

DETERMINED TO BE BETTER THAN WE'VE EVER BEEN.

# Debt Investor Update

FOR THE FULL YEAR ENDED 30 JUNE 2011



**Commonwealth**Bank



# Disclaimer

## Disclaimer

The material that follows is a presentation of general background information about the Group's activities current at the date of the presentation, 10 August 2011. 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.

## Cash Profit

The Management Discussion and Analysis discloses the net profit after tax on both a 'Statutory basis' and a 'Cash basis'. The Statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The Cash basis is used by management to present a clear view of the Group's underlying operating results, excluding a number of items that introduce volatility and/ or one off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments. A complete list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("Cash basis") on page 3 of the Profit Announcement (PA) and described in greater detail on page 10 of the PA and can be accessed at our website <http://www.commbank.com.au/about-us/shareholders/financial-information/results/>



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# CBA Overview



Largest Australian Bank by market cap. and 2<sup>nd</sup> largest listed company



AA / Aa2 / AA Credit Ratings



Tier 1 Capital Ratio of 10.01%; or 13.7% on UK FSA basis



Total Assets of \$668bn – 80% in Australia and 60% in residential mortgages



13 million customers; large distribution footprint



#1 in household deposits – 30% share



#1 in home lending ~26% share



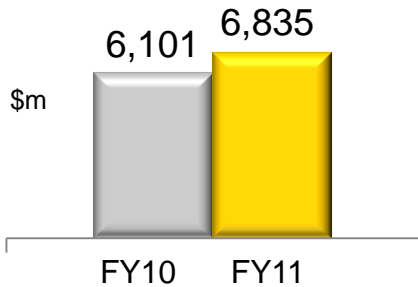
#1 Retail funds management platform (FirstChoice) ~11% share



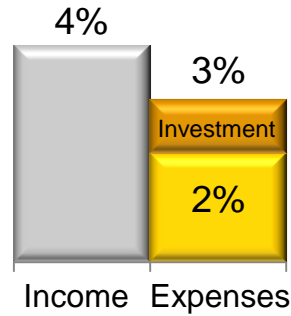
# Profitable growth, well placed

## A good profit result

Cash NPAT  
+12%



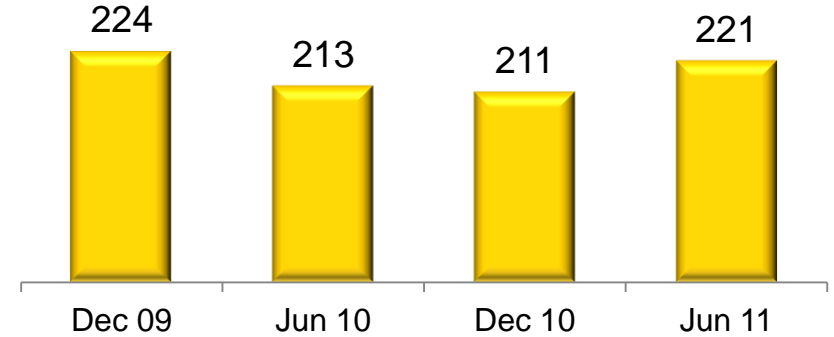
FY11  
Positive "Jaws"



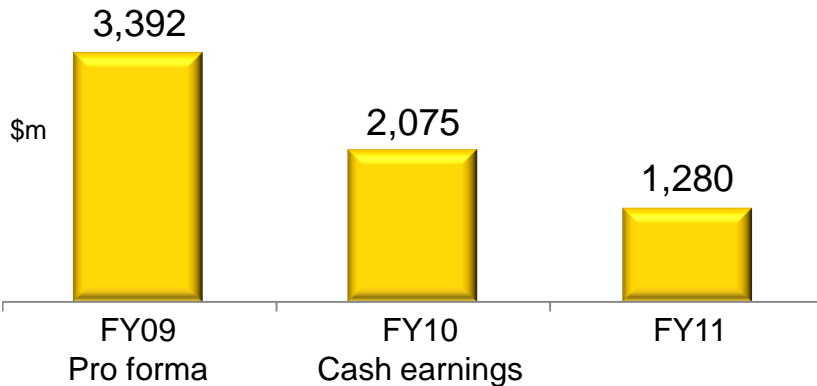
## Margins recovering

bpts

Australia NIM  
(ex IFRS)



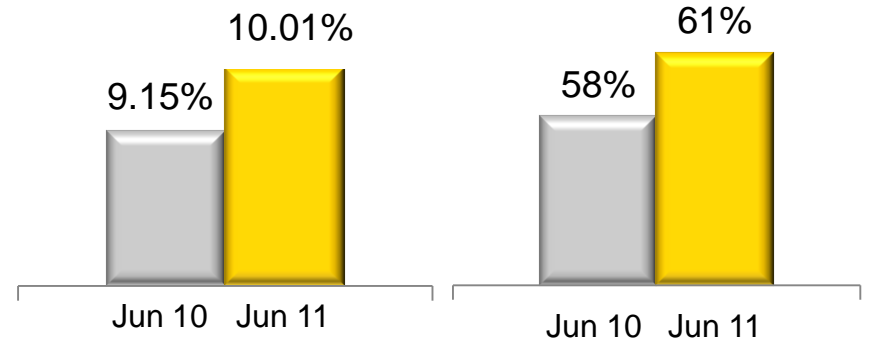
## Impairment expense lower



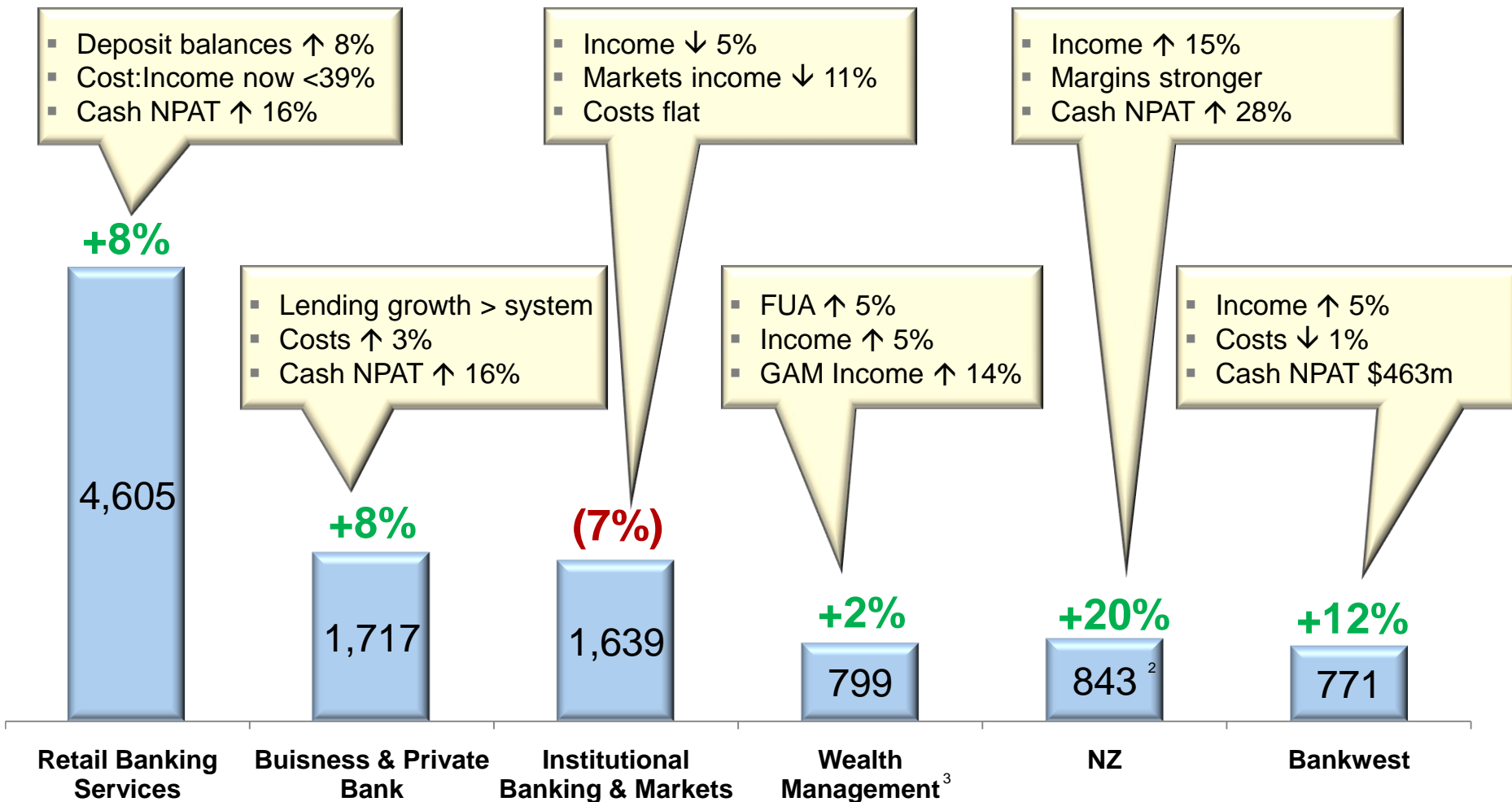
## Strong capital and funding positions

Tier 1

Deposit Funding

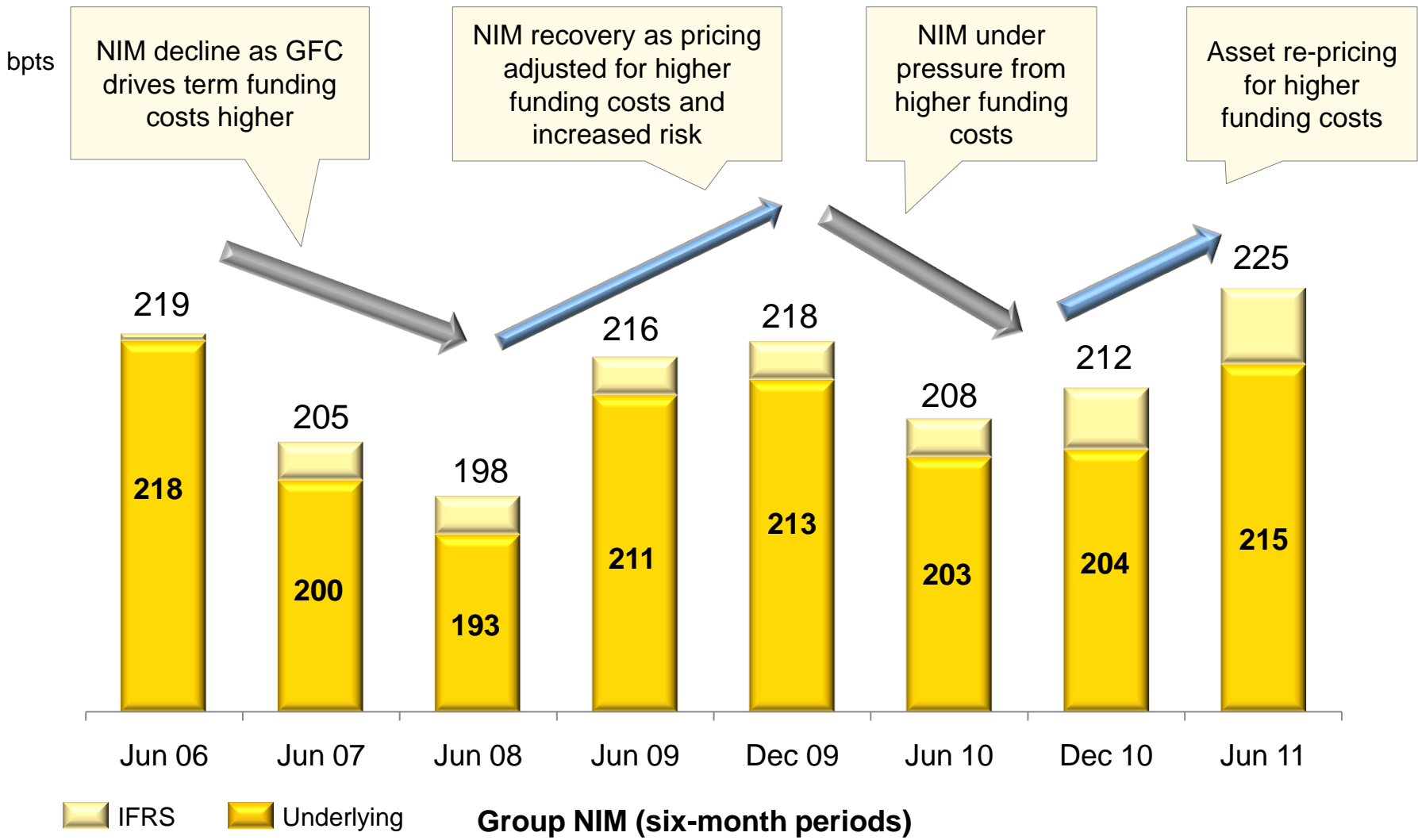


# Business unit operating performance <sup>1</sup>



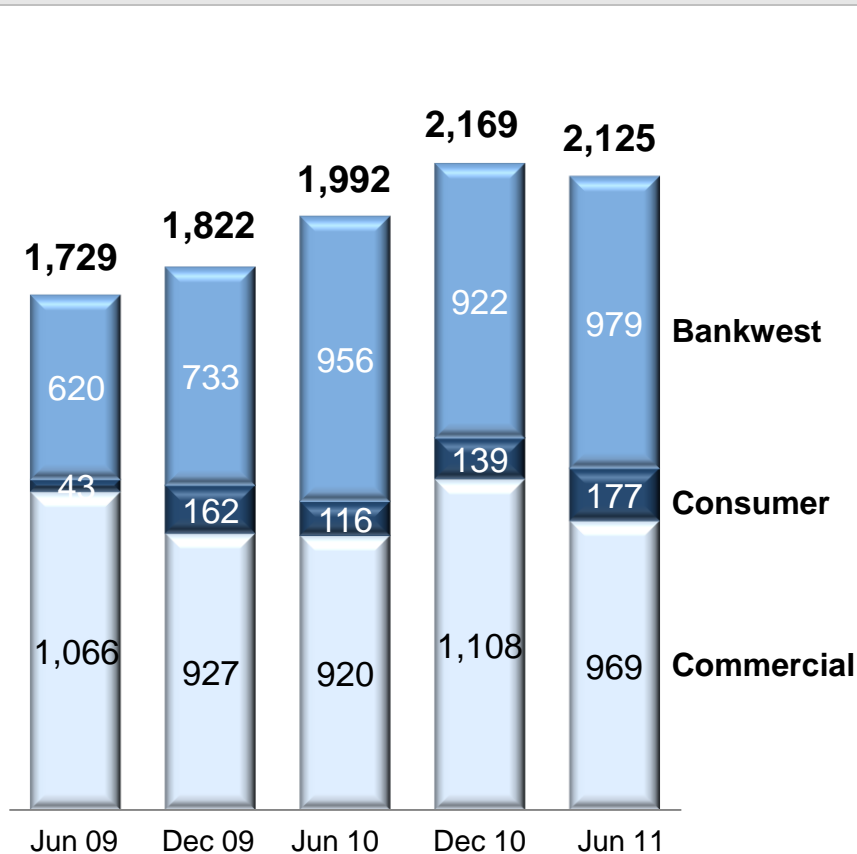
1 Operating revenue less operating expense. All movements on prior comparative period  
 2 NZ result in NZD  
 3 Comparatives excluding the St Andrew's insurance business which was sold effective 1 July 2010.

# Margins – Six Monthly

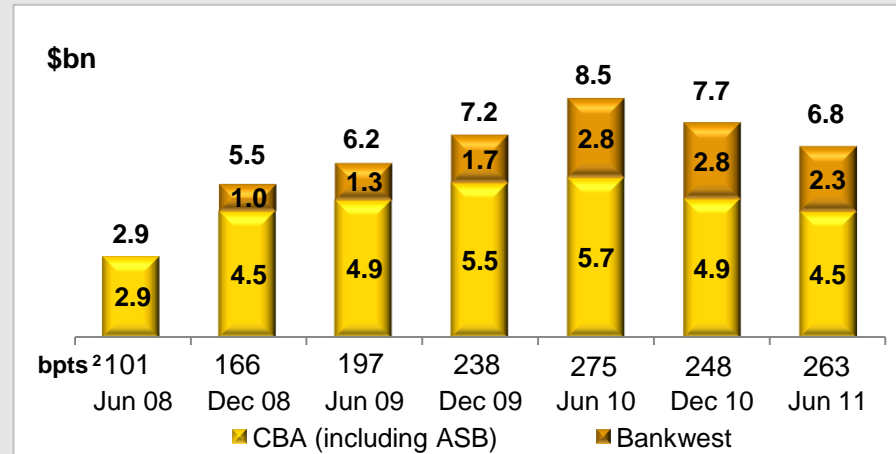


# Credit quality

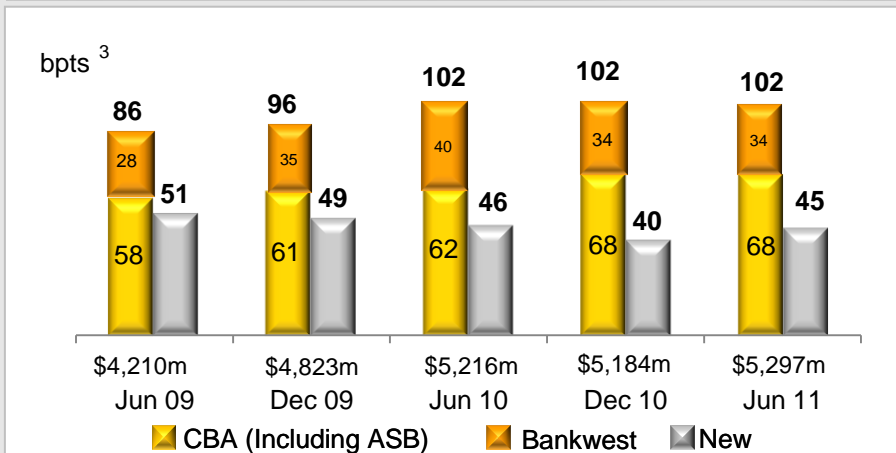
## Individual Provisions (\$m)



## Troublesome Exposures <sup>1</sup>



## Total and New Impaired Assets to GLA



1 Includes defaulted / well secured exposures and exposures where there is a potential for default within ~ 12 months if a sustained improvement in financial performance is not achieved within the short term. Does not include impaired exposures.

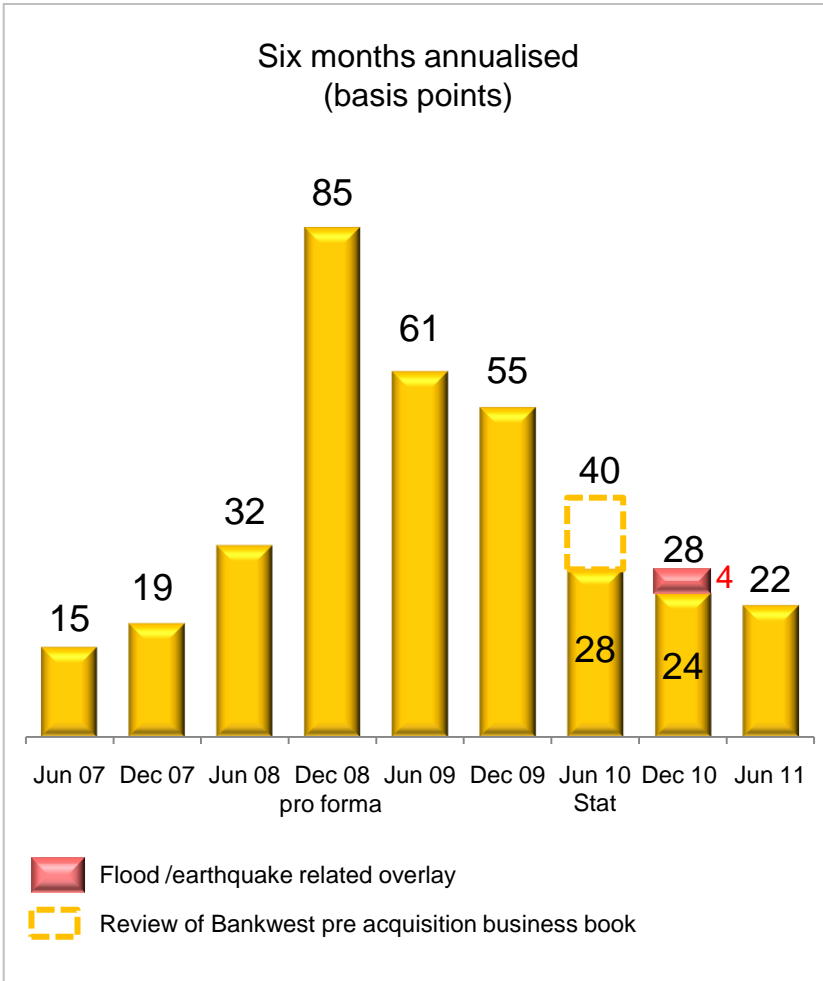
2 As a percentage of total commercial exposures.

3 As a percentage of Gross Loans and Advances.

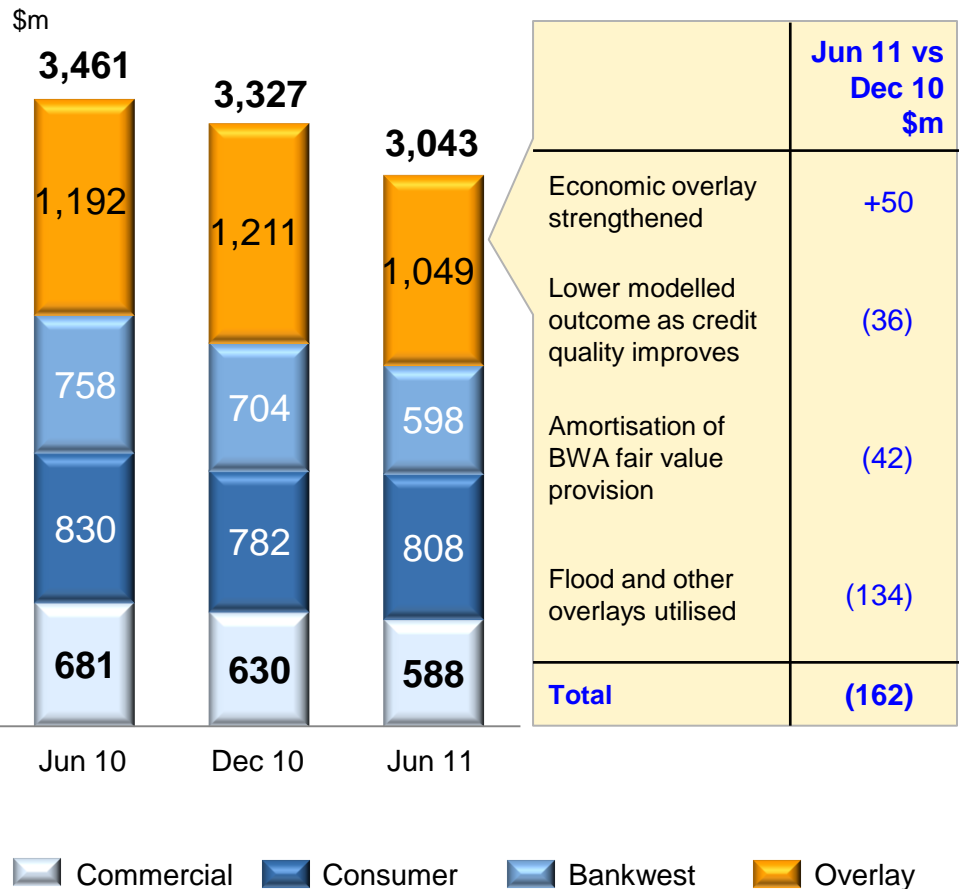


# Credit quality

## Loan Impairment Expense to Gross Loans <sup>1</sup>



## Collective Provisions



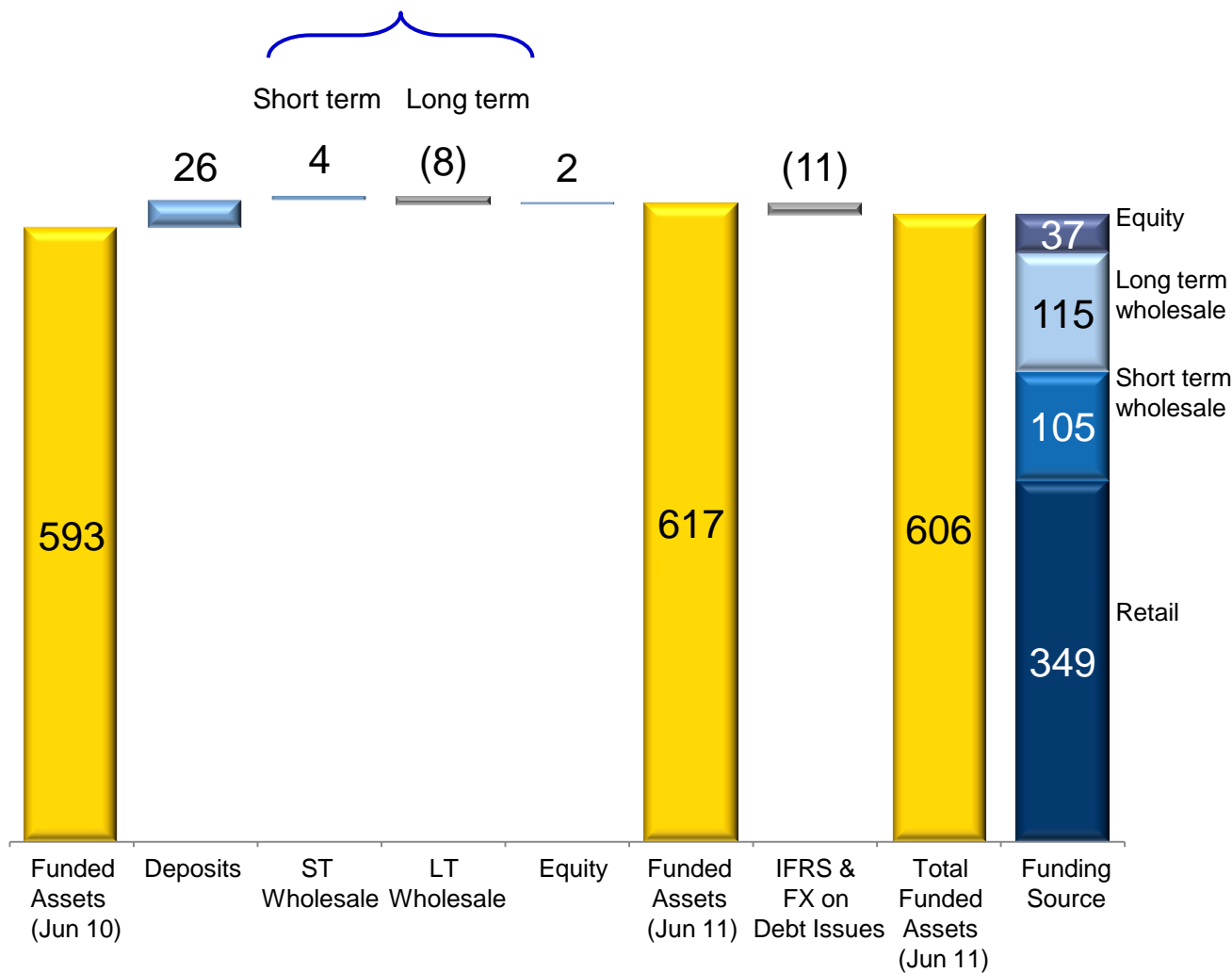
<sup>1</sup> Includes ASB and Bankwest from December 08. December 08 includes Bankwest on a pro forma basis. Basis points as a percentage of average Gross Loans and Acceptances

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# Funded Assets

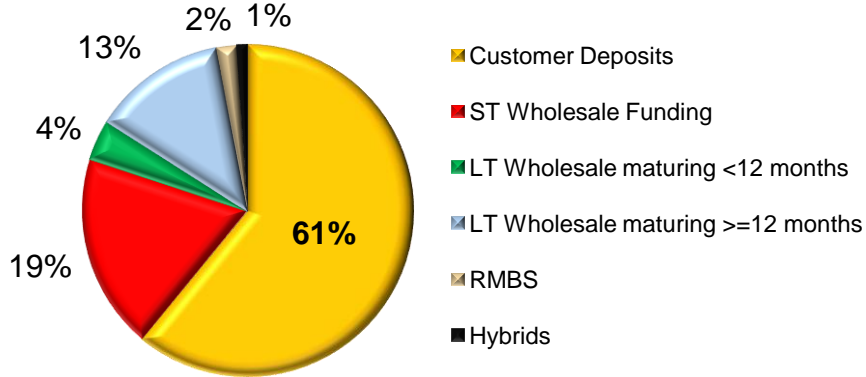


\$bn	Jun 10	Jun 11
Transactions	83	89
Savings	79	82
Investments	157	176
Other	5	2
<b>Total Retail</b>	<b>324</b>	<b>349</b>
Wholesale funding	235	220
<b>Total Funding</b>	<b>559</b>	<b>569</b>
Equity	34	37
<b>Total Funded Assets</b>	<b>593</b>	<b>606</b>
Retail % of Total Funding	58%	61%

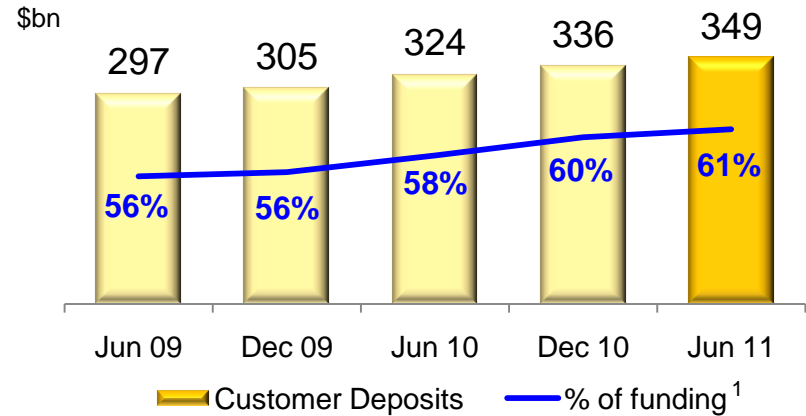


# Funding

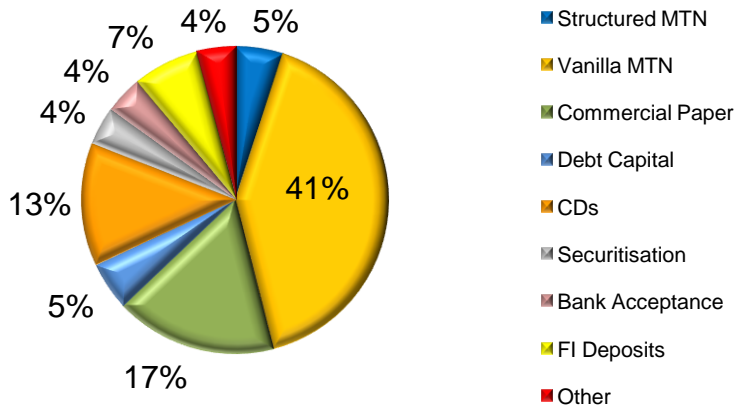
## 61% Deposit Funded



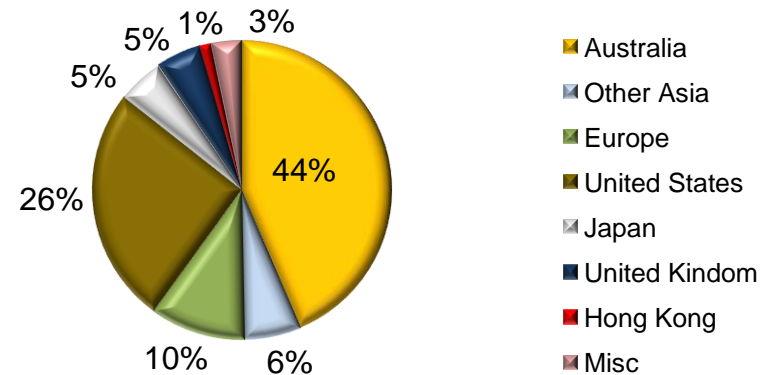
## Customer Deposit Funding



## Wholesale Funding by Product



## Wholesale Funding by Region



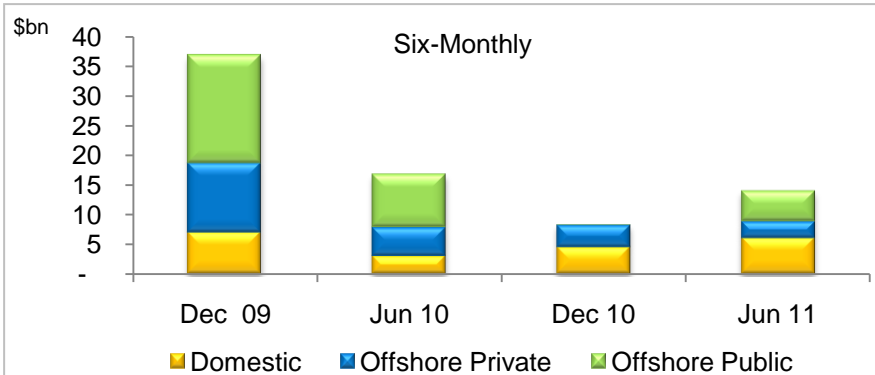
Note: AUD, USD & EURO Public benchmark deals are fully allocated to their respective currency locations



1 Percentage of funding excluding equity; no netting of excess liquid assets

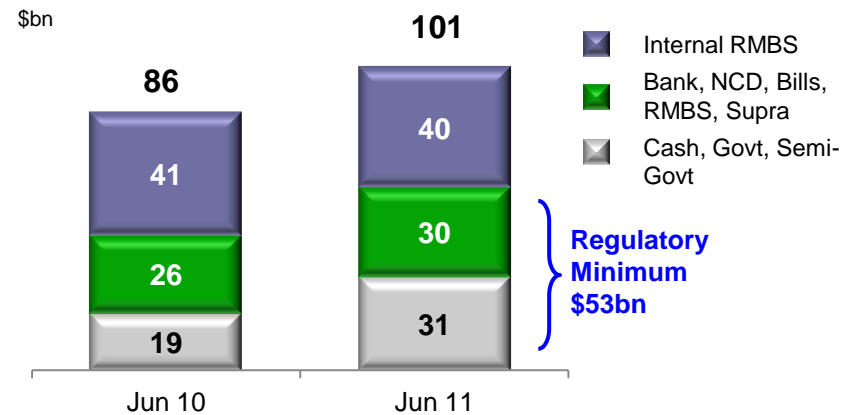
# Funding and liquidity

## Recent Issuance

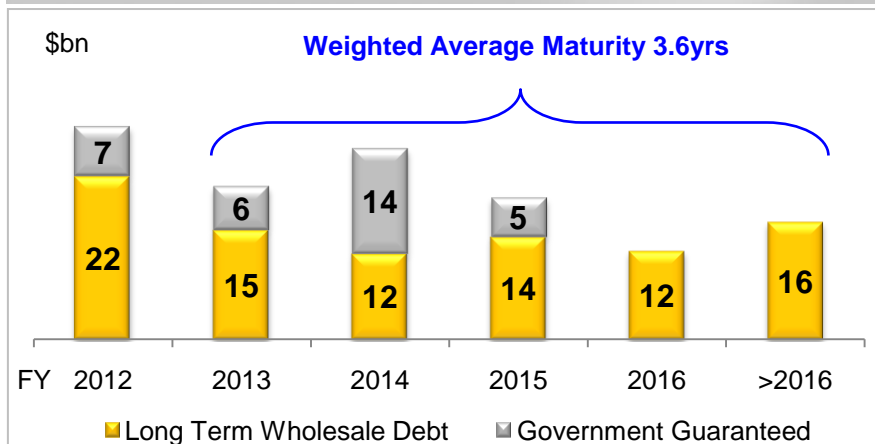


Note: Dec 09 Issuance includes A\$0.4bn Domestic GG Bonds, A\$8.6bn Offshore GG Bonds and A\$2bn PERLS 5

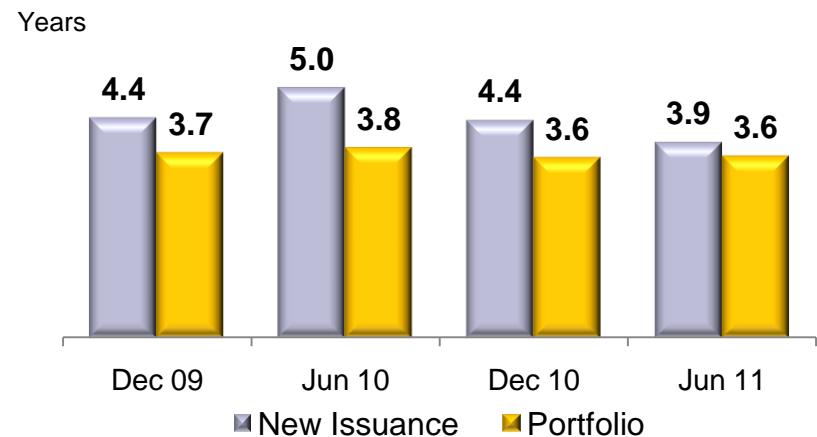
## Liquid assets <sup>1</sup>



## Term maturity profile <sup>2</sup>



## Funding tenor <sup>3</sup>



1 Adjusted from prior disclosures to include offshore branch liquid assets and exclude the Interbank Deposit Agreement

2 Maturity profiles includes all long term wholesale debt. Weighted Average Maturities of 3.6 years includes all deals with first call or maturity of 12 months or greater.

3 Weighted Average Maturity. Includes all deals with first call or contractual maturity of 12 months or greater.



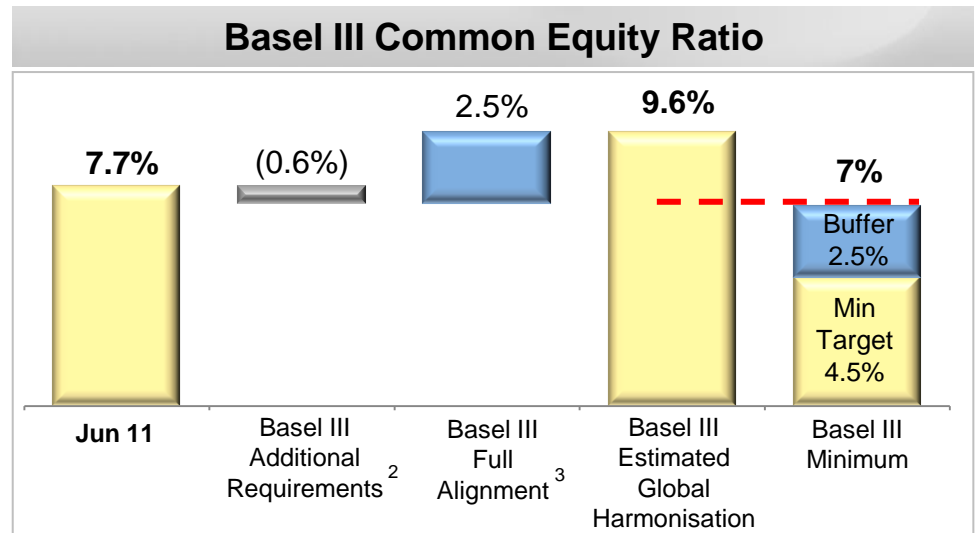
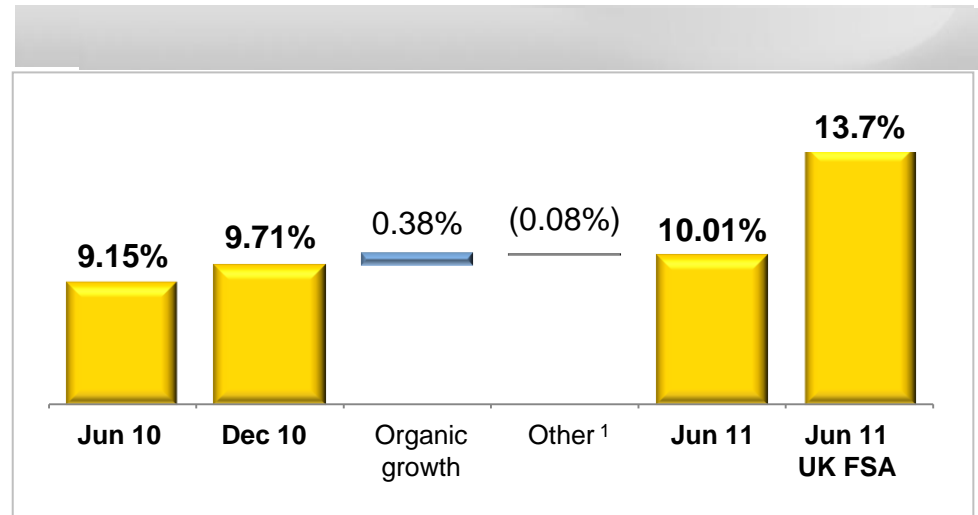
# Australian covered bonds

- Previously not allowed in Australia
  - Banking Act 1959 provides that depositors rank above other claims on the bank
- No deposit insurance scheme in Australia prior to 2008
  - Current Financial Claims Scheme (FCS) will become a permanent
  - Current FCS threshold of \$1m / person / bank expected to be reviewed prior to expiry Oct 2011
- December 2010 Government announces intention to allow covered bonds
  - March 2011 released draft legislation
- Mid-to-late 2011 expect legislation to be passed
- Issuance only allowed under the legislative framework
- Legislation should provide legal certainty for the segregation of the cover pool in bankruptcy
- Limits on issuance and certain minimum standards and requirements for issuers and their programs
- APRA will have prudential supervision responsibilities
- Approved Deposit-taking Institution (ADI) (i.e. APRA regulated bank) will be the covered bond issuer
- Segregation of cover assets will be achieved via a special purpose vehicle (SPV)
- Proposed maximum issuance cap of 8% of ADI local assets
  - for CBA implies cover pool capacity of ~\$35bn based on current balance sheet
- Expect first issuance towards the end of 2011 or early 2012



# Strong capital position

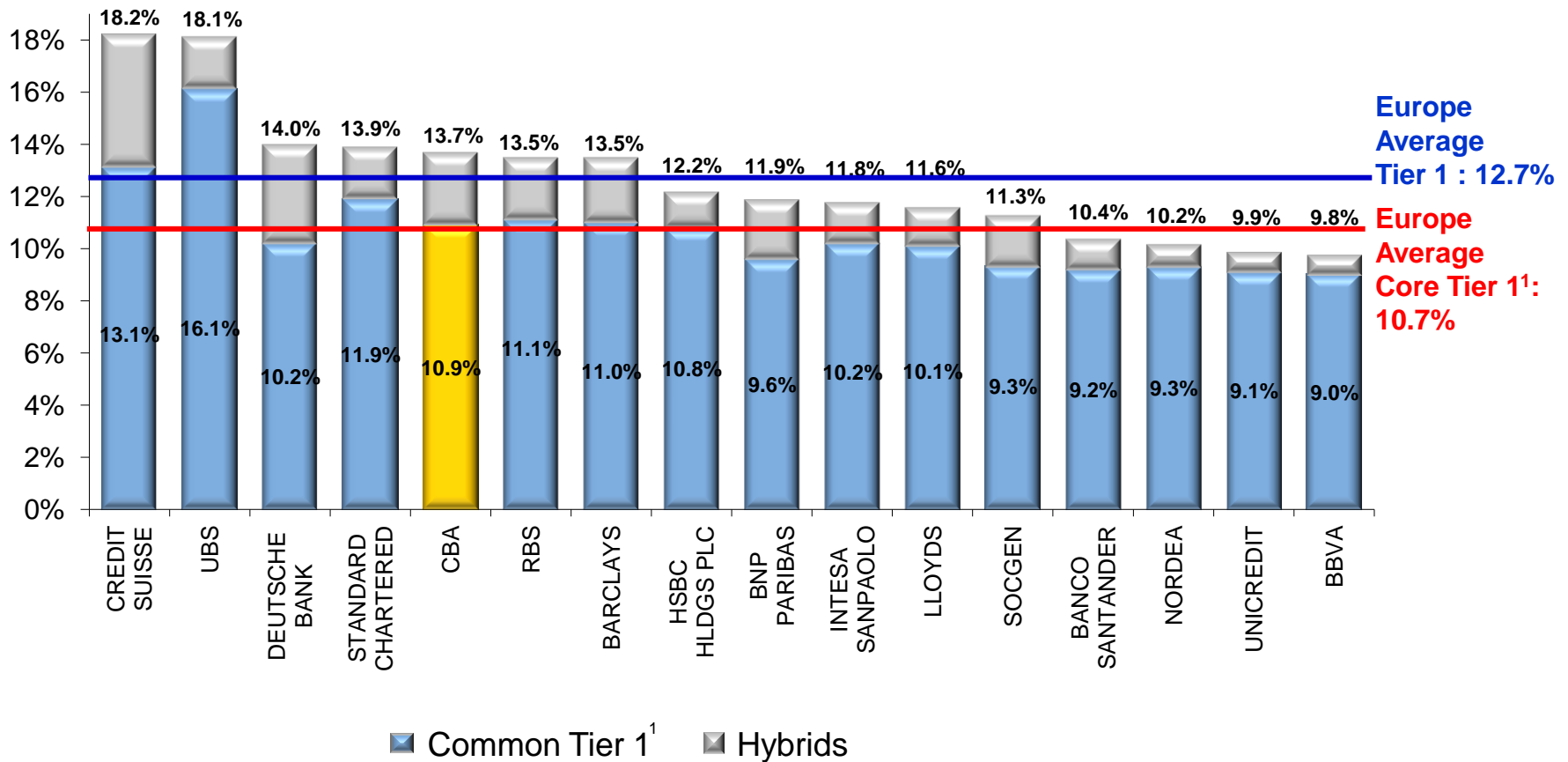
- Tier 1 Capital 10.01%
- UK FSA equivalent of 13.7%
- Well placed for Basel III:
  - Strong organic growth
  - Global Harmonisation estimate of 9.6% Common Equity
  - APRA due to release Basel III details mid August



1 Other includes some one off movements including increase in deferred tax assets and capitalised software costs, partially offset by decrease in IRRBB RWA.  
 2 Downsides include impact of expected loss moving to 100% Common Equity deduction and increase in RWA (credit, securitisation and market risk).  
 3 Upsides include removal of minimum floors on LGD mortgages, IRRBB and dividends.

# European comparison

## Basel II Tier 1 Capital



Top 15 European banks by market capitalisation as at 4 July 2011  
 Source: latest publicly disclosed company reports and other market updates.

1. Reflects Tier 1 Capital less hybrid Tier 1 instruments



# Regulatory Change

	2011	2012	2013	2014	2015	2016	2017	2018	
Timetable	LCR, NSFR and capital - APRA draft standards	LCR, NSFR and capital - APRA final standards – Dec 2012	LCR 2011 - 2015 observation		LCR – effective				
			NSFR - APRA observation and review						NSFR - Effective
			Minimum capital levels phased in through to 2019						
	Final proposals & QIS (Dec 10)					CBA Position			
Liquidity	<b>Liquidity Coverage Ratio (LCR)</b> <ul style="list-style-type: none"> <li>Definition of liquid assets widened to include “Level 2” assets and standards for jurisdictions with insufficient government bonds</li> <li>RBA “committed secured liquidity facility” for a fee</li> <li>Clarity required on use (extent and mechanics) of RBA facility</li> </ul>					<ul style="list-style-type: none"> <li>Regulatory minimums expected to double</li> <li>CBA carrying significant liquid assets</li> <li>Liquids portfolio already in transition</li> </ul>			
Funding	<b>Net Stable Funding Ratio (NSFR)</b> <ul style="list-style-type: none"> <li>Assets &gt;1yr maturity to be funded with “stable” liabilities &gt;1yr term</li> <li>Quantum of “stable funding” for mortgages reduced (100% to 65%)</li> <li>Less onerous run-off assumptions for some deposits</li> <li>Measurement to be finalised</li> </ul>					<ul style="list-style-type: none"> <li>Favourable impact from revised mortgage treatment (vs original proposals)</li> <li>More, and longer term funding undertaken since GFC</li> </ul>			
Capital	<ul style="list-style-type: none"> <li>7.0% min. Common Equity inclusive of Capital Conservation buffer (2.5%)</li> <li>8.5% minimum Tier 1 inclusive of Capital Conservation buffer (2.5%)</li> <li>Countercyclical buffer: 0-2.5% of RWA</li> <li>Leverage Ratio – set at min. of Tier 1 Capital to Total Exposures of 3%</li> <li>Proposed “Global Systemically Important Financial Institutions” (G-SIFI) additional capital requirement</li> </ul>					<ul style="list-style-type: none"> <li>Strong organic capital generation</li> <li>Seeking international harmonisation of capital ratios</li> <li>Leverage Ratio less onerous than originally expected</li> <li>CBA “domestically” significant though not expected to be G-SIFI</li> </ul>			



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# Strategy delivering results

## Customer Satisfaction

- ✓ Gap to No. 1 closed from 12.5% to 3.6%
- ✓ Highest products-per-customer of peer group\*
- ✓ No 1 in key Wealth & Business segments

## Business Banking

- ✓ Market share up from 12.1% to 18.1%
- ✓ Significant improvement in satisfaction
- ✓ CommBiz a leading online platform

## Trust & Team Spirit

- ✓ Strong staff engagement
- ✓ Favourable complaints profile
- ✓ Supporting communities in need

## Australia's Finest Financial Services Organisation

## Technology & Operational Excellence

- ✓ Core Banking Modernisation
- ✓ Market leading online platforms
- ✓ Cost-to-Income improvement

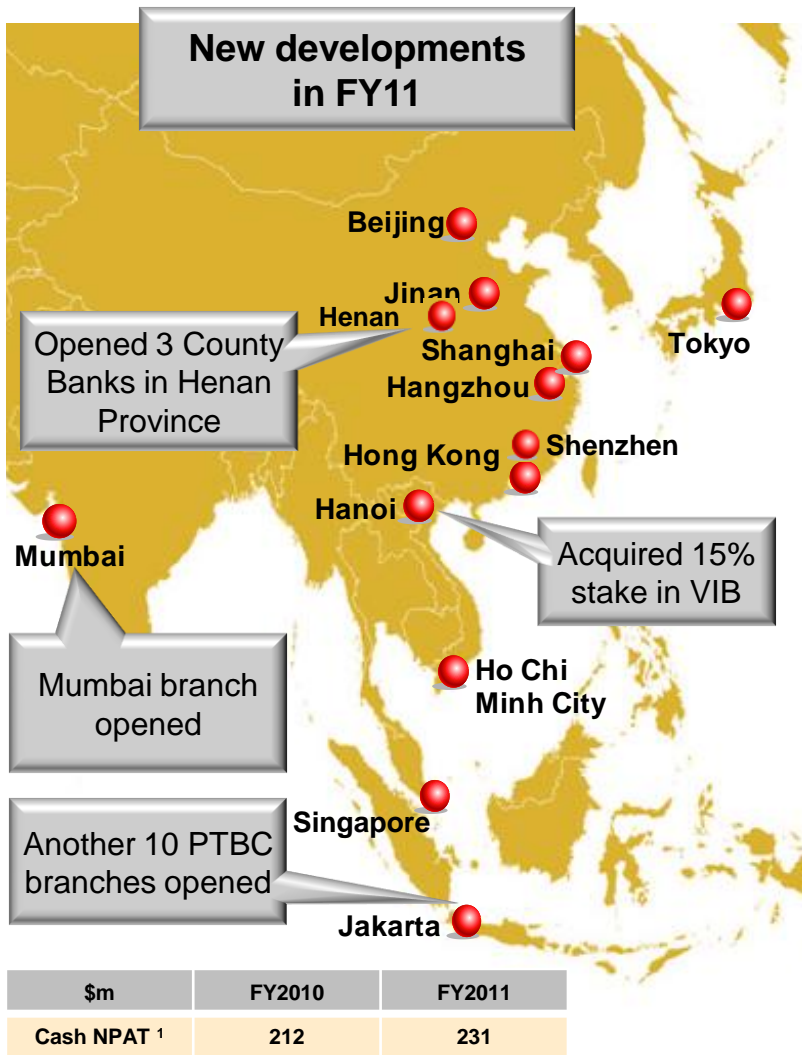
- ✓ Targeted Asian expansion
- ✓ Bankwest acquisition
- ✓ Profit After Capital Charge & ROE focus

## Profitable Growth



\* Major banks

# CBA in Asia



Country	Representation
<b>China</b>	Bank of Hangzhou (20%) – 107 branches
	Qilu Bank (20%) – 81 branches
	County Banking (84%) – 3 Banks
	Beijing Representative Office
	BoCommLife JV (37.5%)
	Shanghai (China Head Office)
	First State Cinda JV, FSI Hong Kong
	Hong Kong and Shanghai branches
<b>Indonesia</b>	PTBC (97.86%) – 84 branches
	PT Commonwealth Life (80%) – 24 branches
	First State Investments
<b>Vietnam</b>	VIB (15%) – 136 branches
	CBA Branch Ho Chi Minh City
	Hanoi Representative Office
<b>India</b>	CBA branch, Mumbai
<b>Japan</b>	CBA branch, Tokyo, FSI Tokyo
<b>Singapore</b>	CBA Branch, First State Investments



<sup>1</sup> Includes Asia region Cash NPAT from Business & Private Banking, Institutional Banking & Markets, Wealth Management and IFS Asia businesses (excluding head office and funding costs)

# Outlook

Driver	FY12 Outlook
<p><b>System Credit Growth*</b></p>	<ul style="list-style-type: none"> <li>▶ Total Credit: 3-5%</li> <li>▶ Housing Credit: 4-6%</li> <li>▶ Business Credit: 2-4%</li> </ul>
<p><b>Margins</b></p>	<ul style="list-style-type: none"> <li>▶ Elevated funding costs</li> <li>▶ Many variables – specific outlook hard to predict</li> </ul>
<p><b>Other Banking Income</b></p>	<ul style="list-style-type: none"> <li>▶ Likely subdued overall growth</li> </ul>
<p><b>Funds Management Income</b></p>	<ul style="list-style-type: none"> <li>▶ Leverage to equity market performance</li> </ul>
<p><b>Costs</b></p>	<ul style="list-style-type: none"> <li>▶ Continued cost discipline + investing in the business</li> <li>▶ Inflationary pressures</li> </ul>
<p><b>Impairment Expense</b></p>	<ul style="list-style-type: none"> <li>▶ Stabilising</li> </ul>



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# Australian Housing Market vs US

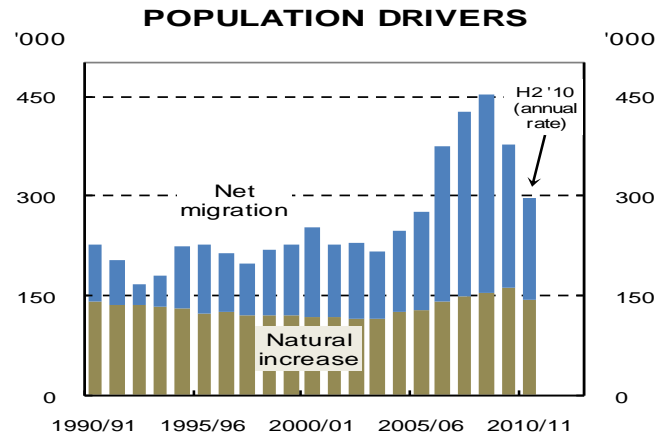
	CBA/Australia	United States
Unemployment	~5%	~10%
No-Recourse Lending	No	Yes
Variable vs Fixed	87%/13%	15%/85%
Adjustable Rate Loans	Minimal	Widespread
Sub-Prime (% of mkt)	Minimal	~36% <sup>1</sup>
Securitisation %	Minimal	~55%
Account Ownership	Retained by bank	Extensively on-sold
Arrears/Delinquencies	~1-2%	~20% <sup>2</sup>



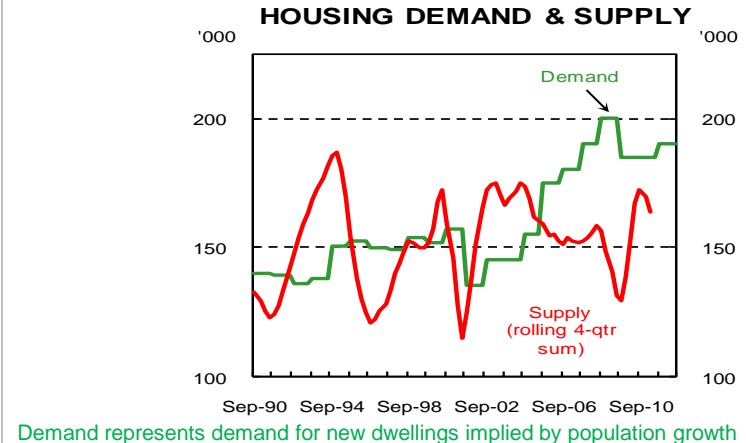
1. At peak in 2006. Source UBS
2. Source: Office of the Comptroller of the Currency. Data as at March 2011

# Strong economic fundamentals minimize the downside risk to Australian house prices

## Population growth has slowed



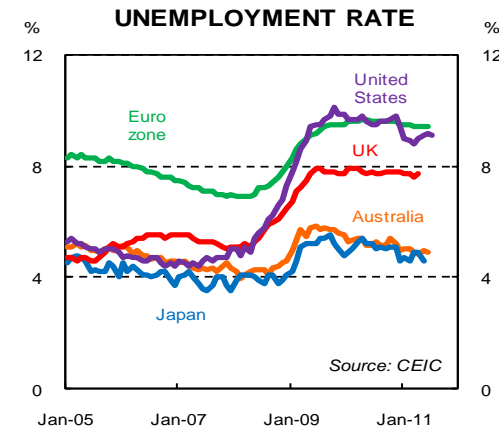
## But housing demand remains above supply



## GDP Growth

	10 Yr Avg	Forecast 2011-12
Asia (ex Japan)	8.0	7.5
<b>Australia</b>	<b>3.1</b>	<b>3.4</b>
US	1.9	2.8
Japan	0.7	1.2
UK	1.7	1.8
Euro Zone	1.4	1.8

## Stronger labour market



Source : ABS, IMF, Consensus Economics, CBA Economics. Dwelling starts relates to physical construction activity (all new housing)



# CBA home loan book quality very sound

- ▶ Portfolio average LVR of 44% based on current loan balance and original valuations
- ▶ Average LVR of 54% on new loans taken out over the past 12 months
- ▶ 69% of customers paying in advance of requirements, by an average 7 payments
- ▶ Maximum LVR of 95% for new and existing best risk customers
- ▶ Mortgage insurance or low deposit premium required for loans above 80% LVR
- ▶ LMI insurance covers entire loan balance
- ▶ Serviceability tests include interest rate buffer of 150 bpts above prevailing SVR
- ▶ First Home Buyer arrears similar to overall portfolio arrears
- ▶ Limited “Low doc” lending (3% of total book) with tighter lending criteria eg LMI above 60% LVR
- ▶ Historical home loan losses have always remained low
- ▶ Even under aggressive “stress test” scenarios, likely losses very manageable



All statements relate to the RBS home loan book.

# CBA Home Loan Portfolio Profile

Portfolio	Jun 11	Quality	Jun 11
Total Balances - Spot (\$bn) <sup>1</sup>	336	Total Balances – Average (\$bn) <sup>1</sup>	330
Total Accounts (m)	1.4	Actual Losses (\$m) <sup>1,3</sup>	67
Fundings (\$bn) <sup>2</sup>	52	Loss Rate (%) <sup>1</sup>	0.02%
Fixed Rate (%)	13	LVR – Portfolio Avg (%)	44%
Variable Rate (%)	87	LVR – New Fundings (%) <sup>2</sup>	54%
Owner-Occupied (%)	57	Customers in Advance (%)	69%
Investment (%)	33	Payments in advance (#)	7
Line of Credit (%)	10	Low Doc % of Book (%)	3%
Proprietary (%)	63	FHB - % of new fundings <sup>2</sup>	10%
Broker (%)	37	FHB - % of balances	15%
Avg Loan Size (\$'000)	218	LMI - % of Book	26%
Annual Run-Off (%) <sup>2</sup>	17%	Serviceability buffer	1.50%

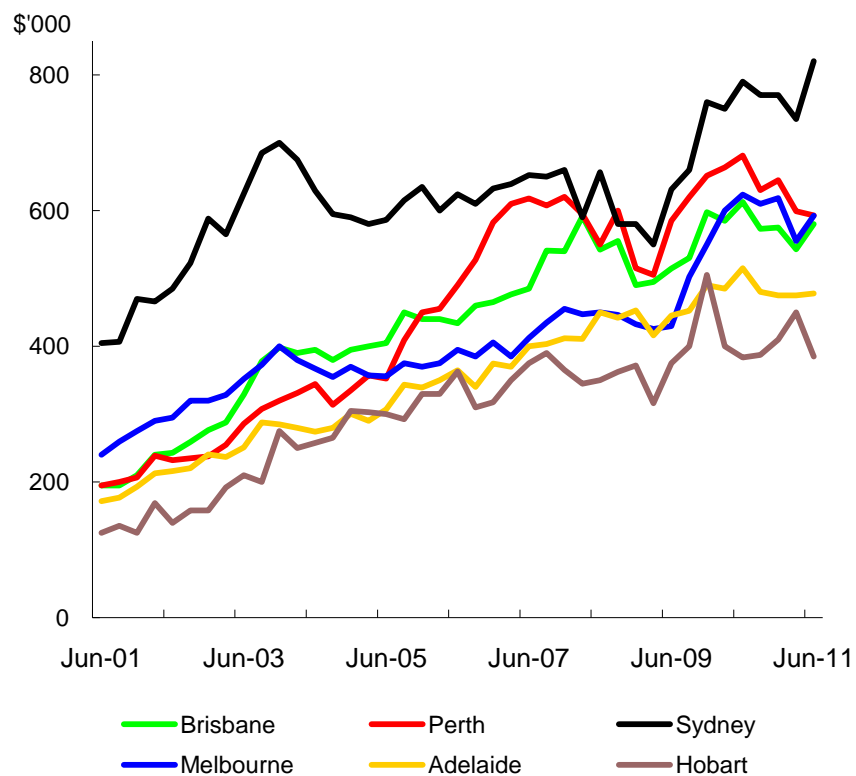


All figures relate to the RBS home loan portfolio except where noted

1. Numbers are for the Group (including BW and ASB). Include securitised loans.
2. 12 months to June 2011
3. Actual losses includes write-offs from collective provisions and individual provisions, net of any recoveries.

# House prices undergoing a modest correction

CBA Established House Prices



Australian House Prices - ABS\*

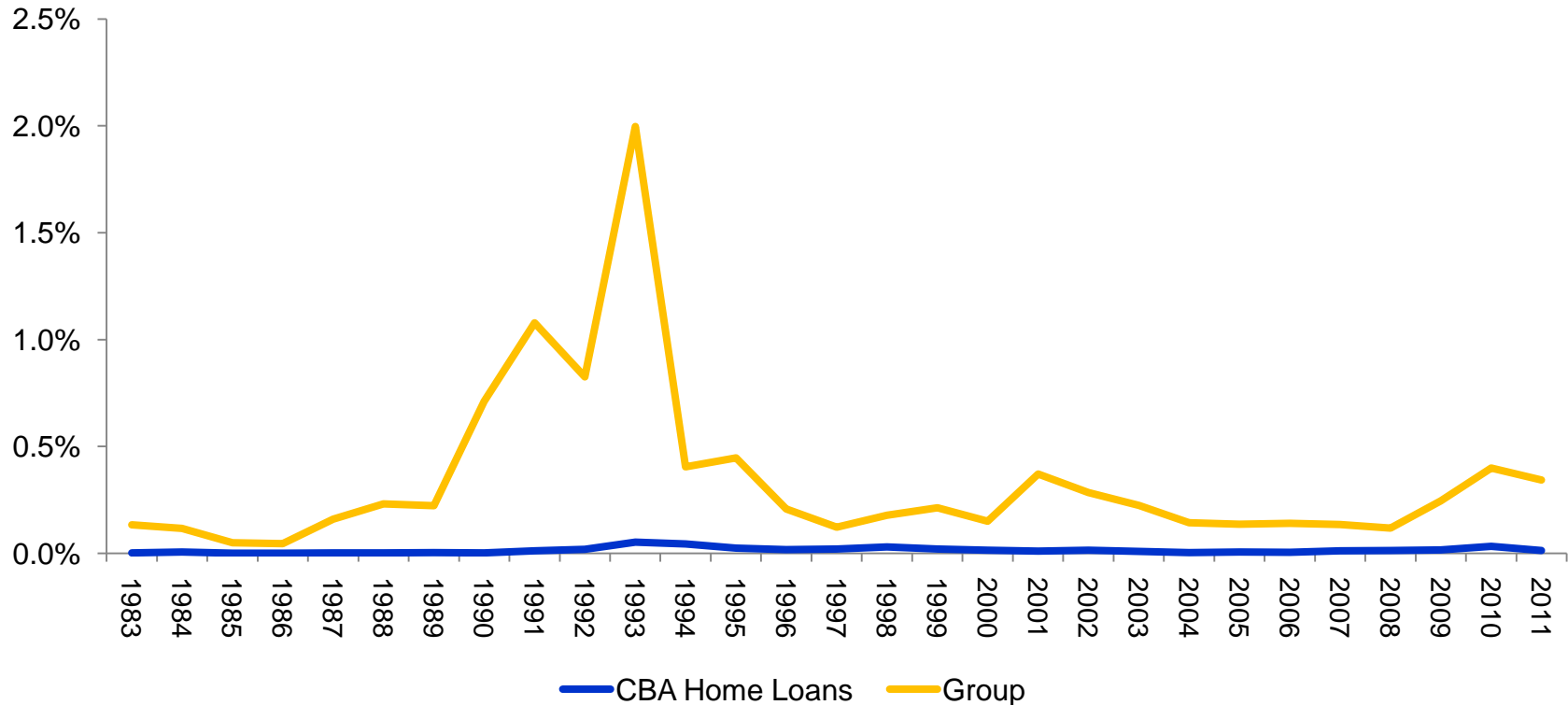
Mvt (%)	3 Years to Jun 11	12 mths to Jun 11	Jun Qtr
Sydney	15%	(0.7%)	0.4%
Melbourne	21%	(2.0%)	(0.1%)
Brisbane	2%	(3.6%)	(0.3%)
Adelaide	8%	(2.1%)	(0.8%)
Perth	5%	(4.1%)	(1.0%)
<b>Average</b>	<b>13%</b>	<b>(1.9%)</b>	<b>(0.1%)</b>

\* Source: ABS



# Home Loan losses remain very low

\$ Losses/Average Gross Loans

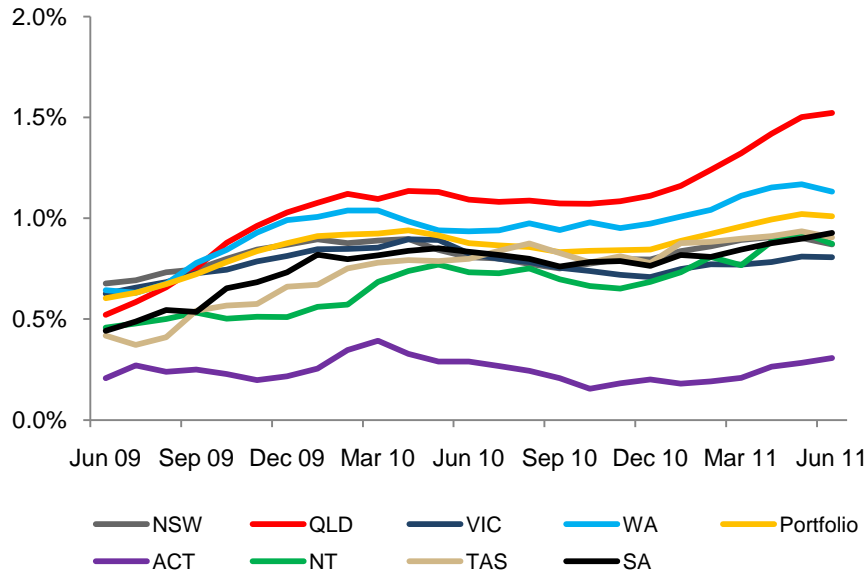


CBA Home Loans represents Australian Home Loans and includes Bankwest from 2009. Group includes all losses for the Group (CBA/Bankwest/ASB). Losses includes write-offs from collective and individual provisions, less recoveries.

# Modest uptick in home loan arrears

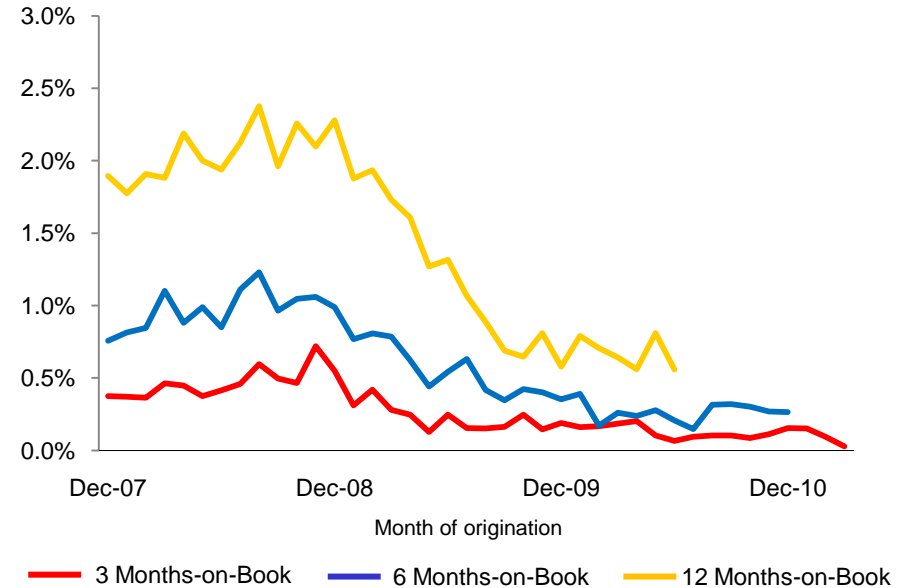
## Home Loan Arrears

### 90+ Days %



## Dynamic Delinquency <sup>1</sup>

### 30+ Days %



- ▶ Modest uptick in arrears driven by weather events and flow-through of FY08, FY09 vintage loans.
- ▶ Qld accounts for a disproportionate share of increased arrears.
- ▶ Overall arrears rates remain modest at ~1.0% (90 days+).

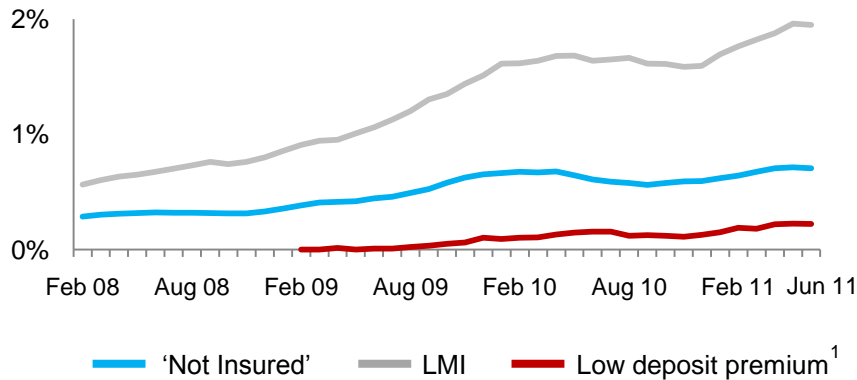


1. Dynamic Delinquency: Tracks the arrears performance of accounts booked by month of approval at 3, 6 and 12 months post funding.

# Home Loan Arrears

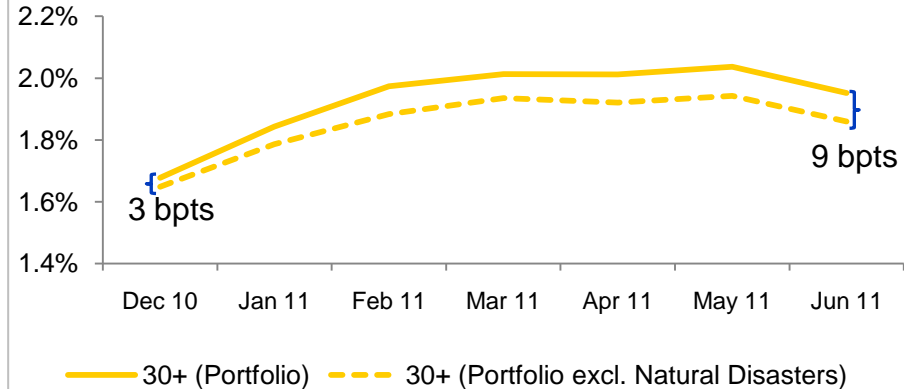
## LMI vs non-LMI

### 90+ days arrears



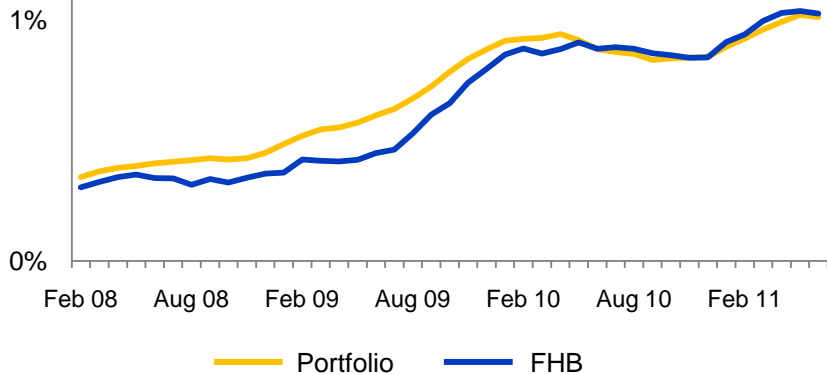
## Impact of Natural Disasters

### 30+ days arrears



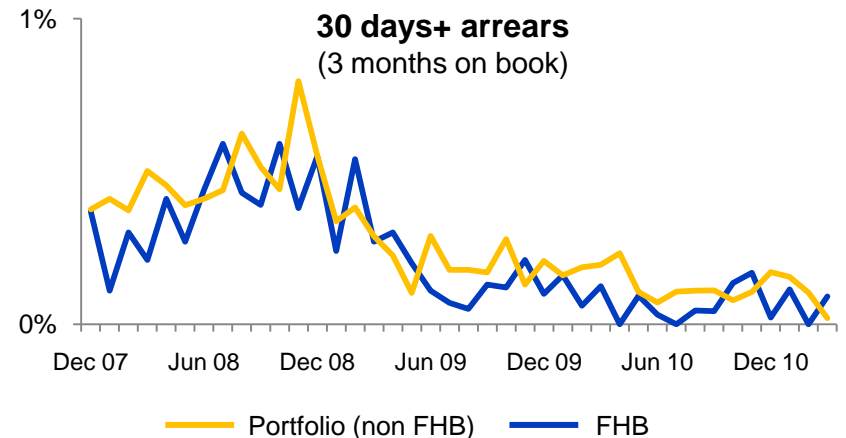
## First Home Buyers

### 90+ days arrears



## First Home Buyers

### 30 days+ arrears (3 months on book)



All graphs are CBA-domestic excluding Bankwest

1. Low Deposit Premium (LDP): Rather than taking out LMI policies for all loans with an LVR>80%, we charge the customer a premium similar to LMI, but take on the risk and use the premium to offset the higher economic capital charge, targeted at low risk customers.



# Even “high stress” losses would be modest

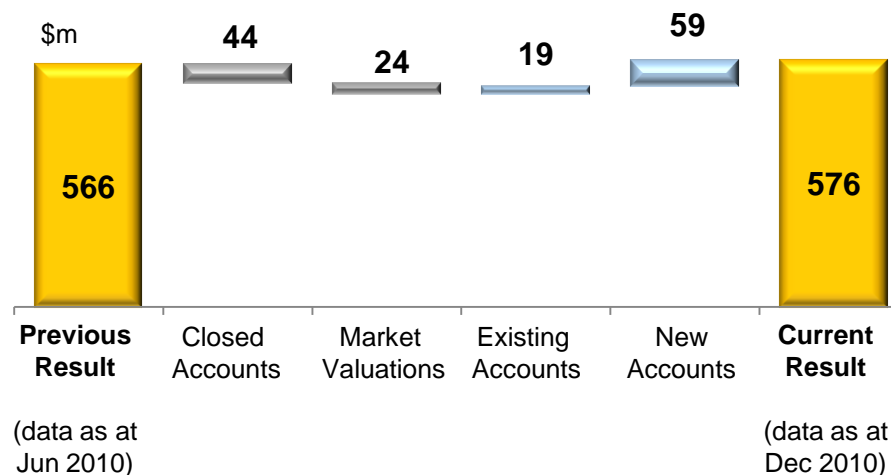
## Expected Loss outcomes

Expected loss \$m	PD stress factor			
	x1	x2	x4	x6
Property value	x1	x2	x4	x6
No decrease	14	17	24	29
10% decrease	35	48	69	86
20% decrease	87	126	194	249
30% decrease	185	281	444	<b>576</b>

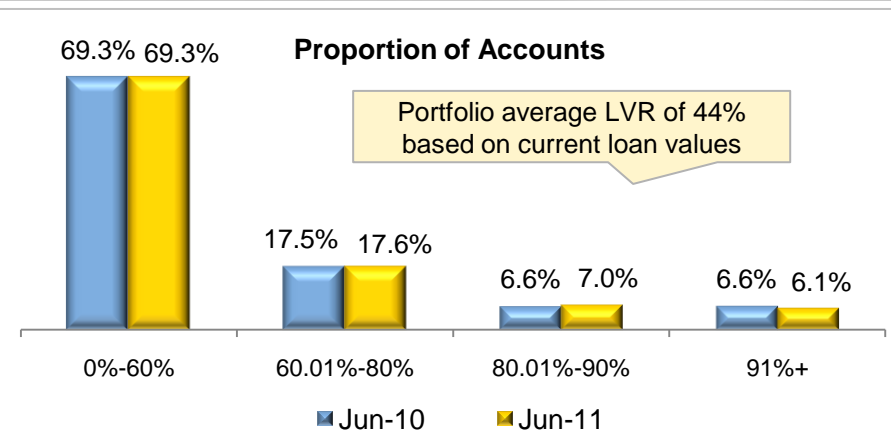
- Example excludes potential losses on insured loan balances (~\$1.232bn) – these losses would be borne by the insurer.

- Even under high stress test scenarios, portfolio losses would be modest (\$576m).
- Potential losses are mitigated by portfolio quality, including low LVRs (portfolio average 44%) and customers paying in advance (69%) by an average 7 periods.
- Loans above 80% subject to either mortgage insurance or low deposit premium.

## Six-month Movement



## Portfolio LVR



Excludes Bankwest and ASB.

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# Regulatory Exposure Mix

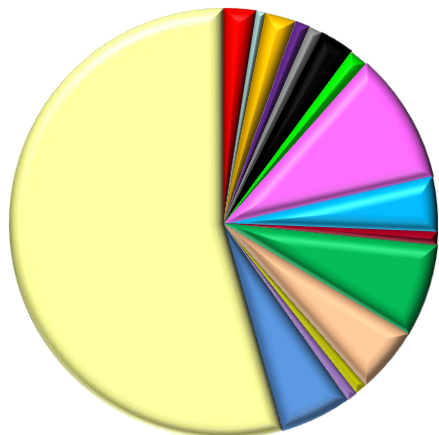
	Regulatory Exposure Mix <sup>1</sup>			
	CBA	Peer 1	Peer 2	Peer 3
Residential Mortgages	<b>57%</b>	42%	41%	58%
Corporate, SME & Spec Lending	<b>26%</b>	35%	41%	32%
Bank	<b>6%</b>	7%	10%	3%
Sovereign	<b>7%</b>	7%	5%	3%
Qualifying Revolving	<b>3%</b>	4%	2%	3%
Other Retail	<b>1%</b>	5%	1%	1%
<b>Total Advanced <sup>2</sup></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



1. Source: Pillar 3 disclosures for CBA as at June 2011 and Peers as at March 2011.
2. Includes Specialised Lending exposures. Excludes Standardised, Other Assets and Securitisation (representing 15% of CBA, 6% of Peer 1, 17% of Peer 2 and 5% of Peer 3). Exposure mix is re-baselined to total 100% for comparison.

# Sector Exposures <sup>1</sup>

Dec 10



Australia	80.6%
New Zealand	8.8%
Europe	5.2%
Other International	5.4%

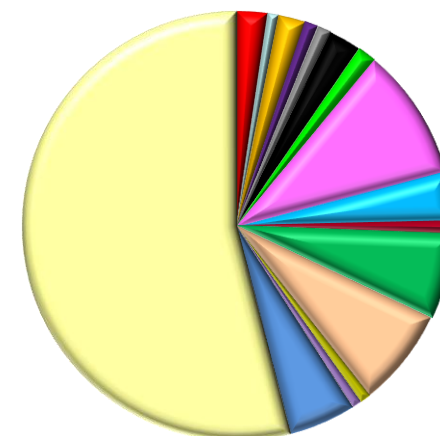
Including ASB and Bankwest

Consumer	54.9%	53.1%
Agriculture	2.3%	2.2%
Mining	0.8%	0.8%
Manufacturing	2.1%	2.0%
Energy	1.1%	1.0%
Construction	1.0%	1.0%
Retail & Wholesale	2.5%	2.4%
Transport	1.4%	1.4%
Banks	10.8%	11.6%
Finance – other	3.9%	3.6%
Business Services	1.0%	0.9%
Property	6.7%	6.3%
Sovereign	4.9%	7.3%
Health & Community	0.8%	0.8%
Culture & Recreation	0.8%	0.7%
Other	5.0%	4.9%

**Total 100% 100%**

Dec 10 Jun 11

Jun 11



Australia	80.0%
New Zealand	8.3%
Europe	6.0%
Other International	5.7%

Including ASB and Bankwest



1 Total exposures = balance for uncommitted facilities; greater of limit or balance for committed facilities. Includes settlement risk, ASB and Bankwest.

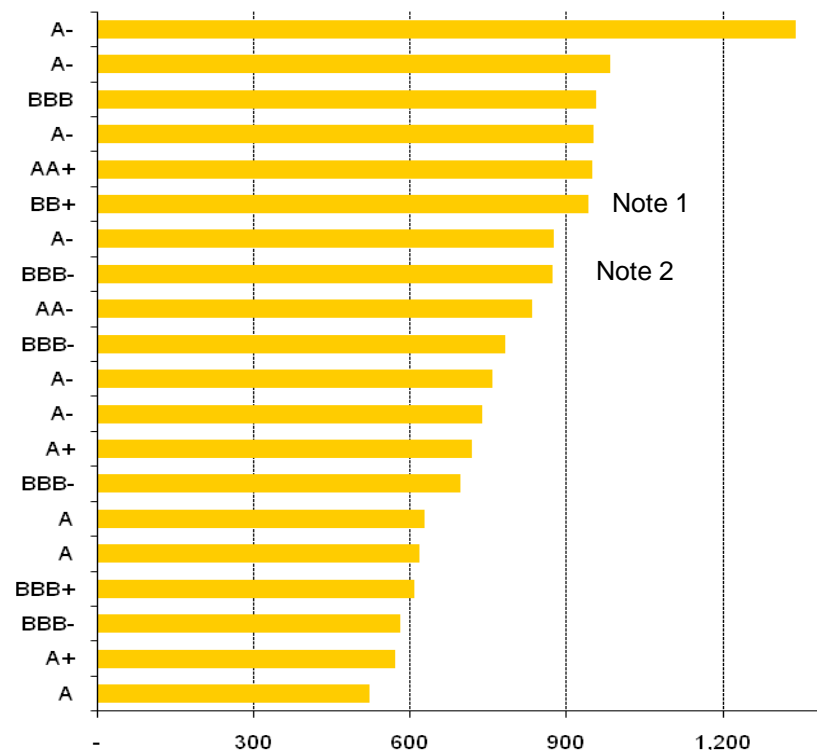
# Sector Exposures<sup>1</sup>

## Sector Exposures\* – Jun 11

\$bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Total
Banks	49.1	30.6	3.1	0.4	<b>83.2</b>
Finance Other	7.8	8.6	3.4	5.2	<b>25.0</b>
Property	0.3	4.3	8.1	34.0	<b>46.7</b>
Sovereign	50.2	1.3	0.3	0.3	<b>52.1</b>
Manufacturing	0.2	2.2	5.8	5.9	<b>14.1</b>
Retail/Wholesale Trade	0.0	0.9	4.9	12.1	<b>17.9</b>
Agriculture	0.0	0.2	2.1	14.1	<b>16.4</b>
Energy	0.5	1.3	4.4	1.4	<b>7.6</b>
Transport	0.0	1.7	4.4	4.0	<b>10.1</b>
Mining	0.5	1.2	2.5	2.0	<b>6.2</b>
All other (ex consumer)	1.9	3.4	11.8	35.7	<b>52.8</b>
<b>Total</b>	<b>110.5</b>	<b>55.7</b>	<b>50.8</b>	<b>115.1</b>	<b>332.1</b>

\* Includes ASB and Bankwest

## Top 20 Commercial Exposures<sup>2</sup> – Jun 11



Notes: The gradings reflect the rating of the ultimate risk.

Within these aggregated exposures is the following:

- \$155m rated D, \$104m B, \$43m B secured by fixed & floating charge.
- \$101m rated CC, \$250m D secured by fixed & floating charge.



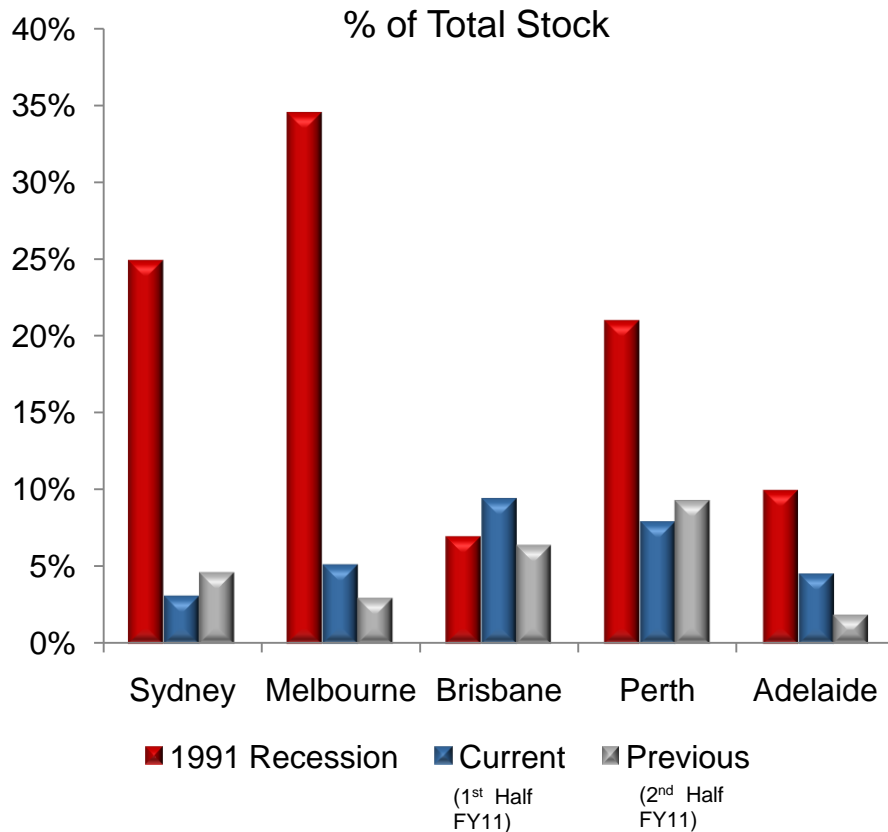
1 Gross exposure before collateralisation = balance for uncommitted facilities; greater of limit or balance for committed facilities and excludes settlement exposures.

2 Excluding finance and government . CBA grades in S&P Equivalents. Includes ASB. Excludes Bankwest.



# Commercial Property Market

## CBD Office Supply Pipeline\*



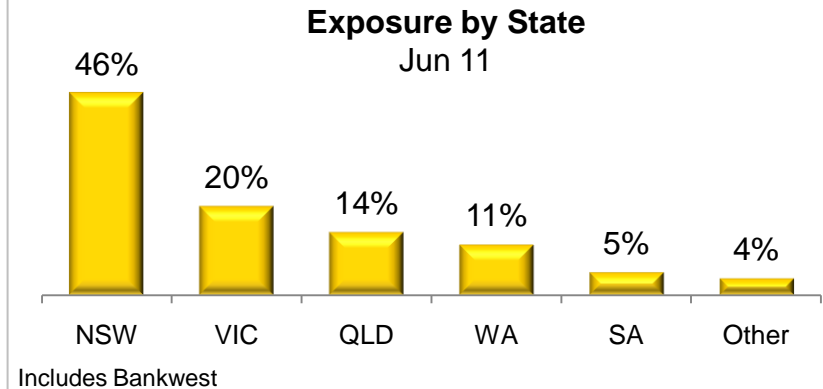
Source : Jones Lang LaSalle Research

## CBD Vacancy Rates

Market	Peak 1990s	Previous (1st Half FY11)	Current (2nd Half FY11)
Sydney	22.4%	7.8%	8.0%
Perth	31.8%	7.1%	5.4%
Melbourne	25.8%	6.3%	6.0%
Brisbane	14.3%	8.3%	6.8%
Adelaide	19.8%	7.3%	6.9%

Source : Jones Lang LaSalle Research

## CBA Commercial Property



\* The development pipeline includes all projects currently under construction. Melbourne, for example, is only developments in 2010 (there is nothing beyond the calendar year at present), while Perth and Brisbane include projects through 2012.

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# Economic Summary

## CBA Economists summary of key indicators

As at June

	2008	2009	2010	2011	2012 (f)	2013 (f)
Credit Growth % – Total	11.7	3.1	3.2	2.7	3-5	5-7
Credit Growth % – Housing	9.5	6.5	8.0	6.0	4-6	5-7
Credit Growth % – Business	16.9	0.5	-3.9	-2.4	2-4	6-8
Credit Growth % – Other Personal	3.4	-7.0	3.1	0.3	0-2	5-7
GDP %	3.8	1.4	2.3	1.7	4.1	4.1
CPI %	3.4	3.1	2.3	3.1	2.9	3.1
Unemployment rate %	4.2	4.9	5.5	5.1	4.9	4.7
Cash Rate %	7¼	3	4½	4¾	5¼	5¾

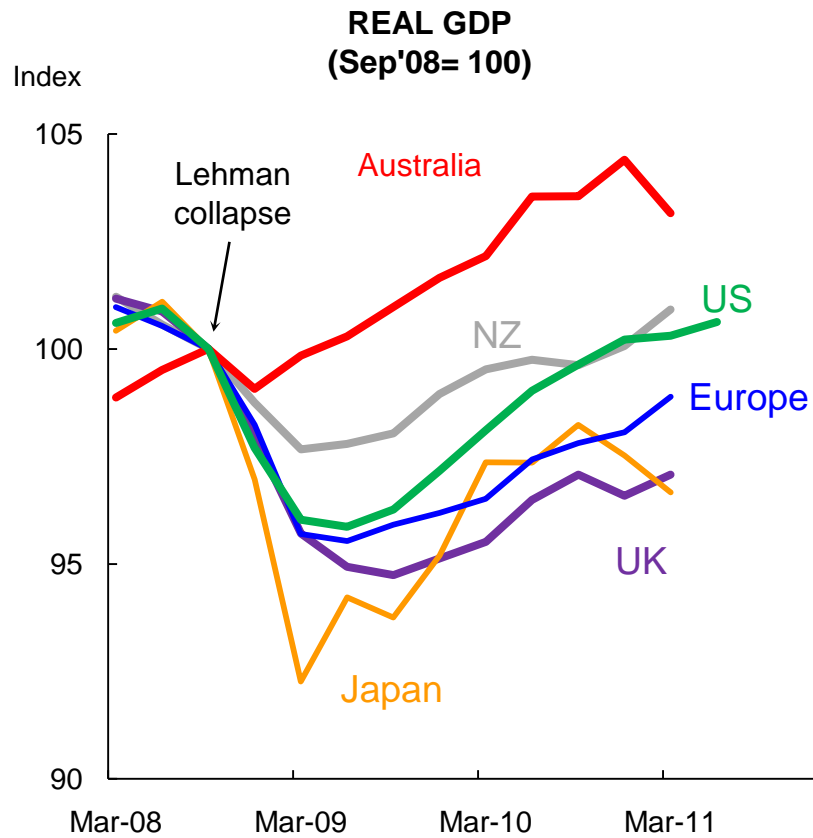


CBA Economists Forecasts  
 Credit Growth  
 GDP, Unemployment & CPI  
 Cash Rate

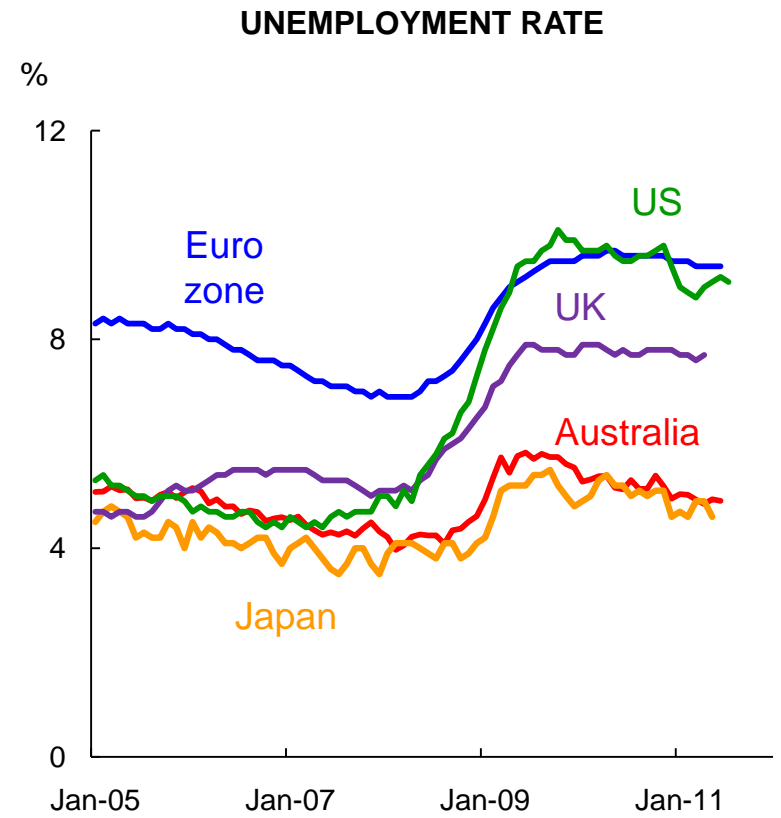
= 12 months to June Qtr  
 = Year average  
 = June qtr

# Australia in Perspective

Growth outperformance



Stronger labour market

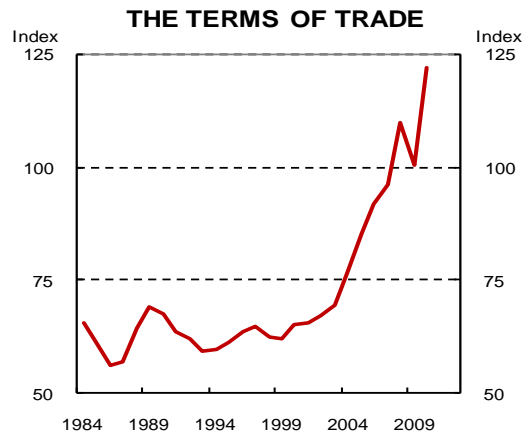


Source: CEIC

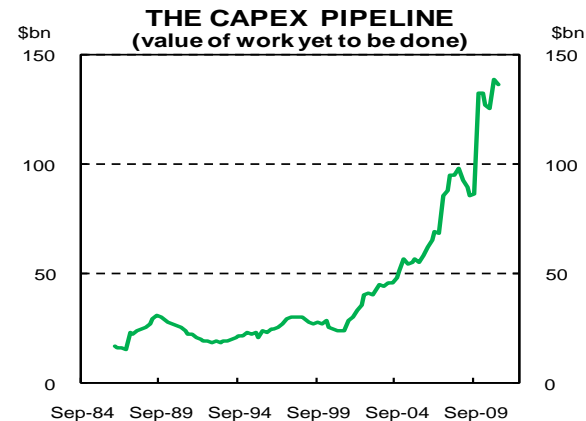


# Base Level of Growth "Locked In"

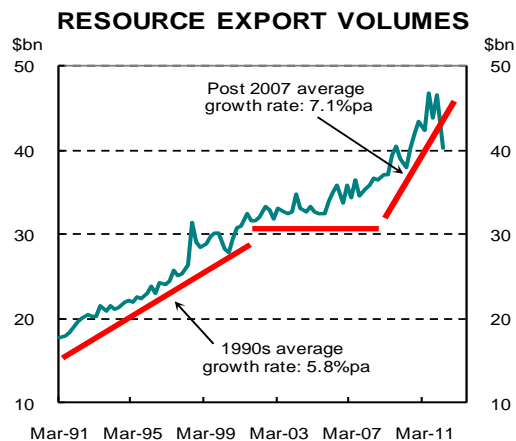
## A rising terms of trade is still boosting incomes



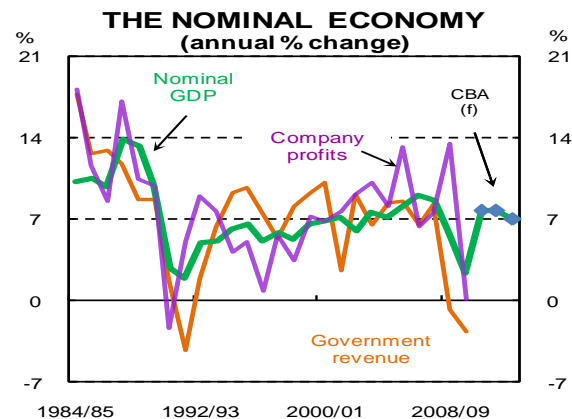
## The capex boom rolls on



## Exports are responding



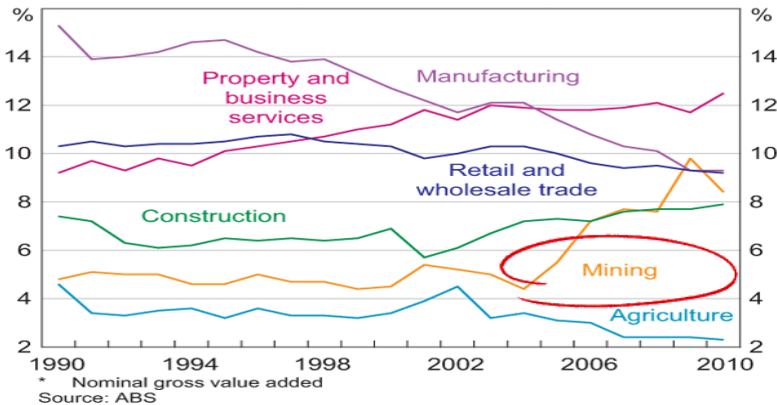
## Nominal economy supports capex & labour hiring



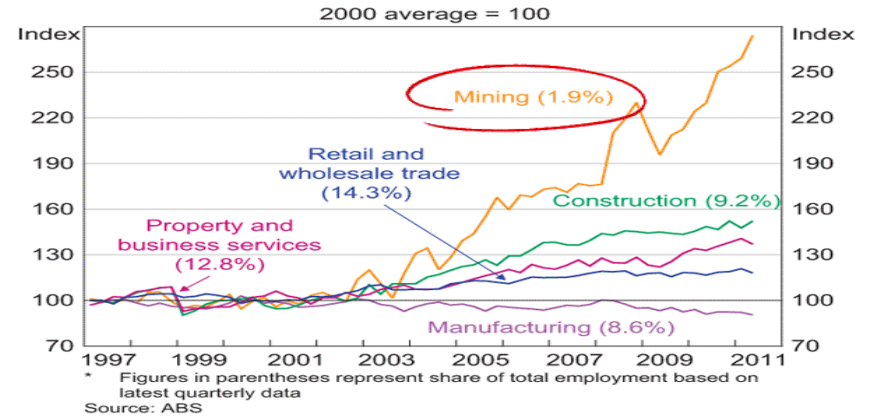


# Resources in the economy

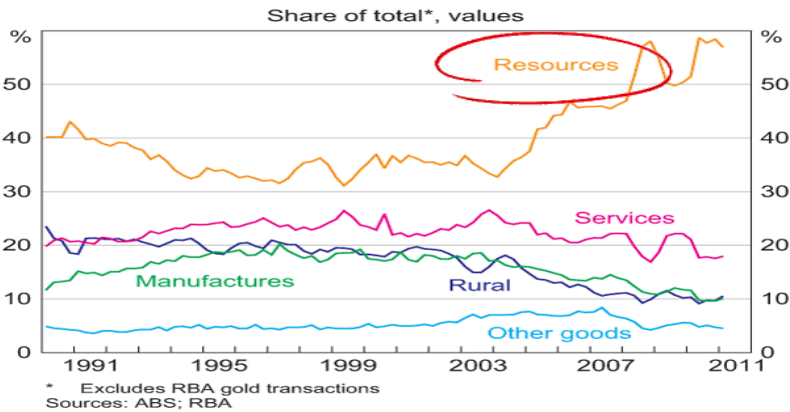
## Industry share of output\*



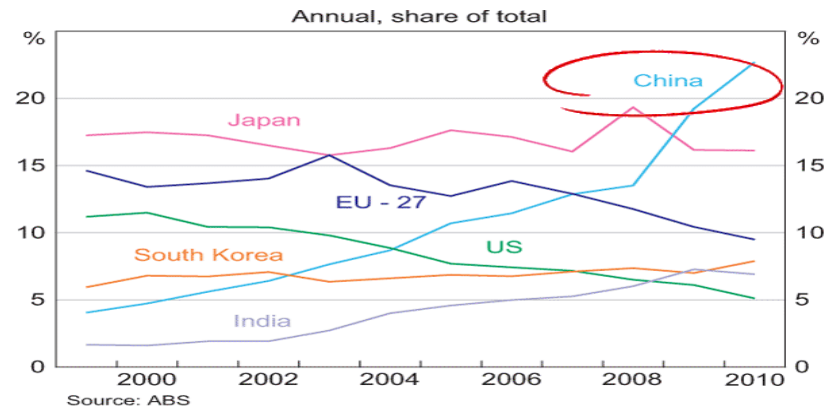
## Employment\*



## Exports composition

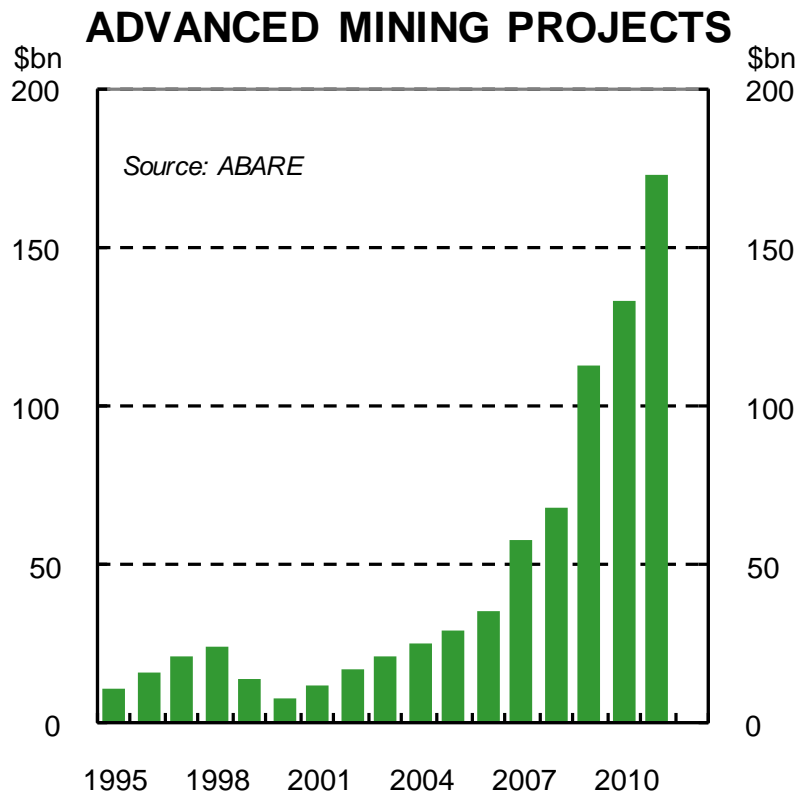


## Exports destination



# The Capex Boom

## Mainly mining



- Value of advanced mining projects *rose* through the GFC and have since lifted further
- Some AUD174bn worth of mining projects are at an advanced stage

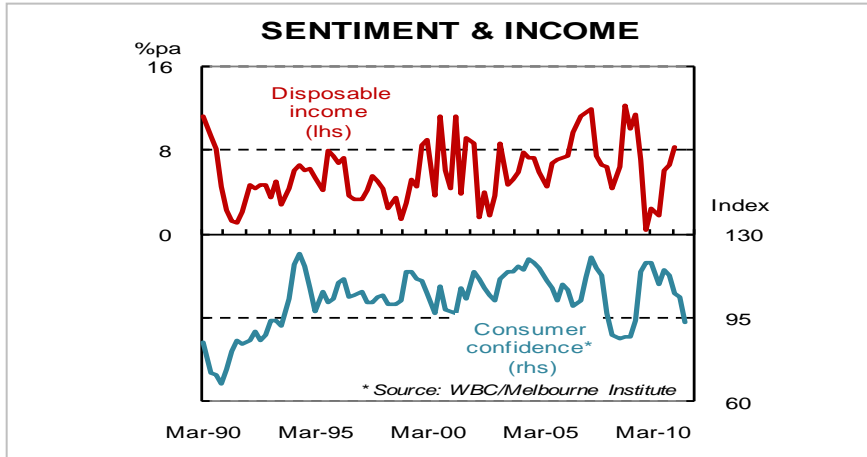
### Mining Multipliers

	Output Multiplier (gross value added)	Employment Multiplier (full-time equivalent)
Coal, oil & gas	\$1.26	9
Iron ore	\$1.28	11
Non-ferrous metals	\$1.25	13
Services to mining	\$1.40	17

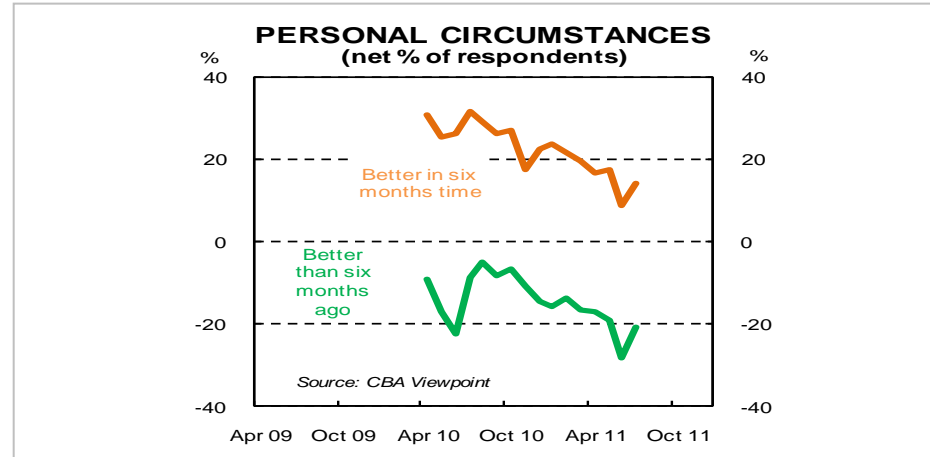


# Consumer Caution

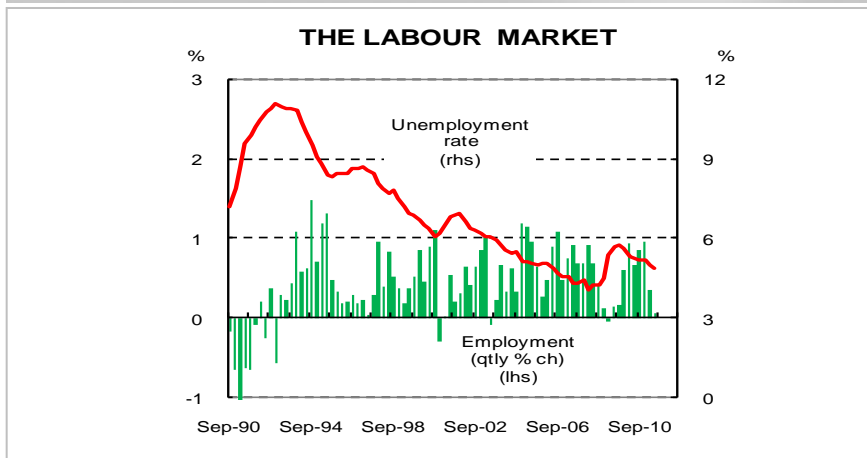
## Income growth is strong but confidence is low



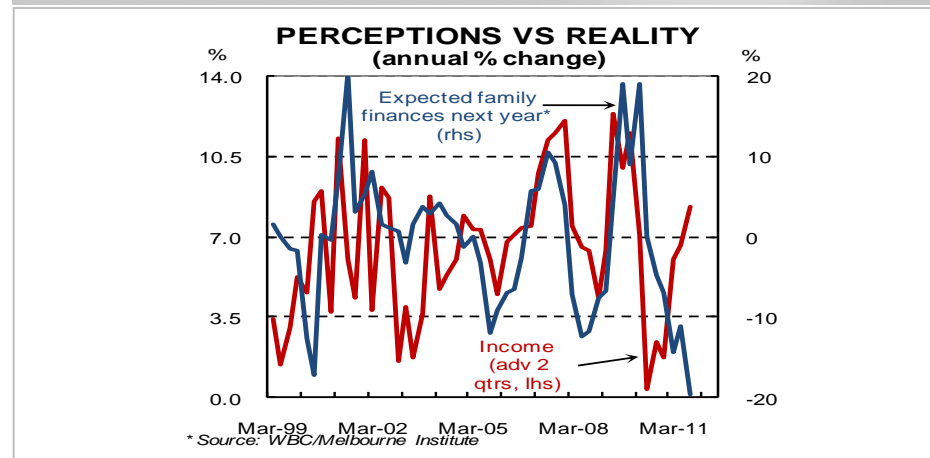
## Households worry about their finances



## Supportive labour market backdrop



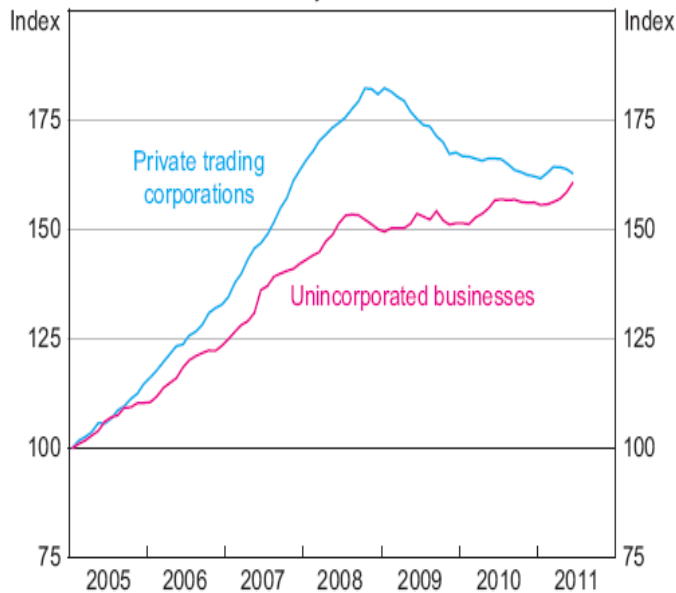
## “Sentiment” to respond to “income”



# Business Credit

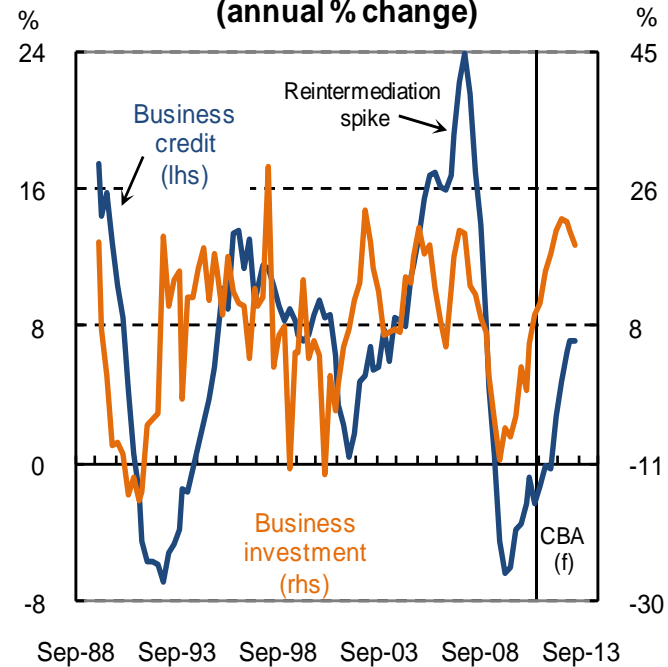
Business Credit by Type of Borrower

January 2005 = 100



Sources: APRA; RBA

BUSINESS CREDIT  
(annual % change)

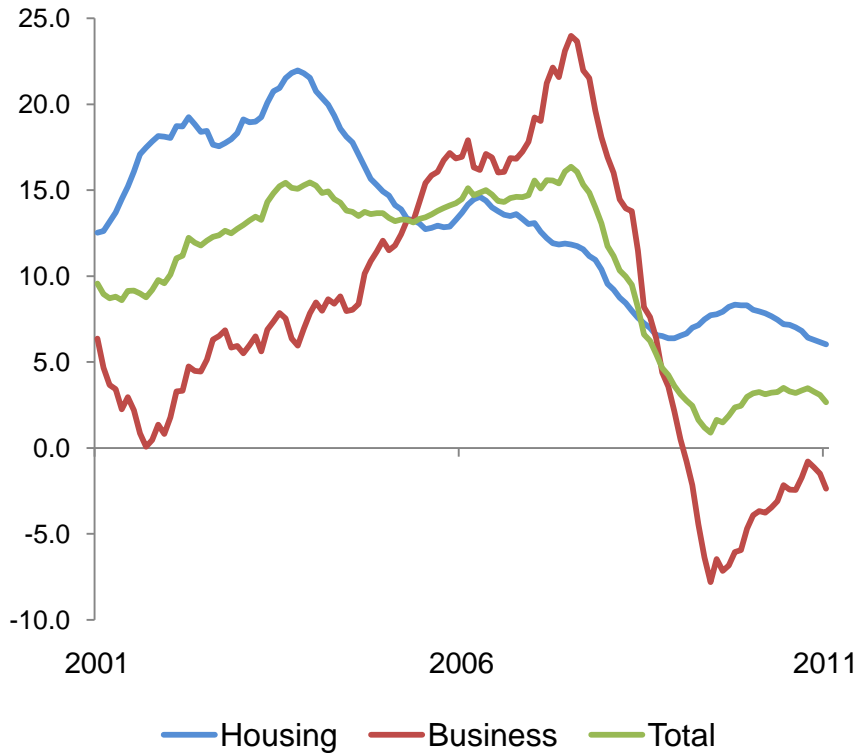


- Deleveraging by large corporates offsetting underlying credit growth from SMEs.
- Capex strong but mining dominance, high retained earnings and alternative financing options to weigh on credit growth.



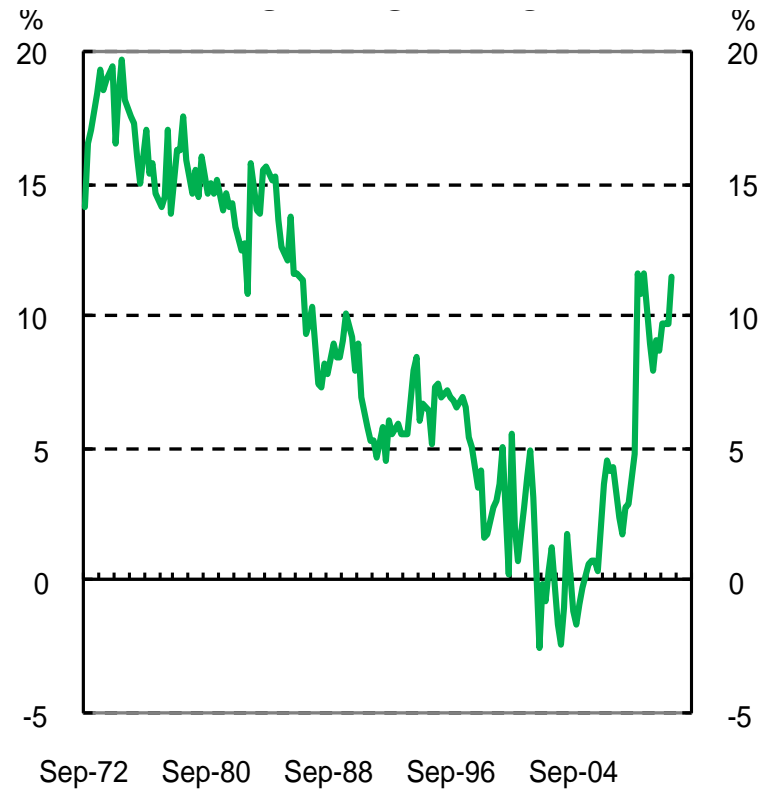
# Consumer Caution

## Credit Growth



Source: RBA

## Household Savings Ratio



Source: ABS



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# Additional Information

## Business unit profitability

\$m	Operating Performance	Impairment Expense	Investment Experience	Tax & non-controlling interests	Cash NPAT Jun 11	Cash NPAT Jun 10	Mvt Cash NPAT	Mvt Operating Performance
RBS	4,605	(558)	-	(1,202)	2,845	2,461	16%	8%
BPB	1,717	(261)	-	(417)	1,039	898	16%	8%
IB&M	1,639	(324)	-	(311)	1,004	1,173	(14%)	(7%)
WM <sup>1</sup>	799	-	83	(240)	642	718	(11%)	-
NZ <sup>2</sup>	673	(54)	1	(150)	470	388	21%	15%
Bankwest	771	(109)	-	(199)	463	(45)	Large	12%
Other <sup>3</sup>	443	26	37	(134)	372	508	(27%)	(18%)
<b>Total</b>	<b>10,647</b>	<b>(1,280)</b>	<b>121</b>	<b>(2,653)</b>	<b>6,835</b>	<b>6,101</b>	<b>12%</b>	<b>4%</b>



- 1 Comparatives include the St Andrew's insurance business which was sold effective 1 July 2010.
- 2 NZ in AUD
- 3 Includes Group Treasury, Centre functions, Asia

# Market shares

	CBA	Jun 11 BWA	Combined	Dec 10 CBA + BWA	Jun 10 CBA + BWA <sup>1</sup>
Home loans	22.0%	3.7%	25.7%	25.9%	26.1%
Credit cards <sup>2</sup>	19.9%	2.8%	22.6%	22.7%	22.5%
Personal lending	14.0%	0.9%	14.9%	14.6%	14.6%
Household deposits	27.0%	2.9%	30.0%	30.5%	31.3%
Retail deposits	23.2%	3.7%	26.9%	26.7%	27.4%
Business lending – APRA	13.3%	4.8%	18.1%	18.6%	19.5%
Business lending – RBA	13.9%	3.1%	17.0%	17.2%	17.4%
Business deposits – APRA	17.3%	3.9%	21.2%	21.3%	22.9%
Equities trading – Total	5.9%	n/a	5.9%	5.7%	6.3%
Equities trading – Online non advisory	63.3%	n/a	63.3%	62.6%	62.3%
Australian retail funds – administrator view <sup>3</sup>	15.0%	n/a	15.0%	15.0%	14.6%
FirstChoice platform <sup>3</sup>	11.3%	n/a	11.3%	11.2%	10.9%
Australia life insurance (total risk) <sup>3</sup>	12.4%	n/a	12.4%	12.5%	12.6%
Australia life insurance (individual risk) <sup>3</sup>	13.3%	n/a	13.3%	13.3%	13.3%
NZ Lending for housing	22.2%	n/a	22.2%	22.4%	22.8%
NZ Retail deposits	21.4%	n/a	21.4%	21.2%	21.6%
NZ Lending to business	9.1%	n/a	9.1%	9.2%	9.5%
NZ Retail FUM	14.4%	n/a	14.4%	14.5%	17.9%
NZ Annual inforce premiums	29.9%	n/a	29.9%	30.3%	31.0%

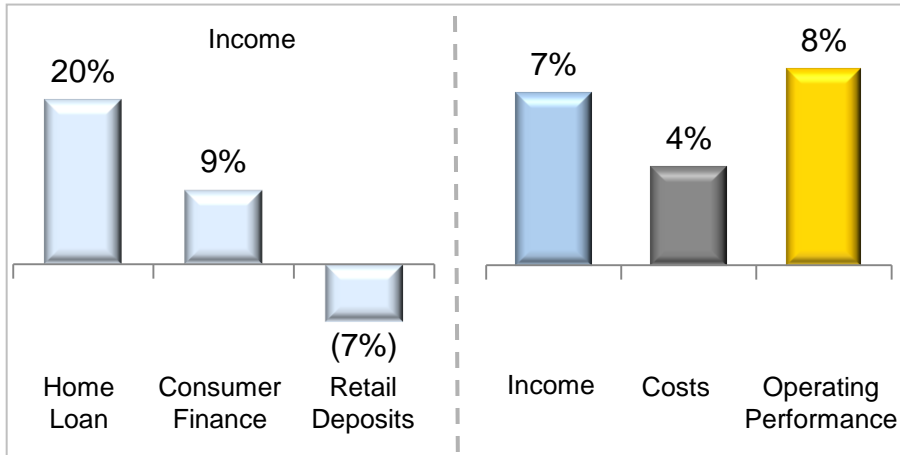


- 1 Excludes St Andrew's insurance business
- 2 As at 31 May 2011
- 3 As at 31 March 2011

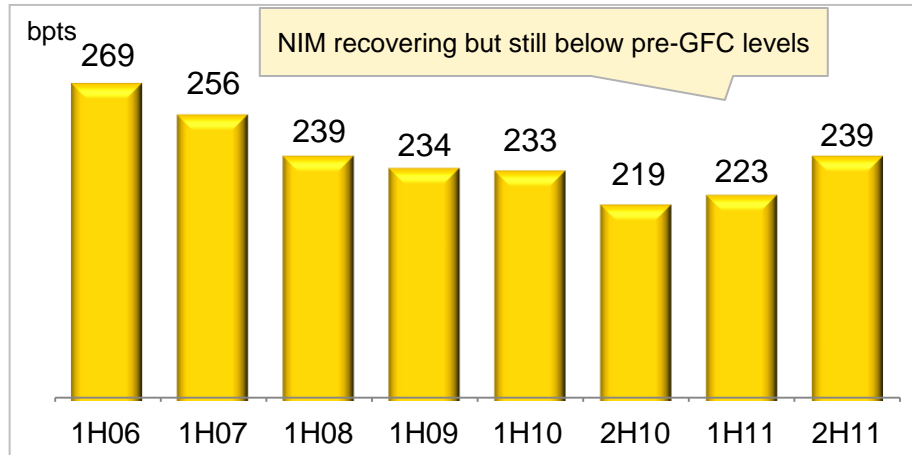


# Retail Banking Services

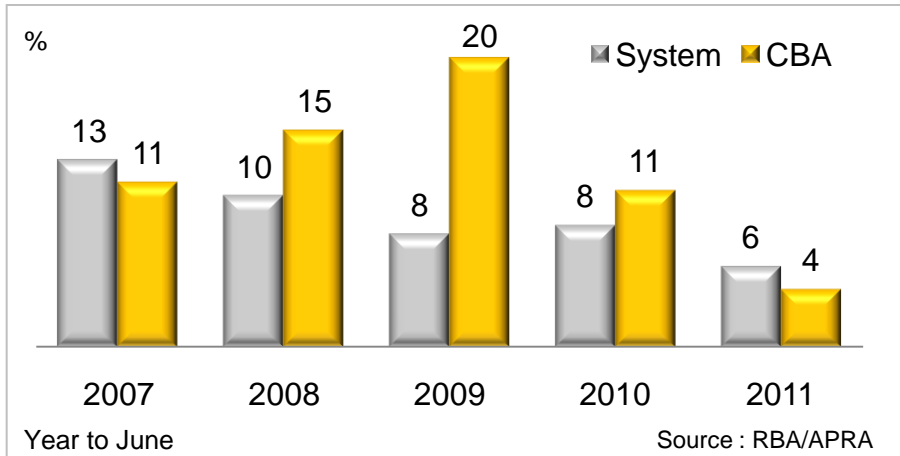
## FY11 Operating Performance



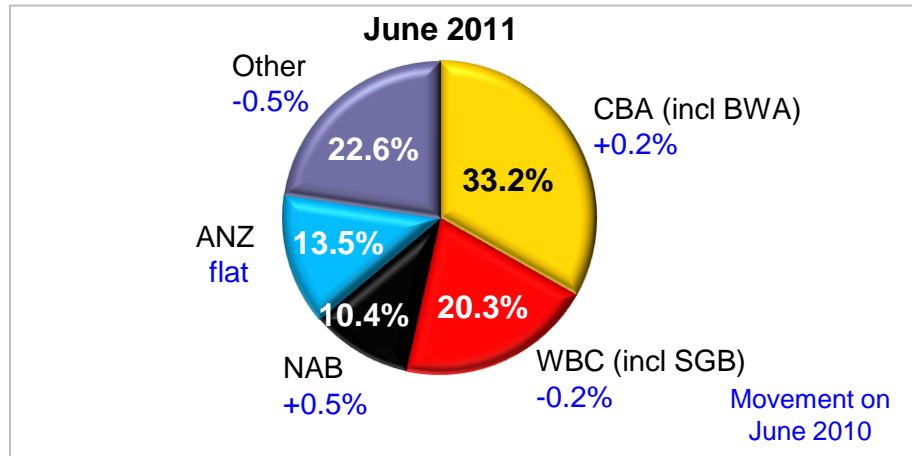
## RBS Margin



## RBS Home Loan Balance Growth



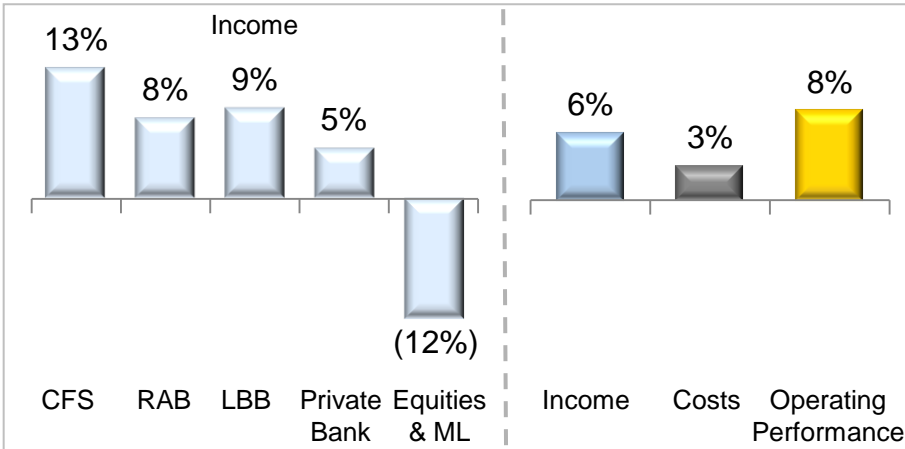
## MFI Customer Numbers<sup>1</sup>



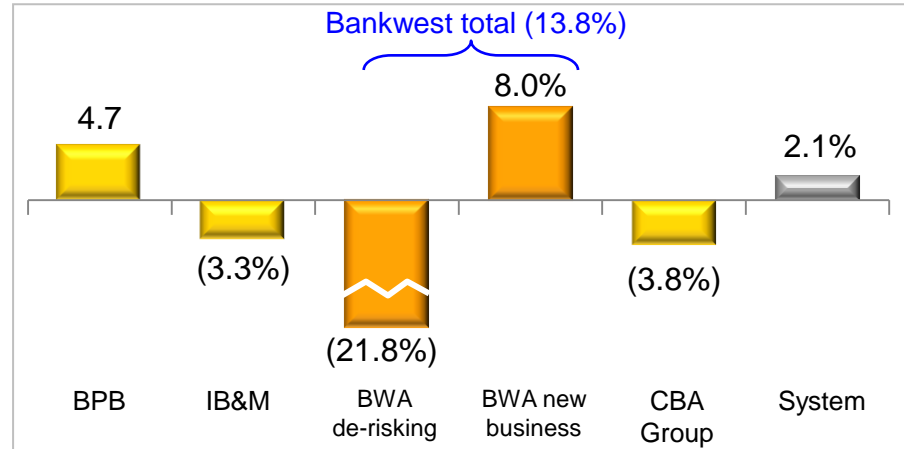
1. Source: Roy Morgan Research. Australians 14+, Proportion of Banking and Finance MFI Customers that nominated each bank as their Main Financial Institution, 12 months to June 2011 and 2010.

# Corporate

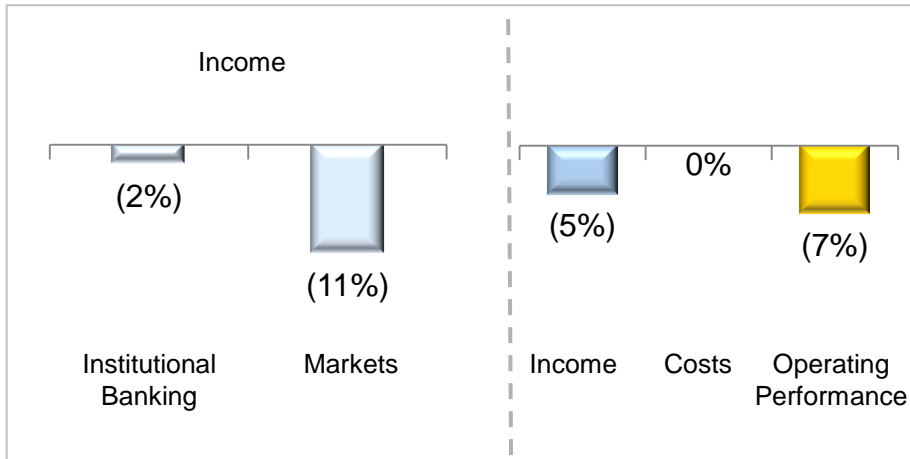
## FY11 Operating Performance – BPB



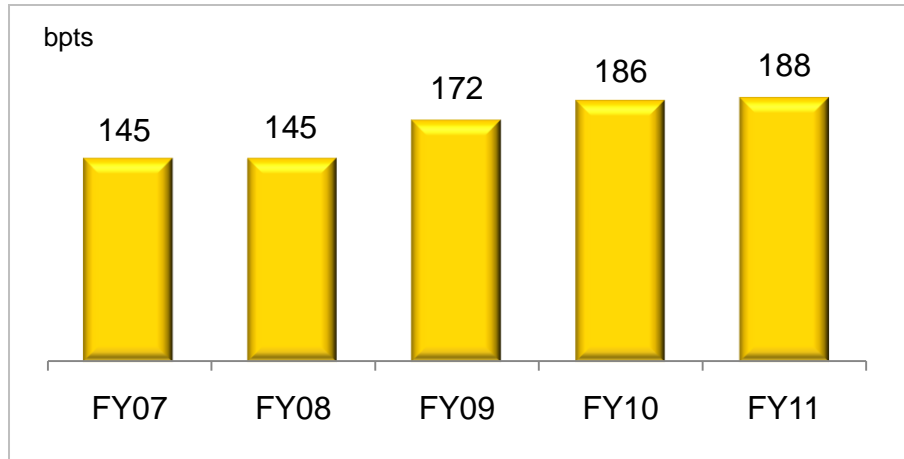
## FY11 Business Lending Growth



## FY11 Operating Performance – IB&M



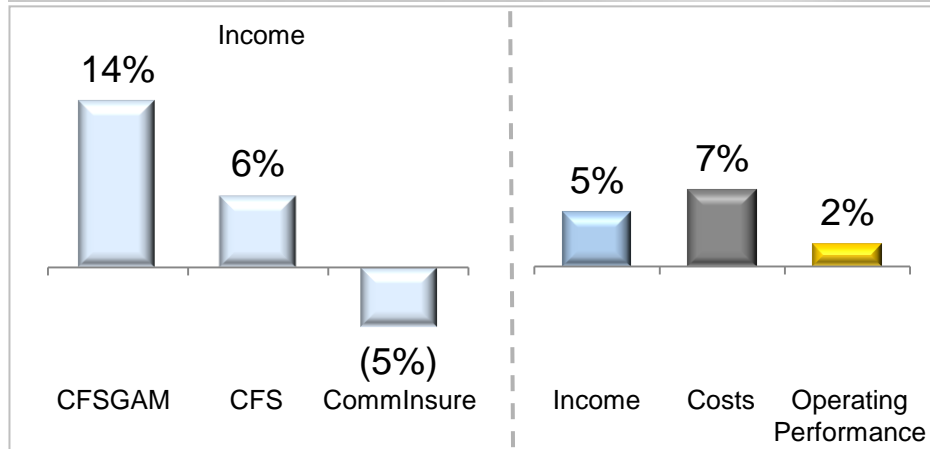
## NIM<sup>1</sup>



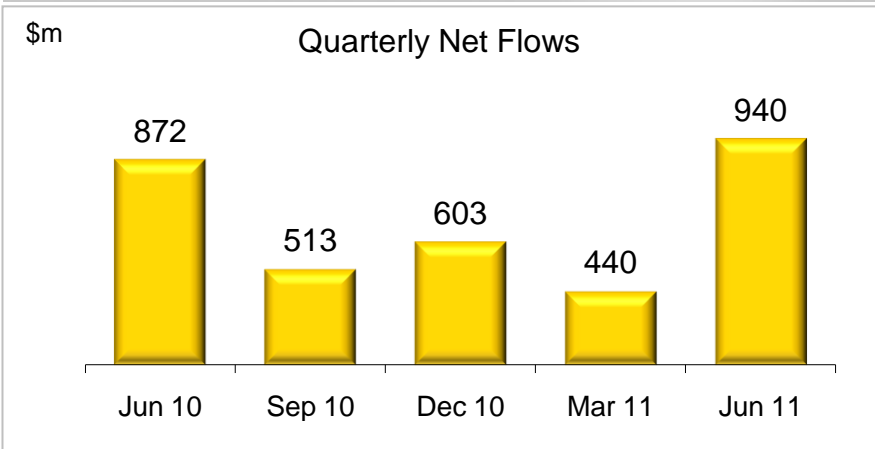
<sup>1</sup> Combined Institutional Banking and Markets and Business and Private Banking. Includes Markets income, excludes all line fees and commitment fees on loans & Commercial Bills

# Wealth Management

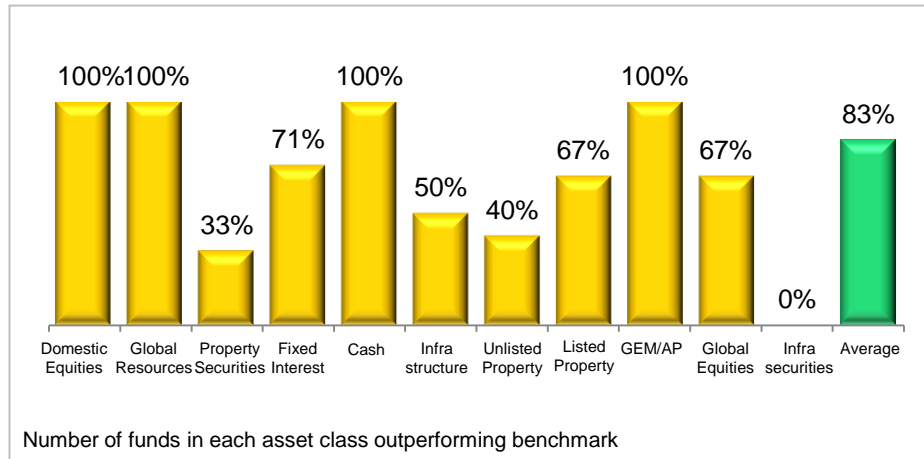
## FY11 Operating Performance



## FirstChoice net flows strong



## Strong investment performance – 5 years



## Strategy & Execution

### CFSGAM

- Capitalise on global growth opportunities (now 54% of income) and enhance domestic business

### Colonial First State

- Profitable growth with aligned cost management

### CommInsure

- Improving service and streamlining processes



CommInsure



CommonwealthBank



# New Zealand

- ASB NZD Cash NPAT ↑ 42%:
  - ▶ Improved lending margins, with floating rate home loans up from 37% of all home loans in Jun-10 to 59% in Jun-11
  - ▶ Lower impairment expense due to improving asset quality
  
- Sovereign NZD cash NPAT ↓17%:
  - ▶ One-off deferred tax revaluation credit in FY10
  - ▶ Positive policy valuation adjustments in FY10
  
- Christchurch earthquake support packages provided for both banking and insurance customers

	Jun 11 NZD \$m	Jun 11 vs Jun 10
ASB	1,528	17%
Sovereign	257	2%
Other	(23)	18%
<b>Total operating income</b>	<b>1,762</b>	<b>15%</b>
Operating expenses	(919)	11%
<b>Operating performance</b>	<b>843</b>	<b>20%</b>
Impairment expense	(72)	(42%)
Tax and minority interests	(185)	54%
<b>Underlying profit after tax</b>	<b>586</b>	<b>27%</b>
Investment experience	2	Large
<b>Cash net profit after tax</b>	<b>588</b>	<b>28%</b>



# Bankwest

- Income ↑ 5%:
  - ▶ Above system Home Loan growth
  - ▶ Higher Deposit margins
  - ▶ Managing down higher risk exposures in business lending
  
- Disciplined cost management – expenses down every year since acquisition
  
- Impairment expense:
  - ▶ Improving credit quality
  - ▶ Run-off of troublesome and impaired business lending loan book
  - ▶ Non-recurrence of property related impairments that impacted the prior year

	Jun 11 \$m	Jun 11 vs Jun 10
Net interest income	1,420	6%
Other banking income	220	(6%)
<b>Total banking income</b>	<b>1,640</b>	<b>5%</b>
Operating expenses	(869)	(1%)
<b>Operating performance</b>	<b>771</b>	<b>12%</b>
Impairment expense	(109)	(86%)
Tax	(199)	Large
<b>Cash net profit after tax</b>	<b>463</b>	<b>Large</b>



# Comparisons

2010	Aust	Canada	Sweden	Norway
GDP (US\$ PPP)	\$39,699	\$39,057	\$38,031	\$52,012
GDP growth – 12mths (2010)	2.7%	3.1%	5.5%	0.4%
GDP growth – avg last 4 yrs	2.8%	0.8%	0.6%	0.6%
Unemployment	5.2 %	8.0 %	8.4 %	3.6 %
CAD / GDP %	-2.6 %	-3.1 %	6.5 %	12.9 %
Net Public debt / GDP %	5.5%	32.2 %	-14.6 %	-156.4 %
Govt Budget / GDP %	-4.6%	-5.5 %	-0.2 %	10.9 %
Real House price growth – avg last 4 yrs	5.4%	3.9%	3.8%	3.1%

Source: IMF World Economic Outlook database

as at Sep, Oct or Dec depending on fy end	CBA	ANZ	NAB	WBC	Royal Bank of Canada	Toronto Dominion	Bank of Nova Scotia	Bank of Montreal	SEB	Nordea
Loan / Deposit ratio	151.7%	142.3%	152.6%	169.2%	189.4%	111.2%	233.9%	180.2%	139%	178.1%
Gross NPLs / Loans	1.6%	2.1%	1.9%	1.6%	1.7%	0.8%	1.7%	1.9%	2.3%	1.7%
ROE (Core earnings / avg equity)	19.2%	16.7%	15.1%	16.5%	14.9%	13.7%	18.3%	15.0%	8.7%	11.5%
Core earnings / avg assets	1.0%	1.0%	0.7%	1.3%	0.8%	0.8%	0.8%	0.7%	0.3%	0.5%
Tier 1 Capital (FSA measure)	13.5%	14.1%	11.5%	13.6%	13.0%	12.2%	11.8%	13.5%	12.8%	9.8%
S&P RAC (after adjustments)	7.8	8.8	9.7	8.0	7.4	8.6	7.9	9.3	8.1	9.4
S&P rating	AA	AA	AA	AA	AA-	AA-	AA-	A+	A	AA-

Source: Company reports, S&P



# How to find us

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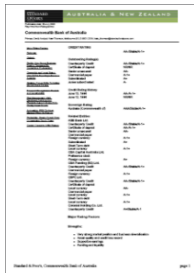
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### Programme Documentation

- Euro Medium Term Notes
- US Medium Term Notes
- Commets
- Commercial Paper

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DETERMINED TO BE BETTER THAN WE'VE EVER BEEN.

# Debt Investor Update

FOR THE FULL YEAR ENDED 30 JUNE 2011



**Commonwealth**Bank

