

Debt Investor Update

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

CommonwealthBank



Notes

Disclaimer

The material that follows is a presentation of general background information about the Group's activities current at the date of the presentation, 12 February 2014. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

Cash Profit

The Management Discussion and Analysis discloses the net profit after tax on both a 'statutory basis' and a 'cash basis'. The statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is management's preferred measure of the Group's financial performance, as the non-cash items tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items, such as hedging and IFRS volatility, is treated consistently with prior period disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from statutory profit is provided in the reconciliation of the net profit after tax ("cash basis") on page 3 of the Profit Announcement (PA) and described in greater detail on page 15 of the PA and can be accessed at our website:

<http://www.commbank.com.au/about-us/shareholders/financial-information/results/>

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CBA overview

- ✓ Largest Australian bank by market capitalisation
- ✓ AA- / Aa2 / AA- Credit Ratings (S&P, Moodys, Fitch)
- ✓ Basel III CET1 (International) 11.4%
- ✓ Total assets of \$782bn
- ✓ ~14.5 million customers
- ✓ ~51,000 staff
- ✓ 1,155 branches (includes Bankwest)
- ✓ #1 in household deposits
- ✓ #1 in home lending
- ✓ #1 wealth management platform - FirstChoice

Financial Result – 6mths to 31 Dec 2013¹

Cash earnings (\$m)	4,268	14%
ROE (Cash)	18.7%	80 bpts
Cash EPS (\$)	2.64	13%
DPS (\$)	1.83	12%
Cost-to-Income (Cash)	42.9%	(90) bpts
NIM (bpts)	214	4 bpts

Balance Sheet

Total assets (\$bn)	782	8%
Total liabilities (\$bn)	735	8%
FUA (\$bn, spot)	271	19%
RWA ² (\$bn)	334	6%
Provisions to Credit RWAs (bpts)	152	na

Capital & Funding

Capital – Basel III CET1 (Int'l)	11.4%	80 bpts
Capital – Basel III CET1 (APRA)	8.5%	40 bpts
LT wholesale funding WAM (yrs)	3.8	0.1
Deposit funding	63%	-
Liquids (\$bn)	137	6%

¹ All movements on prior comparative period unless stated otherwise.

² Growth rate relative to 1 January 2013.

Operating performance by division

All businesses performing well

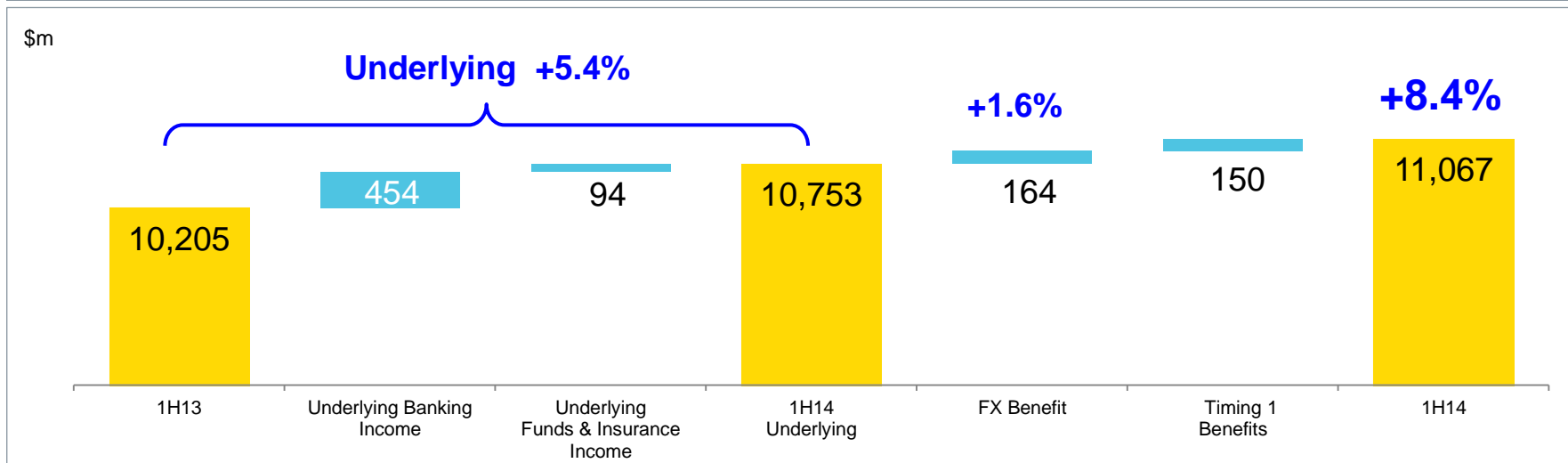
Divisions	Operating Performance ¹ (\$m)	Cash NPAT (\$m)	Cash NPAT 1H14 v 1H13	Drivers	
Retail Banking Services	2,674	1,671	+10%	<ul style="list-style-type: none"> ◆ Income ◆ Home loan balances 	+9% +7%
Business and Private Banking	1,226	797	+10%	<ul style="list-style-type: none"> ◆ Business loan balances ² ◆ NIM lower (deposits) 	+5%
Institutional Banking & Markets	913	674	+13%	<ul style="list-style-type: none"> ◆ Markets (ex CVA) ◆ Loan impairment expense 	+16% (78%)
Wealth Management	449	395	+19%	<ul style="list-style-type: none"> ◆ Average FUA ◆ Net operating income 	+22% +11%
NZ (in AUD)	490	355	+16%	<ul style="list-style-type: none"> ◆ Lending growth ◆ ASB NIM higher (deposits) 	+6%
Bankwest	506	353	+37%	<ul style="list-style-type: none"> ◆ Income ◆ Expense 	+4% (4%)

¹ Operating Performance is Total Operating Income less Operating Expense.

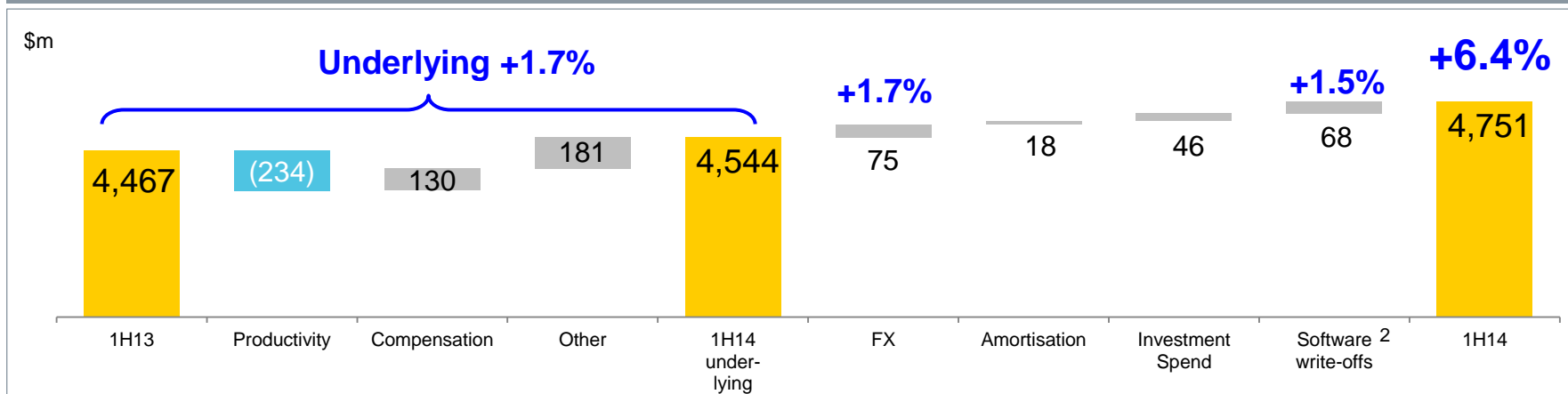
² Source: RBA Business Lending. 12 months to Dec 13.

Income and Expenses

Operating Income



Operating Expenses



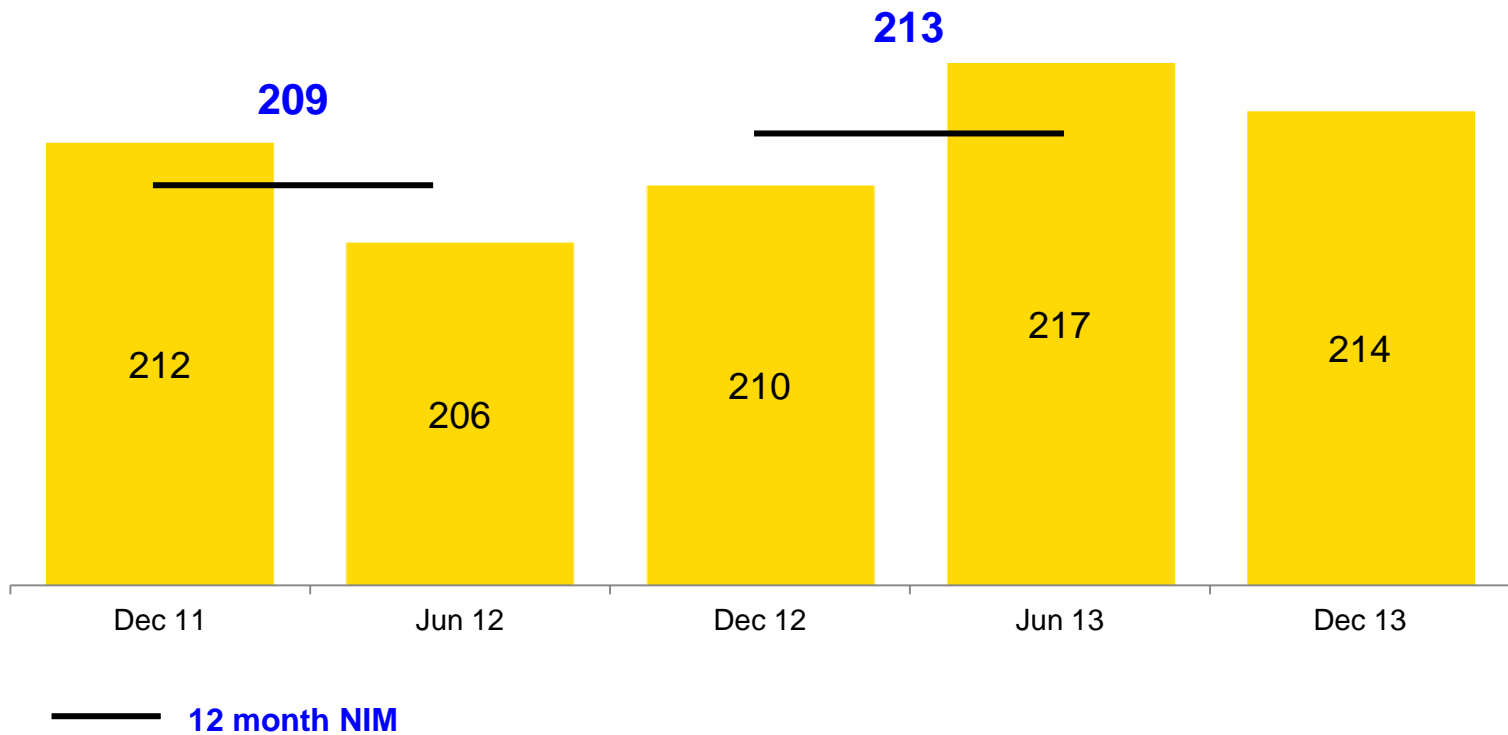
1 Includes the full period benefit of asset re-pricing conducted late in 1H13 and lower short term wholesale funding costs.

2 Represents write-off of approximately 30 individual projects completed prior to 2012

Group NIM

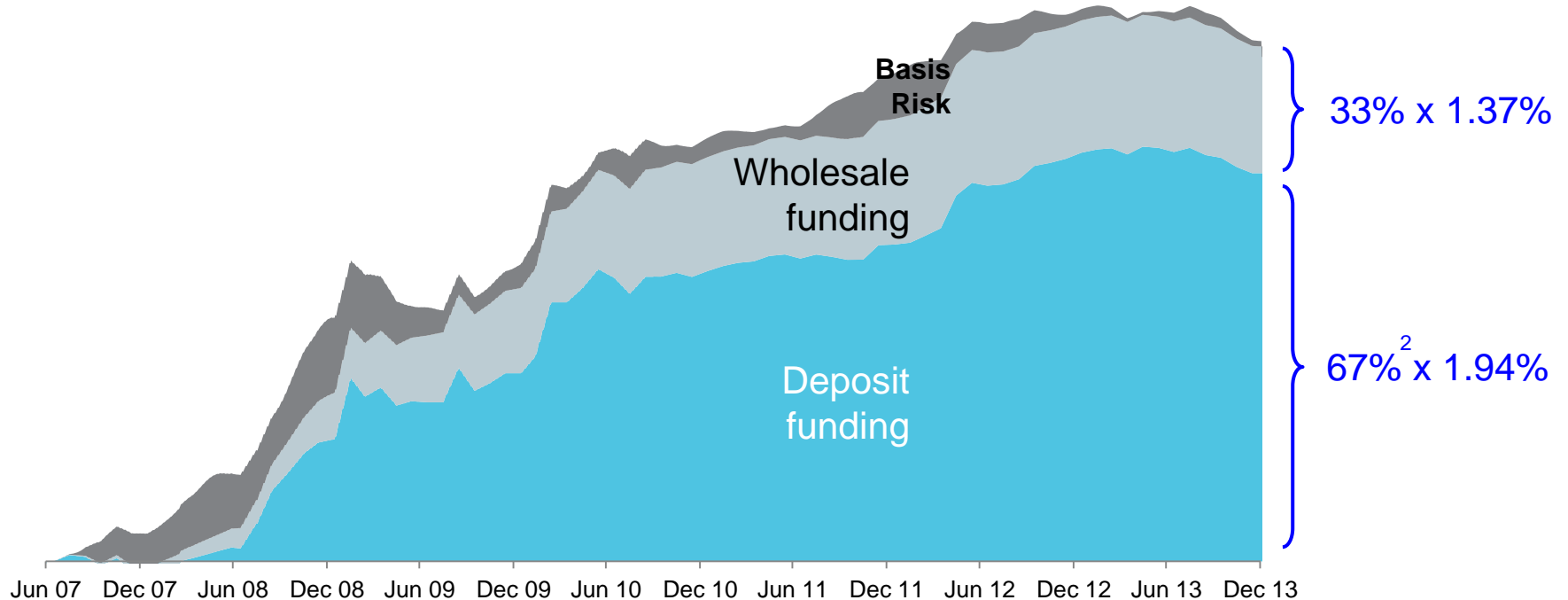
6 month NIM

bpts



Retail bank funding costs

Increase in retail bank funding costs since Jun 07



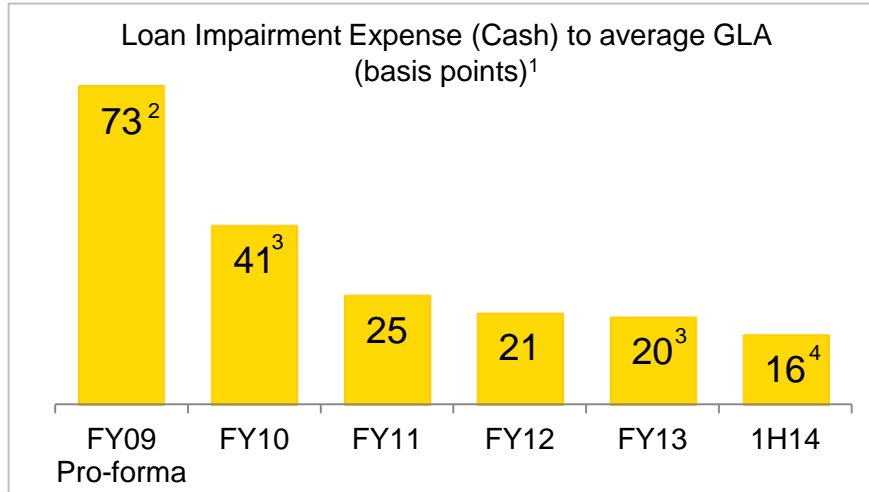
	Dec 12 (6 month average)	Dec 13 (6 month average)
Increase in wholesale funding ¹	1.53%	1.37%
Increase in deposit funding	1.87%	1.94%
Increase in weighted average cost	1.75%	1.75%

1 Includes basis risk.

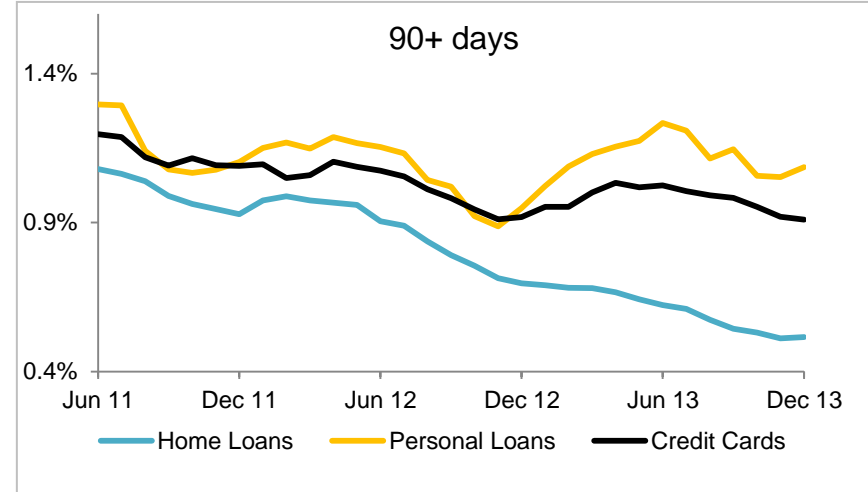
2 Retail deposits as a proportion of retail lending.

Credit quality

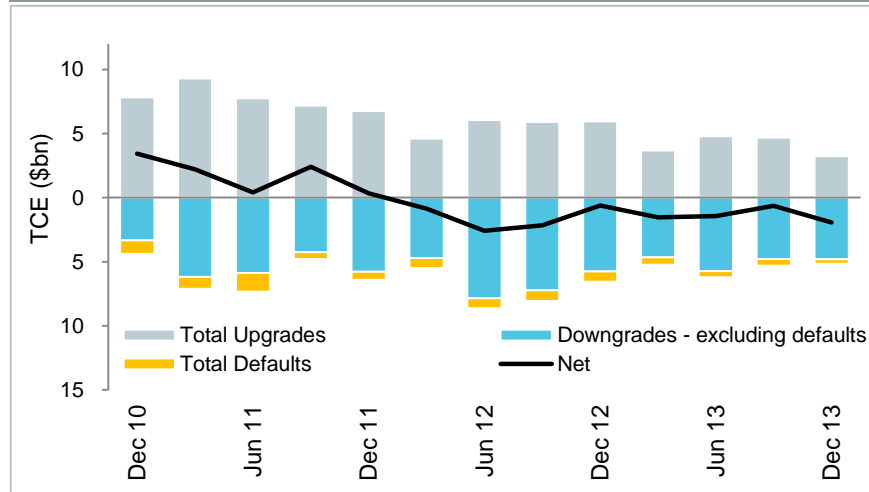
Loan Impairment Expense



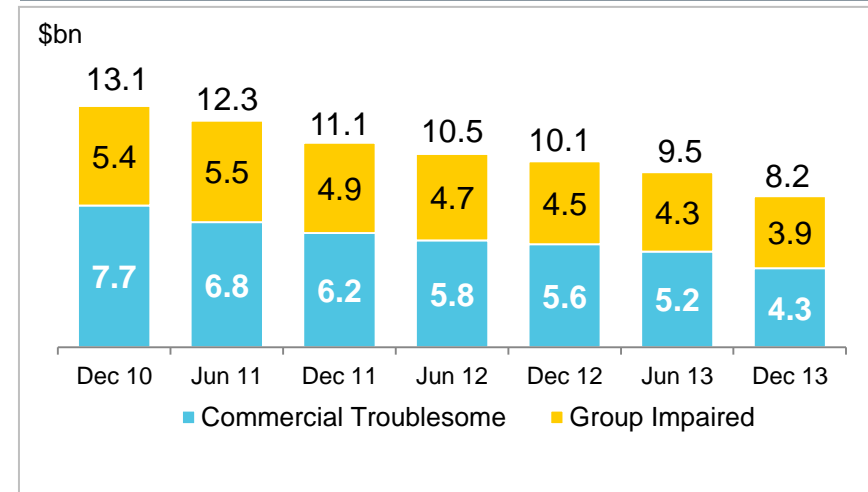
Group Consumer Arrears



PD Ratings Migration Risk-Rated Portfolio⁵

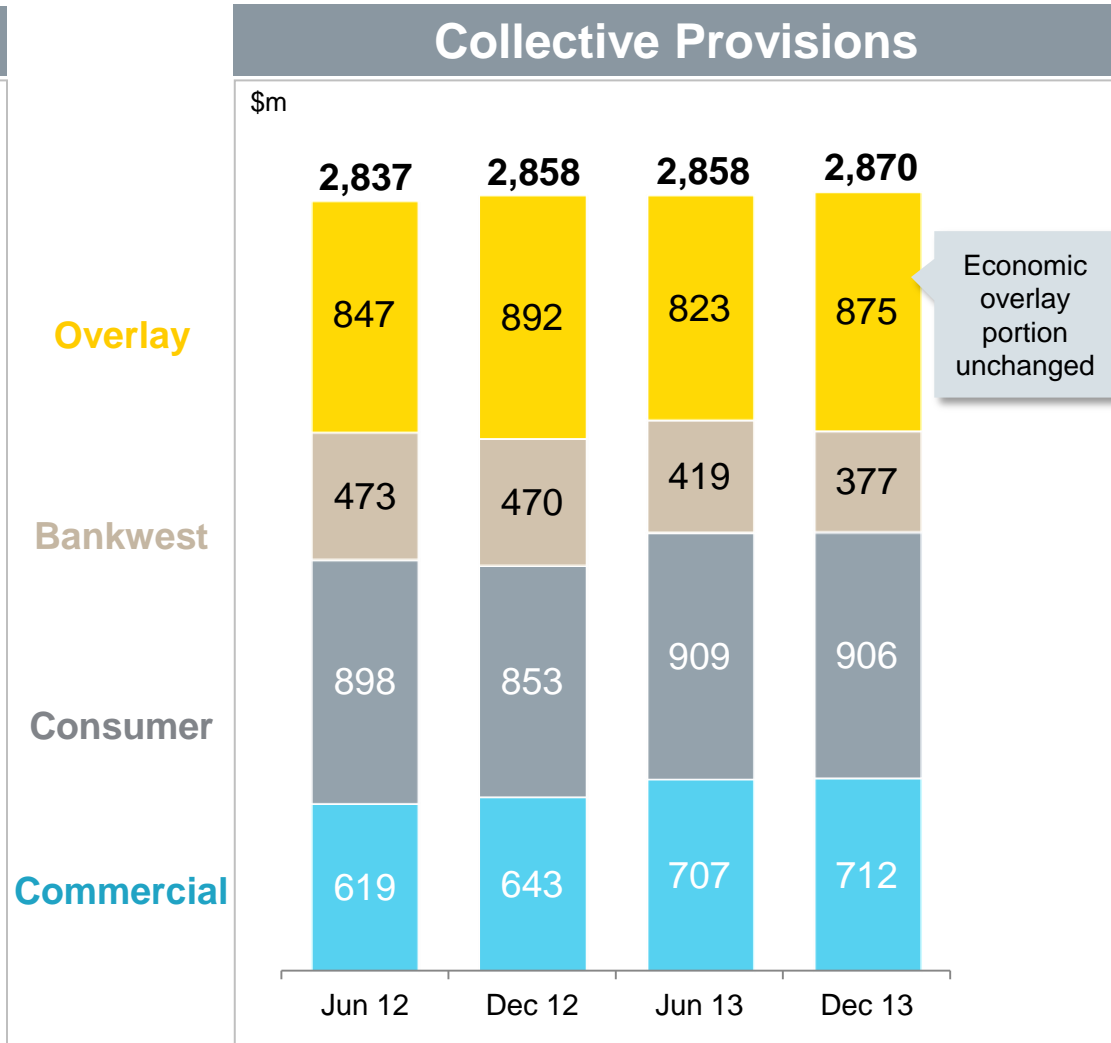
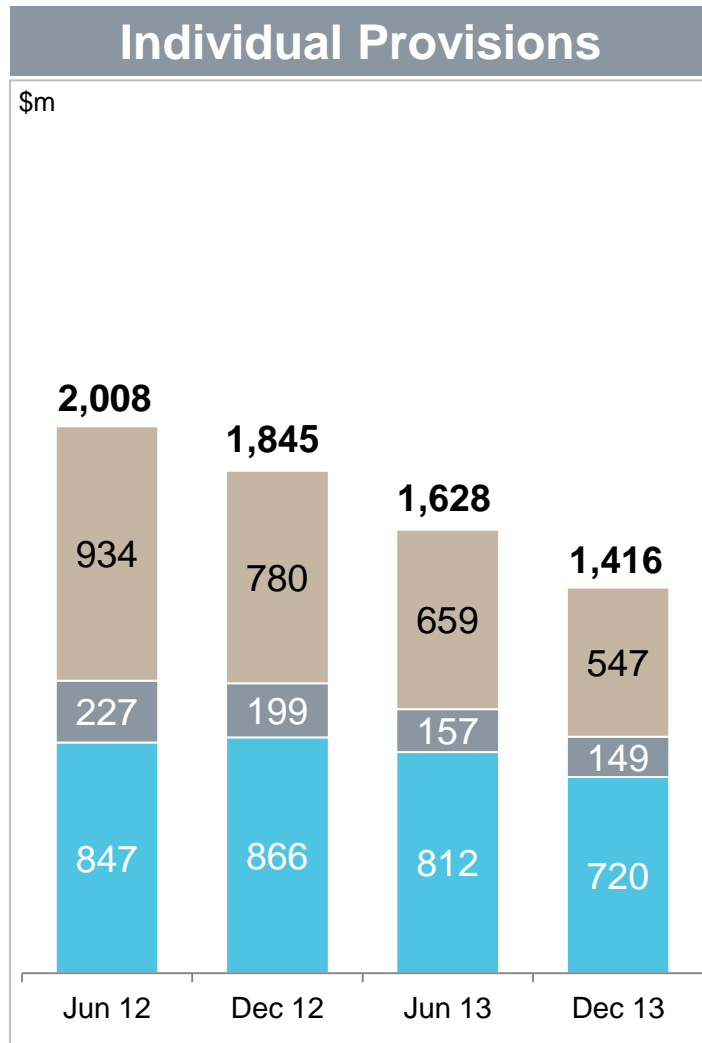


Troublesome and Impaired Assets



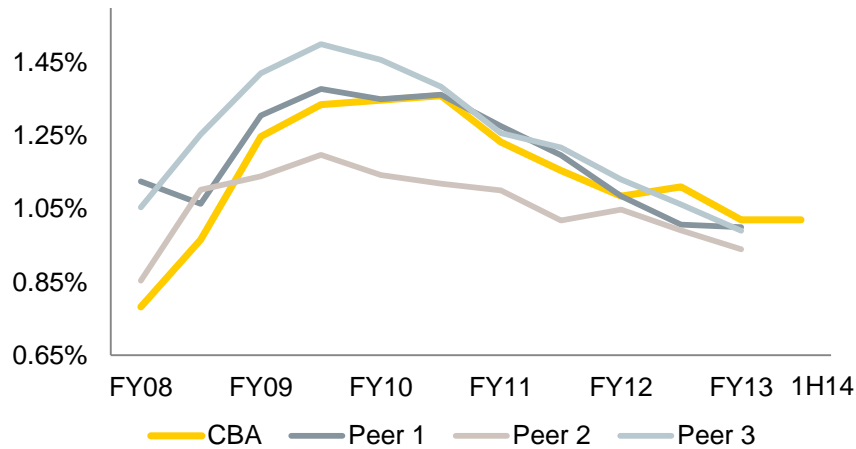
1 Basis points as a percentage of average Gross Loans and Acceptances (GLA).
 2 FY09 includes Bankwest on a pro-forma basis and is based on impairment expense for the year.
 3 Statutory Loan Impairment Expense (LIE) for FY10 48 bpts and for FY13 21 bpts.
 4 Six months annualised. 5. Excludes Banks and Sovereigns

Provisioning

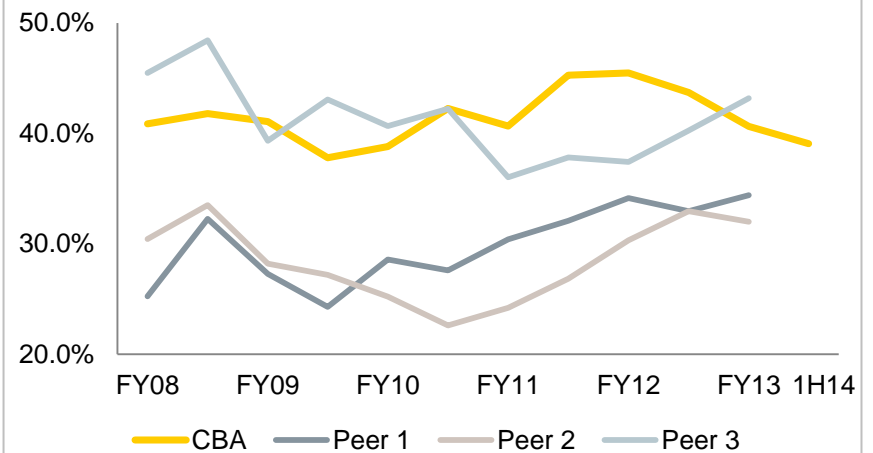


Provisioning ratios

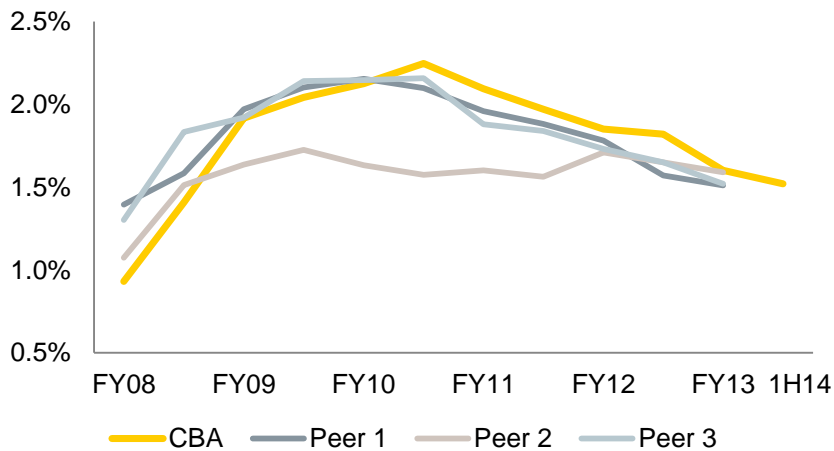
Collective Provisions¹ to Credit RWA²



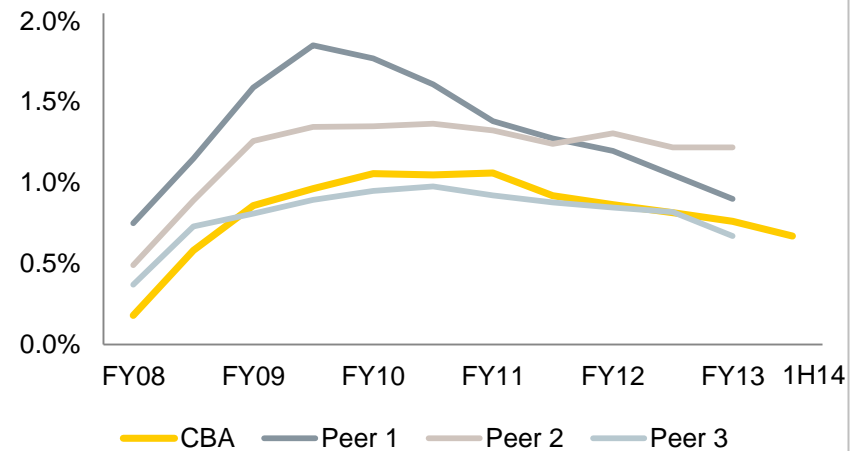
Provisions for Impaired Assets³ to Impaired Assets⁴



Total Provisions¹ to Credit RWA²



Impaired Assets⁴ to Gross Loans and Acceptances



Charts based on financial year data (CBA: 31 December and 30 June, Peers: 31 March and 30 September).

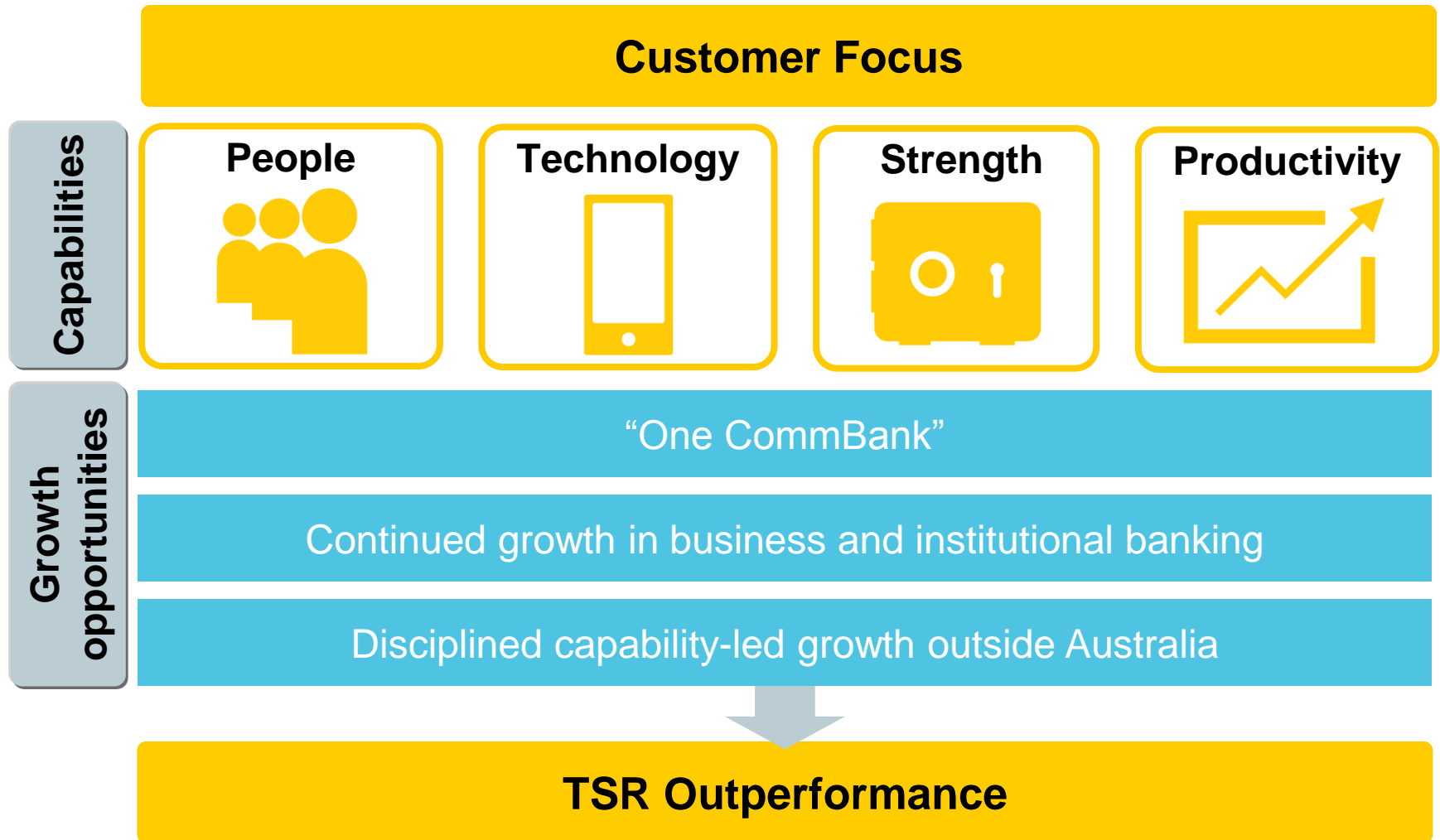
1 Provisions do not include General Reserve for Credit Losses, equity reserves or other similar adjustments.

2 All ratios subsequent to 1 January 2013 are based on Basel III credit RWA, all ratios prior to this date are based on Basel II/Basel 2.5 credit RWA.

3 CBA ratios prior to June 2010 and Peers 1 & 2 ratios based on Individually Assessed Provisions to Impaired Assets.

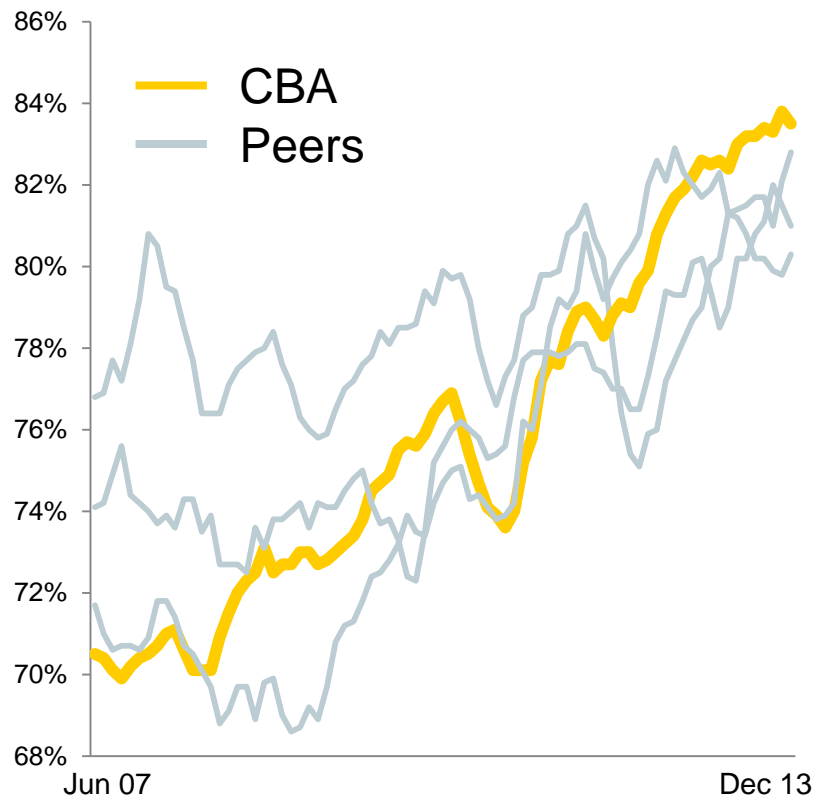
4 CBA data from June 2010 has been updated for changes in the definition of impaired assets to include unsecured retail exposures which are 90 days past due.

Our strategy



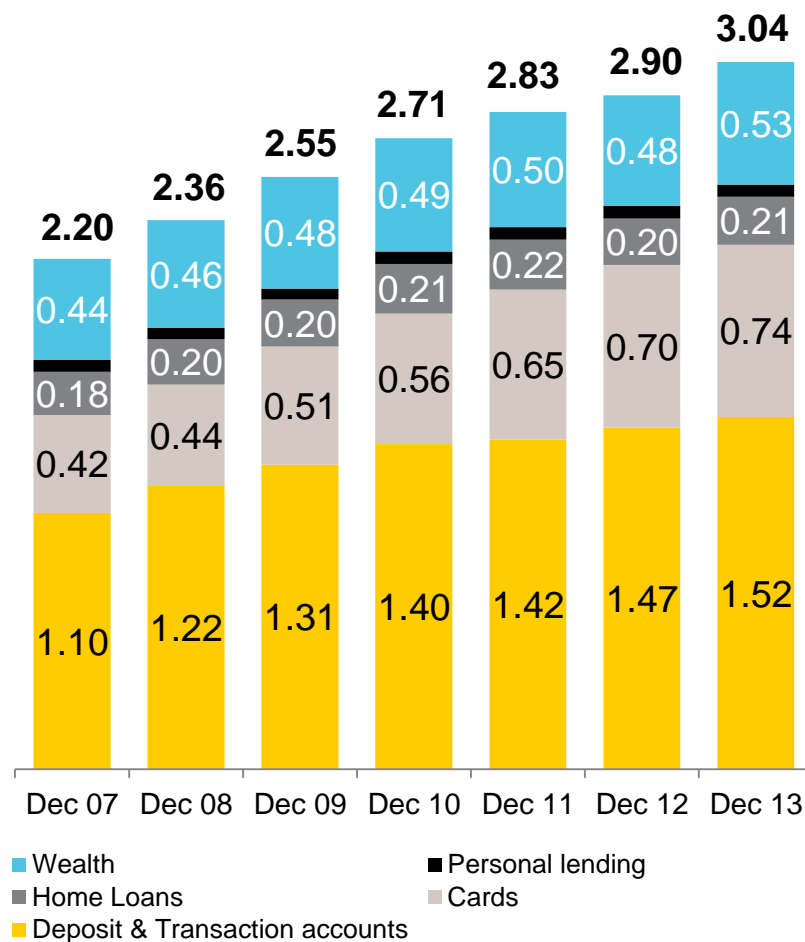
Our strategy – customer focus

Retail customer satisfaction



% Satisfied ('Very Satisfied' or 'Fairly Satisfied')¹

Products per customer



Our strategy – technology

New CommBank app



Over 1 million registered users since launch Dec-13

Simplified Processes



Simplified processes reducing online account opening times¹ by 80%

Express Branches



Smaller, smarter design with focus on self-service & technology

Customer Video-Conferencing



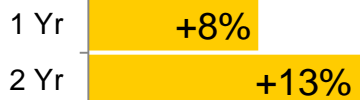
Rolled out across the network, with over 24,000 referrals to date

¹ Transaction and saving accounts.

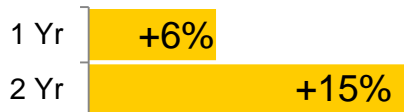
Our strategy – productivity

Sustained Improvements¹

Customer Service Transactions per FTE



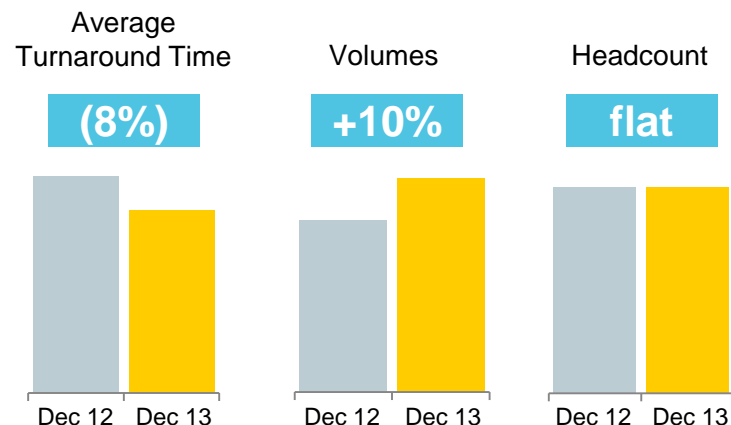
% Personal Loans funded same day



% Deposit customers with e-statements

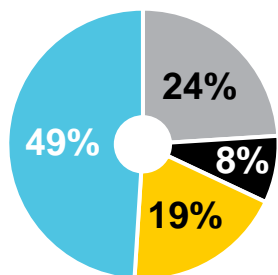


Case Study – WM Unit Pricing

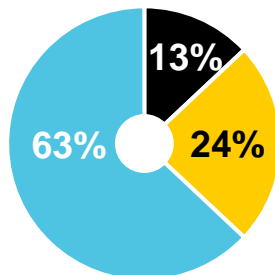


Investment Spend

1H13
\$582m

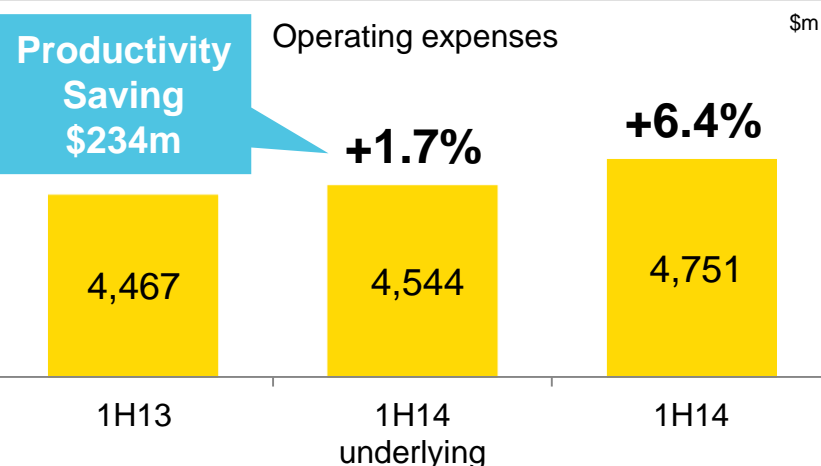


1H14
\$589m



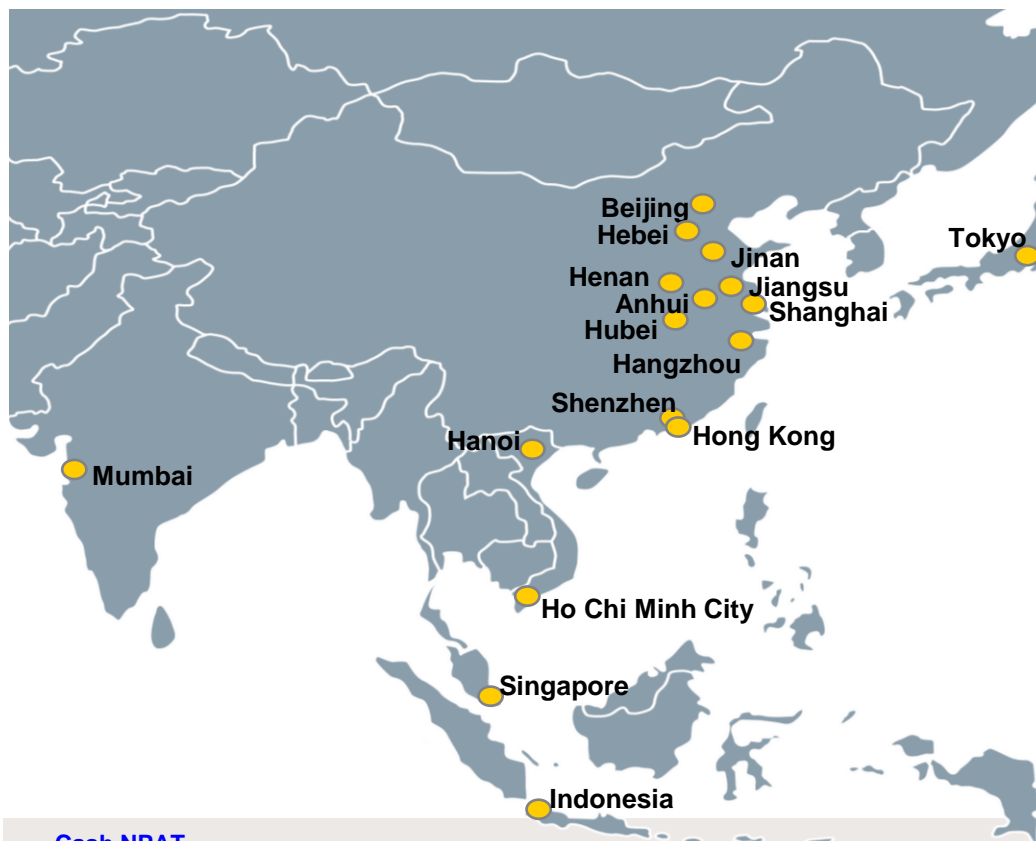
■ Productivity & Growth
 ■ Risk/Compliance
■ Branches & Other
 ■ Core Banking

Expense Growth

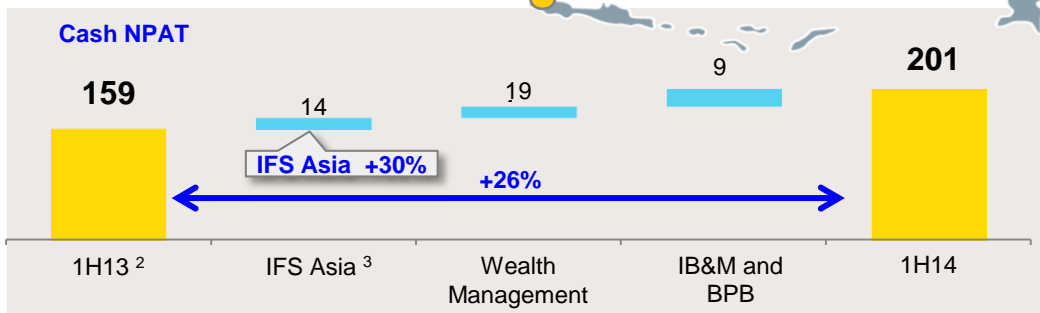


¹ 1 Yr movements are 1H14 vs 1H13, 2 Yr movements are 1H14 vs 1H12.

CBA in Asia



Country	Representation as at December 2013
China	Bank of Hangzhou (20%) – 140 branches Qilu Bank (20%) – 85 branches County Banking – 7 County Banks and 1 County Bank branch in Henan (5 Banks and 1 County Bank branch @ 80% and 2 Banks @ 100% shareholding) and 3 banks in Hebei (100% shareholding). Beijing Representative Office and Beijing Branch BoCommLife JV (37.5%) – operating in 6 provinces First State Cinda JV, FSI Hong Kong Hong Kong and Shanghai branches
Indonesia	PTBC (98.88%) – 91 branches and 142 ATMs PT Commonwealth Life (80%) – 31 life offices First State Investments (FSI)
Vietnam	VIB (20%) – 154 branches CBA branch Ho Chi Minh City and 24 ATMs Hanoi Representative Office
India	CBA branch Mumbai
Japan	CBA branch Tokyo, FSI Tokyo
Singapore	CBA branch, First State Investments



1 Includes Asia region Cash NPAT from Business & Private Banking, Institutional Banking & Markets, Wealth Management and IFS Asia businesses.

2 Previously reported 1H13 result restated to include IFS Asia head office support costs and to restate Wealth Management history in line with amended structure.

3 Includes China, Indonesia, Vietnam, India and Japan IFS Asia businesses. Represents IFS Asia growth in Cash NPAT.

Summary and outlook

Summary

- ◆ Continuing momentum from a long-term strategy
- ◆ Still considerable upside from effective execution of the strategy

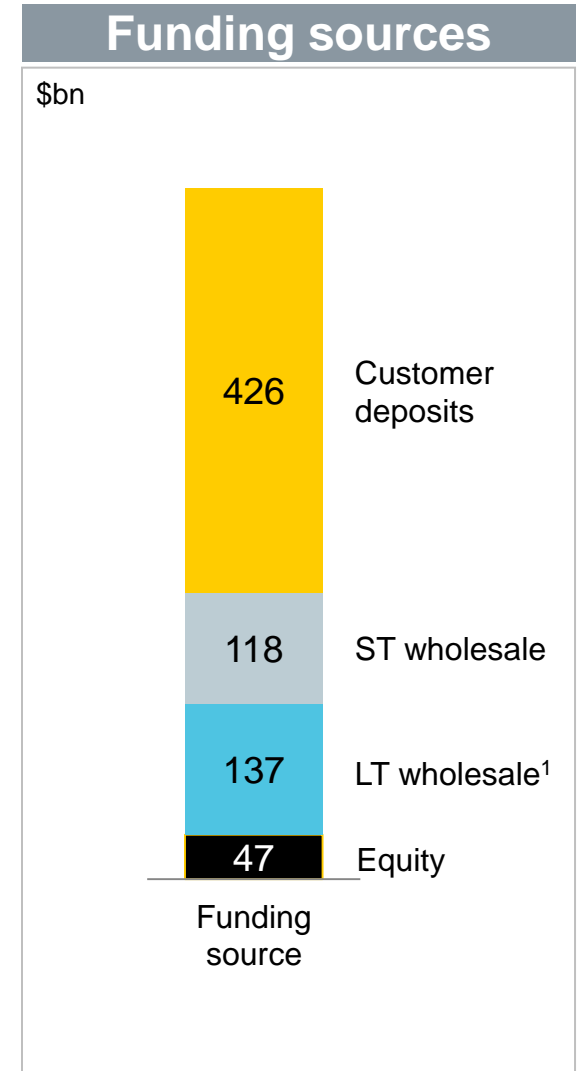
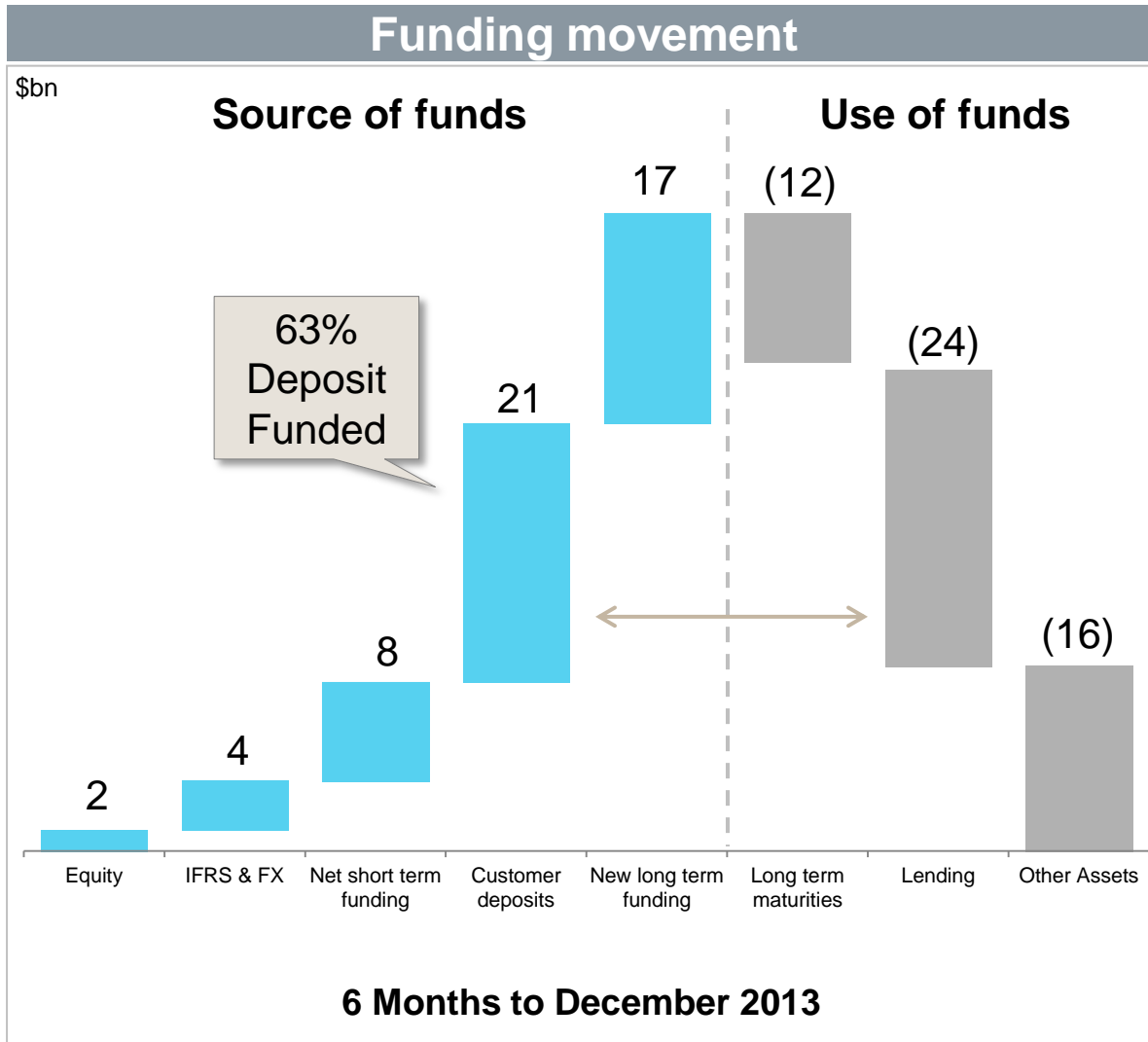
Outlook

- ◆ Positive on medium term outlook - short term improvements likely to be gradual rather than dramatic
- ◆ Domestic confidence slow to rebuild
- ◆ Key question is whether lower dollar will stimulate non-resource driven growth
- ◆ Global volatility likely to continue due to tapering and mixed growth signals
- ◆ Economic narrative critical
- ◆ Conservative settings retained, with flexibility to adapt as circumstances dictate to support customers

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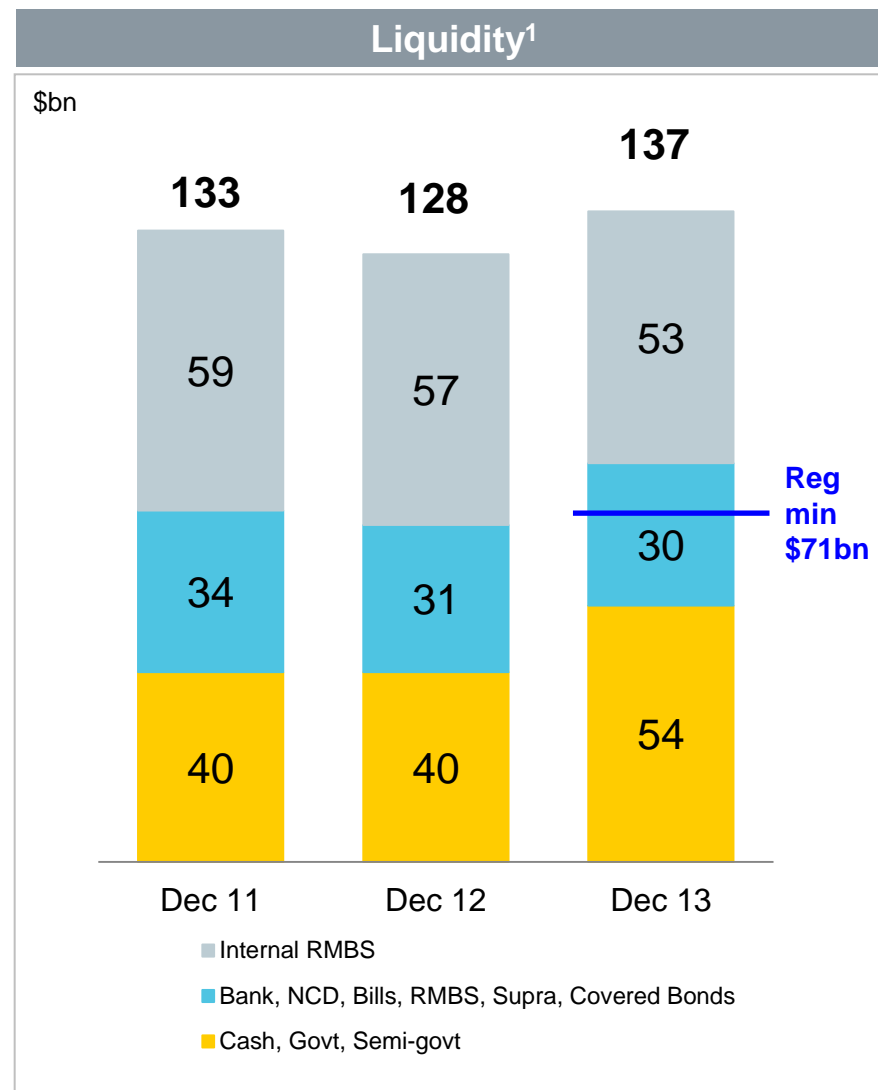
Funding



¹ Maturity based on original issuance date.

Funding – Liquidity

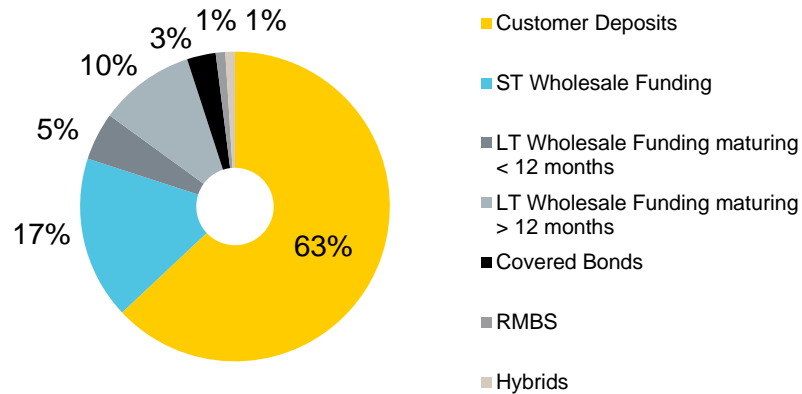
- ◆ APRA Prudential Standard (APS210) finalised December 2013 effective from 1 January 2014
- ◆ Full Liquidity Coverage Ratio (LCR) compliance from 2015 – no phase-in
- ◆ RBA Committed Liquidity Facility (CLF) remains a core part of LCR compliance for Australian banks given lack of AUD HQLA1
 - Only applies to AUD LCR HQLA shortage
 - 15bp commitment fee on approved amount with additional cost if used
 - Collateralised by RBA repo-eligible securities (including Internal RMBS)
- ◆ APRA to determine the size of CLF in context of AUD cash outflows and acceptable HQLA1 holdings
- ◆ Formal CLF application in 2014 for 2015



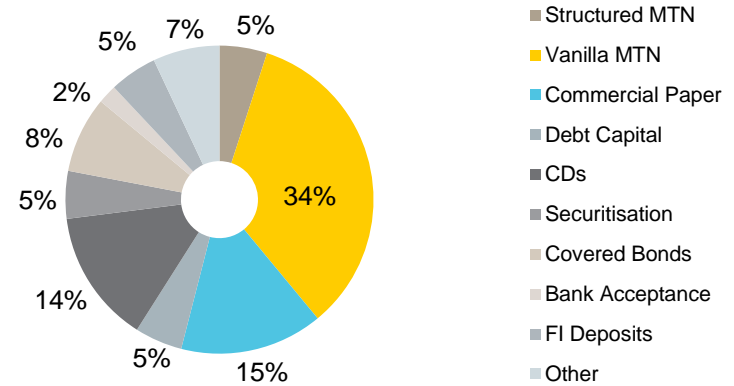
¹ Liquids reported post applicable haircuts

Funding – Portfolio

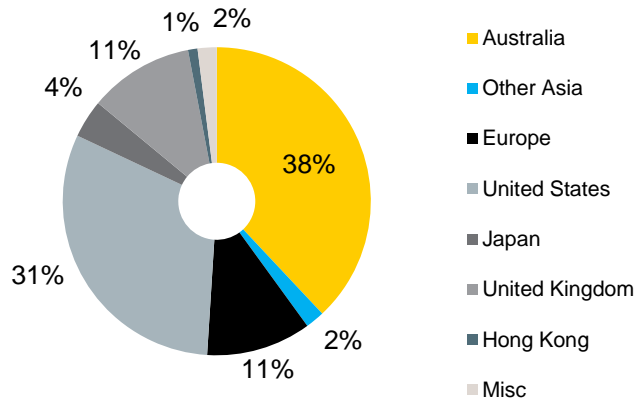
Funding Composition



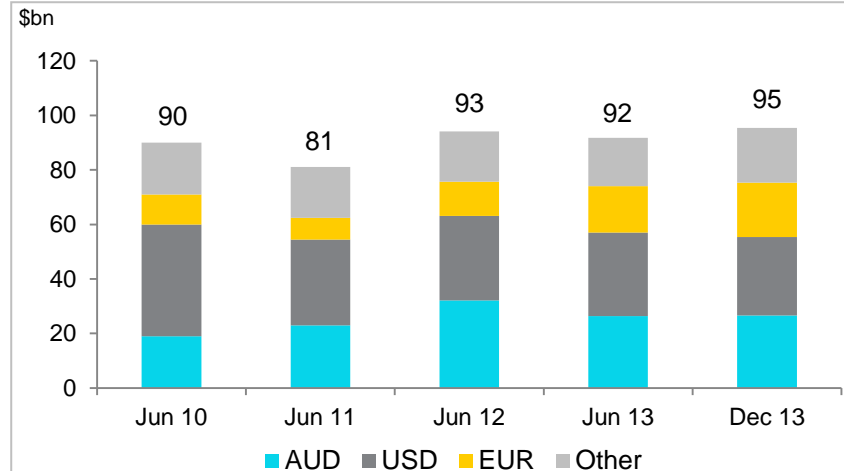
Wholesale Funding by Product



Wholesale Funding by Currency



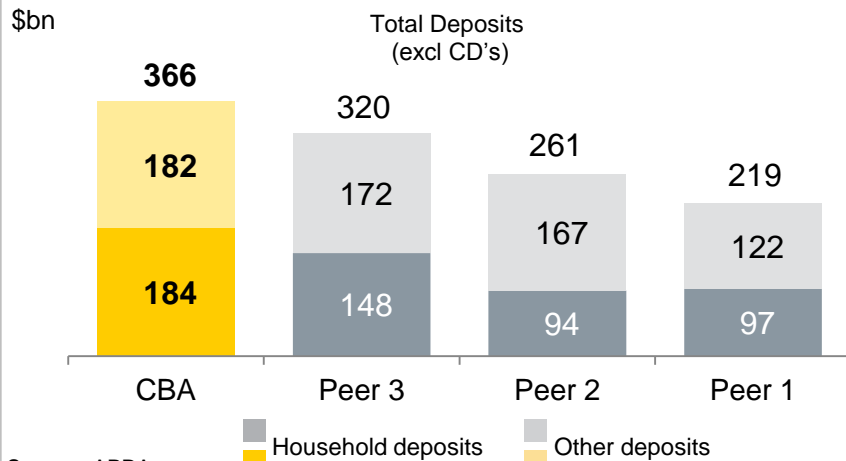
Term Debt Issues Outstanding (>12mths)¹



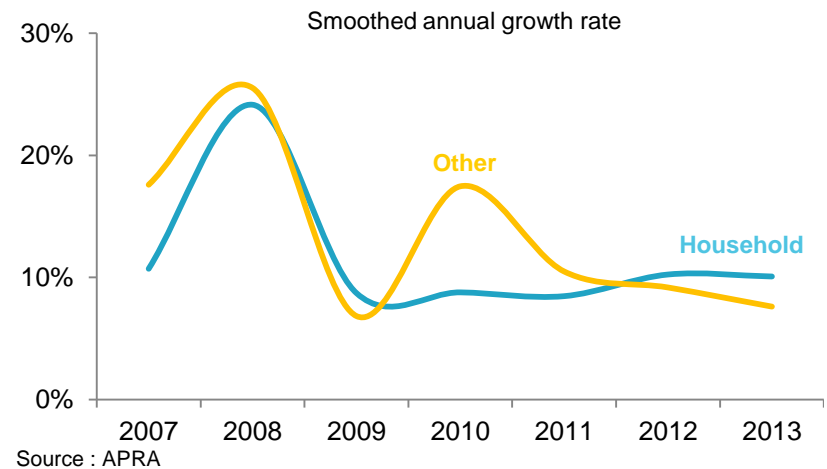
1 Total of debt issues (at current FX) plus A\$ Transferable Certificates of deposit. Excludes IFRS.

Funding – Deposits and LT wholesale

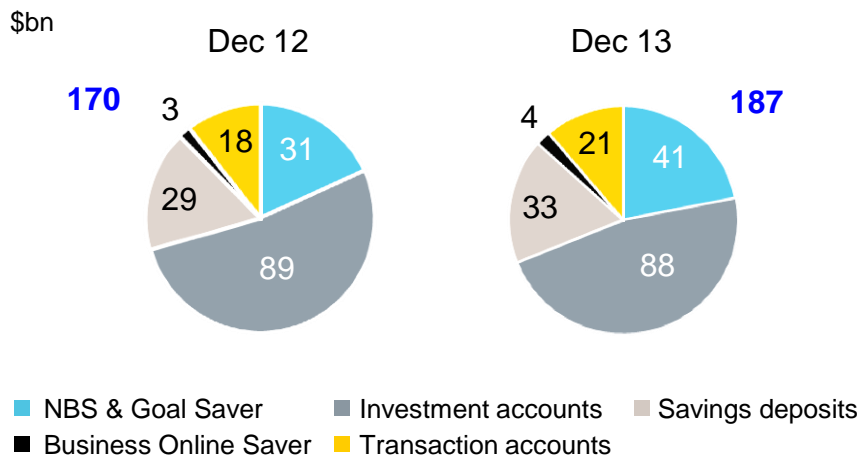
Australian Deposits



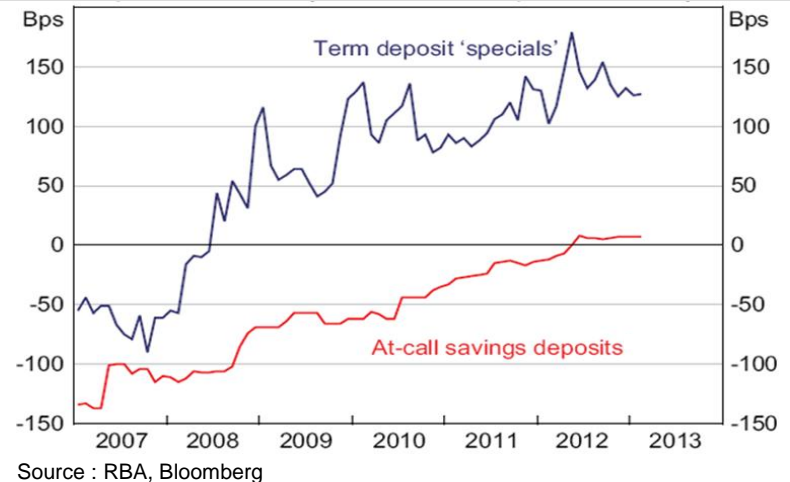
Australian deposit market growth rates



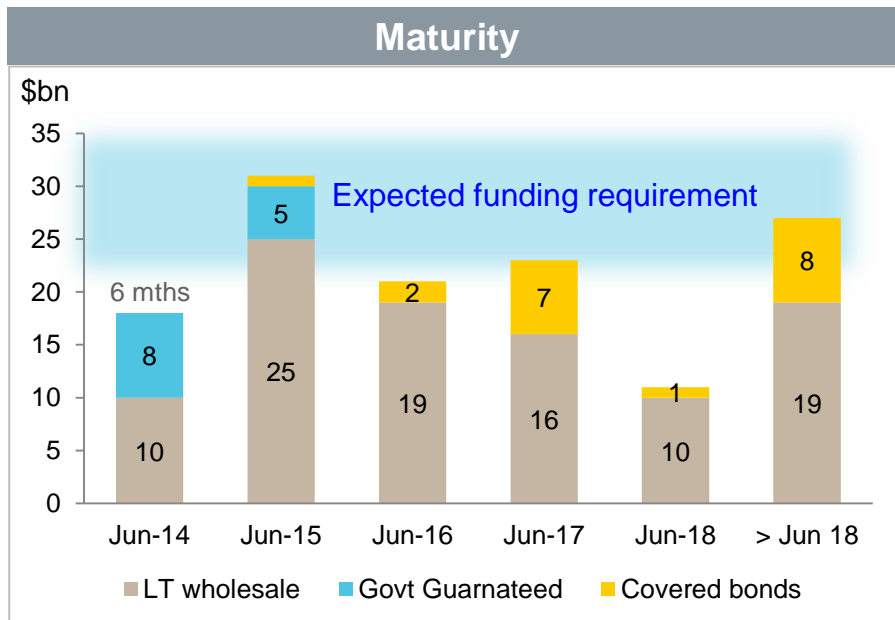
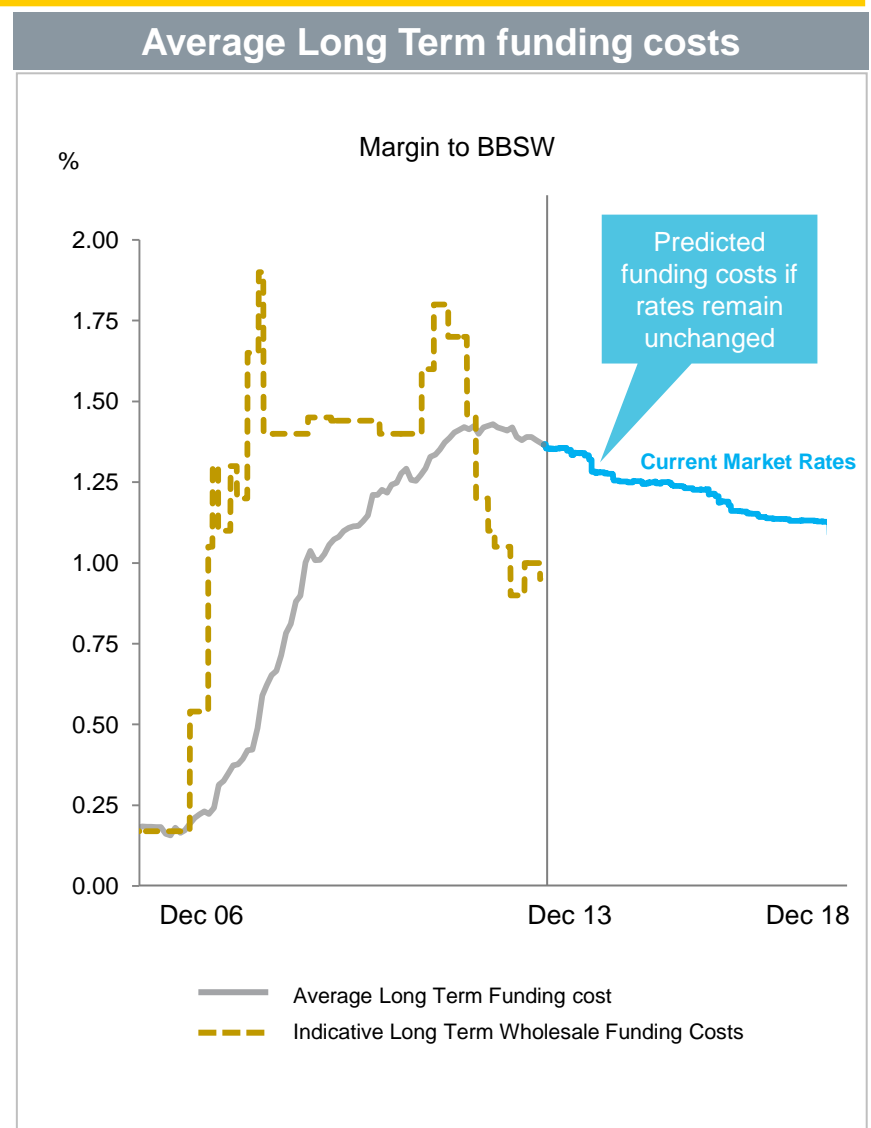
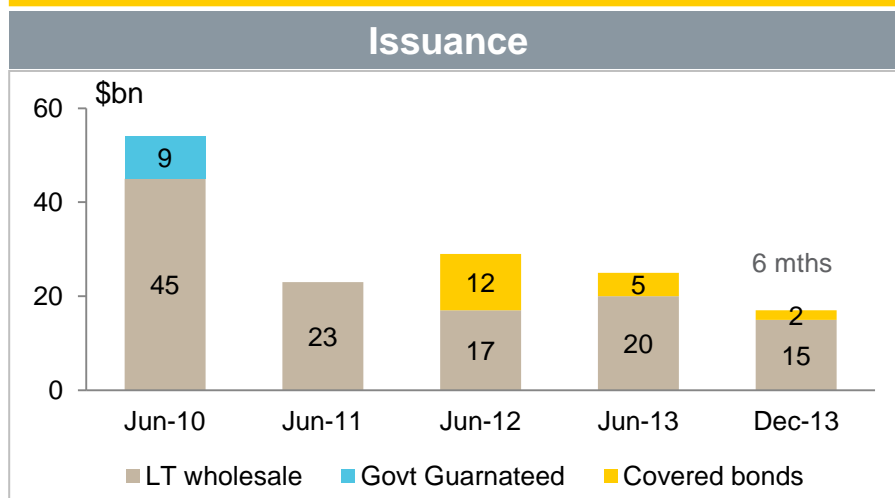
RBS - Retail Deposit Mix



Deposit spreads over money market rates



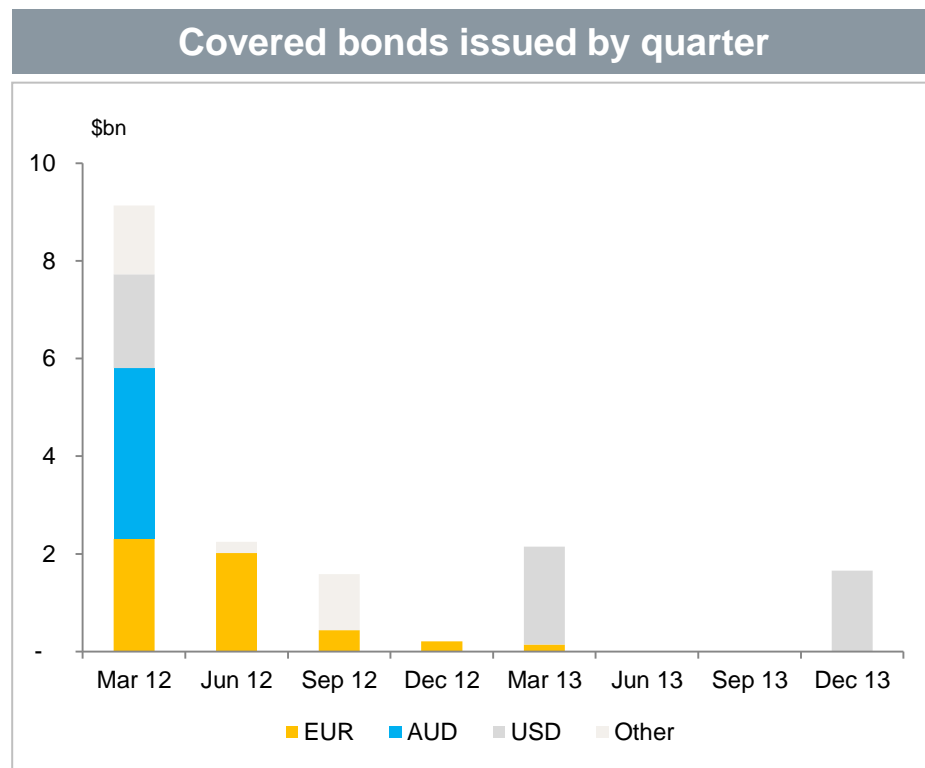
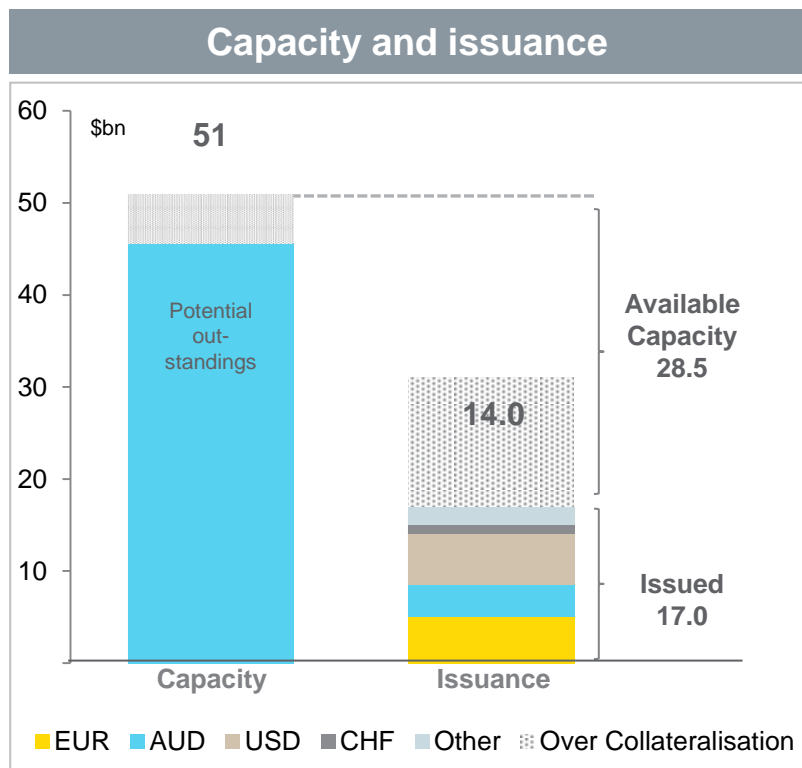
Funding – Issuance and Maturity¹



¹ Maturity profile includes all long term wholesale debt. Weighted Average Maturity of 3.8 years includes all deals with first call or maturity of 12 months or greater.

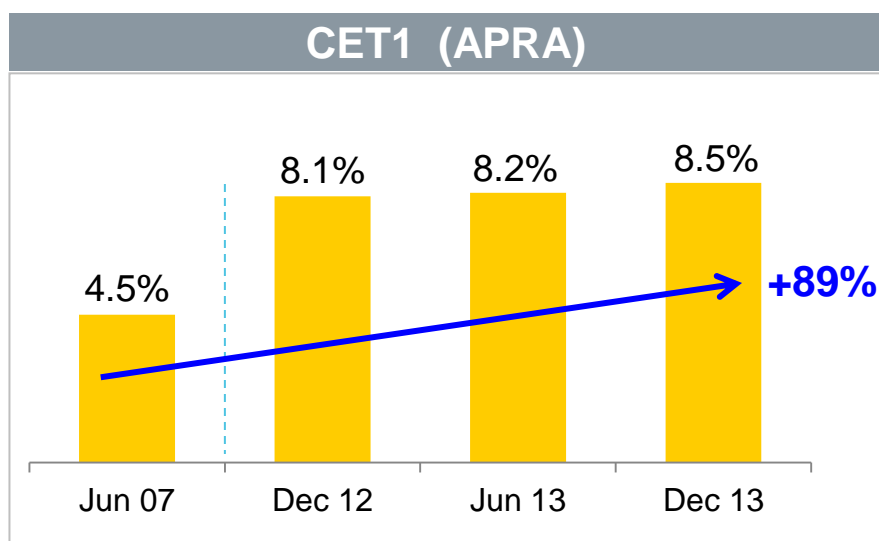
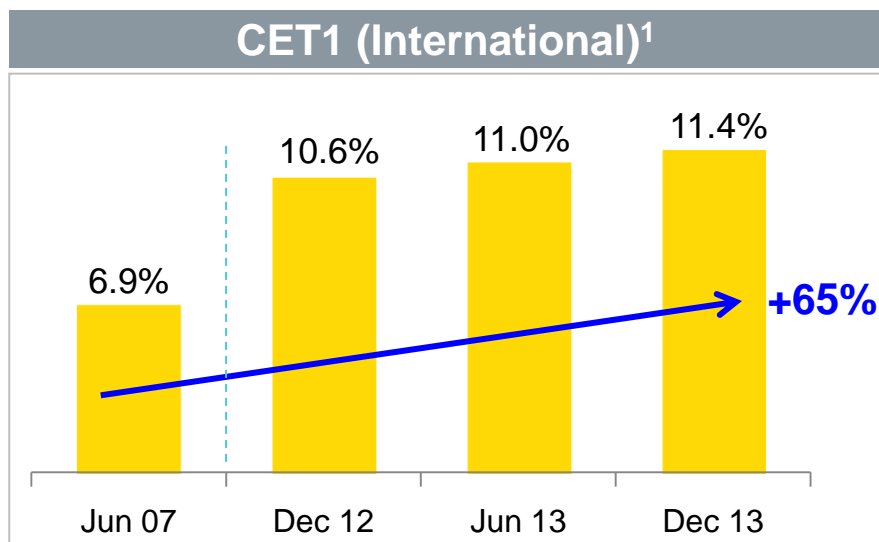
Funding – Covered Bonds

- ◆ Banking Act amendment of Oct 2011 set a legislative limit of 8% of Australian assets
- ◆ Limits equates to ~30% of LT wholesale debt
- ◆ Multi-jurisdiction programme
- ◆ Covered bonds offer alternative issuance options, especially during periods of market dislocation
- ◆ Issuance of covered bonds most likely to favour longer tenors



Capital Position

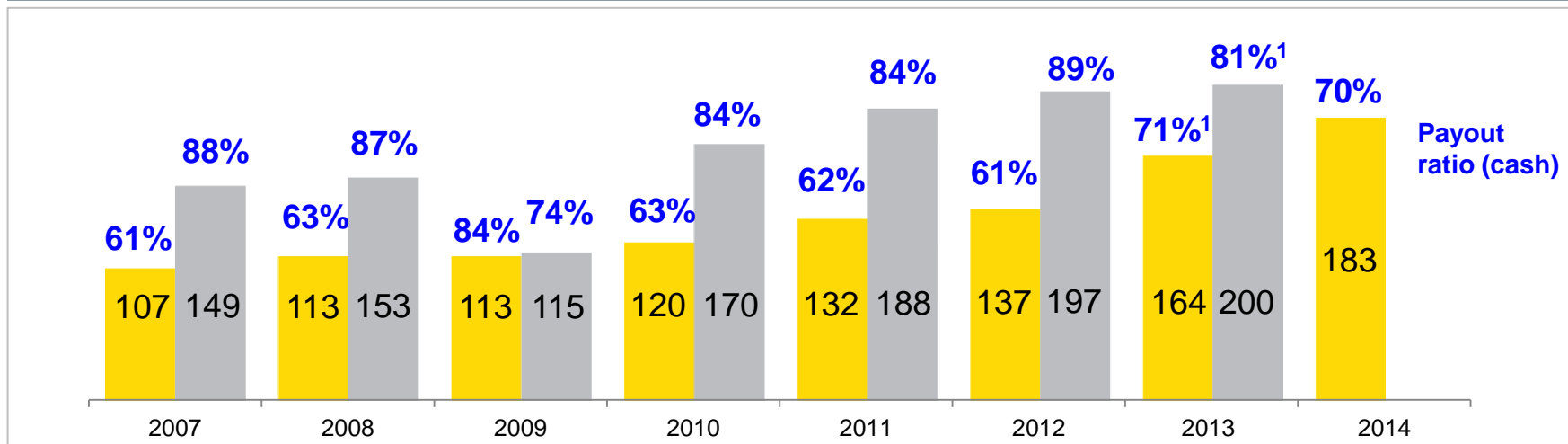
- ◆ CET1 (International) of 11.4% well above international peer average of 10%
- ◆ Strong organic growth in the half year with CET1 +40 bps and up over 65% since Jun 07
- ◆ CET1 (APRA) of 8.5%. APRA adopts a more conservative measurement of capital than other jurisdictions



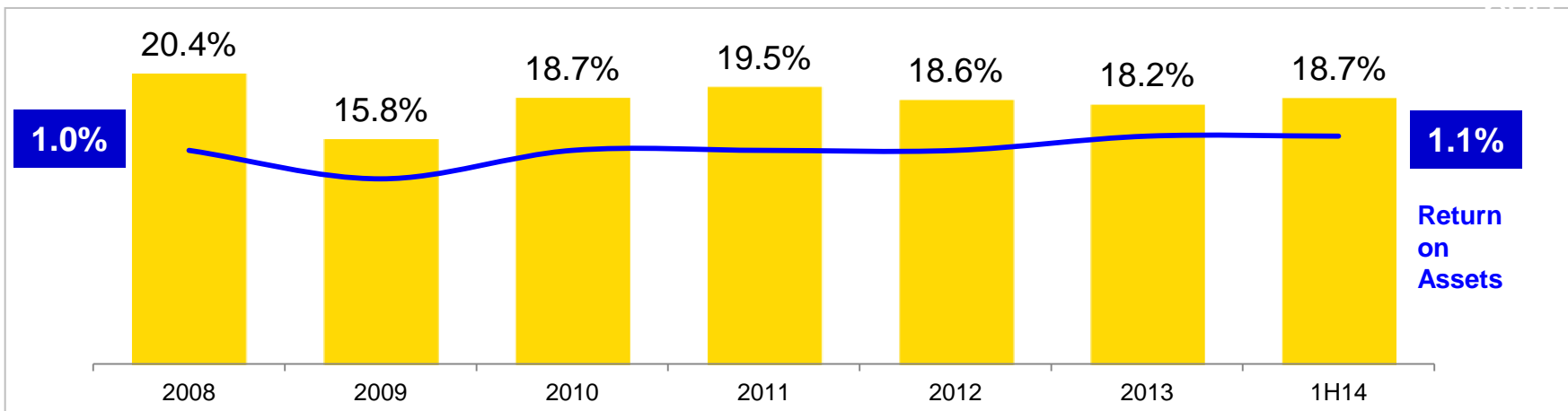
¹ Assumes Basel III Capital reforms have been fully implemented.

Dividends and Return on Equity (Cash)

Dividends per share



Return on Equity

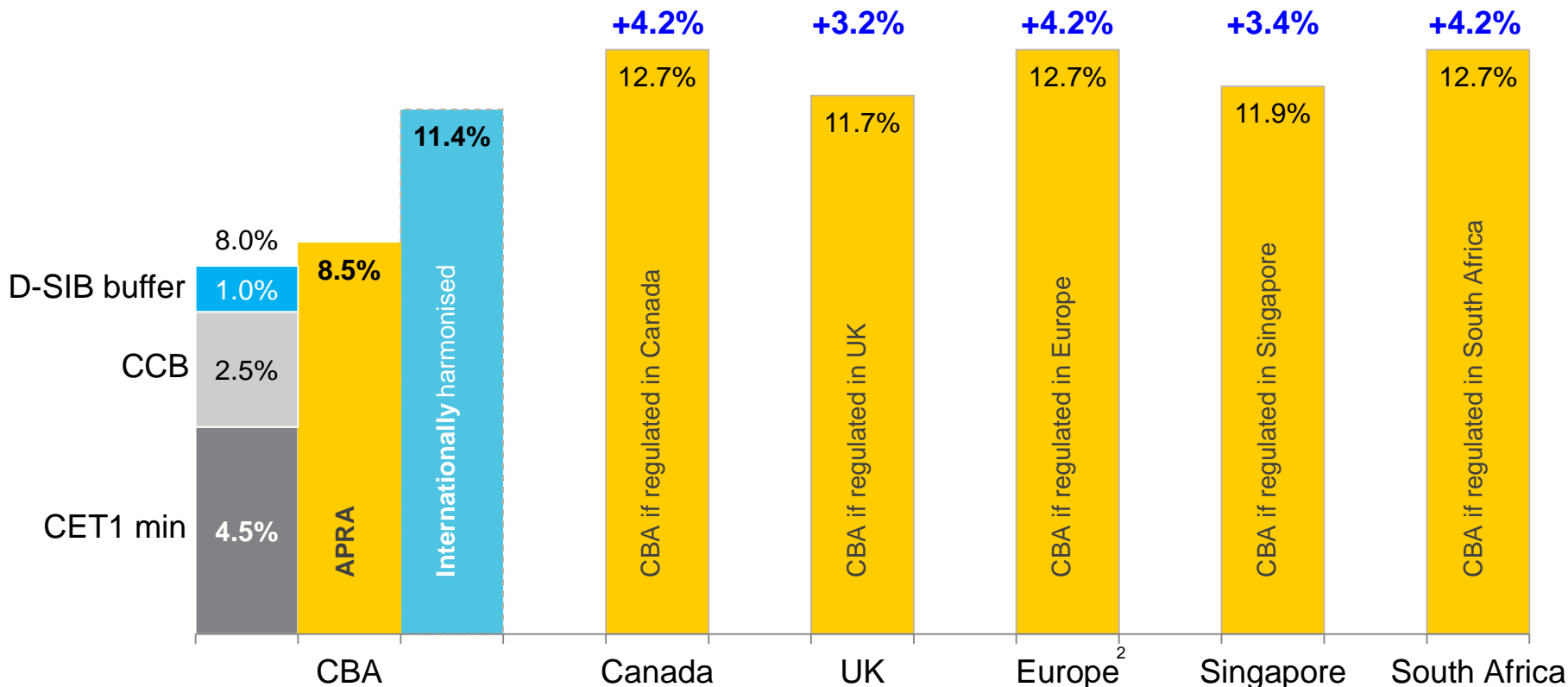


¹ Dividend payout ratios for 2013 have been restated to conform to the presentation in the current period.

Capital position

- ◆ CET1 (International) of 11.4% well above international peer average of 10%
- ◆ Strong organic growth in the half year with CET1 (International) +40 bps and up over 65% since Jun 07
- ◆ CET1 (APRA) of 8.5%
- ◆ APRA adopts a more conservative measurement of capital than other jurisdictions

CBA CET1 under various regulatory regimes¹



Source: CBA, PwC and Morgan Stanley. Morgan Stanley has reviewed the methodology used to calculate the impact in Canada, UK and Europe only.

1. Calculations under the non-APRA regimes include the impact of international harmonisation as well as adjusting for additional regulatory constraints imposed by APRA which are not required in those jurisdictions.
 2. Based on CRD IV as implemented by the European Commission.

Leverage ratio

- ◆ Supplementary measure to the risk based capital requirements proposed by the Basel Committee

- Monitors build up of excessive leverage
- Ratio is Tier 1 Capital as a percentage of total exposures (on and off balance sheet)
- Observation period against 3% level until 2017
- Publically disclosed from 1 January 2015
- To be implemented 1 January 2018

- ◆ APRA expected to follow Basel Committee proposals

APRA's view of industry levels (November 2011)

Leverage ratio	
Minimum (2018)	3%
Pro forma 2010, global minimum rules	4.3%
Pro forma 2010, APRA proposals	3.7%

Leverage ratio should not be the constraint on typical Australian banks

10

Regulatory Change

	2013	2014	2015	2016	2017	2018
Capital	Bank capital (Basel III) - implemented (CET1 min 4.5%) Life and general insurance capital - implemented		Leverage ratio - observation period (publicly disclosed) Level 3 reforms - to be implemented	Capital conservation buffer - to be implemented (CET1 2.5%) D-SIB surcharge - to be implemented (CET1 1.0%)		Leverage ratio - to be implemented

Capital

- ◆ Strong capital levels in lead up to implementation of capital conservation buffer and D-SIB surcharge in 2016
- ◆ Draft Level 3 (conglomerate) standards released by APRA in May 2013 – expect current capital levels to be sufficient
- ◆ Leverage ratio public disclosure from 1 January 2015 testing a 3% minimum based on Tier 1 capital as a percentage of exposures

	2013	Q1 14	Q2 14	2015	2016	2017	2018
Liquidity & Funding	LCR & NSFR - BCBS observation period LCR - APS 210 finalised	CLF - portfolio guidance expected Mar 14 LCR - forecast CLF application	LCR - begin APRA reporting	LCR - to be implemented (LCR > 100%)			NSFR - to be implemented

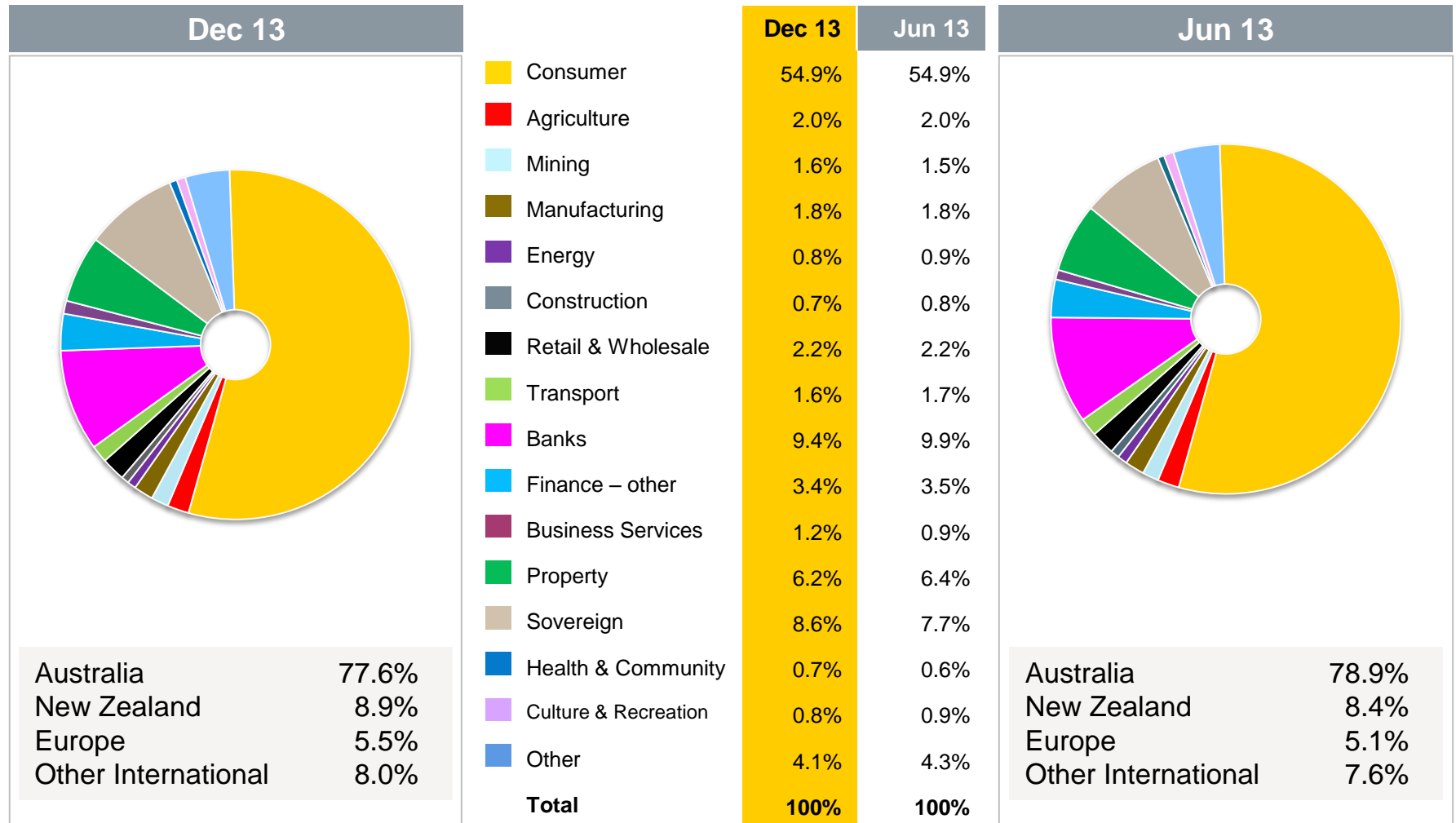
Liquidity & Funding

- ◆ APRA standard finalised Dec 2013 with effect from 1 Jan 2014
- ◆ Liquidity Coverage Ratio (LCR) applies from 1 Jan 2015 with no phase in
- ◆ RBA to provide Committed Liquidity Facility (CLF) to address shortage of \$A HQLA1
- ◆ Aggregate level of \$A HQLAs currently held by scenario analysis banks seen as appropriate
- ◆ Net Stable Funding Ratio (NSFR) to be considered after finalisation of global arrangements

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Credit Exposure¹ by Industry



¹ Total committed credit exposure (TCE) = balance for uncommitted facilities or greater of limit or balance for committed facilities. Calculated before collateralisation. Includes ASB and Bankwest. Excludes settlement risk.

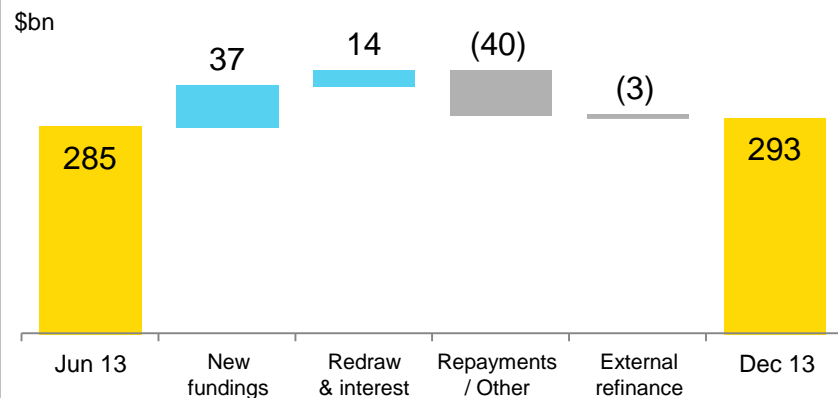
Retail Banking Services home loan portfolio

RBS Portfolio	Dec 13	Jun 13	Dec 12	RBS Portfolio	Dec 13	Jun 13	Dec 12
Total Balances - Spot (\$bn)	293	285	276	Total Funding (\$bn) ¹	37	63	29
Total Balances - Average (\$bn) ¹	289	278	274	Average Funding Size (\$'000) ¹	252	244	243
Total Accounts (m)	1.4	1.4	1.4	Serviceability Buffer (%) ⁷	1.5	1.5	1.5
Variable Rate - % of balances	82	84	87	Variable Rate - % of funding ¹	80	82	88
Owner Occupied - % of balances	58	58	58	Owner Occupied - % of funding ¹	61	62	62
Investment - % of balances	35	34	34	Investment - % of funding ¹	35	33	33
Line of Credit - % of balances	7	8	8	Line of Credit - % of funding ¹	4	5	5
Proprietary - % of balances	63	63	63	Proprietary - % of funding ¹	62	63	64
Broker - % of balances	37	37	37	Broker - % of funding ¹	38	37	36
Interest Only - % of balances ²	34	32	32	Interest Only - % of funding ^{1,2}	35	33	32
First Home Buyers - % of balances	13	14	15	First Home Buyers - % of funding ¹	6	11	13
Low Doc - % of balances	1.6	1.9	2.2	Low Doc - % of funding ¹	0.2	0.2	0.3
LMI - % of balances ³	25	25	25	LMI - % of funding ^{1,3}	21	23	24
MIP - % of balances ⁴	0.06	0.08	0.11	Portfolio Dynamic LVR (%) ⁸	47	48	49
Customers in Advance (%) ⁵	78	80	81	Portfolio Run-Off (%) ⁹	20	18	18
Payments in Advance (#) ⁶	7	7	7				

1. 6 months to December and 12 months to June. 2. Excludes Viridian LOC. 3. Lenders' Mortgage Insurance. 4. Mortgage in Possession. 5. Any payment ahead of monthly minimum repayment. 6. Average number of payments ahead of scheduled repayments. 7. Serviceability test based on the higher of the customer rate plus a 1.5% interest rate buffer or a minimum floor rate. 8. Defined as current balance/current valuation (3 month lag due to data availability). 9. 6 months to December annualised, 12 months to June.

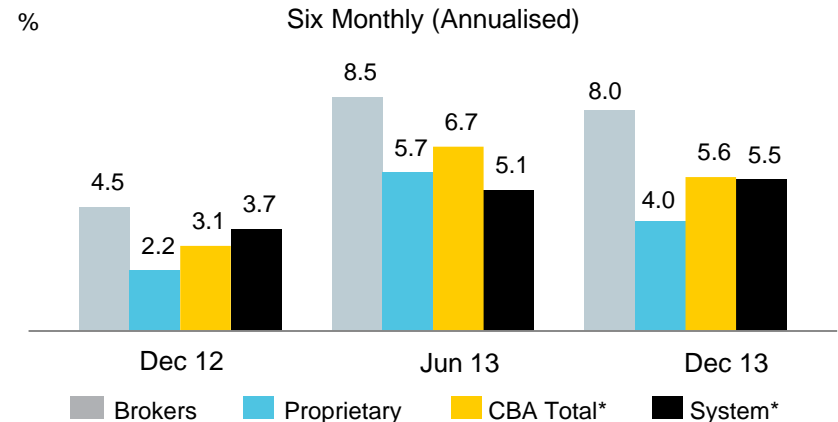
RBS Lending Growth

RBS Home Loan Balances



Excludes Bankwest

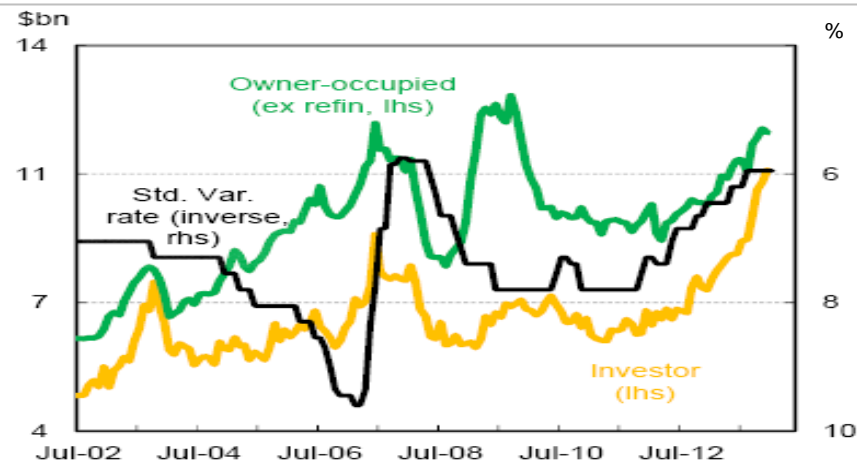
RBS Balance Growth¹ by Channel



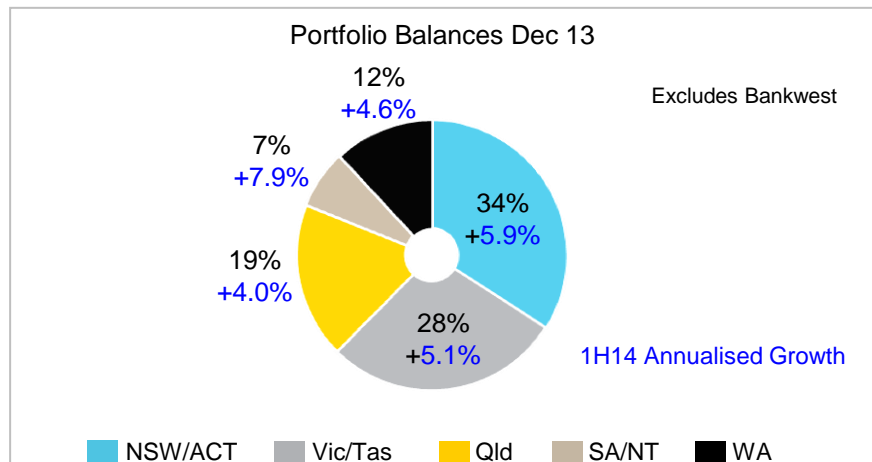
CBA excludes Bankwest

* Source RBA

Home Loan Approvals - system



RBS Portfolio by geography

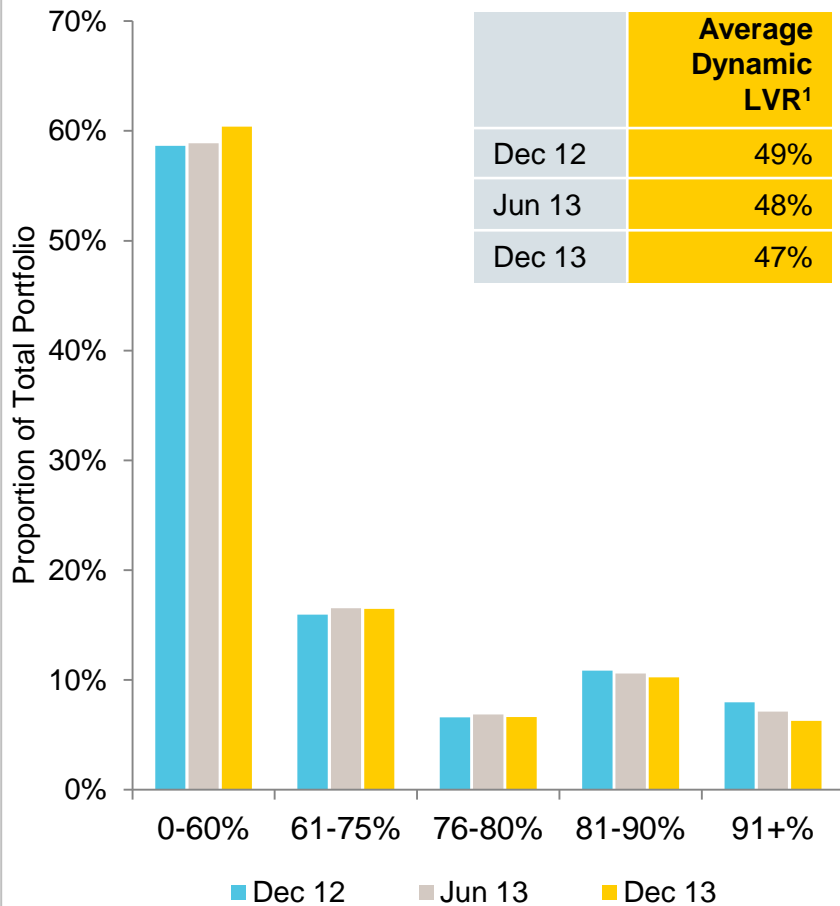


Excludes Bankwest

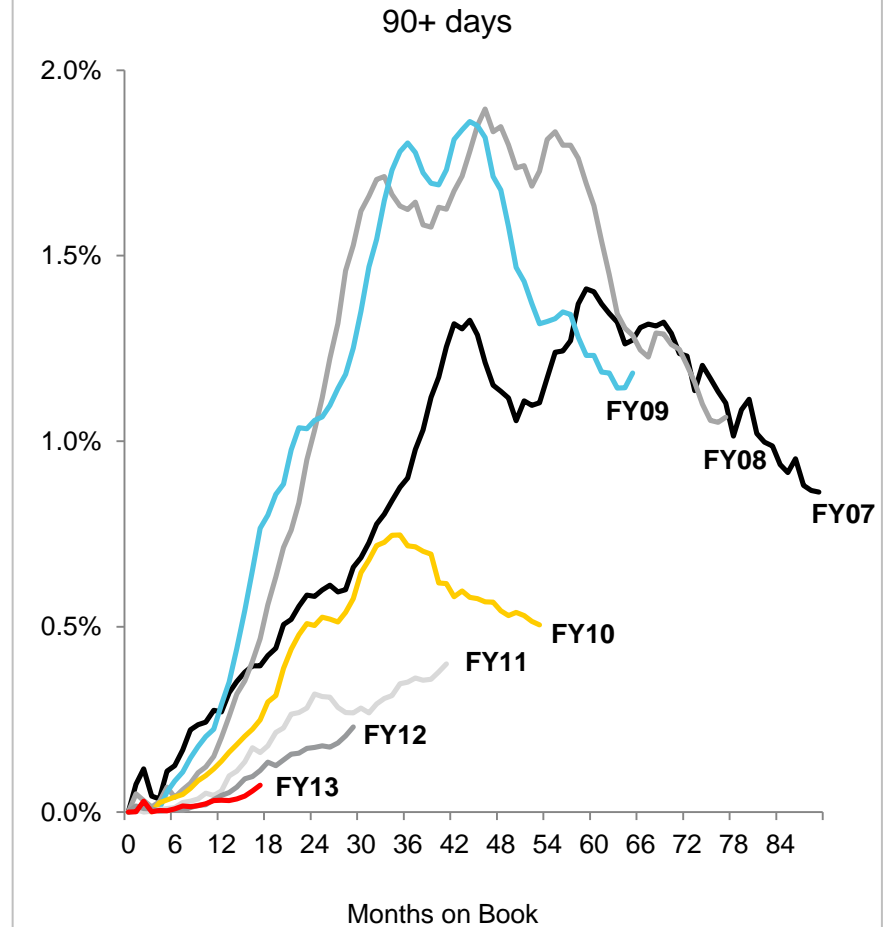
¹ System figures adjusted for series breaks to normalise growth.

RBS Home Loans – LVR and Arrears by Vintage

Home Loan Dynamic LVR¹ Profile



Home Loan Arrears Rates by Vintage



¹ Dynamic LVR is current balance / current valuation. Current period balance and valuations as at September 2013.

RBS Home Loans – Stress Test

Observations

- ◆ Aggressive three-year “stress test” scenario of cumulative 32% house price decline and peak 11.5% unemployment
- ◆ House prices and PDs are stressed at regional level
- ◆ Total potential losses of \$1.69bn for the uninsured portfolio only over three years (down slightly from Dec 12)
- ◆ Potential claims on LMI of \$1.91bn¹ over three years
- ◆ The key drivers of the decrease in potential losses are an increase in market valuations and improved portfolio quality, partly offset by net portfolio growth

Key Assumptions

	Base	Year 1	Year 2	Year 3
Unemployment	5.5%	7.0%	10.5%	11.5%
Hours under-employed ¹	8.1%	11.4%	15.8%	18.4%
Cumulative House Prices	n/a	-15%	-32%	-32%
Cash Rate	2.75%	2.75%	1.00%	1.00%

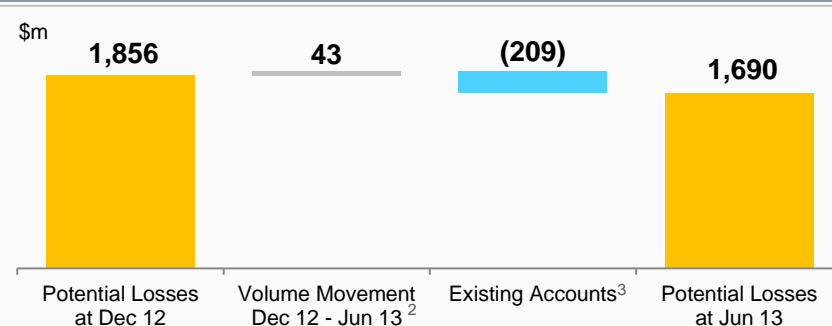
¹ The total number of hours not worked relative to the size of the workforce.

Key Outcomes

	Year 1	Year 2	Year 3
Stressed Losses	\$334m	\$572m	\$784m
Probability of Default (PD)	1.12%	1.78%	2.49%

- Results based on December 2012, due to the lag in the publication of current valuations data.
- Total potential losses of \$1,690m for the uninsured portfolio predicted over 3 years.

Key Drivers of Movement



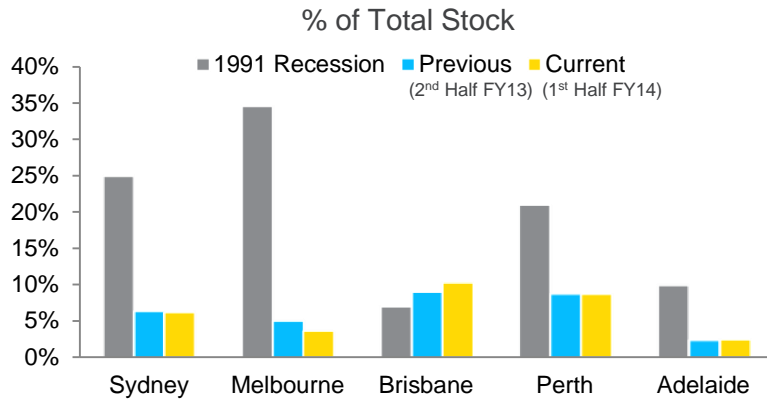
¹ Conservative in that it assumes all loans that become 90 days in arrears will result in a claim.

² Contribution of accounts opened and closed in the period to potential losses.

³ Change in potential loss for accounts that have remained on book between December 2012 and June 2013.

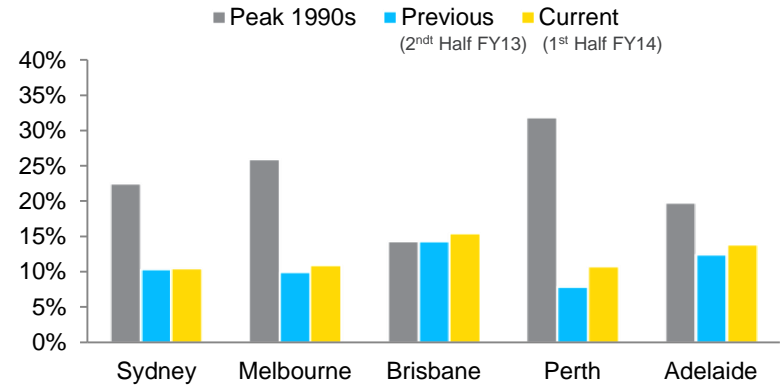
Commercial Property Market

CBD Office Supply Pipeline¹



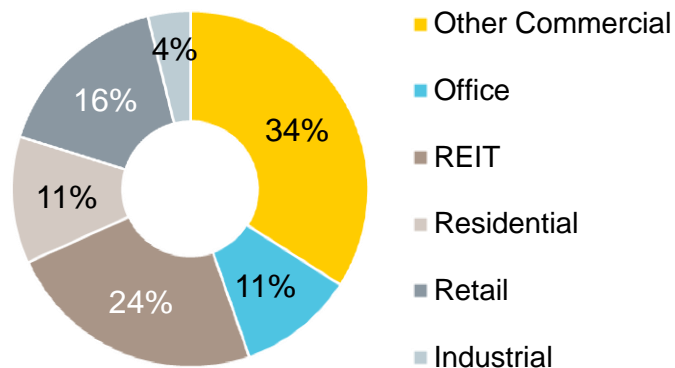
Source : Jones Lang LaSalle Research

CBD Vacancy Rates

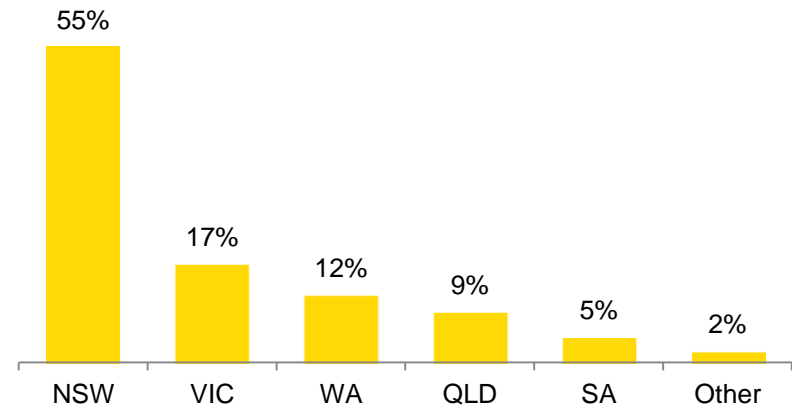


Source : Jones Lang LaSalle Research

Group Commercial Property Profile²



Commercial Property by State²



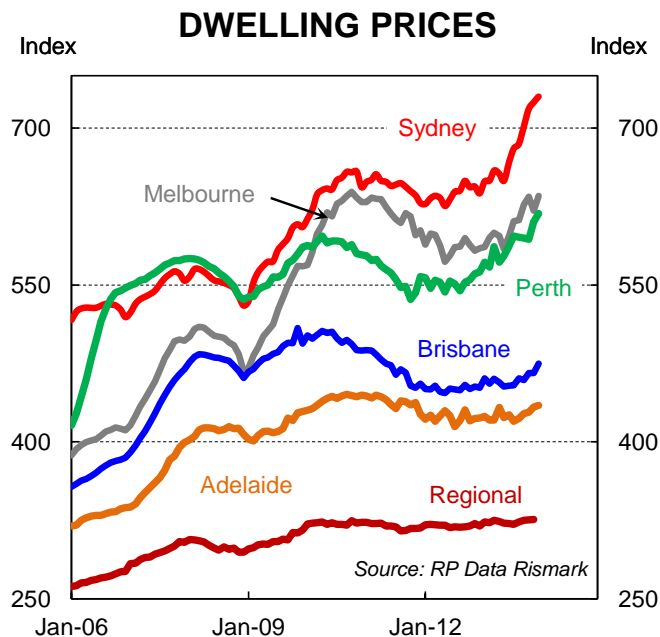
¹ The development pipeline includes all projects currently under construction.
² Includes ASB and Bankwest. Excludes service sectors.

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Australian housing prices

Dwelling prices



Dwelling price growth

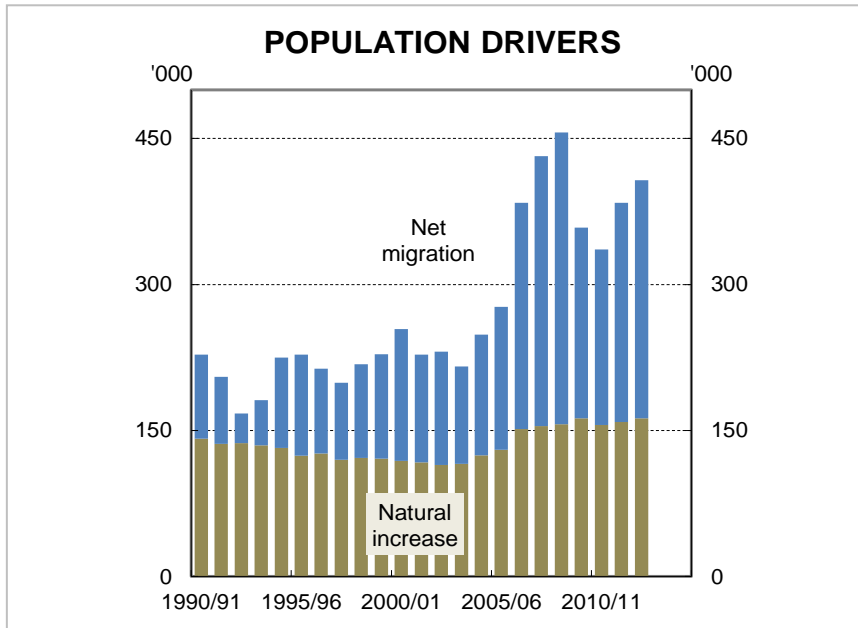
	3 Years to Dec 13 % CAGR	12 mths to Dec 13 % change
Sydney	4.3	14.5
Melbourne	0.3	8.5
Brisbane	(0.8)	5.1
Adelaide	(0.7)	2.8
Perth	2.2	9.9
Australia	1.7	9.8

Source: RP-Data Rismark, Hedonic Index.

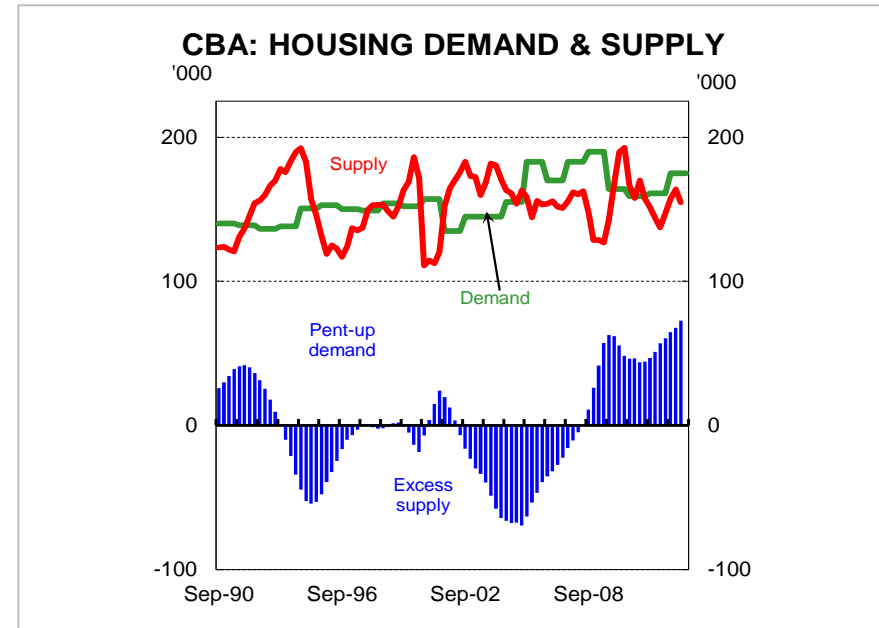
- ◆ Rising dwelling prices is one of the transmission paths for monetary policy.
- ◆ The recent pick up in dwelling prices has been focussed in the Sydney and Perth markets. These are also the States that have had the most residential *underbuilding* over the past few years.
- ◆ Rising dwelling prices boosts wealth, encourages construction activity and lifts sentiment.

Housing supply and demand

Stronger population growth is lifting demand for housing



Prior underbuilding has led to a significant level of pent-up demand

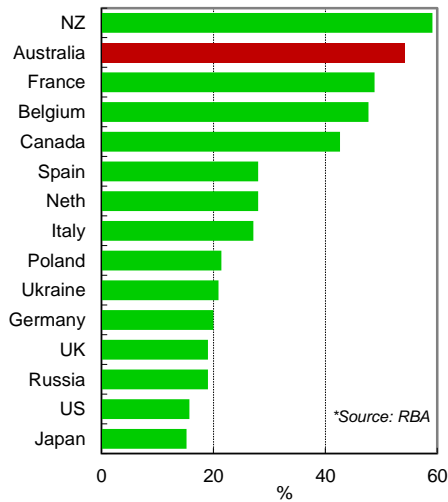


- ◆ Targeting residential construction is a smart policy. The fundamentals favour a lift in housing construction.
- ◆ Population growth is lifting again which means strong demographic demand for new housing.
- ◆ New construction has fallen short of demand in recent years as the sector competed for labour and materials with mining and infrastructure. This has led to a significant pent-up demand for housing.

Urbanisation rates and density

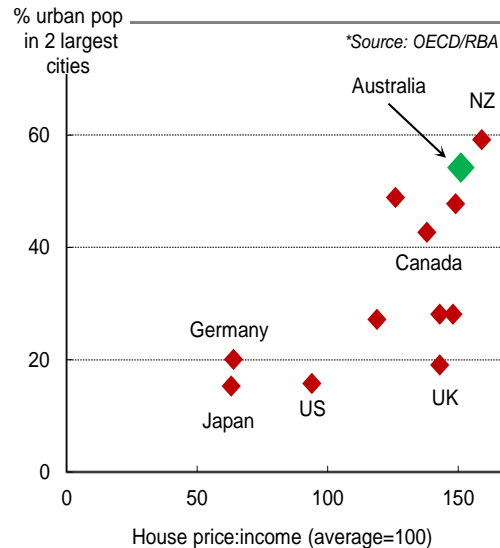
Urban population

URBAN POPULATION
(% in two largest cities)



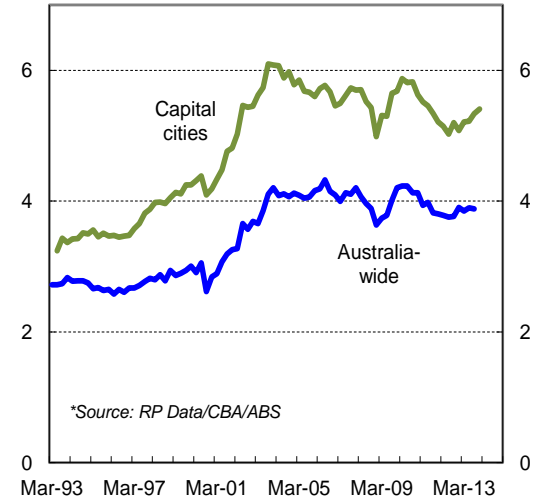
Density & house prices

DENSITY & HOUSE PRICES



Dwelling prices

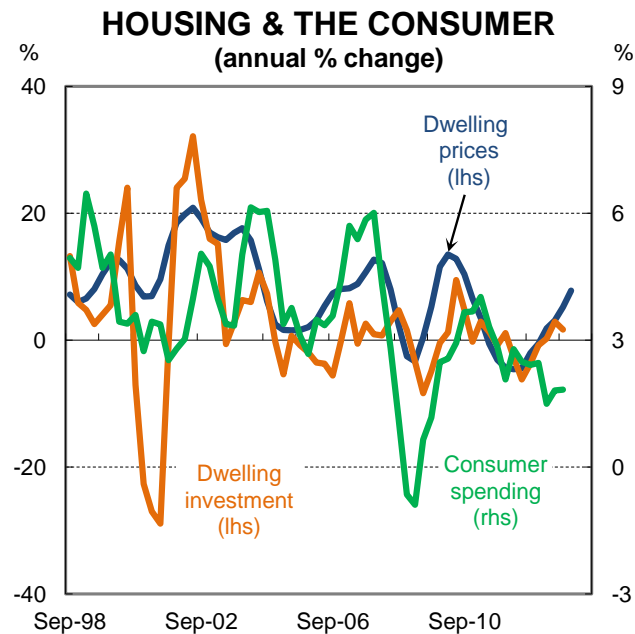
DWELLING PRICES
(ratio to household income)



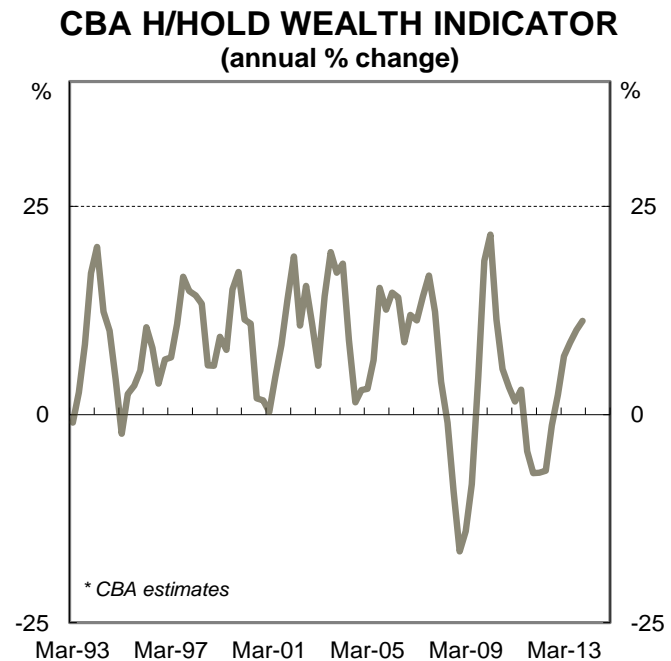
- ◆ Australia is one of the most urbanised countries in the world; ~54% of urban population in 2 major cities.
- ◆ Housing demand and higher incomes are concentrated in the capital cities.
- ◆ Price (capital city)-to-Australia-wide income \approx 5 times.
- ◆ Price-to-income (Australia wide) \approx 4 times.

The transmission of higher house prices

Rising house prices boosts wealth, encourages construction activity and lifts sentiment



Higher house prices are positive for wealth positions



- ◆ Policy stimulus has boosted house prices – the dominant part of wealth.
- ◆ Australian studies suggest that each \$1 change in wealth moves consumer spending by 4-5¢. Positive spinoffs to consumer sentiment as well.

Australia v US housing market

	CBA / Aust	US
Unemployment	5.8% ¹	6.7% ²
No-Recourse Lending	No	Yes
Variable vs Fixed	~85%/15%	~15%/85%
Sub-Prime (% of mkt)	Minimal ³	~10% ⁴
Securitisation %	7.8% ⁵	22% ⁶
Account ownership	Retained by bank	Extensively on-sold
Arrears	1.18% ⁷	6.41% ⁸

Australian mortgage product
<ul style="list-style-type: none"> ◆ Principal and interest amortising 25/30 year loan ◆ Variable interest rate set at bank's discretion ◆ Limited pre-payment penalty ◆ Full recourse to borrower ◆ No tax deduction for owner occupied housing ◆ Higher risk loans are subject to Lenders Mortgage Insurance (LMI) ◆ Minimal "low documentation" (ie self certified) market with tighter lending criteria ◆ Tight consumer credit regulations ◆ Major banks account for majority of new originations and "originate-to-hold"

1. ABS, Jan'14.

4. Federal Reserve Bank of San Francisco QIII 09.

7. S&P, Nov'13.

2. Bureau of Labor Statistics, Jan'14.

5. RBA, Nov'13.

8. Mortgage Bankers Association, QIII 2009.

3. RBA FSR, Mar'13, graph 3.21.

6. US Federal Reserve, Mar'13.



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Economic Summary

	2010	2011	2012	2013	2014 (f)	2015 (f)
Credit Growth % – Total	3.0	2.7	4.4	3.1	3½-5½	4½-6½
Credit Growth % – Housing	8.0	6.0	5.0	4.6	5-7	5½-7½
Credit Growth % – Business	-4.0	-2.2	4.4	1.0	1-3	3-5
Credit Growth % – Other Personal	3.0	0.6	-1.4	0.4	1-3	2-4
GDP %	2.0	2.2	3.6	2.7	2.6	2.9
CPI %	2.3	3.1	2.3	2.3	2.5	2.6
Unemployment rate %	5.5	5.1	5.2	5.4	5.8	5.9
Cash Rate %	4½	4¾	3½	2¾	2½	3

CBA Economist's Forecasts

Credit Growth

= 12 months to June qtr

GDP, Unemployment & CPI

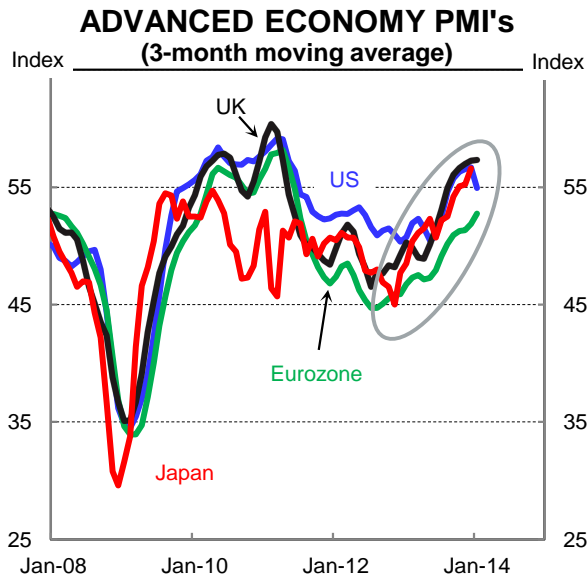
= Financial year average

Cash Rate

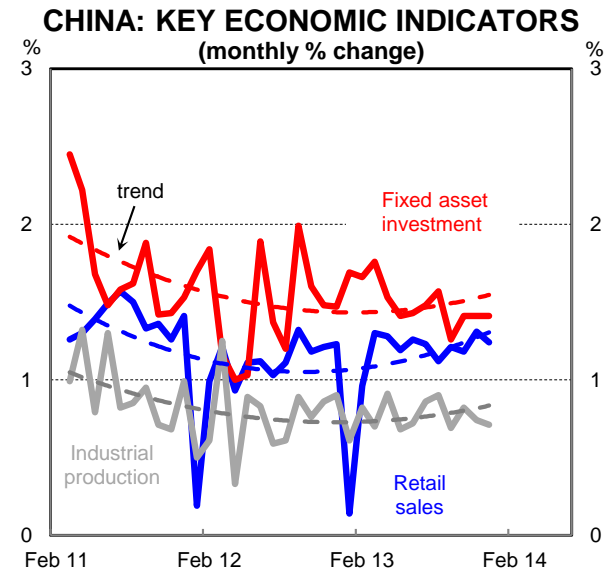
= As at end June qtr

The global backdrop

Synchronised recovery in advanced economies



Trend improvement in the key Chinese growth drivers

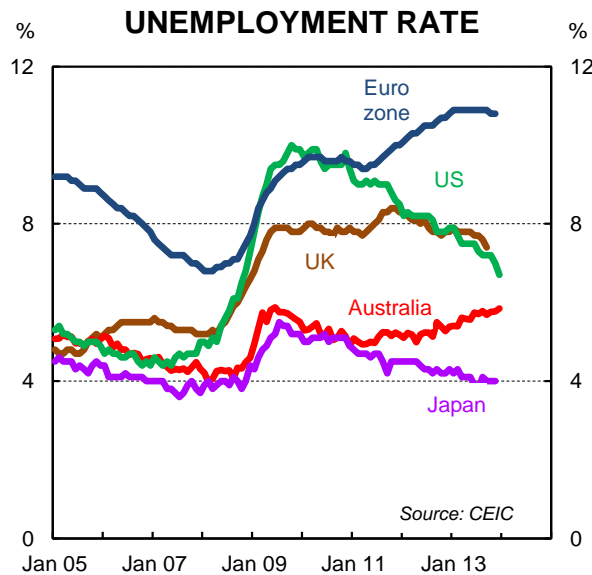


- ◆ There is a synchronised upturn underway in the advanced economies.
- ◆ China's potential growth rate has moved lower over the past few years. But a cyclical variation driving fluctuations around that potential will continue.
- ◆ The cyclical component of Chinese growth is picking up with some of that benefit flowing into commodity-intensive areas such as construction and infrastructure.

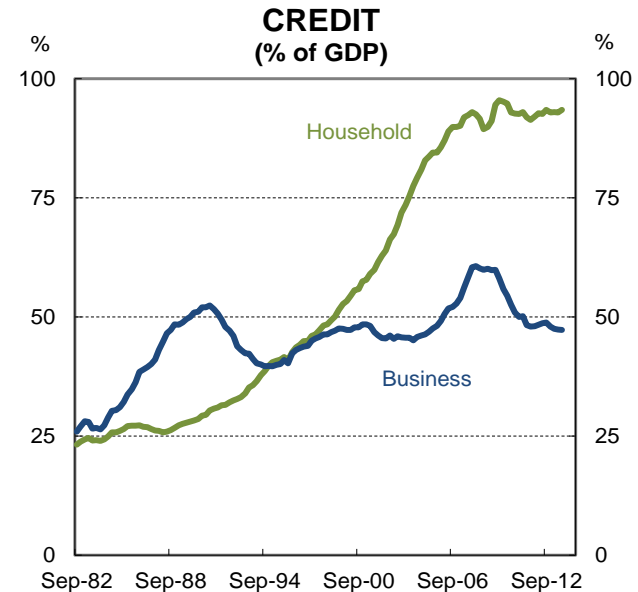


Australia in perspective

Unemployment remains at relatively low levels



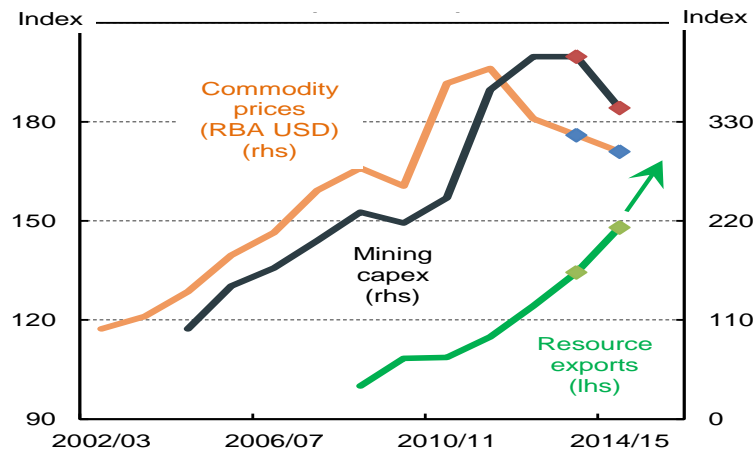
The period of rising leverage has finished



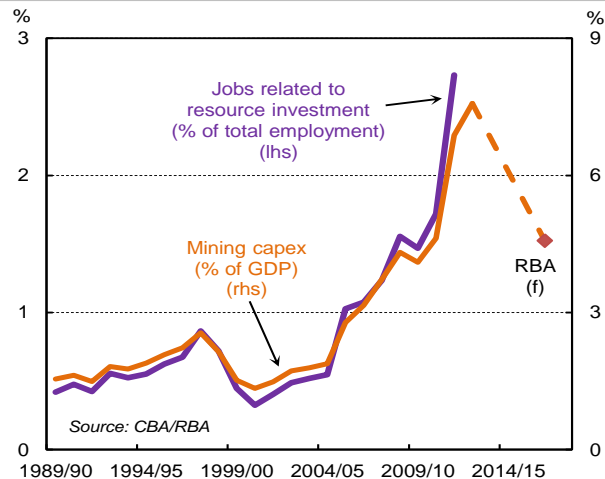
- ◆ Australian growth outperformance may be narrowing. But public finances and the financial system remain in good shape. Household and corporate balance sheets are significantly stronger than before the 2008-09 financial crisis.
- ◆ Below trend growth means unemployment will rise further. But Australia's unemployment rate is relatively low on a global perspective.

The resources boom is the defining feature of the Australian landscape over the past 10 years

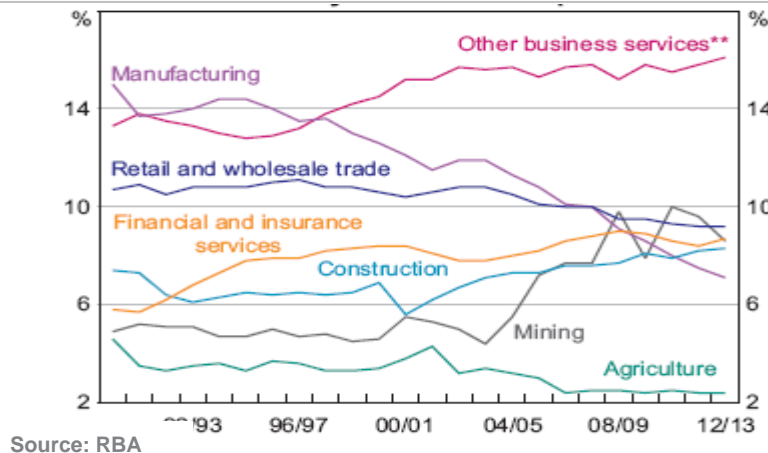
3 Booms (start = 100)



Mining capex & jobs



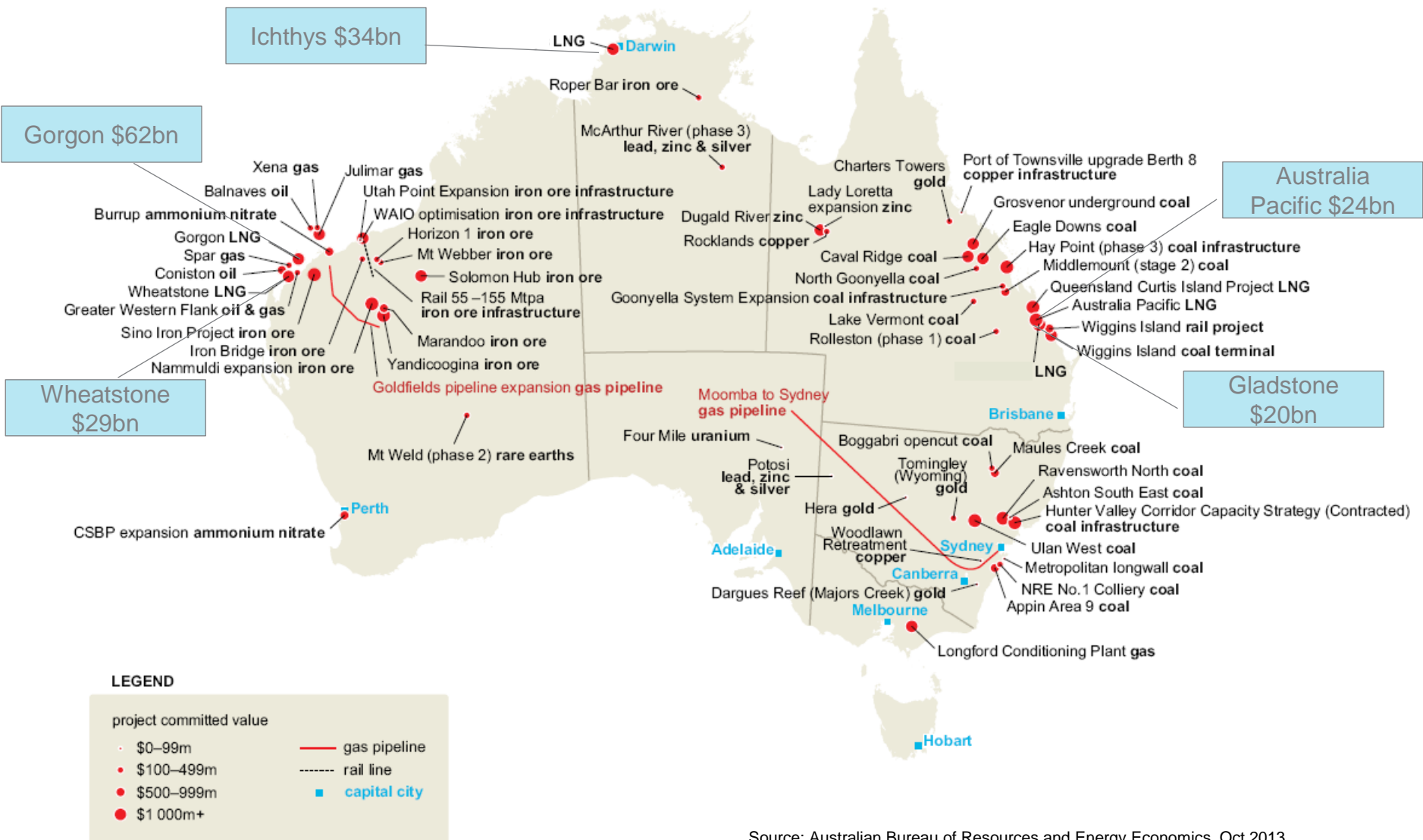
Industry share of output



Contribution to Employment



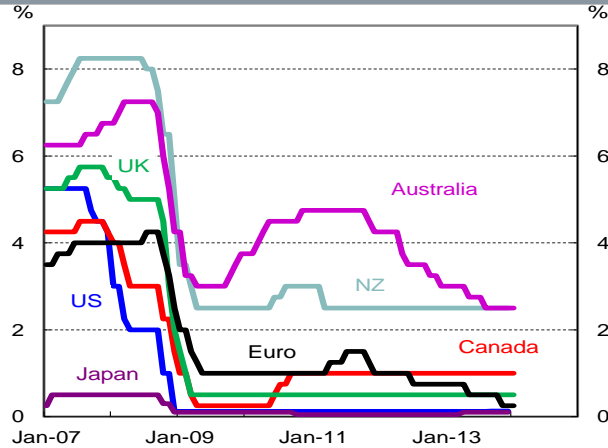
Transition from mining led growth: Construction => production => export



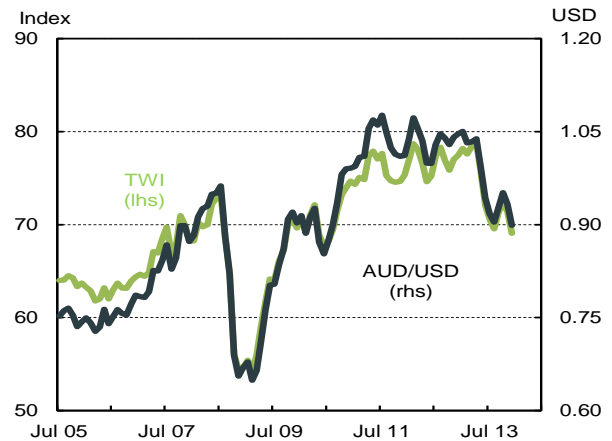
Source: Australian Bureau of Resources and Energy Economics, Oct 2013

Australian policy settings are stimulatory and are working

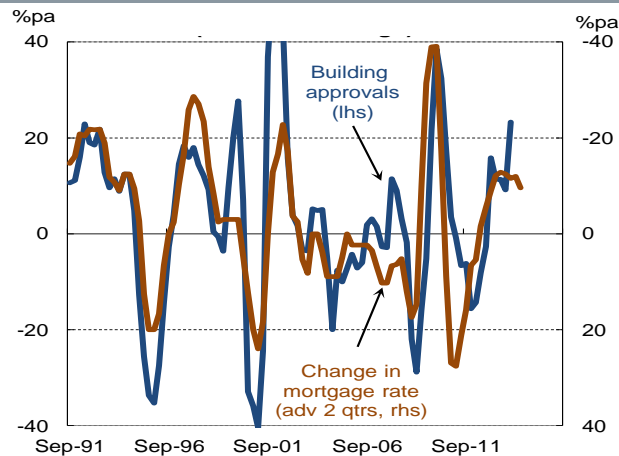
Official Interest rates



The AUD

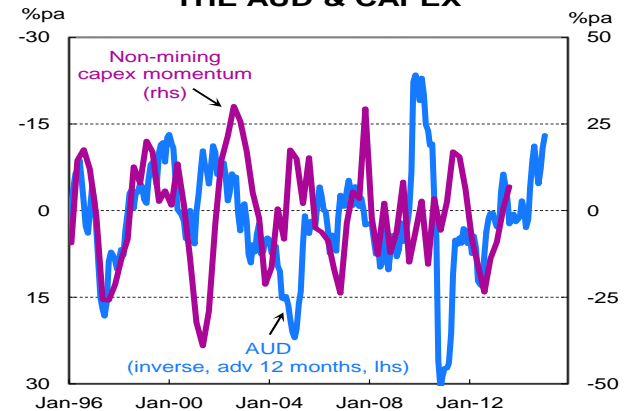


Approvals and rates



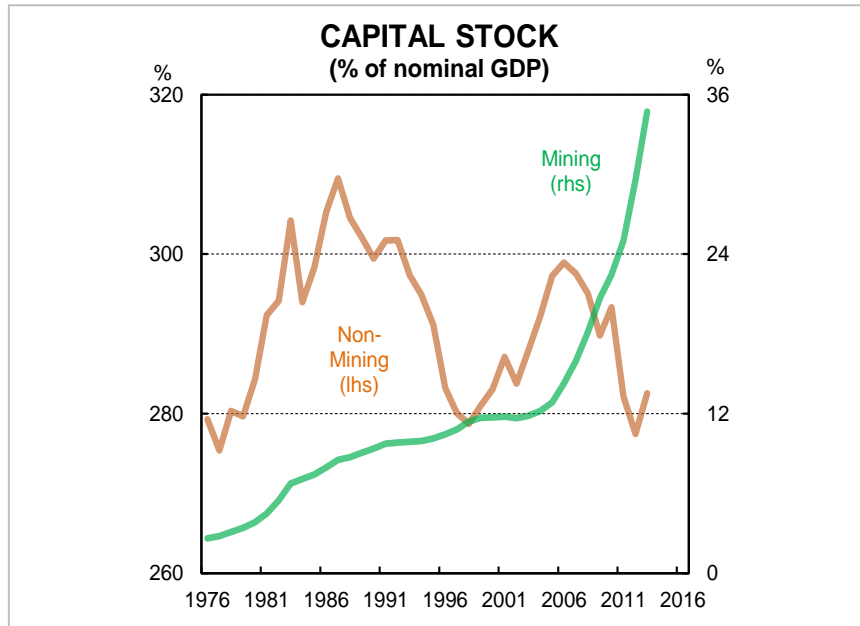
Lower currency to assist non-mining capex

THE AUD & CAPEX

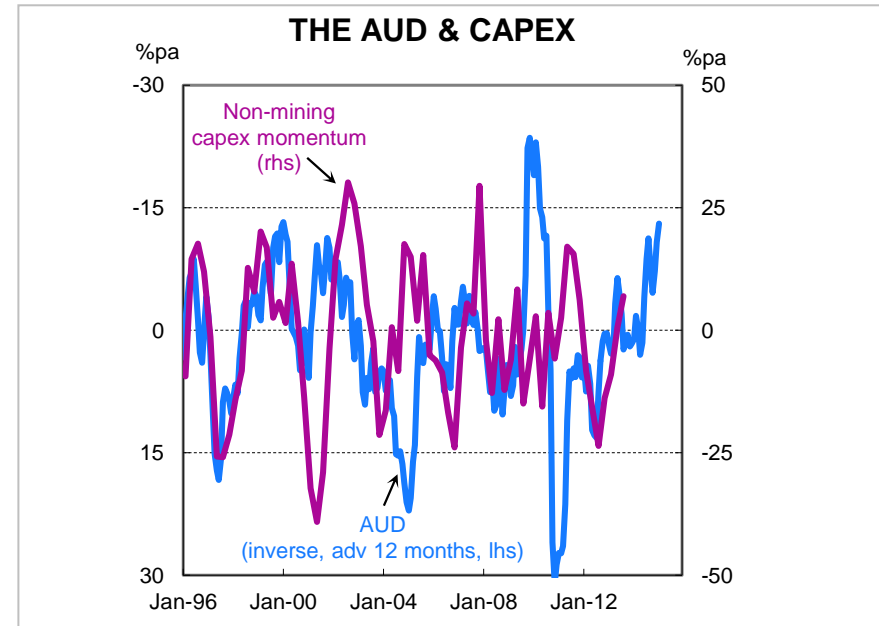


The transition from mining to non-mining led growth: non-mining business capex

The fundamentals favour a lift in non-mining investment



A lower currency should assist non-mining capex activity

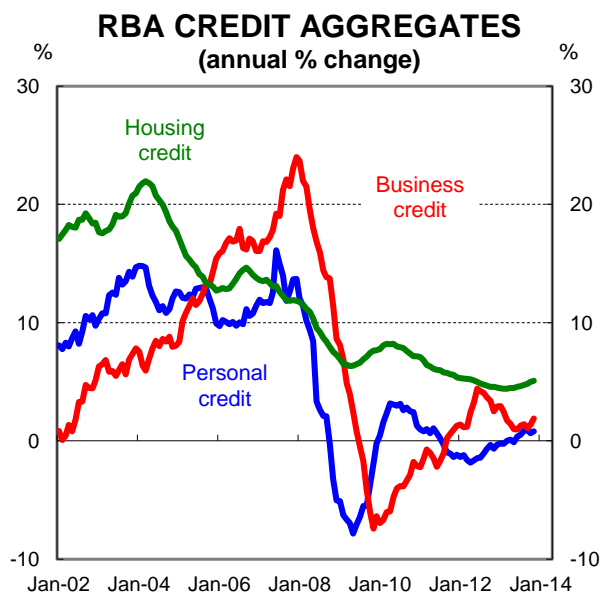


- ◆ One of the targeted areas to offset a fall in mining construction is non-mining business capex. The evidence on this part of the growth story was initially weak but now looks more convincing.
- ◆ The fundamentals favour a lift in non-mining capex. The non-mining sector has allowed its capex focus to stagnate.
- ◆ A lower AUD is reinforcing the stimulus from lower interest rates to non-mining capex and across the broader economy.

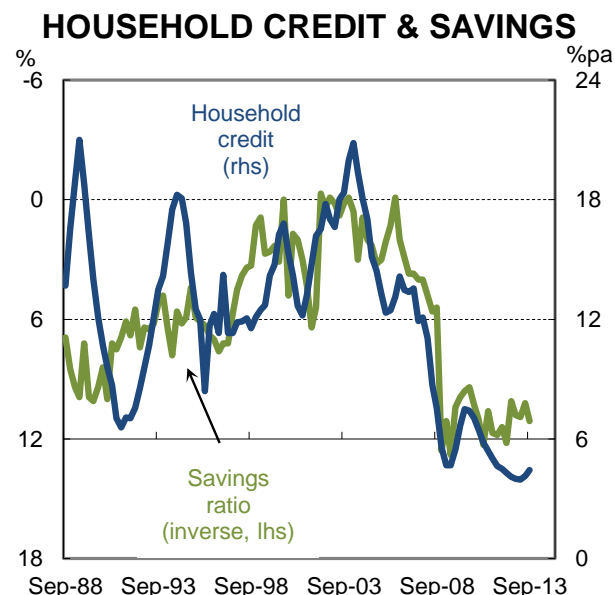


Credit growth is slowly edging higher

Credit growth is lifting slowly, particularly housing credit



But, elevated savings means that consumer caution remains



- ◆ Household and corporate balance sheets are in good shape given cautious approach to increasing debt over the past few years.
- ◆ Australian households are not deleveraging in a strict sense. But the period of rising leverage has ended.

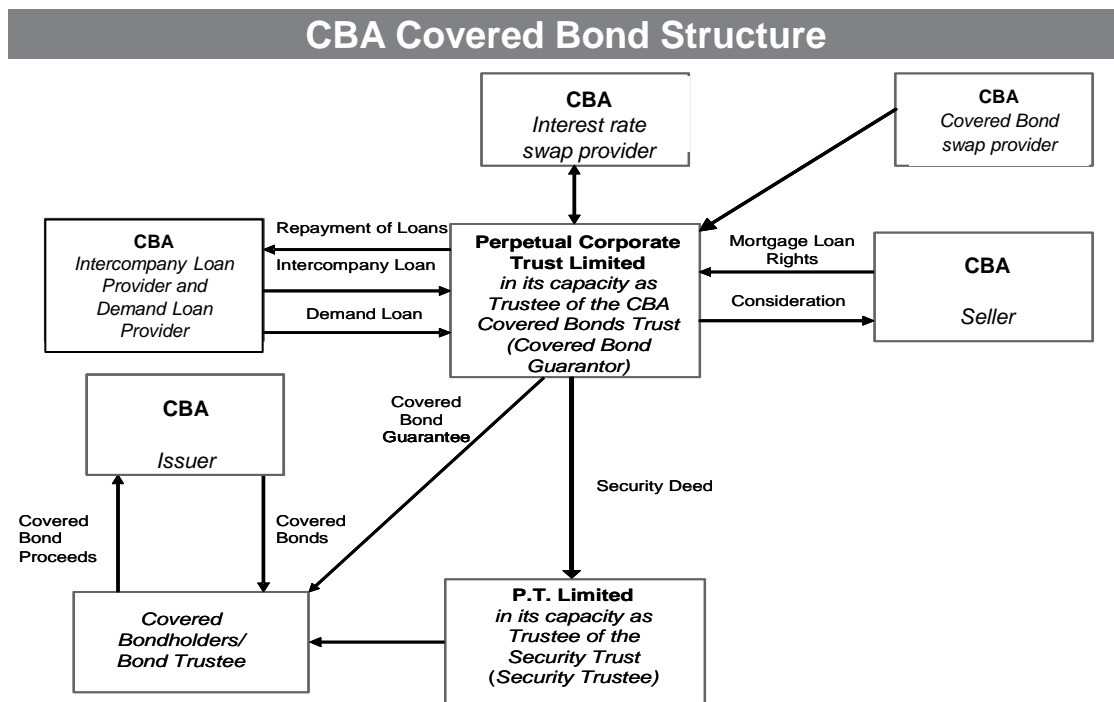


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Australian Covered Bond legislation

- ◆ The Australian parliament passed the *Banking Amendment (Covered Bonds) Bill* in October 2011
- ◆ Issuance only allowed under the legislative framework
- ◆ Segregation of cover assets achieved via a special purpose vehicle
- ◆ Maximum issuance cap of 8% of ADI assets in Australia
- ◆ Independent cover pool monitor
- ◆ Minimum 3% over-collateralisation
- ◆ APRA established a Prudential Standard APS121 and has certain other powers with regards covered bond issuance



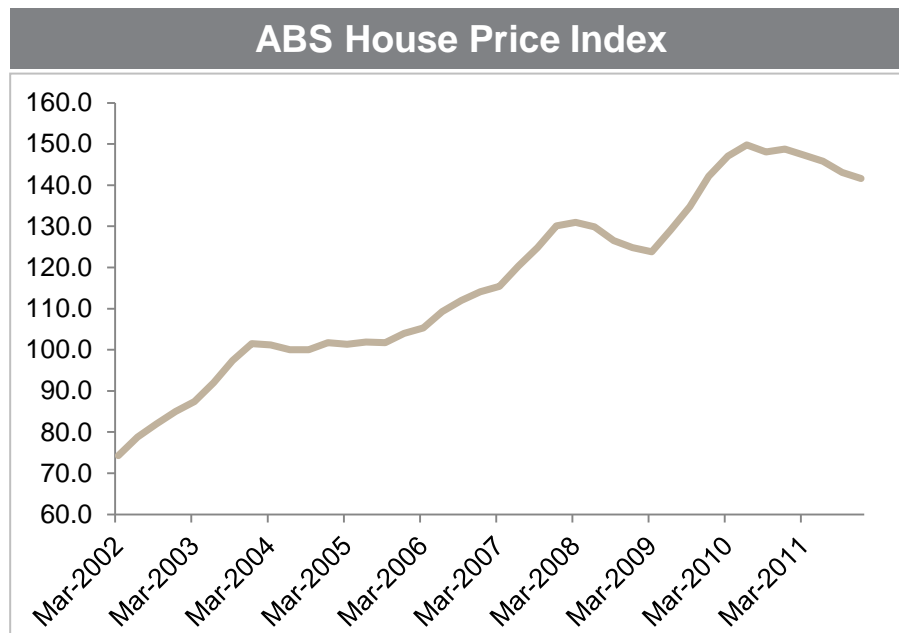
- ◆ CBA cover pool assets may include:
 - ◆ Cash
 - ◆ Government Bonds, Semi Government Bonds and Bank Bills (15% in total)
- ◆ Derivatives relating to the covered bond issuance such as currency and interest rate swaps
- ◆ Prime Australian residential mortgages (maximum LVR of 80% in the ACT)
- ◆ Current maximum covered pool of around \$51bn based on 8% of assets in Australia of \$636bn implies potential covered bond outstandings of \$40-50bn

Structural enhancements

Asset Coverage Test	The Asset Coverage Test (ACT) is performed monthly by the Trust Manager to test the Adjusted Aggregate Mortgage Loan Amount is at least equal to the A\$ equivalent of all outstanding covered bonds (see Slide 41)
Amortisation Test	The Amortisation Test is performed monthly by the Trust Manager following the service of a Notice to Pay to test that the Amortisation Test Aggregate Mortgage Loan Amount is at least equal to the A\$ equivalent of all outstanding covered bonds (see Slide 42)
Pre-maturity Test	The Pre-maturity Test is performed daily by the Trust Manager for twelve months prior to a hard bullet covered bond maturity to test that such maturity can be met. Issuer Event of Default will occur where the rating of CBA falls to Moody's short term rating P-2 or Fitch short term rating F-1 and the hard bullet covered bond maturity has not been pre-funded for 6 months
Reserve Fund	If CBA is downgraded below P-1 and/or F1+, CBA is required to establish a Reserve Fund to credit the income accrued on each covered bond within the next three months and fees due and payable to servicer, cover pool monitor, trustee
Interest Rate Swap	The Interest Rate Swap will convert mortgage loan receipts (and other asset cash flows) to a floating rate of interest based on Bank Bill Swap Rate. CBA is the initial Interest Rate Swap provider and will be required to post collateral and/or be replaced subject to ratings triggers
Covered Bond Swap(s)	The Covered Bond Swap will, where necessary, convert payments from the Interest Rate Swap into the required currency and interest rate cash flows to match payment on the covered bonds. CBA is the Covered Bond Swap provider and will be required to post collateral and/or be replaced subject to ratings triggers
Servicer Downgrade	CBA will be the servicer of loans in the cover pool. If CBA's rating falls below P-1/F-1 (Moody's/Fitch) the servicer role will be transferred to a suitably rated institution
Indexation	House price indexation is included in the ACT. There is no benefit from upward house price indexation given the structure of the ACT. The index is the quarterly Australian Bureau of Statistics (ABS) Price Index for Established Houses for the Weighted Average of the Eight Capital Cities

House price indexation

- ◆ Indexation is used in the Asset Coverage Test and the Amortisation Test to protect investors from a downward move in property prices
- ◆ Indexation is applied to the LVR Adjusted Mortgage Loan Balance (see Slide 41) in the ACT and the Amortisation Test Current Principal Balance in the Amortisation Test (see slide 42)
- ◆ Indexation will be calculated using the *Australian Bureau of Statistics (ABS) Weighted Average of Eight Capital Cities House Price Index**
- ◆ Applied 85% for upward revision of ABS Index and 100% for downward revision



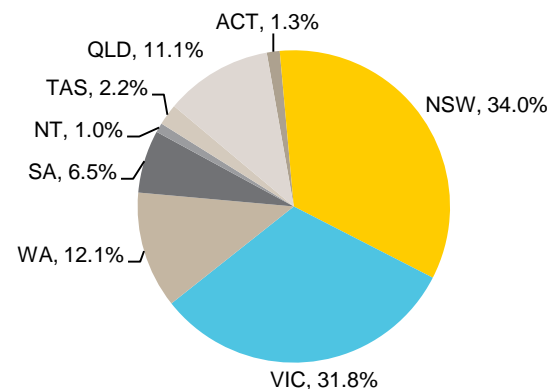
Source: ABS House Price Index 6416.0 – Weighted average 8 capital cities

*“The **House Price Index (HPI)** is designed to provide a measure of the inflation or deflation in the price of the stock of established houses over time. Separate indexes are produced for each capital city in Australia, and these indexes are combined to produce a weighted average index of the eight capital cities. The HPI is published quarterly, approximately five weeks after the end of the reference quarter. The figures published for the two most recent quarters are regarded as preliminary and are revised in subsequent publications as more data is collected.”* ABS

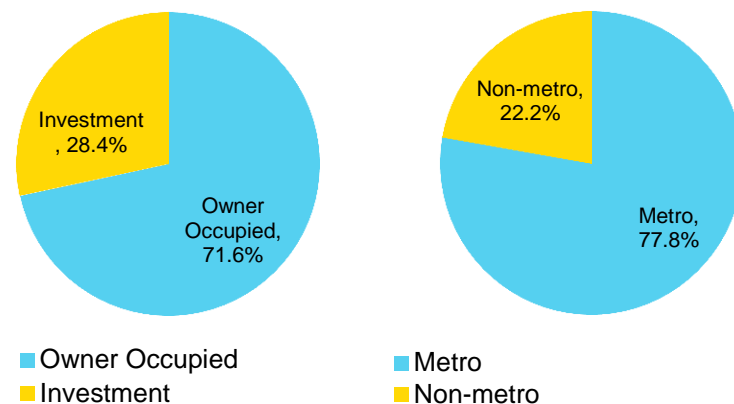
Covered bond pool summary

31-Dec-13	Owner Occupied	Investment	Total
Pool Size	19,158	7,589	26,748
No. of Loans	89,578	30,285	119,829
Average Loan Size	213,871	250,602	223,215
Maximum Loan Size	1,745,045	2,000,000	2,000,000
WA LVR (Current)	56.85%	56.53%	56.76%
WA LVR (Indexed)	51.11%	49.39%	50.62%
Maximum LVR	96.02%	94.91%	96.02%
WA Seasoning (mth)	46.7	56.8	49.5
Owner Occupied	100.00%	0.00%	71.63%
Investment	0.00%	100.00%	28.37%
Purchase	55.08%	65.24%	57.96%
Refinance	27.85%	24.95%	27.02%
Alteration	16.71%	9.60%	14.69%
Construction	0.37%	0.21%	0.33%
Principal & Interest	86.70%	58.58%	78.72%
Interest Only	13.30%	41.42%	21.28%
First Home Buyer	25.00%	0.75%	18.12%
Primary LMI	18.04%	8.50%	15.33%

Geographic Distribution

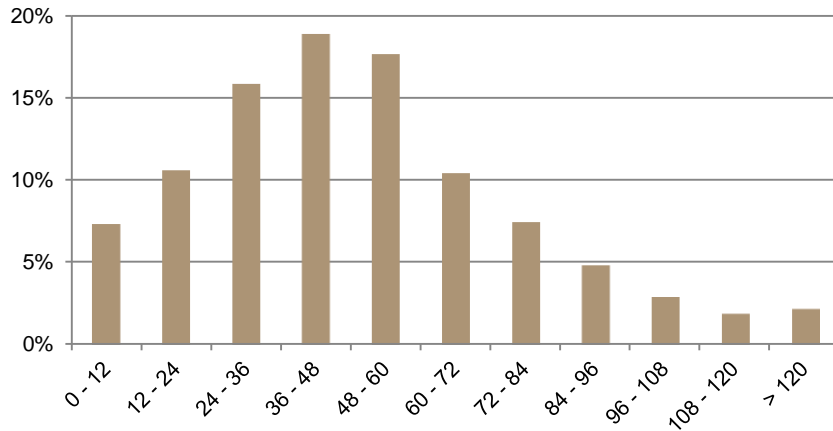


Borrower type and Location

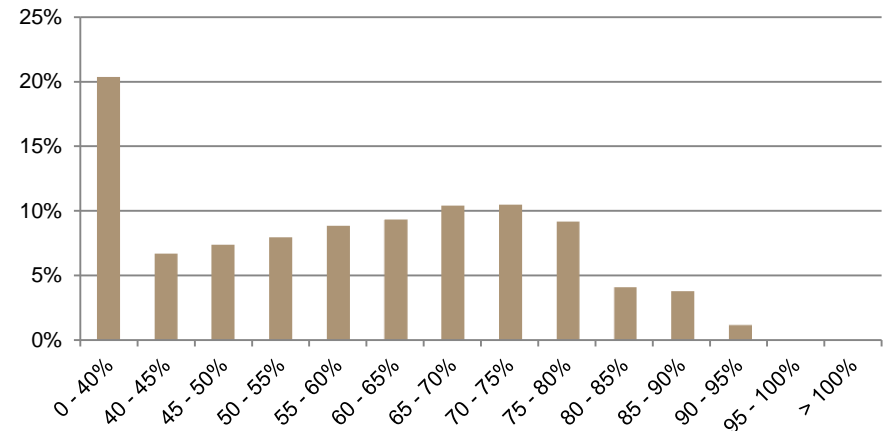


Covered bond pool summary

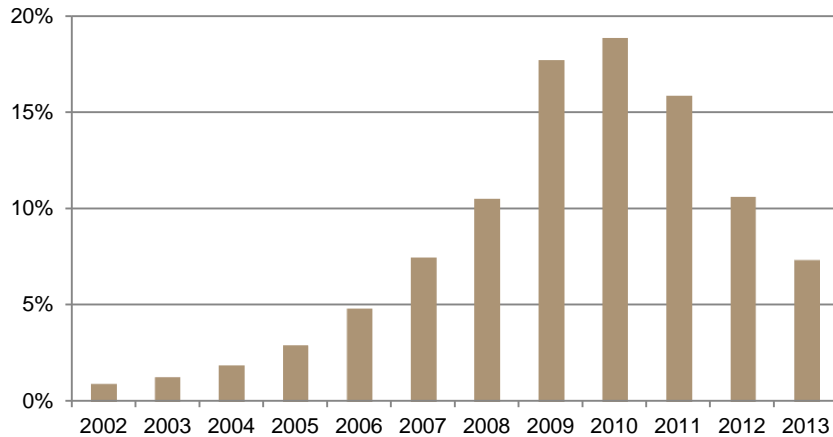
Seasoning (Months)



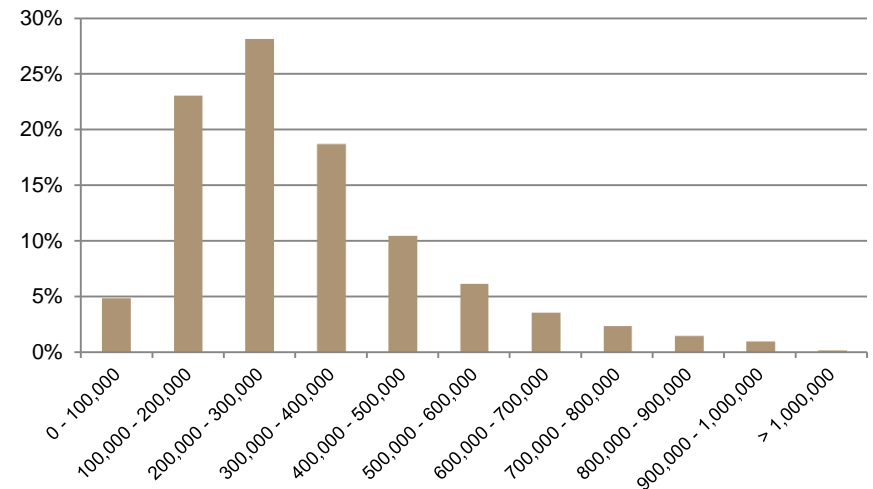
Current LVR Profile



Origination Year Distribution



Current Principal Balance Distribution



Sources of origination

Channel	Description	% Portfolio
Proprietary Channel		44%
Branch Network	Customer can apply through any of our 1000+ branches	32%
Premier Banking	Provides a premium service offering to high net worth individuals and families through the provision of specialist financial advice	9%
Mobile Banking	Our Mobile Lenders are trained specialists with years of experience, they are available to visit our customers whenever, wherever.	1%
Direct Banking	Applications can be made via "13 2224"* operators 7 days a week between 8am and 8pm	2%
Private Banking	Customers are assigned a dedicated Private Banker who takes care of all their lending needs	3%
Third Party Banking (Broker)	A fully accredited broker network sells CBA home loan products	44%
Business Banking	Customers with business facilities are managed by dedicated relationship managers who also manage their home lending needs	9%

* Toll free phone lines

CBA has a diverse mortgage product suite

Product	Benefits	Rate p.a.	Package rates	Max LVR*	Package availability	Low Doc availability	Medallion
Standard Variable Rate (SVR)	<ul style="list-style-type: none"> Unlimited extra repayments 100% offset Split option 	5.90%	5.10%	95%	✓	✓	✓
No Fee	<ul style="list-style-type: none"> No Fees for the life of the loan Simple and Transparent to understand, with certainty around fees, and appealing to “fee sensitive” customers / market 	5.20%	-	95%	✗	✗	✓
Fixed Rate	<ul style="list-style-type: none"> Repayment certainty Partial offset available Interest structure flexibility 	From 4.94%	From 4.79%	95%	✓	✓	✓
Basic Variable Rate (BVR)	<ul style="list-style-type: none"> Unlimited extra repayments Competitive discounted interest rate 	5.44%	-	95%	✗	✓	✓
3 Year Special BVR	<ul style="list-style-type: none"> Unlimited extra repayments Special competitive discounted interest rate 	4.89%	-	95%	✗	✗	✓
1 Year Guaranteed Rate	<ul style="list-style-type: none"> Unlimited extra repayments 100% offset 	4.79%	-	95%	✓	✗	✓ After discount
12 Month Discounted Variable Rate	<ul style="list-style-type: none"> Unlimited extra repayments 100% offset 	5.20%	-	95%	✓	✗	✓ After discount
VLOC – line of credit	<ul style="list-style-type: none"> No set repayments All-in-one account Freedom to repay and redraw at will 	6.05%	5.25%	90%	✓	✓	✗
EQFS	<ul style="list-style-type: none"> Flexible draw down option Supplement customers income 	7.05%	-	45%	✗	✗	✗

- * This represents base LVR (i.e. prior to LMI/LDP capitalisation)

Maximum LVR differs by purpose:

- For refinance, investment in residential property and bridging loans: maximum LVR is 90%
- For Personal Investment and Low Doc: maximum LVR is 80%
- Rates as of 29 January 2014

CBA mortgage broker accreditation

There are two requirements for CBA Broker Accreditation as follows:

1. Legislative licensing requirements

Must be National Credit Regulation compliant, through any of the following:

- ◆ hold an Australian Credit License
- ◆ be appointed as a Credit Representative of a licensee (ACL)
- ◆ be a direct employee/director of a licensee (ACL)

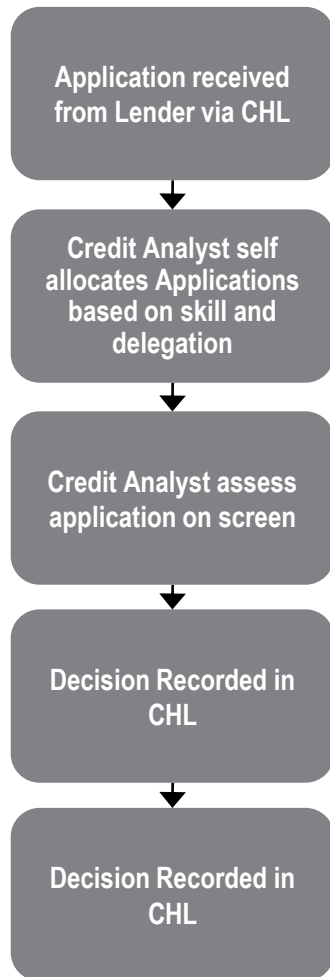
National Credit Regulation requires licencees to:

- ◆ Be a fit and proper person and include having a satisfactory Australian Federal Police checks (via MFAA)
- ◆ Meet continuous development training standards
- ◆ Be personally identified (by passports/drivers license, etc)
- ◆ Be a member of External Dispute Resolution Scheme (FOS or COSL) and also have an internal customer resolution process
- ◆ Hold Professional Indemnity Insurance

2. Additional CBA checks and training requirements

- ◆ Be a member of an approved Industry Body (Mortgage Finance Association of Australia or Finance Brokers Association of Australia) includes completing UCCC, Trade Practices and the Compliance Essential Course
- ◆ Internal clearance from Group Security and HR
- ◆ Have a minimum of 2 years industry experience in residential mortgages and customer interaction or:
 - be assigned an approved CBA accredited broker
 - participate in the MFAA Mentoring programme
 - Participate in an approved Head Group mentor programme where CBA has reviewed and approved
- ◆ Pre-accreditation – brokers must complete the Online Product, Process and Policy Training programme
- ◆ Post accreditation – brokers must also complete the advanced Sales and Process Coach Workshop (2) within 6 weeks of initial accreditation

Branch Decisioning Process



Applications in CommSee Home Loans (CHL) are system credit scored. Credit Analysts rely on the credit score and referral reason to determine what level of assessment is required.

Types of assessment can be:

- ◆ Assess refer in reason only (e.g. Fails servicing, bureau check issue etc)
- ◆ Self-employed application requiring analysis of finance statements
- ◆ Low Doc application requiring ABN search and review of GST returns (not securitised)
- ◆ Full manual assessment, where outside scope of system assessment
- ◆ Referral to Genworth if application involves LMI outside Delegated Underwriting Authority

If more information is required for assessment, work item requesting information is sent to lender

- ◆ Receive approx 35% of applications from Proprietary.
- ◆ Dual screens to allow applications and supporting information to be viewed together

Third Party Decisioning Process

Application received from Broker & uploaded to CHL

Application is input by the Broker into their system and submitted to the Bank. This results in Broker receiving an initial unverified system decision. Separately the Broker sends supporting documents to the Bank.

National Allocators segment work based on Risk and Process Complexity – work self allocated

Minimum standard documents includes AML requirements, Privacy and Consent form and Broker's declaration confirming signing of original documentation. Diamond applications processed in state of origination and Non Diamond applications shared nationally – self allocation by the credit analyst.

Credit Analyst complete client verification and ensure min. supporting docs. received

Verification includes:

- ◆ Income, assets and liabilities (including conduct checks)
- ◆ Reviewing and accepting security
- ◆ Ordering valuations (where required)
- ◆ Updating any data / application structure included in comments and that hasn't flowed through to the CHL application

Credit Analyst completes verification including application structure

System assessment completed and where necessary manual assessment completed.

Types of assessment can be:

- ◆ Assess refer in reason only (e.g. Fails servicing, bureau check issue etc).
- ◆ Self-employed application requiring analysis of finance statements.
- ◆ Low Doc application requiring ABN search and review of GST returns
- ◆ Full manual assessment, where outside scope of system assessment
- ◆ Referral to Genworth if application involves LMI outside DUA

Decisioning recorded in CHL

Decision recorded in Application Register

Decision Notification electronically issued to Broker

If more information is required for assessment, notification issued to Broker requesting outstanding information to finalise assessment.

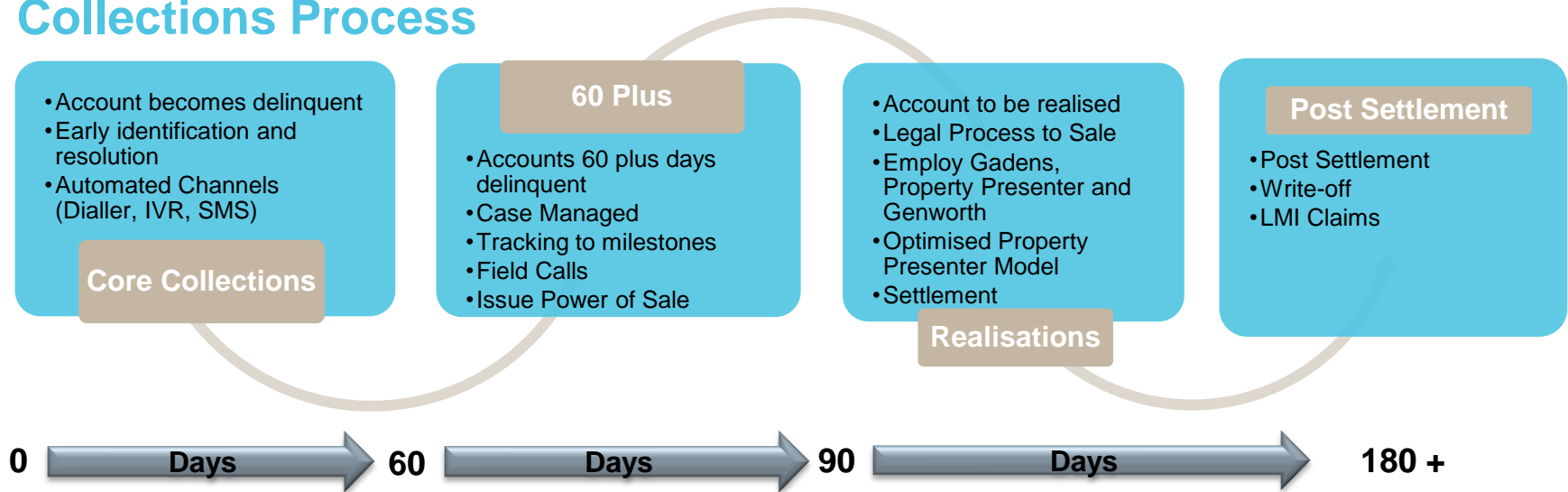
Same process as Branch network

- ◆ Receive approx. 100% of applications for Third Party (Brokers).

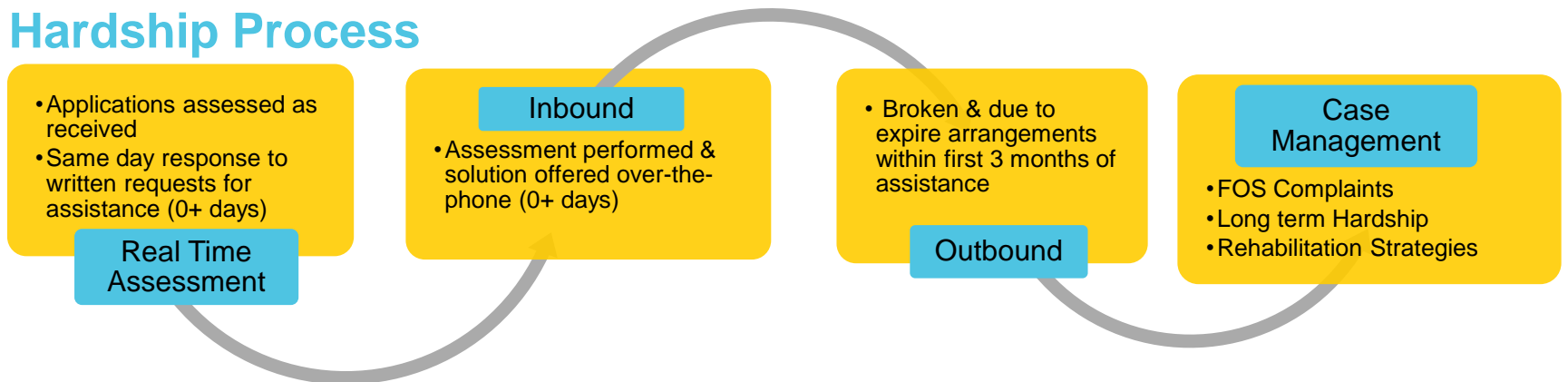
- ◆ Dual screens to allow applications and supporting information to be viewed together 62

Collections

Collections Process



Hardship Process



Contact us

24 Hour Global Contact Numbers...

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 Richard Nelson – Debt IR
 Patrick Bryant
 Ed Freilikh – Secured Funding
 Graham Raward
 Alvin Wei
 Sam Narula

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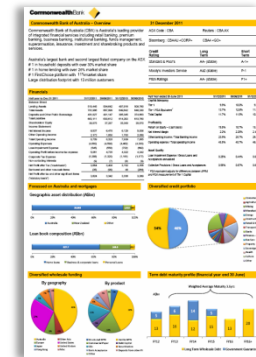
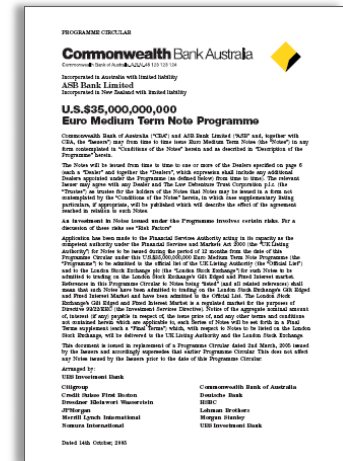
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2 Minute Guides to CBA

- English
- French
- German
- Italian
- Spanish
- Thai
- Japanese
- Mandarin
- Cantonese
- Korean
- Vietnamese
- Indonesian

Programme Documentation

- Euro Medium Term Notes
- US Medium Term Notes
- US 3(a)2 (NY Branch)
- Comms
- Commercial Paper (USCP & ECP)
- Covered Bonds

www.commbank.com.au/groupfunding - Ratings reports; documentation; "2 minute guides"
groupfunding@cba.com.au – Group email address

Debt Investor Update

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

CommonwealthBank

