

# Media Presentation

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

CommonwealthBank



**IAN NAREV**

CHIEF EXECUTIVE OFFICER

# Notes

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## Disclaimer

The material that follows is a presentation of general background information about the Group's activities current at the date of the presentation, 12 February 2014. 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 management's preferred measure of the Group's financial performance, as the non-cash items tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items, such as hedging and IFRS volatility, is treated consistently with prior period disclosures 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 15 of the PA and can be accessed at our website:

<http://www.commbank.com.au/about-us/shareholders/financial-information/results/>

## Continuing momentum

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	<b>Dec 13</b>	<b>Dec 13 vs Dec 12</b>
Statutory Profit (\$m)	<b>4,207</b>	<b>16%</b>
Cash NPAT (\$m)	<b>4,268</b>	<b>14%</b>
ROE – Cash (%)	<b>18.7%</b>	<b>80 bpts</b>
Cash Earnings per Share (\$)	<b>2.64</b>	<b>13%</b>
Dividend per Share (\$)	<b>1.83</b>	<b>12%</b>



# All businesses contributing well

1H14 vs 1H13

	Operating Performance <sup>1</sup>	Cash NPAT	Drivers	
RBS	11%	10%	<ul style="list-style-type: none"> <li>Income ↑ 9%</li> <li>Home loan balances ↑ 7%</li> </ul>	
BPB	3%	10%	<ul style="list-style-type: none"> <li>Business loan balances<sup>2</sup> ↑ 5%</li> <li>NIM lower (deposits)</li> </ul>	
IB&M	4%	13%	<ul style="list-style-type: none"> <li>Markets (ex CVA) ↑ 16%</li> <li>Loan Impairment Expense ↓ 78%</li> </ul>	
Wealth	20%	19%	<ul style="list-style-type: none"> <li>Avg FUA ↑ 22%</li> <li>Net op. income ↑ 11%</li> </ul>	
NZ <sup>3</sup>	15%	16%	<ul style="list-style-type: none"> <li>Lending growth ↑ 6%</li> <li>ASB NIM higher (deposits)</li> </ul>	
BWA	11%	37%	<ul style="list-style-type: none"> <li>Income ↑ 4%</li> <li>Expenses ↓ 4%</li> </ul>	
IFS	28%	30%	<ul style="list-style-type: none"> <li>Income ↑ 24%</li> <li>Lending balances ↑ 43%</li> </ul>	

1 Operating Performance is Total Operating Income less Operating Expense.

2 Source: RBA Business Lending. 12 months to Dec 13.

3 NZ result in AUD.



# Long-term strategy underpins performance

	Progress 1H14
<b>People &amp; Culture</b>	<ul style="list-style-type: none"><li>▪ Peer leading customer satisfaction driving good momentum across the business</li></ul>
<b>Productivity</b>	<ul style="list-style-type: none"><li>▪ Sustained cultural change enabling investment and benefiting underlying expense growth</li></ul>
<b>Technology</b>	<ul style="list-style-type: none"><li>▪ Leveraging technology advantage for continued product innovation, process simplification and enhanced delivery</li></ul>
<b>Strength</b>	<ul style="list-style-type: none"><li>▪ Already strong capital, funding and liquidity positions further strengthened</li></ul>



# Peer leading customer satisfaction

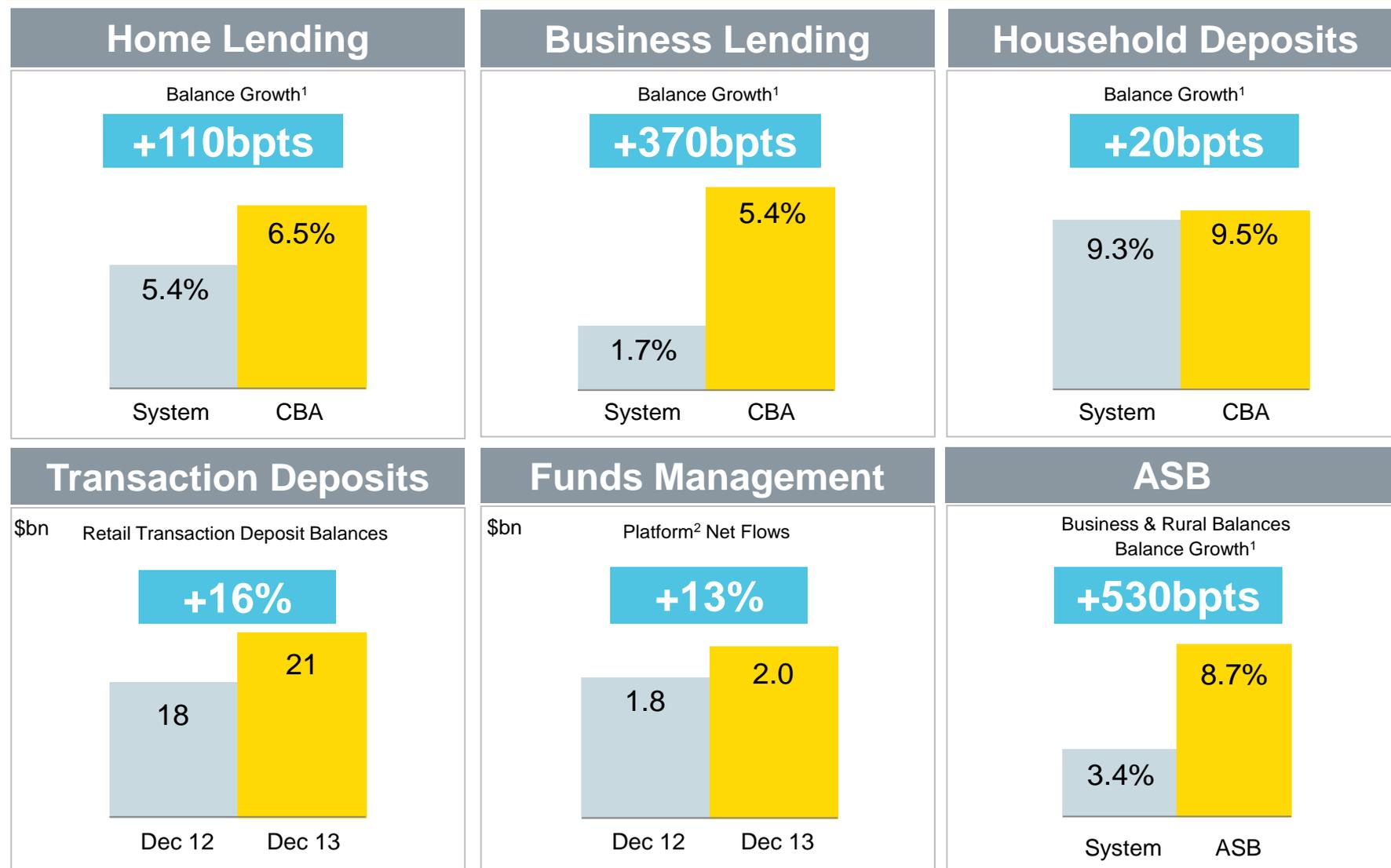
Area	Measure	CBA Rank
Retail	Roy Morgan <sup>1</sup>	1 <sup>st</sup>
Business	DBM <sup>2,3</sup>	=1 <sup>st</sup>
Wealth	Wealth Insights <sup>4</sup>	1 <sup>st</sup>
ASB	TNS; <sup>5</sup> Camorra* <sup>6</sup>	=1 <sup>st</sup>
IFS (PT Bank Commonwealth)	MRI – Foreign Banks <sup>7</sup>	1 <sup>st</sup>

1, 2, 3, 4, 5, 6, 7 Refer notes slide at back of this presentation for source information.

\* Of the 4 major banks.



# Revenue growth a key driver of performance



1 Balance growth figures are 12 months to Dec 13. Business Lending is ex Bankwest. Source RBA/APRA/RBNZ.

System figures adjusted for series breaks to normalise growth, including the impact of new market entrants.

2 FirstChoice and Custom Solutions.

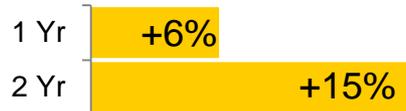
# Productivity culture enabling on-going investment

## Sustained Improvements<sup>1</sup>

Customer Service Transactions per FTE



% Personal Loans funded same day



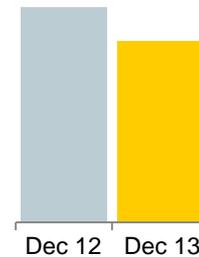
% Deposit customers with e-statements



## Case Study – WM Unit Pricing

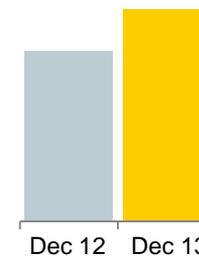
Average Turnaround Time

(8%)



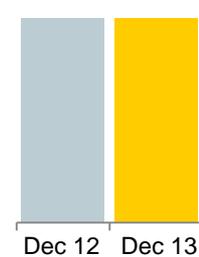
Volumes

+10%



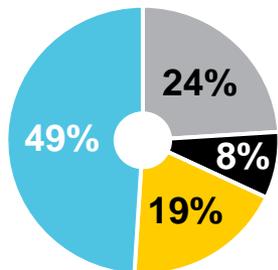
Headcount

flat

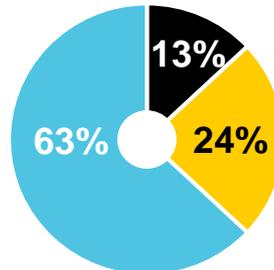


## Investment Spend

1H13  
\$582m



1H14  
\$589m



Productivity & Growth    Risk/Compliance  
Branches & Other    Core Banking

## Expense Growth

Productivity Saving \$234m

Operating expenses

\$m

4,467

1H13

+1.7%

4,544

1H14 underlying

+6.4%

4,751

1H14

<sup>1</sup> 1 Yr movements are 1H14 vs 1H13, 2 Yr movements are 1H14 vs 1H12. Refer notes page at back of presentation for definition of productivity metrics.

# Technology a continuing investment priority

## New CommBank app



Over 1 million registered users since launch Dec-13

## Simplified Processes



Simplified processes reducing online account opening times<sup>1</sup> by 80%

## Express Branches



Smaller, smarter design with focus on self-service & technology

## Customer Video-Conferencing

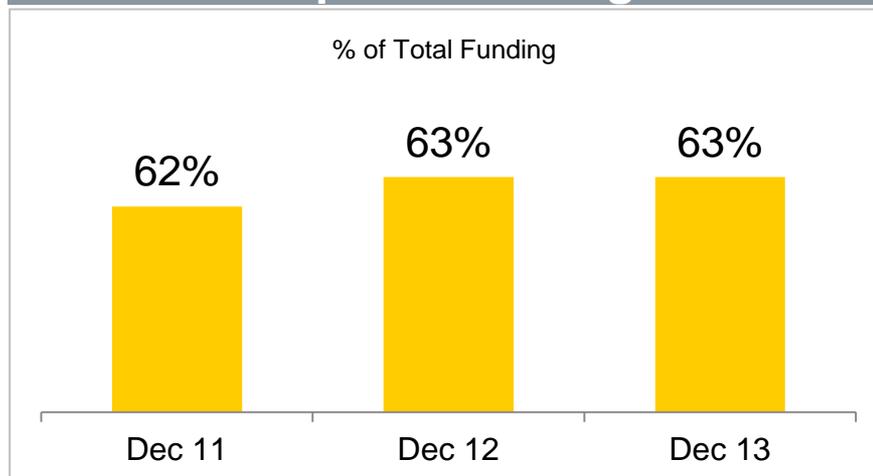


Rolled out across the network, with over 24,000 referrals to date

<sup>1</sup> Transaction and saving accounts.

# Conservative business settings

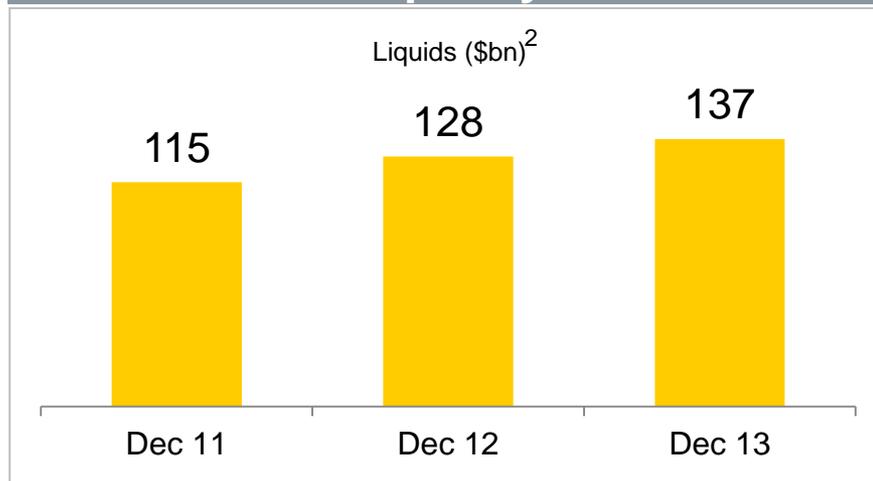
## Deposit Funding



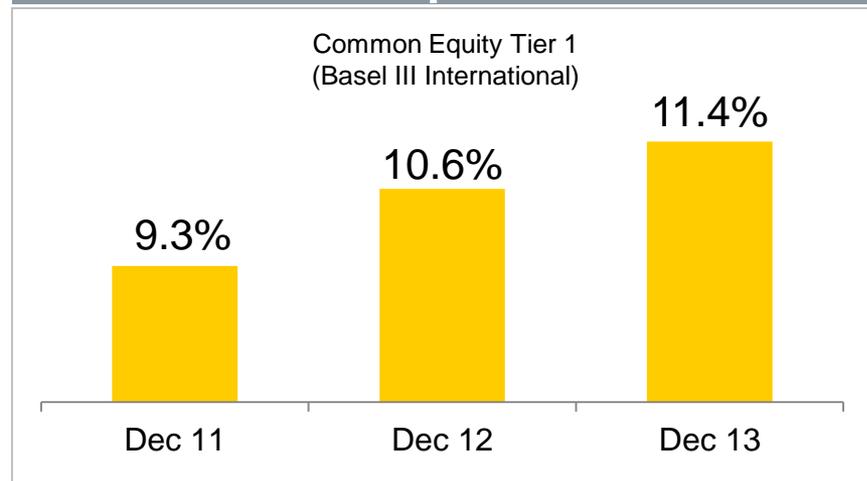
## Wholesale Funding



## Liquidity



## Capital



1 Weighted Average Maturity of long term wholesale debt. Includes all deals with first call or contractual maturity of 12 months or greater.

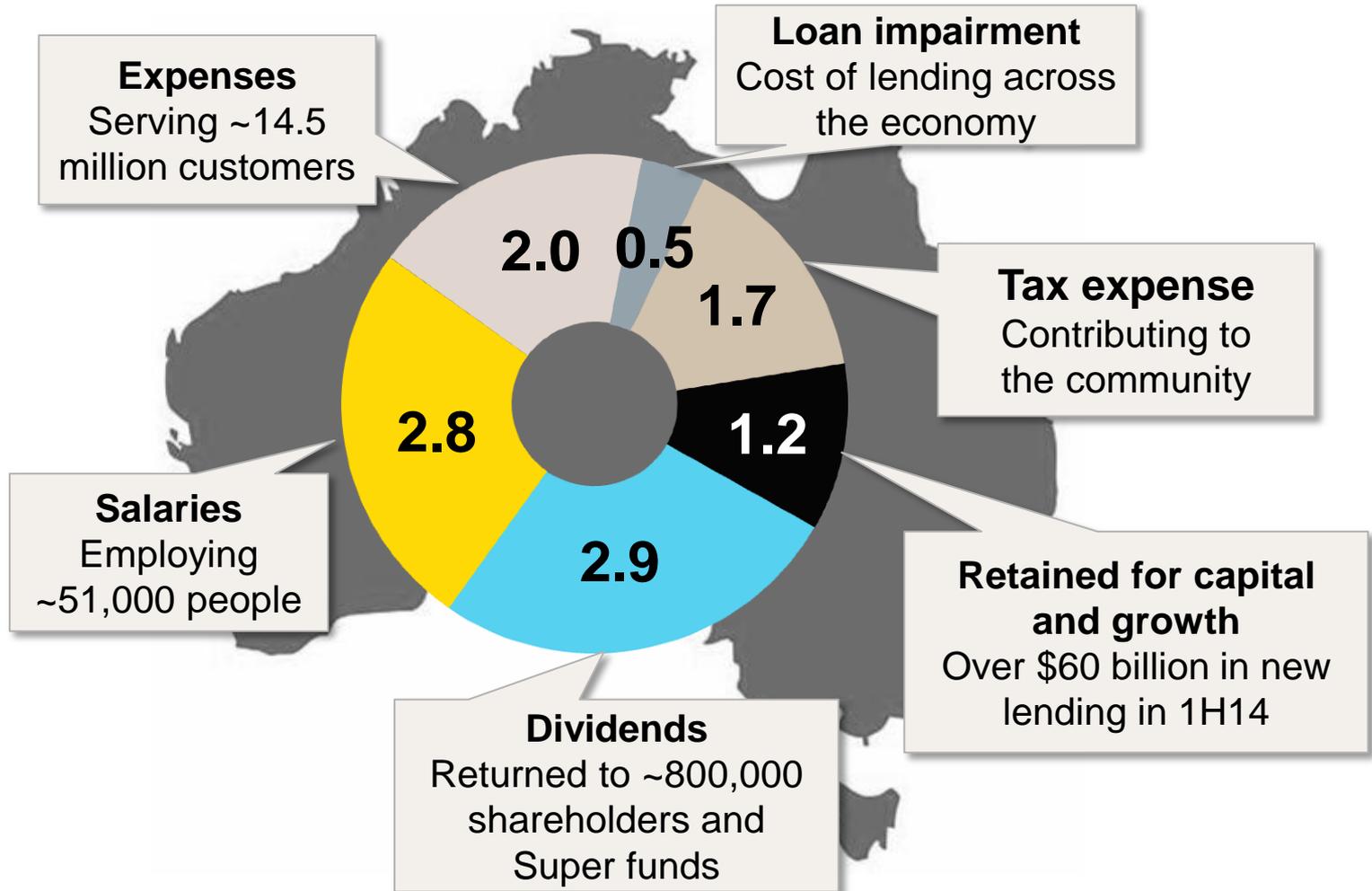
2 Liquids reported post applicable haircuts.



# Strong contributor to Australian economy

## Where does our income go?

1H14  
(\$bn)



# Outlook

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- ◆ Positive on medium term outlook, with short term improvements likely to be gradual rather than dramatic
- ◆ Domestic confidence slow to rebuild
- ◆ Key question is whether lower dollar will stimulate non-resource driven growth
- ◆ Global volatility likely to continue due to tapering and mixed growth signals
- ◆ Economic narrative critical
- ◆ Conservative settings retained, with flexibility to adapt as circumstances dictate to support customers



# Summary

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- ◆ Continuing momentum from a long-term strategy
- ◆ All divisions contributing, with good momentum across the business
- ◆ Still considerable upside from effective execution of the strategy;
  - On-going strengthening of customer focused culture
  - Productivity focus enabling on-going investment
  - Long-term commitment to technology leadership
  - Disciplined capability transfer in selected off-shore markets
  - Conservative business settings

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