

Bank gulps record take

Chief defends CBA's \$7.8bil profit

Stephen McMahon

THE Commonwealth Bank made more than \$14,000 a minute to post the nation's biggest ever annual banking profit of \$7.8 billion.

It pocketed \$21.4 million a day in profits, almost \$1 a day for every man, woman and child in the country.

Despite this, chief executive Ian Narev defended the bank's refusal to pass on in full the Reserve Bank's recent run of rate cuts.

He called for the next government to provide a more stable policy environment and rebuild business and consumer confidence.

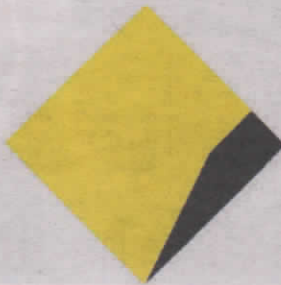
In the past year, the RBA has cut 1.25 percentage points from the official interest rate.

But on average, the big four banks have cut their standard variable rate by just 1.12 points, blaming higher global funding costs.

The Commonwealth Bank lowered its standard variable rate by 1.11 points, holding back 14 basis points.

A potential saving of around \$25 a month on the average mortgage has gone into the bank's pockets rather than homeowners'.

Mr Narev yesterday ruled out matching National Aus-



tralia Bank's plan to offer \$1000 to home loan customers who switch lenders.

"Our strategy is paying off. We have achieved our goal of becoming the market leader in customer satisfaction," Mr Narev said.

"Price is only one factor. We are happy with our home loan proposition."

He also played down concerns about the prospect of a property bubble driven by a 53-year low in interest rates.

But he warned that whoever wins the September 7 federal election would have to provide a much greater degree of policy stability, or growth could slow further.

"We are upbeat about the long-term outlook," he said.

"But political stability is needed to lift business and consumer confidence," Mr Narev said.

"There are downside risks in the short-term," he said.

"Customers tell us they are struggling to understand what the post-mining investment boom period will mean for them," Mr Narev said.

"They want a clear picture from government about what the future economy will look like," he said.

CBA's results exceeded analysts' forecasts.

The market expected the bank's cash profit to be around \$7.6 billion.

"This is an impressive performance all-round," Morningstar analyst David Ellis said.

"Despite no guidance we remain positive on the outlook," he said.

"We remain confident that the bank's low risk and conservative business settings will provide further earnings and dividend growth, despite generally limp economic conditions."

But shareholders, unhappy with the bank's reluctance to meet expectations for a special dividend payment, sent the share price down 1.1 per cent yesterday in a flat market.

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