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## CBA to split business arms

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COMMONWEALTH Bank has finally decided to split its CommSec online trading arm from its institutional banking unit, as part of a shake-up of one of its biggest business units.

The lending giant has also tapped former McKinsey & Co executive Ian Narev to head a new unit that will mostly lend to small to mid-sized businesses but will also be the new home for CommSec.

For years analysts have argued CBA's premium business services operations should be split to reflect business lines, arguing that the unit — which takes in online trading and small business to high-end corporate financing — had become too big to focus on customers ranging from online traders to wealthy clients.

Managing director Ralph Norris said the split "recognises the increasing scale, diversity and importance of these businesses to the group's overall business mix". Last year, the premium business services unit lifted profit by 2 per cent to \$1.48 billion, which made up nearly a third of group earnings.

But as CBA prepares to hand down its first-half results next month, earnings are expected to come under pressure given its exposure to a clutch of struggling companies, including ABC Learning, Allco Finance Group and Babcock & Brown.

CBA recently warned investors that provisions for bad debt could rise to \$2.5 billion, more than double last year's level, as credit conditions deteriorated.

The split of the premium business services operation involves the creation of a unit to be known as "business and corporate".

It will oversee lending for small and mid-sized business, agribusiness and the CommSec online banking operations.

The appointment places Mr Narev in a senior executive role at CBA following an 18-month stint as the bank's head of strategy. In that role, the New Zealand-born Mr Narev caught the attention of investors after overseeing the recent \$2 billion acquisition of BankWest and the equity investment in mortgage broker Aussie Home Loans.

Based on recent performance, the new business and corporate unit will generate annual revenue of more than \$1.7 billion, compared with nearly \$1.9 billion for the institutional lending business.

The shake-up has been triggered by the exit in September of premium business services head Stuart Grimshaw, who joined boutique funds manager Caledonia Investments.

CBA is expected to name a replacement for the institutional and markets head within weeks. Those in the running include former ABN Amro Australia boss Angus James.

Separately, brokerage Goldman Sachs JBWere yesterday downgraded its earnings forecasts for Commonwealth Bank by 4.9 per cent for this financial year and by 6.2 per cent for 2009-10.

*This story was found at: <http://business.theage.com.au/business/cba-to-split-business-arms-20090119-7kuu.html>*

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