

COMMONWEALTH BANK OF AUSTRALIA
CEO'S ADDRESS – 2009 ANNUAL GENERAL MEETING

Traditional greeting

Like John, I would also want to start by acknowledging the traditional owners of the land we meet on today.

Since we launched our Reconciliation Action Plan last year, we have had the privilege of working with a number of Indigenous communities who have provided us with invaluable guidance and support.

In acknowledging the Traditional Elders of these Lands, the Noongar people, and in paying my respect to their Elders, I recognize the immense knowledge that they hold and thank them for sharing this with us.

Financial performance

The 2009 financial year has been challenging and, at a time when many international banks reported substantial losses, your bank has performed very well. As John indicated, we delivered a cash net profit after tax, for the year ended 30 June 2009, of \$4.415 billion, driven by strong operating income growth and a disciplined approach to costs. Return on Equity was a very solid 15.8 percent, which enabled us to pay our shareholders over \$3 billion in dividends.

The Group is financially strong with favourable funding positions, conservative provisioning and capital ratios significantly above internal and regulatory target levels. In addition, all of our businesses are performing well with strong momentum going into the new financial year.

The Group's financial strength placed us in a unique position at the end of last year to acquire, at a substantial discount to book value, Bankwest and St Andrews. These excellent businesses enabled us to realise a long standing strategic objective of strengthening our retail banking business in the dynamic Western Australia market and building an increased capability in business banking. The integration of these businesses is proceeding to plan and we are very pleased with their performance and the quality of their people.

I would like to also reassure our Bankwest customers that the Bankwest brand, which is iconic in WA, is here to stay and will compete alongside our Commonwealth Bank branches.

Strategic Priorities

Despite the challenging environment, the Group's strong financial position enabled us to pursue our five strategic initiatives and our goal of being ranked number one in customer service by June 2010.

This commitment is reflected in our theme "Determined to be Different" which conveys our determination to be better than we have ever been, by making real progress across each of our five strategic priorities of:

- Customer Service;
- Business Banking;
- Technology and Operational Excellence;
- Trust and Team Spirit; and
- Profitable Growth.

More good progress was made during 2009 on the Group's No. 1 strategic priority, customer service, with our Australian retail bank recording the largest improvement in customer satisfaction scores amongst local peers, increasing 2.9 percent on the prior year to 73.0 percent. Weekly customer experience surveys have also shown a significant improvement across all of our distribution channels.

We won many accolades as a Group this year however I will mention only a few from a very long list.

- Bankwest was awarded Money Magazine's "Money Minder of the Year" award for the second consecutive year and Smart Investor Blue Ribbon 08 "Bank of the Year" award;
- Our New Zealand subsidiary, ASB Bank, won The Banker's magazine "Bank of the Year Award for New Zealand" for the seventh consecutive year;
- Colonial First State won awards for "Best Fund Manager" and "Best Master Trust/Wrap Provider" for FirstChoice in the 2009 Wealth Insights Service Level Survey Reports for the second consecutive year; and
- Global Finance magazine named your bank Australian Bank of the year for 2009.

Improving our competitive position in Business Banking is also a key strategic priority, with highlights in 2009 including:

- The formation of a separate business unit, Business and Private Banking, under the leadership of Ian Narev, to give greater focus to this key part of our business; and
- Within Institutional Banking and Markets, expanding both global distribution capabilities and the institutional equities division to better meet the needs of our major listed corporate clients.

Technology and Operational Excellence initiatives will deliver greater efficiency across the Group and improve the experience for customers. Highlights this year included:

- Significant progress was made on the Group's Core Banking Modernisation programme which will replace our legacy systems and drive improvements in customer service and productivity through process simplification and the introduction of real time banking;
- The "Finest Online Programme", which delivered a single, Group-wide, online sales and service front-end through the internet, saw the Group receive widespread recognition for the quality of its online offerings.

The commitment, engagement and enthusiasm of our people go to the heart of our success as an organisation and our ability to deliver on our strategies. Important milestones this year included:

- Greater collaboration and better alignment to the needs of our customers, which is reflected in improvements in customer satisfaction scores, declining customer complaints and increased customer compliments;
- A continued improvement in employee satisfaction scores, with the Gallup workplace survey ranking the Group at the 80th percentile of the Gallup Worldwide benchmark, placing us well into the World Best practice range;
- ASB Bank again received the Gallup "Great Workplace Award 2008"; and
- Continued support in the community including commitments to a range of initiatives such as financial literacy, environmental partnerships and one-off assistance for communities in need of help. This included a \$1.1 million direct contribution to the victims of the

Victorian bush fires on top of the \$43 million which we collected for this worthy cause through our branch network.

Our Profitable Growth priority was introduced to ensure that the Group remains focused on identifying opportunities which will ensure continued growth and value creation.

Examples of progress during the year include:

- Acquisition of Bankwest and St Andrew's at a substantial discount to book value;
- The purchase of a 33 percent holding in Aussie Home Loans, and the acquisition of \$2.25 billion of Wizard home loans following Aussie's purchase of the Wizard brand and distribution network; and
- Our Indonesian and Chinese businesses, whilst still a relatively small part of the Group, are all performing well and growing strongly.

Contribution to the Community

I'm proud to say that the Commonwealth Bank Group has been supporting the Australian community since we first opened our doors in 1912.

With over ten million customers and operating in nearly every city and town in Australia, our involvement in the community is part of who we are.

Through our people, our Commonwealth Bank and Bankwest community partnerships and the Commonwealth Bank Foundation, we are committed to actively investing in a variety of programs that benefit Australians.

The Group also directly employs 38,000 people in Australia, and uses the services of thousands of external suppliers for a wide range of products and services which, in turn, provide employment to Australians right across the country. The Group also remains committed to retaining jobs in Australia and early this year announced that it will retain all its operations and call centre activities in Australia and not undertake off shoring until at least 2012.

In addition, the Group returns a significant proportion of its profit to the nearly 800,000 domestic shareholders who, together with local institutions, own 85 percent of the Group's shares.

The collapse of Storm Financial, a licensed financial planner group, has attracted understandable publicity and regulatory scrutiny. Many major financial services organisations, including us, provided loans to Storm's clients in order for them to implement Storm's financial advice.

We have publicly acknowledged that there were some shortcomings in our conduct when we lent money to some of Storm's clients.

We have also committed to putting right any wrongs on our part and we are proactively offering assistance to those facing hardship through the establishment of a resolution scheme which is providing swift and fair resolution for affected customers.

Looking ahead

The headwinds which impacted our performance in 2009 have continued into the new financial year although there are signs that they may be moderating. However the 2010 year will present challenges (as well as opportunities) for your Group and its customers and the outlook is by no means clear. In this environment, we will maintain our conservative approach to capital, funding, liquidity and provisioning. At the same time we recognise that we are well placed to continue to strengthen our business franchise and improve our financial performance and returns to you, our shareholders.

The ability to deliver the strong performance we have seen over the past financial year across the Group would not have been possible without the goodwill and commitment of our people. I am very grateful for the high level of support I have received across the organisation and continue to be enormously impressed with the quality and skills of our people.

It is a great privilege to lead this organisation and I am confident that we can continue to deliver for our people, our customers and our shareholders.

Before handing back the microphone to John, I would like to take this opportunity to acknowledge the enormous contribution that John has made to the Group over his 18 years on the Board, the last five of which have been as Chairman. As you know, John has announced that he will be retiring from the Board early next year and this will be his final AGM.

John has played a significant role in the development and execution of vitally important steps of the Group's evolution from Government ownership to the successful public corporation we are today. Under

John's leadership, the Board has made significant contributions to the strategies developed in conjunction with management and maintained a strong regard for the interests of shareholders. In addition, with John's focus on the importance of corporate governance, your Group has always been able to demonstrate practices of the highest standard whilst maintaining the important balance between performance and conformance.

John is one of Australia's most senior and respected business leaders. He has vast experience in Banking and in business generally. And we all, as shareholders, are going to miss him greatly. On behalf of the shareholders, the Board, the management and staff of the Group, I congratulate you, John, on your achievements and wish you and Prue all the very best for the future.