

# Shareletter

APRIL 2013

# CASH

Commonwealth Bank



**On 13 February 2013 Commonwealth Bank of Australia (the Group) reported a statutory net profit after tax (NPAT) for the half year ended 31 December 2012 of \$3,661 million, which represents a 1 per cent increase on the prior comparative period. Cash NPAT for the half was \$3,780 million, an increase of 6 per cent.**

## Welcome.

### DIVIDEND

The Board declared an interim dividend of \$1.64 per share, an increase of 20 per cent on the 2011 interim dividend. The dividend payout ratio (cash basis) of approximately 70 per cent is up from 61 per cent for the prior year's interim dividend. This increase is consistent with the Board's revised dividend policy, announced in August 2012, which is intended to ensure a more even distribution of dividends across the year. Accordingly, the final dividend is likely to be slightly lower than last year.

### OUTLOOK

On the outlook for the 2013 calendar year, Commonwealth Bank's Chief Executive Officer, Ian Narev said: "Since reporting our full year results in August last year we have seen some

improvements in the global macroeconomic environment. In each of the major areas of concern – European Union stability, US recovery and China's on-going growth – developments have been positive overall. As a result, we have experienced a period of relative stability, which has had a positive impact on global equity and debt markets.

"Of course, risks remain in the economy, and as a major financial institution we must remain cautious. In particular, there is still no sustainable long-term plan for resolving sovereign indebtedness in Europe, and the US recovery remains fragile. And the long term effects of the strategies of central banks overseas to restore stability are uncertain. However, if the current stability continues, we believe it will translate into a slow but steady rebuilding of consumer and business

confidence in Australia, and that is our base case for the 2013 calendar year.

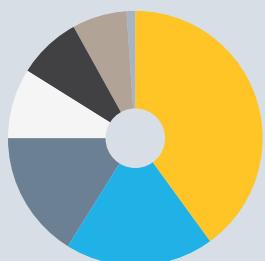
"In any event, we will continue to focus on the long-term strategic goals that have underpinned this result, and which we believe position the Group very well into the future."

We would like to thank you, our shareholders and our customers for your continuing support of the Commonwealth Bank Group.

David Turner  
Chairman

Ian Narev  
Chief Executive Officer

### Cash NPAT Contribution from each business unit



RBS: RETAIL BANKING SERVICES BPB: BUSINESS & PRIVATE BANKING BWA: BANKWEST  
WM: WEALTH MANAGEMENT NZ: NEW ZEALAND IB&M: INSTITUTIONAL BANKING & MARKETS  
OTHER: INCLUDES GROUP TREASURY, CENTRE FUNCTIONS, IFS ASIA

### NPAT (cash basis) FOR THE 6 MONTHS ENDED 31 DECEMBER



# The Group is one of only a limited number of global banks in the 'AA' ratings category.

## KEY COMPONENTS OF THE RESULT INCLUDE:

- Continuing success of the strategy of customer focus, with retail customer satisfaction reaching all-time highs;
- Continued growth in the Australian banking businesses, with average interest earning assets up \$26 billion to \$649 billion;
- Strong growth in retail and business average interest bearing deposits, up \$26 billion to \$376 billion;
- Recovery in markets-based businesses with Wealth

- Management's earnings up 10 per cent and IB&M's Market's business rebounding strongly;
- Strong operating performances from ASB Bank and Bankwest;
- Good progress in growing and strengthening Asian businesses;
- A decline of 2 basis points in Net Interest Margin (NIM) to 2.10 per cent as higher wholesale and deposit funding costs offset the positive impacts of asset re-pricing and mix changes;
- Expense growth contained to 3 per cent with the Group

again achieving an improved Cost to Income ratio;

- \$582 million of investment in long term growth initiatives focusing on technology, productivity and risk mitigation;
- A continuing conservative approach to provisioning, with total provisions of \$4.7 billion; and
- Strong growth in capital with the Group's Basel III Common Equity Tier 1 (internationally harmonised) up 130 basis points to 10.6 per cent.

## ECONOMIC UPDATE BY COMMSEC:

**CommSec**



## GOOD SIGNS FOR GROWTH IN 2013.

For the past couple of years the economic environment has been characterised by crisis or recovery from crisis.

From a global perspective, signs do look better for 2013 and we expect a normal and less volatile year. Sure, the problems have not all been solved, but there is a greater determination by policymakers and politicians to deal with issues quickly and move on.

Overall, we expect the global economy to grow around 3.5 per cent in 2013 up from 3.3 per cent in 2012. Average growth over the past 30 years is 3.3 per cent, so the outlook is encouraging. We are not expecting big things from Europe. In Europe high budget deficits need to be brought under control, while it will take some time until we see economic growth.

We do expect the US, China and other emerging economies to achieve stronger growth over 2013, and any softness in the Europe can be absorbed. In the US, housing and exports are leading the way forward.

Australia has entered 2013 in the strongest state of any advanced economy.

In Australia, another year of expansion is expected – the 22nd year without a recession. Economic growth should hold in the normal range of 2.5-3.5 per

cent with inflation contained between 2-3 per cent and unemployment around 5 per cent.

We expect a larger contribution from home building and consumer spending. If Chinese growth proves stronger than expected, then mining will remain in the limelight. The higher Australian dollar could still create some headwinds for investors and exporters as we expect the Aussie dollar to stay above parity throughout 2013.

Overall, we feel investors are becoming more confident and looking for higher returns outside cash. Total return on shares has averaged 9-13 per cent over the past 30 years. After the stellar run on the ASX throughout January CommSec's Chief Economist, Craig James, has revised his 2013 year end forecasts for the ASX 200, to 5,300, up 14 per cent.

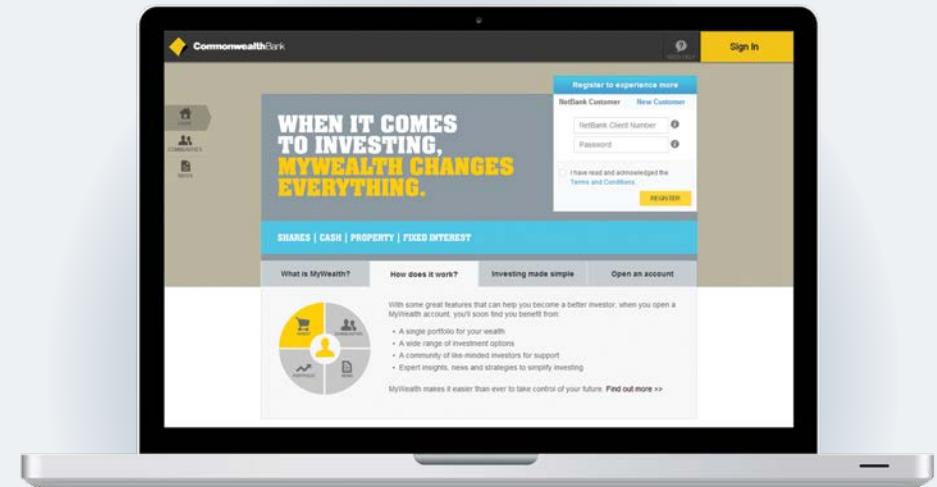
# COMMBANK ANNOUNCES AN AUSTRALIAN FIRST.

## MYWEALTH.

This summer, Commonwealth Bank launched an Australian first to enable DIY investors to build and manage their own wealth.

In 2011/2012, CommBank conducted an extensive nine month program of customer-centred research into the emerging self-directed investor market. The aim was to understand the growing needs of over 3 million Australians who are today managing their own wealth. The program was combined with user experience research to allow customers to share their aspirations, challenges and preferences for a new online platform.

MyWealth has been designed to bring the important elements of the investment process onto one easy-to-use digital platform. The platform is built on CommBank's powerful technological infrastructure, leveraging both the continued investment in Core Banking and key Group partnerships. Today, MyWealth provides three key benefits:



- Makes it simple:** With one simple NetBank ID, CommBank customers can access their wealth portfolio whilst the *Invest* section brings opportunities to life and presents information in a way that's easy to understand. MyWealth customers can be part owner of some of Australia's biggest companies.
- Offers guidance:** CommBank customers will find the guidance they need to make their next investment. Through a dedicated team of in-house journalists, MyWealth delivers the day's big stories, along with economic insights, investment strategies and feature-length education articles. News feeds are tailored to customers' company watch lists and portfolios, meaning it is easy for them to keep up to date on all matters that affect their wealth.

- Builds confidence:** MyWealth helps customers to invest with confidence by enabling them to be part of an active community of like-minded investors. By enabling connections between investors, ideas and investment strategies flow. Customers are even able to submit questions to be answered by experts in the *Ask an Expert* section.

*Coming soon will be Property and Superannuation offerings within MyWealth.*

*MyWealth was launched on the 6th of February 2013. Visit [www.MyWealth.com.au](http://www.MyWealth.com.au) to experience it for yourself.*



## INVESTOR RELATIONS APP FOR APPLE IPAD.

**In December 2012, the Group launched an App specifically designed to provide investors with access to a comprehensive range of investment information about the Group using their iPads.**

The App provides investors with access to current and historical results presentations, profit announcement documents, webcasts, annual reports, Pillar III filings and

other shareholder communications. It also provides current and historical share price information, ASX announcements as well as a financial key-dates calendar. Importantly, once down-loaded, contents will automatically be kept current. The App is a user friendly tool that provides investors with key financial information for the Group at their finger tips.

*The App can be obtained free from the iTunes store, just search for: CBA Investor Relations*

## SUSTAINABILITY PROGRESS.

In the first half of the financial year 2013 and in line with our sustainability strategic framework, the Group has continued to implement initiatives that deliver long-term value to our customers, shareholders and employees, as well as to the wider community.

### SUSTAINABLE BUSINESS PRACTICES

The Group maintained focus on robust corporate governance, sound risk management systems, a strong balance sheet and transparent reporting.

### RESPONSIBLE FINANCIAL SERVICES

The Group developed policies to improve the assessment of the environmental and social risks for project financing in the natural resources (mining, oil and gas extraction) and utilities (including renewables) sectors.

We also continued to provide superior customer service through technological innovation and progressed towards our customer satisfaction goals across our key segments.

### ENGAGED AND TALENTED PEOPLE

The Group expanded its Diversity Strategy to ensure greater inclusion for all our people and launched the 2013-2014 Disability Action Plan, outlining actions to improve access to financial services for our customers



Improving ATMs accessibility for customers with disability.

and create an even more accessible work environment for our people.

We made solid progress towards our target of 35 per cent of women in senior management roles by December 2014, reaching 31 per cent as at December 2012. Overall, women represent 60 per cent of the Group's workforce and over 42 per cent of all management roles.

### COMMUNITY CONTRIBUTION AND ACTION

Over 10,000 employees across the Group contribute to the Staff Community Fund. From 2012, the Group has matched their contributions dollar for dollar. In 2012, the Staff Community Fund awarded over \$2 million in grants to 244 Australian organisations that support the health and wellbeing of young people.

The Commonwealth Bank Foundation's financial literacy program – StartSmart – was recognised with a MoneySmart Week Award for extensive work in schools across Australia.

### ENVIRONMENTAL STEWARDSHIP

The Group remained on track to meet our target of a 20 per cent reduction in carbon emissions by June 2013 (from 2008-09 levels). This represents a reduction of 34,550 tonnes of carbon.

Commonwealth Bank Place, located at the centre of Darling Quarter, received the prestigious Banksia Award for the Built Environment. We also received a 10 Year Sustainability Achievement Green Globe Award in recognition of our commitment to sustainability leadership, engagement and achievements.



For further information on the Group's sustainability initiatives, case studies and performance, visit:  
[www.commbank.com.au/sustainability2012](http://www.commbank.com.au/sustainability2012)

## STAYING IN TOUCH

You can update your personal details, including mailing address, payment instructions, email address and communication options online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or contact Link Market Services Limited on

+61 1800 022 440 or by email at [cba@linkmarketservices.com.au](mailto:cba@linkmarketservices.com.au)

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