

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

**Tuesday, 30 October 2012**

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### **CHAIRMAN'S 2012 AGM ADDRESS**

#### **BUSINESS PERFORMANCE**

As you will be aware the 2012 financial year has been another challenging one for global financial institutions. The macroeconomic environment has again been dominated by uncertainty and volatility. There have been concerns around the slowing of the Chinese economy and uncertainty about the pace of recovery in the United States.

The ongoing challenges facing the European Union have also continued to weigh on the Australian economy. As a result, while the fundamentals in Australia appear sound, consumer confidence has not been strong and our customers remain cautious.

The Group has responded to this environment by maintaining its conservative business settings. These include strong capital, high levels of liquidity and robust provisioning. Retail and wholesale funding costs are still high but the Group remains well funded.

This has enabled us to continue supporting our customers, many of whom are finding the current business environment difficult. Delivering a cash net profit after tax of \$7.1 billion in this environment was a good result and this is a tribute to the leadership of Ian Narev and the hard work and commitment of the entire team at CBA.

This strong operating result enabled the Board to increase our dividend to a record \$3.34 per share for the year.

#### **Now let us talk about the Board and it's performance**

Your Board has had another busy year and I want to thank my fellow directors for their hard work, dedication and support. I have a very diverse and talented group of individuals as fellow directors and the Board as a whole functions well.

We pursue an open and robust debate and enjoy positive interactions with Ian and his senior team. One of the Board's key responsibilities each year is to assess the effectiveness of the Board and its committees and the performance of individual directors.

Every second year, and this was one of those years, the Board uses an external facilitator to manage this process. This is an important exercise and one where I believe an external view is essential. A primary task is to ensure that the individual skills of directors are enhanced in the Board environment, and not muted as so easily can be the case.

In such an environment, each director can feel free to contribute to the best of his or her ability. The review this year has been considered by the Board and I have met with each of the directors to discuss their individual assessments. Alongside our other governance responsibilities, among your Board's most important tasks are to both challenge and support the management team.

Achieving the right balance here is critical if we are to enable management to deliver the best outcomes for shareholders. So how else do we represent your interests?

This year, to get a better understanding of shareholders' needs, we engaged an independent firm to meet with some of our major investors. The purpose of these meetings was to seek shareholders' feedback on our performance, our communications with the market and our strategy.

These findings were presented to the whole Board, and again, there is further information in the Governance section of the Annual Report. The Group also surveyed some of our individual shareholders and had one-on-one critical presentations from other senior fund managers and senior sell-side analysts.

This open and independent exposure of the Board to our shareholders is essential if we are to fully understand the thoughts of the Group's owners. There was only one addition to the Board during the year.

On 1 December 2011, Ian Narev took over from Ralph Norris as Chief Executive Officer and replaced Ralph as the only executive member of the Board.

At last year's meeting I spoke at length about Ralph's outstanding contribution to the Group over his 6 years as CEO.

I am delighted that the momentum in the business has continued since the announcement of Ian's appointment early in the 2012 financial year, and the smooth handover is a great tribute to the skill and professionalism of Ralph, Ian and critically, the top management team.

Two of our long-standing non-executive directors, Colin Galbraith and Fergus Ryan, will retire from the Board at the end of this meeting.

Both Colin and Fergus have been directors for 12 years. Each has made significant contributions to the Board and its committees over that period. I would like to thank each of them for their commitment and hard work. Their energy, wisdom and considerable experience will be missed.

Colin has a broad business knowledge, a sharp legal mind and a delightful sense of humour.

Fergus has excellent communication skills, dedication and a detailed but realistic knowledge of the issues. He chaired the Audit Committee since 2004 and has passed this responsibility into the very capable hands of Brian Long.

On a personal basis, and as an incoming Chairman 2<sup>1/2</sup> years ago, I have found the insight of both Colin and Fergus invaluable and I will also miss their wise counsel.

Thank you both very much indeed.

## **OUTLOOK**

Finally I want to talk about the outlook for the Group.

My view of the future is not dissimilar from the one I expressed last year, and that is that we are unlikely to see significant improvements in the macro environment in the coming year.

While the US economy doesn't appear to be getting any worse, there are not yet signs of a sustained recovery. In Europe it's difficult to see the complex problems which face the European Union being remedied quickly yet Europe is a central plank in the global economy.

The concern about the damage that rigid austerity programmes might inflict, and the political tensions that may result, is understandable. Some of these tensions are being played out in Spain at the moment. However, if there is sufficient patience and tolerance, an optimist could point to a satisfactory outcome - but it certainly won't be soon.

The medium term outlook for the Chinese economy seems sound but inevitably there will be short term uncertainty and volatility which may well affect the pace of economic growth.

While I am optimistic about the medium to long- term outlook for Australia, the local economic climate also remains uncertain.

It's difficult to see the catalyst for alleviating the uncertainty which will continue to affect consumer and corporate confidence. So, in the near term, we expect demand for credit to remain subdued and we will retain our conservative business settings.

Against this backdrop, you can be assured we will continue to operate in a disciplined and prudent manner. We will focus on driving sustainable improvements in business performance, on building up our capabilities, on maintaining a watchful eye for opportunities, and on investing in our long-term strategic priorities.

I am confident that by pursuing these objectives and performing in line with our customer focussed strategy, we will position the Group well for the long term.

I thank you all for your continuing support and will now pass to Ian.

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