

Determined to be better than we've ever been.

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CHIEF EXECUTIVE OFFICER



# Investor Presentation

16 November 2010 Commonwealth Bank of Australia ACN 123 123 124



**Commonwealth**Bank

# Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 16 November 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.



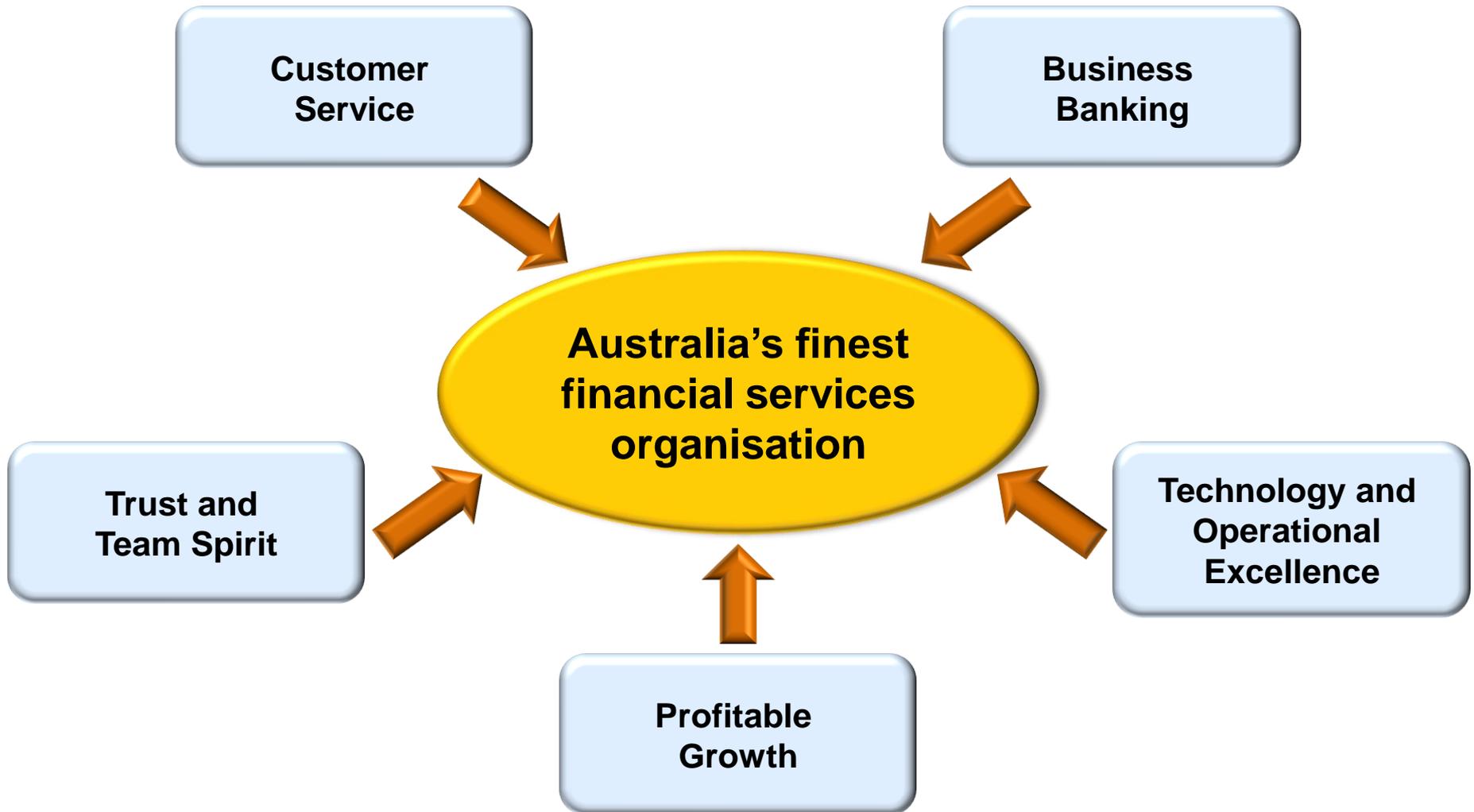
# CBA Overview

✓	Largest Australian Bank by market cap. and 2 <sup>nd</sup> largest listed company
✓	AA Credit Rating
✓	Tier 1 Capital Ratio of 9.6% as at Sep-10; or 12.8% on UK FSA basis
✓	Total Assets of \$646bn
✓	13 million customers; large distribution footprint
✓	#1 in household deposits – over 31% share
✓	#1 in home lending – over 26% share
✓	#1 Retail Funds Manager - ~14% share



All figures as at June 2010 unless stated otherwise

# A clear, focussed strategy



# Disciplined strategy execution delivering results

Customer Service	Business Banking	Technology and Operational Excellence	Trust and Team Spirit	Profitable Growth
Over 1,000 new front line service staff added	Outstanding Private Banking Institution of the Year	Core Banking – targeting quantum improvements in service and efficiency	Engagement now top 25% world-wide*	Bankwest acquisition
CommSee provides single view of customer at the frontline	CommSec maintaining strong market share position with 50.6% of the online non advisory Market	Market leading online banking presence – NetBank, CommSec, CommBiz, FirstChoice	Significant improvement in Group-wide safety scores	Targeted growth in Asia
Retail Deposits Suite awarded Canstar CANNEX 5-Star rating	Established business banking presence in 23 new branches	“60 minute Home Loan” – 59% of loans conditionally approved and printed in branch	Internal Customer Service scores trending higher	CFS GAM diversified earnings and expansion
Retail Bank branch transformation programme: >300 sites refurbished / upgraded	Formed Specialised Agribusiness Solutions Team	System reliability significantly enhanced	Very low turnover rate relative to industry	Significant improvement in products-per-customer and referral conversion rates



\* Source: Gallup

# Transformational change - scorecard

	June 2006	June 2010	Progress
<b>Customer Satisfaction</b>			
Retail <sup>1</sup>	64.9%	75.6%	✓
Business - TNS <sup>2</sup>	56.5%	67.9%	✓
Business - DBM <sup>5</sup>	n/a	Ranked 1st	✓
FirstChoice <sup>3</sup>	Ranked 2nd	Ranked 1st	✓
Share of Ombudsman Complaints	29.8%	15.1%	✓
<b>Market Shares <sup>6</sup></b>			
Home Lending	18.7%	26.2%	✓
Business Lending	12.1%	19.5%	✓
Household Deposits	29.3%	31.3%	✓
Business Deposits	11.9%	22.9%	✓
Products per Customer <sup>4</sup>	2.17	2.56	✓
<b>System Reliability – Sev. 1 incidents pa</b>	66	14	✓
<b>Processing times – New Home Loans <sup>7</sup></b>	14 days	6 days	✓
<b>Employee Engagement – Percentile</b>	69 <sup>th</sup>	76 <sup>th</sup>	✓
<b>Total Shareholder Return – Ranking <sup>8</sup></b>		Number 1 (2, 3, 4, 5 yrs)	✓



1, 2, 3, 4, 5 – Refer note slide at back of this presentation for source information

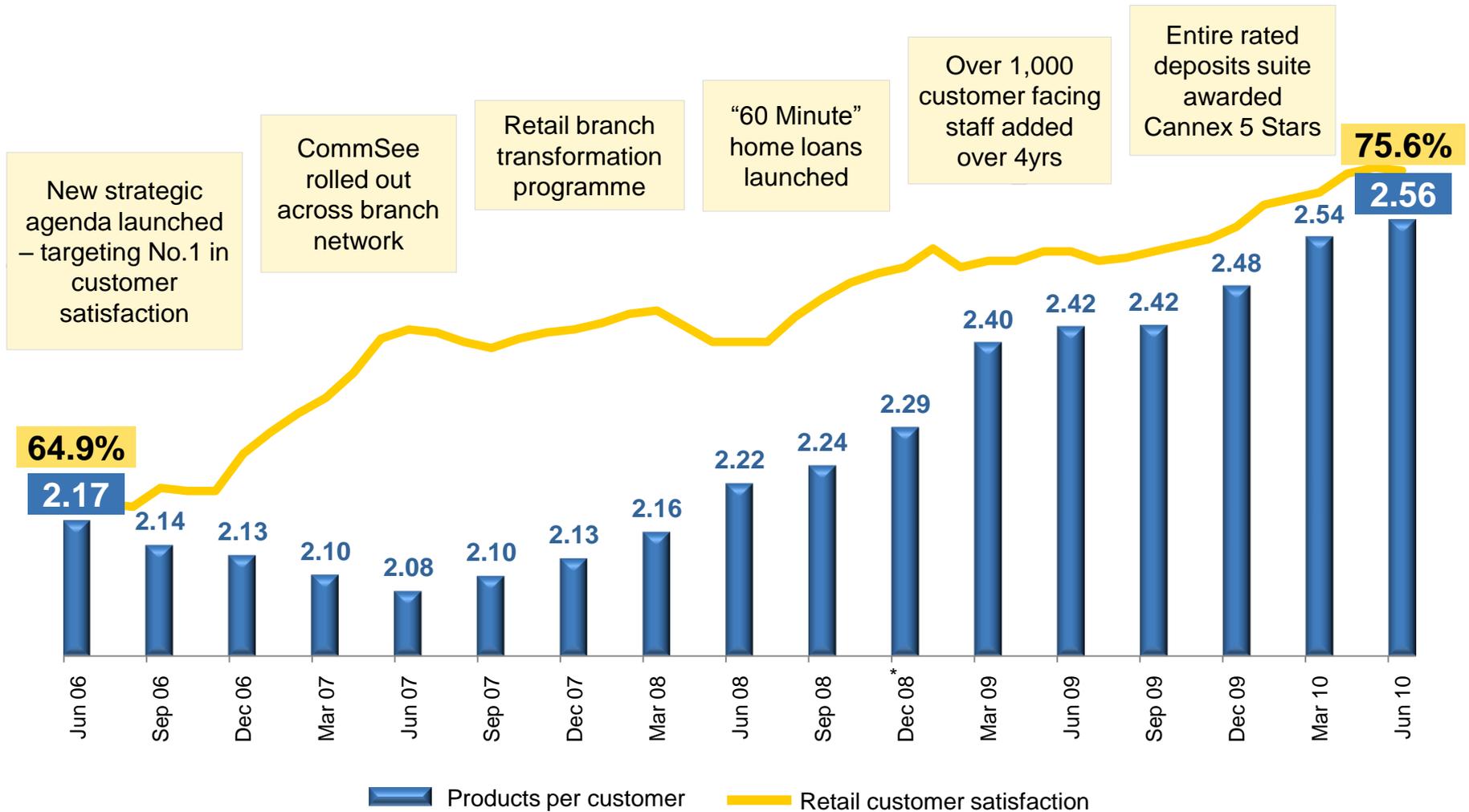
6 Source RBA/APRA. June 2006 market shares do not include Bankwest

7 Time period relates to that component of the home loan process that is under the direct control of the Group's mortgage processing area. Comparative period relates to Oct 07.

8 Major banks



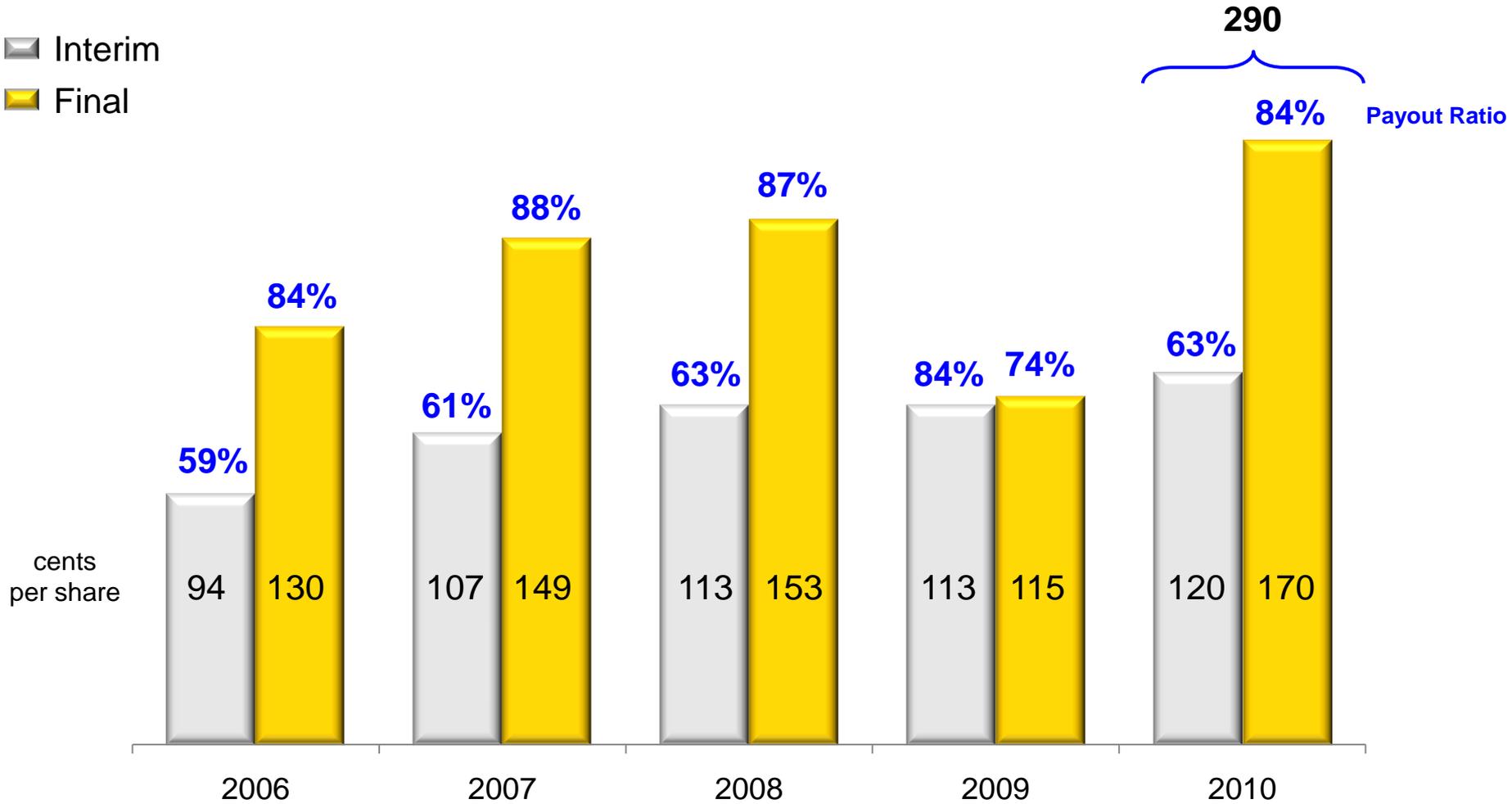
# Customer satisfaction creating value



Source: Roy Morgan Research. Refer note slide at back of this presentation for source information  
 \* Methodology change in October 2008 by Roy Morgan Research regarding capturing of Deposit & Transaction accounts across the industry

# Delivering for Shareholders

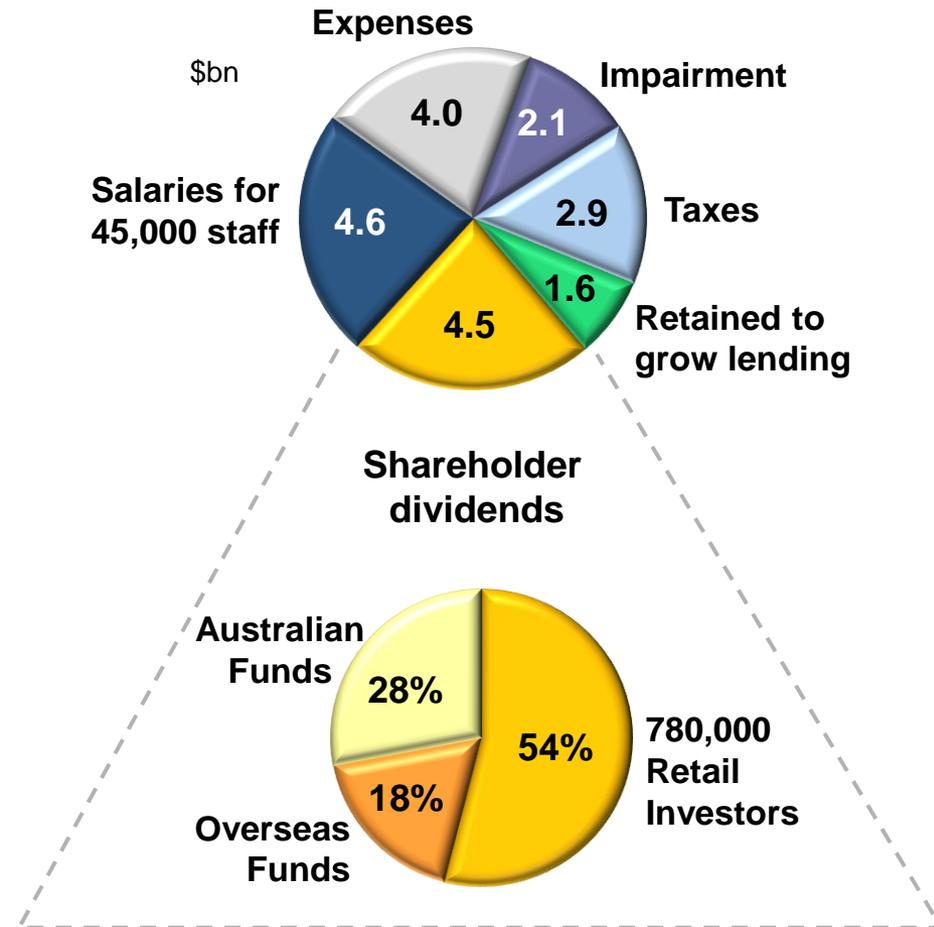
■ Interim  
■ Final



# Supporting Australia

- Employing 45,000 people
- Serving 11 million Australian customers
- \$100 billion in new lending
- Paid \$2.9 billion in taxes
- 74% of profit returned to shareholders
  - ▶ Ensures Australia's stability
  - ▶ Keeps interest rates lower
  - ▶ Delivers funds for our customers
- AA Credit Rating

## Where does our net income go?



# Outlook

- Despite improvement, global outlook remains uncertain
- Domestic economy relatively well-placed
- Regulatory reform outcomes likely to be manageable
- Given uncertainty, remain cautious on near-term outlook
- However, medium to longer term outlook very good



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**David Craig**  
CHIEF FINANCIAL OFFICER



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# Strong profit growth

	Jun 10 \$m	Jun 09 Pro forma \$m	Jun 10 vs Jun 09
Operating income	18,823	17,729	6%
Operating expenses	(8,601)	(8,222)	5%
<b>Operating performance</b>	<b>10,222</b>	<b>9,507</b>	<b>8%</b>
Investment experience	236	(263)	Large
Impairment expense	(2,075)	(3,392)	(39%)
Tax and minorities	(2,282)	(1,544)	48%
<b>Cash NPAT</b>	<b>6,101</b>	<b>4,308</b>	<b>42%</b>



# Snapshot – FY10 Results\*

## Financial

Cash earnings (\$m)	6,101	+42%
ROE (Cash)	18.7%	+370bpts
Cash EPS (cents)	396	+34%
DPS (cents)	290	+27%
Cost-to-Income	45.7%	(70bpts)
NIM	2.13%	+5bpts

## Strong balance sheet

Total Assets (\$bn)	646	+4%
Total Liabilities (\$bn)	611	+4%
FUM (\$bn)	144	+4%
RWAs (\$bn)	291	+1%
Provisions to Credit RWAs	2.12%	+20bpts

## Cash NPAT by division

RBS (\$m)	2,461	17%
IB&M (\$m)	1,182	612%
BPB (\$m)	893	21%
Bankwest (\$m)	60	1900%
Wealth Management (\$m)	718	148%
NZ (\$m)	388	(11)%

## Capital & Funding

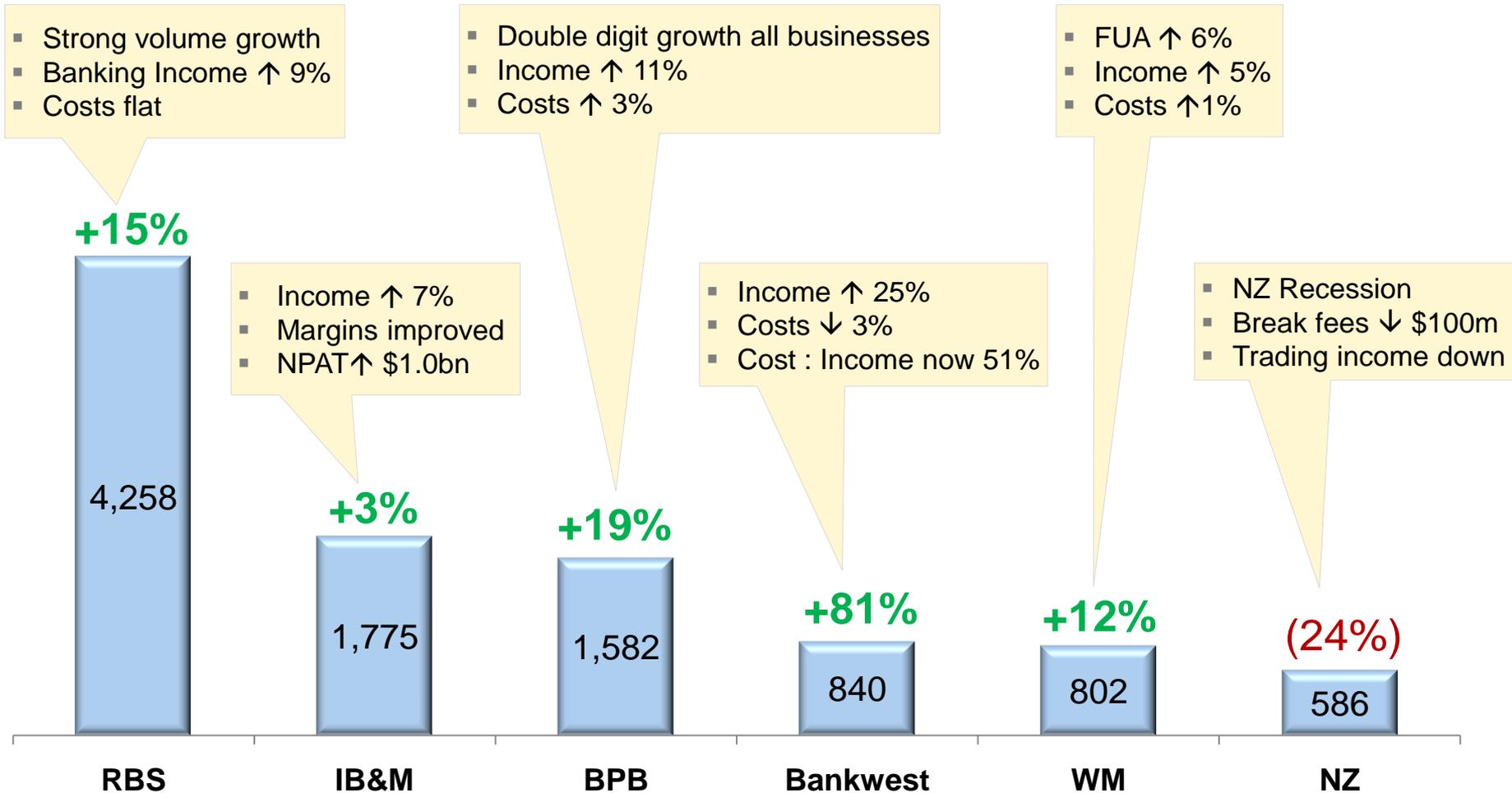
Tier 1 Capital	9.2%	+110bpts
Tier 1 – UK FSA	12.8%	+180bpts
WAM – Portfolio (yrs)	3.8	+0.2yrs
WAM – New Issuance (yrs)	5.0	+1.5yrs
Liquid Assets (\$bn)	89	+6%



\* All movements on prior comparable period

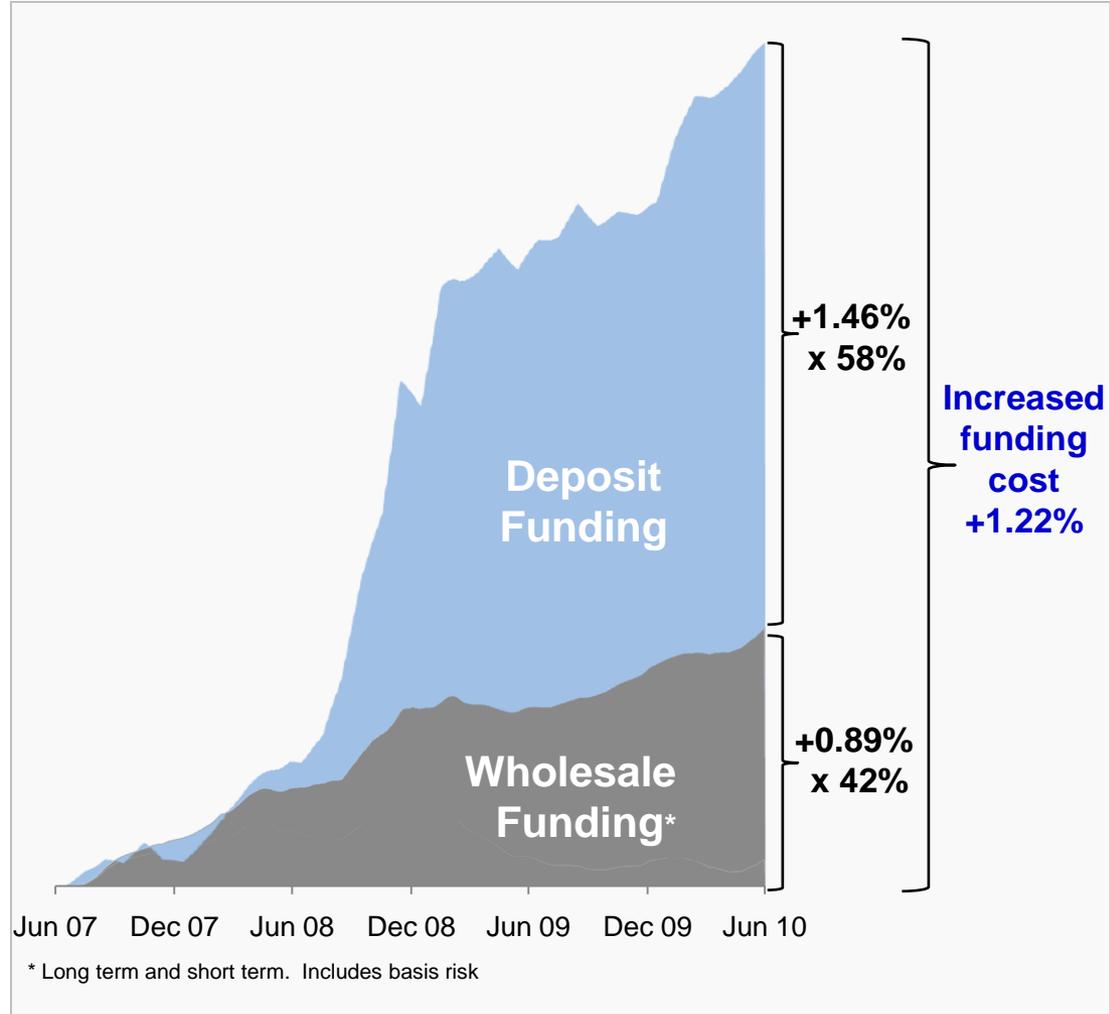
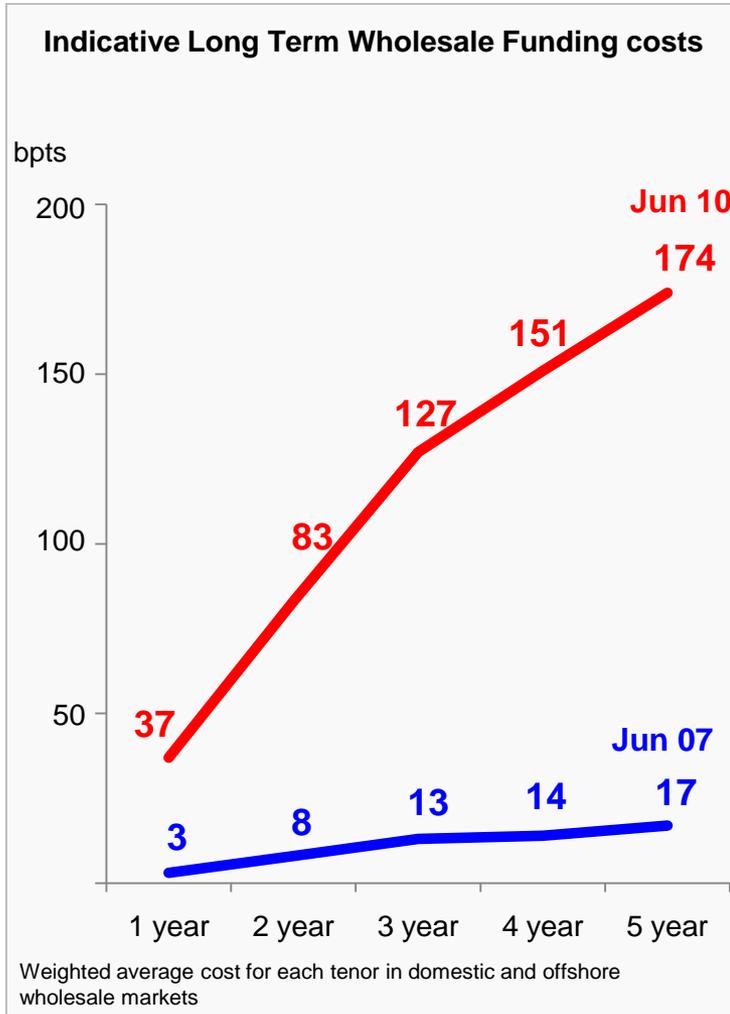


# Strong operating performance\*



\* FY10 Operating revenue less operating expense. All movements on prior comparable period.  
Jun 09 pro forma

# Funding costs continue to increase



# Funding – a long term issue for Australia

## Systemic Issues

- Credit growth > deposit growth
- Funding task > domestic capacity
- Global funding increasingly expensive
- Regulatory change likely manageable
- Assets retained on bank balance sheets
- Australia to continue to attract investment:
  - ▶ AAA rated fast growing economy
  - ▶ Australian banks well-regarded

## CBA Position

- Like peers, step-change in funding costs
- Access to debt markets remains strong
- CBA well regarded and stable AA rating
- Prudent management:
  - ▶ Diversification
  - ▶ Extending term maturity
  - ▶ Pre-funding
- Working with ABA, Treasury and regulators to address systemic issues

# Summary – September Quarter 2010

- Operating conditions remain challenging;
  - Global economic recovery still fragile; regulatory uncertainties
  - Muted system credit growth
  - Elevated funding costs
- Unaudited cash earnings of approximately \$1.6 billion;
  - Good cost discipline
  - Further gradual improvement in credit quality
- CBA well positioned;
  - Strong organic capital generation - Tier 1 Capital Ratio increased to 9.6%
  - \$92 billion in liquid assets
  - Strong provisioning – industry leading Total Provisions to Credit RWAs
  - Effective execution of strategic agenda setting platform for future growth



# Business Summary

## Australia - Retail

- Disciplined cost control
- Higher funding costs impacting margins
- Arrears trending lower in key portfolios
- Bankwest – solid performance

## Australia - Commercial

- Improved outlook, but confidence still fragile
- Expect stronger system growth in 2<sup>nd</sup> Half
- Modest growth in SME lending
- Solid growth in deposits

## Wealth Management

- Good Funds Management income growth
- FUA up 4.6%, FUM up 4.4%
- FirstChoice positive netflows
- Inforce premiums up 2.1%

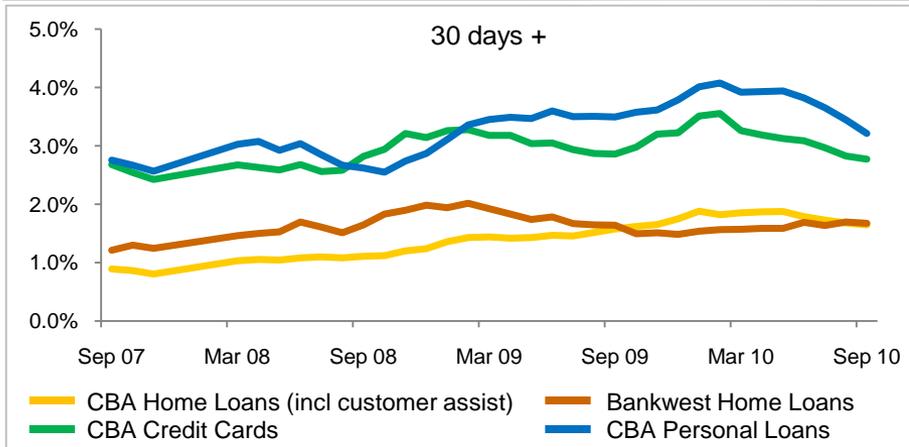
## New Zealand

- Improving economic outlook
- ASB performing relatively well
- Improved margins
- Consumer arrears stable

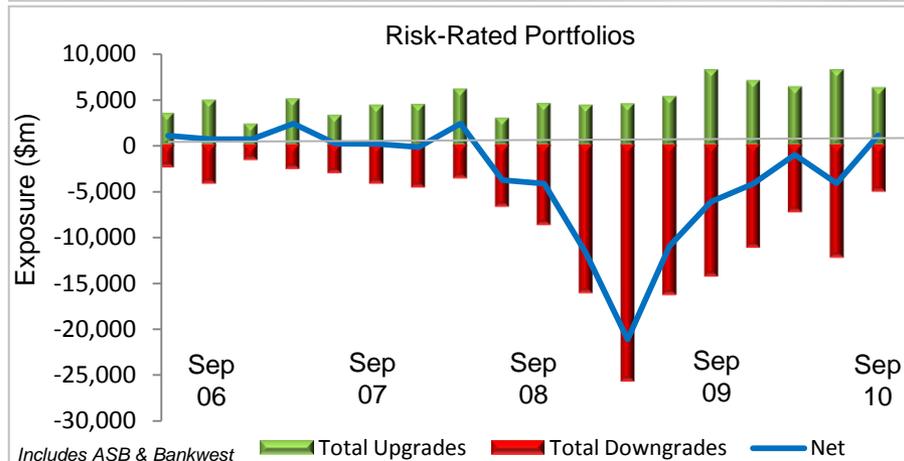


# Credit Quality

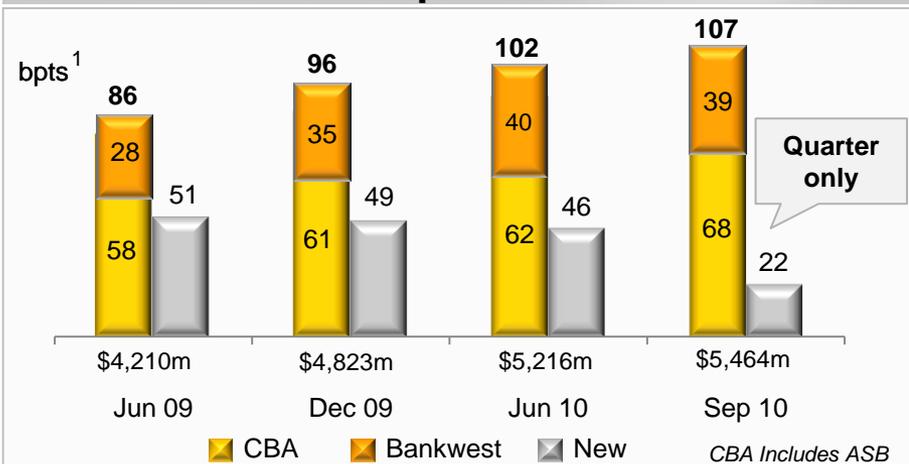
## Consumer arrears



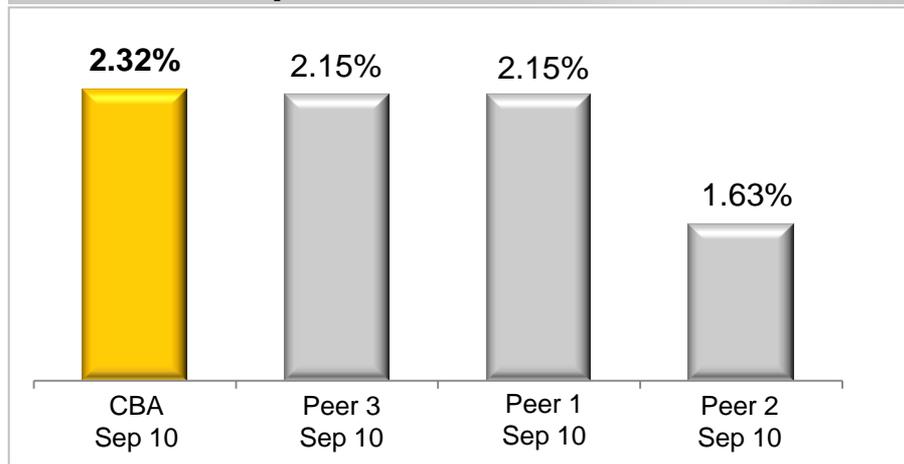
## Portfolio migrations



## Total and new impaired assets to GLA



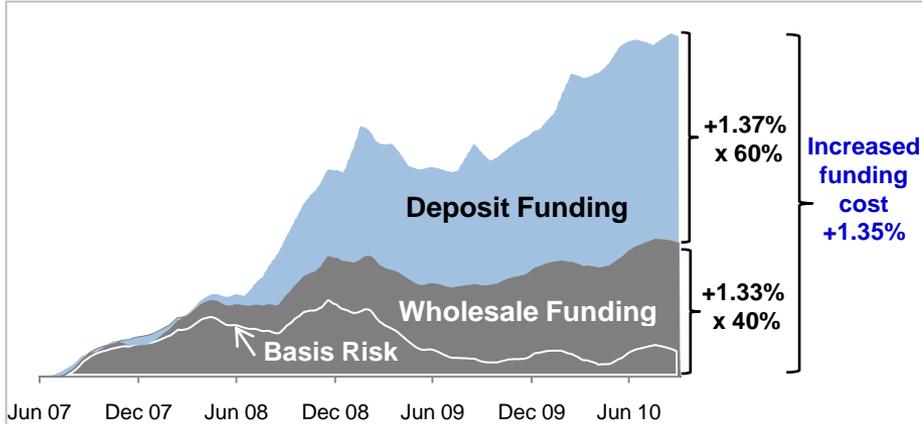
## Total provisions to Credit RWA<sup>2</sup>



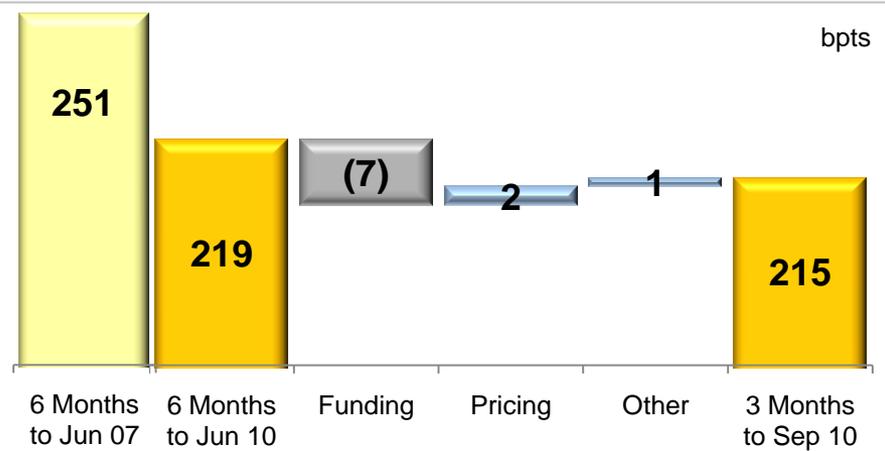
- 1 Bpts is for the three months to Sep 2010. Prior periods are six-monthly figures.
- 2 Provisions do not include GRCL equity reserves or other similar adjustments.

# Funding and Capital

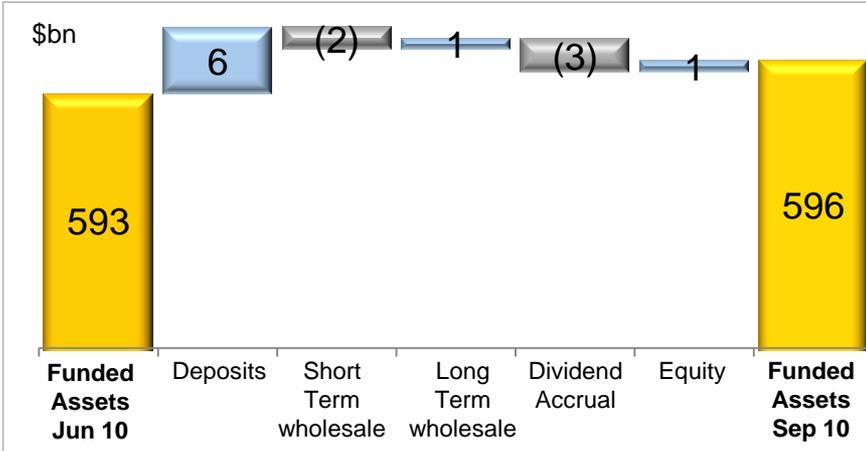
## Retail Bank funding costs



## Retail Bank margin



## Asset growth entirely deposit funded



## Tier 1 capital ratio of 9.62%

