

# Media Release



## COMMONWEALTH BANK LIFTS INTEREST RATES ON DEPOSITS AND VARIABLE HOME LOANS

**2 November 2010:** The Commonwealth Bank today announced it will increase interest rates on its NetBank Saver and Cash Investment Account by 0.25 per cent per annum and its variable home loan accounts by 0.45 per cent per annum.

The Bank's Complete Home Loan Variable interest rate will increase from 7.36 per cent per annum to 7.81 per cent per annum. The variable home loan interest rates will be effective for new and existing customers from 5 November.

Group Executive, Retail Banking Services Ross McEwan said, "The sustained increase in the Retail Bank's wholesale funding and retail deposit costs amounts to 1.35\* per cent since the GFC commenced. Our overall wholesale funding costs continue to increase as cheaper funding expires and is replaced with more expensive funding. At the same time, competition for retail deposits has significantly increased the cost of retail funding."

Mr McEwan added, "We continually monitor our funding costs and whilst they are currently going up, should these costs reduce at a future time we will reduce our interest rates accordingly."

"There will be no increase in monthly payments for 69 per cent of our home loan customers because their monthly payments were set at a time when interest rates were higher than what they are today or they have made additional repayments," Mr McEwan said.

### Some Facts

**Competitive Position** Throughout the Global Financial Crisis (GFC), the Commonwealth Bank has supported its home loan customers by offering a standard variable interest rate that has been consistently lower than the average of its major bank competitors and the lowest or second lowest standard variable interest rate amongst the majors.

**Retail funding** Sixty per cent of the Bank's home loan funding comes from consumer deposits. The increased competition in consumer deposits has resulted in the cost of these funds increasing by 1.37\* per cent since the beginning of the GFC.

**Wholesale funding** The remaining forty per cent of the Bank's home loan funding comes from international and domestic wholesale markets and these have increased by 1.33\* per cent and continue to rise as pre GFC funding is replaced by more expensive, longer term funds.

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**Total funding** As noted above, there has been a sustained increase in the total funding cost for the Retail Bank, amounting to 1.35\* per cent since the GFC commenced. Of this 1.35\* per cent, only 1.04 per cent has been passed on to our home loan customers, up until today.

**Deposit Customers** Competition for deposits has been intense with interest rates for term deposits and online savings accounts at record highs relative to the official cash rate. Millions of our customers have benefitted from these higher deposit interest rates.

**Retail Bank Net Interest Margin** As a result of increasing wholesale and consumer deposit costs and the absorption by the Bank of some of the costs our retail margins have decreased by 15% since the start of the GFC.

Mr McEwan said, “the Bank is committed to ensuring that it continues to balance the requirements of its customers and shareholders by offering competitive, fairly priced products and operating profitably.”

Australia’s resilience through the Global Financial Crisis can, in part, be attributed to the strength of our banking industry and the approach of the regulators and the Reserve Bank.

“We have a responsibility to run a sustainable business that protects depositors’ funds and we have done that through the GFC by continuing to lend to our customers at competitive interest rates and providing adequate returns to our investors,” Mr McEwan added.

The Bank encourages customers to review their financial position and budgeting in light of this interest rate increase to ensure that their arrangements remain appropriate for their circumstances. Those customers who are seeking some assistance or financial advice should contact their branch or our home loan hotline on 13 22 24.

\* Above the Official Cash Rate

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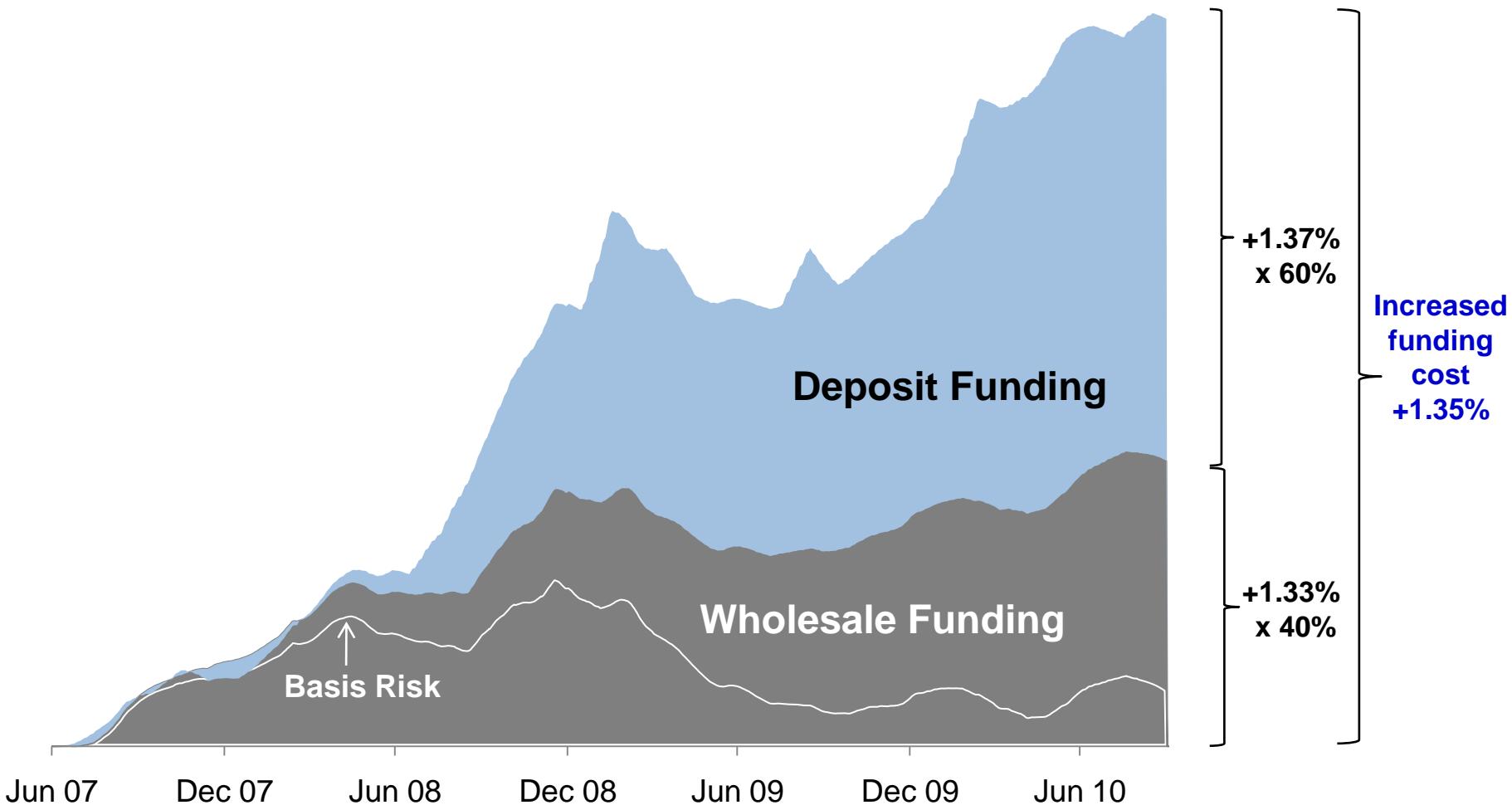
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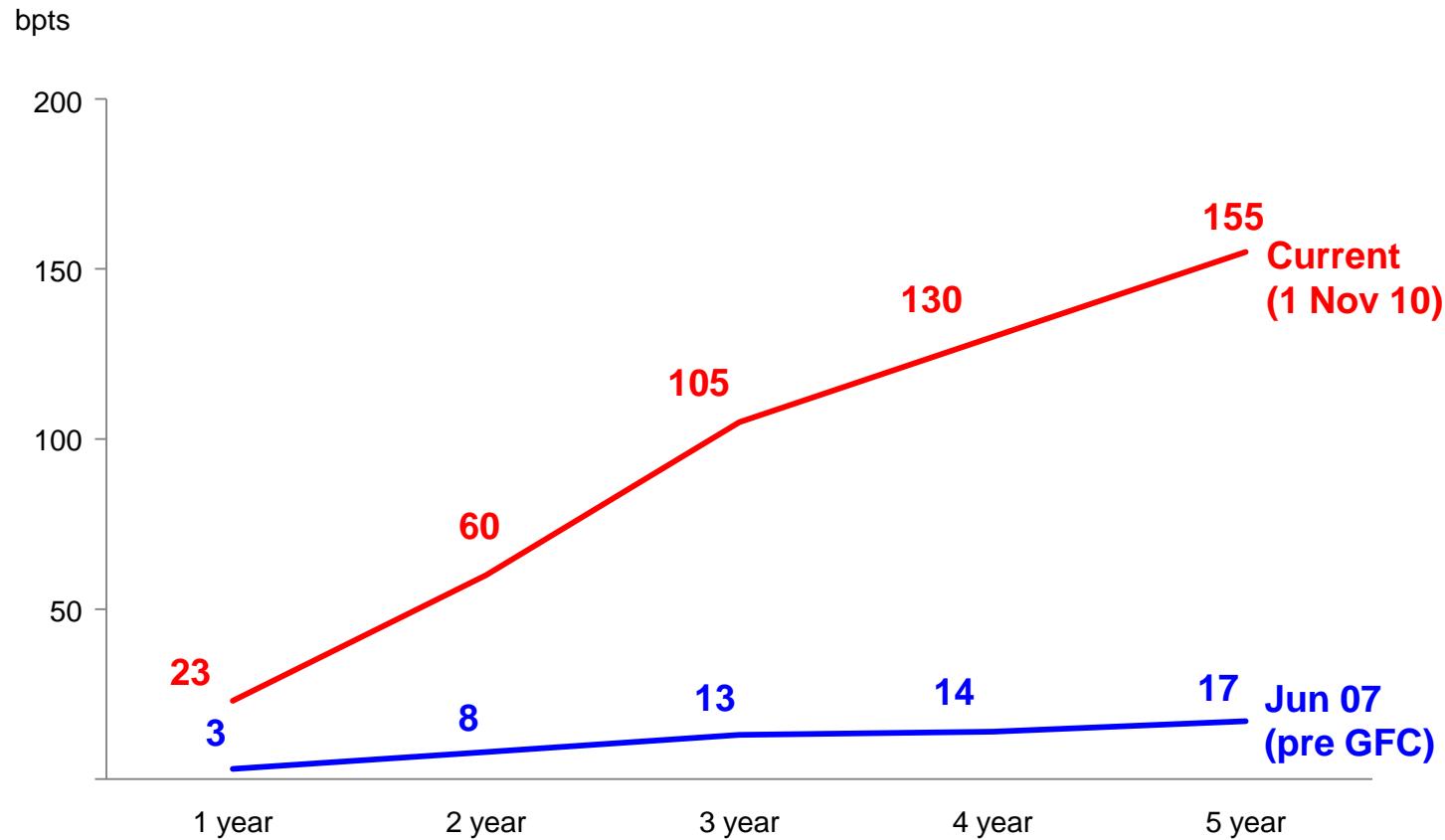
# **Commonwealth Bank of Australia**

November 2010

# Total Retail Bank funding costs have increased by 135bps since June 2007



# Significant increase in cost of new long term wholesale funding



Weighted average cost for each tenor vs BBSW in domestic and offshore wholesale markets, based on pricing provided by 10 investment banks

# Average Retail Banking NIM is 15% lower than pre-GFC levels

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