Media Release

COMMONWEALTH BANK OF AUSTRALIA GROWS EARNINGS AND DIVIDENDS WHILE CONTINUING TO INVEST FOR THE FUTURE

Highlights of 2011 Interim Result

- Cash NPAT of $3,335 million – up 13 percent on prior comparative period;
- All of the Group's businesses performed well with ASB and Bankwest producing greatly improved results;
- Disciplined approach to cost management;
- Continued strong investment in the business;
- Consistent execution of key strategic priorities underpins result;
- Fully franked interim dividend of $1.32 up 10 percent on prior year interim dividend;
- Return on Equity improves to 19.2 percent;
- Capital (Tier 1 of 9.7 percent), funding and provisioning all remain strong; and
- Group positioned for growth with well managed, diversified business portfolio and strong stable financial platform.

	Dec 10	Dec 10v Dec 09
Cash NPAT ($m)	3,335	13%
Cash EPS (cents)	214.3	12%
Dividend (cents)	132.0	10%
Return on Equity – Cash (%)	19.2%	70 bps

Except where otherwise stated, all figures relate to the half year ended 31 December 2010. The term "prior comparative period" refers to the half year ended 31 December 2009, while the term "prior half" refers to the half year ended 30 June 2010. Unless otherwise indicated all comparisons are to the "prior comparative period".

Sydney, 9 February 2011: The Group's Net Profit After Tax ("NPAT") ("statutory basis") for the half year ended 31 December 2010 was $3,052 million, which represents an increase of 5 percent on the prior comparative period. NPAT ("cash basis") for the half year was up 13 percent on the prior comparative period to $3,335 million.

The Board declared a fully franked interim dividend of $1.32 per share. The dividend is payable on 1 April 2011. The ex-dividend date is 14 February 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 interim dividend.

The increase in the interim dividend takes the payout ratio to 61.7 percent which is broadly in line with the interim payout ratio for prior years.

Key components of the result include:

- The Australian banking businesses performed well in a period of subdued system credit growth;
- Solid growth in lending balances with total average interest earning assets up $26 billion to $574 billion;
- Strong growth in retail and business average interest bearing deposits[1] up $32 billion (11 percent) to $319 billion;
- Improved earnings from Wealth Management as investment markets continued to improve;
- 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's net interest margin for the half year ended 31 December 2010 was 2.12 percent, down 6 bps on the NIM for the corresponding period in the prior year;
- Operating expenses (before investment spend) grew a modest 1.4 percent;
- Capital strengthened with the Group's Tier 1 ratio up 56 bps from 30 June 2010 to 9.71 percent; and
- Loan impairment expense declined 48 percent.

The Group's long term credit ratings with Standard and Poor's and Moody's Investor Services remained unchanged at AA and Aa1 respectively with the Group being only one of a handful of global banks to have retained its AA rating.

The Group invested $541 million in the period 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 significant milestones including the successful migration of all retail transaction

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

and savings accounts to the new system, adding to the customer records and term deposits which were migrated in the second half of the 2010 financial year.

Commenting on the result Group Chief Executive Officer, Ralph Norris said: “This is a good, solid result in what has been a challenging six months for the Group. All of our businesses have performed well during a period characterised by subdued credit growth and intense competition. The ongoing success of our business is a tribute to the disciplined approach we have taken to the execution of our five strategic priorities and the real benefits that are being delivered.”

“The financial strength of the Group means that we have been able to continue to support our customers, our people and the communities in which they live and work. In Queensland and Victoria this support has manifested itself in our recently announced flood assistance initiatives totalling $65 million. In addition we have set aside $1 billion in loan assistance for business and agricultural customers who have been adversely impacted by these tragic events.”

“With the global economy showing signs of recovery post the Global Financial Crisis it is pleasing to see that Australia has emerged with one of the world’s most resilient and well functioning banking industries. Despite the challenges of the GFC, we have demonstrated that we have the capacity and capability to not only support the Australian economy but to also provide sound returns for our largely Australian based shareholders. This is an organisation which, by virtue of its resilience and financial strength, has been able to serve the Australian people for almost 100 years and we continue to take our responsibilities to our community very seriously.”

Business Performance

Retail Banking Services’ cash net profit after tax was $1,383 million, which represented an increase of 12 percent on the prior comparative period. The result was driven by solid volume growth, a sustained focus on cost efficiency and lower impairment expense. This was partially offset by continued margin compression as a result of increasing average funding costs, with the divisional net interest margin decreasing by 10 basis points.

Home loan average volume grew by 8 percent, however new lending growth continued to moderate across the sector. Retail deposit income, which was impacted by continued term deposit margin compression together with the reduction in exception fees in October 2009, decreased 13 percent. Retail deposit average volume growth was strong, up 11 percent.

Expenses were up 3 percent, driven by investment spend relating to Core Banking Modernisation. Underlying expense growth was 1 percent, with investment in customer support staff, marketing and risk management partially offset by efficiency gains across the business.

Business and Private Banking delivered a cash net profit after tax of $506 million, a 15 percent increase on the prior comparative period. The business banking segments contributed significantly to this result, experiencing solid growth in lending volumes, improving deposit margins and lower impairment expense. CommSec maintained its market leading share of the online advisory market despite lower overall market volumes which impacted equities trading volumes.

Operating costs rose 3 percent reflecting a disciplined approach to expense management. There has been continued investment in frontline staff and technology which has been achieved through an ongoing focus on operational efficiencies. Impairment expense decreased 30 percent reflecting the strong underlying credit quality of the business lending portfolio.

Institutional Banking and Markets reported a cash net profit after tax of $512 million, which represented a 7 percent decrease on the prior comparative period. This was the result of a fall in operating income due to lower trading activity in Markets in a less volatile environment and the impact of the decline in lending balances in Institutional Banking.

Operating expenses increased 2 percent. This increase was driven predominantly by the continued investment in information technology to maintain competitive advantage. Impairment expense decreased 40 percent as the domestic operating environment continued to stabilise. The decrease in lending balances contributed to this lower level of collective provisioning.

Wealth Management's underlying profit after tax increased 12 percent to $329 million. This result was underpinned by solid growth in the funds management businesses while the insurance business delivered robust margins. Funds under Administration as at 31 December 2010 were $191 billion, up 3 percent driven by solid investment returns and strong net flows from the international business, partly offset by the strengthening of the Australian dollar.

Cash net profit after tax was $359 million, which represented a 5 percent decrease, mainly due to the unwinding of unrealised annuity mark to market losses on the Guaranteed Annuities in the prior comparative period.

Total operating expenses increased by 3 percent. Expenses were managed in line with current market conditions while maintaining strategic investment spend on product development, systems and driving organic growth in domestic retail distribution.

New Zealand cash net profit after tax for the period was NZ$293 million, an increase of 58 percent. The result reflects a strong performance from ASB Bank with margins benefiting from a shift in portfolio mix as customers switched from fixed to variable rate home loans and repricing initiatives in response to higher funding costs. Sovereign also made a solid contribution with improved claims experience, lower lapse rates and higher inforce premiums.

Bankwest cash net profit after tax was $224 million, up significantly from the $15 million in the prior comparative period. The improved performance was driven by lower loan impairment expense, as well as a 10 percent increase in operating performance. Lending balances increased 3 percent driven by solid growth in home loans, partly offset by lower business lending balances. Deposit balances increased 12 percent with strong growth in business deposits.

Operating expenses decreased 3 percent due to lower new business volumes and lower discretionary spend. Impairment expense for the half was down 84 percent.

IFS Asia's cash net profit after tax was $26 million, an increase of 18 percent.

Banking income grew by 14 percent driven by increased business from the Indonesian and Vietnamese retail banking operations, together with an increase in equity accounted income from the Bank of Hangzhou investment. Insurance income grew 32 percent reflecting higher sales from the Indonesian life insurance business (particularly Bancassurance sales).

Operating expenses were up 20 percent largely mainly because of the rapid growth of the Indonesian businesses.

Outlook

Commenting on the outlook Mr Norris added: "While the Australian economy continues to perform well and other advanced economies are showing signs of improvement, the domestic banking industry still faces a number of headwinds. Underlying credit growth remains subdued with both consumer and corporate confidence fragile. Competition is intense with depositors benefiting from historically high margins while wholesale funding costs also remain at elevated levels."

"As we enter the 2011 calendar year, the residual impacts of the Global Financial Crisis are still being felt, particularly in northern hemisphere economies which could weigh on the pace of the global economic recovery. Elsewhere, the strength in some emerging economies is generating inflationary pressures. The outlook for the domestic economy remains positive as the resource sector continues to outperform, however some of our customers operating in other sectors of the economy are finding business conditions more challenging.

Against this backdrop we are cautiously optimistic about the outlook for the Group for the balance of the 2011 financial year and we are certainly well placed to benefit from the improvement in consumer and corporate confidence and the increased level of economic activity that should accompany that recovery."

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

	31/12/10 $M	30/06/10 $M	31/12/09 $M	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
	Half Year Ended				
Highlights					
Retail Banking Services	**1,383**	1,207	1,237	15	12
Business and Private Banking	**506**	453	440	12	15
Institutional Banking and Markets	**512**	646	553	(21)	(7)
Wealth Management	**359**	339	379	6	(5)
New Zealand	**234**	227	161	3	45
Bankwest	**224**	(60)	15	large	large
Other	**117**	346	158	(66)	(26)
Net profit after income tax – cash basis (1)	**3,335**	**3,158**	**2,943**	**6**	**13**
Net profit after income tax – statutory basis (2)	**3,052**	**2,750**	**2,914**	**11**	**5**

	31/12/10	30/06/10	31/12/09	Dec 10 vs Jun 10 %	Dec 10 vs Dec 09 %
	Half Year Ended				
Key Shareholder Ratios					
Earnings per share (cents) – cash basis - basic	**214. 3**	203. 7	191. 7	5	12
Return on equity (%) – cash basis	**19. 2**	18. 9	18. 5	30bpts	70bpts
Return on assets % – cash basis	**1. 0**	1. 0	0. 9	-	10 bpts
Dividend per share (cents) – fully franked	**132**	170	120	(22)	10
Dividend payout ratio (%) – cash basis	**61. 7**	84. 0	63. 1	large	(140)bpts
Other Performance Indicators					
Total lending assets (net of securitisation) ($M)(3)	**497,916**	500,760	487,339	(1)	2
Funds Under Administration – spot ($M)	**198,731**	186,734	192,523	6	3
Net interest margin (%)	**2. 12**	2. 08	2. 18	4bpts	(6)bpts
Operating expense to total operating income (%)	**45. 4**	46. 7	44. 7	(130)bpts	70bpts

(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 AIFRS 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 AIFRS volatility. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".

(3) Lending assets comprise Loans, Bills discounted and Other receivables (gross of provisions for impairment and excluding securitisation) and Bank acceptances of customers.