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## **The Blenheim Report**

**CONFIDENTIAL INTELLIGENCE REPORT**

**COMMONWEALTH BANK OF AUSTRALIA**

**NOVEMBER 2013**



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- We do not have Conflicts of Interest or Off Limits restrictions as a result of our partnering model.
- We support our clients long term planning capability with Strategic Succession Planning.
- We provide an end to end international search process, including Assessment and a 90 day On Boarding Programme.
- We provide international reach and superior candidates due to our rigorous research methodology and confidential recommendations from key industry leaders. This includes our commitment to enhancing the gender diversity of our candidate pool.
- We provide a fixed fee of which the final 25% is only payable if our client assesses that expectations have been exceeded.
- We have “no limitations” in the pursuit of excellence.

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## INTRODUCTION

The Commonwealth Bank of Australia (CBA) was founded under the Commonwealth Bank Act in 1911 and commenced operations in 1912. Today, CBA have grown to one of the most substantial companies in Australia with more than 800,000 shareholders and 52,000 people working in the Commonwealth Bank Group. CBA is a leading Australian retail bank and one of the 'Big Four'. Its core business is the provision of a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. CBA conducts its operations primarily in Australia, New Zealand and Asia Pacific region. It also operates in several countries including United Kingdom and USA.

### Major acquisitions to date:

- **1989: ASB Bank Ltd** (1987-date) 75% holding expanded to 100% in 2000, incorporating:
  - Auckland Savings Bank/ASB Trust Bank (1847-1987)
  - Westland Bank
  - Sovereign Ltd (1989-date)
  - Retail stockbroking and fixed income operations from Warburg Dillion Read (1997-date) which had previously incorporated S G Warburg & Co and Dillion, Read & Co
- **1991: State Bank of Victoria/SBV** (1842-1991) formerly Savings Bank of Victoria/SSB and Savings Bank of Port Phillip
  - **2000: Colonial Limited, formerly Colonial Mutual** incorporating:
    - Trust Bank (1991-1999) formed out of a merger between Hobart Savings Bank/Savings Bank of Tasmania (1845-1991) and the Tasmania Bank, formerly Launceston Bank for Savings (1835-1991) which had previously incorporated Tasmanian Permanent Building Society
    - Legal & General, Australia (1953-1998)
    - State Bank of New South Wales (1931-1994), formerly the Rural Bank
    - Prudential Corporation – Australia & New Zealand (1925-1998)
- **2008: Bankwest** – CBA acquired the Bank of Western Australia Limited (BankWest) and St Andrew's Australia Pty Ltd (St Andrew's) insurance business from UK based HBOS plc.
- **2013 - Aussie Home Loans** - John Symond, Aussie founder continues as executive chairman of Aussie and retains the 20% shareholding. Aussie generates most of its income from mortgage broking.

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**Market cap:** \$119b (21/10/13) | **Revenue:** \$44.87b (FY13) | **NPAT:** \$7.677b (FY13) | **Employees:** around 52,000 | **Head office:** Sydney

Commonwealth Bank of Australia (ASX: CBA) is engaged in the provision of a range of banking and financial products and services to retail, small business, corporate and institutional clients. The Bank is a provider of integrated financial services, including retail, business and institutional banking, superannuation, life insurance, general insurance, funds management, broking services and finance company activities. It operates in seven segments: Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest and Other. The Bank operates primarily in Australia, New Zealand, United Kingdom, United States and Asia Pacific.

## **CBA FY13 overview<sup>1</sup>:**

- Largest Australian bank by capitalisation
- AA- / Aa2 / AA- credit ratings(S&P, Moodys, Fitch)
- Total assets of \$745b
- Around 14.6 million customers
- Around 52,000 staff
- 1,166 branches
- #1 in household deposits
- #1 in home lending
- #1 FirstChoice platform

## **Highlights of 2013 Results:**

- Statutory net profit after tax (NPAT) of \$7,677 million – up 8 per cent on prior year;
- Cash NPAT of \$7,819 million – up 10 per cent;
- Return on Equity (cash basis) of 18.4 per cent;
- Fully franked final dividend of \$2.00 per share, taking total for the year to \$3.64, a 9 per cent increase on the prior year;
- Group in strong financial position with conservative provisioning and Common Equity Tier 1 Capital, on a fully harmonised Basel III basis, of 11.0 per cent – up by 120 basis points;
- Customer deposits up \$26 billion to \$405 billion – now represents 63 per cent of Group total funding; and
- Group well positioned with customer-focused business franchise operating off a conservative financial base and leading technology platform.

<sup>1</sup>2013 Full year results - <https://www.commbank.com.au/about-us/shareholders/financial-information/results.html>

## **BUSINESS SEGMENTS/ DIVISIONS:**

- **Retail Banking Services** segment includes the origination of home loan, consumer finance and retail deposit products and the sales and servicing of all retail bank customers.

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In addition, commission is received for the distribution of business and wealth management products through the retail distribution network (FY13 NPAT: \$3,054b).

- **Business and Private Banking** segment provides specialised banking services to relationship managed business and agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec. In addition, commission is received for the distribution of retail banking products through the Business and Private Banking network (FY13 NPAT: \$1,488b).
- **Institutional Banking and Markets** segment services the company's major corporate, institutional and government clients, creating customized solutions based on specific needs, industry trends and market conditions. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities risk management and transactional banking capabilities (FY13 NPAT: \$1,210b).
- **Wealth Management** segment includes the global asset management (including operations in Asia and Europe), platform administration and financial advice, as well as life and general insurance businesses of the Australian operations (FY13 NPAT: \$687m).
- **The Bankwest** segment is a full service bank active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products (FY13 NPAT: \$1,210b).
- **New Zealand** segment includes the banking, funds management and insurance businesses operating in New Zealand (excluding the international business of Institutional Banking and Markets) (FY13 NPAT: \$635m).
- **The Other Divisions** segment includes international financial services Asia incorporates the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese retail banks, the joint venture Chinese life insurance business and the life insurance operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management business in Asia; Corporate Centre includes the results of unallocated Group support functions, such as Investor Relations, company strategy, group tax, secretariat and treasury.

### **IN ADDITION, THE COMMONWEALTH BANK HAS FIVE SUPPORT DIVISIONS:**

- **Financial Services** - partners with all areas of the Commonwealth Bank Group to provide specialist advice regarding the organisation's financial management and strategy. This advice covers finance, audit, treasury, investor relations, security, general procurement and property.
- **Risk Management** - responsible for developing appropriate strategies and risk frameworks to allow the Group to take conscious exposures to credit, market, operational, compliance and insurance risks within a Board-approved appetite. They do this by identifying, assessing and reporting risks; assessing the impact of proposed changes in laws, regulations and industry codes to achieve the optimal risk and return outcomes for the Commonwealth Bank Group.
- **Enterprise Services** - provides technology and banking operations services across the Commonwealth Bank Group. The technology teams provide innovative product platforms for customers as well as essential tools for our business. The operations teams leverage technology to drive efficient and timely processing which is an essential component of the customer value proposition. Core Banking Modernisation, which will modernise the Group's existing banking legacy systems with a customer centric platform, is just one of several key strategic programs within Enterprise Services.
- **Human Resources** - supports each business unit through recruitment, employee relations, HR administration, remuneration benefits, occupational health and safety, project work and leadership development training.
- **Group Corporate Affairs** - responsible for delivering an integrated and consistent approach to the Group's external and internal affairs, legal matters, communications, sustainability and corporate governance. Group Corporate Affairs is comprised of Communications, Community & Corporate Sustainability, Government & Industry Affairs, Legal Services and Secretariat.

### **EXECUTIVE LEADERSHIP TEAM**

Name	Title	Background	Location	Comments
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		Profiles available upon request		
<b>RETAIL BANKING SERVICES</b>				
Retail Banking Services (RBS) division has around 18,000 employees. RBS has about 10 million customers, a lending book of more than \$275 billion (the biggest in Australia) and a branch network of around 1,166. In FY13 total assets were \$264b and total income: \$7.9b				
<b><u>Organisational structure</u></b>				
<b>Head of Retail Services – Matt Comyn</b>				
<b><u>Business segments:</u></b>				
<ul style="list-style-type: none"> <li>• <b>Retail Products</b> – personal and business products and services.</li> <li>• <b>Sales</b> – comprising sales professionals who work in the branches, Premier Banking, Banking divisions, as well as in Third Party and Mobile Banking.</li> <li>• <b>Direct</b> - looks after the Direct Banking, Netbank and online sales and also has a collections and Credit Solutions function.</li> <li>• <b>Support</b> - divisions include Group Sales and Service Support, as well as Retail Bank Transformation.</li> </ul>				
		Profiles available upon request		
<b>BUSINESS &amp; PRIVATE BANKING</b>				
		Profiles available upon request		
<b>INSTITUTIONAL BANKING &amp; MARKETS</b>				
		Profiles available upon request		
<b>Institutional Banking &amp; Markets - SPECIALISED CLIENT SERVICES</b>				
		Profiles available upon request		
<b>Institutional Banking &amp; Markets - INDUSTRY EXPERTS</b>				
		Profiles available upon request		
<b>Institutional Banking &amp; Markets - CORPORATE BANKING</b>				
<b>Corporate Financial Services</b>				
The Corporate Financial Services group is organised into three teams – <b>Corporate Banking, Wealth Management and Banking Specialists.</b>				
The Corporate and Institutional divisions consist of teams who have extensive experience in a range of industries and markets. They are backed by our product specialists who are able to structure solutions often utilising a hybrid range of products. In addition to this, our teams have access to in-depth market analysis and research developed by our market-leading research teams. This includes Australia’s leading distribution online broker, CommSec. Your business is able to leverage these resources through a dedicated Relationship Manager, which means that you have one easy point of contact with the Bank.				

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		Profiles available upon request		
<b>Institutional Banking &amp; Markets - CAPITAL OPTIONS</b>				
		Profiles available upon request		
<b>Institutional Banking &amp; Markets - INTERNATIONAL</b>				
		Profiles available upon request		
<b>WEALTH MANAGEMENT</b>				
		Profiles available upon request		
<b>BANKWEST</b>				
		Profiles available upon request		
<b>NEW ZEALAND – ASB BANK LIMITED</b>				
		Profiles available upon request		
<b>OTHER</b>				
		Profiles available upon request		
<b>BOARD OF DIRECTORS</b>				
		Profiles available upon request		
<b>STRATEGY</b>				

CBA generates superior shareholder returns by optimising revenue growth, productivity, capital efficiency and culture. The CBA point of difference continues to be its long term investment in IT, the productivity gains and better scores in customer satisfaction. It is now ahead of the pack on the all-important measure of products per customer. The profit improvement this generates allows CBA to continue to invest despite the fact that it is facing cost headwinds in 2014. It sets the scene to further push CBA's momentum and continue to broaden the lead from some competitors - most notably ANZ and NAB. It puts CBA in a strong position in the event the economic environment deteriorates - a possibility that the bank does not discount. CBA's core strategy is to invest in the competitive advantages that are difficult to replicate.

CBA specifies its three primary sources of advantage as:

- Leading application of technology to financial services
- A customer-focused staff culture
- A strong balance sheet

Each of these respectively supports returns on equity by making CBA more attractive to customers in a multi-channel banking world (an intangible asset), enhancing customer loyalty and satisfaction (another intangible asset), and reducing bad debts expense below peers' (a cost advantage). Lower losses on bad debts give CBA more room to price



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keenly to win and retain business while remaining sufficiently profitable. The CBA group will continue to invest in all three sources of advantage. CBA's industry-leading technology initiative is the \$1.1bn Core Banking Modernisation project, which rolled out real-time banking and same-day settlement across the depositor and borrower customer base. The project is effectively complete and CBA is the only major bank offering these features across its customer base, an advantage which will take competitors years to replicate given the project was launched in 2008 and completed in 2012.

CBA's policy on acquisitions is to acquire only when it can create more value for shareholders than they can create for themselves. While many of the group's customers are facing challenges, this is not translating into a deterioration of credit quality. However, given the uncertain outlook for both the global and domestic economies, the CBA Group remains cautious maintaining a strong balance sheet with high levels of capital, provisioning and liquidity - \$128.0bn as at 31 December 2012<sup>1</sup>.

In FY13 CBA didn't make any significant inroads in market share in most categories. In local home lending it inched up from 25.1 to 25.3 and in retail deposits grew 0.1 of a per cent where in the business lending market CBA lost 20 basis points of market share. Chief Executive Ian Narev, while setting up his bank as the one for the competition to beat, has demonstrated there is still good returns to be had in the banking industry.

**According to the 2013 Shareholder Review, the current CBA's business strategy has three major pillars<sup>2</sup>:**

- Customer focus
- Technology
- Overseas operations

### **Customer focus**

- **"Customer Focus** – Our customers are what unify us: they are at the heart of what we do. We will continue to secure and enhance the financial wellbeing of our customers. It is this focus that will see us continue to provide our customers with an outstanding experience with us. To enhance our customer focus, our strategy is supported by four clear capabilities – People, Technology, Strength and Productivity.
- **People** – We have a vibrant, customer-focused and high integrity culture. Our people are central to our success. We will continue to invest in people development, talent management and making the Group a place committed to diversity, safety and one where our people are proud to work.
- **Technology** – We are applying world-class technology to meet the evolving needs of our customers. We are developing applications that leverage real-time capabilities, considering new ways for our customers to interact with us and continuing to use technology to enhance productivity.
- **Strength** – Through the financial crisis we learnt that the Group's strength and stability make us the organisation Australians trust to look after their money. A strong and flexible balance sheet is important to ensuring we can continue to support our customers and capitalise on opportunities.
- **Productivity** – We are continuously simplifying the way we do things to achieve better outcomes for our customers and our people. This is something good businesses do at all times and is critical to our long-term success".

### **Technology**

"Having completed the replacement of its Core Banking system, the Group now delivers industry-leading features for customers, centred around the only true 24 hours a day, seven days a week Core Banking system among the major banks in Australia (and one of the few in the world for a bank of this scale). With the project now completed, we are

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focused on continuous innovation for the benefit of our customers. We continued to evolve the mobile banking experience with more updates to our industry-leading apps for both smartphones and iPhones during 2013. CommBank, one of Australia's most visited websites, was relaunched with a new look and enhanced user experience.

The introduction of video conferencing across our national branch network has successfully brought the 'bank to the branch'. Customers can now access our extensive range of financial specialists via face-to-face video conferencing facilities at their local branch. In an Australian-first, the Commonwealth Bank launched MyWealth, an innovative online hub to help DIY investors build and manage their own wealth. Extending our success around the launch of the world's first retail banking platform Pi, the Commonwealth Bank introduced Leo, a device enabling businesses to turn their iPod Touch or iPhone 4 into a contactless payment platform. We remain focused on further enriching the customer banking experience by putting the world's most advanced technology at our customers' finger tips".

### **Overseas operations**

"As a result of the Group's continued focus on developing its growth strategy in Asia, International Financial Services Asia (IFS Asia) has delivered a good result. IFS Asia's cash net profit after tax for the year ended 30 June 2013 was \$104 million, up 30 per cent on the prior year. This result was driven by stronger contribution from China investments and the Indonesian proprietary banking business. The Group continued its expansion in Asia during the year with the opening of five new China County Banks. PT Commonwealth Life added two new proprietary life insurance sales offices in Indonesia bringing the total number to 30. Approval for a Beijing branch has also been received from the Chinese regulator. In Wealth Management, CFSGAM's growth was driven by strong investment performance in improving equity markets. For Institutional Banking and Markets, higher institutional lending balances and improved trading performance in fixed income and rates contributed to the good result".

<sup>1</sup> InvestSmart - <http://au.investsmart.com.au/shares/asx/Commonwealth-Bank-CBA.asp>

<sup>2</sup> Source: 2013 Shareholder Review - <https://www.commbank.com.au/2013shareholderreview/our-strategy.html>

## MOVEMENTS

There have been a number of movements in senior executive and non-executive roles in 2012/13 including:

- **Andy Lark** – Resigned as Chief Marketing & Online Officer, May 2013. Replaced by Vittoria Shortt (see below)
- **Colin Galbraith AM** – Retired from the CBA Board, October 2013
- **David Durante** – Appointed CFO, Retail Banking Services & Enterprise Services, February 2013
- **Fergus Ryan AO** – Retired from the CBA Board, October 2012
- **Ian Cormack** - Appointed Executive General Manager HR Retail Bank, June 2012
- **Ian Saines** – Resigned as Group Executive, Institutional Banking and Markets will leave the Group at the end of 2013
- **John Hatton** – Resigned as Company Secretary upon his retirement, July 2013
- **Jon Sutton** – Resigned as Managing Director Bankwest, March 2012. Appointed COO of Bank of Queensland, March 2012
- **Linda Elkins** – Appointed Executive General Manager Colonial First State, August 2012
- **Margaret Taylor** – Appointed Company Secretary, August 2013. Carla Collingwood continues as a Secretary of the Bank.
- **Marcus Judge** – Appointed Chief Operating Officer, Corporate Banking Solutions, November 2012
- **Matt Comyn** – Appointed as Group Executive Retail Banking Services, August 2012
- **Melanie Laing** – Appointed Group Executive Human Resources, February 2012
- **Michael Cant** – Appointed Executive General Manager, Corporate Financial Services, Business Banking, May 2013
- **Rob De Luca** – Appointed Managing Director of Bankwest, April 2012
- **Ross McEwan** – Resigned as Group Executive Retail Banking Services after accepting a role as Chief Executive Officer, UK Retail with the Royal Bank of Scotland Group, based in London, May 2012
- **Symon Brewis-Weston** – Resigned as Executive General Manager of Corporate Financial Services, January 2013. Appointed CEO, Sovereign Assurance Company Ltd, March 2013
- **Vittoria Shortt** – Appointed Chief Marketing Officer, Sep 2013

### 4 October 2013

The Sydney Morning Herald

#### **CBA seeks stamp of approval for Narev's \$4.3m bonus**

Commonwealth Bank shareholders will be asked to approve a bonus of up to \$4.28 million for chief executive Ian Narev at the bank's annual meeting next month. The payment would be made under the bank's leadership reward program, which it says is designed to "focus the efforts" of the bank's most senior staff. Exactly how much Mr Narev gets will depend on the bank's performance compared with that of Australia's 20 largest listed companies over the next four years, and its customer satisfaction ratings. It will be paid after June 2017.

The country's biggest bank disclosed the grant of up to 62,966 award rights in a letter to shareholders in advance of the AGM in Adelaide next month. It comes after Mr Narev was paid a total of \$7.8 million last financial year, his first full year in the job. The bank said the reward scheme, available to top executives, was intended to "focus the efforts of participants to support superior shareholders' returns and customer satisfaction". "Reward rights entitle Mr Narev to receive shares or a cash equivalent, as determined by the board, subject to vesting criteria including the satisfaction of performance hurdles. The reward rights will be granted at no cost to Mr Narev."

Article:

<http://newsstore.fairfax.com.au/apps/previewDocument.ac?sy=smh&ss=SMH&docID=SMH131004B13E64D72MF&backTo%3Dhttp%3A%2F%2Fmarkets.businessday.com.au%2Fapps%2Fqt%2Fquote.ac%3Fcode%3DCBA>

### 16 October 2013

The Sydney Morning Herald

#### **Investors await CPA bid details**

Investors in takeover target Commonwealth Property Office Fund (CPA) must now wait for details from the independent directors of its manager on the proposed internalisation by the Commonwealth Bank, before any new offer can be made. DEXUS Property, which has an option over 14.9 per cent of CPA, has made an indicative joint offer with the Canadian Pension Plan Investment Board equal to \$1.15 a security, which investors say is too low.

This was rejected by the fund's manager, the independent directors of Commonwealth Managed Investment Ltd, who said the DEXUS proposal does not provide a compelling value proposition for CPA unit holders. Should the consortium decide to submit a revised proposal with improved terms, it will be considered on its merits, CMIL chairman Richard Haddock said. Analysts have said until details emerge of the privatisation and how that affects CPAs net tangible assets, DEXUS has no comparison value to bid against. CPA is trading at \$1.19 and fund managers have said a price of up to \$1.22 per CPA security would be needed to sway sellers. Under an internalisation, CPA investors would likely receive the net tangible assets figure, which is \$1.15.

Article:

<http://newsstore.fairfax.com.au/apps/previewDocument.ac?sy=smh&ss=SMH&docID=SMH131016CH4GG4BNLOM&backTo%3Dhttp%3A%2F%2Fmarkets.businessday.com.au%2Fapps%2Fqt%2Fquote.ac%3Fcode%3DCBA>

### 8 October 2013

The Australian

#### **CBA's online brokerage income slides**

Commonwealth Bank of Australia's online stockbroking platform CommSec has failed to evade the strains lashing the industry, with brokerage revenue sliding 9.7 per cent for the year to June 30. The nation's largest online broker posted a 9.1 per cent increase in profit to \$86 million for the year, according to accounts filed last week with the corporate regulator, but CommSec's performance the previous year was marred by a \$17m impairment expense, making the rise in profit this year appear better. Not including the impairment hit, profit before income tax in 2012 was \$132.7m, compared with \$128.4m in the 12 months to June 30. Total revenue fell to \$709.7m, compared with \$723.5m in 2012, as brokerage income slipped 9.7 per cent to \$129m.

Article <http://www.theaustralian.com.au/business/financial-services/cbas-online-brokerage-income-slides/story-fn91wd6x-1226734352785#sthash.BUSexOyc.dpuf>

### 30 September 2013

CBA website

#### **Australia heading towards cashless economy**

Australia is in the world's top ten of economies that are migrating towards being cashless, with non-cash transactions now accounting for 86% of the total value of consumer payments, according to a new study by Mastercard. The 'cashless journey' study looked at 33 economies across five regions, naming Australia in 6th place behind Belgium, France, Canada, UK and Sweden on the list of economies that are becoming cashless, despite a continued heavy reliance on cash for low value payments.

Article: <https://www.mywealth.commbank.com.au/economy/australia-a-global-leader-in-cashless-economy-news20130930>

### 14 August 2013

ABC News

#### **Commonwealth Bank full-year profit climbs by 8 per cent to \$7.67 billion**

The Commonwealth Bank's annual profit has climbed to a new record of \$7.67 billion. Australia's biggest bank says its earnings for the 2012-13 financial year increased by 8 per cent. The result is within the range anticipated by analysts. But the bank's overall revenue was down by 5 per cent to \$44.87 billion dollars. It has increased its final dividend to \$2 per share, taking its total full-year dividend to \$3.64. In a statement released to the share market, CBA chief executive Ian Narev says he expects business conditions to remain mixed this financial year.

Article: <http://www.abc.net.au/news/2013-08-14/cba-profit-result/4885516>

**14 August 2013**

The Sydney Morning Herald

### **Why CBA's 'perfect 10' result wasn't cheered**

The Commonwealth Bank has produced a set of numbers that would have been the envy of banks around the world. But it wasn't enough to justify its "priced to perfection" share price. It's hard to understand how traders could have expected any more but the immediate reaction from the market was to push the share price more than 1 per cent lower. Since September its shares have risen more than 36 per cent thanks to demand from yield-hungry investors.

The cash earnings improvement of 10 per cent - described by one analyst as "a perfect 10" is better than the consensus had predicted and the final dividend of \$2 was at the top end of the range and full year dividend was up 9 per cent. But some were hoping for more. But shareholders will be impressed at the CBA's performance - and its ability to squeeze a 13 per cent improvement from its Australian retail operations in what is a sluggish credit market and a very competitive market for deposits.

Article: <http://www.smh.com.au/business/banking-and-finance/why-cbas-perfect-10-result-wasnt-cheered-20130814-2rvt2.html#ixzz2iagaFiuR>

**14 August 2013**

The Sydney Morning Herald

### **Not right time to reward shareholders: CBA**

Commonwealth Bank chief executive Ian Narev says now is not the right moment for the bank to reward shareholders with a special dividend, as the lender needs to maintain a conservative approach to managing its capital.

Despite delivering a record cash profit of \$7.8 billion and higher dividends, CommBank shares fell 1.1 per cent to \$73.73 after it did not pay a special dividend, as some investors were expecting.

### **Retail drives profit**

CommBank's flagship retail bank drove the result, with earnings from the division rising by 13 per cent over the year to more than \$3 billion. Its markets business and its New Zealand bank also grew strongly over the year. Banks have faced weak demand for credit from Australian households and businesses, but earnings have continued to show strong growth, as the banks benefit from widening profit margins.

During the half, the bank's massive mortgage book benefited from decisions late last year to withhold some of the value of official cuts in interest rates from borrowers. Mr Narev has tried to boost loan profitability by passing on to borrowers only part of the central bank's 2.25 percentage-point interest-rate reduction since November 2011. He is cutting costs to protect profit as loan growth slows while fees and trading income recover.

Article: <http://www.smh.com.au/business/earnings-season/not-right-time-to-reward-shareholders-cba-20130814-2rv6m.html#ixzz2iaijB8BW>



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