

ASX announcement



Chairman's address

2020 Annual General Meeting

Tuesday 13 October 2020 (SYDNEY): Address by Catherine Livingstone AO, Chairman of the Commonwealth Bank of Australia, at the Bank's 2020 Annual General Meeting (AGM). The webcast of the AGM can be viewed at: www.commbank.com.au/agm.

Check against delivery

Opening remarks

The fact that we are meeting virtually today, shows just how much and how quickly things can change. It also demonstrates how, collectively, we are able to adapt and find solutions.

Despite the year's challenges, your Bank has continued to deliver on our purpose of improving the financial wellbeing of our customers and communities. We have quickly found new ways to support our customers, our people and the economy; we have made substantial progress on becoming a simpler, better bank, and achieved important governance, culture and risk management milestones; and we have delivered strong business performance and a strong balance sheet, supporting long-term returns for shareholders.

Strength in uncertain times: support for our customers and communities

2020 has been marked by droughts, bushfires and the coronavirus pandemic. Our focus throughout, has been to support our customers and communities in these difficult times.

When the COVID-19 crisis hit, the Bank's leadership, and our people, mobilised immediately to proactively meet customer needs, and to keep our operations running safely and smoothly.

The Bank has also played an important leadership role nationally, helping to facilitate and deliver the Government's stimulus packages, and to cushion the financial shocks which the country has been experiencing as a result of the pandemic.

By working together with government, regulators and our industry peers, we have been able to help keep families and individuals in their homes, keep people in work, and keep businesses operating.

For CBA, in the six months to June, this included providing repayment deferral relief on more than 250,000 personal, business and home loans, helping businesses to access JobKeeper, and advancing more than half of all new lending under the Government's Coronavirus SME Guarantee Scheme.

The Bank has been able to move at great pace, and provide extensive support, thanks to the dedication of our people, the agility of our operations, the strength of our balance sheet, and our commitment to the interests of customers and the nation.

Our focus remains on helping our customers through the challenges ahead, by providing them with the support and solutions that respond to their needs. We will also continue to support initiatives that promote jobs and economic recovery.

Management team and our people

The commitment and leadership of the renewed executive team have been key to the Bank's delivery of strong stakeholder outcomes this year.

Our people have also worked extremely hard, in challenging circumstances, to continue delivering exceptional service to our customers.

On behalf of the Board, I would like to thank the leadership team, and our people, for their dedication to the Bank's purpose.

Strategy: A simpler, better bank

In addition to responding to the new environment, we have remained steadfastly focused on executing our simpler, better bank strategy.

We have now substantially divested, or ceased, our wealth management businesses. This has allowed management to focus on driving operational excellence in retail and business banking, and on maintaining the Bank's leadership in digital banking and innovation.

Our technology strengths, and our market-leading digital assets, have stood the Bank in great stead, at a time where we've seen a tremendous shift to digital banking, including for payments.

Financial performance and dividend

A disciplined focus on our core business has also supported the Bank's financial performance.

This year, operating income increased as a result of outperformance in home lending and deposits; and statutory profit was higher, as a result of the significant gains on sale of our wealth management businesses.

Cash net profit after tax was lower – largely due to the \$1.5 billion impairment provision taken for expected loan losses related to the pandemic.

Importantly, our balance sheet continued to strengthen, and we ended the year with a very strong capital position. CBA is one of the best capitalised large banks in the world.

The Bank's capital and operating performance continued to support returns for shareholders.

In March, we paid an interim dividend of \$2 per share, fully franked. The final dividend of 98 cents per share, paid on the 30th of September, conforms to APRA's guidance – which remains in place until the end of the calendar year – that banks should retain at least 50% of their earnings. Our final dividend payout ratio was therefore 49.95% of statutory earnings for the second half of the financial year.

In total this year, shareholders received \$2.98 per share, fully franked; with the Bank returning \$5.3 billion to shareholders in dividends.

Governance, culture and risk management

At the same time as delivering financial performance, we continued to strengthen governance, culture and risk management.

We have made significant progress on implementing the recommendations of the 2018 APRA Prudential Inquiry, and have now delivered more than three-quarters of our Remedial Action Plan milestones.

Our progress is monitored quarterly by the independent reviewer, Promontory, and in its most recent report to APRA, Promontory stated that it had perceived a material change in the attitudes and culture within the Bank over the two years since the start of our Plan. It also stated, that in many respects, the Bank is almost unrecognisable from the institution described in the Inquiry Report.



While this is very positive, we still have more to do. Our focus in the third and final year of our Plan, is to embed the hard-won improvements, and ensure they are maintained on an ongoing basis.

We are also well-advanced on implementing the recommendations of the Financial Services Royal Commission; and during the year, we took further action and provisions to remediate customers impacted by past issues. As at the 30th of June, we had delivered refunds to customers of more than \$730 million over the time since 2015.

Remuneration

Moving now to our remuneration framework, which has worked well in helping to drive a better risk culture, and greater accountability and consequence management.

We are cognisant, however, of the need to keep evolving the framework. We are therefore making changes to ensure that it continues to help the Bank meet the strategic challenges ahead.

Our objectives, in making these changes, include: attracting and retaining exceptional talent; meeting the spirit of expected regulatory change; and more closely aligning management incentives with shareholders' experience.

Information on the framework, which will apply from the 2021 financial year, is provided in the Notice of Meeting – and I will cover this in more detail when we come to that item on the agenda.

Sustainability

Turning now to our commitment to operate both responsibly and sustainably.

This includes our commitment to support the responsible global transition to a net zero emissions economy by 2050. This year, and 10 years ahead of target, we achieved our goal of sourcing renewable energy for 100% of our Australian electricity needs. This has allowed us to reduce our emissions and save costs.

We have also been helping our customers to make the transition, by providing products that incentivise them to reduce emissions and increase their climate resilience. This has included providing sustainability-linked loans that tie the borrower's cost of funding to the achievement of their environmental targets; and our green mortgage initiative, which gave cashbacks to eligible customers with solar panels installed on their homes.

We also helped to arrange almost \$9.5 billion of climate bonds, and at the 30th of June, had \$4.2 billion of lending exposure to renewable energy.

Playing our part in the transition, is an increasing priority for the Board.

Board succession

The Board is also focused on having succession plans for Directors, to ensure that we maintain at all times the relevant mix of skills and experience.

Sir David Higgins retired in December 2019, after five years of service to the Bank; and Wendy Stops, who has also been an integral member of the Board for more than five years, will retire at the conclusion of today's AGM. On behalf of the Board, I thank both Wendy and Sir David for their commitment and contribution.

In September, we were joined by Simon Moutter, who will be standing for election today. Simon was previously Managing Director of Spark New Zealand Limited, which is New Zealand's largest telecommunications and digital services company – and he has a background in science and engineering. As such, Simon brings a deep understanding of technology, process effectiveness, and business strategy to the Board.

Rob Whitfield AM will stand for re-election today. As Chairman of the Board Risk & Compliance Committee, Rob has played a particularly important role this year, given the impact of the coronavirus pandemic.



Closing remarks

Although the year ahead will involve challenges and uncertainty, the Bank faces this environment in a strong position. Our business is performing strongly, and we have a resilient balance sheet, which means we are well placed to continue delivering on our purpose.

I would like to thank all those who have contributed to the Bank's strengths at this time, including:

- our customers, who trust us to serve their financial needs every day;
- our people, who have worked so hard to deliver great customer outcomes and a simpler, better bank;
- my fellow Directors, who have shown resolute commitment to ensuring the Bank is well positioned for the future;
- and, finally, our shareholders, thank you for continuing to support the Bank and for trusting in our ability to deliver for you over the long-term.

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

The release of this announcement was authorised by Kara Nicholls, Group Company Secretary.



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