

Vision

Commonwealth Bank aims to help customers manage and build wealth

We will achieve this by

Retaining our lowest cost structure

Competitive pressure from existing and new market entrants, together with new distribution technology innovations, will continue to impact on the margins in our traditional core businesses. Our strategic initiatives will remain focused on ensuring we retain our low unit cost structure advantage.

Key achievements

- Cost to Asset ratio has improved to 2.22%.
- Cost to Income ratio has improved to 55.6%.
- The Woolworths Ezy Banking initiative is being implemented to provide an alternative low cost distribution channel to meet the needs of our existing and new customers looking for a simple, fresh banking solution.
- Focus on telephone and on-line banking and financial solutions that provide more efficient service for a lower cost to the customer and the Bank.

Expanding our share of customers through on-line and direct leadership

Maintaining a competitive cost structure means growing our customer base for greater scale advantage. Internet-based products and services will be key growth businesses of the future, providing customers with superior offerings at lower cost. The Bank is currently at the forefront of these developments and is determined to continue to lead the way.

Key achievements

- The number of customers registered for Share Direct grew by 71%.
- **NetBank** customers more than doubled to over 89,000.
- The number of customers registered for our direct (telephone) operations increased by almost 50% to 2.7 million.
- Establishment of **eComm** and development of detailed strategies for growing our on-line and direct businesses.
- Vodafone alliance for mobile phone banking.

Providing more of the financial services our customers need

Our customer base is the largest of any financial institution in Australia (7.7 million including 2 million young Australians) and we're continuing to grow. We can provide more of the financial services our customers need through a wider variety of products. This will be achieved through improving our understanding of the needs of each customer, focusing on improving service quality and efficiency, and developing new products and services that are better attuned to meeting these needs.

Key achievements

- Growth in funds under management to over \$27 billion.
- Restructure of the retail Bank to support a customer-led business focus.
- Customer information management programme to provide a better understanding of customer needs.
- Listing of Commonwealth Property Office Fund.

Building off-shore value

Our business has been focused on Australia and New Zealand. To maximise returns for shareholders we need to supplement this business with new revenue streams from larger and faster growing markets. As on-line communication technologies gather pace, financial services are increasingly becoming global in their reach and accessibility.

Our analysis suggests that the Bank is well placed in the technology revolution globally. As such, we are exploring options to leverage this "know how" into emerging high growth on-line markets. Our long term goal is to derive 25% of our market value from off-shore businesses.

Key achievements

- ASB Bank, our presence in New Zealand, has continued to grow as a full service bank. During the year, the life insurance and financial services company Sovereign Limited was acquired.
- On-line entry strategies for other overseas markets are under consideration.

Implementing Best-Practice People Management

Meeting the needs of our many customers and shareholders requires strong leadership, shared vision and a "Make it happen" determination by our people. Our Best-Practice People Management strategy is about ensuring our people and business models are mutually self-reinforcing through:

- Line-management leadership and accountability.
- Fair treatment and safe work.
- Appropriately recognising and rewarding contribution.
- Attracting the right people and developing their talent.

Key achievements

During the year, a significant investment has been made in the rollout of a leadership programme to establish a common framework for leadership behaviour across the organisation (over 3000 executives and senior executives have participated in these training programmes).

Make it happen.