

Opening statement by David Cohen
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Commonwealth Bank
Parliamentary Joint Committee Hearing into Impaired Loans
Sydney
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Check against delivery. Emphasis and section breaks provided for clarity.

David Cohen: We welcome the opportunity to appear before the Committee today. Since this Inquiry was referred to the Committee ten months ago we have:

- provided a written submission;
- responded to other submissions in detail;
- appeared before the Committee in December for over two hours;
- answered over 50 questions on notice;
- reviewed in detail 36 customer submissions relating to Bankwest; and,
- we provided comprehensive responses including timelines to eight specific customer cases of particular interest to the Committee.

We have made available hundreds of pages of content to Committee members and I would just like to take this opportunity to summarise what we have provided. There are broadly three questions to consider in relation to Commonwealth Bank and Bankwest.

First, is there any evidence of a conspiracy around the purchase of Bankwest?
Did Commonwealth Bank have an incentive to impair loans to reduce the purchase price or gain some other benefit?

The unequivocal answer to that is 'no'.

- Commonwealth Bank could not reduce the purchase price payable to HBOS by impairing customer loans and nor did it attempt to do so;
- Commonwealth Bank repaid all of the wholesale funding – and there was no clawback possible;
- there were no warranty claims in relation to impaired loans;
- there was no loan guarantee from the British government, as has been claimed; and,
- there was no capital benefit from impairing loans, as has been claimed.

Commonwealth Bank incurred more than \$2 billion of losses on Bankwest commercial loans and had no recourse to other parties for those losses. They were borne by Commonwealth Bank shareholders.

The conspiracy theory is simply not true.

Secondly - putting aside the conspiracy theory and the lack of any motivation to do so, did Bankwest take action against customers who were meeting the obligations on their loans?

Clearly, the answer again is 'no'.

We've examined 36 of the submissions provided to the Committee. Of those 36, the customer was in monetary default in 33 cases. Of the remaining three:

- in one case there was no monetary default at all and therefore no enforcement action was taken;
- in the second case the customer appointed a voluntary administrator itself, not Commonwealth Bank or Bankwest; and,
- in the third case, the customer invited Bankwest to appoint a receiver because of its financial difficulties.

So thirdly - accepting that there was no conspiracy and that customers were failing to meet obligations to Bankwest, did Bankwest act too quickly or did it fail to adequately work with customers?

Again, the answer is 'no'.

We have examined 28 submissions related to Bankwest where a receiver was appointed. The average number of days between the first default evident and the appointment of receivers was 539, that's 539 days, nearly 18 months; the median number of those days was 397 days.

So I can just summarise for you

Around 40 Bankwest customers have provided submissions out of around 26,000 commercial customers. Around 12 CBA customers out of 126,000 commercial customers have provided submissions.

Some individuals continue to claim Bankwest appointed receivers to more than 1,000 cases and constructively impaired \$8 billion of loans. These claims are simply fictitious.

There is no doubt that a business in financial hardship is stressful for a customer. If the Inquiry produces evidence of any customer being mistreated, or any new information about their cases, we're always willing to review our actions, as we've previously made clear.

However, some customers who have appeared before the Committee have simply not given an accurate picture of events.

And we cannot allow these statements to stand without correction. We have provided clear, factual evidence to refute these inaccurate claims.

Some customers who appeared before the Committee claimed that their loan was put into default, despite never missing a repayment. That is just not true.

Of the eight customers the Committee identified as being of most interest, seven ended in receivership. Every one of these seven missed repayments, or failed to repay their loan when it expired.

There has been no evidence produced to explain why Commonwealth Bank or Bankwest would take action against a customer who we believed had the capacity to repay their loan. The interests of the bank and our customers are aligned—that is, the best outcome is that their businesses flourish and they repay their loans.

Instead, in these seven cases where a receiver was appointed, Commonwealth Bank wrote off close to \$190 million.

While we worked with each of these customers for a significant period of time in an attempt to improve their circumstances, in all but one of those cases unfortunately this was not possible and the actions taken were an unfortunate last resort.

Thank you Chairman for the opportunity to give the opening statement and we look forward to answering your questions.