

Question and Answer

Unknown Attendee

I have Dan who would like to ask a question, who is a shareholder. Thank you.

Dan Steiner

Mr. Chairman, I'm Dan Steiner. I am a shareholder, but today I also represent the Australian Shareholders' Association and in that capacity, I'm holding proxies from 2,699 shareholders for a total of 7 million shares, which interestingly makes me the 10th largest shareholder for the moment. Unfortunately, the ASA doesn't receive any dividends from this shareholding, we can only vote on matters and resolutions. My question, Mr. Chairman, relates to financial year 2013. The CBA reported a 10% increase in cash profits, an 18% return on equity and awarded shareholders a 9% increase in dividends for which we're all very happy, Mr. Chairman, thank you. However, while your presentation has tended, as expected, to be on the optimistic side, there are some issues that I would like you to address if you put it a little bit more elaborate. What are the factors that are going to impact on RBA's continued strong growth? And things I'd like you to consider in that response would be your involvement overseas, I mean, there are limits to the extent to which domestic banks can grow domestically. What would be, from your perspective, impacts on the performance of the bank from change of government and government policies that have already been announced? And more locally, because we are in Adelaide, what are the impacts on the bank's operations locally and in this region of the foreshadowed movements from the automotive industry? Certainly, that's an issue that many people in this room will be very focused on. And are there other issues which would impact both favorably or impose risks for the bank?

David John Turner

Former Non-Executive Chairman of the Board

Thank you, Mr. Steiner. That's a 4-part question. And I may not deal with them quite in order because I'm going to ask Ian to comment on one or 2 of them. I mean, just dealing with the government, we are an apolitical organization, but suffice it to say, a period of consistent governments with some sympathy for industry would be an excellent thing for Australia. So we look forward to it. It seems to be off to a good start. In terms of how the bank operates, I'm going to make a couple of observations then I'd like Ian to talk about local operations. The bank itself, of course, as I said in my talk and Ian discussed can benefit quite well for any turnaround in the economy, any growth in credit. And if there was a move in that direction, it should accelerate our performance. The 2012, 2013 result, which you are kind enough to congratulate us on, was, in fact, against the backdrop of very uncertain economic conditions. So if we can perform like that in tough times, we will obviously try to do our best to do it again. Although, of course, it gets more difficult. And with a little bit of luck, we'll get an upturn from the economy. On top of all that, we run a quality program in the group, which has been in operation for more than a year, in which productivity and other ways in which we improve service and improve the way in which we do business and conduct our affairs is put under the microscope, and we gain benefits from that. And I think talking in various meetings, Ian and his team have quantified that to different gatherings. And that's an ongoing process, which should enhance our profitability. But, Ian, would you like to say something about local operations?

Ian Mark Narev

Former Executive

Thank you for the question. Speaking first locally, we've got a strong local presence here in South Australia. It's very important to us. This is my second visit this year, the next one is going to be in a next couple of months -- within the next couple of months. And during those visits, we spend a lot of time with our customers of all sorts, including in the last night, and the automotive industry I probably, myself had about 15 discussions, separate discussions on it just last night. It's clearly an issue of importance to people here locally and to the country more broadly. I don't have the answer to it. What I can tell you is as a financial institution, our biggest risk and opportunity is the strength of the economy. And

therefore, when we're looking from the bank's lens about issues like the automotive industry, we don't look at it as just about the exposure to one particular company or groups of companies. It's around the effects of that on the overall community and as we make our own decisions and our own exposures and lending practices, I can assure you that it's not simply done through the analysis of this one particular company, how do we feel about it but also the broader effects in the community because, by definition, we've got lots of customers who are impacted in the community more broadly. In terms of overseas, David had mentioned the board was in China in September. They made a similar trip to Indonesia last year. We've been in both of those countries 20 years, and as I mentioned, we've got 2,500 people in Indonesia, 90 branches; China's a bit more difficult for regulatory reasons. We believe we do some things well enough now to be able to do them in those economies and our strategy is to grow consistently in a very determined way, but not exuberant way over a long period of time. As we've looked at financial institutions overseas, the world is littered with examples of people who try to grow too quickly overseas. So our view is to stick to a long-term strategy, but do it in a very determined way, and talk to you about our success once we've done it versus a whole lot of promises at that front, which may come back to bite us later.

David John Turner

Former Non-Executive Chairman of the Board

Another microphone. 3, please.

Unknown Attendee

Mr. Chairman, I would like to introduce Ms. Bobek [ph], who is a shareholder.

Unknown Shareholder

Thank you for your commentary on the bank's commitment to moving forward to the low-carbon economy. I'd just like to ask 2 questions about that. And the first question is what percentage of your deposits has been withdrawn as a result of shareholders -- sorry, customers and shareholders knowing that you've got an investment in the Great Barrier Reef coal export area? And is the bank willing to consider, and ideally very soon, that even if it is not in the best financial interest to divest of coal, say, in the next 6 months or year that it would maybe commit to putting environmental concerns and the concerns of the future ahead of a short-term financial profit.

David John Turner

Former Non-Executive Chairman of the Board

Thank you very much for the question. You're talking to a converttee, in a sense, because I'm on the board, who some call, the Great Barrier Reef Foundation, which is a charitable institution designed to raise funds for the improvement of science to protect the Barrier Reef against changes in the climate, climate change, So we're quite across all of these crises. Now in terms of awareness, the bank, of course, is deeply responsible and aware of its own responsibilities, both in terms of the sort of Cancun gathering and what was said about global warming to 2% and the 80% of fossil fuels been left in the ground, and we're very, very aware of that. The number of people who withdrew their deposits from the bank was tiny, I think, maybe 10, 20, I don't know. I don't actually know the number, but it was very, very small indeed. And we are very concerned about it. But in terms of the business of the bank, if you consider that the economy of Australia is supported and driven one or the other by some very big companies involved in resources generally such as BHP, Rio and a large number of others, some of their businesses, and parts of their businesses are inevitably, and do inevitably touch on coal. It's a very, very difficult thing to do, to say we're not going to lend to those businesses because part of them might be involved in coal. But as I said in my talk that our direct exposure to coal mining to power generation through coal-fired power stations is absolutely tiny, and we are rigorous in the way we look at credit applications that are within that arena, and we turn them down, and we turn them down on ESG grounds.

We have microphone 1, please.

Unknown Attendee

Chairman, I have Sonja, a shareholder with a question, please.

David John Turner

Former Non-Executive Chairman of the Board

Good morning, Sonja.

Sonja Davie

Mr. Chairman, I'm a shareholder and also representing the Australian Shareholders' Association. I would like to take a follow-up question to Dan. Has the bank considered the longer-term risks to the bank of another global financial crisis? Possibly triggered by rising interest rates and then cascade in the level of defaults.

David John Turner

Former Non-Executive Chairman of the Board

Yes, we have. We consider it all the time, actually, looking at Armageddon situations so the bank and how the bank would respond, what the bank would do and what various activities we would undertake to avoid it. But Ian can talk about it, so could Harrison. But maybe, Ian, you'd like to kick it off?

Ian Mark Narev

Former Executive

I can assure you that vast majority of the management team, me included, we're on the executive committee of the bank 2008. We saw what was happening to banks around the world. It didn't happen to us, but we certainly don't have that, couldn't-ever-happen attitude. And to that end, we have teams of people whose sole job is to run stress tests on the bank, and I can assure you that while we're sitting here, they are running another one. And those stress tests are using increasingly stressed assumptions around unemployment in Australia, property process in Australia, liquidity of global banks, China's economic performance, et cetera, and constantly trying to break the bank, not deliberately, figuratively I should add, just seeing what the impact of those things are. So we take it extremely seriously, and it's a continuous process, one that we think is never finished.

David John Turner

Former Non-Executive Chairman of the Board

Harrison, would you like to add anything on this?

Harrison Hurst Young

Former Non-Executive Director

I think you've said it very well, Turner.

David John Turner

Former Non-Executive Chairman of the Board

Thank you. Does that answer your question? We do spend ages on the subject.

Sonja Davie

Yes. I'd also like to make a point that 2 directors have recently retired and according to the Annual Report, there is no plans to replace them in the short term. But can you elaborate on that in terms of your longer-term plans as regard to hiring new directors to the board.

David John Turner

Former Non-Executive Chairman of the Board

Yes, certainly I will. I'd be glad to. We have a capacity to have between 9 and 13 directors on the board of the bank. And the number that we have, I think, is highly related to the mix of skills and the mix of contributions that individual directors can make. And then the team of directors, if you'd like to describe the board as such, is significantly better as every director is added, i.e., the mix and the number of

different skills that we have is enhanced. And we are currently talking to 1 or 2 people who may or may well join the board in the next 12 months or so and take the number up a little bit. There are people who complement the skills that we have on the board in such that the board becomes a better board, and we spend, as I said in my talk, a long time looking at the effectiveness of the board and how we interrelate with each other the executive and our various responsibilities. So it's a very germane topic and one on which we are spending a good deal of time.

Is that microphone 3? Or 2? Microphone 2. I've got -- I must explain to you all that I've got 4 blocks in front of me in case you're wondering what I'm doing. I'm looking at 4 blocks. I've got 1, 2, 3, 4 and there are in different sizes, depending on how many people are there, and I'm not quite got it all worked out, but I'm doing my best. So microphone 2.

Unknown Attendee

You're doing very well, Mr. Chairman. I would like to introduce Mr. Fenning [ph], he is a shareholder and has a question. Mr. Fenning [ph].

Unknown Shareholder

Thank you, David, and thank you for the great addresses and surely the bank has definitely not only recovered from the GSE period, but has certainly excelled and is a market leader amongst the top 4 banks here in Australia. And me and many other shareholders definitely benefit over the years, particularly foundation shareholders. However, I do have a couple of questions, and they relate to the full Annual Report, you might want to refer to Pages 8 and 9. We're going to make a couple of questions for you. The results were for FY '13 were brilliant and the results just announced for our Q1 for FY '14 were also good up 14%. However, I do notice there seem to be a little bit of patterning effect going on. The profit broken down into 2 halves for FY '13 seems to indicate that the business and private banking and institutional banking and markets divisions, the profits were strong in first half of FY '13, but tapered somewhat in the second half of FY '13. Now the overall result was very good, because it probably compensated by the retail and other issues in New Zealand. Makes we wonder why there seem to be a bit of a blemish still there and probably most notably in business and private banking. And you may recall that our group touched on the same point last year about the strength or the competitive issues of business banking. And I guess, to top that all off, is I'm very keen on financial metrics, I've run through a lot of markets, and I've monitored a lot of financial institutions. The cost of income ratio is good and I know the board is -- have a quest to reduce the cost of income ratio, but I think there is more work to be done there. When you look at the other 3 competitor banks in the Australian market place. If either or both of you would like to comment on my questions, I would appreciate it.

David John Turner

Former Non-Executive Chairman of the Board

We both might have a go, if we could, Mr. Fenning [ph] If we could, actually. My initial comment is that unlike the Retail Bank, these 2 sectors that you picked out is not just routine banking there. And to some extent, based on transactions, based on things that happened during the course of different halves. And you can't, like any business that is, to some extent, cyclical, you can't look at 1 half and say, well, look, the next half is going to share a 3% growth and the final half another 3% growth. And I think there is a differentiation between the 2 businesses that you mentioned and between -- between the 2 businesses you mentioned and the Retail Bank. Ian, is there anything you would add to it?

Ian Mark Narev

Former Executive

I might just speak quickly on business private banking, and David might add a word on institutional banking. But let me just say, I agree with you entirely on productivity and the cost-to-income ratio. We don't actually like the measure very much because it's too dependent on revenue. It doesn't actually show you productivity, but that's a minor point. Your sentiment is shared by the entire group of people sitting on the front row here, there's a lot more to do. In terms of business banking, if you look at the drives, and there are probably a couple of things we'd point out, number one is that lending growth in business banking was actually very good. The market itself was growing at about 1%. The business bank's balances

were growing at about 4%. Margins were very strong. So actually business lending was very good. The 2 areas in business banking which challenged performance in the half were deposit margins and equities and margin lending, the CommSec business, which sits in there. Deposit margins, in particular, has been a theme right across the group. Many of you in the room are beneficiaries of effect, not as shareholders but as depositors because deposit competition among -- within the banking sector in Australia has been very significant in recent times. You saw the impact with these results. And so deposit margins right across the business, particularly in business banking, which has a lot of business deposits, got hit by it, in addition to the fact that a low-rate environment tends to have a little bit of effect on deposit margins as well. So those are the major drivers. I don't know what you want to add on institutional, David?

David Paul Craig

I'll just add a few other comments. As always, you're on the ball and very incisive in your analysis. Just a few things just to note, though, between the 2 halves. The first thing is that in the second half of our financial year, there are 3 fewer days in the half than there are in the first half so because we have interest income, we have an income for 3 fewer days, and so there is naturally a lower return in the second half than there is in the first. In the case of the last half, of course, volatility was a lot lower. So you will notice the global market started to calm down. When there's a period of lower volatility, then fewer hedging contracts are entered into by our customers that impacted both business and Private Bank and institutional banking markets. We had a slowdown in that type of business because fewer people were taking out hedging contracts. There's also, lower volatility leads to lower, what we call, counter-party valuation adjustment, which again tends to impact the Institutional Banking & Markets business. So they had a big rebound in that in the first half, which didn't recur as significantly in the second half. And then finally, as you would have seen on top of the deposit story that Ian was talking about, you will know I think that in the lead up through the second half of the last financial year, very, very low credit growth across business lending, in general, which impacted both businesses less than 1% credit growth. Now our business is, I'm pleased to say, did grow faster than the market, as a whole but nonetheless, it was a pretty slow time. And then the final comment I'll just make on the cost-to-income ratio, your observation is correct and obviously, we take that extremely seriously. But when you compare the different banks, it's worth noting that different types of business have different cost-to-income ratios. So for example, a Wealth Management business has a much higher cost-to-income ratio than, say, a business bank which is a lot lower. So when you re-weight the weightings of the big 4 banks, actually -- they're actually pretty similar and we're down towards the most efficient end of that. But we're not resting on that by any means, but that is one of the differences between the banks when you look at the one that seems to be the lowest actually, you can look at its product mix and just, say, okay, it's because of that. I hope that answers your question.

David John Turner

Former Non-Executive Chairman of the Board

Can we have microphone 3, please.

Unknown Attendee

Mr. Chairman, I'd like to introduce Adrian [ph], a shareholder, who has a question, please.

Unknown Shareholder

Mr. Chairman, I hope you won't mind if I sort of read off because I've got a couple that I'm going to ask. And I don't want to sound like I haven't really thought about it when I have. Thank you for acknowledging the problem that the Commonwealth Bank financial planning arm had and acknowledging and accepted -- and accepting ASICs [ph] recommendations. However, I would like to know from your board namely David Turner, John Anderson, Jane Hemstritch, Carolyn Kay, Andrew Mohl and Harrison Young, why these board members, should be reelected if they're up for reelection, and when they are given the issues seem to have taken a whistleblower to really bring the matter to light, and he, of course, I don't think was really adequately compensated when he seem to be forced to leave the bank. I would also like to know why the bank took so long to adequately compensate customers and why we, as shareholders, should actually vote

in to accept your recommendations for remunerations for some of the higher-level people who work for the bank, who of course, were around in 2006 when this matter started.

David John Turner

Former Non-Executive Chairman of the Board

Good, thank you for the question. I think I said in my talk that -- I mean, what we did was shocking, there's no -- absolutely no -- there's no disguising it. And there's no excuse for giving bad advice, absolutely no excuse. And we had the wrong people giving the advice and the business was structured wrongly, remunerated wrongly, the culture was wrong. But it was too slow coming up. It was coming up through the organization far too slowly and my last comment in my speech was about openness and transparency. It's probably the most important part of it all, in the emerging of the difficulties through the various lines of management to the board was exceptionally slow and took years to be honest with you. And we found out about it probably, well, far too late, far later than we should have done and that's something that won't recur. When we did find out about it and started to move with ASIC to investigate, to take the action necessary, to put it all right, we moved extremely fast. And my goodness, we had the top management team come to the board, we had them come and tell us what had happened, we had them tell us what happened to the various people involved. We looked at, you referred to a whistleblower, we looked at everybody we knew who will be concerned with it to find out what had happened to them during the course of the -- the recourse of the review. And then we had reported to us, both independently by PwC and by the management concerned all of the actions that have been taken. So I think in so far as the board is concerned, we did all we possibly could, but I am absolutely not denying that we got it wrong in the first place.

Unknown Shareholder

I can acknowledge that you can say right now that you absolutely got it wrong because I'm actually, at the moment, studying business and commerce at university and I've studied and worked in the accounting area for quite a long time. But wouldn't alarm bells start to ring to some of the people who are in management when you've got one particular person whose income, and I'm just pulling some figures out of the air right now because I hadn't written it down, who weren't, say, \$125,000 1 year and the next year he is earning millions of dollars. Why wouldn't somebody on the Audit Committee pick that up? What were the auditors doing at the same time? Like I know that you've got the board and you've got the board that manages the bank. But what about the people that go between the workers who actually bring in all the work to the bank and the board? Like what were they all doing in this time period? And unfortunately, I've also been doing a bit of research when it comes to boards and shareholders, and with a lot of things seems to be going around the world is, that we shareholders, we should be the ones that should be asking all these questions of the board who actually manage whatever organization it is that we own. And I know that you've acknowledged it, but at the same time, though, I think it's also a matter of ethics and that does it mean then that because we want to give x number of people a really nice bonus because they brought in all these business, ethically I think that's just being really greedy at the expense of customers who, of course, have lost money and most of them had said, they got an offer from the bank of \$15,000 that really didn't even cover their losses. Is something going to be made from the bank now, that if something will happen like this in the future instead of having some of these people wait 6 and 7 years to be adequately compensated, that compensation could be made virtually straight away, which I think ethically we need to do. I don't think everything in life is all about dollars and cents. We also have to think about ethics as well and I think that's quite important to think about, too.

David John Turner

Former Non-Executive Chairman of the Board

Thank you. I'm not sure whether that was a question or a statement, but if it's a statement about ethics, I completely agree with you and I think you made a very good point. And as I said in my talk, ethics are absolutely central to the running of the bank. We cannot run this bank other than at the highest possible -- to the highest possible ethical standards. I also did explain why it had taken some time for it to come -- for this problem to arise and it was a problem between the advisers and their customers. It wasn't something internal within the bank. It was the advisers to their customers. And as far as

changes in remuneration for the individuals concerned, I simply don't know. I don't think there was any enormous rise in individuals remuneration but certainly, there was nothing that came up through the system and nothing that came near the board that gave us any indication that anything was wrong in those very early years, but when we did know, we moved very quickly. And what we have done under an extremely competent new management is put in an excellent system, a transparent system and a system where difficulties and problems would come up through the organization fast. I mean Ian said, in a big organization there are inevitably mistakes, our job is to make sure that they are absolutely minimized and to run an ethical business, but thank you for the comment.

Can we have microphone 2, please? I'm sorry, I don't want to create a hiatus. Can we have microphone 3, please? No, what am I supposed to be doing? I'm looking at 4, please.

Unknown Attendee

Mr. Chairman, I would like to introduce Julien Vincent, who is a shareholder.

David John Turner

Former Non-Executive Chairman of the Board

I'm sorry to have mocked you around in the microphone.

Julien Vincent

That's fine. Mr. Chairman, I want to also pick up on the comments you made before about the bank's investments and exposure to the fossil fuel sector, and I want to thank you for acknowledging that, firstly, as a significant issue. It's clearly something that has a growing public sentiment of concern around the investments, not just from Commonwealth but other major banks, other investors in this industry. And I think it's starting to become reacted to by a number of major asset managers and other investors. I could talk about the environmental and moral aspects of this issue, but I think the lady before did that very well. So I'll just focus on the financial aspects. You mentioned that the exposure is a fraction of a percentage, very small for the bank, which is hopefully an important opportunity because it's also not necessarily one that is of the same sort of value and usefulness that it might have been a few years ago. I noticed just last month, the bank finally sold its stake in the Hazelwood power station for -- which should've been written down to, I think, \$1 million, that 2% stake. And I also saw in Bloomberg Businessweek a few weeks ago, there was a piece that acknowledged Commonwealth at risk of losing out if the proponents of the Wiggins Island Coal Export Terminal, which is struggling to find customers even though there hasn't -- it hasn't even been fully built. The money that's into Commonwealth, with all the investors put into that, is of course at risk as we will be talking about, non-recourse financing there. So there's 2 parts of my question. One is, is the bank aware of the hit that would be taken to the shareholder capital and essentially the dividend paid if it loses out on the Wiggins Island Coal Export Terminal? And the second is acknowledging that it is such a small amount of your overall exposure and following the lead of the pension funds across Scandinavia, the export credit agencies that are starting to restrict financing to coal, does Commonwealth Bank have a plan for divesting, over any period of time, from the coal sector or the fossil fuel sector more broadly?

David John Turner

Former Non-Executive Chairman of the Board

Right. Thank you. Let me deal with your first question first if I might, and that is Wiggins Island about, which there has been a lot of publicity recently as to the likely output of the project. And we do have some exposure to it. It's a complex exposure, complex series of involved parties. Suffice it to say, we're watching it extremely carefully, and we'll take whatever action is necessary and when it's appropriate. But as yet, there's nothing appropriate. But I can assure you that we are watching it very, very carefully to see how it develops. I think that deals with Wiggins Island, if you feel happy with that. I think on the second...

Julien Vincent

Actually, might I follow that up just briefly? It -- does that then mean that there are matters of recourse for the bank to take if proponents of Wiggins Island fall over or go bankrupt essentially?

Ian Mark Narev*Former Executive*

Just on that, I mean, there's a limit to what we can say about the specific case. But what is important for people to know, on any facility where we've advanced credit at a minimum monthly and often more if there are other circumstances, we're assessing our exposure to the loan, likely performance of the loan and marking it to a certain level on the book now. We can never talk about what we're doing there on an individual customer. But there is no likelihood that on that particular case, there are circumstances that haven't been taken to account. The most recent meeting provision committee would've been probably next week -- is this week. These things are all being looked at all the time and a broad set of circumstances taken to account.

David John Turner*Former Non-Executive Chairman of the Board*

On the second part of your question related to coal generally, I think I answered it earlier. Our exposure, as you acknowledged, is tiny to the coal industry. But we have no intent -- and our ESG considerations, when we look at requests for additional credit, are stringent. And we have indeed turned down applications on ESG grounds. We don't have a plan to divest ourselves of all interest in coal because at the end of the day, we'll end up cutting credit for some huge organizations that provide wealth across all of Australia, provide dividends to everybody here. And it's not in anybody's interest, including our shareholders' interest, to be as draconian as that. But we can do what we can do. We watch it carefully, and we are deeply aware of what's going on, and we are very responsible organization in this area.

Julien Vincent

You'll be happen to know that BHP has said it's not intending to build any more major power projects in Australia and [indiscernible] is potentially going the same way having just pulled a number of coal projects. So it's something that the bank might want to consider being instead for the future. But you can take that one as a comment.

David John Turner*Former Non-Executive Chairman of the Board*

Okay. Thank you. Microphone 4, please. There's nobody giving out the microphone 4. I'm not surprised actually. We're going to have microphone 3, please.

Unknown Attendee

Mr. Chairman, I would like to introduce Mr. Warrick [ph], who is a shareholder.

Unknown Shareholder

Firstly, Mr. Turner, congratulations on a record profit this year. We need strong banks, and I'm sure it's great that you contribute in the way that you have. Unfortunately, this year there's also been record bad press around the Commonwealth Bank. It appears some of the methods being employed to generate these record profits are potentially and increasingly questionable. My understanding is the current level of bad press is also under the tip of the iceberg. There's an elephant in the room. I've conducted significant research into the social cost to the victims of the Commonwealth Bank in Australia, particularly around Bankwest acquisition in 2008 and subsequent actions of the bank, and that human cost is truly sickening. As CEO of the bank, Mr. Narev makes a lot of time to get out and speak to a diverse range of people in the community, and that's commendable. He speaks of international philanthropy events, positions himself as both a model corporate citizen and a thought leader in business. Again, truly admirable. Yet, there's a dark shadow in CBA's backyard. Like the Catholic church had, like James Harvey [ph] had, what the manufacturers of thalidomide have had? Yet the bank is quiet, the bank is silent. Listening this morning, Mr. Turner, to your reassurance about your commitment to ethics and to serious issues in the community and those relating to customers, perhaps there's been a massive misunderstanding or it's been approached the wrong way how to contact Mr. Narev and/or the board and bring to attention the growing concern that this research is concluding around the acquisition of this bank and the impact. The actions

of the bank, as with the aforementioned now infamous cases of people use the ostrich strategy to avoid the problem, a key contradictory to the long-term objective of -- sort of the objective of and strategy of contributing to long-term shareholder value, which you've said and I'm sure you are committed to. I'm one shareholder who would rather more modest share price and returns if it meant one less family being ripped apart for the sake of bank profits or a misunderstanding that's not corrected properly. But my question has changed slightly since I've heard your comments, Mr. Turner, about your ethics. And I've changed the question in good faith to how do people with serious systemic issues, in our estimate, market estimates between \$2 billion and \$14 billion worth of impact torn out of the community, how do we raise genuine dialogue in good faith with the board when there are such serious matters, because all attempts through the bank's internal systems through mainstream press and other activities are failing?

David John Turner

Former Non-Executive Chairman of the Board

Good. That's a multipart question. First of all, I really must say I don't think that any comparison between the bank and thalidomide or any of the other catastrophes that happened in the past is at all valid or appropriate. Just to say that upfront. In terms of Bankwest, I think what you're referring to is something that cropped up last year and just cropped up the previous years, and that is that there is a feeling, some way or another, that as part of the Bankwest transaction, we had a period after we bought the bank, long period after we bought the bank, at which we could somehow foreclose on debts and then reclaim from HBOS, who are people that sold us the bank. And that is absolutely not right. Once the deal is completed and we have the bank, that was the end of that. That was the end of that. As Ian said in his talk earlier, we have to pursue bad debts because we are in the business of lending money. We're in the money business. We have to do it in the interest of all of our shareholders and sometimes, it's not easy for the people at the other end of the transaction. It's difficult. It's probably the most emotive product we could be dealing in, and we do it as well as we possibly can. Just staying on Bankwest for a second, I mean, the only case that has come to court, the judge ruled completely in favor of the bank and in doing so, complemented us on the way in which we had treated the customer, and that's the only one that has yet come to court. So there is that illusion of that having this sort of long-term clawback, which we don't have. And there is also the fact that the ones come to court, we absolutely won. And it's our responsibility to defend our shareholders' interest and I know, I know that customers don't like it because it's their money, it's their houses, it's their livelihood. But that's that side of banking, and it's very necessary and it's part of the business. Is there anything else you'd like to add?

Ian Mark Narev

Former Executive

Yes, just on the -- I'd like to add a broad point of principle. There is not a single member of this bank's board or management team who enjoys a customer in distress. And I can categorically tell you that: there is not a single member of the board or the management team that is indifferent to people's suffering when they struggle to pay back money. So there are people who in different circumstances, I'm not talking about Bankwest specifically, like to portray boards, management teams as pursuing their own interest indifferent to people's hardship, et cetera. This is the worst part of the job. Unfortunately, when you've got \$100 billion of shareholders' money and \$700 billion of shareholders' loans and \$400 billion of Australians' deposits, you need to continue to pursue cases where you feel that the shareholders' position is in the right. In a lot of these cases -- the point made you'd like a lower profit or share price, it wouldn't even impact the profit or the share price. So it's actually not about that. It's about the fact that when we're leading and managing these institutions, we have responsibilities to this vast economy and group of shareholders, and we take that extremely seriously. It would -- I'd love to be running this place where all our customers and shareholders were satisfied all the time, and we do our best to do it as ethically as fairly as possible, and all our processes are geared to that. At the end of that, we have to look ourselves in the eyes of board and management team and say there are going to be cases where people don't agree with us, and that is a regrettable but inevitable part of running this institution.

Unknown Shareholder

Yes, thank you for the response. The question remains, my research, and it's a growing volume of research, contradicts that. The question then is, we have a different view. Ours maybe wrong. How do we get it in front of the board? Because the other way is that there are many, many hundreds of Australian entrepreneurs who are very, very clever people that have nothing left to lose and will continue this fight as long as they live. I think it will be far more prudent to do it as we thought we would love to do, doing our presentation to the board about the position from the research rather than at the shareholders' cost and risk of the Commonwealth Bank's \$13 billion brand equity, in the newspapers, the courts and international media. That's my question is how do we engage with the board in good faith? If your commitment is so high to the ethics of this matter.

David John Turner

Former Non-Executive Chairman of the Board

I mean, I can answer that. The way to do it -- we have a really good management team here, and Ian and his team, I -- we would say are the best around. We have an open culture. We have an easy culture. News travels fast, right. And we've talked about mistakes that we've made in the past, and I think that's something that we've addressed in this meeting. But the best way, the best route to the board to get any information to the board is to talk to the management team about it. Drop Ian a note. He can talk -- he'll tell you who to talk to or you can talk to him or you can talk to the team here, present what it is you have to present -- have to say. And if they would like to bring it to the board, then that's just fine.

Unknown Shareholder

Thank you. Much appreciate your open and honest answer.

David John Turner

Former Non-Executive Chairman of the Board

Thank you. Can we have microphone 4 please?

Unknown Attendee

Mr. Chairman, I would like to introduce Mr. Kazim [ph], who is a shareholder.

Unknown Shareholder

Good afternoon, Mr. Chairman, and thank you for acknowledging that there are some unethical aspects of the bank's behaviors in the past. Thank you also for acknowledging that your commitments to a highly ethical behavior in the future. However, I did read a report from the Sydney Morning Herald that one of those staff members that had given bad advice is still being paid \$70,000 a year. Is this true? And how does this accord with your commitment to ethical behavior in the future?

David John Turner

Former Non-Executive Chairman of the Board

Well, I do know exactly what you're talking about, and I will answer it. I mean, normally we wouldn't talk about an individual at all because this is not the right place to be talking about individuals. But there was an individual concerned who had an employment protection policy completely outside of his employment contract with our insurance company. And when he left the employment to the group, he called on the insurance company to honor its obligations. And the insurance part of the Commonwealth Bank, as it does with all its other customers, had to honor its obligations, and that is the answer to your question. Thank you. Can we have microphone 1, please?

Unknown Attendee

Mr. Chairman, I reinvite Dan back to the microphone, who is a shareholder.

Dan Steiner

Dan Steiner. Mr. Chairman, I'd like to follow up on Mr. Fanning's [ph] comments with regard to margins, although I'm going to approach it in a slightly different way. Many of us in this room and in this country

have watched sometimes with some consternation the reaction of banks to movements of the RBA interest rate. I don't think I'm being unfair to say that when rates went down, banks generally took their own view about what rates should be. The public perception was that, that wasn't the way that they should've behaved. We may have reached, or we might very soon reach, the bottom of the interest rate reductions by the RBA. And I'm wondering what the bank's reaction -- I'm not asking a specific question, it's a general one. When the RBA, at some point in the future, moves the rates up, how quickly do we -- should we expect the CBA to respond? And will we see CBA or will we see any bank lagging behind when rates go up the way it happened when they went down?

David John Turner

Former Non-Executive Chairman of the Board

I don't think -- that is a shocking question because I didn't think it's one that we can answer at all. I think we're not allowed to talk about interest rates because the law says we're not to. And we're working under circumstances that apply at the time, so I don't think we could answer even if we were allowed to talk about interest rates. The complexity to your question is such that you seem to have hit on 2 brick walls, neither of which we can overcome. I'm very sorry.

Ian Mark Narev

Former Executive

I mean, I can say because, in all joking aside, I mean, with the prospects in those, we've got to be very careful about what we can and can't say in the subject. What I will -- what I can say broadly is 2 things. Number one, as an industry, we've done a very poor job of explaining the relationship between the Reserve Bank's cash rate and our pricing. And particularly, post the financial crisis, with the impact of global funding costs and deposit margins, we've not explained well why therefore, it is not the clear link between an RBA move and banks processing moves that people think there are. We need to do a better job of explaining that, and I completely therefore understand the sentiment behind your question. I think it's reflecting of quite broad sentiment. The other thing I will say, and this goes to the heart of the price fixing restrictions as well is this is a competitive industry. And actually, a lot of the reason why certain decisions are made is because different players in the industry are watching what each other are going to do, which is a sign of a good, healthy competitive industry. So it's not a matter of just simply saying as soon as a certain amount moves, our price moves.

Dan Steiner

I've always thought the CBA was a leading bank.

David John Turner

Former Non-Executive Chairman of the Board

Thank you. Exactly, exactly. Microphone 2, please.

Unknown Attendee

Mr. Chairman, I'd like to introduce Mr. Hansen [ph], a shareholder.

Unknown Shareholder

Good afternoon, Mr. Chairman and fellow shareholders. Thank you very much for coming to Adelaide and answering very effectively some rather difficult questions, and I compliment you on your ability to do this. Just 2 points very quickly. Many years ago, the Commonwealth Bank acquired Colonial First State. And -- but ever since, it seems to have gradually lost momentum. And I guess the present team wasn't involved in its acquisition, so you can't be blamed for this. But it hasn't performed particularly well as I know from having an investment in some of their funds. Are there any plans to either put in a new management team or perhaps close it down? And then contrariwise, it's really puzzling for me why the bank is apparently trying to sell the Commonwealth Property Office Fund, which some of us believe has been very successful.

David John Turner

Former Non-Executive Chairman of the Board

I will attempt to answer your question. I get to pass the property fund to Ian because it's quite complicated and he's very good at complicated questions, so he'll answer that perfectly for you. In terms of your own return from the Colonial First State, I'm sorry it has not met up to your standards. But for the bank, our Wealth Management business has performed extremely well and is doing better and better, and we have got an excellent management in there. It's changed dramatically over the last 5 years, really has changed dramatically. It probably had a slightly thin start. But certainly, over the last 5 years, it's gotten better and better. And now over the last 2 and 3 years, it's improved yet again, and it's had a very good last quarter and a very good last year. So we certainly wouldn't close it. We've got no plans to sell it. It's being very well run, and I'm sure they will do their very best to produce better returns for you so you don't have to ask a question again in that respect. But we like the business. It's doing well, and it's a critical part of the bank. Now Ian, would you like to address the Commonwealth Property?

Ian Mark Narev
Former Executive

I will add -- I will. I'll add one more comment to your first answer, Chairman, which is we, as a management team, you're quite right. We're not involved in buying it. We're very thankful to the team that did buy it. It's been a wonderful asset for the bank, for the group. And in fact, I think nearly 80% of the funds within there are above their benchmarks in performance. The other markets haven't been great, which means absolute returns might not have been so good. But the actual relative returns of the funds has been very good. On the Property Office Funds, there's a limit to what I can say because that's -- there are discussions that are alive on that as you'll be aware. It's a business that has been very well managed. We like it. We had since because of a number of dynamics in the market that it might be worth more to some others than it is to us, which is why we submitted the internalization proposals. And if indeed the prices are right and it is worth more to others than it's worth to us, we will sell them. And I think that's the important part of the discipline of a good management team that it's also willing to sell businesses which might be worth to others, and that's the process we're exploring at the moment.

David John Turner
Former Non-Executive Chairman of the Board

Can we have microphone 2 again, please?

Unknown Attendee

Mr. Chairman, I'd like to introduce Mr. Peg [ph].

Unknown Attendee

Yes, good afternoon, and thank you very much for succinct reports and for succinct answers to some pretty lengthy questions. Also, thank you for the shareholder review, which I think gives most of us shareholders an adequate amount of information, those who are monitors [ph] and so forth and investors in a bigger way would like the formal report, but I appreciate very much the shareholder review. I hope it continues. And also, appreciate the sprinting share price, as we all do, which brings me to the question. Does the board see any difference in relation to banking issues here in Australia with the new federal government?

David John Turner
Former Non-Executive Chairman of the Board

What a tricky question. I mean, on the shareholder review, which I can deal with ease, we're going to continue it, and I'm glad you like it. There is a bank review coming up. It's 16 years since there was a bank review, and we will participate in it. We will cooperate. We'll do our part in putting our views on how we sit within the banking sector, how we sit within the banking sector and how we think we support the people of Australia in what we do. And that banking inquiry is due to take place somewhere in the not-too-distant future. I think that's probably all we can say on it. That's the thing that the new government has done is to set up this new banking inquiry. And of course, we're going to do -- we'll do our best and we're prepared for it and we're ready for it. That probably answers -- that's all we can say, but thank you very much for the question. Could we have microphone 3, please?

Unknown Attendee

Mr. Chairman, I'd like to introduce Mr. Pearce [ph], who's a shareholder.

Unknown Shareholder

Good afternoon, Mr. Chairman. I'd like to talk to you this morning about the ethics of the banks and the adherence to ethical values. Would you consider that seeing your staff who give clients false and misleading information to conceal information from clients that would lead to their advantage in doing business with the bank ethical behavior?

David John Turner

Former Non-Executive Chairman of the Board

In answer to that short question, Mr. Pearce [ph], no, it would not.

Unknown Shareholder

Mr. Chairman, I have here some documentation which bears the Commonwealth Bank letterhead and comprises of bank loan applications, correspondence to and from client credit managers. The loan applications in question is, in fact, toxic loan. It was approved by an individual in [indiscernible] New South Wales and to be best described as a scarlet pimpernel. An individual as it appears the authority approved these toxic loans had enjoyed the indulgence of not identifying himself. It also contains a loan approval, which tried to address the toxicity of that initial loan approval. It contains correspondence from 2 client credit managers who provided information that was both false and misleading, that would appear to conceal the nature of that toxic loan and the amendments made thereto. All this occurred before -- while those 2 individuals were setting the groundwork for a fund mediation process to take place. It seems to me that all this talk about ethics is a sort of fair bit of window dressing in light of what this documentation identifies. I made a complaint about the sort of those 2 individuals in that they provided false and misleading information about this documentation. I made a complaint about their indifference and indolence, incompetence in following up the bank's obligation to comply with a binding agreement they entered into. You initially responded by saying you're comfortable with the actions identified in this file. You later on responded by saying that there was absolutely no evidence to support the complaints I made. When you were repeatedly pressed for an explanation why the evident -- documented evidence that confirmed that you failed to comply with the condition in the binding agreement wasn't deemed to be evidence of noncompliance, you replied that the bank had not breached the agreement and you went on to explain that the bank required the authority of the client to comply with that agreement. If that's the case, that explanation would be reconciled by or supported by some section -- subsection or subparagraph of the Farm Debt Mediation Act. The Farm Debt Mediation Act is a very concise, compact piece of legislation. There are no loose ends in it. And if the client was obliged to provide the authority to the bank to comply with that act, it would be covered by some piece of -- by a section of that act dealing with that issue. I sent a copy of the act to Mr. Narev. To date, I haven't had -- he hasn't had the decency or the courtesy to respond and identify the section of the act, but -- that the bank relied on in providing that piece of information. So it seems to me that when the occasion rises, the bank is quite comfortable, to use your own turn of phrase, in providing information that's a little bit dubious to clients who catch you with your pants down.

David John Turner

Former Non-Executive Chairman of the Board

Mr. Pearce [ph], I think you've raised this issue before.

Unknown Shareholder

Indeed, I have.

David John Turner

Former Non-Executive Chairman of the Board

A few times, and I seem to recollect this and you have the file in your hand. And I remember last time that we discussed it, I thought the best way of handling it was for you to talk to our General Counsel, who's the senior legal officer in the bank, David Cohen.

Unknown Shareholder

Before you go on, Mr. Chairman, David Cohen and your legal team really don't want to know anything about this, and I suspect that's because you've been advised by them to provide certain information which is not absolutely correct.

David John Turner

Former Non-Executive Chairman of the Board

Well, he isn't...

Unknown Shareholder

Recent events, Mr. Chairman, have identified that the media seems to be better equipped to investigate these sorts of things with a little bit more diligence and a little bit more impartiality than your own team of people. Just to give you an example of what you define as a independent investigation. Investigation into my complaints was completed by one of the individual whose misleading information precipitated my complaint. Human nature being what it is, people in that -- put in that position generally engage in a little bit of sanitization of the facts, and I think that's particularly relevant in this case. And to put it another way, I don't think Ivan Milat would be in jail at this very minute if he was allowed to conduct the inquiry into the evidence that was -- that actually convicted him of the backpacker murders. So I don't have a great deal of confidence in your ability to conduct investigations of this sort into your own behavior. Perhaps, the media might be a little better -- might be a better place to do so with a little -- and with a little bit more impartiality.

David John Turner

Former Non-Executive Chairman of the Board

Okay. Well, I think -- I mean, that's almost an observation, and I don't think they would at all. But you got the file. You know David Cohen. You've met him here before. You've been to other AGMs before, and you've raised the same issue. Yes, we've done our very best to ensure that you see the senior legal person within the bank to discuss your issues with. And look, he's here today. You can see him after the meeting. Take your file to him. And in so far as there's anything new to look at, Mr. Pearce [ph], then he will look at it for you. And I have got the utmost faith in David Cohen, he's one of the best lawyers in the land, to treat you entirely fairly.

Unknown Shareholder

Mr. Cohen, I have absolutely no faith in him whatsoever.

David John Turner

Former Non-Executive Chairman of the Board

It is, I'm afraid, the very best that I can do.

Unknown Shareholder

Well, perhaps the media might be the best place to investigate it, I think. Thank you.

David John Turner

Former Non-Executive Chairman of the Board

Good. Thank you, Mr. Pearce [ph]. Now if we can move please to microphone 4.

Unknown Executive

Thank you, Mr. Chairman. I would like to introduce Geoff Shannon, who is a shareholder.

Geoff Shannon

Mr. Chairman, good afternoon. Good afternoon, Chairman and the Board. I'm here again this year to address the Board and the shareholders of the CBA. Mr. Narev, if you recall last year I met with you personally, and it was agreed that we were to meet to talk about the victims of the Bankwest takeover. That has not happened as yet. So I want to ask you a question, and the Chairman touched on it before, that is it true that the maximum amount of recovery and the share sale deed to the CBA that they're entitled to was the full initial purchase price?

David Paul Craig

Ian better answer that.

Ian Mark Narev

Former Executive

This has been well covered. It was -- our position on it was covered including in front of the Senate inquiry. The line that we have somehow put people in hardship in order to have a gain for the Commonwealth Bank is categorically wrong.

Geoff Shannon

I'm asking you again...

Ian Mark Narev

Former Executive

That's my answer to the question.

Geoff Shannon

So there was no clause in the share sale deed allowing you to claw back...

Ian Mark Narev

Former Executive

All the answers we have to that question are now a matter of public record.

Geoff Shannon

And I'll just -- yes, okay. The warranty that was involved in that time, I mean, was it 6 months or 12 months, Mr. Narev?

Ian Mark Narev

Former Executive

That is another question. All that we have to say on it, sir, is now a matter of public record.

Geoff Shannon

Are you happy to meet again, Mr. Narev? We were going to meet last year after our meeting, but we haven't -- that hasn't happened...

Ian Mark Narev

Former Executive

I don't want to be -- I don't think it's appropriate in front of all these shareholders to have this discussion. I would generally say that I spend a lot of my time meeting customers who have legitimate complaints. I'm always happy to do that. There were circumstances in some customer situations around customer behavior that make that a little more difficult from my point of view, including when comments that I have made have been misrepresented to others that, as you can imagine, might make those sorts of conversations in some circumstances a little more difficult.

Geoff Shannon

Yes, I understand. And I'll -- that's all I have to say.

David John Turner

Former Non-Executive Chairman of the Board

Microphone 4 again, please.

Unknown Executive

No more questions here.

David John Turner

Former Non-Executive Chairman of the Board

No questions there? Are there any more questions? Microphone 2, please?

Unknown Executive

Mr. Chairman, I'd like to introduce Mr. Bullock, a shareholder.

David John Turner

Former Non-Executive Chairman of the Board

Mr. Bullock, good afternoon.

Philip Bullock

Good afternoon. For the Commonwealth Bank, I've been a shareholder since the IPO days about 20 years and we've seen the share price go from about a little over \$5 to now near \$78. I'm just wondering with the share price and the price it is now, most probably, this is the highest priced share on the ASX at this stage. Will the Board consider, when the shares might go up, say, \$80-plus, that we may see a share split? Many other firms have had this. And it must be getting much harder now for people to be buying a reasonable parcel of shares that getting up towards \$80.

David John Turner

Former Non-Executive Chairman of the Board

It's interesting. Actually, this is the first AGM we've ever had on the record share price. It's quite remarkable and slightly unnerving, I must say. And share splits, as you know, are mathematical operations that simply divide the shares in 2 and double the number of shares traded at half the price and the capitalization remains exactly the same and the value to the shareholder is exactly the same. It's an interesting point, and why don't we have a think about it. Thank you.

Are there any more questions? My crew chief says there's another one at microphone 2, but I don't think there is. There is at microphone 1.

Unknown Executive

Mr. Chairman, I'd like to reinvoke Adrienne [ph] back to the microphone.

David John Turner

Former Non-Executive Chairman of the Board

Adrienne [ph], good afternoon,, again.

Unknown Shareholder

Good afternoon. I actually think the idea of a share split actually would be a very good idea for the bank because our son was a bit annoyed at himself that when the shares were at about \$37 a share that he didn't buy a few of the shares. So I think, from some people's point of view, having a lower share price might mean that some people would get into the market. But I also, after listening to the gentleman at

microphone 3 a few minutes ago speaking about his problem with the bank as well as the legal issue, I'm just wondering if the bank then would pay for him to have independent legal advice in order for the 2 of you to solve whatever problem it is that he's had.

David John Turner

Former Non-Executive Chairman of the Board

Thank you for your first observation. I mean, on the second one, I think relationships between the customer -- customers in the bank are simple relationships between 2 parties.

Are there any other questions? Good. Well, if there are no further general questions, I'd now like to move onto the next item on the agenda. Thank you, Brian and Harrison.

Presentation

David John Turner

Former Non-Executive Chairman of the Board

The Board considers it appropriate to recognize the votes of both their shareholders here in person today and those who have voted directly or via a proxy. Accordingly, following the practice established in previous years, we'll be conducting all voting on agenda items by poll, which I now open for all items.

Following discussion on each item, the ballot proxies and direct votes received will be displayed on the screen behind me. I'll ask you to mark your voting cards at the end of the discussion of each item. The CBA shareholders eligible to vote will be holding red voting cards. At the end of the discussion on each resolution, you should mark your card indicating how you wish to vote on that resolution. In any case, you should ensure that you've completed your red voting card before you leave the meeting so that you can place it in one of the boxes, which attendants will have, at the exits to the meeting room. If you need to leave before the conclusion of the meeting, please launch your voting cards by placing them in the ballot boxes located with representatives of Link Market Services.

As the result of the poll will not be available before the closing of the meeting, the results of the poll will be released to the ASX and on CBA's website later today.

Agenda item 2 is the election of 3 directors. The resolutions for the reelection of each director will be dealt with separately. All directors standing for reelection are independent, non-executive directors. In considering the skills and experience necessary for the best possible functioning of the Board, we developed a criteria which define required expertise for directors. And indeed, I've talked about this earlier. We seek the highest-quality directors to form a Board capable of guiding challenging and monitoring management and having input to in approving the strategic direction of your bank.

I've discussed Board effectiveness and performance as well earlier, and the Board has considered the outcome of the Board effectiveness review and is recommending the reelection of the 3 directors today. As a consequence, the Board recommends that shareholders support the reelection of Sir John Anderson, Brian Long and Jane Hemstritch. I will ask each director standing for reelection to make a short statement to the meeting on their role as a director.

The first resolution is for the reelection of Sir John Anderson, who, in accordance with Articles 11.1 and 11.2 of the bank's constitution, retires as a director and offers himself for reelection. Sir John has been a member of the Board since March 2007. He's a member of the Risk Committee and the Board Performance and Renewal Committee. Sir John is a highly respected business and community leader, having held many senior positions in the New Zealand finance industry, including Chief Executive and Director of the ANZ National bank of New Zealand from 2003 to 2005 and the National Bank of New Zealand Limited from 1989 to 2003. In 1994, Sir John was awarded the Knight Commander of the Civil Division of the Order of British Empire. And in 2005, he received the inaugural Blake Medal for Outstanding Leadership Contributions to New Zealand. And in 2012, he was awarded an Honorary Doctorate of Commerce by Victoria University in Wellington.

Sir John's other offices include the Chairmanship of Steel & Tube Holdings Ltd. and NPT Ltd; and Deputy Chairmanship of Turner & Growers Limited. Sir John brings to the Board a wealth of experience in banking and in business, and he's demonstrated outstanding leadership over a long career. He is an excellent director. He manages his workload effectively, and he's greatly focused on the business of your bank.

I now invite Sir John to address the meeting please.

John Anthony Anderson

Former Non-Executive Director

Thank you, Chairman. Good afternoon, ladies and gentlemen, shareholders. As is customary, I'll outline my approach to -- regarding the role of a director of the Commonwealth Bank. As David has indicated, I

have had experience of 25 years as a chief and executive and director in banking, which not only include New Zealand, but include in that period experience with London with the Lloyds Banking Group, which is, of course, our international bank in Brazil.

That experience provide a full services in retail and commercial banking, as well as material role in the corporate banking and interest in foreign exchange markets. My discipline was senior management focus on the detail and the successful running of the operational areas of the organization. The Board in turn focuses on the strategy and direction of the company and the nature of their operations, in effect, focusing on the what issues rather than the how issues. The Board's governance role which is in effect incorporates a director's role, has become increasingly important in light of the events over the last 6 years in global markets. Even though the bank and the bank industry in Australia managed this crisis with flying colors, there will still be a continually -- continuing regulation imposed on the industry, as well as increased monitoring by government agencies. Audit risk, operational risk and credit risk, technology, systems, processes and the other side of asset liability management will continue to have a greater significance and the major focus of directors. On the other hand, Board support in challenging the management around the business model to ensure sustainable shareholder growth will hold even greater importance. Banking is, at times, a complex business and I bring to the Board the relevant experience, so that in my role as a director I'm able to contribute towards the business and financial success of Commonwealth Bank. Thank you.

David John Turner

Former Non-Executive Chairman of the Board

Thank you, John. The matter is now open for discussion.

Ladies and gentlemen, if there is no discussion, I'll now put the resolution to the meeting. You should mark your voting card in relation to Sir John Anderson's reelection. For your information, displayed on the screen are details of direct votes and proxies already received in relation to the reelection of Sir John Anderson.

The next resolution is the reelection of Brian Long, who, in accordance with Articles 11.1 and 11.2 of the bank's constitution retires and offers himself for reelection. Brian Long has been a member of the Board since September 2010. He's Chairman of the Audit Committee, and he's a member of the Risk Committee. Brian retired as a partner of Ernst & Young in June 2010. And until that time, he was Chairman of the Ernst & Young Global Advisory Council and the Oceania Area Advisory Council. He was one of the firm's most experienced audit partners over -- with over 30 years of experience in serving as audit signing partner on major Australian public companies. Brian's other current offices include Deputy Chairman of Ten Network Holdings Limited and a director of Cantarella Bros. Pty. Ltd. He is a Fellow of the Institute of Chartered Accountants in Australia. Brian is an outstanding Chairman of the Board Audit Committee, and I would now invite him to address the meeting on his candidacy. Brian?

Brian James Long

Former Independent Non Executive Director

Thank you, Chairman, and good afternoon, ladies and gentlemen. As the Chairman said, my name is Brian Long. I have been a director of the Commonwealth Bank for 3 years now and, for the last of 2 of those years, have been Chairman of the Audit Committee. If you so desired, I would be delighted to continue for another 3-year term as a director of your bank. In my relatively short period of time as a member of this Board, I have been struck by the high performance of the management team, by the continuous improvements and the positive changes the bank has made and by its financial performance during a time when economic headwinds have been present. I've seen the bank establish business strategy clarity, implement industry-leading technology, achieve industry leadership in customer satisfaction and achieve record earnings and share price. My past life, as the Chairman mentioned, was with Ernst & Young, where I specialized in audits of major public companies with a focus on systems and control environments and risk management. I believe in continuous improvement as a key element of success. And in my capacity as Audit Committee Chairman, I commit to play my part in supporting the achievement of the bank's continuous improvement goals. It's been a privilege to work with my fellow directors and the management

team in what has been a great time of achievement for the bank, and I look forward to continuing to serve you, the shareholders of this great company.

David John Turner

Former Non-Executive Chairman of the Board

Thank you, Brian. The matter is now open for discussion. Ladies and gentlemen, if there is no discussion, I'll now put the resolution to the meeting. Thank you, Brian.

You should now mark your voting card in relation to Brian Long's reelection. For your information, displayed on the screen are details of direct proxies and votes in relation to the reelection of Brian Long.

The next resolution is for the reelection of Jane Hemstritch, who, in accordance with Article 11.1 and 11.2 of the bank's Constitution, retires and offers herself for reelection. Jane has been a member of the Board since October 2006. She is the Chairman of the Remuneration Committee and a member of the Risk Committee. Jane's chairing of the Remuneration Committee is both effective and rigorous. She has professional expertise in technology communications, change managements and accounting. Jane also has experience across financial services, telecommunications, government, energy and manufacturing sectors and business expansion in Asia. Jane was managing director Asia Pacific of Accenture Limited from 2004 until 2007. In that role, she was a member of Accenture's global executive team and oversaw the management of Accenture's business portfolio in Asia-Pacific. Jane's other current offices include Director of Santos, Lend Lease, Tabcorp; and Chairman of the Victoria Opera Company. Jane is a Fellow of the Institute of Chartered Accountants in England and Wales, a fellow of the Institute of Chartered Accountants in Australia and a fellow of the Institute of Company Directors.

I'll now invite you, please, Jane to address the meeting on your candidacy.

Jane Sharman Hemstritch

Former Non-Executive Director

Good afternoon, fellow shareholders. As the Chairman has remarked, when I joined this Board, I was in the last 6 months of a 24 career -- 24-year career with Accenture, which is a global technology consulting and outsourcing firm. And the -- my involvement in large technology projects has been brought to bear on your behalf as the bank has concluded successfully this year the core banking modernization program. One of the other things I did at Accenture, in addition to my client work, was participate in the redesign of the approach to executive compensation at Accenture following its IPO. And that experience has informed my thinking as Chair of this bank's Remuneration Committee. The activities of the Remuneration Committee are outlined in the remuneration report, but I do, however, want to spend a little time on the review that we conducted this year into the group's executive remuneration framework. In that review, the Remuneration Committee went right back to first principles and wrote down and agreed to fundamental beliefs that underpin this bank's approach to remuneration. One of these beliefs is that the alignment between the remuneration interest of employees and the interest of shareholders is of prime importance. And accordingly, we have introduced, from 2014, a mandatory shareholding requirement for the CEO and group executives. There's no better way to be aligned with the interest of shareholders than to be a shareholder.

The mandatory shareholding policy will be 300% of fixed remuneration for the CEO and 200% of fixed remuneration for group executives. Another belief that we wrote down was that risk assessment is a fundamental approach and influences all components of remuneration. The bank has well-established processes to ensure that consideration of risk is factored into remuneration decisions. And in this regard, it's helpful that I and all the other members of the Remuneration Committee are members of the Risk Committee, which enables us to assess the correlation between risk issues and remuneration outcomes. And let me assure you, we do enact consequences for risk issues.

Having done our review, we concluded that our current approach to executive remuneration, with the addition of the mandatory shareholding policy, was in accordance with our fundamental beliefs and supports the bank's strategy.

Finally, as many people have often said of Boards, a Board is a team. I've spent my entire career working in teams of various sizes and kinds, and I know how to contribute to them. And I hope that I have given you a sense of what and how I contribute to this team and that you will accord me the great pleasure of continuing to do so. Thank you.

David John Turner

Former Non-Executive Chairman of the Board

Thank you very much, Jane. The matter is now open for discussion. Excellent. If there's no further discussion, I'll put the resolution to the meeting.

You should now mark your voting card in relation to Jane Hemstritch's reelection. For your information, displayed on the screen are details of direct votes and proxies received in relation to the reelection of Jane Hemstritch.

The next item on the agenda is item 3, the resolution to adopt the Commonwealth Bank's remuneration report for the year ended 30th of June 2013. Jane, of course, is sitting on my right to help raise -- ask any questions that you might have on this report.

The remuneration report is provided to shareholders in the 2013 Annual Report. It sets out our policy reports on the remuneration arrangements for our key management personnel. The remuneration report has been compiled in accordance with accounting standard AASB 124 and the Corporations Act. The Board obtains information from independent remuneration consultants, exactly what Jane just said, to ensure that we're on the right track. And I discussed disclosure earlier in the meeting, as well as the levels of vesting and the broad structure of these plans when I did my introduction. And Jane has also added her comments on alignment and executive shareholdings. I'd now like to take any questions on the remuneration report.

Ladies and gentlemen, if there are no questions on the remuneration report, I'll now put the resolution to the meeting. I would ask you to mark your voting card in relation to this resolution to adopt the remuneration report. While you're doing this, again, displayed on the screen are details of the direct votes and proxies received in relation to the remuneration report.

Agenda item 4 seeks approval for the grant of securities to Mr. Ian Narev, the Chief Executive Officer. The grant will be in the form of reward rights under our long-term incentive plan for the CEO and group executives, and it's called the Group Leadership Reward Plan. The plan aims to drive the efforts of participants to increase customer satisfaction and shareholder return in order to improve long-term value and achieve the bank's vision. Shareholder approval is sought to grant maximum of 62,966 reward rights to Mr. Narev for the 2014 financial year. Ian will receive value from these reward rights after the performance period only if challenging performance conditions are met, and the performance period ends on the 30th of June 2017. The number of reward rights that might vest at the end of the performance period will be determined by the bank's performance against 2 hurdles. The performance hurdles reinforce the alignments of our CEO's remuneration with our business strategy, shareholder returns and customer satisfaction. 3/4 of the reward is subject to performance hurdles of total shareholder return relative to our peers. The proportion will vest if the bank's shareholder returns are in the top half of the peer group and will vest in full only if the total shareholder returns are in the top quartile of the peer group. The peer group includes the 20 largest companies by market capitalization listed on the ASX, excluding resource companies and the bank. 1/4 of the award value will vest subject to the group's sustained customer satisfaction performance, again, relative to peer groups based on surveys that measure satisfaction in retail banking, business banking and wealth management. For this component, full vesting will occur only when the bank achieves a weighted average of first. Vesting outcomes are subject to Board review to make adjustments to avoid any unintended consequences. The Board also reserves the right to adjust the performance hurdles if an unforeseen development occurs. Now the matter is now open for discussion.

Question and Answer

David John Turner

Former Non-Executive Chairman of the Board

Mr. Dan Steiner [ph]?

Unknown Shareholder

Mr. Chairman, I'd like to raise an issue that one of the ASA members has written to the Commonwealth Bank account with regard to Mr. -- the calculation of the Chief Executive's share rights. And it really is just a matter of seeking some clarification on this calculation. The remuneration policies indicates and your presentation indicated that the distribution of income is 1/3, 1/3, 1/3, which means that the maximum long-term incentive that's available is equivalent to the fixed remuneration of the individual concerned. The fixed remuneration for the Chief Executive, as I understand it, is \$2.5 million and the award that's being voted on today is for 62,966 shares. I'd like to understand at what price that calculation was made because it would appear that from what this member has said that it's equivalent to some \$4.3 million, if fully vested, rather than the \$2.5 million?

David John Turner

Former Non-Executive Chairman of the Board

Oh, good. Thank you for the question. I can't remember the price. Actually, if you divide the \$2.5 million by the number of shares you'll find out what it is. The reason is that share price is discounted for risk on some very complicated Black-Scholes method of discounting, and it's a fairly normal process. I have to say that personally it's one that I find quite hard. But having said that it is normal, it's normal among every financial -- major financial institutions in Australia and it's normal among an awful lot of the top 25 ASX companies. So effectively, discount to share price is for the risk of not receiving the reward over the measurement period. You arrive with at a new share price and then you divide the \$2.5 million by that number and give him the shares. That's how it works, a terribly simple way of explaining it. We looked at -- we actually looked at changing it and going to the current share price, and Jane was responsible for instigating rather a long review of that. We concluded it was just too complicated and too difficult and that we'd carry on doing what we're doing. Is that...

Jane Sharman Hemstritch

Former Non-Executive Director

Yes. We did look at awarding at face value rather than fair value as part of the review and decided to continue using fair value, taking into account competitive practice and all the technical arguments that the Chairman has alluded to.

David John Turner

Former Non-Executive Chairman of the Board

So there we are.

Unknown Shareholder

Mr. Chairman, in that case, when this matter is raised in the future, could the bank be a little bit more forthcoming upon the assumptions that it's applied in the Black-Scholes calculation? So that those shareholders who have an interest in that would be able to examine in more detail the calculation of the share right that then members -- or shareholders are being asked to vote on here?

David John Turner

Former Non-Executive Chairman of the Board

We'll see what we can do, yes.

Are there any other points in relation to this agenda item? I'll now ask you to mark your voting card in relation to this resolution to grant securities to Mr. Ian Narev, the Chief Executive Officer, under the Group

Leadership Reward Plan. When doing this, again, displayed on the screen are details of direct votes and proxies received in relation to this agenda item. Thank you very much, Jane.

Presentation

David John Turner

Former Non-Executive Chairman of the Board

Now agenda item 5. The background of PERLS V securities is set out in the Explanatory Memorandum and in the Notice of Meeting. I should mention that these 2 resolutions are special resolutions. So to succeed, they must be passed by 75% of the votes cast. The members entitled to vote are ordinary shareholders only.

The bank has not yet made a decision in relation to the management of PERLS V, that is whether if the bank will allow PERLS V to convert into the ordinary shares of the bank or whether the bank will resell or repurchase PERLS V. The bank will only undertake a buyback or capital reduction of PERLS V if it considers it's in the best interest of the bank. This may depend, among other things, on the capital position of the bank and its consolidated group, conditions in domestic and international capital markets and changes in the prudential regulation of the bank.

However, to enable the bank to have maximum flexibility to undertake a selective buyback or capital reduction at a future date without the need to convene a further general meeting of shareholders, it's considered that it is in the best interest of the bank to seek approval for a buyback at this annual general meeting, and this provides the bank with a maximum flexibility to efficiently manage its capital position. More detail is set out in the Explanatory Memorandum. The matter is now open for discussion.

Ladies and gentlemen, if there is no general discussion, I'll put the resolution to approve the selective buyback agreements to the meeting, and I will ask you to mark your voting card in relation to item 5a. While you're doing this, once again, displayed on the screen are the details of direct votes and proxies received in relation to this resolution.

I'll now put the resolution to the -- to approve the selective capital reduction to the meeting. Please mark your voting cards in relation to this resolution. And displayed on the screen, which I've just said, actually, are the details of direct proxies and votes received in relation to item 5b.

So the words are very similar and I'm reading this bit.

Voting: Now that we have completed discussion of all the resolutions contained in the Notice of Meeting, would you please ensure that you've marked your voting cards correctly, so that you can put them in the boxes outside this room at the end of the meeting. If you need any assistance with the completing of the voting cards, representatives from Link Market Services are available in the room to help. Proxy holders should note that all directed votes have been accumulated and recorded.

If you are a shareholder and a proxy holder, it's important that you complete 2 voting cards, 1 in your own right and the second as a proxy. The results of the voting will be released on the ASX and on the bank's website later today. Counting of the votes will be undertaken by the bank's registrar, Link Market Services. Mr. Marcus Laithwaite of PricewaterhouseCoopers will be an observer for the poll. I declare that the poll will close 15 minutes after this meeting has been concluded.

Now my fellow directors now would be delighted if you'd join us and the group executives for refreshments outside the meeting hall.

The business of the meeting is now concluded. So I declare the 2013 Annual General Meeting of the Commonwealth Bank closed. Thank you very much, indeed, for coming.