



COMMONWEALTH BANK OF AUSTRALIA DELIVERS SOLID RESULT IN CHALLENGING ENVIRONMENT

Shareholders rewarded with record \$1.53 final dividend

Highlights of 2008 Result

- Net profit after tax on statutory basis increased 7 per cent to \$4,791 million and on cash basis, 5 per cent to \$4,733 million;
- All of the Group's business segments performed well;
- Significant progress was made on all five key strategic priorities;
- Strong capital with Tier1 at 8.17 per cent – well above internal target range;
- Group well provisioned for uncertain times;
- Record final dividend of \$1.53 per share, fully franked taking total dividends for the year to \$2.66, an increase of 4 per cent; and
- Outlook for 2009 financial year cautious with slowing domestic economy and volatile capital markets likely to continue to impact performance.

	2008	2008 v 2007	
Statutory NPAT (\$m)	4,791	7%	↑
Cash NPAT (\$m)	4,733	5%	↑
Cash EPS (cents)	356.9	3%	↑
Final Dividend (\$ per share)	1.53	3%	↑
Return on Equity – Cash	20.4%	(130)bpts	↓

Commonwealth Bank

Commonwealth Bank of Australia
ABN 48 123 123 124
Marketing and Communications
GPO Box 2719
Sydney NSW 1155
www.commbank.com.au



Sydney, 13 August 2008. The Commonwealth Bank of Australia delivered a statutory net profit after tax (NPAT) for the year ended 30 June 2008 of \$4,791 million, up 7 per cent on the prior year. Cash NPAT for the year was \$4,733 million – an increase of 5 per cent.

Cash earnings per share (EPS) increased to 356.9 cents, up 3 per cent. The Board declared a fully franked final dividend of \$1.53 per share – an increase of 3 per cent on last year's final dividend.

This solid result was achieved in a difficult environment with all of the Group's businesses performing well. Volatility in global markets and a slowing in economic activity placed upward pressure on funding costs and caused an increase in loan impairment expenses. Despite these headwinds, the Group's capital position remains strong with the Tier 1 ratio of 8.17 percent – well above the Group's internal target levels. Liquidity and provisioning both increased during the year, placing the Group in a strong position entering a period of ongoing uncertainty and volatility.

Chief Executive Officer, Ralph Norris said: "I am pleased with the financial performance of the Group in the 2008 financial year – it has been a solid performance in what has been a challenging year for the global banking industry. We have also continued to make good progress in delivering on our five strategic priorities which are key components in achieving our goal of becoming Australia's finest financial services organisation through excelling in customer service.

"It is particularly pleasing to see that at a time when many global financial institutions are under significant pressure we are continuing to deliver better outcomes for customers which has been recognised by strong volume growth, increased market share and higher customer service scores. We have also been able to invest in the future with initiatives such as Core Banking Modernisation which will drive significant benefits for our customers and improvements in productivity. In the same vein, the granting of advanced accreditation status under the Basel II framework by APRA is an important acknowledgement of the Group's increased sophistication in risk measurement and management.

"While not up to the profit growth levels achieved in previous years, I am pleased to say that this result recognises the balance we have achieved between the needs of our customers and our shareholders."

Commonwealth Bank

Commonwealth Bank of Australia
ABN 48 123 123 124
Marketing and Communications
GPO Box 2719
Sydney NSW 1155
www.commbank.com.au



Business Performance

Retail Banking Services maintained its solid performance over the year with cash net profit after tax increasing by 8 per cent. This result was driven by strong volume growth in key product lines (particularly home loans and retail deposits), sound credit quality, tight expense management and strategic business investment to promote profitable growth and increased efficiency. These factors helped to offset some of the negative impact of higher funding costs due to the ongoing volatility in global credit markets. Continuing focus on customer needs again delivered improvements in key customer satisfaction measures.

Premium Business Services delivered double digit income growth of 16 per cent over the prior year. This result was underpinned by a good improvement in customer service scores, strong balance growth and strong gains in deposit market share. Solid underlying performance helped the business to offset the negative impacts of higher funding costs and a slowdown in credit growth in the second half of the year. Increased strategic investment spend (including the costs of integrating the IWL business and further expansion in the front line sales force) together with higher loan impairment provisioning, resulted in a 2 per cent increase in cash net profit after tax.

Underlying profit after tax for the Wealth Management business increased by 38 per cent on the prior year - to \$756 million. This result, which included a \$108 million pre-tax gain from the sale of assets, was driven largely by good revenue growth in the first half of the year, with second half earnings impacted by deterioration in trading conditions and weakened investment markets. Funds under Administration (FUA) increased 10 per cent to \$185 billion, with positive net flows offsetting the falls in the value of Australian and global equity portfolios.

Net funds flows for the year of \$28.6 billion were driven by:

- Strong flows into the FirstChoice platform, particularly in the first half of the year; and
- Solid institutional flows generated by the CFS Global Asset Management business with strong international flows and short term cash mandates from institutional investors.

CommInsure Inforce Premiums increased by 22 per cent on the prior year to \$1,250 million reflecting strong sales volumes and continued progress of the Wealth Management cross-sell initiative.

International Financial Services cash net profit after tax for the year was \$589 million - an increase of 23 per cent. After removing the impact of realised gains and losses associated with the hedge of the New Zealand operations and other foreign exchange movements the underlying growth was 17 per cent. This strong profit performance was attributable to sustained growth in the New Zealand businesses, complemented by the increasing contribution from Asian business, particularly the China banking investments.

Commonwealth Bank

Commonwealth Bank of Australia
ABN 48 123 123 124
Marketing and Communications
GPO Box 2719
Sydney NSW 1155
www.commbank.com.au



ASB Bank cash net profit after tax for the year was \$428 million. Excluding the impact of realised gains on the hedge of New Zealand operations, profit increased 11 per cent. In a slowing economy, this was a good result where aggressive competition continued to place downward pressure on margins.

Outlook

The headwinds which the Australian banking industry experienced in the 2008 financial year are expected to dominate the outlook for global banking for some time. Uncertainty and volatility in global credit markets will continue to place upward pressure on funding costs.

Commenting on the outlook Chief Executive Officer, Ralph Norris said: "While the domestic economy remains reasonably resilient, credit growth is expected to moderate as this slowing in the economy impacts our customers. While these broad trends are clearly evident, the duration and extent of the slowdown is more difficult to predict. There are clearly a number of negatives at work in the Australian economy but it is important that we recognise there are potentially a number of positive influences. These include the huge income boost from rising commodity prices; respectable growth in the economies of our major Asian trading partners; tax cuts; positive demographic trends; and robust business and infrastructure spending. The balance of these opposing forces favours continued modest economic growth with credit growth not too far below the average of the past decade

"We are cautious going into the new financial year and the Group will continue with its conservative stance until signs of improvements in economic conditions are evident. The Group's capital position is strong with capital levels well above target ranges. A prudent approach has been taken to the management of credit and market risk and we are well provisioned given the current economic outlook. The Group is well funded, very liquid and in a strong position relative to global and domestic peers.

"While it is clearly a time to be cautious, the current environment presents well managed banks, like the Commonwealth Bank of Australia, with opportunities to grow even stronger. Our robust financial position has enabled us to maintain the momentum behind our five strategic priorities and we remain committed to further strengthening our core businesses should attractive, "on strategy", investment opportunities arise."

ENDS

Media contact:

Bryan Fitzgerald
General Manager, Media
Ph: (02) 9378 2663
Mobile: 0414 789 649

Media Release

Commonwealth Bank

Commonwealth Bank of Australia
 ABN 48 123 123 124
 Marketing and Communications
 GPO Box 2719
 Sydney NSW 1155
 www.commbank.com.au



	Full Year ended Jun 08 \$M	Full Year ended Jun 07 \$M	Jun 08 vs Jun 07 %	Half Year ended Jun 08 \$M	Half Year ended Dec 07 \$M
Highlights					
Retail Banking Services	1,904	1,766	8	955	949
Premium Business Services	1,480	1,445	2	756	724
Wealth Management	740	627	18	351	389
International Financial Services	589	478	23	293	296
Other	20	211	(91)	(7)	27
Net profit after tax (cash basis)	4,733	4,527	5	2,348	2,385
Net profit after tax (statutory basis)	4,791	4,470	7	2,420	2,371
Key Shareholder Ratios					
Earnings per share (cents) (cash basis - basic)	356.9	347.1	3	176.2	180.7
Return on equity (%) (cash basis)	20.4	21.7	(130)bpts	19.9	20.8
Dividend per share (cents) (fully franked)	266	256	4	153	113
Dividend payout ratio (%) (cash basis)	75.0	74.2	80bpts	87.3	63.0
Other Performance Indicators					
Total lending assets (net of securitisation) (\$M)	369,597	319,786	16	369,597	351,208
Funds under administration – spot (\$M)	191,305	177,071	8	191,305	207,702
Net interest margin (%)	2.02	2.08	(6)bpts	1.98	2.06
Operating expense to total operating income (%)	48.9	49.3	(1)	49.3	48.4

Definitions:

Net Profit after Income Tax ("Cash Basis") – Represents profit after tax and minority interests before gains on Visa Initial Public Offering, investment and restructuring, defined benefit superannuation plan income/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility

Net Profit after Income Tax ("Statutory Basis") – Represents profit after tax, gains on Visa Initial Public Offering, investment and restructuring, minority interests, defined benefit superannuation plan income/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility. This is equivalent to the statutory item "Net Profit attributable to Equity holders of the Bank".