

DETERMINED TO BE BETTER THAN WE'VE EVER BEEN.

# Results Presentation

FOR THE FULL YEAR ENDED 30 JUNE 2011

Ralph Norris  
Chief Executive Officer

David Craig  
Chief Financial Officer

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**Commonwealth**Bank



# 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, 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/>



# Agenda

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- **Ralph Norris, CEO – Company Update and Outlook**
- David Craig, CFO – Financial Overview
- Questions and Answers



# Additional Information

## Snapshot – FY11 Results\*

### Financial

Cash earnings (\$m)	6,835	+12%
ROE (Cash)	19.5%	+80bpts
Cash EPS (\$)	4.39	+11%
DPS (\$)	3.20	+10%
Cost-to-Income	45.5%	(20bpts)
NIM	2.19%	+6 bpts

### Operating Performance by Division

RBS (\$m)	4,605	+8%
BPB (\$m)	1,717	+8%
IB&M (\$m)	1,639	(7%)
Bankwest (\$m)	771	+12%
Wealth Management (\$m)	799	+2%
NZ (NZD \$m)	843	+20%

### Strong balance sheet

Total Assets (\$bn)	668	+3%
Total Liabilities (\$bn)	631	+3%
FUA (\$bn)	197	+5%
RWA (\$bn)	282	(3%)
Provision to Credit RWA's (%)	2.09	(3 bpts)

### Capital & Funding

Tier 1 Capital	10.01%	+86 bpts
Tier 1 – UK FSA	13.7%	+90 bpts
LT Wholesale Funding WAM (yrs)	3.6	(0.2)
Deposit Funding (%)	61%	+3%
Liquid Assets (\$bn)	101	+17%



\* All movements on prior comparative period.



# Overview

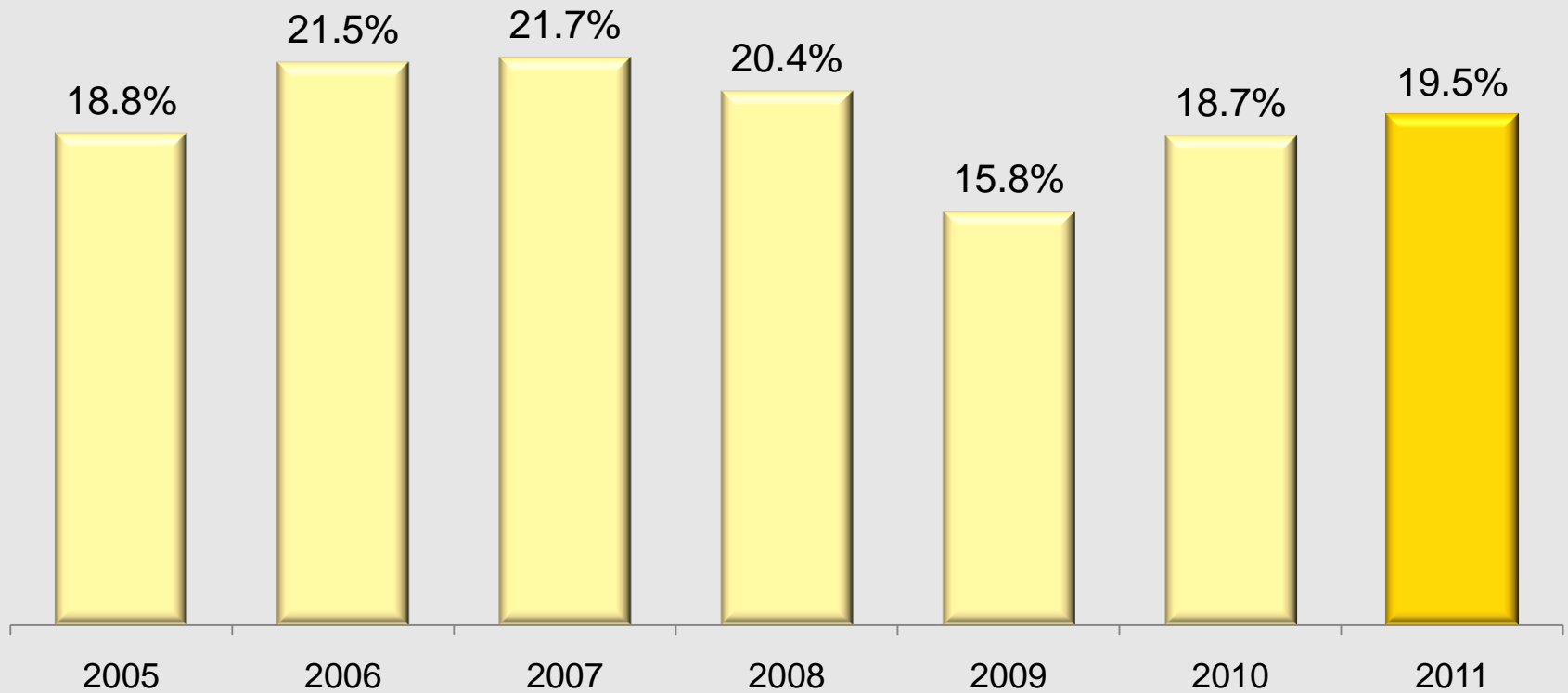
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- A good result in a difficult year
- Continued disciplined approach to execution of strategy underpins result
- Strong financial position – capital, funding and provisions
- Supporting our customers in uncertain times
- Challenging year ahead



# Additional Information

## Return on Equity (Cash)



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# Another good financial result

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	<b>Jun 11</b>	<b>vs Jun 10</b>
Cash NPAT (\$m)	<b>6,835</b>	12%
Statutory NPAT (\$m)	<b>6,394</b>	13%
ROE - Cash	<b>19.5%</b>	+80bpts
Cash EPS (\$)	<b>4.39</b>	11%
Dividend per Share (\$)	<b>3.20</b>	10%



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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



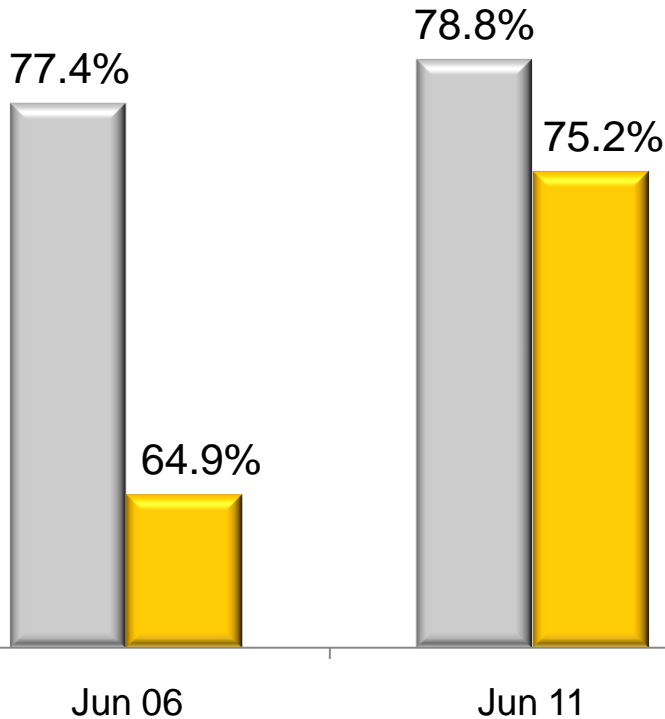
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# Customer Satisfaction

## Retail MFI Customer Satisfaction <sup>1</sup>

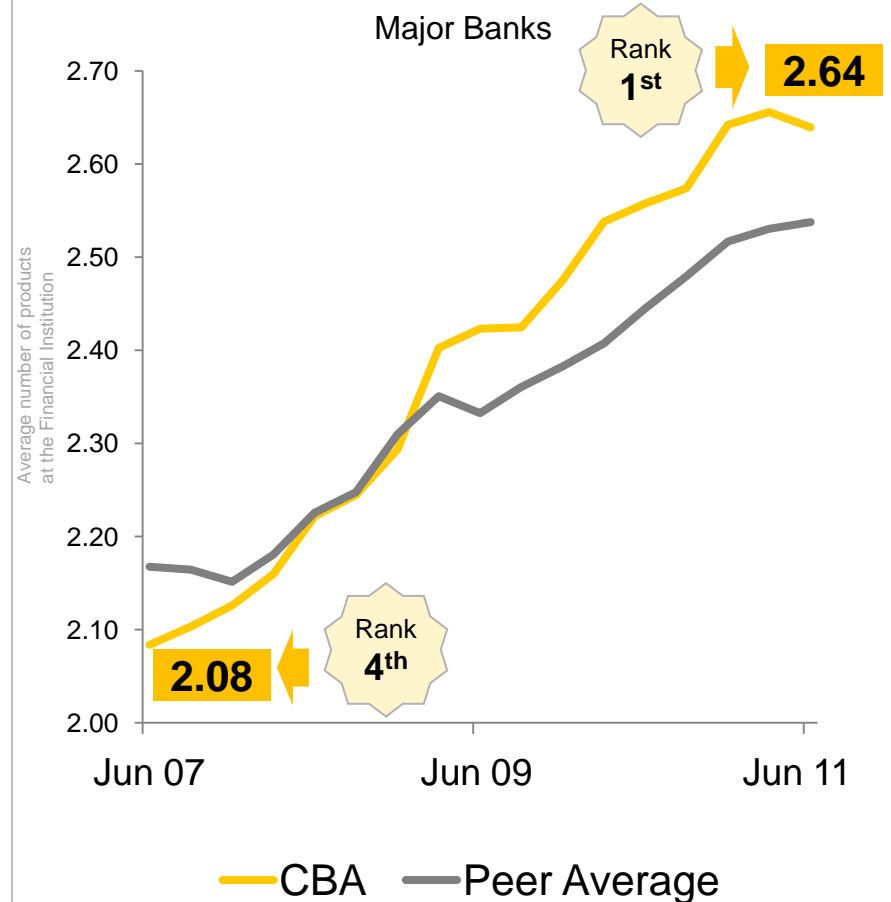
Major Banks



■ Top Rated Peer ■ CBA

## Products per customer <sup>2</sup>

Major Banks



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1, 2 – Refer note slide at back of this presentation for source information

# Additional Information

## 2011 Awards



- Bank of the Year 2011
- Credit Card Issuer of the Year
- Banking Website of the Year
- Margin Lender of the Year (CommSec)



- World's Best Banks in Developed Markets: Best Bank in Australia
- Australia's Best Foreign Exchange Provider



- Best Fund Manager
- Ranked No. 1 by advisers for overall platform satisfaction (FirstWrap)



- Best Retail Bank in Australia
- Best Retail Bank in Asia Pacific
- Best consumer lending (personal loans)
- Achievement Award, Cash Management in Australia



- Service Excellence in the Financial and Insurance Services
- Product Innovation (Travel Money Card)



- Service Excellence Award in the Large Business category (Commonwealth Bank Group)
- The Best Medium Business in NSW (CommInsure General Insurance team)
- Highly commended in the National Medium Business category (CommInsure General Insurance team)
- Customer Service Executive NSW (Fred Pollock, EGM, Group Sales and Service)
- Customer Service CEO of the Year (CEO Ralph Norris)



- Australian's Financial Institution of the Year – Major Bank
- Chief Information Officer of the Year (Michael Harte)
- Chief Risk Officer of the Year (Alden Toevs)
- Innovative Mortgage Product of the Year (No Fee Variable rate home loan)



- Chief Financial Officer of the Year (David Craig)
- Australian Issuer of the Year – Australian Bond Market (Group Treasury)



- Outstanding Private Banking Institution of the Year



- Best Bank in Australia 2010
- Best Private Bank for Super Affluent Clients
- Best Private Bank for High Net Worth 1 Clients
- Best Private Bank for Family Office Services



- Five star rating, online share trading, CommSec
- Five star rating, all deposit and transaction accounts
- Innovation Award for the iPhone Property Guide app
- Youth Banking and Education Award
- Best Online Banking Australia Award



- Best in Class, Banking (Projects.CBA Intranet)
- Outstanding Achievement Award, Investor Relations (Shareholder Centre)
- eCommerce (eVolve iShop)
- Banking (NetBank)
- B2B (IB&M microsite)



# Business Banking Growth Strategy

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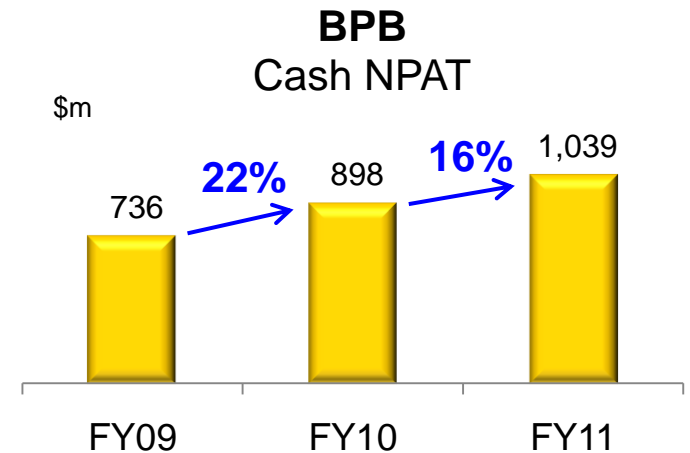
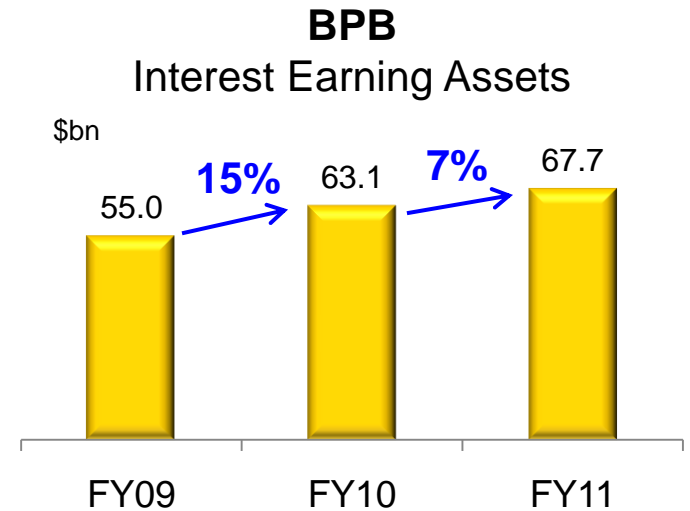
Investment delivering dividends:

- Business Bankers in branches
- Extended footprint
- CommBiz

Supporting our business customers with above system lending growth

Good momentum

Well positioned to continue to outperform



# Additional Information

Leading position,  
leading platforms

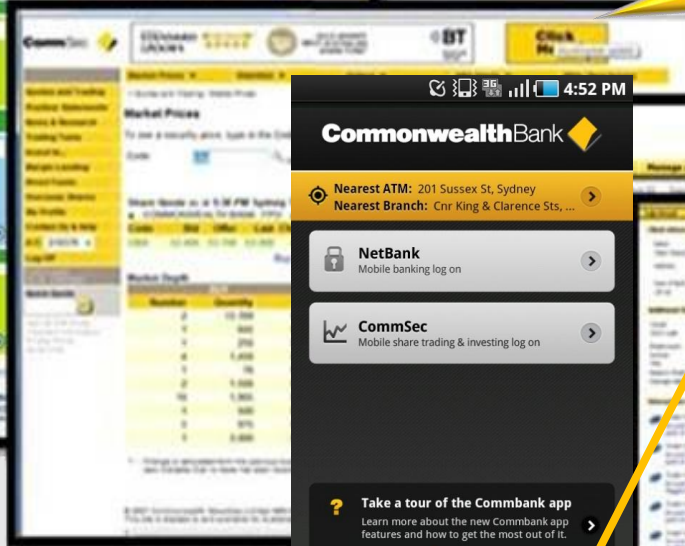
Now integrated into  
Core Banking for real  
time banking 24x7



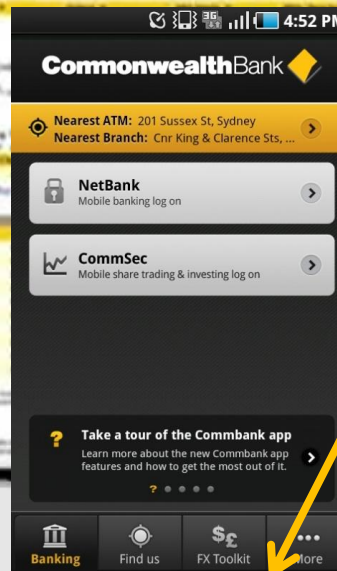
**CommBiz**  
Secure, online  
business and  
corporate  
banking



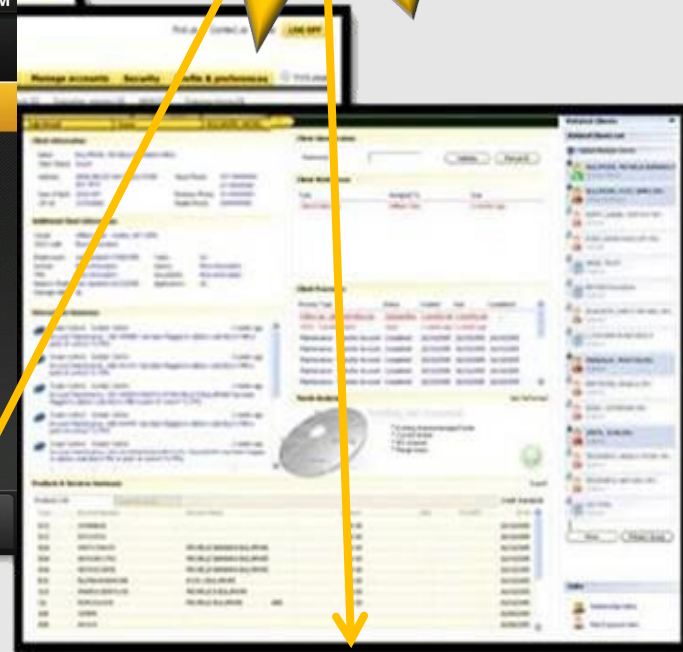
**FirstChoice**  
Leading wealth  
platform online  
functionality



**CommSec**  
15 yrs as the  
market leading  
online retail  
broking platform



**NetBank**  
Market leading  
online/mobile  
banking solution



**CommSee**  
Single view of customer



# Core Banking – transformational change

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2008



**Pre-Launch**

2009



**Customer Records**

2010



**Retail Deposits & Transactions**

2011



**Business Deposits & Transactions**

2012



**Lending**

- Proof-of-concept
- “Steel-thread”
- Capability tested

- Largest migration in Australian banking history
- 18 million customers (53 million records) migrated
- Telling & NetBank systems integrated

- 11 million accounts migrated
- Real time 24x7 banking
- 18,000 jobs changed

- Migration of business deposit and transaction accounts
- Integration of CommBiz
- New capabilities

- Migration of lending accounts
- Next Phase;
  - 2013+
  - Bankwest



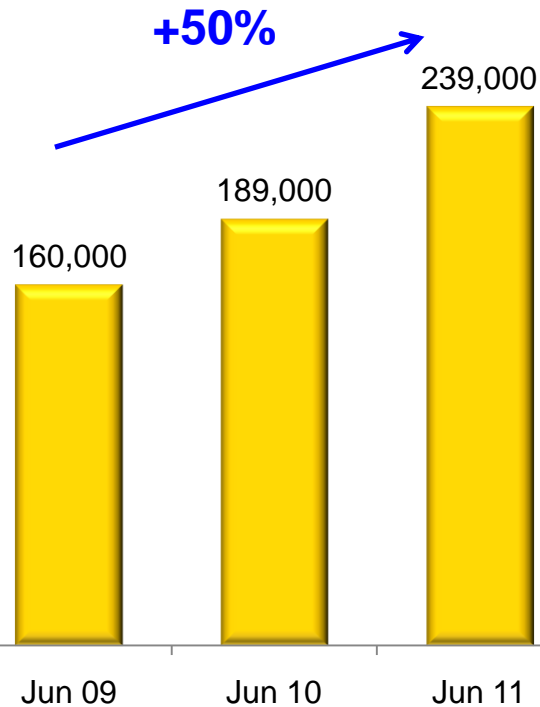


# Additional Information

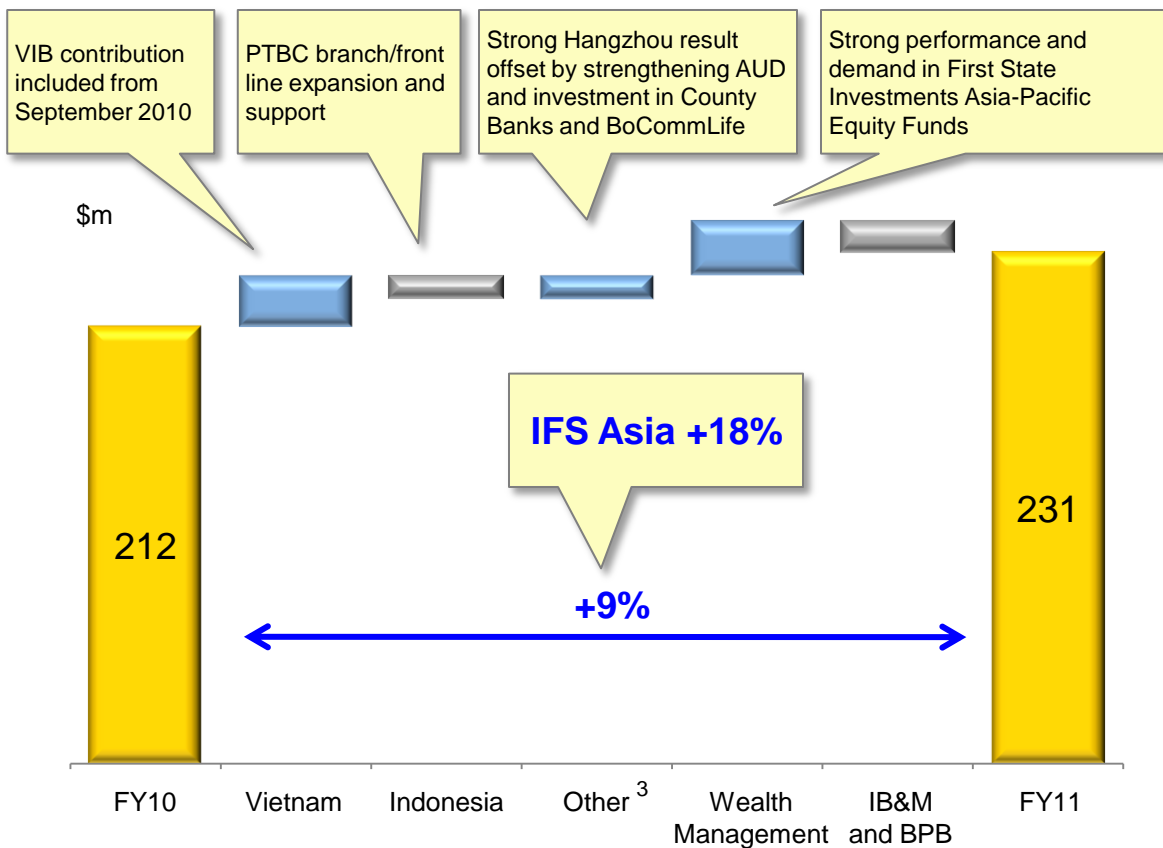
## CBA in Asia – strong growth

### Customer Numbers

(proprietary)<sup>1</sup>



### Cash NPAT<sup>2</sup>



1. Total customers at institutions where CBA holds more than 50% equity. Excludes investments in CCB's, BoCommLife and VIB
2. Includes Asia region Cash NPAT from Business & Private Banking, Institutional Banking & Markets, Wealth Management and IFS Asia businesses (excluding head office support costs, including head office funding costs).
3. Includes China, India and Japan IFS Asia businesses





# CBA in Asia

## New developments in FY11



Country	Representation
China	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)
Indonesia	First State Cinda JV, FSI Hong Kong
	Hong Kong and Shanghai branches
	PTBC (97.86%) – 84 branches
Vietnam	PT Commonwealth Life (80%) – 24 branches
	First State Investments
India	VIB (15%) – 136 branches
	CBA Branch Ho Chi Minh City
	Hanoi Representative Office
Japan	CBA branch, Mumbai
Singapore	CBA branch, Tokyo, FSI Tokyo
	CBA Branch, First State Investments

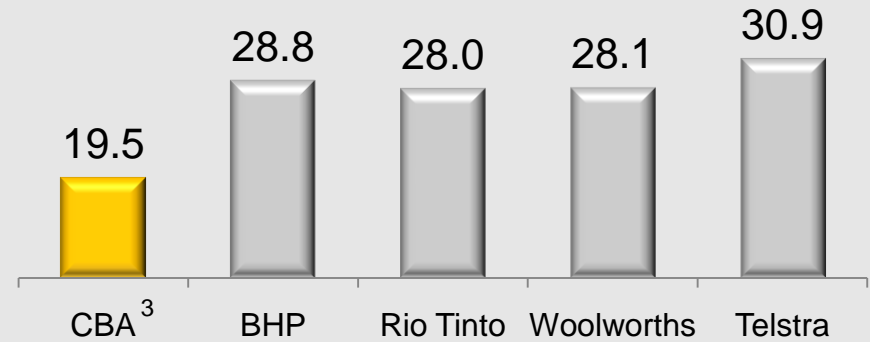


# Additional Information

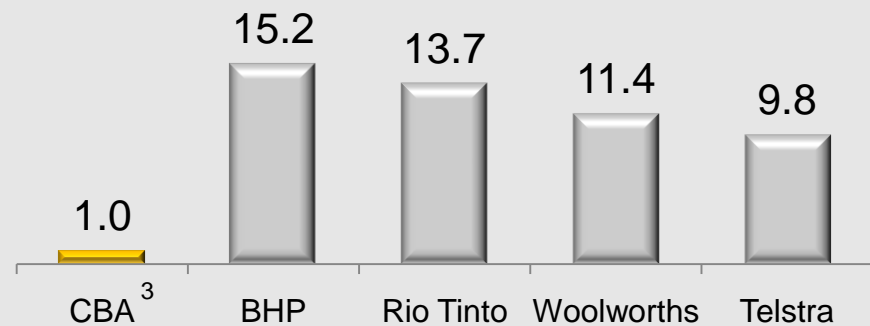
## Our results in context

	<b>CBA Rank</b> <sup>1 2</sup>
Market Capitalisation (ASX)	<b>2<sup>nd</sup></b>
Return-on-Assets (ROA)	<b>69<sup>th</sup></b>
Return-on-Equity (ROE)	<b>26<sup>th</sup></b>
Dividends Declared	<b>2<sup>nd</sup></b>
Taxes Paid	<b>4<sup>th</sup></b>

### ROE<sup>2</sup>



### ROA<sup>2</sup>



1. Amongst ASX 100 companies.
2. Most recent annual results data. Sourced from Bloomberg 9 August 2011, unless otherwise indicated.
3. Based on cash earnings for the year ended 30 June 2011.

# Transformational change - scorecard

	Jun 06	Jun 11	Progress
<b>Customer Satisfaction</b>			
Retail <sup>1</sup>	64.9%	75.2%	✓
Business - DBM <sup>3</sup>	n/a	Ranked equal 2 <sup>nd</sup>	✓
FirstChoice <sup>4</sup>	Ranked 2 <sup>nd</sup>	Ranked 1 <sup>st</sup>	✓
<b>Market Shares<sup>5</sup></b>			
Home Lending	18.7%	25.7%	✓
Business Lending	12.1%	18.1%	✓
Household Deposits	29.3%	30.0%	✓
Business Deposits	11.9%	21.2%	✓
Products per Customer <sup>2</sup>	2.17	2.64	✓
<b>System Reliability – Sev. 1 incidents pa</b>	66	10	✓
<b>Employee Engagement – Percentile</b>	69 <sup>th</sup>	73 <sup>rd</sup>	✓
<b>Total Shareholder Return – Ranking<sup>6</sup></b>		Ranked 1 <sup>st</sup> (2, 3, 4, 5yrs)	✓



1, 2, 3, 4 – Refer note slide at back of this presentation for source information  
 5 Source RBA/APRA. June 2006 market shares do not include Bankwest  
 6 Major banks

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# Additional Information

## Key Earnings Drivers

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



\* CBA Economists forecasts

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# Outlook

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A challenging environment:

- Fragile consumer and business confidence
- Political and regulatory uncertainty
- International instability
- Subdued system credit growth
- Intense competition

Continuation of our disciplined approach in FY12, with focus on:

- Productivity improvements
- Maintaining superior shareholder returns



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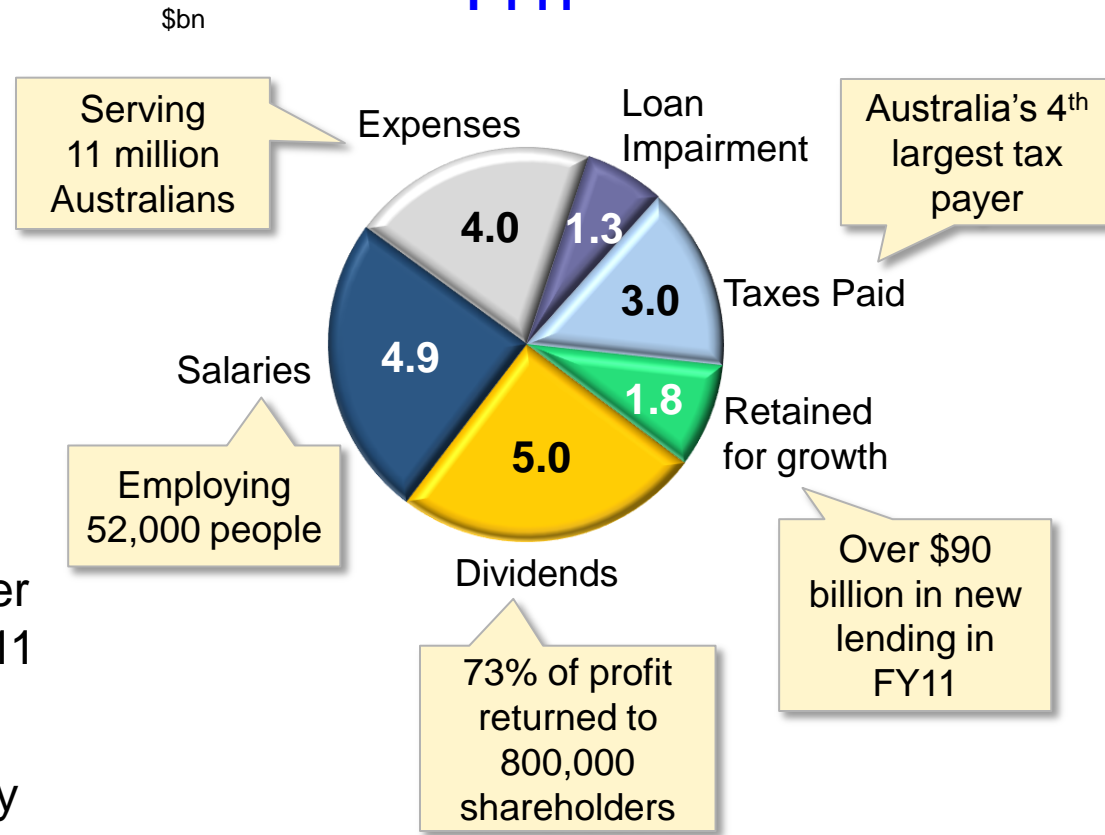


# Strength in uncertain times

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- Strong capital and funding, conservative provisioning
- Strong operating performance and industry leading ROE
- Solid returns to shareholders and strong dividend growth
- Supporting our customers – over \$90 billion in new lending in 2011
- Supporting the wider community

## Where does net income go? FY11



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# Results Presentation

FOR THE FULL YEAR ENDED 30 JUNE 2011

David Craig  
Chief Financial Officer

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**Commonwealth**Bank



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# Good profit growth

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	Jun 11 \$m	Jun 10 \$m	Jun 11 vs Jun 10
Operating income	19,538	18,823	4%
Operating expenses	(8,891)	(8,601)	3%
<b>Operating performance</b>	<b>10,647</b>	<b>10,222</b>	<b>4%</b>
Investment experience	121	236	(49%)
Impairment expense	(1,280)	(2,075)	(38%)
Tax and non-controlling interest	(2,653)	(2,282)	16%
<b>Cash NPAT</b>	<b>6,835</b>	<b>6,101</b>	<b>12%</b>



# Additional Information

## Non-cash items

	Jun 11 \$m	Jun 10 \$m
<b>Bankwest</b>		
▪ Merger related amortisation	(81)	25
▪ Integration expenses	(66)	(29)
▪ Impairment charge	-	(212)
	(147)	(216)
<b>Hedging and IFRS volatility</b>		
▪ Unrealised accounting gains and losses arising from the application of “AASB 139 Financial Instruments: Recognition and Measurement”	(265)	17
<b>NZ tax expense</b>		
▪ Tax on NZ structured finance transactions	-	(171)
<b>Other</b>		
▪ Treasury shares adjustment	(22)	(44)
▪ Sale of controlled entities/investments	(7)	(23)
	(29)	(67)



# Statutory Profit

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	Jun 11 \$m	Jun 10 \$m	
<b>Cash NPAT</b>	<b>6,835</b>	<b>6,101</b>	<b>12%</b>
Bankwest non-cash items	(147)	(216)	
Hedging and IFRS volatility	(265)	17	
NZ tax expense	-	(171)	
Other non-cash items	(29)	(67)	
<b>Statutory NPAT</b>	<b>6,394</b>	<b>5,664</b>	<b>13%</b>

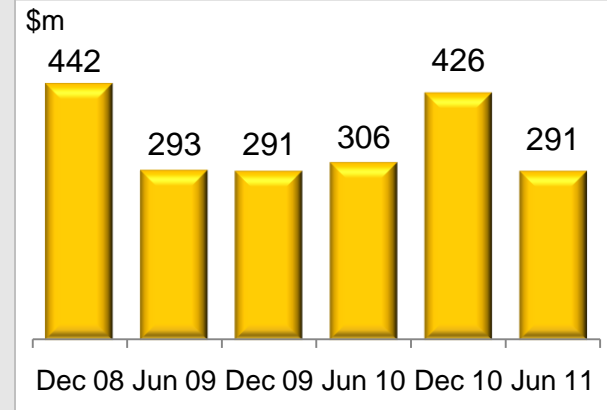


# Additional Information

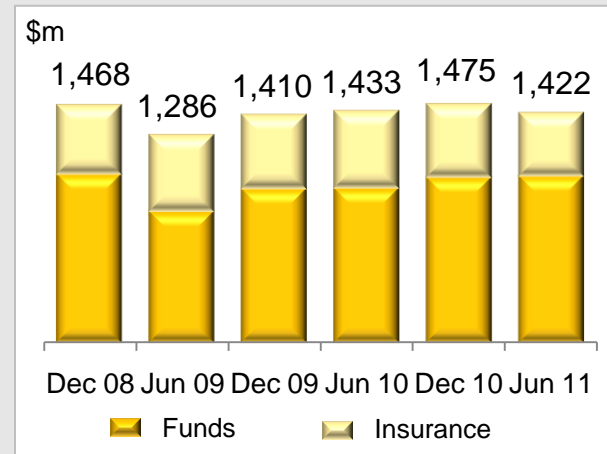
## Other Banking Income

	FY11 \$m	FY10 \$m	Jun 11 vs Jun 10
Commissions	1,946	2,006	(3%)
Lending Fees	1,467	1,435	2%
Other	351	333	5%
<b>Sub-total</b>	<b>3,764</b>	<b>3,774</b>	<b>-</b>
Trading Income	717	597	20%
IFRS reclassification of net swap costs	(498)	(259)	(92%)
<b>Total</b>	<b>3,983</b>	<b>4,112</b>	<b>(3%)</b>

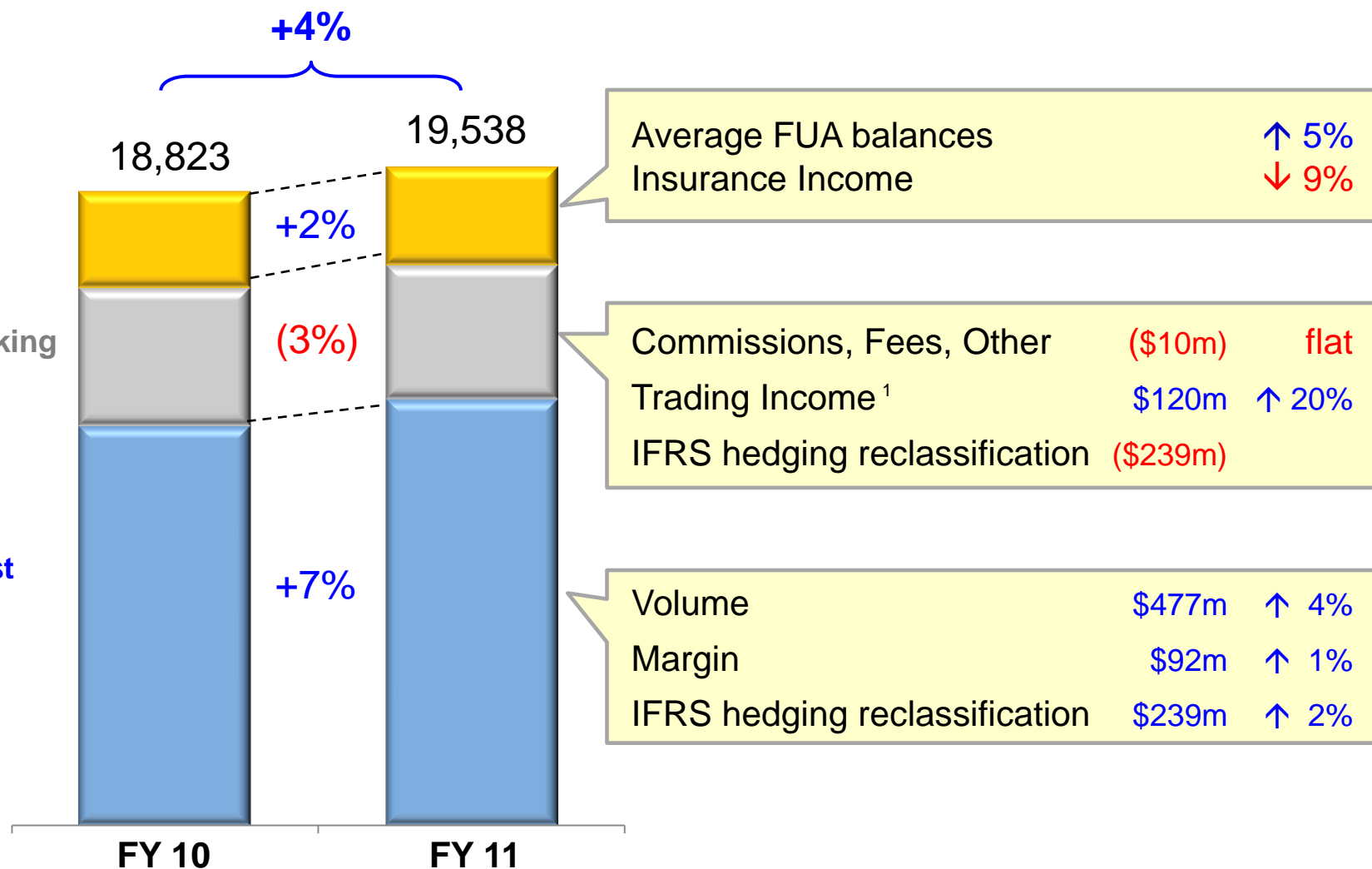
## Trading Income



## Funds & Insurance Income



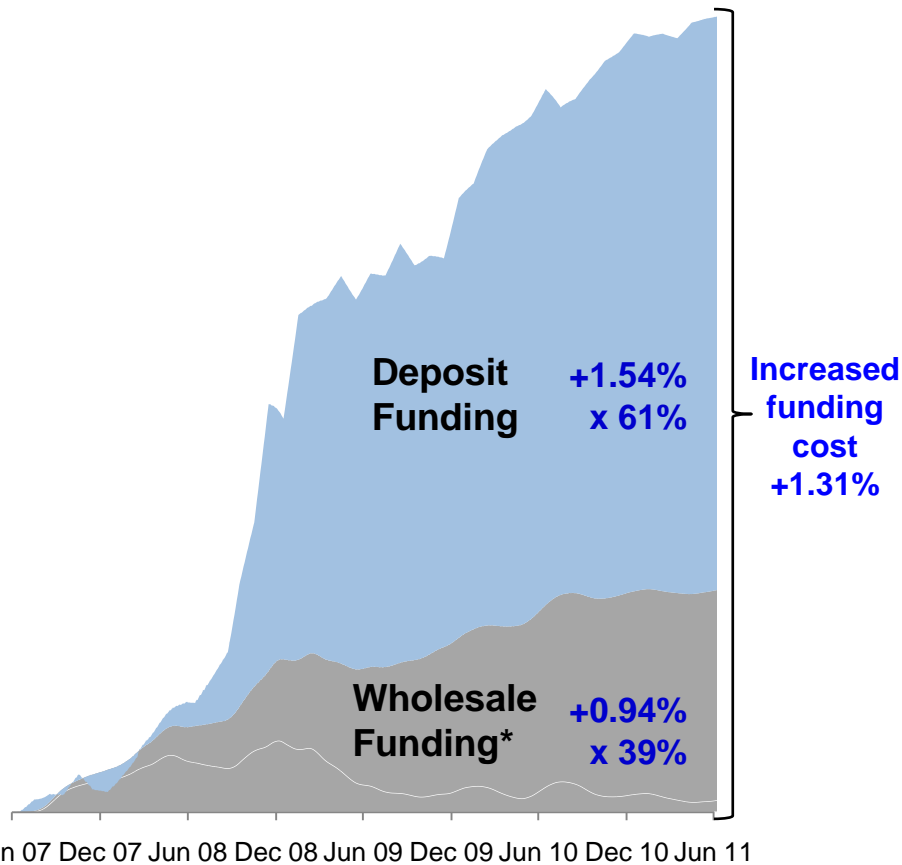
# Operating Income up 4%



<sup>1</sup> Change in mix on Treasury earnings (OBI v's NII). In the prior period, RBA rate tightening resulted in a negative mark-to-market position in the Treasury trading book – with offsetting gains on interest rate swaps accounted for in Net Interest Income.

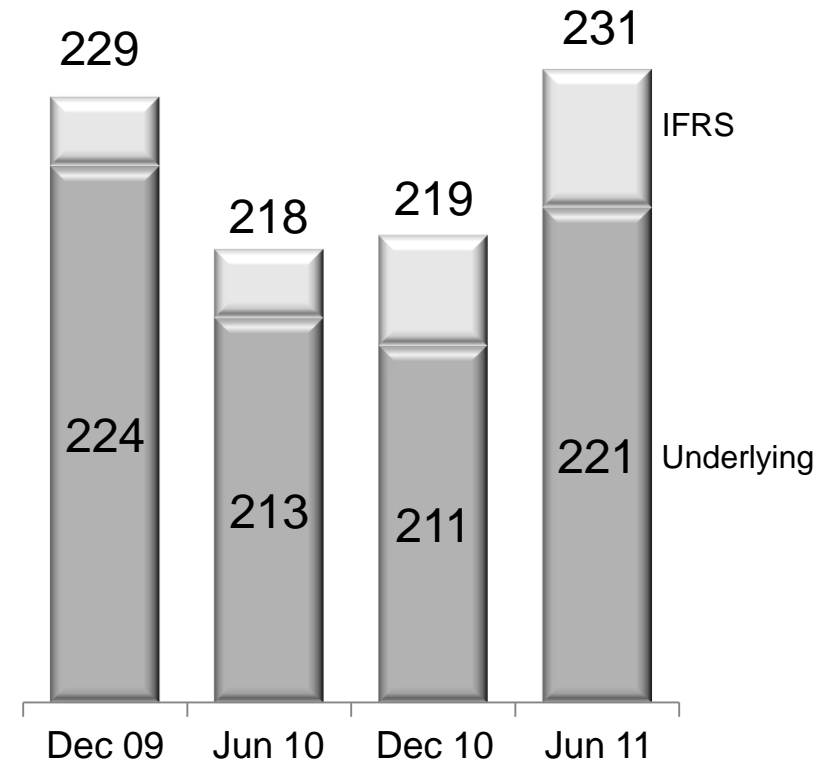
# Additional Information

## Change in Funding costs since June 2007



\* Long term and short term. Includes basis risk

## Australia NIM



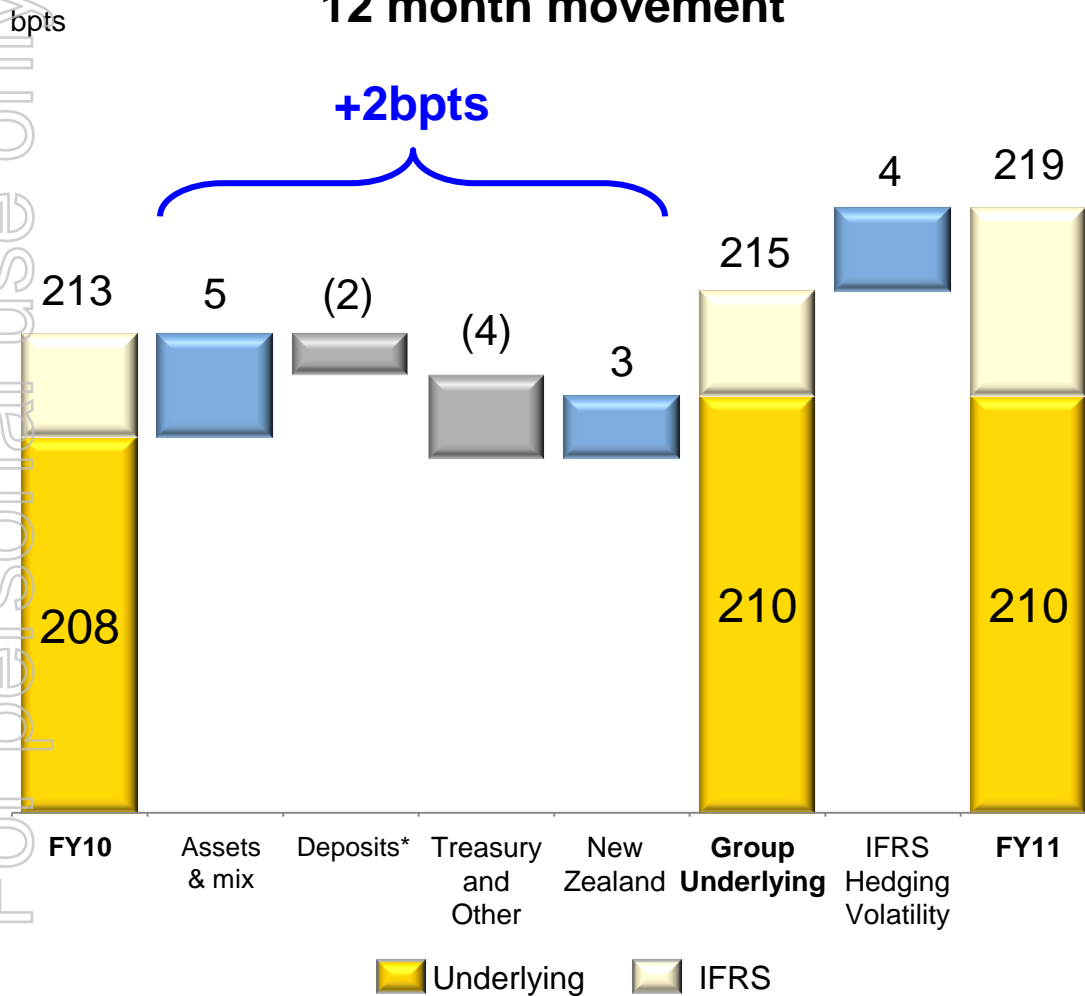
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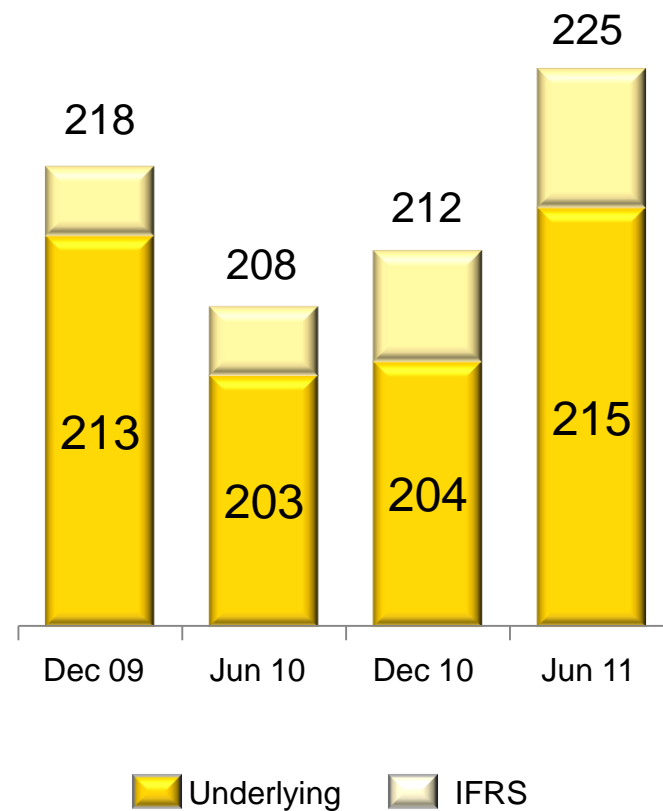
# Group NIM

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## 12 month movement



## 6 month movement

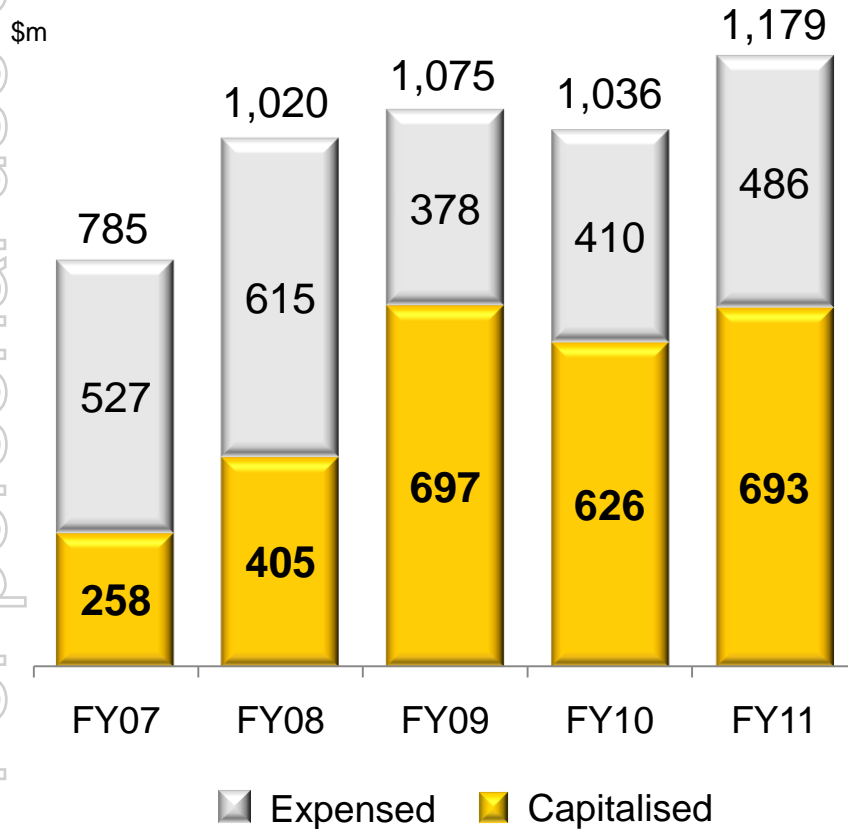


\* Includes Replicating Portfolio

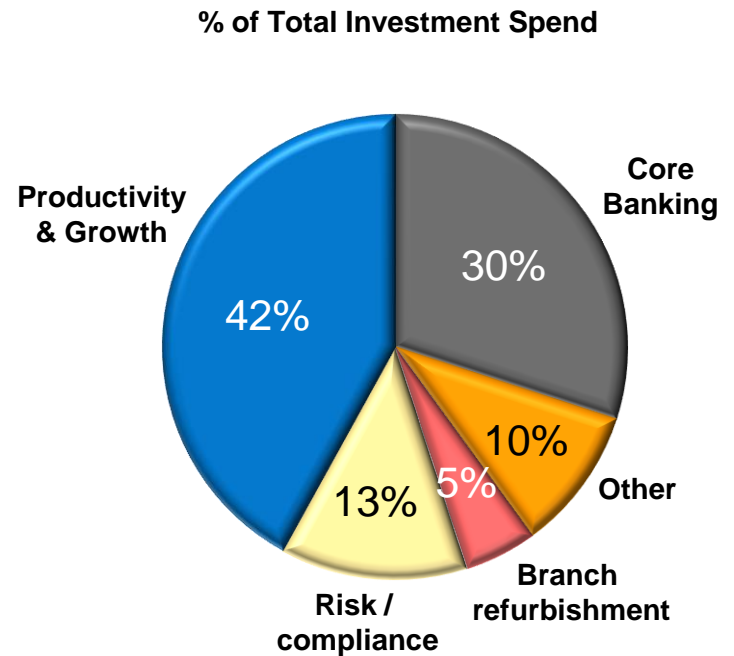
# Additional Information

## Continuing to invest

Investment Spend



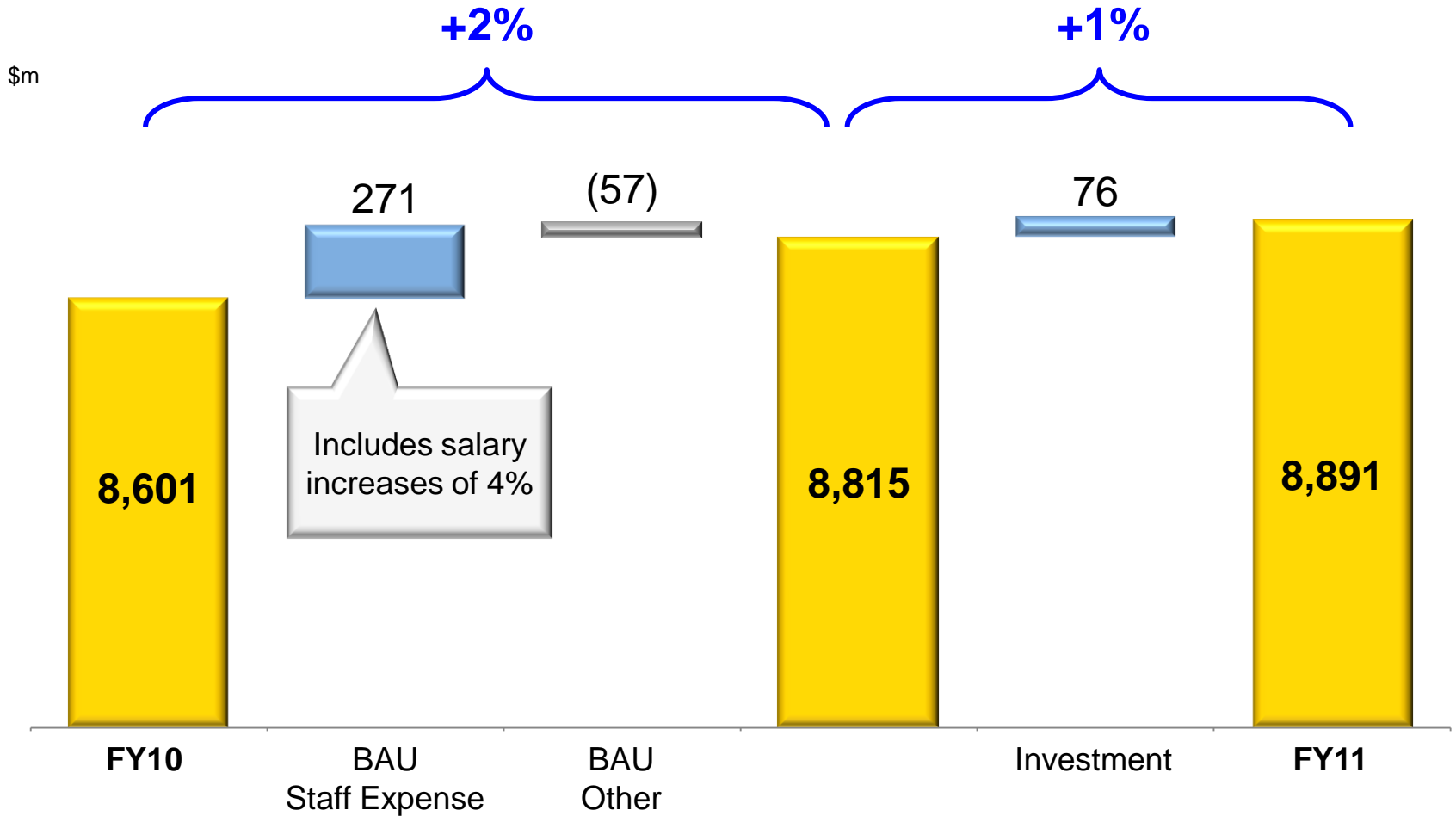
Investment Spend Profile



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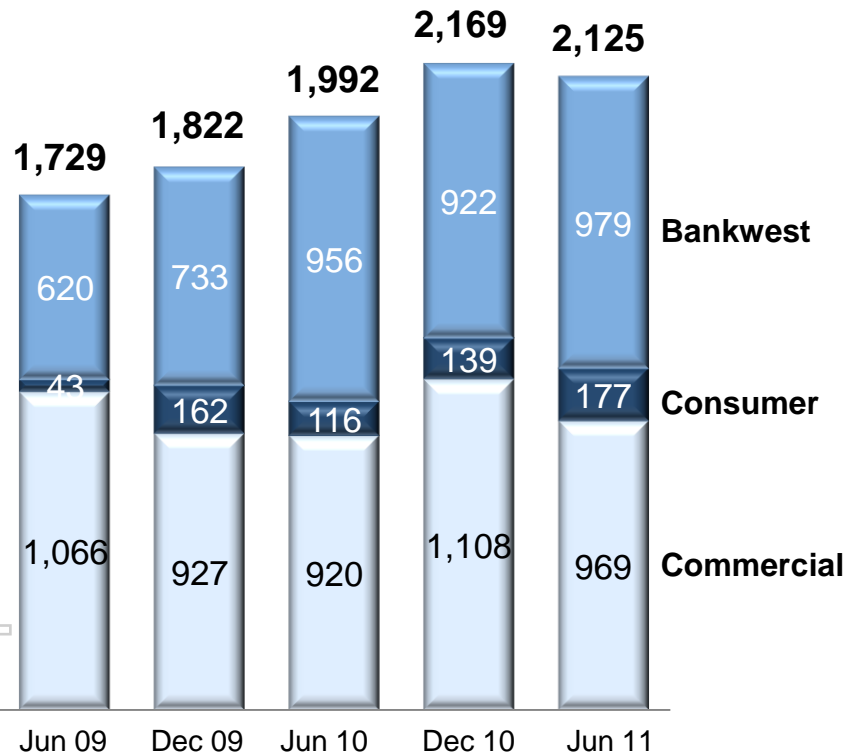
# Continued cost discipline

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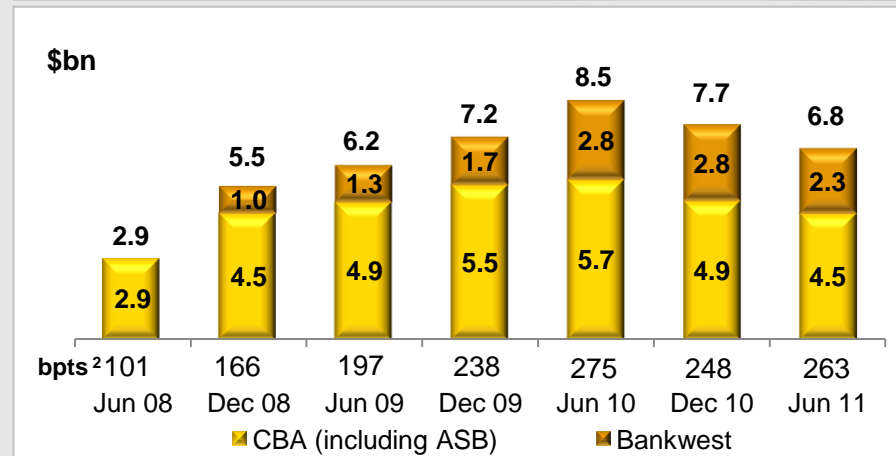


# Additional Information

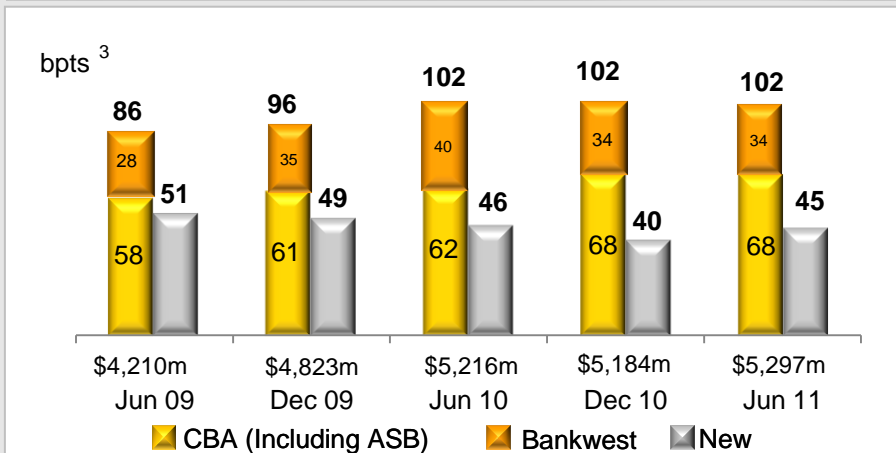
## Individual Provisions (\$m)



## 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.

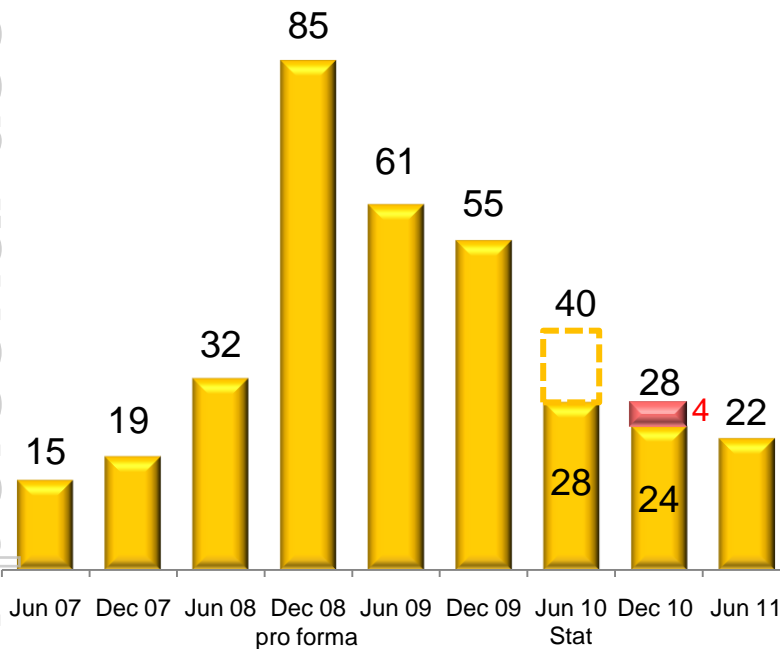
3 As a percentage of Gross Loans and Advances.



# Credit Quality

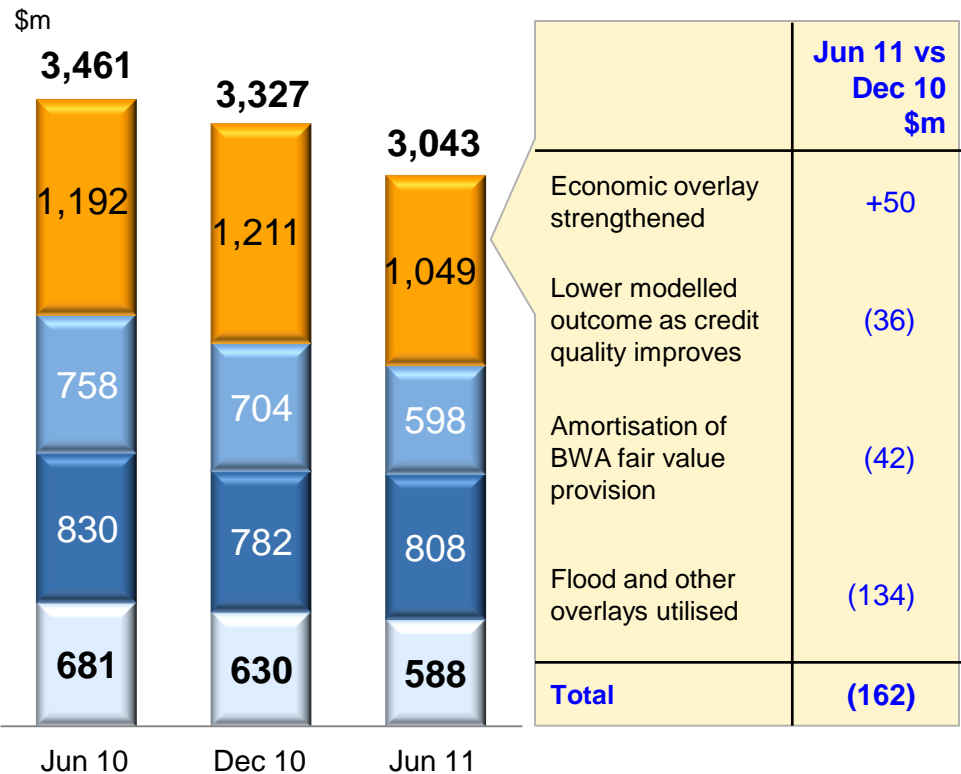
## Loan Impairment Expense to Gross Loans <sup>1</sup>

Six months annualised  
(basis points)



- Flood /earthquake related overlay
- Review of Bankwest pre acquisition business book

## Collective Provisions



- Commercial
- Consumer
- Bankwest
- Overlay



<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



# Additional Information

## Business unit profitability

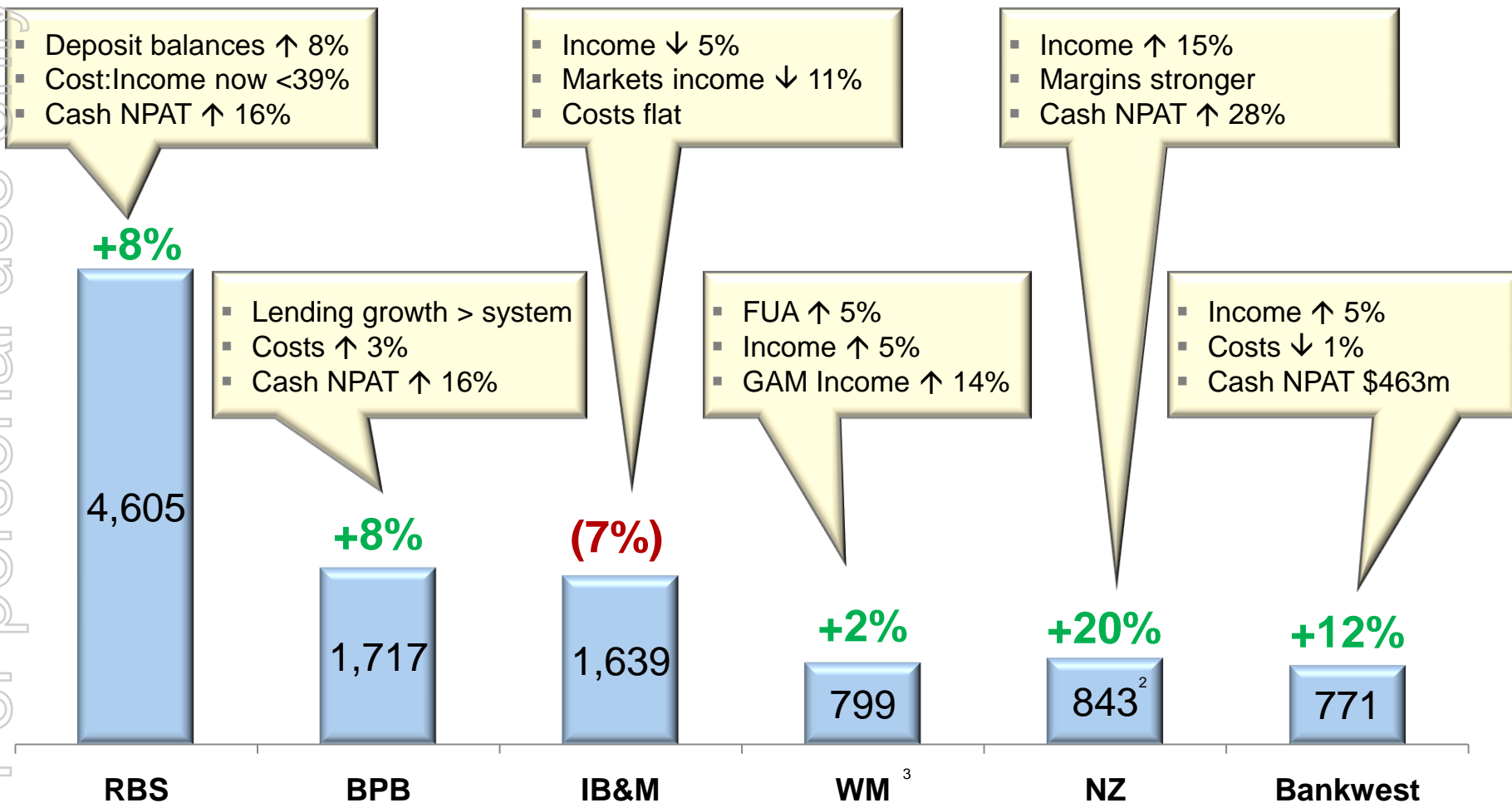
\$m	Operating Performance	Impairment Expense	Investment Experience	Tax & non-controlling interests	Cash NPAT Jun 11	Cash NPAT Jun 10	Mvt Cash NPAT	Mvt Operating Performance
RBS	4,605	(558)	-	(1,202)	2,845	2,461	16%	8%
BPB	1,717	(261)	-	(417)	1,039	898	16%	8%
IB&M	1,639	(324)	-	(311)	1,004	1,173	(14%)	(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

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

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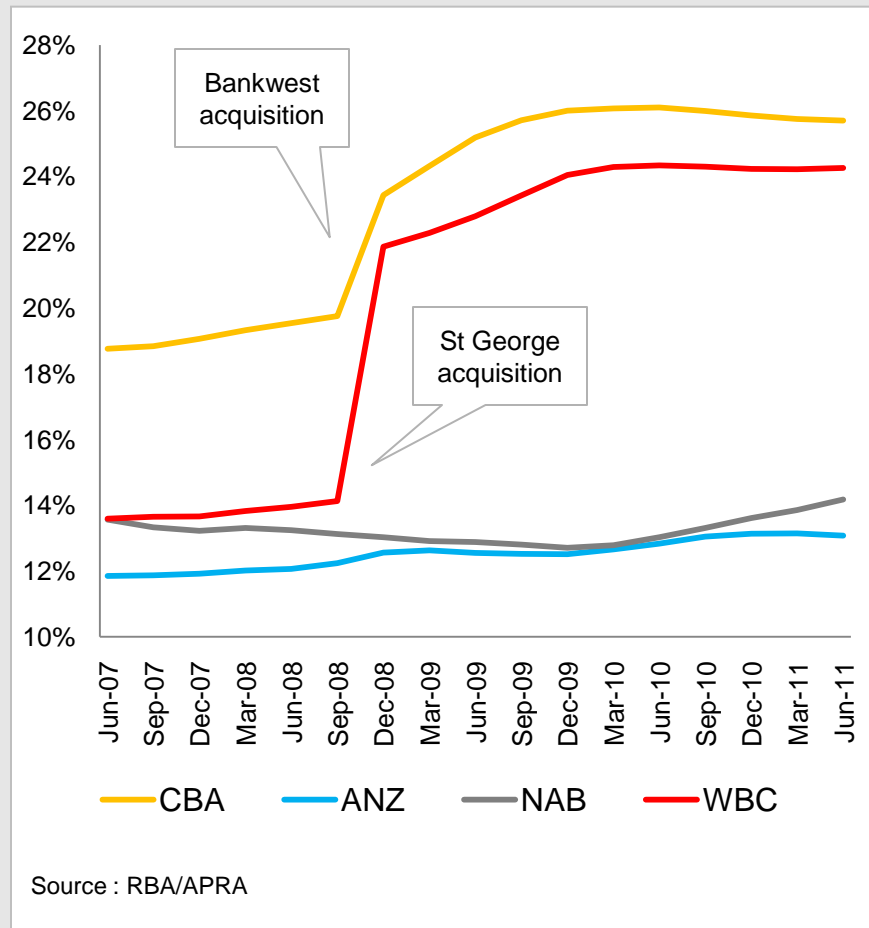


1 Operating revenue less operating expense. All movements on prior comparative period  
 2 NZ result in NZD  
 3 Comparatives excluding the St Andrew's insurance business which was sold effective 1 July 2010.

# Additional Information

Retail Banking Services	Jun 11 \$m	Jun 11 vs Jun 10
Home loans	2,893	20%
Consumer finance	1,700	9%
Retail deposits	2,609	(7%)
Distribution	306	11%
<b>Total banking income</b>	<b>7,508</b>	<b>7%</b>
Operating expenses	(2,903)	4%
<b>Operating performance</b>	<b>4,605</b>	<b>8%</b>
Impairment expense	(558)	(24%)
Tax	(1,202)	13%
<b>Cash net profit after tax</b>	<b>2,845</b>	<b>16%</b>

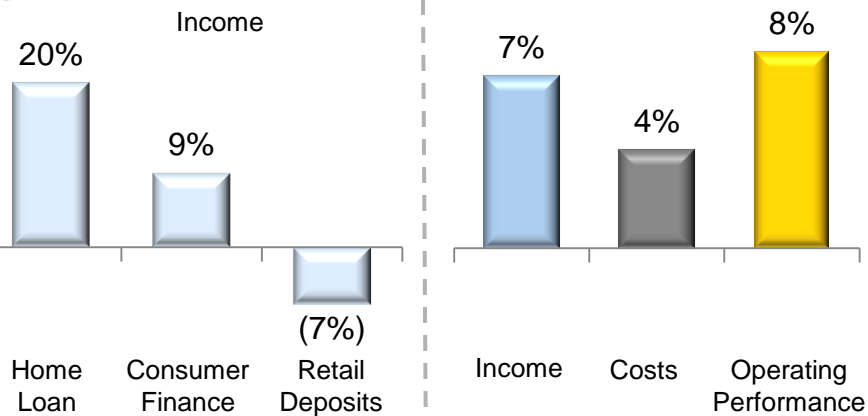
## Home Loan Market Share



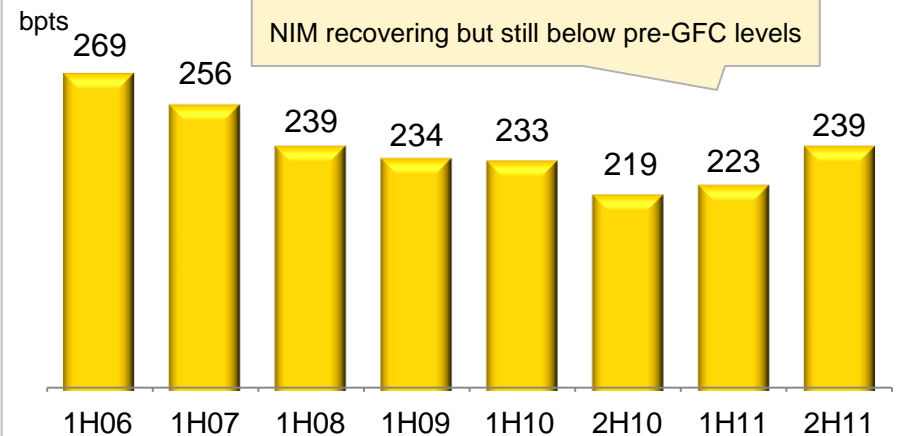


# Retail Banking Services

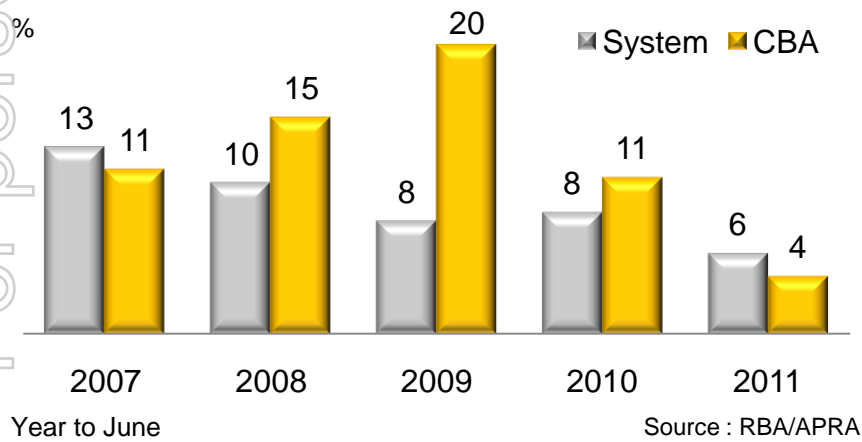
## FY11 Operating Performance



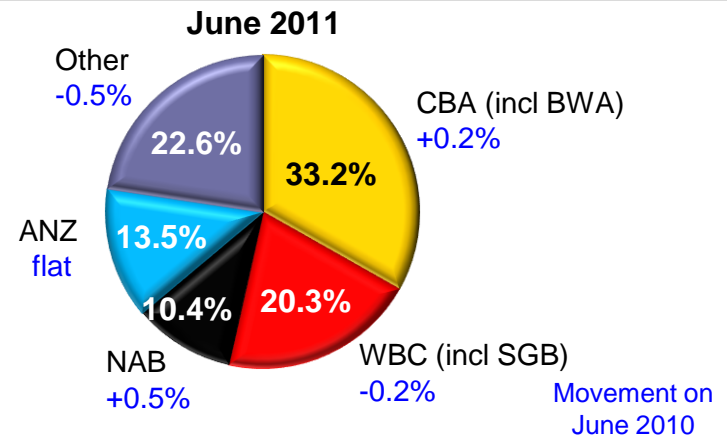
## RBS Margin



## 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.

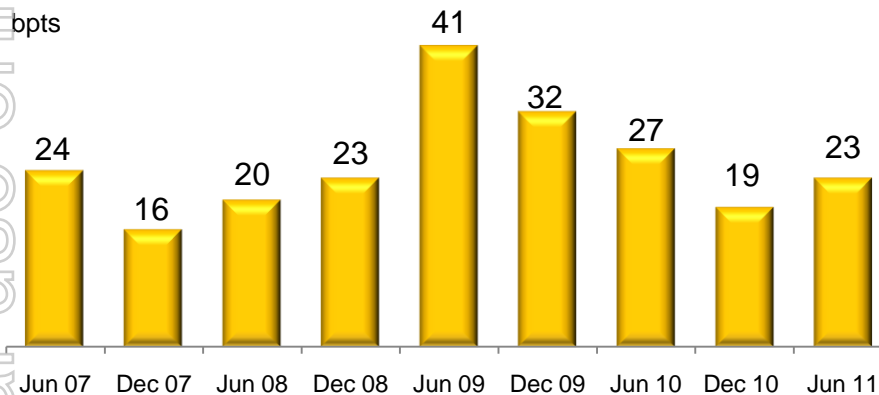


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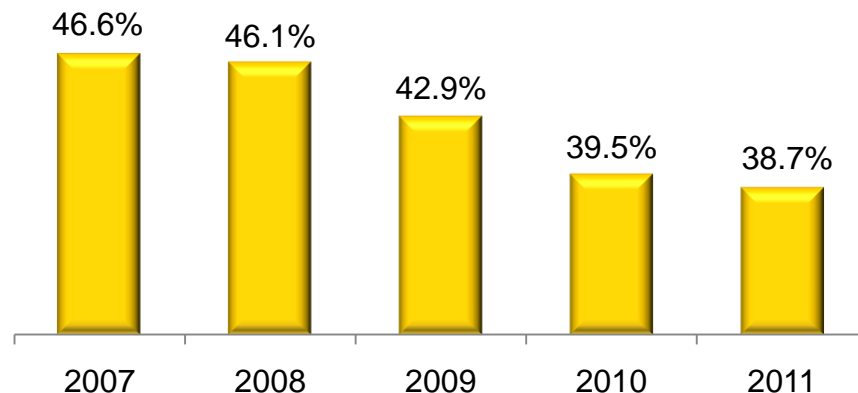


# Retail Banking Services

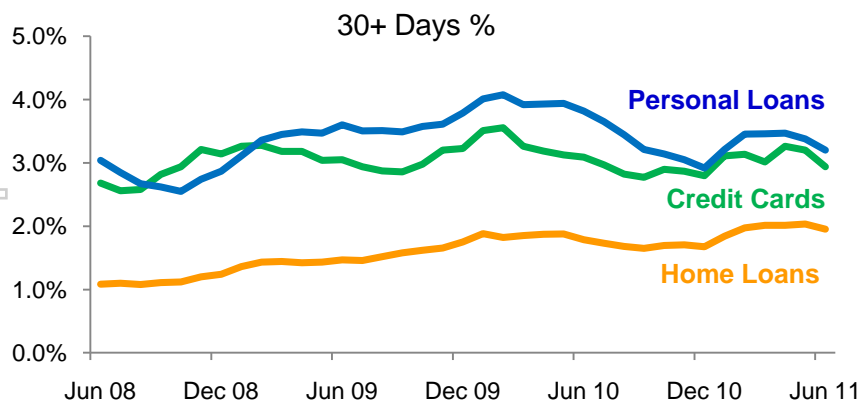
## Loan Impairment Expense<sup>1</sup>



## Cost-to-Income



## Consumer Arrears



CBA domestic only. Excludes Bankwest

## Strategy & Execution

- Profitable growth
- Benefits of Core Banking;
  - Increasing efficiency
  - Innovative products
  - Improving products-per-customer



<sup>1</sup> Loan Impairment Expense over average Gross Loans and Acceptances. Six month annualised basis points

# Additional Information

<b>Business &amp; Private Banking</b>	<b>Jun 11 \$m</b>	<b>Jun 11 vs Jun 10</b>
Corporate Financial Services	1,084	13%
Regional and Agribusiness	426	8%
Local Business Banking	774	9%
Private Bank	251	5%
Equities and Margin Lending	410	(12%)
Other *	107	(5%)
<b>Total banking income</b>	<b>3,052</b>	<b>6%</b>
Operating expenses	(1,335)	3%
<b>Operating performance</b>	<b>1,717</b>	<b>8%</b>
Impairment expense	(261)	(20%)
Tax	(417)	15%
<b>Cash net profit after tax</b>	<b>1,039</b>	<b>16%</b>

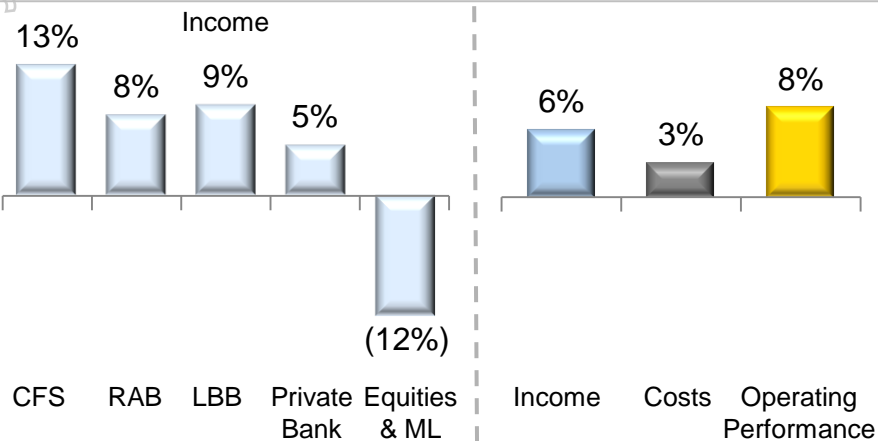
<b>Institutional Banking &amp; Markets</b>	<b>Jun 11 \$m</b>	<b>Jun 11 vs Jun 10</b>
Institutional Banking	1,828	(2%)
Markets	639	(11%)
<b>Total banking income</b>	<b>2,467</b>	<b>(5%)</b>
Operating expenses	(828)	-
<b>Operating performance</b>	<b>1,639</b>	<b>(7%)</b>
Impairment expense	(324)	30%
Tax	(311)	(8%)
<b>Cash net profit after tax</b>	<b>1,004</b>	<b>(14%)</b>



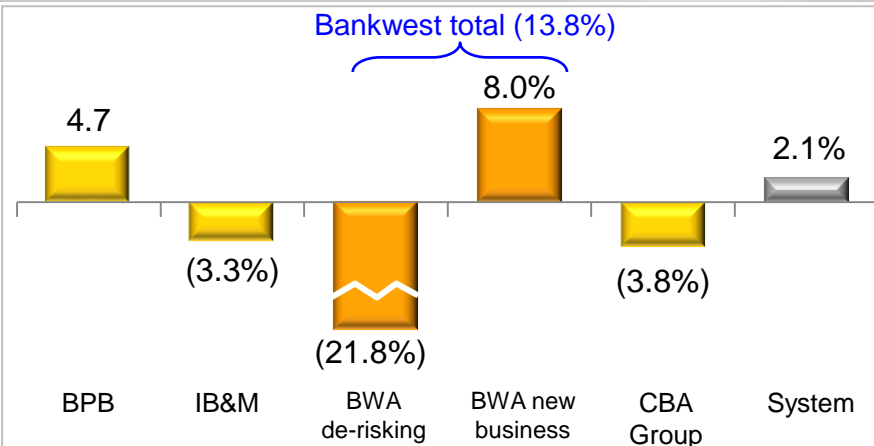
\* Represents revenue earned from products sold through direct channels

# Corporate

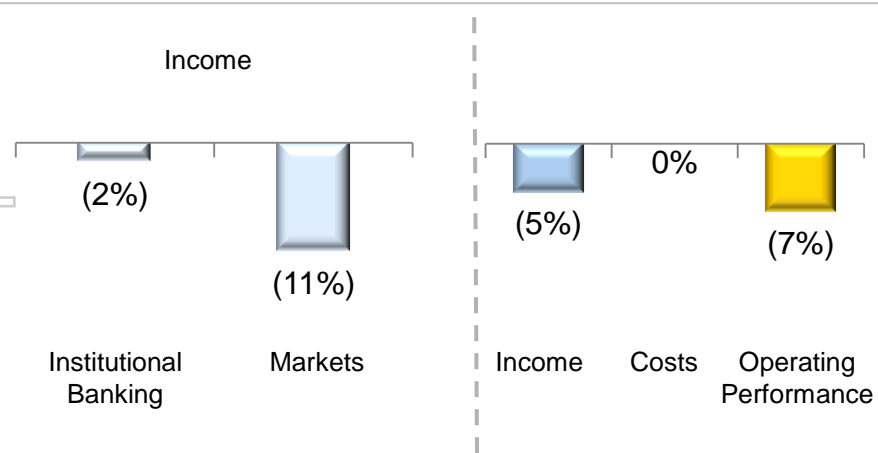
## FY11 Operating Performance – BPB



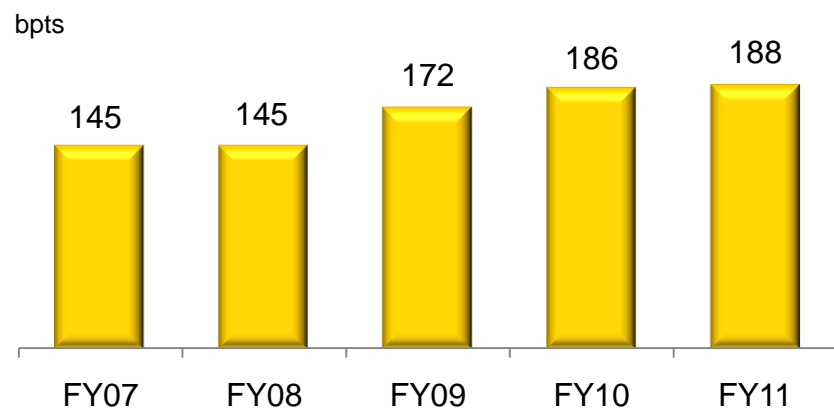
## FY11 Business Lending Growth



## 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

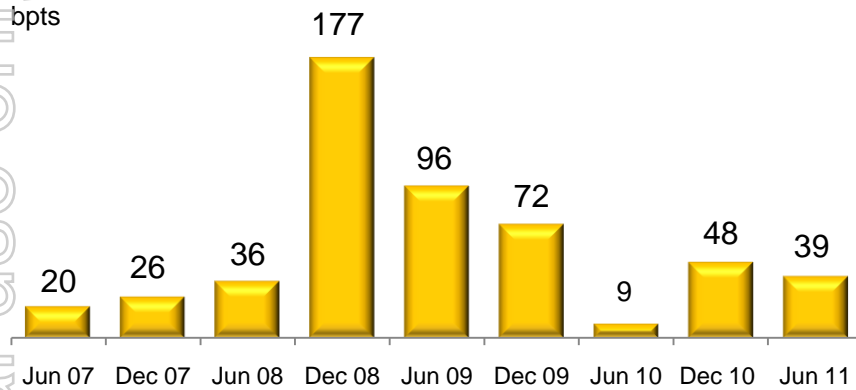


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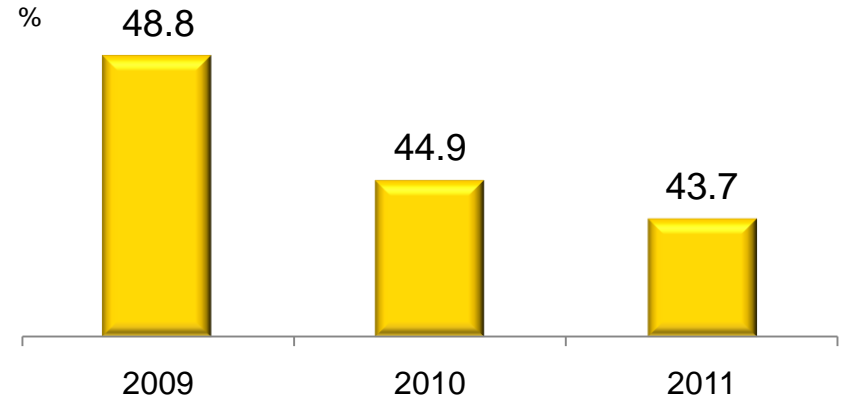


# Corporate

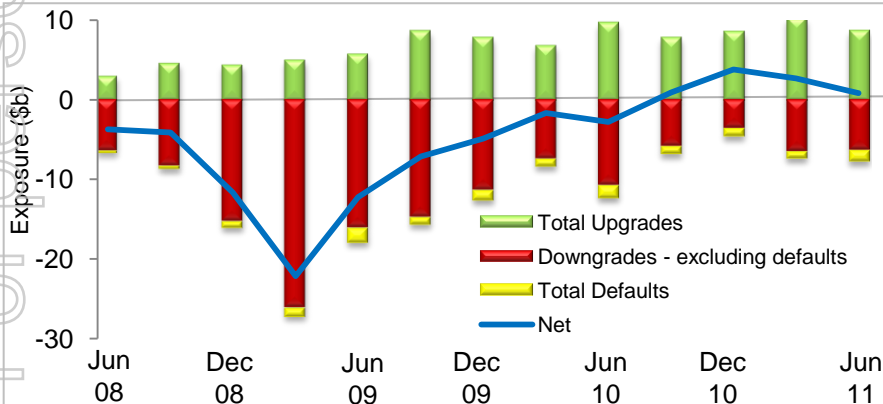
## Loan Impairment Expense<sup>1</sup>



## Cost-to-Income - BPB



## Risk-Rated Portfolio



Excludes Bankwest

## Strategy & Execution

- Profitable growth
- SME focus
- Leverage Core Banking capabilities
- Total Capital Solutions (IB&M)



<sup>1</sup> Loan Impairment Expense over average Gross Loans and Acceptances. Six month annualised basis points. Combined Institutional Banking and Markets and Business and Private Banking.

# Additional Information

<b>Wealth Management</b>	<b>Jun 11 \$m</b>	<b>Jun 11 vs Jun 10*</b>
CFSGAM	756	14%
Colonial First State	689	6%
CommInsure	635	(5%)
Other	(1)	67%
<b>Net operating income</b>	<b>2,079</b>	<b>5%</b>
Operating expenses	(1,280)	7%
Tax	(218)	6%
<b>Underlying profit after tax</b>	<b>581</b>	<b>-</b>
Investment experience	61	(50%)
<b>Cash net profit after tax</b>	<b>642</b>	<b>(9%)</b>

\* Comparatives excluding the St Andrew's insurance business which was sold effective 1 July 2010



CommInsure



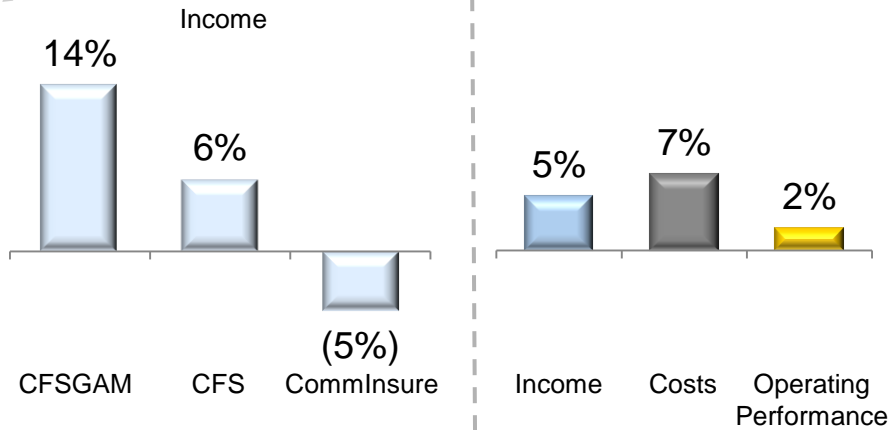
CommonwealthBank



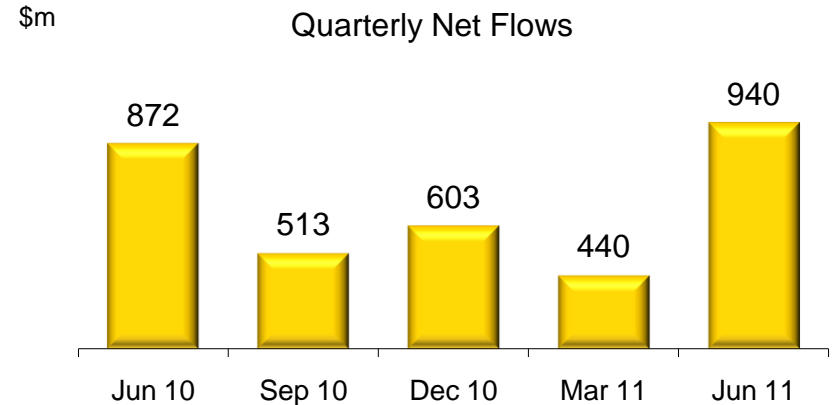


# Wealth Management

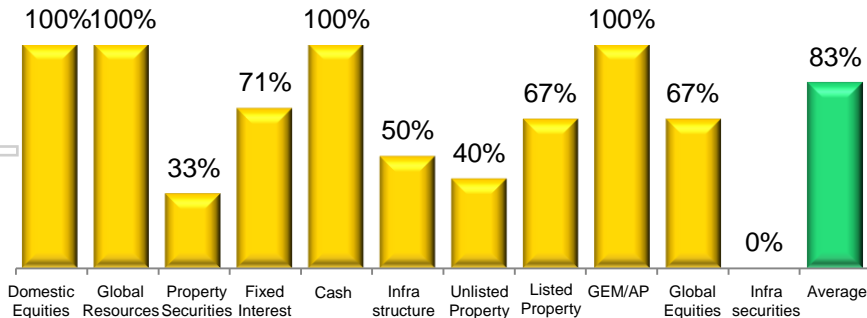
## FY11 Operating Performance



## FirstChoice net flows strong



## Strong investment performance – 5 years



Number of funds in each asset class outperforming benchmark

## 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

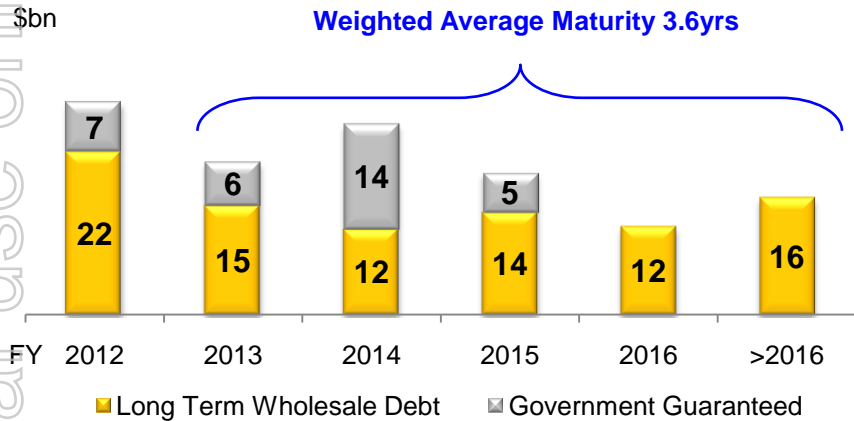


CommonwealthBank

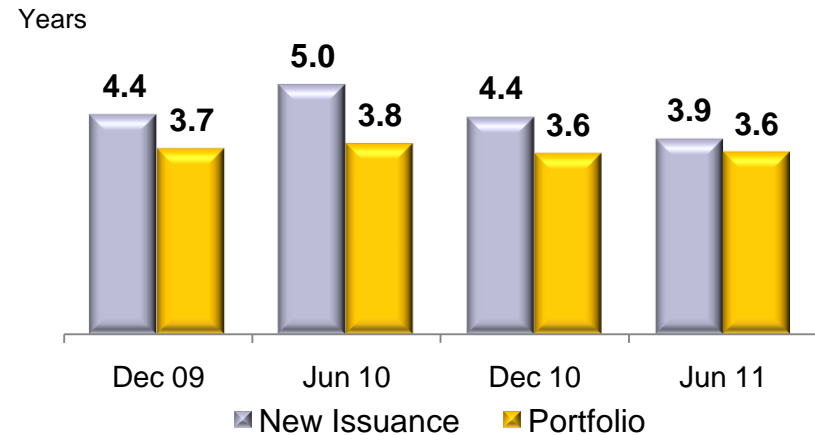


# Additional Information

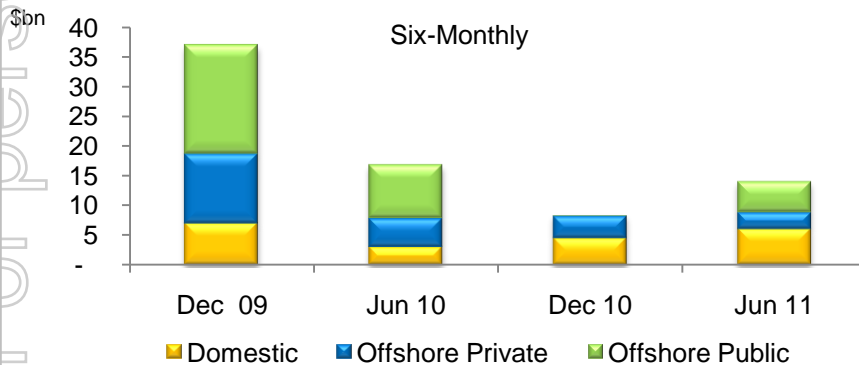
## Term maturity profile<sup>1</sup>



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

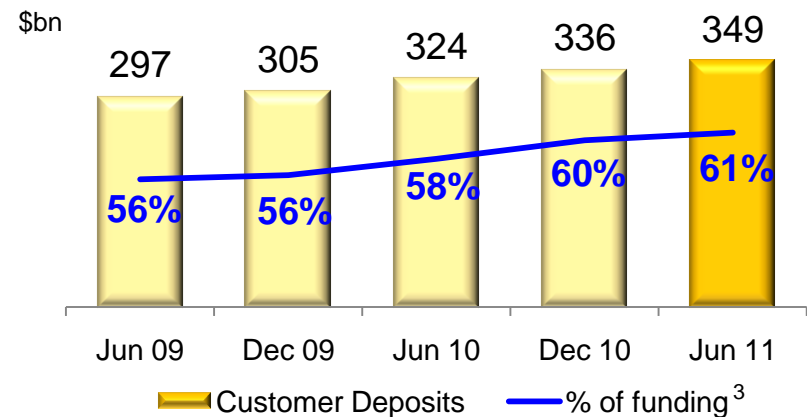


## Recent Issuance



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

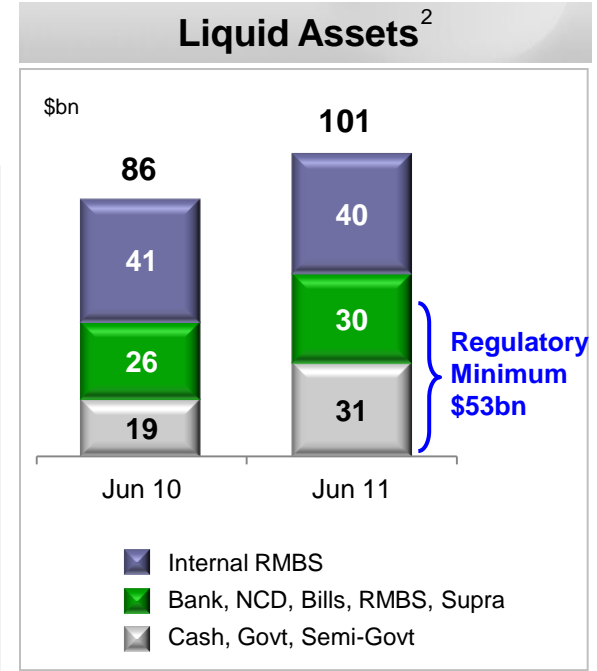
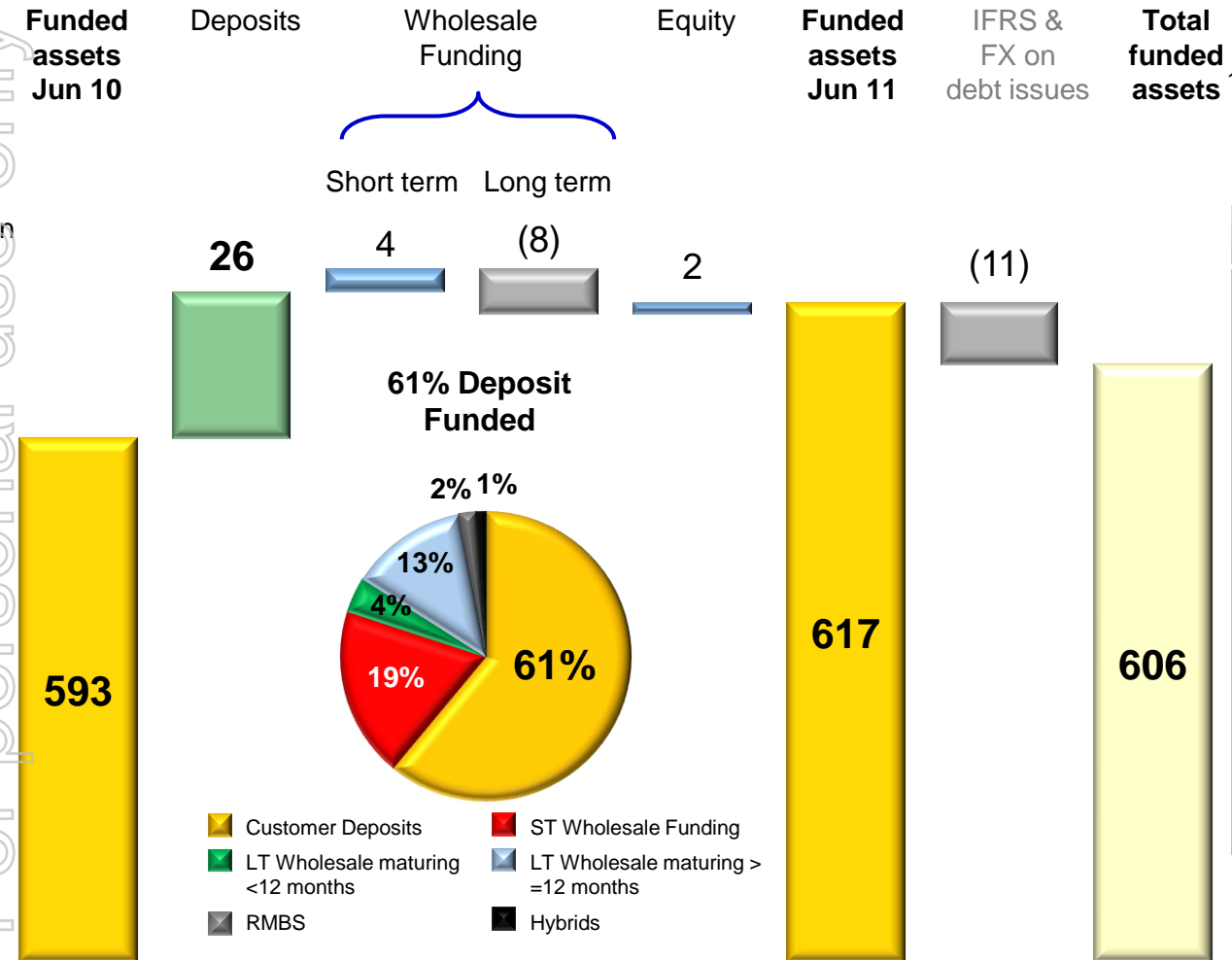
## Customer Deposit Funding



- 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.
- 3 Percentage of funding excluding equity; no netting of excess liquid assets

# Deposit funded

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1 Funded assets includes securitisation, bank acceptances of customers and accounting gross-ups  
 2 Adjusted from prior period disclosures to include offshore branch liquid assets and exclude the Interbank Deposit Agreement

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# Strong capital position

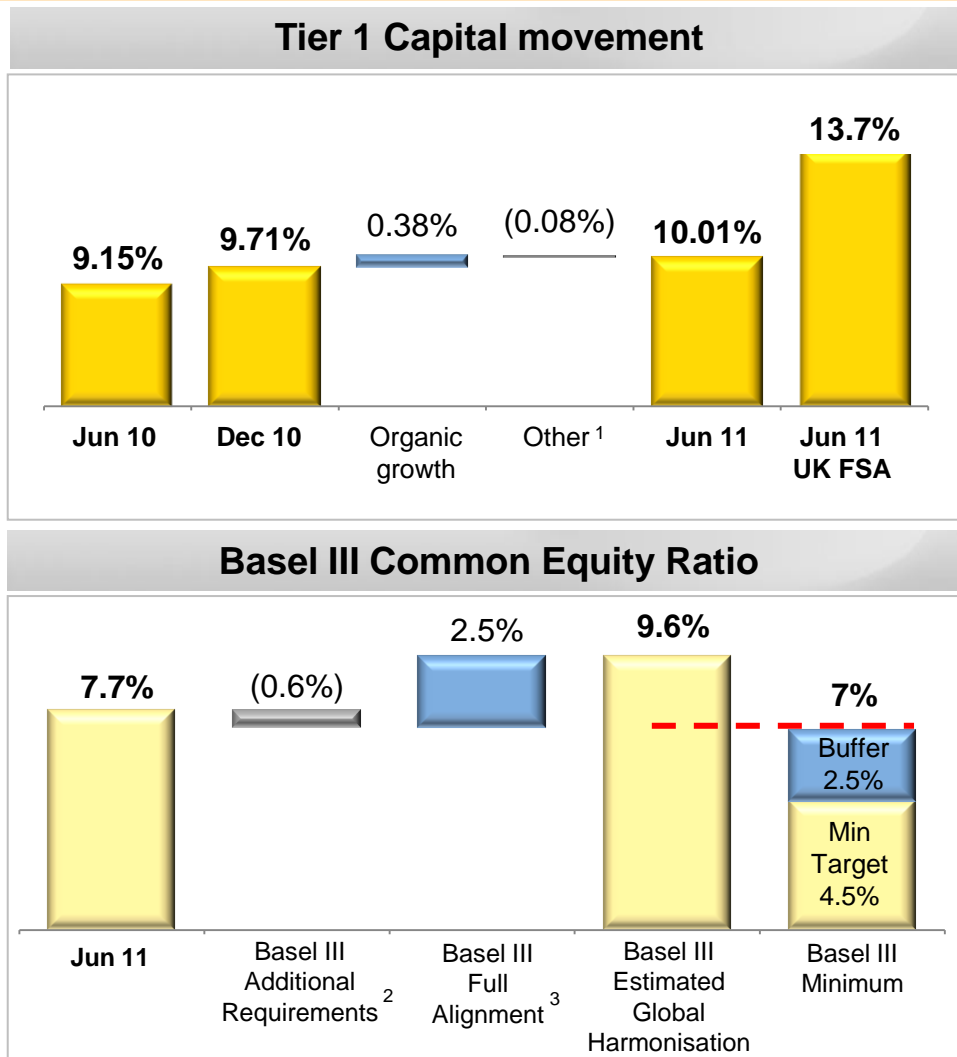
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Tier 1 Capital 10.01%

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.

# Additional Information

## Snapshot – FY11 Results\*

### Financial

Cash earnings (\$m)	6,835	+12%
ROE (Cash)	19.5%	+80bpts
Cash EPS (\$)	4.39	+11%
DPS (\$)	3.20	+10%
Cost-to-Income	45.5%	(20bpts)
NIM	2.19%	+ 6 bpts

### Strong Balance Sheet

Total Assets (\$bn)	668	+3%
Total Liabilities (\$bn)	631	+3%
FUA (\$bn)	197	+5%
RWA (\$bn)	282	(3%)
Provision to Credit RWA's (%)	2.09	(3 bpts)

### Cash NPAT by Division

RBS (\$m)	2,845	+16%
BPB (\$m)	1,039	+16%
IB&M (\$m)	1,004	(14%)
Bankwest (\$m)	463	Large
Wealth Management (\$m)	642	(11%)
NZ (NZD \$m)	588	28%

### Capital & Funding

Tier 1 Capital	10.01%	+86 bpts
Tier 1 – UK FSA	13.7%	+90 bpts
LT Wholesale Funding WAM (yrs)	3.6	(0.2)
Deposit Funding (%)	61%	+3%
Liquid Assets (\$bn)	101	+17%



\* All movements on prior comparative period.

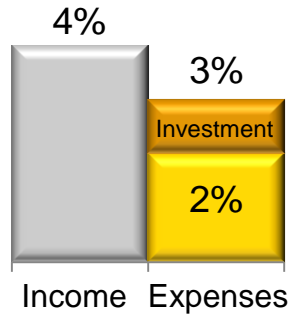
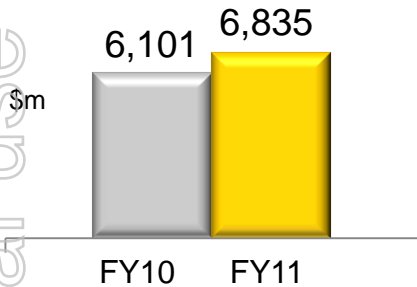


# Profitable growth, well placed

## A good profit result

Cash NPAT  
+12%

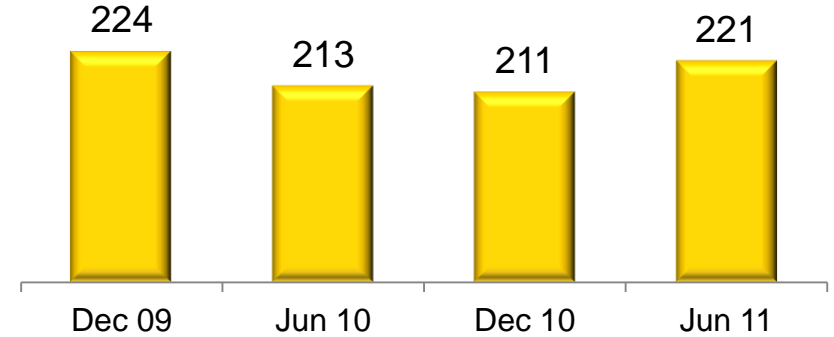
FY11  
Positive "Jaws"



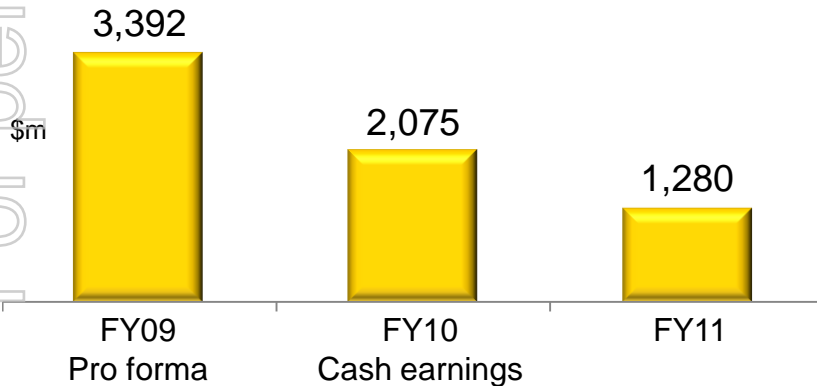
## Margins recovering

bpts

Australia NIM  
(ex IFRS)



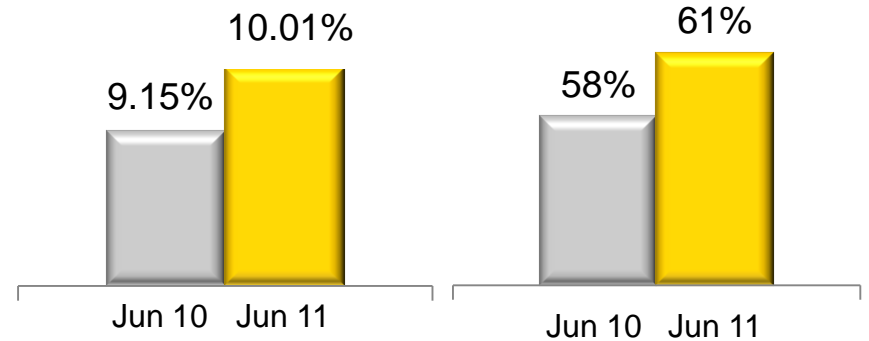
## Impairment expense lower



## Strong capital and funding positions

Tier 1

Deposit Funding



DETERMINED TO BE BETTER THAN WE'VE EVER BEEN.

# Results Presentation

FOR THE FULL YEAR ENDED 30 JUNE 2011

Supplementary Slides

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**Commonwealth**Bank



ATM



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# CBA Overview

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



AA Credit Rating



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



Total Assets of \$668bn



13 million customers; large distribution footprint



#1 in household deposits – 30% share



#1 in home lending ~26% share



#1 FirstChoice platform ~11% share



# Sources of growth

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- ✓ Core Banking – efficiency improvement, enhanced customer satisfaction
- ✓ Business Banking Growth Strategy – well-placed for upturn in system growth
- ✓ Peer leading products-per-customer
- ✓ Wealth Management – exposure to eventual rebound in equity markets
- ✓ Targeted Asian growth strategy
- ✓ ROE and PACC focus – not chasing volume for volume's sake
- ✓ Strong track record of ongoing efficiency gains
- ✓ Bankwest – exposure to fast growing sectors of the economy



# Sustainability progress

## People

- Solid progress towards the target of 35% of women in senior management roles by December 2014 (28.2% as at June 2011)
- Launched the Group's Diversity Policy in June 2011, outlining the approach to creating and maintaining an inclusive and collaborative workplace culture

## Customers

- Rolled out a number of innovative products for retail, business and wealth management customers including GoalSaver savings account, No fee Variable Interest Rate Home Loan, Business Debit Mastercard
- Achieved significant milestones in the rollout of the Core Banking Modernisation project migrating 11 million accounts to a new platform as well as delivering real time banking to Retail deposit customers across the country and for the first time in Australia

## Community

- As part of the Group's \$65 million flood and cyclone financial assistance, launched the \$5 million Community Flood Assistance Grants Program giving 381 not-for-profit organisations grants of up to \$20,000 each. In addition, donated \$2 million to flood relief appeals and collected in excess of \$44 million in donations from staff and customers
- Other achievements included raising \$452,000 for the Breast Cancer Institute of Australia; hosting 65 Cleanup sites in support of Clean Up Australia Day; supporting over 200 cricket clubs through the 'Grants for Grassroots Cricket' program; maintaining focus on youth financial literacy with the 'one million kids' program

## Environment

- Completed construction of Commonwealth Bank Place, two commercial A-grade office spaces with state-of-the-art technology and innovative features, with the first teams taking occupancy in June 2011
- Recognised as a 'Sector Leader' in the Carbon Disclosure Project, scoring 92 out of 100 in the Carbon Disclosure Leadership Index and placing third in the world for carbon disclosure

## Governance

- Maintained focus on good corporate governance and strengthened core operations in the area of ethics as well as transparency of systems, processes, guidelines and policies

**More information about sustainability is available at [commbank.com.au/sustainability](http://commbank.com.au/sustainability)**



# Sustainability scorecard

Metric		2011	2010	2009	2008
<b>Customers</b>					
<b>Customer satisfaction</b>	Roy Morgan MFI retail customer satisfaction % <sup>(1)</sup> (6-month moving average)	75.2 (ranked 4 <sup>th</sup> )	75.6 (ranked 2 <sup>nd</sup> )	73.0 (ranked 3 <sup>rd</sup> )	70.1 (ranked equal 3 <sup>rd</sup> )
<b>Customer satisfaction</b>	DBM Business Financial Services Monitor <sup>(2)</sup> (6-month moving average)	7.1 (ranked equal 2 <sup>nd</sup> )	7.0 (ranked equal 1 <sup>st</sup> )	-	-
<b>Customer satisfaction</b>	Wealth Insights Platform Service Level Survey %	84.7 (ranked 1 <sup>st</sup> )	86.5 (ranked 1 <sup>st</sup> )	84.1 (ranked 1 <sup>st</sup> )	88.2 (ranked 1 <sup>st</sup> )
<b>People</b>					
<b>Safety</b>	Lost Time Injury Frequency Rate (LTIFR) <sup>(3)</sup>	1.9	2.9	2.4	3.1
<b>Staff satisfaction</b>	Gallup Survey GrandMean	4.30 (73 <sup>rd</sup> percentile)	4.32 (76 <sup>th</sup> percentile)	4.37 (80 <sup>th</sup> percentile)	4.28 (78 <sup>th</sup> percentile)
<b>Absenteeism</b>	Average days per FTE <sup>(4)</sup>	6.0	5.9	5.9	6.5
<b>Employee Turnover</b>	Voluntary %	12.65	12.73	11.37	18.45
<b>Environmental</b>					
<b>Carbon emissions</b>	Property and fleet emissions (tonnes CO <sub>2</sub> -e) <sup>(5)</sup>	172,087	176,806	172,752	173,397

Complete definitions for scorecard metrics are available at [www.commbank.com.au/sustainability](http://www.commbank.com.au/sustainability)

- (1) Retail MFI Customer Satisfaction – Roy Morgan Research. Australian Population 14+, % “Very Satisfied” or “Fairly Satisfied” with relationship with that Main Financial Institution. 6 month rolling averages to June. Competitor set changed in 2010/11 to reflect the four major banks, rank adjustments have been applied historically.
- (2) Business customer satisfaction measured by DBM Business Financial Services Monitor from August 2010 (previously monitored by TNS).
- (3) 2010 figure previously reported has been adjusted based on additional data on incidents that occurred during the year.
- (4) Absenteeism is reported a month in arrears.
- (5) Due to the electricity billing cycle, 26% of the 2010-11 electricity data was estimated to meet publication deadlines.



# 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



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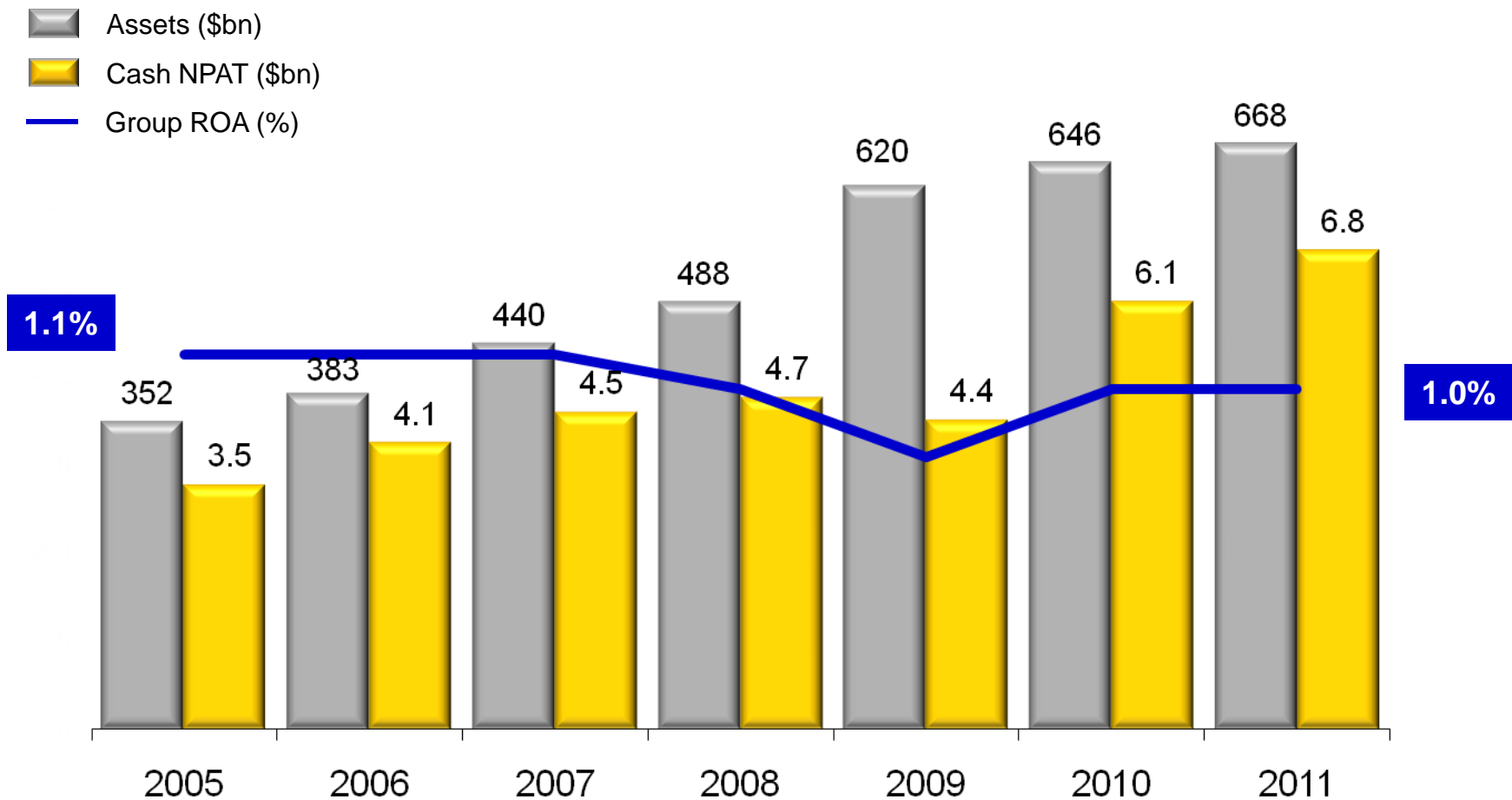
Housing

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# Return on Assets

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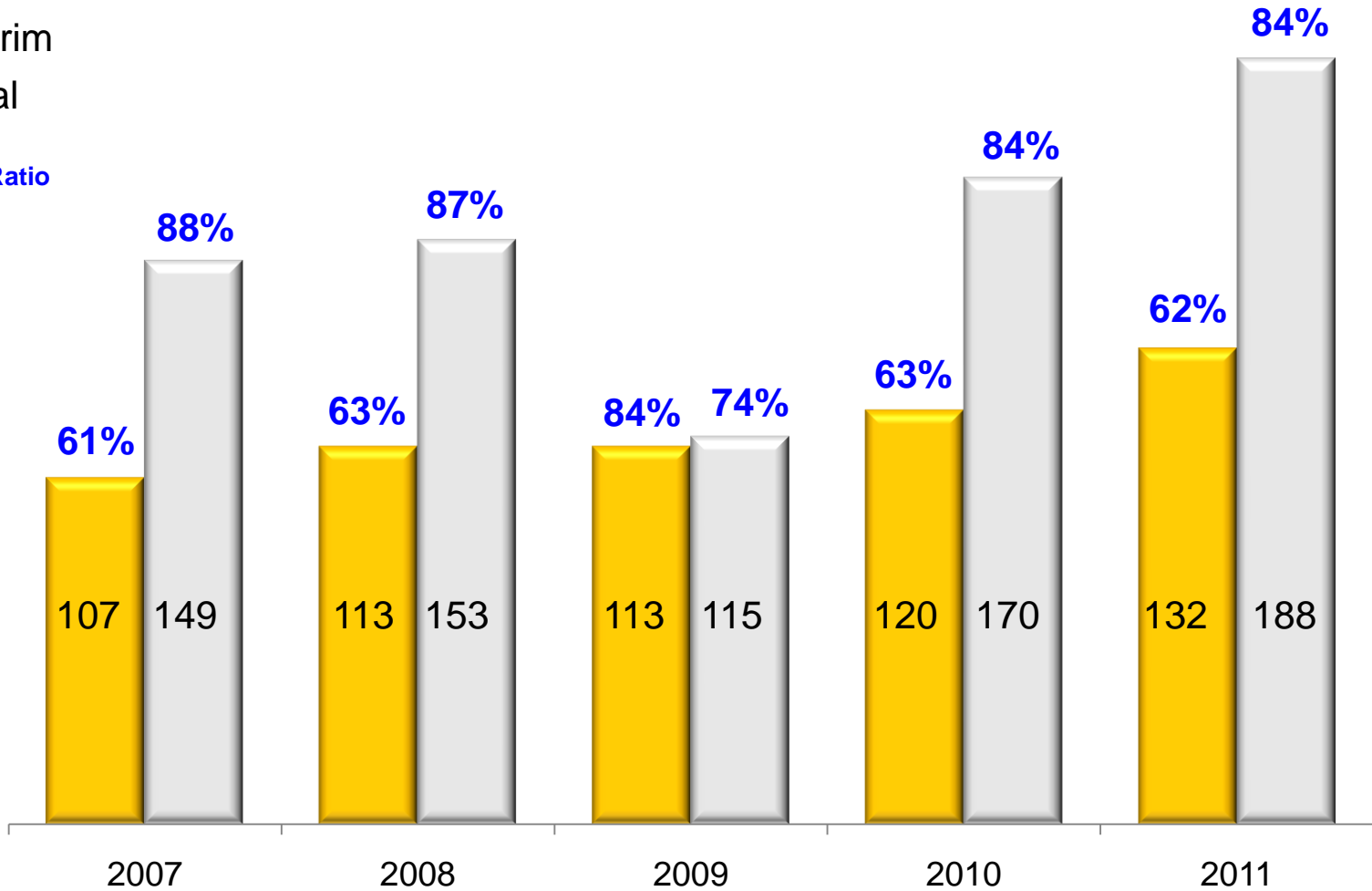
# Dividends per Share

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■ Interim  
■ Final

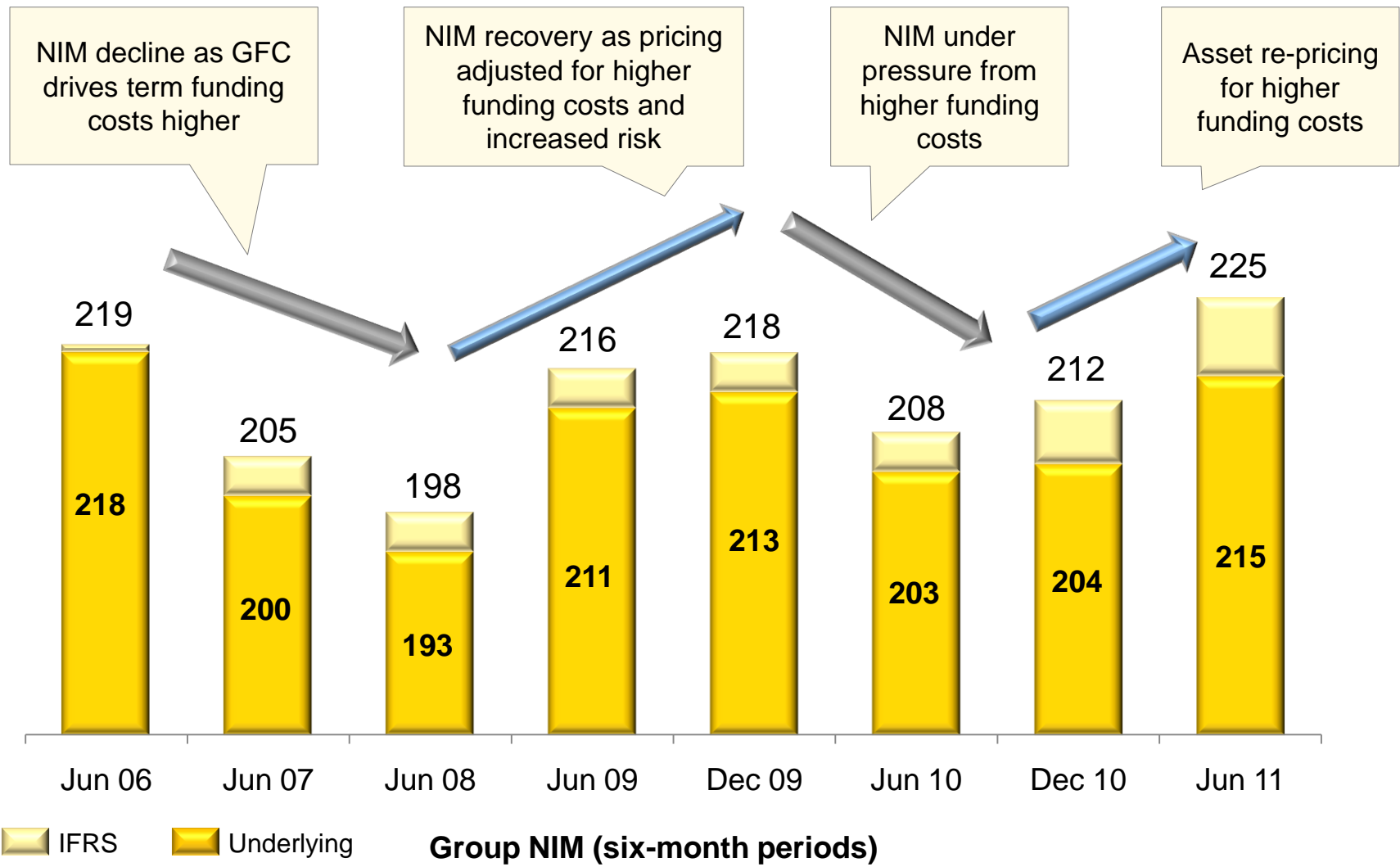
Payout Ratio

cents



# Margins – Six Monthly

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# Group Margin – Six Month Movement

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# RBS – 6 month periods

		Jun 11	Dec 10	Jun 10	Jun 11 vs Jun 10 (6 months)
<b>Net interest income</b>	Home loans	1,441	1,265	1,122	28%
	Consumer finance	660	621	594	11%
	Retail deposits	1,115	1,107	1,092	2%
		3,216	2,993	2,808	15%
<b>Other banking income</b>	Home loans	87	100	93	(6%)
	Consumer finance	204	215	205	(0%)
	Retail deposits	187	200	209	(11%)
	Distribution	157	149	158	(1%)
		635	664	665	(5%)
<b>Total banking income</b>	Home loans	1,528	1,365	1,215	26%
	Consumer finance	864	836	799	8%
	Retail deposits	1,302	1,307	1,301	0%
	Distribution	157	149	158	(1%)
		3,851	3,657	3,473	11%
<b>Operating expenses</b>		(1,486)	(1,417)	(1,406)	6%
<b>Impairment expense</b>		(305)	(253)	(345)	(12%)
<b>Expense to income</b>		38.6%	38.7%	40.5%	(5%)
<b>Cash net profit after tax</b>		1,453	1,392	1,217	19%



# Retail Banking Services

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Strong business performance with income growing faster than expenses

Solid volume growth and margin improvement in the lending portfolios

Competitive market maintaining pressure on deposit margins

Cost-to-income ratio further improves to 38.7%

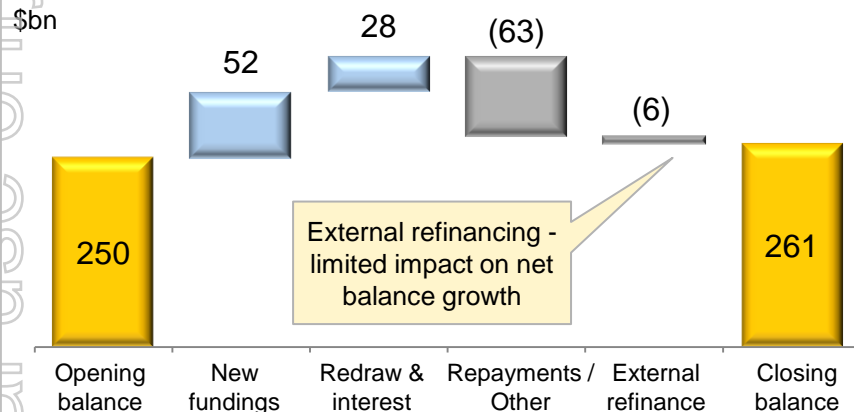
Improvement in impairment expense

	Jun 11 \$m	Jun 11 vs Jun 10
Home loans	2,893	20%
Consumer finance	1,700	9%
Retail deposits	2,609	(7%)
Distribution	306	11%
<b>Total banking income</b>	<b>7,508</b>	<b>7%</b>
Operating expenses	(2,903)	4%
<b>Operating performance</b>	<b>4,605</b>	<b>8%</b>
Impairment expense	(558)	(24%)
Tax	(1,202)	13%
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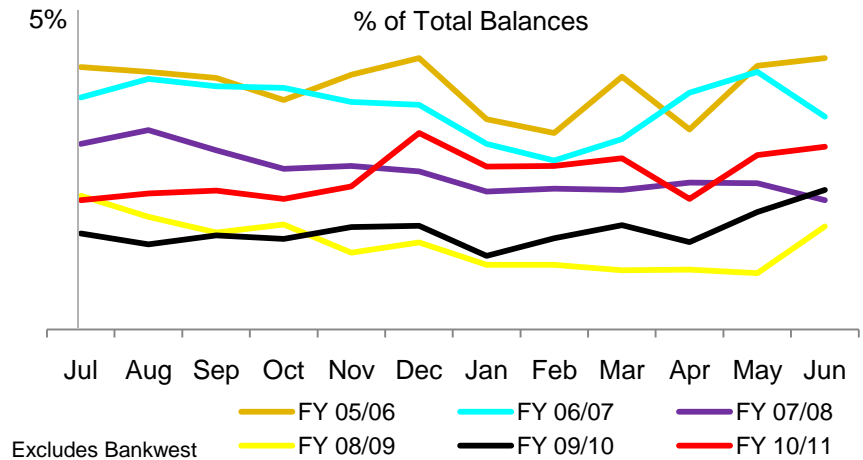
# Growth profile

## RBS Home Loan Balance Growth 2011



Excludes Bankwest

## External refinancing similar to prior years

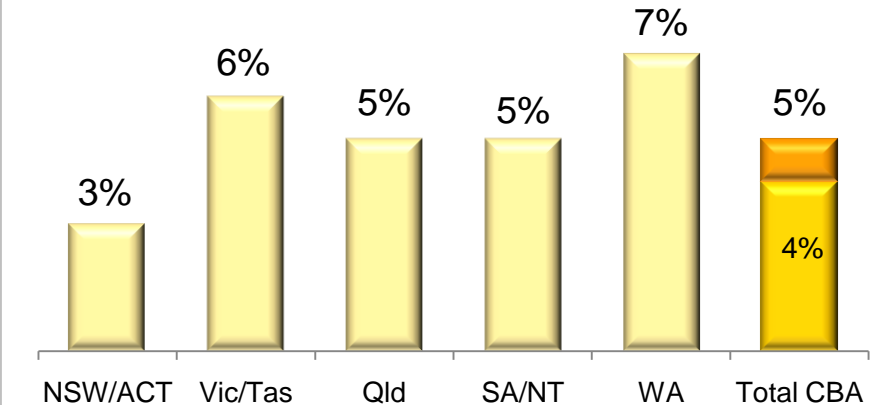


## Growth by Channel (%)

	2009	2010	2011	% of Balances
Broker	34%	12%	5%	37%
Branch	18%	10%	5%	45%
Premium	6%	6%	2%	18%
<b>Total CBA</b>	<b>20%</b>	<b>11%</b>	<b>4%</b>	<b>100%</b>
<b>System*</b>	<b>8%</b>	<b>8%</b>	<b>6%</b>	

Excludes Bankwest

## Growth by State 2011 (%)



Includes Bankwest

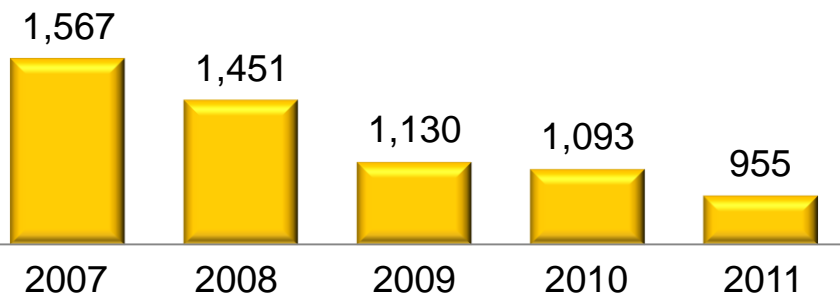


\* Source: RBA/APRA

# Efficiency improvements in Mortgage processing

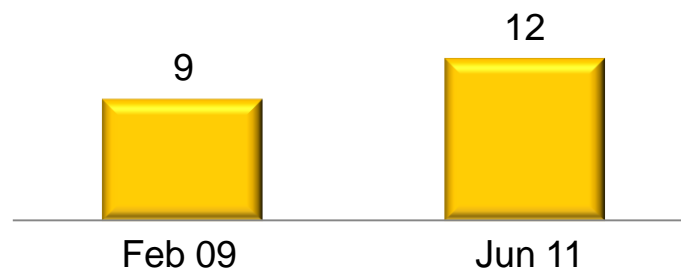
## Mortgage Services<sup>1</sup>

FTEs



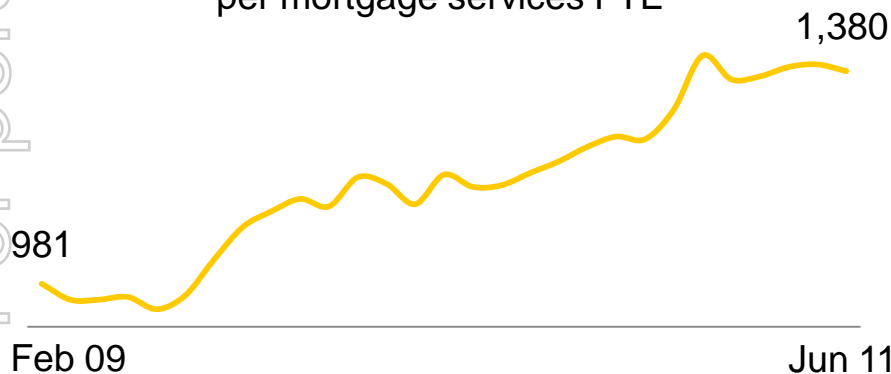
## Home Loan settlements<sup>2</sup>

per mortgage services FTE per day



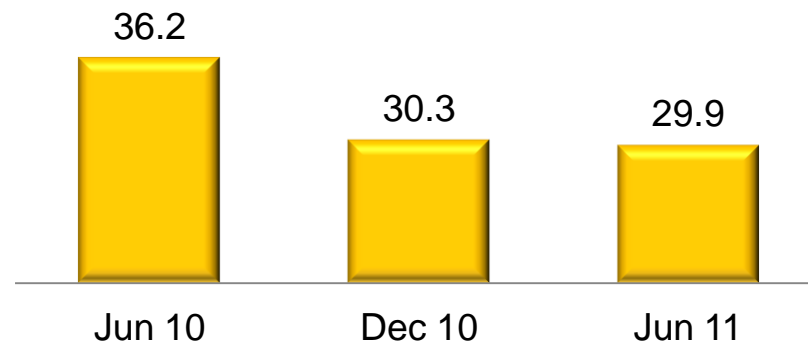
## Home Loans serviced<sup>3</sup>

per mortgage services FTE



## Home Loans total turn around time<sup>4</sup>

No. of days



1. Represents total mortgage services FTEs as at the end of each financial year (excluding staff on leave).
2. Represents total number of home loan accounts where finance settlement has been undertaken by mortgage services FTE that perform finance settlement activities. The figure excludes branch settlements and settlements related to Viridian Line of Credit loans.
3. Represents the total number of home loan accounts as at the end of the month serviced by Mortgage Services FTE.
4. Average days taken for end to end home loan process (application received to loan funded, including time with customer)



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# IB&M – 6 month periods

		Jun 11	Dec 10	Jun 10	Jun 11 vs Jun 10 (6 months)
<b>Net interest income</b>	Institutional Banking	528	545	558	(5%)
	Markets	115	105	93	24%
		643	650	651	(1%)
<b>Other banking income</b>	Institutional Banking	410	345	401	2%
	Markets	154	265	173	(11%)
		564	610	574	(2%)
<b>Total banking income</b>	Institutional Banking	938	890	959	(2%)
	Markets	269	370	266	1%
		1,207	1,260	1,225	(1%)
<b>Operating expenses</b>		(413)	(415)	(424)	(3%)
<b>Profit before impairment expenses</b>		794	845	801	(1%)
<b>Impairment expense</b>		(131)	(193)	72	Large
<b>Expense to income</b>		34.2%	32.9%	34.6%	(1%)
<b>Cash net profit after tax</b>		506	498	632	(20%)





# Institutional Banking and Markets

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IB&M Cash NPAT ↓ 14% due to:

- ▶ Operating Income ↓ 5% due to lower markets trading income as a result of lower domestic market volatility and the effect of decline in lending balances;
- ▶ A reduction in investment allowance tax credits compared to prior year; and
- ▶ Higher impairment expense as a result of lower write-backs in specific provisions.

Continued strong customer satisfaction ratings in DBM and East & Partners survey.

	Jun 11 \$m	Jun 11 vs Jun 10
Institutional Banking	1,828	(2%)
Markets	639	(11%)
<b>Total banking income</b>	<b>2,467</b>	<b>(5%)</b>
Operating expenses	(828)	-
<b>Operating performance</b>	<b>1,639</b>	<b>(7%)</b>
Impairment expense	(324)	30%
Tax	(311)	(8%)
<b>Cash net profit after tax</b>	<b>1,004</b>	<b>(14%)</b>



# BPB – 6 month periods

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		Jun 11	Dec 10	Jun 10	Jun 11 vs Jun 10 (6 months)
<b>Net interest income</b>					
	Corporate Financial Services	258	270	271	(5%)
	Regional & Agribusiness	133	132	129	3%
	Local Business Banking	260	255	241	8%
	Private Bank	54	56	55	(2%)
	Equities and Margin Lending	86	91	92	(7%)
	Other	45	47	33	36%
		<b>836</b>	<b>851</b>	<b>821</b>	<b>2%</b>
<b>Other banking income</b>					
	Corporate Financial Services	291	265	221	32%
	Regional & Agribusiness	82	79	71	15%
	Local Business Banking	133	126	122	9%
	Private Bank	74	67	63	17%
	Equities and Margin Lending	120	113	128	(6%)
	Other	3	12	13	(77%)
		<b>703</b>	<b>662</b>	<b>618</b>	<b>14%</b>
<b>Total banking income</b>					
	Corporate Financial Services	549	535	492	12%
	Regional & Agribusiness	215	211	200	8%
	Local Business Banking	393	381	363	8%
	Private Bank	128	123	118	8%
	Equities and Margin Lending	206	204	220	(6%)
	Other	48	59	46	4%
		<b>1,539</b>	<b>1,513</b>	<b>1,439</b>	<b>7%</b>
<b>Operating expenses</b>		(682)	(653)	(667)	2%
<b>Impairment expense</b>		(126)	(135)	(132)	(5%)
Expense to income		44.3%	43.2%	46.4%	(5%)
<b>Cash net profit after tax</b>		<b>532</b>	<b>507</b>	<b>453</b>	<b>17%</b>



# Business and Private Banking

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Solid performance in business banking segments

Cash net profit after tax ↑ 16% reflecting:

- ▶ Solid volume growth in lending and deposits
- ▶ Lower equities trading volume due to subdued market volumes
- ▶ Targeted investment in frontline staff and technology, with a disciplined approach to expense management
- ▶ Improving impairment expense

	Jun 11 \$m	Jun 11 vs Jun 10
Corporate Financial Services	1,084	13%
Regional and Agribusiness	426	8%
Local Business Banking	774	9%
Private Bank	251	5%
Equities and Margin Lending	410	(12%)
Other *	107	(5%)
<b>Total banking income</b>	<b>3,052</b>	<b>6%</b>
Operating expenses	(1,335)	3%
<b>Operating performance</b>	<b>1,717</b>	<b>8%</b>
Impairment expense	(261)	(20%)
Tax	(417)	15%
<b>Cash net profit after tax</b>	<b>1,039</b>	<b>16%</b>



\* Represents revenue earned from products sold through direct channels

# New Zealand – 6 month periods

NZ\$M		Jun 11	Dec 10	Jun 10	Jun 11 vs Jun 10 (6 months)
<b>Net interest income</b>	ASB	569	538	468	22%
	Other	(12)	2	(5)	Large
	<b>Total NII</b>	<b>557</b>	<b>540</b>	<b>463</b>	<b>20%</b>
<b>Other banking income</b>	ASB	189	178	135	40%
	Other	(17)	(13)	(16)	6%
	<b>Total OBI</b>	<b>172</b>	<b>165</b>	<b>119</b>	<b>45%</b>
<b>Total banking income</b>	ASB	758	716	603	26%
	Other	(29)	(11)	(21)	38%
	<b>Total Banking Income</b>	<b>729</b>	<b>705</b>	<b>582</b>	<b>25%</b>
<b>Funds Management Income</b>	26	26	26	-	
<b>Insurance Income</b>	141	135	160	(12%)	
<b>Total operating income</b>	<b>896</b>	<b>866</b>	<b>768</b>	<b>17%</b>	
<b>Operating expenses</b>	(472)	(447)	(428)	10%	
<b>Profit before impairment expense</b>	<b>424</b>	<b>419</b>	<b>340</b>	<b>25%</b>	
Impairment Expense	(36)	(36)	2	Large	
Expense to income	52.7%	51.6%	55.7%	(5%)	
<b>Underlying profit after tax</b>	<b>293</b>	<b>293</b>	<b>272</b>	<b>8%</b>	
Investment experience	2	-	3	(33%)	
<b>Cash net profit after tax</b>	<b>295</b>	<b>293</b>	<b>275</b>	<b>7%</b>	



# New Zealand

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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>



# WM – 6 month periods

		Jun 11	Dec 10	Jun 10	Jun 11 vs Jun 10 (6 months)
<b>Net operating income</b>	CFSGAM	378	378	333	14%
	Colonial First State	347	342	333	4%
	CommInsure	283	352	322	(12%)
	Other	(1)	-	(2)	50%
	St Andrew's Insurance	-	-	15	Large
			1,007	1,072	1,001
<b>Operating expenses</b>	CFSGAM	(201)	(190)	(188)	7%
	Colonial First State	(259)	(230)	(213)	22%
	CommInsure	(140)	(136)	(136)	3%
	Other	(61)	(63)	(65)	(6%)
	St Andrew's Insurance	-	-	(7)	Large
			(661)	(619)	(609)
<b>Underlying profit after tax</b>	CFSGAM	133	142	115	16%
	Colonial First State	62	79	86	(28%)
	CommInsure	101	153	134	(25%)
	Other	(44)	(45)	(44)	-
	St Andrew's Insurance	-	-	6	Large
			252	329	297
<b>Cash net profit after tax</b>	CFSGAM	126	155	129	(2%)
	Colonial First State	66	77	85	(22%)
	CommInsure	134	171	159	(16%)
	Other	(43)	(44)	(43)	-
	St Andrew's Insurance	-	-	9	Large
			283	359	339



# Wealth Management

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## CFSGAM:

- ▶ FUM ↑3% to \$149bn
- ▶ Strong investment performance - 83% of funds outperforming over 5 years

## Colonial First State:

- ▶ Retail FUA ↑6% to \$78bn
- ▶ Largest Platform

## CommInsure:

- ▶ Life inforce premiums ↑9%
- ▶ General Insurance inforce premiums ↑7%

Total expenses ↑7%

Investment Experience down due to lower annuity mark to market gains

	Jun 11 \$m	Jun 11 vs Jun 10*
CFSGAM	756	14%
Colonial First State	689	6%
CommInsure	635	(5%)
Other	(1)	67%
<b>Net operating income</b>	<b>2,079</b>	<b>5%</b>
Operating expenses	(1,280)	7%
Tax	(218)	6%
<b>Underlying profit after tax</b>	<b>581</b>	<b>-</b>
Investment experience	61	(50%)
<b>Cash net profit after tax</b>	<b>642</b>	<b>(9%)</b>

\* Comparatives excluding the St Andrew's insurance business which was sold effective 1 July 2010



CommInsure



CommonwealthBank



# CFS Global Asset Management

Globally: \$149bn FUM<sup>1</sup>, 901 people

## North America

\$1.6bn FUM

5 People

## Middle East

\$6.7bn FUM

## UK & Europe

\$21.8bn FUM

188 People



## Japan

\$3.5bn FUM

5 people

## Asia ex Japan

\$17.2bn FUM

114 People

## Australia & New Zealand

\$97.8bn FUM

589 People

34% FUM raised from offshore clients, 41% people located offshore, 54% revenue generated offshore



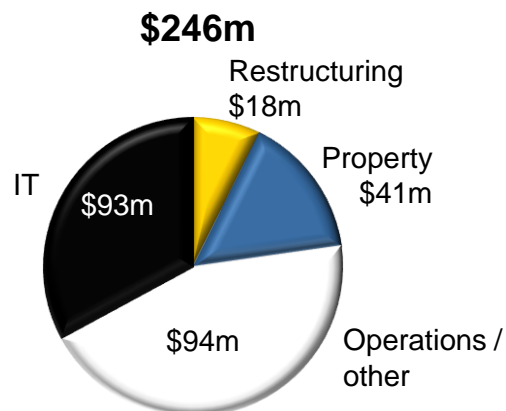
1 FUM figures exclude the Group's interests in the China Cinda JV



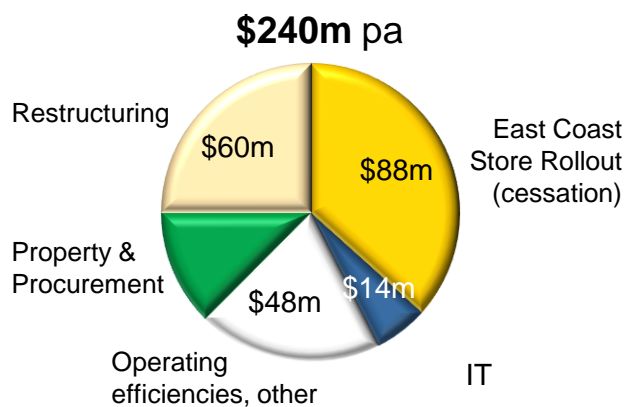


# Bankwest integration

## Total integration costs <sup>1</sup>



## Annual expense synergies <sup>2</sup>



## Timetable

By  
December  
2008

- Acquisition announced Oct 08
- Governance structure established
- Due diligence commenced,
- Regulatory approvals obtained
- New CEO, CFO and CRO appointed
- Formal acquisition date 19 Dec 08

By  
June  
2009

- Common ATM and branch access
- Multi-brand strategy implemented
- Revised growth plan established
- Integration of St Andrew's
- Final acquisition accounting in FY09 results

By  
FY12

- Systems alignment
- Consolidation of operations/processes
- Pursue targeted cost synergy opportunities
- Focus on leveraging CBA scale advantage

Post  
FY12

- Pursue incremental synergy opportunities



- Total integration expenses since acquisition
- Annualised run-rate

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# Bankwest – 6 month periods

	Jun 11	Dec 10	Jun 10 cash earnings	Jun 11 vs Jun 10 (6 months)
Net interest income	741	679	679	9%
Other banking income	102	118	112	(9%)
<b>Total banking income</b>	<b>843</b>	<b>797</b>	<b>791</b>	<b>7%</b>
Operating expenses	(441)	(428)	(437)	1%
Impairment expense	(60)	(49)	(441)	(86%)
<b>Net profit before tax</b>	<b>342</b>	<b>320</b>	<b>(87)</b>	<b>Large</b>
Corporate tax expense	(103)	(96)	27	Large
<b>Cash net profit after tax</b>	<b>239</b>	<b>224</b>	<b>(60)</b>	<b>Large</b>



# Bankwest

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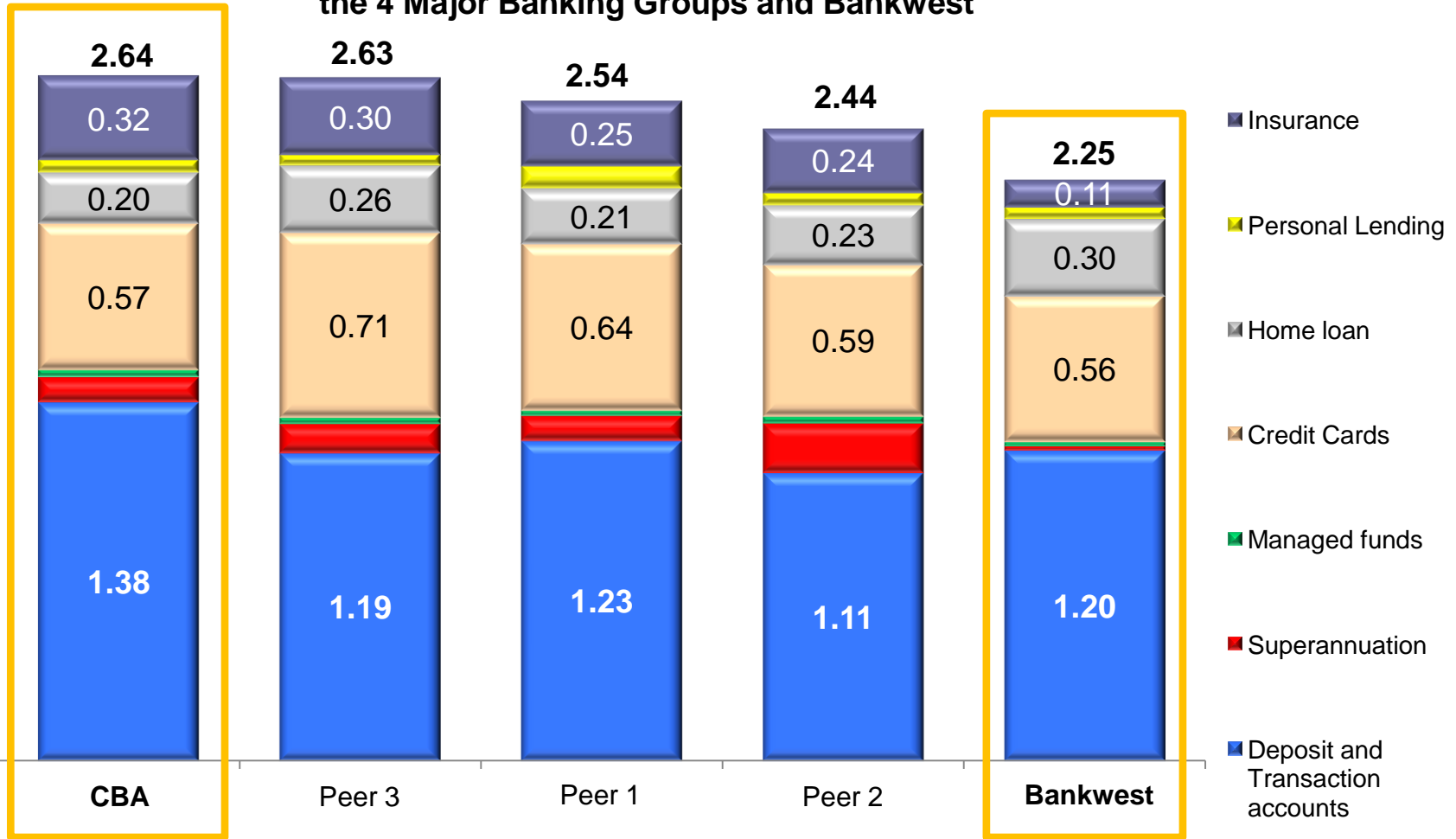
- Income ↑ 5%:
  - ▶ Above system Home Loan growth
  - ▶ Higher Deposit margins
  - ▶ Managing down higher risk exposures in business lending
- Disciplined cost management – expenses down every year since acquisition
- Impairment expense:
  - ▶ Improving credit quality
  - ▶ Run-off of troublesome and 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>



# Products per Customer

Average Product Composition between Commonwealth Bank, the 4 Major Banking Groups and Bankwest



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Source: Roy Morgan Research  
 Refer note slide at back of this presentation for source information  
 6 months to June 2011

# 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



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**Risk and Credit Quality**

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Capital, Funding & Liquidity

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# Regulatory Exposure Mix

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	Regulatory Exposure Mix <sup>1</sup>			
	CBA	Peer 1	Peer 2	Peer 3
Residential Mortgages	57%	42%	41%	58%
Corporate, SME & Spec Lending	26%	35%	41%	32%
Bank	6%	7%	10%	3%
Sovereign	7%	7%	5%	3%
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>

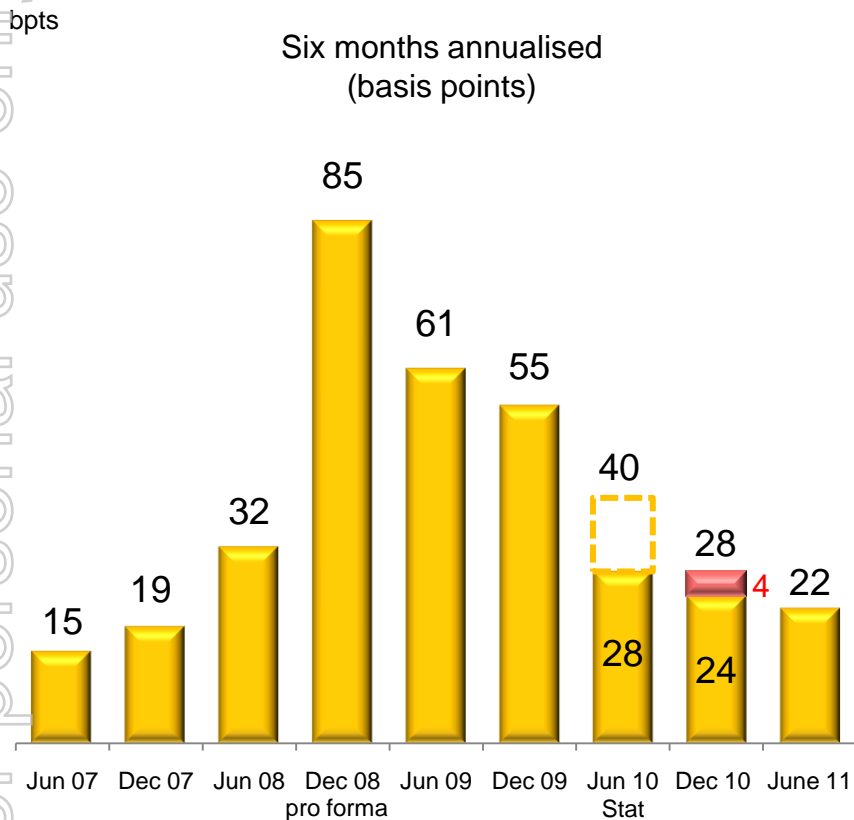
1. Source: Pillar 3 disclosures for CBA as at June 2011 and Peers as at March 2011.
2. Includes Specialised Lending exposures. Excludes Standardised, Other Assets and Securitisation (representing 15% of CBA, 6% of Peer 1, 17% of Peer 2 and 5% of Peer 3). Exposure mix is re-baselined to total 100% for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





# Loan Impairment Expense

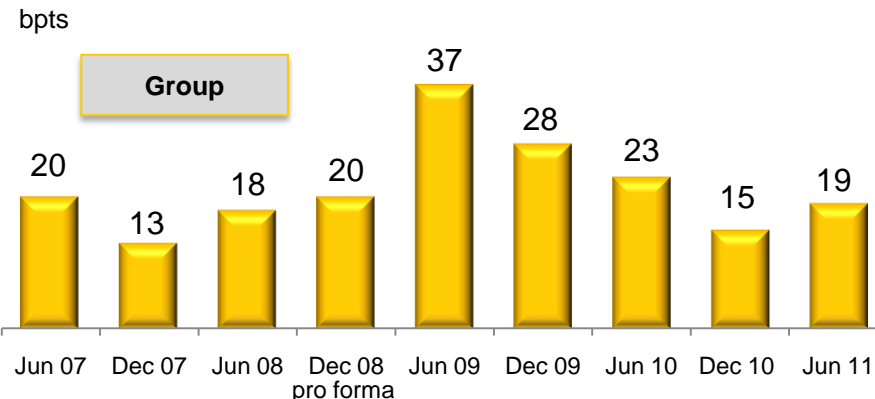
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## CBA Group<sup>1</sup>

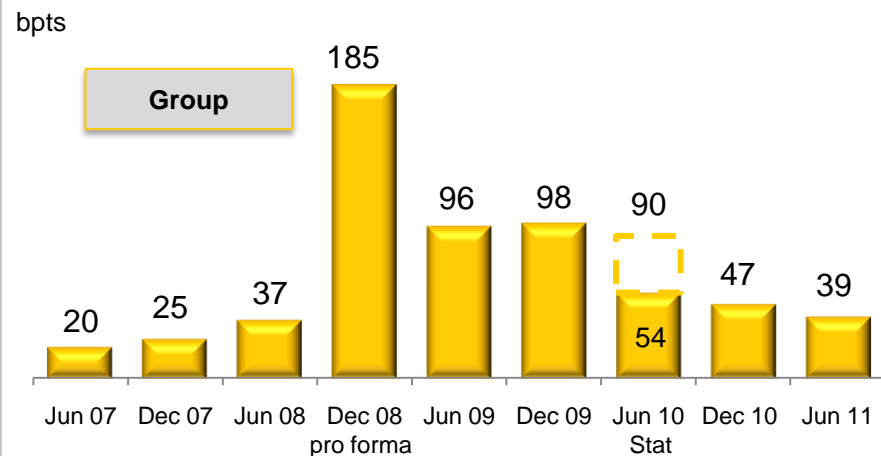


-  Flood /earthquake related overlay
-  Review of Bankwest pre acquisition business book

## Consumer<sup>2</sup>



## Corporate<sup>3</sup>



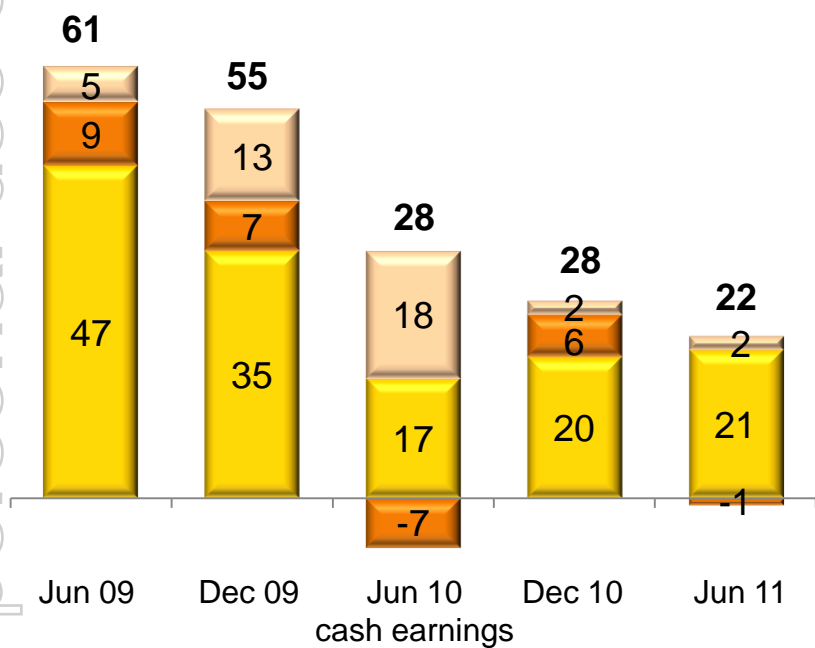
- 1 Includes ASB and Bankwest from December 08. December 08 includes Bankwest on a pro forma basis. Basis points as a percentage of average Gross Loans and Acceptances.
- 2 Represents Retail Banking Services, ASB Retail and Bankwest Retail from December 08.
- 3 Represents Institutional Banking and Markets, Business and Private Banking, ASB Business and Bankwest Business from December 08.



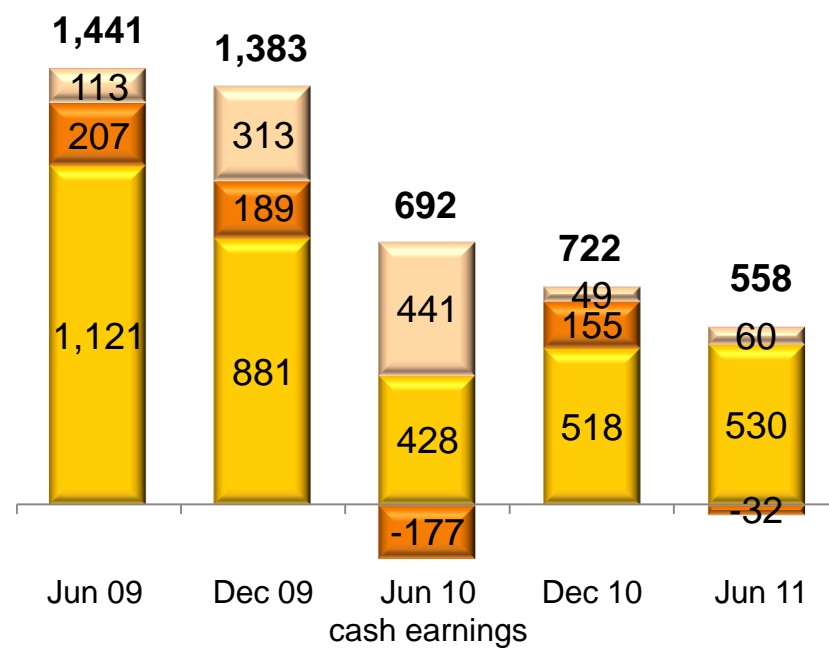
# Loan Impairment Expense

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6 months annualised (basis points)\*



6 months (\$m)



Base
  Overlay
  Bankwest



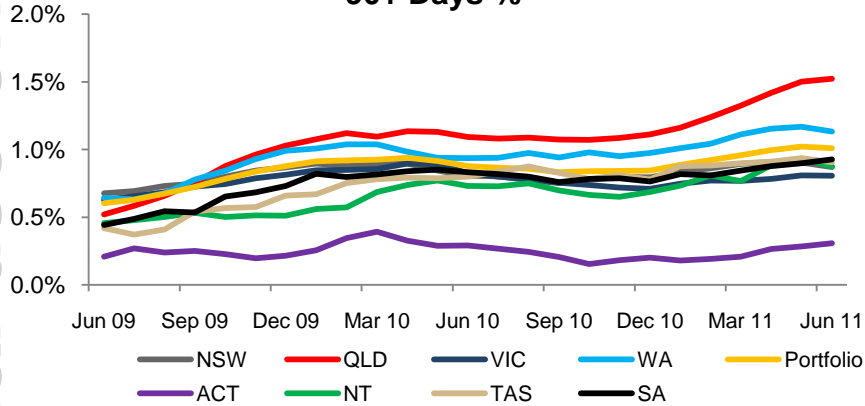
\* Basis points as a percentage of average Gross Loans and Acceptances.

# Arrears

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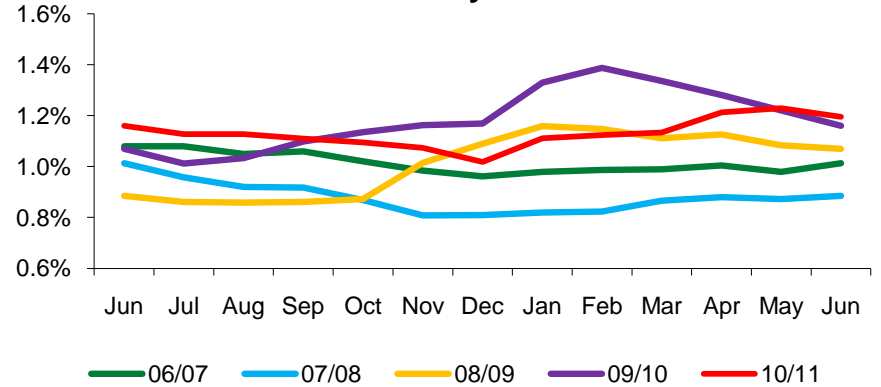
## Home Loans \*

### 90+ Days %



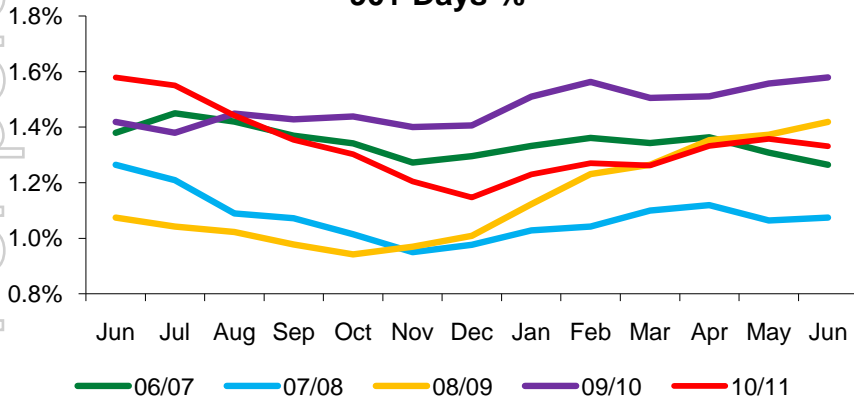
## Credit cards \*

### 90+ Days %



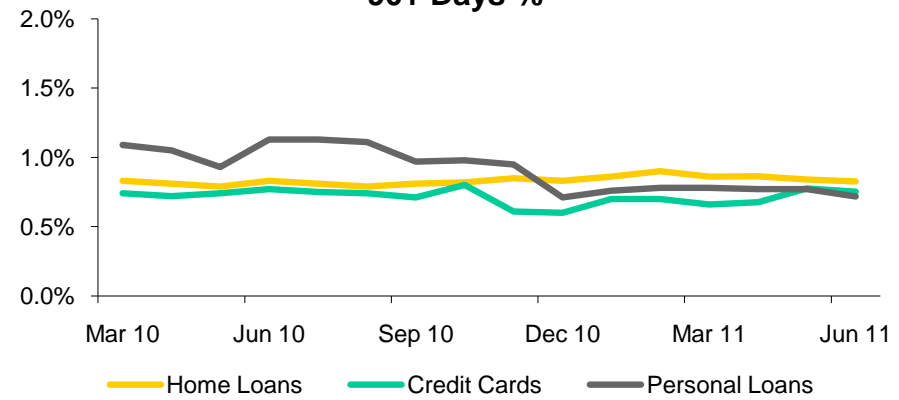
## Personal loans \*

### 90+ Days %



## ASB - consumer arrears

### 90+ Days %



\* CBA domestic (excluding Bankwest).

# RBS home loan book quality very sound

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- ▶ Portfolio average LVR of 44% based on current market values
- ▶ 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

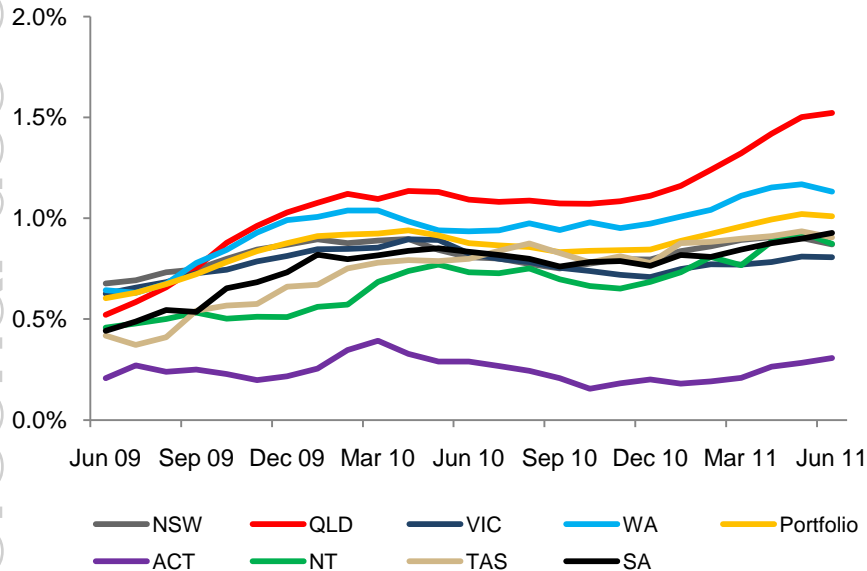


All statements relate to the RBS home loan book.

# Modest uptick in home loan arrears

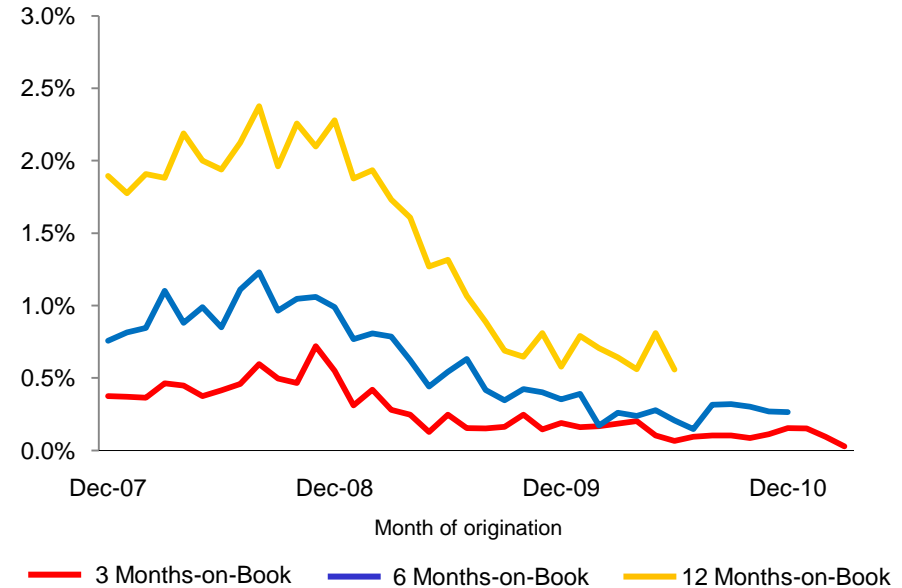
## Home Loan Arrears

### 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+).

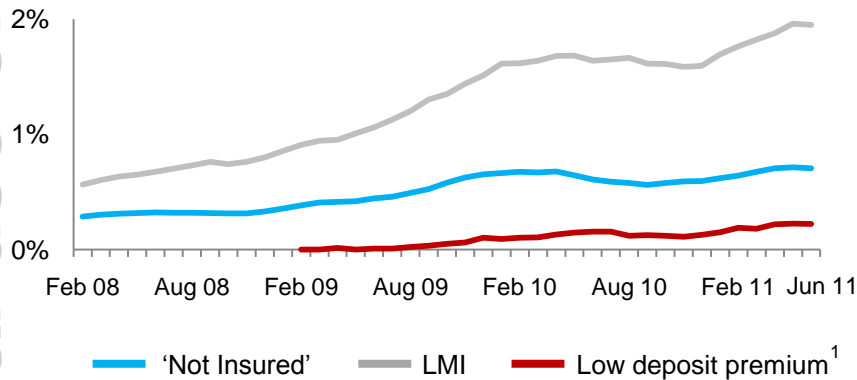


1. Dynamic Delinquency: Tracks the arrears performance of accounts booked by month of approval at 3, 6 and 12 months post funding.

# Home Loan Arrears

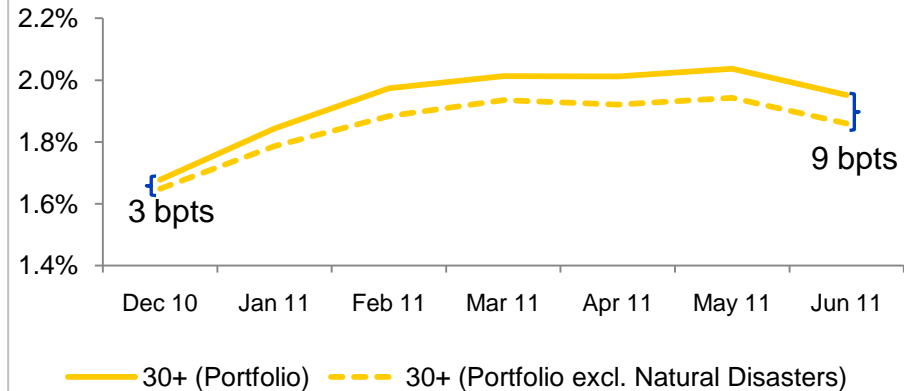
## LMI vs non-LMI

### 90+ days arrears



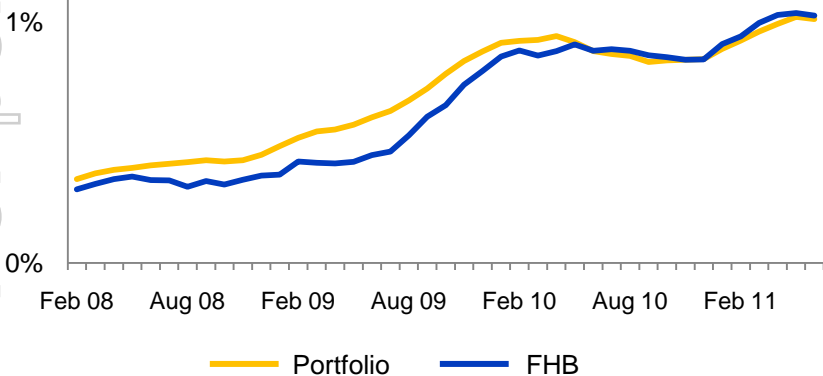
## Impact of Natural Disasters

### 30+ days arrears



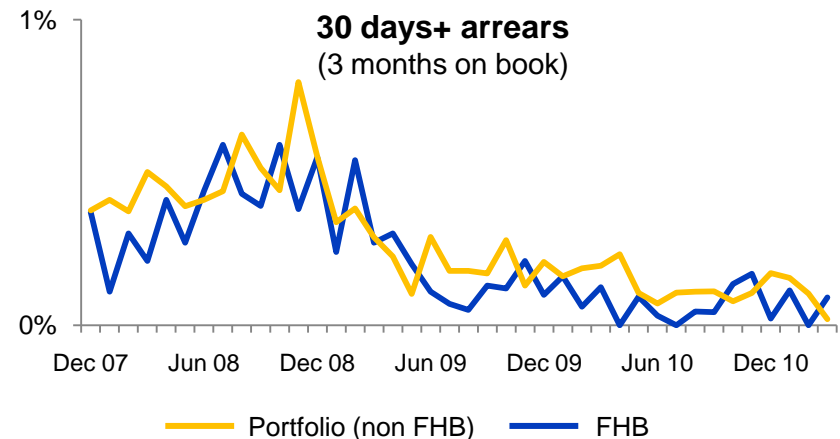
## First Home Buyers

### 90+ days arrears



## First Home Buyers

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



All graphs are CBA-domestic excluding Bankwest

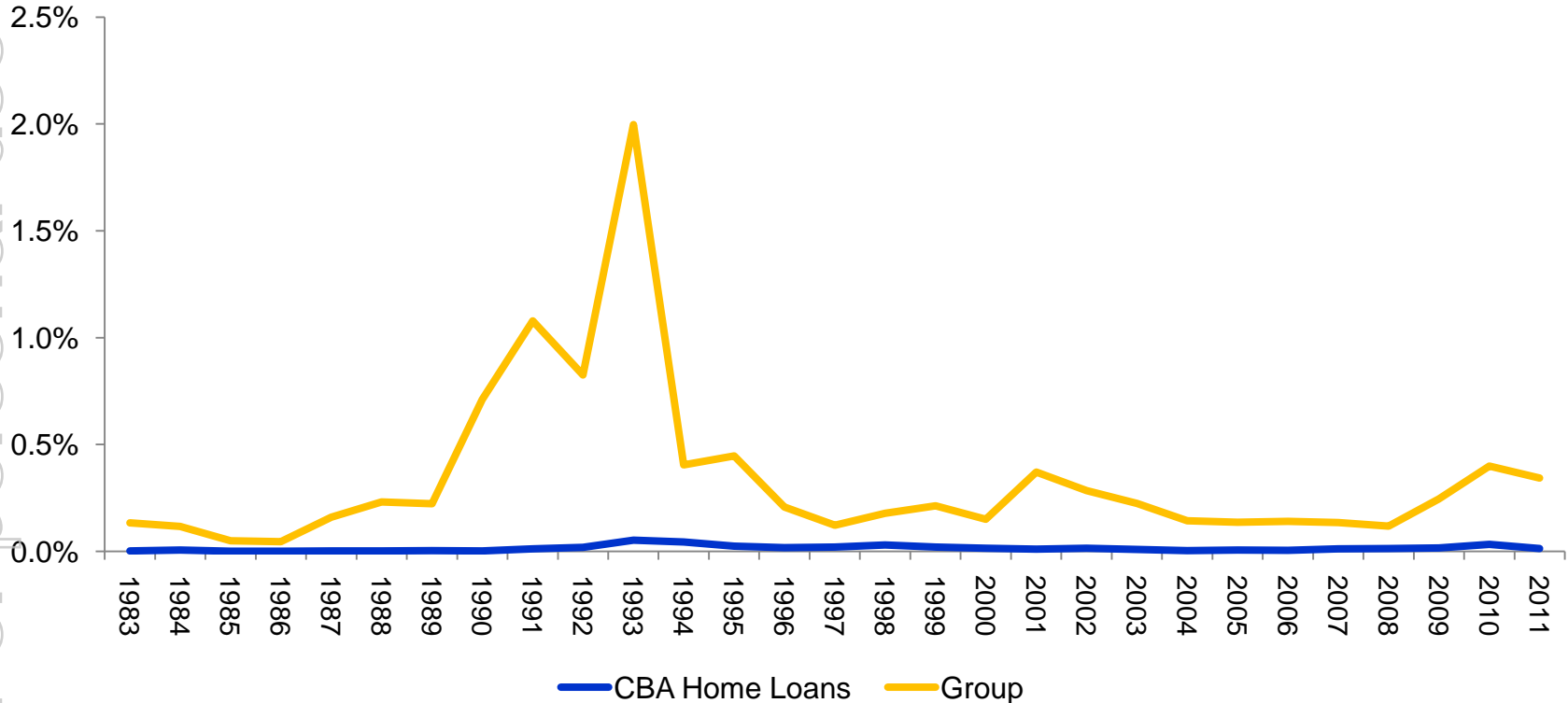
1. Low Deposit Premium (LDP): Rather than taking out LMI policies for all loans with an LVR>80%, we charge the customer a premium similar to LMI, but take on the risk and use the premium to offset the higher economic capital charge, targeted at low risk customers.



# Home Loan losses remain very low

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\$ 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.

# Even “high stress” losses would be modest

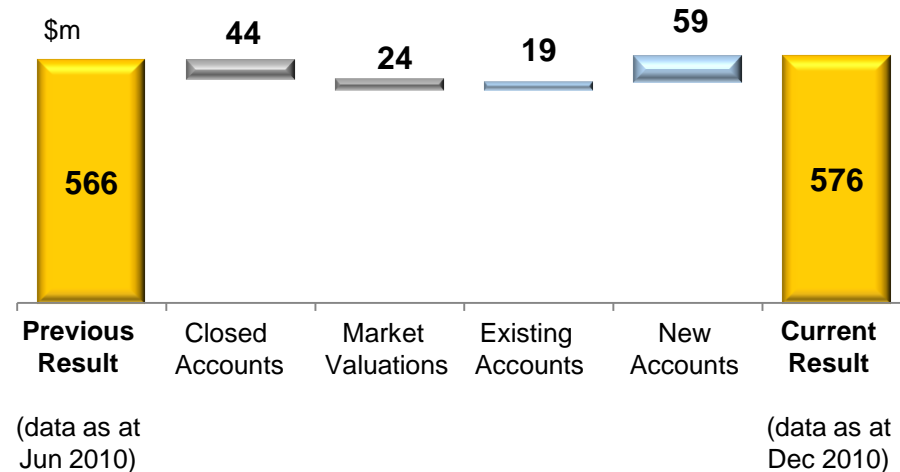
## Expected Loss outcomes

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>

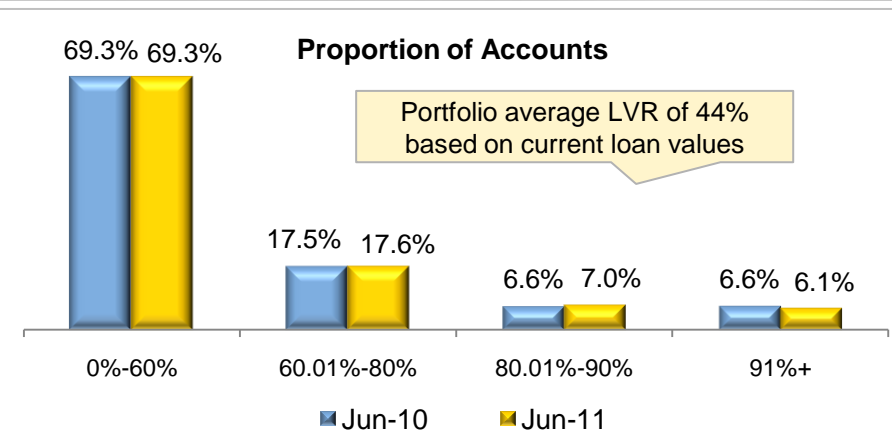
- Example excludes potential losses on insured loan balances (~\$1.232bn) – these losses would be borne by the insurer.

- 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.

# Genworth Financial

- APRA Regulated
- Highly rated: AA- by S&P and A1 by Moody's
- Strong Capital Position:
  - Solvency Ratio significantly above regulatory minimum
  - Regular stress testing against "extreme" stress scenarios
  - High quality liquid investments
- Ring fenced from US Parent
- Regular CBA review





# 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%



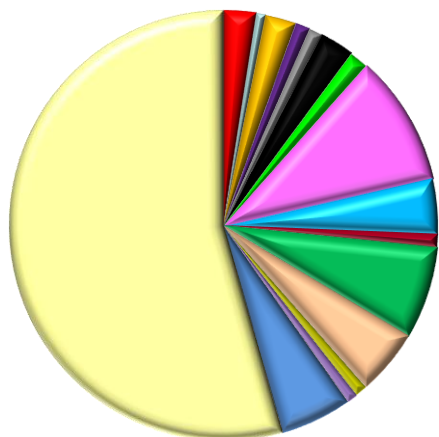
All figures relate to the RBS home loan portfolio except where noted

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.

# Sector Exposures<sup>1</sup>

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**Dec 10**

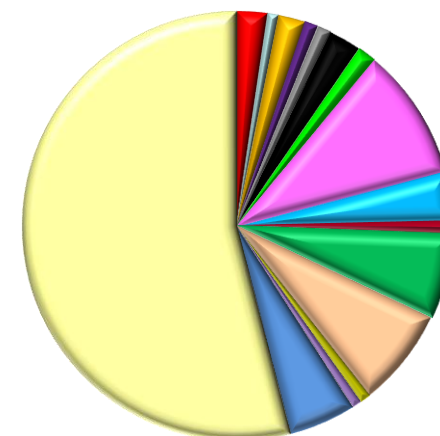


Australia	80.6%
New Zealand	8.8%
Europe	5.2%
Other International	5.4%

Including ASB and Bankwest

	Dec 10	Jun 11
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%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Jun 11**



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

Including ASB and Bankwest



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

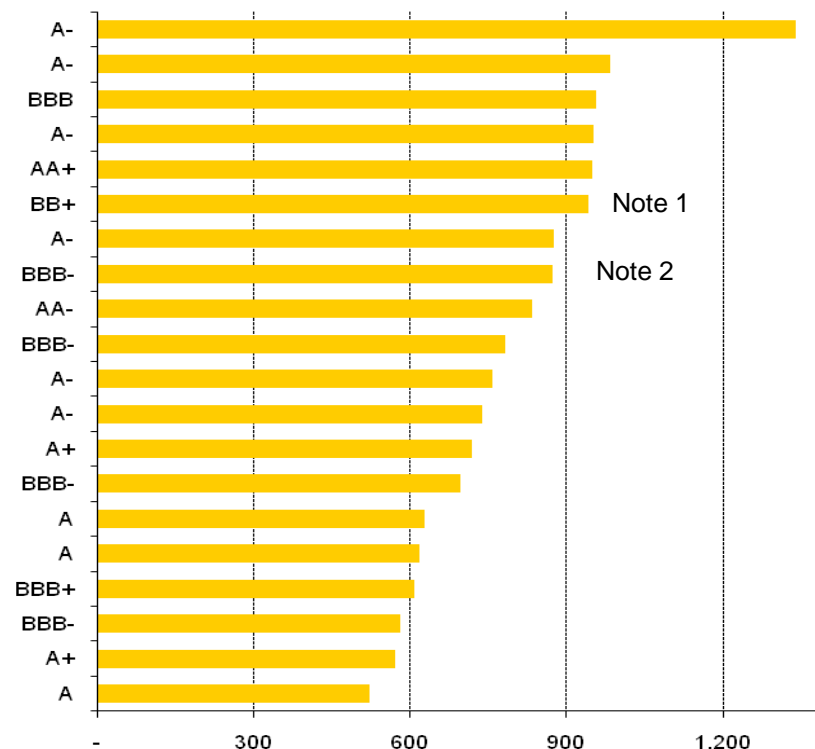
# Sector Exposures<sup>1</sup>

## 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.



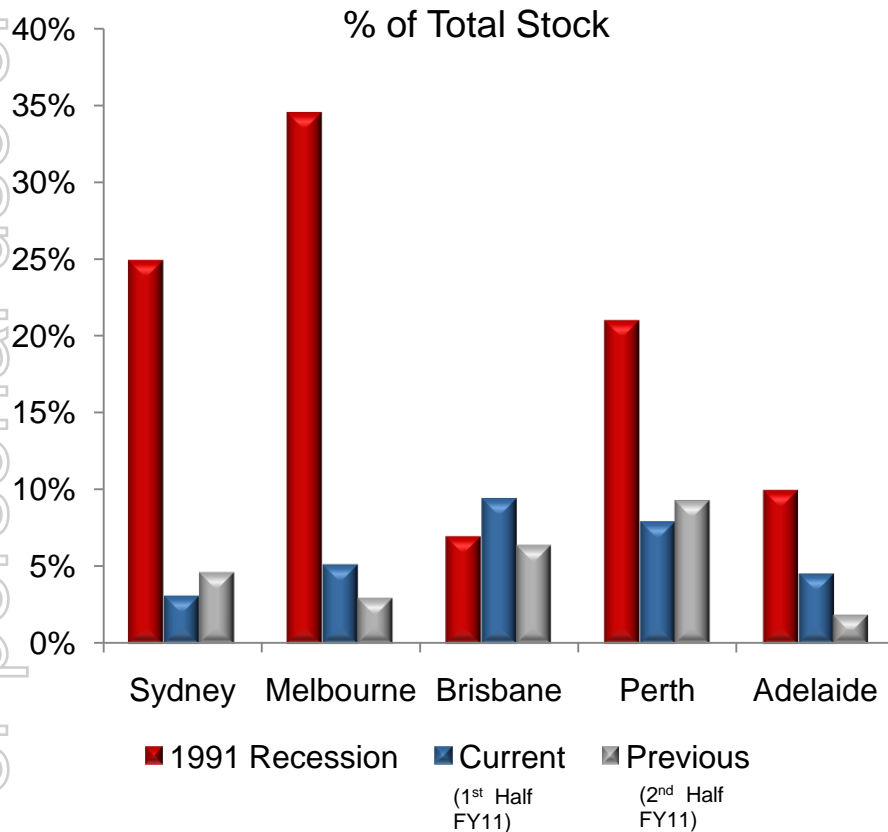
1 Gross exposure before collateralisation = balance for uncommitted facilities; greater of limit or balance for committed facilities and excludes settlement exposures.

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



# Commercial Property Market

## CBD Office Supply Pipeline\*



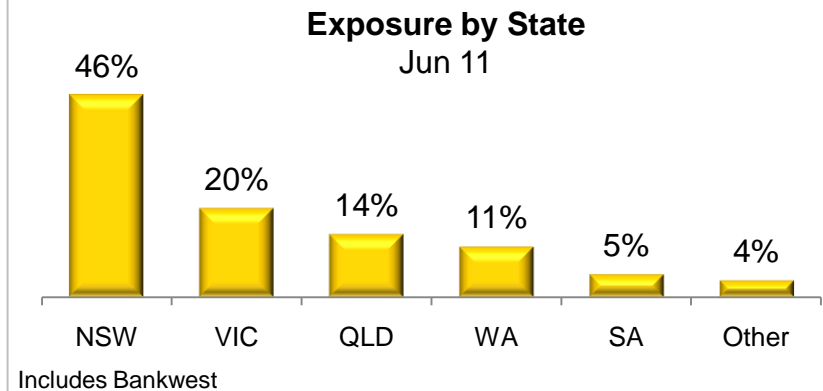
Source : Jones Lang LaSalle Research

## 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.

# Risk Weighted Assets – June 11 Half

■ Credit RWAs increased by \$2b primarily as a result of:

- Growth in commercial portfolio and lower risk retail exposures;
- Re-rating of a Spanish RMBS securitisation exposure by Moody's from A to BB+;
- Change in regulatory treatment driven by RBNZ requirements for the New Zealand Farm Lending portfolio;
- Partially offset by improvements in retail and commercial credit quality and new credit risk factors.

■ IRRBB RWA reduced by \$7.3b during the half year as a result of treasury risk management activities and changes in loan and deposit repricing terms.

## RWA Movement

	Total	Tier 1 ratio impact (bpt)
Credit Risk	1%	(8)
Traded Market Risk	(18)%	3
Operational Risk	10%	(7)
IRRBB	(43)%	25
<b>Total</b>	<b>(1)%</b>	<b>13</b>

## Credit RWA Movement

	On Balance Sheet	Off Balance Sheet	Total
% Change - Consumer Retail	1%	(7)%	0%
% Change - Non-retail	(1)%	5%	1%
Tier 1 impact – Retail (bpts)	(1)	2	1
Tier 1 impact – Non-Retail (bpts)	1	(5)	(4)
Tier 1 impact – Other <sup>3</sup> (bpts)	(4)	(1)	(5)
<b>Total Tier 1 impact (bpts)</b>	<b>(4)</b>	<b>(4)</b>	<b>(8)</b>

## Composition of Movement

CRFs <sup>1</sup>	FX/ Volume	Quality	Reg Change <sup>2</sup>	Total
(1)%	2%	(1)%	0%	0%
(3)%	3%	(1)%	2%	1%
4	(5)	2	0	1
10	(11)	4	(7)	(4)
0	(2)	(3)	0	(5)
<b>14</b>	<b>(18)</b>	<b>3</b>	<b>(7)</b>	<b>(8)</b>



<sup>1</sup> Credit Risk Factors. Includes revised CRFs for CBA and ASB risk-rated portfolios as well as refreshed CRFs for CBA Retail including a change in methodology to determine Exposure at Default for Retail credit cards.

<sup>2</sup> Regulatory Change. Implementation of RBNZ requirements for the ASB Farm Lending portfolio.

<sup>3</sup> Other includes credit RWAs for Basel standardised asset classes including Bankwest assets, margin lending, equities and other assets as well as securitisation exposures.

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# Regulatory Expected Loss

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	Jun 10 \$m	Dec 10 \$m	Jun 11 \$m
<b>CBA (ex Bankwest) Regulatory Expected Loss (EL) – before tax</b>	<b>4,332</b>	<b>4,293</b>	<b>4,324</b>
<b>Eligible Provision <sup>1</sup></b>			
Collective provision <sup>2</sup>	2,036	2,029	1,994
Individually assessed provisions <sup>2</sup>	1,172	1,343	1,255
Other provisions	25	25	21
Subtotal	3,233	3,397	3,270
less tax effect impact	(618)	(616)	(604)
General Reserve for Credit Losses adjustment (after tax)	90	84	91
Other	(33)	(68)	(67)
<b>Total Eligible Provision</b>	<b>2,672</b>	<b>2,797</b>	<b>2,690</b>
<b>Regulatory EL in excess of Eligible Provision</b>	<b>1,660</b>	<b>1,496</b>	<b>1,634</b>
<b>Tier One deduction – 50%</b>	<b>830</b>	<b>748</b>	<b>817</b>
<b>Tier Two deduction – 50%</b>	<b>830</b>	<b>748</b>	<b>817</b>
<b>Total Capital Deduction</b>	<b>1,660</b>	<b>1,496</b>	<b>1,634</b>

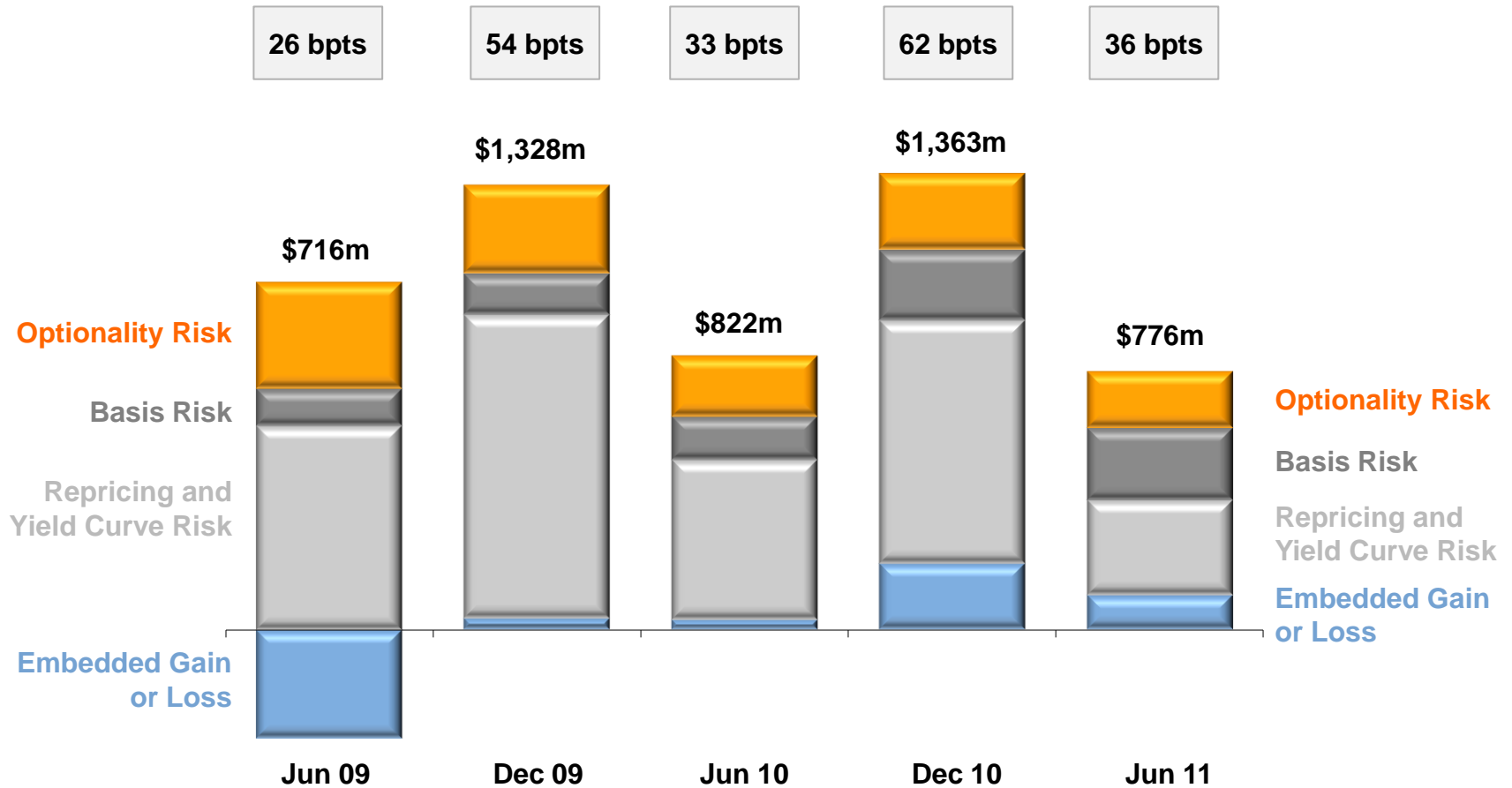


1. Eligible provisions exclude Bankwest portfolio which operates under Basel II standardised methodology.
2. Includes transfer from Collective provision to Individually assessed provisions in accordance with APS 220 requirements (Jun 11: \$108m Dec 10: \$96m June 10: \$136m).

# Interest Rate Risk

## Capital Assigned to Interest Rate Risk in Banking Book - APS117

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# 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	<p><b>Liquidity Coverage Ratio (LCR)</b></p> <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	<p><b>Net Stable Funding Ratio (NSFR)</b></p> <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>



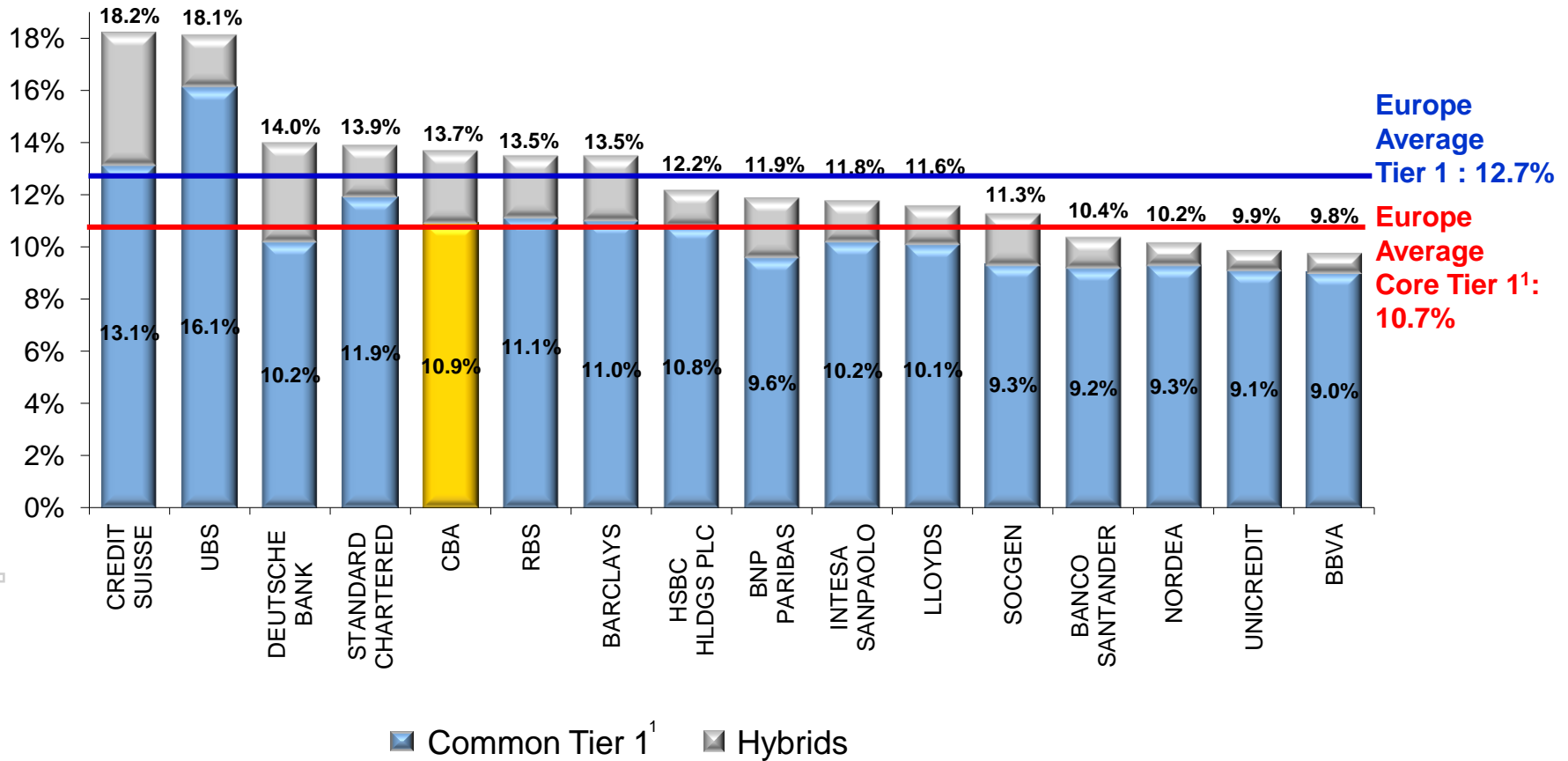
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# European comparison

The Group's Tier 1 Capital Ratio compares favourably to international peers

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## 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

# UK Comparison

## Key differences between the APRA and FSA method of calculating regulatory capital

Item	Items impacting published total capital adequacy ratio	Impact on Bank's ratio if FSA rules applied
Mortgages	Under APRA rules, the <b>minimum Loss Given Default (LGD) for residential real estate</b> secured exposures is higher (20%) compared with 10% for FSA. This results in higher RWA under APRA rules.	Increase
Margin loans	Under APRA rules, <b>margin loans</b> attract a minimum risk weight (20%), compared to FSA where no minimum risk weight is applied.	Increase
IRRBB	The APRA rules require the inclusion of <b>Interest Rate Risk in the Banking Book (IRRBB)</b> within RWA. This is not required by FSA.	Increase
Dividends	Under FSA rules, <b>dividends</b> should be deducted from regulatory capital when declared and/or approved, whereas APRA requires dividends to be deducted on an anticipated basis. This is partially offset by APRA making allowance for expected shares to be issued under a dividend reinvestment plan.	Increase
Equity investments	Under APRA rules some <b>equity investments</b> are treated as a deduction 50% from Tier One Capital and 50% from Tier Two Capital. Under the FSA, these equity investments are treated as Total Capital deductions or as RWA.	Increase
Deferred tax assets (DTA)	Under APRA rules, DTA (excluding those associated with Collective Provisions), are deducted from Tier One Capital. FSA treat DTA as a 100% RWA.	Increase
Hybrid limits	APRA imposes a Residual Capital limit of 25% of Tier One Capital. Under FSA rules this limit is 50%, with more flexible transition rules.	Increase Tier One, Total Capital neutral
Value of in force (VIF)	VIF at acquisition is treated as goodwill and intangibles and therefore is deducted at Tier One by APRA. FSA allows VIF to be included in Tier One Capital but deducted from Total Capital.	Increase Tier One, Total Capital neutral



# UK Comparison

The following table estimates the impact on CBA Group capital, as at June 2011, of the differences between the APRA Basel II guidelines and those of the UK regulator, Financial Services Authority (FSA)

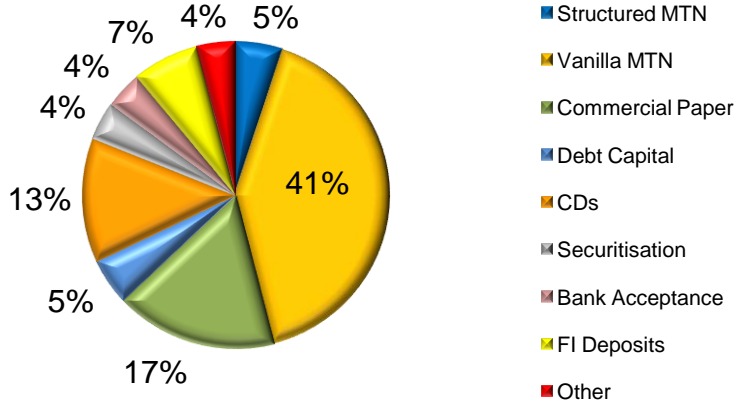
	Common Equity Capital <sup>1</sup>	Tier One Capital	Total Capital
<b>June 11 Actual</b>	<b>7.7%</b>	<b>10.0%</b>	<b>11.7%</b>
RWA treatment – mortgages <sup>2</sup> , margin loans	1.2%	1.6%	1.7%
IRRBB risk weighted assets	0.3%	0.4%	0.4%
Future dividends (net of DRP)	0.8%	0.8%	0.8%
Tax impact in EL > EP calculation	0.1%	0.1%	0.2%
Equity Investments	0.3%	0.3%	0.2%
Value of in force (VIF) deductions <sup>3</sup>	0.5%	0.5%	0.0%
<b>Total Adjustments</b>	<b>3.2%</b>	<b>3.7%</b>	<b>3.3%</b>
<b>June 11 Actual – Normalised</b>	<b>10.9%</b>	<b>13.7%</b>	<b>15.0%</b>



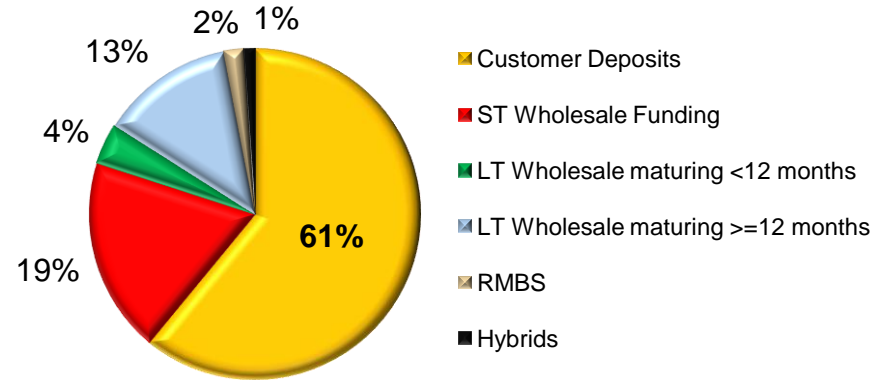
1. Represents Fundamental Tier One capital net of Tier One deductions
2. Based on APRA 20% loss given default (LGD) floor compared to FSA 10% and CBA's downturn LGD loss experience. For Standardised portfolio, based on APRA matrix compared to FSA standard
3. VIF at acquisition is treated as goodwill and intangibles and therefore is deducted at Tier One by APRA. FSA allows VIF to be included in Tier One Capital but deducted from Total Capital

# Funding

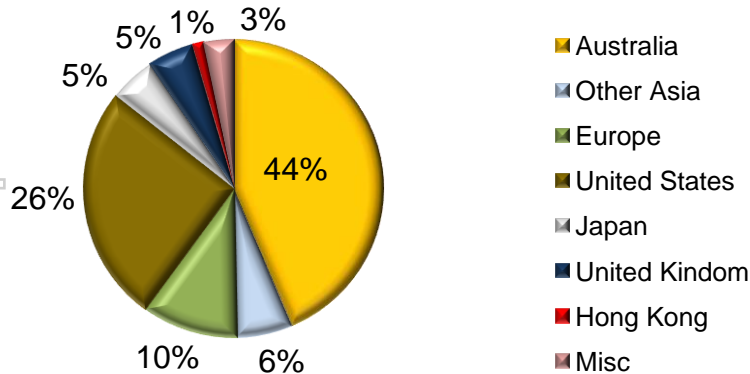
## Wholesale Funding by Product



## 61% Deposit Funded

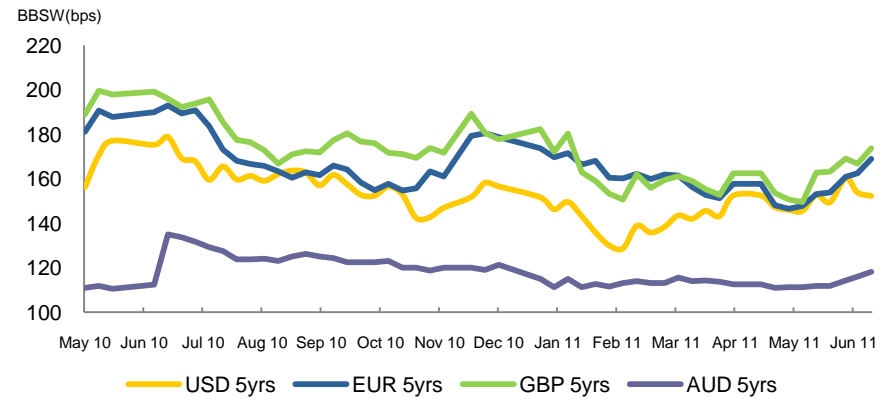


## Wholesale Funding by Region



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

## Indicative 5 year benchmark pricing



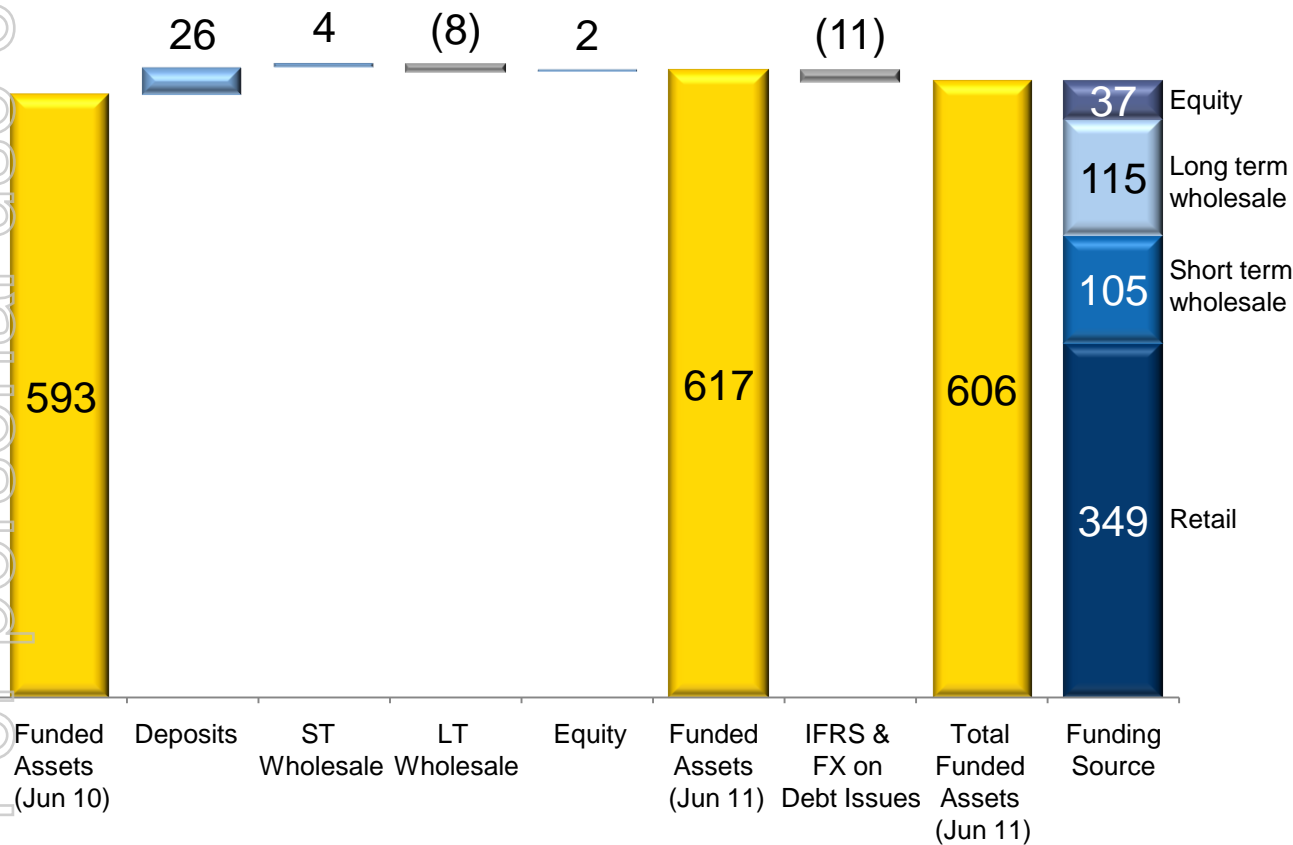
CBA Group Treasury estimates – indicative pricing for new issuance v BBSW



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# Funded Assets

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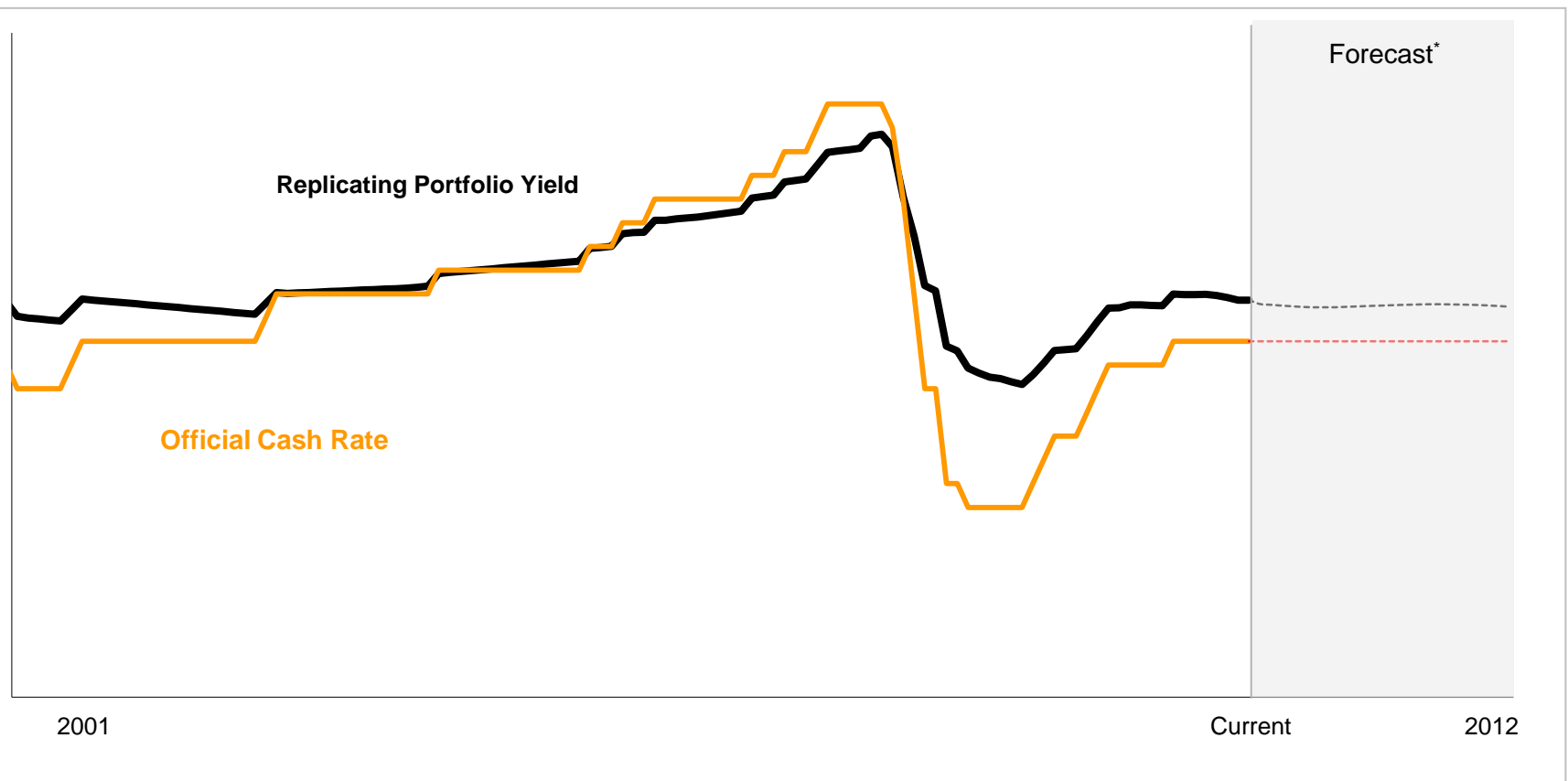
\$bn	Jun 10	Jun 11
Transactions	83	89
Savings	79	82
Investments	157	176
Other	5	2
<b>Total Retail</b>	<b>324</b>	<b>349</b>
Wholesale funding	235	220
<b>Total Funding</b>	<b>559</b>	<b>569</b>
Equity	34	37
<b>Total Funded Assets</b>	<b>593</b>	<b>606</b>
Retail % of Total Funding	58%	61%



# Replicating portfolio

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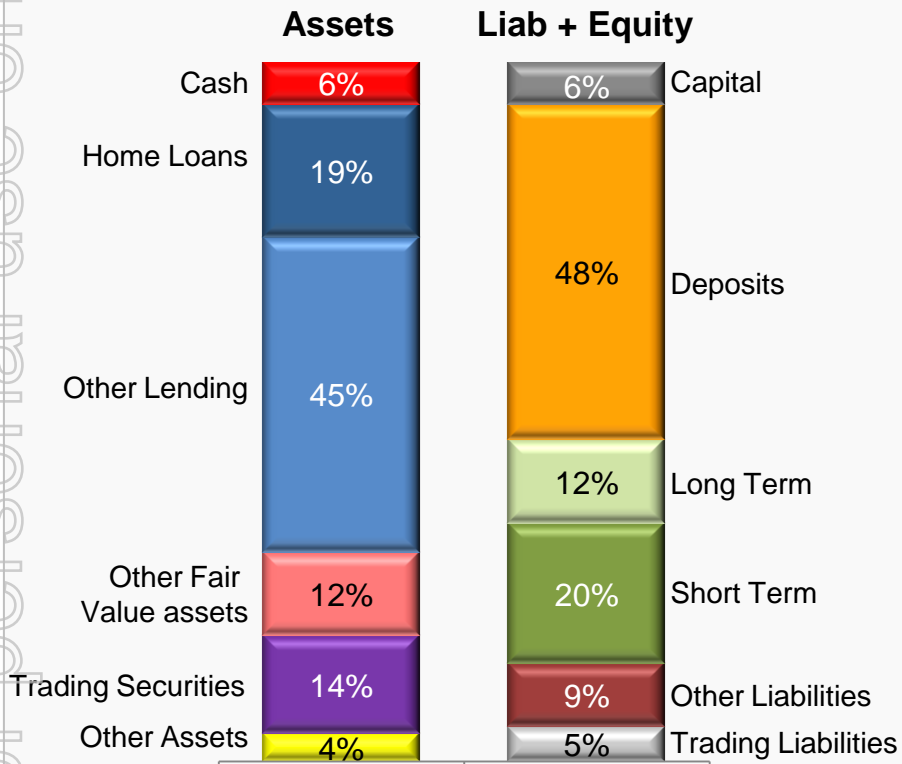
## Actual and Forecast Scenario\*



\* Indicative forecast of the replicating portfolio in relation to hypothetical movements in the official cash rate, assuming the official cash rate stays flat

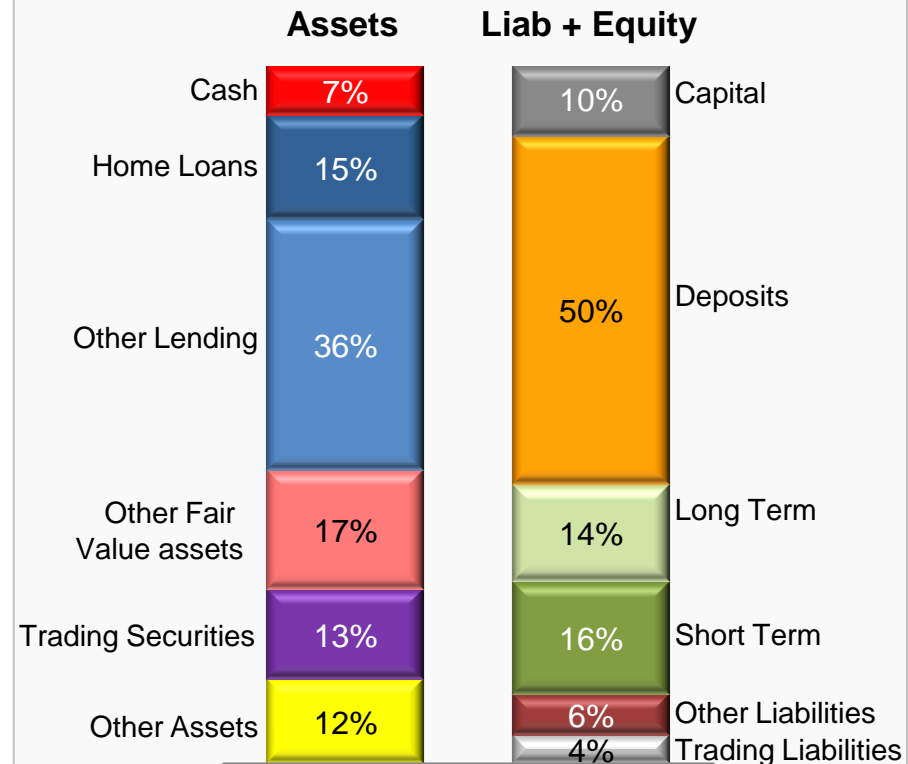
# UK and US balance sheet comparison

## United Kingdom



Based on analysis of Lloyds, RBS, HSBC and Barclays, as at 30 June 2011  
Average of four banks

## USA



Based on analysis of Citigroup, JP Morgan, Bank of America and Wells Fargo  
as at 31 March 2011. Average of four banks

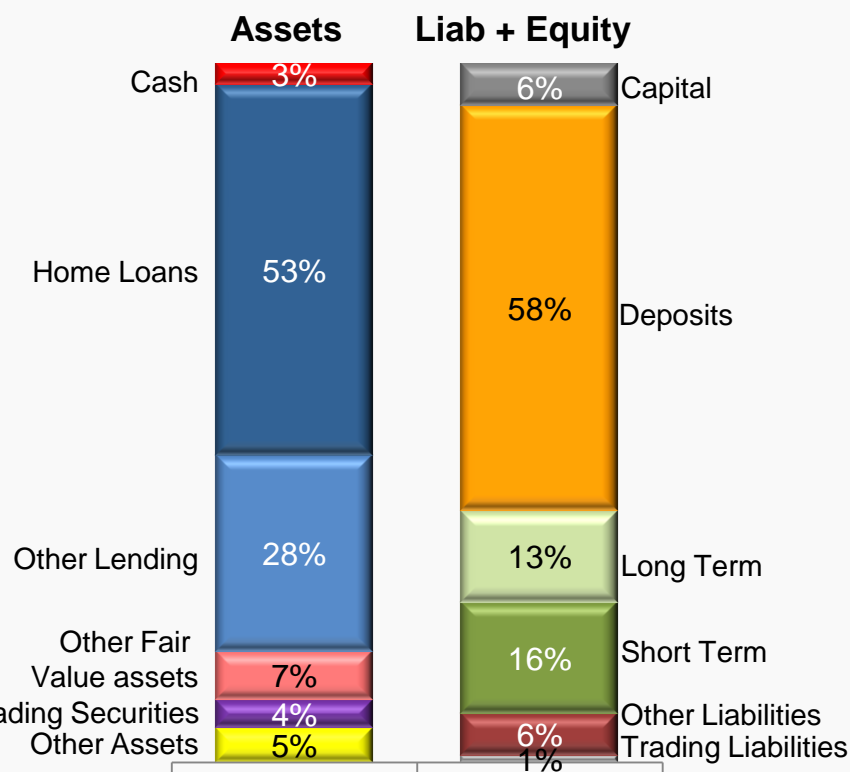


Based on statutory balance sheet  
Balance sheets do not include derivative assets and liabilities



# Australian Banks – safe assets, secure funding

## Commonwealth Bank



CBA balance sheet as at 30 June 2011  
 Balance sheet does not include derivative assets and liabilities  
 Based on statutory balance sheet

## Balance sheet comparisons

### Assets – CBA's assets are safer because:

- 53% of balance sheet is home loans, which are stable/long term
- Trading securities and other fair value assets comprise just 11% of CBA balance sheet compared to 26% and 30% for UK and US banks
- CBA's balance sheet is less volatile due to a lower proportion of fair value assets

	Assets*	
	Amortised cost	Fair Value
CBA	81%	19%
UK	58%	42%
US	40%	60%

### Funding – a more secure profile because:

- Highest deposit base (58% including 24% of stable household deposits)
- Reliance on wholesale funding similar to UK and US banks, although a longer profile than UK banks, which gives CBA a buffer against constrained liquidity in the wholesale markets.

\* Includes grossed up derivatives.



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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

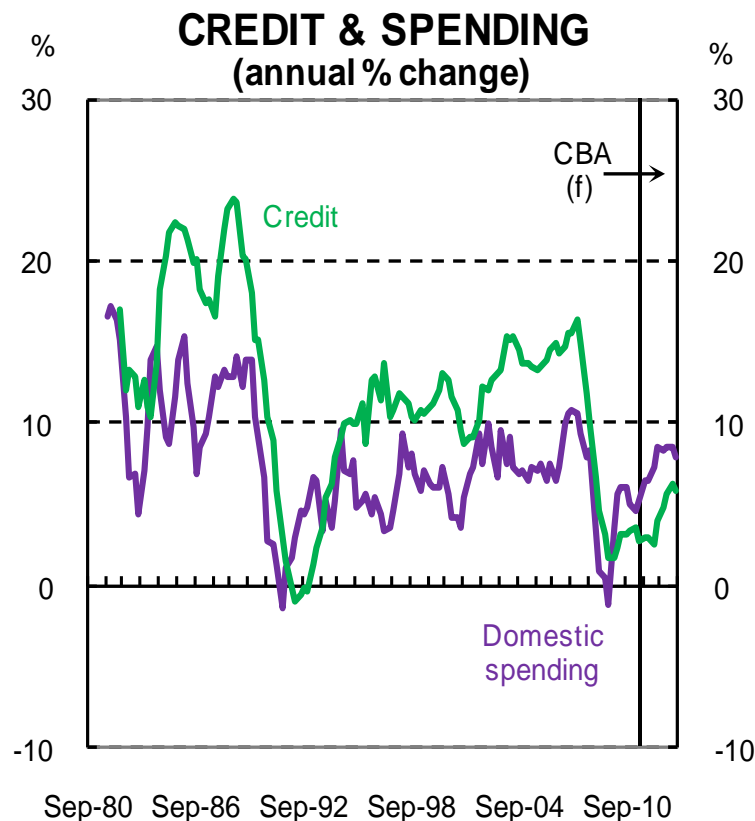


CBA Economists Forecasts  
 Credit Growth  
 GDP, Unemployment & CPI  
 Cash Rate

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

# Credit Drivers

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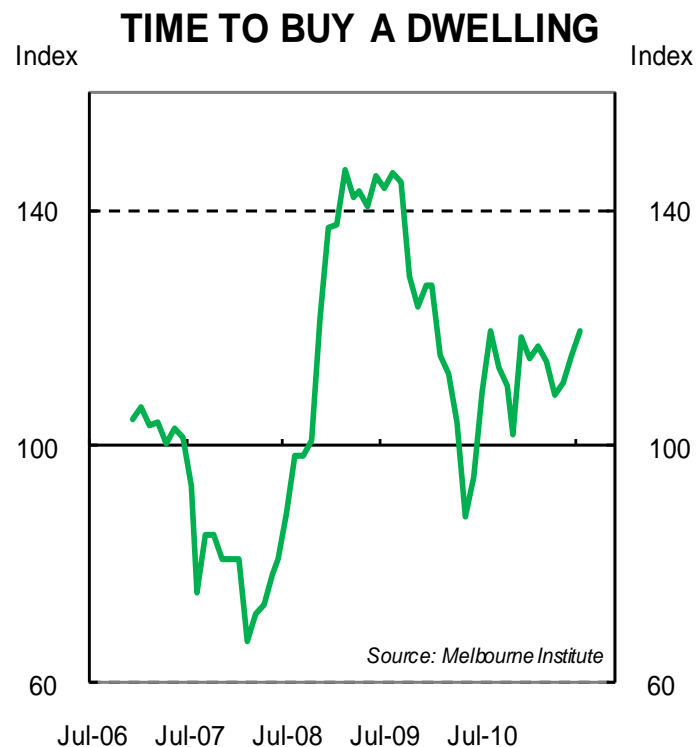
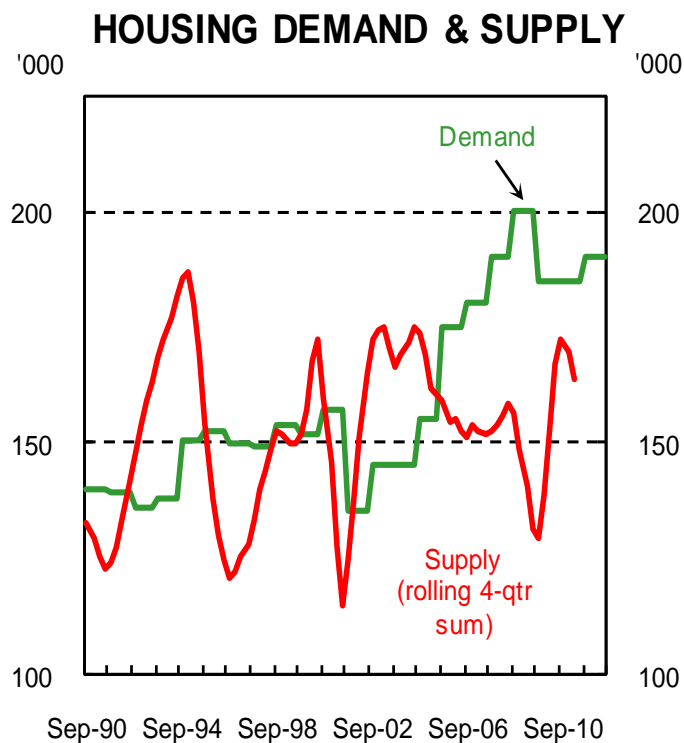


- Asian exposure more important than US / European weakness.
- Commodity-income-capex-export drivers underpin positive medium-term backdrop and higher rates.
- Balance sheets are in good shape.
- AUD and low confidence levels weighing on the non-resources economy.
- Global uncertainty and fear driving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



# Housing Credit

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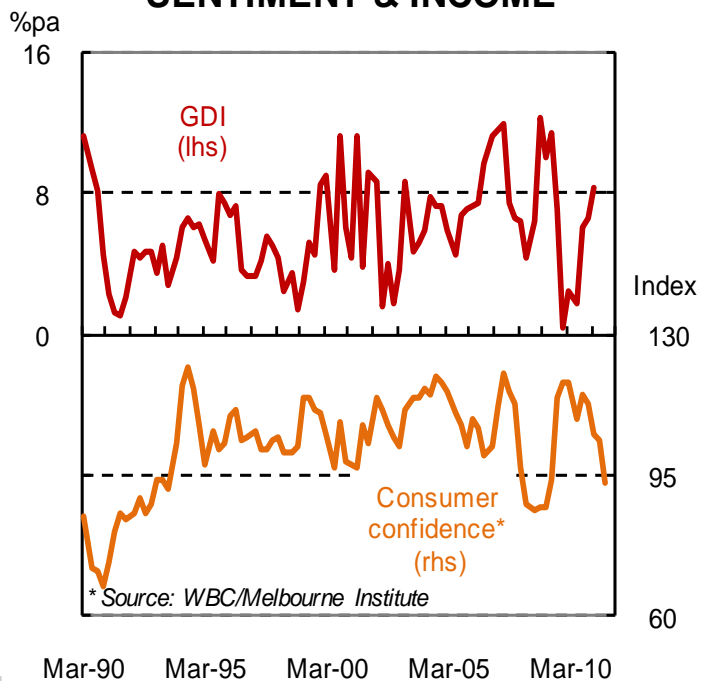
- Housing market characterised by excess demand and some resilience in sentiment.
- Housing likely to be the fastest growing credit component.



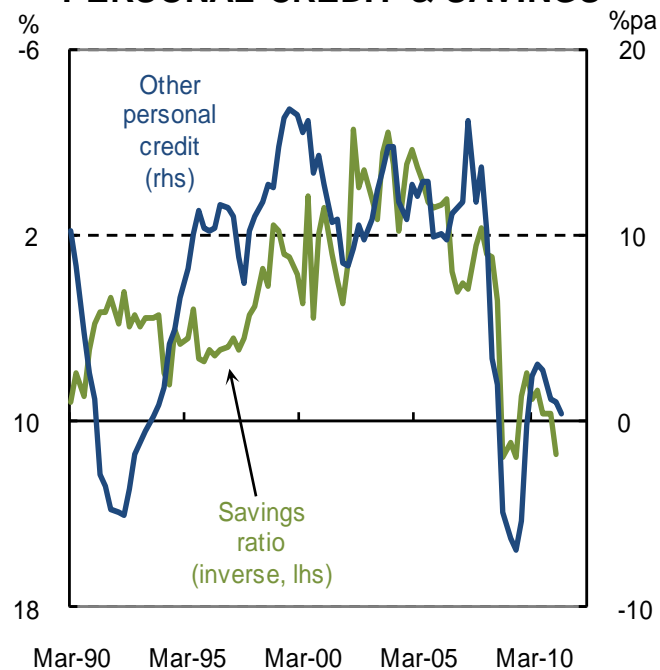
# Other Personal Credit

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## SENTIMENT & INCOME



## PERSONAL CREDIT & SAVINGS

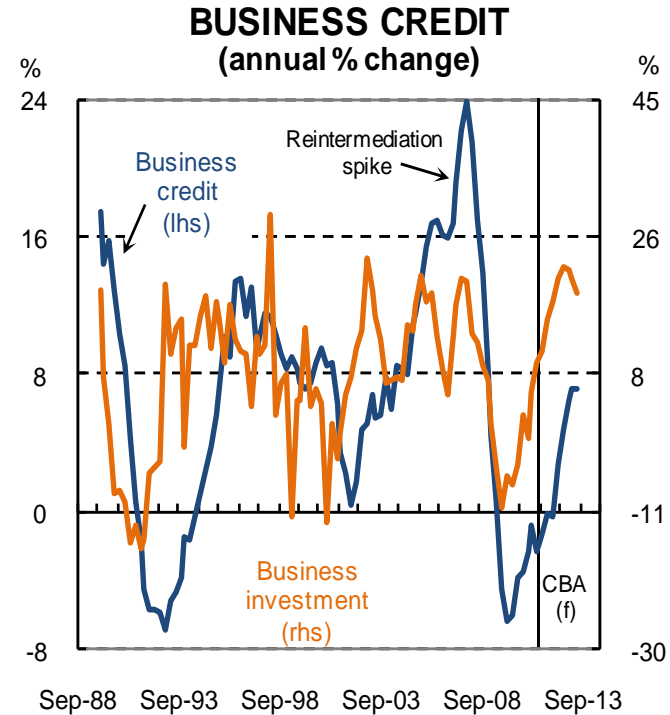
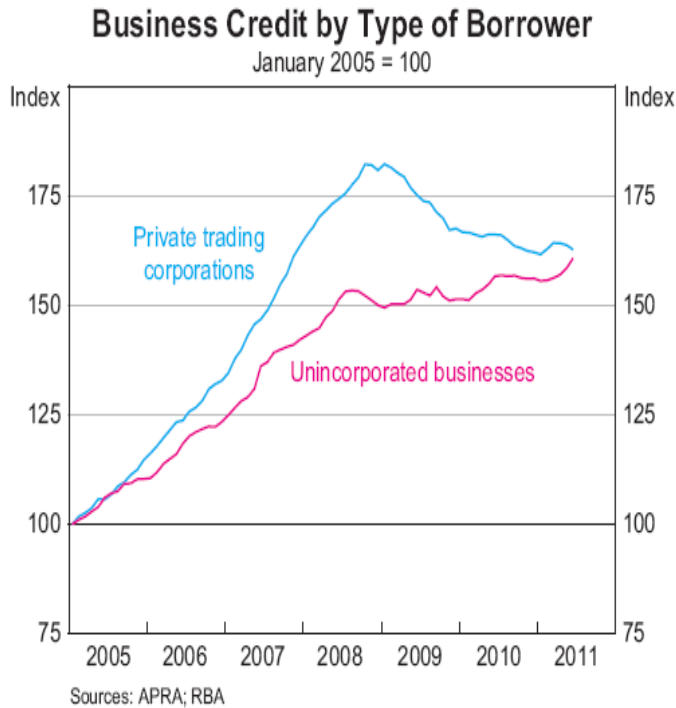


Strong income growth, high savings and low confidence suggest restrained growth in other personal credit.



# Business Credit

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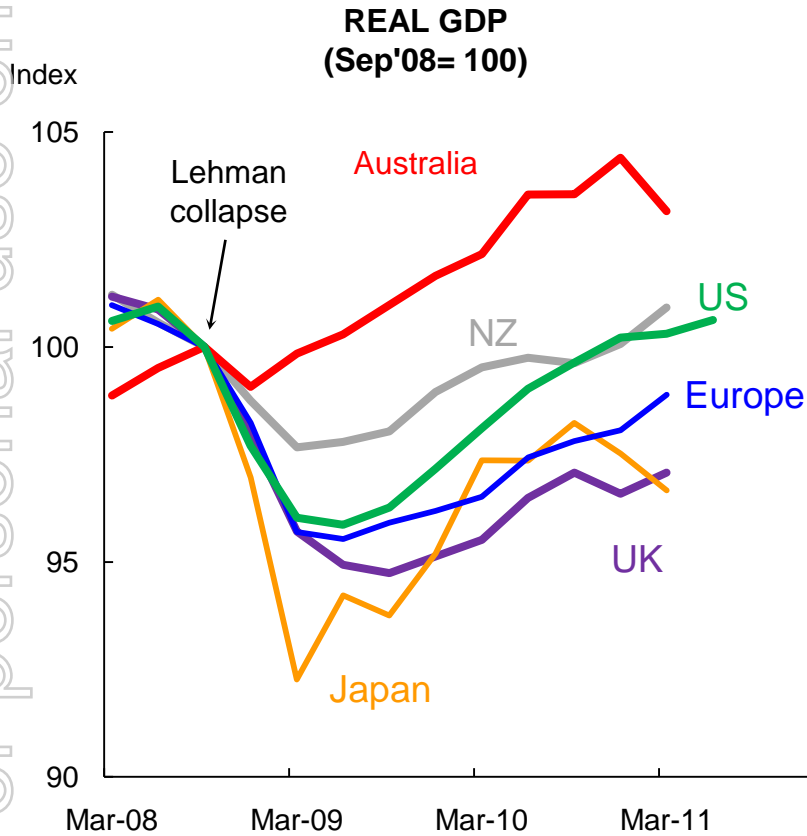
Deleveraging by large corporates offsetting underlying credit growth from SMEs.

Capex strong but mining dominance, high retained earnings and alternative financing options to weigh on credit growth.

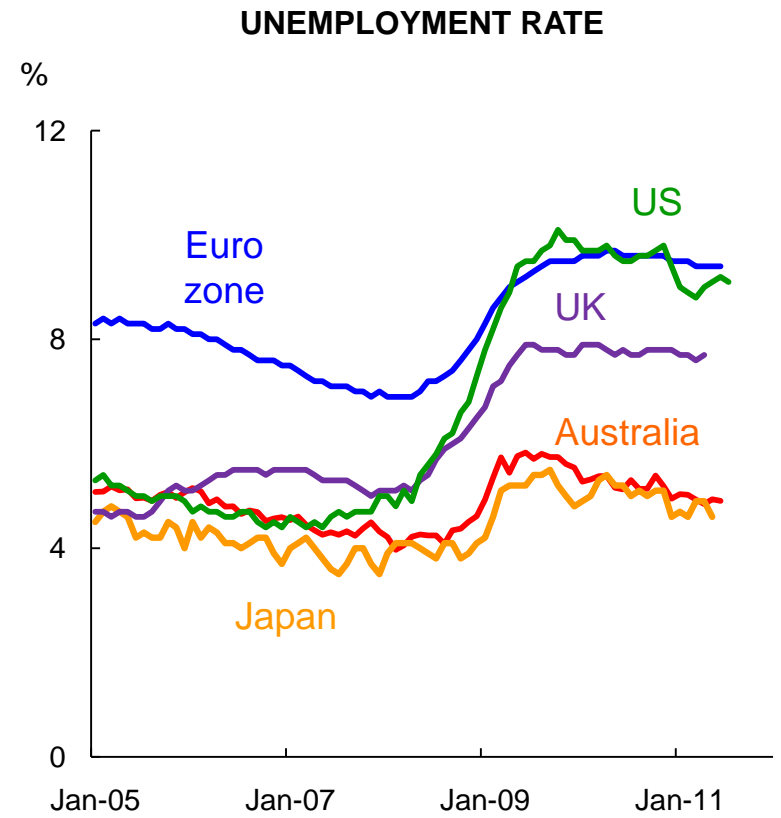


# Australia in Perspective

## Growth outperformance



## Stronger labour market



Source: CEIC

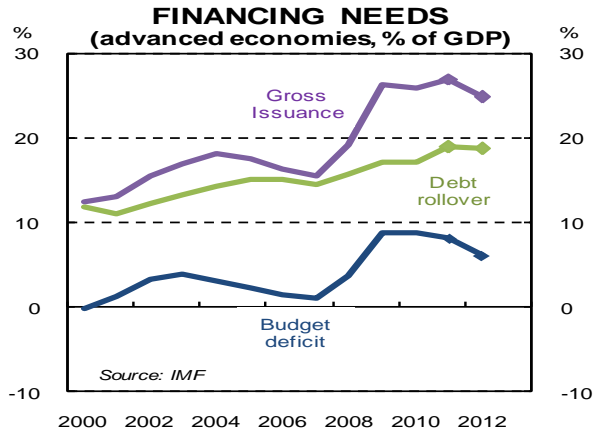


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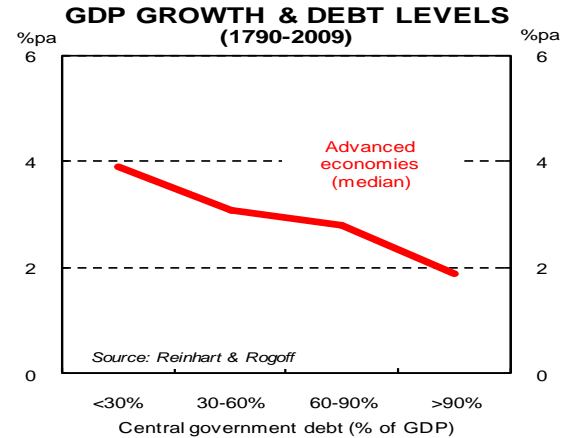


# Global Backdrop

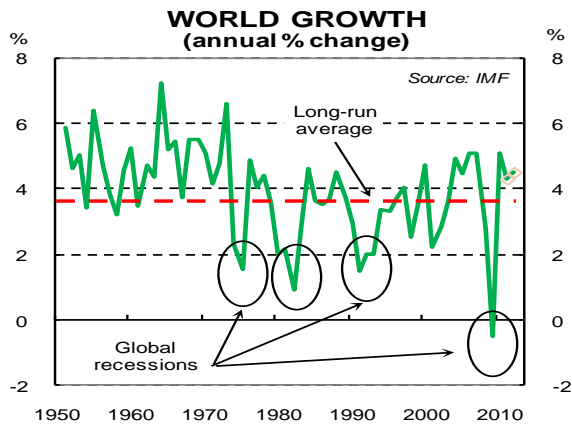
## Sovereign debt concerns rise



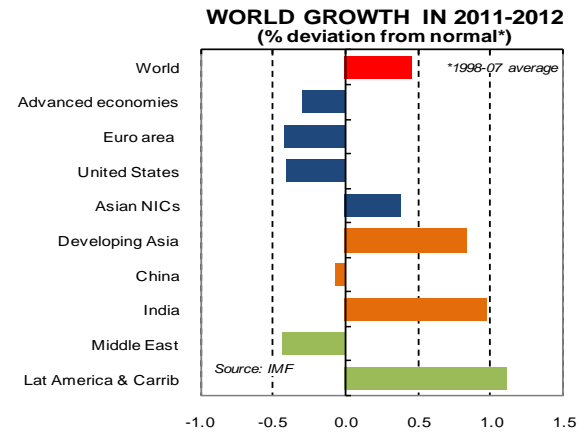
## Risk of structural step down in growth rates



## But global economy runs above trend...



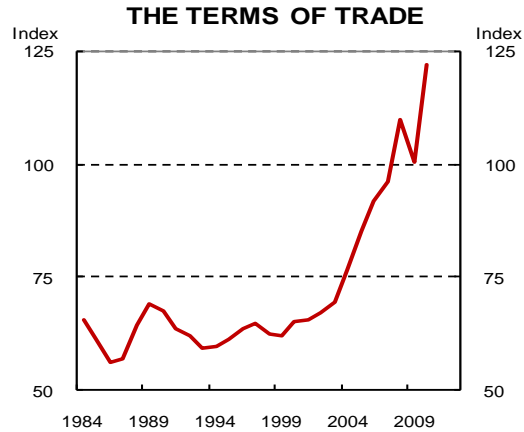
## ...and Asian outperformance expected to continue



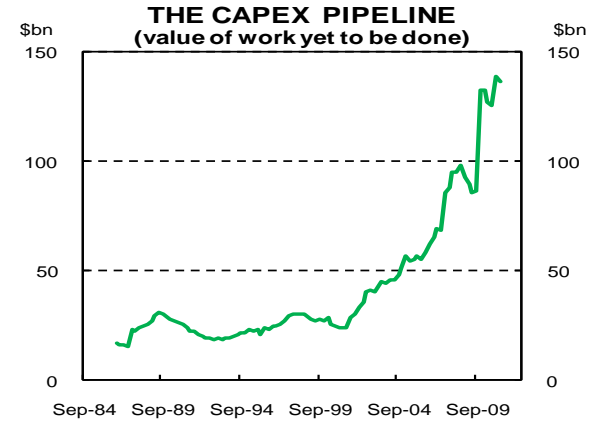
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# Base Level of Growth "Locked In"

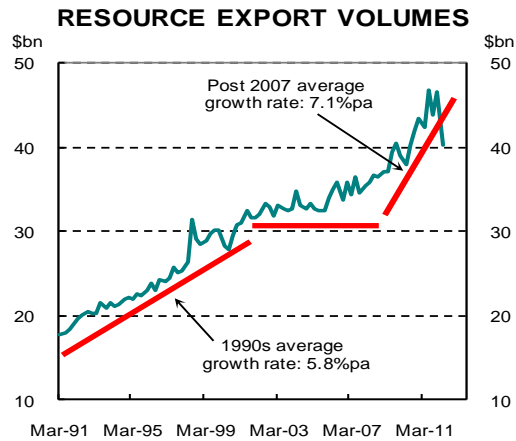
## A rising terms of trade is still boosting incomes



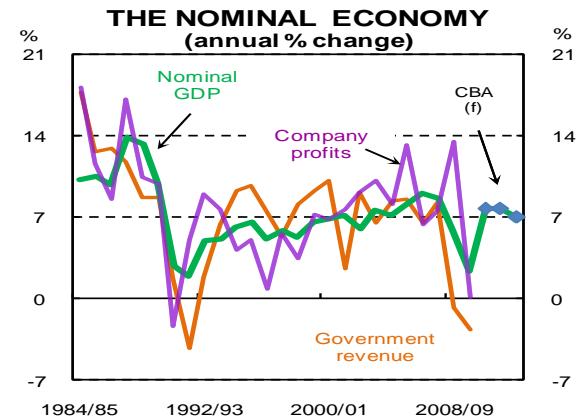
## The capex boom rolls on



## Exports are responding



## Nominal economy supports capex & labour hiring

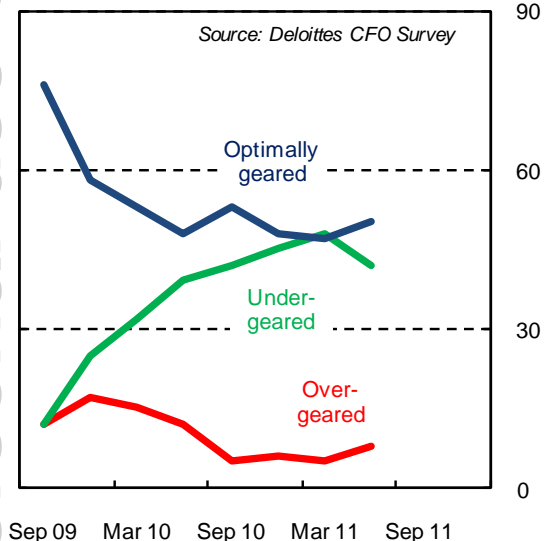


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# Overdone Deleveraging

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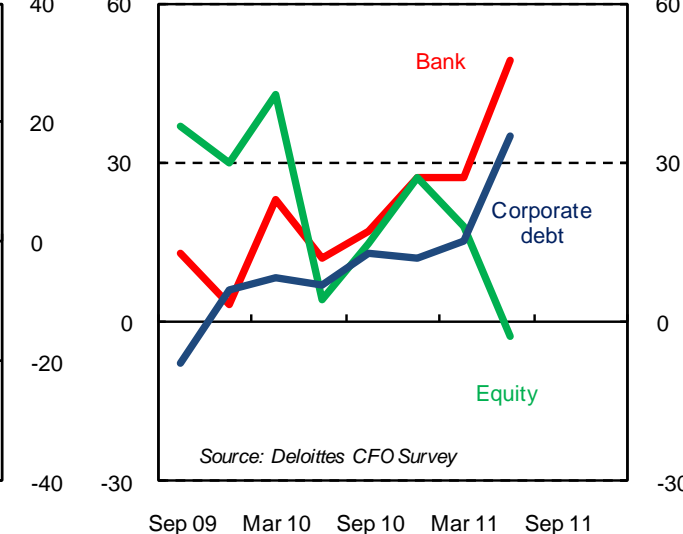
### VIEWS ON GEARING (% of respondents)



### ATTITUDE TO RISK (net % saying yes)



### SOURCES OF FINANCE (net % saying attractive)



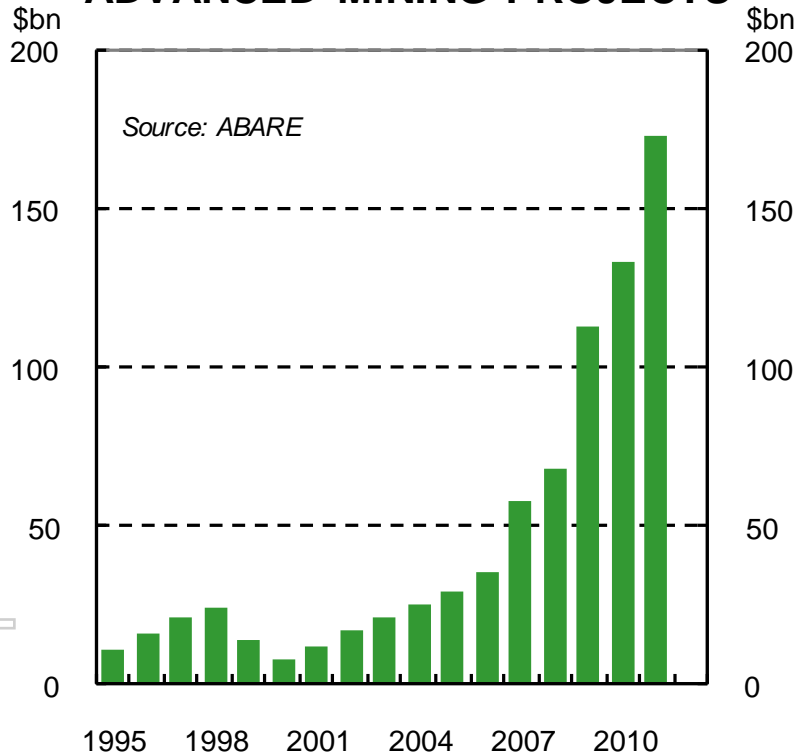
- Corporate balance sheets are under-gearred and risk appetite has improved
- Attractiveness of bank finance has improved



# The Capex Boom

## Mainly mining

### ADVANCED MINING PROJECTS



- 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

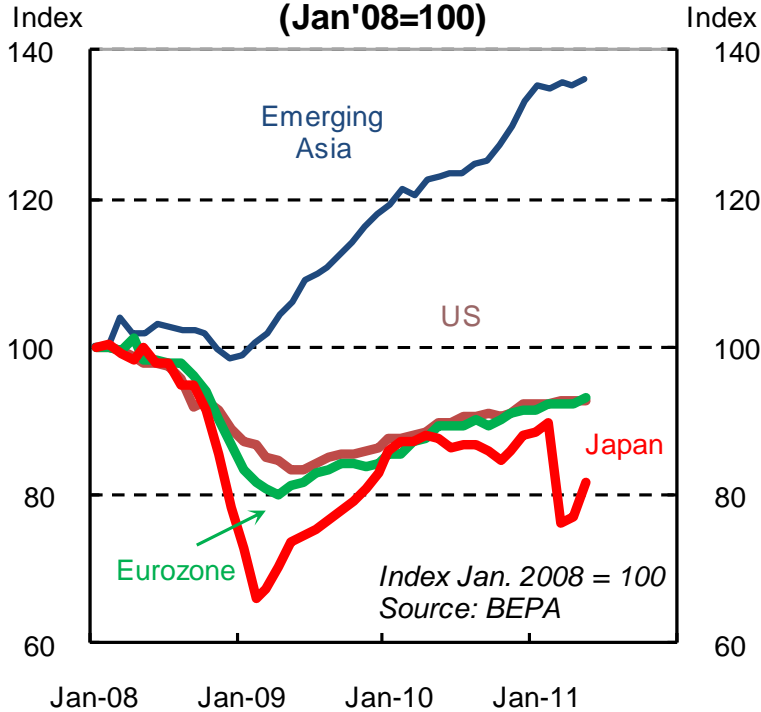
	Output Multiplier (gross value added)	Employment Multiplier (full-time equivalent)
Coal, oil & gas	\$1.26	9
Iron ore	\$1.28	11
Non-ferrous metals	\$1.25	13
Services to mining	\$1.40	17



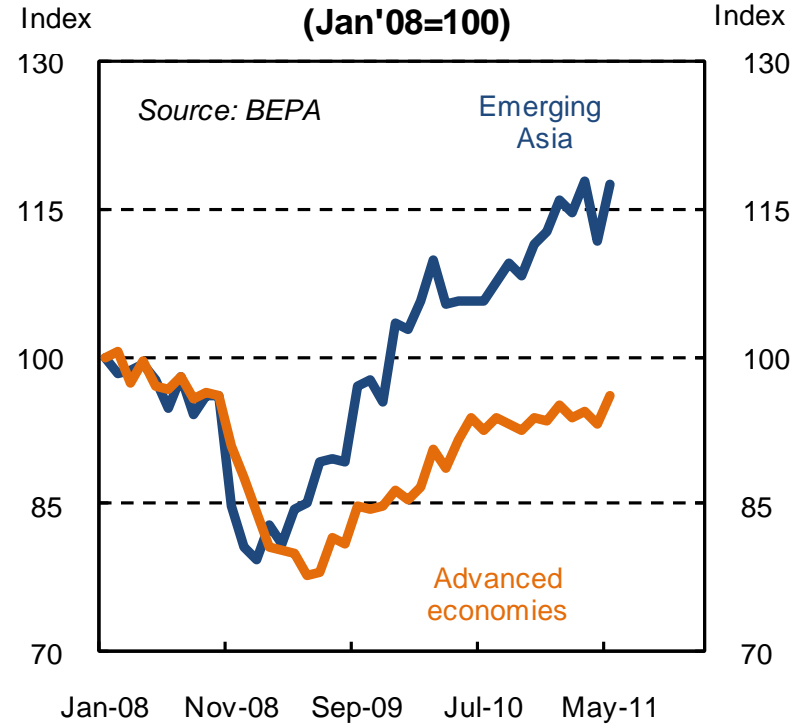
# Asian Reliance

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## INDUSTRIAL PRODUCTION (Jan'08=100)



## WORLD IMPORTS (Jan'08=100)

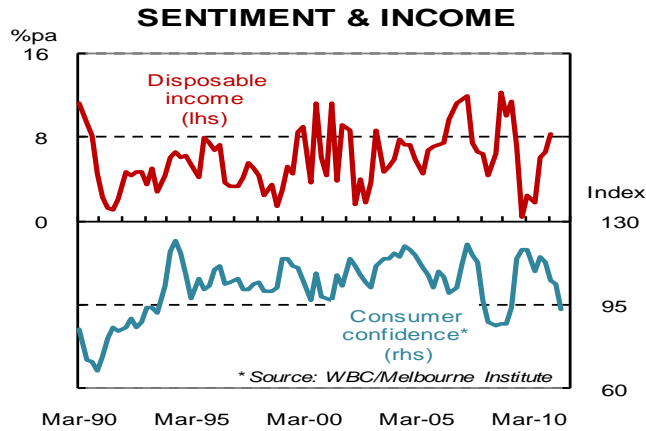


- The emerging Asia story reflects a domestic dynamic so some protection against weakness in North Atlantic economies.

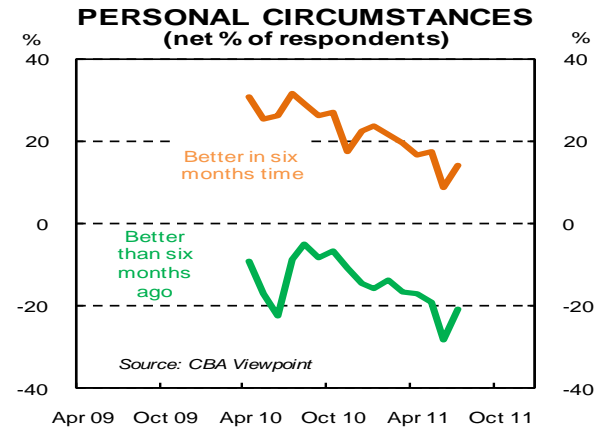


# Consumer Caution

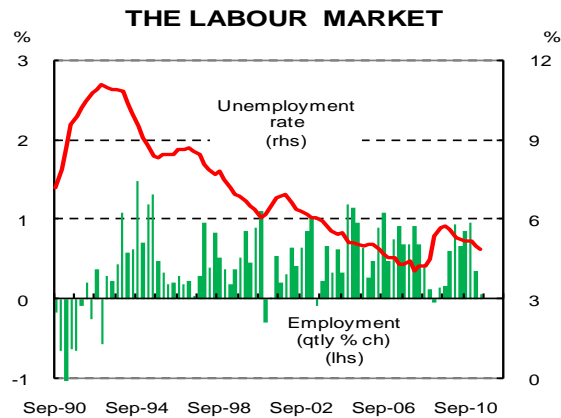
## Income growth is strong but confidence is low



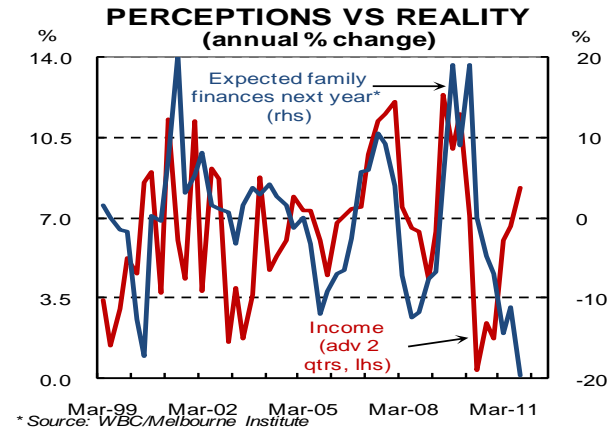
## Households worry about their finances



## Supportive labour market backdrop



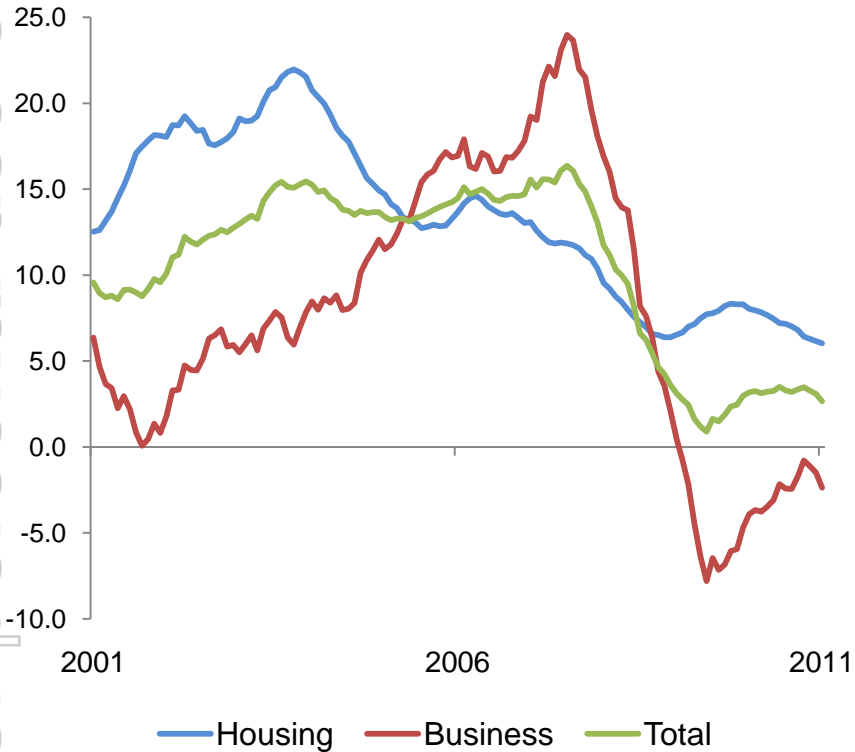
## “Sentiment” to respond to “income”



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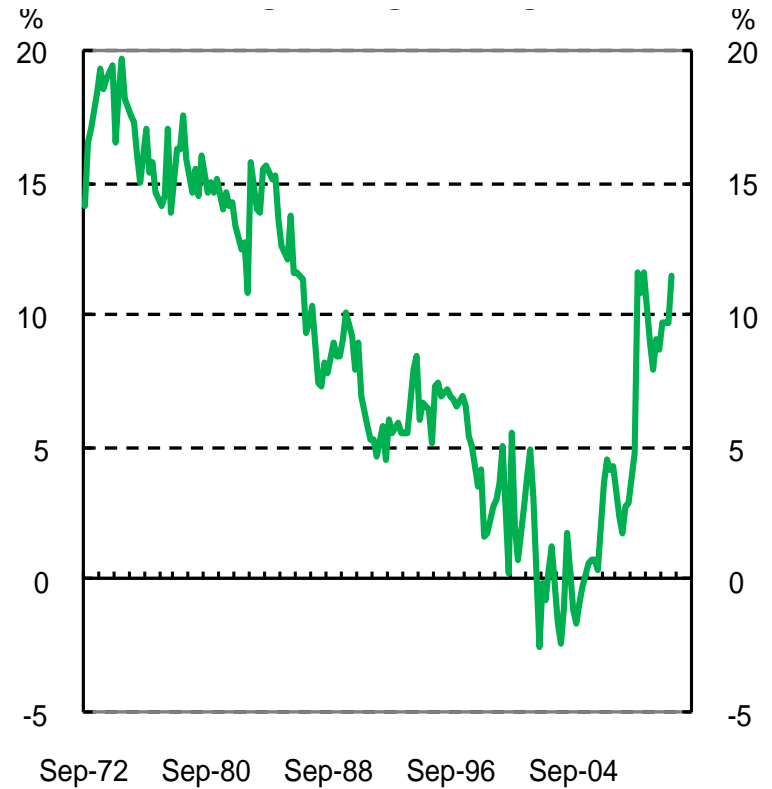
# Consumer Caution

## Credit Growth



Source: RBA

## Household Savings Ratio



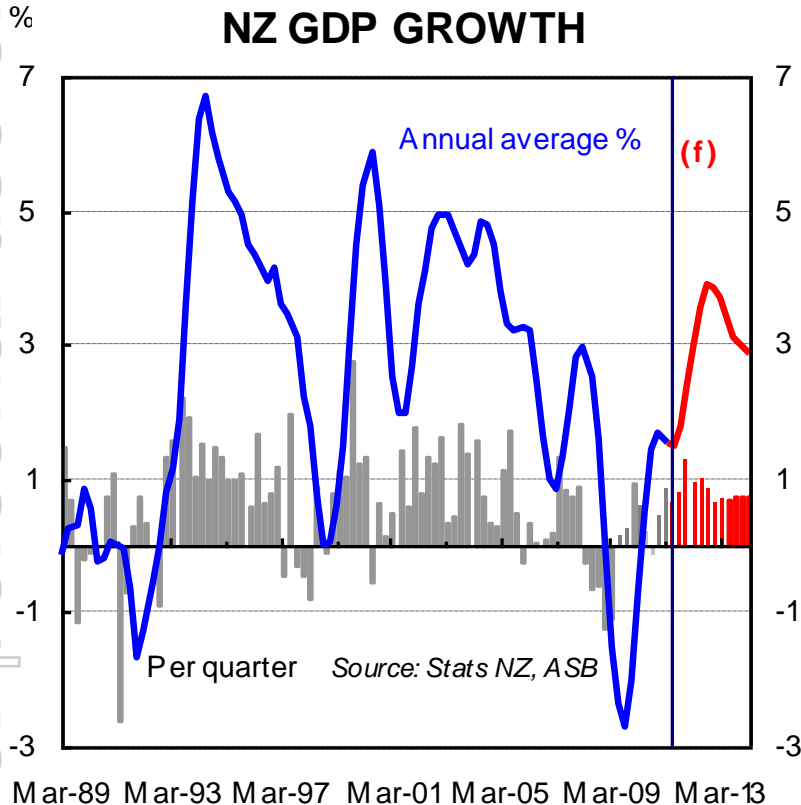
Source: ABS



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# New Zealand

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- NZ Growth better than expected at start of 2011
- Strong earnings from key export commodities but some drags as well:
  - earthquake reconstruction delayed until late 2011/ early 2012;
  - household caution lingering;
  - Government austerity over the coming years.
- Policy response:
  - RBNZ expected to remove the 50bpt “insurance cut” soon, conditional on global risks receding;
  - further hikes conditional on NZD.



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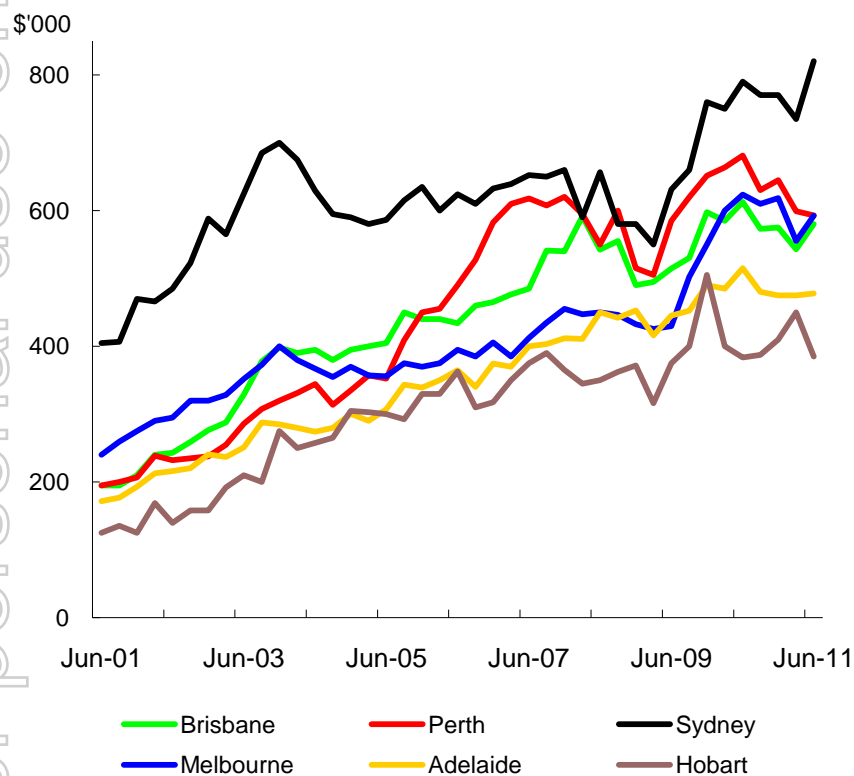
# Australia well placed relative to typical housing market concerns

Typical concerns	Current position in Australia
Unsustainable asset prices	<ul style="list-style-type: none"> <li>➤ Prices reflect the balance of supply and demand</li> <li>➤ Australia's population continues to grow</li> <li>➤ Supply-side restraints - limited new land releases, low construction</li> <li>➤ Low residential vacancy rates</li> <li>➤ Real house prices currently undergoing a modest correction</li> </ul>
Speculative investment artificially inflates asset prices	<ul style="list-style-type: none"> <li>➤ Investment lending has remained steady at ~30%</li> </ul>
Strong volume growth driven by relaxed lending standards	<ul style="list-style-type: none"> <li>➤ Already stringent standards tightened through GFC</li> <li>➤ Minimal "low doc" lending</li> <li>➤ Mortgage insurance for higher LVR loans</li> <li>➤ Full recourse lending</li> </ul>
Housing affordability issues	<ul style="list-style-type: none"> <li>➤ Ratio of house prices to income comparable to other countries, once measurement and geographic issues are taken into account</li> </ul>
Higher interest rates placing stress on home loan servicing capabilities	<ul style="list-style-type: none"> <li>➤ A high proportion of borrowers ahead of required repayment levels</li> <li>➤ Interest rate buffers built into loan serviceability tests at application</li> <li>➤ CBA home loan losses remain very low</li> </ul>
Domestic economic shock – trigger for price correction	<ul style="list-style-type: none"> <li>➤ Australian economy well placed</li> <li>➤ Close to full employment</li> </ul>



# House prices undergoing a modest correction

## CBA Established House Prices



## Australian House Prices - ABS\*

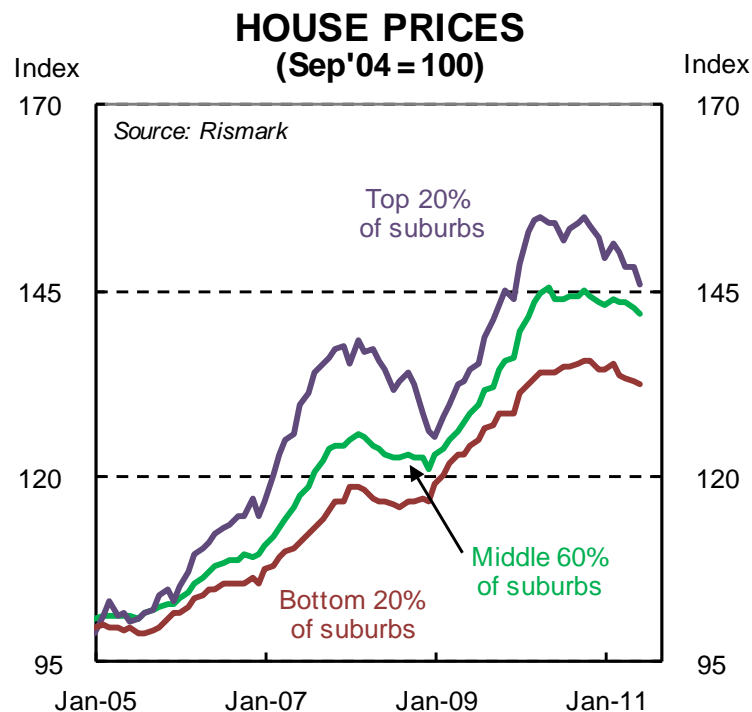
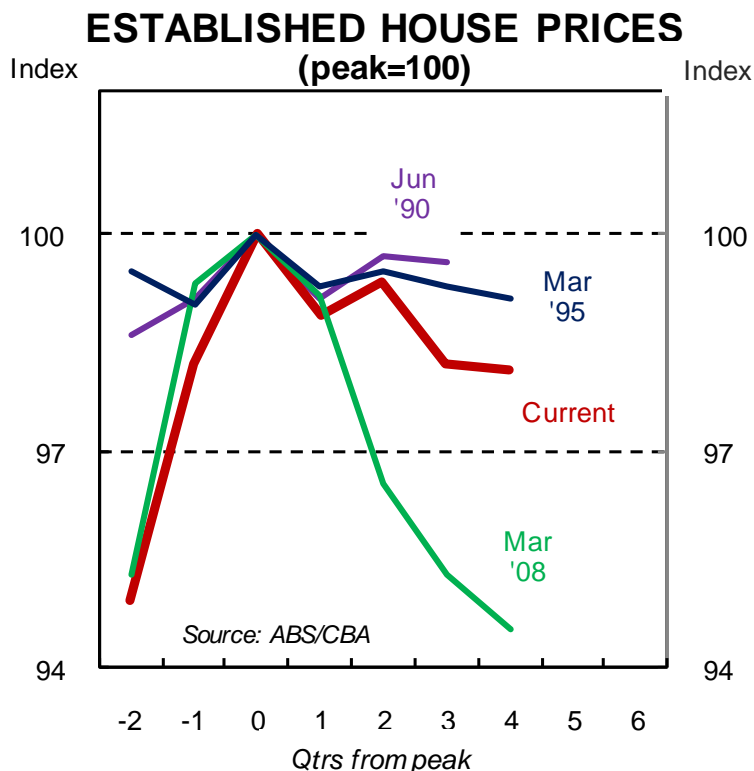
Mvt (%)	3 Years to Jun 11	12 mths to Jun 11	Jun Qtr
Sydney	15%	(0.7%)	0.4%
Melbourne	21%	(2.0%)	(0.1%)
Brisbane	2%	(3.6%)	(0.3%)
Adelaide	8%	(2.1%)	(0.8%)
Perth	5%	(4.1%)	(1.0%)
<b>Average</b>	<b>13%</b>	<b>(1.9%)</b>	<b>(0.1%)</b>

\* Source: ABS



# House Prices & the Cycle

## The adjustment process

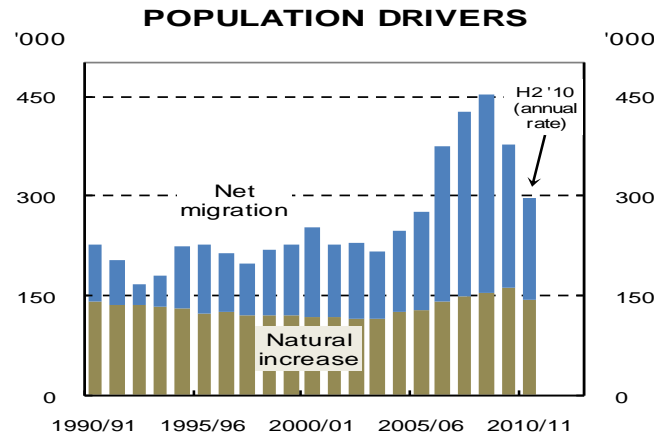


- Nominal prices can fall – but typically not by very much.
- Most adjustment is to real prices and relative prices. So during the adjustment phase house prices lag behind consumer prices and incomes. And performance between market segments varies.

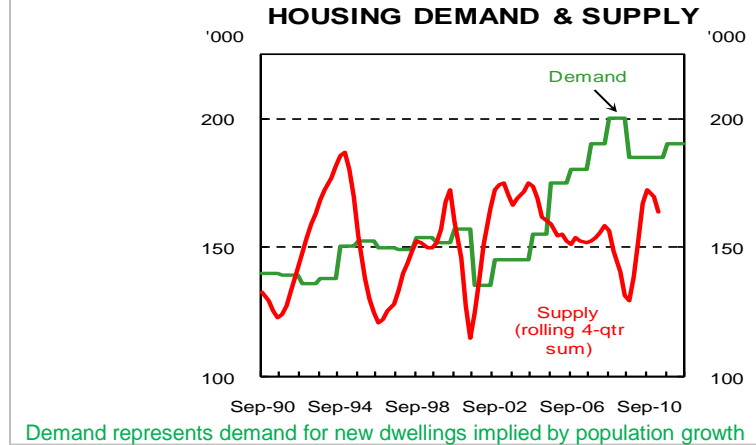


# Strong economic fundamentals minimize the downside risk to Australian house prices

## Population growth has slowed



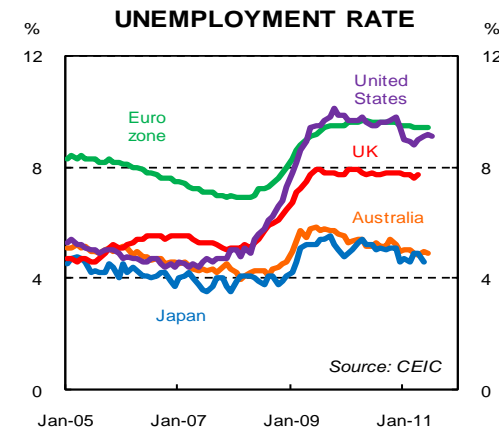
## But housing demand remains above supply



## 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)

# Australian Housing Market vs US

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

# Note

## Sources for Customer Satisfaction results outlined in this pack

- 1 Retail MFI Customer Satisfaction –Roy Morgan Research. Australian Population 14+, % “Very Satisfied” or “Fairly Satisfied” with relationship with that main financial institution. 6 month rolling average.
- 2 Products per Customer -Roy Morgan Research. Australian Population 14+ , Banking and Finance products per Banking and Finance customer at financial institution. 6 month moving average.
- 3 DBM Business Financial Services Monitor, measured micro business with turnover up to \$1 million, small business with turnover of \$1 million up to \$5 million, medium business with turnover of \$5 million up to \$50 million and large business with turnover of over \$50 million, 6 month rolling average.
- 4 FirstChoice -Wealth Insights Platform Service Level Survey compared with bank peer platforms as ranked by financial advisors who give a 7-10 out of 10.



DETERMINED TO BE BETTER THAN WE'VE EVER BEEN.

# Results Presentation

FOR THE FULL YEAR ENDED 30 JUNE 2011

Ralph Norris  
Chief Executive Officer

David Craig  
Chief Financial Officer

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**Commonwealth**Bank

