

Presentation

Juliana Roadley

Good morning, Matt, and welcome to CBA Newsroom on the morning of the annual result for 2018.

Matthew Comyn

CEO, MD & Executive Director

Thanks very much, Juliana.

Juliana Roadley

This is your first result as Chief Executive. It has been a challenging 12 months. But looking at the underlying business, it seems to have performed well. What are you the most pleased about in this result?

Matthew Comyn

CEO, MD & Executive Director

Well, as you said, it has been a difficult 12 months. I wanted to start by thanking all of our people right throughout the business who have worked incredibly hard in challenging circumstances to deliver a result of \$9.2 billion, which at a headline level is down 4.8%, although there has been a number of one-off items that have impacted the result, including a couple of large penalties that we've resolved. If you strip some of those out, actually the result looks more from an underlying perspective, up 3.7%. I think given the context of what we've had to operate in, it really does show the resilience of our core franchise. And it's a combination of both that as well as our outlook on our capital position, which has enabled us to declare our full final year dividend of \$4.31, up \$0.02.

Juliana Roadley

Now there are several moving parts in this result, including one-off items and the effect of the discontinued businesses. Can you step us through those major items?

Matthew Comyn

CEO, MD & Executive Director

Yes, sure. Since coming into the role over the last 4 months, there's been a number of things I've been focused on. Of course, in particular, trying to resolve some of those major regulatory issues. So included in those one-offs is the \$700 million penalty to AUSTRAC, settling the ASIC BBSW matter, and also we've made some really clear strategic choices about businesses. We've already called out previously the sale of our life insurance business in both Australia and New Zealand. We announced the demerger of our wealth and mortgage broking operations. And this morning, we've also announced that we'll be exiting South Africa. That's really going to enable us to focus on our core banking businesses in Australia and New Zealand, and becoming a simpler, better bank.

Juliana Roadley

You also called out one-off regulatory costs of \$155 million, much of which is related to the APRA inquiry and also the Royal Commission. This has had a big impact on Commonwealth Bank's reputation. How do you plan on turning this around?

Matthew Comyn

CEO, MD & Executive Director

Well, as you said, within that \$155 million is a number of those related to both some of the legal matters that I mentioned as well as some one-off costs at the moment relating to the Royal Commission. Most importantly, we just have to recognize we haven't done a good enough job for our customers. We got some things wrong. We've made mistakes. We absolutely need to make sure we don't make them again. And a big part of my job, of course, is making sure we are a simpler and better bank for our customers,

working closely with any customers who haven't had a good experience, but most importantly, making sure that those sorts of issues do not reoccur. Ultimately, it's going to be something that our customers need to decide, and I'm very comfortable and feel very accountable for ensuring that we deliver great experience and outcomes for our customers over the long term.

Juliana Roadley

Retail Banking Services accounts for over half of the group's profit. There was slightly below system growth in home loans, in household deposits, and margins came under pressure in the second half. Can you talk us through the Retail Bank's result?

Matthew Comyn

CEO, MD & Executive Director

Well, the result overall, the cash profit was up 5% for the year, which is a combination of 4% income growth and 2% expense growth. The standout highlight from the Retail Bank was the strong performance of new transaction accounts, up almost 5% for the year, which really highlights the strength of the overall franchise. As you mentioned, we have been prepared to make some choices from both the risk and pricing perspective, which has seen us grow below system in home lending. We'll continue to make the right choices from volume and margin as we think about our home lending business. But overall, the core franchise of the Retail Bank has continued to perform well. The margins that you mentioned, we have seen some compression in margins, particularly half-on-half. That's really been a function of higher funding costs, and that's compressed some of our margins. Going forward, we continue to see obviously a big focus on this business and making sure that we're doing a great job serving our customers.

Juliana Roadley

Today, you've outlined your strategy. What are the key drivers?

Matthew Comyn

CEO, MD & Executive Director

Well, the strategy, first and foremost, is really grounded in understanding from our perspective about where our real competitive advantage and strengths lie. It's also very sort of cognizant both of where the majority of our profits and organic capital is generated. And then, of course, we did consider the broader context. and when we take into account both the combination of our competitive advantage as well as what we believe the context will be going forward, that's enabled us to really focus, as I said, on our core banking operations in Australia and New Zealand with a real desire to make sure we're a simpler and better bank for our customers.

Andrew Cornell

One of your priorities is digital, and Commonwealth Bank is already seen as a leader in the digital space. What does a more digital future look like?

Matthew Comyn

CEO, MD & Executive Director

Well, we're fortunate at the moment. We have more than 6.5 million Australians who are using our digital applications, our mobile app, NetBank. We have more than 5 million people logging in every day. So we've never had more engagement with our customers. Into the future, that's going to be even more important as more of our customers are using our digital channels, but it's also really important to recognize the strength of our branch network. More than 1,000 branches around the country are going to continue to remain very relevant and very important to our customers as well as our -- all of our contact center staff, which are uniquely placed in Australia serving our customers. It's going to be that combination of both the best digital experience in Australia combined with leading customer experience across all of our face-to-face and assisted channels.

Juliana Roadley

And finally, what is your view on the economic outlook?

Matthew Comyn

CEO, MD & Executive Director

Well, overall, we remain very optimistic about the long-term prospects of Australia. We're seeing GDP growth above trend. We've seen a continuing fall in unemployment. Inflation remains low. You look to the long-term prospects, and of course, there's been some big shifts in the economy over recent years. But we're seeing investments in infrastructure. We see good potential from just population growth, and of course, some of the -- our Asian neighbors, which will continue to drive a good focus on growth in the local Australian economy. And of course, Australia that performs well is good for the Commonwealth Bank.

Juliana Roadley

Thanks very much for talking to CBA Newsroom, Matt.

Matthew Comyn

CEO, MD & Executive Director

Thanks very much, Juliana.