

Commonwealth Bank of Australia

Strength in uncertain times

Ralph Norris, CEO

27 March 2009

Credit Suisse Asian Investment Conference

Hong Kong



Determined to be different

Disclaimer

The material that follows is a presentation of general background information about the Bank's activities as at 31 December 2008. 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.



Agenda for today

- Global crisis: - Current state-of-play
- Australia: - Relatively well placed
- CBA: - Strength in uncertain times

CBA Snapshot

✓	AA Credit Rating – one of 12 banks worldwide
✓	Market Capitalisation of \$44.5bn – top 3 Australian listed company*
✓	Six Month Cash Earnings of \$2 billion; ROE of 15%
✓	Total Assets of \$619 billion
✓	Tier 1 capital ratio of 8.75%; FSA equivalent of 11.7%
✓	Domestic focus – 94% of revenue from Australia/New Zealand
✓	Market leader in household deposits – 32% share
✓	Market leader in home lending – over 23% share
✓	Over 10m customers; large distribution footprint



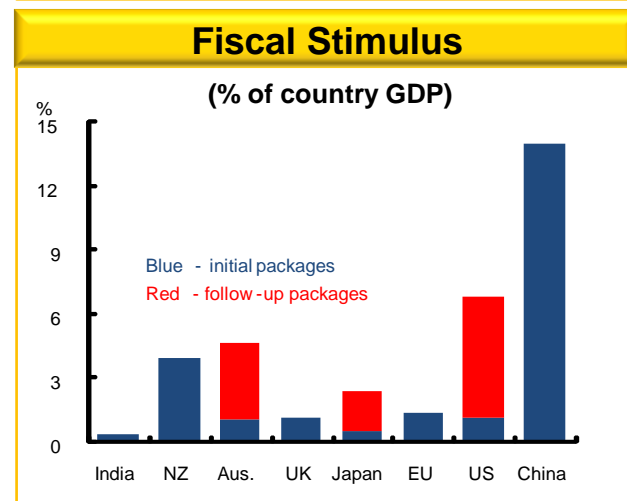
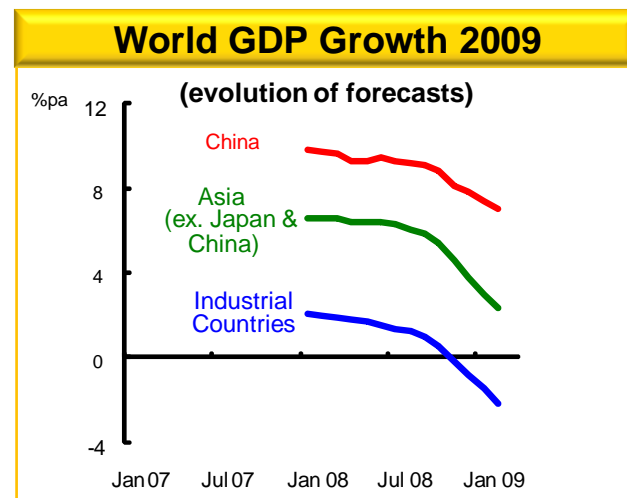
* Close of Trade, March 13 2009. All other figures as at 31 December 2008.



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Global crisis - state of play

- ❑ “Worst (economic) performance in our lifetimes”
- ❑ 70%+ of developed world in recession
- ❑ World growth forecast <0% in 2009*
- ❑ Asset price deflation
- ❑ Collapse in business and consumer confidence
- ❑ Deleveraging by financial institutions
- ❑ Bank failures/nationalisation
- ❑ Credit markets still significantly constrained
- ❑ Significant fiscal and monetary policy response

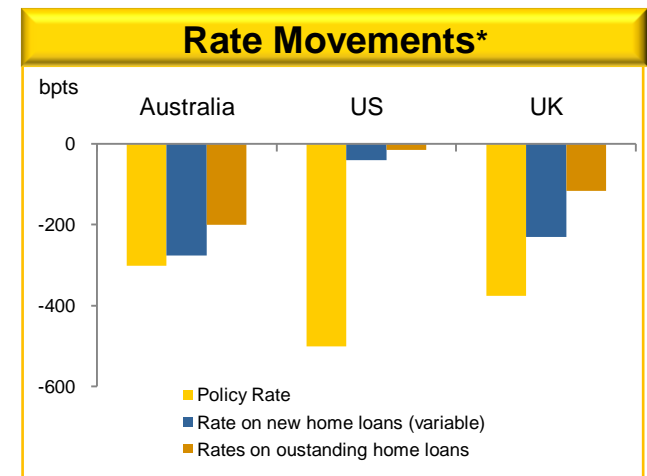
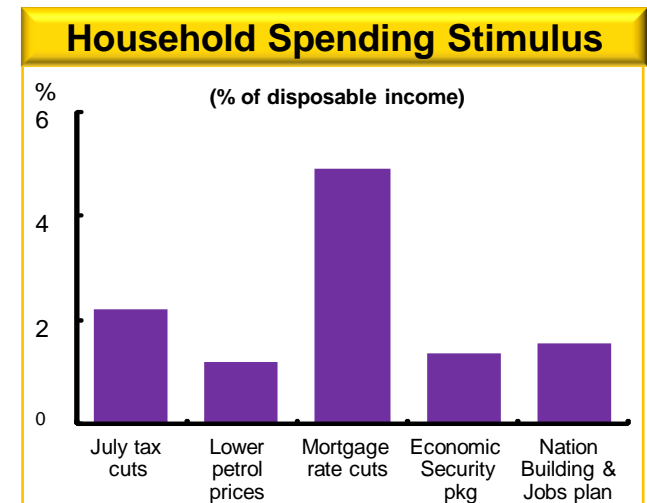


* World Bank



Australia – sound economic fundamentals

- ❑ Growth slowing, unemployment rising
- ❑ Deregulatory reform – diversified, flexible, open, low inflation, high productivity economy
- ❑ Strong population growth
- ❑ 75% of exports to Asia/Middle East
- ❑ Strong policy response:
 - Stimulus packages >\$50bn (5% of GDP)
 - Additional State Govt capital works of \$180bn planned over next 5yrs
 - Rate cuts with effective pass-through
 - Further monetary scope – official rates well above other developed economies



* From start of easing cycle to end December 2008.
Source: RBA



CBA - Strength in uncertain times

- Proactive management response
- Financial performance
- Sound risk management
- Strong capital position
- Prudent approach to funding and liquidity
- Low risk strategy - on track and delivering



Proactive management response

❑ Co-ordinated risk management:

- Overseen by CFO and CRO
- Daily management meetings during liquidity crunch
- Weekly Executive Risk Committee meetings
- Extensive and ongoing portfolio review – across sectors/industries/geographies
- Ongoing stress testing

❑ Treasury and funding:

- Consistent/disciplined approach to funding in difficult markets
- Responsive asset re-pricing as funding costs change
- Effective management of interest rate risk

❑ Focused management:

- Determined not to be distracted from day-to-day business and strategy
- Reflecting in strong volumes, market share gains and income growth

❑ Scenario planning:

- Detailed analysis of outcomes and options under various economic scenarios



Sound financial performance

	Half Year to Dec 08	Dec 08 vs Dec 07	
Operating Income (\$m)	8,016	15%	↑
Statutory NPAT (\$m)	2,573	9%	↑
Cash NPAT (\$m)	2,013	(16%)	↓
Cash EPS (cents)	146.3	(19%)	↓
Return on Equity – Cash (%)	15.0	(580)bpts	↓
Dividend per Share – Fully Franked (cents)	113	unchanged	



Strong growth in key markets

	Balance Growth Dec 08 vs Dec 07 %		CBA Market Share %		CBA + BankWest Market Share %
	CBA	System	Dec 08	Dec 08 vs Dec 07	
Home Lending*	15.8	7.9	20.3	1.35 ↑	23.3
Household Deposits*	21.7	19.0	29.1	0.64 ↑	32.6
Business Lending	8.8	11.9	13.5	(0.40) ↓	18.2
Business Deposits	21.4	12.1	17.2	1.30 ↑	22.0



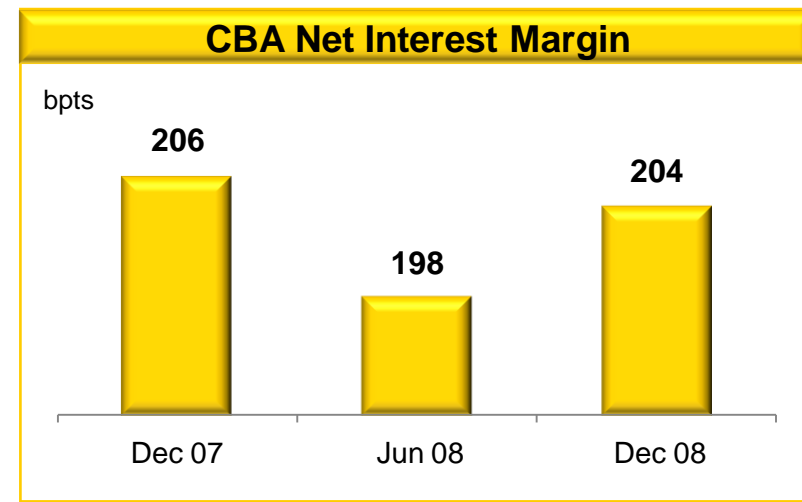
* Adjusted for restatements
Source: APRA/RBA



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Competitive environment

- ❑ Non-bank models under pressure
- ❑ Flight-to-quality
- ❑ Foreign banks scaling back
- ❑ Credit growth slowing, but major banks gaining share
- ❑ Margins:
 - Progressive pass-through of higher funding costs
 - Re-pricing for risk
 - Strong deposits competition



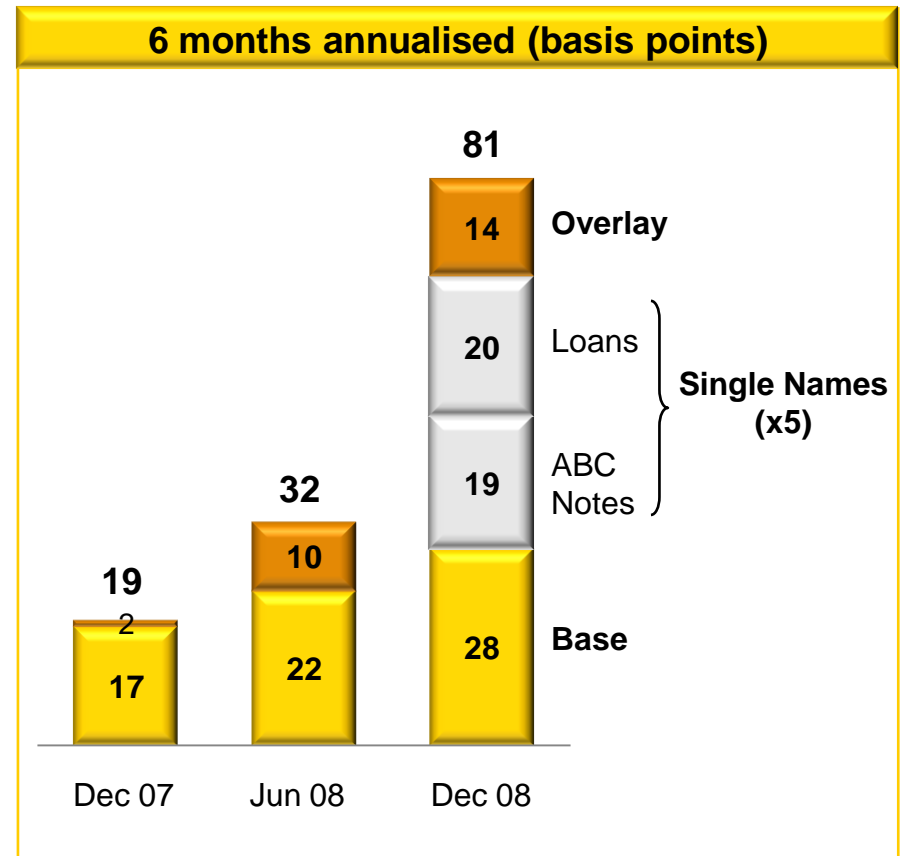
Impairment expense

Impairment Expense:

- ❑ Increases driven by small number of single-name exposures
- ❑ Only modest underlying deterioration

Provisions:

- ❑ Prudent increase in line with cycle
- ❑ “Overlay” provisions now total \$1bn
- ❑ Coverage ratios in line with peers
- ❑ Lower risk portfolio weightings



Consumer credit quality

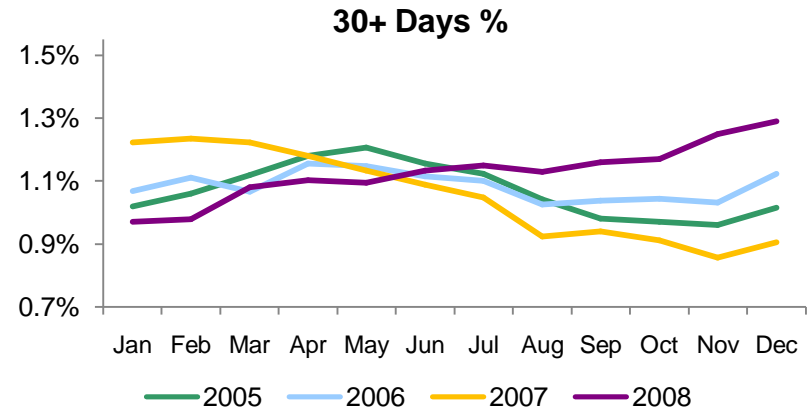
□ Home lending:

- Portfolio quality remains sound
- Small uptick in arrears off low base
- 70% of customers paid in advance, for an average of 7 months
- Portfolio average LVR of 37% based on current values
- Loans above 80% LVR are mortgage insured

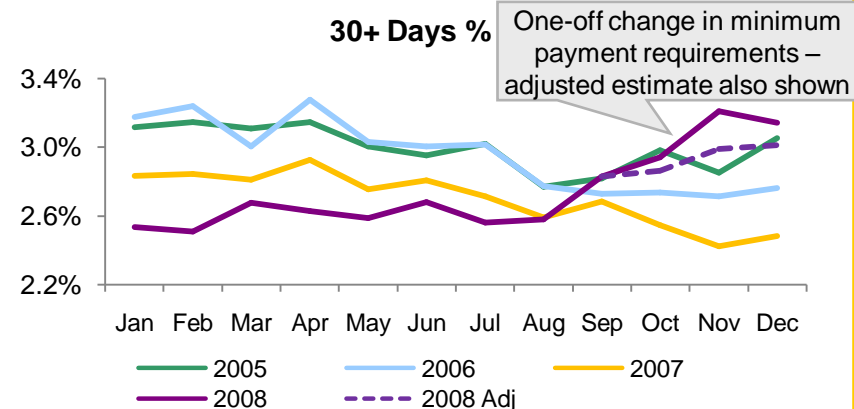
□ Unsecured:

- Cards impacted by one-off change in minimum repayment requirements - now trending to more traditional profile
- Personal lending remains sound

Home loan arrears*



Credit card arrears*



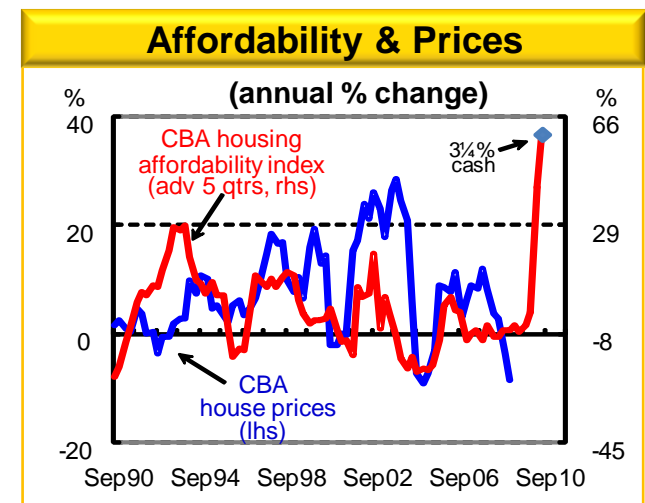
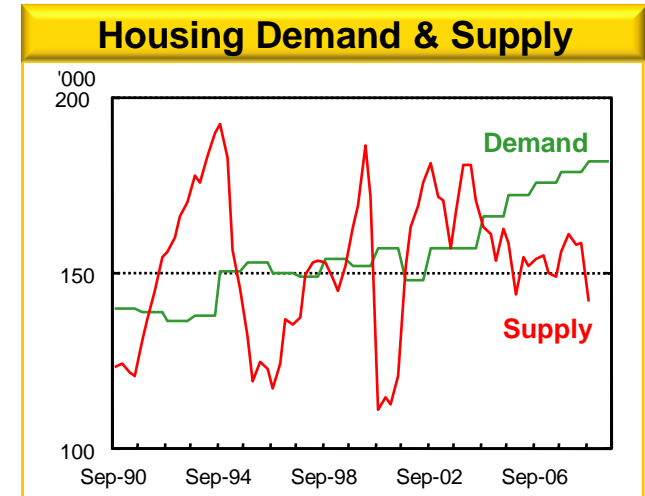
* Ex-BankWest. As at 31 December 2008.



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Australian housing market

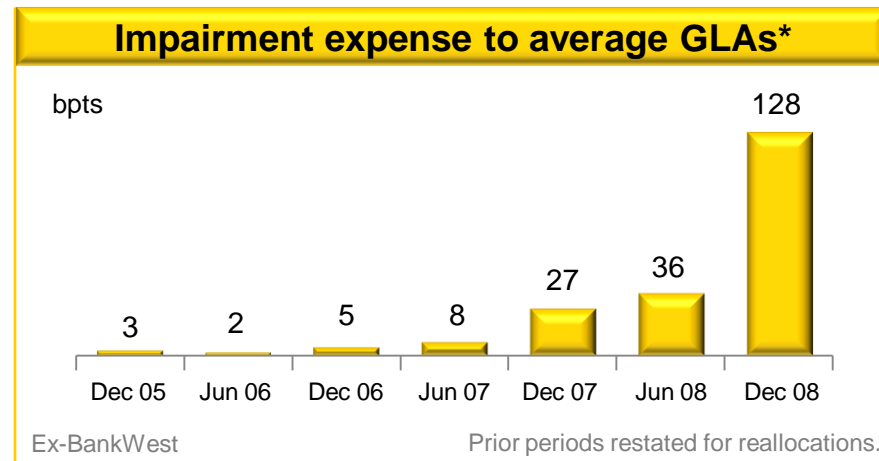
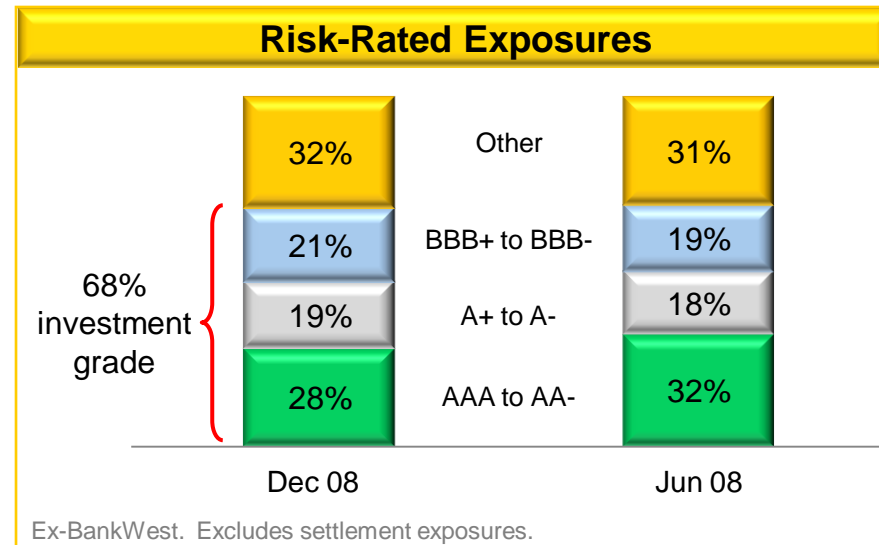
- ❑ Sub-prime (non-conforming) ~1% of market
- ❑ Full recourse to borrowers
- ❑ Demand drivers:
 - ❑ Chronic undersupply
 - ❑ 1st home buyers
 - ❑ Interest rate cuts
- ❑ No price bubble – NSW sluggish for many years, orderly slowdown in other markets
- ❑ Improving affordability likely to help prevent a significant fall in house prices



Commercial Credit Quality

- Book quality remains sound:
 - No systemic issues
 - 68% investment grade
 - No exposure to foreign sub-prime
 - Net CDO/CLO exposure ~\$50m
 - Relatively small property exposure (7.1%) – strong security cover, low LVRs

- Extensive portfolio review:
 - 627 exposures independently reviewed
 - Covering \$93bn or 62% of all non-bank institutional lending
 - Focus on logical hot-spots
 - No new issues

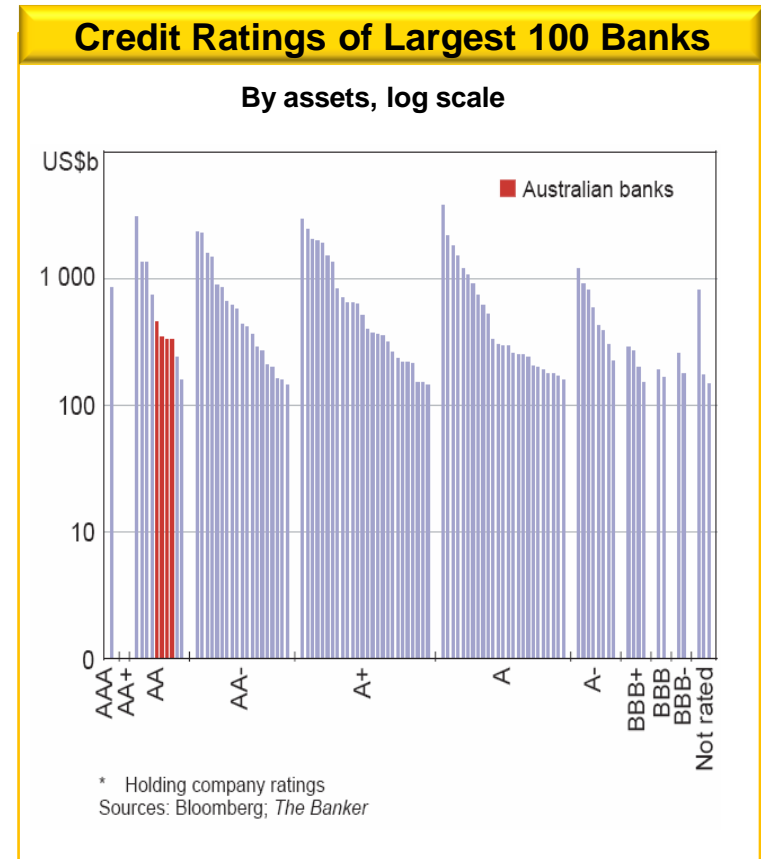


* Gross Loans and Acceptances. Impairment Expense annualised.



Strong financial services sector

- Effective regulatory regime
- Major banks:
 - 4 of 12 global AA rated banks
 - All rated in top 20 global safest banks*
 - Profitable
 - Well capitalised
 - Conservative/focus on core business
 - Continuing to lend
 - Working with Govt (eg Australian Business Investment Partnership)

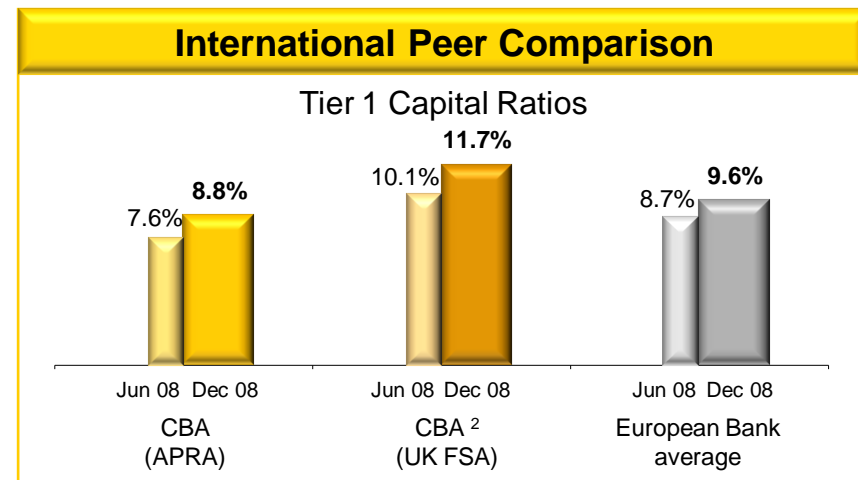
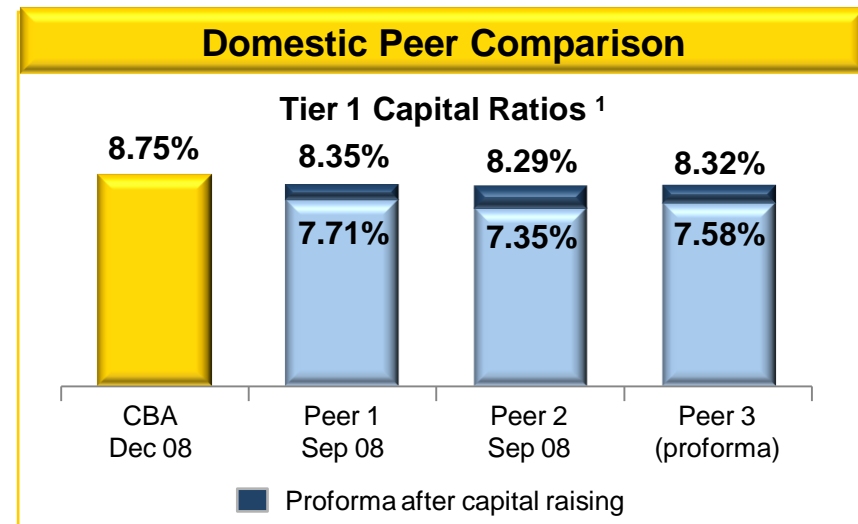


* Global Finance Magazine



CBA in a strong capital position

- One of the most strongly capitalised banks in the world
- Tier 1 ratio of 8.75% as at Dec 08 – UK FSA equivalent of 11.7%
- Buffer of \$4.2bn to board minimum target level of 7%
- Recent capital raisings:
 - \$2bn BankWest acquisition funding (Oct 08)
 - \$2bn in Dec 08 to fund redemption of PERLS II; support lending growth
 - Share Purchase Plan \$865m (Mar 09)

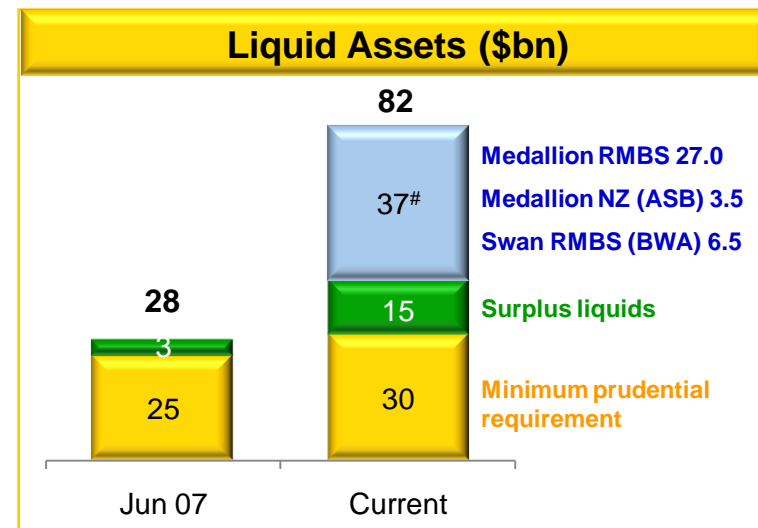
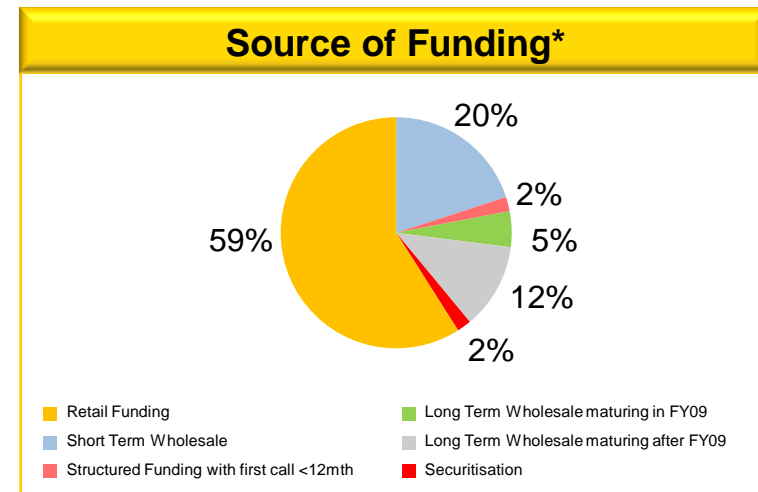


¹ CBA ratio treats BankWest as a non-consolidated subsidiary. Peer ratios based on published Sep 08 proforma ratios post capital raisings – all based on consolidated Basel II approach.
² Normalised CBA capital calculation to UK regulator, Financial Services Authority, as benchmark.



Funding and liquidity

- ❑ AA credit rating
- ❑ Highly respected funding team
- ❑ FY09 funding task completed (including Bankwest funding)
- ❑ Well diversified wholesale funding
- ❑ Strong retail funding: 59%
- ❑ Stable long term maturity duration: 3.4yrs
- ❑ Holding \$82bn in liquids – sufficient to meet maturing wholesale debt for 6 months



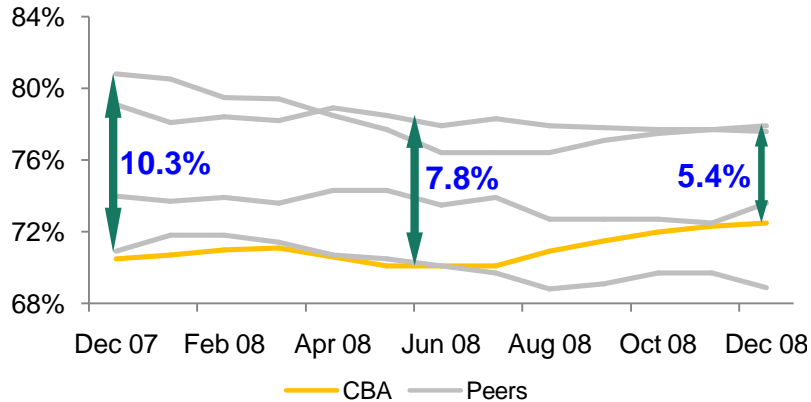
* Surplus liquids are excluded from short term wholesale funding. Includes BankWest.
 # Available for Central Bank Repo.



Strong customer satisfaction gains

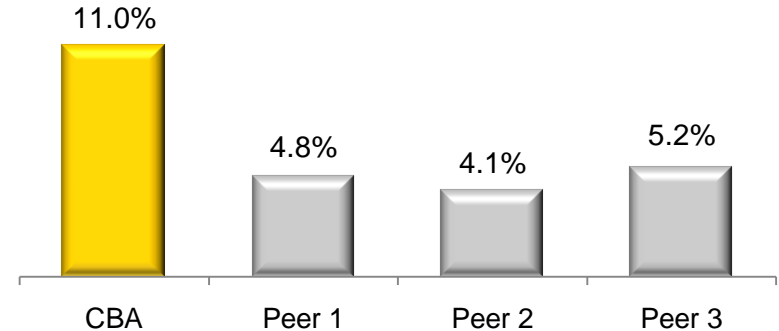
Closing the gap to top rated peer

Roy Morgan Research MFI Customer Satisfaction¹



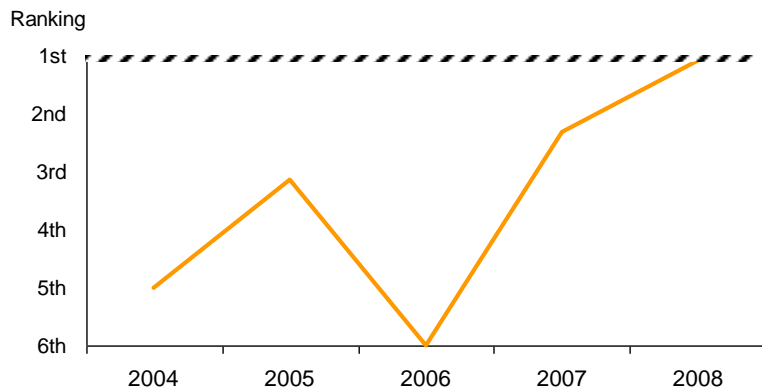
Strong gains in Business Customer Satisfaction

12 month movement²



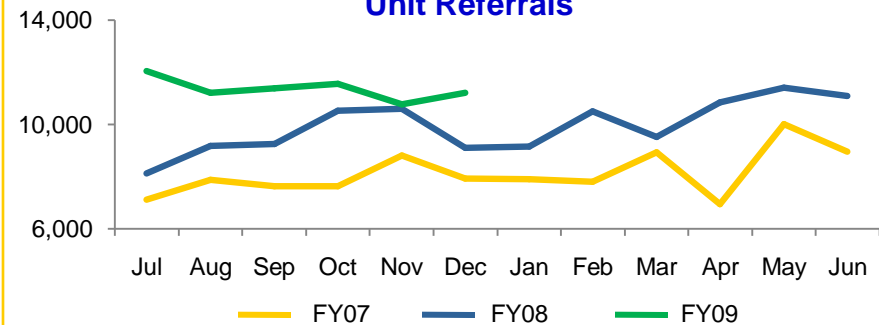
Source: TNS Business Finance Monitor

FirstChoice ranked No.1 for Service³



Continued strong growth in referrals

Successful Cross Business Unit Referrals



1 Source: Roy Morgan Research Customer Satisfaction. Aust MFI Population 14+, % "Very" or "Fairly Satisfied". Six month rolling average.

2 Source: TNS Business Finance Monitor Dec 08. Customer satisfaction with MFI – businesses with annual turnover to \$100m (ex Agribusinesses). All time periods refer to a 12 month rolling average. Percentage point change refers to the increase / decrease of each bank's customers who are satisfied. Satisfaction is based on business customers who said they were Very or Fairly Satisfied with their relationship with their MF.

3 Source: Wealth Insights 2004-08 Mastertrust Service Level Survey - as ranked by financial advisers.



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Customer Service

- ▶ Only major to improve customer satisfaction year on year
- ▶ Gap to Number 1 peer reduced from 10.3% to 5.4% in 12 mths

Business Banking

- ▶ Strongest customer satisfaction gains of the major banks
- ▶ Dedicated Group Executive appointed – additional focus

Technology and Operational Excellence

- ▶ Core Banking ahead of schedule and within budget
- ▶ First phase live

Trust and Team Spirit

- ▶ Cultural change programmes driving enhanced staff satisfaction
- ▶ Continued improvement in key metrics

Profitable Growth

- ▶ Earnings accretive investments (e.g Bankwest)
- ▶ Disciplined cost management



Profitable growth

- ❑ Low-risk strategic agenda
- ❑ Targeted investment and acquisition programme
- ❑ Focus on key growth opportunities / markets
- ❑ Earnings accretive investments
- ❑ Well positioned for medium to longer term



Outlook

- Increasingly difficult global and domestic outlook
- Domestic economy to continue to slow, with broad customer impacts
- Government stimulatory actions to soften impact
- Group remains cautious about the short to medium term outlook
- Continued focus on managing for difficult times:
 - Strong capital position
 - Increased provisioning
 - Disciplined cost management
 - Focused strategic agenda



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