

# Determined

to be better than  
we've ever been.

SHAREHOLDER REVIEW 2010



**Commonwealth**Bank



Commonwealth Bank of Australia ACN 123 123 124

Determined to build trust and team spirit



Determined to offer the best customer service



Determined to continue our operational and technology excellence



# HIGHLIGHTS 2010

Net profit after tax (cash)

\$6,101 m

Earnings per share (cash)

396 cents

Return on equity (cash)

18.7%

- Cash NPAT of \$6,101 million – up 42 per cent on prior year;
- Banking businesses performed well on the back of solid volume growth;
- Disciplined and consistent execution of key strategic priorities delivers for customers and shareholders;
- Fully franked final dividend of \$1.70 – up 48 per cent on prior year;
- Return on Equity rebounds sharply to 18.7 per cent;
- Capital (Tier 1 of 9.15 per cent), funding and provisioning all remain strong; and
- Group ideally positioned to continue to outperform with a well managed, diversified business portfolio and strong stable financial platform.



David Turner, Chairman and Ralph Norris, Chief Executive Officer

## Chairman and CEO's review.

**The Group's ongoing commitment to, and disciplined execution of, its five strategic priorities underpinned another good operating and financial result.**

The Group delivered a cash net profit after tax for the year ended 30 June 2010 of \$6,101 million, up 42 per cent.

A final dividend of \$1.70 per share fully franked was declared, an increase of 48 per cent on the prior year. The total dividend for the year was \$2.90, taking the dividend payout ratio to 74 per cent.

The Group has made significant progress over the past four years across its five core strategic priorities. The good financial result achieved is testimony to the successful execution of this strategy.

The strong momentum which we have built up behind these strategic initiatives over the last four years has continued into 2010 and it is particularly satisfying that we have again been rewarded with the accolade of 2010 Money Magazine "Bank of the Year" Award along with similar awards from a number of local and international organisations.

The Group has maintained its strong financial position which is reflected in its long term credit ratings with Standard and Poor's and Moody's Investor Services which remained unchanged at AA and

Aa1 respectively. The Group is one of only a handful of global banks to have retained its AA rating.

Consistent with our desire to be a strong and successful bank and, in recognition of the continued uncertainty in the economic and regulatory outlook, the Group has elected to maintain high levels of capital and liquidity. While funding remains expensive, the Group is already well advanced with its 2011 financial year funding programme.

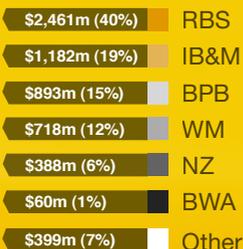
The Group has also retained its conservative approach to provisioning with total provisioning of \$5.5 billion as at 30 June 2010.

The Group invested more than \$1 billion over the last 12 months in a range of initiatives to enhance customer experience and drive further process and productivity improvements. The Group's largest single investment, the four year Core Banking Modernisation programme, remains on schedule at its half way stage and achieved a number of key milestones this year including the migration of all customer information and over 1 million term deposit accounts to the new system.

We have also continued to balance the needs of our customers and shareholders. In a year where global financial markets (particularly in the second half) were volatile and unpredictable we wrote over

## Performance

### PROFIT CONTRIBUTION BY BUSINESS



### FULLY FRANKED DIVIDENDS (cents)



### CASH NPAT



\$100 billion in new loans and advances, the majority of which was to retail and small business customers. We also, provided competitive interest rates and reduced or eliminated a range of fees. Our good result and strong capital position have enabled us to pay out \$4.5 billion in dividends to our shareholders with over 80 per cent ending up in the hands of Australian residents.

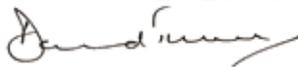
The Group continued to focus on sustainability during the year with a range of initiatives implemented. Communication on our sustainability performance was enhanced by the release of our first Sustainability Report in October 2009. A summary of our achievements this year can be found on pages 20 and 21.

Recent uncertainty over the pace of recovery in the United States and Europe has increased the downside risk to the domestic economy and has not helped domestic business and consumer confidence, both of which remain fragile. This fragility manifested itself in a slowing in the underlying momentum in our business in the second half of the 2010 financial year.

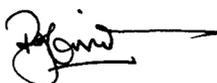
As a result we are cautious about the outlook for the coming year and intend to retain our conservative capital and liquidity settings for the foreseeable future, so that we are able to provide support to our customers in these uncertain times.

Our latest result is testimony to the Group's strong financial position and its robust and sustainable business model. This performance is also a tribute to the enormous commitment and dedication of our hard working people, who are delivering great outcomes for our customers and shareholders.

Finally, we would like to thank our customers and shareholders for their continuing support for the Commonwealth Bank of Australia.



David Turner  
**CHAIRMAN**



Ralph Norris  
**CHIEF EXECUTIVE OFFICER**

11 August 2010

## Another good financial result

	June 10	June 2010 vs June 2009
Operating Income (\$m)	18,823	6%
Operating Expense (\$m)	8,601	5%
Cash NPAT (\$m)	6,101	42%
Statutory NPAT (\$m)	5,664	20%
Cash EPS (cents)	396	34%
Return on Equity – Cash (%)	18.7	370 bpts
Dividend per Share – Fully Franked (cents)	290	27%

# Strategic Priorities.

**The “Determined to be Different” theme conveys our determination to be better than we’ve ever been, by making real progress across each of our five strategic priorities with the objective of becoming Australia’s finest financial services organisation, through excelling in customer service.**

To achieve this goal we have focussed our energies on delivering our five core strategic priorities – Customer Service, Business Banking, Technology and Operational Excellence, Trust and Team Spirit and Profitable Growth. The result is that today, the Group is a significantly stronger and more dynamic organisation than it was four years ago.

## ■ CUSTOMER SERVICE

The Group continues to make great progress in improving customer service and satisfaction levels across the organisation. In Retail Banking, the Group is now ranked second amongst major banks, and has closed the gap to the number one rated peer considerably over the past four years. Enhanced customer satisfaction has translated into improved

products per customer, which is now the highest of the major banks.

In Business Banking, the Group has grown customer satisfaction faster than any other major bank over the past six months; and was the only one of the four major banks to improve customer satisfaction between June 2009 and June 2010. In Wealth Management, FirstChoice was again rated number one.

## ■ BUSINESS BANKING

Improving our competitive position in Business Banking remains a strategic priority. At a time when other banks have experienced declining loan balances, we have been growing ours and gaining market share. In SME lending, we are growing balances at an annualised rate



<b>Transformational Change – Scorecard</b>			
	<b>June 2006</b>	<b>June 2010</b>	<b>Progress</b>
<b>Customer Satisfaction</b>			
Retail <sup>1</sup>	64.9%	75.6%	✓
Business – TNS <sup>2</sup>	56.5%	67.9%	✓
Business – DBM <sup>3</sup>	n/a	Ranked 1st	✓
FirstChoice <sup>4</sup>	Ranked 2nd	Ranked 1st	✓
Share of Ombudsmand Complaints	29.8%	15.1%	✓
<b>Market Shares</b>			
Home Lending	18.7%	26.2%	✓
Business Lending	12.1%	19.5%	✓
Household Deposits	29.3%	31.3%	✓
Business Deposits	11.9%	22.9%	✓
Products per Customer <sup>5</sup>	2.17	2.56	✓
<b>System Reliability</b> – Sev. 1 incidents (pa)	66	14	✓
<b>Processing times</b> – New Home Loans	14 days	6 days	✓
<b>Employee Engagement</b> – Percentile	69 <sup>th</sup>	76 <sup>th</sup>	✓
<b>Total Shareholder Return</b> – Ranking		Number 1 (2,3,4,5 yrs)	✓

1, 2, 3, 4, 5 – refer to inside back cover for sources.

of 7 per cent, well ahead of system growth. In Business Banking, our customer satisfaction score as measured by TNS has improved from 56.5 per cent to 67.9 per cent, and we have shown the fastest rate of improvement amongst the major banks. Further reinforcing the progress we have made, the recent DBM Business Financial Services Monitor survey recognised the Group as the number one major bank across all business segments.

## ■ TECHNOLOGY AND OPERATIONAL EXCELLENCE

On the technology front, our systems are significantly more customer friendly, have much greater functionality and are

materially more reliable than they were four years ago. Investment in our back-office processing has yielded significant improvements in processing times, productivity levels and customer service outcomes. Core Banking Modernisation remains on schedule at its half way stage and will achieve a number of key milestones this year including migration of all deposit and transaction accounts to the new system. CommBiz was awarded “Best in Class” in the Banking category in the 2009 Interactive Media Awards.

## ■ TRUST AND TEAM SPIRIT

The extent of the Group’s transformation over the last four years is testimony to the drive, energy and engagement of our

people. Progress during the year included continued best-practice people engagement results; ASB winning the Gallup Great Workplace Award for the third year in a row; and a refresh of the Group's Diversity Strategy, including establishment of a goal to increase the representation of women in senior management levels from 26 per cent to 35 per cent by December 2014.

## ► PROFITABLE GROWTH

The Profitable Growth priority was introduced to ensure that the Group

remains focussed on identifying opportunities to continue growth and value creation. Examples this year included a strategic partnership (15 per cent ownership) with Vietnam International Bank in April 2010; a new strategic partnership (38 per cent ownership) with Bank of Communications (China's fifth largest bank) for our life insurance joint venture in Shanghai; and the opening of the Group's first branch in India (in Mumbai) in April 2010.

**“The Commonwealth Bank of Australia continued to strengthen its business franchise and support its customers through the 2010 financial year.”**



# Operating Review.

A CONTINUED DISCIPLINED APPROACH TO THE EXECUTION OF THE GROUP'S FIVE STRATEGIC PRIORITIES HAS DELIVERED ANOTHER GOOD RESULT.

## RETAIL BANKING SERVICES

Retail Banking Services continued to perform well with cash net profit after tax of \$2,461 million, up 17 per cent.

The result reflects strong volume growth, and continued focus on cost efficiency partially offset by a decrease in net interest margin. Impairment expenses increased slightly due to volume growth and increased arrears levels in the current economic environment. Average home loan volume growth was 18 per cent, driven by competitive customer interest rates and strong growth in the first home buyer market. The Group retained its number one market share position in

deposits, maintaining a significant gap to the nearest competitor.

Key highlights for the year included the successful migration of over one million term deposit accounts to the new Core Banking platform, ongoing NetBank enhancements and continued improvement on security and functionality of the ATM network.

### The progress of these initiatives has been recognised by:

- Money Magazine “Money Minder of the Year 2010”;
- Third Party Banking awarded “Lender of the Year 2010” by Mortgage and Finance Association of Australia for the second year running;
- “Australian Financial Institution of the Year (Retail)” at the 2010 Australian Banking and Finance Awards; and
- Five star rating to the entire rated Retail Deposit product suite by CANSTAR CANNEX and an innovation award for Travel Money Card.



## BUSINESS AND PRIVATE BANKING

Business and Private Banking delivered a strong performance, achieving 21 per cent growth in cash net profit after tax to \$893 million.

This result reflects continued momentum across all businesses, with strong growth in business lending balances, stable margins and improved equities trading volumes within CommSec.

The impact of impairment expense eased in the second half, with the improving trend reflecting the strong credit quality of the business lending portfolio and proactive risk management.

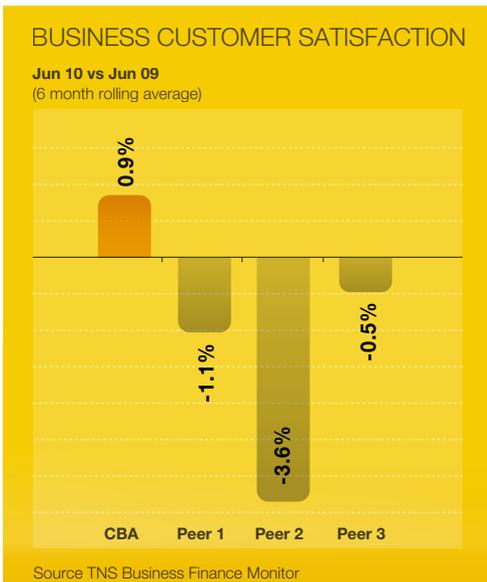
Performance highlights during the year included the launch of additional features in CommBiz to help business customers conduct their transactions faster as well as the introduction of a market leading contactless card payment facility which is aimed at speeding up transaction times for business customers in service-based industries.



All key business units within Business and Private Banking delivered double digit revenue growth.

### Other highlights included:

- In the recent DBM Business Financial Services Monitor survey, the Group was recognised as the number one major bank across all business banking segments in customer satisfaction.
- CommSec was awarded a five star rating by CANSTAR CANNEX for both its online share trading and IRESS products, together with the AFR Smart Investor Blue Ribbon Award for “Online Broker of the Year” and “Margin Lender of the Year” by Money Magazine; and
- Private Bank was recognised in the Australian Private Banking Council Awards for 2010, winning Outstanding Private Banking Institution of the Year in the \$1m to \$10m category for the second year running.



# Operating Review.

## INSTITUTIONAL BANKING AND MARKETS

Institutional Banking and Markets achieved a cash net profit after tax of \$1,182 million which represented a significant increase on the prior year.

The result was driven by moderate growth in operating income and a substantial decline in impairment expense.

Operating income increased by 7 per cent on the prior year to \$2,567 million reflecting a 16 per cent increase in Institutional Banking operating income as a result of good activity levels and disciplined pricing strategies, along with enhanced focus and performance in Transaction Banking including Payments and Deposits.

The business continues to invest for the future, building its capacity in the Institutional Equities and Debt Capital Markets business, foreign exchange platform renewal and driving enhancements through improved information technology capabilities to enrich customer experience.

### **The commitment to customer satisfaction has been recognised by:**

- Best in the market for the fifth year running for “Loyalty to Relationship” and “Understanding of Customer’s Business” in the latest East and Partners’ “Australian Institutional Banking & Markets” report;
- “Number one for overall Customer Satisfaction among clients where they have a Lead Relationship with CBA” in Peter Lee Relationship Banking Survey “Best in Customer Service” for 2009;
- “Asian Securitisation Deal of the Year 2009” awarded by IFR Magazine and IFR Asia; and
- Euromoney FX Survey 2010 recognised the Group for achieving the highest market share gain in the Australia region.



## WEALTH MANAGEMENT

Cash net profit after tax for the Wealth Management business was up significantly on the prior year to \$718 million.



After experiencing a challenging year of economic downturn in global and domestic equity markets in 2009, performance of the Group's Wealth Management made significant improvement against a backdrop of improved conditions in equity markets.

Investment performance remains solid with 75 per cent, 67 per cent and 76 per cent of funds outperforming benchmark over one, three and five year periods respectively, reflecting the success of the CFS GAM's research based investment philosophy.

The FirstChoice platform performed well with positive net flows of over \$3 billion. FirstChoice retained the number two Flagship platform position with a market share of 10.7 per cent and captured 20.9 per cent of net flows for the year ended March 2010.

Colonial First State won the "Best Fund Manager" service level award from Wealth Insights for the third year running. Colonial First State FirstWrap platform ranked second in the annual Investment Trends platform benchmarking survey. FirstChoice Wholesale Personal Super won "Superannuation Platform of the Year" and FirstChoice Defensive was winner of "Conservative Retail Multi-sector Funds" in the AFR Smart Investor Blue Ribbon Awards 2009.

CommInsure's cash net profit tax increased significantly to \$396 million driven by favourable investment experience due to improved investment markets. CommInsure was awarded "Life Company of the Year" by Plan for Life.

### FIRSTCHOICE NET FLOWS SOLID

Quarterly Net Flows



# Operating Review.

## NEW ZEALAND

New Zealand's cash net profit after tax was NZ\$461 million, a decrease of 14 per cent.

The result reflects the impact of tightening credit markets, which has led to increased funding costs along with the recession in New Zealand impacting the banking and insurance businesses.

ASB Bank delivered a cash net profit after tax of NZ\$354 million, a decrease of 13 per cent, which was achieved in a very challenging environment for the New Zealand banking industry.

### The key drivers of the ASB underlying result were:

- As part of its strategy to grow local funding and reduce reliance on the wholesale funding market, ASB offered competitive term investment rates to customers. This resulted in a 3 per cent increase in retail deposits to

NZ\$31 billion with the corresponding market share improving slightly to 21.6 per cent;

- Home loan balances increased 2 per cent to NZ\$38 billion;
- Business lending market share increased to 9.3 per cent; and
- Impairment expense decreased 47 per cent due to a continuing improvement in the underlying economy, including lower unemployment and stronger business sentiment.

Sovereign Insurance's cash net profit after tax was NZ\$103 million, a decrease of 13 per cent. Despite a fall in share of new business sales to 27 per cent, Sovereign continues to lead the market in new business sales.



## BANKWEST

Bankwest delivered a cash net profit after tax of \$60 million, up from the pro forma profit of \$3 million for the year ended 30 June 2009.

The result reflects a strong operating performance, partly offset by higher loan impairment expense. Banking income increased by 25 per cent, to \$1,720 million and operating expenses decreased by 3 per cent to \$880 million.

The cash net profit after tax was unfavourably impacted by loan impairment expense of \$754 million which was mainly due to property related exposures, primarily in Queensland and New South Wales.

Bankwest retains an absolute focus on customer satisfaction, with a commitment to value, innovation and services. A number of initiatives have been implemented during the year to meet this vision. These include the introduction of e-statements for retail



customers, late night and weekend trading across the branch network as well as continued investment in customer network, which now includes 138 branches and 742 ATMs.

### The success of these initiatives has been reflected in:

- An improved customer satisfaction scores of 78.9 per cent, up 2.7 per cent;
- An increase in home loan market share, up 0.45 per cent to 3.62 per cent;
- Six products receiving gold awards in Money Magazine's 2010 Best of the Best Awards; and
- Three retail deposits receiving a five star rating from CANSTAR CANNEX.



# Board of Directors.

## **David J Turner, CHAIRMAN**

David has been a member of the Board since August 2006 and Chairman since February 2010. David was Chairman of Cobham plc., CEO of Brambles and a non-executive director on the Board of Whitbread plc. He is a Fellow of the Institute of Chartered Accounts in England and Wales. Age 65.

## **Ralph J Norris, KNZM, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

Ralph was appointed as MD and CEO in September 2005. He had been CEO and MD of Air New Zealand since 2002 and had been a Director of that company since 1998. Ralph is Chairman of the Australian Bankers' Association and CommFoundation Pty Ltd. Age 61.

## **Jane S Hemstritch**

Jane was appointed to the Board in October 2006. She was MD – Asia Pacific, Accenture from 2004 until her retirement in 2007. Jane is a director of The Global Foundation, Tabcorp Ltd and Santos Ltd. Age 56.

## **Harrison Young**

Harrison has been a member of the Board since 2007. He was Chairman of Morgan Stanley Australia from 2003 to 2007. Harrison is a director of Bank of England and Financial Services Volunteer Corps and Chairman of NBN Co. Limited and Better Place (Australia) Pty Limited. Age 65.



LEFT TO RIGHT: DAVID TURNER, RALPH NORRIS, JANE HEMSTRITCH, HARRISON YOUNG

### **Sir John A Anderson, KBE**

Sir John joined the Board in March 2007. He is Chairman of Television NZ Ltd, Capital and Coast District Health Board, NZ Venture Investment Fund, Hawke's Bay District Health Board and PGG Wrightson Ltd.

Sir John was the Chief Executive & Director of ANZ National Bank Ltd (2003-2005) and National Bank of NZ Ltd (1989-2003). Age 65.

### **S Carolyn H Kay**

Carolyn has been a member of the Board since 2003. She has extensive experience in international finance having worked as both a banker and a lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia. Carolyn is a director of Allens Arthur Robinson, Brambles Industries Ltd and Sydney Institute. Age 49.

### **Colin R Galbraith, AM**

Colin has been a member of the Board since 2000. He is a special adviser with Gresham Partners, Chairman of BHP Billiton Community

Trust, a Director of CARE Australia, Australian Institute of Company Directors, and OneSteel Ltd. Age 62.

### **Fergus D Ryan**

Fergus has been a member of the Board since 2000. He was a senior partner of Arthur Andersen until his retirement in 1999 after 33 years with that firm. Fergus is a director of Australian Foundation Investment Co. Ltd, and Centre for Social Impact. Age 67.

### **Andrew M Mohl**

Andrew was appointed to the Board effective July 2008. He is Chairman of Federal Government Export Finance and Insurance Corp. Andrew was MD and CEO of AMP Limited from 2002 to 2007. He was former Chief Economist and MD at ANZ Funds Management. Age 54.

Details of Director's experience, qualifications and special responsibilities are available in the Annual Report and the Group's website [www.commbank.com.au/shareholder](http://www.commbank.com.au/shareholder)



LEFT TO RIGHT: SIR JOHN ANDERSON, CAROLYN KAY, COLIN GALBRAITH, FERGUS RYAN, ANDREW MOHL

# Remuneration.

## NON-EXECUTIVE DIRECTORS

The Group has a strong composition of skilled, knowledgeable and experienced non-executive directors on the Board.

Non-executive directors' fees reflect the scope of their roles and responsibilities. They receive fees for services on the Board and Committees. Fee levels are fixed and the total amount of all fees for non-executive directors on the Board is capped by a shareholder-approved pool (currently \$4 million per year).

During the 2010 financial year, non-executive directors on the Board took a voluntary six-month reduction in their base and committee fees of 10 per cent during the worst of the global financial crisis.

## NON-EXECUTIVE DIRECTORS – Remuneration received during 2010

	Fees (\$000)	Superannuation (\$000)	Post Employment Benefits' (\$000)	Total Payments (\$000)
Chairman				
David Turner	442	48	–	490
John Schubert (retired 10/02/10)	425	25	636	1,086
<b>Non-Executive Directors</b>				
John Anderson	225	16	–	241
Reg Clairs (retired 13/04/10)	198	–	203	401
Colin Galbraith	256	18	–	274
Jane Hemstritch	257	19	–	276
Carolyn Kay	268	19	–	287
Andrew Mohl	245	34	–	279
Fergus Ryan	271	19	–	290
Harrison Young	271	19	–	290

<sup>1</sup> During 2010 entitlements were paid out on retirement to John Schubert and Reg Clairs.

Further information about non-executive directors' remuneration is available on page 83 of the 2010 Annual Report and on the Group's website [www.commbank.com.au/shareholder](http://www.commbank.com.au/shareholder)

## THE CEO AND GROUP EXECUTIVES

The CEO and Group Executives receive a mix of fixed and incentive-based remuneration that is market competitive.

Incentive-based remuneration includes short term incentives (STI) and long term incentives (LTI). These incentives are aligned to the Group's short term and long term business strategies and reflect the Group's strategic priorities.

During the 2010 financial year, the CEO and Group Executives took voluntary six-month pay cuts of 10 per cent and 5 per cent respectively during the worst of the global financial crisis.

### CEO AND GROUP EXECUTIVES – Remuneration received during 2010

The following table sets the value of ordinary remuneration received by the CEO and Group Executives in relation to the 2010 financial year. This includes long term incentives awarded in 2006 that vested during the 2010 financial year.

	Fixed Remuneration <sup>1</sup> (\$000)	STI <sup>2</sup> (not deferred) (\$000)	Total cash payments received (\$000)	Previous years' LTI awards that vested during 2010 <sup>3</sup> (\$000)
Ralph Norris (CEO)	2,962	1,853	4,815	4,318
Simon Blair	743	464	1,207	–
Barbara Chapman	828	518	1,346	810
David Cohen	804	503	1,307	–
David Craig	1,023	640	1,663	1,080
Michael Harte	926	579	1,505	680
Ross McEwan	1,170	731	1,901	682
Ian Narev	828	518	1,346	54
Grahame Petersen	1,072	670	1,742	1,187
Ian Saines	1,267	792	2,059	237
Alden Toevis	1,365	853	2,218	–

<sup>1</sup> Fixed Remuneration includes base remuneration, statutory superannuation and any salary sacrifice amounts.

<sup>2</sup> Executives received 50 per cent of their STI in September 2010, with the remaining 50 per cent deferred until July 2011.

<sup>3</sup> The 2006 LTI awards vested during 2010. These awards were made under the Equity Reward Plan (ERP). Information about the ERP is provided in the 2010 Annual Report. Simon Blair, David Cohen and Alden Toevis did not receive this award because they joined the Group after the 2006 awards were made.

Further information about executives' remuneration is available on page 84 of the 2010 Annual Report and on the Group's website [www.commbank.com.au/shareholder](http://www.commbank.com.au/shareholder)

# Executive Management.

## **Simon Blair**

Simon was appointed Head of International Financial Services in June 2009. He is responsible for managing the Group's Asian banking and life operations as well as Bankwest. Simon was the MD of Sovereign New Zealand and COO of Medibank Private Australia. He also held senior roles at the World Bank and Inner & Eastern Health Care Network.

## **David Craig**

David commenced as Chief Financial Officer of the Group in September 2006.

He is responsible for the overall financial functions of the Group. David has over 34 years' experience in banking and finance. He was the CFO for Australand and COO for PricewaterhouseCoopers and a Director of the Australian Gas Light Company.

## **Barbara Chapman**

Barbara joined the Group in July 2006. Her role of Group Executive, Human Resources and Group Services is responsible for human resources and marketing and communications functions. Prior to joining the Group, Barbara held a number of senior roles at ASB Bank, including CEO of Sovereign Assurance.

## **Michael Harte**

Michael joined the Group in April 2006 as Group Executive Enterprise Services and Chief Information Officer. His experience includes systems development and organisational change in Australia, Europe and US. Michael was VP Information Systems at Citibank.

## **Alden Toevs**

Alden joined the Group in June 2008 as Group Chief Risk Officer. He was with First Manhattan Consulting Group's risk management for eighteen years. Alden has advised more than 100 banks globally on risk, strategy, mergers and performance measurement.

## **David Cohen**

David joined the Commonwealth Bank as General Counsel in June 2008. He advises the CEO and the Board on legal matters, and leads the Group's legal team. David had been General Counsel of AMP since 2003 and a partner with Allens Arthur Robison for 12 years.



LEFT TO RIGHT: SIMON BLAIR, DAVID CRAIG, BARBARA CHAPMAN, MICHAEL HARTE, ALDEN TOEVs, DAVID COHEN

## Ian Saines

Ian was appointed Group Executive Institutional Banking & Markets in March 2009, with responsibility for providing total capital solutions to the Group's corporate, institutional and government clients. He joined the Group in 2004. Ian previously held senior leadership positions at Zurich Capital Markets Asia, Bankers Trust and Global Metals and Mining Industry Group.

## Grahame Petersen

Grahame was appointed Group Executive Wealth Management in March 2006, with responsibility for Colonial First State, Colonial First State Global Asset Management and Commlinsure. He has over 30 years experience in the finance industry, having joined the Rural Bank of NSW as a graduate in 1980.

## Annabel Spring

Annabel joined as Group Head of Strategy in March 2009. Previously she was a Managing Director at Morgan Stanley. In her capacity as Head of Global Firm Strategy and Execution for Morgan Stanley, Annabel was responsible for global strategy, and the execution of all Firm transactions. She has worked in New York, Asia and Australia.

## Charles Pink

Charles joined the Group in January 2009 as Chief Executive of ASB Bank and MD of the ASB Group, which includes responsibility for Sovereign, New Zealand's leading life insurer. Before joining the Group, he was CEO of retail bank FirstCaribbean, a US\$12 billion asset subsidiary of Canadian Imperial Bank of Commerce.

## Ian Narev

Ian was appointed Group Executive, Business and Private Banking in January 2009. He joined the Group in 2007 as Group Head of Strategy. Before that, Ian worked for McKinsey & Co from 1998-2007 where he was a global partner and head of the New Zealand office. Prior to that he was a lawyer specialising in mergers and acquisitions.

## Ross McEwan

Ross was appointed Group Executive Retail Banking Services in May 2007, with responsibility for the Group's retail banking operations. He has worked in the insurance and investment industries for more than 25 years and most recently in senior management roles within ASB Bank and AXA Ltd.



LEFT TO RIGHT: IAN SAINES, GRAHAME PETERSEN, ANNABEL SPRING, CHARLES PINK, IAN NAREV, ROSS MCEWAN

# Sustainability.

**The long-term sustainability of the Group is essential for creating enduring value for shareholders and the Australian community as a whole. 2010 saw significant achievements across the Group's five sustainability foundations: customers, people, governance, community and environment.**

## ► CUSTOMERS

The Group made significant progress towards the goal of becoming number one for customer satisfaction. A number of initiatives were rolled out for retail, business and wealth management customers, providing innovative financial solutions and improvements to customer experience.

To advance financial education for a new generation of young Australians, the Group launched its 'onemillionkids' commitment in November 2009. The aim of 'onemillionkids' is to improve the financial literacy of more than one million Australian school children by 2015.

The Indigenous Banking Team (IBT) expanded its size and reach during the year. The IBT, the first of its kind from a major Australian bank, is dedicated to providing the Group's Indigenous customers with the highest-quality business expertise and customer service. This level of specialised support is crucial to ensuring Indigenous communities have access to the same opportunities for wealth creation as other Australians.

## ► PEOPLE

A continued focus on developing a culture of trust and team spirit and embedding the Group's behaviours has assisted with delivering strong people engagement and pride within the organisation. The Group continued to achieve global best-practice people engagement results, and results across other key people metrics remained steady.

The Group's Diversity Strategy was refreshed in 2010, with a particular focus on diversity in leadership, respect and inclusion, adaptable work practices and diversity support. The Group believes that a focus on women in leadership is a leading indicator of broader



**Ian Kiernan AO, Chairman and Founder of Clean Up Australia, and Platy help the local community to clean up in Williamstown Jawbone Marine Sanctuary, Victoria.**



Australian of the Year 2010 recipients Ronni Khan, Professor Patrick McGorry AO and Maggie Beer visit students at Cabramatta High, which the Group partners with through the Australian Business & Community Network.

diversity within the organisation, and has set a specific goal to increase the representation of women in leadership from the current level of 26 per cent to 35 per cent by December 2014.

## COMMUNITY

The Group's dedication to working with Australian communities, large and small, was demonstrated through many programs with partners in the areas of health and welfare, the arts, environment and sport. Achievements in 2010 included supporting the National Australia Day Council to celebrate 50 years of recognising the valuable contributions of outstanding Australians through the Australian of the Year Awards, contributing over \$550,000 to 66 youth and children's charities through the Community Grants programme, and a second year of successful partnership with Clean Up Australia, helping over half a million Australians to make a difference to their local environment.

## ENVIRONMENT

Following the announcement of the Group's carbon reduction target to reduce emissions from its Australian operations by 20 per cent by June 2013 (from 2008–09 levels), the Group has been working on a number of initiatives in its tool-of-trade fleet and retail and commercial properties. The Group reduced emissions from its tool-of-trade fleet by 8 per cent by changing vehicle and fuel types and delivering driver education. Construction work continued on the Group's Commonwealth Bank Place building, which will target environmental performance ratings including 6 Star Green Star Office Design and 5 Star NABERS, ahead of occupancy which will begin in late 2011.

More information about the Group's sustainability program is available at [www.commbank.com.au/sustainability](http://www.commbank.com.au/sustainability)

# 5 years.

	<b>2010</b> <b>\$M</b>
<b>Income Statement</b>	
Net interest income	11,868
Other operating income	7,191
Impairment expense	(2,075)
Operating expenses	(8,601)
<b>Net profit before tax</b>	<b>8,383</b>
Corporate tax expense	(2,266)
Non-controlling interests	(16)
<b>Net profit after tax (“cash basis”)</b>	<b>6,101</b>
Hedging and AIFRS volatility	17
Bankwest non-cash items	(216)
Tax on New Zealand structured finance transactions	(171)
Other non-cash items	(67)
<b>Net profit after tax (“statutory basis”)</b>	<b>5,664</b>
<b>Contributions to profit (after tax)</b>	
Retail Banking Services	2,461
Business and Private Banking	893
Institutional Banking and Markets	1,182
Premium Business Services	–
Wealth Management	592
New Zealand	387
International Financial Services	–
Bankwest	60
Other	348
<b>Net profit after tax (“underlying basis”)</b>	<b>5,923</b>
Investment experience after tax	178
Strategic initiatives	–
<b>Net profit after tax (“cash basis”)</b>	<b>6,101</b>
<b>Balance Sheet</b>	
Loans, bills discounted and other receivables	493,459
Total assets	646,330
Deposits and other public borrowings	374,663
Total liabilities	610,760
Shareholders' equity	35,570

2009 \$M	2008 \$M	2007 \$M	2006 \$M
10,186	7,907	7,036	6,514
6,632	6,434	6,161	5,613
(3,048)	(930)	(434)	(398)
(7,765)	(7,021)	(6,427)	(5,994)
6,005	6,390	6,336	5,735
(1,560)	(1,626)	(1,782)	(1,618)
(30)	(31)	(27)	(31)
4,415	4,733	4,527	4,086
(245)	(42)	13	(33)
614	–	–	–
–	–	–	–
(61)	100	(70)	(125)
4,723	4,791	4,470	3,928
2,107	1,911	1,766	1,576
736	721	n/a	n/a
166	771	n/a	n/a
–	–	1,445	1,138
514	789	548	441
438	n/a	n/a	n/a
–	555	461	442
113	n/a	n/a	n/a
537	(1)	211	278
4,611	4,746	4,431	3,875
(196)	(13)	96	66
–	–	–	145
4,415	4,733	4,527	4,086
466,631	361,282	315,465	273,525
620,372	487,572	440,157	382,850
368,721	263,706	219,068	187,576
588,930	461,435	415,713	361,507
31,442	26,137	24,444	21,343

# Financial Calendar.

26 OCTOBER 2010	<b>2010 Annual General Meeting (Sydney)</b>
9 FEBRUARY 2011	<b>Interim Results Announcement</b>
14 FEBRUARY 2011	<b>Ex-Dividend Date</b>
18 FEBRUARY 2011	<b>Record Date</b>
1 APRIL 2011	<b>Interim Dividend Payment Date</b>
10 AUGUST 2011	<b>Full Year Results Announcement</b>
15 AUGUST 2011	<b>Ex-Dividend Date</b>
19 AUGUST 2011	<b>Record Date</b>
6 OCTOBER 2011	<b>Final Dividend Payment Date</b>
8 NOVEMBER 2011	<b>Annual General Meeting (Brisbane)</b>

Dates may be altered by the Commonwealth Bank should circumstances require.  
Any changes will be advised to the Australian Securities Exchange Limited.

**Commonwealth**Bank



**ASB**

**bankwest**



**CommSec**



**CommInsure**



**Colonial**  
First State

**SOVEREIGN**

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## Annual Report

To request a hard copy of the Annual report, please call Link Market Services on 1800 022 440 or email them at [cba@linkmarketservices.com.au](mailto:cba@linkmarketservices.com.au)

Electronic versions of Commonwealth Bank's past and current Annual Reports are available on [www.commbank.com/shareholder/annualreports](http://www.commbank.com/shareholder/annualreports)

## Shareholder Information

[www.commbank.com.au/shareholder](http://www.commbank.com.au/shareholder)

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**United Kingdom**  
0845 769 7502

**Fiji**  
008 002 054

**Other International**  
(61 2) 8280 7199

**Australian Securities Exchange listing**  
CBA

## Sources for Customer Satisfaction and related results outlined on page 6 of this report

1. Retail MFI Customer Satisfaction – Roy Morgan Research. Australian Population 14+, % "Very Satisfied" or "Fairly Satisfied" with relationship with that MFI institution. 6 month rolling average.
2. Business Customer Satisfaction – TNS Business Finance Monitor. Customer satisfaction with MFI – businesses with annual turnover to \$100m (ex Agribusinesses). This is based on a 12 month rolling average, except where noted. Percentage point change refers to the increase/decrease of each bank's customers who are satisfied. Satisfaction is based on business customers who said they were Very or Fairly Satisfied with their relationship with their MFI. Peers are the other major banks: ANZ, NAB, STG and Westpac.
3. DBM Business Financial Services Monitor, measured micro business with turnover up to \$1 million, small business with turnover of \$1 million up to \$5 million, medium business with turnover of \$5 million up to \$50 million and large business with turnover of over \$50 million, 5 month data to May 2010.
4. FirstChoice – Wealth Insights Platform Service Level Survey compared with bank peer platforms as ranked by financial advisors.
5. Products per Customer – Roy Morgan Research. Australian Population 14+, Banking and Finance products per Banking and Finance customer at financial institution. 6 month moving average.



## Further information

Find out the Group's latest financial information, market information, current and historic share prices, key financial dates, or access and manage your shareholding online.

[www.commbank.com.au/shareholder](http://www.commbank.com.au/shareholder)

**Commonwealth**Bank



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