

# Shareletter 07



Issue 1 April 2007

Commonwealth Bank of Australia ACN 123 123 124

## DEAR SHAREHOLDER



### WELCOME TO THE COMMONWEALTH BANK SHARELETTER

In this issue, we will update you on the Group's latest result and will also detail how we are performing in our four key strategic priority areas.

In February, the Commonwealth Bank (the Group) released its interim result for the 6 months ended 31 December 2006. We announced a cash net profit after tax (NPAT) of \$2,271 million for the Group, an increase of 19% compared with the result of 12 months ago. Cash earnings per share (EPS) increased to 174.7 cents, up 17%.

The Board declared another record dividend of \$1.07 per share, fully franked. This is an increase of 14% on last year's interim dividend.

This result was underpinned by strong performance from all the Group's businesses, driven by a continued focus on profitable growth. As well as again delivering double-digit earnings growth, the Group generated a significant improvement in its return on equity; up 60 basis points to 22.3%. We have achieved this result in a competitive environment, without relaxing our high credit standards.

In March 2006 we announced our new strategy with a vision 'to be Australia's finest financial services organisation through excelling in customer service'. The areas of strategic priority are enhancing **customer service**, improving **business banking** performance, applying

smart **technology and operational excellence** to exploit the Group's scale advantages and fostering **trust and team spirit** through greater collaboration across the Group.

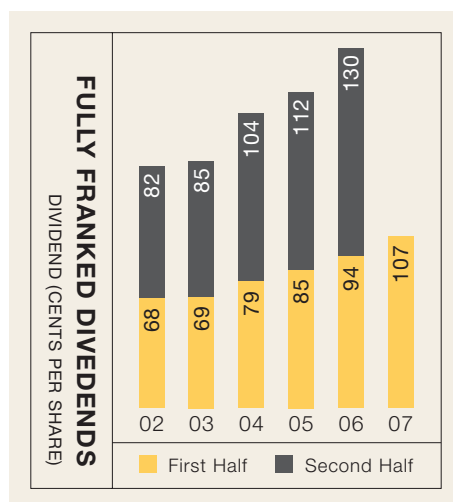
You can find an update over the page on the excellent progress made on each of these areas to date.

This good result is a clear demonstration of the success of our strategy announced in March 2006. It is also attributable to the contribution, dedication and commitment of our people to achieve the best and to work towards delivering the best product offering, service and shareholder value to our customers and shareholders.

Yours sincerely

John Schubert  
CHAIRMAN

Ralph Norris  
CHIEF EXECUTIVE OFFICER



## Community

The Group is committed to supporting and connecting with our local communities. Ongoing initiatives include support of the Breast Cancer Institute of Australia and Prostate Cancer Foundation of Australia, where we deposited an additional \$77,000 as part of our sponsorship of the Commonwealth Bank One Day Cricket Series.

The Commonwealth Bank Foundation released its annual study into childhood financial illiteracy, providing valuable insights for educators and for the Foundation's own financial literacy programmes.

The Group increased its support for the Great Barrier Reef Foundation in its ongoing research to preserve one of the world's most valuable marine environments. In partnership with Conservation Volunteers Australia we also continue to support the Commonwealth Bank Green Ambassadors which recognises and rewards the contribution of young people to environmental causes.

The Group is engaging with rural communities through our involvement in the year-long "On the Road" programme which will visit more than 100 centres across regional Australia.



## RECENT ACHIEVEMENTS

Independent financial services research group, CANNEX, awarded its highest rating of five stars to seven of the Bank's deposit and transaction products in 2006. This is a significant achievement, as no other major Australian bank has received as many five star ratings for deposit and transaction products in this report.



The Group has been recognised by the Money Magazine Best of the Best 2007 Awards. We have collected 16 awards which included five gold, four silver and seven bronze awards for our successful and competitive retail products. Some of the award winning products are:

- Best Small Business Loan
- Best Cash Management Trust – Colonial First State
- Best 3 Yr Fixed Home Loan (Non Bank) – HomePath
- Best 5 Yr Fixed Home Loan (Non Bank) – HomePath
- Best Income Protection Insurance (Features) – CommInsure



In February, Standard & Poor's Rating Services has raised its long-term credit ratings to 'AA' from 'AA-' on Commonwealth Bank of Australia Group.

The Group has received the top ranking for 'financial soundness' of leading Australian companies in the 2006 Wall Street Journal, Asia 2006 Survey.

## Customer Service

Customer service remains the Group's top strategic priority and recent customer satisfaction scores from two independent research companies (AC Nielson and Roy Morgan) show that customers are happier with the service the Commonwealth Bank is providing. Roy Morgan Research gave us the highest rating we have achieved in six years.

Customer complaints reduced by nearly 50% for the 12 month period. We have continued to improve our customer service levels with sales and service training for all staff. Branches have been refurbished and trading hours extended with 65 branches open on Saturdays. An extra 800 customer facing roles were also created during the 6 months ending 31 December 2006.

## Technology and Operational Excellence

The initiatives in this area are designed to manage information technology as a Bankwide resource to ensure consistency of delivery, achieve efficiency gains and to take advantage of the scale of our business. We have made good progress to date with savings in IT costs, reduced consultant and contractor expenditures and the IT efficiency ratio is continuing to improve. We have also seen significant increases in systems reliability and delivered further enhancements on the CommSec platform.

## Business Banking

An increased focus over the last 12 months has seen our premium business services generating good profit growth, with a particularly strong performance for institutional banking. We have recruited 70 new business specialists, and are on track to hire the new 150 new relationship managers for our new business banking centres in regional locations. Our first new banking centre was opened in Albany and eight more are planned by July 2007. An innovative local business banking website has been launched and CommBiz, our new internet business banking channel has been rolled out.

## Trust and Team Spirit

We believe that the commitment, engagement and enthusiasm of our people are at the heart of our success as an organisation and our ability to deliver on our strategies. To date, internal measures indicate a significant improvement in employee engagement, a lower employee turnover rate and reduced workplace injury. Our internal culture survey shows improvement in behaviours across the board.

### SHAREHOLDER CONTACT INFORMATION

To change your address or sign up for electronic shareholder communication and direct credit dividend options, please contact Link Market Services Limited or visit [www.commbank.com.au/shareholder](http://www.commbank.com.au/shareholder)

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To receive the user-friendly Shareholder Review, complete the attached election form and return it to Link Market Services Limited.

### BEWARE OF UNSOLICITED OFFERS FOR YOUR SHARES

In December 2006, we wrote to some shareholders regarding an offer from Direct Share Purchasing Corporation Pty Ltd to purchase your Commonwealth Bank shares for significantly less than their share market value at the time of the offer.

If you receive any such offer in the future, we suggest you first consult your financial adviser or broker before making any decision. If you do not have a broker, you can find one by contacting:

- > the Australian Stock Exchange Customer Service Centre on 131 279
- > Link Market Services on 1800 022 440, or
- > CommSec on 131 519.