



# Transcript: Interview with CBA CEO Matt Comyn and AFR Editor in Chief Michael Stutchbury at The Australian Financial Review Banking and Wealth Summit

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**Michael STUTCHBURY:** I'm here now this morning with Matt Comyn, CEO of the Commonwealth Bank of Australia. Thank you, Matt, for coming. You need little introduction. You were appointed CEO of CBA in April 2018 in extraordinary circumstances, and now you find yourself running Australia's biggest bank in the most extraordinary crisis in living memory.

The CBA has a lot of access to real time data on the economy through your payment system. Can you give our viewers an idea of how these numbers are tracking, the week after we saw the appearance of quite long dole queues for the first time in a generation? What's your data saying about how the economy's going, cash flow for businesses and how households are faring?

**Matt COMYN:** Look, importantly, what we have been able to do is really try to look at both our own data and what we can see in real time as you said across debit and credit spend. We have also been overlaying that with other markets, where perhaps some of those containment measures have already been in place for many weeks. And that has enabled us to get a really good sense of not only what is happening today, but also what we expect to be happening over the next few weeks.

There is no question that there is going to be a substantial demand shock, and you are seeing that particularly across a number of different sectors. Now, I think that is entirely appropriate given the health risks, and the Government I think as done a very good job of escalating a set of containment measures. But there is no question that is putting all parts of the community and society under real pressure, and right across the business community. And that has been a huge focus for us and all of Australia's banks, because we recognise how important businesses are to the economic growth as well as employment prospects.

Last week was obviously a very challenging week. You would have seen day by day more and more companies standing down employees, and I think it is really important that employers are standing down employees, not letting them go. I think we need to make sure there are a number of policies, and I know the Federal Government are continuing to work on this as a



very important principle, we do not lose the connection between employers and employees. I think that is going to be important psychologically as well as economically. And when we get through this particular period, which is going to be extremely challenging, we need businesses and core parts of Australian infrastructure to be able to stand up very quickly to be able to participate in the rebound. So the measures and steps that we are taking at the moment are absolutely critical to the economic prosperity over the medium term for Australia.

**STUTCHBURY:** We will get into some of those in a moment, but can I ask you, what stood out to you in the data, the real time data that you're seeing every day coming in from your payment system? What in particular has stood out?

**COMYN:** I think in particular there was obviously a very strong transmission very quickly into areas like travel, tourism, education, and correspondingly a very large increase a couple of weeks ago in supermarkets, pharmacy. Now that is starting to spread more broadly through our retail and consumption, and that is why probably a base case for the March quarter would be something in the order of a 10% contraction in the economy.

When you push forward into Q4, or Q2 of the calendar year, consensus varies quite widely. But if you look at some of the estimates out of the US, for the US economy, it is somewhere in the order of 25% contraction. And of course that is really going to depend on how long the containment measures are put in place.

From a health perspective we absolutely need to be focused on reducing the transmission rates. So the policies that the Government has announced, we all need to be really following those, because once we can get the transmission rate down, we are able to obviously protect people's lives, also protect our health workers who are really on the frontline at this point in time. We have to make sure that we are not overwhelming the health system. And then I think that provides more flexibility over time for some of the containment measures to perhaps be eased, which enables parts of the economy to get back to work. So it is really important that we all work together during this very important time, and so that we can enable our participation and rebound quickly.

**STUTCHBURY:** So just to pick you up on that, you're saying that from the data you're seeing and what you understand, the March quarter Australian GDP could be a quarterly contraction of 10%?

**COMYN:** I think that is a reasonable assumption. I think if you had asked me a week or so



ago, I would have probably said somewhere in the order of 5% or 6%. I think based on what we are seeing at the moment, and I think appropriately the measures that are being put in place and certainly some of those that are looking to be escalated further from here, because this is first and foremost, it is very different to many other situations, as you said. It is not something we have seen probably since the early 1900s. It is very different to other economic situations, whether that be the early 1990s or whether that be the GFC, completely different.

And this is really overlaid with a very serious and significant health crisis. And we all have to be playing our role to be reducing the transmission across all parts of the community. But particularly we need to be protecting those that are most vulnerable, which, of course, some of our citizens who are elderly or have pre-existing health conditions. We also have to be protecting our health workers, who, I mean, we need to keep the health system running and operating smoothly.

**STUTCHBURY:** And just on the numbers, if I could. You mentioned then there's indications the US economy could fall then another 25% in the June quarter. Do you think that's the sort of thing that is facing here, in Australia, as well?

**COMYN:** Well, I think it is certainly possible. There are a number of investment banks that moved, I think Goldman Sachs was one of them and then a couple of others moved to similarly around that sort of level. Of course, I hope it does not come to that. And I think that is why the Government has and will continue to put in place very substantial measures to enable both businesses to stay intact, albeit in a suspended or hibernation is obviously the term that has been thrown around recently.

I think the substantial benefits that have been increased for people who have been stood down means actually the way the economy might perform during that period will be quite different as well, to what we would otherwise expect. And then, of course, we are all trying to triangulate and understand some of the key data sources. From a banking perspective, one of things you always look for is unemployment. But unemployment assumes that you are actively looking for a job. So actually, what is more interesting at the moment is the number of people who are pre-registering or registering on mygov.au to apply and receive the Job Seeker package.

So I think we have all got a role, certainly large financial institutions, to be providing real time data to arms of the Government to make sure that they have got the best information to make the best decisions. That is one of the things that has impressed me the most in the last several weeks, is how easily and how constructively across all arms of Government and regulators,



that communication is flowing.

**STUTCHBURY:** Well, can I come to that? With all these measures, when Phil Lowe announced the 25 basis point cut in the cash rate on March 19, you are out within seconds with your cut, and you had much bigger cuts to business loan rates and housing rates. It seems to be this is very much a Reserve Bank, banks, Federal Government, Treasurer type operation, Team Australia operation. Can you give me some sense, and give our viewers some sense of how is that working within banks, Central Bank, Government?

**COMYN:** Yes. Look, I mean, we were out at about 30 minutes rather than seconds, after the Reserve Bank because we wanted to digest. There was obviously not just the cash rate reduction, which was I think was widely anticipated. And we made some very deliberate choices about how we would transmit that rate reduction by increasing term deposits, reducing our business lending rate by 100 basis points, offering the lowest ever fixed rates in Australia.

But yes, there is always active dialogue between the major banks and the Reserve Bank, particularly just around what we are seeing. The Reserve Bank have been very active in what is known as their open market operations to guarantee liquidity and keep funding spreads at the short end of the curve low. They announced a term funding facility. They have announced a Government bond purchasing program. As you would expect, there is regular dialogue with regulators, particularly ASIC and APRA. I have spoken to the Chair of APRA numerous times over the last few days, including over the weekend on a range of different matters.

I mean, the banking industry itself, I think we have had two or three Council meetings, which is the CEOs of all of the ABA with appropriate ACCC authorisation to talk about some of the measures that have been announced today, including the payment deferrals for up to six months for businesses with up to \$10 million in exposure, which broadly covers more than 99% of businesses in Australia. So you are quite right. Absolutely. And then with the Treasurer, the Treasurer's office and Treasury, and there are some exceptional people there that are working extremely hard. I mean, 24 by 7, working around the clock. And of course, we are trying to help wherever we can.

**STUTCHBURY:** I'm Editor-in-Chief of Australia's financial business study, but I'm having trouble keeping up with all the measures that the banks are coming up with. Just the latest ones yesterday and today, perhaps you could briefly summarise what the new measures are that you have announced?



**COMYN:** Sure. So, I mean, in particular, what was announced this morning from the ABA, which all of the banks are participating in, is really an extension to include up to a six month payment deferral, which customers can opt into by approaching their bank for loans up to \$10 million. It does not mean that it would not be considered above that, but it gives businesses who have got loans of up to \$10 million confidence and certainty that they can apply and receive a payment deferral, which to the earlier discussion that we were having is absolutely critical, given we are expecting parts of the economy to go into suspended mode.

And as I said, that covers about 99% or 98% of businesses in Australia. It covers about 89% of commercial landlords. There is obviously a lot of work that is going on around rents and how to best deal with that, both with the Government as well as the banking industry. So we worked on that over the weekend to finalise that policy, which was announced today.

To give you a sense, I mean, the week before last we announced we were automatically enrolling 76,000 small businesses into payment deferrals. So we were not asking them to contact us. We automatically did it. Over the subsequent week and a half, we have now been able to get in touch with all 76,000. I think we have had 45 businesses that have opted out. So it shows you, which means, from April, which would otherwise be due, their repayment in April, it is now suspended. So I think it is a very good example, and I speak both as the Chief Executive of the Commonwealth Bank, but also Chair of the ABA, of the banking industry being highly aligned and putting in place the necessary measures to be able to do that.

And a quick shout out to APRA, because we could not do that without understanding and APRA talking to us about how do we think about those customers during that period, because there are capital implications ordinarily. And so that is why it has required very close dialogue and interaction with APRA. And Wayne, once again, has been very pragmatic and accessible and making quick decisions, which has been greatly appreciated by the industry.

**STUTCHBURY:** And these new measures of the repayment deferrals for just about all businesses, we saw the retailer rent strike coming last week. So I take it that these holidays, rent repayment holidays for landlords are contingent on them suspending their own rent, their own rents demanded of their tenants?

**COMYN:** Yes. Certainly we are looking for self-declarations from businesses or commercial landlords that they are not doing obviously any evictions. There is still some dialogue, and I expect there will be some further policy announcements at both the Federal level as well as particularly in the States. We have had some interactions with some of the States, and so I



understand their policies, but that is to come in the coming days. But clearly that has been a big issue, and we have been working through what is the most appropriate way, right the way through the big listed commercial landlords, right the way through to the smaller.

And from a banking perspective, I guess the simplest way to actually achieve suspension for those sort of customers is to put their payments on hold. And then, of course, there are a number of other costs that a commercial landlord would reasonably have. And I know they would be looking for relief there. And the expectation then, of course, is that they are not then going to be charging, or they would be deferring those rents. And then like the banks are, looking to presumably extend it to the lease term. So, again, it is an example of where different parts of industry need to come together. Close coordination with Federal, and then, of course, States, which that sort of legislation is in the remit of the States.

**STUTCHBURY:** You mentioned the term of suspending business and this term ‘hibernation’ around. What do you think about the whole idea of business being put into hibernation? Is that the term you would use?

**Matt COMYN:** Well, I mean, we have used that term, ‘suspended’. I mean, ‘hibernation’, I would not want it to imply, and I noticed there is some commentary in this over the last 12 hours, that we expect six months of hibernation. It is a very dynamic environment. But in totality, what we are really trying to achieve, is to give businesses some confidence that they can reduce any of their expenses wherever practical during that period. And financing is obviously a substantial one, rents are another. There are obviously a number of other areas that businesses may be looking for relief, whether that be in and around utilities. People who have been stood down, and that is why you have seen substantial policy announcements from the Federal Government already about increasing basically the Job Seeker allowance.

Then really importantly, I think it is critical, is making sure that is a very tight connection between employers and employees. I mean, if you have a productive employee, we all know how hard it is to get good people. You want to maintain those good people. You want to maintain that connection. I mean, you want the incentive to be able to pay those employees so that when we come out of these containment measures, and hopefully large parts of the economy can be stood up relatively quickly, but that, of course, is subject to getting the health situation under control. You want people to be able to return back to their place of work. And that is critical for us to be able to minimise the impacts of a very substantial economic shock.



**STUTCHBURY:** And the Financial Review reported this on the weekend, and the Treasurer's been on the radio this morning about this big new wage subsidy for all businesses. Without being critical, is it a little bit too late, given the dole queues are already really lengthened out there?

**COMYN:** Look, I mean, we have had the opportunity to work, as I am sure others have, work very closely and provide our views. I mean, I have a great deal of empathy for both the Treasurer's office as well as Treasury. I mean, as I said before, there are exceptional people working around the clock. And I think what the Government and regulators like the Reserve Bank have done a great job of not taking anything off the table. And so it is been such a dynamic situation. I mean, I think for either of us, even over the last two weeks, you would not have believed the way things would potentially play out. I mean, I am sure the Treasurer is talking about the next round of measures and packages, which I understand will be substantial.

You have also have to, as I have got to know, you need to work within the remits of what the country can actually deliver. So you can design a very attractive scheme, but if you cannot practically implement it and get money flowing to employees and businesses, then it is just a concept then on paper. And so we have all been trying to work and brainstorm, and they have been very receptive to ideas about how to best structure it. And so I think the next round of measures are going to be very substantial. I mean, unfortunately, they are required. But I mean, we have just got to work from here.

This is a time for the country and parts of the community to be really working together. I mean, we are not going to be able to get through this if we are divided. We have really got to come together and work together constructively, and do everything that we can to make sure we are able to get through not just the health issues, which are first and foremost, but also making sure that the economy is in the best possible shape that it is.

And fortunately, the Government's fiscal position has been very strong, and we are going to run up a very substantial fiscal deficit. But that is what is required at this point in time. And if you look at our Government finances versus some of the countries globally, I mean, it is a huge advantage that Australia has got, of very low relative Government debt.

**STUTCHBURY:** We will come to that. There has been a bit of a debate about whether even the shutdown should come quicker and we should go harder earlier, and really shut down the whole place, as opposed to staging it in, as you say, what the country can manage. What is your view on whether we should go harder, policies on closing things down?



**COMYN:** Well, I mean, there has been a lot of very good discussion and debate, and I have seen some of the information that has been flowing around. There is no question that the transmission rate at the moment is too high, and that presents not just a serious health risk, and potentially will lead to fatalities in the community. But also we run the risk of overwhelming our health system. So we have to get the transmission rate down substantially. Obviously, the Prime Minister has announced a number of additional measures last night. It may be necessary to do more. I actually think they are doing a very good job of listening and iterating at both the State level and Federal. And of course, the States are responsible for the health system. And so there is an interplay between those two.

I mean, our base case is we are expecting further containment measures. I think we have to, of course, which the Government is doing very well, prioritise the health needs. But we also have to recognise and therefore put in place measures to compensate for a very substantial demand shock to the economy.

**STUTCHBURY:** Can I ask you, how confident are you as CBA, and this would be a very important thing for your business in the country. How confident are you that at the moment Australia and perhaps New South Wales is not facing an Italian style health disaster?

**COMYN:** I am very confident. I mean, the data is very different between Australia and places like Italy, but a number of others. And you have seen there is a lot of talk, obviously, about flattening the curve. That rate has come down quite substantially. There is still more to do. There is no question doing more testing, tracing and just making sure that we are following probably some of the, particularly the countries that have put in place some of those measures very effectively. All of those things will help.

But again, there are teams of people working on sourcing additional equipment and making sure that there are additional supplies and protective gear, et cetera, that is coming in to facilitate both the protection of our health workers, but also additional steps and measures. And it is a very dynamic situation. And it is one of those things that we have all just got to work together and accept that there is going to be real costs and sacrifices for everybody in the community.

We are acutely aware as well of the impact that isolation is actually putting on parts of the community, particularly customers who are more elderly and as a Bank we are thinking about how to best reach those customers.



**STUTCHBURY:** So on that, the Government's talking about a six month hibernation shut down. Would you really hope that it doesn't last a full six months, that Australia can get out of this earlier?

**COMYN:** I mean, I certainly would. I think the Government quite rightly is setting an expectation. This is not the sort of thing that goes away quickly. I do not necessarily subscribe to the view that businesses are going to be hibernating or suspended for six months. I think what realistically is going to happen is we put in more extreme containment measures, we flatten the transmission of the virus, we get greater confidence around forward projections. Remember, these are exponential functions. So I mean, the rate can increase very rapidly. Then potentially look at various containment measures. I expect actually a little bit of oscillation over the coming months rather than per se it being six months.

So if there are further measures, presumably they will be in place for weeks. But we have all got to be prepared to be quite dynamic and flexible about the way we respond to those measures and look after ourselves, our families, support each other in the community, and work across the different parts of the economy and country to do whatever we can to get people through this very challenging time.

**STUTCHBURY:** Matt, you mentioned APRA and Wayne Byers and the unquestionably strong capital buffers you have built up since the GFC, and flexibility now being given on that. How much do you see those capital buffers now being used to maintain lending, to deal with bad debts and things like that?

**COMYN:** Yes, I mean, it is a credit to the regulators. And going back to the financial system inquiry, we have the most highly capitalised banks in the world. I mean, in our 31 December results, we think we are holding the most capital of any bank in the world. And having very well capitalised banks with lots of liquidity is fantastic at this point in the cycle. The reality is we are going to need it, and we need to be able to use our balance sheet. The Government needs to use its balance sheet. The Reserve Bank is using its balance sheet.

I mean, the reality is such we just do not know about it yet. There is no information that from our perspective is reliable at this stage in terms of estimates. I mean, our third quarter finishes obviously on 31 March. We have got our Q3 results in early May, and of course, we are turning our minds to it. But as you would appreciate, things are moving around so quickly. It is impossible to reliably estimate what that impact is going to be.



But there is no question that there are going to be higher loan losses in the near term. There is no question that capital will be reduced, because from a banking perspective, when conditions and economic conditions deteriorate, it is not just what you are seeing in your profit and loss with loan impairment expense. It is also you have to reassess the credits that are on your balance sheet, your loans, which reduces capital. And so fortunately, we are unquestionably strong and we are well above that. But it enables a lot of flexibility for financial institutions to dip into those buffers at this important time. And of course, boards of all financial institutions are working closely through their capital management over the coming months, and it is very much going to depend on what we have been talking about.

**STUTCHBURY:** How long can the Commonwealth Bank last without going and tapping global capital markets?

**COMYN:** I mean, a long time. Obviously we have worked through that. I am not sure it would be responsible for me to say that, because we are uniquely in a very strong position. So liquidity tends to come to us, because of our size, scale and standing.

**STUTCHBURY:** You're seeing deposits come into the Bank?

**COMYN:** We see that. I mean, not at the same rate as the GFC, which was very much a financial crisis, but we are fortunate that we can draw on that liquidity. But I mean, over time, we would need to be able to tap markets, but we can go for an extended period of time without needing to do so. And that obviously puts us in a very strong position.

But all financial institutions, and I am sure it is the same for my peers, I was talking to a number of listed CEOs over the weekend. There are a number of large corporates who need draw-downs of liquidity and capital. And we are going to, of course, try and fund as many of those as possible. We are going to prioritise Australian companies who are critical to the country and are large employers of people. And as I said earlier, it is great that we have got such a strong balance sheet and so much liquidity, and we are going to need it.

But all of our resources, Governments, banks, it is finite. So it is not like, depending on where this goes, it is not like we can save every business and reduce the impact on everyone. There are going to be real costs to individuals, to businesses, to the community. But we are in this together and we have got to work through this together.



**STUTCHBURY:** And it seems that the buck stops with the banks and taxpayers. And no doubt there's going to be a massive blowout in the Commonwealth Budget deficit. That might put the triple-A credit rating at risk. There's talk about a sovereign debt crisis. How important is it that the Commonwealth Government maintains its triple-A credit rating in terms of backstopping the banks' double-A rating?

**COMYN:** Well, as we have been discussing, fortunately, the Government finances are in excellent shape. And so, yes, they might be reviewed. I personally do not believe there is any imminent risk of a downgrade at the sovereign level. Of course, as you said, if you look internationally, there are many countries that have been in sustained very difficult economic conditions and have very substantial debts.

But rating agencies are one of the parties or stakeholders that we need to work closely with, both at the sovereign level as well as for financial institutions. And I mean those sorts of rating levels obviously impact our ability to be able to raise debt so we can extend more loans. And so I think again, fortunately we start from a very strong position, and it is really going to be a question of how this situation evolves from here.

**STUTCHBURY:** And Matt finally, we have run out of time. But can I ask you, just on working from home or in the office, are you at home with Lucy and the kids around there running CBA, or are you in the office? Can you give us an idea of what you're doing?

**COMYN:** Sure. I mean, I am still working from the office. It is slightly more convenient, productive for me to run the Bank from the Board room, there is plenty of space so we can maintain social distancing. I have got my team running in team A, team B. Look, I am definitely set up at home, and I know it works. We have been able to scale tens of thousands of our people to be able to work from home, and should that become necessary, then I can definitely seamlessly work from home. But right now, it is actually easier for me to run the Bank from the office in the city.

**STUTCHBURY:** Well, Matt, thanks again very much for coming in here today.

**COMYN:** A pleasure.

END OF TRANSCRIPT