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Commonwealth Bank of Australia

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Commonwealth Bank of Australia

Major Rating Factors

Counterparty Credit Rating
AA/Stable/A-1+

Strengths:

- Robust market position in key market segments
- Globally among the strongest banks on key earning metrics and earnings stability
- Good asset quality supported by conservative lending standards
- Low-risk traditional retail and commercial banking model

Weaknesses:

- Significant dependence on wholesale offshore borrowings, which could disrupt funding access

Rationale

We have affirmed the 'AA' issuer credit rating on Australia-based major bank Commonwealth Bank of Australia (CBA), reflecting our expectation that CBA will remain among the strongest banks globally based on key earning metrics, earnings stability, and asset quality. The bank's very strong business profile in its key and main domestic markets of Australia and New Zealand supports the rating.

Standard & Poor's Ratings Services expects that the Australian economy will continue to show resilience despite uncertainty about the strength of the global recovery. Furthermore, we believe that the Australian banking sector's less fiercely competitive environment relative to some global peers' has contributed to less risky lending standards, reflected in lower loan-to-value ratios in the residential mortgage sector. Consequently, we believe that earnings pressures and impairments or credit losses for CBA are likely to remain significantly lower than those experienced by some international peers. Standard & Poor's expects CBA to maintain an earnings profile supportive of its 'AA' rating in the medium term. Together with its wealth management brand, Colonial First State (CFS), CBA has the largest domestic franchise in the Australian financial services sector, with total assets of almost A$646 billion on June 30, 2010.

A key factor underpinning the 'AA' rating is our view that CBA's "traditional" retail and commercial banking model supports its income stability. The contribution of trading income or losses to CBA's earnings is small; CBA undertakes very limited proprietary trading and holds insignificant amounts of trading securities, which are subject to volatile mark-to-market movements.

CBA's very strong competitive and market positions underpin its creditworthiness. As one of the largest financial institutions in Australia, it has a leading market share in the important business lines of household deposits and home lending.

We view CBA's asset quality as strong and benefiting from the bank's focus on the home loan segment (58% of total credit exposure as at June 30, 2010). Moreover, exposures to the corporate and commercial segments are reasonably well spread by industry, commercial property exposure is low, and there is limited customer concentration. In our opinion, it is likely CBA's impairment expenses peaked in fiscal 2009. While nonperforming assets (NPAs) to customer loans rose to 1.71% in fiscal 2010 from 1.43% in 2009, they remain low compared with peers.

Similar to the rest of the global banking systems, the CBA is exposed to the regulatory uncertainty on the capitalization and liquidity standards. Nevertheless, we consider that CBA is generally well placed to address possible increased capital and liquidity requirements, although any step-up in regulatory liquidity will likely come at the cost of lower earnings and could be subject to availability of Australian government securities.

Short-term credit factors

The short-term rating is 'A-1+', reflecting our opinion that CBA's very sound on-balance-sheet liquidity and proactive liquidity management minimize any potential for financial stress in the medium term. At June 30, 2010, CBA's liquid assets represented 14% of the bank's total borrowings. CBA's on-balance-sheet liquidity includes substantial internally securitized residential mortgages securities that are repurchase (repo)-eligible securities for the respective central banks. We consider that CBA's funding and liquidity are likely to remain well managed. CBA is also a participant in the Australian Interbank Deposit Agreement, which would potentially provide A$6 billion if required.

Standard & Poor's considers that CBA's significant dependence on offshore wholesale borrowing, similar to local peers, leaves the bank materially exposed to the risk of disrupted access to global capital markets. As of June 30, 2010, the major components of CBA's funding profile were: (about) 58% deposits; 24% short-term wholesale funded (including long-term maturing within 12 months) debt; and 18% long-term wholesale debt. Nevertheless, CBA's wholesale funding sources are considered to be reasonably diversified with the group having a reasonably smooth funding requirement over the coming six years, which is expected to be manageable.

Although the withdrawal of government guarantee schemes before global financial markets stabilize could affect CBA's funding access, we believe that governments are unlikely to do so in the near term. We expect that withdrawal of such guarantee schemes will be done in an orderly manner by the G-20 countries and only after the global financial markets have stabilized.

Outlook

The stable outlook reflects our expectations of CBA's continued satisfactory earnings, credit losses remaining well under control, adequate capitalization, well-managed funding and liquidity (notwithstanding CBA's material dependence on offshore wholesale funding), and conservative risk appetite. We believe that the most likely foreseeable risks to the ratings on CBA would be one or more of the following three factors:

- Disruption in funding access. Similar to other major Australian banks, the risk of disrupted access to funding is heightened by CBA's significant dependence on the international wholesale-funding market. Funding access could be affected by developments such as a general disruption in the global funding markets--as witnessed several times in the past two years--or if CBA needs to compete with highly rated sovereign governments for wholesale funding. Further, any material adverse developments relating to CBA could affect investor sentiment and consequently the bank's access to funding.
- Changes in risk appetite. A change in risk appetite is likely to be evidenced through CBA pursuing riskier business models, a more aggressive strategy, or a large acquisition. The potential for such developments is underpinned by possible shareholder pressure to grow earnings given the weak medium-term outlook, and likely M&A opportunities as financial institutions worldwide restructure their businesses. Additionally, any large acquisitions could also affect CBA's capital profile.
- A material and sustained increase in credit losses.

In the medium term, the ratings are unlikely to be raised because--relative to other highly rated global peers--CBA remains reliant on fewer geographic markets, and is more dependent on offshore wholesale funding.

Peer Analysis

CBA's closest domestic peers are Australia and New Zealand Banking Group Ltd. (ANZ), National Australia Bank Ltd. (NAB), and Westpac Banking Corp. (WBC)--all rated 'AA/A-1+' with stable outlooks. There are strong similarities between CBA and the three other major Australian banks in terms of their: primarily retail and commercial banking operations; main focus on Australasia; very strong market positions; and risk appetite and management. We expect little differentiation in credit loss experience between the four banks and broadly similar earnings and capitalization metrics. Nevertheless, key differences between CBA and its Australian peers include:

- CBA has a superior market position for household deposits compared with the other three major Australian banks.
- CBA and WBC have a greater share of home loans compared with NAB and ANZ.
- CBA has the highest ratio of residential loans-to-gross loans.
- CBA and ANZ have greater levels of customer deposits to their funding bases.
- CBA has a lower proportion of its assets in New Zealand compared with ANZ; the stand-alone credit profiles of the major Australian banks' subsidiaries in New Zealand are marginally weaker than their respective parents.
- CBA has a less aggressive Asian expansion strategy than ANZ.
- CBA and WBC had significant acquisitions in fiscal 2009. These acquisitions appear to be on track for an orderly integration.

Table 1

Australian Banks Peer Comparison Key Financial Metrics

	Australia and New Zealand Banking Group Ltd.	Commonwealth Bank of Australia	National Australia Bank Ltd.	Westpac Banking Corp.
Fiscal year end	Sept. 30	June 30	Sept. 30	Sept. 30
Denomination	Mil.	Mil.	Mil.	Mil.
Display currency	A$	A$	A$	A$
Gross nonperforming assets/customer loans plus other real estate owned (%)	2.22	1.71	1.89	1.60
New loan loss provisions/average customer loans (%)	0.50	0.49	0.63	0.31
Customer deposits/funding base (%)	64.31	60.26	55.99	55.09
Total loans/customer deposits (%)	142.67	157.72	157.33	172.16
Customer loans (net)/assets (adjusted) (%)	73.20	79.82	71.82	80.35
Net interest income/average earning assets (%)	2.47	2.11	2.24	2.21
Adjusted total equity/adjusted assets (%)	5.23	4.12	4.56	4.65
Adjusted assets	492,938	621,281	614,315	594,463
Adjusted total equity	25,787	25,598	28,010	27,621
Pretax profit	6,601	8,193	5,676	8,038

Source: Banks' data.

Profile: A Diverse Earnings Platform And A Very Strong Market Position

CBA has very strong competitive and market positions. It is one of the largest financial institutions in Australia with a leading market share of household deposits (31.3%), home lending (26.2%), and credit cards.

CBA has a well-diversified earnings platform with operations in banking, funds management, and insurance. In fiscal 2010, retail banking contributed 40% of net profit after tax (cash basis), institutional banking 19%, business and private banking 15%, international operations 13%, wealth management 12%, and Bankwest 1%.

CBA's recent volume growth has been strong. In particular, in the six months to June 30, 2010, the bank experienced solid growth in home loans (9.8% compared with system growth of 8.3%), household deposits (5.9%; system 5.7%), business lending (3.3%; system contraction of 3.3%); and business deposits (17.9%; system 6.5%).

The CBA group also holds strong positions in the Australian life and funds management markets through its 100% subsidiaries, CMLA, and fund manager CFS. In Australia, CFS is the largest retail fund manager, and CMLA ranks number one for in-force life business (excluding conventional business). CBA holds solid market positions in margin lending and stock broking through Commsec and has a sound business franchise in asset finance through its core subsidiary, CBFC Ltd. (AA/Stable/A-1+). In the New Zealand banking and insurance markets, it also has strong positions through its 100% subsidiaries ASB Bank Ltd. (ASB; AA/Stable/A-1+) and Sovereign Assurance Ltd. ASB is one of New Zealand's largest providers of home lending with a 23% market share. CBA has a European banking core subsidiary, CommBank Europe Ltd. (AA/Stable/A-1+).

CBA's main lines of business are competitive--especially in household deposits--resulting in a contraction in margins. Nevertheless, the competitive threat from the non-bank sector has waned as the virtual closure of the securitization market has hindered the ability of non-banks to fund lending growth.

Support And Ownership: Parent Entity For CBA Group

CBA is a registered authorized deposit-taking institution (ADI) and a publicly listed company on the Australian Securities Exchange. It is subject to the Corporations Law of Australia. As an ADI, CBA is under prudential supervision by the Australian Prudential Regulation Authority (APRA), which covers both the banking and insurance sectors. The bank is the principal operating entity and the parent entity for the CBA group. CBA's shares are widely held.

The Australian government's guarantee scheme is supportive of the country's financial system. In October 2008, the Commonwealth of Australia (AAA/Stable/A-1+) announced it would guarantee deposits and wholesale term borrowings (maximum five-year maturity) of Australian incorporated banks, building societies, credit unions, and Australian subsidiaries of foreign-owned banks. The wholesale borrowing guarantee scheme was discontinued in early 2010, however debt that was issued before the withdrawal of the scheme remains guaranteed. The deposit scheme ends in October 2011.

Strategy: The Focus Is On A Deeper Presence In Australia And New Zealand

CBA's strategy has been consistent and has focused on improving profitable market-share growth through enhanced staff engagement, customer satisfaction, information technology, and operational performance. In addition, CBA aims to organically deepen its market presence in its Australian and New Zealand banking operations, as well as in its insurance and wealth management market segments. While CBA has operations in six Asian countries, these involve smaller stakes, with future expansion expected to be via opportunistic acquisitions of a relatively small scale. A key factor underpinning the 'AA' rating is our view that CBA's "traditional" retail and commercial banking model supports its income stability. The contribution of trading income or losses to CBA's earnings is small; CBA undertakes very limited proprietary trading and holds insignificant amounts of trading securities.

CBA's approach to financial management appears reasonably conservative. Balance-sheet management is prudent, and CBA's established risk limits are moderate in the context of the group's relatively large balance sheet. CBA engages in minimal levels of proprietary trading risk and controls market risk through a well-established and extensive risk-management function. Independent group wide risk oversight involves the individual business units directly, and the team responsible for the role has direct access to the board if required.

Risk Management

Credit risk: A sound credit culture with well-performing residential mortgages portfolio

While CBA has experienced some significant increases in impaired assets over the past couple of years, its asset quality remains strong and is primarily supported by CBA's robustly performing portfolio of residential mortgages. CBA's sound credit culture and advanced suite of credit standards and policies also supports its credit quality. In response to higher arrears, CBA has tightened its credit policies. CBA also has sound loan portfolio and risk-management capabilities.

CBA's asset quality strength has benefited from the bank's focus on the home loan segment (57% of total credit exposure at June 30, 2010). Exposures to the corporate and commercial segments are reasonably well spread by industry. Non-lending assets are of adequate quality, consisting of cash and money market securities and other readily marketable securities. Lending assets were 79% of total assets at June 30, 2010. Importantly, commercial property comprises less than 8% of the loan portfolio. Large single-customer exposures are acceptable and, on average, are of good credit quality. The top-20 commercial exposures comprised less than 4% of committed exposure at June 30.

In our opinion, it is likely CBA's impairment expenses peaked in fiscal 2009. While NPAs remain high (and actually increased in fiscal 2010) compared with the historical lows of a few years ago, we anticipate CBA's impairment expenses will continue to gradually decline until they reach long-term averages. We base this view on our expectations that Australia's economic outlook will remain sound, unemployment rates will stay low, lending standards will remain conservative, and a substantial fall in house prices is unlikely. Despite gross NPAs-to-customer loans rising to 1.68% in fiscal 2010 from 1.47% in the prior year, there was a significant reduction in impairment expense (39% fall to A$2.07 billion) due to non-recurrence of large single-name corporates and a general improvement in corporate creditworthiness.

Table 2

Commonwealth Bank of Australia Asset Quality, Funding, And Liquidity Ratios

	--Year-ended June 30--			
(%)	**2010**	**2009**	**2008**	**2007**
Gross nonperforming assets/customer loans plus other real estate owned	1.8	1.5	0.5	0.4

Table 2

Commonwealth Bank of Australia Asset Quality, Funding, And Liquidity Ratios (cont.)				
Net nonperforming assets/customer loans plus other real estate owned	0.7	0.5	0.0	0.0
Loan loss reserves/gross nonperforming assets	61.6	69.3	95.4	88.6
Loan loss reserves/customer loans	1.1	1.0	0.5	0.4
New loan loss provisions/average customer loans	0.5	0.7	0.3	0.1
Net charge-offs/average customer loans	0.4	0.3	0.1	0.1
Customer deposits/funding base	60.3	58.7	58.1	58.9
Total loans/customer deposits	157.7	163.1	169.4	167.8
Total loans/customer deposits plus long-term funds	110.7	117.7	118.6	112.1
Customer loans (net)/assets (adjusted)	79.8	79.4	81.0	80.3

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Market risk: Strong and consistent risk-management framework

The bank uses earnings-at-risk and economic value-at-risk (VaR) models to manage interest rate risk in the nontrading balance sheet within conservative limits that the board risk committee determines and monitors. We believe CBA engages in minimal proprietary trading. Although the bank's treasury function is a profit center, Standard & Poor's is comfortable with the tolerance for risk-taking at the bank. We view CBA's trading-risk-management framework and policies as strong and consistent with risks assumed.

Policies for balance-sheet, market, and operational risk management appear well-developed and conservative. The bank's interest rate risk tolerance is minimal and managed using traditional derivatives such as swaps, forward rate agreements, and futures.

Market risk associated with trading activities, which is equally moderate, is also monitored through the use of VaR. CBA's trading risk framework and VaR model support are well developed.

Funding and liquidity risk: Material dependence on offshore wholesale borrowing

Standard & Poor's considers that CBA's significant dependence on offshore wholesale borrowing, similar to local peers, leaves the bank materially exposed to the risk of a disruption in access to global capital markets. As of June 30, 2010, the major components of CBA's funding profile were: (about) 58% deposits; 24% short-term wholesale funded (including long-term maturing within 12 months), and 18% long-term wholesale debt. Nevertheless, CBA's wholesale funding sources are reasonably diversified with Australia; they comprise 36% of wholesale funding, U.S. 30%, Europe 11%, U.K. 7%, and Japan 6%.

We expect CBA's funding requirement to be manageable over the medium term. The group has a reasonably smooth funding requirement over the coming six years (see table below) and has pre-funded A$14 billion of fiscal 2011 requirement as of July 22, 2010. The bank generally targets to pre-fund 3-6 months' requirement. In recent years the bank has successfully increased funding tenor with a weighted average maturity of long-term debt in 2010 of 3.8 years compared with 3.6 years the year before.

Table 3

Commonwealth Bank of Australia Term Maturity Profile						
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Approx. Amount (A$ billion)	31	26	19	20	18	19

We view CBA's liquidity as sound; liquid assets to borrowings (including deposits) was 14% at June 30, 2010. As management expects higher liquidity requirements to stem from Basel III, CBA is now maintaining higher liquidity levels compared with before the global financial crisis.

The bank's liquidity policies are sound. Active monitoring of structural mismatches, crisis scenario analysis, and bankwide specified limits and reporting requirements support the bank's liquidity management. CBA participates in the Australian Interbank Deposit Agreement, which would provide it with funding of A$6.0 billion if required.

Limits are set for operational minimum qualifying liquid assets, which maintain positive cash flows under name crisis scenarios, and for maximum maturities of long-term/short-term wholesale liabilities.

Profitability: Moderate And Expected To Continue To Strengthen

CBA's earnings performance continues to be moderate and in line with Standard & Poor's expectations. The company has displayed a reasonably stable operating performance despite recent challenges of softer Australasian economic conditions, subdued investment markets, and higher wholesale and deposit funding costs compared with before the global financial crisis. We anticipate CBA's profitability will continue to strengthen driven by lower impairment charges, and offset to some extent by a tightening net interest margin due to continuing high funding costs.

The group's core earnings to adjusted assets stood at 0.96% at June 30, 2010, which generally compares favorably with domestic and offshore peers'. Net profit after tax (cash basis) for fiscal 2010 was A$6.1 billion, an increase of 42% on the prior year with the net interest margin improving marginally over the year to 2.11% from 2.09%. This improvement was driven by: a 39% fall in impairment expenses; a 4% increase in funds management income; and a 2% increase in insurance income. CBA's earnings performance was more subdued in the second half of fiscal 2010 with higher funding costs contributing to the group's net interest margin declining 10 basis points, partly due to a decrease in Treasury margins.

Table 4

Commonwealth Bank of Australia Profitability Ratios

	--Year-ended June 30--			
(%)	2010	2009	2008	2007
Net interest income/average earning assets	2.1	2.1	2.0	2.0
Net interest income/revenues	61.8	62.5	54.2	52.5
Fee income/revenues	27.8	29.8	35.4	34.3
Market-sensitive income/revenues	2.5	1.1	3.8	4.4
Personnel expense/revenues	23.8	24.2	25.1	24.1
Noninterest expenses/revenues	43.5	46.4	47.4	47.4
New loan loss provisions/revenues	12.3	18.5	6.4	3.2
Net operating income before loan loss provisions/loan loss provisions	457.8	289.8	824.2	1,622.6
Net operating income after loan loss provisions/revenues	44.1	35.1	46.2	49.3
Pretax profit/revenues	42.5	39.1	42.9	48.8
Tax/pretax profit	30.7	26.3	22.9	31.2
Core earnings/revenues	30.7	25.9	35.5	33.7
Core earnings/average adjusted assets	1.0	0.8	1.2	1.2

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Table 4

Commonwealth Bank of Australia Profitability Ratios (cont.)				
Noninterest expenses/average adjusted assets	1.4	1.4	1.6	1.7
Core earnings/average risk-weighted assets	N.M.	N.M.	N.M.	N.M.
Core earnings/average adjusted common equity	28.3	26.0	41.8	40.7
Pretax profit/average common equity (%)	25.6	23.6	26.2	30.5

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Capital: Improved But Modest For The Ratings

CBA capital position is considered modest for its 'AA' ratings. At June 30, 2010, CBA group's estimated RAC ratio stood at 6.9% and 7.8% (adjusted for diversification benefit), which is a significant improvement on the previous year's results of 5.6% and 6.3%, respectively. CBA's RAC ratios are in the second-top quartile for the 45-largest global financial institutions. The improvement in CBA's capitalization over the fiscal 2010 year reflects an increase in retained earnings, the issue of A$2.0 billion of hybrid debt (Perpetual Exchangeable Resaleable Listed Securities, PERLS V) and A$1,457 of ordinary shares issued related to a dividend reinvestment plan. Standard & Poor's ascribed PERLS V with 'intermediate equity credit (strong)'.

Table 5

Commonwealth Bank of Australia Risk-Adjusted Capital Data

(Mil. A$)	EAD	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk					
Government and central banks	31,138	3,183	10	2,099	7
Institutions	36,232	9,077	25	8,088	22
Corporate	163,363	127,305	78	142,278	87
Retail	415,523	107,737	26	144,648	35
Of which mortgage	380,390	81,671	21	118,502	31
Securitization	8,636	1,569	18	5,489	64
Other assets	14,297	5,472	38	21,445	150
Total credit risk	669,189	254,343	38	324,047	48
Market risk					
Equity in the banking book*	2,759	2,421	121	25,763	934
Trading book market risk	--	3,503	--	7,454	--
Total market risk	--	5,924	--	33,218	--
Insurance risk					
Total insurance risk	--	--	--	27,588	--
Operational risk					
Total operational risk	--	20,282	--	36,165	--
(Mil. A$)		Basel II RWA		Standard & Poor's RWA	% of Standard & Poor's RWA
Diversification adjustments					
RWA before diversification		280,550		421,017	100
Total adjustments to RWA		--		-48,960	-12

Table 5

RWA after diversification	280,550		372,058	88
(Mil. A$)	**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**Standard & Poor's RAC ratio (%)**
Capital ratio before adjustments	26,601	9.5	28,972	6.9
Capital ratio after adjustments¶	26,601	9.1	28,972	7.8

EAD--Exposure at default. RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. *Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ¶Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). Sources: Company data as of June 30, 2010, and Standard & Poor's.

Table 6

Commonwealth Bank of Australia Capital Ratios

	--Year-ended June 30--			
(%)	**2010**	**2009**	**2008**	**2007**
Adjusted common equity/risk assets (%)	N.M.	N.M.	N.M.	N.M.
Tier 1 capital ratio	9.2	8.1	8.2	7.1
Adjusted total equity/adjusted assets	4.1	3.6	3.3	3.4
Adjusted total equity/managed assets	4.0	3.5	3.1	3.1
Adjusted total equity plus loan loss reserves (specific)/customer loans (gross)	6.2	5.6	4.5	4.5
Common dividend payout ratio	63.7	78.8	72.0	69.0

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 7

Commonwealth Bank of Australia Summary Balance Sheet

	--Year-ended June 30--			
(Mil. A$)	**2010**	**2009**	**2008**	**2007**
Assets				
Cash and money market instruments	20,638.0	26,670.0	15,038.0	16,260.0
Securities	55,866.0	47,457.0	35,144.0	32,504.0
Trading securities (marked to market)	22,851.0	25,401.0	21,676.0	21,469.0
Nontrading securities	33,015.0	22,056.0	13,468.0	11,035.0
Mortgage-backed securities included above	0.0	552.0	1,980.0	1,363.0
Loans to banks (net)	9,221.0	9,900.0	8,917.0	7,894.0
Customer loans (gross)	501,342.0	476,599.0	373,324.0	329,884.0
Loan loss reserves	5,428.0	4,924.0	1,713.0	1,233.0
Customer loans (net)	495,914.0	471,675.0	371,611.0	328,651.0
Earning assets	576,948.0	549,286.0	424,687.0	376,434.0
Equity interests/participations (nonfinancial)	591.0	556.0	648.0	629.0
Investments in unconsolidated subsidiaries (financial companies)	899.0	491.0	258.0	207.0
Intangibles (nonservicing)	9,109.0	8,934.0	7,947.0	7,524.0
Interest-only strips	N/A	N/A	N/A	N/A
Fixed assets	2,351.0	2,472.0	1,640.0	1,436.0
Derivatives credit amount	27,689.0	26,358.0	18,232.0	12,743.0
Accrued receivables	2,130.0	2,522.0	2,889.0	2,923.0
All other assets	21,922.0	23,337.0	25,248.0	29,386.0
Total assets	646,330.0	620,372.0	487,572.0	440,157.0

Table 7

Commonwealth Bank of Australia Summary Balance Sheet (cont.)				
Intangibles (nonservicing)	9,109.0	8,934.0	7,947.0	7,524.0
Minus insurance statutory funds	(15,940.0)	(17,260.0)	(20,650.0)	(23,519.0)
Adjusted assets	621,281.0	594,178.0	458,975.0	409,114.0
Liabilities				
Total deposits	385,062.0	380,072.0	284,375.0	236,788.0
Noncore deposits	61,348.0	81,804.0	58,792.0	35,454.0
Core/customer deposits	323,714.0	298,268.0	225,583.0	201,334.0
Acceptances	11,569.0	14,728.0	18,278.0	18,721.0
Repurchase agreements	5,760.0	8,574.0	1,589.0	3,353.0
Other borrowings	146,346.0	119,781.0	102,403.0	101,610.0
Other other borrowings	236.0	248.0	0.0	0.0
Other credit reserves	N/A	N/A	N/A	N/A
Other liabilities	56,808.0	62,496.0	50,770.0	52,582.0
Total liabilities	605,545.0	585,651.0	457,415.0	413,054.0
Total equity	40,785.0	34,721.0	30,157.0	27,103.0
Manditorily convertible securities	N/A	0.0	0.0	0.0
Limited life preferred and quasi equity	0.0	0.0	104.0	118.0
Enhanced trust preferred	N/A	0.0	0.0	0.0
Minority interest-equity	18.0	15.0	13.0	7.0
Common shareholders' equity (reported)	34,108.0	29,983.0	24,680.0	22,993.0
Share capital and surplus	23,081.0	21,642.0	15,727.0	14,483.0
Revaluation reserve	(50.0)	(695.0)	495.0	590.0
Retained profits	9,938.0	7,825.0	7,747.0	6,367.0
Other equity	N/A	N/A	N/A	N/A
Total liabilities and equity	646,330.0	620,372.0	487,572.0	440,157.0

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 8

Commonwealth Bank of Australia Equity Reconciliation Table				
	--Year-ended June 30--			
(Mil. A$)	**2010**	**2009**	**2008**	**2007**
Common shareholders' equity (reported)	34,108.0	29,983.0	24,680.0	22,993.0
Plus minority interest (equity)	18.0	15.0	13.0	7.0
Minus dividends (not yet distributed)	(2,633.0)	(1,747.0)	(2,029.0)	(1,939.0)
Minus revaluation reserves	50.0	695.0	(495.0)	(590.0)
Minus nonservicing intangibles	(9,109.0)	(8,934.0)	(7,947.0)	(7,524.0)
Minus interest-only strips (net)	0.0	0.0	0.0	0.0
Minus tax loss carryforwards	0.0	0.0	0.0	0.0
Minus postretirement benefit adjustment	(221.0)	(347.0)	(1,075.0)	(1,270.0)
Minus other adjustments	N/A	0.0	0.0	0.0
Adjusted common equity	22,213.0	19,665.0	13,147.0	11,677.0
Plus admissible preferred and hybrids	6,659.0	4,723.0	4,338.5	3,853.4
Plus general reserves	0.0	0.0	0.0	0.0

Table 8

Commonwealth Bank of Australia Equity Reconciliation Table (cont.)				
Plus unrealized gains	N/A	0.0	0.0	0.0
Minus equity in unconsolidated subsidiaries	(899.0)	(491.0)	(258.0)	(207.0)
Minus capital of insurance subsidiaries	(2,207.0)	(2,162.0)	(1,920.3)	(1,611.0)
Minus adjustment for securitized assets	(168.0)	(80.0)	(84.0)	0.0
Adjusted total equity	25,598.0	21,655.0	15,223.2	13,712.4

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 9

Commonwealth Bank of Australia Profit And Loss				
	--Year-ended June 30--			
(Mil. A$)	**2010**	**2009**	**2008**	**2007**
Net interest income	11,922.0	10,301.0	7,907.0	7,036.0
Interest income	32,215.0	31,519.0	29,234.0	23,862.0
Interest expense	20,293.0	21,218.0	21,327.0	16,826.0
Operating noninterest income	7,366.0	6,173.0	6,676.0	6,355.0
Fees and commissions	5,369.0	4,913.0	5,166.0	4,596.0
Net brokerage commissions	N/A	0.0	0.0	0.0
Trading gains	597.0	741.0	546.0	555.0
Other market-sensitive income	(121.0)	(567.0)	13.0	37.0
Net insurance income	1,230.0	769.0	740.0	1,043.0
Equity in earnings of unconsolidated subsidiaries	N/A	0.0	0.0	0.0
Other noninterest income	291.0	317.0	211.0	124.0
Operating revenues	19,288.0	16,474.0	14,583.0	13,391.0
Noninterest expenses	8,396.0	7,640.0	6,918.0	6,349.0
Personnel expenses	4,583.0	3,980.0	3,661.0	3,229.0
Other general and administrative expense	3,550.0	3,420.0	3,063.0	2,944.0
Net operating income before loss provisions	10,892.0	8,834.0	7,665.0	7,042.0
Credit loss provisions (net new)	2,379.0	3,048.0	930.0	434.0
Net operating income after loss provisions	8,513.0	5,786.0	6,735.0	6,608.0
Nonrecurring/special income	N/A	983.0	0.0	0.0
Nonrecurring/special expense	115.0	181.0	377.0	0.0
Amortization of intangibles	205.0	139.0	103.0	70.0
Impairment of intangibles	N/A	0.0	0.0	0.0
Pretax profit	8,193.0	6,449.0	6,255.0	6,538.0
Tax expense/credit	2,513.0	1,696.0	1,433.0	2,041.0
Net income (before minority interest)	5,680.0	4,753.0	4,822.0	4,497.0
Minority interest in consolidated subsidiaries	16.0	30.0	31.0	27.0
Net income before extraordinaries	5,664.0	4,723.0	4,791.0	4,470.0
Net income after extraordinaries	5,664.0	4,723.0	4,791.0	4,470.0

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 10

Commonwealth Bank of Australia Core Earnings Reconciliation Table

	--Year-ended June 30--			
(Mil. A$)	**2010**	**2009**	**2008**	**2007**
Net income (before minority interest)	5,680.0	4,753.0	4,822.0	4,497.0
Minus nonrecurring/special income	0.0	(983.0)	0.0	0.0
Plus nonrecurring/special expense	115.0	181.0	377.0	0.0
Plus or minus tax impact of adjustments	(35.3)	210.9	(86.4)	0.0
Plus amortization/impairment of goodwill/intangibles	205.0	139.0	103.0	70.0
Minus preferred dividends	(34.0)	(40.0)	(32.0)	(55.0)
Plus or minus other earnings adjustments	N/A	0.0	0.0	N/A
Core earnings	5,930.7	4,260.9	5,183.6	4,512.0

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Related Criteria And Research

This report is based in part on the following criteria article:

Criteria | Financial Institutions | Banks: Bank Rating Analysis Methodology Profile, published on March 18, 2004.

Ratings Detail (As Of November 29, 2010)*	
Commonwealth Bank of Australia	
Counterparty Credit Rating	AA/Stable/A-1+
Bank Fundamental Strength Rating	
Local Currency	A
Certificate Of Deposit	
Foreign Currency	NR/NR
Commercial Paper	A-1+
Junior Subordinated (2 Issues)	A+
Preferred Stock (2 Issues)	A+
Senior Unsecured (1 Issue)	A-1+
Senior Unsecured (427 Issues)	AA
Senior Unsecured (4 Issues)	AAA
ASEAN Regional Scale (2 Issues)	axAAA
Short-Term Debt (1 Issue)	A-1+
Subordinated (25 Issues)	AA-
Counterparty Credit Ratings History	
21-Feb-2007	AA/Stable/A-1+
07-Nov-2006	AA-/Watch Pos/A-1+
17-Dec-2001	AA-/Stable/A-1+

Ratings Detail (As Of November 29, 2010)* **(cont.)**	
Sovereign Rating	
Australia (Commonwealth of)	AAA/Stable/A-1+
Related Entities	
ASB Bank Ltd.	
Issuer Credit Rating	AA/Stable/A-1+
Bank Fundamental Strength Rating	
Local Currency	B+
Certificate Of Deposit	AA/A-1+
Commercial Paper	
Foreign Currency	A-1+
Senior Unsecured (16 Issues)	AA
Subordinated (4 Issues)	AA-
ASB Capital Ltd.	
Subordinated (1 Issue)	A+
ASB Capital No.2 Ltd.	
Subordinated (1 Issue)	A+
ASB Finance Ltd.	
Issuer Credit Rating	AA/Stable/A-1+
ASB Finance Ltd. (London Branch)	
Commercial Paper	
Foreign Currency	A-1+
Senior Unsecured (1 Issue)	AA
Short-Term Debt (1 Issue)	A-1+
Subordinated (1 Issue)	AA-
Bank of Western Australia Ltd.	
Issuer Credit Rating	AA/Stable/A-1+
Certificate Of Deposit	AA/A-1+
Commercial Paper	
Foreign Currency	A-1+
Senior Unsecured (2 Issues)	AA
Subordinated (3 Issues)	AA-
CBA Capital Australia Ltd.	
Preference Stock (1 Issue)	AA-
CBA Funding (NZ) Ltd.	
Issuer Credit Rating	AA/Stable/A-1+
Commercial Paper	
Foreign Currency	A-1+
CBFC Ltd.	
Issuer Credit Rating	AA/Stable/A-1+
Certificate Of Deposit	
Local Currency	AA
Commercial Paper	
Local Currency	A-1+
Senior Secured (1 Issue)	A-1+

Ratings Detail (As Of November 29, 2010)***(cont.)**	
Senior Secured (1 Issue)	AA
Short-Term Debt (1 Issue)	A-1+
Colonial Finance Ltd.	
Senior Unsecured (2 Issues)	AA-
Colonial Holding Co. Ltd.	
Issuer Credit Rating	AA-/Stable/A-1+
Senior Unsecured (3 Issues)	AA-
Short-Term Debt (1 Issue)	A-1+
Colonial Mutual Life Assurance Society Ltd. (NZ Branch) (The)	
Financial Strength Rating	
Local Currency	AA/Stable/--
Colonial Mutual Life Assurance Society Ltd. (The)	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
CommBank Europe Ltd.	
Issuer Credit Rating	AA/Stable/A-1+
Preferred Capital Ltd.	
Junior Subordinated (1 Issue)	A+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.