Media Release

Commonwealth Bank
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COMMONWEALTH BANK OF AUSTRALIA MARCH QUARTER 2009 TRADING UPDATE

Sydney, 13 May 2009: The Commonwealth Bank of Australia ("the Group") today advised that its unaudited cash earnings for the March 2009 quarter were approximately $1.15 billion, generating a Cash Return on Equity of over 15 per cent.

Operating performance remained sound, notwithstanding a challenging market environment and slowing economic conditions. Group revenue growth continued, supported by strong market shares and improved margins, though margins still remain below pre-Global Financial Crisis levels. While system credit growth has slowed, the Group has continued to support its customers, with around $30 billion in new consumer and corporate credit extended to its customers during the quarter.

The Group continued to take a disciplined approach to costs which included the announcement of a number of remuneration initiatives for the 2010 financial year, including a freeze on salary increases for all staff earning in excess of $100,000 per annum. Operating expenses for the quarter rose only marginally on the prior comparable quarter.

Impairment expense for the quarter was approximately $630 million, reflecting both a progressive, cyclical deterioration in portfolio quality and a continuation of the Group's prudent and conservative approach to provisioning as the economy slows.

Credit quality trends are in line with expectations. There was an increase in consumer arrears through the March quarter, consistent with the economic slowdown and rising unemployment. Commercial credit quality remains sound, although the SME portfolio and some sectors such as mining services, inbound tourism and export oriented industries are showing signs of deterioration.

The Group maintained its cautious and conservative approach in this environment, with emphasis on maintaining strong capital, funding and liquidity positions. The Group's Tier 1 Capital ratio was 8.33 per cent as at 31 March 2009, inclusive of a previously flagged 0.33 per cent reduction following the consolidation of Bankwest. Liquid assets now total $87 billion, and the Group completed its 2009 term funding programme in March, with pre-funding for 2010 underway.

Consistent with the continued uncertainty for the global and domestic economy, the Directors consider it prudent to preserve capital and currently anticipate that the final dividend for the current financial year will be $1.15 (25 per cent down on last year's final dividend), taking full year dividend payments to $2.28 – a reduction of 14 per cent on the prior full year.

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Notwithstanding the challenging operating environment, the Group remains firmly focussed on its strategic agenda, with further good progress through the quarter. Customer satisfaction levels continue to improve, helping the Group to maintain strong market share positions. The integration of Bankwest has proceeded smoothly, with a Group appointed Managing Director, CFO and CRO now in place to ensure a stable platform from which to build this business going forward. Since the Group assumed ownership on 19 December 2008, customer numbers have continued to grow, with a renewed emphasis on sustainable, profitable growth in key market segments.

Business Commentary

Australian Banking

The Retail Bank continued to perform strongly during the quarter, highlighted by above-system volume growth in home lending, continued solid deposit growth, higher customer satisfaction ratings and prudent expense control. During the quarter, the Group announced a home loan "repayment holiday" of up to 12 months for customers who become unemployed as a result of the current economic downturn, as well as assistance packages for Victorian bushfire victims and NSW and Queensland flood victims.

Business deposit balances were stable over the quarter, reflecting the Group's focus on effective margin management. Demand for business credit has slowed, with system business credit contracting marginally in the quarter. The restructuring of Premium Business Services into two distinct business units servicing the Institutional and Middle Market/SME segments has proceeded smoothly, further enhancing the Group's customer service focus in these key areas.

Retail Banking - New Zealand (ASB)

In a challenging economic environment, ASB's customer lending portfolio grew, albeit at a slower rate than in the recent past, with rural lending volumes remaining robust. ASB continues to attract strong funding volume into its diverse range of savings and investment products, assisted by the flight to quality following the collapse of a number of finance companies in New Zealand. Deposit price competition remains very intense. ASB's loan provisions have increased off a very low base, reflecting higher portfolio arrears.

Wealth Management & Insurance

Funds under Administration ("FUA") declined by 0.1 per cent in the quarter to $158 billion, compared to a 3.8 per cent decline in the ASX 200 and a 11.6 per cent reduction in the MSCI World (AUD) index. Net flows were positive for the quarter at $1.2 billion. While

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relative performance has been good, average FUA is declining which will lead to lower second half revenue.

CommInsure grew inforce premiums and market share. Adverse events in the second half including the Victorian bushfires and Queensland storms will lead to higher general insurance claims.

Conclusion

Commenting on the March quarter, Commonwealth Bank of Australia Chief Executive Officer, Ralph Norris said: "Operating conditions remain challenging, with a continuing slowdown in the domestic economy. Rising unemployment and slowing credit demand will have negative implications for the Australian banking sector, particularly for volume growth and loan impairment charges.

"Inevitably there will bumps in the road but we feel that global financial markets are no longer in free fall and that some of the measures taken internationally and domestically have been effective in mitigating an otherwise more ominous set of scenarios."

"The Commonwealth Bank remains well positioned to meet the challenges posed by a deteriorating economic environment. The Group's operating performance has been pleasing given the challenging economic environment, with good revenue growth supporting solid cash earnings. The Group has been able to maintain a strong market share position, which has helped offset the slowdown in system credit growth. More importantly from our customer's perspective, we continue to offer strength in uncertain times and have remained open for business at a time when our customers have needed our support, with around $30 billion in new credit business written in the quarter."

"The Group continues to adopt a cautious approach in this environment, with emphasis on maintaining conservative provisioning levels and strong capital, funding and liquidity positions. Whilst credit quality trends remain within expectations at this stage, we are continuing to increase provisions given the likelihood of further deterioration. Our Tier 1 Capital ratio remains strong at 8.33 per cent, we have $87 billion in liquid assets and we have completed our 2009 term funding programme."

ENDS

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