

Commonwealth Bank of Australia (CBA AU)

FUNDAMENTAL VIEW ¹

As of 28 Mar 2025

- CBA has a very strong franchise in Australia; it is the leader in the retail market and is making good progress in challenging NAB in business banking.
- It has been the best managed of the Australian banks for many years, and has outperformed peers. It lost some of its luster in the latter part of the 2010s due to regulatory and compliance lapses amid charges of complacency, but has since improved into a better institution.
- Its capital and liquidity position is robust, while asset quality is strong.

RISKS & CATALYSTS

As of 28 Mar 2025

- CBA's financial health is closely linked to the Australian economy, in particular retail credit quality, mainly housing loans.
- Earnings/NIMs are under pressure from strong mortgage market and deposit competition. Business banking growth however has been stellar and highly profitable.
- Losses on housing loans have been minimal; the low stock on the housing market has led to home prices rising from Mar-23 onwards, contrary to expectations. Low rental vacancy rates (1%) and low unemployment rates (~4%) have been very supportive of asset quality. House prices are currently going through a soggy patch, but we are not concerned.

CREDIT QUALITY SCORE (CQS) ²

As of 07 May 2025

CURRENT CQS

64

CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) VS CQS



KEY METRICS

As of 28 Mar 2025

AUD MN	Y21	Y22	Y23	Y24	1H25
Return on Equity	11.7%	12.7%	14.0%	13.6%	13.8%
Total Revenues Margin	2.3%	2.1%	2.2%	2.2%	1.1%
Cost/Income	47.0%	46.3%	43.7%	45.0%	45.2%
APRA CET1 Ratio	13.1%	11.5%	12.2%	12.3%	12.2%
International CET1 Ratio	19.4%	18.6%	19.1%	19.1%	18.8%
APRA Leverage Ratio	6.0%	5.2%	5.1%	5.0%	4.9%
Impairment Charge/Avg Loans	0.1%	(0.0%)	0.1%	0.1%	0.0%
Gross Impaired Loans/Total Loans	0.4%	0.3%	0.4%	0.4%	0.5%
Liquidity Coverage Ratio	129%	130%	131%	136%	127%
Net Stable Funding Ratio	129%	130%	124%	116%	116%

BUSINESS DESCRIPTION

As of 28 Mar 2025

- Originally established by the Australian government in 1911, CBA functioned for some time as Australia's central bank until the establishment of the Reserve Bank of Australia in 1959. It remained under government ownership until the early 1990s, after which it underwent a transformation from a bureaucratic public sector bank into a widely respected commercial organisation.
- Over the past twenty years, CBA has consolidated its position as the leading bank in Australia with a 24-28% share in household deposits and lending, helped by its acquisition during the 2008 crisis of Bank of Western Australia.
- In New Zealand it owns ASB Bank, but otherwise has been selling non-core assets, including its life insurance business.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

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