



**Commonwealth**Bank



# RESULTS PRESENTATION

FOR THE FULL YEAR ENDED 30 JUNE 2016

COMMONWEALTH BANK OF AUSTRALIA | ACN 123 123 124 | 10 AUGUST 2016

**WHEN  
WE BELIEVE,  
WE CAN.**

# Disclaimer & Important Notice

## Disclaimer

The material in this presentation is general background information about the Group and its activities current as at the date of the presentation, 10 August 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. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

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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 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/>

# CBA snapshot

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

Integrity  
Accountability  
Collaboration  
Excellence  
Service

## Financial at 30 June 2016<sup>1</sup>

Cash earnings (\$m)	9,450	3%
ROE (Cash)	16.5%	(170) bps
Cash EPS (\$)	5.55	-
DPS (\$)	4.20	-
Cost-to-Income	42.4%	(40) bps
NIM (%)	2.07	(2) bps
NIM (%) ex Treasury & Markets	2.06	-

## Balance Sheet

Total assets (\$bn)	933	7%
Total liabilities (\$bn)	872	6%
FUA (\$bn) – average	143	4%
RWA (\$bn)	395	7%
Provisions to Credit RWAs (%)	1.09%	(5) bps

## Capital & Funding

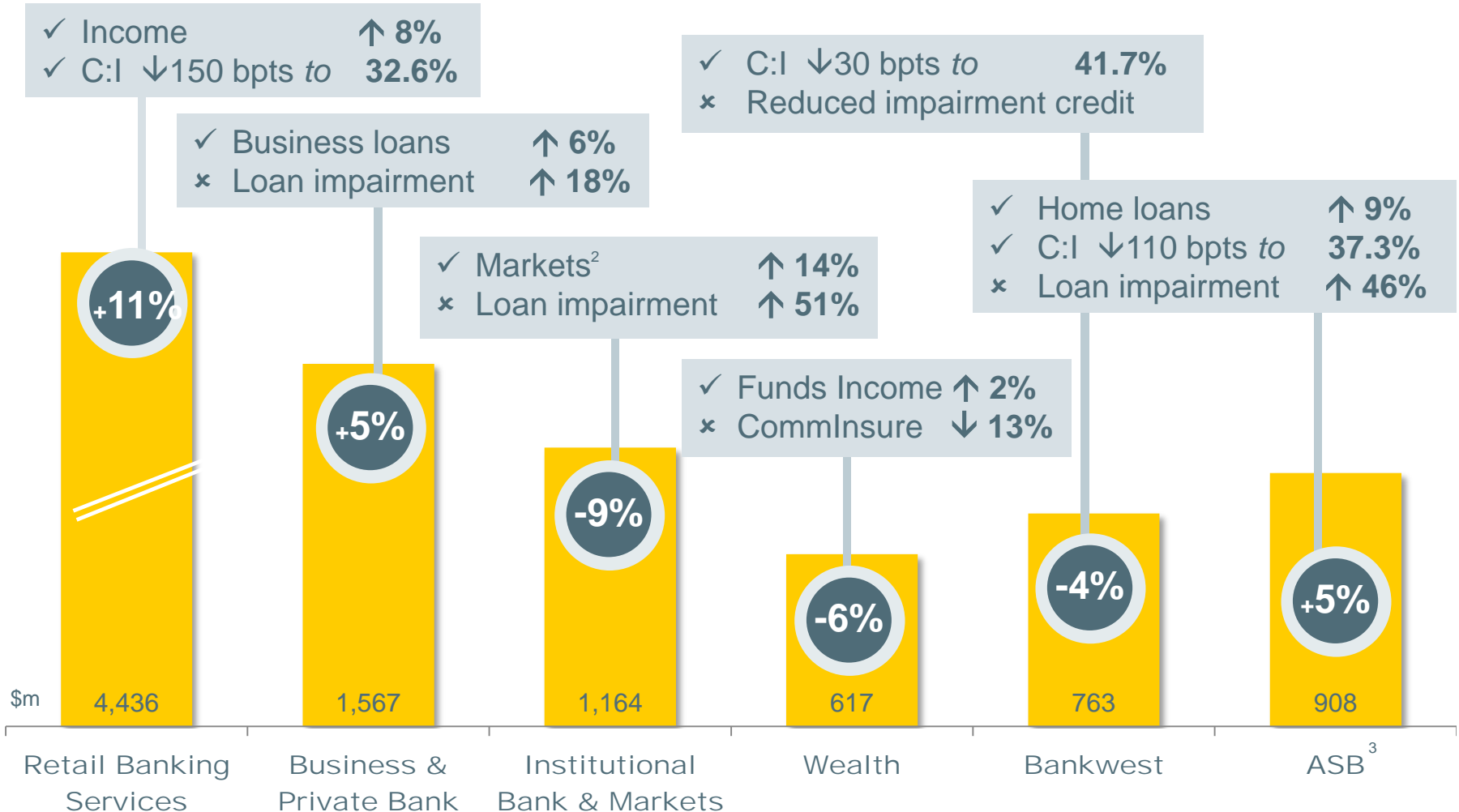
Capital – CET1 (Int'l) <sup>4</sup>	14.4%	170 bps
Capital – CET1 (APRA)	10.6%	150 bps
LT wholesale funding WAM (yrs)	4.1	0.3yrs
Deposit funding (%)	66%	1%
Liquidity Coverage Ratio (%)	120%	-
Leverage Ratio (APRA)	5.0%	N/A <sup>5</sup>

1. All movements on prior comparative period unless stated 2. Operating Performance is Total Operating Income less Operating Expense 3. Growth (1%) ex CVA / FVA 4. Internationally comparable capital - refer glossary for definition 5. The Group commenced disclosure of its leverage ratio at 30 September 2015, thus no comparatives have been presented



# Divisional Contributions

## Cash NPAT FY16<sup>1</sup>



1. All movements on prior comparative period except where noted  
 2. Growth in Markets income excluding derivative valuation adjustments  
 3. ASB result and performance metrics in NZD

# Ongoing volume growth

## Balance Growth<sup>1</sup>

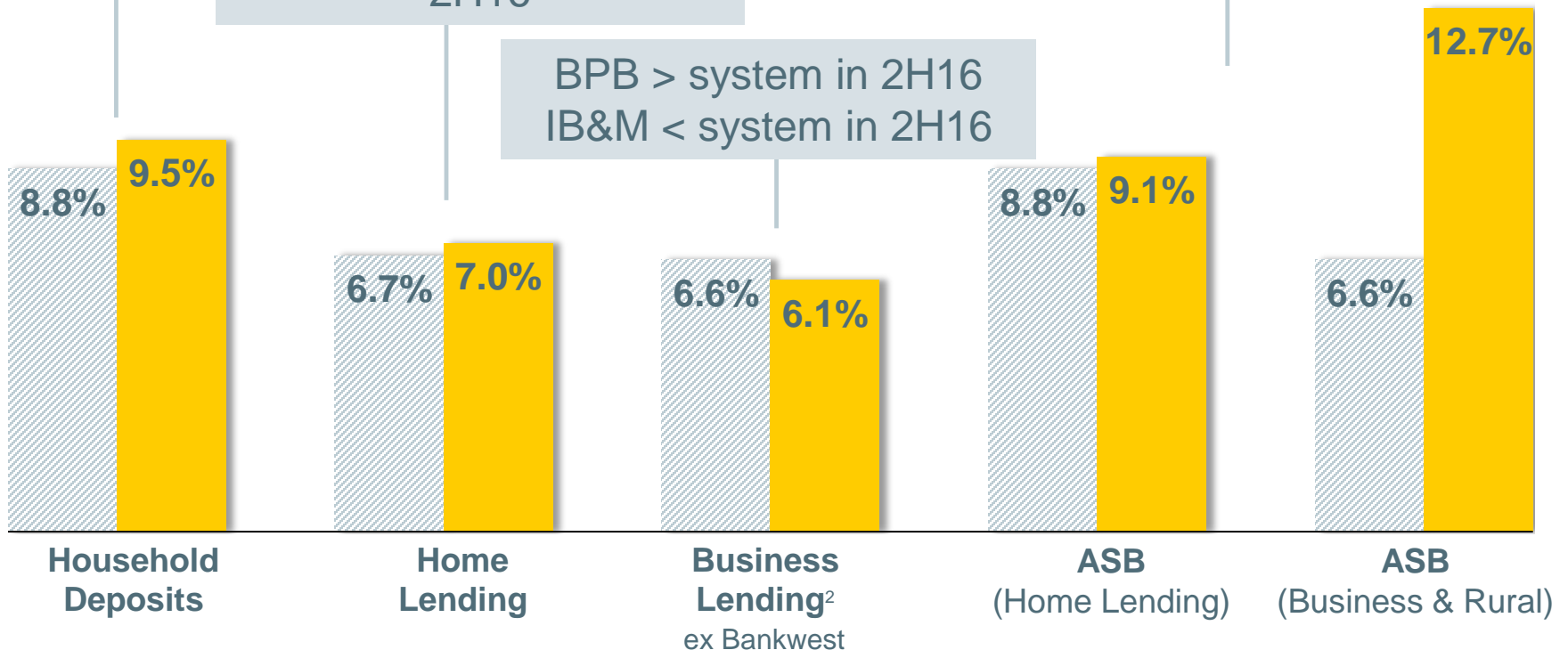
12 months to Jun 16

Driven by continued strong growth in Transaction Accounts

Above system growth in 2H16

ASB – strong growth across the board: housing, business, rural

BPB > system in 2H16  
IB&M < system in 2H16

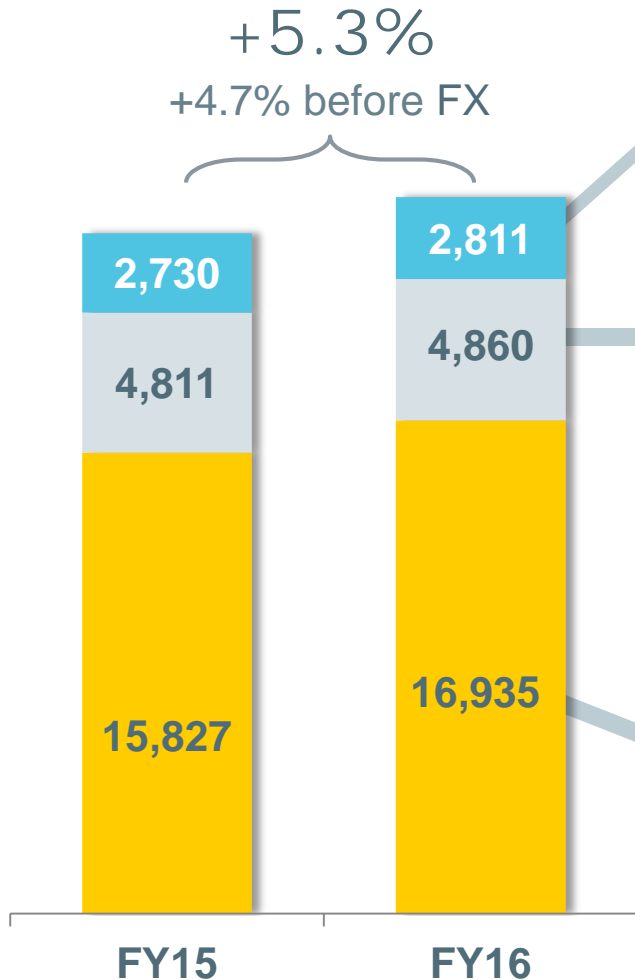


1. Spot balance growth twelve months to June 2016. Source RBA/APRA/RBNZ. CBA includes BWA except Business Lending. 2. Domestic Lending balance growth (BPB & IB&M). Source RBA.



# Operating Income up 5%

\$m



Funds & Insurance		+3%
Average FUA	↑	4%
Insurance income	→	flat

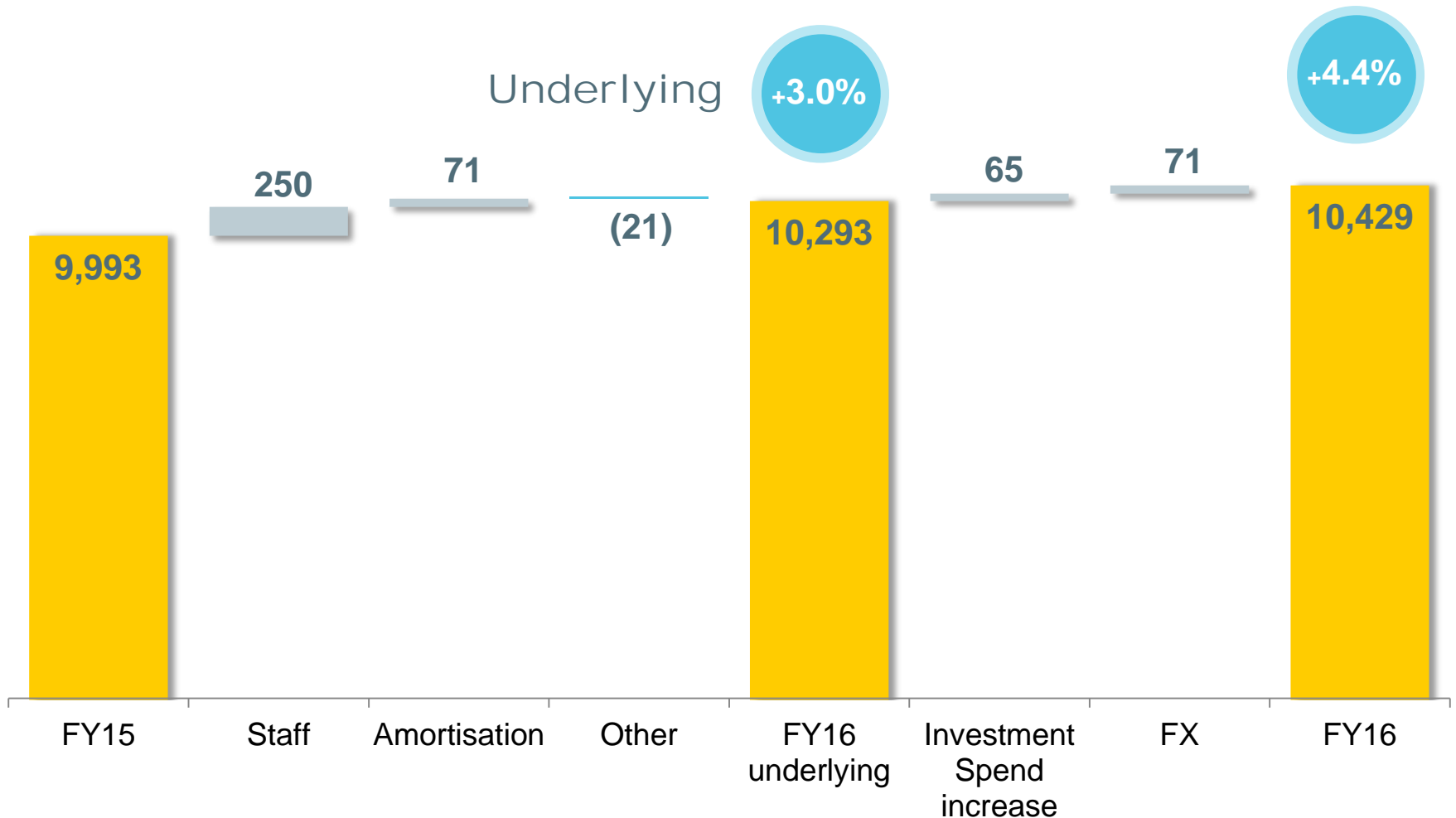
Other Banking Income		+1%
FVA / CVA	↓	(\$35m)
Trading (ex FVA/CVA)	↑	8%
OBI (ex Trading)	→	flat

Net Interest Income		+7%
Volume	↑	8%
Margin	↓	(2) bpts

# Underlying expenses up 3%

## Total Operating Expenses

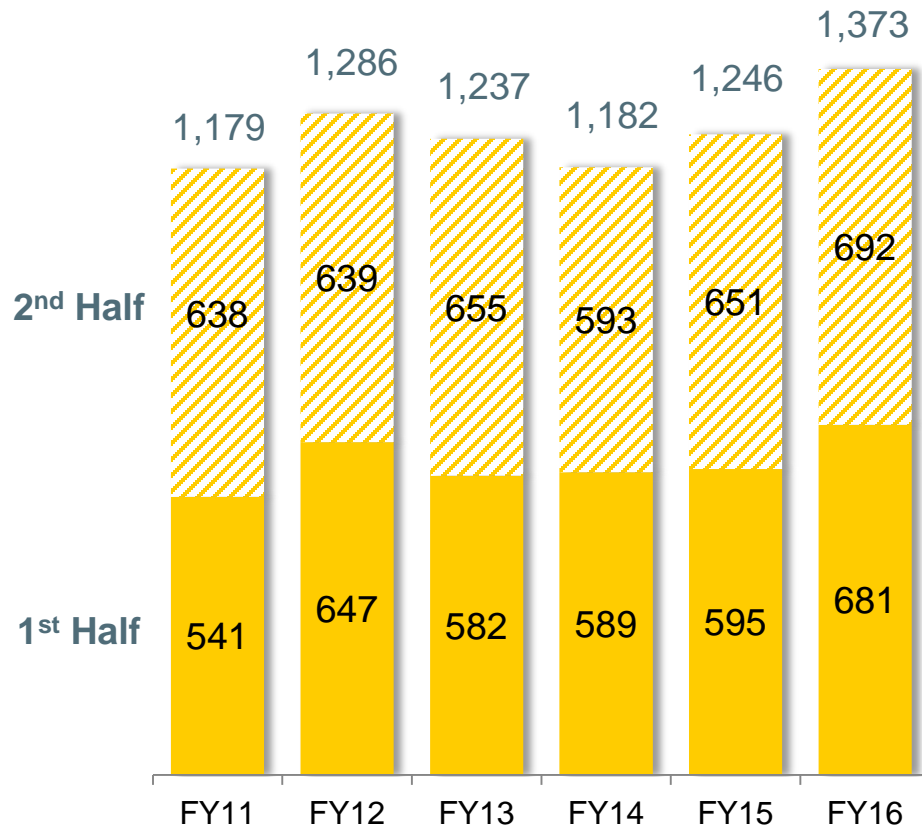
\$m



# Investment spend

## Gross Investment Spend

\$m



## Investment Spend

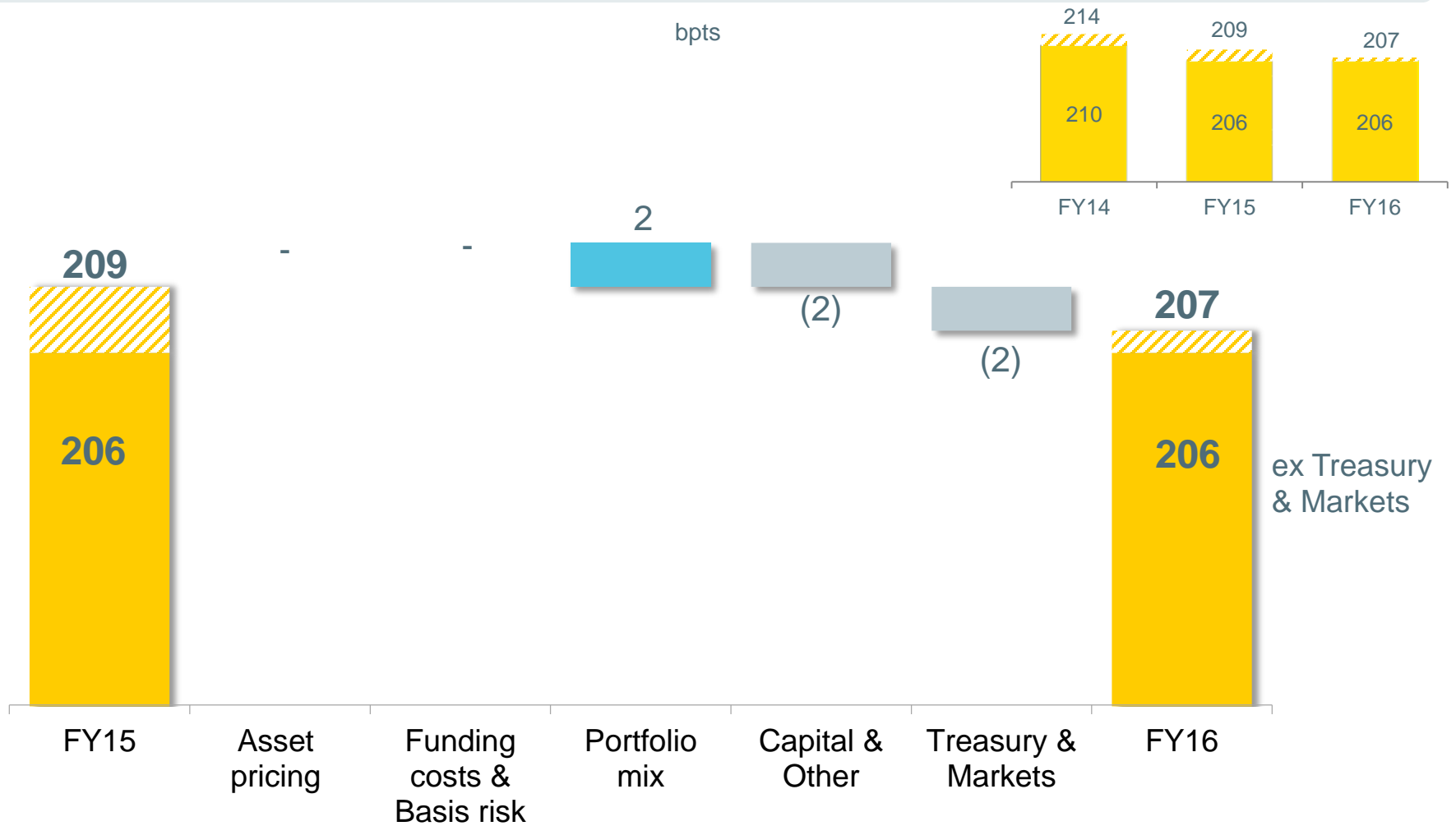
% of total





# Group NIM

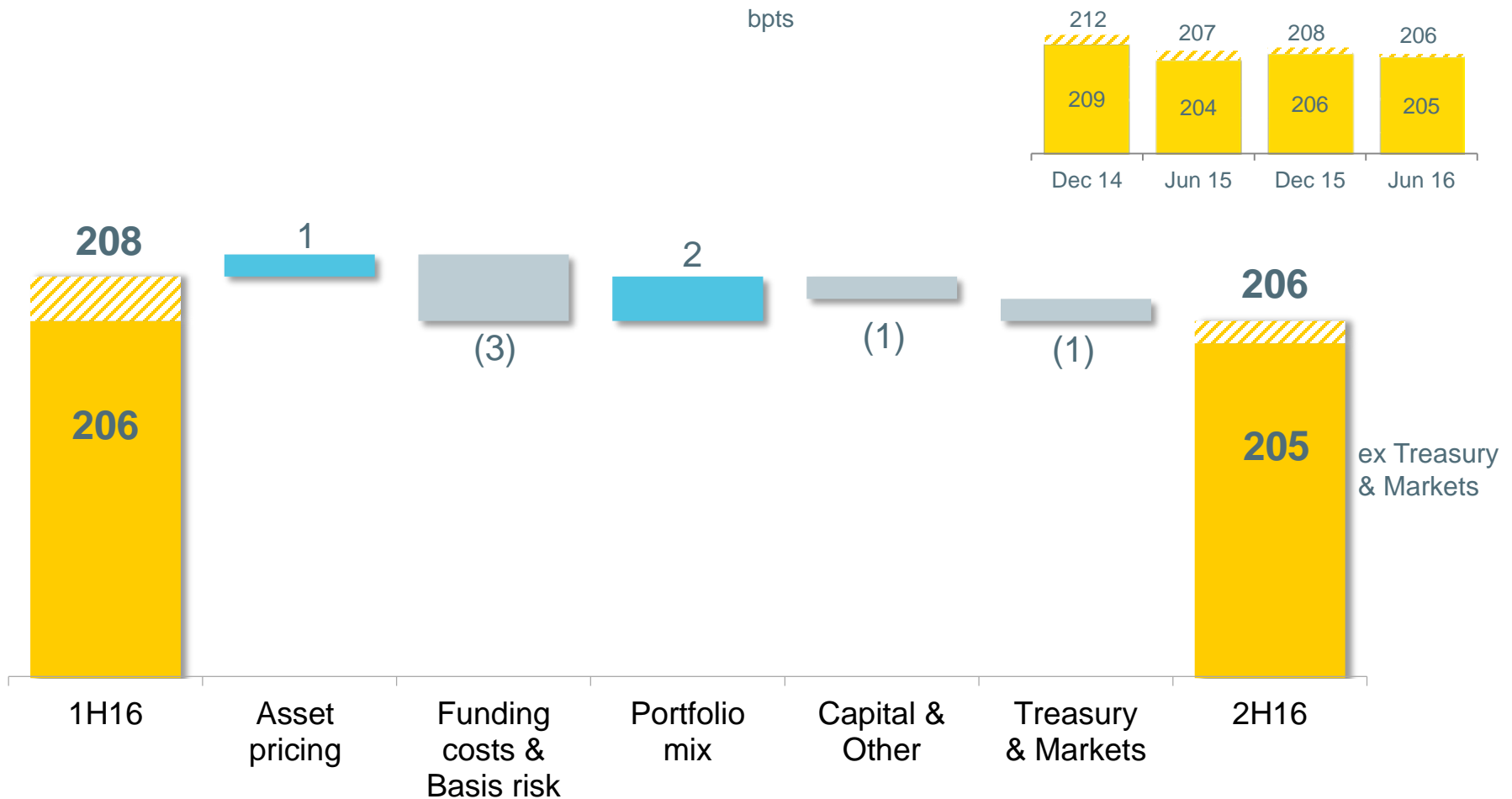
12 Month Movement



ex Treasury & Markets

# Underlying<sup>1</sup> Group NIM down 1 bpt

6 Month Movement



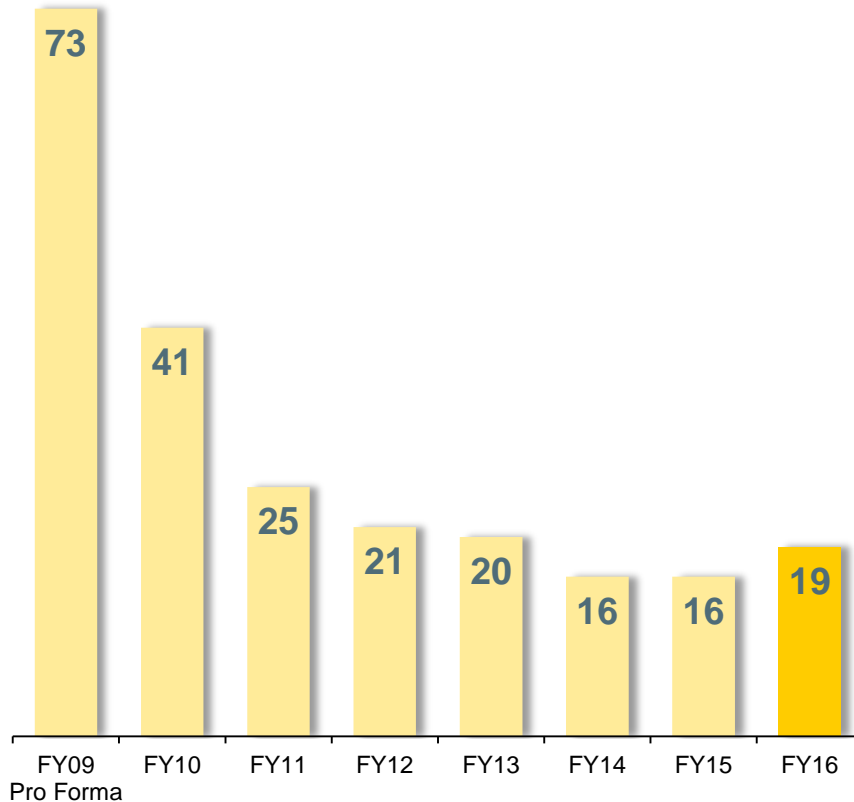
1. Excluding Treasury and Markets



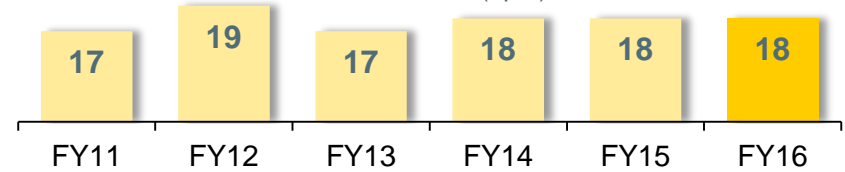
# Sound credit quality

## Loan Impairment Expense

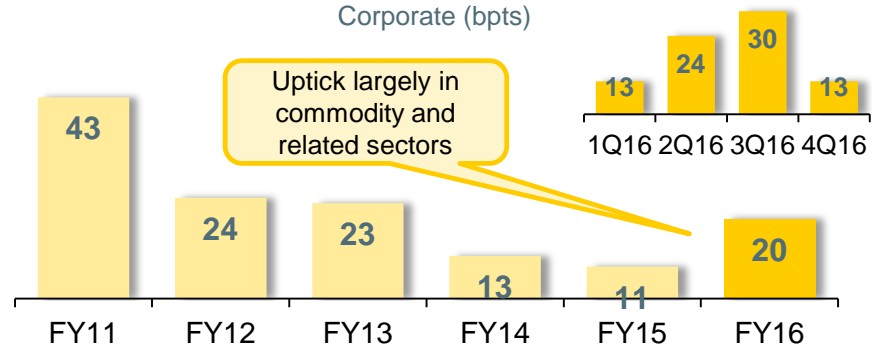
CBA Group (bpts)



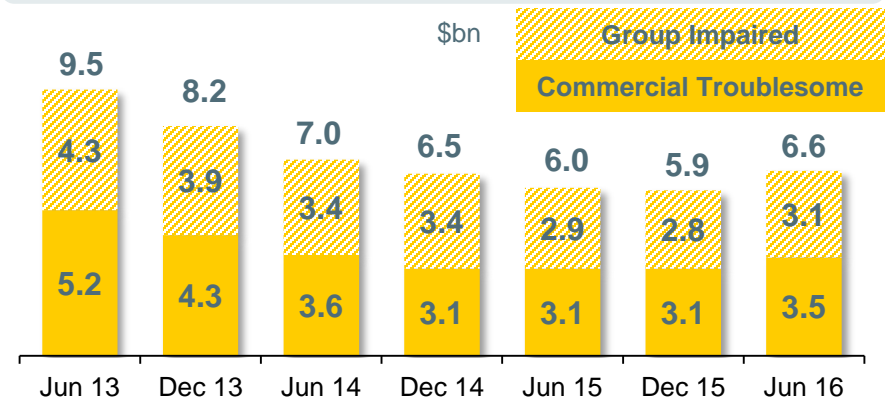
Consumer (bpts)



Corporate (bpts)



## Troublesome and Impaired Assets



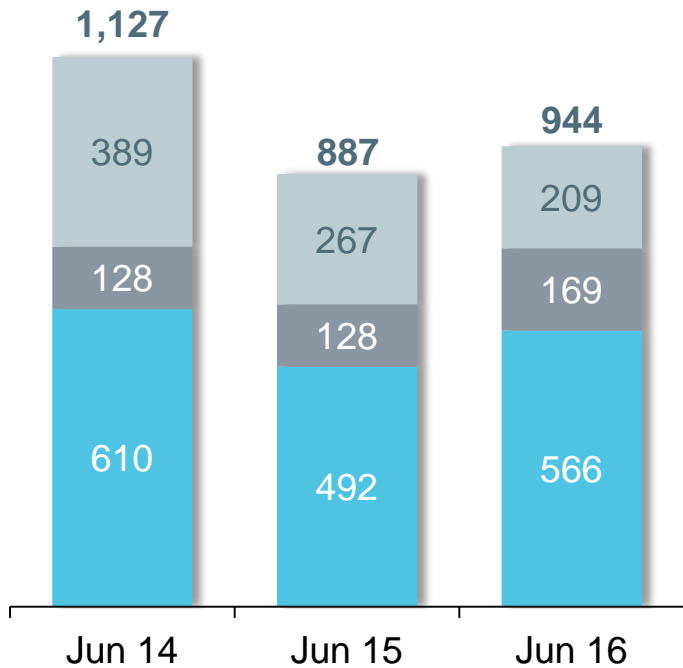
Cash LIE basis points (bpts) calculated as a percentage of average GLA. FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year. Statutory LIE for FY10 48 bpts, FY13 21 bpts and FY14 16 bpts. Consumer Home Loan Arrears exclude Reverse Mortgage, Commonwealth Portfolio Loan (RBS only)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



# Strong provisioning

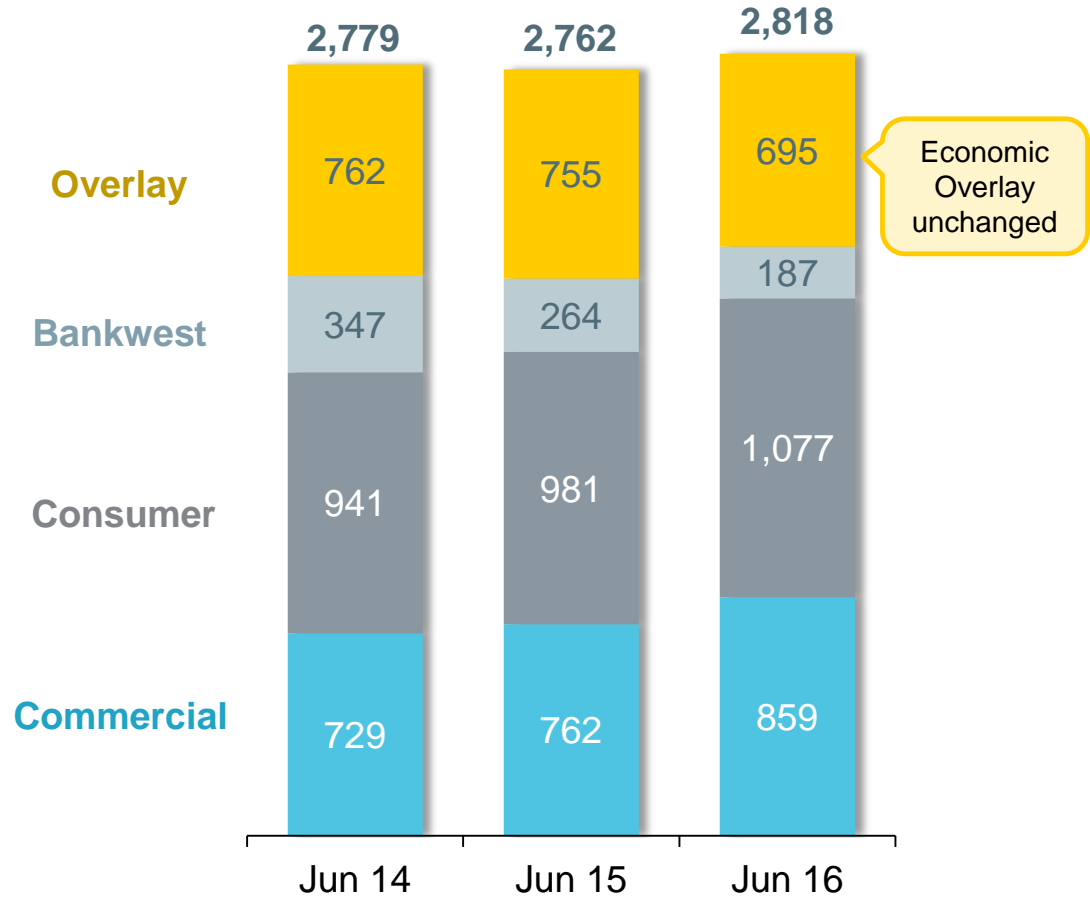
## Individual Provisions

\$m



## Collective Provisions

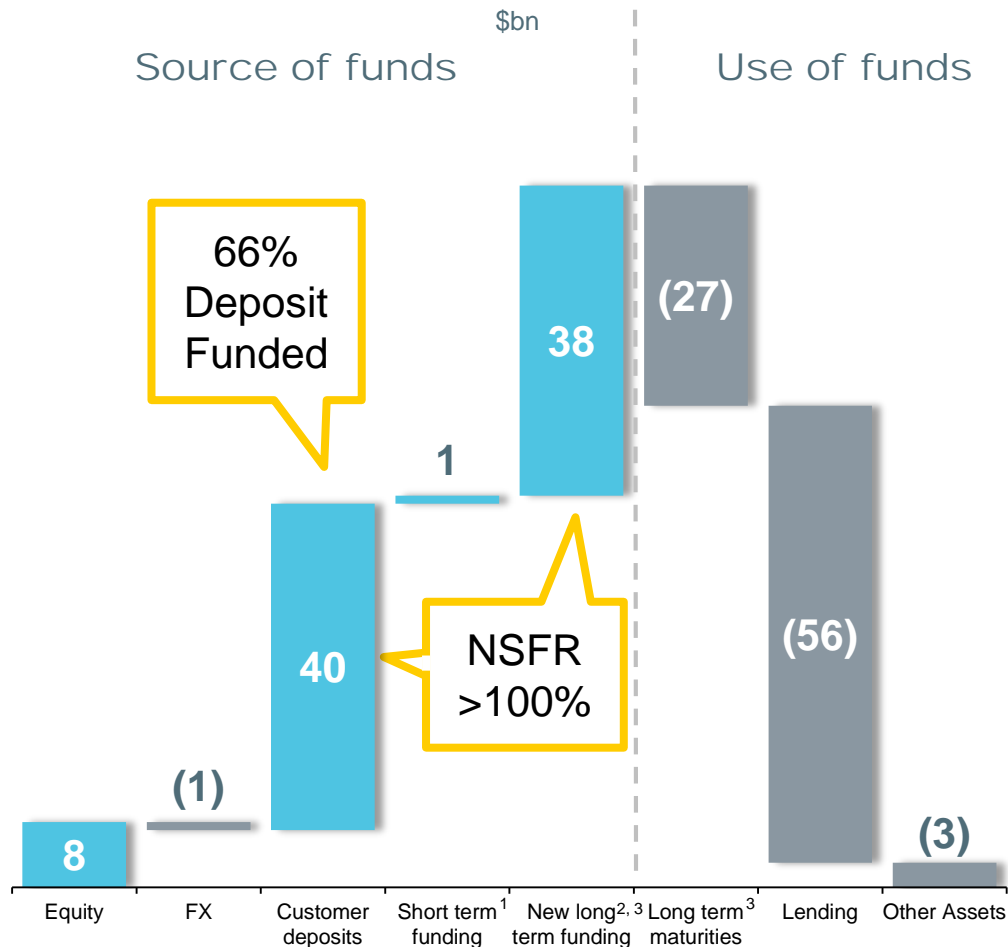
\$m





# Funding and Liquidity

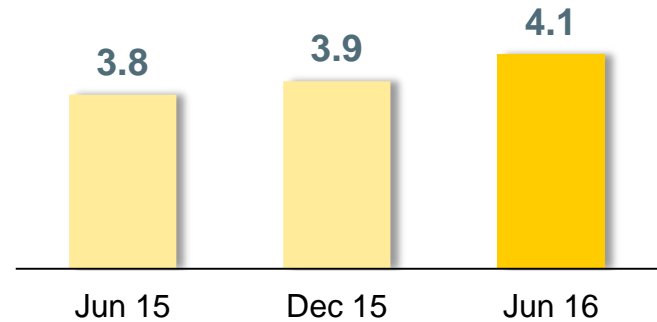
## Funding



12 Months to Jun 16

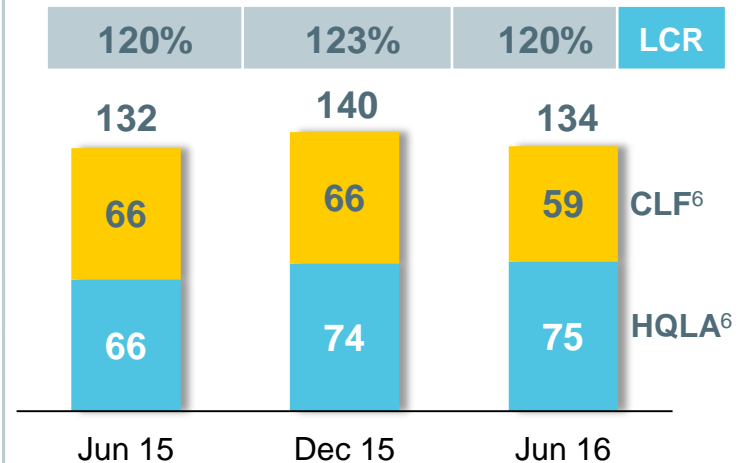
## Long Term Funding

Portfolio Tenor (years)<sup>4</sup>



## Liquidity<sup>5</sup>

\$bn

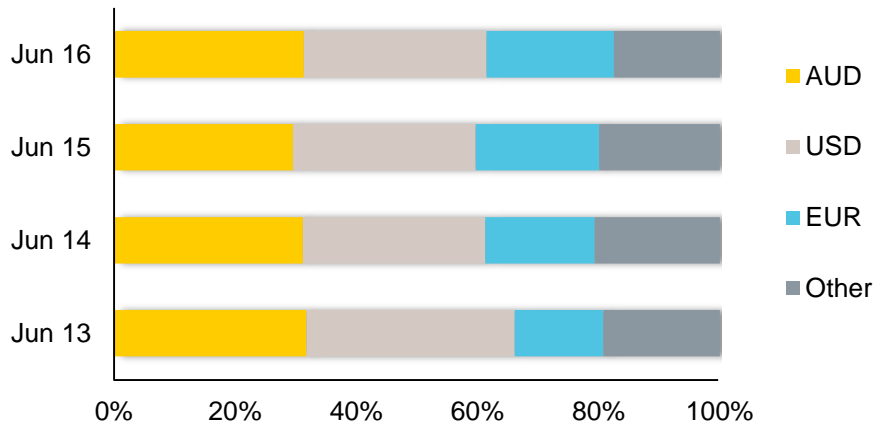


1. Includes net short term collateral deposits. 2. Includes restructure of swaps. 3. Reported at historical FX rates. 4. Weighted Average Maturity of long term wholesale debt. Includes all deals with first call or residual maturity of 12 months or greater. 5. Liquids are reported net of applicable regulatory haircuts. 6. Refer glossary for definition.

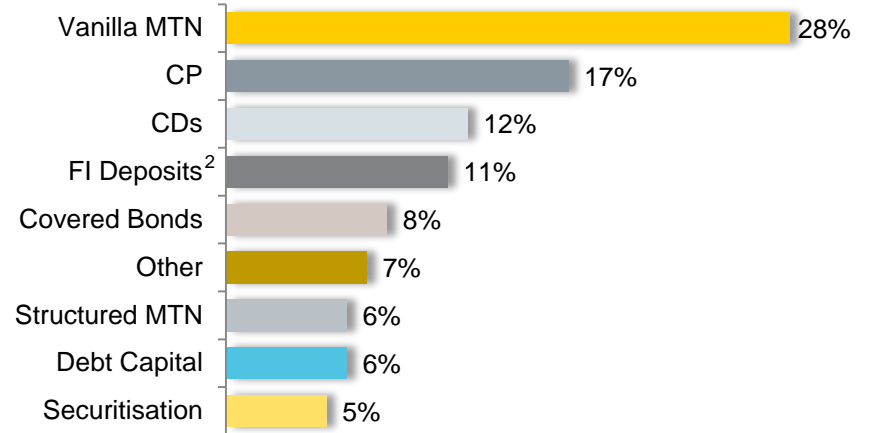


# Funding - Portfolio

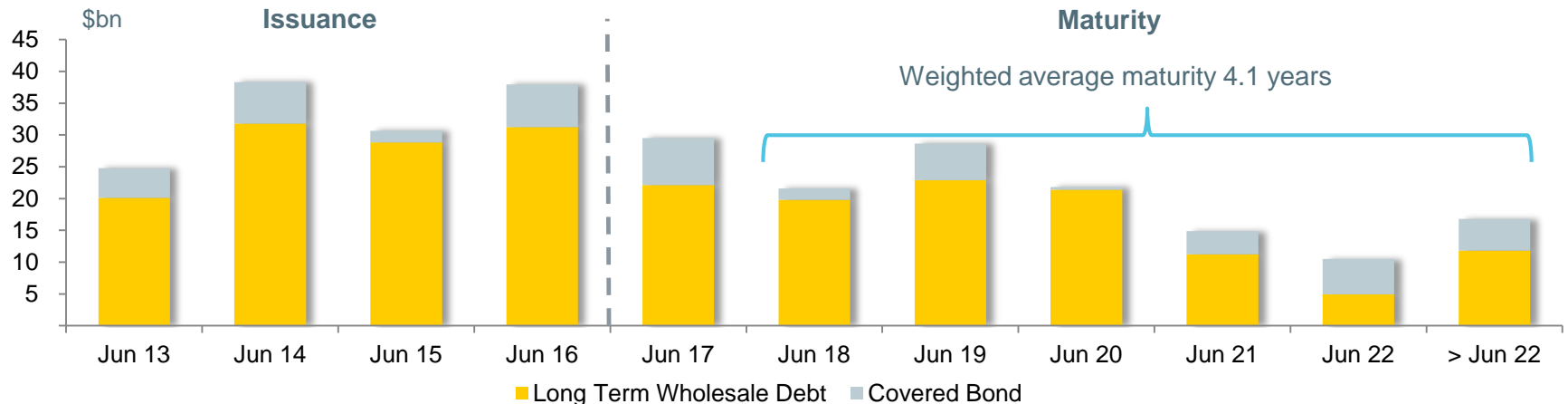
## Term Wholesale Funding by Currency<sup>1</sup>



## Wholesale Funding by Product



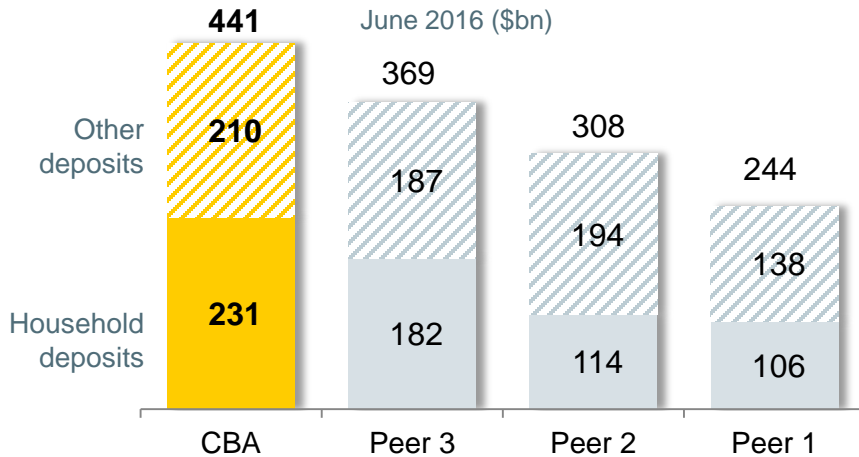
## Term Wholesale Funding profile - issuance and maturity



1. Includes loan capital  
2. Includes Interbank and Central Bank

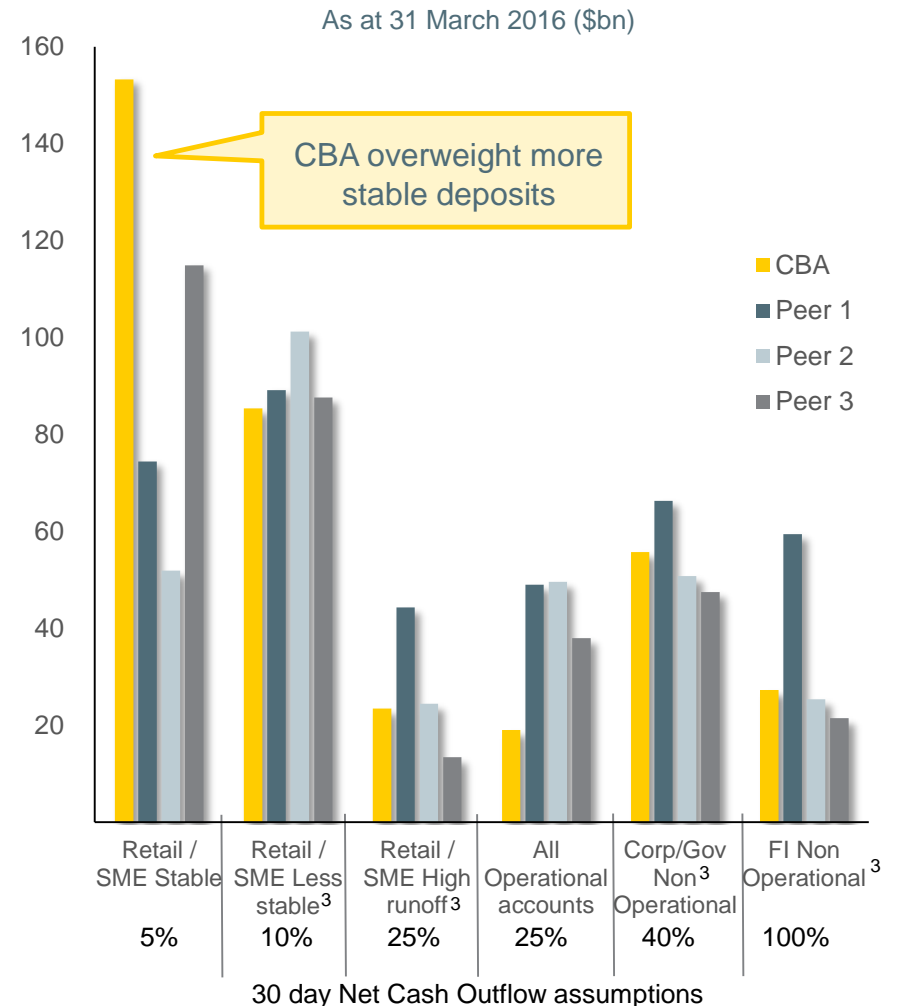
# Deposits

## Deposits vs Peers<sup>1</sup>



\$bn	Jun 16	Jun15
Transactions	90	89
Savings	191	176
Investments	197	195
Other	40	18
<b>Total customer deposits</b>	<b>518</b>	<b>478</b>
Wholesale funding	262	249
Short-term collateral deposits	9	11
<b>Total funding</b>	<b>789</b>	<b>738</b>
Equity	61	53
<b>Total funded assets</b>	<b>850</b>	<b>791</b>
<b>Customer % of total funding</b>	<b>66%</b>	<b>65%</b>

## Deposits in LCR calculation<sup>2</sup>

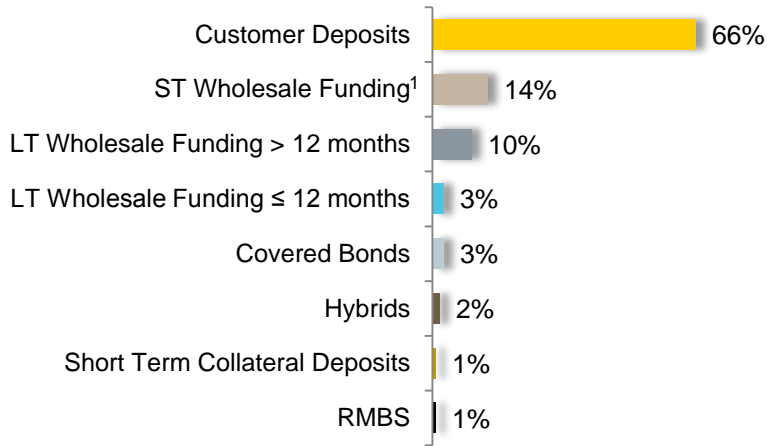


1. Source: APRA. Total deposits (excluding CD's). CBA includes Bankwest. 2. Source: Pillar 3 Regulatory Disclosure, 31 March 2016 3. Peer comparisons are calculated from disclosures assuming there are not material balances in the "notice period deposits that have been called" and the "fully insured non-operational deposits" categories.

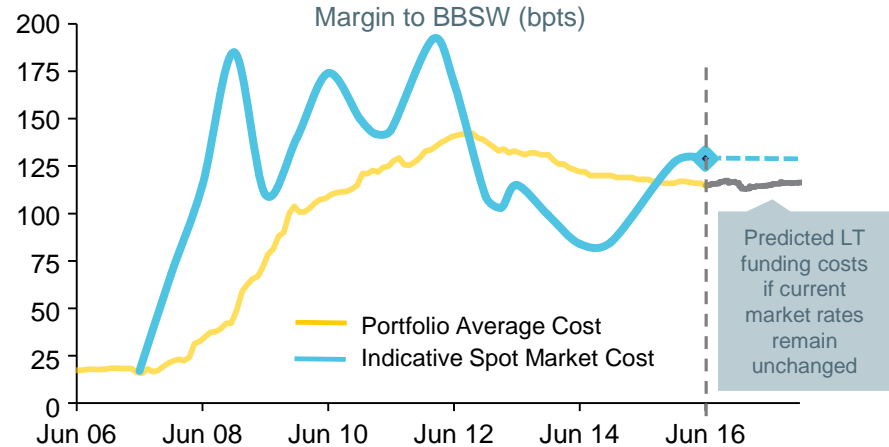


# Funding

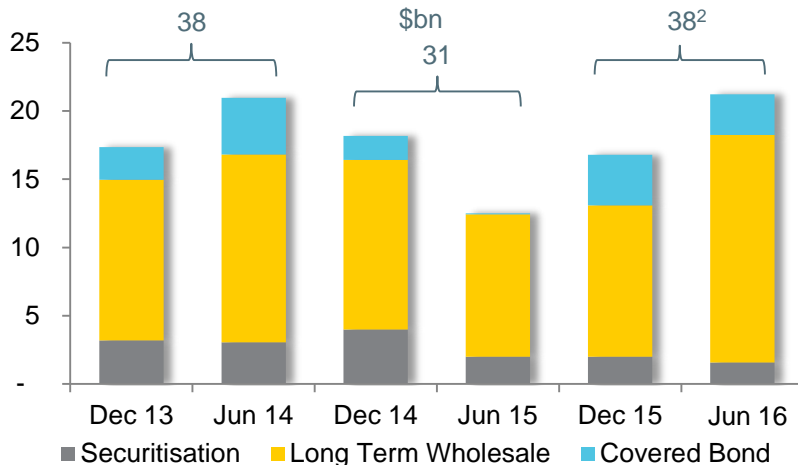
## Funding Composition



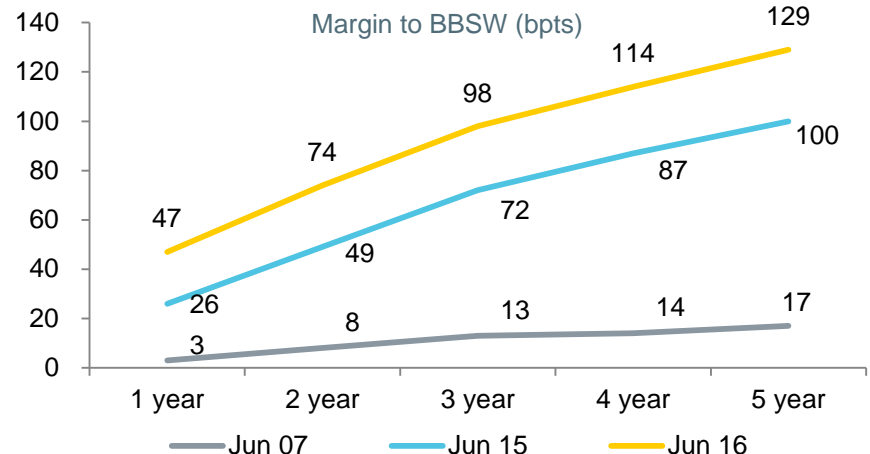
## Average Long Term Funding Costs



## Issuance



## Indicative Funding Cost Curves



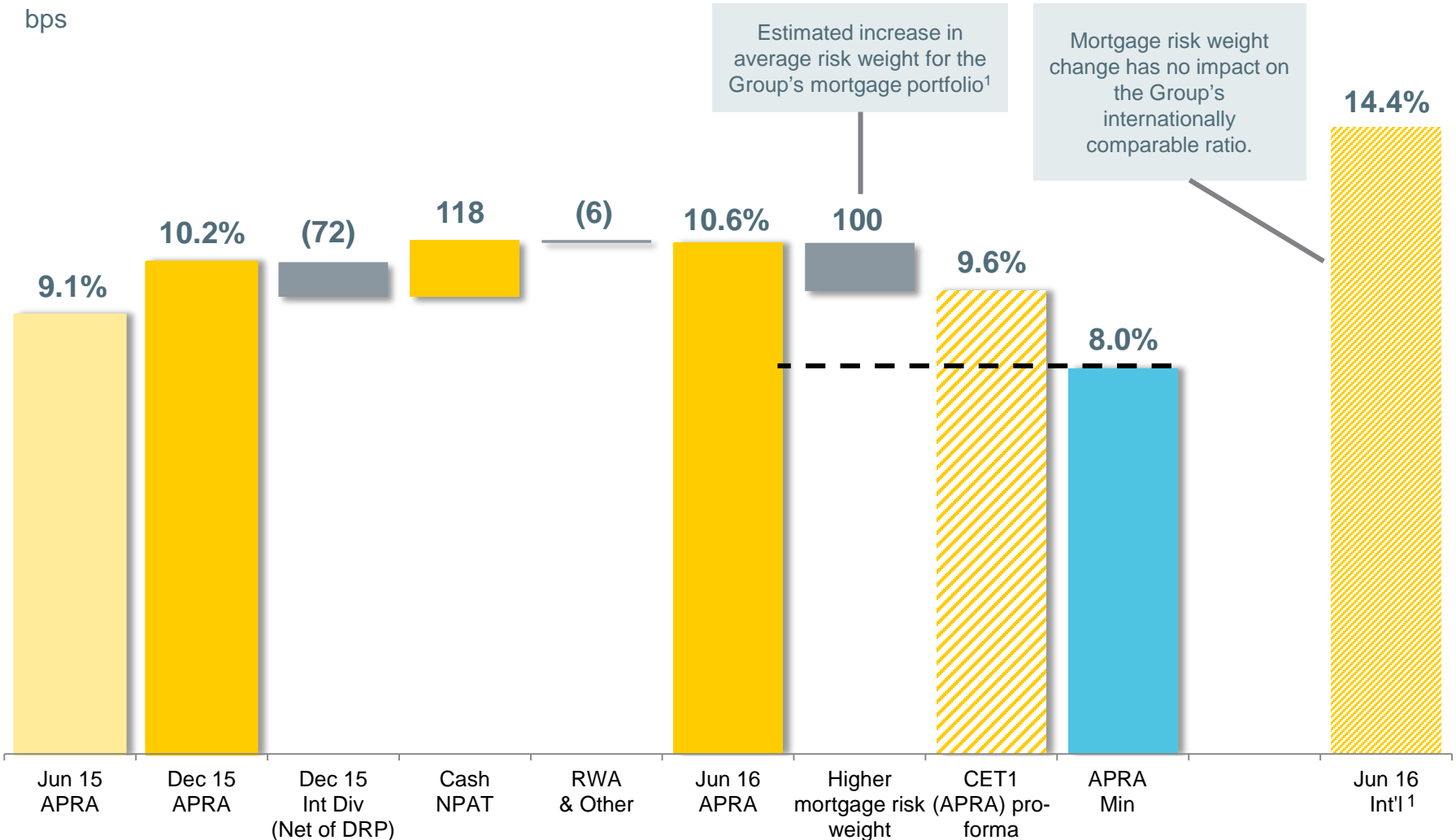
1. Includes the categories 'central bank deposits' and 'due to other financial institutions' (including collateral received) 2. Includes restructure of swaps and reclassification of deals between short and long term funding



# Strong Capital Position

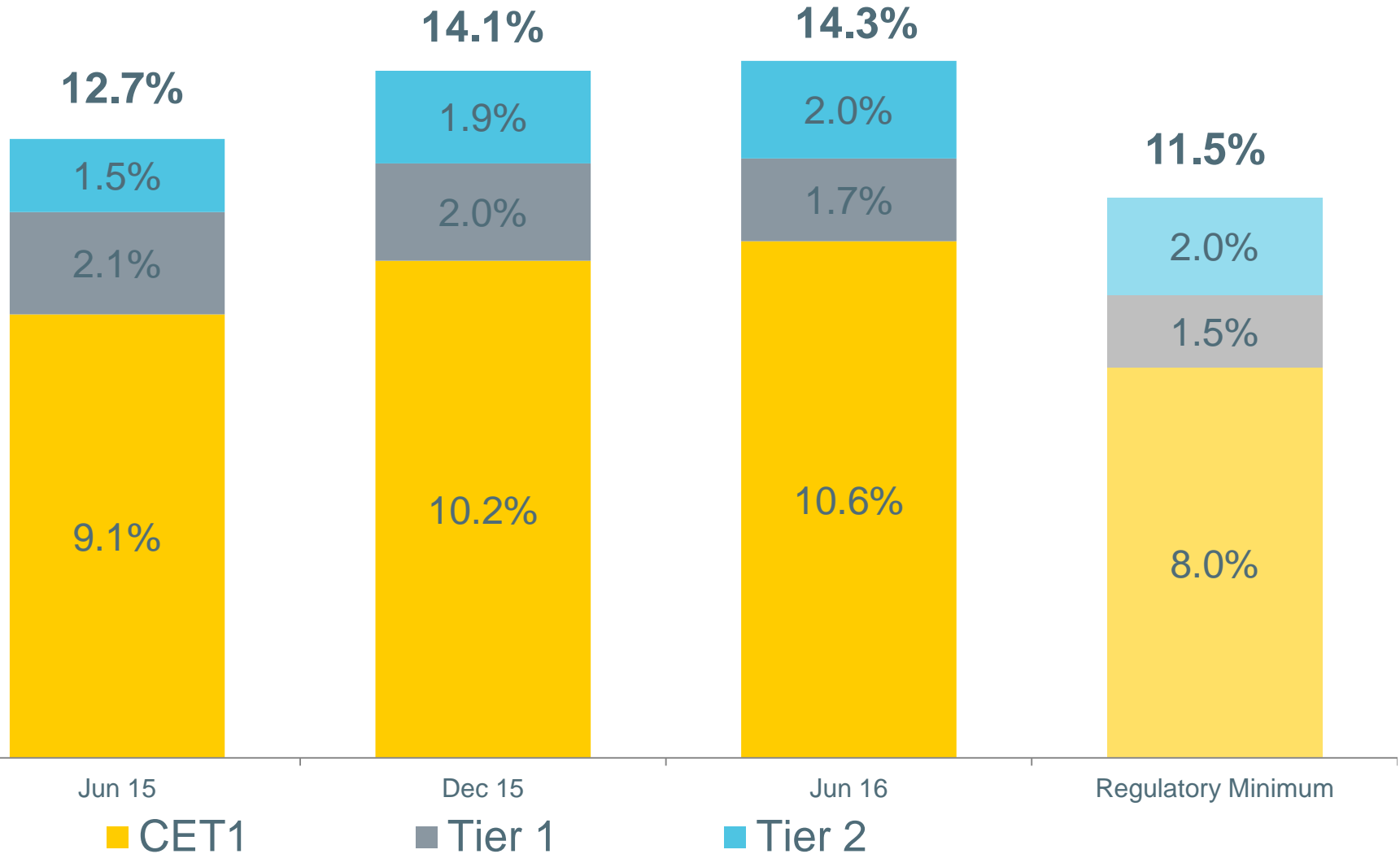
## CET1

bps



1. Internationally comparable capital - refer glossary for definition

# APRA Capital Ratios



# APRA & International Comparison

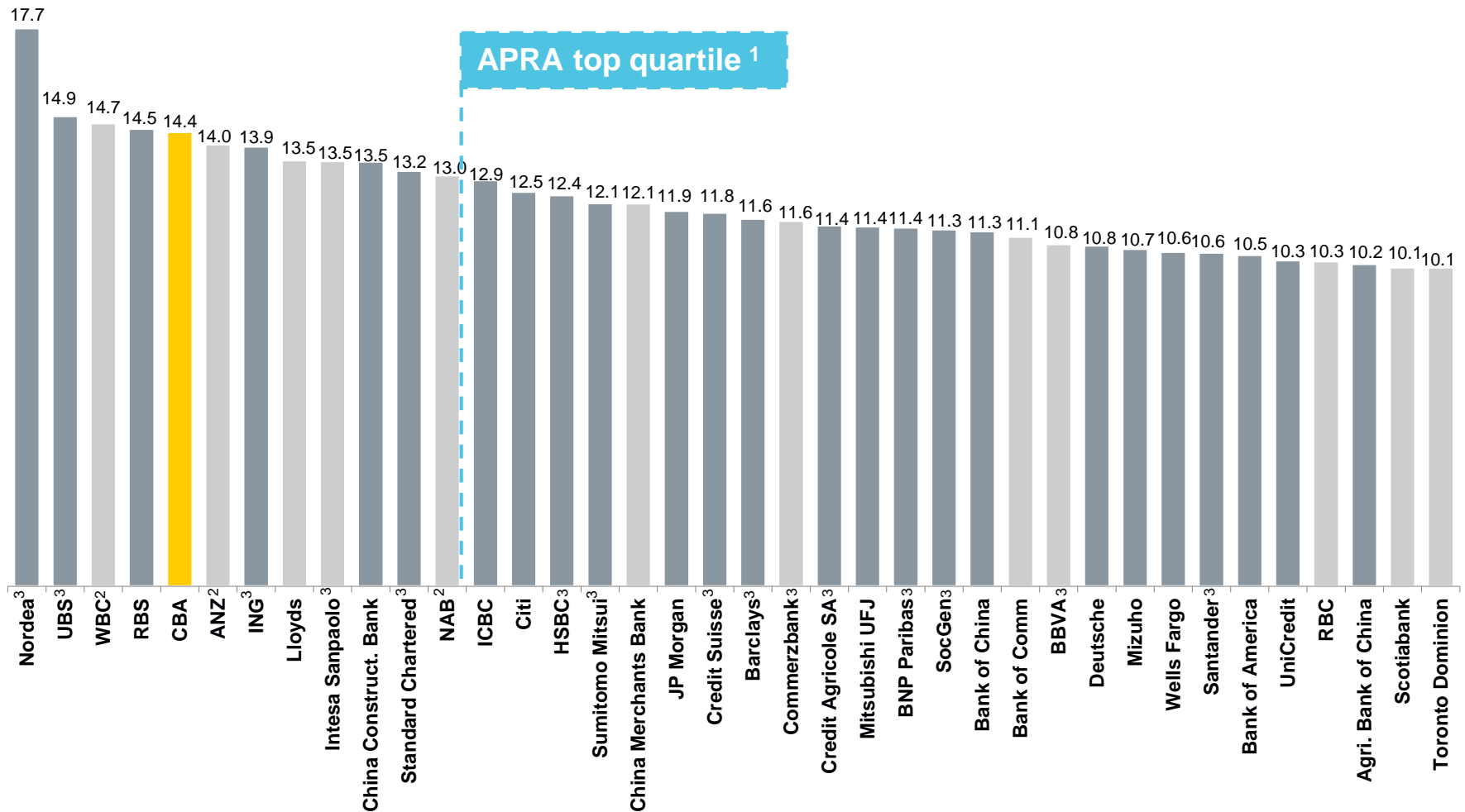
The following table provides details on the differences, as at 30 June 2016, between the APRA Basel III capital requirements and internationally comparable capital ratio<sup>1</sup>.

<b>CET1 Basel III (APRA)</b>	<b>10.6%</b>
Equity investments	0.8%
Capitalised expenses	0.1%
Deferred tax assets	0.3%
IRRBB	0.2%
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%
<b>Total adjustments</b>	<b>3.8%</b>
<b>CET1 Basel III (Internationally Comparable)</b>	<b>14.4%</b>

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

# International Peer Basel III CET1

G-SIBs in dark grey



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 5 August 2016 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)

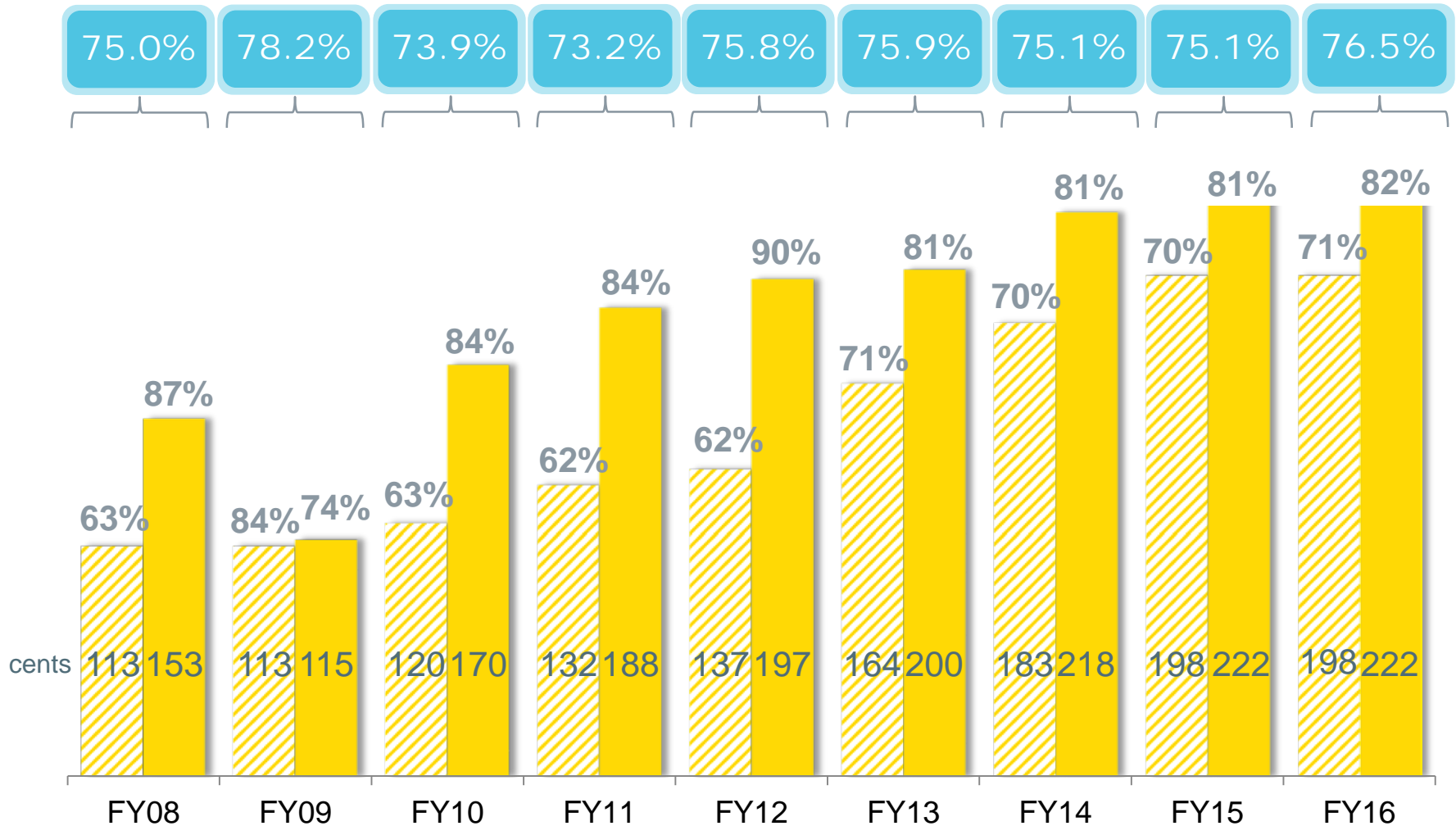
2. Domestic peer figures as at 31 March 2016. NAB included in peer bank top quartile in accordance with APRA update (see 1 above).

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



# Dividends

Payout ratio (cash)



Interim Final

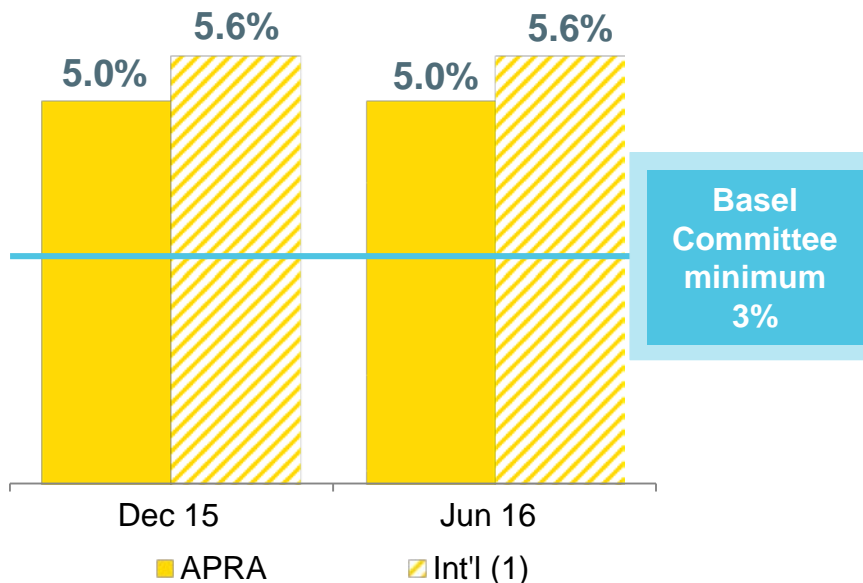
# Leverage Ratio

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.

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



\$m	Jun 16
Tier 1 Capital	48,553
Total Exposures	980,846
<b>Leverage Ratio (APRA)</b>	<b>5.0%</b>

\$m	Jun 16
<b>Group Total Assets</b>	<b>933,078</b>
Less subsidiaries outside the scope of regulatory consolidations	(16,625)
Less net derivative adjustment	(1,662)
Add securities financing transactions	493
Less asset amounts deducted from Tier 1 Capital	(18,140)
Add off balance sheet exposures	83,702
<b>Total Exposures</b>	<b>980,846</b>

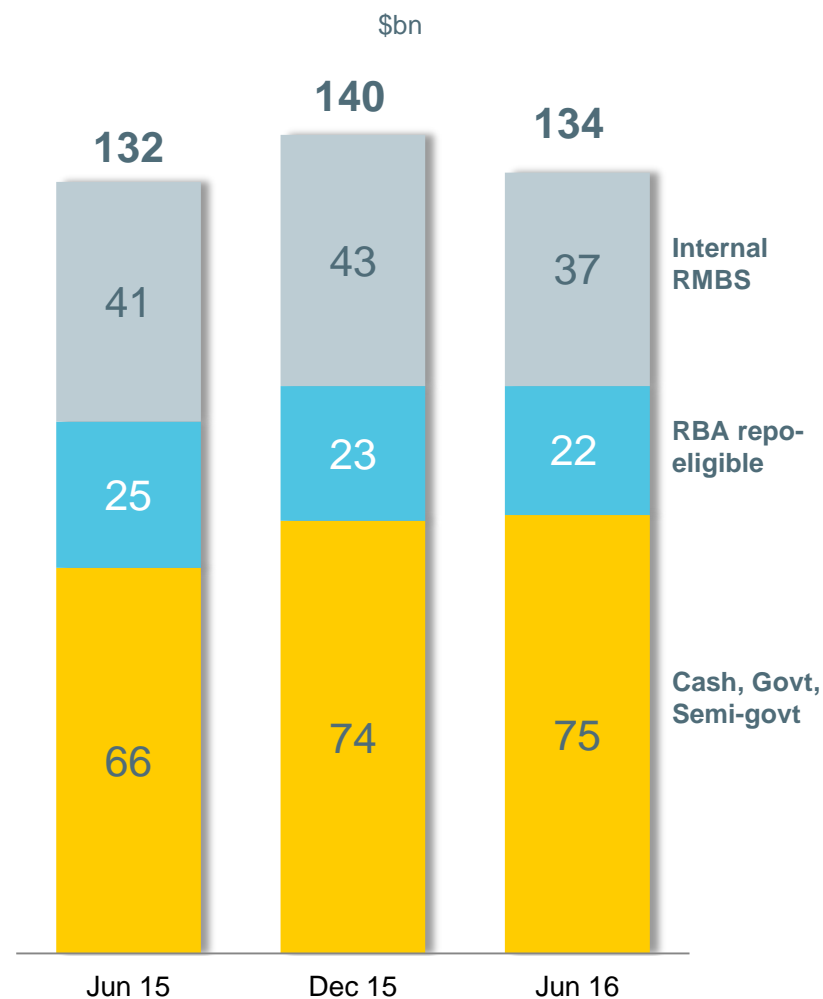
1. Tier 1 capital included in the calculation of the internationally comparable leverage ratio aligns with the APRA study entitled "international capital comparison study" (13 July 2015), and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

# Liquidity Coverage Ratio

- ◆ LCR 120% at 30 Jun 2016
- ◆ Committed Liquidity Facility reduced by \$7.5bn
- ◆ The Group's Net Stable Funding Ratio (NSFR) is currently above the 100% requirement

Liquidity Coverage Ratio (\$bn)	Jun 16	Jun 15	Change (\$bn)
High Quality Liquid Assets	75.1	65.9	9.2
Committed Liquidity Facility	58.5	66.0	(7.5)
<b>Total LCR liquid assets</b>	<b>133.6</b>	<b>131.9</b>	<b>1.3%</b>
<i>Net Cash Outflows due to:</i>			
Customer deposits	70.1	65.8	4.3
Wholesale funding	19.4	30.8	(11.4)
Other	21.9	13.8	8.1
<b>Net Cash Outflows</b>	<b>111.4</b>	<b>110.4</b>	<b>1.0</b>
<b>LCR</b>	<b>120%</b>	<b>120%</b>	<b>-</b>

## LCR Qualifying Liquid Assets<sup>1</sup>



1. Liquids are reported net of applicable regulatory haircuts

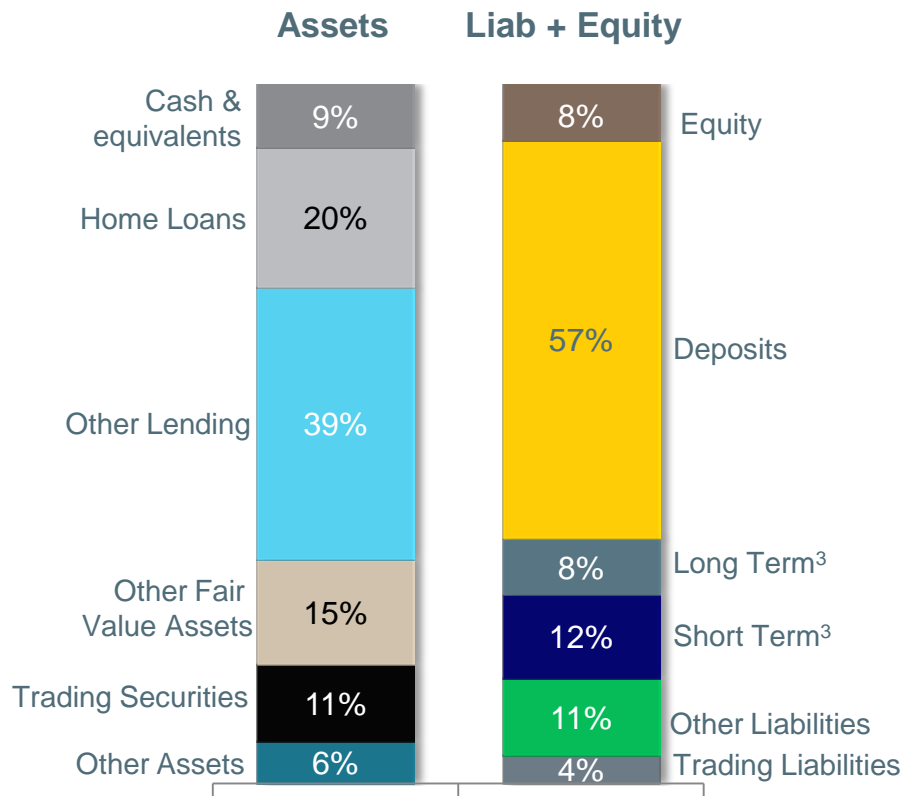


# Regulatory Change

	2016	2017	2018	2019
<b>APRA</b>				
<b>Leverage ratio</b>	Disclosure requirements only		Implementation	
<b>CCB + D-SIB</b>	Implemented 1 Jan 2016 CCB CET1 2.5% + D-SIB CET1 1.0%			
<b>Countercyclical Capital Buffer (CCyB)</b>	Implemented 1 Jan 2016 – not material			
<b>Response to FSI</b>		Implementation from 1 Jul 2016 – increase in mortgage risk weights		
<b>Basel Committee</b>				
<b>Standardised &amp; Advanced Credit Risk</b>	Consultation - expected to be finalised in 2016		Implementation to be advised	
<b>Capital floors</b>	Consultation - expected to be finalised in 2016		Implementation to be advised	
<b>Standardised Operational Risk</b>	Consultation - expected to be finalised in 2016		Implementation to be advised	
<b>Market Risk</b>	Finalised Jan 2016			Implementation
<b>IRRBB</b>	Finalised Mar 2016		Additional disclosures from 2018	
<b>NSFR</b>	Consultation		Implementation	

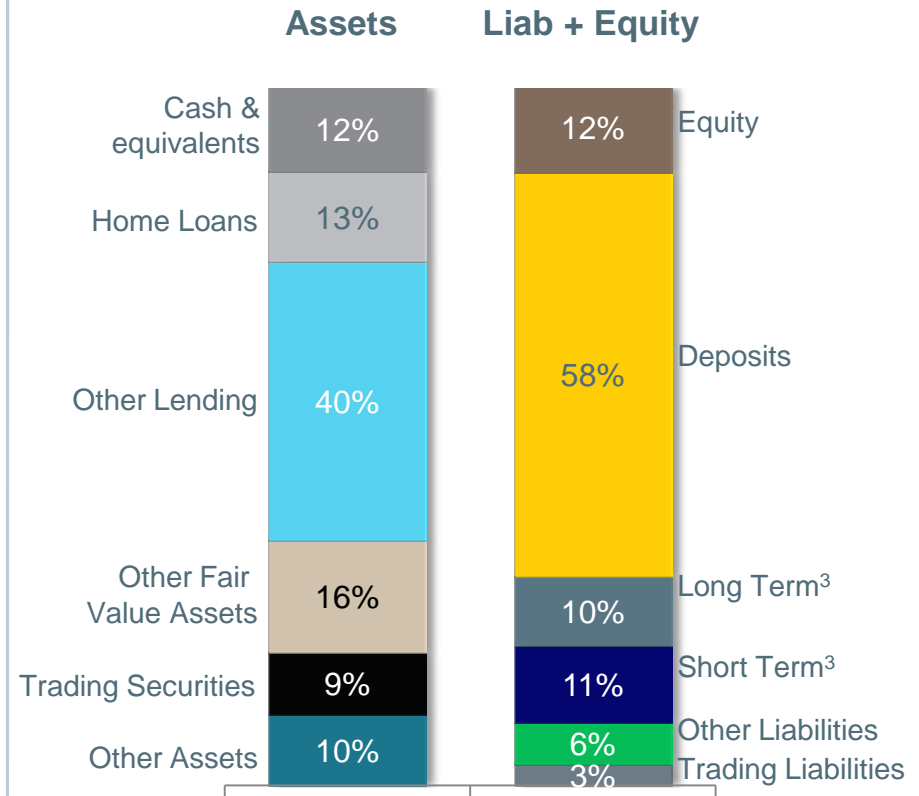
# UK and US Balance Sheet Comparison <sup>1,2</sup>

## United Kingdom



Based on analysis of Lloyds, RBS, HSBC and Barclays as at 30 June 2016.  
Average of four banks.

## USA

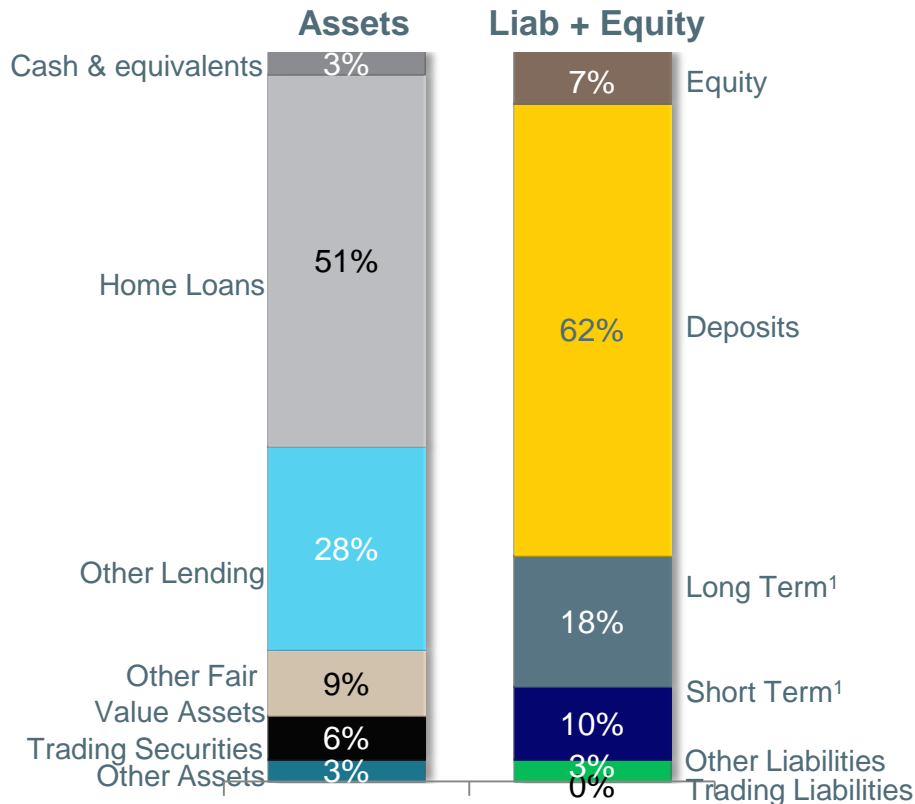


Based on analysis of Citigroup, JP Morgan, Bank of America and Wells Fargo as at 31 March 2016.  
Average of four banks.

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 30 June 2016.  
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 15% of CBA balance sheet compared to 26% and 25% 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	81%	19%
UK	42%	58%
US	55%	45%

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

- Higher deposit base than US and UK banks (62% including 31% of 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.



# Strategy

# CBA Overview

	Australia	NZ	Other	Total	
People, Customers & Delivery	Customers	13.1m	2.3m	0.5m	15.9m
	Staff	41,400	5,800	4,500	51,700
	Branches	1,131	133	145	1,409
	ATMs	4,381	445	172	4,998
Customer Satisfaction	Retail			#1	
	Business			= #1	
	Internet Banking			#1	
Market Shares	Main Financial Institution (MFI)			#1	
	Home Lending <sup>1</sup>			#1	
	Household Deposits <sup>2</sup>			#1	
	FirstChoice Platform <sup>3</sup>			#1	
Strength	Market Capitalisation <sup>4</sup>			#1	
	Capital (CET1)			10.6%	
	Total Assets			\$933bn	
	Credit Ratings <sup>5</sup>			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 Mar-16 4. Source: Bloomberg, 27 Jul 2016 5. S&P, Moody's, Fitch  
\* S&P put major Australian Banks on "Outlook Negative" 7 Jul 2016

# Our Strategy

## Customer Focus

Capabilities

**People**



**Productivity**



**Technology**



**Strength**



Growth Opportunities

**“One CommBank”**

**Continued growth in business and institutional banking**

**Disciplined capability-led growth outside Australia**



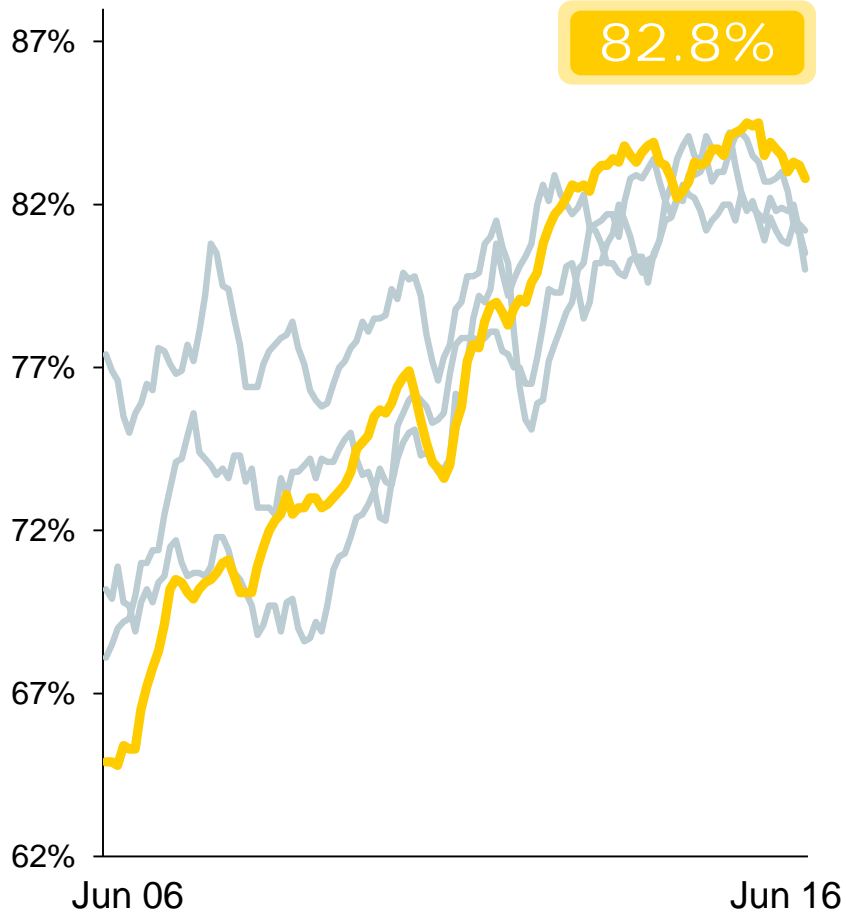
**TSR Outperformance**



# Customer focus - more needs met

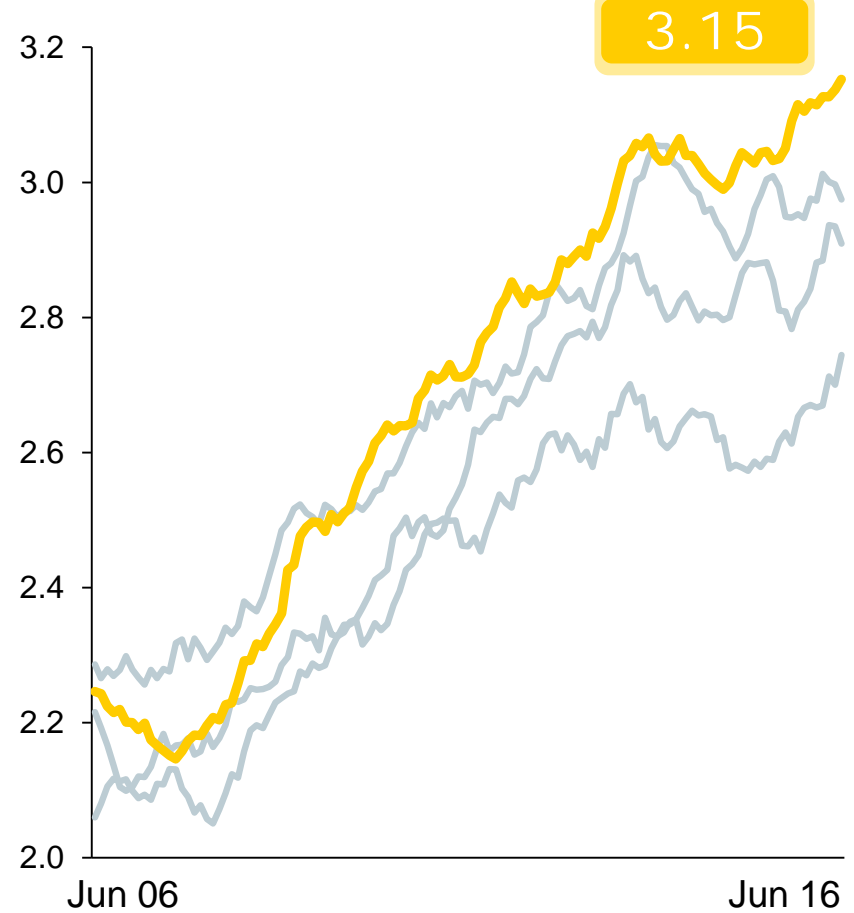
## Retail Customer Satisfaction

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



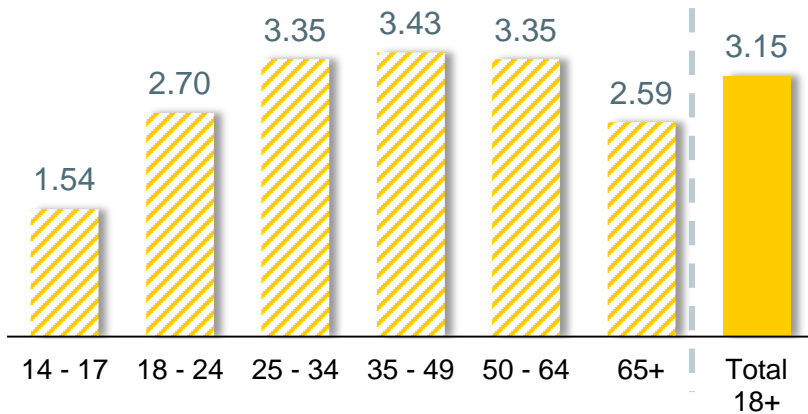
## Customer Needs Met

(#)

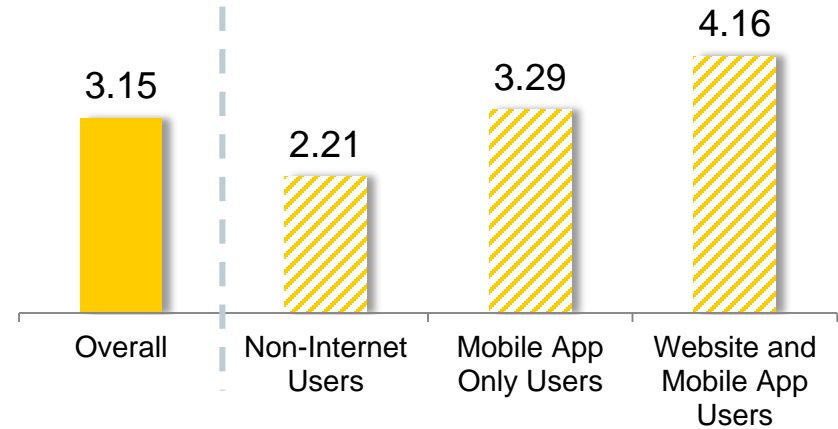


# Customer needs met

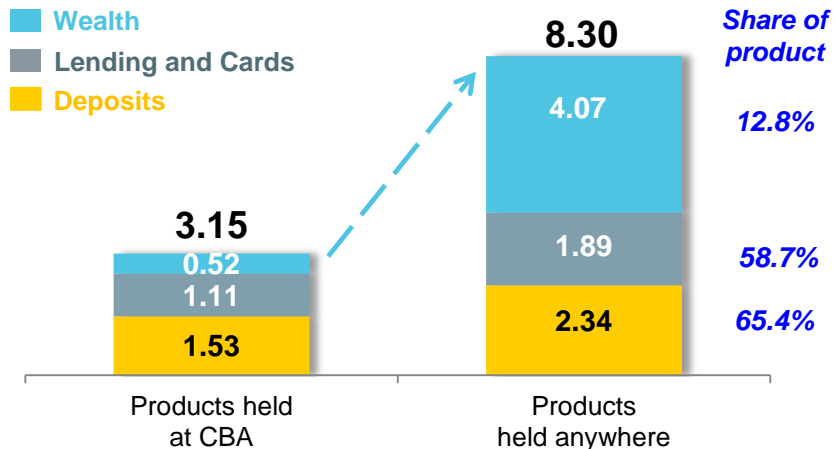
## By Age



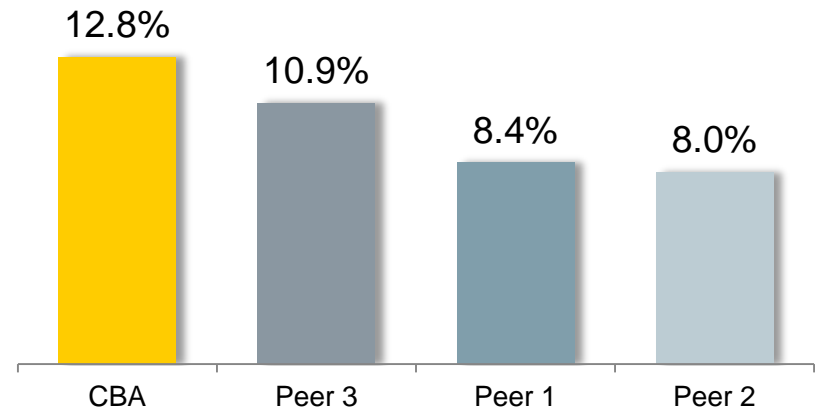
## By Channel



## Share of Product



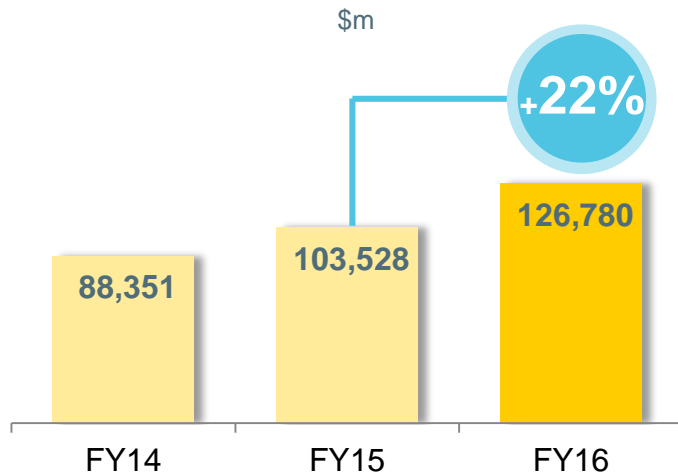
## Wealth – Share of Product



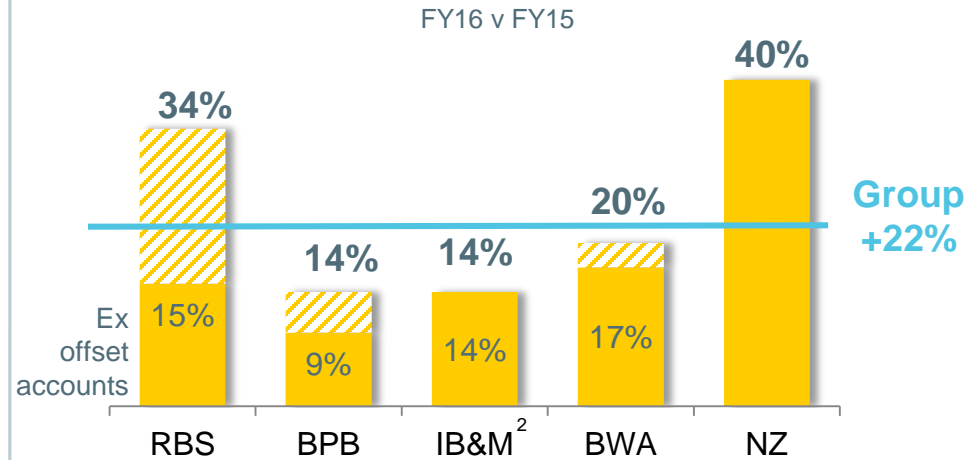


# Transaction Banking<sup>1</sup>

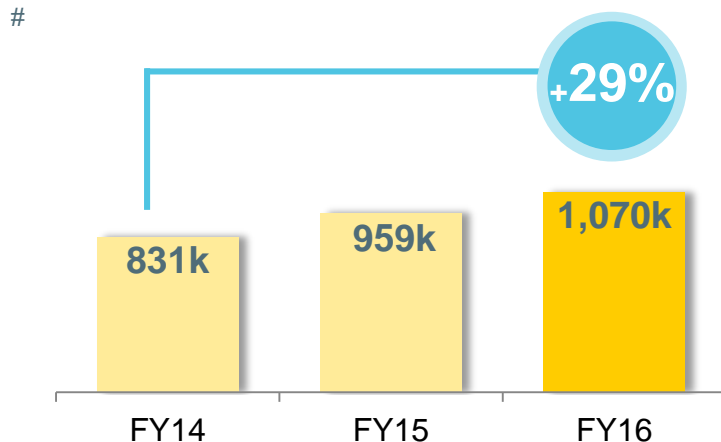
## Group Transaction Balances



## Strong growth across divisions



## RBS New Transaction Accounts<sup>3</sup>



## Innovation & Simplicity

- ✓ Real time
- ✓ Instant Banking
- ✓ Fast, simple processes

1. Includes non-interest bearing deposits. 2. Excludes Cash Management Pooling Facilities (CMPF). 3. Number of new RBS personal transaction accounts, including offset accounts.

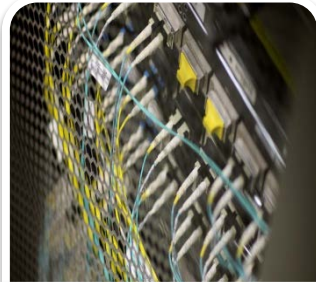


# World class technology & operations



## Revitalised front-line

- Single view of customer across channels
- CommSee
- Revitalised Processes



## State-of-the-art Core

- Legacy system replacement
- Real-time banking
- Straight-through processing
- Simplified architecture
- Resilient systems



## Innovation Culture

- Innovation Lab
- Leading apps for phones, tablets and smart watches
- Pi, Albert, Leo, Emmy



## The Digital Future

- Simple, personalised digital experiences
- Building an innovation ecosystem
- Anywhere, anytime, any device
- Customer insights through analytics
- Standardised, scalable, reliable & secure systems



# Productivity + Efficiency + Investment

## Productivity

↓ 73%

Asset Finance Approval  
(Turnaround time)

↓ 72%

SME Loan Approval - IFS  
(Turnaround time)

↓ 85%

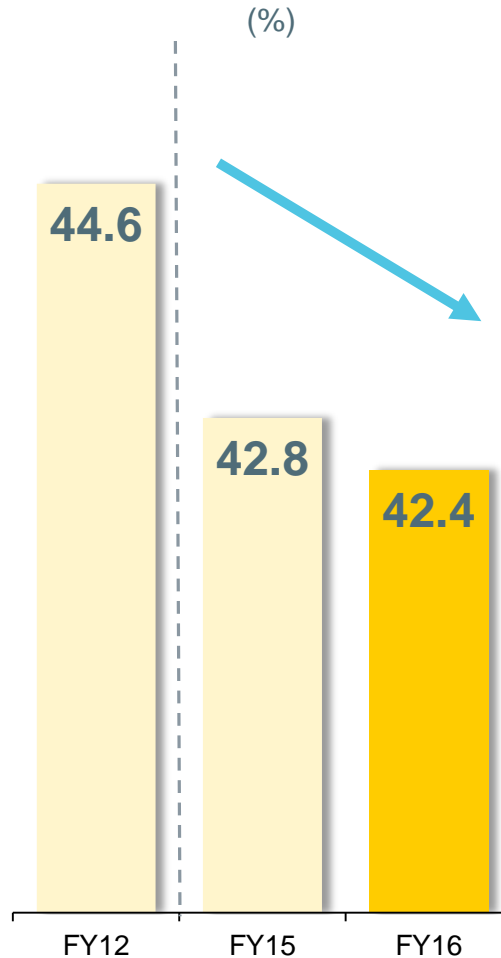
Colonial Customer Requests  
(Turnaround time)

↓ 97%

Bankwest Small Business Credit Card  
(Turnaround time)

## Cost-to-Income

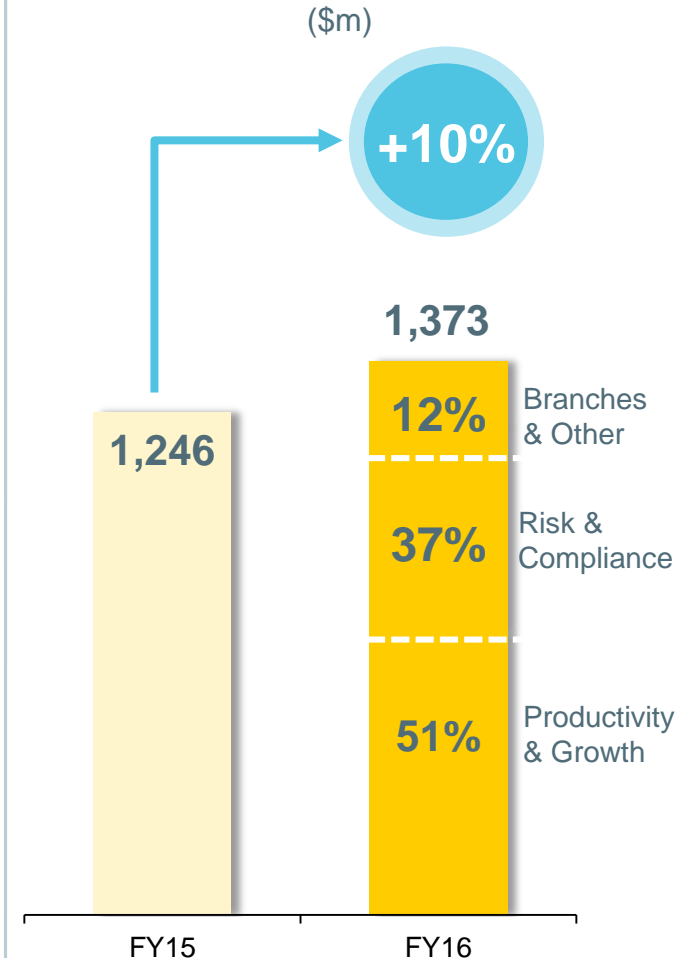
(%)



## Reinvestment

(\$m)

+10%



# Distribution Transformation

## Video Conferencing

Access to CBA specialists,  
almost 60k calls in FY16

## Small Business

165 dedicated specialists  
58k conversations in FY16

## Express Branches

82 sites and growing

## Concierge

Supported by tablets and  
software to enhance  
customer flow

## Self Service

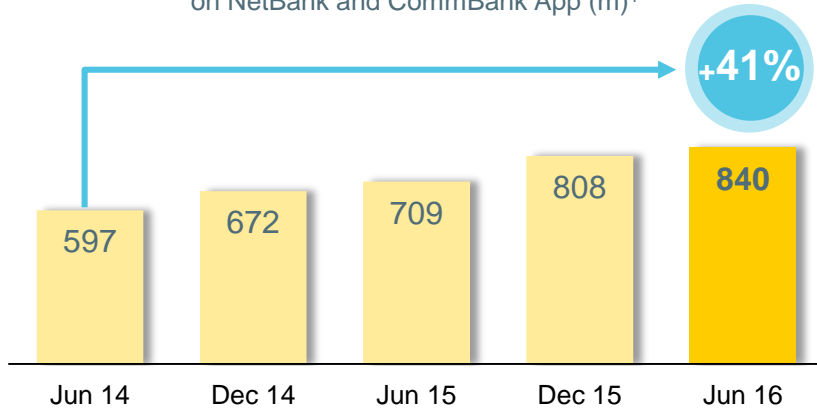
700+ Intelligent Deposit  
Machines (IDMs) -  
55% of total deposits in IDM  
branches



# Self Service and Digital

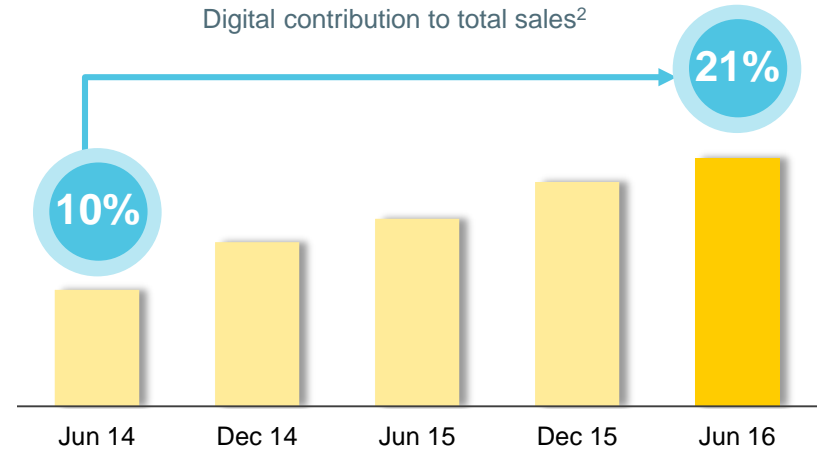
## Digital adoption increasing

Total # logons (Six Monthly)  
on NetBank and CommBank App (m)<sup>1</sup>



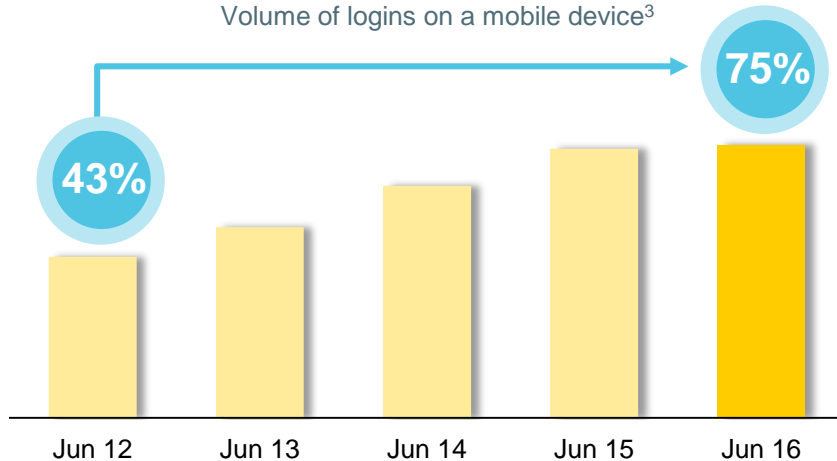
## Sales rapidly growing

Digital contribution to total sales<sup>2</sup>



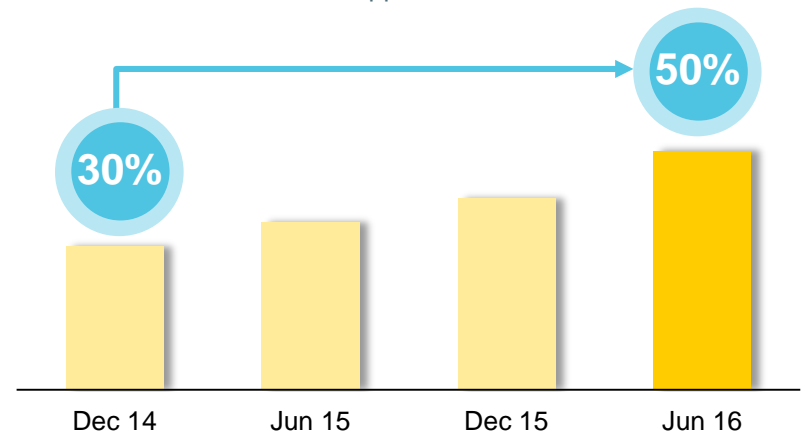
## Mobile % of Online logins

Volume of logins on a mobile device<sup>3</sup>



## Mobile % of Online Sales

Volume of submitted applications on a mobile device<sup>3,4</sup>



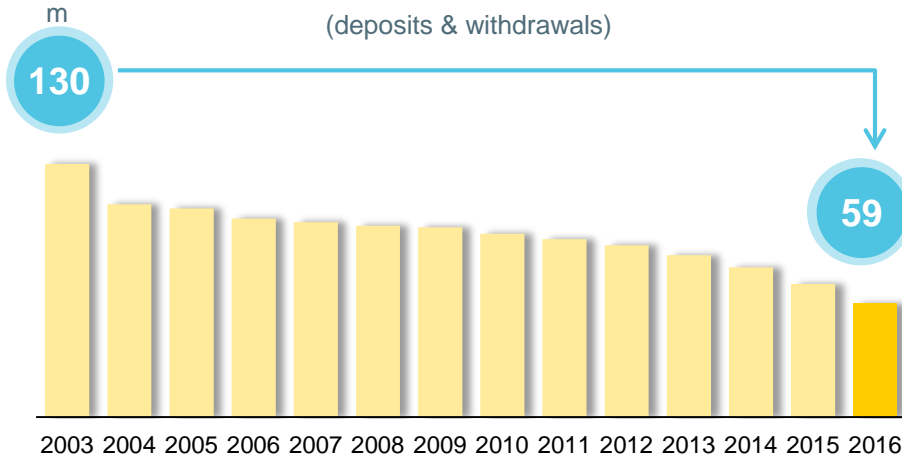
1. Includes logons to previous app. 2. 6 month rolling average of key retail products originated end-to-end in digital 3. Incl. App and NetBank via web browser on a mobile device 4. Including Savings & Transaction accounts, Credit Cards, Car & Home Insurance, Essential Super, Personal Loans, Mortgage Lending, Consumer Credit Insurance, Personal Savings and Personal Overdrafts.



# Transaction volumes

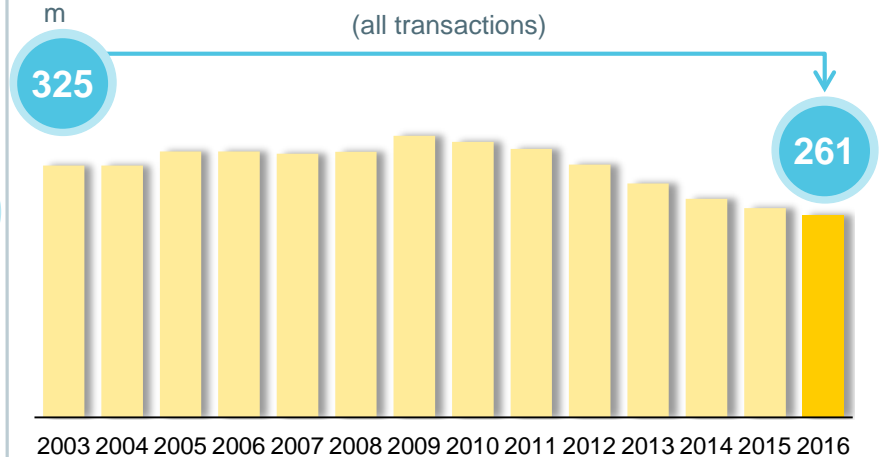
## Branch

(deposits & withdrawals)



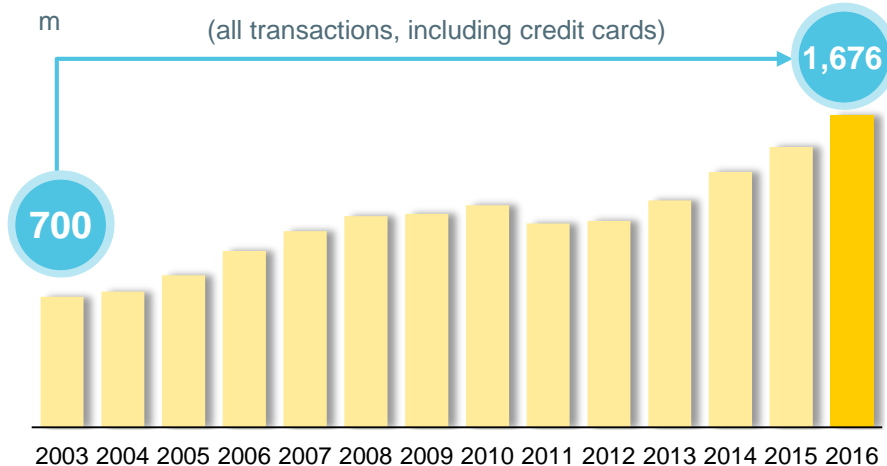
## ATM<sup>1</sup>

(all transactions)



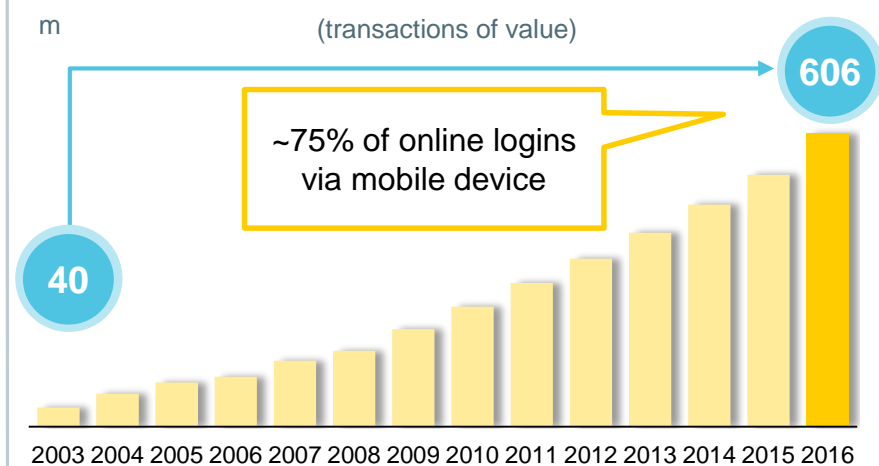
## Point of Sale<sup>2</sup>

(all transactions, including credit cards)



## Internet<sup>3</sup>

(transactions of value)



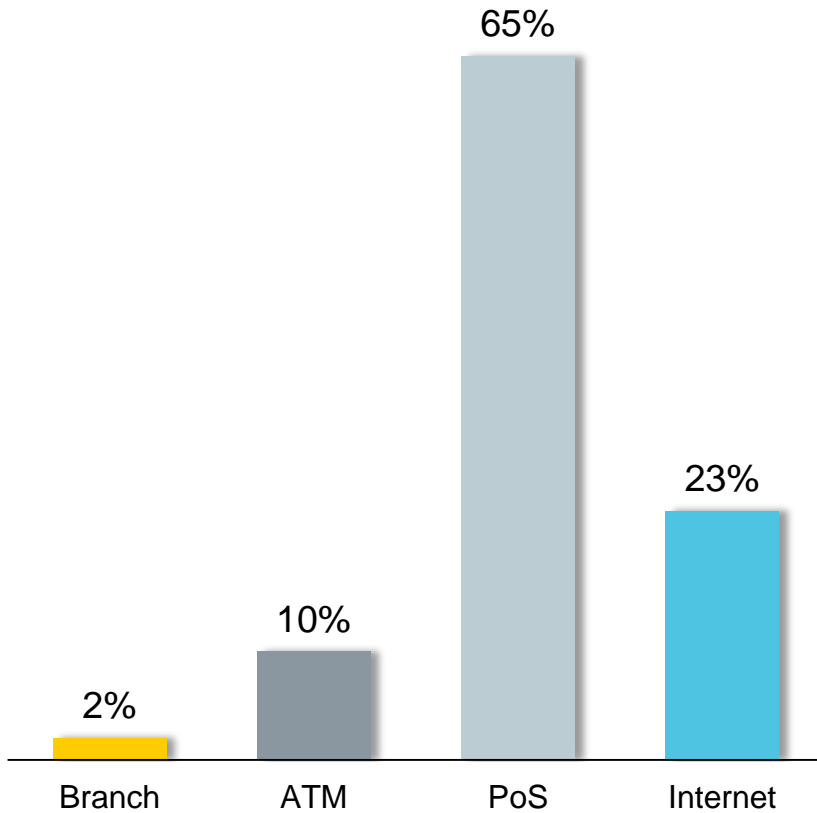
All figures are approximates. 1. All cardholder transactions at Australian CBA ATMs. ATM includes IDMs and an increase in the dollar value of deposits. ATM only transactions reduced for FY16. 2. Calendar years to 2006; financial years thereafter. Includes EFTPOS Payments Australia Ltd (EPAL), MasterCard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



# Transaction volumes

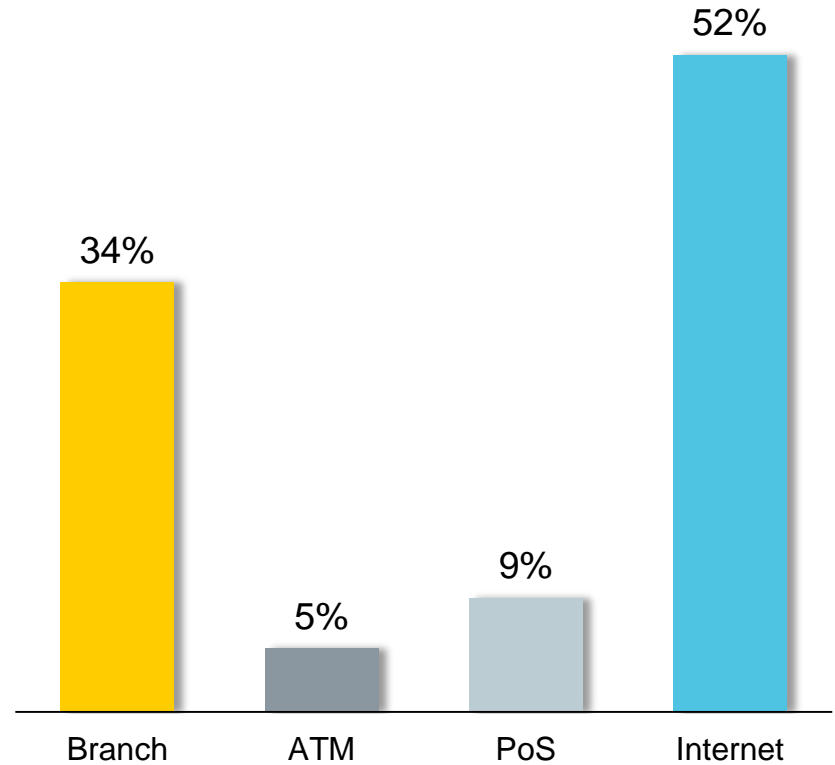
## By Number

FY16  
% of total

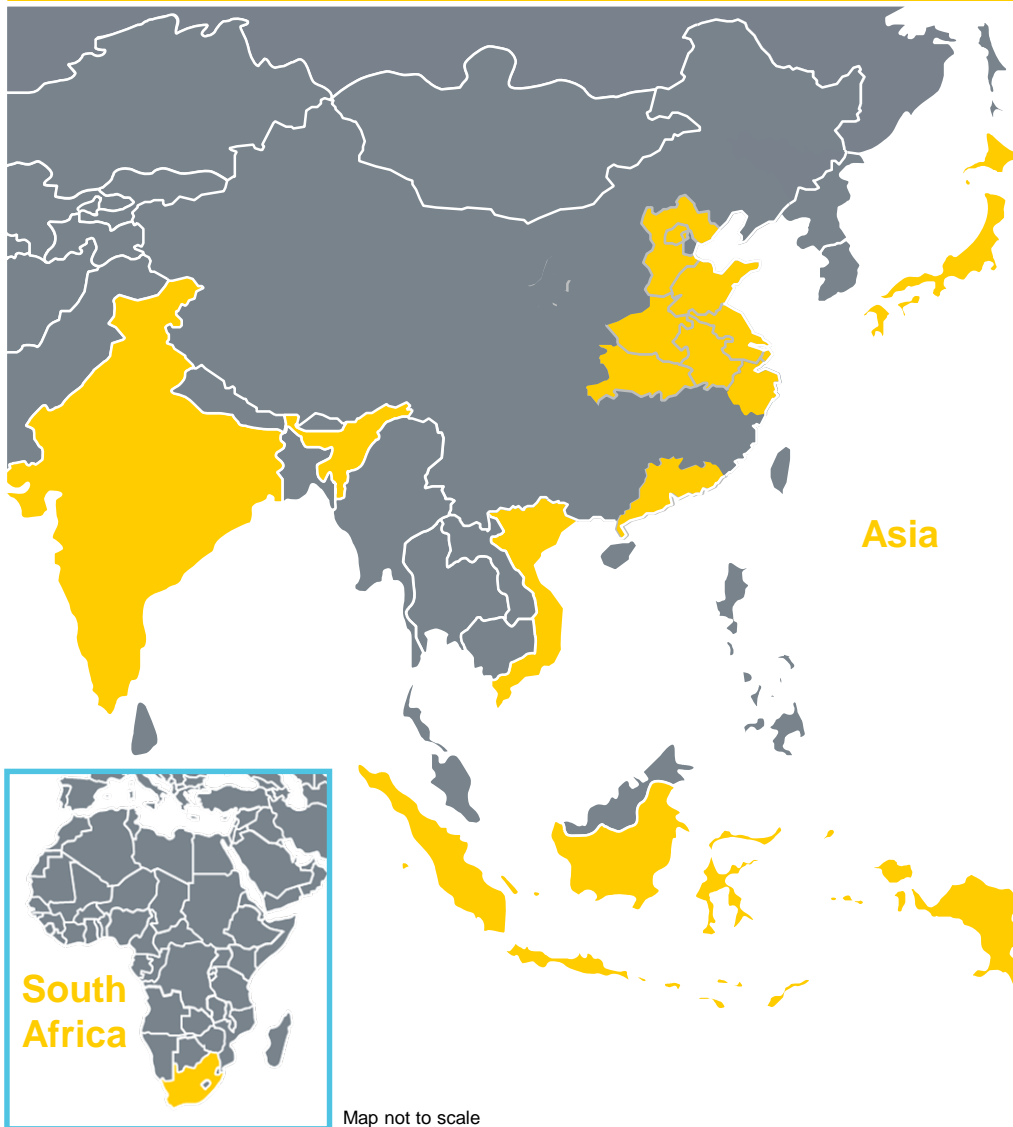


## By \$ Value

FY16  
% of total



# CBA in Asia and South Africa



## China

- ◆ Bank of Hangzhou (20%): 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 Investments Hong Kong and First State Cinda JV (46%)
- ◆ Colonial Mutual Group Beijing Rep Office

## Indonesia

- ◆ PT Bank Commonwealth (98%): 90 branches and 144 ATMs
- ◆ PT Commonwealth Life (80%): 29 life offices
- ◆ First State Investments

## Vietnam

- ◆ Vietnam International Bank (20%): 155 branches
- ◆ Hanoi Representative Office
- ◆ Ho Chi Minh City CBA branch; 28 ATMs

## Singapore

- ◆ CBA branch
- ◆ First State Investments

## Japan

- ◆ Tokyo CBA branch
- ◆ First State Investments

## South Africa

- ◆ CBA SA (TYME entities)

## India

- ◆ Mumbai CBA branch

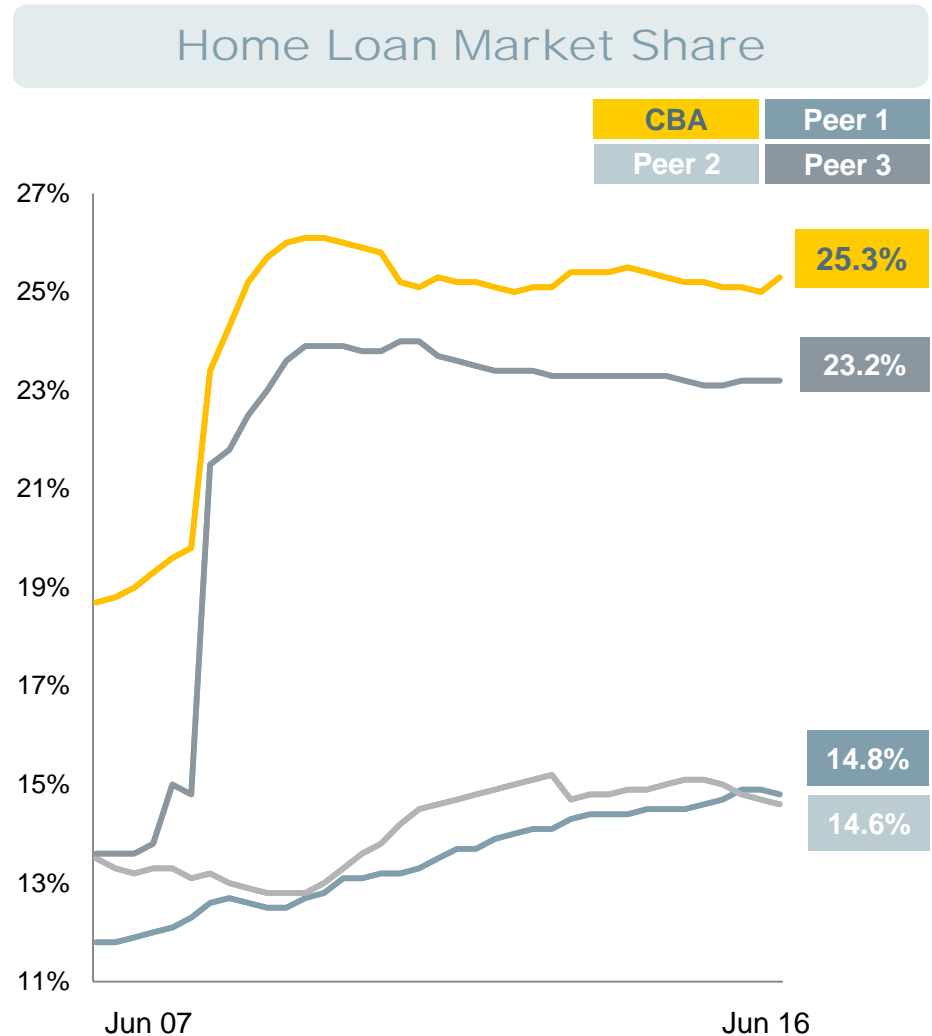




# Credit Exposure & Mortgages

# Market share

% Market Share <sup>1</sup>	Jun 16	Dec 15	Jun 15
Home loans	25.3	25.1	25.2
Credit cards – RBA <sup>2</sup>	24.4	24.7	24.3
Other household lending <sup>3</sup>	16.8	16.9	17.4
Household deposits <sup>4</sup>	29.2	29.1	29.0
Business lending – RBA	16.9	17.0	17.0
Business lending – APRA	18.7	18.7	18.8
Business deposits – APRA	20.2	20.3	20.3
Asset finance	12.8	13.1	13.2
Equities trading	4.7	5.6	6.0
Equities – online retail trading <sup>5</sup>	55.8	56.1	55.6
Aust Retail – administrator view <sup>6</sup>	15.7	15.6	15.8
FirstChoice Platform <sup>6</sup>	11.1	11.0	11.1
Aust life insurance (total risk) <sup>6</sup>	11.4	11.6	12.1
Aust life insurance (indiv risk) <sup>6</sup>	10.9	11.0	11.6
NZ home loans	21.8	21.8	21.7
NZ retail deposits	21.0	20.9	21.4
NZ business lending	12.4	11.9	11.6
NZ retail FUA <sup>6</sup>	15.6	15.7	16.2
NZ annual inforce premiums <sup>6</sup>	28.5	28.7	28.8



Source: RBA/APRA. CBA includes Bankwest

1. Prior periods have been restated in line with market updates 2. As at 31 May 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 31 Mar 16.



# Credit Exposures by Industry

	TCE		TIA \$m		TIA % of TCE	
	Jun 15	Jun 16	Jun 15	Jun 16	Jun 15	Jun 16
Consumer	54.2%	54.9%	1,353	1,405	0.25%	0.24%
Sovereign	8.4%	9.0%	-	-	-	-
Banks	8.6%	6.8%	10	10	0.01%	0.01%
Property	6.3%	6.6%	562	544	0.90%	0.79%
Finance – Other	4.6%	5.2%	87	64	0.19%	0.12%
Retail & Wholesale	2.3%	2.4%	387	694	1.69%	2.71%
Agriculture	1.8%	1.9%	905	853	4.97%	4.32%
Manufacturing	1.7%	1.6%	374	597	2.24%	3.56%
Transport <sup>1</sup>	1.5%	1.5%	426	405	2.83%	2.51%
Mining <sup>1</sup>	1.9%	1.5%	374	583	2.01%	3.63%
Business Services	1.2%	1.2%	137	155	1.16%	1.26%
Energy	0.9%	1.1%	64	50	0.72%	0.45%
Construction	0.9%	0.8%	267	407	3.07%	4.85%
Health & Community	0.6%	0.7%	71	64	1.10%	0.87%
Culture & Recreation	0.8%	0.7%	250	125	3.26%	1.77%
Other	4.3%	4.1%	647	636	1.52%	1.48%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>5,914</b>	<b>6,592</b>	<b>0.60%</b>	<b>0.63%</b>

1. Comparative information has been reclassified to conform to presentation in the current period. Refer glossary for definition of terms.

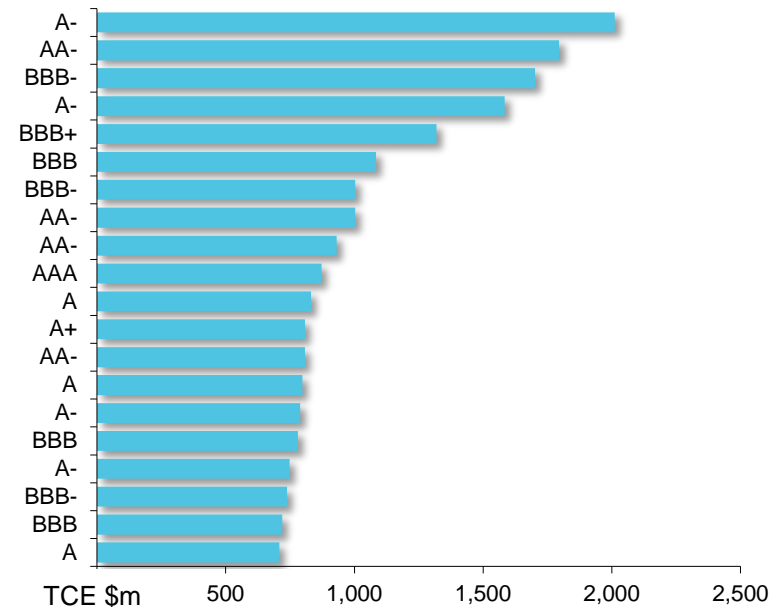


# Sector Exposures

## Exposures by Industry

TCE \$bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Jun 16
Sovereign	87.3	6.8	0.2	0.3	<b>94.6</b>
Banks	31.7	29.7	8.0	2.4	<b>71.8</b>
Property	1.7	5.8	14.3	47.4	<b>69.2</b>
Finance - Other	22.9	19.0	9.3	3.1	<b>54.3</b>
Retail & Wholesale	-	3.6	7.1	15.0	<b>25.7</b>
Agriculture	-	0.5	1.9	17.3	<b>19.7</b>
Manufacturing	1.0	3.5	5.2	7.1	<b>16.8</b>
Transport	0.2	1.5	9.1	5.3	<b>16.1</b>
Mining	1.3	3.8	6.0	4.9	<b>16.0</b>
Energy	0.2	1.6	8.3	1.1	<b>11.2</b>
All other excl. Consumer	1.5	6.7	19.3	41.8	<b>69.3</b>
<b>Total</b>	<b>147.8</b>	<b>82.5</b>	<b>88.7</b>	<b>145.7</b>	<b>464.7</b>

## Top 20 Commercial Exposures



## Group TCE by Geography

	Jun 15	Dec 15	Jun 16
Australia	76.6%	75.4%	<b>76.7%</b>
New Zealand	8.5%	8.8%	<b>9.2%</b>
Europe	5.6%	6.4%	<b>5.4%</b>
Other International	9.3%	9.4%	<b>8.7%</b>

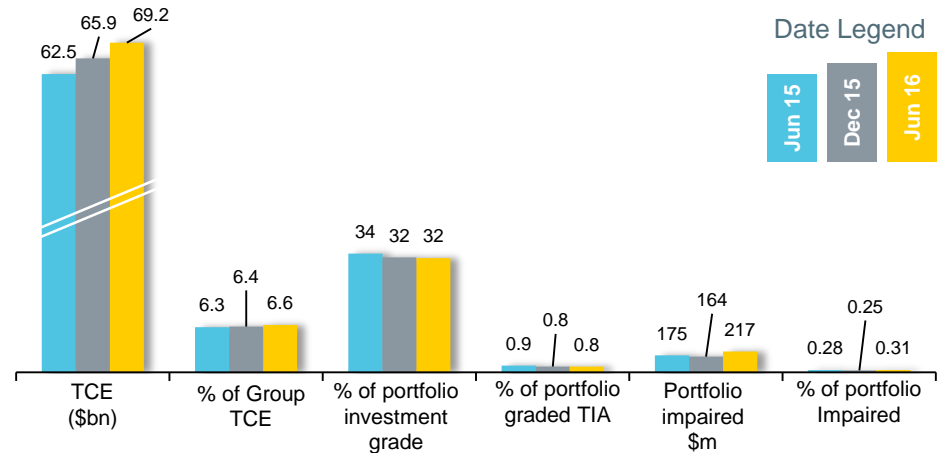


# Commercial Property

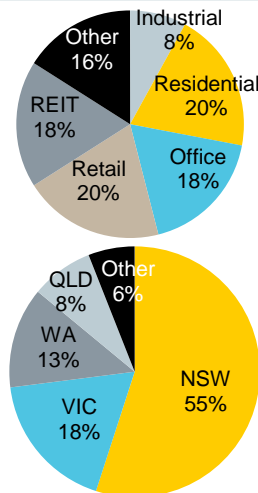
## Overview

- Exposure of \$69.2bn (6.6% of Group TCE) diversified across sectors/geography/counterparties.
- 32% of the portfolio investment grade, majority of sub-investment grade exposures secured (96%).
- Portfolio highly weighted to NSW (55%, Dec 15: 54%)<sup>2</sup> - with stronger demand due to Sydney's strong economic position, employment and population growth.
- Sydney and Melbourne CBD office vacancy rates have improved, whilst Perth and Brisbane, impacted by resource sector weaknesses, continuing to rise.
- Retail rental growth consistent with previous quarters, with positive growth across the CBD bulky goods sub-sectors, sub-regional and neighbourhood sectors in Sydney and all sub-sectors in Melbourne.
- Residential exposure primarily to apartment developments in capital city metropolitan areas.
- Residential geographical profile generally aligned with the domestic Commercial Property geographic profile.
- Ongoing comprehensive market, portfolio and underwriting monitoring on the development portfolio.

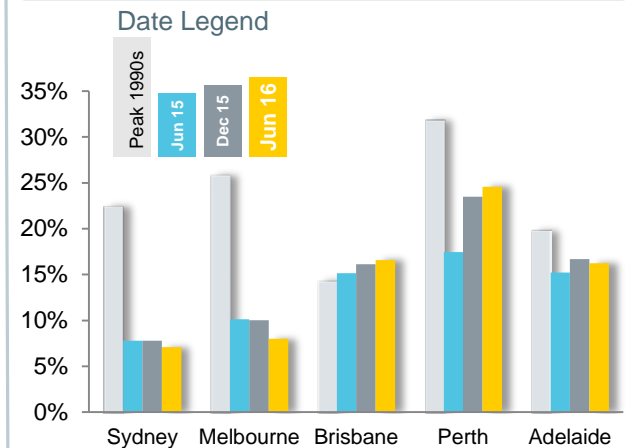
## Group Exposure



## Profile<sup>1</sup>



## Office CBD Vacancy Rates



Source: JLL Research

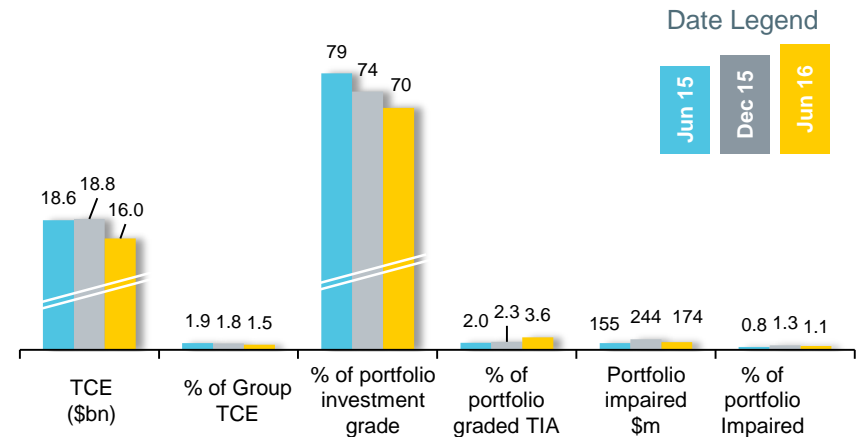
1. Sector profile is Group wide Commercial Property, geographic profile is domestic Commercial Property.  
 2. Comparative information has been reclassified to conform to presentation in the current period.

# Mining, Oil and Gas

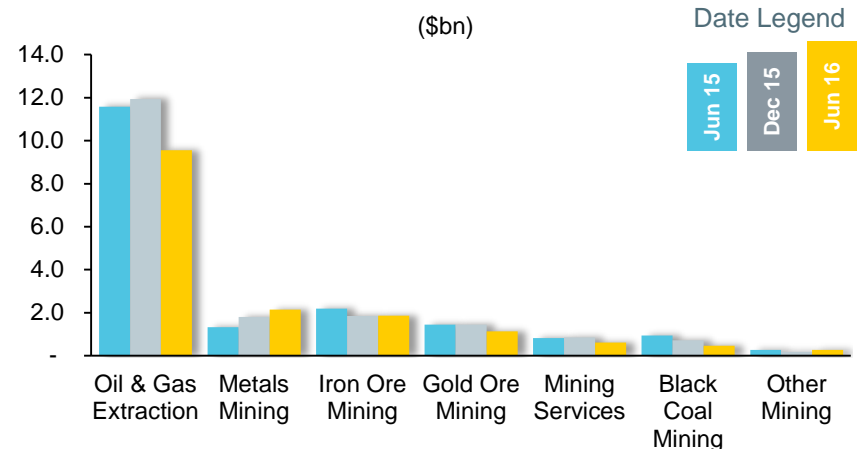
## Overview

- Exposure of \$16.0bn (1.5% of Group TCE), \$2.8bn reduction from Dec 15 due to active portfolio management, repayments and limited origination.
- Portfolio continues to perform acceptably:
  - 70% 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 (60% of total): 75% investment grade with 33% related to LNG – typically supported by strong sponsors with significant equity contribution.
- TIA level has increased as commodity prices remain lower for longer.
- Impaired asset coverage ratio is 47%.
- Market conditions expected to remain challenging in near term – Producers have implemented significant cost reductions and discretionary capital expenditure scale back.

## Group Exposure



## Mining, Oil and Gas by Sector

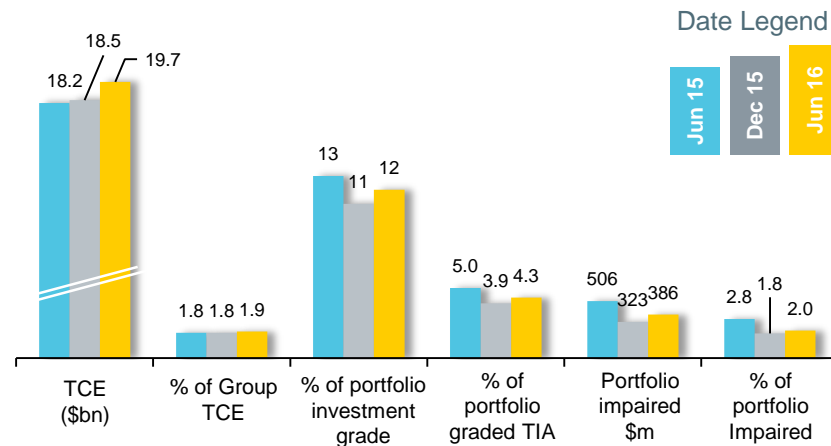


# Agriculture

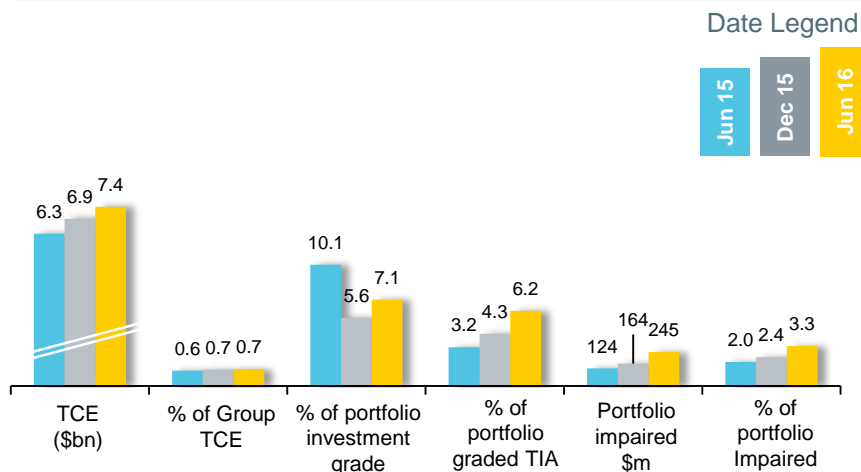
## Overview

- Exposure of \$19.7bn (1.9% 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. Continues to perform acceptably, notwithstanding deterioration in global milk prices.
  - Provision levels increased in the half year.
  - Based on milk price forecasts the outlook remains challenging in the near term.

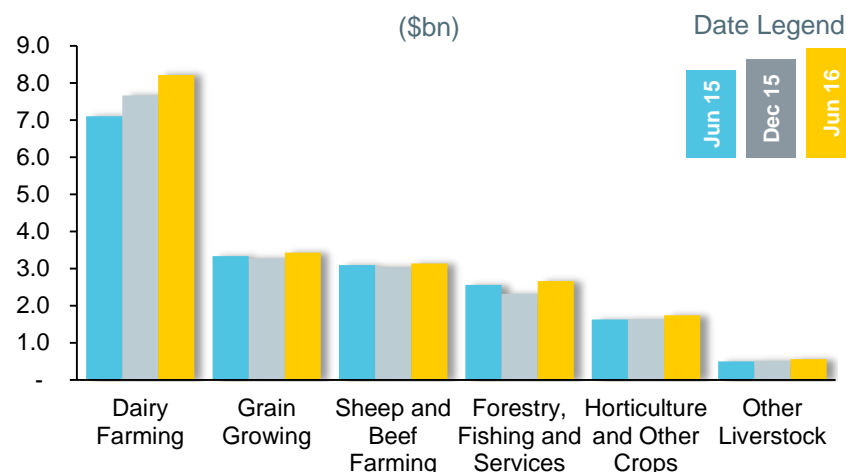
## Group Exposure



## NZ Dairy Exposure<sup>1</sup>



## Group Exposure by Sector



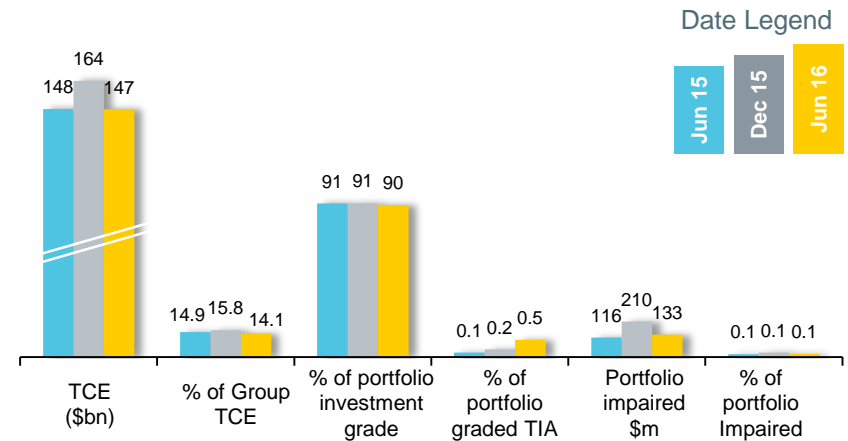
1. New Zealand dairy exposure (AUD) included in Group exposure.

# Offshore Exposure

## Overview

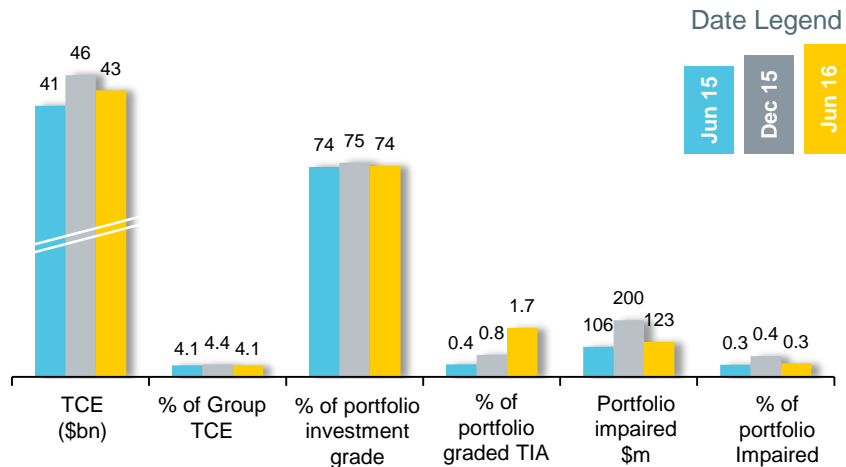
- Exposure of \$147bn (14.1% of Group TCE) with 70% to Banks, Sovereigns and Other Finance sectors.
- Excluding Banks, Sovereigns and Other Finance:
  - Exposure of \$43bn with \$22bn to Mining, Retail & Wholesale Trade and Transport.
  - 74% is rated investment grade.
  - TIAs have increased to 1.7% in the last 12 months due to downgrades in commodity and commodity related sectors.

## Offshore Exposure

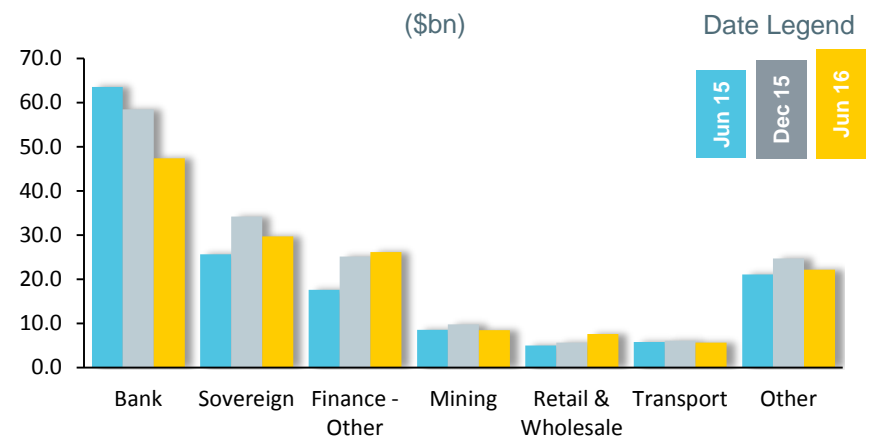


## Commercial Offshore Exposure

(Excl. Banks/Sovereigns/Other Finance)



## Offshore by Sector





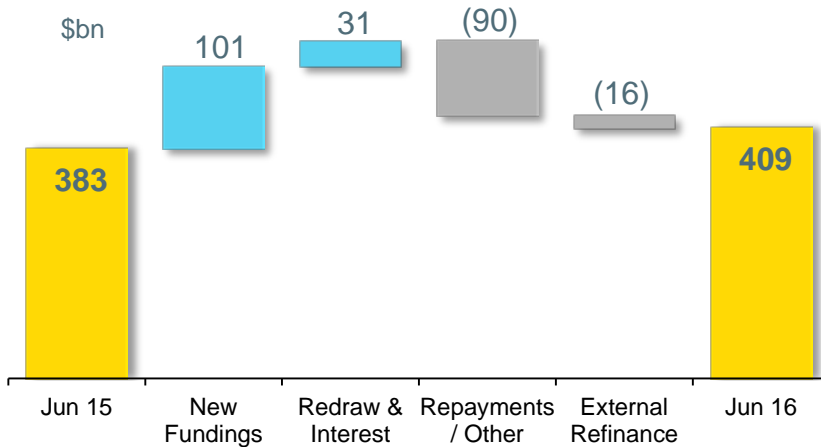
# Australian Home Loan Portfolio<sup>1</sup>

Portfolio <sup>1</sup>	Jun 15	Dec 15	Jun 16	New Business <sup>1</sup>	Jun 15	Dec 15	Jun 16
Total Balances - Spot (\$bn)	383	393	409	Total Funding (\$bn)	94	50	101
Total Balances - Average (\$bn)	371	388	395	Average Funding Size (\$'000)	274	302	300
Total Accounts (m)	1.7	1.7	1.8	Serviceability Buffer (%) <sup>6</sup>	2.25	2.25	2.25
Variable Rate (%)	85	85	85	Variable Rate (%)	87	90	88
Owner Occupied (%)	60	62	62	Owner Occupied (%)	60	66	66
Investment (%)	35	33	33	Investment (%)	37	31	32
Line of Credit (%)	5	5	5	Line of Credit (%)	3	3	2
Proprietary (%)	57	56	55	Proprietary (%)	55	52	51
Broker (%)	43	44	45	Broker (%)	45	48	49
Interest Only (%) <sup>2</sup>	37	38	39	Interest Only (%) <sup>2</sup>	41	39	40
Lenders' Mortgage Insurance (%) <sup>2</sup>	26	25	24	Lenders' Mortgage Insurance (%) <sup>2</sup>	21	16	15
Mortgagee In Possession (bpts)	4	4	5				
Annualised Loss Rate (bpts)	2	2	2				
Portfolio Dynamic LVR (%) <sup>3</sup>	49	49	50				
Customers in Advance (%) <sup>4</sup>	77	78	77				
Payments in Advance incl. offset <sup>5</sup>	27	29	31				

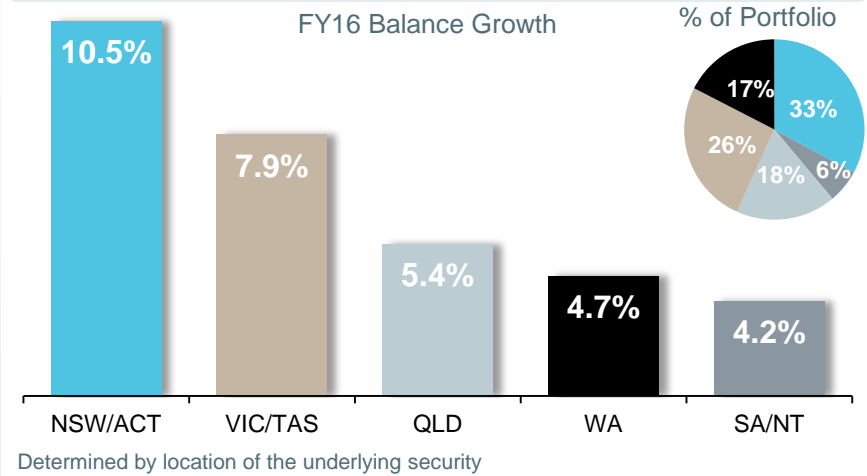
1. All portfolio and new business metrics are based on balances and fundings respectively, unless stated otherwise. All new business metrics are based on 12 months to June and 6 months to December.
2. Excludes Line of Credit (Viridian LOC/Equity Line).
3. LVR defined as current balance/current valuation. Comparative information has been reclassified to conform to presentation in the current period.
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. Jun 15 RBS only.

# Australian Home Loans

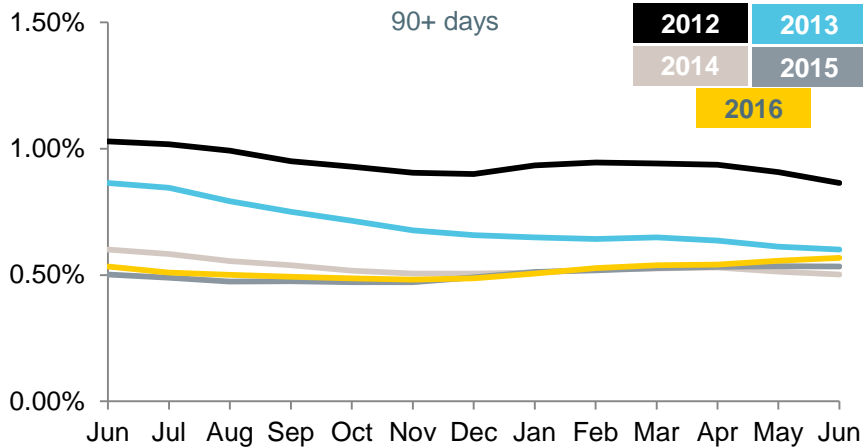
## Balance Growth



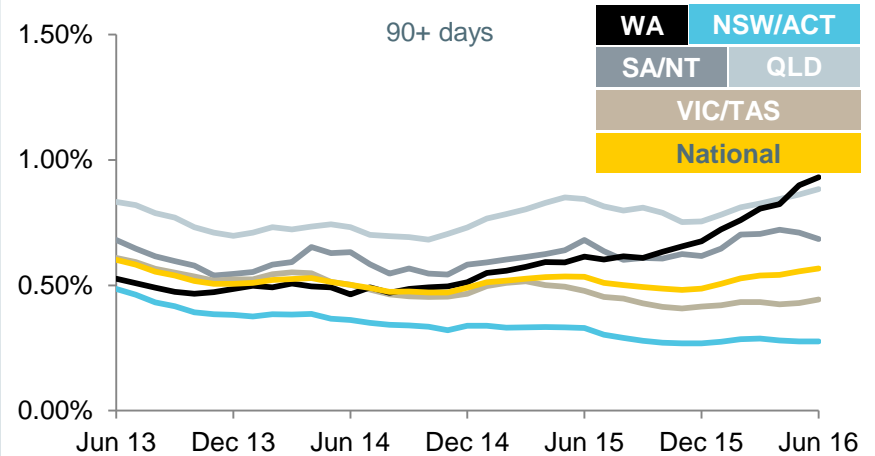
## State Profile



## Arrears

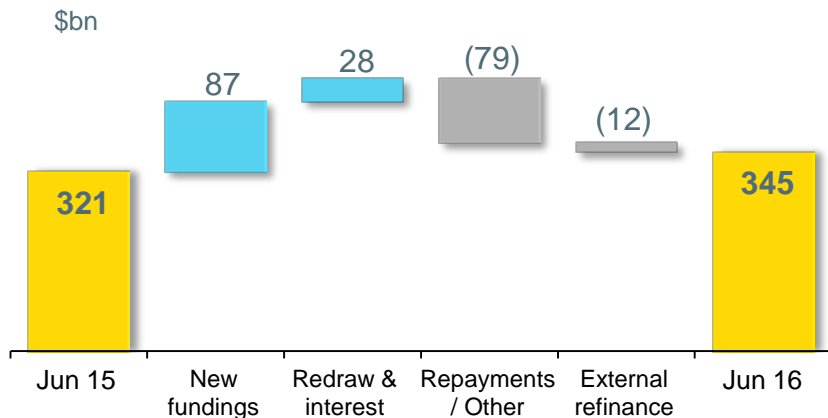


## Arrears by State

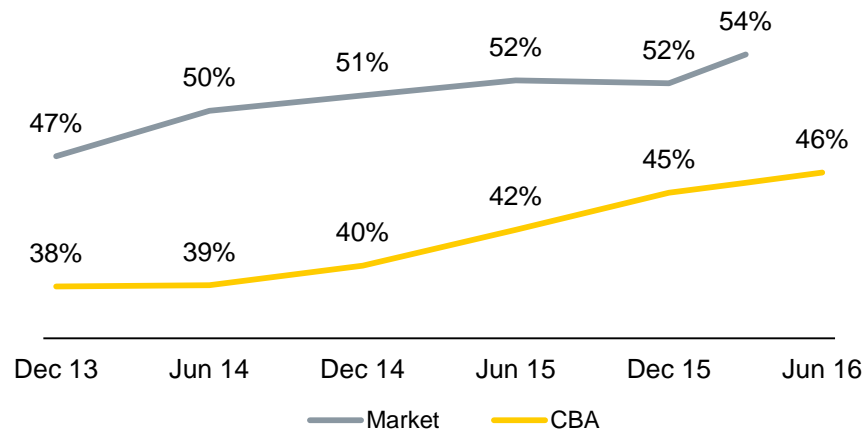


# RBS Home Loan Growth Profile

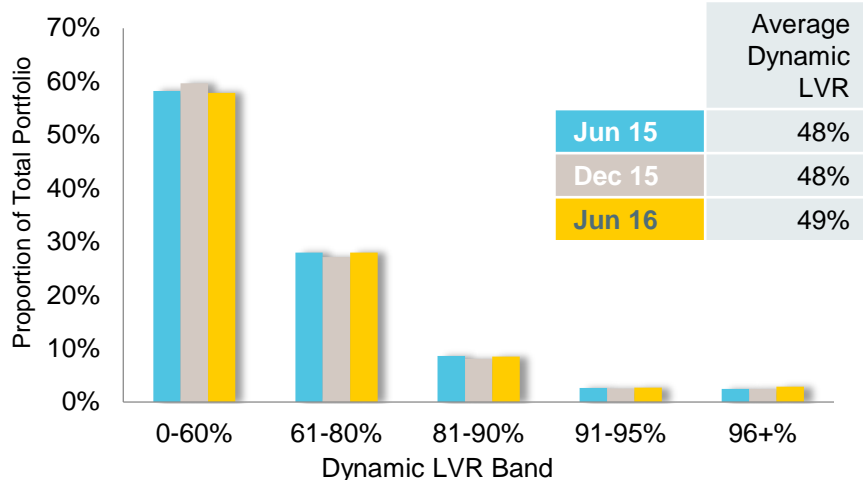
## Home Loan Balances



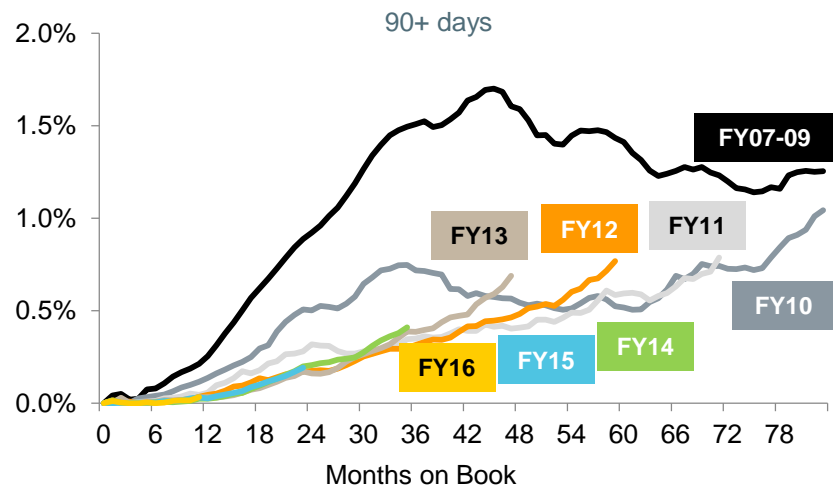
## Broker Share of Fundings<sup>1</sup>



## Home Loan Dynamic LVR<sup>2</sup>



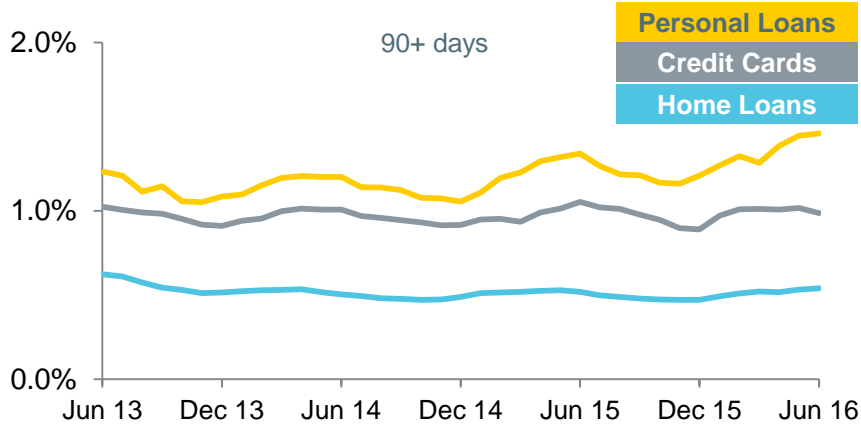
## Home Loan Arrears by Vintage<sup>3</sup>



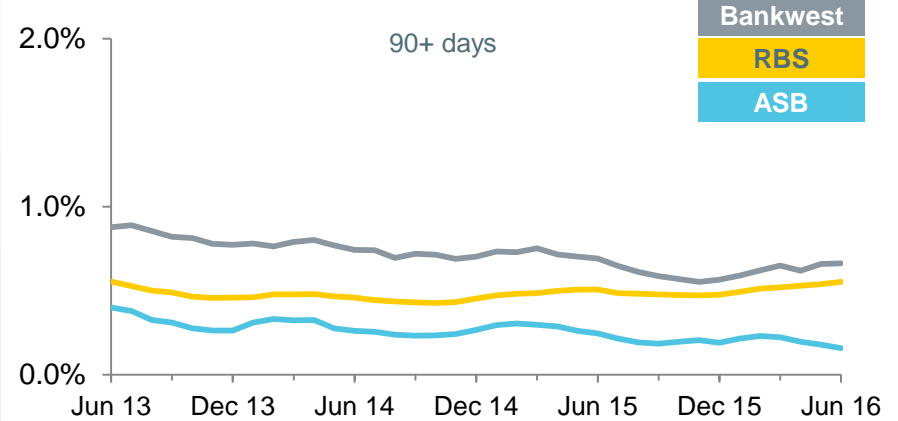
1. % of home loan fundings (\$'s). Market represents quarterly MFAA data up to Mar 16. CBA includes Residential Mortgage Group.  
 2. Dynamic LVR is current balance / current valuation. 3. Vintage Arrears includes: Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage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

# Group Consumer Arrears

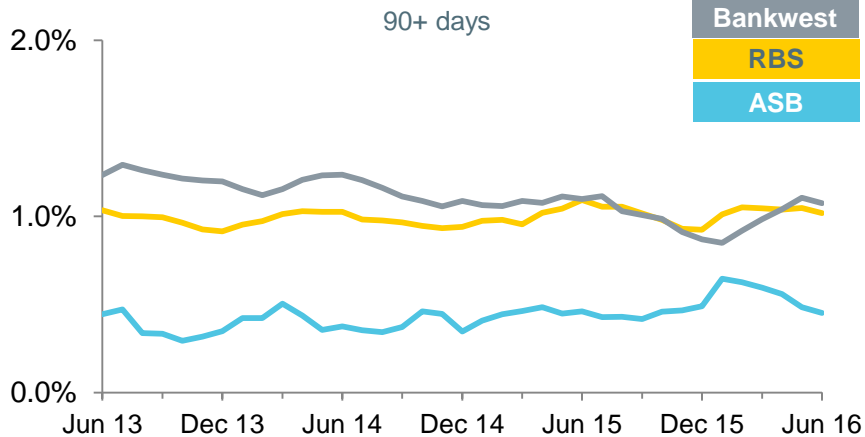
## Consumer Portfolios



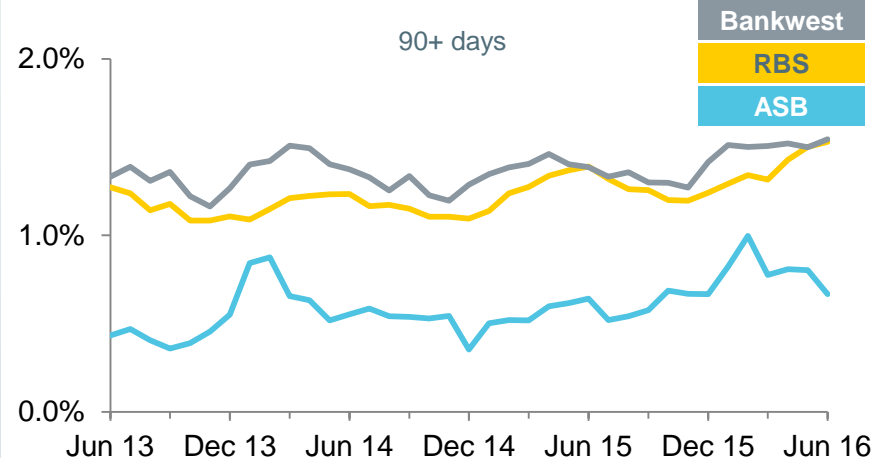
## Home Loans



## Credit Cards



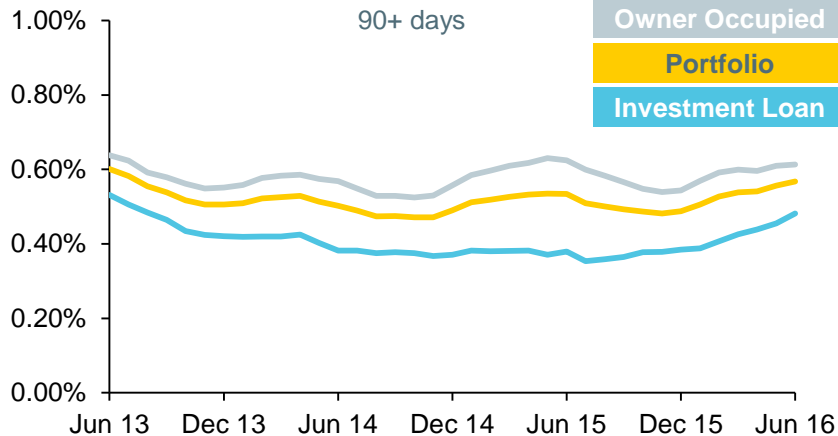
## Personal Loans



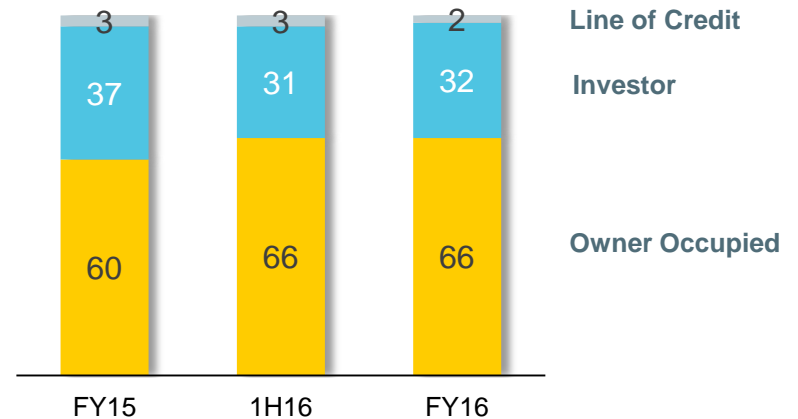
Consumer represents Retail Banking Services, ASB Retail and Bankwest Retail. ASB write-off Credit Card and Personal Loans typically around 90 days past due if no agreed repayment plan. Home Loans exclude Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan (RBS only) and Residential Mortgage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

# Australian Investment Home Loans

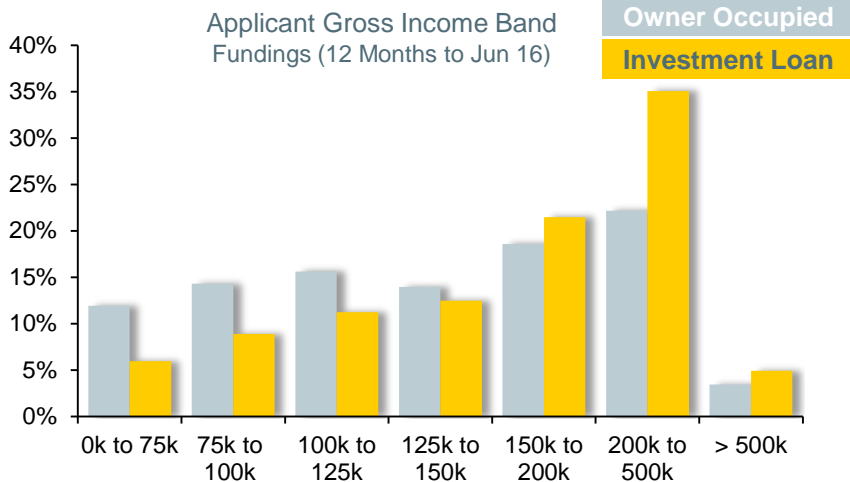
## Arrears



## New Business Profile (%)



## Borrower Profile



## Investment Home Loans

- ▶ Modest 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

# Australian Home Loans – Stress Test

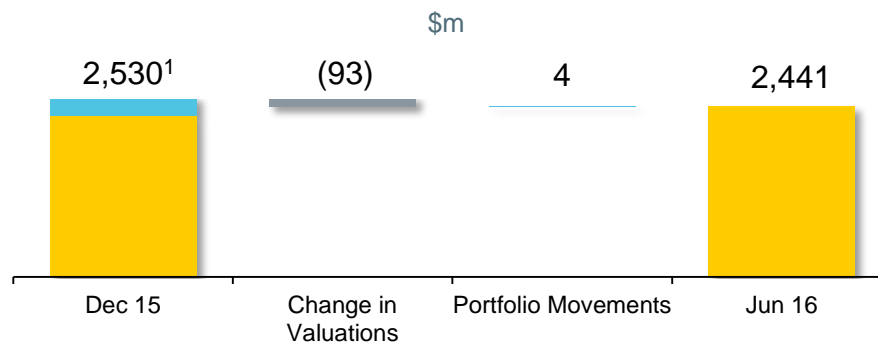
## Assumptions and Outcomes

Assumptions (%)	Base	Year 1	Year 2	Year 3
Cash Rate	2.0	1.0	0.5	0.5
Unemployment	5.8	7.5	9.5	11.0
Hours under-employed	10.2	12.4	15.3	17.4
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	3,794	634	1,279	1,881
Insured Losses	1,353	237	457	659
Net Losses	2,441	397	822	1,222
Net Losses (bpts)	52.8	8.7	17.6	26.5
PD %	n/a	1.3	1.8	2.3

## Net Losses



1. December 2015 result includes restatement due to Bankwest model alignment (+\$168m).

## Summary

- ▶ Stress Test scenario represents a severe but plausible commodities-led recession.
- ▶ Stress Test loss outcomes have been updated to take into account increase in property valuations (-\$93m).
- ▶ Total net losses after LMI recoveries over 3 years have decreased by \$89m to \$2.4bn.



# Economic Indicators

# Economic Indicators

		2011	2012	2013	2014	2015	2016	2017
<b>World</b>	GDP	4.2	3.4	3.3	3.4	3.1	3.0	3.2
<b>Australia</b>	Credit Growth % – Total	2.6	4.4	3.1	5.0	5.9	6.2	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	4.4	6.6	5-7
	Credit Growth % – Other Personal	0.6	-1.2	0.2	0.6	0.8	-0.8	½-2½
	GDP %	2.4	3.6	2.4	2.5	2.3	2.9	2.9
	CPI %	3.1	2.3	2.3	2.7	1.7	1.4	1.3
	Unemployment rate %	5.0	5.2	5.4	5.8	6.2	5.9	5.8
	Cash Rate %	4¾	3½	2¾	2½	2	1¾	1¼
<b>New Zealand</b>	Credit Growth % – Total	1.5	3.2	4.0	4.2	6.4	6½-8½	4½-6½
	Credit Growth % – Housing	1.2	1.8	5.0	5.3	5.6	7-9	5-7
	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	6-8	4-6
	GDP %	1.1	2.8	2.3	3.0	3.3	2.6	3.6
	CPI %	3.8	2.2	0.8	1.5	0.6	0.4	0.9
	Unemployment rate %	6.6	6.6	6.7	6.0	5.8	5.4	5.6
	Overnight Cash Rate %	2.5	2.5	2.5	3.25	3.25	2.25	1.75

Credit Growth  
GDP, Unemployment & CPI  
Cash Rate

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

World GDP  
■

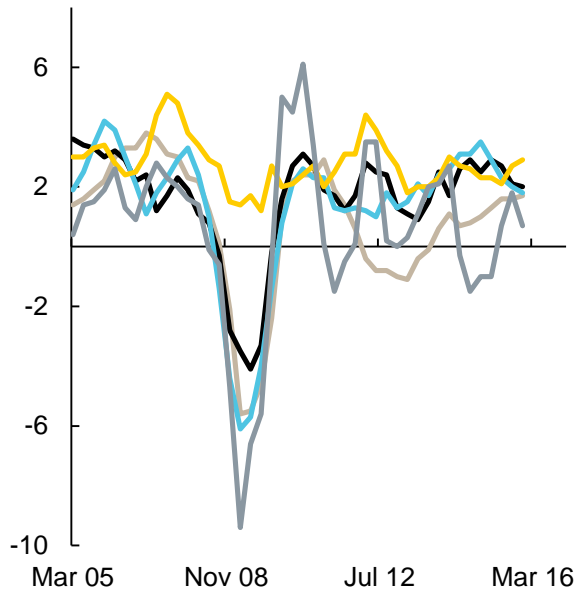
= Calendar Year Average  
= forecast



# Australia remains well placed, but exposed to global uncertainty

GDP<sup>1</sup>

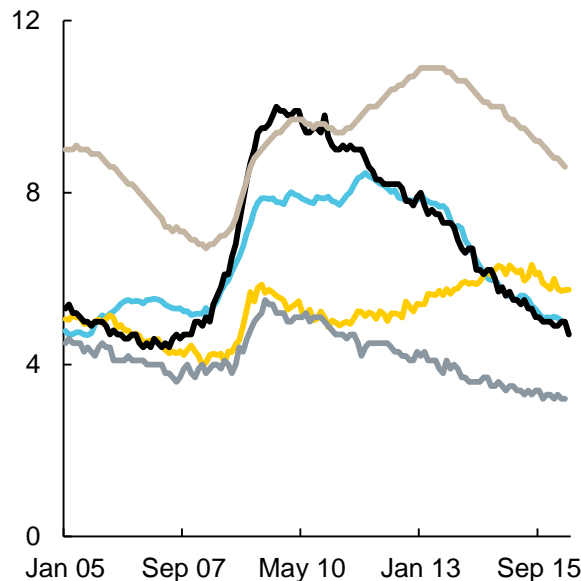
(annual % change)



Australia is into its 25<sup>th</sup> year  
of continuous economic  
growth

Unemployment Rate<sup>2</sup>

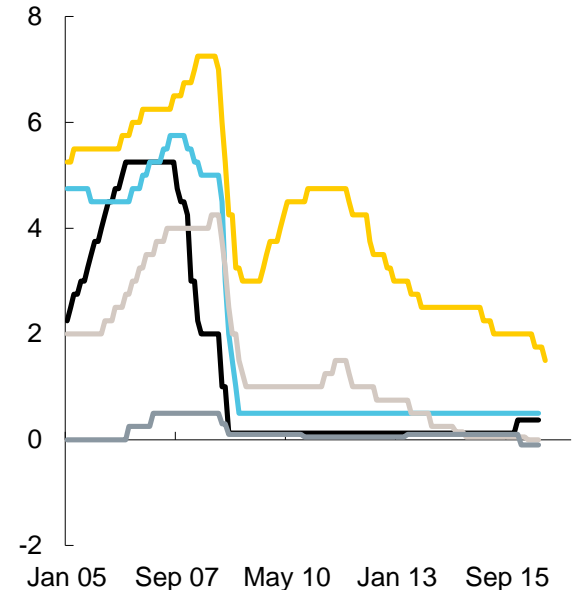
(%)



Unemployment  
rates trending lower

Global Interest Rates<sup>1</sup>

(%)



Australian policy makers  
retain some firepower

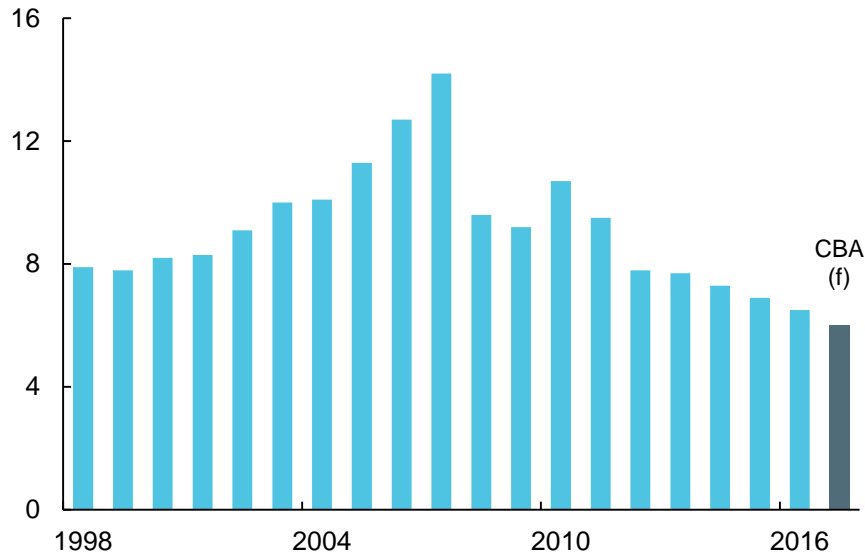
1. Source: Bloomberg  
2. Source: CEIC



# Chinese economic growth is slowing

## China: GDP<sup>1</sup>

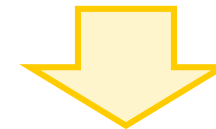
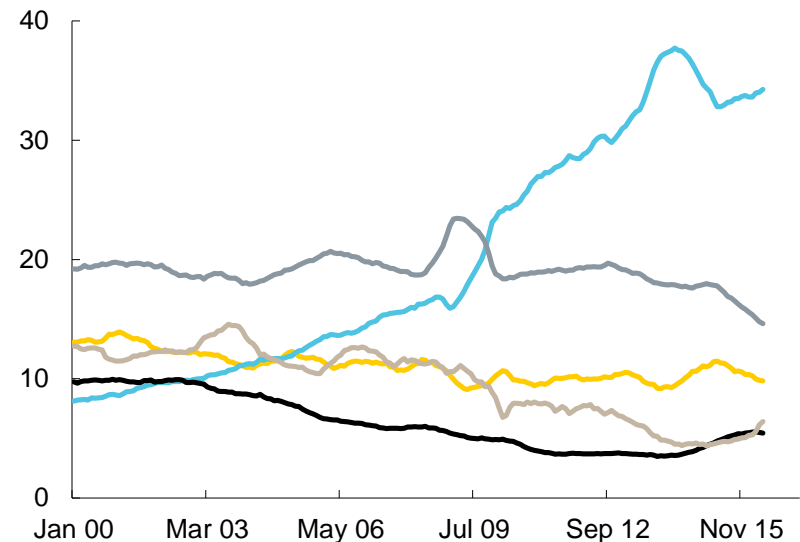
(annual % change)



We expect the Chinese economy to grow by 6% in 2017, with lower interest rates and supportive fiscal policy.

## Export Shares<sup>2</sup>

(% of share of annual exports)

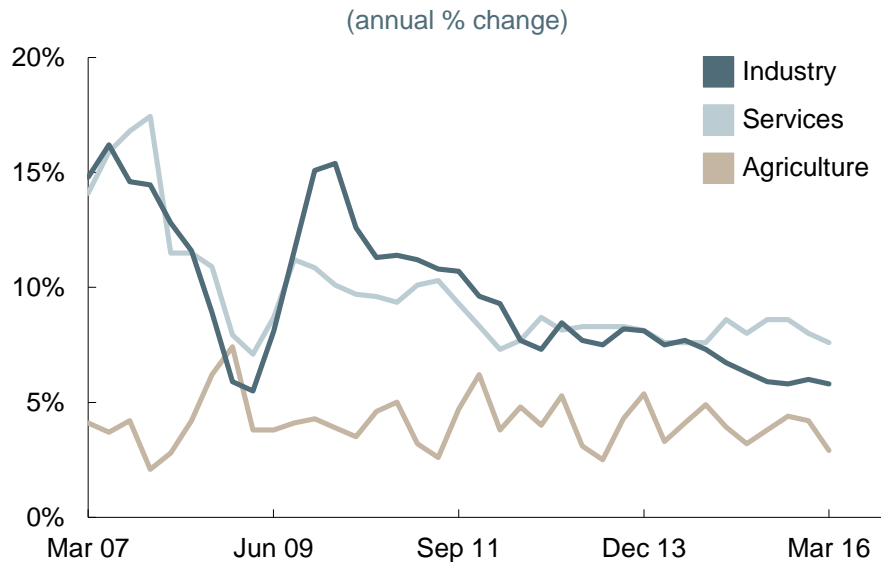


China and the rest of emerging Asia drive global economic growth and commodity demand. Slower growth in China is a risk for the global economy and Australia.



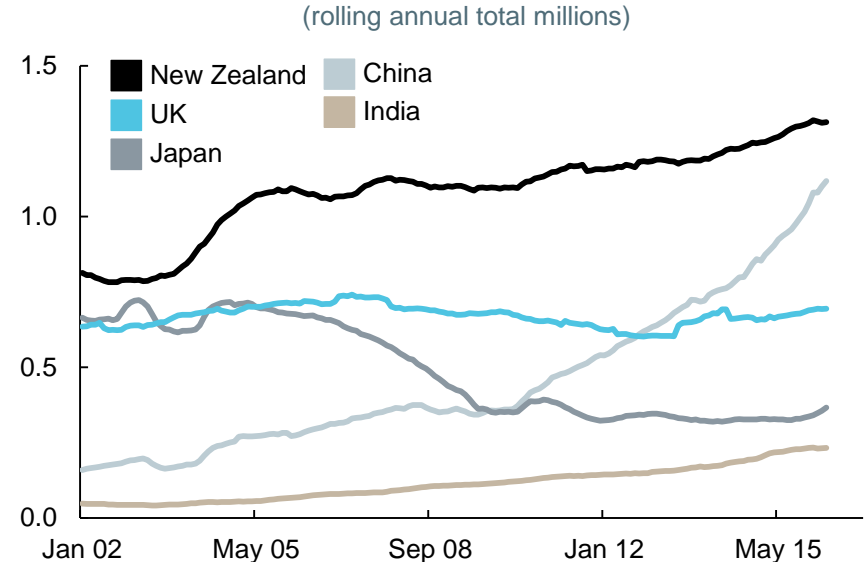
# Growth in China is shifting away from resource-intensive industries

## China GDP growth by industry<sup>1</sup>



China continues to transition from investment led growth to consumption/services driven growth. This process means slower demand growth for resource-based goods.

## Short term overseas arrivals<sup>2</sup>



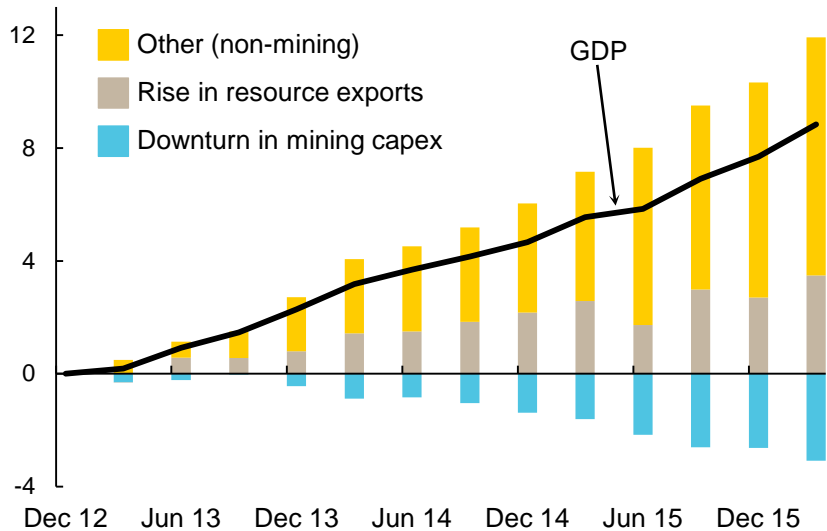
China's transition presents opportunities for Australia. Rising incomes in China will benefit the education, tourism and agricultural sectors in Australia. There is also scope for health and financial exports to China.

1. Source: CEIC  
2. Source: ABS

# The domestic growth transition continues

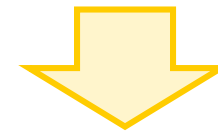
## Growth drivers from mining peak<sup>1</sup>

(cumulative contribution to GDP since end 2012)



The transition from mining to other sources of growth continues. We are further through the investment downturn than many appreciate.

## Progress on the transition<sup>2</sup>



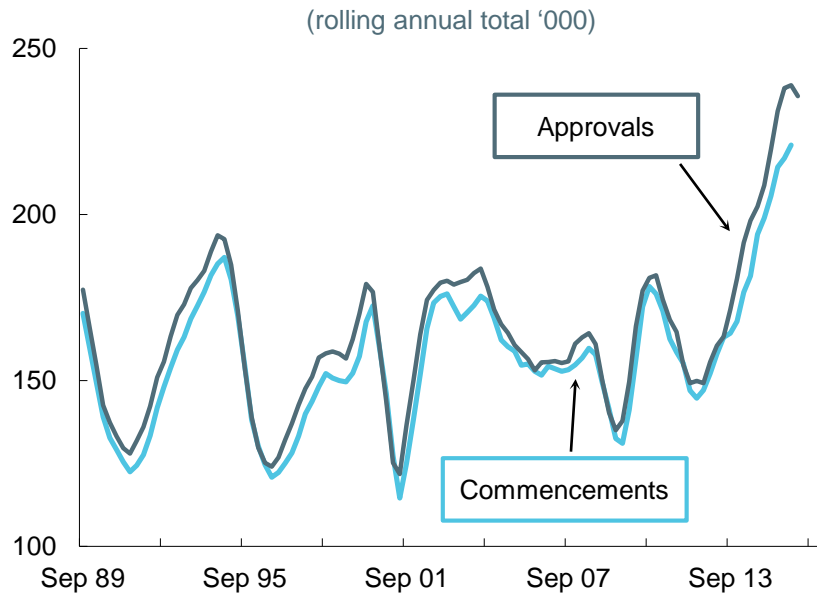
Australia is around 80% of the way through the anticipated decline in mining capex. At the same time, we are also around 70% of the way through the expected loss of mining construction-related jobs.

1. Source: ABS  
2. Source: ABS / CBA



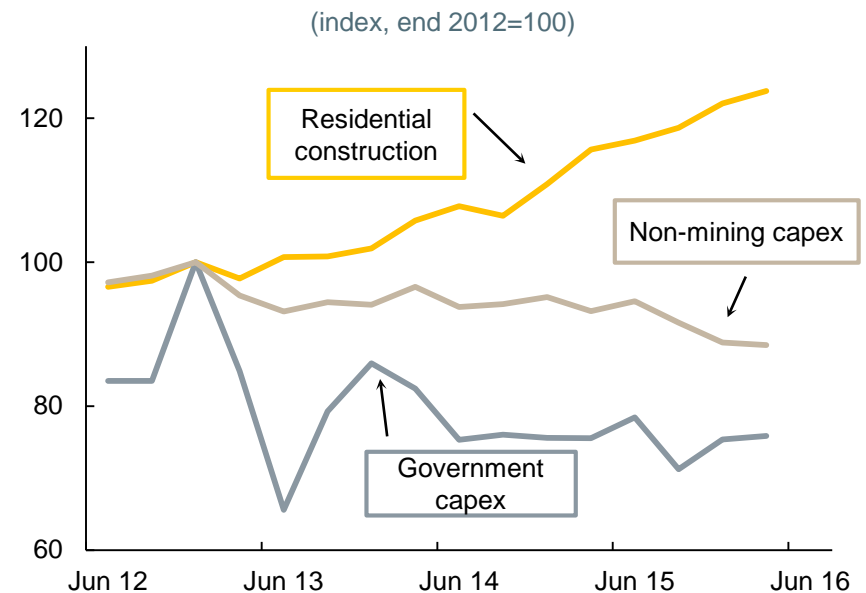
# But the transition is uneven

## Dwelling construction<sup>1</sup>



A record residential construction boom is underway, lifting employment and related parts of retail like hardware, furnishings and white goods.

## Transition drivers<sup>1</sup>

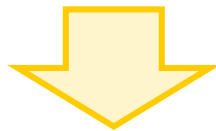
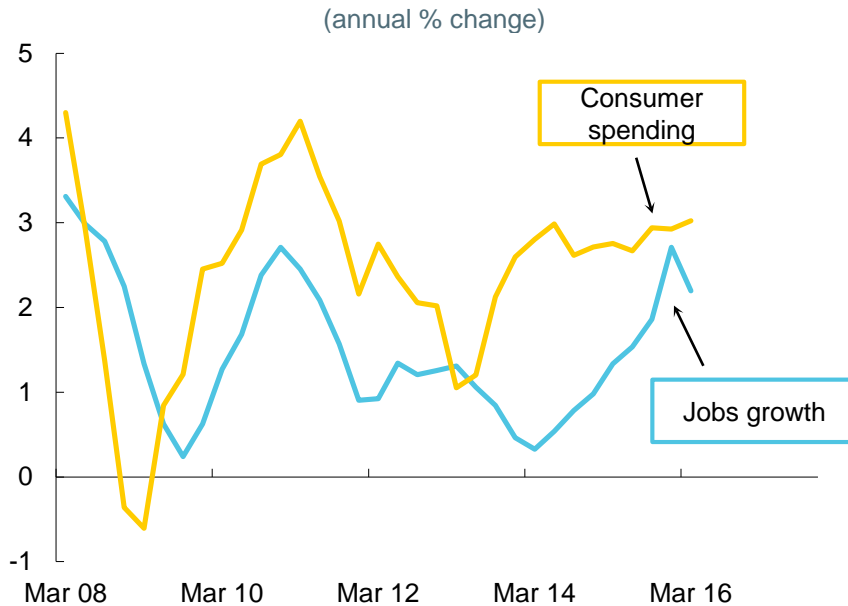


The transition is not uniform. Other parts of the transition have failed to fire. Businesses have been reluctant to invest and governments have not lifted capex.



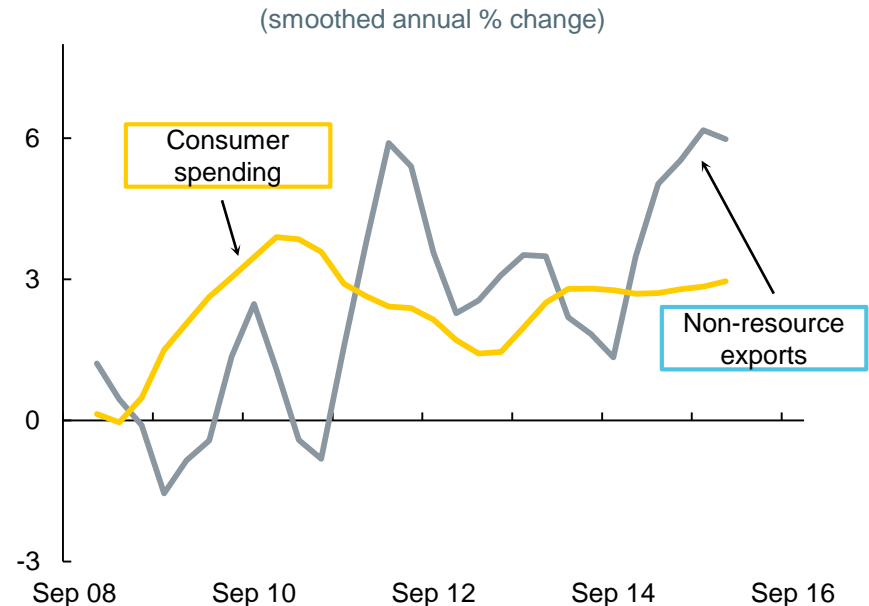
# Consumer spending has lifted & the lower currency is supporting service industries

## Employment & the consumer<sup>1</sup>



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.

## Some "surprises"<sup>1</sup>



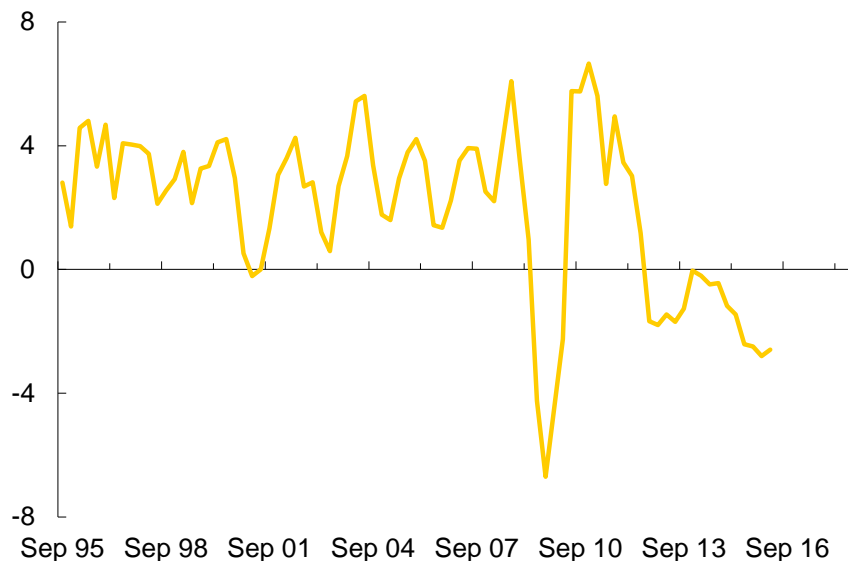
The lower Australian dollar helps lift tourism exports and enhances the competitiveness of domestic manufacturing and service providers.



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

## Per capita income<sup>1</sup>

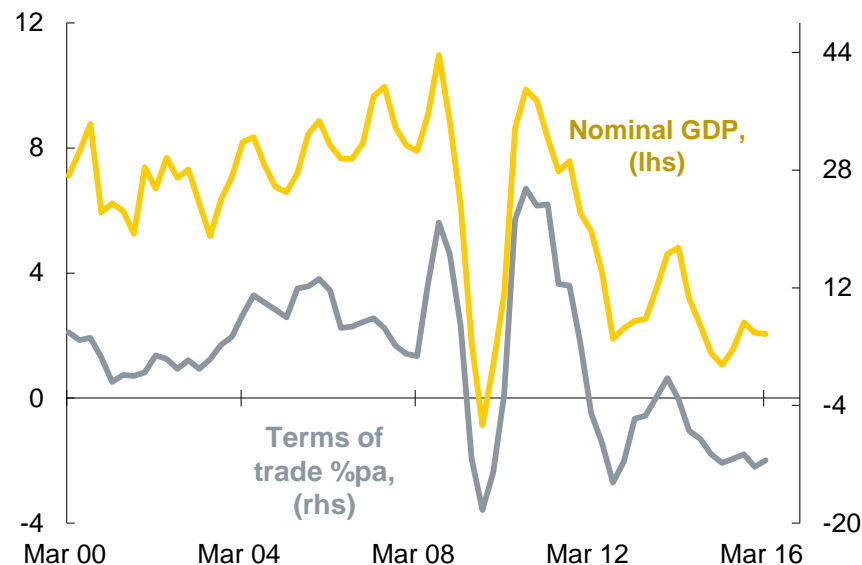
(real net national disposable income % per annum)



Real gross domestic income per capita has been falling for some time. Lower bulk commodity prices depress national income and profits growth which flow back to the tax base and wages.

## Income & the terms-of-trade<sup>1</sup>

(annual % change)



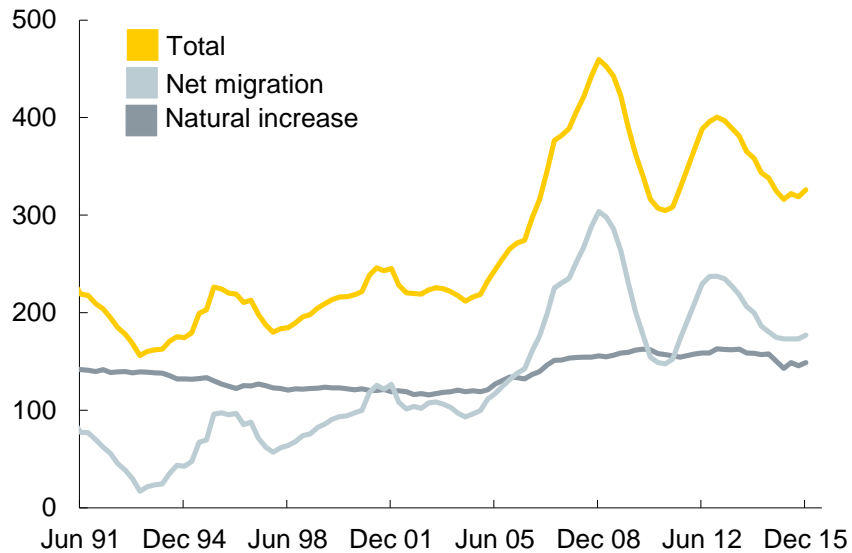
Income weakness is a key source of risk to the economy in 2016/17. Falling commodity prices are driving the terms-of-trade lower. And a falling terms-of-trade weighs on incomes.



# The housing market is slowing

## Population growth<sup>1</sup>

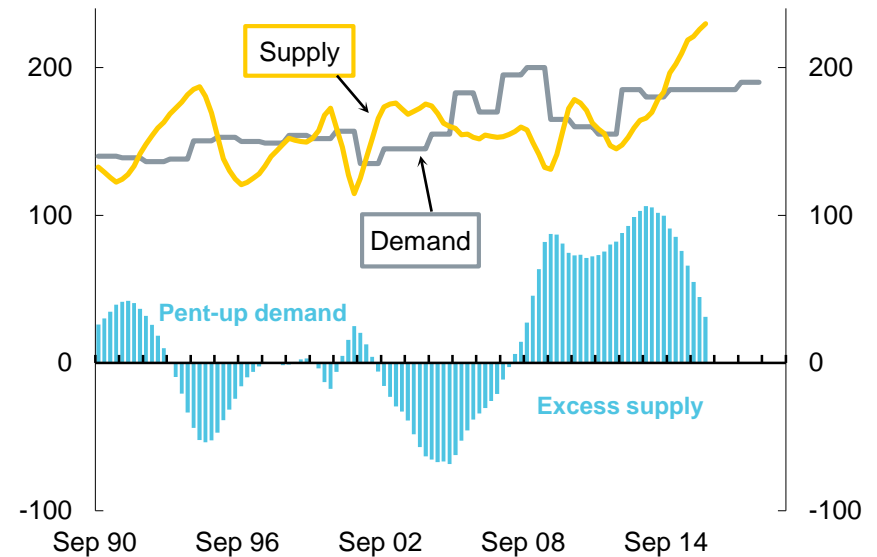
(moving annual total '000)



Population growth has slowed as net migration eased. Therefore, the underlying demand for new dwellings has stepped down.

## CBA: Housing demand & supply<sup>2</sup>

('000)



Housing supply is now running ahead of housing demand, satisfying some past backlog.

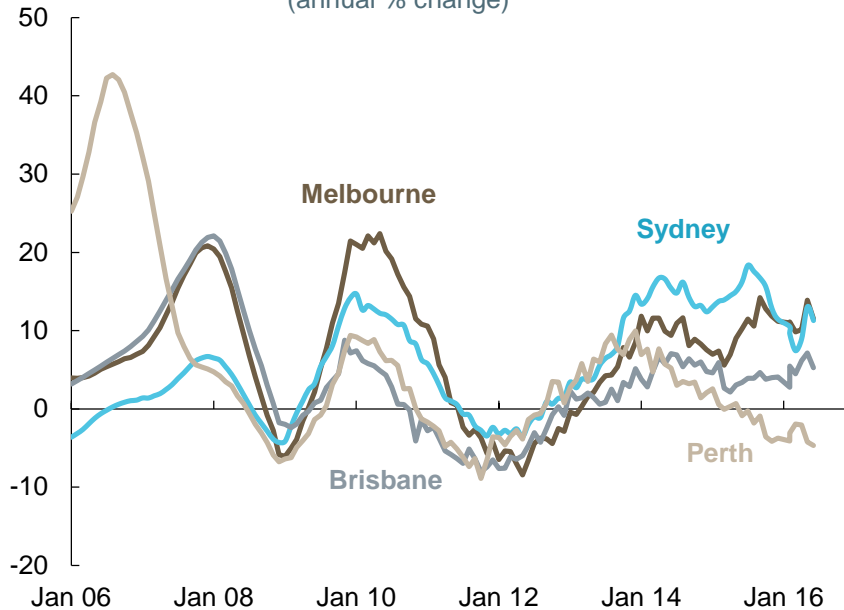
1. Source: ABS  
2. Source: ABS / CBA



# Dwelling price growth diverges

## Dwelling prices<sup>2</sup>

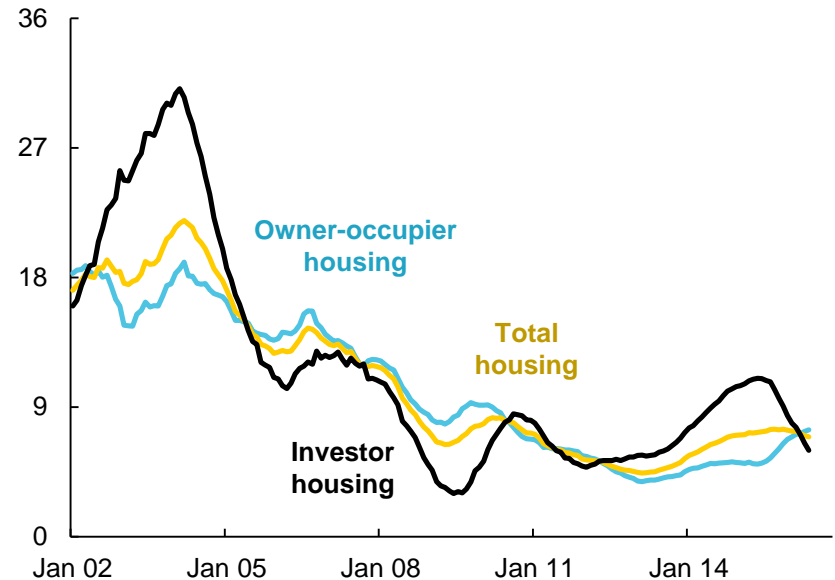
(annual % change)



Dwelling price growth varies widely by region. House and apartment price growth has lifted a little in recent months.

## Housing credit growth<sup>2</sup>

(annual % change)



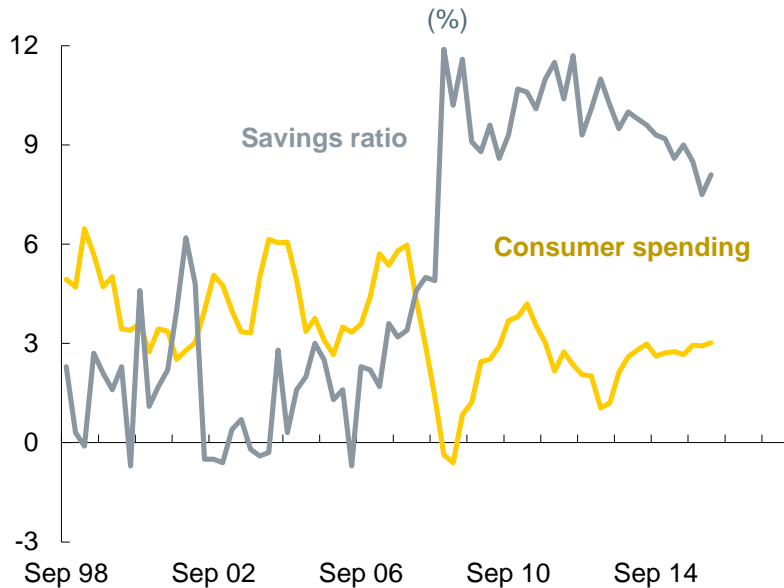
Higher dwelling prices, regulatory changes to investor lending and lower mortgage rates have produced divergent credit growth.

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



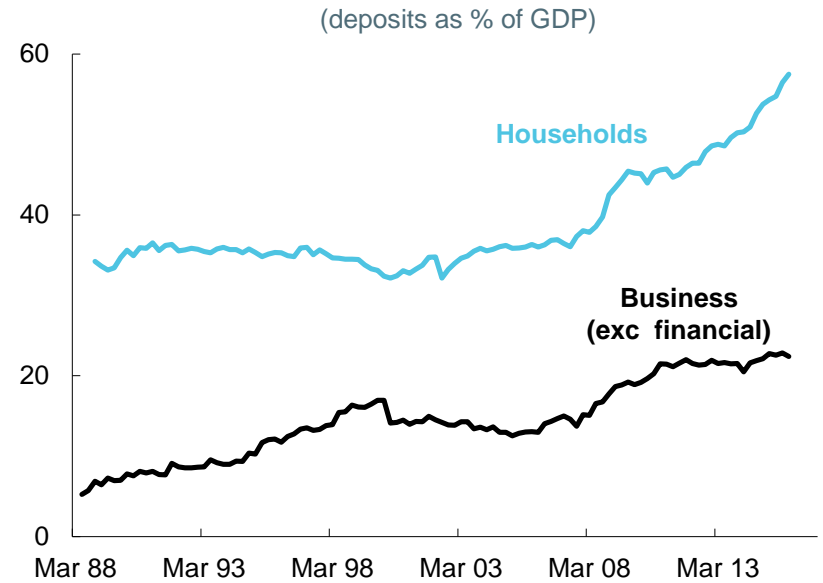
# Household balance sheets remain strong

## Saving ratio<sup>1</sup>



The household savings rate remains at a relatively high level, but has eased over the past year. Consumer spending growth is running in line with longer term averages.

## Cash holdings<sup>2</sup>



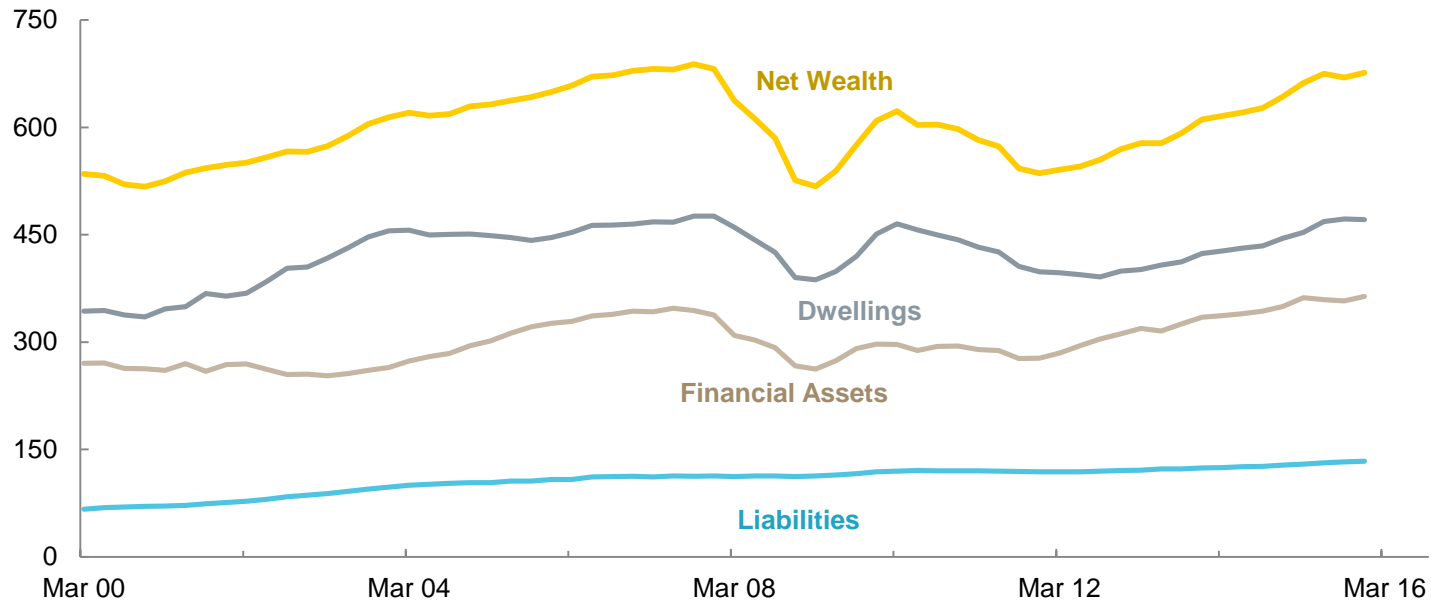
Australian businesses and households have significant holdings of cash which makes them well placed to deal with global risks.



# Households in better shape in net terms

## Household Wealth and Liabilities<sup>1</sup>

(% of annual household disposable income)



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

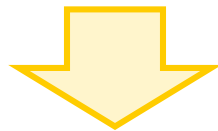
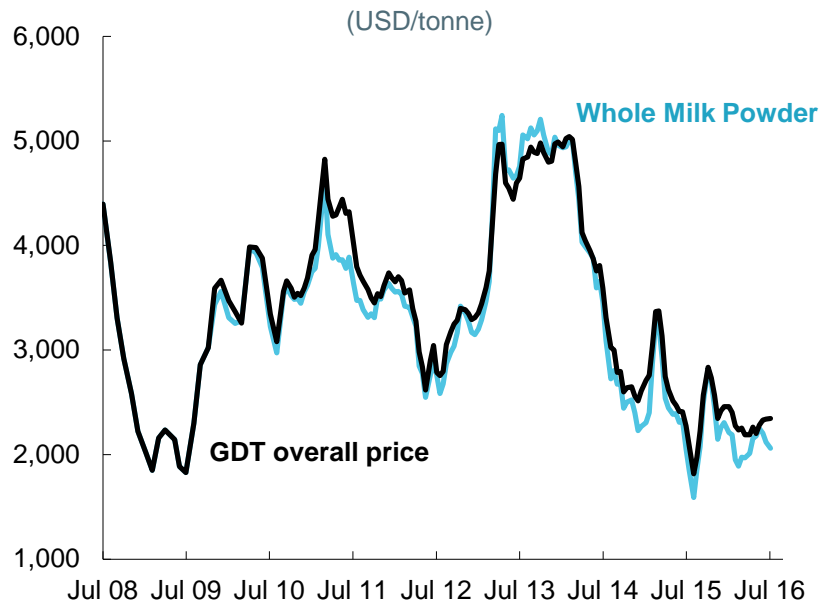


# Factors that typically characterise a house price bubble are not evident in Australia

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

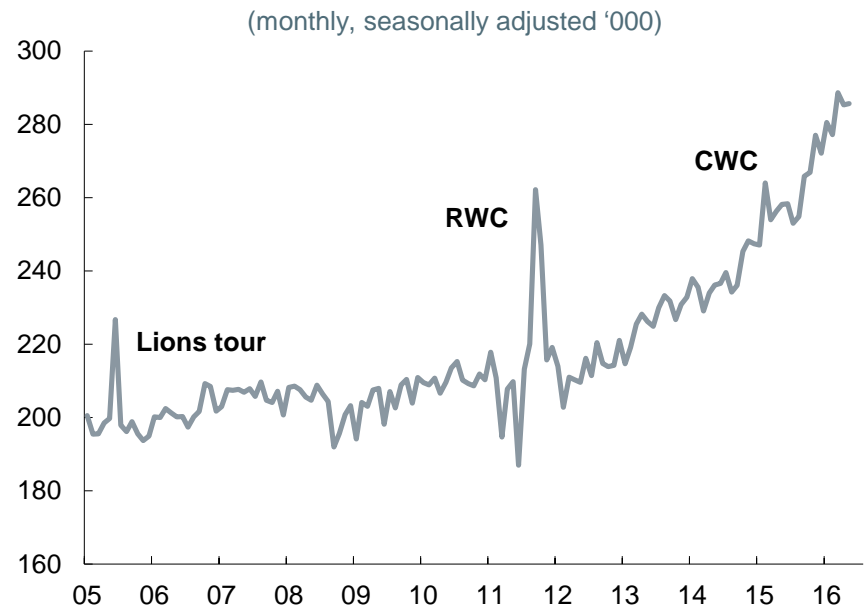
# New Zealand

## Global dairy trade auction results<sup>1</sup>



Dairy prices weakened over 2014 and 2015. A gradual recovery is expected over 2016 as production falls in response to ongoing lower prices.

## NZ short term arrivals<sup>2</sup>

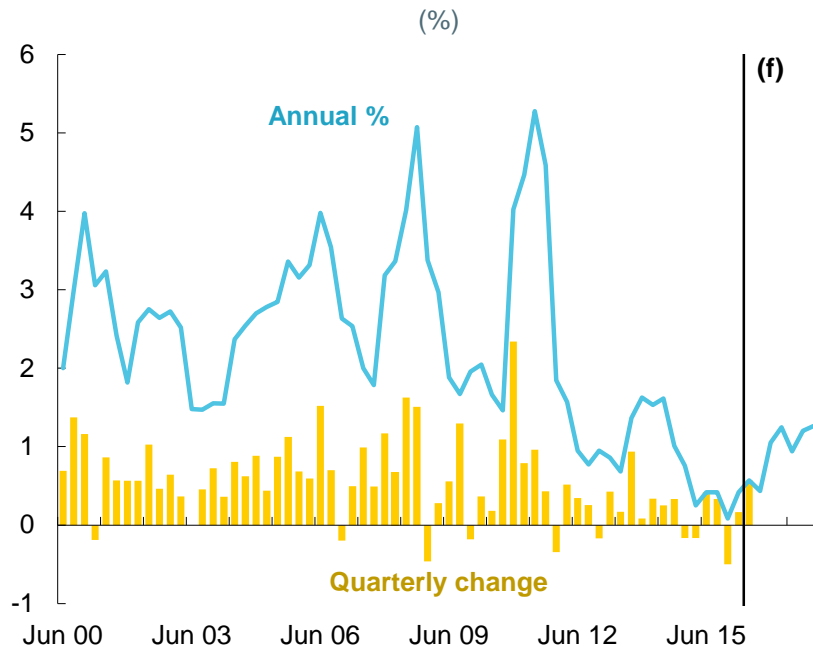


Meanwhile, tourism (now the biggest foreign exchange earner) is going from strength to strength. Chinese visitor numbers have soared over the past few years.



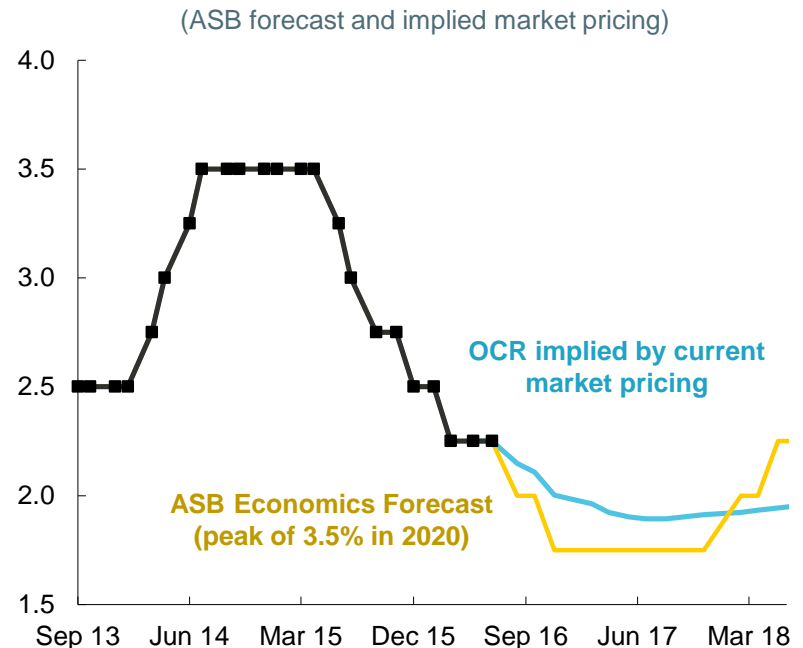
# New Zealand

## NZ CPI inflation<sup>1</sup>



The inflation environment remains very subdued. The recent NZ dollar appreciation may see inflation staying lower for longer.

## OCR forecasts<sup>2</sup>

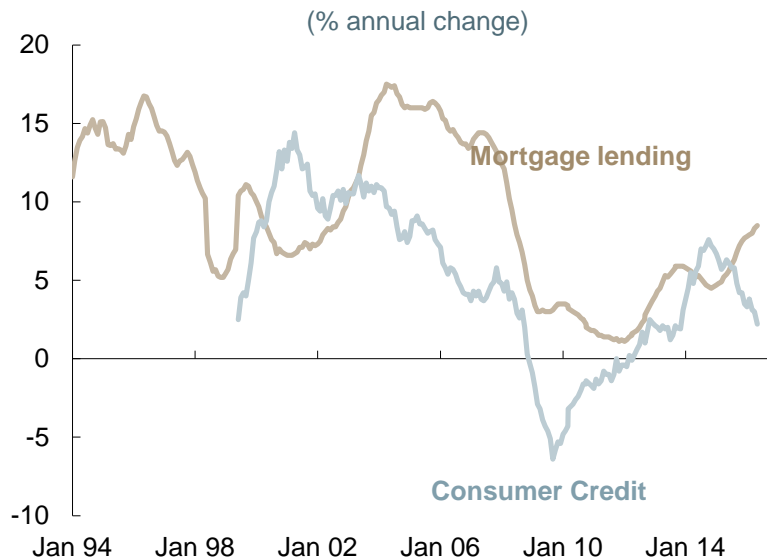


The RBNZ has cut the Official Cash Rate from 3.5% to 2.25%. We expect the RBNZ will cut the OCR even further.



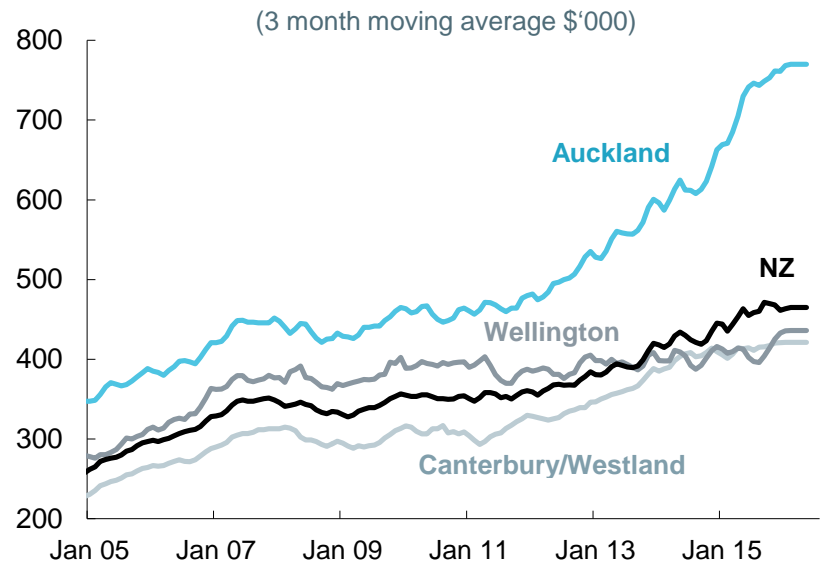
# New Zealand

## NZ household lending growth<sup>1</sup>



The Auckland market has shrugged off the impact of 2015's Auckland-only investor lending restrictions and nationwide tax changes. The relaxing of ex-Auckland lending restrictions has also contributed to a strong pick-up elsewhere.

## NZ median house price<sup>2</sup>



Still-strong migration inflows and low interest rates will continue to support the housing market and mortgage credit growth, though at a slightly slower pace than in 2015. Additional lending restrictions, if implemented, may weigh on growth over 2017.

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



# Glossary of Key Definitions

## 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 both 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 a 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 (\$6.2bn for FY16). 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.

**TIA** Commercial Troublesome and (Group) Impaired assets.

**Commercial Troublesome** Commercial 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).





