

Commonwealth Bank

Commonwealth Bank of Australia
ACN 123 123 124

Group Governance

GPO Box 2719
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The Manager
Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000



Dear Sir/Madam

2017 Annual General Meeting – Chief Executive Officer’s Address

I attach a copy of the Chief Executive Officer’s Address which will be delivered at the Company’s Annual General Meeting today.

Yours sincerely

Taryn Morton
Group Company Secretary



CommonwealthBank

2017 Annual General Meeting Chief Executive Officer's Address

Several weeks ago I had the pleasure of speaking at Morningstar's investor conference. In the room were several hundred investors. These were not the fund managers whom we normally speak to after each results announcement. They were retail investors. Mums and Dads. Not CBA specific investors, but everyday Australians who invested in Australian shares.

As I was introduced, the MC asked audience members to put up their hands if they had held CBA shares since the float. Even though this was a room of general investors, not specifically CBA investors, a large number of hands shot up. They were representative of the almost 800,000 retail shareholders who directly own more than half of your bank, and whose investment in CBA is collectively worth approximately \$70 billion. When combined with Australian families who own CBA shares through their super or investment funds, the value of Australians' holdings rises to over \$110 billion.

For those in the room who had bought the minimum holding of CBA shares at the time of the 1991 float – 400 shares – and reinvested dividends every year since, their initial investment of \$2,160 is now worth around \$142,000, or around \$162,000 including franking credits.

Long term value creation is the key to responsible and effective stewardship of a large institution.

Perhaps the most fundamental underpinning of CBA's strategy over the last decade has been one simple premise: if customers are more satisfied, they will trust us to meet more of their needs. That will, in turn, lead to good outcomes for our shareholders. And, again, customer satisfaction requires a long term view. At a function last week, one of our customers, Peter, told me he had recently brought into one of our branches a transaction record that showed an initial 1 pound deposit in his account that his father made in 1933. A few weeks prior to that, Adam Bennett, our head of business and private banking, met with senior executives at G James Glass and Aluminium in Queensland. This private company was celebrating 100 years in business. Commonwealth Bank has been its banker since day one. These are the sorts of customer relationships a bank is built on.

A consistent theme of CBA's performance over the last ten years has been our willingness to invest continuously – in our people and our systems – to enhance the customer experience.

Ten years ago, at our AGM here in Sydney, my predecessor Ralph Norris noted that CBA's retail customer satisfaction rating was up 5.6% to our best rating in ten years. At the time of his address, CBA's customer satisfaction was 70.5%, and fourth out of the four major banks. As at the end of the 2017 financial year, that rating, based on the same survey, was 82.7%, the best of the four major banks. It had been first or equal first for 11 of the 12 months of that year, and indeed over 80% of the time since we first hit the number one spot in 2013. It is no coincidence that over the ten years since Ralph's comments, our annual return to you has been 9.1% per year. The next closest major bank is at 7.7%.

We are, I think justifiably, proud of the progress we have made in overall customer satisfaction. But at the same time, we have learned an important lesson. Even as customers overall are highly satisfied, we need to pay more attention to the experience of those who are not; those whose experience with CBA has been poor.

Our reason for being is safeguarding people's life savings; extending loans to build or buy houses and businesses; and helping them to insure their lives and assets. The products and services we provide are fundamental to people's wellbeing. So when we get it wrong, we can cause significant distress. When we do, it is of no comfort to the affected customers that they are in a minority; that the experience of the vast majority of others has been good. What they care about, rightly and understandably, is their own experience.

At times, in our dealings with these customers, we have listened poorly, and been too bureaucratic. As Chief Executive, I take responsibility for that and I apologise for the distress we have caused. So we have also taken wide-ranging decisive action.

Our Open Advice Review program went back over a decade, involved the review of more than 1,000,000 customer files, and resulted in the payment of nearly \$35 million to financial advice customers.

We backdated our new heart attack definition in our insurance policies to 2012, which resulted in us paying 33 customers more than \$4 million.

We have revised our remuneration for our front-line staff, adopted new whistle-blower policies and processes, and introduced a new customer advocate function. And there is more to do. Our efforts in this area will continue.

Likewise, we need to be more diligent about some of our policies and processes. Over recent years, and particularly during and since the global financial crisis, we have managed risks arising from our lending, funding and markets activities very effectively.

Our performance has been up with the best banks in the world on these dimensions, though of course we will never take that for granted. The same cannot be said of how we have managed some of our operational risks. When we manage credit and market risk, we expect and allow for losses. The test is the quality of the overall portfolio, not necessarily the weakest link. Operational risks need to be managed differently. And here there are parallels with my previous point relating to customer satisfaction. We will often be judged by our areas of weakness, not by overall performance. We need to accept that, and adapt. It is clear, as our Chairman has said, that in the case of our management of Financial Crimes controls, we did not reach the standards we should have. We let people down. We have apologised, have taken accountability, and are addressing the weaknesses, and, equally importantly, making sure we learn from our mistakes.

As we work hard to strengthen trust, you can be assured that we are also acutely aware of the need to maintain the long term momentum that we have achieved. Beyond the obvious challenges, the 2018 financial year has already been a time of ongoing value creation. We announced our sale of our life insurance operations in Australia and New Zealand: the largest transaction in Australian financial services since 2010. We led the industry in cutting ATM fees, and we have continued to make a range of enhancements to our products and services to help customers take greater control of their finances. We have reaffirmed our longstanding commitment to keep our call centres in Australia. We have launched our Domestic & Family Violence Emergency Assistance Package in partnership with Telstra, which provides immediate support to any Commonwealth Bank customer experiencing domestic and family violence, and which 500 customers have accessed in the first month. And last week's announcement of our financial results for the first quarter of the current financial year provides tangible proof that the business remains focused, and continues to deliver well for our customers and our shareholders.

I have a bit of time to go as Chief Executive, and I am determined to give of my best until the last minute of my last day in the job. However, since this will be my final AGM, I wanted to take this opportunity to thank all of you, our owners, for continuing to invest your hard earned savings in the Commonwealth Bank. It has been, and

remains, a privilege to work for you. When I do leave, it will be with a combination of pride in what we have achieved for you, and sadness for where we have disappointed you.

To conclude, I also want to acknowledge, in your presence, the bank's people. At our awards night in this building last week for our people who have displayed exceptional values, I mentioned that during my six years in this role, the most inspirational people I have met are our own CBA people. At that dinner, the two award nominees on my right at my table, Cheryl and George, had 76 years' service between them. They are now running our credit academy passing on their experience to their colleagues. They certainly understand the long term. You can be sure that they and their 50,000 colleagues will continue to work hard for our customers and work hard for you.