

# Question and Answer

**Geoff Elliott**

Today's announcement sees the CBA end 15 years in Wealth Management. Why have you made this decision?

**Matthew Comyn**

*CEO, MD & Executive Director*

Well, first, let me say that these businesses in Wealth Management have been great for CBA shareholders and will continue to be so. Ultimately, we've made a decision that the best thing for CBA shareholders is for us to focus on our core banking business and seeking to become a simpler and better bank and to demerge our Wealth Management businesses so they can continue to grow strongly. And CBA shareholders will be able to participate in that growth, but that will be outside the Commonwealth Bank Group.

**Geoff Elliott**

All right. The context is clearly the royal commission and the political environment at the moment. And we're seeing a lot of banks demerging or making asset sales like this. Is this what's driving the decision?

**Matthew Comyn**

*CEO, MD & Executive Director*

I think there's good reasons for why banks should own wealth management businesses. I think there's equally good reasons why banks shouldn't own wealth management businesses. The context has changed quite markedly over the last 10 years. Ultimately for us, we've formed a view that the best decision in the Commonwealth Bank's shareholders is to demerge the Wealth Management businesses, enabling our core banking business to become a simpler and better bank.

**Geoff Elliott**

You've talked about a demerger here in this announcement today. It's effectively, I guess, where shareholders, CBA shareholders, are given new shares in the new business. Why not an asset sale, though? Why is this a better outcome for shareholders?

**Matthew Comyn**

*CEO, MD & Executive Director*

Well, I think a demerger offers a couple of important benefits. Firstly, it's a clean and timely exit of all of these businesses. I think each of them are good businesses in their own right. We think the best chance for these businesses to perform at their potential is outside of the Commonwealth Bank Group. And CBA shareholders will receive a proportionate interest in the demerged entity relative to their CBA shareholding, and that enables them to either participate in the growth of the CFS Group over time. Or if should they prefer, they can also exit and sell on market.

**Geoff Elliott**

So can you just give us a sense of size, Matt, of the business, the CFS Group? How big is it in relation to CBA?

**Matthew Comyn**

*CEO, MD & Executive Director*

Its pro forma earnings in 2017, a little more than \$500 million of net profit after tax; approximately 2,000 employees.

**Geoff Elliott**

Matt, some of these businesses have faced reputational damage. It seems really perhaps these are businesses you don't really want to manage anymore. Why should shareholders think this is going to make a difference?

**Matthew Comyn**

*CEO, MD & Executive Director*

Well, these are some fantastic businesses. We are talking about a Global Asset Management business that's performed very well; one of the leading platform businesses, financial advice and mortgage broking businesses, each in their own right; very successful businesses with very strong growth profiles. Ultimately, we believe that they will perform better outside the Commonwealth Bank Group, which will also enable CBA shareholders to participate in that improved performance. We believe that focus within the Commonwealth Bank Group will enable us to become a simpler and better bank for our customers, for our shareholders and for our people. And this transaction provides certainty and clarity over both the bank's future strategy as well as our participation in wealth management.

**Geoff Elliott**

Will there be an ongoing link between the CBA and the CFS Group aside from the common shareholder group?

**Matthew Comyn**

*CEO, MD & Executive Director*

There'll be no ownership between the Commonwealth Bank and the CFS Group when the demerger is complete. And it's a separately listed entity, but of course, there are transitional and service arrangements that will continue to operate between the Commonwealth Bank and the CFS Group.

**Geoff Elliott**

How is Aussie Home Loans a good fit in this new group?

**Matthew Comyn**

*CEO, MD & Executive Director*

Well, Aussie Home Loans is a leading mortgage broking franchise. And we've decided to put that inside the demerged group. It is a very successful business over nearly 20 years. And we believe again that the best opportunities for growth and performance from Aussie Home Loans is inside the CFS Group rather than inside the Commonwealth Bank Group.

**Geoff Elliott**

Matt, this announcement today may come as some surprise to the market. I mean this appears to be a reversal of the IPO plan of the CSF (sic) [ CFS ] Global Asset Management group that I think you made early on as -- in your CEO sort of tenure. Why the change?

**Matthew Comyn**

*CEO, MD & Executive Director*

As we went through the strategy for the long term for the Commonwealth Bank, we formed a view that the best thing in CBA shareholders' view was for us to focus on our core banking businesses in Australia and New Zealand. That then left us with a decision that our Wealth Management business would be best demerged from the Commonwealth Bank Group. It's the best possible outcome for CBA shareholders, to have a demerger, so that they can participate in the performance of the CFS Group. And we think this provides both the best opportunities for CFS Group to perform well in and of its own right and also for Commonwealth Bank to be focused on being a simpler and better bank for the future.

**Geoff Elliott**

There'll be a lot of CBA shareholders out there today wondering what this means for their dividends. Can you give any clarity around -- for those people that really rely on CBA dividends, in fact, for their income?

**Matthew Comyn**

*CEO, MD & Executive Director*

Well, of course, the dividend is a very important decision and at the forefront of one of the core decisions for the Commonwealth Bank board. We believe that this is a positive thing, as I said, for CBA shareholders because it will allow us to focus on our core banking businesses in Australia and New Zealand; and with a demerged and new entity in the CFS Group which will include all of these Wealth Management businesses, which are attractive in their own right, and will also allow CBA shareholders to participate in their performance.

**Geoff Elliott**

You talk about also a strategy update come August 8. Can you give us any insight at all into that and what that looks like? Is there going to be more announcements like this? Is there focus on costs, your digital profile? What can you -- what insights can you give?

**Matthew Comyn**

*CEO, MD & Executive Director*

Well, today's announcement is all about bringing clarity to the future of our Wealth Management businesses; and importantly, the opportunity for Commonwealth Bank shareholders to participate in the growth of the Wealth Management business. At our full year results in -- on the 8th of August, we'll talk a little bit more about our strategic priorities in the ongoing Commonwealth Bank Group and where we'll be focusing on for growth.

**Geoff Elliott**

Matt, I mean, it would be fair to say it's been a pretty torrid start for you as CEO at CBK (sic) [ CBA ]. We've seen the APRA report, the AUSTRAC issues, the children's savings accounts, lost data tapes. The hits have kept coming in the last couple of months. What are you doing? And how confident are you in terms of the reputational repair for CBA?

**Matthew Comyn**

*CEO, MD & Executive Director*

Well, clearly, there has been some issues to deal with in the first couple of months, as you mentioned. I think today is a very important and significant step, as is also the appointment of my executive leadership team. We've dealt with a number of those issues. I think that's going to allow us to now focus on the future; and of course, earning the trust of our customers and the broader community; and ensuring that we're the best bank that we possibly can be going forward.

**Geoff Elliott**

Thank you, Matt.

**Matthew Comyn**

*CEO, MD & Executive Director*

Thanks very much.