

MEDIA RELEASE



COMMONWEALTH BANK OF AUSTRALIA SEPTEMBER QUARTER TRADING UPDATE

SYDNEY, 7 NOVEMBER 2012: The Commonwealth Bank (“the Group”) today advised that its unaudited cash earnings¹ for the three months ended 30 September 2012 (“the quarter”) were approximately \$1.85 billion. Statutory net profit on an unaudited basis for the same period was approximately \$1.8 billion, with non-cash items treated on a consistent basis to prior periods. Key outcomes for the quarter are outlined below.

Overview

- Revenue growth continued to reflect a combination of conservative business settings, relatively slower system credit growth and elevated funding costs;
- Group Net Interest Margin was broadly in line with 2H12, with asset re-pricing impacts largely offset by continued deposit pricing pressure;
- Trading income improved in the quarter to a level consistent with the long term average run-rate, assisted by a slightly positive Credit Valuation Adjustment;
- Expenses continued to be well managed, with good cost discipline leading to positive “jaws” in the quarter;
- Group liquids remained very strong at \$131 billion;
- Total impairment expense was broadly stable at 21 basis points of total average loans, or \$291 million in the quarter;
- Asset growth remained largely deposit funded, with deposits now accounting for 63 per cent of total funding. New wholesale funding issuance in the quarter had an average tenor of 5.4 years, with the portfolio average tenor extending further to stand at 3.8 years;
- The Group’s Basel II Tier 1 capital ratio as at 30 September 2012 was 10.2 per cent (or 13.3 per cent on a UK FSA basis), up from 10.0 per cent at June, reflecting further good organic capital generation in the quarter. The Group’s fully harmonised Basel III CET1 Ratio was 9.7 per cent as at September, an improvement on the position in June after adjusting for the timing of the declaration of the 2012 final dividend;
- The Group’s September quarter Pillar 3 disclosures released today show that credit quality remained generally sound, with lower arrears rates across key consumer portfolios. A slight deterioration in corporate credit quality in the quarter reflected the continuing difficult operating environment in certain sectors of the economy; and
- Provisioning levels and coverage ratios remained strong, with the economic overlay maintained.

¹ Cash earnings is used by Management to present a clear view of the Group’s underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group’s current period performance. These items are calculated consistently period on period and do not discriminate between positive and negative adjustments. For a more detailed description of these items, please refer to page 11 of the Group’s 30 June 2012 profit announcement.

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Business Commentary

Australia – Retail

Retail Banking performed reasonably well during the quarter, highlighted by improved lending margins, solid growth in deposits and good cost discipline. Credit quality trends remained positive, with stable to lower arrears rates across key consumer portfolios. Bankwest continued to experience good growth in customer numbers through the quarter.

Australia – Commercial

System business credit growth remained subdued, with Group business lending continuing to trend ahead of system. Elevated funding costs and a competitive environment continued to impact margins. Good cost discipline is being maintained. Within the Markets business of IB&M, sales and trading were trending at a similar run-rate to 2H12.

Wealth Management and Insurance

Improved investment markets contributed to solid volume growth in the quarter, with Funds under Administration and Funds under Management growing by 6 per cent and 4 per cent respectively. FirstChoice and Custom Solutions recorded combined net flows of \$729m. Insurance premiums grew by 3 per cent, with improved penetration of the Retail Bank customer base for Direct Life and General Insurance products.

New Zealand

The New Zealand economy continues to show signs of improvement, driven in part by the Christchurch rebuild. ASB experienced good growth in customer advances and deposits through the quarter, with business and commercial lending growing above system. Operating income remained solid, with increased pressure on new business margins as competition intensifies.

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