

# Commonwealth Bank of Australia

Investor presentations

Business and Private Banking

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**Determined** to be different

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16<sup>th</sup> and 17<sup>th</sup> November, 2010

# Summary of Financials

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	30 June 2010	Yoy growth
Revenue	▪ \$2,892m	▪ 11%
Operating expenses	▪ \$1,310m	▪ 3%
Operating performance	▪ \$1,582m	▪ 19%
Impairment expense	▪ \$326m	▪ 6%
Net profit after tax	▪ \$893m	▪ 21%



# Overview of business – Business Banking

Description	Local Business Banking	Corporate Financial Services	Regional and Agribusiness
Target customers	<ul style="list-style-type: none"> <li>Turnover above ~\$25k and under ~\$10m</li> </ul>	<ul style="list-style-type: none"> <li>Turnover above ~\$10m and under ~\$150m</li> </ul>	<ul style="list-style-type: none"> <li>Agribusinesses and other rural customers</li> </ul>
Number of customers	<ul style="list-style-type: none"> <li>140,000</li> </ul>	<ul style="list-style-type: none"> <li>14,500</li> </ul>	<ul style="list-style-type: none"> <li>24,000</li> </ul>
Coverage model	<ul style="list-style-type: none"> <li>~ 150 business bankers in branch (branch referrals)</li> <li>~ 250 Local Business Bankers in business centres; portfolio loadings ~250</li> <li>365x24x7 call centre</li> </ul>	<ul style="list-style-type: none"> <li>~ 280 Relationship Executives; portfolio loadings ~ 50</li> </ul>	<ul style="list-style-type: none"> <li>~ 150 Agri bankers; portfolio loadings ~ 65</li> <li>60 Commercial managers; portfolio loadings ~120</li> <li>30 “Agriline” call centre portfolios; loadings ~230</li> </ul>
Income FY '10	<ul style="list-style-type: none"> <li>\$685m</li> </ul>	<ul style="list-style-type: none"> <li>\$1034m</li> </ul>	<ul style="list-style-type: none"> <li>\$374m</li> </ul>
Yoy growth	<ul style="list-style-type: none"> <li>10%</li> </ul>	<ul style="list-style-type: none"> <li>11%</li> </ul>	<ul style="list-style-type: none"> <li>11%</li> </ul>

## Business banking overall

- Total assets as at 30 June 2010: \$78.8 B
- Asset growth 30 June 2010 v 30 June 2009: 5%
- Total liabilities as at 30 June 2010: \$103.3 B
- Liabilities growth 30 June 2010 v 30 June 2009: 9%
  - LIE as at 30 June 2010: \$326 m
  - LIE increase 30 June 2010 v 30 June 2009: 6%
  - LIE as a % of GLA as at 30 June 2010: 0.43%, unchanged from 30 June 2009
- Number one in customer satisfaction according to DBM Financial Monitor for last 6 months



# Overview of business – Private Banking and EML

Description	Private Banking	Equities and Margin Lending
Target customers	<ul style="list-style-type: none"> <li>Investable assets &gt;\$2.5m or annual income &gt; \$250k</li> </ul>	<ul style="list-style-type: none"> <li>Self-directed investors</li> </ul>
Number of customers	<ul style="list-style-type: none"> <li>~10,000</li> </ul>	<ul style="list-style-type: none"> <li>~1.7m (410k active)</li> </ul>
Coverage model	<ul style="list-style-type: none"> <li>~90 private bankers ; portfolio loadings ~100; ~40 private wealth managers</li> <li>Private office for high net worth individuals with investable assets &gt;\$10m</li> </ul>	<ul style="list-style-type: none"> <li>On-line direct</li> <li>Wholesale (Core - former IWL)</li> <li>Direct and wholesale margin lending</li> </ul>
Income FY '10	<ul style="list-style-type: none"> <li>\$238m</li> </ul>	<ul style="list-style-type: none"> <li>\$471m</li> </ul>
Yoy growth	<ul style="list-style-type: none"> <li>10%</li> </ul>	<ul style="list-style-type: none"> <li>14%</li> </ul>

## Other points of note

- CommSec share of non-advisory on-line (September 2010 – 12 month rolling average): 49.55%
  - CommSec share of total equities (September 2010 – 12 month rolling average): : 6.26%
    - Margin lending share (September 2010 – 12 month rolling average): 25.83%
- CommSec number one on-line broker in customer satisfaction according to Investment Trends
- Private Bank winner of Private Banking Council award from best private bank (\$1m to \$10m for 2009 and 2010)



# Near term value creation

Description	Business banking	Private Banking	Equities and Margin Lending
System growth	<ul style="list-style-type: none"> <li>Mid single digits currently; some pipeline signs of a pick-up in early to mid CY 2011</li> <li>Significant opportunity in currency/commodities hedging; not done well to date</li> </ul>	<ul style="list-style-type: none"> <li>Home lending growth in low double digits</li> <li>Deposit growth in mid single digits – likely to come under pressure as asset allocation moves back towards markets</li> </ul>	<ul style="list-style-type: none"> <li>Equities and margin lending both in weak phase</li> <li>Equities highly unpredictable</li> <li>Margin lending growth likely to be slow for some time given GFC experiences</li> </ul>
Share growth	<ul style="list-style-type: none"> <li>Poor industry data – need to analyse competitor results</li> <li>We estimate current lending share of ~13% growing at ~75bps per year</li> </ul>	<ul style="list-style-type: none"> <li>No available market data</li> <li>Strong share growth from low base expected in advisory</li> </ul>	<ul style="list-style-type: none"> <li>Share growth in direct equities and margin lending challenging given strong incumbency</li> </ul>
Margin growth	<ul style="list-style-type: none"> <li>“Stock” lending margin still increasing slightly from risk based pricing; new business margins likely to contract gradually as risk costs competed away, though dependent upon cost of funds</li> <li>Deposit margins relatively stable</li> </ul>	<ul style="list-style-type: none"> <li>Some margin improvement likely from overall SVR home loan margin environment</li> <li>Deposit margins relatively stable</li> <li>Investment advice historically poorly priced – major opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Equities yields likely to contract gradually due to ongoing price competition and commoditisation</li> <li>Margin lending margins relatively stable due to industry structure, though likely to contract if volumes remain weak</li> </ul>
Operating Leverage	<ul style="list-style-type: none"> <li>Significant productivity opportunity from technology and simplification</li> </ul>	<ul style="list-style-type: none"> <li>Limited</li> </ul>	<ul style="list-style-type: none"> <li>Moderate with system enhancements in platform and inherent scale economics</li> </ul>
Impairment	<ul style="list-style-type: none"> <li>Effects of GFC fully seen; now dependent on overall economy</li> </ul>	<ul style="list-style-type: none"> <li>Minor</li> </ul>	<ul style="list-style-type: none"> <li>Minor</li> </ul>



# Assets and capabilities that will drive medium to long term value creation

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## Business banking

- Technology platform:
    - Core Banking Modernisation investment
    - On-going investment in CommBiz
    - Unique telephony model
  - CBA branch footprint
  - Merchant footprint: CBA currently has 190,000 merchant customers, ~25% share of terminals, ~28% share of scheme transactions; ~32% share of EFTPOS transactions
  - Pricing analytics
  - Process-level productivity focus, not just cost-to-income
  - Culture of individual accountability for customer satisfaction and risk management
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## Private banking

- CBA brand, particularly post financial crisis
  - Business banking client base, particularly in relation to succession planning
  - Wealth preservation advisory capability
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## Equities and margin lending

- CommSec brand breadth
  - Integration with CBA banking offering
  - Analytics for segment based propositions
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