

MEDIA RELEASE



Commonwealth Bank of Australia September Quarter Trading Update

Thursday, 5 November 2015: The Commonwealth Bank (“the Group”) today advised that its unaudited cash earnings¹ for the three months ended 30 September 2015 (“the quarter”) were approximately \$2.4 billion. Statutory net profit on an unaudited basis for the same period was approximately \$2.3 billion, with non-cash items treated on a consistent basis to prior periods. Key outcomes for the quarter are summarised below:

- Income growth² was similar to FY15. Underlying Group Net Interest Margin (excluding Treasury and Markets) was stable, whilst overall Group NIM was slightly lower largely due to higher liquid assets. Trading income was a little lower than the quarterly average of FY15, reflecting a slightly negative Derivative Valuation Adjustment in the quarter;
- Across key markets, household deposits balance growth was strong and above system. Home lending continued to trend in line with recent growth rates, whilst core domestic business lending growth remained at mid-single digit levels (12 months rolling). In Wealth Management, FirstChoice and Custom Solutions achieved combined net flows of \$0.9bn for the quarter, whilst FUA declined two percent on falling investment markets, partially offset by exchange rate movements and investment performance. ASB lending growth was solid;
- Operating expense growth continued to reflect a combination of business growth and investment, ongoing regulatory and compliance costs and FX impacts;
- Credit quality remained sound, with arrears levels reducing across all consumer portfolios in line with seasonal expectations. Troublesome and impaired assets reduced to \$5.5 billion. Total loan impairment expense was \$220 million in the quarter, with strong provisioning levels maintained and the economic overlay unchanged;
- The Group’s Basel III Common Equity Tier 1 (CET1) APRA ratio increased 70 basis points to 9.8 per cent, driven by the proceeds of the Group’s entitlement offer and capital generated from earnings, partially offset by the impact of the June 2015 final dividend and higher risk weighted assets. The Group’s Basel III Internationally Comparable CET1 ratio as at 30 September 2015 was 13.6 per cent. The Group’s Leverage Ratio was 4.7 per cent at 30 September 2015 on an APRA basis and 5.3 per cent on an internationally comparable basis;
- Funding and liquidity positions remained strong, with customer deposit funding at 63 per cent and the average tenor of the wholesale funding portfolio at 3.8 years. Liquid assets totalled \$137 billion with the Liquidity Coverage Ratio (LCR) standing at 123 per cent. The Group’s long term funding increased by \$8.6 billion in the quarter.

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1. Cash earnings is used by Management to present a clear view of the Group’s underlying operating results, excluding items that introduce volatility and/or one-off distortions of the Group’s current period performance. These items, such as hedging and IFRS volatility, 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 15 of the Group’s 30 June 2015 profit announcement.
 2. Growth relative to the prior comparative period (September Quarter 2014).