

Commonwealth Bank update to the House of Representatives Economics Committee

April 2020

Commonwealth Bank continues to build on the concrete changes flowing from the Royal Commission, as well as the many improvements in products, process and service implemented in the past two years, in order to deliver on our commitment to become a better, simpler bank. In the last six months, we have further buttressed and expanded a wide range of support mechanisms, to help our customers through difficult times.

Since May 2018 when the Australian Prudential and Regulatory Authority handed down its report following its independent Prudential Inquiry into Commonwealth Bank, we have fundamentally changed our approach to operational and non-financial risk. This has included an increased focus on our core banking activities, simplification and investing heavily in strengthened compliance frameworks. At the same time, we have taken significant action to put things right for our customers, including through continuing to progress remediation payments totalling over \$900 million.

In relation to the Royal Commission recommendations, we have implemented changes in areas where we are able to move in advance of Government and regulator actions. Most recently, we have finalised changes to how we manage farm business loans where the business is in distress, including by ensuring we maximise chances for a positive resolution and return to profitability. In relation to other recommendations, where implementation is subject to the passage of enabling legislation, we continue to take steps in preparation, for example in relation to financial advice, superannuation and insurance.

As we have said in the past, we know that implementing the recommendations of the Royal Commission are only the minimum required of us to rebuild the trust of our customers and to meet community expectations.

A key theme of reform efforts at the Commonwealth Bank in recent years has been to re-examine the ways we support our most vulnerable customers. Importantly, we have provided additional training to our frontline staff in identifying and supporting customers who may be vulnerable or at risk of vulnerability. We continue to work with families, businesses and communities across the country ravaged by bushfire and drought, as well as dedicating resources and programs of support for groups in society who are more at risk, including Indigenous Australians, senior citizens, those from diverse cultural and linguistic backgrounds, and those impacted by domestic and family violence.

In recent weeks, the importance of a strong and supportive approach for those in need has come into sharp focus, in light of the considerable challenges that confront all

Australians in the current environment, due to the health, economic and societal impacts of Covid-19.

We understand that we play a vital economic role in supporting our customers through current challenges, stimulating economic activity and making additional funds available to families and businesses. We have worked closely with Government to progress urgent initiatives and have drawn on a strong capital position to take decisive action. As well as helping our customers and the broader community, these measures are designed to help build a bridge for the economy through this period, and to help it recover strongly.

Over the course of recent weeks, we have:

- Deferring home loan re-payments for over 140,000 customers for up to 6 months, delivering \$1.5 billion in cash flow support;
- Auto-deferred loan repayments for more than 65,000 small business customers, providing \$450 million of cash flow per month;

and provided:

- \$2.7 billion of additional loans to JobKeeper-eligible large businesses
- \$1 billion of covenant waivers to JobKeeper-eligible large businesses
- \$850 million of loan draw-downs by JobKeeper-eligible large businesses
- \$2.9 billion of additional loans and draw-downs to mid-sized businesses
- \$1.3 billion in cash flow through repayment deferrals on small business loans
- \$400 million of new loans approved under the SME Loan Guarantee, of which \$130 million has been funded;
- \$145 million in cash flow from home loan deferrals for self-employed individuals

We have also implemented a range of other measures, including:

- Cancelling credit card interest and late fees for the month of March for those unable to meet their minimum repayments;
- Making changes to how minimum repayments operate for Principal and Interest variable rate home loan customers with a direct debt arrangement in place, to free up cash flow for Australian households;
- Reducing fixed package home loan rates to our lowest ever advertised rates.
- Reducing interest rates by 1.00% p.a. on small business loans;
- Waiving certain Merchant fees (for eligible business customers with an EFTPOS device or eCommerce facility) for March, April and May 2020;
- Committing to prioritising payments to our small and medium business suppliers; and
- Keeping the large majority of our branches open, with appropriate guidelines around safe operation to protect our people and our customers.

Commonwealth Bank also launched a mass coronavirus communication campaign across all mainstream and social media channels, to help customers access the support and

information they need. We have also published a detailed Financial Support Guide, to help customers navigate what support they are eligible for and how to access it quickly.

All the measures we are making available to customers impacted by the Covid-19 crisis are detailed and regularly updated at www.commbank.com.au/latest/coronavirus.html.

We know that supporting Australians and helping the economy recover will be a long task and that the above measures are just the beginning of this effort. We remain committed to delivering on this task and, as with all our efforts to rebuild trust, we expect to be judged not by words, but by actions and outcomes.