

COMMONWEALTH BANK OF AUSTRALIA

CHAIRMAN'S ADDRESS – 2008 ANNUAL GENERAL MEETING

The 2008 financial year has been one of the most challenging that the global financial services industry has ever seen. While the Australian economy has so far performed well and Australian banks have not had the difficulties experienced offshore, they have not been immune from the effects of ongoing volatility and rising costs in global credit markets and slowing economic conditions. In this environment, banks which are well managed with strong levels of capital and a sophisticated approach to risk management, like your Commonwealth Bank of Australia, have proven resilient and outperformed peers. Nevertheless I recognise that the fall in share prices has impacted all shareholders.

Even so, at a time when many international banks have reported substantial losses and have had to raise significant amounts of capital and cut dividends, the Group has performed well. We reported a 7% rise in statutory net profit after tax to \$4,791 million. A record final dividend of \$1.53 per share was declared taking dividends for the year to \$2.66, an increase of 4% on the prior year.

The Group remains in a strong financial position. We are one of less than 20 banks worldwide with an AA credit rating or better. This can be attributed to a number of factors including the Group's commitment to rigorous risk management disciplines which helped guide the Group away from the global excesses affecting many of the world's major banks. We have also benefitted from operating in a stable well regulated environment which is, to a large extent, a function of the excellent job done by the Reserve Bank and APRA in recent years.

Going into the current crisis your Board and management were firm in our resolve to ensure that the Group's capital position remained strong. Given that the crisis in global financial markets has been longer and more challenging than most of us envisaged, this decision has proved to be a wise one and has allowed the Group to benefit from a flight to quality with our home loan market share increasing every month for the last 18 months and our household deposit market share growing to almost 30%. These increases in market share have also been driven by significant improvements in customer service across the Group.

We have not, and will not be diverted from our focus on growing value for you our shareholders. We will continue to execute our strategies of strengthening our domestic Australian retail and business banking franchises; pursuing selective growth in Asia; and seeking out niche opportunities to grow our wealth management and institutional and global markets businesses internationally. In a market which is increasingly short term in its focus, the Group will only pursue assets that will deliver

you value and have the advantage of being able to pursue attractive opportunities in an environment where many of our competitors are unable to do so.

The recent acquisition of BankWest and St Andrew's demonstrates the benefits of having a clear strategy, strong balance sheet, disciplined approach to value and the ability to move quickly when attractive opportunities become available. This outstanding business, which we acquired at a very attractive price, will be earnings accretive in year one and will create significant value for our shareholders.

I know that some of our shareholders were disappointed that they were not able to participate in the \$2 billion capital raising which occurred on the same day we announced the acquisition. We would have liked to have included retail shareholders but this was not possible. Given the volatility of global equity markets, the Board took the view that it was essential to immediately raise \$2 billion of capital to fund the acquisition. The only way to do this was by way of an institutional placement. A rights issue or similar offering to our entire shareholder base would have taken several months and involved unacceptable market risk.

The strong position we are in, and our lack of involvement in the subprime mess in the United States, is not accidental. As well as having a robust underlying business and a clear vision of where we are heading we have a very talented team running the business. I would like to thank all of our people for their hard work and commitment once again this year. The key to our success is the quality of our people and therefore it is essential that we continue to build capabilities within the organisation. As a result, a significant amount of the Board's and management's time is committed to putting in place succession and management development plans so that the business will continue to deliver superior performance over the long term.

It has been particularly pleasing this year to see that our commitment to health and safety is paying dividends with the Group's Lost Time Injury Frequency Rate improving by a further 31 %. Employee workplace satisfaction scores have also increased further and have flowed through into real improvements in our customer service which Ralph will talk about shortly.

While people are the most important driver of our performance, building and maintaining our relationship with other stakeholders remains a priority for the Group. At a time when the community is increasingly concerned about climate change the Group has embarked on a number of sustainability initiatives. In the environmental area we are focussed on reducing our greenhouse gas emissions as we upgrade and modernise our office accommodation and branch networks, and we are raising people's awareness of climate change through staff engagement initiatives such as Earth Hour. We also support a number of organisations who are working hard to improve our environment.

Your Group has a long and extensive history of working with the wider community and this year we continued, through The Commonwealth Bank Foundation, with our financial literacy programme. Our people participated in activities to assist our community partners including Legacy, St Vincent de Paul Night Patrol, Midnight Basketball, and the Clown Doctors. They are also involved in a range of national mentoring initiatives through our membership of the Australian Business and Community Network.

This year, we launched our Reconciliation Action Plan, formalising our commitment to indigenous Australians. This plan focuses on enhancing the involvement of indigenous Australians within the Group and better meeting the needs of indigenous customers and staff.

Each year you will see increased attention to how we report to you on these important areas of sustainability.

One of our objectives over the last few years has been to add more financial and banking experience to the Board. This has proved particularly valuable in the current environment. As you will recall, last year we were joined by Sir John Anderson who has held many senior positions in the financial services industry in New Zealand including Chief Executive of National Bank of New Zealand and Harrison Young who has a long and distinguished career as an investment banker in the United States and Asia. The appointment, this year, of Andrew Mohl further enhances our financial services experience. Andrew will be known to most of you having been Chief Executive Officer of AMP until his retirement at the end of 2007.

I can assure you that the Board takes its responsibilities on your behalf seriously.

Finally, I just wanted to make a couple of general observations about the outlook before I hand over to Ralph, who will be more specific. The last twelve months has been the most challenging period for financial organisations that we have ever experienced. As a result, we know how difficult this period is for all shareholders as Australian share prices have been severely impacted by the global situation. Initiatives by the Australian and offshore governments have been necessary to increase confidence. However virtually all sectors of Australia's and most overseas' economies are now turning down with many countries facing recession. Australia is the best placed developed country to ride out this storm and although we will likely avoid recession, our economy will slow, unemployment will rise, and it will certainly feel like a recession for many people in many parts of Australia.

As a result, it will be some time before the critical element of confidence is restored and recovery in the broad economy commences. We therefore remain cautious about the general outlook for the economy for at least the next 18 months.

Finally, once again, I want to thank our shareholders and our customers for their continuing support of the Commonwealth Bank Group.

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