



CBA plans retail bond offering

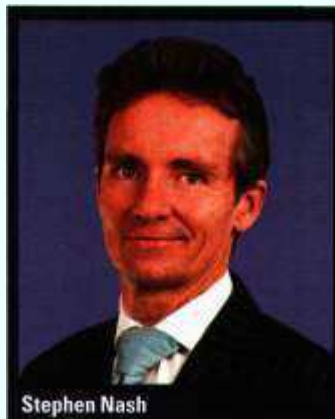
In a huge boost for the dormant Australian retail bond market, Commonwealth Bank announced plans to tap retail investors' appetite for fixed income with the imminent launch of five-year floating rate notes.

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.

Stephen 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.



Stephen Nash

"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.

He 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 it expects to pay between 100 and 115 basis points over the 90-day bank bill rate in the offering.

At current rates (as at November), that could imply an initial yield of more than 6.10 per cent. The market, however, can move significantly between now and when the issue is priced. ●