

Shareletter

ISSUE 6 // APRIL 2011



CommonwealthBank

WELCOME

On 9 February 2011, the Commonwealth Bank of Australia (the Group) reported a Net Profit After Tax ("NPAT") ("statutory basis") for the half year ended 31 December 2010 of \$3,052 million, which represented 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. Return on Equity ("cash basis") increased by 70 basis points to a healthy 19.2 percent. Cash earnings per share was up 12 percent to \$2.14.



a number of headwinds. Competition is intense with depositors benefiting from historically high margins while wholesale funding costs also remain at elevated levels. The residual impacts of the Global Financial Crisis are still being felt, particularly in northern hemisphere economies. The outlook for the domestic economy remains positive as the resource sector continues to outperform. Against this backdrop, the Group remains cautiously optimistic about the outlook for the balance of the 2011 financial year. We are well placed to benefit from the improvement in consumer and corporate confidence and the increased level of economic activity which should accompany that recovery.

We would like to thank you, our customers and our shareholders for your continuing support for the Commonwealth Bank Group.

Dividend

The Board declared a fully franked interim dividend of \$1.32 per share, up 10 percent on prior year interim dividend. The increase takes the payout ratio ("cash basis") to 61.7 percent which is broadly in line with the interim payout ratio for prior years.

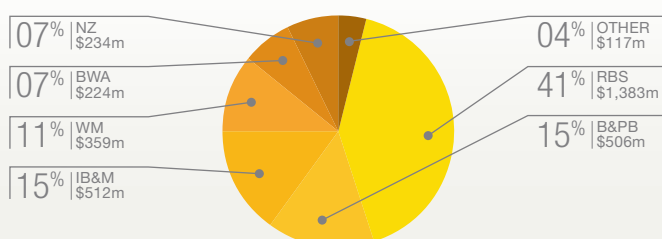
Outlook

While the Australian economy continues to perform well and other advanced economies are showing signs of improvement, the domestic banking industry still faces

David Turner
Chairman

Ralph Norris
Chief Executive Officer

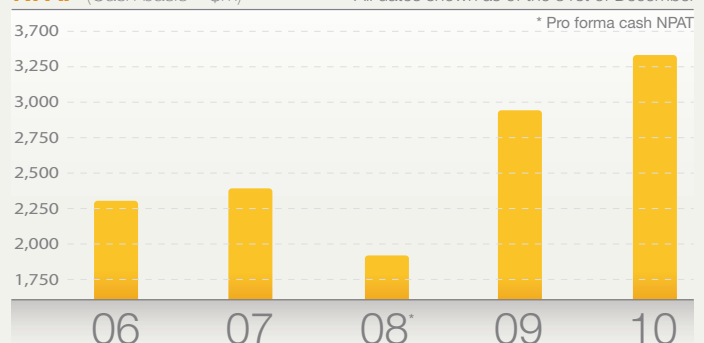
Cash NPAT Contribution from each business unit



- RBS – Retail Banking Services
- B&PB – Business and Private Banking
- IB&M – Institutional Banking and Markets
- WM – Wealth Management
- BWA – Bankwest
- NZ – New Zealand

NPAT (Cash basis – \$m)

All dates shown as of the 31st of December



Another solid financial result in what remains a challenging operating environment. The result is testimony to the consistent and effective execution of our strategic agenda as well as our disciplined approach to cost management.

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 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 ("NIM") 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.
- > Loan impairment expense declined 48 percent.

STRATEGIC INITIATIVES

Consistent execution of key strategic priorities underpins a solid and improved result performance, highlighted by continued high levels of investment in the business.

Customer Service

The Group's journey to being Number 1 in Customer Satisfaction remains on track. The Group remains pleased with the significant progress achieved so far and is determined to achieve its vision of being Australia's finest financial services organisation through excelling in customer service.

Business Banking

Our Business Banking growth strategy is progressing with Business and Private Banking continuing to

perform well and experiencing solid growth in lending volumes. Customer satisfaction remains a key priority and is evidenced by the Group being recognised as equal number one in the whole-of-market business banking segment in five out of the past six months in the DBM Business Financial Services Monitor.

Technology and Operational Excellence

The Group has made excellent progress with the continuing roll-out of our Core Banking Program. All retail customer information, term deposit, savings and transaction accounts now operate on the new SAP platform. This represents in excess of 10 million customer accounts which makes it the largest banking migration in Australian history.

Trust and Team Spirit

The Group maintains a very strong and consistent level of people engagement, achieving world's best practice at the 76th percentile of Gallup's global benchmark. This result reflects the valuable commitment and dedication of our people.

Profitable Growth

Over the years, the Group has pursued considered and prudent growth opportunities in Asia, including China, Vietnam, Indonesia and India. In January 2011, the Group completed the capital injection for the first bank in our County Banking initiative in China.

100 YEARS OF SERVICE AND SUPPORT

Commonwealth Bank will soon celebrate 100 years of service and support of the Australian community, starting from 1 July 2011.

A program of activities is being designed that will focus on Commonwealth Bank's heritage, its important role in contemporary Australia, and the contribution it will continue to make to Australians in the future.

The Commonwealth Bank of Australia was founded under legislation, namely the Commonwealth Bank Act, enacted by Andrew Fisher's Labour Government on 22 December 1911.

With Mr (later Sir) Denison Miller, ex-Bank of NSW Inspector, heading a staff of twelve, the Commonwealth Bank opened for business on 15 July 1912. It offered savings bank facilities initially at its solitary branch, 317 Collins Street, Melbourne and at 489 agencies located in money order post



Commonwealth Bank's first branch at 317 Collins Street, Melbourne, which opened on 15 July 1912

offices throughout Victoria. Today, the Commonwealth Bank has over 45,000 staff, offering integrated financial services to over 13 million customers and has operations in 12 countries.

The Group will celebrate with all of its main stakeholders – its 13 million customers, 800,000 shareholders, 45,000 staff and its extensive network

of community partners. As a major Australian institution, Commonwealth Bank will also look to turn on a party for the whole community.



COMMONWEALTH BANK HELPS FLOOD AFFECTED CUSTOMERS

Like all Australians, all of us in the Commonwealth Bank Group have been touched by the devastating floods that impacted Queensland, northern New South Wales and Victoria this summer.

We are committed to assisting customers, community groups and others affected by these floods and will continue to support the long rebuilding process.

As a demonstration of the commitment, the Group announced a package of measures which included:

- A \$50 million Compassionate Assistance Fund for CommInsure home insurance customers who are not covered under their policy for riverine flood;
- A Commonwealth Bank Community Group Flood Assistance Fund of \$5 million was set up. This fund will be distributed to not-for-profit community groups who have suffered damage or loss as a result of the floods;
- The Group has set aside \$1 billion in funding for business and agri-business customers who were

affected by the floods. Customers can seek special funding through new overdraft facilities or increased limits and will pay no establishment fee nor be charged any interest for the first 3 months of the loan;

- The Group activated Emergency Assistance Packages which offer help to businesses and personal customers to overcome the difficulties they face on a case-by-case basis;
- The Group made approximately \$2 million in cash donations and has also collected donations from staff and customers totalling over \$44 million; and
- Over and above this, CommInsure has already made \$8 million of ex gratia payments to its insurance customers in Queensland and Victoria.



Our staff participating in a staff fundraising barbecue to raise money for the Prostate Cancer Foundation of Australia

OUR SUSTAINABILITY PROGRESS

As the Group continues on its sustainability journey, long-term sustainability is becoming more deeply embedded in the Group's business strategy and integrated into core behaviours.

People

Our Indigenous School Based Trainee Program continues to grow in strength, with 21 School Based Trainees completing their traineeship and 47 new trainees commencing with the Group in December 2010. The Group is committed to maintaining up to 80 trainees per year.

In December 2010 the Group released its updated Disability Action Plan, highlighting progress to date as well as setting out further improvement goals and actions. Initiatives have been set out to support both our people and customers with a disability. See www.commbank.com.au/disability-action-plan for more information.

Customers

In July 2010, just six months after the launch of the Commonwealth Bank Foundation's StartSmart Primary program, the Foundation received an Australian Business Award for Innovation for the development of the youth financial literacy program. For the six months to 31 December 2010 the StartSmart Primary program reached over 62,000 primary students.

The Group's second *Viewpoint* report covering the economic health of the nation and the impact of the resources boom in mining areas was released in September 2010. Visit www.commbank.com.au/viewpoint to read the report.

Community

In November 2010 the Grants for Grassroots Cricket program rolled out for a second year, with 220 local men's, women's, children's and Indigenous cricket clubs around Australia receiving a \$1,000 cash grant plus \$750 worth of equipment. The number of grant applications received increased by 42.8 percent from the previous year's program.

In November 2010, the Commonwealth Bank Staff Community Fund awarded a total of \$550,000 in grants to 69 Australian children's charities and community groups.

The Group's health partnerships received strong support from staff, with more than \$215,000 fundraised for the Prostate Cancer Foundation of Australia and over \$440,000 in diary sales and fundraising for the Breast Cancer Institute of Australia.

The Group's 2010/11 Reconciliation Action Plan was released in December 2010 and builds on our commitment to reconciliation in the areas of financial services, employment, enterprise support, education and financial literacy. For more detail see www.commbank.com.au/rap.

Environment

The Group improved its result in the 2010 Carbon Disclosure Project, scoring 92 out of 100 in the Carbon Disclosure Leadership Index and securing a place in the top 10 percent of the Global 500 for the second year.

Governance

The Group released its second annual Sustainability Report on 22 October 2010 covering sustainability performance for the 2009-2010 financial year. The report includes information on sustainability initiatives and can be accessed at www.commbank.com.au/sustainability-reporting.



The Commonwealth Bank Sustainability Report 2010



IMPORTANT CHANGES TO DIVIDEND PAYMENT

The most secure and safest method of receiving your dividend is by direct credit. With effect from the 2011 final dividend payment, the Group will only pay cash dividends to shareholders with registered addresses in Australia, United Kingdom and New Zealand by direct credit. Dividend cheques will no longer be issued. It is important that shareholders who have not provided their nominated account details should do so by 19 August 2011 to Link Market Services Limited by mail or online. Shareholders will continue to receive a dividend statement in the nominated format (electronic or paper).

STAYING IN TOUCH

You can update your personal details, including mailing address, payment instructions, email address and communication options online at www.linkmarketservices.com.au/public/investors or contact Link Market Services Limited on 1800 022 440 / +61 2 8280 7199 or by email at cba@linkmarketservices.com.au

Subscribe to an email service notifying you of news on our Shareholder Centre www.commbank.com.au/shareholder