ASX: CBA RESEARCH NOTE · SELL

Commonwealth Bank

Priced as the best bank in the world at the exact moment its core market is turning.

Market data at ASX close, 16 November 2026. Q1 FY27 trading update released 11 November 2026.

RATING
SELL
reiterated

PRICE TARGET
A$110
−36% to last close

DISCLOSURE: Cashu holds no position in CBA and has received no payment from any party for this report. Short selling involves the risk of unlimited loss. Full disclosures on page 4.

FORWARD P/E	FY27 EPS GROWTH	IMPAIRMENT CHARGE	HOME VALUES
25.7×	**+1.4%**	**11 bps**	**−6.7%**
Ten-year median ~16.5×	Consensus A$6.66 vs A$6.57	Sep quarter, from 7 in FY25	From March peak; CBA sees −14%

THE CALL

Commonwealth Bank is priced as the best bank in the world at the exact moment its core market is turning. It trades on 26× trailing earnings and 25.7× forward, against a ten-year median of about 16.5× and global peers on 15–18×, for a business that grew cash earnings 7% last year and that consensus has growing them about 1% this year. The premium was built on a housing boom, benign credit and super-fund flows that had to buy something. All three are now going the wrong way.

01 **The evidence is in CBA's own numbers.** Loan impairment expense has gone from 7 basis points of loans in FY25 to 8 in FY26 to 11 in the September quarter. Home-loan arrears rose 7 basis points in a single quarter to 0.80%. Home-loan applications are down 16% on a year ago, and the ABS just recorded the largest quarterly fall in new housing lending since the series began.

02 **The housing market is falling, and CBA says so.** National home values are down 6.7% from their March peak after seven straight monthly falls, and CBA's own economists now forecast a 14% peak-to-trough decline. The RBA has hiked five times this year to 4.85%, and more than half of CBA's loan book is Australian mortgages.

03 **The multiple does the work.** Our target of A$110 is 17× FY27 cash earnings of A$6.47 a share, 3% below consensus. That is still a premium to the sector's 20-year average of 12.7× and to CBA's own history. It is where the stock trades if the market simply stops paying a growth multiple for no growth. If credit costs normalise to 15–20 basis points, the earnings leg moves too and the downside is larger.

04 **Even consensus is still too generous.** The broker consensus target already sits at A$125, Morgan Stanley is underweight at A$125 and Jarden has a sell at A$90. We cannot construct a scenario on realistic multiples where CBA is worth what it trades for. The risk to our call is timing: the premium has already survived two years of sell ratings. See page 4.

WHERE THE STREET SITS

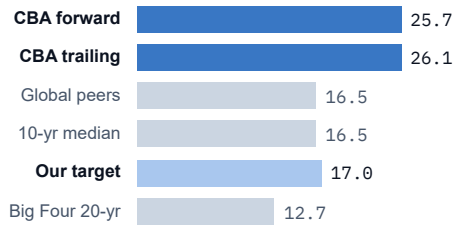
SOURCE, STANCE	VALUE	VS A$171.14
Broker consensus target (FNArena, 13 Nov)	A$125	−27%
Morgan Stanley, Underweight	A$125	−27%
Cashu Research, Sell	**A$110**	**−36%**
Morningstar fair value	A$108	−37%
Jarden, Sell	A$90	−47%

SNAPSHOT

Last close, 16 Nov	A$171.14
Price target	A$110
Implied return	−36%
FY26 cash EPS	A$6.57
FY27 EPS, consensus	A$6.66
FY27 EPS, Cashu	A$6.47
P/E, forward	25.7×
Target multiple	17×
Consensus target	A$125
Next catalyst	RBA, 8 Dec
Timing risk	High

CBA trades far above its own ten-year median multiple

Price-to-earnings, ×. Forward 25.7× against a 16.5× median: a 56% premium.



ASX close 16 Nov 2026; FNArena consensus FY27 EPS, 13 Nov 2026; CBA FY26 cash EPS; Morningstar (peers); GuruFocus/Lonsec (10-yr median); Wilsons Advisory (sector 20-yr average).

WHAT YOU PAY, WHAT IT GROWS

26× for +1%

Twenty-six times earnings for a bank consensus has growing them about 1% this year, with the credit cycle turning.

The Most Expensive Major Bank in the Developed World

No large bank anywhere trades like this, and the multiple is not buying growth.

At A$171.14 CBA is on 26.1× FY26 cash earnings of A$6.57 a share and 25.7× consensus FY27 earnings of A$6.66. Morningstar puts comparable global banks on 15–18× and values CBA at A$108, calling it materially overvalued. UBS has the sector's P/E relative to the ASX 200 more than two standard deviations above its history. Goldman Sachs flagged a 16× sector multiple in early 2025 as a 35-year high; CBA has been well above that ever since.

The multiple is not buying growth. FY26 cash profit was A$10.98 billion, up 7%, on a net interest margin that slipped 3 basis points to 2.05%. Consensus FY27 EPS of A$6.66 is 1.4% above FY26. Return on equity is 14%, respectable but nowhere near what 26× normally buys. CBA has been "too expensive" at 20×, 23× and 26×, and each time the explanation was the same: super inflows, passive weight, franking, the absence of alternatives. None of those are earnings. All of them reverse when earnings disappoint, and the September quarter was the first disappointment in a while.

CREDIT QUALITY HAS TURNED

The September quarter was the first time in this cycle that the credit numbers moved against CBA all at once. Loan impairment expense was A$300 million, or 11 basis points of loans annualised, up from 8 basis points for the whole of FY26 and 7 in FY25. Collective provisions rose A$105 million in the quarter, which CBA attributed mainly to lower house prices affecting the mortgage book; the bank is already provisioning for the housing fall. J.P. Morgan called the impairment charge higher than expected and flagged FY27 downgrades; UBS saw "limited scope for material consensus upgrades". Home-loan arrears rose 7 basis points in one quarter to 0.80%, having already risen 10 basis points in the second half of FY26. Consumer-finance arrears were 1.18% at June, up from 1.03% a year earlier. Matt Comyn's words were that "higher inflation and interest rates continue to place uneven pressure on household incomes", which is the polite way of saying rate rises are now landing on borrowers.

And this is from a starting point that flattered the earnings. At 7–8 basis points, CBA's impairment charge over the past two years was near the lowest in its history and well below the 15 basis points Morningstar assumes as a medium-term run rate, let alone the 20-plus basis points of a normal downturn. Every basis point of normalisation is roughly A$110 million off pre-tax profit on a A$1.08 trillion book. Getting from 8 basis points to 15 takes about A$750 million pre-tax, or close to 5% of FY26 cash profit, before any lending slowdown or margin squeeze. The low bad-debt charge was not a strength of the franchise; it was the tail end of a housing boom. The boom is over.

THE MORTGAGE MACHINE IS SLOWING

CBA's home-loan applications were down 16% on a year ago in the September quarter, and the system numbers are worse. The ABS recorded a 15.5% quarter-on-quarter fall in the value of new housing loans in the September quarter, the largest since the series began in 2002. Investor lending fell 32% in the quarter and the number of investor loans is down almost 40% on a year earlier. Owner-occupier loan numbers are down 10% year on year, first-home buyers 12%. The ABS called the decline "broad-based" across every state.

Balance growth is lagging the applications data, but it always does. CBA's home-loan book still grew 6.6% over the twelve months to September, about 1.1 times system, because loans applied for during the boom were still settling. Applications lead settlements by three to six months, which means the lending slowdown shows up in CBA's book from the second half of FY27. Morningstar has already cut its system housing-credit growth forecast to 3% for FY27 from 6% last year. Home loans are more than half of CBA's A$1.08 trillion loan book; A$565 billion sits in retail home lending alone.

Arrears and bad-debt charges are both heading the wrong way

Home-loan 90+ day arrears up from 0.70% to 0.80% in five quarters; impairment charge from 7 to 11 bps of loans.

HOME-LOAN ARREARS, 90+ DAYS, % OF BALANCES



LOAN IMPAIRMENT EXPENSE, BPS OF LOANS (ANNUALISED)



Jun 25 and Jun 26 are full-year figures; Dec 25 is the first-half figure; Sep 26 is the September-quarter trading update. CBA FY26 Profit Announcement (pp. 25–26, 42); CBA Q1 FY27 trading update, 11 Nov 2026, via ABC News and Morningstar.

THE NORMALISATION ARITHMETIC

Loan book	A$1.08t
Each bp of impairment	~A$110m
8 bps to 15 bps	~A$750m
As % of FY26 cash profit	~5%
Normal downturn	20+ bps

Pre-tax, before any lending slowdown or margin squeeze.

Margins Have Nowhere to Go

Business lending is filling the gap for now. It will not if housing credit stalls.

The net interest margin fell 3 basis points to 2.05% in FY26 and Morgan Stanley described the underlying margin as "basically stable" in the September quarter, which in a rising-rate environment means the pricing benefit is being competed away. The mortgage price war between the majors is intensifying as volumes shrink, and funding costs rise with every RBA move. CBA has been relying on business lending, up 13.6% over the year at 1.3 times system, to keep income growing at 3%. Business lending is a lower-margin, higher-risk substitute for the mortgage growth that built the premium, and it will not fill the gap if housing credit stalls.

THE HOUSING MARKET IS FALLING, AND CBA SAYS SO

National home values have fallen for seven straight months and are 6.7% below the March 2026 peak. Cotality's index fell 1.2% in October alone. Sydney is down 10.1% from peak, Brisbane 8.3%, Perth 8.9%, Melbourne 8.2%. Combined-capital values are down 8.1%, close to the 8.6% fall of 2017–19 that was the worst in Cotality's records. Sales volumes are down 23% on a year earlier, auction clearance rates are below 50%, listings are at their highest for this time of year since 2019, and the rental vacancy rate has risen to 2.3%, the highest since early 2022.

CBA's own economists forecast a 14% national peak-to-trough fall, with Sydney at 16% and Brisbane and Perth at 18%. That forecast was upgraded from 9% in September after the RBA's fifth hike of the year took the cash rate to 4.85% on 3 November, the highest since the global financial crisis. Big Four variable mortgage rates rose from 13 November. CBA expects prices to keep falling through 2027 and to stabilise in the second half of that year, without a material recovery. These are not our numbers; they are the bank's.

A 14% fall in collateral values changes the arithmetic on a mortgage book written at the top. Loans originated in 2024–26 at 80–90% loan-to-value ratios move toward negative equity as prices fall, which is exactly when arrears convert into losses rather than refinancings. CBA's A$78 billion in offset balances and the share of borrowers ahead on repayments are real buffers, and we do not expect a credit crisis. We expect something more mundane and more certain: impairment charges returning to normal, lending growth returning to low single digits, and the market noticing that it has been paying 26× for that.

WHAT CBA IS WORTH

Our base case needs nothing dramatic. FY27 cash EPS of A$6.47, 3% below consensus, reflects impairments drifting to 12–13 basis points and flat second-half lending. On 17×, CBA's own ten-year median and still a premium to global peers, that is A$110 a share, 36% below the current price. The multiple does the work; the earnings barely move.

Every scenario sits below today's price

Implied value, A$/share = FY27E cash EPS × P/E. Base case A$110, 36% below A$171.14 (close 16 Nov 2026).



Cashu Research scenarios. Price is ASX close 16 Nov 2026; consensus FY27 EPS A$6.66 and target A$125 from FNArena, 13 Nov 2026.

HOUSING, WHERE IT STANDS

National, from March peak	−6.7%
Sydney	−10.1%
Perth	−8.9%
Brisbane	−8.3%
Melbourne	−8.2%
Combined capitals	−8.1%
Worst prior fall, 2017–19	−8.6%
CBA forecast, peak-to-trough	**−14%**
Cash rate, 3 Nov	4.85%

Cotality Home Value Index, October 2026; CommBank economists, 3 Nov 2026.

THE BEAR CASE

The bear case is a normal credit cycle, not a crisis. Impairments at 20 basis points, lending growth stalling and a modest margin squeeze take FY27 cash EPS to about A$5.95, down 9% on FY26. On 14×, where the sector has typically bottomed in past de-ratings, that is A$83. Jarden's A$90 target, which models FY28 EPS below FY27, is in the same territory.

EVEN THE BULL CASE IS BELOW THE PRICE

Hold consensus earnings and let the multiple ease only to 21×, which would still make CBA one of the most expensive large banks in the world, and the stock is worth A$140, 18% below today. The broker consensus target of A$125 implies 27% downside and is itself a bull-ish 18.8×. We cannot construct a scenario on realistic multiples where CBA is worth what it trades for; the only argument for the current price is that the buyers who got it here keep buying.

Catalysts

The de-rating does not need a trigger; it needs the absence of good news, and the calendar is full of bad.

The RBA meets again on 8 December with inflation at 3.9% and a sixth hike live. Cotality's November home-value print lands on 1 December and will almost certainly extend the run of falls to eight months. The December-quarter ABS lending data will show the first full quarter of applications written after the fourth and fifth hikes. CBA's first-half FY27 result in February 2027 is the first full set of accounts to carry the arrears, impairment and settlement slowdown together, and it is the moment the market will have to decide whether 11 basis points was the peak or the start.

Watch three numbers in February: 90-day home-loan arrears above 0.90%; a loan impairment charge above A$600 million for the half; and home-lending growth below system. Any one of them removes the "best-in-class" argument that holds the premium up. All three, and the stock is at consensus by lunchtime.

RECOMMENDATION	
Rating	SELL
Target	A$110
Last close	A$171.14
Implied return	−36%
Basis	17× FY27E A$6.47
Horizon	12 months
Business risk	Low
Timing risk	High

WHAT COULD PROVE US WRONG

The premium has already survived two years of sell ratings. Super inflows, passive weight and franking-driven retail demand are structural and do not care about multiples; CBA has been "expensive" the entire way up. Mean reversion is a direction, not a date, and a short can be right on value and wrong on timing for a long time.

Rate rises help margins before they hurt credit. If the November hike flows through to the net interest margin faster than arrears build, FY27 earnings could beat consensus and the market would read that as the thesis failing.

The housing fall could be shallower than CBA's own forecast. Tight underlying supply, rising rental yields and the prospect of cuts in late 2027 are real supports, and a 14% peak-to-trough fall with full employment is survivable for a book with A$78 billion in offsets.

A capital return could extend the rally. CET1 of 12% leaves room for a larger buyback, and management has used buybacks to support the share price before. The index can carry it. As we argued in The Bank Trap, CBA is 10% of the ASX 200; in a strong market the passive bid alone can hold the price up regardless of fundamentals.

THE CALENDAR

- **1 Dec.** Cotality November home-value index; an eighth monthly fall.
- **8 Dec.** RBA decision; inflation 3.9%, a sixth hike live.
- **Early 2027.** ABS December-quarter lending; first full quarter after hikes four and five.
- **Feb 2027.** CBA 1H FY27 result. Watch arrears >0.90%, impairments >A$600m, home lending below system.

WHAT WOULD CHANGE OUR MIND

A margin beat in February that outruns the arrears build. Impairments holding at 8 bps through 1H FY27. A housing fall stabilising well short of CBA's 14% forecast. A buyback large enough to absorb the de-rating.

SOURCES AND DISCLOSURES

Sources. FY26 results: CBA Full Year Profit Announcement, 13 Aug 2026. Q1 FY27 trading update, 11 Nov 2026 (CBA ASX announcement): figures as reported by MPA, 11 Nov 2026, ABC News and Morningstar, 13 Nov 2026. Share price: ASX close 16 Nov 2026 via Sharetrader. Consensus target, EPS forecasts and broker ratings: FNArena, 13 Nov 2026. ABS September-quarter lending finance: via ABC News, 11 Nov 2026. Housing: Cotality Home Value Index, October 2026 and CommBank economists, 3 Nov 2026. RBA November decision: TFTC, 2 Nov 2026 and CommBank newsroom. Long-run multiples: GuruFocus, Lonsec and Wilsons Advisory as cited in The Bank Trap. Scenario analysis and price target are Cashu Research's own. Prepared by Fox Slotemaker, Research Manager, Cashu Research.

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Rating definitions. BUY (expected return >15% over 12 months); HOLD (−15% to +15%); SELL (<−15%). Business risk Low reflects CBA's franchise, capital and funding; Timing risk High reflects the structural index and super-fund bid described above.