



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Commonwealth Bank

Business Description

Commonwealth Bank of Australia (CBA) is Australia's largest retail bank and one of the 'Big Four'. It also operates in New Zealand and Asia. Its core business is the provision of retail, business and institutional banking services. It is also a major fund manager and has increasing market shares in general and life insurance.

Strategy Analysis

CBA's strategy is focused on Australia, New Zealand and Asia. The vision is to become Australia's finest financial services organisation through excelling in customer service, with the group's objective to be ranked number one in customer satisfaction by June 2010. The CEO's strategic priorities are customer service, business banking, technology and operational excellence, trust and team spirit, and profitable growth. CBA has invested heavily in customer service training and new staff to recover marketshare losses in home loans and deposits. The bank has recruited new business bankers and has upgraded its service offer. In IT there is a new shared services approach. CBA aims to improve staff engagement and reduce turnover. The bank sees medium-term growth opportunities in Asia and has built a portfolio of holdings in Asian banks. CBA avoids business it perceives to be high-risk or which doesn't meet its return criteria; the aim is to keep credit quality strong. CBA is always assessing potential acquisitions and acquired Bankwest in 2008. Commonwealth Bank of Australia reported Statutory NPAT up 9% to \$2.57bn for the half-year ended 31 December 2008. Included in this result is a provisional estimate of the non-cash gain recognised on acquisition of BankWest of \$547m after tax. The Group's NPAT Cash Basis was \$2.01bn, a decrease of 16% on the pcp. Revenues from ordinary activities were \$21.04bn, up 19% from the same period last year. Statutory Diluted EPS was 173.6 cents compared to 177.7 cents last year. The net operating cash inflow was \$336m compared to an outflow of \$2.87bn in the pcp. The interim dividend declared was 113 cents compared with the same amount last year. With domestic and global economies slowing or in recession, the Group remains cautious and will continue to manage its businesses prudently. The Group's top priorities will be to maintain an appropriate level of capital, ensure continued access to a broad funding base, retain high levels of liquidity and to maintain a conservative approach to provisioning.

08 September 2010

Recommendation

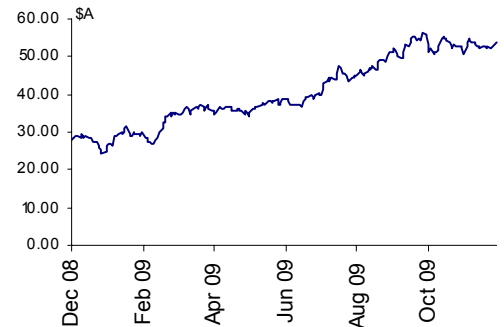
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: CBA
Stock price: \$51.78
Market cap: \$80,199m

	Y/E 30/06/2010	2011e	2012e	2013e	2014e
Reported e	\$m	6560.2	7382.7	8034.7	7054.0
Adjusted e	\$m	6664.2	7486.7	8138.7	7183.8
EPS adjusted	¢	429.9	478.3	518.4	516.8
EPS growth	%	7.7	11.3	8.4	-0.3
PE	x	12.0	10.8	10.0	10.0
PE relative	x	1.0	1.0	1.0	1.0
DPS	¢	315.0	360.0	389.3	383.1
Yield	%	6.1	7.0	7.5	7.4
Franking	%	100.0	100.0	100.0	100.0

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	5.0%
Retail Banking Services	41.6	1.3	18.3	3 year	3.0%
Other	20.8	1.3	22.4	5 year	12.0%
Institutional Banking and Markets	15.2	0.0	-0.3	10 year	12.0%
International Financial Services	12.5	1.1	12.4	Dividend Reinvestment Plan	Yes
Business and Private Banking	9.9	1.4	26.3	Shareholder Discounts	No
Total	100.0	5.1	79.1		
Results by Geography					
Australia	82.4	0.0	0.0		
New Zealand	12.4	0.0	0.0		
Other countries	5.2	0.0	0.0		
Total	100.0				

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