

Commonwealth Bank of Australia

Investor presentations

Institutional Banking & Markets Business Overview

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Ian Saines

Group Executive



Determined to be different

.....
16th and 17th November, 2010

The Bank of the Future starts in the Institutional segment

Our business model is changing

Change Factors

Macroeconomic

- Australia is an attractive destination for foreign investment and will continue to run a structural current account deficit as investment inflows exceed outflows
- Banks largely finance this deficit through importing capital from overseas due to appetite constraints locally and the lack of a the developed local corporate bond market
- However, the supply of overseas funding is not infinite as investors reach an absolute appetite for Australia and four major banks
- Banks' cost of funds is increasing and traditional assumptions regarding liquidity availability and funding affordability no longer hold

Client & Competitor

- Clients are seeking increased diversification of funding and the historical price advantage of bank debt over DCM is narrowing for rated corporates
- Investors (fund managers, life companies) are becoming an even more key client segment as they drive capital allocation decisions and will become the natural owners of long term debt assets
- Competition in the Institutional and large corporate space between domestic and foreign competitors is intense

Regulatory

- Regulatory developments driven by Basel, APRA, and ASIC are creating changes that have the potential to significantly impact our business – reducing banks' ability to create credit and increasing the price of debt
- New liquidity and capital adequacy standards will reduce our ability to expand balance sheet and drive greater "velocity" of our assets

What will this mean for us?

Shift away from asset growth focus to an underwrite/distribute model – greater asset velocity

We will focus more on investors as the natural owners of long term debt assets

Enhanced Group-wide focus on underwriting, trading, distribution, and portfolio management expertise



IB&M's vision is directly linked to the Group vision to be Australia's finest financial services organisation through excelling in customer service



Our business serves the Group's major corporate, institutional and government clients and operates through five business divisions

1

Customer Relationship Management

- Industry and Geographic based client coverage and relationship management

2

Corporate Finance

- Lending product manufacturing including: Loan Markets (syndicated loans), Structured Asset Finance, project finance, project advisory and securitisation

3

Institutional Equities & Debt Capital Markets

- Equities including ECM, equity sales and trading, equity derivatives
- DCM origination, fixed income distribution and research across all asset classes

4

Business Products and Development

- Transaction Banking solutions and Payments capabilities for Institutional clients

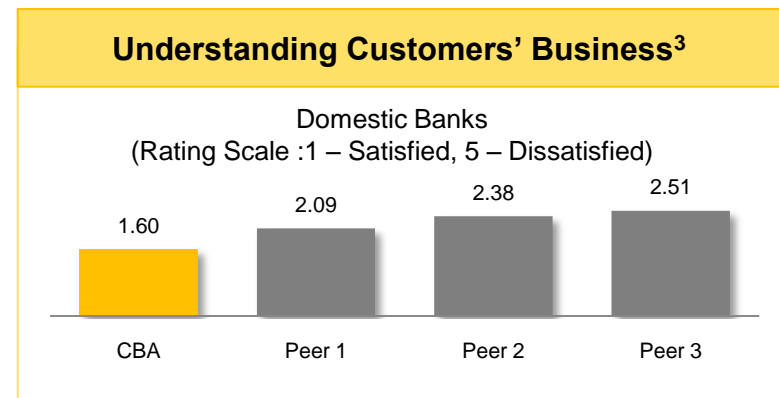
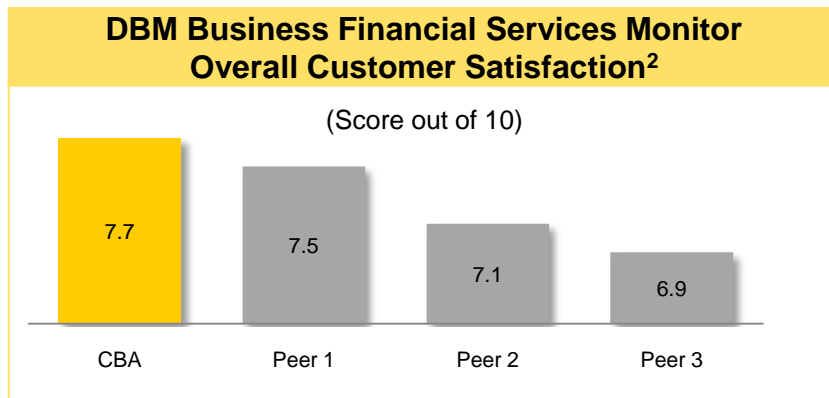
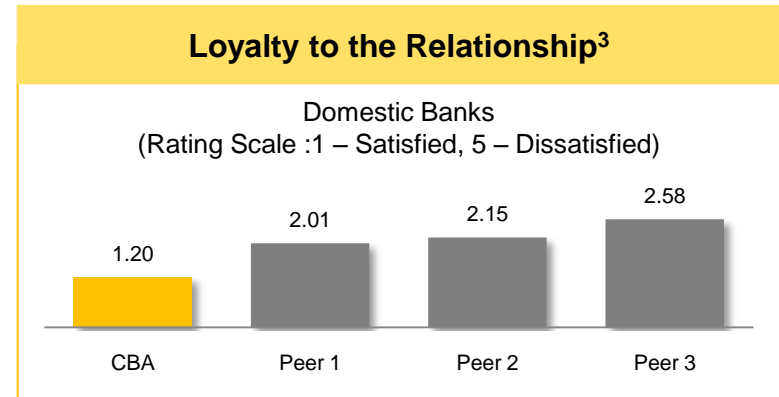
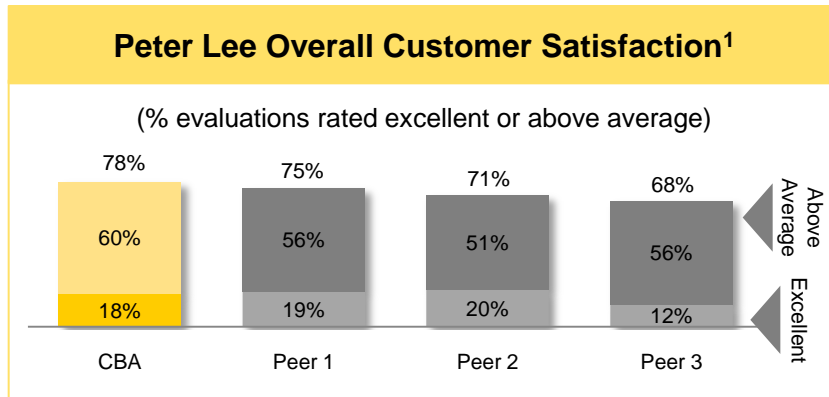
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Markets

- Sales and Trading in Rates, FX and Commodities globally



Financial performance has been matched by strong customer satisfaction, relationship loyalty and understanding of customers' business



- IB&M has performed strongly in both Peter Lee and DBM customer satisfaction measures compared to the other three major banks

- We are rated the #1 major domestic bank for the top 5 most important customer service measures as voted by Australia's top 500 corporates⁴

Notes: 1. Peter Lee Associates, Large Corporate and Institutional Relationship Banking, July 2010 2. DBM Business Financial Services Monitor IB (\$100m+ annual turnover) September 2010 Results (6 Month Rolling Average) 3. Australian Institutional Banking Markets, East & Partners October 2010; 4. The attributes are Loyalty to the Relationship, Understanding Customers' Business, Understanding the Customers' Industry Sector, Quality of People and Relationship Management (East & Partners' Australian Institutional Banking Markets Report, October 2010)



IB&M achieved a cash NPAT of \$1,182m for the year ended 30 June 2010, to be the second largest contributor to Group profits

All figures in A\$m

		Jun 08	Jun 09	Jun 10	CAGR (08-10)
Net interest income	Institutional Banking	846	1,062	1,127	15.4%
	Global Markets	151	391	207	17.1%
		997	1,453	1,334	15.7%
Other banking income	Institutional Banking	330	535	718	47.5%
	Global Markets	425	414	515	10.1%
		755	949	1,233	27.8%
Total banking income	Institutional Banking	1,176	1,597	1,845	25.3%
	Global Markets	576	805	722	12.0%
		1,752	2,402	2,567	21.0%
Operating expenses		(598)	(679)	(792)	15.1%
Impairment expense		(259)	(1,708)	(249)	(2.0%)
Net profit before tax		895	15	1526	30.6%
Corporate tax expense		(124)	151	(344)	66.6%
Cash NPAT		771	166	1,182	23.8%



Appendix 1: Industry and Market Recognition



Customer Satisfaction¹

- No. 1 Loyalty to the Relationship
- No. 1 Understanding of Customer's Business
- No. 1 Business Maturity and Acumen

Product Satisfaction¹

- No. 1 Call Money Market
- No. 1 Commercial Paper
- No. 1 Forward FX
- No. 1 Forward Rate Agreements
- No. 1 Swaps
- No. 1 Options



Distinction Awards

- Hybrid Deal of the Year, 2010



12th Annual Fixed Income Poll - 2010

- Best coverage of Australian macroeconomic research and strategy
- Best Australian credit research and Analysis



Peter Lee Associates

Relationship Banking (Lead Relationships)²

- Overall Satisfaction – highest proportion of excellent and above average evaluations
- Relationship Manager Capability - highest proportion of excellent and above average evaluations

Transaction Banking (lead relationships)³

- No. 1 Overall Satisfaction with Transaction Banking Products and Services
- No. 1 Overall Quality of Operations Service
- No. 1 Overall Day to Day Customer Service

Interest Rate Derivatives (Most Active Clients)⁴

- No. 1 Best Personal Relationships
- No. 1 Best Back-up Sales Coverage
- No. 1 Best Co-ordinated Markets Coverage
- No. 1 Meet Most Frequently

EUROWEEK

- Best Overall Borrower 2009, 2008, 2007
- Best Issuer of Structured MTNs 2009, 2008, 2007
- Best Financial Institution Borrower 2009, 2008, 2007

KangaNews

- Kangaroo Deal of the Year 2009
- Domestic non-Government Vanilla Issuer of the Year 2009
- Domestic Vanilla Deal of the Year 2009

Other Awards

- **Global Finance** Best Australian FX House, 2009
- **Finance Asia** Issuer of the Year, 2009
- **Asia Money** Best managed company, 2009
- **IFR Asia** Best Securitisation Deal Asia, 2009
- **FX Week** Most Accurate 3-month Currency Forecasting, August 2010

1. East & Partners Institutional Banking Markets Program, Top 500 Corporates – October 2010 2. Peter Lee Associates, Large Corporate and Institutional Relationship Banking, July 2010 (Ranked amongst the 4 major banks). 3. Peter Lee Associates, Large Corporate and Institutional Transaction Banking Survey, July 2010 (Ranked amongst the 4 major banks). 4. Peter Lee Associates, Interest Rate Derivatives Australia, November-2009



Disclaimer

The material above is a presentation of general background information about IB&M's activities current at the date of the presentation (17th Nov 2010). 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.

