

INCOME/BALANCED - SEPT QTR TRADING UPDATE

Commonwealth Bank CBA:ASX

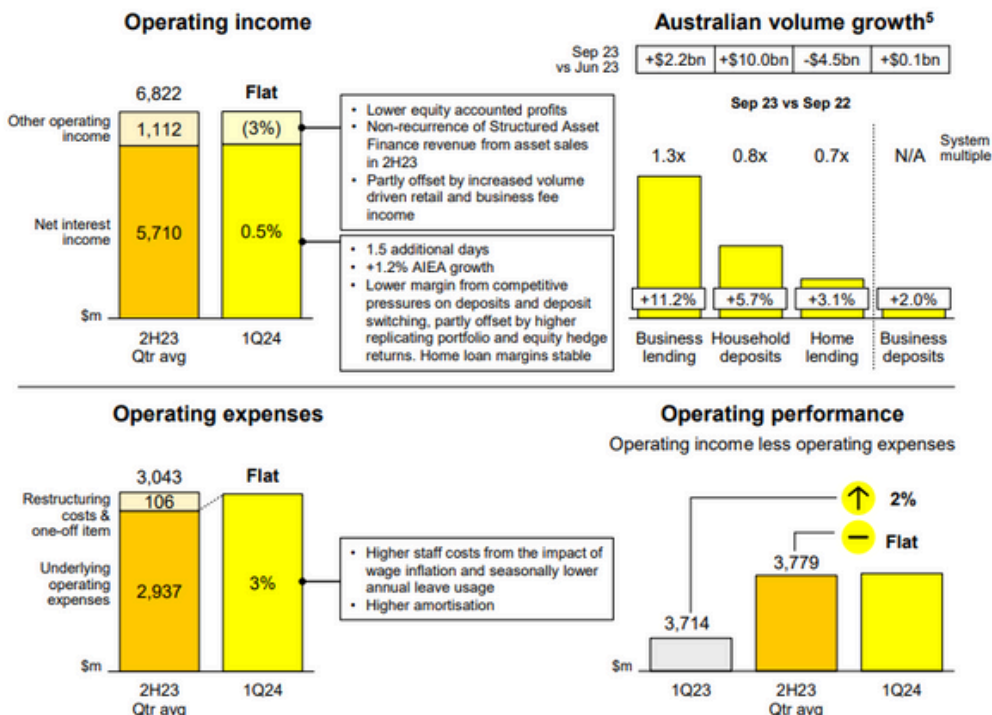
Commonwealth Bank of Australia's (CBA) Q1 FY25 trading update presents a generally positive outlook. Comparing the Q1 FY25 trading update against broker expectations, we can see that the bank's performance generally met or exceeded forecasts:

- 1. Profitability:** Unaudited cash NPAT of ~\$2.5 billion, up 5% on 2H24 quarterly average, indicating solid earnings growth
 - a. vs analysts** - The 5% increase in cash NPAT compared to the 2H24 quarterly average missed Morgan Stanley's expectation of a 6% increase in pre-provision profit
- 2. Revenue:** Operating income up 3.5%, driven by volume growth in core lending and deposits, and higher Markets sales and Treasury earnings
 - a. vs analysts** - Operating income was up 3.5%, slightly lower than Morgan Stanley's forecast of 4.5% expansion
- 3. Expenses:** Operating expenses up 3%, mainly due to wage inflation and increased investment spend
- 4. Credit quality:** Loan impairment expense of \$160 million, with portfolio credit quality remaining sound. Consumer arrears stable or improving
- 5. Capital position:** Strong CET1 ratio of 11.8%, well above regulatory requirements
 - a. vs analysts** - The CET1 ratio of 11.8% was strong and above regulatory requirements, in line with general expectations
- 6. Funding and liquidity:** Maintained strong balance sheet settings with a customer deposit funding ratio of 77%
- 7. Volume growth:** Improved momentum across home lending and household deposits, with home loans growing at 1.3x system
- 8. Net Interest Margin (NIM):** While CBA didn't provide a specific NIM figure, they noted that the underlying margin was broadly stable excluding movements in liquid assets. This is in line with Morgans' expectation of progress towards a 2bps increase in NIM for H1

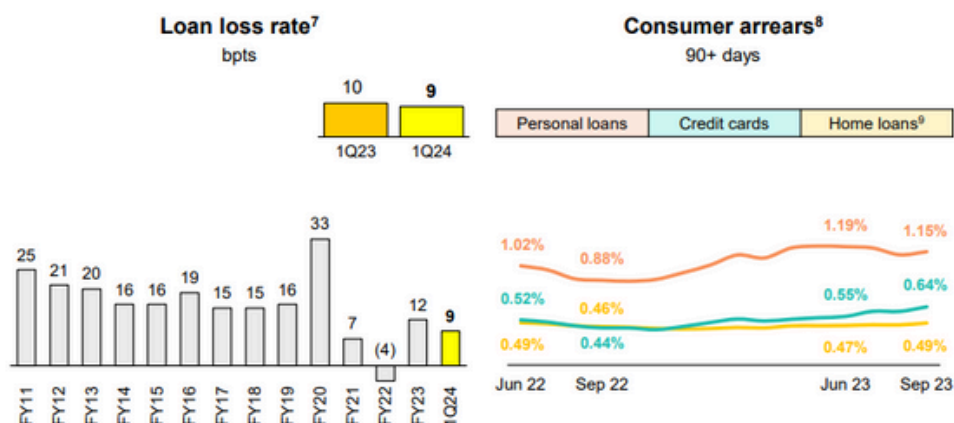
The tone of the update is cautiously optimistic. While acknowledging challenges such as cost of living pressures and slowing economic growth, CBA emphasizes its strong financial performance, balance sheet strength, and continued support for customers. The bank's CEO, Matt Comyn, expresses optimism about the overall outlook and the fundamental soundness of the Australian economy

SEPTEMBER QTR TRADING UPDATE

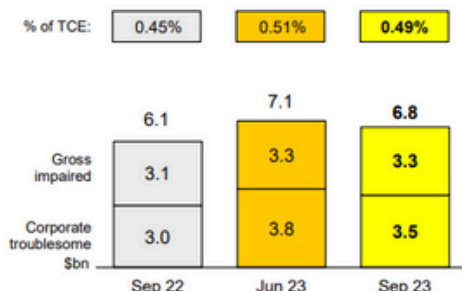
Operating Performance



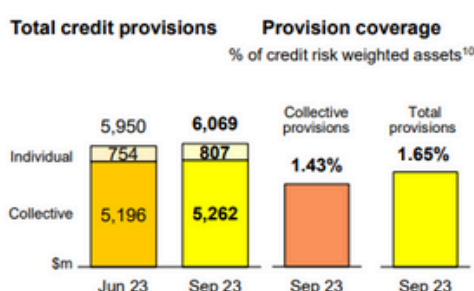
Provisions & Credit Quality



Troublesome and impaired assets



Provisioning



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