COMMONWEALTH BANK OF AUSTRALIA
CEO'S ADDRESS – 2010 ANNUAL GENERAL MEETING

Traditional greeting

I would also want to start by acknowledging the Gadigal peoples of the Eora nation who are the Traditional Custodians of the land that we are meeting on today.

Since we launched our Reconciliation Action Plan in 2008, we have made good progress in this area, including the employment of 130 new Indigenous staff under our Indigenous Employment strategy.

I was pleased that the Group was recognised for its work in this regard at the 2010 Reconciliation Awards for Business.

Financial performance

In a challenging operating environment, your bank has continued to perform very well. As David indicated, for the year ended 30 June 2010, we delivered a cash net profit after tax of $6.1 billion, up 42 percent on the previous year. Cash earnings per share was up 34 percent to $3.96, and Return on Equity rebounded strongly to a healthy 18.7 percent.
It is particularly pleasing that you, our shareholders, have benefitted from the Group's strong financial performance, with 74 percent of profits being paid out this year, equating to total dividend payments of $4.5 billion.

Having emerged from the challenging 2009 financial year in a strong financial position, the Group continued to strengthen its business franchise and support its customers through 2010.

All our businesses are performing well in their respective markets, and we have continued to maintain our conservative approach to capital, funding, liquidity and provisioning, all of which remain very strong.

At the same time we have continued to invest in the business, to further strengthen our competitive position and to improve our financial performance and returns to you, our shareholders.

More recently, performance outcomes for the September Quarter are broadly in line with what we expected to see when we announced our full year results in August. Specifically:

- The operating environment remains a challenging one, with slow underlying credit growth and margin pressures impacting on revenue ;
- Good cost disciplines and tight cost control have been maintained across the Group, and, as forecast
- We continue to experience a gradual improvement in credit quality.

Strategic Priorities

The Group's strong financial performance is testimony to a consistent, clearly defined and well executed strategy over the last 4 years.

Since early 2006, our vision has been to become "Australia's finest financial services organisation through excelling in customer service".

To achieve this goal we have focused our energies on delivering our 5 core strategic priorities of:

- 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 4 years ago.

The cornerstone of our strategy has been **Customer Service**, and from a position of being last just 4 years ago, we are now seeing consistent improvement across every sector of our business.

In Retail Banking, we have improved our customer satisfaction rating from 64.9 percent in June 2006 to 75.6 percent as at June this year.

While we have not yet achieved our objective of being No.1, this is nevertheless a tremendous turnaround, and reflects the significant amount of work and effort that has gone into transforming our Retail Bank over the past 4 years or so.

As we improve our customer satisfaction levels, we are finding that our customers are increasingly willing to do more of their business with us.

As a result, we now have the highest number of products-per-customer of the major banks, up from 2.17 four years ago to 2.56 as at June this year.

Given the size of our customer base, with over 11 million domestic customers, this translates directly into stronger revenue growth.

Improved customer satisfaction is also translating into stronger market shares in all of our key markets.

In home lending, 4 years ago our market share was in long term decline. Today, we are consistently growing above system.

In deposits, we have further strengthened our market leading position, with our entire suite of retail deposit and transaction accounts now rated 5 Star by CANSTAR CANNEX.

In business lending, the acquisition of Bankwest has boosted our underweight position, and there remains significant upside in this part of our business.

I would like to spend a few moments talking about **Business Banking**, as there has been some comment on this over recent months, much of which, I believe, has been rather ill-informed

When I joined the Group some 5 years ago, we set about improving the Group’s historically underweight position in this key area of the market.

Far from ignoring this area as some have indicated, over recent years we have:

- opened new business banking centres,
- deployed more local business bankers,
- put business bankers back into the branches where they belong;
- rolled out our market leading business banking platform, CommBiz; and
- made a number of other enhancements to our products, systems and processes to improve customer experience.

At all times, we have remained open for business and have been ready, willing and able to support our customers.

At the height of the Global Financial Crisis, when others reduced their lending to small business customers and market growth was essentially flat, we made business banking a strategic priority and grew our lending to these customers by 8.6 per cent.

From an underweight position, we now rank in the top 2 banks for business lending and business deposits in the country.

Our customer satisfaction scores in Business Banking have improved significantly, and we have shown the fastest rate of improvement amongst the major banks.

Turning to the 3rd of our 5 core strategic priorities - **Technology and Operational Excellence.**

This is a strategy designed to deliver improved productivity and efficiency across the Group, through innovative systems, processes and procedures.

Today, 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 is the next key phase in the evolution of our strategy – something which will further enhance customer experience and deliver a clear and distinct strategic advantage over coming years.

The programme is tracking to schedule at its half way stage, with the migration of over 1 million Term Deposits accounts completed earlier this year, enabling these customers to experience real time banking, including 24 hour, 7 days a week account opening, funding and transaction processing. We have also converted all of our Retail Deposit accounts for Tasmania and Western Australia on the new system.

We remain on track to migrate all of our remaining deposit products and transaction accounts by year-end, and lending products to roll-out through next year and early 2012.

Our **Profitable Growth** strategy is designed to ensure we remain focussed on identifying and pursuing opportunities for continued growth and value creation.

Over recent years, this strategy has yielded some excellent results, including the acquisition of Bankwest for an extremely attractive price in 2008, strategic stakes in Aussie Home Loans and Wizard and the further expansion of our Asian footprint, including a strategic partnership with Vietnam International Bank and the opening of the Group's first branch in India in April 2010.

Bankwest was an outstanding opportunity for us and continues to perform very well despite the higher level of problem loans which we had expected because of the strategies of the former owner. Operating highlights for the year included;

- income grew by 25 percent, while costs fell by 3 percent;
- Since acquisition, over 100,000 new Bankwest customers have been added; and
- Customer satisfaction scores remain very strong.

Following a comprehensive review, risk management deficiencies in Bankwest's commercial lending book have been identified and addressed. However, pleasingly, credit quality of new business written post-acquisition is of a high standard and on par with that of the equivalent CBA portfolios.

The extent of the Group's transformation over the past 4 years is testimony to the drive, energy and engagement of our people. It is pleasing that we have been able to improve our level of employee engagement to the point where we are now rated in the top quartile of all companies in the Gallup world-wide database.

Through 2010, we made further progress towards fostering a culture of **Trust and Team Spirit,** highlighted by a refreshed diversity strategy, including establishment of a goal to increase the representation of women in leadership roles from 26 to 35 percent by December 2014.

It is pleasing that the real progress we have made as an organisation was recognised when the Group was again awarded Money Magazine's "Bank of the Year" for 2010, along with similar awards from a number of local and international organisations.

Operating Environment

I would now like to talk briefly about the operating environment and some of the issues and challenges we face in the medium term.

Clearly, the operating environment remains a challenging one, highlighted by continuing global economic uncertainty, the impact of regulatory change and ongoing competitive pressures.

As the events and fallouts of the global financial crisis so dramatically demonstrated, a healthy, well functioning banking system is very important to everyone.

The financial crisis clearly demonstrated the damage that poorly run and regulated banks can do to the wider economy. Globally we've seen:

- Multiple bank failures, including some of the largest and most established banks;

- Governments having to support their economies and bail out their financial systems at a cost of a big run-up in government debt ; and

- A significant slowing in economic growth, the cost of which is high levels of unemployment, higher taxes and constrained government spending.

Robust banking systems are the cornerstone of a strong economy. So, in part, the relatively good performance of the Australian economy over the past two years can be attributed to the strength of our banking system.

In fact, it is our continued strong performance that has enabled us to remain one of only a handful of global banks to still have a AA credit rating.

Without that AA rating it would have been much more difficult, and significantly more expensive for us to raise funds in wholesale markets which would have, in turn, made supporting our customers much more challenging.

At the core of this performance by banks has been a bedrock of sensible, prudent and well administered banking regulation.

The merits and rewards of this model have been well demonstrated by the major banks and it's allowed them to continue their role in helping to support and grow the Australian economy.

Given that about half of the world's AA rated listed banks reside in Australia, we have a challenge to avoid overregulation in this country as the result of the imprudence and mistakes of others.

With this in mind we continue to work closely with government on policy initiatives that ensure we maintain the right balance between keeping the stability of our financial system and minimizing the impact upon our customers, you, our shareholders and the Australian economy.

We have had a period of uncertainty for some time about the shape of the new international regulatory framework, but some of that uncertainty has now diminished, thanks to the collaborative efforts of the banks, the Government and regulators over the past 18 months.

While more work is required, some tentative conclusions can be drawn at this stage;

- One is that the capital proposals are unlikely to significantly impact Australian banks, given our already strong capital positions;

- Secondly, the liquidity proposals <u>are</u> likely to have a significant impact on the way that Australian banks do business, particularly in relation to funding costs.

Higher bank funding costs are one of the major outcomes of the Global Financial Crisis and the subsequent economic environment, driven by;

- The increased risk premium now attached to wholesale funding costs in global funding markets
- The additional cost of liquidity and capital flowing from proposed regulatory changes, and
- The increased competition for retail deposits, as a natural consequence of more expensive wholesale funding

The net result is that funding costs are now significantly higher for all Australian banks than they were prior to the GFC, and this is likely to remain an issue for all banks in the short to medium term.

Despite these challenges and uncertainties, I am optimistic about the medium term outlook for Australia and the Group’s ability to deliver superior returns for our shareholders.

Our good financial performance, our strong competitive position and our conservative approach to capital, funding, liquidity and provisioning, all mean we remain well placed to meet these challenges from a position of relative strength.

It is a great privilege to lead this organisation and I am confident that we can continue to deliver for our people, our customers and our shareholders.

Thank you

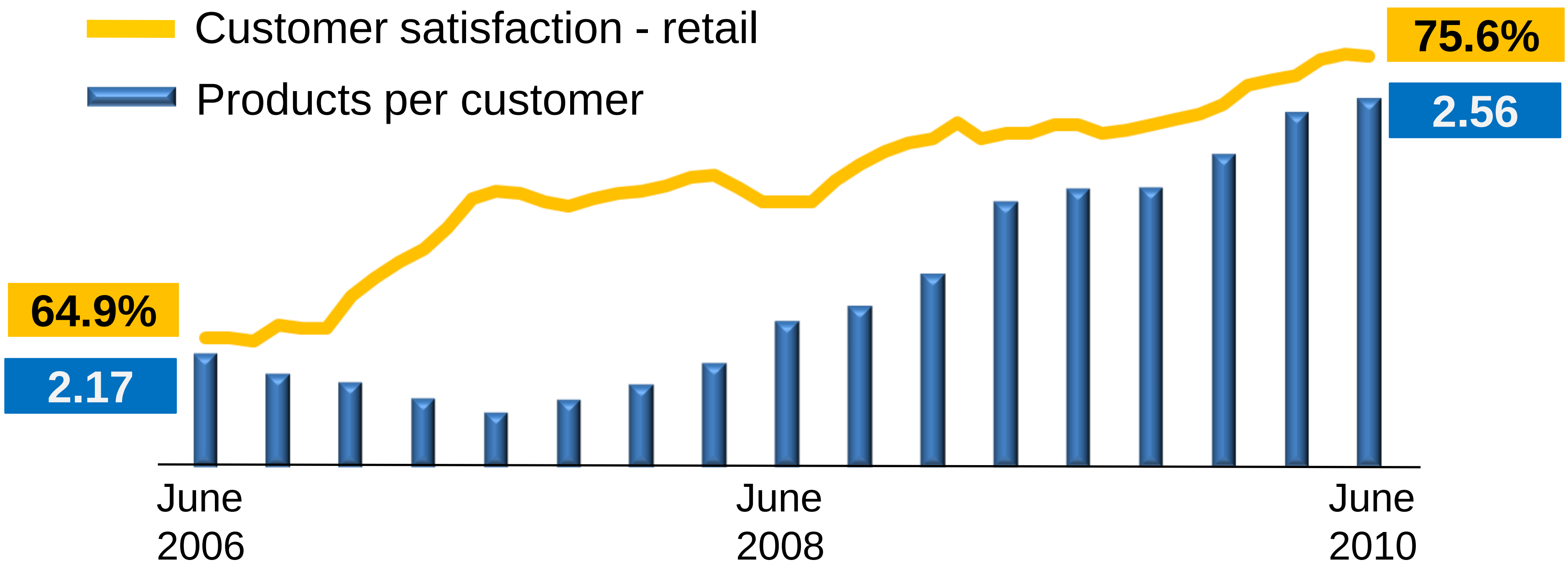
Strong financial performance

	Jun 10	vs Jun 09
Cash NPAT ($m)	**6,101**	+42%
ROE	**18.7%**	+370 bpts
Cash EPS (cents)	**396**	+34%

Strategic Priorities

CommonwealthBank

Customer Satisfaction



Source: Roy Morgan Research