

# Results Presentation

For the half year ended 31 December 2012

CommonwealthBank



**Ian Narev**

CHIEF EXECUTIVE OFFICER

**David Craig**

CHIEF FINANCIAL OFFICER

# Notes

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## Disclaimer

The material that follows is a presentation of general background information about the Group's activities current at the date of the presentation, 13 February 2013. 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 list of items excluded from statutory profit is provided in the reconciliation of the net profit after tax ("cash basis") on page 3 of the Profit Announcement (PA) and described in greater detail on page 15 of the PA and can be accessed at our website <http://www.commbank.com.au/about-us/shareholders/financial-information/results/>

# Agenda

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**Ian Narev, CEO – Company Update**

David Craig, CFO – Financial Overview

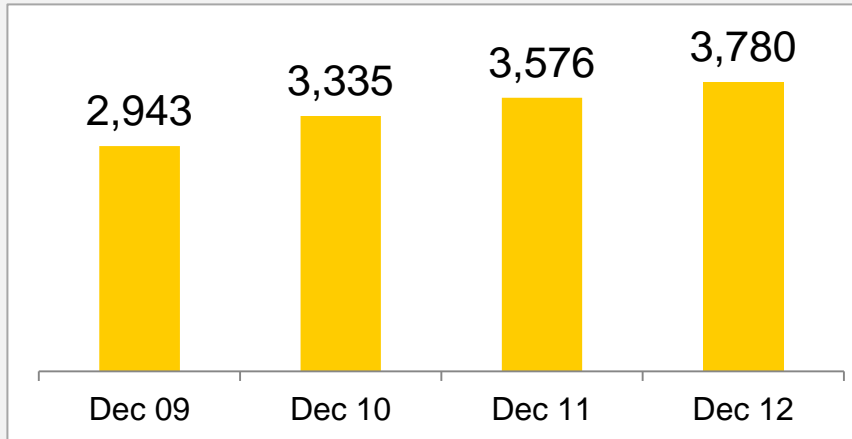
Ian Narev, CEO – Outlook and Summary

Questions and Answers

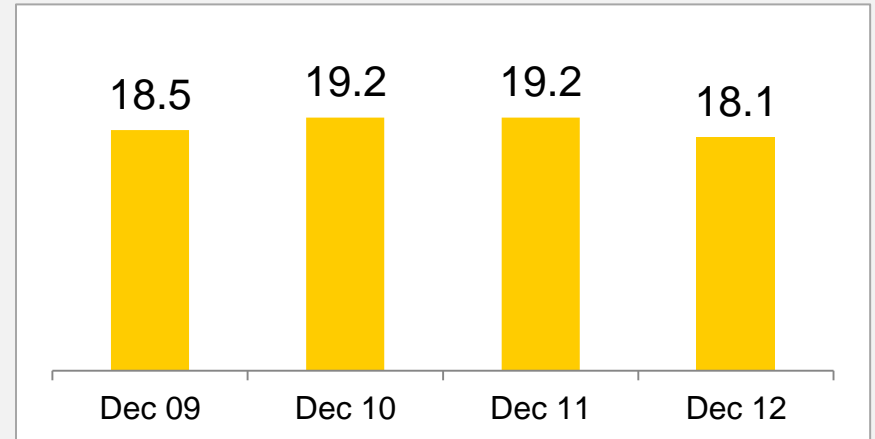


# Additional information

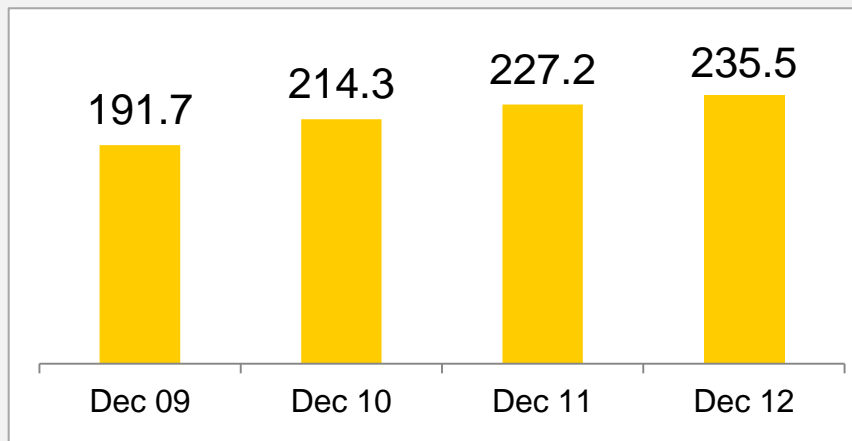
## Cash Earnings (\$m)



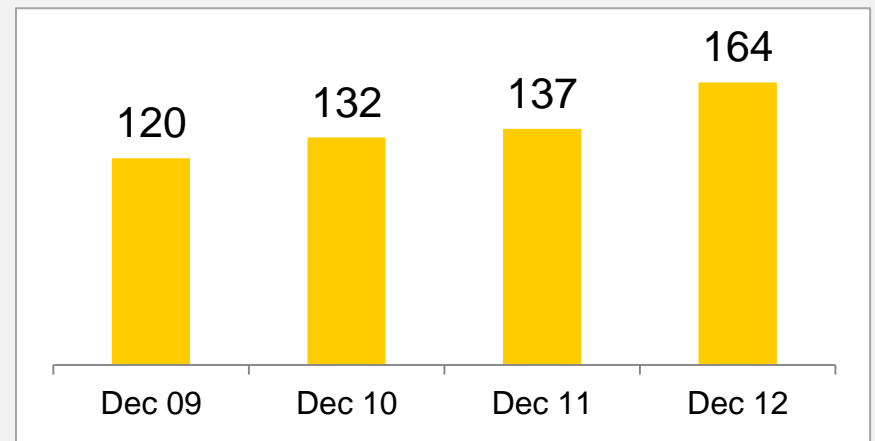
## ROE - Cash (%)



## EPS (cents)



## DPS (cents)



# Financial Overview

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	<b>Dec 12</b>	<b>VS Dec 11</b>
Statutory Profit (\$m)	<b>3,661</b>	<b>1%</b>
Cash NPAT (\$m)	<b>3,780</b>	<b>6%</b>
ROE – Cash (%)	<b>18.1%</b>	<b>(110) bpts</b>
Cash Earnings per Share (cents)	<b>235.5</b>	<b>4%</b>
Dividend per Share (cents)	<b>164</b>	<b>20%</b>



# Additional information

## Business Unit Profitability

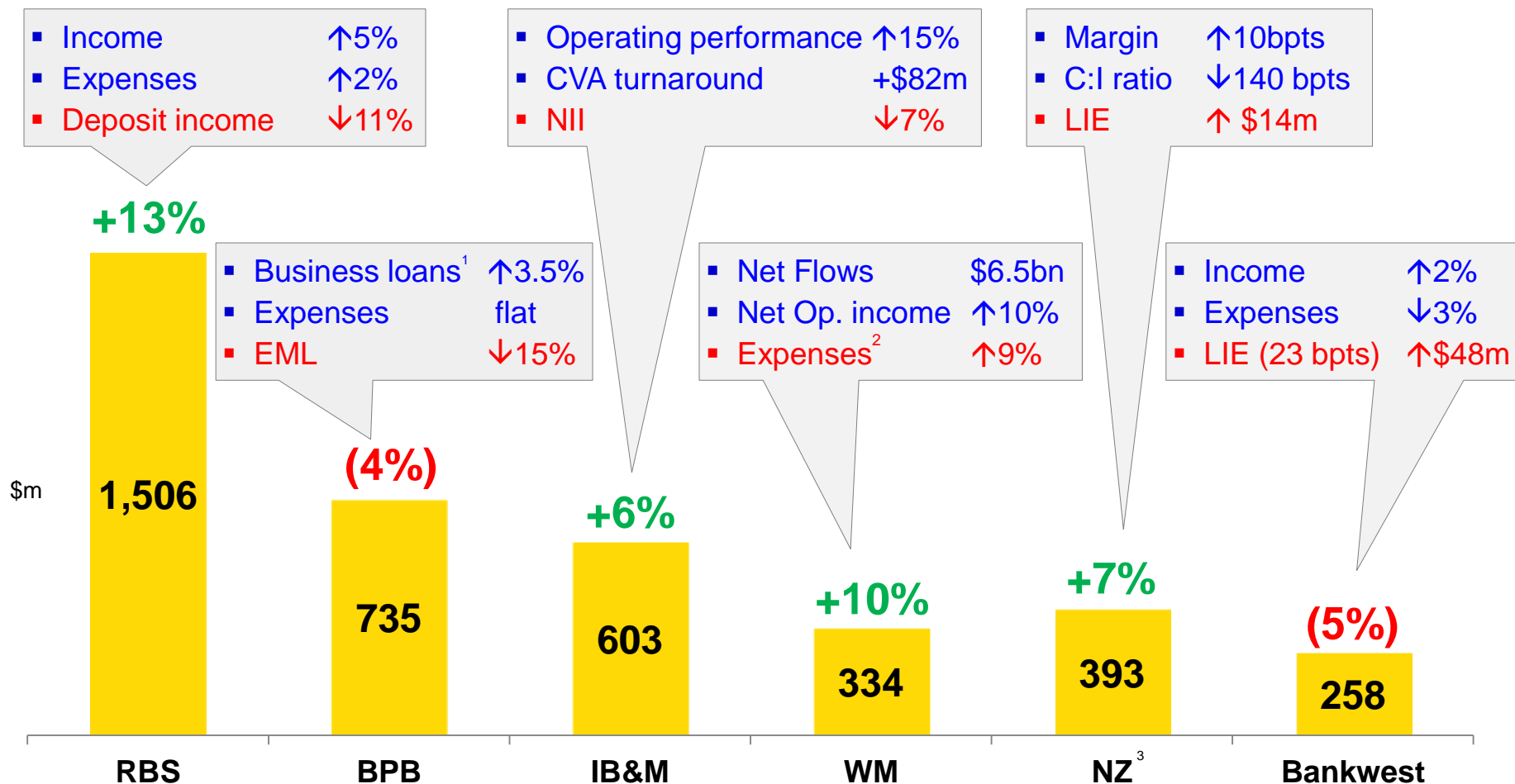
\$m	Operating performance	Mvt Operating performance	Impairment expense	Investment experience	Tax & non-controlling interests	Cash NPAT Dec 12	Cash NPAT Dec 11	Mvt Cash NPAT
RBS	2,394	7%	(246)	-	(642)	1,506	1,329	13%
BPB	1,202	(2%)	(150)	-	(317)	735	767	(4%)
IB&M	886	15%	(97)	-	(186)	603	571	6%
WM	374	11%	-	86	(126)	334	304	10%
NZ <sup>1</sup>	430	11%	(22)	3	(102)	309	284	9%
Bankwest	455	6%	(86)	-	(111)	258	273	(5%)
Other <sup>2</sup>	39	(43%)	(15)	(5)	16	35	48	(27%)
<b>Total</b>	<b>5,780</b>	<b>6%</b>	<b>(616)</b>	<b>84</b>	<b>(1,468)</b>	<b>3,780</b>	<b>3,576</b>	<b>6%</b>

1 NZ result in AUD.

2 Includes Group Treasury, Centre functions, IFS Asia.

# Cash NPAT Drivers

1H13



All movements on prior comparative period unless stated otherwise.

<sup>1</sup> Source RBA. Six months to Dec 12 annualised.

<sup>2</sup> Excludes volume related expenses.

<sup>3</sup> NZ drivers in NZD.

# Additional information

## Strategy – highlights this half

<b>Customer Focus</b>	<ul style="list-style-type: none"><li>◆ Sustained improvements in customer satisfaction</li><li>◆ Further gains in products per customer</li></ul>
<b>People</b>	<ul style="list-style-type: none"><li>◆ Continued commitment to no offshoring</li><li>◆ From diversity to full inclusion</li><li>◆ Absolute commitment to talent development</li></ul>
<b>Technology</b>	<ul style="list-style-type: none"><li>◆ Core Banking close to completion</li><li>◆ Continued innovation – products, services and delivery</li></ul>
<b>Strength</b>	<ul style="list-style-type: none"><li>◆ Conservative settings retained</li><li>◆ Strong capital, funding, liquidity and provisioning</li></ul>
<b>Productivity</b>	<ul style="list-style-type: none"><li>◆ Embedding productivity culture</li><li>◆ Cost-to-Income improved to 45.1%</li></ul>



# Our Strategy

## Customer Focus

Capabilities

People



Technology



Strength



Productivity



Growth opportunities

“One CommBank”

Continued growth in business and institutional banking

Disciplined capability-led growth outside Australia

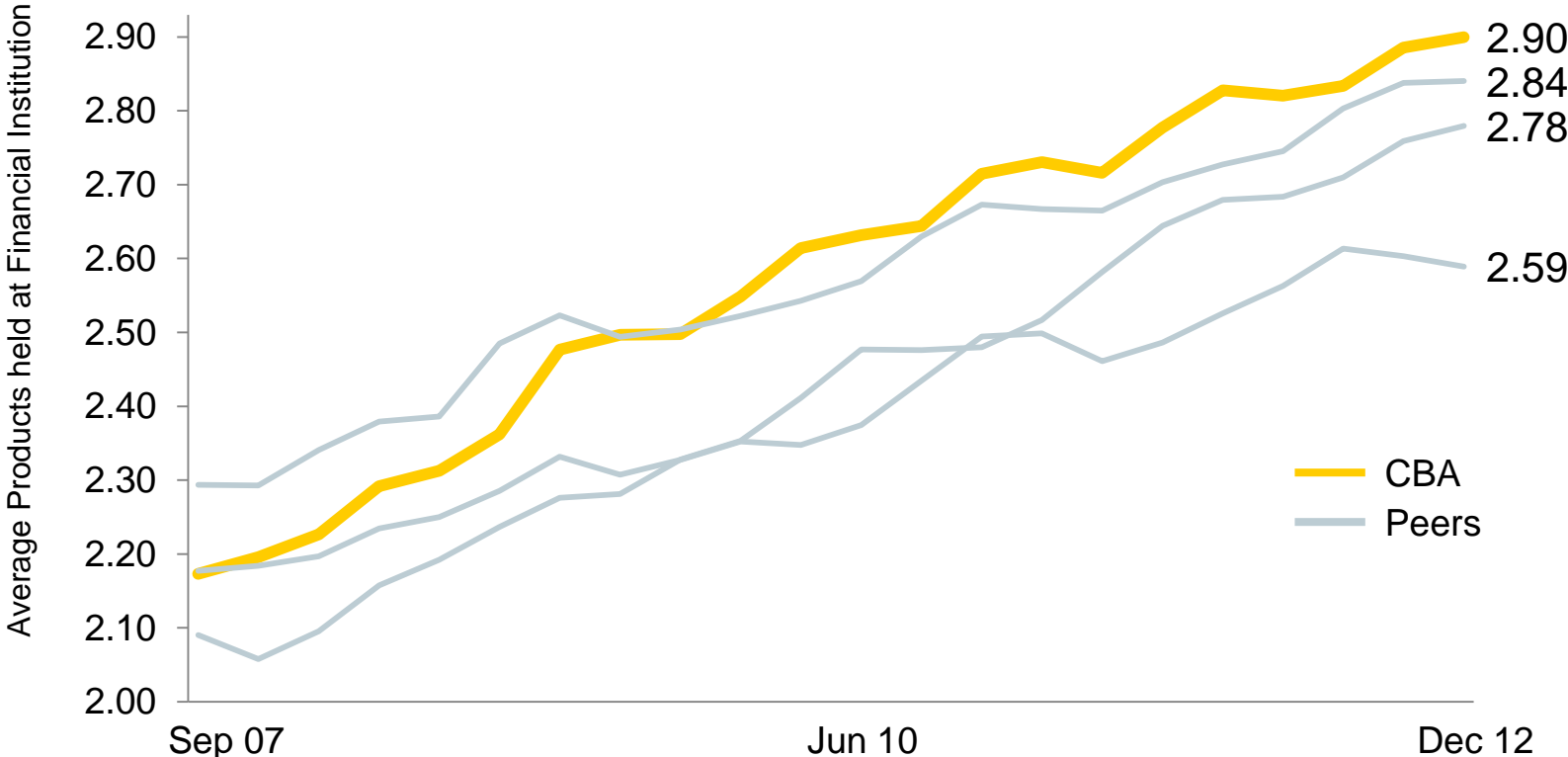
TSR Outperformance



# Additional information

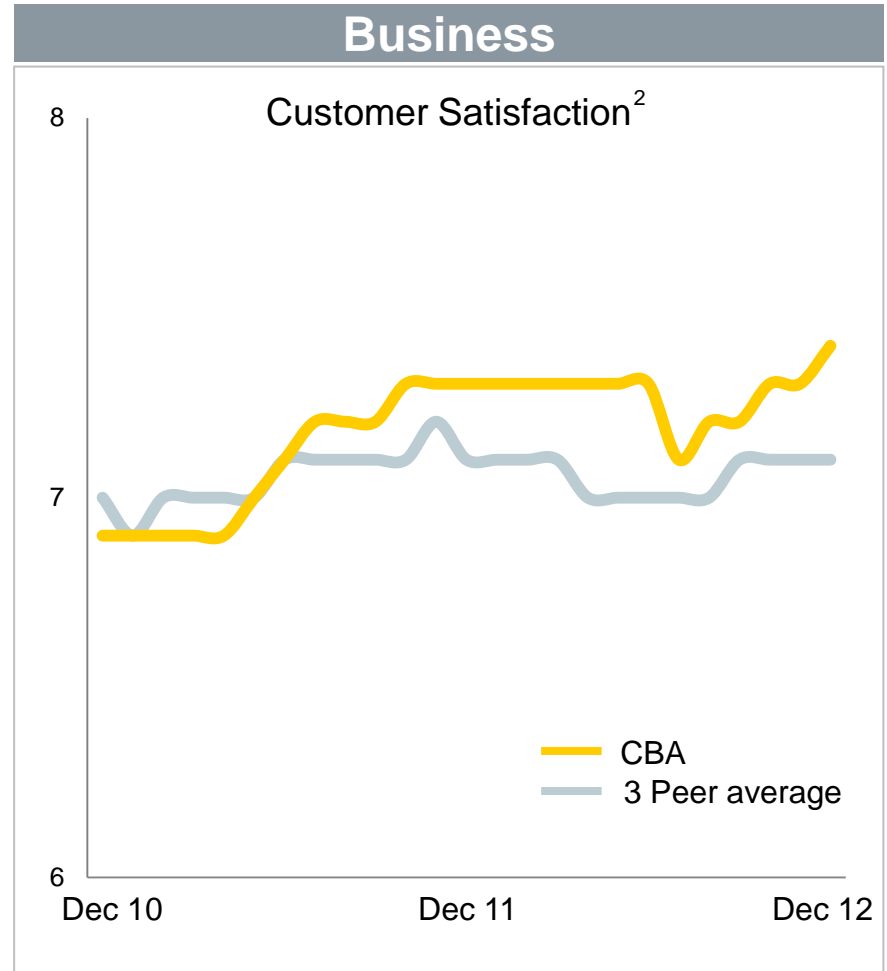
## Products per Customer

Average Number of Banking and Finance Products held by Customers 18+ (at the Financial Institution)<sup>3</sup>



3 Refer notes slide at back of this presentation for source information.

# Sustained improvements in customer satisfaction



## Australia's leading technology bank

**CommSee**  
Feb 2004

**Property Guide App**  
Jul 2010

**QkR App**  
Jan 2012

**Bump on Kaching**  
2012

**"Leo" available**  
Dec 2012

**Property Guide For Android**  
Jan 2013

**NetBank**  
Nov 1996

**FirstChoice**  
May 2002

**Everyday Settlement**  
Oct 2011

**"Pi" & "Leo" announced**  
Jul 2012

**Kaching for Android**  
Nov 2012

**SmartSign for Asset Finance**  
Nov 2012 – Feb 2013

**CommBiz**  
Dec 2006

**eVolve**  
July 2010

**Real-time Banking**  
Aug 2010

**Business Finance Selector & Starting a Business tools**  
May 2012

**Enhanced Kaching for Android**  
Jan 2013

**CommSec on iPhone**  
July 2008

**NetBank for iPad**  
May 2010

**NetBank for mobile Android**  
Feb 2011

**CommBank Kaching**  
Dec 2011

**New generation ATMs**  
2012-2013

**MyWealth**  
Feb 2013

**Continuous new features and services on NetBank**  
2012: NetBank Lab, Vault, Sharing & Tagging, Prepaid

### Core Banking Modernisation Program 2008 – 2012

- 12+ million customers migrated
- First Australian bank to go real - time, 24 x 7 and one of the first in the world
- Enabling industry leading functionality and innovation



# Technology – continued innovation

## Recent Innovations

- ◆ Kaching for Android
- ◆ Property Guide for Android
- ◆ CommBiz for mobile\*
- ◆ Next generation ATMs
- ◆ “Leo” available to merchants
- ◆ “Pi” software developer kits\*
- ◆ NetBank enhancements
- ◆ MyWealth
- ◆ Video Conferencing in branches by end-June
- ◆ Investor Relations App



Kaching



# Notes

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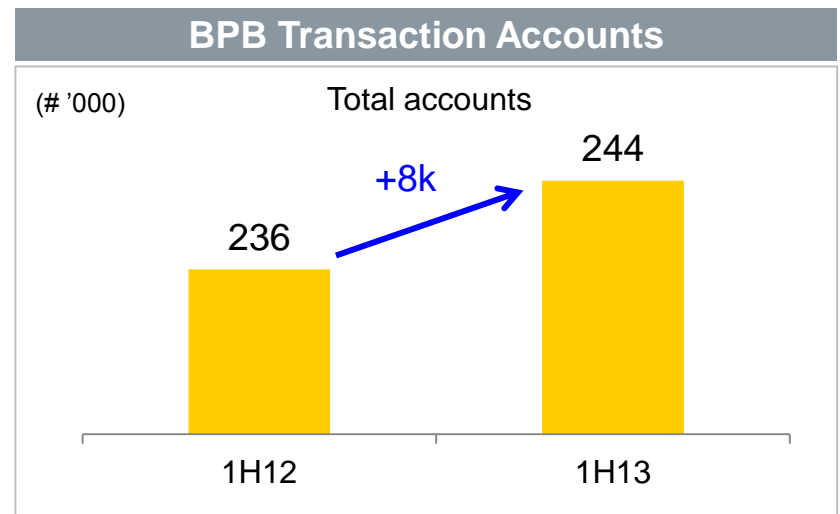
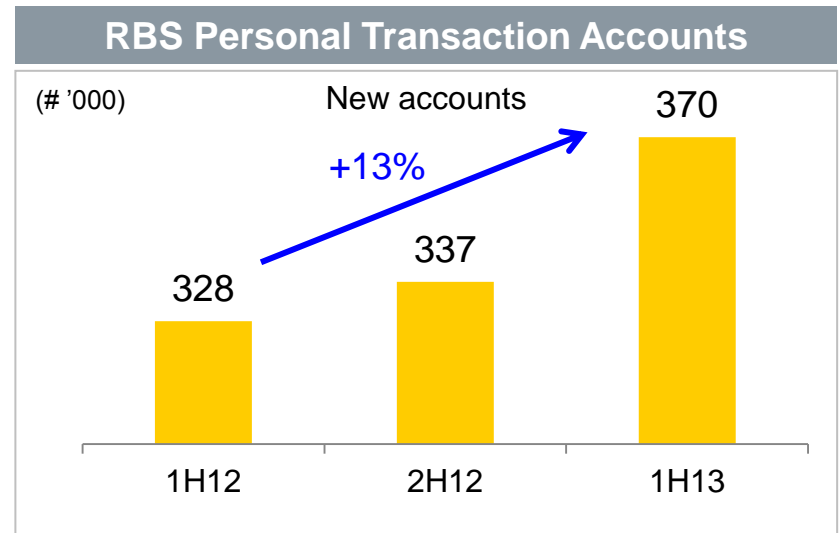
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# Transaction Accounts

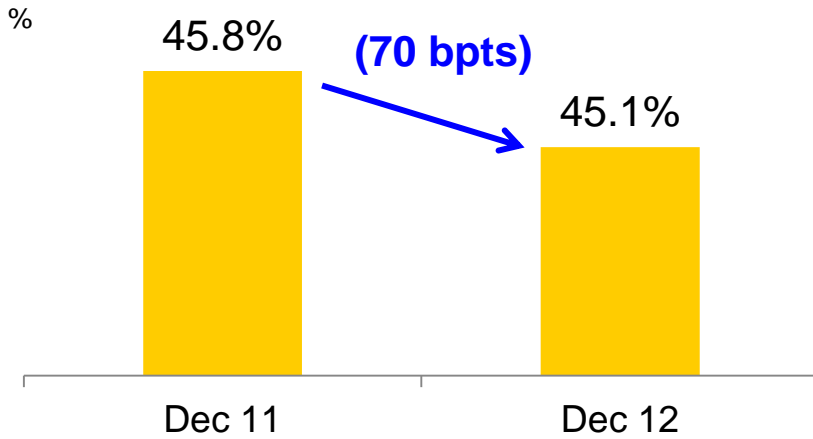
- ◆ Leveraging Core Banking capabilities
- ◆ New RBS Personal Transaction Accounts up 13%
- ◆ RBS Transaction Account balances<sup>1</sup> up 9% since June
- ◆ BPB Transaction Accounts up 8,000
- ◆ Significant Deposits Leads insight tool launched – 150-200 business leads delivered daily
- ◆ IB&M Transaction Banking – 14 new mandates in 1H13



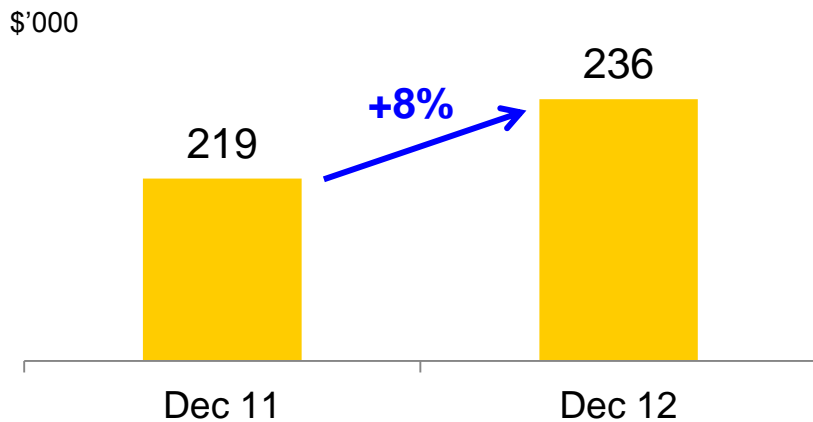
<sup>1</sup> Average balances.

# Additional information

## Cost to Income



## Revenue per FTE<sup>1</sup>



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<sup>1</sup> Total operating income divided by average FTE.



# Embedding a productivity<sup>1</sup> culture

## Retail Branch Network

Transactions per CSR

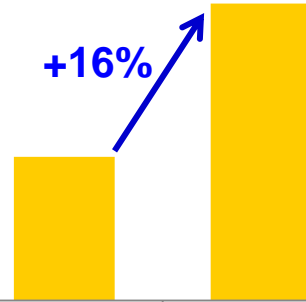
+6%



Dec 11      Dec 12

Sales and converted referrals per CSS

+16%

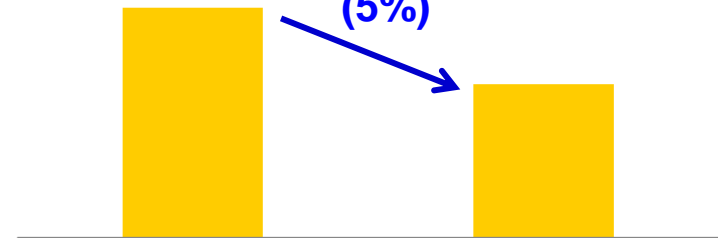


Dec 11      Dec 12

## Retail Call Centres

Call handling time

(5%)



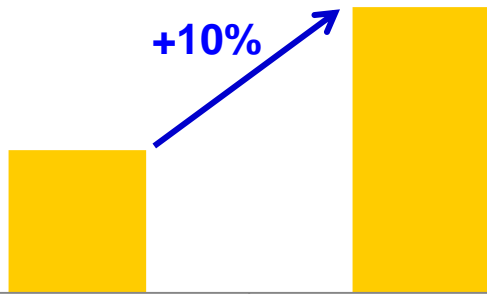
Dec 11

Dec 12

## Local Business Banking

\$ lending balance per Local Business Banking FTE

+10%



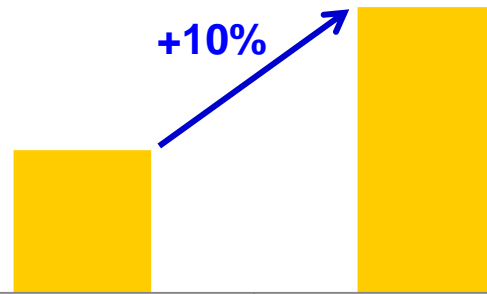
Dec 11

Dec 12

## Home Loan Processing

Home loan fundings per operations FTE

+10%



Dec 11

Dec 12

1 Refer notes page at back of presentation for definition of productivity metrics.

# Additional information

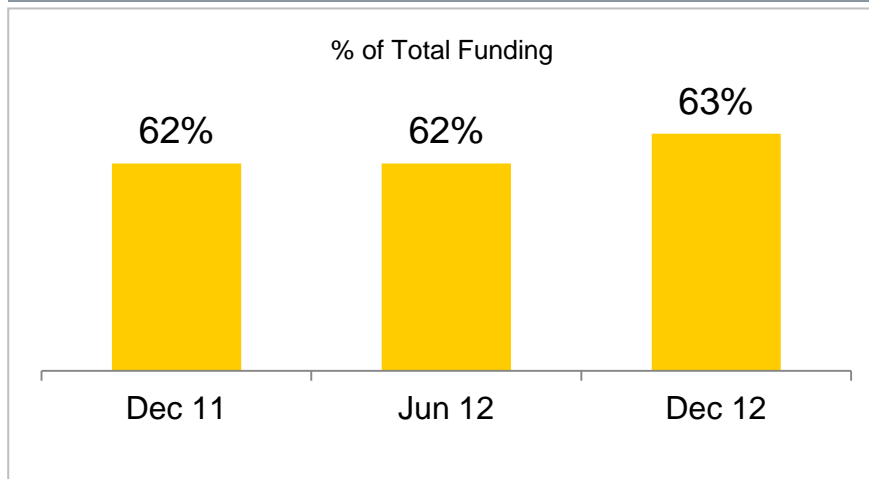
## Snapshot – 1H13 Results<sup>1</sup>

Financial			Operating Performance by Division		
Cash earnings (\$m)	3,780	6%	Retail Banking Services (\$m)	2,394	7%
ROE (Cash)	18.1%	(110) bpts	Business and Private Banking (\$m)	1,202	(2%)
Cash EPS (Cents)	235.5	4%	Institutional Banking & Markets (\$m)	886	15%
DPS (Cents)	164	20%	Bankwest (\$m)	455	6%
Cost-to-Income (Cash)	45.1%	(70) bpts	Wealth Management (\$m)	374	11%
NIM (bpts)	210	(2) bpts	NZ (NZ\$m)	547	8%
Balance Sheet			Capital & Funding		
Total assets (\$bn)	721	3%	Capital - CET1 (Basel III Int'l)	10.6%	130 bpts
Total liabilities (\$bn)	678	2%	Capital - Tier 1 (Basel II)	10.5%	60 bpts
FUA (\$bn, spot)	224	17%	LT wholesale funding WAM (yrs)	3.7	0.1
RWA (\$bn)	302	1%	Deposit funding	63%	1%
Provisions to credit RWAs (bpts)	182	(15) bpts	Liquids (\$bn)	128	11%

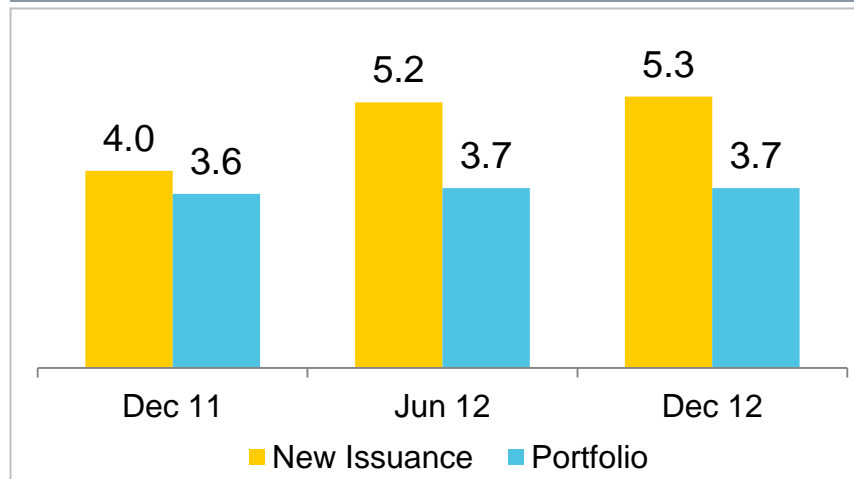
<sup>1</sup> All movements on prior comparative period.

# Strength

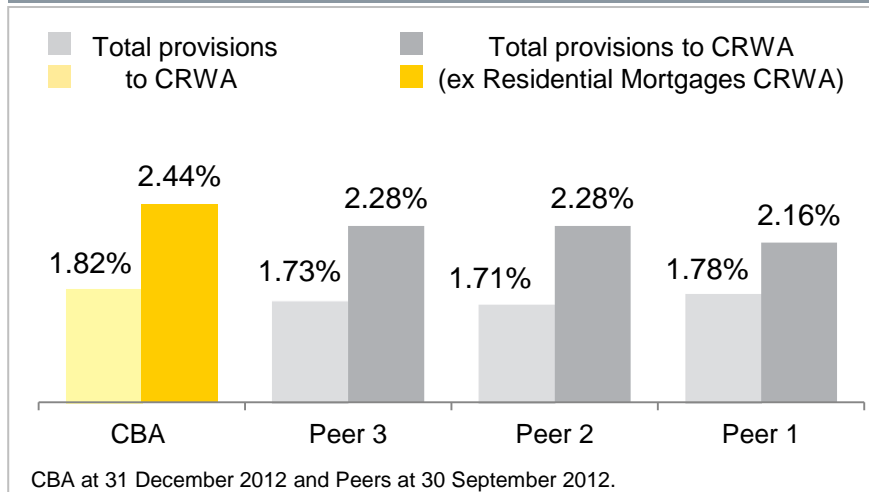
## Deposit Funding



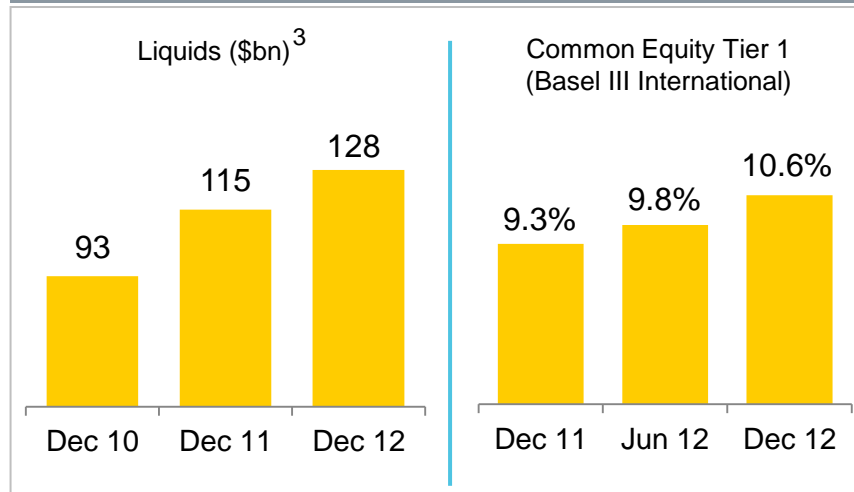
## Wholesale Funding Tenor (years)<sup>1</sup>



## Total Provisions<sup>2</sup> to Credit RWA



## Liquidity and Capital



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

2 Provisions do not include General Reserve for Credit Losses, equity reserves or other similar adjustments.

3 Liquids reported post applicable haircuts.

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# Results Presentation

For the half year ended 31 December 2012

CommonwealthBank



**David Craig**

CHIEF FINANCIAL OFFICER



# Solid profit growth

	Dec 12 \$m	Dec 11 \$m	Dec 12 vs Dec 11
Operating income	10,535	10,049	5%
Operating expenses	(4,755)	(4,602)	3%
<b>Operating performance</b>	<b>5,780</b>	<b>5,447</b>	<b>6%</b>
Investment experience	84	56	50%
Loan impairment expense	(616)	(545)	13%
Tax and non-controlling interest	(1,468)	(1,382)	6%
<b>Cash NPAT</b>	<b>3,780</b>	<b>3,576</b>	<b>6%</b>



# Additional information

## Non-cash Items

	Dec 12 \$m	Dec 11 \$m
Hedging and IFRS volatility		
▪ Unrealised accounting gains and losses arising from the application of “AASB 139 Financial Instruments: Recognition and Measurement”	(10)	115
Other		
▪ Bankwest non-cash items	(33)	(35)
▪ Treasury shares valuation adjustment	(31)	1
▪ Count Financial Limited acquisition costs	-	(33)
▪ Bell Group litigation	(45)	-
	(109)	(67)



# Statutory Profit

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	<b>Dec 12 \$m</b>	<b>Dec 11 \$m</b>	
<b>Cash NPAT</b>	<b>3,780</b>	<b>3,576</b>	<b>6%</b>
Hedging and IFRS volatility	(10)	115	
Other non-cash items	(109)	(67)	
<b>Statutory NPAT</b>	<b>3,661</b>	<b>3,624</b>	<b>1%</b>

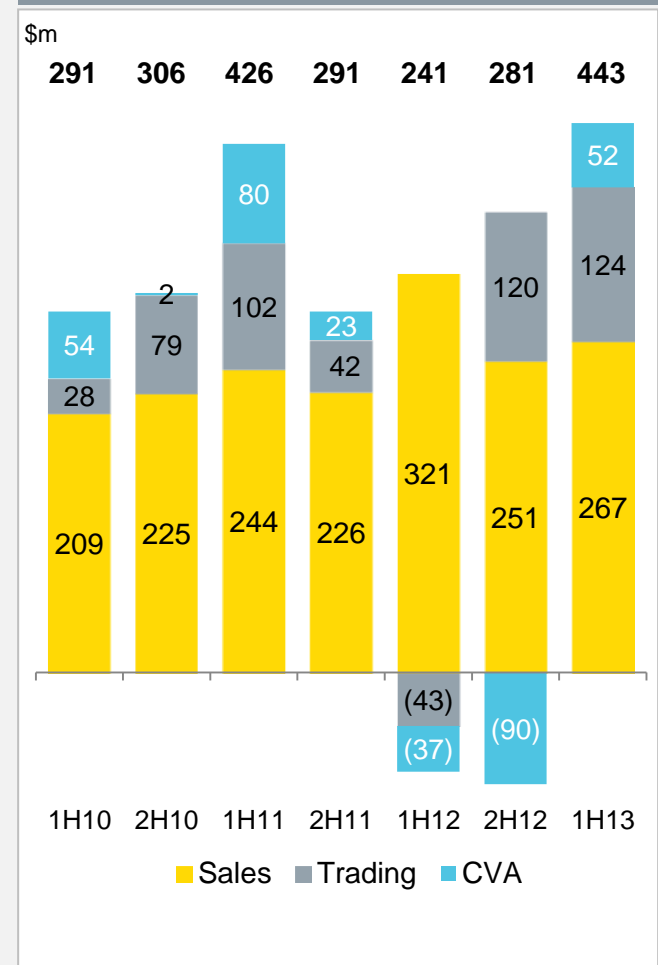


# Additional information

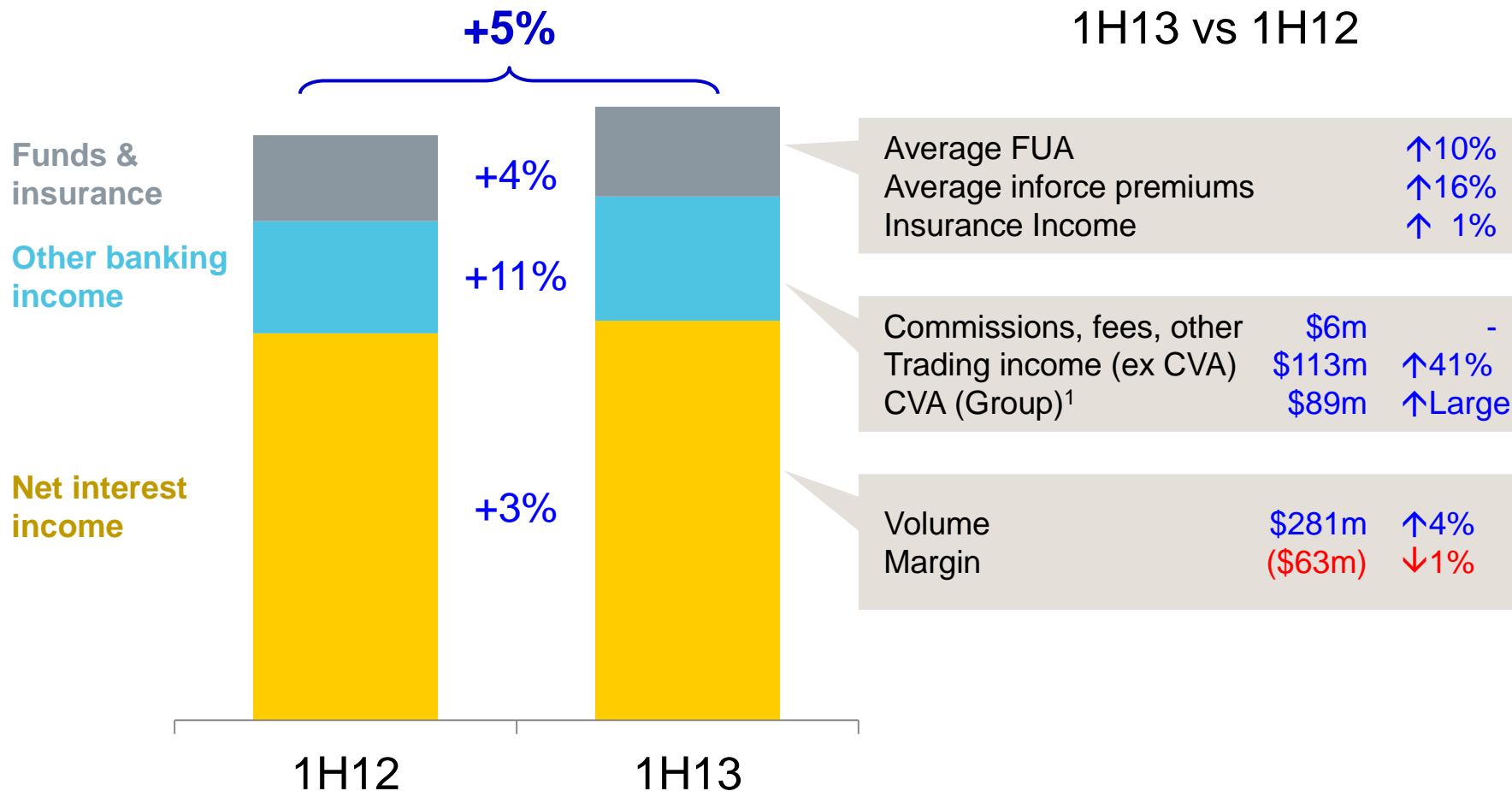
## Other Banking Income

	Dec 12 \$m	Dec 11 \$m	Dec 12 vs Dec 11
Commissions	993	1,009	(2%)
Lending fees	509	461	10%
Other	190	216	(12%)
<b>Sub-total</b>	<b>1,692</b>	<b>1,686</b>	<b>-</b>
Trading income	443	241	84%
<b>Total</b>	<b>2,135</b>	<b>1,927</b>	<b>11%</b>

## Net Trading Income



# Operating Income



1 Group CVA movement of \$89m comprises IB&M (\$82m), BPB (\$4m) and Bankwest (\$3m)

# Additional information

## Group NIM

bpts

### 12 Month Movement



1H12

Asset pricing & mix

Wholesale funding

Deposits (ex replicating portfolio)

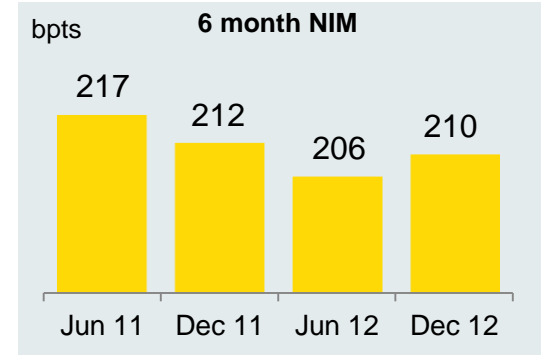
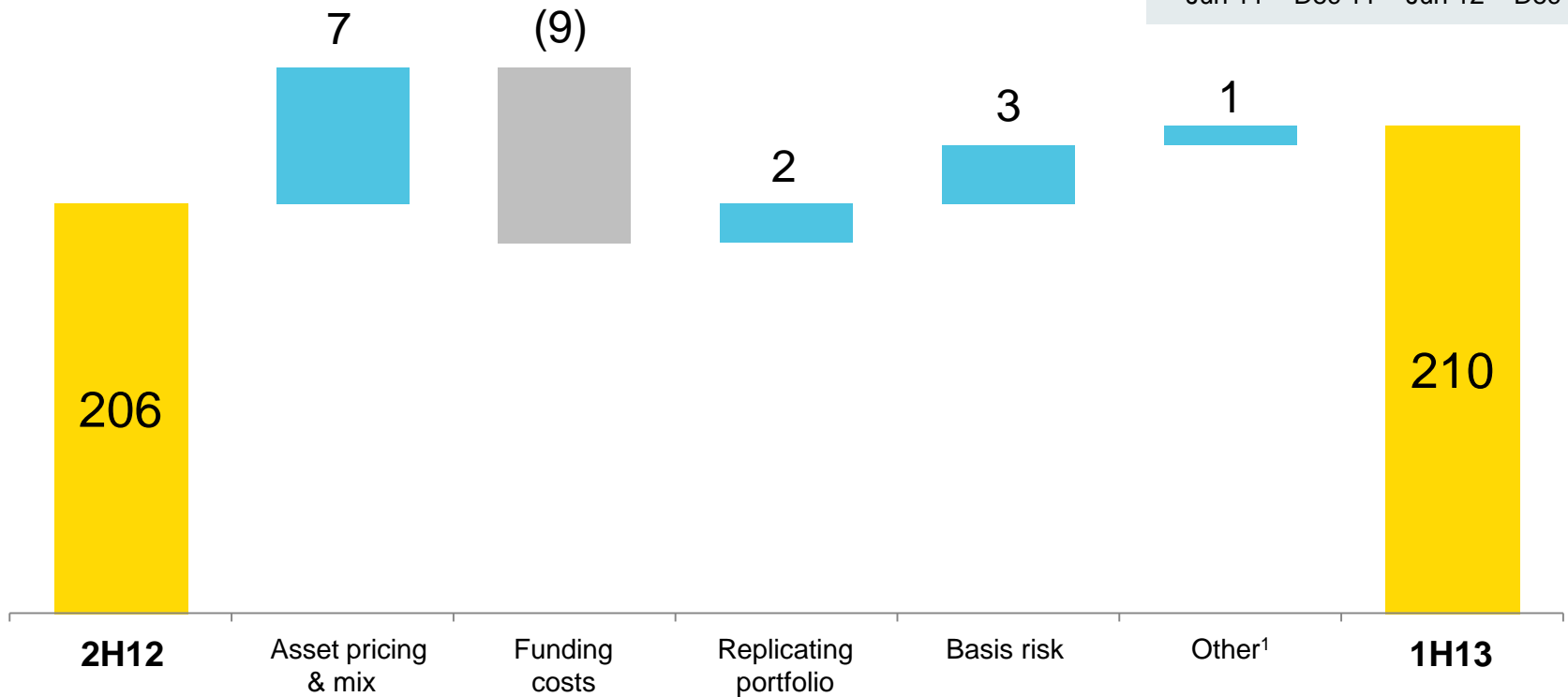
Replicating portfolio

1H13

# Group NIM

bpts

## 6 Month Movement

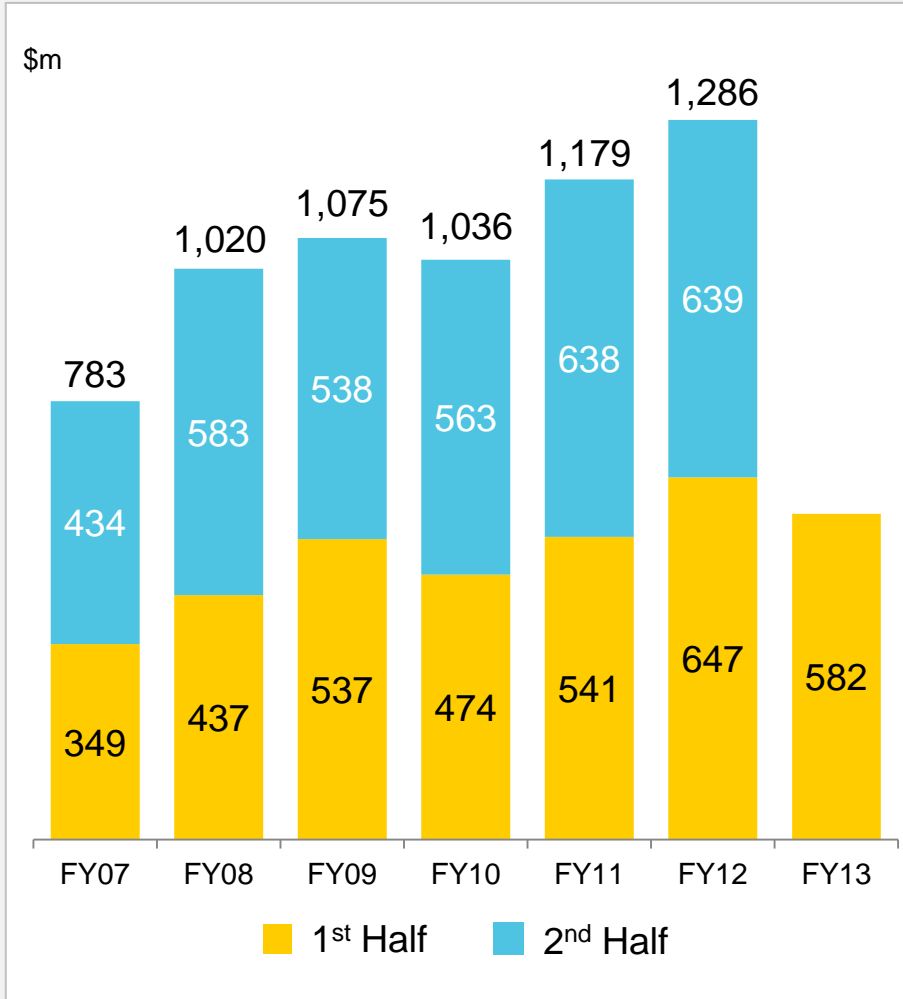


<sup>1</sup> Includes Treasury, New Zealand and other unallocated items.

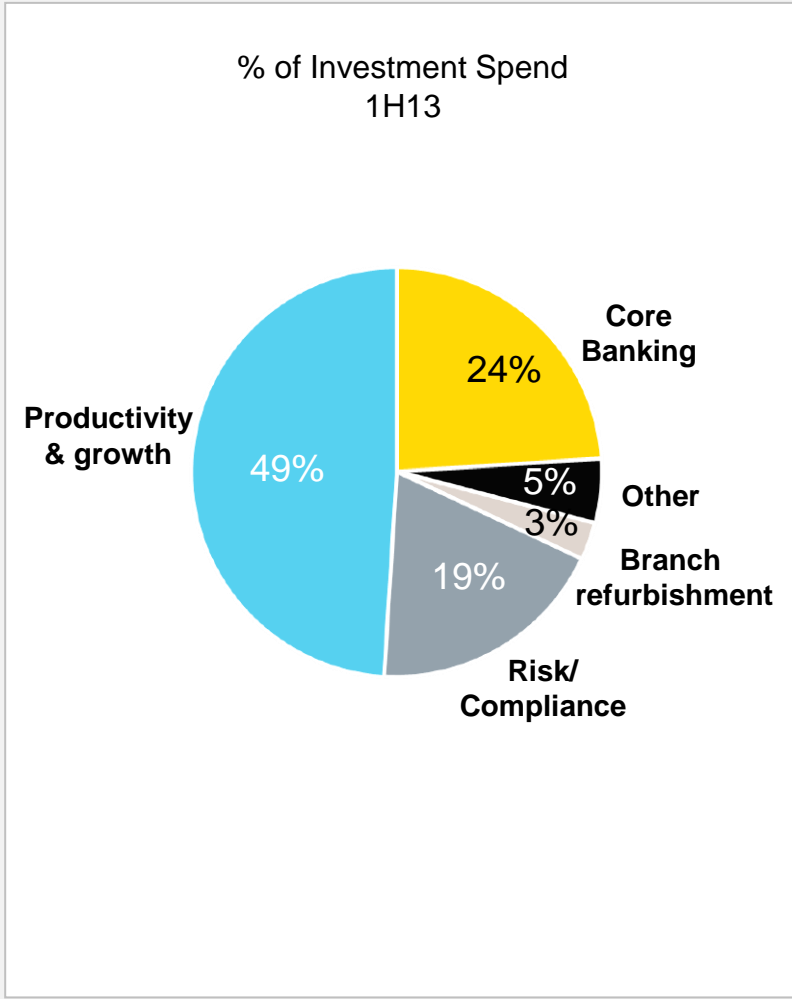


# Additional information

## Investment Spend

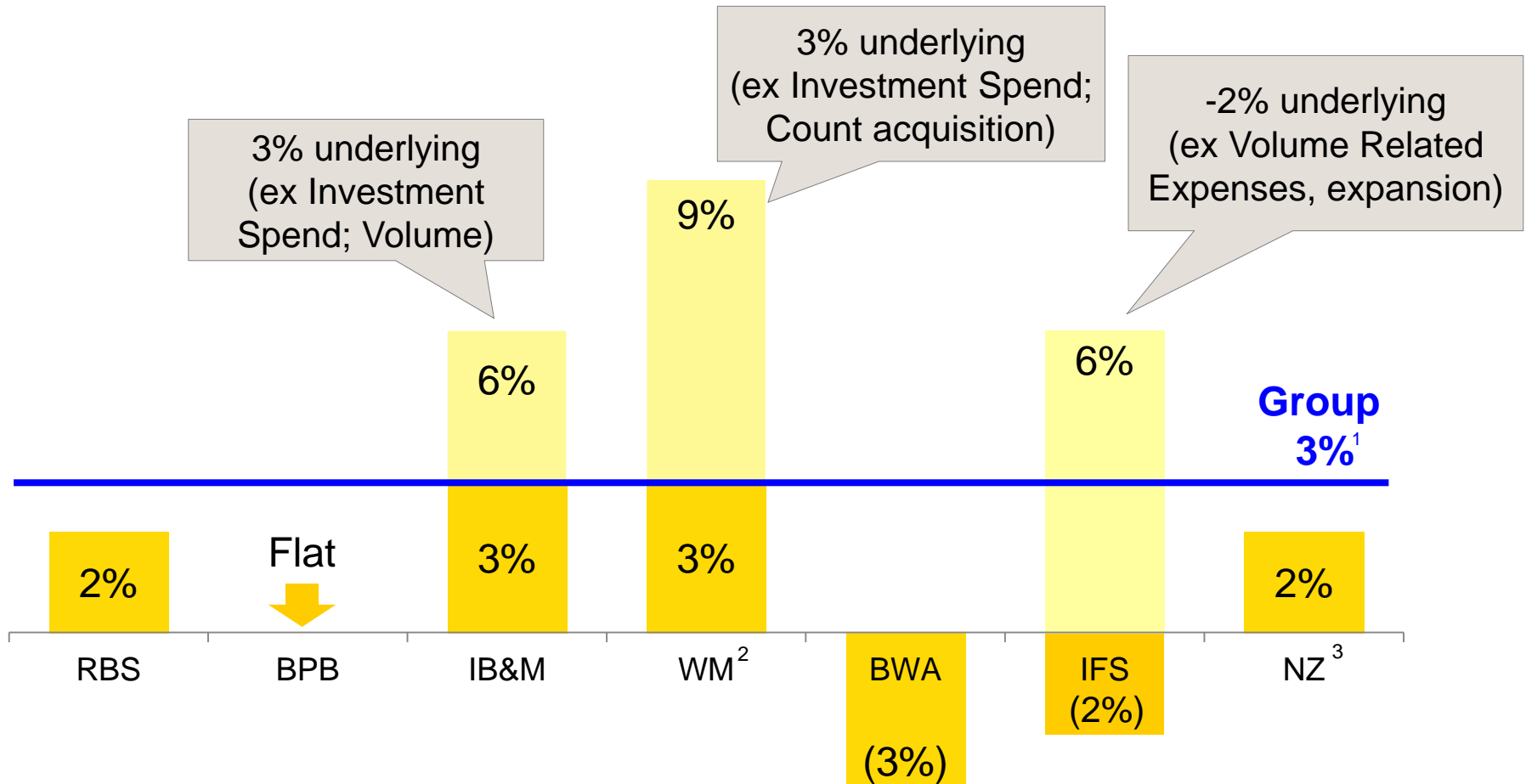


## Investment Spend Profile



# Productivity focus enables continuing investment

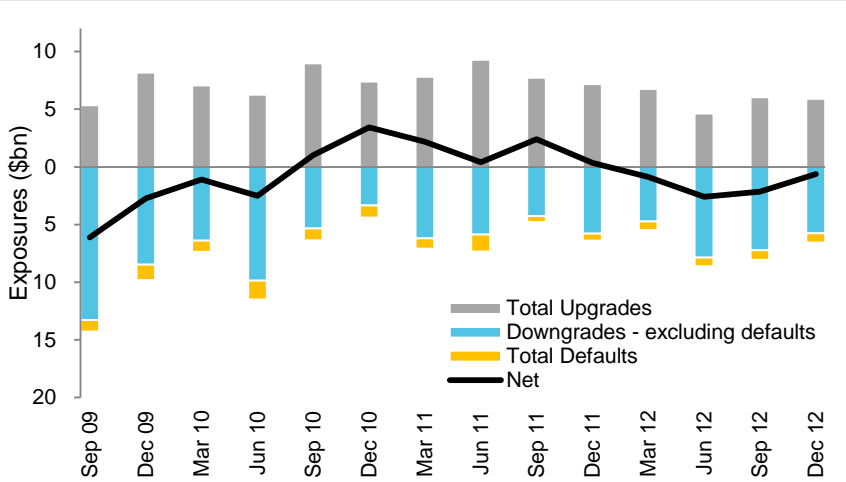
## Total Operating Expenses 1H13 vs 1H12



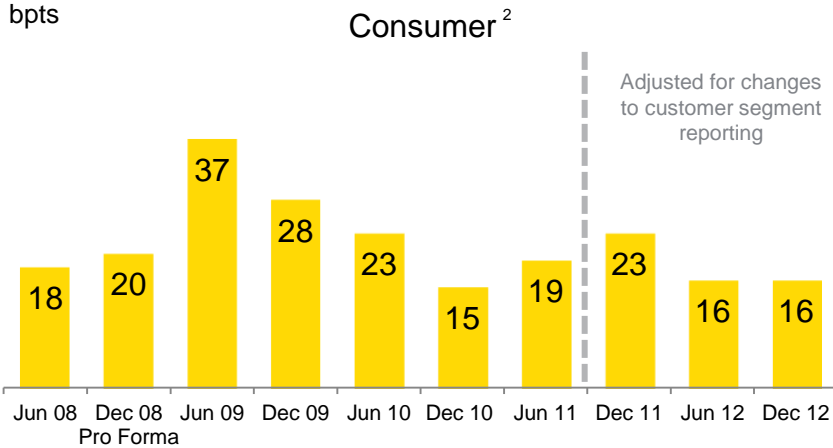
1 Includes volume related expenses.  
 2 Excludes volume related expenses.  
 3 NZD.

# Additional information

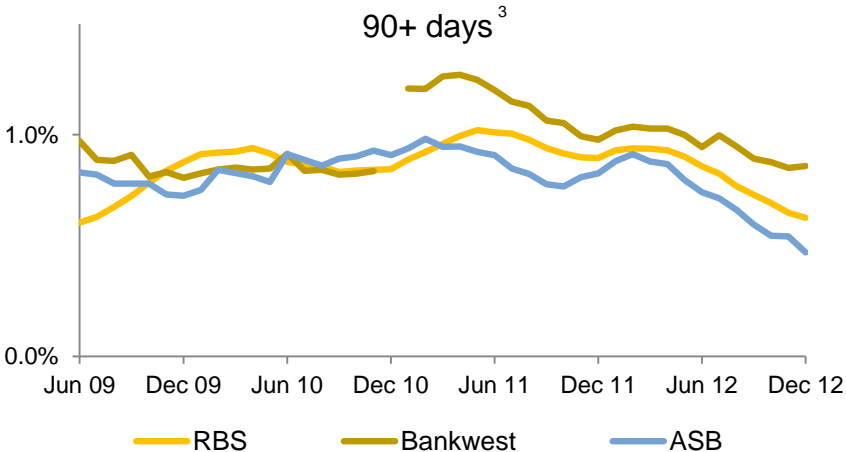
## PD Ratings Migration Risk-Rated Portfolio<sup>1</sup>



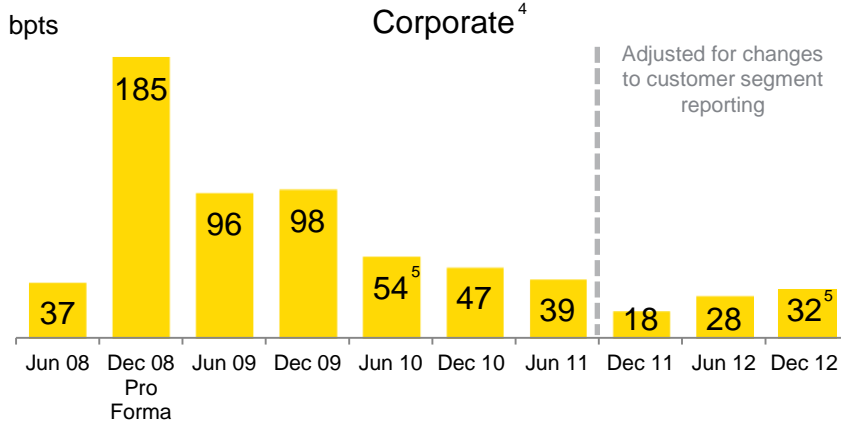
## Loan Impairment Expense (Cash) to Gross Loans



## Home Loan Arrears



## Loan Impairment Expense (Cash) to Gross Loans



<sup>1</sup> Excludes Banks and Sovereigns.

<sup>2</sup> Represents Retail Banking Services, ASB Retail and Bankwest Retail. Six months annualised basis points as a percentage of Gross Loans and Acceptances.

<sup>3</sup> Bankwest arrears updated to reflect change in arrears methodology.

<sup>4</sup> Represents Institutional Banking and Markets, Business and Private Banking, ASB Business and Bankwest Business. Six months annualised basis points as a percentage of Gross Loans and Acceptances.

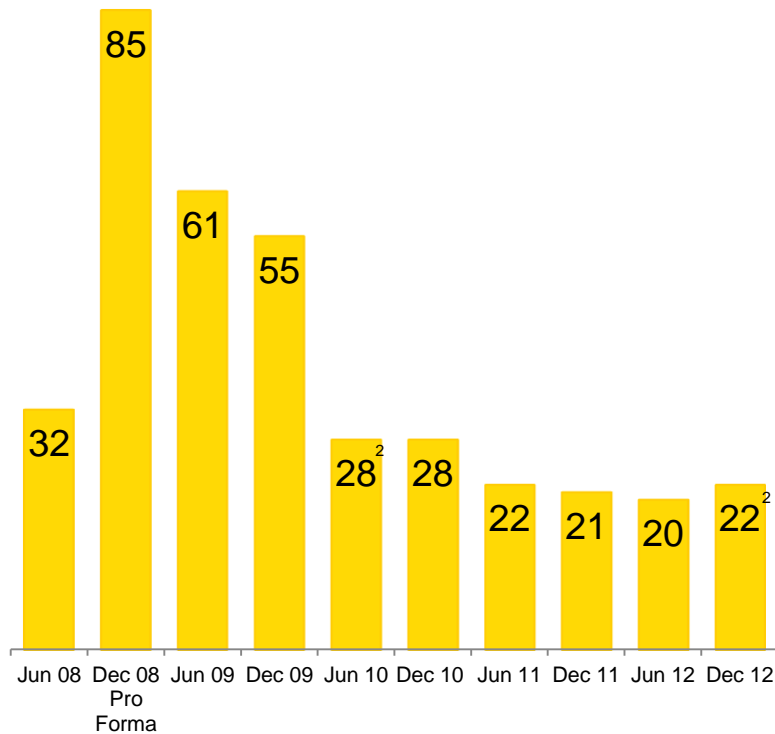
<sup>5</sup> Statutory LIE for June 2010 90 bpts and for December 2012 38 bpts.



# Sound credit quality

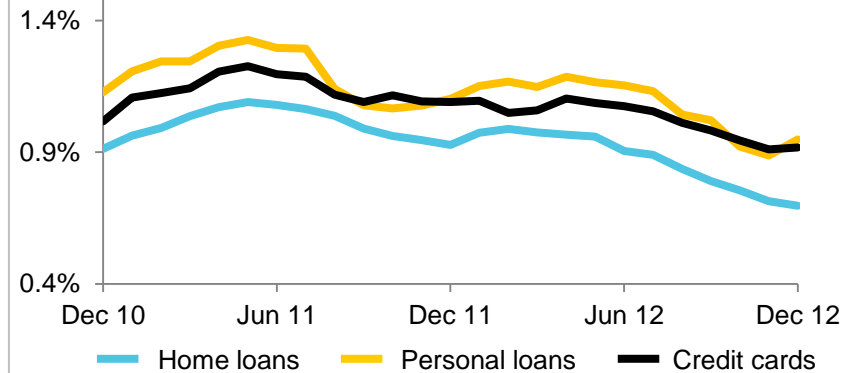
## Loan Impairment Expense (Cash) to Gross Loans

CBA Group<sup>1</sup>  
Six months annualised  
(basis points)

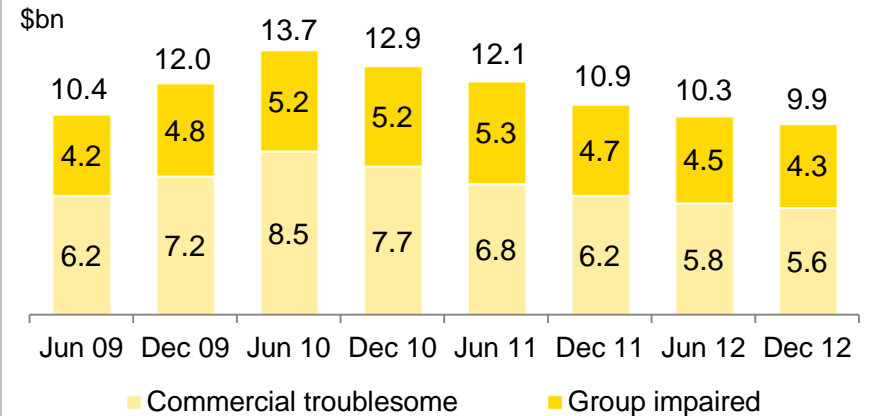


## Group Consumer Arrears

90+ days



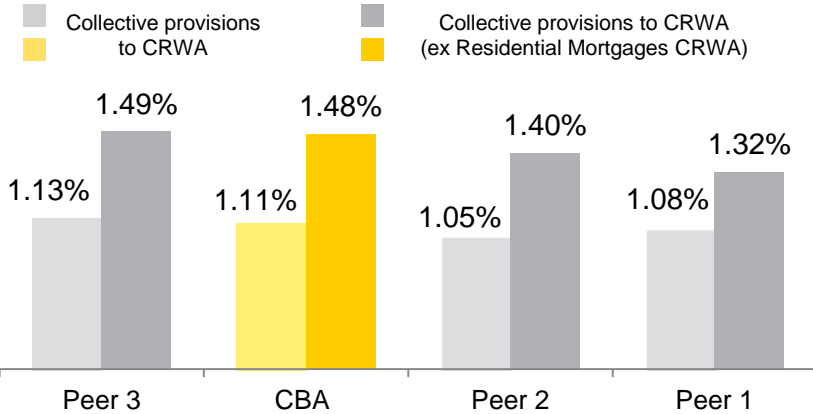
## Troublesome and Impaired Assets



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 Statutory LIE for June 2010 40 bpts and for December 2012 25 bpts.

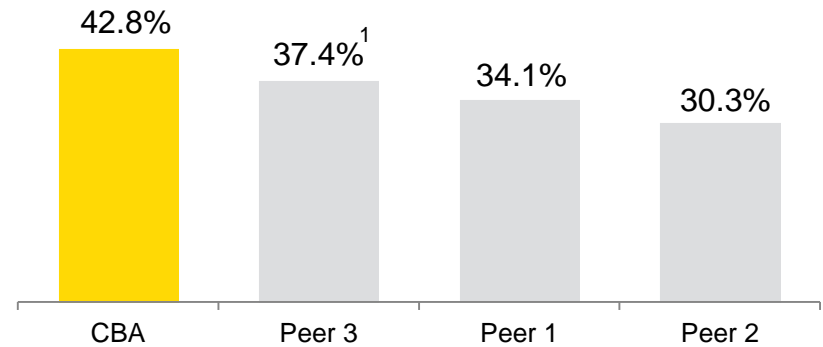
# Additional information

## Collective Provisions to Credit RWA



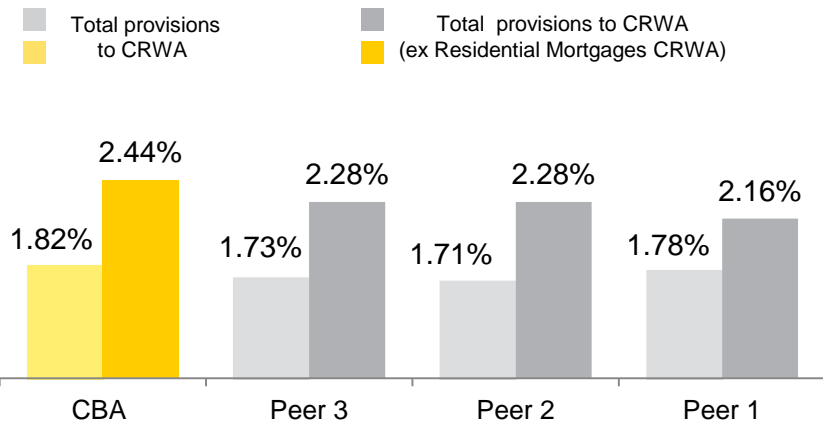
CBA at 31 December 2012 and Peers at 30 September 2012.

## Individual Provisions to Impaired Assets



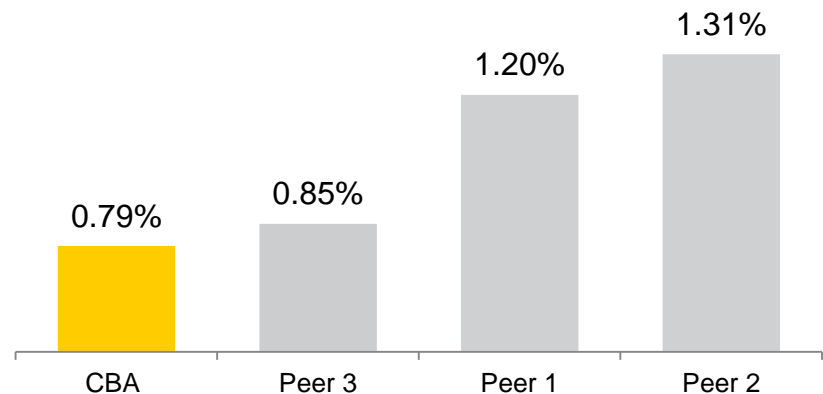
CBA at 31 December 2012 and Peers at 30 September 2012.

## Total Provisions<sup>2</sup> to Credit RWA



CBA at 31 December 2012 and Peers at 30 September 2012.

## Impaired Assets to GLAs<sup>3</sup>



CBA at 31 December 2012 and Peers at 30 September 2012.

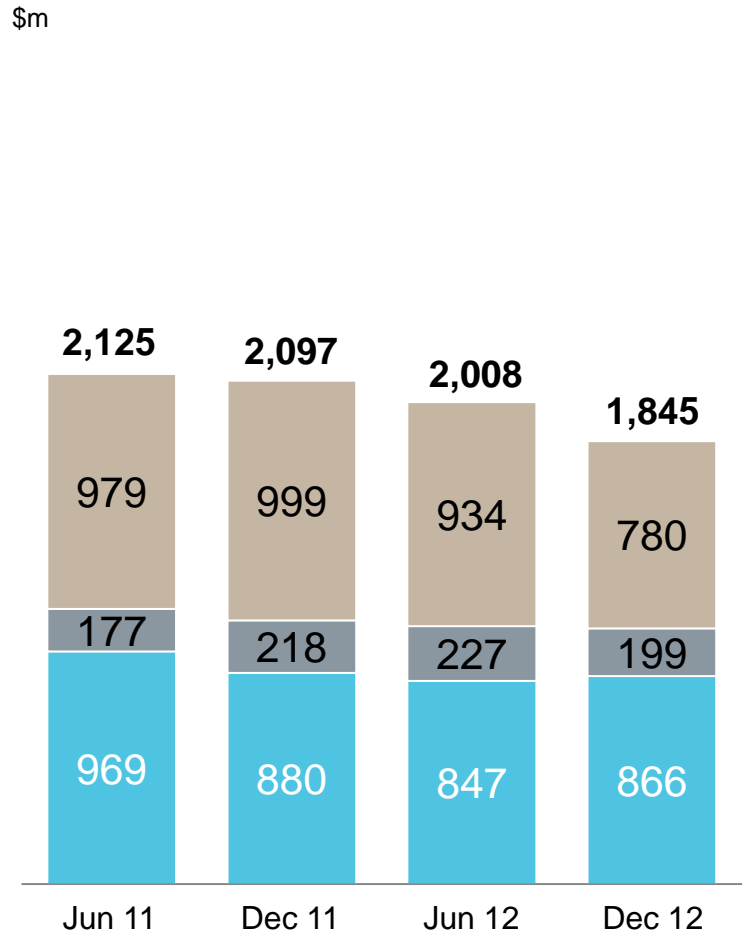
<sup>1</sup> Impairment Provisions to Impaired Assets.

<sup>2</sup> Provisions do not include General Reserve for Credit Losses, equity reserves or other similar adjustments.

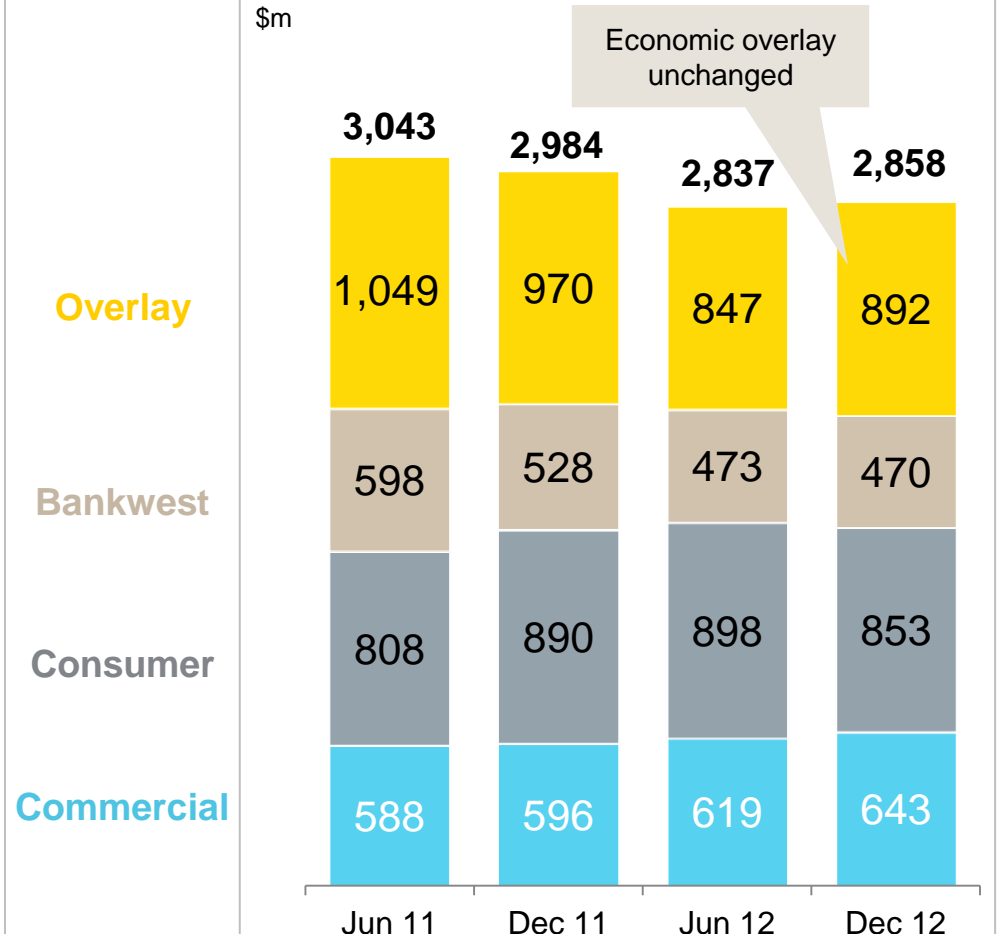
<sup>3</sup> Gross Loans and Acceptances.

# Provisioning

## Individual Provisions

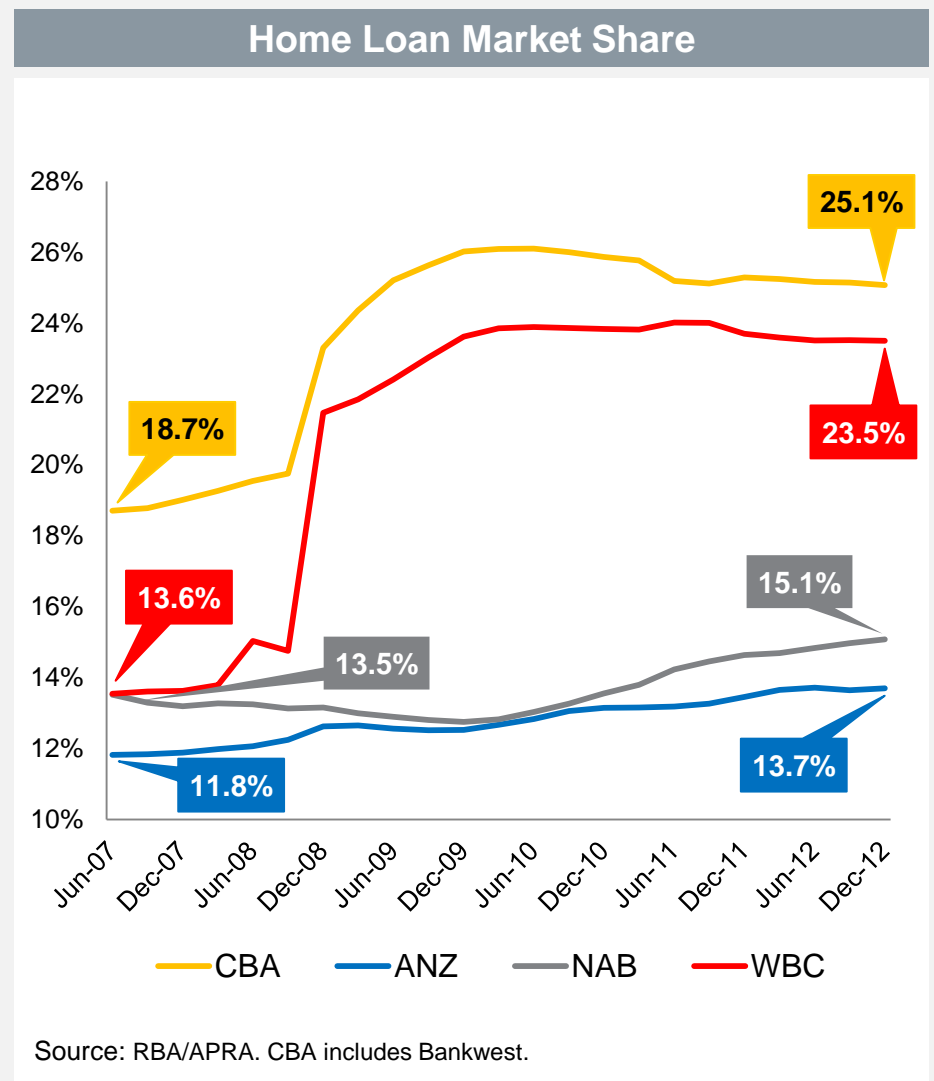


## Collective Provisions



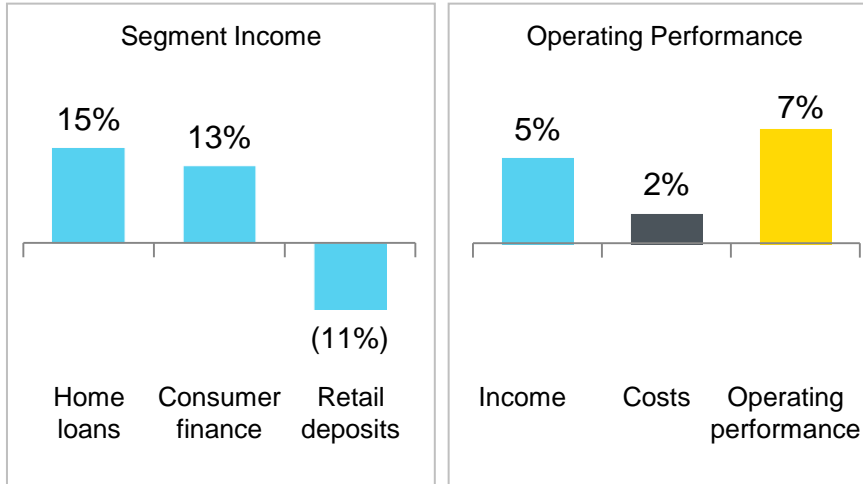
# Additional information

<b>Retail Banking Services</b>	<b>Dec 12 \$m</b>	<b>Dec 12 vs Dec 11</b>
Home loans	1,545	15%
Consumer finance	1,014	13%
Retail deposits	1,120	(11%)
Distribution	178	7%
Business products	61	-
<b>Total banking income</b>	<b>3,918</b>	<b>5%</b>
Operating expenses	(1,524)	2%
<b>Operating performance</b>	<b>2,394</b>	<b>7%</b>
Impairment expense	(246)	(29%)
Tax	(642)	16%
<b>Cash net profit after tax</b>	<b>1,506</b>	<b>13%</b>

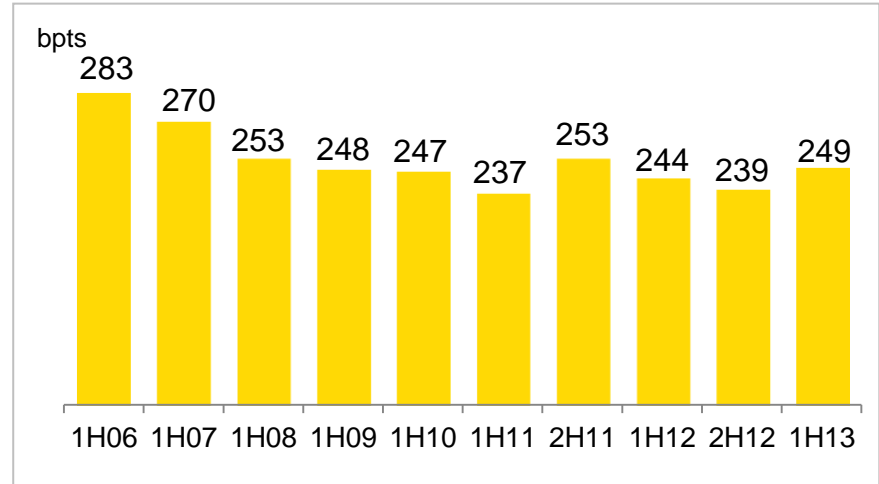


# Retail Banking Services

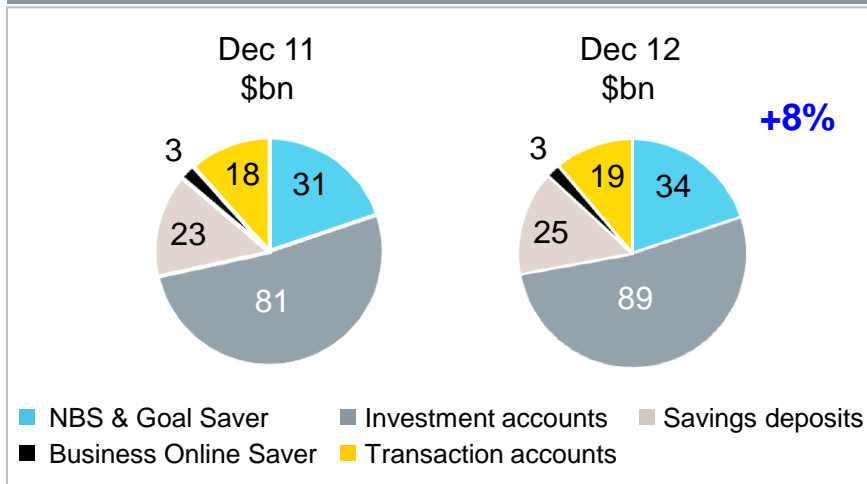
## 1H13 vs 1H12



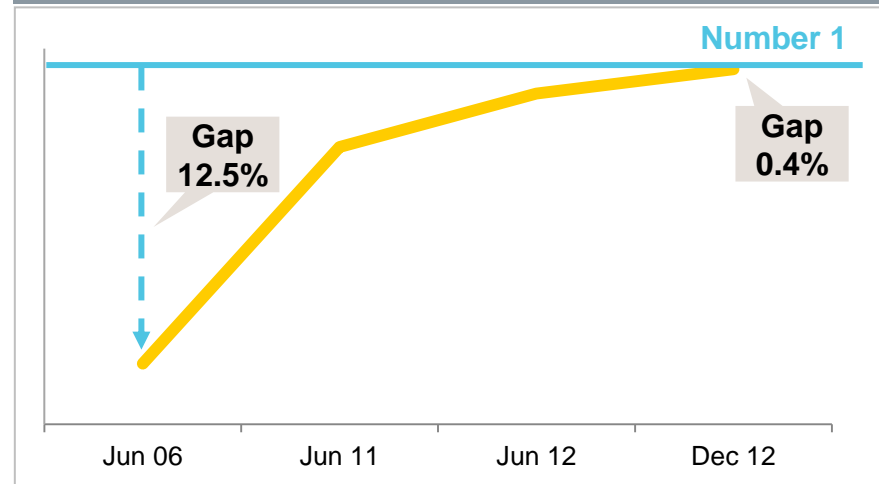
## RBS Margin



## Retail Deposit Mix



## Retail MFI Customer Satisfaction<sup>1</sup> - Gap to No 1



<sup>1</sup> Refer notes slide at back of this presentation for source information.

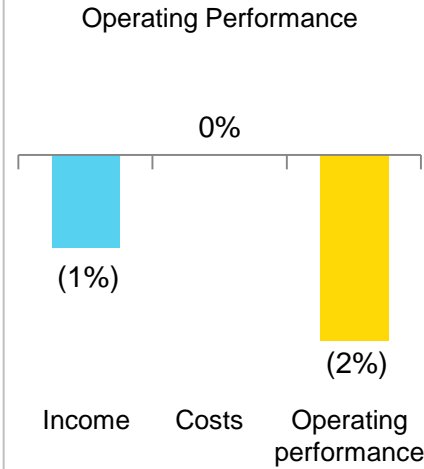
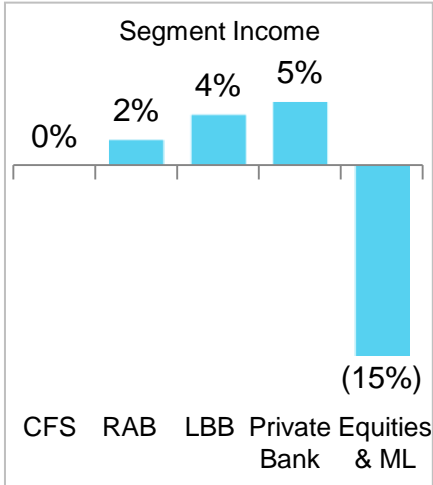
## Additional information

<b>Business &amp; Private Banking</b>	<b>Dec 12 \$m</b>	<b>Dec 12 vs Dec 11</b>
Corporate Financial Services	666	-
Regional and Agribusiness	313	2%
Local Business Banking	591	4%
Private Bank	139	5%
Equities and Margin Lending	155	(15%)
Other	16	(60%)
<b>Total banking income</b>	<b>1,880</b>	<b>(1%)</b>
Operating expenses	(678)	-
<b>Operating performance</b>	<b>1,202</b>	<b>(2%)</b>
Impairment expense	(150)	16%
Tax	(317)	(4%)
<b>Cash net profit after tax</b>	<b>735</b>	<b>(4%)</b>

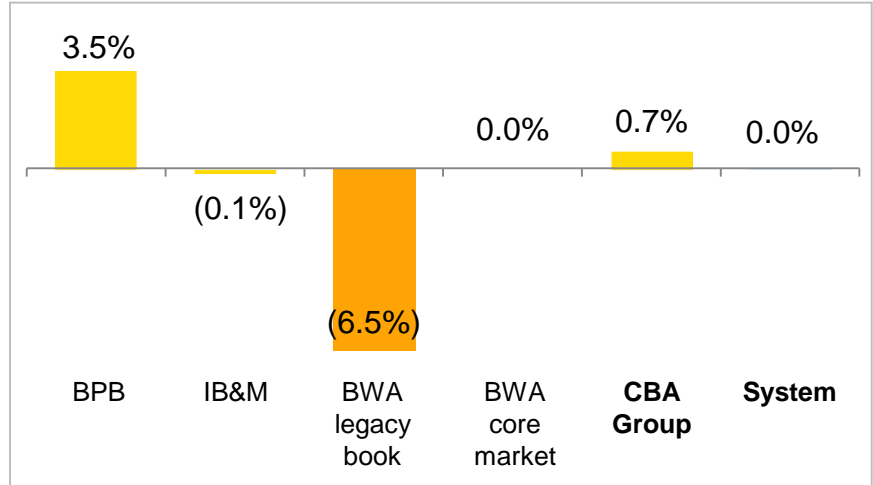
<b>Institutional Banking &amp; Markets</b>	<b>Dec 12 \$m</b>	<b>Dec 12 vs Dec 11</b>
Institutional Banking	987	1%
Markets	341	61%
<b>Total banking income</b>	<b>1,328</b>	<b>12%</b>
Operating expenses	(442)	6%
<b>Operating performance</b>	<b>886</b>	<b>15%</b>
Impairment expense	(97)	Large
Tax	(186)	10%
<b>Cash net profit after tax</b>	<b>603</b>	<b>6%</b>

# Corporate

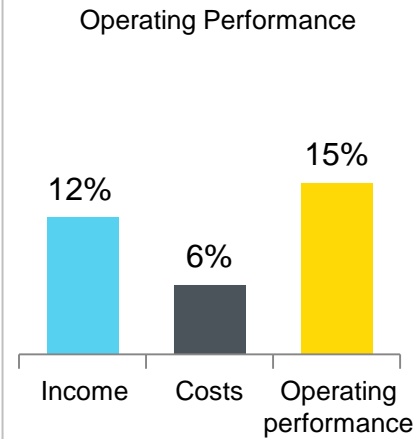
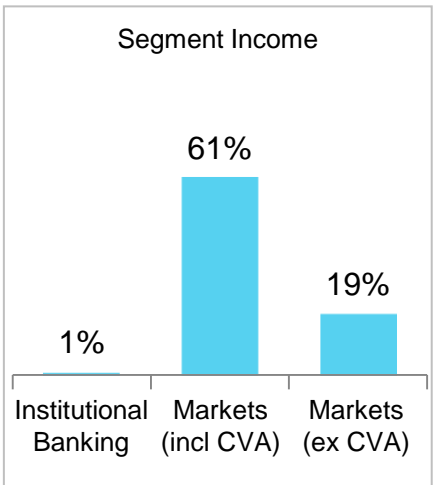
## 1H13 vs 1H12 - BPB



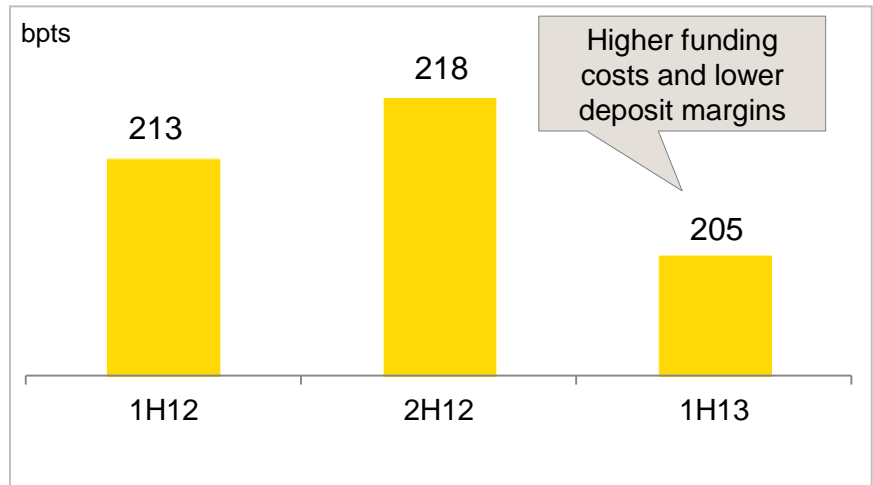
## Business Lending Growth (RBA)<sup>1</sup>



## 1H13 vs 1H12 - IB&M



## NIM<sup>2</sup>

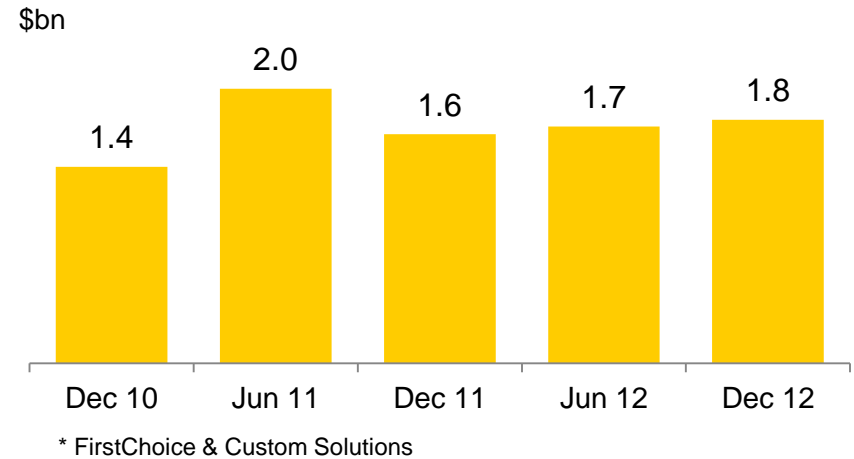


1 Source: RBA. Six months to Dec 12 annualised.  
 2 Combined Institutional Banking and Markets and Business and Private Banking.

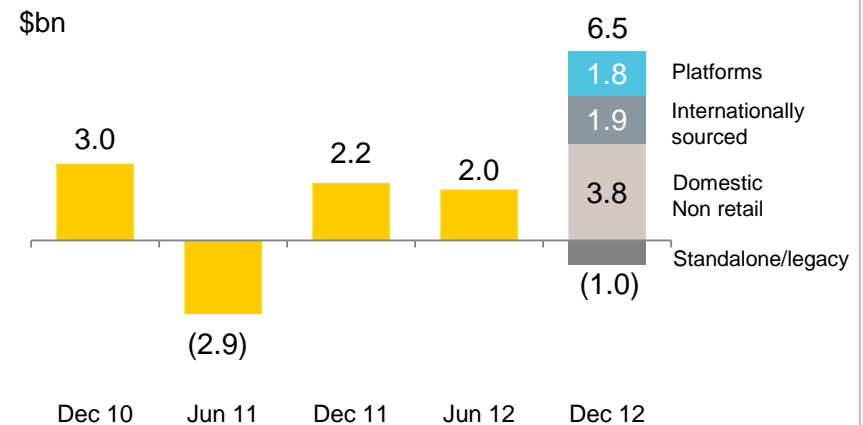
# Additional information

<b>Wealth Management</b>	<b>Dec 12 \$m</b>	<b>Dec 12 vs Dec 11</b>
CFSGAM	406	7%
Colonial First State	379	28%
CommInsure	333	(3%)
Other	(1)	-
<b>Net operating income</b>	<b>1,117</b>	<b>10%</b>
Operating expenses	(743)	9%
Tax	(101)	15%
<b>Underlying profit after tax</b>	<b>273</b>	<b>10%</b>
Investment experience	61	11%
<b>Cash net profit after tax</b>	<b>334</b>	<b>10%</b>

## Platform\* Half Year Net Flows



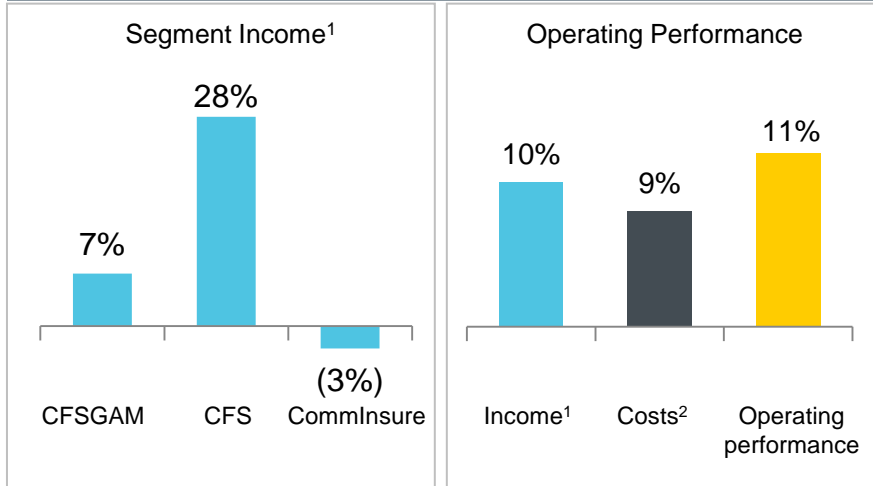
## FUA Net Flows



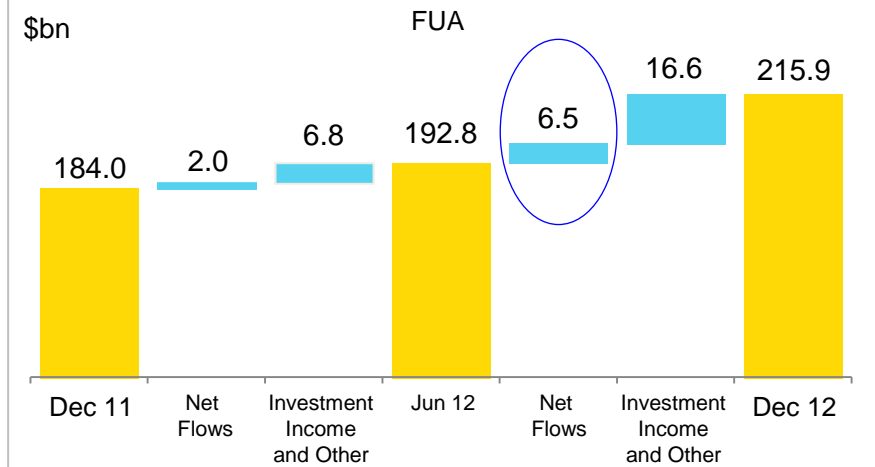


# Wealth Management

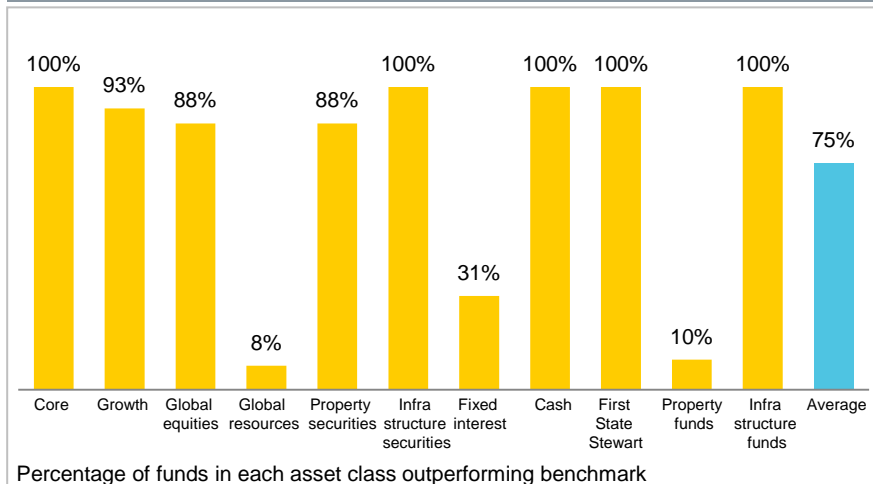
## 1H13 vs 1H12



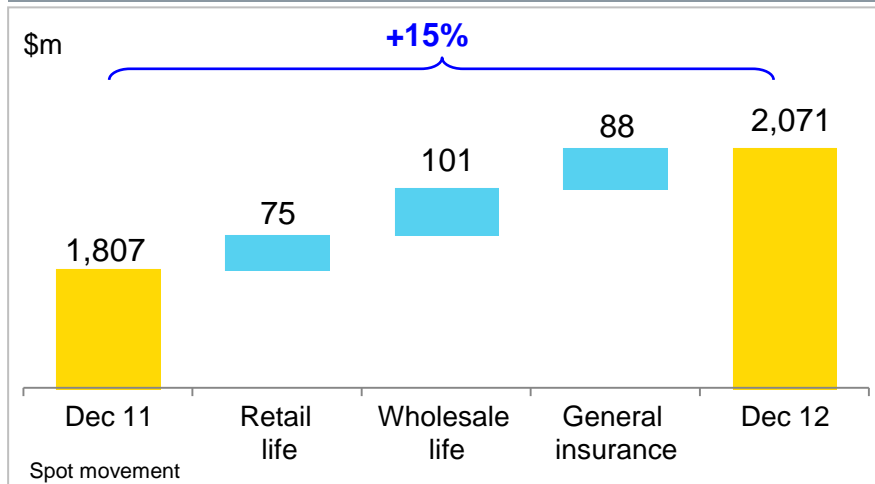
## Highest Net Flows for 5 years



## Strong Investment Performance – 3 years



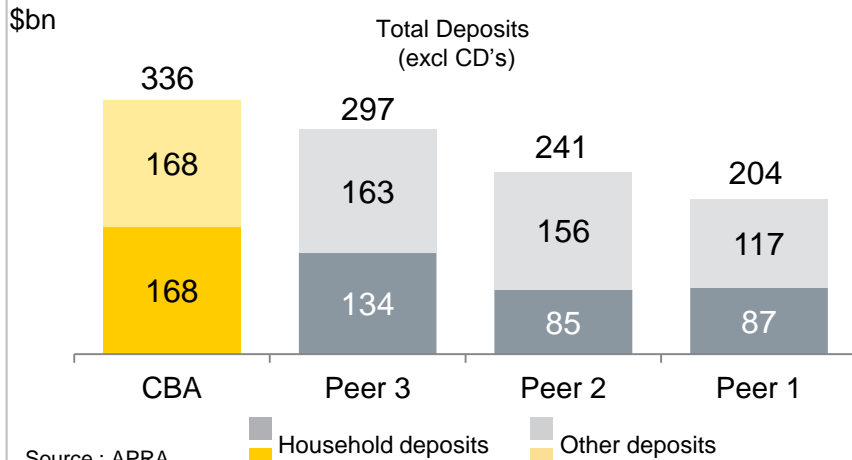
## Inforce Premiums



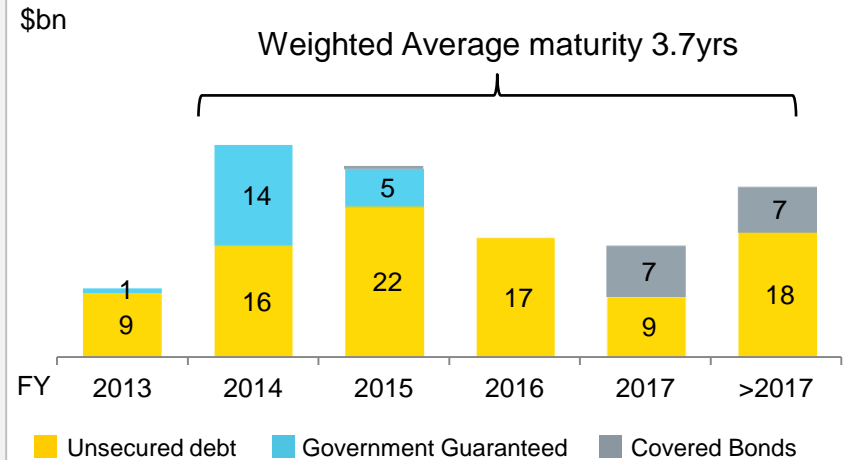
1 Net operating income.  
 2 Operating expenses.  
 Excludes volume related expenses.

# Additional information

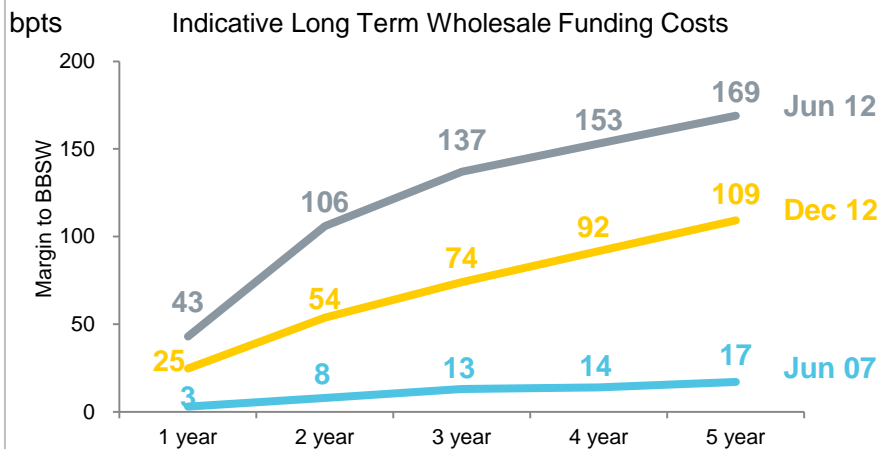
## Australian Deposits



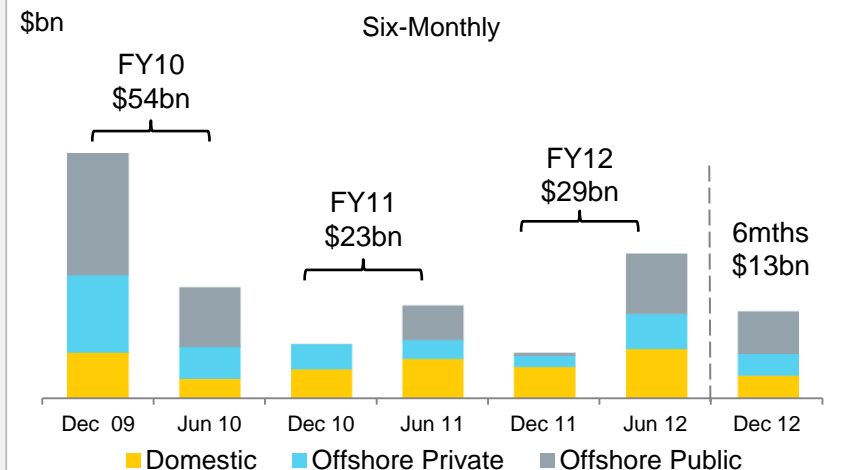
## Term Maturity Profile<sup>1</sup>



## Funding Costs<sup>2</sup>



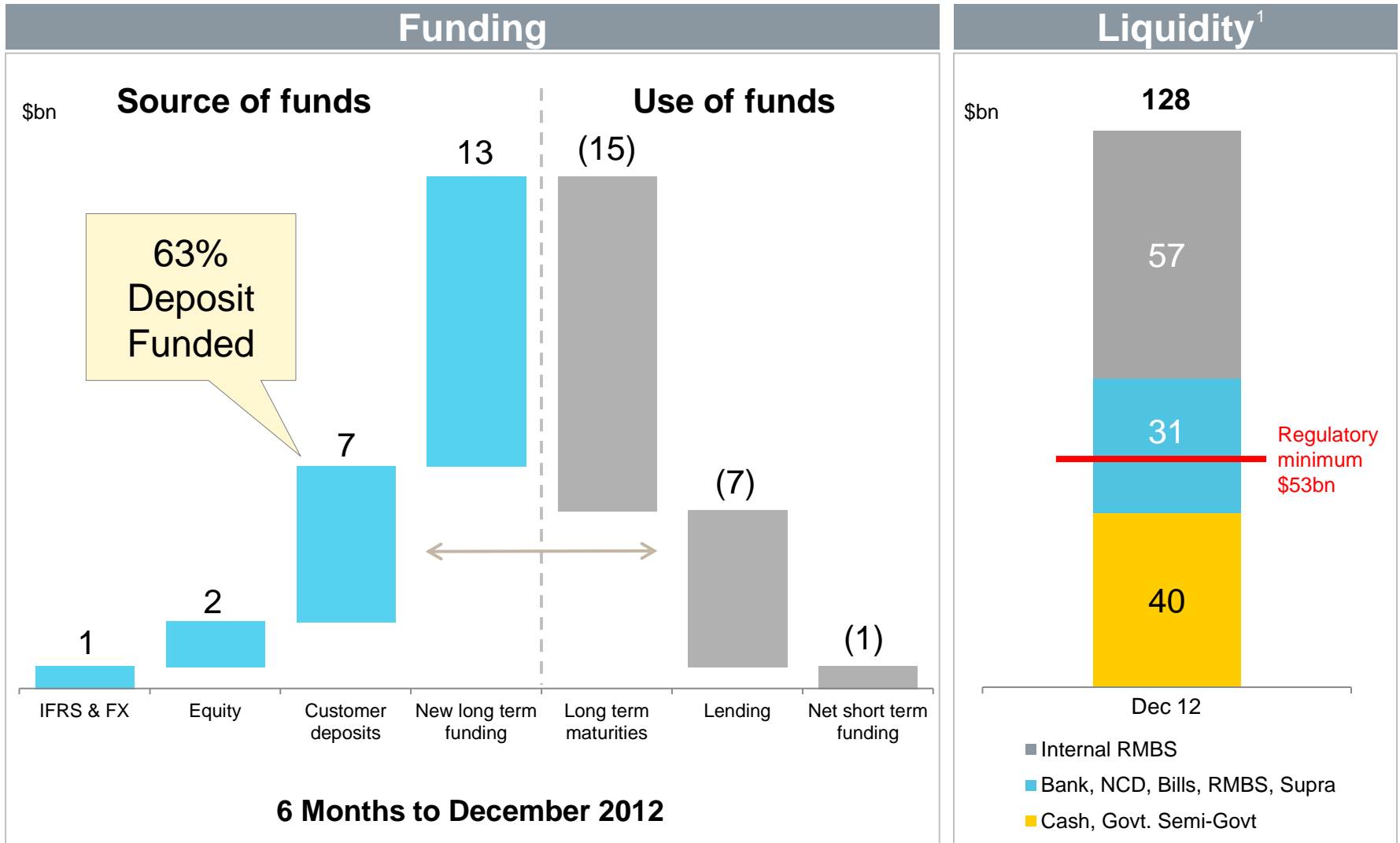
## Term Issuance



1 Maturity profile includes all long term wholesale debt. Weighted Average Maturity of 3.7 years includes all deals with first call or maturity of 12 months or greater.

2 CBA Group Treasury estimated blended wholesale funding costs.

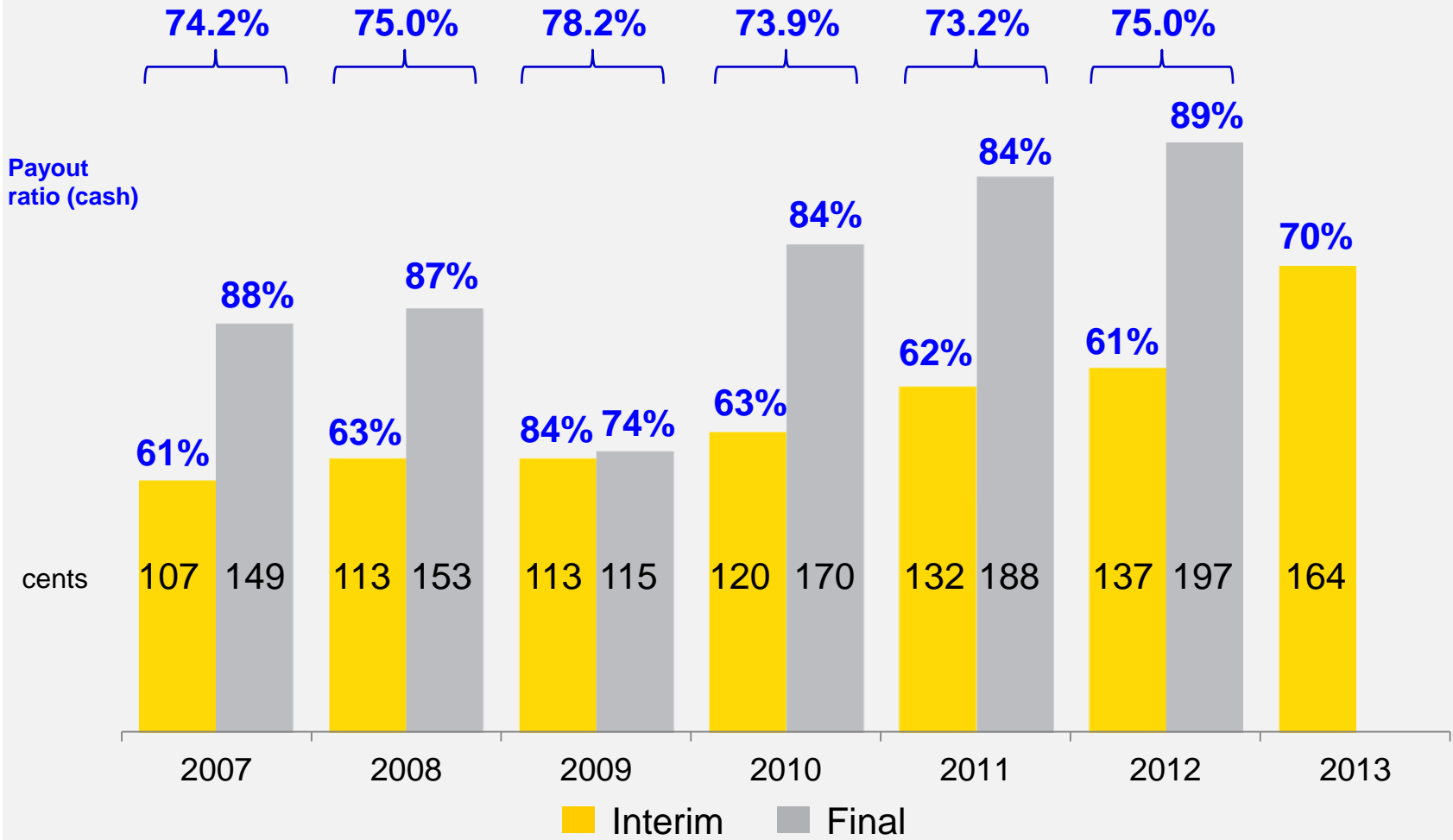
# Funding & Liquidity



1 Group liquid holdings as at 31 December 2012. Liquids reported post applicable haircuts.

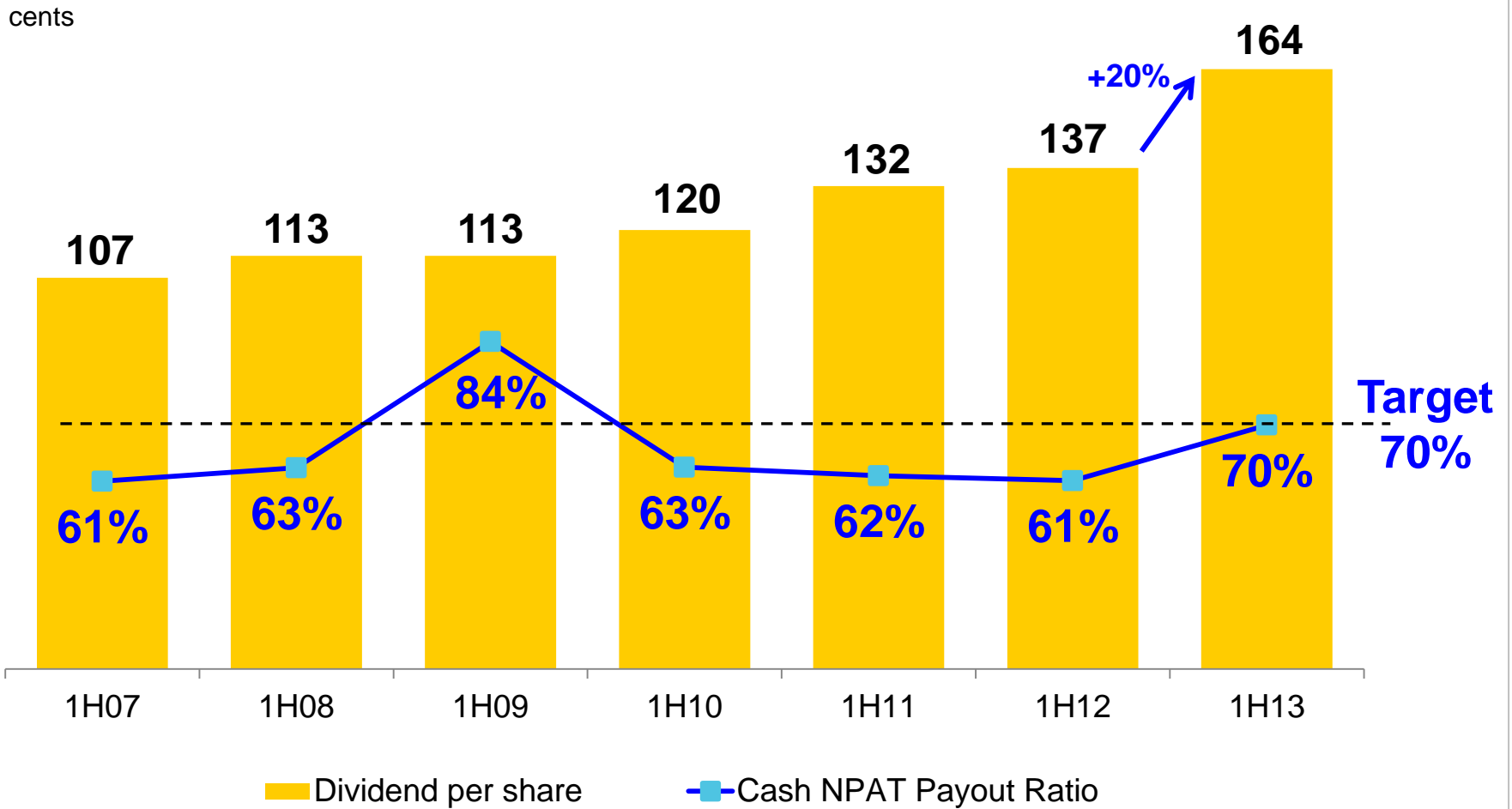
# Additional information

## Dividends Per Share



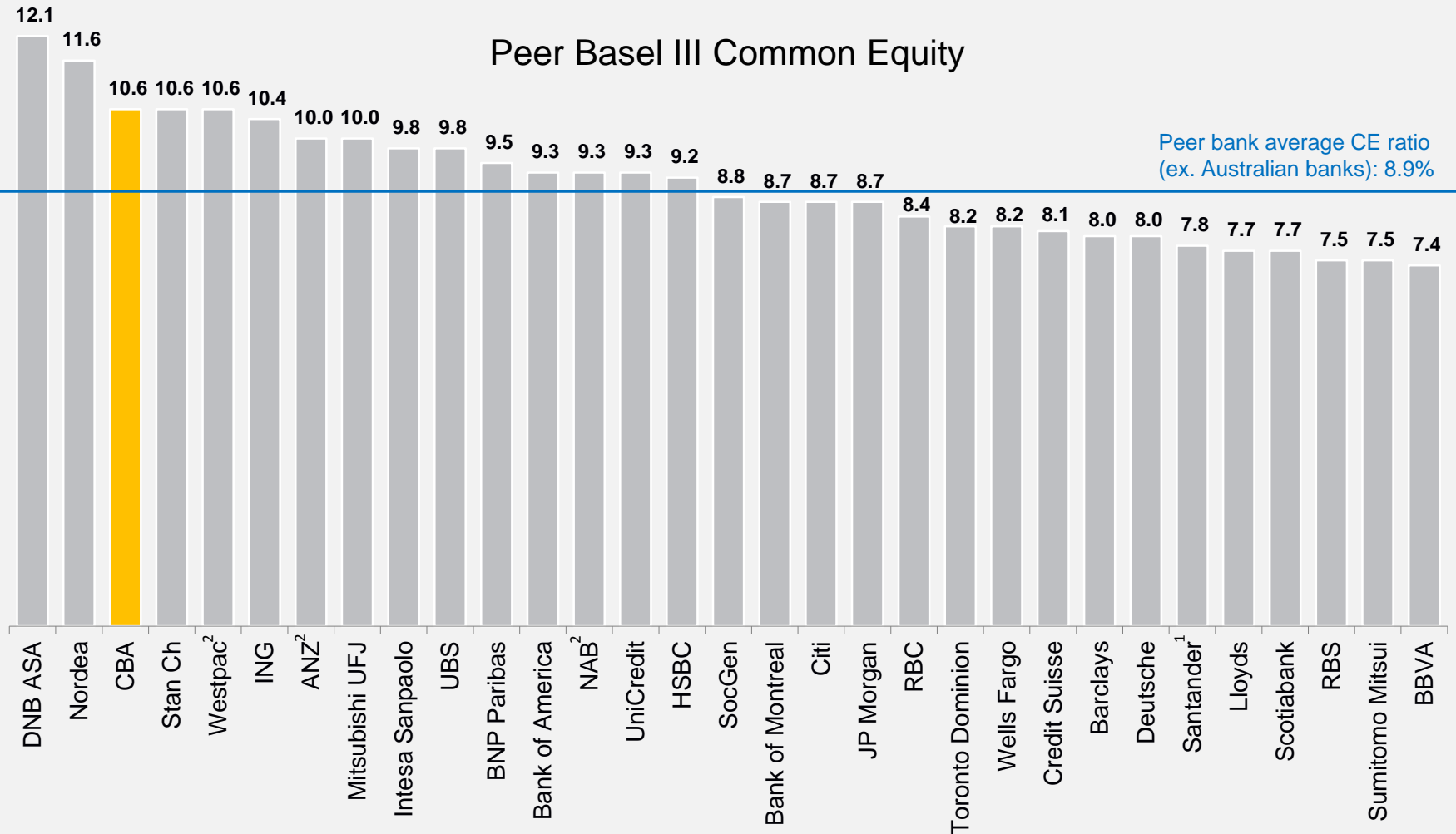
# Interim Dividend

## Dividend per share



# Additional information

## Peer Basel III Common Equity



Source: Morgan Stanley. Based on last reported Common Equity ratios up to 8 February 2013 assuming Basel III capital reforms fully implemented.

Peer group comprises listed commercial banks with total assets in excess of A\$400 billion and who have disclosed fully implemented Basel III ratios or provided sufficient disclosure for a Morgan Stanley Equity Research estimate.

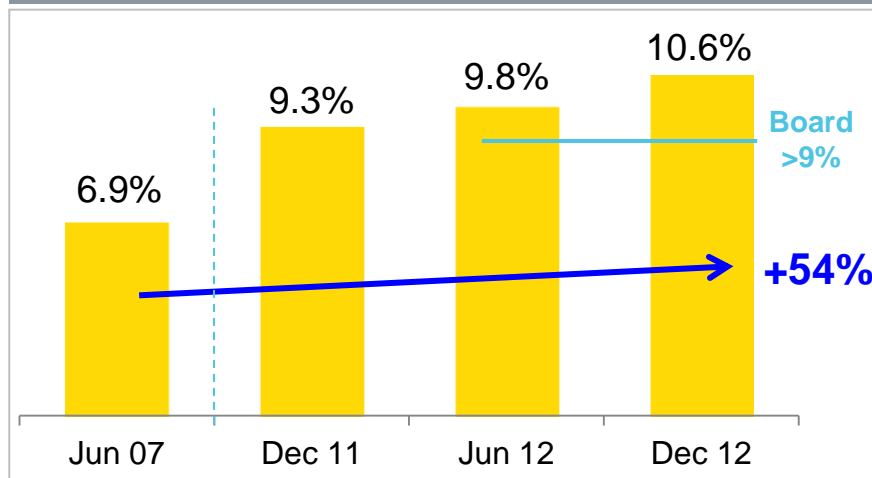
<sup>1</sup> Based on Morgan Stanley Equity Research estimates. For all other banks the ratios have been derived directly from company disclosures.

<sup>2</sup> Domestic peer figures as at September 2012.

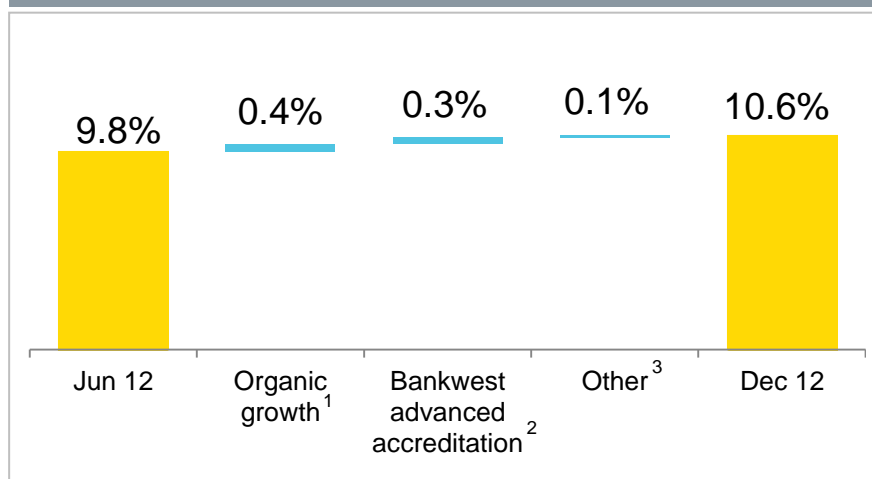
# Strong Capital Position

- ◆ Basel III CET1 International of 10.6%\* vs peer average 8.9%
- ◆ Up 54% since Jun 07
- ◆ Basel III CET1 APRA 8.1% (Jun 12: 7.5%)
- ◆ DRP neutralisation for this half
- ◆ Basel II Tier 1:
  - APRA 10.5%
  - UK FSA 14.6%

Basel III International Common Equity Tier 1



Basel III Int'l CET 1 Mvt - Dec 2012 Half Year



\* Assumes Basel III Capital 2019 reforms have been fully implemented.

<sup>1</sup> Basel III organic growth includes Cash earnings, net of Dividends and DRP associated with the June 2012 Final Dividend, and underlying growth in Credit RWA.

<sup>2</sup> Represent benefit from reduction in Credit RWA. APRA extended the Group's Advanced Internal Ratings based accreditation to include Bankwest non retail loans and residential mortgages from 31 December 2012.

<sup>3</sup> Other includes favourable movements in AFS reserves and actuarial gains for the defined benefits super fund.

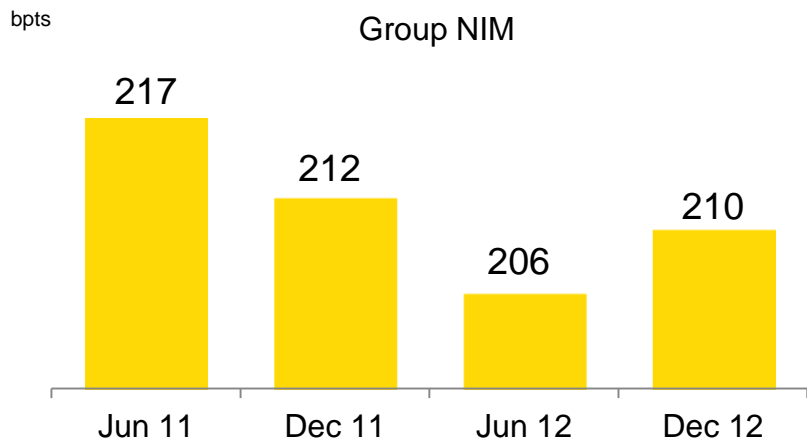




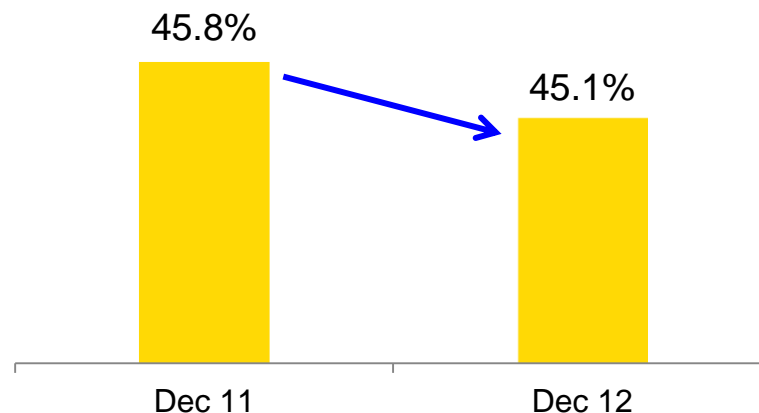


# Summary - responding to the environment

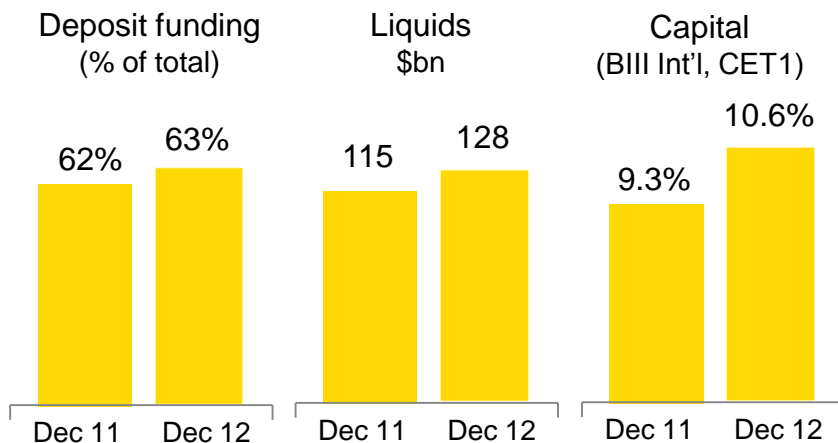
## Managing margins



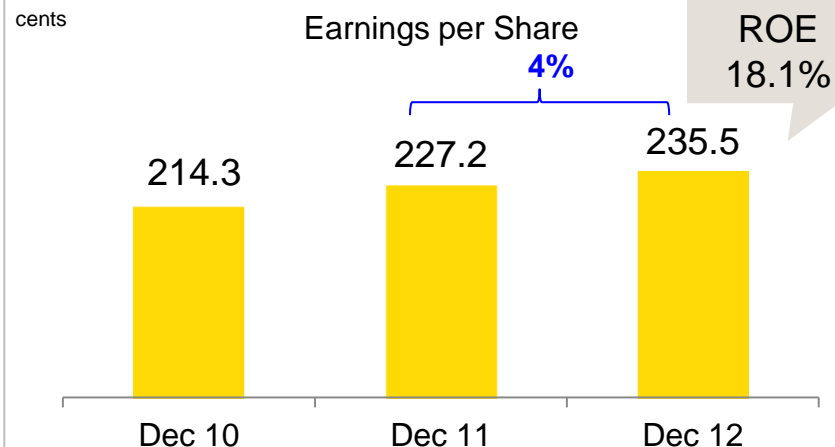
## Improving cost-to-income



## Maintaining conservative settings



## Delivering strong, sustainable returns





# Results Presentation

For the half year ended 31 December 2012

CommonwealthBank



**Ian Narev**

CHIEF EXECUTIVE OFFICER

# Additional information

## Economic Summary

As at June

	2009	2010	2011	2012	2013 (f)	2014 (f)
Credit Growth % – Total	3.2	3.0	2.7	4.4	3-5	5½-7½
Credit Growth % – Housing	6.5	8.0	6.0	5.0	4-6	5½-7½
Credit Growth % – Business	0.9	-4.0	-2.1	4.5	1½-3½	6-8
Credit Growth % – Other Personal	-7.1	3.0	0.7	-1.4	-1-1	1½-3½
GDP %	1.6	2.1	2.4	3.5	3.0	2.9
CPI %	3.1	2.3	3.1	2.3	2.5	2.6
Unemployment rate %	4.9	5.5	5.1	5.2	5.5	5.6
Cash Rate %	3	4½	4¾	3½	3	3

CBA Economists Forecasts

Credit Growth

= 12 months to June Qtr

GDP, Unemployment & CPI

= Year average

Cash Rate

= June qtr



# Outlook

---

- ◆ Current operating environment
  - Some improvements in global macro economy
  - Increased stability and lower volatility
  - Positive for global debt and equity markets
- ◆ Going forward
  - Still some downside risk which dictates continued caution
  - Slow but steady rebuild of confidence



# Summary

---

- ◆ Consistent execution of long-term strategic priorities
- ◆ Good revenue growth in a subdued environment
- ◆ Productivity focus enabling investment
- ◆ Stable credit quality reflecting long-term conservatism
- ◆ Strong ROE notwithstanding significantly stronger capital position
- ◆ Strategy delivering results; positioning for the long term

# Results Presentation

For the half year ended 31 December 2012

CommonwealthBank



## SUPPLEMENTARY SLIDES



# Index

**Strategy**

**57**

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Capital, Funding & Liquidity

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# CBA Overview

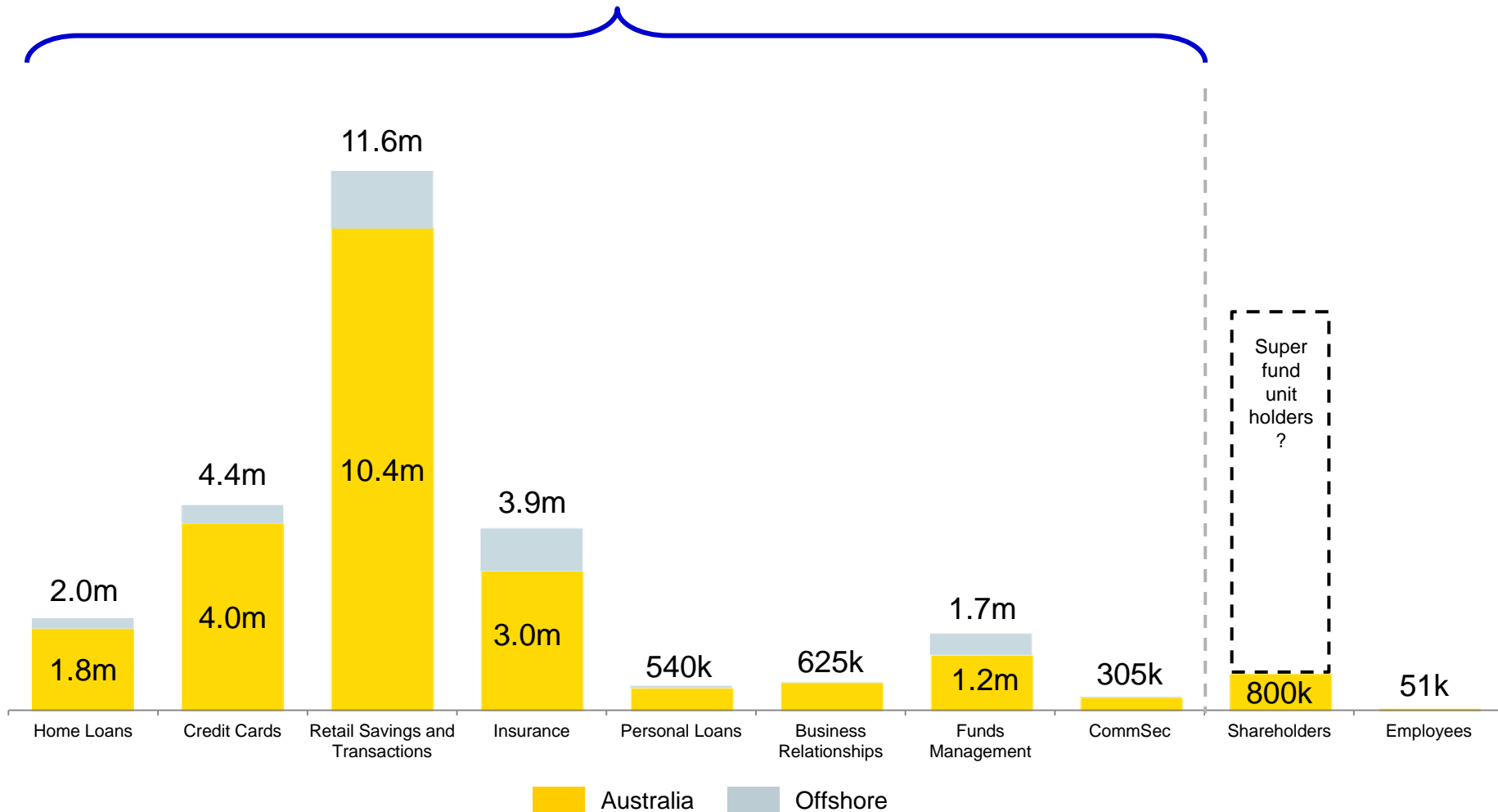
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✓	Largest Australian Bank by market capitalisation
✓	AA- / Aa2 / AA- Credit Ratings (S&P, Moodys, Fitch)
✓	Basel III CET1 Internationally harmonised 10.6%
✓	Total assets of \$721bn
✓	~14.5 million customers
✓	51,000 staff
✓	Over 1,100 branches, leading online platforms
✓	#1 in household deposits
✓	#1 in home lending
✓	#1 FirstChoice platform



# Stakeholders

## Customer Product Holdings<sup>1</sup>

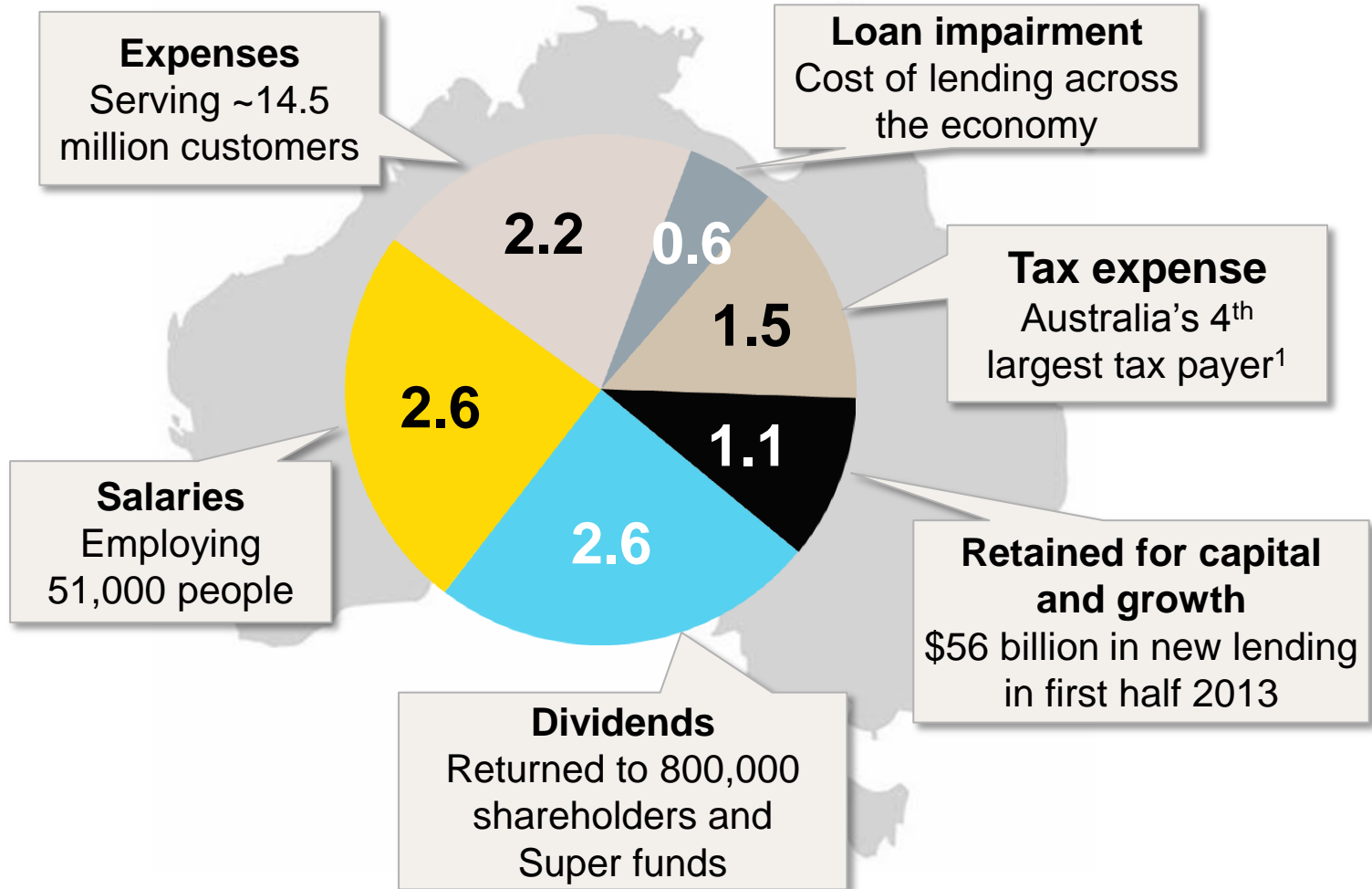


<sup>1</sup> Customers who hold at least one product in each of the major product categories shown. Totals not mutually exclusive – includes cross product holdings. Figures are approximates only and may include some level of duplication across customer segments. CommSec total includes active accounts only.

# Strong contributor to Australian economy

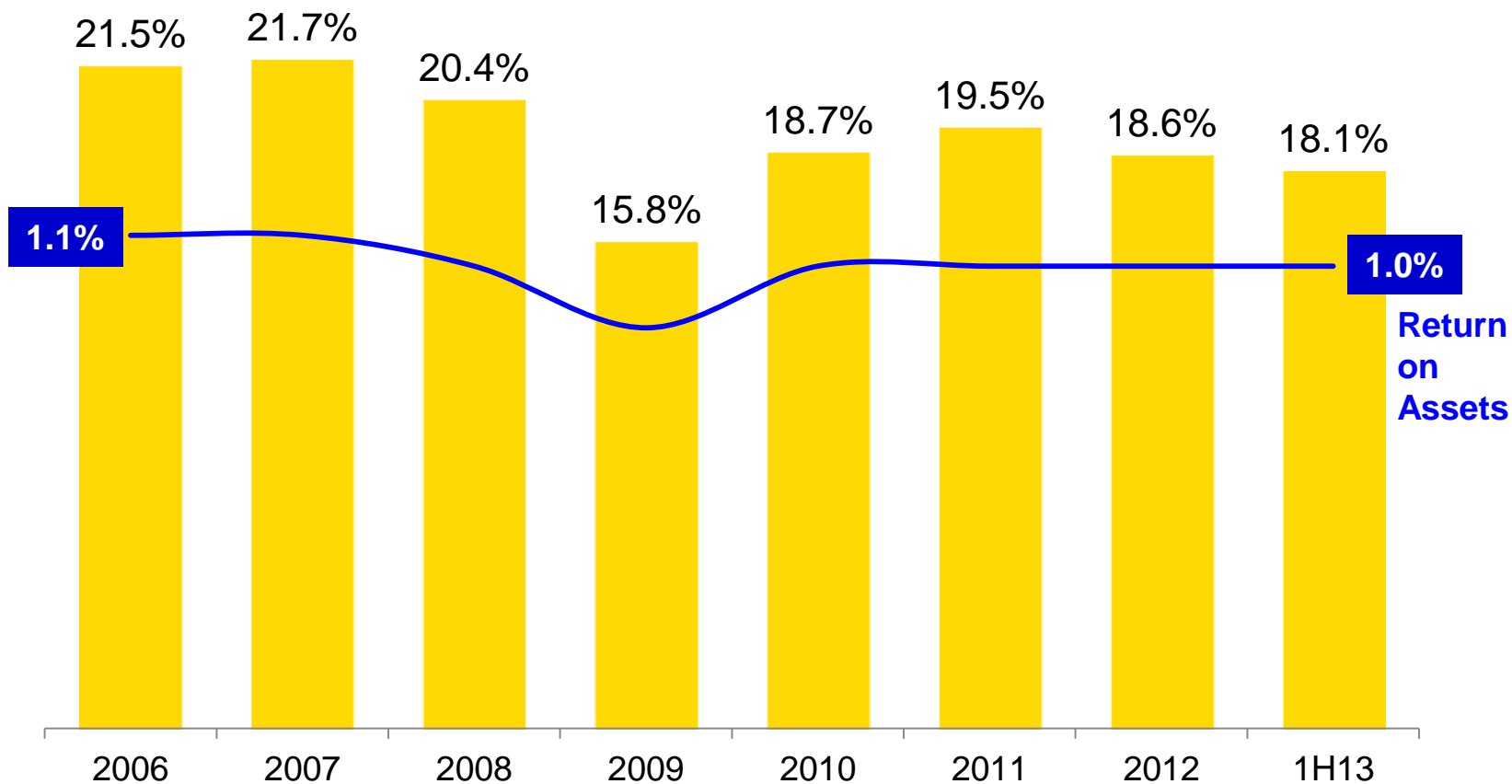
## Where does our income go?

1H13  
(\$bn)

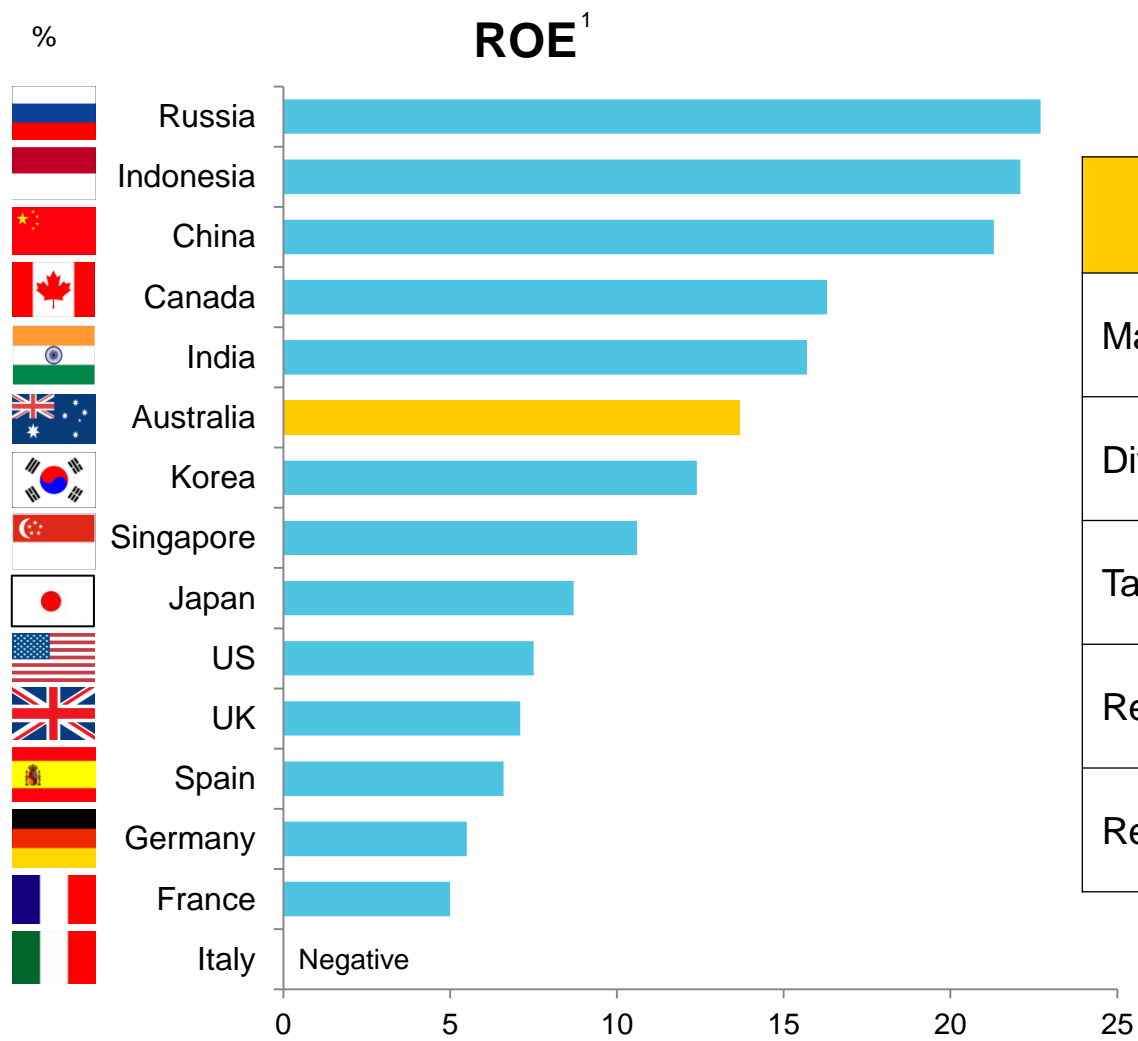


# Return on Equity

## Return on Equity (Cash)



# Bank Profitability



## CBA Ranking (Amongst ASX 100 companies)

	CBA Rank <sup>2</sup>
Market capitalisation (ASX)	2 <sup>nd</sup>
Dividends declared	2 <sup>nd</sup>
Taxes paid	4 <sup>th</sup>
Return-on-Equity (ROE)	23 <sup>rd</sup>
Return-on-Assets (ROA)	77 <sup>th</sup>

1 Source: Factset. Weighted average for listed banks in each country. Statutory ROEs weighted by shareholders' equity.

2 Most recent annual results data amongst ASX 100 companies. Sourced from Bloomberg 29 January 2013.

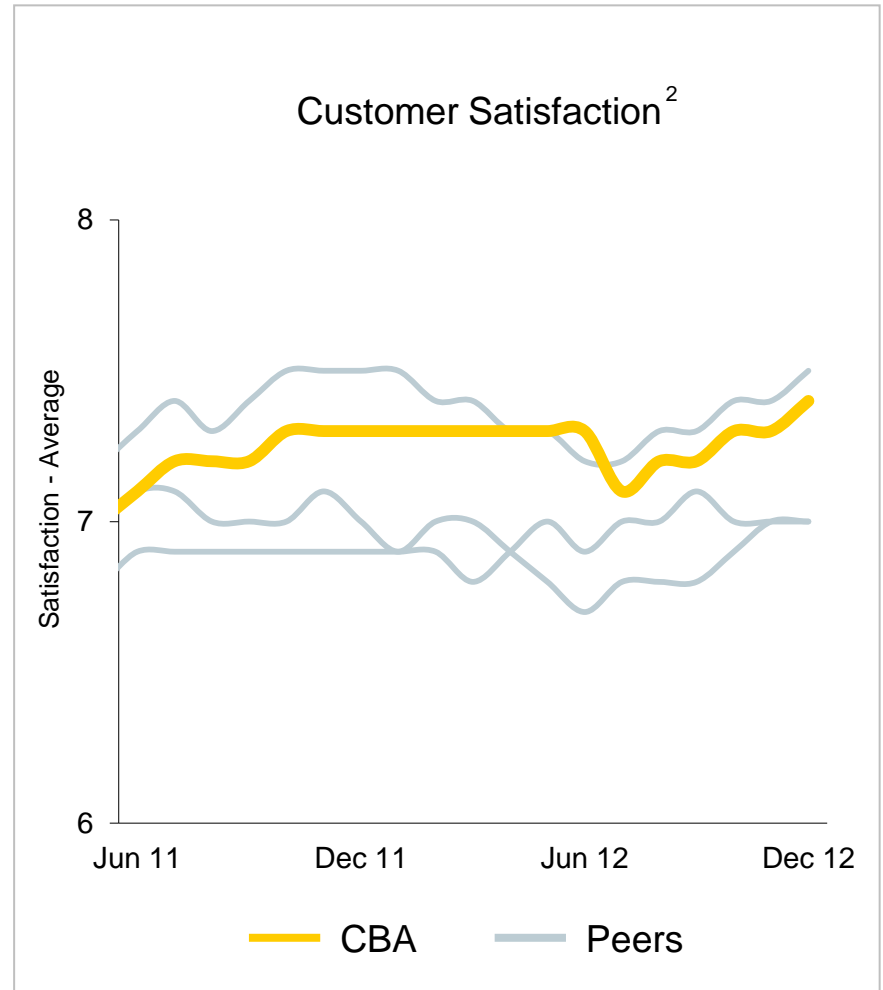


# Customer Satisfaction

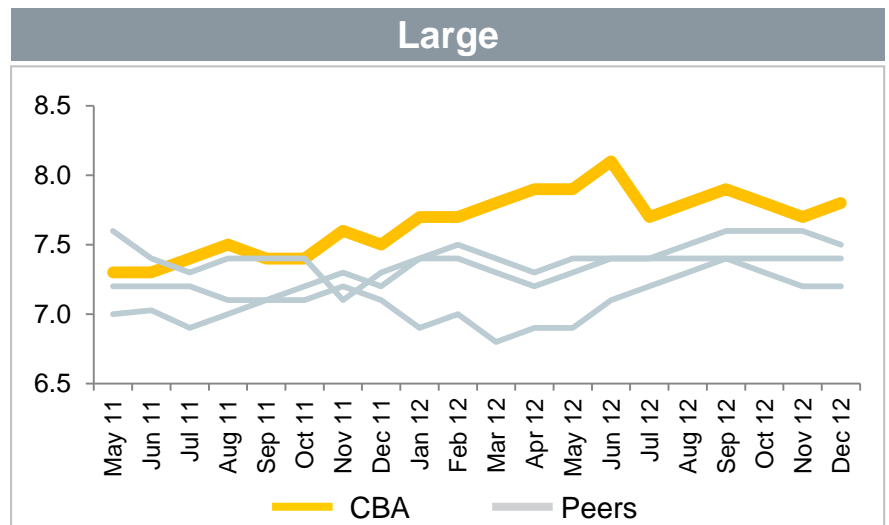
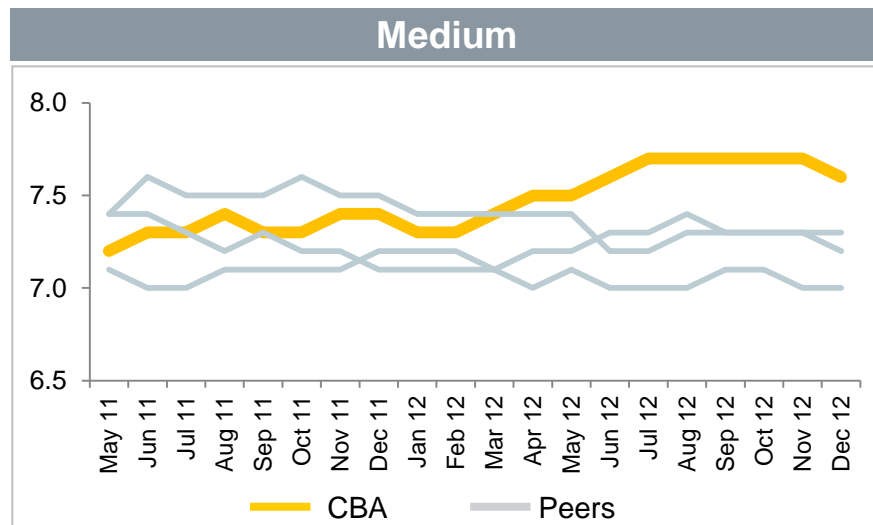
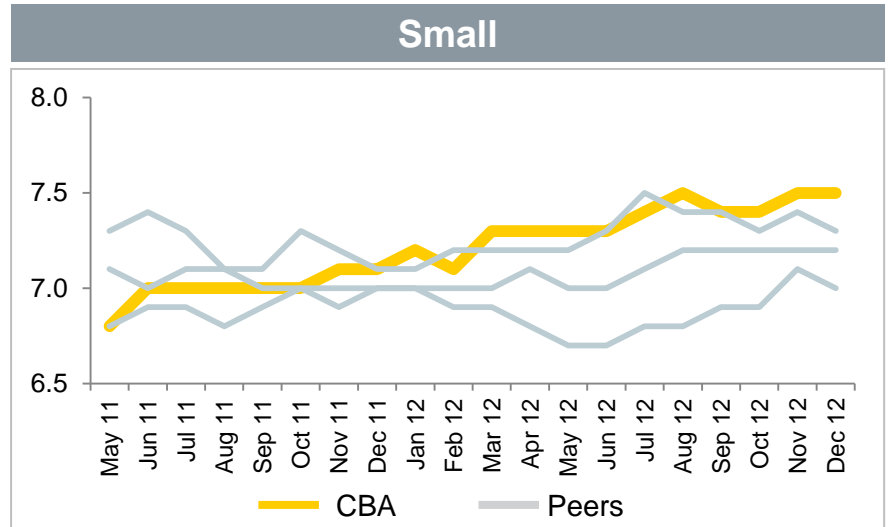
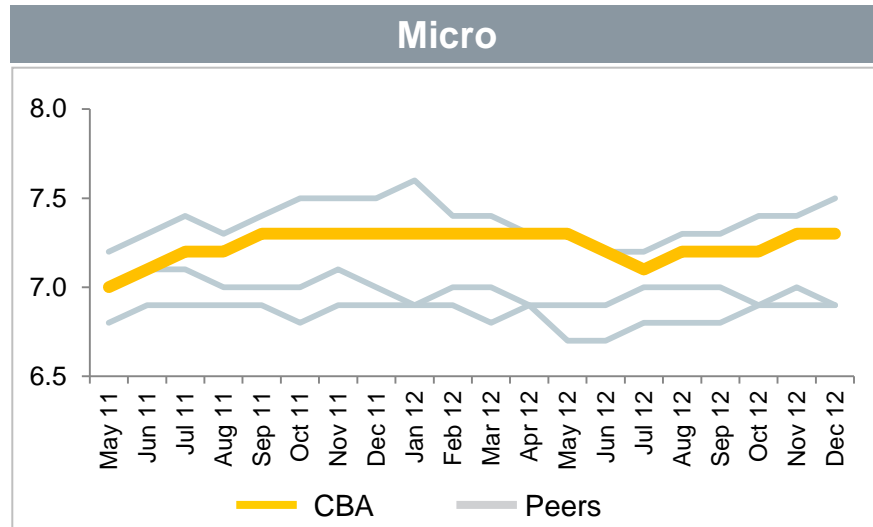
## Retail



## Business



# Business Customer Satisfaction by Segment<sup>6</sup>

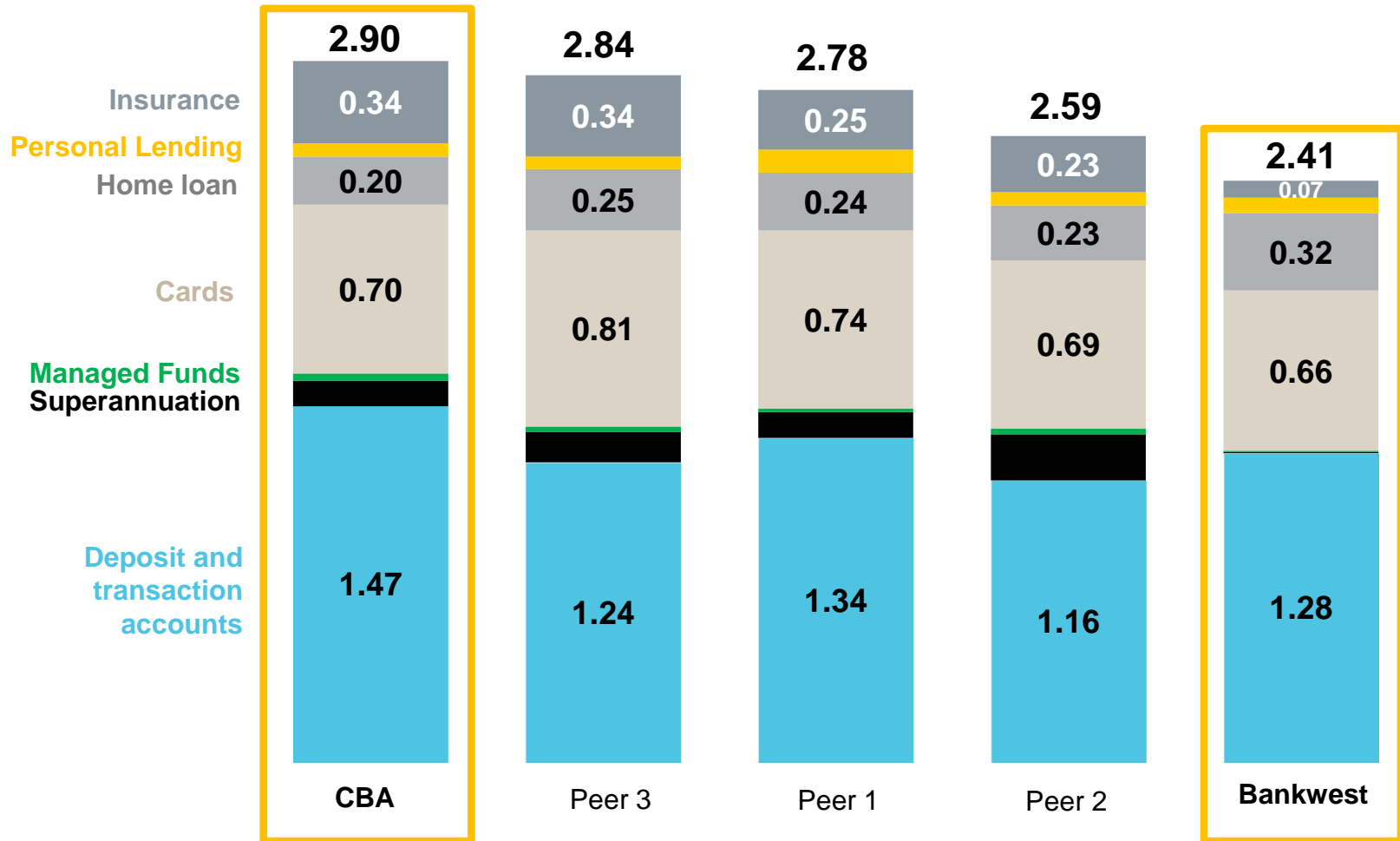


6 Refer notes slide at back of this presentation for source information.



# Products per Customer

Average Product Composition between CBA, the 3 Major Banking Peers and Bankwest 18+<sup>3</sup>

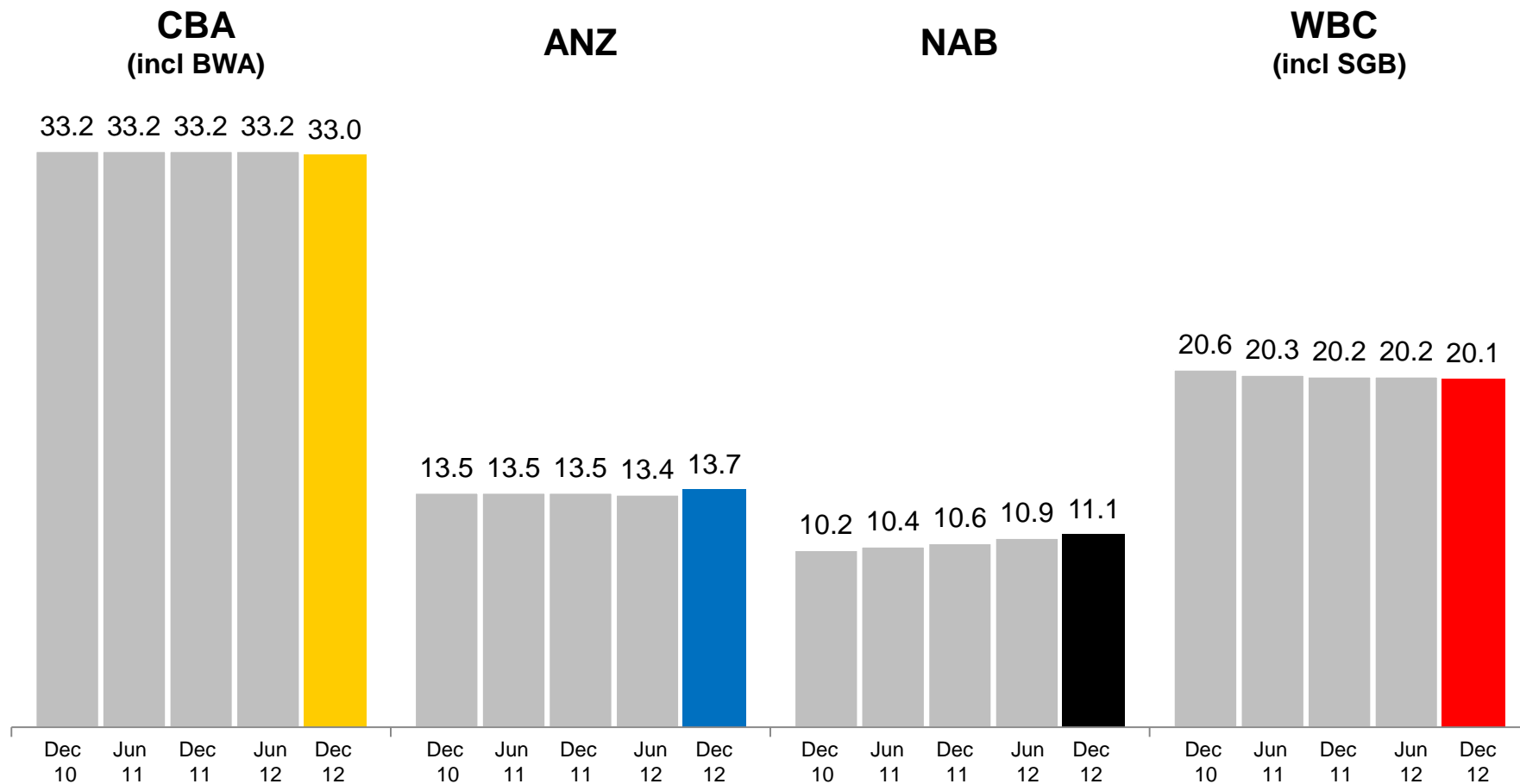


<sup>3</sup> Refer notes slide at back of this presentation for source information.

# MFI

## MFI Customer Proportion<sup>5</sup>

%



<sup>5</sup> Refer notes slide at back of this presentation for source information.

# Branch of the Future



- ◆ Creating capacity for front line staff
- ◆ Outbound sales capability
- ◆ Promoting customer self service
- ◆ Testing new branch design elements
- ◆ Building further capability in front line sales staff
- ◆ Rollout of Video Conferencing
- ◆ Installation of Intelligent Deposit machines, allowing for automated real time cash and cheque deposits



# Video Conferencing

---

- ◆ Rolling out across the branch network
- ◆ A tangible example of “One CommBank” in action
- ◆ Customers connected to CBA specialists;
  - Personal Lenders
  - CommSec specialists
  - Business Bankers
  - Agribusiness
  - Financial Planners
- ◆ Customer needs met at first interaction



# Australia's leading technology bank

**#1**

Online  
banking

**#1**

In the youth  
segment

**>40%**

of all payment  
transactions

**>4.5m**

App  
downloads<sup>1</sup>

**#1**

Social &  
Facebook

**739k**

Kaching  
downloads<sup>2</sup>

**>\$4.7bn**

Kaching  
transactions<sup>3</sup>

**#1**

Contactless  
acceptance points

**4.36m**

active online  
customers

**>2.2m**

customers on  
mobile

MFI for

**1 in 3**

Australians<sup>4</sup>

**#1**

Contactless  
(PayPass enabled  
cards)

1 Total downloads as at 03 February 2013.

2 Kaching downloads as at 03 February 2013.

3 Kaching transactions as at 03 February 2013.

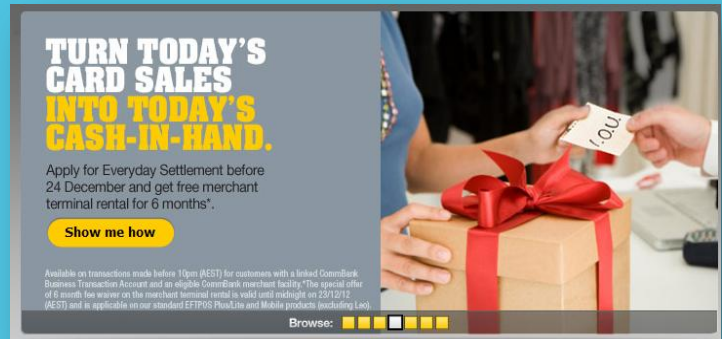
4 Refer notes slide at back of this presentation for source information.



# Core Banking Modernisation

## Focus on benefits realisation

- ◆ Implemented SAP banking platform
- ◆ 12+ million customers migrated
- ◆ First Australian bank to go real - time, 24 x 7 and one of the first in the world
- ◆ Enabled industry leading functionality including Kaching and Everyday Settlements
- ◆ Process elimination
- ◆ Straight-through processing
- ◆ Instant account opening



**TURN TODAY'S CARD SALES INTO TODAY'S CASH-IN-HAND.**

Apply for Everyday Settlement before 24 December and get free merchant terminal rental for 6 months\*.

[Show me how](#)

Available on transactions made before 10pm (AEST) for customers with a linked CommBank Business Transaction Account and an eligible CommBank merchant facility. \*The special offer of 6 month fee waiver on the merchant terminal rental is valid card trading on 22/12/17 (AEST) and is applicable on our standard EFTPOS Plus/Line and Mobile products (excluding Leo).

Browse:



**WITH SAME DAY FUNDING ON PERSONAL LOANS, YOU CAN GET WHAT YOU WANT WITHOUT HAVING TO WAIT.**

[Find out more](#)

Available to existing customers who apply before noon, Monday to Friday. Excludes secured loans and loans requiring a guarantor.

Browse:



**CommBiz Markets**

**Access anywhere you are**

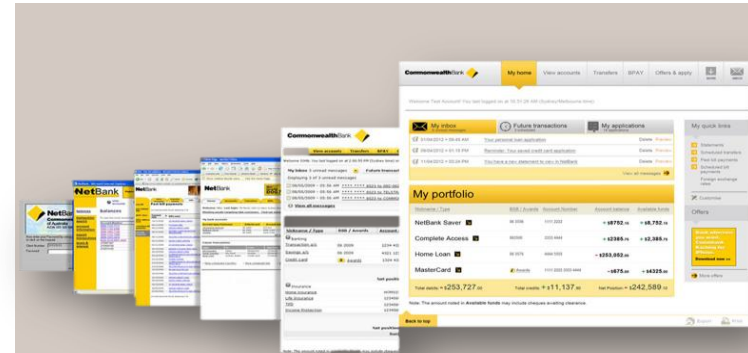
Manage money markets and foreign exchange online with CommBiz Markets.

[Find out more](#)

Browse:

# Technology – transformational change

- ◆ Revitalising front-line customer interfaces
- ◆ Delivering best-in-class online, mobile and social platforms
- ◆ Innovating in the back-end (Core, cloud, information as a service, data centres)
- ◆ More reliable services in face of increasing change and complexity



## Moving capital closer to the customer

SIX YEARS AGO	NOW
<ul style="list-style-type: none"> <li>50% of IT spend on infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>26% of IT spend on infrastructure, 74% focused on customer service and value</li> </ul>
<ul style="list-style-type: none"> <li>23 data centres</li> </ul>	<ul style="list-style-type: none"> <li>2 data centres</li> </ul>
<ul style="list-style-type: none"> <li>70 sev 1 issues annually</li> </ul>	<ul style="list-style-type: none"> <li>&lt; 7 sev 1 issues annually</li> </ul>
<ul style="list-style-type: none"> <li>1,200 changes into production monthly</li> </ul>	<ul style="list-style-type: none"> <li>3,000 changes into production monthly (new services and enhancements)</li> </ul>



# Innovations across four touch points

**Online**

**CommBank**

**NetBank**

**CommBiz**

**Mobile**

**CommBank**

**Kaching**

**Property Guide**

**Social**

**Kaching**

**Facebook**

**YouTube**

**POS**

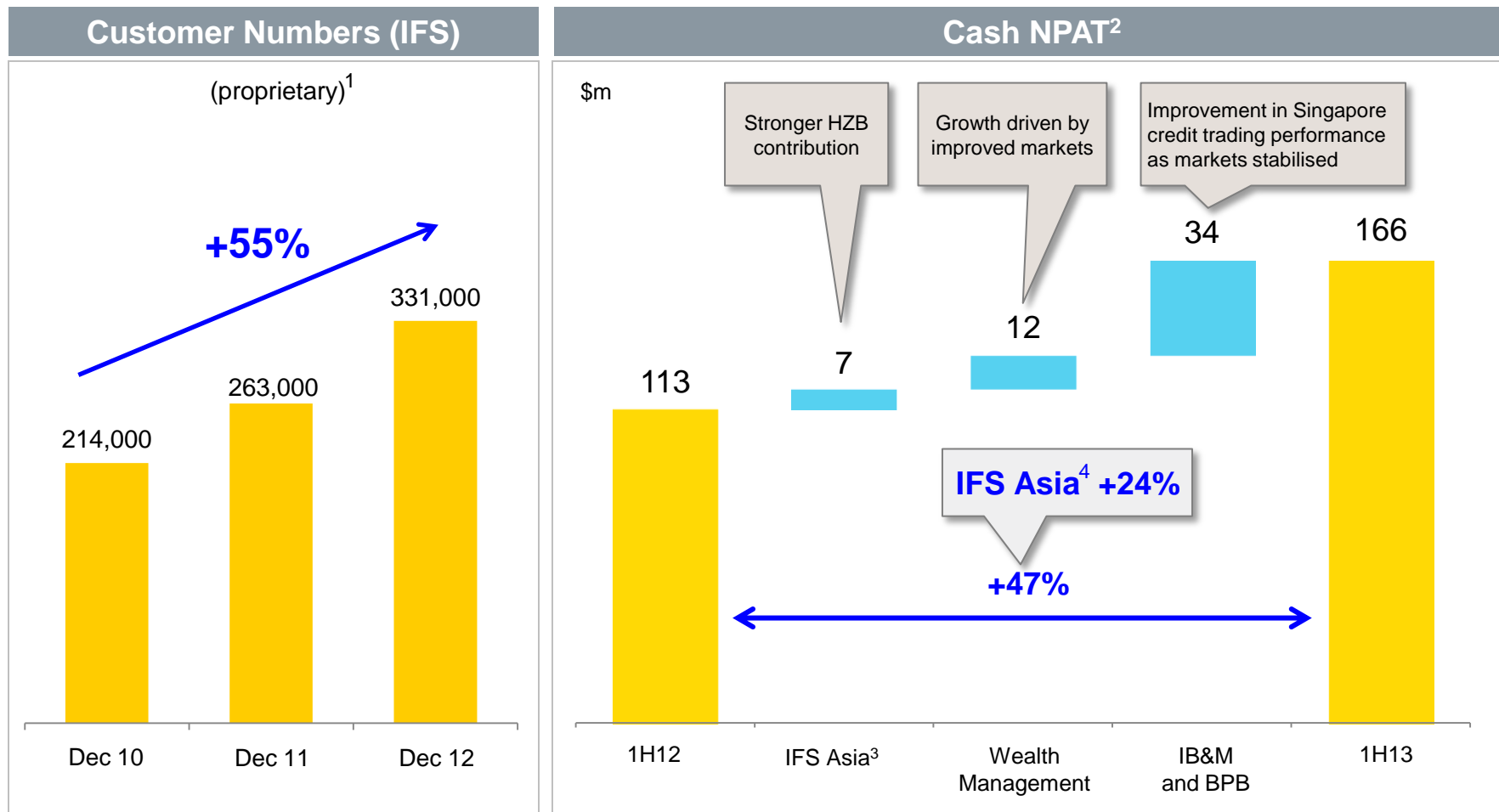
**Contactless**

**Pi**

**Everyday Settlement**



# CBA in Asia – strong growth



1 Total IFS Asia customers at institutions where CBA holds more than 50% equity. Excludes investments in CCBS, 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).

3 Includes China, India and Japan IFS Asia businesses.

4 Represents IFS Asia growth in Cash NPAT.

# CBA in Asia



Country	Representation as at December 2012
<b>China</b>	Bank of Hangzhou (20%) – 125 branches Qilu Bank (20%) – 84 branches County Banking (84%) – 5 Banks in Henan Province Beijing Representative Office BoCommLife JV (37.5%) – operating in 4 provinces Shanghai (China Head Office) First State Cinda JV, FSI Hong Kong Hong Kong and Shanghai branches
<b>Indonesia</b>	PTBC (97.86%) – 91 branches and 140 ATMs PT Commonwealth Life (80%) – 30 life offices First State Investments
<b>Vietnam</b>	VIB (20%) – 162 branches CBA Branch Ho Chi Minh City and 24 ATMs Hanoi Representative Office
<b>India</b>	CBA branch, Mumbai
<b>Japan</b>	CBA branch, Tokyo, FSI Tokyo
<b>Singapore</b>	CBA branch, First State Investments

# Timeline of CBA in Asia

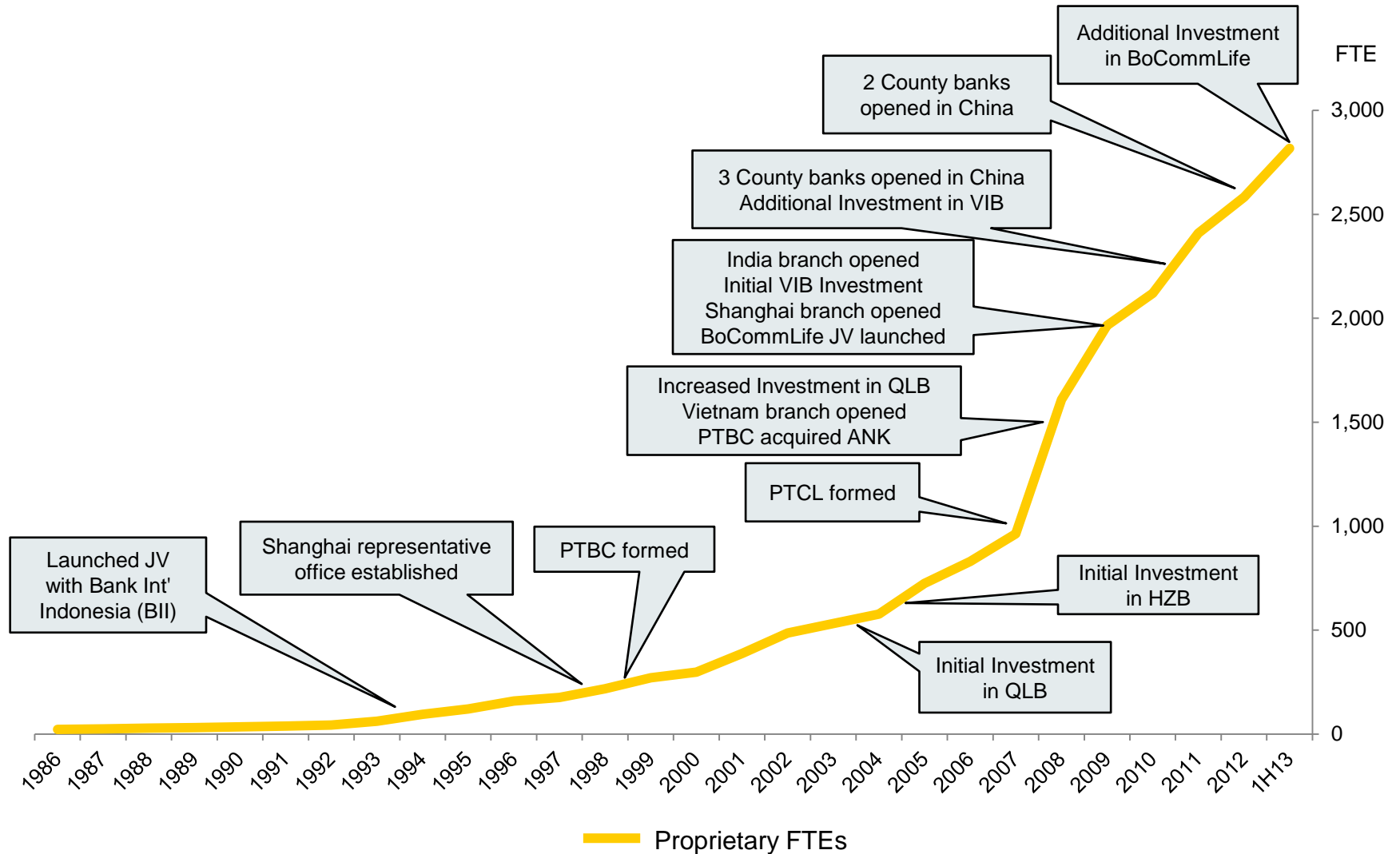
CBA group strategically building long-term growth opportunities in Asia



Key metrics <sup>1</sup>	1986 - 1996	1996 - 2006	2006 - current
Capital \$m	\$0m - \$46m	\$46m - \$192m	\$192m - \$1,056m
Proprietary FTEs (No)	23 - 159	159 - 831	831 - 2,817
Proprietary Customers (No)	-	~ 88,000	~ 331,000

<sup>1</sup> IFS Asia only

# Timeline of CBA in Asia



# Sustainability progress

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

## **Sustainable Business Practices**

- ◆ Maintained our focus on robust corporate governance, sound risk management systems, a strong balance sheet and transparent reporting.

## **Responsible Financial Services**

- ◆ Developed policies to improve the assessment of environmental and social risks for project financing in the natural resources (mining, oil and gas extraction) and utilities (including renewables) sectors.
- ◆ Continued to provide superior customer service through technological innovation and progressed towards our customer satisfaction goals across our key segments.
- ◆ Supported low-income earners and the not-for-profit sector with a wide range of fee-free and discounted financial services.

## **Engaged and Talented People**

- ◆ Expanded our diversity strategy to build greater inclusion for all our people and launched our 2013-2014 Disability Action Plan, outlining actions to improve access to financial services for our customers and provide an even more accessible work environment for our people.
- ◆ Made solid progress towards our target of 35 per cent of women in senior management roles by December 2014, with 31 per cent as at December 2012. Note - overall, women represent 60 per cent of the Group's workforce and over 42 per cent of all management roles.

## **Community Contribution and Action**

- ◆ Awarded over \$2 million in grants to 244 Australian organisations focusing on the health and wellbeing of young people, through our Staff Community Fund.
- ◆ Received a MoneySmart Week Award for the Commonwealth Bank Foundation's StartSmart financial literacy education program which reached over 235,000 students in the 12 months to June 2012.

## **Environmental Stewardship**

- ◆ Remained on track to meet our target of a 20 per cent reduction in carbon emissions by June 2013 (from 2008-09 levels). This represents a reduction of 34,550 tonnes of carbon.
- ◆ Received the prestigious Banksia Award for the Built Environment for Commonwealth Bank Place, our new Sydney office, located at the centre of Darling Quarter.
- ◆ Received a 10 Year Sustainability Achievement Green Globe Award in recognition of our commitment to sustainability leadership, engagement and achievements.

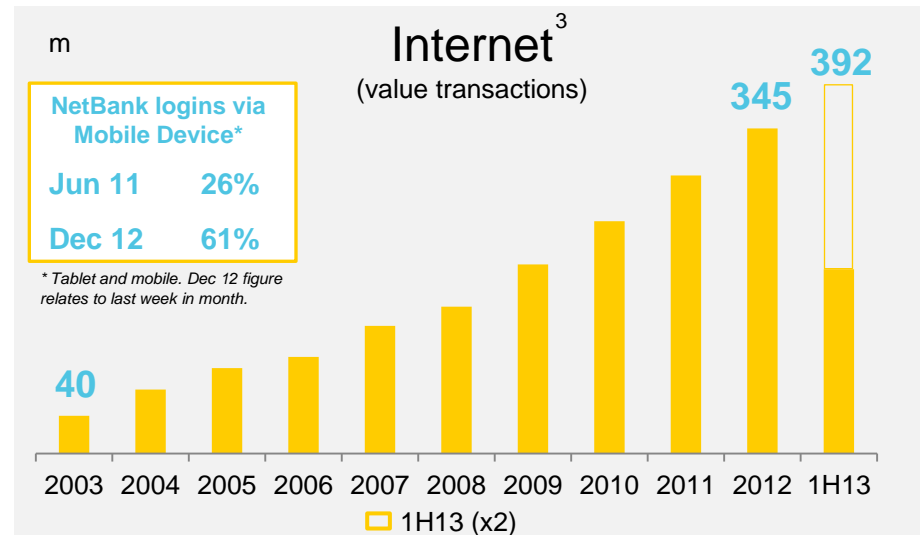
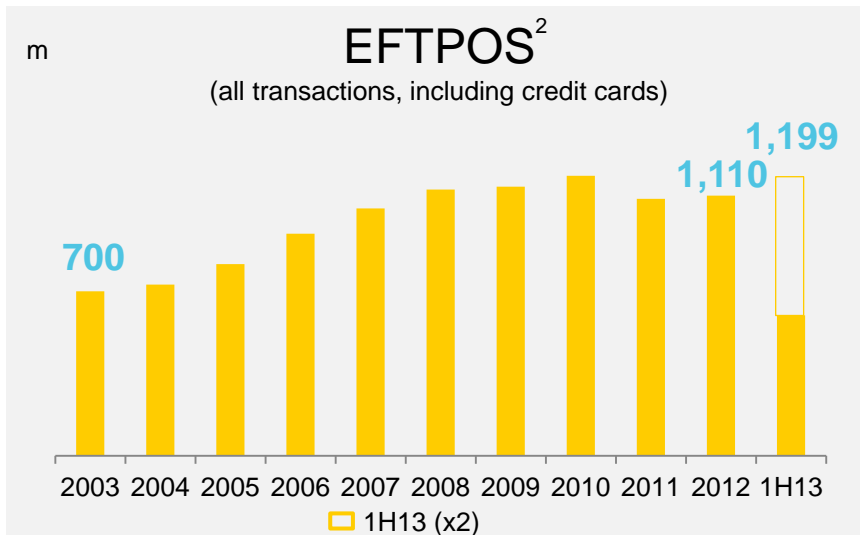
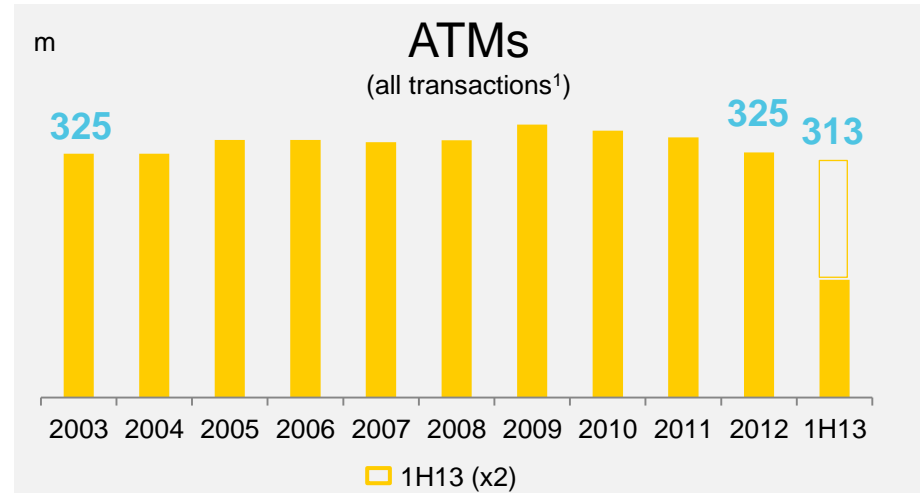
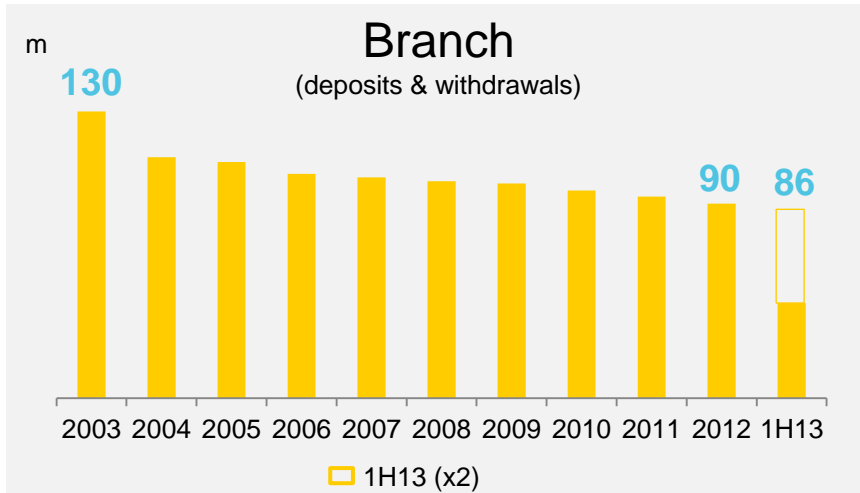
# Sustainability scorecard

	Units	1H 2013	FY2012	FY2011	FY2010	FY2009
<b>Customer satisfaction</b>						
Roy Morgan MFI retail customer satisfaction <sup>1</sup>	%	81.9 (ranked 2 <sup>nd</sup> )	79.0 (ranked 2 <sup>nd</sup> )	75.2 (ranked 4 <sup>th</sup> )	75.6 (ranked 2 <sup>nd</sup> )	73.0 (ranked 3 <sup>rd</sup> )
DBM Business Financial Services Monitor <sup>2</sup>	Avg. score	7.4 (ranked equal 1 <sup>st</sup> )	7.3 (ranked equal 1 <sup>st</sup> )	7.1 (ranked equal 2 <sup>nd</sup> )	7.0 (ranked equal 1 <sup>st</sup> )	n/a
Wealth Insights Platform Service Level Survey <sup>3</sup>	Avg. score	Annual	7.69 (ranked 2 <sup>nd</sup> )	7.79 (ranked 1 <sup>st</sup> )	7.70 (ranked 1 <sup>st</sup> )	7.59 (ranked 1 <sup>st</sup> )
<b>People</b>						
Employee Engagement Index Score <sup>4</sup>	%	Annual	80	n/a	n/a	n/a
Women in Executive Manager and above roles <sup>5</sup>	%	31.0	30.9	28.2	26.3	26.1
Lost Time Injury Frequency Rate (LTIFR) <sup>6</sup>	Rate	2.1	2.7	2.5	2.8	2.4
Absenteeism <sup>7</sup>	Rate	6.3	6.2	6.0	5.9	5.9
Employee Turnover Voluntary	%	12.20	12.90	12.65	12.73	11.37
<b>Environment – Greenhouse Gas Emissions<sup>8</sup></b>						
Scope 1 emissions	tCO <sub>2</sub> -e	5,835	8,941	9,835	10,248	12,018
Scope 2 emissions	tCO <sub>2</sub> -e	50,549	118,047	137,948	142,218	139,303
Scope 3 emissions	tCO <sub>2</sub> -e	8,990	20,137	22,885	24,340	21,431
<b>Community – Financial literacy programs<sup>9</sup></b>						
School banking students (active)	Number	186,324	191,416	140,280	92,997	91,601
StartSmart students (booked)	Number	146,902	235,735	200,081	119,669	51,426

## Complete definitions for scorecard metrics are available at [www.commbank.com.au/sustainability2012](http://www.commbank.com.au/sustainability2012)

- Results based on six-monthly rolling averages to June 2009/10/11/12, for 1H2013 6 month rolling average to December 2012 ; Australian population 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that Main Financial Institution (MFI). Rankings relative to the other 3 major Australian banks.
- Results based on six-monthly rolling averages to June 2010/11/12, for 1H 2013, 6 month rolling average to December 2012; business customers using a 0-10 scale to rate their MFI satisfaction. Rankings relative to the other 3 major Australian banks.
- Average score financial advisers give to the Colonial FirstChoice and FirstWrap platforms on a scale of 1-10 (1 is "Poor", 10 is "Excellent"). Ranking captures the relative position of the average of both platforms compared with platforms of the other 3 major Australian banks, Macquarie and AMP, based on the percentage of advisers giving 7-10 for overall satisfaction.
- The score shows the proportion of employees replying 4 or 5 to questions relating to satisfaction, retention, advocacy and pride on a scale of 1-5 (5 is "strongly agree", 1 is "strongly disagree"). The survey is conducted annually. In 2012, the Group moved the people and culture survey administration to a new provider, no prior year data is available.
- Percentage capturing permanent headcount and contractors in relation to total permanent headcount as at 30 June.
- LTIFR data is updated in future reports due to late reporting of incidents that occurred during the year, or the subsequent acceptance or rejection of claims made in the year. To reflect this, figures for 2012 and 2010 (previously 2.5 and 2.9) have been adjusted.
- Absenteeism is reported a month in arrears.
- Scope 1 and 2 data is collected in line with NGER legislation. Scope 3 relate to the upstream emissions related to Scope 1 and 2 emission sources.
- The number of active school banking students banked at least once during a 12 month period through a school banking school and the number of students booked to attend Commonwealth Bank Foundation's StartSmart programs.

# Transaction volumes



All figures are approximates.

- 1 All cardholder transactions at Australian-located CBA ATMs.
- 2 Calendar years to 2006; financial years thereafter.
- 3 Calendar years to 2007; financial years thereafter. Includes BPAY.

# Index

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# Market share<sup>1</sup>

	CBA	Dec 12 BWA	Combined	Jun 12 CBA + BWA	Dec 11 CBA + BWA
Home loans	21.1%	4.0%	25.1%	25.2%	25.3%
Credit cards - RBA <sup>2</sup>	21.2%	2.7%	23.9%	23.3%	23.2%
Other household lending <sup>3</sup>	15.5%	1.1%	16.6%	16.4%	16.3%
Household deposits	25.8%	2.9%	28.7%	28.9%	29.4%
Retail deposits <sup>4</sup>	22.2%	3.0%	25.2%	25.4%	26.0%
Business lending – APRA	15.3%	4.0%	19.3%	19.3%	19.4%
Business lending – RBA	15.0%	2.7%	17.7%	17.6%	17.5%
Business deposits – APRA	17.9%	2.7%	20.6%	20.6%	20.6%
Asset finance	13.3%		13.3%	13.6%	13.7%
Equities trading	5.4%		5.4%	5.5%	5.8%
Australian Retail – administrator view <sup>5</sup>			15.4%	15.5%	15.2%
FirstChoice Platform <sup>5</sup>			11.6%	11.8%	11.6%
Australia life insurance (total risk) <sup>5</sup>			13.5%	13.6%	13.2%
Australia life insurance (individual risk) <sup>5</sup>			13.3%	13.3%	13.3%
NZ lending for housing			22.1%	21.9%	22.2%
NZ retail deposits			20.2%	20.6%	21.0%
NZ lending to business			9.8%	9.0%	8.9%
NZ retail FUM			17.7%	18.8%	15.1%
NZ annual inforce premiums			29.7%	30.3%	30.2%

1 Prior periods have been restated in line with market updates.

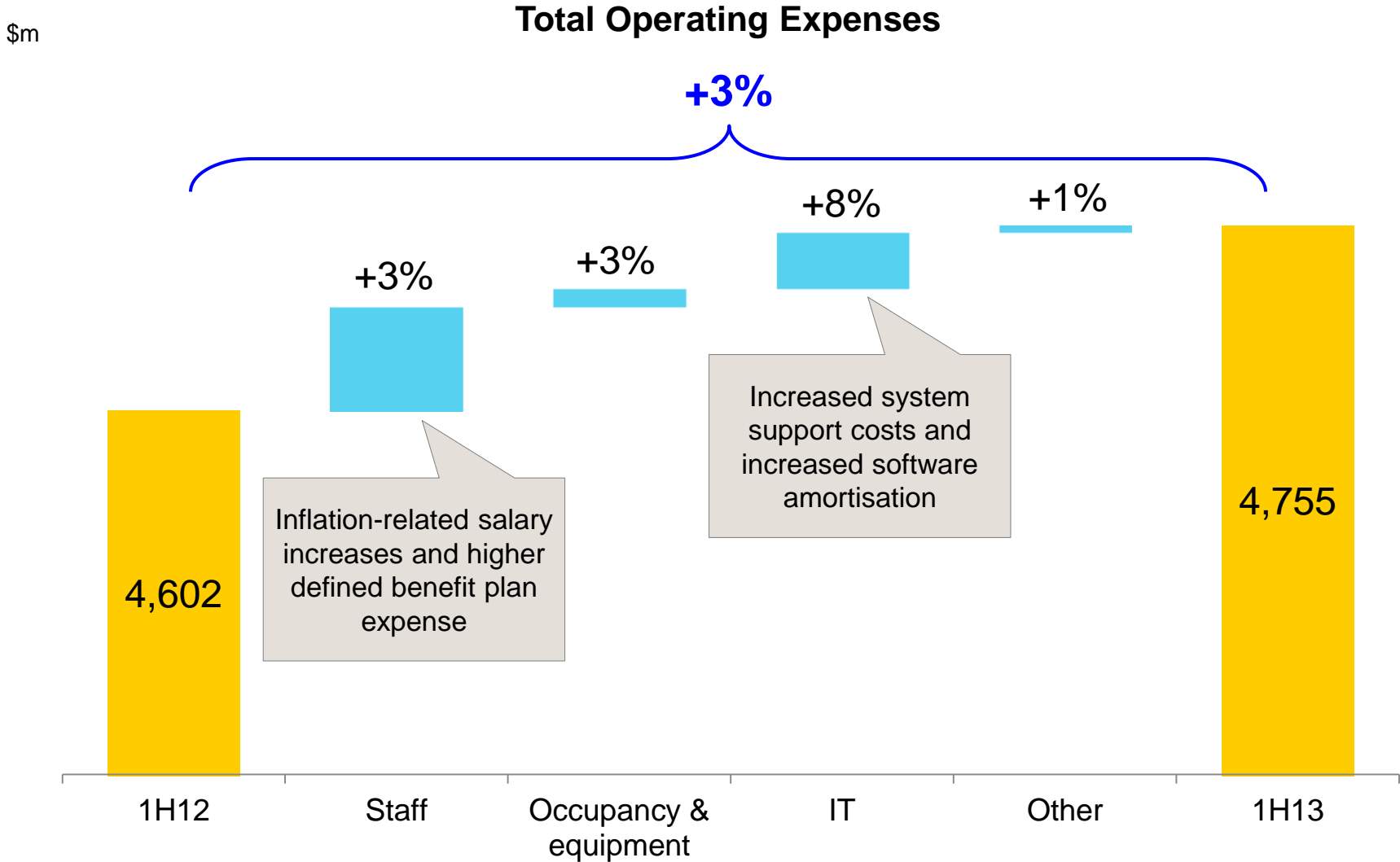
2 As at 30 November 2012.

3 Other household lending market share includes personal loans and margin loans.

4 In accordance with RBA guidelines, these measures include some products relating to both the retail and corporate segments.

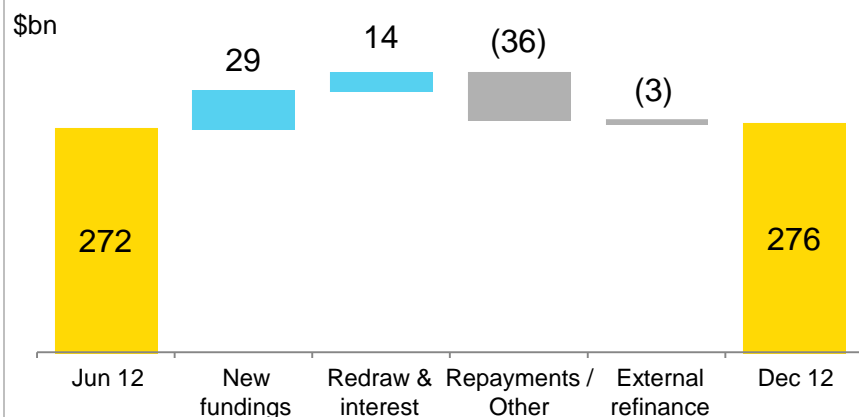
5 As at 30 September 2012.

# Continued cost discipline



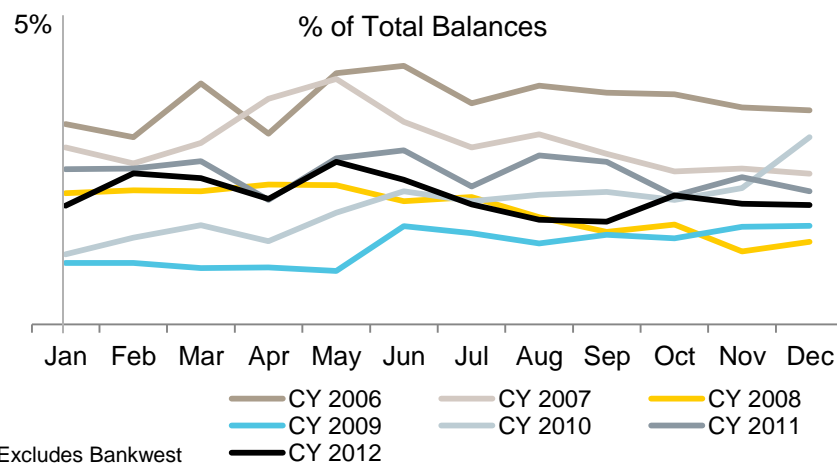
# Home Lending Growth Profile

## Home Loan Balance Growth



Excludes Bankwest

## External Refinancing



Excludes Bankwest

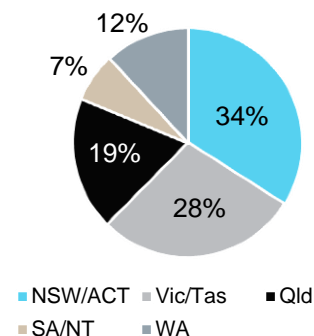
## Growth by Channel (%)

	Dec 12 Mvt annualised	% of New Fundings	% of Balances
Broker	5.0%	38%	38%
Branch	2.1%	48%	43%
Premium	1.3%	14%	19%
<b>Total</b>	<b>3.0%</b>	<b>100%</b>	<b>100%</b>
<b>System*</b>	<b>3.7%</b>		

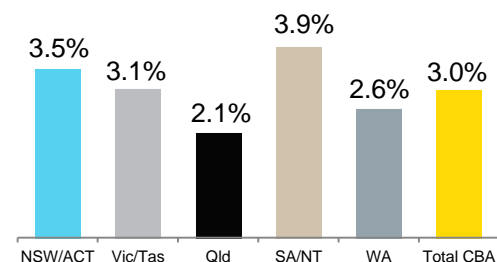
Excludes Bankwest

## State Breakdown

### Portfolio Balances Dec 12



### Balance Growth %

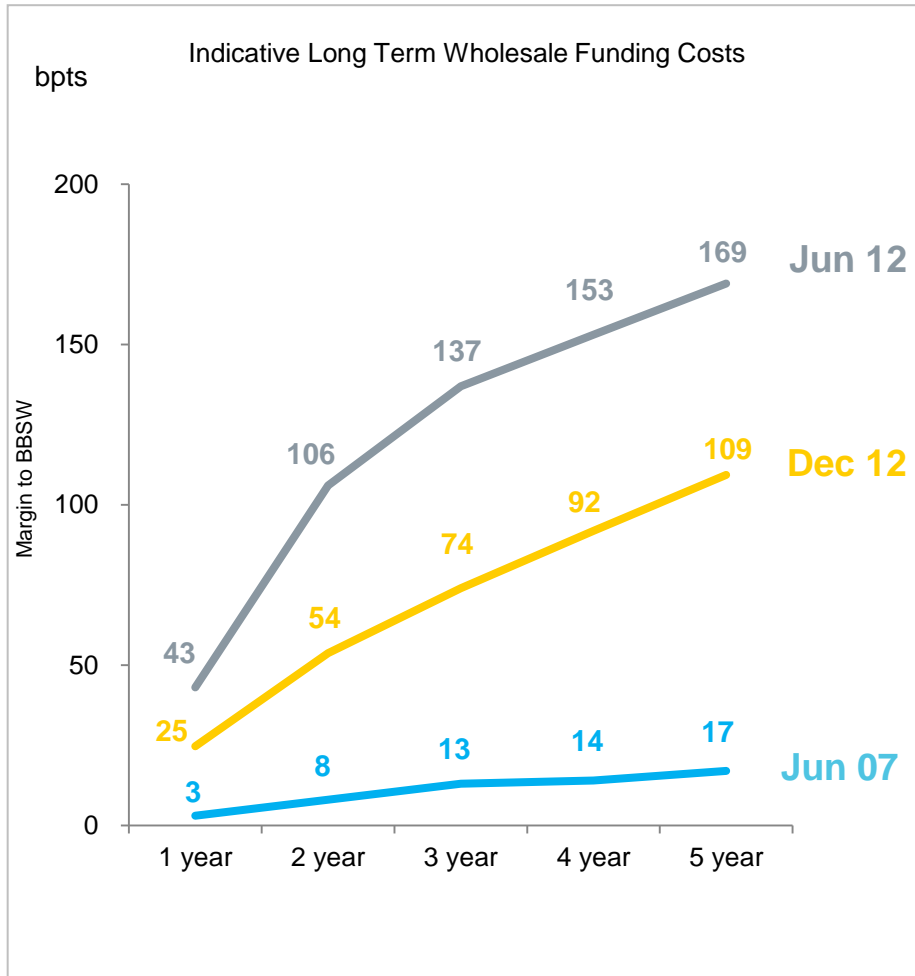


6 months to Dec 12 annualised. Excludes Bankwest.

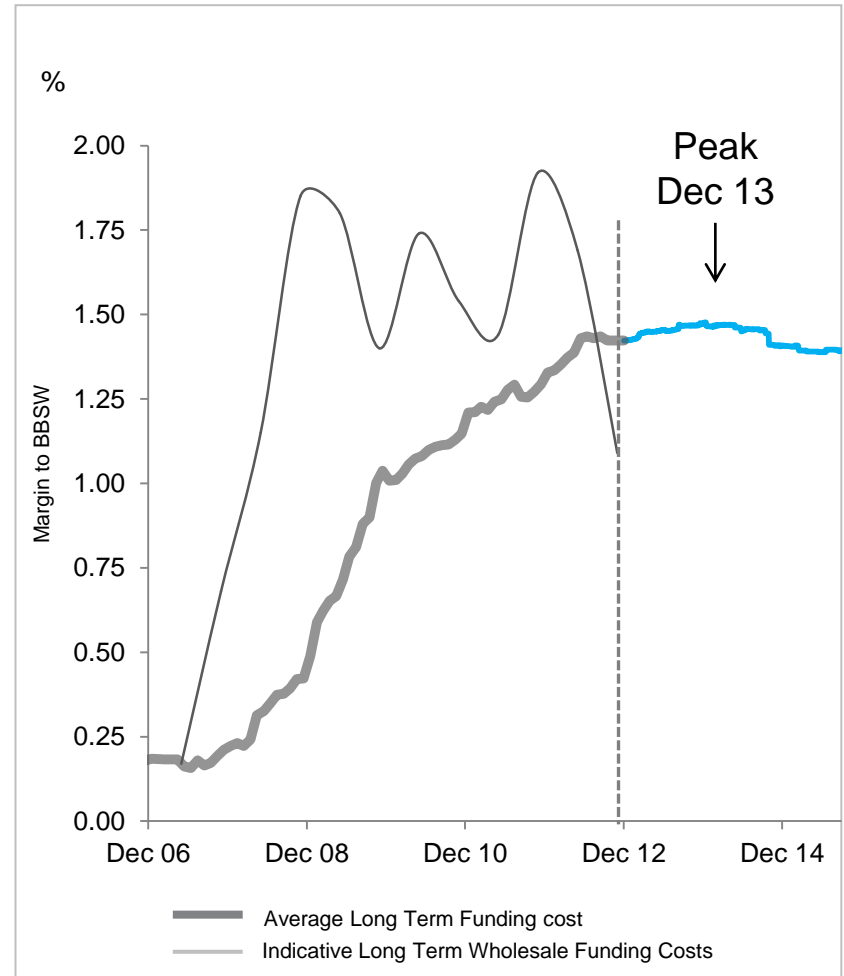
\* Source: RBA/APRA.

# Wholesale Funding Costs

## Marginal Funding Costs<sup>1</sup>

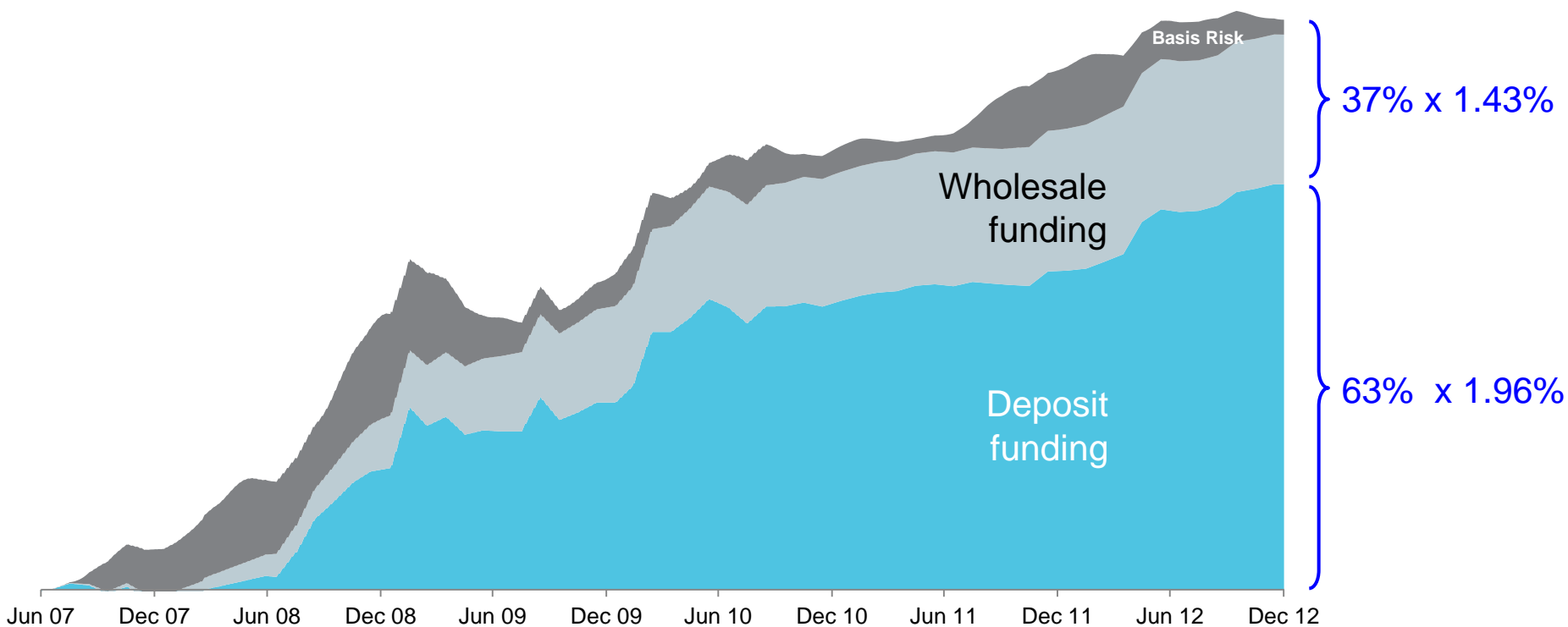


## Average Long Term Funding Costs<sup>2</sup>



1 CBA Group Treasury estimated blended wholesale funding costs.  
 2 Forecast assumes wholesale market conditions / rates remain at 31 Dec 2012 levels.

# Increase in retail funding costs since Jun 07



Increase in wholesale funding <sup>1</sup>	1.30%	1.72%	<b>1.43%</b>
Increase in deposit funding	1.38%	1.57%	<b>1.96%</b>
Increase in weighted average cost	1.35%	1.63%	<b>1.77%</b>
Increase in home loan (SVR) rate <sup>2</sup>	1.24%	1.24%	<b>1.58%</b>

1 Includes basis risk.

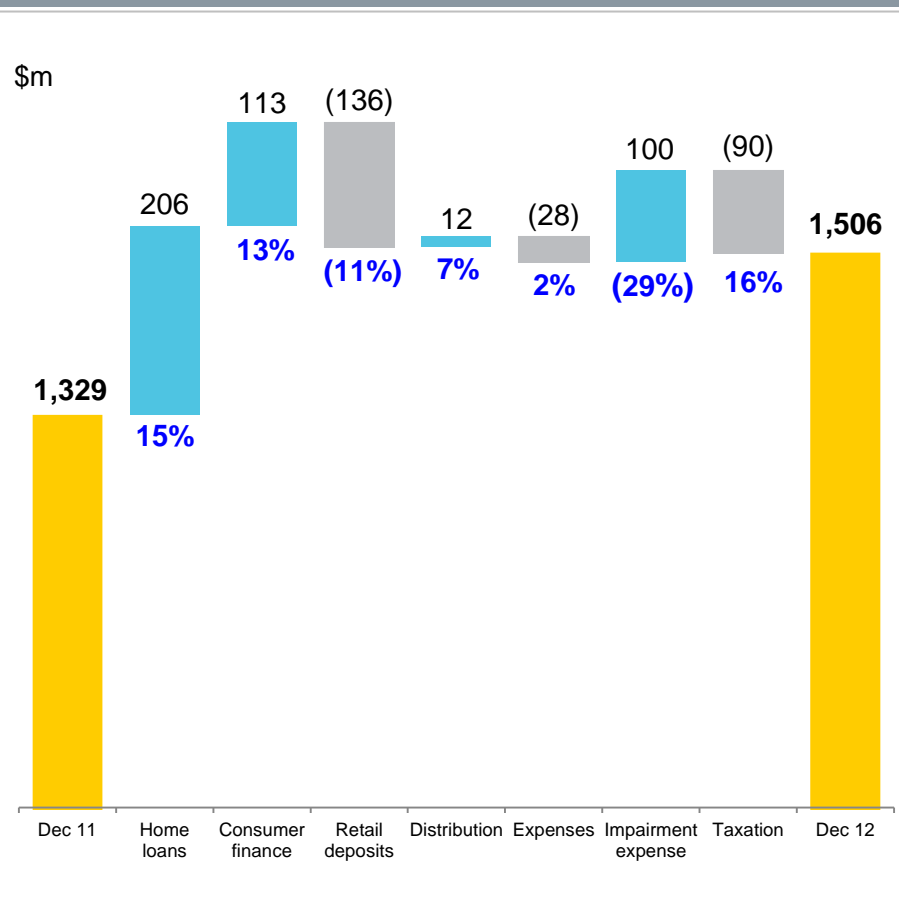
2 Outside of movements in the RBA cash rate.

# RBS – 6 Month Periods

\$m		Dec 12	Jun 12	Dec 11	Dec 12 vs Dec 11 (6 months)
<b>Net interest income</b>	Home loans	1,444	1,198	1,234	17%
	Consumer finance	763	731	671	14%
	Retail deposits	928	993	1,062	(13%)
	Business products	27	23	27	-
		3,162	2,945	2,994	6%
<b>Other banking income</b>	Home loans	101	99	105	(4%)
	Consumer finance	251	232	230	9%
	Retail deposits	192	198	194	(1%)
	Distribution	178	167	166	7%
	Business products	34	26	34	-
	756	722	729	4%	
<b>Total banking income</b>	Home loans	1,545	1,297	1,339	15%
	Consumer finance	1,014	963	901	13%
	Retail deposits	1,120	1,191	1,256	(11%)
	Distribution	178	167	166	7%
	Business products	61	49	61	-
	3,918	3,667	3,723	5%	
<b>Operating expenses</b>		(1,524)	(1,469)	(1,496)	2%
<b>Loan impairment expense</b>		(246)	(237)	(346)	(29%)
<b>Cash net profit after tax</b>		1,506	1,374	1,329	13%



## Cash Earnings



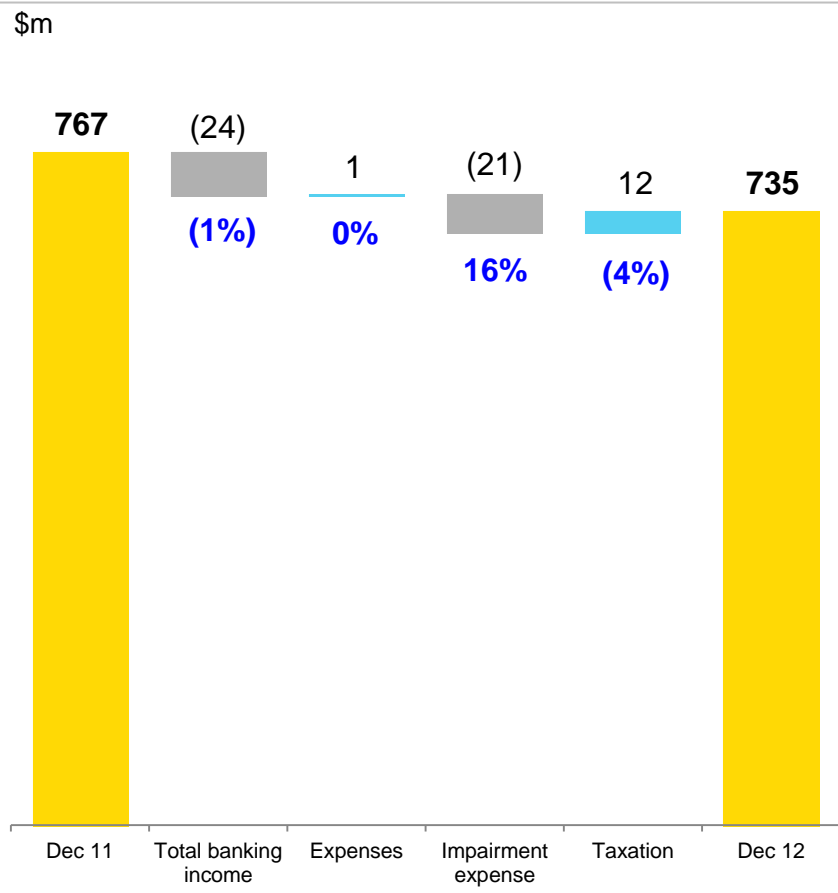
	\$m	Dec12 vs Dec11	
Home loans	1,545	15%	▪ Balances ↑3%; Recovering margins
Consumer finance	1,014	13%	▪ Strong volume growth driven by new products and campaigns
Deposits	1,120	(11%)	▪ Balances ↑8%, largely in term deposits; Lower margins in a falling cash rate environment
Distribution	178	7%	▪ FX income ↑18% ▪ Increased commissions from Wealth Management
Business products	61	-	▪ RBS share of income from Asset Finance, Merchant and EML products
<b>Total banking income</b>	<b>3,918</b>	<b>5%</b>	
Expenses	(1,524)	2%	▪ Productivity gains offsetting inflationary pressures
Impairment expense	(246)	(29%)	▪ Improved arrears rates
<b>Cash NPAT</b>	<b>1,506</b>	<b>13%</b>	

# BPB – 6 Month Periods

\$m		Dec 12	Jun 12	Dec 11	Dec 12 vs Dec 11 (6 months)
<b>Net interest income</b>	Corporate Financial Services	509	499	500	2%
	Regional & Agribusiness	268	255	254	6%
	Local Business Banking	487	487	467	4%
	Private Bank	118	112	113	4%
	Equities and Margin Lending	77	83	82	(6%)
	Other	13	31	38	(66%)
		1,472	1,467	1,454	1%
<b>Other banking income</b>	Corporate Financial Services	157	148	169	(7%)
	Regional & Agribusiness	45	48	54	(17%)
	Local Business Banking	104	104	104	-
	Private Bank	21	20	20	5%
	Equities and Margin Lending	78	86	101	(23%)
	Other	3	4	2	50%
		408	410	450	(9%)
<b>Total banking income</b>	Corporate Financial Services	666	647	669	-
	Regional & Agribusiness	313	303	308	2%
	Local Business Banking	591	591	571	4%
	Private Bank	139	132	133	5%
	Equities and Margin Lending	155	169	183	(15%)
	Other	16	35	40	(60%)
		1,880	1,877	1,904	(1%)
<b>Operating expenses</b>		(678)	(671)	(679)	-
<b>Loan impairment expense</b>		(150)	(137)	(129)	16%
<b>Cash net profit after tax</b>		735	746	767	(4%)



## Cash Earnings

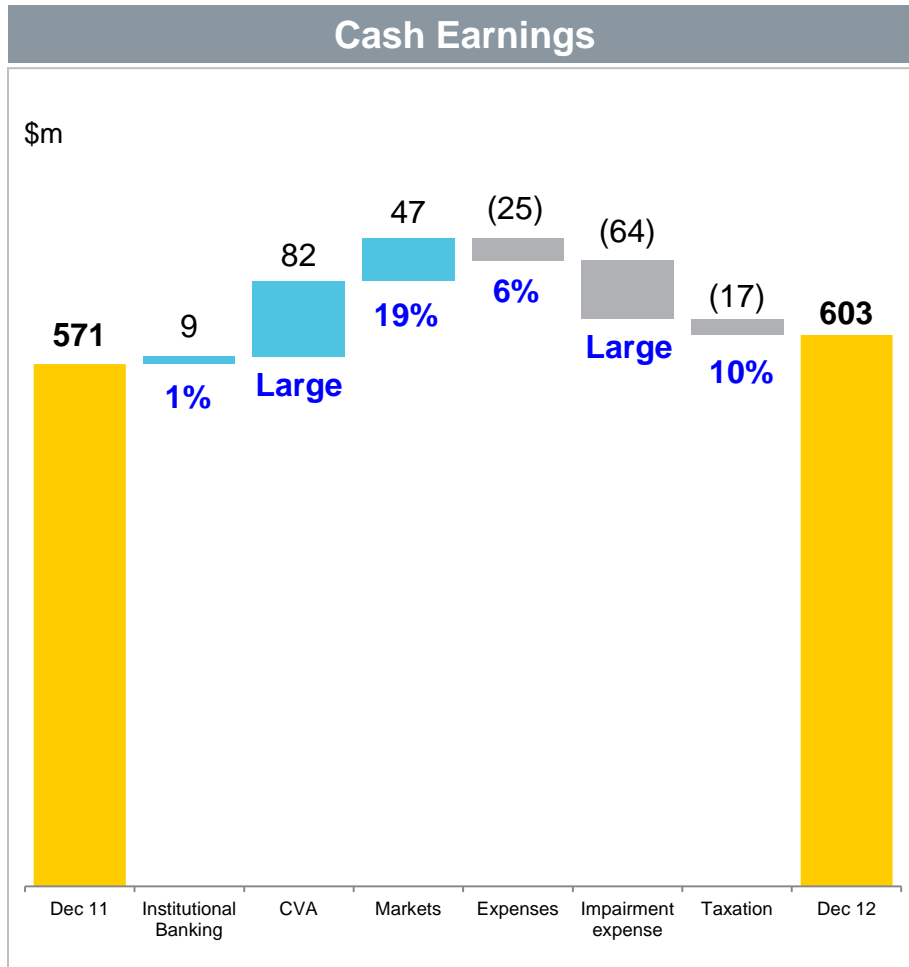


Key segments	\$m	Dec12 vs Dec11	
Corporate Financial Services	666	-	<ul style="list-style-type: none"> <li>Lending balances ↑8% offset by deposits and risk management</li> </ul>
Regional & Agribusiness	313	2%	<ul style="list-style-type: none"> <li>Margin growth in Lending as a result of effective margin management</li> </ul>
Local Business Banking	591	4%	<ul style="list-style-type: none"> <li>Business and Home Lending margin growth</li> <li>Deposit balances ↑12% offset by margin compression</li> </ul>
Private Banking	139	5%	<ul style="list-style-type: none"> <li>Home Loan margin increases and higher advisory revenue</li> </ul>
Equities & Margin Lending	155	(15%)	<ul style="list-style-type: none"> <li>Equities trading volumes ↓26%</li> </ul>
<b>Total banking income</b>	<b>1,880</b>	<b>(1%)</b>	
Expenses	(678)	-	<ul style="list-style-type: none"> <li>Core Banking cost increases offset by productivity initiatives</li> </ul>
Impairment expense	(150)	16%	<ul style="list-style-type: none"> <li>Impacted by softening in collateral values of longstanding customers</li> </ul>
<b>Cash NPAT</b>	<b>735</b>	<b>(4%)</b>	



# IB&M – 6 Month Periods

\$m		Dec 12	Jun 12	Dec 11	Dec 12 vs Dec 11 (6 months)
<b>Net interest income</b>	Institutional Banking	584	610	601	(3%)
	Markets	110	136	142	(23%)
		694	746	743	(7%)
<b>Other banking income</b>	Institutional Banking	403	394	377	7%
	Markets	231	60	70	Large
		634	454	447	42%
<b>Total banking income</b>	Institutional Banking	987	1,004	978	1%
	Markets	341	196	212	61%
		1,328	1,200	1,190	12%
<b>Operating expenses</b>		(442)	(423)	(417)	6%
<b>Loan impairment expense</b>		(97)	(121)	(33)	Large
<b>Cash net profit after tax</b>		603	527	571	6%



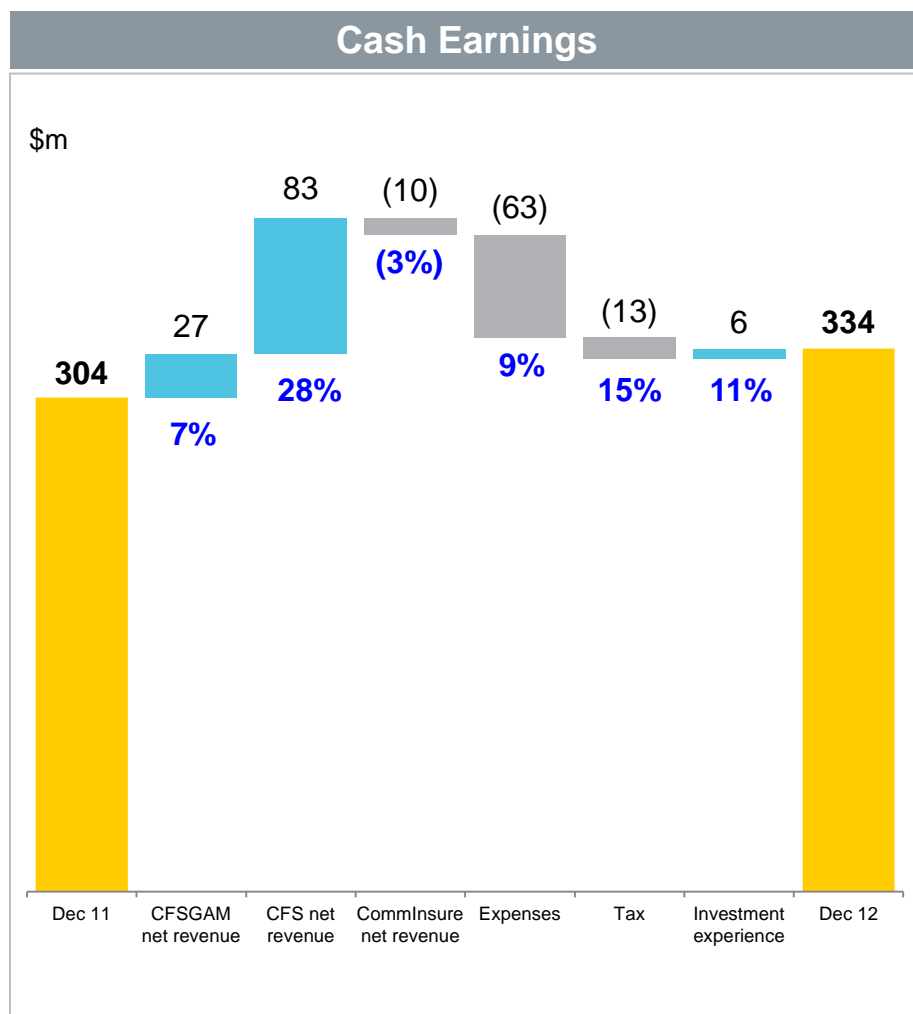
	\$m	Dec12 vs Dec11	
Institutional Banking	987	1%	<ul style="list-style-type: none"> <li>Higher leasing income and average lending balance growth, offset by higher funding costs impacting margins</li> </ul>
Markets	341	61%	<ul style="list-style-type: none"> <li>Improved trading performance and favourable CVA<sup>1</sup></li> </ul>
<b>Total banking income</b>	<b>1,328</b>	<b>12%</b>	
Expenses	(442)	6%	<ul style="list-style-type: none"> <li>Higher lease asset depreciation and selected investment in strategic projects</li> </ul>
Impairment expense	(97)	Large	<ul style="list-style-type: none"> <li>Increase in a number of small individually assessed provisions and a lower level of write-backs</li> </ul>
<b>Cash NPAT</b>	<b>603</b>	<b>6%</b>	

1 Counterparty fair value adjustment.

# WM – 6 Month Periods

\$m		Dec 12	Jun 12	Dec 11	Dec 12 vs Dec 11 (6 months)
<b>Net operating income</b>	CFSGAM	406	364	379	7%
	Colonial First State	379	357	296	28%
	CommInsure	333	300	343	(3%)
	Other	(1)	1	(1)	-
		1,117	1,022	1,017	10%
<b>Operating expenses</b>	CFSGAM	(235)	(215)	(224)	5%
	Colonial First State	(278)	(254)	(251)	11%
	CommInsure	(156)	(149)	(143)	9%
	Other	(74)	(71)	(62)	19%
		(743)	(689)	(680)	9%
<b>Underlying profit after tax</b>	CFSGAM	139	111	123	13%
	Colonial First State	71	74	32	Large
	CommInsure	124	106	140	(11%)
	Other	(61)	(48)	(46)	33%
		273	243	249	10%
<b>Cash net profit after tax</b>	CFSGAM	152	123	135	13%
	Colonial First State	77	79	40	93%
	CommInsure	170	170	176	(3%)
	Other	(65)	(47)	(47)	38%
		334	325	304	10%

# Wealth Management

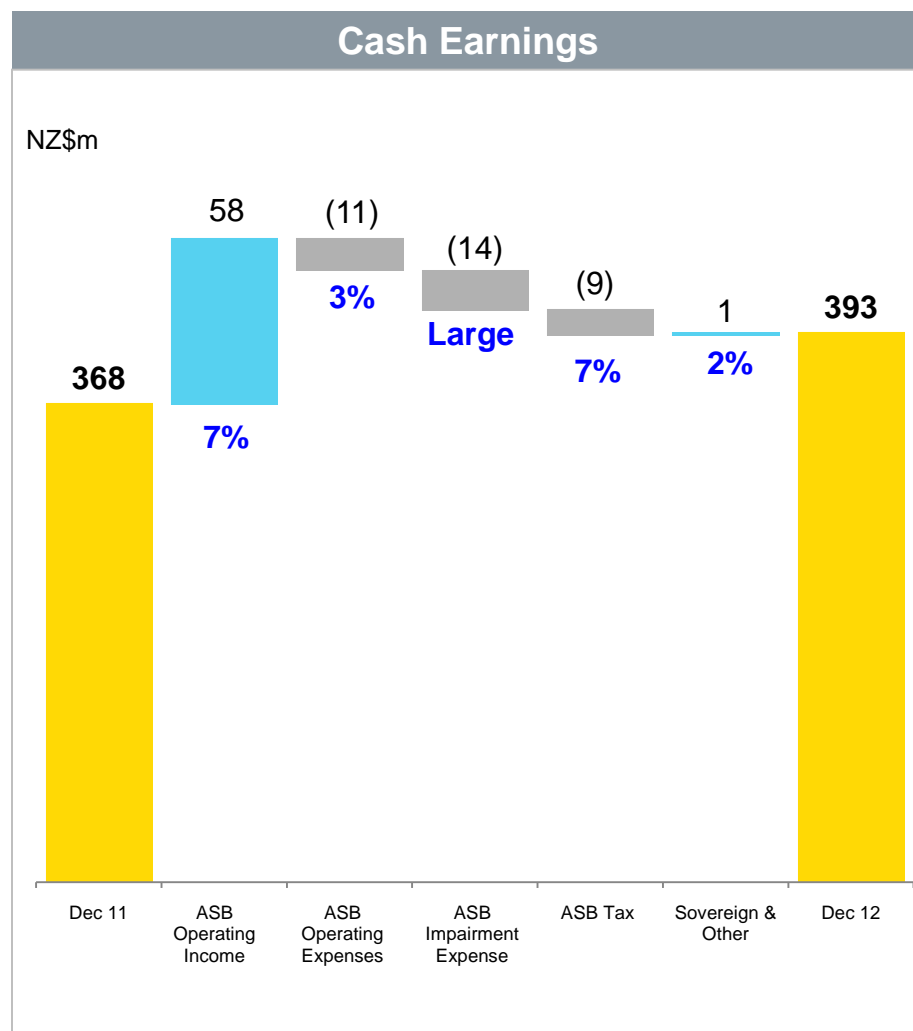


	\$m	Dec12 vs Dec11	
CFSGAM	406	7%	<ul style="list-style-type: none"> <li>Average FUM ↑5% to \$153bn, outperforming rising equity markets</li> </ul>
CFS	379	28%	<ul style="list-style-type: none"> <li>Improved market conditions, inclusion of Count Financial</li> </ul>
CommInsure	333	(3%)	<ul style="list-style-type: none"> <li>Strong General Insurance result. Impacted by Retail Life lapse rate deterioration</li> </ul>
Other	(1)	-	
<b>Net operating income</b>	<b>1,117</b>	<b>10%</b>	<ul style="list-style-type: none"> <li>Sound performance supported by recovering equity markets and solid net flows</li> </ul>
Expenses	(743)	9%	<ul style="list-style-type: none"> <li>Investment in strategic growth initiatives, inclusion of Count Financial and inflation-related salary increases</li> </ul>
<b>Cash NPAT</b>	<b>334</b>	<b>10%</b>	

# New Zealand – 6 Month Periods

NZ\$m		Dec 12	Jun 12	Dec 11	Dec 12 vs Dec 11 (6 months)
<b>Net interest income</b>	ASB	666	649	632	5%
	Other	9	11	7	29%
	<b>Total NII</b>	<b>675</b>	<b>660</b>	<b>639</b>	<b>6%</b>
<b>Other banking income</b>	ASB	180	162	161	12%
	Other	(19)	(19)	(17)	(12%)
	<b>Total OBI</b>	<b>161</b>	<b>143</b>	<b>144</b>	<b>12%</b>
<b>Total banking income</b>	ASB	846	811	793	7%
	Other	(10)	(8)	(10)	-
	<b>Total banking income</b>	<b>836</b>	<b>803</b>	<b>783</b>	<b>7%</b>
<b>Funds management income</b>		32	30	27	19%
<b>Insurance income</b>		144	143	149	(3%)
<b>Total operating income</b>		<b>1,012</b>	<b>976</b>	<b>959</b>	<b>6%</b>
<b>Operating expenses</b>		(465)	(474)	(454)	2%
<b>Loan impairment expense</b>		(28)	(33)	(14)	Large
<b>Investment experience after tax</b>		2	(14)	(6)	Large
<b>Corporate tax expense</b>		(128)	(119)	(117)	9%
<b>Cash net profit after tax</b>		<b>393</b>	<b>336</b>	<b>368</b>	<b>7%</b>

# New Zealand



	NZ \$m	Dec 12 vs Dec 11	
ASB Operating Income	875	7%	<ul style="list-style-type: none"> <li>Strong lending volume growth</li> <li>Benefit from fixed rate loan repricing</li> </ul>
ASB Operating Expenses	(364)	3%	<ul style="list-style-type: none"> <li>Productivity gains partially offset by increased technology and marketing spend with inflation driven property and staff expense growth</li> </ul>
ASB Impairment Expense	(28)	Large	<ul style="list-style-type: none"> <li>Business portfolio coming off cyclical lows and lending growth contributing to retail increase</li> </ul>
Sovereign & Other	45	2%	<ul style="list-style-type: none"> <li>Solid inforce premium growth but lapse rates up from last year</li> <li>Unfavourable impact of claims volatility</li> </ul>
<b>Cash NPAT</b>	<b>393</b>	<b>7%</b>	



# Bankwest – 6 Month Periods

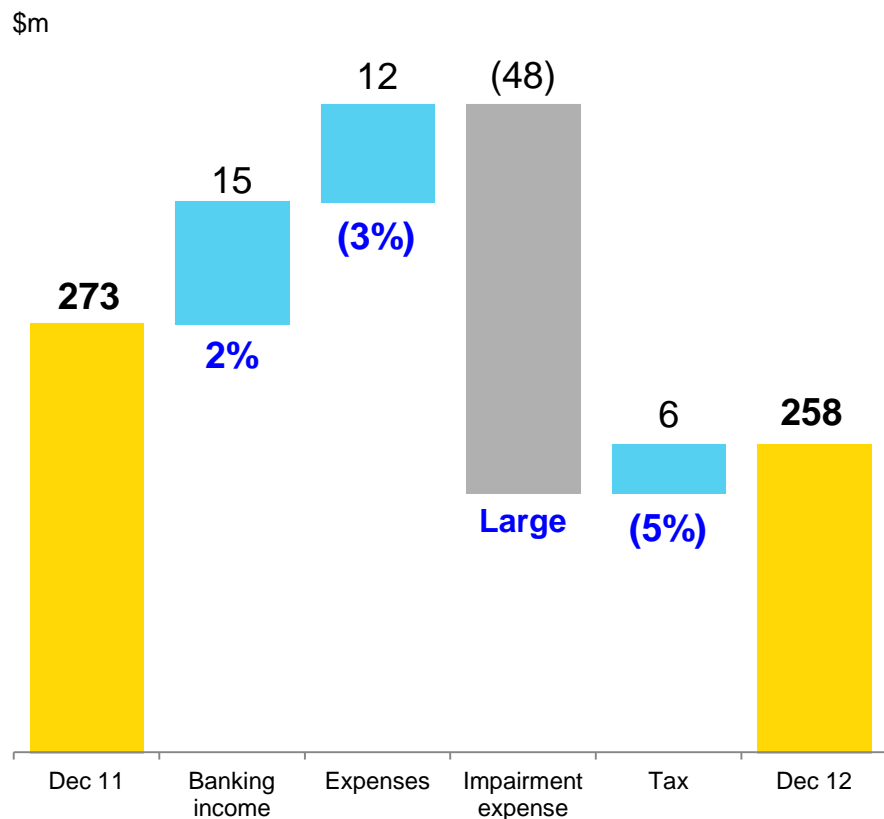
\$m	Dec 12	Jun 12	Dec 11	Dec 12 vs Dec 11 (6 months)
Net interest income	761	707	755	1%
Other banking income	110	100	101	9%
<b>Total banking income</b>	<b>871</b>	<b>807</b>	<b>856</b>	<b>2%</b>
Operating expenses	(416)	(420)	(428)	(3%)
Loan impairment expense	(86)	(23)	(38)	Large
<b>Net profit before tax</b>	<b>369</b>	<b>364</b>	<b>390</b>	<b>(5%)</b>
Corporate tax expense	(111)	(110)	(117)	(5%)
<b>Cash net profit after tax</b>	<b>258</b>	<b>254</b>	<b>273</b>	<b>(5%)</b>





# Bankwest

## Cash Earnings



Key balances	\$m	Dec12 vs Dec11	
Banking income	871	2%	<ul style="list-style-type: none"> <li>Higher home loan volumes and margins offset by lower deposit margins</li> </ul>
Expenses	(416)	(3%)	<ul style="list-style-type: none"> <li>Productivity gains</li> <li>Lower IT costs</li> <li>Lower marketing spend</li> </ul>
Impairment expense	(86)	Large	<ul style="list-style-type: none"> <li>Normalisation of impairment expense (now 23 bpts of gross loans and advances)</li> </ul>
<b>Cash NPAT</b>	<b>258</b>	<b>(5%)</b>	



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# Regulatory Exposure Mix

	Regulatory Credit Exposure Mix			
	CBA	Peer 1	Peer 2	Peer 3
Residential Mortgages	57%	40%	42%	56%
Corporate, SME & Specialised Lending	27%	35%	40%	31%
Bank	5%	7%	9%	4%
Sovereign	7%	10%	6%	5%
Qualifying Revolving	3%	3%	2%	3%
Other Retail	1%	5%	1%	1%
<b>Total Advanced</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Pillar 3 disclosures for CBA as at December 2012 and Peers as at September 2012.  
 Excludes Standardised exposures, Other Assets and Securitisation (representing 5% of CBA, 6% of Peer 1, 14% of Peer 2 and 4% of Peer 3). Exposure mix is re-baselined to total 100%.



# RBS home loan book quality very sound

- ▶ Portfolio dynamic LVR <sup>1</sup> of 49% and portfolio LVR <sup>2</sup> of 51%
- ▶ 81% of customers paying in advance of required monthly mortgage repayment <sup>3</sup>
- ▶ Maximum LVR of 95% for low risk customers
- ▶ Lenders Mortgage Insurance (LMI) is required for higher LVR loans
- ▶ Low Deposit Premium (LDP) available to low risk customers for LVR 80%-90%
- ▶ Interest rate buffer of 1.5% built into serviceability test
- ▶ First Home Buyer arrears similar to overall portfolio
- ▶ Limited “Low Doc” lending (2.2% of total portfolio, less than 1% of new approvals) with stringent lending criteria
- ▶ Under aggressive “stress test” scenarios, potential losses manageable
- ▶ Mortgagees in Possession represents 0.11% of portfolio balances

All statements relate to the RBS home loan book.

1 Portfolio dynamic LVR = current balance (as at Sep 12) / current valuation (as at Sep 12).

2 Portfolio LVR = current balance (as at Dec 12) / original valuation.

3 Methodology changed, defined as any payment ahead of monthly minimum repayment.



# Home Loan Portfolio Profile

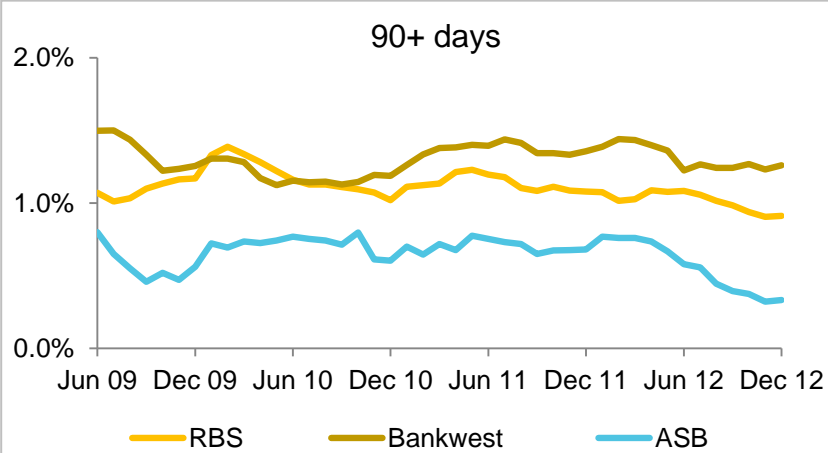
	Dec 11	Jun 12	Dec 12		Dec 11	Jun 12	Dec 12
Total Balances - Spot (\$bn) <sup>1</sup>	346	353	359	Total Balances – Avg (\$bn) <sup>1</sup>	341	345	356
Total Accounts (m)	1.4	1.4	1.4	Portfolio Dynamic LVR (%) <sup>3</sup>	48	48	49
Fundings (\$bn) <sup>2</sup>	28	26	29	Customers in advance (%) <sup>4</sup>	82	82	81
Variable Rate (%)	86	87	87	Payments in advance (#) <sup>5</sup>	7	7	7
Owner-Occupied (%)	57	58	58	Low Doc - % of book	2.9	2.7	2.2
Investment (%)	33	33	34	FHB - % of new fundings	13	14	14
Line of Credit (%)	10	9	8	FHB - % of balances	15	15	15
Interest Only (%)	29	29	30	LMI - % of book	26	25	25
Proprietary - % of balances	62	62	62	LDP - % of book	5	5	5
Broker (%) - % of balances	38	38	38				
Avg Loan Size (\$'000) <sup>6</sup>	235	233	243				
Annualised Run-Off (%) <sup>2</sup>	17	17	18				
Serviceability buffer (%)	1.50	1.50	1.50				

All figures relate to the RBS home loan portfolio (excluding recent acquisition of a tranche of Aussie Home Loans) except where noted.

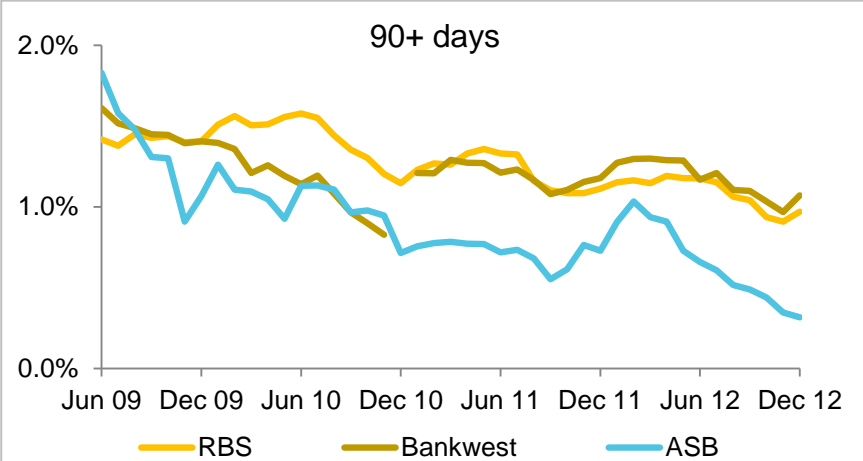
1. Numbers are for the Group (including BW, ASB and securitised loans).
2. 6 month period.
3. Portfolio dynamic LVR = current balance/current valuation. Current period balance and valuations as at Sep 12.
4. Methodology changed, defined as any payment ahead of monthly minimum repayment.
5. Defined as number of payments ahead of scheduled repayments.
6. December 2011 and June 2012 figures restated due to a change in treatment of VLOC top-up loans.

# Consumer Arrears (Group)

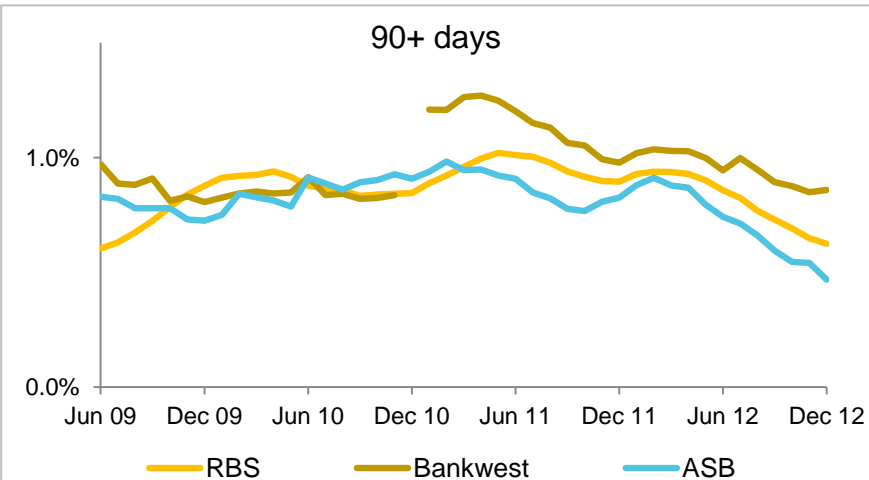
## Credit Cards



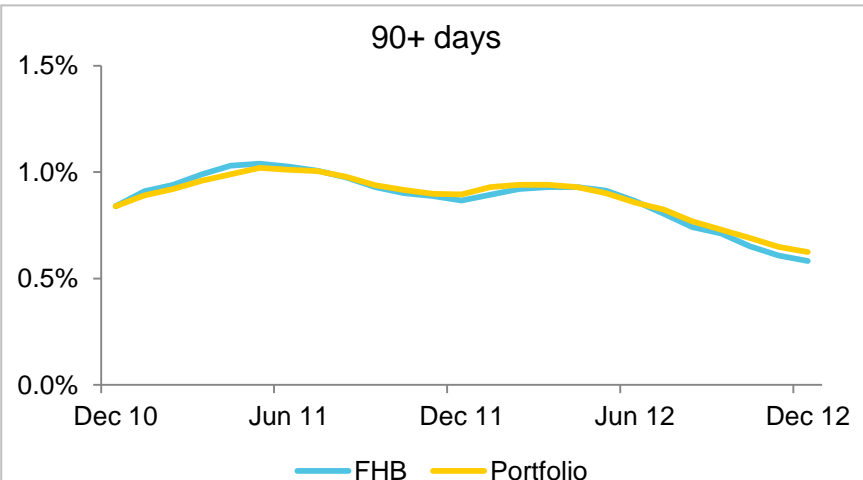
## Personal Loans<sup>1</sup>



## Home Loans<sup>1</sup>



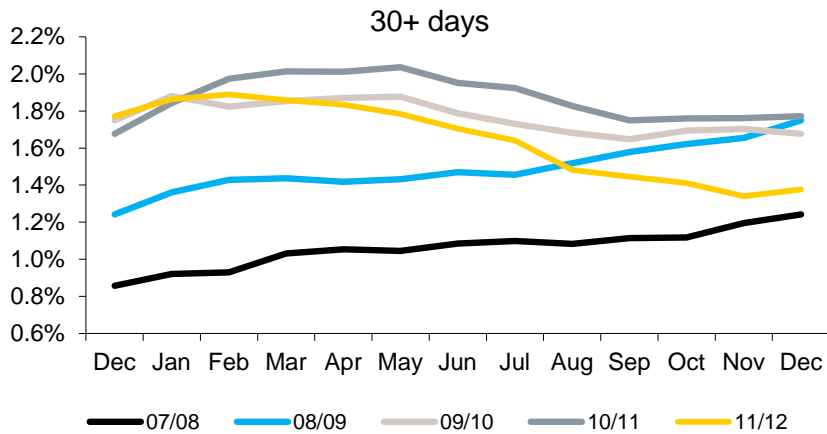
## RBS First Home Buyers



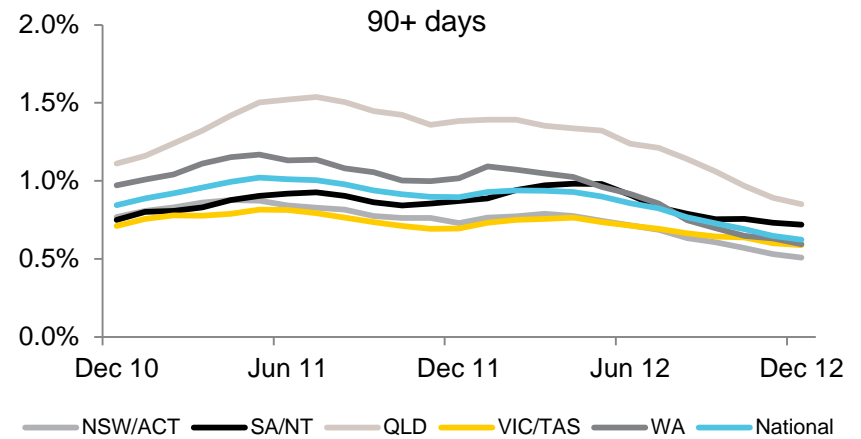
<sup>1</sup> Bankwest arrears updated to reflect change in arrears methodology.

# Consumer Arrears (RBS)

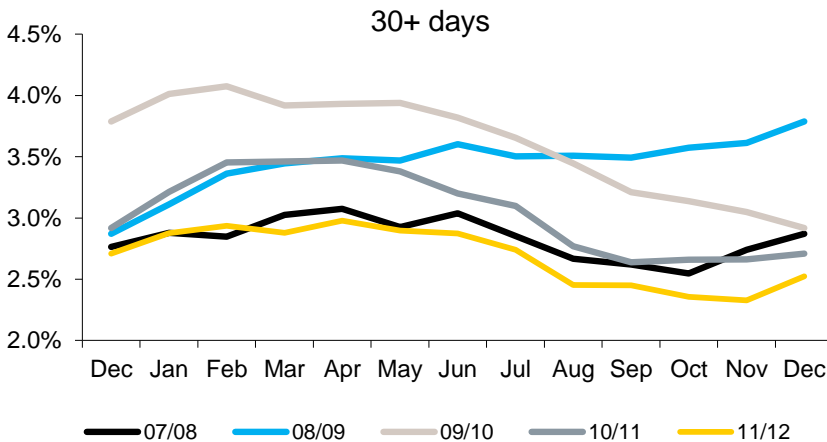
## Home Loans



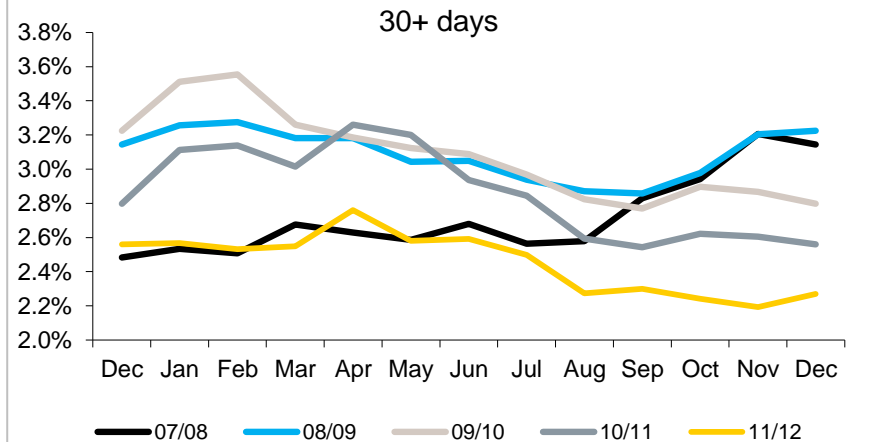
## Home Loans by State



## Personal Loans

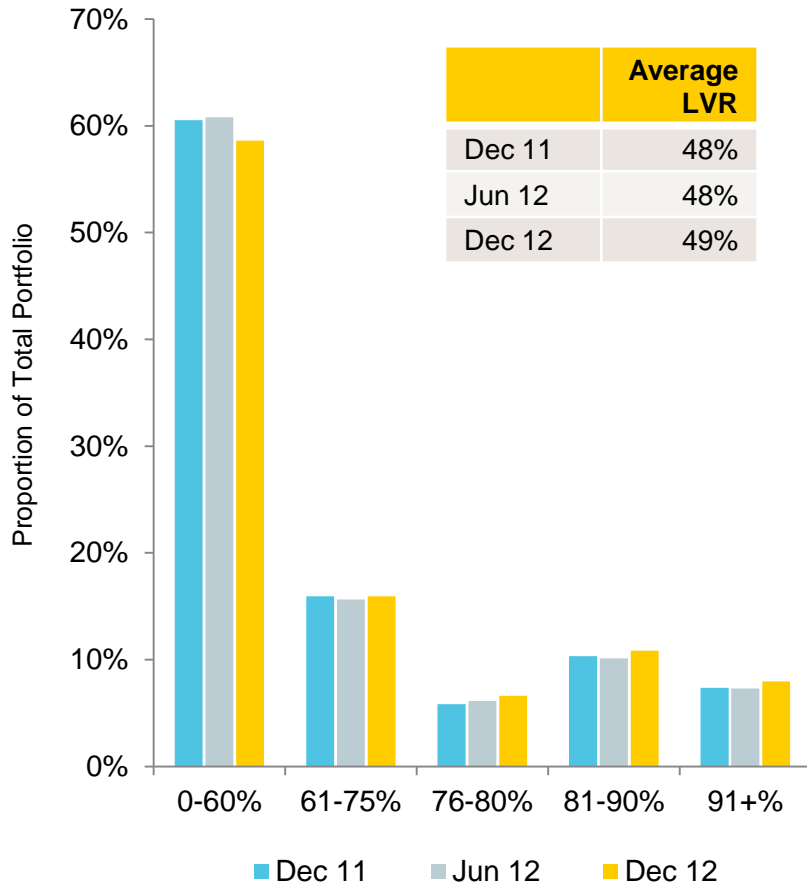


## Credit Cards

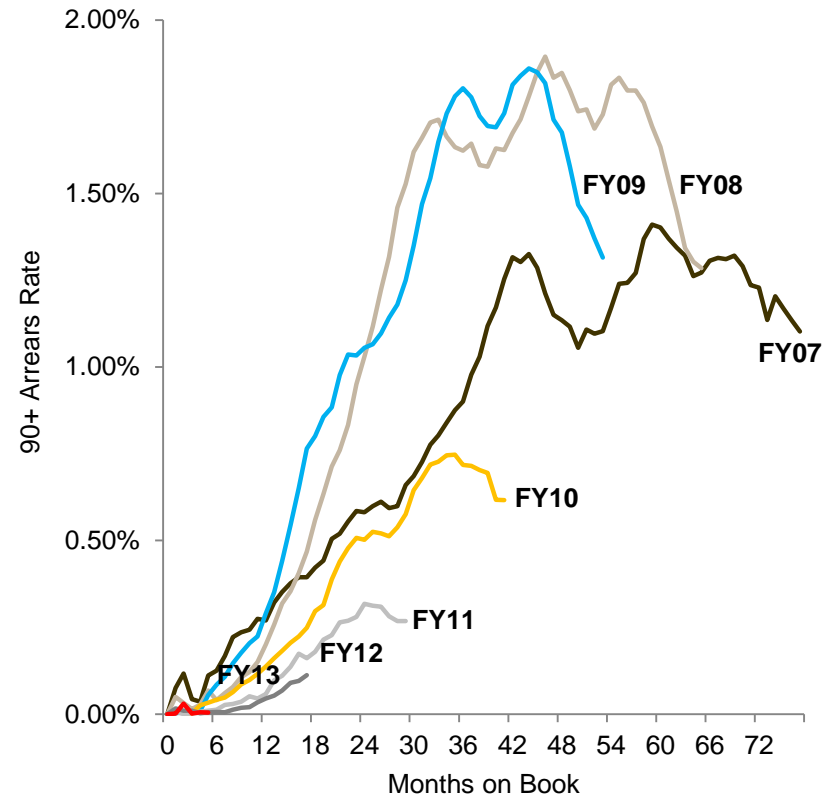


# RBS Home Loans – LVR and Arrears by Vintage

## Home Loan Dynamic LVR<sup>1</sup> Profile



## Home Loan Arrears Rates by Vintage



1 Dynamic LVR is current balance / current valuation. Current period balance and valuations as at Sep 12.



# RBS Home Loans – Stress Test

## Observations

- ◆ Worse case: 32% house price decline, 11.5% unemployment, 3 year timeframe.
- ◆ House prices and PDs are stressed at regional level.
- ◆ Total potential losses of \$1.8bn for the uninsured portfolio only over 3 years.
- ◆ Potential claims on LMI of \$2.1bn<sup>1</sup> over 3 years.
- ◆ Existing Accounts - change in potential loss for accounts that have remained on book between January 2012 and June 2012. The increase is mostly due to early arrears (1-29 days) increasing slightly resulting in a higher PD and higher predicted losses on existing accounts.

## Key Assumptions

	Year 1	Year 2	Year 3
Unemployment	7.0%	10.5%	11.5%
Hours under-employed <sup>1</sup>	11.4%	15.8%	18.4%
Cumulative House Prices	-15%	-32%	-32%
Cash Rate	3.00%	1.00%	1.00%

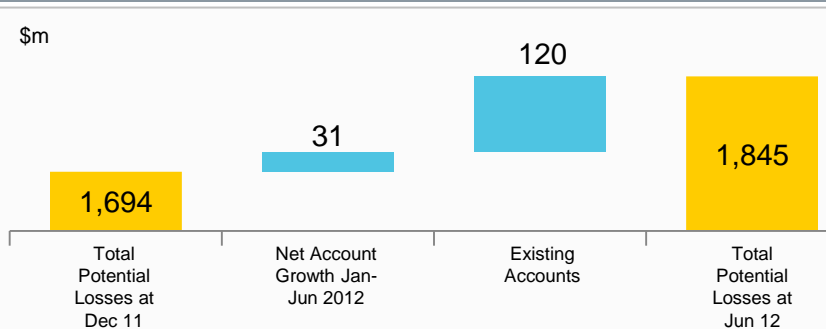
<sup>1</sup> The total number of hours not worked relative to the size of the workforce.

## Key Outcomes

	Year 1	Year 2	Year 3
Stressed Losses	\$343m	\$640m	\$862m
Probability of Default (PD)	1.20%	1.93%	2.66%

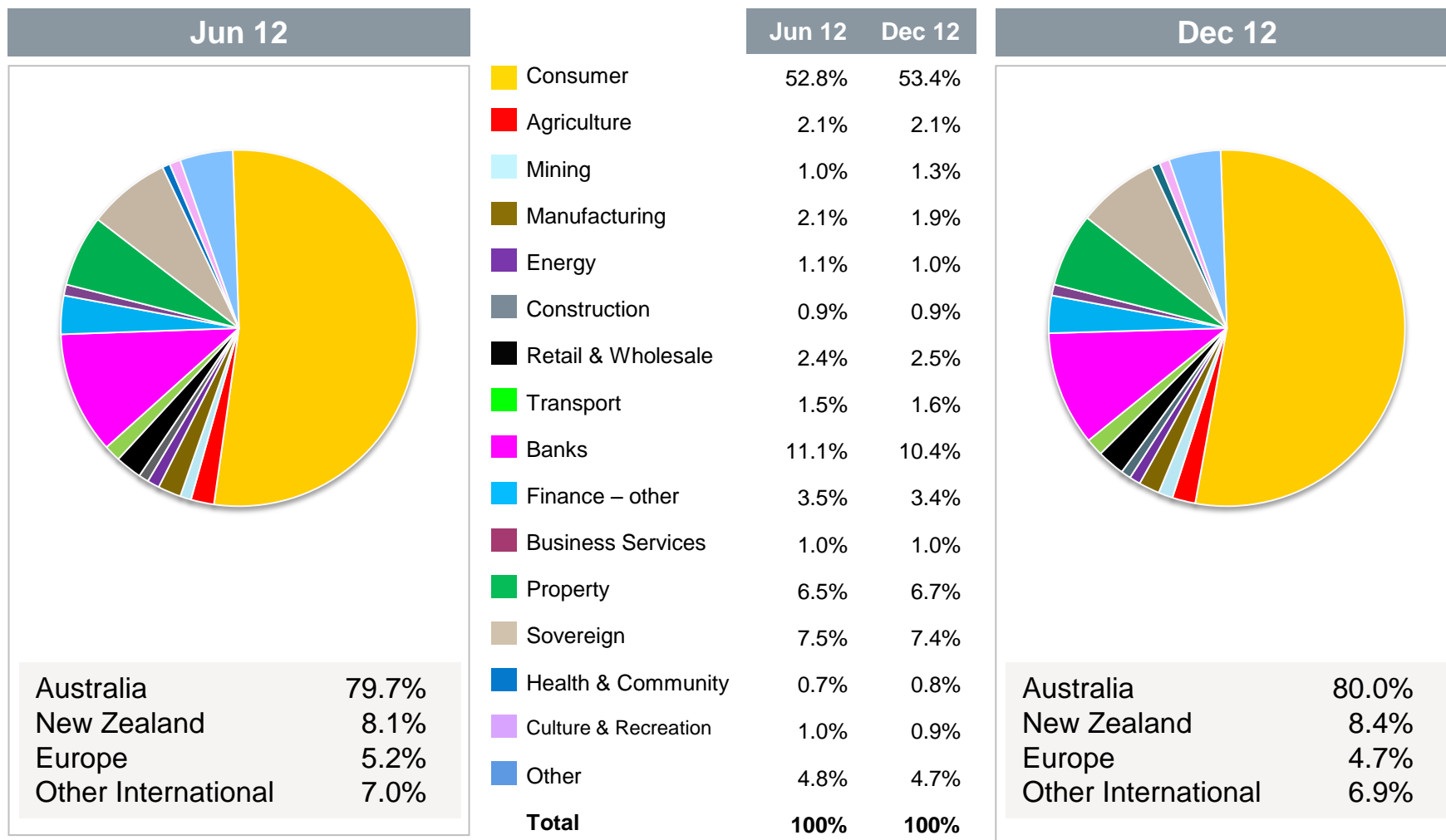
- Results based on June 2012, due to the lag in the publication of current valuations data.
- Total potential losses of \$1,845m for the uninsured portfolio predicted over 3 years. Results based on June 2012.

## Key Drivers of Movement



<sup>1</sup> Conservative in that it assumes all loans that become 90 days in arrears will result in a claim.

# Credit Exposure<sup>1</sup> by Industry



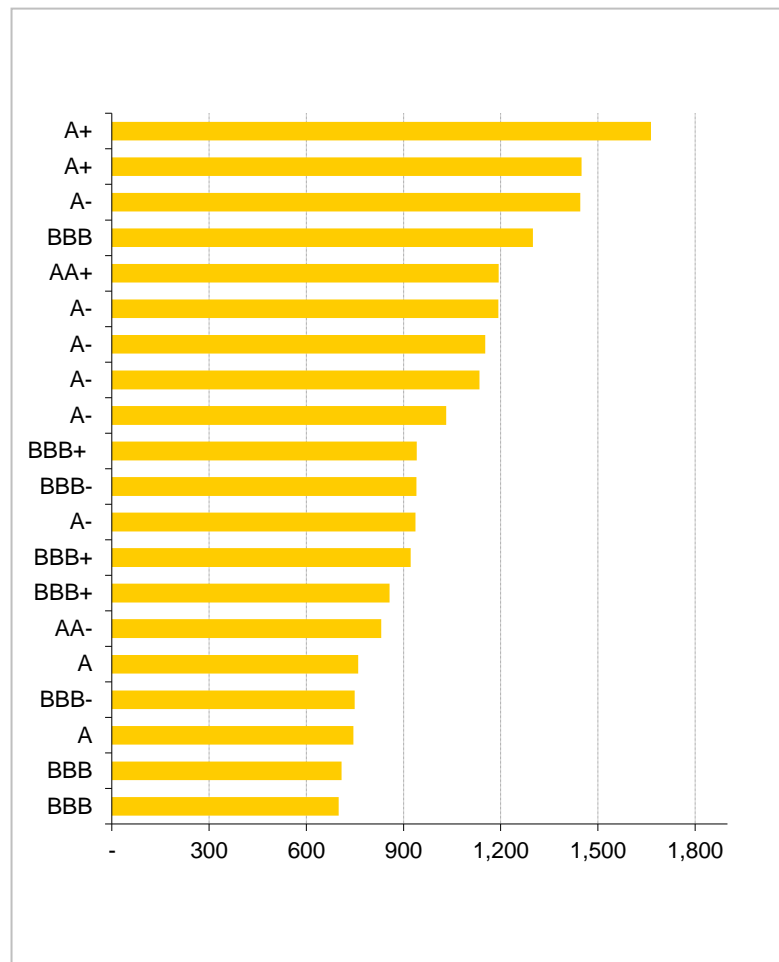
<sup>1</sup> Total committed credit exposure (TCE) = balance for uncommitted facilities or greater of limit or balance for committed facilities. Calculated before collateralisation. Includes ASB and Bankwest. Excludes settlement risk.

# Sector Exposures

## Commercial Exposures by Sector<sup>1</sup>

\$bn	AAA to AA-	A+ to A-	BBB+ to BBB-	Other	Dec 12
Banks	38.5	38.6	4.8	0.7	82.6
Finance Other	8.6	9.4	2.0	7.0	27.0
Property	0.1	5.7	11.0	36.0	52.8
Sovereign	55.7	1.9	0.5	0.1	58.2
Manufacturing	0.0	2.3	5.8	7.2	15.3
Retail/Wholesale Trade	0.4	1.1	6.0	12.6	20.1
Agriculture	0.0	0.4	2.6	14.0	17.0
Energy	0.4	1.6	5.0	1.0	8.0
Transport	0.3	2.0	6.7	4.0	13.0
Mining	1.6	1.8	3.3	3.3	10.0
All other (ex consumer)	2.5	3.9	15.3	35.3	57.0
<b>Total</b>	<b>108.1</b>	<b>68.7</b>	<b>63.0</b>	<b>121.2</b>	<b>361.0</b>

## Top 20 Commercial Exposures<sup>2</sup> (\$m)



<sup>1</sup> Gross credit exposure before collateralisation = balance for uncommitted facilities and greater of limit or balance for committed facilities.

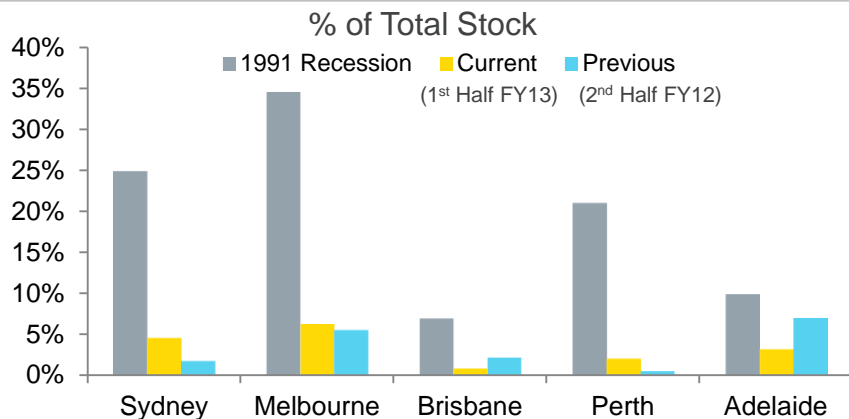
Includes ASB and Bankwest, and excludes settlement exposures.

<sup>2</sup> CBA grades in S&P Equivalents. Includes ASB and Bankwest. Total approved exposure.



# Commercial Property Market

## CBD Office Supply Pipeline<sup>1</sup>



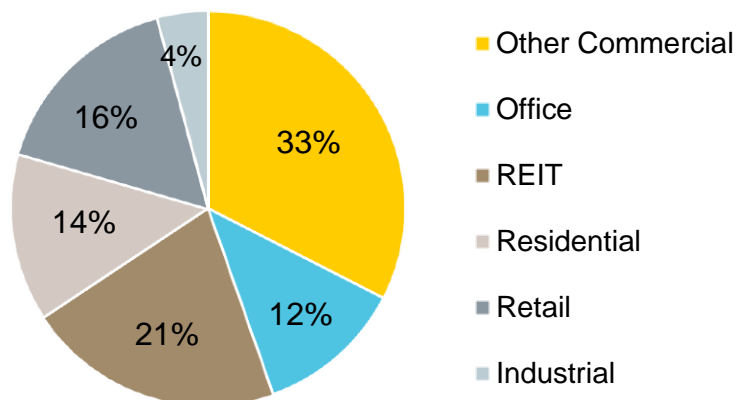
Source : Jones Lang LaSalle Research

## CBD Vacancy Rates

Market	Peak 1990s	Current 1st Half FY13	Previous 2nd Half FY12
Sydney	22.4%	8.4%	8.6%
Perth	31.8%	5.6%	2.9%
Melbourne	25.8%	8.1%	7.4%
Brisbane	14.3%	9.9%	8.8%
Adelaide	19.8%	11.4%	7.7%

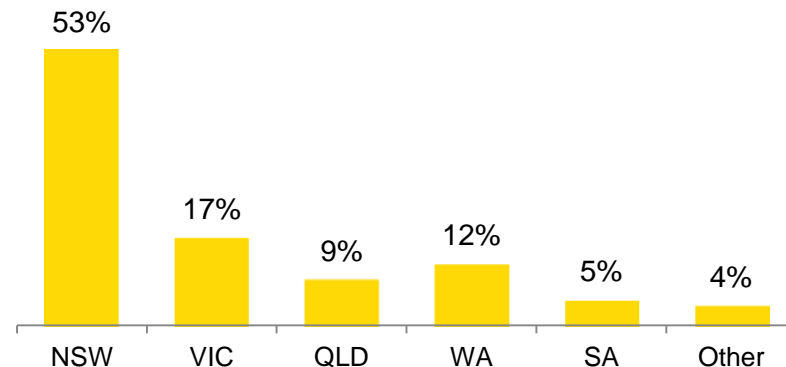
Source : Jones Lang LaSalle Research

## Group Commercial Property Profile<sup>2</sup>



## Group Commercial Property<sup>2</sup>

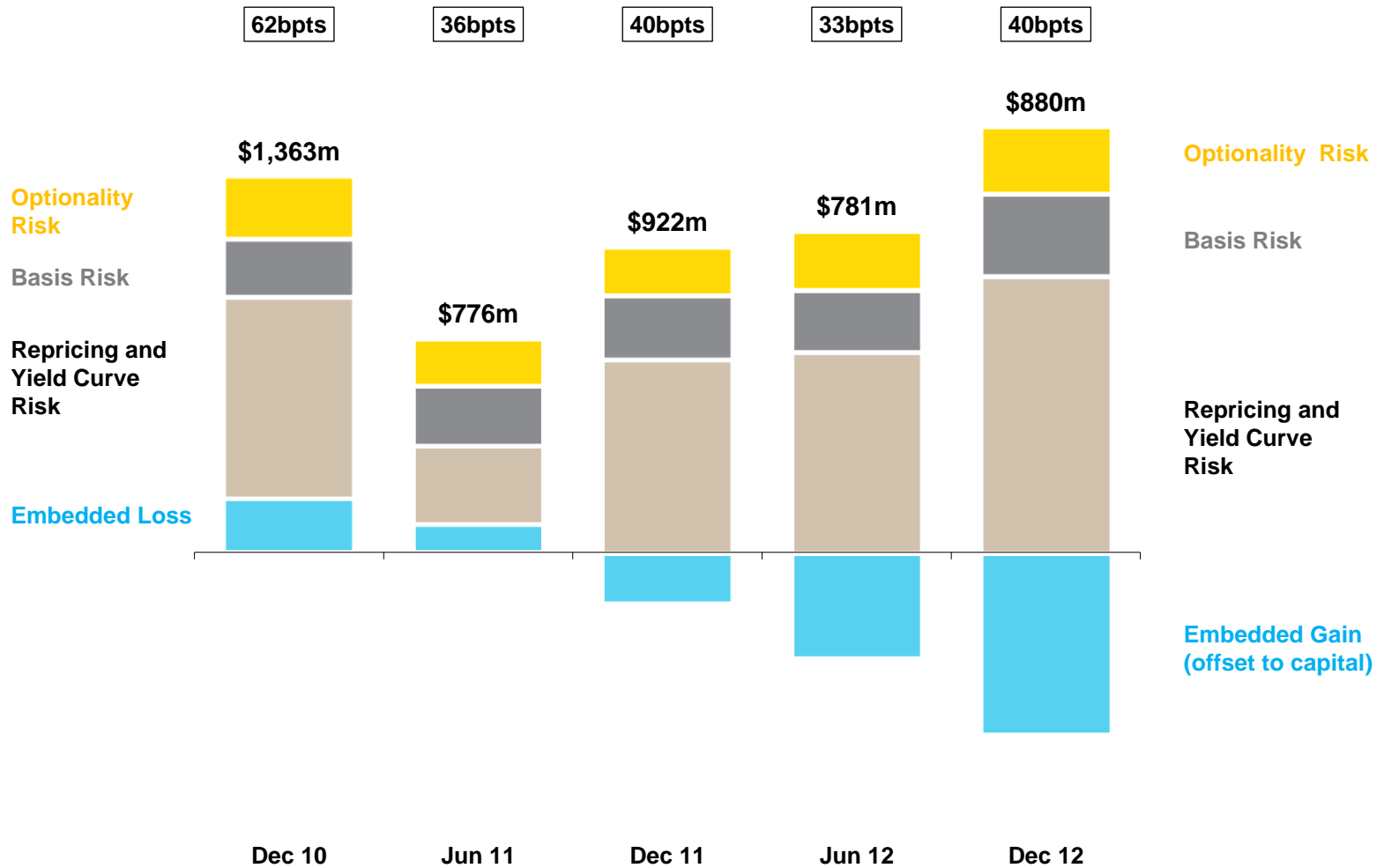
### Exposure by State (Dec 12)



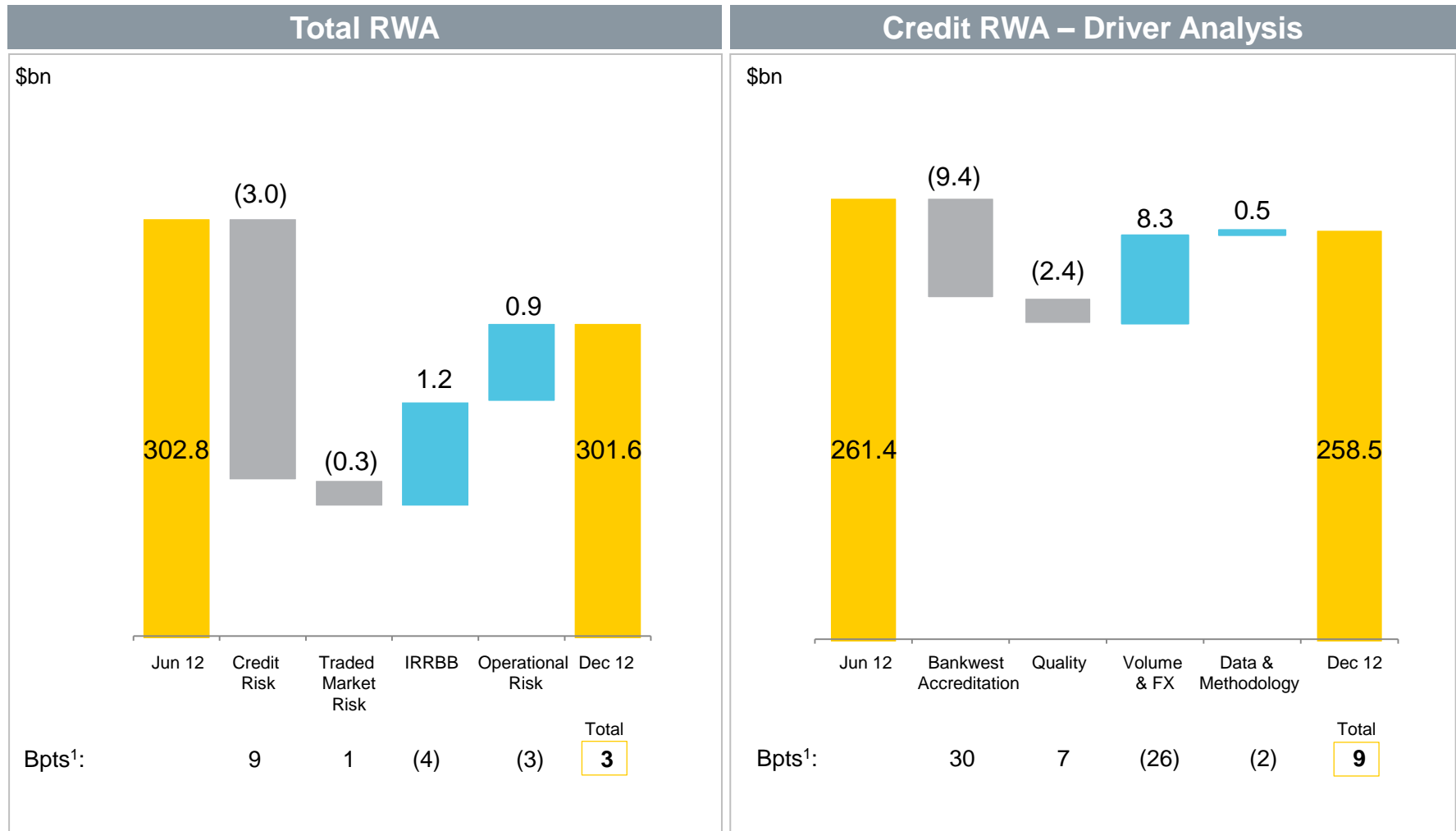
<sup>1</sup> The development pipeline includes all projects currently under construction.

<sup>2</sup> Includes ASB and Bankwest.

# Interest Rate Risk in the Banking Book



# Risk Weighted Assets 1H13



1 Basis points of Tier 1 Capital. Includes impact of Basel 2.5.

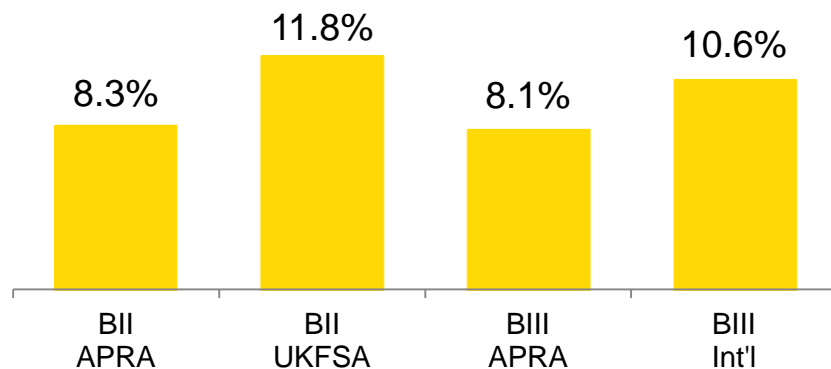
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# Capital Overview

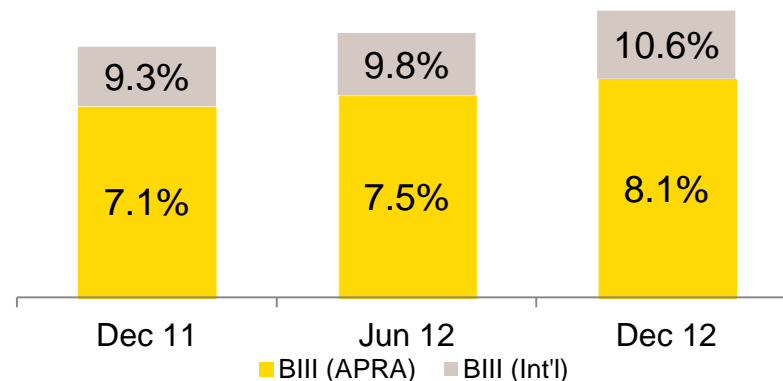
## December 12 Summary

### Common Equity Tier 1 Capital



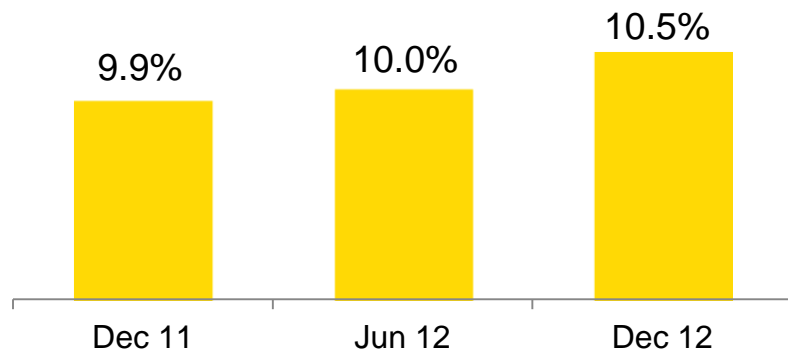
## Basel III

### Common Equity Tier 1 Capital



## Basel II

### Tier 1 Capital APRA



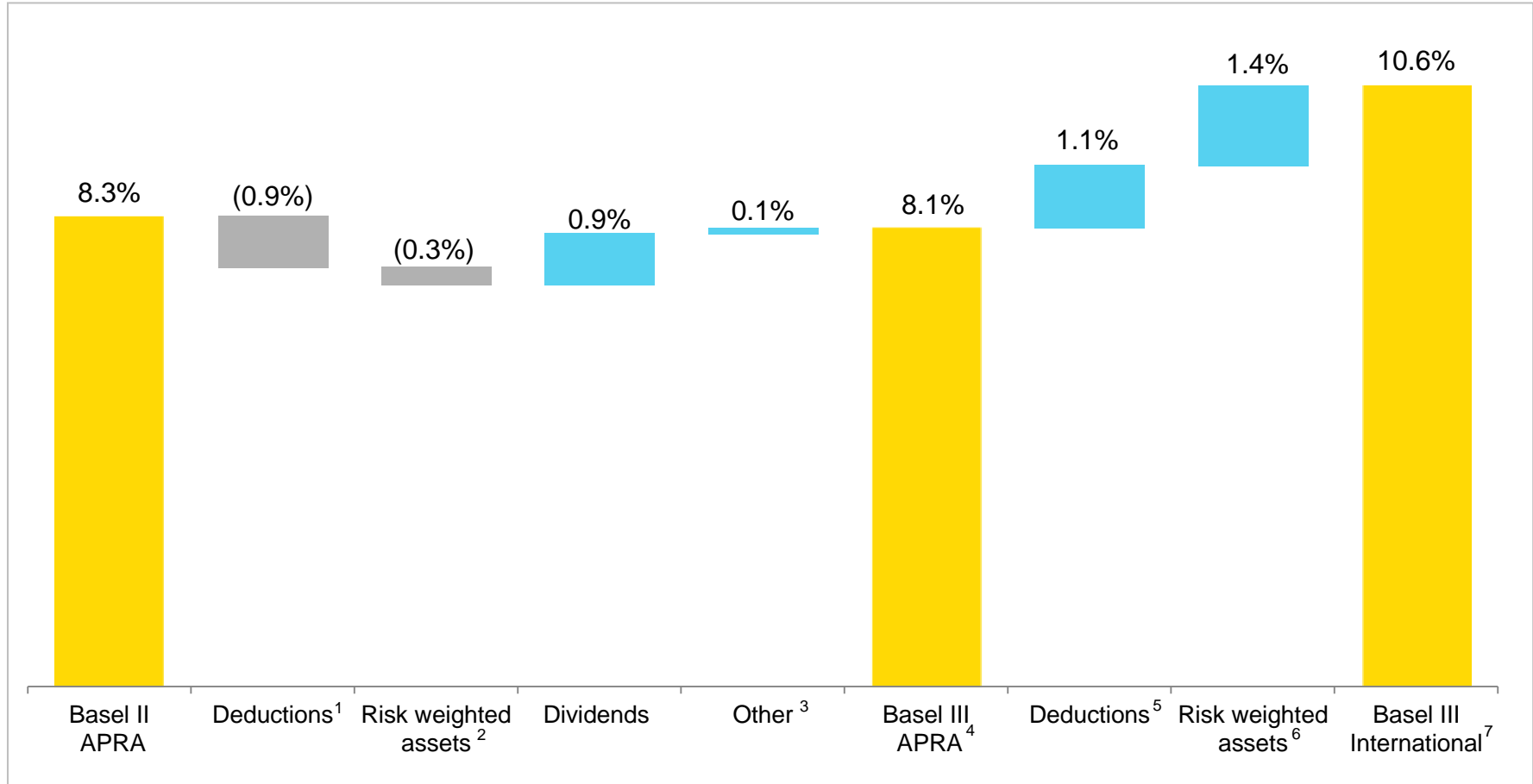
- ◆ Strong capital position across all measures. Basel III Int'l CET1 10.6% (APRA 8.1%), places the Group at the top end of the range of both its domestic and international peers.
- ◆ Significant improvement in December 12 half year reflecting strong earnings and Bankwest's move to Advanced Accreditation.
- ◆ Well placed for implementation of Basel III on both an APRA and Internationally harmonised basis.
- ◆ Completed \$2bn PERLS VI transaction in October 2012. First fully compliant Basel III Tier 1 hybrid.





# Basel II v III CET1 (APRA & International)

Basel II v III Reconciliation – December 2012



1 Deductions include equity investment, expected loss and deferred tax asset.

2 Includes adjustments for Asset Value Correlation and Credit Valuation Adjustment.

3 Includes reserves now eligible for inclusion in Common Equity.

4 Basel III methodology for APRA final capital standards was released in September 2012.

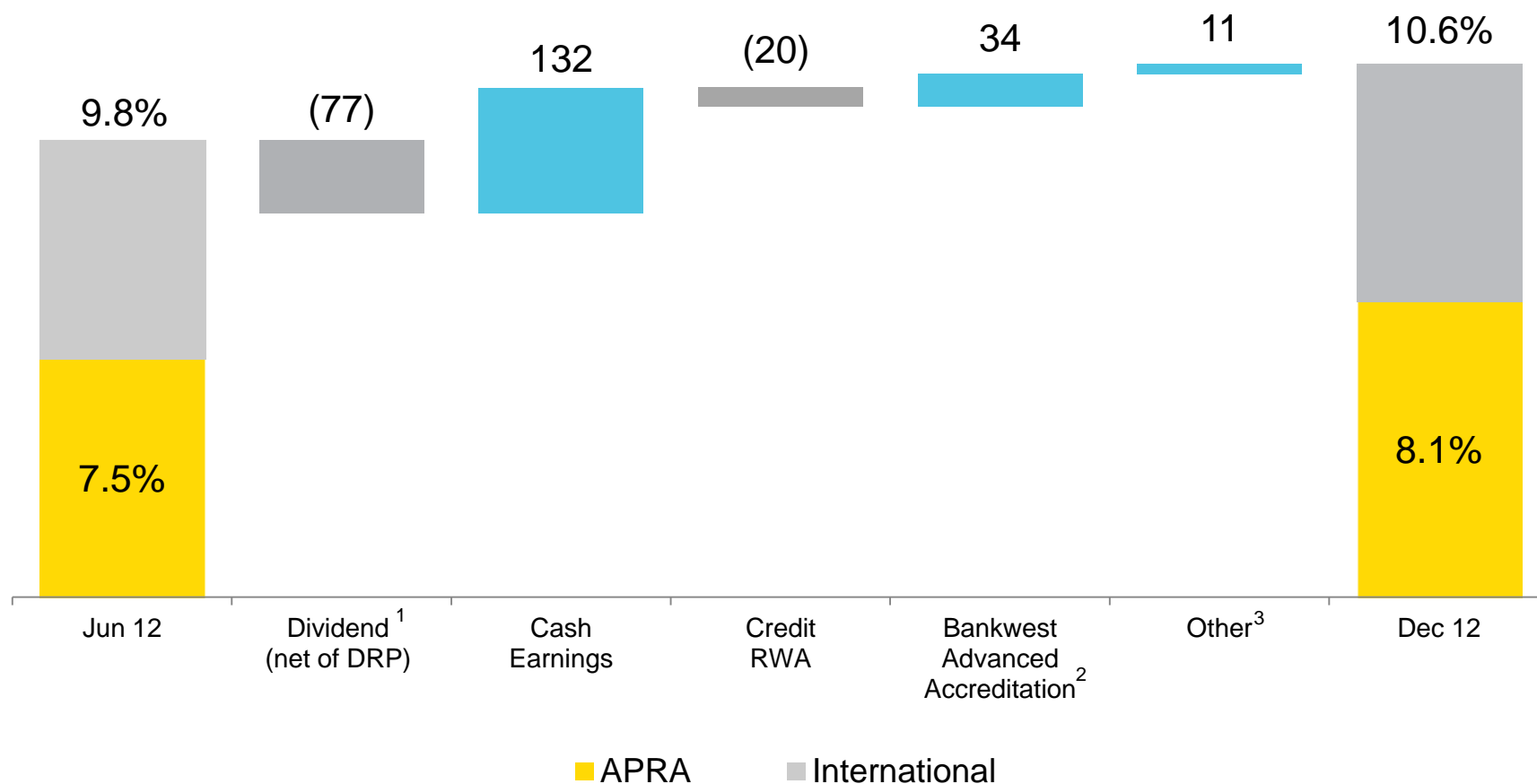
5 Add back deductions including equity investments and deferred tax assets that meet Basel Committee concessional threshold limits.

6 Includes moving APRA's downturn LGD residential mortgage floor from 20% to International floor of 10% and removal of IRRBB RWA.

7 Basel III methodology developed by the Basel Committee on Banking Supervision in December 2010 (revised June 2011).



# Basel III CET1 (APRA & Int'l) – Dec 2012 Half Year



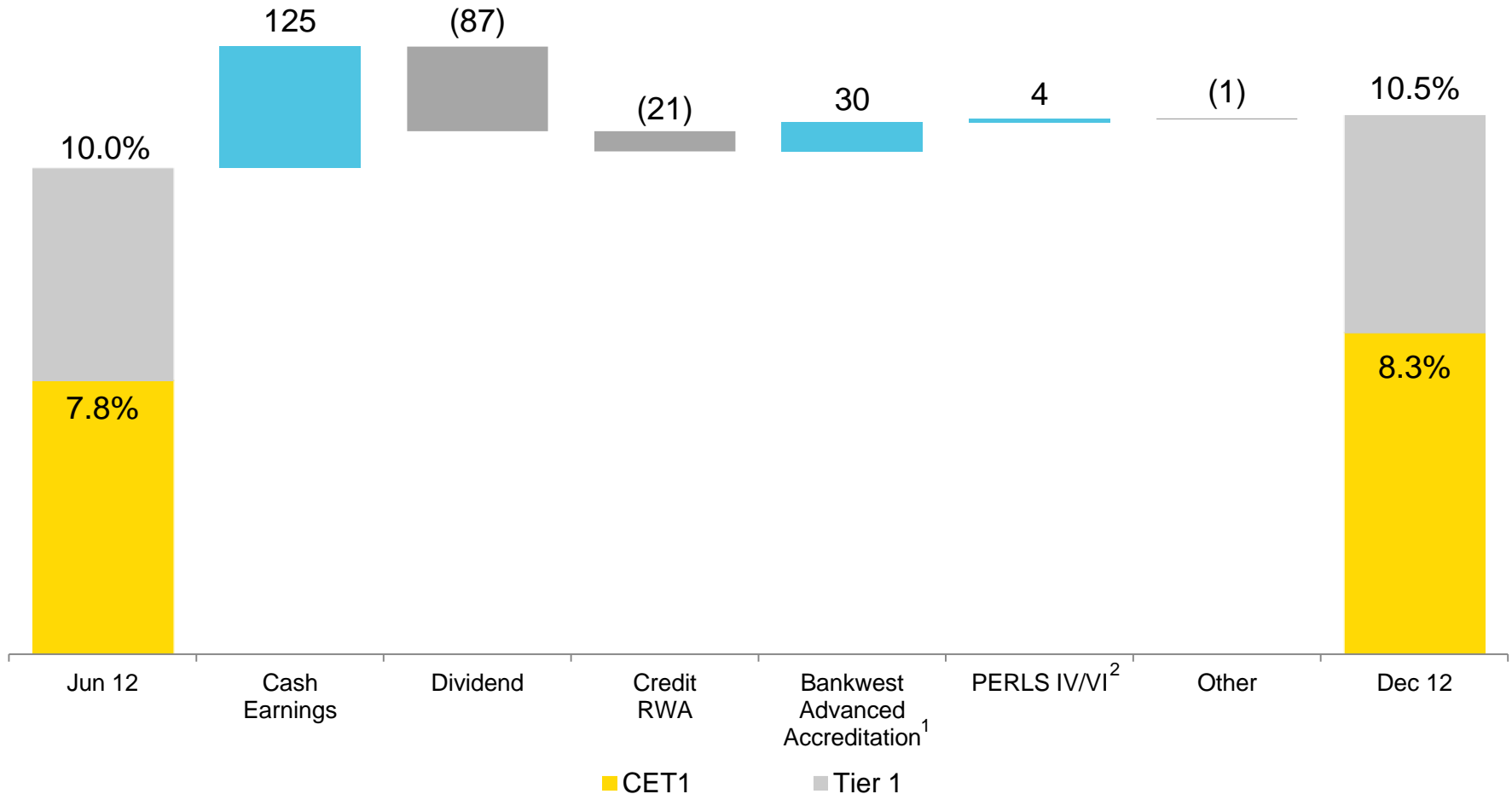
1 Dividend net of DRP relates to the June 12 half year (declared August 2012).

2 Represent benefit from reduction in Credit RWA. APRA extended the Group's Advanced Internal Ratings based accreditation to include Bankwest non retail loans and residential mortgages from 31 December 2012.

3 Other includes favourable movements in AFS reserves and actuarial gains for the defined benefits super fund.



# Basel II Tier One Capital M'vt – Dec 12 Half Year



<sup>1</sup> Represent benefit from reduction in Credit RWA. APRA extended the Group's Advanced Internal Ratings based accreditation to include Bankwest non retail loans and residential mortgages from 31 December 2012.

<sup>2</sup> PERLS VI: issued October 2012 (\$2bn), replacing PERLS IV (\$1.4bn), Limited benefits under Basel II due to hybrid limits.

# UK Comparison

The following table estimates the impact on CBA Group capital, as at December 2012, 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>Reported risk weighted capital ratios at 31 December 2012</b>	<b>8.3%</b>	<b>10.5%</b>	<b>11.2%</b>
RWA treatment – mortgages <sup>2</sup> , margin loans	1.3%	1.6%	1.6%
IRRBB risk weighted assets	0.3%	0.4%	0.4%
Future dividends (net of Dividend Reinvestment Plan)	0.9%	0.9%	0.9%
Tax impact in EL v EP calculation	0.1%	0.1%	0.3%
Tier 1 Hybrid Limits	0.0%	0.2%	0.0%
Deferred Tax Assets	0.1%	0.1%	0.1%
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>3.5%</b>	<b>4.1%</b>	<b>3.5%</b>
<b>31 December 2012 – Normalised - FSA</b>	<b>11.8%</b>	<b>14.6%</b>	<b>14.7%</b>

1 Represents Fundamental Tier One Capital net of Tier One deductions.

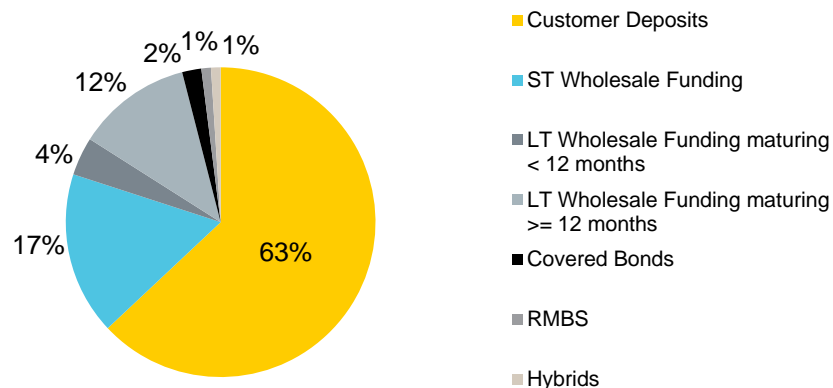
2 Based on APRA 20% Loss Given Default (LGD) floor compared to FSA 10%. For Standardised portfolio, based on APRA matrix compared to FSA standard.

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.

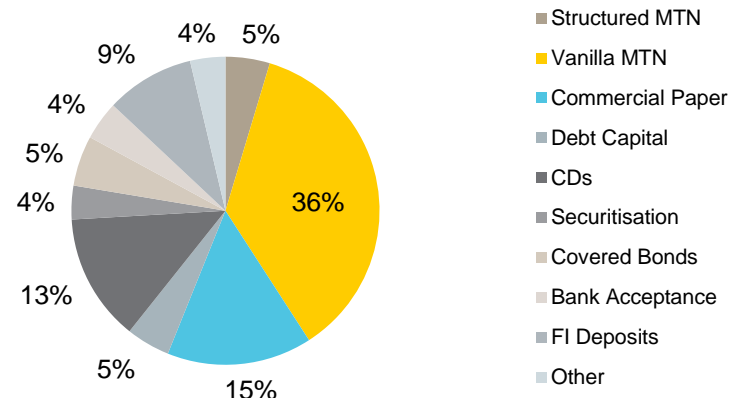


# Funding - Portfolio

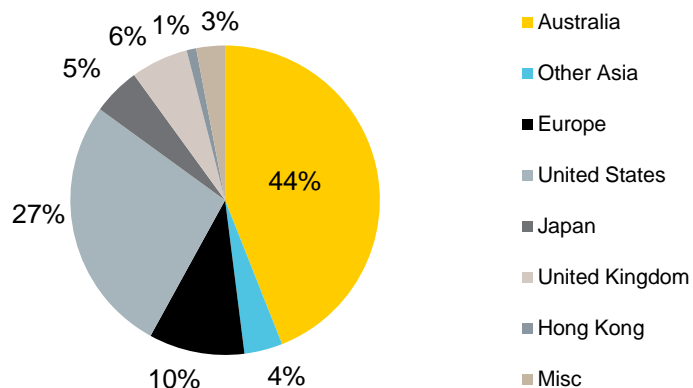
## Funding Composition



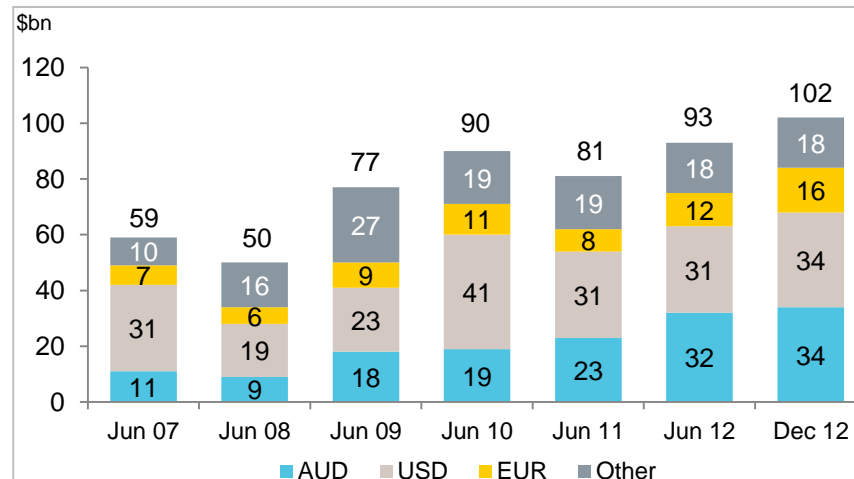
## Wholesale Funding by Product



## Wholesale Funding by Currency



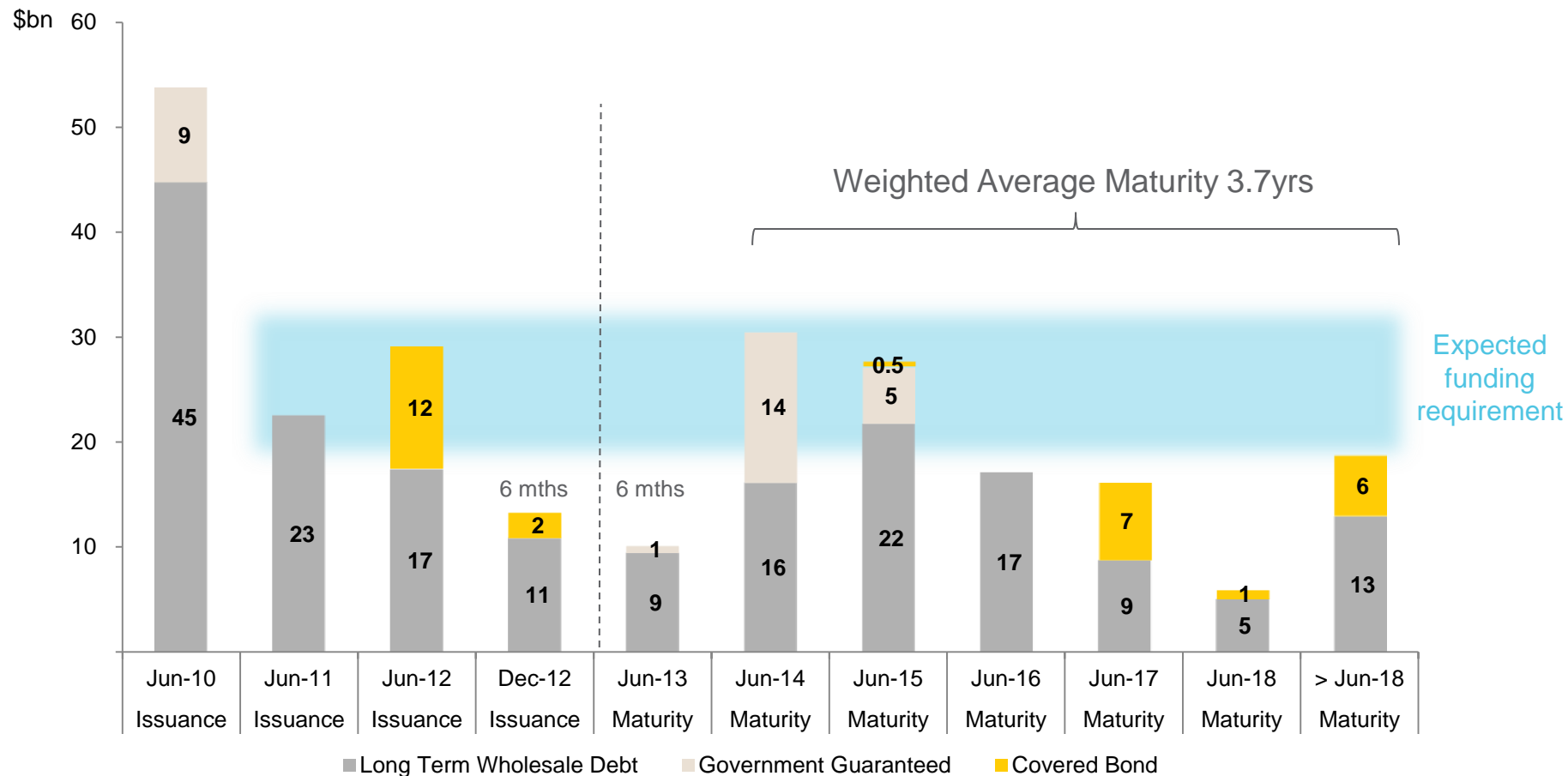
## Term Debt Issues Outstanding (>12mths)<sup>1</sup>



<sup>1</sup> Total of debt issues (at current FX) plus A\$ Transferable Certificates of deposit. Excludes IFRS.

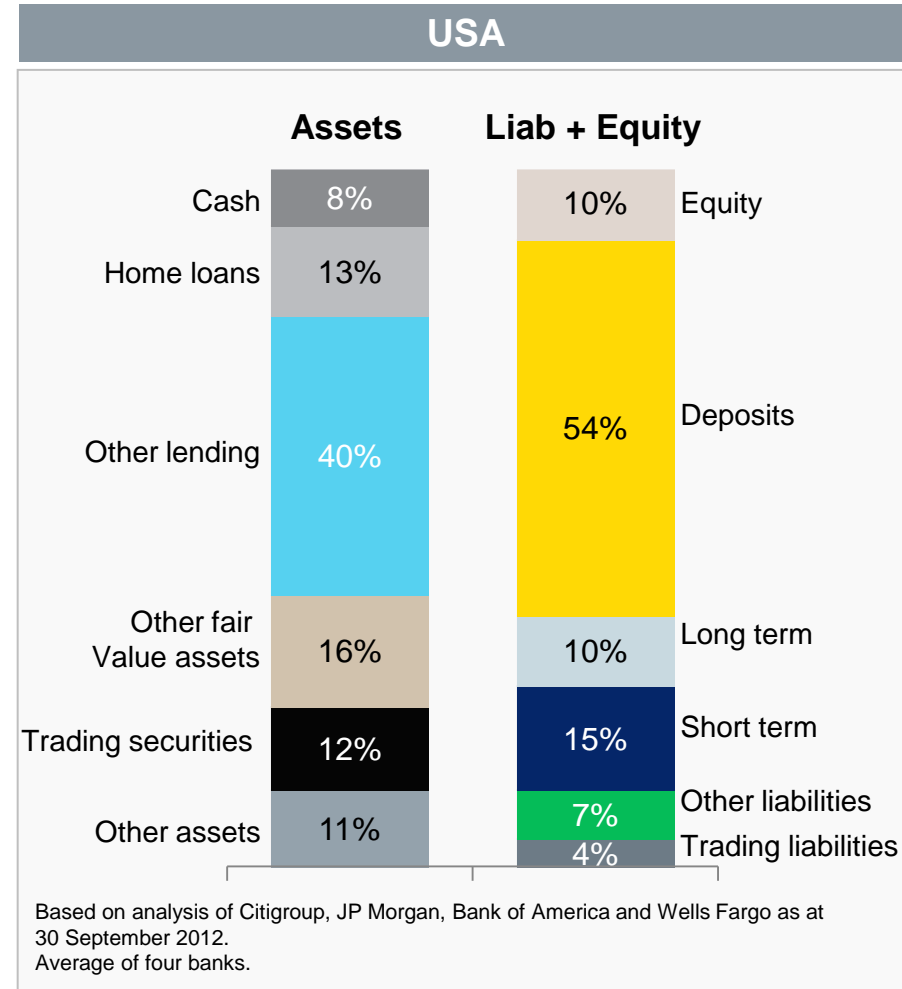
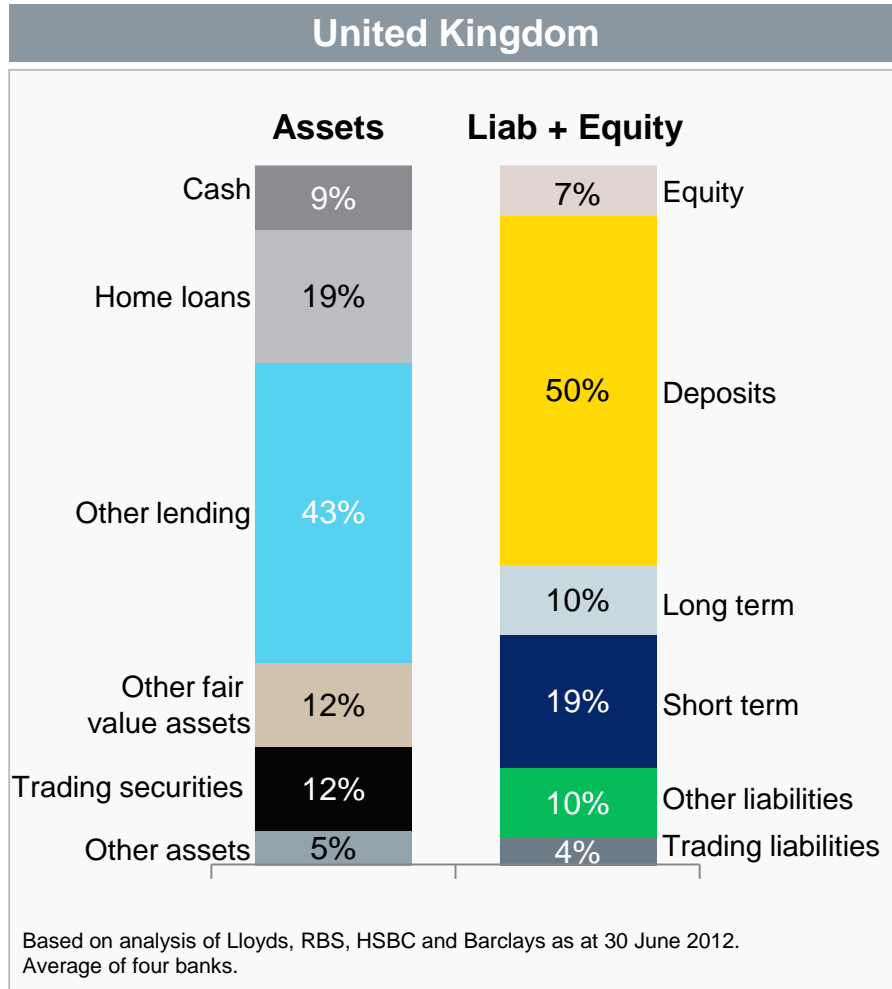
# Funding – Issuance and Maturity<sup>1</sup>

- ◆ Funding strategy driven by market and investor diversity, appropriate maturity profile and overall cost
- ◆ Term wholesale funding requirement has eased materially since FY 2010



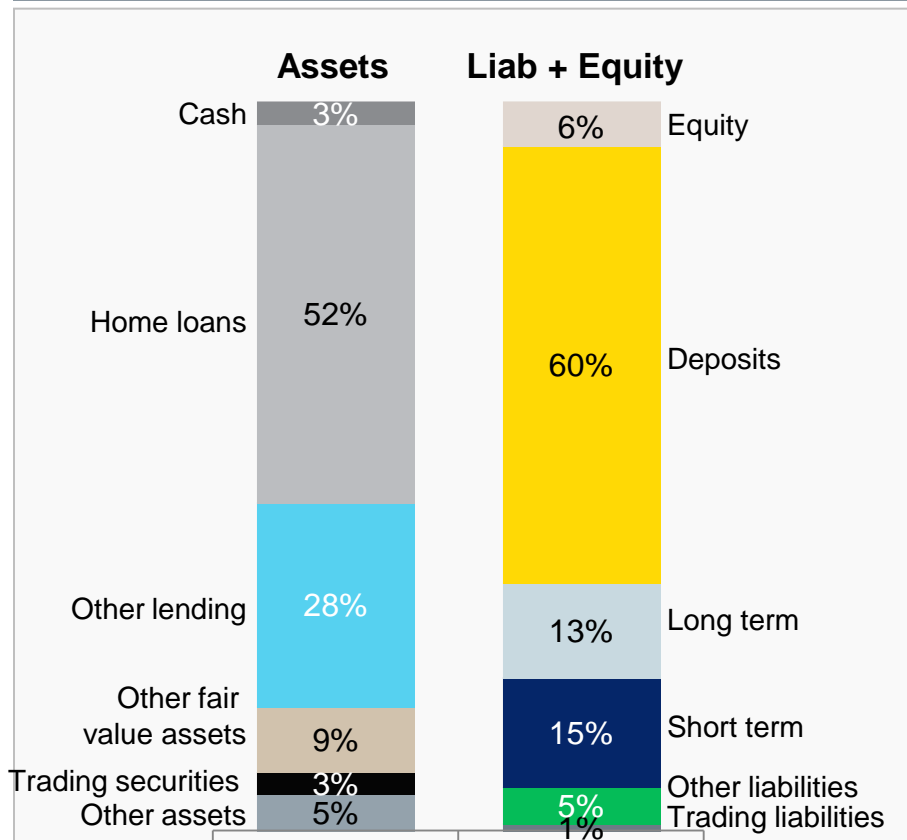
<sup>1</sup> Maturity profile includes all long term wholesale debt. Weighted Average Maturity of 3.7 years includes all deals with first call or maturity of 12 months or greater.

# UK and US Balance Sheet Comparison



# Australian Banks – Safe Assets, Secure Funding

## Commonwealth Bank



CBA balance sheet as at 31 December 2012.  
Based on statutory balance sheet excluding derivative assets and liabilities.

## Balance Sheet Comparisons

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

- 52% of balance sheet is home loans, which are stable/long term
- Trading securities and other fair value assets comprise just 12% of CBA balance sheet compared to 24% and 28% for UK and US banks respectively
- CBA's balance sheet is less volatile due to a lower proportion of fair value assets

	Assets*	
	Amortised cost	Fair Value
CBA	82%	18%
UK	44%	56%
US	51%	49%

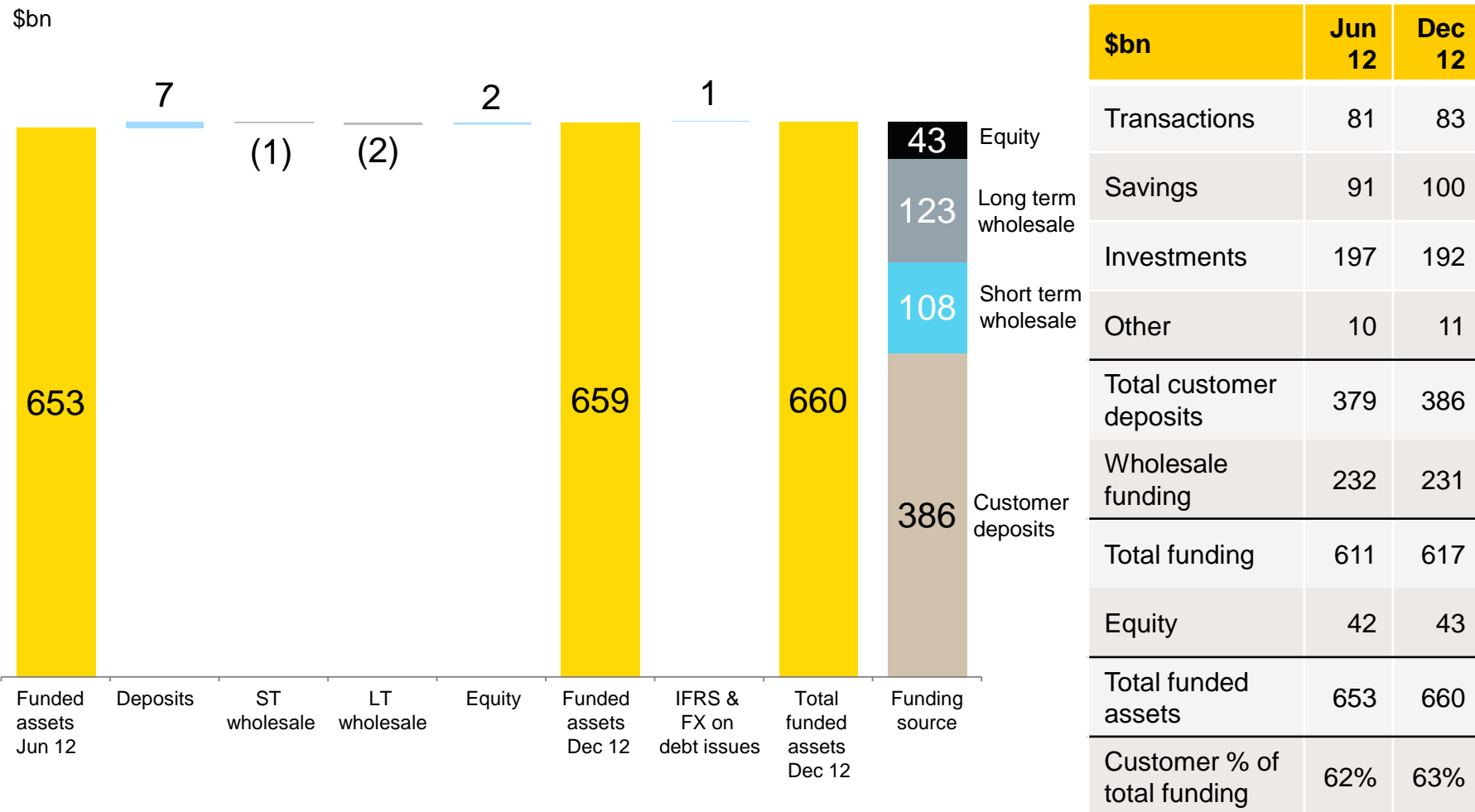
### Funding – a more secure profile because:

- Highest deposit base (60% including 29% 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.



# Funded Assets



# Replicating Portfolio

- ◆ Replicating portfolio provides partial economic hedge for certain liabilities and assets that display imperfect correlation between the cash rate and the product interest rate

Actual and Forecast Scenario<sup>1</sup>



<sup>1</sup> Market Forecast rate cuts 25bpts April 13 and August 13.

# Regulatory Expected Loss

Prior periods restated	Dec 11 \$m	Jun 12 \$m	Dec 12 <sup>1</sup> \$m
<b>CBA Regulatory Expected Loss (EL) – before tax</b>	<b>4,005</b>	<b>3,961</b>	<b>5,497</b>
<b>Eligible Provision</b>			
Collective provision <sup>2</sup>	2,859	2,685	2,701
Individually assessed provisions <sup>2,3</sup>	2,201	2,143	2,622
Other provisions	21	18	18
Subtotal	5,081	4,846	5,341
less tax effect impact	(864)	(811)	(816)
General Reserve for Credit Losses adjustment (after tax)	134	134	197
less ineligible provisions <sup>4</sup>	(1,638)	(1,468)	(249)
<b>Total Eligible Provision</b>	<b>2,713</b>	<b>2,701</b>	<b>4,473</b>
<b>Regulatory EL in excess of Eligible Provision</b>	<b>1,292</b>	<b>1,260</b>	<b>1,024</b>

<b>Tier One deduction – 50%</b>	<b>646</b>	<b>630</b>	<b>512</b>
<b>Tier Two deduction – 50%</b>	<b>646</b>	<b>630</b>	<b>512</b>
<b>Total Capital Deduction</b>	<b>1,292</b>	<b>1,260</b>	<b>1,024</b>

1 Expected loss and eligible provisions as at 31 December 2012 includes Bankwest non retail portfolio and residential mortgages following APRA's approval to extend the Group's Advanced accreditation to Bankwest from 31 December 2012.

2 Includes transfer from Collective provision to Individually assessed provisions in accordance with APS 220 requirements (Dec 12 :\$139m June 12 :\$135m Dec 11: \$104m).

3 Individually assessed provisions at December 2012 includes \$638m in partial write offs.

4 Includes provisions for assets under standardised portfolio. Reduction in December 2012 reflects impact of Bankwest Advanced Accreditation.



# Regulatory Change

	2012	2013	2014	2015	2016	2017	2018	
Timetable	<ul style="list-style-type: none"> <li>Capital - APRA draft and final standards</li> <li>LCR, NSFR – APRA draft standards</li> <li>BCBS LCR review</li> <li>“Pilot” CLF<sup>1</sup> approval process</li> </ul>	LCR - APRA observation		60% effective	LCR (BCBS)		100% effective	
		NSFR - APRA observation and review						NSFR - Effective
		APRA minimum capital levels phased in through to 2016						
	Regulatory Update				CBA Position			
Liquidity	<b>Liquidity Coverage Ratio (LCR)</b> <ul style="list-style-type: none"> <li>Jan 2013: Basel Committee (BCBS) announced final LCR including a phase in period (2015-2019), change to run-off assumptions and HQLA</li> <li>APRA still to opine on regulations for Australian banks</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> <li>Balance sheet/product restructuring in progress</li> </ul>			
Funding	<b>Net Stable Funding Ratio (NSFR)</b> <ul style="list-style-type: none"> <li>Assets &gt;1yr maturity to be funded with “stable” liabilities &gt;1yr term</li> <li>Subject to review by the Basel Committee (BCBS) in 2016</li> </ul>				<ul style="list-style-type: none"> <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>“A framework for dealing with domestic systemically important banks” (D-SIB) released in October 2012</li> <li>APRA expected to release the draft framework for supervision of conglomerate groups (Level 3) during 2013</li> </ul>				<ul style="list-style-type: none"> <li>Strong organic capital generation</li> <li>Advocating international harmonisation of capital ratios</li> <li>Leverage Ratio less onerous than originally expected</li> <li>Possible that APRA may impose higher minimum capital requirements upon CBA</li> </ul>			

1 CLF: Committed Liquidity Facility.

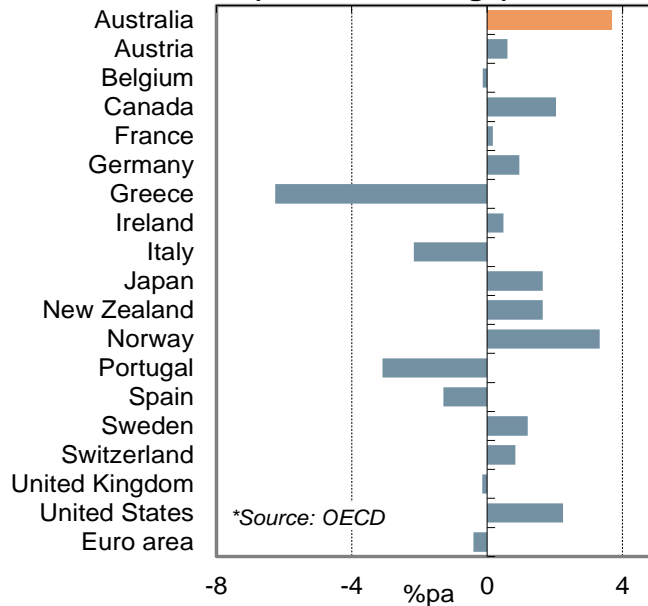
# Index

Strategy	57
Business Performance	80
Risk and Credit Quality	98
Capital, Funding & Liquidity	111
<b>Economic Indicators</b>	<b>125</b>

# Australian economy remains in good shape

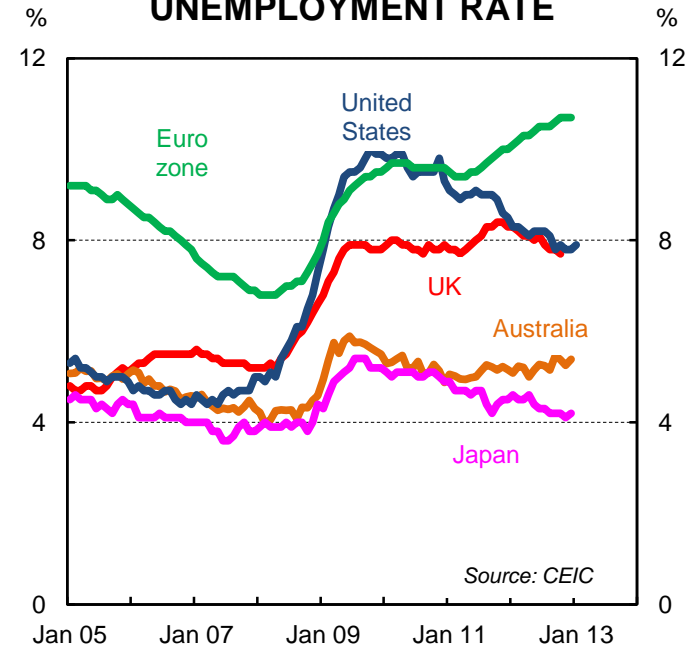
## GDP growth outperformance

### ECONOMIC GROWTH IN 2012 (annual % change)



## Stronger labour market

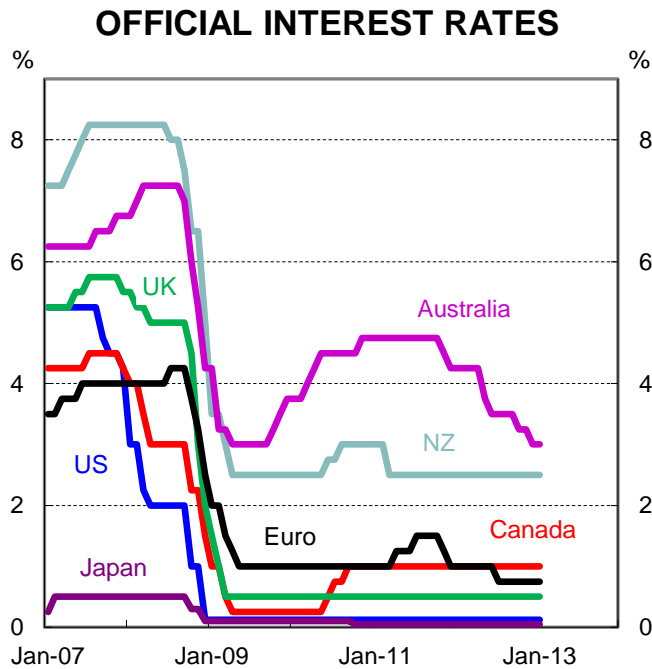
### UNEMPLOYMENT RATE



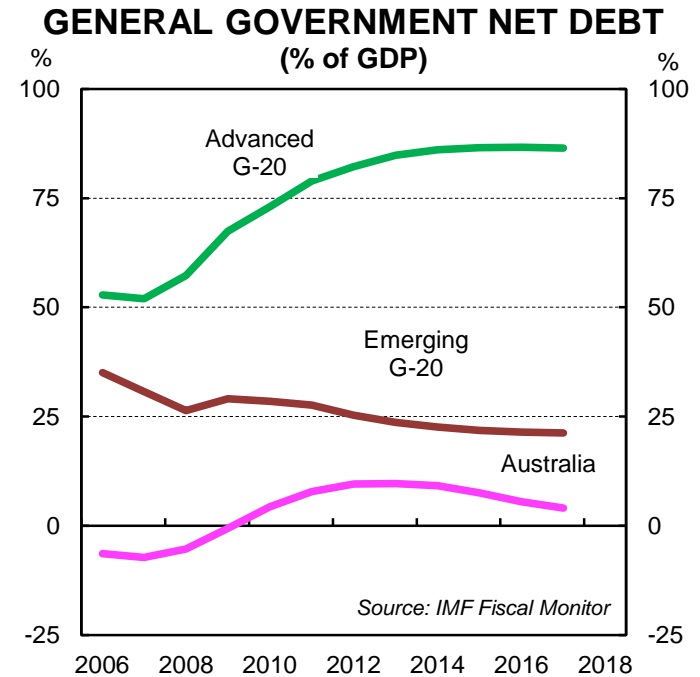
- ◆ Australian economic performance remains strong in the global context
- ◆ Unemployment, a key determinant of mortgage loss, remains at low levels

# Policy protection is available

## Interest rates can be cut



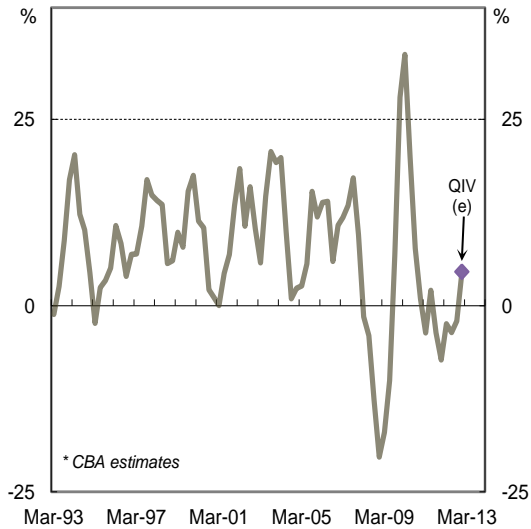
## Fiscal policy can be used



# The consumer

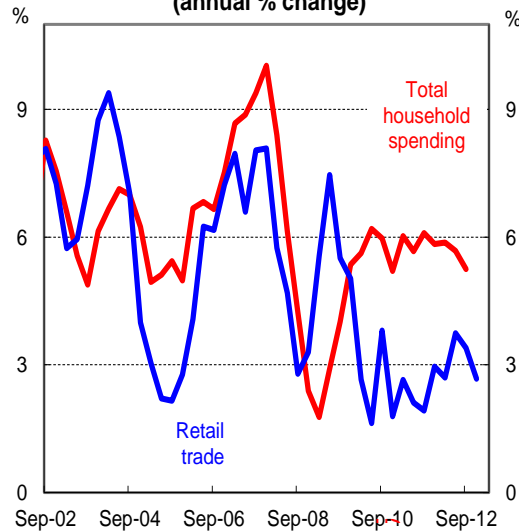
## Balance sheet pressures are easing

**CBA H/HOLD WEALTH INDICATOR**  
(annual % change)



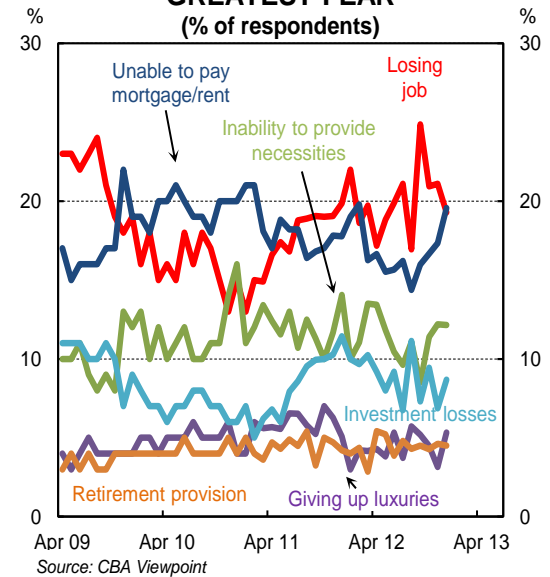
## Consumers are spending but are selective about where they spend

**CONSUMER SPENDING**  
(annual % change)



## And job security remains a key concern

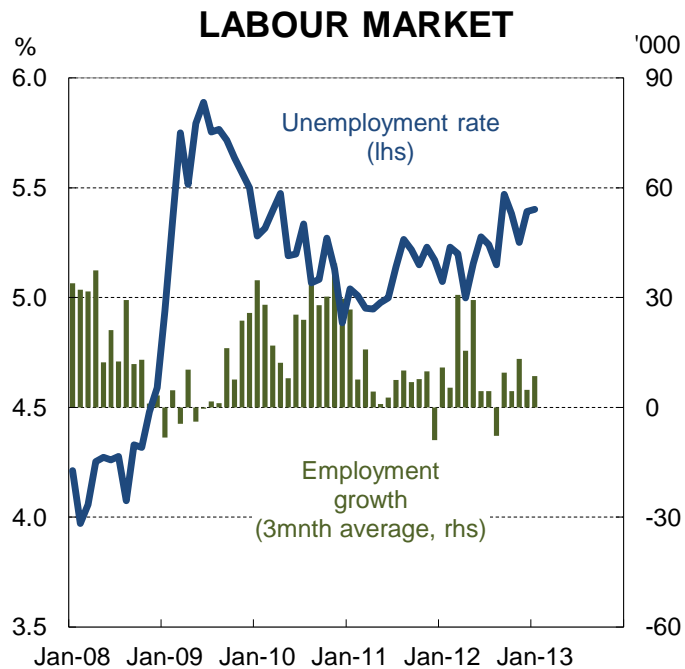
**GREATEST FEAR**  
(% of respondents)



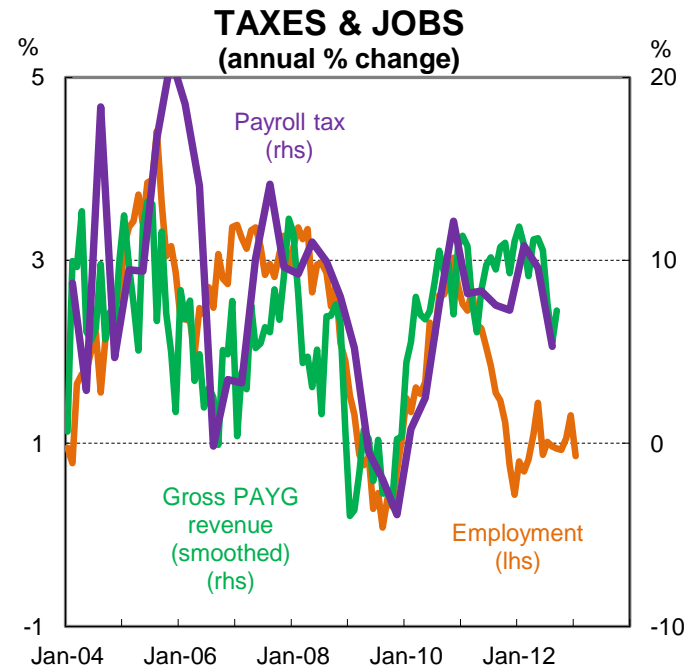


# Labour market

## The labour market is soft

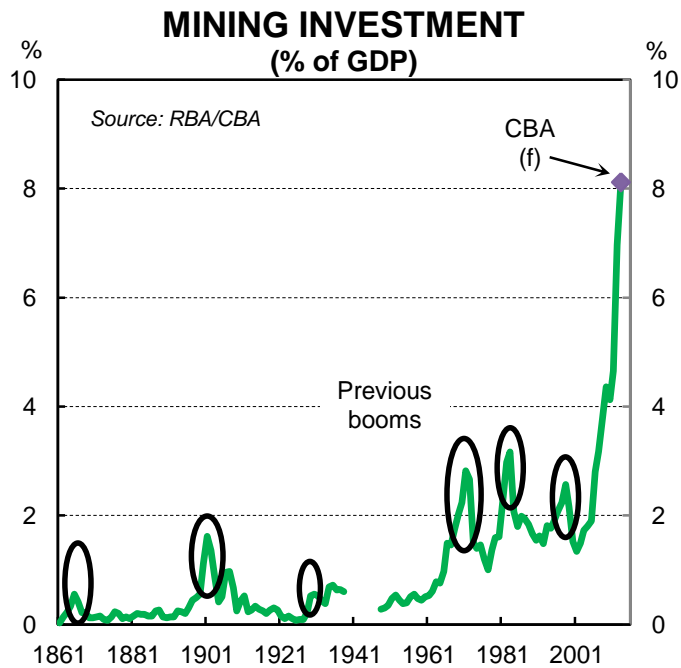


## Some indicators suggest stronger jobs growth

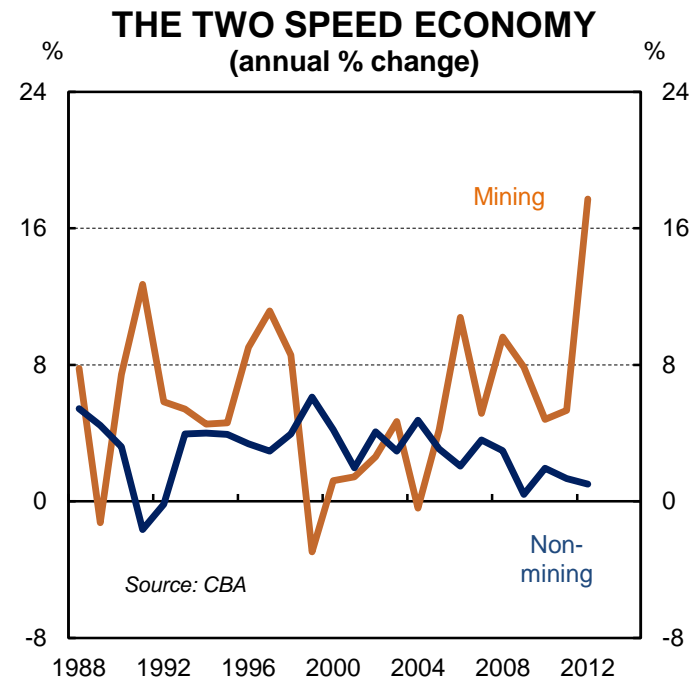


# Business

The mining construction boom will reach a peak during the next year

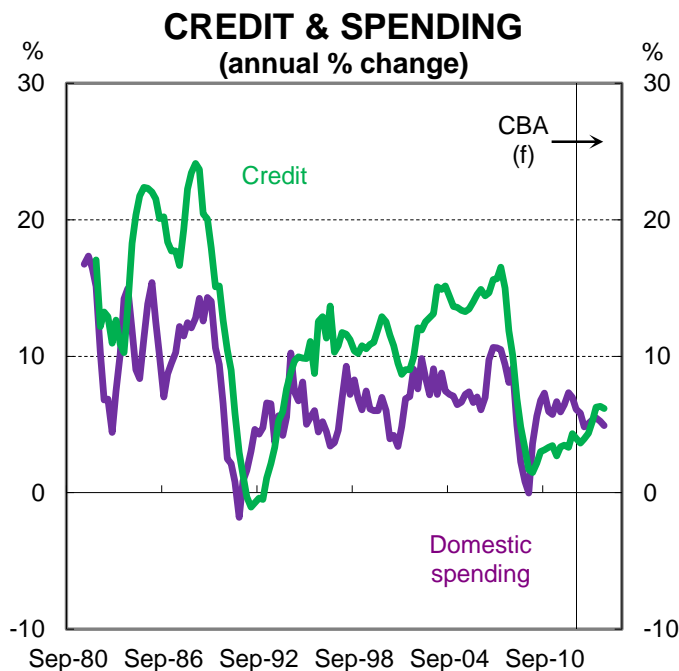


Which means that the non-mining economy will have to make more of a contribution



# Credit

## Modest credit growth set to continue



- ◆ Economic growth prospects are reasonably favourable
- ◆ Reduction in global tail risks has improved financial market sentiment
- ◆ But downside risks persist
- ◆ Households and businesses remain cautious as a result
- ◆ Bottom line: credit growth to remain relatively subdued and to lag usual economic drivers

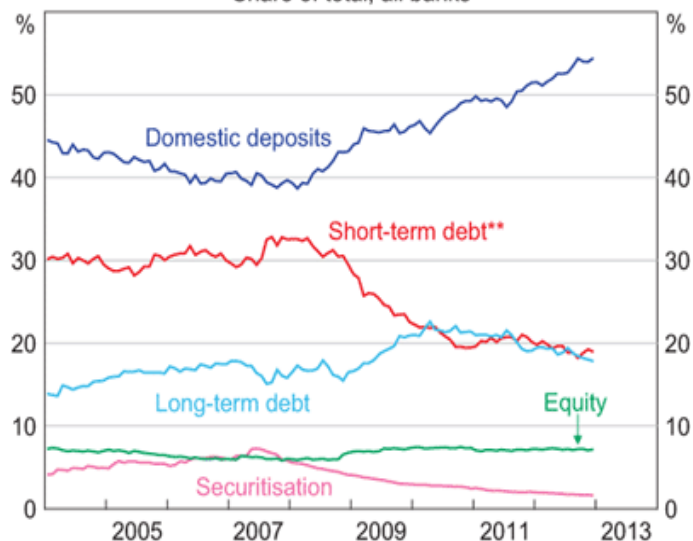


# Funding

## Funding is longer and more diversified

### Bank Funding\*

Share of total, all banks



\* Adjusted for movements in foreign exchange rates

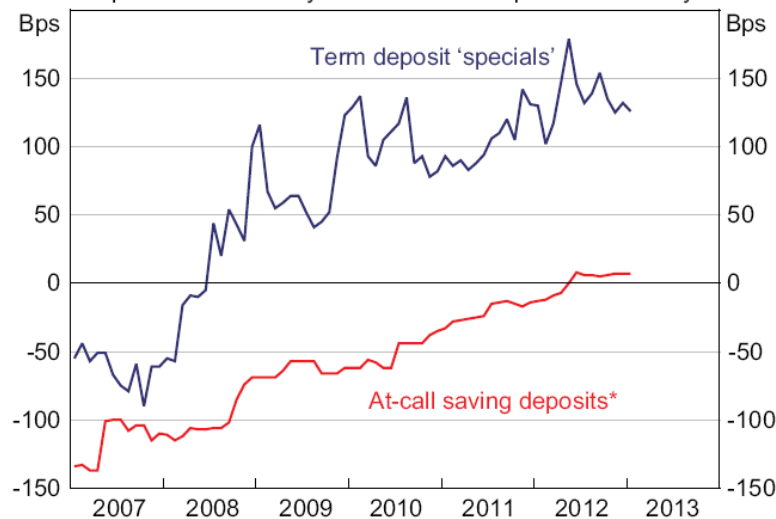
\*\* Includes deposits and intragroup funding from non-residents

Sources: APRA; RBA; Standard & Poor's

## Major Banks' Deposit Rates

### Major Banks' Deposit Rates

Spreads over money market rates of equivalent maturity



\* Spread to cash rate; existing customers only; excludes temporary bonus rates

Sources: Bloomberg; RBA



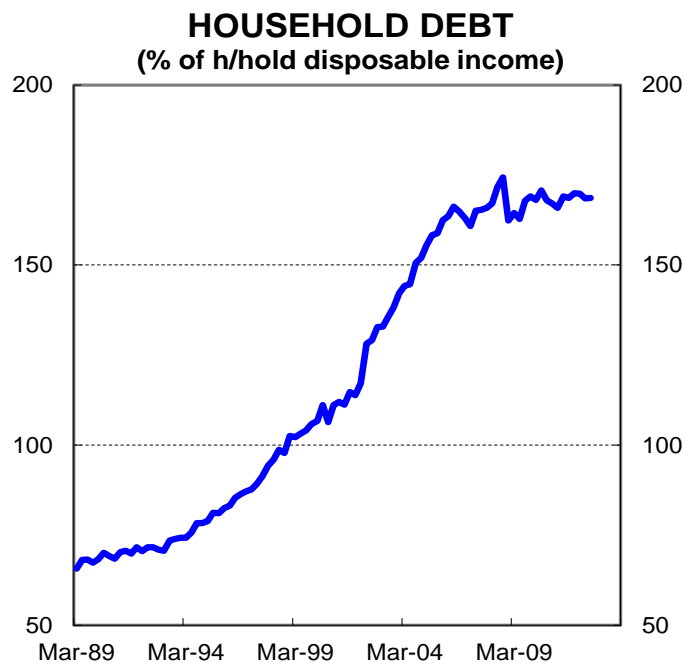
# Housing market - summary

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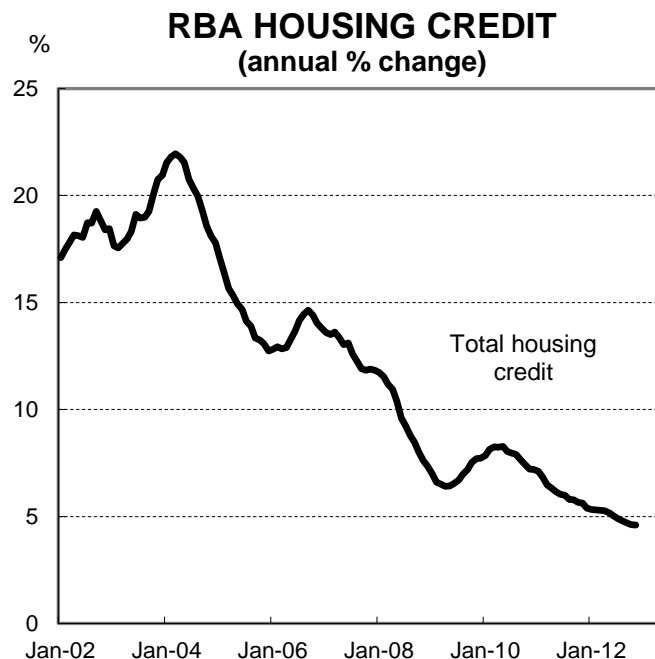
- ◆ An orderly adjustment occurred in the Australian housing market post-GFC
- ◆ This adjustment was characterised by slower credit growth and increased savings and was assisted by lower servicing ratios
- ◆ Australian house prices underwent a modest correction as part of the adjustment process and have now stabilised/increased a little
- ◆ Demand-supply balance in the housing market and improving affordability significantly mitigate the risk of a material decline in house prices
- ◆ Low vacancy rates, growth in rents, affordability and positive housing sentiment are all supportive
- ◆ Respectable GDP growth and low unemployment underpin Australian house prices
- ◆ Australia is highly urbanised – the house price/income is “not that different from most other countries”<sup>1</sup>
- ◆ Factors that typically characterise a house price bubble are not evident in Australia
- ◆ Differences to the US market suggests minimal risk of a US-style house price collapse
- ◆ Modest and manageable loss even under aggressive stress

# An orderly adjustment has occurred in the Australian housing market, as households repair their balance sheets

## Debt:income ratios have plateaued

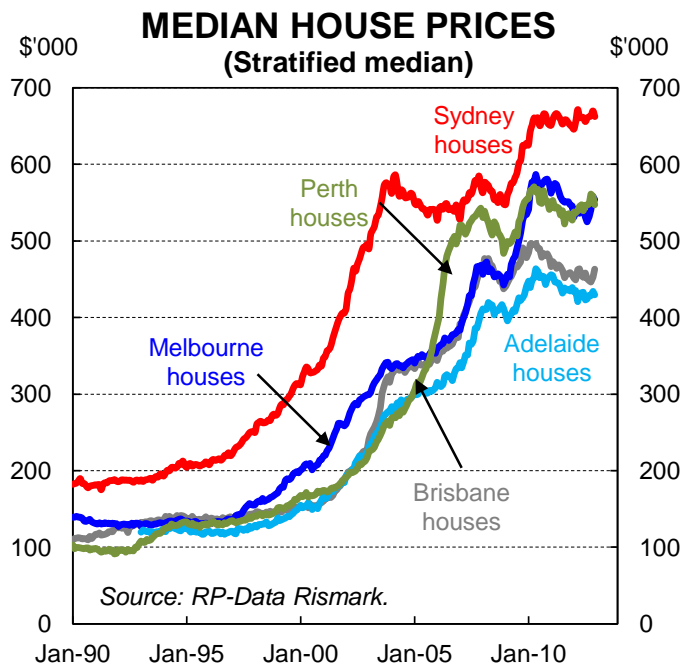


## Housing credit growth has slowed



# Australian house prices have undergone a modest correction as part of the adjustment process

## House prices



## House price growth

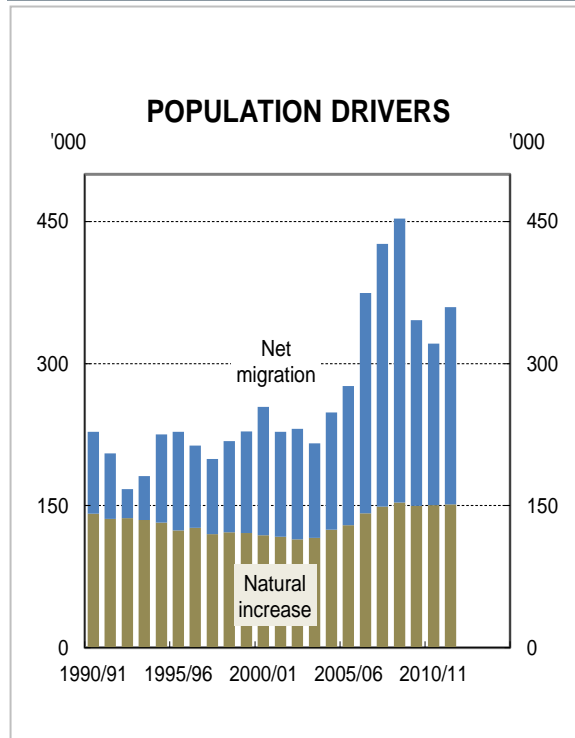
Mvt (%)	3 Years to Dec 12	12 mths to Dec 12	6 mths to Dec 12
Sydney	5.6%	2.1%	0.2%
Melbourne	3.6%	1.5%	2.2%
Brisbane	(3.1%)	1.7%	2.4%
Adelaide	(2.5%)	(2.1%)	(0.7%)
Perth	(1.2%)	3.7%	1.4%
<b>Average</b>	<b>2.8%</b>	<b>2.1%</b>	<b>1.6%</b>

\* Source: RP-Data Rismark

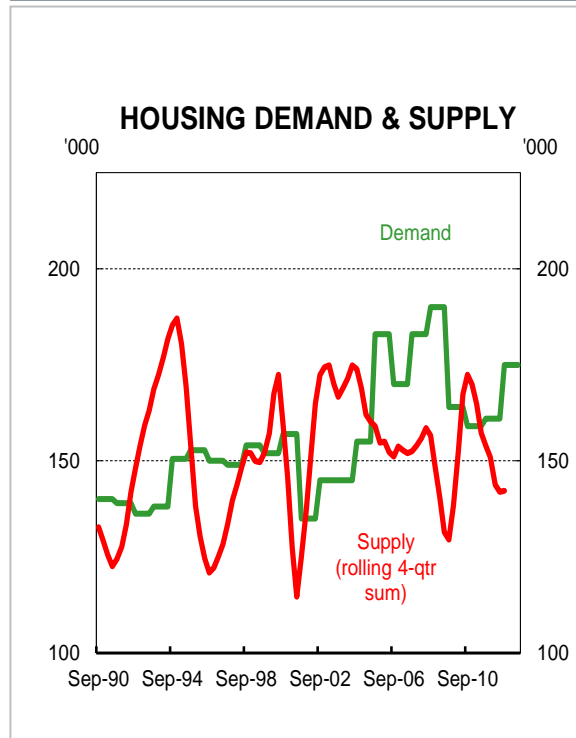
- ◆ House prices have moderated from recent peaks with a degree of stabilisation currently evident
- ◆ Nominal price falls are typically modest – most of the market adjustment is through real house prices and price to income ratios

# The demand-supply balance significantly mitigates the risk of a material decline in Australian house prices

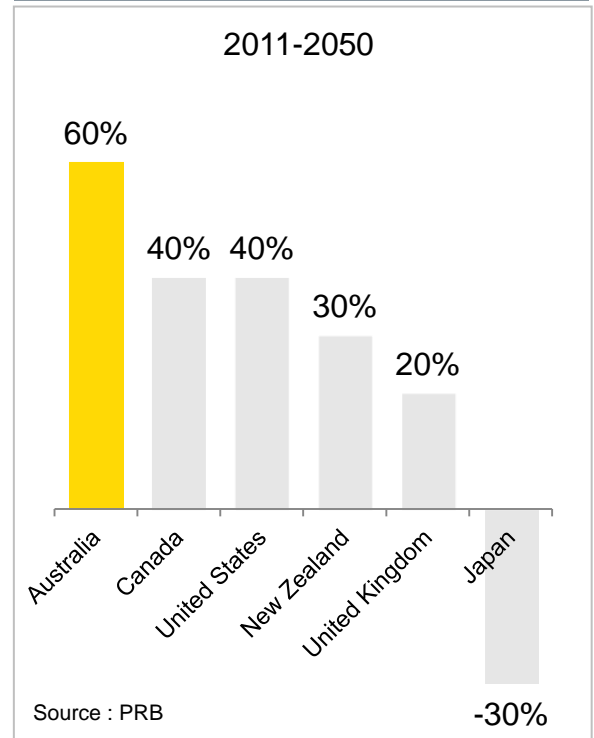
## Population growth



## Housing demand & supply



## Projected population change

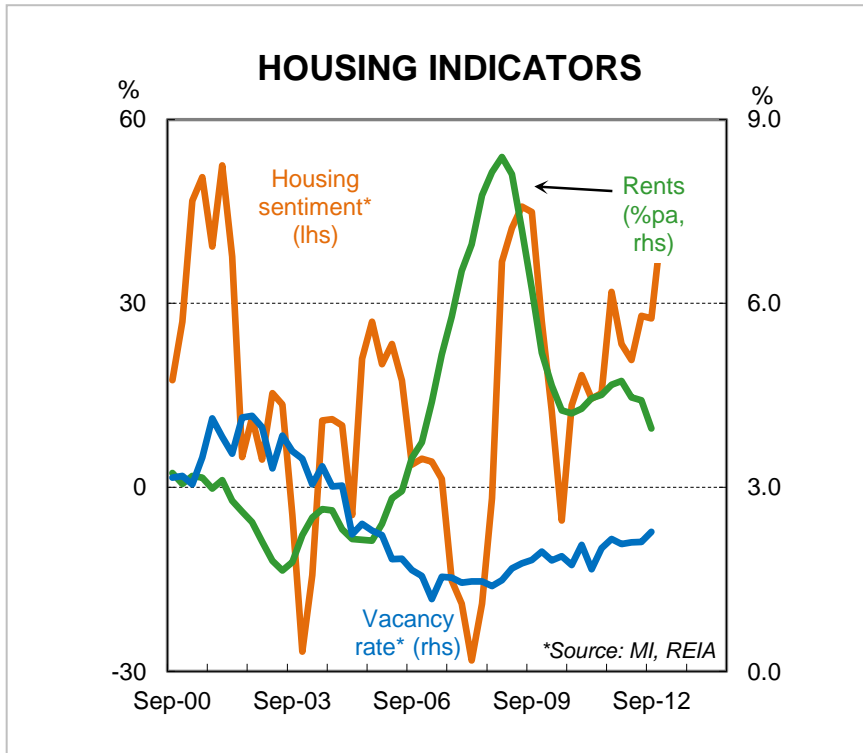


- ◆ Demographic trends consistent with underlying new housing demand rising to ~170k pa
- ◆ Demand running well ahead of new construction
- ◆ Supply / demand dynamic has been in place for some time - accumulated or pent-up demand

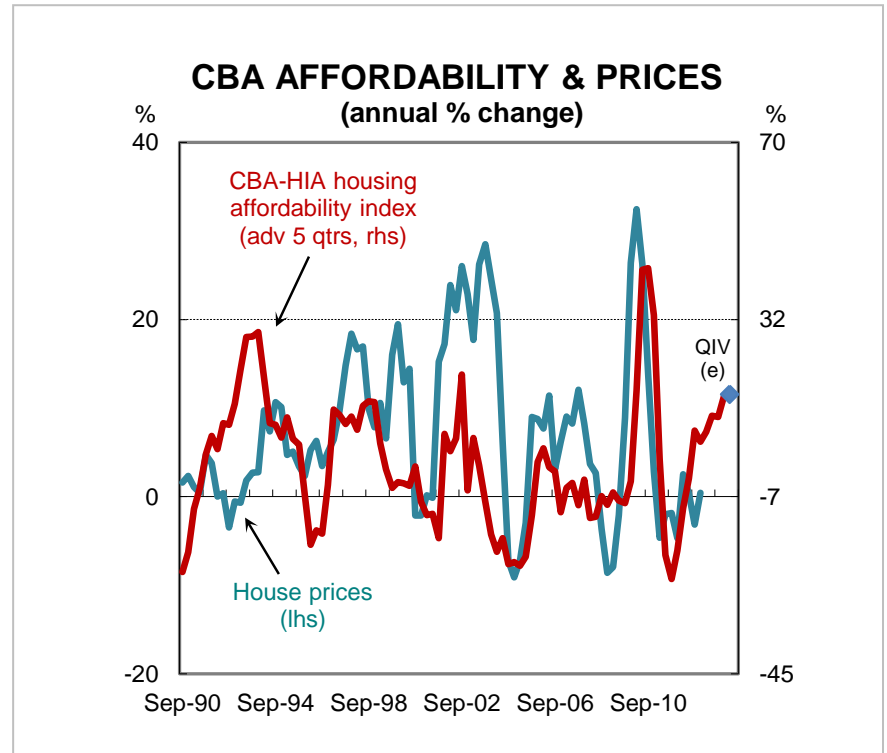


# Low vacancy rates, growth in rents, affordability trends and positive sentiment are all supportive of house prices

## Housing indicators



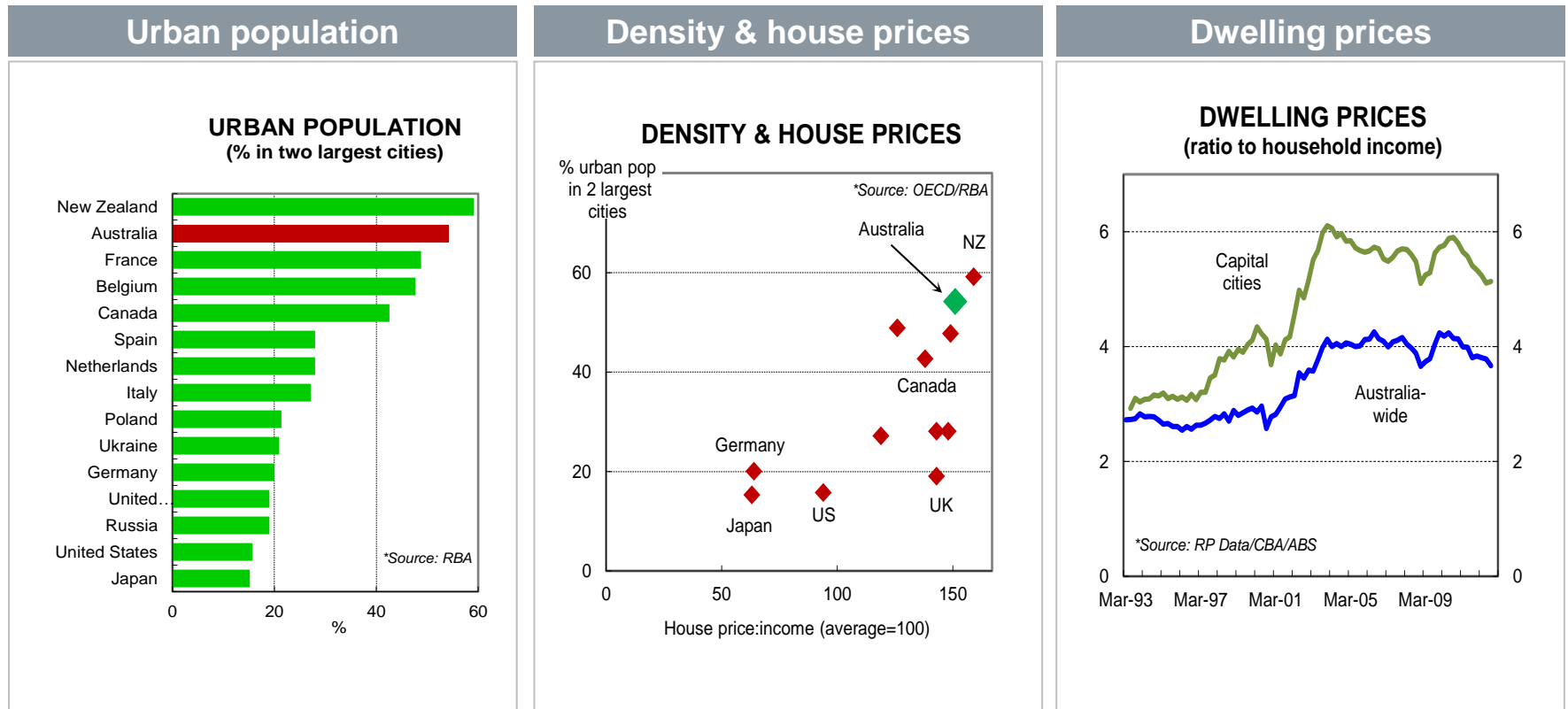
## Affordability & prices



- ◆ Visible signs of strong demand v. supply – low vacancy rates, rental growth and positive sentiment
- ◆ Affordability a helpful guide to turning points in house prices
- ◆ Combination of strong income growth and falling mortgage rates further supports house prices



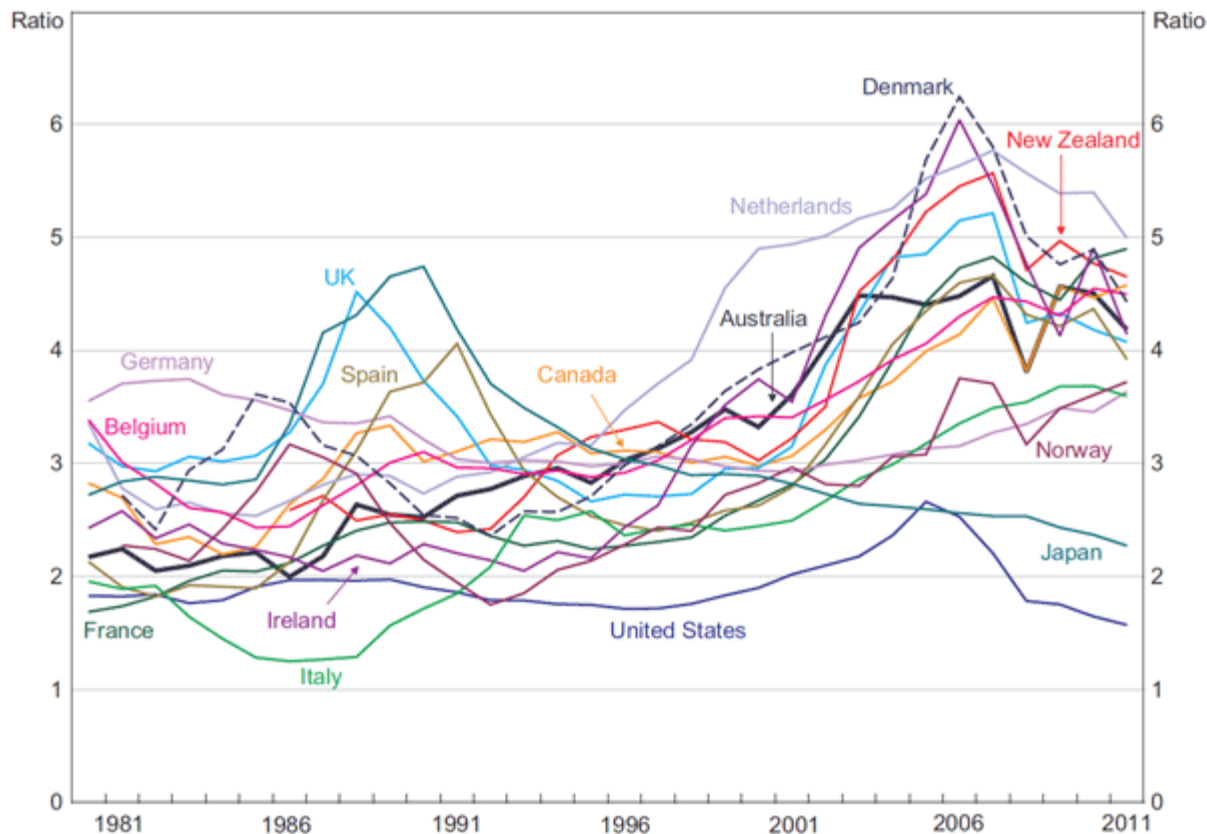
# Australian house prices are influenced by a high urbanisation rate



- ◆ Australia is one of the most urbanised countries in the world; ~54% of urban population in 2 major cities
- ◆ Housing demand and higher incomes are concentrated in the capital cities
- ◆ Price (capital city)-to-Australia-wide income  $\approx$  5 times
- ◆ Price-to-income (Australia wide)  $\approx$  4 times

# The house price to income ratios in Australia is in line with global norms

## Dwelling price to income ratios\*



\* Average dwelling prices to average household disposable income  
Sources: BIS; Bloomberg; Canadian Real Estate Association; Halifax; Japan Real Estate Institute; OECD; Quotable Value; Realkreditttraadet; RP Data-Rismark; Thomson Reuters; United Nations; national sources (statistical agencies, central banks and government departments)

# Factors that typically characterise a house price bubble are not evident in Australia

Housing “Bubble” – typical characteristics	Current position in Australia
Unsustainable asset prices	<ul style="list-style-type: none"> <li>◆ Prices supported by the excess of demand over supply</li> <li>◆ Australia’s population continues to grow at above average rates</li> <li>◆ Supply-side restraints - limited new land releases, low construction</li> <li>◆ Low residential vacancy rates and rising rents</li> </ul>
Speculative investment artificially inflates asset prices	<ul style="list-style-type: none"> <li>◆ Investment lending has remained steady</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>
Interaction of high debt levels and interest rates	<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> </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>

# Significant differences between Australian and US housing markets minimise risk of a US style house price collapse

	CBA / Aust	US
<b>Unemployment</b>	~5% <sup>1</sup>	~8% <sup>1</sup>
<b>No-Recourse Lending</b>	No	Yes
<b>Variable vs Fixed</b>	~85%/15%	~15%/85%
<b>Sub-Prime (% of mkt)</b>	Minimal	~14% <sup>2</sup>
<b>Securitisation %</b>	Minimal	~55% <sup>2</sup>
<b>Account ownership</b>	Retained by bank	Extensively on-sold
<b>Arrears/Delinquencies</b>	~1-2%	~4.05%/8.7% <sup>3</sup>

## Australian mortgage product

- ◆ Principal and interest amortising 25/30 year loan
- ◆ Variable interest rate set at bank's discretion
- ◆ Limited pre-payment penalty
- ◆ Full recourse to borrower
- ◆ No tax deduction for owner occupied housing
- ◆ Higher risk loans are subject to Lenders Mortgage Insurance (LMI)
- ◆ Minimal "low documentation" (ie self certified) market with tighter lending criteria
- ◆ Tight consumer credit regulations
- ◆ Major banks account for majority of new originations and "originate-to-hold"

<sup>1</sup> As at January 2013.

<sup>2</sup> Source: Federal Reserve Bank of San Francisco.

<sup>3</sup> Source: Mortgage Bankers Association.



# Notes

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## Customer Satisfaction - Sources

- 1 Roy Morgan Research Main Financial Institution (MFI) Retail Customer Satisfaction. Australian population 14+, % “Very Satisfied” or “Fairly Satisfied” with relationship with that MFI. 6-month rolling average. CBA excludes Bankwest.
- 2 DBM Business Financial Services Monitor (December 2012), average satisfaction rating of each financial institution’s MFI business customers across all Australian businesses, 6 month rolling average.
- 3 Products per Customer – Roy Morgan Research. Australian Population 18+ , Banking and Finance products per Banking and Finance customer at financial institution. 6 month rolling average. CBA excludes Bankwest.
- 4 Roy Morgan Research, Australians 14+, Proportion of Banking and Finance MFI Customers that nominated each bank as their Main Financial Institution, 12 month rolling data to reporting month. CBA includes BankWest.
- 5 Roy Morgan Research, Australians 14+, Proportion of Banking and Finance MFI Customers that nominated each bank as their Main Financial Institution, 12 month rolling data to reporting month. CBA includes BankWest. Westpac includes Bank of Melbourne, St George Bank and BankSA.
- 6 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.

## Productivity Metrics - Definitions

Retail Branch Network Transactions per CSR/Sales and Converted Referrals per CSS - Average number of transactions completed per week in branch by Customer Service Representatives / Average number of sales & converted referrals completed per week in branch by Customer Service & Savings Specialists.

Retail Call Centres call handing time - Average call handling time in Retail Direct Bank Call Centres in each half.

Local Business Banking \$ lending balance per Local Business Banking FTE - Average dollar commercial lending balance per Local Business Banking FTE in each half.

Home Loan Processing Home loan fundings per operations FTE - Average number of home loan fundings per Enterprise Services Service Delivery home loans operations FTE in each half.



# Results Presentation

For the half year ended 31 December 2012

CommonwealthBank



**Ian Narev**

CHIEF EXECUTIVE OFFICER

**David Craig**

CHIEF FINANCIAL OFFICER