

ASX Announcement

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CBA announces intention to demerge wealth management and mortgage broking businesses

Creates a simpler, better bank

Monday, 25 June 2018: Commonwealth Bank of Australia (CBA) today announced it will demerge its wealth management and mortgage broking businesses, and undertake a strategic review of its general insurance business, including a potential sale. These initiatives will result in the creation of a leading independent wealth management business and enable CBA to enhance its focus on its core banking businesses in Australia and New Zealand and create a simpler, better bank.

Announcement key points

- Demerger of CBA's wealth management and mortgage broking business will unlock value for shareholders through the creation of a leading independent wealth management business.
- The demerged business, CFS Group, will include CBA's Colonial First State, Colonial First State Global Asset Management (CFSGAM), Count Financial, Financial Wisdom and Aussie Home Loans businesses.
- CFS Group will benefit from a separate listing and ability to pursue its own growth strategies.
- CBA will benefit from an enhanced focus on its core banking businesses in Australia and New Zealand.
- As an independent business, CFS Group can enable CFSGAM to realise its full potential for its customers and staff and, as a result, the previously announced Initial Public Offering of CFSGAM will no longer proceed.
- CBA will undertake a strategic review of CommInsure General Insurance, including a potential sale.

CFS Group – creation of a leading independent wealth management company

The demerger of CFS Group will provide investors with a direct investment in a leading independent wealth management company made up of a diversified and complementary set of businesses:

- Colonial First State – a leading superannuation, investment and retirement solutions platform with over \$135 billion of funds under administration.
- CFSGAM – a global investment management business managing over \$207 billion of assets for clients worldwide.
- CBA's third-party distribution businesses, including:
 - the aligned, distinctly focused financial advice businesses - Count Financial and Financial Wisdom;
 - Aussie Home Loans - Australia's leading mortgage broking business; and
 - CBA's minority shareholdings in ASX-listed companies CountPlus and Mortgage Choice.

CFS Group offers investors a company with a strong earnings base, with pro forma 2017 NPAT of over \$500 million and a strong capacity to pay franked dividends.

The demerger enables CFS Group to independently pursue growth and investment decisions appropriate for its business.

CBA Chief Executive Officer Matt Comyn said: "The wealth management and mortgage broking businesses are each high-quality franchises. With innovation and disruption in wealth management increasingly favouring specialist companies, they will benefit from independence and the capacity to focus on new growth options without the constraints of being part of a large banking group."

The Chairman of CFS Group will be John Mulcahy. A search for the Chief Executive Officer of CFS Group is underway.

Benefits for CBA shareholders

- Unlocks greater value for shareholders through the separation of CBA's wealth management and banking businesses.
- Allows CBA to focus on its core banking businesses in Australia and New Zealand.
- Provides CBA shareholders with greater investment choice.
- Provides a timely, clean separation with greater certainty of execution and outcome for all stakeholders including employees and customers, of each business.

"Today's announcement is another step in our stated priority to become a simpler, better bank and has followed a thorough review of the Group's businesses and its optimal organisational structure to drive growth and shareholder value for all businesses. It also responds to continuing shifts in the external environment and community expectations, and addresses the concerns regarding banks owning wealth management businesses.

"By allowing CBA and CFS Group to focus on their core businesses and market leading positions, we believe the plan will unlock value in both groups for our shareholders," Mr Comyn said.

CBA's salaried financial advice business, Commonwealth Financial Planning, will be retained by CBA and will form part of its consumer financial services business within its Retail Banking Services Division.

"The ability to provide high-quality banking services and in-house financial advice to CBA customers will remain fundamental to CBA's focus on customers' financial wellbeing and we will deliver that through a new model for advice that is safe, simple and scalable," Mr Comyn said.

The demerger does not impact the 20-year strategic distribution partnership with AIA in relation to bank customers. The partnership will also extend to the CFS Group. CFS Group's customers will be able to benefit from AIA's innovation in life insurance including a focus on digital engagement, together with the benefits and synergies of global scale and specialisation.

CBA will provide further details on its strategy as part of its 2018 Annual Results announcement on 8 August.

Demerger process and approvals

CBA shareholders will receive shares in CFS Group proportional to their existing CBA shareholding, while retaining their existing CBA shares. CBA does not intend to retain any shareholding in CFS Group following the demerger.

Implementation of the demerger is subject to final CBA Board, shareholder and regulatory approvals under a scheme of arrangement. If approved, the demerger is expected to complete in 2019. Further details on the demerger will be provided to CBA shareholders in due course.

Commlnsure General Insurance strategic review

Commlnsure General Insurance is a high quality provider of home and contents and motor vehicle insurance products to meet the protection needs of CBA customers. As part of the strategic review of Commlnsure General Insurance, CBA intends to explore the opportunity to further enhance its product and service offering to customers through a potential sale and partnership with a specialist insurance provider.

A video interview with Mr Comyn regarding CBA's intention to demerge wealth management and mortgage broking businesses can be found in the CBA Newsroom at www.combank.com.au/newsroom.

Contact Details

Melanie Kirk
Investor Relations
02 9118 7113
CBAInvestorRelations@cba.com.au

Zoe Viellaris
Commonwealth Bank Media
02 9118 6919
media@cba.com.au