

# JP Morgan Australasian Conference Edinburgh

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CHIEF EXECUTIVE OFFICER



18 September 2008

Commonwealth Bank of Australia ACN 123 123 124



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# Disclaimer

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The material that follows is a presentation of general background information about the Group's activities current at the date of the presentation, 18 September 2008. 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.





# Strength in uncertain times

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- ▶ A solid operating result in a difficult environment
- ▶ Strong risk management = sound credit quality
- ▶ Prudent levels of provisioning
- ▶ Strong capital and funding positions
- ▶ Strategy on track and delivering – strong competitive position
- ▶ Continuing to invest for longer term growth



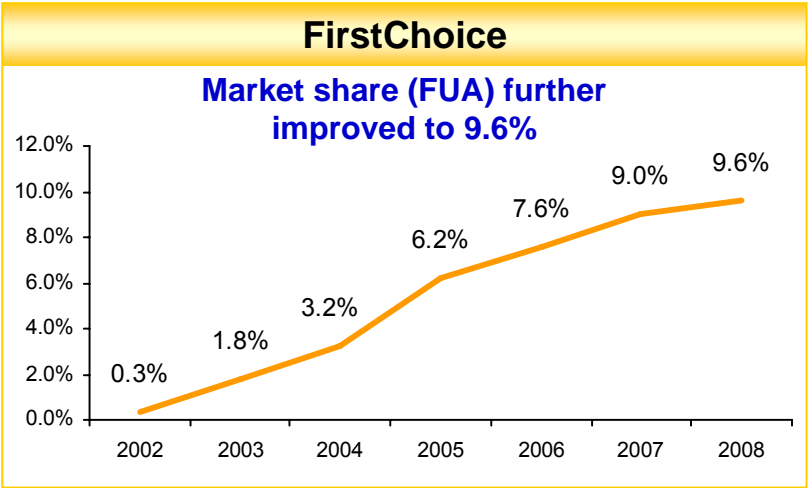
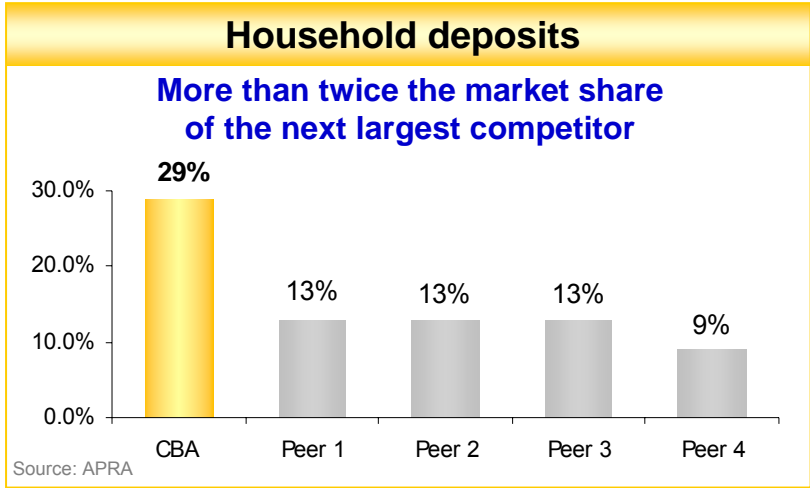
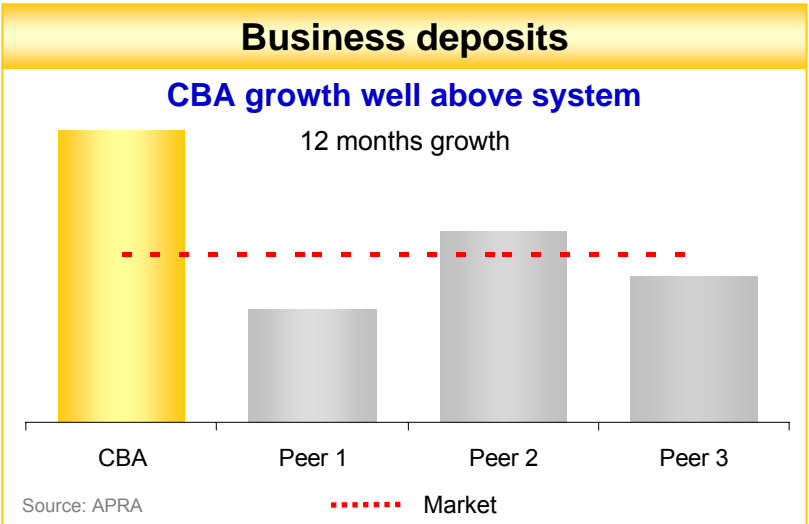
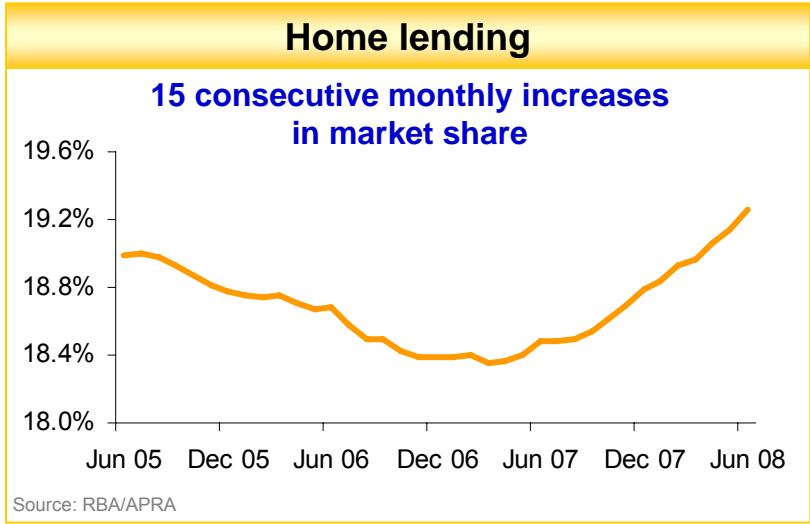


# A solid operating result

	Jun 08	Jun 08 vs Jun 07
Operating Income (\$m)	14,358	10%
Statutory NPAT (\$m)	4,791	7%
Cash NPAT (\$m)	4,733	5%
Cash EPS (cents)	356.9	3%
Return on Equity – Cash (%)	20.4	(130)bpts
Dividend per Share - Fully Franked (cents)	266.0	4%



# Strong growth in core products



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# All Business Units contributing

	Jun 08 \$m	Jun 08 vs Jun 07
Retail Banking Services	1,904	8%
Premium Business Services	1,480	2%
Wealth Management	740	18%
International Financial Services	589	23%
Corporate Centre	255	(16%)
Eliminations/Unallocated	(235)	Large





# Market shares

	Jun 08	Dec 07	Jun 07
<b>Retail Banking Services</b>			
Home loans	19.3%	18.8%	18.5%
Credit cards	18.2%	18.5%	18.8%
Personal lending (APRA Other Households)	15.8%	16.7%	16.4%
Household deposits	29.1%	28.9%	29.0%
Retail deposits	22.3%	22.0%	21.6%
<b>Premium Business Services</b>			
Business lending - APRA	12.2%	12.5%	12.4%
Business lending - RBA	12.5%	12.8%	12.6%
Business Deposits - APRA	14.4%	13.7%	13.0%
Equities trading (CommSec): Total	5.9%	5.0%	4.3%
Equities trading (CommSec): On-line	58.3%	44.7%	41.4%
<b>Wealth Management</b>			
Australian retail funds - administrator view	14.2%	14.3%	14.1%
FirstChoice platform	9.6%	9.6%	9.0%
Australia life insurance (total risk)	14.3%	14.1%	14.3%
Australia life insurance (individual risk)	13.1%	13.0%	12.9%
<b>International Financial Services</b>			
NZ lending for housing	23.3%	23.1%	23.1%
NZ retail deposits	21.2%	21.3%	21.2%
NZ annual inforce premium	31.7%	31.8%	31.8%

Note

After adjusting for peer bank reclassifications (estimated), Jun 08 Household deposits market share would be 29.7% rather than the reported share of 29.1% and Retail deposits market share would be 22.5% rather than the reported 22.3%



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# Targeted market share growth

	Market Share Jun 08	Jun 08 vs Jun 07		
Home Lending	19.3%	0.8%	↑	15 consecutive months of market share gains
Household Deposits*	29.7%	0.7%	↑	Strong growth in both retail and business deposits in a constrained funding environment
Business Deposits	14.4%	1.4%	↑	
FirstChoice	9.6%	0.6%	↑	Positive net flows despite difficult market conditions
Credit Cards	18.2%	0.6%	↓	Avoiding higher risk segments (eg zero rate balance transfers)
Business Lending	12.5%	0.1%	↓	Greater focus on profitable accounts



\* Adjusted for peer bank reclassifications.



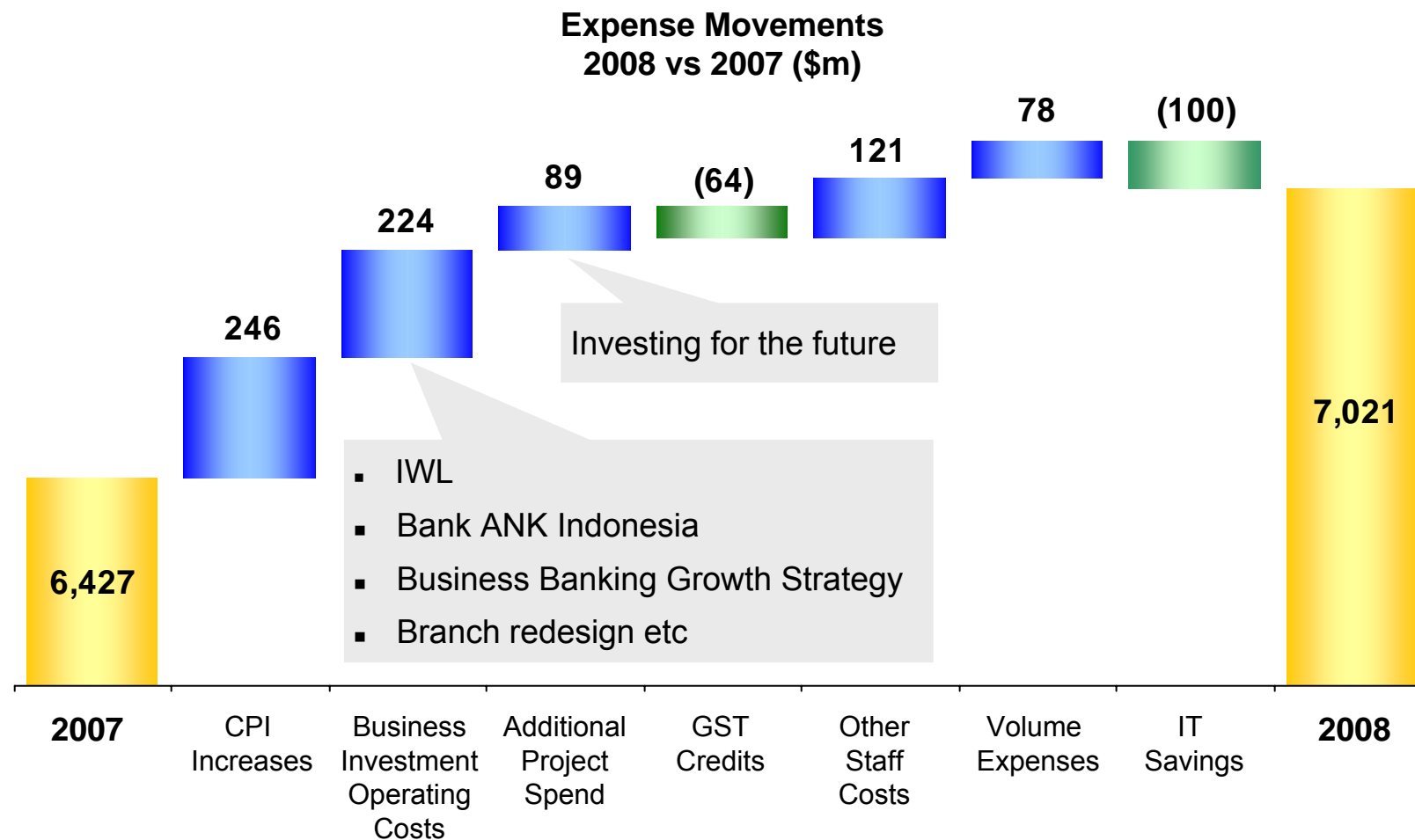
# Investing for the future

		Investment spend (\$m)			
		Expensed	Capitalised	Total	
<b>Growth projects</b>	■ Core Banking Modernisation				
	■ CommSec banking solutions				
	■ iPhone share trading				
	■ Home loan Top Ups				
<b>Productivity projects</b>	■ Product and System Rationalisation (WM)				
	■ Home loan Simplification				
	■ IT Infrastructure Upgrade				
	■ IT Outsourcing				
<b>Risk and compliance Projects</b>	■ Computer and Business Continuity Centres				
	■ Basel II				
	■ Anti-Money Laundering				
	■ CMLA Control Program				
		<b>2008</b>	<b>614</b>	<b>404</b>	<b>1,018</b>
		<b>2007</b>	<b>525</b>	<b>260</b>	<b>785</b>
		<b>Increase</b>	<b>89</b>	<b>144</b>	<b>233</b> ↑ <b>30%</b>



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# Investment driven cost growth

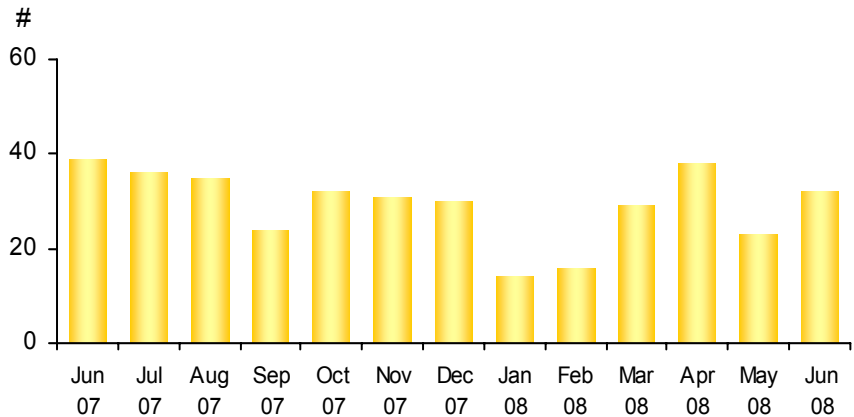


# Other key information

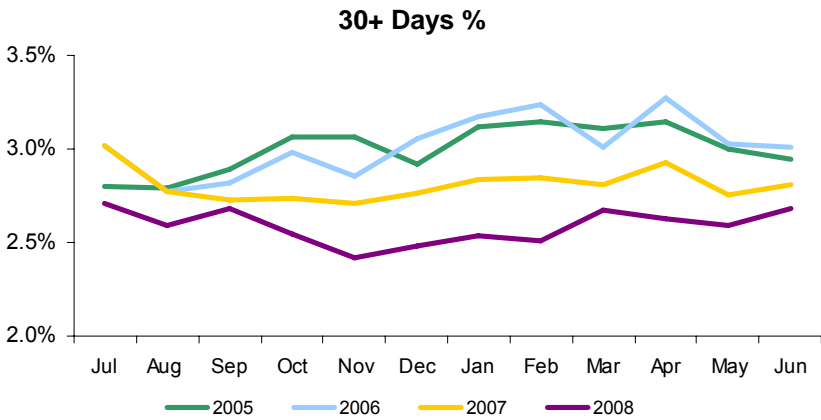
## Home loan portfolio mix

	Jun 08	Jun 07
Owner-Occupied	55%	55%
Investment	34%	34%
Line-of-Credit	11%	11%
Variable	66%	66%
Fixed	33%	29%
Honeymoon	2%	4%
Low Doc %	~ 3.7%	~ 2.3%
<b>Originations</b>		
Proprietary	61%	65%
Third Party	39%	35%

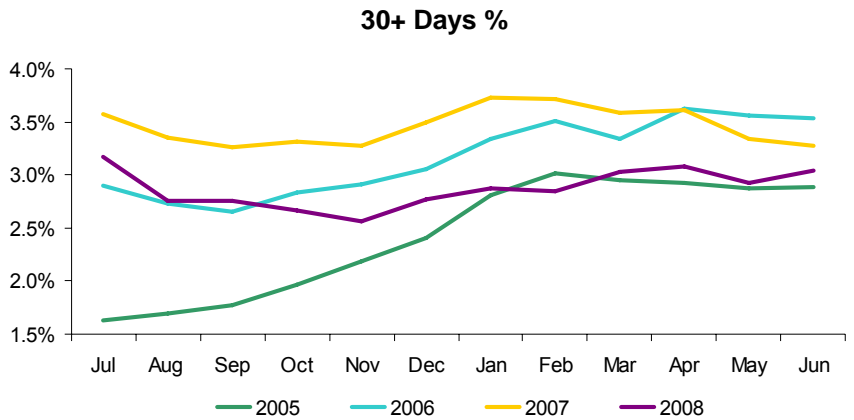
## New mortgagee in possession cases



## Credit card arrears



## Personal loan arrears



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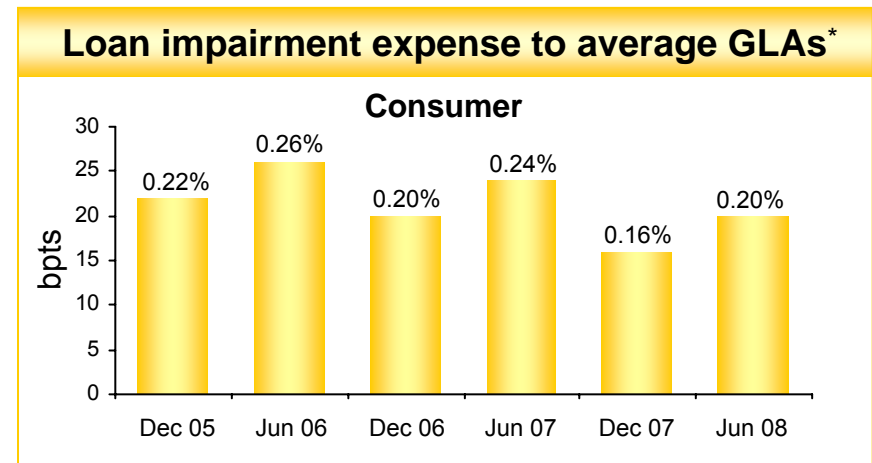
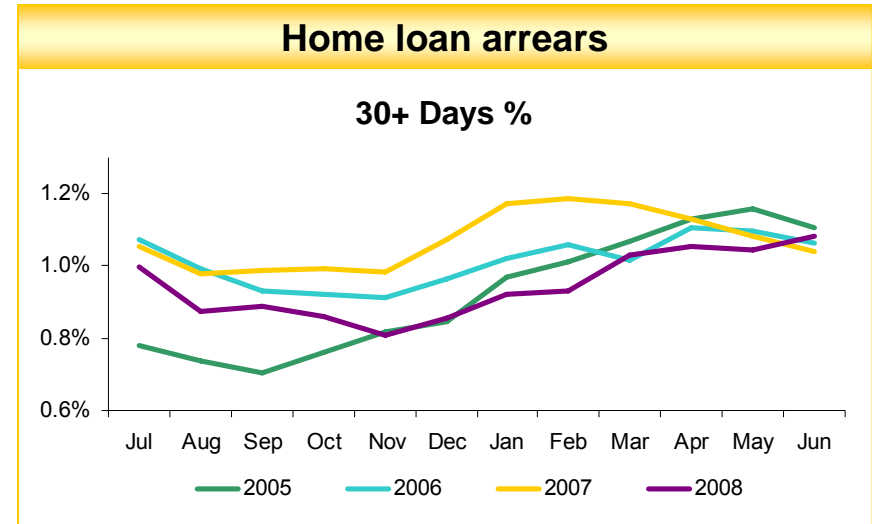
# Sound consumer credit quality

## ■ Home lending:

- Portfolio quality remains sound
- Arrears similar to prior years
- Small up-tick in Jun Qtr
- 70% paid in advance
- Portfolio average LVR ~40%
- No sub-prime or non-recourse

## ■ Unsecured retail lending:

- Credit card portfolio very sound
- Not participating in zero rate card transfers (higher risk segment)
- Arrears below prior years



\* Gross Loans and Acceptances. Loan Impairment Expense annualised. During the current year a review of the netting of certain assets and liabilities led to a gross up of lending and deposit balances of \$20 billion. Prior periods have been restated on a consistent basis.



# Other key information

# Notes

<b>Margin Lending</b>		
	<b>6 months</b>	
	<b>Jun 08</b>	<b>Dec 07</b>
Portfolio Size	~\$8bn	~\$9bn
Aggregated Gearing	42%	44%
Margin Calls	18,500	7,000
Forced sales	< 3.5%	< 0.5%
Losses/Write-Offs	\$5.7m	\$137,000
Loss % of Book	0.06%	0.001%

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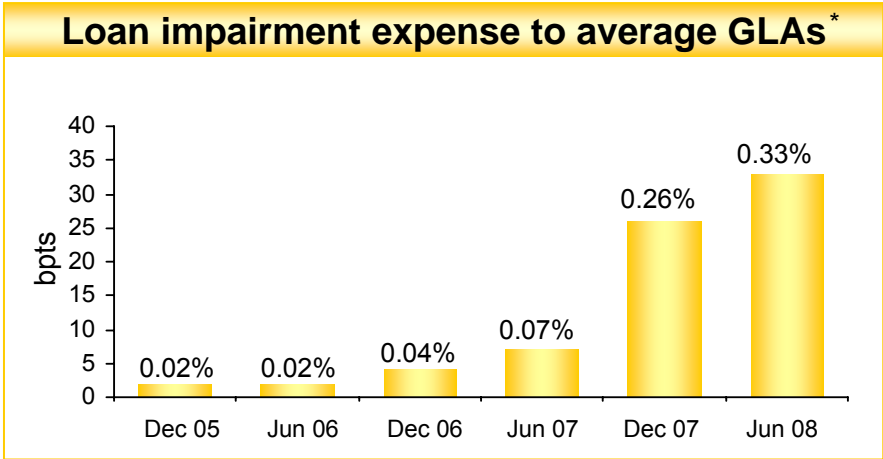
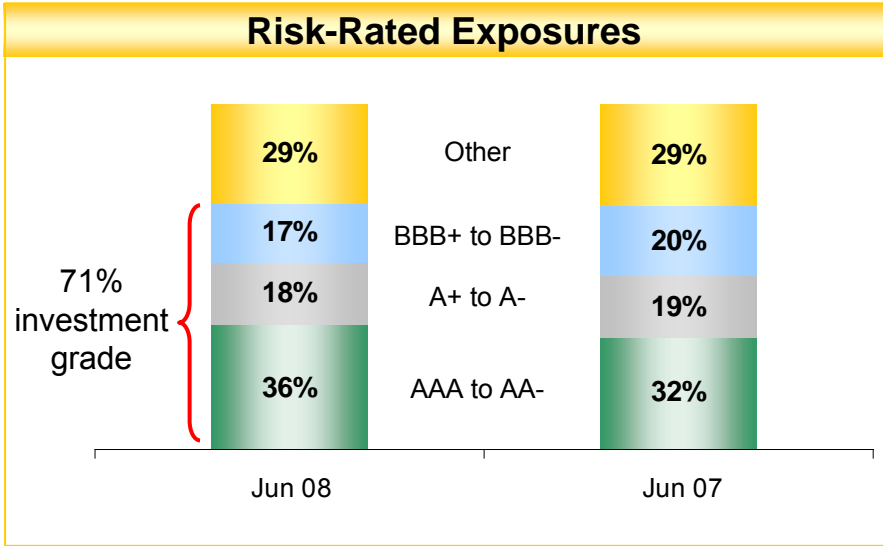
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# Commercial Credit Quality

- Cyclically higher provisioning:
  - No new large problem accounts
- Book quality remains sound:
  - No systemic issues
  - Lower impaired assets than peers
  - 71% investment grade
  - No exposure to foreign sub-prime or Alt-A
  - Net exposure to CDOs & CLOs <\$50m
  - High quality margin lending book
  - No exposure to stock-lending



\* Gross Loans and Acceptances. Loan Impairment Expense annualised. During the current year a review of the netting of certain assets and liabilities led to a gross up of lending and deposit balances of \$20 billion. Prior periods have been restated on a consistent basis.





# Other key information

# Notes

Expected loss by Business Unit *	
As at Jun 08	
Retail Banking Services	0.22%
Premium Business Services	0.29%
International Financial Services	0.21%
<b>Group</b>	<b>0.24%</b>

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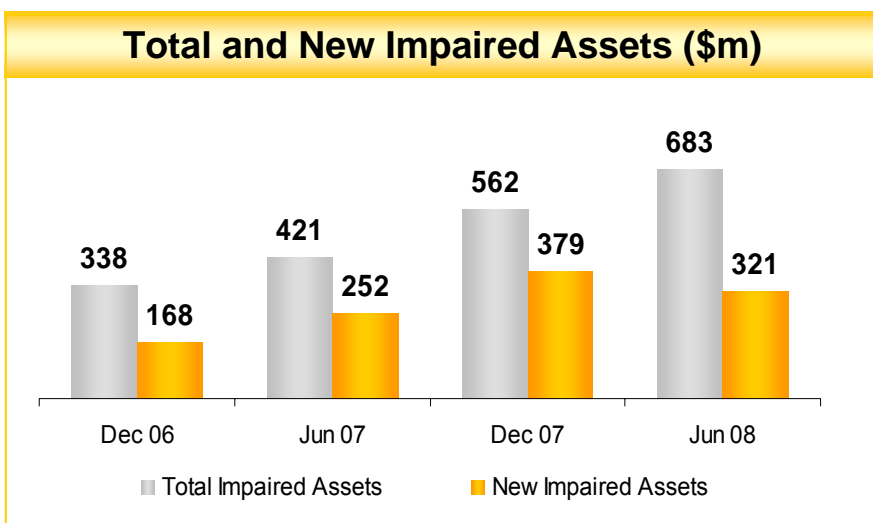
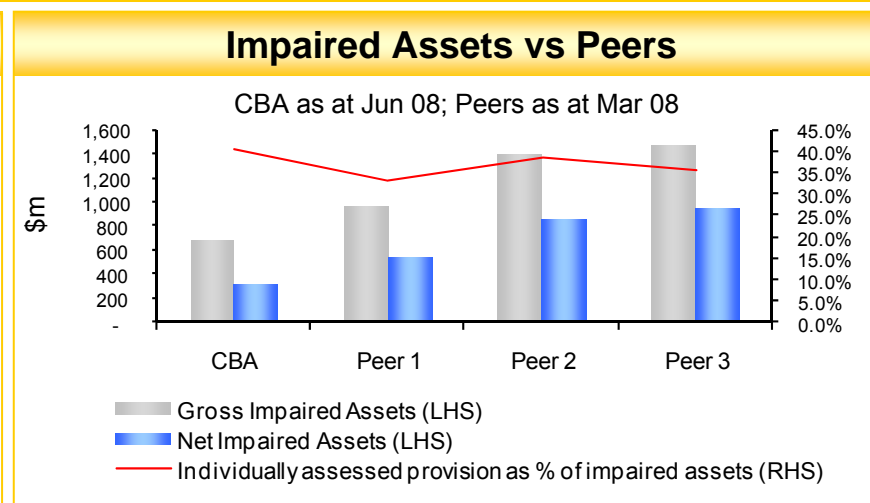
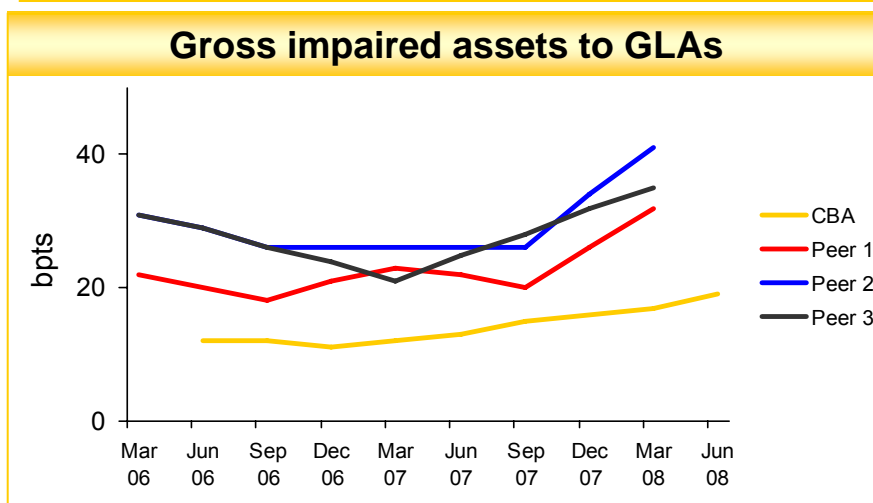
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\* Expected loss focuses on the anticipated longer term loss rates and is less volatile than AIFRS credit loss provisioning. Factors are under review to further incorporate enhancements from modelling on through-the-cycle losses.



# Conservative provisioning



### Loss rates and portfolio mix

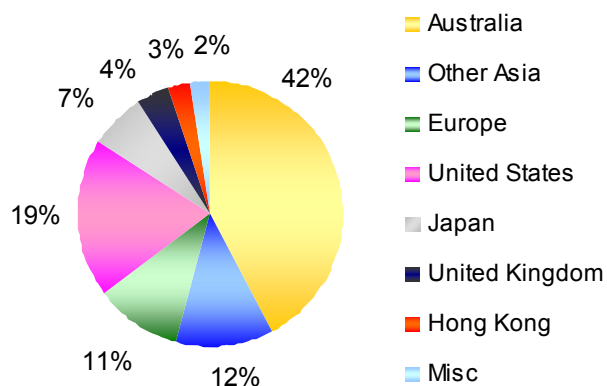
	CBA Expected Loss	% of Book	
		CBA	Peer Average*
Aust. Home Loans	0.06%	46%	33%
Margin Lending	0.07%	2%	1%
Unsecured Retail	2.22%	3%	5%
Aust. Commercial	0.30%	20%	23%

\* Source : APRA

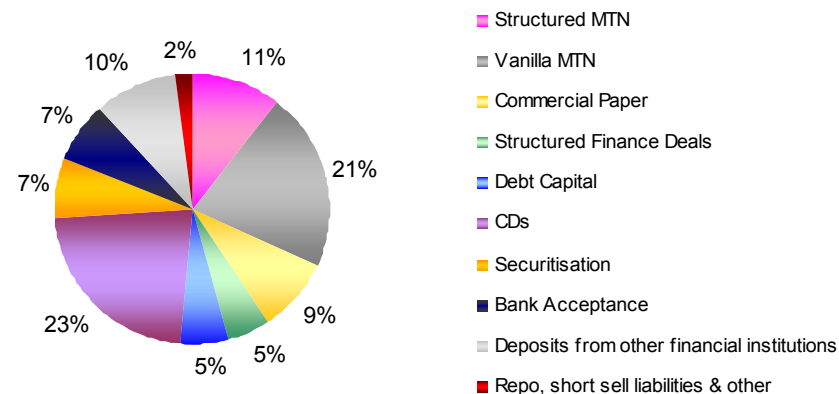


# Other key information

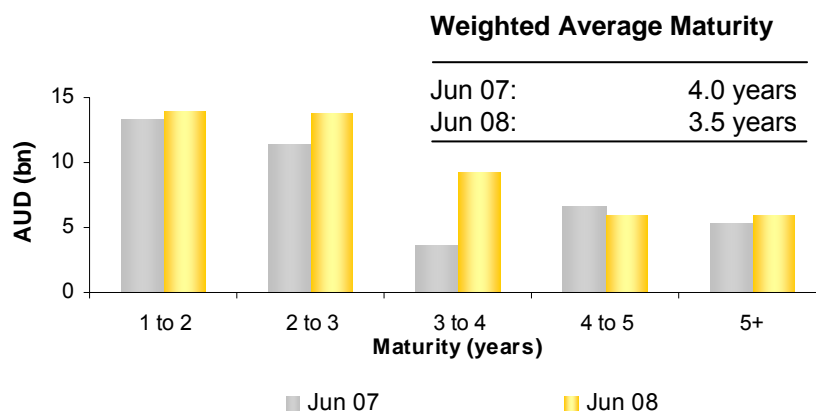
## Wholesale Funding - Geographic Distribution



## Wholesale Funding by Product



## Long Term Debt Maturity Profile



## Long Term Funding Programme 2009

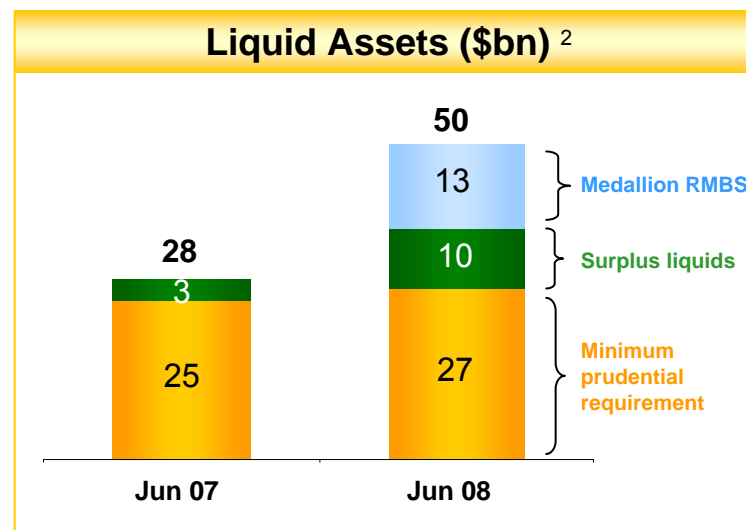
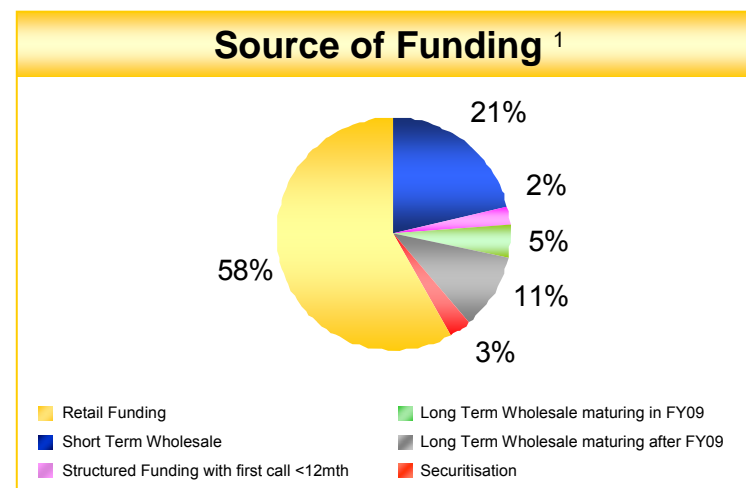
	\$bn	Retail Deposit Growth		
		8%	10%	12%
Asset Growth	8%	29	24	19
	11%	30	26	21
	14%	33	28	23



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# Strong funding and liquidity positions

- AA credit rating, stable outlook
- Globally respected borrowers – EuroWeek Overall MTN issuer of the year 2008
- Highly diversified wholesale funding
- Very strong retail funding: 58%
- No reliance on securitisation
- Long term maturity duration of 3.5yrs
- Holding liquids of ~\$37bn, as well as ~\$13bn holdings of Medallion RMBS
- 2009 funding task similar to 2008 and 2007



1 Surplus liquids are excluded from short term wholesale funding  
 2 6 month average liquid assets held



# Notes

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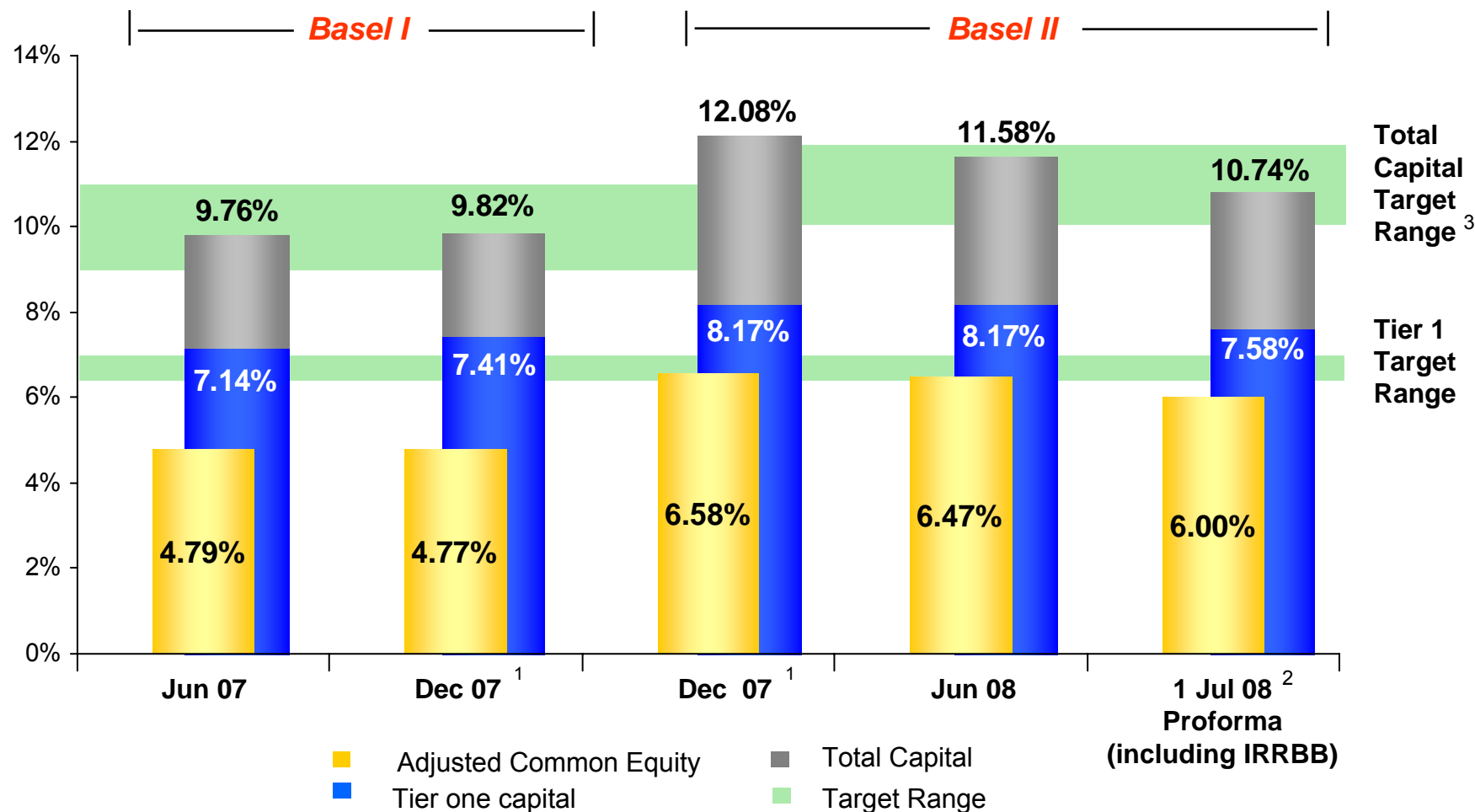
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# A strong capital position



- Adjusted to reflect actual December 2007 capital position after cessation of DRP share purchase
- IRRBB accreditation granted but the amount is still subject to finalisation with APRA
- Total Capital Target Range amended from 9-11% to 10-12% to align with US Financial Holding Company (FHC) requirements.

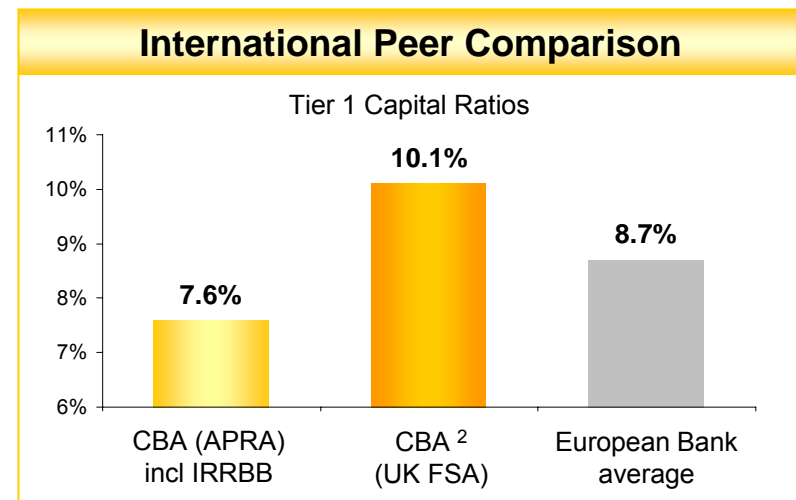
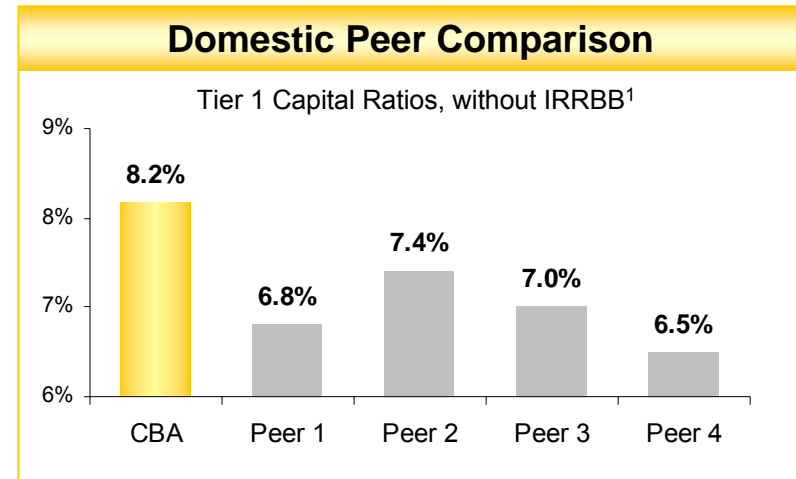


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# Capital ratios compare favourably to peers

- Basel II advanced accreditation achieved December 2007
- APRA Basel II rules more conservative than UK/Europe
- UK/Europe treat Interest Rate Risk in Banking Book (IRRBB) as disclosure not deduction
- Under UK FSA rules, Tier 1 Capital 250 bps higher and Total Capital 13.6%
- Pillar 3 enhanced reporting from September 2008



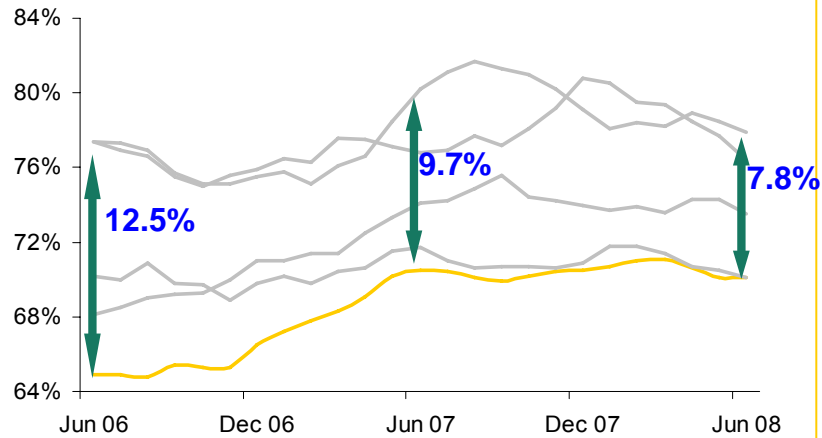
1. CBA as at Jun 08. Peers as at Mar 08.  
2. Normalised CBA capital calculation to UK regulator, Financial Services Authority, as benchmark.



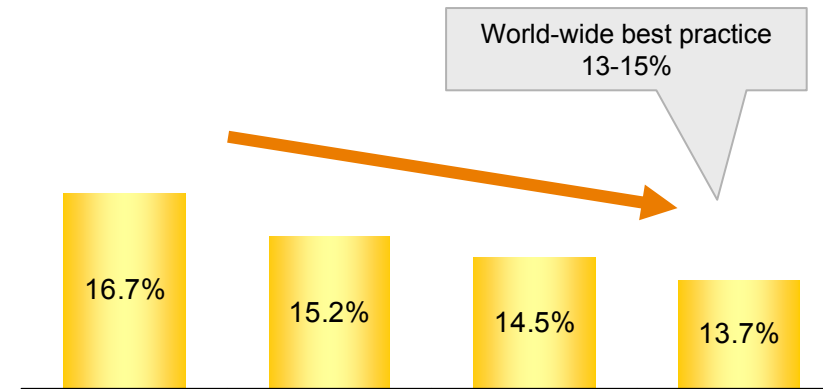


# Other highlights

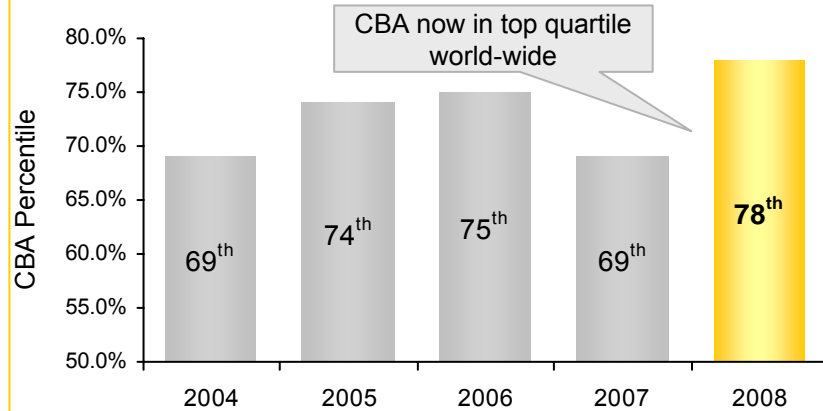
## Closing the gap to top rated peer



## IT efficiency ratio



## Staff Satisfaction – Gallup Workplace Survey



## Continued strong growth in referrals

Group-Wide Converted Referrals (No.)  
Movement 2008 vs 2007

Retail to Premium	63%
Premium to Retail	69%
Wealth Management to Retail	95%



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## Customer Service

- ▶ Customer Satisfaction reached 10 year highs
- ▶ Money Magazine “Bank of the Year” 2008

## Business Banking

- ▶ New CommSec banking solutions + iPhone share trading
- ▶ Strongest customer satisfaction gains amongst peer banks

## Technology and Operational Excellence

- ▶ Significant IT efficiency savings achieved (on a recurrent basis)
- ▶ \$580m investment in Core Banking Modernisation

## Trust and Team Spirit

- ▶ Workplace survey results (Gallup) – in top quartile worldwide
- ▶ Improved safety outcomes

## Profitable Growth

- ▶ Focus on profitable market share growth
- ▶ Effective risk management



# Key Forecasts and Projections

	2005	2006	2007	2008	2009 (f) <sup>1</sup>	
Credit Growth % – Total	13.5	14.4	15.4	11.7	9-11	
Credit Growth % – Housing	14.7	13.7	12.9	9.9	9½-11½	
Credit Growth % – Business	11.8	16.5	18.9	16.1	10-12	
Credit Growth % – Other Personal	12.9	9.8	16.2	4.1	6-8	
GDP %	2.8	3.0	3.3	3.9	2.4	
CPI %	2.4	3.2	2.9	3.4	4.3	
Unemployment rate %	5.2	5.0	4.5	4.2	4.7	
Retail Funds under Management					10	CAGR to 2012
Life Insurance <sup>2</sup>					12	CAGR to 2017
General Insurance					7	CAGR to 2010



1. CBA economist forecast for the Australian market as at 12 August. All figures financial year ended 30 June.

2. Source: Dex&&r



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# Outlook

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- Challenging global conditions dominate 2009 outlook for banking sector
- Australian economy expected to experience modest growth
- Group remains cautious with conservative approach to capital, provisioning and funding
- Core businesses well positioned
- Continuing to focus on driving strategic priorities
- Determined to offer strength in uncertain times



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