Commonwealth Bank: Annual General Meeting

Tuesday, 8 November 2011

CHAIRMAN'S INTRODUCTION & ADDRESS

Ladies and Gentlemen, I am very pleased that we have had another very good result. And this is notwithstanding the difficult environment in which we've been operating.

This result is largely thanks to two things:

1. Our single-minded strategy of delivering even better customer service,
2. And the strong management of the group.

I will return to express our gratitude to Ralph Norris later. But Ralph would be the first to acknowledge that he has not done it alone.

And it's the efforts of his excellent senior executive team, supported by each of our 52,000 employees, that have enabled us to generate this good result.

We increased the dividend per share by 10%, and we paid a total of $3.20 per share for the full year. Dividend payments for the 2011 financial year totalled $5 billion, with over 80% going directly or indirectly to Australian residents.

This is all in the context of a world in which there is continued uncertainty. But against this backcloth, we have adopted a conservative stance and our strong financial position remains a priority.

Throughout the global financial crisis, and beyond our cautious approach to capital, provisioning and funding meant that we were able to support our 11 million customers in the most challenging of times.

In fact that over the last year we have advanced almost $90 billion of new loans to our customers, and $200 billion over the last 2 years. This demonstrates our ongoing commitment to them and to the Australian economy generally. We pay considerable tax, and through our size, we support a wide range of Australian businesses.

As you can see, we have a very strong Tier 1 capital ratio. This means that we are well placed to meet the impending Basel III capital requirements. And we are one of a handful of global banks to have retained a AA credit rating.

We remain well funded. The combination of strong deposit growth from our customers and subdued credit growth has seen us satisfy our lending from customer deposits which now comprise 61% of the Group's funding. This strength has helped us to support the wider community. We've done so through a wide-range of charitable donations, sponsorships and other activities.

This year, in addition to our regular commitments, we've been able to provide help for communities in Queensland, Victoria and Christchurch who have had the appalling bad luck of being impacted by completely unforeseen natural disasters.

More generally, while news over the past 2 weeks has been more positive, there are ongoing worries about the impact of both Government cutbacks and sovereign debt in Europe. Under these circumstances and given the sheer cost of refinancing banks, growth forecasts for that region are low. Even on an optimistic forecast, it seems most unlikely that there will be a return to accelerating growth in the near future.

The same might be said for the USA, but with a flexible labour force, productivity improvements and entrepreneurship at the heart of business, there must be greater hope of a positive outcome in the medium term.

All of this will of course challenge Australia, and we are not immune to vagaries elsewhere in the world. Wholesale funding markets will become more challenging and have the potential once again to place sustained upward pressure on Group funding costs.

This is one reason why it's so important for us to have a strong balance sheet. It allows us to have ongoing access to a critical pool of funding at an optimal cost.

I would now like to say a few words about our CEO, Ralph Norris.

As you know, Ralph has decided to retire at the end of this month. Ralph has been Chief Executive Officer for the past six years. They have been six years of exceptional achievement in terms of both financial and cultural performance.

Ralph's unswerving focus on customer satisfaction has driven the financial results, but this has not been at the expense of investing in the future with IT and other core programmes. He has also worked with the Board in developing top talent. This has resulted not only in an excellent executive team, but also a pool of talent for succession to the most senior positions.

On behalf of the Board, I would like to invite all shareholders to join me in thanking Ralph for his tremendous performance and exemplary contribution to the Group.

The Board has appointed Ian Narev to succeed Ralph on December 1st this year.

Ian leads the Business and Private Banking division in the Group and prior to that was head of Strategy. In his life before the Bank, Ian was with the financial services practices of McKinsey in New York, Sydney and Auckland.

On top of an excellent academic grounding, Ian is a senior banker with an outstanding breadth of experience. And he has demonstrated inclusive and impressive leadership skills in the Bank.

In the course of the selection process, we also assured ourselves that Ian was benchmarked against the best available talent within and outside Australia.

We have every confidence in Ian and in his ability to deliver the best possible outcomes for the Group in the face of what will be a challenging future.

Let me now turn to Board Renewal. As Chairman, it remains one of my key objectives to ensure that your Board reflects a range of skills and experience, that we believe are essential to direct, guide, lead and monitor management.

We seek to achieve this through mapping required skills carefully against the existing Board profile to determine what we require new Board members to bring to the table. We have paid particular attention to building capability and experience in financial services and specifically in the areas of capital and risk management. Though this focus has not been at the expense of skilled business input in more general areas of expertise.

Brian Long and Lorna Inman joined the Board during the year. Brian successfully stood for re-election to the Board at the 2010 AGM and you'll hear more about Lorna's appointment later in the meeting.

The Board, its Committees and individual Directors were also subject to a performance review. We conduct these reviews with external input in alternate years.

They cover such elements as transparency, interface with the executive, talent development, contribution of individual Directors to the debate, and the list goes on. Through ongoing education, we also ensure that Directors are kept informed of changes in regulation so that we can perform our duties effectively.

In other words, we are constantly challenging ourselves, both individually and collectively, as to how we can be better!

I would now like to make some brief comments on the outlook.

While the resources sector is performing well, other parts of the economy are subject to headwinds. These include fragile consumer and corporate confidence, political uncertainty, a strong currency and natural disasters.

Ongoing offshore instability continues to impact the domestic economy, and this has the potential to place further upward pressure on wholesale funding costs for domestic banks.

While the 2011 financial year has been characterised by subdued system credit growth and intense competition, there is nothing to suggest that the 2012 financial year will be much different. Fundamentally, it comes down to confidence, and its confidence that will encourage both individuals and corporations to invest for growth.

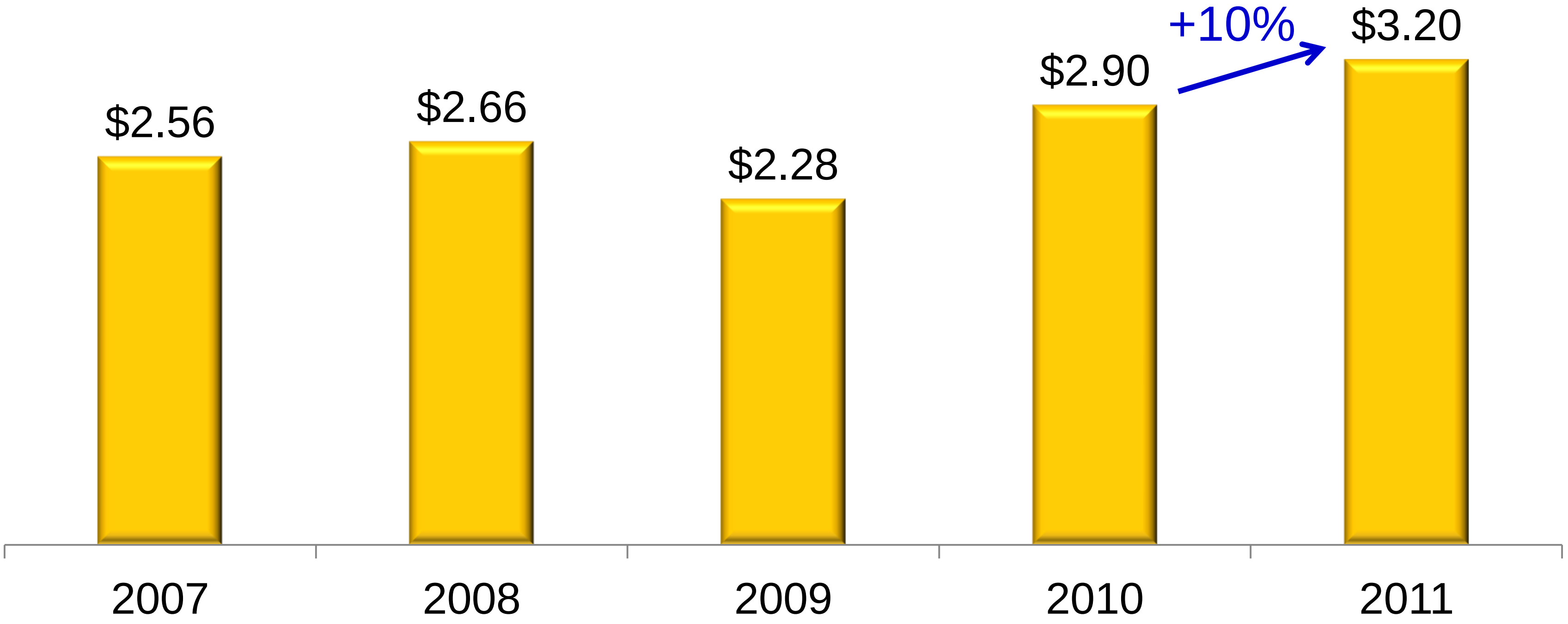
Against this backdrop, we will continue to operate in a disciplined and prudent manner. We will maintain a focus on driving productivity initiatives, and these will deliver sustainable improvements in business performance to provide superior returns to shareholders.

To conclude, the Group has been through a challenging period, and we've come through it strongly. This is a tribute to our strength,
and the enormous commitment and hard work of all our people.

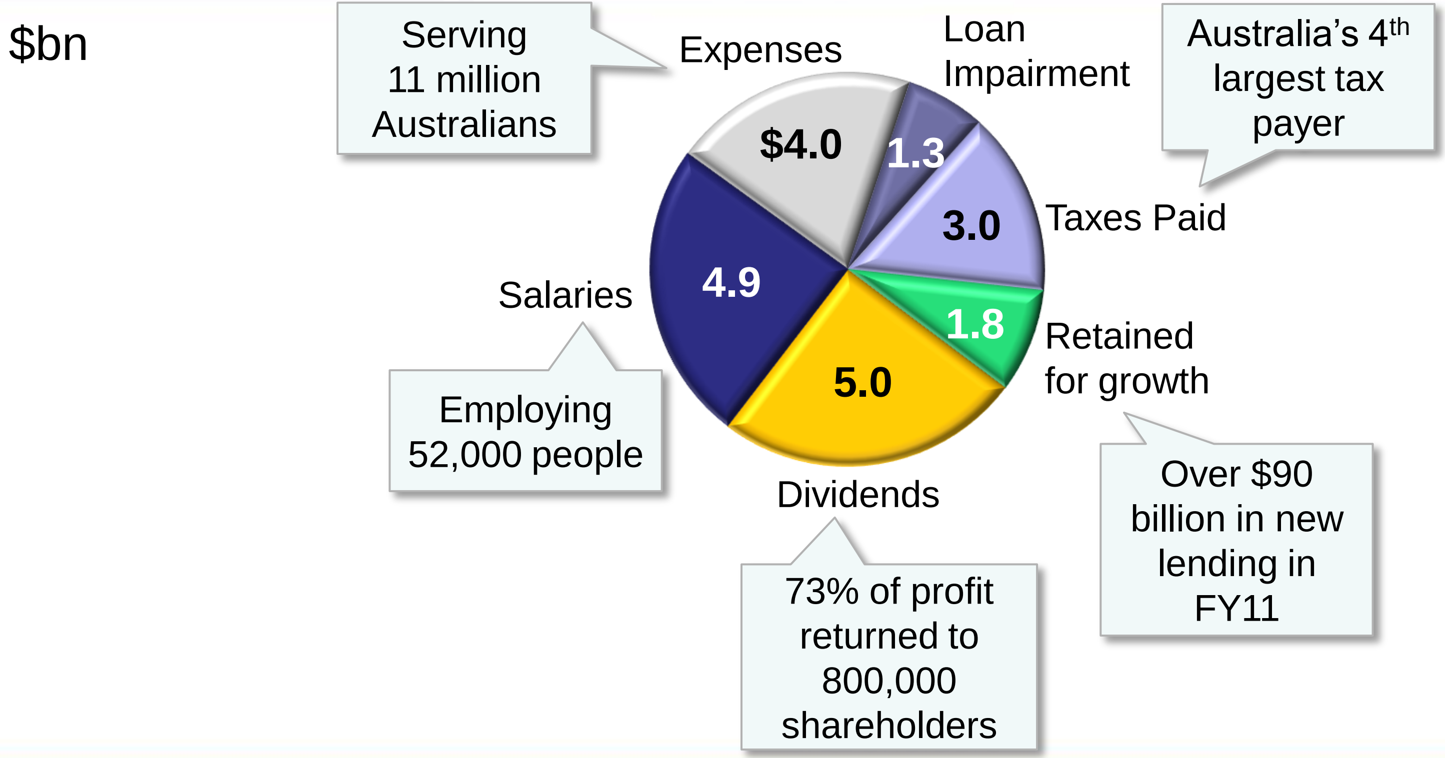
The Board has full confidence in your Bank's future, and we are determined that the Bank will become even stronger.

Thank you all for your support.

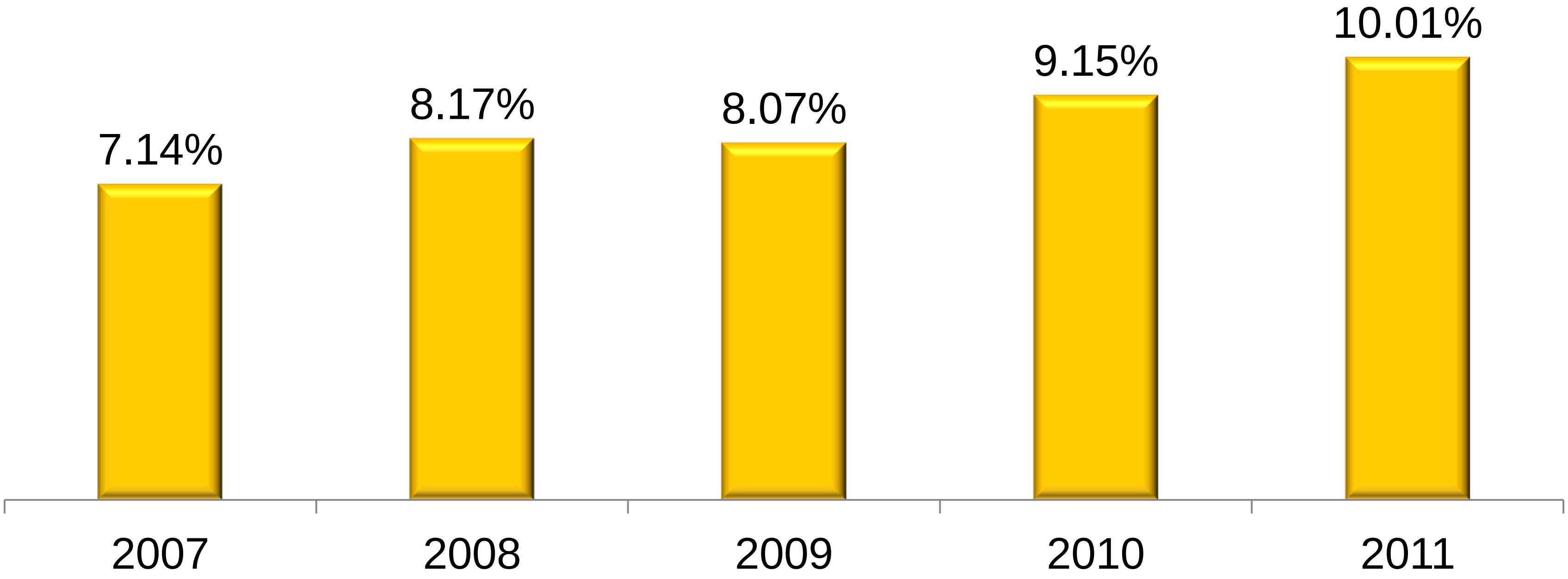
Full year dividend



Where does our net income go?



Strong Tier 1 Capital



Customer deposits