

# Macquarie Australian Conference

Sydney 2007



4 May 2007

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Commonwealth Bank of Australia ACN 123 123 124

# Disclaimer

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The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 4 May 2007. 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.

# Overview

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- Outlook for domestic economy remains positive
- All businesses performing well
- Continuing good progress on strategic initiatives
- Credit quality remains sound
- Earnings momentum maintained into second half



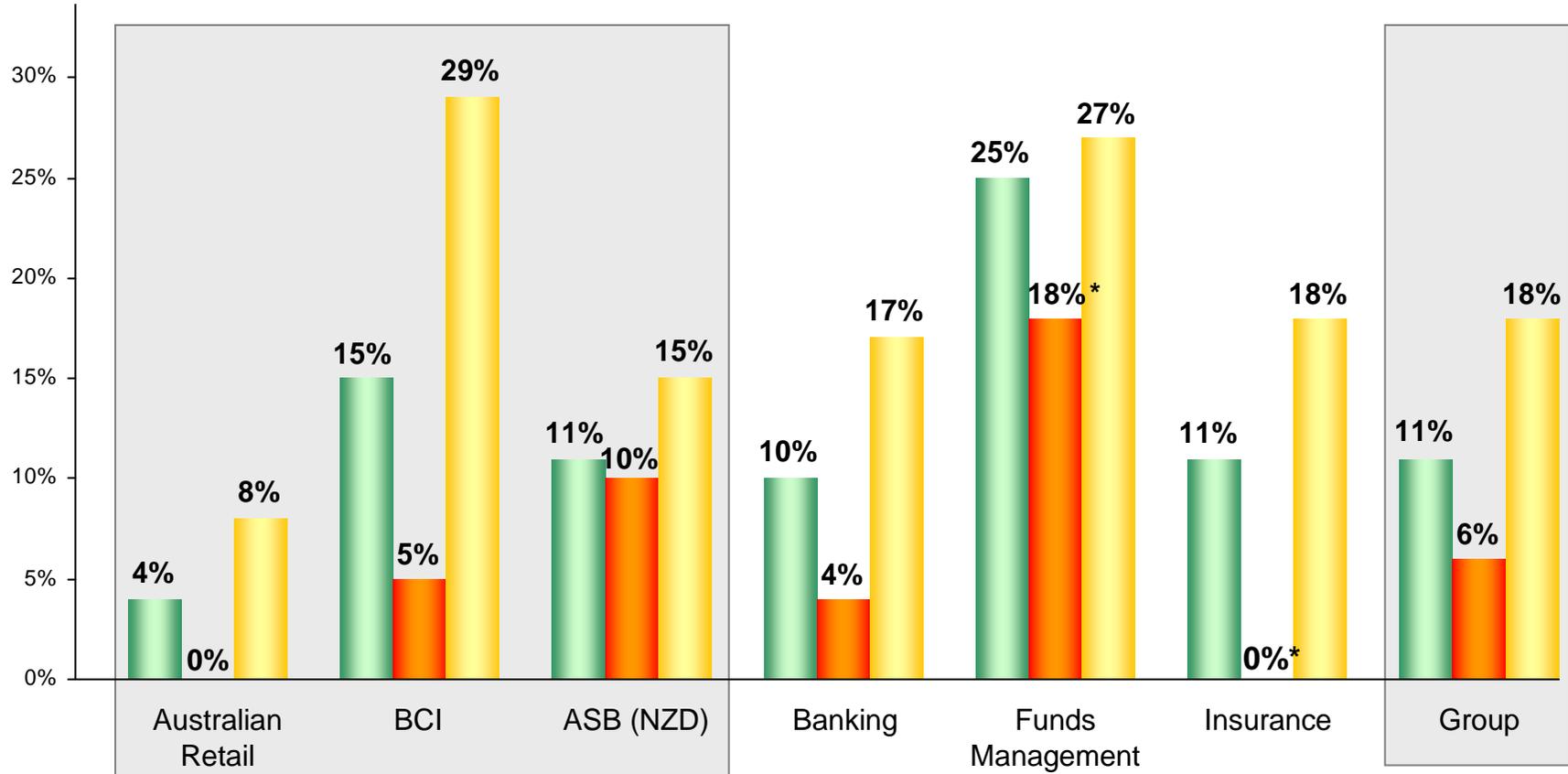
# Strong Financial Results

	Dec 06	Dec 06 vs Dec 05
Cash NPAT*	2,271	↑ 19%
Cash EPS*	174.7	↑ 17%
Return on Equity – Cash	22.3%	↑ 60bpts
Income	6,438	↑ 11%
Expense	3,144	↑ 6%
Fully Franked Dividend	107c	↑ 14%

\* Excludes profit on sale of Hong Kong in December 05

# Revenue growth outstrips costs

Dec 06 vs Dec 05



\* Excludes volume expenses & HK operations

Income Expenses NPAT

# Third Quarter Update

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- Earnings momentum maintained
- All businesses performing well in a competitive environment
- Credit quality remains sound
- On track to deliver strong EPS growth



# Retail Bank

(Third Quarter Update)

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- Continued to target profitable growth
- Home lending balance growth in line with market in last quarter
- Credit card growth even without zero rate balance transfer
- Continuing strong flows into Netbank Saver
- For FY07 loan impairment expense on consumer credit as a % of RWA's, should be no more than 1H07



# Business, Corporate & Institutional

(Third Quarter Update)

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- Strong growth in Institutional banking with stable margins
- Local Business Banking remained competitive, however margins stable
- Global Markets & Treasury performed well – Commsec benefiting from strong branding and increased volumes
- Overall credit quality remains good, although slight increase in level of impaired assets

# Wealth Management & Insurance

(Third Quarter Update)

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- Positive investment environment and strong retail funds flow – expected to pick up in June quarter
- First Choice continued to attract strong flows growing 8% in the 3<sup>rd</sup> qtr
- Good progress made in sell down of \$1.2 billion interest in AWG
- Commlnsure volumes steady across all lines of retail life, group life and general insurance in the qtr



# CEO Priorities & Measures

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- Customer Service
  - Business Banking
  - Technology & Operational Excellence
  - Trust & Team Spirit
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- ➔ Superior operating and financial results
  - ➔ Australia's finest financial services organisation



# CEO Priorities & Measures

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## Customer Service

- 800 new customer facing roles
- More competitive products
- Branch refurbishment, extended hours
- Improvements in both AC Nielsen & Roy Morgan customer satisfaction scores

## Business Banking

- Good progress in local business banking
- New banking centres & Bus Bankers in branch
- Commbiz up and running
- Agriline launched

## Technology & Operational Excellence

- \$64m of annualised savings locked in its first half
- \$23m reduction in consultant & contractor spend
- Significant increase in systems reliability

## Trust & Team Spirit

- Internal measures show significant improvements in employee engagement
- Employee turnover fell 14% over same period in competitive environment

# Examples of Profitable Growth

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- Asian expansion program
- Cross business unit referrals
- Global Markets & Treasury
- Global Asset Management Property & Alternative Investments



# Asian growth



**China**  
11% Jinan City Commercial Bank  
19.9% Hangzhou City Commercial Bank  
Beijing and Shanghai – Representative offices  
China Life CMG – JV life insurance  
First State Cinda Fund Management Company

**Japan**  
Branch

**Hong Kong**  
Branch  
First State Investments

**Vietnam**  
Representative office

**Singapore**  
Branch  
First State Investments

**Indonesia**  
PT Bank Commonwealth  
Astra CMG – JV life insurance  
First State Investments  
ANK acquisition (pending regulatory approvals)



# Cross Business Unit Referrals

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- Wealth Management Cross-sell initiative
- Introduced >70 Branch Insurance Rep's, another 60 by June 07
- Provided frontline staff with additional training to better identify customer needs
- Increased Commonwealth Financial Planning network by 10%

# Global Markets & Treasury

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- Expansion into a broader set of more complex, higher margin products
- Emerging business growth from newly established innovation and entrepreneurial spirit
- Accelerated growth in the institutional equities business
- Staff retention and attraction through remuneration that rewards performance

# Global Asset Management

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- Attract and retain talent to support growth
- Use competitive advantage to differentiate
- Emphasis on:
  - Innovative investment solutions
  - Total return strategies
  - Diversification of asset class
- \$1.5 bn raised in China Cinda joint venture, European Infrastructure Fund



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