Media Release

Commonwealth Bank of Australia
September Quarter Trading Update

Sydney, 15 November 2011: The Commonwealth Bank ("the Group") today advised that its unaudited cash earnings for the three months ended 30 September 2011 ("the quarter") were approximately $1.75 billion. Key outcomes for the quarter are summarised below.

Key Outcomes

- In an uncertain and volatile operating environment, the Group has retained its conservative business settings, with capital, liquidity, funding and provisioning levels all remaining strong;
- Effective execution of the Group's strategic priorities continued to drive good performance outcomes across the Group. The Group's retail customer satisfaction ratings[1] reached a record high in the quarter, with further improvements in products-per-customer, which continue to grow ahead of the peer group to now stand at 2.69[2];
- In an environment of subdued credit demand, the Group's focus remains on profitable growth in each of its key markets;
- Revenue growth trends remain broadly consistent with those outlined in the Group's full year results in August, though market volatility impacted Trading Income, which was approximately $60 million below the long term average in the quarter;
- Underlying Group NIM (ex IFRS) declined marginally in the quarter due to higher liquid asset holdings. Competitive intensity and the sustained elevation in wholesale funding costs continue to place pressure on margins;
- Expense growth in the quarter reflected the impact of salary increases from July and ongoing strategic investment in the business;
- Credit quality trends remained positive across key indicators, with further improvements in impaired assets, troublesome exposures and consumer arrears;
- Total impairment expense was lower at 19 basis points of total average loans, or $256 million in the quarter;
- Given ongoing economic uncertainty, economic overlays have been retained in the loan impairment provision, with total overlay provisions stable this quarter;
- Asset growth remains largely deposit funded, with household deposits growing strongly through the quarter;

---

[1] Roy Morgan Research. Australian Population 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that main financial institution. 6 month rolling average.
[2] Roy Morgan Research, Australians 14+, Banking and Finance products per Banking and Finance customer, six months rolling average.

- Liquid assets were further strengthened, increasing by $8 billion in the quarter to $109 billion;
- The Group's capital position remains strong, with a Tier 1 capital ratio of 9.85 percent as at September 2011, or 13 percent on a UK FSA basis. Further good organic capital generation was offset slightly this quarter by the impact of higher risk-weighted assets, reflecting corporate lending growth, higher levels of liquid assets and foreign exchange impacts. The Group remains well positioned for transition to Basel III capital requirements.

Business Commentary

Australia – Retail

The Retail Bank performed solidly through the quarter with a continued focus on expense management and operational efficiency in the low credit growth environment. Margins remain under pressure from higher funding costs associated with current market volatility. Australian home loan growth was in line with system through the quarter. Deposit growth remains strong, particularly in investment and savings products. Consumer credit quality has improved, with a reduction in arrears rates across all lending portfolios. Bankwest continued to perform well, with good growth in customer numbers and above system growth in home lending.

Australia – Commercial

Business confidence remains subdued given global economic uncertainty. Notwithstanding this, Institutional Banking & Markets continued to deliver solid results driven by an increase in underlying activity underscored by improved momentum in lending balances and higher lending margins. Customer flows in the Markets business were solid, offset by lower performance on the trading book given challenging market conditions.

Business & Private Banking recorded modest growth in lending volumes and is growing ahead of system[3]. CommSec maintained its leading market share while equity trading volumes were flat reflecting subdued market volatility. Credit quality trends were favourable across the Australian commercial businesses. Bankwest continued to re-weight its commercial lending portfolio towards lower risk segments, whilst growing strongly in its target markets.

Wealth Management and Insurance

Market conditions continued to create headwinds for Wealth Management in the September quarter. Funds under Administration and Funds under Management declined by 2.7 percent and 3.7 percent respectively due to negative investment returns, partially offset by FX gains as the Australian dollar pulled back from its recent highs. FirstChoice and Custom Solutions experienced positive net flows of $408 million and $321 million respectively for the quarter. Inforce premiums grew by 2.3 percent in the quarter, with good growth in Retail Direct Life and General Insurance.

[3] Source RBA.

Media Release

New Zealand

The New Zealand economy showed some signs of improvement, despite the ongoing disruption caused by the Christchurch earthquake in February 2011. In the longer term, low interest rates, high commodity prices and reconstruction activity are expected to boost economic growth. ASB performed well during the quarter, with steady income growth and continued strong discipline in cost management. Margin continued to benefit from the repricing of the lending book, partially mitigated by price competition for retail deposits.

Conclusion

Commenting on the September quarter, Commonwealth Bank of Australia Chief Executive Officer Ralph Norris said: “As we indicated at our full year results announcement in August, operating conditions remain challenging. The global economic recovery remains fragile, highlighted by ongoing sovereign debt concerns in the Euro zone and an uncertain growth outlook in the US. Whilst the Australian economy continues to perform relatively well, consumer and business confidence remains fragile, most noticeably reflected in subdued system credit growth.

“Against this background, the Group continued to perform well, highlighted by solid financial outcomes and continued improvements in customer satisfaction scores. At a time of lower credit demand, the effective execution of our strategic agenda and our continued emphasis on profitable growth is driving consistently good financial outcomes, positioning the Group well for future growth.”

“Given the volatile operating environment and economic uncertainty, the Group continues to retain its conservative business settings, with capital, provisioning, funding and liquidity levels all remaining strong.”

ENDS

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

Investor Relations:
Warwick Bryan
EGM, Investor Relations
Ph: (02) 9118 7112
Mobile: 0406 316 725