

Debt Investor Update

For the Half Year Ended
31 December 2016

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, 15 February 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.

Any forward-looking statements included in this presentation speak only as at the date of this presentation and undue reliance should not be placed upon such statements. Although the Group believes the forward-looking statements to be reasonable, they are not certain. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise is disclaimed.

The Group is under no obligation to update any of the forward-looking statements contained within this presentation, subject to disclosure requirements applicable to the Group.

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 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 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/>

- ◆ **Half year results**
- ◆ **Funding & Capital**
- ◆ **Strategy**
- ◆ **Credit quality**
- ◆ **Economics**

CBA Overview

	Australia	NZ	Other	Total	
People, Customers & Delivery	Customers	13.5m	2.3m	0.5m	16.3m
	Staff	41,500	5,700	4,500	51,700
	Branches	1,130	131	123	1,384
	ATMs	4,417	435	169	5,021
Customer Satisfaction	Retail			#1	
	Business			= #1	
	Internet Banking			#1	
Market Shares	Main Financial Institution (MFI)			#1	
	Home Lending¹			#1	
	Household Deposits²			#1	
	FirstChoice Platform³			#1	
Strength	Market Capitalisation⁴			#1	
	Capital - CET1 APRA/International⁵			9.9%/15.4%	
	Total Assets			\$972bn	
	Credit Ratings⁶			AA-*/Aa2/AA-	

Refer notes slide at back of this presentation for source information 1. Source: APRA/RBA 2. Source: APRA 3. Source: Strategic Insight Sep-16 (formerly Plan for Life) 4. Source: Bloomberg, 17 Jan 2017 5. Internationally comparable capital - refer glossary for definition. 6. S&P, Moody's, Fitch * S&P put major Australian Banks on "Outlook Negative" 7 Jul 2016. Moody's applied "Negative" outlook 18 August. Fitch updated the outlook on the bank sector to "negative" on 2 Dec, 2016 – though individual CBA issuer rating remained "Stable"



Half Year to 31 December, 2016¹

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

**Integrity
Accountability
Collaboration
Excellence
Service**

Financials

Cash earnings (\$m)	4,907	2%
ROE (Cash)	16.0%	(130) bpts
Cash EPS (\$)	2.86	-
DPS (\$)	1.99	1 cent
Cost-to-Income	43.3%	120 bpts
NIM (%)	2.11	(4) bpts
NIM (%) ex Treasury & Markets	2.08	(5) bpts

Balance Sheet

Total assets (\$bn)	972	8%
Total liabilities (\$bn)	910	8%
FUA (\$bn) – average	150	4%
RWA (\$bn)	436	11%
Provisions to Credit RWAs (%)	1.02	(9) bpts

Capital & Funding

Capital – CET1 (Int'l) ⁴	15.4%	110 bpts
Capital – CET1 (APRA)	9.9%	(30) bpts
LT wholesale funding WAM (yrs)	4.2	0.3yrs
Deposit funding (%)	66%	-
Liquidity Coverage Ratio (%)	135	large
Leverage Ratio (APRA)	4.9%	(10) bpts

1. All movements on prior comparative period unless stated 2. Operating Performance is Total Operating Income less Operating Expenses
3. Growth (2%) ex CVA / FVA 4. Internationally comparable capital - refer glossary for definition

Divisional Contributions

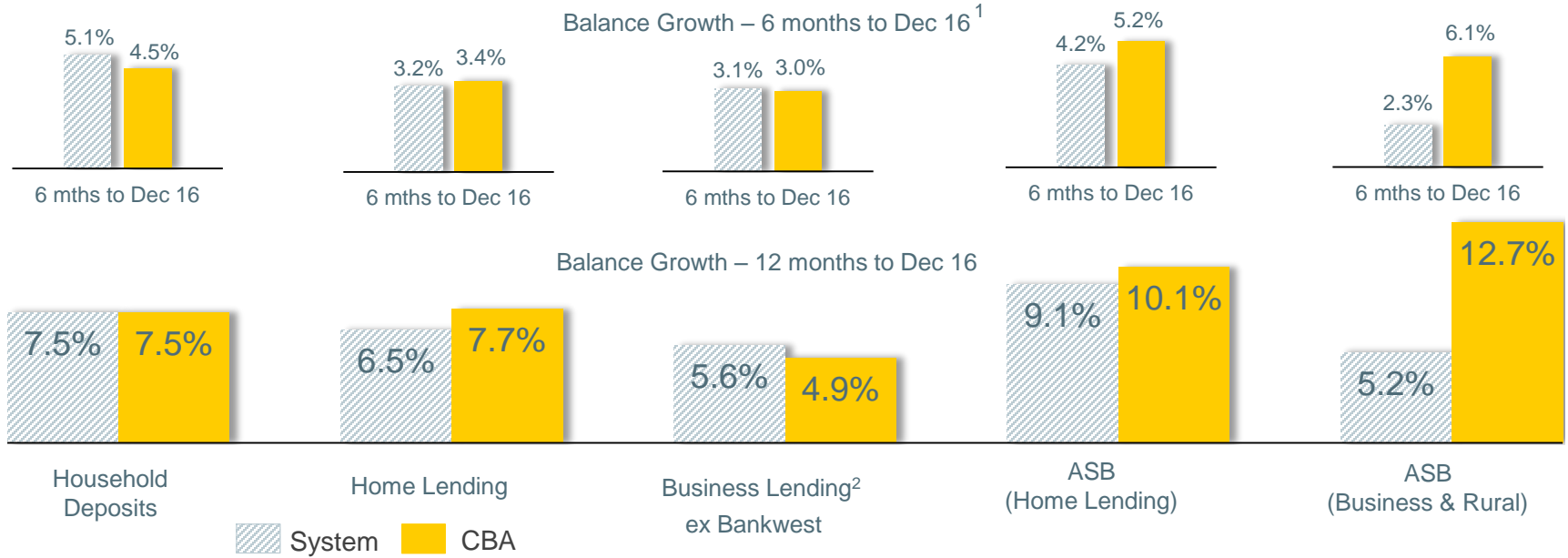
Business Unit ¹	% of Group NPAT	1H17 vs 1H16						
		Operating performance \$m	Operating performance pcp change	LIE \$m	LIE	Cash NPAT	Costs	Cost-to-Income Dec 16
Retail Banking Services	50%	3,868	9%	(350)	14%	9%	2%	31%
Business & Private Bank	16%	1,196	2%	(64)	(9%)	2%	4%	39%
Institutional ² Bank & Markets ex CVA / FVA	14%	940	(2%)	(44)	(69%)	1%	2%	36%
Wealth	5%	306	(35%)	n/a	n/a	(34%)	3%	73%
ASB ³	9%	752	7%	(49)	20%	6%	-	36%
Bankwest	7%	552	(1%)	(43)	Lge	(12%)	(1%)	41%
International Financial Services	1%	84	75%	(52)	93%	Lge	(15%)	67%

1. Excludes Corporate Centre and Other

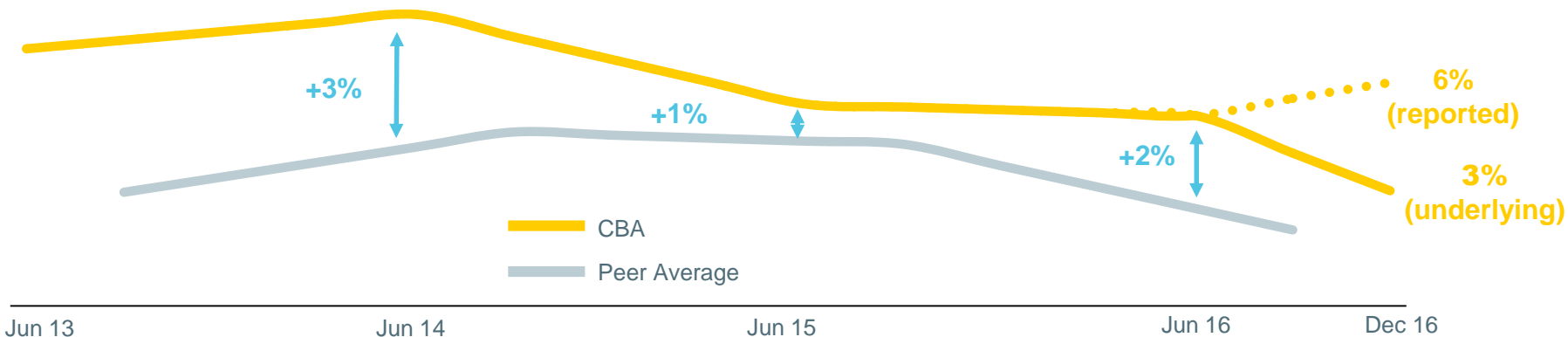
2. % of Group NPAT calculated based on Group result excluding CVA / FVA

3. ASB result in NZD except for "% of Group NPAT", which is in AUD

Volume and Income growth



Income Growth³ (%)

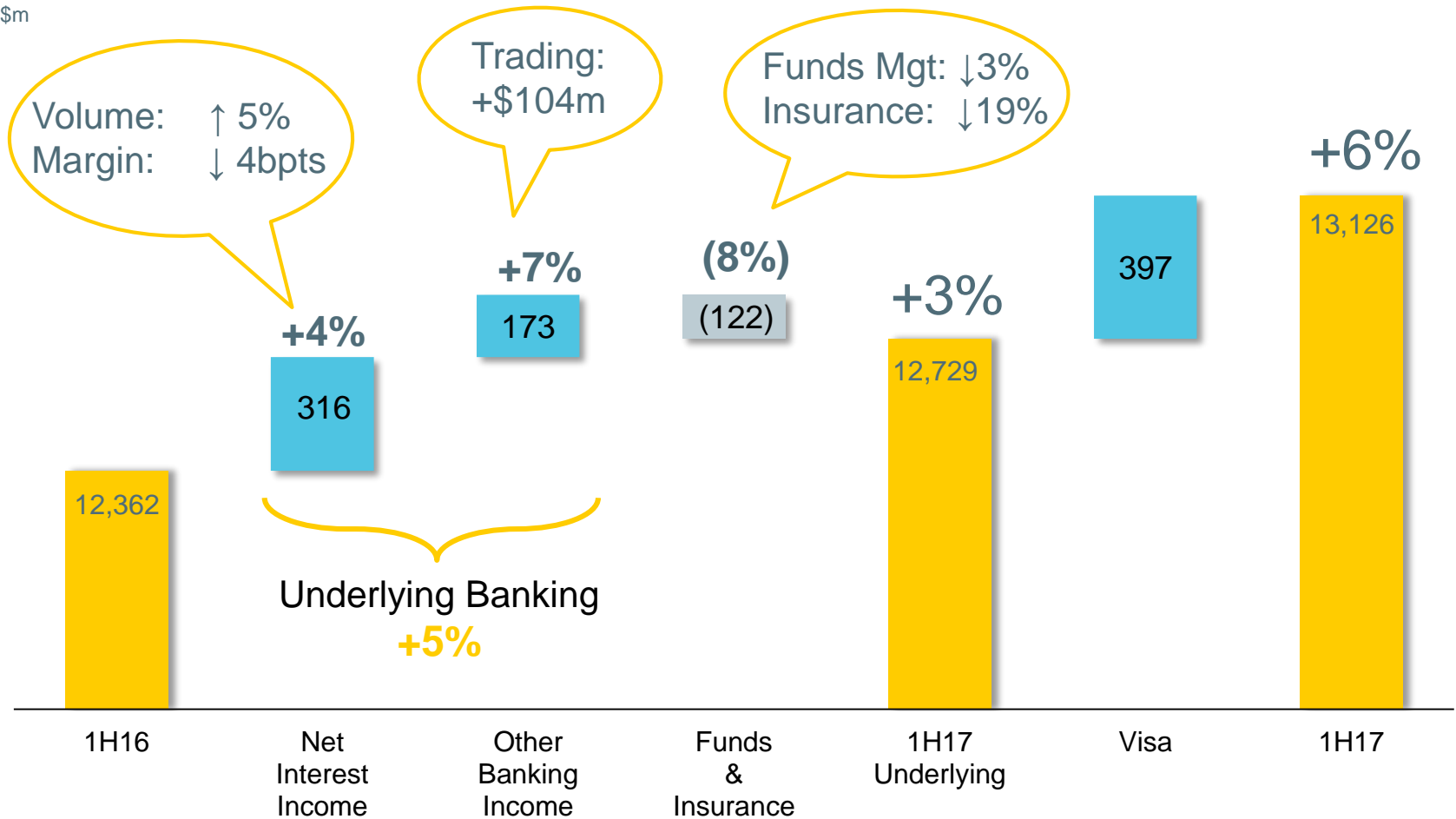


1. Source RBA/APRA/RBNZ. CBA includes BWA except Business Lending.
 2. Domestic Lending balance growth (BPB & IB&M ex CMPF). Source RBA.
 3. Total Operating Income growth on prior comparative period – CBA June financial years, peers September

Underlying income up 3%

Total Operating Income

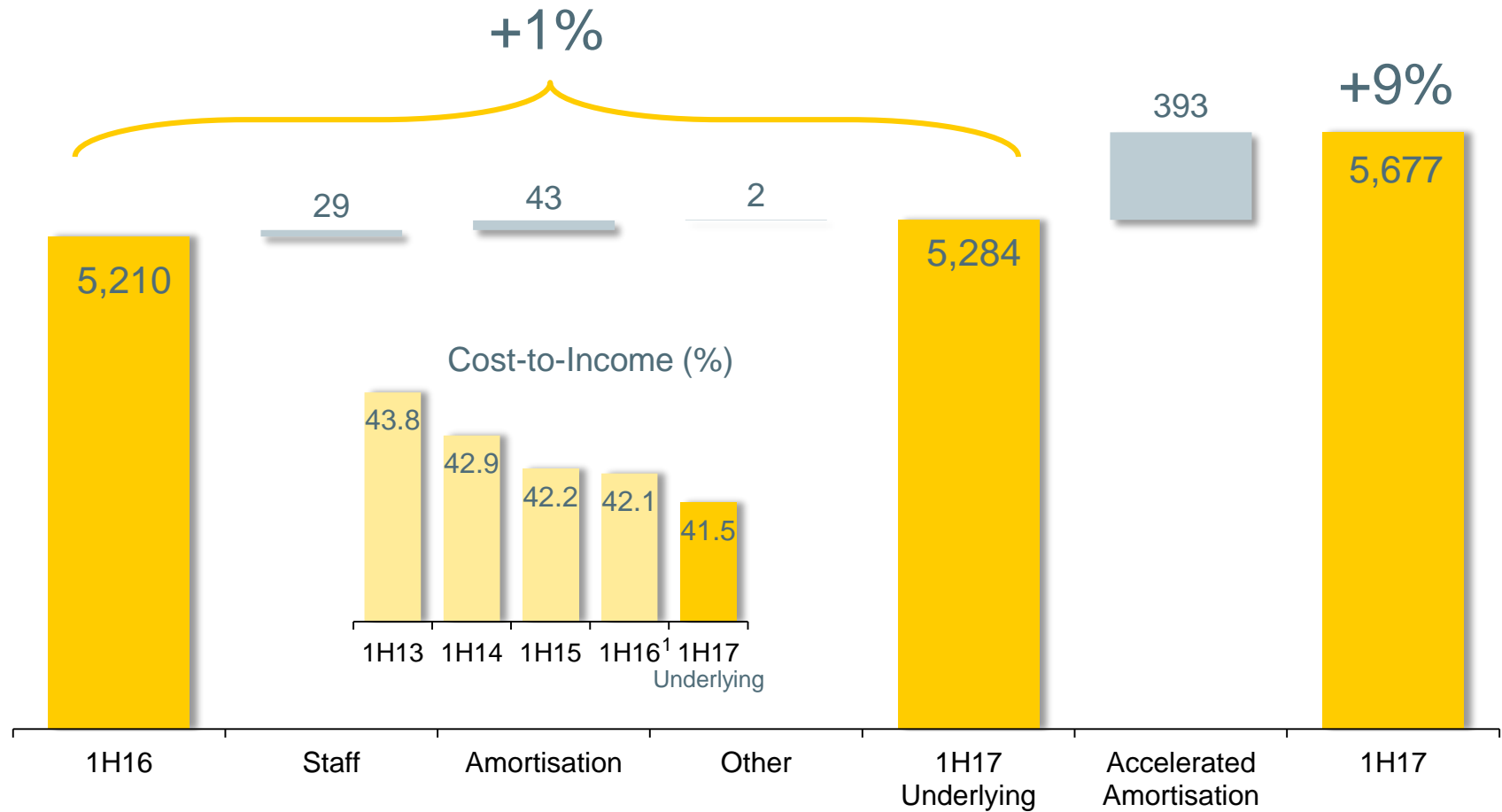
\$m



Expenses

Total Operating Expenses

\$m

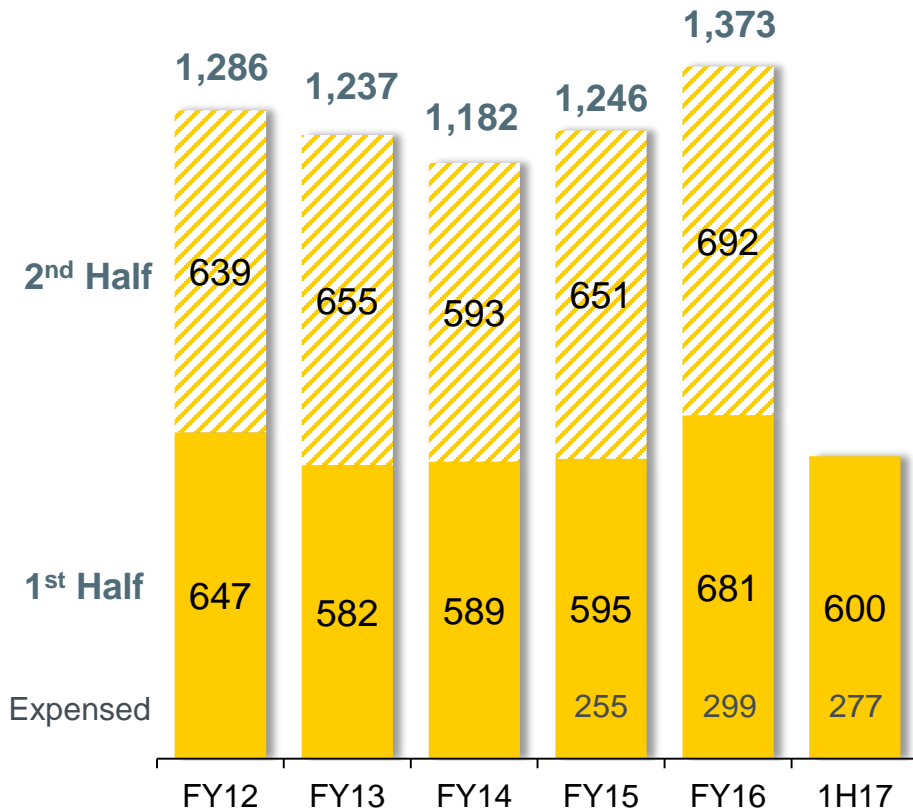


1. 1H16 restated to conform to presentation in the current period

Investment

Gross Investment Spend

\$m



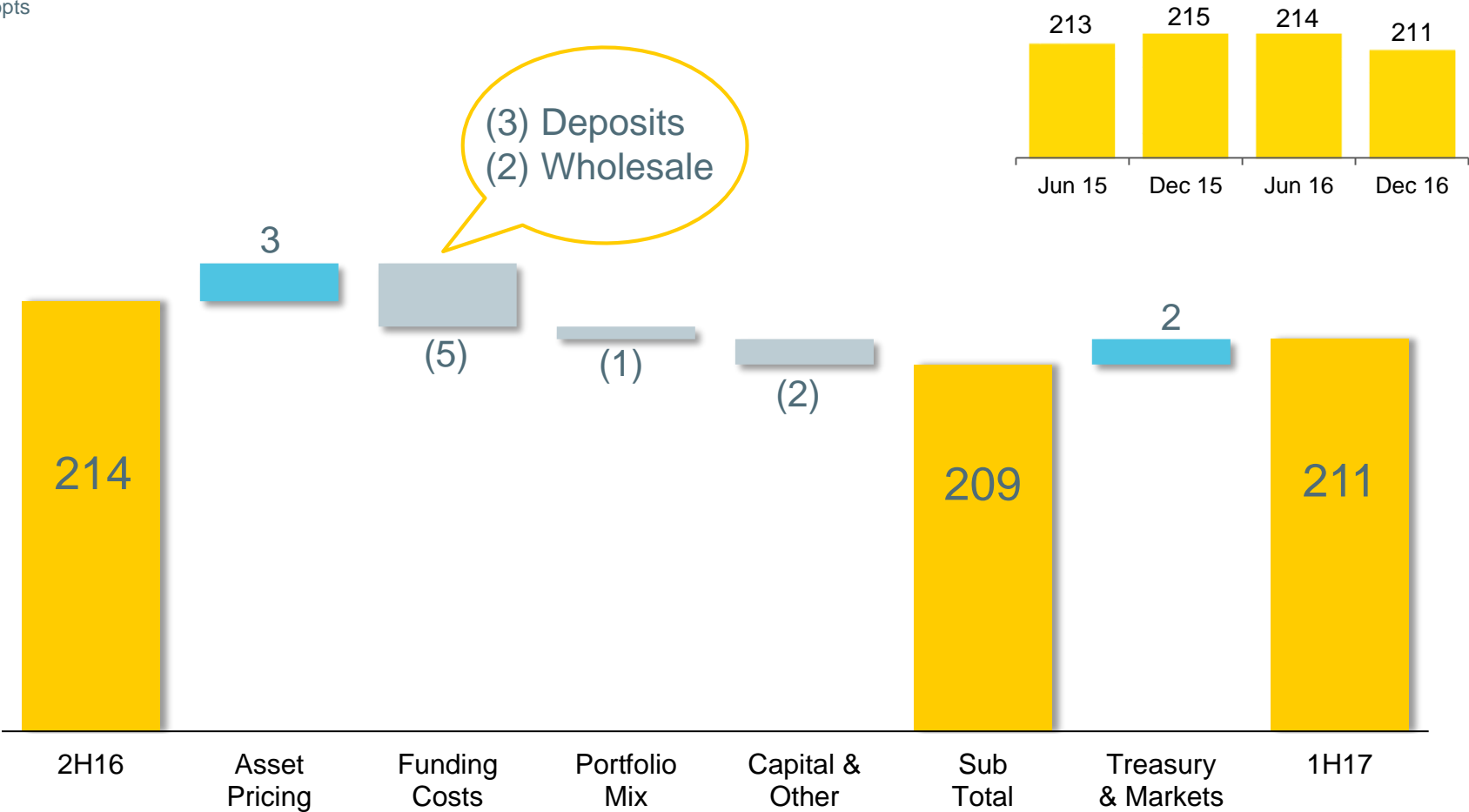
Investment Spend

% of total



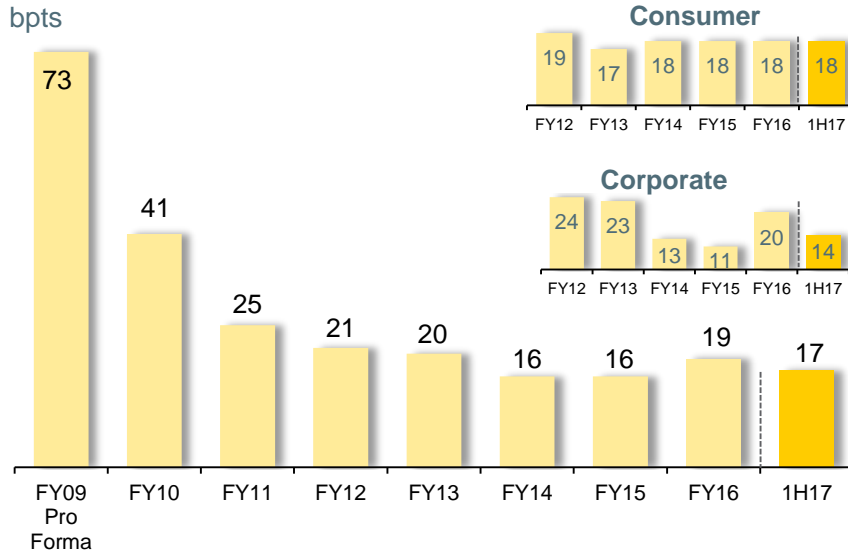
Margin – 6 months

bpts

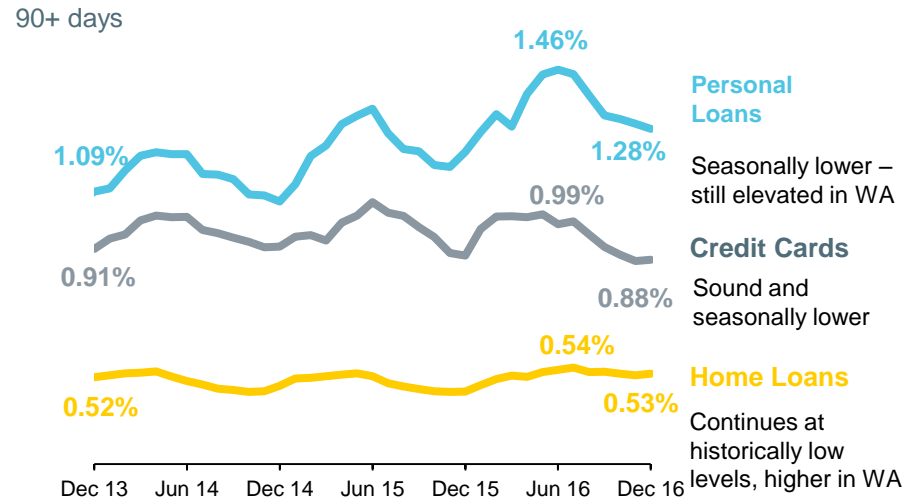


Credit quality

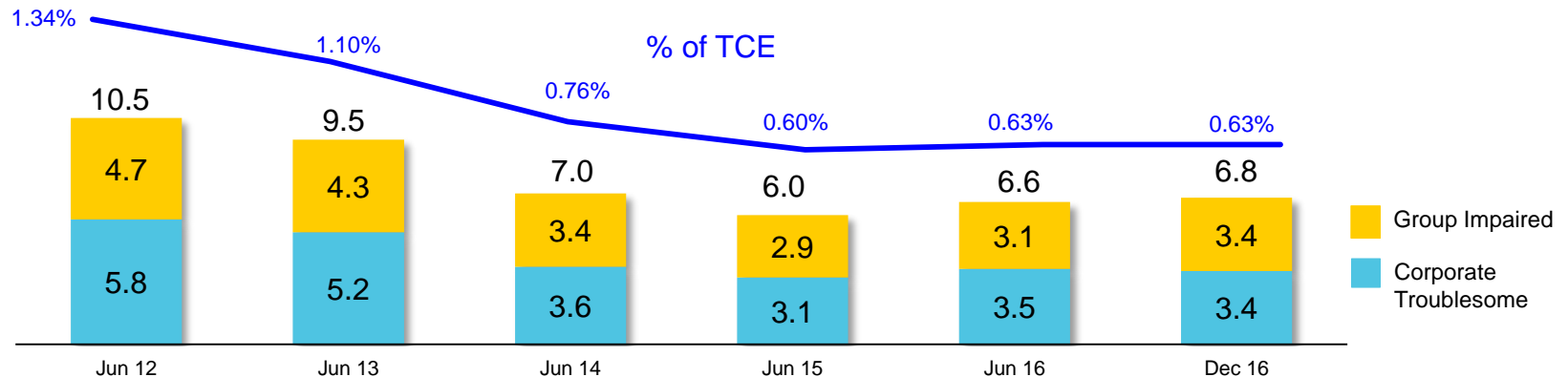
Loan impairment expense¹



Consumer arrears²



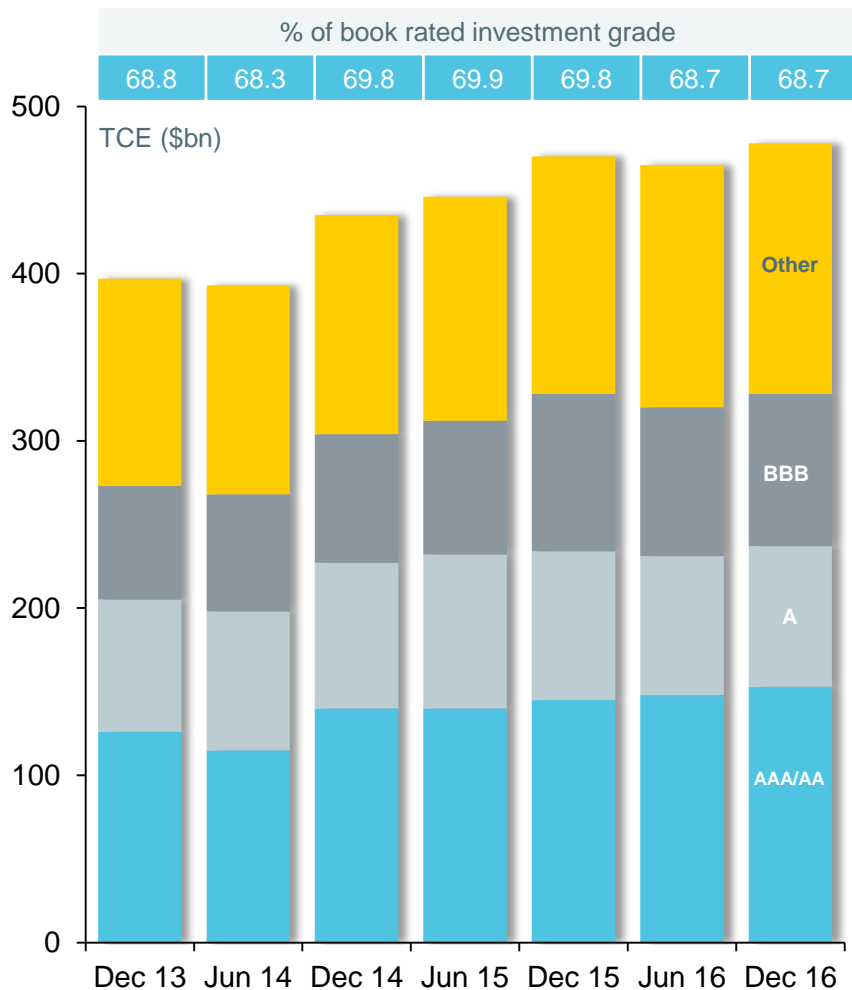
Group TIA



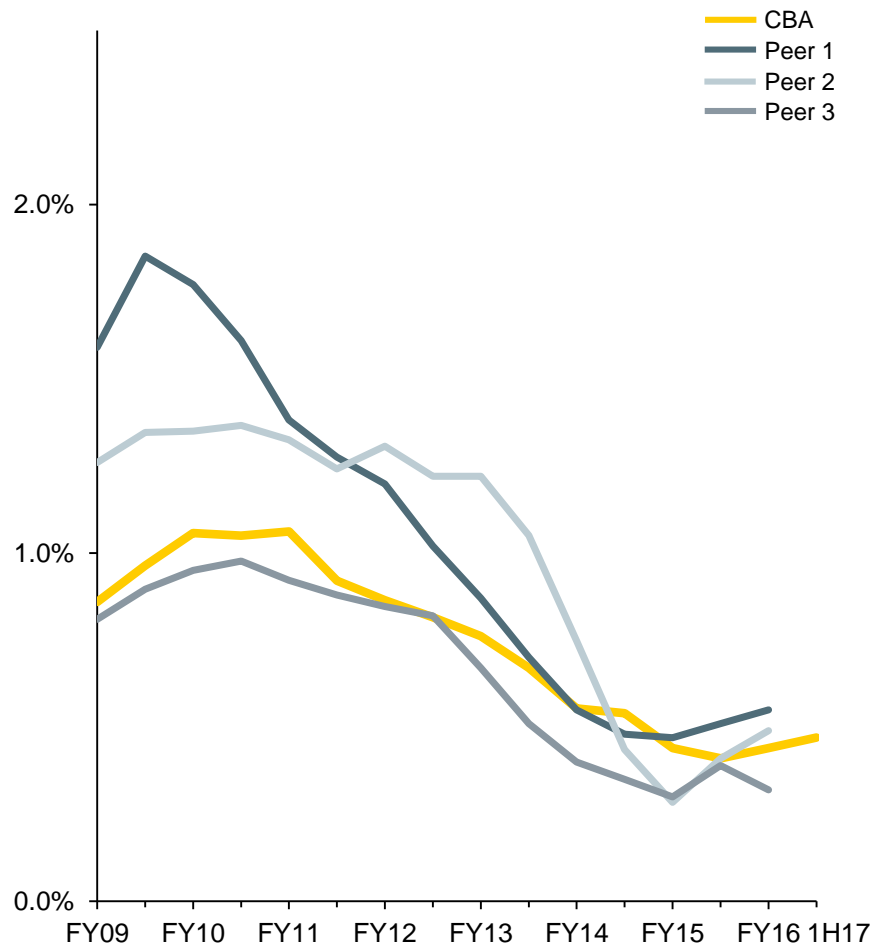
1. Cash LIE basis points (bpts) calculated as a percentage of average GLA. FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year. Statutory LIE for FY10 48bpts, FY13 21bpts and FY14 16bpts.
 2. Consumer home loan arrears exclude reverse mortgage, Commonwealth Portfolio Loan (RBS only) and Residential Mortgage Group (RBS only) loans

Corporate credit quality

Corporate Portfolio Quality



Impaired Assets to GLAs

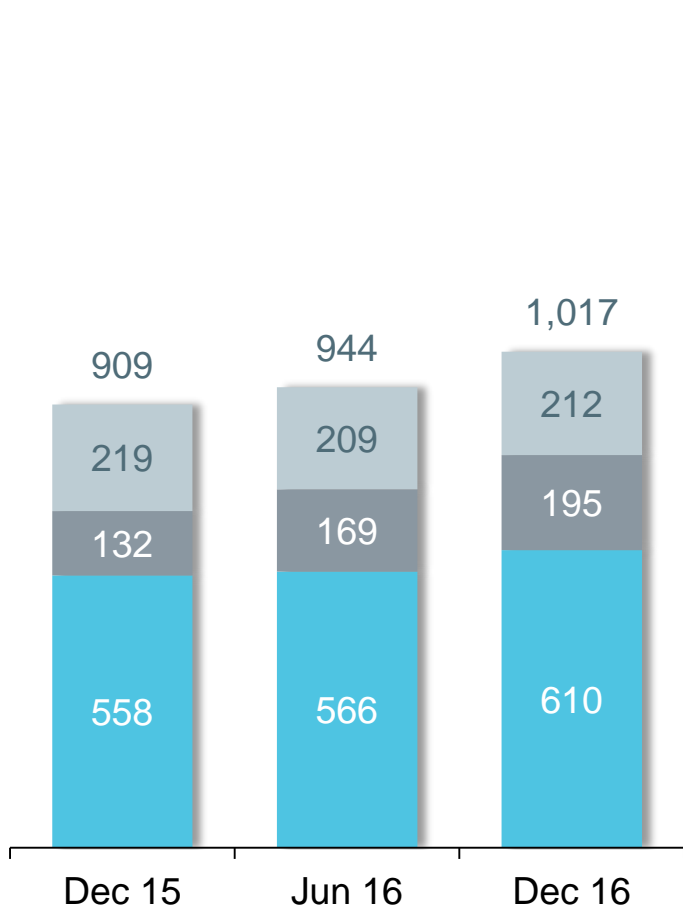


CBA grades in S&P equivalents. Charts based on financial year data (CBA: 31 December, Peers: 30 September).

Provisions

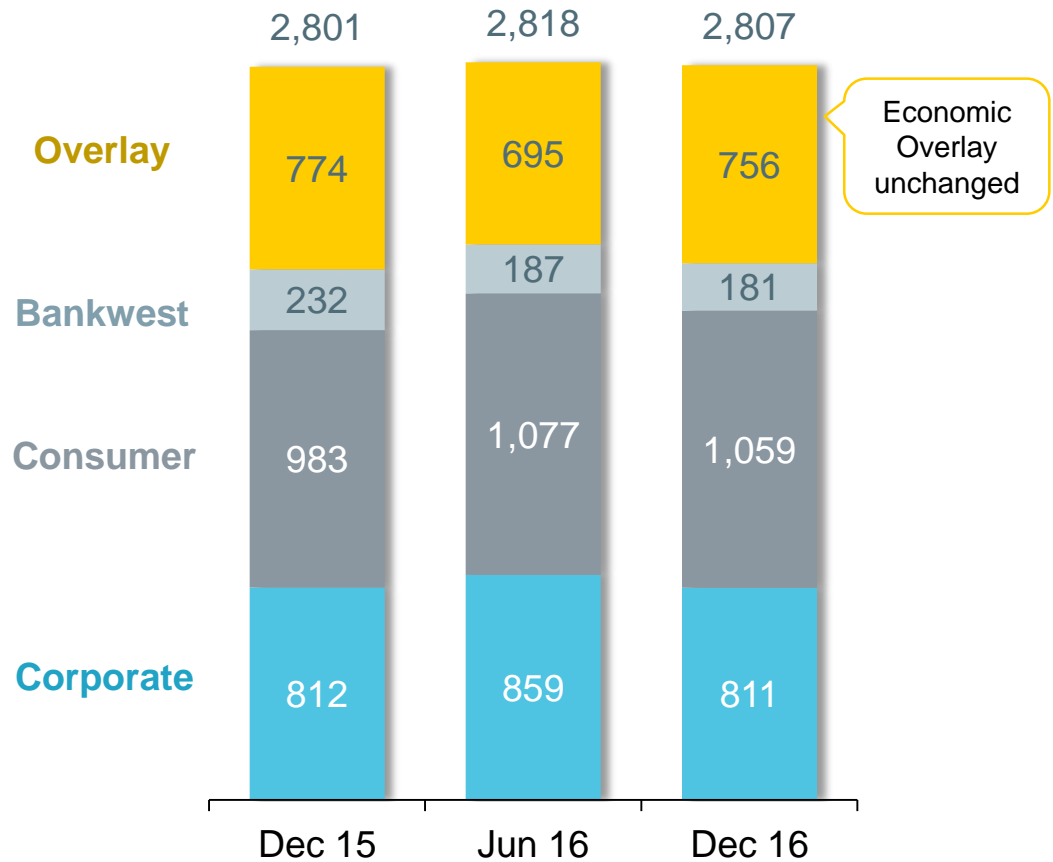
Individual Provisions

\$m



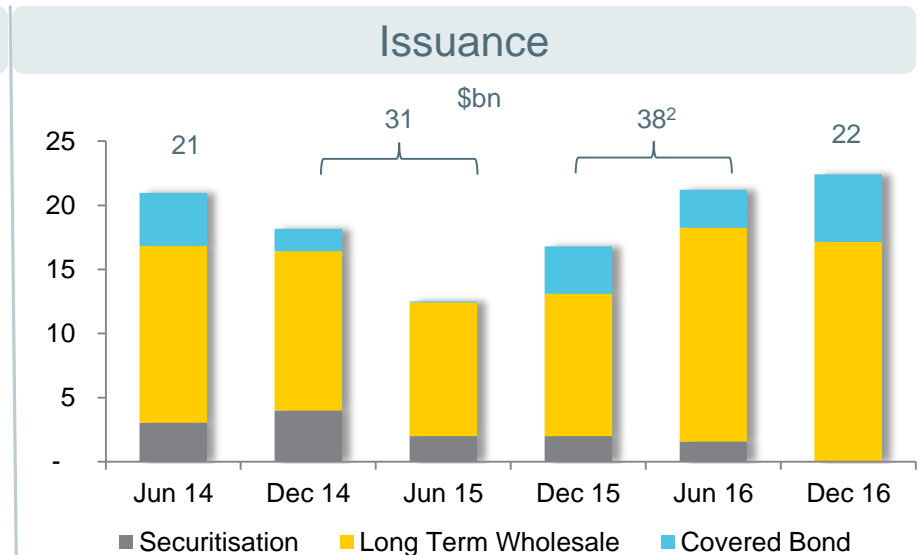
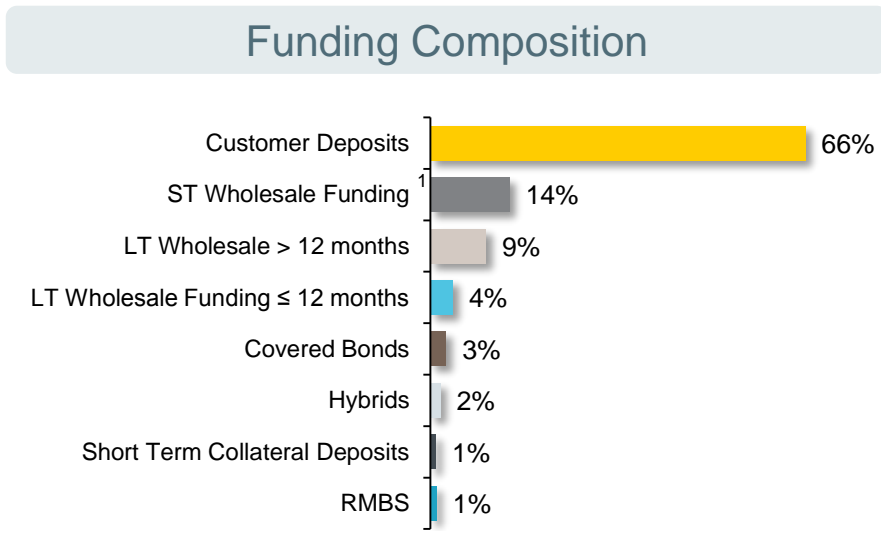
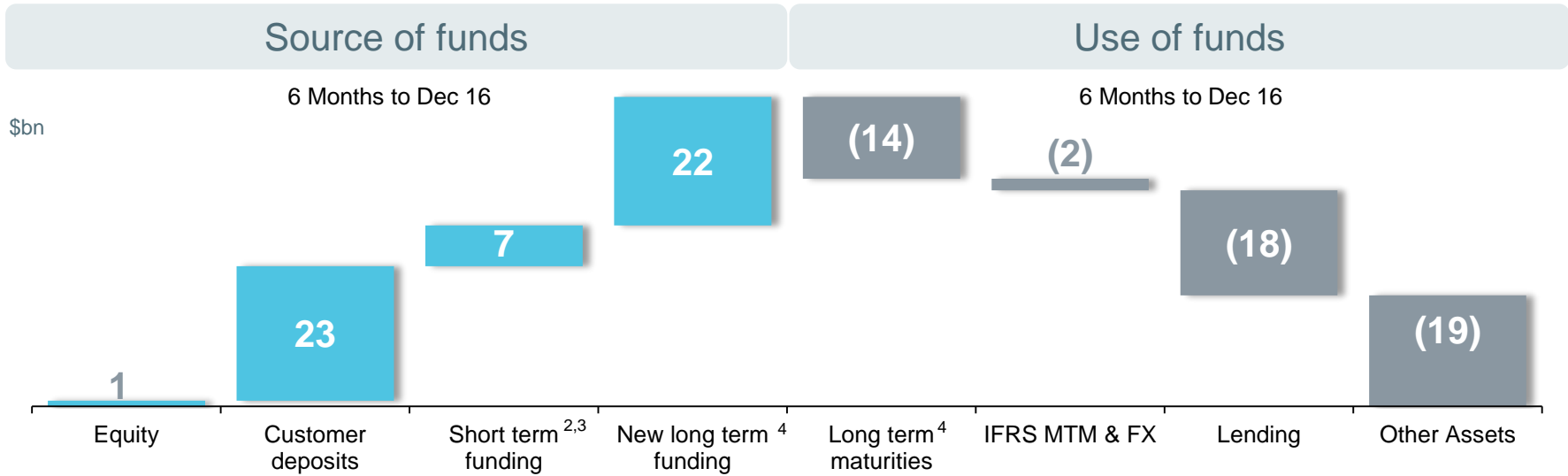
Collective Provisions

\$m



- ◆ Half year results
- ◆ **Funding & Capital**
- ◆ Strategy
- ◆ Credit quality
- ◆ Economics

Funding Overview

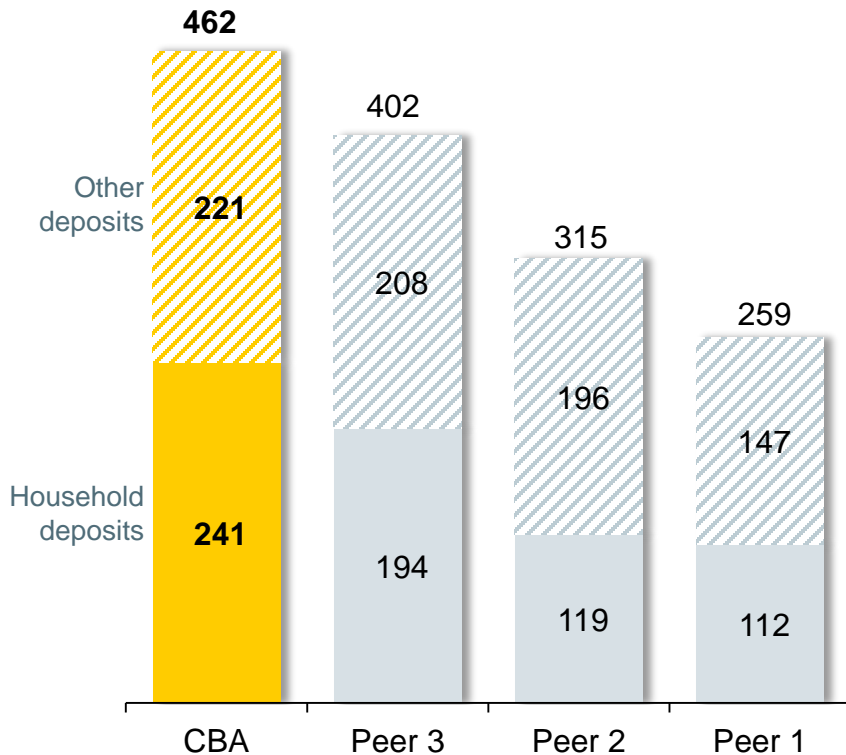


1. Reported at current FX rates 2. Includes the categories 'central bank deposits' and 'due to other financial institutions' (collateral received) 3. Includes net short term collateral deposits 4. Reported at historical FX rates

Deposit funding

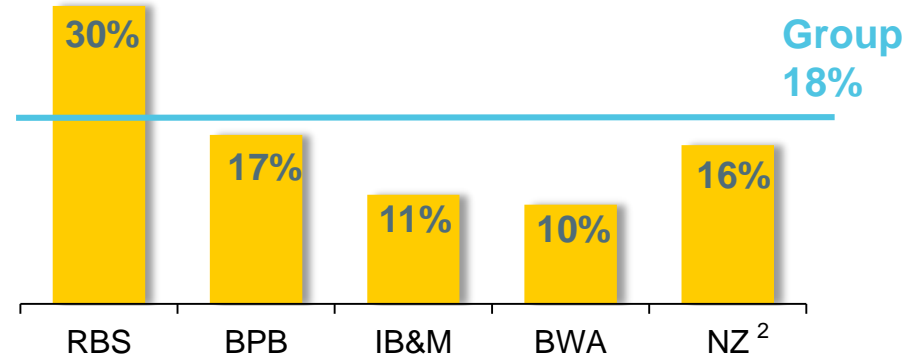
Deposits v Peers¹

December 2016 (\$bn)



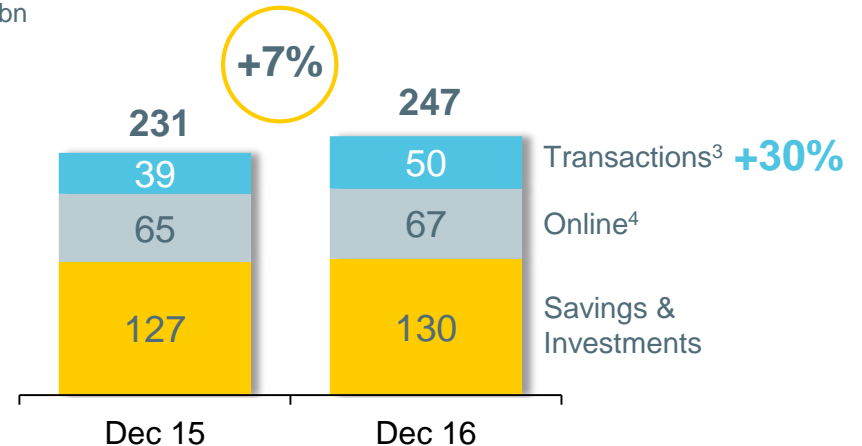
Strong growth across divisions

1H17 v 1H16



Retail Deposit Mix

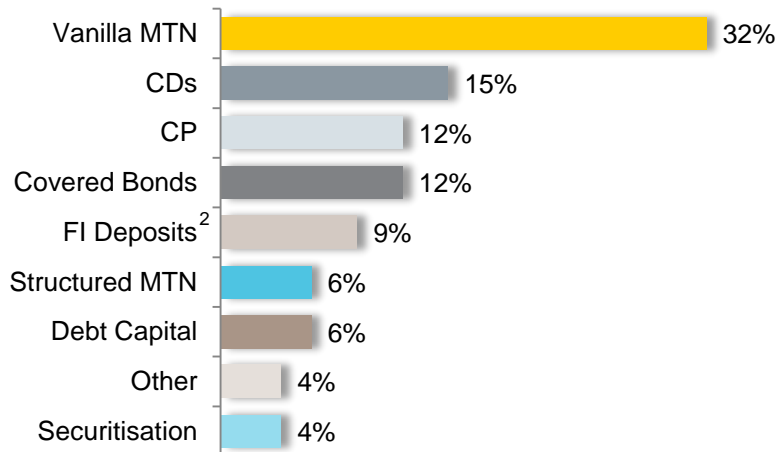
\$bn



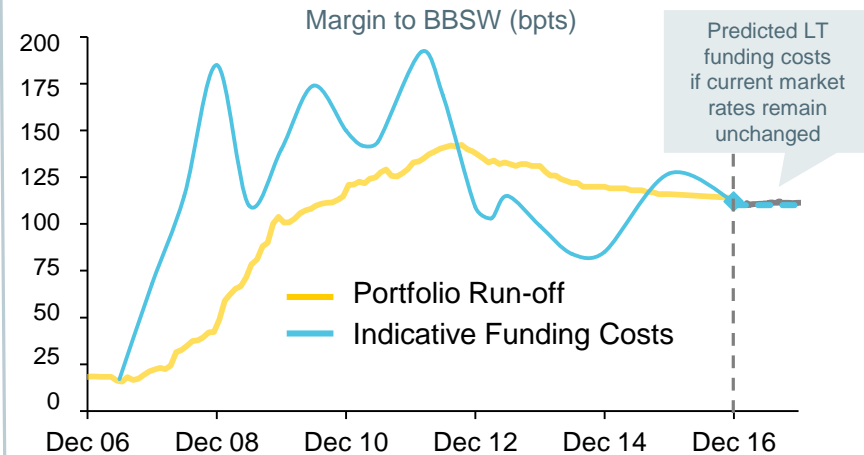
1. Source APRA 2. In NZD 3. Includes non-interest bearing accounts 4. Online includes NetBank Saver, Goal Saver and Business Online Saver

Wholesale funding - Overview

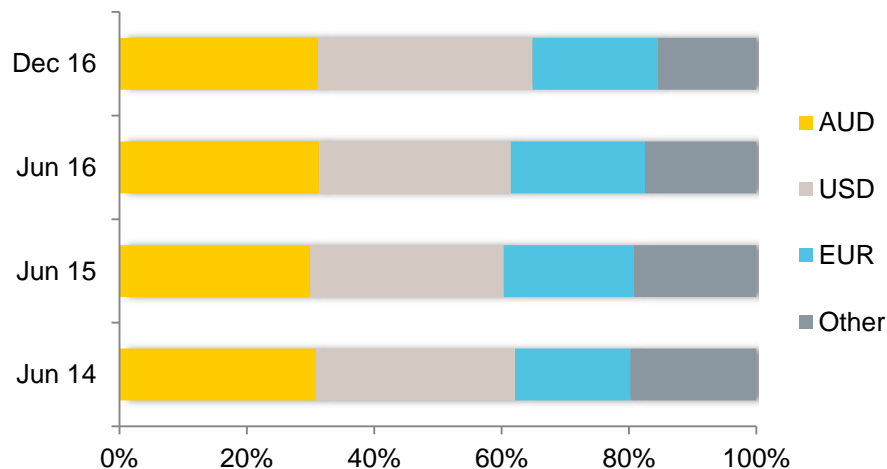
Wholesale Funding by Product



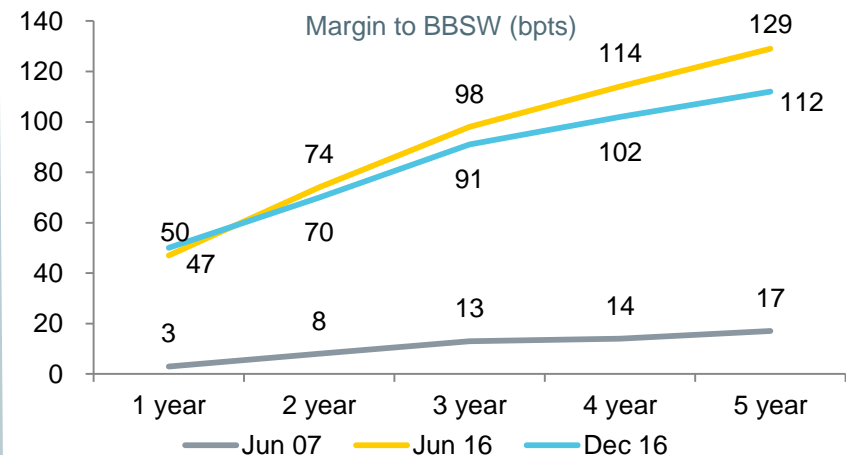
Average Long Term Funding Costs



Term Wholesale Funding by Currency¹



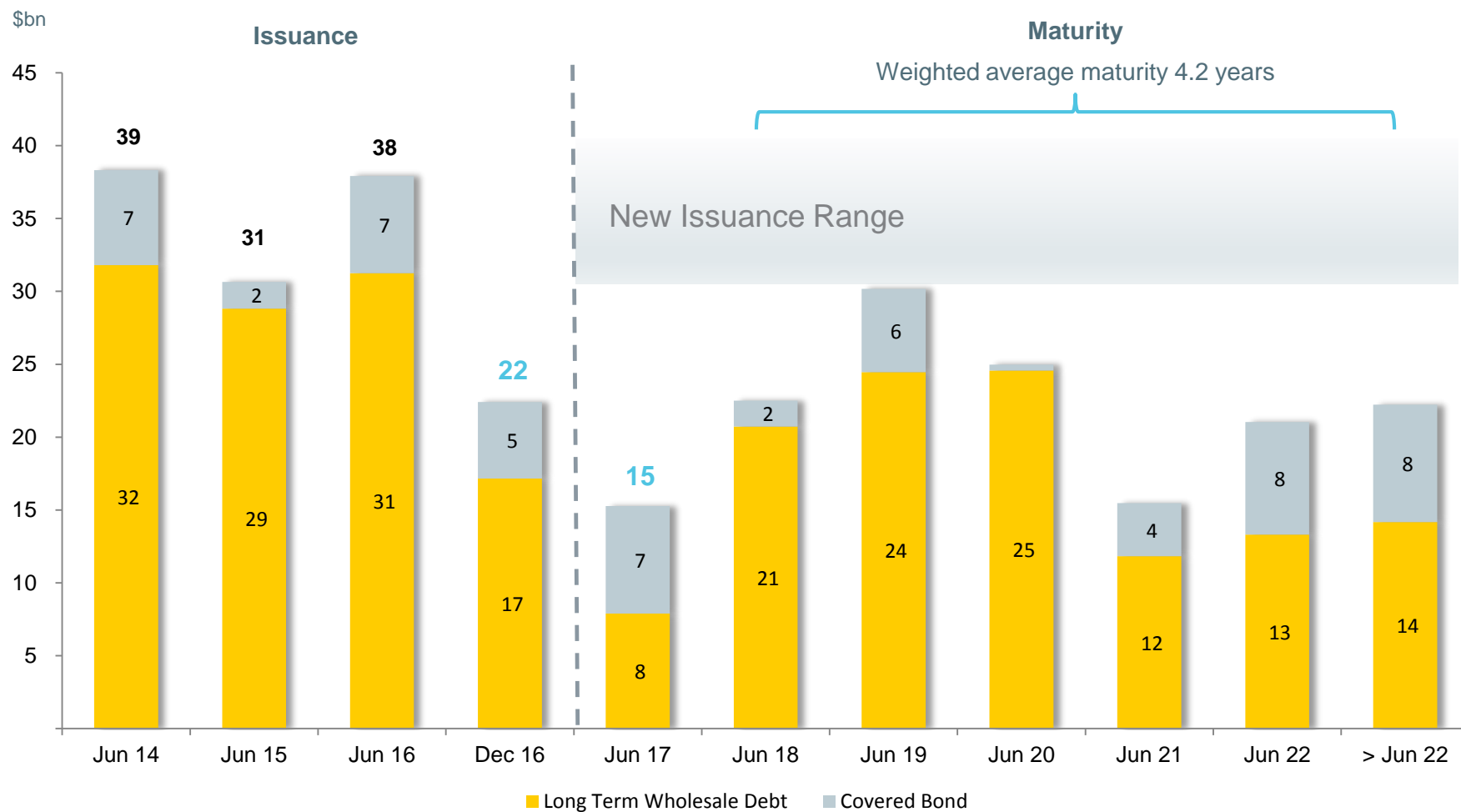
Indicative Funding Cost Curves



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

Long Term wholesale maturity profile

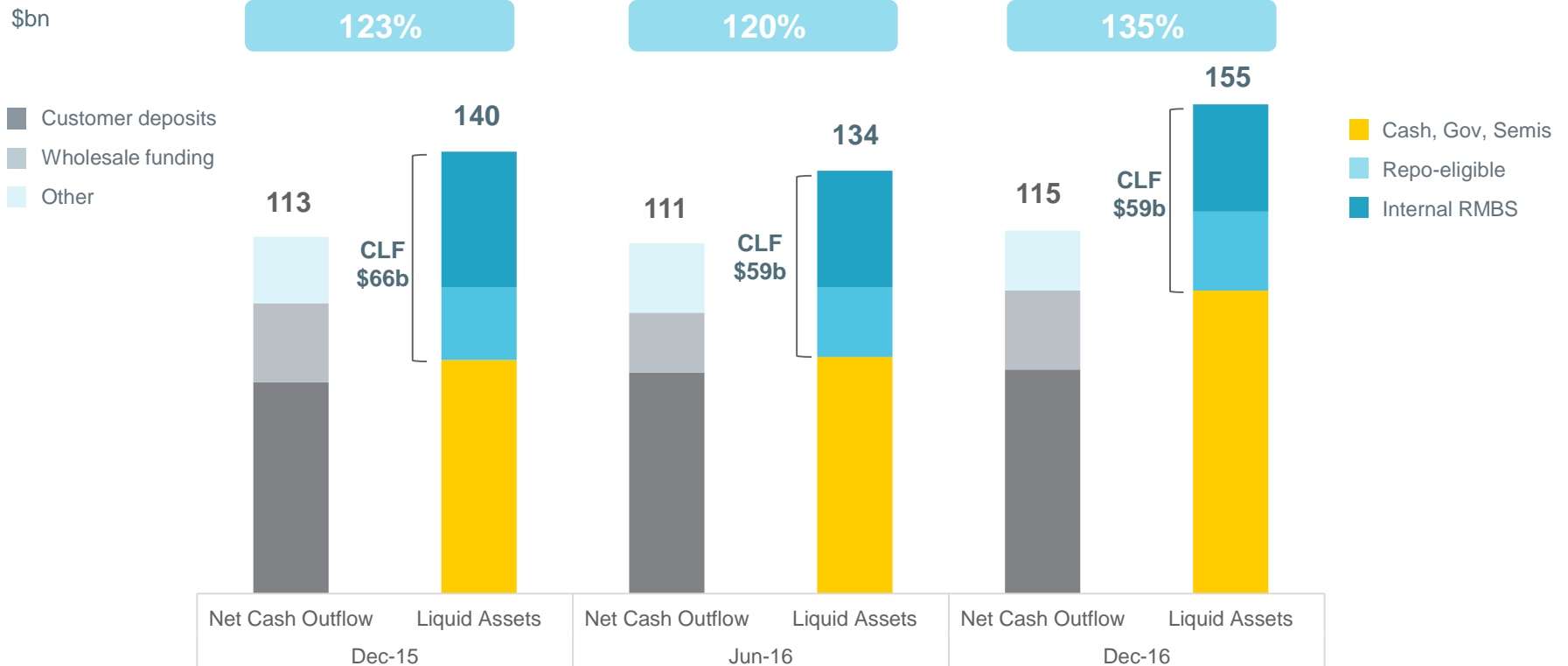


1. Includes debt with an original maturity or call date of greater than 12 months (including loan capital)
 2. Includes Interbank and Central Bank

Liquidity Coverage Ratio

- ◆ LCR 135% at 31 Dec 2016
- ◆ Committed Liquidity Facility reduced by \$7.5bn on 1 Jan 2016
- ◆ The Group's Net Stable Funding Ratio (NSFR) is currently above 105%

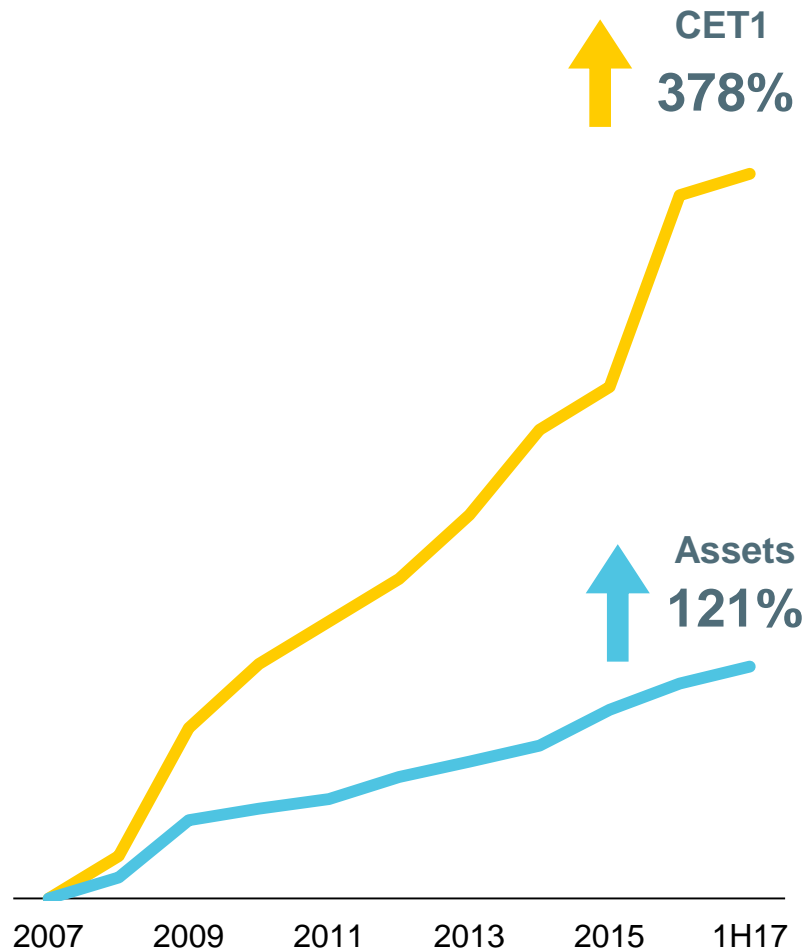
Net Cash Outflows and LCR Qualifying Liquid Assets¹



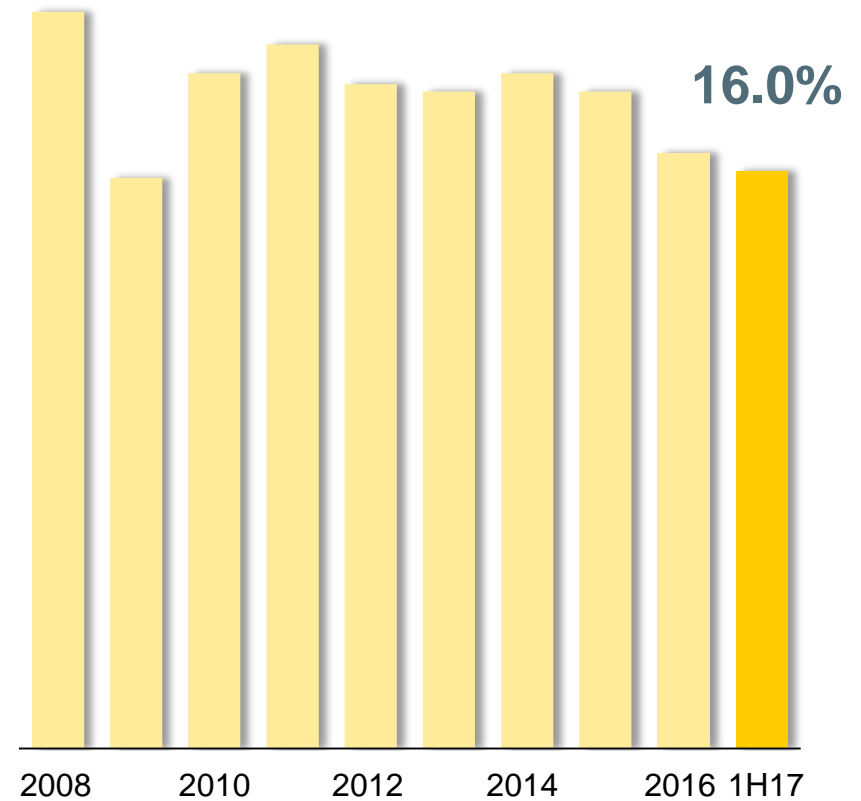
1. Liquids are reported net of applicable regulatory haircuts

Capital levels and ROE

Capital Management

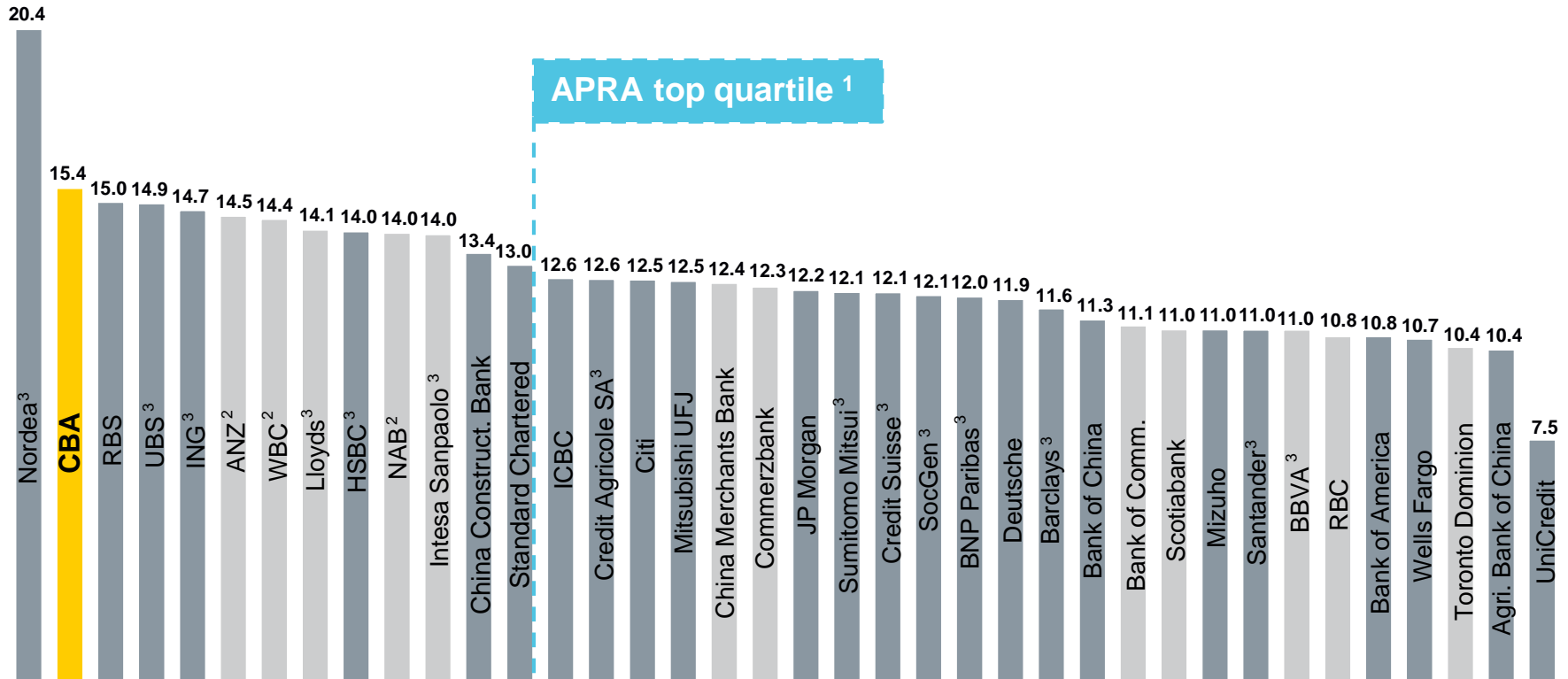


Return on Equity



International CET1 ratios

G-SIBs in dark grey



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 9 February 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 Insight Issue Two "International capital comparison update" (4 July 2016)

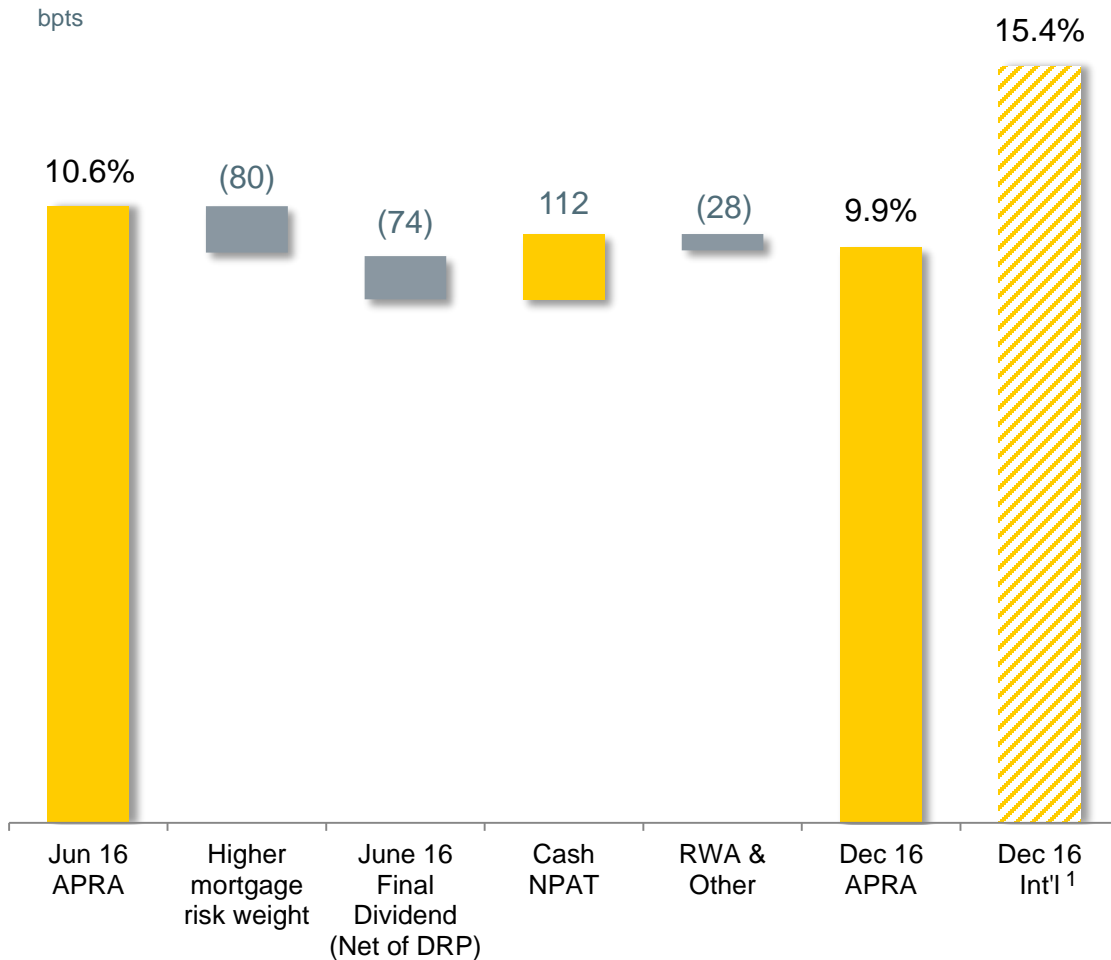
2. Domestic peer figures as at 30 September 2016

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

Capital and Leverage

Common Equity Tier 1 (CET1)

bpts

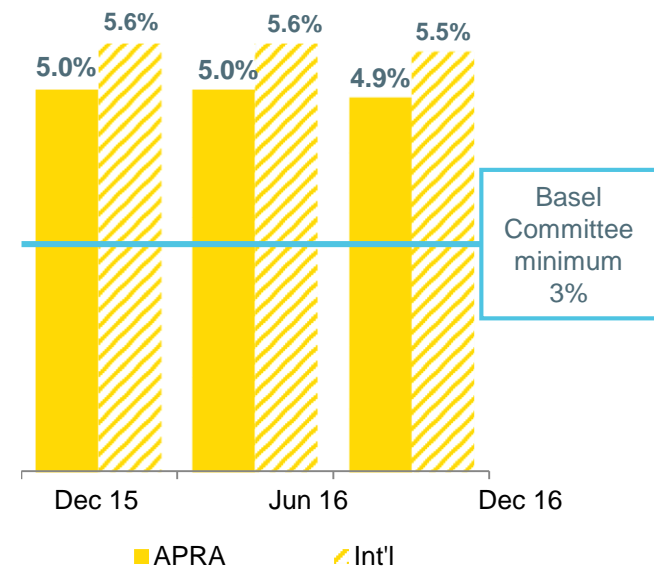


Leverage Ratio

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.

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



The Group is currently executing the issue a Tier 1 capital instrument – “Perls IX”

1. Internationally comparable capital - refer glossary for definition

APRA and International Comparison

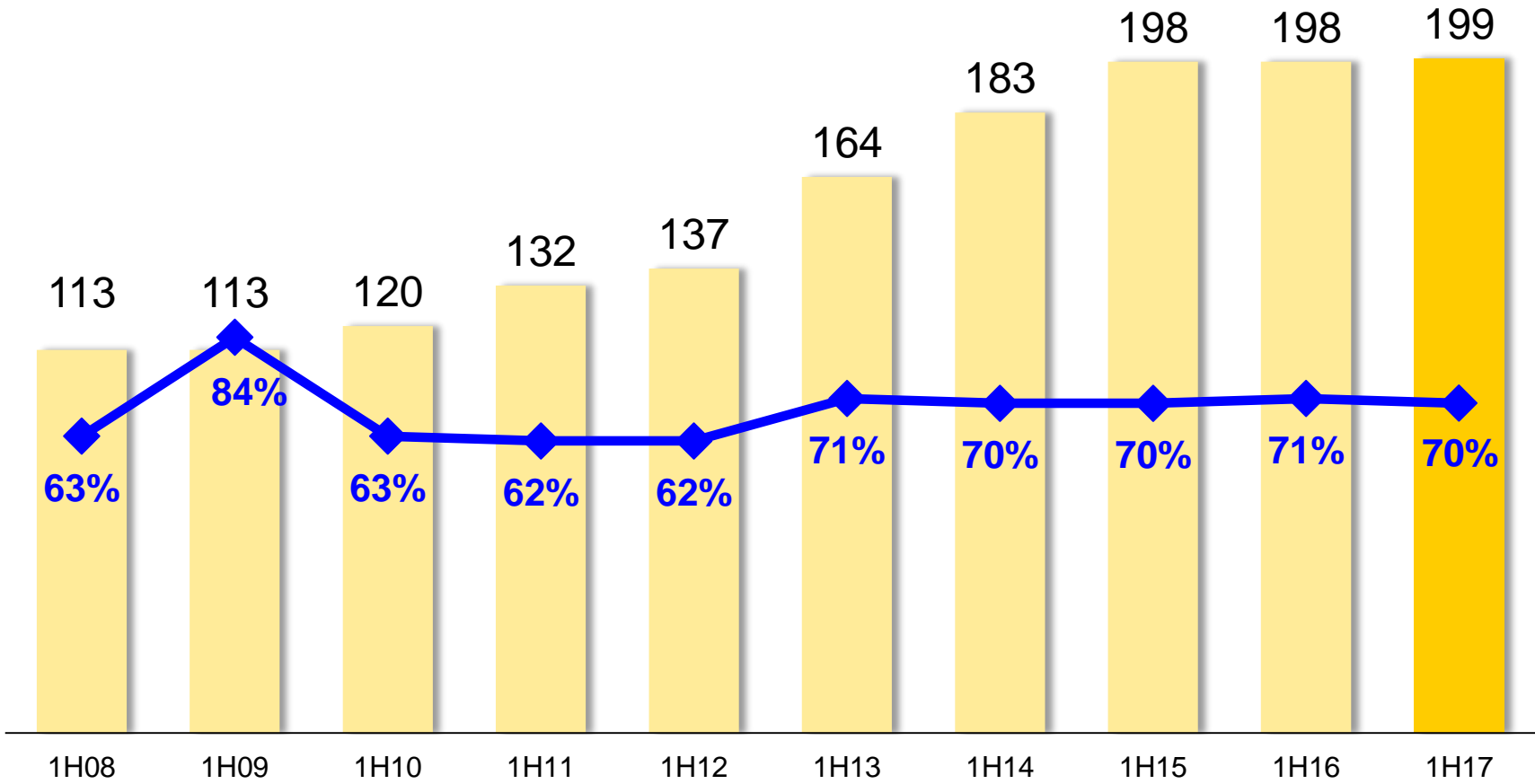
The following table provides details on the differences, as at 31 December 2016, between the APRA Basel III capital requirements and internationally comparable capital ratio¹.

CET1 APRA		9.9%
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.7%
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	APRA requires capital to be held for Interest Rate Risk in the Banking Book (IRRBB). The BCBS does not have any capital requirement.	0.6%
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.	1.7%
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.	0.7%
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements.	0.4%
Specialised lending	Use of IRB 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 threshold	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		15.4%

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

Increased Dividend

cents per share



◆ Cash NPAT Payout Ratio

Regulatory Change

APRA	2017	2018	2019	2020	APRA comments
Leverage ratio	Disclosure only		Implementation		<p>Nov 2015: “.. the FSI recommended the implementation of a domestic TLAC framework ... However, Australia should not get ahead of international developments,.... so it makes good sense that we hasten slowly.”</p> <p>Nov 2016: “Our most high profile policy item for 2017 will be setting ‘unquestionably strong’ capital standards as recommended by the FSI”</p> <p>“..capital accumulation remains the appropriate course for most ADIs, but with sensible capital planning the actual implementation of any changes should be able to be managed in an orderly fashion.”</p> <p>Feb 2017:“.. The timetable for that Basel work (bank capital regime) now seems less certain, so it would be remiss of us to wait any longer. We will have more to say in the coming months“</p> <p>“..lenders that choose to operate beyond these benchmarks (10% growth in Investor loans) are under no illusions that supervisory intervention, probably in the form of higher capital requirements, is a possible consequence.”</p>
Response to FSI	Implementation from 1 Jul 2016 – increase in mortgage risk weights. Further calibration by 1 July 2017				
Securitisation			Implementation		
Counter Party Credit Risk			Implementation ¹		
Basel Committee					
Standardised & Advanced Credit Risk	BCBS expect to finalise	APRA expected to consult and finalise domestic rules	Implementation to be advised		
Capital floors			Implementation to be advised		
Standardised Operational Risk			Implementation to be advised		
Market Risk	Finalised 2016		Implementation		
IRRBB			Additional disclosures from 2018		
NSFR			Implementation		

1. Implementation of the standardised approach for measuring counterparty credit risk exposures (SA-CCR) may be deferred by 12 months to 1 January 2019, subject to finalisation by APRA.

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- ◆ Credit quality
- ◆ Economics

Our Vision, Values and Strategy

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



Productivity



Technology



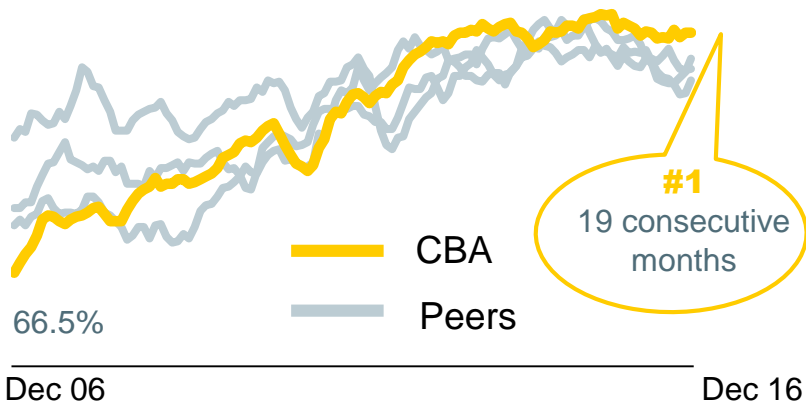
Strength



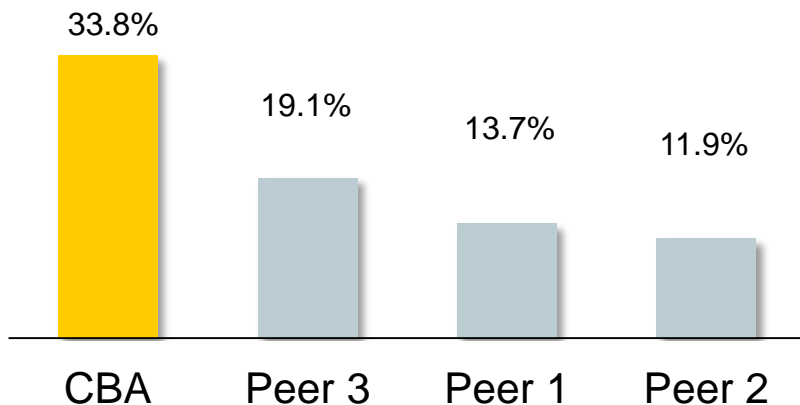
Customer satisfaction opportunity

Retail Customer Satisfaction

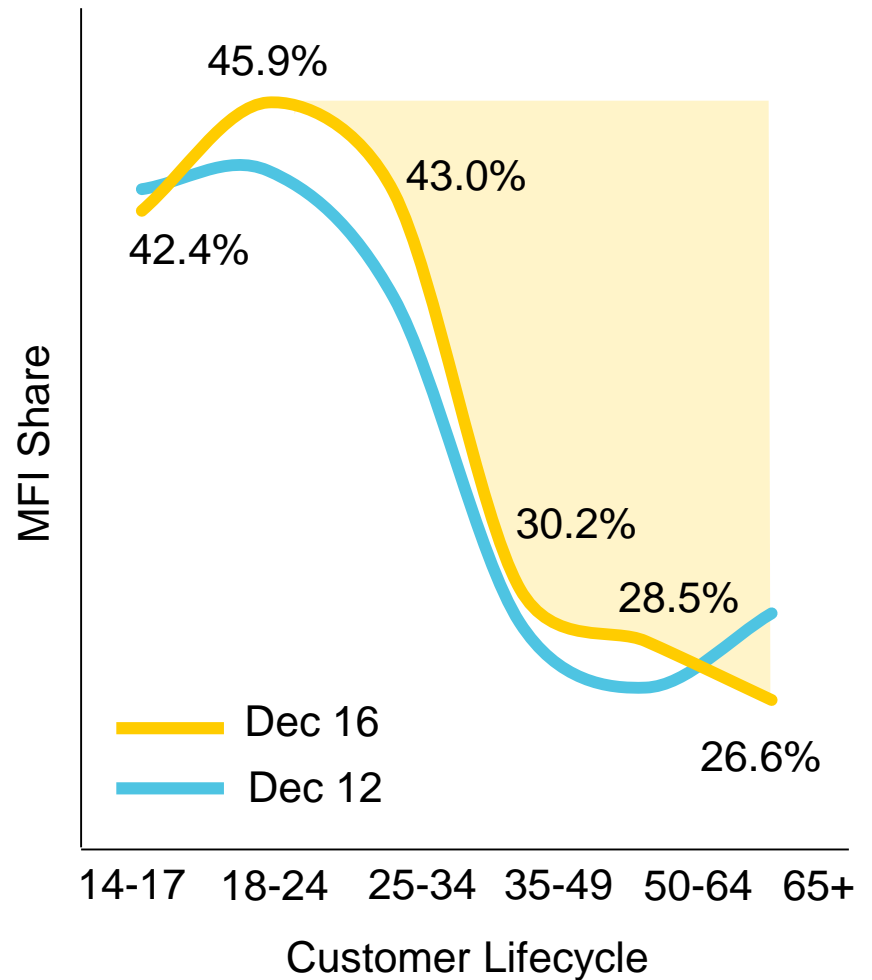
% Satisfied ('Very Satisfied' or 'Fairly Satisfied')



Overall – “Major Financial Institution”



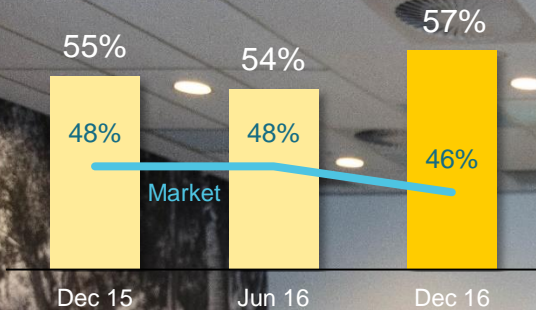
By Age



* Main Financial Institution - Refer notes slide at back of this presentation for source information

Branches remain key

Home loans - Proprietary % of Total flow



Customer Relationships

- 68k Customer insights each week
- 32k Financial Health Checks each week
- 24k Video-conferencing referrals 1H17

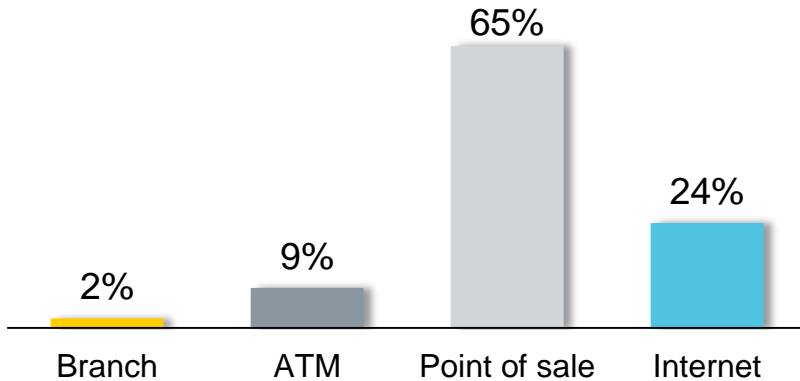
Efficiency

- New format – 88 locations
- 50% reduction in branch space
- IDMs across network by end 2017

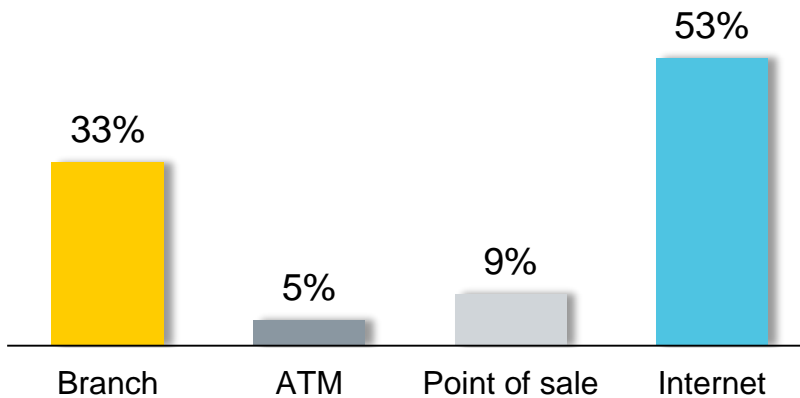
The digital revolution

Channel Usage

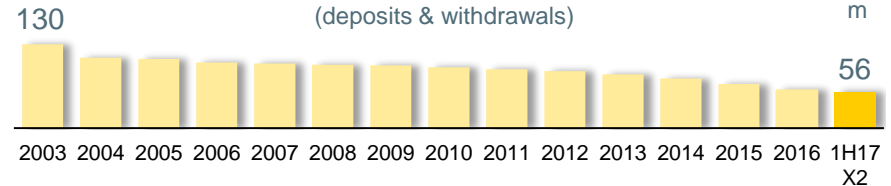
1H17 - By Number



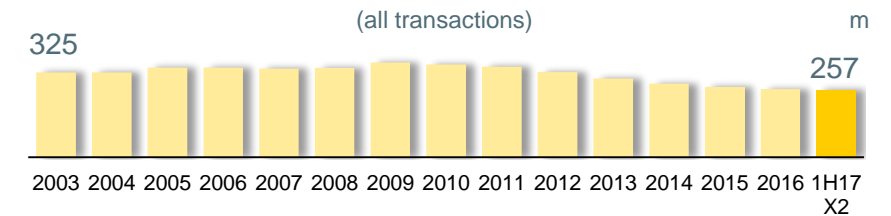
1H17 - By \$ Value



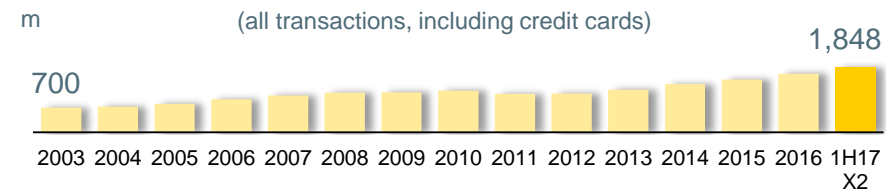
Branch



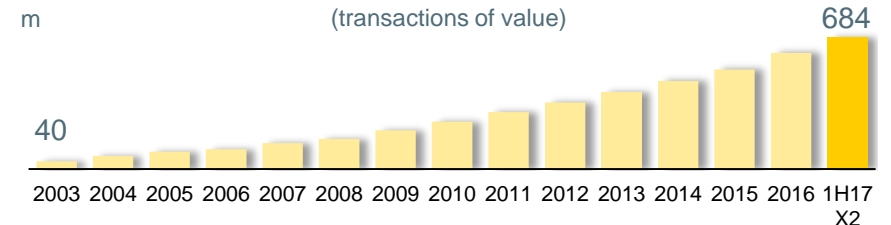
ATM¹



Point of Sale²



Internet³

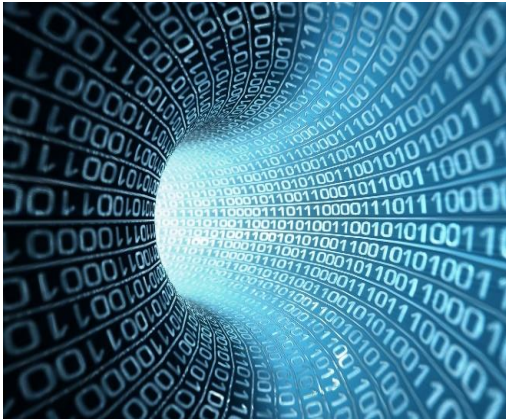


All figures are approximates. Full year volume of transactions has been forecast on a run rate basis by doubling the volume from 1 July 2016 to 31 December 2016.

1. All cardholder transactions at Australian CBA ATMs. ATM includes IDMs and an increase in the dollar value of deposits. ATM only transactions reduced for FY16 and are predicted to reduce again in FY17. 2. Calendar years to 2006; financial years thereafter. Includes EFTPOS Payments Australia Ltd (EPAL), MasterCard and Visa volumes only. 3. Calendar years to '07; financial years thereafter includes BPAY.

Continuous Innovation

Blockchain



First interbank open account transaction

First global government bond trial

Digital & Analytics



Empowering clients with insights based on real-time customer behaviours

Payments



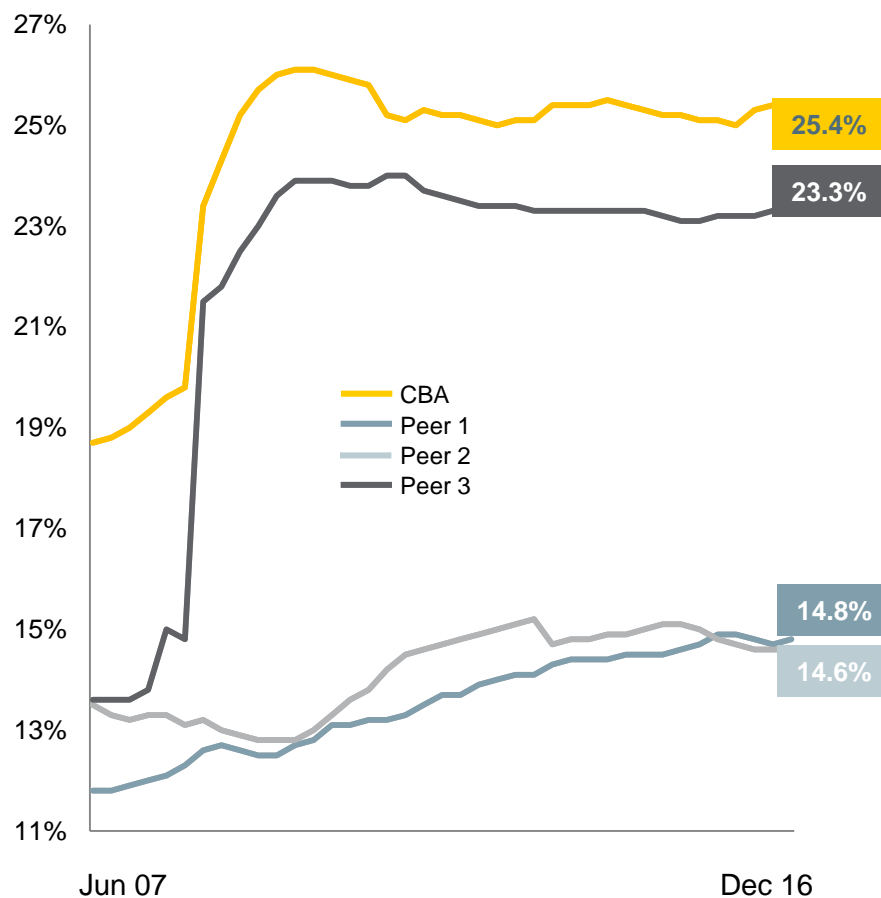
Landmark partnerships with Alipay and Barclays

Albert and Pi

Market share¹

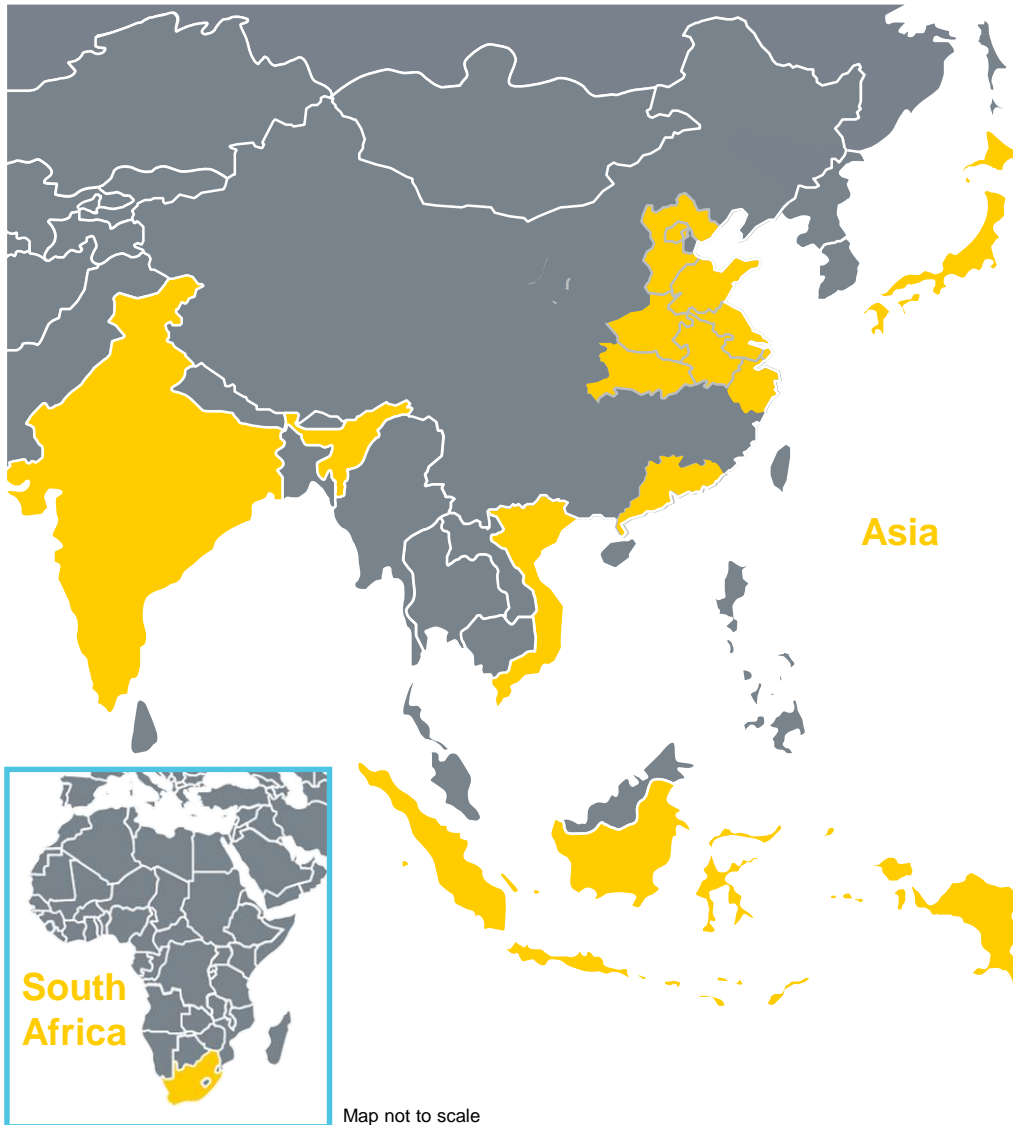
%	Dec 16	Jun 16	Dec 15
Home loans	25.4	25.3	25.1
Credit cards – RBA ²	24.3	24.4	24.4
Other household lending ³	16.9	16.8	16.9
Household deposits ⁴	29.0	29.2	29.0
Business lending – RBA	16.6	16.9	17.0
Business lending – APRA	18.6	18.7	18.7
Business deposits – APRA	19.8	20.2	20.3
Asset finance	12.7	12.9	13.1
Equities trading	4.0	4.7	5.6
Equities – online trading ⁵	55.4	55.8	56.1
Aust Retail – admin view ⁶	15.5	15.6	15.5
FirstChoice Platform ⁶	10.8	11.0	10.9
Aust life insure (total risk) ⁶	11.2	11.4	11.6
Aust life insure (indiv risk) ⁶	10.3	10.7	11.0
NZ home loans	22.0	21.8	21.8
NZ retail deposits	21.1	21.0	20.9
NZ business lending	13.1	12.4	11.9
NZ retail FUA	15.5	15.4	15.8
NZ annual inforce premiums	28.0	28.4	28.7

Home Loan Market Share



1. Prior periods have been restated in line with market updates 2. As at 30 Nov 16 3. Includes personal loans, margin loans and other forms of lending to individuals
 4. Comparatives have been restated to include the impact of new market entrants 5. CommSec market share is an internally derived number based on publically available ASX data 6. As at 30 Sep 16.

CBA in Asia and South Africa



Map not to scale

China

- ◆ Bank of Hangzhou (18%): 189 branches
- ◆ Qilu Bank (20%): 120 branches
- ◆ County Banking (Henan & Hebei):
 - 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 11 provinces
- ◆ First State Cinda JV (46%) and First State Investments Hong Kong
- ◆ Colonial Mutual Group Beijing Rep Office

Indonesia

- ◆ PT Bank Commonwealth (99%): 70 branches and 144 ATMs
- ◆ PT Commonwealth Life (80%): 27 life offices
- ◆ First State Investments

Vietnam

- ◆ Vietnam International Bank (20%): 155 branches
- ◆ Hanoi Representative Office
- ◆ Ho Chi Minh City CBA branch; 25 ATMs

Singapore

- ◆ CBA branch
- ◆ First State Investments

Japan

- ◆ Tokyo CBA branch
- ◆ First State Investments

South Africa

- ◆ CBA SA (TYME entities): 685 kiosks

India

- ◆ Mumbai CBA branch

- ◆ Half year results
- ◆ Funding & Capital
- ◆ Strategy
- ◆ **Credit quality**
- ◆ Economics

Credit exposures by industry

	TCE		TIA \$m		TIA % of TCE	
	Jun 16	Dec 16	Jun 16	Dec 16	Jun 16	Dec 16
Consumer	54.9%	54.8%	1,405	1,409	0.24%	0.24%
Sovereign	9.0%	9.5%	-	-	-	-
Property	6.6%	6.7%	544	630	0.79%	0.87%
Banks	6.8%	6.3%	10	9	0.01%	0.01%
Finance – Other	5.2%	5.1%	64	58	0.12%	0.10%
Retail & Wholesale	2.4%	2.4%	694	571	2.71%	2.20%
Agriculture	1.9%	2.0%	853	1,104	4.32%	5.21%
Manufacturing	1.6%	1.6%	597	600	3.56%	3.48%
Transport ¹	1.5%	1.5%	402	513	2.55%	3.25%
Mining	1.5%	1.4%	583	538	3.63%	3.62%
Business Services	1.2%	1.3%	155	186	1.26%	1.36%
Energy	1.1%	1.2%	50	49	0.45%	0.38%
Construction	0.8%	0.8%	407	281	4.85%	3.10%
Health & Community	0.7%	0.7%	64	215	0.87%	2.94%
Culture & Recreation	0.7%	0.7%	125	71	1.77%	0.91%
Other ¹	4.1%	4.0%	639	561	1.49%	1.31%
Total	100.0%	100.0%	6,592	6,795	0.63%	0.63%

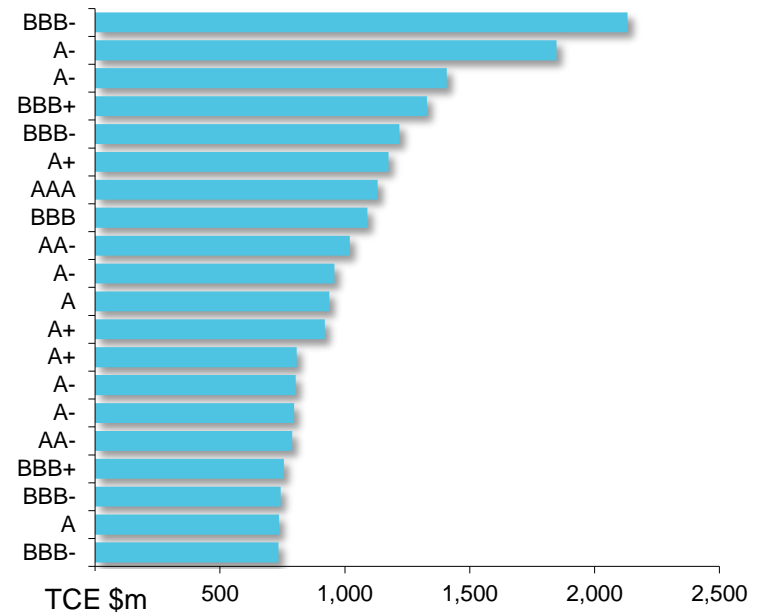
1. Comparative information has been reclassified to conform to presentation in the current period.

Sector exposures

Exposures by Industry

TCE \$bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Dec 16
Sovereign	95.9	6.7	0.1	0.3	103.0
Property	2.0	5.6	14.9	49.5	72.0
Banks	30.4	27.8	7.9	2.4	68.5
Finance - Other	22.1	22.1	8.1	3.0	55.3
Retail & Wholesale Trade	-	3.2	7.6	15.1	25.9
Agriculture	-	0.5	2.0	18.7	21.2
Manufacturing	0.8	3.7	5.0	7.7	17.2
Transport	-	1.3	8.8	5.7	15.8
Mining	0.1	3.8	6.9	4.1	14.9
Energy	0.3	2.4	8.5	1.6	12.8
All other excl. Consumer	1.4	7.1	21.4	41.8	71.7
Total	153.0	84.2	91.2	149.9	478.3

Top 20 Commercial Exposures



Group TCE by Geography

	Dec 15	Jun 16	Dec 16
Australia	75.4%	76.7%	76.4%
New Zealand	8.8%	9.2%	9.7%
Europe	6.4%	5.4%	5.8%
Other International	9.4%	8.7%	8.1%

Home loan portfolio - Australia

Portfolio ¹	Dec 15	Jun 16	Dec 16	New Business ¹	Dec 15	Jun 16	Dec 16
Total Balances - Spot (\$bn)	393	409	423	Total Funding (\$bn)	50	51	53
Total Balances - Average (\$bn)	388	395	416	Average Funding Size (\$'000)	302	299	311
Total Accounts (m)	1.7	1.8	1.8	Serviceability Buffer (%) ⁶	2.25	2.25	2.25
Variable Rate (%)	85	85	85	Variable Rate (%)	90	85	89
Owner Occupied (%)	62	62	63	Owner Occupied (%)	66	65	62
Investment (%)	33	33	33	Investment (%)	31	33	37
Line of Credit (%)	5	5	4	Line of Credit (%)	3	2	1
Proprietary (%)	56	55	54	Proprietary (%)	52	50	54
Broker (%)	44	45	46	Broker (%)	48	50	46
Interest Only (%) ²	38	39	40	Interest Only (%) ²	39	40	42
Lenders' Mortgage Insurance (%) ²	25	24	23	Lenders' Mortgage Insurance (%) ²	16	14	14
Low Doc (%) ²	0.8	0.7	0.6	Low Doc (%) ²	0.06	0.03	0.02
Mortgagee In Possession (bpts)	4	5	5				
Annualised Loss Rate (bpts)	2	2	2				
Portfolio Dynamic LVR (%) ³	49	50	51				
Customers in Advance (%) ⁴	78	77	77				
Payments in Advance incl. offset ⁵	29	31	35				

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.

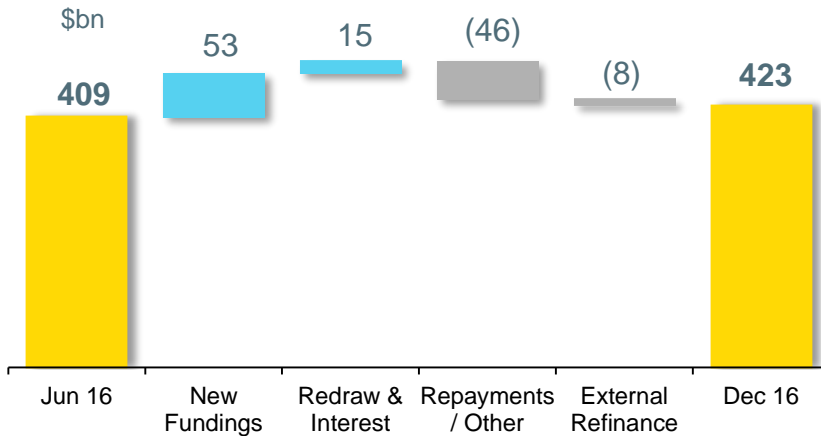
4. Any payment ahead of monthly minimum repayment; includes offset facilities.

5. Average number of payments ahead of scheduled repayments.

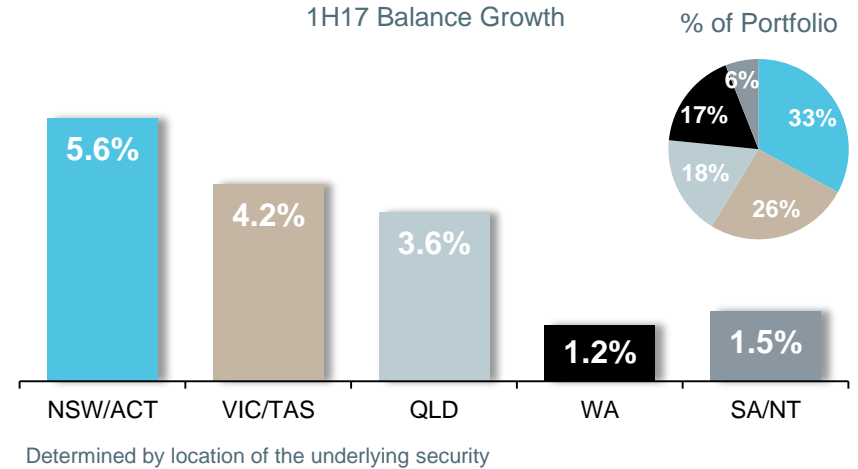
6. Serviceability test based on the higher of the customer rate plus a 2.25% interest rate buffer or a minimum floor rate.

Growth profile – Australian home loans

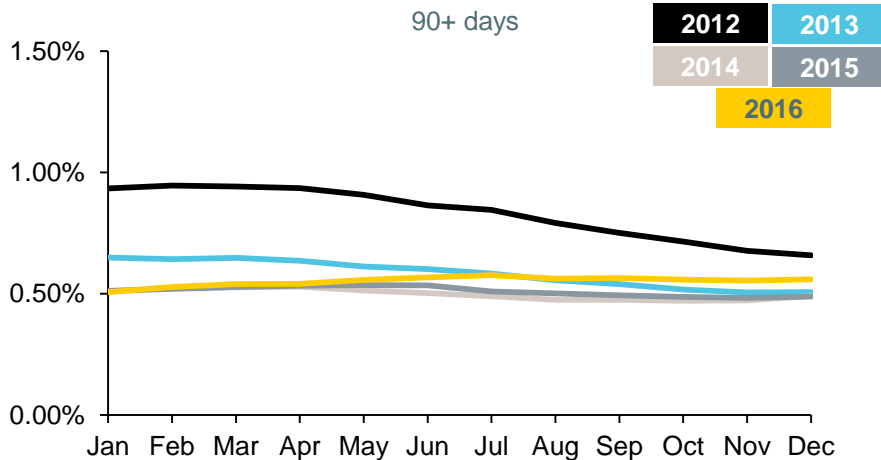
Balance Growth



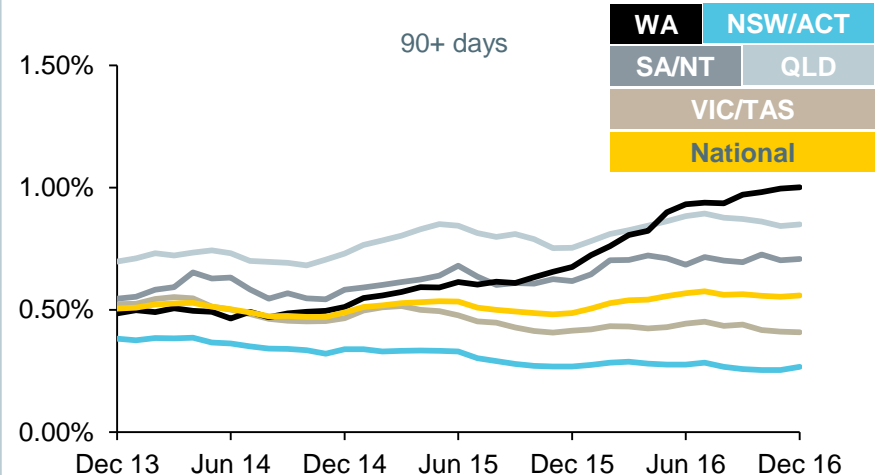
State Profile



Arrears

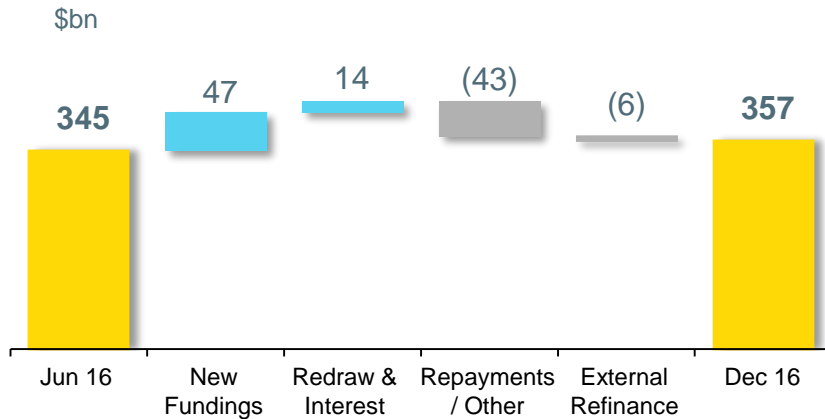


Arrears by State

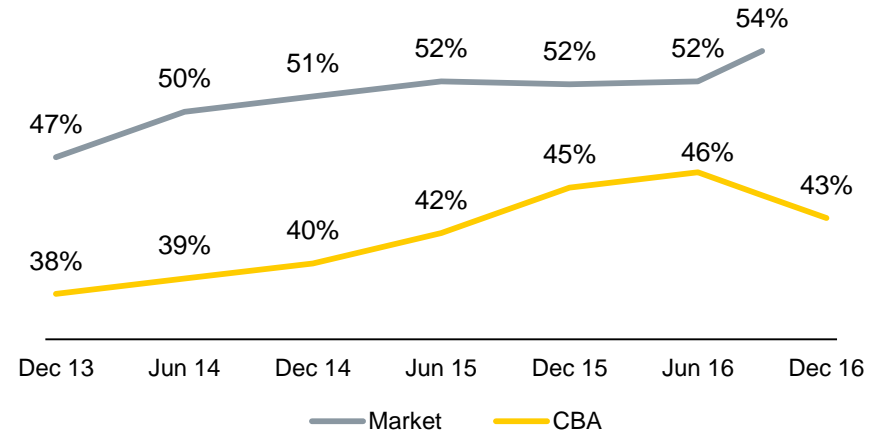


Growth profile – RBS home loans

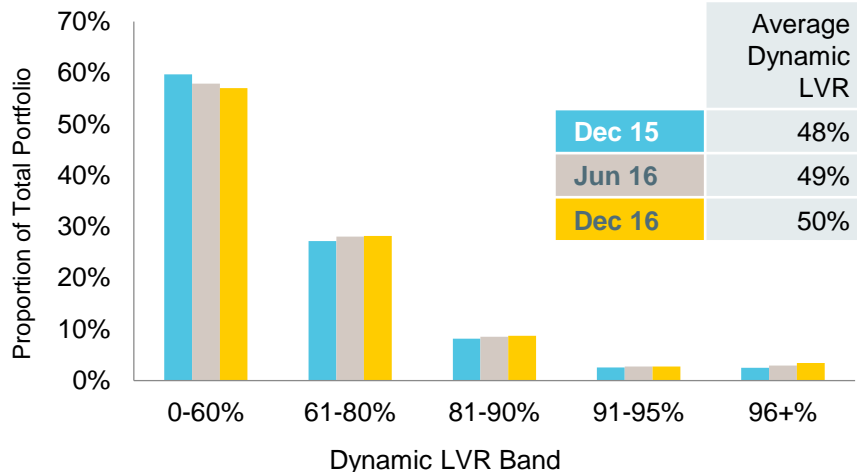
Home Loan Balances



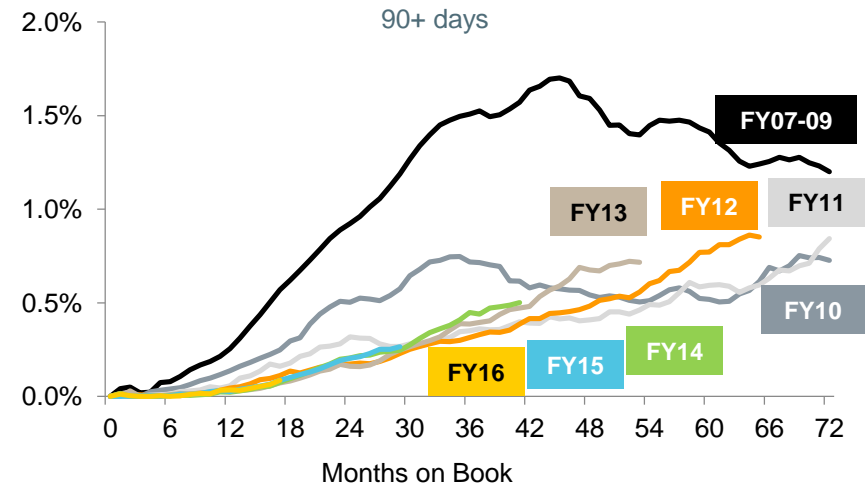
Broker Share of Fundings¹



Home Loan Dynamic LVR²



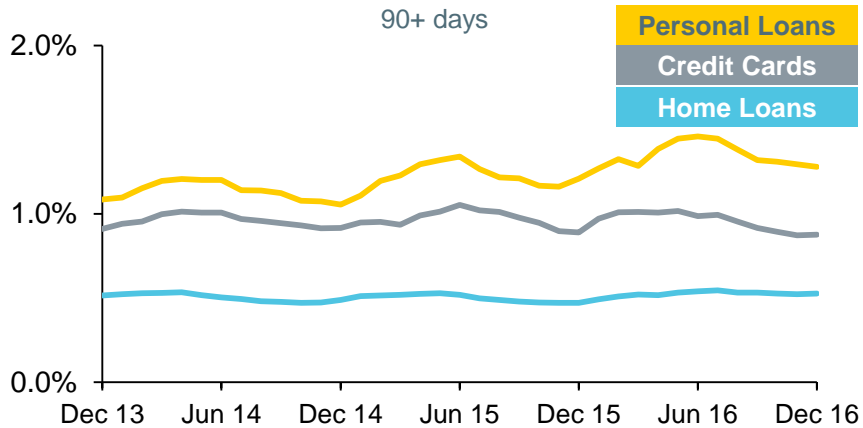
Home Loan Arrears by Vintage³



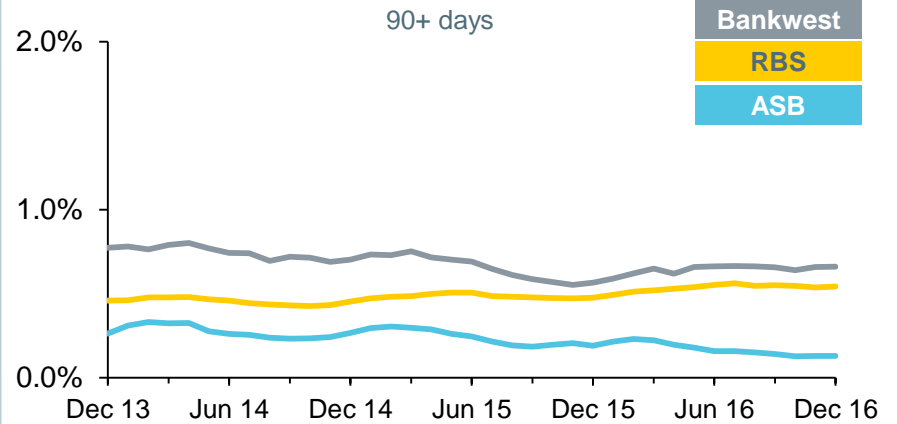
1. % of home loan fundings (\$'s). Market represents quarterly MFAA data up to Sep-16. CBA includes Residential Mortgage Group. 2. Dynamic LVR is current balance / current valuation. 3. Vintage Arrears includes: Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

Consumer arrears - Group

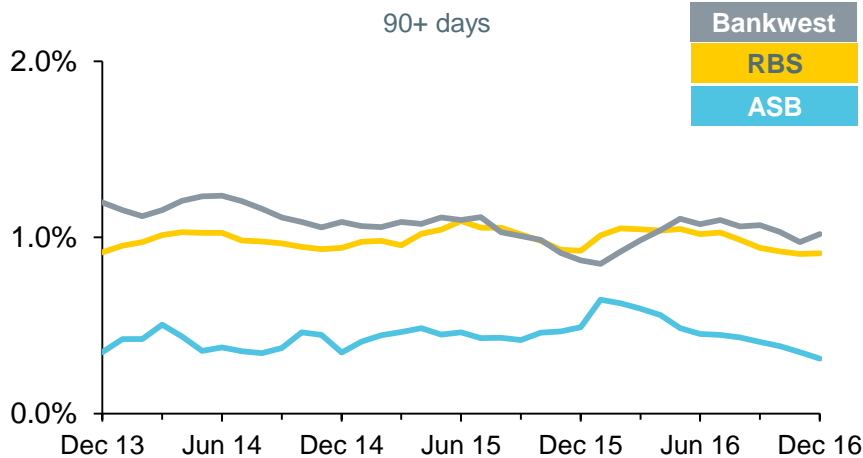
Consumer Portfolios



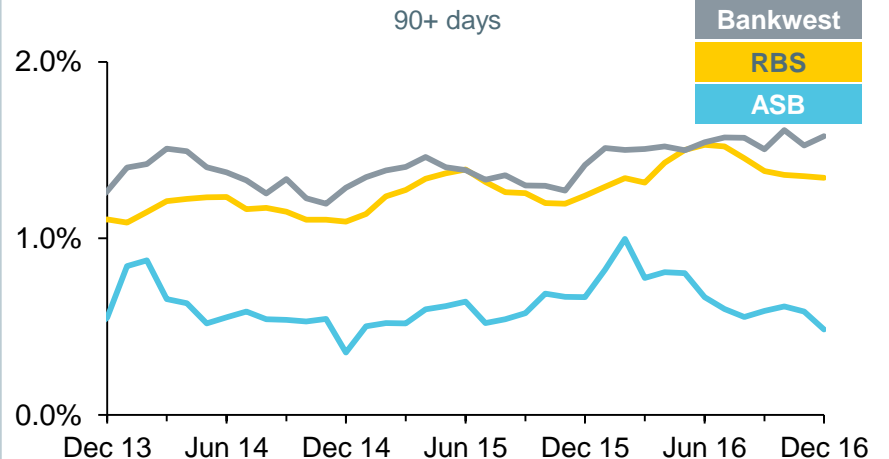
Home Loans



Credit Cards



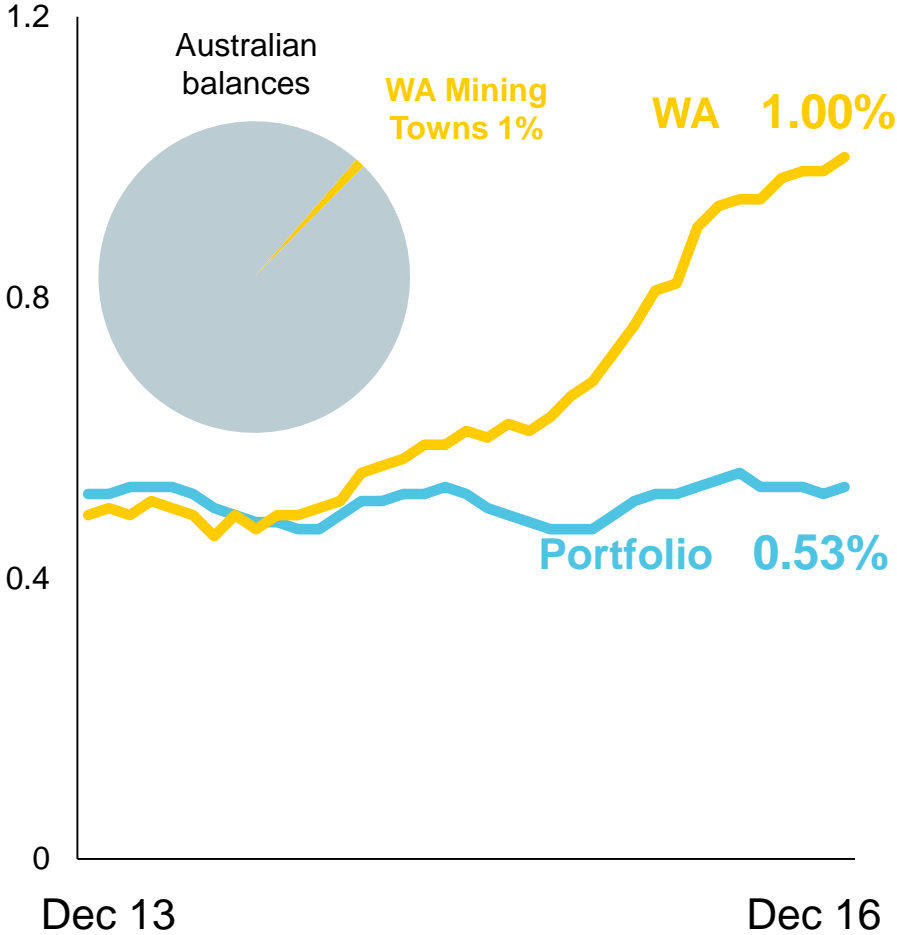
Personal Loans



Consumer represents Retail Banking Services, ASB Retail and Bankwest Retail. ASB write-off Credit Card and Personal Loans typically around 90 days past due if no agreed repayment plan. Business Unit Home Loans exclude Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan (RBS only) and Residential Mortgage Group (RBS only) loans.

WA arrears impacted by mining downturn

Home Loan Arrears
90+ days %

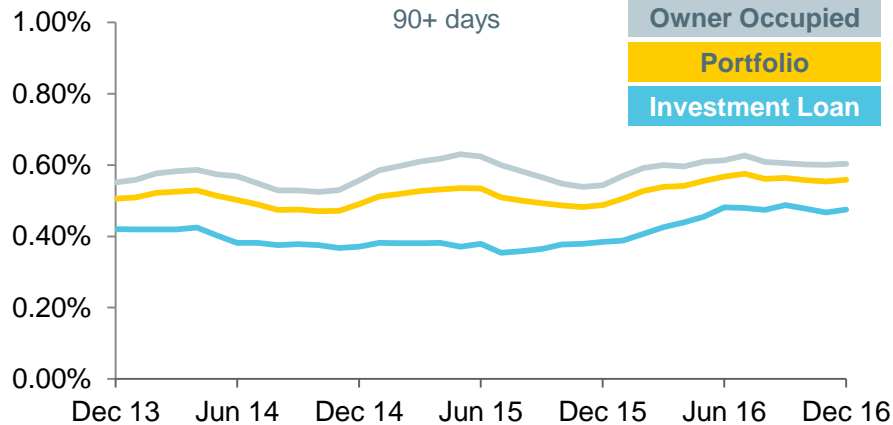


Higher Risk Locations:

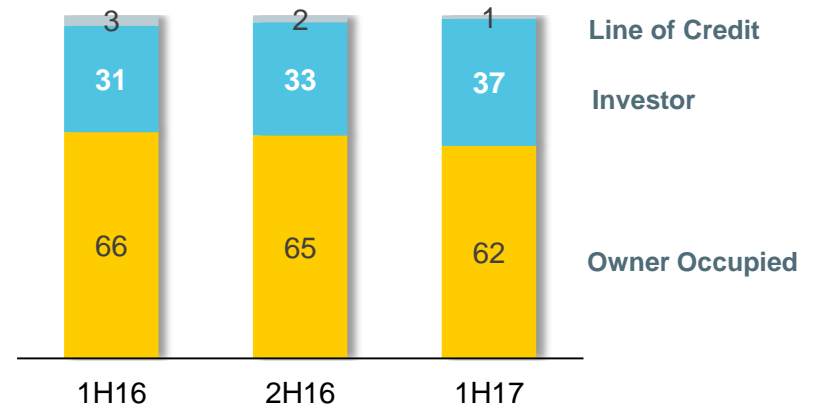
- Increased provisions
- Rigorous stress testing
- Credit policy tightening
 - LVR caps
 - Insurance requirements

Investor home loans – Australia

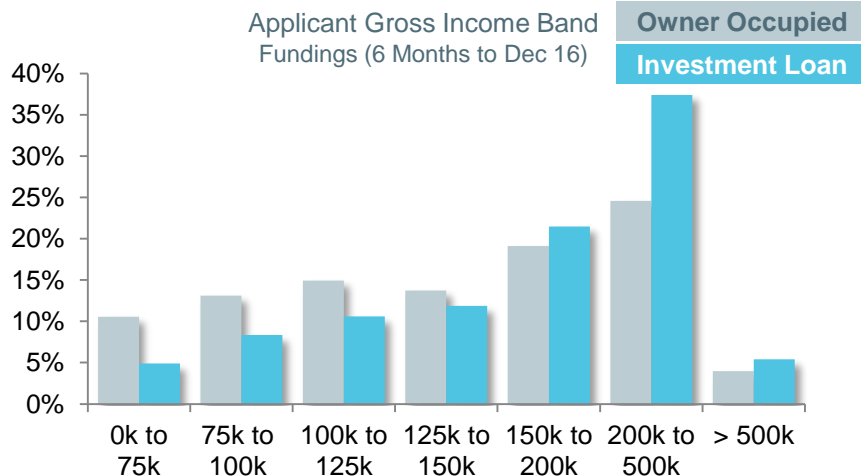
Arrears



New Business Profile (%)



Borrower Profile



Investment Home Loans

- ▶ Growth in Investment Home Loans (<10%)
- ▶ Arrears lower than overall portfolio
- ▶ Strong borrower profile skewed to higher income bands
- ▶ Differential pricing for investment home loans

Home loan stress test – Australia

Assumptions and Outcomes

Assumptions (%)	Base	Year 1	Year 2	Year 3
Cash Rate	1.75	1.0	0.5	0.5
Unemployment	5.9	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	70%	70%	70%
Outcomes (\$m)	Total	Year 1	Year 2	Year 3
Stressed Losses	3,599	550	1,148	1,901
Insured Losses	1,314	211	422	681
Net Losses	2,285	339	726	1,220
Net Losses (bpts)	48.0	7.2	15.1	25.7
PD %	n/a	1.0	1.6	2.4

Summary

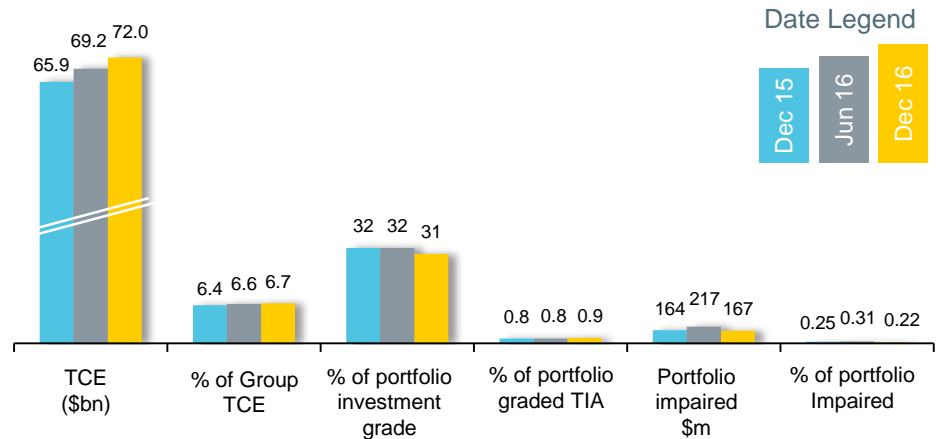
- ▶ Stress Test scenario represents a severe but plausible commodities-led recession.
- ▶ 3 year scenario of cumulative 31% house price decline, peak 11% unemployment and a reduction in the cash rate to 0.5%
- ▶ Total net losses after LMI recoveries over 3 years of \$2.29bn.
- ▶ Stress Test loss outcomes updated to take into account portfolio deterioration, specifically from 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.

Commercial property - diversified

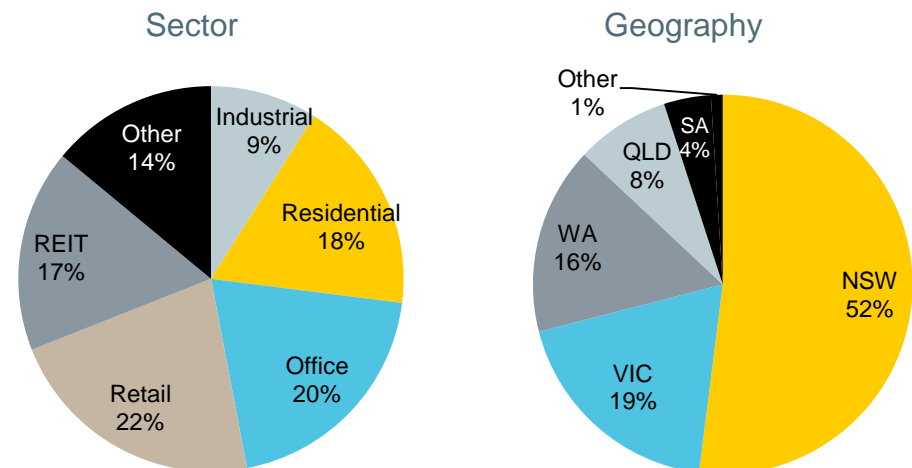
Overview

- Exposure of \$72.0bn (6.7% of Group TCE) diversified across sectors and by counterparties.
- 85.3% of Commercial Property exposure to investors and REITS, 14.7% to developments.
- Development exposure reduced since June 2016 due to repayments from completed projects.
- Top 20 counterparties primarily investment grade (weighted average rating of BBB equivalent) and account for 13.2% of Commercial property exposure.
- 31% of the portfolio investment grade, majority of sub-investment grade exposures secured (95%).
- Only 0.2% of exposures impaired.
- Portfolio highly weighted to NSW (52%) - with stronger demand due to Sydney's strong economic position, employment and population growth.
- Ongoing comprehensive market, portfolio and underwriting monitoring on the portfolio.
- Active management of risk appetite with tightening implemented in areas of concern.

Group Exposure



Profile



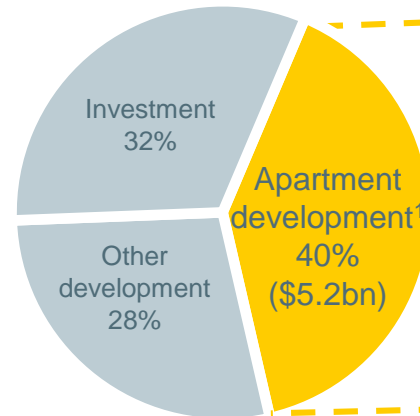
Residential apartments - weighted to Sydney

Overview

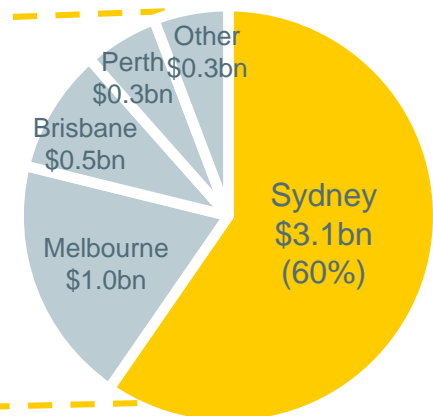
- Credit quality sound
- Strong qualifying pre-sales (110.1%)¹
- Portfolio LVR of 59.9%¹
- Tighter underwriting in place, including lower acceptance of foreign pre-sales
- Facilities being repaid on time from pre-sale settlements
- Portfolio deep dives have demonstrated that developers have continued to sell post meeting origination QPS levels
- Sydney developments are diversified across the metropolitan area

Profile (Dec 16)

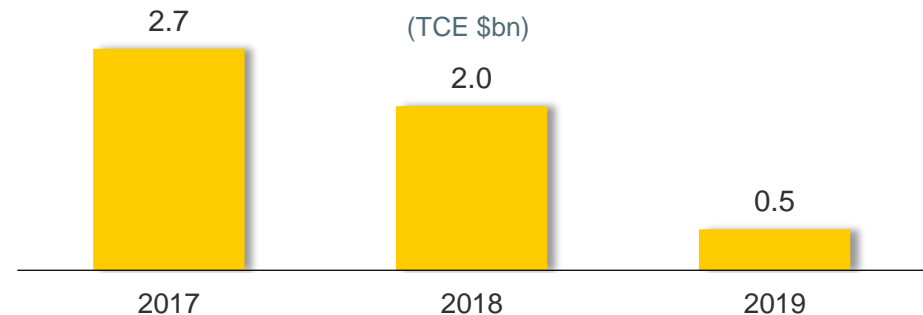
Total Residential
\$13.3bn (18% of CP)



Apartment Development¹
\$5.2bn (0.5% of TCE)



Exposure Maturity Profile



1. Australia-wide, >\$20m.

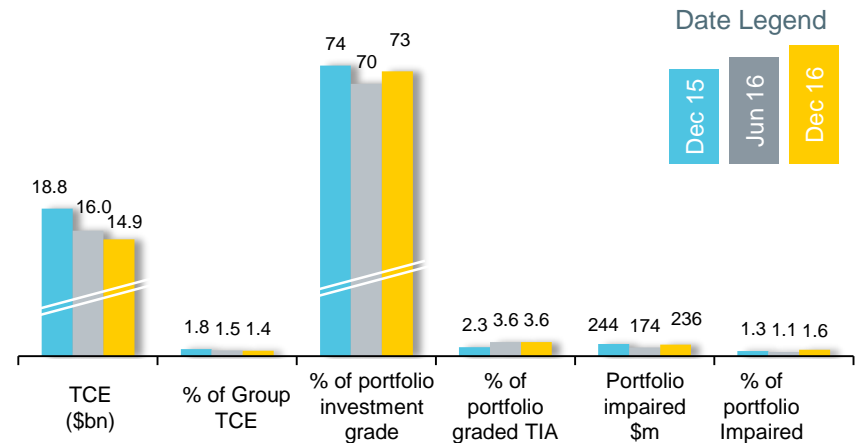
Major Capital Cities defined as all postcodes within a 15km radius of Brisbane, Melbourne and Perth and all metropolitan Sydney based on location of the development. QPS refers to level of Qualifying Pre-Sales accepted as a pre-condition to loan funding. QPS Cover is level of QPS held to cover the exposure.

Mining, Oil and Gas – lower exposure

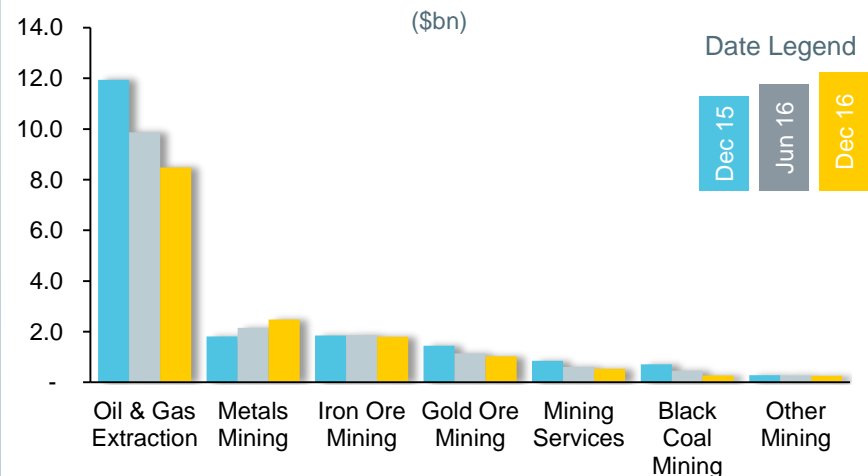
Overview

- Exposure of \$14.9bn (1.4% of Group TCE), \$1.1bn reduction on prior half due to active portfolio management, repayments and selective origination.
- Portfolio continues to perform acceptably:
 - 73% investment grade.
 - Diversified by commodity/customer/region.
 - Focus on quality, low cost sponsors.
- Mining services exposure modest (4% of total).
- Oil and Gas Extraction is the largest sub-sector (57% of total): 77% investment grade with 35% related to LNG – typically supported by strong sponsors with significant equity contribution.
- TIA level remains stable at 3.6% of the portfolio, albeit slight uptick in Impaired level.
- Impaired asset coverage ratio is 31%.
- Improved market conditions following recovery in major commodities during the past 12 months which has been accompanied by producers reducing costs and restructuring balance sheets.
- Risk remains of commodity price pull back with continued selective approach to new origination.

Group Exposure



Mining, Oil and Gas by Sector

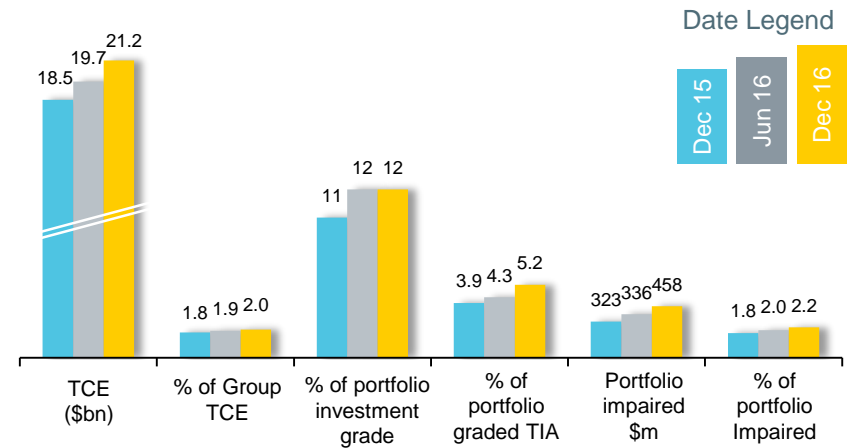


Agriculture – increased NZ dairy provisions

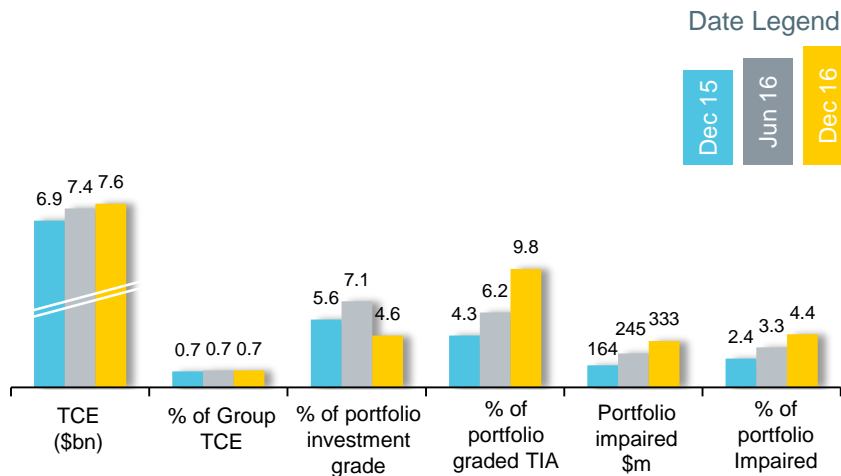
Overview

- Exposure of \$21.2bn (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. Performance being supported by improved milk prices.
 - Provision levels increased in the half year.
 - Outlook is dependent on the sustainability of the recent improvement in milk prices (refer slide 123)

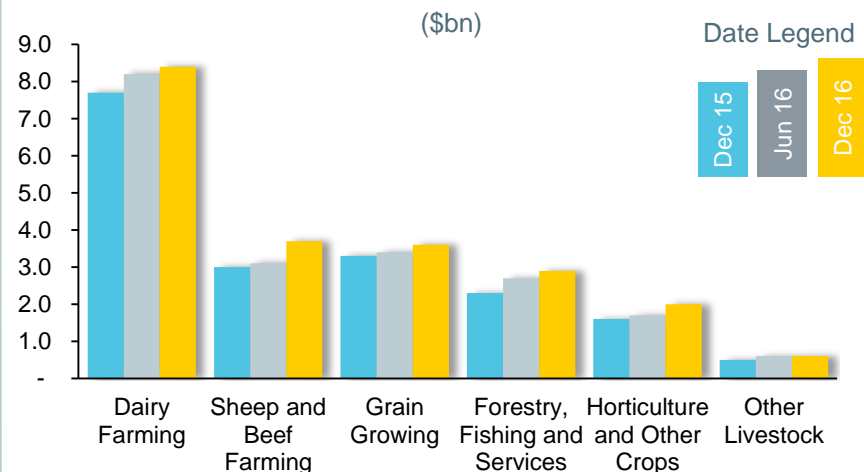
Group Exposure



NZ Dairy Exposure



Group Exposure by Sector



- ◆ Half year results
- ◆ Funding & Capital
- ◆ Strategy
- ◆ Credit quality
- ◆ **Economics**

Key Economic Indicators (June FY)

		2012	2013	2014	2015	2016	2017	2018
World	GDP	3.4	3.3	3.4	3.2	3.1	3.2	3.5
Australia	Credit Growth % – Total	4.4	3.1	5.0	5.9	6.1	4¾-6¾	4¾-6¾
	Credit Growth % – Housing	5.0	4.6	6.4	7.3	6.7	5-7	5-7
	Credit Growth % – Business	4.4	1.2	3.4	4.4	6.6	5-7	5-7
	Credit Growth % – Other Personal	-1.2	0.2	0.6	0.8	-0.8	0-2	0-2
	GDP %	3.6	2.6	2.6	2.4	2.7	1.8	3.1
	CPI %	2.3	2.3	2.7	1.7	1.4	1.8	1.9
	Unemployment rate %	5.2	5.4	5.8	6.2	5.9	5.6	5.3
	Cash Rate %	3½	2¾	2½	2	1¾	1½	1½
New Zealand	Credit Growth % – Total	2.7	4.2	4.5	6.1	7.7	6-8	5-7
	Credit Growth % – Housing	1.8	5.2	5.3	5.6	8.8	7-9	5-7
	Credit Growth % – Business	4.9	2.1	3.1	6.3	7.0	6-8	5-7
	Credit Growth % – Agriculture	3.0	4.3	3.7	7.5	6.0	3-5	4-6
	GDP %	2.8	2.3	3.0	3.3	2.7	3.3	3.7
	CPI %	2.2	0.8	1.5	0.6	0.3	1.2	1.7
	Unemployment rate %	6.1	6.2	5.5	5.4	5.2	4.8	4.5
	Overnight Cash Rate %	2.5	2.5	3.25	3.25	2.25	1.75	1.75

Credit Growth
GDP, Unemployment & CPI
Cash Rate

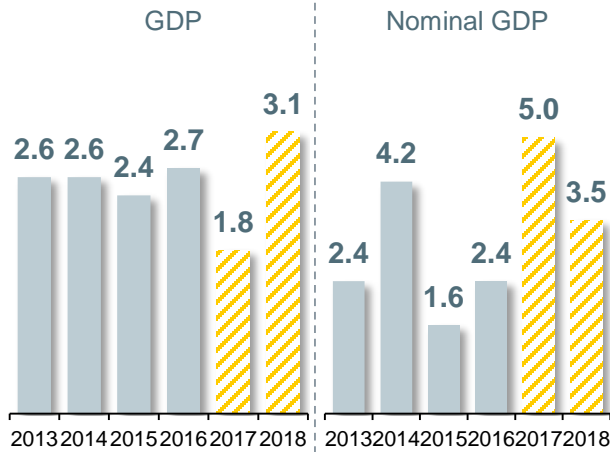
= 12 months to June
= Financial year average
= As at June

World GDP
■

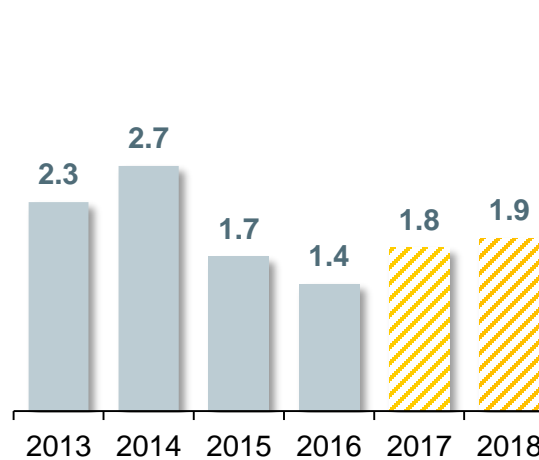
= Calendar Year Average
= forecast

Key Economic Indicators (June FY)

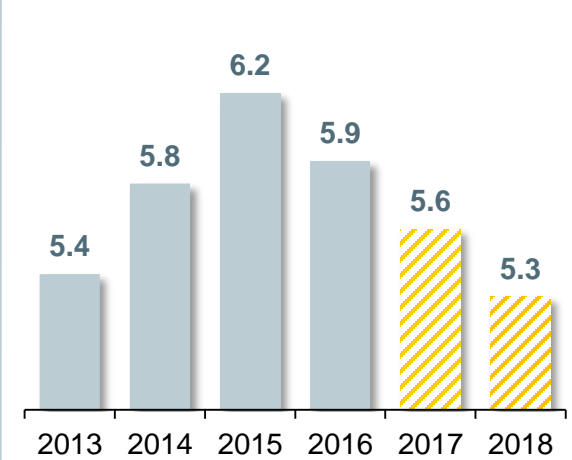
GDP %



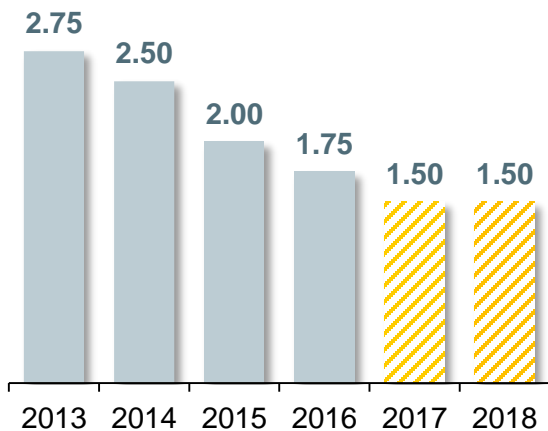
CPI%



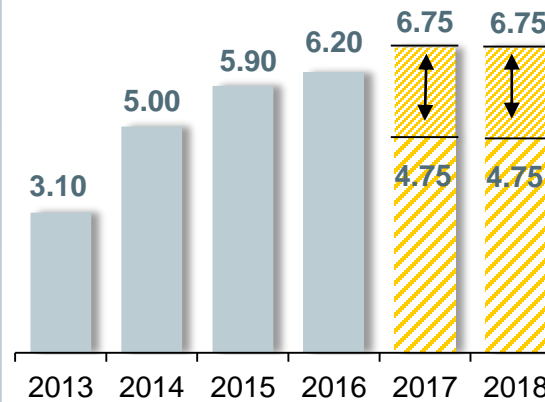
Unemployment Rate %



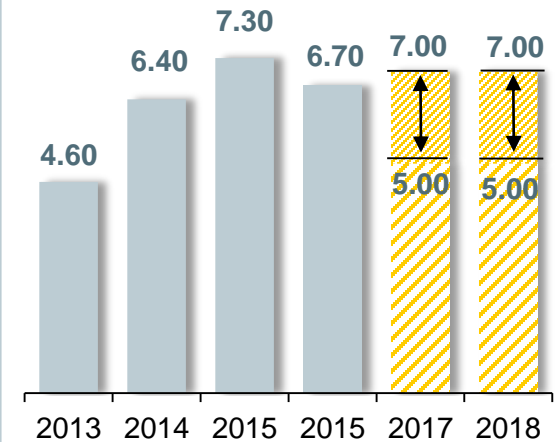
Cash Rate %



Total Credit Growth %



Housing Credit Growth %



Credit Growth
GDP, Unemployment & CPI
Cash Rate

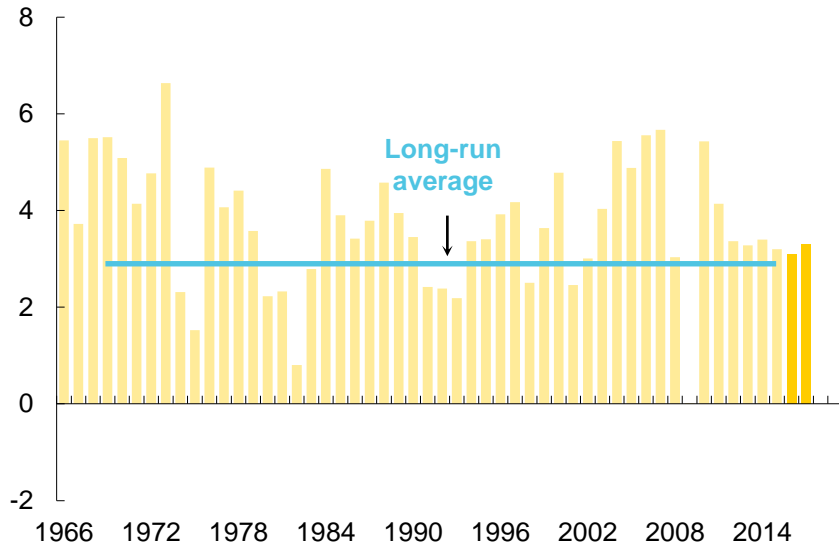
= 12 months to June qtr
= Financial year average
= As at end June qtr

▨ = forecast

Global economic growth is set to firm a little

Global Growth¹

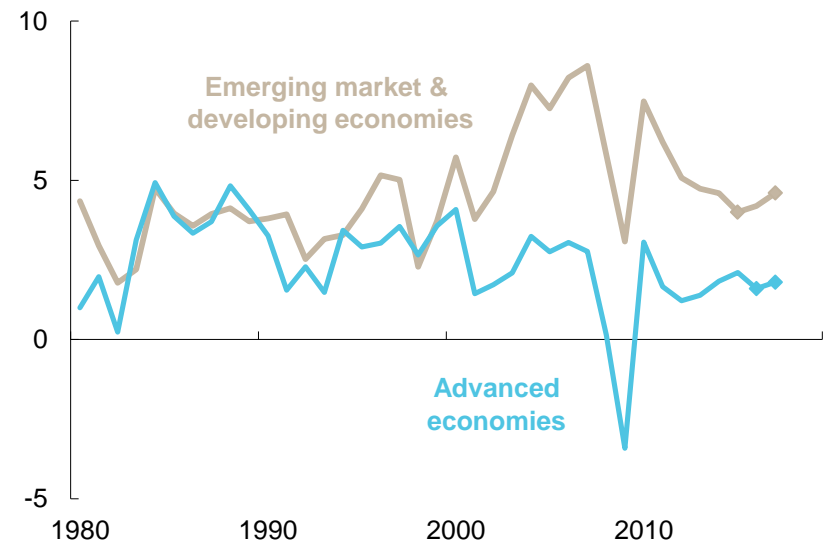
(annual % change)



Global growth is running below average but the pace of growth is expected to pick up.

Advanced & Emerging Economies¹

(GDP growth, annual % change)

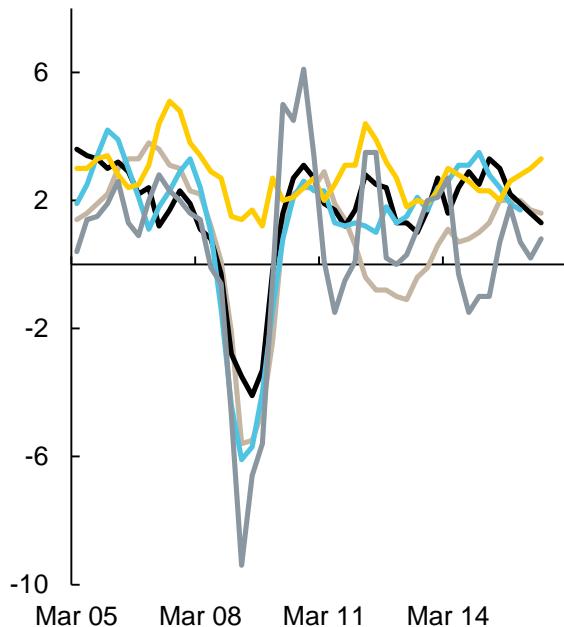


China and the rest of emerging Asia should grow at a respectable rate. Advanced economies are constrained by lower potential growth rates.

Australia remains well placed

GDP¹

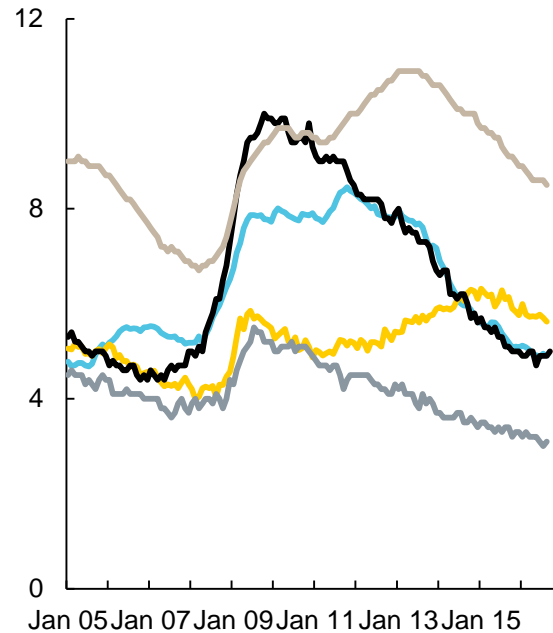
(annual % change)



Australia is into its 25th year of continuous economic growth since the last recession

Unemployment Rate²

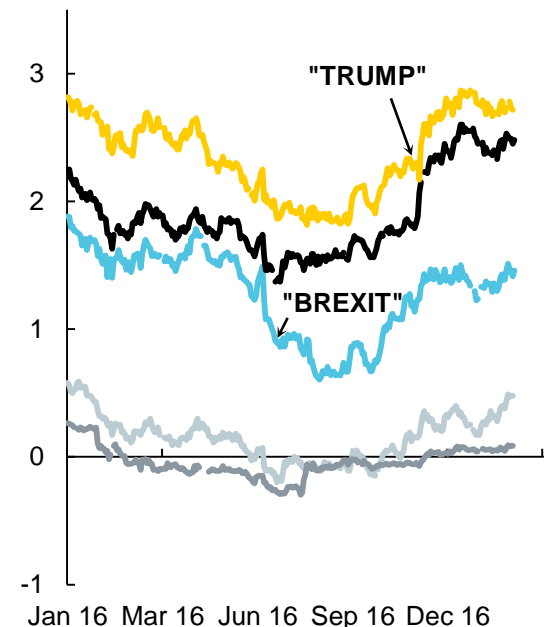
(%)



Unemployment rates are trending lower

10 Year Bond Yields

(%)



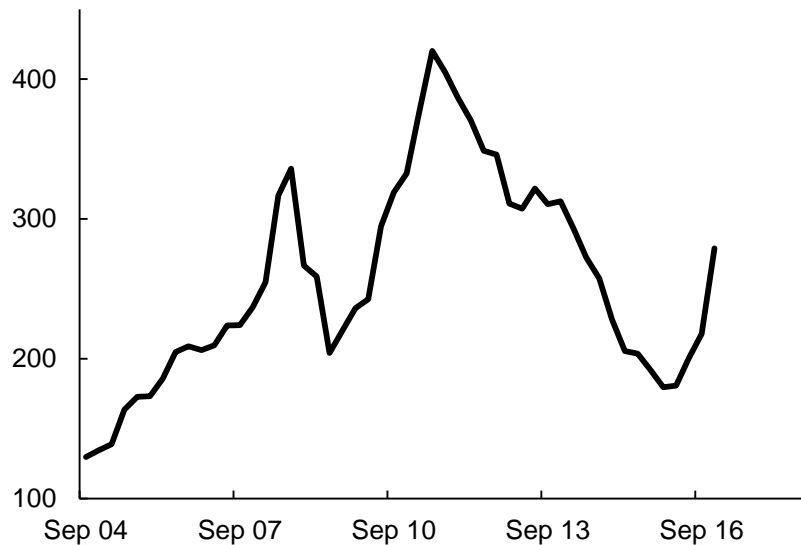
Financial markets remain volatile

1. Source: Bloomberg
2. Source: CEIC

Australian growth headwinds easing

Commodity prices have bottomed¹

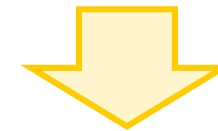
(CBA commodity price index)



The drag on incomes from falling commodity prices is complete, removing a major risk from the outlook

Drop in mining capex almost over

(Business investment, % of GDP)



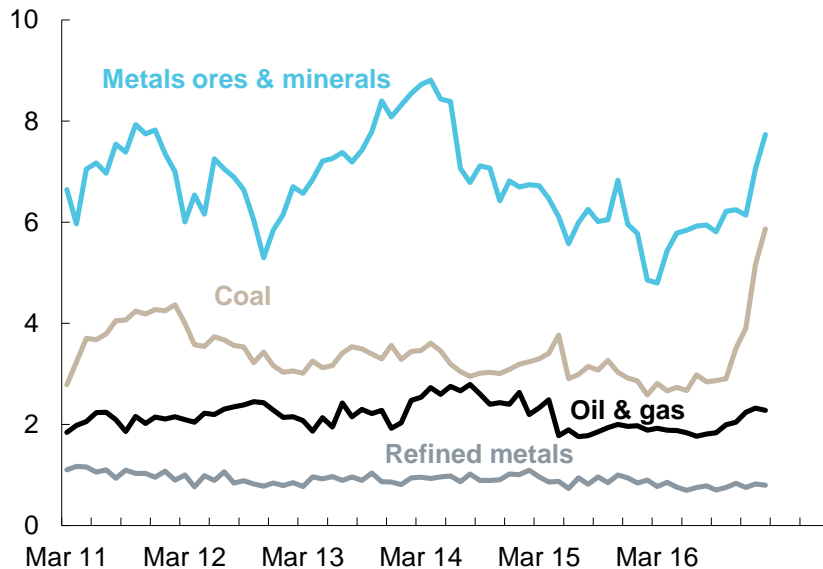
The decline in mining capex is nearly over and should be complete later in 2017 as remaining LNG plants are completed

1. Source: CBA
2. Source: ABS

Growth tail winds blowing

Resource exports growing strongly

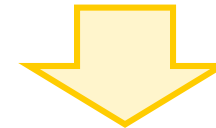
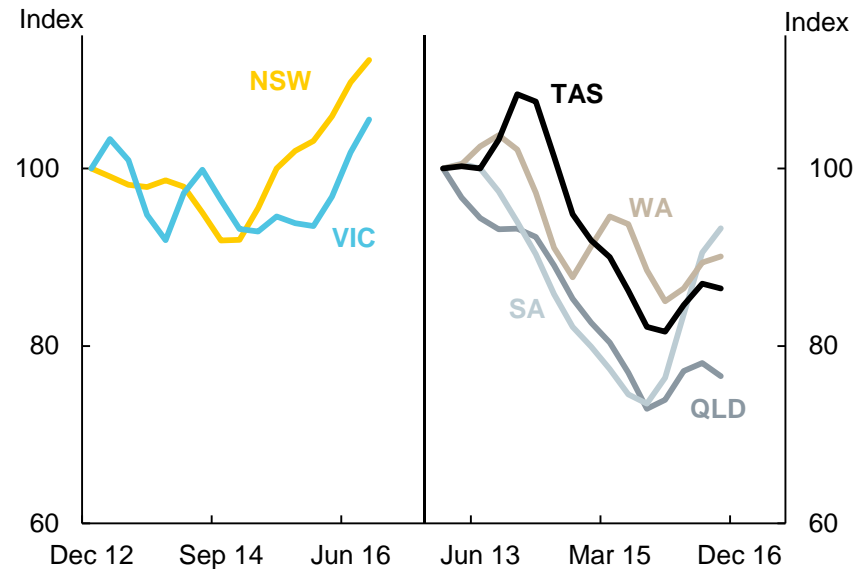
(Resource-related exports, monthly sa, \$bn)



The transition from mining construction to production and exports is well underway. Resource exports will be a major growth driver over the next few years.

Public infrastructure spending lifting

(State public CAPEX, trend Dec-12 = 100)

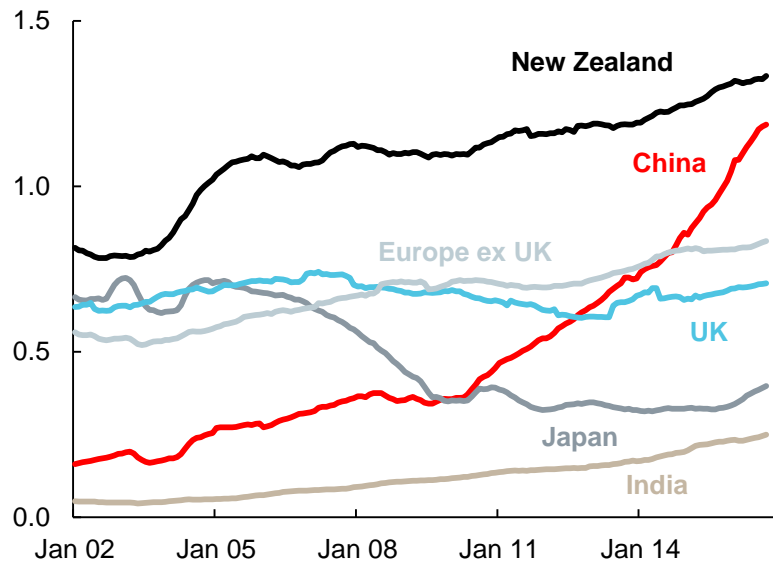


A much needed lift in public infrastructure spending is underway.

Growth tail winds blowing

The Asian income boost continues

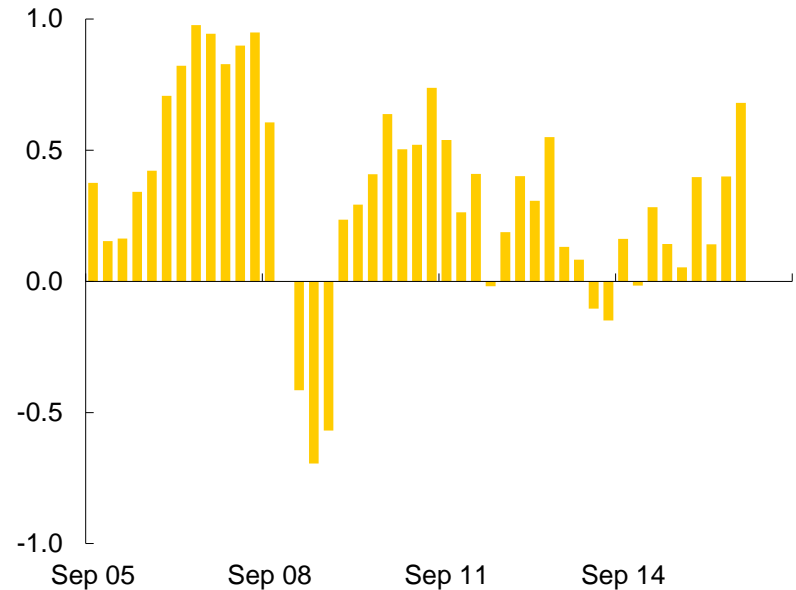
(Short term overseas arrivals, rolling annual total millions)



Rising Asian incomes helps sectors like tourism, education, agriculture and, eventually, health and financial services.

Services trade is rising

(Services trade, rolling annual contribution to GDP growth %)

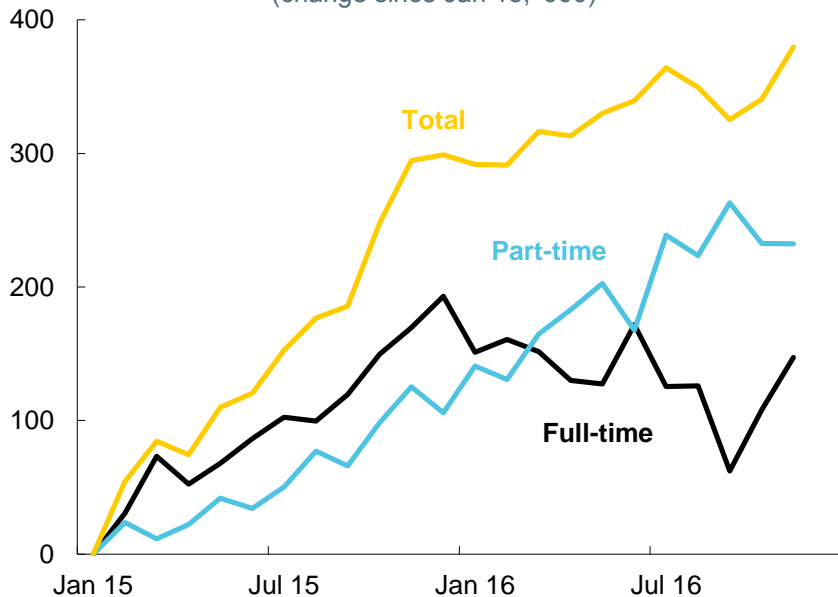


Rising services trade is now a significant growth driver.

Growth risks

Employment

(change since Jan 15, '000)



Employment growth slowed in late 2016, although leading indicators remain encouraging. The skew toward part-time jobs has contributed to higher underemployment

Non-mining capex¹

(% of GDP)

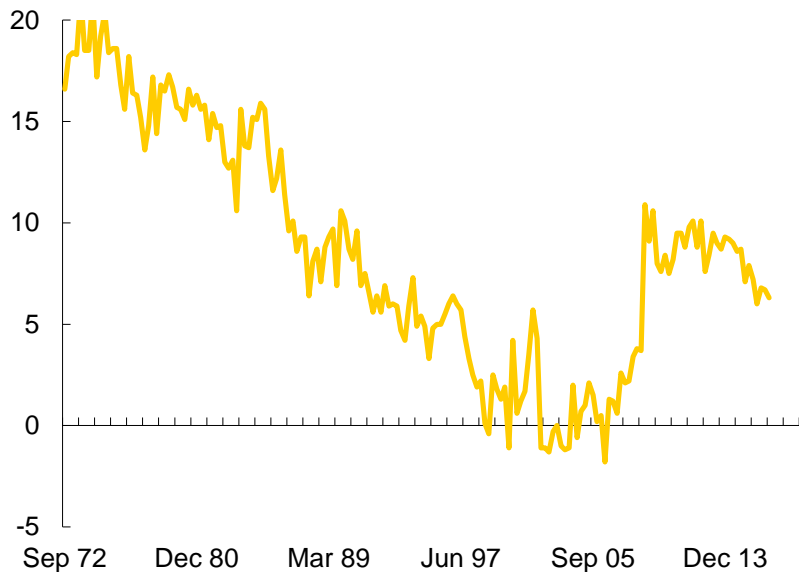


Business remains reluctant to invest despite encouraging fundamentals. A reduction in policy uncertainty and some adjustment to hurdle rates of return would help.

Growth risks

Savings ratio

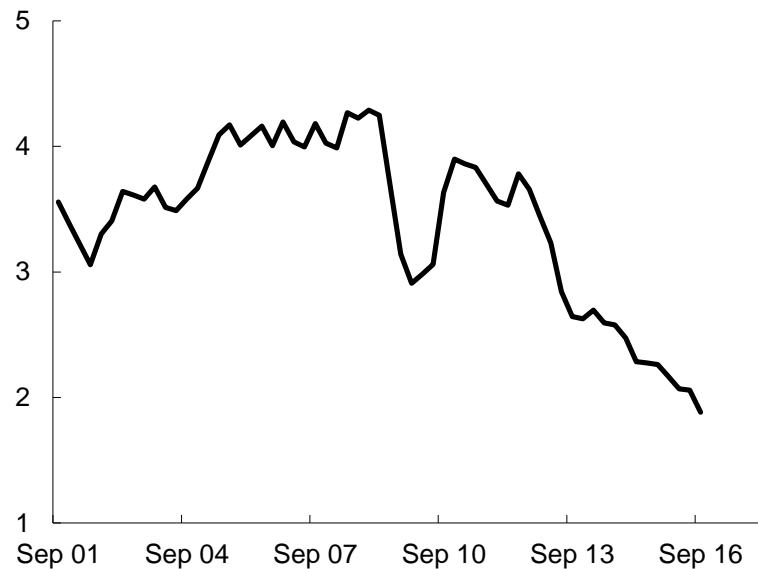
(%)



A falling household saving rate has allowed consumer spending to grow faster than income. But the ability to cut savings further is limited.

Wage Price Index¹

(annual % change)

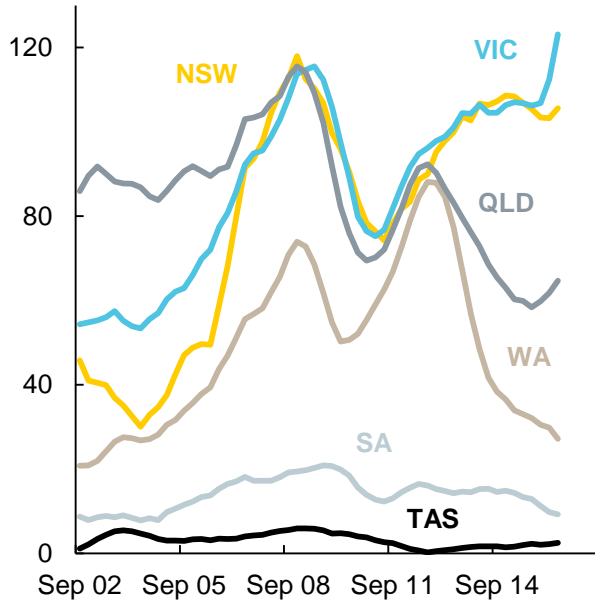


Wages growth remains subdued but the growth rates appear to have bottomed.

Housing fundamentals suggest slower growth ahead

Demand is slowing

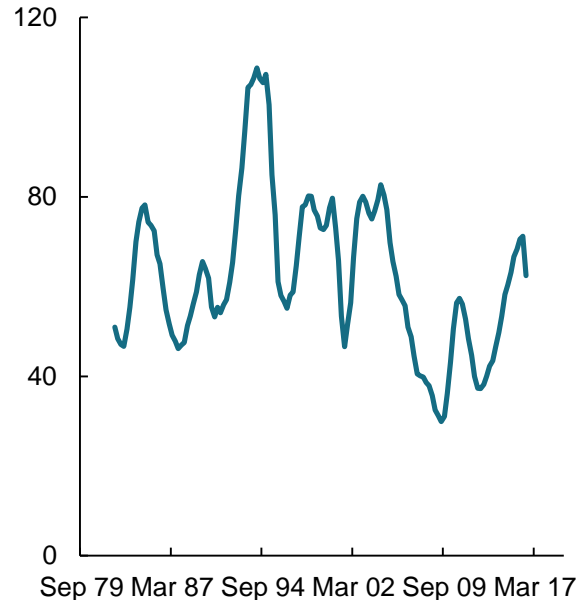
(State population growth, annual change '000)



Population growth has slowed as net migration eased. The slowing is concentrated in WA and Qld. Growth in NSW and Vic remains robust.

Supply is lifting

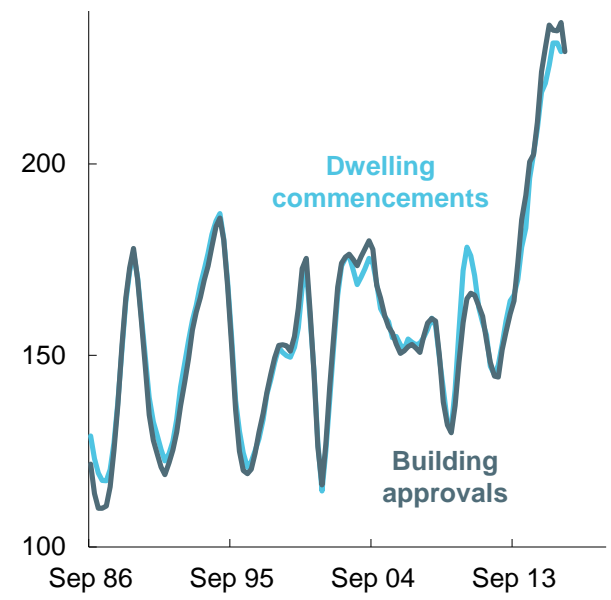
(Dwelling supply, new construction as a % of population growth)



Housing supply is now running ahead of housing demand, any backlog has now been met.

Construction peaking

(dwelling construction, rolling annual total '000)

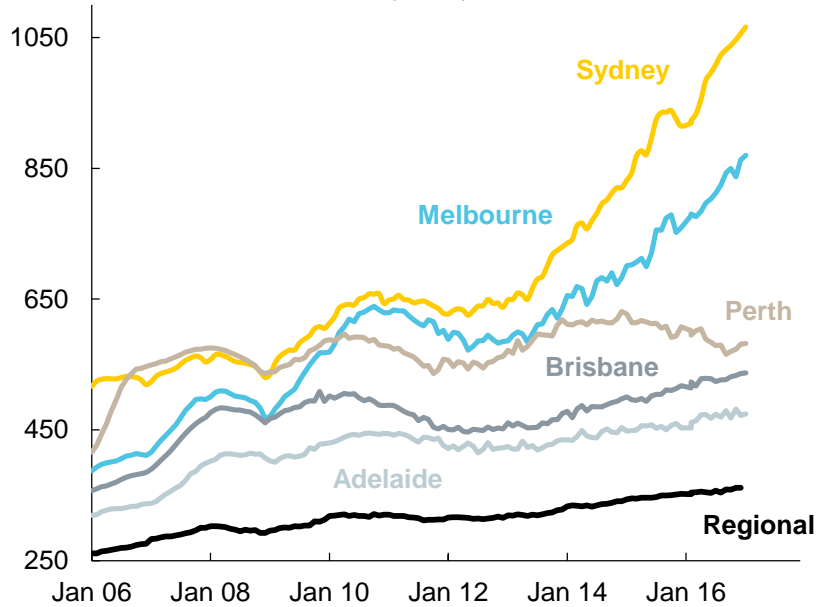


The record residential construction boom has lifted employment and related parts of retail like hardware, furnishings and white goods. But leading indicators have peaked.

Dwelling price and credit growth trends are diverging

Dwelling prices¹

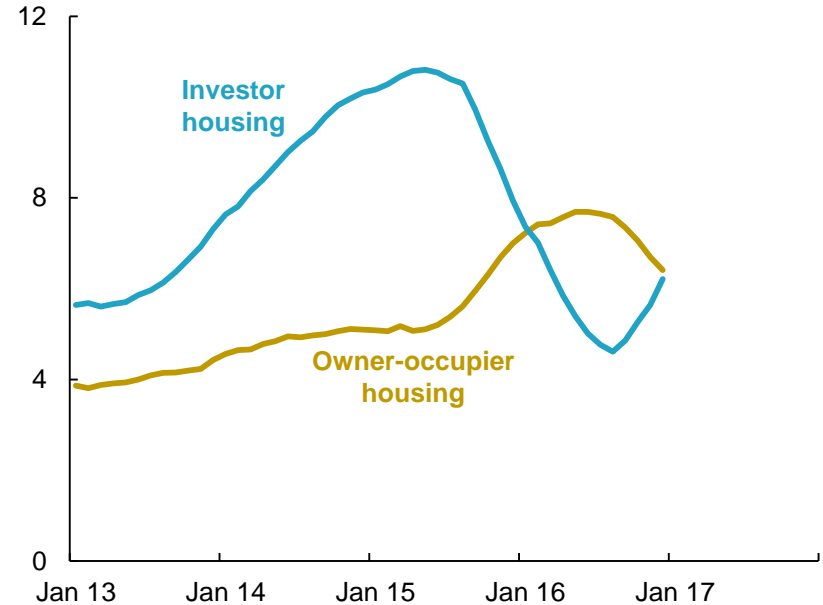
(Index)



Dwelling price growth varies widely by region.
Momentum has lifted again recently

Housing credit growth²

(Credit growth, annual % change)



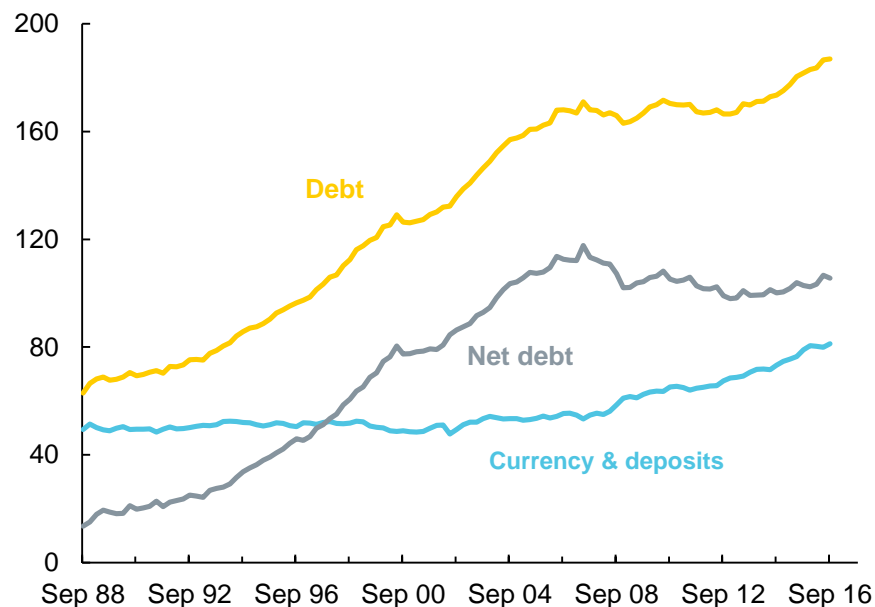
Affordability, regulatory and other issues are driving divergent trends in housing credit growth.

1. Source: CoreLogic RP Data
2. Source: RBA

Households have some protective buffers

Household Debt & Deposits¹

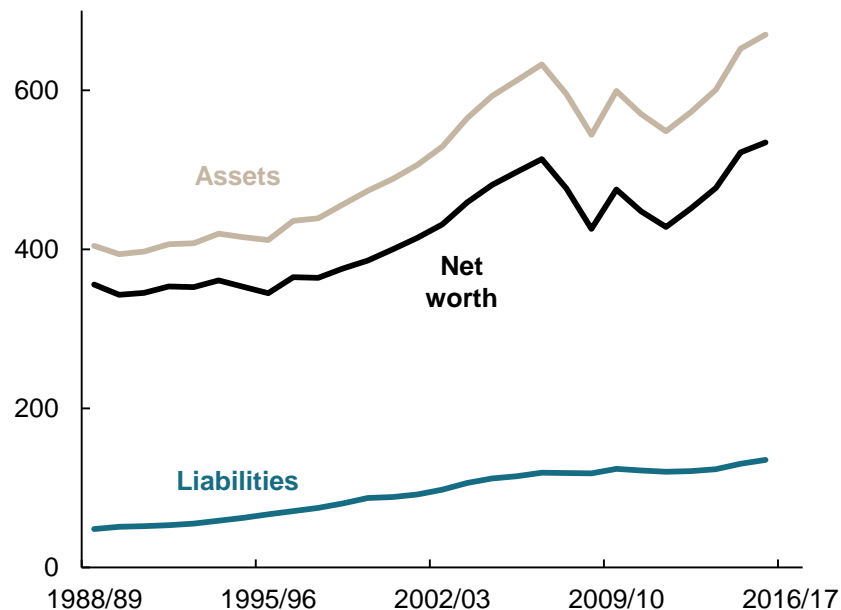
(% of annual household disposable income)



Household net debt has been stable – as low interest rates allow pre-payments and growing equity redraw balances. Households would be vulnerable to a fall in asset values and/or a rise in interest rates and unemployment.

Household Net Worth²

(% of GDP)



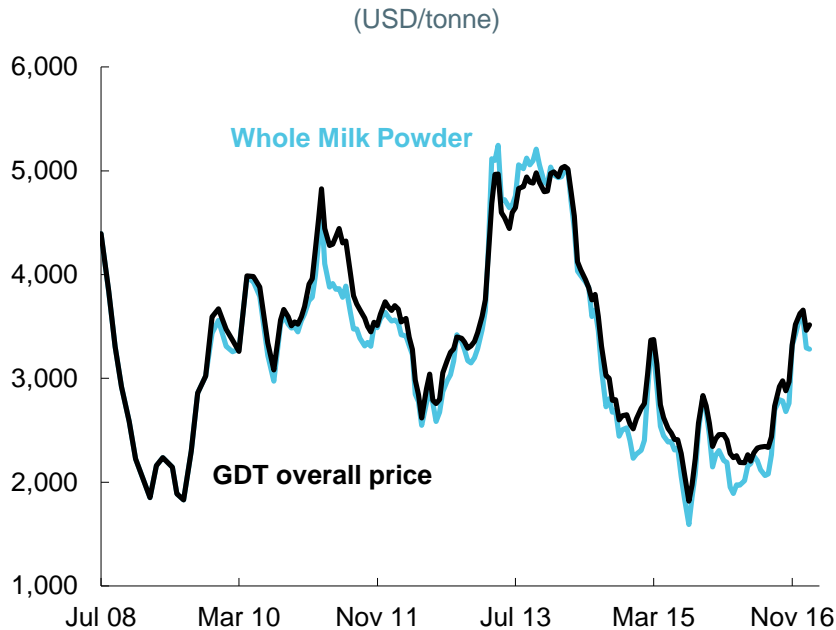
Household liabilities have increased in recent years but household assets have grown at a faster pace. Net worth has improved as a result

Typical housing bubble factors not evident in Australia

Housing “Bubble” – typical characteristics	Current position in Australia
Unsustainable asset prices	<ul style="list-style-type: none"> ◆ Prices were supported by underbuilding in past years but demand and supply are now more in balance. ◆ Price growth has slowed in some areas but remains solid in others. ◆ Strong lift in construction will dampen dwelling price growth ◆ Residential rental yields easing as new supply rises
Speculative investment artificially inflates asset prices	<ul style="list-style-type: none"> ◆ Investor interest is a rational response to low interest rates, rising risk appetite and the pursuit of yield ◆ Investor demand did slow after APRA’s regulatory changes
Strong volume growth driven by relaxed lending standards	<ul style="list-style-type: none"> ◆ Minimal “low doc” lending ◆ Mortgage insurance for higher LVR loans ◆ Full recourse lending ◆ Lift in rates for investors as a macroprudential policy response
Interaction of high debt levels and interest rates	<ul style="list-style-type: none"> ◆ A high proportion of borrowers ahead of required repayment levels ◆ Interest rate buffers built into loan serviceability tests at application ◆ Housing credit growth remains modest and at the bottom end of the range of the past three decades.
Domestic economic shock – trigger for price correction	<ul style="list-style-type: none"> ◆ Respectable Australian economic growth outcomes ◆ Unemployment rate has fallen and arrears rates are low

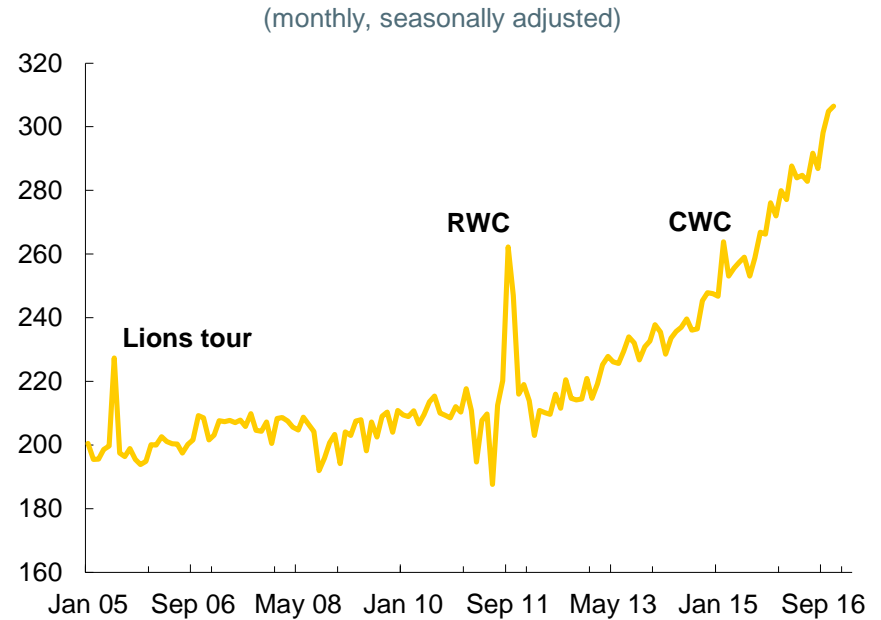
New Zealand

Global dairy trade auction results¹



Dairy prices recovered substantially in the second half of 2016 as NZ and European production fell. Farmers' cashflows will lift substantially in the second half of 2017.

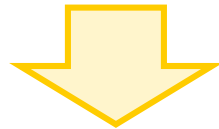
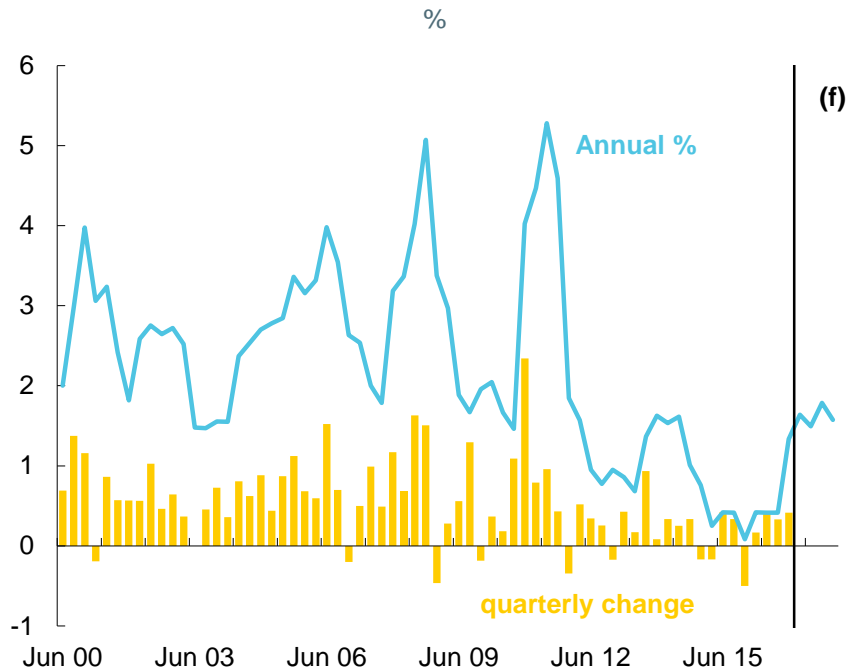
NZ short term arrivals²



Tourism (the other significant export earner) continues to do very well through soaring visitor numbers, though the firm NZD has tempered per-person spend.

New Zealand

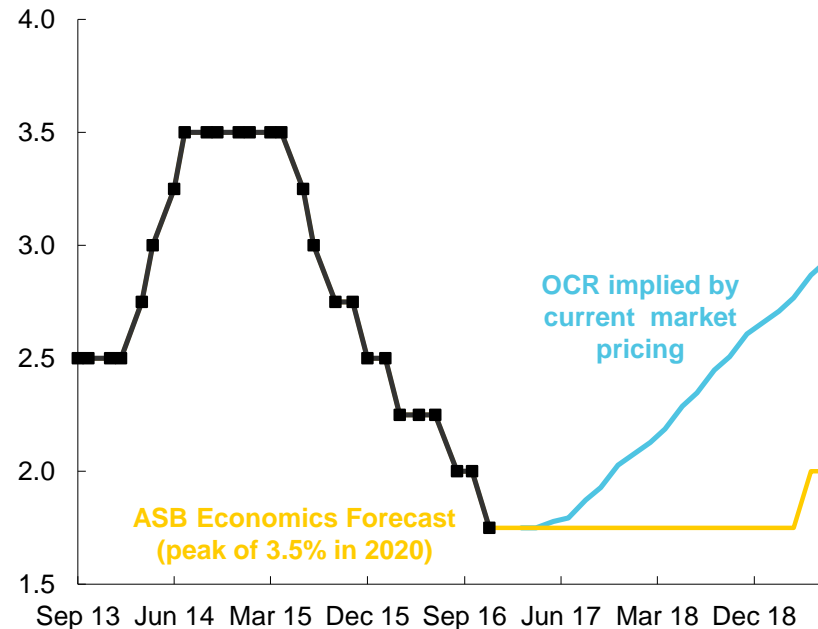
NZ CPI inflation¹



At the end of 2016 inflation lifted back into the 1-3% target band for the first time in over 2 years. Inflation will edge closer to 2% over the next year.

OCR forecasts²

(ASB forecast and implied market pricing, %)

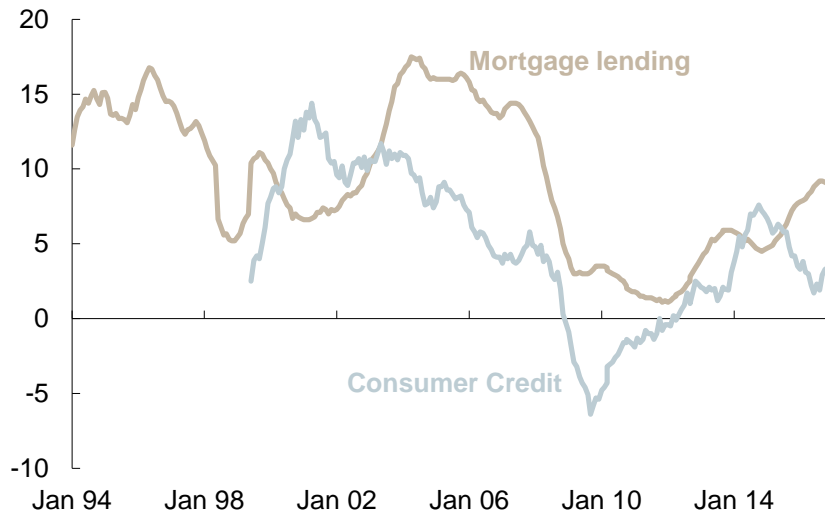


The RBNZ cut the Official Cash Rate to a low of 1.75% by the end of 2016. We expect the RBNZ to remain on hold for an extended period.

New Zealand

NZ household lending growth¹

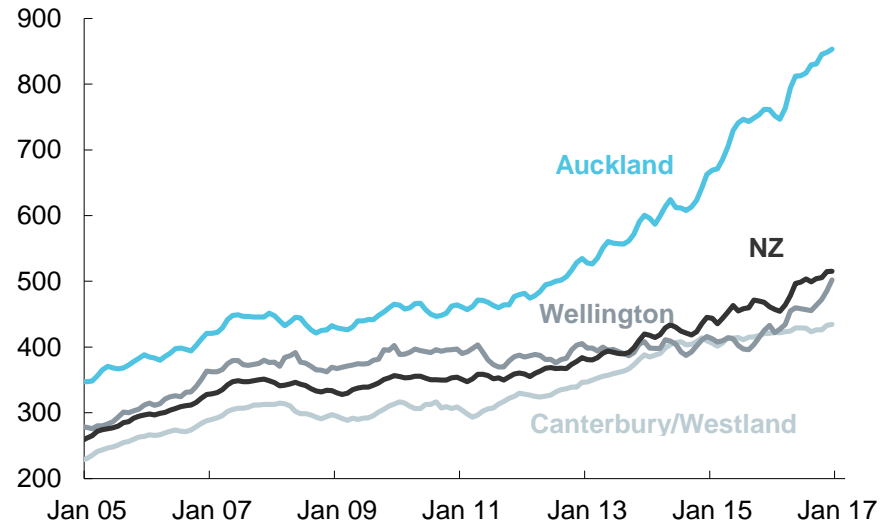
(annual % change)



Home lending accelerated over 2016. The RBNZ introduced nationwide loan restrictions on residential property, which have cooled the housing market. Credit growth will slow over 2017 in line with more modest house price growth.

NZ median house price²

(3 month moving average, \$'000)



House price growth will slow over 2017. Construction is catching up to demand (outside Auckland). Lending restrictions are impacting. But the housing market is still being supported by strong net migration inflows and interest rates that are still low.

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

Customer Metrics

- 1 Roy Morgan Research Retail Main Financial Institution (MFI) Customer Satisfaction. Australian population 14+, % “Very Satisfied” or “Fairly Satisfied” with relationship with that MFI. 6 month rolling average to December 2016. Peers includes ANZ, NAB and Westpac. CBA excludes Bankwest. Rankings are based on outright score and are not significance tested (Slides 5 & 31)
- 2 Customer Needs Met / Products per Customer – Roy Morgan Research. Australian Population 18+, Banking and Finance products per Banking and Finance customer at main financial institution. 6 month rolling average to December 2016. CBA excludes Bankwest. Rank based on comparison to ANZ, NAB and Westpac. Wealth includes Superannuation, Insurance and Managed Investments. Share of product is calculated by dividing Products held at CBA by Products held anywhere. “Internet Banking” refers to CBA customers who conducted internet banking in the last 4 weeks. Note: Individual products may not add up to the overall totals due to rounding. (Slide 9)
- 3 Roy Morgan Research, Australians 14+, Proportion of Banking and Finance MFI Customers that nominated each bank as their Main Financial Institution (MFI Share), 12 month average to December 2016. Peers includes ANZ, NAB and Westpac (incl. St George Group). CBA includes Bankwest. “Internet Banking” refers to customers who conducted internet banking via app and website anywhere in the last 4 weeks. (Slide 6 & 31)
- 4 DBM Business Financial Services Monitor (December 2016), average satisfaction rating of business customers’ Main Financial Institution (MFI), across all Australian businesses, using an 11 pt scale where 0 is Extremely Dissatisfied and 10 is Extremely Satisfied, 6 month rolling average. Rankings are based on DBM significance testing (Slides 5 & 31)
- 5 DBM Business Financial Services Monitor. Micro businesses are defined as those with annual turnover up to \$1 million, Small businesses are those with annual turnover of \$1 million to less than \$5 million, Medium businesses are those with annual turnover of \$5 million to less than \$50 million, Large businesses are those with annual turnover of \$50m to less than \$500m, and IB&M businesses are those with annual turnover of \$100 million or more. All charts use a 6 month rolling average. Rankings are based on DBM significance testing (Slide 5 & 31)
- 6 Wealth Insights platform service and overall satisfaction score - Ranking of Colonial First State (the platform provider) is calculated based on the weighted average (using Strategic Insight FUA – formerly Plan for Life) of the overall adviser satisfaction scores of FirstChoice and FirstWrap compared with the weighted average of other platform providers in the relevant peer set. The relevant peer set includes platforms belonging to Westpac, NAB, ANZ, AMP and Macquarie in the Wealth Insights survey. This measure is updated annually in April. (Slide 5)
- 7 PT Bank Commonwealth in Indonesia rated number one among foreign banks for customer service as measured by MRI (one of the leading industry Standards for Customer Service Excellence). (Slide 5)
- 8 Proportion of Banking & Finance customers’ Wealth products captured by the financial institution. Roy Morgan Research. Australian Population 18+ , 6 month average to December 2016. Calculated by dividing Wealth products held at institution by products held anywhere. Wealth Products includes Total Insurance (excl. Private Health), Managed Investments and Superannuation. CBA excludes Bankwest. (Slide 9)
- 9 Roy Morgan Research. Australian population 14+. Proportion of customers who conducted internet banking via website or app with their Main Financial Institution in the last 4 weeks, who are either “Very Satisfied” or “Fairly Satisfied” with the service provided by that institution. 6 month average to December 2016. Rank based on comparison to ANZ, NAB and Westpac. (Slides 5, 30 & 31)

Technology Metrics

Sources for 'More satisfied customers – internet' (slide 30)

- 1 Free financial app: CommBank app on iOS and Android in Australia. Sources are the Apple App Store and the Google Play Store.
- 2 Online banking: CBA won Canstar's *Bank of the Year – Online Banking* award for 2016 (for the 7th year in a row). Awarded May 2016.
- 3 Customer satisfaction – internet banking services: Roy Morgan Research. Australian population 14+. Proportion of customers who conducted internet banking via website or app with their Main Financial Institution in the last 4 weeks, who are either “Very Satisfied” or “Fairly Satisfied” with the service provided by that institution. Rank based on comparison to ANZ, NAB and Westpac. CBA held the number one position for Overall Satisfaction the entire financial year 2016.
- 4 Social media: CBA's combined following across its main Facebook, LinkedIn, Twitter and Instagram sites is the largest of the main Australian banks (subsidiary and associated pages not included in count). In addition, global independent website *The Financial Brand* rates the social media presence of banks and credit unions globally. For the second quarter of 2016, CBA is the #1 Australian bank on their list: <http://thefinancialbrand.com/59589/power-100-2016-q2-bank-rankings/>.
- 5 Finder awarded CBA the *Best Internet Banking* award for the NetBank platform. Awarded November 2016. <https://www.finder.com.au/2016-finder-innovation-awards-best-internet-banking>
- 6 Finder awarded CBA the *Gold Innovation* award for NetBank. Awarded November 2016. <https://www.finder.com.au/2016-finder-innovation-awards-best-internet-banking>
- 7 CommSec awarded Money Magazine's Best Feature-Packed Online Broker 10 years running. Source: <http://moneymag.com.au/best2017/>. Awarded January 2017.
- 8 Australian Banking and Finance magazine awarded CBA the *Innovative Card & Payment Product of the year* for Mobile Wallet. Awarded June 2016.
- 9 Mobile banking: CBA won Canstar's *Bank of the Year - Mobile Banking* award for 2016. Awarded May 2016.

Glossary

Capital & Other

Risk Weighted Assets or RWA	The value of the Group's On and Off Balance Sheet assets are adjusted by risk weights calculated according to various APRA prudential standards. For more information, refer to the APRA website.
CET1 Expected Loss (EL) Adjustment	CET1 adjustment that represents the shortfall between the calculated regulatory expected loss and eligible provisions with respect to credit portfolios which are subject to the Basel advanced capital IRB approach. The adjustment is assessed separately for both defaulted and non-defaulted exposures. Where there is an excess of regulatory expected loss over eligible provisions in either assessments, the difference must be deducted from CET1. For non-defaulted exposures where the EL is lower than the eligible provisions, this may be included in Tier 2 capital up to a maximum of 0.6% of total credit RWAs.
Leverage Ratio	Tier 1 Capital divided by Total Exposures, with this ratio expressed as a percentage. Total exposures is the sum of On Balance Sheet items, derivatives, securities financing transactions (SFTs), and Off Balance Sheet items, net of any Tier 1 regulatory deductions that are already included in these items.
Internationally comparable capital	The Internationally Comparable CET1 ratio is an estimate of the Group's CET1 ratio calculated using rules comparable with our global peers. The analysis aligns with the APRA study entitled "International capital comparison study" (13 July 2015).
Credit value adjustment (CVA)	Valuation adjustment to reflect the market view of counterparty credit risk on over the counter (OTC) derivatives.
Funding valuation adjustment (FVA)	The expected funding cost or benefit over the life of the uncollateralised derivative portfolio.

Funding & Risk

Liquidity coverage ratio (LCR)	The LCR is the first quantitative liquidity measure that is part of the Basel III reforms. It was implemented by APRA in Australia on 1 Jan 2015. It requires Australian ADI's to hold sufficient liquid assets to meet 30 day net cash outflows projected under an APRA-prescribed stress scenario.
High quality liquid assets (HQLA)	As defined by APRA in Australian Prudential Standard APS210: Liquidity. Qualifying HQLA includes cash, Govt and Semi Govt securities, and RBNZ eligible securities. The Exchange Settlement Account (ESA) balance is netted down by the Reserve Bank of Australia open-repo of internal RMBS.
Committed liquidity facility (CLF)	The Reserve Bank of Australia (RBA) provides the CLF to participating ADIs under the LCR as a shortfall in Commonwealth government and Semi-government securities exists in Australia. ADIs can draw under the CLF in a liquidity crisis against qualifying securities pledged to the RBA. The amount of the CLF for each ADI is set by APRA annually.
Net Stable Funding Ratio	The NSFR is the second quantitative measure of the Basel III reforms, in addition to the LCR. It is scheduled to be implemented by APRA in Australia on 1 Jan 2018. It will require Australian ADIs to fund their assets with sufficient stable funding to reduce funding risk over a one year horizon. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding
TIA	Corporate Troublesome and (Group) Impaired assets.
Corporate Troublesome	Corporate Troublesome includes exposures where customers are experiencing financial difficulties which, if they persist, could result in losses of principal or interest, and exposures where repayments are 90 days or more past due and the value of security is sufficient to recover all amounts due.
Total Committed Exposure (TCE)	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes settlement exposures.
Credit Risk Estimates (CRE)	Refers to the Group's regulatory estimates of long-run Probability of Default (PD), downturn Loss Given Default (LGD) and Exposure at Default (EAD).

