

MEDIA RELEASE



COMMONWEALTH BANK OF AUSTRALIA MARCH QUARTER TRADING UPDATE

SYDNEY, 15 MAY 2013: The Commonwealth Bank (“the Group”) today advised that its unaudited cash earnings¹ for the three months ended 31 March 2013 (“the quarter”) were approximately \$1.9 billion. Statutory net profit on an unaudited basis for the same period was also approximately \$1.9 billion, with non-cash items treated on a consistent basis to prior periods. Key outcomes for the quarter are outlined below.

Overview

- Revenue growth continued to reflect a combination of conservative business settings and modest system credit growth;
- Group Net Interest Margin was higher in the quarter due to a combination of factors including prior period asset re-pricing, partly offset by higher funding costs;
- Trading income in the quarter was at a level consistent with the 1H13 run-rate;
- Expenses continued to be well managed;
- Group liquids remained very strong at \$130 billion;
- Total impairment expense was \$255 million in the quarter, or 19 basis points of total average loans;
- Asset growth was funded by deposit growth in the quarter, with the deposit funding percentage increasing to 65 per cent at the end of March. The average tenor of the wholesale funding portfolio was extended further in the quarter to 3.8 years;
- The Group’s Internationally Harmonised Common Equity Tier 1 (CET1) ratio was 10.3 per cent as at 31 March 2013, compared to 10.6 per cent in December 2012. Continued strong organic capital generation in the quarter was offset by the declaration of the 2013 interim dividend, which had a negative impact of 92 basis points in the period;
- The Group’s March Quarter Pillar 3 disclosures show that credit quality remained sound. Arrears rates in home lending were stable in the quarter, but seasonally higher in unsecured consumer lending. Corporate credit quality was stable, with Total Impaired Assets largely unchanged from Dec-12 at \$4.3 billion; and
- Provisioning levels and coverage ratios remained strong, with the economic overlay maintained.

¹ 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 15 of the Group’s 31 December 2012 profit announcement.

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Business Commentary

Australia – Retail

System home loan credit growth remained modest through the March quarter, with the Group growing slightly ahead of system. Growth in household deposits was also above system. Deposit margins remained under pressure in a competitive market. Good cost discipline was maintained in both Retail Banking Services and Bankwest.

Australia – Commercial

Asset growth reflected ongoing low system credit growth in the quarter. Aggregate margins were broadly stable through the quarter, notwithstanding continued competitive and funding pressures, particularly in deposits.

Wealth Management and Insurance

Funds under Administration and Funds under Management each grew by 4 per cent in the quarter, benefitting from strong investment performance as global equity markets improved. FirstChoice and Custom Solutions attracted solid combined net flows of \$1.1 billion, with a second consecutive quarter of strong net flows to equities. Insurance premium growth was subdued as strong momentum in General Insurance and Direct Life was offset by weaker Wholesale Risk and Retail Advice performance.

New Zealand

The New Zealand economy continued to show signs of recovery, underpinned by a stronger household sector. ASB maintained above system growth in both home lending and commercial lending. New business home loan margins remained under competitive pressure, though there was some improvement in term deposit margins through the quarter.

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