Media Release

CommonwealthBank

STRATEGIC INITIATIVES DELIVER ANOTHER GOOD RESULT FOR COMMONWEALTH BANK OF AUSTRALIA

Highlights of 2010 Interim Result

- Cash NPAT of $2,943 million – up 54 percent on prior comparative period;
- Banking businesses maintain momentum with robust performance;
- Wealth Management earnings up strongly on prior period as investment markets begin to recover;
- Good cost management maintained - cost growth up only 1 percent on prior period;
- Disciplined and consistent execution of key strategic priorities underpins result;
- Fully franked interim dividend of $1.20;
- Return on Equity rebounds sharply to 18.5 percent;
- Capital (Tier 1 of 9.1 percent, up 103 bps), funding and provisioning all remain strong; and
- Group ideally positioned to continue to outperform with well managed, diversified business portfolio and strong stable financial platform.

	Dec 09	Dec 09 v Dec 08
Cash NPAT ($m) (1)	2,943	54%
Cash EPS (cents) (1)	191.7	42%
Dividend ($ per share)	1.20	6%
Return on Equity – Cash (%) (1)	18.5%	500 bps

(1) Unless otherwise indicated, all financial comparisons in this release are with the pro forma prior comparative period. The pro forma comparatives have been prepared for the half year ended 31 December 2008 and assume the Bankwest and St Andrew's acquisition was completed on 1 July 2008 as opposed to the actual acquisition date of 19 December 2008.

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Sydney, 10 February 2010: The Group's Net Profit After Tax ("NPAT") ("statutory basis") for the half year ended 31 December 2009 was $2,914 million, which represents an increase of 36 percent on the prior period. NPAT ("cash basis") for the half year was up 54 percent on the prior comparative period to $2,943 million. The Board declared a fully franked interim dividend of $1.20 per share. The dividend is payable on 1 April 2010. The ex-dividend date is 15 February 2010. A 1.5 percent discount will apply to the Dividend Reinvestment Plan.

The increase in the interim dividend of seven cents to $1.20 takes the payout ratio for the interim dividend to 63 percent which is consistent with pre Global Financial Crisis interim payout ratios.

Key components of the result include:

- Strong income growth in the banking business with net interest income up 19 percent;
- Solid growth in lending balances with average interest earning assets up $51 billion to $547 billion;
- Strong growth in retail and business interest bearing deposits– up $21 billion to $362 billion;
- Improved earnings from Wealth Management (relative to the prior period) as investment markets begin to improve;
- A subdued result for ASB Bank reflecting difficult trading conditions in New Zealand;
- Bankwest's performance continues to improve;
- Net interest margin up 2 bps since June 2009;
- Continuing improvements in customer satisfaction;
- Operating expenses grew 1 percent compared with the prior period;
- Capital strengthened with the Group's Tier 1 ratio up 103 bps from 30 June to 9.10 percent; and
- Loan impairment expense declined 29 percent on the prior comparative period.

The Group's long term credit ratings with Standard and Poor's and Moody's Investor Services remained unchanged at AA and Aa1 respectively.

The Group invested more than $1 billion over the last 12 months in a range of initiatives to enhance customer experience and drive further process and productivity improvements. The Group's largest single investment, the four year Core Banking Modernisation, remains on schedule at its half way stage and will achieve a number of key milestones this year including migration of all deposit and transaction accounts to the new system.

Commenting on the result Group Chief Executive Officer, Ralph Norris said: "This is a very good result at a time when many of our global peers struggle with the ongoing consequences of the Global Financial Crisis. Today's result demonstrates the resilience of our business model and the underlying strength of each of our businesses. As a result we are entering 2010 in a strong position - well placed to continue to meet our customer's needs through excelling in customer service and generating superior returns for our shareholders."

"A particularly pleasing aspect of the result has been the extent to which our business has benefitted from the successful execution of our five strategic priorities. Our unrelenting focus, over the last 3 years, on our customers and our people has driven significant improvements right across the Group while our ongoing investment in process enhancement and systems improvements has delivered material increases in productivity. Our disciplined approach to growth has also enabled us to acquire a number of excellent businesses (including Bankwest) at sensible prices which have further strengthened our domestic franchise."

Business Performance

Retail Banking Services' cash NPAT for the half year was $1,245 million, which represents an increase of 11 percent on the prior comparative period. This result was supported by strong volume growth and a stable margin. Operating expense growth was contained to 2 percent, while impairment expense increased in line with portfolio growth and economic conditions. The expense to income ratio declined to 38.6 percent, a productivity improvement of 9 percent.

Home loans income increased 49 percent to $1,190 million, mainly as a result of increased market share and significant growth in outstanding home loan balances. Balance growth was supported by competitive standard variable home loan rates (which were the lowest of the major banks for most of the period) and a strong branch and broker presence, with both channels continuing to outperform market growth. Deposit income decreased by 7 percent to $1,496 million. This result was significantly impacted by the reduction in exception fees and lower ATM income due to the introduction of direct charging.

Business and Private Banking performed strongly, delivering cash net profit after tax of $440 million, an 18 percent increase on the prior comparative period. This result reflects a strong operating performance with total banking income increasing 13 percent, and all segments of the business delivering double digit income growth. This robust performance was assisted by continued growth in business lending, effective management of margins and increased equities trading volumes within CommSec.

Operating expenses of $639 million represented an increase of only 2 percent. Impairment expense was broadly unchanged on the prior half, reflecting the high credit quality of the business lending portfolio.

Institutional Banking and Markets achieved cash NPAT of $545 million which represented an increase of $713 million on the prior comparative period. This positive result was driven by strong operating income growth and a significant decrease in impairment expense, which fell by $875 million to $321 million. The current half benefitted from improved client credit ratings, a reduction in lending volumes and the non-recurrence of a small number of single name exposures which impacted the prior comparative period.

Wealth Management's cash NPAT increased significantly on the prior comparative period to $379 million, primarily due to improved investment markets driving gains in investment experience including the unwinding of unrealised mark to market losses on the valuation of assets backing the Guaranteed Annuities Portfolio.

Underlying profit after tax increased 59 percent on the prior half underpinned by the recovery in investment markets, with Funds Under Administration increasing 17 percent to $186 billion at period end, and strong cost management. CommInsure achieved solid growth over the period with total inforce premiums up 4 percent to $1.5 billion at 31 December 2009.

Total operating expenses of $601 million decreased 1 percent with expenses managed in line with current market conditions while maintaining strategic investment spend.

ASB Bank cash NPAT was $138 million, a decrease of 33 percent on the prior comparative period. Excluding the impact of realised gains on the hedge of New Zealand operations, profit decreased 36 percent. This result was achieved in a very challenging environment for the New Zealand banking industry, with strong competition placing downward pressure on deposit margins and the economic climate resulting in a 79 percent increase in impairment expenses. Operating expenses decreased 8 percent due to disciplined expense management.

Bankwest's business performed strongly, with cash NPAT of $64 million, up significantly from the $110 million loss in the prior comparative period. Lending asset balances increased 11 percent due to strong demand for home loan products, while deposit balances increased 5 percent in a highly competitive market.

Operating expense growth was managed to 4 percent, resulting in a significant improvement in the expense to income ratio from 69.5 percent to 52.2 percent. Impairment expense for the half was $313 million– down 9 percent.

Outlook

Commenting on the outlook Ralph Norris added: "Over the last six months the outlook for the global and domestic economy has improved to the extent that Australia now appears to be on the road to a sustainable economic recovery. That is likely to bring with it a gradual improvement in demand for credit in the 2010 calendar year accompanied by continued upward pressure on our funding costs."

"While it appears that loan impairment expense has peaked, many of our customers are still finding conditions challenging which means that further reductions in the impairment expense this year are expected to be gradual rather than dramatic."

"While I am optimistic about the medium term outlook for the Australian economy and for the Group, there are still some risks from international volatility which could affect short term performance. Clearly, there is still some uncertainty about the speed of recovery for the global economy and, perhaps more importantly, for Australia, the performance of our major trading partners notably China and the United States."

"As a result of these factors, and the uncertainty surrounding the outcome of initiatives by global regulators around banking sector capital and liquidity, the Group plans to retain its current conservative capital and liquidity settings for the foreseeable future."

ENDS

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Highlights	Half Year ended Dec 09 $M	Half Year ended June 09 $M	Half Year ended Dec 08 Pro forma $M	Dec 09 v Jun 09 %	Dec 09 v Dec 08 %
Retail Banking Services	1,245	988	1,119	26	11
Business and Private Banking	440	363	373	21	18
Institutional Banking and Markets	545	334	(168)	63	large
Wealth Management	379	111	178	large	large
South Pacific	167	173	267	(3)	(37)
Bankwest	64	113	(110)	(43)	large
Other (including Asia)	103	320	247	(68)	(58)
Net profit after income tax ("cash basis") (1)	**2,943**	**2,402**	**1,906**	**23**	**54**
Net profit after income tax ("statutory basis") (2)	**2,914**	**2,150**	**n/a**	**36**	**n/a**
Key Shareholder Ratios	**Half Year ended Dec 09**	**Half Year ended June 09**	**Half Year ended Dec 08**	**Dec 09 v Jun 09 %**	**Dec 09 v Dec 08 %**
Earnings per share (cents) ("cash basis" - basic) (3)	191.7	158.5	135.4	21	42
Return on equity (%) ("cash basis") (3)	18.5	16.3	13.5	220bpts	large
Dividend per share - fully franked (cents)	120	115	113	4	6
Dividend payout ratio (%) ("cash basis")	63.1	73.7	83.6	large	Large
Other Performance Indicators	**Half Year ended Dec 09 $M**	**Half Year ended June 09 $M**	**Half Year ended Dec 08 Pro forma $M**	**Dec 09 v Jun 09 %**	**Dec 09 v Dec 08 %**
Total lending assets (net of securitisation) ($M)	487,339	473,715	449,861	3	8
Funds Under Administration - spot ($M)	192,761	175,334	165,012	10	17

(1) Net Profit after Income Tax ("cash basis") – Represents profit after tax and non-controlling interests before the tax on New Zealand structured finance transactions, merger related amortisation, Bankwest integration expenses, the gain/loss on acquisition/disposal of controlled entities/investments, treasury shares valuation adjustment, other one off non cash expenses and unrealised gains and losses related to hedging and AIFRS volatility.

(2) Net Profit after Income Tax ("statutory basis") – Represents profit after tax, the tax on New Zealand structured finance transactions, the gain/loss on acquisition/disposal of controlled entities/investments, non-controlling interests, merger related amortisation, Bankwest integration expenses, treasury shares valuation adjustment, other one off non cash expenses 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".

(3) Earnings per share ("cash basis" – basic) and Return on equity ("cash basis") for 31 December 2008 are pro forma results.