

Commonwealth Bank

Commonwealth Bank of Australia
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Marketing and Communications
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FIRST QUARTER TRADING UPDATE **SOLID START TO 2007 FINANCIAL YEAR**

Sydney, 23 October 2006; Trading conditions for the first three months of the Bank's 2007 financial year were favourable and the Bank remains on track to deliver cash EPS growth which meets or exceeds the average of its peers. Earnings momentum has been maintained and credit quality is strong.

Underlying demand for credit was strong over the quarter with the Bank's lending products showing good balance growth despite a competitive operating environment. Across the loan portfolio, the Bank has focussed on profitable growth, foregoing growth in low or unprofitable segments. In New Zealand, ASB continues to perform well in strongly competitive conditions.

The Bank's Wealth Management division attracted strong inflows with Colonial First State's net funds flow up 18 per cent on the same period last year. Life and general insurance premium income continued to grow with sales increasing over the previous year.

The Bank made good progress in executing its four strategic priorities.

Customer Service

SUCCESS, the Bank's Sales and Service reinvigoration plan, is well underway with managers throughout the Bank participating in workshops to reinforce the behaviours that support the Bank's vision to be Australia's finest financial services organisation through excelling in customer service. In the insurance business an additional 73 insurance specialists are now working in the branches, ensuring that customer needs are met more quickly and effectively.

Customer complaints in the retail bank decreased - down 52 per cent on the same period last year. There have also been some improvements in external customer satisfaction surveys with the Bank moving from fourth to second choice when customers are looking to change financial institutions within the next 12 months¹.

Business Banking

The Queensland pilot placing business bankers in branches made good progress with plans on track to place 180 business bankers in branches over the next 12 to 18 months.

The internal pilot of Commbiz, the Bank's internet-based banking channel for business customers, has shown early success. The first external customers have now begun using Commbiz with a roll out to registered "early adopters" planned for November and December.

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The merger of Global Markets and Treasury trading operations, which will deliver better leverage across financial markets operations, has been completed.

Technology and Operational Excellence

The Enterprise IT team's "smart sourcing" initiative across telecommunications and processing has commenced and is helping the Bank achieve server consolidation and virtualisation. Work is well underway de-commissioning legacy systems within the Wealth Management business to realise the goal of single integrated systems in each business. CommSee continues to be enhanced with work being undertaken to further integrate CommSee with the Bank's other systems.

Trust and Team Spirit

Good progress was made during the period to improve trust and team spirit with internal measures showing higher levels of engagement and commitment to the customer service culture. The decline in absenteeism and injury rates, which was evident in the second half of last year, has continued. LTIFR was down 41 per cent on the same period last year while the absenteeism rates in the retail bank were down 37 per cent.

Commenting on the Bank's achievements in the first quarter, Commonwealth Bank Chief Executive, Ralph Norris said. "It is pleasing to see that the momentum we have in achieving our four strategic priorities has been maintained in the first quarter of the financial year. With the domestic economy continuing to perform well we are seeing good underlying credit growth and credit quality remains strong. As a result, I remain confident that we are on track to deliver full year cash EPS growth which will meet or exceed the average of our peers".

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