

Commonwealth Bank: Annual General Meeting

Tuesday, 26 October 2010

David Turner, Chairman of Commonwealth Bank of Australia, made the following address to the Bank's 2010 Annual General Meeting in Sydney on Tuesday 26 October 2010.

The 2010 financial year has again been challenging and the environment remains so, and there's continued uncertainty across most western economies, with a patchy recovery in the US and ongoing challenges surrounding sovereign debt in Europe.

Against this backdrop, your Bank has performed well, delivering a solid profit. We were also able to increase the Dividend per Share by 27%, and we paid a total of \$2.90 per share for the full year. We remain determined to manage our business prudently while expanding and improving our performance.

In this context, we constantly need to balance the needs of our shareholders for strong dividends, with the needs of our customers. The Group remains in a strong financial position, and, despite the recent global economic challenges, results have been very good. It's interesting that our Return on Total Assets is about average for global banks, and therefore not excessive.

As owners of the Bank, you are now among 780,000 individual shareholders who control 54% of the Bank's shares, or you represent Australian Pension, Life and other Managed Funds who control 28%, or you represent the remaining 18% held by overseas investors.

Let me now move to regulation. It goes without saying that, while regulation is not everybody's cup of tea, we should be grateful that the Australian banking sector has had the benefit of a sound regulatory environment combined with a strong, well managed domestic economy.

We now rank in the top 15 banks in the world by market capitalisation, and there are only a handful of banks with an AA credit rating and above. The strength of our group continues to allow us to lend to our customers, grow market share and support economic growth in Australia.

However, given the difficulties encountered by global banking over the past two years, it's no surprise that regulators have been looking to introduce measures aimed at strengthening the banking system.

We are continually in dialogue with Government and others to seek to ensure that the interpretation of new regulations and their applicability to Australia does not harm the interests of our shareholders, our customers and our ability to serve them.

Let me now turn to Board Renewal.

It remains our objective 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.

In terms of change during the year, John Schubert left the Board in February after an exemplary 18 years as a Director and Chairman. Reg Clairs left in April, having contributed tremendously over his 9 years on the Board. Brian Long joined the Board in September and you'll hear more about Brian and his appointment later in the meeting.

I would now like to make some brief comments on the outlook. Despite some improvement, the global recovery remains uneven, with concerns about the advanced economies balanced out by some strength in the emerging markets. But Australia remains well placed.

Fortunately, some of the uncertainty over capital and liquidity requirements for the industry has diminished. This is thanks to the collaborative efforts of the banks and the regulators over the past 18 months.

Recent uncertainty over the pace of recovery in the United States and Europe highlight the downside global economic risks still in play. These risks have not helped domestic business and consumer confidence, and both remain fragile. Evidence of these is a slowing in the underlying momentum of our business at the end of the 2010 financial year. This has continued into the current year, with underlying credit growth in Australia slow, particularly so for business lending where our customers remain cautious.

As a result, we must remain cautious about the prospects for our business for the coming year. However, despite the current economic headwinds, I am optimistic about the medium term outlook for Australia, and I'm confident about our Group's ability to deliver superior returns for you, our shareholders.

The Group has been through a challenging period, and we've come through it strongly. This is a tribute to the strength of the Group 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 becomes even stronger as we strive to become Australia's finest financial services organisation.

Thank you all for your support.