

Commonwealth Bank of Australia September Quarter Trading Update

Sydney, 9 November 2009: The Commonwealth Bank (“the Group”) today advised that its unaudited cash earnings for the three months ended 30 September 2009 (“the quarter”) were approximately \$1.4 billion. The result was supported by good income growth and a continuation of the Group’s disciplined approach to cost management.

Key Points

- Funds Management Income and Investment Experience improved, consistent with stronger equity markets;
- The Impairment Expense charge was approximately \$700m, with credit quality trends generally moving in line with expectations;
- Consumer arrears remained broadly stable, with improvements in the credit cards and Bankwest home loan portfolios offset by a slight increase in CBA home loans, driven, in part, by customer take-up of repayment “holidays” offered under the Group’s Customer Assist Programme;
- Total impaired assets increased slightly to 88 basis points of gross loans;
- Competition remains strong, particularly in deposits where margins are under pressure. Overall, Group Net Interest Margin improved slightly;
- Strong balance sheet provisioning and coverage ratios were maintained, including approximately \$1.3 billion in management overlays. The ratio of Total Provisions to Credit Risk Weighted Assets improved to 2.02 percent;
- The Group’s Tier 1 capital ratio strengthened to 8.70 per cent (pro-forma, inclusive of Perls V);
- Liquid asset balances were maintained at approximately \$87 billion; and
- A continued prudent approach to wholesale funding, with unguaranteed long term debt issuance accounting for 70 percent of financial year-to-date funding.

Business Commentary

Australia - Retail

The Retail Bank performed strongly, highlighted by above-system home loan growth and further gains in customer satisfaction levels. In the deposit market, focus remains on profitable growth, with new personal transaction account numbers continuing to grow strongly. Bankwest income remains strong, supported by continuing good growth in customer numbers and product balances.

Media Release



Australia - Commercial

In a slowing credit market, both Institutional Banking and Markets (IB&M) and Business and Private Bank (B&PB) performed well. Focus remains on proactive management of existing customer relationships. CommSec revenue growth was strong, reflecting improved equity markets. Trading Income was relatively robust, but is expected to soften as volatility dissipates.

Wealth Management and Insurance

Funds under Administration increased 8.3 percent to \$190 billion, driven by the recent recovery in investment markets. Group net flows were positive at \$2.3 billion with FirstChoice continuing to attract strong retail flows.

Inforce premiums increased by 2.1 percent to \$1.6 billion with solid new business volumes in Retail Life and General Insurance. Investment experience benefited from the improved investment market conditions with some prior year mark-to-market losses in annuities and listed property securities being recouped.

New Zealand

The New Zealand economy showed some signs of improvement, but operating conditions remain challenging. ASB performed relatively well, with good volume growth in home lending and deposits. Price competition for retail deposits had a negative impact on margins.

Conclusion

Commenting on the September quarter, Commonwealth Bank of Australia Chief Executive Officer Ralph Norris said: "The Group performed strongly through the quarter, with good income growth and continued cost discipline across the organisation. The result particularly benefited from an improvement in our Wealth Management division as equity markets recovered through the quarter, which may not be repeated.

"Whilst the economic outlook has improved since our results in August, the pace and extent of the recovery remains unclear. We will therefore continue to retain our conservative business settings until such time as a sustained improvement is evident. Our capital, provisioning, funding and liquidity levels all remain very strong."

"The operating environment remains a challenging one. Average funding costs are increasing, credit growth has slowed and competition remains strong. A number of our customers will continue to face financial hardship that will require our ongoing assistance and support."

Media Release



CommonwealthBank

“Against this backdrop, the Group continues to perform well. The combination of good business momentum, continued progress on our strategic agenda and conservative business settings means we remain well-placed to meet the challenging operating environment from a position of relative strength.”

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