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Commonwealth Bank of Australia

March Quarter Trading Update

Wednesday, 6 May 2015: The Commonwealth Bank ("the Group") today advised that its unaudited cash earnings[1] for the three months ended 31 March 2015 ("the quarter") were approximately $2.2 billion. Statutory net profit on an unaudited basis for the same period was also approximately $2.2 billion, with non-cash items treated on a consistent basis to prior periods. Key outcomes for the quarter are summarised below:

- Revenue growth was similar to 1H15. Group Net Interest Margin continued to be impacted by competitive pressures. Trading income remained strong;
- Expense growth was higher in the quarter, impacted by growing regulatory, compliance and remediation costs, including those associated with a number of legislative reforms (FATCA, FoFA, Stronger Super, LAGIC), provisioning for the advice review program and ongoing regulatory engagement;
- Across key markets;
    - Home lending volume growth continued to track slightly below system, consistent with the Group's underweight position in the higher growth investment and broker segments
    - Core business lending growth remained at mid-single digit levels (pa)
    - Household deposits growth was particularly strong in the quarter, with balances growing at an annual rate of over 10 per cent
    - In Wealth Management, Funds under Administration and Assets under Management grew 7 and 8 per cent respectively in the quarter, reflecting strong investment performance, net inflows and FX gains
    - Insurance inforce premiums increased 3 per cent on the prior quarter
    - ASB business and rural lending growth remained above system and home loan growth was stronger
- Credit quality remained sound. In the retail portfolios, home loan and credit card arrears were broadly flat, whilst seasonal factors contributed to higher personal loan arrears. Troublesome and impaired assets were lower at $6.4 billion. Total loan impairment expense was $256 million in the quarter, with strong provisioning levels maintained and the economic overlay unchanged;

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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 31 December 2014 profit announcement.

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- The Group's Basel III Common Equity Tier 1 (CET1) APRA ratio was 8.7 per cent as at 31 March 2015, an increase of 20 basis points on December 2014 after excluding the impact of the 2015 interim dividend (which included the issuance of shares in respect of the Dividend Reinvestment Plan). The Group's Basel III Internationally Comparable CET1 ratio as at 31 March 2015 was 12.7 per cent;
- Funding and liquidity positions remained strong, with customer deposit funding at 64 per cent and the average tenor of the wholesale funding portfolio at 3.9 years. Liquid assets totalled $144 billion with the Liquidity Coverage Ratio (LCR) standing at 122 per cent. The Group completed $8.5 billion of new term issuance in the quarter.

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