

COMPANY PROFILE

BELL POTTER

Commonwealth Bank of Australia

GICS - Banks

ASX Code: CBA

Price: \$79.60

12 Mth Target Price: \$86.00

Rating: Buy

Business Summary

Commonwealth Bank of Australia (CBA) is an Australian retail bank. 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.

Retail Banking Services: The division provides home loan, consumer finance and retail deposit products and servicing to all Retail bank customers. In addition, commission is received for the distribution of wealth management products through the retail distribution network.

Business & Private Banking: The division 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.

Institutional Banking & Markets: The division services CBA's corporate, institutional and government clients, creating customised 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. It also has international operations in London, Malta, New York, New Zealand, Singapore, Hong Kong, Japan and Shanghai.

Wealth Management: The division 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.

New Zealand: The division includes the Banking, Funds Management and Insurance businesses operating in New Zealand.

Bankwest: The division 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.

Other Divisions: Others include International Financial Services Asia including the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese retail banks, the JV Chinese life insurance business and the life insurance operations in Indonesia.

Latest Research

Let your memory be your travel bag

All comparisons are to the quarterly average in 2H19 unless noted otherwise. CBA's 1Q20 unaudited statutory NPAT was ~\$3.8bn and included ~\$1.5bn CFSGAM gain on sale proceeds. Unaudited cash NPAT excluding notable items (i.e. continuing operations) was ~\$2.3bn (+5%, BP forecast ~\$2.2bn) and the better outcomes partly reflected the non-recurrence of material remediation provisions (cumulative pre-tax customer remediation and program provisions are unchanged at \$2,174m).

For more information see full research report 13 Nov 2019.

Snapshot

Date	21 November 2019
Market Cap.	\$140,911m
Shares on issue	1,770.2m
12 Month High	\$83.99
12 Month Low	\$67.55

Rating

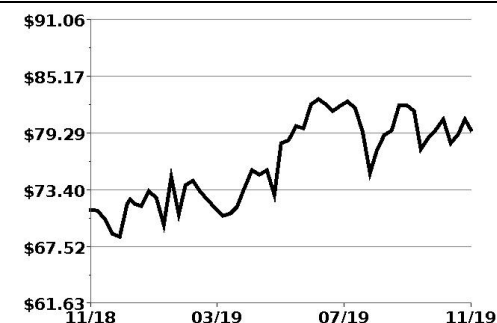
Rating	Buy
12 Mth Target Price	\$86.00
Capital Gain	8.0%
Gross Yield	7.7%
Implied Total Return	15.8%

Investment Fundamentals

FYE 30 Jun		2019A	2020F	2021F	2022F
Profit	\$m	8,706.0	8,698.5	9,143.4	9,588.2
Profit (norm)*	\$m	8,706.0	8,698.5	9,143.4	9,588.2
EPS*	¢	493.0	491.1	516.2	541.3
EPS Growth	%	-8.5	-0.4	5.1	4.9
P/E*	x	16.1	16.2	15.4	14.7
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	431.0	431.0	431.0	431.0
Yield	%	5.4	5.4	5.4	5.4
Franking	%	100.0	100.0	100.0	100.0

* Adjusted for goodwill and unusual items
Source: Based on Bell Potter estimates

Share Price Chart



Total Return on \$10,000 Investment



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Profit & Loss (\$M)

	2015A	2016A	2017A	2018A	2019A
Net Interest Income	15,795	16,935	17,600	18,341	18,120
Provision for Doubt. Debts	-988	-1,256	-1,095	-1,079	-1,201
Non Interest Income	11,210	10,562	10,850	7,865	6,217
Total Operating Income	26,017	26,241	27,355	25,127	23,136
Non Interest Expense	-13,321	-13,078	-13,491	-10,836	-10,731
Profit Before Tax	12,696	13,163	13,864	14,291	12,405
Income Tax	-3,538	-3,693	-3,959	-4,026	-3,391
Outside Equity Int.	-21	-20	-24	-19	-19
Profit after Tax	9,137	9,450	9,881	10,246	8,995
Significant Items after Tax	-74	-223	47	-871	-642
Reported Profit after Tax	9,063	9,227	9,928	9,329	8,571
Preferred Dividends	--	--	--	--	--

Cash Flow (\$M)

	2015A	2016A	2017A	2018A	2019A
Interest Received	34,067	34,047	33,536	35,801	34,757
Interest Paid	-17,425	-16,285	-15,006	-15,356	-15,695
Net Operating Cashflow	7,183	-4,561	-807	1,109	18,086
Capex	-1,128	-1,768	-1,097	-980	-640
Acquisitions & Investments	-299	-857	-31	-245	72
Sale of Invest. & Subsid.	72	110	1	--	1,259
Net Investing Cashflow	-1,215	-2,032	-677	-1,002	983
Proceeds from Issues	--	5,022	28	--	--
Dividends Paid	-6,200	-5,827	-6,084	-5,366	-6,853
Net Financing Cashflow	-7,875	1,620	10,472	-934	-25,739
Net Increase Cash	-1,907	-4,973	8,988	-827	-6,670
Cash at Beginning	19,128	19,270	14,447	23,117	23,005
Exchange Rate Adjust.	2,049	150	-318	715	675
Cash at End	19,270	14,447	23,117	23,005	17,010

Ratios and Substantial Shareholders

Profitability Ratios

Net Interest Margin	%	2.00	2.02	1.96	2.04	1.98
Interest Spread	%	1.68	1.78	1.73	1.83	1.77
Non-Int Inc/Total Inc	%	43.09	40.25	39.66	31.30	26.87
Tot Op. Inc/Tot Assets	%	2.98	2.81	2.80	2.58	2.37
Return on Equity	%	17.43	15.70	15.65	15.23	12.93

Efficiency/Safety Ratios

Cost to Income	%	47.85	46.13	44.64	39.67	41.59
Capital Adequacy Ratio	%	9.10	10.60	10.10	15.00	15.50

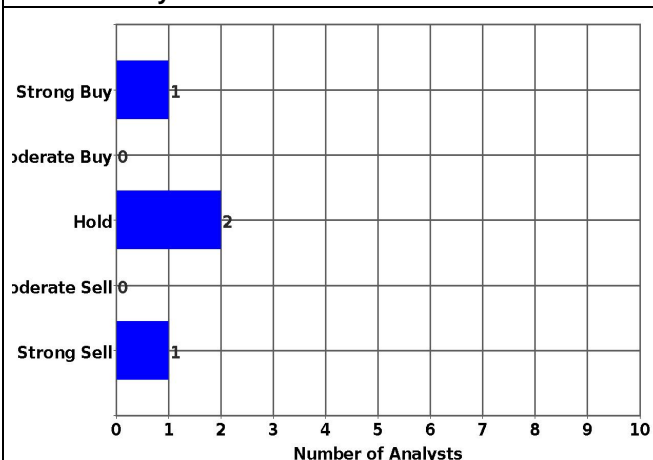
Top 5 Substantial Shareholders

The Vanguard Group, Inc	5.0%
BlackRock Group	5.0%

Balance Sheet (\$M)

	2015A	2016A	2017A	2018A	2019A
Cash	33,116	23,372	45,850	22,897	16,655
Due from Other Banks	--	--	--	--	8,093
Trading Securities	119,111	119,221	120,128	131,114	135,677
Loans and Advances	639,262	695,398	731,762	743,365	755,141
Customer Acceptances	1,944	1,431	463	379	32
Total PP&E	2,833	3,940	3,873	2,576	2,383
Other Non Earning Assets	77,180	89,716	74,298	74,834	58,521
TOTAL ASSETS	873,446	933,078	976,374	975,165	976,502
Deposits	543,231	588,045	626,655	630,358	623,158
Due to Other Banks	36,416	28,771	28,432	20,899	23,370
Bonds & Notes	154,429	161,284	167,571	172,693	197,117
Bank Acceptances	1,944	1,431	463	379	32
Provisions	2,738	3,018	3,562	2,841	3,077
Other Liabilities	81,695	89,773	85,975	80,135	60,099
Total Liabilities	820,453	872,322	912,658	907,305	906,853
Net Assets	52,993	60,756	63,716	67,860	69,649
Share Capital	28,558	33,845	34,971	37,270	38,020
Reserves	2,345	2,734	1,869	1,676	3,092
Retained Earnings	21,528	23,627	26,330	28,360	28,482
Minorities	562	550	546	554	55
TOTAL S/H EQUITY	52,993	60,756	63,716	67,860	69,649

Current Analyst Recommendations *



* Source: Morningstar. This chart shows the spread of recommendations from those broker analyst's in Australia with research coverage of this stock.

Principals & Directors

Principals

Company Secretary	Ms Kara Lyn Nicholls
	Ms Kristy Huxtable

Directors

Ms Catherine Brighid Livingstone(Non-Executive Director,Non-Executive Chairman)
Sir David H Higgins(Non-Executive Director)
Mr Paul Francis O'Malley(Non-Executive Director)
Mr Matthew Peter Comyn(Chief Executive Officer,Executive Director)
Ms Anne Louise Templeman-Jones(Non-Executive Director)
Mr Shirish Apte(Non-Executive Director)
Ms Wendy Margaret Stops(Non-Executive Director)
Ms Mary Louise Padbury(Non-Executive Director)
Mr Robert Whitfield(Non-Executive Director)
Professor Genevieve Bell(Non-Executive Director)

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