

# Commonwealth Bank Shareletter

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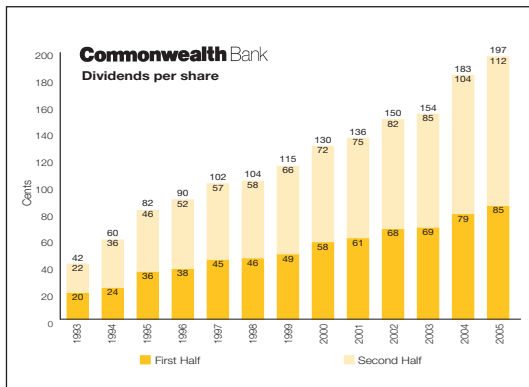
Dear Shareholder,

It has been a momentous year for the Bank with a record profit, record dividend and a new Chief Executive Officer (CEO).

In August this year, the Bank released its full year results for the twelve months to June 2005. We announced a 55 percent increase in statutory net profit after tax (NPAT) over the prior year to \$3,991 million. Cash net profit which excludes appraisal value uplift and goodwill amortisation (both of which will cease to be recognised under the new accounting standards effective next financial year) was \$3,538 million, an increase of 31 percent.

The Bank declared another record dividend on the back of strong results across all businesses. The full year dividend per share is \$1.97 fully franked (\$1.12 for the second half) versus \$1.83 last year.

This great result was achieved as the Bank continued to progress Which new Bank to transform the customer experience. Our people are fully committed to providing our customers with better service, and the rollout of CommSee, the Bank's new customer service system, to over 70 percent of sites is helping them achieve this objective. We are now well positioned to meet and, in many cases exceed, targets set at the commencement of the program in September 2003, and have laid a strong platform for future growth.



The excellent Banking result was driven by strong growth in home loans and other personal lending. This was a particularly good result, given increased competition across lending and deposit products. ASB Bank in New Zealand produced another strong result and its market shares have continued to grow across all segments.

The Funds Management business recorded a 28 percent increase in underlying NPAT for the year. This improved performance was the result of strong funds inflow, revenue growth, attractive customer offerings and flat expenses. Investment performance also stood out, with 95 percent of retail domestic funds outperforming their respective benchmarks on a one year basis.

The Bank's Insurance business in both Australia and internationally also delivered a strong result with a NPAT increase of 21 percent. The Australian insurance business maintained its number one market position in life risk premiums.

Internationally, we have also had an exciting year. The Bank acquired interests in two Chinese City Commercial banks and PT Bank Commonwealth, our Indonesian banking business continues to attract new customers. The Bank has also established a representative office in Bangalore, India. These investments are relatively low capital investments that allow us

both to build knowledge of these rapidly growing markets and utilise our expertise. They position us well for future growth in the region's key markets. Post balance date, the Bank has entered into an agreement to sell its Hong Kong based life insurance, pensions administration and financial planning businesses to Sun Life Financial. These assets did not fit into our Asian strategy.

Like any other business, the Bank must work hard to remain competitive and profitable. One of the biggest burdens that companies such as ours are grappling with is excessive regulation. Costly paperwork and red tape compliance puts significant pressure on the Bank's resources, costing both in monetary terms and management time.

The Business Council of Australia (BCA), which represents 100 of Australia's top companies, says lightening the regulatory burden is one of Australia's most urgent priorities. BCA statistics show that regulation is growing by ten percent per year, three times faster than the economy is growing. While some level of regulation is needed, it should not be allowed to grow so fast that it stifles the ability of businesses to expand, innovate and prosper. BCA has called on state and federal governments to address regulatory growth as a matter of priority.

This month marks David Murray's retirement after 39 years of service to the Commonwealth Bank, the past 13 years as CEO. The Board, and myself as Chairman, would like to thank David for his commitment and contribution to the Bank and its shareholders. David took the Bank from a partly privatised company with a market capitalisation of \$6 billion in 1992 to a fully integrated financial services provider with a market capitalisation of around \$50 billion in 2005. Over the 13 years of his tenure, David has created substantial value for shareholders with Total Shareholder Returns (including gross dividend payments) of more than 24 percent per annum (compound annual growth), an outstanding achievement over an extended period.

Ralph Norris commenced as CEO at close of business on 22 September 2005. Given Ralph's exceptional achievements at ASB and Air New Zealand, the Board has every confidence in his ability to lead the Bank.

Thank you for your continued support.

Yours Sincerely,

John Schubert  
Chairman





Dear Shareholder,

The 2005 financial year has been another excellent year for the Bank. It has been a privilege to work with our people in serving our customers and providing our shareholders with another year of solid returns in this, my last year at the Bank.

For the past thirteen years as CEO, I have been proud to lead the Bank through a number of significant development phases. These include full privatisation, integration of State Bank of Victoria, development of online services and the merger with Colonial which transformed the Bank into a fully integrated financial services provider.

More recently, the successful implementation of Which new Bank has delivered excellent profit outcomes, a strong underlying momentum in our businesses and has enhanced the Bank's competitive positioning.

I am also very proud of the work we have done through the Commonwealth Bank Foundation. Established in 2003, the Foundation is focussed upon providing programs and partners to develop the financial literacy skills of Australians, particularly the young. Earlier this year, the Foundation in cooperation with Monash University, released its groundbreaking research demonstrating that a modest improvement in financial literacy could add \$6 billion per annum to the Australian economy.

I would like to wish Ralph all the very best. The Commonwealth Bank has a great heritage, one that I have been privileged to lead. I would also like to thank you, our shareholders for your support and loyalty over the years. I am confident that Ralph will successfully build on the momentum which exists within the Bank and will enjoy the same level of support from our customers, our people and you our shareholders as I have had during my tenure as CEO of the Bank.

Yours Sincerely

David Murray

Former Chief Executive Officer



Dear Shareholder,

It is a great honour and pleasure to have taken over from David Murray as Chief Executive Officer of the Commonwealth Bank of Australia.

David's contribution to the Bank has been outstanding and it has been a great privilege for me to have worked with him for nine years. From privatisation, the introduction of new technologies, the integration of additional financial services, to strategic and selective offshore expansion, and finally, an all encompassing cultural transformation in the shape of Which new Bank, David has always been a visionary and an implementer. He leaves the Bank in a strong strategic and financial position.

While Which new Bank has been a great success and has created real momentum, there is still much to be done. One of my first priorities will be to continue to look for ways to further enhance the service focussed approach which will allow us to differentiate ourselves with our customers. For me, customer service is really the only true differentiating factor that any organisation can have. If we can get it right with our customers, we can get it right with our people and we are then on the way to getting it right for our shareholders. And for me, that is what it's all about.

I am very enthusiastic about my new role and the challenges ahead of me. I am convinced that the Bank's future is a bright and exciting one and I am looking forward to working to develop and deliver strategies which will continue to improve the services which we offer our customers and the returns to our shareholders.

Yours Sincerely

Ralph Norris

Chief Executive Officer

## Biography - **Ralph Norris**

Ralph Norris has been Chief Executive Officer and Managing Director of Air New Zealand Limited since February 2002. He has served as a Director on the company's Board since August 1998.

Prior to his appointment at Air New Zealand, Mr Norris had a 30-year career in banking. He was Chief Executive Officer of ASB Bank Limited from March 1991 until September 2001 and Head of International Financial Services for the Commonwealth Bank from August 1999 until September 2001.

Mr Norris was judged New Zealand Executive of the Year in 1997 (while at ASB Bank) and in 2004 (while at Air New Zealand). In 2001, he was the National Business Review's New Zealander of the Year.

In addition to his current role as Air New Zealand CEO, Mr Norris is also a trustee of the Starship Foundation, a charitable trust which provides funding to the Starship children's hospital in Auckland, NZ; the Northern Lifeguard Services, the Woolf Fisher Trust, which supports general and scientific education in New Zealand. Mr Norris is also a Member of the Auckland Grammar Headmaster's Council.

Previously, he chaired the New Zealand Bankers Association, Tourism Auckland, the New Zealand Business Roundtable and Sovereign Assurance Limited, he was also a director of Fletcher Building Limited.

Ralph Norris, 56, was born in Auckland and is married, with three children, he plans to make his home in Sydney.

## Shareholder Contact Information

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