

## CBA Retail Bonds Series 1

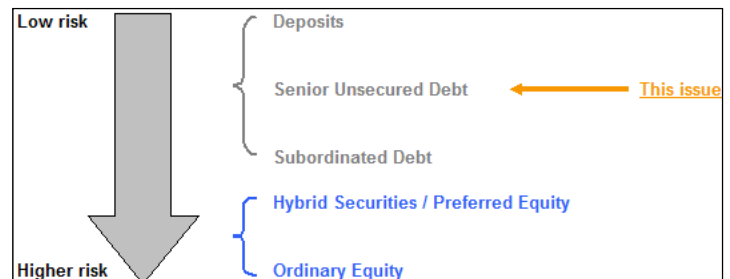
CBA has just announced the launch of a new retail bond: CommBank Retail Bonds Series 1. The first round of access is through a broker firm allocation, prior to general offer and institutional offer before listing in December.

The Bonds will pay a quarterly coupon of between 1.00% and 1.15% (which is to be determined during the book build process) over the 90 day bank bill swap rate (BBSW). The BBSW is currently 5.04%. The exact pricing is to be set prior to launch and will have a 5 year term. The bond will be tradable on the ASX.

Commonwealth Bank Retail Bond Offer Details	
<b>Issuer</b>	CBA
<b>Security Name</b>	CommBank Retail Bonds Series 1
<b>Maturity</b>	24 December 2015
<b>Margin</b>	90 day BBSW + 1.00%-1.15%
<b>Size</b>	\$500m+
<b>Minimum Parcel</b>	\$5,000

Source: FIIG Securities Limited

This latest issue highlights the increased cost of funding to banks. Prior to the GFC, banks were issuing hybrid securities (which retain substantially more risk than this bond) at margins of 1.00% over BBSW for five years.



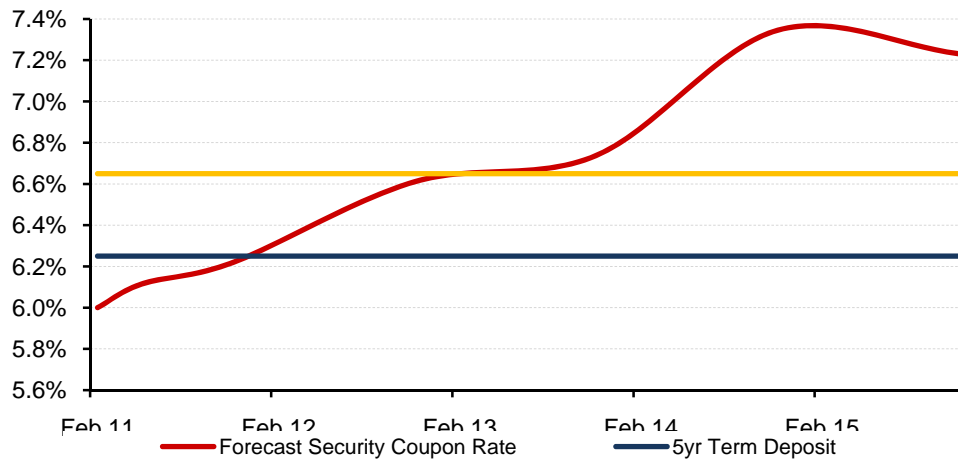
Compared to 2007, investors are receiving similar returns with greater security of capital.

### Attractive Pricing

In our opinion, the bond looks reasonably attractive on a number of measures;

1. CBA's 5 year term deposits are currently 6.40% *paid annually* which is the equivalent of 6.25% pa paid quarterly. Term Deposit rates are also fixed for five years with financial penalties should you wish to exit early.

With the BBSW currently at 5.04%, the indicative first coupon on the retail bond will be between 6.04% and 6.19%pa paid quarterly. The interest rate will be reset quarterly and should ensure that the interest rate will maintain parity with any increase in the RBA Official Cash rate.



source: RBS Morgans

2. CBA has several wholesale bonds already in the market which are priced on similar terms without the option of liquidity provided by the ASX.

Other similar *wholesale* bank bonds are currently trading at around 1.14% over the BBSW, similar pricing for a retail offer suggests that there will be strong demand for this issue and would not be surprised to see a valuation of up to 101% on listing.

With rates expected to increase over the coming years, we believe this bond represents an attractive proposition for investors as it offers similar yields to term deposits and wholesale bonds with the added benefit of daily liquidity on the ASX should investors need to access their capital\*.

*\*Note: CommBank Retail Bonds will be listed on the ASX and as such the price of the Bond's will be subject to market movements. Investor's selling on market may receive a price lower (or higher) than the issue price. In the event of insolvency, term deposits rank higher than the retail bonds on the bank's capital structure. The retail bonds rank above ordinary and preference share investors.*