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CommonwealthBank

MOMENTUM MAINTAINED IN UNPREDICTABLE ENVIRONMENT

Highlights of 2012 Interim Result

- Sustainable business model drives earnings growth;
- Statutory NPAT of $3,624 million – up 19 per cent*;
- Cash NPAT of $3,576 million – up 7 per cent;
- Disciplined approach to costs with continued investment in technology and productivity initiatives;
- Fully franked interim dividend of $1.37 - up 4 per cent on 2011 interim dividend;
- Return on Equity (cash basis) maintained at 19.2 per cent;
- Capital, funding and provisioning all remain strong; and
- Group well positioned for future, with robust business franchise and strong balance sheet.

	Dec 11	Dec 11 v Dec 10
Statutory NPAT ($m)	3,624	19%
Cash NPAT ($m)	3,576	7%
Cash EPS (cents)	227.2	6%
Interim Dividend ($ per share)	1.37	4%
Return on Equity (%) – Cash	19.2	-

*Except where otherwise stated, all figures relate to the half year ended 31 December 2011. The term "prior comparative period" refers to the half year ended 31 December 2010, while the term "prior half" refers to the half year ended 30 June 2011. Unless otherwise indicated, all comparisons are to "prior comparative period".

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 half year ended 31 December 2011 available on www.commbank.com.au/shareholders.

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Sydney, 15 February 2012. The Commonwealth Bank of Australia's (the Group's) statutory net profit after tax for the half year ended 31 December 2011 was $3,624 million, which represents a 19 per cent increase on the prior comparative period. Cash net profit after tax for the half was $3,576 million - an increase of 7 per cent.

Cash Return on Equity for the period was unchanged at 19.2 per cent.

The Board declared an interim dividend of $1.37 per share - an increase of 4 per cent on the 2011 interim dividend. The dividend payout ratio (cash basis) of approximately 61 per cent was in line with the ratio for the interim dividend for the prior year. This dividend will be fully franked and will be paid on 5 April 2012. The stock will go ex-dividend on 20 February 2012.

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

Commenting on the result, Group Chief Executive Officer, Ian Narev said: "The Group's strong financial performance means we can continue to meet the needs of our 13 million customers at a time when many banks around the world have scaled back their activities. This strength results from continued focus on our long term strategy, conservative business settings, and above all, to the commitment of more than 52,000 employees, who continue to respond well to a challenging environment."

"In addition to the 800,000 Australians who directly own shares who depend on our on-going profitability, millions of other Australians, who are saving for, or living out, their retirement hold our shares through their superannuation funds or other investment vehicles. They rely on us to maintain their standard of living and we are pleased to have again delivered good returns to them. At the same time, we continue to improve our customer satisfaction across all our businesses."

"Our strength enables us to continue to take a long term view of the business. For some time, we have been enhancing our customers' experience with us, while increasing productivity. We have focussed on investing in new technology, improving inefficient processes and developing our people. That will continue. We have no plans to send jobs offshore. And we have no plans for major redundancy programmes."

Key components of the result include:

- Continued growth in the Australian banking businesses, despite modest system credit growth, with average interest earning assets up $27 billion to $601 billion;
- Strong growth in retail and business average interest bearing deposits[1] – up $31 billion (10 per cent) to $350 billion, resulting in customer deposits as a proportion of total Group funding improving to 62 per cent;
- Continued focus on delivering better services for customers;
- Weak growth in markets based businesses with earnings for Wealth Management and Institutional Banking and Markets impacted by volatility in global financial markets;
- Margin pressure from higher wholesale funding and competition, with headline Group net interest margin down 10 basis points on the prior half to 2.15 per cent;
- Prudent management of operating expenses, balancing the reality of the current low growth environment with the need to focus on long term sustainability;
- Substantial on-going investment in long term growth. The Group invested almost $650 million over the period on a tightly managed set of growth initiatives focusing on technology, productivity, organic retail banking growth in Indonesia, China and Vietnam and CFS Global Asset Management distribution;
- Strong contributions from ASB Bank and Bankwest;
- A 25 per cent decline in loan impairment expense, but with continuing conservative provisioning. Total provisioning was $5.1 billion as at 31 December 2011, with provisions to credit risk weighted assets at a sector-leading 1.97 per cent. This includes a management overlay of almost $1.0 billion and an unchanged economic overlay; and
- An increase in the Group's Tier 1 capital to 9.9 per cent, which is equivalent to 13.2 per cent on a UK FSA basis.

The Group is one of only a limited number of global banks in the 'AA' ratings category. Despite recent funding market disruptions, the Group is well funded. However, wholesale funding remains expensive and, as existing funding is rolled over or replaced, increased pressure is being placed on the Group's net interest margin. As this trend is common to all Australian banks, deposit competition has intensified and the cost of deposits has also increased.

In recognition of the continued uncertainty in the economic and regulatory outlook, the Group elected to retain high levels of liquidity - $133 billion as at 8 February 2012, an increase of $40 billion since 31 December 2010.

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

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The Group's largest single investment, Core Banking Modernisation, continues to make significant progress, with highlights over the period including the launch of business deposits and savings account functionality, the successful migration of over one million business deposit and transaction accounts onto the new platform adding to the 10 million retail accounts already there and the implementation of SAP Business Partner as the Group's new core customer information store, providing the Group with streamlined customer centric processes. The Group also released "Kaching", the most significant new payments application on the new core platform and provided our merchant business customers with the advantages of real time settlement."

On the outlook for the 2012 calendar year, Ian Narev said: "With the outlook for the global economy remaining unpredictable, the Group plans to retain its existing conservative business settings. We welcome some positive signs of economic recovery but recognise that in times of uncertainty, banks must remain cautious."

"The fundamentals of the Australian economy remain strong and we have great confidence in the prospects for this economy. However, in the absence of sustained recovery in offshore economies, particularly Europe, businesses and consumers will remain cautious, and the current trend of weak credit growth, asset allocation towards cash, and volatile markets will continue in Australia. Until we see clear signs of that sustained recovery, average funding costs will continue to rise."

"I am confident in the Group's future and our ability to continue to support our customers and the broader Australian economy, despite the challenges presented by the current environment. Over our first hundred years, the Group has built a diversified and sustainable business model which, in combination with its strong financial position, places it in an excellent position to continue to excel in customer service, deliver superior returns to shareholders and provide fulfilling jobs for our people."

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	Half Year Ended				
	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Retail Banking Services	**1,439**	1,457	1,397	(1)	3
Business and Private Banking	**551**	528	502	4	10
Institutional Banking and Markets	**547**	506	498	8	10
Wealth Management	**272**	283	359	(4)	(24)
New Zealand	**258**	236	234	9	10
Bankwest	**268**	239	224	12	20
Other	**241**	251	121	(4)	99
Net profit after income tax ("cash basis") (1)	**3,576**	**3,500**	**3,335**	**2**	**7**
Net profit after income tax ("statutory basis") (2)	**3,624**	**3,342**	**3,052**	**8**	**19**

	Half Year Ended				
	31/12/11	30/06/11	31/12/10	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Key Shareholder Ratios					
Earnings per share (cents) - cash basis - basic	**227.2**	224.4	214.3	1	6
Return on equity (%) - cash basis	**19.2**	20.0	19.2	(80)bpts	-
Return on assets (%) - cash basis	**1.0**	1.1	1.0	(10)bpts	-
Dividend per share (cents) - fully franked	**137**	188	132	(27)	4
Dividend payout ratio (%) - cash basis	**60.9**	84.2	61.7	large	(80bpts)
Other Performance Indicators					
Total interest earning assets ($M)	**610,721**	582,050	571,403	5	7
Funds Under Administration - spot ($M)	**192,168**	196,551	198,731	(2)	(3)
Net interest margin (%)	**2.15**	2.25	2.12	(10)bpts	3bpts
Operating expense to total operating income (%)	**45.8**	45.6	45.4	20bpts	40bpts

(1) Net profit after income tax ("cash basis") - represents net profit after tax and non-controlling interest before Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, Count Financial acquisition costs and unrealised gains and losses related to hedging and IFRS volatility. This is Management's preferred measure of the Group's financial performance.

(2) Net profit after income tax ("statutory basis") - represents net profit after tax and non-controlling interest, Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, Count Financial acquisition costs 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".