

Which bank? 

2003

Commonwealth Bank of Australia ACN 123 123 124
Concise Annual Report 2003

Contents

p1	Message from the Chairman
p4	Review of Operations
p6	Message from the Chief Executive Officer
p8	The Bank's People
p10	The Bank and the Community
p12	Our Directors
p16	Corporate Governance
p25	Directors' Report
p30	Five Year Financial Summary
p33	Business Overview
p37	Comments on Statement of Financial Performance
p39	Statement of Financial Performance
p40	Comments on Statement of Financial Position
p41	Statement of Financial Position
p42	Statement of Cash Flows
p43	Notes to Financial Statements
p55	Directors' Declaration
p56	Independent Audit Report
p57	Shareholding Information
p61	Contact Us



John T Ralph, AC
Chairman

Message from the Chairman

The 2003 financial year was characterised by continuing global uncertainty, but this was offset for us by the continuing strong performance of the Australian economy. A buoyant housing sector, combined with modest business growth, helped to produce very satisfactory results in the banking business. Global and domestic equity markets displayed a high degree of volatility and negative returns for most of the period, which made for quite difficult trading conditions in the insurance and funds management part of our business. During the year, the Bank also responded to its rural customers to help them manage their finances during one of the worst droughts in Australia's history.

These external conditions highlight the importance to the Bank of a strong franchise, backed by a diversified business portfolio and supported by strong systems of corporate governance, which I described at some length in last year's report.

The Commonwealth Bank's statutory net profit after tax for the year ended 30 June 2003 was \$2,012 million, a decrease of 24% on the prior financial year. Net profit from ordinary activities ('cash basis') was \$2,579 million, an increase of 3% on the prior financial year, after charging against the profit restructuring costs of \$214 million and \$45 million representing the cost for two years of grants of shares to employees under the employee share plan. The difference between statutory and cash profit comprises two non-cash items; the amortisation of goodwill and an adjustment to the appraisal value of the life and funds management businesses.

Growth in cash profit was driven by a strong performance from the banking business and an improved performance from the life insurance business, partly offset by a reduction in the funds management result for the year.

Total operating expenses for comparable businesses remained relatively stable compared with the prior year. For more information on the Company's financial performance, please refer to the Review of Operations on page 4.

A final dividend of 85 cents per share fully franked will be paid on 8 October, 2003 bringing the total dividend for the year to 154 cents per share. For the past eleven years, the Bank has increased each interim and final dividend above those paid in the preceding year. The Company's ability to increase the dividend on each occasion confirms the maintenance of the underlying momentum of the operations of the business.

Earlier this year I wrote to shareholders in the light of some misinformation circulating in the media about the Bank's acquisition of Colonial Limited and the nature of the payment to a former executive. Although conditions in the wealth management industry have been difficult over the last couple of years because of the correction in share prices and the volatility in stock markets, your Board continues to believe that this acquisition was the correct strategy for the Bank to have adopted.

Message from the Chairman

continued

Because of demographic factors and the greater reliance of the community on superannuation and retirement savings, your Board believes that the wealth management business will grow at a faster rate than conventional banking business in the years ahead. It was this factor that contributed to the decision to grow this part of the Bank's business more quickly by adding Colonial's wealth management business to that which had already been developed by the Bank. The Commonwealth Bank has a distribution system within the financial services system second to none and on which we are confident we can build our business in wealth management in concert with the other financial services we provide.

Colonial was acquired by the Bank issuing shares to a value of \$9.12 billion in 2000. The value ascribed to the wealth management businesses was \$4.47 billion and the remaining \$4.65 billion represented the rest of Colonial's entities, the principal one being Colonial State Bank. Colonial's banking businesses, comprising the bank and the banking service subsidiaries, were integrated successfully into the Commonwealth Bank's banking business. The expected synergy benefits of \$450 million per annum, which were mostly banking related, were fully realised and in a shorter time frame than projected, making this a very satisfactory transaction for the Commonwealth Bank and its shareholders.

The value of our wealth management businesses have also increased in value since we acquired Colonial Limited. At the date of acquisition these businesses were valued in the accounts at \$6.736 billion, comprising \$4.472 billion for the acquired businesses, \$1.978 billion for our existing wealth management subsidiaries in Australia and \$286 million for the ASB Sovereign business in New Zealand. The value of these businesses in the accounts at 30 June 2003 was \$8.546 billion.

The increase in value of \$1.810 billion comprises retained profits in the business, changes to Assessed Value through acquisitions and divestments and changes in net tangible assets since 30 June 2000 of \$772 million and a net increase in Assessed Value taken to profit of \$1.038 billion since that date.

The current accounting standards require the Bank, with the advice of competent actuaries, to make an assessment of the value of the wealth management business based on assumptions of future activity and to bring this into the profit statement at each half year. In the period from 30 June 2000 to 30 June 2002 there was an uplift in this valuation of \$1.283 billion. In the first half of the financial year on which we are reporting there was a reduction in the valuation of \$426 million and an increase of \$181 million in the second half of the year making a net reduction in the year of \$245 million. The net result is that this represents an increase of \$1.038 billion since we trebled our investment in wealth management by the acquisition of Colonial.

The Assessed Value declined in the past year in a period when many portfolios have fallen in value, largely as a result of the correction that occurred in world stock markets, and when members of superannuation funds have experienced adverse outcomes in relation to their savings. It is not totally surprising that wealth management businesses would share a similar experience. But the Bank is in this business for the long term because of the demographic factors which are likely to cause wealth management businesses to grow strongly in the period ahead. We recognise that there are other factors that will continue to cause volatility in share markets and to see returns reflect this volatility. Overall, however, we expect the net result to be positive. Involvement in this part of the financial services industry is considered by your Board to be an area where we can confidently create value for you, our shareholder.

Outlook

Although reasonably resilient, the Australian economy remains dependent on recovery in the United States. While there have been some positive signs, there are potential significant financial imbalances arising from the US current account and fiscal deficits.

The Australian financial services industry remains highly competitive, operating in an environment of reducing margins with the likelihood of slowing credit growth. Notwithstanding this, the longer-term outlook for the banking, insurance and wealth management sectors is for continuing growth.

Customers will need more convenient and informed access to financial services, through wealth management advice, products to respond to the aging of the population and personalised banking services for payments, savings and investments. The Board and management of the Bank have been focussing on how the Bank needs to respond in this environment. The Chief Executive Officer has outlined on page 6 of this report the strategy designed to address these needs.

Having acquired Colonial and added significant value, the Bank is extremely well positioned to meet the challenges ahead and to benefit from scale, breadth of services, and the strength of its proprietary distribution system. However, there needs to be a major transformational change to deliver the outstanding service levels, with enhanced staff engagement and simple and efficient processes required to be more competitive.

The Bank believes that it has relatively more to gain from such a change and will announce within the next six weeks details of the strategies, proposed investments, expected outcomes and implementation milestones of a program to achieve these goals.

Your Board is committed to achieving sustainable growth in all the Bank's businesses and in growing sustainable and reliable returns for all shareholders, and to this end, the Bank intends to maintain its high dividend payout ratio relative to its peers.

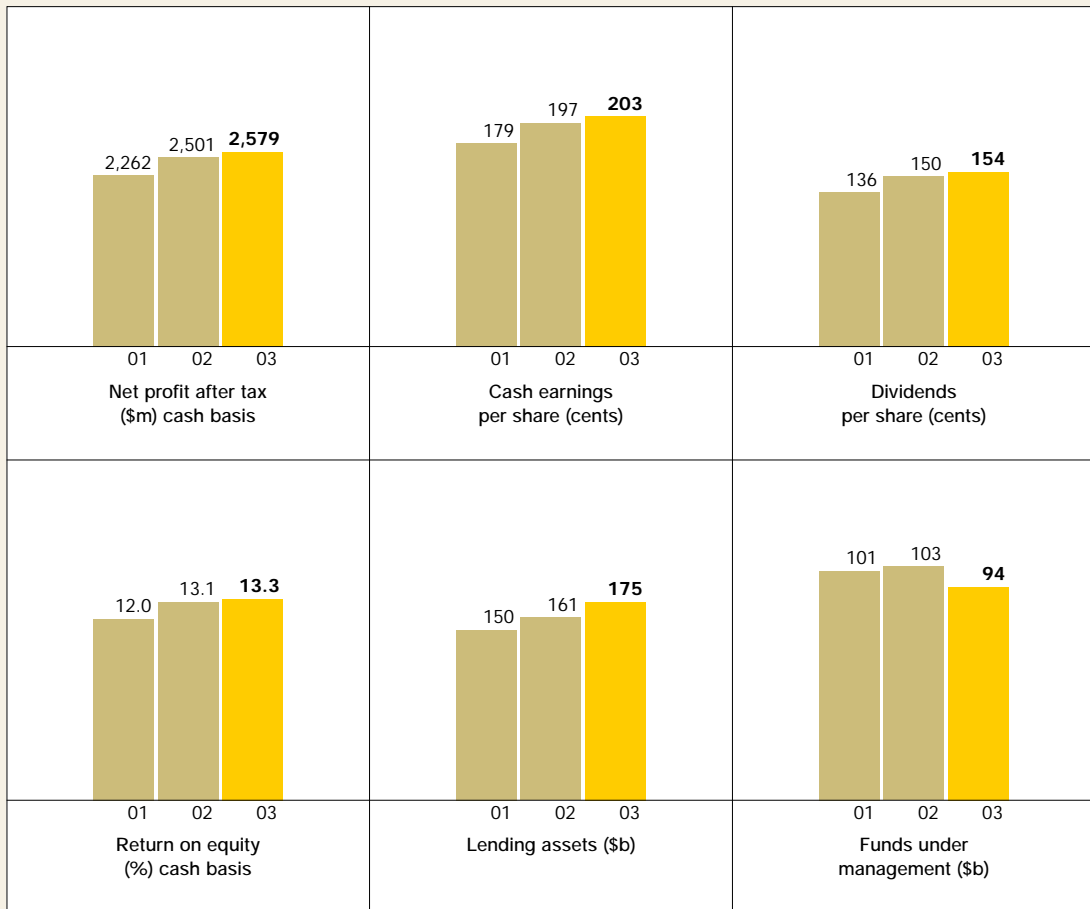
I would like to take the opportunity to thank you for your continued support.



John Ralph, AC
Chairman

20 August 2003

Review of Operations



For information on the performance of our main businesses, please refer to pages 33 to 36 of this report.

Profits

The statutory net profit after tax for the year ended 30 June 2003 was \$2,012 million, a decrease of 24% on the prior financial year. Net profit after tax from ordinary activities ('cash basis') was \$2,579 million, an increase of 3% on the prior financial year. The difference between statutory and cash profit comprises two non-cash items; the amortisation of goodwill and an adjustment to the appraisal value of the life and funds management businesses. The cash result reflects:

- Strong retail banking performance in Australia and New Zealand, subdued corporate and institutional banking and funds management performance as a result of difficult industry conditions and improved performance from the life insurance business;
- Expenses of \$259 million in first time costs associated with strategic initiatives and expensing the allocation of shares under both the 2002 and 2003 employee share plans; and
- An increase in underlying operating expenses of 2%, primarily driven by the set up of the new premium division in banking and increased regulatory costs within the funds management business.

Earnings per Share

Consistent with the decrease in statutory profit explained above, statutory earnings per share were 157 cents, down 53 cents on the prior year of 210 cents. Cash earnings per share were 203 cents, up 6 cents compared with 197 cents for 2001/2002.

Dividend

A final dividend of 85 cents per share fully franked will be paid on 8 October 2003 to shareholders on the register at 5:00 pm on 29 August 2003. The ex dividend date is 25 August 2003. This brings the full year dividend to 154 cents per share fully franked.

The dividend is determined having regard to a number of factors including rate of business growth, capital adequacy, investment requirements, cyclical nature of returns in the insurance business and a range of other factors.

Return on Equity

Return on equity ('cash basis') was 13.3%, which represents a slight increase on the prior financial year.

Assets

Lending Assets Growth

Lending assets have increased by \$14 billion or 9% over the prior financial year to \$175 billion. This reflects improved market conditions for home lending, which has also increased by \$14 billion or 17%.

Funds Under Management

Total funds under management (FUM) at 30 June 2003 were \$94 billion, an 8% decrease for the year. This decrease is reflective of the difficult industry conditions faced during the year. Total FUM consists of \$50 billion in retail FUM, \$36 billion in wholesale FUM, \$5 billion in cash management FUM and \$3 billion in mastertrust FUM.

Capital Management

At 30 June 2003, the total Capital Adequacy ratio was 9.73% (well above the regulatory guideline of 8%) compared with 9.80% at 30 June 2002. This ratio does not include the USD 550 million hybrid capital issue undertaken on 6 August 2003. The Bank's credit ratings have remained unchanged for the year. At 30 June 2003, the Bank's credit ratings were:

Credit Ratings	Short term	Long term
Standard & Poor's Corporation	A-1+	AA-
Moody's Investors Service, Inc.	P-1	Aa3
Fitch IBCA	F1+	AA

Shareholders

The five year total shareholder return to 30 June 2003 was 14.9%⁽¹⁾, calculated by combining dividends and the movement in the value of the Group's shares. The dividend yield was 5.1% based on the 30 June 2003 share price of \$29.55 and calculated on the dividend payments of 82 cents (June 2002) and 69 cents (December 2002). The dividend to ordinary shareholders for the year ended 30 June 2003 represents 75.9% of the cash earnings available to ordinary shareholders of \$2,543 million⁽²⁾.

(1) Source: Bloomberg.

(2) Cash profit of \$2,579 million less \$36 million paid to holders of PERLS.



David Murray
Chief Executive Officer

Message from the Chief Executive Officer

The Bank's result for 2003 was achieved after charging against the year's profit before tax \$259 million of first time expenses relating to strategic initiatives and two years of costs associated with the employee share acquisition plan. Excluding these expenses and shareholder investment returns, there was a 9% improvement on 2002*, slightly ahead of the industry average earnings growth rate.

The strategic initiatives implemented during the year were aimed at improving customer service and simplifying processes. The gross cost of these initiatives for the year was \$214 million. Annualised future benefits of \$165 million were ahead of target and in line with the Bank's commitment to annual improvements in productivity.

The Bank's Strategy

A leading market share position across our core products and our diversified business mix places the Bank in a good position to respond to two fundamental trends in the financial services sector.

Firstly, demographic changes are continuing to drive customers' needs to enhance their long-term financial wellbeing, leading to a greater demand for more sophisticated investment services, with trustworthy advice and helpful information.

Secondly, the extended period of easier monetary conditions and low interest rates that has boosted financial system growth and customer indebtedness is likely, at some point, to change – with most forecasters expecting continued lower inflation rates.

The major implications of these trends for the Bank are the need to provide superior service in a lower growth market, with pressure on margins; and the opportunity to benefit customers from our strong position in wealth management.

Consistent with this, we have modified our vision statement, simply "to excel in customer service". Our strategies to deliver this vision have been developed around three basic service-led requirements, namely the scope and quality of service, engagement of our people and effectiveness of our processes.

Customer Service – The Bank recognises that it has a significant opportunity to retain and increase the amount of business we do with customers by better identifying and meeting their financial needs. This can be achieved by bundling services according to the emerging needs of each customer and providing greater value to customers based on their relationship with the Bank.

* Based on cash profit.

People Engagement – Excelling in customer service is critically dependent on ensuring that our people are skilled, authorised, equipped, and engaged to deliver consistently good service to our customers. Key activities include aligning human resource systems to more closely support frontline staff in achieving better service standards, removing unnecessary layers of supervision thereby empowering people and streamlining decision making.

Processes and Systems – Over the past year, we set out to improve service and better engage our people by simplifying processes and systems. We removed some administrative functions from branches, streamlined business banking processes and commenced rationalisation of Insurance and Investment systems. This work will continue as we continue to review all major processes and seek to rationalise supporting procedures and computer systems.


Leading the Way Forward

Our strategic focus, in essence, represents a transformation that will enable us to increasingly take our lead from our customers and our people who support them. This transformation is about our culture and the way we do our day-to-day work – it is about the processes we use, the technology that supports us and the products that we offer.

While we have made some initial progress around credit approval times, queue lengths and complaint resolution, there is much still to be done. We have spent considerable time over the past year identifying key opportunities to reduce turnaround times, make it easier to get things done and remove key sources of customer frustration. Efficiency gains through this approach will deliver enduring benefits to both customer and shareholder and will enable us to redirect resources into activities that directly improve our ability to serve customers. At the same time, we have reaffirmed our commitment to being the most accessible financial organisation in Australia – the Bank for All Australians.

Consistent with the Chairman's Message on page 1 of this Report, within the next six weeks we will announce details of the initiatives required to achieve our strategic objectives going forward. This will be a major test of the skill and dedication of our people. However, if past programs such as the Colonial integration and the progress made over the past twelve months are any guide, the strength of our people will prove to be our greatest asset.

I would like to place on record my thanks to all our people for their contribution to this year's result for our customers and shareholders.



David Murray
Chief Executive Officer

The Bank's People

We see the engagement of our people as crucial to the provision of excellent customer service. Our aim is to provide staff with work that is fair, safe, challenging and rewarding and we have set in place a number of programs and initiatives that are specifically designed to promote these outcomes.

Fair

- The **Fair Treatment Review** system provides staff with the opportunity to raise issues they feel affect them unfairly.
- The new **anti-discrimination on-line learning program** is designed to assist all managers and team members to understand their rights and obligations under anti-discrimination law.

Safe

- Our **safety system and policies** are regularly audited to ensure we meet all policy and legal requirements and maintain our self-insurance status for Workers' Compensation.
- Our safety management system, recently reviewed, has resulted in the development of a **safety leadership forum** which integrates safety into our Effective Leadership model (ELF). The forum will be offered to team leaders during 2003/04.

Challenging

- Our **managerial and leadership structure** is being reviewed across the Bank in order to ensure we have the right people doing the right work with the necessary authorities to deliver excellent customer service.
- Our **ELF program** has been expanded to support leaders in implementing changes in leadership and management structures.

- The Bank's suite of **talent management systems** has been reviewed and redesigned to drive career assessment and talent management from the top, right through the organisation.
- A **learning program and Intranet site** have been developed to assist our human resource advisers to support line managers in the implementation of organisation and people initiatives.

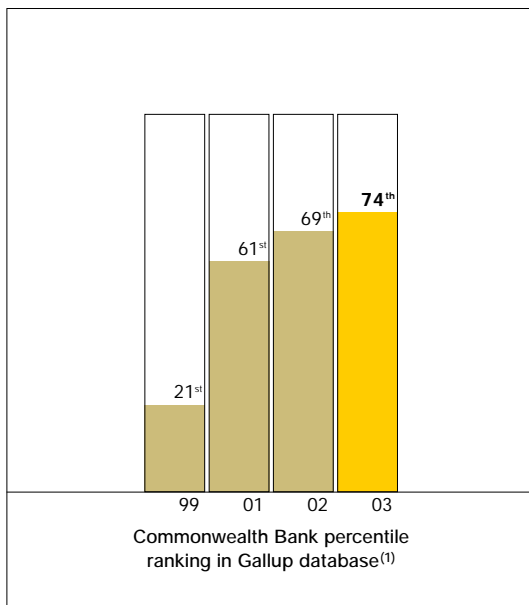
Rewarding

- Our suite of employee equity plans has been developed to ensure alignment with shareholder interests. One example is the **Employee Share Acquisition Plan**, which provides staff with a grant of up to \$1,000 worth of free shares if the Bank meets its overall performance targets. In the last eight years, seven full or partial grants of shares have been offered to staff. In respect of the year just ended, all eligible employees will receive shares to a value of \$800.
- The Bank's remuneration structures are subject to ongoing review to ensure that staff are remunerated at **market-competitive rates**.

Other initiatives were also put into place during the year:

- The Bank commissioned research to help us better understand the work/life decisions of our **maturing age workforce**. We have subsequently identified initiatives to retain the skills and knowledge of this group, and the other age groups within the Bank.

- The Bank administered the fourth **Gallup Workplace Survey** in May 2003. The Gallup Survey provides an opportunity for all employees to confidentially identify issues about leadership in their work teams. Action plans are created from survey results to improve the working environment. Overall percentile rankings with respect to the Gallup database are indicated in the graph below. Bank-wide improvements have been made year-on-year on all items of the survey, indicating increasing staff engagement. Staff response rates currently exceed 80%.
- The Bank established **HR Services** during the year, a centralised operation providing a range of human resource services across the Bank. Concurrently, the Bank completed the implementation of a new Human Resource and Payroll System. Over time, these initiatives are expected to significantly increase the efficiency and quality of many HR services through improved technology, economies of scale and the development of specialist staff skills.



(1) Source: The Gallup Organization. Percentile scores are calculated relative to benchmarked companies. This survey was not conducted on behalf of the Bank during 2000.

- Major changes are being made to the Bank's **superannuation arrangements**, with the merger of three UK funds into one, having taken effect on 31 July 2003. A proposal has been made to merge the two Australian funds later in 2003.
- Work has also been undertaken to achieve **best practice corporate governance** in relation to executive remuneration, employee equity and staff superannuation.

Looking ahead

Valuing our customers begins with valuing our staff. Therefore, to deliver consistently good customer service we must first engage, authorise, equip and skill our people. In application, this means:

- Taking our lead from our front-line employees who are critical to the service our customers experience.
- Encouraging our staff to give higher quality customer service through better performance management, measurement, and recognition of their efforts.
- Instilling a "network" culture where our front-line is geared to provide exceptional customer service through being proactive and authorised to solve problems.

The Bank and the Community — A Profile

The Bank contributes to the community directly and by participating in a stable financial system in which the community can have confidence.

Customers

The Bank is one of Australia's largest providers of financial services.

Access – The Bank's customers have more opportunities to access financial services than those of any other Australian financial institution. Customers can access funds 24 hours a day, seven days a week through:

- Australia's largest ATM and EFTPOS networks with more than 3,100 proprietary ATMs and more than 125,000 EFTPOS facilities;
- Australia's largest branch network, which the Bank has committed to retain in excess of 1,000;
- A relationship with Australia Post that provides retail banking services at approximately 3,700 outlets;
- More than 200 Australia Post sites that service our small business customers; and
- 760 Woolworths and Big W outlets providing Ezy Banking services.

Service Levels – To meet customer expectations of quality service, the Bank continues to introduce and modify processes to speed up decision-making, provide customers with shorter response times and improve responsiveness to customer needs. Service standards are monitored closely and a continuous improvement program is in place. Results show improvements in key areas such as branch queues, with early results from a National Queue Management Program indicating a 20% decrease in queue times and major gains in service, speed and efficiency.

Affordable Transaction Services – The Bank provides customers with a choice of affordable transaction services, easy-to-understand information to guide their transaction banking decisions and a fair complaint resolution service. School children, tertiary students, those under 18 and customers with a disability are offered free transactions, and fee concessions are provided to aged and Australian veteran customers.

Community

The Bank is a longstanding and active supporter of the communities in which it operates, supporting community activities and organisations which help bring long-term benefits for Australians and reflect community values.

Education – Building on its long history of support for Australia's youth, the Bank continues to encourage the development of financial knowledge and numeracy skills through a range of educational programs for students, teachers, indigenous Australians, older people and young farmers. The Dollars and Sense website (www.dollarsandsense.com.au), developed by the Bank in 2002, helps young people develop money management skills and provides a valuable education resource for teachers. The website offers young people aged 14–21 practical and objective information about money matters and is the first Australian website to map its content to Mathematics and Business/Commerce curricula (Years 10–12) for all Australian states and territories.

To further the Bank's support for educational activities, the Bank established the Commonwealth Bank Foundation, announced by the Bank's Chairman, at the 2002 Annual General Meeting.

Commonwealth Bank Foundation - The purpose of the Commonwealth Bank Foundation is to encourage educational developments, including the development of financial skills for young Australians. The Foundation is directed by a Board of five members, who are senior executives of the Bank, and is chaired by CEO, Mr David Murray. One of the Foundation's centrepieces is the e-Learning Grants program. As part of its support for National Literacy and Numeracy Week, the Foundation provides grants of \$5,000 to 70 primary schools across Australia to help in the development of literacy and numeracy skills through on-line projects.

More information on the Commonwealth Bank Foundation can be found at www.commbank.com.au/foundation

Disaster Relief – The Bank continues to assist customers and the wider community when bushfires, floods, drought and other natural disasters cause hardship. Assistance is given in a number of ways including direct donations, collecting public appeals free of charge and offering relief packages to help customers cope with their financial commitments. In January 2003, the Bank accepted public donations through the branch network for the Canberra Bushfire Recovery Appeal and extended its special assistance package which allowed affected customers to reschedule repayments, restructure loans, access term deposits and defer credit card repayments to assist them in adjusting to their changed circumstances.

During the year, the Bank assisted drought-affected customers across Australia by waiving loan restructuring fees, extending terms and providing additional carry-on finance to meet short term needs. The Bank contributed to the Farm Hand appeal, and together with Radio 2UE collected non-perishable food items in NSW for distribution via the Country Womens' Association. Approximately 2,200 boxes of food were donated to the 'Rain Train' by both staff and customers. The Bank financed all freight costs to Central Station Sydney and part of the freight costs from Narrabri to surrounding regional areas of NSW.

Bank Staff – Since 1916, Bank staff have contributed generously to their local communities through the Staff Community Fund. The Fund supports various causes to improve the health of Australian children and is the principal supporter of the Humour Foundation's Clown Doctors who visit children in hospitals Australia-wide.

Environment

The Bank seeks to make efficient use of its consumption of energy, water, paper and procurement of materials to reduce the direct environmental impact of its operations.

Services – The Bank has helped establish a world-first industry acknowledged and sponsored toner-recycling scheme. Last year, Australians used more than 18 million printer, fax and copier cartridges, equivalent to 5,000 tonnes of materials. To reduce this waste, the Bank joined with Ricoh and Close The Loop to establish a Scheme that ensures that 100% of the toner product is recycled and diverted from land-fill. To date, over three tonnes of used Bank toners have been recycled into items such as park benches, office furniture and rulers.

Community Cooperation – With Conservation Volunteers Australia, the Bank is supporting habitat restoration projects of importance to local communities. The program, Lending a Hand, will see 600 such projects undertaken across Australia. Bank staff, customers and the community have the opportunity to help repair and revive the local habitats through practical projects involving tree planting, seed collection, bush regeneration, wildlife surveys and fencing of sensitive habitats.

For more information about the Commonwealth Bank in the community, visit www.commbank.com.au/about

Our Directors

Directors of the Commonwealth Bank of Australia



John T Ralph, AC, Chairman

Mr Ralph has been a member of the Board since 1985 and Chairman since 1999. He is also Chairman of the Risk, Remuneration and Nominations Committees. He is a Fellow of the Australian Society of Certified Practising Accountants and has over fifty years' experience in the mining and finance industries.

Deputy Chairman: Telstra Corporation Limited.

Other Interests: Melbourne Business School (Board of Management), Australian Foundation for Science (Chairman), Australian Institute of Company Directors (Fellow), Australian Institute of Management (Fellow), Academy of Technological Science and Engineering (Fellow) and member of the Council of Xavier College, Melbourne.

Mr Ralph is a resident of Victoria. Age 70.



John M Schubert, Deputy Chairman

Dr Schubert has been a member of the Board since 1991 and is Chairman of the Audit Committee and a member of the Nominations Committee. He holds a Bachelor Degree and PhD in Chemical Engineering and has experience in the petroleum, mining and building materials industries. Dr Schubert is the former Managing Director and Chief Executive Officer of Pioneer International Limited.

Chairman: Worley Limited Advisory Board and G2 Therapies Limited.

Director: BHP Billiton Limited, BHP Billiton plc, Qantas Airways Limited and Australian Graduate School of Management Ltd.

Other Interests: Business Council of Australia (President), Academy of Technological Science and Engineering (Fellow), Salvation Army Territorial Headquarters & Sydney Advisory Board (Member). He is also a Director of the Great Barrier Reef Research Foundation and a Director and a Member of the AGSM Consulting Ltd.

Dr Schubert is a resident of New South Wales. Age 60.



David V Murray, Managing Director and Chief Executive Officer

Mr Murray has been a member of the Board and Chief Executive Officer since June 1992. He holds a Bachelor of Business, Master of Business Administration, an honorary PhD from Macquarie University and has thirty-seven years' experience in banking. Mr Murray is a member of the Risk Committee.

Director: Tara Anglican School for Girls Foundation Limited.

Other Interests: International Monetary Conference (Member), Asian Bankers' Association (Member), Australian Bankers' Association (Member), Asia Pacific Bankers' Club (Member), Business Council of Australia (Member), General Motors Australian Advisory Council (Member), and the Financial Sector Advisory Council (Member).

Mr Murray is a resident of New South Wales. Age 54.



N R (Ross) Adler, AO

Mr Adler has been a member of the Board since 1990 and is a member of the Audit Committee. He holds a Bachelor of Commerce and a Master of Business Administration. He has experience in various commercial enterprises, more recently in the oil and gas and chemical trading industries.

Chairman: Austrade and Amtrade International Pty Ltd.

Director: Australian Institute of Commercialisation Ltd, AWL Enterprises Pty Ltd and Liberal Club Ltd.

Member: Advisory Council of Equity and Advisory Limited.

Other Interests: Adelaide Festival (Chairman), University of Adelaide (Council Member and Chairman of the Finance Committee) and Vice President and Executive Member of the Australia Japan Business Co-operation Committee.

Mr Adler is a resident of South Australia. Age 58.



Reg J Clairs, AO

Mr Clairs has been a member of the Board since 1999 and is a member of the Remuneration Committee. As the former Chief Executive Officer of Woolworths Limited, he had thirty-three years' experience in retailing, branding and customer service.

Chairman: Agri Chain Solutions Ltd.

Director: David Jones Ltd, and National Australia Day Council.

Other Interests: Member of the Institute of Company Directors.

Mr Clairs is a resident of Queensland. Age 65.



A B (Tony) Daniels, OAM

Mr Daniels has been a member of the Board since March 2000 and is a member of the Remuneration Committee. He has extensive experience in manufacturing and distribution, being Managing Director of Tubemakers of Australia for eight years to December 1995, during a long career with that company. He has also worked with government in superannuation, competition policy and export facilitation.

Director: Australian Gas Light Company, Orica Limited, and O'Connell St Associates.

Other Interests: Australian Institute of Company Directors (Fellow) and Australian Institute of Management (Fellow).

Mr Daniels is a resident of New South Wales. Age 68.

Our Directors

continued



Colin R Galbraith, AM

Mr Galbraith has been a member of the Board since June 2000. He was previously a Director of Colonial Limited, appointed 1996. He is a partner of Allens Arthur Robinson, Lawyers.

Chairman: BHP Billiton Community Trust.

Director: GasNet Australia Group and OneSteel Limited.

Other Interests: Secretary of Council of Legal Education in Victoria, Deputy Chairman of the Corporate Council of CARE Australia and a Trustee of the Royal Melbourne Hospital Neuroscience Foundation.

Mr Galbraith is a resident of Victoria. Age 55.



Warwick G Kent, AO

Mr Kent has been a member of the Board since June 2000 and is a member of the Risk Committee. He was previously a Director of Colonial Limited, appointed 1998. He was Managing Director and Chief Executive Officer of BankWest until his retirement in 1997. Prior to joining BankWest, Mr Kent had a long and distinguished career with Westpac Banking Corporation.

Chairman: Coventry Group Limited and West Australian Newspapers Holdings Limited.

Director: Perpetual Trustees Australia Limited.

Other Interests: Trustee of the Walter and Eliza Hall Trust and Fellow of the Australian Institute of Company Directors, Australian Society of CPAs, Australian Institute of Bankers and the Chartered Institute of Company Secretaries.

Mr Kent is a resident of Western Australia. Age 67.



Fergus D Ryan

Mr Ryan has been a member of the Board since March 2000 and is a member of the Audit Committee. He has extensive experience in accounting, audit, finance and risk management. He was a senior partner of Arthur Andersen until his retirement in August 1999 after thirty-three years with that firm including five years as Managing Partner Australasia. He was the Strategic Investment Co-ordinator and Major Projects Facilitator for the Federal Government from 1999–2002.

Director: Australian Foundation Investment Company Limited and Clayton Utz.

Other Interests: Member of the Prime Minister's Community Business Partnership, a Member of the Council of the National Library of Australia, a Counsellor of the Committee for Melbourne and Patron of the Pacific Institute.

Mr Ryan is a resident of Victoria. Age 60.



Frank J Swan

Mr Swan has been a member of the Board since July 1997 and is a member of the Risk and Nomination Committees. He holds a Bachelor of Science degree and has twenty-three years' senior management experience in the food and beverage industries.

Chairman: Foster's Group Limited and Centacare Catholic Family Services.

Director: National Foods Limited.

Other Interests: Institute of Directors (Fellow), Australian Institute of Company Directors (Fellow), Australian Institute of Management (Fellow).

Mr Swan is a resident of Victoria. Age 62.



Barbara K Ward

Ms Ward has been a member of the Board since 1994 and is a member of the Audit Committee. She holds a Bachelor of Economics and Master of Political Economy and has experience in policy development and public administration as a senior ministerial adviser and in the transport and aviation industries, most recently as Chief Executive of Ansett Worldwide Aviation Services.

Chairperson: Country Energy.

Director: Rail Infrastructure Corporation, Allens Arthur Robinson and Lion Nathan Limited.

Other Interests: Sydney Opera House Trust (Trustee) and Australia Day Council of New South Wales (Member).

Ms Ward is a resident of New South Wales. Age 49.



Carolyn Kay

Ms Kay joined the Board this year and is a member of the Risk Committee. She holds Bachelor degrees in Law and Arts and a Graduate Diploma in Management. She has extensive experience in international finance having been an executive at Morgan Stanley in London and Melbourne for 10 years. Prior to that, she worked in international banking and finance both as a lawyer and banker in London, New York and Melbourne.

Director: Mayne Group, Treasury Corporation of Victoria and Deputy Chair Victorian Funds Management Corporation.

Other Interests: Australian Institute of Company Directors, Morgan Stanley (Advisor).

Ms Kay is a resident of Victoria. Age 42.

Corporate Governance

Board of Directors

Charter

The role and responsibilities of the Board of Directors are set out in the Board Charter. The responsibilities include:

- The corporate governance of the Bank, including the establishment of Committees;
- Oversight of the business and affairs of the Bank by:
 - Establishing, with management, the strategies and financial objectives;
 - Approving major corporate initiatives;
 - Establishing appropriate systems of risk management; and
 - Monitoring the performance of management.
- Communicating with shareholders and the community, results of, and developments in, the operations of the Bank;

- Appointment of the Chief Executive Officer; and
- Approval of the Bank's major HR policies and overseeing the development strategies for senior and high performing executives.

There is in place a comprehensive set of management delegations to allow management to carry on the business of the Bank.

Composition

There are currently 12 Directors of the Bank and details of their experience, qualifications, special responsibilities and attendance at meetings are set out on pages 12 to 15.

Membership of the Board and Committees is set out below:

Director	Board Membership	Committee Membership			
		Nominations	Remuneration	Audit	Risk
J T Ralph, AC	Non-executive, Independent Chairman	Chairman	Chairman		Chairman
J M Schubert	Non-executive, Independent Deputy Chairman	Member		Chairman	
D V Murray	Executive Chief Executive Officer				Member
N R Adler, AO	Non-executive, Independent			Member	
R J Clairs, AO	Non-executive, Independent		Member		
A B Daniels, OAM	Non-executive, Independent		Member		
C R Galbraith, AM	Non-executive, Independent				Member
S C Kay	Non-executive, Independent				Member
W G Kent, AO	Non-executive, Independent				Member
F D Ryan	Non-executive, Independent			Member	
F J Swan	Non-executive, Independent	Member			Member
B K Ward	Non-executive, Independent			Member	

Ms S C Kay was appointed as a non-executive Director on 5 March 2003. In accordance with the Bank's Constitution and the ASX Listing Rules, she will stand for election at the Annual General Meeting to be held on 31 October 2003.

The Constitution of the Bank specifies that:

- The Chief Executive Officer and any other executive director shall not be eligible to stand for election as Chairman of the Bank;
- The number of directors shall not be less than 9 nor more than 13 (or such lower number as the Board may from time to time determine). The Board has determined that for the time being, the number of directors shall be 12; and
- At each Annual General Meeting one-third of directors (other than the chief executive officer) shall retire from office and may stand for re-election.

The Board has established a policy that, with a phasing in provision for existing directors, the term of directors' appointments would be limited to 12 years (except where succession planning for Chairman and appointment of Chairman requires an extended term. On appointment, the Chairman will be expected to be available for that position for five years). Directors do not stand for re-election after attaining the age of 70.

Independence

The Board regularly assesses the independence of each Director. For this purpose, an independent director is a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment.

In addition to being required to conduct themselves in accordance with the ethical policies of the Bank, Directors are required to be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act and this disclosure extends to the interests of family companies and spouses. Directors are required to strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and the Bank's policies.

Each Director may, from time to time, have personal dealings with the Bank. Each Director is involved with other companies or professional firms which may from time to time have dealings with the Bank. Details of offices held by Directors with other organisations are set out on pages 12 to 15 and on the Bank's website. Full details of related party dealings are set out in notes to the Company's accounts as required by law.

All the current non-executive Directors of the Bank have been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

- The specific disclosures made by each Director as referred to above.
- Where applicable, the related party dealings referable to each Director, noting that those dealings are not material under accounting standards.
- That no Director is, or is associated directly with, a substantial shareholder of the Bank.
- That no non-executive Director has ever been employed by the Bank or any of its subsidiaries.
- That no Director is, or is associated with, a supplier, professional adviser, consultant to or customer of the Bank which is material under accounting standards.
- That no non-executive Director personally carries on any role for the Bank otherwise than as a Director of the Bank.

The Bank does not consider that term of service on the Board is a factor affecting a Director's ability to act in the best interests of the Bank. Independence is judged against the ability, integrity and willingness of the Director to act. The Board has established a policy limiting Directors' tenures to ensure that skill sets remain appropriate in a dynamic industry.

Education

Directors participate in an induction program upon appointment and in a refresher programme on a regular basis. The Board has established a program of continuing education to ensure that it is kept up to date with developments in the industry both locally and globally. This includes sessions with local and overseas experts in the particular fields relevant to the Bank's operations.

Corporate Governance continued

Review

The Board has in place a process for annually reviewing its performance, policies and practices. These reviews seek to identify where improvements can be made and also assess the quality and effectiveness of information made available to Directors. Each two years, this process is facilitated by an external consultant, with an internal review conducted in the intervening years. The review includes an assessment of the performance of each Director.

After consideration of the results of the performance assessment, the Board will determine its endorsement of the Directors to stand for re-election at the next Annual General Meeting.

The non-executive Directors meet at least annually, without management, in a forum intended to allow for an open discussion on Board and management performance. This is in addition to the consideration of the Chief Executive Officer's performance and remuneration which is conducted by the Board in the absence of the Chief Executive Officer.

The Chairman meets annually with the senior executive team to discuss with them the Board's performance and level of involvement from their perspective.

Selection of Directors

The Nominations Committee has developed a set of criteria for director appointments which have been adopted by the Board. The criteria set the objective of the Board as being as effective, and preferably more effective than the best boards in the comparable peer group. These criteria, which are reviewed annually, ensure that any new appointee is able to contribute to the ongoing effectiveness of the Board, has the ability to exercise sound business judgment, to think strategically and has demonstrated leadership experience, high levels of professional skill and appropriate personal qualities.

The Committee regularly reviews the skill base and experience of existing Directors to enable identification of attributes required in new directors.

An executive search firm is engaged to identify potential candidates based on the identified criteria.

Candidates for appointment as directors are considered by the Nominations Committee, recommended for decision by the Board and, if appointed, stand for election, in accordance with the Constitution, at the next general meeting of shareholders.

On appointment, a letter is provided from the Chairman to the new Director setting out the terms of appointment.

Policies

Board policies relevant to the composition and functions of Directors include:

- The Board will consist of a majority of independent non-executive Directors and the membership of the Nominations, Remuneration and Audit Committees should consist solely of independent non-executive Directors. The Risk Committee should consist of a majority of independent non-executive Directors.
- The Chairman will be an independent non-executive Director who should also chair the Nominations, Remuneration and Risk Committees. The Audit Committee will be chaired by an independent non-executive Director other than the Board Chairman.
- The Board will generally meet monthly with an agenda designed to provide adequate information about the affairs of the Bank, allow the Board to guide and monitor management and assist involvement in discussions and decisions on strategy. Matters having strategic implications are given priority on the agenda for regular Board meetings. In addition, ongoing strategy is the major focus of at least two of the Board meetings annually.
- The Board has an agreed policy on the circumstances in which Directors are entitled to obtain access to company documents and information and to meet with management.
- The Bank has in place a procedure whereby, after appropriate consultation, directors are entitled to seek independent professional advice, at the expense of the Bank, to assist them to carry out their duties as directors. The policy of the Bank provides that any such advice is made available to all directors.

Ethical Standards

Conflicts of Interest

In accordance with the Constitution and the Corporations Act 2001, Directors disclose to the Board any material contract in which they may have an interest. In compliance with section 195 of the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board will not be present when the matter is being considered and will not vote on the matter.

Share Trading

The restrictions imposed by law on dealings by Directors in the securities of the Bank have been supplemented by the Board of Directors adopting guidelines which further limit any such dealings by Directors, their spouses, any dependent child, family company or family trust.

The guidelines provide that, in addition to the requirement that Directors not deal in the securities of the Bank or any related company when they have or may be perceived as having relevant unpublished price-sensitive information, Directors are only permitted to deal within certain periods. These periods include between three and 30 days after the announcement of half-yearly and final results, and from three days after release of the annual report until 30 days after the Annual General Meeting. Further, the guidelines require that Directors not deal on the basis of considerations of a short-term nature or to the extent of trading in those securities. Similar restrictions apply to executives of the Bank.

In addition, Bank policy prohibits:

- For Directors and executives who report to the Chief Executive Officer, any hedging of publicly disclosed shareholding positions; and
- For Executives, any trading (including hedging) in positions prior to vesting of shares or options.

Remuneration Arrangements

Remuneration Committee

The Board has established a Remuneration Committee to:

- Consider changes in remuneration policy likely to have a material impact on the Group;
- Consider senior executive appointments;
- Determine remuneration for senior management; and
- Be informed of leadership performance, legislative compliance in employment issues, industrial agreements and incentive plans operating across the Group.

The policy of the Board is that the Committee shall consist entirely of independent non-executive directors. The Chief Executive Officer attends Committee meetings by invitation but does not attend in relation to matters that can affect him.

The Committee has an established work plan which allows it to review all major human resource policies, strategies and outcomes.

Director Remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined, is divided between the directors as they agree. The policy of the Board is that the aggregate amount should be set at a level which provides the Bank with the necessary degree of flexibility to enable it to attract and retain the services of directors of the highest calibre. The latest determination was at the Annual General Meeting held on 28 October 1999 when shareholders approved an aggregate remuneration of \$1,500,000 per year. The Nominations Committee reviews the fees payable to non-executive directors. Details of individual directors' remuneration are set out in Note 5. Directors' fees do not incorporate any bonus or incentive element.

Corporate Governance continued

In August 2000, the Board approved the introduction of the Non-Executive Directors' Share Plan which requires the acquisition of shares by Non-Executive Directors at market price through the mandatory application of 20% of their annual fees. Details of this Plan were set out in the Notice of Meeting to the 2000 Annual General Meeting.

In July 2002 the Board discontinued the retirement scheme which provided for benefits to be paid to non-executive directors. The terms of this scheme, which were approved by shareholders at the 1997 Annual General Meeting, allowed for a benefit on a pro rata basis to a maximum of four years' total emoluments after twelve years' service. The entitlements of the non-executive directors at the time of discontinuance will not be affected but no new members after that time will be admitted to the scheme.

Chief Executive Officer Remuneration

The remuneration of Mr Murray (Chief Executive Officer) is fixed by the Board, pursuant to the Constitution, as part of the terms and conditions of his appointment. Those terms and conditions are established in a contract of employment with Mr Murray which was effective from 2 July 2001, with remuneration subject to review, from time to time, by the Board.

Executive Remuneration

The Group's Policy in respect of Executives is that:

- Remuneration will be competitively set so that the Group can attract, motivate and retain high calibre local and international executive staff;
- Remuneration will incorporate, to a significant degree, variable pay for performance elements, both short-term and long-term focused as appropriate, which will:
 - Reward executives for Group, business unit and individual performance against appropriate benchmarks and targets;
 - Align the interests of executives with those of shareholders;
 - Link executive reward with the strategic goals and performance of the Group; and
 - Ensure total remuneration is competitive by market standards.
- Remuneration will be reviewed annually by the Remuneration Committee through a process that considers Group, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices;
- Remuneration systems will complement and reinforce the Group's leadership and succession planning systems; and
- Remuneration and terms and conditions of employment will be specified in an individual contract of employment and signed by the executive and the Bank. The relationship of remuneration, potential short-term incentive and long-term incentive payments is established for each level of executive management by the Remuneration Committee. For managers within the Bank, potential incentive payments as a proportion of total potential remuneration increases with level in the organisation. The structure for some specialists differs from that which applies generally to executive management.

Incentive payments for Executives, including the Chief Executive Officer, are related to performance. Short-term incentives actually paid depend on the extent to which operating targets set at the beginning of the financial year are achieved. Half of the short-term incentive earned is paid in cash and the balance in two instalments at yearly intervals in shares. These instalments are paid only if the Executive is still in the employ of the Bank on the relevant dates.

Vesting of options and shares allocated under the long-term incentive plan is directly related to shareholder value, measured by Total Shareholder Return over a minimum three-year period, which requires the return to be equal to, or higher than, the average return of peer institutions for vesting to occur.

As approved by the shareholders at the 2000 Annual General Meeting, vesting of options and restricted shares allocated to Executives is dependent on the Bank meeting the performance hurdles in the plan.

The Bank has restructured its long-term Executive incentive plan, effective from the beginning of the 2003 financial year. Previously, half the value of long-term incentive benefits under the shareholder approved Bank's Equity Reward Plan were paid in Options, valued on the Black-Scholes method, and the other half in Performance shares valued at market price at the date of allocation. These options and shares only vest to the Executive provided the prescribed performance hurdles are met. From the beginning of the 2003 financial year, options have been eliminated from the remuneration package of Executives and the total value of the long-term incentives allocated under the Equity Reward Plan from that date is in the form of Reward shares.

A further change introduced is that whereas previously allocated options and shares vested upon the average Total Shareholder Return of peer institutions being exceeded, a sliding scale has been introduced so that 50% of allocated shares vest if the Bank's TSR is equal to the average return, 75% vest at the 67th percentile in the index and 100% when the return exceeds the 75th percentile, i.e. when the Bank's return is in the top quartile.

Options and shares previously allocated under the Equity Reward Plan will continue until they vest upon the prescribed performance hurdles being met, or they lapse.

Currently, restricted shares purchased on market to satisfy incentives earned by Executives are charged against profit and loss as are incentives paid in cash and in deferred shares. As from the beginning of the 2003 financial year, total remuneration, which includes the full cost of the plan and also the distribution of shares to employees under the ESAP, has been expensed against profits.

Details of the remuneration paid to the Chief Executive Officer and the five highest paid other members of the senior executive team who were officers of the Bank at 30 June 2003 are set out in Note 6.

Audit Arrangements

Audit Committee

The Charter of the Audit Committee incorporates a number of policies and practices to ensure that the Committee is independent and effective. Among these are:

- The Audit Committee consists entirely of independent non-Executive Directors, all of whom have familiarity with financial management and at least one has expertise in financial accounting and reporting. The Chairman of the Bank is not permitted to be the Chairman of the Audit Committee.
- At least twice a year the Audit Committee meets the external auditors and the chief internal audit executive and also separately with the external auditors independently of management.
- The Audit Committee is responsible for nominating the external auditor to the Board for appointment by shareholders. The Audit Committee approves the terms of the contract with the external auditor, agrees the annual audit plan and approves payments to the auditor.
- The Audit Committee discusses and receives assurances from the external auditors on the quality of the Bank's systems, its accounting processes and its financial results. It also receives a report from the Auditors on any significant matters raised by the Auditors with management.
- All material accounting matters requiring exercise of judgment by management are specifically reviewed by the Audit Committee and reported on by the Committee to the Board.
- Certified assurances are received by the Audit Committee and the Board that the Auditors meet the independence requirements as recommended by the Blue Ribbon Committee of the SEC of the USA.

In carrying out these functions, the Committee:

- Reviews the financial statements and reports of the Group;
- Reviews accounting policies to ensure compliance with current laws, relevant regulations and accounting standards;

Corporate Governance continued

- Conducts any investigations relating to financial matters, records, accounts and reports which it considers appropriate; and
- Reviews all material matters requiring exercise of judgment by management and reports those matters to the Board.

In addition, the Committee ratifies the Group's operational risk policies for approval by the Board and reviews and informs the Board of the measurement and management of operational risk. Operational risk is a basic line management responsibility within the Group consistent with the policies established by the Committee. A range of insurance policies maintained by the Group mitigates some operational risks.

The Committee regularly considers, in the absence of management and the external auditor, the quality of the information received by the Committee and, in considering the financial statements, discusses with management and the external auditor:

- The financial statements and their conformity with accounting standards, other mandatory reporting requirements and statutory requirements; and
- The quality of the accounting policies applied and any other significant judgments made.

The external audit partner attends meetings of the Audit Committee by invitation and attends the Board meetings when the annual and half yearly accounts are approved and signed.

Non-Audit Work

The Board has in place policies and procedures governing the nature of non-audit services which can and cannot be undertaken by the Bank's auditors for the Bank or its subsidiaries. These policies and procedures incorporate approval by the Audit Committee of all non-audit services. The objective of this policy is to avoid prejudicing the independence of the auditors and to prevent their developing undue reliance on revenue from the Bank.

The policy ensures that the auditor does not:

- Assume the role of management;
- Become an advocate for their client; or
- Audit their own professional expertise.

Under the policy, the auditor shall not provide the following services:

- Bookkeeping or services relating to accounting records;
- Appraisal or valuation and fairness opinions;
- Advice on deal structuring and related documentation;
- Tax planning and strategic advice;
- Actuarial advisory services;
- Executive recruitment or extensive human resource functions;
- Acting as a broker-dealer, promoter or underwriter; or
- Provision of legal services.

For non-audit services that are not expressly prohibited, the following Audit Committee approval processes apply:

- Pre-approved – the Audit Committee has pre-approved certain types of services that do not impair auditor independence up to a limit of \$250,000 per engagement; and
- Specific approval – all other services, including pre-approved services exceeding \$250,000, require specific formal approval by the Audit Committee, or a member thereof under delegation, before the auditor may be engaged.

Non-audit services are defined as any service provided by the external auditor under engagement with the Bank outside the scope of the external audit. The scope of the external audit is outlined in the Bank's annual audit engagement letter.

The Bank currently requires that the partner managing the audit for the external auditor be changed within a period of five years.

Auditor

Ernst & Young was appointed as the auditor of the Bank at the 1996 Annual General Meeting and continues in that office.

The Chief Executive Officer is authorised to appoint and remove the chief internal audit executive in consultation with the Audit Committee.

Risk Management

Risk Committee

The Risk Committee oversees credit and market risks assumed by the Bank in the course of carrying on its business.

The Committee considers the Group's credit policies and ensures that management maintains a set of credit underwriting standards designed to achieve portfolio outcomes consistent with the Group's risk/return expectations. In addition, the Committee reviews the Group's credit portfolios and recommendations by management for provisioning for bad and doubtful debts.

The Committee approves risk management policies and procedures for market, funding and liquidity risks incurred or likely to be incurred in the Group's business. The Committee reviews progress in implementing management procedures and identifying new areas of exposure relating to market, funding and liquidity risk.

Framework

The Bank has in place an integrated risk management framework to identify, assess, manage and report risks and risk adjusted returns on a consistent and reliable basis.

Nominations Committee

The Nominations Committee of the Board critically reviews, at least annually, the corporate governance procedures of the Bank and the composition and effectiveness of the Commonwealth Bank Board and the boards of the major wholly owned subsidiaries. The policy of the Board is that the Committee shall consist solely of independent non-executive directors and that the Chairman of the Bank shall be Chairman of the Committee. The Chief Executive Officer attends the meeting by invitation.

In addition to its role in proposing candidates for director appointment for consideration by the Board, the Committee reviews fees payable to non-executive directors and reviews, and advises the Board in relation to Chief Executive Officer succession planning.

Continuous Disclosure

The Corporations Act 2001 and the ASX Listing Rules require that a company disclose to the market matters which could be expected to have a material effect on the price or value of the company's securities. Management processes are in place throughout the Commonwealth Bank Group to ensure that all material matters which may potentially require disclosure are promptly reported to the Chief Executive Officer, through established reporting lines, or as a part of the deliberations of the Bank's Executive Committee. Matters reported are assessed and, where required by the Listing Rules, advised to the market. The Company Secretary is responsible for communications with the ASX and for ensuring that such information is not released to any person until the ASX has confirmed its release to the market.

Corporate Governance continued

Ethical Policies

Values Statement

The Bank demands the highest standards of honesty and loyalty from all its people and strong governance within the Bank.

Our values statement – “trust, honesty and integrity” – reflects this standard.

Statement of Professional Practice

The Bank has adopted a code of ethics, known as a Statement of Professional Practice which sets standards of behaviour required of all employees including:

- To act properly and efficiently in pursuing the objectives of the Bank;
- To avoid situations which may give rise to a conflict of interests;
- To know and adhere to the Bank’s Equal Employment Opportunity policy and programs;
- To maintain confidentiality in the affairs of the Bank and its customers; and
- To be absolutely honest in all professional activities.

These standards are regularly communicated to staff. In addition, the Bank has established insider trading guidelines for staff to ensure that unpublished price-sensitive information about the Bank or any other company is not used in an illegal manner.

Our People

The Bank is committed to providing fair, safe, challenging and rewarding work, recognising the importance of attracting and retaining the best staff and consequently, being in a position to provide good service to our customers.

There are various policies and systems in place to enable achievement of these goals, including:

- Fair Treatment Review systems;
- Equal Employment Opportunity policy;
- Occupational Health and Safety Systems;
- Recruitment and selection policies;
- Performance feedback and review processes;
- Career assessment and succession planning;
- Employee Share Plan; and
- Supporting Professional Development.

Behaviour Issues

The Bank is strongly committed to maintaining an ethical workplace, complying with legal and ethical responsibilities. Policy requires staff to report fraud, corrupt conduct, mal-administration or serious and substantial waste by others. A system has been established, which allows staff to remain anonymous if they wish, for reporting of these matters.

The policy has been extended to include reporting of auditing and accounting issues which will be reported directly to the Chief Compliance Officer. The Chief Compliance Officer reports any such matters to the Audit Committee, noting the status of resolution and actions to be taken.

Governance Philosophy

The Board has consistently placed great importance on the governance of the Bank, which it believes is vital to the wellbeing of the corporation. The Bank has adopted a comprehensive framework of Corporate Governance Guidelines which are designed to properly balance performance and conformance and thereby allow the Bank to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business.

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial report of the Commonwealth Bank of Australia (the 'Bank') and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2003.

The names of the Directors holding office during the financial year and until the date of this report are set out on pages 12 to 15 together with details of Directors' experience, qualifications, special responsibilities and organisations in which each of the Directors has declared an interest.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Commonwealth Bank during the financial year were:

Directors' Meetings

Director	No. of Meetings Held*	No. of Meetings Attended
J T Ralph	11	11
J M Schubert	11	11
D V Murray	11	11
N R Adler	11	11
R J Clairs	11	9
A B Daniels	11	11
C R Galbraith	11	11
W G Kent	11	11
F D Ryan	11	11
F J Swan	11	11
B K Ward	11	11
S C Kay	4	4

* The number of meetings held during the time the Director held office during the year.

Committee Meetings

Director	Risk Committee		Audit Committee		Remuneration Committee		Nominations Committee	
	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended
J T Ralph	6	6			5	5	2	2
J M Schubert			8	7			2	2
D V Murray	6	6			5	5	2	2
N R Adler			8	8				
R J Clairs					5	5		
A B Daniels					5	5		
C R Galbraith	6	6						
W G Kent	6	6						
F D Ryan			8	8				
F J Swan	6	5					2	2
B K Ward			8	8				
S C Kay**	2	2						

* The number of meetings held during the time the Director was a member of the relevant committee.

** Ms Kay was appointed to the Risk Committee on 5 March 2003

Directors' Report continued

Principal Activities

The Commonwealth Bank Group is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, superannuation, life insurance, general insurance, funds management, broking services and finance company activities. The principal activities of the Commonwealth Bank Group during the financial year were:

Banking

The Group provides a full range of retail banking services including housing loans, credit cards, personal loans, savings and cheque accounts and demand and term deposits. The Group has leading domestic market shares in home loans, personal loans, retail deposits and discount stockbroking and is one of Australia's largest issuers of credit cards. The Group also offers a full range of commercial products including business loans, equipment and trade finance, and rural and agribusiness products.

The Institutional Banking operations focus on the top 1,000 corporations, government entities and other major institutions operating in Australasia. Corporate customers have access to financial markets services, securities underwriting, trading and distribution, corporate finance, equities, payments and transaction services, investment management and custody.

The Group also has full service banking operations in New Zealand and Fiji.

Funds Management

The Group is Australia's largest fund manager and largest retail funds manager in terms of its total value of funds under management. The Group's funds management business is managed as part of the Investment and Insurance Services division. These businesses manage a wide range of wholesale and retail investment, superannuation and retirement funds. Investments are across all major asset classes including Australian and International shares, property, fixed interest and cash.

The Group also has funds management businesses in New Zealand, UK and Asia.

Life Insurance

The Group provides term insurance, disability insurance, annuities, master trusts and investment products.

The Group is Australia's third-largest insurer based on life insurance assets held, and is Australia's largest manager in retail superannuation, allocated pensions and annuities by funds under management.

Life insurance operations are also conducted in New Zealand, where the Group has the leading market share, and throughout Asia and the Pacific.

There have been no significant changes in the nature of the principal activities of the Group during the financial year.

Consolidated Profit

Consolidated operating profit after tax and outside equity interests for the financial year ended 30 June 2003 was \$2,012 million (2002: \$2,655 million).

The net operating profit for the year ended 30 June 2003 after tax, and before goodwill amortisation and appraisal value reduction was \$2,579 million. This is an increase of \$78 million or 3% over the year ended 30 June 2002 and was after expensing \$214 million in respect of restructuring initiatives and after expensing \$45 million in respect of the allocation of shares to employees under the ESAP scheme for both 2002 and 2003 against the 2003 profit. Excluding these, for a like-for-like comparison, the 'cash basis' profit grew by 9% over the previous year.

The principal contributing factors to this increase were a growth in net interest income reflecting strong housing loan growth together with growth in commissions, and a decrease in charge for bad and doubtful debts, whilst underlying operating expenses have increased by 2% over the year, primarily due to the set up of the new premium division in banking. Funds management income fell which reflects the effect of depressed equity markets for most of the year.

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 85 cents per share amounting to \$1,066 million. The dividend will be payable on 8 October 2003 to shareholders on the register at 5 pm on 29 August 2003. Dividends paid since the end of the previous financial year:

- As provided for in last year's report, a fully franked final dividend of 82 cents per share amounting to \$1,027 million was paid on 8 October 2002. The payment comprised cash disbursements of \$832 million with \$195 million being reinvested by participants through the Dividend Reinvestment Plan;
- In respect of the current year, a fully franked interim dividend of 69 cents per share amounting to \$865 million was paid on 28 March 2003. The payment comprised cash disbursements of \$699 million with \$166 million being reinvested by participants through the Dividend Reinvestment Plan;
- Additionally, quarterly dividends totaling \$36 million for the year were paid on the PERLS preference shares and \$4 million on the ASB Capital preference shares.

Review of Operations

An analysis of operations for the financial year is set out in the Review of Operations on pages 4 to 5 and Business Overview on pages 33 to 36.

Changes in State of Affairs

During the year the Bank implemented a number of significant strategic initiatives which aimed at improving future productivity and service levels.

The initiatives undertaken during the year included:

- Re-organisation within the retail banking operations aimed at eliminating duplication, inefficiencies and some back office processing;
- Empowerment of front-line retail sales staff with information and decision-making capabilities to better meet customer needs;

- Redesign system and relationship management processes in the small to medium sized business segments; and
- Simplification and consolidation of legacy systems and processes with the Investment and Insurance business.

The related costs of these strategic initiatives were incurred during the current year.

There were no other significant changes in the state of affairs of the Group during the financial year.

Events Subsequent to Balance Date

Corporate Restructure

The Group is in the process of a corporate restructure of the legal entities involved in the Funds Management and Life Insurance operations within Australia. The corporate restructure involves:

- Transferring the Life Insurance business of Commonwealth Life Limited to The Colonial Mutual Life Assurance Society Limited (on 1 July 2003);
- Transferring the former Commonwealth Life Insurance and Funds Management companies into the Colonial sub-group of companies (during July and August 2003); and
- Simplifying the corporate structure within the Colonial sub-group of companies (ongoing, to be substantially completed by December 2003).

The restructure will:

- Align the corporate structure and the management structure; and
- Simplify the corporate structure, increasing transparency for investors, regulators and creditors.

There is no material effect on the regulatory capital position of the Bank, or of any of the life insurance companies, the general insurance company or the funds management companies arising directly from the corporate restructure.

Directors' Report continued

Issue of Trust Preferred Securities

On 6 August 2003, a wholly owned entity of the Bank issued USD 550 million (AUD 824 million) of trust preferred securities, subject to a limited guarantee by the Bank, in the US capital markets. These securities are perpetual in nature and offer a non-cumulative fixed rate distribution of 5.805% p.a., payable semi annually. Distributions will be paid if determined by Directors, or a committee of the Board, to be payable. If a distribution is not paid the Bank will not be permitted to pay dividends on any of its ordinary shares or shares ranking equally with these securities, including Commonwealth Bank PERLS, until two consecutive semi annual dividends are paid. The securities which qualify as Tier 1 capital for the Bank may be redeemed by the Bank, subject to the approval of APRA, on 30 June 2015. If the securities are not redeemed on 30 June 2015, the holders of the securities may request their securities be exchanged for an equivalent value of ordinary shares of the Bank. In certain circumstances, and at any time at the Bank's discretion, the trust preferred securities may be redeemed for American Depositary Shares (ADSs) representing preference shares of the Bank. Where there has been no earlier redemption, the trust preferred securities will be mandatorily redeemed for ADSs on 30 June 2053.

The issue of trust preferred securities provided a cost-effective opportunity to supplement the Bank's Tier 1 Capital and broaden its investor base.

The Directors are not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Future Developments and Results

Major developments, which may affect the operations of the Group in subsequent financial years, are referred to in the Message from the Chairman on pages 1 to 3. In the opinion of the Directors, disclosure of any further information on likely developments in operations would be unreasonably prejudicial to the interests of the Group.

Environmental Regulation

The Bank and its controlled entities are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory, but can incur environmental liabilities as a lender. The Bank has developed credit policies to ensure this is managed appropriately.

Directors' Shareholdings

Particulars of shares in the Commonwealth Bank or in a related body corporate are set out in a separate section at the end of the financial report titled 'Shareholding Information' which is to be regarded as contained in this report.

Options

An Executive Option Plan was approved by shareholders at the Annual General Meeting on 8 October 1996 and its continuation was further approved by shareholders at the Annual General Meeting on 29 October 1998. At the 2000 Annual General Meeting, shareholders approved the establishment of the Equity Reward Plan. On 31 October 2001, 31 January 2002 and 15 April 2002 a total of 3,007,000 options were granted by the Bank to 81 executives under this Plan. During the financial year and for the period to the date of this report 972,500 shares were allotted by the Bank consequent to the exercise of options granted under the Executive Option Plan. Full details of the Plan are disclosed in Note 6 to the financial statements.

The names of persons who currently hold options in the Plan are entered in the register of option holders kept by the Bank pursuant to Section 170 of the Corporations Act 2001. The register may be inspected free of charge.

For details of the options granted to a director, refer to the separate section at the end of the financial report titled 'Shareholding Information' which is to be regarded as contained in this report.

Directors' Interests in Contracts

A number of Directors have given written notices, stating that they hold office in specified companies and accordingly are to be regarded as having an interest in any contract or proposed contract that may be made between the Bank and any of those companies.

Directors' and Officers' Indemnity

Article 19 of the Commonwealth Bank's Constitution provides: "To the extent permitted by law, the company indemnifies every director, officer and employee of the company against any liability incurred by that person (a) in his or her capacity as a director, officer or employee of the company and (b) to a person other than the company or a related body corporate of the company. The company indemnifies every director, officer and employee of the company against any liability for costs and expenses incurred by the person in his or her capacity as a director, officer or employee of the company (a) in defending any proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted or (b) in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Act 2001, provided that the director, officer or employee has obtained the company's prior written approval (which shall not be unreasonably withheld) to incur the costs and expenses in relation to the proceedings".

An indemnity for employees, who are not directors, secretaries or executive officers, is not expressly restricted in any way by the Corporations Act 2001.

The Directors, as named on pages 12 to 15 of this report, and the Secretaries of the Commonwealth Bank, being J D Hatton (Secretary) and H J Broekhuijse (Assistant Company Secretary) are indemnified under Article 19 as are all the executive officers of the Commonwealth Bank.

Deeds of Indemnity have been executed by Commonwealth Bank in terms of Article 19 above in favour of each director.

Directors' and Officers' Insurance

The Commonwealth Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of those named and referred to above and the directors, secretaries, executive officers and employees of any related bodies corporate as defined in the insurance policy. The insurance grants indemnity against liabilities permitted to be indemnified by the company under Section 199B of the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Directors' and other Officers' Emoluments

Details of the Bank's remuneration policy in respect of the Directors and executives is set out under 'Remuneration Arrangements' within the 'Corporate Governance' section of this report.

Details on emoluments paid to each director are detailed in Note 5 of the Financial Report. Details on emoluments paid to the executive director and the other five most highest paid executive officers of the Bank and the Group are disclosed in Note 6 of the Financial Report.

Incorporation of Additional Material

This report incorporates the Review of Operations, Our Directors, Corporate Governance, Business Overview and Shareholding Information sections of this Annual Report.


Roundings

The amounts contained in this report and the financial statements have been rounded to the nearest million dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100.

Signed in accordance with a resolution of the Directors.



J T Ralph, AC
Chairman



D V Murray
Managing Director and
Chief Executive Officer

20 August 2003

Five Year Financial Summary

	2003 \$M	2002 \$M	2001 \$M	2000 \$M	1999 \$M
Financial Performance					
Net interest income	5,026	4,710	4,474	3,719	3,527
Other operating income	4,373	4,358	4,350	2,420	1,997
Total operating income	9,399	9,068	8,824	6,139	5,524
Charge for bad and doubtful debts	305	449	385	196	247
Total operating expenses	5,551	5,201	5,170	3,407	3,070
Operating profit before goodwill amortisation, appraisal value uplift, abnormal items and income tax expense	3,543	3,418	3,269	2,536	2,207
Income tax expense	(958)	(916)	(993)	(820)	(714)
Outside equity interests	(6)	(1)	(14)	(38)	(24)
Net Profit after Tax ("cash basis")	2,579	2,501	2,262	1,678	1,469
Abnormal items	-	-	-	967	-
Income tax credit on abnormal items	-	-	-	20	-
Appraisal value (reduction)/uplift	(245)	477	474	92	-
Goodwill amortisation	(322)	(323)	(338)	(57)	(47)
Operating profit after income tax attributable to members of the Bank	2,012	2,655	2,398	2,700	1,422
Contributions to profit (after tax)					
Banking	2,249	2,067	1,793	1,513	1,342
Funds management	208	368	323	36	24
Life insurance	122	66	146	129	103
Profit on operations (cash basis)	2,579	2,501	2,262	1,678	1,469
Goodwill amortisation	(322)	(323)	(338)	(57)	(47)
Appraisal value uplift	(245)	477	474	92	-
Abnormal income (expense) after tax	-	-	-	987	-
Operating profit after income tax	2,012	2,655	2,398	2,700	1,422
Financial Position					
Loans, advances and other receivables	160,347	147,074	136,059	132,263	101,837
Total assets	265,110	249,648	230,411	218,259	138,096
Deposits and other public borrowings	140,974	132,800	117,355	112,594	93,428
Total liabilities	242,958	228,592	210,563	199,824	131,134
Shareholders' equity	20,024	19,030	18,393	17,472	6,735
Net tangible assets	14,995	13,639	12,677	11,942	6,471
Risk weighted assets	146,808	141,049	138,383	128,484	99,556
Average interest earning assets	188,270	170,634	160,607	129,163	114,271
Average interest bearing liabilities	174,737	157,105	145,978	117,075	103,130
Assets (on balance sheet)					
Australia	221,248	208,673	196,918	187,452	115,510
New Zealand	27,567	24,579	20,208	16,661	13,046
Other	16,295	16,396	13,285	14,146	9,540
Total Assets	265,110	249,648	230,411	218,259	138,096

	2003	2002	2001	2000	1999
Shareholder Summary					
Dividends per share (cents) – fully franked	154	150	136	130	115
Dividend cover (times) – statutory	0.9	1.4	1.4	1.2	1.3
Dividend cover (times) – cash	1.3	1.3	1.3	1.6	1.3
Earnings per share (cents)					
Basic					
before abnormal items	157.4	209.6	189.6	184.8	153.4
after abnormal items	157.4	209.6	189.6	291.2	153.4
Cash basis ⁽⁴⁾	202.6	197.3	178.8	181.0	158.5
Fully Diluted					
before abnormal items	157.3	209.3	189.3	184.4	153.1
after abnormal items	157.3	209.3	189.3	290.7	153.1
Cash basis ⁽⁴⁾	202.5	197.0	178.6	180.6	158.1
Dividend payout ratio (%) ⁽¹⁾					
before abnormal items	97.7	71.7	71.2	83.5	74.7
after abnormal items	97.7	71.7	71.2	53.0	74.7
Cash basis ⁽⁴⁾	75.9	76.2	75.5	85.3	72.4
Net tangible assets per share (\$)	12.0	10.9	10.2	9.2	6.8
Weighted average number of shares (basic)	1,253m	1,250m	1,260m	927m	927m
Weighted average number of shares (fully diluted)	1,254m	1,252m	1,262m	929m	929m
Number of shareholders	746,073	722,612	709,647	788,791	404,728
Share prices for the year (\$)					
Trading high	32.75	34.94	34.15	27.95	28.76
Trading low	23.05	24.75	26.18	22.54	18.00
End (closing price)	29.55	32.93	34.15	27.69	24.05
Performance Ratios (%)					
Return on average shareholders' equity ^{(2) (5)}					
before abnormal items	10.7	14.7	13.5	22.1	20.5
after abnormal items	10.7	14.7	13.5	34.8	20.5
cash basis	13.3	13.1	12.0		
Return on average total assets ⁽²⁾					
before abnormal items	0.8	1.1	1.1	1.1	1.1
after abnormal items	0.8	1.1	1.1	1.7	1.1
cash basis	1.0	1.0	1.0		
Capital adequacy – Tier 1	6.96	6.78	6.51	7.49	7.05
Capital adequacy – Tier 2	4.21	4.28	4.18	4.75	3.12
Deductions	(1.44)	(1.26)	(1.53)	(2.49)	(0.79)
Capital adequacy – Total	9.73	9.80	9.16	9.75	9.38
Net interest margin	2.67	2.76	2.78	2.88	3.09

Five Year Financial Summary continued

	2003	2002	2001	2000	1999
Other Information (numbers)					
Full time staff equivalent ⁽⁶⁾	35,845	37,245	37,460	39,631	30,914
Branches/service centres (Australia)	1,014	1,020	1,066	1,441	1,162
Agencies (Australia)	3,893	3,936	3,928	4,020	3,934
ATMs (Proprietary)	3,116	3,049	2,931	3,092	2,602
EFTPOS terminals	125,959	126,613	122,074	116,064	90,152
EzyBanking	760	730	659	603	n/a
Productivity					
Total Operating Income per full-time (equivalent) employee (\$) ⁽⁶⁾	262,212	243,469	235,558	198,479	178,689
Staff Expense/Total Operating Income (%)	26.1	26.4	26.7	27.8	29.0
Total Operating Expenses ⁽³⁾ /Total Operating Income (%)	59.1	57.4	58.6	57.2	55.6

(1) Dividends paid divided by earnings. The comparative ratios have been amended to the same basis as the current year. Previously this ratio was calculated as Dividend per share divided by Earnings per share.

(2) Calculations based on operating profit after tax and outside equity interests applied to average shareholders' equity/average total assets.

(3) Total Operating Expenses excluding goodwill amortisation and charge for bad and doubtful debts. Note the different business mix following the Colonial acquisition impacts comparison with prior years.

(4) 'Cash earnings' for the purpose of these financial statements is defined as net profit after tax and before abnormal items, goodwill amortisation and life insurance and funds management appraisal value uplift.

(5) 2003 shareholders' equity includes earnings before provision for final dividend of \$1,066 million. Prior periods return on average shareholders' equity – cash basis have been restated to exclude the provision for final dividend.

(6) Staff numbers include all permanent full time staff, part time staff equivalents and external contractors employed by third party agencies. Prior period numbers have been restated to reflect this.

Business Overview

The following commentary provides an overview of the performance of the main businesses of the Group. For further information on the financial performance of these businesses, please refer to page 37 of this Report.

Banking

Retail

Performance was driven by a combination of strong revenue growth and expense efficiencies flowing from process simplification. The buoyant housing market and increased volumes of credit card transactions drove the strong retail revenue and balance performance for the year.

Several key initiatives were undertaken during the year to improve customer service and efficiency outcomes. These included:

- Development of the premium financial services distribution model to facilitate superior client experiences for our premium customers;
- The introduction of a new telling system, improving service and efficiency levels across the branch network;
- A new home loan system introduced for branch and mobile lenders, with automatic linkages to back-office processing areas for significant improvement in customer service and efficiency levels;
- The acquisition of TD Waterhouse. This business has been integrated into CommSec, which in aggregate now has over one million Equities Trading Accounts; and
- Refinement of the credit card loyalty program, Commonwealth Awards, enhancing many of its features for customers. Fee structures for all credit cards were reviewed and changes implemented effective January 2003.

During the year the Reserve Bank proposed substantial reforms to credit card schemes in Australia. The impact of these changes, combined with an expected slowing of the housing market, will reduce the opportunities for market driven revenue growth going forward.

The specific focus in the forthcoming years will be on:

- Enhancing the premium service experience for our clients by enhancing systems and further investment in the training of our people;
- Re-design and refurbishment of the branch network to better service customer needs;
- Streamlining and simplifying processes and procedures to ensure every interaction with customers is as efficient as possible;
- Continuing to upgrade key systems, including ATMs and NetBank, to further improve service delivery;
- Simplifying products and better aligning these to the needs of our customers; and
- Creating an environment where our people are continually encouraged, supported, empowered and motivated to perform at their best.

Business Overview continued

Asia Pacific

Asia Pacific Banking incorporates the Bank's retail and commercial banking operations in New Zealand, Fiji and Indonesia. ASB in New Zealand represents the majority of the Asia Pacific Banking business.

The New Zealand economy grew strongly throughout the financial year. Interest rates were increased modestly, which attracted international investors and resulted in a stronger NZ currency. As a result, lending and funding growth rates contributed to good balance sheet growth.

During the year, ASB continued to make progress in its core business objectives of quality growth, best service, best team, best processes and best distribution. Key achievements during the year were:

- Lending growth at well above market rates in the retail, commercial and rural sectors. The successful spring and summer lending campaigns, strong customer service emphasis and the success of the 'One Team' referral program were key factors contributing to this achievement;
- Leading customer service in the Banking sector. For the fifth consecutive year, ASB was recognised as the top major retail bank in terms of satisfied and very satisfied customers in the Auckland University Bank Customer Satisfaction survey. For the third consecutive year, ASB was rated the top business bank for the same criteria;
- The focus on process efficiencies has led to many operational improvements, which also improved service levels and lowered expenses to serve, an example being the approval of housing loans within an hour of application; and
- A focus on the development of distribution capability led to the launch of 'financial markets on-line', which provides business and institutional customers with the ability to purchase foreign exchange on-line, replacing the telephone ordering service.

Banking operations in Fiji and Indonesia performed well with modest profit growth for the year.

Institutional & Business

The business climate was subdued over the year and, as a result, market competition has intensified. In light of the business environment, the focus for the year was on the continued delivery of innovative solutions and transforming the business for future growth.

During the year, a new client-servicing model, based on client need was implemented. In conjunction with this, simplified technology platforms in business banking centres and streamlined credit processes for all client segments were rolled out. These measures enable a more responsive service to clients, improved productivity and increase the focus on generating new business, while preserving the overall risk profile of the Bank.

Supporting the client-servicing model, a range of new or expanded products was launched during the year. These include specialised leasing and infrastructure financing products, environmental, agricultural and precious metal offerings. We were the first Bank in Australia to launch the "Verified by Visa" and "MasterCard SecureCode" on-line security programs to make Internet transactions safer for both clients and merchants.

Central to the success of the business over the next year will be the continued transformation of product offerings, services, processes and systems and the ongoing promotion of a high performance culture, which enables our people to excel in client service.

Funds Management

In funds management, the 2003 financial year was characterised by declining world equity markets, changing customer preferences for managed investment products and reforms to the regulatory environment. The uncertainty for consumers created by the third straight year of negative equity returns, and the effects of other world events such as the war on terrorism, placed pressure on net fund flows for the industry as a whole. The negative returns on equity markets also impacted on the existing funds under management and associated fee revenue.

In addition to these external influences, the changes in management in the earlier part of the year, and the resultant downgrading of ratings on certain Colonial First State funds by some research houses contributed to the adverse fund flow of the business. The scheduled withdrawal of funds by Winterthur in the UK and the sale of the UK private clients business had a structural impact on the business.

Against this background, increased emphasis was placed on customer retention and improving product and distribution offerings. The key initiatives included:

- The First Choice range of products, launched in May 2002, performed strongly during the year, achieving \$3.2 billion in funds by 30 June 2003. The business retained more than 60% of these funds to manage internally;
- In September 2002, the respective unit holders approved the merger of Colonial First State Property Trust Group (CFT) with the Commonwealth Property Office Funds (CPA) and Gandel Retail Trust (GAN). The merger resulted in CPA and GAN creating two leading sector-specific listed property trusts and the addition of \$2.2 billion in FUM. These businesses have now been successfully integrated and further strengthen the Bank's position as a leading property fund manager;
- The establishment of a strategic alliance with 452 Capital, giving exposure to the growing boutique segment of the funds management industry;
- Extension of the First Choice product offering into the business superannuation market with the launch of "First Choice Employer Super";

- Rationalising our position in the UK market with the sale of the Stewart Ivory Private Client business, giving a clearer focus on our core funds management business in the UK; and
- The investment team in the UK continues to deliver solid investment results against benchmark, and fund flows in the second half of the year have increased substantially.

The key strategic initiatives implemented during the year were focused on process and system simplification and eliminating duplication. The key initiatives included:

- Successful integration of the Commonwealth Investment Management business with Colonial First State Investments, achieved with minimal loss of FUM;
- Rationalisation of the on-sale product range. In particular the Colonial First State product suite has largely been adopted as the on-sale product suite, with most of the older products from other entities being closed to new business;
- Commencement of a migration product within the closed products, aimed at reducing the number of products and systems;
- The continued migration of closed products into First State products and onto the First State platform; and
- The sale of the Bank's custody business to National Australia Bank.

Going forward, the funds management business is positioned well for future growth through its:

- Strong market position and scale across all segments of the value chain with the number one market share of retail funds under management;
- Broad and diversified distribution, including further sales growth opportunities through the retail branch and premium distribution channels; and
- A strong brand in both the investor and adviser market places through Colonial First State.

Business Overview continued

Life Insurance

Australia

The Australian business grew strongly in a difficult market to become Australia's largest writer of Life risk premium during the year. Growth was achieved through product innovation, diversifying distribution and focusing on customer service.

During the year, Commlnsure introduced some innovative new benefits and options on personal risk products, with several firsts in the market such as cash back, accidental death top-ups and loyalty benefits.

In addition, diversification of new business sales has been achieved by an increase in the business volumes being written through the network channel and also from increased telemarketing capacity.

Initiatives in improving customer service and productivity implemented during the year included:

- Assistance to customers in completing disability income tax statements;
- Development of a new front-end delivery system for use in the retail network; and
- Introduction of continuation of insurance cover when loans are paid out or refinanced.

The business was also impacted by a failure of a large investment that resulted in a \$30 million loss.

New Zealand

The life insurance operations in New Zealand trade predominantly under the Sovereign brand. Sovereign maintained its market leadership position, increasing market share of in-force business premium income through product re-pricing, above-market persistency rates and the continued roll out of Sovereign's distribution model.

The major focus during the year was streamlining and improving customer service, a review of key business processes and legacy systems, the creation of ASB Group Investments generating synergies between Sovereign and ASB's investment business and Phase 1 of a product rationalisation and simplification program.

Asia

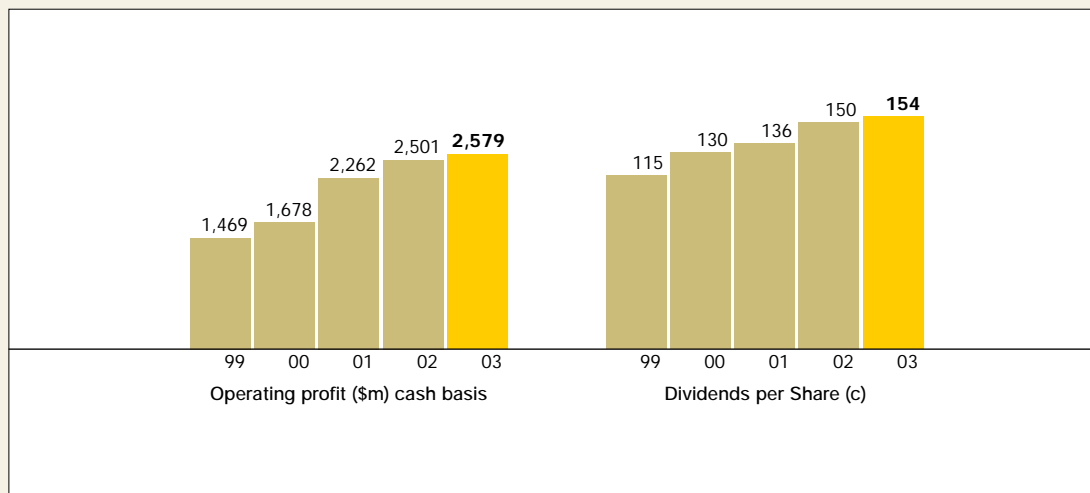
Asia covers our life insurance and pension administration operations in Hong Kong, and our life businesses in China, Vietnam, Indonesia and Fiji. During the year, the Philippines life insurance operation was divested. North Asian economies faced difficult market conditions during the financial year due to the impact of the SARS crisis. The life industry across the region also suffered from volatility in international equity markets.

Notwithstanding these conditions, the Asian business has improved its results, primarily as a result of the following key initiatives:

- The Hong Kong pension administration business (Commserve Financial) became Hong Kong's largest third party pension fund administrator following the insourcing of additional third party pension administration business. This provides the business with a stronger income stream;
- Expense control initiatives in the Hong Kong operations; and
- The disposal of the loss-making Philippine business.

Comments on Statement of Financial Performance

For the year ended 30 June 2003



(Except where otherwise stated, all figures relate to the year ended 30 June 2003 and comparatives for the profit and loss are to the Commonwealth Bank Group year ended 30 June 2002.)

For the year ended 30 June 2003, the Commonwealth Bank Group recorded a net operating profit after income tax of \$2,012 million.

The net operating profit ('cash basis') for the year ended 30 June 2003 after tax, and before goodwill amortisation

and appraisal value uplift is \$2,579 million. This is an increase of \$78 million or 3% over the year ended 30 June 2002 and was after expensing \$214 million in respect of restructuring initiatives and after expensing \$45 million in respect of the allocation of shares to employees under the ESAP scheme for both 2002 and 2003 against the 2003 profit. Excluding these, for a like-for-like comparison, the 'cash basis' profit grew by 9% over the previous year.

The Group result comprised:

	\$M	
Underlying segment profit after tax		
– Banking	2,401	up 16%
– Funds Management	228	down 37%
– Life Insurance	58	up 41%
Shareholder investment returns (after tax)	73	
Operating expenses – included for first time (after tax)	(181)	
Net Profit after tax (cash basis)	2,579	
Appraisal value reduction	(245)	
Goodwill amortisation	(322)	
Net Profit after tax	2,012	

Comments on Statement of Financial Performance continued

For the year ended 30 June 2003

Banking

The contribution to profit after tax from the Group's banking businesses increased to \$2,401 million, 16% over the prior year, reflecting:

- Net interest income growth of \$316 million or 7%, which was achieved through a 10% growth in average interest earning assets compared with the prior year, primarily due to housing loans. This has been partially offset by a reduction in net interest margin of 9 basis points;
- Other banking operating income growth of \$145 million or 6%, driven by growth in lending fees and commission income together with a moderate increase in trading income;
- Expenses from comparable business have increased marginally by 2%; and
- Bad debt expense decreased by \$144 million to \$305 million. Prior year included specific provisions against two large corporate exposures.

Funds Management

The contribution to profit after tax from the Group's funds management business decreased to \$228 million, 37% below the prior year.

Funds under management decreased by 9% to \$94 billion, with most of the decrease occurring in the first half of the year. Approximately half the decrease can be attributed to sale of businesses in the UK.

Life Insurance

The contribution from life insurance to profit after tax was up \$17 million to \$58 million, 41% more than the prior year. The improvement in performance reflects a turnaround in the Asian business and a strong profit growth in New Zealand, partly offset by a write-down of an asset in the Australian business.

Group Expenses

Total operating expenses for the Group were 7% higher than in the prior year, increasing by \$350 million to \$5,551 million. \$259 million of the increase is attributable to first-time costs with \$214 million related to strategic initiatives and another \$45 million is due to the cost of two years of shares issued to employees under the employee share programme. Underlying costs were \$5,292 million.

Income Tax

Income tax expense includes amounts on behalf of life insurance policy holders and corporate tax. During the year, total income tax expense increased by \$42 million to \$958 million, which included a policy holder tax credit of \$58 million (2002: \$36 million tax credit).

The corporate income tax expense increased by \$64 million or 7% to \$1,016 million for 2003. This resulted in an effective corporate tax rate of 28.2% in 2003, which was slightly higher than the prior year rate of 27.6%. This increase was due mainly to the higher recognition of capital losses in the prior year.

Appraisal Value⁽¹⁾

For the year ended 30 June 2003, appraisal values of the life insurance and funds management businesses decreased by \$34 million. The decrease comprised:

- A \$82 million increase in net tangible assets being, profits of \$330 million offset by other capital movements of \$248 million;
- Other valuation changes of \$129 million; and
- An appraisal value reduction of \$245 million.

The reduction of \$245 million in appraisal value reflects the uncertainty and low returns in world equity markets and their effect on industry flows.

(1) Australian Accounting Standard AASB 1038: Life Insurance Business requires that all investments owned by a life company be recorded at market value. The 'appraisal value (reduction)/ uplift' is the periodic movement in the Balance Sheet asset 'excess of market value over net assets'.

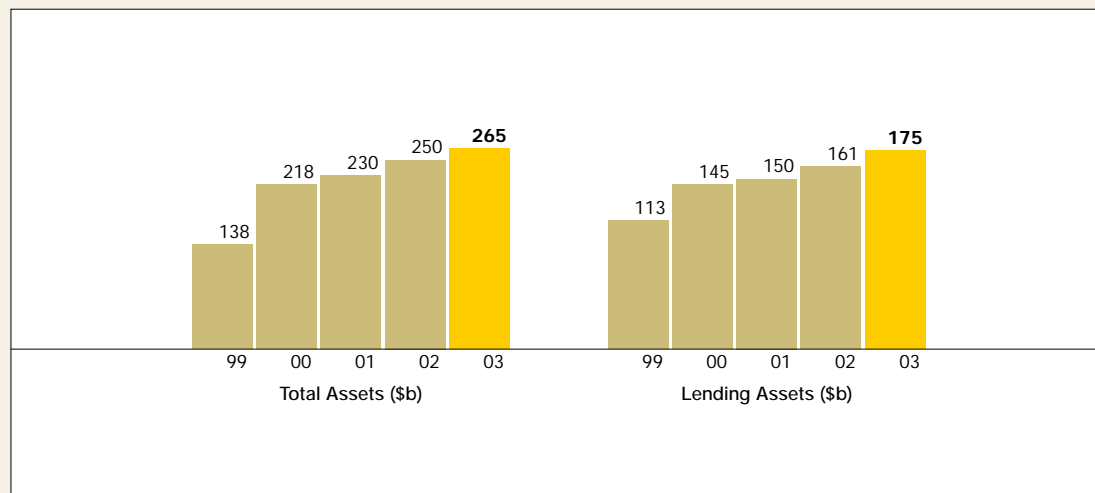
Statement of Financial Performance

For the year ended 30 June 2003

	Group 2003 \$M	Group 2002 \$M
Interest income	11,528	10,455
Interest expense	6,502	5,745
Net interest income	5,026	4,710
Other income:		
Revenue from sale of assets	128	718
Written down value of assets sold	(106)	(628)
Other	2,675	2,462
Net banking operating income	7,723	7,262
Funds management income including premiums	1,125	1,083
Investment revenue	8	(393)
Claims and policyholder liability expense	(91)	457
Net funds management operating income	1,042	1,147
Premiums and related revenue	1,011	866
Investment revenue	620	293
Claims and policyholder liability expense	(997)	(500)
Life insurance margin on services operating income	634	659
Net funds management and life insurance operating income before appraisal value (reduction)/uplift	1,676	1,806
Total net operating income before appraisal value (reduction)/uplift	9,399	9,068
Charge for bad and doubtful debts	305	449
Operating expenses:		
Comparable business	5,292	5,201
First time	259	-
	5,551	5,201
Appraisal value (reduction)/uplift	(245)	477
Goodwill amortisation	(322)	(323)
Profit from ordinary activities before income tax	2,976	3,572
Income tax expense	958	916
Profit from ordinary activities after income tax	2,018	2,656
Outside equity interests in net profit	(6)	(1)
Net profit attributable to members of the Bank	2,012	2,655
Foreign currency translation adjustment	(129)	(146)
Revaluation of properties	3	(1)
Total valuation adjustments	(126)	(147)
Total changes in equity other than those resulting from transactions with owners as owners	1,886	2,508
	Cents per share	Cents per share
Earnings per share based on net profit distributable to members of the Bank		
Basic	157.4	209.6
Fully Diluted	157.3	209.3
Dividends per share attributable to shareholders of the Bank:		
Ordinary shares	154	150
Preference shares (issued 6 April 2001)	1,019	970
	\$M	\$M
Net Profit after Income Tax comprises		
Net Profit after Income Tax ("cash basis")	2,579	2,501
Less Appraisal value (reduction)/uplift	(245)	477
Less Goodwill amortisation	(322)	(323)
Net Profit after Income Tax ("statutory basis")	2,012	2,655

Comments on Statement of Financial Position

As at 30 June 2003



Group Assets

The Group's assets increased by \$16 billion to \$265 billion (2002: \$249.6 billion) over the year.

Total lending assets increased by \$14 billion from \$161 billion to \$175 billion at 30 June 2003 reflecting strong housing loan growth.

The total provisions for impairment for the Group at 30 June 2003 were \$1,530 million down 6% from 30 June 2002. This level of provisioning is considered adequate to cover any bad debt write offs from the current lending portfolio.

The general provision as a percentage of Risk Weighted Assets now sits at 0.90% following a steady decline from 1.09% at 30 June 1999.

Capital Management

The Group maintains a strong capital position.

As at 30 June 2003, the Capital adequacy Ratio was 9.73% (well above the regulatory guideline of 8%), compared to 9.80% at 30 June 2002.

Credit Ratings

The long-term credit ratings of the Bank remain at AA-, Aa3 and AA from Standard & Poor's, Moody's and Fitch respectively.

Issue of Trust Preferred Securities

On 6 August 2003 the Bank, via a wholly owned entity of the Bank, issued USD 550 million (AUD 824 million) of trust preferred securities in the US capital markets. The securities will qualify as Tier 1 capital of the Bank.

Statement of Financial Position

As at 30 June 2003

	Group 2003 \$M	Group 2002 \$M
Assets		
Cash and liquid assets	5,575	6,044
Receivables due from other financial institutions	7,066	7,728
Trading securities	10,435	8,389
Investment securities	11,036	10,766
Loans, advances and other receivables	160,347	147,074
Bank acceptances of customers	13,197	12,517
Life insurance investment assets	27,835	30,109
Deposits with regulatory authorities	23	89
Property, plant and equipment	821	862
Investment in associates	287	313
Intangible assets	5,029	5,391
Other assets	23,459	20,366
Total Assets	265,110	249,648
Liabilities		
Deposits and other public borrowings	140,974	132,800
Payables due to other financial institutions	7,538	7,864
Bank acceptances	13,197	12,517
Provision for dividend	12	1,040
Income tax liability	876	1,276
Other provisions	819	834
Life insurance policyholder liabilities	23,861	25,917
Debt issues	30,629	23,575
Bills payable and other liabilities	19,027	17,342
	236,933	223,165
Loan Capital	6,025	5,427
Total Liabilities	242,958	228,592
Net Assets	22,152	21,056
Shareholders' Equity		
Share Capital		
Ordinary Share Capital	12,678	12,665
Preference Share Capital	687	687
Reserves	3,850	4,226
Retained profits	2,809	1,452
Shareholders' equity attributable to members of the Bank	20,024	19,030
Outside equity interests:		
Controlled entities	304	9
Life insurance statutory funds and other funds	1,824	2,017
Total outside equity interests	2,128	2,026
Total Shareholders' Equity	22,152	21,056

The liabilities of the Commonwealth Bank of Australia and its controlled entity, Commonwealth Development Bank of Australia, as at 30 June 1996 were guaranteed by the Commonwealth of Australia under a statute of the Australian Parliament.

This guarantee is being progressively phased out following the Government sale of its shareholding on 19 July 1996:

- all demand and term deposits will be guaranteed for a period of three years from 19 July 1996, with term deposits outstanding at the end of that three year period being guaranteed until maturity; and
- all other amounts payable under a contract that was entered into before or under an instrument executed, issued, endorsed or accepted by the Bank and outstanding at 19 July 1996, will be guaranteed until their maturity.

Statement of Cash Flows

For the year ended 30 June 2003

	Group 2003 \$M	Group 2002 \$M
Cash Flows From Operating Activities		
Interest received	11,452	10,683
Dividends received	4	5
Interest paid	(6,455)	(5,805)
Other operating income received	3,135	3,706
Expenses paid	(5,438)	(5,366)
Income taxes paid	(1,258)	(926)
Net decrease (increase) in trading securities	(2,484)	(1,159)
Life insurance:		
Investment income	644	870
Premiums received	4,130	5,689
Policy payments	(5,855)	(5,704)
Net Cash provided by/(used in) operating activities	(2,125)	1,993
Cash Flows from Investing Activities		
Payments for acquisition of entities and management rights	(173)	(57)
Proceeds from disposal of entities and businesses	33	314
Net movement in investment securities:		
Purchases	(18,055)	(23,488)
Proceeds from sale	23	295
Proceeds at or close to maturity	17,719	22,192
Withdrawal (lodgement) of deposits with regulatory authorities	66	(28)
Net increase in loans, advances and other receivables	(13,577)	(11,702)
Proceeds from sale of property, plant and equipment	72	109
Purchase of property, plant and equipment	(143)	(164)
Net decrease (increase) in receivables due from other financial institutions not at call	513	(855)
Net decrease (increase) in securities purchased under agreements to resell	50	(1,376)
Net decrease (increase) in other assets	301	(241)
Life insurance:		
Purchases of investment securities	(13,091)	(13,926)
Proceeds from sale/maturity of investment securities	14,628	14,618
Net Cash used in Investing Activities	(11,634)	(14,309)
Cash Flows from Financing Activities		
Proceeds from issue of shares (net of costs)	13	39
Proceeds from issue of preference shares to outside equity interests	182	-
Net increase (decrease) in deposits and other borrowings	5,129	15,135
Net movement in debt issues	7,054	(967)
Dividends paid (including DRP buyback of shares)	(1,933)	(1,661)
Net movements in other liabilities	(926)	1,809
Net increase (decrease) in payables due to other financial institutions not at call	(796)	211
Net increase (decrease) in securities sold under agreements to repurchase	3,046	310
Issue of loan capital	901	-
Other	19	(100)
Net Cash provided by Financing Activities	12,689	14,776
Net Increase (Decrease) in Cash and Cash Equivalents	(1,070)	2,460
Cash and Cash Equivalents at beginning of period	2,498	38
Cash and Cash Equivalents at end of period	1,428	2,498

For further information, refer full Annual Report – 2003 Financial Statements.

The cash flow statement highlights the net growth from Investing Activities of \$11.6 billion including Lending Assets of \$13.6 billion, financed by Deposits growth of \$5.1 billion and debt issues of \$7.0 billion. Operating Activities used \$2.1 billion in cash for the year.

It should be noted that the Bank does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.

Notes to the Financial Statements

For the year ended 30 June 2003

NOTE 1 Accounting Policies

The accompanying concise financial report has been derived from the financial report of the Commonwealth Bank of Australia (the 'Bank') and its controlled entities, the Group, for the year ended 30 June 2003 provided in the full Annual Report - 2003 Financial Report. The statutory financial report complies with the requirements of the Banking Act, Corporations Act 2001, applicable Accounting Standards, including AASB 1039: Concise Financial Reports, and other mandatory reporting requirements so far as they are considered appropriate to a banking corporation.

The concise financial report cannot be expected to provide as full an understanding of the financial performance and financial position of the Group as the full financial report.

The full financial report of the Commonwealth Bank of Australia and its controlled entities for the year ended 30 June 2003 and the Auditor's Report thereon will be sent, free of charge, to members upon request.

The accounting policies applied are consistent with those of the previous year except as noted below.

A full description of the accounting policies adopted by the Group is provided in the full Annual Report 2003 Financial Statements.

Change in accounting policies

The consolidated entity has adopted the new Accounting Standard AASB 1044: Provisions, Contingent Liabilities and Contingent Assets, which has resulted in a change in the accounting for the dividend provisions. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new standard, a provision for dividend will only be recognised at the reporting date where the dividends are declared, determined or publicly recommended prior to the reporting date.

The effect of the revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the year by \$1,027 million. In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003. The change in accounting policy has had no effect on basic and fully diluted earnings per share.

The Group adopted the revised accounting standard AASB 1012: Foreign Currency Translation from 1 July 2002. There were no material changes to the related calculations.

The Group adopted the revised accounting standard AASB 1028: Employee Benefits from 1 July 2002. All employee benefit liabilities expected to be settled more than 12 months after the reporting date were previously subject to actuarial review. As a result there were no material changes to the related liabilities on the adoption of the revised standard.

Share Based Compensation

In August 2002 the Bank announced that it will purchase shares to cover the Employee Share Acquisition Plan (ESAP) and include the full cost as an expense against profits. ESAP shares earned in respect of the 2002 financial year had not been awarded at the time of the announcement, and as such the cost of \$25 million is a one off expense in the current year. In addition, the current year ESAP expense accrued for 2003 financial year is \$20 million. Similarly, the Executive Reward Plan has been restructured effective from 1 July 2002, whereby incentives allocated will be in the form of Reward shares and not options. This resulted in an increased expense for the year of \$5 million. Other share based compensation expense for the year was \$69 million. This was incurred and charged against profit on a consistent basis with prior periods.

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 2 Dividends

	2003 \$M	2002 \$M
Ordinary Shares		
Interim ordinary dividend (fully franked) (2003: 69 cents, 2002: 68 cents, 2001: 61 cents)		
Provision for interim ordinary dividend – cash component only	699	693
Provision for interim ordinary dividend – dividend reinvestment plan	166	159
Declared final ordinary dividend (fully franked) (2003: nil provided, 2002: 82 cents, 2001: 75 cents)		
Provision for final ordinary dividend – cash component only	–	832
Provision for final ordinary dividend – dividend reinvestment plan	–	195
Preference Shares		
Preference dividends paid (fully franked) (2003: 1,019 cents, 2002: 970 cents, 2001: 261 cents)	28	26
Provision for preference dividend	8	8
Dividends provided for or paid	901	1,913
Appropriations to Dividend Reinvestment Plan Reserve		
Interim ordinary dividend	–	–
Final ordinary dividend	–	–
Dividends appropriated to Dividend Reinvestment Plan Reserve	–	–
Total Dividends Provided for, Reserved or Paid	901	1,913
Other provision carried	4	5
Dividends proposed and not recognised as a liability (fully franked) (2003: 85 cents, 2002: nil)	1,066	–

Dividend Franking Account

After fully franking the final dividend to be paid for the year ended 30 June 2003 the amount of credits available as at 30 June 2003 to frank dividends for subsequent financial years is \$417 million. This figure is based on the combined franking accounts of the Bank at 30 June 2003, which have been adjusted for franking credits that will arise from the payment of income tax payable on profits for the year ended 30 June 2003, franking debits that will arise from the payment of dividends proposed for the year and franking credits that the Bank may be prevented from distributing in subsequent financial periods. The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. Dividend payments on or after 1 July 2003 will be franked at the 30% tax rate. These calculations have been based on the taxation law as at 30 June 2003.

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 3 Financial Reporting by Segments

Primary Segment Business Segments Financial Performance	Year Ended 30 June 2003			Group Total \$M
	Banking \$M	Funds Management \$M	Life Insurance \$M	
Interest income	11,528	-	-	11,528
Premium and related revenue	-	-	1,011	1,011
Other income	2,803	1,133	620	4,556
Total Revenue	14,331	1,133	1,631	17,095
Interest Expense	6,502	-	-	6,502
Segment Result before tax, goodwill amortisation and appraisal value (reduction)/uplift	3,187	206	150	3,543
Income tax expense	(938)	8	(28)	(958)
Segment Result after tax and before goodwill amortisation and appraisal value (reduction)/uplift	2,249	214	122	2,585
Outside equity interest	-	(6)	-	(6)
Segment Result after tax and outside equity interest before goodwill amortisation and appraisal value (reduction)/uplift	2,249	208	122	2,579
Goodwill amortisation ⁽¹⁾				(322)
Appraisal value (reduction)/uplift ⁽¹⁾				(245)
Net profit attributable to shareholders of the Bank	2,249	208	122	2,012
Non-Cash Expenses				
Goodwill amortisation				322
Charge for bad and doubtful debts	305	-	-	305
Depreciation	109	8	11	128
Appraisal value reduction				245
Other	112	1	-	113
Financial Position				
Total Assets	229,289	19,622	16,199	265,110
Acquisition of Property, Plant and Equipment, Intangibles and other Non-Current Assets	98	16	6	120
Associate Investments	214	12	61	287
Total Liabilities	216,939	17,044	8,975	242,958

(1) These are Group items and, accordingly, are not allocated to the business segments, which is consistent with management reporting.

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 3 Financial Reporting by Segments continued

Primary Segment Business Segments Financial Performance	Year Ended 30 June 2002			Group Total \$M
	Banking \$M	Funds Management \$M	Life Insurance \$M	
Interest income	10,455	-	-	10,455
Premium and related revenue	-	-	866	866
Other income	3,180	690	293	4,163
Appraisal value uplift				477
Total Revenue	13,635	690	1,159	15,961
Interest Expense	5,745	-	-	5,745
Segment Result before tax, goodwill amortisation and appraisal value uplift	2,884	399	135	3,418
Income tax expense	(816)	(31)	(69)	(916)
Segment Result after income tax and before goodwill amortisation and appraisal value uplift	2,068	368	66	2,502
Outside equity interest	(1)	-	-	(1)
Segment Result after tax and outside equity interest before goodwill amortisation and appraisal value uplift	2,067	368	66	2,501
Goodwill amortisation ⁽¹⁾				(323)
Appraisal value uplift ⁽¹⁾				477
Net profit attributable to shareholders of the Bank	2,067	368	66	2,655
Non-Cash Expenses				
Goodwill amortisation				323
Charge for bad and doubtful debts	449	-	-	449
Depreciation	109	7	12	128
Other	87	2	1	90
Financial Position				
Total Assets	211,130	20,531	17,987	249,648
Acquisition of Property, Plant and Equipment, Intangibles and other Non-current Assets	147	17	-	164
Associate Investments	235	30	48	313
Total Liabilities	200,885	18,123	9,584	228,592

(1) These are Group items and, accordingly, are not allocated to the business segments, which is consistent with management reporting.

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 3 Financial Reporting by Segments continued

Secondary Segment Geographical Segment	2003 \$M	%	2002 \$M	%	2001 \$M	%
GEOGRAPHICAL SEGMENTS						
Revenue						
Australia	13,934	81.6	12,651	79.3	15,265	83.3
New Zealand	2,025	11.8	1,591	10.0	1,499	8.2
Other Countries *	1,136	6.6	1,719	10.7	1,567	8.5
	17,095	100.0	15,961	100.0	18,331	100.0
Net profit attributable to shareholders of the Bank						
Australia	1,385	68.8	2,569	96.8	2,228	92.9
New Zealand	539	26.8	178	6.7	159	6.6
Other Countries *	88	4.4	(92)	(3.5)	11	0.5
	2,012	100.0	2,655	100.0	2,398	100.0
Assets						
Australia	221,248	83.5	208,673	83.6	196,918	85.5
New Zealand	27,567	10.4	24,579	9.8	20,208	8.8
Other Countries *	16,295	6.1	16,396	6.6	13,285	5.7
	265,110	100.0	249,648	100.0	230,411	100.0
Acquisition of Property, Plant & Equipment, Intangibles and other Non-current Assets						
Australia	98	81.7	134	81.7	360	92.1
New Zealand	6	5.0	26	15.9	29	7.4
Other Countries *	16	13.3	4	2.4	2	0.5
	120	100.0	164	100.0	391	100.0

* Other Countries are: United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, Philippines, Fiji, Indonesia, China and Vietnam.

The geographical segments represent the location in which the transaction was booked.

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 4 Earnings per Share

	2003 cents	2002 cents
Earnings Per Ordinary Share		
- Basic	157.4	209.6
- Fully diluted	157.3	209.3
	\$M	\$M
Reconciliation of earnings used in the calculation of earnings per share		
Profit from ordinary activities after income tax	2,018	2,656
Less: Preference share dividends	(40)	(34)
Less: Outside equity interests	(6)	(1)
Earnings used in calculation of earnings per share	1,972	2,621
	Number of Shares	
	2003 M	2002 M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,253	1,250
Effect of dilutive securities - share options	1	2
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	1,254	1,252
Cash Basis Earnings Per Ordinary Share	cents	cents
- Basic	202.6	197.3
- Fully diluted	202.5	197.0

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 5 Remuneration of Directors

Total amount received or due and receivable by non-executive Directors of the Company for the year ended 30 June 2003 was:

	Base Fee/Pay \$	Committee Fee \$	Salary Sacrifice ⁽²⁾ \$	Superannuation ⁽¹⁾ \$	Total Remuneration \$
Non-Executive Directors					
Mr J T Ralph, AC	216,000	32,000	62,000	5,626*	315,626
Dr J M Schubert	108,000	20,000	32,000	11,520	171,520
Mr N R Adler, AO	72,000	16,000	22,000	7,920	117,920
Mr R J Clairs, AO	72,000	12,000	21,000	7,560	112,560
Mr A B Daniels, OAM	72,000	12,000	21,000	7,560	112,560
Mr C R Galbraith, AM	72,000	20,000	23,000	8,280	123,280
Ms S C Kay**	25,863	6,465	8,082	2,910	43,320
Mr W G Kent, AO	72,000	20,000	23,000	8,280	123,280
Mr F D Ryan	72,000	16,000	22,000	7,920	117,920
Mr F J Swan	72,000	20,000	23,000	8,280	123,280
Ms B K Ward	72,000	16,000	22,000	7,920	117,920

Executive Director

Mr D V Murray (refer Note 6)

* Mr J T Ralph turned 70 during the 2002/03 financial year. The Bank's SG obligations generally cease after a person attains age 70.

** Ms S C Kay was appointed a Director on 5 March 2003.

(1) The Bank is currently not contributing to the Officers' Superannuation Fund. A notional cost of superannuation has been determined on an individual basis for certain of the Directors. Other Directors have superannuation contributions made to other funds.

(2) Under the Non-Executive Directors Share Plan detailed in the Explanatory Memorandum to the Notice of Meeting for the 2000 Annual General Meeting, Non-Executive Directors are required to receive 20% of their remuneration in shares. This was implemented from the second quarter of the financial year.

Directors' Retirement Allowance Scheme

The Board has discontinued the retirement scheme which provided for benefits to be paid to non-executive directors. The terms of this scheme, which were approved by shareholders at the 1997 Annual General Meeting, allowed for a benefit on a pro rata basis to a maximum of four years' total emoluments after twelve years' service. The entitlements of the non-executive directors in office at the time of discontinuance will not be affected and are shown below. No new members will be admitted to the scheme from that time.

	Increase in accrued benefit in year \$	Entitlement as at 30 June 2003 \$
Non-Executive Directors		
Mr J T Ralph, AC	127,635	1,160,000
Dr J M Schubert	102,537	577,260
Mr N R Adler, AO	34,867	395,342
Mr R J Clairs, AO	44,194	145,800
Mr A B Daniels, OAM	103,796 ⁽¹⁾	103,796
Mr C R Galbraith, AM	104,132 ⁽¹⁾	104,132
Mr W G Kent, AO	104,132 ⁽¹⁾	104,132
Mr F D Ryan	109,074 ⁽¹⁾	109,074
Mr F J Swan	46,924	213,657
Ms B K Ward	53,672	301,389
Ms S C Kay ⁽²⁾	—	—

(1) First year of entitlement – accumulated for three years' service

(2) Appointed as a Director after closure of scheme

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 6 Remuneration of Executives

The following table shows remuneration for the executive director and five highest paid other members of the senior executive team reporting directly to the Chief Executive Officer, who were officers of the Bank and the Group in the year ended 30 June 2003. The table does not include individuals who are not direct reports to the Chief Executive Officer, but whose incentive based remuneration in any given year is in excess of that received by a member of the senior executive team.

Senior Executive Team

Name & Position	Base Pay ⁽¹⁾ \$	Bonus in respect of this year ⁽²⁾		Super- annuation ⁽³⁾ \$	Other Compensation ⁽⁴⁾ \$	Total Remuneration \$
		Paid in Cash \$	Vested in CBA Shares \$			
D V Murray Chief Executive Officer	1,625,000	375,000	375,000	131,625	13,000	2,519,625
S I Grimshaw Group Executive, Investment & Insurance Services	815,616	262,500	262,500	58,724	313,000	1,712,340
M A Katz Group Executive, Premium Financial Services	870,000	240,000	240,000	67,500	13,000	1,430,500
M J Ullmer Group Executive, Institutional & Business Services	820,000	217,500	217,500	132,300	13,000	1,400,300
G L Mackrell Group Executive, International Financial Services	540,000	185,000	185,000	66,802	13,000	989,802
A R Cosenza Group Executive, Office of CEO	560,000	160,000	160,000	40,320	13,000	933,320
Retired Executive P L Polson Group Executive, Investment & Insurance Services ⁽⁵⁾	240,411	-	-	63,519	1,204,795	1,508,725

(1) Base pay reflects amounts paid in the year ending 30 June 2003 and is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles.

(2) Bonuses paid are for the year ending 30 June 2003. The Group has a vesting (deferral) arrangement for most executives. 50% of the bonus payment is paid in cash and the remaining 50% is deferred and vested in the Bank's shares. Half of the shares will vest after one year (in 2004) and half will vest after two years (in 2005). Generally shares are only received if the executive is still in the employ of the Bank on the relevant dates.

(3) The Bank is currently not contributing to the Officers' Superannuation Fund or to the Colonial Group Staff Superannuation Scheme. However, the notional cost of superannuation has been determined on an individual basis for each executive.

(4) Other compensation includes, where applicable, car parking (including FBT), accommodation (including FBT), commencement payments, retirement allowances, contractual and other payments.

(5) Retired 26 October 2002.

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 6 Remuneration of Executives continued

The following table shows the number of shares granted as well as the amortisation of unvested shares and options for the year ending 30 June 2003.

Name & Position	Number of Shares granted during the year ending 30 June 2003 ⁽¹⁾	Amortisation for the year ending 30 June 2003 of unvested shares and options allocated in fiscal years 2001, 2002 and 2003	
		Option Grants ⁽¹⁾ \$	Share Grants ⁽¹⁾ \$
D V Murray Chief Executive Officer	110,000	412,347	667,973
S I Grimshaw Group Executive, Investment & Insurance Services	39,000	65,189	232,565
M A Katz Group Executive, Premium Financial Services	48,000	174,527	383,601
M J Ullmer Group Executive, Institutional & Business Services	48,000	168,324	383,601
G L Mackrell Group Executive, International Financial Services	29,500	89,830	220,910
A R Cosenza Group Executive, Office of CEO	29,500	85,792	220,161
Retired Executive			
P L Polson Group Executive, Investment & Insurance Services ⁽²⁾	–	59,526	78,698

(1) Since 2002/03, Shares only have been allocated under the Equity Reward Plan. Shares are purchased on-market at the current market price and the cost of the shares acquired is expensed against the Profit & Loss account over a 3 year period. No consideration is payable by the executive for the grant of shares and the vesting of the executive's legal title to the executive is conditional on the Bank achieving the prescribed performance hurdle.

Option Grants previously awarded under the Equity Reward Plan were a right to subscribe for ordinary shares at an exercise price which was the Market Value (defined as the weighted average of the prices at which the Bank's ordinary shares were traded on the ASX during the one week period before the Commencement Date) plus a premium representing the time value component of the value of options (based on the actual differences between the dividend and bond yields at the date of the vesting of the right to exercise the options). No options have been granted since 2001/02.

The prescribed performance hurdle for Options and Shares issued prior to 2002/03 was:

- The Bank's Total Shareholder Return (growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed the index of Total Shareholder Return achieved by a comparator group of companies, excluding the Bank.
- If the performance hurdle is not reached within that three years, the Options and Shares may nevertheless be exercisable or vest as appropriate only where the hurdle is subsequently reached within five years from the Commencement Date. If the performance hurdle is not met within this period the Options will lapse and entitlement to Shares will be forfeited.

In relation to Reward Shares granted from 2002/03 onwards, a tiered vesting scale was introduced so that 50% of allocated shares vest if the Bank's Total Shareholder Return is equal to the median return of the comparator group, 75% vest at the 67th percentile and 100% when the Bank's return is in the top quartile with a linear relationship between the percentiles.

Where the rating is at least at the 50th percentile on the third anniversary of the grant, the shares will vest at a time nominated by the executive, within the trading windows, over the next two years. The vesting percentage will be at least that achieved on the third anniversary of the grant and the executive will be able to delay vesting until a subsequent half yearly window prior to the fifth anniversary of the grant. The vesting percentage will be calculated by reference to the rating at that time.

Where the rating is below the 50th percentile on the third anniversary of grant, the shares can still vest if the rating reaches the 50th percentile prior to the fifth anniversary, but the maximum vesting will be 50%.

Options and Shares previously allocated under the Equity Reward Plan will continue until they vest upon the prescribed performance hurdles being met or they lapse.

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 6 Remuneration of Executives continued

The amortisation of Options and Shares disclosed on page 51 is calculated as follows:

Options – Calculated using the 'fair value' of all outstanding (i.e. currently unexercisable) Options granted in fiscal years 2001 and 2002 (plus second tranche of Options granted to the CEO in fiscal year 2000). The 'fair value' (as previously disclosed for US GAAP purposes) is derived using a Black-Scholes valuation discounted by 50% for the probability of not meeting the performance hurdle. The annualised equivalent of the 'fair value' in respect of each grant has been apportioned on a straight line basis over the period from the Commencement Date until the first possible vesting date – a period of 37 months (49 months in respect of the second tranche of Options granted to the CEO in fiscal year 2000). The first tranche of Options granted to the CEO in fiscal year 2000 as well as to other executives have not yet become exercisable but have passed the first possible vesting date and are not included in the values calculated.

Shares – Calculated using the market value at the Commencement Date of all outstanding (i.e. currently unvested) entitlements to Shares granted in fiscal years 2001, 2002 and 2003 discounted by 50% for the probability of not meeting the performance hurdle. The annualised equivalent of the 'fair value' in respect of each grant has been apportioned on a straight line basis over the period from the Commencement Date until the first possible vesting date – a period of 37 months.

(2) Retired 26 October 2002.

Equity Reward Plan (ERP)

The Board has envisaged that up to a maximum of 500 employees would participate each year in the ERP.

Previous grants under the ERP were in two parts, comprising grants of options and grants of shares. Since 2001/02, no options have been issued under the ERP. In 2002/03 Reward Shares only were issued under this plan.

The exercise of previously granted options and the vesting of employee legal title to the shares is conditional on the Bank achieving a prescribed performance hurdle. The ERP performance hurdle is based on relative Total Shareholder Return (TSR) with the Bank's TSR performance being measured against a comparator group of companies.

The prescribed performance hurdle for Options and Reward Shares issued prior to 2002/03 was:

- The Bank's TSR (broadly, growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed the index of TSR achieved by the comparator group of companies. The comparator group (previously companies represented in the ASX's 'Banks and Finance Accumulation Index' excluding the Bank) was widened in 2001/02 to better reflect the Bank's business since the acquisition of Colonial.
- If the performance hurdle is not reached within that three years the options may nevertheless be exercisable or the shares vest, only where the hurdle is subsequently reached within 5 years from the Grant Date.

A further change was introduced in relation to Reward Shares granted from 2002/03 onwards.

A tiered vesting scale was introduced so that 50% of the allocated shares vest if the Bank's TSR is equal to the median return, 75% vest at the 67th percentile and 100% when the Bank's return is in the top quartile.

Where the rating is at least at the 50th percentile on the third anniversary of the grant, the shares will vest at a time nominated by the executive, within the trading windows, over the next two years. The vesting percentage will be at least that achieved on the third anniversary of the grant and the executive will be able to delay vesting until a subsequent half yearly window prior to the fifth anniversary of the grant. The vesting percentage will be calculated by reference to the rating at that time.

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 6 Remuneration of Executives continued

Where the rating is below the 50th percentile on the third anniversary of grant, the shares can still vest if the rating reaches the 50th percentile prior to the fifth anniversary, but the maximum vesting will be 50%.

Shares acquired under the share component of the ERP are purchased on-market at the current market price. The cost of shares acquired is expensed against the Profit and Loss Account over a three year period, reflecting the minimum vesting period.

Executive options issued up to September 2001 are not currently recorded as an expense by the Group. If the options issued in 2001/02 were expensed to the Profit and Loss Account, the amount recorded by the Group would have been \$6.0 million, based on 2,994,500 options being issued with a fair value of \$2.01 and 12,500 options with a fair value of \$1.53. (The fair value is determined using the Black-Scholes option pricing model and includes a 50% discount for probability of options not being exercised).

Details of options issued and shares acquired under ERP are as follows –

Options

Year of Grant	Commencement Date	Issue Date	Options Issued	Options Outstanding ⁽¹⁾	Participants	Exercise Price	Exercise Period
2000	13 Sep 2000	7 Feb 2001	577,500	427,500	23	\$26.97 ⁽²⁾	14 Sep 2003 to 13 Sep 2010 ⁽³⁾
	13 Sep 2000	31 Oct 2001	12,500	0	1	\$26.97 ⁽²⁾	14 Sep 2003 to 13 Sep 2010 ⁽³⁾
2001	3 Sep 2001	31 Oct 2001	2,882,000	2,223,900	79	\$30.12 ⁽²⁾	4 Sep 2004 to 3 Sep 2011 ⁽⁴⁾
	3 Sep 2001	31 Jan 2002	12,500	12,500	1	\$30.12 ⁽²⁾	4 Sep 2004 to 3 Sep 2011 ⁽⁴⁾
	3 Sep 2001	15 Apr 2002	100,000	100,000	1	\$30.12 ⁽²⁾	4 Sep 2004 to 3 Sep 2011 ⁽⁴⁾

(1) Options outstanding as at the date of the report.

(2) Will be adjusted by the premium formula (based on the actual difference between the dividend and bond yields at the date of the vesting).

(3) Performance Hurdle must be satisfied between 14 September 2003 and 13 September 2005, otherwise options will lapse.

(4) Performance Hurdle must be satisfied between 4 September 2004 and 3 September 2006, otherwise options will lapse.

Shares

Year of Grant	Purchase Date	Shares Purchased	Shares Allocated	Participants	Vesting Period	Average Purchase Price
2000	20 Feb 2001	361,100	361,100	61	14 Sept 2003 to 13 Sept 2005 ⁽³⁾	\$29.72
	31 Oct 2001	2,000	2,000	1	14 Sept 2003 to 13 Sept 2005 ⁽³⁾	\$29.25
2001	31 Oct 2001	652,100	661,500 ⁽¹⁾	241	4 Sept 2004 to 3 Sept 2006 ⁽³⁾	\$29.25
2002	22 Nov 2002	357,500	545,500 ⁽²⁾	195	2 Sept 2005 to 1 Sept 2007 ⁽³⁾	\$28.26

(1) In October 2001, 11,400 Reward Shares were re-allocated to participants receiving the 2001 grant as a result of Reward Shares forfeited from previous ERP grant.

(2) In November 2002, 188,000 Reward Shares were re-allocated to participants receiving the 2002 grant as a result of Reward Shares forfeited from previous grants. The total number of Reward Shares allocated in 2002 represents fifty percent of the maximum entitlement that participants may receive. It is intended that Reward Shares required to meet obligations under ERP will be acquired by the Trust on-market during the three years prior to the first measurement point of the Performance Hurdle.

(3) Performance Hurdle must be satisfied within the vesting period, otherwise shares will be forfeited.

During the vesting period, Reward Shares are held in Trust. Each participant on behalf of whom Reward Shares are held by the Trustee, have a right to receive dividends. Once the shares vest dividends are paid in relation to those accrued during the vesting period. The participant may also direct the Trustee on how the voting rights attached to the shares are to be exercised during the vesting period.

Notes to the Financial Statements continued

For the year ended 30 June 2003

NOTE 6 Remuneration of Executives continued

Executive Option Plan (EOP)

As previously notified to shareholders, this Plan was discontinued in 2000/01.

Under the EOP, the Bank granted options to purchase ordinary shares to those key executives who being able, by virtue of their responsibility, experience and skill to influence the generation of shareholder wealth, were declared by the Board of Directors to be eligible to participate in the Plan. Non-Executive Directors were not eligible to participate in the Plan.

Options cannot be exercised before each respective exercise period and the ability to exercise is conditional on the Bank achieving a prescribed performance hurdle.

The performance hurdle is the same TSR comparator hurdle as outlined above for the Equity Reward Plan (ERP) grants prior to 2002/03.

If the performance hurdle is not reached within that 3 years (4 years for the second tranche of options granted to the Chief Executive Officer on 24 August 1999), the options may nevertheless be exercisable only where the hurdle is subsequently reached within 5 years (6 years for the second tranche of options granted to the Chief Executive Officer on 24 August 1999) from the Grant Date.

The option plan did not grant rights to the option holders to participate in a share issue of any other body corporate.

Details of issues made under EOP are as follows –

Commencement Date	Issue Date	Options Issued	Options Outstanding	Participants	Exercise Price ⁽¹⁾	Exercise Period
12 Nov 1996	16 Dec 1996	2,100,000	–	25	\$11.85	13 Nov 1999 to 12 Nov 2001
3 Nov 1997	11 Dec 1997	2,875,000	–	27	\$15.53 ⁽²⁾	4 Nov 2000 to 3 Nov 2002
25 Aug 1998	30 Sep 1998	3,275,000	387,500	32	\$19.58 ⁽²⁾	26 Aug 2001 to 25 Aug 2003
24 Aug 1999	24 Sep 1999	3,855,000	3,221,000	38	\$23.84 ⁽³⁾	25 Aug 2002 to 24 Aug 2009
13 Sep 2000	13 Oct 2000	2,002,500	1,336,200	50	\$26.97 ⁽³⁾	14 Sep 2003 to 13 Sep 2010

(1) Market Value at the Commencement Date. Market Value is defined as the weighted average of the prices at which shares were traded on the ASX during the one week period before the Commencement Date.

(2) Premium adjustment (based on the actual difference between the dividend and bond yields at the date of vesting) was nil.

(3) Will be adjusted by the premium formula (based on the actual difference between the dividend and bond yields at the date of the vesting).

A summary of shares issued during the period 1 July 2002 to the date of the report as a result of options being exercised are:

Option Issue Date	Shares Issued	Price paid per Share	Total Consideration Paid
30 Sep 1998	810,000	\$19.58	\$15,859,800

No amount is unpaid in respect of the shares issued upon exercise of the options during the above period. Under the Bank's EOP and ERP an option holder generally has no right to participate in any new issue of securities of the Bank or of a related body corporate as a result of holding the option except that if there is a pro rata issue of shares to the Bank's shareholders by way of bonus issue involving capitalisation (other than in place of dividends or by way of dividend reinvestment) an option holder is entitled to receive additional shares upon exercise of the options being the number of bonus shares that the option holder would have received if the options had been exercised and shares issued prior to the bonus issue.

Equity Participation Plan (EPP)

The EPP facilitates the voluntary sacrifice of both fixed salary and annual bonus to be applied in the acquisition of shares. The Plan also facilitates the mandatory sacrifice of annual performance bonuses. The costs associated with this plan are expensed. All shares acquired by employees under this Plan are purchased on-market at the then current market price.

Directors' Declaration

The Directors declare that in their opinion, the concise financial report of the Commonwealth Bank of Australia for the year ended 30 June 2003 as set out on pages 37 to 54 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2003.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Commonwealth Bank of Australia as the full financial report, which is available on request.

This declaration is made in accordance with a resolution of the Directors.



J T Ralph, AC
Chairman



D V Murray
Managing Director and
Chief Executive Officer

20 August 2003

Independent Audit Report

To members of Commonwealth Bank of Australia

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the concise financial report of Commonwealth Bank of Australia (the Bank) for the year ended 30 June 2003 included on the Bank's web site. The Bank's directors are responsible for the integrity of the Bank's web site. We have not been engaged to report on the integrity of the Bank's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Commonwealth Bank of Australia (the Bank) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the Bank are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 "Concise Financial Reports", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach

We conducted an independent audit on the concise financial report in order to express an opinion on it to the members of the Bank. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports". We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the concise financial report is consistent with the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the Bank for the year ended 30 June 2003. Our audit report on the full financial report was signed on 20 August 2003, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence

We are independent of the Bank, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the full and concise financial reports, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the concise financial report of Commonwealth Bank of Australia complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Ernst & Young

Sydney
20 August 2003

S J Ferguson
Partner

Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 19 August 2003

Rank	Name of Holder	Number of Shares	%
1	JP Morgan Nominees Australia Ltd	125,476,803	10.01
2	National Nominees Limited	83,086,262	6.63
3	Westpac Custodian Nominees Ltd	79,115,602	6.31
4	Citicorp Nominees Pty Limited	55,570,707	4.43
5	RBC Global Services Australia Nominees Pty Limited	38,330,704	3.06
6	Commonwealth Custodial Services Limited	20,041,919	1.60
7	AMP Life Limited	17,871,153	1.43
8	ANZ Nominees Limited	16,032,155	1.28
9	Queensland Investment Corporation	13,308,399	1.06
10	Cogent Nominees Pty Limited	11,837,661	0.94
11	HSBC Custody Nominees (Australia) Limited	7,390,996	0.59
12	Westpac Financial Services Ltd	5,932,044	0.47
13	Invia Custodian Pty Limited	4,832,697	0.39
14	Bond Street Custodians Limited	4,523,108	0.36
15	CSS Board & PSS Board	4,470,337	0.36
16	Australian Foundation Investment Company Limited	4,195,245	0.33
17	Government Superannuation Office	3,624,656	0.29
18	Gladiator Custodian Pty Ltd	3,582,953	0.29
19	UBS Warburg Private Clients Nominees Pty Ltd	3,410,467	0.27
20	NRMA Nominees Pty Limited	3,176,111	0.25

The twenty largest shareholders hold 505,809,979 shares which is equal to 40.35% of the total shares on issue.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia are listed on the Australian Stock Exchange under the trade symbol CBA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank does not have a current on-market buyback of its shares.

Directors' Shareholdings as at 20 August 2003

	Shares	Options
J T Ralph, AC	21,339	
J M Schubert	14,428	
D V Murray	230,946	1,250,000
N R Adler, AO	8,636	
R J Clairs, AO	11,927	
A B Daniels, OAM	15,135	
C R Galbraith, AM	6,579	
S C Kay	2,184	
W G Kent, AO	9,708	
F D Ryan	5,935	
F J Swan	4,038	
B K Ward	4,059	

Mr Murray has a total holding of 97,000 shares under the Equity Reward Plan registered in the name of the Trustee. In addition, Mr Ralph beneficially holds 100,000 units in Commonwealth Property Trust and 495,294 units in Colonial First State Hedge Fund and Mr Daniels beneficially holds 73,588 units in Colonial First Global Health and Biotech Fund. A related party of Mr Daniels holds 59,818 units in Colonial First State Future Leaders Fund and 84,994 units in Colonial First State Imputation Fund.

Shareholding Information continued

Guidelines for Dealings by Directors in Shares

The restrictions imposed by law on dealings by Directors in the securities of the Bank have been supplemented by the Board of Directors adopting guidelines which further limit any such dealings by Directors, their spouses, any dependent child, family company and family trust. The guidelines provide that, in addition to the requirement that Directors not deal in the securities of the Bank or any related company when they have or may be perceived as having relevant unpublished price sensitive information, Directors are only permitted to deal within certain periods. Further, the guidelines require that Directors not deal on the basis of considerations of a short term nature or to the extent of trading in those securities.

Range of Shares (Fully Paid Ordinary Shares and Employee Shares): 19 August 2003

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1-1,000	578,272	77.76%	192,877,335	15.36%
1,001-5,000	146,784	19.74%	295,759,711	23.55%
5,001-10,000	12,888	1.73%	89,215,343	7.10%
10,001-100,000	5,450	0.73%	107,083,627	8.53%
100,001 - Over	265	0.04%	571,111,021	45.47%
Total	743,659	100%	1,256,047,037	100%
Less than marketable parcel of \$500	14,461		95,327	

Voting Rights

Under the Bank's Constitution, each member present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- On a show of hands - to one vote; and
- On a poll - to one vote for each share held or represented
 - If a member is present in person, any proxy or attorney of that member is not entitled to vote.
 - If more than one official representative or attorney is present for a member:
- None of them are entitled to vote on a show of hands; and
- On poll only one official representative may exercise the member's voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the member's voting rights, not exceeding in aggregate 100%.

If a member appoints two proxies and both are present at the meeting and the appointment does not specify the proportion or number of the member's votes each proxy may exercise:

- Neither proxy shall be entitled to vote on a show of hands; and
- On a poll each proxy may exercise one half of the member's votes.

Trust Preferred Securities

On 6 August 2003 the Bank, via a wholly owned entity of the Bank, issued USD 550 million (AUD 824 million) of Trust Preferred Securities, subject to a limited guarantee by the Bank, in the US capital markets. At 19 August 2003, there were 550,000,000 Trust Preferred Securities outstanding held by 32 investors. No investor held more than 20% of the issue.

Shareholding Information continued

Top 20 Holders of Preferred Exchangeable Resettable Listed Shares (PERLS) as at 19 August 2003

Rank	Name of Holder	Number of Shares	%
1	Commonwealth Custodial Services Limited	286,180	8.18
2	Westpac Custodian Nominees Ltd	104,460	2.98
3	RBC Global Services Australia Nominees Pty Limited	61,036	1.74
4	Invia Custodian Pty Limited	57,275	1.64
5	ANZ Executors & Trustee Company Limited	44,187	1.26
6	Tower Trust Limited	32,763	0.94
7	UBS Warburg Private Clients Nominees Pty Ltd	29,530	0.84
8	JP Morgan Nominees Australia Ltd	25,344	0.72
9	Boxall Marine Pty Ltd	25,000	0.71
10	Questor Financial Services Limited	24,319	0.69
11	Bond Street Custodians Limited	24,169	0.69
12	AMP Life Limited	23,316	0.67
13	Brencorp No 11 Pty Limited	15,756	0.45
14	Livingstone Investments (NSW) Pty Limited	15,000	0.43
15	Ms Thelma Joan Martin-Weber	12,500	0.36
16	Perpetual Trustee Co Ltd (Hunter)	12,014	0.34
17	Albert Investments Pty Limited	10,000	0.29
18	Felden Pty Ltd	10,000	0.29
19	Mr Edward Furnival Griffin + Ms Deborah Ann Griffin	10,000	0.29
20	Marbear Holdings Pty Limited	10,000	0.29
21	Mrs Fay Cleo Martin-Weber	10,000	0.29
22	Professional Indemnity Insurance Company of Australia Pty Ltd	10,000	0.29
23	Swinburne University of Technology	10,000	0.29

The twenty-three largest PERLS shareholders hold 862,849 shares which is equal to 24.66% of the total shares on issue. Twenty-three PERLS shareholders are disclosed in the above table due to a number of shareholders having the same number of PERLS.

Stock Exchange Listing

Commonwealth Bank PERLS are listed on the Australian Stock Exchange under the trade symbol CBAPA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank (pref).

Range of Shares (PERLS): 19 August 2003

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1-1,000	20,555	98.65%	2,119,134	60.55
1,001-5,000	244	1.17%	487,683	13.93
5,001-10,000	22	0.11%	174,329	4.98
10,001-100,000	13	0.06%	328,214	9.38
100,001- Over	2	0.01%	390,640	11.16
Total	20,836	100%	3,500,000	100.00
Less than marketable parcel of \$500	4		5	

Shareholding Information continued

Voting Rights

The holders will be entitled to receive notice of any general meeting of the Bank and a copy of every circular or other like document sent out by the Bank to ordinary shareholders and to attend any general meeting of the Bank.

The holders will not be entitled to vote at a general meeting of the Bank except in the following circumstances:

- If at the time of the meeting, a dividend has been declared but has not been paid in full by the relevant payment date;
- On a proposal to reduce the Bank's share capital;
- On a resolution to approve the terms of a buy-back agreement;
- On a proposal that affects rights attached to Commonwealth Bank PERLS;
- On a proposal to wind up the Bank;
- On a proposal for the disposal of the whole of the Bank's property, business and undertaking;
- During the winding up of the Bank; or
- As otherwise required under the Listing Rules from time to time,

in which case the holders will have the same rights as to manner of attendance and as to voting in respect of each Commonwealth Bank PERLS as those conferred on ordinary shareholders in respect of each ordinary share.

At a general meeting of the Bank, holders are entitled:

- On a show of hands, to exercise one vote when entitled to vote in respect of the matters listed above; and
- On a poll, to one vote for each Commonwealth Bank PERL.

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To apply for access to NETBANK, call **13 2828** between 8 am and 8 pm (Sydney time), Monday to Friday

Corporate Directory

Registered Office

Level 7, 48 Martin Place
Sydney NSW 1155
Telephone (02) 9378 2000
Facsimile (02) 9378 3317

Company Secretary

JD Hatton

Shareholder Information

www.commbank.com.au

Share Registrar

ASX Perpetual Registrars Limited
Locked Bag A14
Sydney South NSW 1232
Telephone (02) 8280 7199
Facsimile (02) 9261 8489
Freecall 1800 022 440
Internet www.asxperpetual.com.au
Email registrars@asxperpetual.com.au

Telephone numbers for overseas shareholders

New Zealand 0800 442 845
United Kingdom 0845 769 7502
Fiji 008 002 054
Other International 612 8280 7199

Australian Stock Exchange Listing

CBA

Annual Report

To request a copy of the annual report please call (02) 9378 3229



CommonwealthBank