

IAM LISTED BOND ETF - CBA

FACT SHEET

AUGUST 2024

IAM
INCOME ASSET
MANAGEMENT

Commonwealth Bank of Australia

ISIN	Issue Amount	Ranking	Coupon	Coupon Frequency	First Call ¹	Maturity Date
AU3FN0082251	AUD700m	Subordinated Unsecured Tier 2	3mBBSW + 2.05%	Quarterly	25 October 2028	25 October 2033

¹ Excludes potential terms that would allow the issuer to redeem prior to the maturity date through a make-whole call.

Issuer Outline

Commonwealth Bank of Australia provides banking, life insurance, and related services for individuals, small businesses, and medium-sized commercial enterprises. The Bank offers corporate and general banking, international financing, institutional banking, and stock broking and funds management such as superannuation products.

Sector:	Financial
Sub-Sector:	Banks
Country:	AU
Ownership:	Public

IAM Credit View

Commonwealth Bank of Australia (CBA) continues to grow from strength to strength, emerging as the outperformer of the major Australian banks. Comparatively, the bank has notably ranked first in market capitalisation, net interest margin (NIM), cash profits and total assets amidst elevated macro uncertainty and fierce competition. With the rising pressure on revenue generation, cost discipline is a priority and a competitive differentiator for banks. The broader outlook for mortgage loan demand remains strong considering the undersupply of housing stock. An imminent challenge for CBA is managing the growing costs of loan arrears and impairments as inflation bites. CBA is well capitalised and has conservative internal buffers it upholds for its liquidity and funding profile.

Key Financials (AUD m)

LTM (31 March)	2024
Net interest income	23,081
Non-interest income	4,336
NPAT	10,900
Gross loans	931,873
Total assets	1,252,845
Customer deposits	864,485
Short- and long-term debt	234,632
CET1 ratio (%)	14.50
Non-performing loans (NPLs) (%)	0.37

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Risk for Tier 2 Instruments

- Almost Optional call dependent on regulator
- Conversion of write-down following a non-viability event
- Subordination

Strengths of CBA

- Strong capitalisation
- Healthy debt maturity profile supported by strong funding position
- Sound macro environment and regulatory oversight
- Systemic importance to Australian economy

Weaknesses of CBA

- Concentrated revenue stream
- Exposure to Australian housing and international funding markets
- Deterioration in portfolio credit quality
- Weakness of the Australian dollar

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