

Morgan Stanley Financials Forum

The Changing Face of Retail Financial Services

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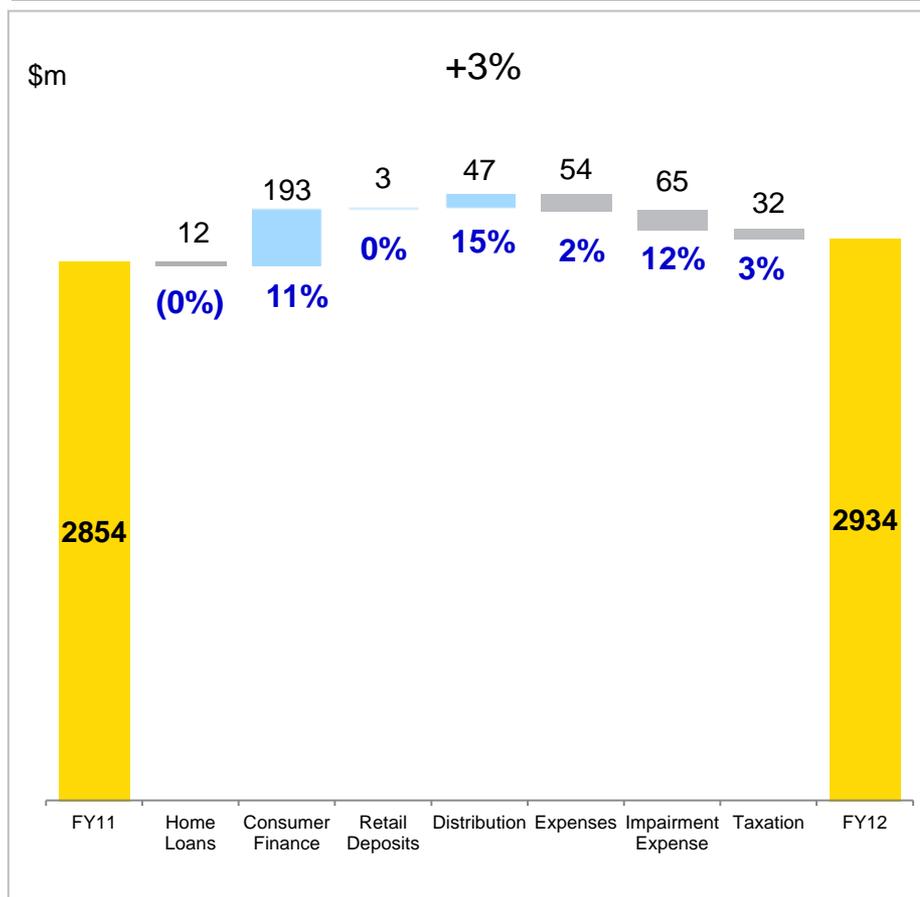


Disclaimer

The material that follows is a presentation of general background information about the Group's activities current at the date of the presentation, 20 September 2012. 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.

RBS year on year

Cash Earnings

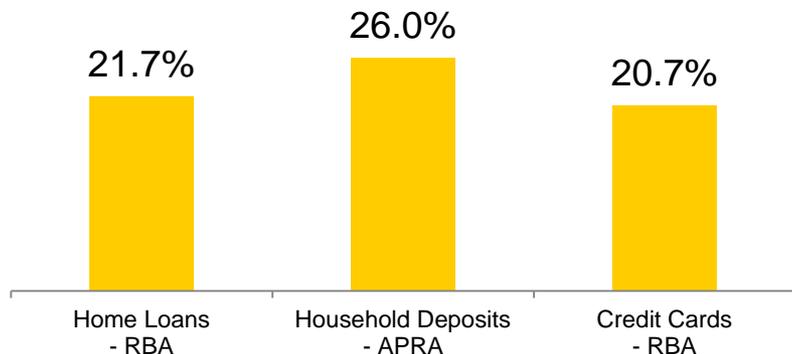


	\$m	Jun 12 vs Jun 11	
Home Loans	2,892	(0%)	<ul style="list-style-type: none"> Volume Growth 3%; Margin down 3bps
Consumer Finance	1,896	11%	<ul style="list-style-type: none"> PL: Volume Growth 13%; Margin up 65bps CC: Volume Growth 6%; Margin up 24bps
Deposits	2,612	0%	<ul style="list-style-type: none"> Volume Growth 9%; Margin down 9bps
Distribution	352	15%	<ul style="list-style-type: none"> FX income up 20% Increased commissions from WM
Total banking Income	7,752	3%	
Expenses	2,957	2%	<ul style="list-style-type: none"> Inflationary impacts offset by productivity gains
Impairment Expense	623	12%	<ul style="list-style-type: none"> Volume growth Increases in write offs
Cash NPAT	2,934	3%	

CBA Retail – a snapshot

Market Share

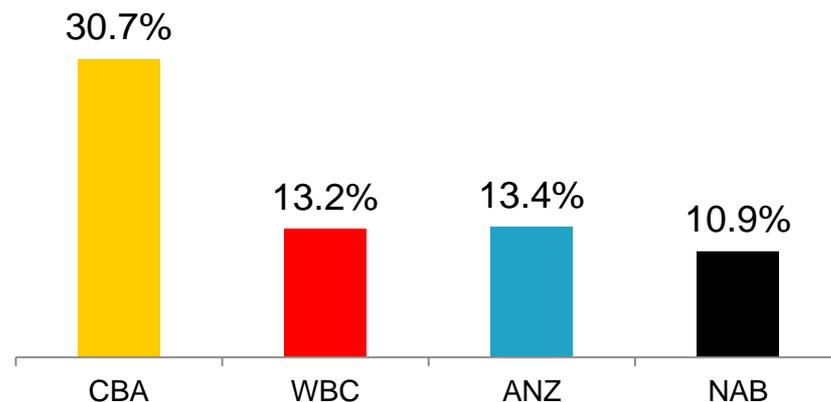
Market Share - June 2012



Excludes Bankwest

Main Financial Institution Share – Roy Morgan¹

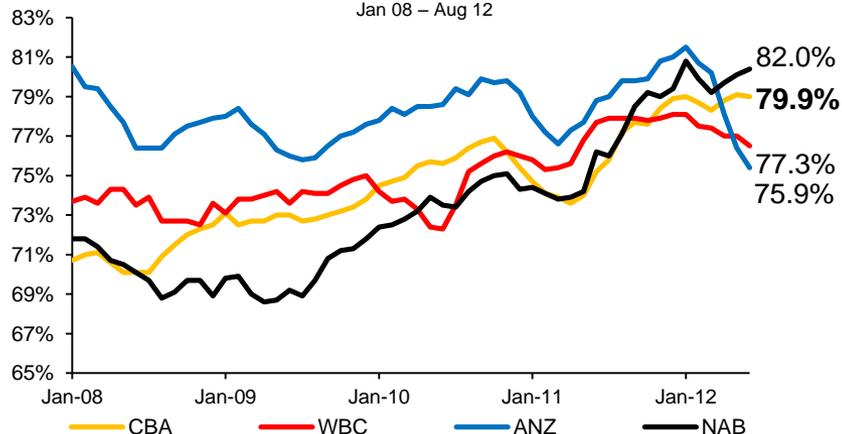
Share of MFI Customers - June 2012



CBA excludes Bankwest, WBC excludes STG

Customer Satisfaction – Roy Morgan²

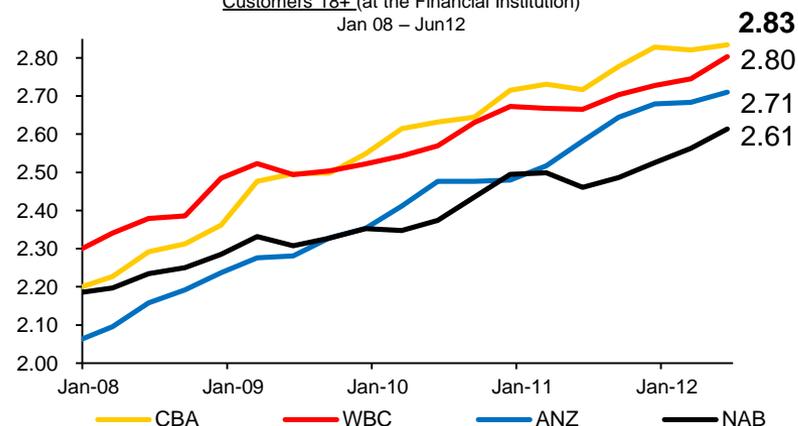
Retail main financial institution customer satisfaction
Jan 08 – Aug 12



CBA excludes Bankwest, WBC excludes STG

Products Per Customer - Roy Morgan³

Average Number of Banking and Finance Products held by
Customers 18+ (at the Financial Institution)
Jan 08 – Jun 12



CBA excludes Bankwest, WBC excludes STG

4

Source:
Roy Morgan Data 1,2,3 refer note slide at back of this presentation for source information. Housing market share and Credit Card market share uses RBA data, Household deposit market share uses APRA data



Four industry dynamics impacting retail banking

1

Lower growth environment

2

Australia's funding position

3

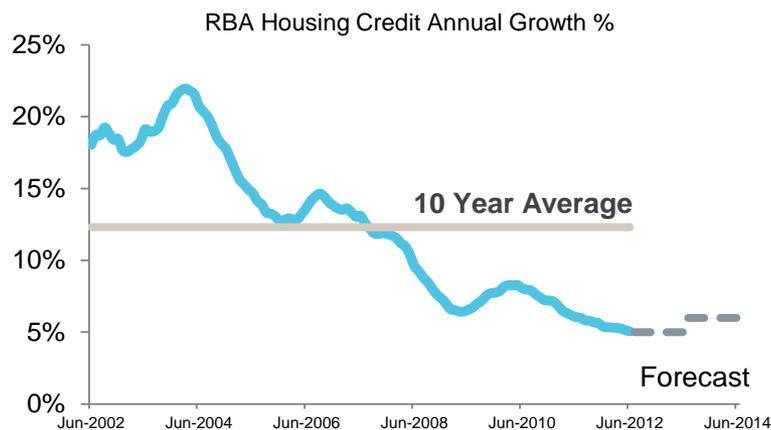
Regulation and community position

4

Acceleration of digital banking and payments

Lower growth environment

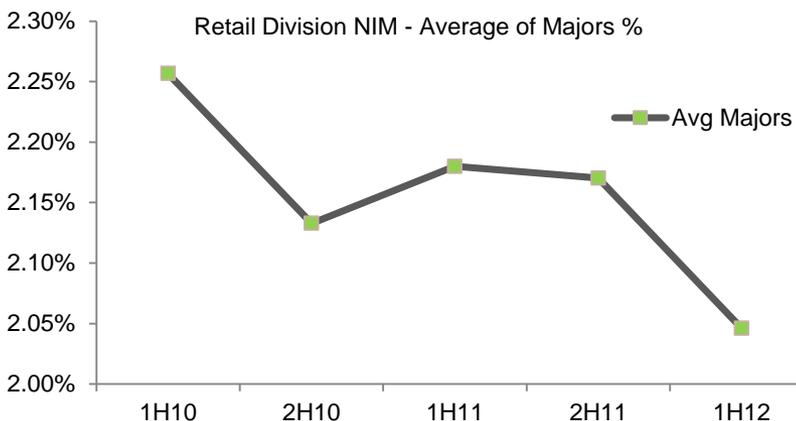
Lower credit growth



Forecast: CBA economist

- Household and business confidence remains subdued
- Household deleveraging continues, subduing demand for credit

Margin pressures

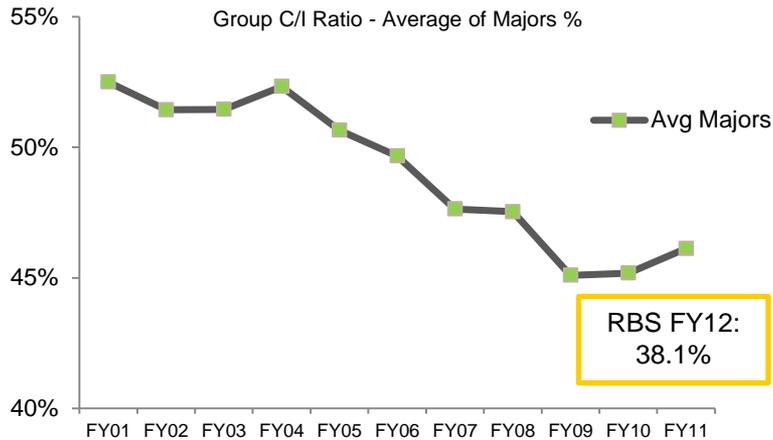


Source: Company reports

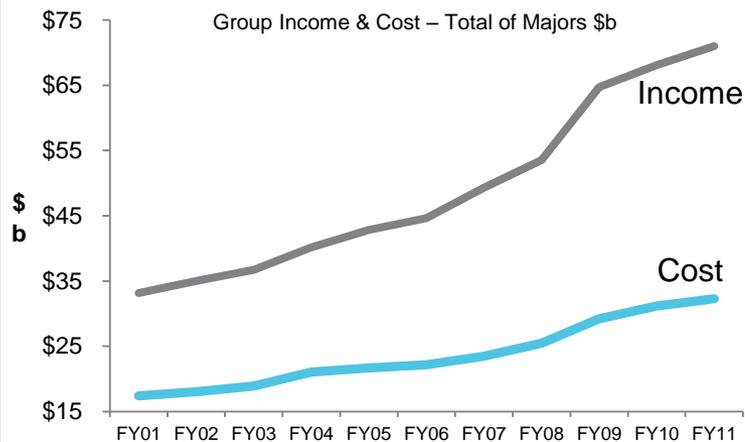
- Higher funding cost (+165bp since June 2007)
- Heavy price competition (+186bp since June 2007)

Cost imperatives

Industry C/I ratio improved over last 10 years



Driven by income growth

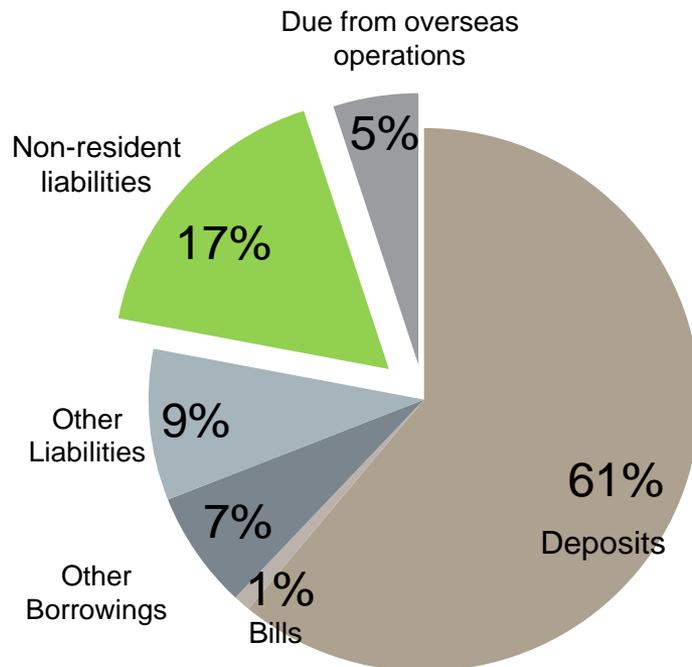


- Focus on continuous productivity improvements, rather than one-off cost reduction
 - > Lean culture
 - > Technology enabled productivity
- Distribution – what is the balanced approach?
- Watch outs
 - > Non-strategic cost cutting
 - > Large scale branch closures
 - > Large scale layoffs

Australia's funding position

Industry off-shore liabilities

Australian Bank Liabilities – July 2012



Source: RBA Bulletin Table B3,
APRA – Bank Liabilities July 2012

- Industry funding gap narrowed but still an issue, driven by:
 - > Mortgage dominance for investments
 - > Superannuation
 - > Taxation policy
- Potential impact to Australia:
 - > House price
 - > Business lending
 - > Overall economic growth
- Pressure on deposit margins

Regulation and community position

- Regulation
 - > Increasing cost of regulation
 - > Unintended consequences - two way dialogue essential
 - > Must build business to adapt
- Focus on relationship with community
 - > Industry messaging
 - > Investment in community
 - > Attention to notion of 'fairness'

Acceleration of digital banking and payments

Technology evolving

Mobile increasingly dominant:

- Smartphone – 12 million Australians
- Mobile banking: ~ 50% of all electronic transactions
- Already part of purchase process

NFC continues to grow:

- ~150K terminals in Australia
- ~ 50% of some retail transactions are already contactless e.g. food & convenience
- 7 million MasterCard PayPass cards from CBA



Where will we go next?

New Ecosystem of Competitors?

- Banks
- Scheme networks
- Tech marketers
- Handset manufacturers



New functions

- Native mobile payments
- Wallet arms race
- Mobile checkout
- Something completely different?

THANK YOU

Notes

Sources for data outlined in this pack

1. Roy Morgan Research. Australians 14+, Proportion of Banking and Finance MFI Customers that nominated each bank as their Main Financial Institution, 12 month rolling data to reporting month. CBA excludes Bankwest, Westpac excludes St.George and Bank of Melbourne.
2. Roy Morgan Research Main Financial Institution (MFI) Retail Customer Satisfaction. Australian population 14+, % “Very Satisfied” or “Fairly Satisfied” with relationship with that MFI. 6-month rolling average. Note the institution definitions were updated in March 2012. CBA excludes Bankwest, Westpac excludes St.George and Bank of Melbourne.
3. Roy Morgan Research. Australian Population 18+ , Banking and Finance products per Banking and Finance customer at financial institution. 6 month moving average. CBA excludes BankWest, Westpac excludes St.George and Bank of Melbourne.