

Chairman's Speech
2005 Annual General Meeting
28 October 2005

Results

The year's results have been covered in detail in the press and detailed in the Annual Report. Therefore I will only summarise the highlights this morning. The Bank had a good year. The full year results for the twelve months to June 2005 showed a 31 per cent increase in cash net profit after tax over the prior year to \$3,538 million. This included a strong performance in banking operations, demonstrating the Bank's improved ability to compete in what is a more challenging environment. Both the funds management and insurance businesses showed significant profit growth.

Dividend & Capital

The Bank declared another record dividend on the back of the strong results across all businesses. The dividend paid for the full financial year was \$1.97 fully franked, up from \$1.83 last year. The dividend payout ratio was 73.9 per cent, consistent with the 2003/2004 payout ratio.

The Bank maintained its strong capital position during the year with our capital ratios above our minimum target ratios. Our credit ratings remain unchanged and were reaffirmed by the major rating agencies in June 2005.

Which new Bank

The Which new Bank transformation program has met all critical milestones set for 2004/5, with many initiatives exceeding expectations. Net benefits for the year totalled \$724 million, well in excess of the \$620 million expected for the year. Over the past twelve months, the Bank has made significant progress in its three main work streams – customer service, people engagement and process simplification.

While we now have in place a solid base for competitiveness and future growth, there is significant further progress on customer service to be made. Ralph will be talking more about this.

In terms of our people, recent scores from internal and independent surveys have reaffirmed that our people are more engaged than ever. Results indicate that our people have a clear understanding of the Bank's customer service focus and agree that the Bank is developing an environment where ideas and knowledge are shared freely.

Offshore Developments

Internationally, our focus is on countries in Asia whose economies are growing and whose large populations have rapidly rising incomes. During the

year the Bank acquired interests in two banks in China, and established a representative office in Bangalore, India. These investments are relatively low capital investments that allow us to both build knowledge of these rapidly growing markets and utilise our existing expertise.

Corporate Governance

The Bank is committed to operating with excellent Corporate Governance processes and outcomes and achieving outstanding returns for shareholders with the focus on long term shareholder value. Our Corporate Governance processes are outlined in some considerable detail in the Annual Report.

However one of the biggest burdens we face is excessive regulation. Costly paperwork and red tape compliance put significant pressure on valuable corporate resources and cost us both in monetary terms and in terms of management focus and time.

Lightening the regulatory burden is one of Australia's most urgent priorities. The Bank is pleased Government has recognized this and instituted a Task Force to address the worst examples of regulation. We hope this will be a first step in reducing counterproductive over regulation.

Outlook

Ralph will provide an update on our first quarter performance so I will just reconfirm what we said in August about the outlook for the 2006 fiscal year. The Bank remains confident it will deliver EPS growth that equals or exceeds the average of its peers. The Bank also expects dividends per share to further increase in the 2006 fiscal year subject to the factors considered in its dividend policy.

As part of the Board's ongoing commitment to manage its capital position efficiently, we have this morning announced that we will conduct an on market share buy back. Over the course of the buy back, which is expected to be completed within six months, the Bank will acquire up to \$500 million worth of its ordinary shares.

This initiative is part of the Bank's ongoing capital management programme. The buy back has been approved by APRA and the rating agencies have confirmed that the Bank's current strong ratings will not change.

The decision to proceed with the buy back confirms the Bank's strong earnings and cash flow performance in the 2005 financial year, the positive outlook that the Board has for the 2006 fiscal year, and the solid capital position of the Bank.

Farewell David

David retired last month after 39 years of service to the Commonwealth Bank, the past 13 years as Chief Executive Officer. Under David's leadership, the

Bank completed the privatisation process, improved operational efficiency significantly, and became the leader in electronic banking services with the introduction of NetBank and more recently CommSec.

The merger with Colonial and its integration in Banking and Wealth Management operations have changed the shape and the extent of the services that the Bank can offer our customers. David also initiated the necessary transformation of customer service through the Which new Bank program.

David has taken 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. David has overseen a substantial increase in shareholder value during his tenure as Chief Executive Officer, with Total Compound Shareholder Returns of more than 24 per cent per annum. That's the highest total return of any of the major banks – it's a phenomenal achievement to show such consistently high returns over an extended period.

I joined the Board of the Commonwealth Bank in 1991, and I have had the privilege of witnessing David's great leadership skills and his intense focus, always in pursuit of a better Bank. The Board, and myself as Chairman would like, on behalf of all shareholders, to thank David for his commitment and contribution to the Bank and for the substantial legacy he leaves.

David has asked to say a few words to the shareholders he has served, but before he does so, we would like to show a short video celebrating David's term as Chief Executive.

Introduce Ralph Norris

Now I am very pleased to welcome Ralph Norris to his first AGM as Chief Executive Officer of the Commonwealth Bank. As you may be aware, Ralph is not new to the Commonwealth Bank as he was Chief Executive Officer of ASB Bank, our wholly owned subsidiary in New Zealand. He is therefore well known to the Board and many of our staff. During Ralph's ten years as Chief Executive Officer from 1991 to 2001, he grew ASB's profitability six-fold and increased market share by 60 per cent, not least because ASB was consistently rated the best financial services provider in the country.

Before re-joining the Commonwealth Bank, Ralph was Managing Director and Chief Executive Officer of Air New Zealand and he is credited with leading a turnaround in the company's fortunes and introducing a more customer-focussed culture, for which he was honoured with New Zealand's Executive of the Year Award in 2004.

Ralph is passionate about customer service. He believes it is of paramount importance for an organisation to develop motivated people and teams. This is exactly what we need to take the Bank to another level of performance.

I now invite your new Managing Director / Chief Executive Officer, Ralph Norris, to address you.

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