



# Results Presentation

**For the half year ended 31 December 2017**

Ian Narev, Chief Executive Officer

Rob Jesudason, Chief Financial Officer



- ▶ Period of effort to fix our mistakes
- ▶ Pride and dedication led to continuing operating momentum:
  - Customer satisfaction driving customer activity
  - Margin, productivity and credit discipline
  - Innovation investments paying off
- ▶ Continuing to prepare for the future:
  - Increased capital and liquidity strength
  - Next wave of innovation investment
  - Recognition of lower growth environment

# This result<sup>1</sup>



Dec 17 vs  
Dec 16

▶ Statutory Profit (\$m)	4,895	<b>1.2%</b>	↑
▶ Cash NPAT (\$m)	4,735	<b>(1.9%)</b>	↓
▶ Cash Earnings per Share (\$)	2.72	<b>(3.2%)</b>	↓
▶ ROE – Cash	14.5%	<b>(120)bpts</b>	↓
▶ Dividend per Share (\$)	2.00	<b>+1 cent</b>	↑

# This result

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- ▶ Usual adjustments between Statutory and Cash NPAT
- ▶ Cash NPAT not as clear a view of underlying performance this period:
  - \$375m AUSTRAC penalty provision<sup>1</sup> – “above the line”
  - \$200m provision for expected program costs – “above the line”
  - Accounting for Life Insurance sale as “discontinued operations”
- ▶ Reference to “underlying performance”:
  - To enable understanding of business performance
  - Adjusts for the AUSTRAC penalty provision<sup>1</sup>, AHL equity accounted profit/consolidation, and prior period one-offs (Visa share sale/accelerated amortisation)

1. The Group has provided for a civil penalty in the amount of \$375 million. The Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claims.

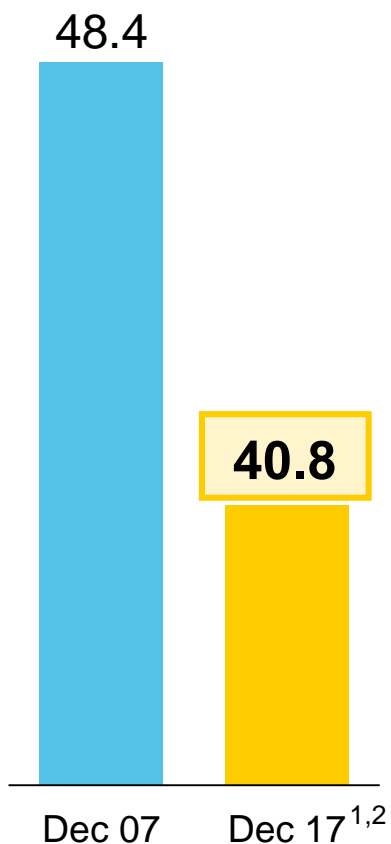


# Long term strategy continued



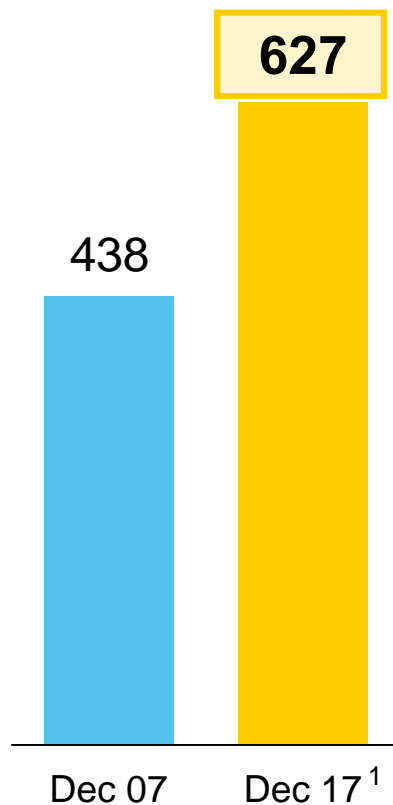
## Productivity

Cost to Income %



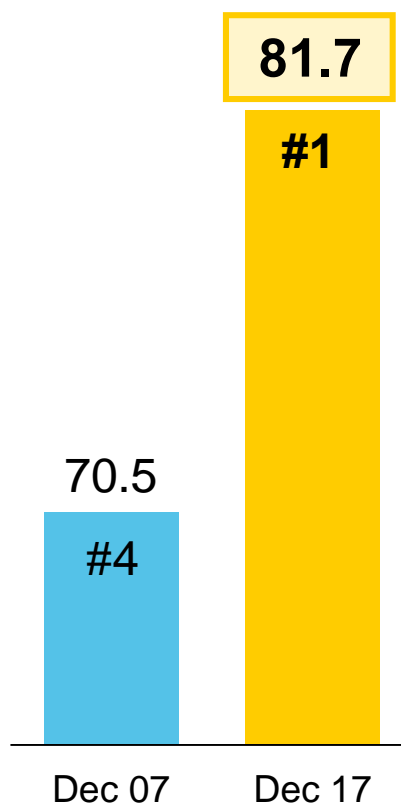
## Investment

Gross Spend, HY \$m



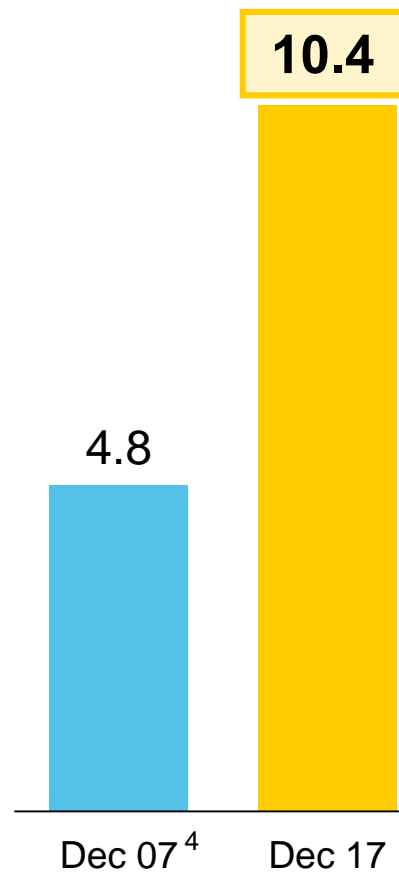
## Customers

% Satisfied<sup>3</sup>



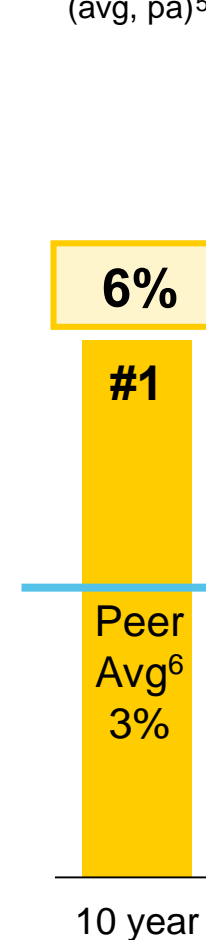
## Strength

CET1 (APRA)  
(%)

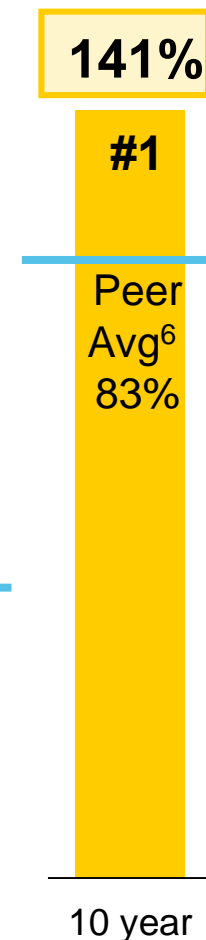


## Returns

DPS Growth  
(avg, pa)<sup>5</sup>



TSR



1. Presented on a continuing operations basis. 2. In order to present an underlying view of the result, AHL Holdings Pty Limited (AHL) has been excluded. 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. Refer to reconciliation provided separately in this presentation. 3. Retail MFI, refer notes slide at back of this presentation for source information. 4. Basel III equivalent. 5. Average full year DPS growth FY07 to FY17. 6. Peers average relates to major Australian bank peers.

# Operating momentum continues

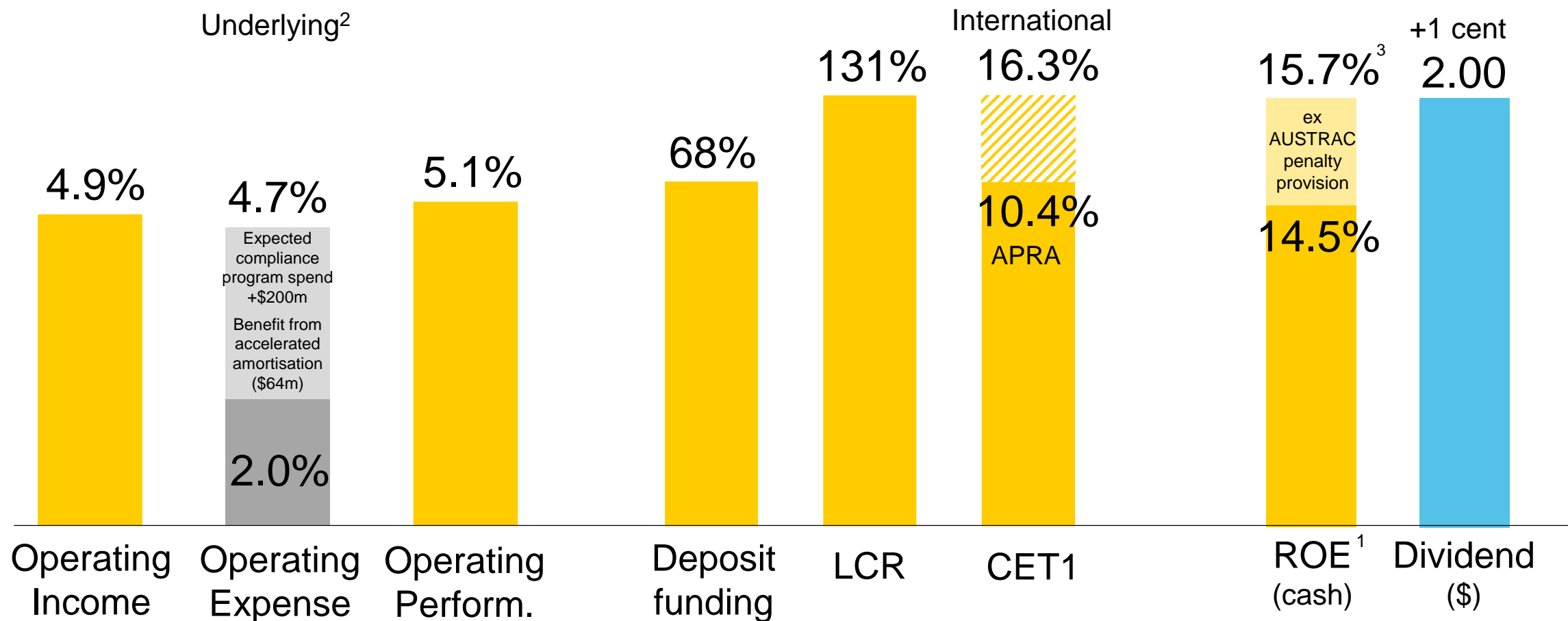


## Operating Performance<sup>1</sup>

## Strength

## Returns

1H18 vs 1H17  
Underlying<sup>2</sup>



1. Presented on a continuing operations basis. 2. To present an underlying view of the result, 1H17 has been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc. and a \$393m one-off expense for acceleration of amortisation on certain software assets; the impact of consolidation and equity accounted profits of AHL has been excluded; and 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. Refer to reconciliation provided separately in this presentation. 3. Pro-forma result excluding AUSTRAC penalty provision of \$375m.

# Our profits

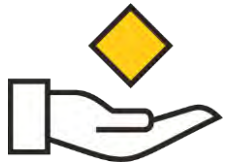


## Profit before tax



### Tax Expense

Australia's second largest tax payer



### Dividends

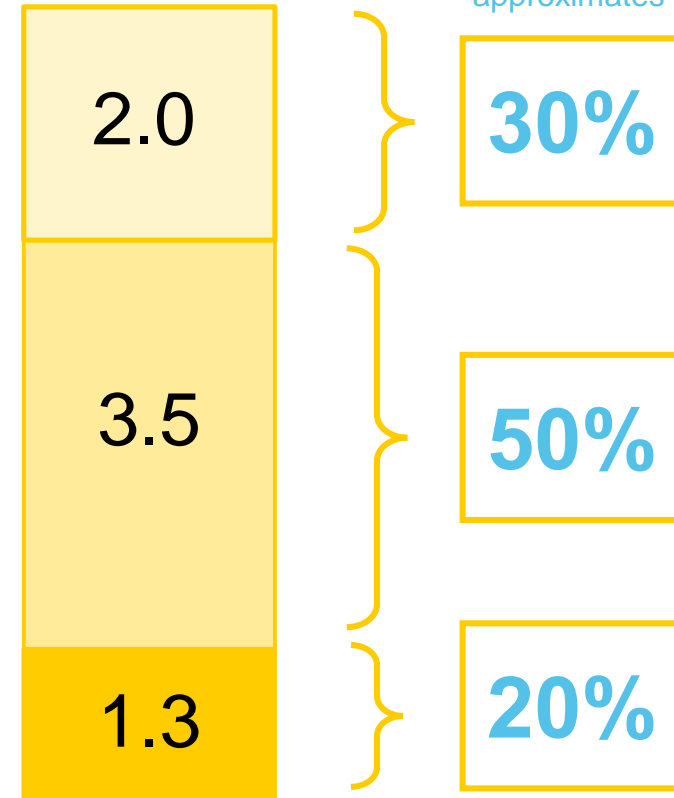
Returned to ~800,000 shareholders  
(+ millions more via Super)



### Reinvested

Retained for lending, investment  
& growth

\$6.8bn



approximates

Dec 17<sup>1</sup>

1. Presented on a continuing operations basis. This includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

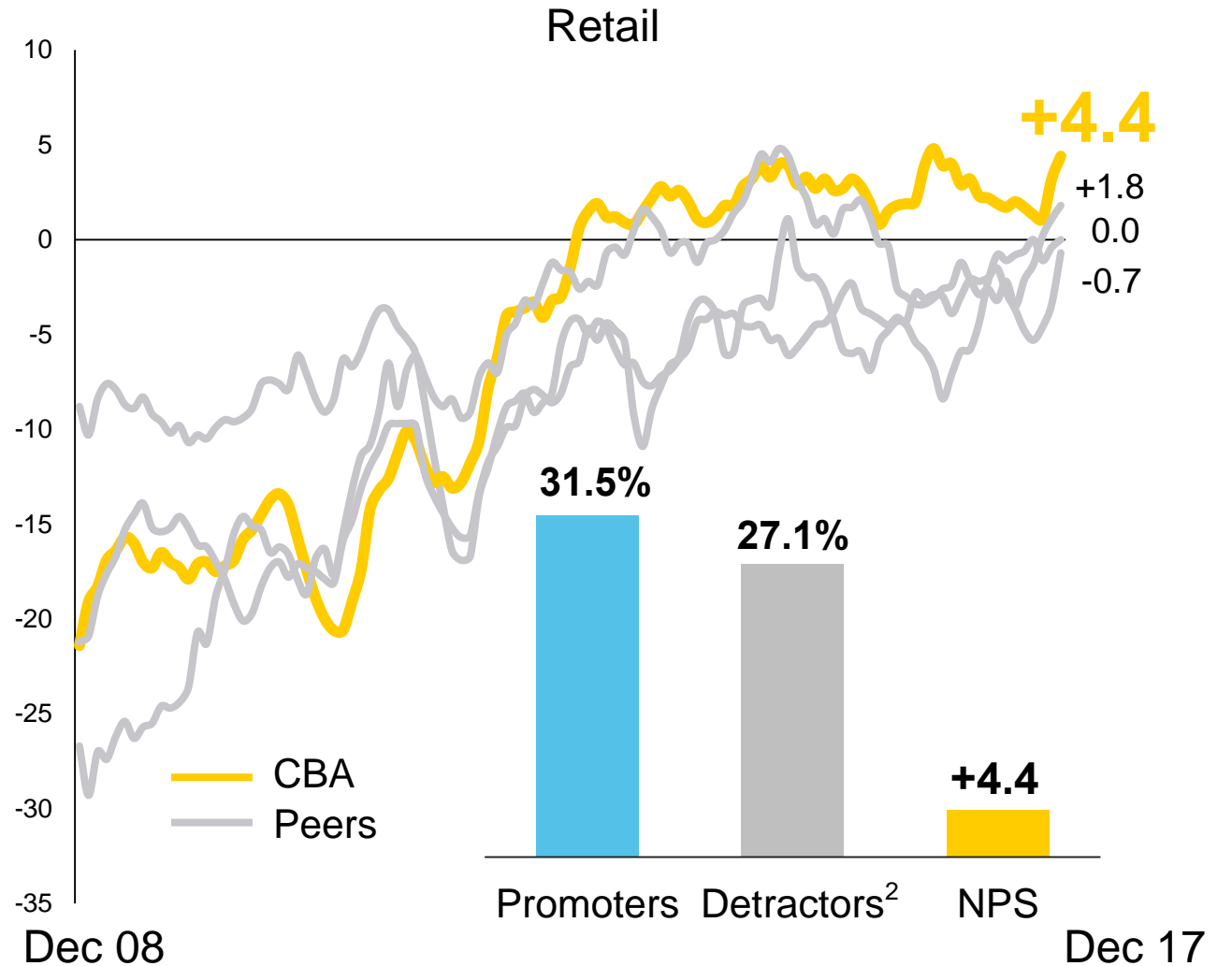
# Customers



## Customer Satisfaction<sup>1</sup>

	Rank
Retail	#1
Business	= #1
Wealth	#1
Internet	#1

## Net Promoter Score<sup>2</sup>



1. Refer notes slide at the back of this presentation for definitions and sources. 2. Advocacy is measured on a scale of 1 to 10, with 1 being 'Very Unlikely' and 10 being 'Very Likely' to recommend. Promoters is defined as score of 9-10. Total Detractors is a score of 1-6.





## Better Customer Outcomes

ATM  
fee free

Can

# ATM free.

For all Australians.

CommBank branded ATMs no longer charge ATM withdrawal fees. No matter who you bank with.

That's a welcome change.

Excludes international cards. You may be charged fees by your bank. Credit card cash advance fees continue to apply.

No ATM withdrawal fees no matter who you bank with

Service  
not sales

*cUstomers*

At CommBank, our tellers are rewarded for service, not sales, putting our customers before us.

That's a welcome change.

Can

Tellers rewarded for service, not sales

Australian  
Call Centres

Call centres overseas.

*here*

Our customer call centres are in Australia.

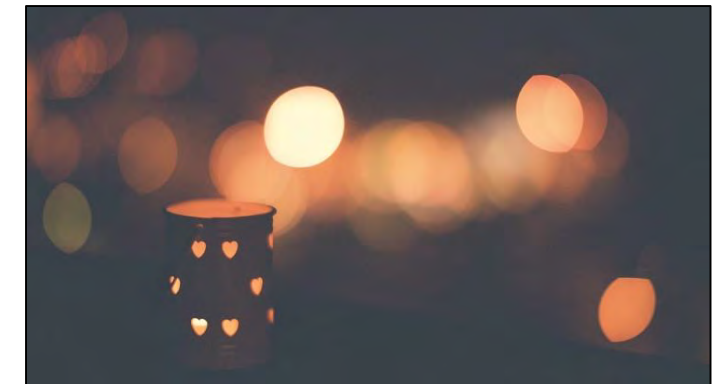
That's a welcome change.

Can

You'll talk to CommBank people on the phone

Assistance  
Package

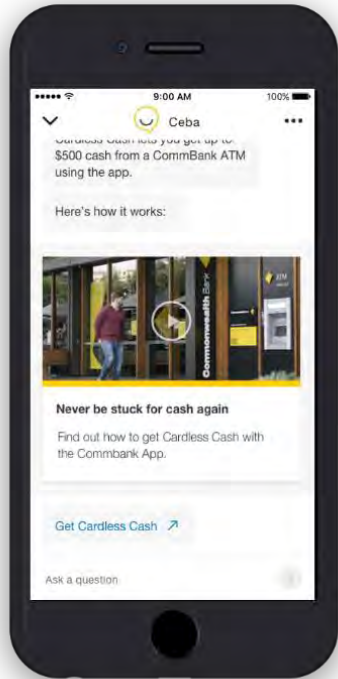
Domestic & Family Violence Emergency Assistance Package



Accessed by over 2,700 customers since launch Oct-17

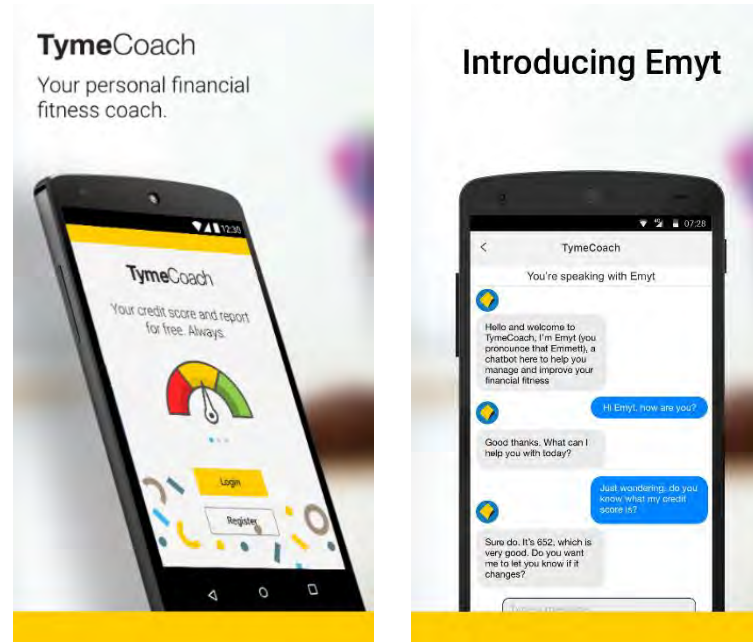


## Ceba Chatbot



Chat to an automated digital banking assistant for simple activities

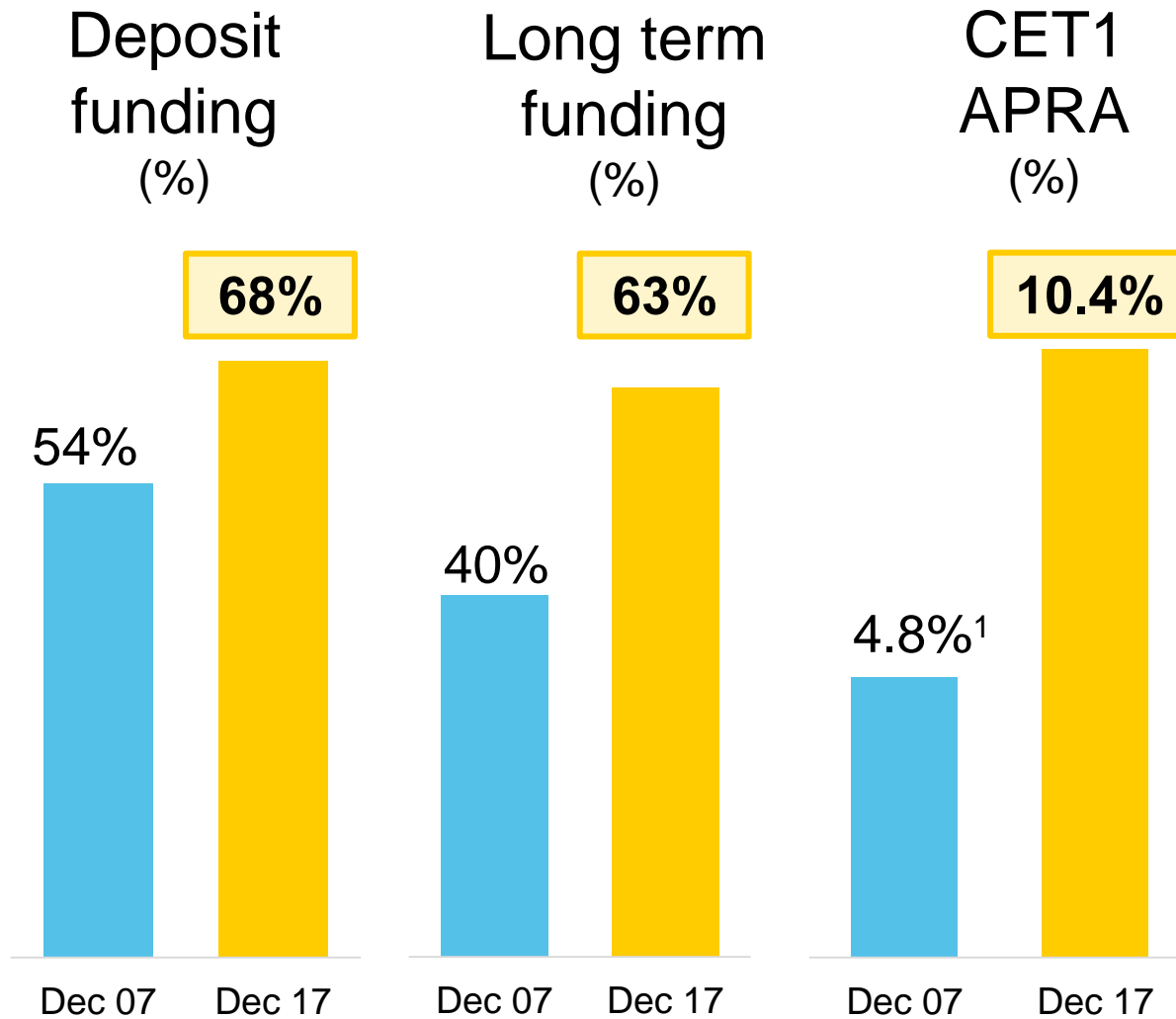
## Tyme Coach



A financial wellbeing platform for customers in South Africa

## 2018

- ▶ Cloud core banking platform in South Africa
- ▶ Commercialised blockchain solution in South Africa
- ▶ Digital, real time, end-to-end personal loan in Indonesia
- ▶ Technology transfer into ASB - 130 kiosks



## Portfolio Management

Businesses exited/under review

- ▶ GAM strategic review (ongoing)
- ▶ Life insurance (2017 announced)
- ▶ Vietnam branch (2017)
- ▶ Mumbai branch (2017)
- ▶ County banks (2017)
- ▶ Visa shares (2016)
- ▶ Property funds (2013 / 2014)

1. Basel III equivalent.

# Regulatory update



## AUSTRAC

- ▶ Progress over recent years, including Program of Action
- ▶ Strengthened policies, systems and processes
- ▶ No evidence of misconduct or unethical behaviour

## APRA Inquiry

- ▶ Progress report released – final report by 30 April 2018

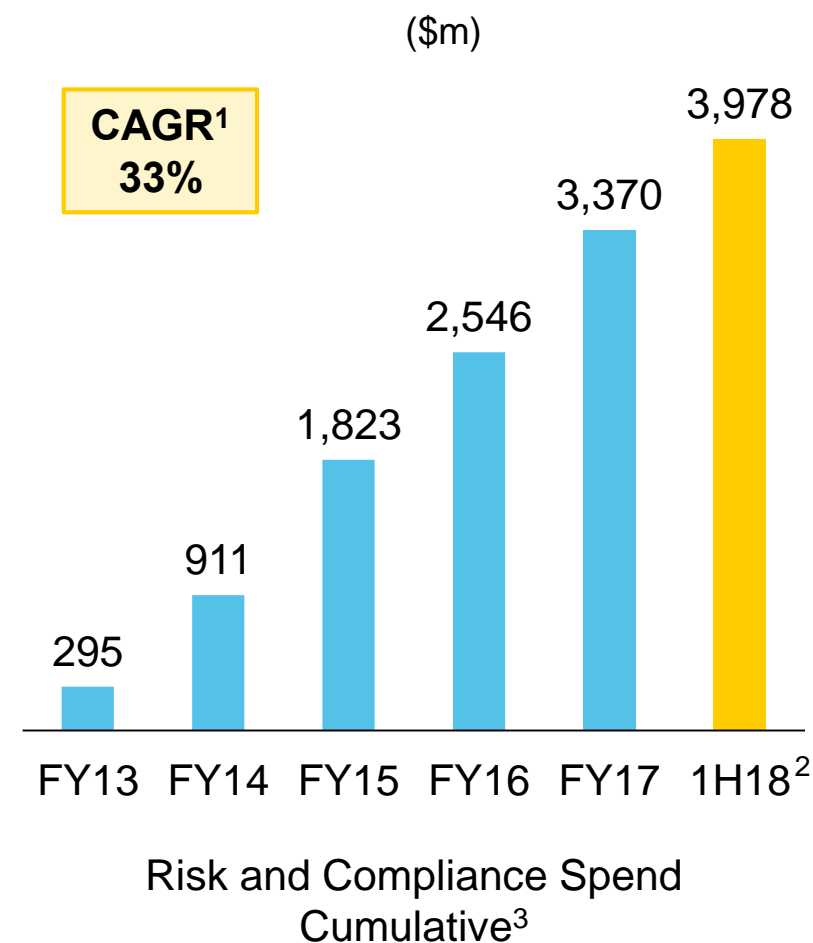
## ASIC review

- ▶ Engaging constructively with ASIC on all matters

## Royal Commission

- ▶ Engaging actively
- ▶ Improvements undertaken and ongoing at CBA

## Committed to investment in strengthening compliance



1. FY13 – 1H18 (annualised). 2. Excludes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

3. Comparative information has been restated to conform to presentation in the current period, and is presented on a continuing operations basis.





# Financial Update

**Rob Jesudason, Chief Financial Officer**



**Strong  
underlying  
performance**

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**Adjusting  
for the  
environment**

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**Areas  
of focus**

- ▶ Positive jaws on an underlying basis
- ▶ Volume/margin management
  
- ▶ Selective growth
- ▶ Strong capital and leverage ratios
- ▶ Funding further strengthened
  
- ▶ Costs and efficiency
- ▶ Portfolio optimisation
- ▶ IFRS 9 / AASB 9



# Reported vs underlying result

## Insurance

- ▶ Presented on a “continuing operations” basis
- ▶ Life insurance excluded from reported results
- ▶ Comparatives re-stated

## Aussie Home Loans (AHL)

- ▶ Remaining 20% share acquired Aug-17
- ▶ No longer equity accounted
- ▶ Consolidation and equity accounted profits excluded from “underlying” for comparison purposes

## AUSTRAC

- ▶ Estimate of civil penalty<sup>1</sup>
- ▶ Included in Cash NPAT result (ie. above the line)
- ▶ Excluded from “underlying” for comparison purposes

## Visa Share Sale/Accelerated Amort.

- ▶ Both included in reported 1H17 results
- ▶ Excluded from “underlying” for comparison purposes

Operating Income (\$m)	1H17	1H18	%
<b>Reported</b> (continuing ops.)	<b>12,833</b>	<b>13,122</b>	<b>2.3%</b>
<i>Visa share sale</i>	(397)		
<i>AHL</i>	(22)	(94)	
<b>Underlying</b>	<b>12,414</b>	<b>13,028</b>	<b>4.9%</b>
Operating Expense (\$m)	1H17	1H18	%
<b>Reported</b> (continuing ops.)	<b>5,474</b>	<b>5,764</b>	<b>5.3%</b>
<i>Accelerated amort.</i>	(393)		
<i>AHL</i>		(71)	
<i>AUSTRAC</i>		(375)	
<b>Underlying</b>	<b>5,081</b>	<b>5,318</b>	<b>4.7%</b>
Underlying C:I ratio		40.8%	

1. The Group has provided for a civil penalty in the amount of \$375 million. The Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claims.

# Strong underlying result<sup>1</sup>



	\$m		Dec 17 vs Dec 16	Underlying <sup>2</sup>	
Operating Income	13,122	↑	2.3%	↑ 4.9%	Volume ↑ 3.5% Margin ↑ 6 bpts
Operating Expense	5,764	↑	5.3%	↑ 4.7%	Compliance projects +\$200m Acceleration benefit (\$64m) BAU costs ↑ 2.0% Investment ↑ 19% (expensed)
Operating Perform.	7,358		flat	↑ 5.1%	
Loan Impairment	596	↓	(0.5%)		16 bpts in 1H18
<b>Cash NPAT</b>	<b>4,735</b>	<b>↓</b>	<b>(1.9%)</b>		

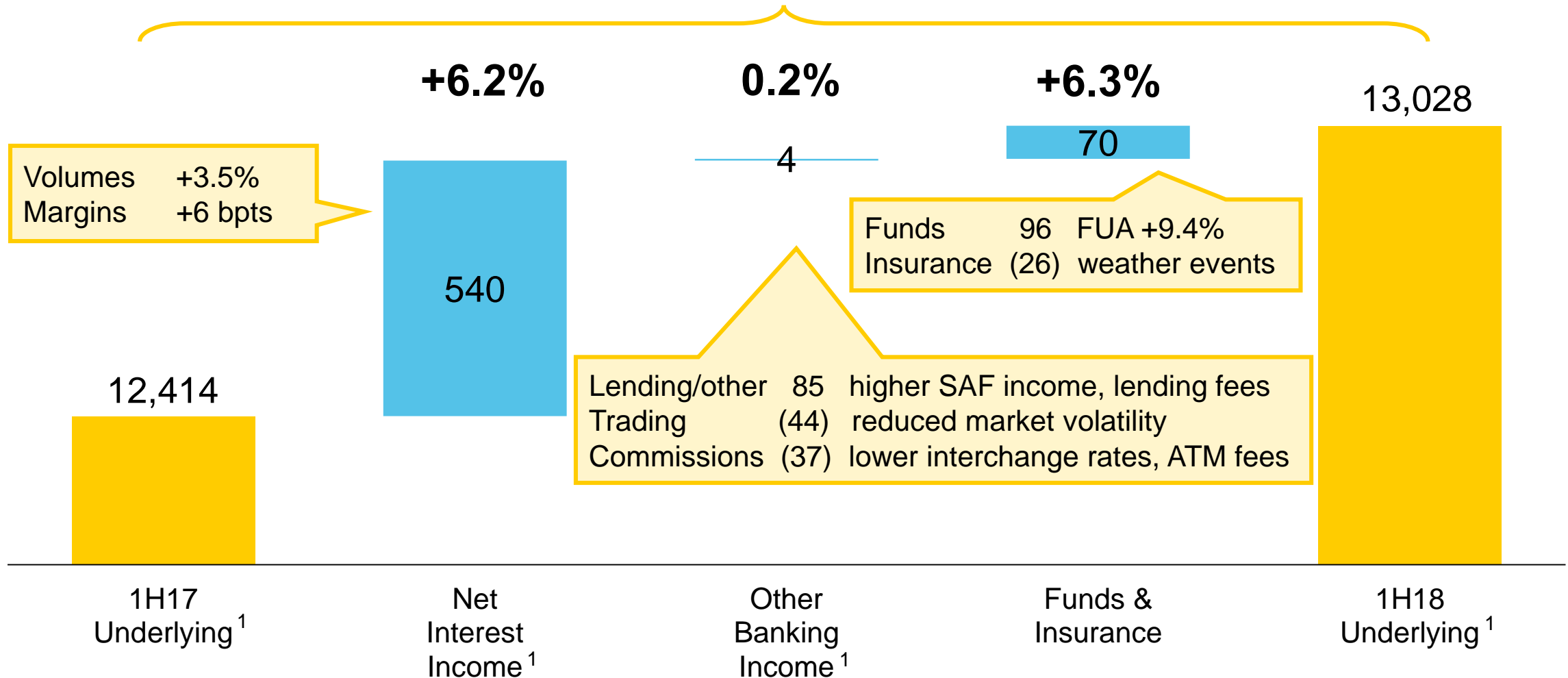
1. Presented on a continuing operations basis. 2. To present an underlying view of the result, 1H17 has been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc. and a \$393m one-off expense for acceleration of amortisation on certain software assets; the impact of consolidation and equity accounted profits of AHL has been excluded; and 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

# Underlying operating income up 4.9%

\$m



**+4.9%<sup>2</sup>**

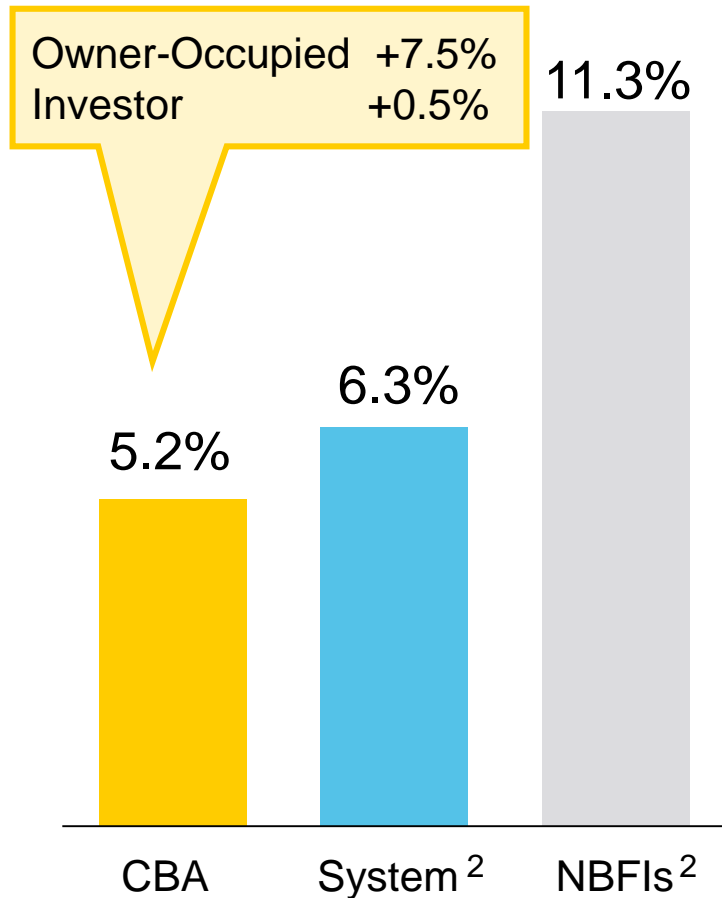


1. To present an underlying view of the result, the impact of consolidation and equity accounted profits of AHL has been excluded. 1H17 has been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc. 2. Presented on a continuing operations basis.

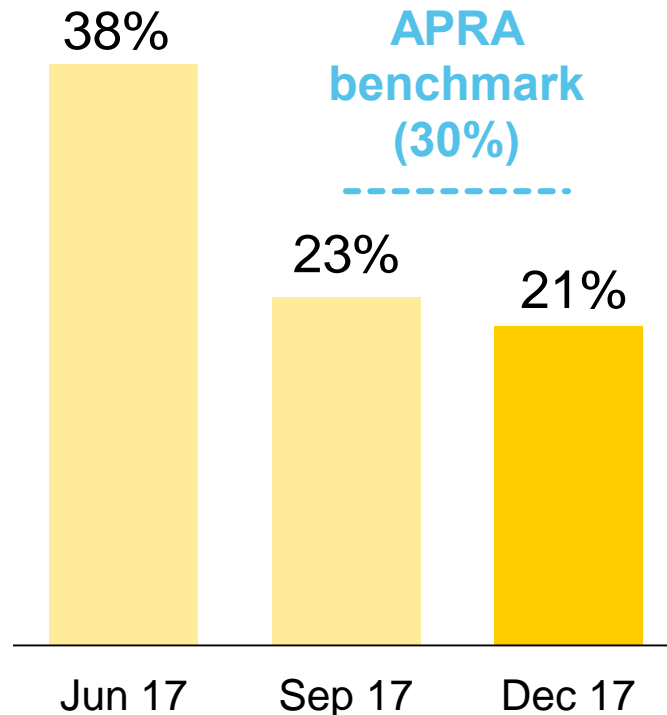
# Selective volume growth



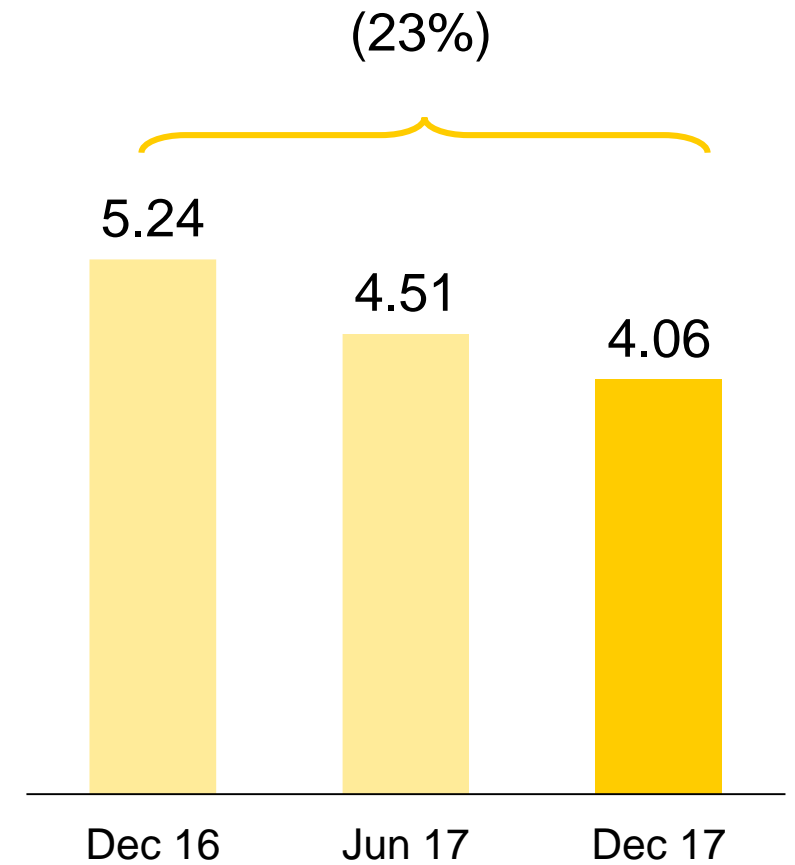
Home Loan Growth<sup>1</sup>  
12 months to Dec 17



Interest Only  
% of total home loan flows



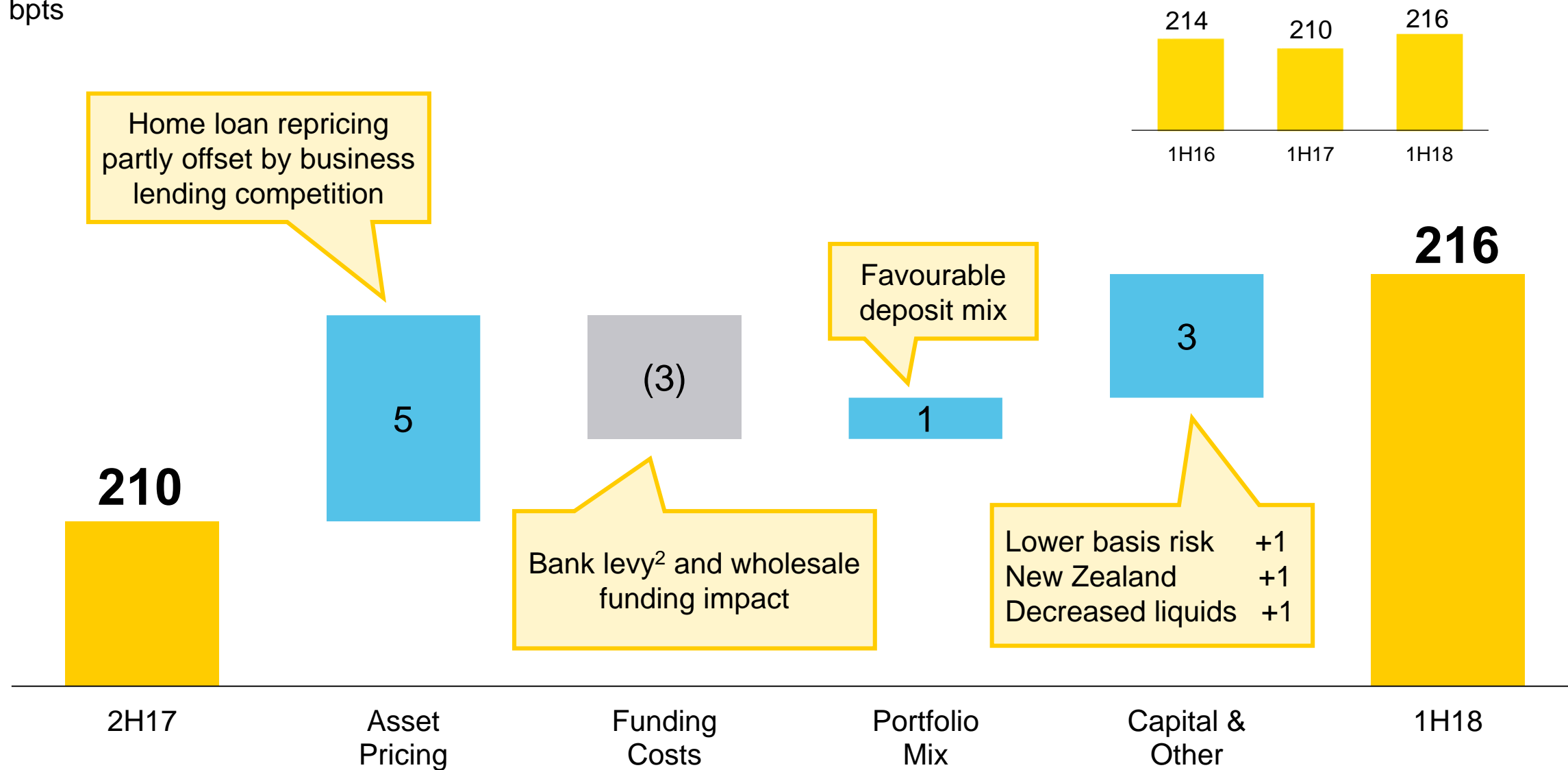
Apartment Development<sup>3</sup>  
Total exposures \$bn



1. System source RBA. CBA includes BWA and subsidiaries. 2. Adjusted for new market entrants/reporting changes. 3. Apartment developments >\$20m.

# Margin<sup>1</sup> up 6 bpts this half

bpts

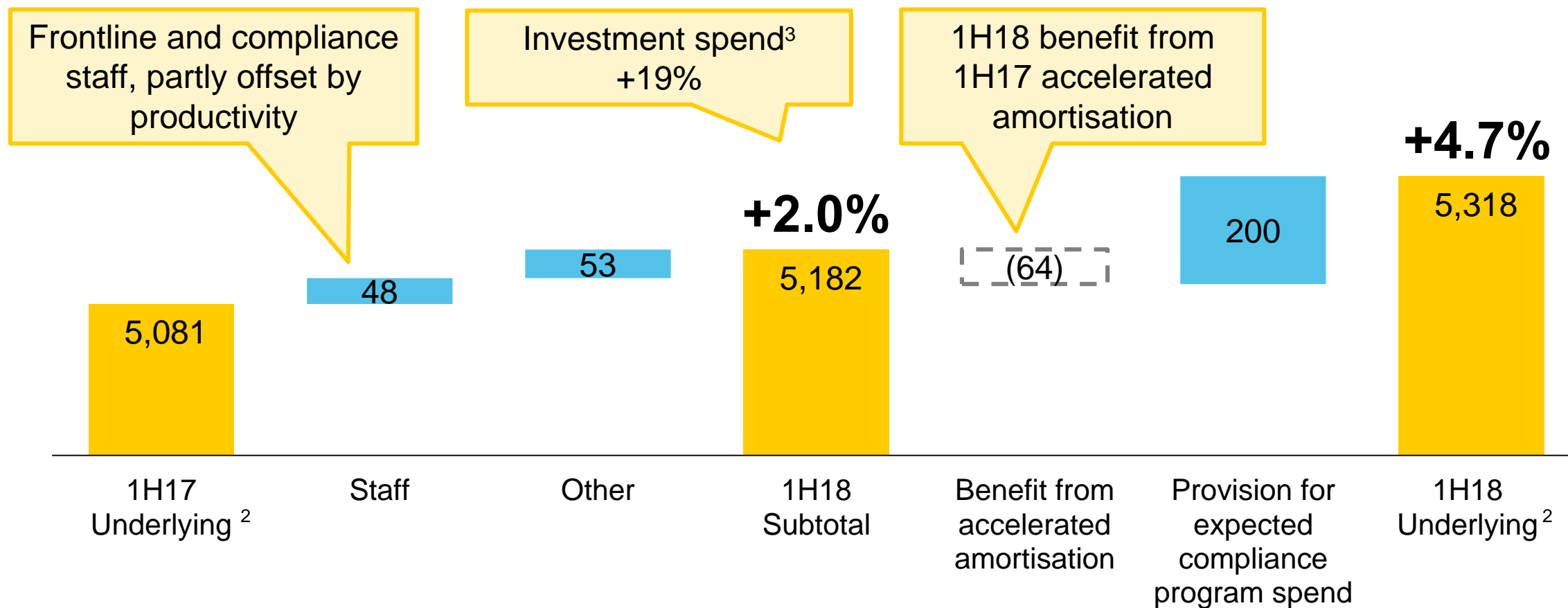


1. Comparative information has been restated to conform to presentation in the current period. Presented on a continuing operations basis. 2. Bank levy impact was \$180 million for 1H18.

# BAU costs +2.0%, continuing to invest

\$m

## Total Operating Expenses<sup>1</sup>



1. Presented on a continuing operations basis. 2. To present an underlying view of the result, the impact of consolidation of AHL has been excluded. 1H17 has been adjusted to exclude a \$393m one-off expense for acceleration of amortisation on certain software assets. 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. 3. Expensed. Impacts across expense categories.



# Retail Banking Services (RBS)



## Volume growth<sup>1</sup>

Balancing growth and returns

## Margins<sup>3</sup>

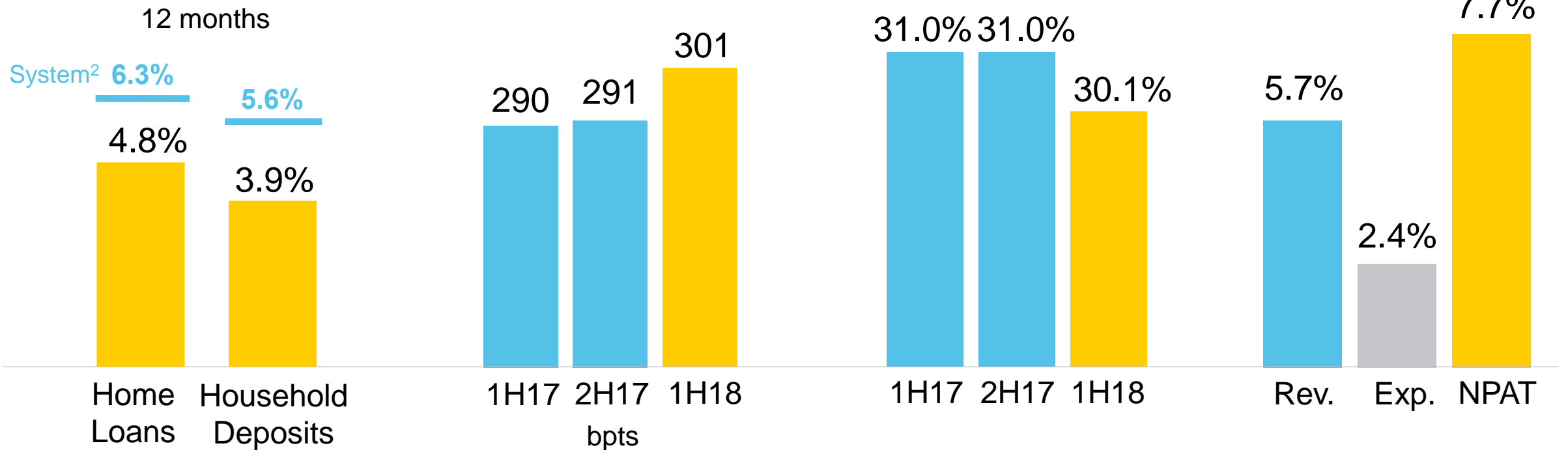
Home Loan repricing (IO, IHL) partly offset by mix shift<sup>4</sup>

## Cost-to-income<sup>3</sup>

Positive Jaws driving C:I to historical lows

## NPAT<sup>3</sup>

1H18 vs 1H17



1. System source RBA and APRA Banking Stats. 2. Adjusted for new market entrants/reporting changes. 3. Excludes AHL, but includes equity accounted profits earned pre-consolidation of AHL. 4. To fixed rate home loans.

# Business & Private Banking (B&PB)



## Volume growth

12 months

Agri. +7%  
Health +8%  
offset by Property (-2%)

5.6%

1.4%

Deposits  
Business Lending

## Margins

Favourable home loan margins – business lending margins stable this half

297

298

303

1H17  
2H17  
1H18  
bpts

## Revenue

1H18 vs 1H17

Largely home lending and deposits

1.0%

6.8%

5.6%

18.3%

6.9%

CFS  
SME  
RAB  
Private Bank  
Comm-sec

## NPAT

1H18 vs 1H17

5.4%

0.3%

9.3%

Rev.  
Exp.  
NPAT

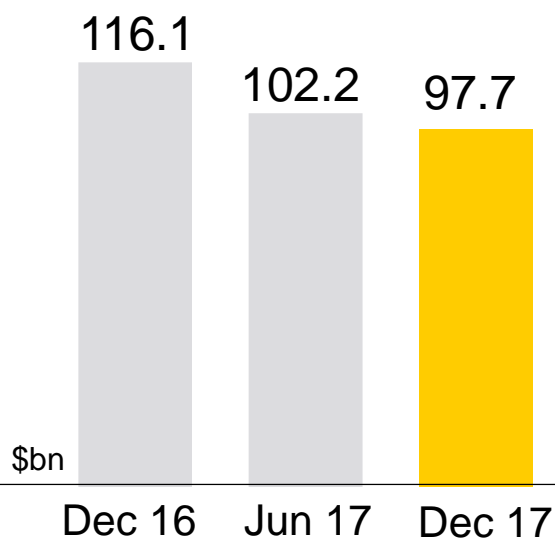
# Institutional Banking and Markets (IB&M)



## Volumes

Active portfolio management – lower RWAs

(15.8%)



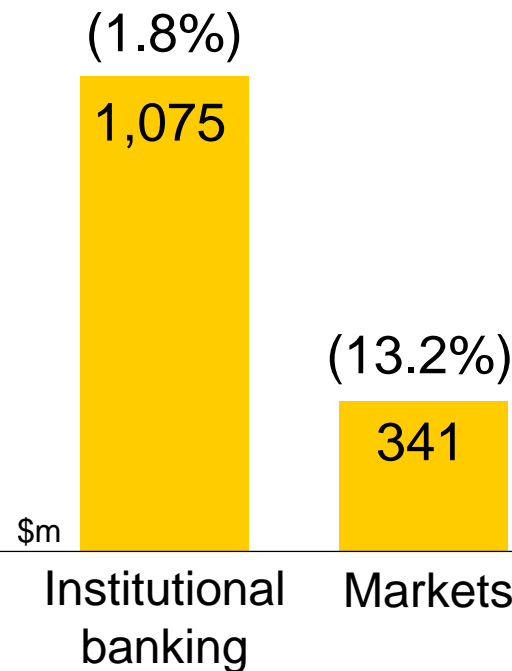
## Margins

Higher funding costs



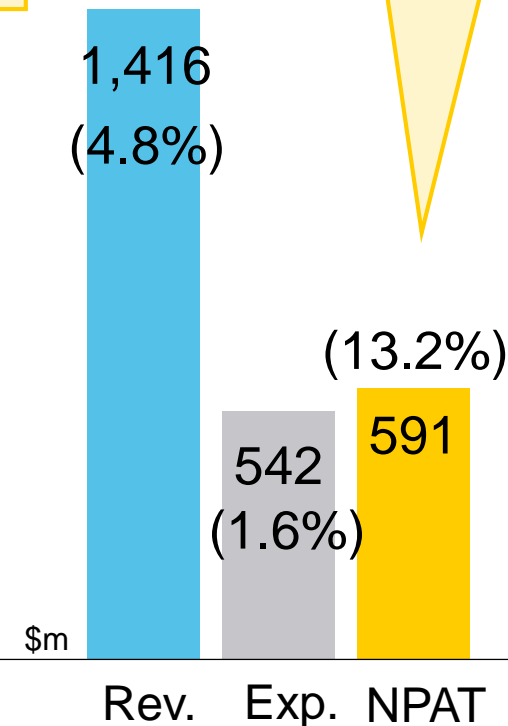
## Revenue

Subdued volumes (returns focus) and lower markets volatility



## NPAT

Includes higher provisions



1H18  
Movements are 1H18 vs 1H17

1H18  
Movements are 1H18 vs 1H17

# Wealth (Continuing Operations)



## Funds

## General Insurance

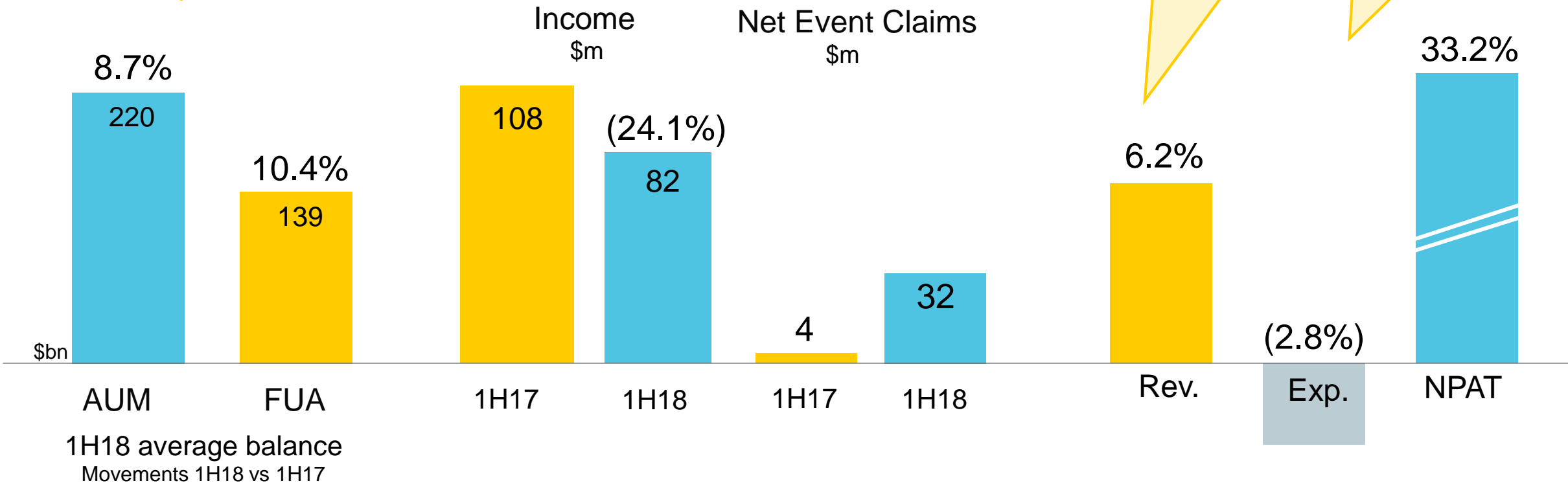
## NPAT

Strong markets driving ↑ AUM/FUA, partly offset by lower margins (mix)

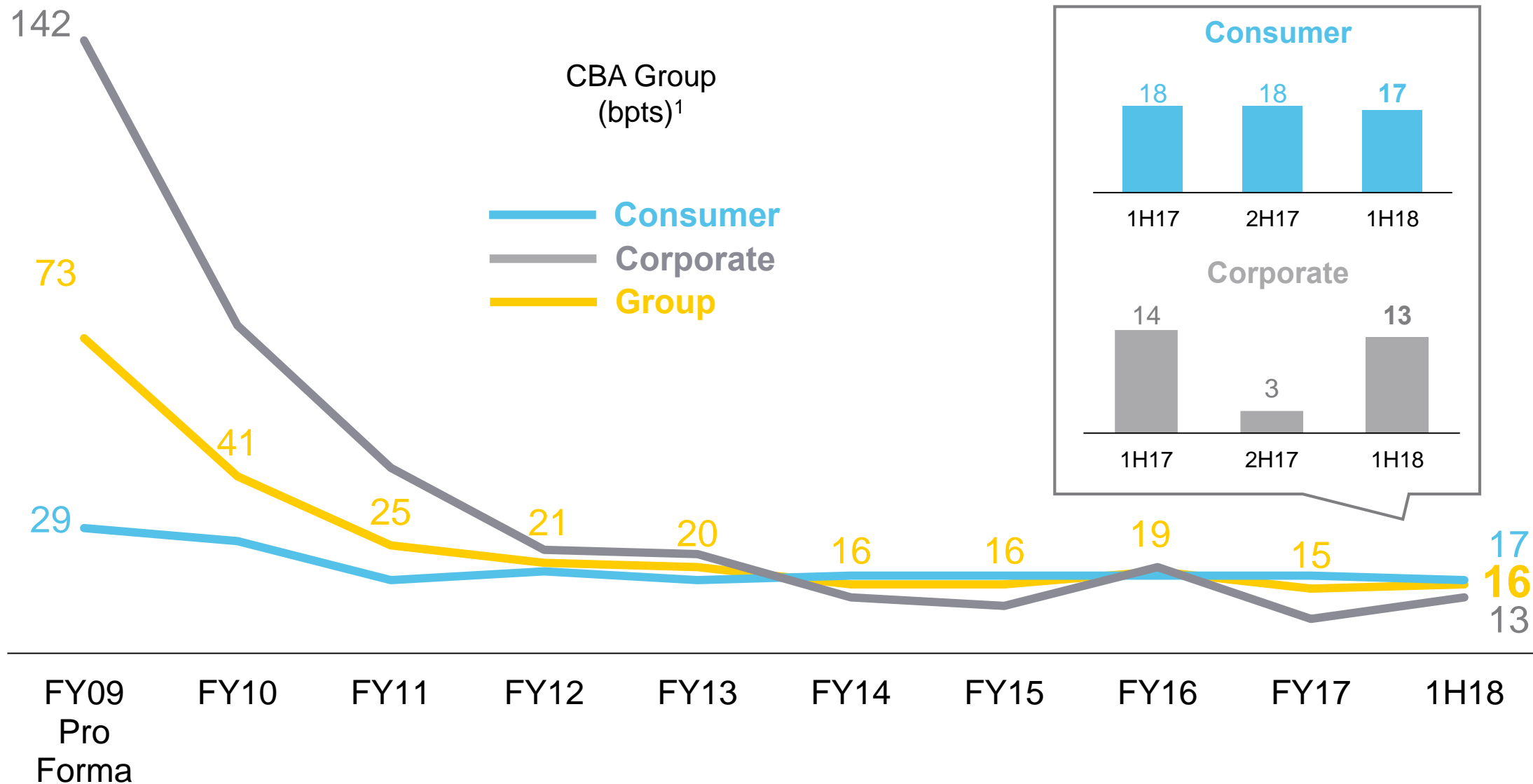
General Insurance income impacted by higher event claims

Strong growth in funds management income and lower remediation

Productivity focus driving positive Jaws



# Impairment expense at 16 bpts

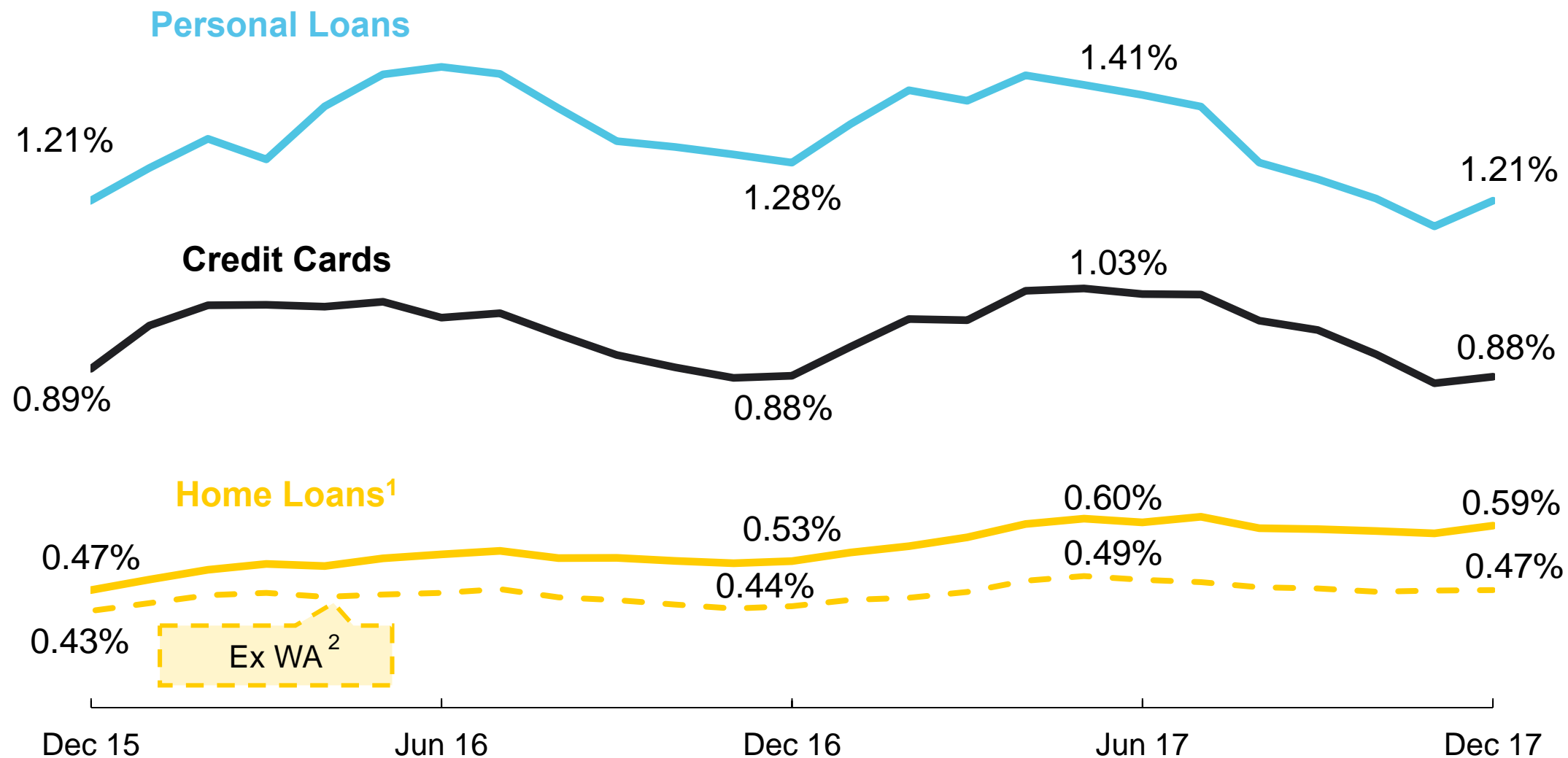


1. Cash LIE as a percentage of average GLAA (bpts). FY09 includes Bankwest on a pro-forma basis and is based on LIE for the year. Statutory LIE for FY10 48 bpts and FY13 21 bpts.

# Consumer arrears lower this half



90+ days



Consumer arrears includes retail portfolios of Retail Banking Services, Business and Private Banking, Bankwest and New Zealand. 1. Excludes Reverse Mortgage, Commonwealth Portfolio Loan (CBA) and Residential Mortgage Group (CBA) loans. 2. Excludes Line of Credit (Viridian LOC/Equity Line).

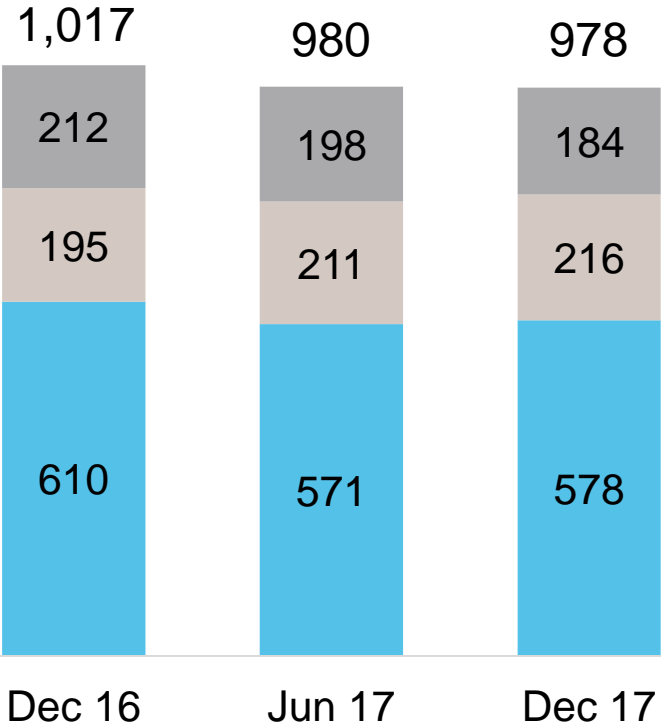


# Provisioning

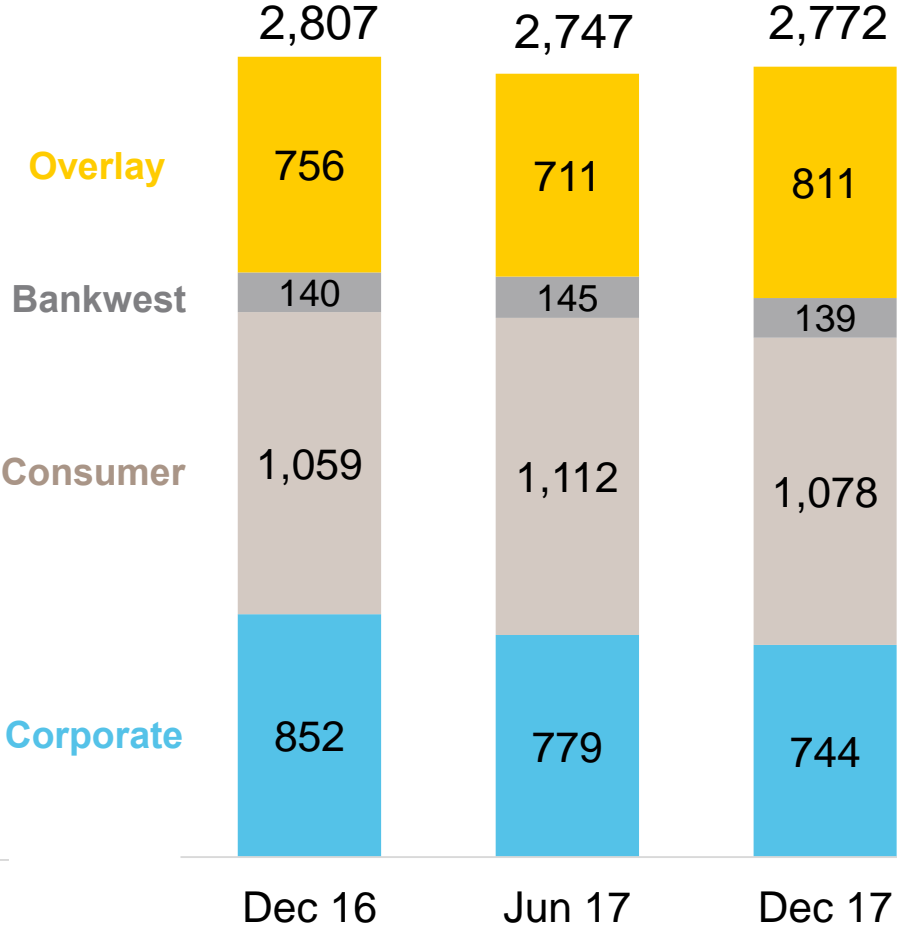


\$m

## Individual



## Collective<sup>1</sup>



- Increased management overlays
- Economic overlay unchanged

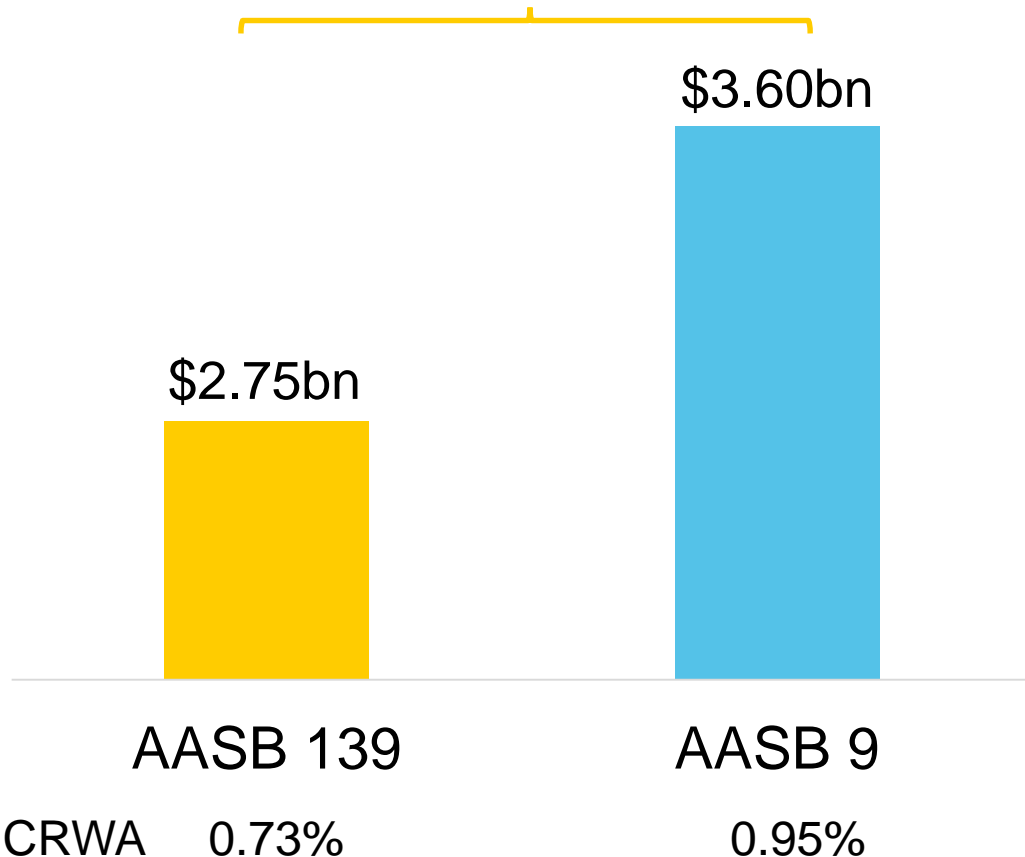
1. Comparative information has been restated to conform to presentation in the current period

# Impact of adoption of AASB 9 Financial Instruments



Approximate pro-forma impact on collective provision (Jun 17)<sup>1</sup>

+\$850m



- Approximately \$850m increase in collective provision due to forward-looking factors
- Individually assessed provision unchanged
- Increase to be taken through opening retained earnings with no impact on the Income Statement
- CET1 ratio decrease circa 25 bpts

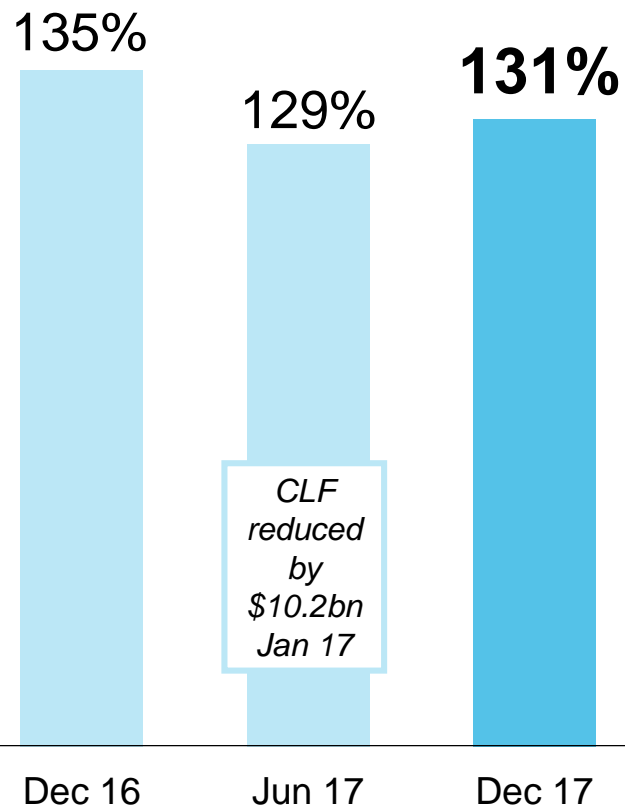
1. Estimated based on actual economic conditions, future forecast economic scenarios, management judgements and assumptions as at 30 June 2017. The transition adjustment on adoption will be based on actual economic conditions, future forecast economic scenarios, management judgements and assumptions as at 1 July 2018.

# Funding and liquidity



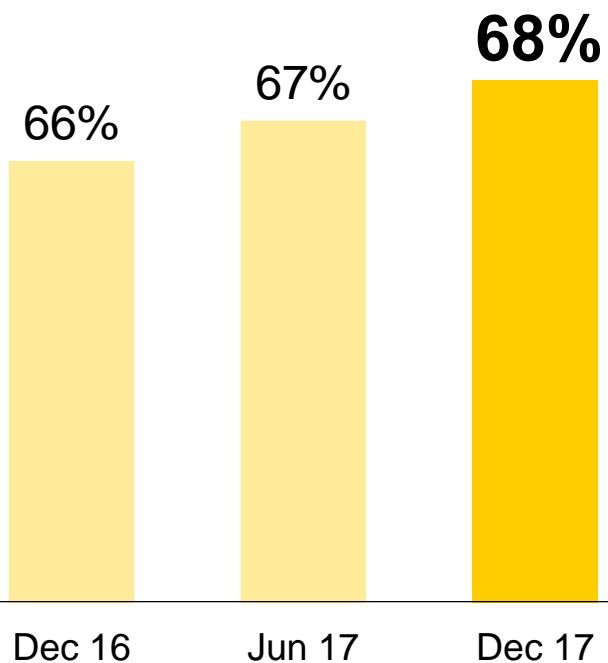
## LCR

Liquid assets \$139bn



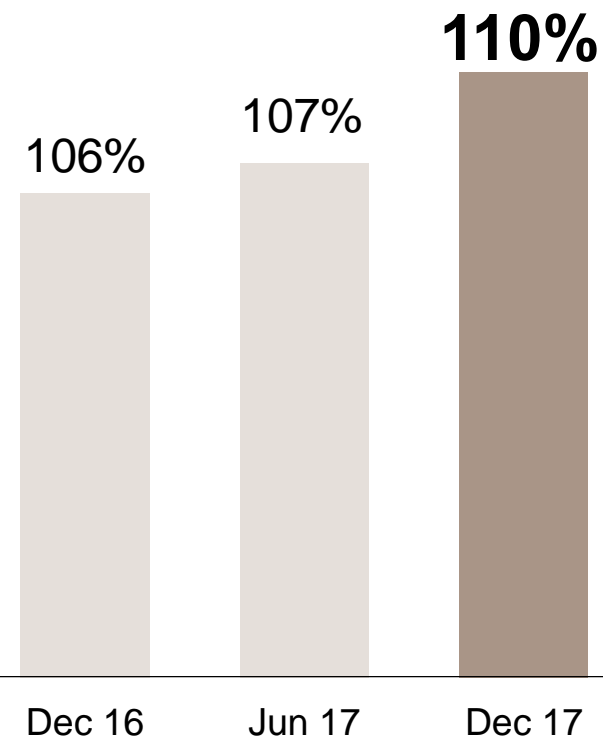
## Deposit Funding

Transaction accounts +14.7%



## NSFR

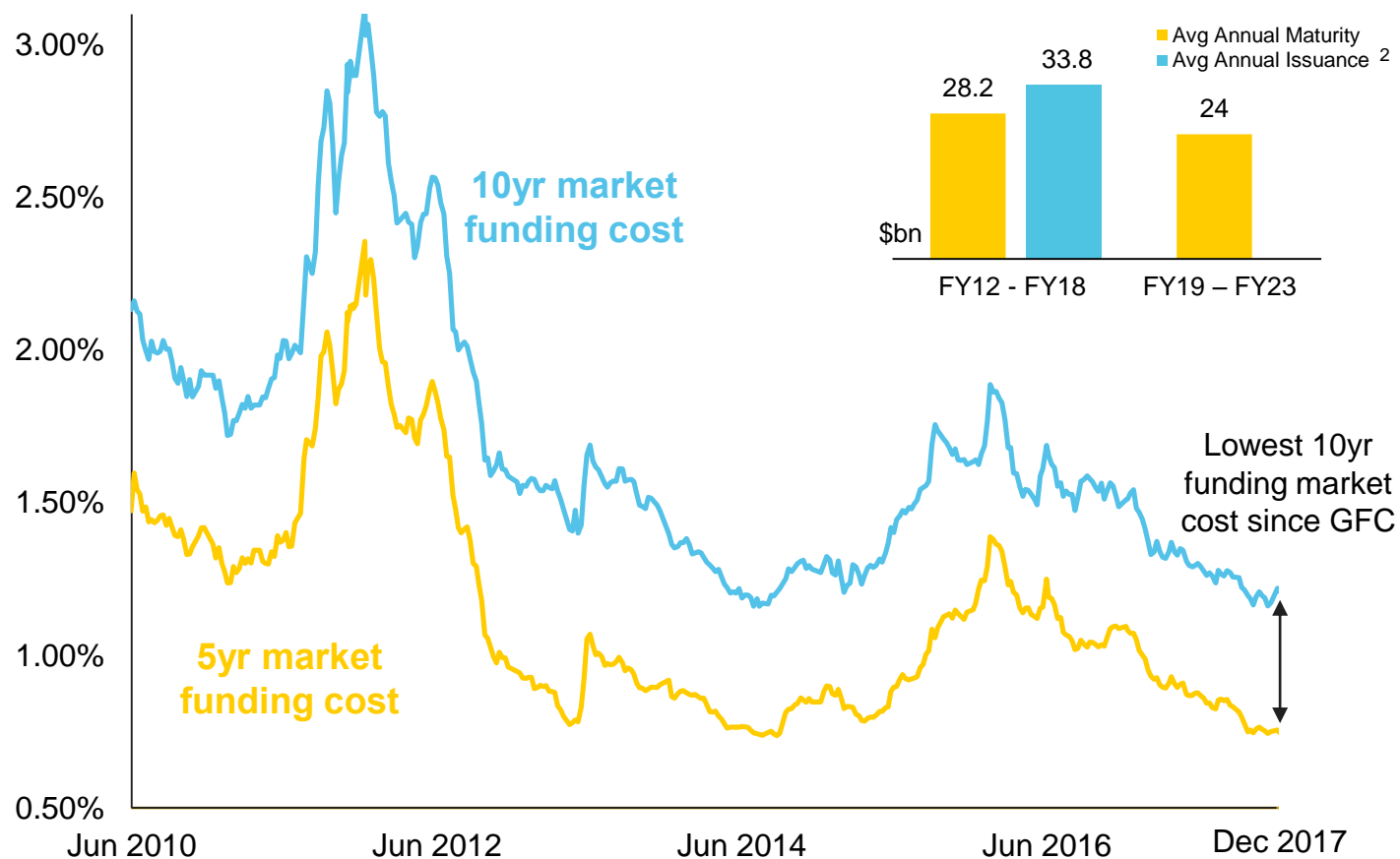
Supported by strong deposits growth



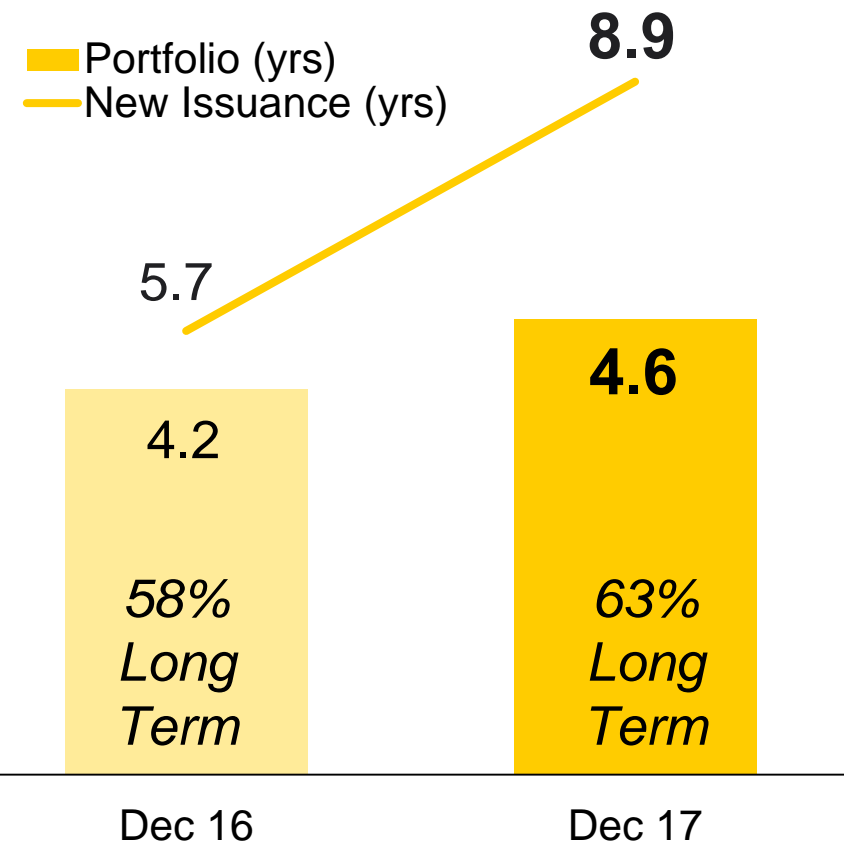
# Wholesale funding

- Favourable funding conditions – spreads have tightened in all maturities
- Opportunity taken to lengthen tenor at broadly flat wholesale funding costs

## Indicative Funding Costs<sup>1</sup>

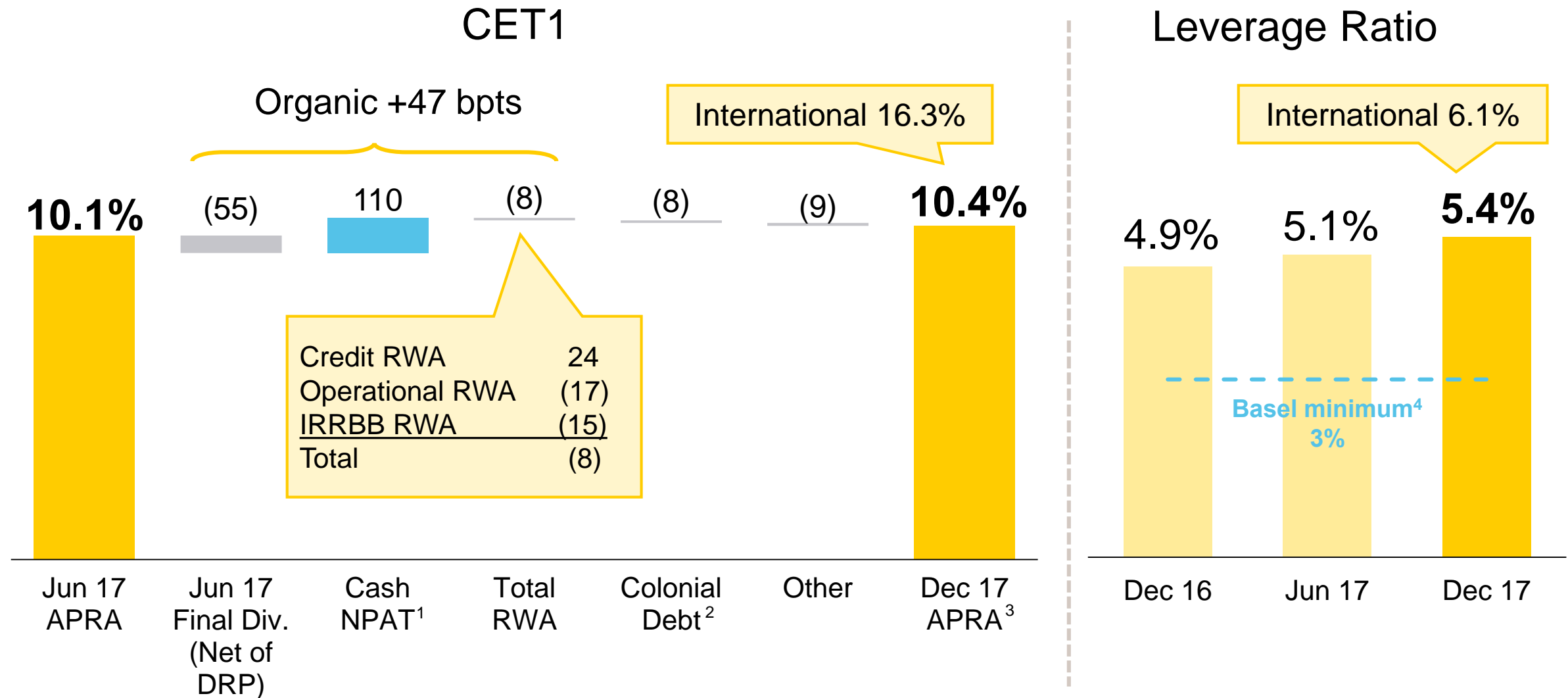


## Weighted Average Maturity<sup>3</sup>



1. Indicative funding costs across major currencies. Represents the spread in BBSW equivalent terms on a swapped basis. 2. Average Annual Issuance includes an assumption of ~\$32bn for FY18. 3. Long term wholesale funding (>12 months).

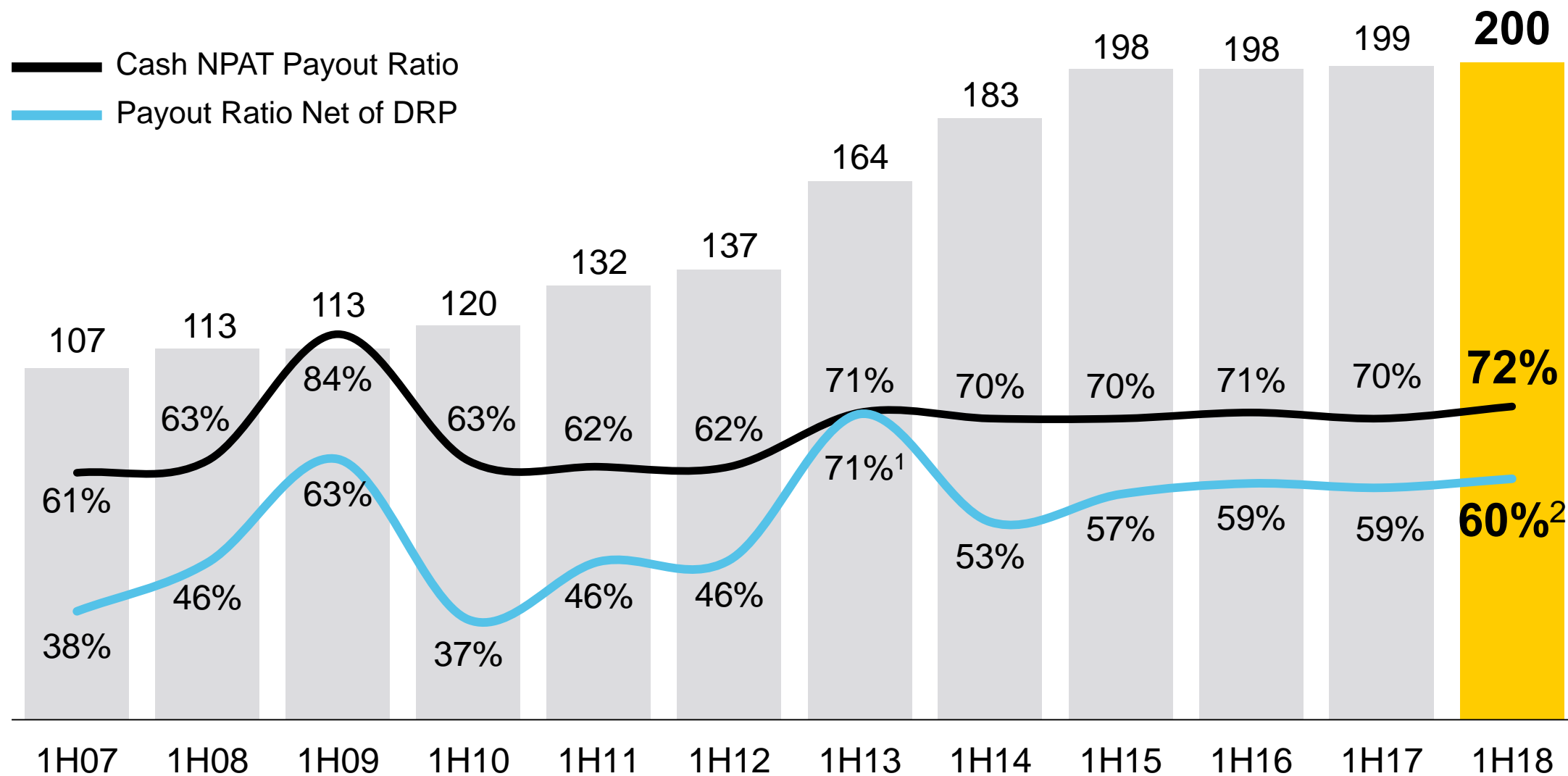
# Strong CET1, leverage ratio well above minimum



1. Includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. 2. Maturity of a further \$350m of Colonial debt compressed CET1 by 8 basis points in the half. The final tranche of Colonial debt (\$315m) is due to mature in the June 2018 half year, with an estimated CET1 impact of -7 basis points. 3. The sale of the Australian and New Zealand life insurance operations, which is due to be finalised in calendar year 2018, is expected to result in an uplift to CET1 (APRA) of approximately 70 basis points. 4. Effective from 1 January 2018.

# Dividend

cents per share



1. DRP Neutralised: 1H13 2. Assumes 1H18 DRP participation of 16%





- ▶ Fundamental economic trends positive overall, globally and for Australia
- ▶ Global monetary policy carries volatility risk
- ▶ Low wage growth continues to impact confidence
- ▶ Time of renewal at CBA, with continuing focus on the long term





# Group Overview



# Our stakeholders



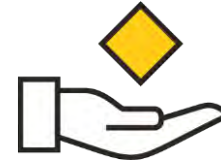
## Customers



**15.9<sup>1</sup> million**

MFI for one in three Australians

## Shareholders



**~800,000**

+ millions more via super

## Community



**\$2.0bn in taxes<sup>1</sup>**

Australia's second largest taxpayer

## People



**48,900<sup>1</sup>**

employed in 16 countries

# CBA overview



## People and customers

48,900<sup>1</sup> people delivering quality service to 15.9m<sup>1</sup> customers

	Aust.	NZ	Other	Total
Customers <sup>1</sup>	13.9	1.6m	0.4m	15.9m
Staff <sup>1</sup>	39.9k	5.0k	4.0k	48.9k
Branches	1,121	123	76	1,320
ATMs	3,795	436	140	4,371

## Technology and innovation

Australia's leading technology bank and the first to offer real-time banking, 24x7

Digital Customers	6.4m
Customer Advocacy – Internet Banking	#1
Logons per day CommBank app and NetBank	6.3m
Online account opening Savings and transaction accounts	<3 minutes
CommBank app mobile users	4.8m

## Strength and returns

Australia's 2<sup>nd</sup> largest company by market capitalisation, with strong capital levels

Market Capitalisation	#2
ROE <sup>1,2</sup>	14.5%
CET1 - APRA	10.4%
CET1 - International	16.3%
Total Assets	\$962bn
Credit Ratings	AA-/Aa3 /AA-

Refer to the slide at the back of this presentation for source information. 1. Presented on a continuing operations basis. 2. Includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

# Customer focus



## Our Vision

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

## Our Values

Integrity  
Accountability  
Collaboration  
Excellence  
Service

## Our Capabilities

People



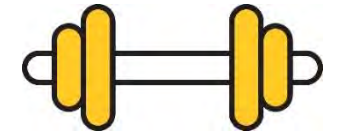
Technology



Productivity



Strength



## Our Growth Opportunities

“One CommBank”

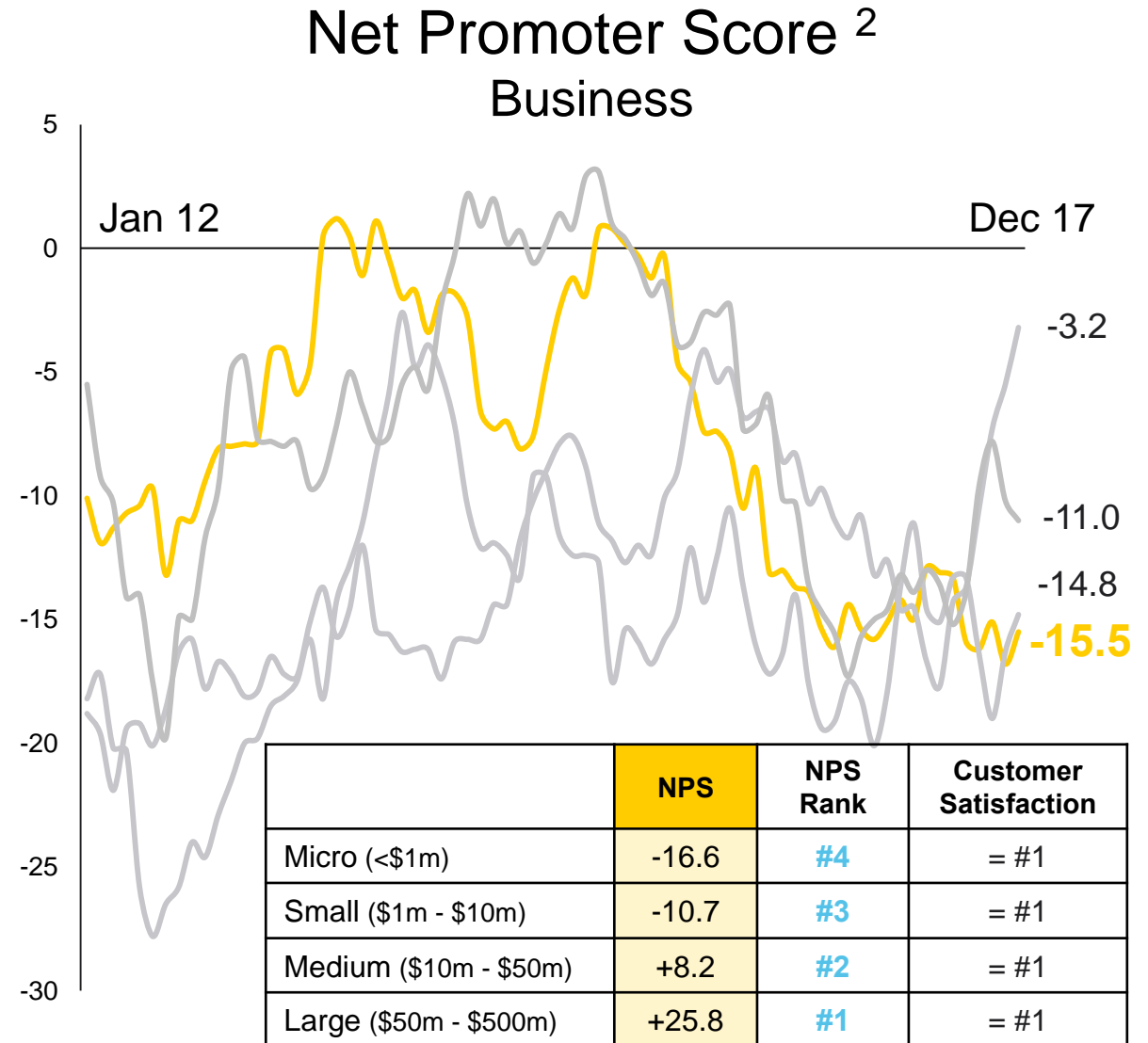
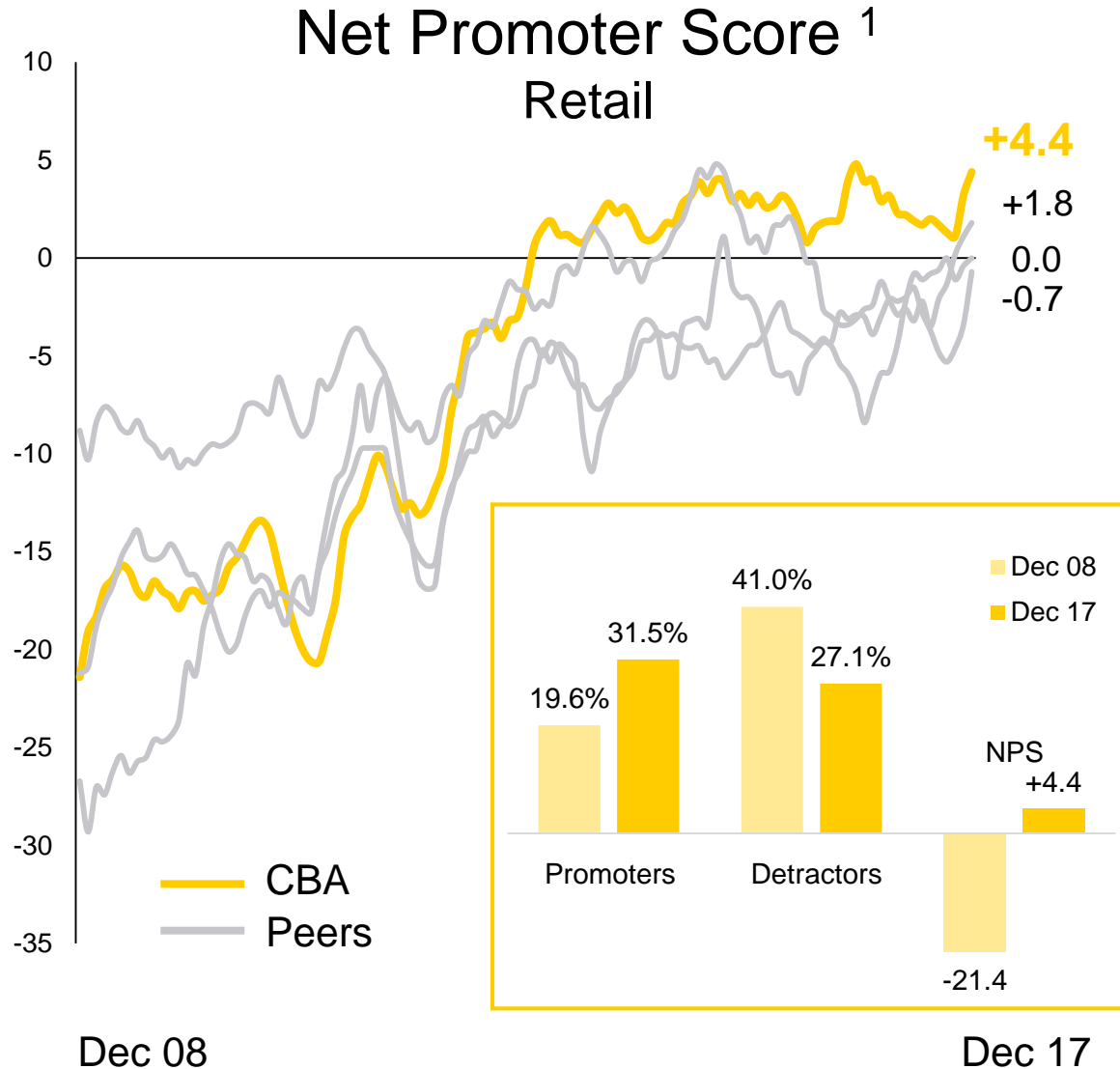
Continued growth in business and institutional banking

Disciplined capability-led growth outside Australia



**TSR Outperformance**

# Customers

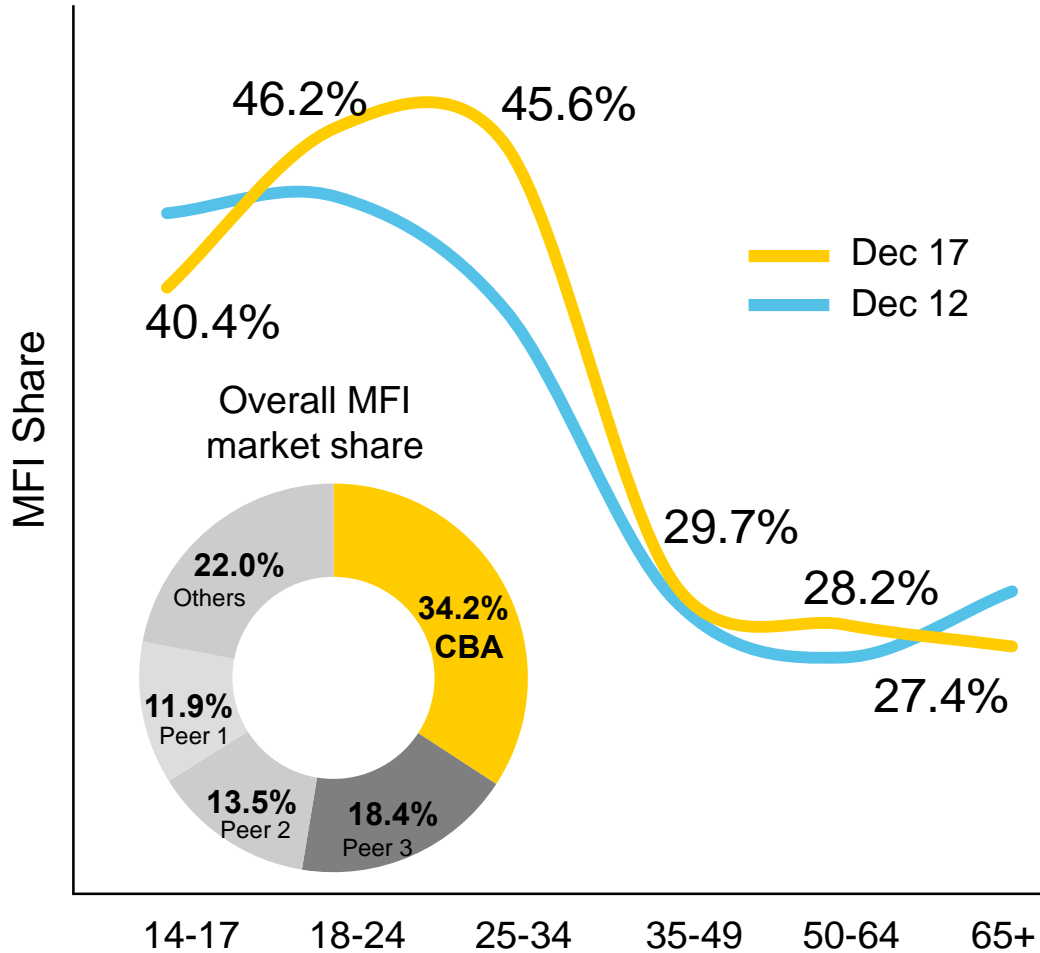


Refer notes slide at the back of this presentation for definitions and sources. 1. Advocacy is measured on a scale of 1 to 10, with 1 being 'Very Unlikely' and 10 being 'Very Likely' to recommend. Promoters is defined as score of 9-10. Total Detractors is a score of 1-6. 2. Advocacy is measured on a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters).

# Customers

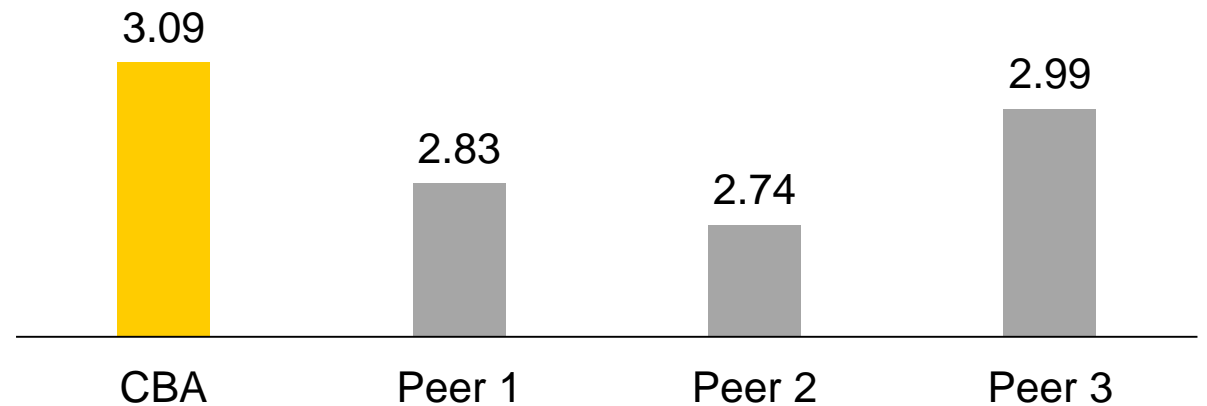


## Customer lifecycle by age



- ▶ Serving 15.9<sup>1</sup> million customers
- ▶ MFI for 1 in 3 Australians
- ▶ Leading market shares in home lending<sup>2</sup> 24.6% and household deposits<sup>3</sup> 28.5%
- ▶ Highest share-of-wallet amongst peer group (3.09 products per customer)







## Products per Customer

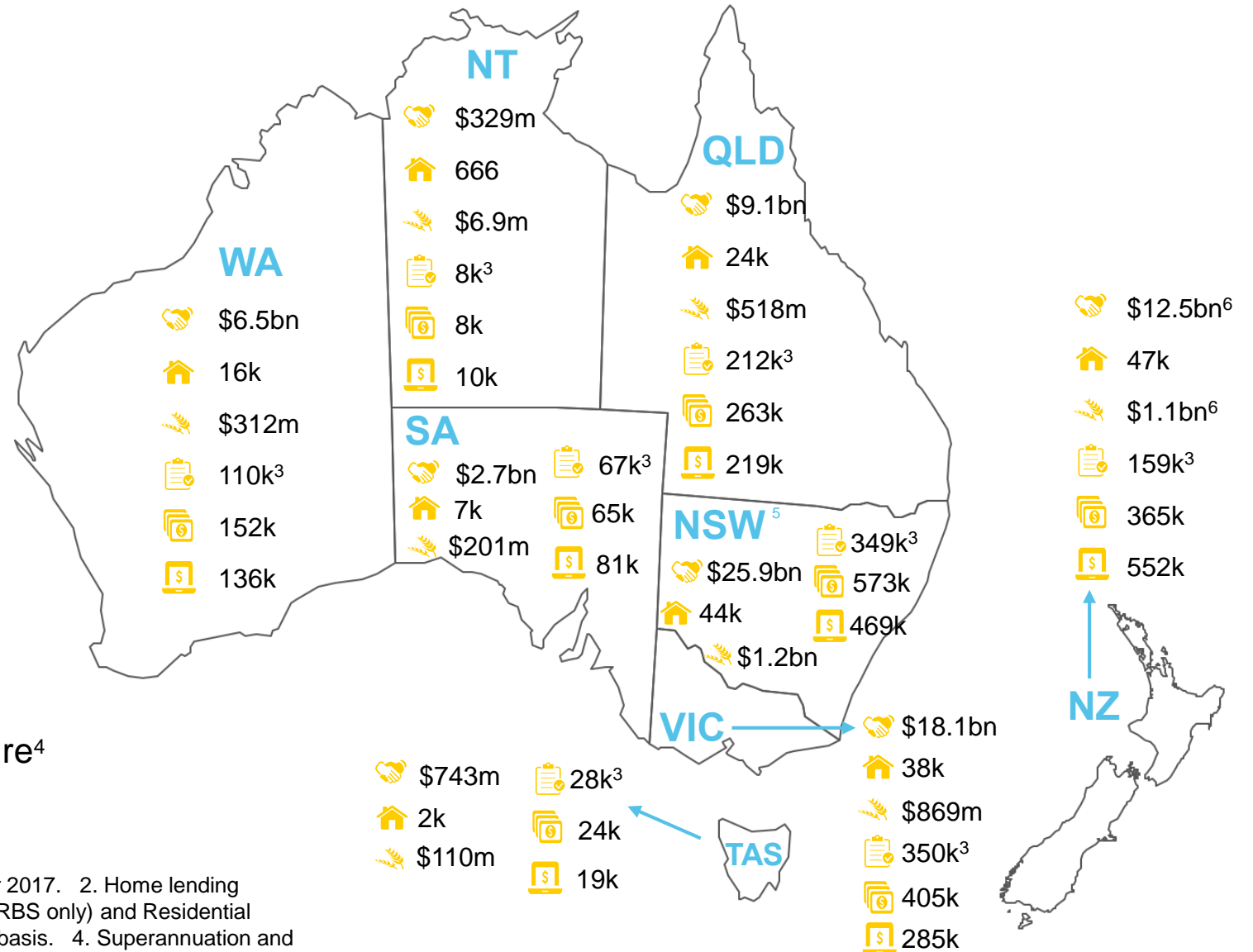


# Delivering for our customers



## 1H18<sup>1</sup>

-  **\$103bn** in total new lending<sup>2</sup>
-  **178,000** new home loans<sup>2</sup>
-  **\$4.3bn** in new loans to rural customers
-  Insured more than **1.3m** customers<sup>3</sup>
-  **1.9m** new deposit accounts
-  Helped **1.8m** customers invest for the future<sup>4</sup>



1. Group totals (Australia and Offshore) for the 6 months ended 31 December 2017. 2. Home lending excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans (RBS only) and Residential Mortgage Group (RBS only) loans. 3. Presented on a continuing operations basis. 4. Superannuation and managed funds 5. NSW includes ACT. 6. In AUD.

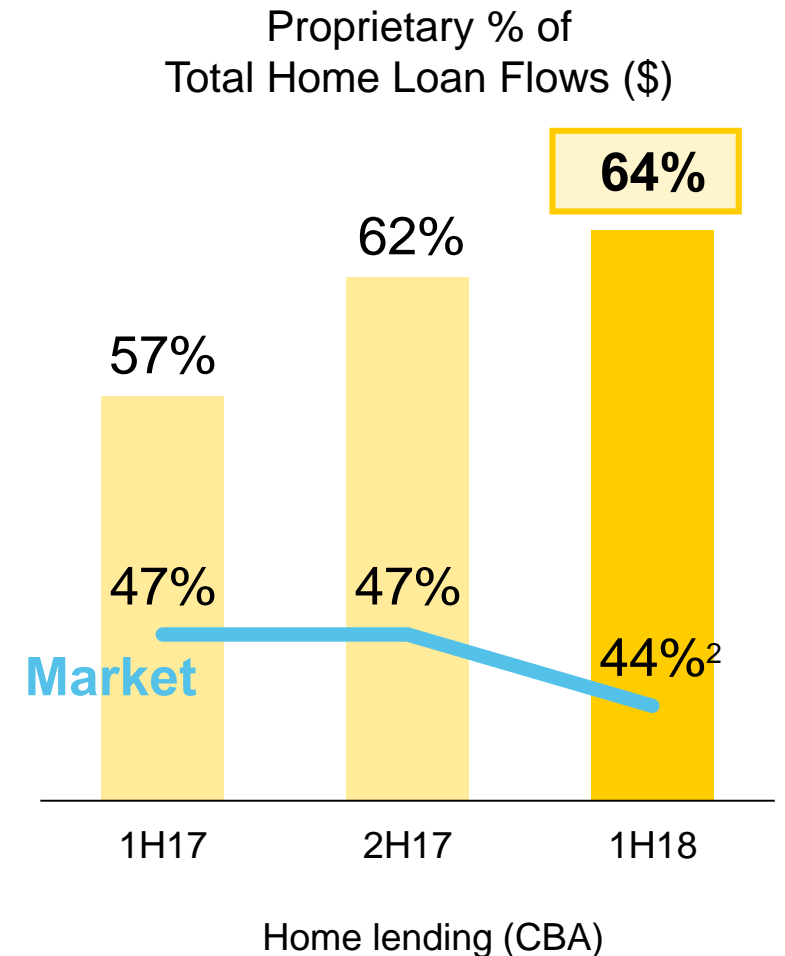
# Customers



## Our Branches

- ▶ **76,000** customer insights each week
- ▶ **11,500** video-conferencing referrals in 1H18
- ▶ **62** new personal lenders in 1H18
- ▶ **1-in-4** new CBA home loans insured by CommInsure<sup>1</sup>
- ▶ **~250** new format locations
- ▶ **~50%** reduction in branch space

## Proprietary Home Loans



1. Home and Contents insurance policy with CommInsure. 2. Market as at Sep-17 quarter. Source: MFAA.





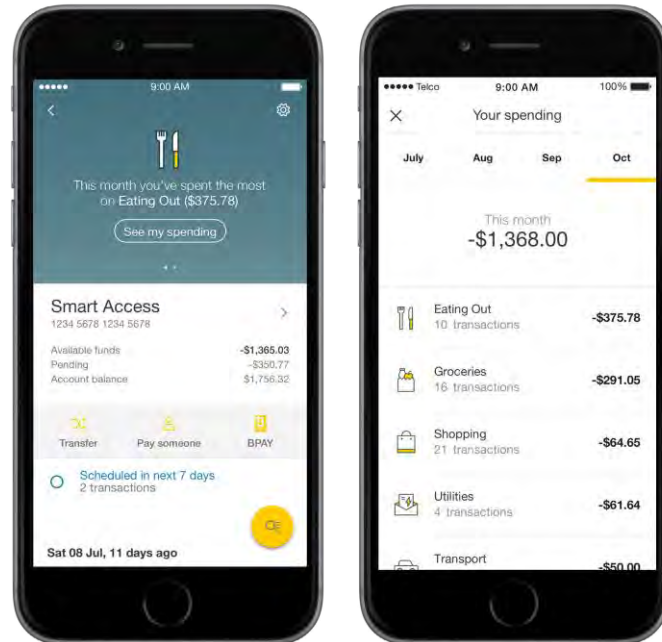
## Budgeting Made Easy

### Transaction Notifications<sup>1</sup>



Instant notification every time you use your credit card

### Spend Tracker



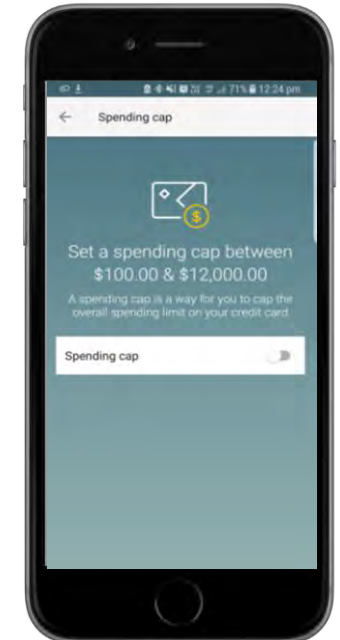
Information to improve your everyday spending habits

### Savings Challenge<sup>2</sup>



Making saving for your goals easier

### Credit Card Spending Limits



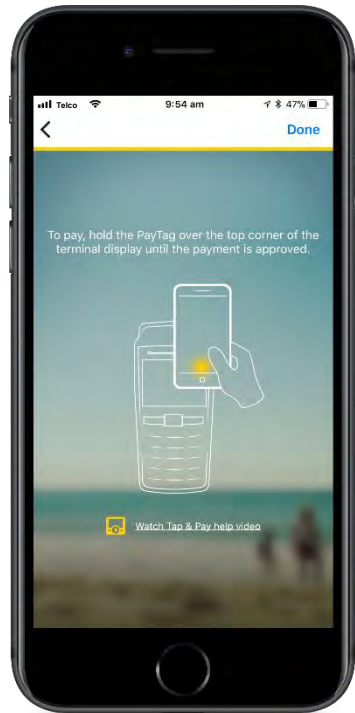
Cap a portion of your limit rather than permanently decreasing it

1. Transaction notifications are available for credit cards, excluding jointly held cards. 2. Savings Challenge is currently available in the CommBankLabs app.



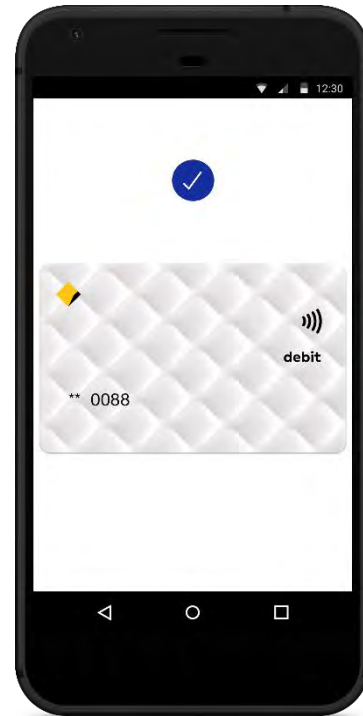
## Making Payments Easier

### Tap & Pay



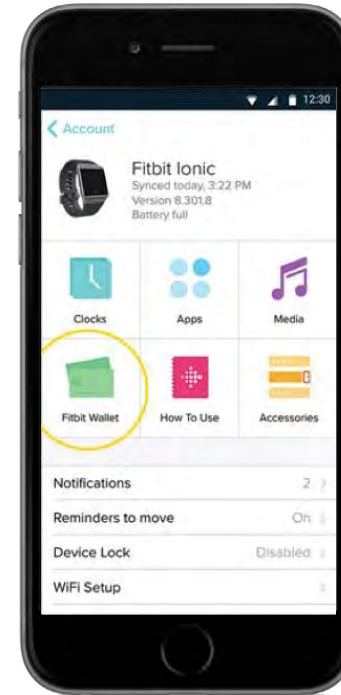
Offered on Apple devices via PayTag sticker since January 2014

### Android Pay



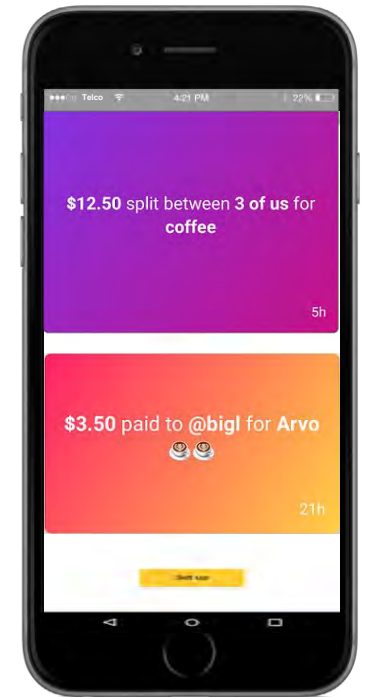
Secure payment experience via NFC on Android

### Wearables



Pay using a compatible Fitbit or Garmin wearable device linked to your CommBank Credit or Debit card

### Beem



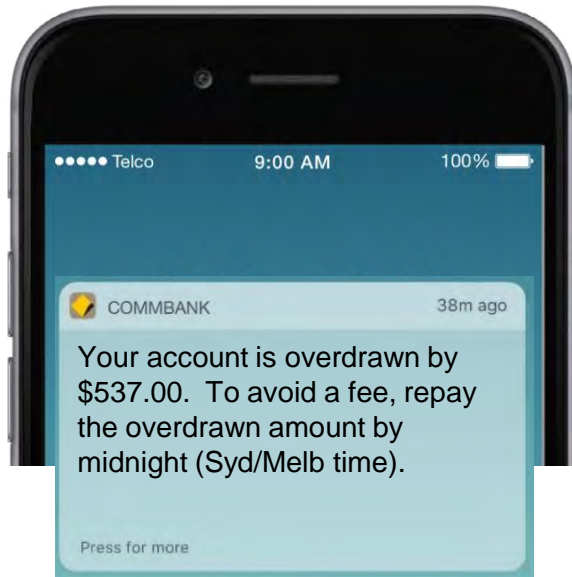
Pay and get paid by anyone securely and instantly through a simple, convenient and free app



## Putting Customers In Control

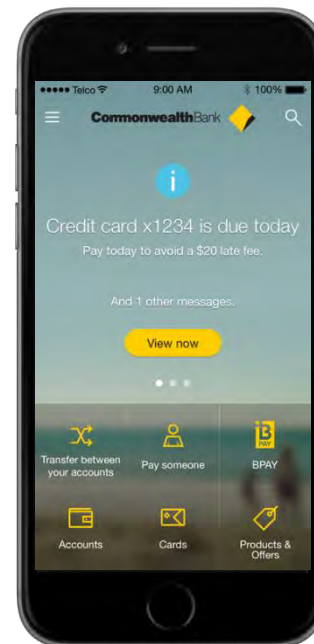
### Insufficient Fund Alerts

Without an overdraft facility

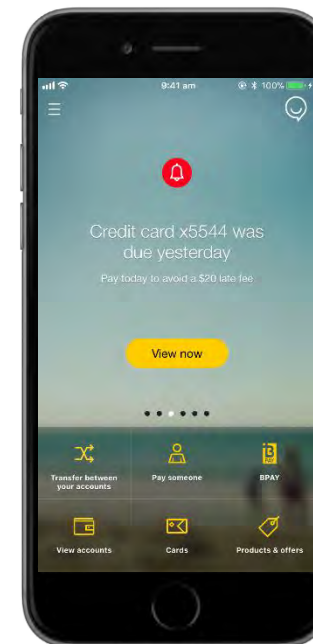


### Credit Card Alerts

At Due Date

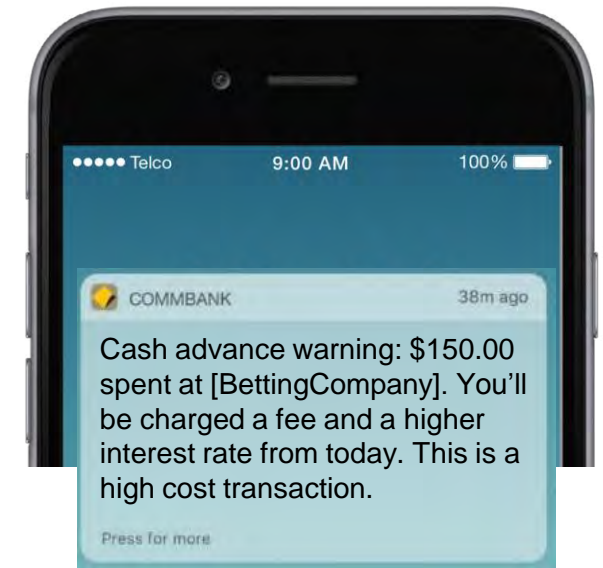


After Due Date



### High Cost Transaction Alerts<sup>1</sup>

e.g. cash advances

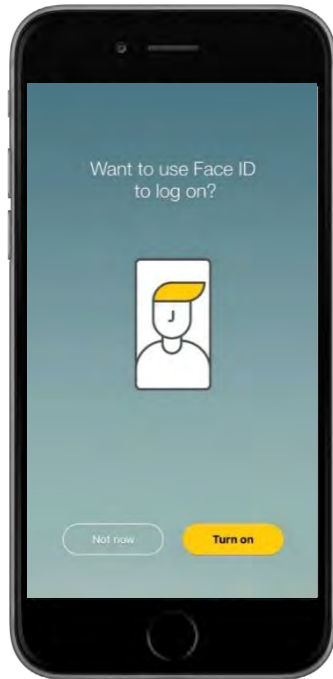


1. High cost transactions refer to withdrawing cash or transferring funds from a credit card account. For example, from an ATM or another channel. This also includes cash equivalent transactions such as online gambling, money transfers or buying lotto tickets.



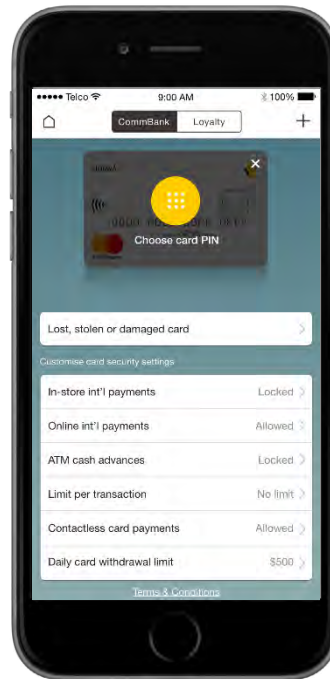
## Security and accessibility

### Face ID



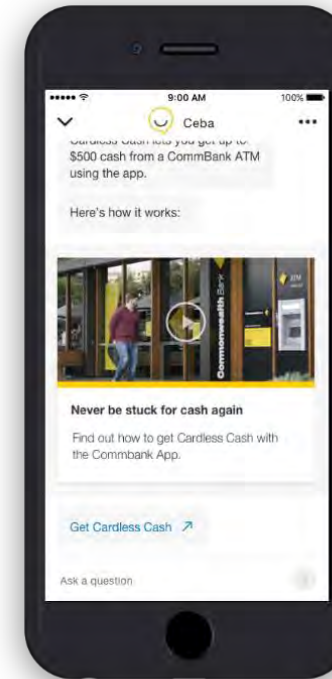
Secure access to CommBank accounts using Face ID (Apple iPhone X)  
Launched November 2017

### Lock, block & limit



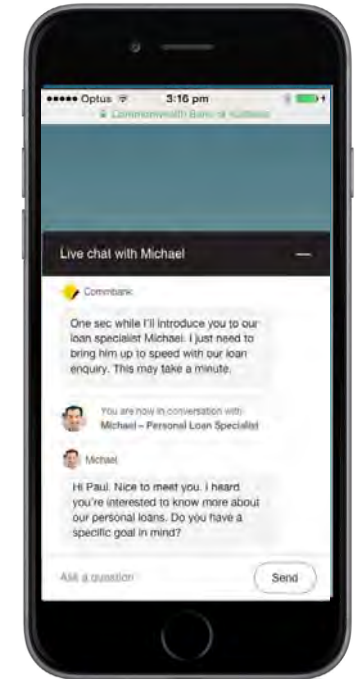
Lock and control products via the CommBank app

### Ceba



Chat to an automated digital banking assistant for simple activities

### Live Chat

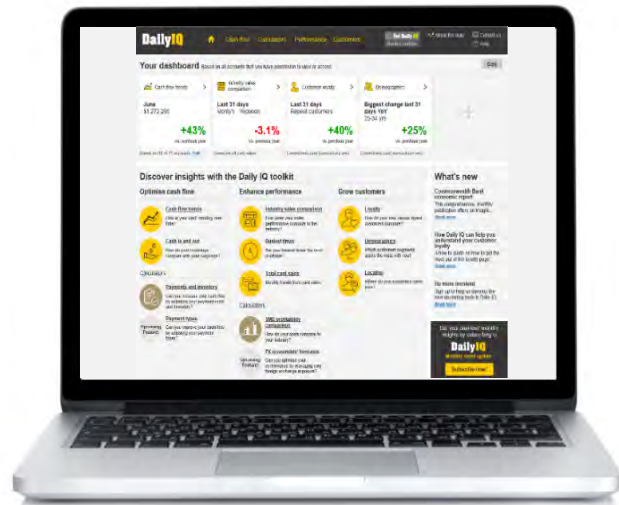


Secure conversation with a customer service representative





## Daily IQ



Giving customers 24/7 access to insights about their business

**>600,000**  
users have access

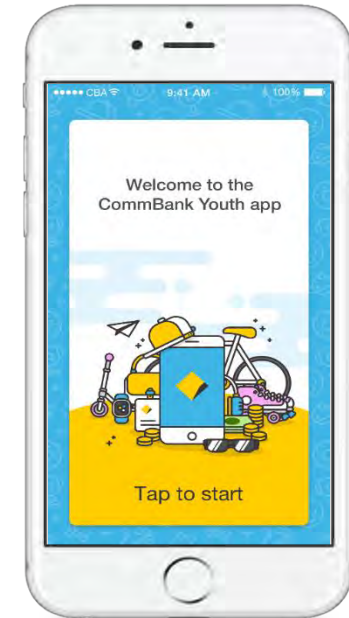
## Albert



The clever EFTPOS tablet  
50+ apps in total  
60% new merchant sales to CBA

**88,000+**  
devices in market

## Youth app



A fun and safe way to help young customers save and spend responsibly

**44,000+**  
downloads



## Innovating internationally

### Money Transfer (SA)



**+270,000** registrations to-date

On the spot account creation via 715 self-service kiosks + easy and safe money transfer<sup>1</sup> at over 10,000 till points across more than 1,400 locations.

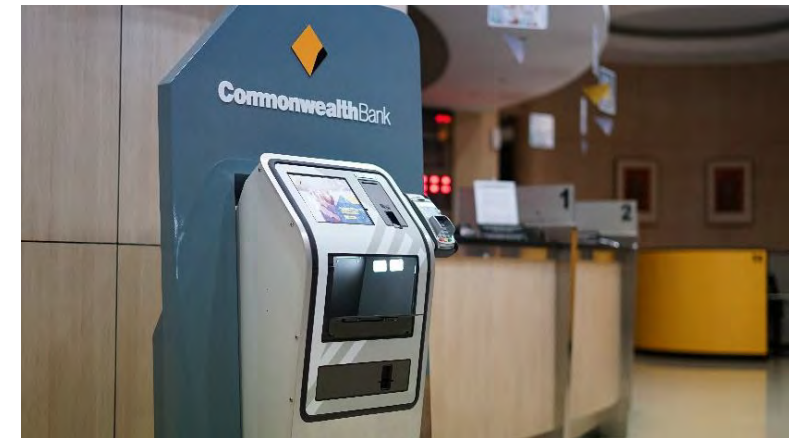
### Tyme Coach (SA)



Enrol in **3 minutes**

A financial wellness platform to improve financial fitness in South Africa  
Featuring an artificial intelligence chatbot “Emyt”.  
Available on Android, iOS and web.

### Indonesia



**50 kiosks** deployed<sup>2</sup>

First fully digital on-boarding process in Indonesia, completed in < 10 minutes  
50% of all customer registrations now completed through kiosks  
Located in-branch and urban centres.

1. In association with our strategic retail partner Pick n Pay. 2. since April 2017.

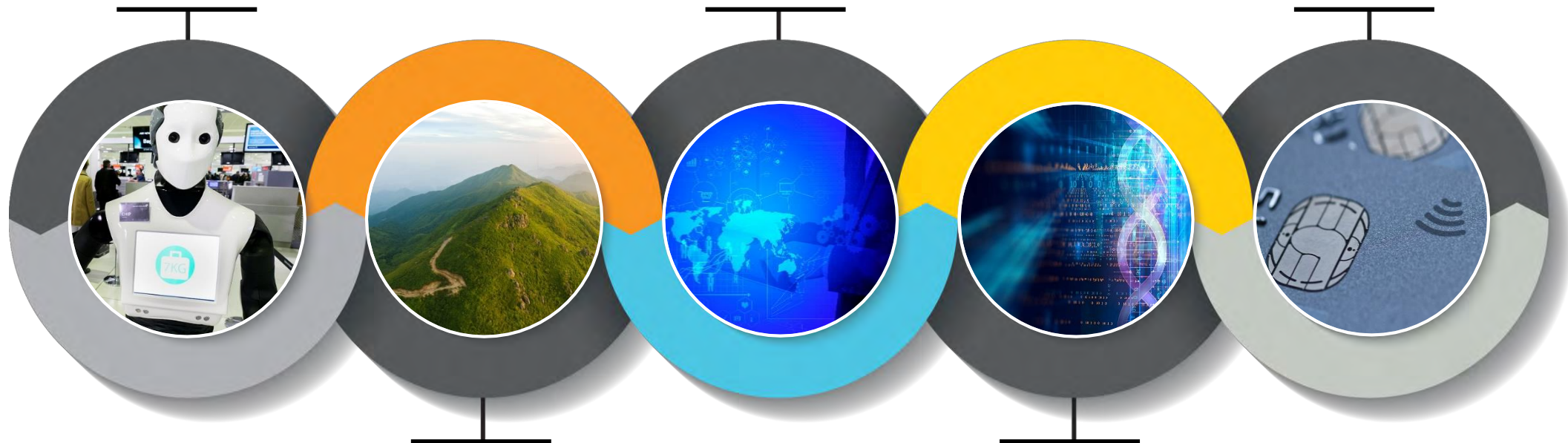
# Technology



Deploying **social robots** to enhance and personalise customer experiences, in collaboration with The University of Technology Sydney

Leveraging CBA's data to support small to medium-sized Australian businesses with meaningful insights to support their prosperity in **Daily IQ**

Providing **seamless mobility** by trialling the use of payment by MasterCard on Sydney ferries and eliminating the need for tickets, in partnership with the NSW Government and Cubic



Pricing China Development Bank's inaugural **offshore green bond** to support green development initiatives in China

**Strengthening the financial wellbeing of Australians** by utilising machine learning, real-time transaction notifications and savings challenges in the CommBank App



# Technology

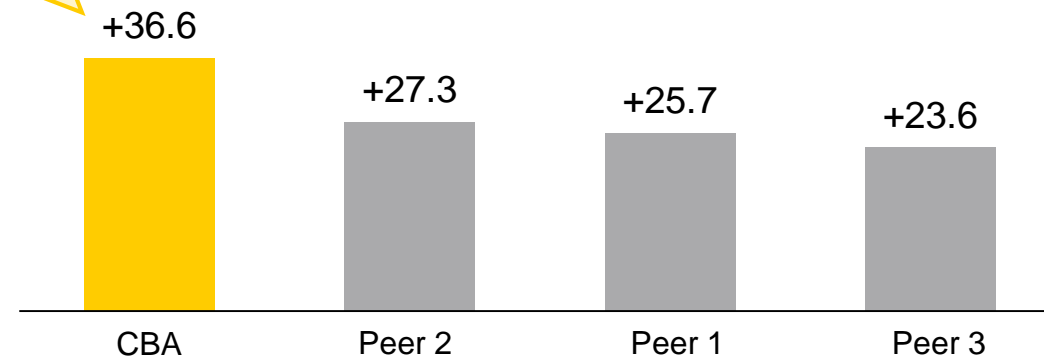


- #1 Free Financial app  
(Apple App Store & Google Play Store)<sup>2</sup>
- #1 Online Banking – 8 years in a row  
(CANSTAR)<sup>3</sup>
- #1 Mobile Banking – 2 years in a row  
(CANSTAR)<sup>4</sup>
- #1 Australian Mobile Banking Benchmark  
(Forrester)<sup>5</sup>
- #1 Mobile Banking Provider of the Year  
(Money Magazine)<sup>6</sup>
- #1 Digital Payment Product of the Year –  
Better Bill Experience (AB&F)<sup>7</sup>

## Net Promoter Score<sup>1</sup>

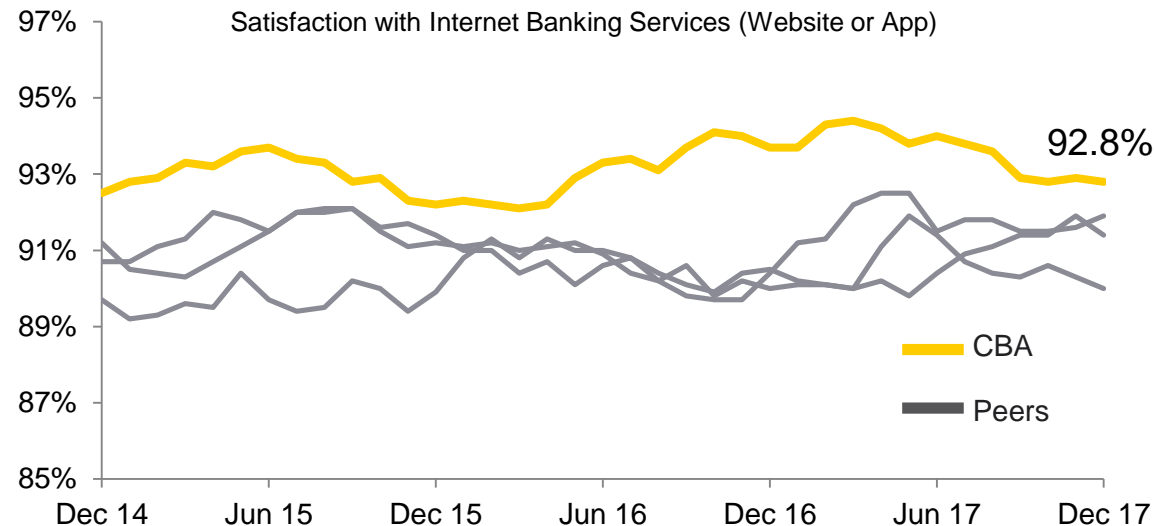
Customer's likelihood to recommend main financial institution based on use of Internet Banking services (via Mobile App)

50.7% Promoters



## Internet customer Satisfaction

Satisfaction with Internet Banking Services (Website or App)



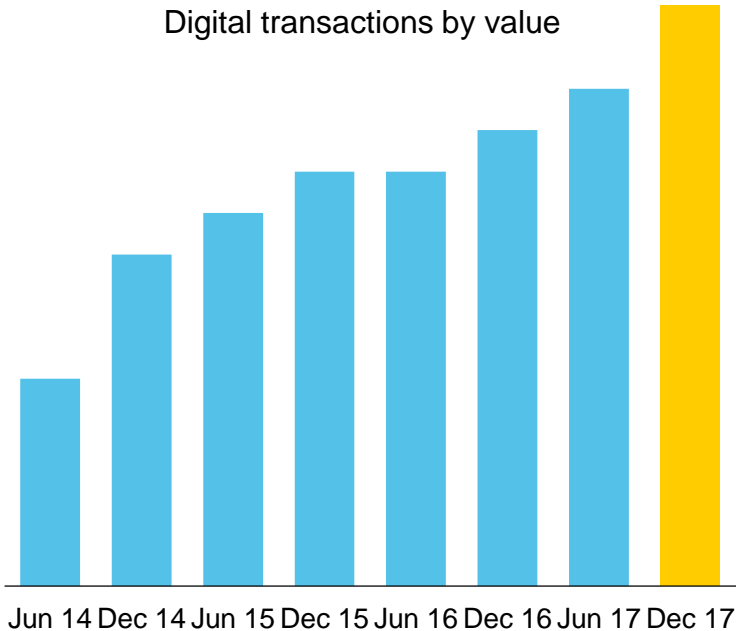
# Real time, digital banking

## Digital - transactions

**56%** of all transactions by value now digital

**56%**

Digital transactions by value

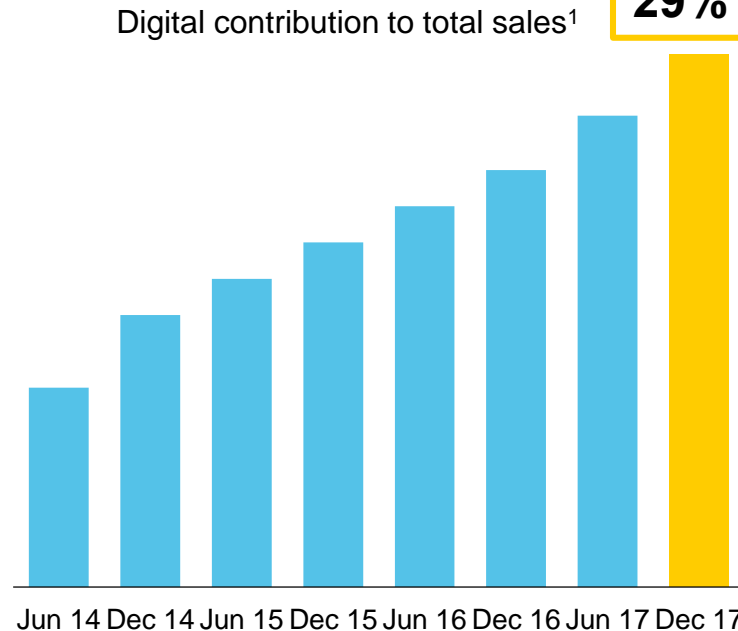


## Digital - sales

**29%** of retail product sales now digital

**29%**

Digital contribution to total sales<sup>1</sup>

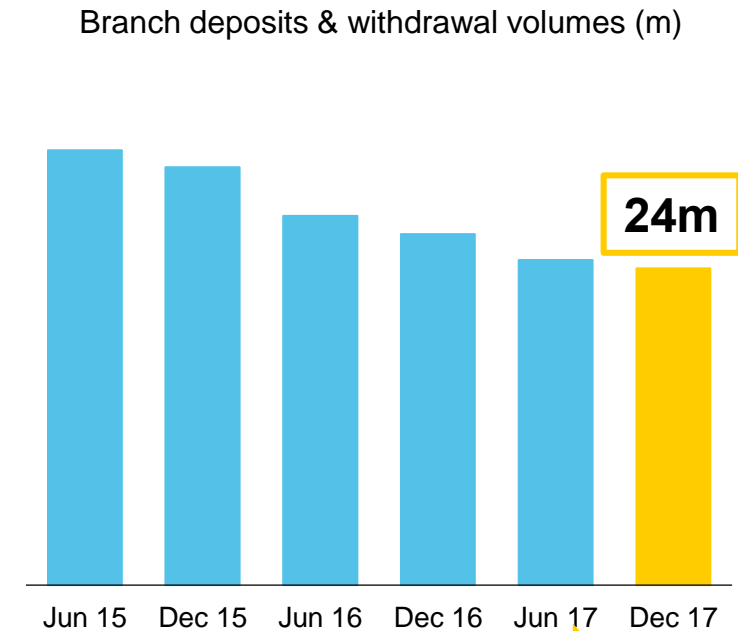


## Repositioning branches

**~50%** smaller footprint  
**~250** locations

**24m**

Branch deposits & withdrawal volumes (m)



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

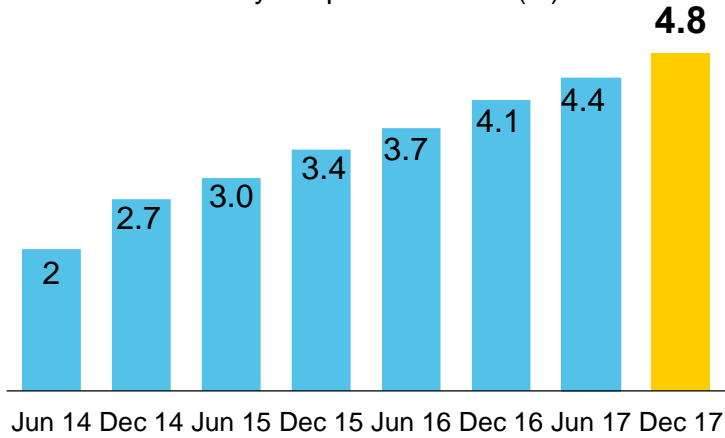
1. Digital contribution to total sales includes quality new accounts (QNA) for key products: deposits, credit cards, home loans, personal loans, insurance and business accounts. QNA is demonstrated by certain types of transactional activity taken by the customer e.g. deposits, loan repayment deductions etc.

# Real time, digital banking



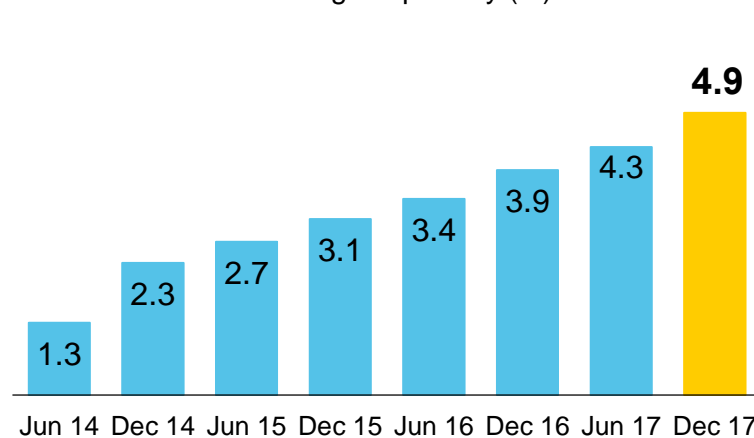
## CommBank app users

Monthly unique customers (m)<sup>1</sup>



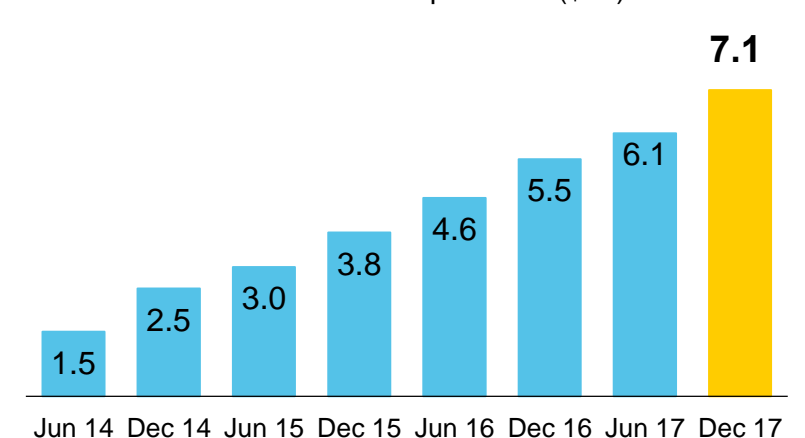
## CommBank app

Logons per day (m)



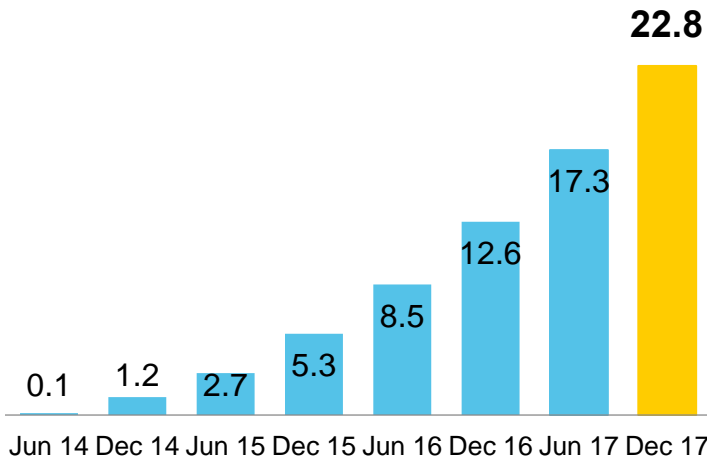
## CommBank app

Value of transactions per week (\$bn)<sup>2</sup>



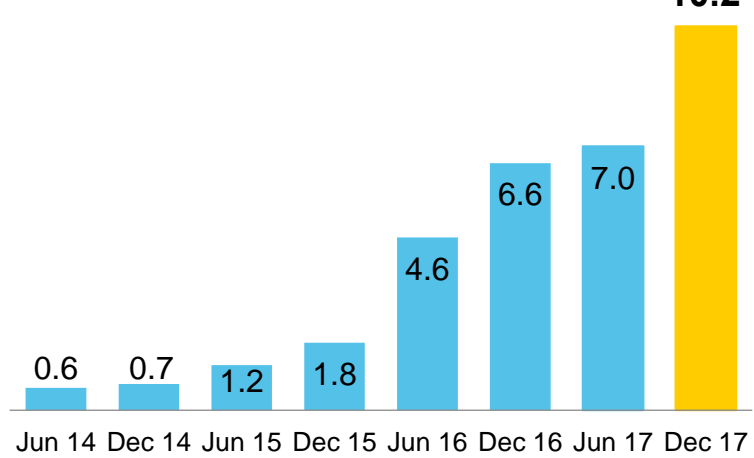
## Cardless Cash

Cumulative volume of unique transactions (m)<sup>3</sup>



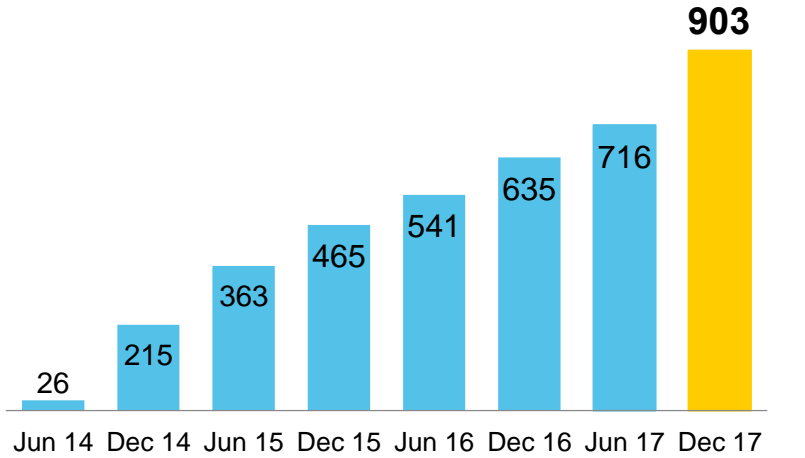
## Tap & Pay

Volume of transactions (m)<sup>4</sup>



## Lock, Block & Limit

Cumulative number of accounts enrolled (k)<sup>5</sup>



1. CommBank app users are those who have logged into the CommBank app at least once for the month. 2. Total value of transactions processed by the CommBank app and CommBank Tablet app. Transactions include only transfers and BPAY payments. 3. Cumulative volume of unique Cardless Cash transactions since April 2014 launch, 4. Volume of Tap & Pay transactions for each 6 month period. Includes HCE, Paytag and Tokenisation. 5. Cumulative number of unique accounts that have enrolled for Lock, Block and Limit (excl. temp. lock) since launch.

# Corporate responsibility



## Improving our customers' experience



- Removed withdrawal fees from our ATMs
- Changed incentives for some frontline staff to reward customer service
- Real-time alerts for credit card repayments and high cost transactions
- New credit card feature to help pay down existing balances or large purchases in easy, fixed instalments

## Building a strong and responsible business



- Implementing the Sedgwick recommendations
- Adopted the Task Force on Climate-related Financial Disclosure recommendations
- \$3.3bn lending to renewable energy
- Joint lead manager for China Development Bank \$US500m green bond

## A healthy & engaged workforce



- 44.4% women in Manager and above roles
- 1.6 percentage point decrease in gender pay gap for base salaries<sup>1</sup>
- Launched 2018+ Global Diversity and Inclusion Strategy
- Hosted our first Indigenous Employee Conference
- Launched a Financial Wellbeing Program for our people<sup>2</sup>

## Empowering & supporting our communities



- Over 2,700 customers accessed Domestic & Family Violence Emergency Assistance Package
- \$152m in community investment
- Delivered Start Smart financial education sessions to ~300,000 students
- Placed 100<sup>th</sup> Jawun secondee to Aboriginal and Torres Strait Islander organisations

# Corporate responsibility – performance data



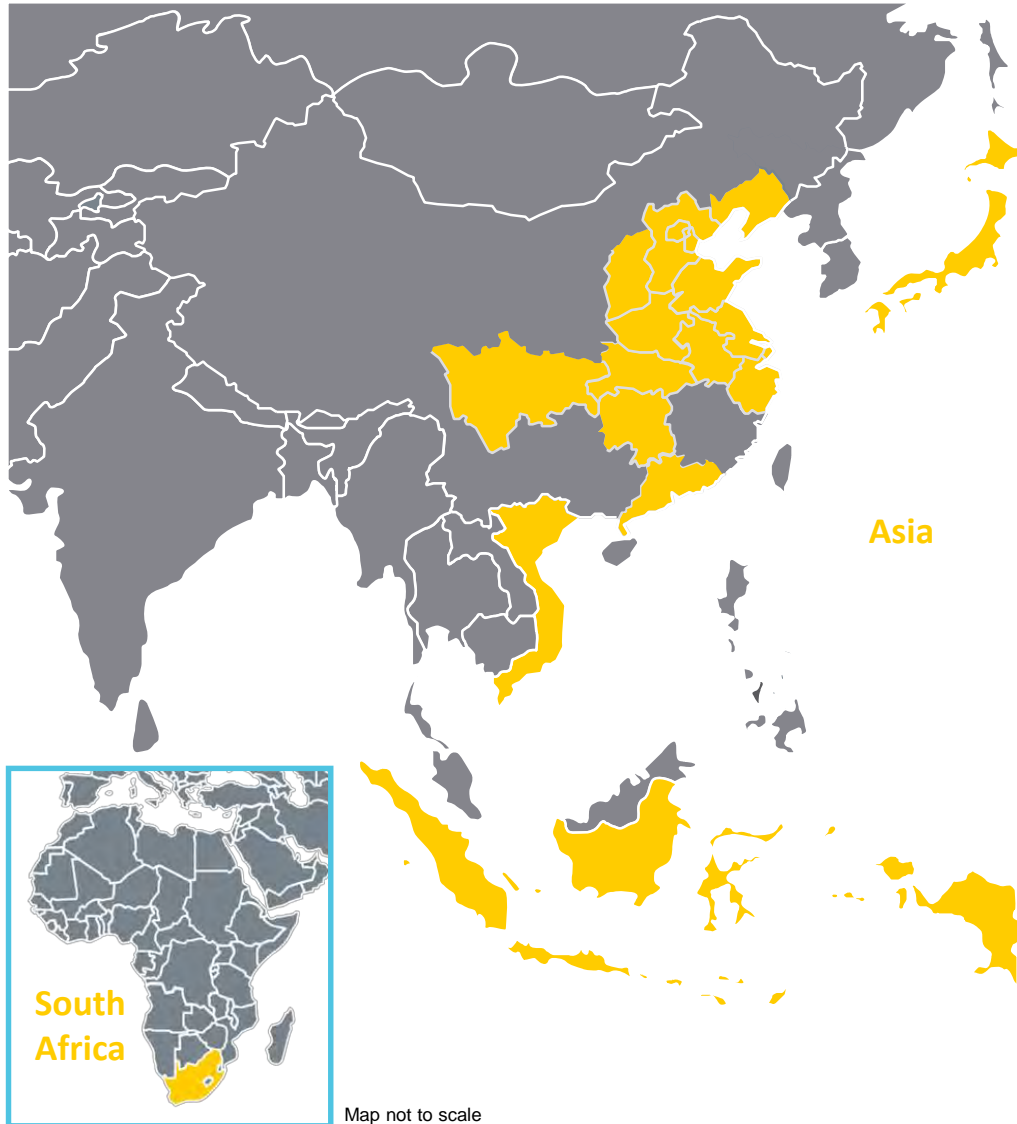
		1H18	FY17	FY16	FY15
Environment	Renewable energy lending exposure (\$bn)	3.3	2.8	2.2	1.4
	Total greenhouse gas emissions (Group) (tCO <sub>2</sub> -e)	98,214	204,317 <sup>1</sup>	164,111	179,276
	Emissions per FTE (Australia) Scope 1 + 2 (tCO <sub>2</sub> -e)	2.3	2.3	2.6	2.7
Social	Employee Engagement Index (CBA) (%)	Annual	78	77	81
	Women in Manager and above roles (%)	44.4	44.4	43.6	43.2
	Training hours per employee	21.4	39.1	34.3	31.1
	Lost Time Injury Frequency Rate (LTIFR)	1.1	1.1	1.5	2.0
	Total community investment (\$m)	152	272	262	243
Governance	Female directors on Board (%)	33	40	33	27
	SpeakUP Program cases (#)	60	171	-	-
	<i>Whistleblower cases (#)<sup>2</sup></i>	21	44	-	-
	Training completion rate on 'Our Commitments' (%)	99.9	97.6	-	-



For metrics definitions, please refer to the 2017 Corporate Responsibility Report, available at: [www.commbank.com.au/investors/corporate-responsibility](http://www.commbank.com.au/investors/corporate-responsibility).

1. From 2017 we have included data centres outside of our operational control. 2. Whistleblower cases are a subset of SpeakUP Program cases

# CBA in Asia and South Africa



Map not to scale

## South Africa

- TymeDigital by Commonwealth Bank SA: 715 kiosks

## Indonesia

- PT Bank Commonwealth (99%): 50 branches and 50 kiosks
- PT Commonwealth Life (80%): 25 life offices
- PT First State Investments

## China

- Bank of Hangzhou (18%): 201 branches
- Qilu Bank (18%): 131 branches
- CBA Beijing, Shanghai and Hong Kong branches
- BoCommLife (37.5%): operating in 12 provinces
- First State Cinda JV (46%) and First State Investments Hong Kong
- Colonial Mutual Group Beijing Rep Office

## Vietnam

- CBA Digital Solutions
- Vietnam International Bank (20%): 161 branches
- Hanoi Representative Office

## Singapore

- CBA branch
- First State Investments

## Japan

- Tokyo CBA branch
- First State Investments





# Financial Overview



# Key Comparative Financial Metrics



## Profit Announcement

	Inclusive of discontinued operations & incl. AUSTRAC penalty provision <sup>2</sup>		Continuing operations, incl. AUSTRAC penalty provision <sup>2</sup>		Pro-forma continuing operations, ex. AUSTRAC penalty provision <sup>3</sup>	
	31 Dec 17	Dec 17 v Dec 16	31 Dec 17	Dec 17 v Dec 16	31 Dec 17	Dec 17 v Dec 16
Half year ended (“cash basis”) <sup>1</sup>						
Cash net profit after tax	\$4,871m	(0.7%)	\$4,735m	(1.9%)	\$5,110m	5.8%
Cost-to-income <sup>4</sup>	44.2%	90 bpts	43.9%	120 bpts	41.1%	(160) bpts
Jaws <sup>5</sup>	(2.3%)	n/a	(3.0%)	n/a	3.9%	n/a
Effective tax rate	29.9%	150 bpts	30.0%	150 bpts	28.4%	(10) bpts
Profit after capital charge <sup>6</sup>	\$3,126m	(4.0%)	\$3,095m	(5.7%)	\$3,470m	5.7%
Earnings per share (basic)	280.0c	(2.0%)	272.2c	(3.2%)	293.7c	4.5%
Return on equity	15.0%	(100) bpts	14.5%	(120) bpts	15.7%	-

1. Presented on a cash basis unless otherwise stated.

2. 1H18 includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

3. 1H18 excludes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

4. Operating expenses to total operating income.

5. The Group uses Jaws as a key measure of financial performance. It is calculated as the difference between Total operating income growth and Operating expenses growth, compared to the prior comparative period.

6. The Group uses PACC, a risk adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.

# 1H18 – result overview<sup>1</sup>



## Financial

Statutory NPAT <sup>2</sup> (\$m)	4,895	1.2%
Cash NPAT <sup>2</sup> (\$m)	4,735	(1.9%)
ROE <sup>2</sup> % (cash)	14.5	(120) bpts
EPS <sup>2</sup> \$ (cash)	2.72	(9) cents
DPS \$	2.00	1 cent
Underlying C:  <sup>2,3</sup> (%)	40.8	(10) bpts
NIM <sup>2</sup> (%)	2.16	6 bpts
Op income <sup>2,3</sup> (\$m)	13,028	4.9%
Op expenses <sup>2,3</sup> (\$m)	5,318	4.7%
LIE to GLAA (bpts)	16	(1) bpt

## Balance Sheet, Capital & Funding

Capital – CET1 (Int'l) <sup>4</sup>	16.3%	90 bpts
Capital – CET1 (APRA)	10.4%	50 bpts
Total assets (\$bn)	962	(1.0%)
Total liabilities (\$bn)	896	(1.5%)
Average FUA <sup>2</sup> (\$bn)	151	9.4%
Deposit funding	68%	2%
LT wholesale funding WAM	4.6 yrs	0.4 yrs
Liquidity coverage ratio	131%	(4%)
Leverage ratio (APRA)	5.4%	50 bpts
Net stable funding ratio	110%	n/a
Credit Ratings <sup>5</sup>	AA-/Aa3/AA-	Refer footnote 5

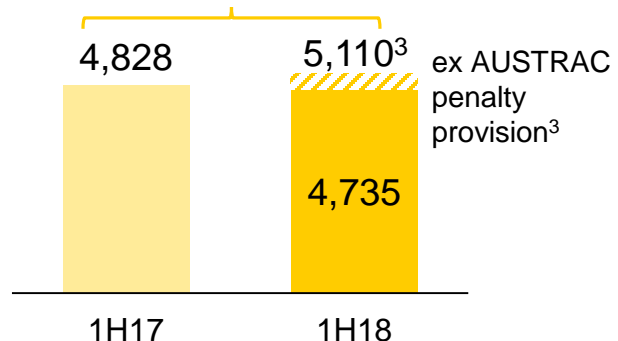
1. All movements on prior comparative period unless stated. 2. Presented on a continuing operations basis. 3. To present an underlying view of the result, 1H17 has been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc. and a \$393m one-off expense for acceleration of amortisation on certain software assets; the impact of consolidation and equity accounted profits of AHL has been excluded; and 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. 4. Internationally comparable capital - refer glossary for definition. 5. S&P, Moody's and Fitch. S&P put major Australian Banks on "Outlook Negative" 7 Jul 16. Moody's lowered the rating on 19 Jun 17, outlook "Stable". Fitch updated the outlook on the bank sector to "Negative" on 2 Dec 16 – though individual CBA issuer rating remained "Stable".

# Result overview



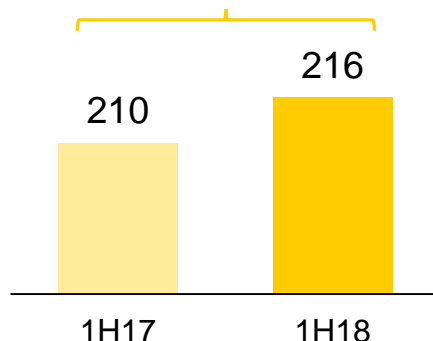
## Cash NPAT<sup>1</sup> (\$m)

+5.8%



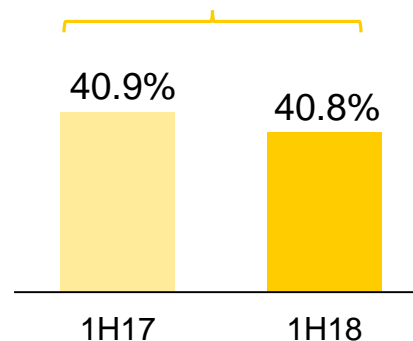
## NIM<sup>1</sup>

+6 bpts



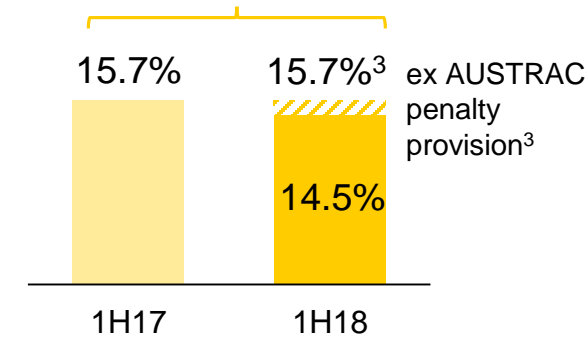
## Underlying C:I<sup>1,2</sup>

(10) bpts



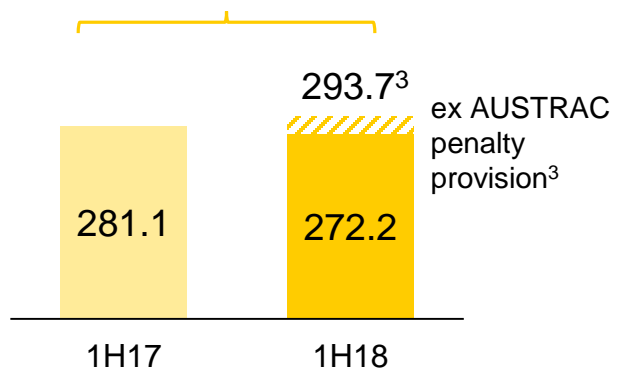
## Cash ROE<sup>1</sup>

flat



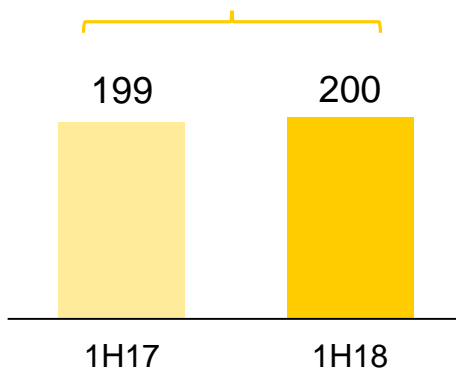
## Cash EPS<sup>1</sup> (cents)

+4.5%



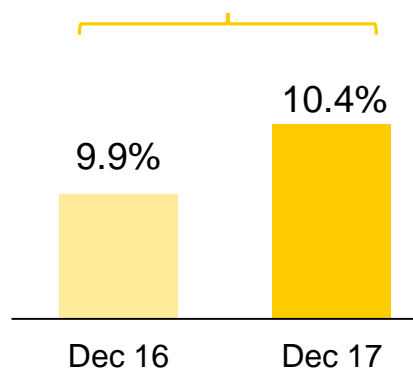
## DPS (cents)

+ 1 cent



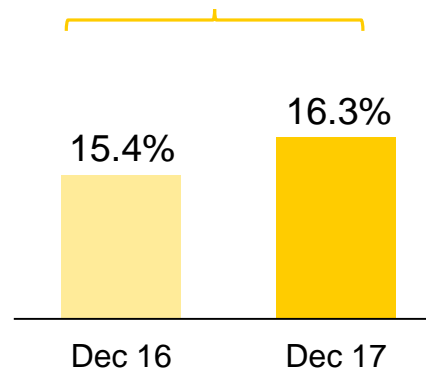
## CET1 (APRA)

+50 bpts



## CET1 (International)<sup>4</sup>

+90 bpts



1. Presented on a continuing operations basis. 2. To present an underlying view of the result, 1H17 has been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc. and a \$393m one-off expense for acceleration of amortisation on certain software assets; the impact of consolidation and equity accounted profits of AHL has been excluded; and 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

3. Pro-forma results excluding AUSTRAC penalty provision of \$375m. 4. Internationally comparable capital - refer to glossary for definition.

# Statutory NPAT<sup>1</sup> up 1.2%



\$m	Dec 16 <sup>1</sup>	Dec 17 <sup>1</sup>	
<b>Cash NPAT</b> (incl. AUSTRAC penalty provision) <sup>2</sup>	<b>4,828</b>	<b>4,735</b>	↓ (1.9%)
Hedging and IFRS volatility <sup>3</sup>	8	96	NZ revenue hedge
Bankwest non-cash items	(1)	(1)	
Treasury shares valuation adjustment	-	-	
Gain/(loss) on disposal and acquisition of controlled entities	-	65	AHL acquisition, County Banks sale
<b>Total non-cash items</b>	<b>7</b>	<b>160</b>	
<b>Statutory NPAT</b>	<b>4,835</b>	<b>4,895</b>	↑ 1.2%

1. Presented on a continuing operations basis. 2. The Group has provided for a civil penalty in the amount of \$375 million in 1H18. The Group believes this to be a reliable estimate of the level of penalty that a Court may impose. This takes into account currently available information, including legal advice received by the Group in relation to AUSTRAC's claims.

3. Unrealised accounting gains and losses arising from the application of "AASB 139 Financial Instruments: Recognition and Measurement".

# Divisional contributions<sup>1</sup>

1H18 vs 1H17

Business Unit <sup>2</sup>	% of Group NPAT 1H18 <sup>3</sup>	Operating Income	Operating Expenses	Operating Performance	LIE	Cash NPAT	Cost-to-Income 1H18
<b>RBS</b> <sup>4</sup>	51.9%	5.7%	2.4%	<b>7.2%</b>	1.1%	<b>7.7%</b>	30.1%
<b>BPB</b>	18.8%	5.4%	0.3%	<b>8.5%</b>	(10.9%)	<b>9.3%</b>	35.7%
<b>IB&amp;M</b>	11.6%	(4.8%)	(1.6%)	<b>(6.7%)</b>	Lge	<b>(13.2%)</b>	38.3%
<b>Wealth</b>	5.5%	6.2%	(2.8%)	<b>29.3%</b>	n/a	<b>33.2%</b>	66.1%
<b>ASB</b> <sup>5</sup>	9.9%	7.9%	3.1%	<b>10.6%</b>	(46.9%)	<b>14.5%</b>	34.1%
<b>BW</b>	6.6%	6.2%	0.3%	<b>10.9%</b>	(40.0%)	<b>16.9%</b>	41.6%
<b>IFS</b>	1.1%	(5.2%)	(8.9%)	<b>2.4%</b>	(36.5%)	<b>74.2%</b>	64.0%

1. Presented on a continuing operations basis. 2. Excludes Corporate Centre and other. 3. 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings. 4. RBS result excluding impact of AHL consolidation, except for “% of Group NPAT”. 5. ASB result in NZD except for “% of Group NPAT”, which is in AUD.



# Divisional contributions<sup>1</sup>

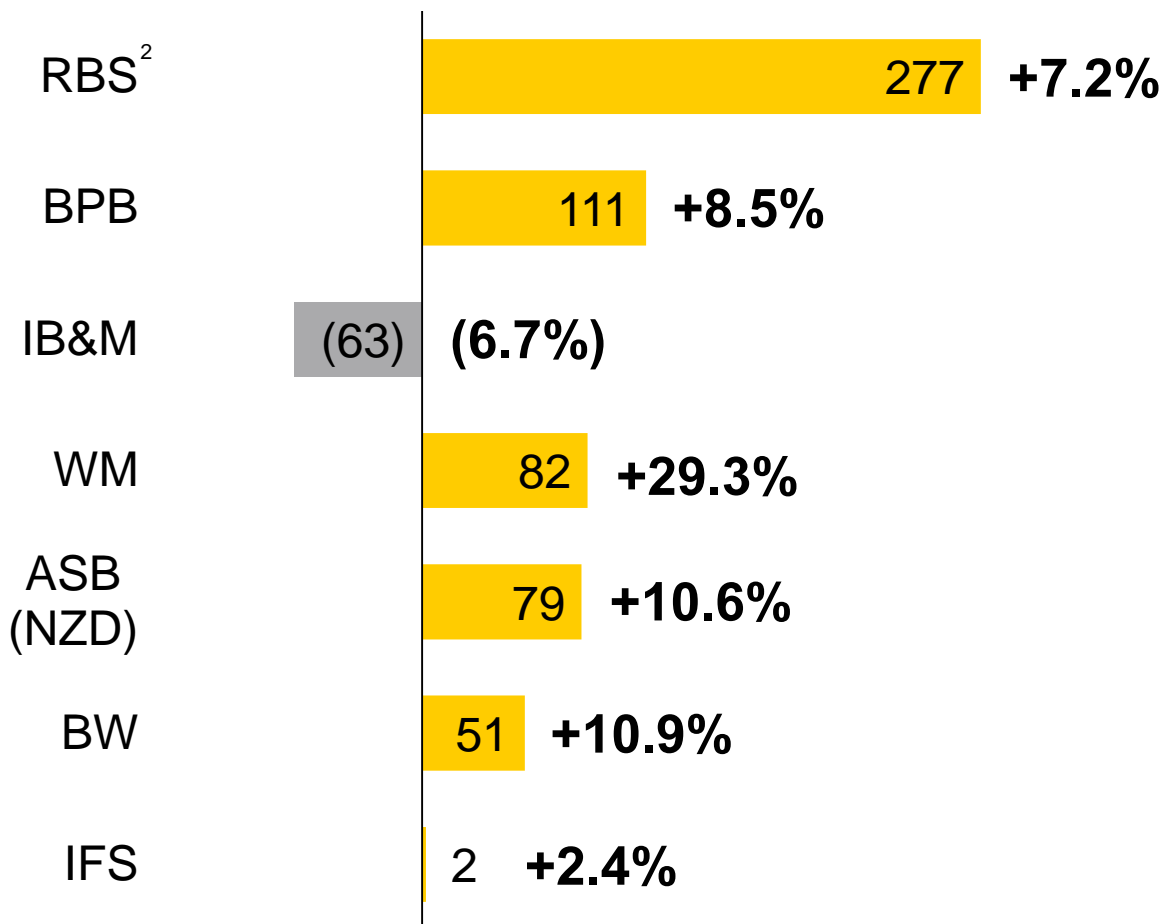


\$m

## Operating Performance

1H18 vs 1H17

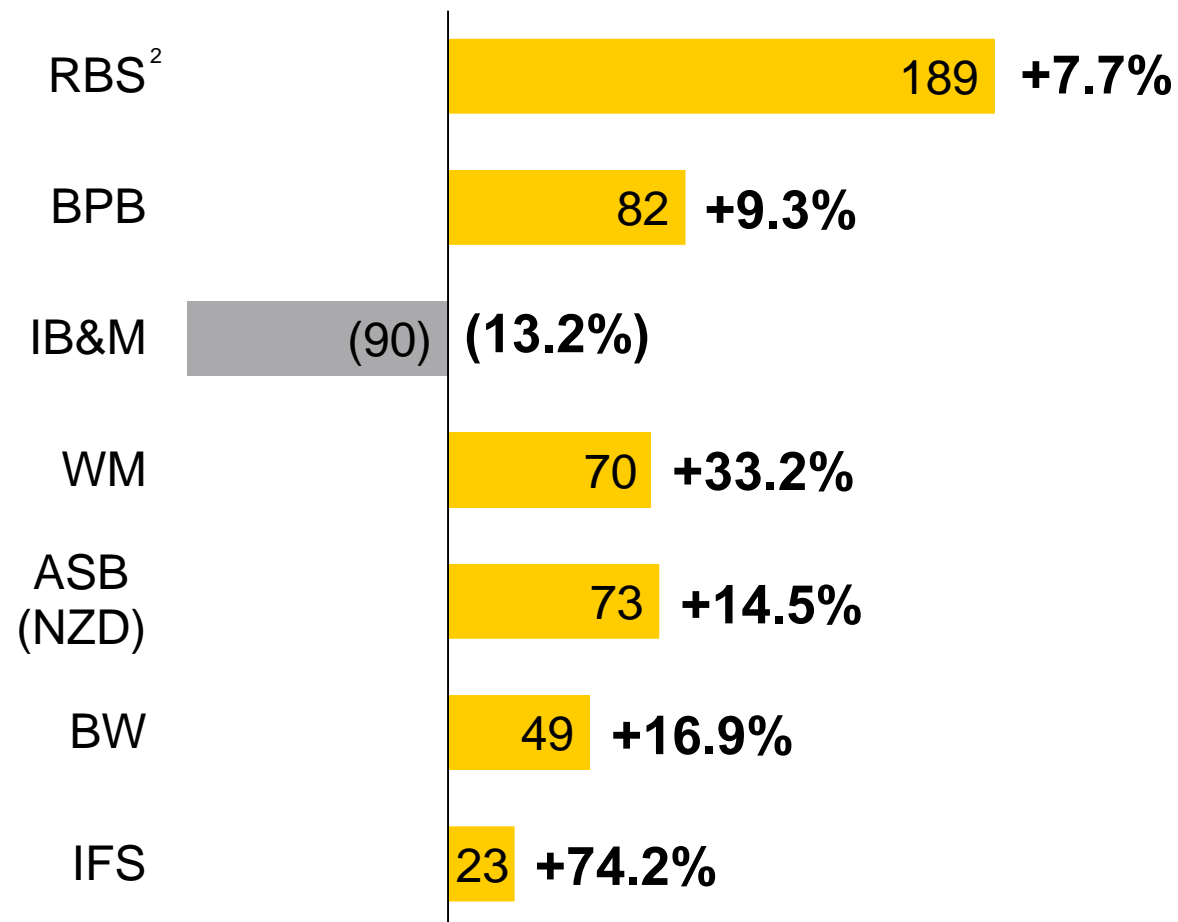
Operating Income less Operating Expenses



\$m

## Cash NPAT

1H18 vs 1H17



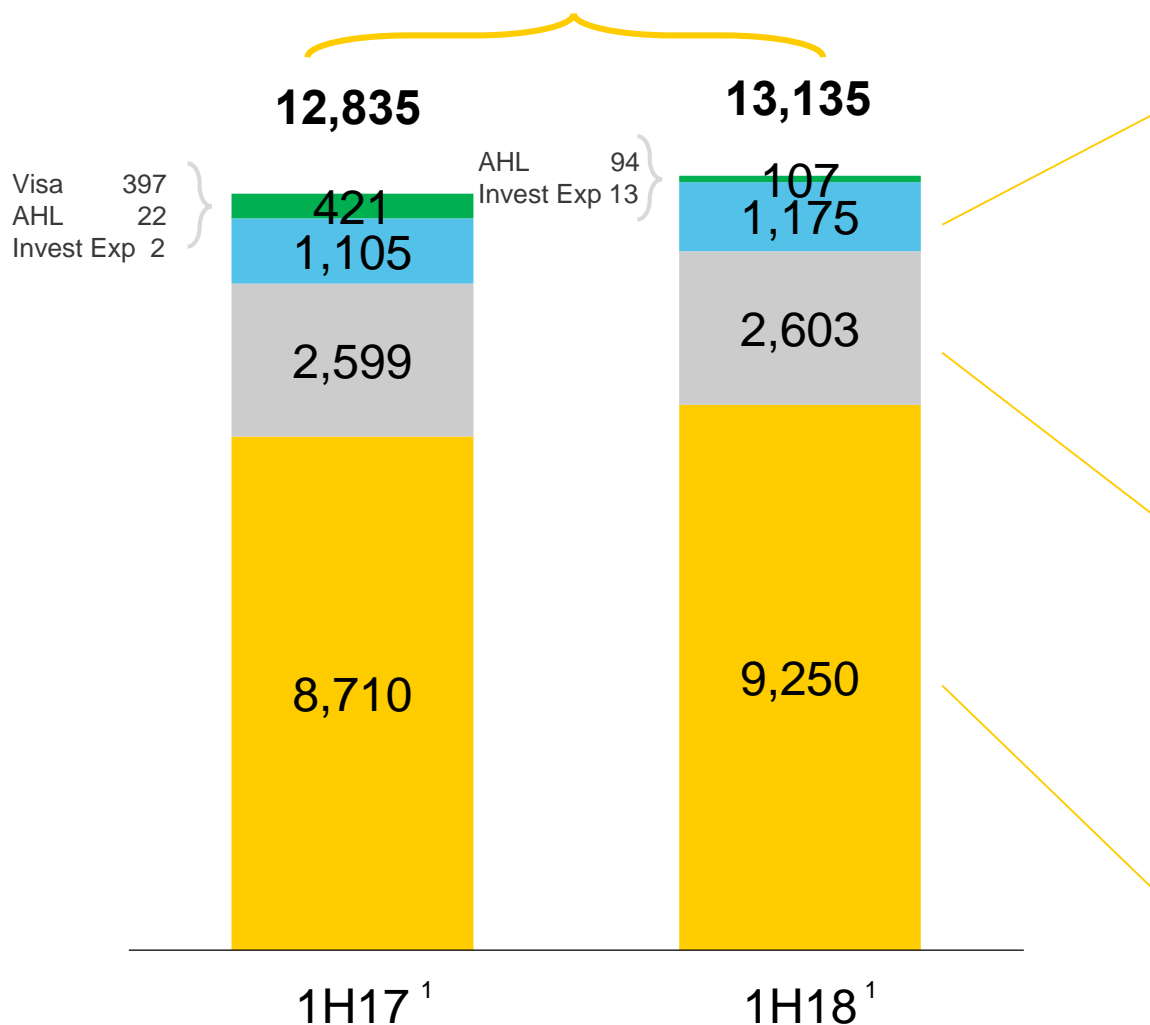
1. Presented on a continuing operations basis. 2. To present an underlying view of the RBS result, the impact of AHL consolidation has been excluded.

# Total income drivers<sup>1</sup>



\$m

**+2.3%**



## Funds & Insurance

**6.3%**

Average FUA

9.4%

Insurance income

(16.0%)

## Other Banking Income<sup>2,3</sup>

**0.2%**

Derivative Valuation Adjustment (DVA)

+\$26m

Trading (ex DVA)

(11.3%)

Commissions<sup>2</sup>

(2.9%)

## Net Interest Income<sup>2</sup>

**6.2%**

Volume

3.5%

Margin

+6 bpts

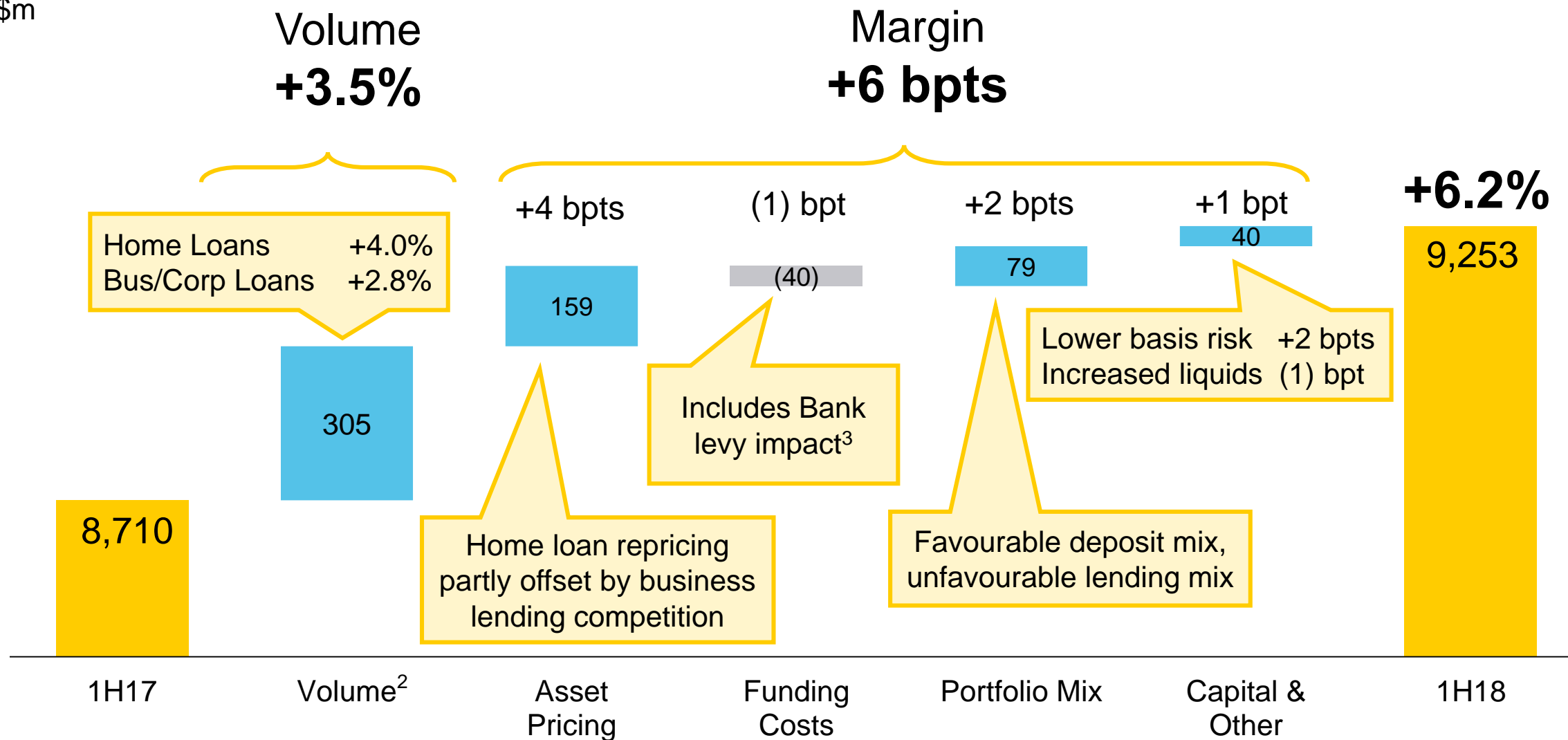
1. Presented on a continuing operations basis. 2. To present an underlying view of the result, the impact of consolidation and equity accounted profits of AHL has been excluded.

3. 1H17 has been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc.



# Net Interest Income<sup>1</sup> – balancing volume and margin

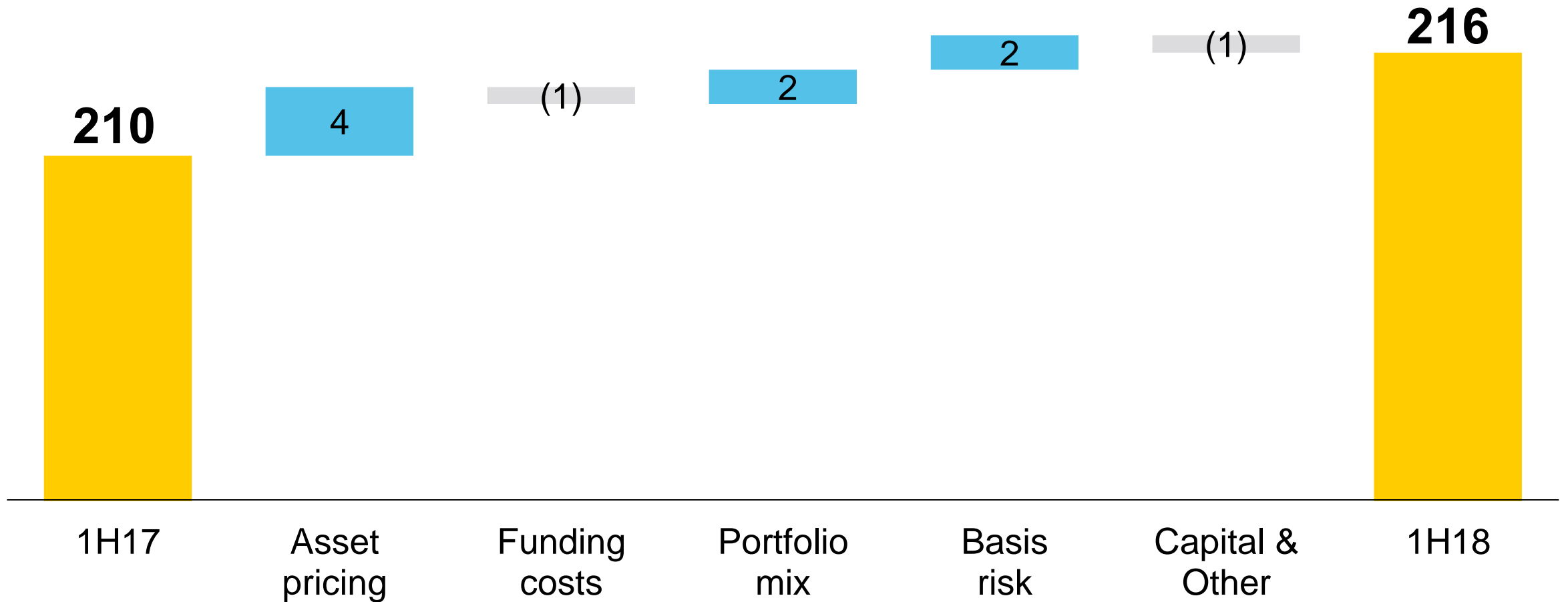
\$m



1. Presented on a continuing operations basis. 2. Average interest earning assets. 3. Bank levy impact was \$180 million for 1H18.

# Over 12 months, Group NIM<sup>1</sup> up 6 bpts

bpts

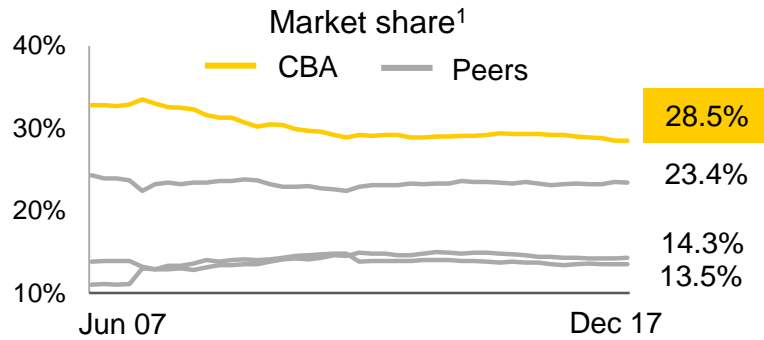


1. Comparative information has been restated to conform to presentation in the current period. Presented on a continuing operations basis.

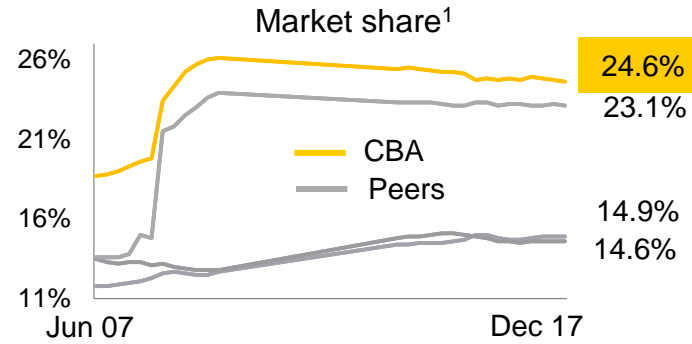
# Volume growth<sup>1</sup>



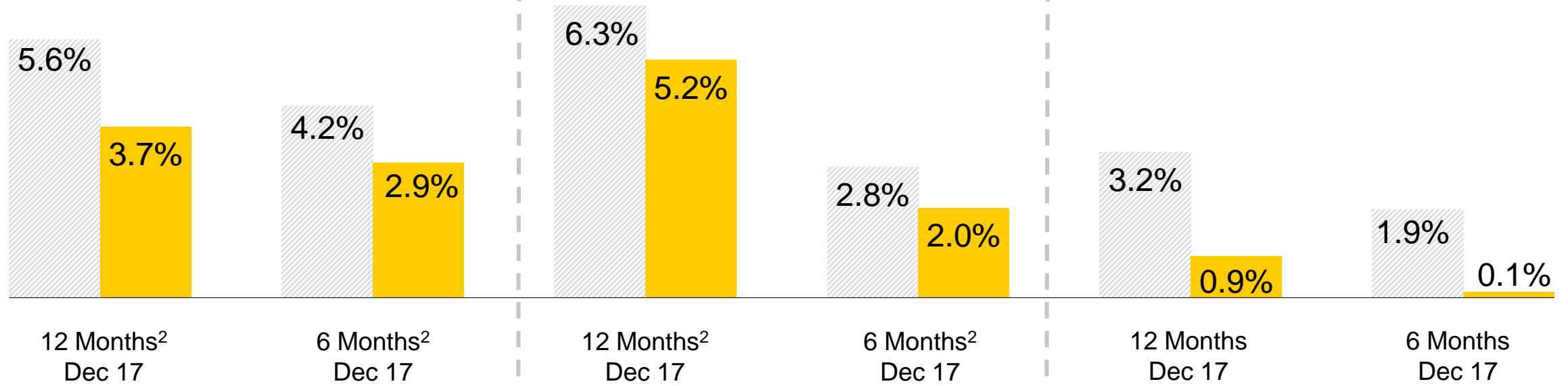
## Household Deposits



## Home Lending



## Business Lending



System CBA

1. System source RBA/APRA Banking Stats. CBA includes BWA. 2. Adjusted for new market entrants/reporting changes.

# Market share<sup>1</sup>

%	Dec 17	Jun 17	Dec 16
Home loans	24.6	24.8	25.0
Credit cards – RBA <sup>2</sup>	24.4	24.4	24.4
Other household lending <sup>3</sup>	27.0	26.6	26.1
Household deposits	28.5	28.8	29.0
Business lending – RBA	16.3	16.5	16.6
Business lending – APRA	18.4	18.6	18.6
Business deposits – APRA	20.4	20.3	19.8
Equities trading	4.0	3.9	4.0
Australian Retail – administrator view <sup>4</sup>	15.6	15.6	15.5
FirstChoice Platform <sup>4</sup>	10.8	10.7	10.8
Australia life insurance (total risk) <sup>4, 5</sup>	9.8	9.9	11.1
Australia life insurance (individual risk) <sup>4, 5</sup>	9.8	10.0	10.2
NZ home loans <sup>6</sup>	21.8	21.7	21.9
NZ customer deposits <sup>6</sup>	17.8	17.8	17.5
NZ business lending <sup>6</sup>	14.5	14.4	13.9
NZ retail AUM <sup>7</sup>	13.0	12.4	12.3
NZ annual inforce premiums <sup>4,5</sup>	26.8	27.9	28.0

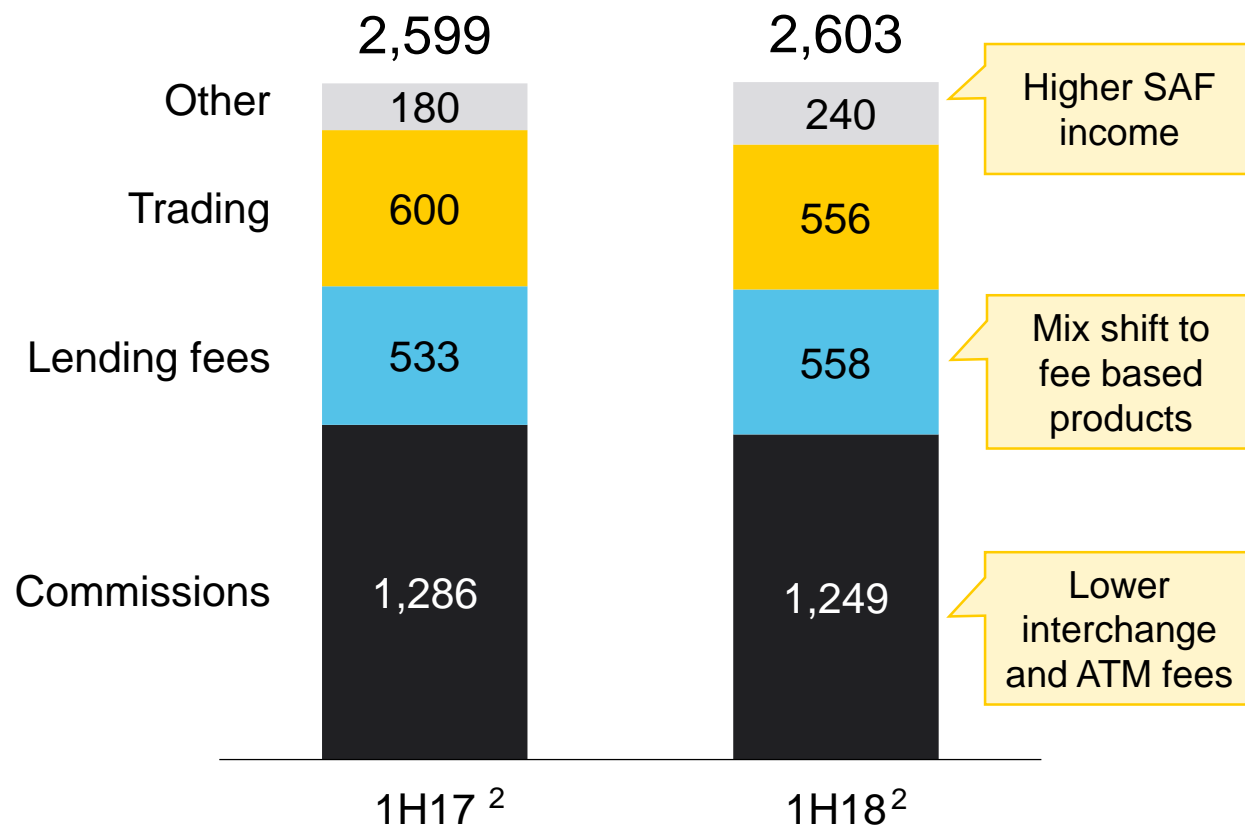
1. Comparatives have been restated in line with market updates. This does not include the impact of new market entrants in the current period. 2. As at November 2017. 3. Includes personal loans, margin loans and other forms of lending to individuals 4. As at 30 September 2017. 5. Metrics relate to discontinued operations. 6. RBNZ published data collection has changed based on a new collection template implemented with all NZ banks. Accordingly, the December 2016 comparatives have been restated. 7. Presented on a continuing operations basis.



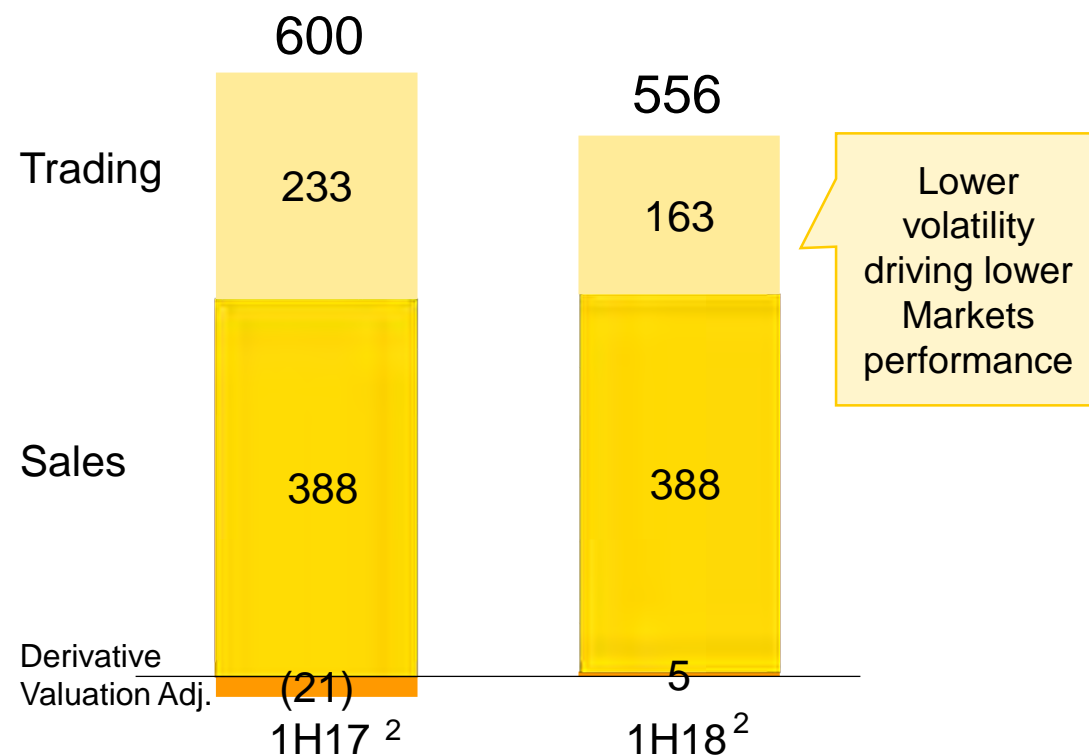
# Underlying other banking income broadly flat



Other banking income<sup>1</sup>  
\$m

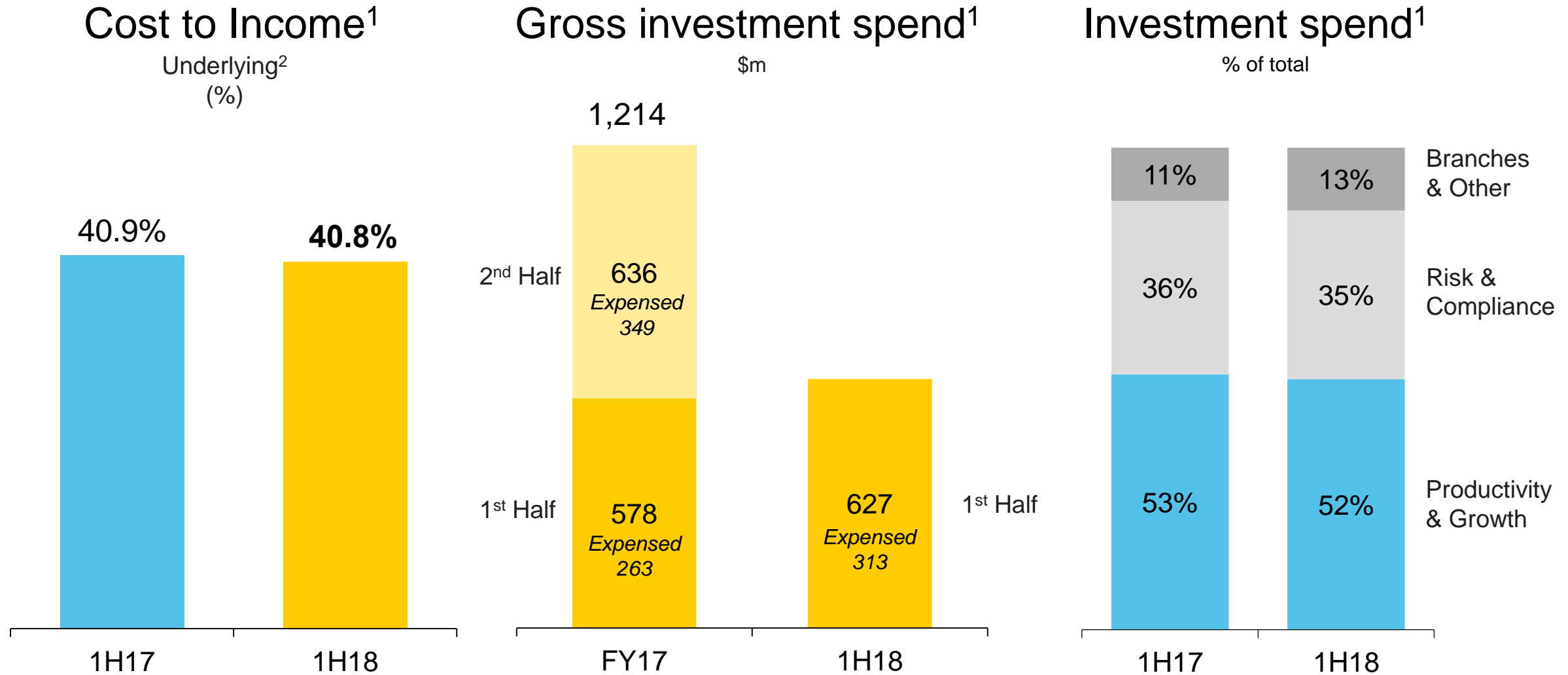


Trading income  
\$m



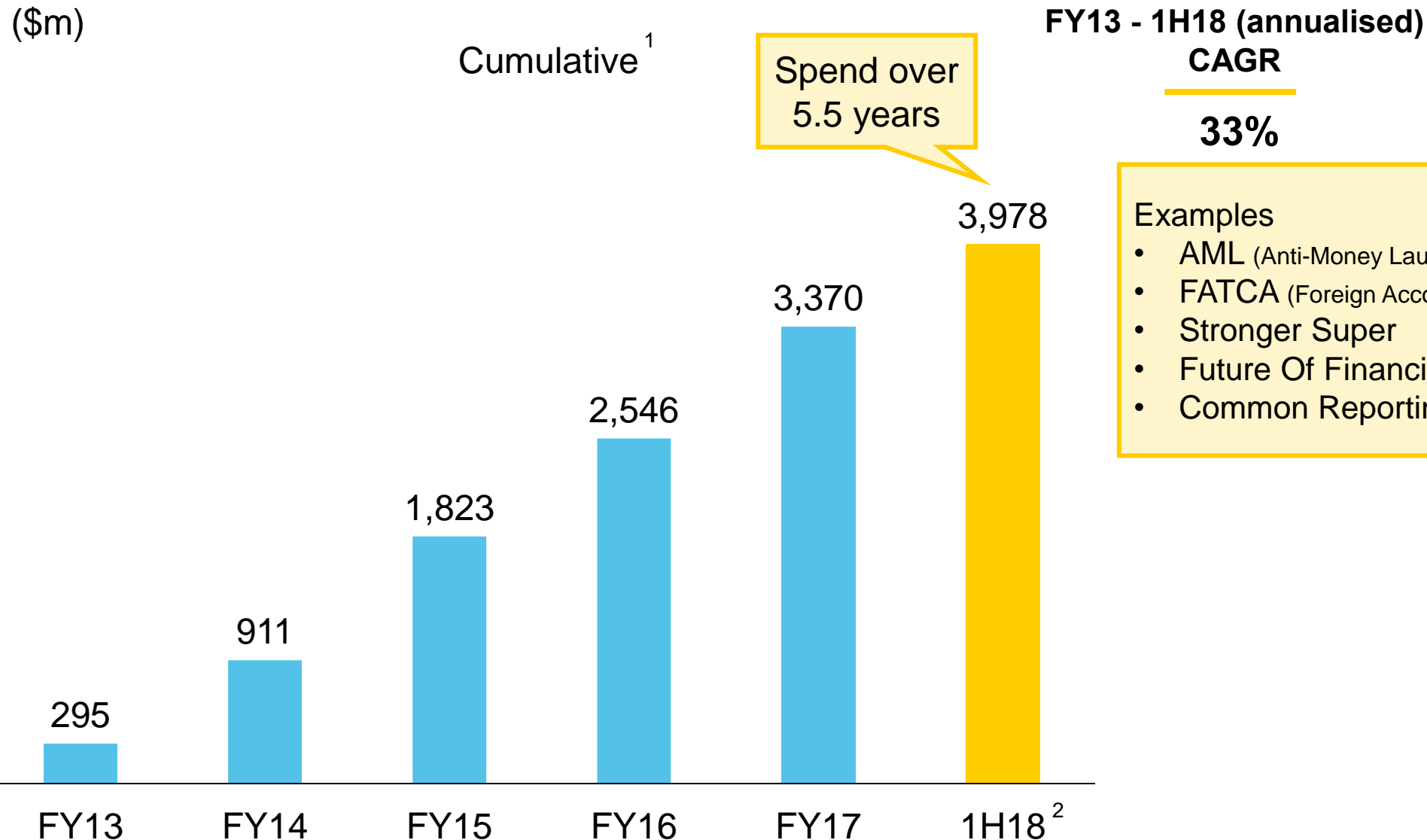
1. To present an underlying view of the result, the impact of consolidation and equity accounted profits of AHL has been excluded. 1H17 has been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc. 2. Presented on a continuing operations basis.

# Strategic approach to costs



1. Presented on a continuing operations basis. 2. To present an underlying view of the result, 1H17 has been adjusted to exclude a \$397m gain on sale of the Group's remaining investment in Visa Inc. and a \$393m one-off expense for acceleration of amortisation on certain software assets; the impact of consolidation and equity accounted profits of AHL has been excluded; and 1H18 is adjusted to exclude a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

# Increased risk & compliance spend



### Examples

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

1. Comparative information has been restated to conform to presentation in the current period, and is presented on a continuing operations basis. 2. Excludes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.





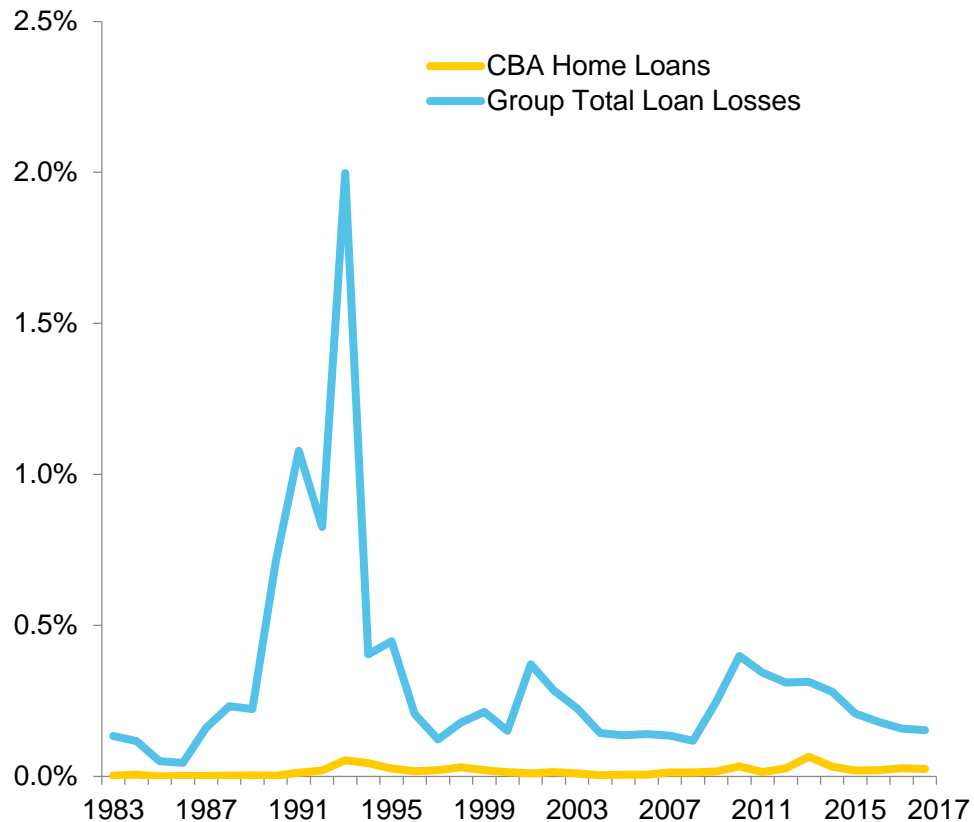
# Credit Quality & Risk Management

# CBA home loans



## Relatively low historical losses on the Group's home loan portfolio

Losses to average gross loans<sup>1</sup>



## Losses manageable under a highly stressed scenario

Stress scenario

3 year scenario of cumulative **31%** house price decline, peak **11%** unemployment and a reduction in the cash rate to **0.5%**

Outcomes (\$m)	Total	Year 1	Year 2	Year 3
Stressed Losses	4,165	755	1,296	2,114
Insured Losses	1,073	207	338	528
Net Losses <sup>2</sup>	3,092	548	958	1,586
Net Losses (bpts)	61.5	10.8	18.7	32.0
PD %	n/a	1.0	1.8	2.5

Marginal increase in scenario potential net loss outcomes<sup>2</sup> compared to prior period reflects conservative assessment of potential stress from higher risk segments (eg Western Australia, mining towns).

1. CBA Home Loans represents Australian Home Loans and includes Bankwest from 2009. 2. Net losses (bpts) is calculated as total net losses divided by average exposure over the three years. Net losses with consistent macro economic and LMI assumptions (50%). Scenario does not include any benefits of Excess of Loss Re-insurance. Results based on June 2017 data.

# Home loan portfolio – Australia



Portfolio <sup>1</sup>	Dec 16	Jun 17	Dec 17	New Business <sup>1</sup>	Dec 16	Jun 17	Dec 17
Total Balances - Spot (\$bn)	423	436	444	Total Funding (\$bn)	53	49	49
Total Balances - Average (\$bn)	416	423	440	Average Funding Size (\$'000) <sup>6</sup>	311	309	320
Total Accounts (m)	1.8	1.8	1.8	Serviceability Buffer (%) <sup>7</sup>	2.25	2.25	2.25
Variable Rate (%)	85	84	82	Variable Rate (%)	89	85	82
Owner Occupied (%)	63	63	64	Owner Occupied (%)	62	67	71
Investment (%)	33	33	32	Investment (%)	37	32	28
Line of Credit (%)	4	4	4	Line of Credit (%)	1	1	1
Proprietary (%)	54	54	55	Proprietary (%)	54	57	60
Broker (%)	46	46	45	Broker (%)	46	43	40
Interest Only (%) <sup>2</sup>	40	39	33	Interest Only – APRA (%) <sup>8</sup>	42	38	21
Lenders' Mortgage Insurance (%) <sup>2</sup>	23	22	22	Lenders' Mortgage Insurance (%) <sup>2</sup>	14	16	17
Low Doc (%) <sup>2</sup>	0.6	0.5	0.4				
Mortgagee In Possession (bpts)	5	5	5				
Annualised Loss Rate (bpts)	2	3	2				
Portfolio Dynamic LVR (%) <sup>3</sup>	51	50	50				
Customers in Advance (%) <sup>4</sup>	77	77	77				
Payments in Advance incl. offset <sup>5</sup>	35	33	33				
Offset Balances – Spot (\$bn)	36	37	41				

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, unless stated otherwise.
2. Excludes Line of Credit (Viridian LOC/Equity Line).
3. LVR defined as current balance/current valuation.
4. Any amount ahead of monthly minimum repayment; includes offset facilities.
5. Average number of monthly payments ahead of scheduled repayments.
6. Average Funding Size defined as funded amount / number of funded accounts.
7. Serviceability test based on the higher of the customer rate plus a 2.25% interest rate buffer or a minimum floor rate.
8. APRA benchmark reporting on a different basis using limits and includes all construction loans. Based on 3 months to June and December. Dec-16 value based on internal definition.

# Home loan portfolio – CBA

Portfolio <sup>1</sup>	Dec 16	Jun 17	Dec 17
Total Balances - Spot (\$bn)	357	368	374
Total Balances - Average (\$bn)	351	357	371
Total Accounts (m)	1.5	1.5	1.5
Variable Rate (%)	85	83	82
Owner Occupied (%)	61	61	63
Investment (%)	35	35	33
Line of Credit (%)	4	4	4
Proprietary (%)	58	59	59
Broker (%)	42	41	41
Interest Only (%) <sup>2</sup>	40	39	34
Lenders' Mortgage Insurance (%) <sup>2</sup>	21	20	20
Low Deposit Premium (%) <sup>2</sup>	6	6	6
Low Doc (%) <sup>2</sup>	0.6	0.5	0.5
Mortgagee In Possession (bpts)	5	5	5
Annualised Loss Rate (bpts)	3	3	3
Portfolio Dynamic LVR (%) <sup>3</sup>	50	49	48
Customers in Advance (%) <sup>4</sup>	76	76	76
Payments in Advance incl. offset <sup>5</sup>	37	35	35
Offset Balances – Spot (\$bn)	31	33	36

New Business <sup>1</sup>	Dec 16	Jun 17	Dec 17
Total Funding (\$bn)	47	41	42
Average Funding Size (\$'000) <sup>6</sup>	313	305	316
Serviceability Buffer (%) <sup>7</sup>	2.25	2.25	2.25
Variable Rate (%)	90	85	82
Owner Occupied (%)	62	65	69
Investment (%)	37	34	30
Line of Credit (%)	1	1	1
Proprietary (%)	57	62	64
Broker (%)	43	38	36
Interest Only – APRA (%) <sup>8</sup>	41	38	21
Lenders' Mortgage Insurance (%) <sup>2</sup>	13	14	15
Low Deposit Premium (%) <sup>2</sup>	4	5	4

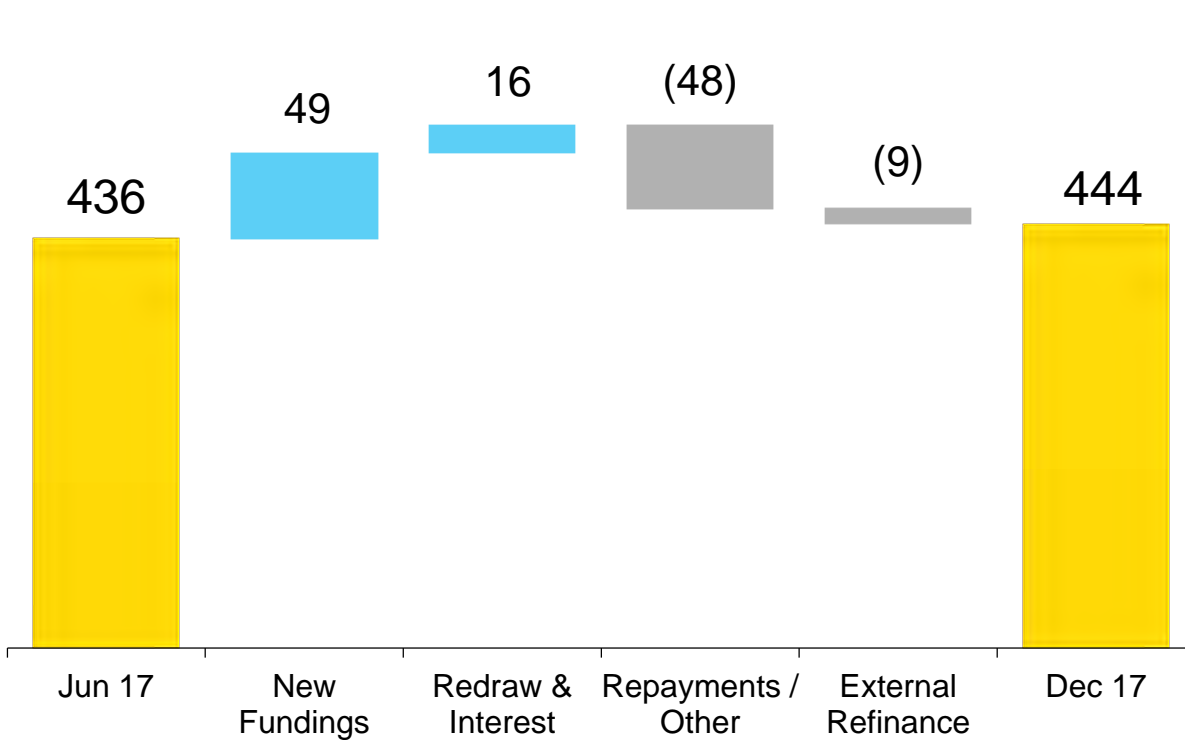
1. RBS retail mortgages, including those originated outside of RBS. All portfolio and new business metrics are based on balances and fundings respectively, unless stated otherwise. New business metrics are based on 6 months to June and December, unless stated otherwise.
2. Excludes Line of Credit (Viridian LOC).
3. Dynamic LVR defined as current balance/current valuation
4. Any amount ahead of monthly minimum repayment; includes offset facilities.
5. Average number of payments ahead of scheduled repayments.
6. Average Funding Size defined as funded amount / number of funded accounts.
7. Serviceability test based on the higher of the customer rate plus a 2.25% interest rate buffer or a minimum floor rate.
8. APRA benchmark reporting on a different basis using limits and includes all construction loans. Based on 3 months to June and December. Dec 16 value based on internal definition.

# Australian home loans – portfolio growth profile



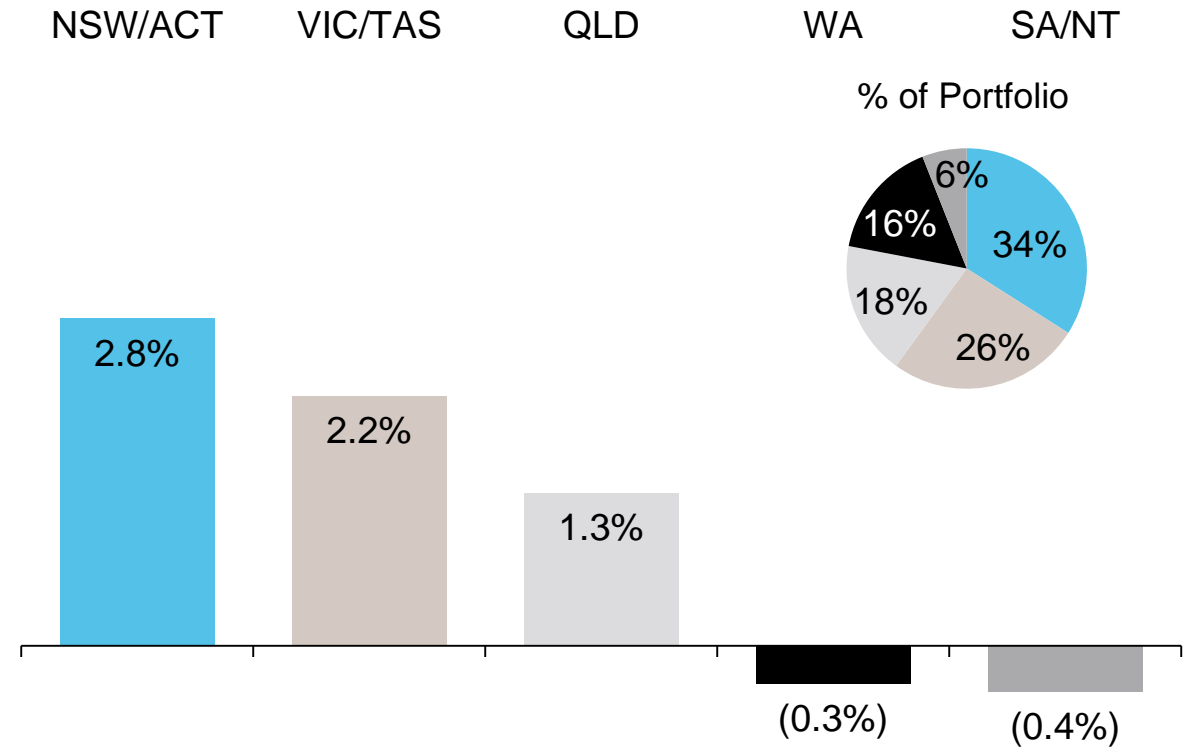
\$bn

## Balance Growth 1H18



## State Profile

1H18 Balance Growth



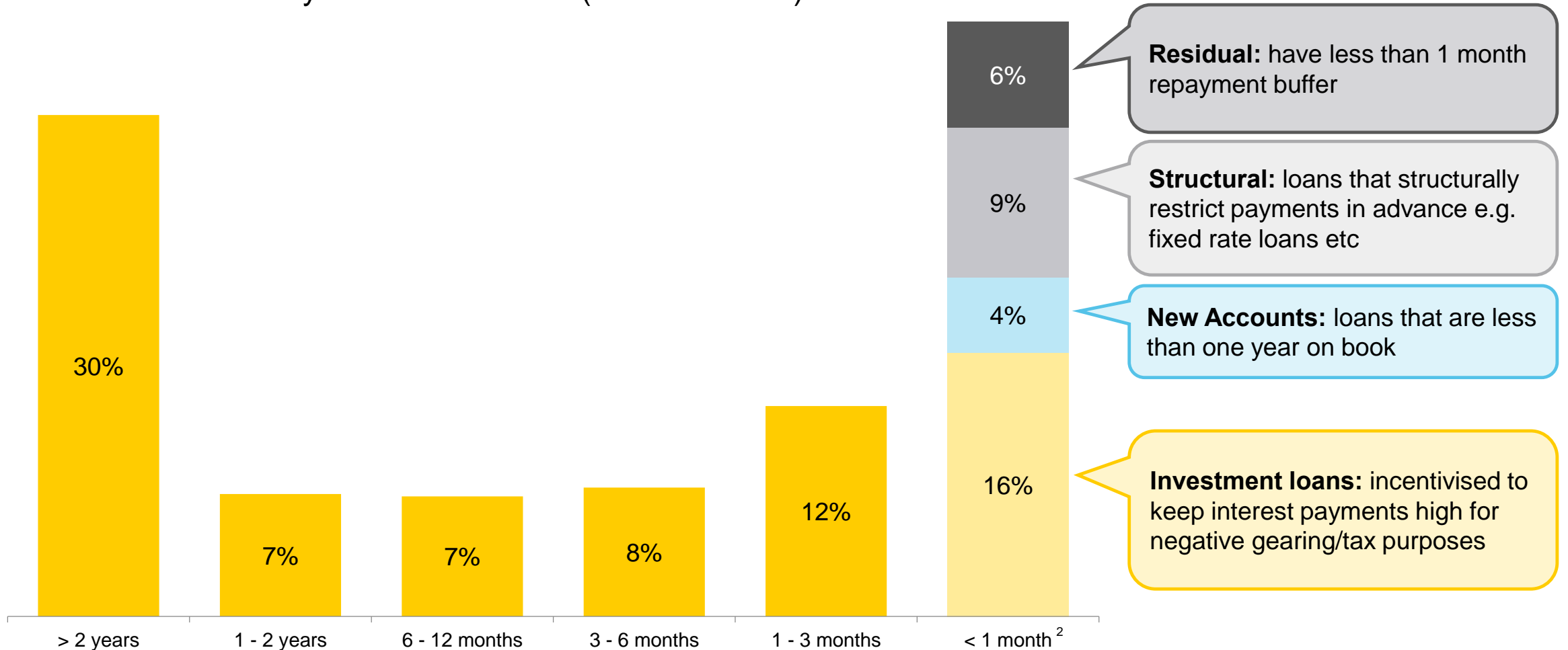
Includes CBA and Bankwest. State Profile exclude Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans (CBA) and Residential Mortgage Group (CBA) loans. State Profile determined by location of the underlying security



# Payments in advance<sup>1</sup>



Payments in advance (% of accounts)



1. CBA. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group loans; Includes offset facilities; Loans in arrears (1%) are excluded.

2. Consists of loans that are up-to-date (23%) and less than one month in advance (12%).



# Home loan serviceability



## Key Origination Requirements<sup>1</sup>

### Serviceability

#### Income

- 80% or lower cap on less certain income sources (e.g. rent, bonuses etc.)
- Limits on investor income allowances e.g. RBS restrict the use of negative gearing where LVR > 90%

#### Expenses

- Higher of declared expenses or HEM adjusted by income
- Buffer applied to existing mortgage repayments
- Notional monthly rental commitment for applicants living rent free and a minimum rental payment level

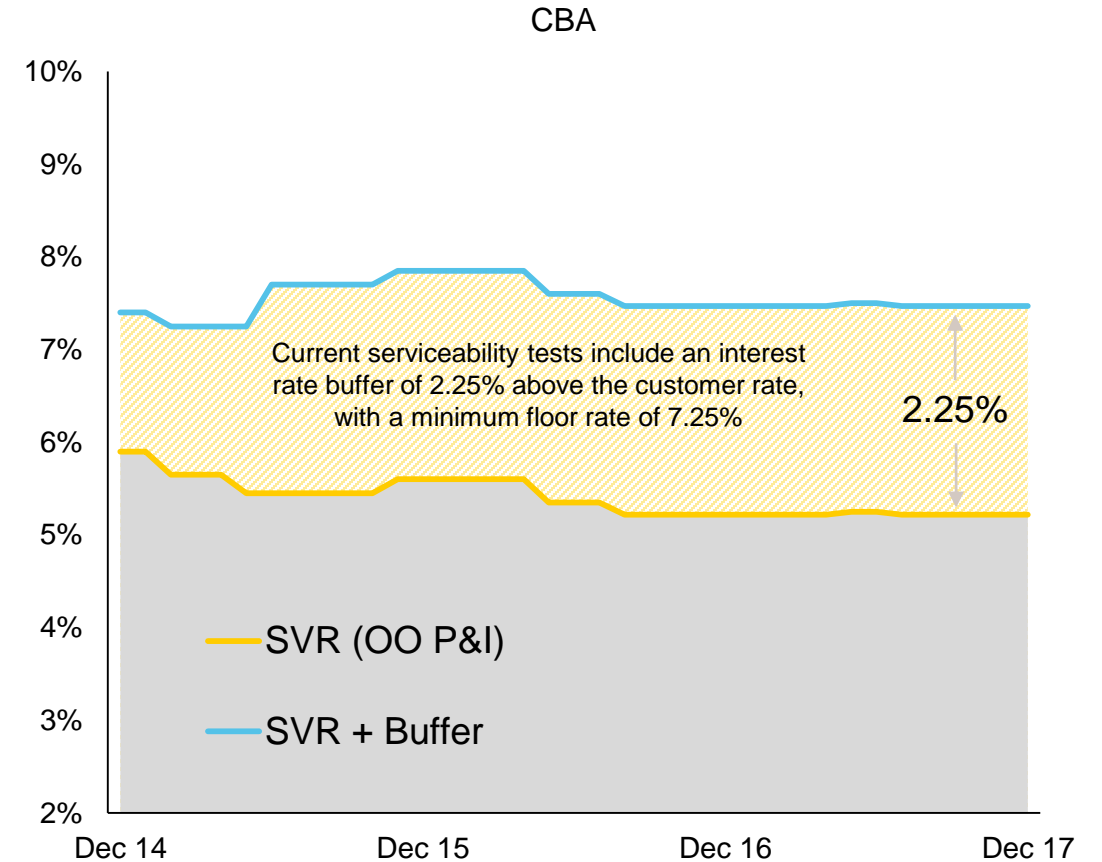
#### Interest rate buffer

Loan serviceability buffer of 2.25% above the customer rate, with a minimum floor rate (RBS: 7.25% pa, Bankwest: 7.35%)

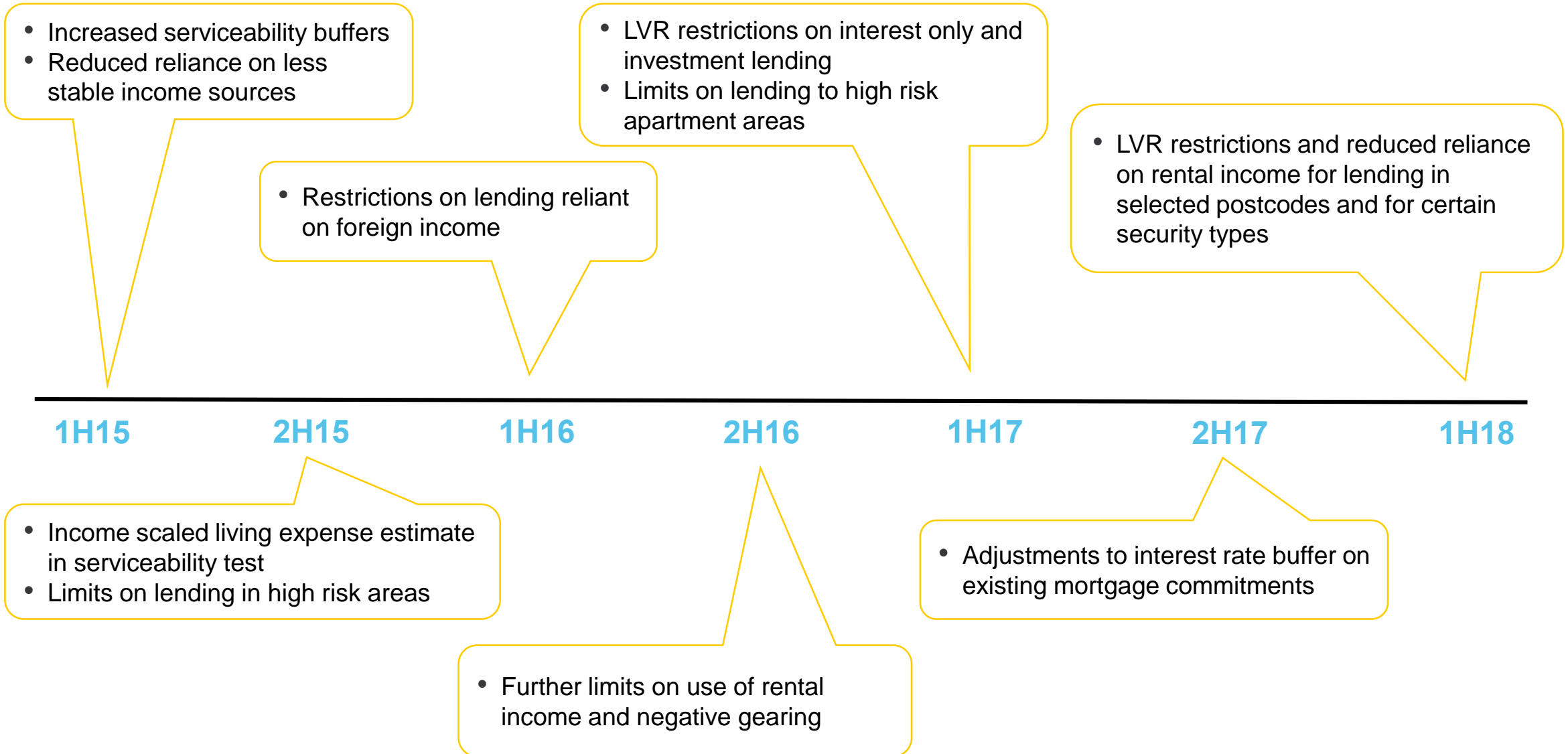
#### Interest only (IO)

IO loans assessed on principal and interest basis over the residual term of the loan

## Interest rate buffers built into serviceability tests<sup>2</sup>



# Australian home loans - policy tightening

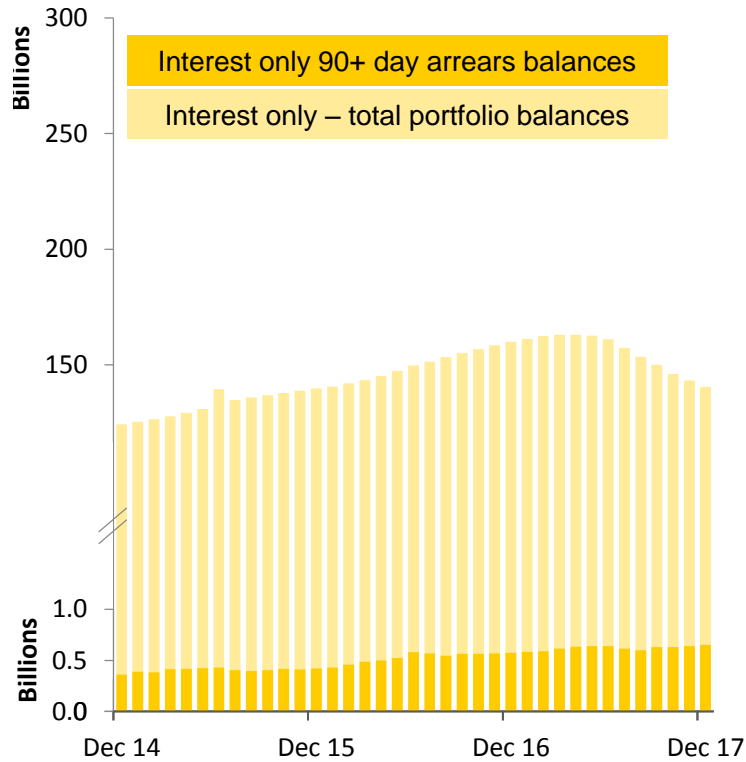


# Interest only - Australia



## Arrears Balances<sup>1</sup>

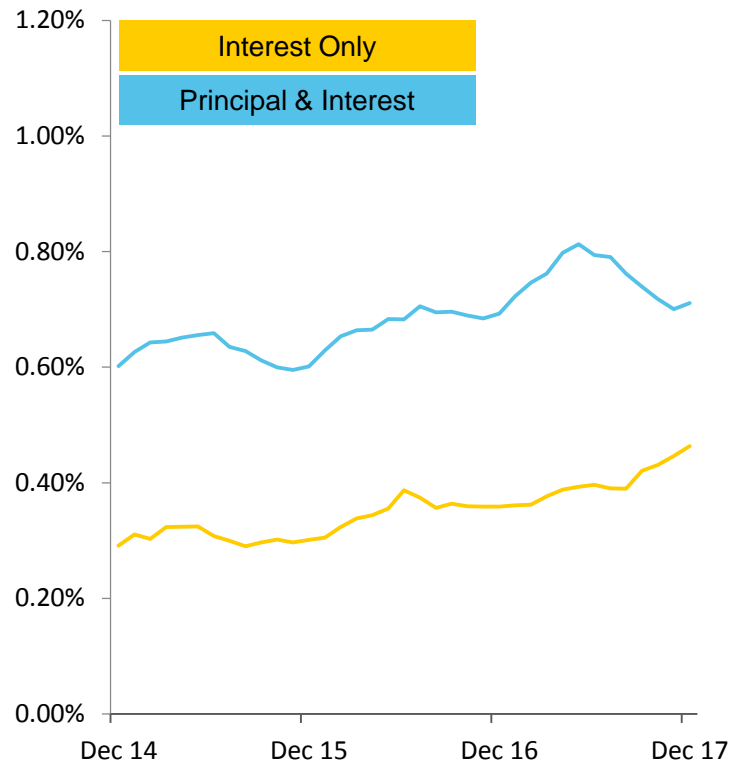
90+ days



Pricing and policy measures have reduced IO lending, while IO arrears balances have remained relatively flat

## Arrears<sup>1</sup>

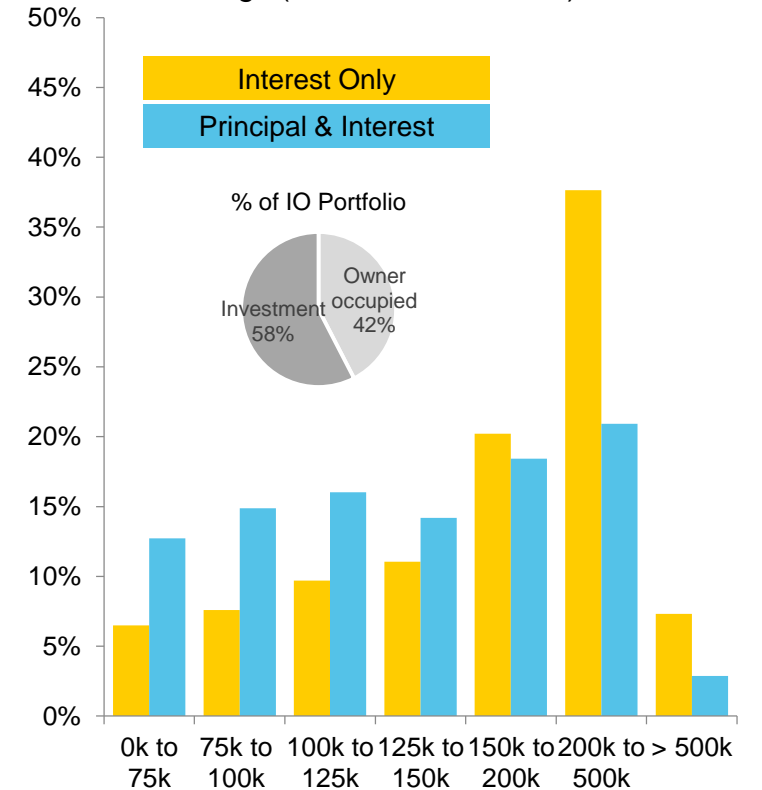
90+ days



IO arrears rate impacted by reducing IO portfolio balances

## Income Profile<sup>1</sup>

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



Borrower profile skewed toward higher income bands

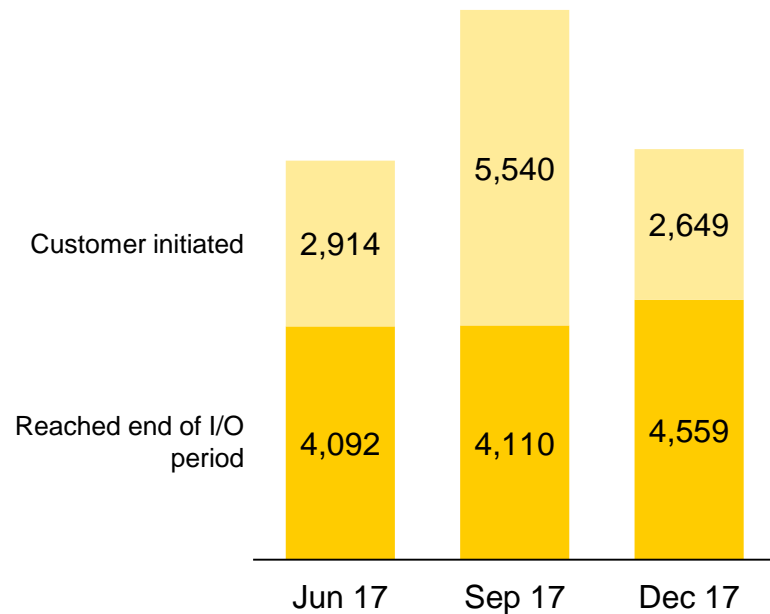
1. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group loans.

# Interest only (CBA) – switching



## Balance Movement (\$m)<sup>1</sup>

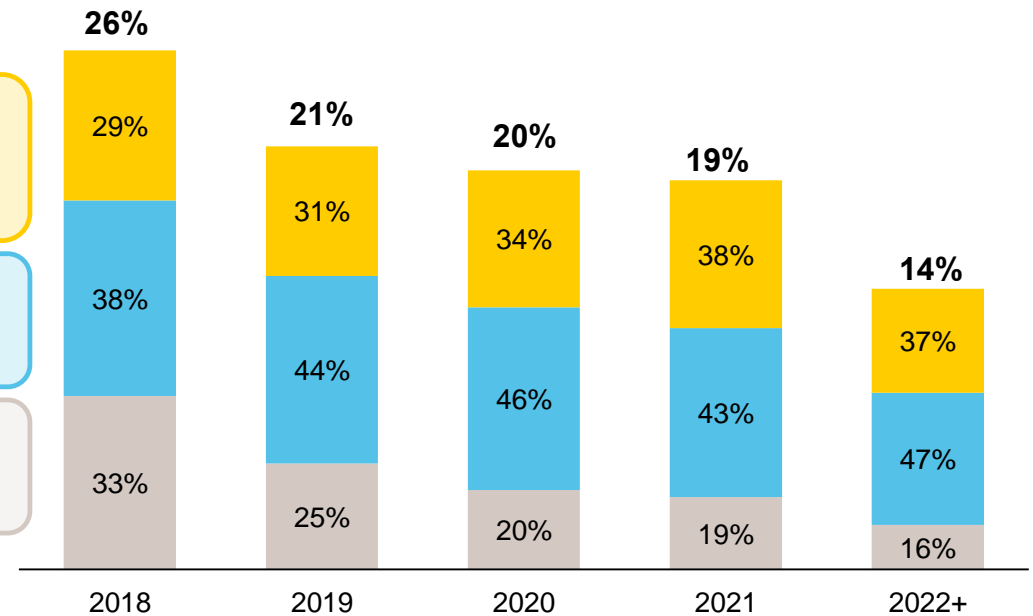
Interest Only (IO) to Principal and Interest (P&I)  
Quarterly



- Payments in advance > 6 months<sup>2</sup>:** accounts with a financial buffer to absorb any increased repayments
- Investment Loans:** incentivised to keep interest payments high for negative gearing/tax purposes
- Residual:** Over 80% originated after June 2015, with increased serviceability buffers

## Scheduled IO term expiry<sup>1</sup>

(% of total IO Loans)



- Pricing and policy tightening measures has encouraged switching to P&I
- Interest only loans assessed on P&I basis over residual term to ensure increased repayment levels can be met
- Additional serviceability buffers built into serviceability tests provide further support
- Approximately 26% expected to switch in 2018 – majority are investors and those with large payment buffers

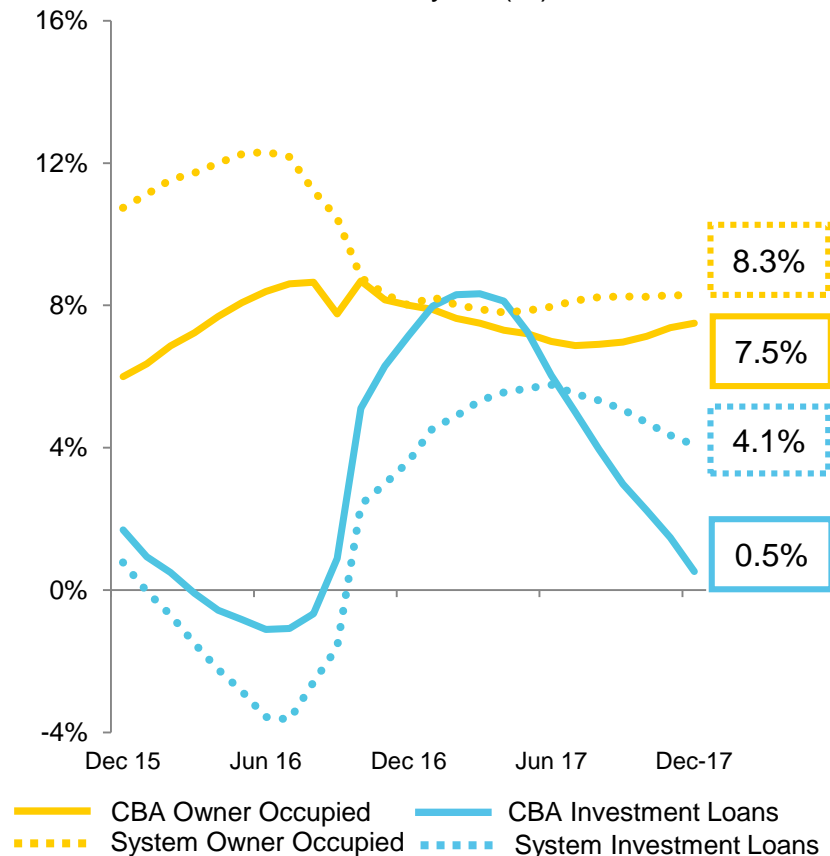
1. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loans and Residential Mortgage Group loans. 2. Payments in Advance defined as the number of monthly payments ahead of scheduled repayments by 6 or more months.

# Investor lending



## Growth<sup>1</sup>

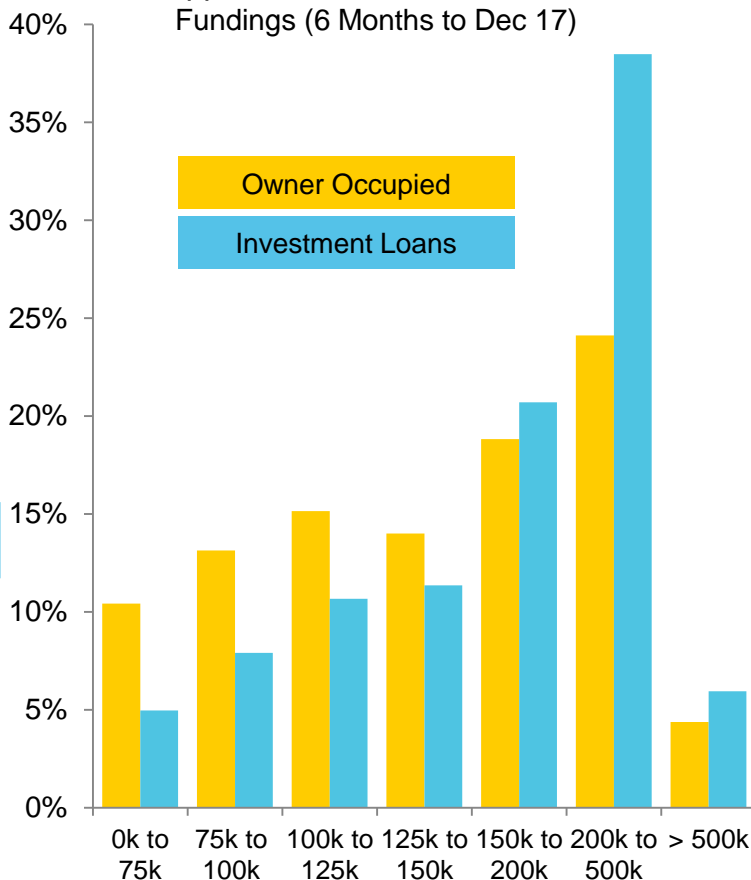
Year on year (%)



Investment home loan growth running below APRA 10% cap

## Income Profile<sup>2</sup>

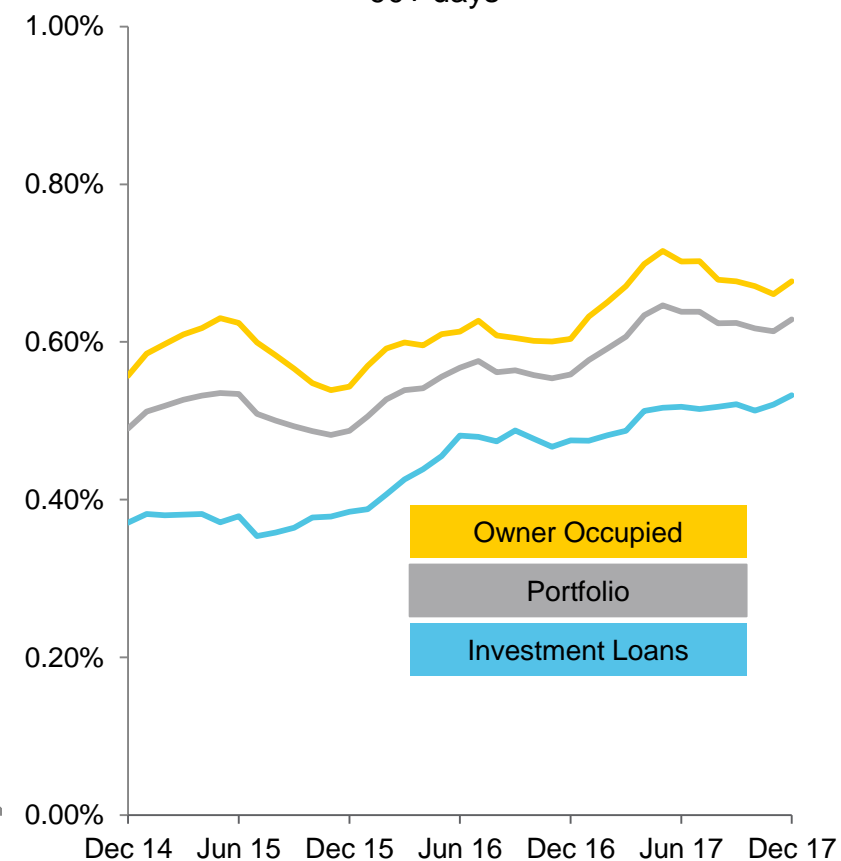
Applicant Gross Income Band Fundings (6 Months to Dec 17)



Investor borrowers skewed to higher income bands

## Arrears<sup>2</sup>

90+ days



Investment loan arrears below that of overall portfolio

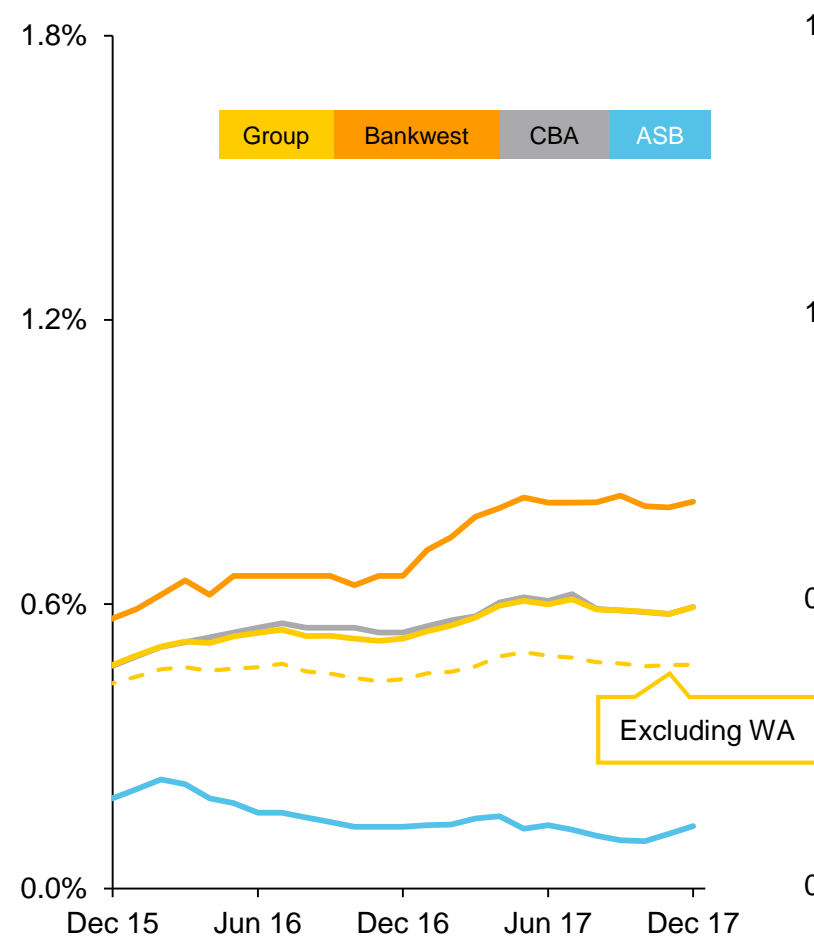
1. System source RBA. CBA includes BWA, securitisation and subsidiaries. 2. Australian Home Loans. Includes CBA and Bankwest except where noted. Income Bands, Arrears and Profile: excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan (CBA) and Residential Mortgage Group (CBA) loans except where noted. Fundings based on dollars.

# Home loan portfolio arrears



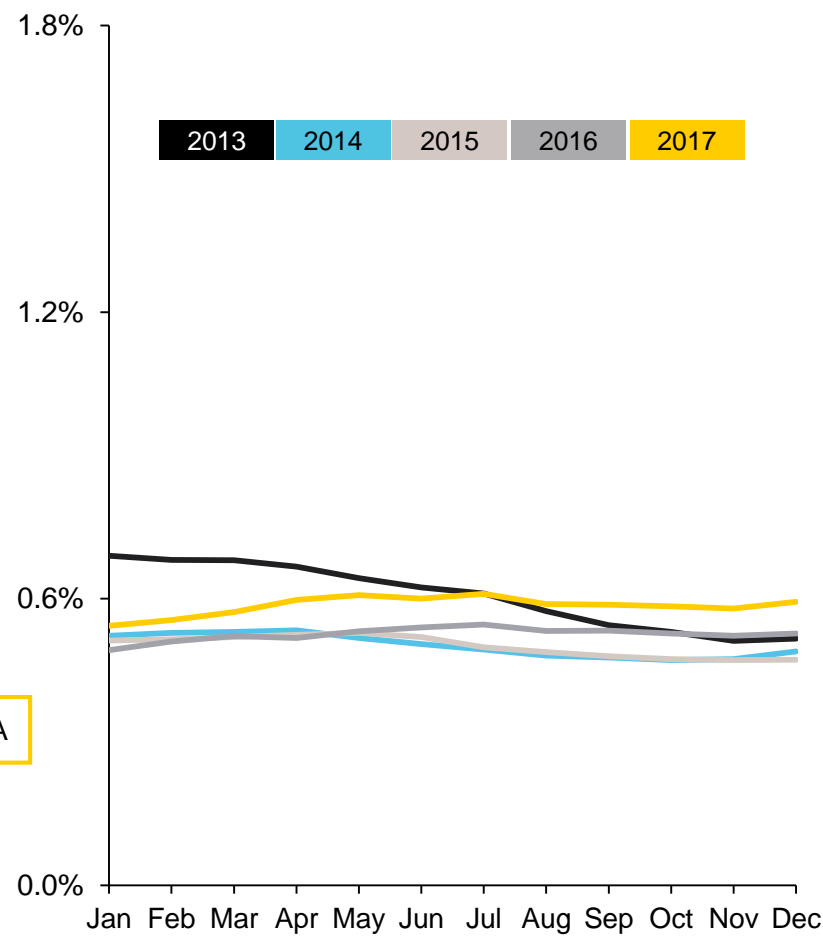
## Arrears by BU

Group 90+ days<sup>1</sup>



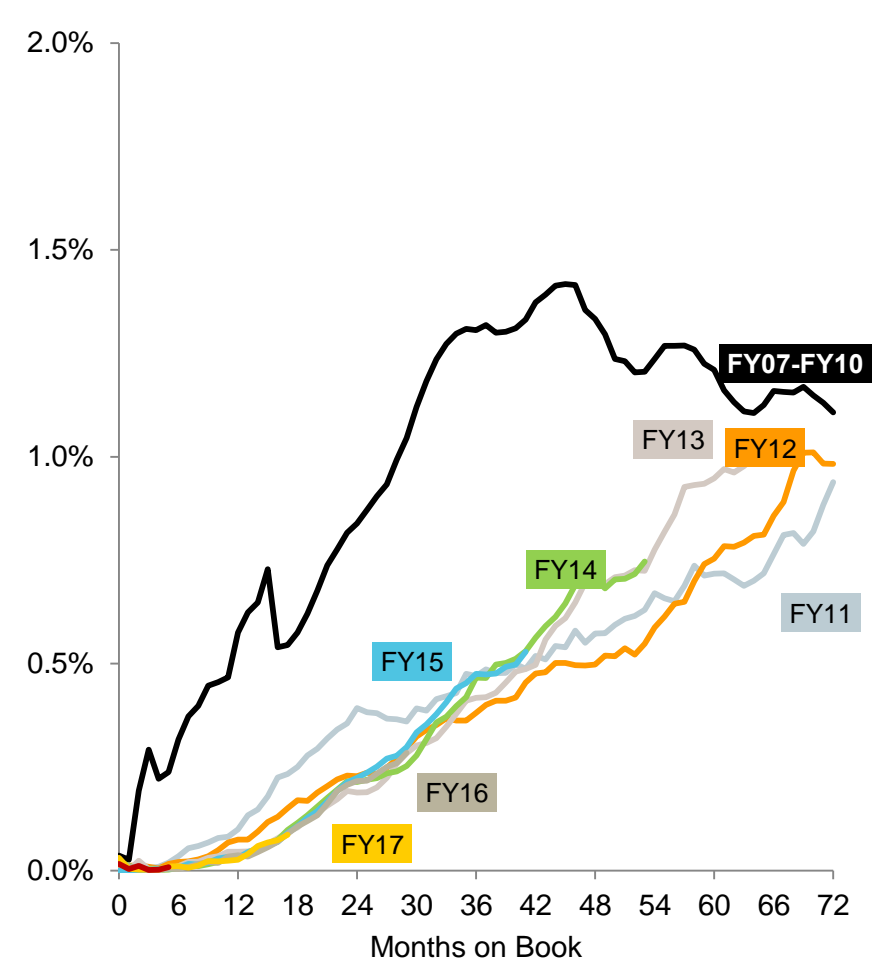
## Arrears by Year

Group 90+ days<sup>1</sup>



## Arrears by Vintage

Australia<sup>2</sup> 90+ days

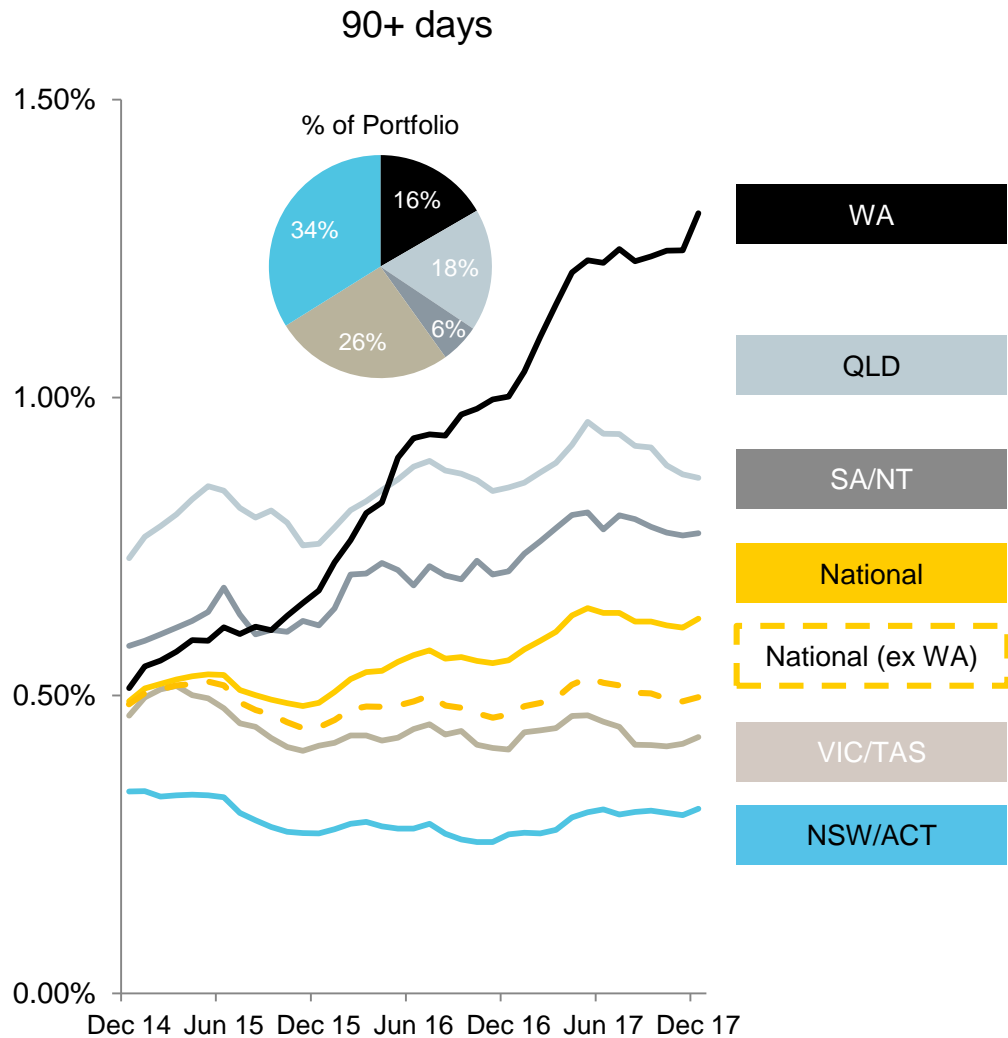


1. Excludes Line of Credit, Reverse Mortgage, Commonwealth Portfolio Loan (CBA only) and Residential Mortgage Group (CBA only) loans. 2. Bankwest included from FY08.

# Australian home loans arrears by State



## Home loan arrears



## Western Australia

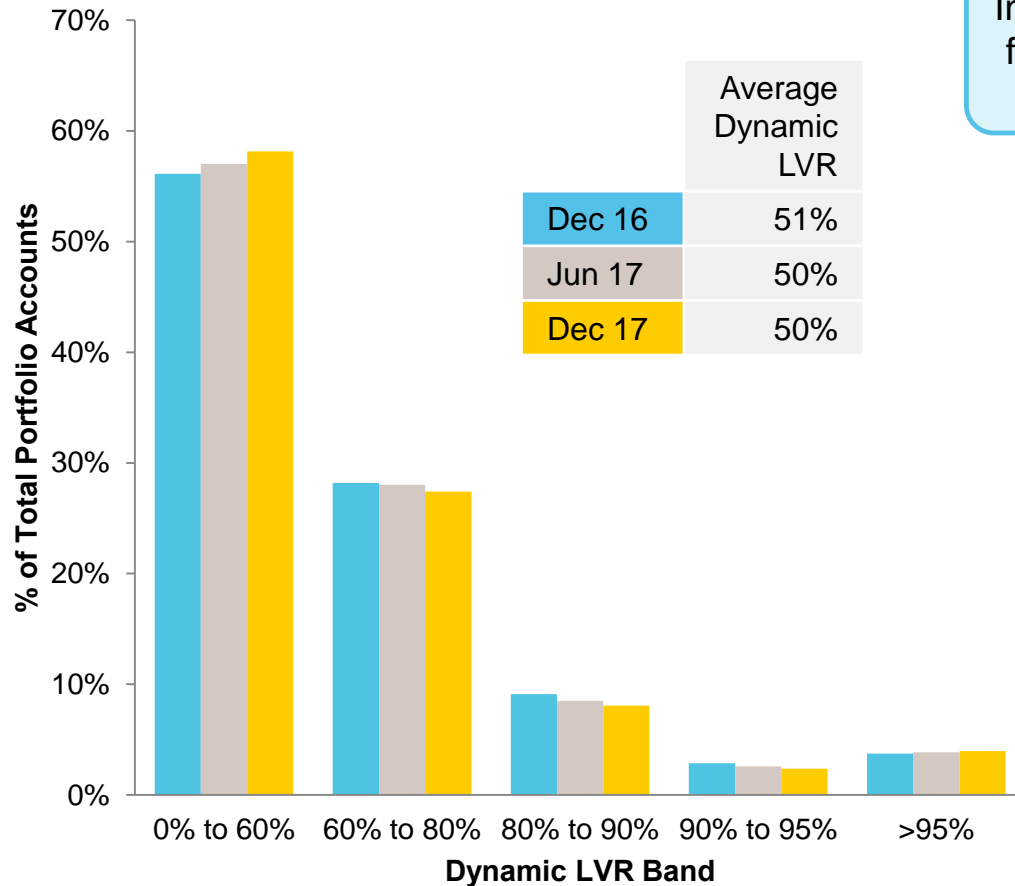
- Rigorous stress testing
- Credit policy tightening e.g. LVR caps, insurance requirements
- Tailored treatments by segment
- Early engagement with IHL accounts secured by multiple properties
- Increased provisions



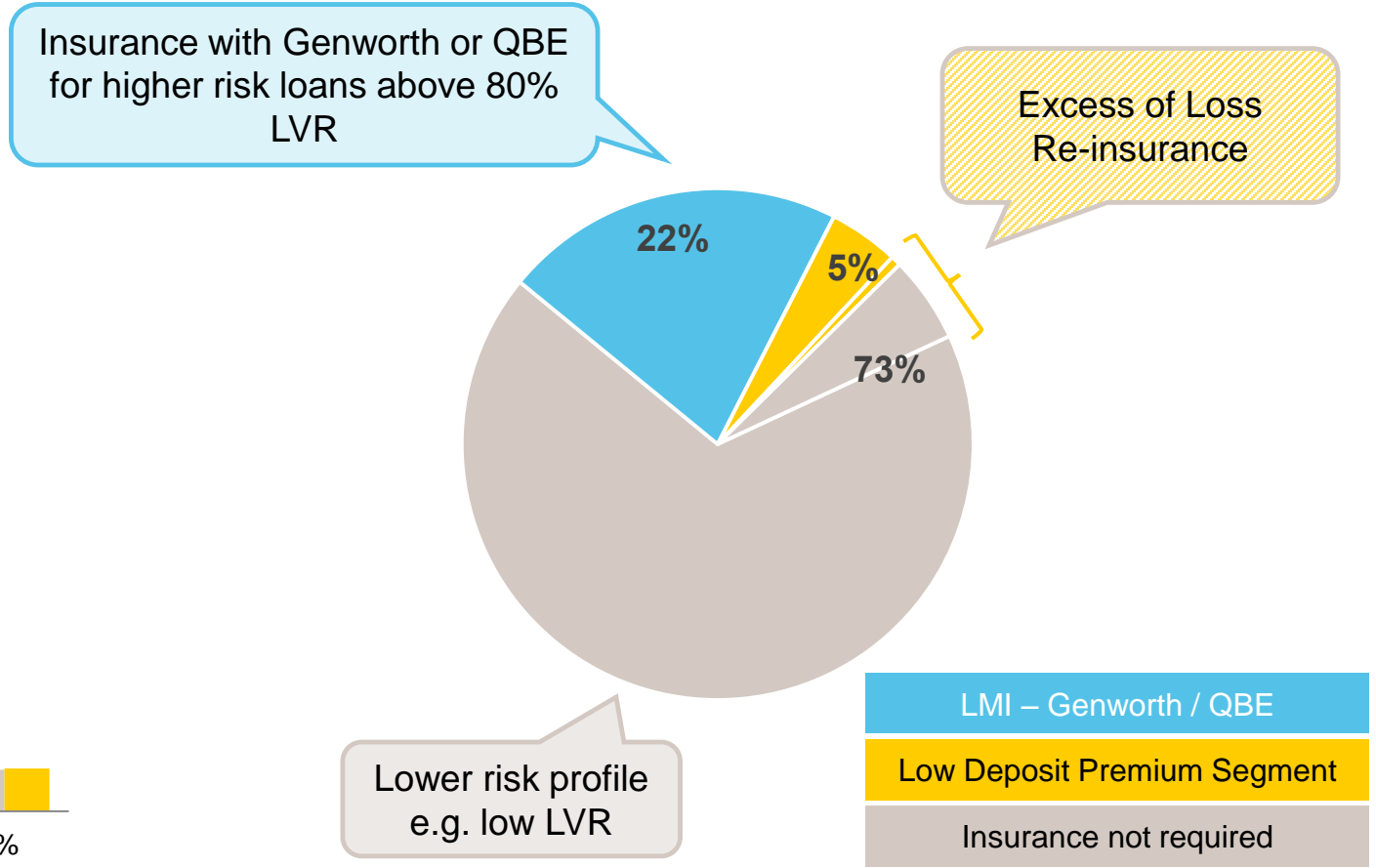
# Loan to Value Ratio (LVR) and portfolio insurance



## Home Loan Dynamic LVR<sup>1</sup>



## Portfolio Insurance Profile<sup>2</sup> % of Australian Home Loan portfolio

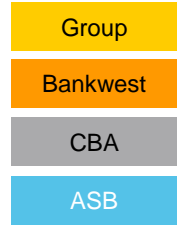
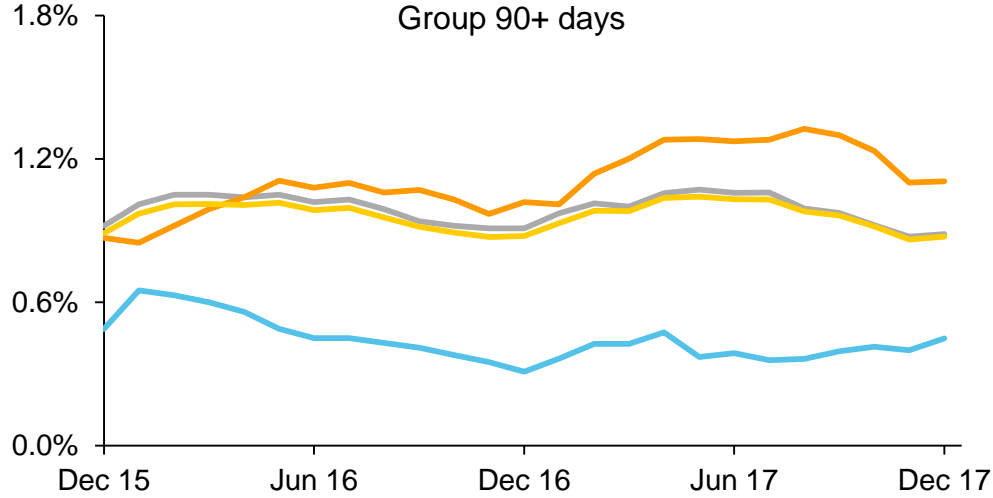


# Consumer arrears



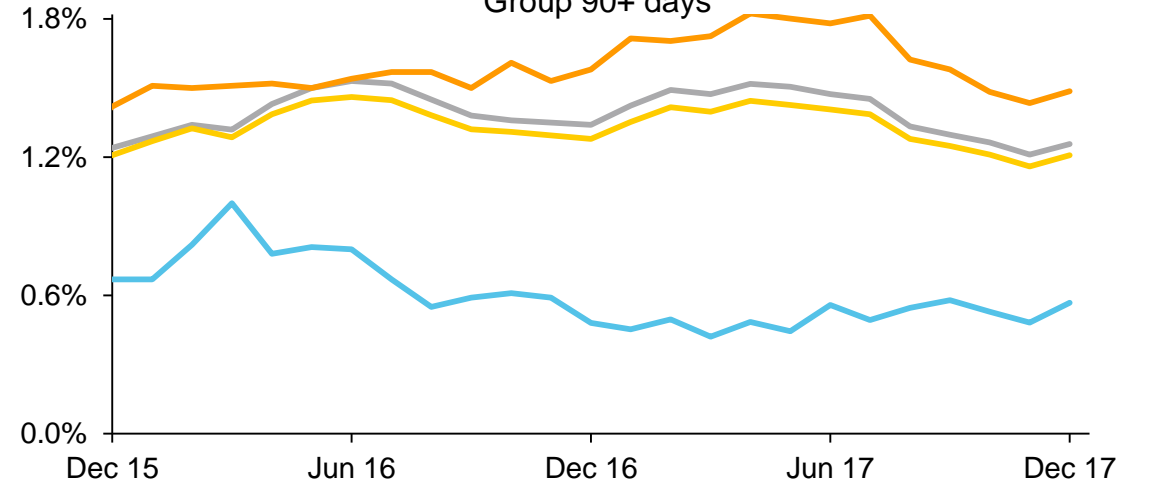
## Credit Cards

Group 90+ days



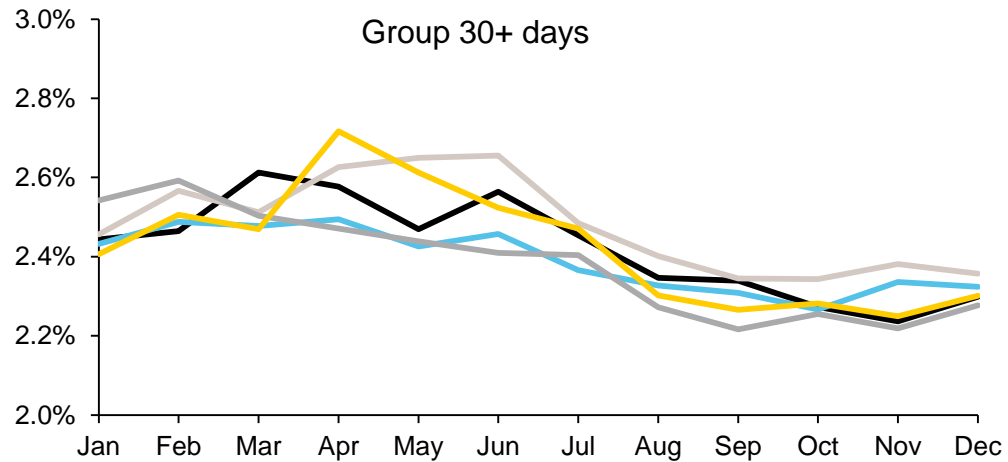
## Personal Loans

Group 90+ days



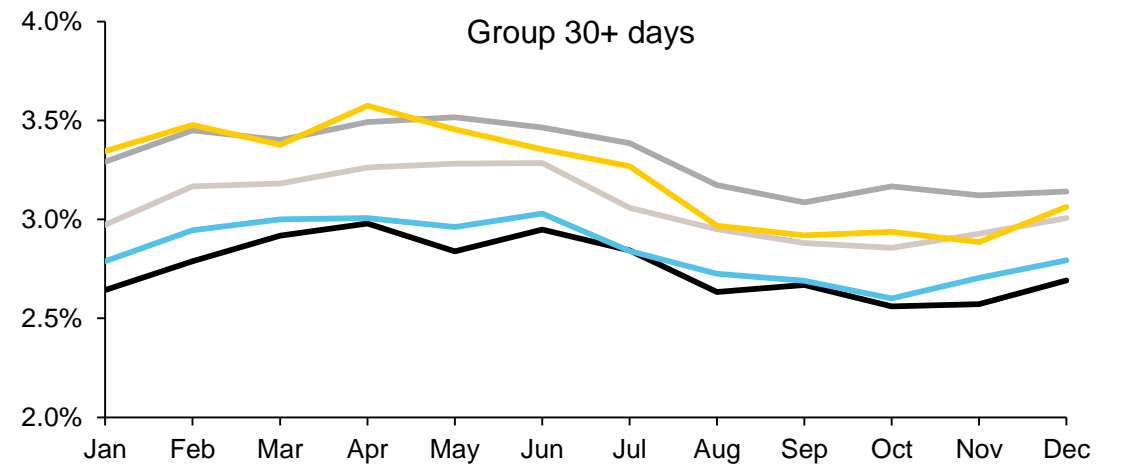
## Credit Cards

Group 30+ days



## Personal Loans

Group 30+ days



Consumer arrears includes retail portfolios of CBA (RBS and BPB), Bankwest and ASB. ASB write-off Credit Card and Personal Loans typically around 90 days past due if no agreed repayment plan.

# Regulatory exposure mix



Portfolio	Regulatory Credit Exposure Mix			
	CBA	Peer 1	Peer 2	Peer 3
Residential Mortgages	56%	41%	47%	57%
Corporate, SME, Specialised Lending	27%	31%	38%	29%
Bank	4%	5%	5%	2%
Sovereign	9%	15%	8%	8%
Qualifying Revolving	3%	3%	1%	2%
Other Retail	1%	5%	1%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Pillar 3 disclosures for CBA as at December 2017 and Peers as at September 2017. Excludes Standardised (including Other Assets, CVA) and Securitisation, which represents 5% of CBA, 5% of Peer 1, 6% of Peer 2 and 5% of Peer 3 before exclusions.

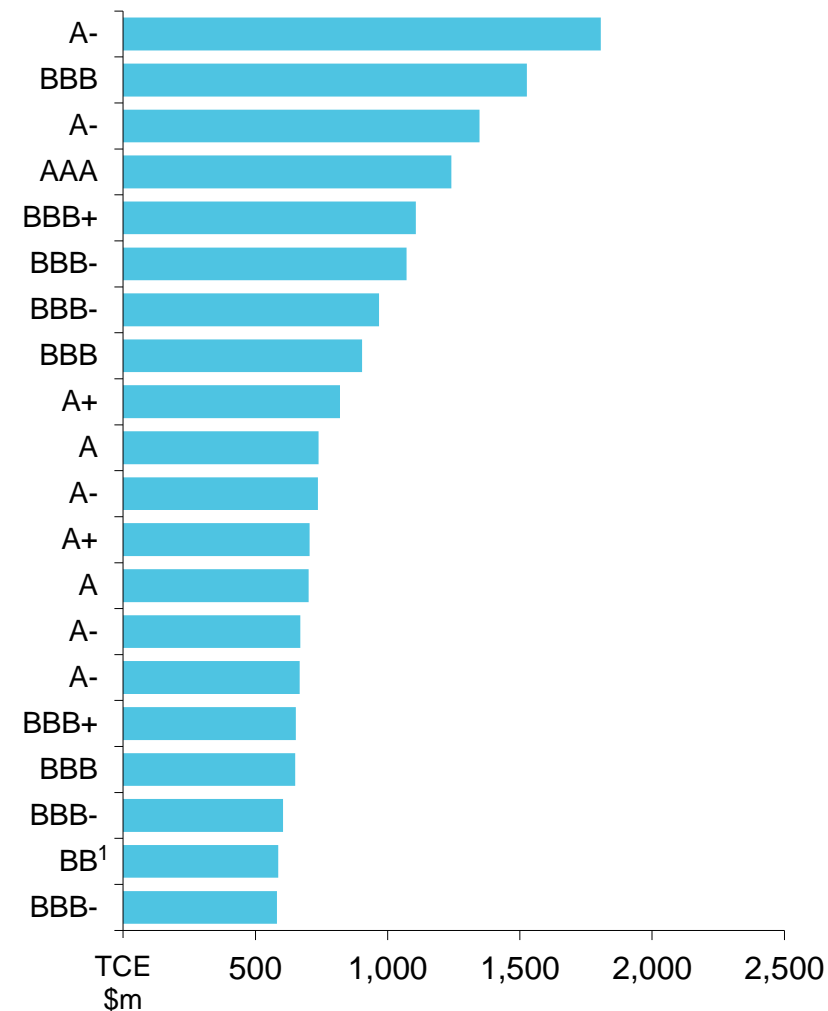
# Sector exposures



## Exposures by Industry

TCE \$bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Dec 17
Sovereign	96.8	7.5	0.5	0.1	104.9
Property	2.1	6.4	13.6	45.7	67.8
Banks	26.5	22.2	4.5	2.4	55.6
Finance - Other	21.9	21.8	8.2	2.6	54.5
Retail & Wholesale Trade	-	2.0	6.0	14.9	22.9
Agriculture	-	0.3	2.8	18.4	21.5
Manufacturing	-	2.7	5.4	7.2	15.3
Transport	0.1	1.5	8.7	5.7	16.0
Mining	0.1	3.8	5.9	4.0	13.8
Energy	0.3	1.5	8.3	1.6	11.7
All other excl. Consumer	1.3	6.4	20.6	42.9	71.2
<b>Total</b>	<b>149.1</b>	<b>76.1</b>	<b>84.5</b>	<b>145.5</b>	<b>455.2</b>

## Top 20 Commercial Exposures

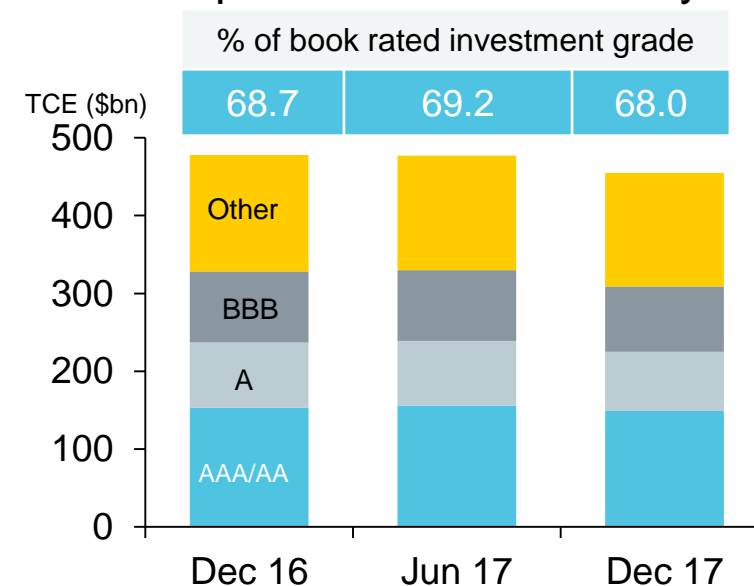


CBA grades in S&P equivalents. 1. BB exposure fully secured by property.

# Credit exposures by industry

	Group TCE <sup>1</sup>		TIA \$m		TIA % of TCE <sup>1</sup>	
	Jun 17	Dec 17	Jun 17	Dec 17	Jun 17	Dec 17
Consumer	55.4%	56.6%	1,578	1,581	0.26%	0.26%
Sovereign	9.7%	9.7%	-	-	-	-
Property	6.4%	6.3%	693	586	0.99%	0.86%
Banks	6.1%	5.2%	9	9	0.01%	0.02%
Finance – Other	5.0%	5.1%	50	35	0.09%	0.06%
Retail & Wholesale Trade	2.2%	2.1%	474	488	2.00%	2.13%
Agriculture	2.0%	2.0%	1,019	876	4.70%	4.07%
Manufacturing	1.6%	1.4%	430	290	2.47%	1.90%
Transport	1.6%	1.5%	436	399	2.51%	2.49%
Mining	1.4%	1.3%	477	409	3.23%	2.97%
Business Services	1.3%	1.3%	165	349	1.13%	2.56%
Energy	1.1%	1.1%	90	9	0.72%	0.08%
Construction	0.7%	0.8%	290	223	3.70%	2.73%
Health & Community	0.8%	0.9%	197	225	2.27%	2.42%
Culture & Recreation	0.7%	0.7%	54	47	0.73%	0.66%
Other	4.0%	4.0%	538	509	1.24%	1.18%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6,500</b>	<b>6,035</b>	<b>0.60%</b>	<b>0.56%</b>

## Corporate Portfolio Quality



CBA grades in S&P equivalents.

## Group TCE by Geography

	Dec 16	Jun 17	Dec 17
Australia	76.4%	76.9%	77.7%
New Zealand	9.7%	9.7%	9.9%
Europe	5.8%	5.5%	4.9%
Other	8.1%	7.9%	7.5%

1. Comparatives have been restated to conform to treatment in current period.

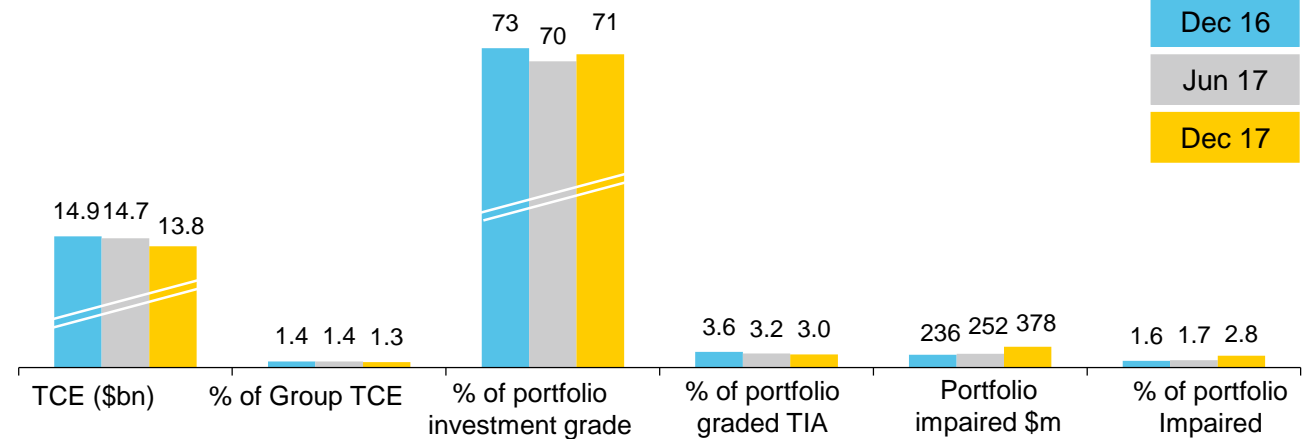
# Mining, oil & gas – lower exposure



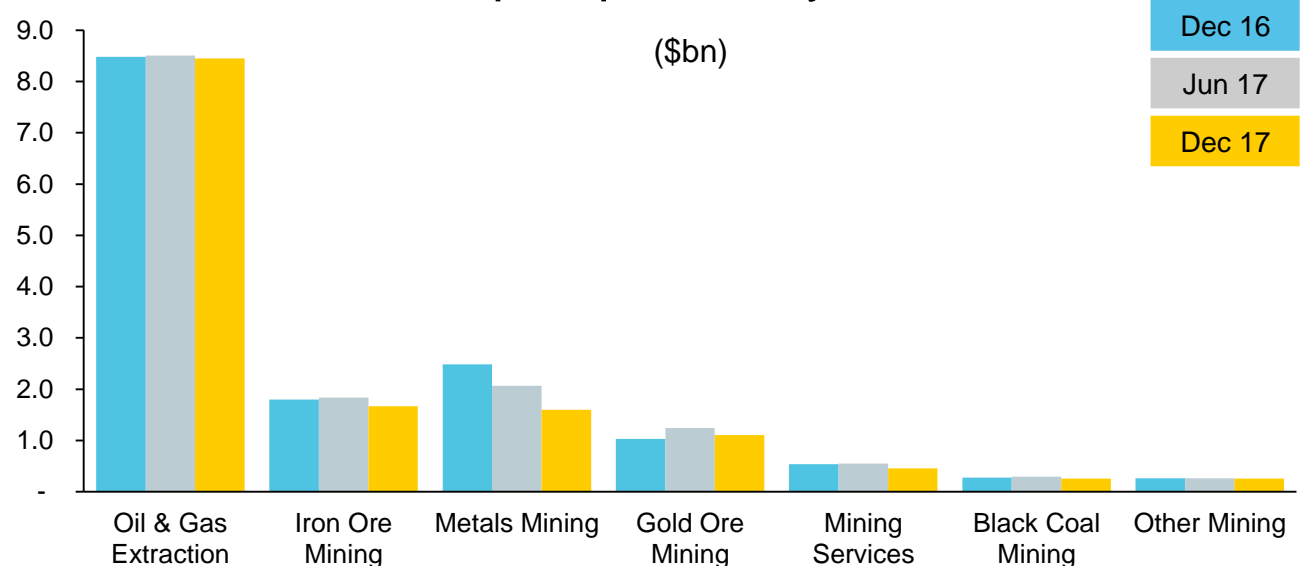
## Overview

- Exposure of \$13.8bn (1.3% of Group TCE), \$0.9bn reduction on prior half due to repayments and lower uncommitted facility utilisations.
- Relatively stable performance over the past 12 months:
  - 71% investment grade.
  - Diversified by commodity/customer/region.
  - Focus on quality, low cost projects with strong fundamentals and sponsors.
- Mining services exposure remains modest (4% of total).
- Oil and Gas Extraction is the largest sub-sector (62% of total): 74% investment grade with 31% related to LNG Terminals – typically supported by strong sponsors with significant equity contribution and offtake contracts from well-rated counterparties.
- Portfolio impaired level increased to 2.8% due to the migration of one client from Troublesome to Impaired.
- Better trading conditions across the sector and stronger commodity prices in general during 1st half of FY18.
- Improved outlook, however remain cautious of risk of commodity price pull back.

## Group Exposure



## Group Exposure by Sector



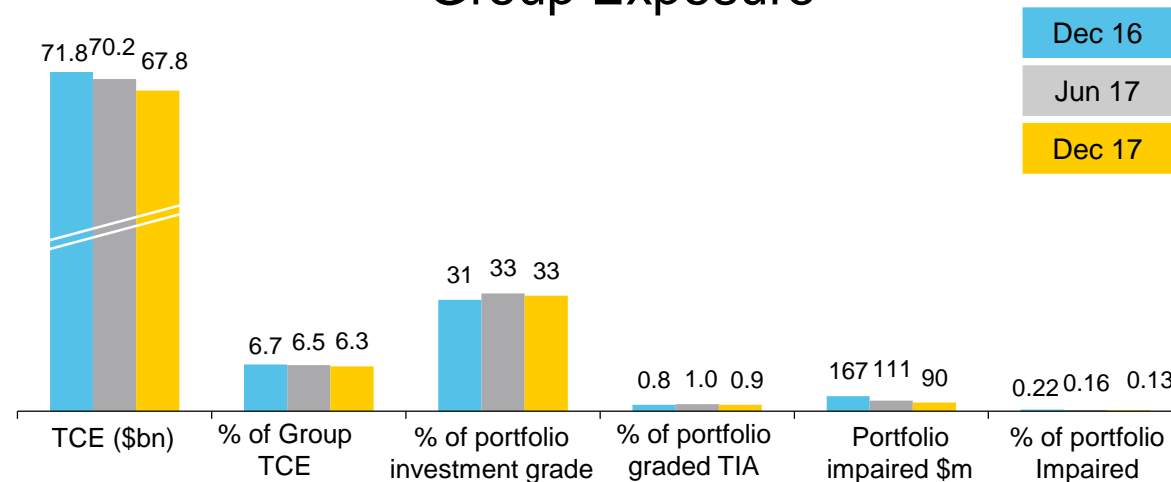
# Commercial property – lower exposure



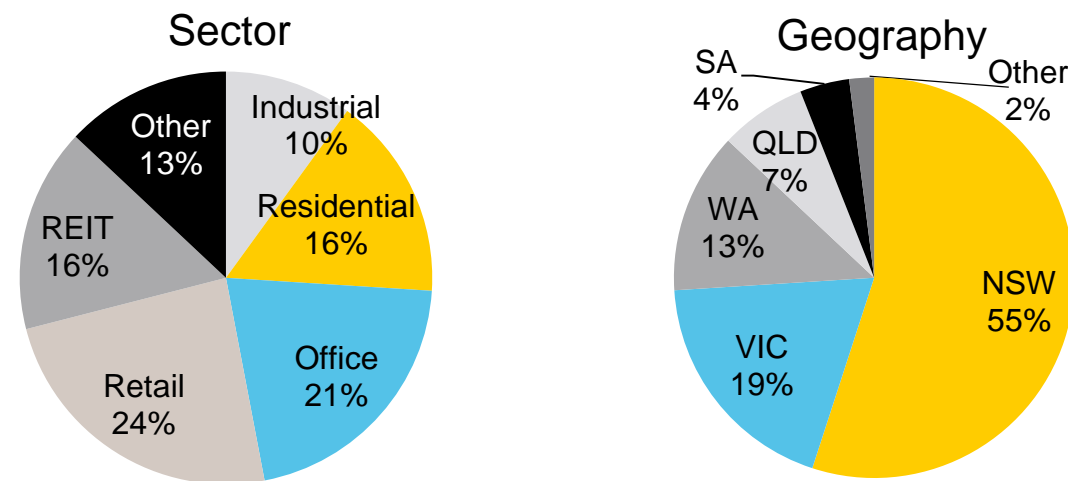
## Overview

- Exposure has reduced in the half year. Remains diversified across sectors and by counterparty.
- Composition remains steady in last 6 months with 86.2% of Commercial Property exposure to investors and REITS, 13.8% to Developments.
- Top 20 counterparties primarily investment grade (weighted average rating of BBB equivalent) and account for 14.8% of Commercial property exposure.
- 33% of the portfolio investment grade, majority of sub-investment grade exposures secured (97%).
- Impaired exposures remain low (0.1% of the portfolio).
- Geographical weighting remaining steady during the half.
- Development exposure continues to reduce due to repayments from completed projects and active management of risk appetite in areas of concern.
- Ongoing comprehensive market, exposure and underwriting monitoring on the portfolio.

## Group Exposure



## Profile





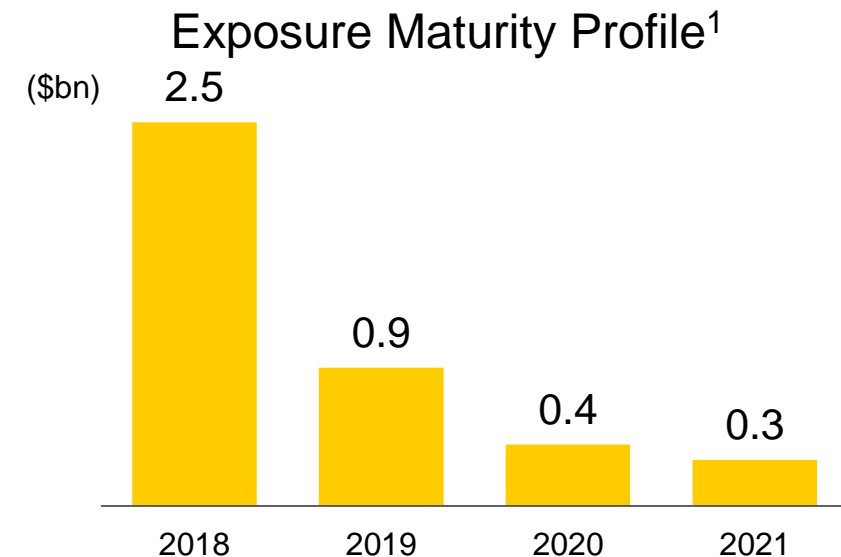
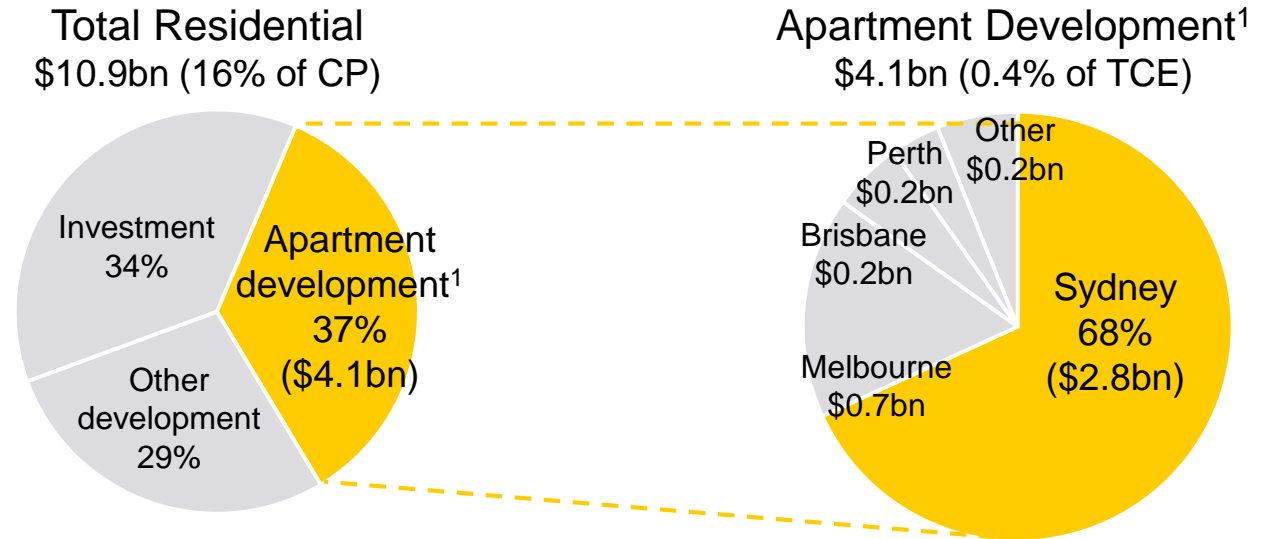
# Residential apartments – weighted to Sydney

## Overview<sup>1</sup>

- Apartment Development exposure reduced \$0.4bn for the half.
- Facilities being repaid on time from pre-sale settlements.
- Weighting to Sydney increasing as exposures to other capital cities reducing proportionally quicker.
- Qualifying pre-sales of 109.9%<sup>2</sup>.
- Lower Portfolio LVR of 57.0%.
- Sydney developments are diversified across the metropolitan area.
- Ongoing comprehensive market, exposure and settlement monitoring on the portfolio.

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

## Profile (Dec 17)



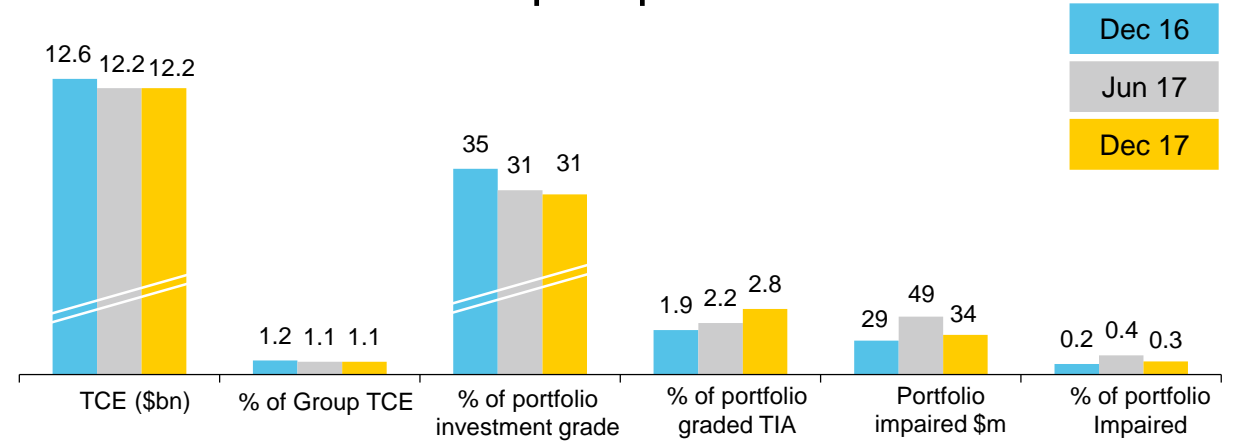
# Retail trade



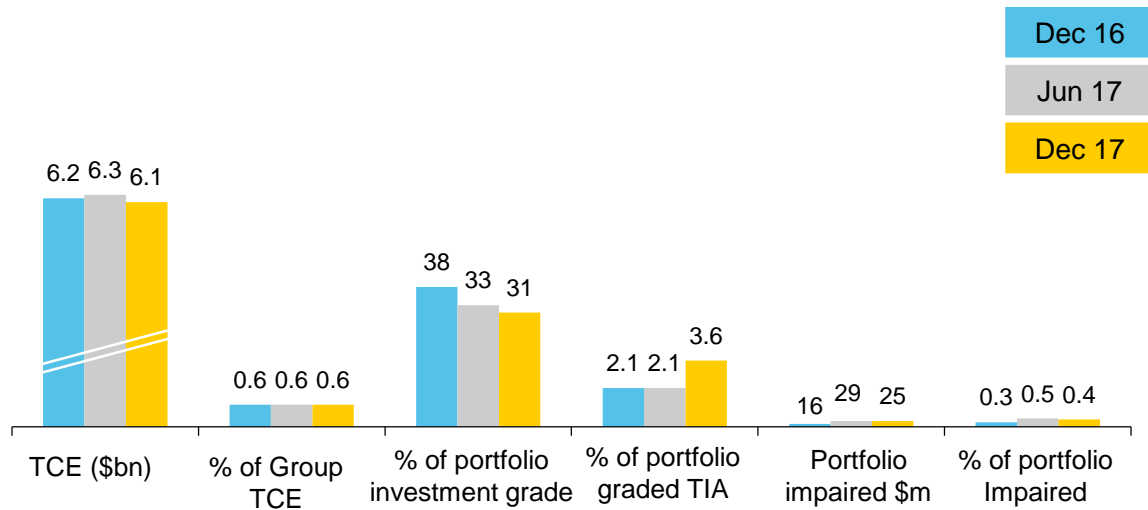
## Overview

- Exposure of \$12.2bn (1.1% of Group TCE), stable on prior half
- Personal and household good retailing accounts for \$6.1bn (0.6% of Group TCE)
- Volume and margin competition continues to effect the Discretionary Retail sector in particular
- Despite pressures in the sector, portfolio health remains sound

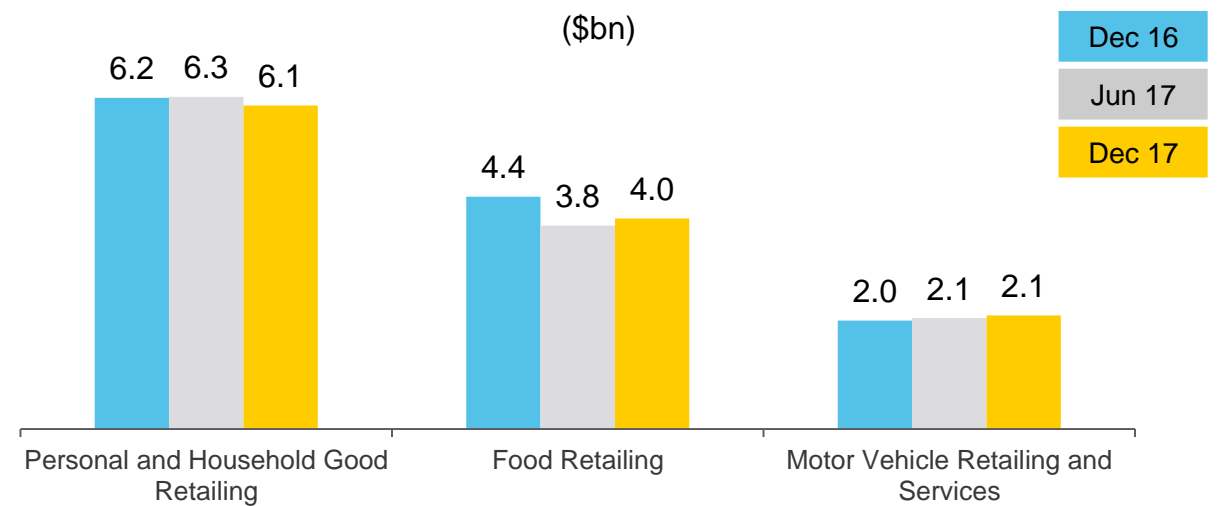
## Group Exposure



## Personal and Household Good Retailing



## Group Exposure by Sector



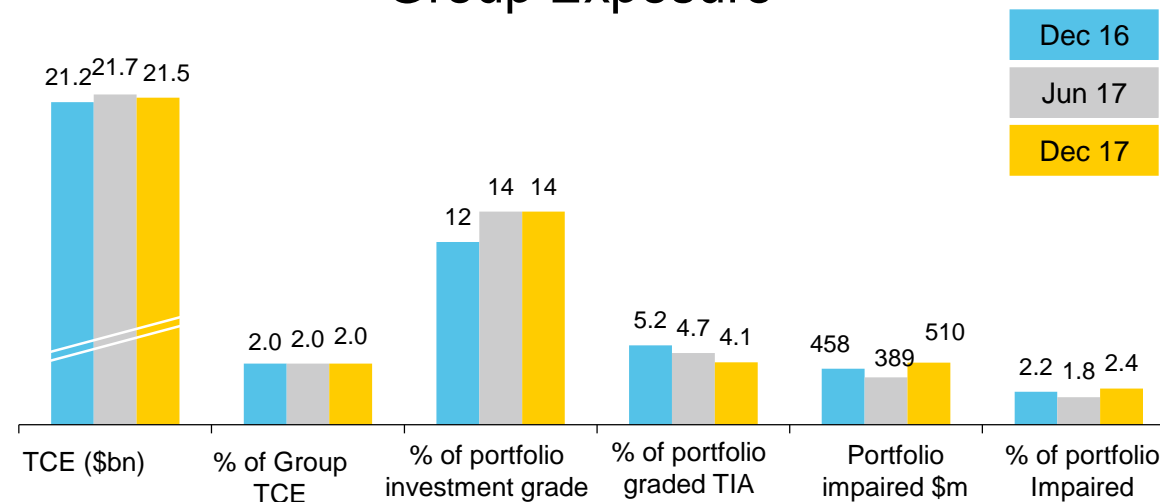
# Agriculture – NZ Dairy portfolio quality generally improving



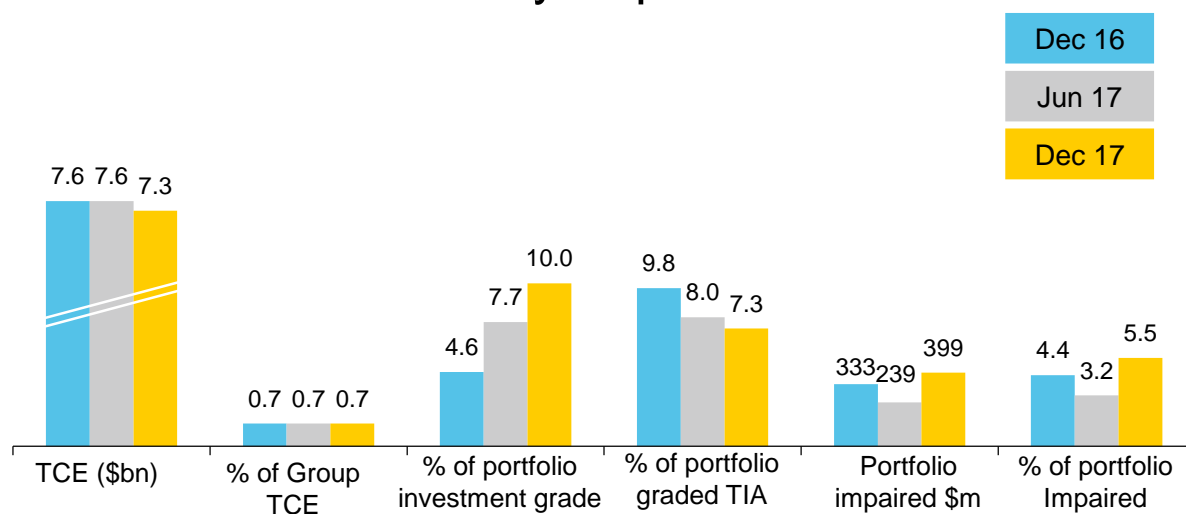
## Overview

- Exposure of \$21.5bn (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.
  - Outlook is dependent on milk price.

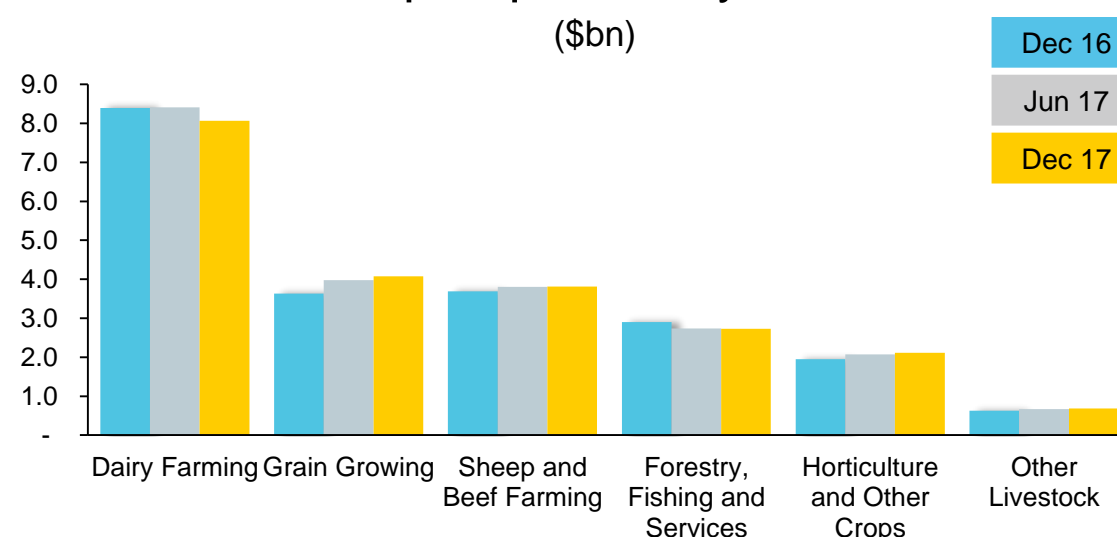
## Group Exposure



## NZ Dairy Exposure



## Group Exposure by Sector (\$bn)



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

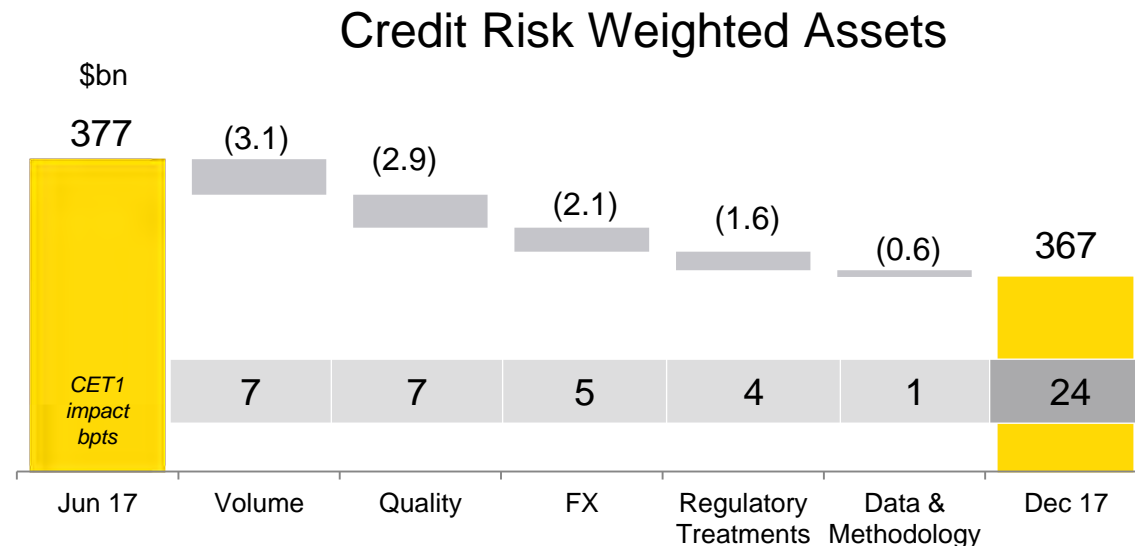
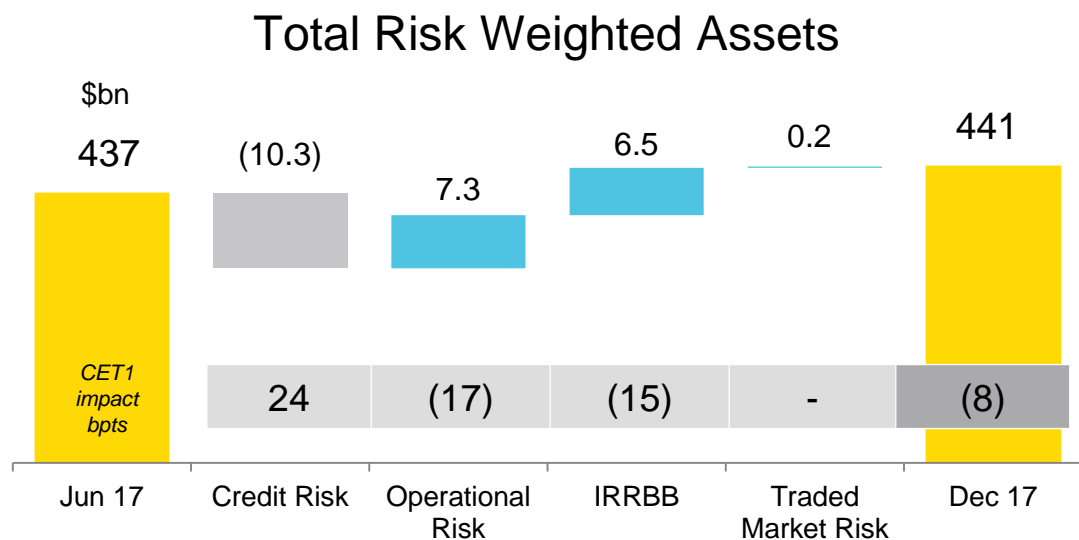
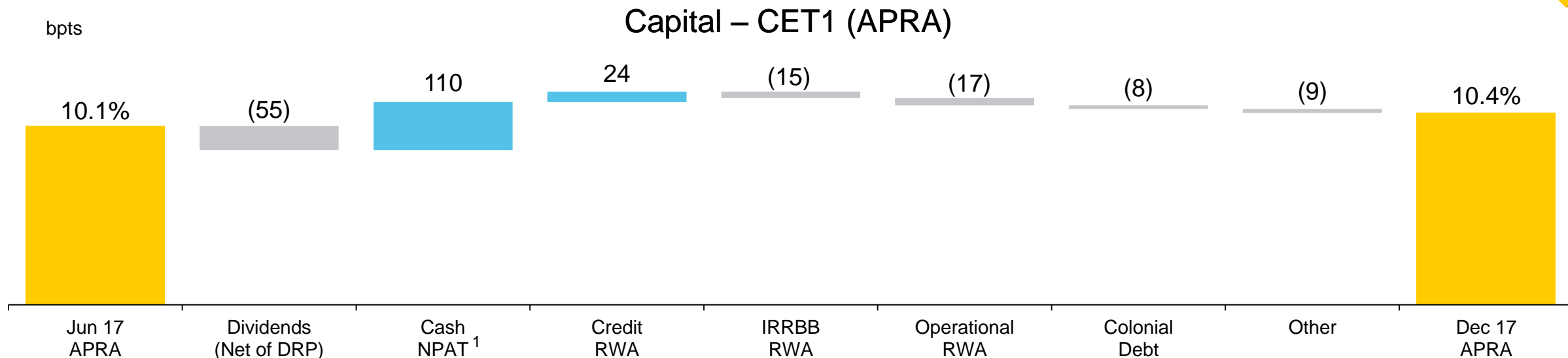


Commonwealth Bank



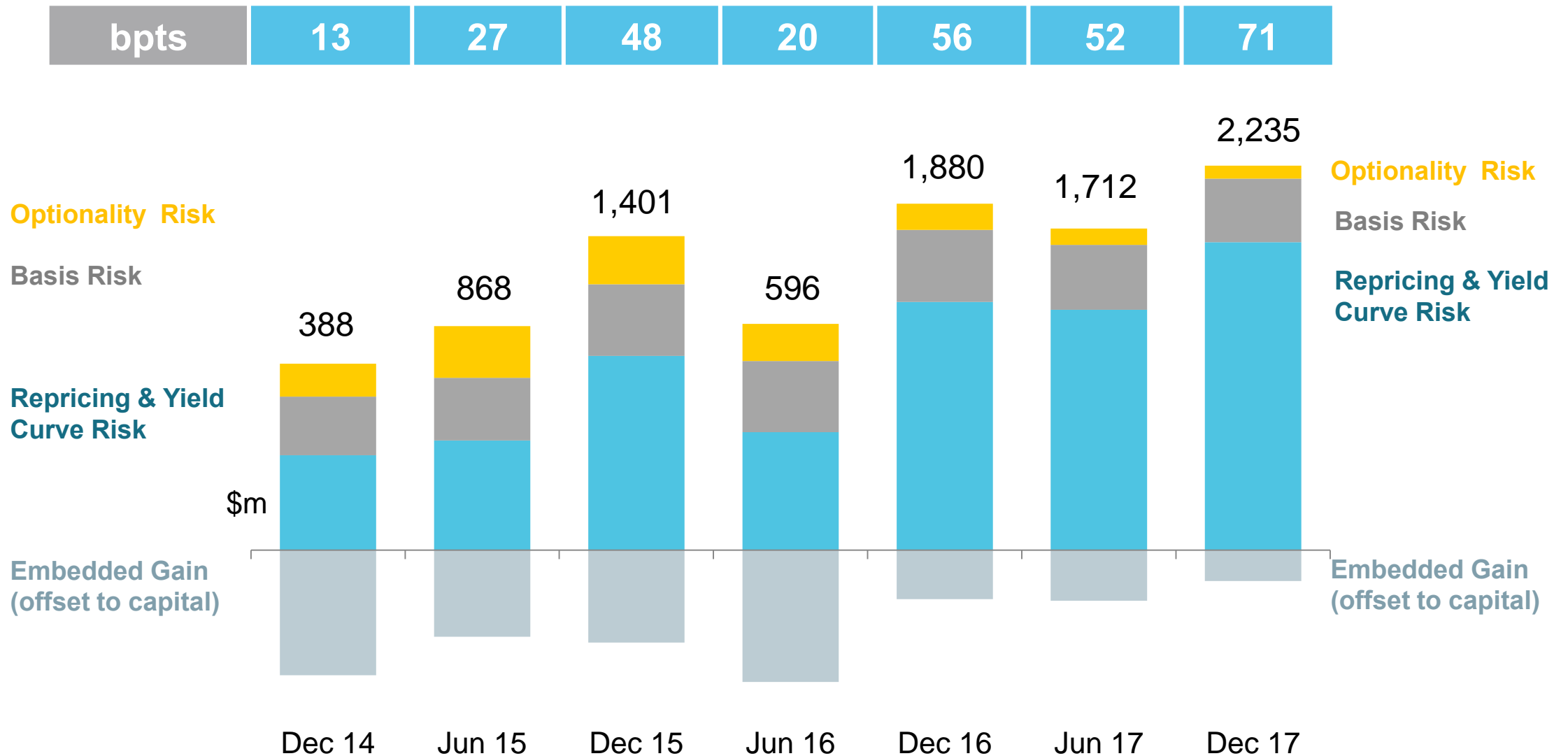
# Capital, Funding & Liquidity

# Capital drivers



Basis points contribution to change in APRA CET1 ratio. 1. Includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

# Interest rate risk in the banking book



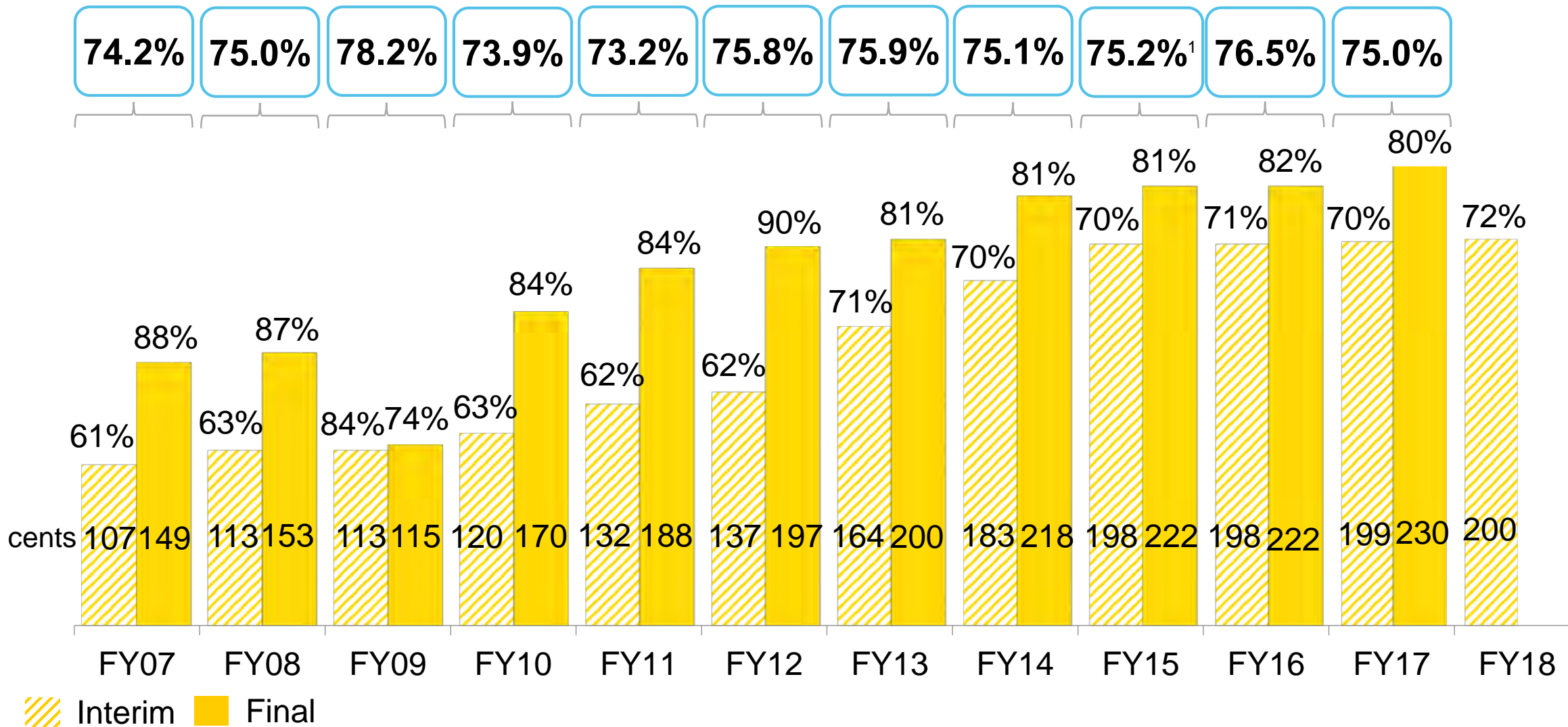
Capital (\$2.2bn) assigned to interest rate risk in banking book per APS117. Bpts (basis points) of APRA CET1 ratio.



# Dividends over time



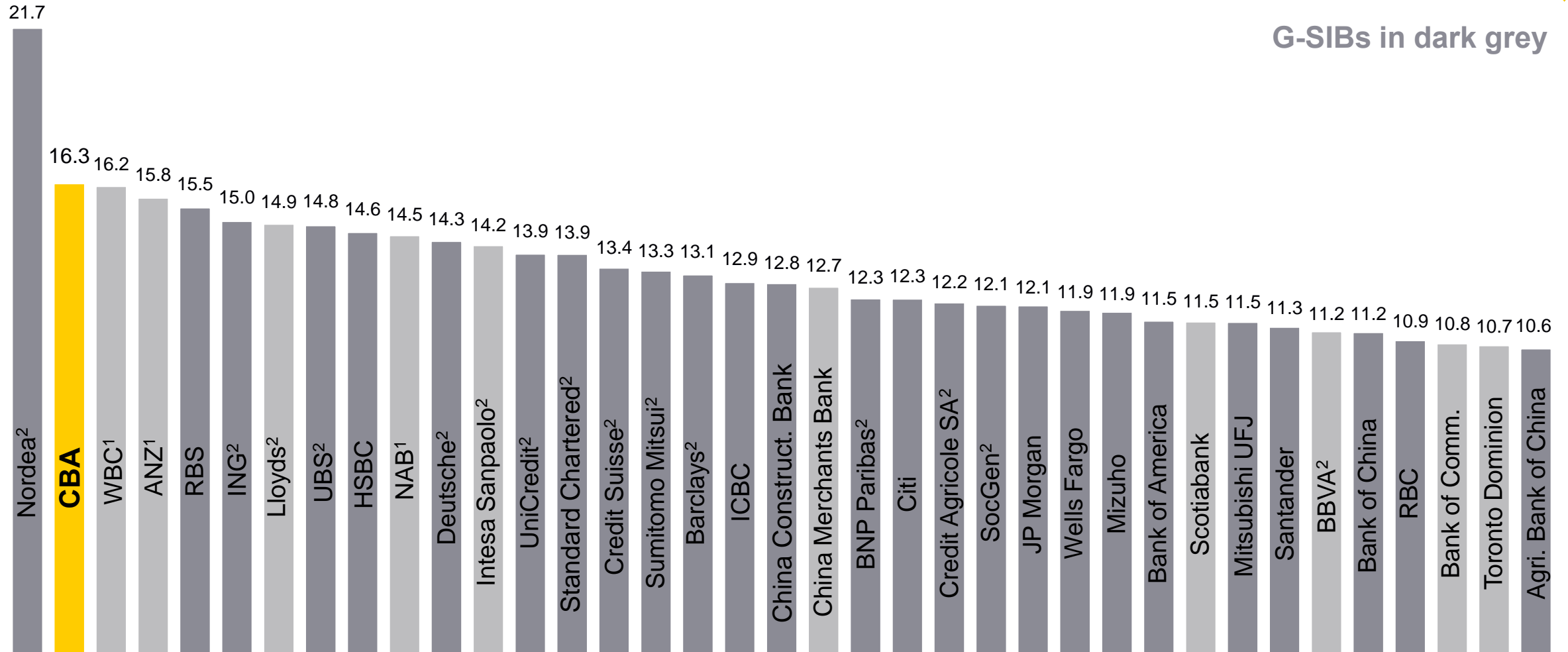
Payout ratio (cash)



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



# International CET1 ratios



Source: Morgan Stanley and CBA. Based on last reported CET1 ratios up to 1 February 2018 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. Domestic peer figures as at 30 September 2017

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

# APRA and International comparison



The following table provides details on the differences, as at 31 December 2017, between the APRA Basel III capital requirements and internationally comparable capital ratio<sup>1</sup>.

<b>CET1 APRA</b>		<b>10.4%</b>
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	1.0%
Capitalised expenses	Balances are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.1%
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements.	0.3%
IRRBB RWA	APRA requires capital to be held for Interest Rate Risk in the Banking Book (IRRBB). The BCBS does not have any capital requirement.	0.7%
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.	1.9%
Other retail standardised exposures	Risk-weighting of 75%, rather than 100% under APRA's requirements.	0.1%
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements.	0.5%
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements.	0.4%
Specialised lending	Use of AIRB probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factor.	0.8%
Currency conversion	Increase in the A\$ equivalent concessional threshold level for small business retail and small/medium enterprise corporate exposures.	0.1%
<b>Total adjustments</b>		<b>5.9%</b>
<b>CET1 Internationally Comparable</b>		<b>16.3%</b>
<b>Tier 1 Internationally Comparable</b>		<b>18.7%</b>
<b>Total Capital Internationally Comparable</b>		<b>21.5%</b>

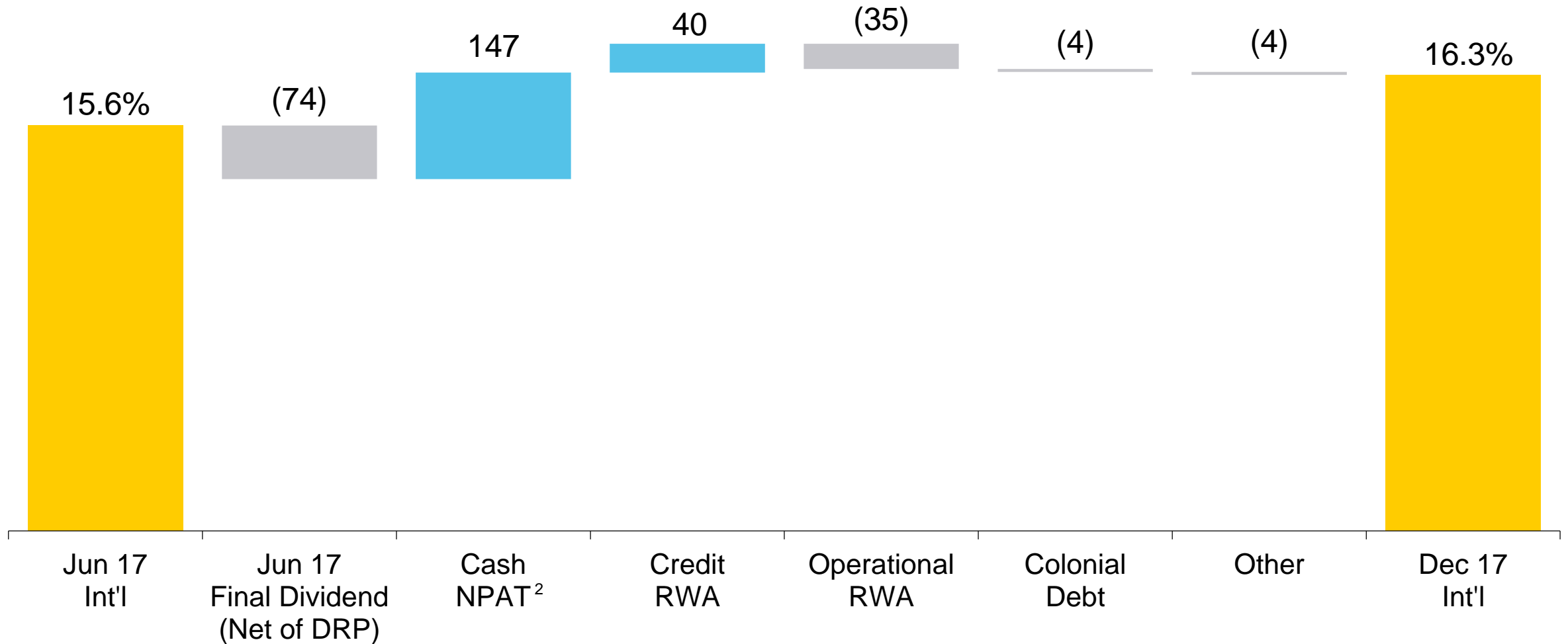
1. Analysis aligns with the APRA study entitled "International capital comparison study" (13 July 2015).

# CET1 – Internationally comparable



(bpts)

Internationally Comparable<sup>1</sup> CET1



1. Internationally comparable capital - refer glossary for definition. 2. Includes a \$375 million expense provision which the Group believes to be a reliable estimate of the civil penalty a Court may impose in the AUSTRAC proceedings.

# Regulatory expected loss



\$m	Dec 16	Jun 17	Dec 17
<b>Regulatory Expected Loss (EL)</b>	<b>4,698</b>	<b>4,736</b>	<b>4,592</b>
Eligible Provisions (EP)			
Collective Provisions <sup>1</sup>	2,561	2,486	2,525
Specific Provisions <sup>1,2</sup>	1,900	1,856	1,813
General Reserve for Credit Losses adjustment	532	589	554
Less: ineligible provisions (standardised portfolio)	(268)	(257)	(253)
<b>Total Eligible Provisions</b>	<b>4,725</b>	<b>4,674</b>	<b>4,639</b>
Regulatory EL in Excess of EP	(27)	62	(47)
Common Equity Tier 1 Adjustment <sup>3</sup>	220	218	99

1. Includes transfer from collective provision to specific provisions (Dec 17: \$247m, Jun 17: \$261m, Dec 16: \$246m). 2. Specific provisions includes partial write offs (Dec 17: \$588m, Jun 17: \$615m, Dec 16: \$637m). 3. Excess of eligible provisions compared to expected loss for defaulted exposures (Dec 17: \$146m, Jun 17: \$156m, Dec 16: \$247m), not available to reduce the shortfall for non-defaulted exposures.

# Leverage ratio – above Basel minimum

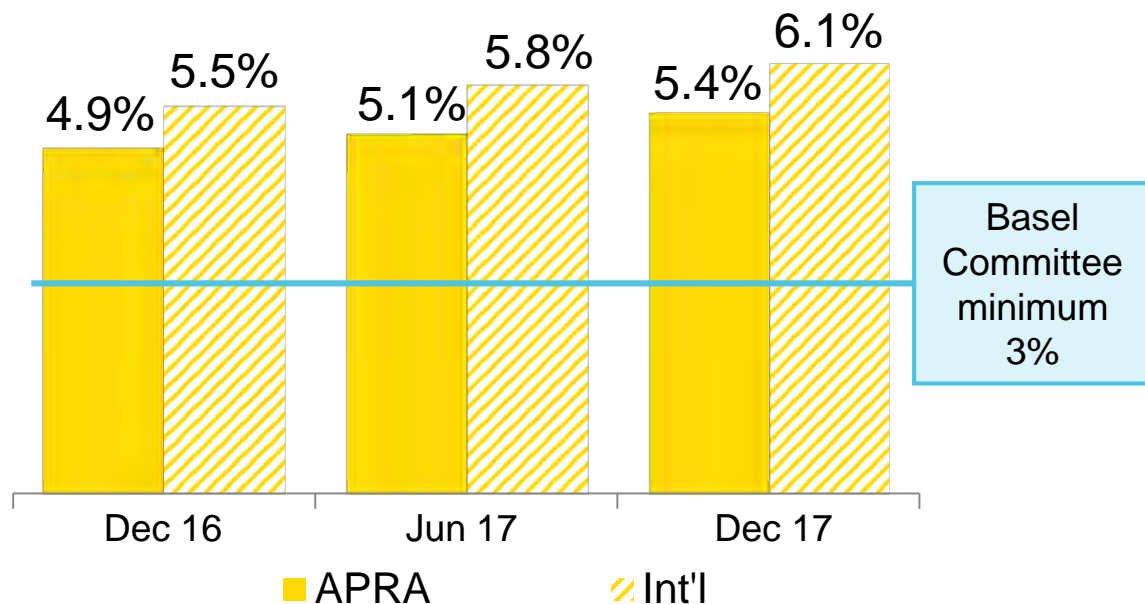


CBA Leverage Ratio well above prescribed Basel Committee minimum

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

The Basel Committee has introduced a minimum requirement of 3% from 1 January 2018.

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



\$m	Dec 17
Tier 1 Capital	54,465
Total Exposures	1,012,503
<b>Leverage Ratio (APRA)</b>	<b>5.4%</b>

\$m	Dec 17
<b>Group Total Assets</b>	<b>961,930</b>
Less subsidiaries outside the scope of regulatory consolidations	(17,954)
Add net derivative adjustment	2,823
Add securities financing transactions	1,065
Less asset amounts deducted from Tier 1 Capital	(19,616)
Add off balance sheet exposures	84,255
<b>Total Exposures</b>	<b>1,012,503</b>

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

# Capital conservation buffer (CCB)<sup>1</sup>

- The Australian major banks are Domestic Systemically Important Banks (D-SIBs). From 1 January 2016, D-SIBs are required to hold 1% additional capital in the form of CET1 (called the D-SIB buffer).
- The Countercyclical Capital Buffer (CCyB), which was also effective from 1 January 2016, currently has no material impact on the Group<sup>2</sup>.
- Both the D-SIB and CCyB form part of the CCB. From 1 January 2016, if a bank's CET1 ratio falls within the CCB, they may be restricted from making discretionary payments such as dividends, hybrid Tier 1 distributions and bonuses

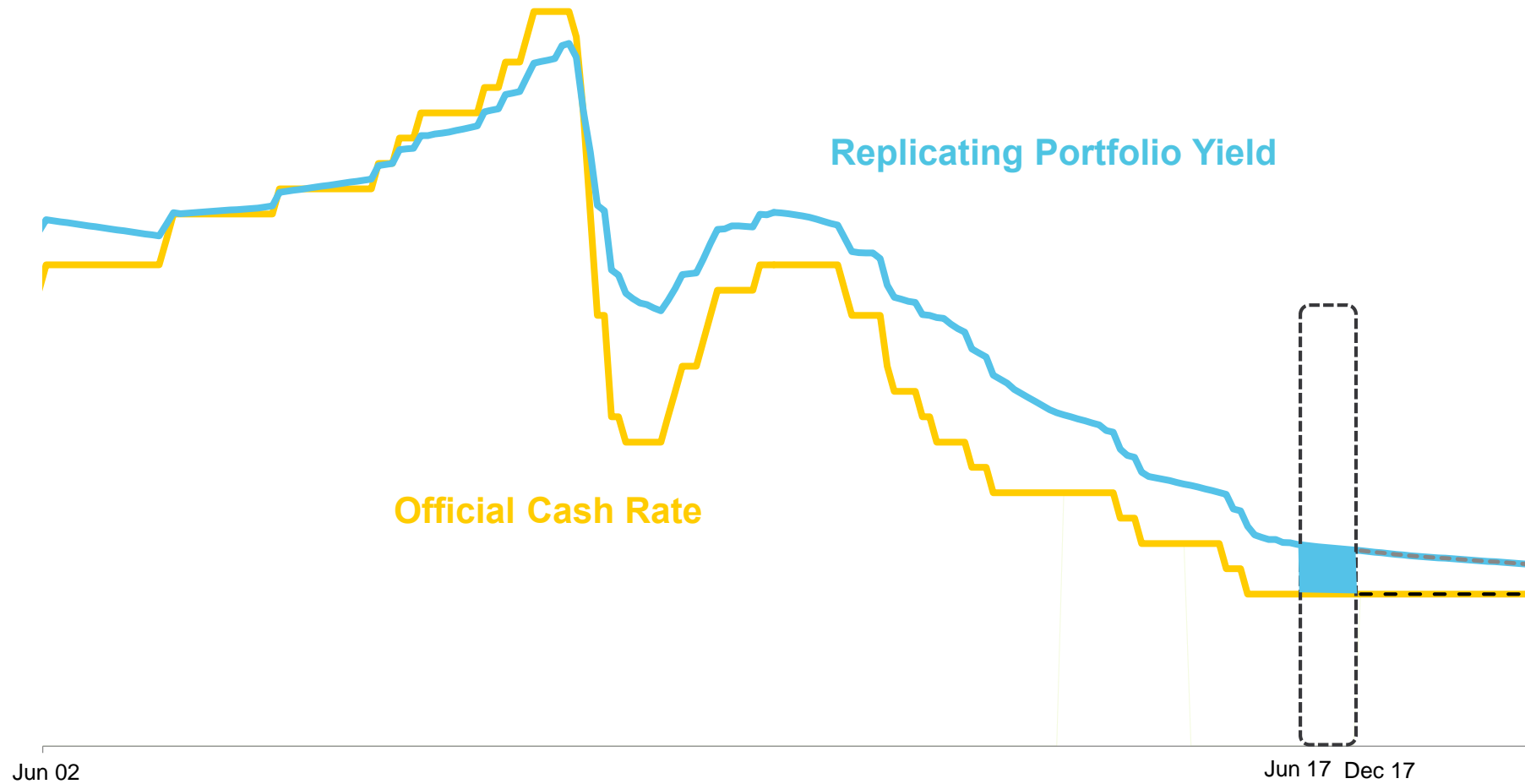
CET1 ratio	Value range	% of earnings able to be used for discretionary payments
Above top of CCB	Greater than PCR + 3.5%	100%
4 <sup>th</sup> Quartile	Top of range: PCR + 3.5% Bottom of range: greater than PCR + 2.625%	60%
3 <sup>rd</sup> Quartile	Top of range: PCR + 2.625% Bottom of range: greater than PCR + 1.75%	40%
2 <sup>nd</sup> Quartile	Top of range: PCR + 1.75% Bottom of range: greater than PCR + 0.875%	20%
1 <sup>st</sup> Quartile	Top of range: PCR + 0.875% Bottom of range: PCR	0%
Prudential capital requirement (PCR) <sup>3</sup>	Less than PCR	0%

1. Above example assumes the total CCB (including the D-SIB buffer of 1% and CCyB of 0%) is 3.5%. 2. In December 2017, APRA announced that the CCyB for Australian exposures will remain at 0%. The Group has limited exposures to those offshore jurisdictions in which a CCyB in excess of 0% has been imposed. 3. 4.5% minimum plus any additional amount required by APRA.

# Replicating portfolio



Actual and Forecast Scenario





# Funding overview

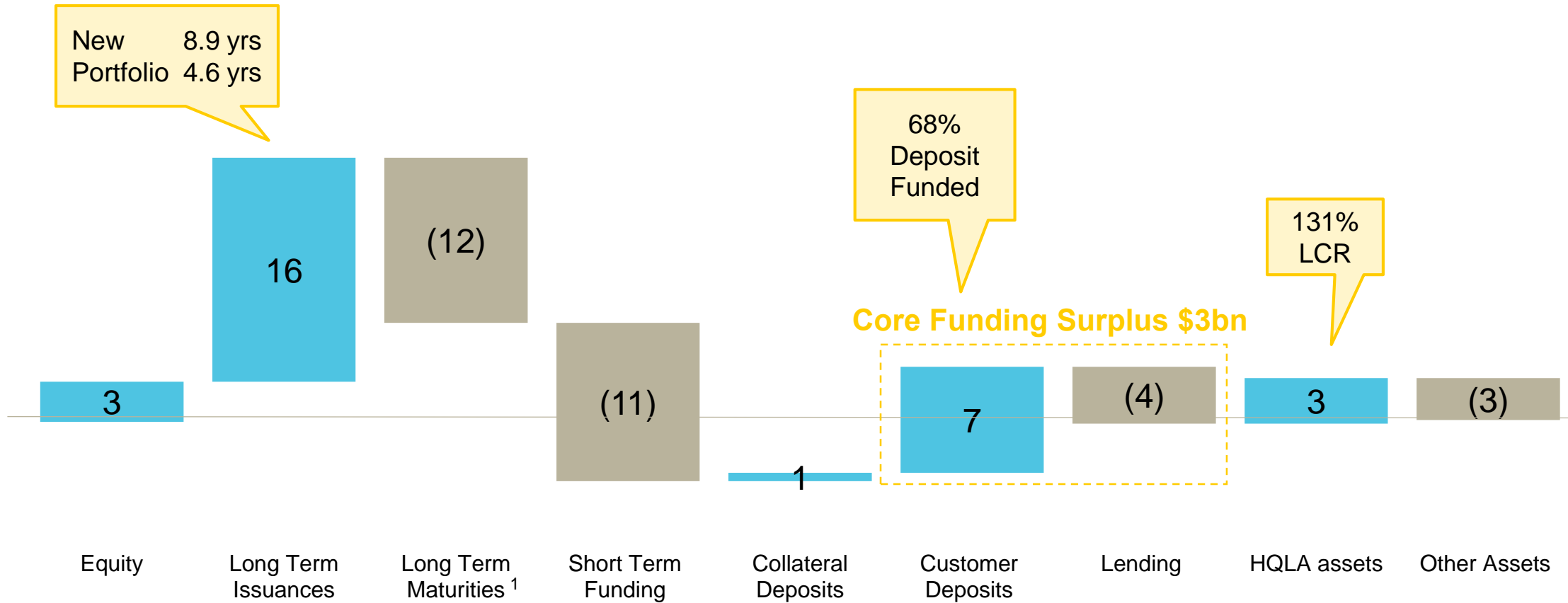


6 months to December 2017

\$bn

## Source of funds

## Use of funds



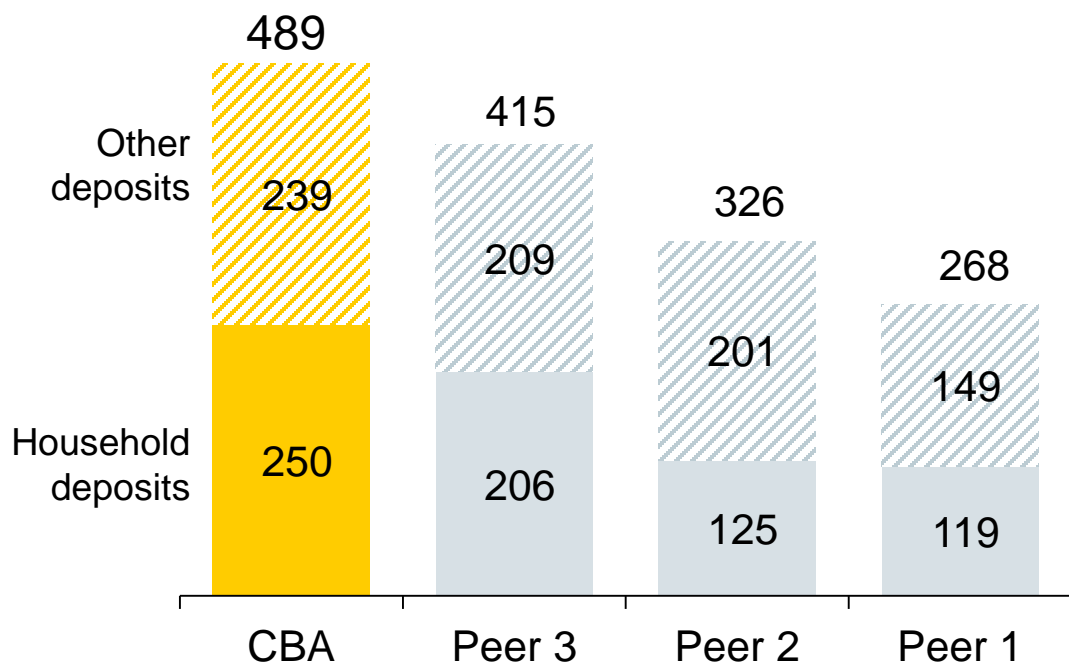
1. Reported at historical FX rates.

# Deposit funding



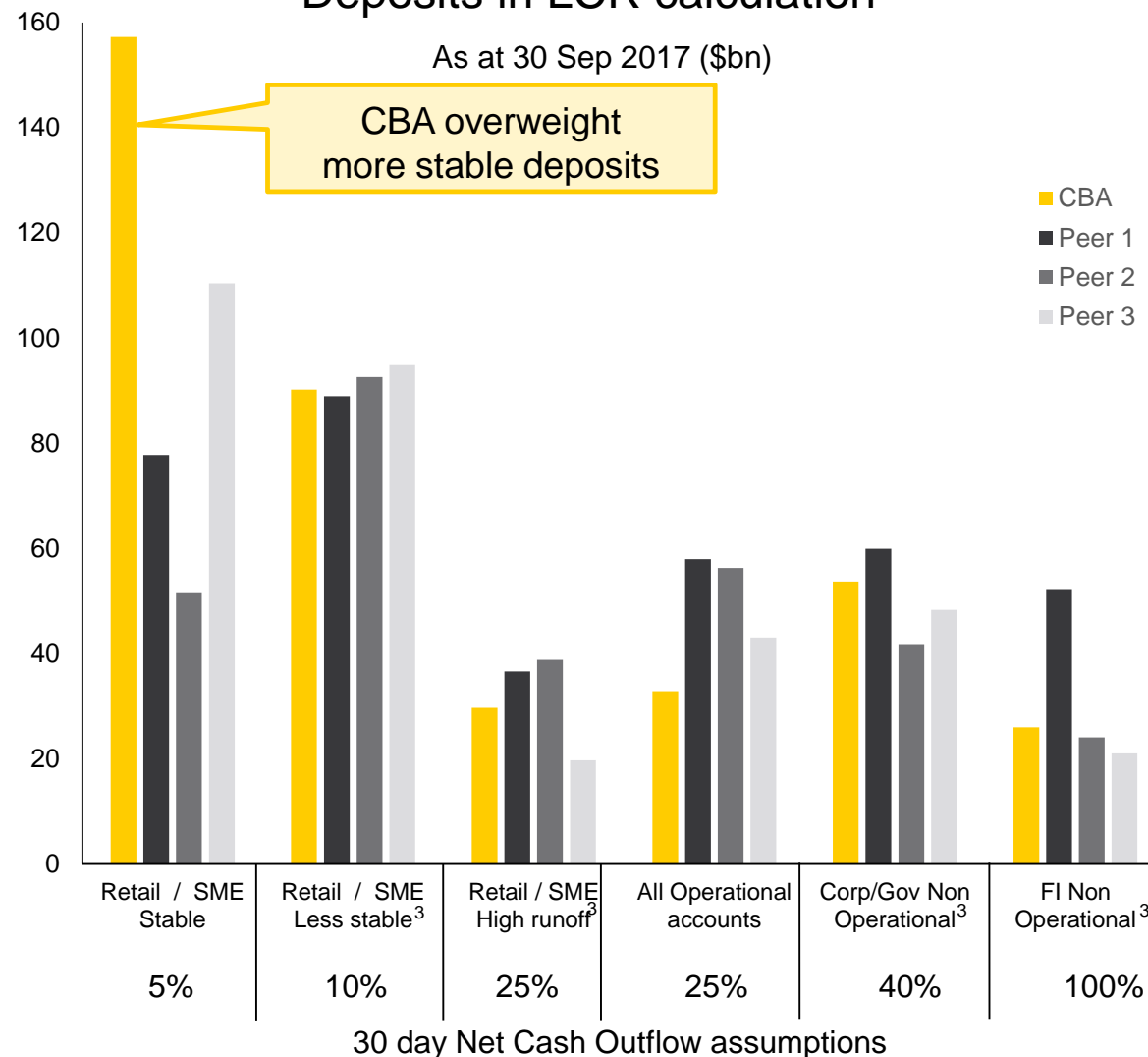
## Deposits vs Peers<sup>1</sup>

December 2017 (\$bn)



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

As at 30 Sep 2017 (\$bn)

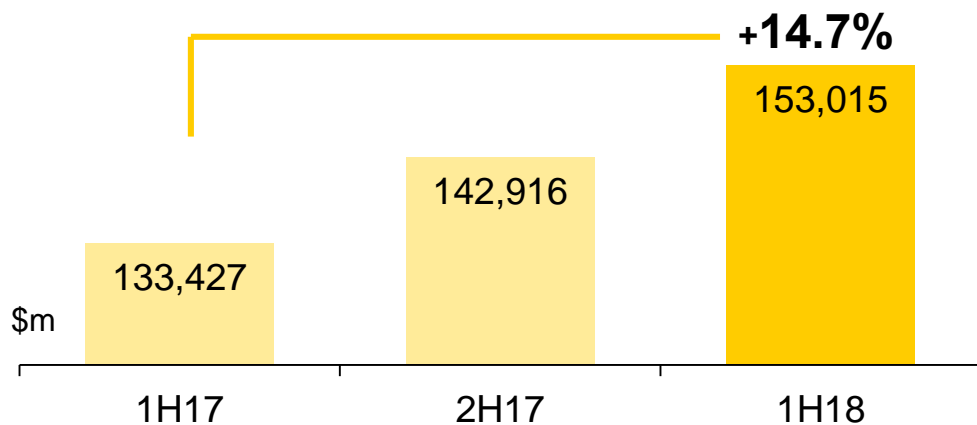


1. System source: APRA Banking Stats. Total deposits (excluding CD's). CBA includes Bankwest. 2. Source: 30 June 2017 Pillar 3 Regulatory Disclosure for 31 March 2017 3. Peer comparisons are calculated from disclosures assuming there are not material balances in the "notice period deposits that have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

# Deposit funding – transactions

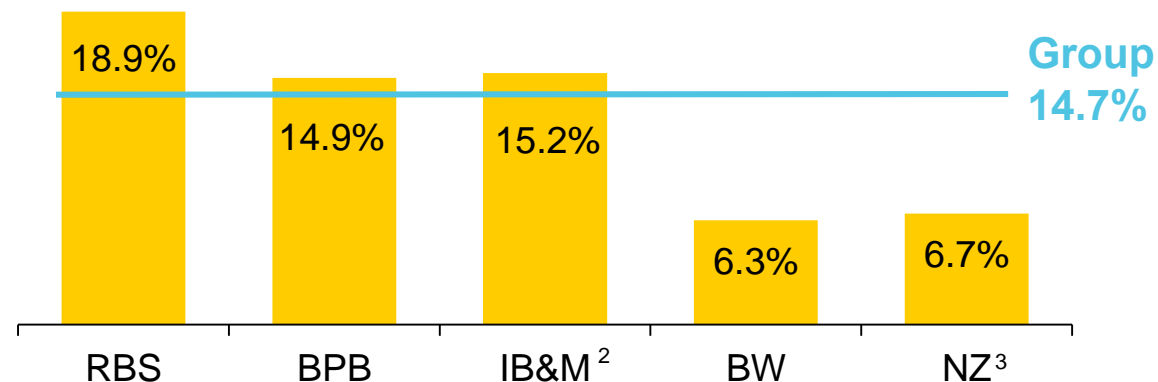


Group Transaction Balances<sup>1</sup>



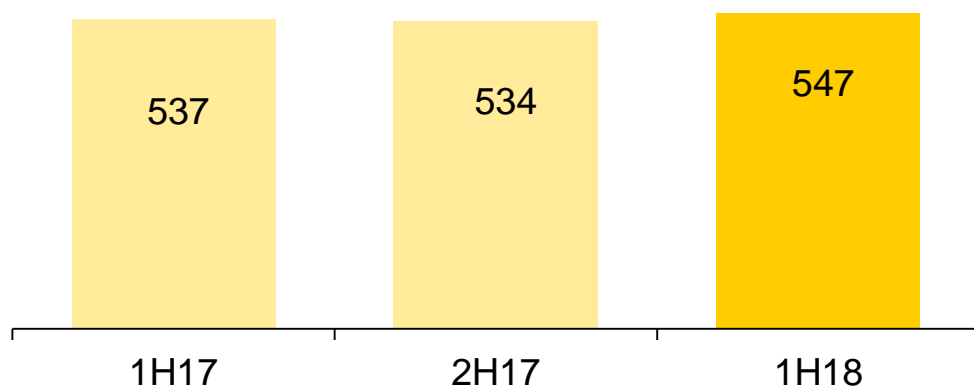
Growth across divisions<sup>1</sup>

1H18 vs 1H17

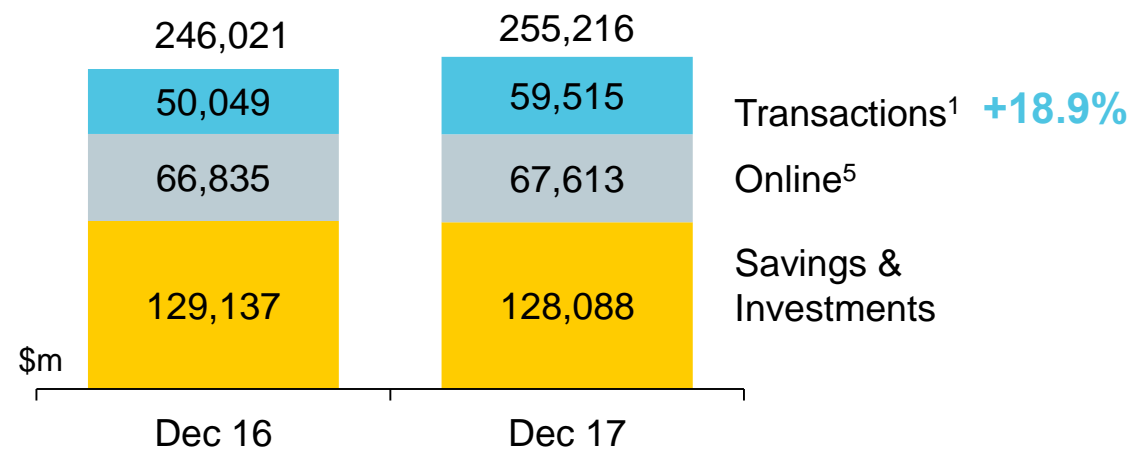


RBS New Transaction Accounts<sup>4</sup>

# '000



Retail Deposit Mix

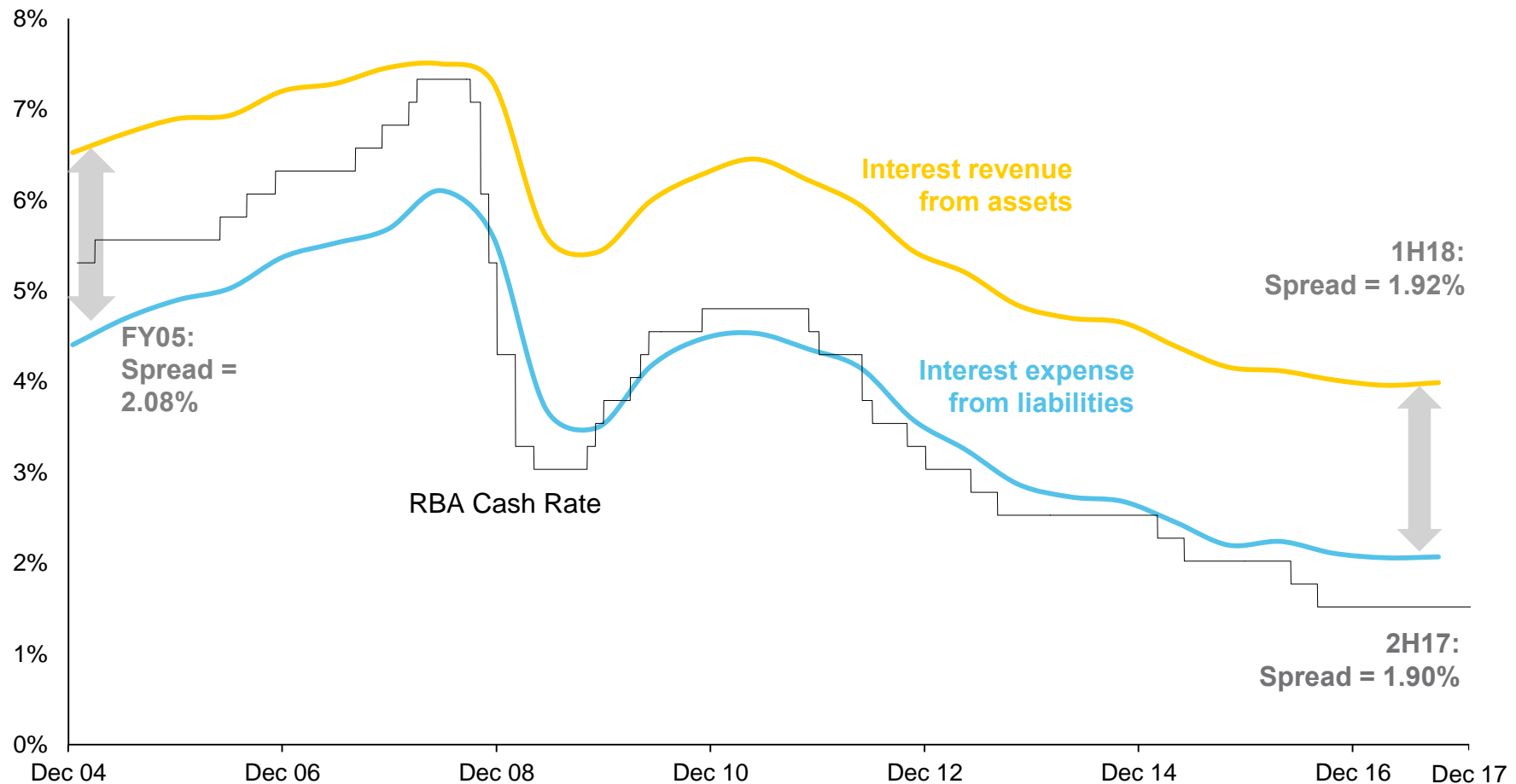


1. Includes non-interest bearing deposits. 2. Includes pooling facilities. 3. In NZD. 4. Number of new RBS personal transaction accounts, excluding offset accounts. 5. Online includes NetBank Saver, Goal Saver and Business Online Saver.

# Funding costs vs cash rate



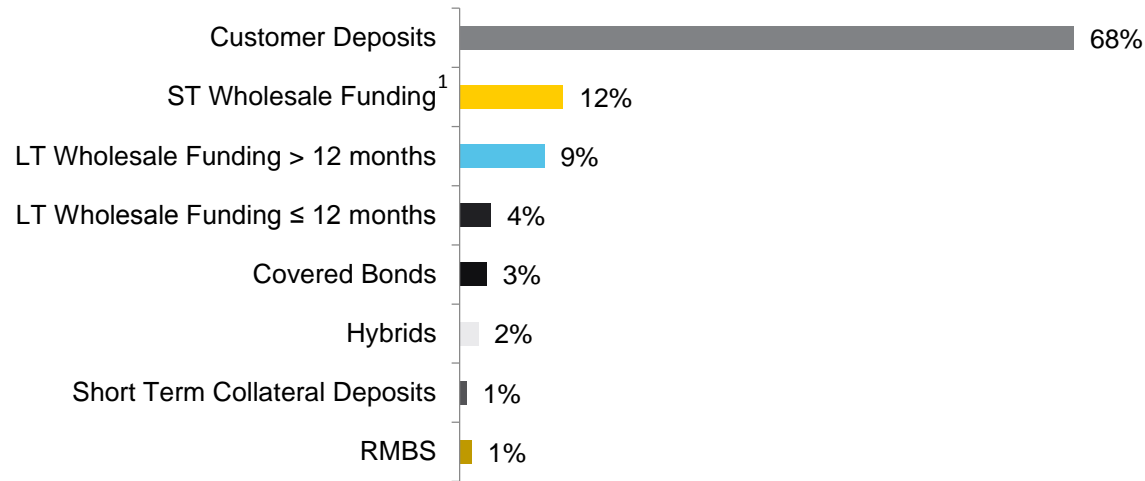
- The path of lending rates and funding costs are influenced by the RBA cash rate, but funding cost increase vs RBA cash rate since GFC is well illustrated
- Spread between funding costs and lending rates has narrowed because not all funding cost increases have been passed on



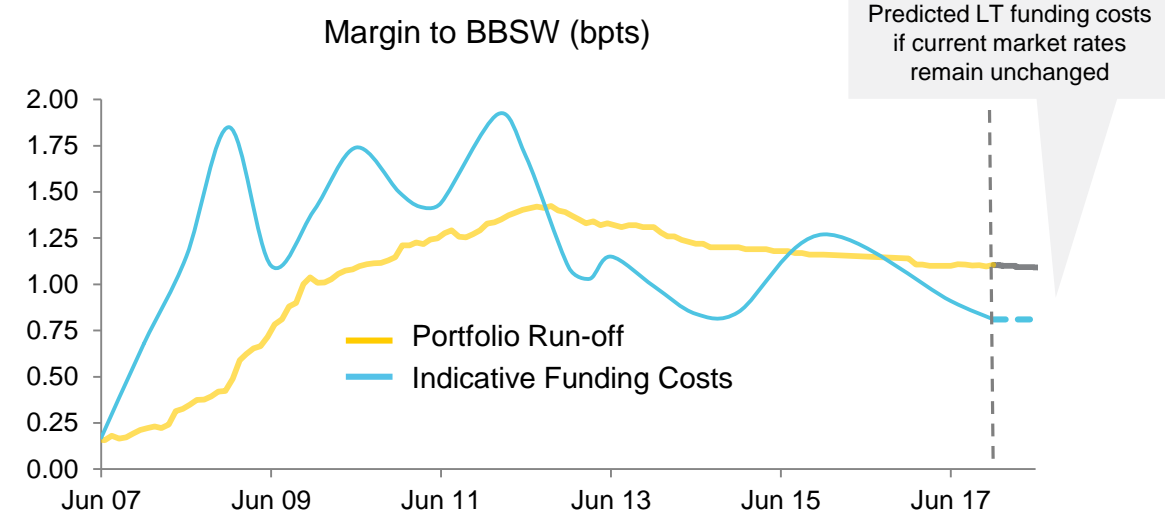
# Wholesale funding – overview



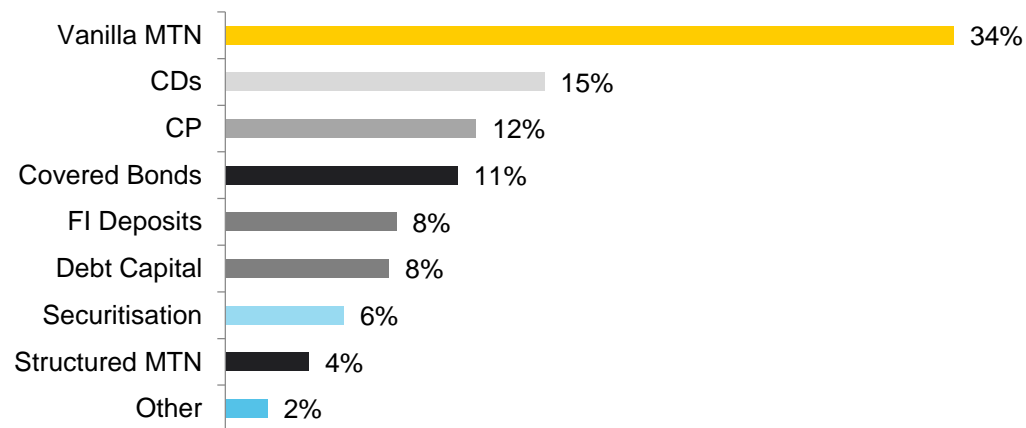
## Funding composition



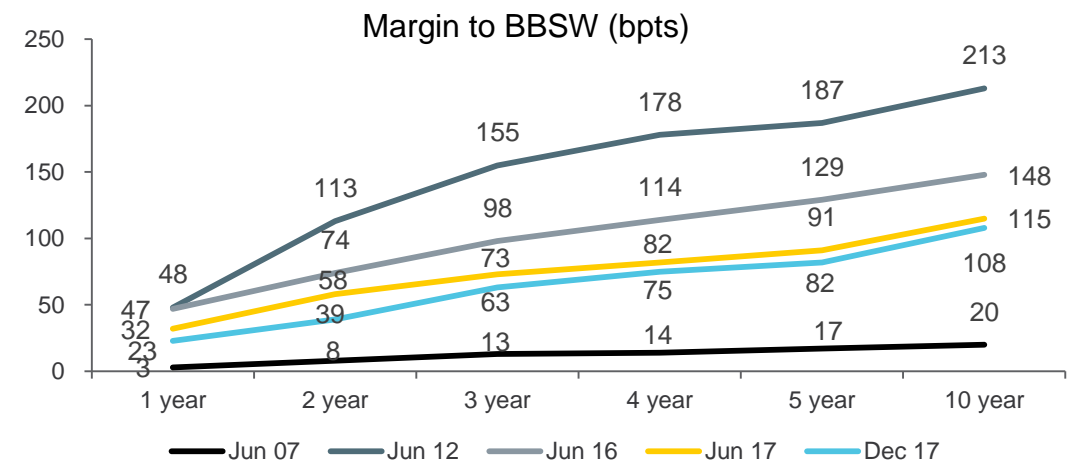
## Average long term funding costs



## Wholesale Funding by product



## Indicative funding cost curves

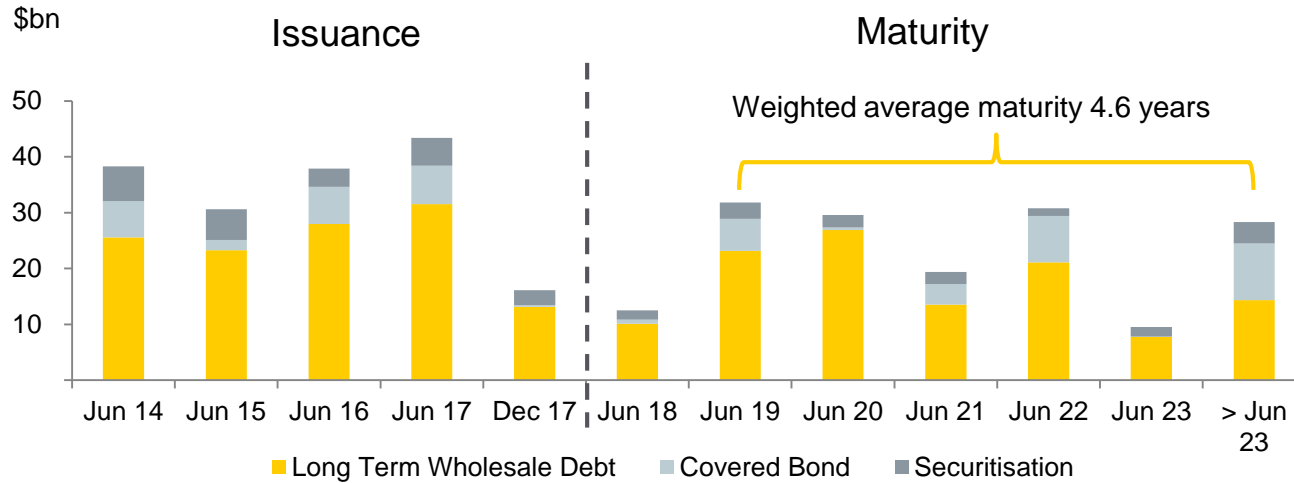


1. Includes the categories 'central bank deposits' and 'due to other financial institutions' (including collateral received).

# Wholesale funding – portfolio



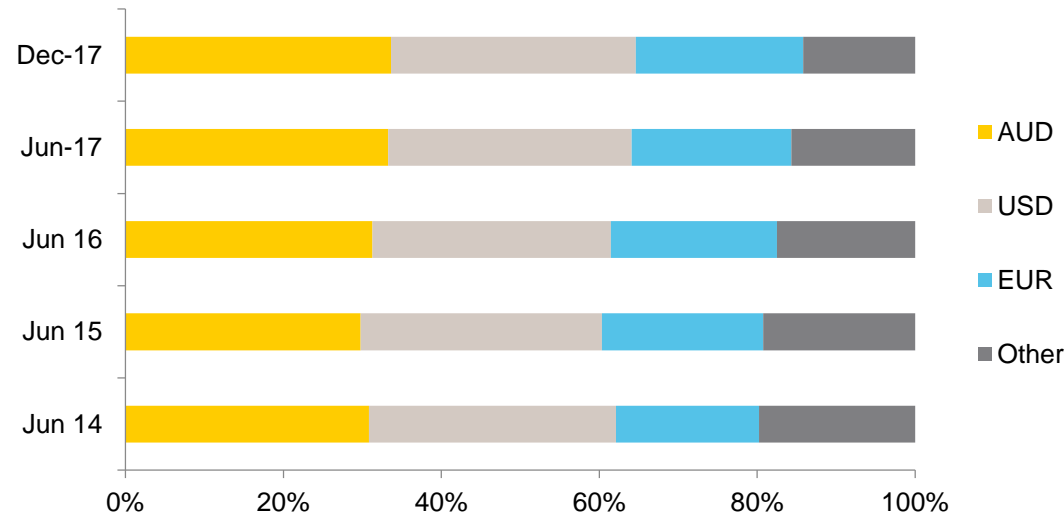
## Term Wholesale Funding profile – issuance & maturity



## Current Period Issuance

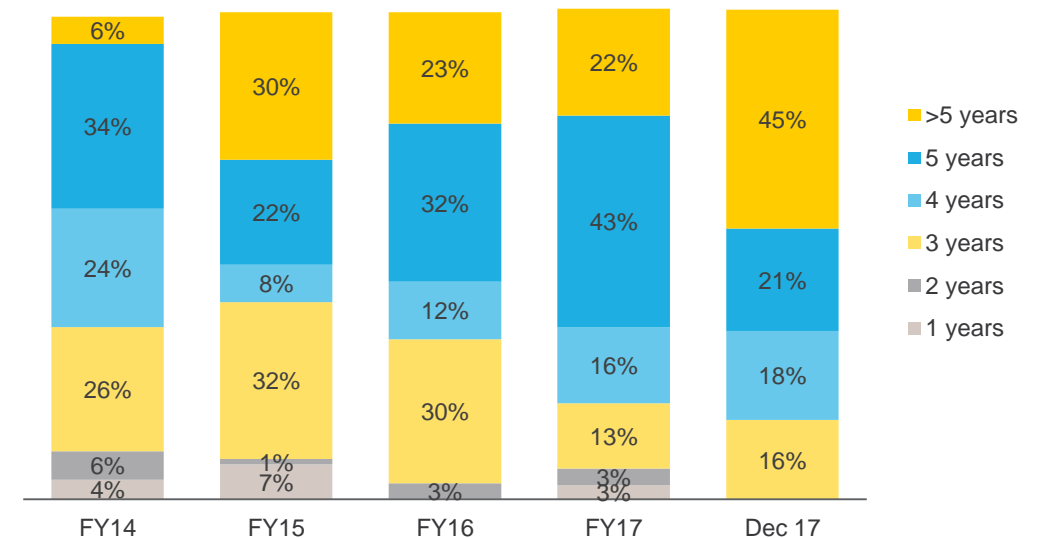
Date	Type	Tenor (yr)	Volume	Spread at Issue
Jul 17	USD Senior	30.0	1,500	T+103
Jul 17	AUD Senior	5.0	125	3m BBSW +0.88%
Jul 17	AUD Senior	5.0	1,625	3m BBSW +0.88%
Jul 17	AUD Senior	10.5	100	3m BBSW +1.05%
Sep 17	USD Senior	3.0	750	T +60
Sep 17	USD Senior	3.0	400	3mUSD L +0.40%
Sep 17	USD Senior	5.0	750	T +75
Sep 17	USD Senior	5.0	400	3mUSD L +0.68%
Sep 17	USD Senior	10.0	700	T +97
Sep 17	EUR Tier 2	7.0	1,000	MS +145
Oct 17	CHF Senior	8.9	450	MS +20
Nov 17	AUD RMBS	3.7	2,650	1m BBSW +1.05%

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



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

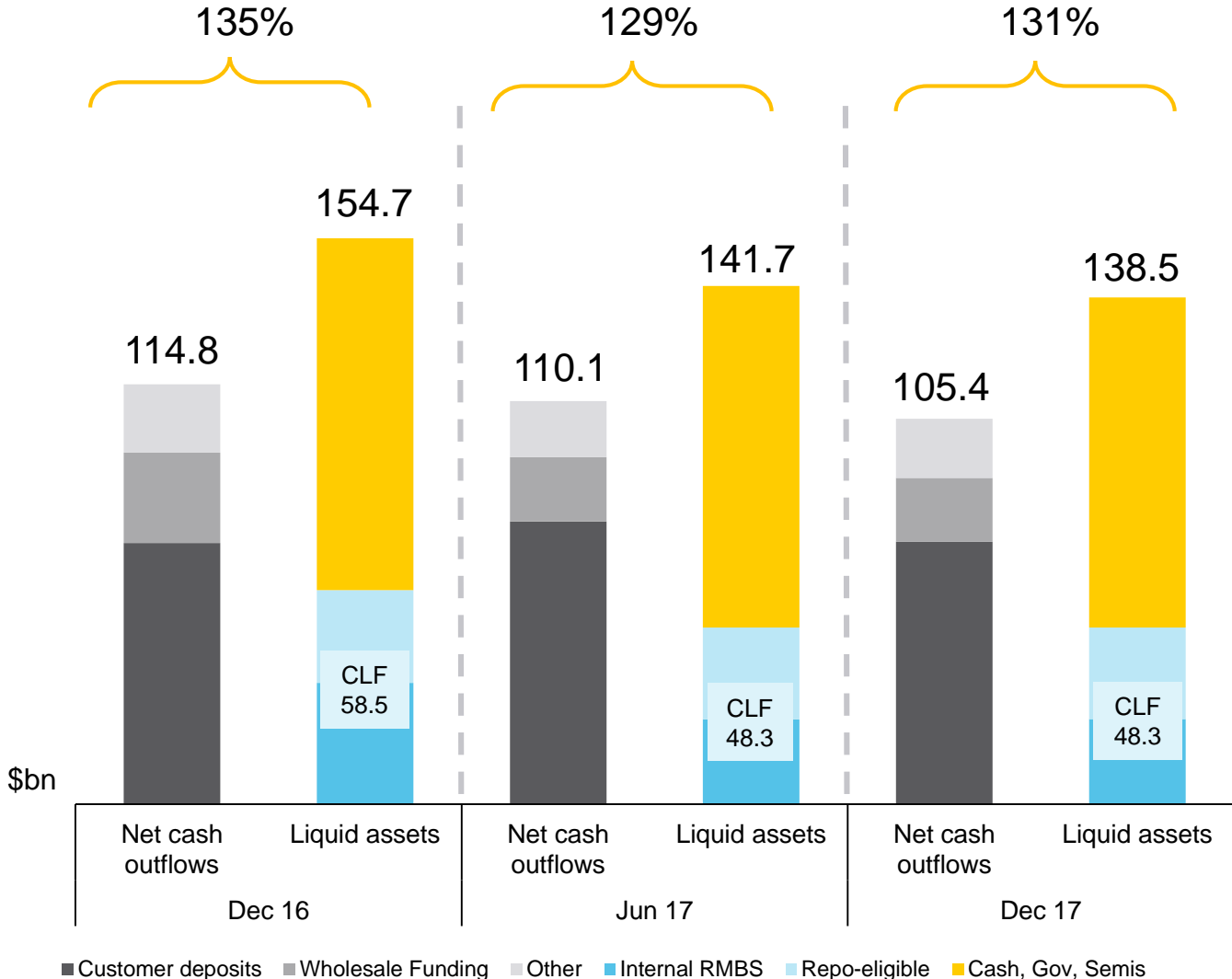
## New Term Issuance by Tenor



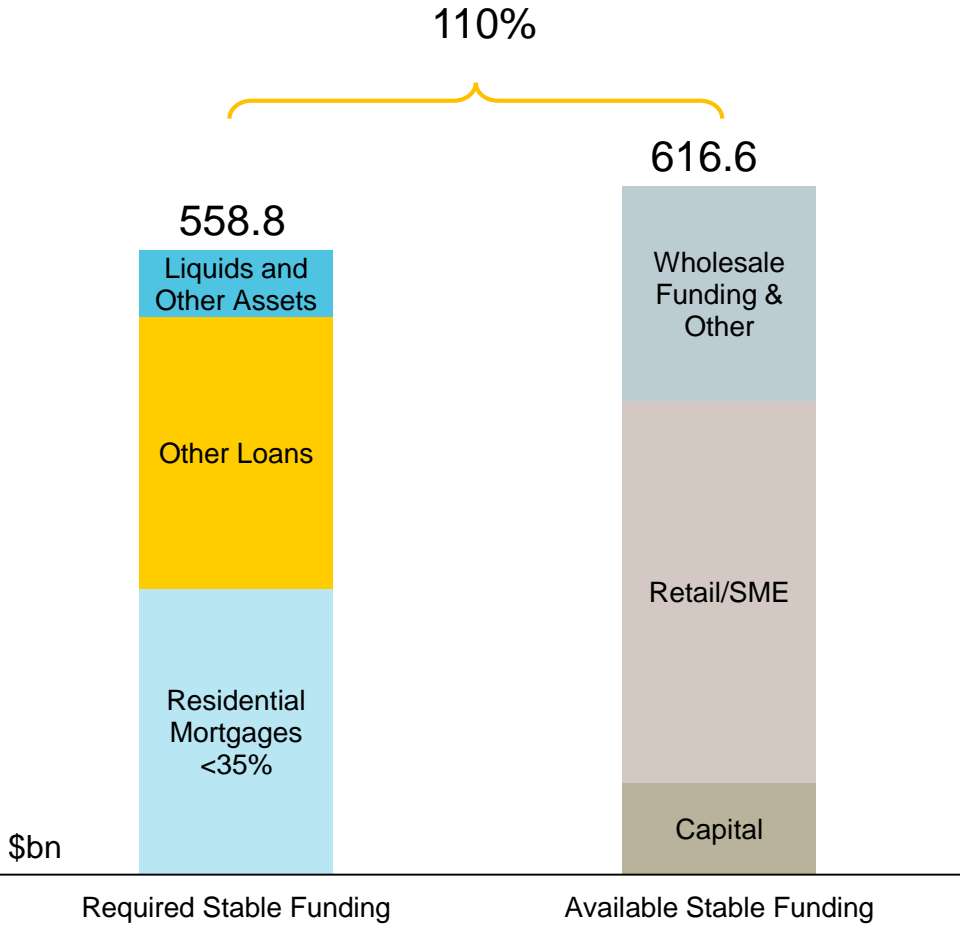
# Regulatory requirements



## Liquidity Coverage Ratio (LCR)



## Net Stable Funding Ratio (NSFR)





# Regulatory change timetable

	2018	2019	2020	2021	2022
<b>APRA's unquestionably strong</b>	ADIs to target unquestionably strong capital ratios, which will also cover "Basel III" proposals Consultations expected from early 2018		Capital to exceed unquestionably strong benchmark by 1 Jan 2020	Implementation	
<b>Basel III Finalising Post-Crisis Reforms ("Basel IV")</b>	Basel Committee finalised Dec 2017: <ul style="list-style-type: none"> <li>• Changes to Standardised &amp; Advanced Credit RWAs</li> <li>• Operational RWAs to Standardised approach</li> <li>• Capital floor of 72.5% (phased approach 1 Jan 2022 – 1 Jan 2027)</li> <li>• In addition, review of the trading book requirements were finalised in Jan 2016</li> </ul> APRA to consult on detailed prudential standards across 2018 and 2019 and finalise in 2019 or later				Basel Committee implementation date 1 Jan 2022  <i>(Leverage ratio - revised measurement of certain exposures)</i>
<b>Leverage ratio</b>	Basel Committee - Regulatory minimum of 3% effective from 1 Jan 2018 (APRA to consult in early 2018, finalise in late 2018/early 2019)				
<b>Securitisation</b>	Implementation 1 Jan 2018				
<b>Counterparty Credit Risk</b>	APRA to finalise	Implementation 1 Jan 2019			
<b>NSFR</b>	Implementation 1 Jan 2018				
<b>Loss Absorbing Capacity ("TLAC")</b>	APRA to commence consultation in late 2018				
<b>IFRS 9 Provisioning</b>	Implementation 1 July 2018				
<b>IFRS 16 Leasing</b>	Implementation 1 July 2019				

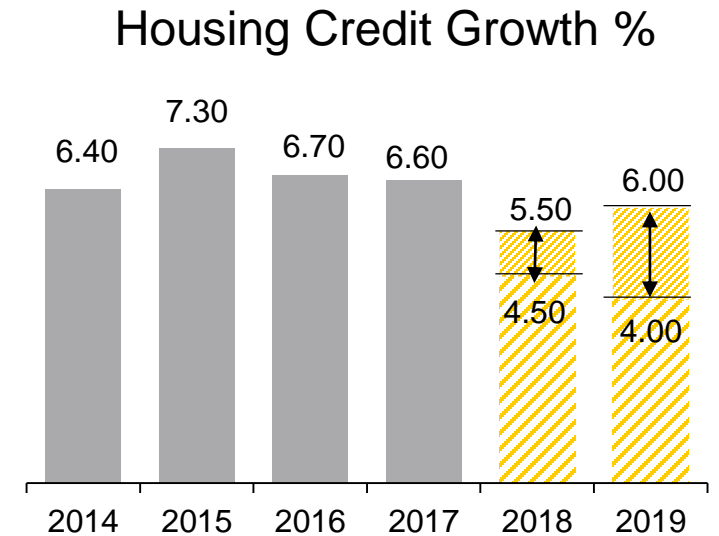
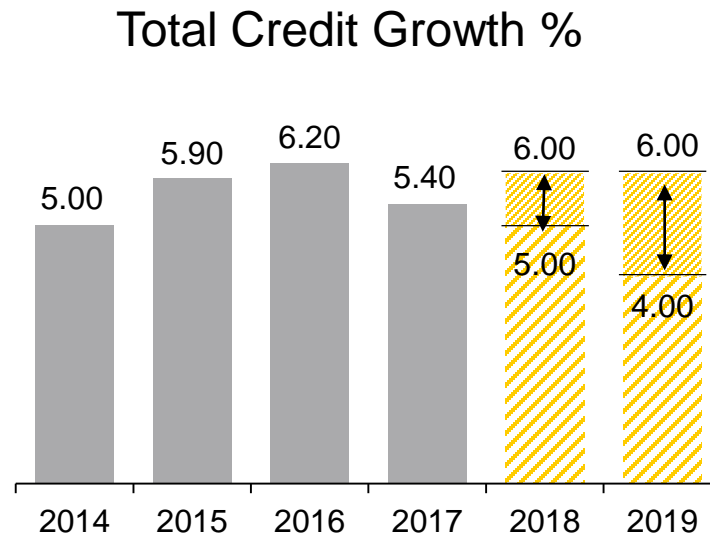
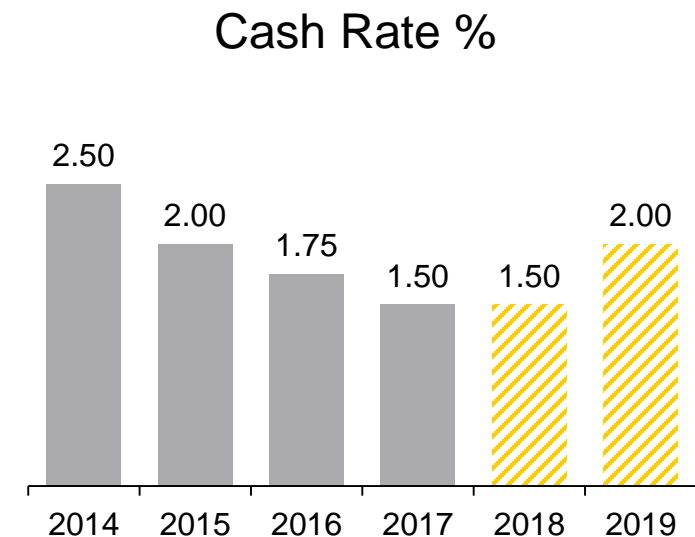
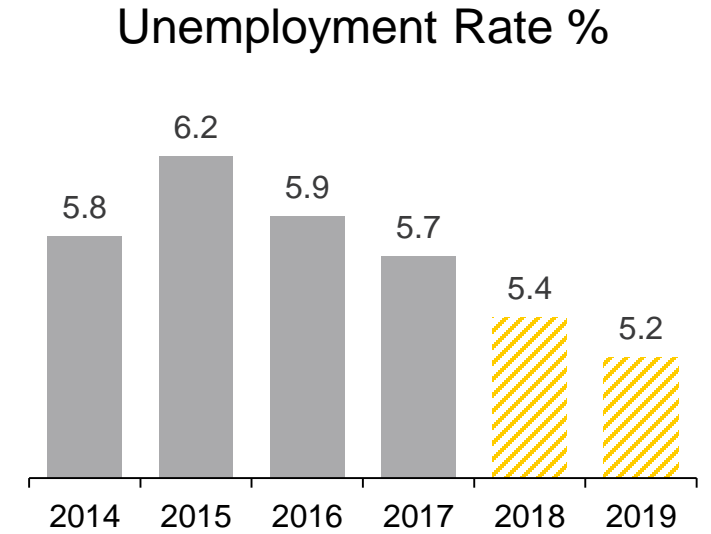
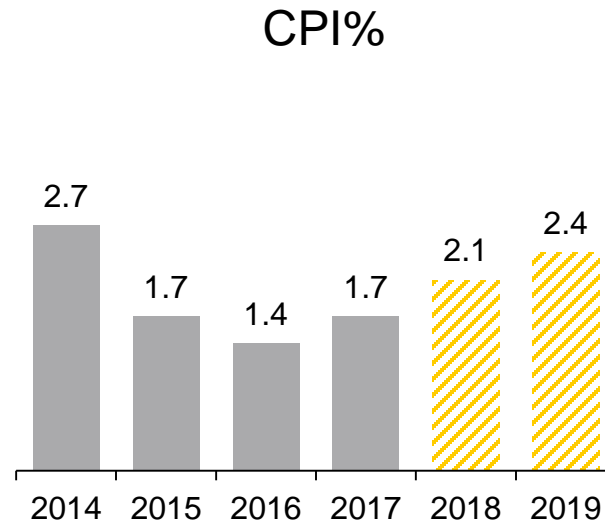
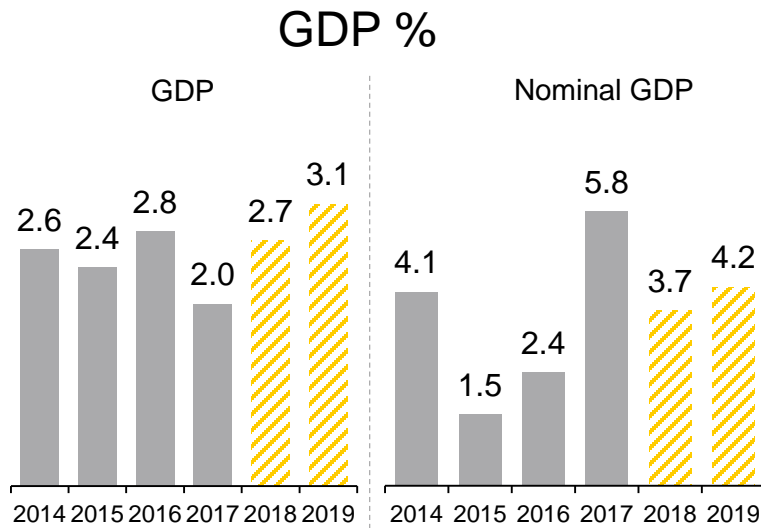




# Economic Overview



# Key economic indicators (June FY)



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

# Key economic indicators (June FY)

		2013	2014	2015	2016	2017	2018	2019
<b>World</b>	GDP	3.5	3.6	3.4	3.2	3.6	3.7	3.7
<b>Australia</b>	Credit Growth % – Total	3.1	5.0	5.9	6.2	5.4	5 - 6	4 - 6
	Credit Growth % – Housing	4.6	6.4	7.3	6.7	6.6	4½ - 5½	4 - 6
	Credit Growth % – Business	1.2	3.4	4.4	6.5	4.3	5½ - 6½	5 - 7
	Credit Growth % – Other Personal	0.2	0.6	0.8	-0.6	-1.0	-½ to -1½	-1 to 1
	GDP %	2.6	2.6	2.4	2.8	2.0	2.7	3.1
	CPI %	2.3	2.7	1.7	1.4	1.7	2.1	2.4
	Unemployment rate %	5.4	5.8	6.2	5.9	5.6	5.5	5.2
	Cash Rate %	2.75	2.50	2.00	1.75	1.50	1.50	2.00
<b>New Zealand</b>	Credit Growth % – Total	4.3	4.4	5.8	7.7	6.5	4-6	4-6
	Credit Growth % – Housing	5.2	5.3	5.4	8.8	7.7	4-6	4-6
	Credit Growth % – Business	2.8	2.8	5.9	7.2	6.2	5-7	5-7
	Credit Growth % – Agriculture	4.1	3.4	7.4	6.0	2.6	3-5	4-6
	GDP %	2.3	2.5	3.3	2.7	3.3	2.7	3.5
	CPI %	0.8	1.5	0.6	0.3	1.4	1.7	1.5
	Unemployment rate %	6.2	5.5	5.4	5.2	5.0	4.8	4.6
	Overnight Cash Rate %	2.50	3.25	3.25	2.25	1.75	1.75	2.00

Credit Growth  
GDP, Unemployment & CPI  
Cash Rate

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

World GDP

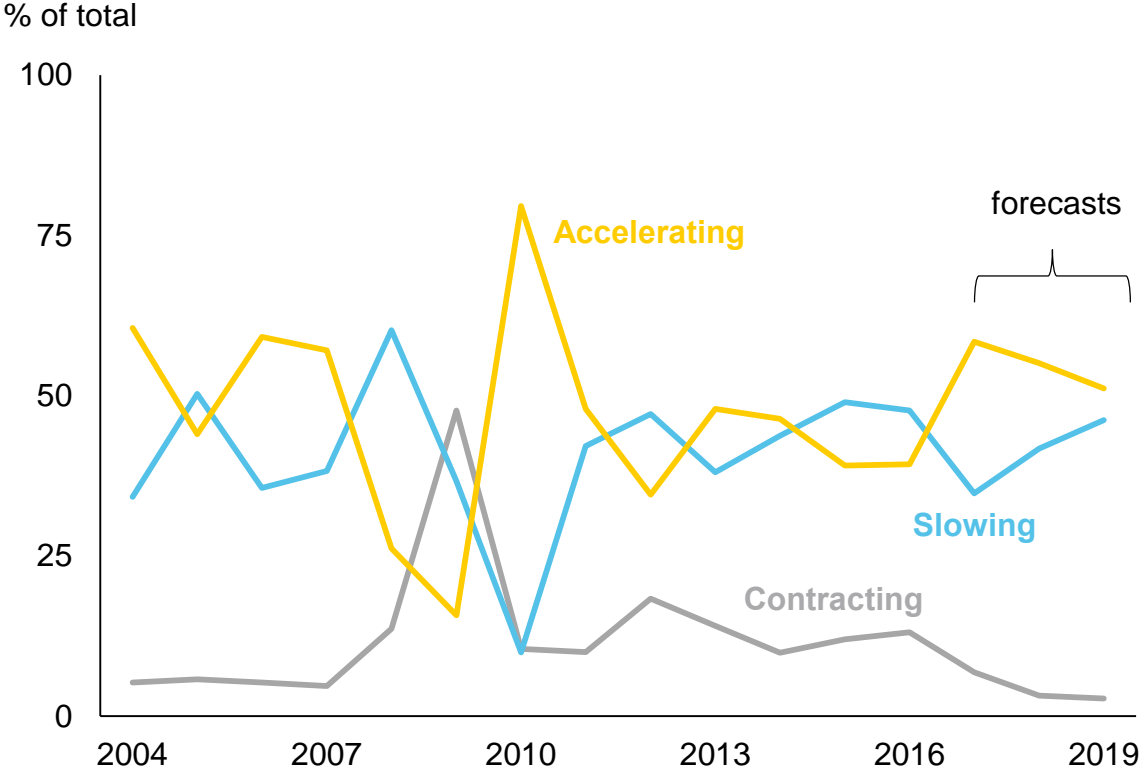
= Calendar Year Average  
= forecast



# A sustainable global upturn is underway

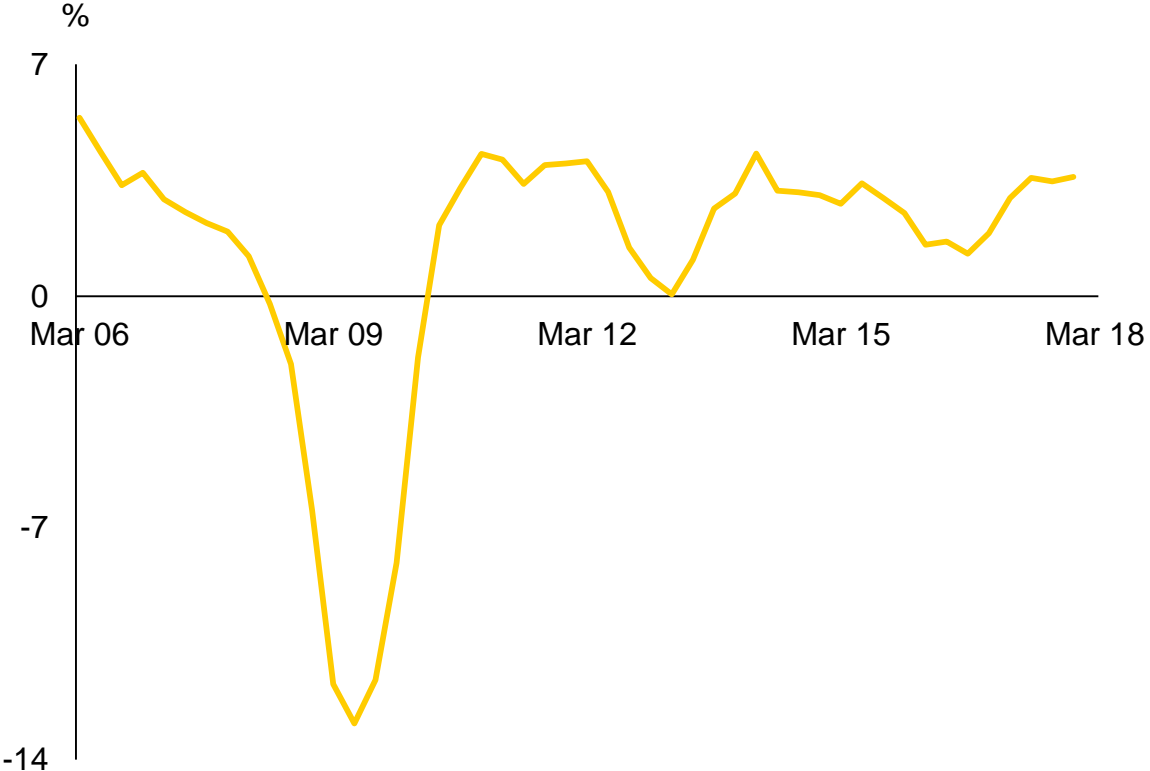


Global growth momentum<sup>1</sup>  
(number of countries)



IMF forecasts have well over half of all countries with an accelerating growth profile over 2017-19.

OECD gross fixed CAPEX<sup>2</sup>  
(annual % change)



Rising global trade, capex and jobs suggests the upturn is sustainable.

1. Source: IMF/CBA. 2. Source: OECD.

# A sustainable global upturn is underway

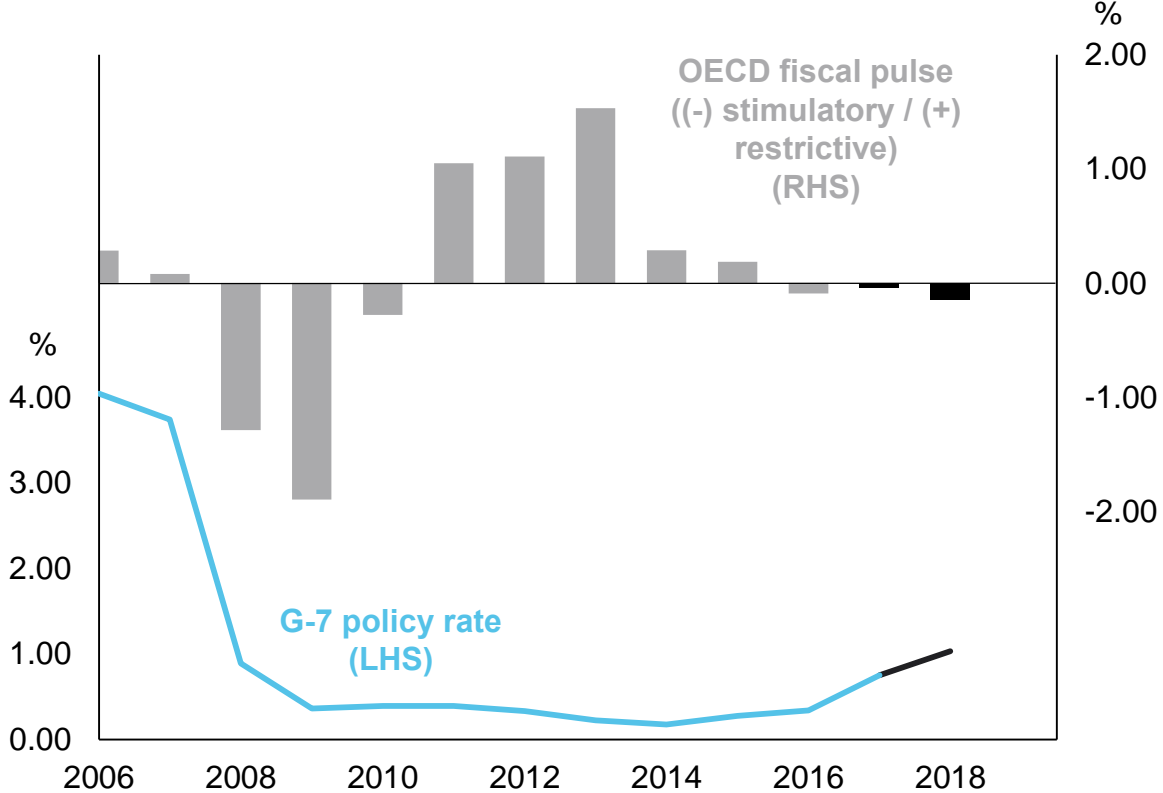


Global industrial production<sup>1</sup>  
(annual % change)



Global growth is skewed towards Asia and favours industrial production, a favourable mix for Australia.

Policy indicators<sup>2</sup>



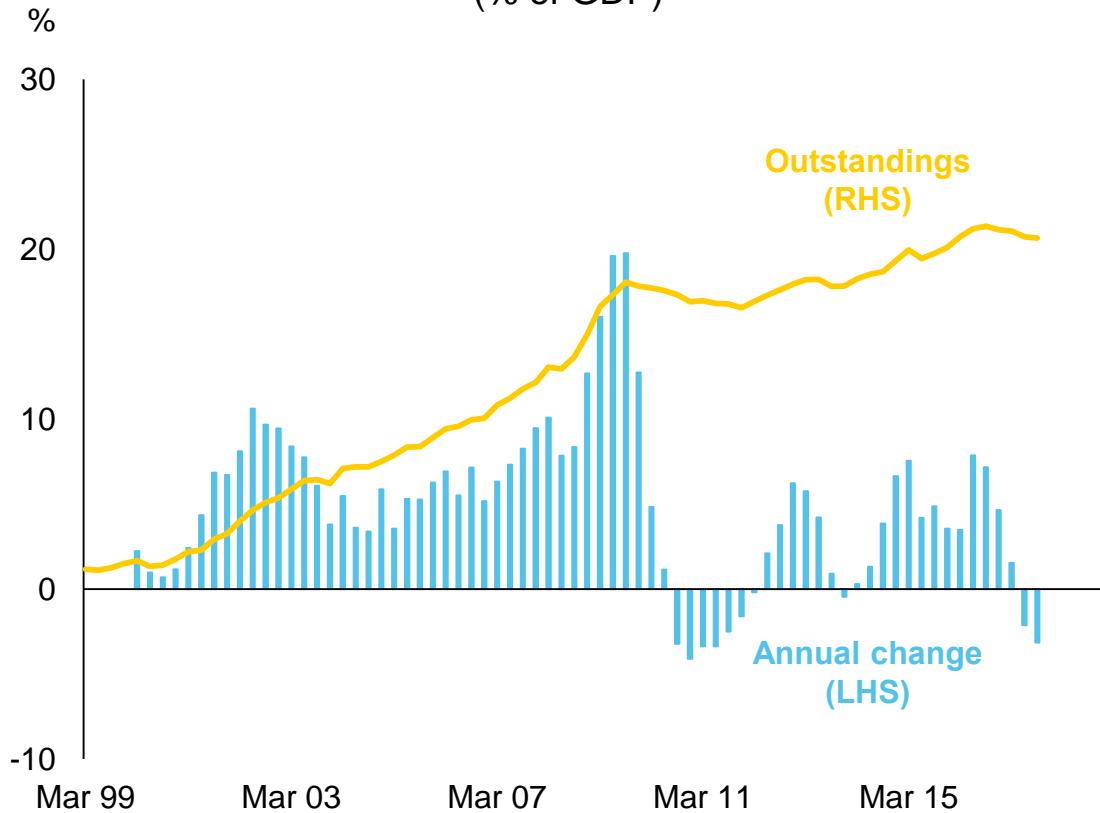
Policy settings may tighten a little but will remain expansionary overall.

1. Source: Bloomberg. 2. Source: OECD/CBA.

# Global risks remain

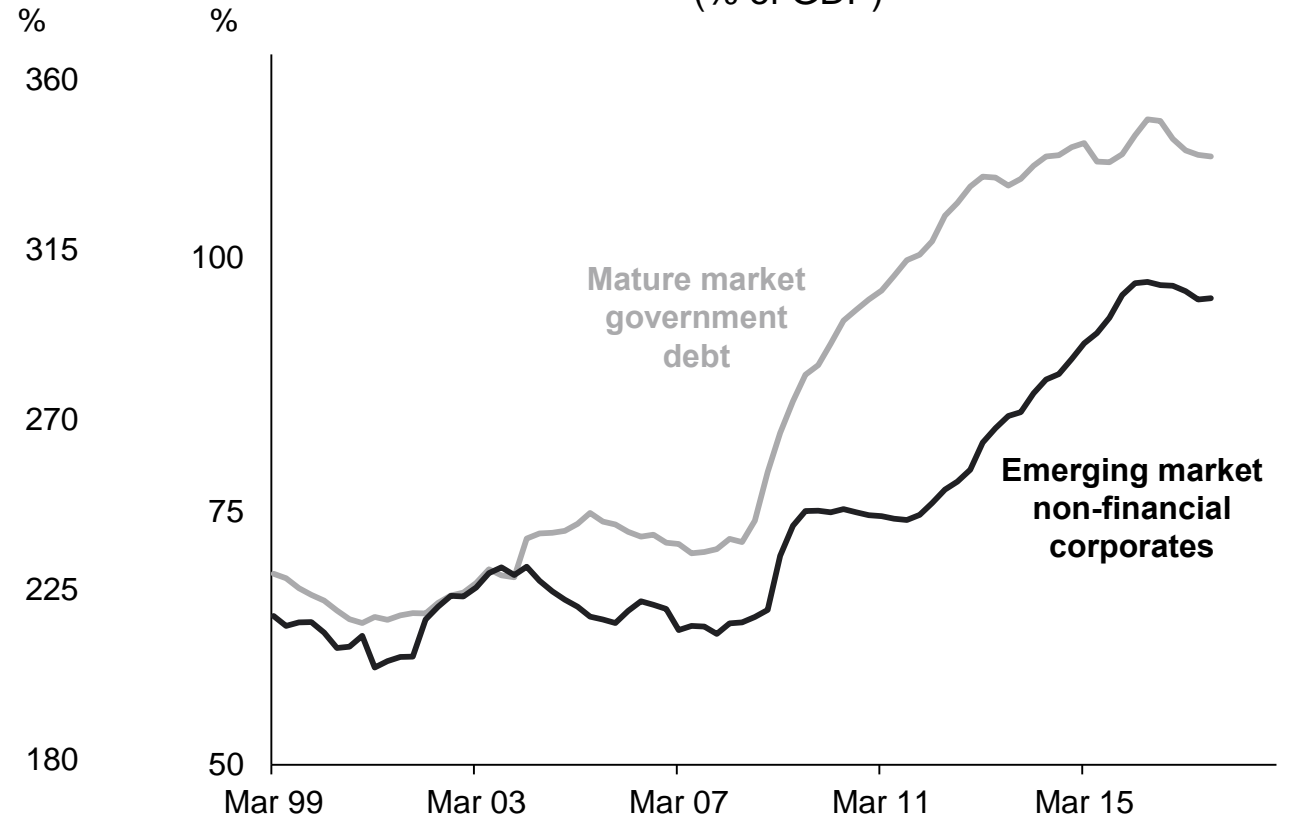


Global debt<sup>1</sup>  
(% of GDP)



Global debt remains at high levels but is falling as a share of GDP.

Global debt<sup>1</sup>  
(% of GDP)



High government debt levels in the mature economies limit the ability to use fiscal policy if needed. High levels of corporate debt in the emerging economies bring refinancing risks.

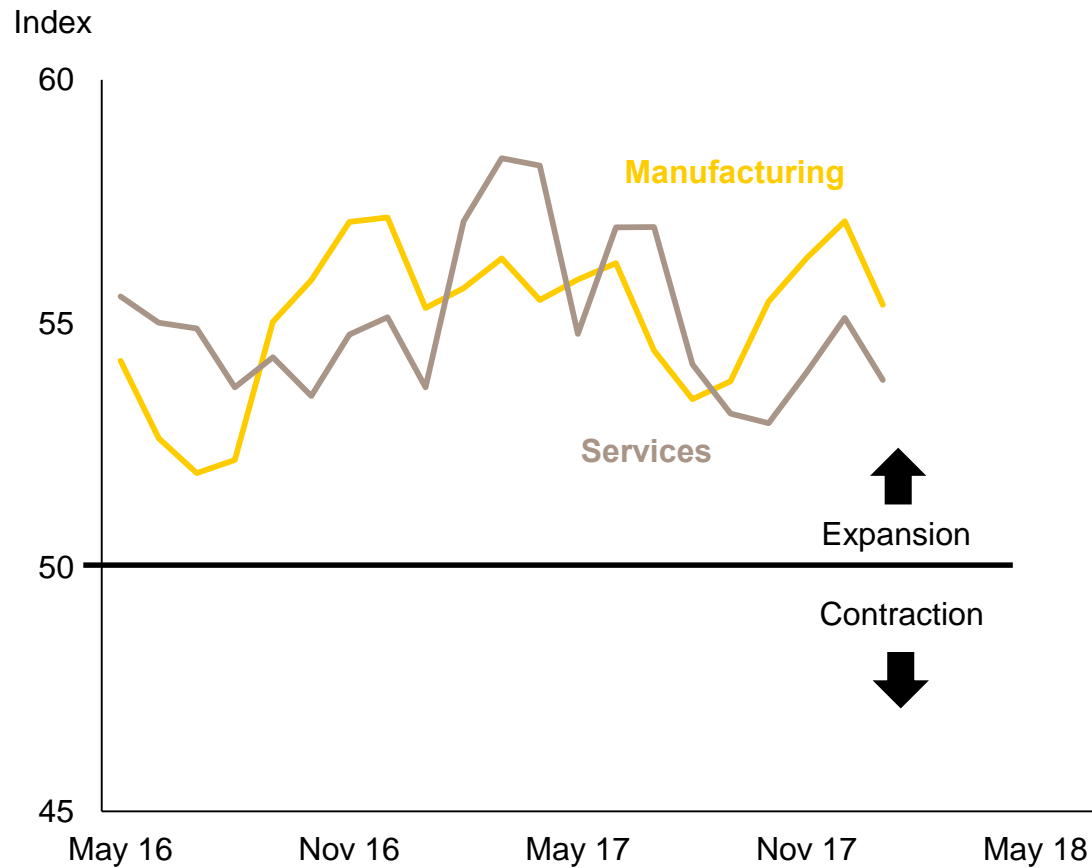
1. Source: IIF.



# Australia ended 2017 with a respectable growth momentum

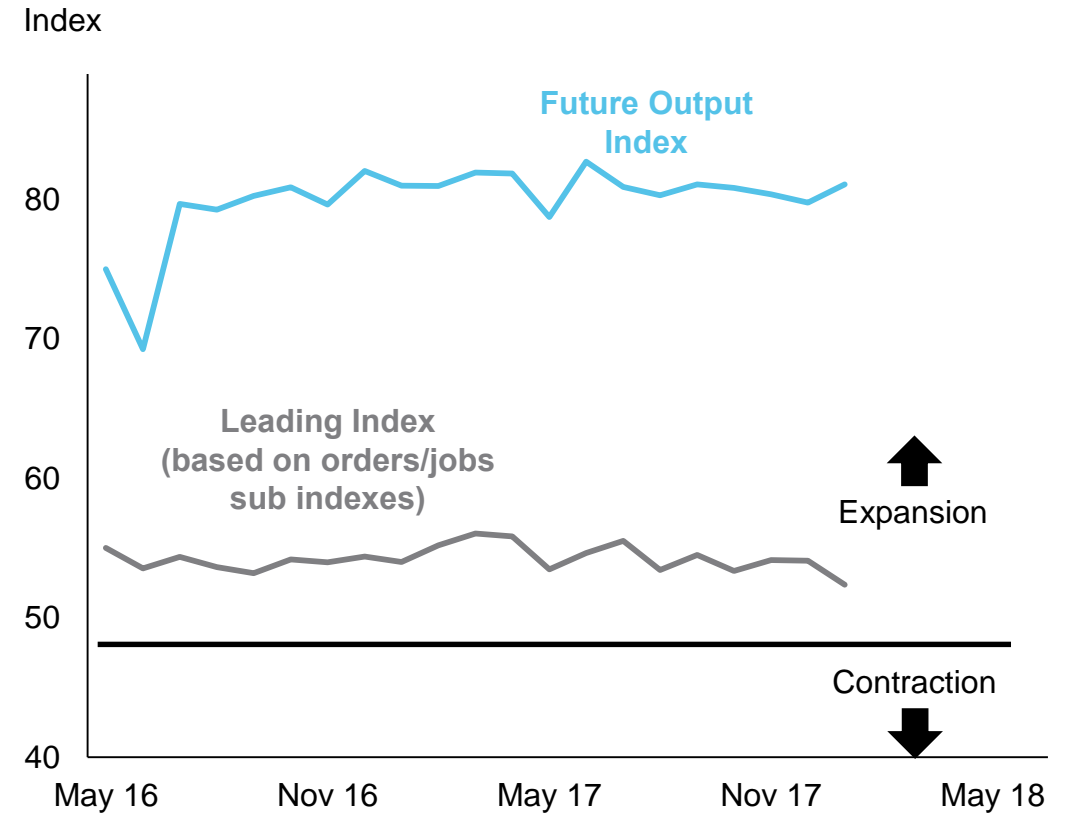


## CBA Purchasing Managers Indexes<sup>1</sup>



CBA Purchasing Managers Indexes covering manufacturing and services remain comfortably in expansionary territory.

## CBA Composite PMI<sup>1</sup> (leading indicators)



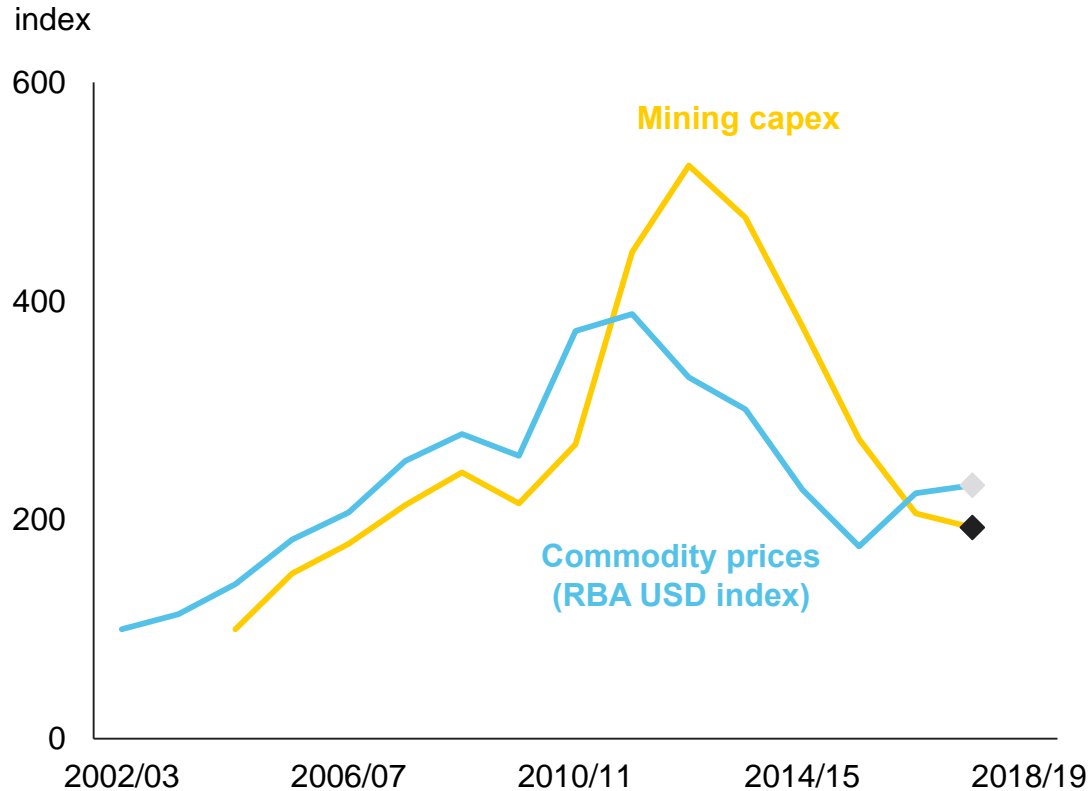
The high readings of forward-looking components (orders, employment, future output) is encouraging.

1. Source: IHS Markitt/CBA.

# Getting easier to grow

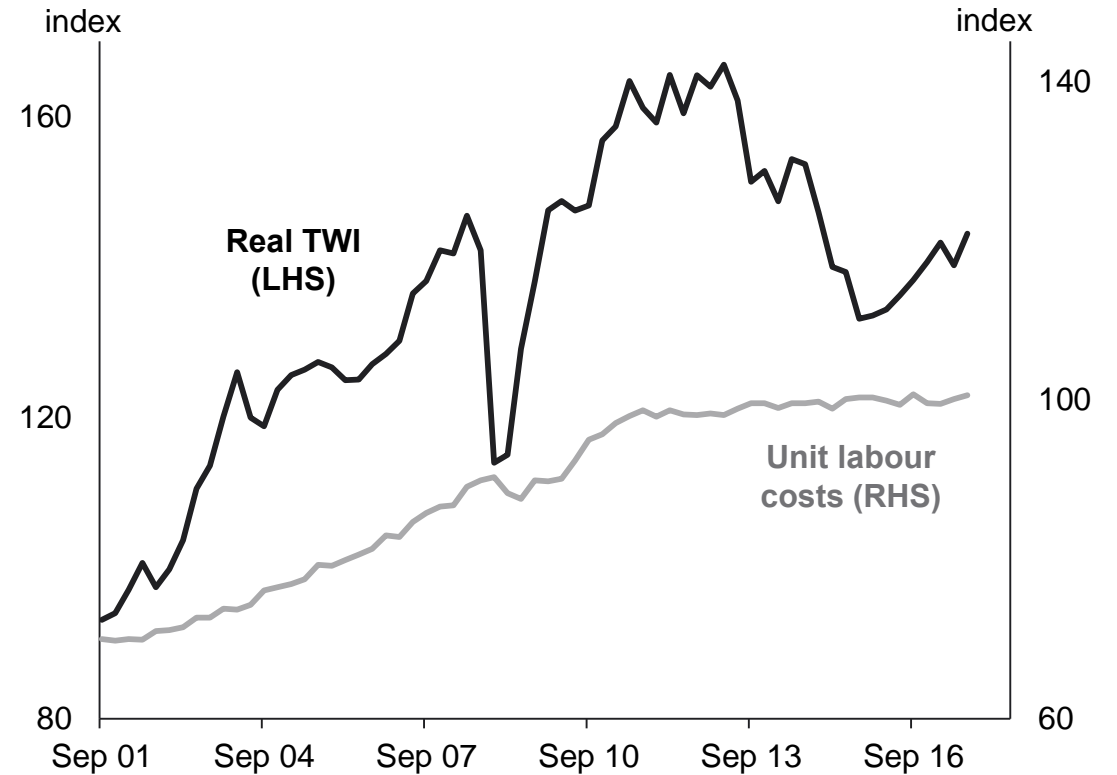


The commodity boom-bust  
(start = 100)



The drag on incomes from falling commodity prices is over. The drag on spending and jobs from falling mining capex is near completion.

Fundamental drivers<sup>1</sup>  
(index)



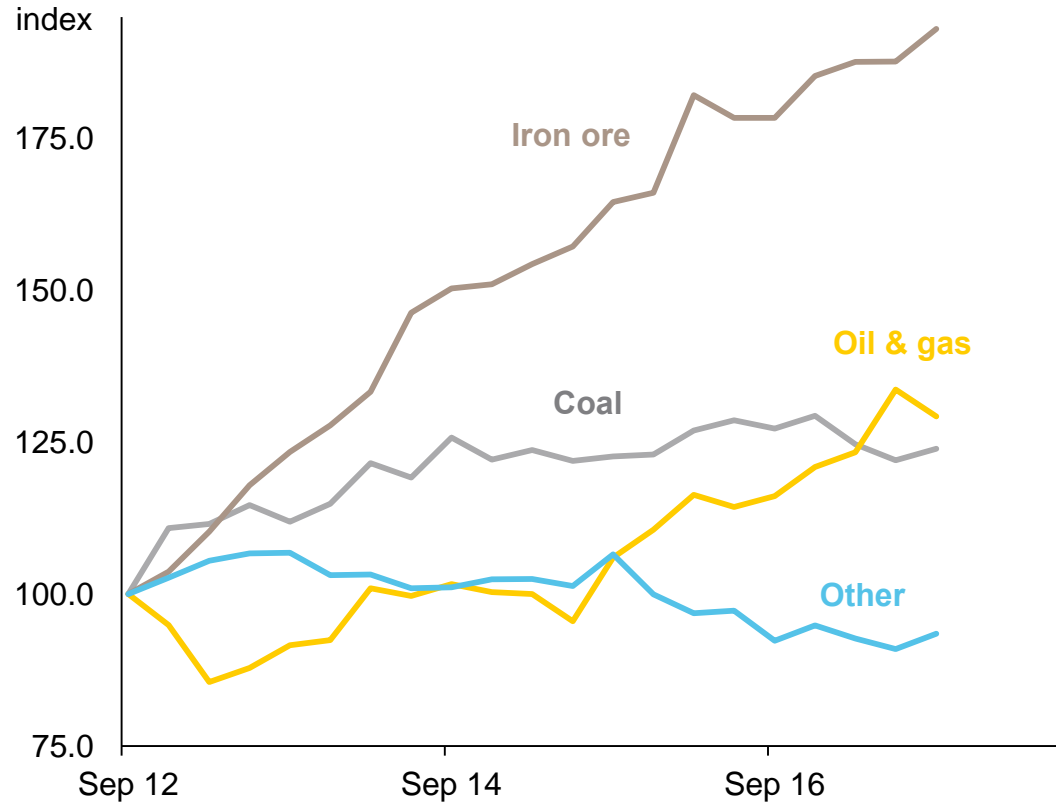
Background economic parameters are growth friendly. Flat unit labour costs are supporting labour demand and improving export competitiveness.

1. Source: RBA.

# Growth positives

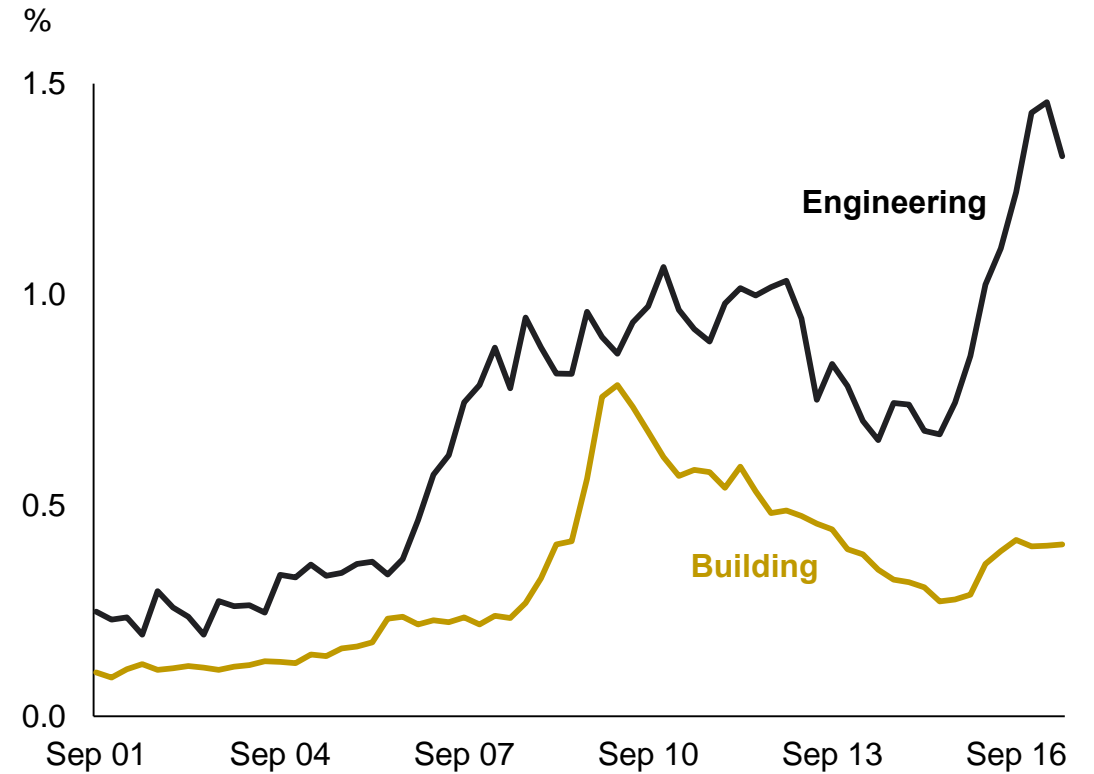


### Mining output by sector (Q3'12 = 100)



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

### Public investment (Work yet to be done, % of annual GDP)

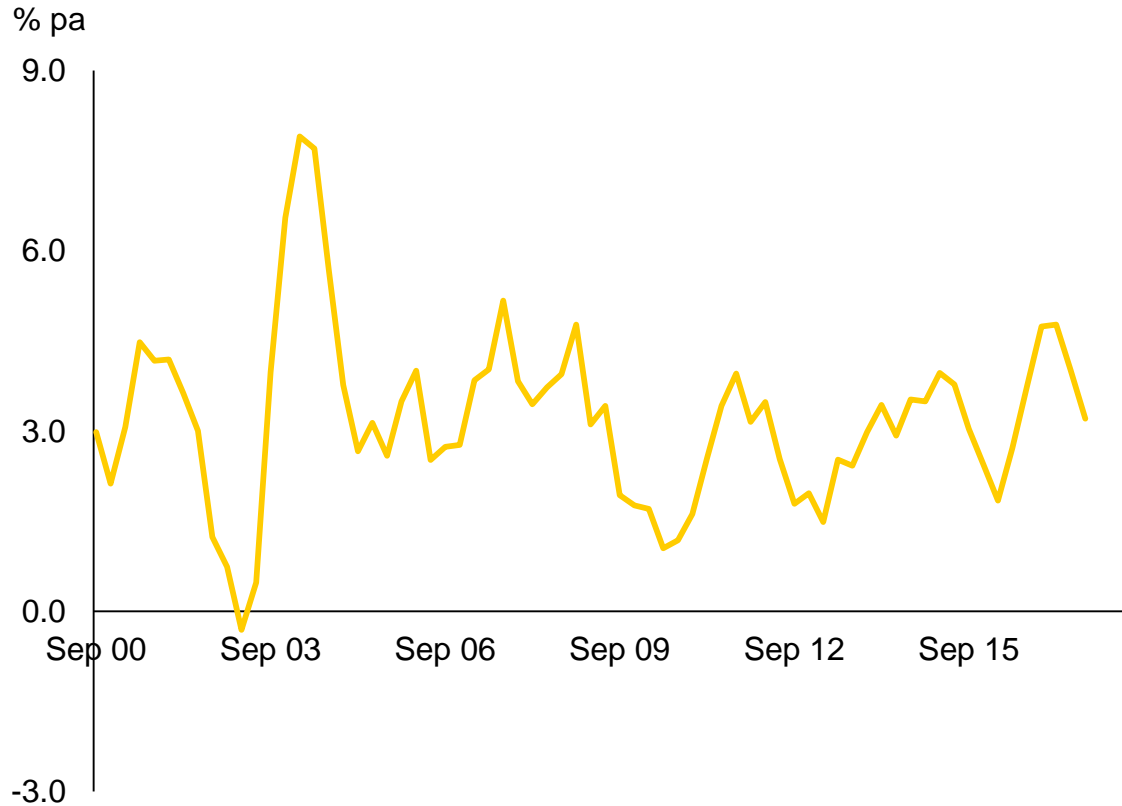


A major infrastructure boom at the State and Federal level is underway.

# Growth positives

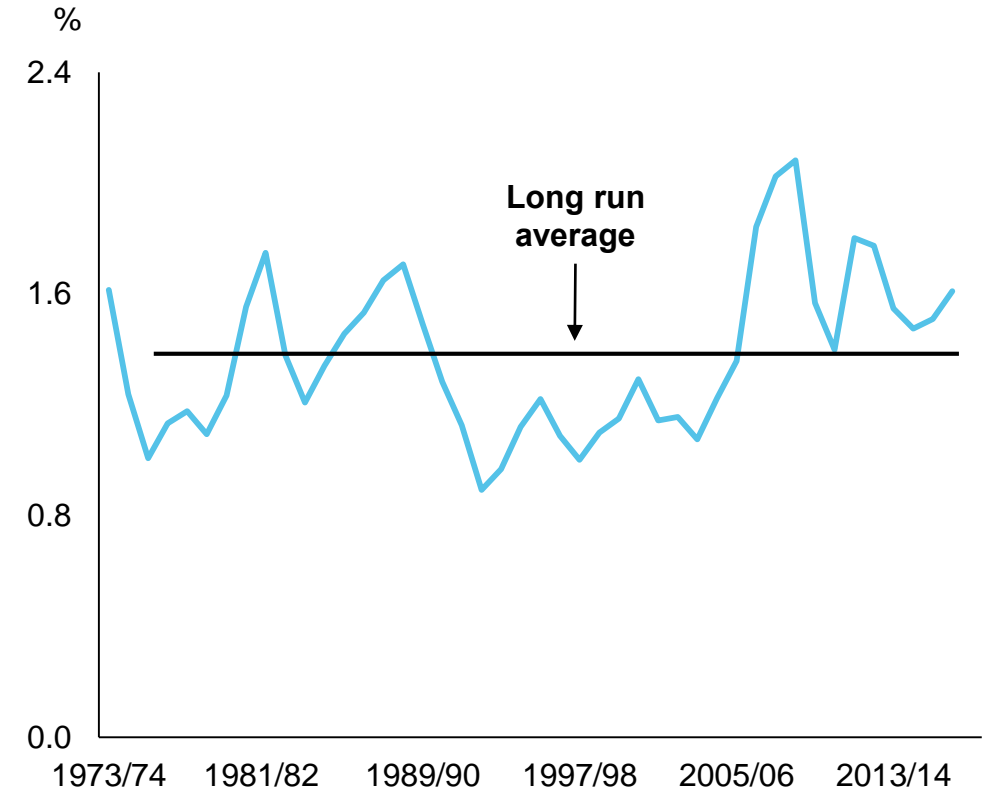


Asian income growth by proxy  
(Australian GDP exposed to Asian income growth)



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

Population  
(annual % change)

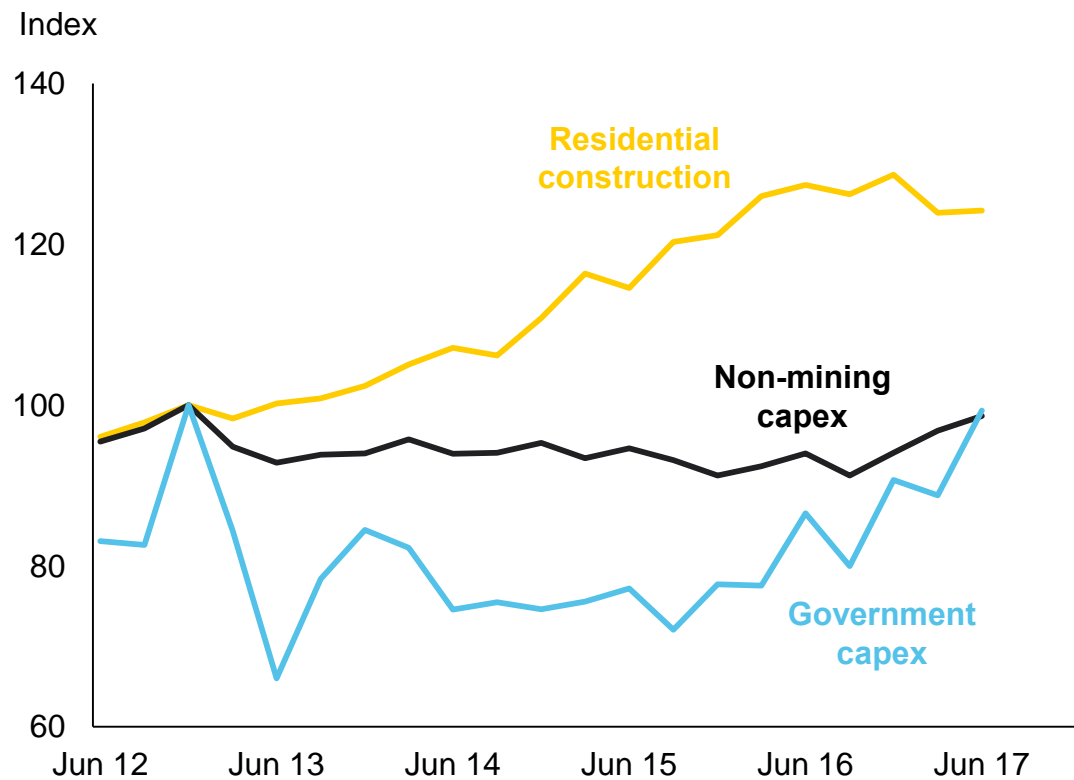


Population growth is lifting, supporting housing demand and demand across the broader economy.

# Growth risks

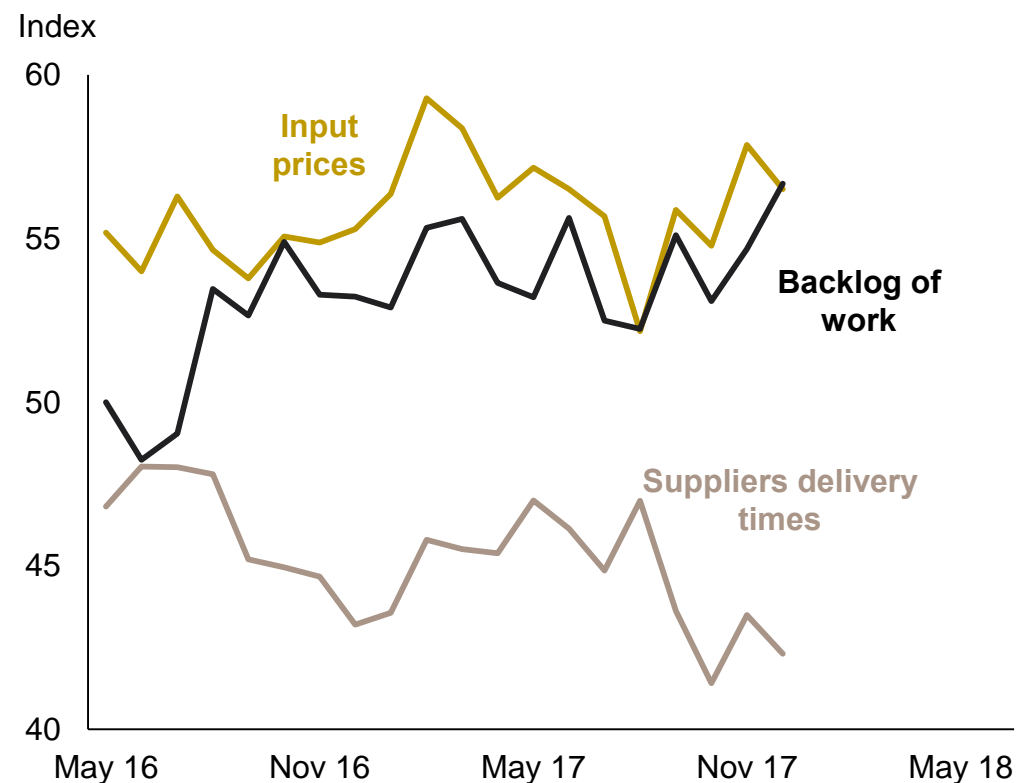


### Transition drivers<sup>1</sup> (end 2012 = 100)



The residential construction boom is peaking and an ongoing lift in non-mining capex is not assured.

### CBA Manufacturing PMI<sup>2</sup> (price pressure indicators)



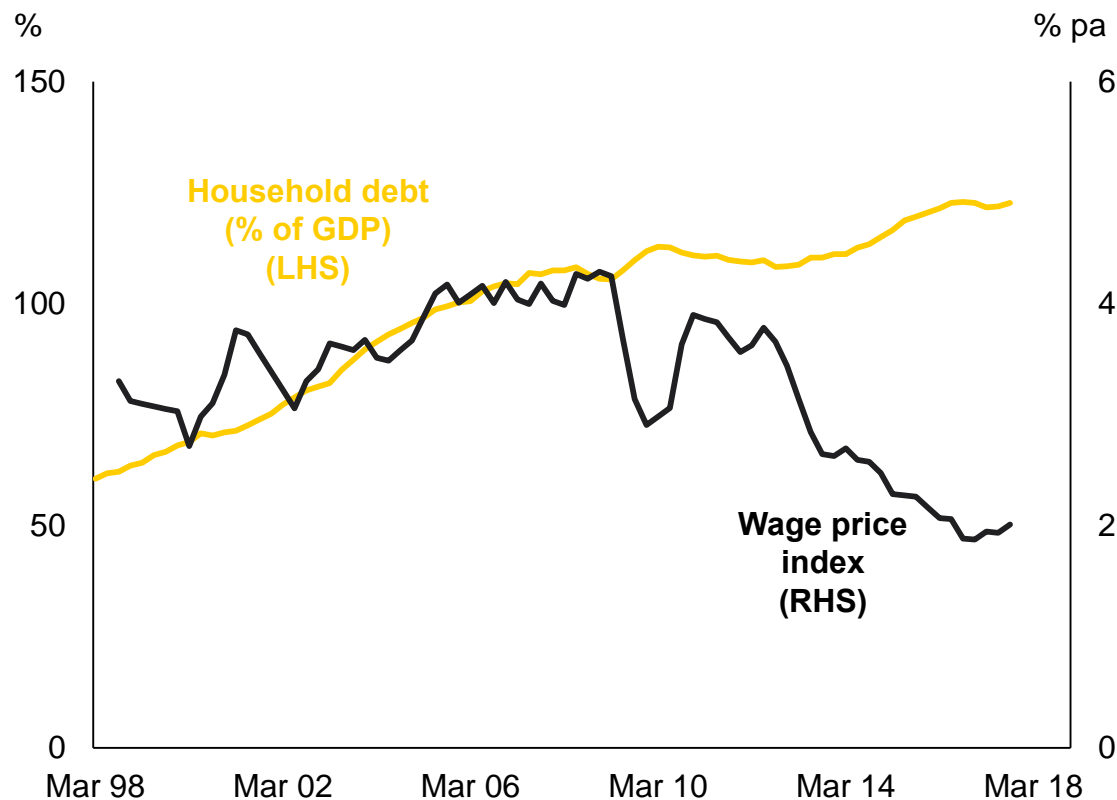
CBA PMI surveys show some lift in capacity constraints, potentially limiting our ability to fully benefit from an improving global economy and solid underlying domestic backdrop.

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

# Growth risks

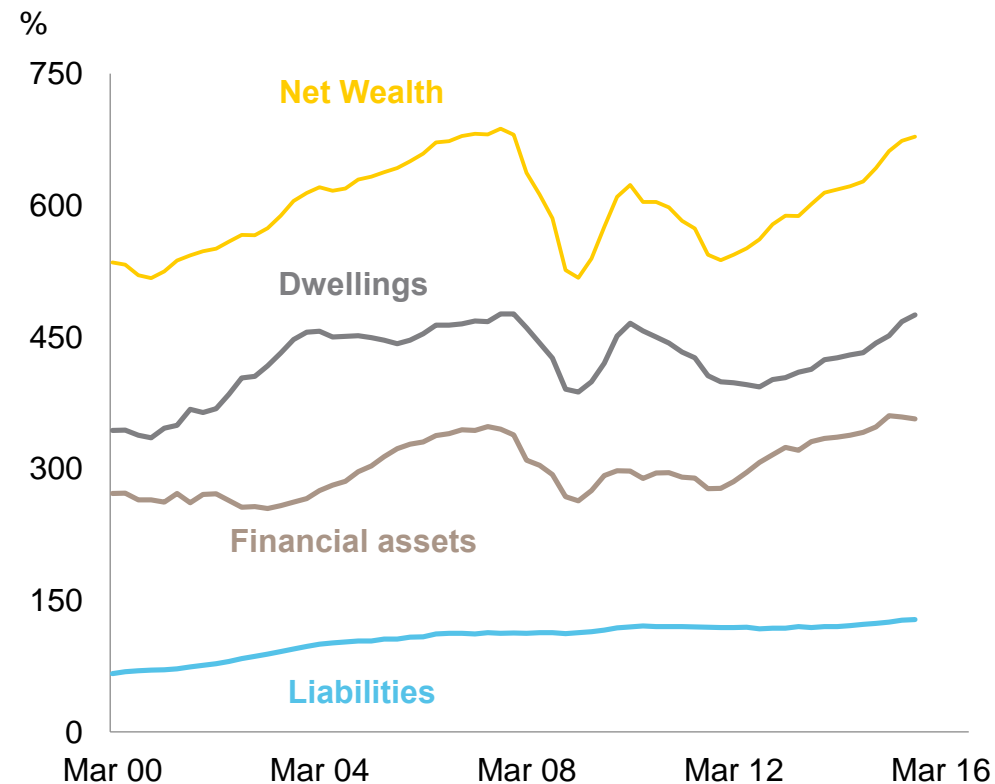


## Wages & debt<sup>1</sup>



The combination of high household debt at a time of weak income growth is a risk to consumer activity.

## Household wealth and Liabilities<sup>2</sup> (% of annual household disposable income)



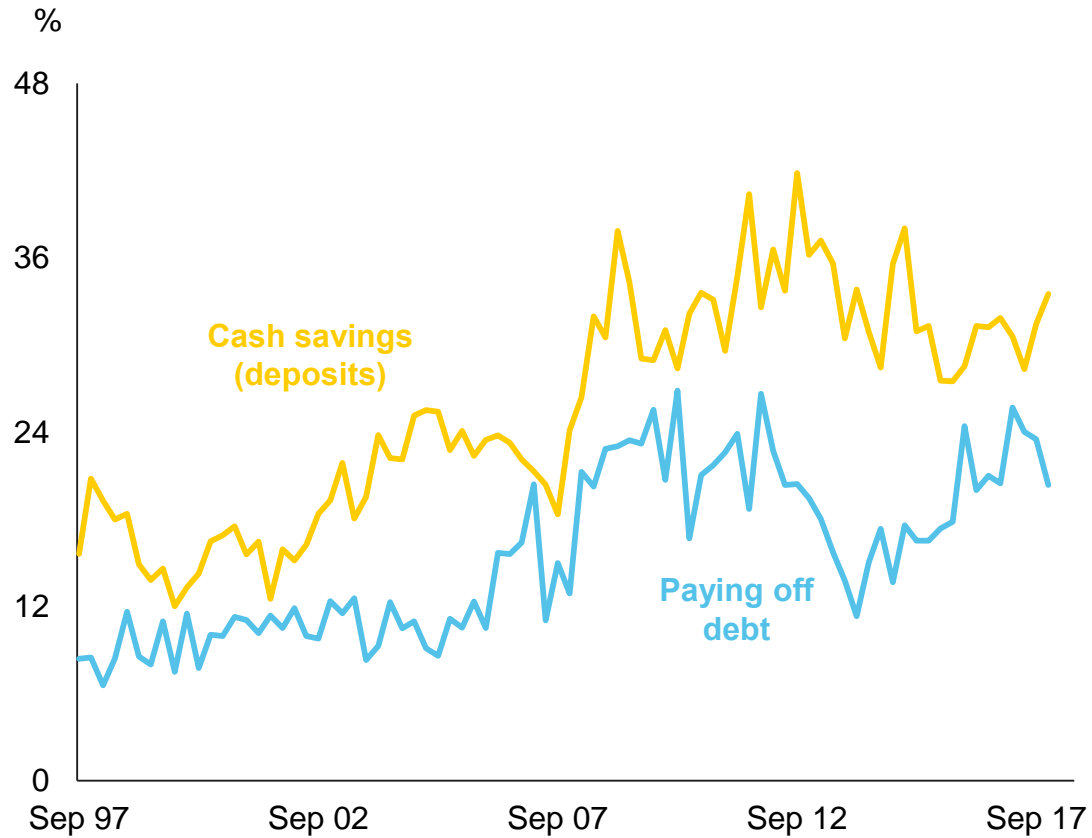
Household debt is high relative to incomes and so are household assets. Debt service ratios are low.

1. Source: IIF/ABS. 2. Household disposable income is after tax, before the deduction of interest payments, and includes income of unincorporated enterprises. Source: RBA.

# Growth risks

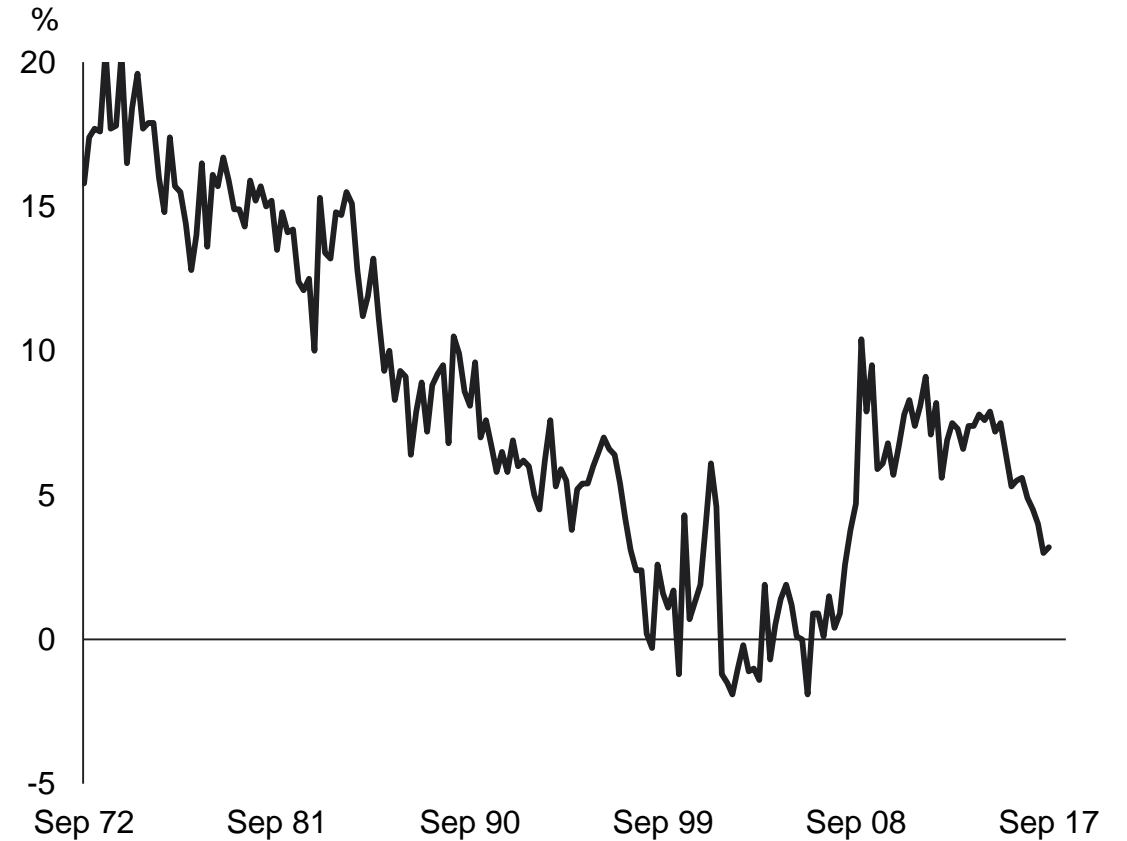


## Wisest place for new savings?<sup>1</sup>



Household behaviour has changed in a way that favours balance sheet repair over spending.

## Saving ratio

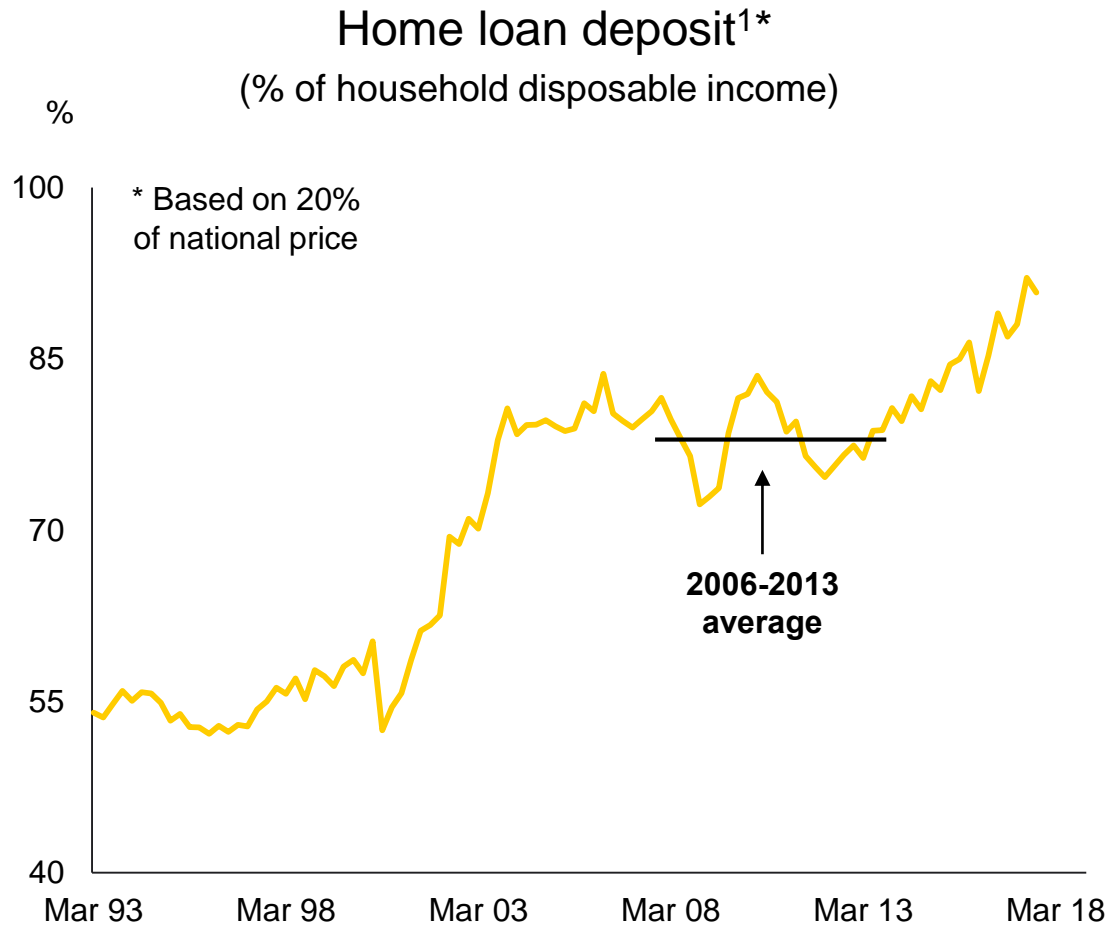


The ability to “fund” consumer spending by lowering saving rates is limited.

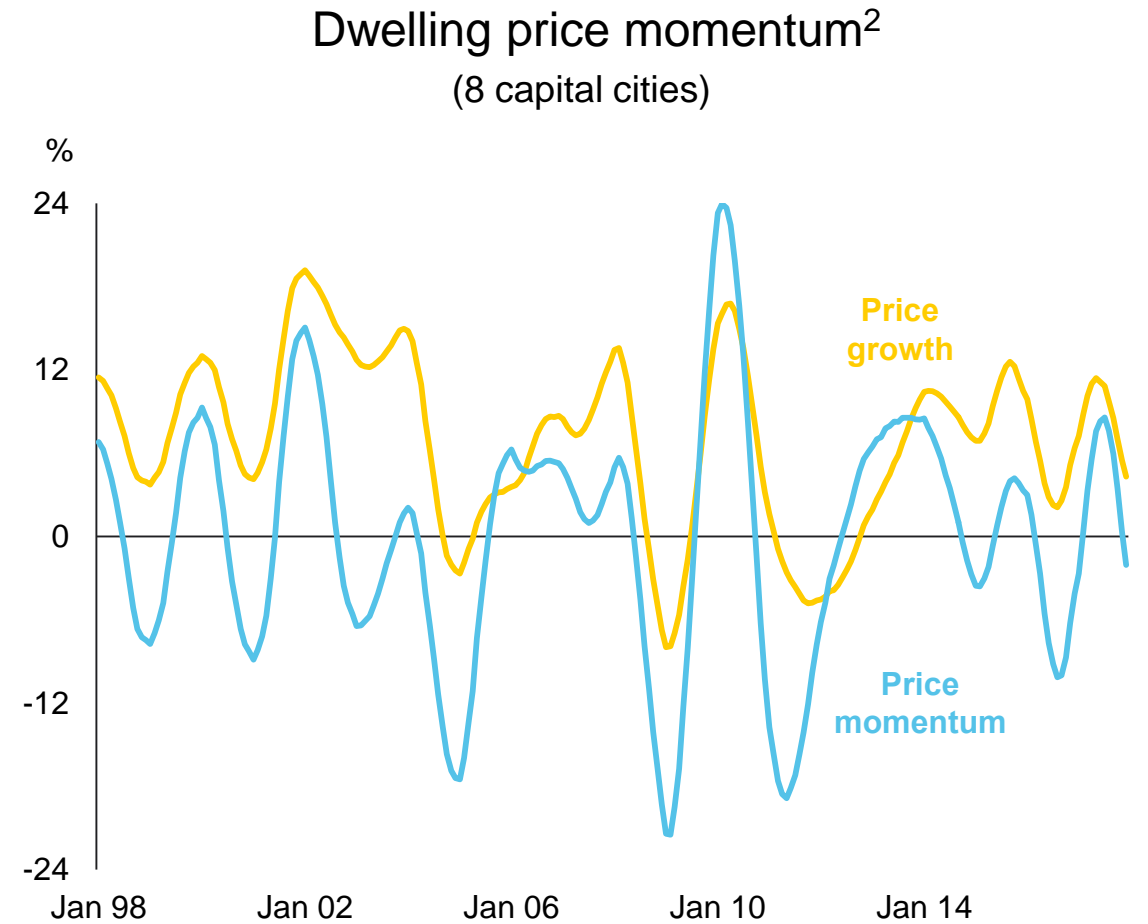
1. Source: WBC/Melbourne Institute.



# The housing market is cooling



Lower affordability is weighing on owner-occupier demand.



Regulatory action, higher mortgage rates and shifting price growth expectations are slowing investor demand.

# Typical housing bubble factors not evident in Australia

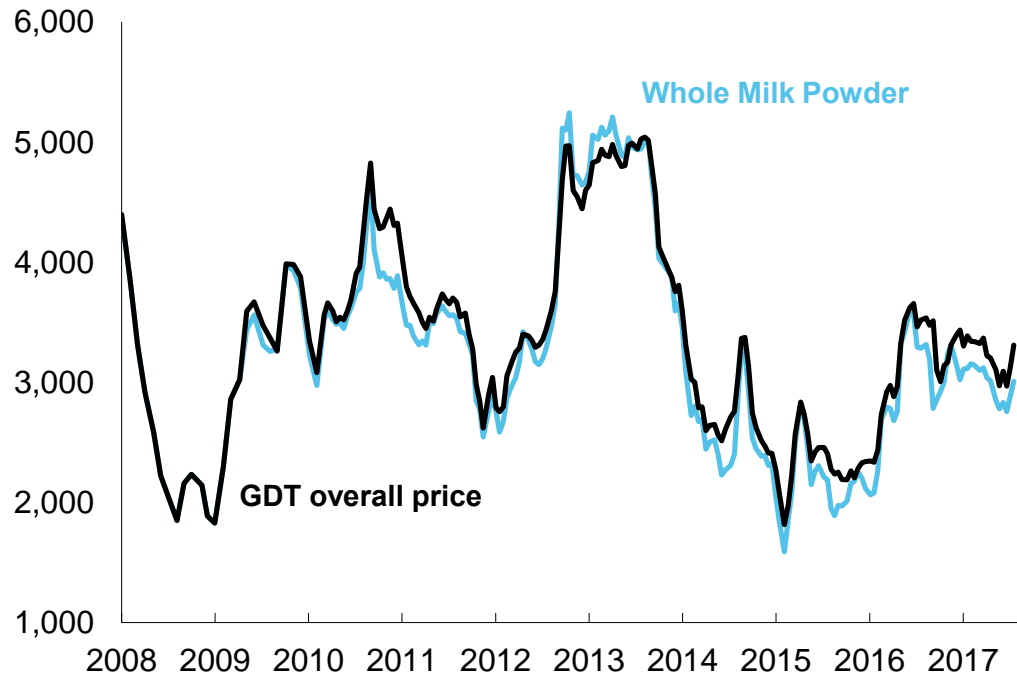


Housing “Bubble” – typical characteristics	Current position in Australia
Unsustainable asset prices	<ul style="list-style-type: none"><li>• Strong building in recent years means that demand and supply are now more in balance</li><li>• Price growth is slowing as affordability and regulatory issues bite</li><li>• Some risk of oversupply of apartments in some capital cities but demographics are strong</li></ul>
Speculative investment artificially inflates asset prices	<ul style="list-style-type: none"><li>• Investor interest has been a rational response to low interest rates, elevated risk appetite and the pursuit of yield</li><li>• Investor demand is slowing following APRA’s latest regulatory changes, falling price growth expectations and higher interest rates from the major lenders</li></ul>
Strong volume growth driven by relaxed lending standards	<ul style="list-style-type: none"><li>• Share of high LVR lending and interest-only lending falling, minimal “low doc” lending</li><li>• Mortgage insurance for higher LVR loans</li><li>• Full recourse lending</li><li>• Restrictions on interest only lending and investor lending, 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, large mortgage offset balances</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 for 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

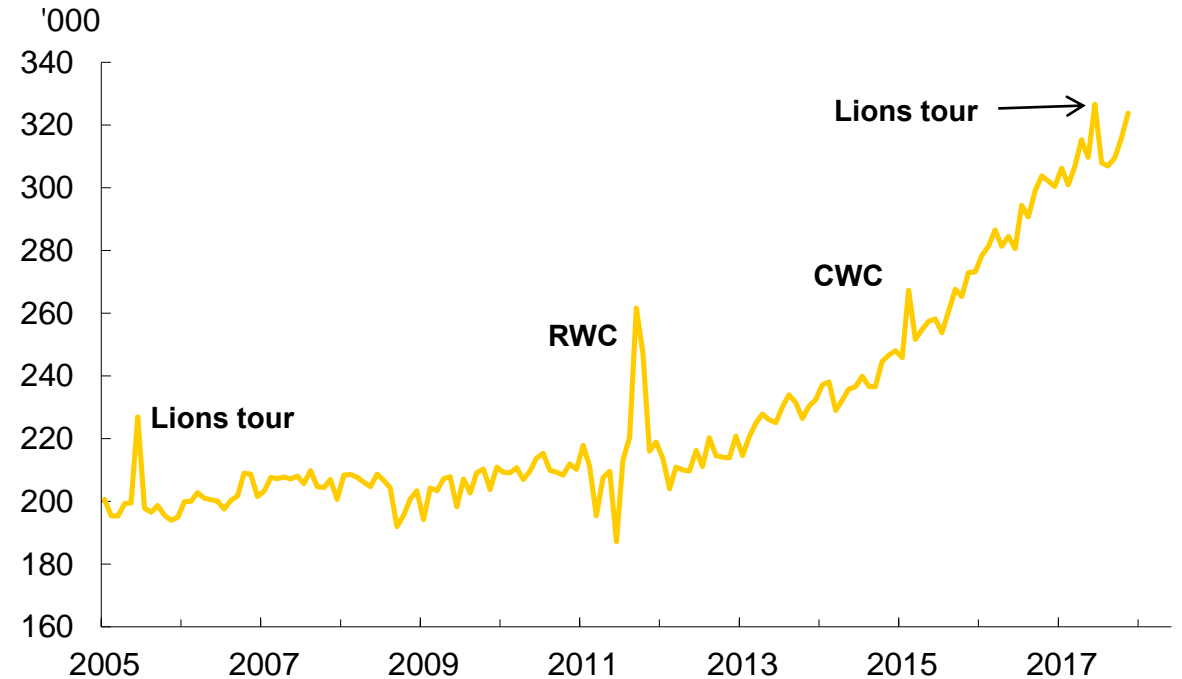


Global dairy trade auction results<sup>1</sup>  
(USD/tonne)



Dairy prices have largely tracked sideways over 2017 at around average level. The majority of farmer's cashflows are positive at this level, meaning the dairy sector will contribute positively to domestic spending over 2018.

NZ short term arrivals<sup>2</sup>  
(monthly, seasonally adjusted)

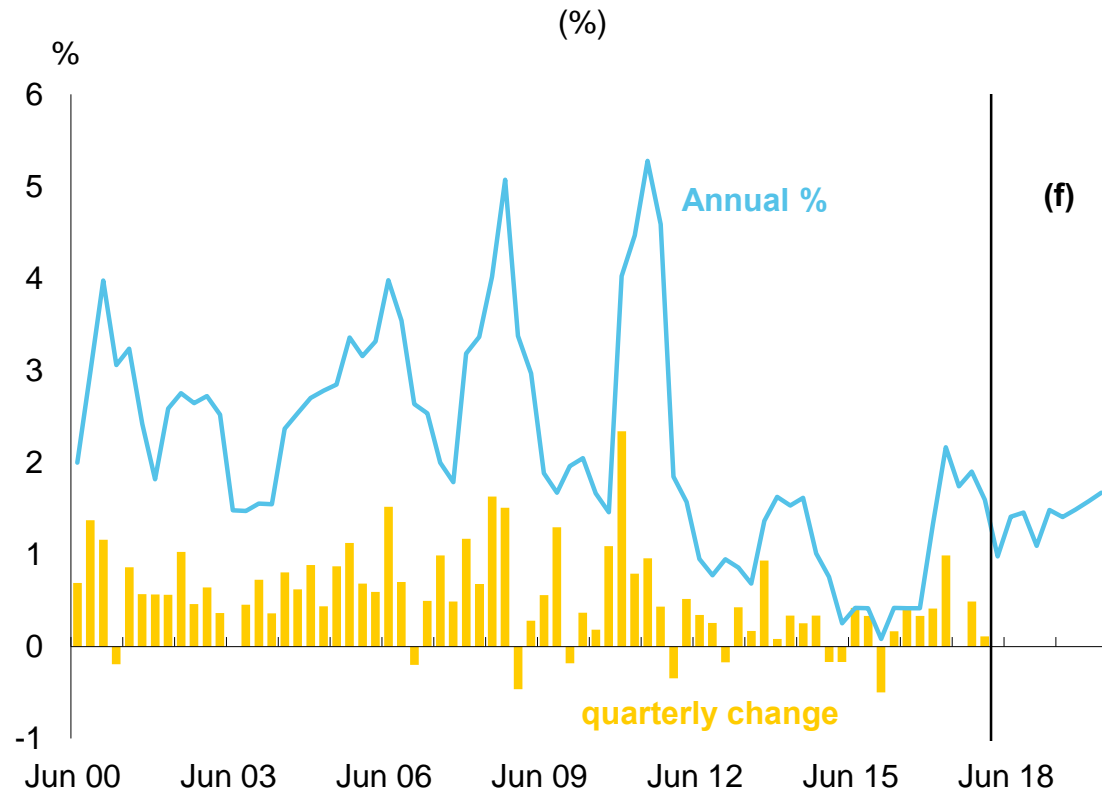


Tourism (the other significant export earner) has seen strong visitor growth and has been well supported by special events. However, the firm NZD has tempered per-person spend and accommodation capacity constraints are emerging.

1. Source: GlobalDairyTrade. 2. Source: Stats NZ.



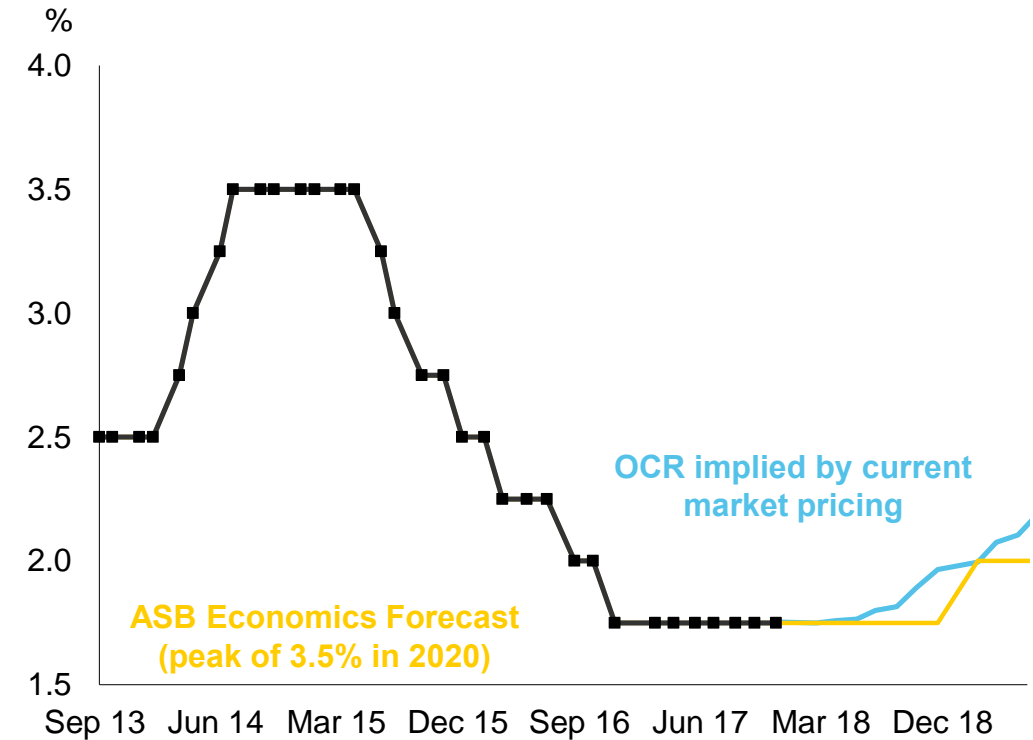
## NZ CPI inflation<sup>1</sup>



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

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

(ASB forecast and implied market pricing, %)



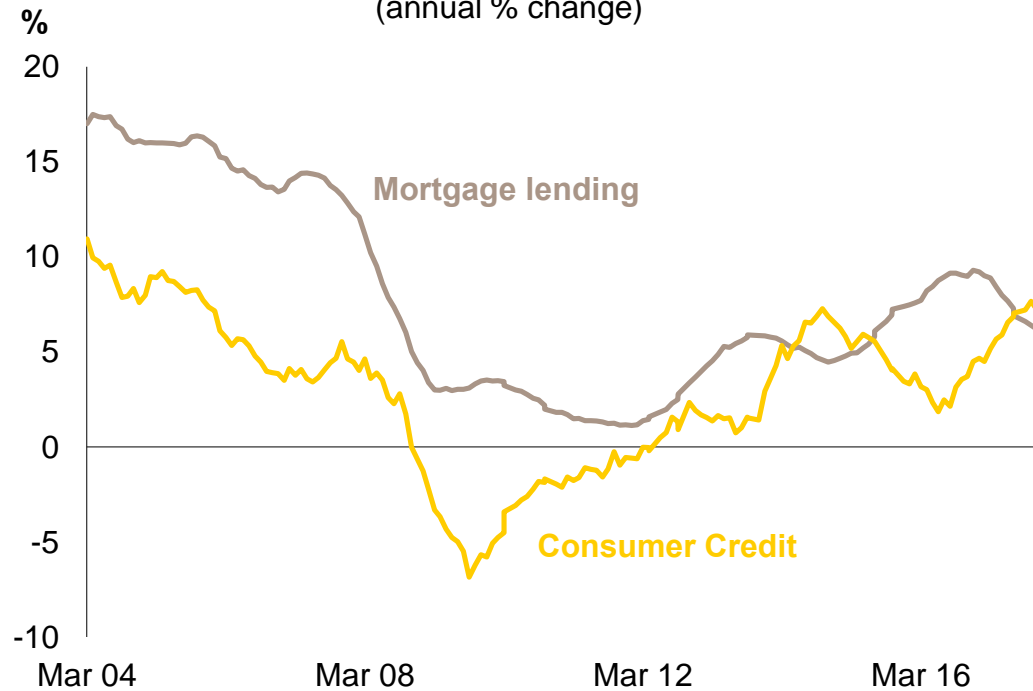
We expect the RBNZ to remain on hold for an extended period, until early 2019. There is very little need for rate cuts or hikes in the near term.

# New Zealand



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

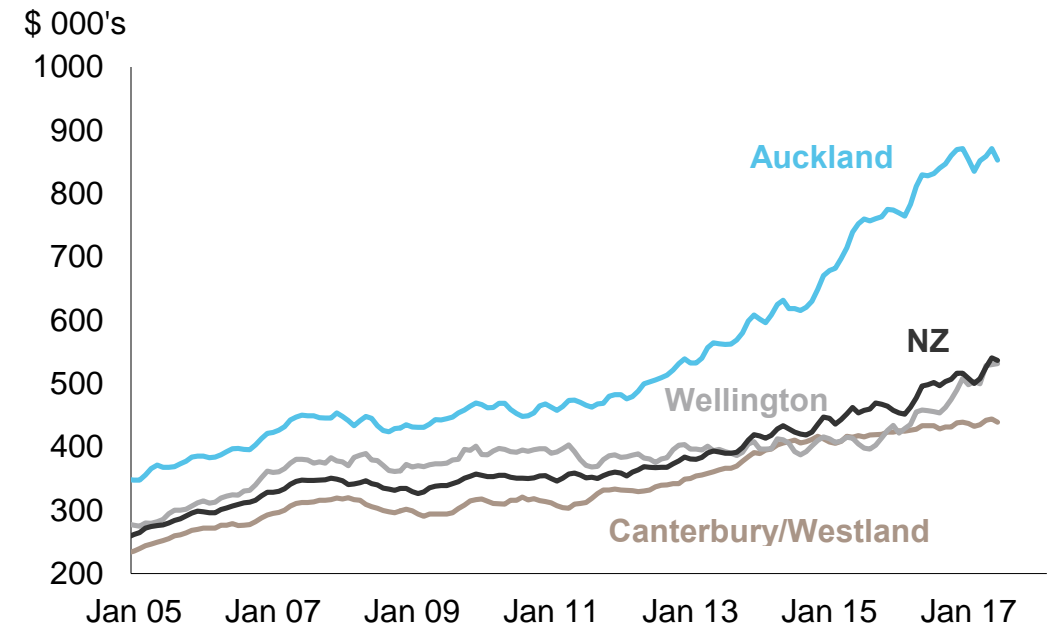
(annual % change)



Home lending growth has been decelerating to date over 2017. The new Government's proposed housing policies are likely to reduce demand from some investors and contribute to a muted housing market over 2018. Credit growth will continue to moderate in line with a softer housing market.

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

(3 month moving average, \$'000)



House prices are flat/down in Auckland, and price growth is slowing elsewhere. While the incoming Government's policies are likely to soften housing demand from investors, we expect pent-up demand from first home buyers, relaxed LVR-lending restrictions for owner occupiers, a strong labour market, low interest rates and housing supply shortages in Auckland and Wellington to provide base support to house prices.

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





# Sources & Notes

# 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 2017. Peers includes ANZ, NAB and Westpac. CBA excludes Bankwest, Westpac excludes St George.
- 2 Products per Customer – Roy Morgan Research. Australian Population 18+. Average Number of Banking and Finance Products held by at financial Institution. 6 month rolling average to December 2017. Share of product is calculated by dividing Products held at CBA by Products held anywhere. CBA excludes Bankwest, Westpac excludes St George.
- 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 2017. Peers includes ANZ, NAB and Westpac (incl. St George Group). CBA includes Bankwest.
- 4 Roy Morgan Research. Australian Population 14+. Retail Net Promoter Score is calculated by subtracting the percentage of Total Detractors (1-6) from the percentage of Promoters (9-10). Note that percentage signs are not used to report NPS. "Can't Say" responses are currently not excluded from this analysis. CBA excludes Bankwest, Westpac exclude St George.
- 5 Roy Morgan Resource, Retail Net Promoter Score, Promoters is define as score of 9-10. Total Detractors is a score of 1-6.
- 6 DBM Business Net Promoter Score measures the net likelihood of recommendation to others of the customer’s main financial institution. Net Promoter Score<sup>SM</sup> is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. Using a scale of 0 to 10 (0 means ‘extremely unlikely’ and 10 means ‘extremely likely’), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters). A 6-month rolling data is used. CBA excludes Bankwest and Westpac excludes St George.
- 7 Customer satisfaction metric from DBM Business Financial Services Monitor is the 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. CBA excludes Bankwest and Westpac excludes St George. MFI Satisfaction rankings are tested for statistical significance.
- 8 The Colonial First State (CFS, the platform provider) score is calculated based on the weighted average (using Funds Under Administration (FUA) from the Strategic Insights (formerly known as Plan for Life) FUA subscription database) of the overall satisfaction scores (out of 10, from the annual Wealth Insights Platform Service Level Survey) of FirstChoice and FirstWrap. The ranking is calculated by comparing the overall satisfaction score with the weighted average of other platform providers in the relevant peer set (using the same FUA weighted methodology as the CFS score). The relevant peer set includes platforms belonging to Westpac, NAB, ANZ, AMP and Macquarie Bank in the Wealth Insights survey. This measure is updated annually in April.
- 9 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 overview metrics

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## Sources for 'CBA overview'

### Technology and innovation

- 1 Digital customers are those who have logged into NetBank or the CommBank app at least once for the month. 6.4m digital customers refers to Dec 2017.
- 2 Customer advocacy is measured with the Roy Morgan Service Used Net Promoter Score – Internet Banking. Rank based in comparison with ANZ, NAB and Westpac. As at December 2017, CBA has held the number one position every month since the metric commenced in February 2017.
- 3 CommBank app mobile users are those who have logged into the CommBank app at least once for the month. 4.8m CommBank app mobile users refers to Dec 2017.

### Financial strength

- 1 Second largest Australian company by market capitalisation – source Bloomberg, 29 Dec 17.
- 2 CET1 International - Internationally comparable capital - refer glossary for definition.
- 3 Credit ratings - S&P, Moody's and Fitch. S&P put major Australian Banks on "Outlook Negative" 7 Jul 16. Moody's lowered the rating on 19 Jun 17, outlook "Stable". Fitch updated the outlook on the bank sector to "Negative" on 2 Dec 16 – though individual CBA issuer rating remained "Stable".

# Technology metrics



## Source information for 'Technology'

1. Net Promoter Score – Internet Banking (via Mobile App): Roy Morgan Research. Australian population 14+ who used the internet banking services of their (self-nominated) main financial institution via website and/or app in the last 4 weeks. On being asked the likelihood on a scale of 1-10 to recommend (institution) based on their experiences with (internet banking via CommBank App) services, the percentage of customers who provided a score 1-6 is detracted from the percentage of customers who selected 9-10. The outcome is the December 2017 Net Promoter Score which is a rolling average of the last 6 months of spot scores. Rank based on comparison to ANZ, NAB and Westpac. CBA has held the number one position every month since Roy Morgan commenced this metric in February 2017.
2. Free financial app: CommBank app on iOS and Android in Australia. Sources are the Apple App Store and the Google Play Store as at December 2017.
3. Online banking: CBA won Canstar's *Bank of the Year – Online Banking* award for 2017 (for the 8th year in a row). Awarded June 2017.
4. Mobile banking: CBA won Canstar's *Bank of the Year - Mobile Banking* award for 2017. Awarded June 2017.
5. Forrester gave CBA the top score in the *2017 Australian Mobile Banking Benchmark* report. Published June 2017.
6. CBA won Money Magazine's *Mobile Banking Provider of the Year* award in its Consumer Finance Awards of 2017. Published June 2017.
7. Australian Banking and Finance magazine awarded CBA the *Best Digital Payment Product of the Year* for Better Bill Experience. Awarded June 2017. <https://www.rfigroup.com/australian-banking-and-finance/news/westpac-takes-top-gongs-retail-banking-awards>

# 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).
Derivative Valuation Adjustments	A number of different valuation adjustments are made to the value of derivative contracts to reflect the additional costs in holding these contracts. The material valuation adjustments included within the CBA result are CVA and FVA.
Credit value adjustment (CVA)	The market value of counterparty credit risk on uncollateralised derivative assets, calculated as the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty's default.
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.
Committed liquidity facility (CLF)	Given the limited amount of Commonwealth government and Semi-government debt in Australia, participating ADIs can access contingent liquidity via the RBA's CLF. The amount of the CLF for each ADI is set annually by APRA. To access the CLF, ADIs need to meet certain conditions and pledge qualifying securities to the RBA.
Net Stable Funding Ratio	The NSFR is the second quantitative liquidity measure of the Basel III reforms, in addition to the LCR. It was implemented by APRA in Australia on 1 Jan 2018. It requires 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).



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## Cash Profit

The Management Discussion and Analysis discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared and reviewed in accordance with the Corporations Act 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 operating results. It is not a measure based on cash accounting or cash flows. The items excluded from cash profit, such as hedging and IFRS volatility, are calculated consistently with the prior year and prior half disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from cash profit is provided on page 5 of the Profit Announcement (PA), which can be accessed at our website: [www.commbank.com.au/results](http://www.commbank.com.au/results)

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