



COMMONWEALTH BANK OF AUSTRALIA DELIVERS ANOTHER GOOD RESULT

Result underpinned by successful execution of strategic initiatives

Highlights of 2010 Result

- Cash NPAT of \$6,101 million – up 42 percent on prior year;
- Banking businesses performed well on the back of solid volume growth;
- Disciplined and consistent execution of key strategic priorities delivers for customers and shareholders;
- Fully franked final dividend of \$1.70 – up 48 percent on prior year;
- Return on Equity rebounds sharply to 18.7 percent;
- Capital (Tier 1 of 9.15 percent), funding and provisioning all remain strong; and
- Group ideally positioned to continue to outperform with a well managed, diversified business portfolio and strong stable financial platform.

	2010 ⁽¹⁾	2010 v 2009
Cash NPAT (\$m)	6,101	42%
Statutory NPAT (\$m) ⁽²⁾	5,664	20%
Cash EPS (cents)	395.5	34%
Final Dividend (\$ per share) ⁽²⁾	1.70	48%
Return on Equity – Cash	18.7%	370 bpts

(1) Unless otherwise indicated, all financial comparisons in this release are with the pro forma prior year. The pro forma comparatives have been prepared for the year ended 30 June 2009 and assume the Bankwest and St Andrew's acquisition was completed on 1 July 2008 as opposed to the actual acquisition date of 19 December 2008.

(2) The growth rate is relative to the "as reported" 2009 comparatives.

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Sydney, 11 August 2010. The Commonwealth Bank of Australia's (The Group's) statutory net profit after tax for the year ended 30 June 2010 was \$5,664 million, which represents a 20 percent increase on the prior year. Cash net profit after tax for the year was \$6,101 million, an increase of 42 percent.

Cash Return on Equity for the year ended 30 June 2010 was a healthy 18.7 percent, up 370 basis points due to increasing profitability and effective capital management.

The final dividend declared was \$1.70 per share, an increase of 48 percent on the prior year. The total dividend for the year to 30 June 2010 was \$2.90, taking the cash dividend payout ratio to 74 percent. The final dividend payment will be fully franked and will be paid on 1 October 2010.

Given the Group's high level of Tier 1 capital, the Directors have decided to remove the previous Dividend Reinvestment Plan discount of 1.5 percent and neutralise or minimise the dilutive effect of the Dividend Reinvestment Plan through an on-market share purchase and transfer to participants.

Key performance highlights for the year included:

- Net interest income growth of 11 percent reflected solid retail lending and deposit balance growth;
- Other banking income declined 3 percent, impacted by lower credit card loyalty fees, exception and ATM fee income, combined with lower trading income;
- Funds management income increased by 4 percent due to improved investment markets returns driving higher average Funds Under Management and Funds Under Administration;
- Insurance income increased by 2 percent, as a result of solid inforce premium growth, partially offset by higher claims experience;
- Capital remained strong, with Tier 1 at 9.15 percent (UK FSA equivalent of 12.8 percent);
- Lower loan impairment expense, reflecting a continuing improvement in portfolio quality;
- Improved productivity, with Group operating expense to operating income ratio reduced 70 bpts to 45.7 percent; and
- Further improvements in customer satisfaction.

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.

In recognition of the continued uncertainty in the economic and regulatory outlook, the Group has elected to retain high levels of liquidity - \$89 billion as at 30 June 2010. While funding remains expensive, the Group is already well advanced with its 2011 financial year funding program.

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The Group has retained its conservative approach to provisioning with total provisioning of \$5.5 billion as at 30 June 2010, which includes a management overlay of \$1.2 billion.

The Group invested more than \$1 billion over the last 12 months in a range of initiatives to enhance customer experience and drive further process and productivity improvements. The largest single investment, the four year Core Banking Modernisation initiative, remains on schedule at its half way stage and achieved a number of key milestones this year including migration of all customer information and term deposits to the new system.

Commenting on the result, Group Chief Executive Officer, Ralph Norris said: "This has been another good result. Our financial strength and the resilience of our business franchise have again delivered excellent outcomes for our stakeholders."

"We have also balanced the needs of our customers and our shareholders. On the one hand, we have provided significant support for our customers. In a year where global financial markets (particularly in the second half) were volatile and unpredictable we wrote over \$90 billion in new loans and advances to retail and small business customers. We also, provided competitive interest rates and reduced, or eliminated, a range of fees. On the other hand, our good result and strong capital position enabled us to pay out \$4.5 billion in interim and final dividends for the 2010 financial year to our shareholders with over 80 percent ending up in the hands of Australian residents."

"A particularly pleasing aspect of the result has been the extent to which our business has benefitted from the successful execution of our five strategic priorities. Our unrelenting focus, over the last 4 years, on our customers and our people has driven significant improvements right across the Group while our ongoing investment in process enhancement and systems improvements has delivered material increases in productivity."

Business Performance

Retail Banking Services cash net profit after tax for the year ended 30 June 2010 was \$2,461 million, which represents an increase of 17 percent on the prior year. This result reflects strong volume growth, and continued focus on cost efficiency, partially offset by a decrease in the net interest margin.

Average home loan volume growth was 18 percent, driven by competitive customer interest rates and strong growth in the first home buyer market. The Group retained its number one market share position in deposits, maintaining a significant gap to the nearest competitor. In the second half however, targeted deposit campaigns resulted in margin compression in a competitive market and deposit income decreased 9 percent to \$2,797 million.

Efficiency gains drove the expense to income ratio down to 39.6 percent from 42.9 percent in 2009.

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Business and Private Banking delivered a strong performance, achieving 21 percent growth in cash net profit after tax to \$893 million. This result reflects continued momentum across all businesses with operating performance growth of 19 percent and total banking income of 11 percent. The revenue performance was driven by strong growth in business lending balances (which were up 9 percent on the prior year) as the Group continued to support its small business customers, stable margins and improved equities trading volumes within CommSec.

All key Business and Private Banking business units delivered double digit revenue growth.

Institutional Banking and Markets achieved a cash net profit after tax of \$1,182 million - a significant increase on the prior year. Lower impairment charges were the main driver of the result supported by moderate growth in operating income in line with improved market conditions.

The business continues to invest for the future, building its capacity in the Institutional Equities and Debt Capital Markets business, foreign exchange platform renewal and driving enhancements through improved information technology capabilities to enrich customer experience.

Wealth Management's underlying profit after tax increased 15 percent to \$592 million. The result was driven by solid growth in underlying volumes and improved investment markets. Funds under Administration increased 6 percent to \$180 billion as at 30 June 2010. Net outflows of \$3 billion for the year were impacted by the loss of lower margin short-term cash mandates from institutional investors.

Cash net profit after tax was up significantly to \$718 million. This outcome was driven by improved investment experience due to better investment markets, unwinding of unrealised mark to market losses in the Guaranteed Annuities portfolio, and the non-recurrence of impairments encountered in the prior year.

Total operating expenses of \$1,210 million increased 1 percent. Expenses were managed in line with current market conditions, while maintaining strategic investment spend.

New Zealand cash net profit after tax was NZ\$461 million, a decrease of 14 percent on the prior year. The result reflects the impact of tightening credit markets, which has led to increased funding costs, along with the recession in New Zealand impacting the banking and insurance businesses.

Retail deposits grew 3 percent to NZ\$31 billion as ASB offered competitive term investment rates to customers, as part of its strategy to grow local funding and reduce reliance on the wholesale funding market. Home loan balances increased 2 percent to NZ\$38 billion.

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Bankwest cash net profit after tax was \$60 million, up from the pro forma profit of \$3 million in the prior year. The result reflected a strong operating performance, partially offset by higher loan impairment expense.

Deposit balances increased 9 percent in a highly competitive market, with more pronounced growth in the second half driven by attractive product offerings and a strong focus on sales. Lending balances increased 10 percent driven by growth in home loans, with lending growth moderating in the second half.

The Group's **Asian** business recorded a cash net profit after tax of \$45 million, an increase of 50 percent on the prior year. The result was underpinned by strong income growth from the Chinese retail banks and Indonesian life insurance business, partially offset by an increase in impairment expense.

Outlook

Commenting on the outlook for the 2011 financial year Ralph Norris said: "Despite some improvement, the global recovery remains uneven with the concerns about the advanced economies balanced out by some strength in the emerging economies."

"The Australian economy remains well placed relative to most other developed countries and I am optimistic about the medium-term outlook for Australia and for the Group's ability to deliver superior returns for our shareholders."

"However, recent uncertainty over the pace of recovery in the United States and Europe highlight the downside risks still in play. These risks have not helped domestic business and consumer confidence, both of which remain fragile. This fragility manifested itself in a slowing in the underlying momentum in our business at the end of the 2010 financial year."

"As a result it is appropriate to maintain a degree of caution about the prospects for our business for the coming year. We intend to retain conservative capital and liquidity settings for the foreseeable future so that we are able to provide support to our customers in these uncertain times".

Ends

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Highlights	Full Year ended Jun-10	Full Year ended Jun-09	Jun-10 vs Jun-09	Half Year ended Jun-10	Half Year ended Dec-09	Jun-10 vs Dec-09
	\$M	Pro forma \$M	%	\$M	\$M	%
Retail Banking Services	2,461	2,107	17%	1,216	1,245	(2%)
Business and Private Banking	893	736	21%	453	440	3%
Institutional Banking and Markets	1,182	166	large	637	545	17%
Wealth Management	718	289	large	339	379	(11%)
New Zealand	388	438	(11%)	227	161	41%
Bankwest	60	3	large	(4)	64	large
Other (Including Asia)	399	569	(30%)	290	109	large
Net profit after tax (cash basis)⁽¹⁾	6,101	4,308	42%	3,158	2,943	7%
Net profit after tax (statutory basis)⁽²⁾⁽³⁾	5,664	4,923	20%	2,750	2,914	(6%)
Key Shareholder Ratios	Full Year ended Jun-10	Full Year ended Jun-09	Jun-10 vs Jun-09 %	Half Year ended Jun-10	Half Year ended Dec-09	Jun-10 vs Dec-09 %
Earnings per share (cents) (cash basis - basic) ⁽⁴⁾	395.5	294.9	34%	203.7	191.7	6%
Return on equity (%) (cash basis) ⁽⁴⁾	18.7	15.0	370bpts	18.9	18.5	40bpts
Dividend per share (cents) (fully franked)	290	228	27%	170	120	42
Dividend payout ratio (%) (cash basis)	73.9	78.2	(430)bpts	84.0	63.1	large
Other Performance Indicators	Full Year ended Jun-10 \$M	Full Year ended Jun-09 \$M	Jun-10 vs Jun-09 %	Half Year ended Jun-10 \$M	Half Year ended Dec-09 \$M	Jun-10 vs Dec-09 %
Total lending assets (net of securitisation) (\$M)	500,760	473,715	6%	500,760	487,339	3%
Funds under administration – spot (\$M)	186,985	175,334	7%	186,985	192,761	(3%)
Net interest margin (%) ⁽⁴⁾	2.13	2.08	5bpts	2.08	2.18	(10)bpts
Operating expense to total operating income (%) ⁽⁴⁾	45.7	46.4	(70)bpts	46.7	44.7	200bpts

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 and other one-off non cash expenses.

2. Net profit after income tax ("statutory basis") – Represents net profit after tax, Bankwest non-cash items, the tax on New Zealand structured finance transactions, the gain/loss on acquisition/disposal of controlled entities/investments, non-controlling interests, treasury shares valuation adjustment, unrealised gains and losses related to hedging and AIFRS volatility and one-off non-cash expenses. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".

3. The 30 June 2009 net profit after income tax represents the as reported statutory result.

4. Earnings per share ("cash basis" – basic), Return on equity ("cash basis"), Net interest margin and Operating expense to total operating income for the full year ended 30 June 2009 are pro forma results.