

CBA plans retail bond offering

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In a huge boost for the dormant Australian retail bond market, Commonwealth Bank announced plans to tap retail investors' appetite for fixed income with the imminent launch of 5-year floating rate notes.

The size of the offering is believed to be as large as \$500 million according to sources familiar with the deal. The bonds will be \$100 in face value with a minimum of investment of \$5,000 likely to be needed from an investor to participate.

Australia's big four banks are among the largest bond issuers locally and abroad, however up until now, only institutional investors have been able to participate in sizes way beyond the capability of the average investor.

Steven Nash of FIIG Securities told [Financial Standard](#) that while recent retail bond offerings from Tabcorp and Primary Healthcare were well received, CBA is a household name and one of the country's largest issuers, so its move was "very positive" for the retail market.

"It indicates a willingness of major banks to consider retail issuance to diversify their funding base. This issue will help stimulate that interest," Nash said.

"It will get people thinking about have they got enough bonds in their portfolio, and maybe be a lead in to more issuance in this market," Nash continued.

Nash said the issue could help resolve some of the "ignorance" in the local investment community towards bonds.

"In terms of stimulating interest, it's great," he said.

In a statement to the ASX, CBA said that it expects to pay between 100 and 115 basis points over the 90-day bank bill rate in the offering. Using yesterday's closing rate, that would imply a starting yield of around 6.2 per cent.

Last week, the bank faced a political storm after it hiked its variable home loans by 45 basis points, above the RBA's 25 basis point cash rate increase.

The 45 basis point rise pushed its benchmark Complete Home Loan Variable Mortgage Rate up to 7.81 per cent.

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