

Global Credit Research - 03 Nov 2011

Sydney, New South Wales, Australia

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	Aa2/P-1
Bkd Deposit Note/CD Program -Fgn Curr	(P)Aa2/--
Bkd Deposit Note/CD Program -Dom Curr	(P)Aaa/--
Bank Financial Strength	B-
Baseline Credit Assessment	A1
Adjusted Baseline Credit Assessment	A1
Issuer Rating	Aa2
Senior Unsecured -Fgn Curr	Aa2
Senior Unsecured -Dom Curr	Aa2
Subordinate	Aa3
Pref. Stock Non-cumulative -Dom Curr	Baa1 (hyb)
Commercial Paper	P-1
Other Short Term	(P)P-1
ASB Finance Limited, London Branch	
Outlook	Stable
Bkd Senior Unsecured	Aa3
Bkd Subordinate MTN	(P)A2
Bkd Commercial Paper	P-1
Bkd Other Short Term	P-1
Commonwealth Bank of Australia, Hong Kong	
Outlook	Stable
Deposit Note/CD Program	(P)Aa2/(P)P-1
Bkd Deposit Note/CD Program	(P)Aa2/--

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Key Indicators

Commonwealth Bank of Australia (Consolidated Financials) [1]

	[2]6-11	[2]6-10	[2]6-09	[2]6-08	[3]6-07	Avg.
Total Assets (AUD million)	667,899.0	646,330.0	620,372.0	487,572.0	440,157.0	[4]11.0
Total Assets (USD million)	715,049.4	545,923.7	501,541.7	467,896.9	373,429.0	[4]17.6
Tangible Common Equity (AUD million)	28,870.5	27,497.5	23,464.0	17,967.7	15,914.7	[4]16.1
Tangible Common Equity (USD million)	30,908.6	23,225.8	18,969.5	17,242.7	13,502.1	[4]23.0
Net Interest Margin (%)	2.0	1.9	1.8	1.8	1.8	[5]1.9
PPI / Avg RWA (%)	3.7	3.7	3.4	3.7	3.0	[6]3.6
Net Income / Avg RWA (%)	2.4	2.1	1.8	2.4	2.1	[6]2.2
(Market Funds - Liquid Assets) / Total Assets (%)	20.2	24.4	27.1	29.6	29.5	[5]26.1
Core Deposits / Average Gross Loans (%)	67.5	63.9	65.8	61.3	63.0	[5]64.3
Tier 1 Ratio (%)	10.0	9.2	8.1	8.2	7.1	[6]8.8
Tangible Common Equity / RWA (%)	10.2	9.5	8.1	8.7	6.5	[6]9.1
Cost / Income Ratio (%)	42.7	41.5	45.5	45.2	45.4	[5]44.0
Problem Loans / Gross Loans (%)	1.7	1.7	1.4	0.5	0.4	[5]1.1
Problem Loans / (Equity + Loan Loss Reserves) (%)	20.7	20.2	18.5	6.3	5.5	[5]14.2

Source: Moody's

[1] All ratios are adjusted using Moody's standard adjustments [2] Basel II; IFRS [3] Basel I; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] IFRS reporting periods have been used for average calculation [6] Basel II & IFRS reporting periods have been used for average calculation

Opinion

SUMMARY RATING RATIONALE

Moody's assigns a stand-alone bank financial strength rating (BFSR) of B- to the Commonwealth Bank of Australia (CBA), which maps to A1 on the long-term rating scale. The BFSR addresses the stand-alone credit profile of the bank, and does not incorporate the potential for systemic support, which is included in the bank's Aa2 deposit and senior unsecured debt ratings, which carry a stable outlook. The bank's short-term rating of Prime-1 also carries a stable outlook. Specific obligations covered by the government guarantee scheme for wholesale debt and large deposits, which operated between November 2008 and March 2010, are rated in line with the government at Aaa with a stable outlook.

Like its Australian peers, CBA demonstrated a high degree of resilience relative to most major US and European banks during the global financial crisis. Indeed the operating environment for Australia's banks remains reasonably benign with impairment charges around the two decade average, albeit above the extreme lows of the pre-crisis years - and CBA's impairment levels and costs have generally been at the lower end of its peer group. While asset quality remains sound, there are still challenges as non-mining export and import-competing industries struggle under relatively high interest rates and a strong Australian dollar, which have arisen out of anticipations of heavy investment in Australia's mining and gas industries. Business closures and higher unemployment would weigh on Australia's significantly indebted household sector. This, and a decline in Australia's quite high house prices, would impact bank asset quality. That said, house prices appear to be making a soft landing and Australian residential mortgage lending (60% of CBA's loans) has historically generated very low net loss rates, reflecting moderate average loan to value levels and extensive mortgage insurance cover.

At the same time, mining and gas investment continue to underpin economic growth. Demand for resources could come under threat in the unlikely event of a sharp slowdown in China's growth, but Australia's floating currency has allowed the country to adjust relatively swiftly to prior downturns, and the long-term picture for resources demand appears strong. Further factors that afford economic flexibility are the fact that the Reserve Bank of Australia has considerable scope to lower interest rates if need be, and the Australian government has considerable scope for fiscal stimulus.

CBA's ability to price for risk has been supported by market consolidation during the crisis, and while weak loan growth may pressure lending margins, it will be off a strong base. Repeated dislocations in wholesale funding markets also place upward pressure on the bank's funding costs, although offset by strong deposit growth which is allowing for stronger liability product margins. Wealth management earnings should be supported by continued investment inflows driven by Australia's compulsory superannuation scheme. The bank's core banking system modernization also offers potential for cost efficiencies. On a net basis we therefore expect CBA's earnings to remain in line with expectations for its rating.

Over the course of the crisis, CBA has made significant improvements in its financial flexibility, which place it in a strong position to weather potentially more difficult operating conditions. Capital has been increased and is quite high by global comparison (adjusting for conservative regulatory capital ratio definitions in Australia), enabling a strong performance in our asset quality stress-tests, and a likely smooth transition to Basel III - despite the Australian regulator's plans to apply a significantly more stringent form of Basel III than standard.

Furthermore, with Australian businesses and consumers saving more and borrowing less since the crisis, CBA has been able to reduce its wholesale borrowings, although these remain very sizeable. The bank has also termed out its borrowings somewhat and raised its liquid asset holdings - trends likely to continue in light of Basel III requirements. Wholesale investor support for CBA and its major Australian peers remains apparent as a result of their strong financial condition, as well as that of the Australian sovereign. The recent introduction of covered bond legislation is timely, supporting the ability of the bank to manage through any further dislocations in wholesale funding markets.

The bank's Aa2 supported debt and deposit ratings include 2 notches of uplift over its stand-alone rating. We consider the authorities in Australia to be remain supportive to the interests of uninsured depositors and unsecured creditors by global comparison. For example, while the Australian Prudential Regulation Authority is requiring larger banks like CBA to draw up "living wills", creditor "bail-ins" do not appear to be on the policy agenda. Instead, the authorities continue to focus on failure prevention through rigorous regulation and close supervision. Also, as one of the country's four major banks, CBA is of very high systemic importance - particularly given that their offshore wholesale borrowings play an important role in funding Australia's persistent current account deficit. Indeed, the Reserve Bank of Australia is maintaining its broadened repo criteria established during the crisis, and is establishing a new committed liquidity facility to enable banks to meet their Basel III LCR requirements. Furthermore, Australia's Aaa rating is one of the most resilient to stress testing and has not been impacted by the crisis-related increase in government debt - so the sovereign will continue to be able to provide high quality credit enhancement to CBA's ratings.

Credit Strengths

- Australia's operating environment is significantly stronger than many developed markets which underpins asset quality. Future prospects are supported by trade ties to China and other Asian markets
- Large market shares in Australia and New Zealand confers competitive advantages to the bank and enhances systemic importance
- Capital significantly increased, which, combined with adequate provisioning, creates a solid cushion to absorb loan-losses
- Increased deposit growth, weak loan demand and a new ability to issue covered bonds provide flexibility to ride out periods of dislocation in wholesale funding markets. Additionally the Reserve Bank of Australia remains publicly committed to its role of lender of last resort
- Consistently supportive stance of Australian government and financial supervisors provide lift to the bank's senior debt and deposit ratings
- Technological advancement relative to major peers through a series of upgrades in recent years

Credit Challenges

- Large wholesale funding requirement exposes CBA to market conditions, although as discussed, the bank has significant flexibility.
- Higher interest rates and currency are creating moderate asset quality pressures in the retail and non-resource export sectors. Some

remaining asset quality issues at BankWest (although they are moderate by international comparison)

- Increased capital and slower asset growth results in structurally lower ROE; it remains to be seen whether investor expectations will adapt, or whether banks will increase risk to boost returns. For example, competition in residential mortgages intensified over 2011 and the regulator cautioned banks over loosening underwriting criteria. Government initiatives to promote competition seem likely to reinforce this trend at the margin.

- Moderately high single name concentrations, albeit of high quality

Rating Outlook

CBA's ratings carry a stable outlook. We view the bank's increasing financial flexibility (increased capital and liquidity, deposit inflows and ability to issue covered bonds) to provide a cushion against a number of challenges in the operating environment (dislocations in offshore wholesale funding markets, and moderate pressure on asset quality and earnings).

In February 2011, Moody's announced it would be conducting a re-assessment of government support in its debt ratings of banks, as a result of changing attitudes to bank resolution in some markets. This could ultimately lead to the downgrade of bank subordinated debt across several countries.

What Could Change the Rating - Down

CBA's stable rating outlook is based on our core scenario of (i) above-trend economic growth in Australia, supported by continued strong demand for commodities from China, and (ii) continued, if somewhat sporadic, access to offshore funding markets. A hard landing scenario in China that increases the ratio of non-performing loans to capital & loan loss reserves above 30%, or a multi month loss of access to offshore funding markets that forces banks to tap very significant amounts of RBA repo, would be negative for the bank's ratings.

What Could Change the Rating - Up

In light of the potential for challenging conditions in global wholesale funding markets to persist for some time, and for global economic fall-out to result from issues relating to sovereign indebtedness in crisis-hit countries, an upgrade does not appear likely in the near term. Longer-term, substantial improvements in the bank's liquid asset coverage of its short-term, confidence sensitive, funding maturities, and stronger capitalization, would be required to consider an upgrade.

DETAILED RATING CONSIDERATIONS

Detailed considerations for CBA's ratings are as follows:

Bank Financial Strength Rating

Moody's assigns a BFSR of B- to CBA which is in line with the financial factors score in Moody's bank financial strength scorecard output. The overall score is lifted to B by the strong operating environment score for Australia, but which we view to inadequately recognize the bank's sensitivity to international wholesale funding conditions and the economy's exposure to external shocks.

Qualitative Rating Factors (50%)

Factor 1: Franchise Value

Trend: Neutral

CBA has a very strong franchise in Australia and New Zealand. It is one of Australia's four major banks with 24% of system assets (v. 54% for the other three).

During the crisis, CBA was able to further expand its market share in Australia through the acquisition of BankWest and 33% of mortgage lender, Aussie Home Loans - both distressed at the time - which bolstered its assets by almost 20%. Government competition policy precludes any merging of the four major banks and further acquisition of smaller banks by them is also unlikely to be approved.

At the same time there is no near-term threat to the dominant positions of CBA and the other three majors. We view government measures to increase bank competition to be incremental and to leave the fundamental structure of the sector unchanged.

Through wholly owned Colonial First State, CBA is also one of Australia's five major providers of wealth management services. At AUD1.3trn, the industry's total funds under management are large and steadily growing through the country's compulsory superannuation / retirement scheme.

In New Zealand, through ASB Bank, CBA has 16% of system assets (the other three major Australian banks hold 74%). ASB accounts for 8% of CBA's total assets.

In Asia, CBA has a strong niche deposit business in Indonesia (PT Bank Commonwealth) and 20% stakes in two regional banks in China, Quilu Bank and Bank of Hangzhou. In China it also has a life insurance joint venture with Bank of Communications (BoCommLife Insurance Company) and a funds management joint venture with China Cinda Asset Management Corporation (First State Cinda Fund Management Co. Ltd). CBA appears interested in further expanding into Asia on an incremental basis.

Factor 2: Risk Positioning

Trend: Neutral

CBA has a strong corporate governance framework. The bank tends to take a relatively conservative stance on credit risk. In common with other Australian banks, CBA runs a very low level of market risk. The bank is an active foreign currency borrower but overwhelmingly hedges the associated currency risk. CBA had virtually no exposure to crisis-hit asset classes, including European bank and sovereign securities.

Like its peers - but to a slightly greater extent - CBA's largest sector exposure is to prime residential mortgage lending. Australian mortgages were 60% of total loans and overseas mortgages 6% at FY2011. Loan to values ratios for new mortgages are currently at a cyclical low in the wake of the crisis, but are beginning to rise again. In Australia, higher loan to value mortgages are covered by Aa/A rated domestically-incorporated insurers, whose capital requirements were increased pre-crisis. In New Zealand, CBA insures only some high loan to value mortgages, charging a premium for others. Mortgage portfolios have traditionally held up well in terms of quality, although house prices and household leverage are high in both systems, creating exposure to external shocks, rising interest rates and unemployment. That said, the Australian market appears to be experiencing a soft landing, having been supported during the crisis by a government stimulus package.

In the bank's non-housing book, exposures are well diversified by industry, although the bank does have a slightly overweight position in commercial real estate as a result of acquiring Bankwest.

CBA's single borrower concentration is moderately higher than expected for its BFSR, reflecting the concentrated nature of its main markets and the small size of corporate bond markets in Australia and New Zealand. Nevertheless, Australian and New Zealand corporate balance sheets are generally in sound shape and high end commercial real estate borrowers have boosted their financial profiles by equity issuance during the crisis.

Basel III's liquidity and capital requirements will increase pressure on banks to rationalize balance sheet and funding usage. This may in turn drive banks' highly-rated corporate customers to tap the bond market themselves - and this has started to occur. From a rating perspective, a reduction of single large exposures - particularly if low margin and wholesale funded - should outweigh the decrease in average corporate credit quality and an even stronger weighting in residential mortgages.

Factor 3: Regulatory Environment

Trend: Neutral

All Australian banks are subject to the same score on regulatory environment. This factor does not address bank specific issues; instead, it evaluates whether regulatory bodies are independent and credible, demonstrate enforcement powers and adhere to global standards of best practices for risk control. Moody's views the Australian regulatory environment as a positive factor that provides a strong underpinning to Australian bank ratings. Please refer to Moody's "Banking System Outlook" and "Banking System Profile" documents for Australia for a detailed discussion.

Factor 4: Operating Environment

Trend: Neutral

This factor is also common to all Australian banks. Moody's assigns an A- for the overall operating environment. Economic volatility is low - although not the lowest amongst developed countries - and the country has a strong legal system with good enforceability of creditor claims. We see these factors as supporting average bank asset quality and profitability over economic cycles. Please refer to Moody's "Banking System Outlook" for Australia for a detailed discussion.

Quantitative Rating Factors (50%)

Factor 5: Profitability

Trend: Neutral

While we see some mid-term pressures on pre-provision profitability, there remains an appreciable buffer before this would impact CBA's ratings. While CBA's profit metrics relative to risk-weighted assets are boosted by its wealth management income, it still performs favourably to its domestic peers on a profit to total assets basis.

Profitability at CBA and its local peers has been supported by a number of factors; favourable asset quality experience, the exit of price-led, RMBS funded and foreign competitors, consolidation and a sharp reduction in interest rates during the crisis that allowed the banks to pass on otherwise higher funding costs to borrowers, supporting net interest margins. And as interest rates subsequently rose, the banks continued to raise their borrower rates by an additional margin.

More recently, however, price-led competition for mortgages has intensified. And while this is unlikely to seriously impact margins, competition may well remain elevated given a subdued near-term outlook for loan growth to both households and businesses. Sentiment in both sectors remains low and a shift by households to saving from consumption in particular, may well prove quite durable.

In view of this, all the major banks are now carefully scrutinising productivity and costs, following a significant rise in personnel expense over the past decade. CBA may well be somewhat advantaged in this regard through its significant investment in technology over recent years, which will also assist it in customer acquisition/maintenance, cross-selling and pricing.

Over the medium-term, high growth in Australia's mining and gas industries should filter through to subsidiary industries and the economy more broadly to provide improved lending and other opportunities for the banks.

Incoming regulatory requirements are also likely to have cost implications, by requiring banks to hold more capital and liquid assets and to increase the average tenor of their funding - although from a rating perspective this is offset by the improved stress-resistance it would create.

Factor 6: Liquidity

Trend: Neutral

As outlined in Moody's Banking System Profile, Australia's major banks including CBA have a structural reliance on wholesale funding, with an important offshore component. During the crisis, CBA and its peers demonstrated a good degree of market access, except for the immediate aftermath of Lehman's failure. CBA's usual practice of pre-funding its requirements created a buffer to accommodate periods of debt market closure. Like its peers, CBA substantially increased its liquid assets during the crisis period. It also extended the tenor of its funding, aided by government-guaranteed issuance in 4Q2008 - 2Q2009.

Since the crisis, there has been a marked improvement in the structure of CBA and its peers' funding, with a significant reduction in wholesale funding thanks to strong deposit growth and weak loan growth, arising out of changed household behavior, weak sentiment, and higher interest rates. And while wholesale funding needs remain substantial, prefunding has enabled CBA to avoid going to the long-term debt markets during the current tight market conditions emanating out of concerns for European sovereigns and banks - although it will probably need to return in early 2012. That said, while pricing is currently problematic, we believe CBA could still access long-term offshore funding. Indeed, Australia's major banks have attained been somewhat of a safe-haven status during the current turmoil, particularly in the US from where most of their offshore borrowings are sourced. This reflects the banks' good performance during the crisis to date, with solid asset quality, improved funding structures, and strengthened capital, as well as the likelihood of strong support - given their systemic importance - from a fiscally sound government. In addition, recent legislation allowing Australia's banks to issue covered bonds has significantly furthered their scope for offshore borrowing. If market conditions continue to deteriorate, however, CBA and its peers may see themselves largely reliant on domestic funding sources.

In this regard, we note that, due to the low level of government debt issuance in Australia, major banks like CBA tend to attract domestic funds (both deposits and debt) during times of market stress, including from the country's large superannuation funds. In case of extreme market stress, the Reserve Bank of Australia's (RBA) now provides repo facilities on self-originated RMBS. This would allow CBA to rapidly monetize its large mortgage book.

With reference to the scorecard, and like its domestic peers, CBA scores low on our "market funds" ratio because of its structural reliance on wholesale debt. However, this metric does not take into account the tenor of bank's funding, nor its ability to access RBA repo, which are included in its "liquidity management" score of B, that is in line with its assigned rating.

Factor 7: Capital Adequacy

Trend: Neutral

CBA has increased its capital over the course of the crisis to position itself for regulatory change and to absorb any further unexpected credit costs. At end June 2011 Tier 1 was 10.0% vs 8.2% at end June 2008 (and 7.2% on a Basel 1 basis in June 2007). As the prospects for further domestic M&A are very low, we would not expect further increases in capital for these reasons. However, we would expect capital ratios to remain well above the bank's minimum 7% target, in light of potentially tighter incoming regulatory requirements (Basel III and APRA's review of conglomerates supervision and capital standards for insurers).

For AIRB bank capital ratios in Australia, the regulator has exercised its national discretion in a number of areas. As a consequence, Australian Basel II capital ratios contain a strong element of conservatism and cannot be directly compared to global peers. For example, Australian banks include Interest Rate Risk in the Banking Book (a Pillar II item) in their Pillar I calculation, and the regulator sets a higher minimum LGD assumption on residential mortgages of 20%. Work by Ernst & Young suggests that Australian bank Tier 1 ratios would be considerably higher if calculated under the UK's FSA rules (<http://www.bankers.asn.au/default.aspx?ArticleID=1260>) and CBA estimated a June 2011 FSA Tier 1 ratio of 13.7%.

The Australian regulator has proposed to maintain much of its conservative approach in implementing Basel III. On a standard calculation basis CBA's Common Equity Tier 1 ratio of 9.6% at June 2011 comfortably meets incoming requirements. However, if APRA continues to apply its conservative overlay, the ratio would be around 7.7%. From a scorecard perspective, we therefore see CBA's capital as well positioned for its rating - and providing a buffer against potential rises in asset impairment.

Factor 8: Efficiency

Trend: Neutral

CBA's cost to income ratio obtains an B grade on the scorecard, in line with its BFSR. Its efficiency measures have improved over recent reporting periods as the bank has consolidated its operations during the crisis. We would expect them to hold steady in this range until its new core banking system comes fully on line, at which point further meaningful cost savings appear to be on offer.

Factor 9: Asset Quality

Trend: Neutral

Our outlook for Australia's economy is generally positive given high investment in mining and gas based on continued satisfactory growth in Asia (China in particular). While this will generally support asset quality, it is noted that numerous other export and import competing industries are suffering from the higher currency and interest rates that have arisen out of mining growth. Unemployment in particular needs to be watched as Australian households remain quite heavily indebted, albeit not so much as before the crisis. In the event that economic difficulties do arise, the RBA has considerable scope to lower interest rates (with its cash rate currently at 4.5%) and the government has considerable scope for fiscal stimulus given its low debt position.

CBA had (together with Westpac) been the most active lender to new first-time home-owners at the time of a government incentive scheme during 2008-09. However, genuine savings were required for loans over 85% loan to value, and all higher loan-to-value mortgages are covered by insurance from Genworth, a single-A rated, domestically incorporated insurer. While Australian housing is expensive by a number of measures, prices continue to be supported by economic conditions and a lack of supply.

Through its BankWest acquisition, CBA is also slightly overweight in the commercial property sector. However, supply/demand conditions are again broadly favourable and provisioning at the subsidiary is now up to CBA group standards.

Global Local Currency Deposit Rating (Joint Default Analysis)

Moody's Joint Default Analysis is used to assess the potential for systemic support during normal market conditions.

CBA's Aa2 global-scale local currency deposit and debt ratings incorporate 2 notches of uplift over the bank's stand-alone position of A1. This is generally the greatest amount of uplift we will assign in the Aa category during non-crisis conditions. (During the global financial crisis we have been prepared to assign higher levels of uplift to banks receiving emergency support, but only up to the Aa3 level).

The support input into CBA's deposit and debt ratings is Australia's Aaa local-currency government bond rating. Australia's Aaa is one of the most resilient to stress testing and is not impacted by the crisis-related, moderate increase in government debt.

As we discuss in our "Banking System Profile: Australia", we view Australia to be a "high support" country during normal operating conditions. This has also proven to be the case during the crisis, with the RBA expanding repo facilities and the Commonwealth Government providing guarantees on bank deposits and debt (the latter now withdrawn). We believe that post-crisis, the probability of systemic support for CBA in the event of stress will continue to be very high given the bank's systemic importance.

Foreign Currency Deposit Rating

The Foreign Currency Deposit ratings of CBA are unconstrained given Australia has a country ceiling of Aaa.

Foreign Currency Debt Rating

The Foreign Currency Debt ratings of CBA are unconstrained given Australia has a country ceiling of Aaa.

Notching Considerations

Deposits & Senior Unsecured Debt: In Australia, bank deposits are largely protected under the Financial Claims Scheme and, in effect, rank in priority to senior unsecured debt in liquidation. At Aa2, the ratings of both deposits (not protected under the Financial Claims Scheme) and senior unsecured debt include 2 notches of systemic support that lift them above the bank's stand-alone rating of A1.

Subordinated Debt (Lower Tier 2): we currently view subordinated debt to benefit from systemic support in Australia. We therefore position the rating of subordinated debt relative to the rating of senior unsecured debt. Subordinated debt is rated Aa3, which is 1 notch lower than senior debt.

Junior Subordinated Debt (Upper Tier 2): we do not include systemic support in junior subordinated debt ratings. The ratings of junior subordinated debt are therefore positioned in relation to CBA's stand-alone rating of A1.

Preferred securities (Tier 1): we do not include systemic support in the ratings of preferred securities. The ratings of preferred securities are therefore positioned in relation to the stand-alone rating. We rate the bank's preferred securities at Baa1, which is 3 notches below the stand-alone rating of A1. Tier 1 hybrids in Australia usually include mandatory deferral of interest in the case that the issuer does not meet a distributable profits test. Normally, we would notch such securities 4 notches below the stand-alone rating, but the regulator in Australia has a track record of allowing interest payments to be made if the issuer can raise equity to strengthen its capital base, so we have adopted narrower notching.

Rating Factors

Commonwealth Bank of Australia

Rating Factors [1]	A	B	C	D	E	Total Score	Trend
Qualitative Factors (50%)						B+	
Factor: Franchise Value						B-	Neutral
Market Share and Sustainability		x					
Geographical Diversification			x				
Earnings Stability		x					
Earnings Diversification [2]							
Factor: Risk Positioning						B+	Neutral
Corporate Governance [2]	--	--	--	--	--		
- Ownership and Organizational Complexity	--	--	--	--	--		
- Key Man Risk	--	--	--	--	--		
- Insider and Related-Party Risks	--	--	--	--	--		
Controls and Risk Management		x					
- Risk Management		x					
- Controls		x					
Financial Reporting Transparency		x					
- Global Comparability	x						
- Frequency and Timeliness			x				
- Quality of Financial Information		x					
Credit Risk Concentration	--	--	--	--	--		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management		x					
Market Risk Appetite	x						
Factor: Operating Environment						A	Neutral
Economic Stability	x						
Integrity and Corruption	x						

Legal System	x					
Financial Factors (50%)						B-
Factor: Profitability						B
PPI / Average RWA- Basel II		3.60%				Neutral
Net Income / Average RWA- Basel II		2.09%				
Factor: Liquidity						C
(Mkt funds-Liquid Assets) / Total Assets				23.88%		Neutral
Liquidity Management		x				
Factor: Capital Adequacy						B+
Tier 1 Ratio - Basel II		9.08%				Neutral
Tangible Common Equity / RWA- Basel II	9.28%					
Factor: Efficiency						A
Cost / Income Ratio	43.20%					Neutral
Factor: Asset Quality						B
Problem Loans / Gross Loans		1.60%				Neutral
Problem Loans / (Equity + LLR)		19.78%				
Lowest Combined Score (15%)						C
Economic Insolvency Override						Neutral
Aggregate Score						B
Assigned BFSR						B-

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral



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