MEDIA RELEASE

CAN

Commonwealth Bank of Australia

March Quarter Trading Update

Monday, 9 May 2016: The Commonwealth Bank ("the Group") today advised that its unaudited cash earnings[1] for the three months ended 31 March 2016 ("the quarter") were approximately $2.3 billion. Statutory net profit on an unaudited basis for the same period was approximately $2.4 billion, with non-cash items treated on a consistent basis to prior periods. Key outcomes for the quarter are summarised below:

Business Performance

- Operating income growth[2] was similar to 1H16. Trading income was up slightly in the quarter, including a small positive contribution from derivative valuation adjustments. Funds management income continued to be impacted by falling investment markets. Group Net Interest Margin was largely unchanged from 1H16;
- Operating expense growth continued to be driven by business growth and investment, as well as ongoing regulatory and compliance costs;
- Across key markets:
  - Home lending volume growth was consistent with recent trends;
  - Domestic business lending growth remained at mid-single digit levels (12 months to Mar-16);
  - Household deposits continued to grow above system;
  - In Wealth Management, Assets under Management and Funds under Administration declined by 1% and 2% respectively, reflecting falling investment markets, subdued net flows and exchange rate movements; and
  - ASB customer advances grew ahead of market.

Economic Overview and Credit Quality

- The Australian economy continues to perform relatively well, with the steady transition from a mining-dependent to a more broad-based economy evident in GDP and unemployment trends, and supported by low interest rates and the decline in the AUD over the past 18 months;
- Reflecting this transition, the credit quality of the Group's lending portfolios remained sound. However, as indicated at the Group's 1H16 profit result, pockets of weakness remain and warrant caution, particularly as global volatility continues;

---

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 2015 profit announcement.
2. Growth relative to the prior comparative period (March Quarter 2015).

MEDIA RELEASE

- Loan Impairment Expense was higher in the quarter at $427 million. This equates to 25 basis points of Gross Loans and Acceptances, or 23 basis points over the six months to 31 March 2016. The increase is largely due to a small number of exposures in the Group's institutional lending portfolio which became impaired or exhibited heightened signs of stress, including a single relatively large domestic exposure with a syndicate of lenders including other Australian major banks. As a result, Group Troublesome and Impaired Assets were also slightly higher in the quarter, at $6.3 billion;
- On the consumer side, arrears rates were in line with expectations in the quarter. Portfolio home loan arrears remained low, notwithstanding areas of WA and Qld that continued to be impacted by the mining downturn. Personal loan arrears remained elevated, with seasonal factors also evident in the quarter;
- The Group continued to maintain prudent levels of provisioning, with Total Provisions higher at $3.9 billion.

Capital, Funding and Liquidity

- The Group's Basel III Common Equity Tier 1 (CET1) APRA ratio was 10.0 per cent as at 31 March 2016. This represented an increase of more than 50 basis points on December 2015 after excluding the impact of the 2016 interim dividend (which included the issuance of shares in respect of the Dividend Reinvestment Plan), primarily driven by capital generated from earnings. The Group's Basel III Internationally Comparable CET1 ratio as at 31 March 2016 was 13.9 per cent. The Group's Leverage Ratio was 4.9 per cent on an APRA basis and 5.5 per cent on an internationally comparable basis;
- Funding and liquidity positions remained strong, with customer deposit funding at 64 per cent and the average tenor of the wholesale funding portfolio at 4.2 years. Liquid assets totalled $141 billion with the Liquidity Coverage Ratio (LCR) standing at 130 per cent. The Group issued $13 billion of long term funding in the quarter.

Media:
Kate Abrahams
Ph: (02) 9118 6919
media@cba.com.au

Investor Relations:
Melanie Kirk
Ph: (02) 9118 7166
cbainvestorrelations@cba.com.au