

Commonwealth Bank

Commonwealth Bank of Australia
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Group Governance

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Carla Collingwood
Company Secretary

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The Manager, Listings
Australian Securities Exchange
Company Announcements Office
Level 4 Exchange Centre
20 Bridge Street
Sydney NSW 2000



Dear Sir

Annual General Meeting Address

I attach a copy of the Chairman's Address which will be delivered at the Company's Annual General Meeting today.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Collingwood', written in a cursive style.

Carla Collingwood
Company Secretary



2015 AGM – Chairman’s Address

Ladies and gentlemen, when I was thinking about what I’d say to you today, it was before the weekend’s horrific events in Paris and it was along the lines that we should not be overwhelmed by gloom.

It’s not the first time that Paris has been rocked by an atrocity of this nature, albeit the enormity of what occurred this time is without precedent.

When viewed alongside news of civil unrest or uncertain economic conditions that regularly fill the media, it’s understandable that we might feel depressed.

It is however incredibly encouraging to see the world community’s absolute solidarity in response to the atrocity and their defiance against terrorism.

So I am going to return to my original theme that we must not allow ourselves to be overwhelmed by such gloom.

Despite these challenging times, there are people in every continent determined to make their (and our) lives better. They are striving to do their best for themselves, their families and those around them.

Yes, the world is changing and it’s not easy, but the challenge for us all is to take as positive an approach as we can:

- to continue to believe in ourselves, in our society and in its values;
- to be more innovative, more productive, more entrepreneurial;
- and to look for new and better ways of living, doing business and making a worthwhile difference.

This is exactly what we’re trying to do at the Bank, not seeing the glass half empty, but half full.

It’s about having confidence in our ability to make a real difference for our customers, shareholders and of course the broader community.

Within the Bank, we have learnt our lessons from the financial advice situation. I will return to this later.

Board

Now I will talk a bit about the Board, what we do, how we do it and what we seek to achieve on behalf of you, our fellow owners.

Let me give you an example of how we approached a specific issue recently.

APRA, a key regulator, required the Boards of all banks, and for this example, ours, to sign a statement to the effect that the Bank is being managed in accordance with a set of risk criteria.

For the Board to certify anything, it's important to remember that it's not the Board that manages the Group, it's your CEO and his executive team.

But in order to sign the statement, the Board did need to be sure that management was doing its job in the specific areas set out by APRA.

We needed to have taken all reasonable steps to be satisfied that this was the case.

In this specific instance, we considered the scope of all the business risk reports presented to the Board.

We met with risk professionals across the Group to listen to their concerns. We challenged, inquired and discussed these concerns with them. We focussed on steps that are in place to measure, control and limit risk.

In short, there was a thorough process for us to be satisfied that risk controls that we had to endorse were of the required standard.

More generally however, we all – directors, executives and every employee – have a primary duty to you, our shareholders, to perform as well as we possibly can, and, most importantly, to ensure that trust in the Bank is maintained at all times.

We need to be confident that there is a continued focus on achieving the highest ethical standards within the Bank. Ian will be discussing the efforts that he and his team are making in this area.

At our Board meetings, and in addition to our regular business, we have a rolling program of deep dives into the performance of each division. This follows directly on from the Group's strategy which is considered and reviewed by the Board each year.

We try to stay abreast of cyber risk, technology, competition and other developments both locally and internationally that may impact on us.

Your directors get around the business visiting branches and meeting one on one with management.

We also meet privately with a broader group of managers below the Executive Committee level, without either Ian or his direct reports present.

In short, we seek to get to know as much about the Group and its people as we possibly can, and on the flip side, we directors share as much as possible of our experience with management.

We do all of this to ensure that we fulfil our governance responsibilities; and to do all we can to ensure we remain Australia's leading Bank.

Shareholder Issues

Each year we receive shareholder questions. Let me talk about those most frequently raised.

1. Remuneration

Starting with remuneration.

The remuneration packages of our top team are stretching in terms of performance and are set to be competitive with other banks.

Against this backcloth, I hope you will agree with me that your Bank has performed well.

Customer satisfaction has been excellent, profitability has been good and both are reflected in our strong performance in total shareholder returns.

The measurement of customer satisfaction and total shareholder return over the last four years are two key ingredients in the long and short term incentives of our CEO and his top team.

Performance hurdles in both of them have been surpassed and their impact has been reflected in the CEO's remuneration.

There have also been some questions as to why we should grant the CEO 444 extra shares as a result of the rights issue.

The answer is that all the CEO's unvested LTI is in the form of rights, which are not shares. The capital raising allowed all shareholders to obtain additional shares at a discount, but where people currently hold rights rather than shares, the discounted offer did not apply.

The grant of the 444 shares corrects the dilution that applies to the CEO's rights.

The final issue I would like to address is the resolution requesting an increase in the non-executive director fee pool. It is not a request to increase directors' pay.

The pool is the maximum amount we are allowed to pay all non-executive directors in total.

It has not moved since 2008 and we simply need more headroom now to:

- firstly, allow for the overlap of new directors before retiring directors leave; and
- secondly, to accommodate the cost of additional directors as we increase diversity and the balance of skills.

2. Rights Issue

Over the last twelve months one of the key regulatory changes in Australia was APRA's decision to change residential mortgage risk weights for the large banks and this was in response to the recommendation of the Financial System Inquiry to increase competition.

In light of this, we assessed our capital position and decided that the most sensible approach was to undertake a capital raising and, of course, we were not alone in this.

Given all that we knew at the time and our forecast models, we decided that \$5 billion was prudent.

This more than satisfied the higher mortgage risk weights, and at the same time, provides the Group with further flexibility and strength at a time of continuing change in the international regulatory environment.

Some of you asked why we chose to use this method of capital raising.

Our priority was to ensure that our approach was fair and equitable for all shareholders.

The offer was structured to provide all shareholders with the ability to buy additional shares at the same price, regardless of the size of their holding.

We successfully completed the capital raising and I'd like to thank shareholders who supported us, despite the recent market volatility.

We are now one of the strongest capitalised banks in the world and that's not a bad place to be.

3. Corporate Responsibility

Turning to how we are integrating Environmental, Social and Governance – ESG – considerations across the business.

In the past I've talked about our longstanding commitment to reduce our own environmental impact, and we have measured this since 2001.

Each year we set ambitious targets to reduce carbon emissions and we continue to raise the bar.

Since 2009 we've reduced our scope one and two domestic carbon emissions by almost 40%.

In the last financial year on sustainability generally, we were ranked the top Australian company on the Global 100 Index and the second highest ranking bank in the world.

We do everything we can to support the transition to a low carbon economy and for two good reasons:

- first, to contribute to the international commitment to limit global warming to two degrees Celsius, which will occur at the Paris Summit shortly; and
- second, to ensure the Bank's long-term sustainability and profitability.

Within the Bank, our policy recognises the role we play as a financial institution in the transition to a low carbon economy. In support of this, we now report the Group's total credit exposures to the resources sector and to carbon emissions arising from our business lending.

Our business is focused on innovating and supporting the transition.

We hosted a Climate Change Symposium last week which discussed creating an environment in which renewable energy projects can be both viable and financed.

This will all require great thought and ingenuity. It is not simple.

In this context, in the renewable energy sector, we've been funding initiatives since 2004 with a current exposure to 180 projects. We continue to look for opportunities to support innovative technologies and businesses that reduce dependence on fossil fuels.

In May 2014 we became a signatory to the third iteration of the Equator Principles, and we report publicly on how the Equator Principles apply to our project finance lending decisions.

We also assess our business lending according to our own nine ESG Lending Commitments.

Another area where we can make a difference is our approach to investing. The Group's asset management division and Commlnsure have been signatories to the UN Principles for Responsible Investment since 2007 and 2009, respectively.

We've also developed and published our Group Human Rights Position Statement.

Respecting human rights is now recognised as a business responsibility.

Our Position Statement is on the website.

While we may have done a lot in this area, we welcome the dialogue with our customers, shareholders, the community and other stakeholders on our ESG commitments and practices.

4. Financial Advice

I'd now like to turn to Financial Advice.

Two years ago, I described the changes we had made in the management of the business and last year, I described our Open Advice Review program which was designed to ensure our customers are treated absolutely fairly.

The program has now received over 23,000 expressions of interest from customers. 8,000 have so far requested a formal review and we've assessed about 1,500.

Our sole focus is to get to the right answer for customers who have not received correct advice. It will take about two years to complete and this is normal for a program of this size and complexity.

Speed is at the forefront of our minds and the CEO and his team are pushing ever harder to accelerate the process, but getting it correct is our first priority.

5. Board Renewal

I will now talk about Board performance and renewal and it's in the context of what I said earlier.

We review the performance of the Board, its Committees and the directors annually. Every second year the Board is assessed by an external party and this year was such a year.

The assessment process is robust and provides valuable insights of ways in which the Board can improve.

All directors participate and the views of senior management are sought.

In the changing environment I described earlier, the Board needs a mix of talent.

We have a diverse and diligent group of individuals with relevant expertise who challenge each other as well as management.

In considering the appointment of new directors, we assess the skills, experience and personal qualities that reflect the Bank's values and aspirations.

Earlier this year, the Board set a target of 30% of Group and subsidiary board seats to be held by women by 2018.

There was no need to change our thinking or processes in this area because we've been around 30% for some time – it is part of our culture.

There is increasing evidence around the world that diversity enhances an organisation's performance.

We are well down the track on gender diversity. Not so on ethnic diversity which is now a key focus for the Group.

Wendy Stops and Carolyn Kay

This year, your Board announced the appointment of Wendy Stops.

Wendy enhances the Board's skill and insights in the key area of technology and international management. Wendy will share more of her background and experience in a few moments.

Earlier this year, after being on the Board for 12 years, Carolyn Kay stepped down. Carolyn made a terrific contribution.

On behalf of my fellow directors, the Group's executives and our shareholders I want to thank Carolyn very much for her insights, her very hard work, her great focus and her collaborative approach.

As was also announced in the Notice of Meeting, both Harrison Young and I will be standing for re-election and, in that capacity, each of us will be talking to you later.

Our People

Before closing, I want to thank our people for their tireless efforts.

The Bank's ongoing success can only be achieved through the hard work and commitment of them all.

It is they who live our values of integrity, collaboration, excellence, accountability and service every day.

Outlook

Ladies and Gentlemen. I began by referring to the uncertainties and challenges facing the world. And looking ahead, yes, there is much that we will continue to read about.

In economic terms it's bound to take some time for the Australian economy to transition from the mining boom to non-mining led growth.

We remain positive about this country's long-term performance and in the short term, there is evidence already from recent consumer and business surveys.

The momentum from low interest rates and a lower Australian dollar is lifting conditions in the construction, tourism, education and accommodation sectors.

The October jobs data showed a rise of 58.6k, the highest since March 2012 and residential construction is running at record annual rates of just over 200k and should stay there until late 2016.

As the country continues to move to a more balanced economy, we believe there are exciting opportunities that Australia can harness given our close proximity to Asia.

But the nation is like a vast rugby scrum. Individuals, small businesses, large businesses and the entire services sector can each make a real difference to the strength of the whole.

It is up to all of us.

And for our part, the Group will focus on our key long-term strategic priorities – People, Productivity, Technology and Strength.

We will remain prudent.

We will try our utmost to continue to deliver long-term value. Value for our customers, for our shareholders, for our people and for the broader community in which we operate.

Thank you all very much for your continued support.

I will now ask Ian to address the meeting.