



ASX announcement

Divestment of global asset management business

Wednesday, 31 October 2018 (Sydney): Commonwealth Bank of Australia (**CBA**) today announced that it has entered into an agreement to sell its global asset management business, Colonial First State Global Asset Management (**CFSGAM**), also known outside of Australia as First State Investments, to Mitsubishi UFJ Trust and Banking Corporation (**MUTB**) for total cash consideration of \$4.13 billion (the **Transaction**).¹

The Transaction follows CBA's announcement in June 2018 regarding its intention to demerge its wealth management and mortgage broking businesses. Subsequent to that announcement, MUTB approached CBA in relation to CFSGAM and the CBA Board determined that it would be in the best interests of clients, employees and shareholders to explore a potential sale of CFSGAM.

CBA Chief Executive Officer Matt Comyn said: "CFSGAM is a high quality business that has achieved strong growth under CBA's ownership for over 18 years. MUTB is one of the largest asset managers in Japan, with a long history and deep capabilities. We believe that CFSGAM's clients and employees will benefit from MUTB's supportive long-term ownership".

"Today's announcement represents another important milestone in CBA's strategy to focus on its core banking businesses and to create a simpler, better bank. The sale of CFSGAM to MUTB represents significant value for CBA shareholders and is a positive outcome for CFSGAM clients and employees," Mr Comyn said.

The total cash consideration represents a multiple of 17.5x CFSGAM's pro forma FY18 net profit after tax of \$236 million.² The estimated total proceeds imply a post-tax gain on sale of approximately \$1.5 billion³, which includes estimated post-tax separation and transaction costs of approximately \$100 million.

As a result of the Transaction, CFSGAM will not be included in the previously announced demerger of CBA's wealth management and mortgage broking businesses.

Given the global nature of CFSGAM's business and the licensed entities that it operates, the Transaction is subject to a number of regulatory approvals in various jurisdictions including in Australia, Japan, Hong Kong, Singapore, the United Kingdom and the United States. The Transaction is expected to complete in mid calendar year 2019.

Upon completion, the Transaction is expected to deliver an increase of approximately \$2.9 billion of Common Equity Tier 1 (**CET1**) capital, resulting in a pro forma uplift to the Group's FY18 CET1 ratio of approximately 60 basis points on an APRA basis as at 30 June 2018. The CET1 capital benefit is principally comprised of the post-tax gain on sale, plus a reduction in CET1 capital deductions from accounting goodwill and investment in net tangible assets. The

¹ Includes an estimated pre-completion dividend of \$130m based on the pro forma surplus capital of CFSGAM as at 30 June 2018 and is subject to customary purchase price adjustments for a transaction of this nature. CBA will also continue to benefit from the earnings of CFSGAM until completion of the Transaction.

² Based on CFSGAM FY18 reported cash earnings of \$292m, adjusted to account for the allocation of central expenses, tax timing differences and discontinued operations (-\$33m), and an adjustment for a normalised level of performance fees (-\$23m).

³ The final gain on sale will be determined at completion and will be impacted by the final determination of accounting goodwill to be disposed, transaction and separation costs, other balances and final taxation impacts.



Group reviews its capital management strategy on an ongoing basis and intends to update shareholders further following the completion of its announced divestments.

MUTB President and CEO Mikio Ikegaya said: "We are delighted that CFSGAM, a highly distinguished, diverse and growing asset manager, is joining our group. We expect CFSGAM will continue to deliver leading investment solutions to its existing global client base. We also believe CFSGAM's highly seasoned investment teams and competitive product line-ups will enable us to deliver new investment opportunities to our clients. We look forward to welcoming the full CFSGAM team to our group."

About CFSGAM

CFSGAM, known as First State Investments outside of Australia, is a global investment management business with established offices across Europe, the US and Asia Pacific regions. As at 30 June 2018, CFSGAM managed \$213 billion of assets on behalf of institutional investors, pension funds, wholesale distributors, investment platforms, financial advisers and their clients worldwide.

About MUTB

MUTB is a trust bank containing one of Japan's leading asset managers and is a wholly owned subsidiary of Mitsubishi UFJ Financial Group, Inc., one of the world's largest financial institutions with ¥72.5 trillion (\$912 billion⁴) in AUM.

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⁴ Exchange rate of A\$1 = ¥79.47 (as at 29 October 2018).