

CBA: Leading economic recovery with customer empowerment

2023 outlook

Company Insights

twimbit Purpose Score



*Changes vs twimbit Purpose Score 2020

Executive summary – CBA at a glance

Company Name	:	Commonwealth Bank of Australia
Headquarter	:	Darling Park Tower 1, 201 Sussex Street, Sydney, NSW
Employees	:	53,395
Countries	:	12
Branches	:	807

Revenue	:	USD 17.13 Bn (AUD 24.9 Bn)
Common Equity Tier 1 Ratio	:	11.5%
Y-o-Y Revenue Growth (%)	:	3% ▲
Annual IT Spending	:	USD 1.35 Bn (AUD 1.97 Bn)

Strategic priorities

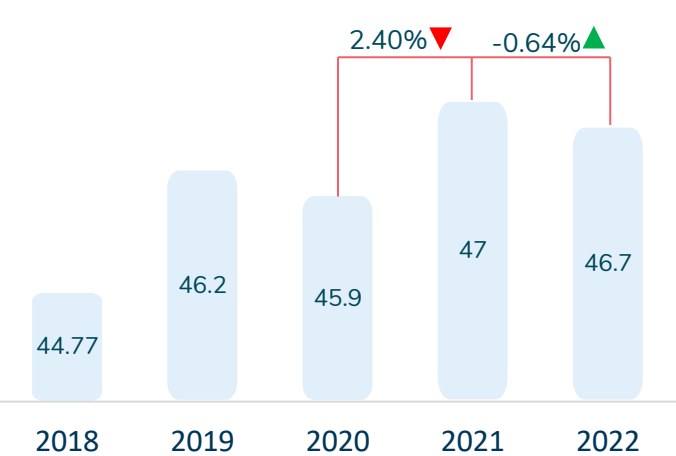
- 1 Building the future economy
- 2 Leading support for customer and communities
- 3 Reimagined products and services
- 4 Anticipating changing customer needs
- 5 Driving operational excellence

Awards

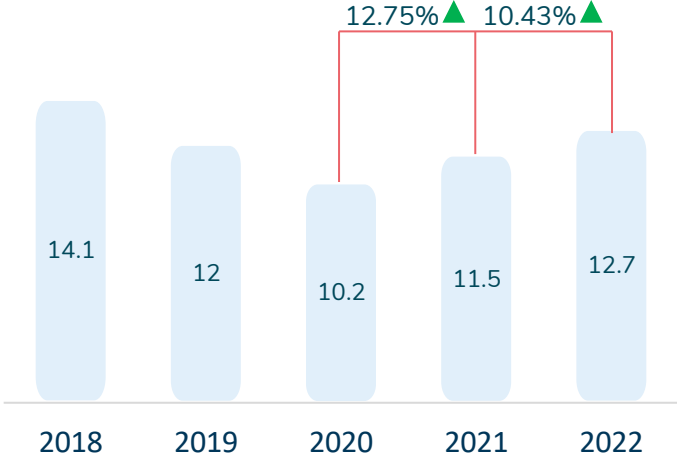
- ✓ Australia's #1 mobile banking app by Forrester
- ✓ #1 overall digital experience leader by Forrester
- ✓ Bank of the Year for Mobile Banking by Canstar
- ✓ Bank of the Year for Online Banking by Canstar
- ✓ Model bank award 2020 for customer engagement by Celent
- ✓ Most innovative major bank by DBM Australian Financial Awards
- ✓ Best major digital bank by DBM Australian Financial Awards
- ✓ Most innovative banking app by Rfi Group Australian Banking Innovation Awards



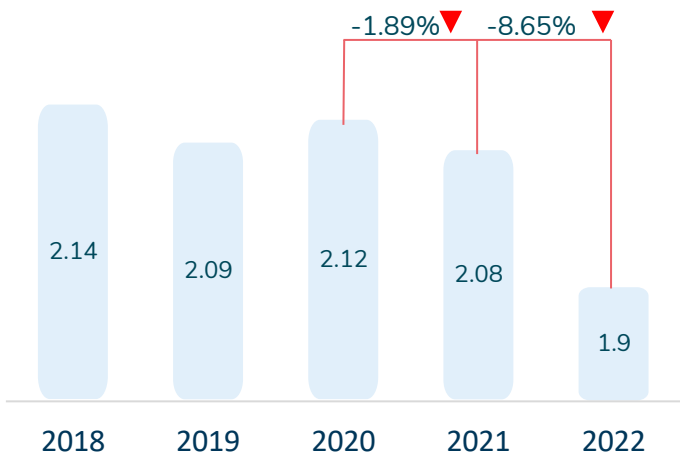
Financial highlights (1/2)



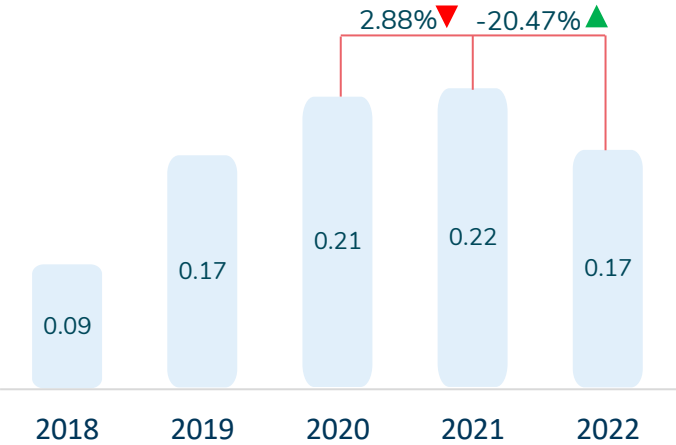
■ Cost Efficiency Ratio (%)



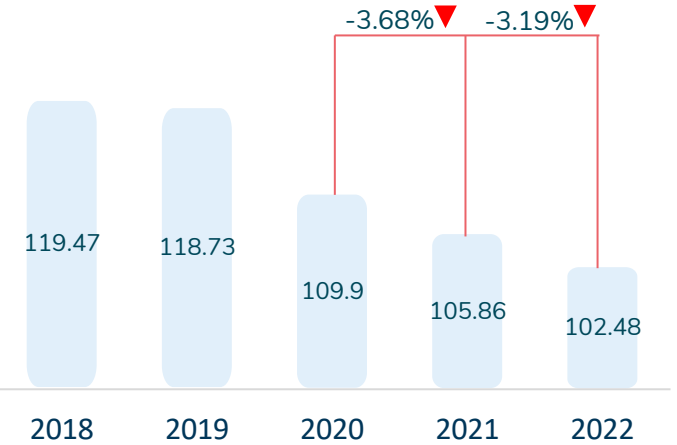
■ Return on Equity (%)



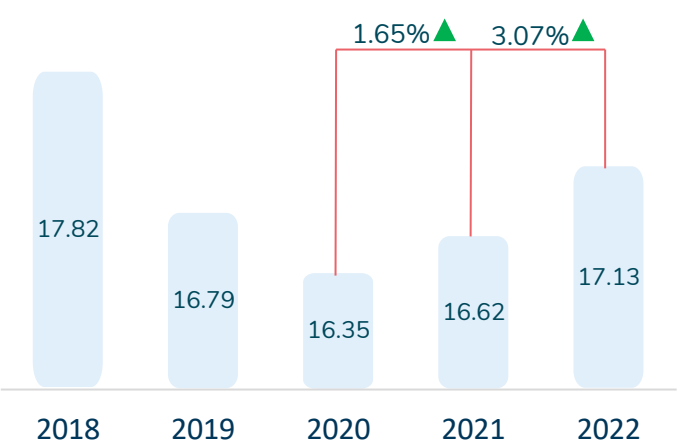
■ Net Interest Margin (%)



■ Non-Performing Loan Rate (%)

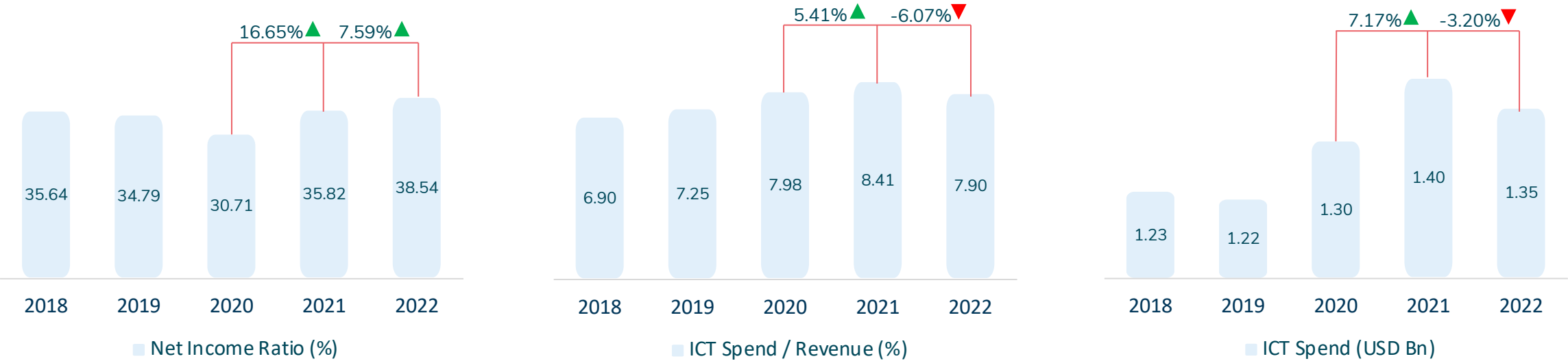


■ Loan-to-Deposit Ratio (%)



■ Group Operating Revenue (USD Bn)

Financial highlights (2/2)



Measures of success

8 Mn (vs. 7.6 Mn in FY2021)
Number of active digital users out of 16+ Mn customers

11.5%
CET1 ratio for the Group
(same in FY2021)

#2
In consumer NPS
(same in FY2021)

46.7% (vs 47% in FY2021)
Cost-to-income ratio

71.5%
Percentage of all transactions (by value) done digitally

12.7%
Return on equity

Note: Figures are for FY 2021-2022

Top 5 strategic focus areas

#1



Building the
future economy

#2



Leading support
for customers and
communities

#3



Reimagined
products and
services

#4



Anticipating
changing
customer needs

#5



Driving
operational
excellence



#1 Building the future economy

CBA is helping its various customer segments in transitioning to a more **modern, resilient and sustainable** economy. The bank is also taking actions to reduce its own emissions.

#1 Business and institutional customers

- The bank is lending to support the transformation of industries through innovative financing options like sustainability-linked loans, as well as the facilitation of Environmental, Social and Governance (ESG) bonds
- Acted as a Joint Lead Manager on more ESG bond transactions in the Australian dollar market than any other bank
- Arranged AUD 9.4 billion dollars in ESG bonds across 17 issues, and AUD 13.6 billion of ESG bonds globally

#2 Retail customers

- The bank is dedicated to developing new products and services that support customers in reducing and offsetting their emissions, these products help customers save money on renewable energy
- Partnered with CoGo and Amber with an aim to help customers understand their own emissions
- The Green Loan and Green Home Offer give customers an affordable way to make their homes more energy efficient



#2 Leading support for customers and community

CBA ensures all individuals and businesses have access to financial products and services that meet their needs with an aim to help them make **better financial decisions**.

Customer Engagement Engine

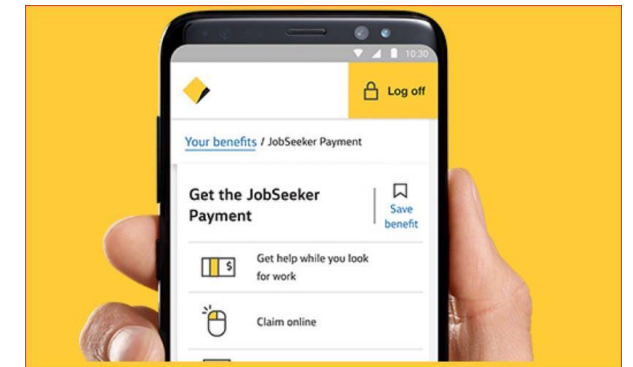
- The tool is powered by Artificial intelligence (AI) and the bank's data
- The tool allows the bank to proactively identify and offer financial assistance to customers in need
 - The financial assistance is provided to customers who were impacted by COVID-19 restrictions or extreme weather events

Benefits finder tool

- The tool continues to be a focal point in the bank's app and helps connect retail customers with unclaimed grants and rebates
- Since its launch in 2019, more than two million claims have been initiated using the tool
- The tool was made available for businesses in 2021 to help small business owners initiate their claims
- The tool has helped over 19,000 Australian businesses initiate claims worth more than AUD 215 million

Continued assistance for business sustenance

- CBA found ways in which it could help and provided benefits to customers throughout COVID-19 and the lockdown that followed
- The bank contacted over two million retail and business customers impacted by natural disasters to offer support
- More than five million customers were alerted about various government benefits and rebates they could be eligible for based on their personal situation and finances



#3 Reimagined products and services (1/2)

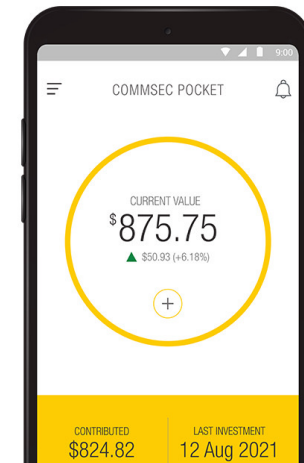
Creating a more differentiated proposition for both retail and business customers by driving **product innovation** and building **new ventures and partnerships**.

Reinforcing core propositions – five areas of activity

- Everyday – Helping customers control and save on their daily spending
- Home – Making the loan process easier so customers can finance their homes easily
- Invest – Providing customers with multiple options to make investments in and helping them build their portfolio
- Business – Digitising transaction banking and differentiating merchant propositions to better meet customer needs
- Carbon – Helping customers achieve their carbon emissions goals and lead them to a net zero future

CommSec Pocket

- Using the app, customers can start investing with as little as AUD 50 dollars
- The app helps customers gradually build their portfolio over time and achieve their financial goals
- Since its launch in 2019, customers have invested more than AUD 1.3 billion dollars



#3 Reimagined products and services (2/2)

Creating a more differentiated proposition for both retail and business customers by driving **product innovation** and building **new ventures and partnerships**.

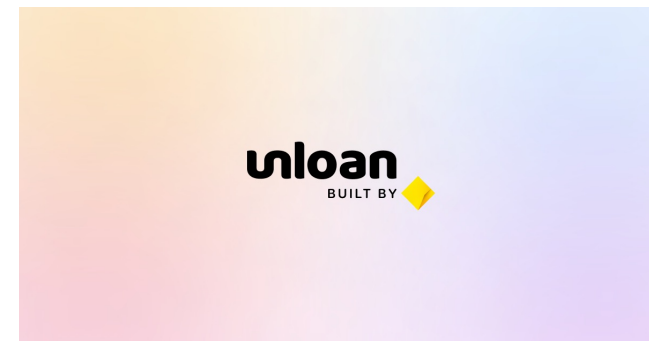
CommBank Smart Health

- CBA launched payment solutions to offer complete digital health solutions
- The bank offers an absolute solution for health directory, payments and claims process
- The service can be used on all CBA Smart terminals
- It helps medical practitioners save time, reduce administration and improve the payment experience



Unloan

- The platform is a mobile-first digital home loan offering which provides simple low-rate and no-fee home loans
- Customers receive a loyalty bonus that grows by 0.01% per annum per year
- Home loan applications can be submitted in as little as 10 minutes by removing process complexities seen in traditional lending options



#4 Anticipating changing customer needs

CBA is focused on deeply understanding and anticipating customer needs now and into the future using **data analytics and artificial intelligence**.

CommBank Yello

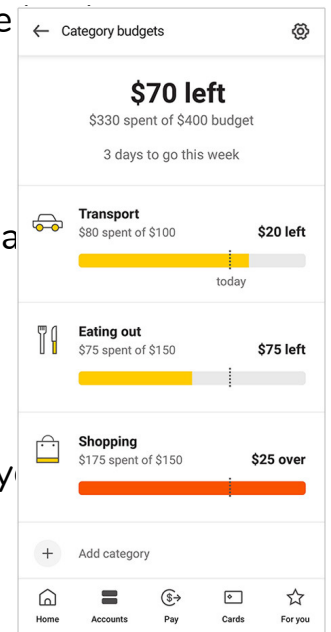
- The bank's recognition program focuses on recognizing existing customers by providing them with personalized benefits and offers
 - Benefits include discounts and cash backs
- Additional tailored services and tools are offered to customers depending on their products and tenure with the bank

Money Plan

- The management tool is built within the bank's mobile app
- The tool helps customers set category budgets, manage bills and payments, see cash flows and set savings goals

AdvancePay

- Aims to help customers with an uneven or unexpected expense
- A short-term credit facility which gives access to money which is expected to be paid, before the upcoming pay



#5 Driving operational excellence

CBA remains focused on serving its customers well every day. This means getting the basics right, **simplifying the processes** and putting the customer first.

Operational excellence is the key to delivering seamless customer experiences

- The bank auto-decisions over 60% of the proprietary home loan applications on the same day
- More than 60% of the small business loans are funded by BizExpress, this helps in reducing the time to decide on a loan by a third

Disciplined capital management

- Divestment of 55% shareholding in Colonial First State and a 10% shareholding in Bank of Hangzhou
- Since the beginning of the divestment plan in 2018, the bank has generated nearly AUD 11 billion dollars in capital
- In 2022, returned AUD 13 billion dollars of capital to shareholders through dividends, an AUD 6 billion dollars off-market share buy-back and a further AUD 468 million dollars as part of an AUD 2 billion dollars on-market share buy-back

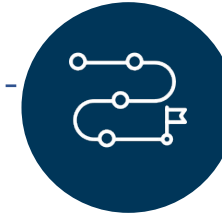


CBA's digital strategies



Delivering the best integrated digital experiences

- Recognized that customers want to be able to manage all their financial needs in one place and integrated more features and services into the mobile banking app
- Integrated, Little Birdie, a shopping start-up, in the 'For You' section of the mobile app, providing shopping offers and brand recommendations to each individual customer
- Consolidated the CommSec digital stockbroking service within the commbank mobile app
 - The first offering to be integrated is the CommSec Pocket, enabling existing and new customers to access and transact on their investment accounts



Modernising systems and digitising end-to-end

- CBA wants to focus on delivering its services at a faster pace with modern technologies to create the best global digital experiences
- The bank is continuously simplifying its technology landscape
 - Retiring legacy technology and migrating to the public cloud
 - Using cloud-native capabilities, delivery patterns and engineering tools to drive faster releases in a safe and secure way
- Digitising and automating internal processes such as ID verification, KYC and lending documentation to respond to customer needs in a faster manner



CBA's technology innovations

#1



Bill Sense

#2



StepPay

#3



Smart EFTPOS
terminals

#4



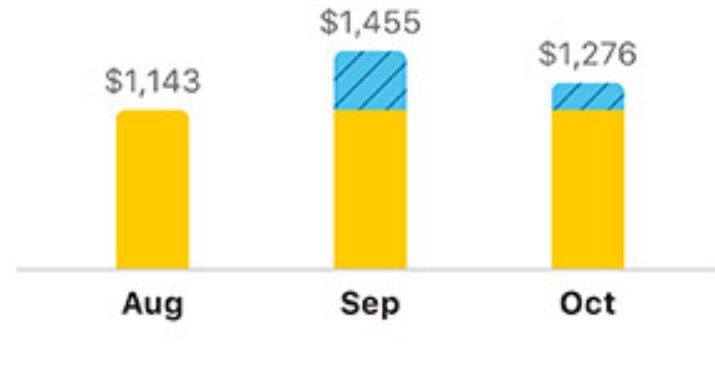
Cheddar



#1 Bill Sense

Bill calendar

September has extra bills. Aim to set aside \$1,455 for the month.



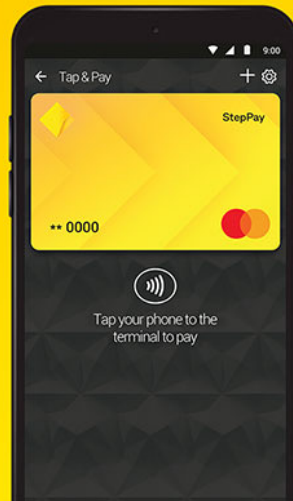
- The Bill Sense feature is built within the commbank mobile app and helps customer predict their upcoming payments
- It allows customers to see how much money they will need to cover their bills each month
- The bill prediction feature can help predict bills up to 12 months in advance
- The idea behind the feature is to protect customers from getting overwhelmed when all the bills arrive together
- The tool predicts bills based on the spending behaviour and past transactions of the customer



#2 StepPay

**Buy now, pay later
with StepPay.**

All in your CommBank app.



- StepPay is CBA's Buy Now Pay Later (BNPL) service which is available to more than 4 million customers of the bank
- StepPay is the first BNPL service to be offered by a major bank in Australia
- The facility is accepted anywhere where the bank's cards (Mastercard) are accepted
- The initial approved limit offered is up to AUD 1000 dollars
- Repayments can be made over 4 fortnights



#3 Smart EFTPOS terminals



- These smart terminal are distinctive one-of-a-kind payment terminals in Australia
- The terminal features dual SIM functionality, Wi-Fi, 4G/3G and broadband connectivity to offer seamless connectivity
- Also includes in-built features such as split payments, add surcharging, tipping, and email receipts



#4 Cheddar



- Launched by CBA's venture scaling arm x15ventures
- A brand and deal discovery app that rewards Gen-Z and millennials for shopping with popular brands
- Uses artificial intelligence to help customers discover personalised brands, authentic content and deals, as well as rewarding them with cashback
- Currently, there are more than 600 merchants listed on the platform



Digital partnerships

Case #1



Partnership with the world's largest crypto custodian **Gemini** and leading blockchain analysis firm **Chainalysis** to allow customers to trade in **crypto assets**

Case #2



Set-up of **Melbourne tech hub** in association with Monash University and RMIT University

Case #3



Partnership with **H2O.ai**, a global leader in AI, to further differentiate and extend the bank's AI capabilities to better **anticipate customer needs**



CBA's cloud strategy

Partnership with Microsoft:

- CBA entered into a partnership with Microsoft for its x15 Venture in 2020
 - The bank plans to work with 25 start-ups over the next five years to create more services for its retail and business customers
 - The partnership gives the start-ups access to the technologies in Microsoft's portfolio
 - Technologies include artificial intelligence, mixed reality, blockchain and other related technologies



Satya Nadella with Matt Comyn in Sydney, 2020

Migration to public cloud

- The current public cloud base for CBA stands at 25%
- The bank is planning to increase its public cloud base to 95% by 2025
- This strategy is in line with the bank's organisational strategy of achieving digital dominance in the Australian financial sector
- Keeping in line with its divestment strategy, CBA is also killing 875 applications out of 3500, reducing its application portfolio by 25%
- The move is expected to lower marginal costs in comparison with running data centres while also providing higher resilience and availability



Top 4 growth opportunities

#1



Enhancement of
the branch
network

#2



Cost to serve

#3



Partnership
ecosystem

#4



Blockchain



#1 Enhancement of the branch network

CBA's current branch network

- Set-up of pop-up branches in flood-affected areas in Lismore and Gympie to allow communities access to financial services
- Set up the Melbourne tech hub in partnership with Monash University and RMIT University
- Opened a tech hub in Adelaide's Lot Fourteen precinct
- Established a third tech hub in Brisbane's CBD in works with The University of Queensland (UQ), Queensland University of Technology (QUT) and TAFE Queensland
- Introduced BizExpress in branches to support customers with their lending requests up to AUD 1 million dollars
- The bank's branches have separate booths where customers can interact with the banker and discuss their financial queries and requirements in a private space
- Innovation Lab – designed to act as an idea incubator and accelerator focused on developing new products, services and solutions in collaboration with customers and partners



#1 Enhancement of the branch network

Analyst View

Key Highlights

- 71.5% of all CBA banking transactions are now done digitally through the bank's mobile app
- Investment of AUD 50 million dollars each year in new branches and refurbishments
- Incorporation of hearing loops at all customer points and braille signage across ATMs and outside branches

Tech hub expansion

- CBA is planning to expand its network of tech hubs by establishing more such hubs in other Australian states and territories to continue its support in providing opportunities for career development and innovation
- The bank should consolidate its low-footfall branches into CX labs to help with customer journeys by delivering an omnichannel experience and holding sessions to educate customers on how to use the bank's digital services



Business bankers

- Increase the number of in-branch business bankers to offer personalised business support to customers and small business owners



#2 Cost to serve

Key Highlights

Year-on-year change from FY2021 to FY 2022:

✓ Net interest income	▲ 1.00%
✓ Fee & commission income	▼ 5.70%
✓ Trading income	▼ 5.40%
✓ Staff expenses	▲ 9.00%
✓ Occupancy expense	▼ 16.00%
✓ IT expenses	▼ 3.00%
✓ Net interest margin	▼ 8.65%

Observations

Occupancy expenses

- The occupancy and equipment expenses were reduced primarily due to branch and ATM network optimization. The number of branches was reduced from 875 to 807, whereas the number of ATMs was reduced from 2492 to 2095.

Staff expenses

- The total number of employees increased by 6.20%, which resulted in an increase in staff expenses. Another reason for the increase in staff expenses was wage inflation.



#2 Cost to serve

Analyst View

Net interest margin

- The net interest margin reduced from 2.08 in 2021 to 1.90 in 2022 indicating a decline in investment efficiencies at CBA.
 - A decline in the NIM can be explained by the low-yielding liquid assets and lower home loan margins of the bank
 - CBA should focus on increasing its fee and commission income which currently stands at just 9.27% of the total operating income



Loan-to-deposit ratio

- The LDR ratio for the bank has slightly decreased from 105.87% to 102.48% during 2021-22.
 - Upon closer examination, the increase in deposits stood at 11.90%, whereas the increase in loans was less at 8.32%
 - Despite having a high LDR ratio, CBA could disburse more loans to offset the higher increase in deposits and improve their LDR ratio further.



#3 Partnership ecosystem

x15ventures

- Established x15ventures to help build, invest and acquire ventures; each venture is allowed to operate with the agility of a standalone business

Backr

- Launched Backr, a service for aspiring new small business owners or entrepreneurs, where the bank provides links and APIs into a wide array of jobs that can be done and services to be consumed

Amber

- The bank offers Amber energy to its home loan customers

The logo for x15ventures, featuring the text "x15ventures" in a dark grey, sans-serif font. The "x" is stylized with a small square cutout.The logo for backr, featuring a colorful icon of four overlapping squares (green, purple, orange, and light purple) to the left of the word "backr" in a bold, black, sans-serif font.The logo for amber, featuring the word "amber" in a bright green, lowercase, sans-serif font, centered within a dark blue rectangular background.

#3 Partnership ecosystem

Analyst View

Key Highlights

- Partnership with More to offer National Broadband Network (NBN) plan for three years to customers eligible for pre-approved home loans
- Partnership with CoGo and Amber to help customers understand their own emissions
- Partnership with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to limit global warming to 1.5 degrees Celsius
- Co-developed a blockchain marketplace in partnership with BioDiversity Solutions Australia

Customer journeys

- Support end-to-end customer journeys through partnerships with third-party providers
 - Help pre-approved home loan applicants find potential properties they can purchase
 - Suggest products and services to customers as and when they require them based on information accumulated using ML, AI and spending behaviours and patterns

Marketplace

- CBA should partner with commodity marketplaces to supplement its own core value propositions
 - Products and services can be sourced from financial and non-financial third-party service providers
 - This will solve the customer's reluctance to go to multiple places for their differing needs



#4 Blockchain

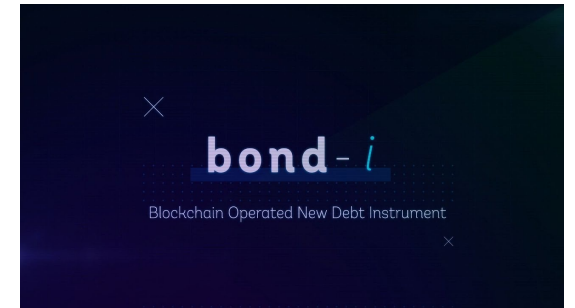
Crypto

- CBA established a partnership with the largest regulated crypto exchanges and custodians in the world, Gemini
 - Chainalysis which is a leading blockchain analysis firm oversees the analysis
 - The service is integrated within the bank's mobile app and allows customers to trade in ten selected crypto assets



bond-i

- Launched by World Bank, bond-i is the first blockchain-operated debt instrument which has both issuance and trading recorded on a blockchain
 - CBA is the sole arranger of the bond
 - The platform was built and developed by CBA's Blockchain Centre of Excellence over the Ethereum network



Blockchain Market

- Established in partnership with BioDiversity Solutions Australia (BDS)
 - Digital tokens called BioTokens facilitate the trading of biodiversity credits for the New South Wales Government's Offsets Scheme
 - The scheme requires developers to obtain credits to offset the impact of their development



#4 Blockchain

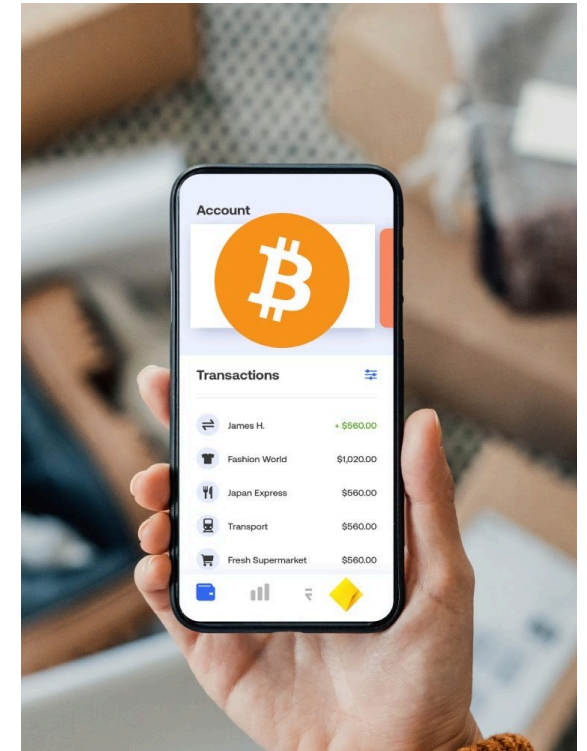
Key Highlights

- Australia's first bank to offer crypto trading to customers
- Helped World Bank raise \$81 Mn through bond-i
- Sole arranger for the world's first blockchain-operated debt instrument

Own blockchain

- CBA should develop its own blockchain to explore ways in which Distributed Ledger Technology (DLT) can help the bank accelerate the rate at which it conducts its business transactions
 - The setup can also help the bank establish efficient and fast channels for cross-border payments providing a smooth and seamless experience for its customers
- CBA can leverage its partnership with Microsoft and use its Azure Blockchain service to enable customers to build and scale blockchain networks in the cloud

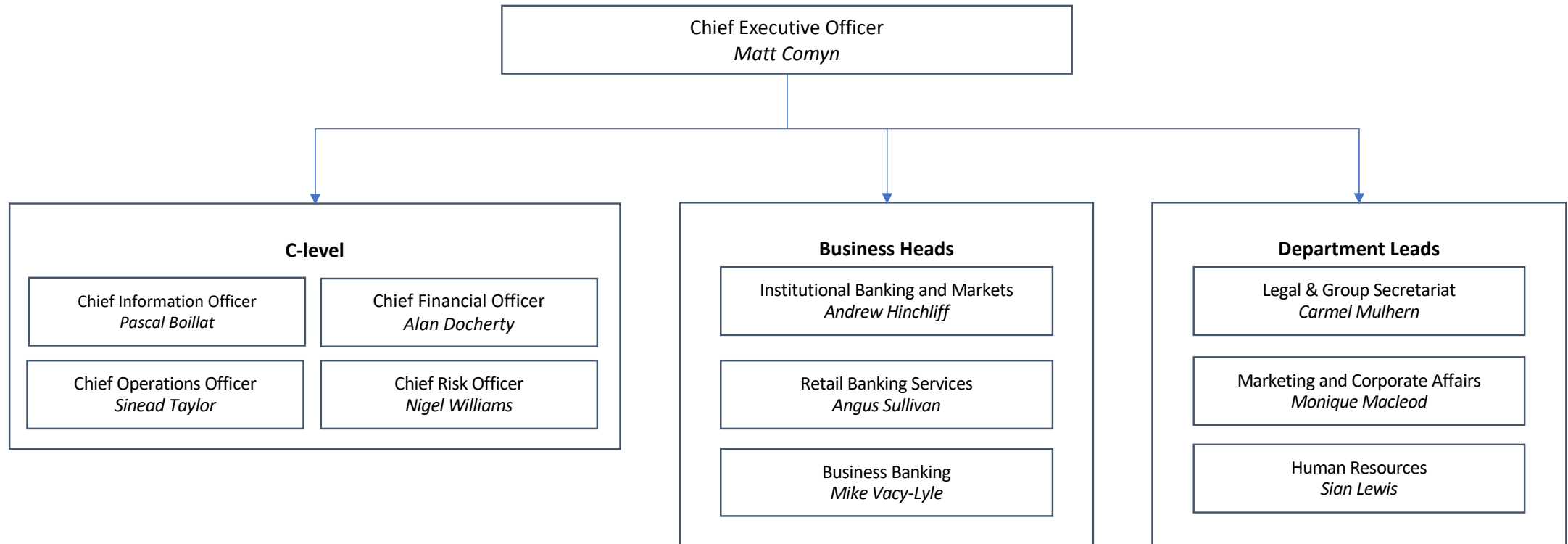
Analyst View



Appendix



Key decision-makers



Matt Comyn



Group CEO and MD

- Became the CEO and Managing Director of CBA in April 2018
- Has over 20 years of experience in the banking industry

Business and operating performance:

“ The bank has delivered a strong result this year. Our continued focus on our customers and disciplined execution has delivered another year of strong financial and operational performance. The strength of our balance sheet means the bank is well-positioned to continue supporting our customers and the broader Australian economy while delivering consistent and sustainable returns to shareholders. ”

Future outlook for the bank:

“ Looking ahead, we will continue to invest in the bank’s core retail, business and institutional banking franchises, to reinforce our proposition and extend our digital leadership. We believe that strong customer engagement and deeper relationships will continue to underpin growth and performance. ”

*Direct quotes derived from the 2022 CBA Annual Report



Alan Docherty



Group Chief Financial Officer

- Became the CFO of CBA Group in May 2018
- Has more than 20 years of experience in the financial services sector in both the UK and Australia

Commitment to workplace ethics:

“ When people with diverse family needs feel supported in their workplace, not only do they benefit but their families and the broader community benefits too. We have an important role to play in fostering a culture of care, equality and respect so that our people can be at their best at work and at home.

”

*Direct quotes derived from the 2022 CBA Annual Report



twimbit be more



Insights



Immersions



Challenges

How can we help?

reachus@twimbit.com