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COMMONWEALTH BANK OF AUSTRALIA DELIVERS A GOOD RESULT IN AN UNCERTAIN ENVIRONMENT

Highlights of 2012 Result

- Statutory net profit after tax (NPAT) of \$7,090 million – up 11 per cent on prior year;
- Cash NPAT of \$7,113 million – up 4 per cent on prior year;
- Disciplined approach to cost management with continued investment in technology and productivity initiatives;
- Fully franked final dividend of \$1.97 per share, - up 5 per cent on prior year's final dividend;
- Return on Equity (cash basis) of 18.6 per cent;
- Customer deposits up \$30 billion to \$379 billion – now representing 62 per cent of Group total funding;
- Capital, funding and provisioning all remain strong - holding liquid assets of \$135 billion as at 30 June 2012; and
- Group in strong position with a well-managed, diversified business portfolio and a robust, stable financial platform.

	2012	2012 v 2011
Statutory NPAT (\$m)	7,090	11%
Cash NPAT (\$m)	7,113	4%
Cash EPS (cents)	449.4	2%
Final Dividend (\$ per share)	1.97	5%
Return on Equity – Cash	18.6	(90) bpts

Except where otherwise stated, all figures relate to the full year ended 30 June 2012. The term "prior year" refers to the full year ended 30 June 2011, while the term "prior half" refers to the half year ended 31 December 2011. Unless otherwise indicated all comparisons are to the "prior year".

For an explanation of, and reconciliation between, Statutory and Cash NPAT refer to pages 2, 3 and 11 of the Group's Profit Announcement for the year ended 30 June 2012 available on www.commbank.com.au/shareholders.

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SYDNEY, 15 AUGUST 2012: The Commonwealth Bank of Australia (the Group) today announced its results for the financial year ended 30 June 2012. The Group's statutory NPAT was \$7,090 million, which represents an 11 per cent increase on the prior year. Cash NPAT was \$7,113 million, an increase of 4 per cent on the prior year. Cash Return on Equity was 18.6 per cent.

The Board declared a final dividend of \$1.97 per share - an increase of 5 per cent on the prior year's final dividend. The total dividend for the year was \$3.34 per share – up 4 per cent on the prior year. The cash dividend payout ratio was 75 per cent, consistent with the Board's target payout ratio of between 70 and 80 per cent of cash NPAT. The final dividend will be fully franked and will be paid on 5 October 2012. The ex-dividend date is 20 August 2012.

The Group's Dividend Reinvestment Plan will continue to operate without a discount.

Commenting on the result, Group CEO Ian Narev said: "This is a good result given the uncertain environment in which we are operating. As expected, revenue growth was subdued reflecting ongoing caution from both our retail and corporate customers. This translated into lower credit growth and greater pressure on market sensitive businesses. In addition, higher funding costs have put pressure on margins as competition for domestic deposits intensifies and wholesale funding continues to be expensive. Despite this environment, cash ROE remained healthy at 18.6 per cent. We are also particularly pleased that we have continued to invest for the long-term, while maintaining our momentum."

"We have worked hard at tailoring our cost base to this new lower growth environment. The significant investment we have made in technology over the last five years has helped us meet this challenge to improve our productivity. Two businesses which benefit most from our Core Banking Modernisation programme, Retail Banking Services and Business and Private Banking, have again reduced their respective cost to income ratios."

"While many of our customers are facing challenges, this is not translating into a deterioration of credit quality. However, given the uncertain outlook for both the global and domestic economies, we remain cautious with a strong balance sheet with high levels of capital, provisioning and liquidity."

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Key components of the result include:

- Continued focus on delivering better services for customers with significant progress towards attaining the Group's goal of being number one in customer satisfaction;
- Continued growth in the Australian banking businesses, despite modest system credit growth, with average interest earning assets up \$32 billion to \$630 billion;
- Strong growth in retail and business average interest bearing deposits¹ – up \$30 billion to \$355 billion, resulting in customer deposits as a proportion of total Group funding improving to 62 per cent;
- Earnings in markets based businesses of Wealth Management and Institutional Banking and Markets being impacted by uncertainty in global financial markets;
- Continued margin pressure, particularly from higher retail deposit costs, with Group net interest margin (NIM) down 3 basis points on the prior year, and down 6 basis points on the prior half;
- Prudent management of operating expenses, with modest cost growth of 3 per cent year on year and costs down marginally half on prior half;
- A 15 per cent decline in loan impairment expense, with conservative provisioning levels retained. Total provisioning, at 30 June 2012, was \$4.85 billion with the economic overlay unchanged from the prior year. Credit quality continued to improve with Troublesome and Impaired Assets down by 15 per cent;
- The maintenance of the Group's strong capital base with a Basel II Tier One ratio and Common Equity Tier One (CET1) ratio of 10.0 per cent and 7.8 per cent respectively. The Basel III Internationally Harmonised CET1 ratio was 9.8 per cent;
- Substantial on-going investment in long term growth. The Group invested almost \$1.3 billion over the period on a tightly managed set of growth initiatives focusing on technology, productivity, organic retail banking growth in Indonesia, China and Vietnam and Wealth Management domestic and global distribution.

The Group is one of only a number of global banks in the 'AA' ratings category. Despite global financial market disruptions during the year, the Group is well funded.

In recognition of the continued uncertainty in the economic and regulatory outlook, the Group retained high levels of liquid assets throughout the year.

¹ Includes transactions, savings and investment average interest bearing deposits.

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Turning to the outlook for the 2013 financial year Mr Narev said: “The Group remains positive about the medium to long term outlook for Australia. However, the global economy remains uncertain. It is difficult to see the catalyst for alleviating the uncertainty which will continue to affect consumer and corporate confidence. So, in the near term, we expect current revenue trends to continue, and we will retain conservative business settings.”

“Against this backdrop, the Group will continue to operate in a disciplined and prudent manner with the focus on driving sustainable improvements in business performance and investing in our long-term strategic priorities. We are confident that our customer focused strategy positions the Group well for the long term.”

Ends

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	Full Year Ended			Half Year Ended		
	30/06/12 \$M	30/06/11 \$M	Jun 12 vs Jun 11 %	30/06/12 \$M	31/12/11 \$M	Jun 12 vs Dec 11 %
Highlights						
Retail Banking Services	2,934	2,854	3	1,495	1,439	4
Business and Private Banking	1,067	1,030	4	516	551	(6)
Institutional Banking and Markets	1,060	1,004	6	513	547	(6)
Wealth Management	569	642	(11)	297	272	9
New Zealand	490	470	4	232	258	(10)
Bankwest	524	463	13	256	268	(4)
Other	469	372	26	228	241	(5)
Net profit after income tax ("cash basis")⁽¹⁾	7,113	6,835	4	3,537	3,576	(1)
Net profit after income tax ("statutory basis")⁽²⁾	7,090	6,394	11	3,466	3,624	(4)

	Full Year Ended			Half Year Ended		
	30/06/12	30/06/11	Jun 12 vs Jun 11 %	30/06/12	31/12/11	Jun 12 vs Dec 11 %
Key Shareholder Ratios						
Earnings per share (cents) ("cash basis") - basic	449.4	438.7	2	222.2	227.2	(2)
Return on equity (%) ("cash basis")	18.6	19.5	(90) bpts	18.1	19.2	(110) bpts
Return on assets % ("cash basis")	1.0	1.0	-	1.0	1.0	-
Dividend per share (cents) – fully franked	334	320	4	197	137	44
Dividend payout ratio (%) ("cash basis")	75.0	73.2	180 bpts	89.2	60.9	large
Other Performance Indicators						
Total interest earning assets (\$M) ⁽³⁾	644,530	604,080	7	644,530	631,908	2
Funds Under Administration – spot (\$M)	201,689	196,551	3	201,689	192,168	5
Net interest margin (%) ⁽³⁾	2.09	2.12	(3) bpts	2.06	2.12	(6) bpts
Operating expenses to total operating income (%)	46.0	45.5	50 bpts	46.2	45.8	40 bpts

(1) Net Profit after income tax ("cash basis") – represents net profit after tax and non-controlling interests before Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, Count Financial Limited acquisition costs and unrealised gains and losses related to hedging and IFRS volatility. This is Management's preferred measure of the Group's financial performance.

(2) Net Profit after income tax ("statutory basis") – represents net profit after tax and non-controlling interests, Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, Count Financial Limited acquisition costs and unrealised gains and losses related to hedging and IFRS volatility. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".

(3) Comparative information has been restated to conform to presentation in the current period.