Media Release

CommonwealthBank

# COMMONWEALTH BANK OF AUSTRALIA DELIVERS ANOTHER GOOD RESULT

## Result underpinned by successful execution of strategic initiatives

## Highlights of 2011 Result

- Statutory NPAT of $6,394 million – up 13 percent on prior year
- Cash NPAT of $6,835 million – up 12 percent on prior year
- The Group's businesses performed well in a challenging environment
- Disciplined approach to cost management
- Substantial investment to drive productivity and enhance returns
- Consistent execution of key strategic priorities underpins result
- Fully franked final dividend of $1.88, up 11 percent on prior year
- Return on Equity improves 80 basis points to 19.5 percent
- Capital (Tier 1 of 10.01 percent), funding and provisioning all remain strong
- Group in strong position with a well managed, diversified business portfolio and robust, stable financial platform.

| | 2011 | 2011 v 2010 |
|---|---|---|
| Statutory NPAT ($m) | 6,394 | 13% |
| Cash NPAT ($m) | 6,835 | 12% |
| Cash EPS (cents) | 438.7 | 11% |
| Final Dividend ($ per share) | 1.88 | 11% |
| Return on Equity – Cash | 19.5 | 80 bpts |

Except where otherwise stated, all figures relate to the full year ended 30 June 2011. The term "prior year" refers to the full year ended 30 June 2010, while the term "prior half" refers to the half year ended 31 December 2010. 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 10 of the Group's Profit Announcement for the year ended 30 June 2011 available on www.commbank.com.au/shareholders.

# Media Release

**Sydney, 10 August 2011.** The Commonwealth Bank of Australia's (the Group's) statutory net profit after tax for the year ended 30 June 2011 was $6,394 million, which represents a 13 percent increase on the prior year. Cash net profit after tax for the year was $6,835 million, an increase of 12 percent.

Cash Return on Equity for the year ended 30 June 2011 was a healthy 19.5 percent, up 80 basis points due to increasing profitability and effective capital management.

A final dividend of $1.88 per share was declared - an increase of 11 percent on the prior year. The total dividend for the year to 30 June 2011 was $3.20, taking the cash dividend payout ratio for the year to 73.2 percent. The final dividend will be fully franked and will be paid on 6 October 2011. The ex dividend date is 15 August 2011.

The Group's Dividend Reinvestment Plan will continue to operate but no discount will be applied to shares issued under the plan for the 2011 final dividend.

Commenting on the result, Group Chief Executive Officer, Ralph Norris said: "This is a good, solid result in what has been a difficult year. All of our businesses have performed well during a period characterised by subdued credit growth and intense competition. We have maintained our conservative business and financial settings which has enabled us to support our customers in an uncertain economic environment which remains challenging for many."

"Approaching the Group's centenary, it is particularly pleasing to be part of an organisation which has again demonstrated its financial strength in a difficult economic environment. This strength has enabled the Group, even in the most challenging of times, to build on its long and distinguished record of providing support to its customers, its people and their communities and to the development of the wider Australian economy. At the same time, we are delivering sustainable returns to our large Australian shareholder base."

Key components of the result are:

- The Australian banking businesses performed well in a period of modest system credit growth;
- Disciplined cost control again delivered positive jaws;
- Growth in lending balances was subdued, as the domestic economy slowed, with total average interest earning assets up $22 billion to $576 billion;
- Strong growth in retail and business average interest bearing deposits[1] – up $31 billion (11 percent) to $326 billion;
- Asset growth for the year was fully deposit funded, with customer deposits as a proportion of total Group funding improving to 61 percent;

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

- Wealth Management underlying profit improved marginally in volatile investment markets;
- Better margins contributed to a much improved result for ASB Bank in the competitive New Zealand market;
- Bankwest performed strongly on the back of a better operating performance and lower impairment expense;
- The Group continued to pursue attractive growth opportunities in Asia;
- The Group's net interest margin improved to 2.19 percent;
- Operating expenses (before investment spend) grew a modest 2 percent;
- Capital strengthened with the Group's Tier 1 ratio up 86 bps from 30 June 2010 to 10.01 percent, or 13.7 percent on a UK FSA basis; and
- Loan impairment expense declined 38 percent on the prior year.

The Group's long term credit rating with Standard and Poor's (S&P) remained AA. In May 2011 Moody's downgraded all the Australian major banks to Aa2 (from Aa1) – equivalent to the AA of S&P. The Group is still one of a handful of global banks to have such strong ratings.

In recognition of the continued uncertainty in the economic and regulatory outlook, the Group elected to retain high levels of liquidity - $101 billion as at 30 June 2011.

The Group has also retained its conservative approach to provisioning with total provisioning of $5.2 billion as at 30 June 2011, which includes a management overlay of $1.0 billion.

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, Core Banking Modernisation, is now past the half way stage, having achieved important milestones including the successful migration of all retail transaction and savings accounts to the new system. Significant progress was made in preparing for the scheduled migration (in the second half of the 2011 calendar year) of business customers' transaction and savings/investment accounts to the new system.

## Outlook

On the outlook for the 2012 financial year Ralph Norris said: "The 2011 financial year has been a challenging one for the Group and many of its customers. While the resources sector has performed well, other parts of the economy have been subject to headwinds including fragile consumer and corporate confidence, political uncertainty, a strong currency and natural disasters."

"On-going offshore instability continues to impact the domestic economy and has the potential to place further upward pressure on wholesale funding costs for domestic banks."

"The 2011 financial year has been characterised by subdued system credit growth and intense competition.  At this stage there is nothing to suggest that the 2012 financial year will see any material improvement on this front.  Nor is it clear what the catalyst will be for a meaningful revival in consumer and corporate confidence which is prerequisite to stronger demand for credit."

"Against this backdrop the Group will continue to operate in a disciplined and prudent manner with a focus on driving productivity initiatives which will deliver sustainable improvements in business performance.  The Group's priority is to maintain a robust and stable financial and operating platform, which will enable us to support our customers and provide superior returns to shareholders."

**Ends**

**Media contact:**
Bryan Fitzgerald
Head of Communications
Ph: (02) 9117 7047
Mobile: 0414 789 649

# Media Release

CommonwealthBank

| | Full Year Ended | | | Half Year Ended | | |
|---|---|---|---|---|---|---|
| | 30/06/11 $M | 30/06/10 $M | Jun 11 vs Jun 10 % | 30/06/11 $M | 31/12/10 $M | Jun 11 vs Dec 10 % |
| **Highlights** | | | | | | |
| Retail Banking Services | **2,845** | 2,461 | 16 | 1,453 | 1,392 | 4 |
| Business and Private Banking | **1,039** | 898 | 16 | 532 | 507 | 5 |
| Institutional Banking and Markets | **1,004** | 1,173 | (14) | 506 | 498 | 2 |
| Wealth Management | **642** | 718 | (11) | 283 | 359 | (21) |
| New Zealand | **470** | 388 | 21 | 236 | 234 | 1 |
| Bankwest | **463** | (45) | large | 239 | 224 | 7 |
| Other | **372** | 508 | (27) | 251 | 121 | large |
| **Net profit after income tax – cash basis (1)** | **6,835** | **6,101** | **12** | **3,500** | **3,335** | **5** |
| **Net profit after income tax – statutory basis (2)** | **6,394** | **5,664** | **13** | **3,342** | **3,052** | **10** |

| | Full Year Ended | | | Half Year Ended | | |
|---|---|---|---|---|---|---|
| | 30/06/11 $M | 30/06/10 $M | Jun 11 vs Jun 10 % | 30/06/11 $M | 31/12/10 $M | Jun 11 vs Dec 10 % |
| **Key Shareholder Ratios** | | | | | | |
| Earnings per share (cents) – cash basis - basic | **438. 7** | 395. 5 | 11 | 224. 4 | 214. 3 | 5 |
| Return on equity (%) – cash basis | **19. 5** | 18. 7 | 80bpts | 20. 0 | 19. 2 | 80bpts |
| Return on assets % – cash basis | **1. 0** | 1. 0 | - | 1. 1 | 1. 0 | 10bpts |
| Dividend per share (cents) – fully franked | **320** | 290 | 10 | 188 | 132 | 42 |
| Dividend payout ratio (%) – cash basis | **73. 2** | 73. 9 | (70)bpts | 84. 2 | 61. 7 | large |
| **Other Performance Indicators** | | | | | | |
| Total interest earning assets ($M) | **582,050** | 563,801 | 3 | 582,050 | 571,403 | 2 |
| Funds Under Administration – spot ($M) | **196,551** | 186,734 | 5 | 196,551 | 198,731 | (1) |
| Net interest margin (%) | **2. 19** | 2. 13 | 6bpts | 2. 25 | 2. 12 | 13bpts |
| Operating expense to total operating income (%) | **45. 5** | 45. 7 | (20)bpts | 45. 6 | 45. 4 | 20bpts |

1) Net Profit after income tax (cash basis) – Represents net profit after tax and non-controlling interests before Bankwest non-cash items, the tax on New Zealand structured finance transactions, the gain/loss on acquisition/disposal of controlled entities/investments, treasury shares valuation adjustment and unrealised gains and losses related to hedging and IFRS volatility.

(2) Net Profit after income tax (statutory basis) – Represents net profit after tax and non-controlling interests, Bankwest non-cash items, the tax on New Zealand structured finance transactions, the gain/loss on acquisition/disposal of controlled entities/investments, treasury shares valuation adjustment 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”.