Media Release

Commonwealth Bank of Australia
March Quarter Trading Update

Sydney, 17 May 2012: The Commonwealth Bank ("the Group") today advised that its unaudited cash earnings[1] for the three months ended 31 March 2012 ("the quarter") were approximately $1.75 billion. Statutory net profit on an unaudited basis for the same period was approximately $1.7 billion, with non-cash items treated on a consistent basis to prior periods.

Commenting on the quarter performance, the Group CEO Ian Narev said, "Consistent with the uncertain outlook that we indicated at the Group's half year results in February, we have retained our conservative business settings, including tight expense control, a conservative funding profile and strong provisioning levels."

Key outcomes for the March quarter are outlined below:

- The combination of conservative business settings, subdued credit demand and elevated funding costs continued to impact on revenue growth through the quarter;
- Higher funding costs had a further negative impact on Group Net Interest Margin in the period;
- Trading income was broadly in line with the 1H12 run-rate;
- Expenses continued to be well managed, notwithstanding continuing strategic investment in the business;
- Credit quality trends were consistent with those reported at the half year, with stable outcomes in most key indicators, including impaired assets and consumer arrears;
- Total impairment expense was lower at 18 basis points of total average loans, or $232 million in the quarter;
- Provisioning levels and coverage ratios remained strong, with the economic overlay maintained;
- Group liquids were very strong at $132 billion;
- Asset growth remained largely deposit funded. New wholesale funding issuance in the quarter had an average tenor of 4.6 years;
- The Group's Tier 1 capital ratio as at 31 March 2012 was 9.75% (or 12.9% on a UK FSA basis), largely unchanged from the position in December after allowing for the impact of Basel 2.5 requirements that came into effect in January. The Group remains well positioned for transition to Basel III capital requirements.

[1] The difference between cash and statutory earnings for the period is predominantly made up of hedging and IFRS volatility. 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 10 of the Group's 31 December 2011 profit announcement.

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Business Commentary

Australia – Retail

Conditions in Retail Banking remained challenging, highlighted by elevated wholesale funding costs, competitive deposit pricing and subdued credit demand. Net interest margin declined during the quarter. Continued focus on process efficiency and cost management resulted in a good expense outcome. Bankwest continued to perform well, with good growth in customer numbers and above system growth in home lending.

Australia – Commercial

Whilst system business credit growth remained subdued, Group business lending grew slightly ahead of system in the quarter, with relatively stronger growth in Institutional Banking and Markets. Margins continued to be prudently managed in both IB&M and BPB, with good cost discipline continuing in both businesses.

Wealth Management and Insurance

Improved investment markets and sound investment performance saw Funds under Administration grow by 6.2% in the quarter, with $626m of netflows into FirstChoice and Custom Solutions. Insurance premiums grew by 4.9% in the quarter. Focus remains on profitable growth, productivity and preparing for regulatory and legislative change.

New Zealand

The New Zealand economy continued to show signs of improvement. ASB maintained strong operating income in an environment of increased funding costs, supported by a continuing focus on cost management and productivity improvement. Margins were steady over the period in a competitive environment.

Conclusion

In summarising the March quarter result, Group CEO Ian Narev said: “The financial strength of the Group continues to enable us to take a long term view of the business, with focus on enhancing our core capabilities of technology, a customer-focused culture and balance sheet strength, to drive customer satisfaction and good returns to our shareholders.”

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