COMMONWEALTH BANK OF AUSTRALIA
CHAIRMAN'S ADDRESS – 2009 ANNUAL GENERAL MEETING

John Schubert, Chairman of Commonwealth Bank of Australia, made the following address to the Bank's 2009 Annual General Meeting in Perth on 11 November 2009.

"The 2009 financial year has been the most challenging one I have seen. The continued fall-out from the subprime crisis, subsequent events and resultant negative economic growth in most western economies have placed significant pressure on the financial performance, and even the survival, of a large number of international banks. In fact many of our global peers have struggled to remain profitable and a number have required Government backed bailouts.

By contrast, your Commonwealth Bank of Australia has performed well, delivering solid cash profit of $4.415 billion through the Global Financial Crisis.

The decline in reported cash profit, combined with our determination to manage your business prudently in these uncertain times, required our decision to reduce the dividend by 14 percent on the prior year. This was a smaller reduction in the financial year dividend of all our peers. Even so, the dividend payout ratio was maintained at the very high level of 78% as we paid a full year dividend of $2.28.

The strong position we find ourselves in today is no coincidence. It is the result of a range of both good decisions taken over the last few years, together with the Australian banking sector having had the benefit of a sound regulatory environment and a strong, well managed domestic economy.

As a result of all of these factors, your Group is emerging from the Global Financial Crisis in a very strong position. As well as now being the fourteenth largest bank in the world by market capitalisation, we are one of only eight global banks to maintain a AA credit rating and were recently listed by Global Finance Magazine as one of the top fifteen safest banks in the world.

So at a time when many other countries have seen their banking sectors come close to collapse, this strength allowed the Group to continue to lend to its customers, grow market share and support economic growth in Australia.

The strength of Australia's banking system has been a critical factor in the relatively strong performance of the Australian economy over the last eighteen months.

Given the difficulties encountered by the global banking system it comes as no surprise that regulators are looking to introduce measures aimed at strengthening the banking system around the world. While it is clear that work needs to be done, it is important that we do not follow a global "one size fits all" approach to the regulation of Australian financial services organisations which, unlike their global peers, have not failed.

To overlay too much on top of our already relatively conservative settings to comply with every global initiative may not be helpful and could in fact have a negative impact on the economy and employment, particularly if it were to significantly increase costs or restrict the ability for Australian banks to support their customers and shareholders.

The resilience of the Group over the past 18 months was helped by the success of the Board renewal process that we have undertaken over the past five years.

In building Board capability, we look carefully at the skills and experience we believe are essential for your Board to direct, guide, lead and monitor management. We then map these required skills carefully against the existing Board profile to determine what we require new Board members to bring to the table. The skills and experience which we see as particularly relevant, and which are currently represented on your Board, include the areas of commercial banking, marketing, retail distribution, technology, accounting, finance, funds management, mergers and acquisition and international business.

Over the last few years we have paid particular attention to building capability and experience in financial services and specifically in the areas of capital and risk management.

The changes we have made to your Board proved timely given the challenges presented by the Global Financial Crisis.

I want to make a couple of observations about the economic outlook.

Overall, the Australian economy and the Australian banking sector, has weathered the global downturn much better than most of us could have hoped and today it is most likely we are entering the early stages of a sustained recovery.

However, recovery in the United States and Europe is likely to be weak and bumpy and there are still risks on the downside. The Government's economic stimulus has been very important and now it is critical that it is more concentrated in areas that boost productivity and increase the capacity of the economy.

In August I announced that I would be retiring from the Board having served 18 years as a Director (thereby attending 18 out of 19 Annual General Meetings), and five as Chairman. In 1991, the Federal Government, the then owner of the CBA, asked me to join the Board. At that time, the Bank had just started on the road away from the shackles of Government ownership on its journey from a Government owned bureaucratic organisation to becoming what it is today – a full service, globally competitive, financial services group. During this time, I have worked with great people including two Chairmen, three CEOs, 25 Non Executive Directors and numerous executives. Working with these people, the Directors, employees and shareholders, has been the major source of the great enjoyment and personal satisfaction I have experienced.

Thank you for that privilege.

Early next year I will hand over the Chairmanship to David Turner who has served on the Board as a non-executive director since August 2006. With his extensive experience in finance, international business and governance, David will make a fine Chairman of what is a very strong Board. He takes over with my and all the Directors' best wishes and I am sure he will find his tenure as Chairman as challenging and rewarding as I have.

The Group has come out of a very difficult year in a strong position. This performance is a tribute to the strength of the Group and the enormous commitment and hard work of our people.

The solid performance of the Group in such difficult circumstances gives me great confidence in its future and I plan to at least retain my shareholding in our Bank. I remain optimistic about the Group's ability to use its financial strength to become even stronger and clearly Australia's finest financial services organisation through excelling in customer service.

Finally, once again I would like to thank our customers and you, our shareholders, for your continuing support for the Commonwealth Bank."

In the course of the conduct of the Annual General Meeting, Dr Schubert made the following comments to shareholders in relation to the Remuneration Report.

"The Corporations Act requires that a non-binding resolution that shareholders agree to adopt the Remuneration Report be put to the annual general meeting. The Bank's Remuneration Report, which was contained in the Annual Report, sets out the remuneration policy and reports the remuneration arrangements in place for Key Management Personnel, being the Bank's Directors and certain senior executives.

Before continuing I'd like to clarify a comment made in our notice of meeting and on page 68 of the Remuneration Report section of the Annual Report where we stated that the Group has reviewed remuneration arrangements to ensure alignment with new Australian Prudential Regulation Authority's guidelines. This is not correct. The above statement should have indicated only that the Group had reviewed emerging global regulatory guidelines so that its remuneration arrangements were moving in the direction that would be required.

The Remuneration Report was compiled in accordance with Accounting Standard AASB124 and the Corporations Act and is a very comprehensive document. Remuneration of our employees, including the senior executives and the Chief Executive, is set on a competitive basis to attract, motivate and retain high calibre people.

Over the past 12 months, there has been world-wide focus on remuneration practices in the financial services sector as a result of the bank failures overseas. Your Board needs to ensure that our remuneration arrangements continue to support the delivery of the Group's strategy and help enable the delivery of sustainable performance. External advice, independent of Management, is obtained to assist the People & Remuneration Committee in framing its recommendations to the Board on remuneration policy.

The Board has a rigorous process in place that links actual payments to measured and sustained performance. In the last financial year, deferral of 1/3 of short term incentive for 3 years, combined with target long term incentive results in deferred and LT payments comprising 37% of the CEO's total package.

This year, half of the STI will be deferred for one year and the deferral of the LTI will be increased from 3 to 4 years. The LTI will also be a larger proportion of total remuneration so that overall, 50% of remuneration will be deferred."