	54	57
Broker (%)	50	46	43
Interest Only (%) ^{2,8}	40	42	39
Lenders' Mortgage Insurance (%) ²	14	14	16
Low Doc (%) ²	0.03	0.02	0.03

1. All portfolio and new business metrics are based on balances and fundings respectively, unless stated otherwise. All new business metrics are based on 6 months to June and December.

2. Excludes Line of Credit (Viridian LOC/Equity Line).

3. LVR defined as current balance/current valuation.

4. Any amount ahead of monthly minimum repayment; includes offset facilities.

5. Average number of monthly payments ahead of scheduled repayments.

6. Average Funding Size defined as funded amount / number of funded accounts.

7. Serviceability test based on the higher of the customer rate plus a 2.25% interest rate buffer or a minimum floor rate.

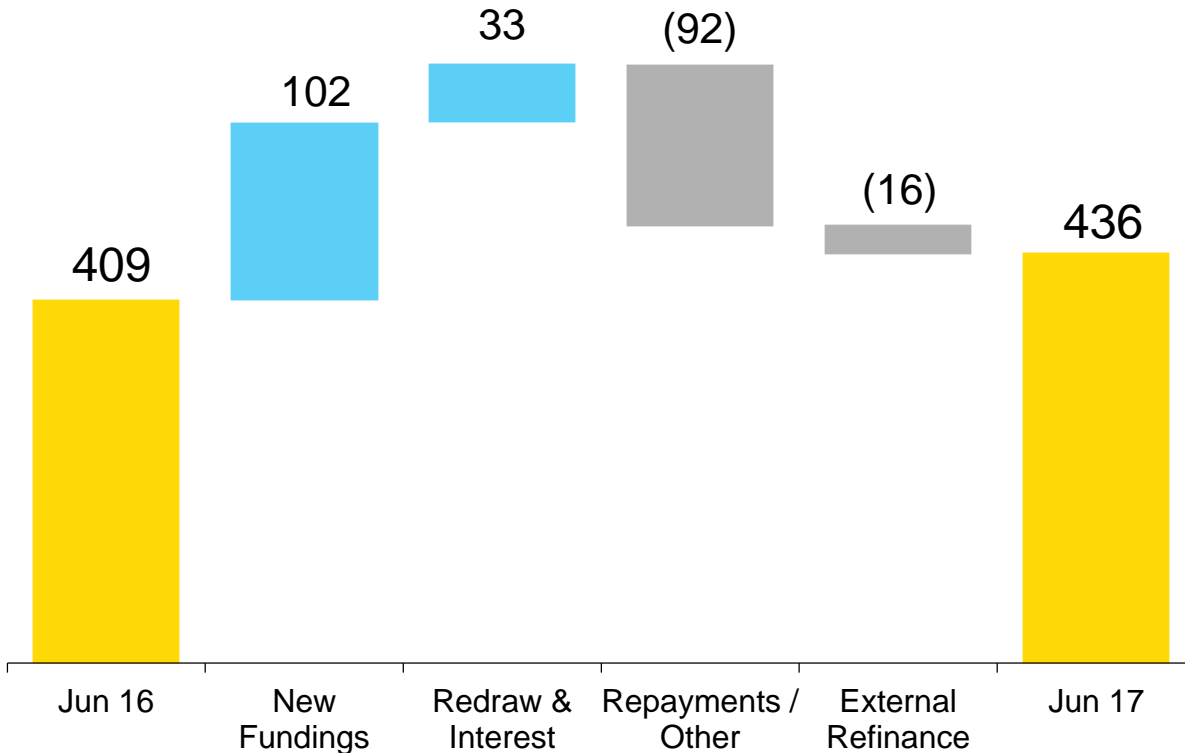
8. APRA benchmark reporting on a different basis using limits and includes all construction loans (Jul 17: <30%).

Australian home loans – portfolio growth profile



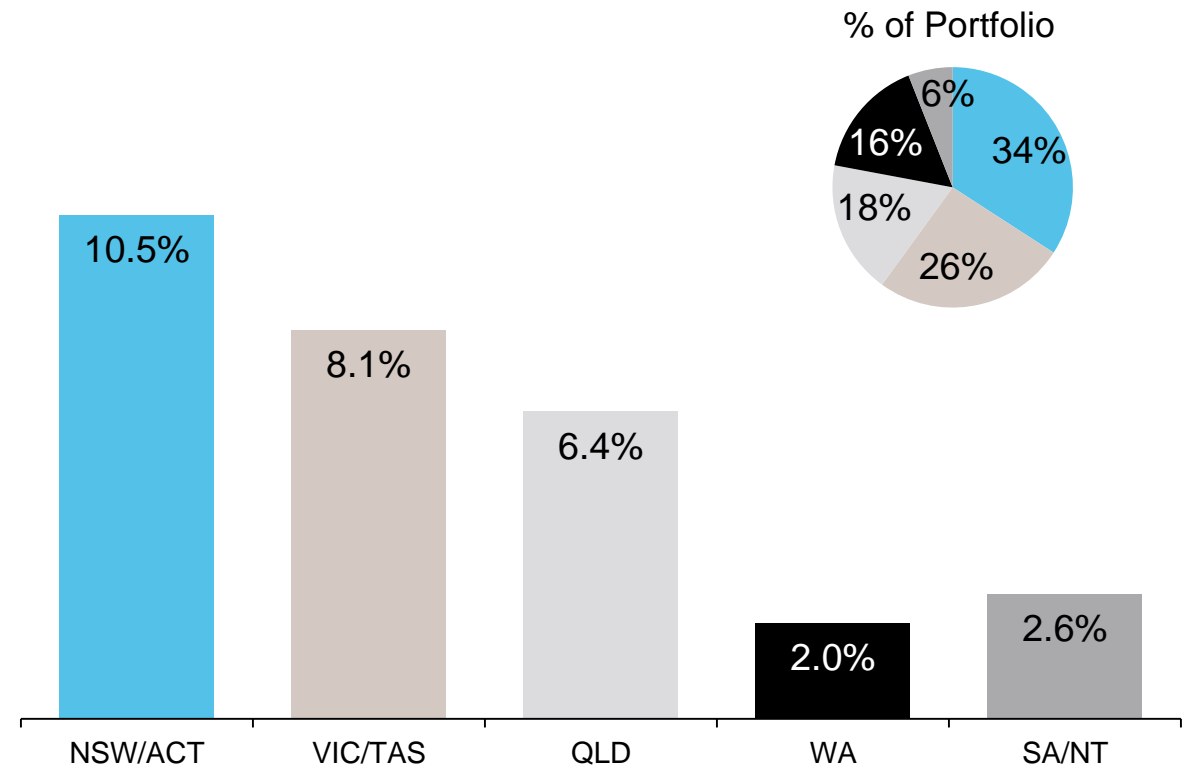
\$bn

Balance Growth FY17



State Profile

FY17 Balance Growth



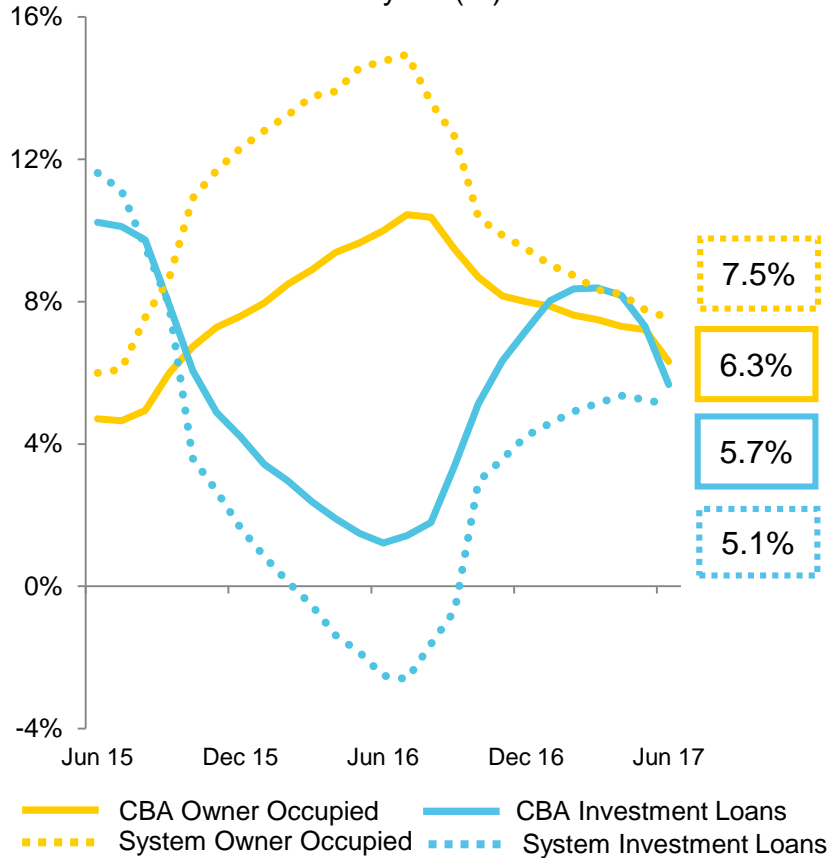
Includes RBS and Bankwest. State Profile exclude Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans (RBS only) and Residential Mortgage Group (RBS only) loans. State Profile determined by location of the underlying security

Investor lending



Growth¹

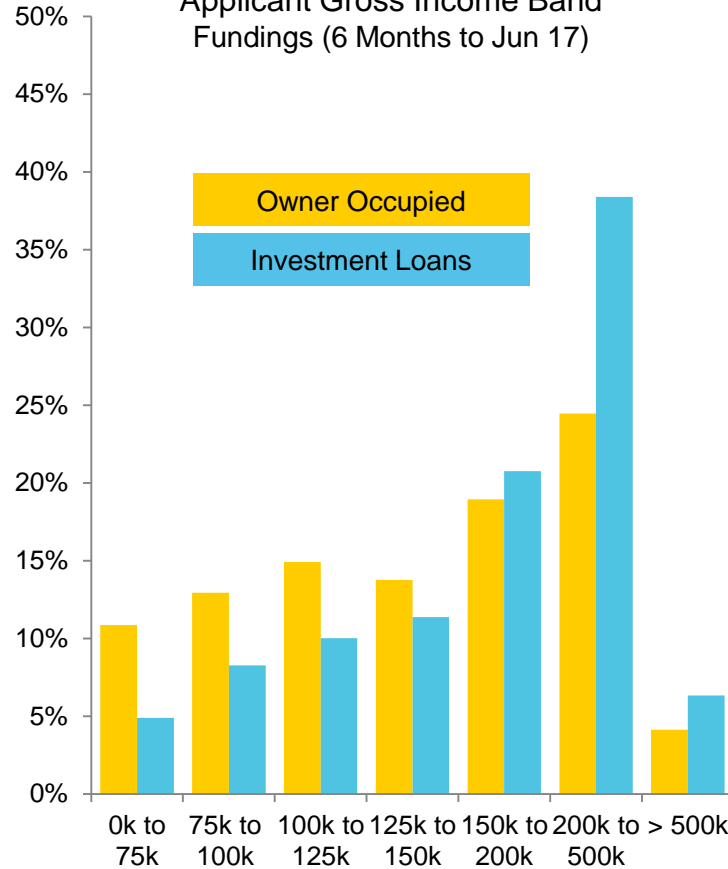
Year on year (%)



Investment home loan growth running below APRA 10% cap

Income Profile²

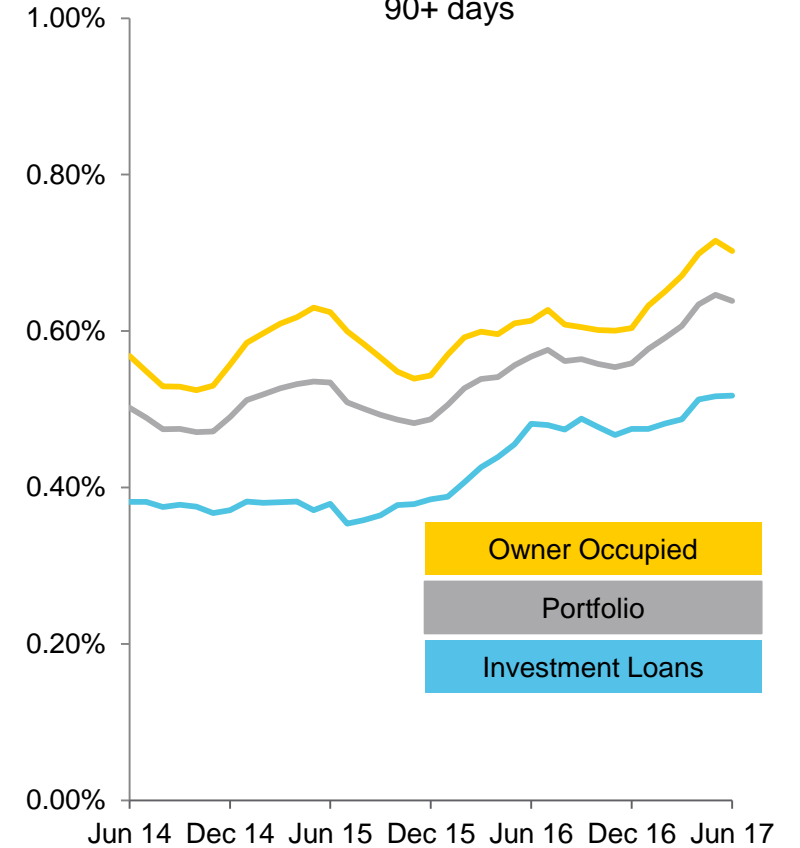
Applicant Gross Income Band Fundings (6 Months to Jun 17)



Investor borrowers skewed to higher income bands

Arrears²

90+ days



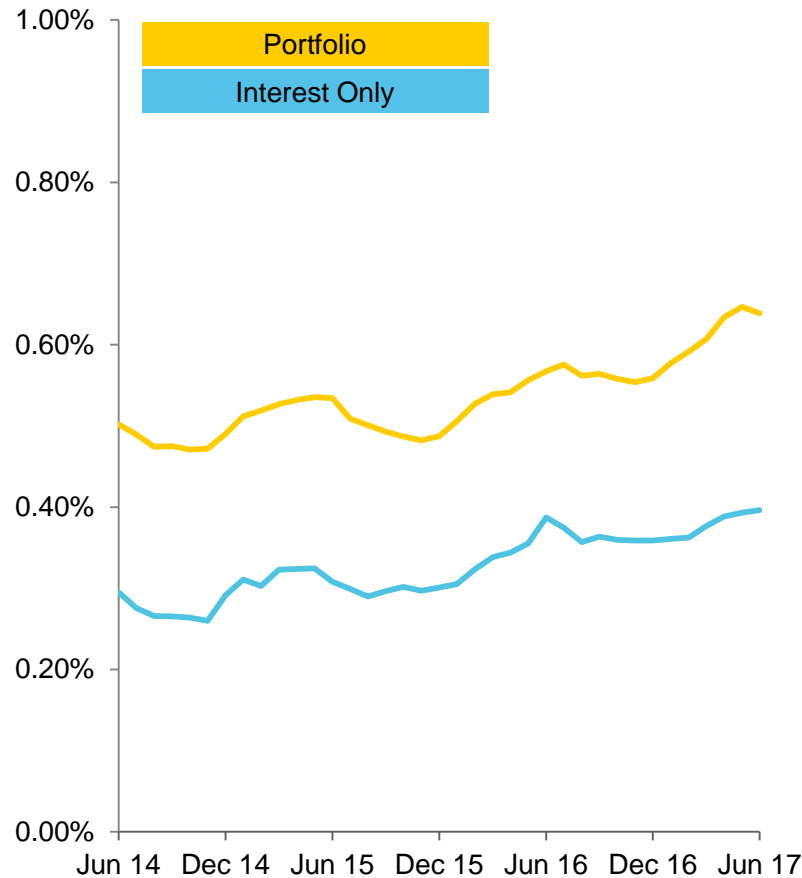
Investment loan arrears below that of overall portfolio

1. Based on APRA Banking Statistics; includes Line of Credit. 2. Australian Home Loans. Includes RBS and Bankwest except where noted. Income Bands, Arrears and Profile: excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan (RBS only) and Residential Mortgage Group (RBS only) loans except where noted. Fundings based on dollars.

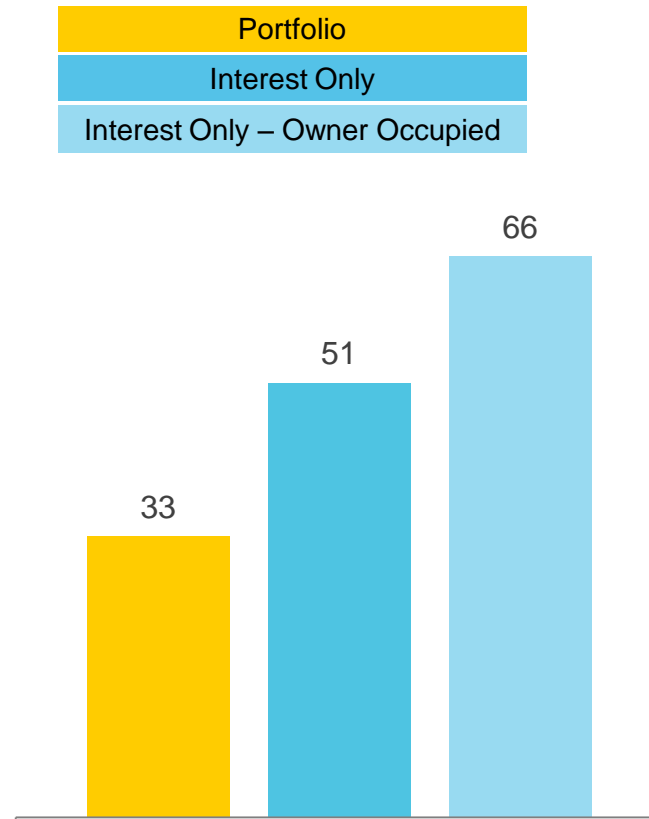
Interest only



Arrears 90+ days



Payments in Advance (Jun 17)

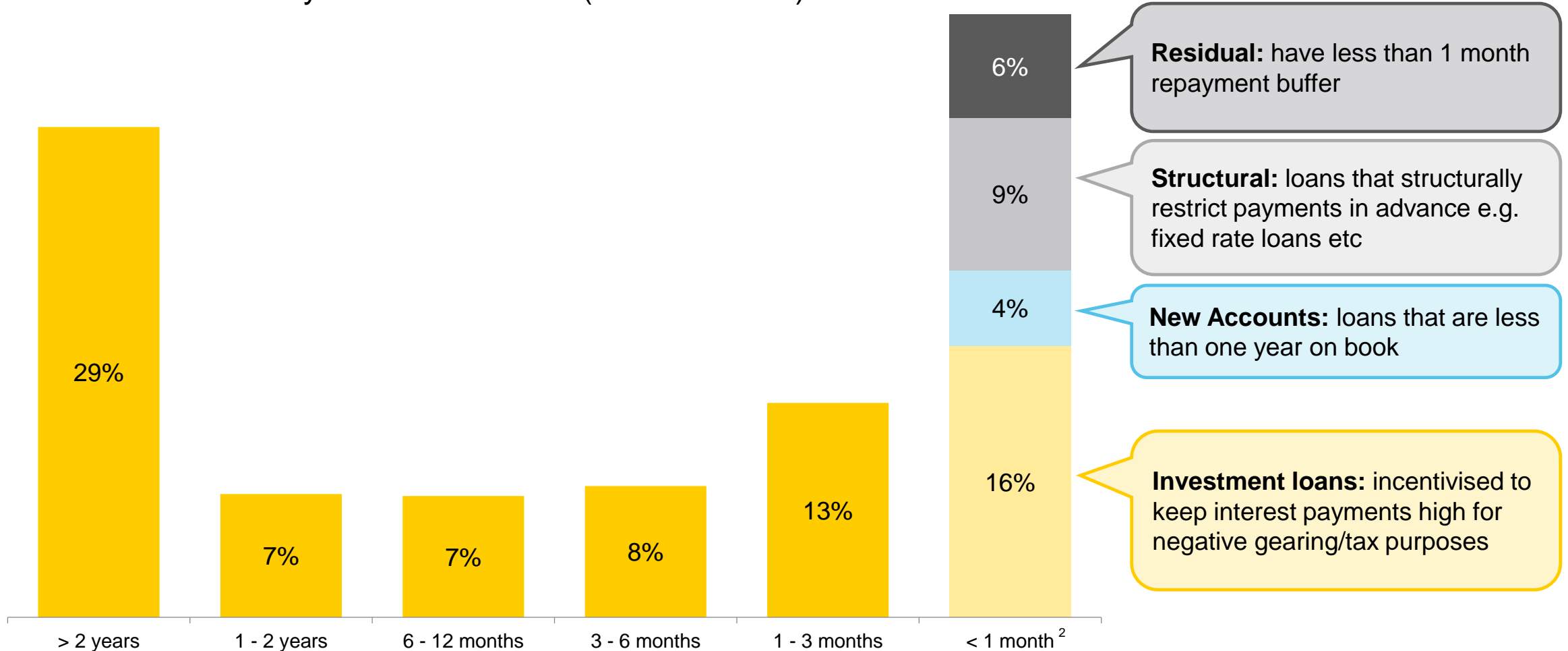


- Maximum LVR of 80% at origination
- Assessed on a P&I basis over the residual term of the loan
- Borrower profile skewed toward higher income bands and investors
- Lower arrears than overall portfolio
- Pricing and policy measures taken to reduce lending proportions below APRA's 30% threshold

Retail Banking Services - Payments in advance¹



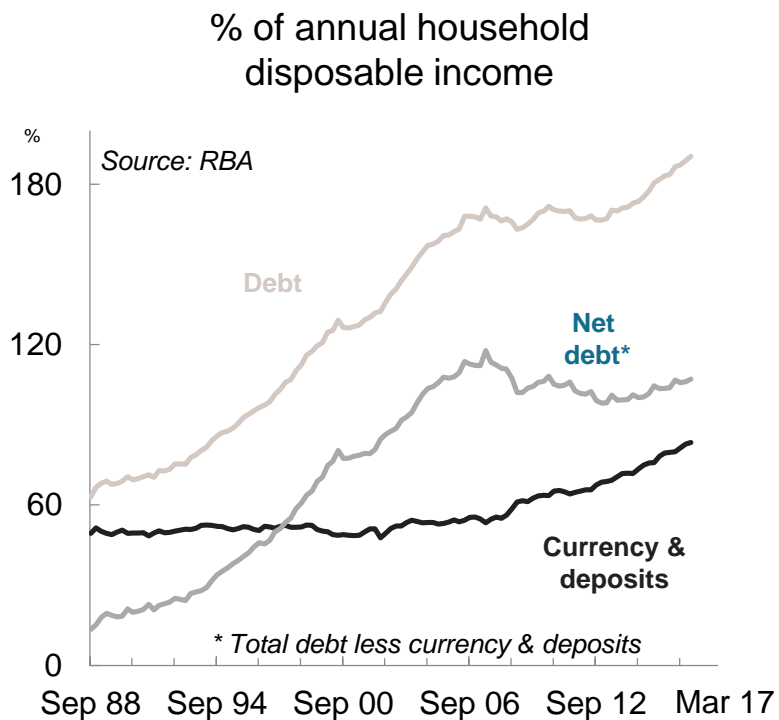
Payments in advance (% of accounts)



1. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group loans; Includes offset facilities; Loans in arrears (1%) are excluded. 2. Consists of loans that are up-to-date (23%) and less than one month in advance (12%).

Serviceability

Across the system, whilst gross household debt has risen, net debt has remained stable



Taking into account the growth in mortgage offset/equity accounts, net debt has been stable for the past decade, and below the 2006 peak

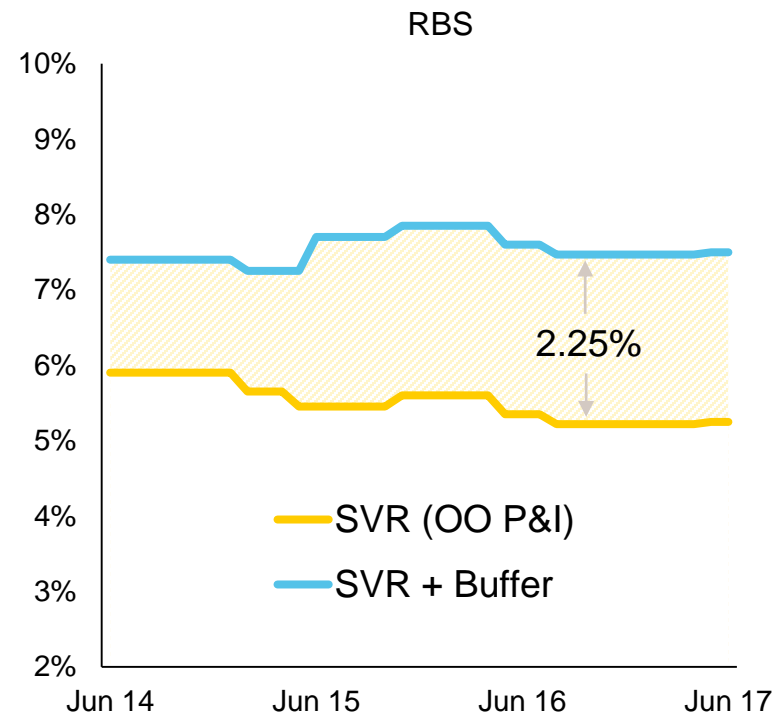
Key Origination Requirements¹

Serviceability	
Income	<ul style="list-style-type: none"> 80% cap on less certain income sources (e.g. rent, bonuses etc.) Limits on investor income allowances e.g. RBS restrict the use of negative gearing where LVR>90%
Expenses	<ul style="list-style-type: none"> Higher of declared expenses or HEM adjusted by income Buffer applied to existing mortgage repayments
Interest rate buffer	Loan serviceability buffer of 2.25% above the customer rate, with a minimum floor rate (RBS: 7.25% pa, Bankwest: 7.35%)
Interest only (IO)	IO loans assessed on principal and interest basis over the residual term of the loan

Key policy changes

- Postcode based risk settings
- Maximum LVR of 80% for IO loans

Interest rate buffers built into serviceability tests²



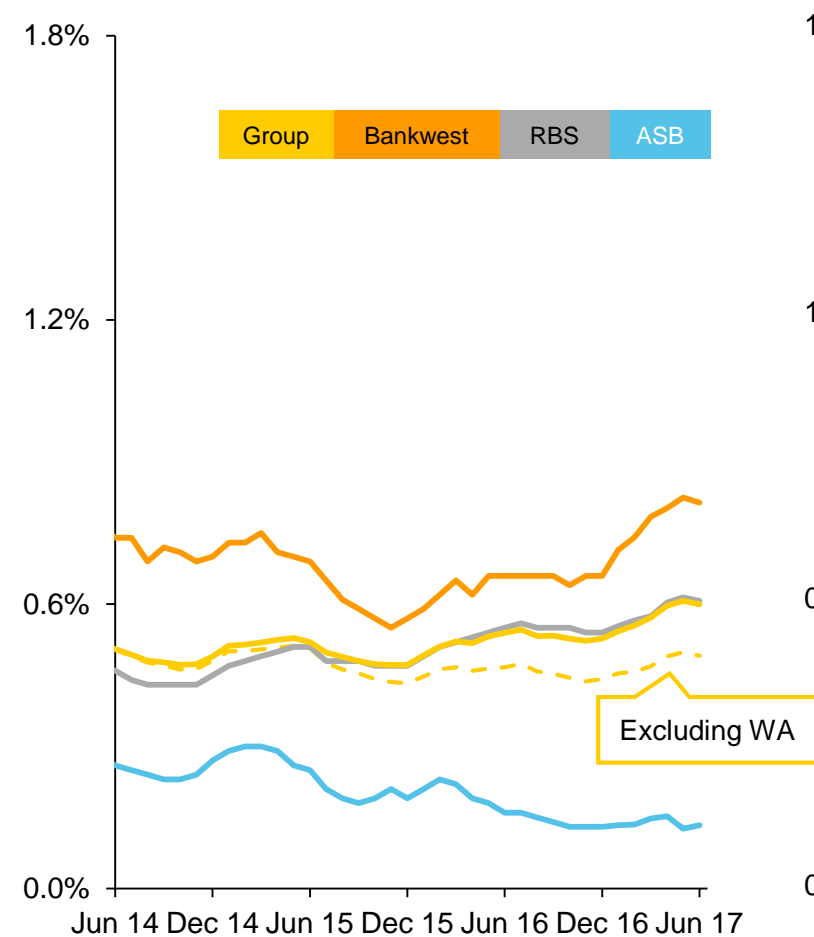
Customer serviceability tests include an interest rate buffer of 2.25% above the customer rate, with a minimum floor rate of 7.25%

CBA home loan portfolio arrears



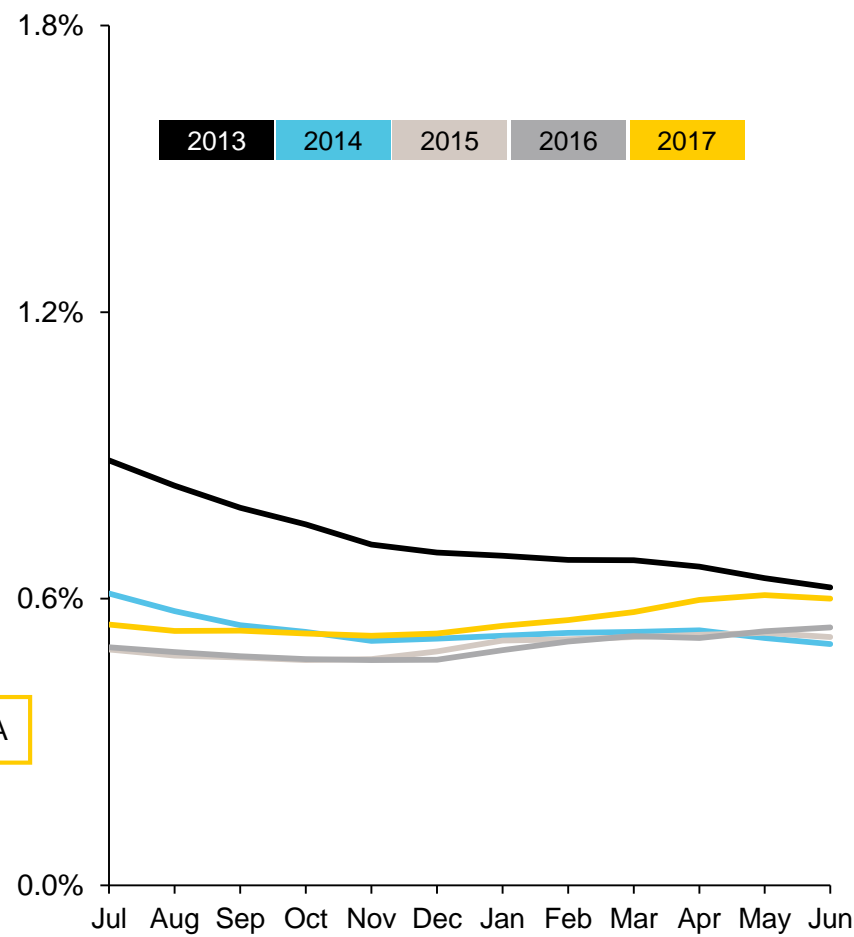
Arrears by BU

Group 90+ days¹



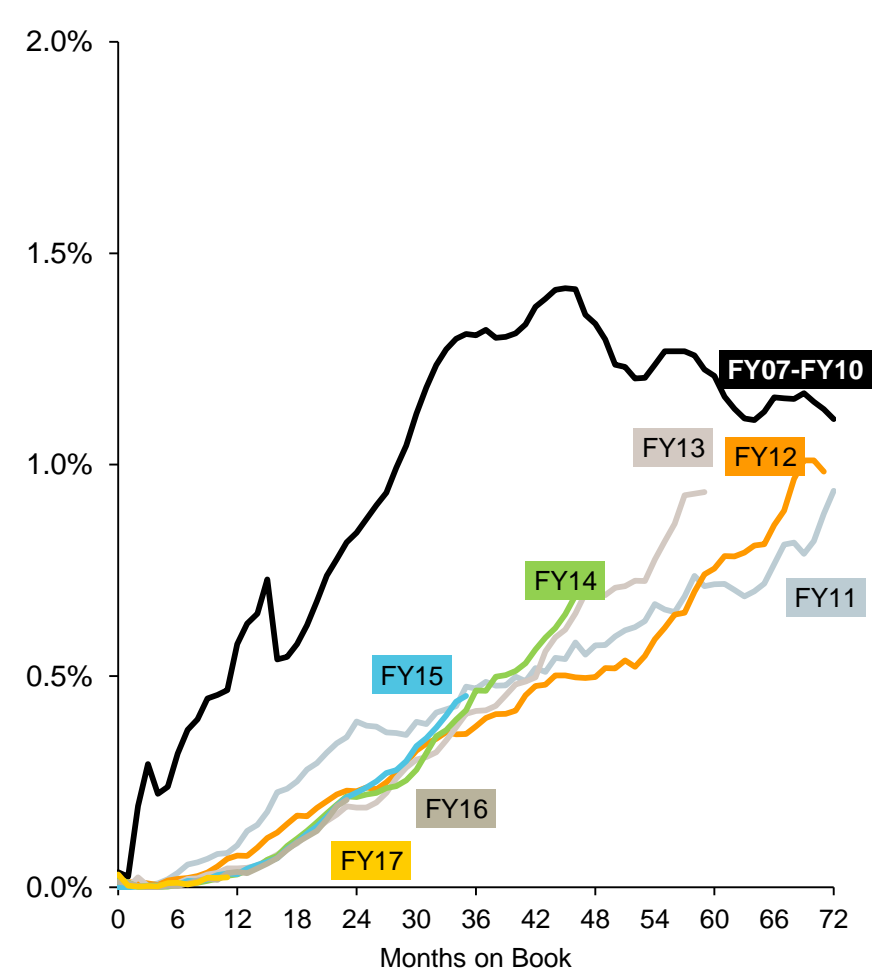
Arrears by Year

Group 90+ days¹



Arrears by Vintage

Australia² 90+ days

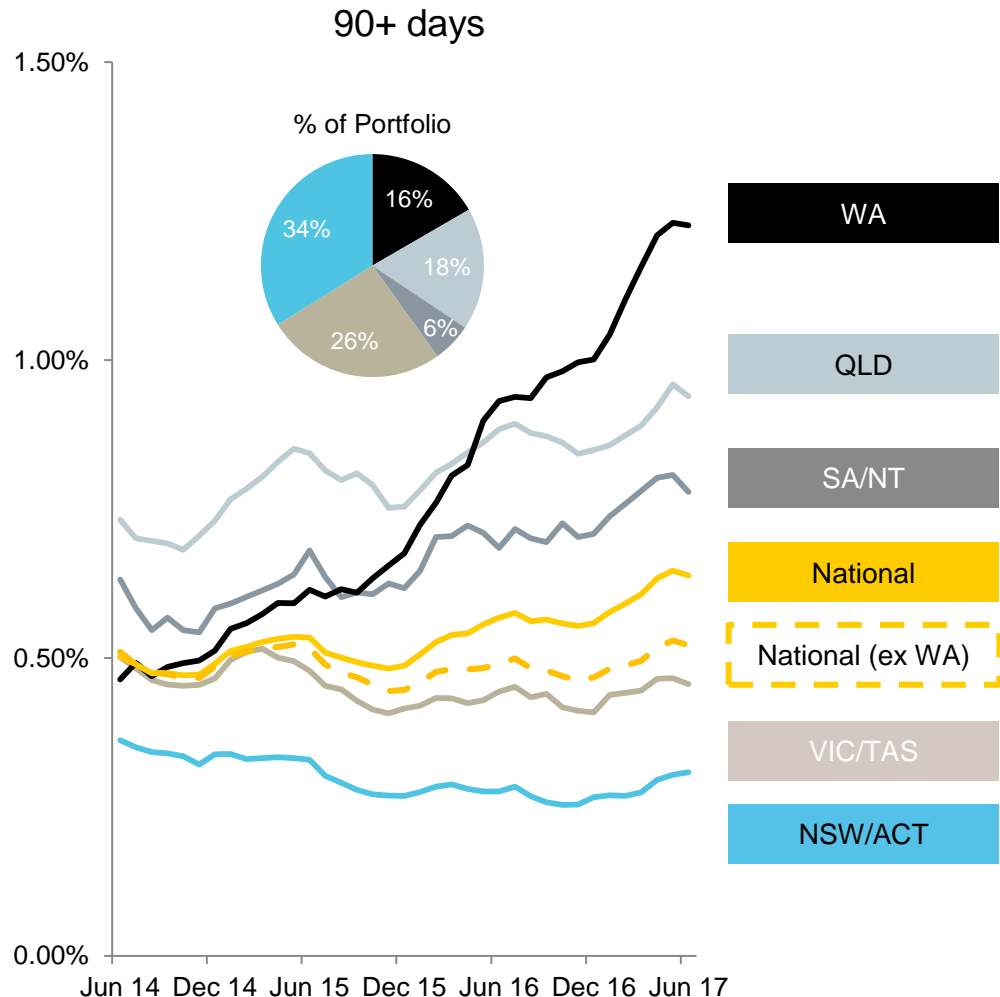


1. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan (RBS only) and Residential Mortgage Group (RBS only) loans. 2. Bankwest included from FY08.

Portfolio arrears – Australian Home Loans by State



Home loan arrears



Western Australia

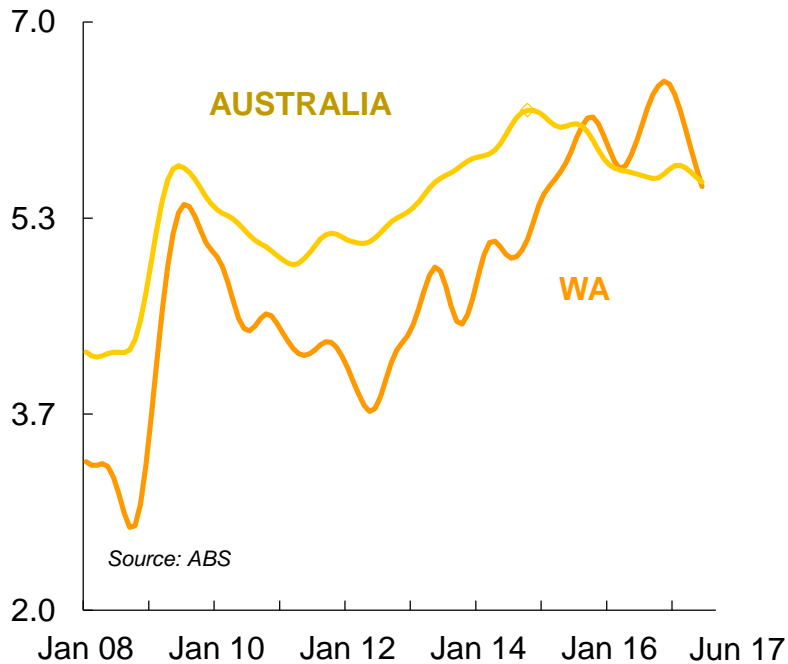
- Rigorous stress testing
- Credit policy tightening eg LVR caps, insurance requirements
- Tailored treatments by segment
- Early engagement with IHL accounts secured by multiple properties
- Increased provisions

WA economic overview



Unemployment

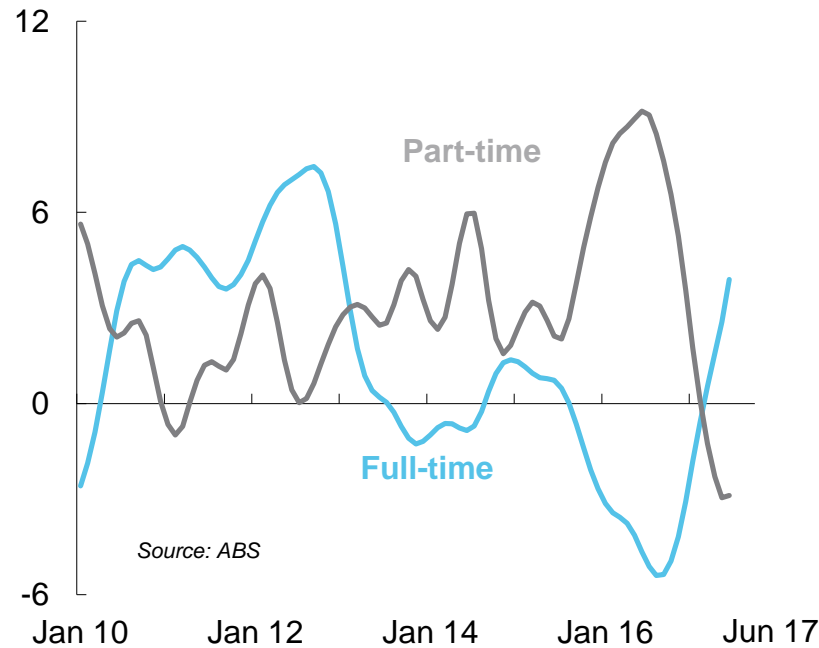
Unemployment rates (%)



The unemployment rate has peaked and is now in line with the national average.

Employment

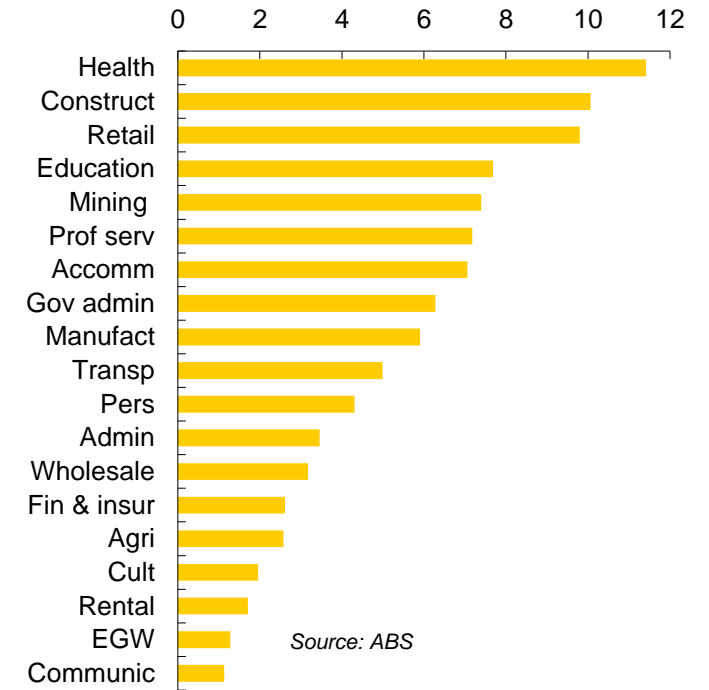
WA Employment Growth (annual % change)



Full time employment growth has lifted. A sign of an improving labour market.

Jobs by Sector

WA Jobs by sector (% of total)

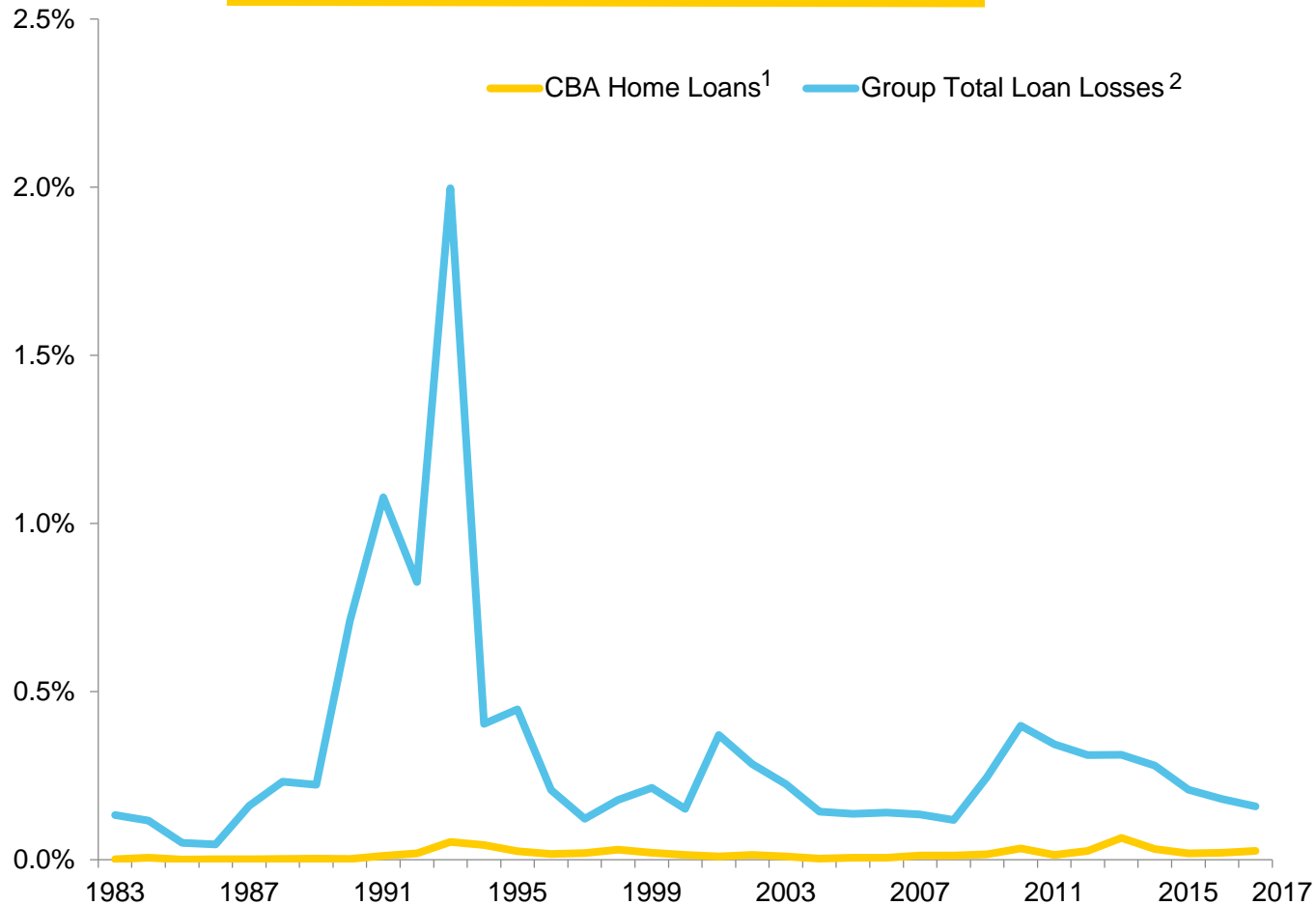


The WA economy is more diversified than is generally appreciated. Health, construction, retail and education sectors are the biggest employers.

CBA home loan portfolio - overview and historical losses



Losses to average gross loans



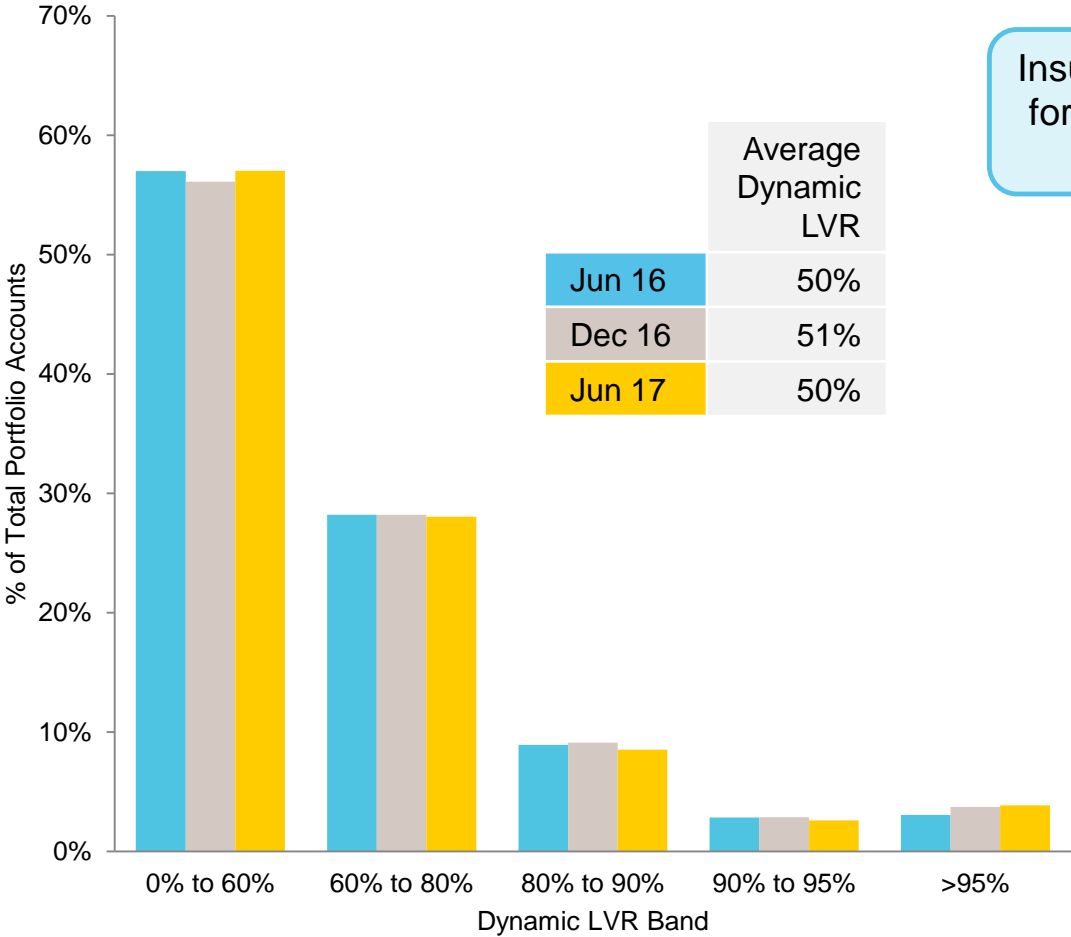
- FY17 losses of 3 bpts
- Portfolio dynamic LVR³ of 50%
- Maximum LVR of 95% all loans⁴
- Limited low doc lending (with LMI)⁵
- Servicing buffer +2.25% or min floor⁶
- Full recourse lending
- Regular stress testing

1. CBA Home Loans represents Australian Home Loans and includes Bankwest from 2009. 2. Group includes all losses for the Group (CBA/Bankwest/ASB). Losses includes write-offs from collective and individual provisions, less recoveries. 3. LVR defined as current balance/current valuation. 4. For Bankwest, maximum LVR excludes any capitalised mortgage insurance. 5. For low doc lending, documentation is required, including Business Activity Statements. 6. Higher of customer rate plus 2.25% or minimum floor rate.

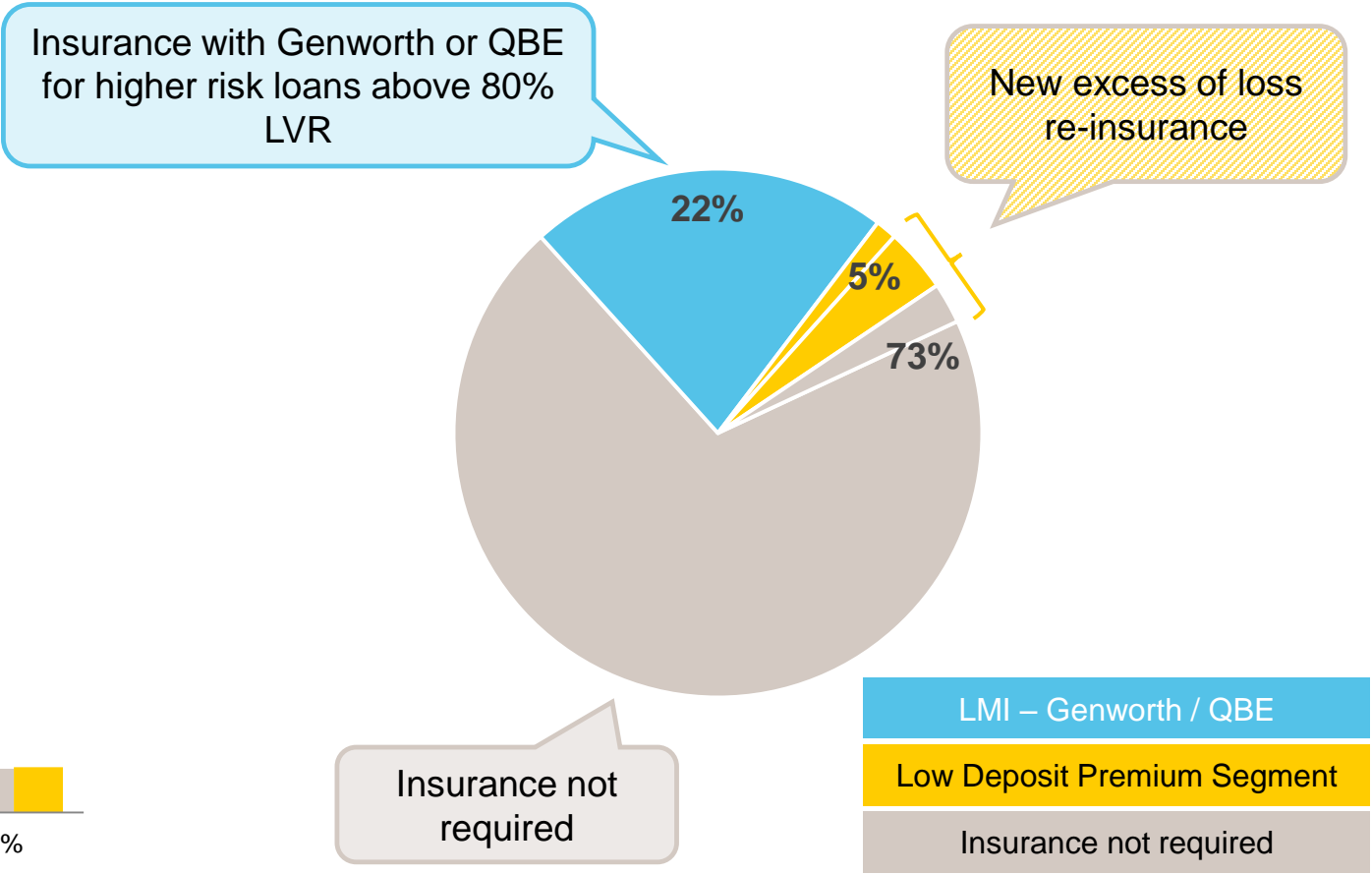
Loan to Value Ratio (LVR) and portfolio insurance



Home Loan Dynamic LVR¹



Portfolio Insurance Profile²
% of Australian Home Loan portfolio



1. Australian Home Loans. Dynamic LVR is current balance / current valuation. 2. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group loans. 63

Home loans stress test – Australia



Assumptions and Outcomes

Assumptions (%)	Base	Year 1	Year 2	Year 3
Cash Rate	1.5	1.0	0.5	0.5
Unemployment	5.8	7.5	9.5	11.0
Labour Force Under Utilisation	14.2	17.4	21.4	24.4
Cumulative reduction in house prices	n/a	10.0	23.0	31.0
LMI claim payout ratio	n/a	50%	50%	50%
Outcomes (\$m)	Total	Year 1	Year 2	Year 3
Stressed Losses	3,944	684	1,224	2,036
Insured Losses	1,031	190	325	517
Net Losses	2,913	494	899	1,520
Net Losses (bpts)	58.6	9.9	17.9	31.1
PD %	n/a	1.0	1.7	2.4

Summary

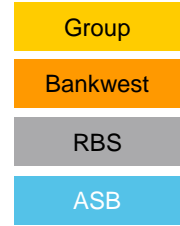
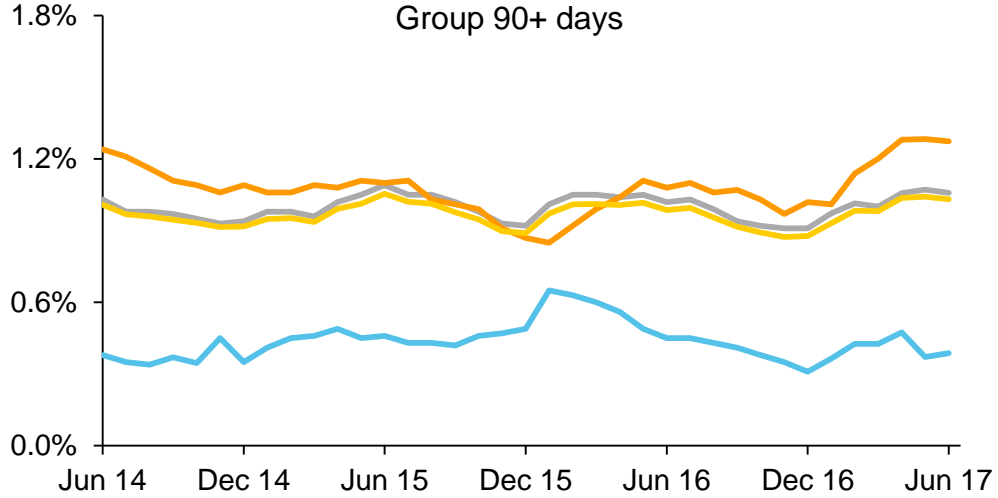
- 3 year scenario of cumulative 31% house price decline, peak 11% unemployment and a reduction in the cash rate to 0.5%.
- Total net losses after LMI recoveries over 3 years of \$2.9bn.
- Higher losses from assuming lower recoveries from LMI.
- Stress Test loss outcomes updated to take into account potential stress from higher risk segments such as investor, interest only loans, Western Australia and mining towns.
- House prices and PDs are stressed at regional level.
- One of multiple regular stress tests undertaken as part of Risk Management and regulatory activities.

Consumer arrears



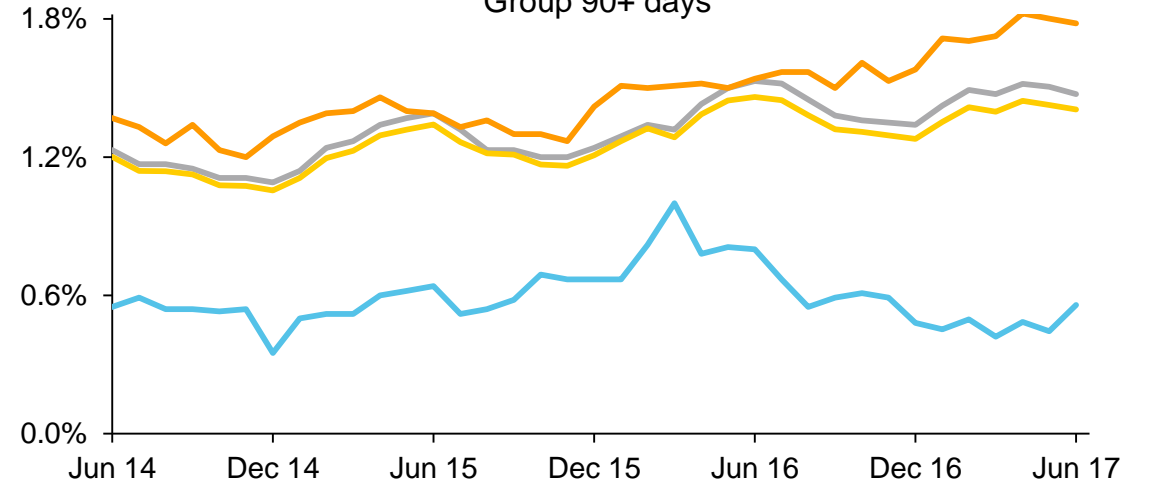
Credit Cards

Group 90+ days



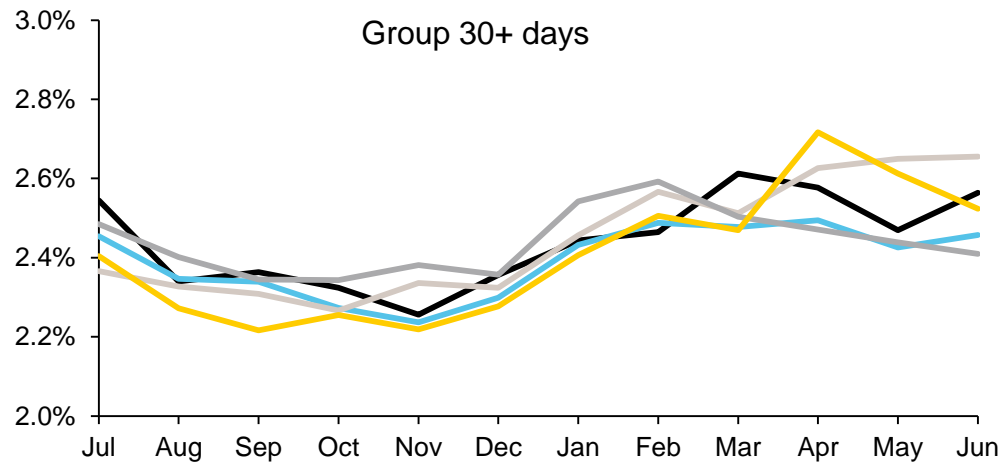
Personal Loans

Group 90+ days



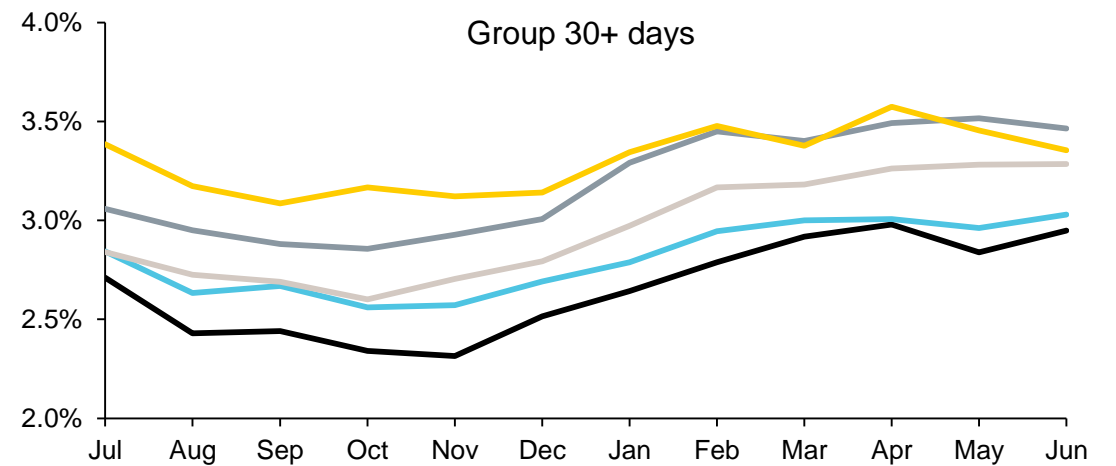
Credit Cards

Group 30+ days



Personal Loans

Group 30+ days



Economics

CommonwealthBank



Key economic indicators (June FY)



		2013	2014	2015	2016	2017	2018	2019
World	GDP	3.3	3.4	3.2	3.1	3.2	3.5	3.5
Australia	Credit Growth % – Total	3.1	5.0	5.9	6.1	5.4	4½ - 6½	4½ - 6½
	Credit Growth % – Housing	4.6	6.4	7.3	6.7	6.6	4½ - 6½	4½ - 6½
	Credit Growth % – Business	1.2	3.4	4.4	6.5	4.4	5-7	5-7
	Credit Growth % – Other Personal	0.2	0.6	0.8	-0.8	-1.4	0-2	0-2
	GDP %	2.6	2.6	2.4	2.7	1.8	2.6	3.1
	CPI %	2.3	2.7	1.7	1.4	1.7	1.9	2.5
	Unemployment rate %	5.4	5.8	6.2	5.9	5.6	5.5	5.2
	Cash Rate %	2¾	2½	2	1¾	1½	1½	2
New Zealand	Credit Growth % – Total	4.3	4.4	5.8	7.7	6-7	4-6	4-6
	Credit Growth % – Housing	5.2	5.3	5.4	8.8	7-8	4-6	3½-5½
	Credit Growth % – Business	2.8	2.8	5.9	7.2	6-7	5-7	4½-6½
	Credit Growth % – Agriculture	4.1	3.4	7.4	6.0	2-3	2½-4½	4-6
	GDP %	2.3	2.5	3.3	2.7	2.8	3.2	3.7
	CPI %	0.8	1.5	0.6	0.3	1.4	1.4	1.5
	Unemployment rate %	6.2	5.5	5.4	5.2	5.0	4.8	4.6
	Overnight Cash Rate %	2.5	3.25	3.25	2.25	1.75	1.75	2.0

Credit Growth
GDP, Unemployment & CPI
Cash Rate

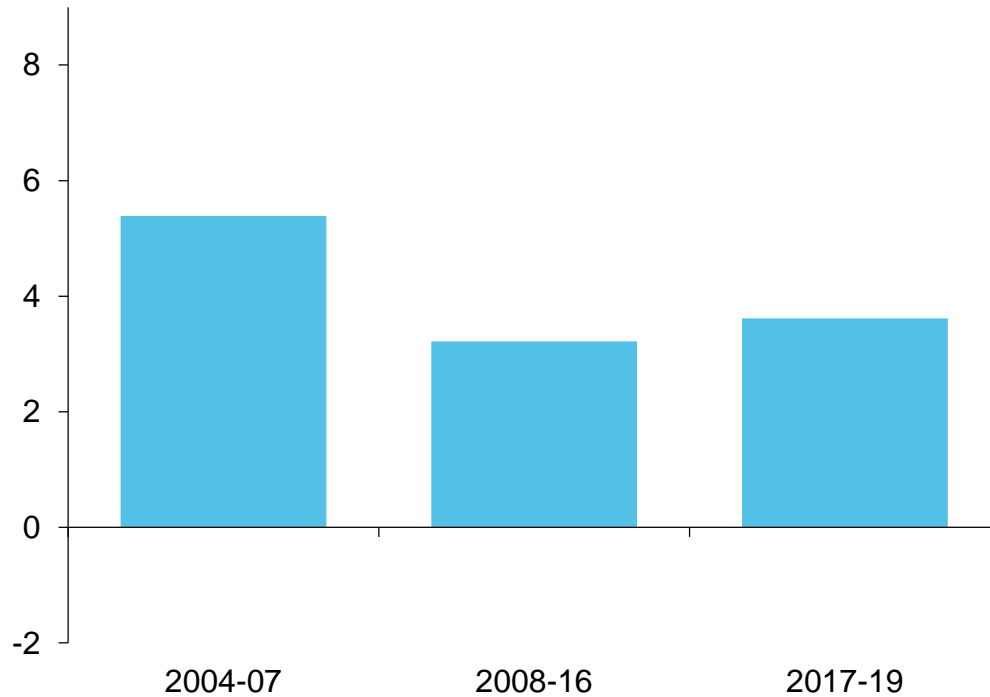
= 12 months to June
= Financial year average
= As at June

World GDP = Calendar Year Average
= forecast

The global backdrop is improving

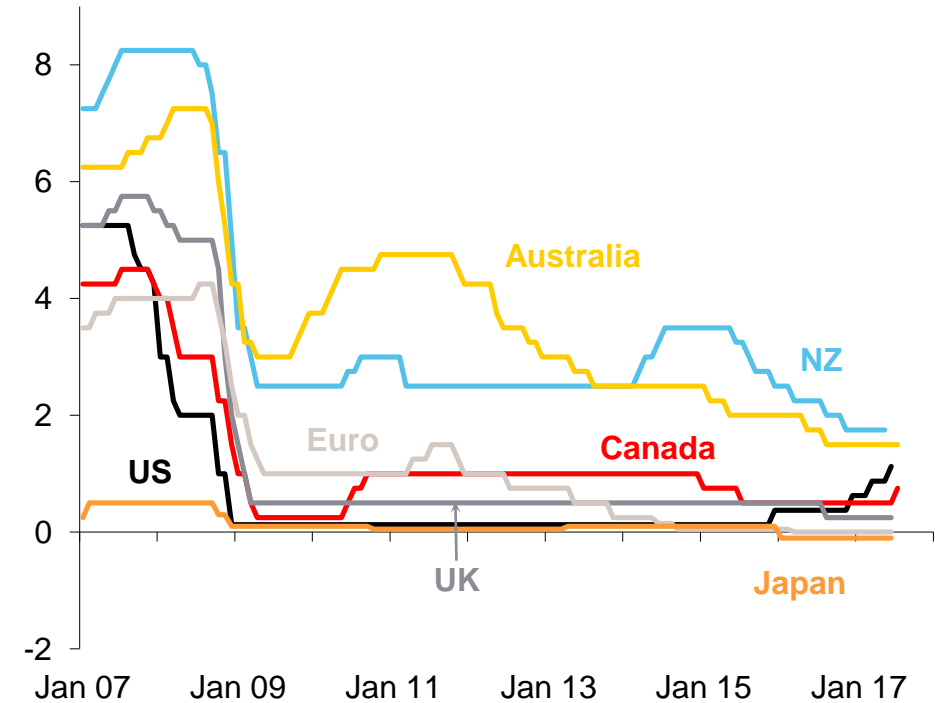


Global Growth¹
(average annual % change)



Policy makers are becoming increasingly confident that a sustained global upturn is underway, helped by rising capex and rising employment

Global Policy Settings²
Official Interest Rates (%)



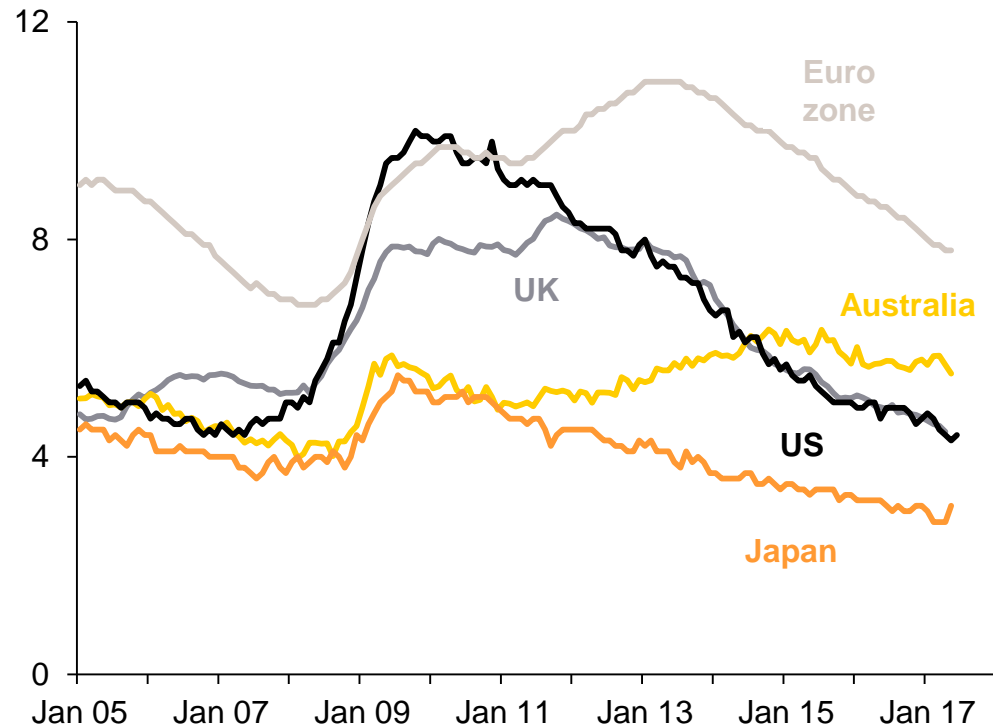
Policy makers in some economies are starting the process of policy normalisation and others may soon follow

The global backdrop is improving



Labour Markets¹

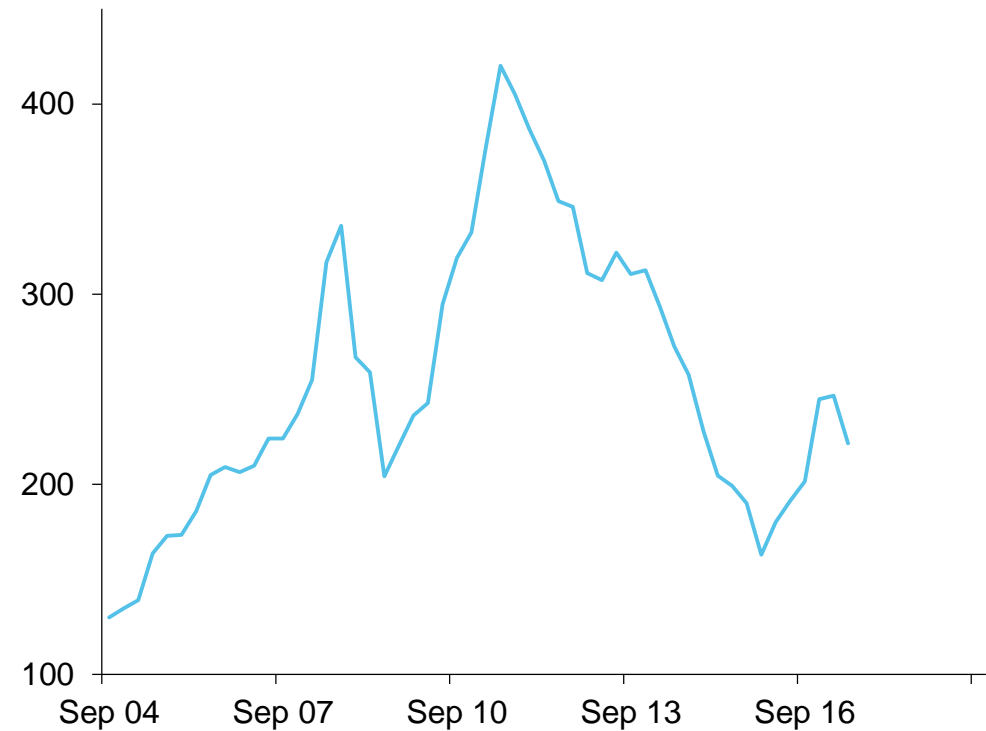
Unemployment rate (%)



Global growth is generating job gains and unemployment is falling

Commodity Prices²

CBA commodity price index



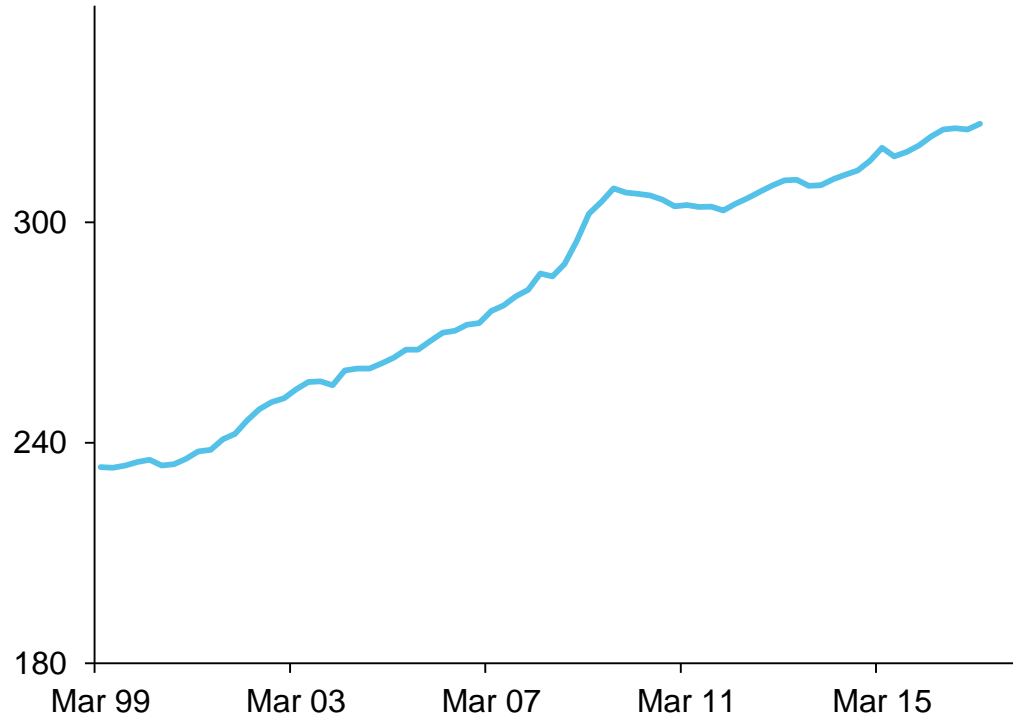
Commodity prices are volatile but are beyond the low point for the cycle

Rising debt levels are a significant global risk



Global Debt¹

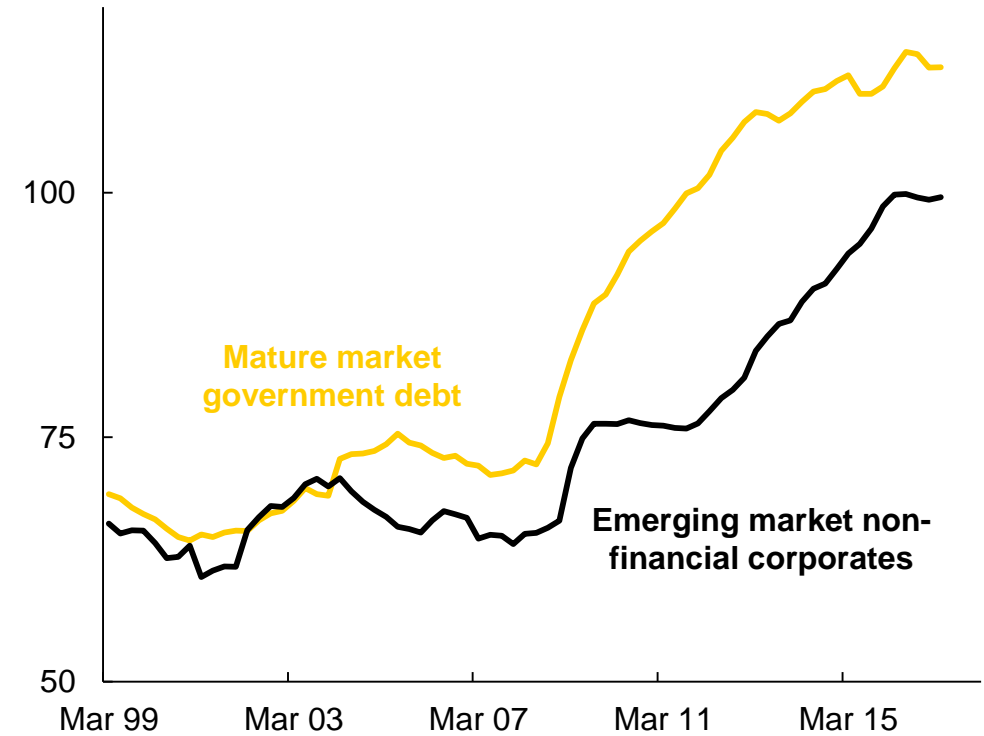
% of GDP



Global debt continues to rise and now stands at a record 327% of global GDP

Global Debt¹

% of GDP



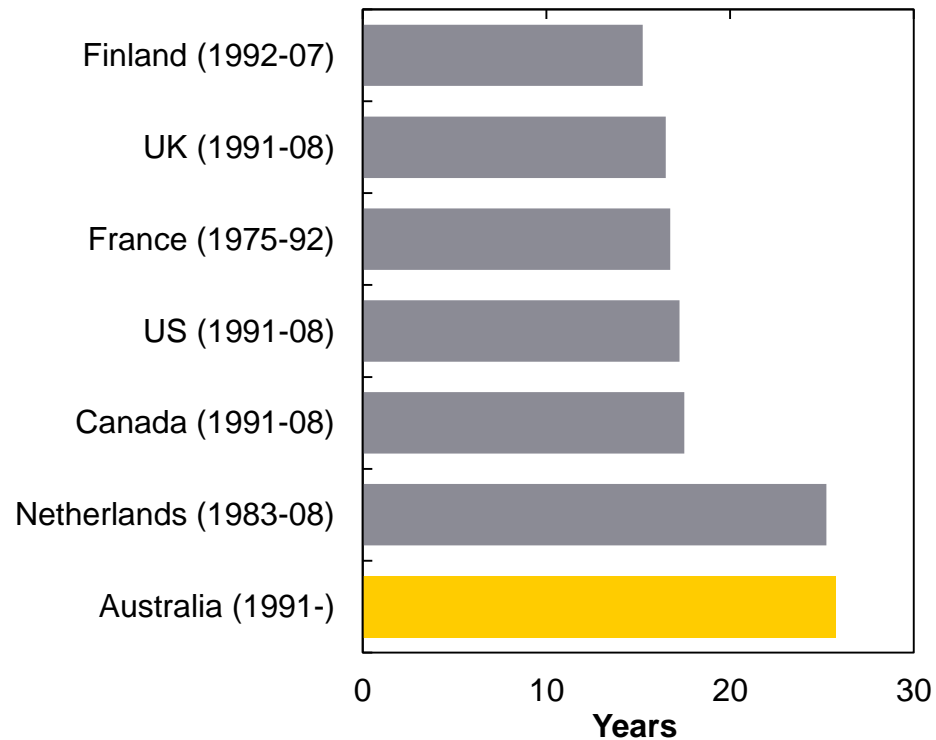
At the global level, the sectors most exposed are governments in the mature economies and non-financial corporates in the emerging market economies

Australia remains well placed



The longest expansion

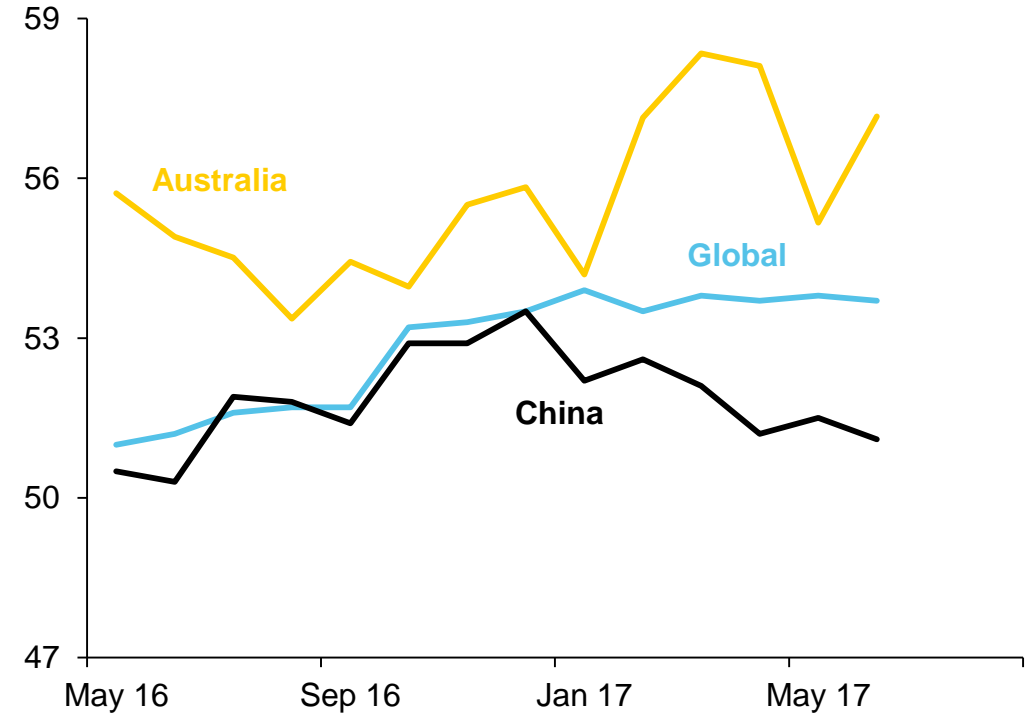
Years of continuous growth



Australia is now the economy with the longest economic expansion in the modern era

Favourable momentum¹

Composite PMI (index)



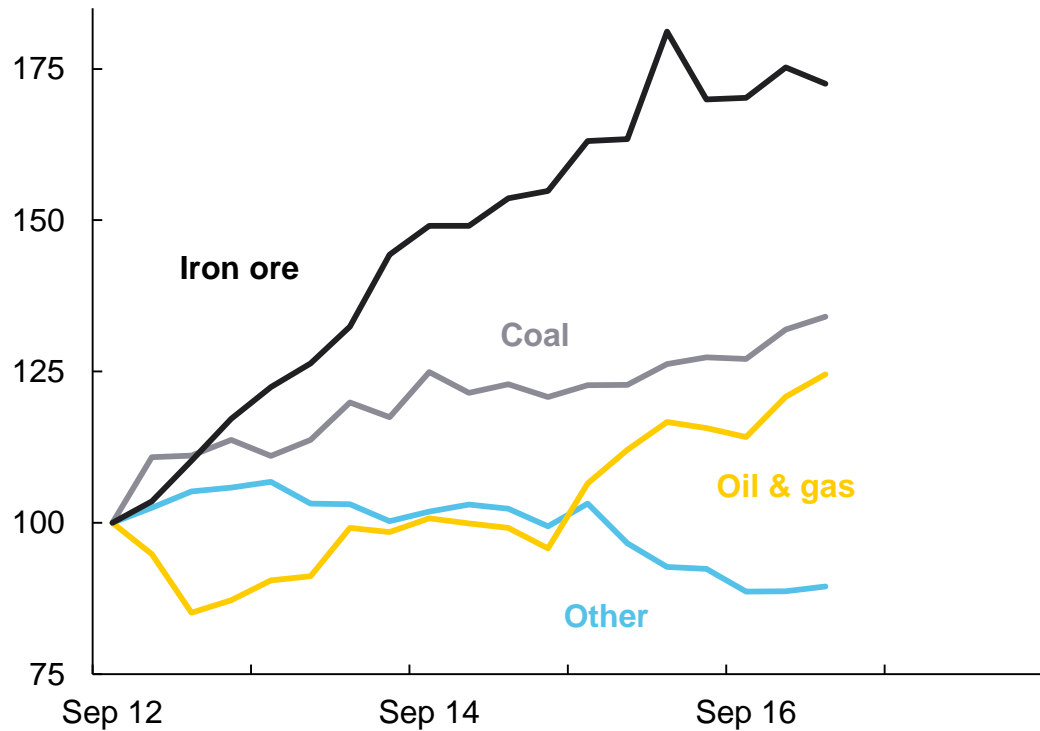
CBA's Purchasing Manager Indexes (PMI) are signalling positive economic momentum with Australia performing well relative to the rest of the world

Growth positives



Resources

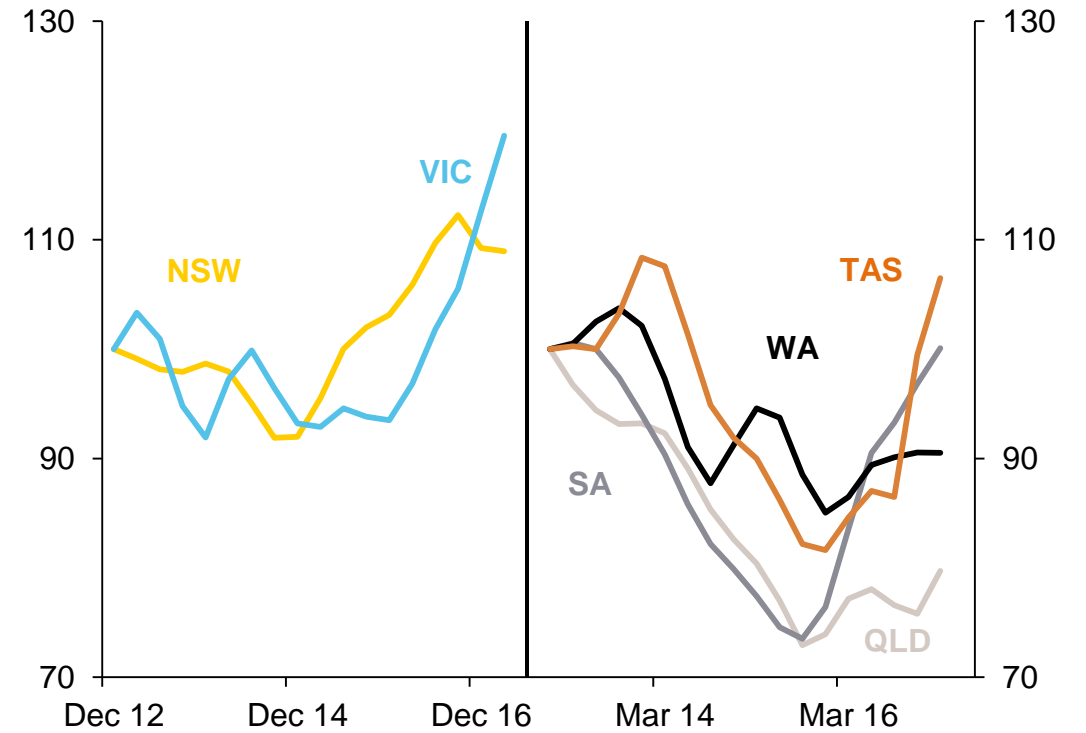
Mining output by sector (index, QIII'12=100)



New capacity means a significant lift in resource production and exports is underway

Infrastructure

State public capex (index, trend, Dec'12=100)



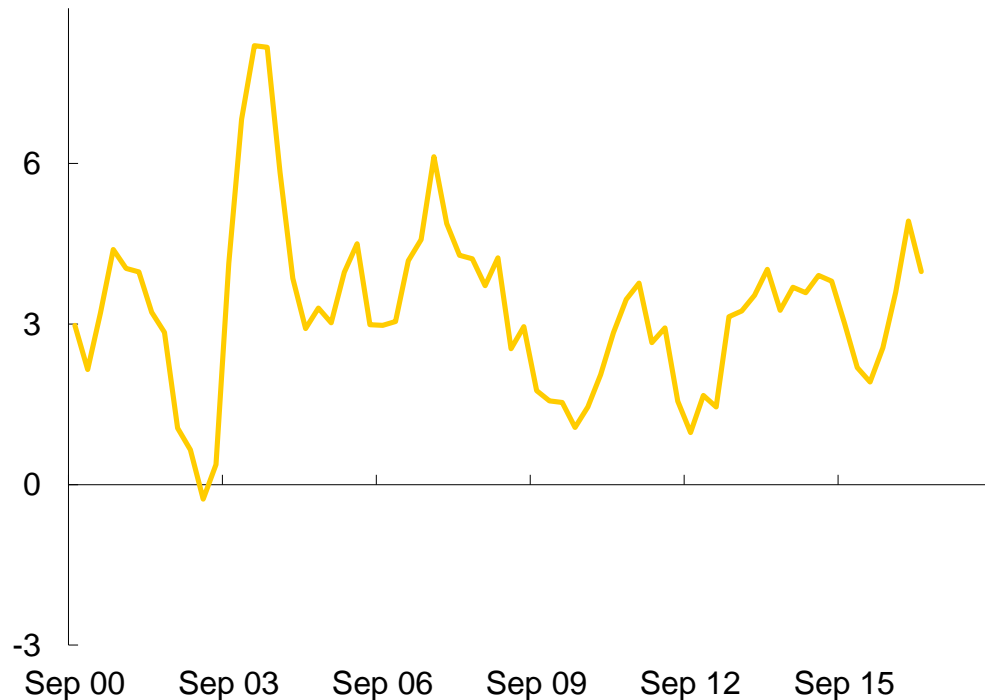
A major infrastructure boom at the State and Federal level is underway

Growth positives



Asian income growth¹

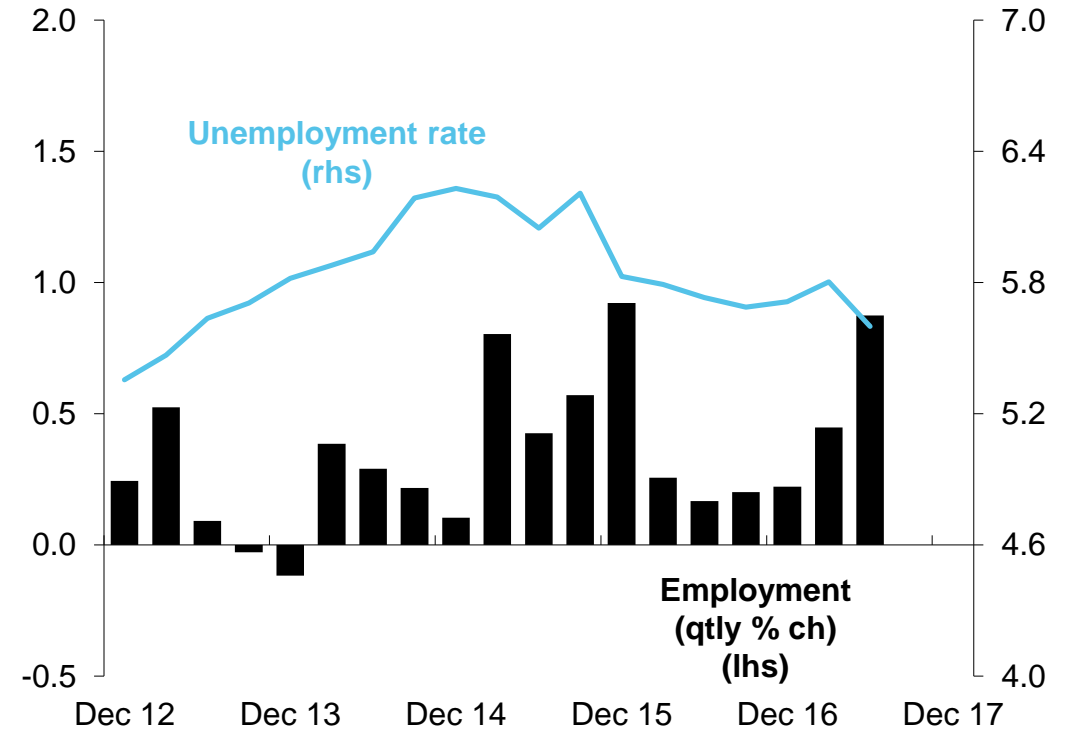
Asian income growth proxy
(Australian GDP exposed to Asian income growth, % pa)



Strong growth in Asian incomes is driving key parts of the Australian economy, such as education and tourism

Labour market²

(%)



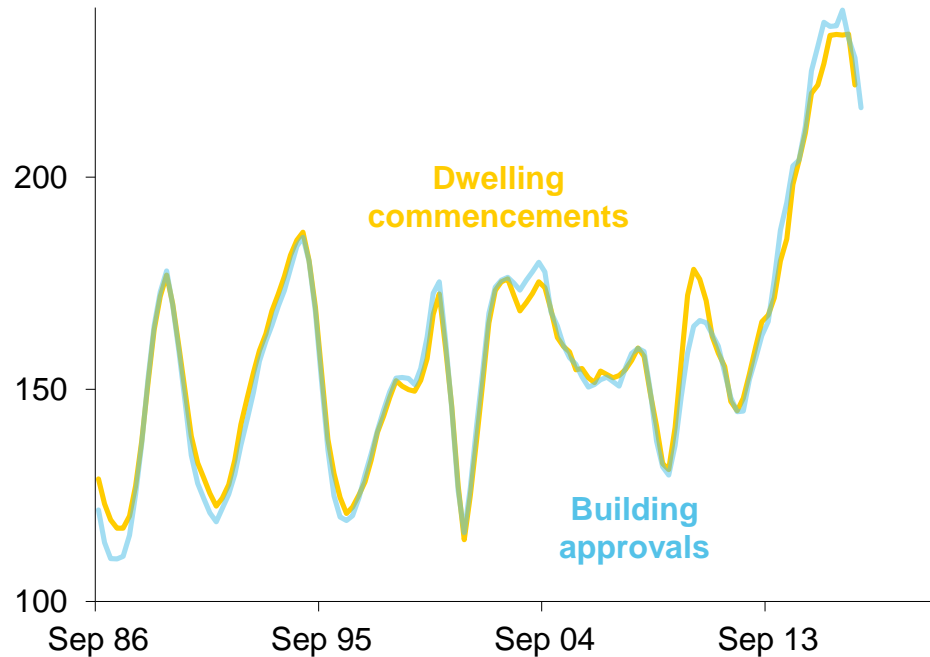
Jobs growth has picked up and the unemployment rate is falling again

Growth disappointments



Residential construction

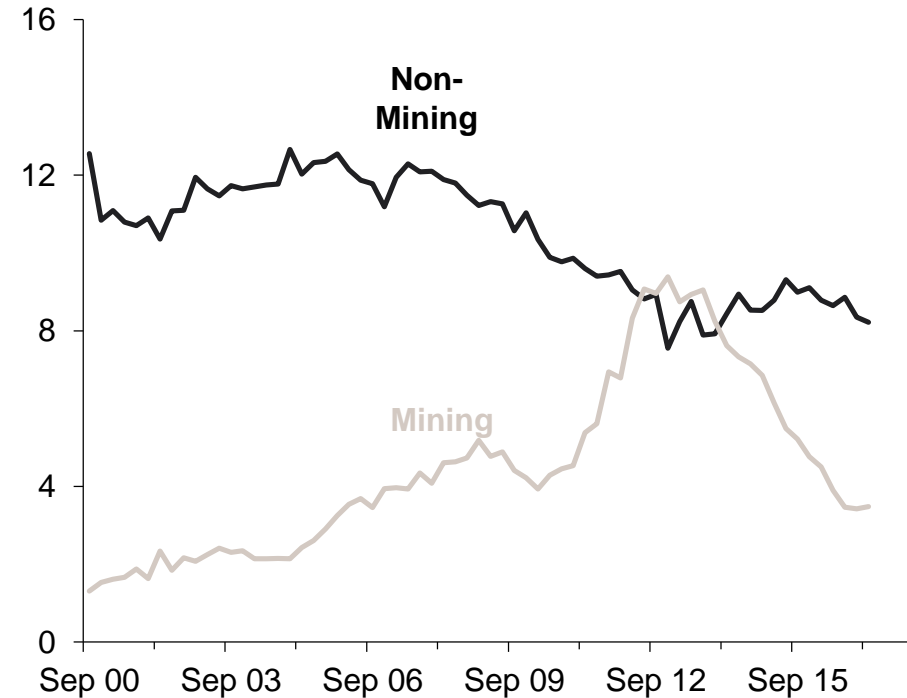
Dwelling construction (rolling annual total, '000)



The residential construction boom is peaking and activity is set to slow over the next year

Business capex

Business investment (% of GDP)



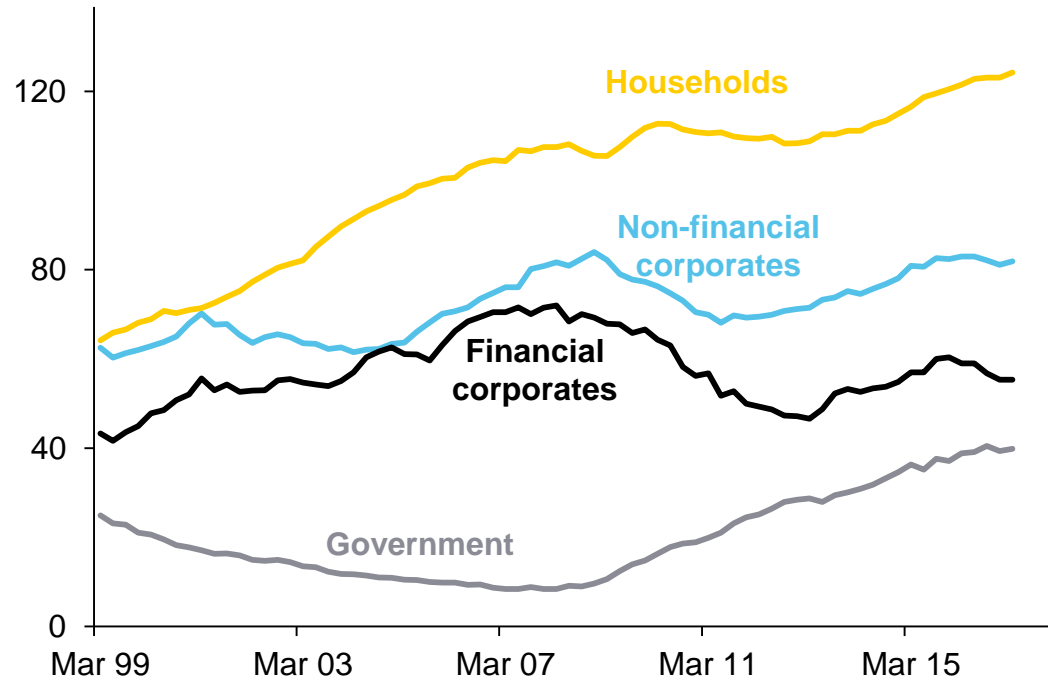
The decline in mining capex is nearly complete but non-mining business remain reluctant to invest

Growth risks



Household debt¹

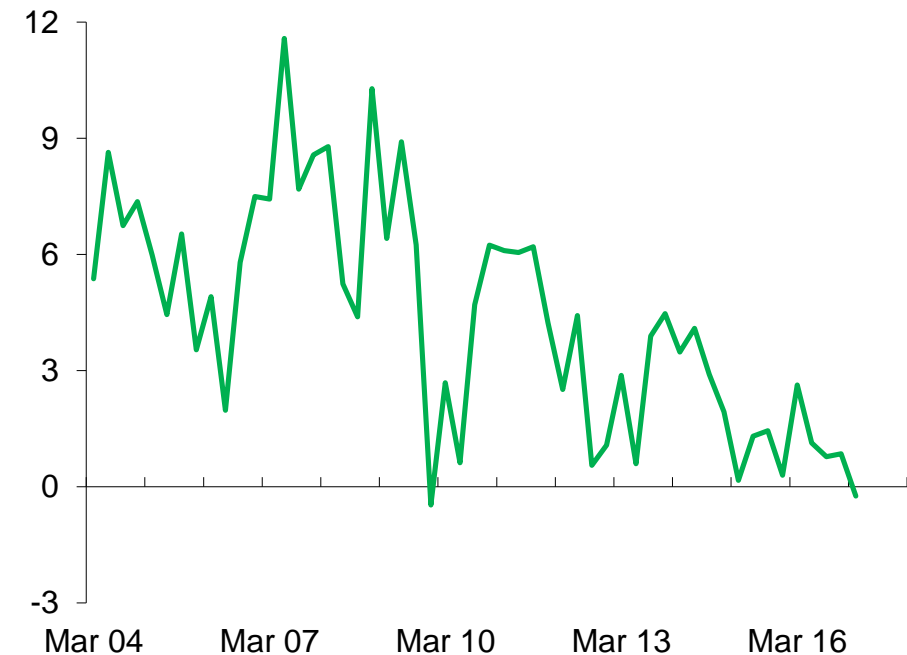
Australia: Debt (% of GDP)



Government debt has continued to rise, but Australian households look most exposed

Household income²

H/hold disposable income per capita (annual % change)



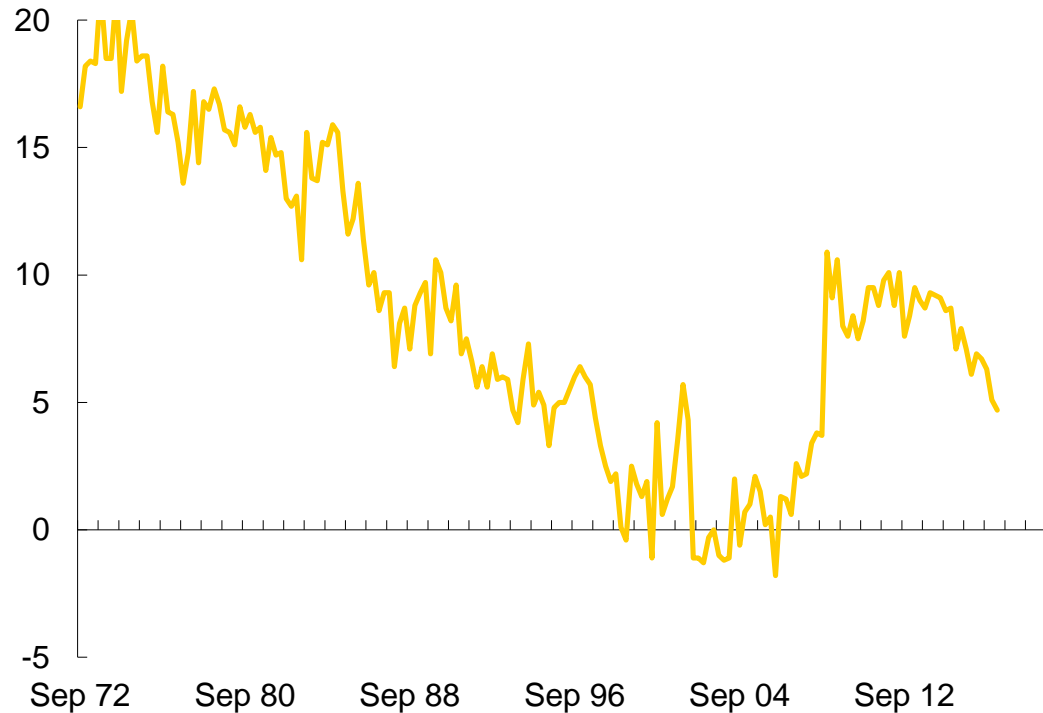
Household disposable income growth per capita is very weak, largely due to low wages growth

Growth risks



Savings ratio

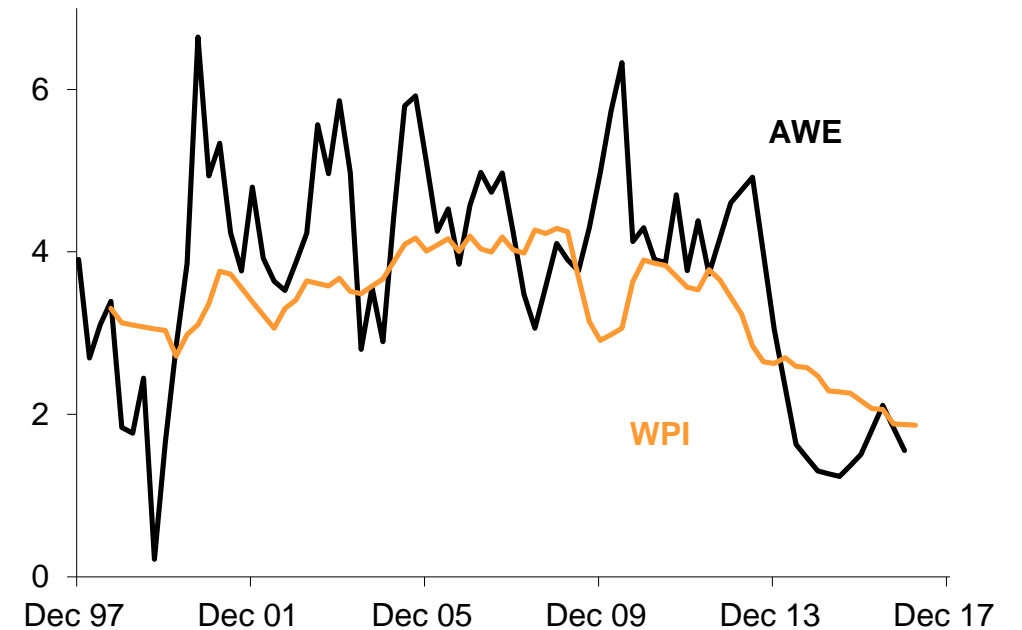
(%)



The decline in the savings ratio has supported consumer spending in the face of weak household income growth, but the ability to cut savings further is limited

Wages growth

Wage measures (annual % change)



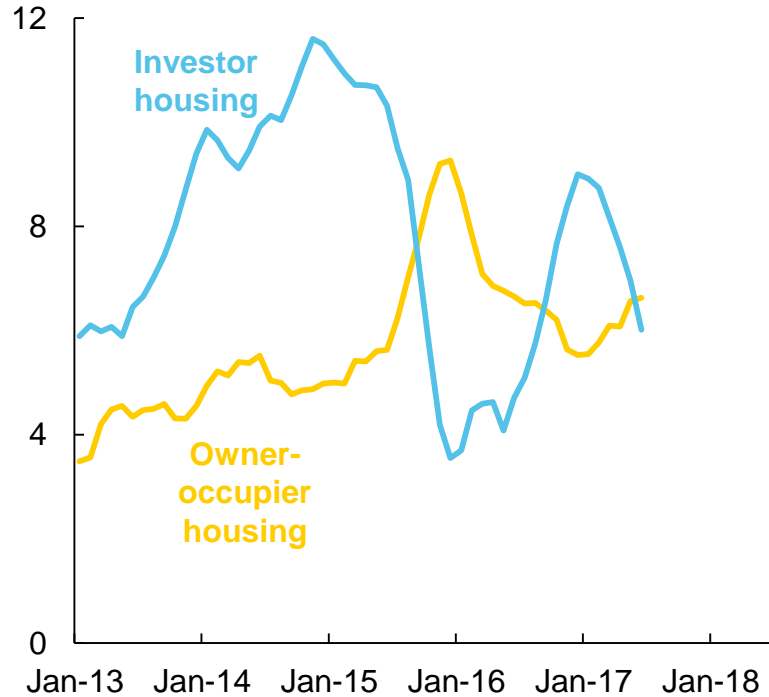
Wages growth has continued to slow due to elevated labour market slack, but the growth rate should bottom out from here

Housing fundamentals suggest price growth should slow



Credit growth¹

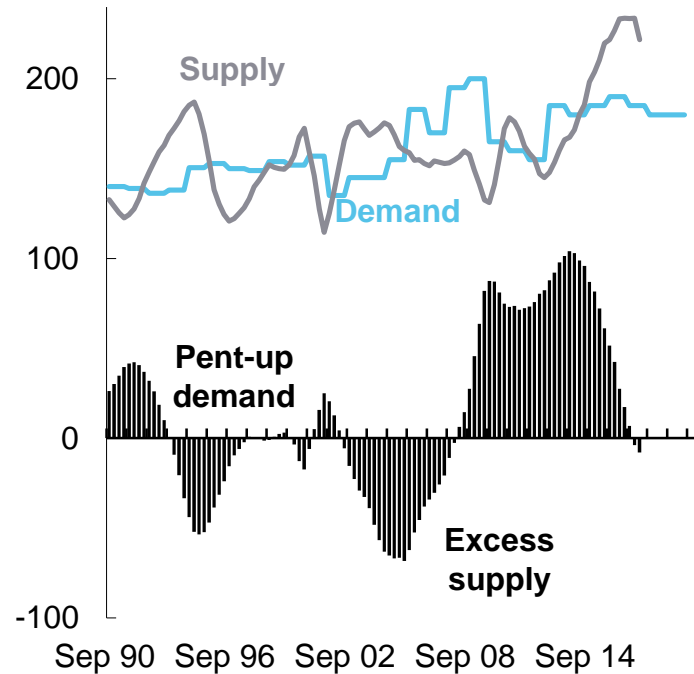
Credit growth (three months ended annualised rate, %)



Credit growth for housing has slowed because lending growth to investors has eased

Housing supply and demand²

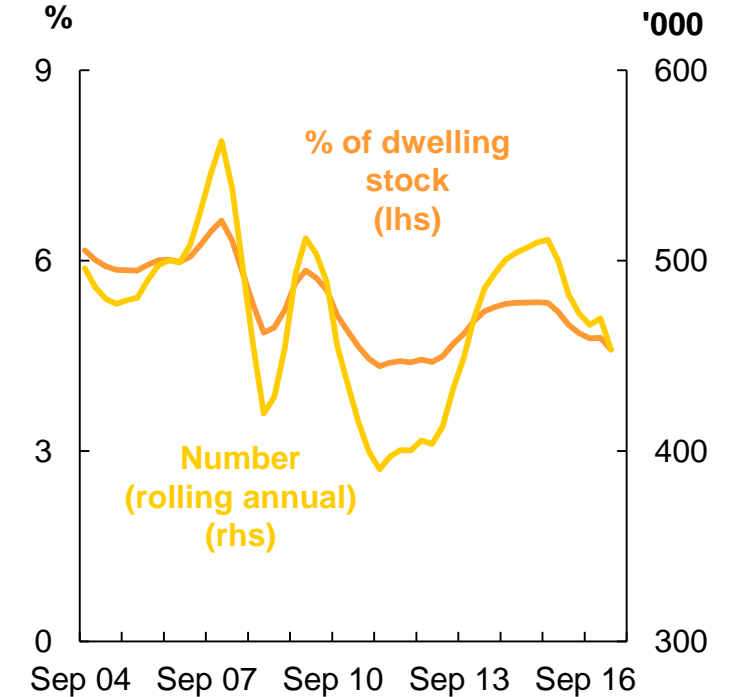
CBA: Housing demand & supply ('000)



Pent-up demand for housing is estimated to be met and there is still a large number of dwellings to be completed

Sales activity³

Dwelling turnover ('000)



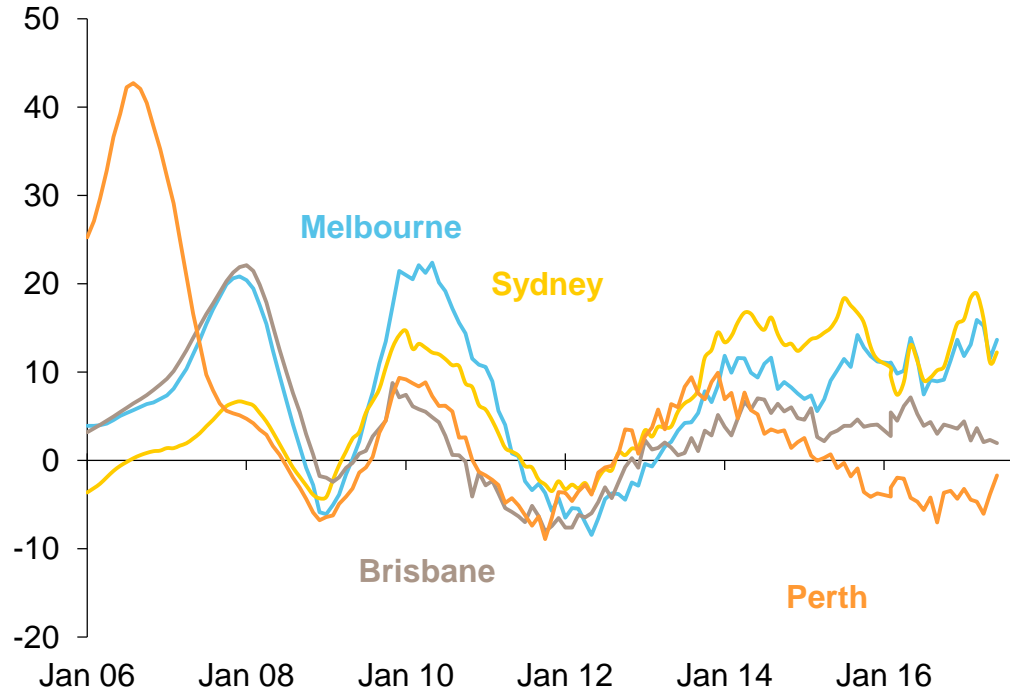
Dwelling sales activity is easing as affordability bites and regulatory restraint takes effect

Dwelling price momentum has eased



Dwelling prices¹

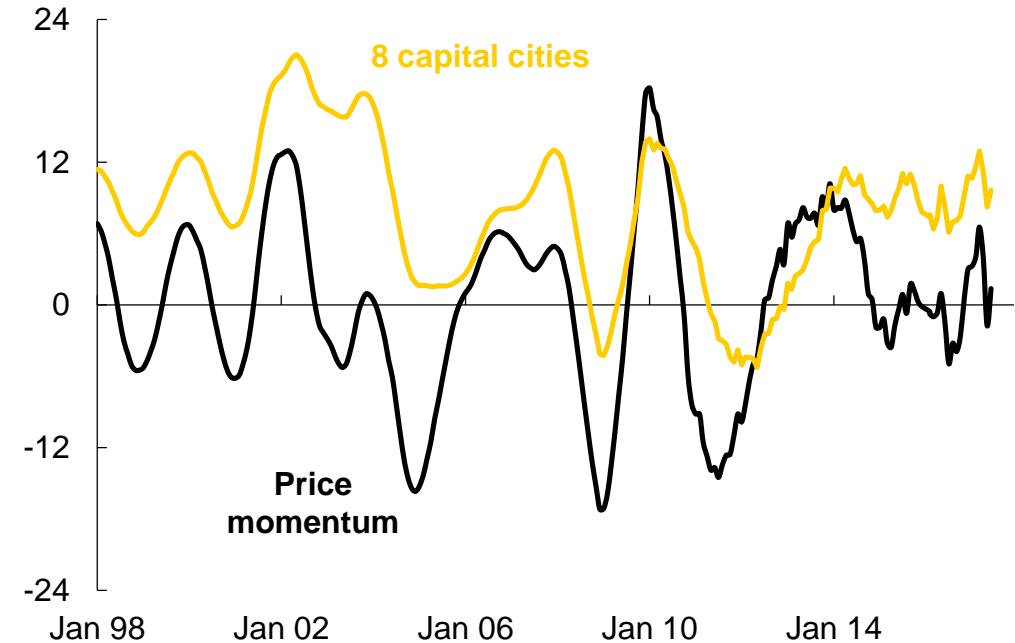
(annual change %)



Annual dwelling price growth remains buoyant in Sydney and Melbourne, but growth rates have come down in recent months

Dwelling price momentum²

Dwelling prices (annual % change)



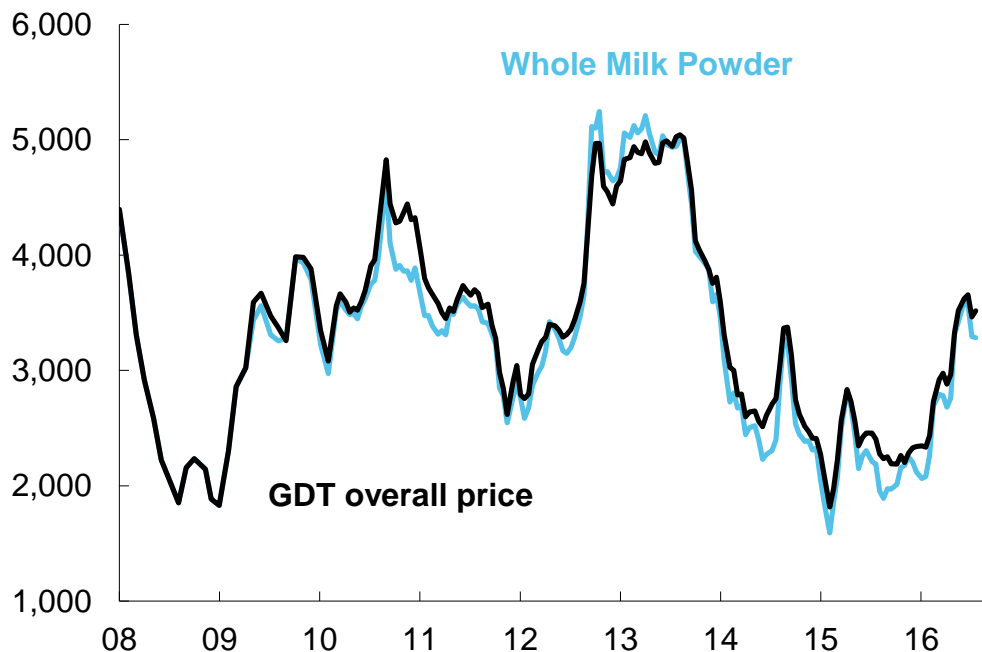
Dwelling price growth momentum has eased. Supervisory measures announced by APRA are having the desired impact on dwelling price growth

New Zealand



Global dairy trade auction results¹

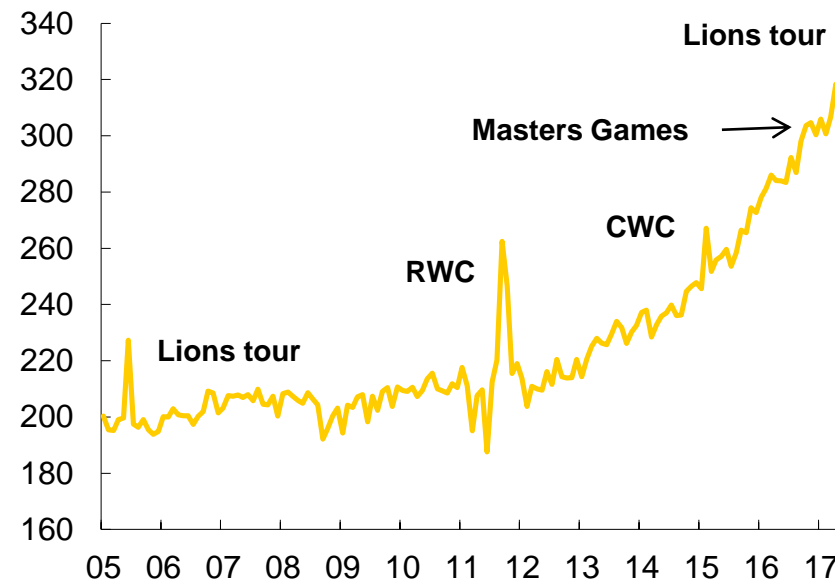
(USD/tonne)



Dairy prices recovered substantially in the second half of 2016. Farmers' cashflows are lifting substantially, and will increasingly filter through to domestic spending over 2018.

NZ short term arrivals²

(monthly, seasonally adjusted)



Tourism (the other significant export earner) has seen strong visitor growth and been well-supported by special events. However, the firm NZD has tempered per-person spend and accommodation capacity constraints are emerging.

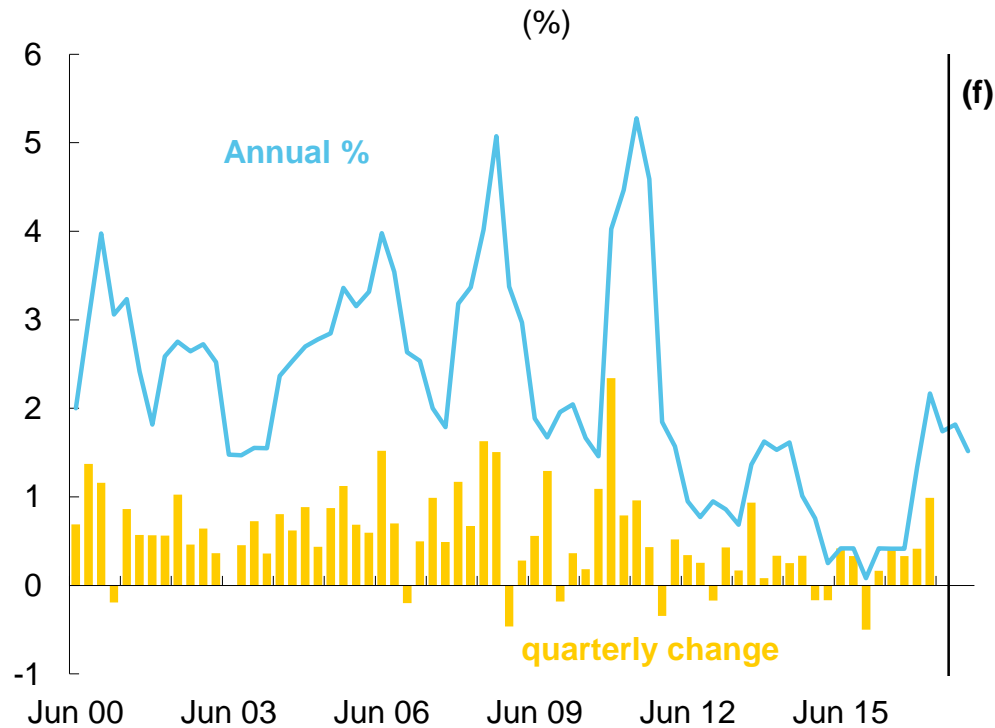
1. Source: GlobalDairyTrade

2. Source: Stats NZ

New Zealand

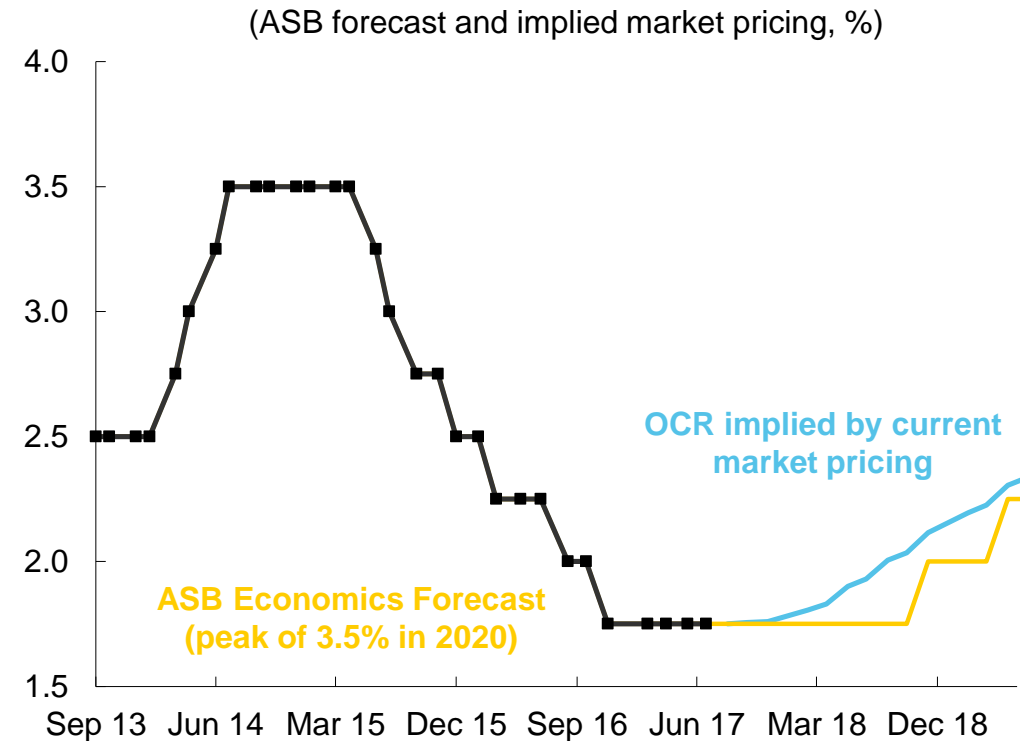


NZ CPI inflation¹



Inflation has recover to around the mid-point of the 1-3% target band after a sustained period of low inflation. Inflation will likely range around 1% to 2% over the next year.

OCR forecasts²



We expect the RBNZ to remain on hold for an extended period, until early 2019. There is very little need for rate cuts or hikes in the near term.

1. Source: Stats NZ / ASB

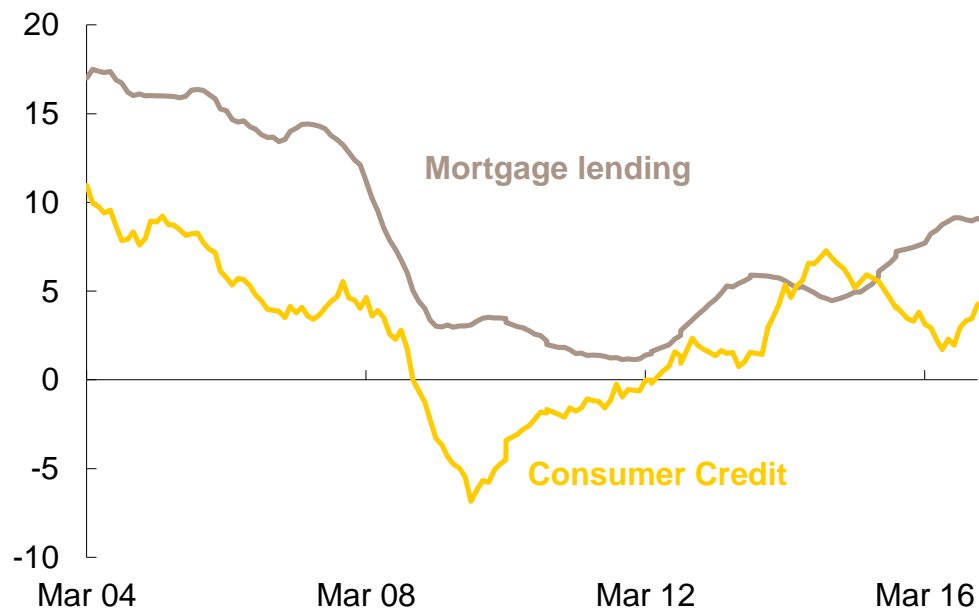
2. Source: ASB

New Zealand



NZ household lending growth¹

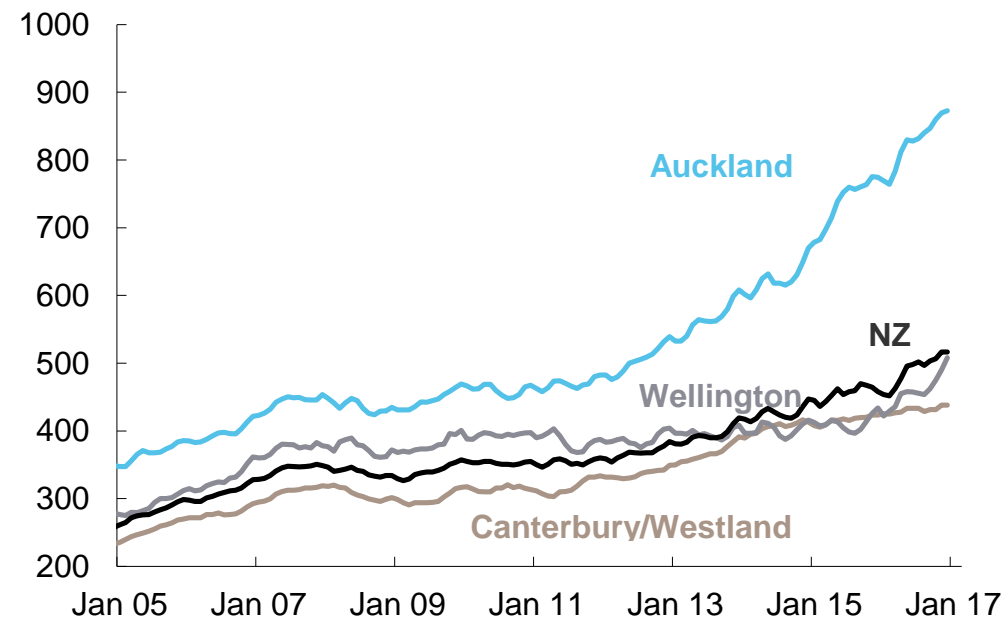
(annual % change)



Home lending growth has been decelerating to date over 2017. The RBNZ's nationwide loan restrictions on residential property have contributed to a cooler housing market. Credit growth will continue slowing over 2017 in line with the softening housing market.

NZ median house price²

(3 month moving average, \$'000)



House prices are flat/down in Auckland, and price growth is slowing elsewhere, but the housing market is still being supported by strong net migration inflows (particularly in Auckland) and still-low interest rates. Auckland's housing stock remains undersupplied.

1. Source: RBNZ / ASB
2. Source: REINZ

Disclaimer



Disclaimer

The material in this presentation is general background information about the Group and its activities current as at the date of the presentation, 9 August 2017. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

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Cash Profit

The Management Discussion and Analysis discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared and audited in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding certain items that introduce volatility and/or one-off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently with the prior year and prior half 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/>