

## **Commonwealth Bank: Annual General Meeting**

***Tuesday, 8 November 2011***

---

### **Address by Ralph Norris, CEO Commonwealth Bank of Australia**

Like David, I'd like begin by acknowledging the Traditional Owners of the land on which we are meeting, the Turrbal and Jagera peoples. I respectfully acknowledge their Elders, past and present.

In a challenging operating environment we reported another good result for the financial year ended 30 June 2011. This result is testimony to the consistent, disciplined and effective execution of our strategic agenda, which is delivering real benefits for our shareholders.

And once again it demonstrates how a strong, sustainable business model has enabled us to lend to our customers through difficult times; provide ongoing support to our staff and the communities they live in; and continue to reinvest to strengthen our franchise and create opportunities for growth into the future.

With strong capital, funding and provisioning, we are well positioned to continue supporting our customers as we enter what will be, without doubt, another challenging year.

Cash net profit after tax was up 12 percent to \$6.8 billion. Statutory profit was up by a similar amount to \$6.4 billion. Return on Equity increased by 80 basis points to 19.5 percent.

Cash earnings per share were up 11 percent to \$4.39, and we declared a final dividend of \$1.88 per share, also up 11 percent on last year's final dividend.

It will come as no surprise that with system credit growth subdued, revenue growth was constrained. However, we have maintained our record of good cost discipline, with cost growth held to around CPI once again this period, notwithstanding continued high levels of strategic investment.

I now want to turn briefly to this year's achievements.

As I said earlier, this result was underpinned by the disciplined execution of our five strategic priorities which we put in place and have refined over the last five years.

The Group's journey to being Number 1 in Customer Satisfaction remains on track and our progress was again recognised with the award of 2011 Money Magazine's Bank of the year for the second year in a row, with a significant component of the judging based on customer service.

And what is particularly pleasing about our retail customer satisfaction is that in July and August we rated number one on a spot basis which makes me very confident that we will shortly be ranked #1 on this key six month rolling average measure.

We have come a long way since we launched this strategy in early 2006, and I am sure that the Group, under Ian Narev's leadership, will achieve and remain committed to being number one in customer satisfaction.

In an environment of constrained credit growth and tighter margins, improving the service we provide to our customers and earning more business from them will be one of the key drivers of future growth.

So, it is pleasing that over the same period, the average number of products held by each of our customers has grown by over 20 percent. We now have the highest number of financial products-per-customer of any major bank in Australia at 2.64.

We have also delivered on our strategy of reinvigorating our business banking franchise.

The strong profit growth we delivered this year in business banking should come as no surprise. Over the last five years it has been a strategic priority and we have systematically rebuilt the business and invested behind a range of customer focussed initiatives.

The development of our market leading on line offering, Commbiz, our decision to put business bankers back into branches and the extension of our business banking footprint, are just a few of the initiatives which have laid the foundations for significant improvements in customer satisfaction and strong, profitable growth. This business is well position to continue on its strong growth trajectory and offer ongoing support to our customers.

We have also consistently invested in the long term future of the business, notwithstanding the short term challenges we inevitably face. This year is no different. We have again invested over a billion dollars in key strategic initiatives.

From a technology perspective, we have delivered many important initiatives including CommSee, NetBank, CommBiz, CommSec and the First Choice platform. These projects have significantly enhanced our competitive offering, improved customer experience and driven meaningful productivity benefits.

More recently, in response to the rapid changes which are happening in mobile technology, we have been leveraging our leadership position by developing a range of applications which we believe will provide us with additional opportunities to grow our business and better meet the evolving needs of our customers.

Core Banking, our largest and most ambitious initiative, is now well on its way to completion and I remain confident that it will provide the Group's banking businesses with a significant long term competitive advantage.

The programme is already delivering real, tangible benefits to our retail deposit and transaction customers, and more recently to the majority of our business banking customers and we look forward to similar success as we move to completion of the roll out of the platform through the remainder of 2011 and into 2012.

In Asia, we continue to pursue a considered, prudent and focussed growth strategy. Clearly the financial contribution from our Asian banking and life insurance businesses remains modest in the context of the Group overall. This reflects both its current scale and our decision to reinvest in these businesses to drive organic growth. However once we include our other Asian businesses, cash net profit from Asia is \$231 million.

We have stakes in a number of excellent businesses particularly in Indonesia, China and more recently Vietnam. And I remain confident that, in the fullness of time, their contribution to the Group will grow to be much more meaningful.

Looking at our achievements over the last five years you can see that we have made real progress on key business metrics.

And while we didn't quite get to be number one in customer satisfaction within the retail bank, I have no doubt that Ian and his team have the passion and the momentum to achieve this goal.

What is particularly pleasing is that our focus on customer satisfaction has driven significant improvements in our market share numbers right across the business. And, more importantly, that growth has been profitable growth. Over the last five years we have not chased growth for growth's sake.

Clearly none of our strategic initiatives would have been achieved without the passion and commitment of our people and, more than any other factor, the energy and drive of the people I meet every day gives me the utmost confidence in the future of the Group.

As this is my last Annual General Meeting as Chief Executive Officer of the Commonwealth Bank, I would like to acknowledge what an honour and privilege it has been to lead this organisation. The last six years has been a challenging period for global banking and for the Group. Personally, while at times it has been testing, I have always found it immensely satisfying.

The Commonwealth Bank of Australia occupies a unique position in the Australian business and the wider community which in itself adds additional layers of complexity to the role of Chief Executive. I have certainly done my utmost to discharge those responsibilities to the best of my abilities and I am pleased that I am able to leave the organisation in a strong position with a vibrant and talented management team.

I would like to take this opportunity to thank the Board for its wise counsel over the last six years; the staff of the Commonwealth Banks whose enthusiasm and commitment have created what I believe is Australia's finest financial institution and you, the owners of this great business, for your support and encouragement during my tenure as Chief Executive.

I know that Ian Narev will be an outstanding leader and I wish him all the best.

# Overview

- A good result in a difficult year
- Continued disciplined approach to execution of strategy underpins result
- Strong financial position – capital, funding and provisions
- Supporting our customers in uncertain times
- Challenging year ahead

# Another good financial result

	Jun 11	vs Jun 10
Cash NPAT (\$m)	<b>6,835</b>	12%
Statutory NPAT (\$m)	<b>6,394</b>	13%
ROE - Cash	<b>19.5%</b>	+80bpts
Cash EPS (\$)	<b>4.39</b>	11%
Dividend per Share (\$)	<b>3.20</b>	10%

# Strategy delivering results

## Customer Satisfaction

- ✓ Gap to No. 1 closed from 12.5% to 3.6%
- ✓ Highest products-per-customer of peer group
- ✓ No 1 in key Wealth & Business segments

## Business Banking

- ✓ Market share up from 12.1% to 18.1%
- ✓ Significant improvement in satisfaction
- ✓ CommBiz a leading online platform

## Trust & Team Spirit

- ✓ Strong staff engagement
- ✓ Favourable complaints profile
- ✓ Supporting communities in need

**Australia's  
Finest  
Financial Services  
Organisation**

## Technology & Operational Excellence

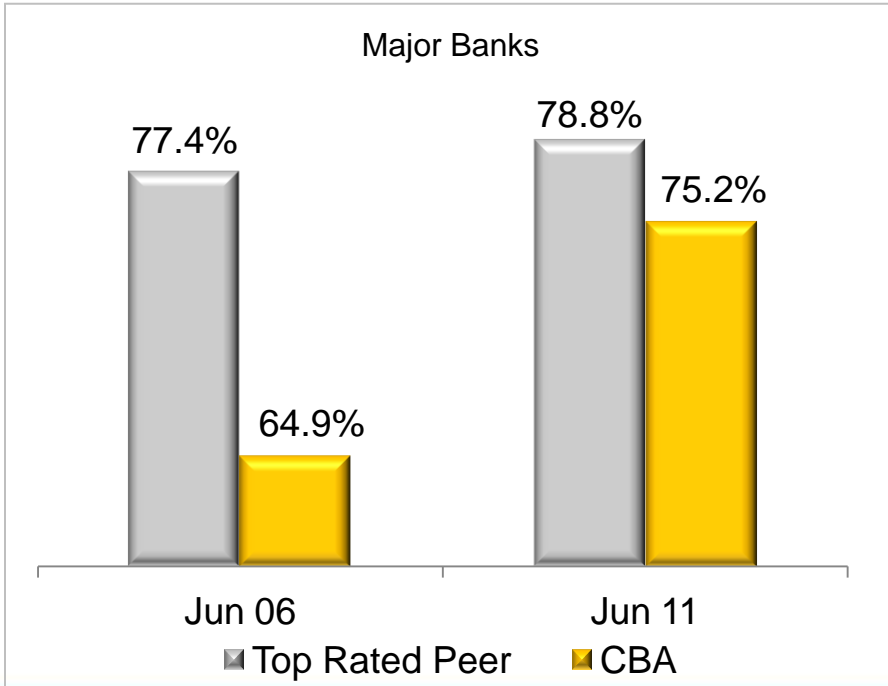
- ✓ Core Banking Modernisation
- ✓ Market leading online platforms
- ✓ Cost-to-Income improvement

- ✓ Targeted Asian expansion
- ✓ Bankwest acquisition
- ✓ Profit After Capital Charge & ROE focus

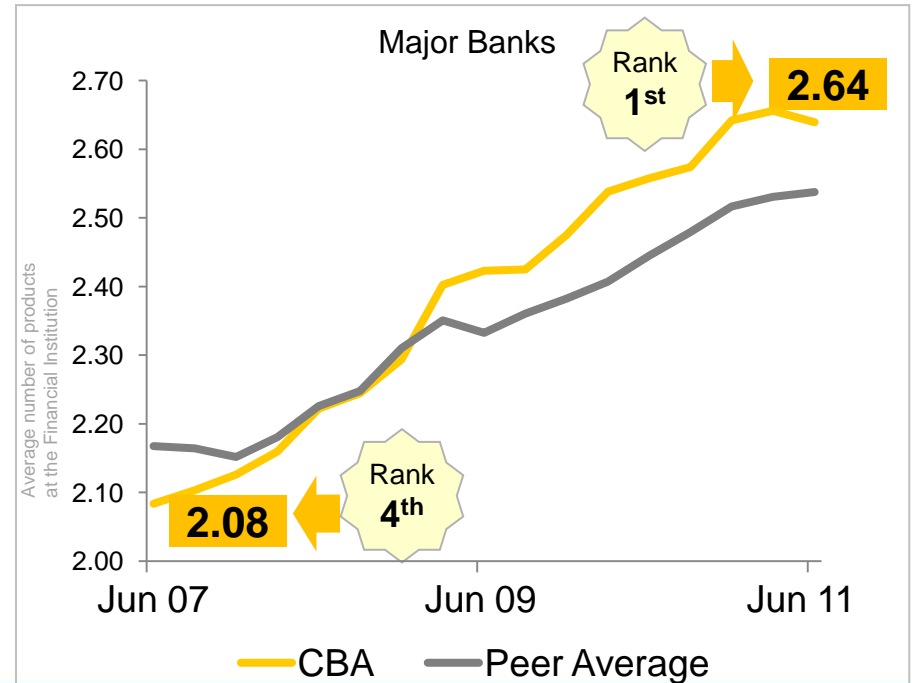
## Profitable Growth

# Customer Satisfaction

## Retail MFI Customer Satisfaction



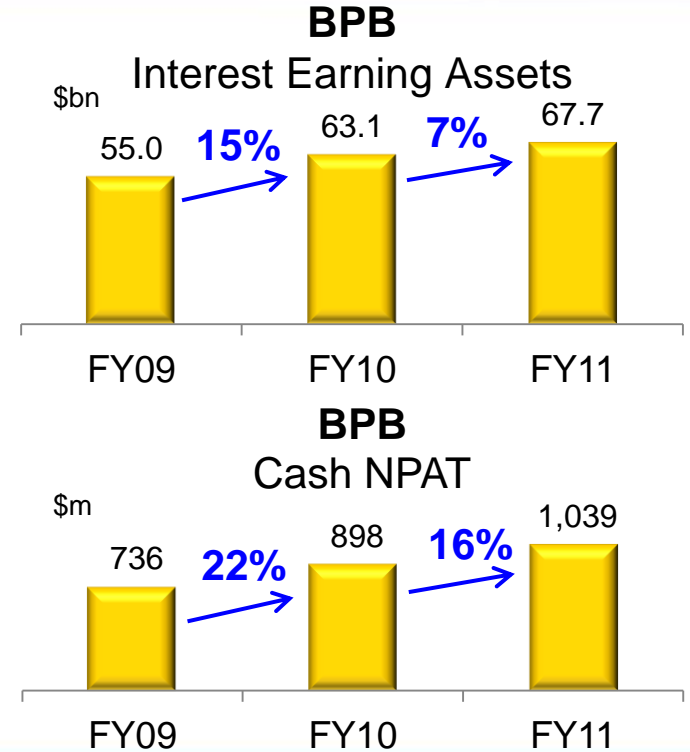
## Products per customer





# Business Banking Growth Strategy

- Investment delivering dividends:
  - Business Bankers in branches
  - Extended footprint
  - CommBiz
- Supporting our business customers with above system lending growth
- Good momentum
- Well positioned to continue to outperform



# Core Banking – transformational change

2008



Pre-Launch

2009



Customer  
Records

2010



Retail Deposits  
& Transactions

2011



Business  
Deposits &  
Transactions

2012



Lending

- Proof-of-concept
- “Steel-thread”
- Capability tested

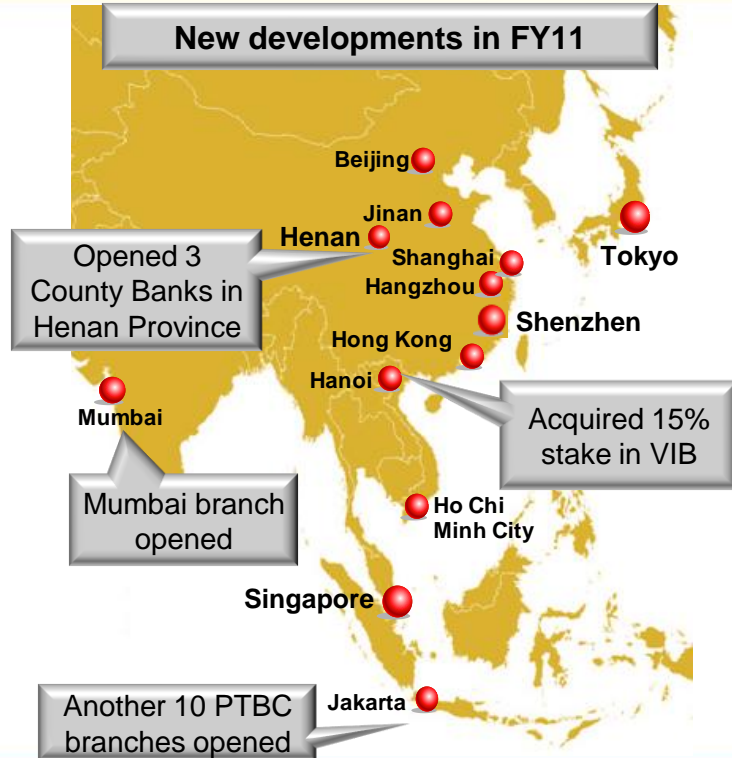
- Largest migration in Australian banking history
- 18 million customers (53 million records) migrated
- Telling & NetBank systems integrated

- 11 million accounts migrated
- Real time 24x7 banking
- 18,000 jobs changed

- Migration of business deposit and transaction accounts
- Integration of CommBiz
- New capabilities

- Migration of lending accounts
- Next Phase;
  - 2013+
  - Bankwest

# CBA in Asia



Country	Representation
<b>China</b>	Bank of Hangzhou (20%) – 107 branches
	Qilu Bank (20%) – 81 branches
	County Banking (84%) – 3 Banks
	Beijing Representative Office
	BoCommLife JV (37.5%)
	Shanghai (China Head Office)
	First State Cinda JV, FSI Hong Kong
<b>Indonesia</b>	Hong Kong and Shanghai branches
	PTBC (97.86%) – 84 branches
	PT Commonwealth Life (80%) – 24 branches
<b>Vietnam</b>	First State Investments
	VIB (15%) – 136 branches
	CBA Branch Ho Chi Minh City
<b>India</b>	Hanoi Representative Office
	CBA branch, Mumbai
<b>Japan</b>	CBA branch, Tokyo, FSI Tokyo
<b>Singapore</b>	CBA Branch, First State Investments

# Transformational change - scorecard

	Jun 06	Jun 11	Progress
<b>Customer Satisfaction</b>			
Retail	64.9%	75.2%	✓
Business - DBM	n/a	Ranked equal 2 <sup>nd</sup>	✓
FirstChoice	Ranked 2 <sup>nd</sup>	Ranked 1 <sup>st</sup>	✓
<b>Market Shares</b>			
Home Lending	18.7%	25.7%	✓
Business Lending	12.1%	18.1%	✓
Household Deposits	29.3%	30.0%	✓
Business Deposits	11.9%	21.2%	✓
Products per Customer	2.17	2.64	✓
<b>System Reliability</b> – Sev. 1 incidents pa	66	10	✓
<b>Employee Engagement</b> – Percentile	69 <sup>th</sup>	73 <sup>rd</sup>	✓
<b>Total Shareholder Return</b> – Ranking		Ranked 1 <sup>st</sup> (2, 3, 4, 5yrs)	✓