

# **Commonwealth Bank**

## Supporting Material

For the quarter ended 31 March 2019



**Commonwealth**Bank



- ▶ **Sound fundamentals in a challenging environment**
  - Sustained volume growth in core markets
  - Balance sheet strength – Capital, Funding, NSFR, LCR
- ▶ **Focus on improved customer outcomes**
  - \$714m in additional customer remediation
  - Better Customer Outcomes – lower fee income
  - Responding to heightened regulatory requirements

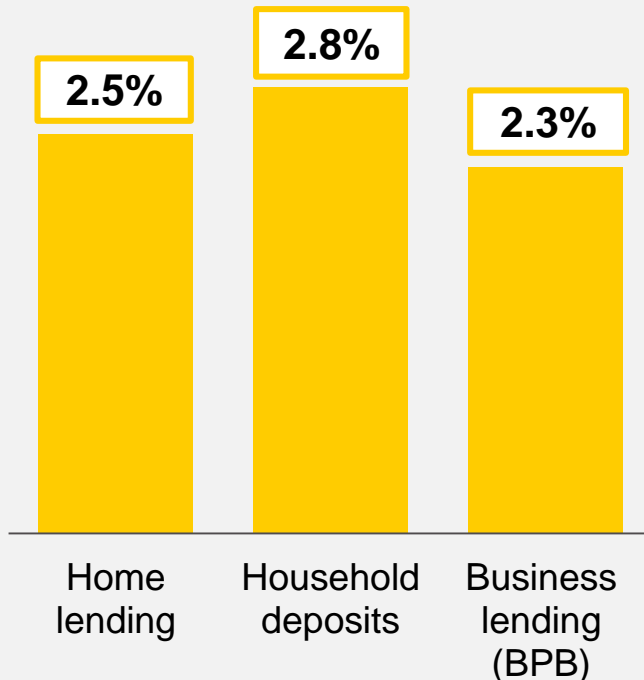
# Sound fundamentals in a challenging environment



## Sustained growth in core markets

### Volume growth<sup>1</sup>

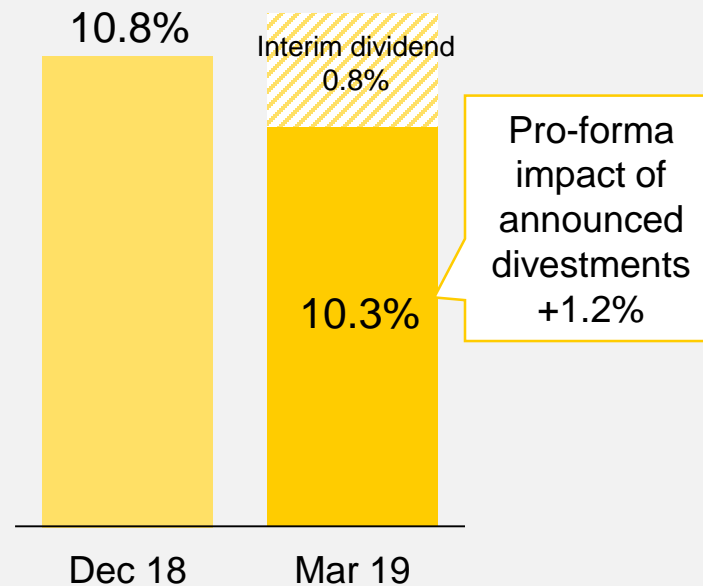
March 2019 vs December 2018  
(quarter annualised)



## CET1 +30bpts ex dividend

### Capital

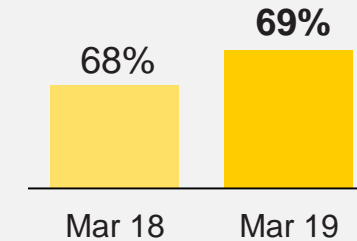
CET1 (%)



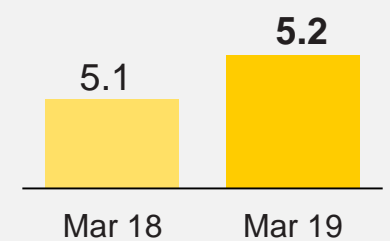
## Key balance sheet metrics strengthened

### Balance Sheet

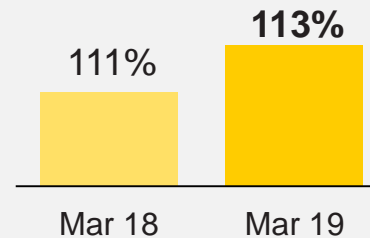
#### Deposit Funding



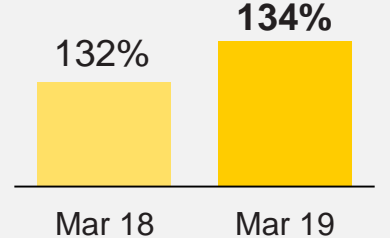
#### Wholesale funding Portfolio tenor, years



#### NSFR



#### LCR<sup>2</sup>

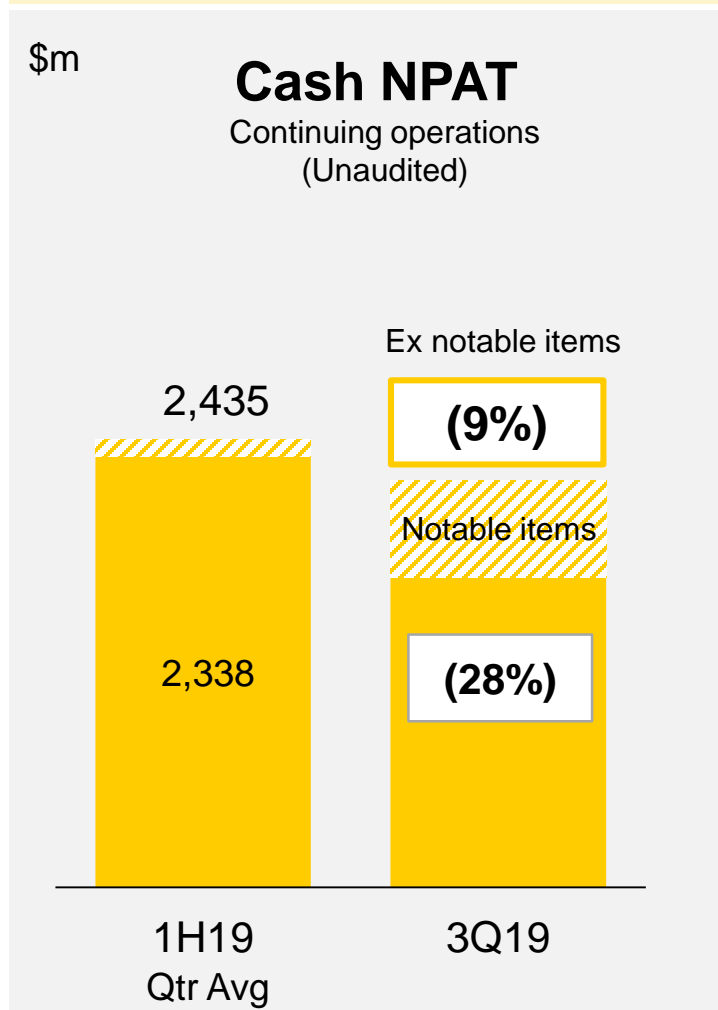


1. Home lending includes CBA subsidiaries, Homepath P/L, Residential Mortgage Group P/L and Wallaby Trust. Household deposits as reported under APRA monthly Banking Statistics. Business lending is limited to Business and Private Banking and excludes Bankwest and Institutional Banking and Markets. 2. Pillar 3 quarterly average.

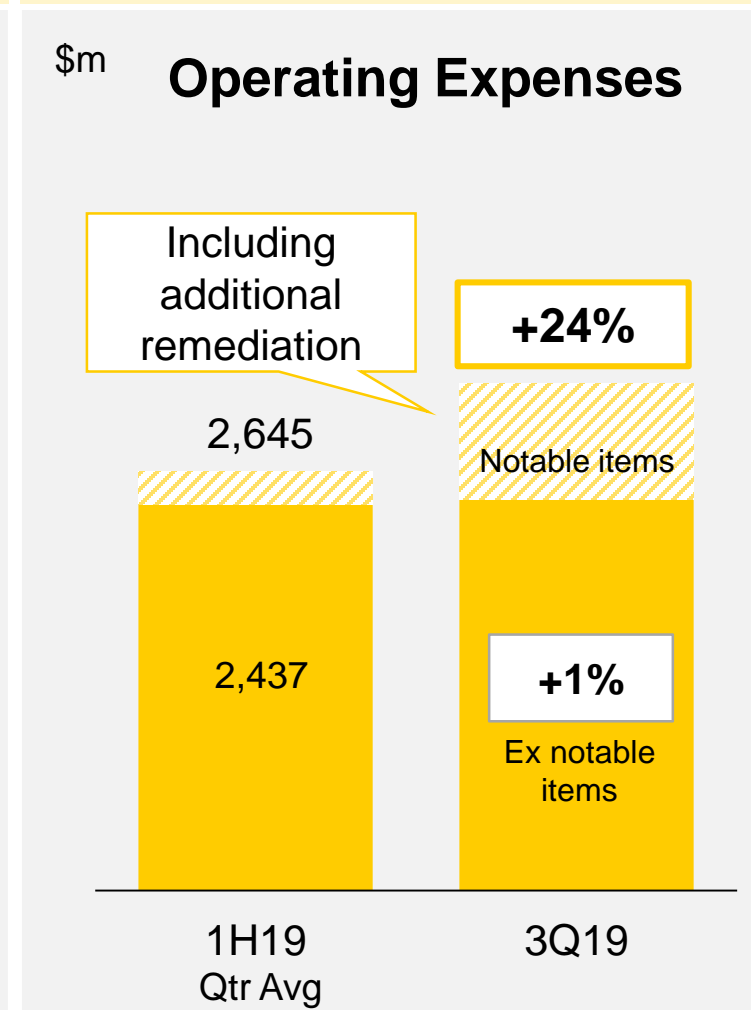
# Focus on improved customer outcomes



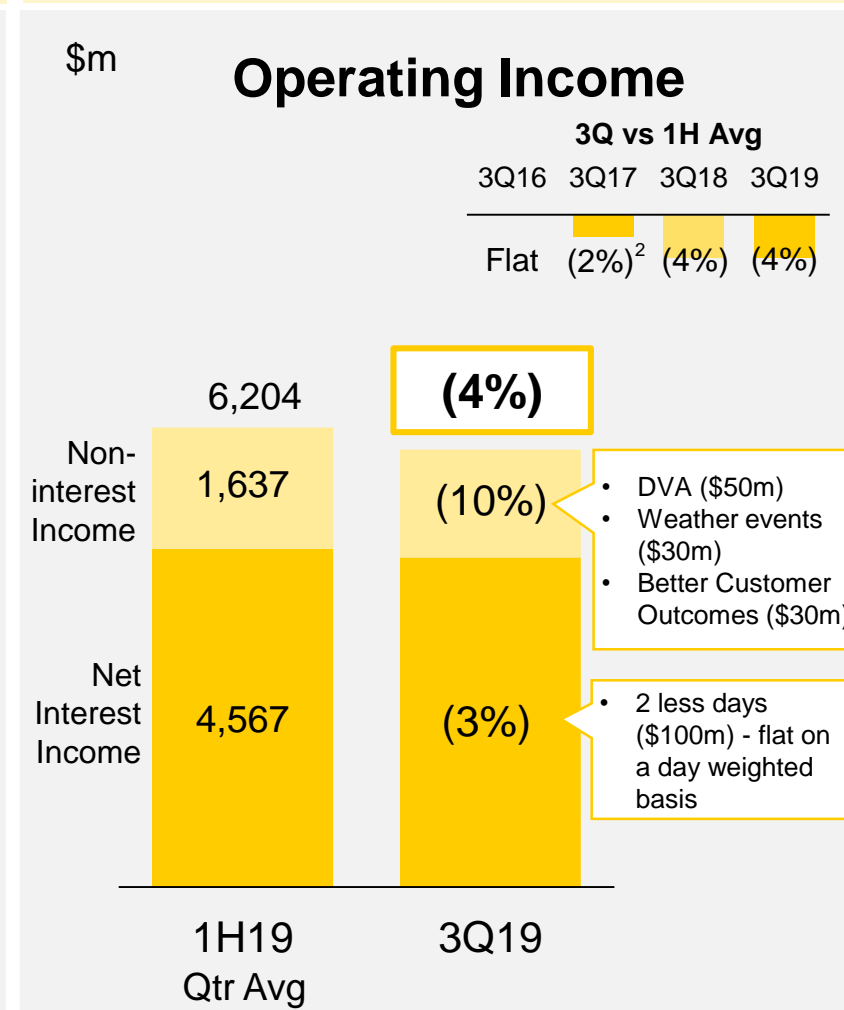
**Profit lower on \$714m<sup>1</sup> pre-tax additional remediation**



**Costs up 1% excluding notable items**



**Income lower  
(Seasonality, temporary headwinds  
& Better Customer Outcomes)**



1. Note the \$714m in pre-tax additional customer remediation provisions includes \$704m recognised in operating expenses (continuing operations) and \$10m in discontinued operations.

2. Excludes the impact of a \$397m gain on sale of the Group's remaining investment in Visa Inc recognised in 1H17.

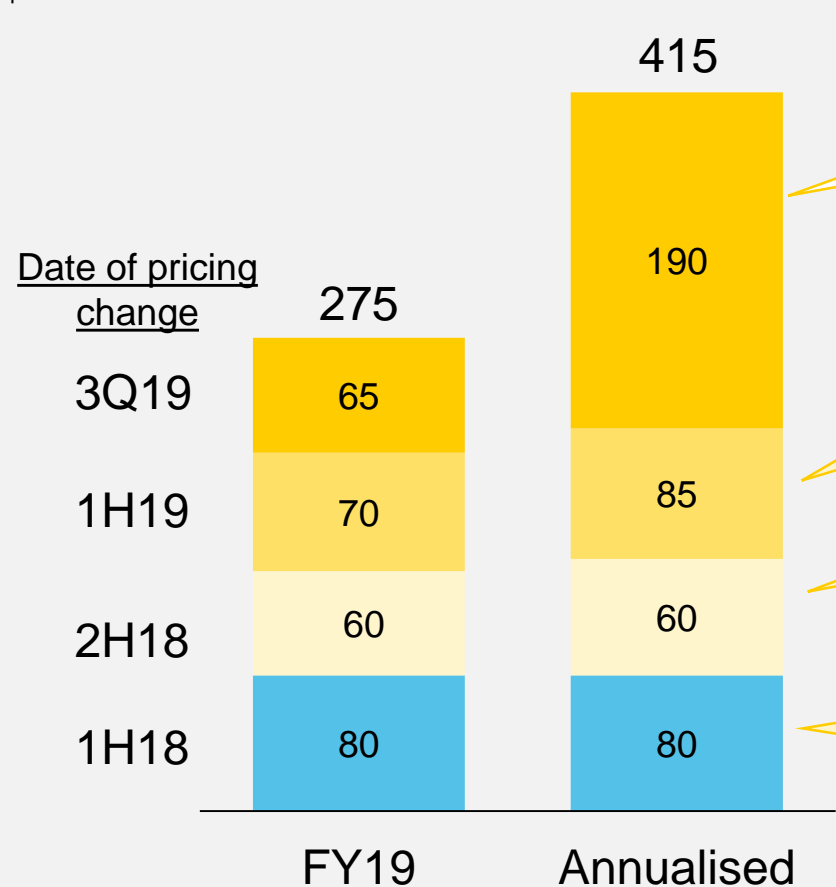
# Better Customer Outcomes



## Improving outcomes for our customers through fee removals and pre-emptive alerts

### Income foregone by date of initiative

\$m



### Examples

	RBS	BPB	WM
<ul style="list-style-type: none"> <li>Calculation of interest on credit cards</li> <li>Wealth Management – Protecting Your Super</li> </ul>	✓	✓	✓
<ul style="list-style-type: none"> <li>CFP – removal of ongoing service fees</li> <li>Wealth Management – CFS repricing</li> </ul>	✓		✓
<ul style="list-style-type: none"> <li>Overdrawn account alerts</li> <li>Transaction account waivers</li> <li>Credit Card, PL Protection insurance removed</li> </ul>	✓	✓	
<ul style="list-style-type: none"> <li>Everyday banking fee and pricing changes</li> <li>Overdrawn approval fee change</li> </ul>	✓	✓	
<ul style="list-style-type: none"> <li>Credit card – low fee card fee waiver</li> <li>IMT fee reductions</li> <li>Streamline account transaction fee changes</li> <li>ATM fee removal</li> </ul>	✓	✓	

<b>FY19 Total:</b>	<b>240</b>	<b>20</b>	<b>15</b>
<b>Annualised Total:</b>	<b>305</b>	<b>25</b>	<b>85</b>

Better customer outcomes initiatives

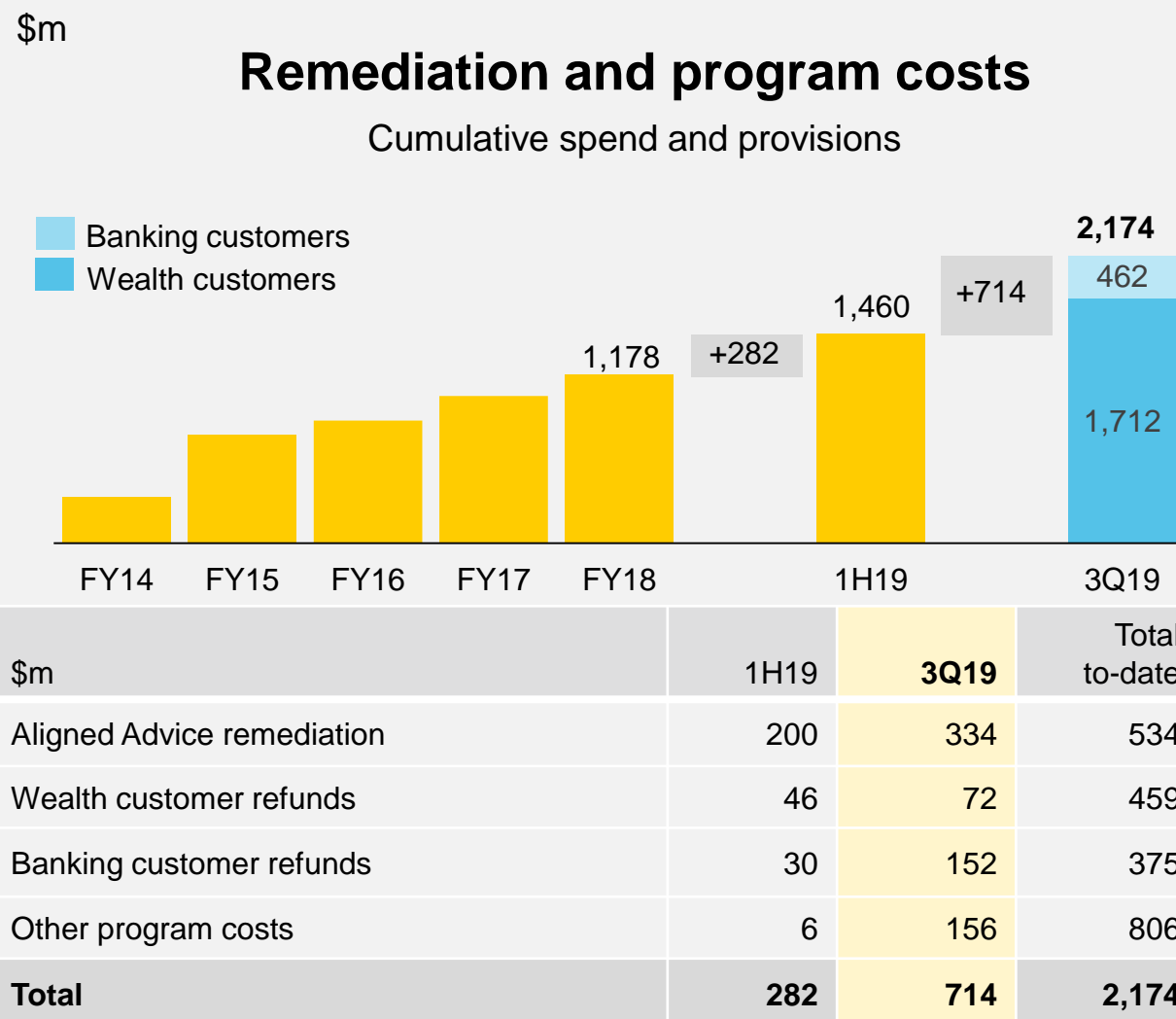
Regulatory response

# Remediation update



## Estimated provisions for known banking and wealth customer remediation

- Additional \$714m pre-tax in customer remediation including \$334m in Aligned Advice<sup>1</sup> remediation, \$72m in other wealth customer refunds; and \$152m of banking customer refunds.
- The total Aligned Advice remediation of \$534m includes:
  - \$374m in customer refunds (including \$123m of interest), and
  - \$160m in program costs.
  - Assumes a refund rate of 24% (excluding interest). This compares with a 22% refund rate for our salaried adviser remediation.
- Other program costs recognised in 3Q19 includes regulatory response costs including the implementation of Royal Commission recommendations.



1. Aligned Advisers are advisers who are not employed by the CBA Group but who are authorised to provide financial advice under the Financial Wisdom, Count Financial or CFP Pathways licences.

# Responding to heightened regulatory requirements



## Engaging with greater frequency with our regulators across a range of matters

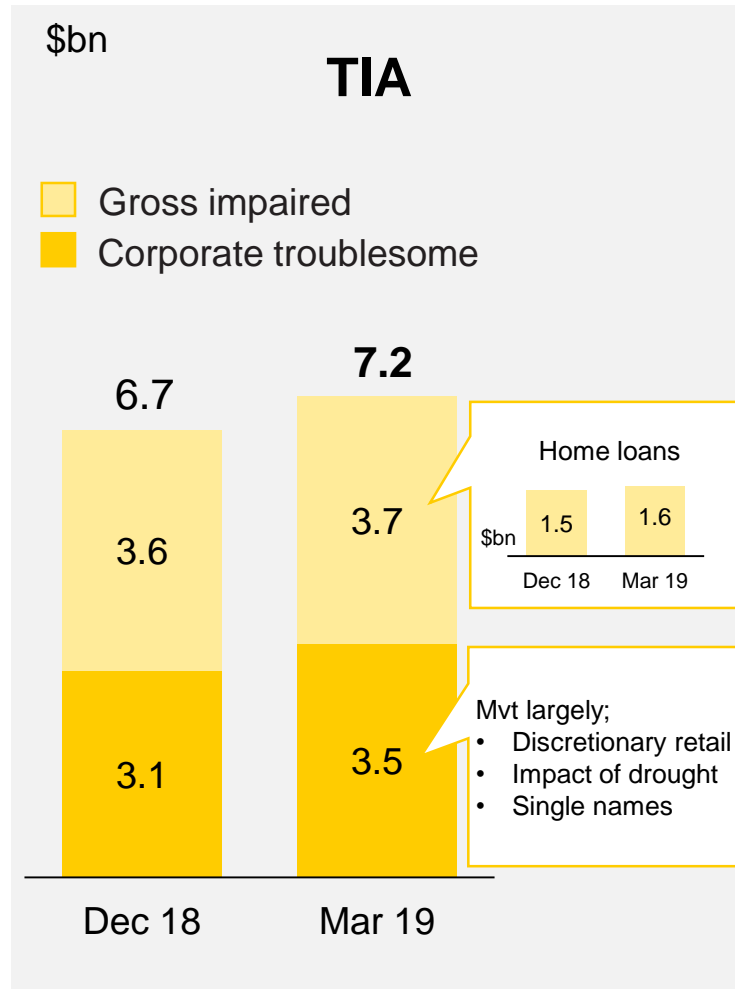
- **Royal Commission** – addressing recommendations and implementing the necessary changes
- **APRA** – delivering all 156 milestones of the Remedial Action Plan, with updates to APRA by the Independent reviewer every 3 months. Delivering on APRA requirements and recommendations as part of meeting their ongoing prudential supervision.
- **ASIC** – dealing with Enforceable Undertakings and addressing a number of matters in relation to the Group
- **Financial Crime** – continued strengthening of financial crime capabilities and responding to ongoing requests from domestic and offshore regulators
- **Risk uplift** – engaging with regulators on large improvement programs for data management and privacy
- **Remediation and Compliance programs** – promptly refunding customers and fixing business processes and systems
- **Banking Code of Practice** – ensuring compliance with the new code from 1 July 2019
- **New legislation** – ensuring we deliver on key government policies on comprehensive credit reporting and open banking
- **New regulatory obligations** – ensuring compliance with new requirements, including data security, large credit exposures and compliance with RBNZ BS11 requirements for our New Zealand subsidiary ASB
- **Class Actions** – managing ongoing shareholder and superannuation class actions
- **Employee matters** – working with applicable regulators / stakeholders to resolve identified discrepancies in employee arrangements and entitlements.

The Bank and its operations are subject to heightened regulatory scrutiny and requirements. Regulatory actions (including potential enforcement actions) or policy changes may negatively impact the Bank's financial position or standing. There are a range of matters where the outcome and any associated costs cannot be reliably estimated, therefore these matters would be treated as contingent liabilities. Any further disclosure regarding the Group's contingent liabilities will be provided in the 30 June 2019 year end Financial Statements.

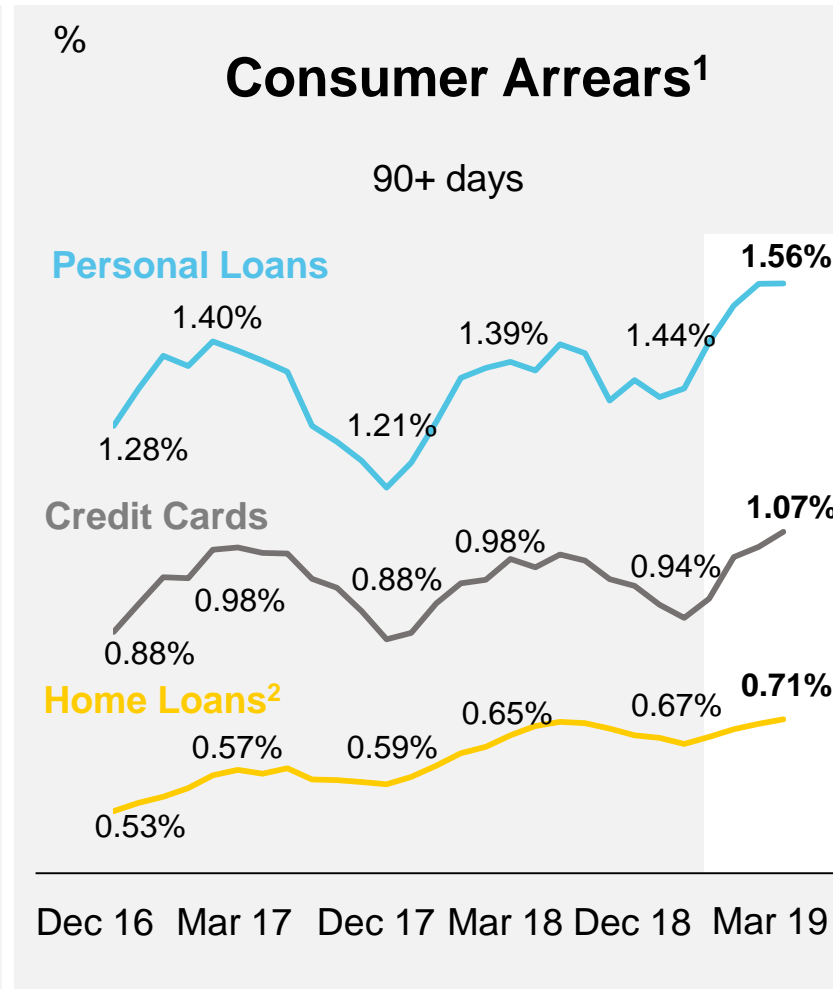
# Sound credit quality – some pockets of stress



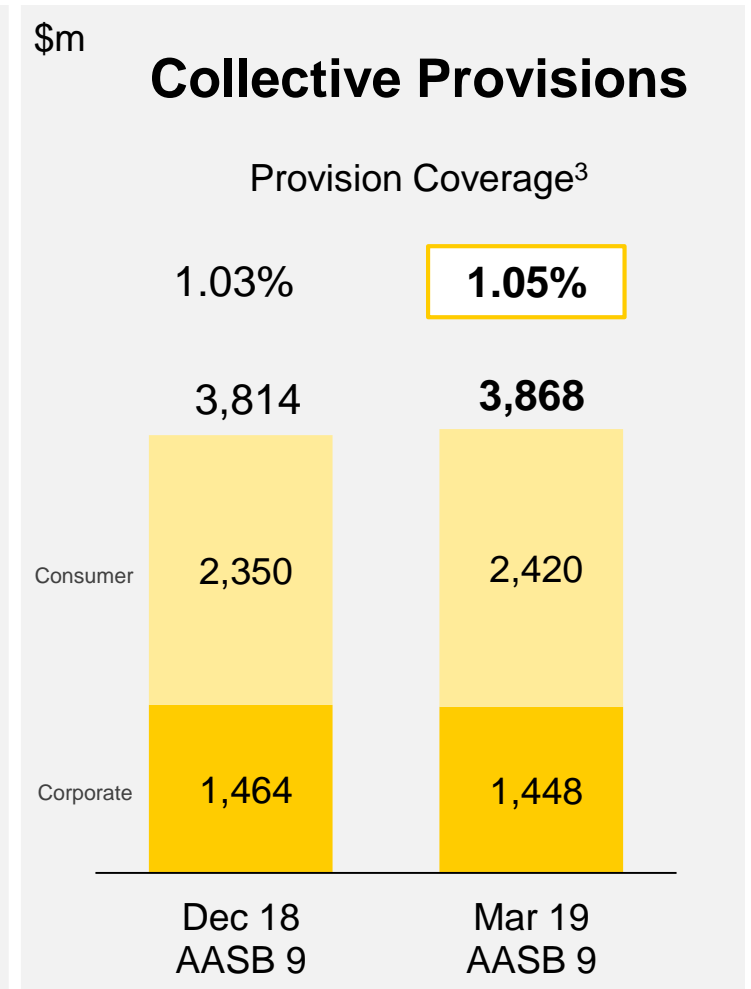
## Higher impaired home loans and corporate troublesome



## Arrears higher – seasonality, cost of living, low income growth



## Provision coverage further strengthened



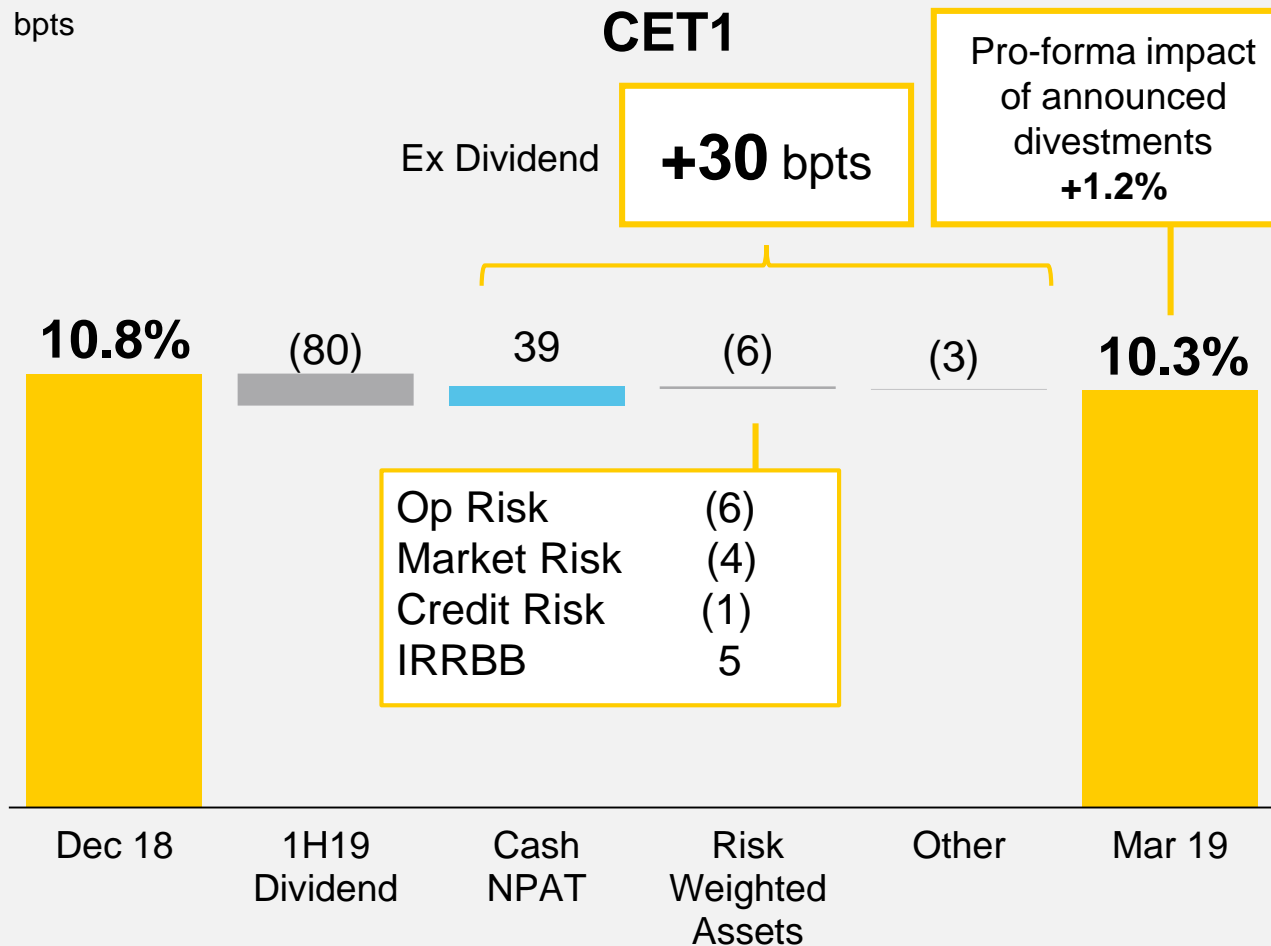
1. Consumer arrears includes retail portfolios of Retail Banking Services, Business & Private Banking and New Zealand. 2. Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans. 3. Collective provisions divided by credit risk weighted assets.



# Capital



## Strong capital position – CET1 +30bpts (ex dividend)



## Divestment uplift of ~120bpts

Divestments summary <sup>1</sup>	Estimated CET1 uplift (bpts)
PTCL	+7
BoComm Life	+18
CommInsure Life	+38
CFSGAM	+60
<b>Total</b>	<b>~120</b>

## RBNZ Capital Proposals

Current RBNZ capital proposals would result in an additional Tier 1 capital requirement for ASB of ~NZ\$3bn, assuming current balance sheet size and composition.

1. Estimated CET1 uplifts from previously announced divestments, subject to regulatory approvals. The sale of BoComm Life is a condition precedent for the sale of CommInsure Life.



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## Cash Profit

The cash basis is used by management to present a clear view of the Group’s operating results. It is not a measure based on cash accounting or cash flows. The items excluded from cash profit, such as hedging and IFRS volatility and losses or gains on acquisition, disposal, closure and demerger of businesses are calculated consistently period on period and do not discriminate between positive and negative adjustments. For a more detailed description of these items, please refer to page 4 of the Group’s 31 December 2018 Profit Announcement (PA), which can be accessed at our website: [www.commbank.com.au/results](http://www.commbank.com.au/results)