



ASX announcement

Chairman's address

2019 Annual General Meeting

Sydney, Wednesday 16 October

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Opening remarks

Shareholders, 2019 has been an important year for the Bank.

Our strategy to become a simpler, better bank, in order to deliver better outcomes for our customers and shareholders, is well underway, and good progress has been achieved in divesting non-core businesses.

Despite a subdued economy, the Bank delivered strong operating results, and CBA's capital position is unquestionably strong.

Importantly, however, we have pursued a wide ranging program to improve governance, accountability and risk management, which are fundamental to changing the culture at CBA.

The Bank's clearer lines of management accountability, and stronger risk management practices, are improving our ability to meet higher regulatory and compliance obligations, and deliver on the expectations of customers and the community more broadly.

The Board's focus has been on taking meaningful action, following the unreserved acknowledgement of past issues, and ensuring, that the character and integrity of our intent, are as important as the competence and capabilities required to achieve results.

All of these qualities are pre-requisites for restoring trust and confidence in the Bank.

Becoming a simpler, better bank

We have taken action to become a simpler bank through substantially exiting from our wealth management businesses.

We have sold our New Zealand life insurance business, Sovereign; our asset management business, Colonial First State Global Asset Management; and our South African business, TymeDigital. We are now progressing the sales of our life insurance operations in Australia, China and Indonesia, and have announced the exit of our Aligned Financial Advice businesses in Australia.



We also remain committed to the orderly exit of Colonial First State, and our mortgage broking businesses.

By simplifying our portfolio we are reducing risk and cost, and can concentrate on the needs of our core banking customers, in our core markets.

In terms of becoming a better bank, we have taken the provisions and actions necessary to ensure that customers affected by past issues, particularly in our former wealth management division, are efficiently and appropriately compensated.

We have made deliberate decisions to remove and reduce fees, and have introduced alerts to help customers avoid fees. These changes saved our customers \$275 million last year, and are expected to save them over \$400 million in the current year.

We have changed products, processes and policies, and the way we respond to customer complaints.

Leadership of the Bank

Turning now to the Leadership of the Bank.

The renewal of the Bank's Executive Leadership Team has continued, following Matt Comyn's appointment as Chief Executive Officer in April last year.

Matt has made 10 new appointments to his leadership team, including both internal promotions and the appointment of external candidates, all of high calibre, and bringing skills and expertise in financial services, risk and technology.

Together, they have the capability and values required to build a more customer-focused culture, and to deliver the Bank's strategy for the benefit of shareholders.

Governance, culture, accountability and remuneration

Three years ago, starting with our Remuneration Framework, the Board began a program to strengthen governance, culture and accountability.

The Board now has greater oversight and scrutiny of the risks facing the Bank, and has set clearer expectations of management. There is a focus on better identifying and managing non-financial risks, particularly regulatory compliance, conduct and cyber security.

In this context, the Executive Leadership Team has established a Non-Financial Risk Committee, which provides visibility of risk across the Bank, and enables a much improved flow of information to the Board.

We also have a new Code of Conduct. Drawing on our Purpose and Values, this Code sets out what we expect of our people, how they should act, solve problems and make decisions. The guiding principle of the Code is the 'Should We?' test, to consciously question and ensure that we are doing the right thing by our customers and the community.

To reinforce cultural change we continued to improve our remuneration framework, achieving accountability for the right outcomes. This year, we increased the rigour and challenge applied to the risk assessment process, which is a major consideration as the Board determines remuneration outcomes for senior executives and the Group as a whole.

There were remuneration consequences for all Group Executives as a result of the unsatisfactory outcomes for customers and shareholders, which of course included the impact of customer remediation provisions on this year's financial result.

This is in addition to the reduction of more than \$100 million in remuneration for Directors, Executives, senior leaders and employees across the 2017 and 2018 financial years. These reductions recognised individual and collective accountability for the issues that affected the reputation of the Bank and the findings of APRA's Prudential Inquiry.



Regulatory update

Following that Inquiry, in April last year, we entered into an Enforceable Undertaking with APRA, to develop a Remedial Action Plan in response to the recommendations of the Inquiry's Final Report. We have now delivered 75 of the Plan's 156 milestones to the independent reviewer, Promontory, who provides a quarterly assessment of our progress to APRA.

Following on from the Final Report of the Financial Services Royal Commission in February this year, we welcomed the recent release of the Government's Implementation Roadmap. We have already taken action on a number of the recommendations of the Royal Commission to improve outcomes for customers. Some of the recommendations will require action by government, regulators and industry bodies before we can implement them. We are supporting this work, and taking steps to ensure that we are ready to act once the regulatory framework is in place.

We have also continued to invest heavily in our financial crimes compliance processes, and are working constructively with AUSTRAC to play our part in preventing and disrupting financial crime.

Sustainable business practice

Moving now to sustainability.

We are committed to operating sustainably and responsibly, in the long-term interests of the economy and the broader community. Through our Environmental and Social Policy, this commitment is embedded in the way we do business.

The policy includes a clear commitment to support the responsible global transition to a net zero emissions economy – including reducing our exposures to thermal coal and coal fired power generation, with a view to exiting the sector by 2030, subject to Australia having a secure energy platform.

Further, we will only provide banking and financing to new oil, gas or metallurgical coal projects if they can be supported, as having environmental, social and economic impacts consistent with the goals of the Paris Agreement.

Our Green Mortgage Initiative is an example of what we are doing in practice to help Australians benefit from more affordable and sustainable energy. Since we launched in August, more than 4,500 existing home loan customers have taken advantage of the \$500 cashback provided for those who instal solar energy.

Our Environmental and Social Policy also incorporates our human rights commitments, including our approach to managing the risks of modern slavery in our business operations and supply chains.

Board renewal

Our commitment to Board renewal has continued in 2019.

In January we were joined by two new Non-Executive Directors – Professor Genevieve Bell and Mr Paul O'Malley. Both will be standing for election today.

Genevieve's knowledge and understanding of technology, in society and business, has brought a unique and valuable perspective to the Board. Paul's broad operational and finance skills, as well as his experience in business leadership, have also added significant value to the Board.

Current Non-Executive Directors, Mr Shirish Apte and Ms Mary Padbury, will stand for re-election today.

Sir David Higgins will retire in December in order to focus on his interests in the UK. On behalf of the Board, I would like to thank Sir David for his five years of commitment and service to the Bank, including chairing the Remuneration Committee and guiding significant improvements to our Remuneration Framework.



Business performance

Our financial results this year reflect the actions we have been taking to build a simpler, better bank, including customer remediation costs and revenue forgone for the benefit of customers, as well as investment in better customer and risk outcomes.

Our results also reflect the continued strength of the Bank's market position, and the performance of our underlying business. More Australians than ever now call the CBA their main financial institution – and we have continued to deliver strong performance in our core business areas of home loans and transaction accounts.

The strength of the Bank's balance sheet is a key feature. As at 30 June 2019, our Common Equity Tier 1 capital ratio was 10.7%, which is above APRA's 'unquestionably strong' benchmark of 10.5%. The subsequent sale of Colonial First State Global Asset Management in August, added a further 68 basis points to this ratio.

The strength of the bank's operating and capital performance enabled the Board to declare a final dividend of \$2.31 per share, taking the full year dividend to \$4.31 per share, fully franked.

The progress being made on divestments, together with prudent management of the business, and our balance sheet, in the current macroeconomic environment, will continue to support the delivery of sustainable returns for shareholders over the long-term.

Closing remarks

Shareholders, as I have outlined today, the past year has seen a great deal of critical work undertaken to transform your Bank into one which is simpler and better.

We are absolutely committed to this purpose. It is evident, everywhere I go in CBA, how determined our people are to achieve the goals I have described, and I would like to acknowledge how hard our people are working to deliver these outcomes.

To my fellow Directors, thank you for your commitment to securing the Bank's future, and to delivering balanced and sustainable outcomes for all of our stakeholders.

And finally, I would like to thank you, our shareholders, for your continued support as we work to deliver a bank of which you can be proud.

I will now ask our CEO, Matt Comyn, to address the meeting.

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