CHAIRMAN'S SPEAKING COPY
COMMONWEALTH BANK OF AUSTRALIA
ANNUAL GENERAL MEETING OF SHAREHOLDERS
THURSDAY, 25 OCTOBER 2001

Good morning ladies and gentlemen.

My name is John Ralph and I will be the Chairman of this meeting.

On behalf of my fellow Directors, I would like to welcome you to the eleventh Annual General Meeting of the Commonwealth Bank.

As it is 11 o'clock and we have a quorum, I declare open the Annual General Meeting of Commonwealth Bank of Australia. You should all have received a copy of the Notice of Meeting and, with your agreement, I will take it as read.

The minutes of the last Annual General Meeting held on 26 October 2000, were signed by me as Chairman on 22 November 2000, and entered in the minute book on that day. The minutes have been available for inspection at the Bank's Registered Office since that time and are available today.

Before we commence the business of the meeting, I would like to introduce to you the Bank's Directors. Details of the Directors' interests are set out on pages 24 to 27 of the Report to Shareholders. In introducing your Directors I will refer briefly to the particular skills they bring to the deliberations of the Board, with further details on those standing for re-election when we get to Item 2 on the agenda for the meeting.

Next to me is Mr Frank Swan who has been on the Board for more than 4 years and is a member of the Risk Committee. Frank has particular skills in marketing, distribution and retail and wide experience in brand development, strategic development and acquisitions. These skills and experience are very relevant in the kind of deregulated and competitive environment in which the financial services business now operates.

Next to Frank Swan is Mr Fergus Ryan who was appointed to the Board in March 2000 and is a member of the Audit Committee. Fergus has extensive experience in accounting, audit, finance and risk management and is highly regarded within the domestic and international business community.

Next to Fergus is Ms Barbara Ward who was appointed to the Board in 1994 and has been a member of the Audit Committee for five years. She has had experience at Chief Executive level in aircraft leasing and has a depth of experience in finance, risk management, strategic policy and public administration.

Next to Barbara is Mr Warwick Kent who was a Director of Colonial, a position to which he was appointed in 1998 and following the merger joined the Bank's Board. He is a member of the Risk Committee. Warwick's experience and expertise as both an Executive and Non-Executive Director in the banking industry makes him a valuable member of our Board.

Next to Warwick is John Hatton, the Bank's Company Secretary.

Next to John is Mr David Murray who has been Managing Director of the Bank since June 1992. David is a member of the Remuneration, Risk and Nominations Committees. In addition to his role at the Bank, David is a Member of the APEC Business Advisory Council and a Member of the Financial Sector Advisory Board. These appointments are a reflection of David's standing in the business community, both in Australia and overseas. He is also Chairman of the Australian Bankers' Association. The Bank has made great progress under David's leadership and the highly competent team he has built around him. This has been reflected in the Bank's results and I am sure shareholders share the Board's appreciation for his efforts.

Next to my vacant seat is Mr John Schubert who is Deputy Chairman of the Board. He has been a director since 1991 and is Chairman of the Audit Committee and a member of the Nominations Committee.

John has highly developed skills in financial and risk management as well as broad managerial experience from his role as Chief Executive Officer of major operating groups. Since retiring as Managing Director of Pioneer International he has been keenly sought after to fill non-Executive Director roles.

Next to John is Mr Colin Galbraith who was also a Director of Colonial, a position to which he was appointed in 1996 and he joined the Bank's Board upon the completion of the merger of the two organisations. He is a member of the Risk Committee. Colin is also experienced as a Non-Executive Director in the banking and funds management industry through his previous directorships of Colonial and Colonial State Bank.

Next to Colin is Mr Reg Clairs who was appointed to the Board in March 1999 and is a member of the Audit Committee. Reg brings to the Board extensive experience in retailing, branding and customer service which are key areas of focus in the development of the Bank's business.

Next to Reg is Mr Ross Adler who has been a Director for more than 11 years and has been a member of the Remuneration Committee since 1991. Ross has had a broad business background with experience in various commercial enterprises, most recently in the oil and gas industry. Ross brings these broad business skills, and a deep understanding of strategic positioning and project evaluation and planning to the Bank's Board.

Next to Ross is Mr Tony Daniels who was appointed to the Board in March 2000 and is a member of the Remuneration Committee. He brings to the Board skills in company restructuring and continuous performance improvement and has worked with governments in competition policy and superannuation funds management.

We also have the members of the Executive Committee of the Bank and many of the senior management present at the meeting.

I would like to take this opportunity to thank Ms Anna Booth and Mr Ken Cowley, both of whom retired from the Board during the past year. We are most grateful for the contributions they made during their time as Directors.

The composition of the Board of Directors provides an excellent mix of judgment, experience and skill. The particular expertise each director brings to the Board creates an integrated whole that works cohesively and has been able to achieve excellent results for shareholders.

The main role of the Board is to ensure the performance and conformance of the Bank and to have in place the necessary elements of good corporate governance. The principal responsibilities of the Board are in :

- overseeing the business and the affairs of the Group;

- establishing, with Management, the strategies and financial objectives to be implemented by Management;

- monitoring the performance of Management directly and through the Board committees; and

- engaging the Chief Executive Officer and ensuring there are appropriate plans for succession in the senior management ranks.

Following an extensive review process last year, the Board has through technology adopted the practice of paperless meetings.

Board members now receive all materials through secure, encrypted electronic means, which has significantly reduced the time required to compile and distribute Board and Committee information. The Directors are equipped with laptop computers and use these at meetings in lieu of hard copy.

As a consequence the mobility of directors no longer poses a problem in getting information to them since electronic delivery can be made to them wherever they happen to be. This is achieved by providing the Board with world wide access to the Group’s network and systems by use of Virtual Private Networking Technology to provide secure access.

Good corporate governance systems focus on the objective of enhancing shareholder value through excellent performance, while ensuring that the organisation operates responsibly in the interests of shareholders. This, in turn, enhances total shareholder return and determines the premium that the market assigns to the share price.

The Board places considerable emphasis on strategic matters and spends about half of its time at its scheduled meetings discussing issues of strategic importance and the development of strategy and its implementation.

The agenda for the Board's strategy work flows from the strategic plan, which is the subject of extensive discussion between the Board and Management.

The Board also uses committees to deal with specific areas of its operations.

The main standing committees are the Risk Committee, Audit Committee, Remuneration Committee and Nominations Committee.

The activities of each committee are reported to the Board. All Directors receive the agenda papers and minutes of all committee meetings.

Each committee has its own charter and work plan to ensure that all appropriate matters are considered. Further information on the principal responsibilities of the Board committees, their memberships and operations are described briefly in the section on Corporate Governance on pages 28 – 31 in the Report to Shareholders which has been distributed to shareholders.

The issue of executive remuneration is one that has been widely reported in the media and I will spend a little time on the Group's approach to setting executive remuneration and the role of the Remuneration Committee when I deal with Item 3 of the agenda for this meeting which relates to the allocation of options and shares for the Managing Director.

The role of the Remuneration Committee is described on page 29 of the Report to Shareholders. It makes recommendations to the Board on the matters described in the report.

In uncertain and difficult times, it is imperative that a company like ours attracts and retains skilled executives, who are suitably remunerated, and able to successfully manage through these difficult times to deliver long term value to the business and its stakeholders.

The Board continues to review and enhance its approach to good corporate governance. But, we recognise that while conformance is necessary for compliance and appropriate process, it is not sufficient. Performance is also a vital consideration for Company Boards. Accordingly we must go to the heart of our existence – the service we provide for our customers and our reputation in the community. During the course of this year the Bank will be measuring more closely than ever its performance on a number of service factors because we realise how important service is to our customers. More will be done also to communicate the Bank's position and what it is doing to benefit the community.

In doing so we remain mindful that our major contribution is always to run the Bank according to sound commercial principles with vigilance and with prudent risk management.

Banking, like most industries, cannot avoid the competitive forces unleashed in an increasingly globalised world. Change is more rapid, and established businesses can be quickly undermined if they are not competitive and do not maintain their competitiveness. We have seen how quickly substantial but uncompetitive entities can begin to disintegrate when faced with competitors with a more competitive and flexible structure.

As the recent Ansett failure makes clear there is a vital need for our major companies, charged with the conduct of critical infrastructure in the community, to be well run and well and wisely regulated. Australia needs the Commonwealth Bank to have a sustainable and profitable business, to be well run and to adapt to the changing needs of the Australian community.

An issue which I am sure is of concern to shareholders, and particularly to small shareholders, is the planting of false rumours, which one can suspect on occasion is to elicit information by making improper use of the continuous disclosure obligations of companies to the ASX.

The ASX has taken a leading position in requiring continuous disclosure. There are two concerns about misleading information being promulgated in this way and the improper use of the continuous disclosure obligations.

The first is the possibility of market manipulation and also of small investors being concerned about media reports, leading them to undertake premature dealings in their shares.

On a number of occasions recently the Bank has had to make disclosures to the ASX in response to inaccurate media reports in circumstances where it would not normally be required to report. This has only been required because of the false reports circulating in the market or the media.

The second is that if companies are forced to respond to ASX requests ahead of the appropriate time, transactions that are still at a delicate stage of negotiation may have to be aborted. If these transactions would have created shareholder value, and are unable to proceed because of breach of confidentiality, then it is the shareholders who lose because of this abuse of a measure that is intended to benefit these same shareholders.

The continuous disclosure by companies is a desirable development but it will be a shame if its abuse has the opposite effect than intended.

During the year shareholders were offered participation in two transactions supporting the Bank's management of capital invested in the Bank.

- The first was the off-market buyback of 25.1 million shares for $700m in March 2001 and,

- The second was the issue of 3.5 million Preferred Exchangeable Resettable Listed Shares in March 2001 which raised $687m net of issue costs.

These capital management transactions were both undertaken to enhance shareholder value.

I would now like to comment briefly on two aspects of the Group's performance in the current market environment. The Managing Director will address this more broadly in his address to the meeting.

Net operating profit

In an environment characterised by continuing strong competition, the Group recorded a profit after tax before appraisal value uplift and goodwill amortisation of $2,262 million, up 9% on the 1999/2000 pro forma results, which combine the results of the Bank and Colonial for that year for comparative purposes. The reported profit for the year ended 30 June 2001 was $2,398 million after tax.

Factors influencing the result included higher net interest income and increased funds management and trading income partly offset by lower life insurance income due to poor performance in global investment markets. In addition, higher costs from GST expenses, salary and operating costs were offset by expense savings from synergies arising from the Colonial integration.

Return on Equity for the year was 13.5%**,** before abnormal items, a decrease from the prior year due to the full year impact of the equity issued to fund the Colonial acquisition. The equity of the Bank as reported in its financial accounts combines the capital subscribed directly to the Bank at historical cost and the shares issued to shareholders of acquired companies at their market value of those shares. The addition of shares issued to former Colonial shareholders at market value, naturally, deflates the reported return on equity capital compared with the results prior to the merger.

Annual Dividend

Commonwealth Bank Group aims to provide shareholders with a steady or rising stream of dividends having regard to the Group's earnings, its overall financial condition, recent dividend payout history and Government and Australian Prudential Regulatory Authority regulations and policies. This progression has been maintained by the Group over a number of years.

The Bank's dividend policy is also designed to maintain a high ratio of dividend to cash earnings per share, relative to peer financial institutions. With the change in business mix following the Colonial merger this policy has not changed.

This year, a final dividend of 75 cents per share, fully franked, was paid to shareholders on 8 October 2001. This brought the total dividends for the year to a fully franked $1.36 per share; an increase of 6 cents per share on the dividends paid in respect of the previous financial year.

It is pleasing to report that our current forecasts of the Group's results and franking account indicate that the Bank will be able to pay fully franked dividends on a continuing basis.

Current Conditions

Since releasing the Bank's full year profit statement and annual report, there has been a marked shift in the global economic outlook. A synchronised downturn accompanied by declining sentiment in the United States, has now been exacerbated by a fall in confidence following the tragic events of September 11 in New York and Washington.

Australia's economic position at the start of the downturn was very sound with strong employment, economic growth, low inflation, low interest rates, generally sound corporate finances and strong home purchase affordability. Australia is now one of very few economies where growth has held up and a country that is better placed than most in dealing with continuing uncertainty. However, we cannot expect to escape the fallout of a concurrent contraction in the major economies. Much will depend on how quickly the US economy recovers from its current downturn and is able to return to a stronger growth path.

A rising number of corporate defaults is to be expected with an economic slowdown, as is an increase in bad debt expenses for banks. Your Bank is well positioned to adjust to these changed circumstances with more than adequate provisions against any possible defaults by borrowers. The Managing Director will outline the Bank's management of credit risk, and the provisioning we have in place to deal with risk and uncertainty. He will also address the effect of changes in share prices on the newly enlarged insurance business within the Group.

Based on current trends in bad debt and life company investment earnings, we expect double digit earnings per share growth in the current year.

The timing of bad debt provisioning and the fall in equity markets in the first quarter of the financial year means that earnings growth should be stronger in the second half of the year than in the first half.

Conclusion

On behalf of the Board of Directors, I would like to thank all of our shareholders for their continuing support and encouragement, so that we can continue to meet the ongoing needs of our customers, staff and shareholders.

Also on the Board's behalf, I wish to acknowledge and thank the members of the management team and the Group's employees for their excellent performance in the interests of shareholders.