CommonwealthBank

Debt Investor Update

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

COMMONWEALTH BANK OF AUSTRALIA | ACN 123 123 124 | FEBRUARY 2016

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, 10 February 2016. 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 and cash basis. The statutory basis is prepared and reviewed 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 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 comparative period 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/

Results

CBA Overview

Our Vision

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

Our Values

Integrity
Accountability
Collaboration
Excellence
Service

- Market Cap US$106bn[1] (#1 in ASX)
- Leading customer satisfaction – # 1 "main financial institution"[2]
- # 1 in home lending[3]
- # 1 in household deposits[4]
- Cash Earnings +4% in 1H16
- Peer leading ROE 17.2%
- Strong levels of capital
  - CET1 (APRA) 10.2%
  - CET1 (Int'l) 14.3%[5]
- Highly rated AA- / Aa2 / AA-[6]

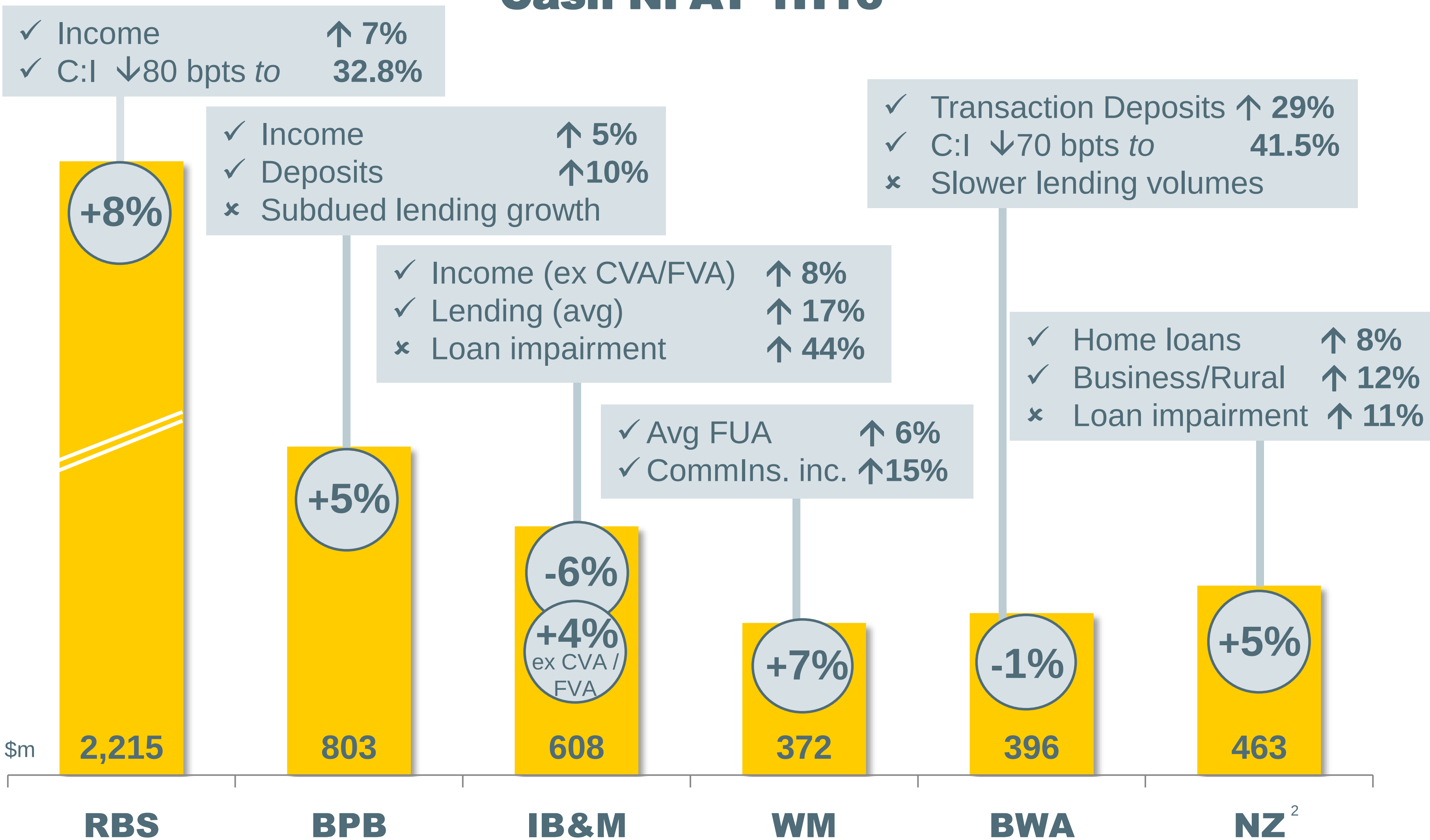
1. As at 31 Dec, 2015 2. Roy Morgan Research – "Main Financial Institution" refer Full Year Results Presentation 30 Jun 2015 for full source information available at www.commbank.com.au/about-us/investors/shareholders.html 3. Source: RBA 4. Source: APRA 5. Analysis aligns with the APRA study entitled "International capital comparison study" (13 July 2015). 6. S&P, Moodys, Fitch

Good operating result

$m	Dec 15	Dec 14	Dec 15 vs Dec 14
Operating income	12,362	11,647	6%
Operating expenses	(5,216)	(4,914)	6%
Operating performance	**7,146**	**6,733**	**6%**
Investment experience	58	80	(28%)
Loan impairment expense	(564)	(440)	28%
Tax and non-controlling interests	(1,836)	(1,750)	5%
Cash NPAT	**4,804**	**4,623**	**4%**
Statutory NPAT	**4,618**	**4,535**	**2%**

Divisional contribution

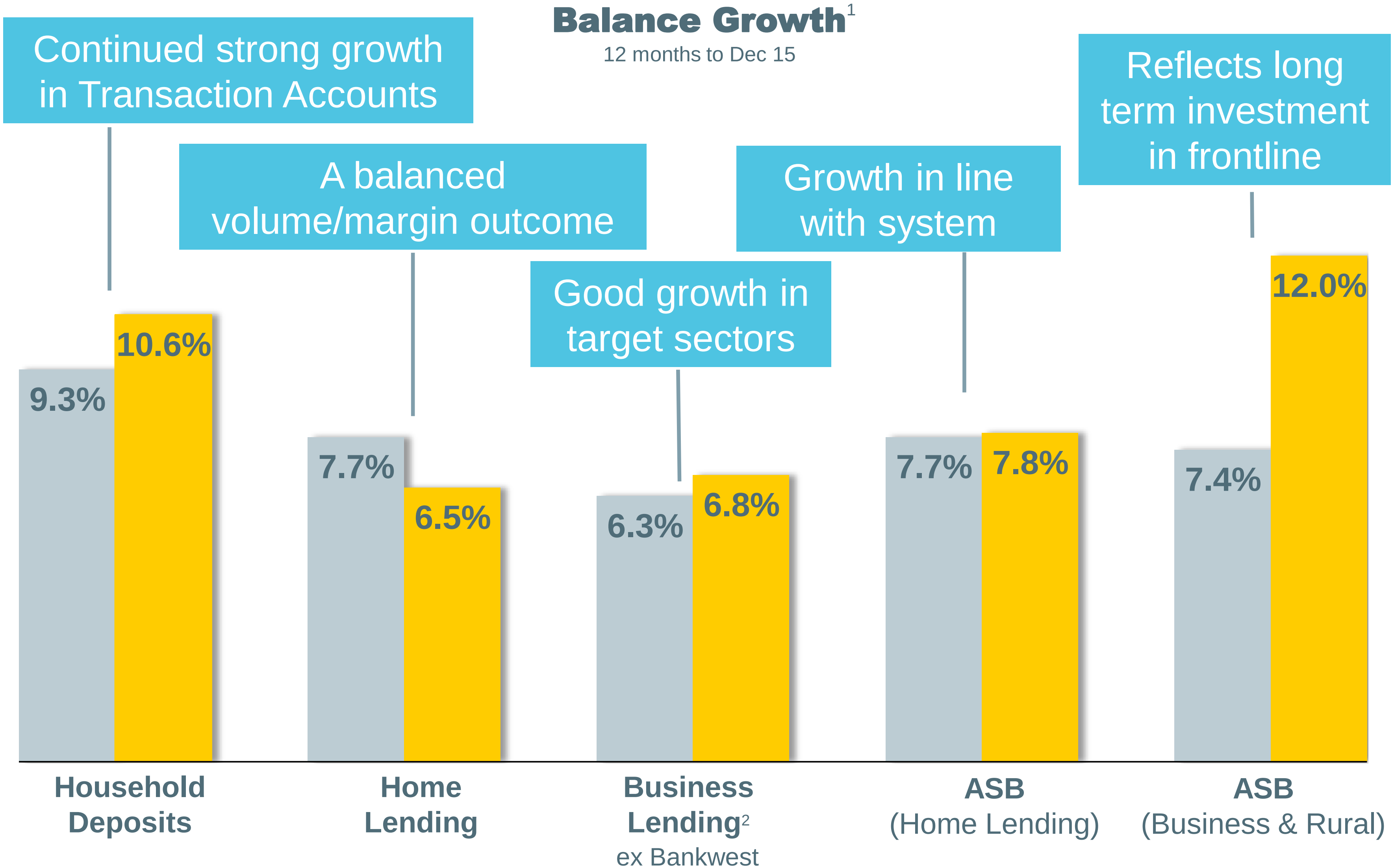
Cash NPAT 1H16[1]



1 All movements on prior comparative period except where noted

2 NZ result in AUD, performance metrics in NZD. Home loan and Business/Rural growth, source RBNZ 12 months to Dec 15.

Ongoing volume growth



System CBA

1 Spot balance growth twelve months to December 2015. Source RBA/APRA/RBNZ. CBA includes BWA except Business Lending.
2 Domestic Lending balance growth (BPB & IB&M). Source RBA.

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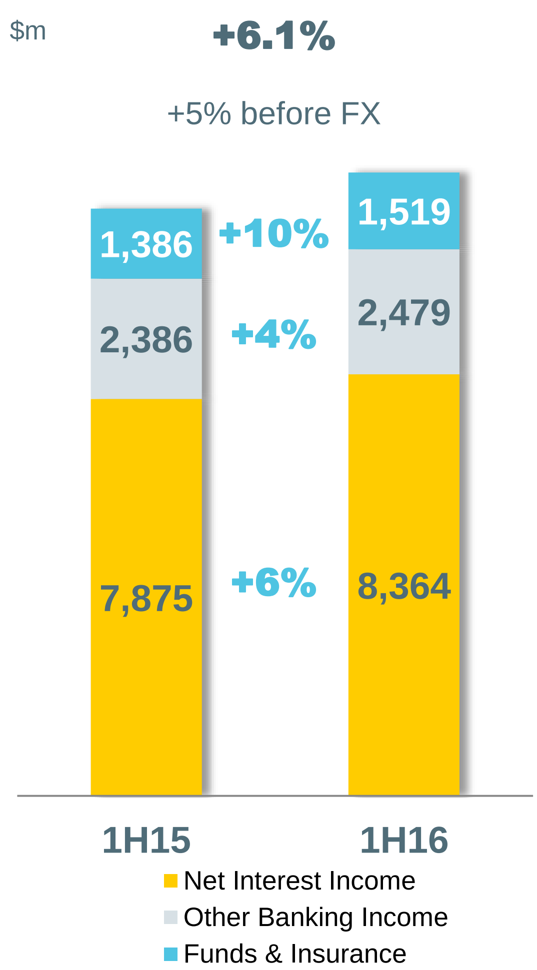
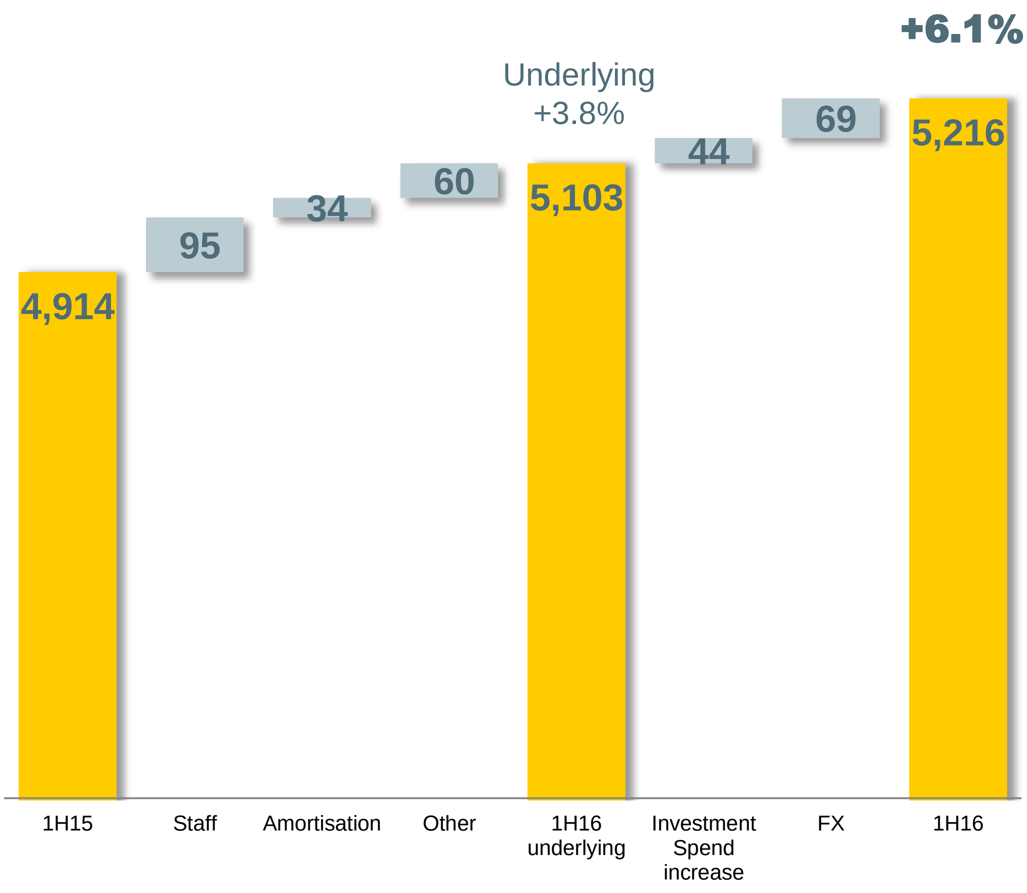
Operating Income and Expenses

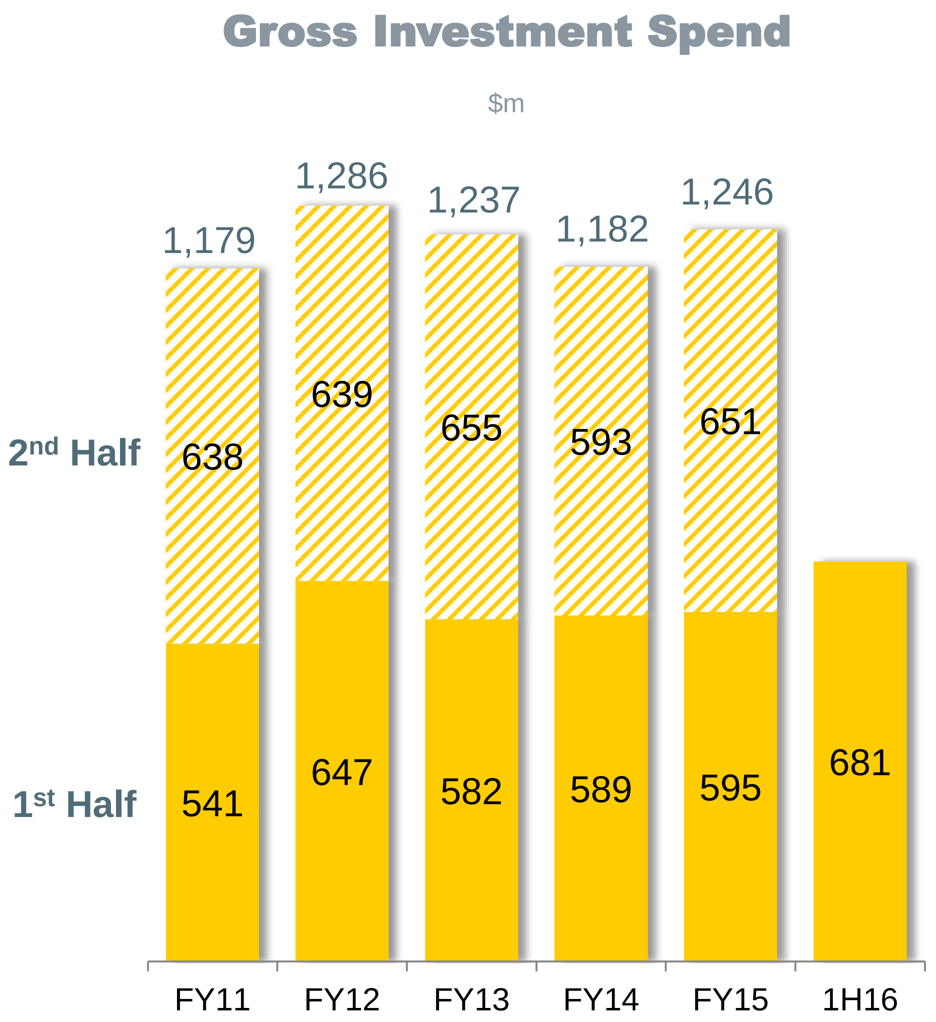
Operating Income

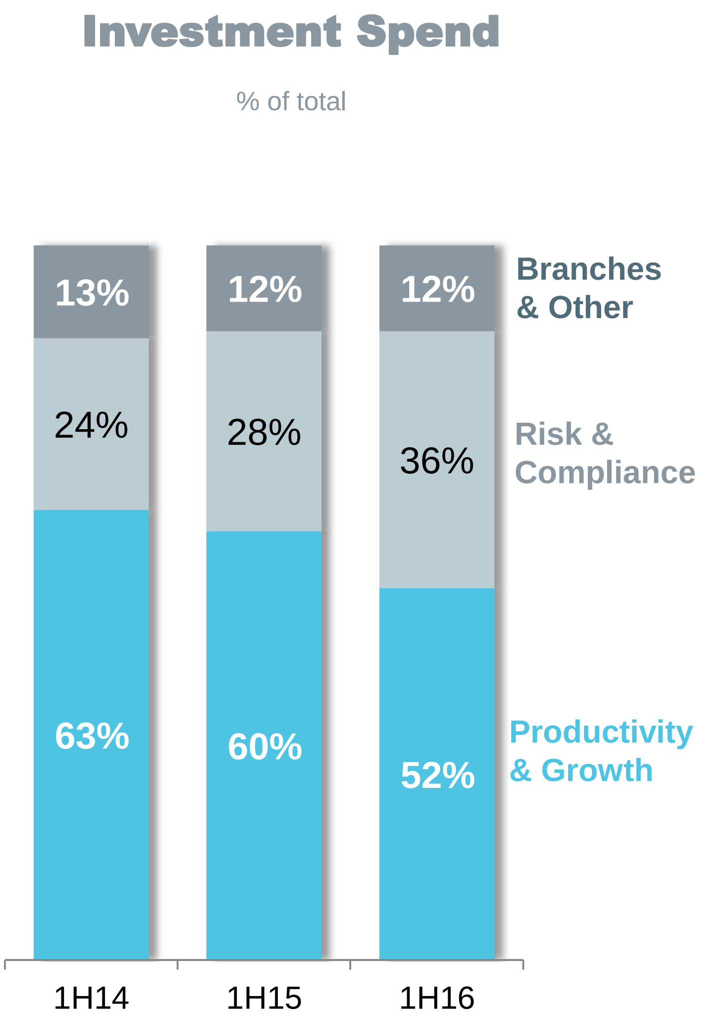


Operating Expenses



Investment Spend





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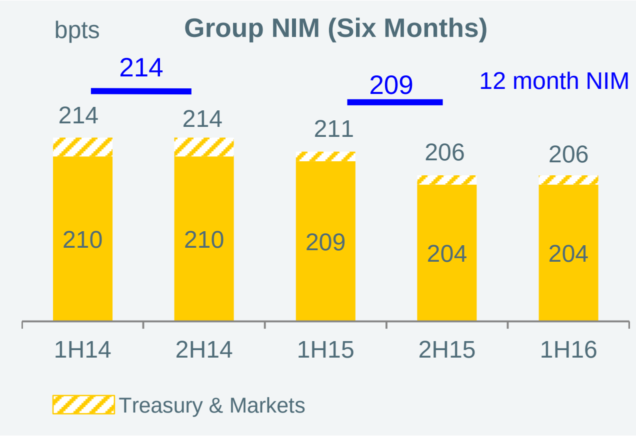
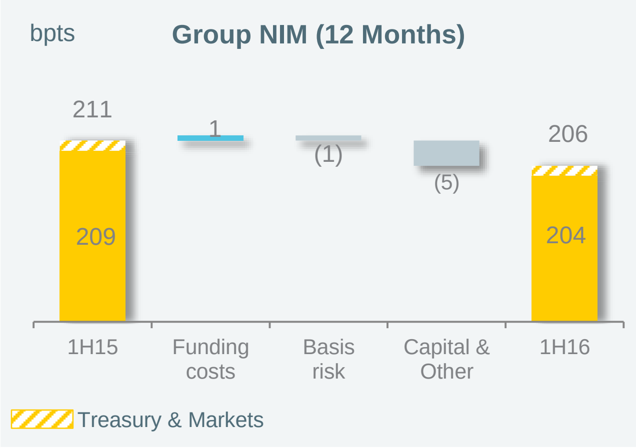
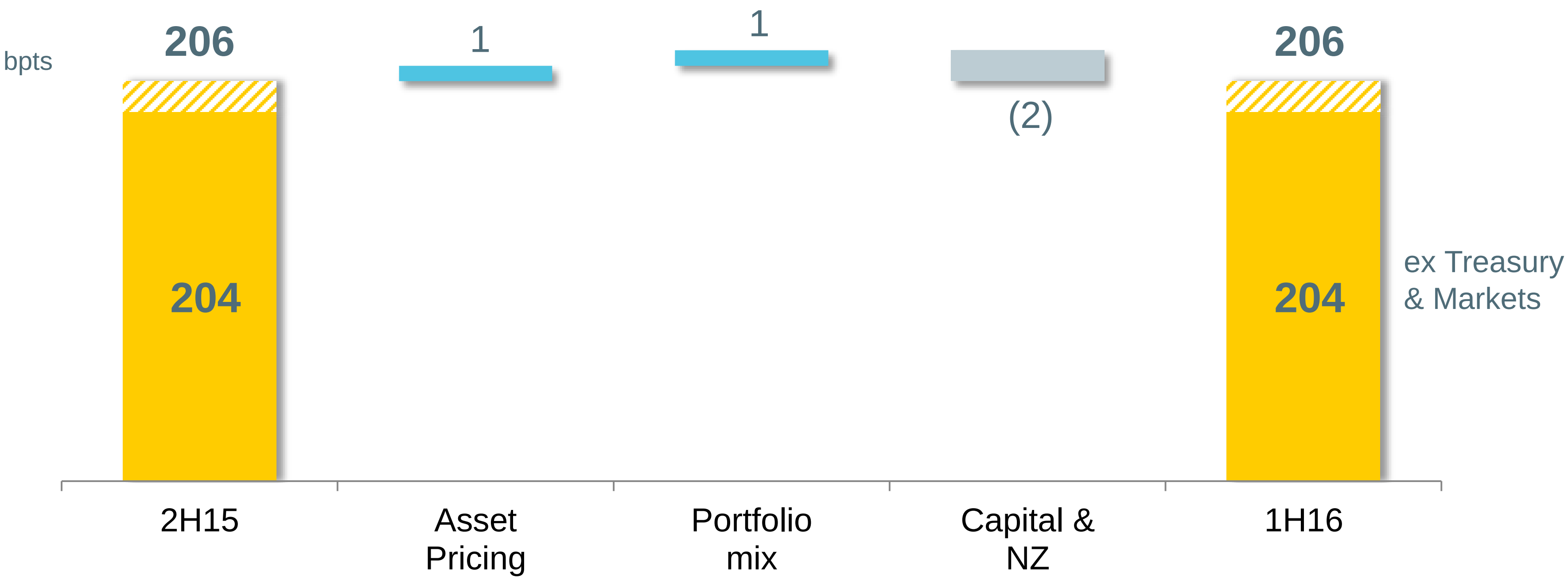
Group NIM







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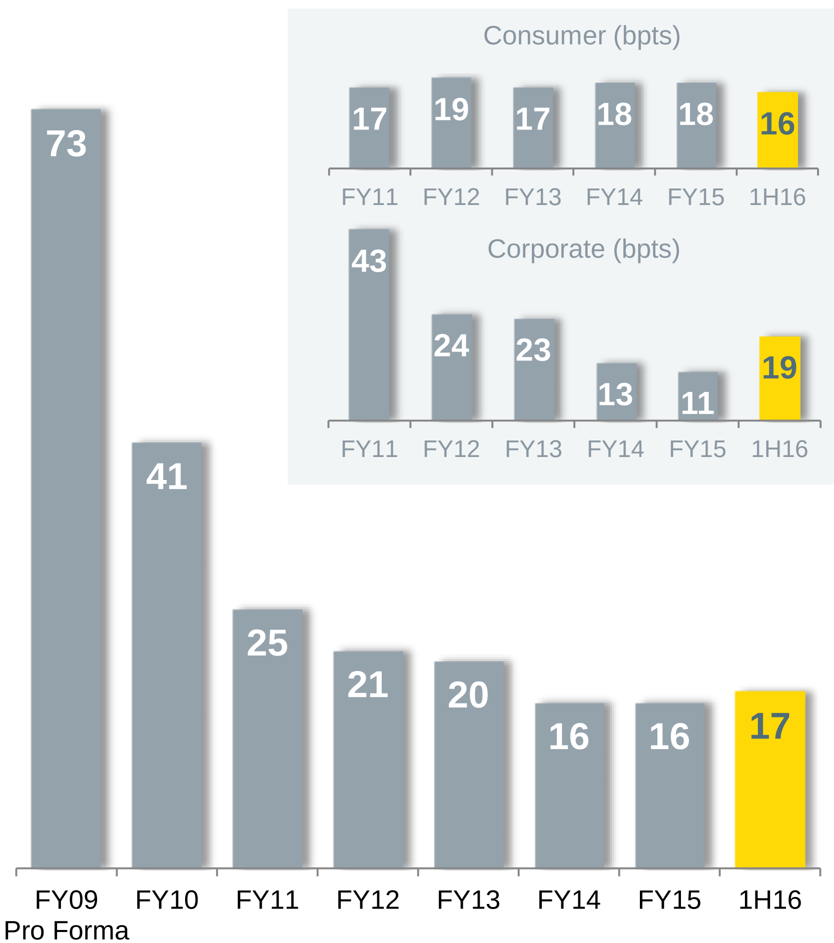
Sound credit quality

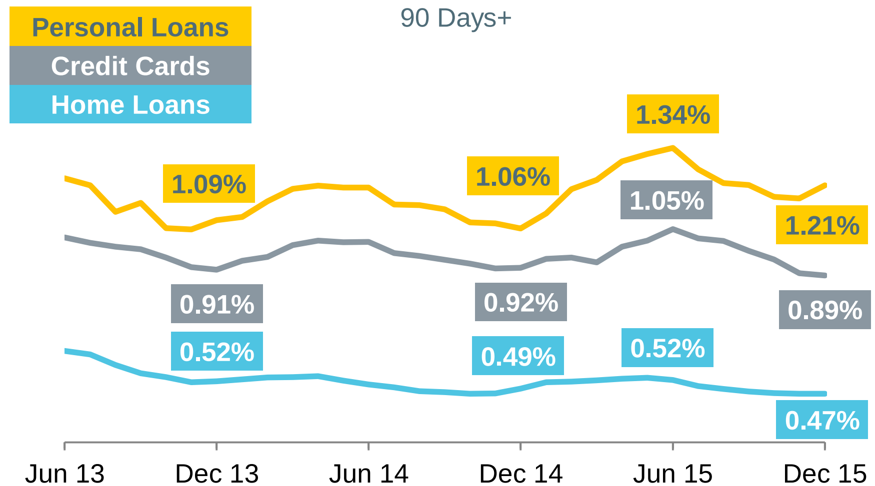
Loan Impairment Expense

CBA Group (bpts)



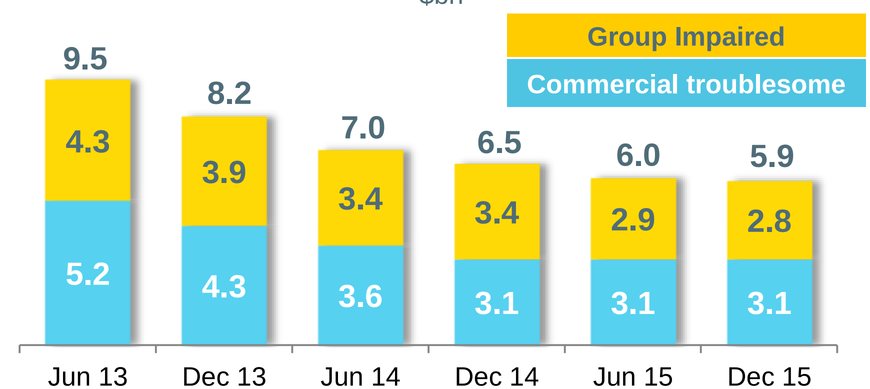
Consumer Arrears

90 Days+



Troublesome and Impaired Assets

$bn

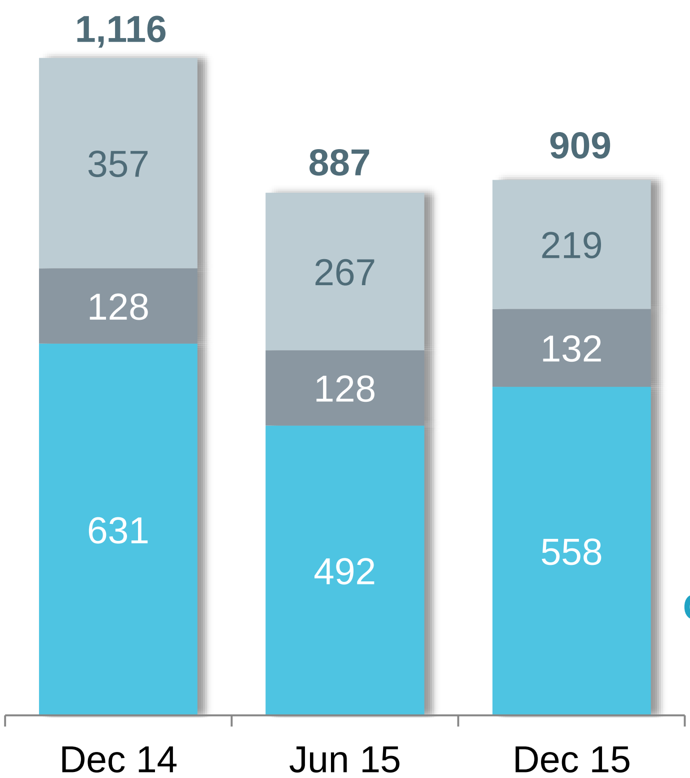


LIE (Loan Impairment Expense): Basis points calculated as a percentage of average Gross Loans and Acceptances (GLA). FY09 includes Bankwest on a pro-forma basis and is based on impairment expense for the year. Statutory Loan Impairment Expense for FY10 48 bpts, FY13 21 bpts and FY14 16 bpts. Consumer Home Loan Arrears exclude Reverse Mortgage, Commonwealth Portfolio Loan (RBS only) and Residential Mortgage Group (RBS only) loans.

Strong provisioning

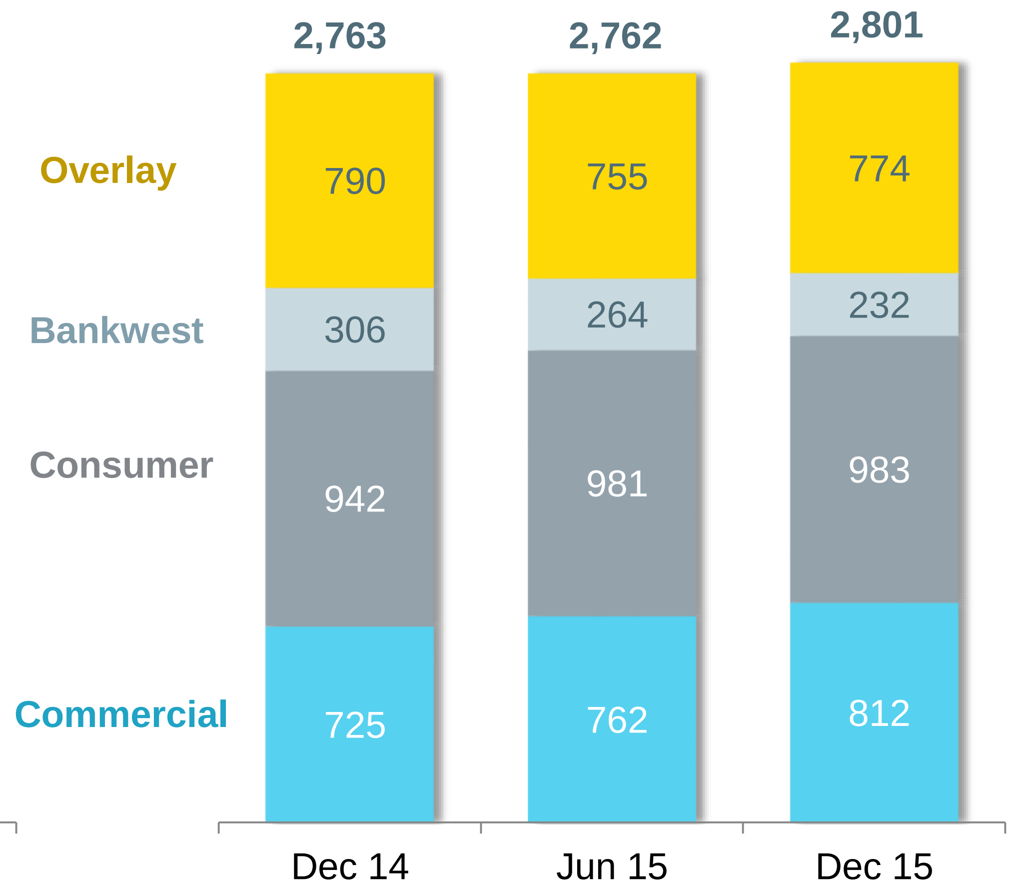
Individual Provisions

$m



Collective Provisions

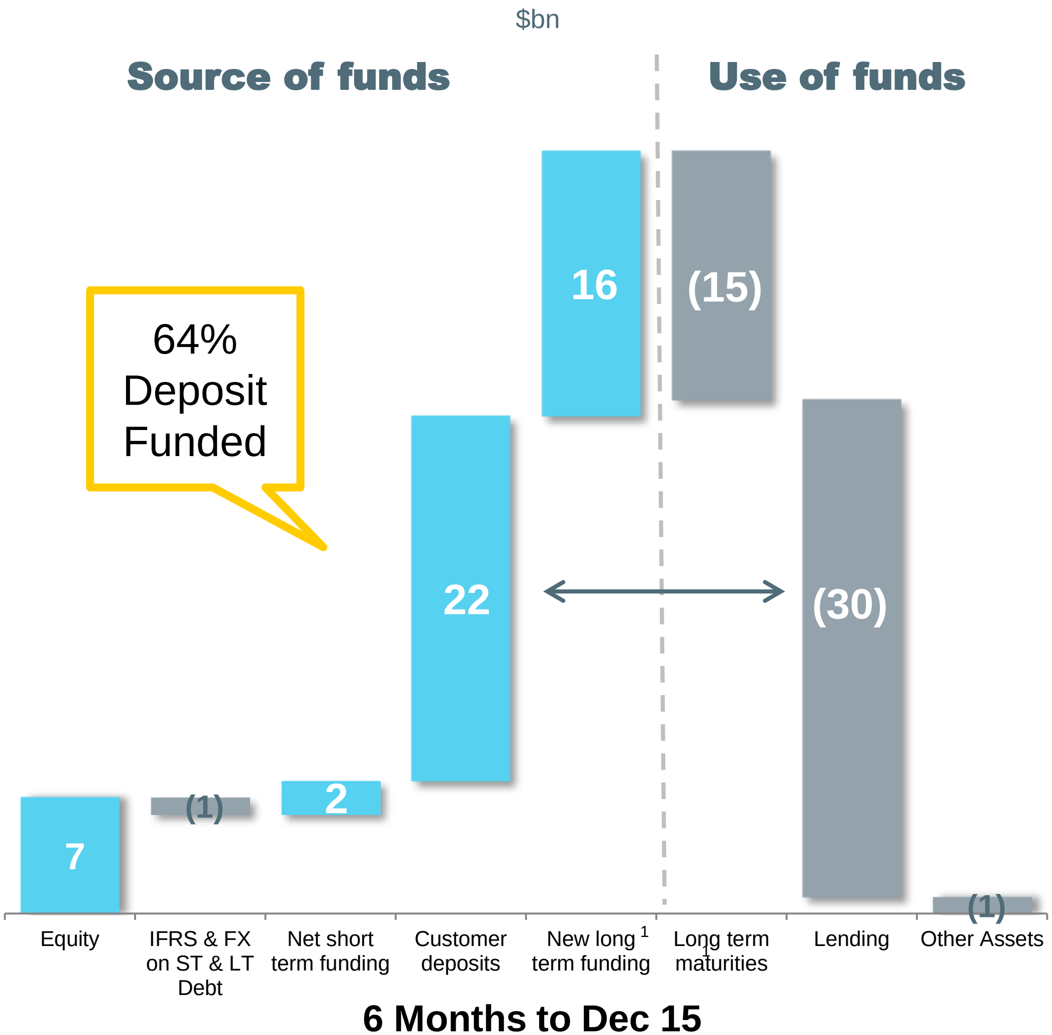
$m



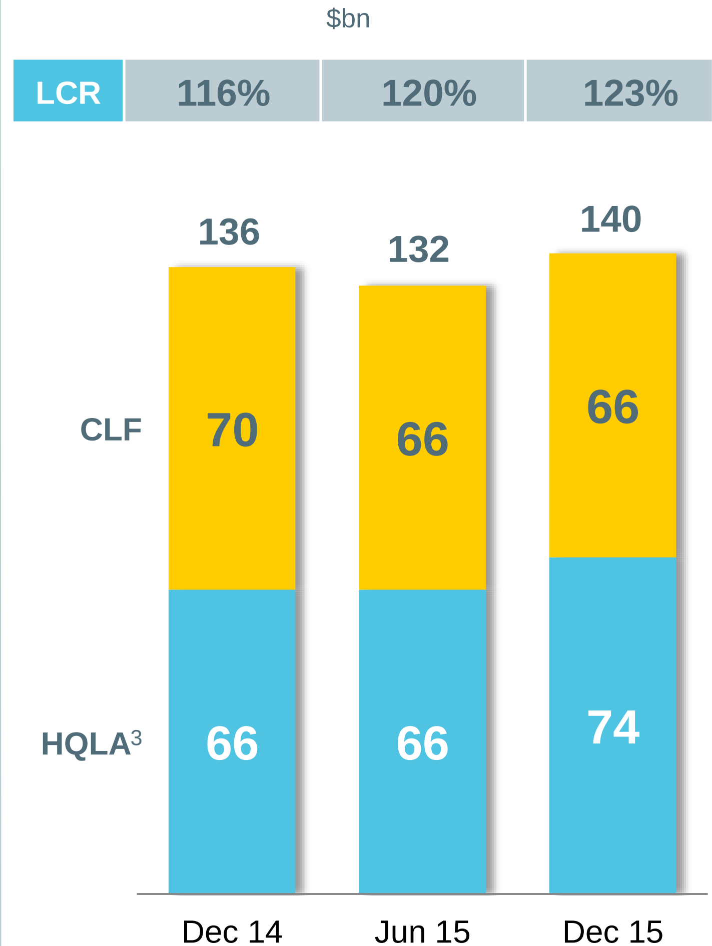
Funding, Liquidity and Capital

Funding and Liquidity

Funding



Liquidity[2]



1 Includes restructure of swaps and reclassification of deals between short and long term funding
2 Liquids are reported net of applicable regulatory haircuts. Dec 14 adjusted to align with final reporting with APRA.
3 The Exchange Settlement Account (ESA) balance is netted down by the Reserve Bank of Australia open-repo of internal RMBS

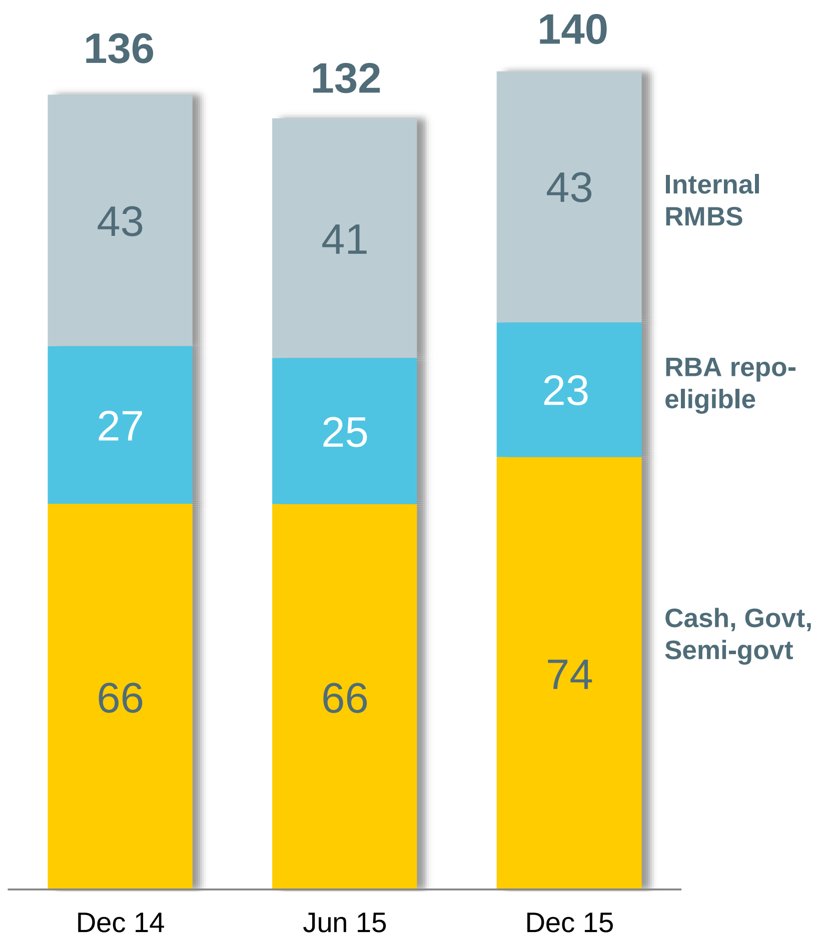
Liquidity Coverage Ratio

- LCR 123% at 31 Dec 2015
- HQLA increased 12% while Net Cash Outflows increased 3%

Liquidity Coverage Ratio ($bn)	Dec 15	Jun 15	Change
High Quality Liquid Assets	74	66	12%
Committed Liquidity Facility	66	66	-
Total LCR liquid assets	**140**	**132**	**6%**
Net Cash Outflows due to:			
Customer deposits	67	66	2%
Wholesale funding	25	31	(18%)
Other	21	14	50%
Net Cash Outflows	**113**	**110**	**3%**
LCR	**123%**	**120%**	**300 bpts**

LCR Qualifying Liquid Assets[1]

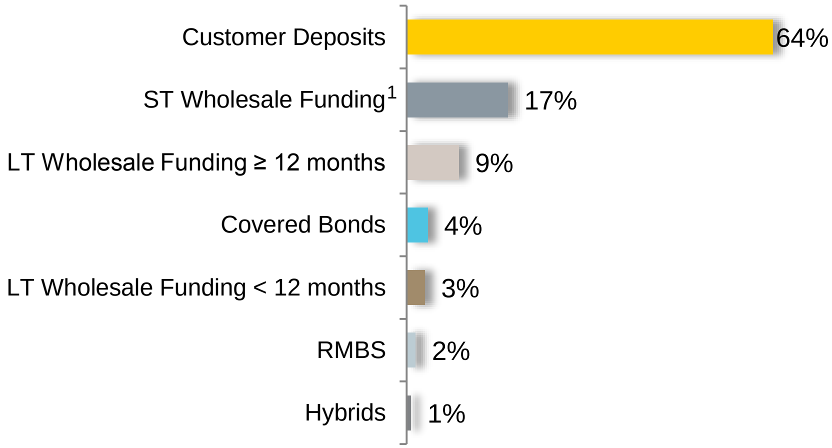
$bn



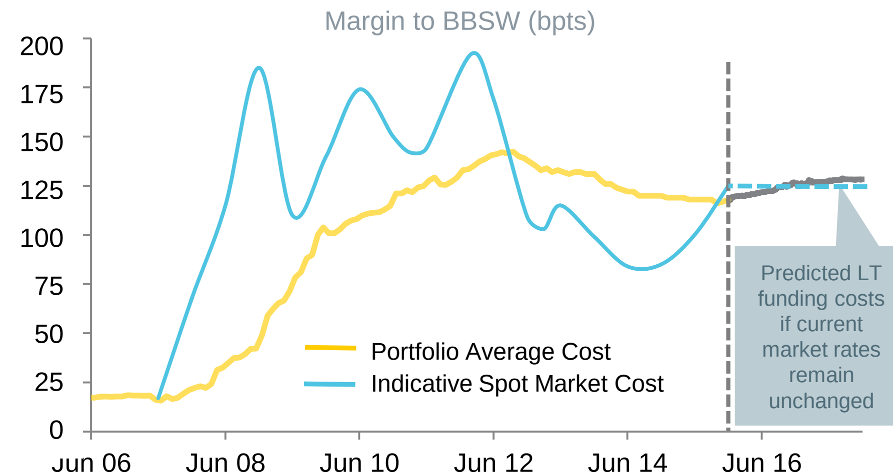
1 Liquids are reported net of applicable regulatory haircuts. Dec 14 adjusted from Pro-forma to align with final reporting with APRA.

Funding portfolio

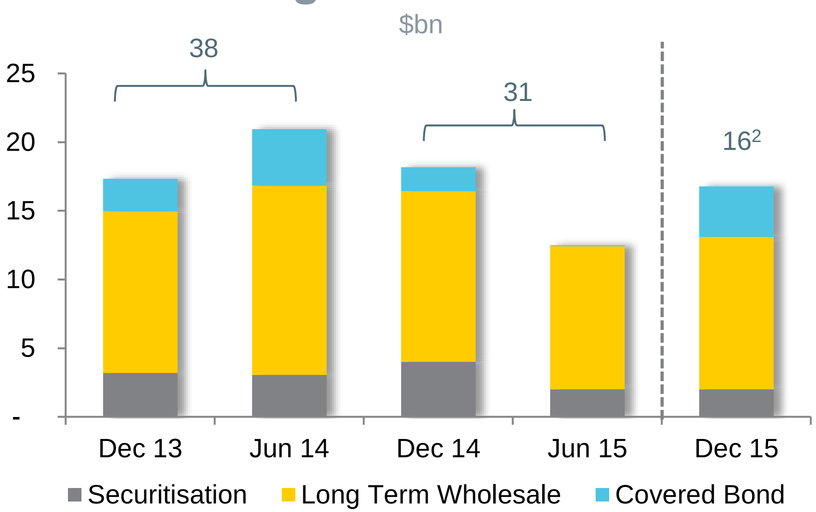
Funding Composition



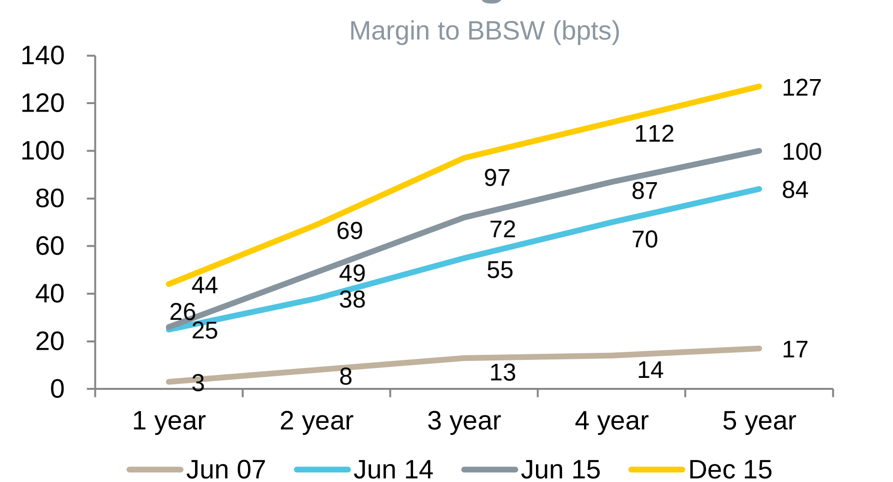
Average Long Term Funding Costs



Long Term Issuance



Indicative Funding Cost Curves

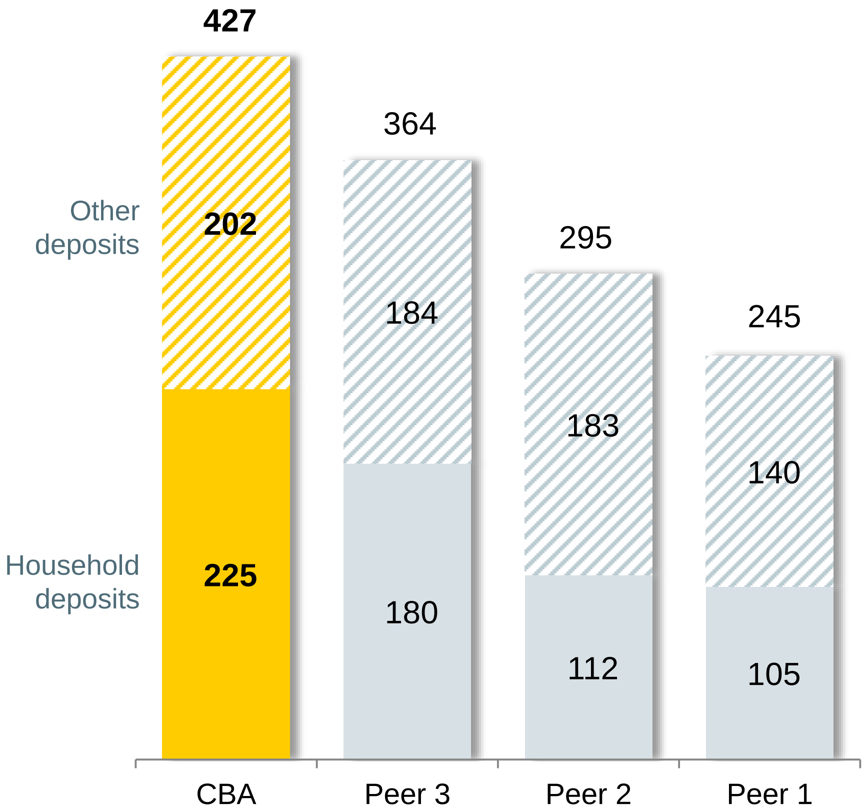


1 Includes central bank deposits; due to other financial institutions (including collateral received)
2 Includes restructure of swaps and reclassification of deals between short and long term funding

Deposits

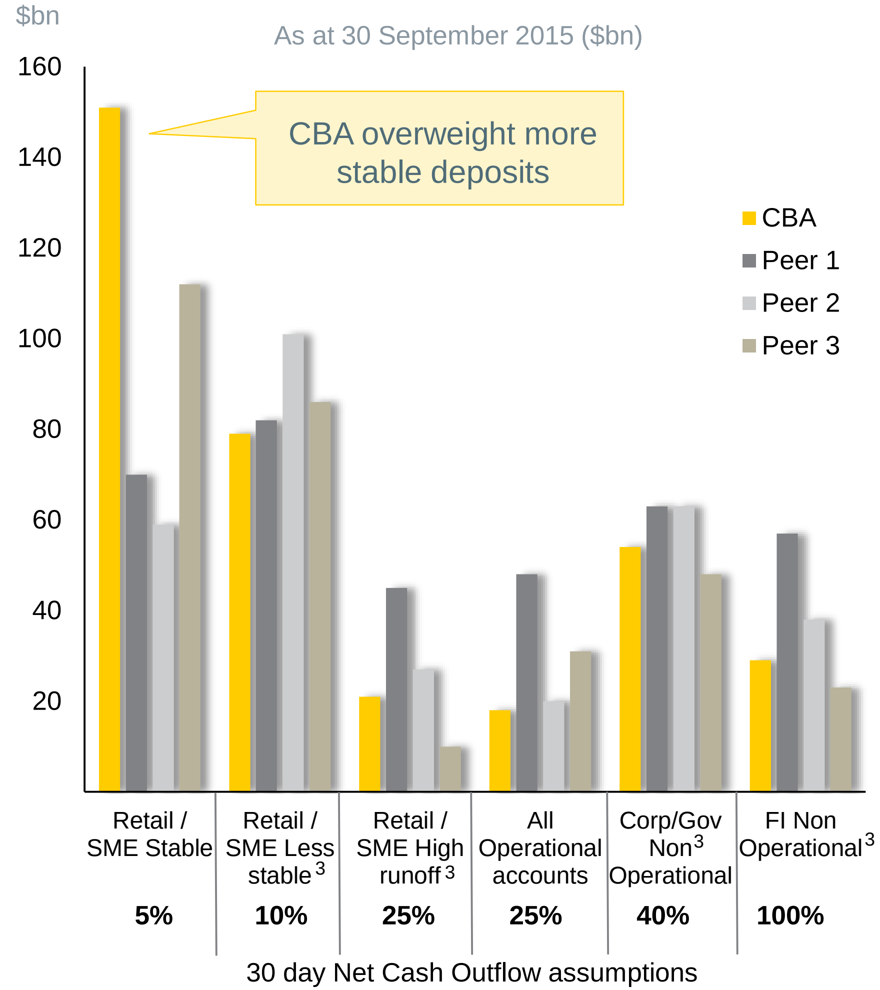
Australian Deposits vs Peers[1]

Dec 15
$bn



Treatment of Deposits in LCR calculation[2]

As at 30 September 2015 ($bn)



1 Source: APRA. Total deposits (excluding CD's). CBA includes Bankwest.
2 Source : Pillar 3 Regulatory Disclosure, 30 Sep 2015
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

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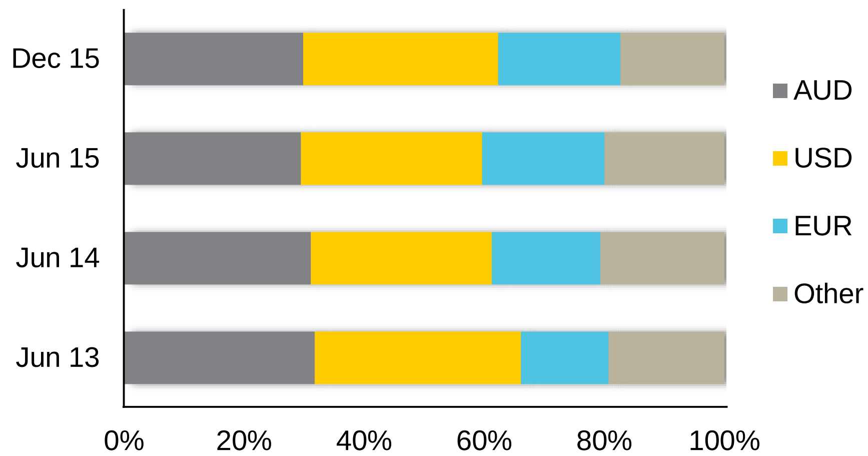
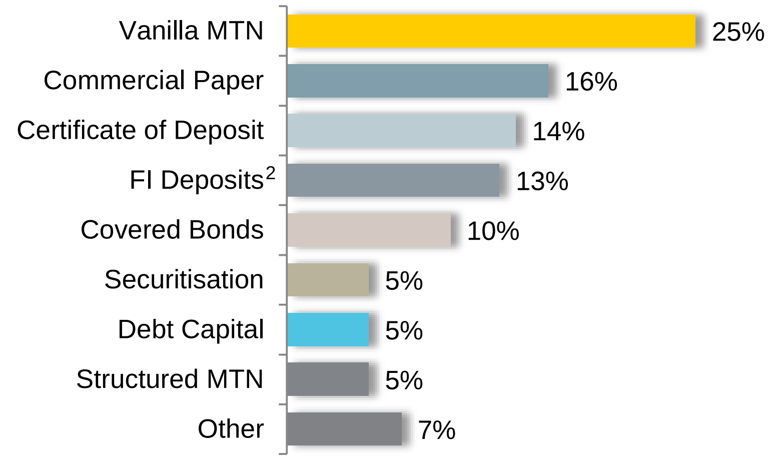
Funding - Portfolio

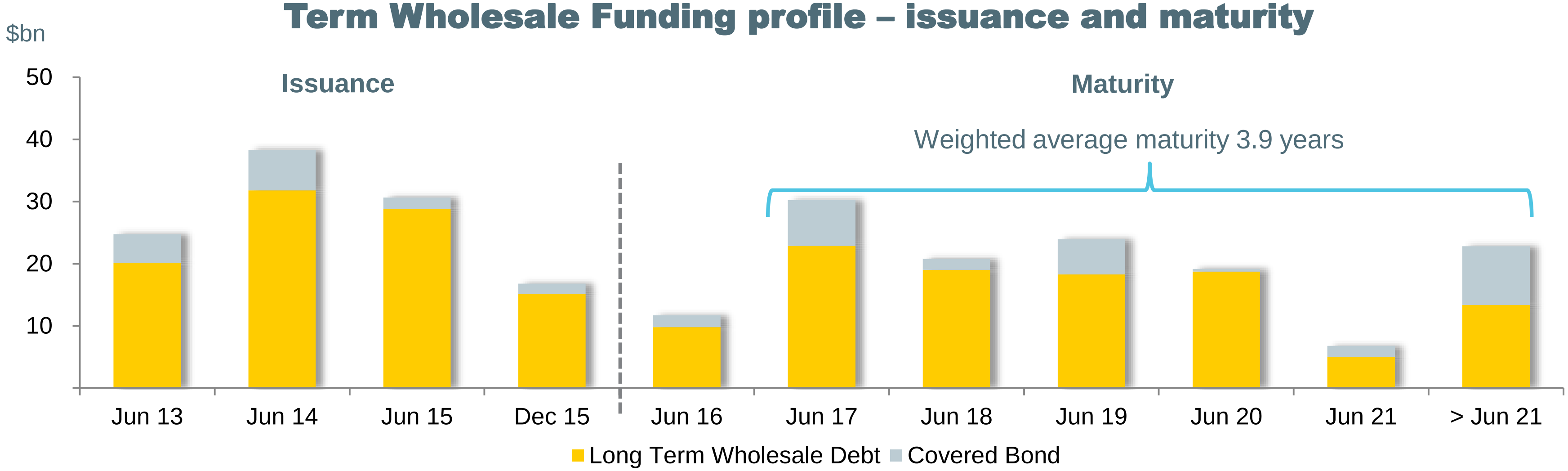
Term Wholesale Funding by Currency[1]



Wholesale Funding by Product



Term Wholesale Funding profile – issuance and maturity



1 Includes loan capital
2 Includes Interbank, Central Bank and Gross collateral received deposits

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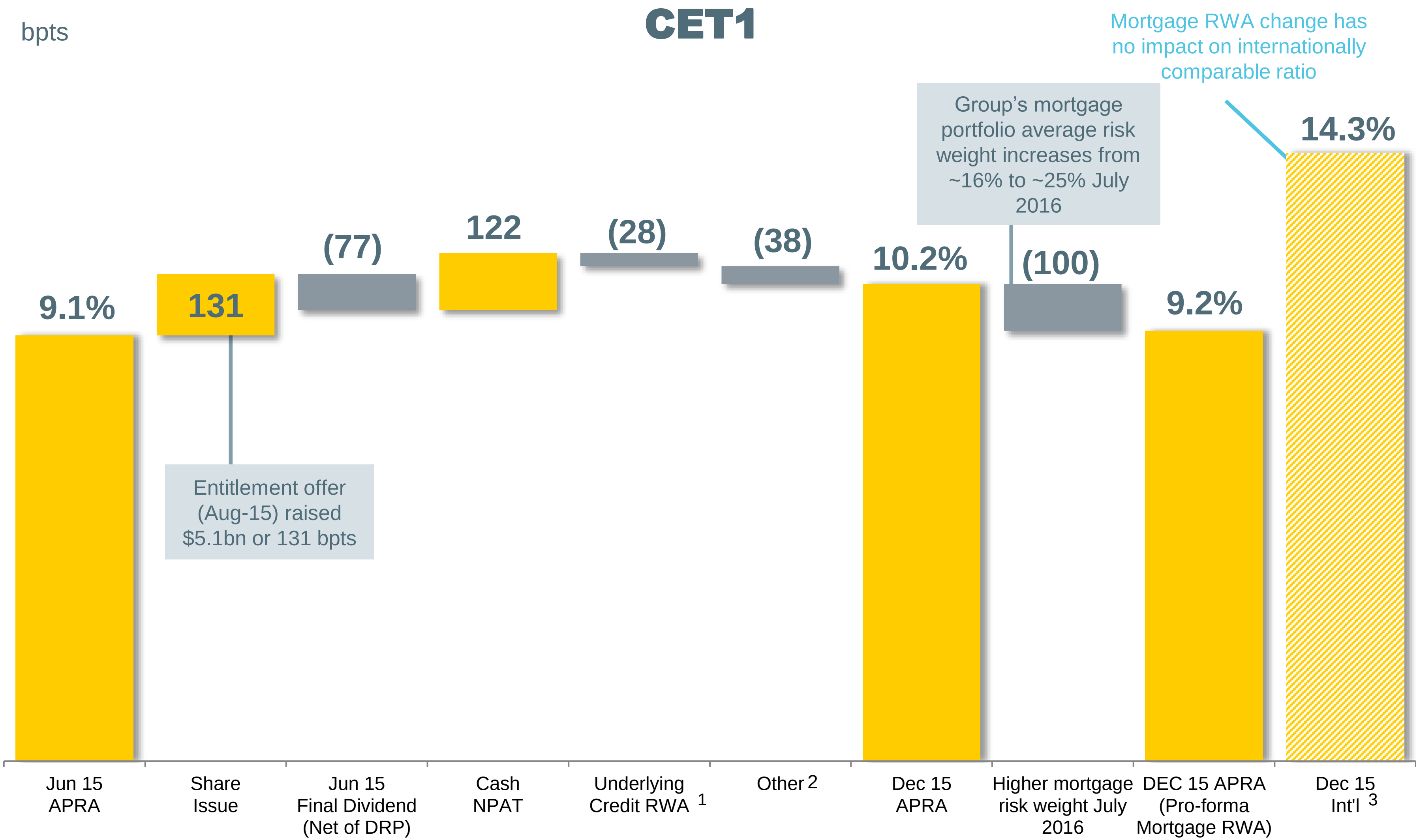
Strong Capital Position



1 Excludes impact of FX and change in regulatory treatments.
2 Primarily relates to growth in IRRBB RWA and the impact of Credit RWA regulatory treatments.
3 Analysis aligns with the APRA study entitled "International capital comparison study" (13 July 2015).

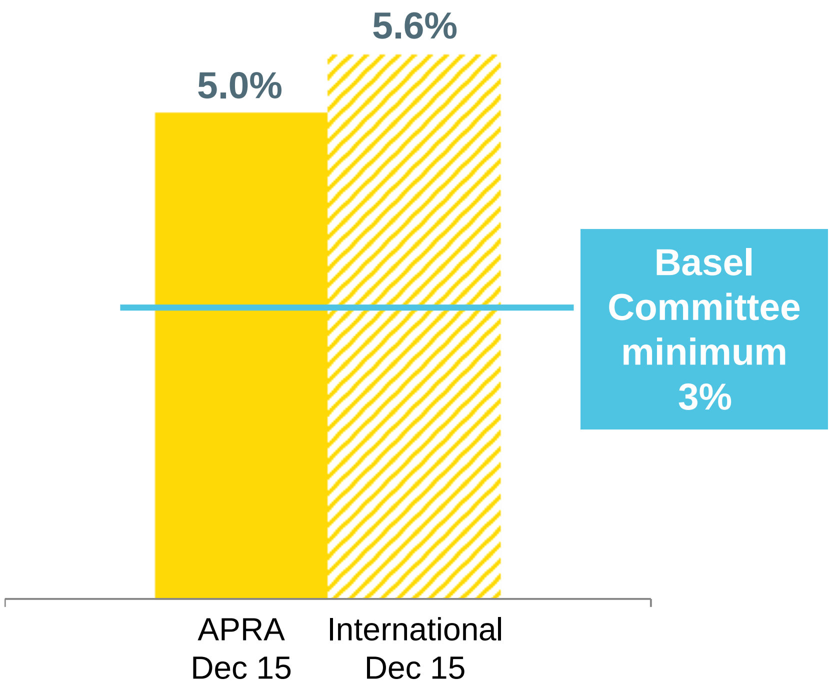
Leverage Ratio

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.

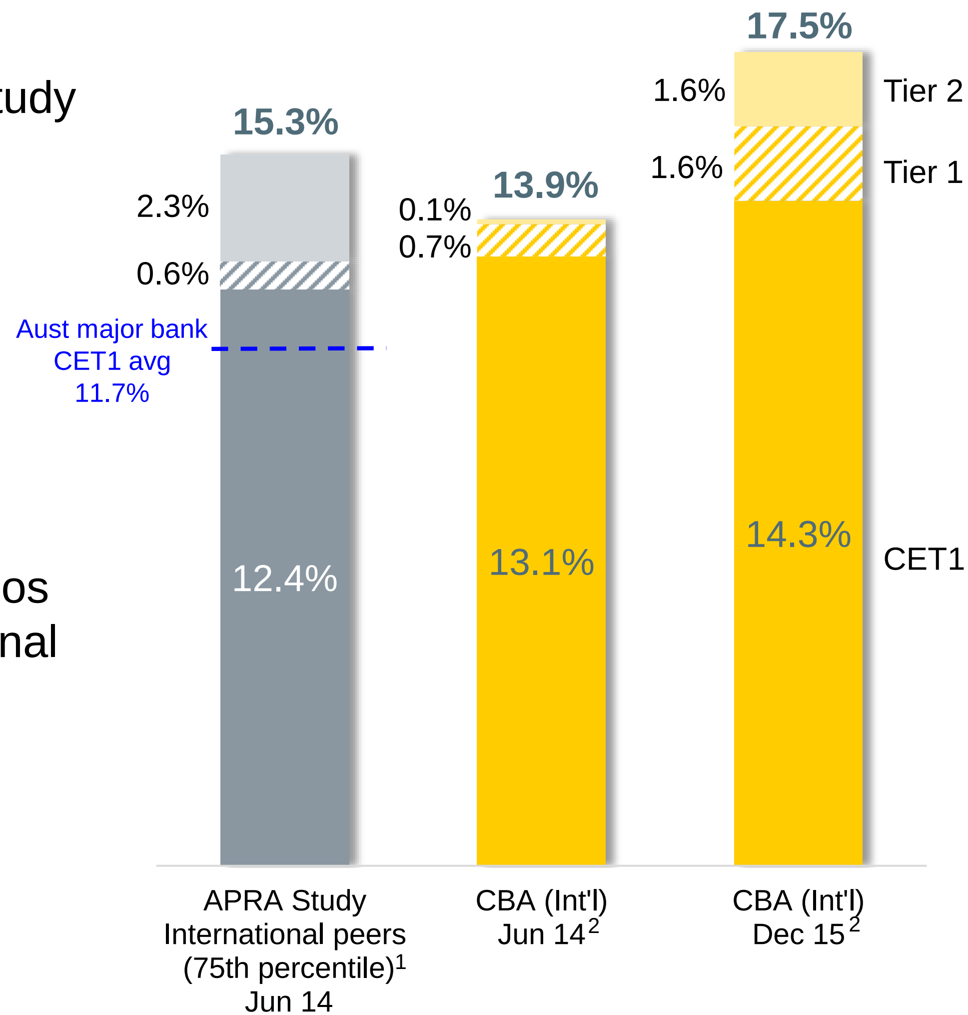
$$\text{Leverage ratio} = \frac{\text{Tier 1 Capital}}{\text{Exposures}}$$



Reconciliation ($m) – APRA basis	Dec 15
Tier 1 Capital	47,972
Total Exposures	952,969
Leverage Ratio (APRA)	**5.0%**
Group Total Assets	**903,075**
Less non consolidated subsidiaries	(14,863)
Less net derivative adjustment	(1,954)
Add securities financing transactions	1,195
Less asset amounts deducted from Tier 1	(17,540)
Add off balance sheet credit exposures	83,056
Total Exposures	**952,969**

Strong Capital – International Basis

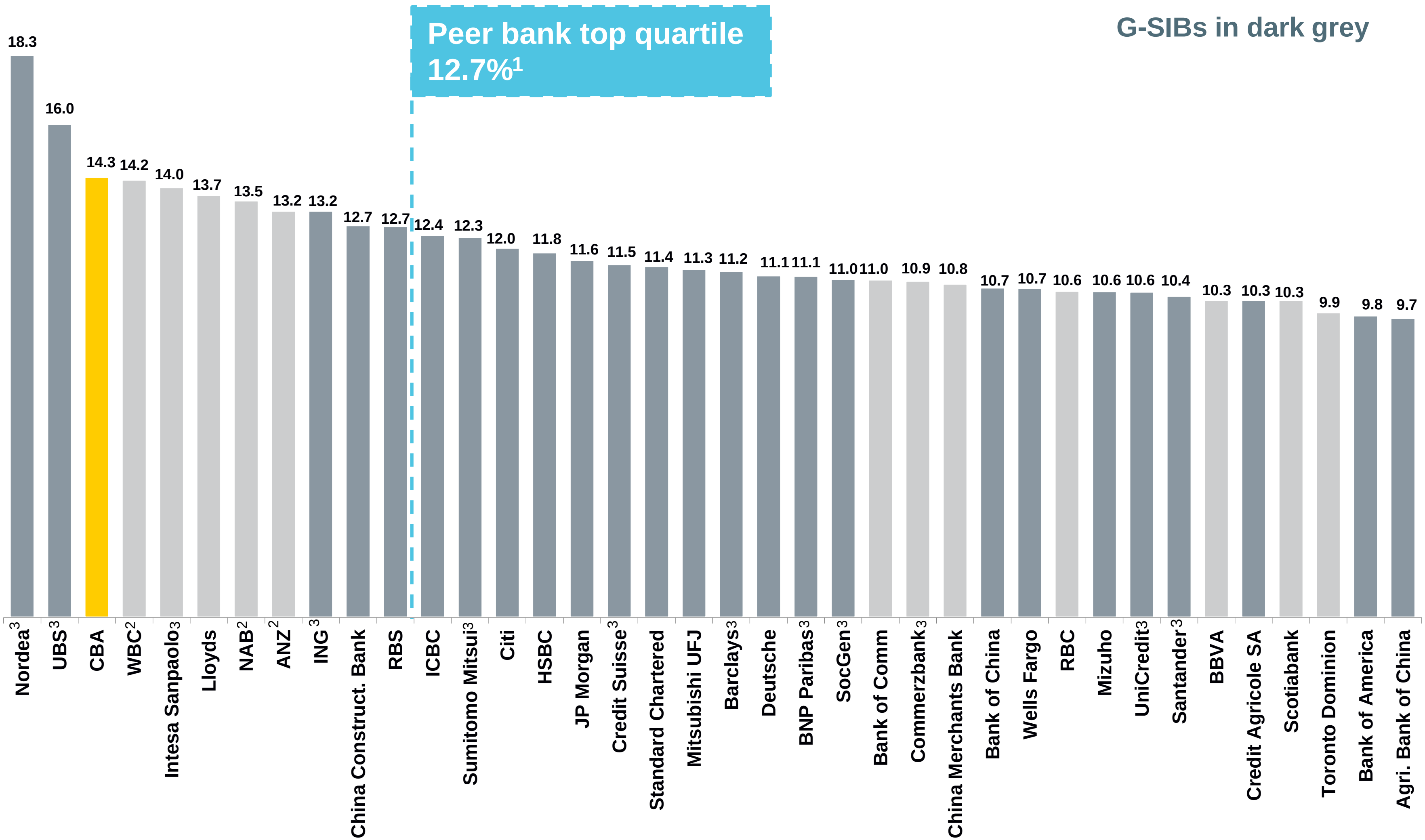
- In July 2015, APRA published a study that compared the major banks' capital ratios against a set of international peers
- CBA's internationally comparable ratios align with the APRA Study
- CBA's internationally comparable CET1, Tier 1 and Total Capital ratios are in the top quartile of international peers
- CBA raised ~$5bn in CET1 in the December 2015 half year



1 Figure 2, APRA, Information paper "International capital comparison study", 13 July 2015; Table A.3, Basel Committee on Banking Supervision, "Basel III Monitoring Report", March 2015

2 Assumes Basel III requirements have been fully implemented and that any transitional rules are no longer applicable

International Peer Basel III CET1



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 4 February 2016 assuming Basel III capital reforms fully implemented.
Peer group comprises listed commercial banks with total assets in excess of A$800 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley estimate.

1 Calculated top quartile of above peer group
2 Domestic peer figures as at 30 September 2015, WBC reported pro-forma at 30 September 2015
3 Deduction for accrued expected future dividends added back for comparability

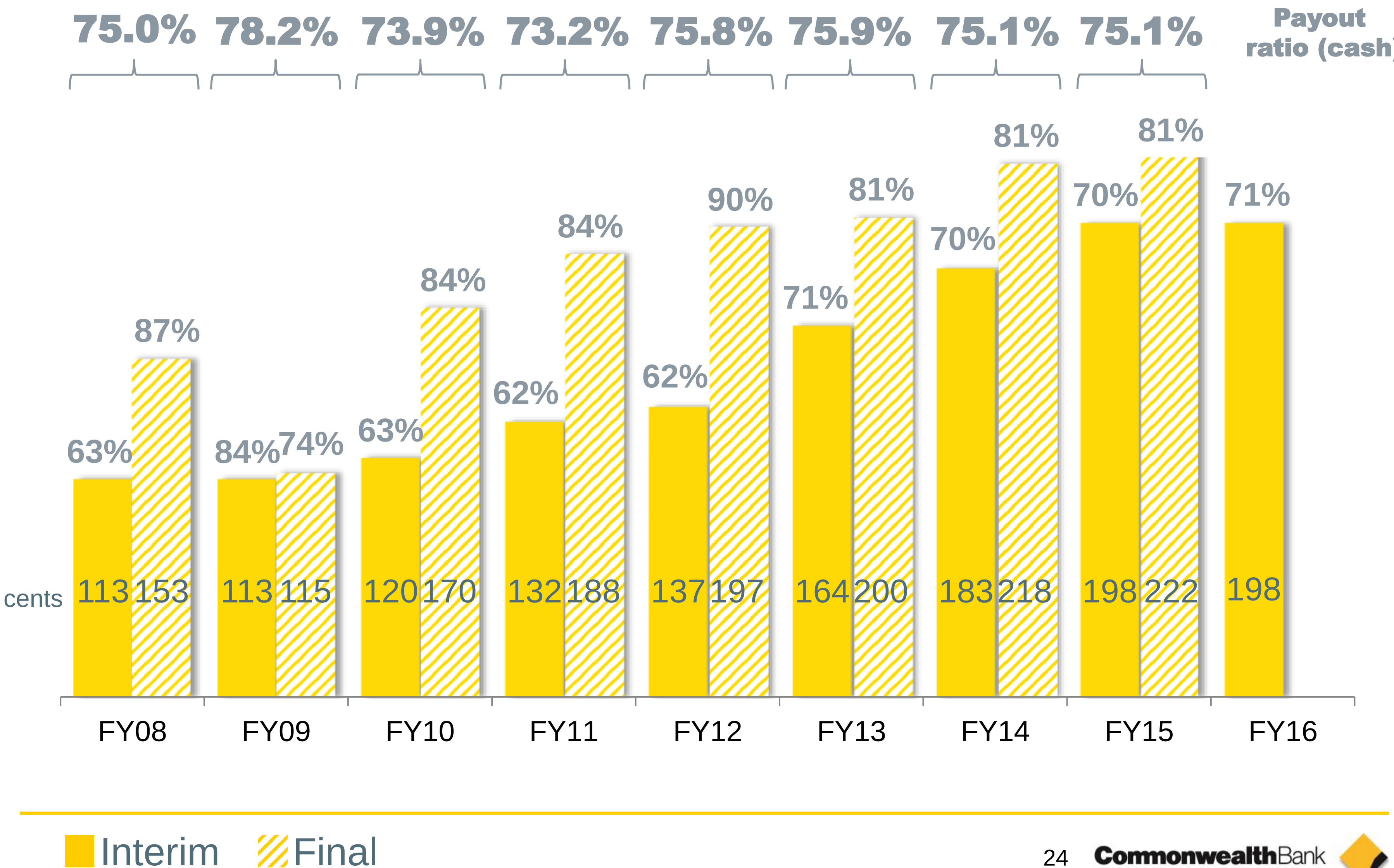
APRA & International Comparison

The following table provides details on the differences, as at 31 December 2015, between the APRA Basel III capital requirements and internationally comparable capital ratios[1].

CET1 Basel III (APRA)	10.2%
Equity investments	0.9%
Capitalised expenses	0.1%
Deferred tax assets	0.2%
IRRBB	0.5%
Residential mortgages	0.7%
Other retail standardised exposures	0.1%
Unsecured non-retail exposures	0.6%
Non-retail undrawn commitments	0.4%
Specialised lending	0.5%
Currency conversion threshold	0.1%
Total adjustments	**4.1%**
CET1 Basel III (Internationally Comparable)	**14.3%**

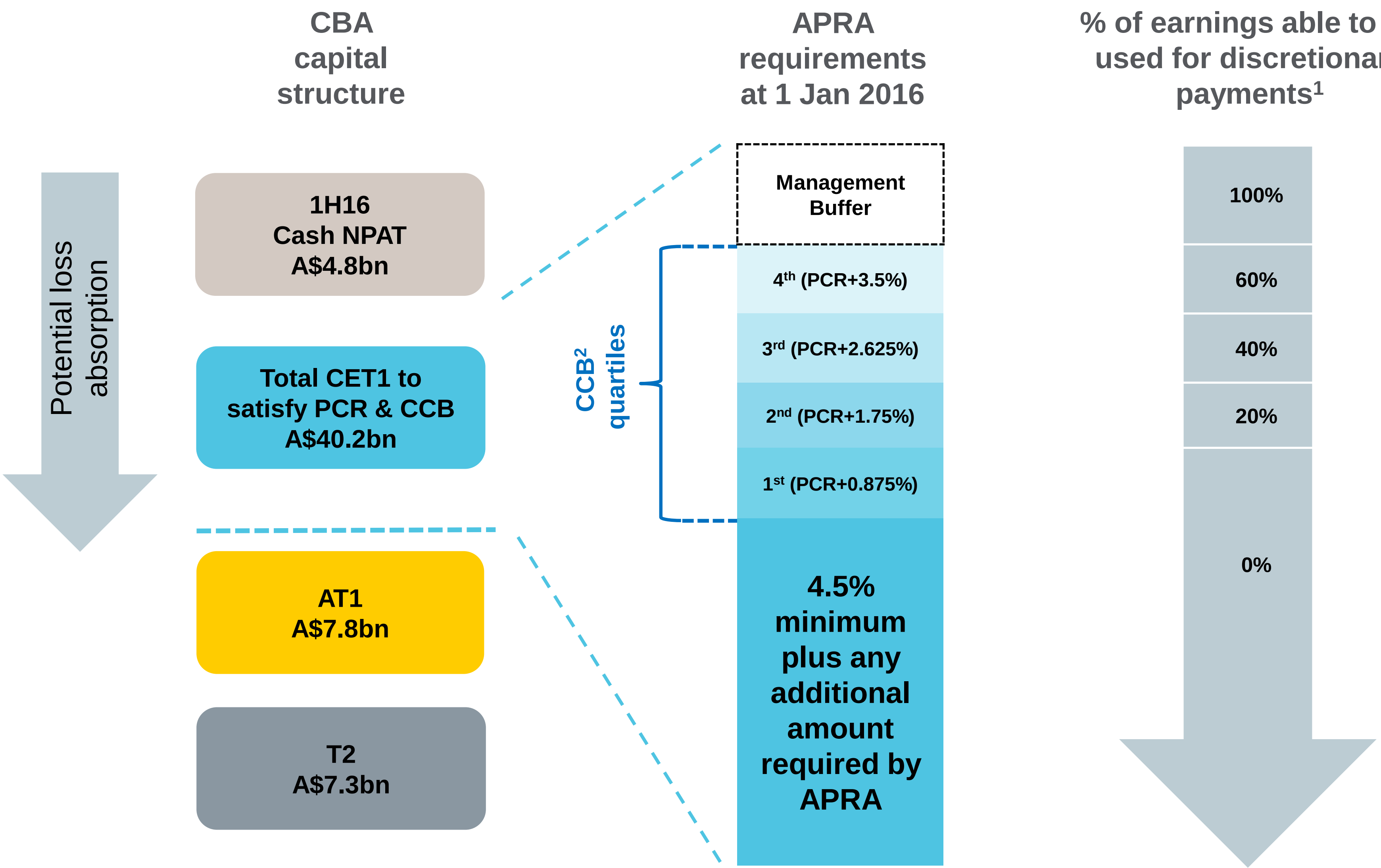
1 Analysis aligns with the APRA study entitled "International capital comparison study" (13 July 2015)

Dividends



75.0%
78.2%
73.9%
73.2%
75.8%
75.9%
75.1%
75.1%
Payout ratio (cash)
63%
87%
84%
74%
63%
84%
62%
84%
62%
90%
71%
81%
70%
81%
70%
81%
71%
cents
113
153
113
115
120
170
132
188
137
197
164
200
183
218
198
222
198
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15
FY16
Interim
Final

Capital structure to absorb losses



1 Discretionary payments include dividends, hybrid Tier 1 distributions and bonuses
2 The above example assumes the total Capital Conservation Buffer ("CCB") including the D-SIB buffer is 3.5%

Regulatory Change

	2015	2016	2017	2018	2019
APRA					
Leverage ratio	First disclosed			Implementation	
CCB + D-SIB		Implementation 1 Jan 2016 – CCB CET1 2.5% + D-SIB CET1 1.0%			
Counter Cyclical Capital Buffer		Implementation 1 Jan 2016 – CCYB CET1 0%			
LCR	Implementation				
Level 3			Implementation – min 12 months after release of final standards		
Response to FSI		Mortgage risk weight average 25% from 1 Jul 2016			
Basel Committee					
Capital floors	Consultation	Expected to be finalised 2016			Implementation to be advised
Standardised Credit Risk	Consultation	Expected to be finalised 2016			Implementation to be advised
Standardised Operational Risk	Consultation	Expected to be finalised 2016			Implementation to be advised
Market Risk		Finalised Jan 2016			Implementation
IRRBB	Consultation				
NSFR		Consultation		Implementation	
Other					
TLAC (FSB)		APRA to consult			Implementation to be advised

Strategy

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

CBA Overview

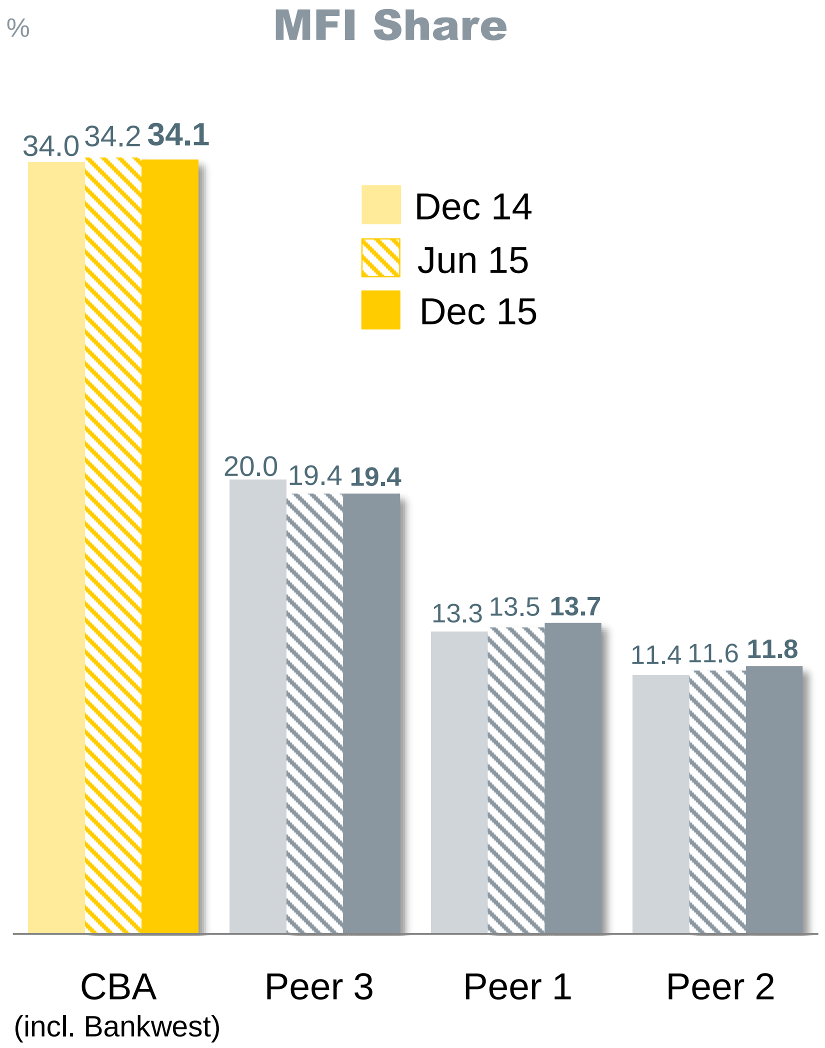
		Australia	NZ	Other	Total
People, Customers & Delivery	Customers	13.0m	2.2m	0.5m	15.7m
	Staff	41,400	5,700	4,600	51,700
	Branches	1,148	134	147	1,429
	ATMs	4,393	460	174	5,027

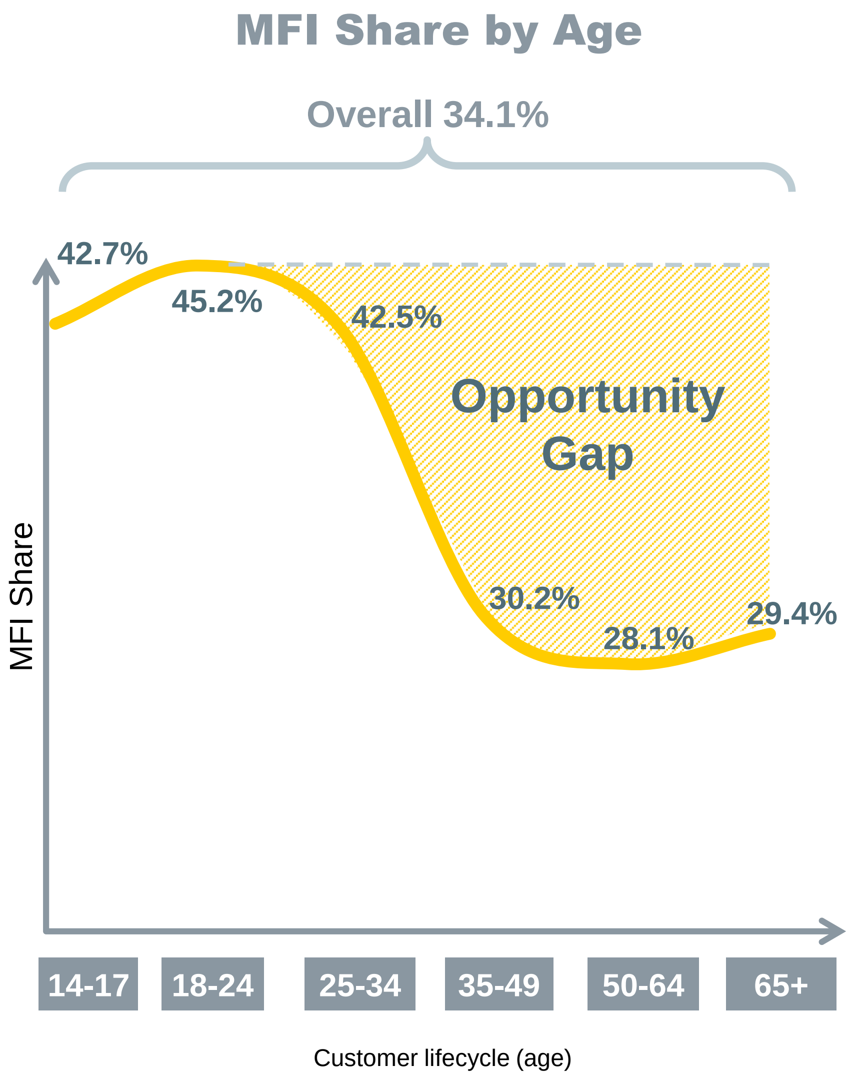
Customer Satisfaction	Retail	#1	
	Business	= #1	
	Internet Banking	#1	
Market Shares	Main Financial Institution (MFI)	34.1%	#1
	Home Lending[1]	25.1%	#1
	Household Deposits[2]	29.3%	#1
	FirstChoice Platform[3]	11.3%	#1
Strength	Market Capitalisation[4]	$131bn	#1
	Capital (CET1)	10.2%	
	Total Assets	$903bn	
	Credit Ratings[5]	AA-/Aa2/AA-	

Refer notes slide at back of this presentation for source information

1 Source: RBA
2 Source: APRA
3 Source: Plan for Life Sep-15
4 Sourced from Bloomberg 8 February 2016
5 S&P, Moody's, Fitch

Opportunity gap



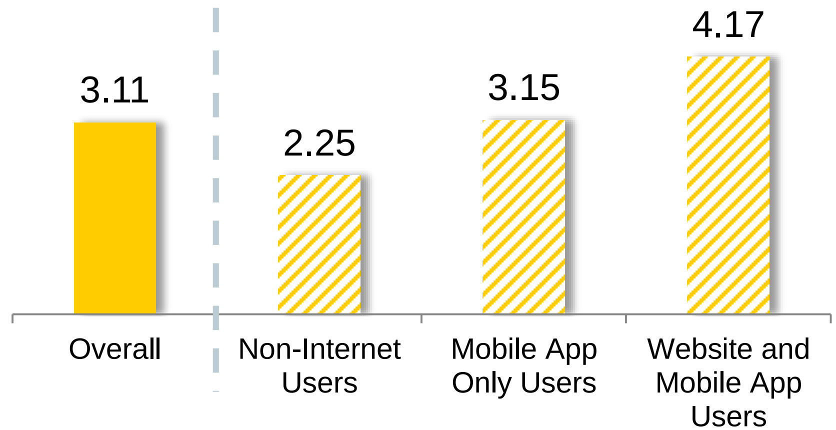


Customer needs met

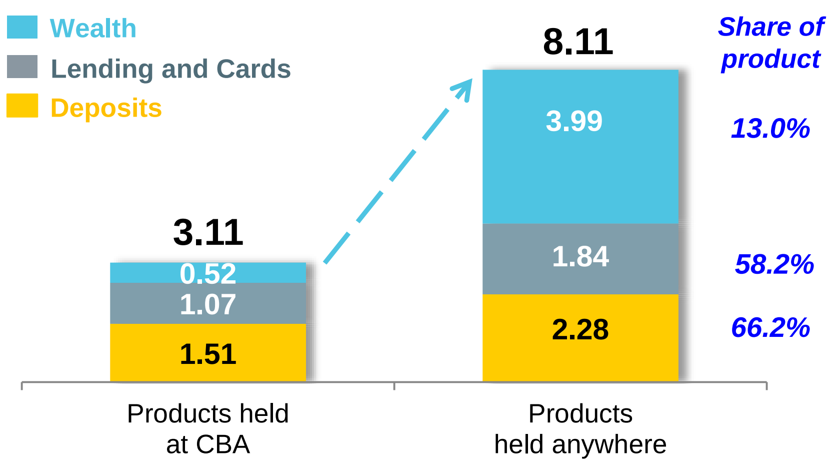
By Age

Age Band	Products per Customer
14 – 17	*1.41*
18 – 24	*2.66*
25 – 34	*3.33*
35 – 49	*3.38*
50 – 64	*3.34*
65+	*2.49*
Total 18+	**3.11**

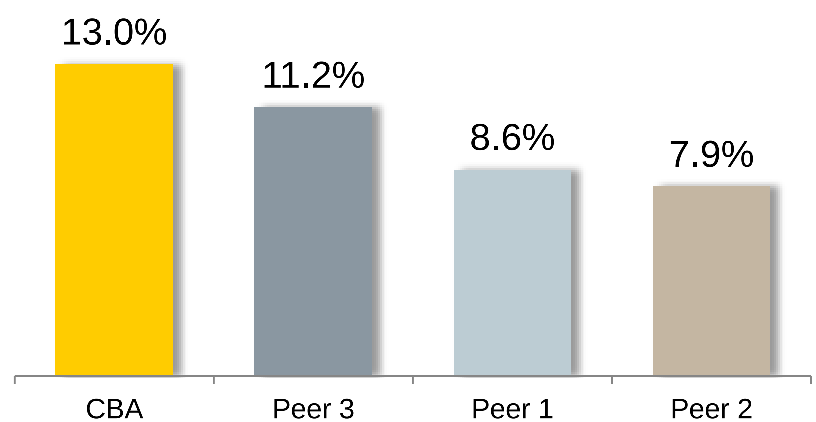
Internet Banking



Share of Product



Wealth – Share of Product

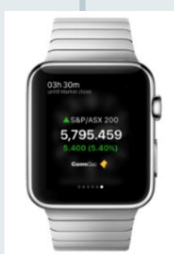


Refer notes slide at back of this presentation for source information

Continuous Innovation

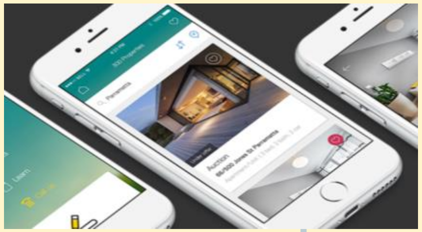
2010 – 2015


Everyday settlement, Online origination, MyWealth, Pi & Leo, Touch ID, Portfolio View, Small Business app, Daily IQ, PayTag, Tap&Pay, VC in branches, Apps for smart watches and tablets, PEXA property settlement, Cardless cash, Cancel and Replace & Temp Lock, Lock & Limit, Albert, Innovation Lab



Real time banking (Core)

1H16

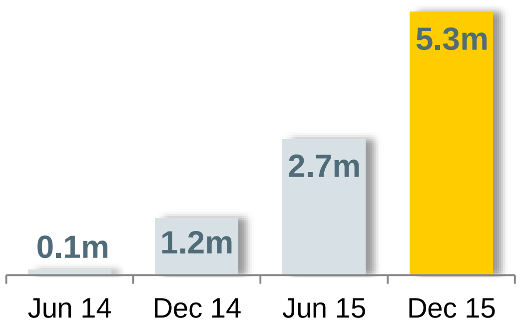


- **Innovating in Wealth, ASB & IFS**
- **Expanding the digital wallet**
- **New property app**
- **Exploring new opportunities:** Blockchain, Quantum, Cyber Security etc.


Growing Mobile

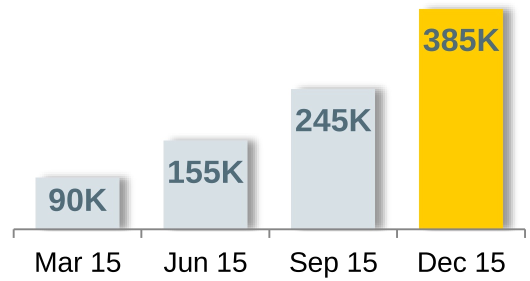
Cardless Cash

Total number of transactions



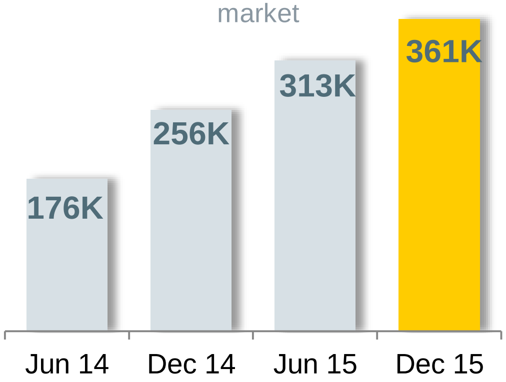
Tap & Pay

Number of cards (quarterly figures)[1]



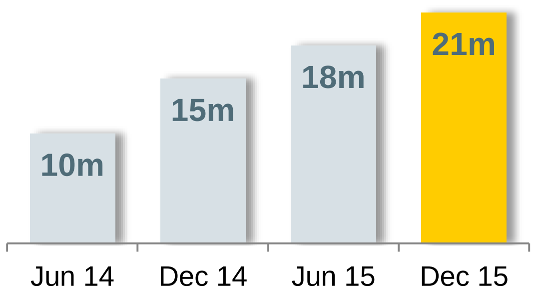
Pay Tag

Number of Pay Tags in market



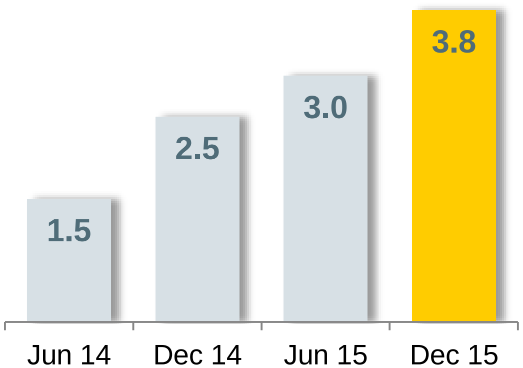
CBA App

Logons per week



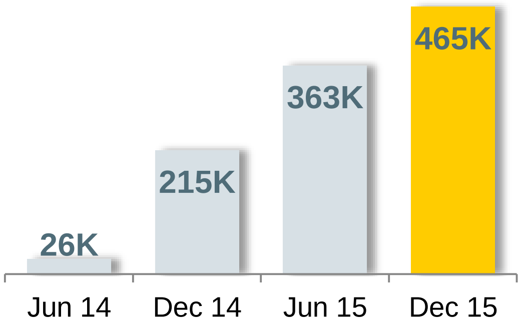
CBA App

Transactions per week ($bn)



Lock, Block & Limit

Number of accounts enrolled



1 Debit launched March 2015, Credit launched Nov 2015

Productivity

Case Study

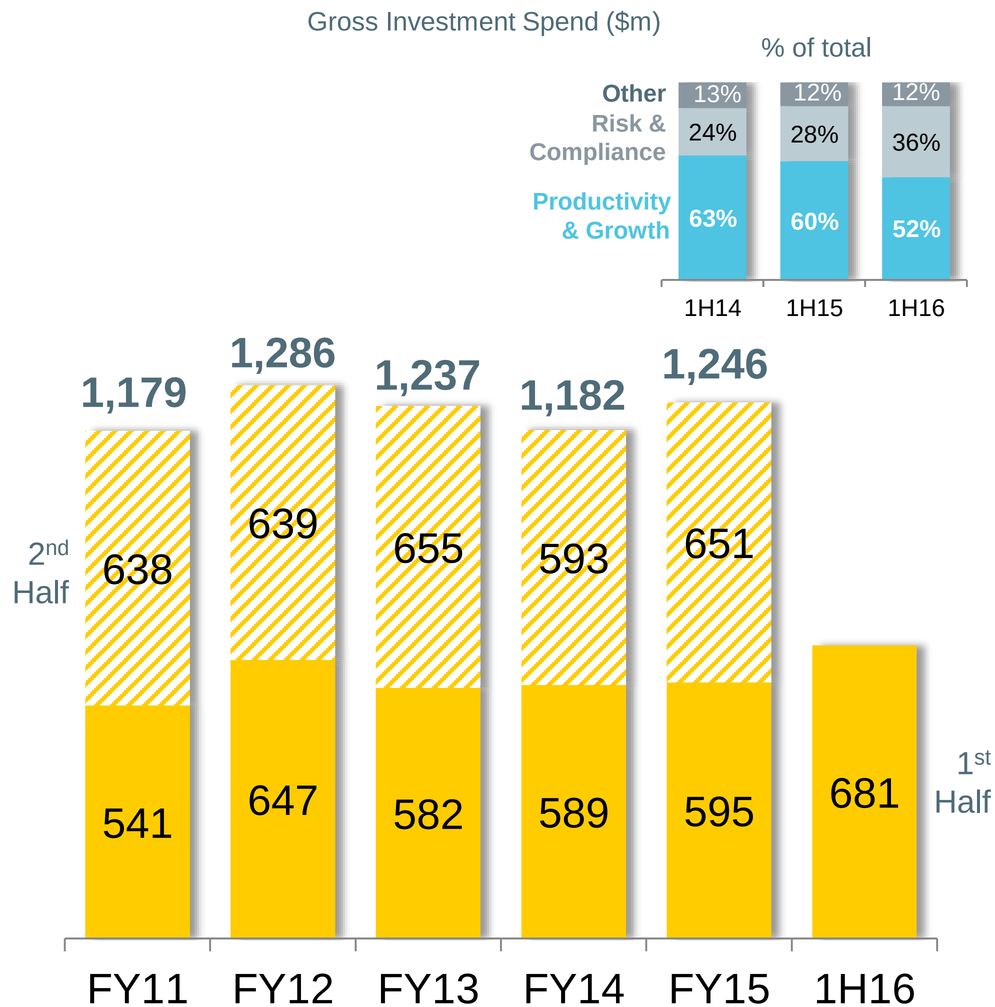
Retail Collections & Customer Solutions[1]

Continuous improvement culture, process simplification and elimination of non-value tasks, supported by robust measurement systems

Hand-offs	↓ 90%
Turnaround times	↓ 60%
Cost to Collect	↓ 20%
Employee Engagement*	86%

* 2% above Global Best in Class (Kenexa)

Enabling Reinvestment



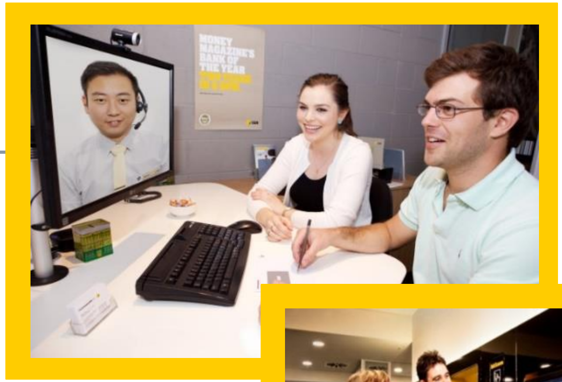
1. All movements since inception of productivity programme (3-5 yrs)

Distribution Transformation

Smaller, smarter branch design

In all branches[1] - access to CBA specialists
~ 32,000 calls in 1H16

Video Conferencing



Self Service

68 express branches – focus on self service

Tablets and software for branch concierges to enhance customer flow

Express Branch

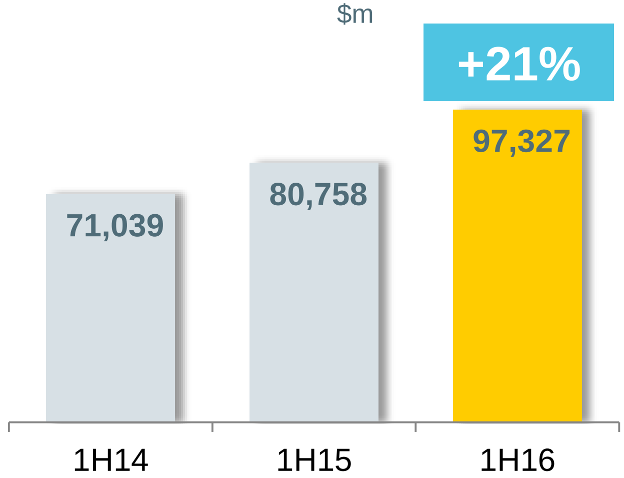
Over 597 Intelligent Deposit Machines allowing anytime cash and cheque deposits – 94% self service rate for deposits in express branches

Dedicated small business capability with 165 specialists

1 Excludes Bankwest and a very small number of CBA Branches

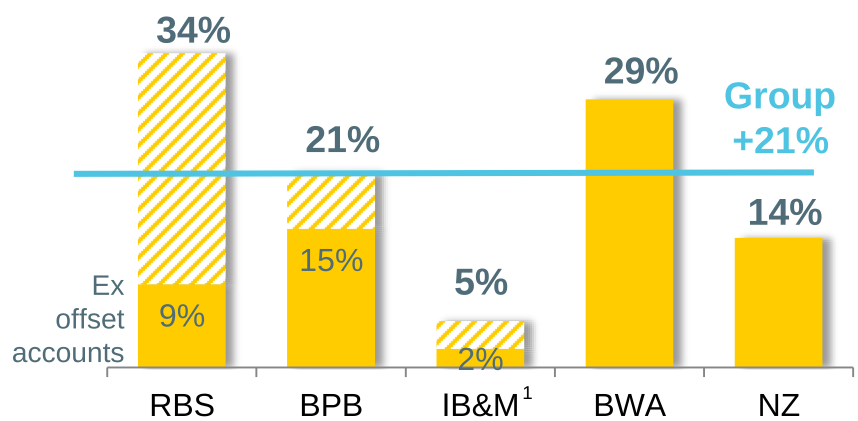
Transaction Banking

Group Transaction Balances

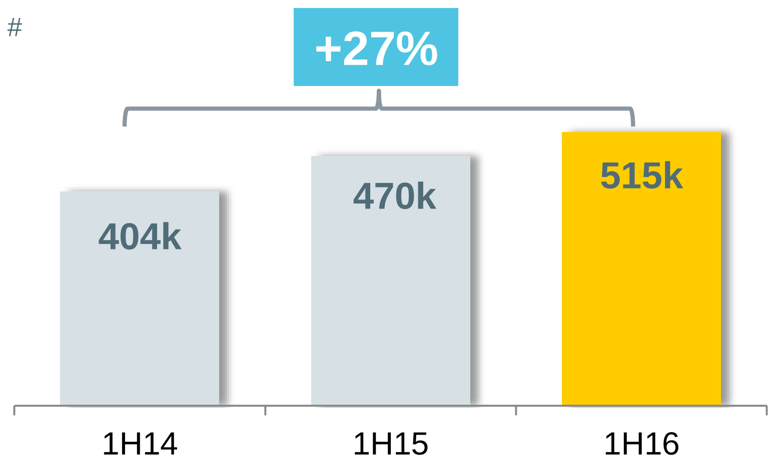


Strong growth across divisions

1H16 v 1H15



RBS New Transaction Accounts[2]



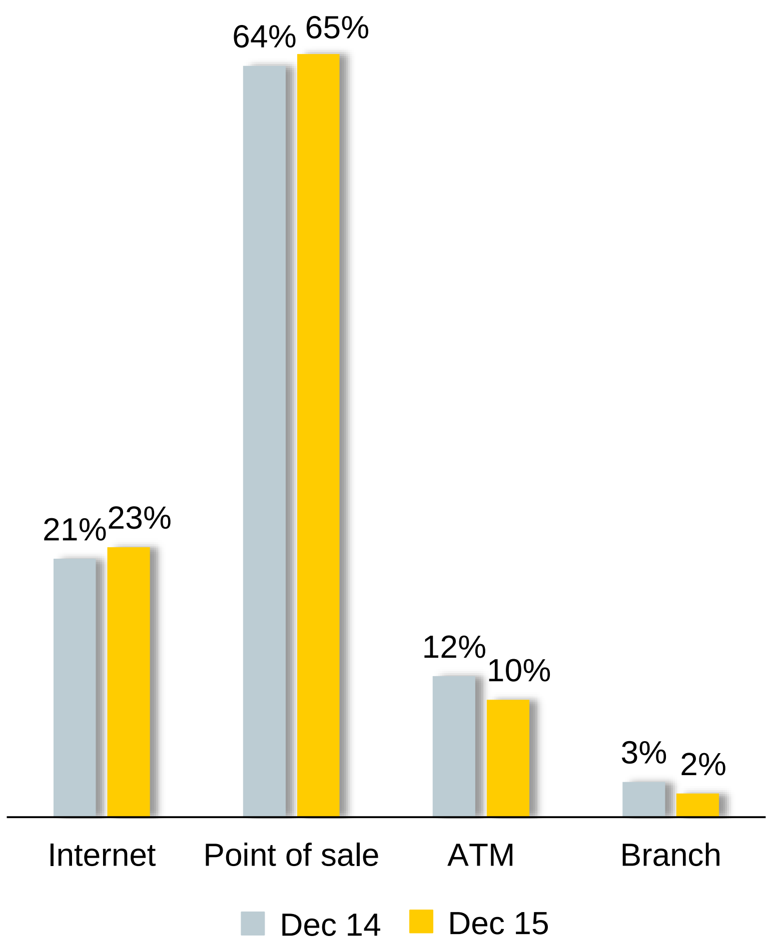
- **Fast, simple processes in real time**
- **Growing digital - 15% of new accounts**
- **Real time funds transfer from other banks**
- **Continuous product innovation:**
  - Cardless Cash, Tap & Pay, Intelligent Deposit Machines, Real Time Alerts, Foreign Current Accounts, Digital wallet

1 Excludes Cash Management Pooling Facilities (CMPF)
2 Number of new accounts. Includes offset accounts. Personal transaction accounts in RBS.

Transaction volumes

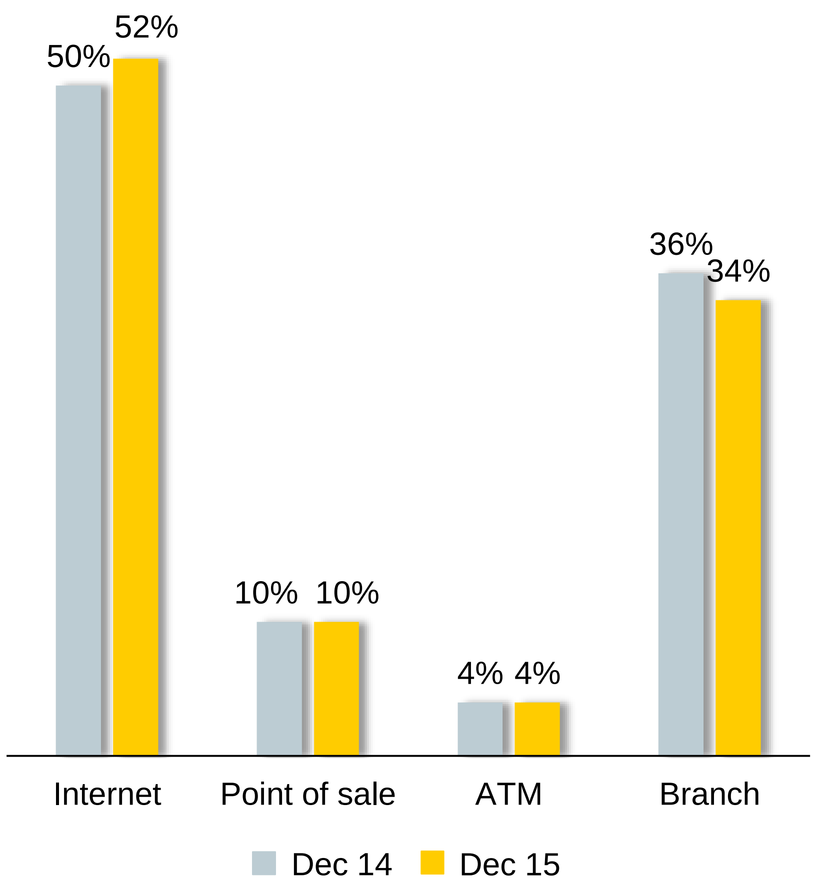
Number %

Percentage of total transactions by number



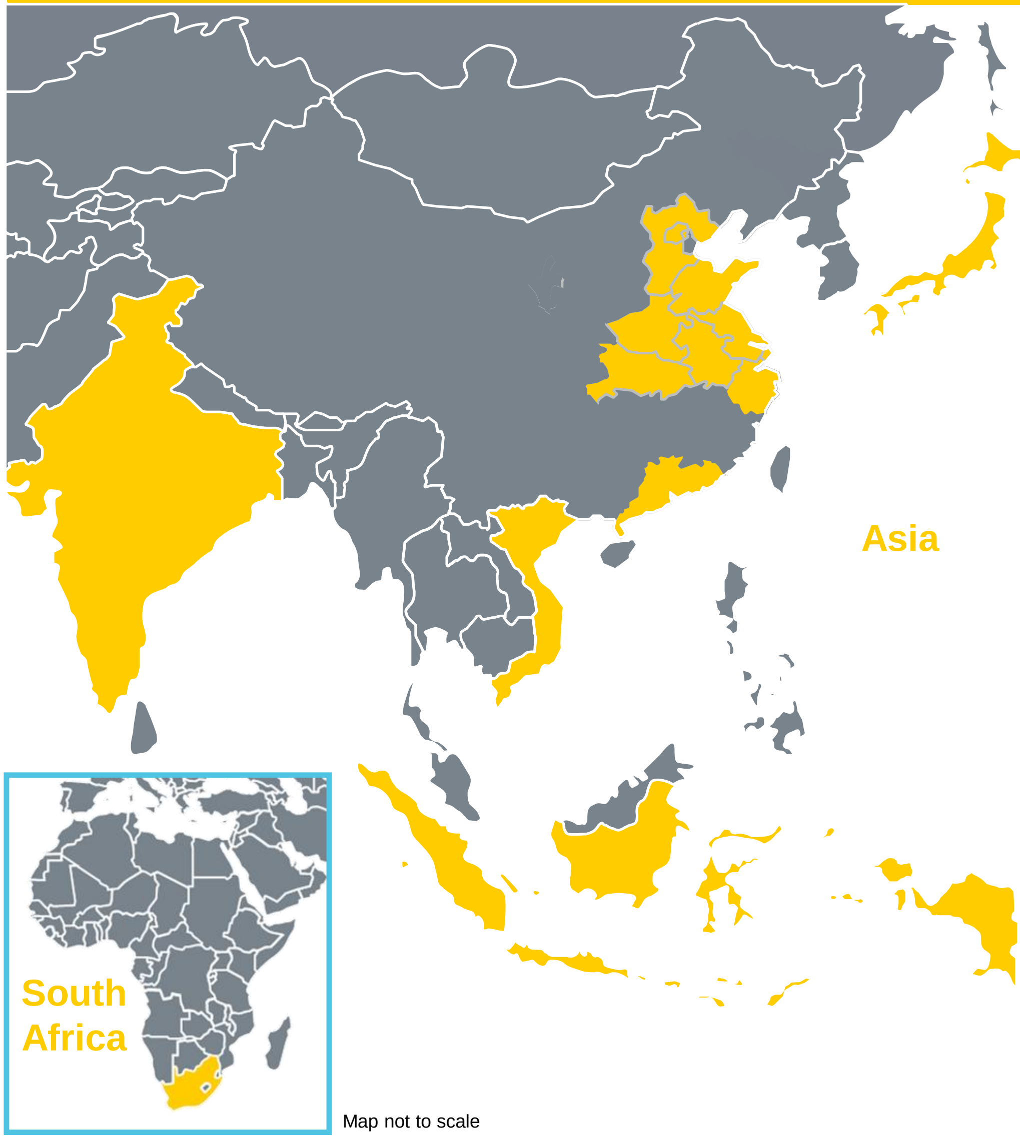
Value %

Percentage of total transactions by $ value



$ Transaction for ATM incorporates (for both CBA & OFI's processed through CBA ATMs) withdrawals, deposits and transfers

CBA in Asia and South Africa



Map not to scale

China
- Bank of Hangzhou (20%): 171 branches
- Qilu Bank (20%): 113 branches
- County Banking
  - Henan: 7 banks and 7 branches (5 banks and 6 branches @ 80% and 2 banks and 1 branch @ 100% holding)
  - Hebei: 8 banks (5 banks @ 80% and 3 banks @ 100% shareholding).
- CBA Beijing, Shanghai and Hong Kong branches
- BoCommLife JV (37.5%): operating in 10 provinces
- First State Investments Hong Kong and First State Cinda JV (46%)
- Colonial Mutual Group Beijing Rep Office

Indonesia
- PT Bank Commonwealth (99%): 91 branches and 144 ATMs
- PT Commonwealth Life (80%): 31 life offices
- First State Investments

Vietnam
- Vietnam International Bank (20%): 159 branches
- Hanoi Representative Office
- Ho Chi Minh City CBA branch; 30 ATMs

Singapore
- CBA branch,
- First State Investments

Japan
- Tokyo CBA branch, First State Investments

South Africa
- CBA SA

India
- Mumbai CBA branch

Outlook

- Steady transition, driven by sound monetary policy and lower AUD
- Global volatility warrants caution, but overreaction also a threat
- Long term policy needed for on-going transition: tax, infrastructure, spending
- Financial services a prevailing strength – must be forward looking post FSI
- Continuation of long-term strategy for CBA

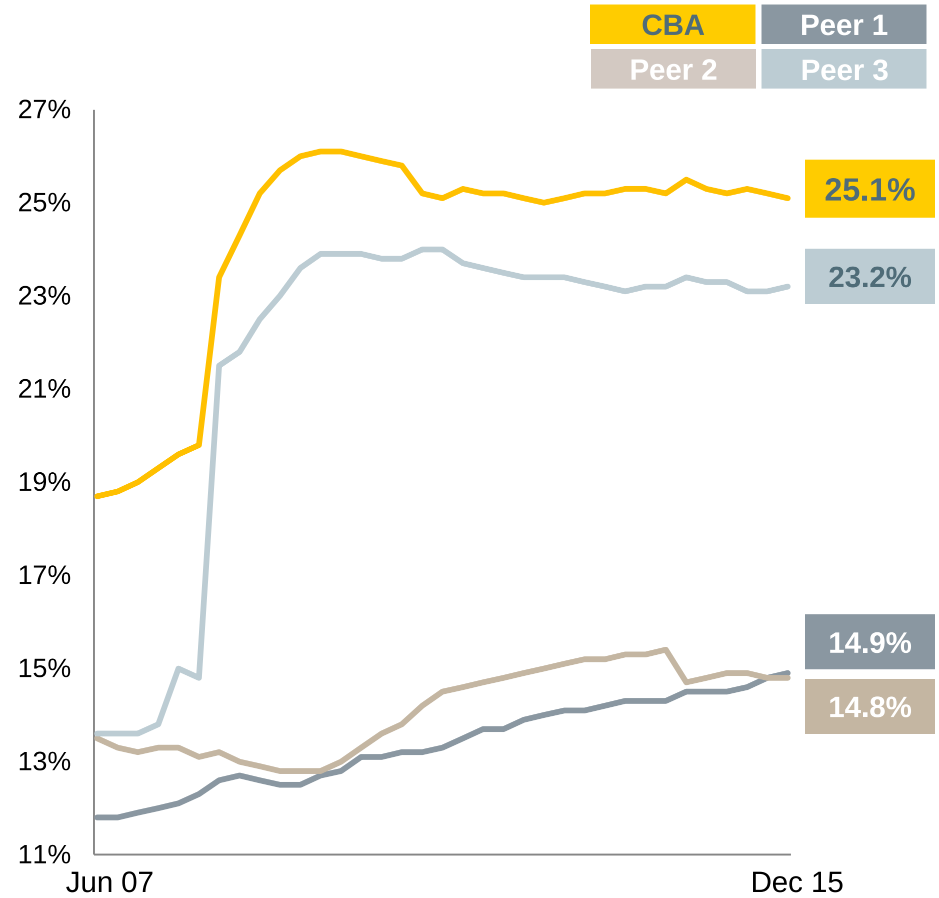
Credit and Housing

CAN

Market Share

%	Dec 15	Jun 15	Dec 14
Home loans	25.1	25.3	25.4
Credit cards – RBA[2]	24.4	24.3	25.1
Other household lending[3]	16.6	16.3	16.6
Household deposits[4]	29.3	29.5	29.1
Business lending – RBA	17.0	17.1	17.1
Business lending - APRA	18.6	18.8	18.5
Business deposits – APRA	20.1	20.2	20.5
Asset finance	13.1	13.2	13.4
Equities trading	5.6	6.0	5.7
Australian Retail – admin view[5]	16.0	16.0	16.1
FirstChoice Platform[5]	11.3	11.3	11.4
Aust life insurance (total risk)[5]	11.8	12.1	11.9
Aust life insurance (indiv risk)[5]	11.3	11.6	11.9
NZ home loans	21.8	21.7	21.7
NZ retail deposits	20.9	21.4	20.6
NZ business lending	13.0	11.6	11.5
NZ retail FUA[6]	16.2	16.2	16.5
NZ annual inforce premiums	28.8	28.8	29.0

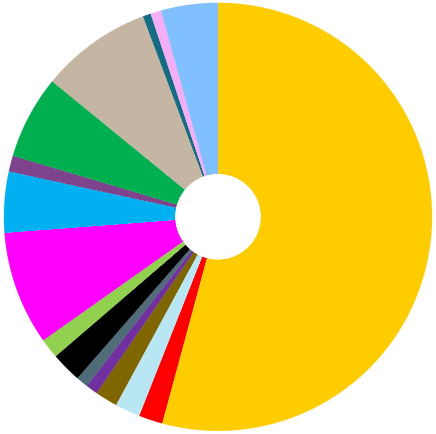
Home Loan Market Share



Source: RBA/APRA. CBA includes Bankwest

Credit Exposures by Industry

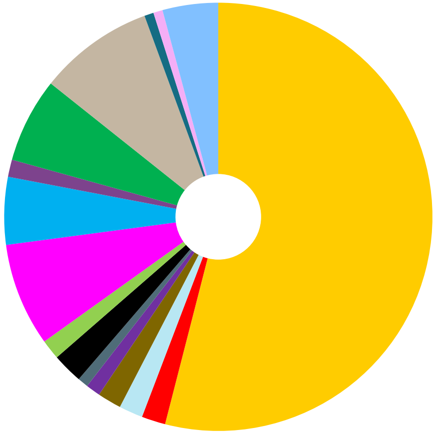
Jun 15



Australia	76.6%
New Zealand	8.5%
Europe	5.6%
Other International	9.3%

	Jun 15	Dec 15
Consumer	54.2%	54.0%
Agriculture	1.8%	1.8%
Mining	1.9%	1.8%
Manufacturing	1.7%	1.8%
Energy	0.9%	1.1%
Construction	0.9%	0.8%
Retail & Wholesale	2.3%	2.3%
Transport	1.5%	1.5%
Banks	8.6%	7.8%
Finance – other	4.6%	5.1%
Business Services	1.2%	1.3%
Property	6.3%	6.4%
Sovereign	8.4%	8.7%
Health & Community	0.6%	0.7%
Culture & Recreation	0.8%	0.7%
Other	4.3%	4.2%
Total	**100%**	**100%**

Dec 15



Australia	75.4%
New Zealand	8.8%
Europe	6.4%
Other International	9.4%

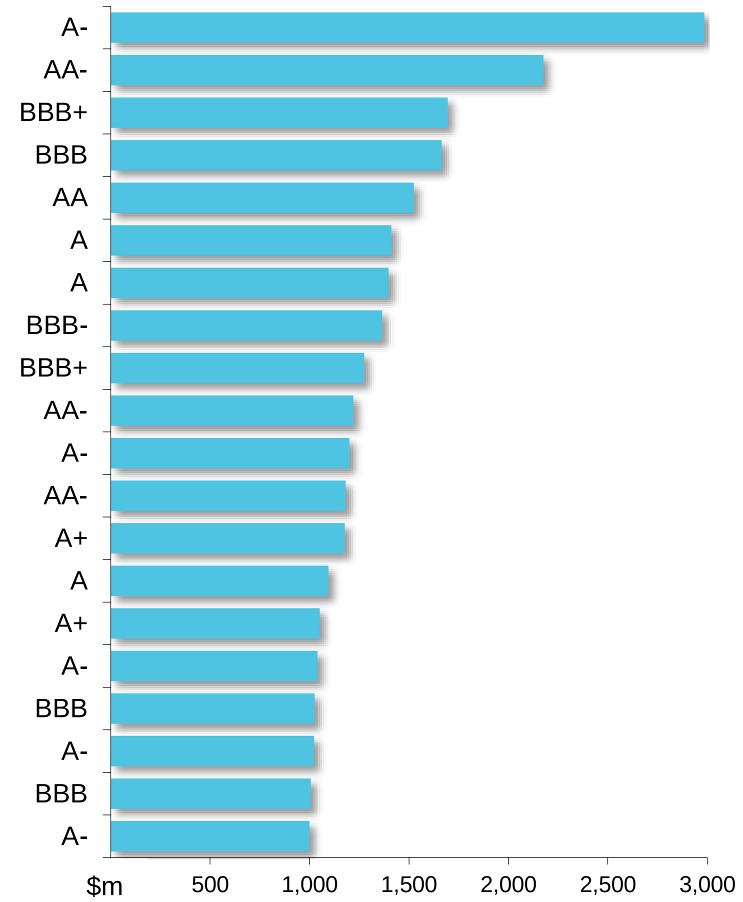
TCE (Total Committed Exposure) basis = balance for uncommitted facilities and the greater of limit or balance for committed facilities. Calculated before collateralisation. Includes ASB and Bankwest and excludes settlement exposures.

Sector Exposures

Commercial Exposures by Industry

TCE $bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Dec 15
Banks	30.9	38.5	9.7	2.2	**81.3**
Finance Other	22.9	17.4	9.8	3.0	**53.1**
Property	1.6	6.0	13.5	44.8	**65.9**
Sovereign	82.7	6.7	0.5	0.4	**90.3**
Manufacturing	1.5	3.8	6.1	7.1	**18.5**
Trade	1.0	1.7	6.9	14.6	**24.2**
Agriculture	-	0.3	1.7	16.5	**18.5**
Energy	0.2	1.7	8.7	0.8	**11.4**
Transport	0.3	2.1	8.7	4.8	**15.9**
Mining	2.0	4.9	7.0	5.0	**18.9**
All other (ex Consumer)	1.5	6.1	21.8	43.0	**72.4**
Total	**144.6**	**89.2**	**94.4**	**142.2**	**470.4**

Top 20 Commercial Exposures



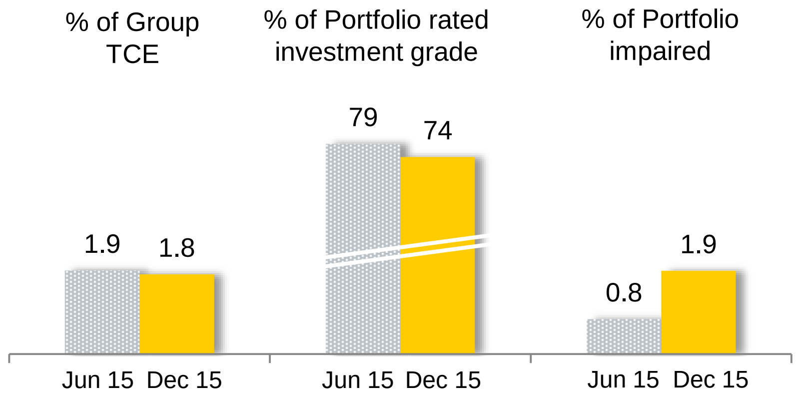
TCE (Total Committed Exposure) basis = balance for uncommitted facilities and the greater of limit or balance for committed facilities. Calculated before collateralisation. Includes ASB and Bankwest and excludes settlement exposures. CBA grades in S&P equivalents.

Mining, Oil and Gas

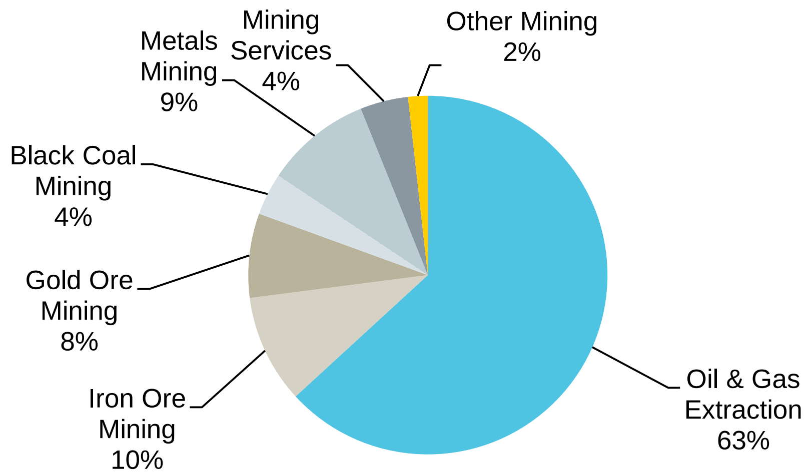
Overview

- Exposure of $18.9bn (1.8% of Group TCE)
- Sound portfolio that continues to perform acceptably notwithstanding recent deterioration in commodity prices:
  - 74% investment grade
  - Diversified by commodity/customer/region
  - Focus on quality sponsors, with low cost operating models
  - Mining services exposure modest (4% of Mining)
- Conservative debt-sizing metrics, commodity price decks and technical due diligence used to assess projects
- Oil and Gas sub-sector (63% of total):
  - 79% investment grade
  - 30% relates to LNG – typically supported by strong sponsors with significant equity contribution
- Market conditions expected to remain challenging in near term – industry responding via cost management actions; reduced discretionary capex

Group Exposure



Mining, Oil and Gas by Sector



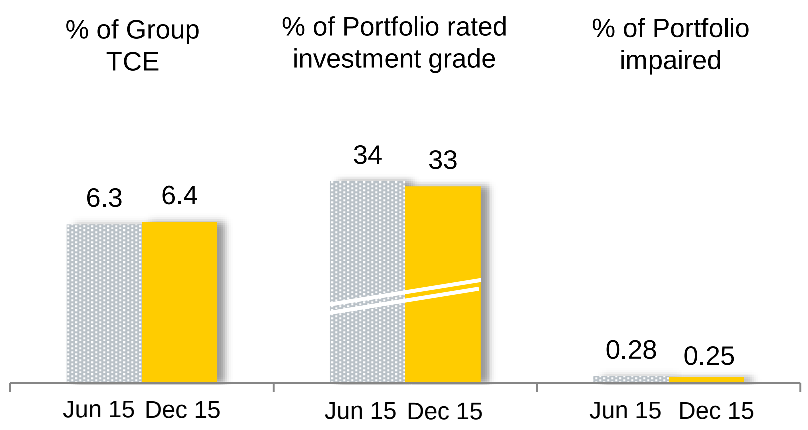
TCE (Total Committed Exposure) basis. TCE = balance for uncommitted facilities and the greater of limit or balance for committed facilities. Calculated before collateralisation. Includes ASB and Bankwest.

Commercial Property

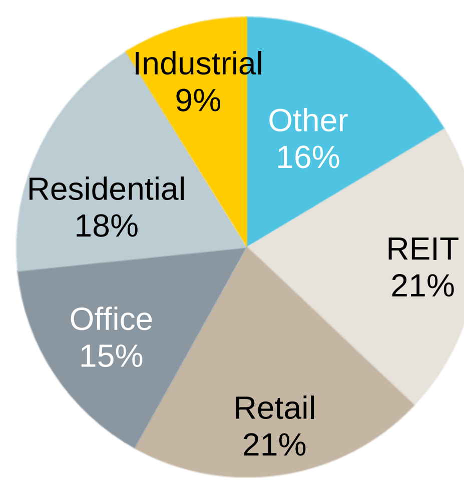
Overview

- Exposure of $65.9bn (6.4% of Group TCE) diversified across sectors/geography/counterparties
- Less than 0.3% of total exposures impaired; less than 3% of sub-investment grade exposures unsecured
- Portfolio remains well provisioned
- Portfolio highly weighted to NSW (59%);
  - Sydney CBD Office – lowest vacancy rate nationally – 2016 supply increase primarily committed
  - Sydney Residential – supply is demand driven, with vacancy rates below national average
- Other Markets (Office):
  - Melbourne CBD vacancy rate stable at ~10%, with high levels of tenant take-up expected to see vacancy rates fall to ~8% by end 2016
  - Perth and Brisbane CBD's impacted by resource sector weakness – vacancy rates expected to peak in 2016
- Residential apartments:
  - National vacancy rate ~ 2.6% - below long term avg (3%)
  - Melbourne vacancy rate expected to rise off a low base but buoyed by depth of occupier market and strong population growth
  - Perth vacancy has risen to ~ 4.1%, impacted by restructuring in the resource sector

Group Exposure



Group Sector Profile



TCE (Total Committed Exposure) basis. TCE = balance for uncommitted facilities and the greater of limit or balance for committed facilities. Calculated before collateralisation. Includes ASB and Bankwest.

Australian Home Loan Portfolio[1]

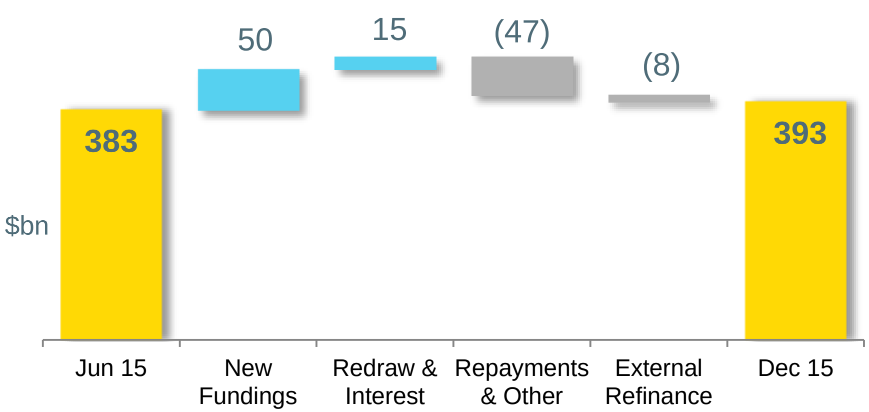
Portfolio[1]	Dec 14	Jun 15	Dec 15
Total Balances - Spot ($bn)	370	383	393
Total Balances - Average ($bn)	365	371	388
Total Accounts (m)	1.7	1.7	1.7
Variable Rate (%)	82	85	85
Owner Occupied (%)	60	60	62
Investment (%)	34	35	33
Line of Credit (%)	6	5	5
Proprietary (%)	57	57	56
Broker (%)	43	43	44
Interest Only (%)[2]	36	37	38
Lenders' Mortgage Insurance (%)[2]	27	26	25
Mortgagee In Possession (%)	0.04	0.04	0.04
Portfolio Dynamic LVR (%)[3]	50	50	50
Customers in Advance (%)[4]	78	77	78
Payments in Advance incl offset (#)[5]	25	27	29
Payments in Advance ex offset (RBS)[5]	7	7	7

New Business[1]	Dec 14	Jun 15	Dec 15
Total Funding ($bn)	46	94	50
Average Funding Size ($'000)	269	274	302
Serviceability Buffer (%) (RBS)[6]	1.5	2.25	2.25
Variable Rate (%)	84	87	90
Owner Occupied (%)	61	60	66
Investment (%)	36	37	31
Line of Credit (%)	3	3	3
Proprietary (%)	57	55	52
Broker (%)	43	45	48
Interest Only (%)[2]	39	41	39
Lenders' Mortgage Insurance (%)[2]	22	21	16

1. CBA and Bankwest, except where noted. All portfolio and new business metrics are based on balances and fundings respectively, unless stated otherwise. All new business metrics are based on 12 months to June and 6 months to December.
2. Excludes Line of Credit (Viridian LOC/Equity Line).
3. LVR defined as current balance/current valuation. RBS results restated based on enhanced methodology using up-to-date data, Bankwest excludes guarantor securities.
4. Any payment ahead of monthly minimum repayment. Includes offset facilities.
5. Average number of payments ahead of scheduled repayments.
6. Serviceability test based on the higher of the customer rate plus a 2.25% interest rate buffer or a minimum floor rate. Dec 14 and Jun 15 RBS only.

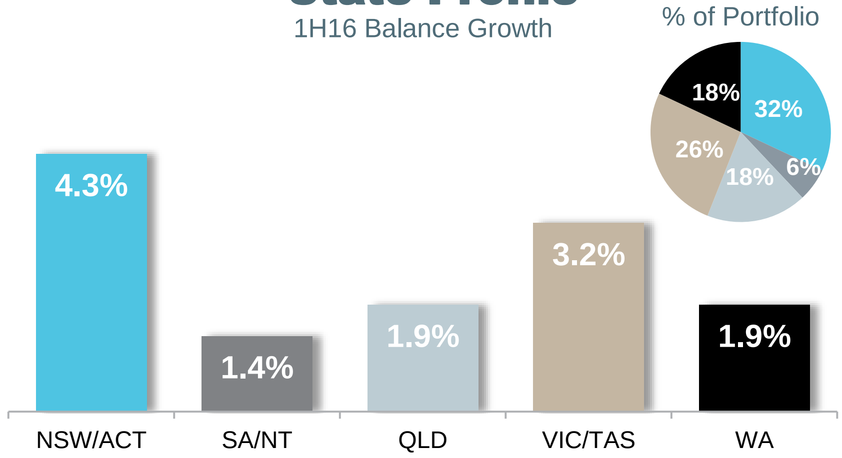
Australian Home Loans

Balance Growth

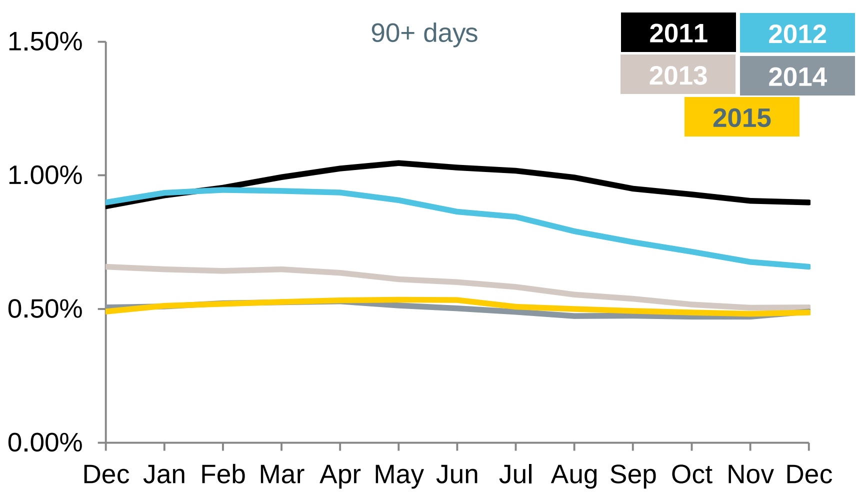


State Profile

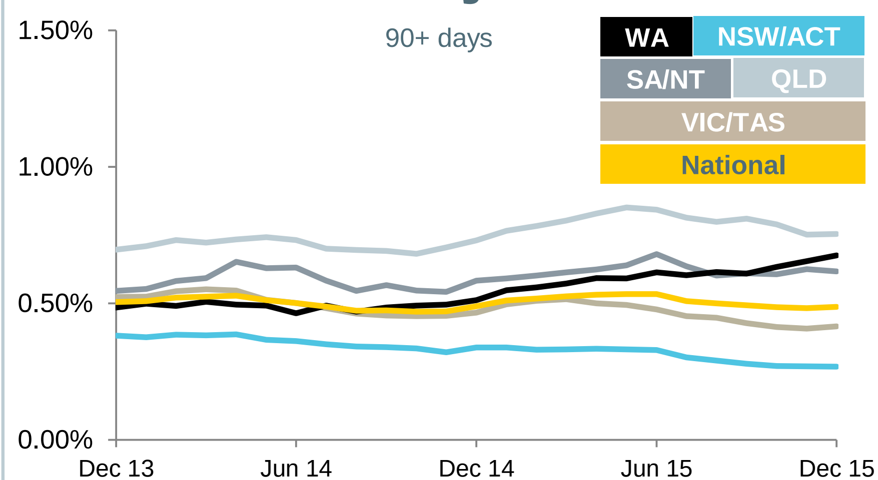
1H16 Balance Growth



Arrears



Arrears by State



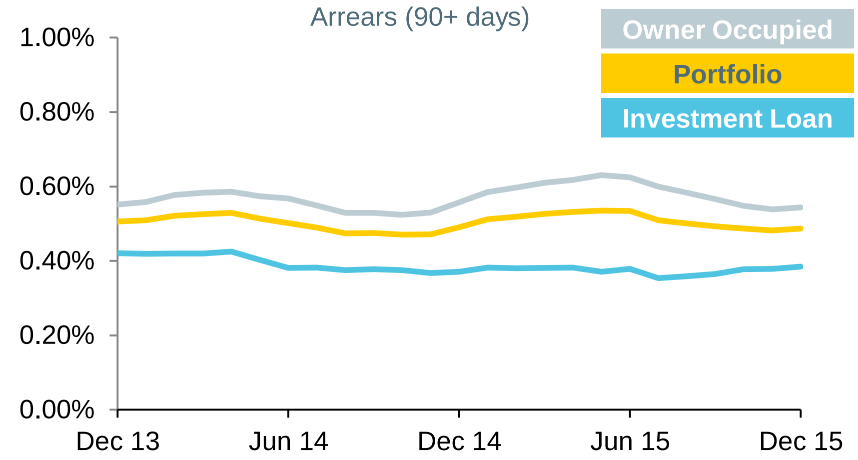
Includes CBA and Bankwest. State Profile and Arrears exclude Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans (RBS only) and Residential Mortgage Group (RBS only) loans.

Australian Investment Home Loans

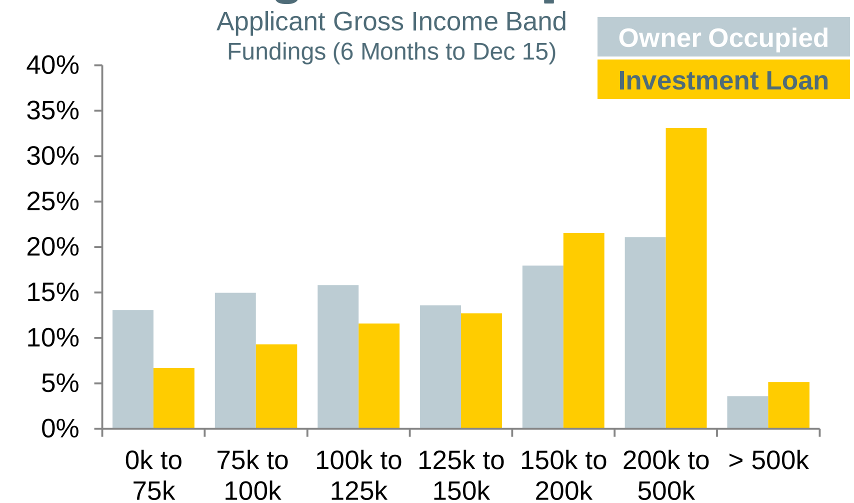
Overview

- Modest balance growth <10%
- Arrears lower than overall portfolio
- Strong borrower profile – skewed to higher income bands
- Credit policy restrictions e.g. LVR caps reduced
- Differential pricing for investment lending

Relatively low arrears



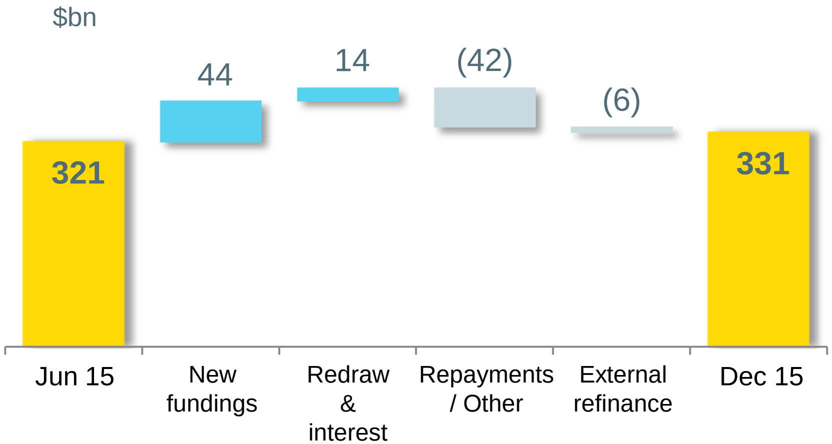
Strong borrower profile



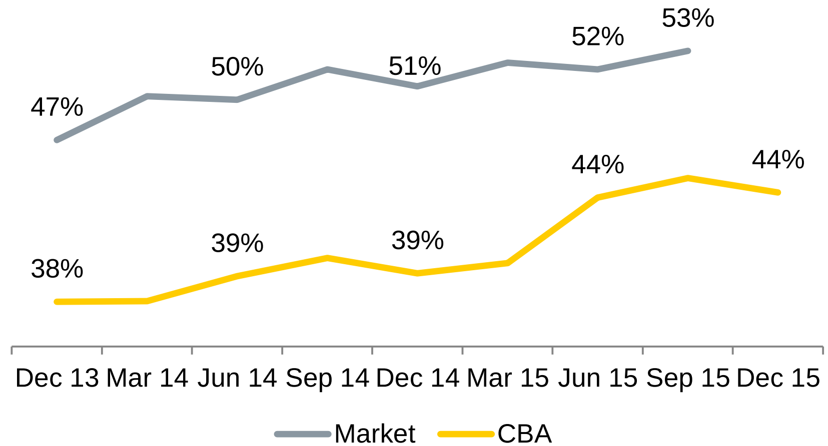
Includes CBA and Bankwest except where noted. Income Bands and Arrears: excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan (RBS only) and Residential Mortgage Group (RBS only) loans. Fundings based on dollars.

RBS Home Loan Growth Profile

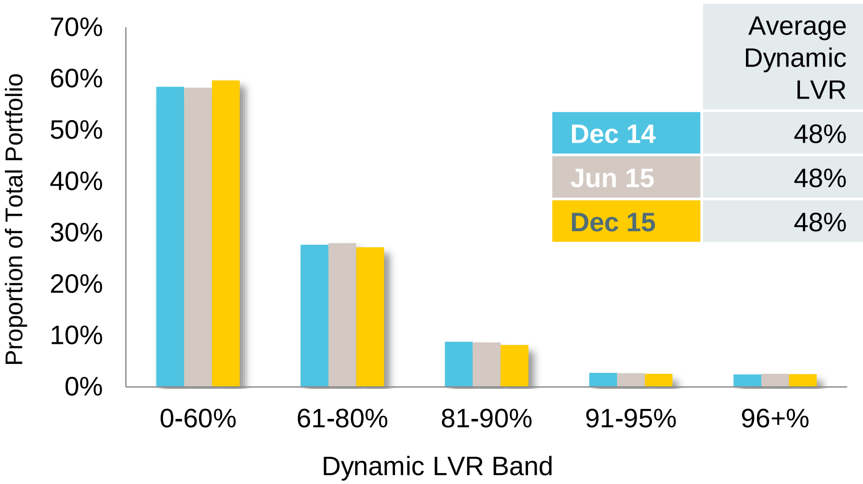
Home Loan Balances



Broker Share of Fundings[1]

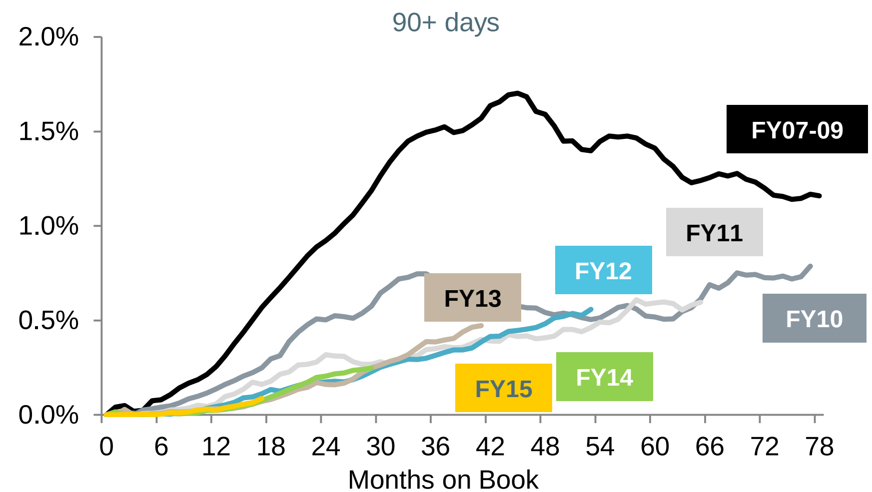


Home Loan Dynamic LVR[2]



	Average Dynamic LVR
Dec 14	48%
Jun 15	48%
Dec 15	48%

Home Loan Arrears by Vintage[3]



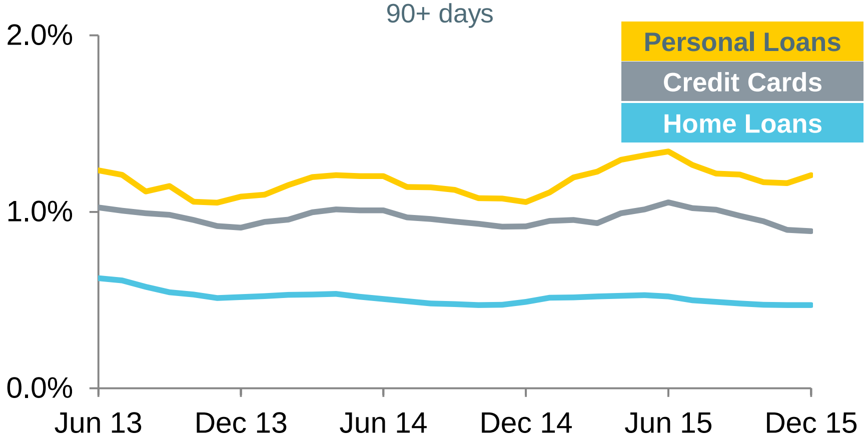
1. % of home loan fundings ($'s). Market represents quarterly MFAA data up to Sep 15. 2 Dynamic LVR is current balance / current valuation; results restated based on enhanced methodology using up-to-date data. 3. Vintage Arrears includes: Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

CommonwealthBank

Group Consumer Arrears

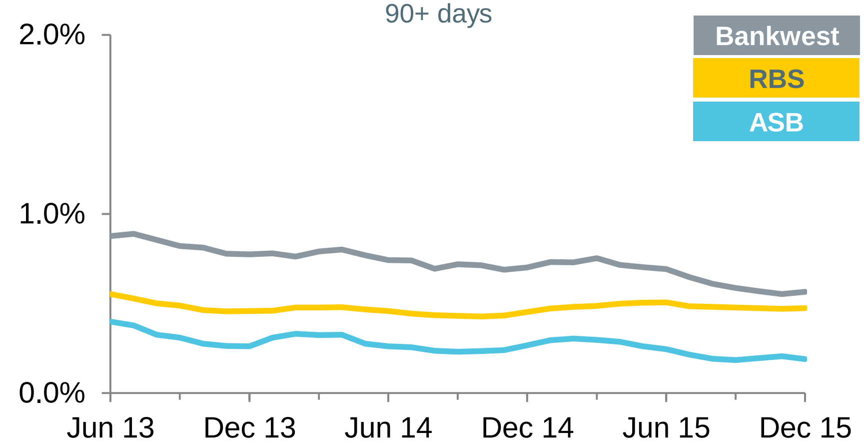
Consumer Portfolios

90+ days



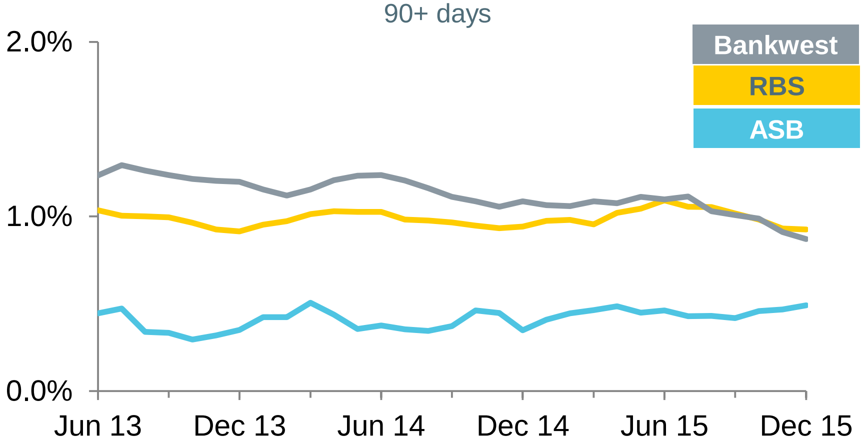
Home Loans

90+ days



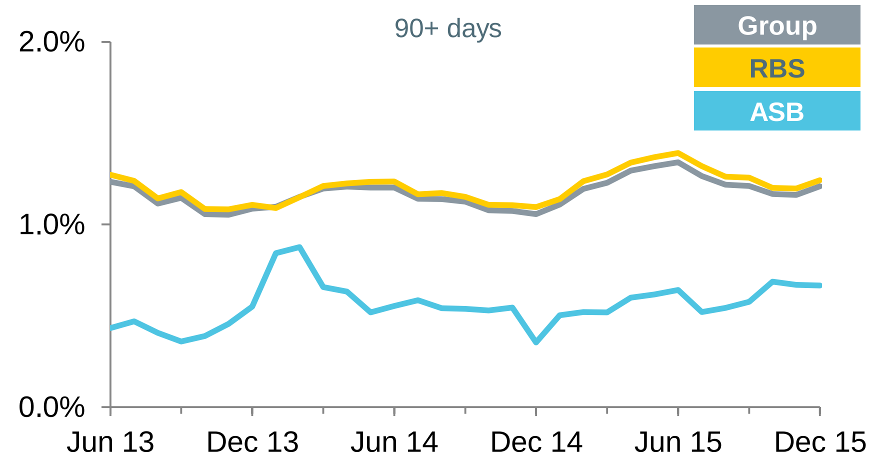
Credit Cards

90+ days



Personal Loans

90+ days



Consumer represents Retail Banking Services, ASB Retail and Bankwest Retail. **Credit Card** arrears not measured/defined consistently across the industry. CBA definition is conservative as it includes Hardship accounts. **Personal Loans** includes unsecured and secured loans. ASB write-off Credit Card and Personal Loans typically around 90 days past due if no agreed repayment plan. **Home Loans** exclude Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan (RBS only) and Residential Mortgage Group (RBS only) loans.

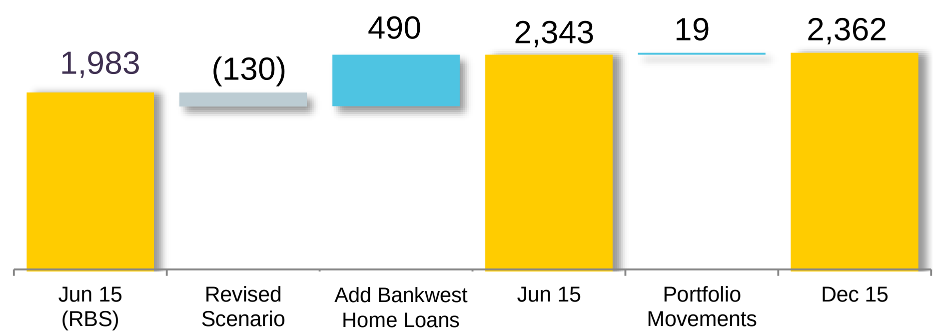
Australian Home Loans – Stress Test

Assumptions and Outcomes

Assumptions (%)	Base	Year 1	Year 2	Year 3
Cash Rate	2.0	1.0	0.5	0.5
Unemployment	6.1	7.5	9.5	11.0
Hours under-employed	10.7	13.1	16.1	18.4
Cumulative reduction in house prices	n/a	10.0	23.0	31.0

Outcomes ($m)	Total	Year 1	Year 2	Year 3
Stressed Losses	**3,745**	580	1,252	1,913
Insured Losses	**1,383**	220	467	696
Net Losses	**2,362**	360	785	1,217
Net Losses (bpts)	**52.3**	8.0	17.2	27.1
PD %	n/a	1.4	2.0	2.5

Net Losses

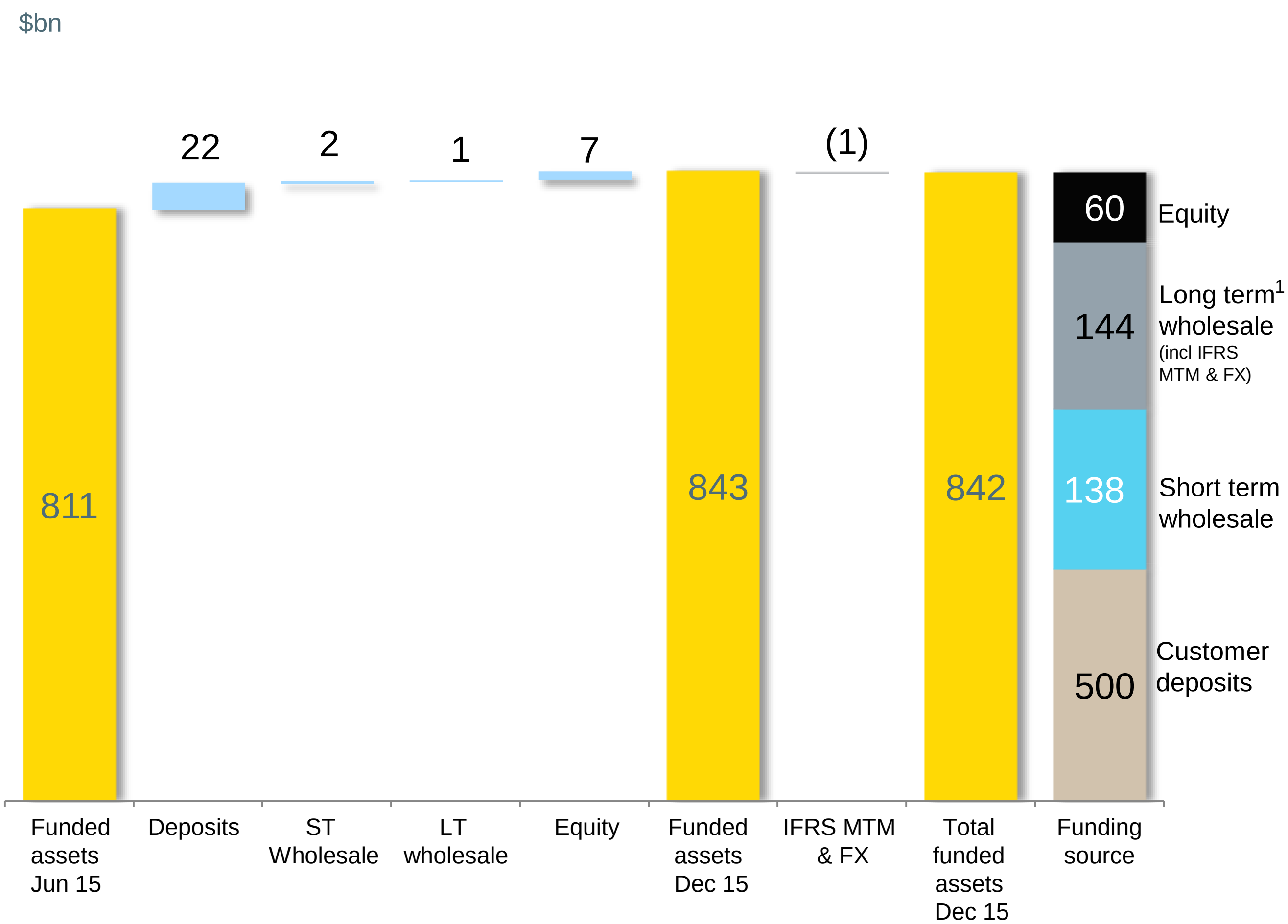


Summary

- **Stress Test outcomes have been updated for a revised stress scenario (-$0.1bn) and addition of Bankwest home loans (+$0.5bn)**
- **Refreshed "stress test" scenario represents a severe but plausible commodities-led recession**
- **Total net losses after LMI recoveries over 3 years of $2.4bn remain largely unchanged**

One of multiple regular stress tests undertaken. Hours under-employed measured as a proportion of total labour force hours available for work. Results based on June 2015 data. House prices and PDs (Probabilities of Default) are stressed at regional level. Net losses (bpts) calculated as net losses in year divided by average exposure. Assumes a LMI claim payout ratio of 70% in each of the 3 years.

Funded Assets

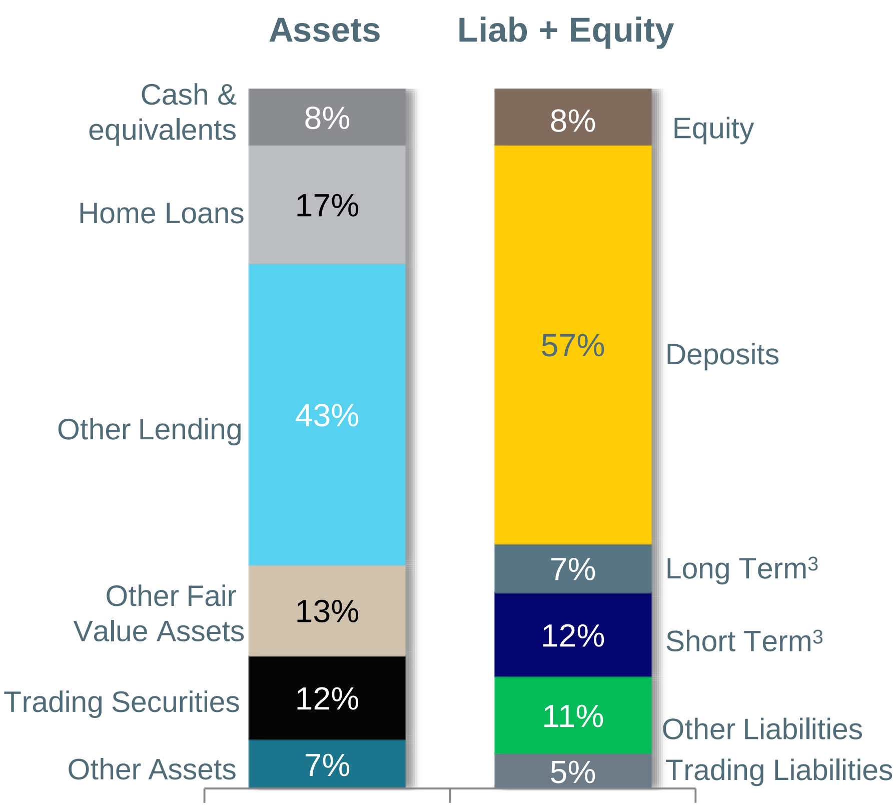


$bn	Dec 15	Jun 15
Transactions [2]	97	89
Savings	190	176
Investments	196	195
Other	17	18
Total customer deposits	**500**	**478**
Wholesale funding	282	280
Total funding	782	758
Equity	60	53
Total funded assets	**842**	**811**
Customer %	**64%**	**63%**

1 Maturity based on original issuance date
2 Comparatives have been restated to conform to presentation in the current period

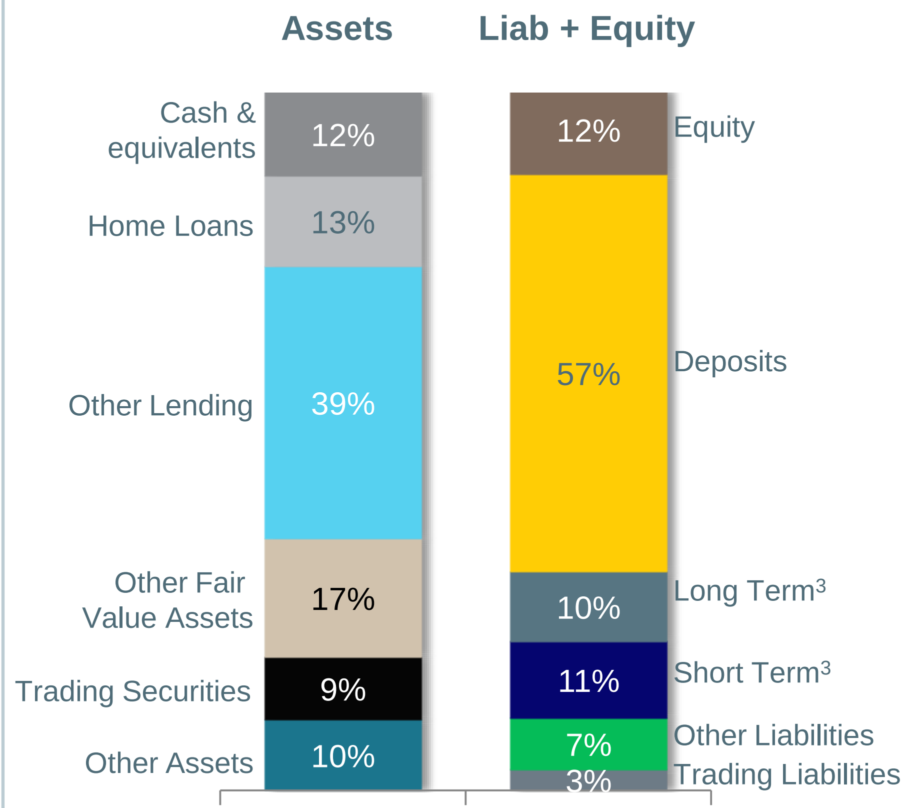
UK and US Balance Sheet Comparison [1,2]

United Kingdom



Based on analysis of Lloyds, RBS, HSBC and Barclays as at 30 June 2015.
Average of four banks.

USA

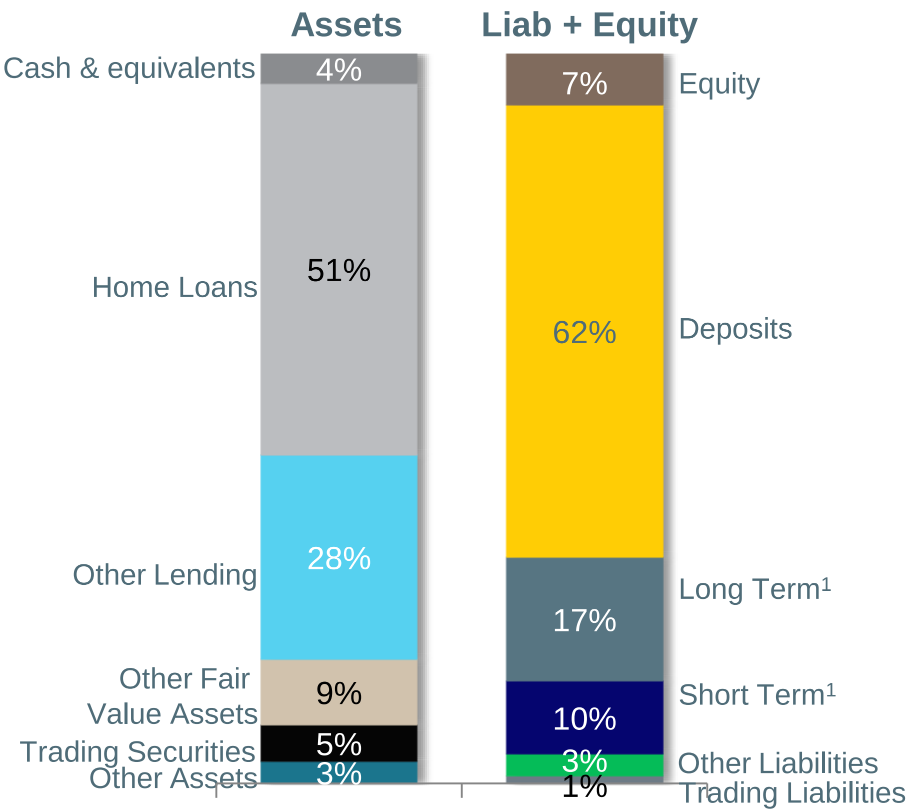


Based on analysis of Citigroup, JP Morgan, Bank of America and Wells Fargo as at 30 September 2015.
Average of four banks.

1 Based on statutory balance sheets.
2 Balance sheets do not include derivative assets and liabilities.
3 Wholesale funding.

Australian Banks – Safe Assets, Secure Funding

Commonwealth Bank



CBA balance sheet as at 31 December 2015.
Balance sheet does not include derivative assets and liabilities.
Based on statutory balance sheet.

Balance Sheet Comparisons

Assets – CBA has a safe, conservative asset profile:

- 51% of balance sheet is home loans, which are stable/long term.
- Trading securities and other fair value assets comprise just 14% of CBA balance sheet compared to 25% and 26% 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%	55%
US	55%	45%

Funding – CBA has a secure, sustainable low risk funding profile:

- Higher deposit base than US and UK banks (62% including 32% of stable household deposits).
- CBA wholesale funding profile has a longer duration than UK banks. This means CBA has lower dependence on wholesale funding markets in any given period compared to UK banks.

* Includes grossed up derivatives.

1 Wholesale funding - based on residual maturity

Economic Indicators

Economic Indicators

		2011	2012	2013	2014	2015	2016	2017
World	GDP	4.2	3.4	3.3	3.4	3.1	3.1	3.3
Australia	Credit Growth % – Total	2.6	4.4	3.1	5.0	6.0	5½-6½	4¾-6¾
	Credit Growth % – Housing	6.1	5.0	4.6	6.4	7.3	6-7	5-7
	Credit Growth % – Business	-2.3	4.4	1.2	3.4	4.5	5½-6½	5-7
	Credit Growth % – Other Personal	0.6	-1.2	0.2	0.6	0.8	0-1	½-2½
	GDP %	2.4	3.6	2.4	2.5	2.2	2.5	3.1
	CPI %	3.1	2.3	2.3	2.7	1.7	1.5	2.2
	Unemployment rate %	5.0	5.2	5.4	5.8	6.2	5.9	5.6
	Cash Rate %	4¾	3½	2¾	2½	2	2	2
New Zealand	Credit Growth % – Total	1.5	3.2	4.0	4.2	6.4	5½-7½	3½-5½
	Credit Growth % – Housing	1.2	1.8	5.0	5.3	5.6	6-8	3-5
	Credit Growth % – Business	1.2	3.9	1.9	3.1	6.2	5-7	5-7
	Credit Growth % – Agriculture	-0.8	3.0	4.4	3.7	7.6	5-7	4-6
	GDP %	1.1	2.8	2.3	3.0	3.3	2.2	2.9
	CPI %	3.8	2.2	0.8	1.5	0.6	0.6	1.6
	Unemployment rate %	6.6	6.6	6.7	6.0	5.8	5.8	6.0
	Overnight Cash Rate %	2.5	2.5	2.5	3.25	3.25	2.25	2.00

CBA Economics Forecasts

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

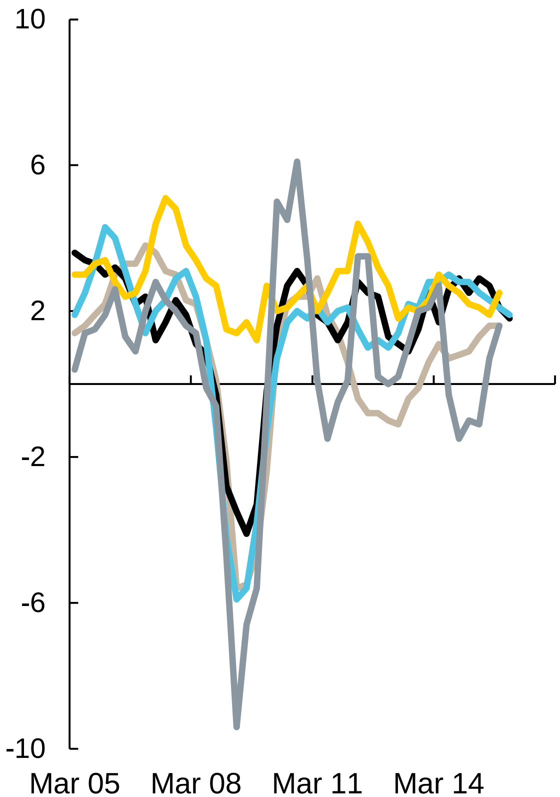
World GDP = Calendar Year Average
■ = forecast

Australia remains well placed

Australia is now well into its 24th year of continuous economic growth. The lower Australian dollar is helping and Australian policy makers retain some firepower.

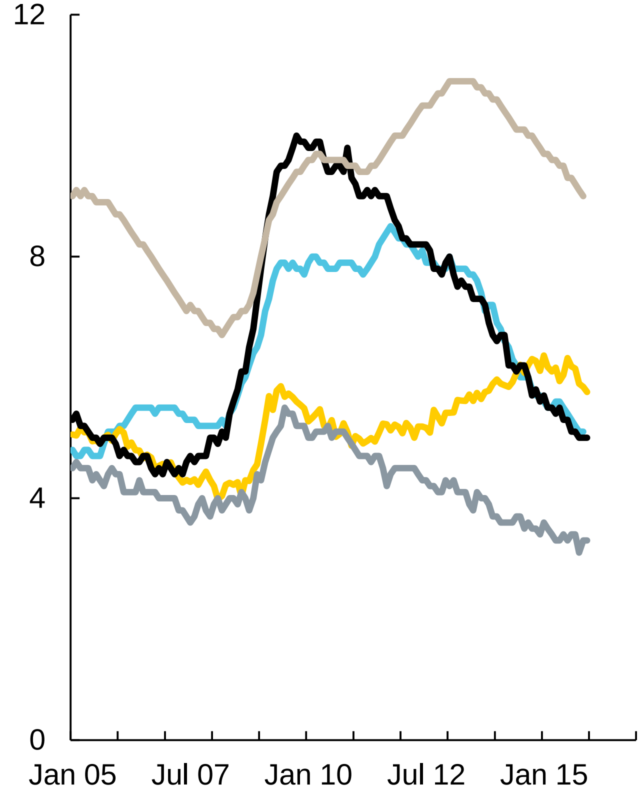
GDP[1]

(annual % change)



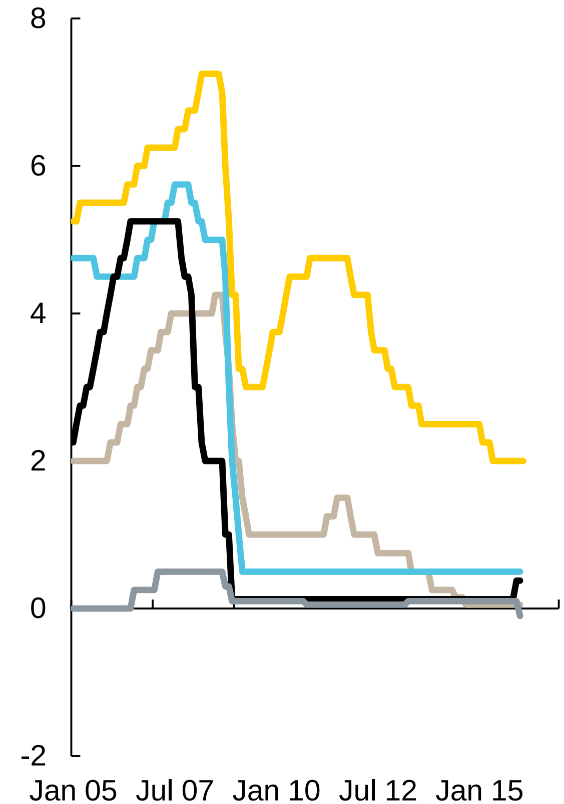
Unemployment Rate[2]

(%)



Global Interest Rates[1]

(%)



Australia UK US Eurozone Japan

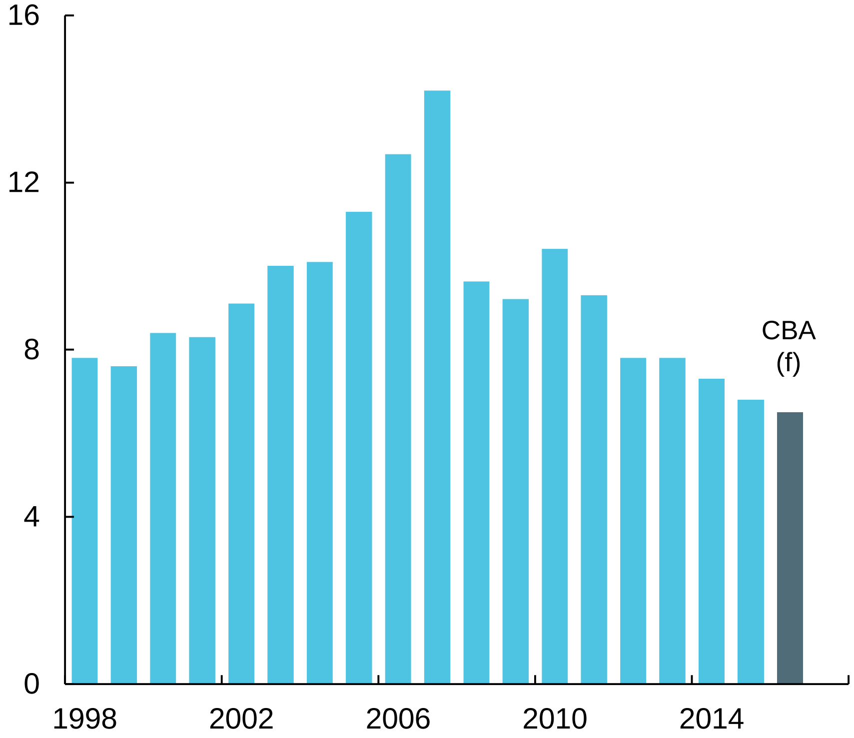
1 Source: Bloomberg
2 Source: CEIC

Chinese economic growth is slowing

The global economy has become increasingly dependent on China and the rest of emerging Asia to drive economic growth and commodity demand. Therefore, the slowdown in Chinese economy is a concern. We expect the Chinese economy to grow by 6½% in 2016, assisted by interest rate cuts, a lower currency and supportive fiscal policy.

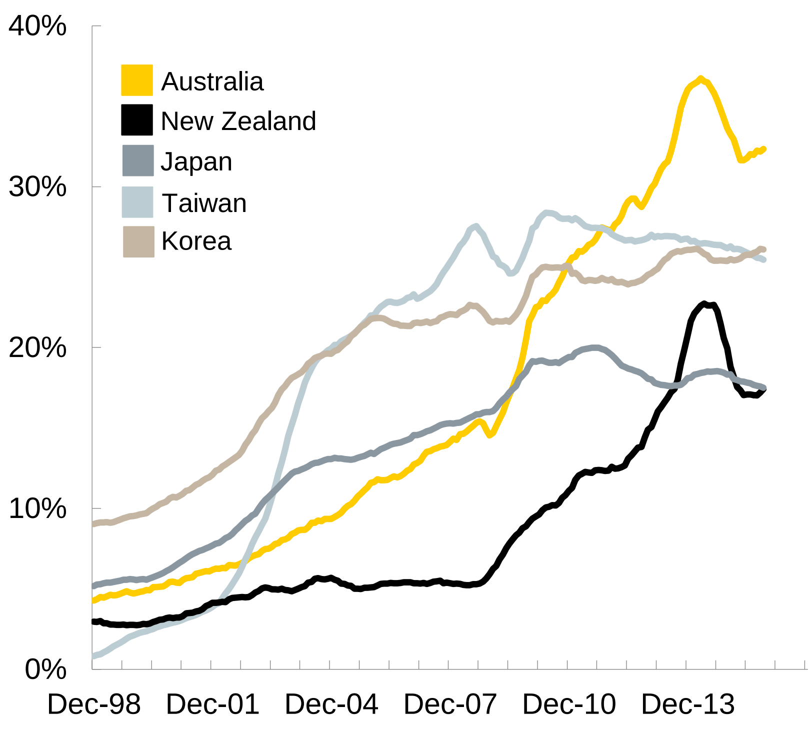
China: GDP[1]

(annual % change)



Share of Exports to China[2]

(% of exports, rolling annual total)



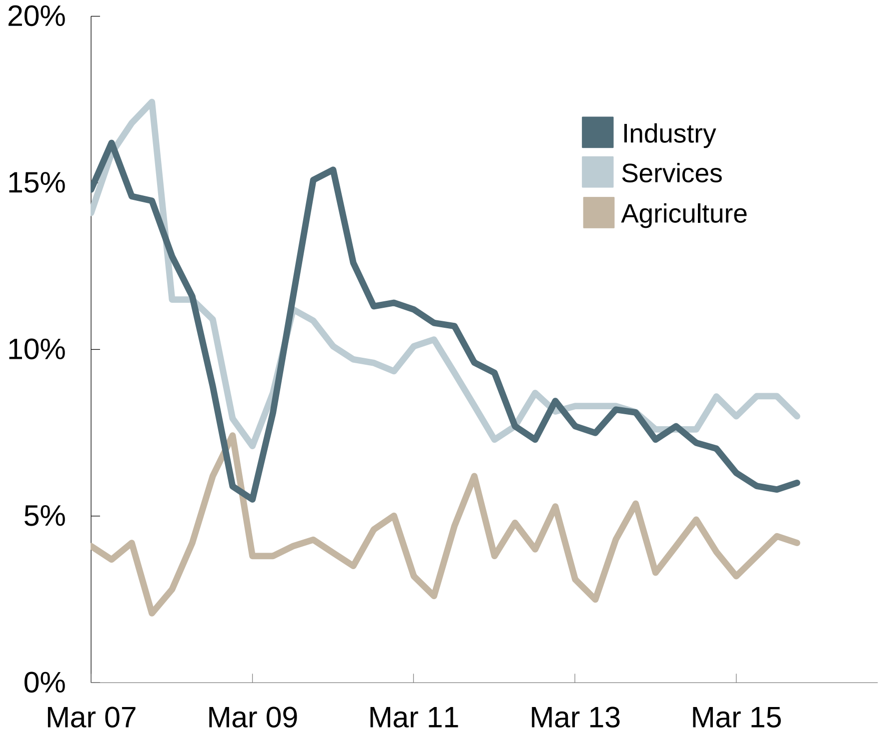
1 Source: National Bureau of Statistics of China / CBA
2 Source: CEIC

Growth in China is shifting away from resource-intensive industries

China is transitioning from infrastructure/investment led growth to consumption/services led growth. This process means lower demand for resource-based goods. However, the transition also offers opportunities to Australia. Rising Chinese incomes will benefit the education, tourism and agricultural sectors in Australia. An aging population will help health and financial services.

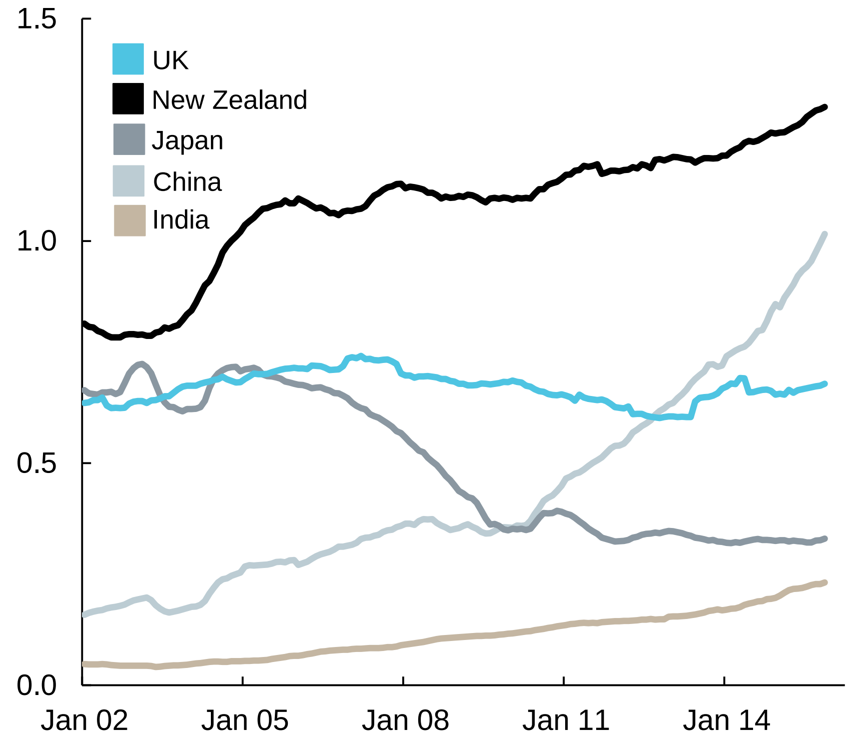
China GDP growth by industry[1]

(annual % change)



Short term overseas arrivals[2]

(rolling annual total millions)



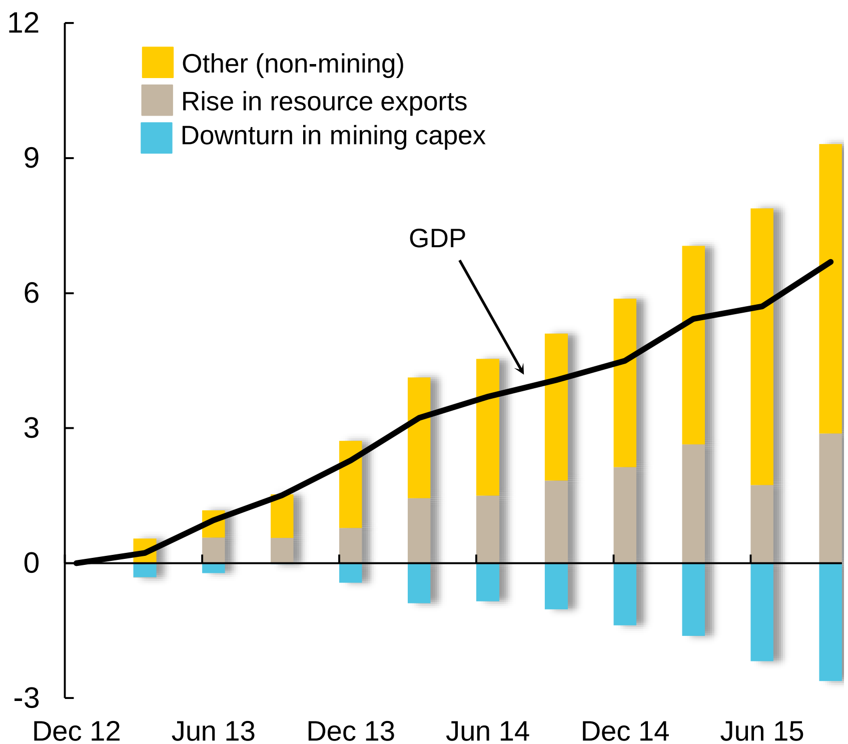
1 Source: CEIC
2 Source: ABS

The domestic growth transition continues

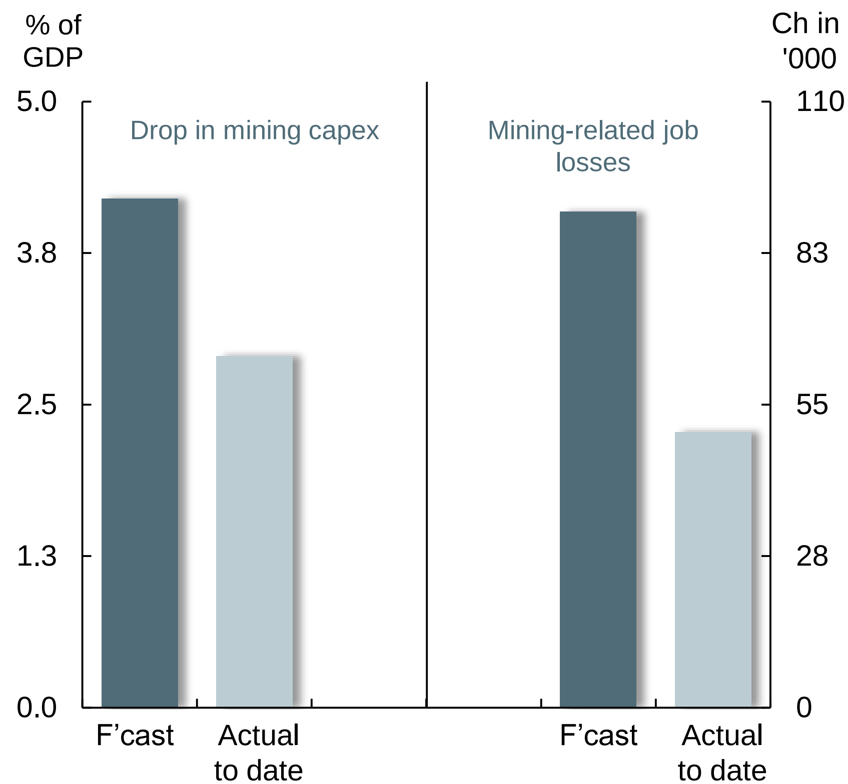
The transition from mining to non-mining led growth is proceeding. We are further through the mining capex downturn than most were expecting. Australia is currently 70% of the way through the anticipated decline in mining capex. At the same time, we are also nearly 60% of the way through the expected loss of mining construction-related jobs.

Growth drivers from mining peak[1]

(cumulative contribution to GDP since end 2012)



Progress on the transition[2]



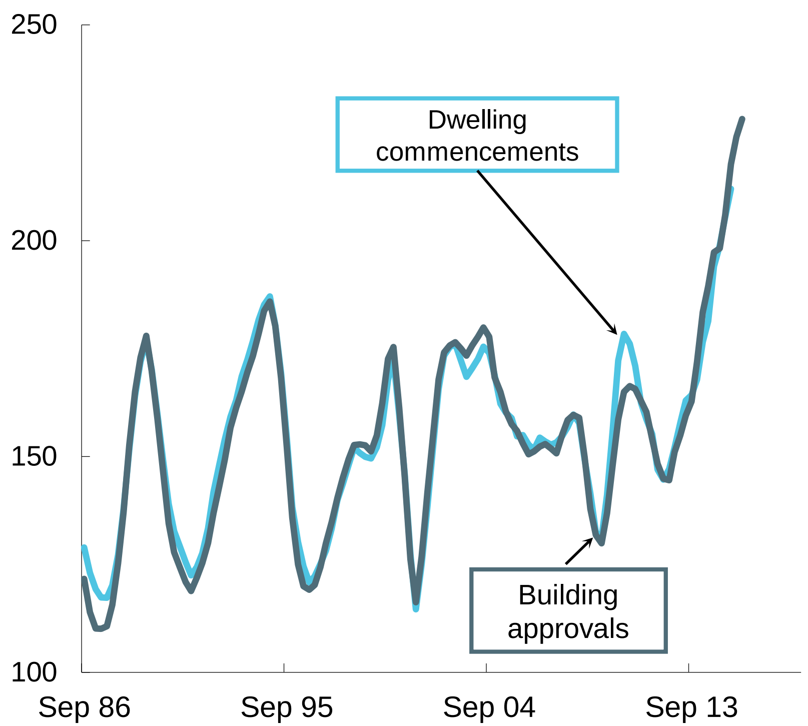
1 Source: ABS
2 Source: ABS / CBA

But the transition is uneven

A major residential construction boom is underway. Building houses is an effective generator of jobs and activity. But other parts of the transition have failed to fire. Businesses have been reluctant to invest and governments have cut capex.

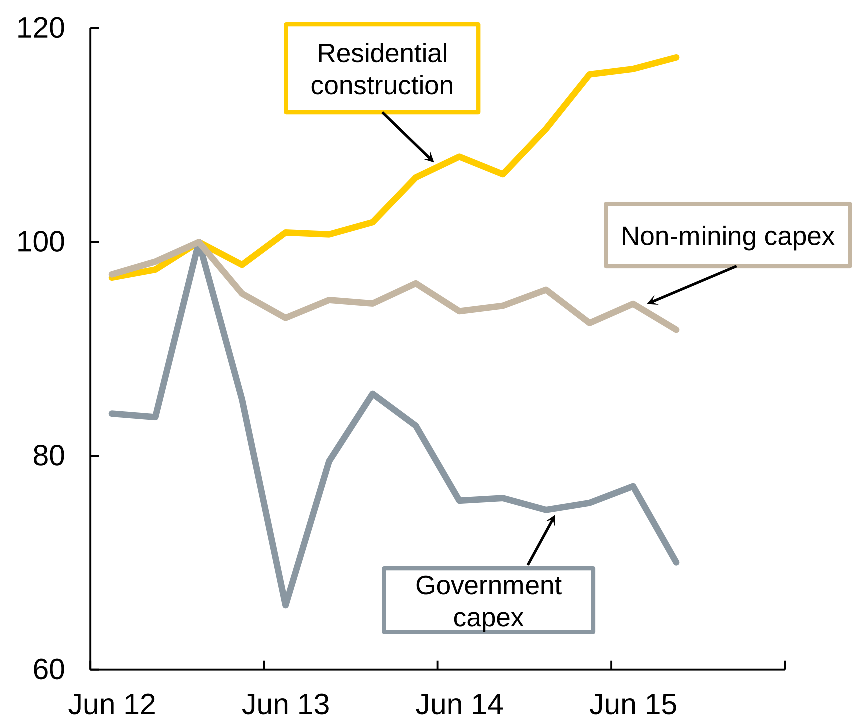
Dwelling construction[1]

(rolling annual total '000)



Transition drivers[1]

(index; end 2012=100)



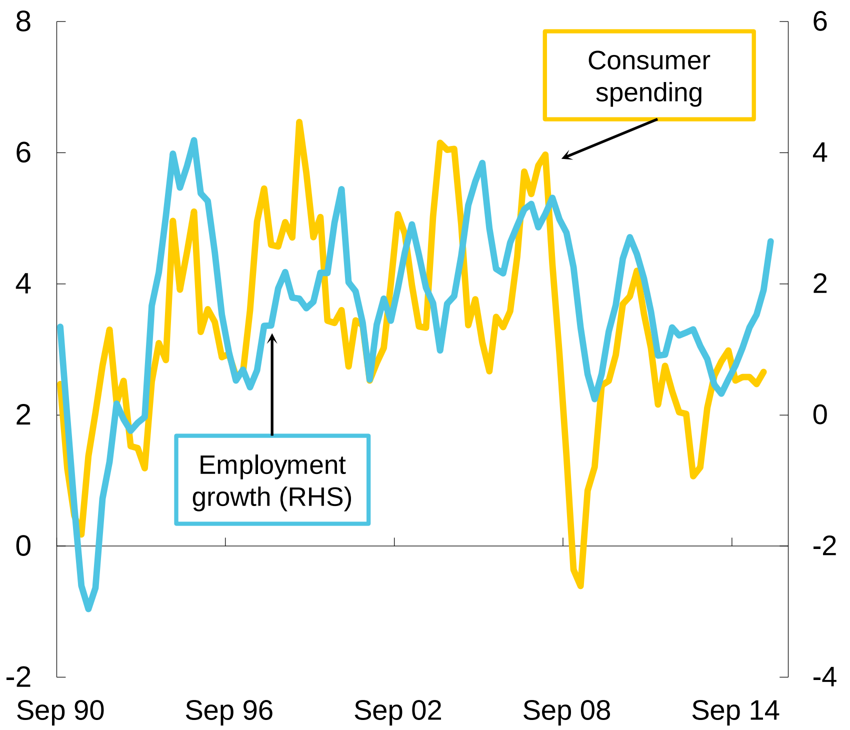
1 Source: ABS

Consumer spending has lifted & the lower currency is supporting service industries

Other parts of the transition are more encouraging. An improvement in the labour market is positive for consumer spending, despite the weakness in wages growth. The Australian dollar is declining and is an important driver of incomes in exporters and import-competing businesses.

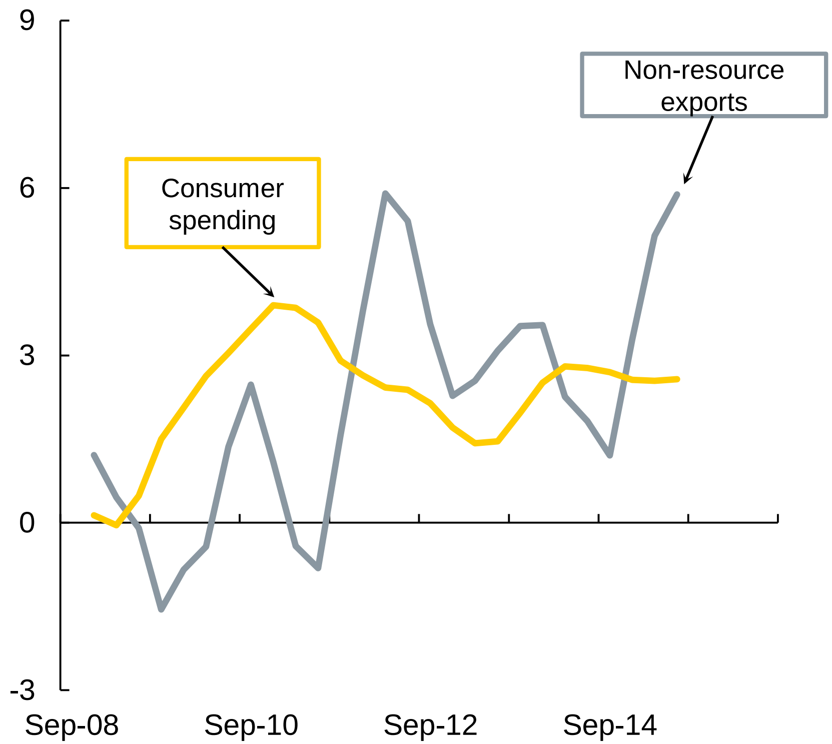
Employment & the consumer[1]

(annual % change)



Some "surprises"[1]

(smoothed annual % change)



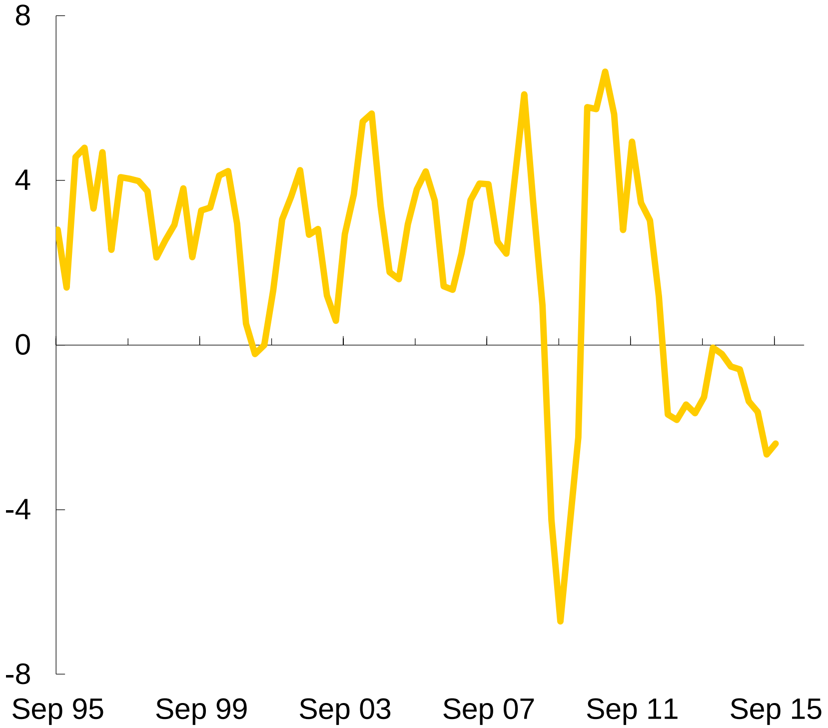
1 Source: ABS

There is an income threat because of the declines in commodity prices

Income weakness is a key source of risk to the economy in 2016. Falling commodity prices are driving the terms-of-trade lower. And a falling term-of-trade weighs on incomes. Real gross domestic income per capita has been falling for some time. A weak Chinese economy has weighed on commodity demand. But rising supply is the main drag on prices.

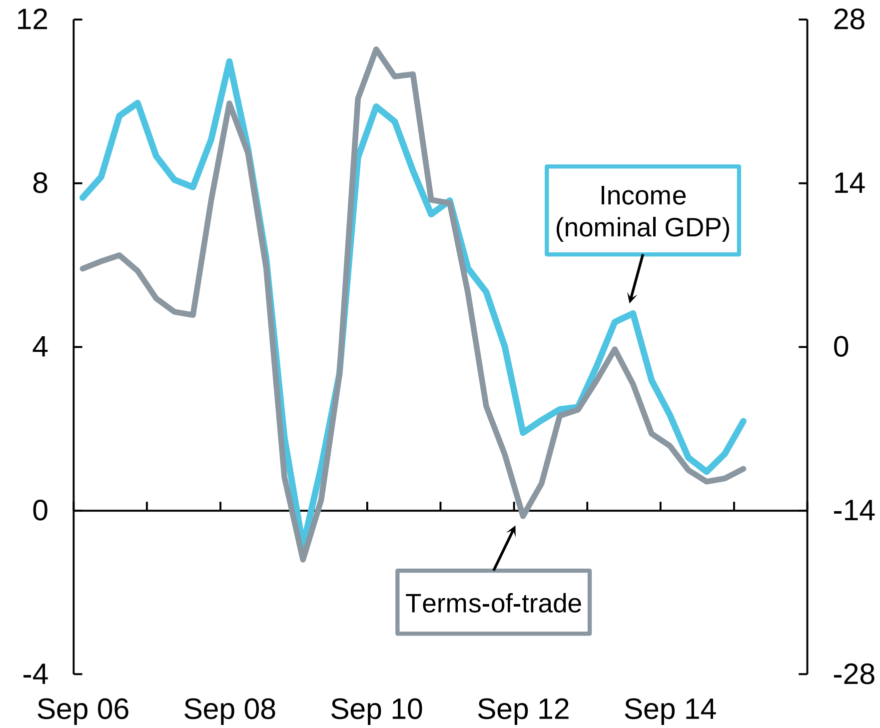
Per capita income[1]

(real net national disposable income % per annum)



Income & the terms-of-trade

(annual % change)



1 Source: ABS

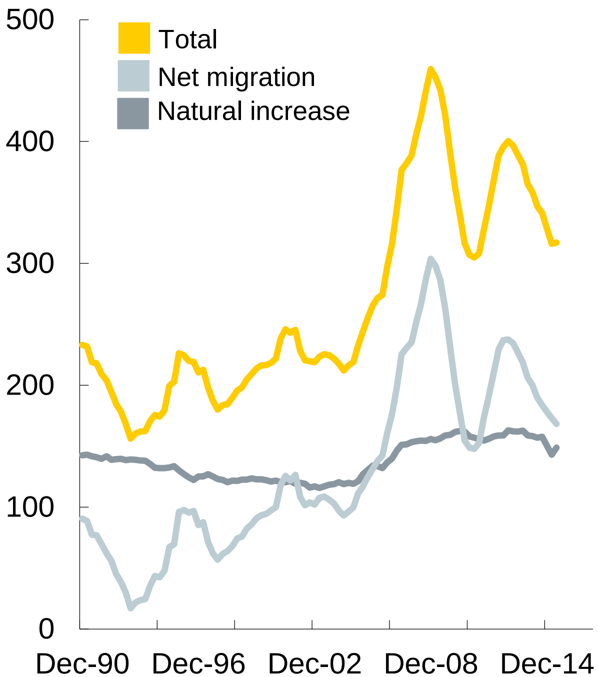
CommonwealthBank

The housing market is slowing

Population growth slowed as migration has eased. Therefore, the underlying demand for new dwellings has stepped down. Housing supply is now running ahead of housing demand satisfying some past backlog. Dwelling construction will still remain high in 2016 because of approvals for medium-high density dwellings. But the growth of new construction has slowed.

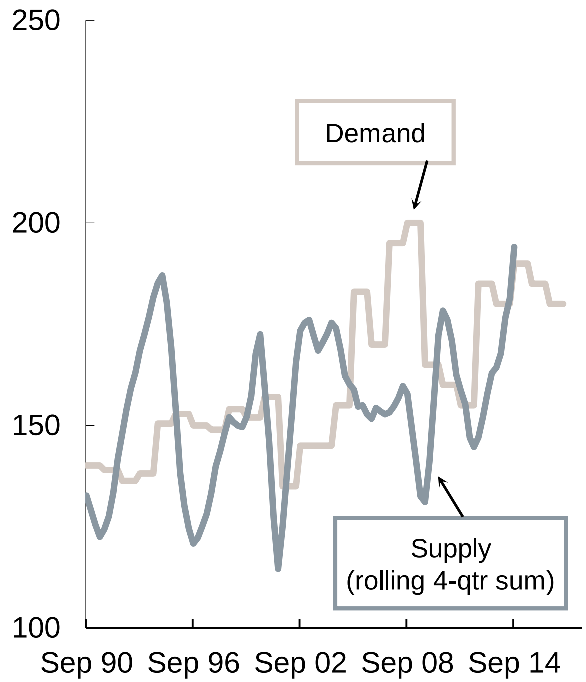
Population growth[1]

(moving annual total '000)



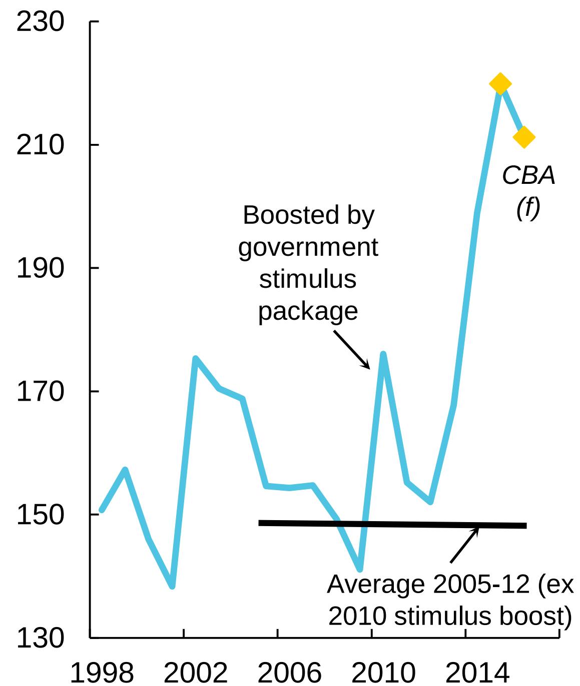
Housing demand & supply[2]

('000)



Dwelling commencements[1]

('000)



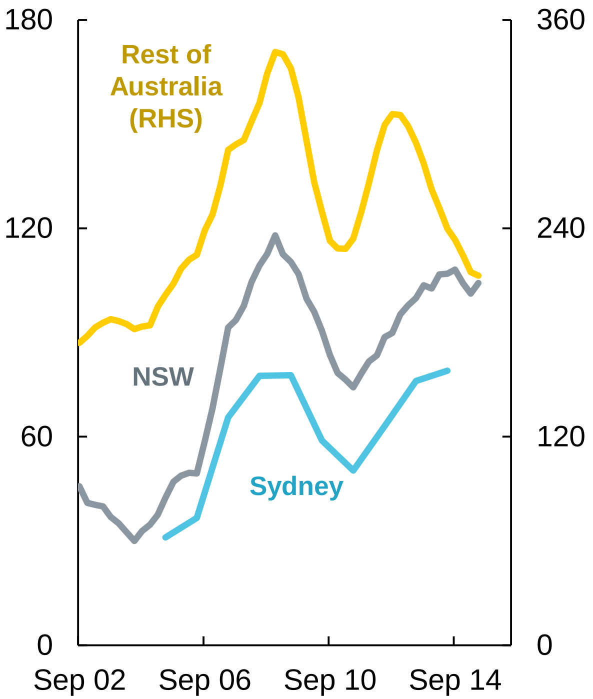
1 Source: ABS
2 Source: ABS / CBA

Dwelling price growth stabilising nationally

Dwelling price growth varies widely by region. House and apartment price growth is now stabilising, rather than lifting. Higher dwelling prices and a nudge up in variable mortgage rates is reducing the incentive for owner-occupiers. And slower rental growth, higher borrowing costs and tighter lending standards are reducing the attractiveness for investors.

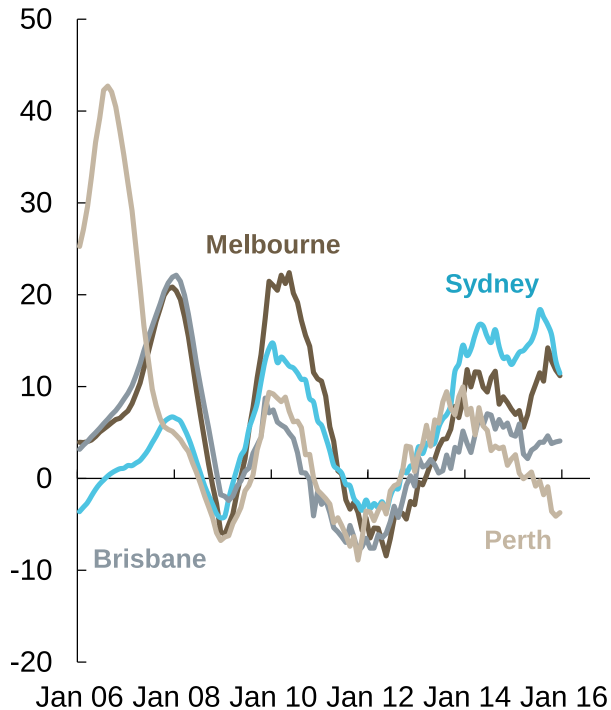
Population growth[1]

(annual change ‘000)



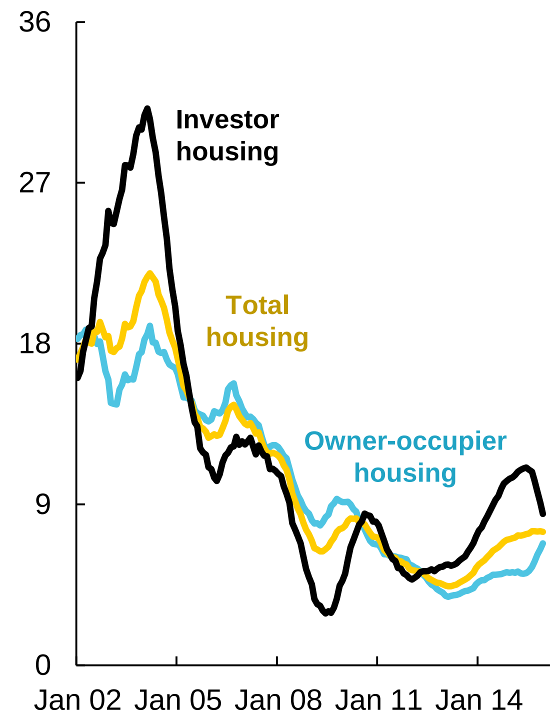
Dwelling prices[2]

(annual % change)



Housing credit growth[3]

(annual % change)

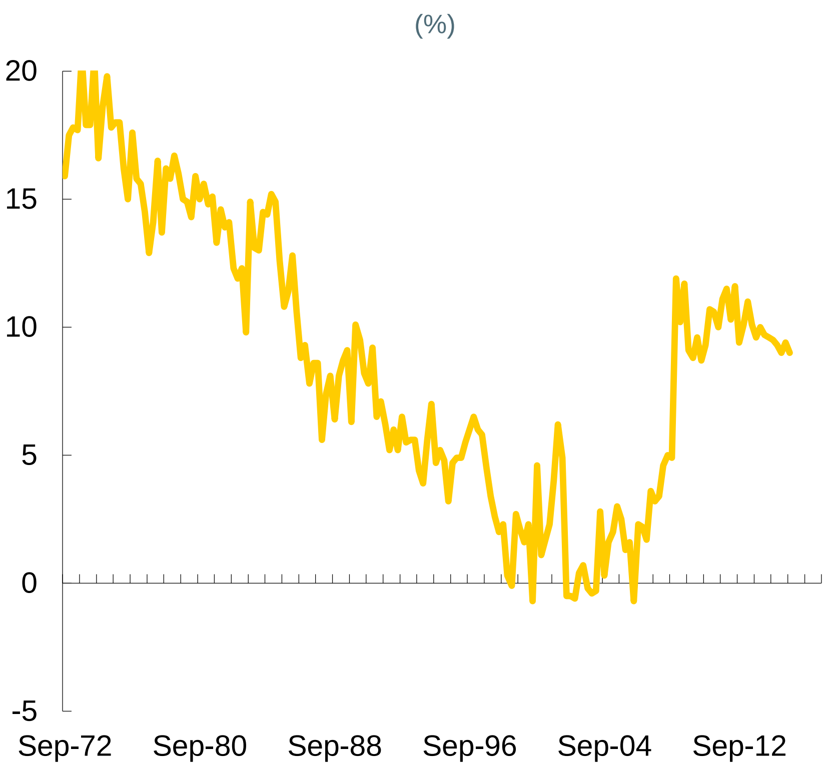


1 Source: ABS
2 Source: CoreLogic RP Data
3 Source: RBA

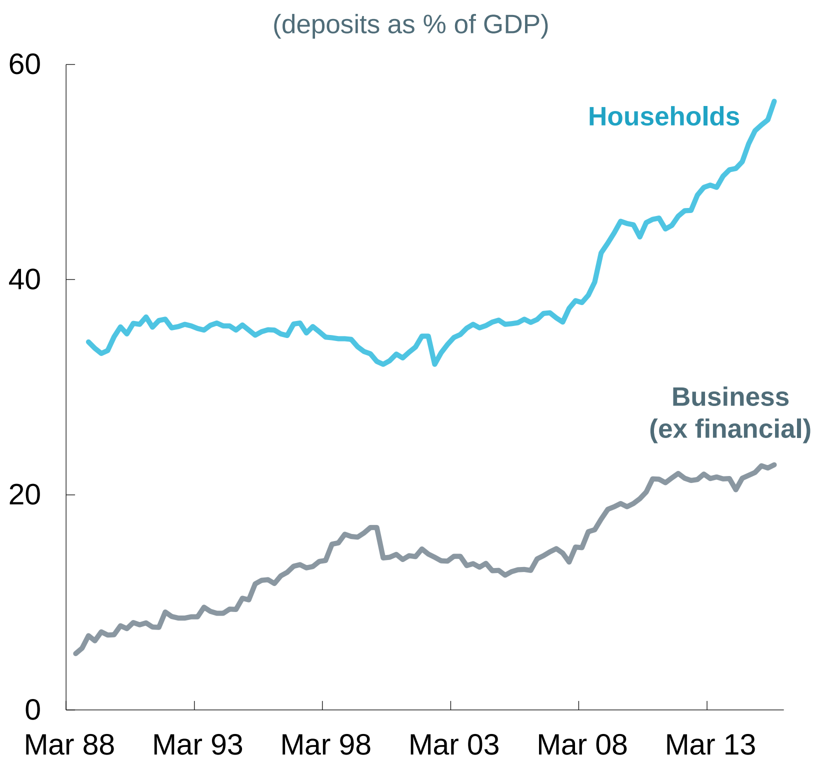
Household balance sheets remain strong

Volatility in global markets remains high, driven by concerns about US Federal Reserve interest rate rises and uncertainty over China's growth story. But Australian businesses and households are well placed to deal with these global risks. Households have cut back their use of consumer debt (credit cards, margin loans). Housing debt is being repaid at a faster than usual rate. The savings ratio remains at the higher end of the range for the past 30 years.

Saving ratio[1]



Cash holdings[2]



1 Source: ABS
2 Source: ABS / RBA

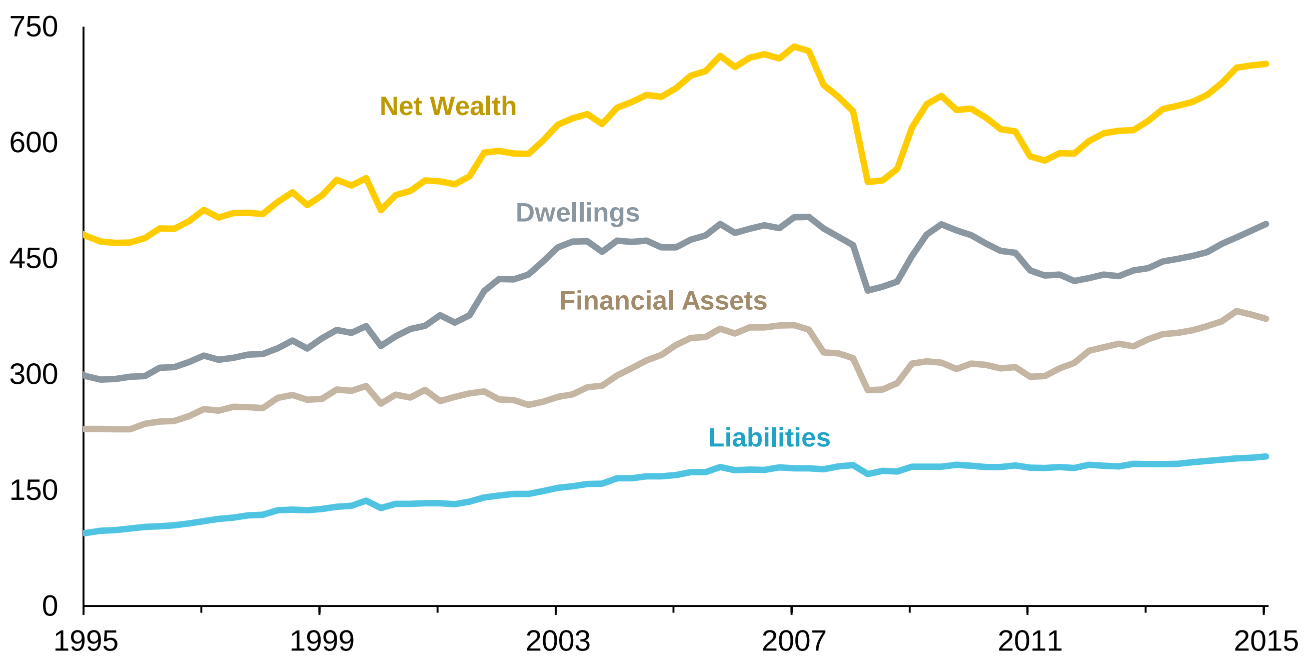
 CommonwealthBank

Households in better shape in net terms

Household net worth has improved despite an increase in debt, driven by a large increase in the value of residential assets. Financial assets have also been improving.
Households would be vulnerable to a fall in asset values and/or a rise in interest rates.

Household Wealth and Liabilities[1]

(% of annual household disposable income)



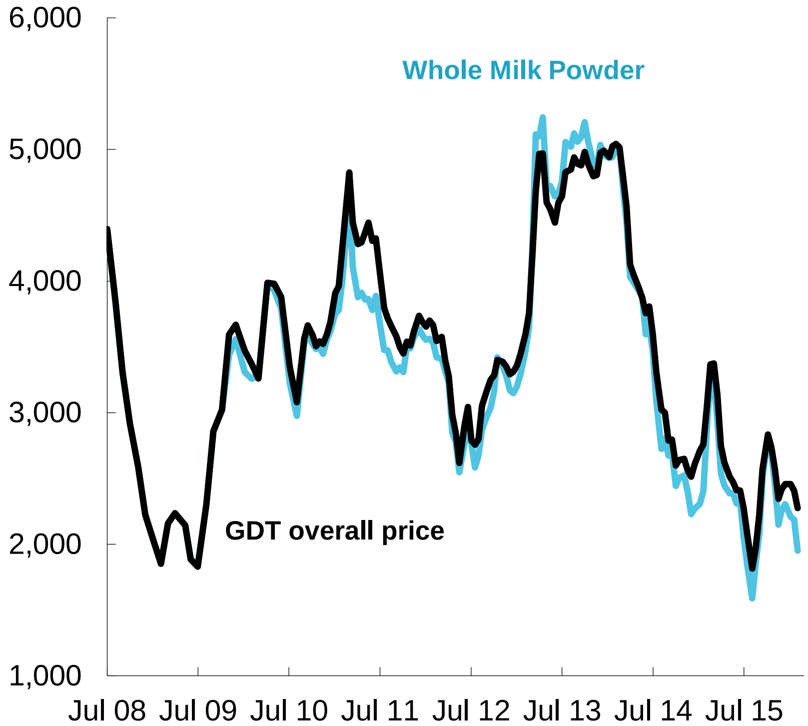
1 Disposable income is after tax and before the deduction of interest payments. Source: ABS / RBA.

New Zealand

Dairy prices weakened over 2014 and 2015. A gradual recovery is expected over 2016, with the lagged impact of the lower NZD/USD further boosting local currency revenues. Meanwhile, tourism (2nd biggest foreign exchange earner) is going from strength to strength. Chinese visitor numbers have soared over the past few years.

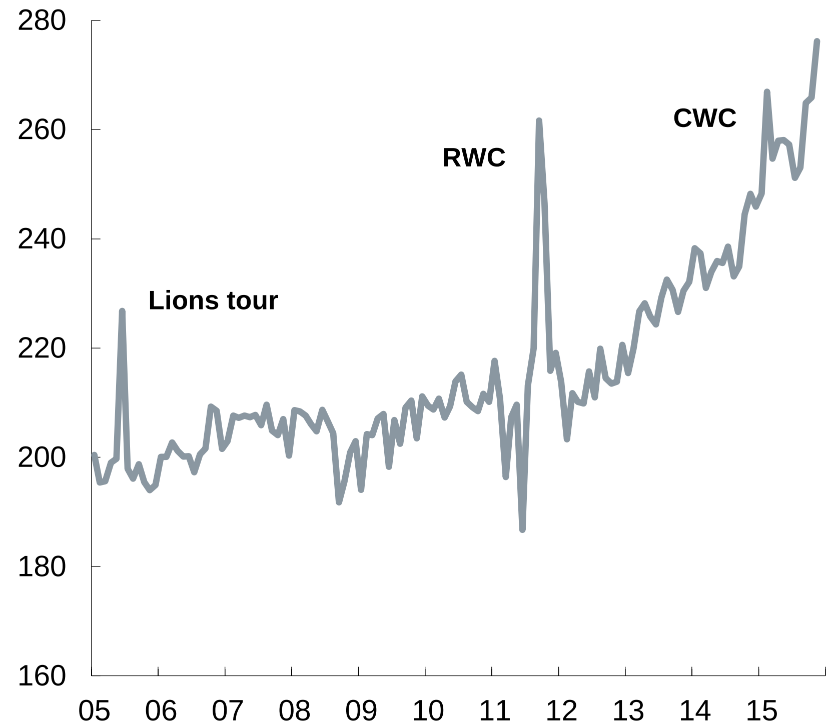
Global dairy trade auction results[1]

(USD/tonne)



NZ short term arrivals[2]

(monthly, seasonally adjusted '000)



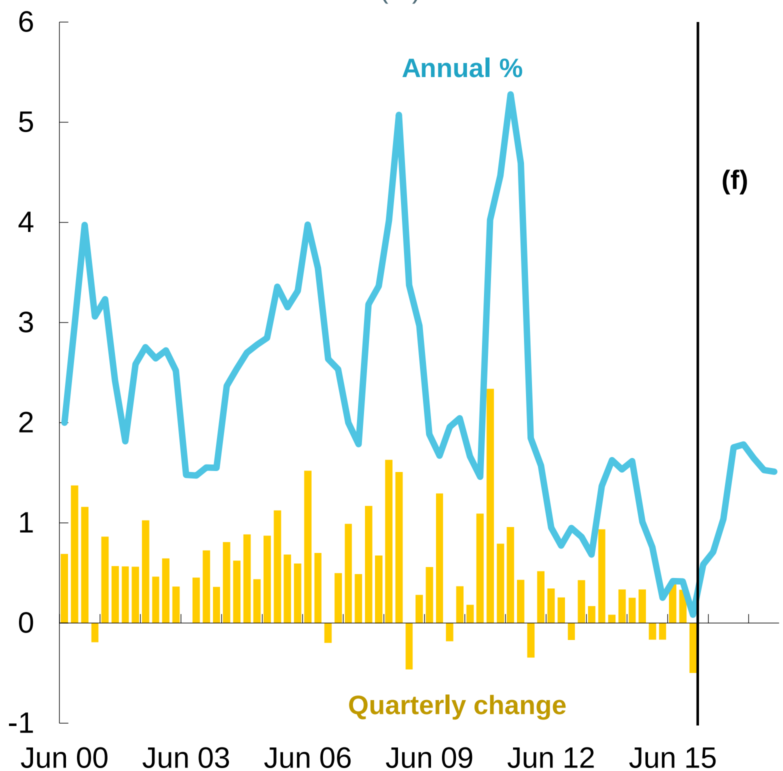
1 Source: GlobalDairyTrade
2 Source: Stats NZ

New Zealand

The inflation environment remains very subdued, even with the impact of the NZ dollar depreciation. The RBNZ has cut the Official Cash Rate from 3.5% to 2.5%. Risks are the RBNZ will eventually cut the OCR even further in 2016.

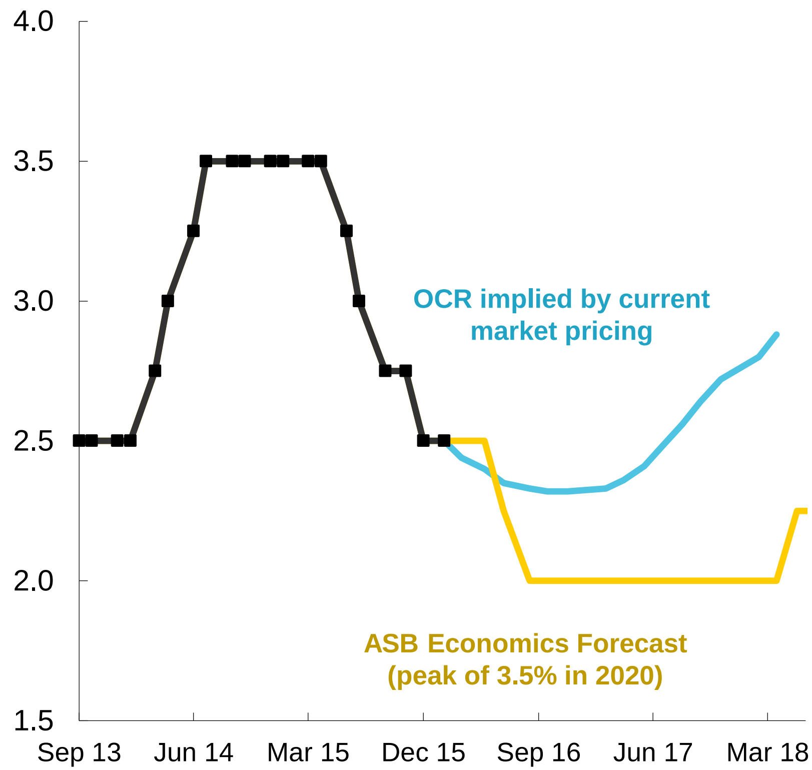
NZ CPI inflation[1]

(%)



OCR forecasts[2]

(ASB forecast and implied market pricing)



1 Source: Stats NZ / ASB
2 Source: ASB

New Zealand

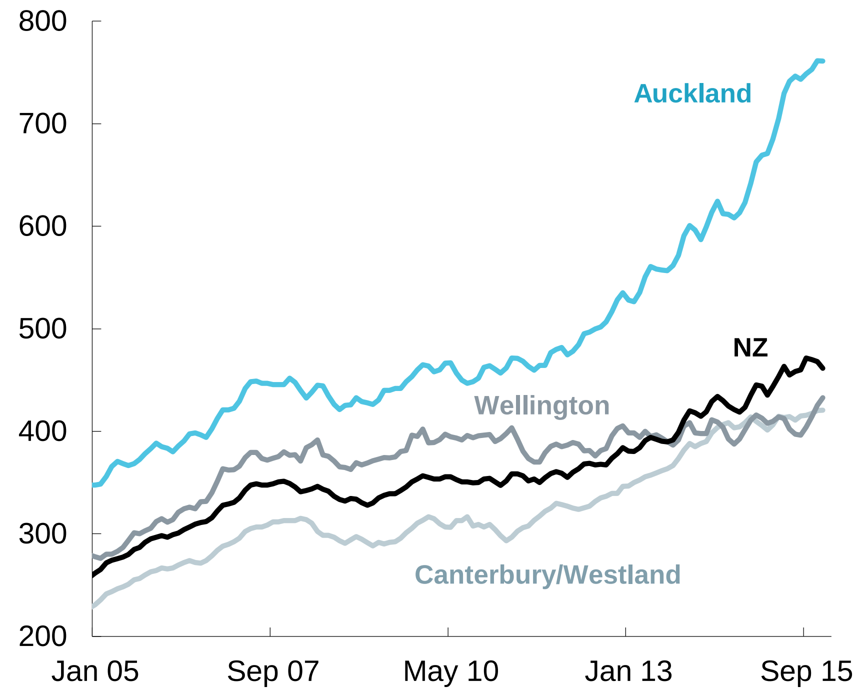
Auckland-only investor lending restrictions and nationwide tax changes (including the requirement for all investors to have tax numbers to complete property transactions) are biting in the Auckland housing market. The relaxing of ex-Auckland lending restrictions is, in contrast, contributing to a degree of pick-up elsewhere, particularly in the centres close to Auckland. Still-strong migration inflows and low interest rates will continue to support the housing market and mortgage credit growth, though at a slower pace than in 2015.

NZ household lending growth[1]

(% annual change)

NZ median house price[2]

(3 month moving average $'000)

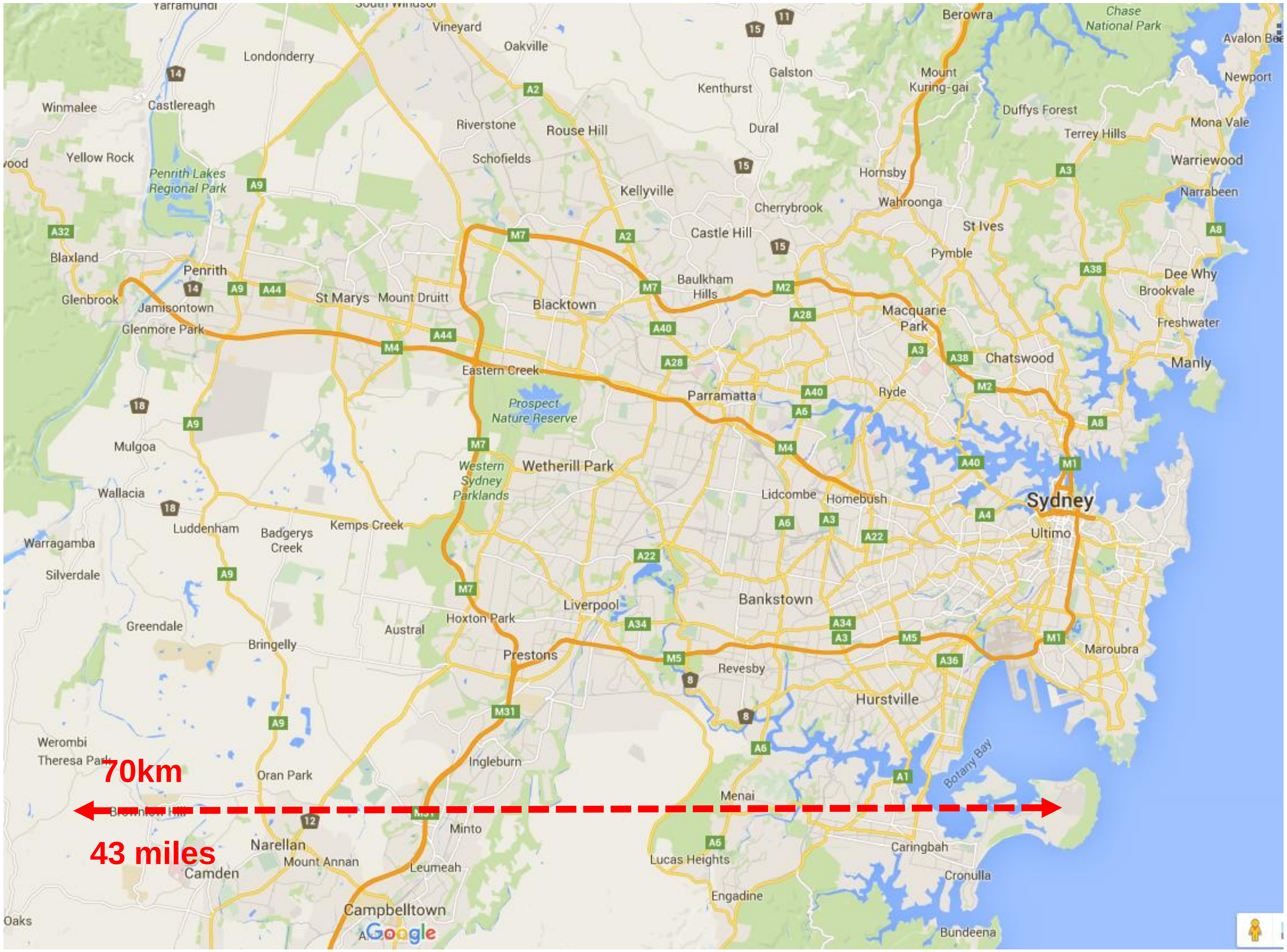


1 Source: RBNZ / ASB
2 Source: REINZ

Appendix

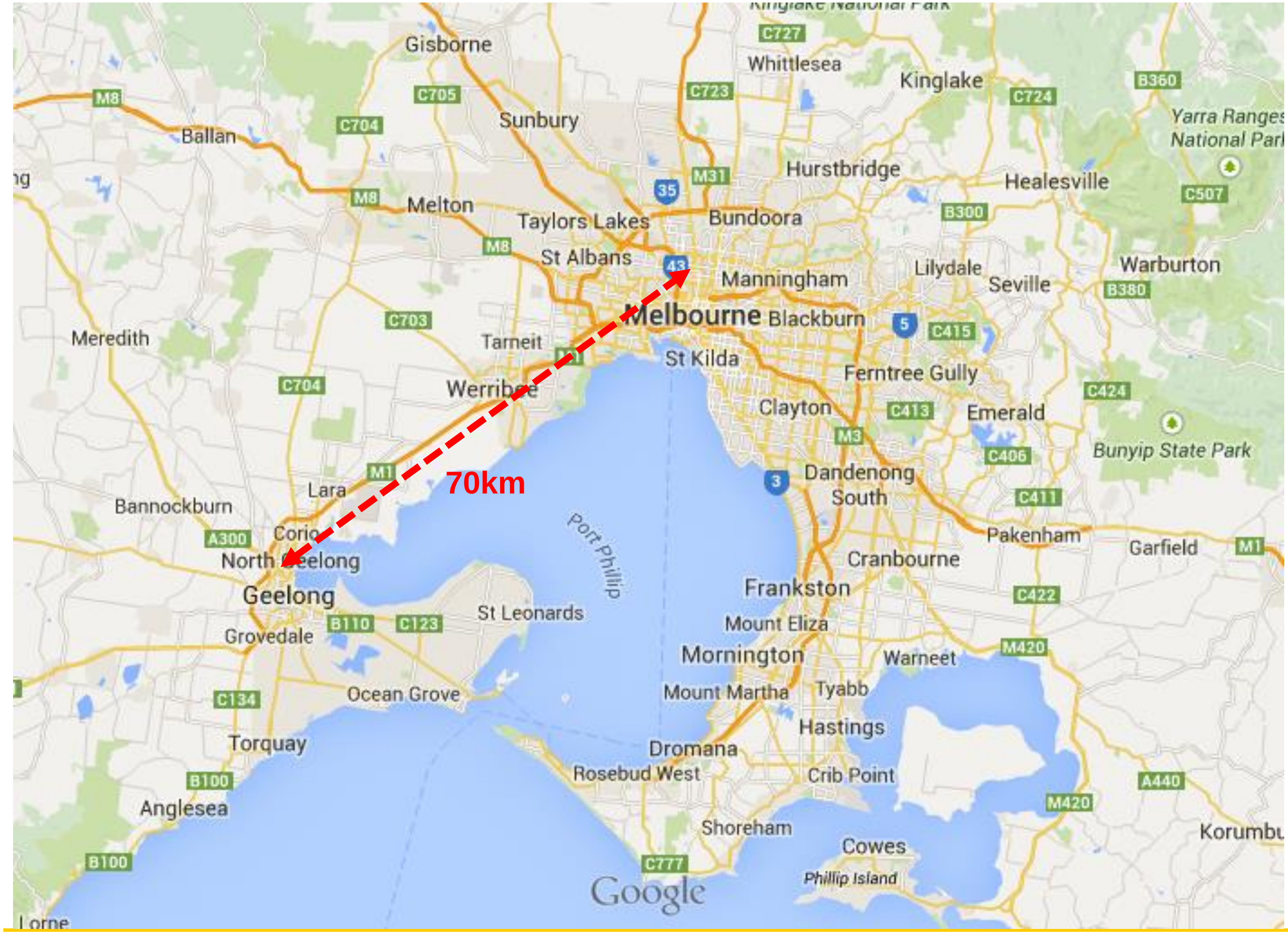
CAN

Sydney



CommonwealthBank

Melbourne


Gisborne
Whittlesea
Kinglake
Yarra Ranges National Park
Sunbury
Ballan
Hurstbridge
Healesville
Melton
Taylors Lakes
Bundoora
St Albans
Manningham
Lilydale
Seville
Warburton
Melbourne
Blackburn
Meredith
Tarneit
St Kilda
Ferntree Gully
Werribee
Clayton
Emerald
Bunyip State Park
Dandenong South
70km
Lara
Bannockburn
Corio
North Geelong
Port Phillip
Pakenham
Garfield
Cranbourne
Geelong
Frankston
St Leonards
Mount Eliza
Grovedale
Mornington
Warneet
Ocean Grove
Mount Martha
Tyabb
Hastings
Torquay
Dromana
Rosebud West
Crib Point
Anglesea
Shoreham
Cowes
Phillip Island
Google
Lorne