

100 YEARS OF BANKING ON AUSTRALIA'S FUTURE

# Debt Investor Update

FOR THE HALF YEAR ENDED 31 DECEMBER 2011



**Commonwealth**Bank

# Important Notes

## Disclaimer

The material that follows is a presentation of general background information about the Group's activities current at the date of the presentation, 31 December 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 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/>



# Index

<b>Overview and Results</b>	
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# CBA overview

✓	Largest Australian Bank by market capitalisation
✓	AA- / Aa2 / AA <sup>2</sup>
✓	Tier 1 Capital 9.9%; or 13.2% UK FSA
✓	Total Assets of \$702bn
✓	14 million customers
✓	52,000 staff
✓	Over 1,000 branches, leading online platforms
✓	#1 in household deposits ~29% share
✓	#1 in home lending ~26% share
✓	#1 retail funds platform ~11% share

Results – 6mths to 31 Dec 2011 <sup>1</sup>		
Cash earnings (\$m)	3,576	+7%
ROE (Cash)	19.2%	-
Cash EPS (\$)	2.27	+6%
DPS (\$)	1.37	+4%
Cost-to-Income	45.8%	+40bps
NIM (bpts)	215	+3bps

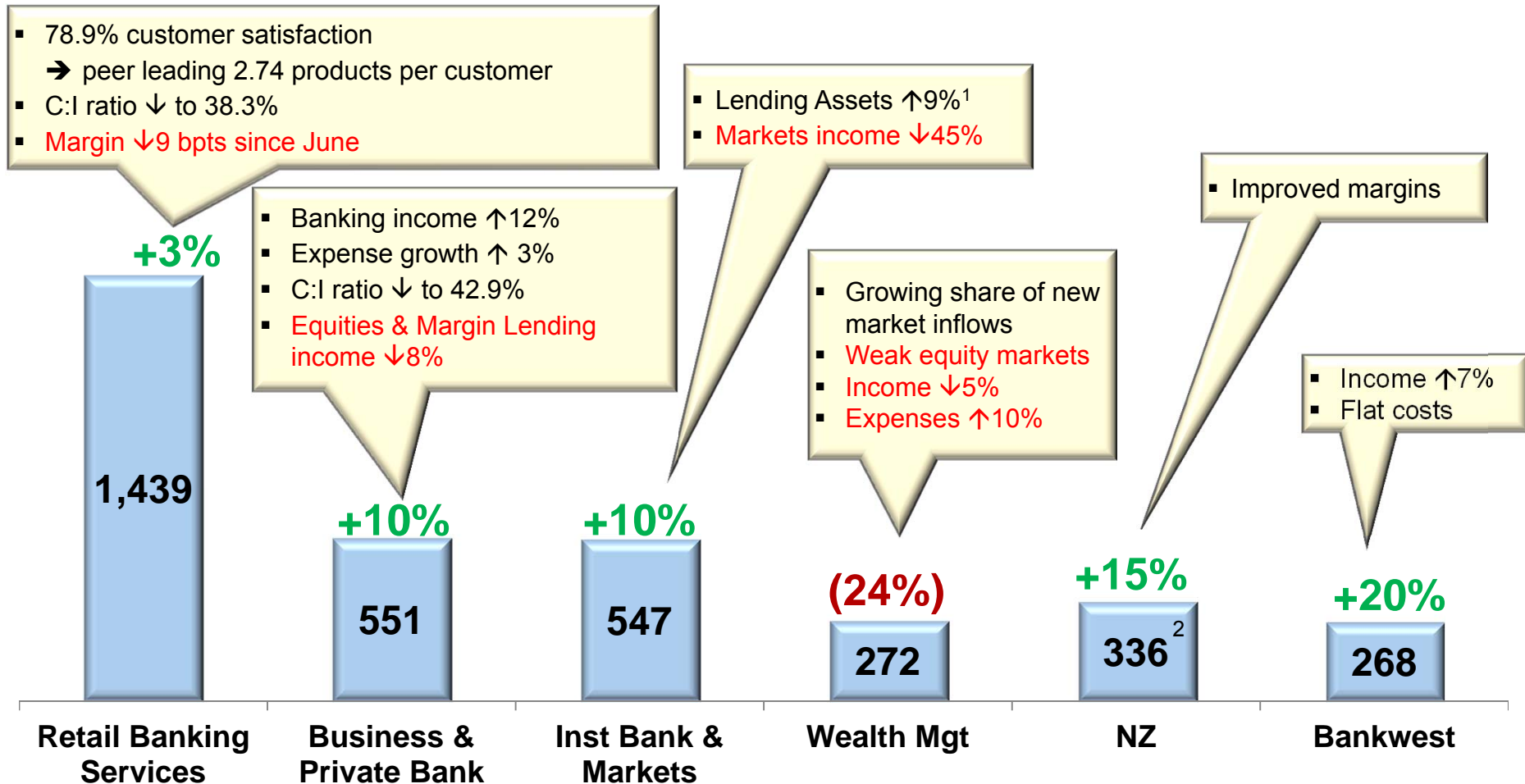
Capital & Funding		
Tier 1 Capital	9.9%	19bps
Tier 1 – UK FSA	13.2%	(30bps)
LT Wholesale Funding WAM (yrs)	3.6	-
Deposit Funding (%)	62%	+2%
Liquid Assets <sup>3</sup> (\$bn)	133	+43%



1 All movements on prior comparative period (i.e. 6mths to Dec 2010)  
 2 In Jan 2012 Fitch placed CBA and other Australian major banks on Ratings Watch Negative  
 3 Liquid Assets as at 8 February 2012

# Operating performance – 6 mths to 31 Dec 2011

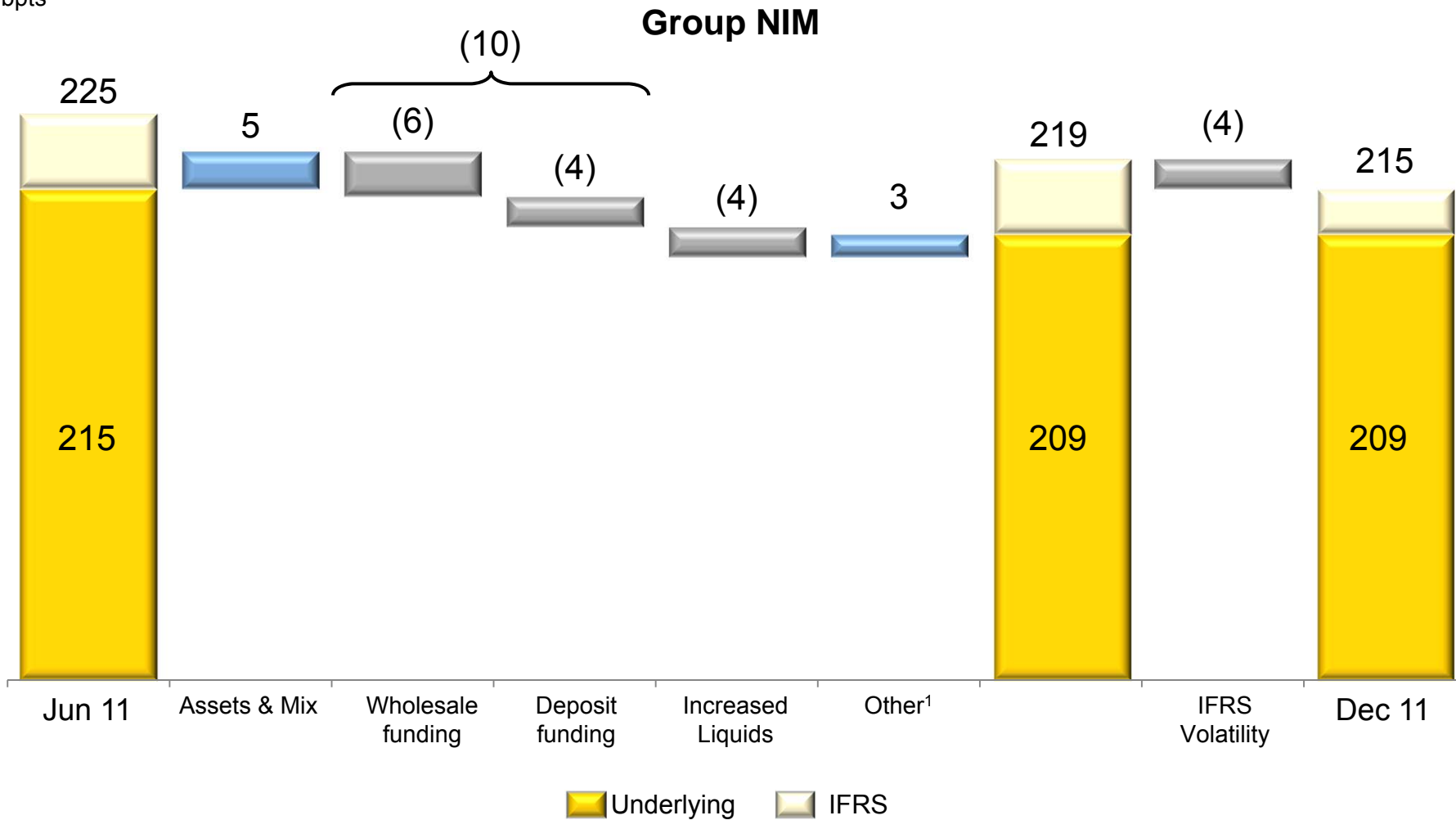
## Cash NPAT (\$m)



1 Since June 2011  
2 NZ result in NZD

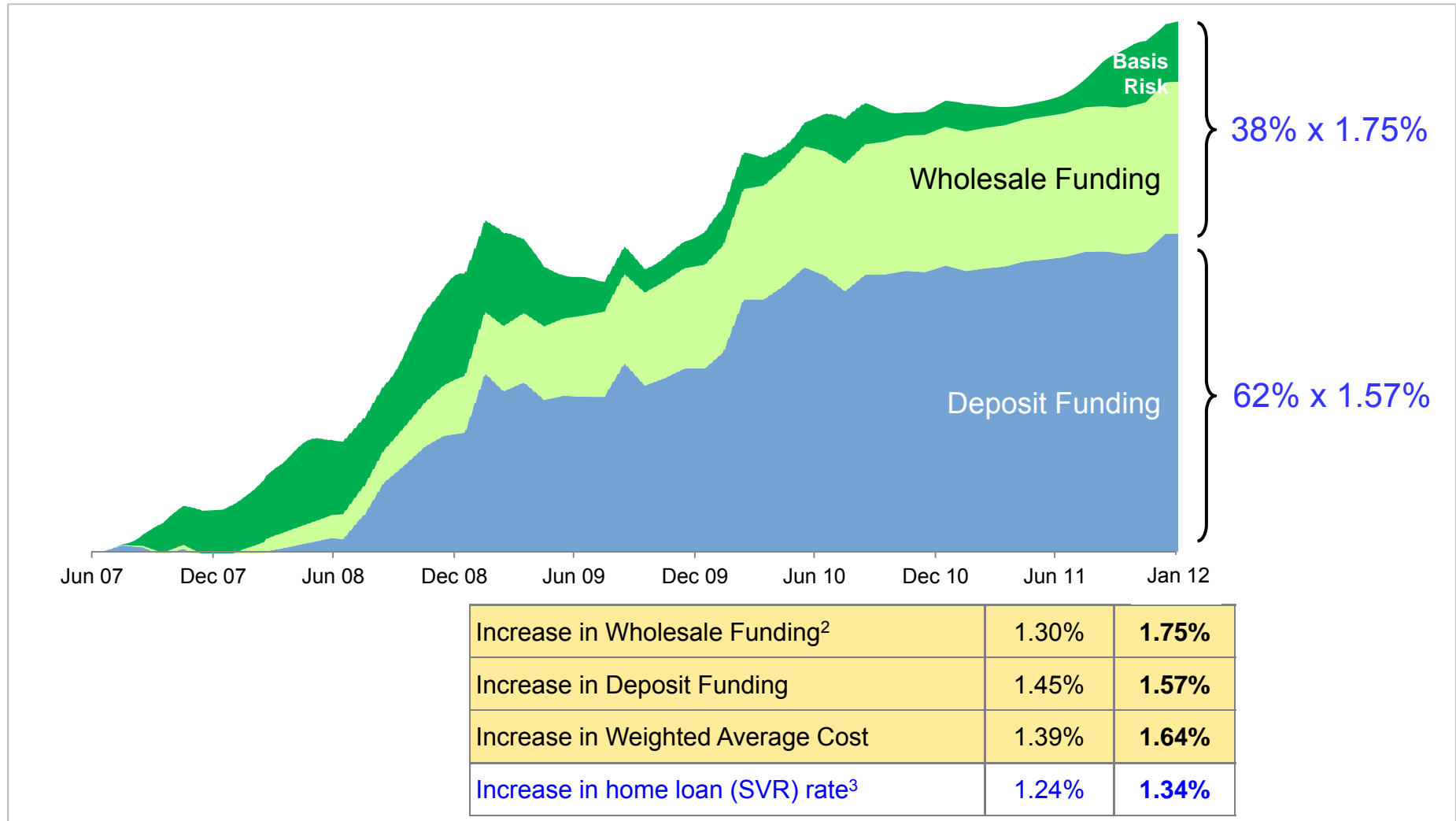
# Net interest margin

bpts



1 Includes New Zealand and other unallocated items

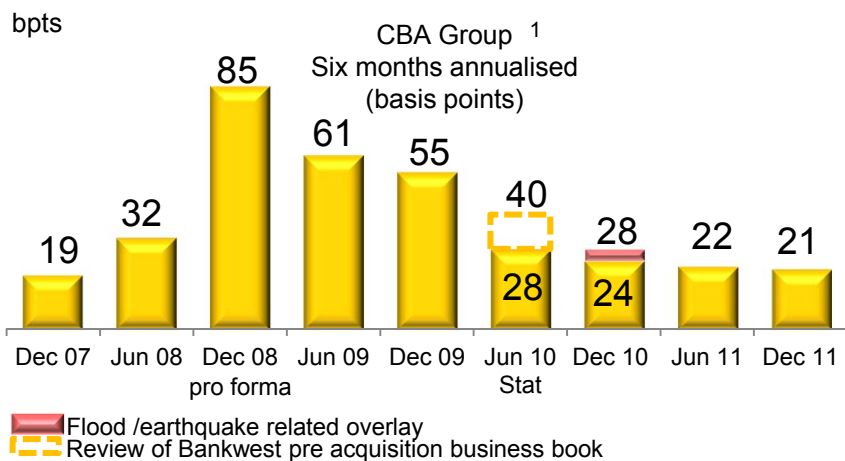
# Funding costs<sup>1</sup>



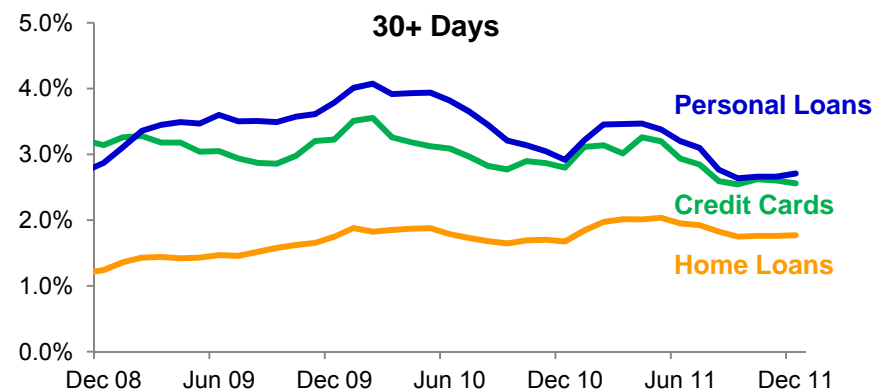
1. RBS funding (excludes ST wholesale)
2. Includes Basis Risk
3. Outside of movements in the RBA cash rate

# Sound credit quality

## Loan impairment expense to gross loans

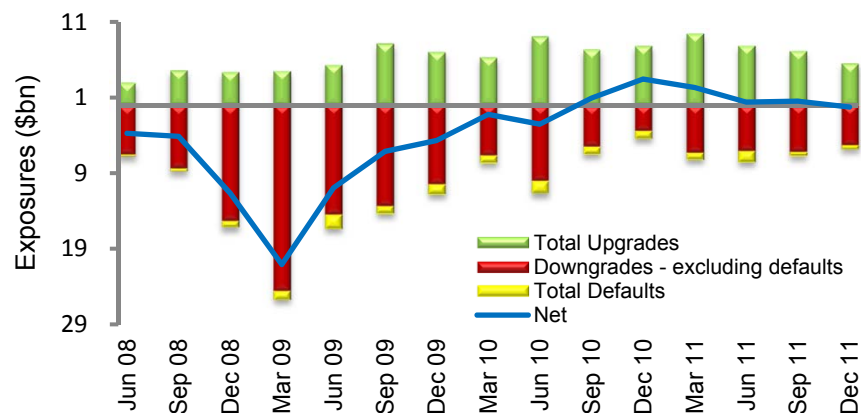


## Consumer Arrears

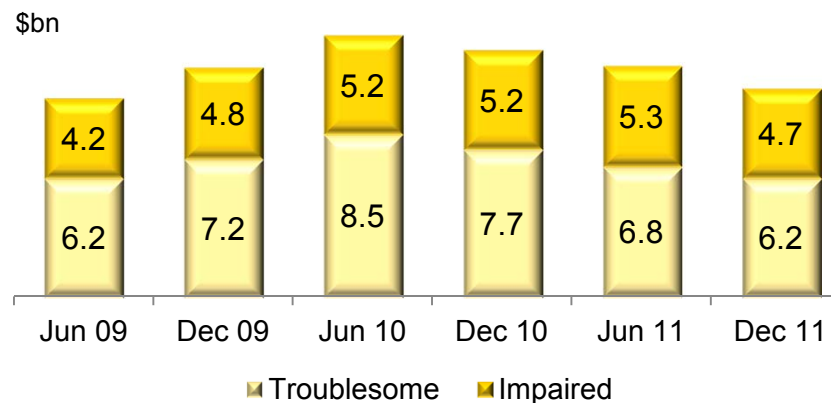


CBA domestic only. Excludes Bankwest

## PD Ratings Migration Risk-Rated Portfolio



## Troublesome and Impaired Assets

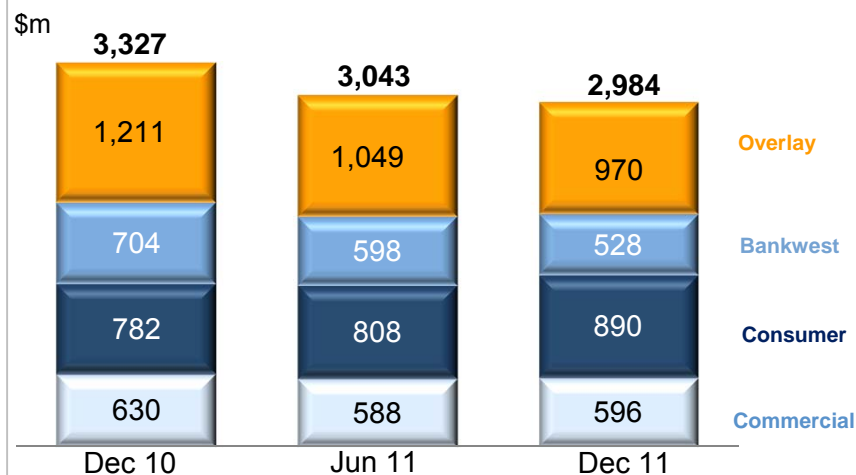


1 Includes ASB and Bankwest from December 08. December 08 includes Bankwest on a pro forma basis. Basis points as a percentage of average Gross Loans and Acceptances.



# Provisioning

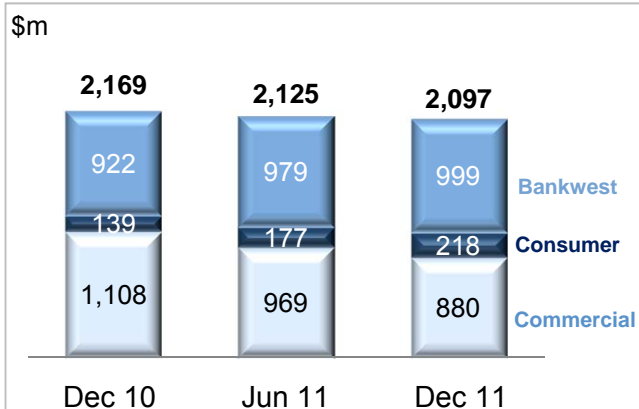
## Collective Provisions



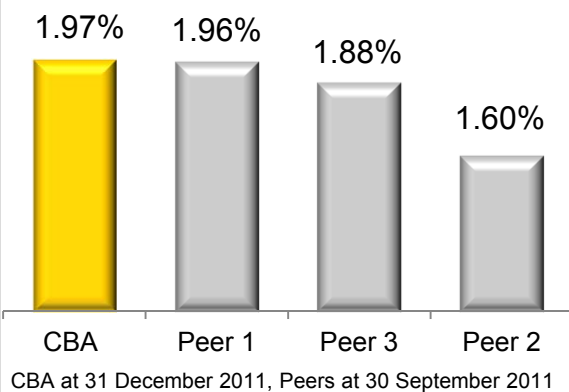
## Overlay movement

	Dec 11 vs Jun 11 \$m
Economic overlay unchanged	-
Lower modelled outcome as credit quality improves	(8)
Amortisation of BWA fair value provision	(18)
Other overlays utilised – improvement in models resulted in transfer to base	(53)
<b>Total</b>	<b>(79)</b>

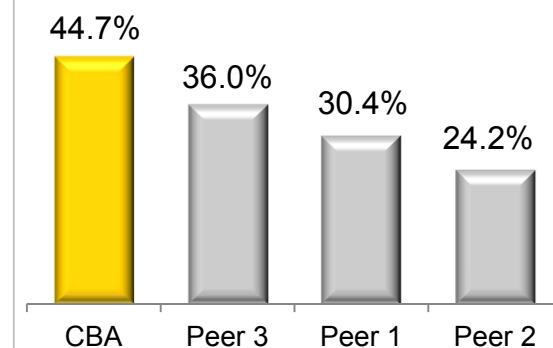
## Individual Provisions



## Total Provisions to Credit RWA<sup>3</sup>



## Individual Provisions to Impaired Assets



- 1 Gross Loans and Acceptances
- 2 Impairment Provisions to Impaired Assets.
- 3 Provisions do not include General Reserve for Credit Losses equity reserves or other similar adjustments.

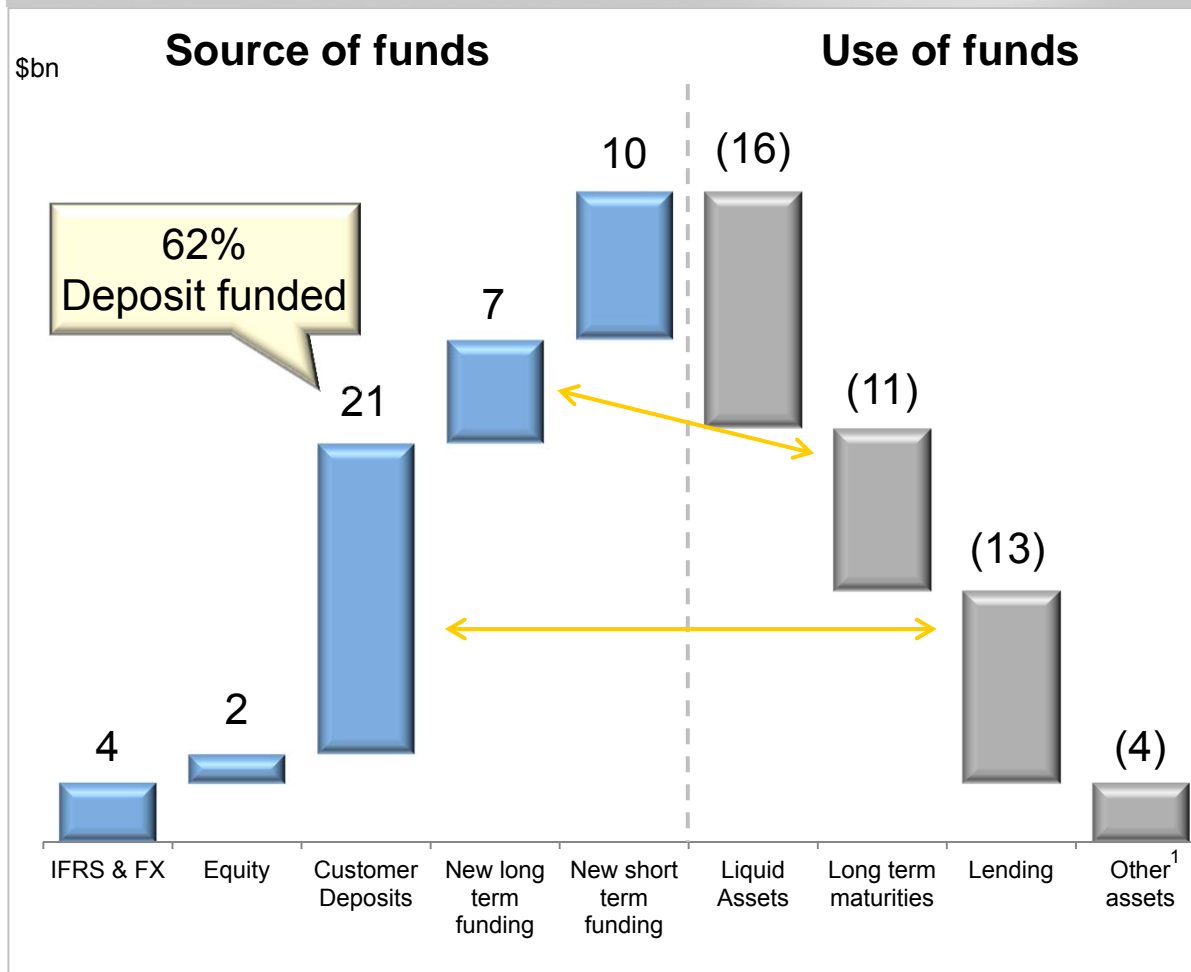
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# Funding

## Funding – 6 Months to Dec 2011



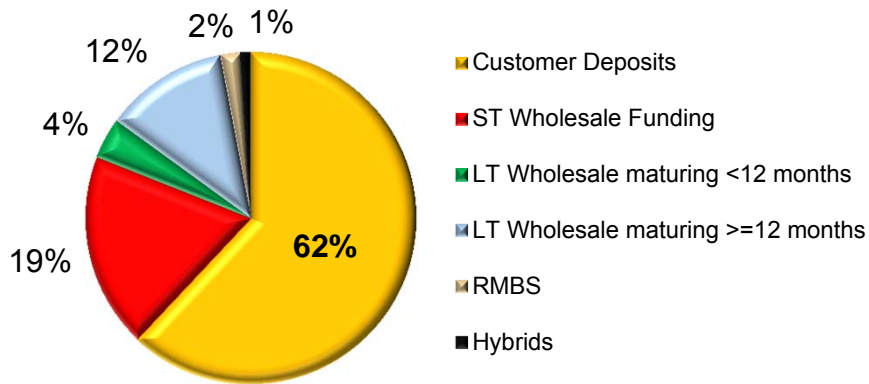
\$bn	Jun 11	Dec 11
Transactions	79	82
Savings	82	89
Investments	176	189
Other	12	10
<b>Total Customer</b>	<b>349</b>	<b>370</b>
Wholesale funding	220	230
<b>Total Funding</b>	<b>569</b>	<b>600</b>
Equity	37	39
<b>Total Funded Assets</b>	<b>606</b>	<b>639</b>
<b>Customer % of Total Funding</b>	<b>61%</b>	<b>62%</b>



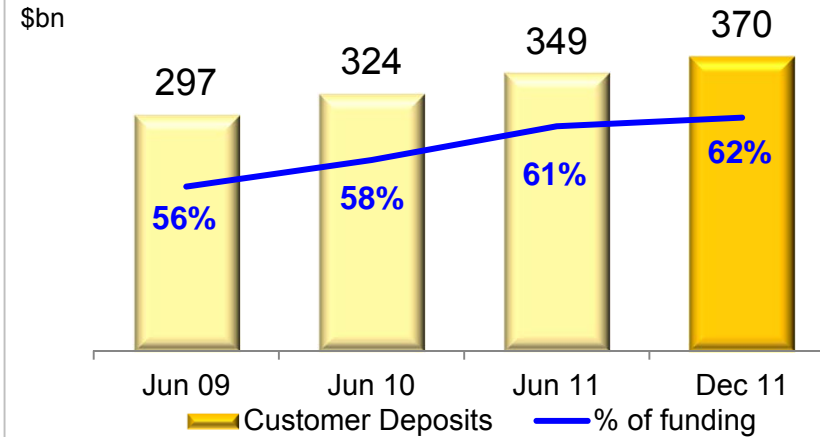
- 1 Includes trading assets, net derivatives, due from other financial institutions, bills payable, other assets
- 2 Group liquid holdings as at 8 February 2012

# Funding - Deposits

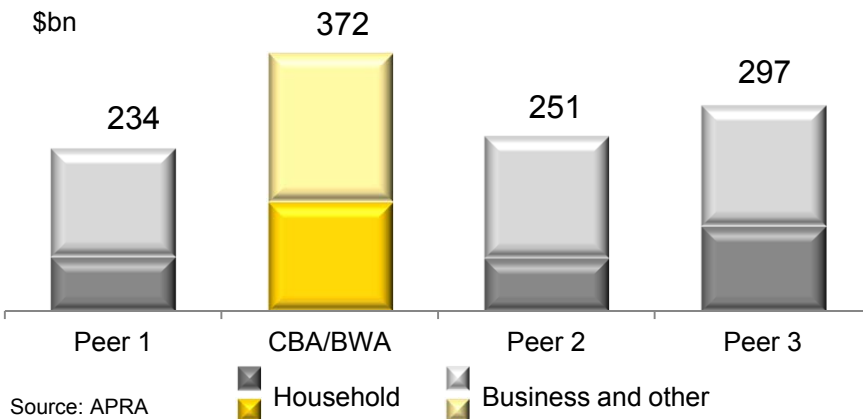
## 62% Deposit Funded



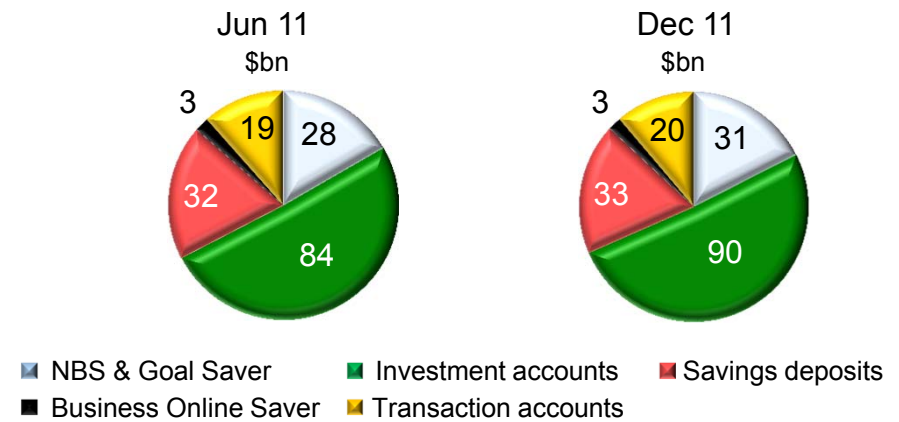
## Deposit Funding



## Australian Deposits

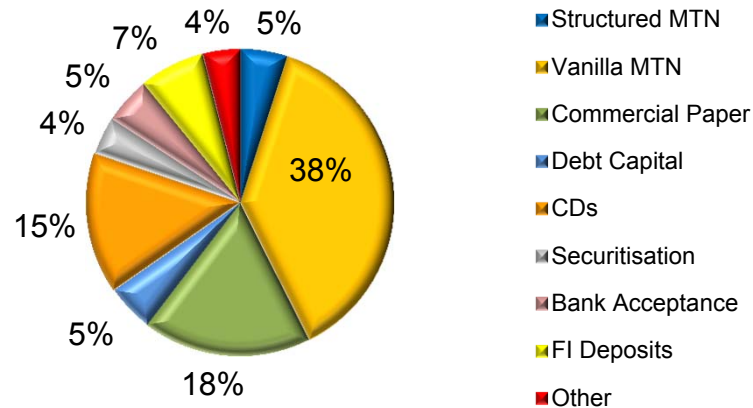


## Retail Banking Services - Deposit Mix

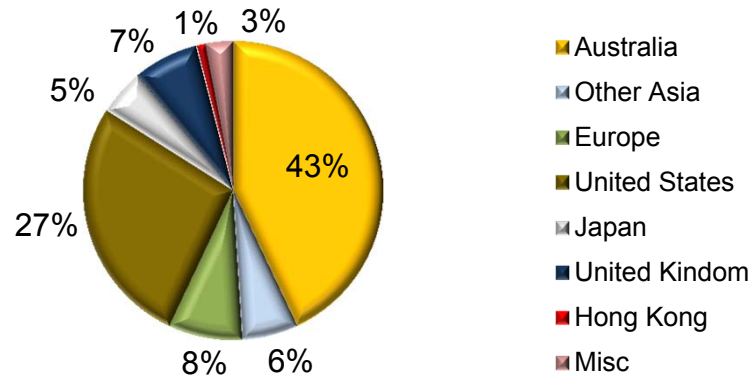


# Funding - Wholesale

## Wholesale Funding by Product

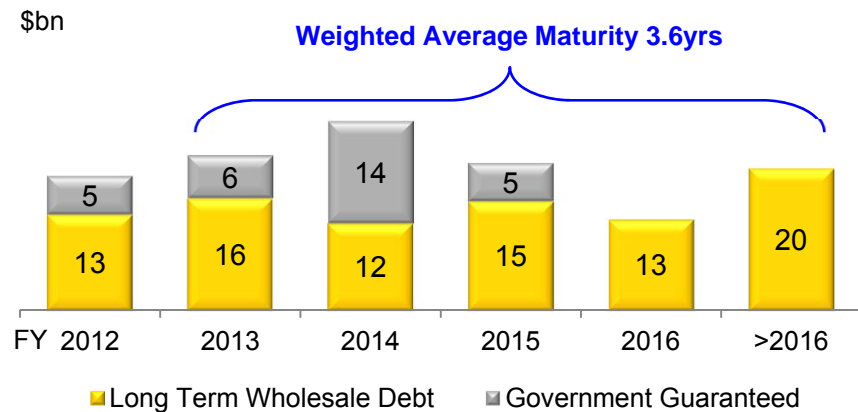


## Wholesale Funding by Region

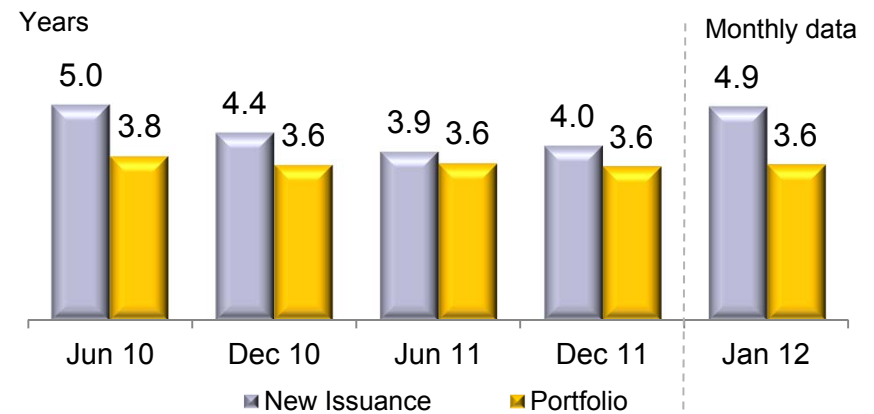


Note: AUD, USD & EURO Public benchmark deals are fully allocated to their respective currency locations

## Term maturity profile<sup>1</sup>



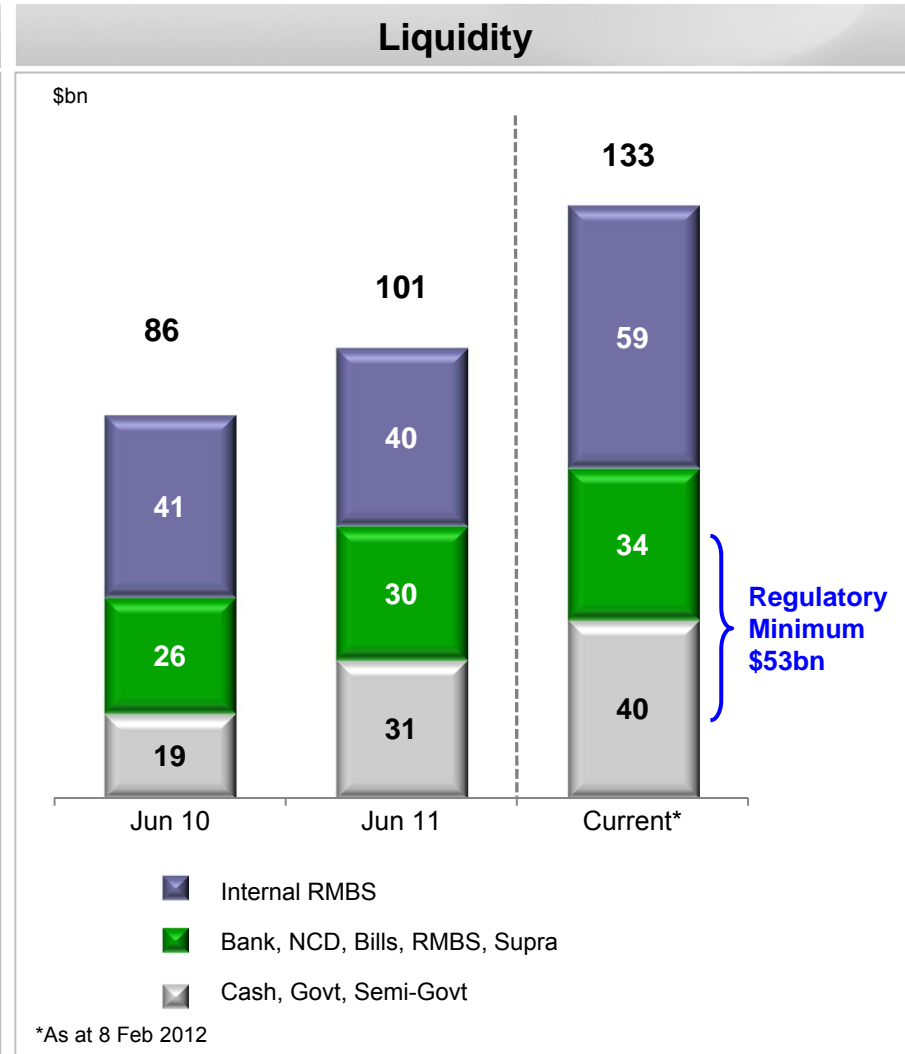
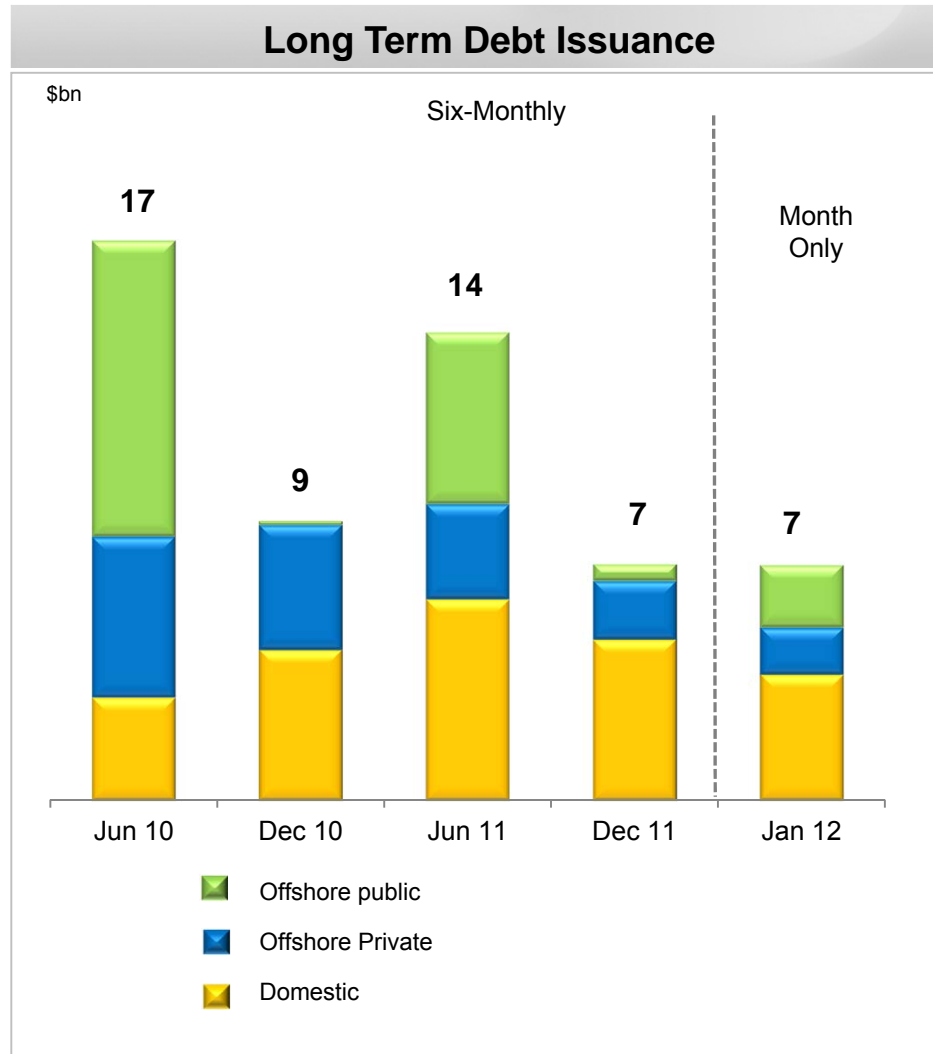
## Funding tenor<sup>2</sup>



- 1 Maturity profile 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.
- 2 Weighted Average Maturity. Includes all deals with first call or contractual maturity of 12 months or greater.



# Funding and liquidity



# Funding – Covered Bonds

- Australian parliament passed the *Banking Amendment (Covered Bonds) Bill* in October 2011
- Legislation sets a limit of 8% of a bank's assets in Australia pledged as collateral
- CBA established a multi-jurisdiction Covered Bond Programme in November 2011
- CBA is the issuer with a guarantee from the Covered Bond Guarantor
- Maximum covered pool of ~\$46bn based on 8% of assets in Australia (\$582bn at Jun-11)
- Implies potential covered bond outstandings of \$35-40bn
- Recent issuance:
  - €1.5bn 5yr Fixed Rate
  - A\$2.0bn 5yr Fixed Rate
  - A\$1.5bn 5yr FRN
  - NOK3.375bn 10yr Fixed Rate
  - CHF400m 3yr FRN
  - CHF325m 7yr Fixed Rate

<b>Issuer</b>	Commonwealth Bank of Australia
<b>Covered Bond Guarantor</b>	Perpetual Corporate Trust Limited in its capacity as Trustee of the CBA Covered Bonds Trust
<b>Trust Manager</b>	Securitisation Advisory Services (wholly owned subsidiary of CBA)
<b>Programme limit</b>	US\$30bn (Reg S / 144A / \$A)
<b>Expected Ratings</b>	AAA (Fitch) / Aaa (Moody's)
<b>Maximum Asset Percentage</b>	95%
<b>Collateral</b>	Prime Australian residential mortgages, Substitution Assets and Authorised investments
<b>Mortgage LVR Cap</b>	80% of latest valuation
<b>Indexation</b>	Included using the ABS House Price Index
<b>Cover Pool Monitor</b>	PricewaterhouseCoopers
<b>Security Trustee</b>	P.T. Limited in its capacity as Trustee of the Security Trust
<b>Bond Trustee</b>	Deutsche Trustee Company Limited
<b>Governing Law</b>	English / State of New South Wales



# Funding – Proposed New US\$ 3(a)2 Programme

- CBA New York Branch intends to establish a US\$ term debt issuance programme
- CBA New York is a full branch of Commonwealth Bank of Australia and is regulated in the US by the Office of the Comptroller of the Currency (OCC)
- Issuance by CBA New York Branch is undertaken in reliance on Section 3(a)(2) under the U.S. Securities Act of 1933 (the “Securities Act”) and Sections 16.6 of Part 16 of the OCC’s regulations
- US\$ notes issued under Section 3(a)2 are expected to be included in the Barclays Capital US Aggregate Index with TRACE reporting of secondary market trades

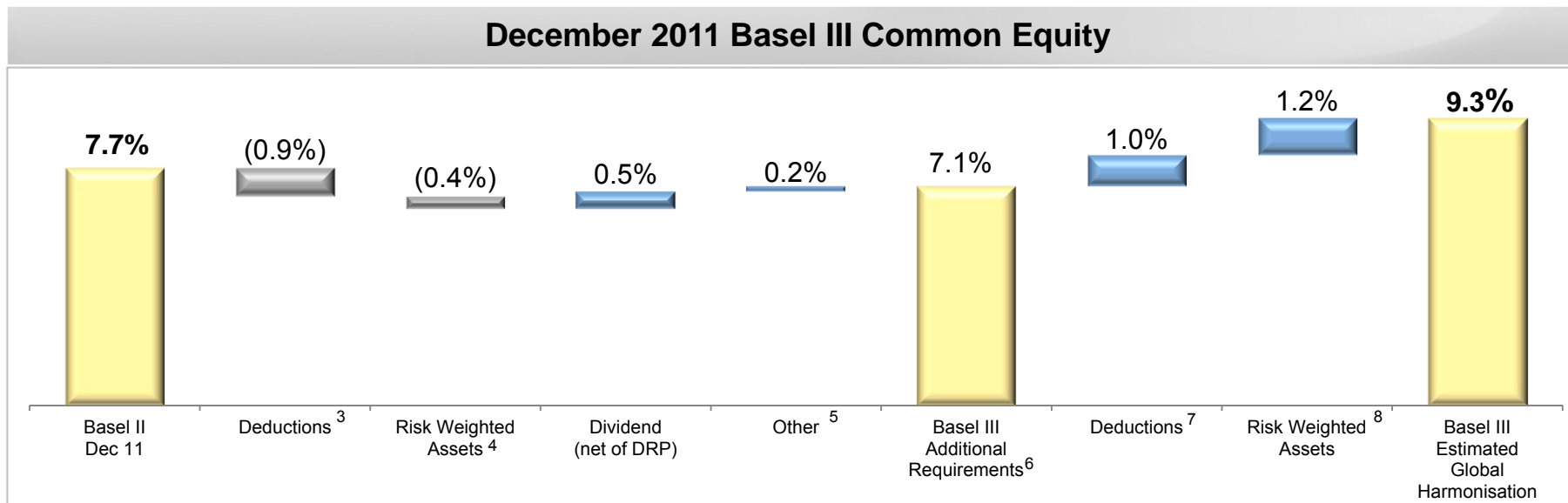
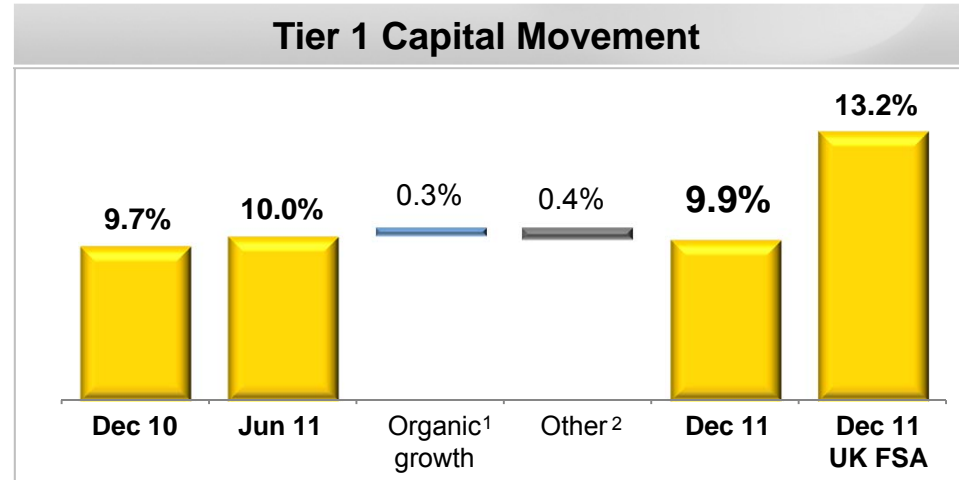
<b>Issuer</b>	Commonwealth Bank of Australia New York Branch
<b>Program Limit</b>	U.S.\$25,000,000,000
<b>Terms</b>	Fixed and Floating Medium Term Notes
<b>Distribution</b>	To institutional “accredited investors” (as defined in Rule 501(a)(1), (2) or (3) under the Securities Act)
<b>Ranking</b>	Unsecured, direct obligations of the Branch
<b>Maturity</b>	360 days or more from the date of issue
<b>Denominations</b>	U.S.\$250,000 and multiples of U.S.\$1,000 in excess thereof
<b>Form</b>	Registered, book-entry form and eligible for clearance through the facilities of The Depository Trust Company (“DTC”) and its participants.
<b>No Guarantee</b>	Not insured or guaranteed by the United States Federal Deposit Insurance Corporation or any other government agency





# Capital

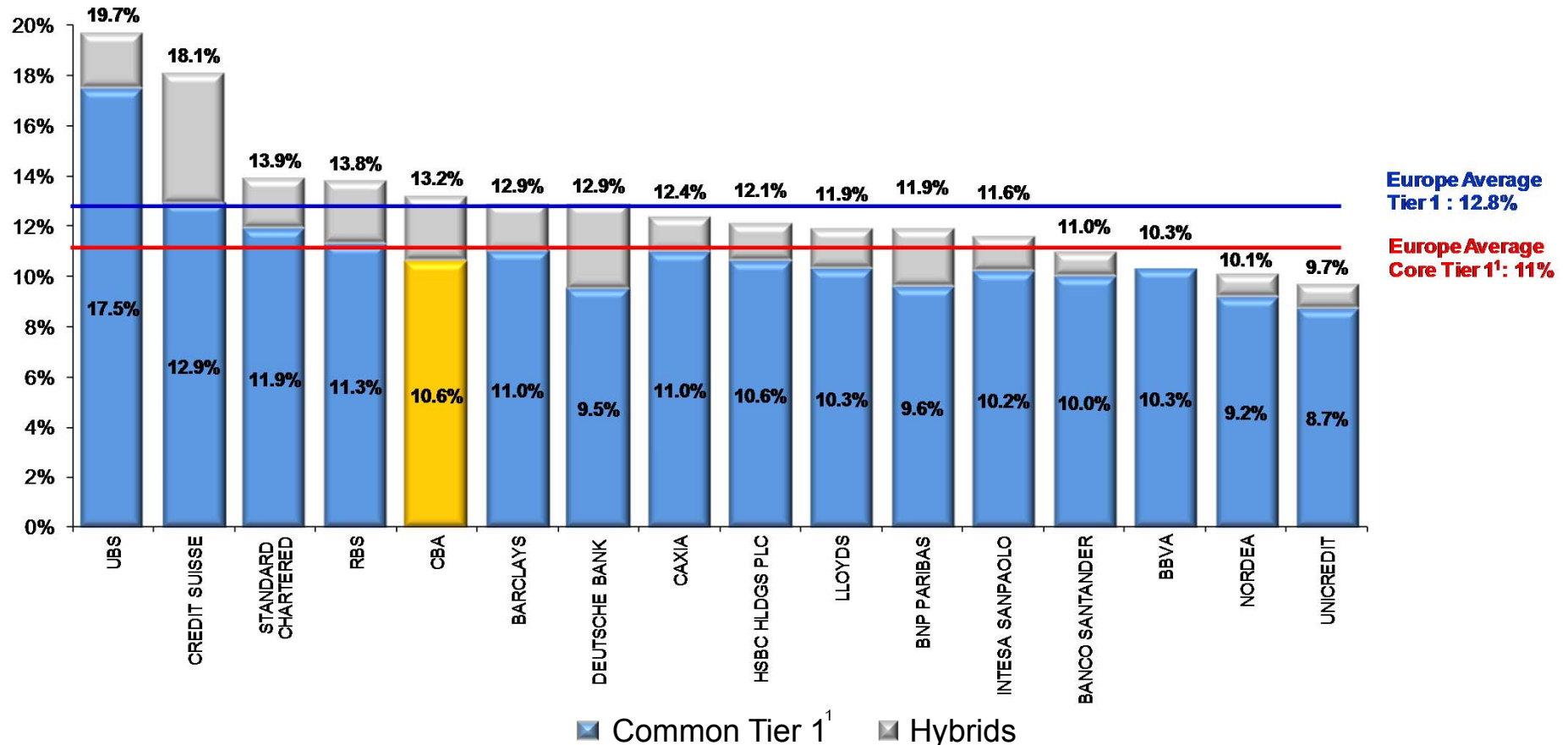
- Tier 1 Capital 9.9%
- UK FSA equivalent of 13.2%
- Common Equity 7.7%
- Well placed for Basel III - Global Harmonisation estimate of 9.3% Common Equity



1 Organic growth representative of cash NPAT less accrual for dividend (net of DRP) and movement in Credit RWA's.  
 2 Other includes an increase in IRRBB and Operational RWA's and actuarial losses from the defined benefit superannuation fund.  
 3 Deductions include equity investment and expected loss.  
 4 Includes Securitisation and Market Risk implemented under Basel 2.5, effective 1 Jan 2012, and adjustments for Asset Value Correlation and Counterparty Credit Risk.  
 5 Includes Reserves now eligible for inclusion in Common Equity.  
 6 Additional Requirements proposed by APRA (September 2011 Discussion Paper)  
 7 Add back of deductions including Equity Investments and Deferred Tax Assets that meet Basel Committee concessional threshold limits.  
 8 Includes removal of minimum floors on LGD mortgages and IRRBB

# Capital - Basel II comparison

## Basel II Tier 1 Capital



Top 15 European banks by market capitalisation as at 11 January 2011  
 Source: latest publicly disclosed company reports and other market updates.

1. Reflects Tier 1 Capital less hybrid Tier 1 instruments

# Basel III in Australia

	2011	2012	2013	2014	2015	2016	2017	2018	
Timetable	LCR, NSFR & capital - APRA draft standards and discussion papers	LCR, NSFR and capital - APRA final standards	LCR observation		LCR – effective				
			NSFR - observation and review						NSFR - effective
			Min. CET1 4.5% - 2013			Min. CET1 7.0% - 2016			

- On-going discussion with APRA to clarify specific requirements and transition path through 2012
- APRA maintains more conservative approach than Basel Committee (e.g. CET1 measurement) and released:
  - “Implementing Basel III Capital Reforms in Australia” in Sep 2011
  - “Implementing Basel III Liquidity Reform in Australia” and draft revised APS210 in Nov 2011
- **CAPITAL** (2013)
  - APRA targets core capital minimum of 4.5% by 1 Jan 2013 and additional Capital Conservation buffer of 2.5% by 1 Jan 2016 - ahead of Basel in 2019
- **LCR** (2015)
  - Clarity on RBA fee for use of the Committed Liquidity Facility (CLF) - 15bps
  - Inclusion of Internal RMBS in CLF collateral
- **NSFR** (2018)
  - Cost of additional stable funding and use of covered bonds key considerations



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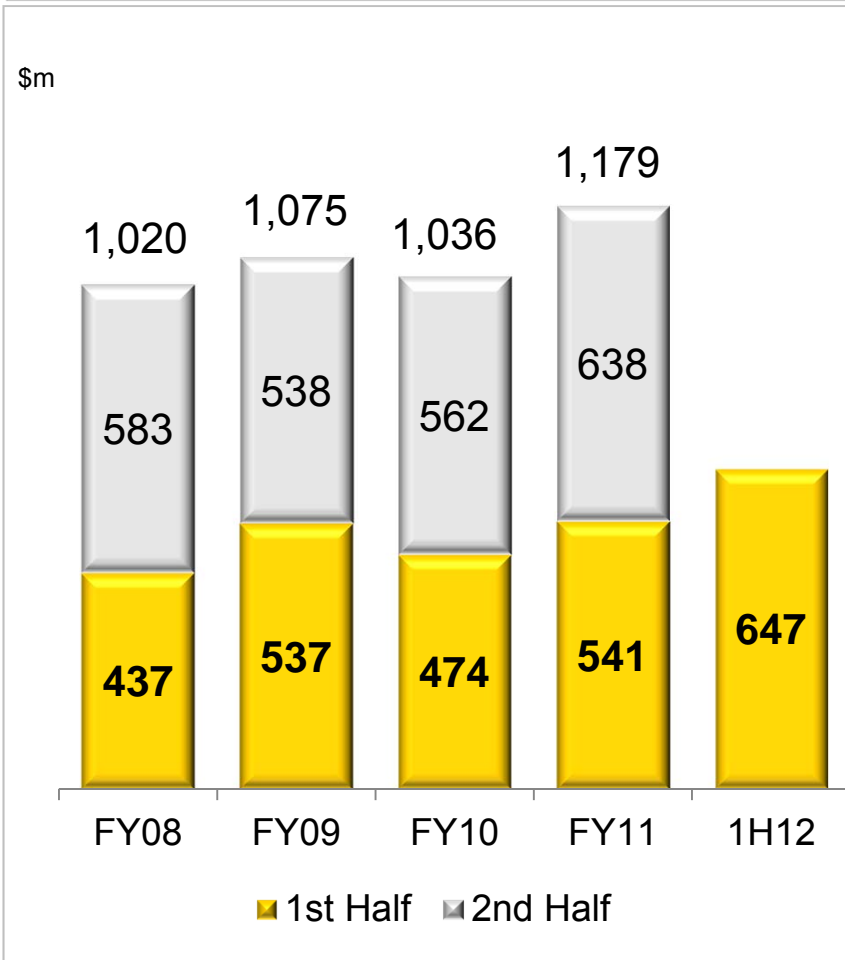
# Outlook

- Continued volatility
- Scenario based approach with conservative settings
- Australian economy
  - Fundamentals remain strong
  - Not immune from overseas challenges: actual and perceived
  - Volatility and weak credit growth to continue
  - Funding costs to continue to increase
- Long term focus without compromising momentum

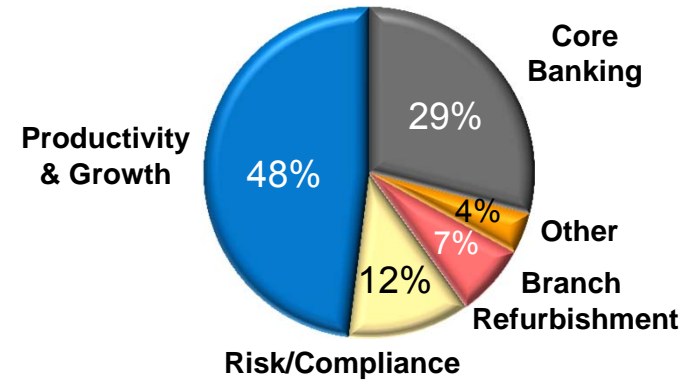


# Investment

## Investment Spend



## Investment Spend Profile



## Technology Leader



Kaching



# Core Banking Modernisation

 **Enhanced Customer Experience**



- Real-time banking, 24x7
- Instant account opening
- Customised product offers

 **Greater Efficiency**



- Straight through processing
- Faster speed-to-market
- Lower cost-to-income

 **Improved Risk Management**



- Greater system reliability
- Less manual re-work & errors

 **Industrialisation**



- Separate distribution/manufacturing
- Broader growth opportunities

 **Future Proofing**



- “Bank of the Future”
- Greater flexibility



# CBA in Asia



Country	Representation as at December 2011
China	Bank of Hangzhou (20%) – 113 branches
	Qilu Bank (20%) – 81 branches
	County Banking (84%) – 3 Banks in Henan Province
	Beijing Representative Office
	BoCommLife JV (37.5%) – >150 distribution points
	Shanghai (China Head Office)
	First State Cinda JV, FSI Hong Kong
Indonesia	Hong Kong and Shanghai branches
	PTBC (98.38%) – 85 branches and 130 ATMs
	PT Commonwealth Life (80%) – 25 life offices
Vietnam	First State Investments
	VIB (20%) – 152 branches
	CBA Branch Ho Chi Minh City and 23 ATMs
India	Hanoi Representative Office
	CBA branch, Mumbai
Japan	CBA branch, Tokyo, FSI Tokyo
Singapore	CBA branch, First State Investments





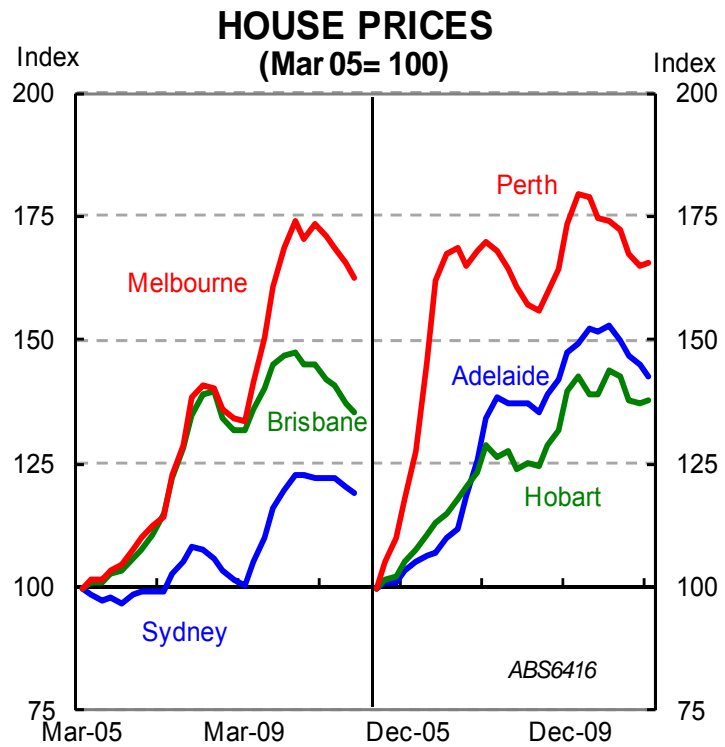
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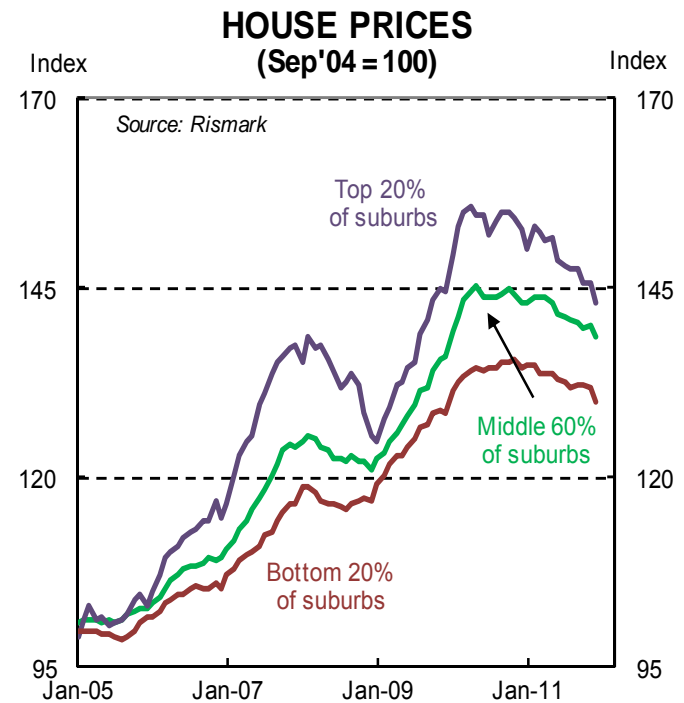
# Australian housing market

Established House Prices - Index



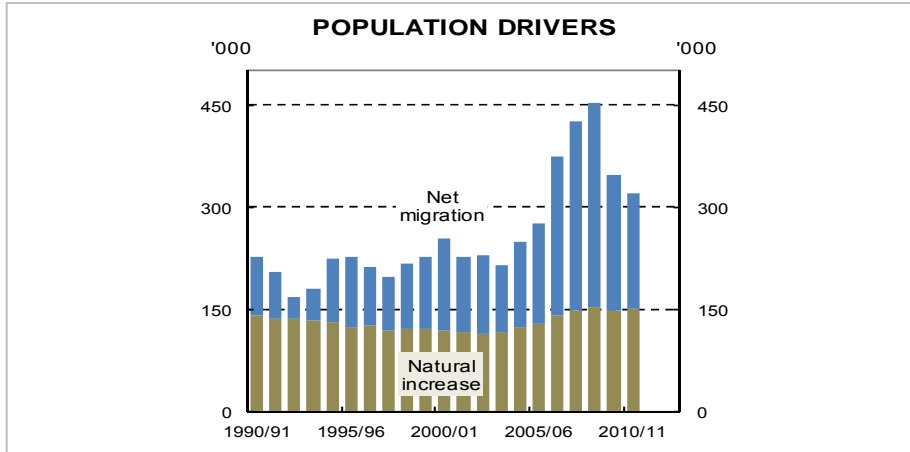
\* Source: ABS

The adjustment process

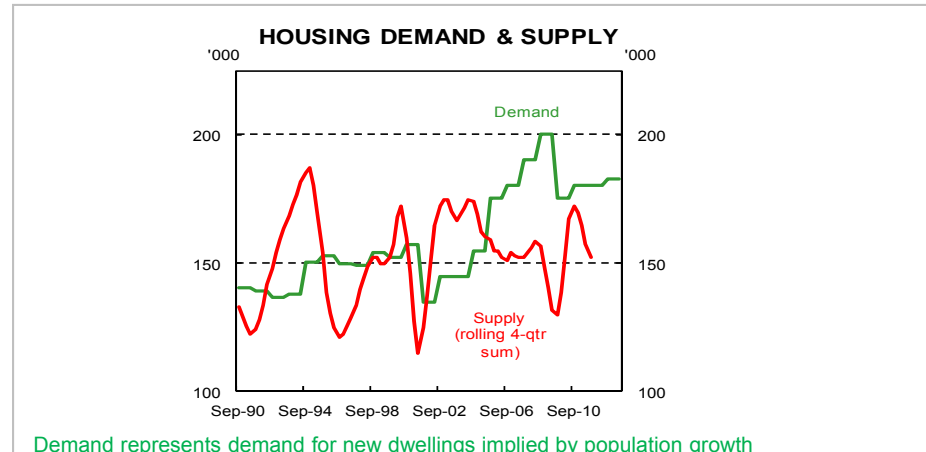


# Australian housing market

## Population growth has slowed

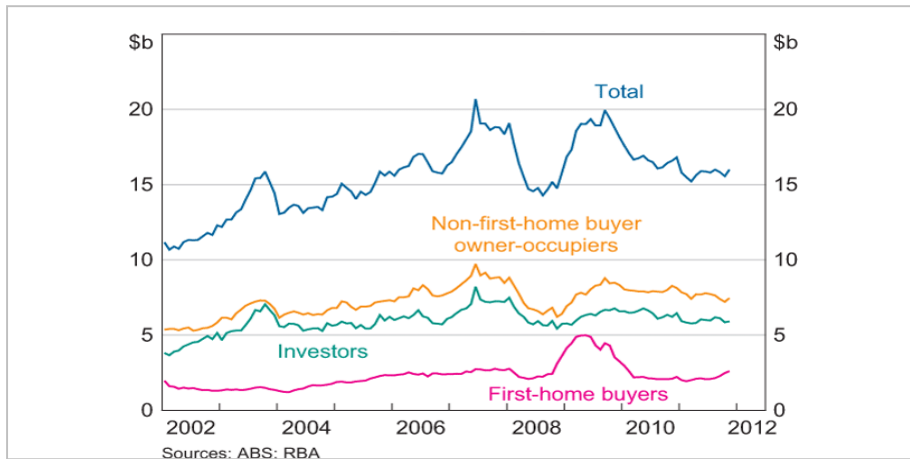


## But housing demand remains above supply



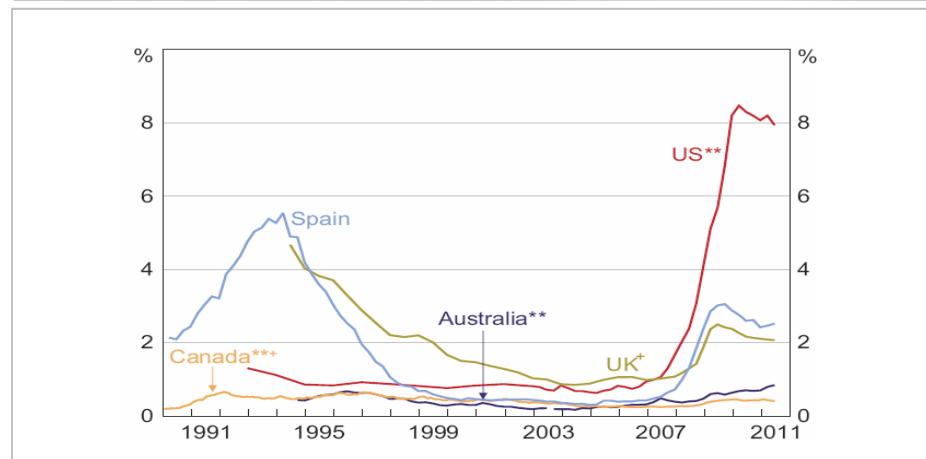
Demand represents demand for new dwellings implied by population growth

## Housing Finance



Sources: ABS; RBA

## Non-performing housing loans



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

# Australian mortgage market

Australia		CBA / Australia	United States
<ul style="list-style-type: none"> <li>■ Principal and interest amortising 25/30 year loan</li> <li>■ Variable interest rate set at bank's discretion</li> <li>■ Limited pre-payment penalty</li> <li>■ Full recourse to borrower</li> <li>■ No tax deduction for owner occupied housing</li> <li>■ Lenders Mortgage Insurance (LMI) typical for loans with LVR &gt;80%</li> <li>■ LMI covers entire loan</li> <li>■ Limited "low documentation" (ie self certified) market with tighter lending criteria</li> <li>■ Consumer credit regulation</li> <li>■ Major banks account for majority of new originations and "originate-to-hold"</li> </ul>			
	<b>Unemployment</b>	~5%	~8-10%
	<b>Full recourse lending</b>	Yes	No
	<b>Variable v. Fixed</b>	~85% / 15%	~15% / 85%
	<b>Adjustable rate loans</b>	Minimal	Widespread
	<b>Sub-prime (% of mkt)</b>	Minimal	36%
	<b>Securitisation</b>	Minimal	~55%
	<b>Account ownership</b>	Retained	Extensively on-sold
	<b>Arrears / delinquencies</b>	~1-2%	~20%



# Retail Banking Services mortgage portfolio

Portfolio	Dec 11	Quality	Dec 11
Total Balances - Spot (\$bn) <sup>1</sup>	343	Total Balances – Average (\$bn) <sup>1</sup>	340
Total Accounts (m)	1.4	Actual Losses YTD (\$m) <sup>1, 3</sup>	39
Fundings (\$bn) <sup>2</sup>	28	Loss Rate (% annualised) <sup>1</sup>	0.02
Variable Rate (%)	86	LVR – Portfolio Avg (%) <sup>4</sup>	44
Owner-Occupied (%)	57	Customers in advance (%) <sup>2</sup>	68
Investment (%)	33	Payments in advance (#)	7
Line of Credit (%)	10	Low Doc % of Book	2.9
Proprietary (%)	62	FHB - % of new fundings <sup>2</sup>	13
Broker (%)	38	FHB - % of balances	15
Avg Loan Size (\$'000)	223	LMI - % of Book	26
Annual Run-Off (%) <sup>2</sup>	17	Serviceability buffer (bpts)	150

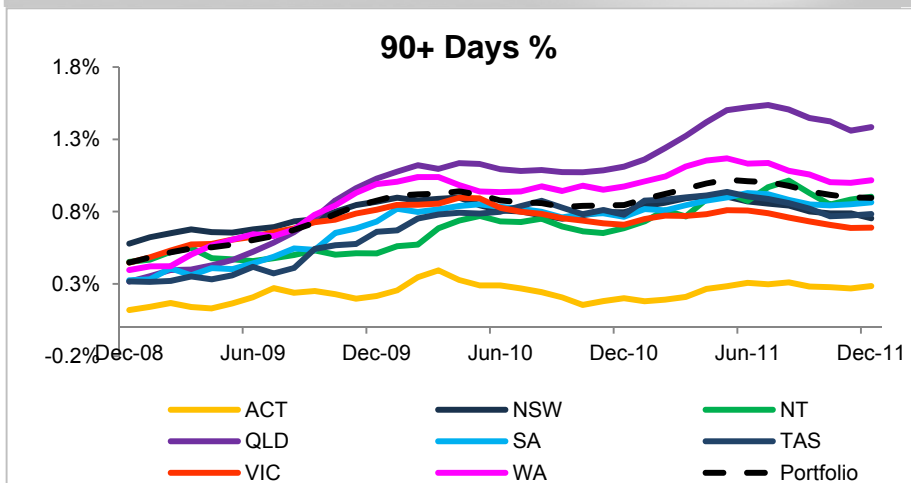


All figures relate to the RBS home loan portfolio (excluding recent acquisition of a tranche of Aussie Home Loans) except where noted.

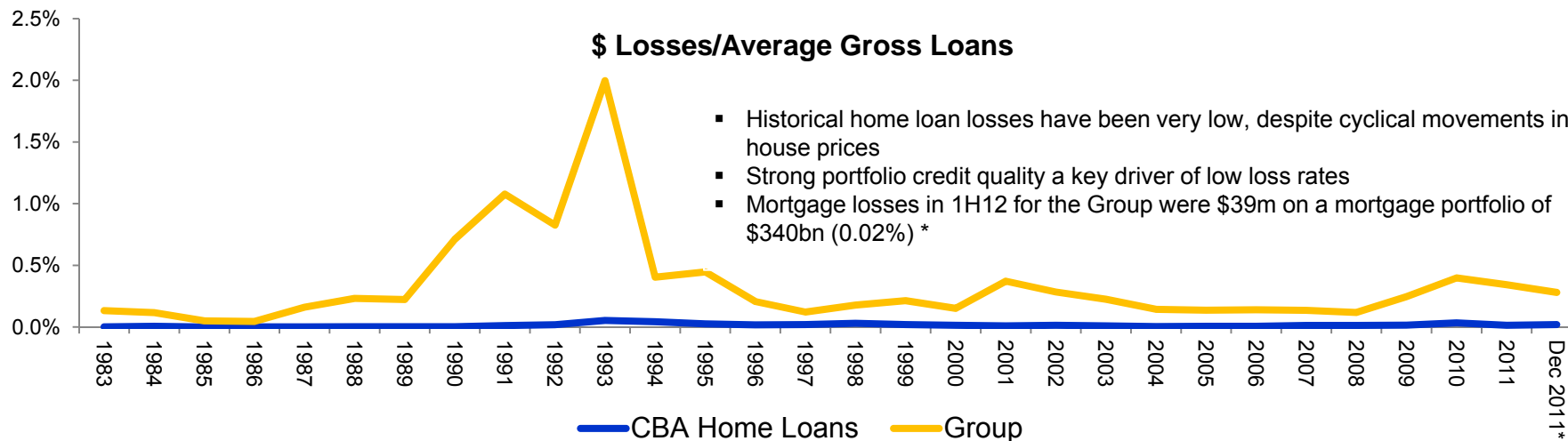
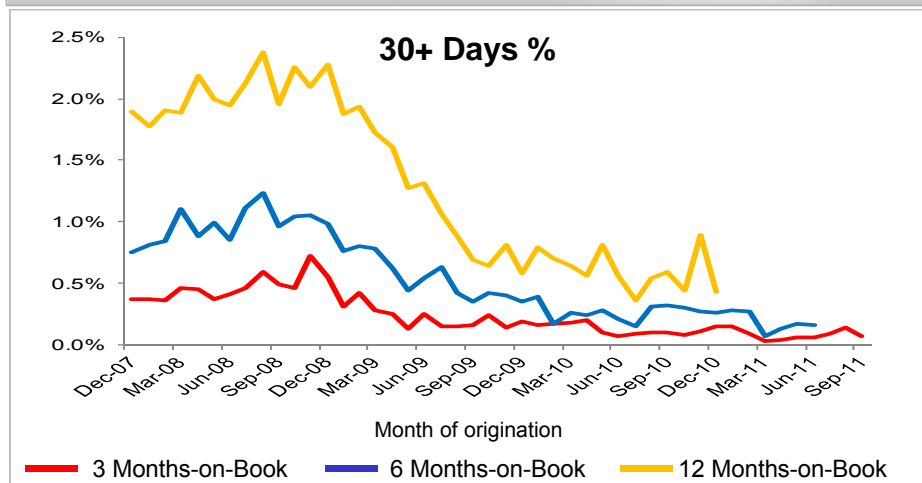
1. Numbers are for the Group (including BW, ASB and securitised loans).
2. 6 months to December 2011.
3. Actual 1H12 losses includes write-offs from collective provisions and individual provisions, net of any recoveries.
4. Portfolio average LVR = current balance / original valuation (calculated at account level).

# CBA mortgage portfolio

## Home Loan Arrears



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



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



\* Annualised.  
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.

# Home loan - expected loss

## Expected Loss outcomes

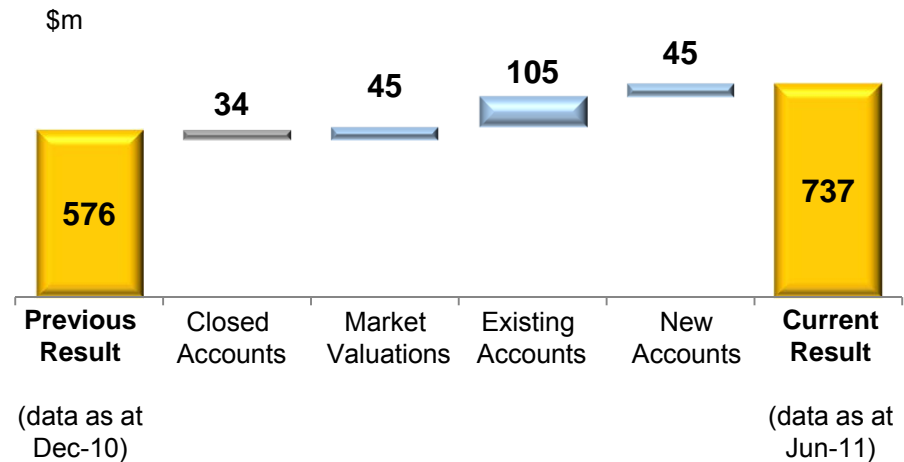
Expected loss \$m	PD stress factor			
	x1	x2	x4	x6
Property value				
No decrease	\$23m	\$28m	\$37m	\$43m
10% decrease	\$55m	\$73m	\$101m	\$123m
20% decrease	\$132m	\$185m	\$272m	\$341m
30% decrease	\$267m	\$385m	\$581m	<b>\$737m</b>

Note: Loans >80% LVR with mortgage insurance would incur additional insured losses of \$1,458m in this high stress scenario.

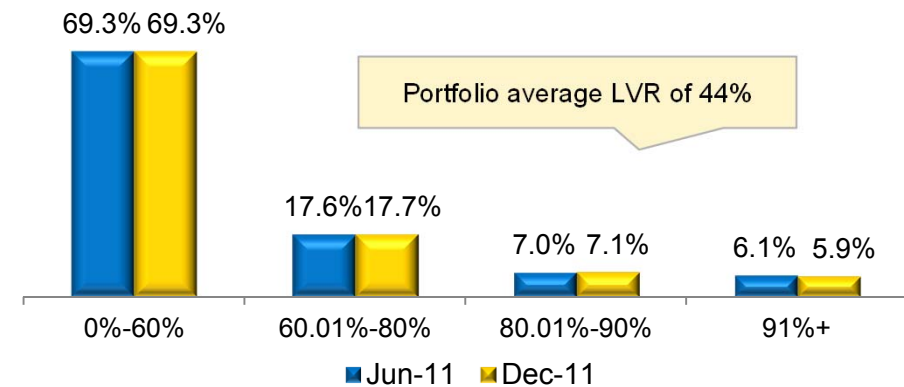
## Loss Mitigants

- ▶ Low LVRs (portfolio average 44%)
- ▶ 68% of customers are paying in advance
- ▶ Average of 7 periods in advance
- ▶ Loans >80% are mortgage insured or pay a low deposit premium

## Six-month Movement



## Portfolio LVR



Excludes Bankwest and ASB.

# Home loan – enhanced stress test

## Enhancements (vs. Expected Loss)

- Explicit alignment to specific macroeconomic factors such as unemployment and interest rates
- Assumes recession based on China downturn
- Extended timeframe (3 years)
- Variability by geographic region (67 regions in total)
- Expanded data sources - refined property valuations
- Home Loan and VLOC\* accounts included
- New cost of sale model
- Property sale price assumes additional price stress over an assumed time to sale of 12 months

\* Variable-Line-of-Credit

## Key Assumptions

	Year 1	Year 2	Year 3
<b>Unemployment</b>	7.0%	10.5%	11.5%
<b>Hours under-employed<sup>1</sup></b>	11.4%	15.8%	18.4%
<b>Cumulative House Prices</b>	-15%	-32%	-32%
<b>Cash Rate</b>	3.00%	1.00%	1.00%

<sup>1</sup> The total number of hours not worked relative to the size of the workforce.  
Results based on data as at December 2010.

## Key Outcomes

	Year 1	Year 2	Year 3
<b>Stressed Losses</b>	\$195m	\$437m	\$699m
<b>Probability of Default (PD)</b>	0.96%	1.79%	2.92%

- Total losses of \$1,331m predicted over 3 years.
- Additional insured losses of \$2,018m over 3 years.





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# Regulatory exposure mix

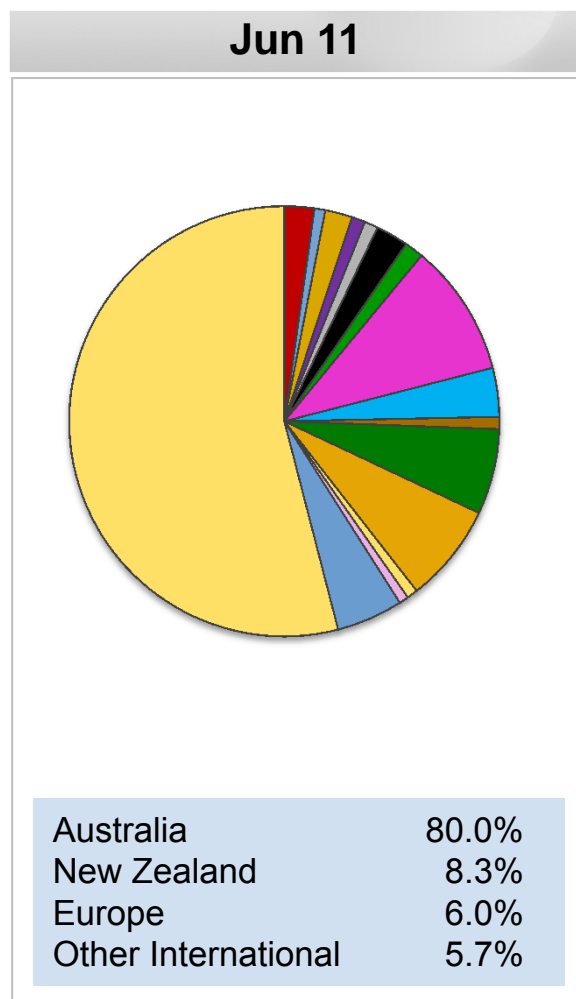
	Regulatory Credit Exposure Mix <sup>1</sup>			
	CBA	Peer 1	Peer 2	Peer 3
Residential Mortgages	56%	40%	40%	56%
Corporate, SME & Spec Lending	27%	35%	40%	31%
Bank	6%	7%	11%	4%
Sovereign	7%	9%	6%	5%
Qualifying Revolving	3%	4%	2%	3%
Other Retail	1%	5%	1%	1%
<b>Total Advanced<sup>2</sup></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



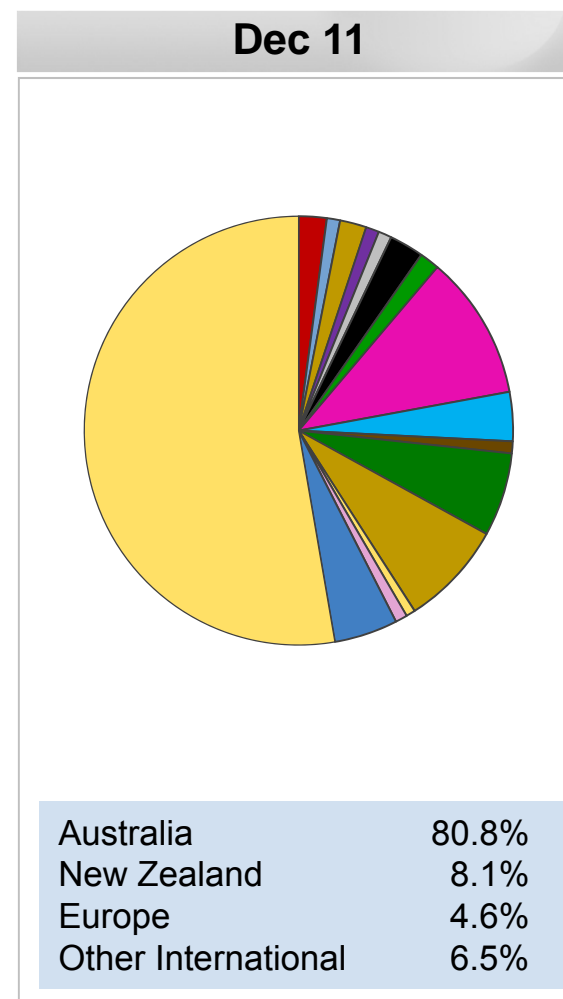
1. Source: Pillar 3 disclosures for CBA as at December 2011 and Peers as at September 2011.
2. Includes Specialised Lending exposures. Excludes Standardised, Other Assets and Securitisation (representing 15% of CBA, 6% of Peer 1, 16% of Peer 2 and 5% of Peer 3). Exposure mix is re-baselined to total 100% for comparison.



# Sector Exposure by Industry <sup>1</sup>



	Jun 11	Dec 11
Consumer	53.1%	52.7%
Agriculture	2.2%	2.1%
Mining	0.8%	1.0%
Manufacturing	2.0%	2.0%
Energy	1.0%	1.0%
Construction	1.0%	1.0%
Retail & Wholesale	2.4%	2.6%
Transport	1.4%	1.5%
Banks	11.6%	10.9%
Finance – other	3.6%	3.7%
Business Services	0.9%	0.9%
Property	6.3%	6.3%
Sovereign	7.3%	7.9%
Health & Community	0.8%	0.7%
Culture & Recreation	0.7%	0.9%
Other	4.9%	4.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>



<sup>1</sup> Total exposures = balance for uncommitted facilities, greater of limit or balance for committed facilities. Includes ASB and Bankwest.

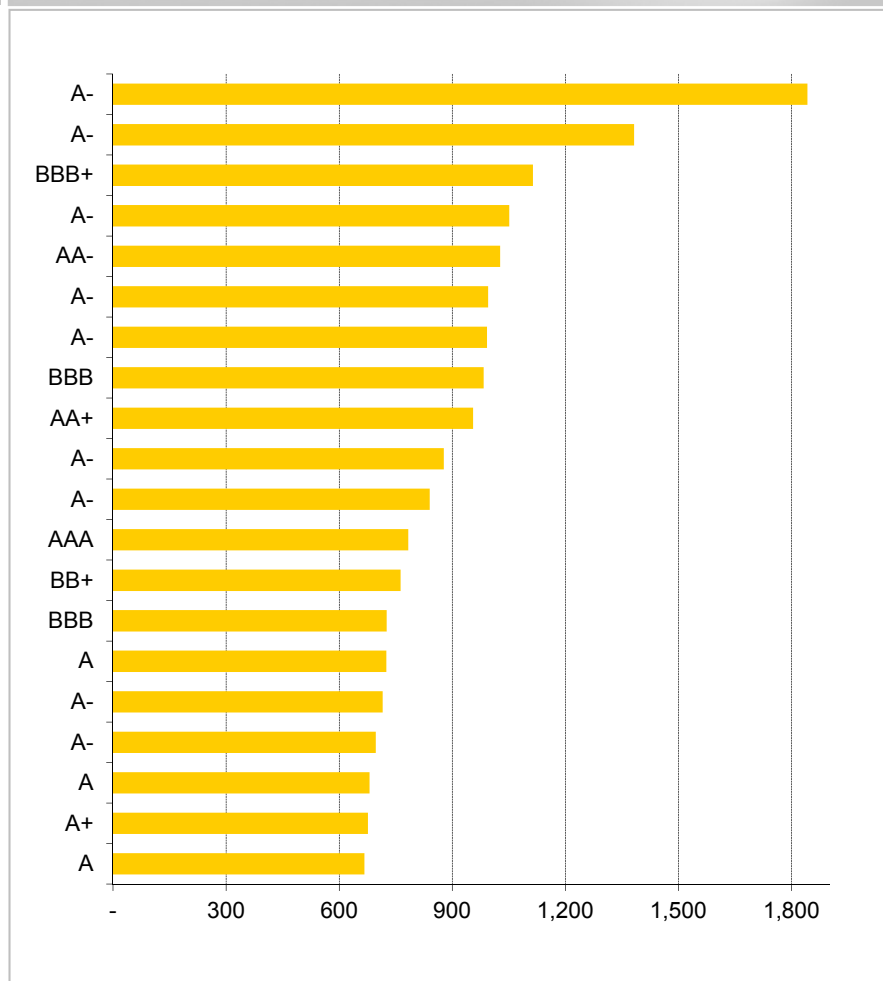


# Sector Exposures

**Commercial Exposures by Sector<sup>1</sup>**

\$bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Total
Banks	48.5	31.4	3.2	0.5	83.6
Finance Other	10.3	9.4	3.0	5.3	28.0
Property	0.2	5.1	9.0	34.1	48.4
Sovereign	56.5	1.9	0.6	0.2	59.2
Manufacturing	0.3	2.3	6.4	6.4	15.4
Retail/Wholesale Trade	-	1.4	6.3	12.3	20.0
Agriculture	-	0.2	2.3	13.8	16.3
Energy	0.7	1.6	4.3	1.0	7.6
Transport	0.1	2.3	4.9	3.9	11.2
Mining	0.6	1.7	3.0	2.5	7.8
All other (ex consumer)	2.7	3.6	13.4	35.0	54.7
<b>Total</b>	<b>119.9</b>	<b>60.9</b>	<b>56.4</b>	<b>115.0</b>	<b>352.2</b>

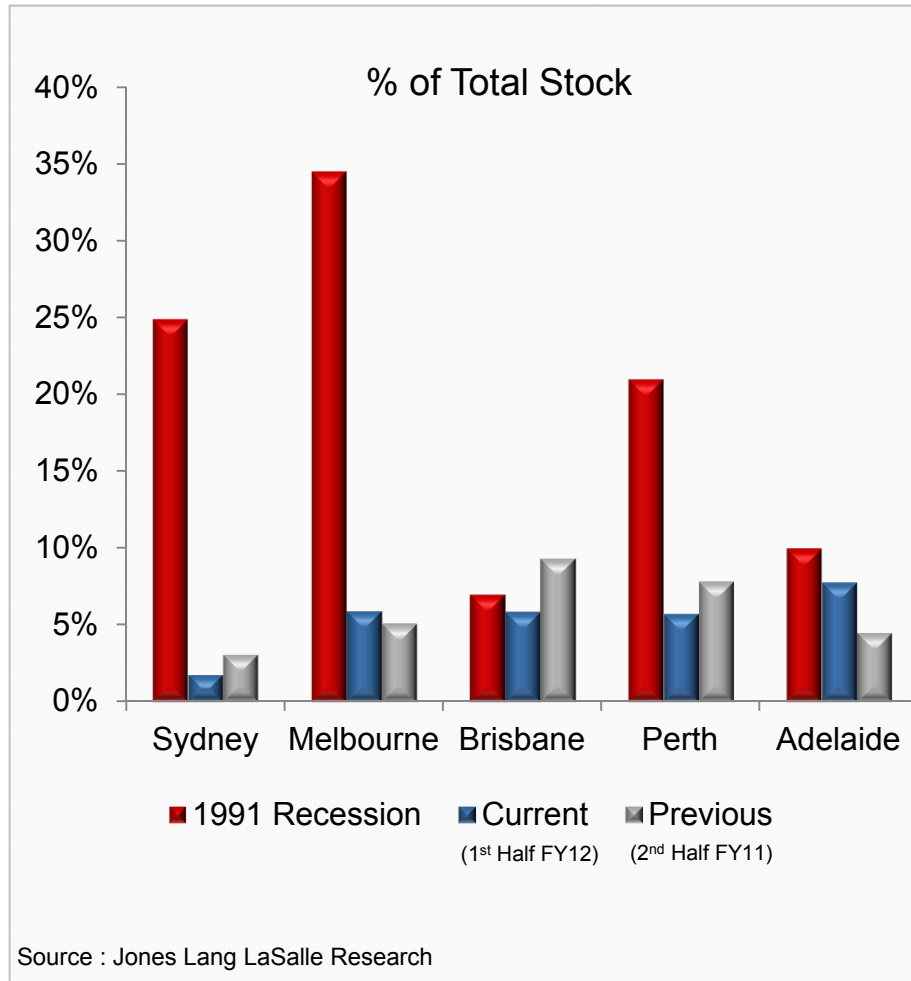
**Top 20 Commercial Exposures<sup>2</sup> (\$m)**



- 1 Gross exposure before collateralisation = balance for uncommitted facilities and greater of limit or balance for committed facilities. Includes ASB and Bankwest, and excludes settlement exposures.
- 2 CBA grades in S&P Equivalents. Includes ASB and excludes Bankwest.

# Commercial Property Market

## CBD Office Supply Pipeline<sup>1</sup>

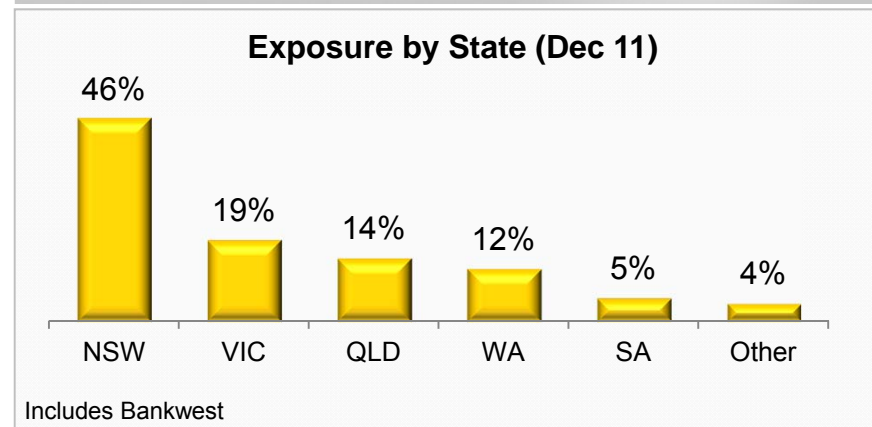


## CBD Vacancy Rates

Market	Peak 1990s	Previous 2 <sup>nd</sup> Half FY11	Current 1 <sup>st</sup> Half FY12
Sydney	22.4%	8.0%	8.5%
Perth	31.8%	5.4%	2.5%
Melbourne	25.8%	6.0%	5.8%
Brisbane	14.3%	6.8%	6.3%
Adelaide	19.8%	6.9%	7.6%

Source : Jones Lang LaSalle Research

## CBA Commercial Property



<sup>1</sup> The development pipeline includes all projects currently under construction.

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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	-2.1	2-4	5½-7½
Credit Growth % – Other Personal	3.4	-7.0	3.1	0.3	-1 to +1	4-6
GDP %	3.8	1.4	2.3	1.9	3.2	3.4
CPI %	3.4	3.1	2.3	3.1	2.6	2.9
Unemployment rate %	4.2	4.9	5.5	5.1	5.3	5.5
Cash Rate %	7¼	3	4½	4¾	4	4

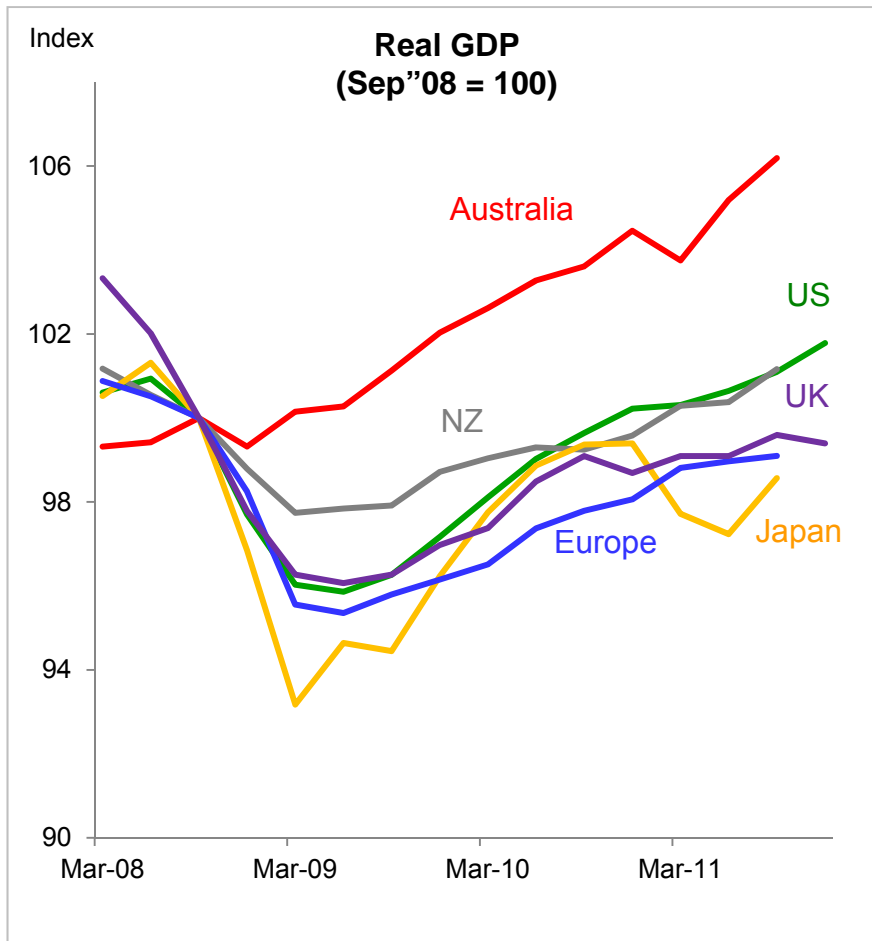


CBA Economists Forecasts  
 Credit Growth  
 GDP, Unemployment & CPI  
 Cash Rate

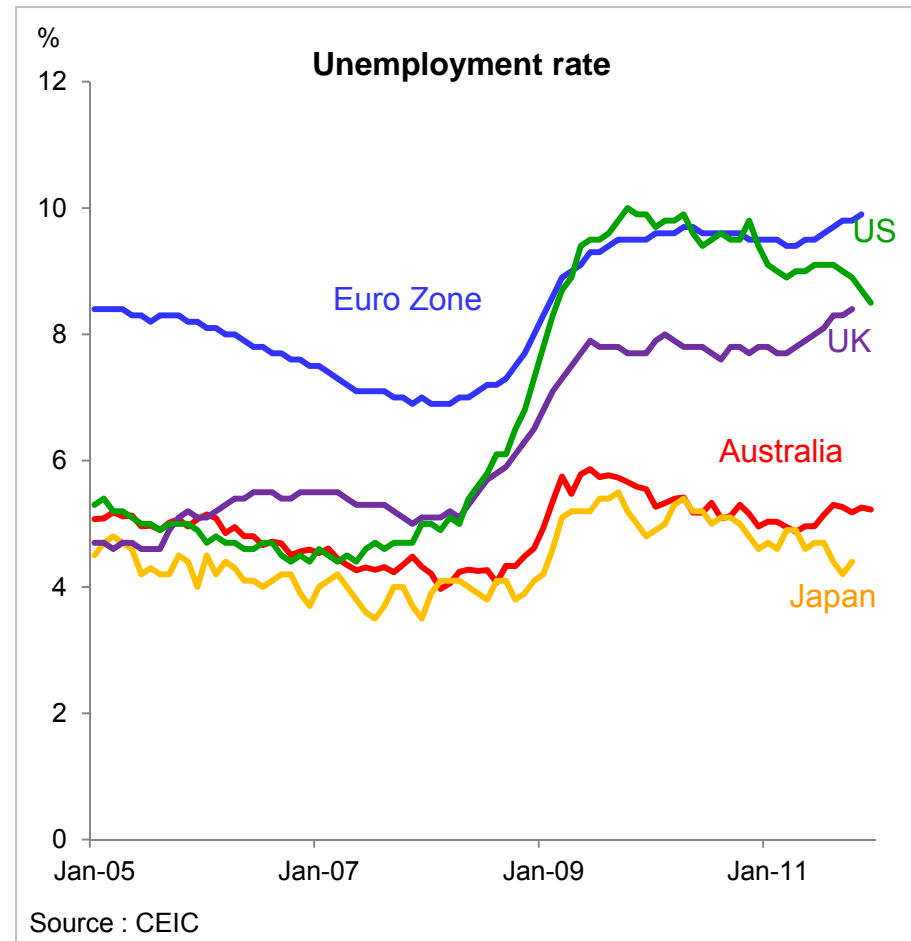
= 12 months to June Qtr  
 = Year average  
 = June qtr

# Australia in perspective

**Growth outperformance**



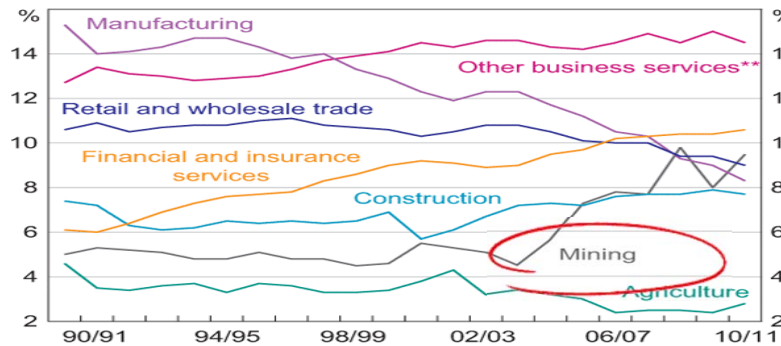
**Stronger labour market**





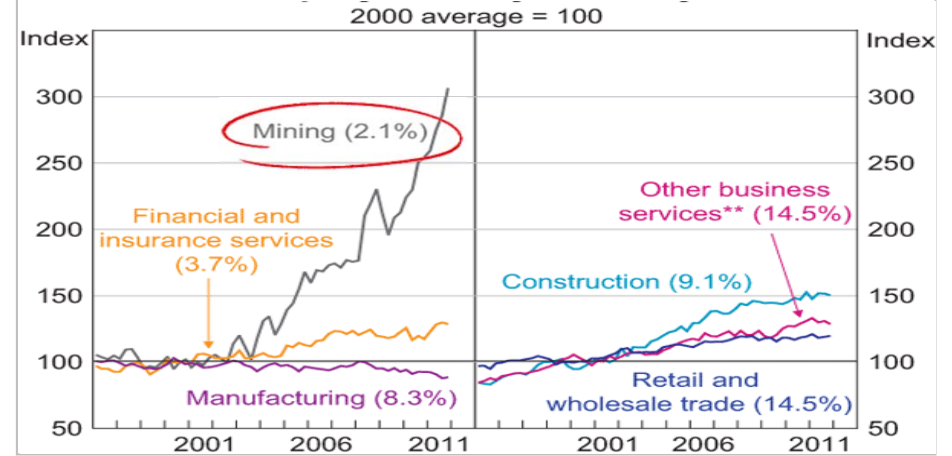
# Economic mix

### Industry share of output\*

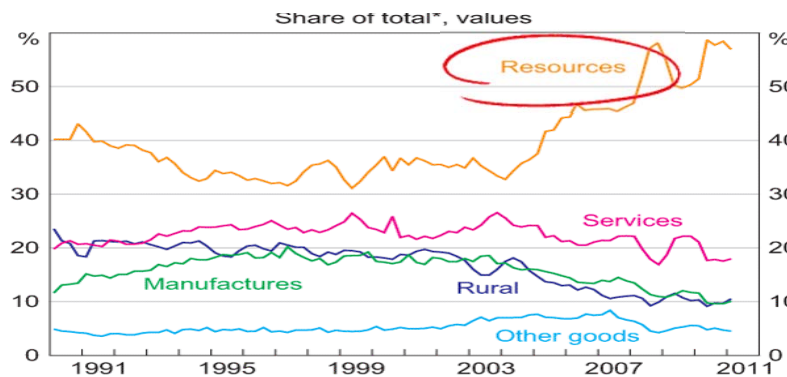


\* Nominal gross value added  
 \*\* Includes: Information media and telecommunications; rental, hiring and real estate services; professional scientific and technical services; administrative and support services  
 Source: ABS

### Employment\*

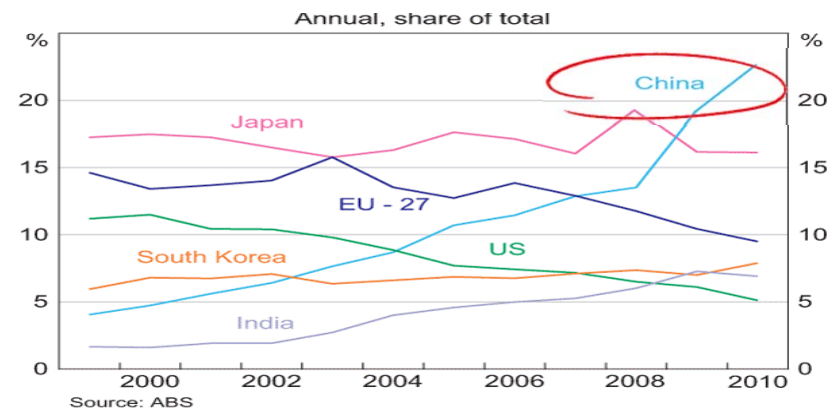


### Exports composition



\* Excludes RBA gold transactions  
 Sources: ABS; RBA

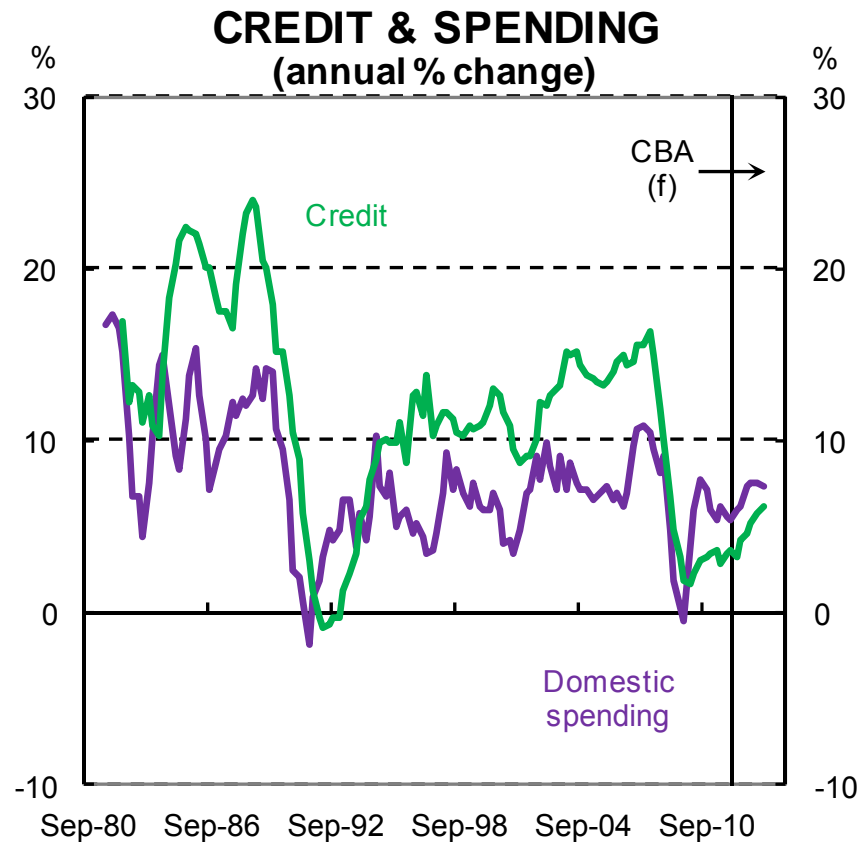
### Exports destination



Source: ABS



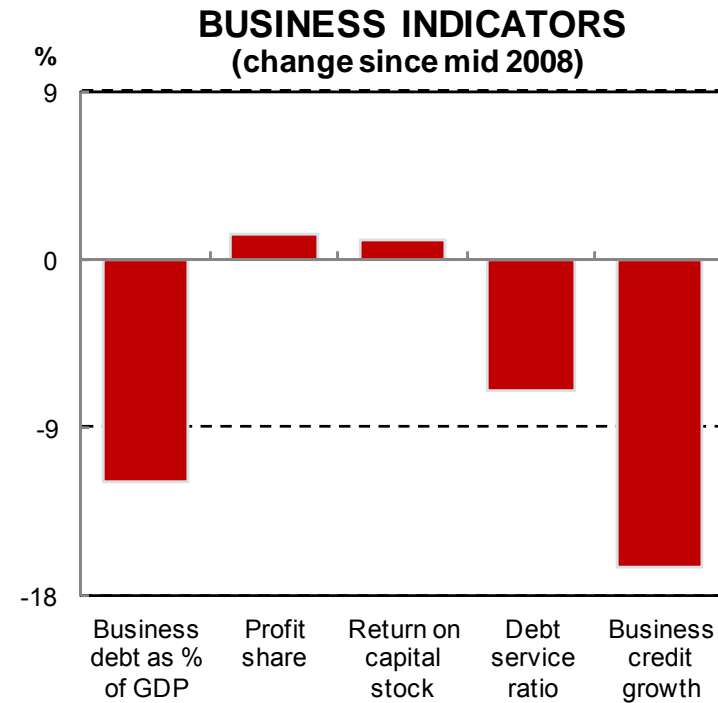
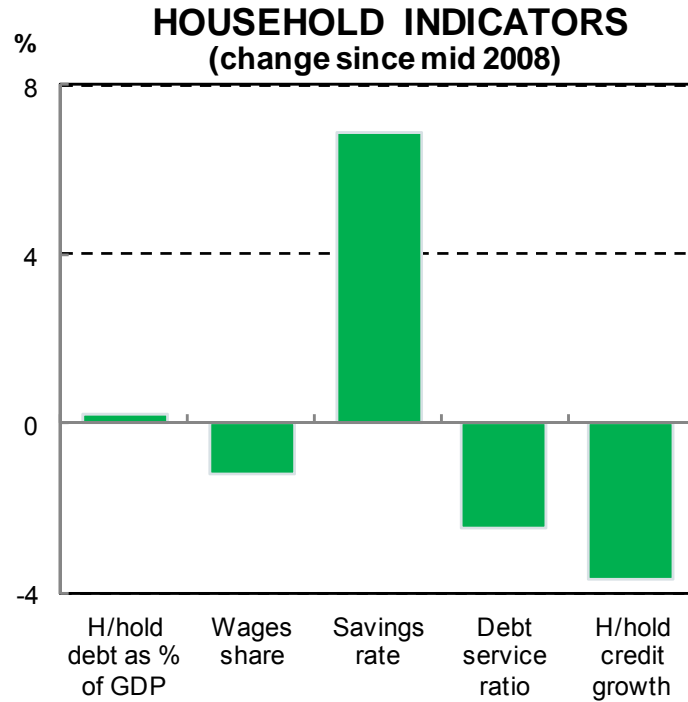
# Credit growth and spending



- Asian exposure provides an offset to US and European weakness.
- Commodity-income-capex-export drivers underpin positive medium-term economic backdrop.
- Balance sheets in aggregate are in good shape.
- AUD and low confidence levels weighing on the non-resources economy.
- Global uncertainty and fear driving financial market volatility.
- Bottom line: credit growth to remain subdued and to lag usual economic drivers.



# Balance sheet deleveraging

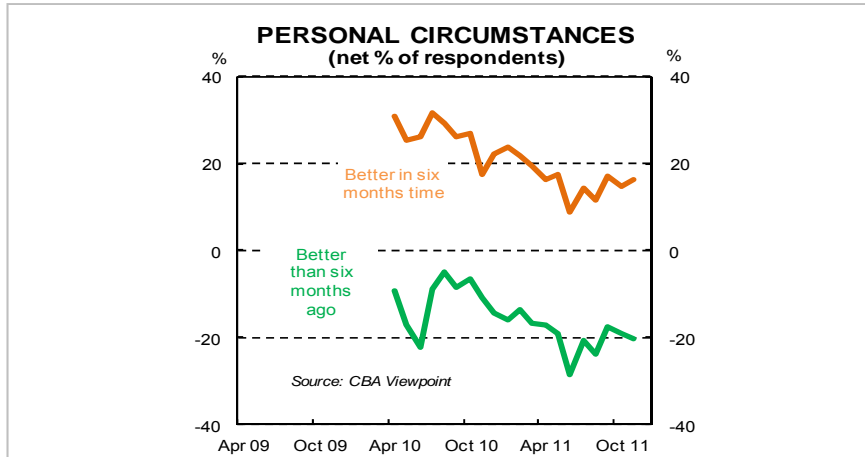


- Household and business balance sheets are significantly stronger than before the 2008-09 financial crisis – a degree of protection against European negatives.

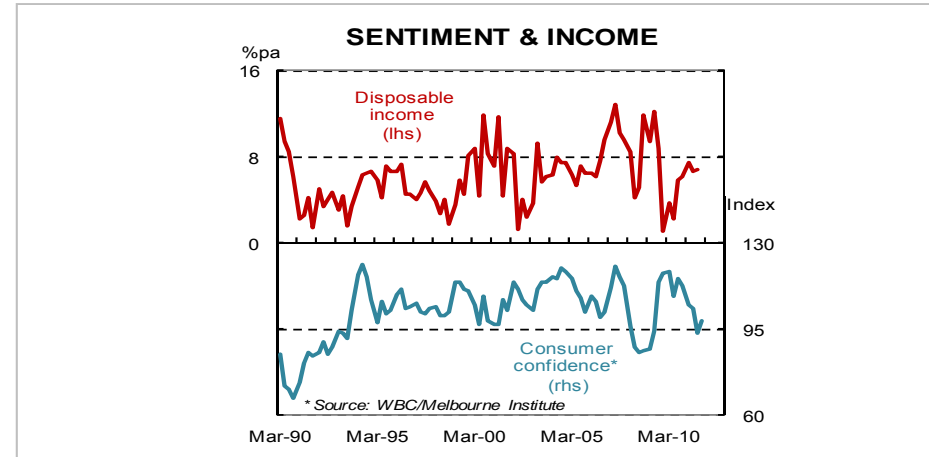


# Consumer sector

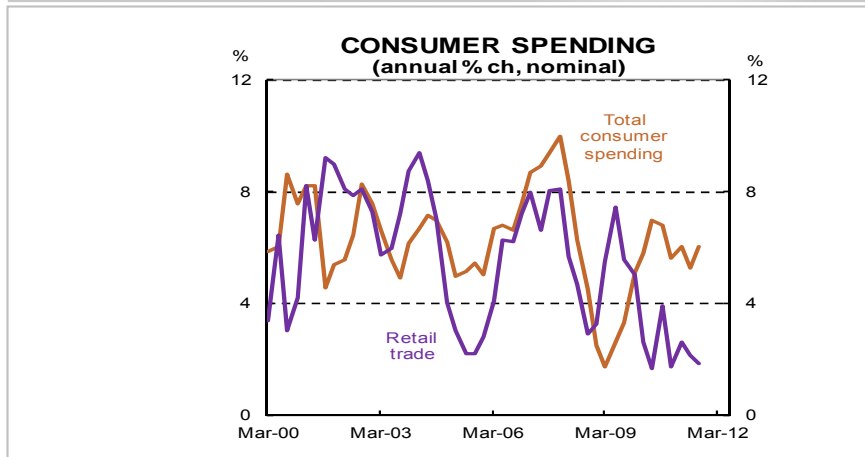
## Households worry about their finances



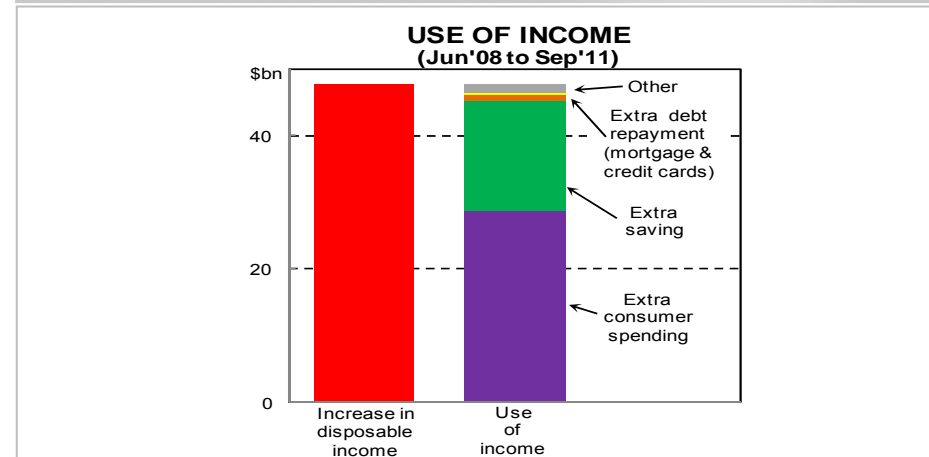
## But income growth is strong



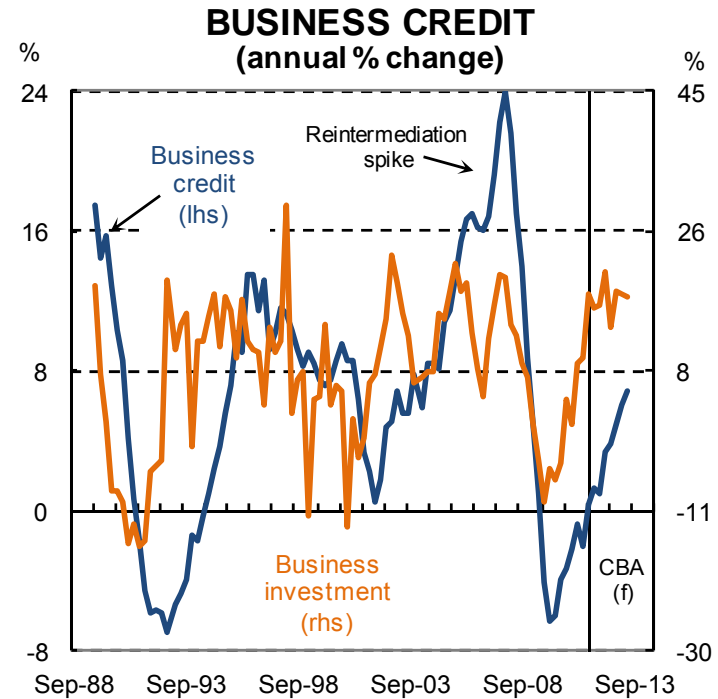
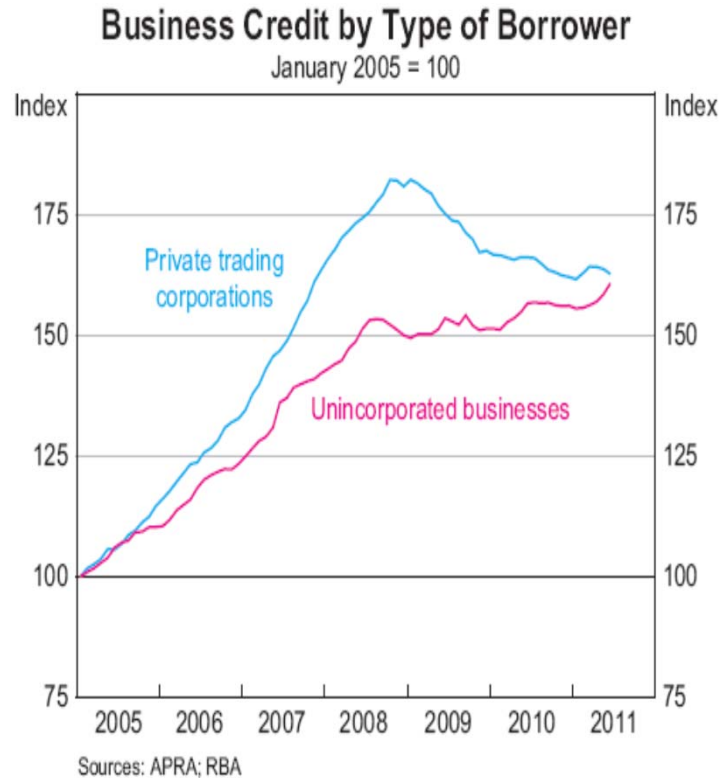
## And consumers are spending



## Strong income lets saving and spending coexist



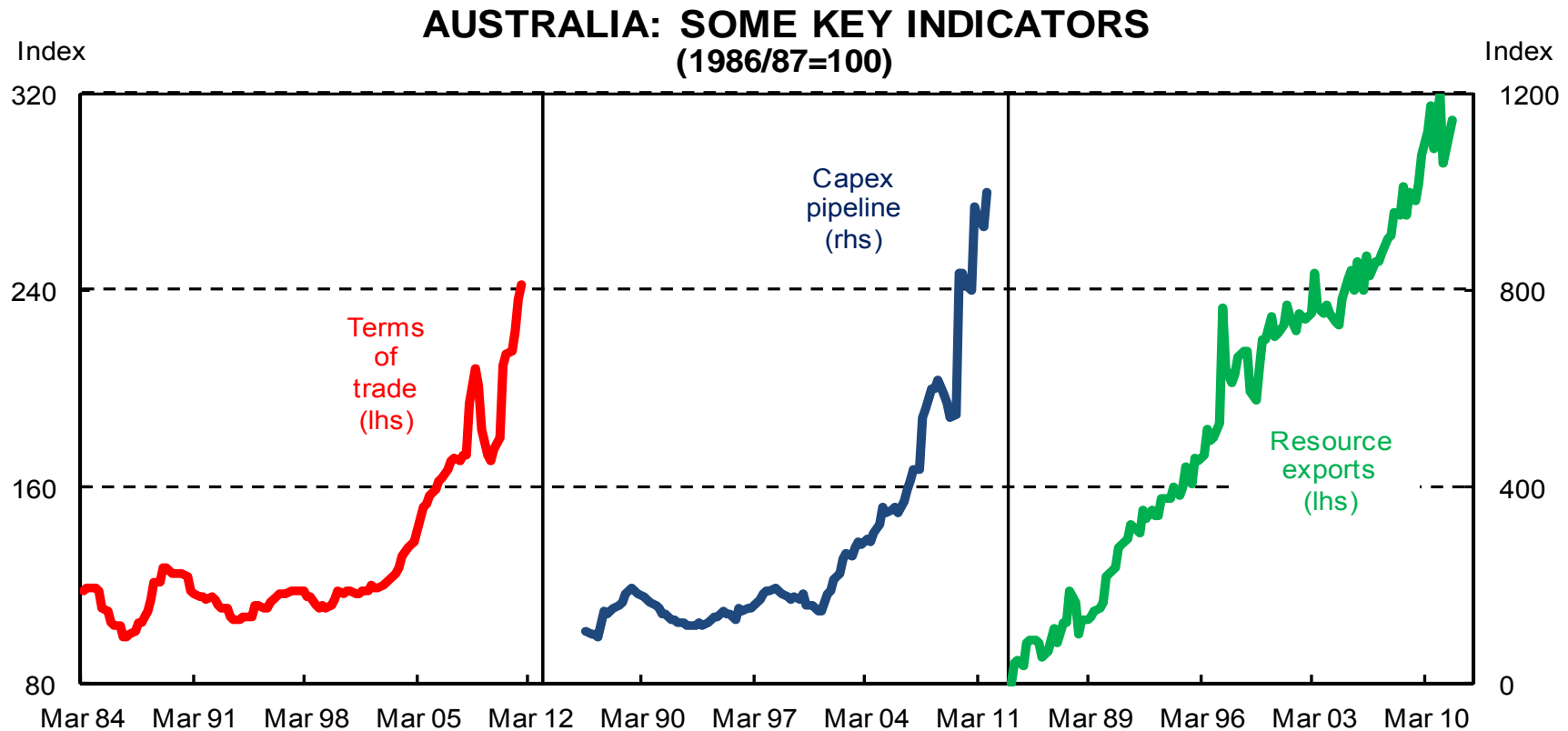
# Business sector



- 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.



# Resources sector

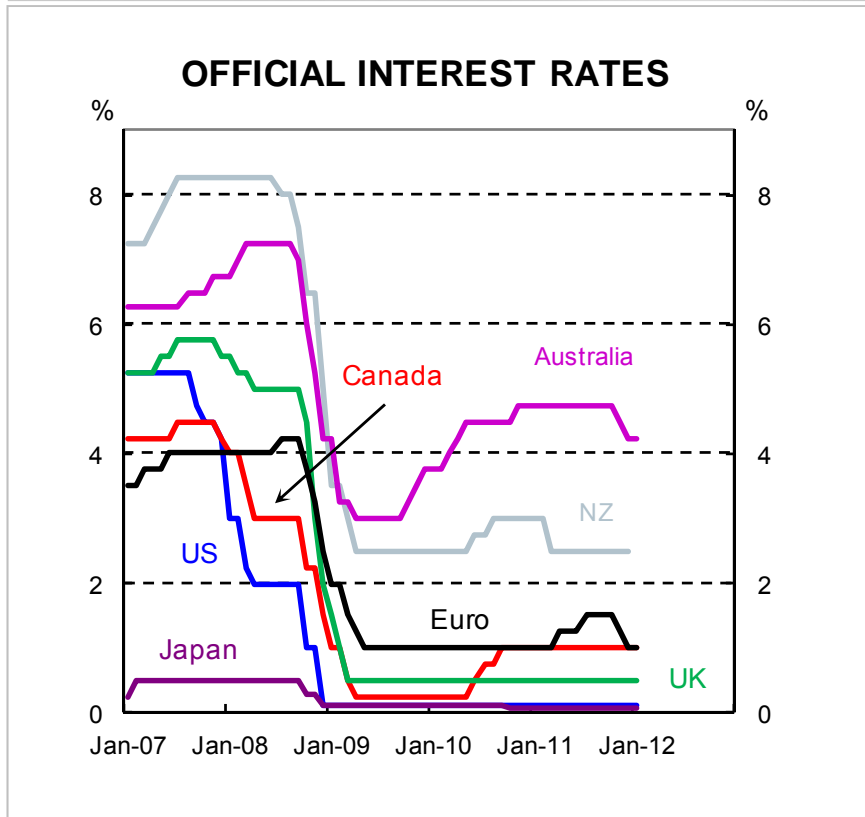


- Robust income growth locked-in through elevated commodity prices.
- Robust capital spending locked-in through multi-year projects that have started.
- Robust export growth locked-in as earlier resource projects commence operation.

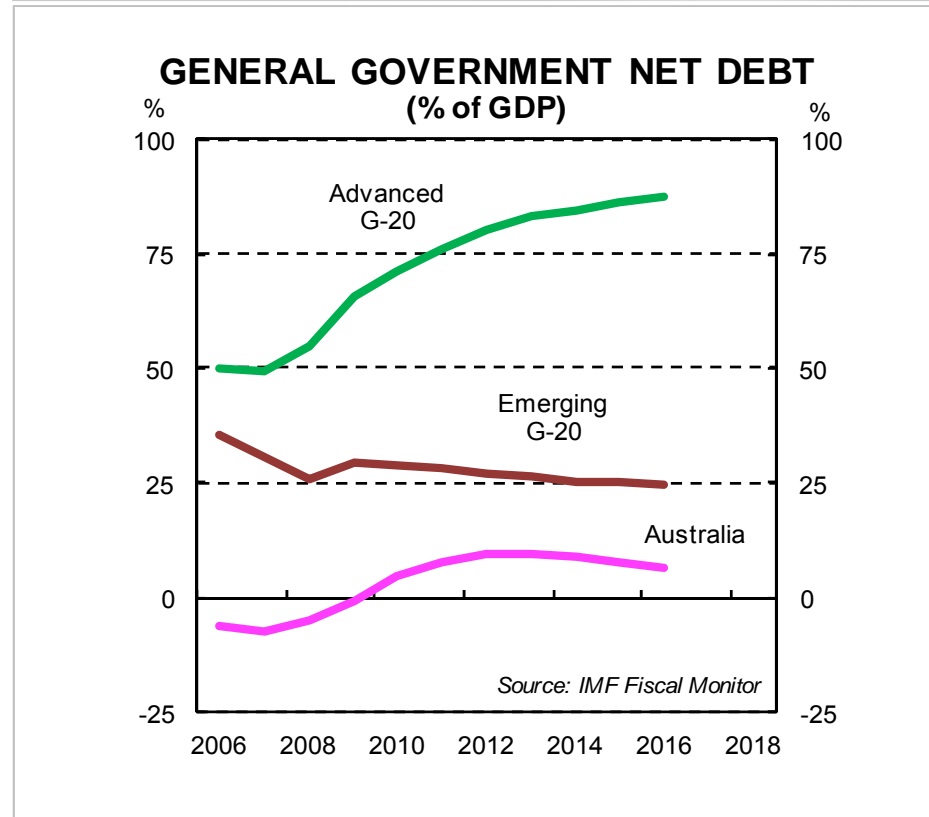


# Policy protection

Interest rates



Fiscal policy can be used



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# Solid profit growth

	Dec 11 \$m	Dec 10 \$m	Dec 11 vs Dec 10
Operating income	10,049	9,704	4%
Operating expenses	(4,602)	(4,408)	4%
<b>Operating performance</b>	<b>5,447</b>	<b>5,296</b>	<b>3%</b>
Investment experience	56	35	60%
Loan Impairment expense	(545)	(722)	(25%)
Tax and non-controlling interest	(1,382)	(1,274)	8%
<b>Cash NPAT</b>	<b>3,576</b>	<b>3,335</b>	<b>7%</b>



# Additional Information

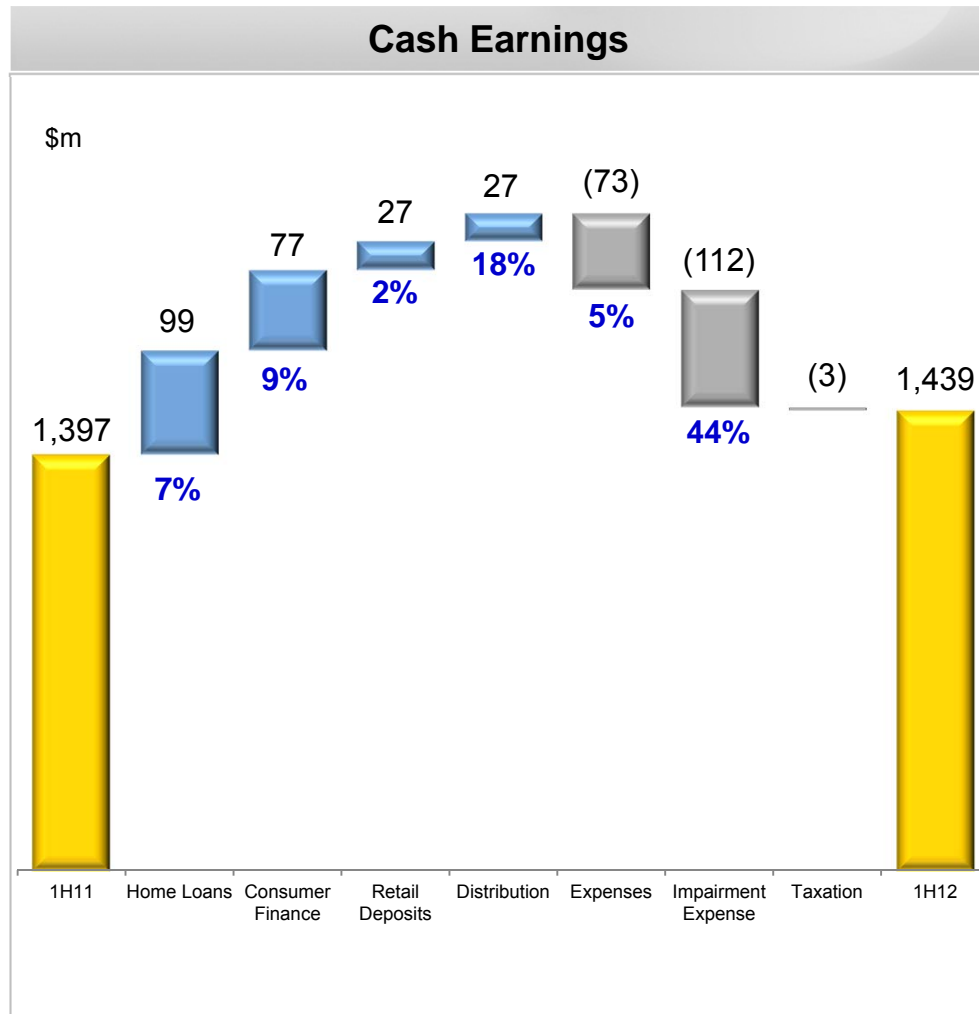
## Business unit profitability

\$m	Operating Performance	Mvt Operating Performance	Impairment Expense	Investment Experience	Tax & non-controlling interests	Cash NPAT Dec 11	Cash NPAT Dec 10	Mvt Cash NPAT
RBS	2,404	7%	(365)	-	(600)	1,439	1,397	3%
BPB	897	5%	(110)	-	(236)	551	502	10%
IB&M	739	(13%)	(33)	-	(159)	547	498	10%
WM	337	(26%)	-	33	(98)	272	359	(24%)
NZ <sup>1</sup>	353	5%	(11)	(6)	(78)	258	234	10%
Bankwest	421	14%	(38)	-	(115)	268	224	20%
Other <sup>2</sup>	296	53%	12	29	(96)	241	121	99%
<b>Total</b>	<b>5,447</b>	<b>3%</b>	<b>(545)</b>	<b>56</b>	<b>(1,382)</b>	<b>3,576</b>	<b>3,335</b>	<b>7%</b>



- 1 NZ in AUD
- 2 Includes Group Treasury, Centre functions, Asia

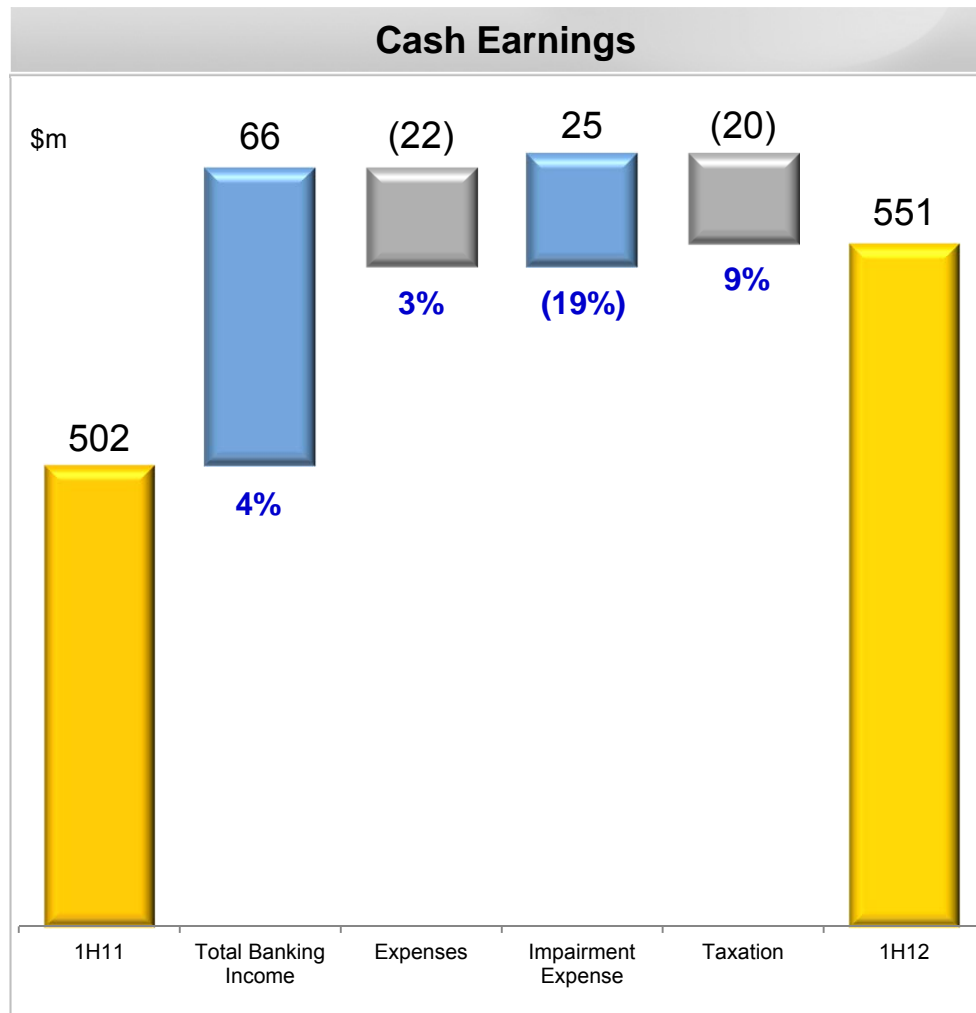
# Retail Banking Services



	\$m	Dec 11 vs Dec 10	
Home Loans	1,470	7%	<ul style="list-style-type: none"> <li>Balances up 3%</li> <li>Roll off of lower margin fixed rate loans</li> </ul>
Consumer Finance	914	9%	<ul style="list-style-type: none"> <li>Solid volume growth in both personal loans and credit cards</li> <li>Margins improved</li> </ul>
Deposits	1,334	2%	<ul style="list-style-type: none"> <li>Balances up 9%</li> <li>Margins lower (strongest balance growth in lower margin products)</li> </ul>
Distribution	176	18%	<ul style="list-style-type: none"> <li>Sale of FX and Wealth products through the branch network</li> </ul>
<b>Total banking Income</b>	<b>3,894</b>	<b>6%</b>	
Expenses	(1,490)	5%	<ul style="list-style-type: none"> <li>Inflationary increases and investments.</li> <li>Cost growth of 3% ex Core and Loyalty</li> </ul>
Impairment Expense	(365)	44%	<ul style="list-style-type: none"> <li>Higher provisioning</li> </ul>
<b>Cash NPAT</b>	<b>1,439</b>	<b>3%</b>	



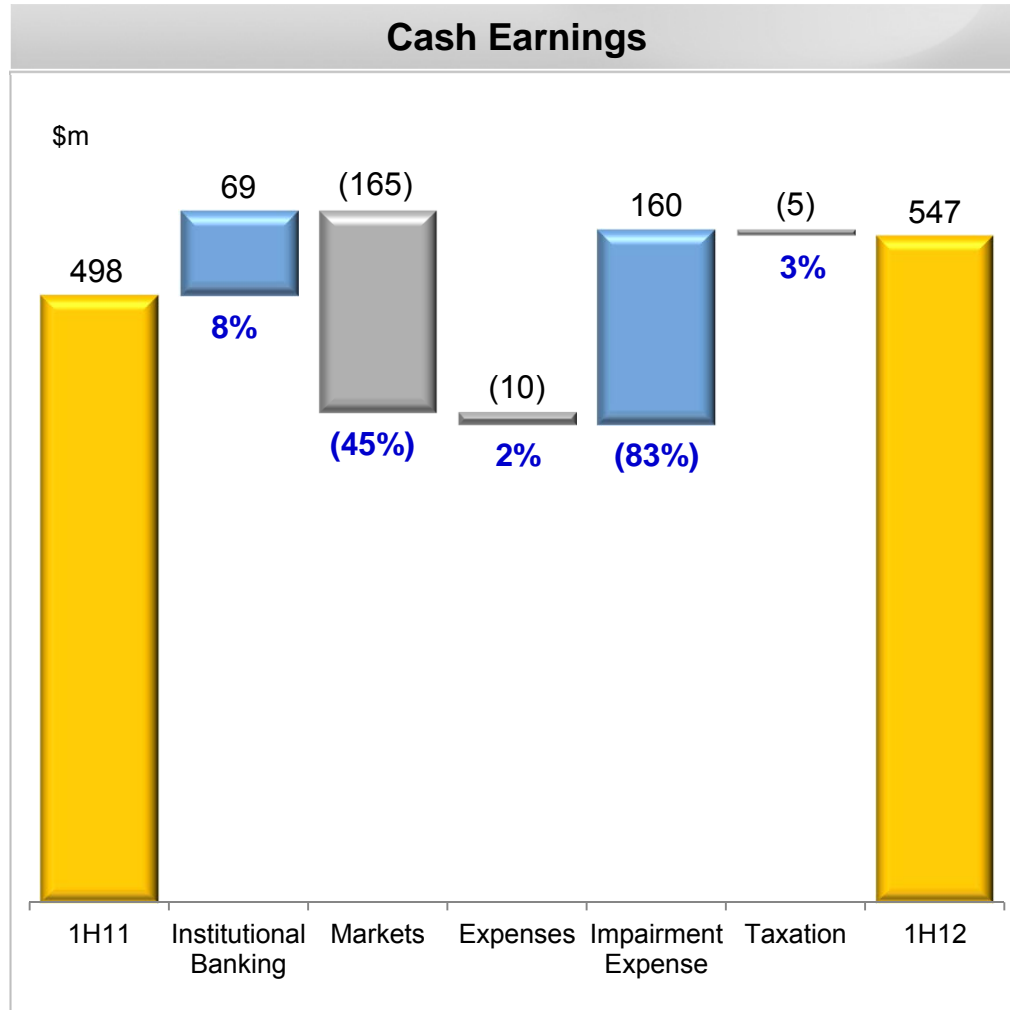
# Business & Private Banking



Key segments	\$m	Dec 11 vs Dec 10	
Corporate Financial Services	561	15%	<ul style="list-style-type: none"> <li>Increased lending balances and higher new business margins</li> </ul>
Regional & Agribusiness	247	12%	<ul style="list-style-type: none"> <li>Increased deposit balances in a highly competitive market</li> </ul>
Local Business Banking	421	8%	<ul style="list-style-type: none"> <li>Increased deposit and lending balances</li> <li>Effective margin management</li> </ul>
Private Banking	128	5%	<ul style="list-style-type: none"> <li>Increased home lending and FUA balances and higher advice-based fees</li> </ul>
Equities & Margin Lending	189	(8%)	<ul style="list-style-type: none"> <li>Large decrease in equities trading volumes and margin lending balances due to cautious investor sentiment</li> </ul>
<b>Total banking income</b>	<b>1,572</b>	<b>4%</b>	
Expenses	(675)	3%	<ul style="list-style-type: none"> <li>Higher FTE's and 4% increase in salaries offset by productivity initiatives</li> </ul>
Impairment Expense	(110)	(19%)	<ul style="list-style-type: none"> <li>Reflects underlying quality of lending portfolio</li> </ul>
<b>Cash NPAT</b>	<b>551</b>	<b>10%</b>	



# Institutional Banking and Markets

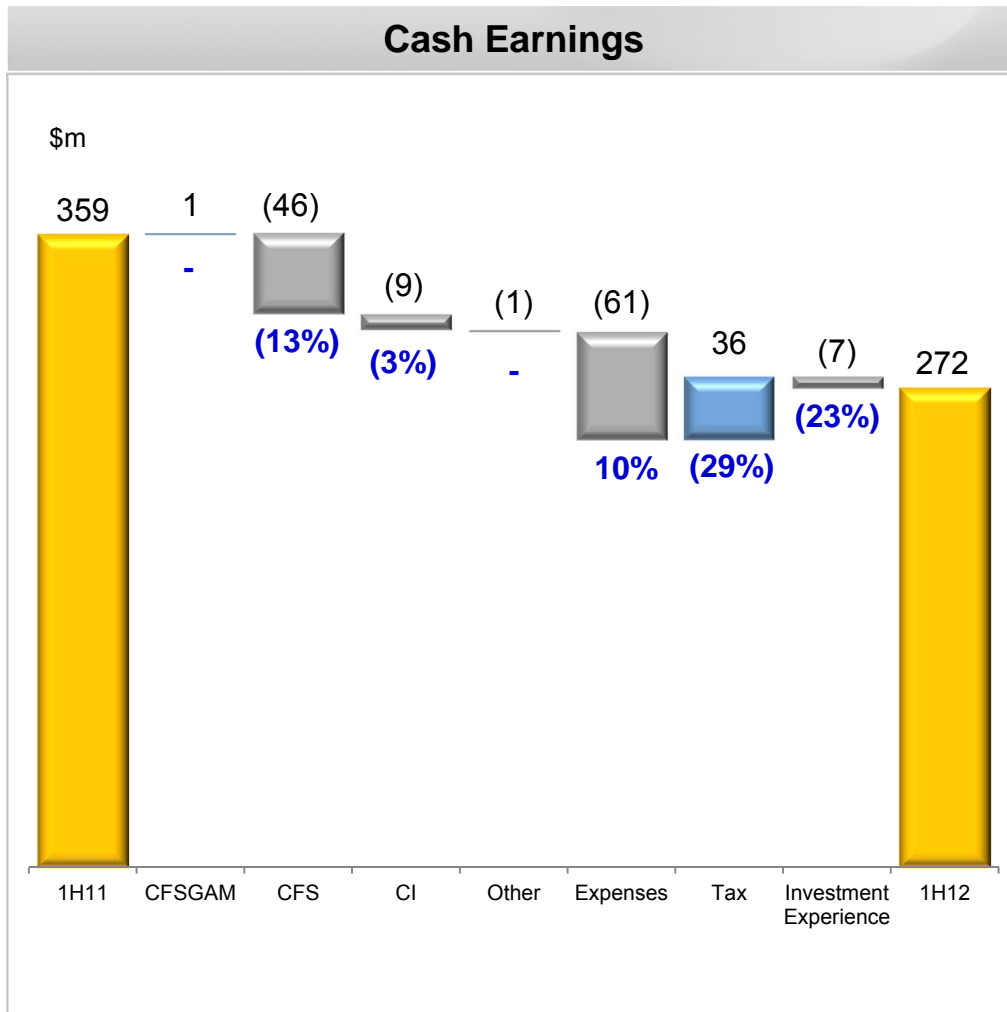


	\$m	Dec 11 vs Dec 10	
Institutional Banking	959	8%	<ul style="list-style-type: none"> <li>Higher leasing income, lending margins and deposit volumes</li> </ul>
Markets	205	(45%)	<ul style="list-style-type: none"> <li>Challenging market conditions and unfavourable CVA*</li> </ul>
<b>Total banking Income</b>	<b>1,164</b>	<b>(8%)</b>	
Expenses	(425)	2%	<ul style="list-style-type: none"> <li>Higher IT costs offset by lower staff costs and incentives</li> </ul>
Impairment Expense	(33)	(83%)	<ul style="list-style-type: none"> <li>Reflects quality of underlying lending portfolio</li> <li>Non-recurrence of single name exposures</li> </ul>
<b>Cash NPAT</b>	<b>547</b>	<b>10%</b>	



\* Counterparty fair value adjustment

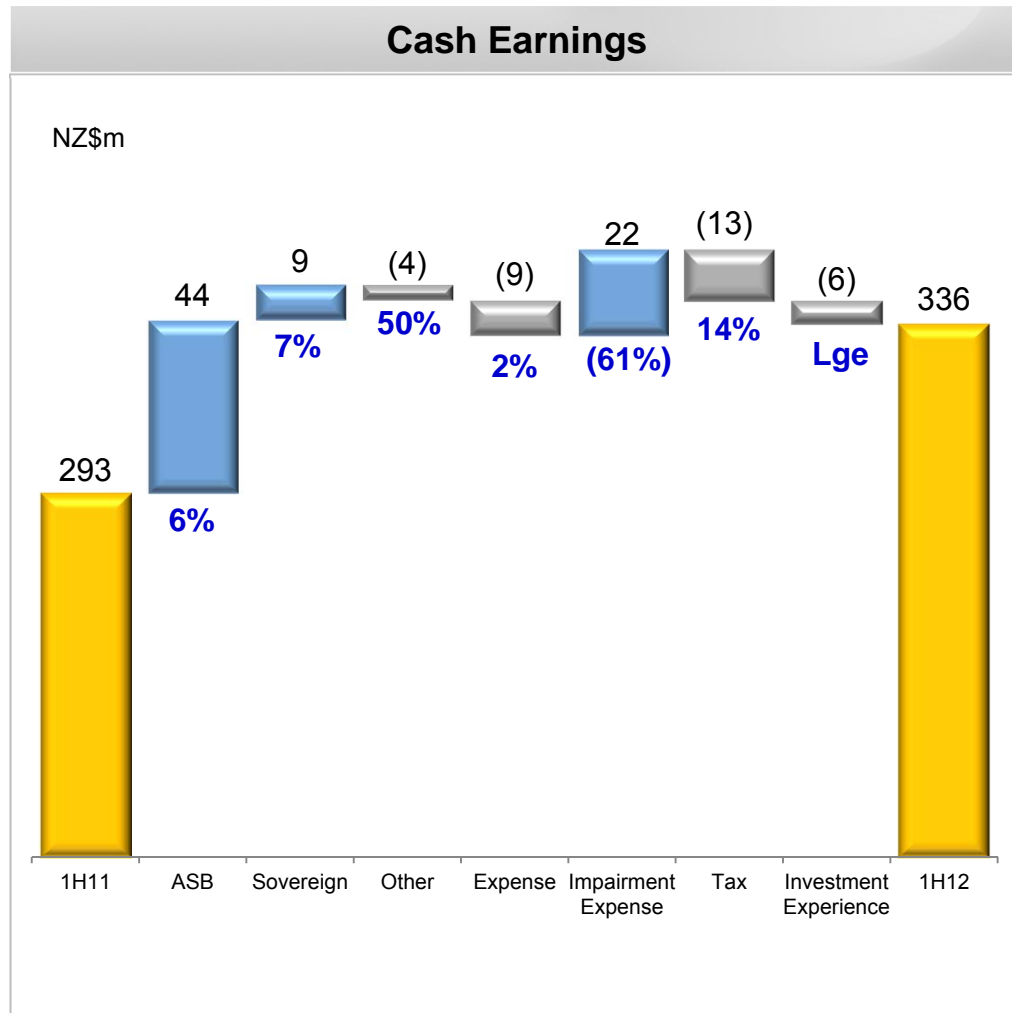
# Wealth Management



	\$m	Dec 11 vs Dec 10	
CFSGAM	379	-	<ul style="list-style-type: none"> <li>Lower FUM (↓7% to \$142bn) due to uncertain global environment;</li> <li>Expansion of capabilities and distribution</li> <li>Offset by improved margins and strong investment performance</li> </ul>
CFS	296	(13%)	<ul style="list-style-type: none"> <li>Expanded advisor network with acquisition of Count Financial</li> <li>Softer funds growth in challenging market conditions</li> </ul>
CommInsure	343	(3%)	<ul style="list-style-type: none"> <li>Solid performance in all Insurance portfolios</li> <li>Insurance margins remain stable</li> </ul>
<b>Net operating income</b>	<b>1,017</b>	<b>(5%)</b>	
Expenses	(680)	10%	<ul style="list-style-type: none"> <li>Strategic investment in offshore growth, inflation related staff increases</li> </ul>
<b>Cash NPAT</b>	<b>272</b>	<b>(24%)</b>	



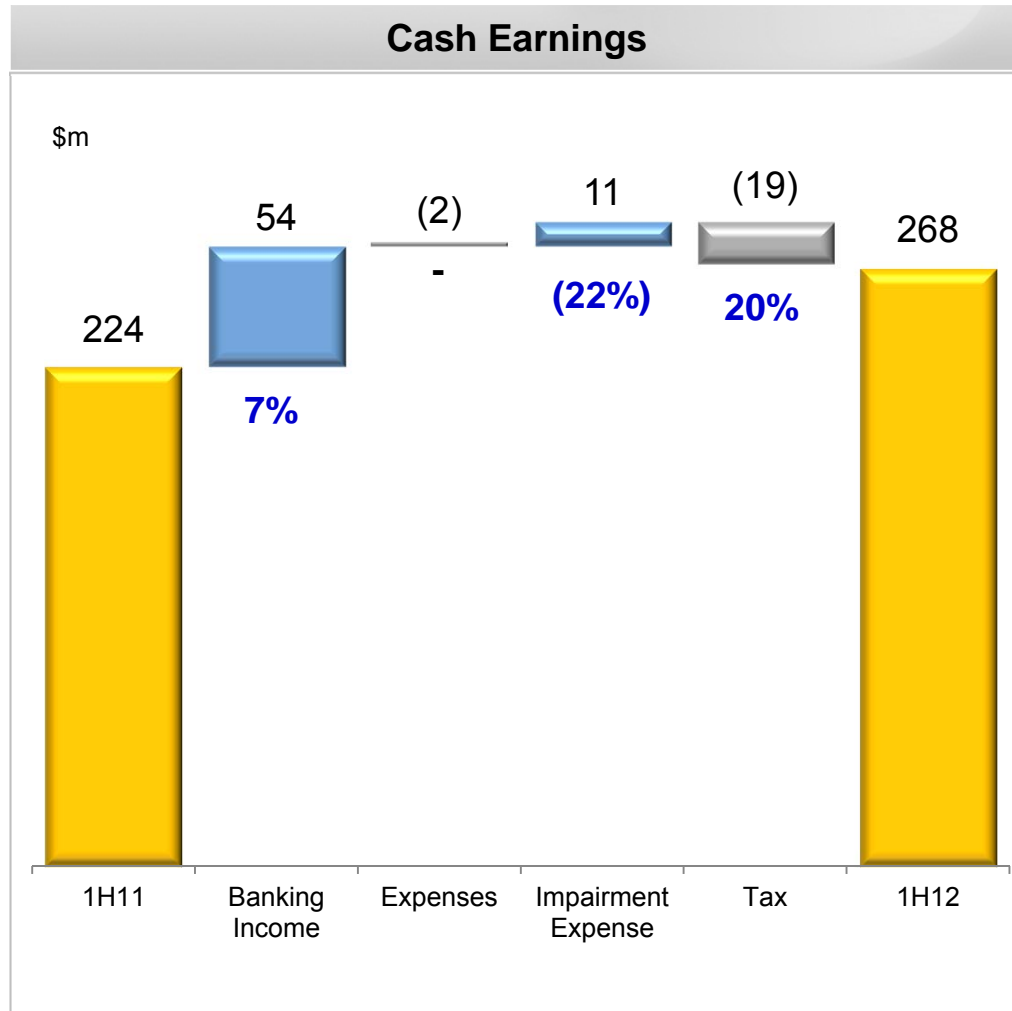
# New Zealand



	NZ \$m	Dec 11 vs Dec 10	
ASB	787	6%	<ul style="list-style-type: none"> <li>Increased income due to improvements in margin</li> </ul>
Sovereign	140	7%	<ul style="list-style-type: none"> <li>Favourable claims experience</li> <li>Significant growth in new business</li> </ul>
Expenses	(456)	2%	<ul style="list-style-type: none"> <li>Disciplined cost management, productivity initiatives</li> <li>Offset by staff and property inflation costs</li> </ul>
Impairment Expense	(14)	(61%)	<ul style="list-style-type: none"> <li>Improvement in business lending portfolio</li> <li>Stable arrears in the retail sector</li> </ul>
<b>Cash NPAT</b>	<b>336</b>	<b>15%</b>	



# Bankwest



	\$m	Dec 11 vs Dec 10	
Banking Income	851	7%	<ul style="list-style-type: none"> <li>Above system home loan growth</li> <li>Higher Retail lending margins</li> </ul>
Operating Expenses	(430)	-	<ul style="list-style-type: none"> <li>Strong focus on efficiency and cost management offsetting volume related cost increases</li> </ul>
Impairment Expense	(38)	(22%)	<ul style="list-style-type: none"> <li>Continued improvement in quality of new business lending</li> </ul>
<b>Cash NPAT</b>	<b>268</b>	<b>20%</b>	





# Market shares

	CBA	Dec 11 BWA	Combined	Jun 11 CBA + BWA	Dec 10 CBA + BWA
Home loans	22.0%	3.9%	25.9%	25.8%	26.0%
Credit cards <sup>1</sup>	20.4%	2.7%	23.1%	22.9%	22.7%
Personal lending	13.7%	0.9%	14.6%	14.8%	14.7%
Household deposits	26.4%	3.0%	29.4%	30.0%	30.5%
Retail deposits	22.7%	3.7%	26.4%	26.9%	26.6%
Business lending – APRA	13.0%	4.5%	17.5%	17.9%	18.4%
Business lending – RBA	13.9%	2.9%	16.9%	16.6%	16.9%
Business deposits – APRA	16.9%	4.0%	20.9%	21.4%	21.1%
Equities trading – Total	5.8%	n/a	5.8%	5.9%	5.7%
Equities trading – Online non advisory	63.9%	n/a	63.9%	63.3%	62.6%
Australian retail funds – administrator view <sup>2</sup>			14.8%	15.1%	15.0%
FirstChoice platform <sup>2</sup>			11.4%	11.5%	11.2%
Australia life insurance (total risk) <sup>2</sup>			12.2%	12.5%	12.5%
Australia life insurance (individual risk) <sup>2</sup>			13.3%	13.4%	13.4%
NZ Lending for housing			22.0%	22.1%	22.4%
NZ Retail deposits			21.2%	21.4%	21.2%
NZ Lending to business			9.3%	9.2%	9.2%
NZ Retail FUM			15.1%	14.4%	14.7%
NZ Annual inforce premiums			30.2%	30.1%	30.5%



- 1 As at 30 November 2011  
2 As at 30 September 2011

# How to find us

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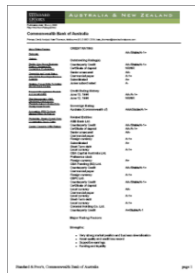
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