

Commonwealth Bank



THE MARKET

The banking industry in Australia operates in a highly competitive environment. A mature industry, it consists of 50 operational banks, 21 Australian privately owned and 29 foreign owned.

The industry is regulated by the Reserve Bank of Australia, a statutory agency whose responsibilities include managing, promoting and preserving the stability, integrity and efficiency of the banking system as a whole.

The Commonwealth Bank, National Australia Bank, ANZ and Westpac are the four largest bank operators in Australia, holding 66% of industry assets, and in excess of 70% of industry turnover. In 1995-96, Australian banks generated an estimated \$51.6 billion in gross operating income, with services to other sectors of the economy valued in excess of \$40 billion. The industry is one of Australia's largest employers, with almost 190,000 staff.

Until the early 1980's, the banking system operated under a comprehensive regulatory structure that maintained tight control on banks. In 1979, the Campbell inquiry was announced to investigate the growing negative effect of regulation on institutions, especially banks, in reaching their business objectives.

Recommendations of the inquiry were endorsed in December 1983, deregulating the financial system. Since deregulation, the industry has experienced one of the most challenging and rapidly changing periods. Increased market competition, technological innovation, and change in customer needs continue to sweep the industry into an era of accelerated change.

The Federal Government announced an investigation, the Wallis Inquiry, into deregulation and its impact on the industry. Additionally, the inquiry sort to assess technological developments and other changing forces to the Australian financial system.

As the industry awaits a Government response to



the recommendations from this inquiry, further development is imminent as the industry prepares itself for the year 2000 and challenges beyond.

ACHIEVEMENTS

Since the Commonwealth Bank first opened its doors on 15 July 1912 with one branch and a staff of 12, the Commonwealth Bank has grown to be one of the largest banks in Australia in terms of assets, and ranks among the world's 60 largest banks in terms of shareholders' equity.

Known as "the people's bank" and "Australia's leading bank", the Commonwealth Bank is a fully privatised company employing over 35,000 employees, providing services that include banking, finance company activities, life insurance and funds management. Banking operations are conducted predominantly in Australia, and are conducted in New Zealand through a 75% owned subsidiary ASB Bank Ltd. The Bank is also represented internationally through offices in London, New York, Singapore, Jakarta, Shanghai, Hong Kong and Tokyo.

The Bank's mission is to create value for shareholders, customers and employees as the preferred provider of financial services and helping our customers realise their goals. The Bank is guided by a determination to operate according to commercial principles and to position the Bank as a major competitive force in the Australian financial system. Its ongoing strategy is to become a fully integrated financial services business, providing convenient, reliable and affordable services.

Since 1991, the Commonwealth Bank has made some substantial achievements. In July 1996, the Bank completed a period of government ownership and a successful public listing, welcoming over 420,000 shareholders, the largest share register in Australia at the time. Approximately 85% of the Bank's shares are held by Australian investors and institutes.

The new corporate identity, adopted in 1991, has become one of the most widely recognised

corporate symbols in Australia. The Commonwealth Bank achieved Bank of the Year in the 1996 'Optus-Australian Banking and Finance Awards'. It has become a highly competitive organisation, positioning itself for growth into the next century.

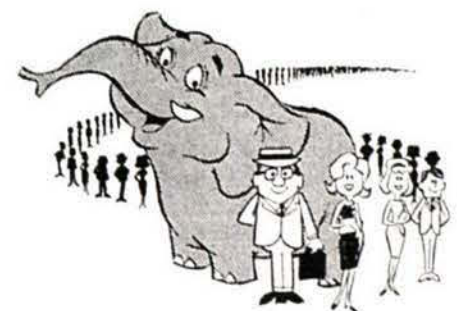
The Commonwealth Bank provides services to more than six million customers through almost 70,000 points of representation. The Bank has the largest branch and agency network in Australia with approximately 1,334 branches and 4,205 agencies. In 1996, the Commonwealth Bank was the first bank in Australia to launch a supermarket branch.

Supporting its vast branch network, the Bank has over 2,300 automatic teller machines, the largest network in Australia. The Commonwealth Bank maintains the largest retail deposit portfolio of any Bank, and is the largest issuer of credit cards in Australia.

As the largest provider of housing loans in Australia, the Bank's home and investment loan portfolio totalled \$35 billion as at 30 June 1997. In 1997 the Commonwealth Bank was awarded gold, silver and bronze awards for their range of home and investment loans in the annual 'Personal Investment Magazine Bank of the Year' awards.

As part of the Bank's strategy to reposition itself as a competitive and integrated financial service provider, the Bank has become the fourth largest fund manager and second largest retail fund manager in Australia. Its successful offshore operations in Asia include a joint venture with Bank Internasional Indonesia and also being the lead arranger of many large financial deals.

In strengthening its support of Australian business, the Commonwealth Bank has led the way with new and innovative business services and products. The Commonwealth Bank Business Card, offered by the Bank, is the only





card of its type in Australia to offer secured and unsecured lending for small to medium sized businesses.

RECENT DEVELOPMENTS

The most significant event in recent times and a landmark for the Commonwealth Bank has been the sale of the Government's remaining 50.39% share holding in the Bank in 1996. Marking the culmination of the privatisation process begun in 1991, it signalled the end of one era and beginning of another for the Bank.

During these changing times the Bank has retained its competitive edge by developing a host of new and alternative financial products and services focused on customer needs.

In providing customers with a variety of new technology and distribution channels for easy access and convenience, the Commonwealth Bank introduced NetBank in 1996, an internet transaction banking service offering personal and business customers 24 hours a day, seven days a week banking services. Additionally the Bank expanded its telephone banking services to provide account transacting over the phone in addition to home, investment and account applications.

In remaining focused on its competitive position in the home lending market, the Bank cut its home loan variable interest rate several times in 1996 and 1997 to provide customers with responsive service, and a range of competitive home lending products.

In responding to customer needs, and focusing on the customer-bank relationship, the Bank in the past year has led the way with new customer loyalty programs and reward accounts, "True Awards" and "AwardSaver", rewarding customers for doing business with the Commonwealth Bank.

The Bank has also continued its successful development of financial service products, integrating the Bank's financial services group, "Commonwealth Financial Services" with banking business units to offer the convenience of a one stop shop for financial services. The Commonwealth Bank in 1997 was the first bank



in Australia to offer a Retirement Savings Account, a simple low cost superannuation account for customers, providing a wider range of products and services.

One of the Bank's most recent developments to date has been the announcement to form a strategic technology partnership with global information technology company, Electronic Data Systems. In one of the world's largest information technology alliances, the Bank continues to review its operational efficiencies and adopt world wide best practices providing an integrated competitive financial services organisation.

PROMOTION

In 1991 the Commonwealth Bank embarked upon the biggest corporate signage conversion in Australian history. A new corporate identity was adopted, based on the formation of the Southern Cross constellation. The design was selected to communicate the Bank as strong, modern and progressive, Australia's leading bank.

Dynamic, responsive, and ready for future changes, the Bank's corporate logo is strategically branded on all visual merchandising, signage, stationery, advertising and promotional materials, across the Commonwealth Bank group. Designed to be instantly recognised, the Bank has today achieved one of the highest recognition rates of logo identity in Australia.

An astute advertiser, the Bank focuses on print,

Retirement Savings Account

Another mystery solved.

Now your superannuation fund can be a bank account.

Retirement Savings Account

Commonwealth Bank

TV, radio and direct mail, linking and supporting its advertising and sales promotions with strong visual merchandising within all branches. The Bank's advertising success can be largely credited to use of the "Which Bank" theme. One of the best recognised tag lines of the decade, Bank research shows that 89% of those surveyed associated the tag line with the Commonwealth Bank. (Source: Wallis Consulting Group, Advertising and Image media monitor, May 1997).

Due to its success, the "Which Bank" theme was relaunched in April 1996. The theme is incorporated in the Bank's advertising which highlights the Bank's brand, a leading Australian Bank that is competitive and responsive to the changing financial needs of customers.

The Commonwealth Bank is proud to be an active supporter of community events and organisations. The Bank's sponsorship and donation portfolio is vast, supporting a number of heritage, environmental, education, science & technology, health, medical research, sport, and cultural activities. Some of the Bank's chief sponsorships include the Australian Chamber Orchestra, Opera Australia, The Australian Ballet, The National Trust



and the Commonwealth Bank Cricket Academy. Its most recent sponsorship, of netball, is the Commonwealth Bank Trophy initiating the Bank as a lead supporter in women's sport.

The Bank actively seeks ways it can assist with developing the Australian community in fields of health and medical research. A number of organisations have benefited from the Bank's support including the Microsearch Foundation, Bone Marrow Donor Institute, ANZAC Health and Medical Research Foundation, and Royal Hospital for Women.

BRAND VALUES

The Commonwealth Bank has become noted for its heritage and strength as Australia's leading bank. Its name, corporate identity and Australian character is distinctively recognisable.

The Commonwealth Bank is a brand that has always responded to challenge, progress and competition in providing new and innovative products and efficient services to meet the current and future financial need of its customers. The Bank's values are based on helping Australians reach their goals and it has achieved recognition as a strong, large, safe, and competitive financial institution in the banking market.

The Bank's brand values are based in its vision to remain a market leader, becoming a provider of fully integrated financial services.

Things you didn't know about The Commonwealth Bank

- 13 of the 18 cricket players selected for the 1997 Australian cricket tour to the UK are graduates of the Commonwealth Bank Cricket Academy.
- The Commonwealth Bank processes over four million transactions each working day.
- The Commonwealth Bank has the second largest vault door in the world, weighing 30 tonnes requiring 18 horses to haul it to the point of installation, in 1928.
- The Bank's head office building, situated on the corner of Pitt Street and Martin Place, is known as the Money Box building since it was first replicated in the form of a tin money box in 1922.
- The Commonwealth Bank is the only bank in Australia that has a mobile bank, a specially fitted out bus that is equipped with automatic teller machines, home and personal lending capabilities that travels around Australia, servicing major community events.