

2002

Commonwealth Bank



REPORT TO SHAREHOLDERS 2002 ACN 123 123 124

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Chairman's Statement

The earnings for the year were a commendable \$2,655 million in a strongly competitive environment. This represented an increase of 11% compared with the result for the previous year. A final dividend of 82 cents per share fully franked will be paid on 8 October 2002 bringing the total dividends for the year to 150 cents per share. The Comments on Statement of Financial Performance for the year on page 39 of this report describes the factors and the efforts that drove the achievement of this result.

Corporate governance of corporations is a subject that has come sharply into focus as the result of some spectacular collapses of corporations in the USA and in Australia, and as a result of concern being expressed in relation to the validity of reported results by some companies. For this reason I intend to use this year's statement to report on corporate governance as it applies to your Bank.

The Board of the Commonwealth Bank has consistently placed great importance on the governance of the Bank, which it believes is vital to the wellbeing of the corporation. There are two elements to the governance of corporations: performance and conformance. Both are important but it is critical that focus on the latter does not crowd out attention to the principal function of an enterprise, which is to undertake prudent risk-taking activities to:

- ▶ generate rewards for shareholders who invest their capital;
- ▶ provide goods and services of value to customers, and;
- ▶ provide meaningful employment for employees;

and to do so in a way that contributes to the welfare of the community.

The Bank has for some years carried out an annual review of the Board's performance, and of its policies and practices. These reviews have sought to identify where improvements can be made, and have also assessed the quality and effectiveness of information made available to Directors.

During the last financial year, a more extensive external review was conducted. The consultant who conducted the review interviewed separately each Director and each member of the Senior Executive Team. Following the review, the Board confirmed a number of significant policies and has also implemented some changes.

Corporate Governance

Some of the principal features of the Bank's corporate governance, including changes made as the result of the review, are:

- ▶ the Nominations, Remuneration and Audit Committees consist only of non-Executive Directors. This has been the established position in relation to the Audit Committee for some time and the CEO has not participated in deliberations of the Remuneration Committee when matters could affect his position.
- ▶ the Nominations Committee establishes the criteria for appointment of new Directors as described later in this report and will continue to engage external consultants in the search for new Directors. Before a Director is nominated for re-election at a shareholders' meeting, the Chairman consults with the rest of the Board and reviews the Director's performance before endorsing his or her re-nomination.
- ▶ the non-Executive Directors meet annually without any management present. This is in addition to the consideration of the Chief Executive Officer's performance and remuneration that is conducted in the absence of the CEO.
- ▶ the positions of Chairman and Chief Executive Officer are required to be held by separate persons, as has been the case since before the Bank was publicly listed.
- ▶ the Chairman meets annually with the Senior Executive Team to discuss with them their views of the Board's performance and level of involvement.
- ▶ Directors participate in an induction programme upon appointment and in a refresher programme on a regular basis. Directors are also regularly updated in their knowledge of issues, trends and challenges relevant to the Bank, the financial services industry and the economy. This includes sessions with local and overseas experts in the particular fields relevant to the Bank's operations.
- ▶ the Board has in place policies, which set out the windows in time when Directors can purchase or sell shares in the Bank so long as they do not have price sensitive information. These policies also preclude any trading in Bank shares of a short term nature. In addition, Directors are required, in any case, to inform a board committee of their intention to buy or sell Bank shares.

Chairman's Statement continued

- ▶ Directors are required to take a minimum of 20% of their fees in shares in the Bank, acquired at market price, and are required to hold these shares for ten years or until they leave the Board. Non-Executive Directors do not participate in any of the Bank's incentive plans.
- ▶ the Board has decided to close the Directors' retirement scheme, which was approved by shareholders at the 1997 Annual General Meeting. The entitlement for current Directors will not be affected but no new members will be admitted to the scheme.

Audit Committee

The Board of the Bank had an Audit Committee prior to the Bank's listing as a public company and has had an Audit Committee at all times since.

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 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 Group Internal Auditor 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 judgement 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.

The Board has in place policies governing the nature of non-audit work which cannot be undertaken by the Bank's Auditors for the Bank or its subsidiaries. There are also procedures in place governing approval of any other non-audit work before that work can be carried out. The objective of these approvals 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 own client; or
- ▶ audit their own professional expertise.

Under the policy, the Auditor will 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 broker-dealer, promoter or underwriter; or
- ▶ provision of legal services.

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

Further details of the functions and relationships of the Audit Committee are set out in the section on Corporate Governance commencing on page 28 of this report. The Bank is already materially in compliance with the framework of the legislation recently enacted as the Sarbanes-Oxley Act in the USA. This is largely reflective of the fact that corporate governance in Australia had generally moved ahead of that in many corporations in the USA.

Executive Remuneration

Executive remuneration is another aspect of corporate governance on which there is much focus currently. Remuneration for the Bank's Executives is determined, after taking advice, to ensure competitive remuneration packages are in place to attract and retain competent and high calibre staff.

Incentive payments for Executives 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. Generally these instalments are only paid 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.

Like most Australian companies, vesting of options and restricted shares allocated to Executives is dependent on the Bank meeting the performance hurdles in the plan approved by the shareholders at the 2000 Annual General Meeting. This differs from the US practice where vesting generally only depends on remaining in employment to the vesting date.

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 will be 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, ie. 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 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 deferred shares. As from the beginning of the 2003 financial year, total remuneration, which will include the full cost of the plan and also the distribution of shares to employees under the ESAP, will be expensed against profits. A basis of valuation, that takes account of the conditional nature of potential incentive benefits in the Australian environment, will be developed to reflect appropriately the cost to the company.

It is worth noting that of the total distribution of equity to employees in the last two years approximately 20% went to the Senior Executive Team and the rest to other employees.

Conclusion

I have highlighted in some detail the Bank's corporate governance policies and practices to give shareholders some feel for how we approach this important aspect of the Bank's operations. Further detail is incorporated in the Directors' Report.

The philosophy underlying the approach to corporate governance is consistent with the ethical standards required of all employees of the Bank, as set out on page 31 of the report.

The Bank is in a sound position and the Directors express appreciation on behalf of shareholders to the management and staff for the improvements they continue to make in the operation of the Bank.



John Ralph AC

Chairman

21 August 2002

Review of Operations

Profits

The reported profit for the year ended 30 June 2002 is \$2,655 million after tax. Profit after tax before appraisal value uplift and goodwill amortisation ('cash basis') was \$2,501 million, up 11% on the prior year. The result reflects:

- ▶ Higher net interest income arising from strong lending growth in the housing sector, together with higher funds management income, higher trading income and commissions but lower life insurance income due to the poor performance of global investment markets.
- ▶ Total operating expenses were less than 1% higher than in the prior year.

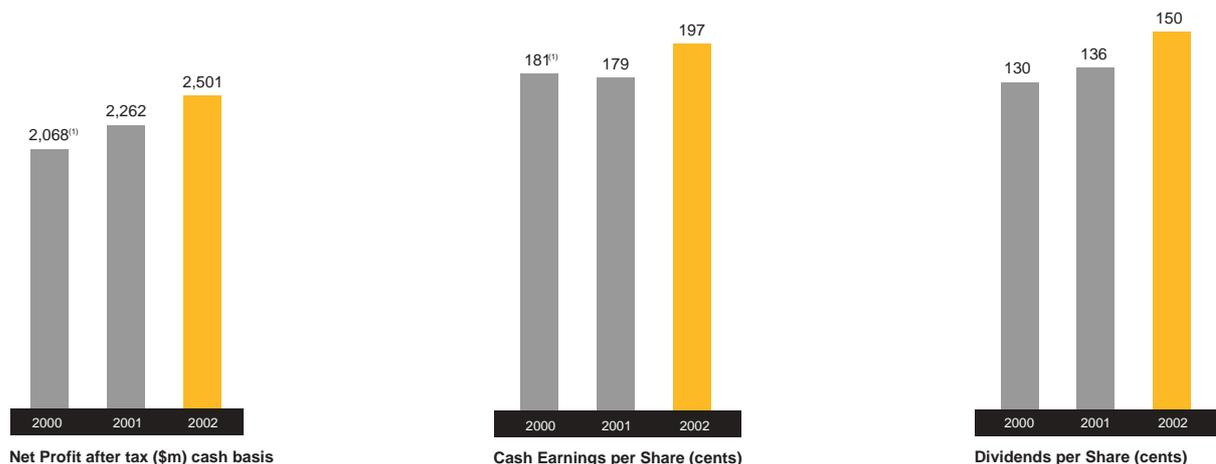
Earnings per Share

210 cents, up 20 cents on the prior year of 190 cents. Cash earnings per share were 197 cents up 18 cents compared to 179 cents for 2000/2001.

Dividend

A final dividend of 82 cents per share fully franked will be paid on 8 October 2002 to shareholders on the register at 5:00pm on 30 August 2002. The ex dividend date is 26 August 2002. This brings the full year dividend to 150 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 on the insurance business and a range of other factors.



⁽¹⁾ Represents the combined result of the Commonwealth Bank Group and Colonial Group on a pro forma basis for the full year ended 30 June 2000.

Return on Equity

Return on equity was 14.7% before abnormal items, an increase from the prior year level of 13.5%.

Assets

Lending Assets Growth

Lending assets have increased by \$11 billion or 8% over the prior financial year and this reflects improved market conditions for home lending, which has increased by \$12 billion or 17%.

Funds Under Management

Total funds under management (FUM) at 30 June 2002 were \$103 billion, a 1% increase for the year. Total FUM consists of \$78 billion in external FUM and \$25 billion in FUM managed on behalf of the life insurance businesses. In addition to FUM, the Bank's custody business administers \$79 billion of assets.

Capital Management

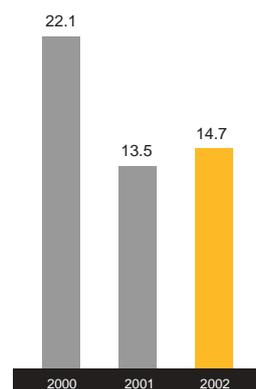
At 30 June 2002, the total Capital Adequacy ratio was 9.80% (well above the regulatory guideline of 8%) compared with 9.16% at 30 June 2001.

The Bank's credit ratings have remained unchanged for the year, and at 30 June 2002 are:

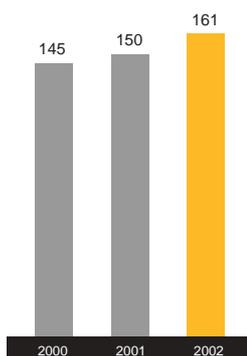
| Credit Ratings | Short Term | Long Term |
|---------------------------------|------------|-----------|
| Standard & Poor's Corporation | A-1+ | AA- |
| Moody's Investors Service, Inc. | P-1 | Aa3 |
| Fitch IBCA | F1+ | AA |

Shareholders

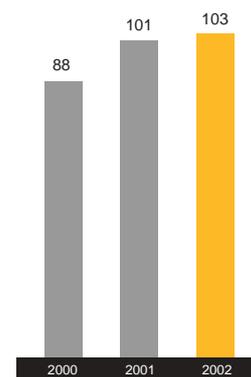
Combining dividends and the movement in the value of the Bank's shares, the total five year total shareholder return to 30 June 2002 was 21.6%. The dividend yield based on the 30 June 2002 share price of \$32.93 and calculated on the dividend payments of 75 cents (June 2001) and 68 cents (December 2001) was 4.3%. 76.2% of the cash earnings of \$2,501 million will be returned to shareholders as dividends.



Return on Equity (%)



Lending Assets (\$b)



Funds Under Management (\$b)

Strategic Vision and Business Goals

The Bank's vision is to be chosen and respected as an excellent provider of financial services.

The Future

The next decade will continue to bring significant change. Customers are taking on greater responsibility in the management of their financial affairs. Financial services companies are responding by offering an ever-widening range of services. While this may provide a greater sense of control for some, for others the additional complexity can be confusing. In this environment, financial services companies that can help people find the service that best suits them will be chosen ahead of others.

At the same time, there is greater scrutiny on the ways in which companies are managed. Companies that seek to maintain their customers' trust will earn respect and loyalty from both customers and the community. The Bank demands the highest standards of honesty and integrity from all its people and strong governance within the Bank. Our values statement provides guidance to our people in their daily work: "In everything we do we work to earn trust by an uncompromising commitment to honesty and integrity".

The Bank's Aspirations

Customers – to deliver a service experience that our customers will value and recommend.

People – to provide fair, safe, challenging and rewarding work for employees.

Shareholders – to aim for top quartile returns amongst its peers, measured on a rolling five year basis.

Community – to be an active participant and contribute to a stable financial system in which the community can have confidence.

Business Goals

- 1 To recognise the unique lifetime financial needs of customers.** We aim to be the financial provider of choice for our customers' financial needs, extending across their lifetime.
- 2 To provide services that are best for individual customers, with choice of access.** We aim to provide distinctive banking, insurance, superannuation and investment services to satisfy the needs of our customers. We aim to remain the most accessible financial services company in Australia.
- 3 To skill, authorise, equip and engage our people to differentiate our service.** We believe our people are our most valuable asset. Our people are our service, and the systems we put in place need to empower them to serve our customers.
- 4 To use flexible technology, scale and risk management to ensure our services are of superior value.** These are our traditional strengths. Technology allows us to provide new services to meet the needs of our customers. Our large scale provides opportunities to improve our productivity and cost position, and our strong risk management capabilities guide our decision-making.

The Bank's business model ambition

- ▶ Our people apply the Bank's values in providing a financial services experience that our customers value.
- ▶ We provide high quality services with choice of access that recognise and meet the lifetime financial needs of our customers.
- ▶ Our people are skilled, equipped and engaged to differentiate our service. They are trusted to deal with customers' financial affairs with authority.
- ▶ Brand, know-how, flexible technology, automated processing, scale & risk management ensure our services are of superior value.
- ▶ This builds customer loyalty and retention, encouraging customers to share more of their business with us and new customers to join us.
- ▶ Our leaders live the organisation's values and create a vision for new and better services.
- ▶ This provides a fair, safe, challenging and rewarding work environment that attracts, motivates, retains and develops talented people.
- ▶ All of this enables capital to be generated for growth and superior reward to shareholders.
- ▶ The scope and importance of our activities maintain community respect and contribute to a stable financial system in which the community can have confidence.

The Bank's People

The Bank aims to provide staff with fair, safe, challenging and rewarding work. We see engaged employees as crucial to providing good service for our customers.

Our leadership programmes provide the means for achieving this outcome. Training is conducted through the Effective Leadership Forum. More than 1,900 team leaders have completed phase 1 of the program since it commenced in May 1997.

A Fair Treatment Review (FTR) system is in place, providing staff with the opportunity to raise issues they feel affect them unfairly.

The Bank's policies are outlined at www.commbank.com.au/about and many have been recognised externally for their contribution to a better workplace. For instance, in 2002, the Bank was a recipient of the inaugural 'Employer of Choice for Women' award from the Equal Opportunity for Women in the Workplace Agency.

To ensure a safe working environment, the Bank has upgraded its occupational health and safety (OH&S) management system. The key feature of the system is the assignment of accountability to line managers. Steady improvement is evident on a range of indicators, including lost time due to injury and workers' compensation claims.

To measure the level of staff engagement, the Bank uses the Gallup Q12 survey. Gallup has extensive experience in employee engagement surveys, enabling the Bank to benchmark its progress against other companies. The survey allows staff to provide feedback about their work environment and helps teams develop action plans to improve their work unit. The Bank has undertaken the survey three times since 1999. The last two surveys have seen response rates over 80%, with substantial improvements in all key areas.

Team performance is rewarded through the Employee Share Acquisition Plan. The Plan provides staff with a grant of up to \$1,000 worth of free shares if the Bank's overall performance targets are met. In the last seven years, six grants of shares have been made.

Future Directions

The Bank is aiming to strengthen the link between engaged employees and engaged customers.

Some of the key areas that the Bank will focus on over the coming year include:

- ▶ completing an organisation review to reinforce managerial authorities, reduce unnecessary layers of control, and delegate the authorities required for more responsive customer service;
- ▶ using leadership programmes to strengthen key competencies in areas such as sales and service;
- ▶ upgrading technology used by the Bank's staff to improve customer service by providing information, guiding decision-making and tracking requests; and
- ▶ developing employment models that attract and retain the best people.

Starting Out

Commonwealth Bank is the market leader in the Youth segment, and places great value on its Youth customers.

- ▶ Student Banking
- ▶ Dollarmite and Club Australia Accounts
- ▶ Student Options
- ▶ Campus Loan
- ▶ Dollars & Sense

We are committed to providing banking solutions which are easy to understand and operate, help young Australians learn about money and finance, and adapt to our customers' maturing needs as they move towards adulthood.

Commonwealth Bank is the only major Australian bank which has developed tailored products and services that meet the needs of young Australians at every key life stage, from primary school through to university. The online guide to the Bank's offerings for young people can be found on the Bank's main website at www.commbank.com.au/personal/Youth/Youth.asp

STUDENT BANKING, in operation now for more than 70 years, remains the foundation of the Bank's involvement with primary school customers. Student Banking enables primary school children to open **DOLLARMITE** accounts and deposit their savings at over 3,000 primary schools nationally. This teaches children to develop good savings habits at an early age. The Bank recognises the effort of schools participating in Student Banking through a commission programme that helps them raise extra money for school initiatives. In the last year \$1.5 million was paid in commission to participating schools.

Our Dollarmite account is a savings account designed specifically for children under the age of 12. The account is free of account keeping and transaction fees and offers bonus interest to encourage saving. Dollarmite customers receive a regular Commix newsletter, which teaches them about savings and includes games and competitions. There are around 1 million Dollarmite account holders around Australia.

CLUB AUSTRALIA is our account offering for customers aged 12 to 15 years old who need a transaction facility. Club Australia account features include no account keeping or transaction fees, a Keycard option with parental consent and access to **NETBANK**, the Bank's Internet banking service.

The key product offering available to tertiary and TAFE students, **STUDENT OPTIONS**, was successfully launched in January 2002. Student Options offers no transaction and account keeping fees on everyday accounts, no credit card

annual fees, and no establishment fee on personal loans for full-time tertiary or TAFE students. Over 160,000 students have registered for Student Options. The Bank further meets the needs of tertiary students through **CAMPUS LOAN**, a personal loan which is available for study related purposes, including general living expenses. The loan defers repayment for full-time students until after graduation, is offered at a discounted interest rate and has no establishment or early repayment fee.

The **AWARDSAVER** product continues its popularity with young customers and has over 600,000 account holders. AwardSaver has no account keeping fees and provides customers with the opportunity to earn bonus interest in addition to the standard interest rate paid. Additional benefits include discounts on products such as home loans, insurance policies and personal loans.

Commonwealth Bank is Australia's leading provider of personal loans, to eligible Australians over 18 years of age, with a market share of 21.6%. (Source: RBA 30 June 2002). This leading market position comes as the result of our personal loan product features of simplicity, flexibility, speed of approval and extensive distribution network, including online applications.

The Bank has been a long standing provider of educational support to promote greater financial understanding, and further strengthened this commitment by launching its **DOLLARS AND SENSE** website in February 2002. The website is designed to help teenagers and young adults develop essential financial life skills and give them the confidence to manage money and achieve their financial goals. It provides practical information about money and includes financial tips and forums with experts. The Dollars and Sense website can be found at www.dollarsandsense.com.au

Accessibility and Affordability

Commonwealth Bank is Australia's leading provider of accessible financial services. Because 86% of all transactions are now undertaken electronically, the Bank maintains a network of approximately 4,000 ATMs and more than 126,000 EFTPOS terminals, in addition to its more than 1,000 branches.

- ▶ Australia's most accessible financial services provider
- ▶ Direct Banking
- ▶ Diversified online presence
- ▶ BPay View™
- ▶ My Online Summary
- ▶ 'Transaction Banking for Everyone'

As Australia's most accessible financial services provider, the Commonwealth Bank maintains a number of diverse and convenient distribution channels. In addition to the more than 1,000 branches, nearly 4,000 agencies (including more than 3,700 Australia Post agencies) and 730 EzyBanking store locations, around 4,000 ATM's and 126,000 EFTPOS terminals are available to process the 86% of all transactions that are now undertaken electronically. **DIRECT BANKING** is the Bank's telephone banking service and provides customers with the flexibility to undertake a number of different transactions and access a wide range of services. With more than 20% growth in the number of new Direct Banking customer registrations during the year, incoming calls to the 13 2221 number increased to in excess of 146 million calls.

As an early adopter of technology, the Bank has built a considerable online presence over recent years to meet the changing needs of its customers and offer time efficient and convenient service solutions. The total number of online customers has grown during the year to over 2.6 million, including **NETBANK, COMMSEC, HOMEPATH and QUICKLINE**.

NetBank's capabilities were further enhanced in January 2002, with the launch of **BPAY VIEW™** as part of the Bank's online banking application. BPay View™ enables customers to receive their bills via the Internet and then pay them, or schedule them for payment on the due date using NetBank.

A further enhancement to the Bank's website was the launch of **MY ONLINE SUMMARY** in August 2001. This is an effective, time-saving tool to help customers keep track of all of their online accounts at different organisations from a single location and through one sign in. Accounts that may be viewed include credit cards, managed funds, shares, savings accounts and email.

Through the Bank's subsidiary ASB Bank, New Zealand customers were first to gain access to Internet banking through **FASTNET**, which continues to grow strongly with customer numbers now in excess of 180,000, up from approximately 114,000 in June 2001. The number of transactions has almost doubled this year, to 2.1 million per month. The ASB Bank Contact Centre provides a comprehensive telephone banking service to deal with a range of customer sales and service queries.

Services to rural customers are supplemented by the Bank's longstanding alliance with Australia Post, with agency arrangements in place at all Australia Post retail outlets, and for business customers, transactional banking services are available at over 200 Australia Post agencies nationwide.

A redesign of personal transaction accounts was undertaken during the year. The **'Transaction Banking for Everyone'** program was the result of extensive research indicating that customers found the existing fee structure too complicated. Nine transaction account products were consolidated into one new simple account with improved pricing transparency. This has provided greater information to help customers manage their banking needs, and for the Bank to retain its position as 'the Bank for all Australians'.

Growing Your Wealth

Commonwealth Bank is firmly committed to helping customers manage and build their wealth, through a wide range of financial services that are available via a comprehensive distribution network, including the branch network, call centres, Internet and telephone, or through more than 10,000 individual independent financial advisers.

- ▶ Australia's largest fund manager
- ▶ Colonial First State
- ▶ FirstChoice
- ▶ Premium Financial Services
- ▶ CommSec
- ▶ Equity Capital Markets

The Bank continues to be Australia's largest fund manager (Source: Plan for Life March 2002) with total funds under management (excluding life insurance assets) of \$78 billion, achieving net fund inflows of \$4.8 billion during the year. It is also the third-largest life insurance company with life insurance assets of \$36 billion.

In May 2002 the Bank launched a new product into the Australian master trust market through the launch of **FIRSTCHOICE**, an innovative multi-manager investment solution that is distributed through our proprietary and third party adviser channels. In addition to providing the Bank with a leading product in the master trust market, which is the fastest growing segment of the wealth management market, FirstChoice also provides our customers with considerable choice through the 47 individual investment options offered. In the two months since its launch, FirstChoice has attracted \$160 million in new fund inflows to 30 June 2002.

To enable the Bank to offer customers a more streamlined and competitive product offering, the funds management businesses were restructured during the year through the merger of Commonwealth Investment Management (CIM) with Colonial First State (CFS). The Bank's funds management business will operate as the Colonial First State brand in Australia, and First State internationally, offering a diverse managed product offering and distribution capability.

CFS was recently named Fund Manager of the Year in the Personal Investor Awards for Excellence in Financial Services for 2002, augmenting previous awards for best investment performance, superior service quality and call centre standards, and technology/eCommerce initiatives.

A new division, Premium Financial Services, was established during the year to provide customised products and superior service to clients with more complex financial needs. Premium Financial Services is an integrated broking and banking business, providing clients with access to traditional banking products, direct and indirect investments, debt and equity products, including primary equities, and advisory services. Clients are serviced through either a team based relationship management model, or telephone or Internet.

COMMSEC, Australia's leading broker in terms of volume of trades, forms part of Premium Financial Services, bringing equities and equity related products to the product suite. Margin lending is another way Premium Financial Services assists clients build their wealth; the Bank's margin lending business continues to be the largest in Australia.

Commonwealth Bank provides retail and selected institutional clients access to the primary equities market, through Equity Capital Markets. The Bank has continued to grow its position in this market and participated in a number of capital raisings during the year, including those for Westfield America Trust, Insurance Australia Group and David Jones.

Finding A Home

Commonwealth Bank offers a range of flexible home loan solutions to help individuals and families achieve their goal of owning a home or investment property, ranging from Viridian, Homepath and split rate loans, through to standard home loan products, and can also help customers to use the equity in their homes to make other investments.

- ▶ Australia's leading home loan provider
- ▶ Complete range of mortgage products
- ▶ 'Property Buyers Handbook'
- ▶ Online tips and advice
- ▶ Home, contents and personal valuables insurance
- ▶ General insurance

Commonwealth Bank is Australia's leading home loan provider, growing home loan balances by more than \$12 billion to almost \$93 billion (including securitisation) over the year. Customers have the flexibility to obtain information and apply for a home loan when and where it is convenient for them; whether this be through one of over 1,000 branches, with one of the Bank's 202 mobile bankers, over the telephone by calling 13 2224; or online by visiting the Bank's main website or the **HOMEPath** website.

A number of home loan campaigns were undertaken during the year together with the introduction of a range of new products and initiatives aimed at providing our customers with relevant and competitive offerings that reflect their needs. The One Year Guaranteed Rate Home Loan proved to be the most popular product among new customers. Special offers such as the split rate loan combination featuring the 12 Month Discounted Variable Rate and the 3 Year Fixed Rate, and establishment fee and complementary product package discounts, all helped to underpin the Bank's position as the leading home loan provider.

The **VIRIDIAN ADVANTAGE** product was introduced in December 2001 as a flexible all-in-one portfolio style facility that is available for home, personal and/or personal investment purposes. Viridian Advantage allows customers to include up to 10 separate loan accounts under the one umbrella limit, and provides the flexibility to use the equity built up in a home or investment property to buy additional properties, other investments such as shares, or any other personal purpose. The Bank offers a range of flexible **INVESTMENT HOME LOANS** designed to meet the differing needs of property investors by providing the choice of 3 separate repayment options to suit the individual needs of borrowers, consisting of Interest Only, Principal & Interest and an Interest In Advance option, introduced for all borrowers in May 2002.

The Bank was the first lender in the Australian market to offer a full 'online only' home loan with the highly competitive **HOMEPath** Home Loan and Investment Home Loan, including one of the lowest standard variable interest rates and no establishment fee or ongoing servicing fees. To date, in excess of 10,000 HomePath loan applications have been processed. The HomePath website was further improved during the year, with access to HomePath now available through the main www.commbank.com.au website. In addition to the extensive range of information available on all aspects of buying or selling a property, HomePath currently lists over 120,000 properties Australia-wide, with comprehensive historical sales data.

Commonwealth Bank is a leading provider of printed and online information to cater for the differing needs of home buyers, as seen with the introduction of the 'Property Buyers Handbook' designed for home buyers, refiners and investors. The Bank also provides a range of useful property related tips and advice on its website covering everything from financing a home and renovations to investing in property.

Buying a home is probably the most significant investment most customers will make, and to ensure that this investment is protected against a wide range of insured events, the Bank offers home, contents, personal valuables, investment home cover and a wide range of other general insurance cover through its wholly owned subsidiary, Commonwealth Insurance Limited (CIL). The CIL website at www.comminsure.com.au provides information on all general insurance cover available through the Bank, and allows customers to obtain online quotes, arrange immediate cover for home and contents insurance, and make claims online.

Serving Your Business

Commonwealth Bank has a strong commitment to small to medium businesses in Australia. The Bank is dedicated to providing customers with optimal financial products and services to meet the changing financial needs of their businesses.

- ▶ Access to business specialists
- ▶ 'Lifecycle of a Business' booklet
- ▶ Online Business Centre at www.commbank.com.au/business
- ▶ Australia Post and Woolworths business transaction services
- ▶ Business Select
- ▶ Agrioptions Package and Agribusiness Bankers

During the year, the Bank undertook an organisational restructure which resulted in all business, corporate and institutional banking clients being serviced from a single division, Institutional and Business Services. The restructure has significantly improved the Bank's capacity to meet the needs of small and medium sized enterprises by providing integrated financial services to help these clients manage their business needs. To better serve clients and anticipate their needs, a team-based selling initiative has been implemented that provides clients access to specialists in financial markets, trade and equipment finance, electronic banking, superannuation and wealth management, securities broking and insurance.

The Bank ensures that the growing and changing needs of business clients are satisfied throughout their business lifecycle. The Bank and the Department of State and Regional Development have produced the '**Lifecycle of a Business**' booklet that examines the challenges for business owners and operators at various stages of their business development. It is designed to alert clients to the key planning challenges and risks that they will face.

In June 2002, the Bank launched **BUSINESS SELECT**, an integrated financing and transaction offering for business clients with borrowing needs ranging from \$150,000 up to \$1 million. Business Select has a high level of in-built flexibility as it provides businesses with an umbrella finance limit that enables clients to use the funds in a number of different ways, by switching between different products that suit the individual needs of each client. The Business Select umbrella finance limit allows clients to choose from among short term and longer term financing options ranging from business investment line of credit, business overdrafts and business cards, to business loans and bank guarantees.

The Bank's online business banking product, **QUICKLINE**, is network capable, and compatible with most accounting and payroll software, and includes functions such as enabling payments to be made to staff, creditors and/or suppliers directly into an account held at any financial institution in Australia, 24 hours a day.

As a part of the Bank's ongoing commitment to providing accessible transactional banking services, such as deposits and withdrawals to all business clients, we are continuing to expand the range of access channels available to our clients.

The Bank has negotiated with Australia Post to provide business transaction services to business clients in more than 200 Australia Post outlets. In addition, a cheque deposit box service has now been made available through Woolworths stores. The benefit to clients is that some Woolworths stores are open 7 days, sometimes 24 hours a day, so that they can access the services after hours and on weekends.

The Bank's online Business Centre at **www.commbank.com.au/business** is designed specifically for business clients, to provide them with information on a wide variety of topics to service their needs.

Commonwealth Bank has also been committed to the export market and has been a major sponsor of the Australian Export Awards since 1987, with 2002 marking our 15th year of involvement.

For rural businesses, the Bank's **AGRIOPTIONS** package is a complete offering, combining lending, investment, risk management, business and personal financial services, designed to provide maximum flexibility and certainty in managing Agricultural businesses. To ensure that this is achieved, the Bank has specialist Agribusiness Bankers covering each state and territory, who have expertise in both agricultural and financial disciplines to meet the specific needs of these rural business customers. During 2002, Agrioptions was judged the best Rural Banking package for the third successive year by Personal Investor.

Rural businesses can also take advantage of the Bank's specialist vehicle and equipment finance products, provided through CBFC Limited, a wholly-owned subsidiary of the Bank. Our financing products are designed to provide the customer with effective and flexible equipment financing options that optimise cash flow and take advantage of available taxation and accounting benefits.

Business Solutions

Commonwealth Bank provides the Australian business market with a broad range of accessible and convenient financial solutions, coupled with a commitment to high quality service, to assist customers in meeting their business needs.

- ▶ Working capital solutions
- ▶ Payables Direct
- ▶ ImageBank
- ▶ Mobile Merchant
- ▶ Business Directions
- ▶ Commonwealth eSelect

With our commitment to enhance the access, service experience and convenience of clients, the Bank provides a range of decision support solutions to help clients identify the best financial option to meet their business needs.

As a result of the organisational restructure undertaken during the year, a new business unit was formed to streamline the financial and operational working capital needs of our customers. The new business unit offers a comprehensive range of payable and receivable transactional products and accounts, credit cards (business cards and card acquiring services), cash pooling, information services and tools to efficiently manage funds. It also provides a range of financing options including receivables finance, standard term lending products and equipment finance (leasing) as well as fleet management services.

To better manage payables, the **COMMONWEALTH BANK BUSINESS CARD** provides the flexibility of being established as either a charge card with outstanding monthly balances debited to a nominated bank account, or as a revolving line of credit facility requiring a minimum monthly repayment. **PAYABLES DIRECT** is another payables management option, allowing clients to outsource Cheque and EFT payments as well as the printing of remittance advices.

IMAGEBANK is the Commonwealth Bank's document imaging solution for electronic storage and online retrieval of documents and forms, such as direct debit forms. ImageBank eliminates the need for business clients to physically store documents, as it enables the secure search and retrieval of information online with ease and at a time convenient to the client.

MOBILE MERCHANT has been developed to provide a mobile commerce solution to business clients who have complex sales processes that are best delivered in person. Mobile Merchant is a fully integrated device that includes a card swipe for

electronic transactions, printer and mobile phone SMS capability. Also launched during the year was **MOBILECOMM**, a mobile EFTPOS terminal, combining voice capability and electronic card processing.

The Bank developed the **BUSINESS DIRECTIONS** initiative in March 2002, to help businesses not only manage risks, ranging from sickness, fire or theft to financial risks such as adverse changes in interest or foreign exchange rates, but to also help them achieve their business goals. Business Directions incorporates a range of complementary solutions, developed in response to client feedback and current market conditions, and may cover individual business needs such as tailored business insurance and superannuation, secure electronic/online banking options to minimise fraud and theft, and 'fixed forward' facilities for equipment finance allowing businesses to plan with confidence on the basis of set costs for vital plant and equipment purchases.

To enable our business clients to offer superannuation choice to their employees, we have developed **COMMONWEALTH eSELECT**. This is an Internet-based payment service, that provides businesses with a convenient solution for making superannuation payments on behalf of employees to any complying superannuation fund in Australia. A single payment from the employer's bank account, can be split by the Bank, to represent many payments to various superannuation funds.

Institutions and Corporations

Institutional and corporate clients represent an important part of the Commonwealth Bank's client base. A complete range of products and services is available to meet the diverse and specific needs of the Bank's largest customers.

- ▶ Providing client solutions
- ▶ Payments and transaction services
- ▶ Capital raising and underwriting
- ▶ Corporate finance
- ▶ Innovative product development

The Bank provides a wide range of financial solutions to institutional and corporate clients, including foreign exchange, money market, fixed interest, debt capital market, derivatives, commodities and futures, securities underwriting, corporate finance, payments and transaction services, custody, equities, and investment management. International offices are present in all major centres and most products are offered to institutional and corporate clients globally.

Providers of Capital

Capital is sourced from investors in Australia and overseas, and through a number of channels, including CommSec, which attracts capital from retail investors in Australia. Superannuation funds, unit trusts, insurance companies and large corporations are all major investors in the Bank's products and deal directly with our specialists.

Financial Intermediaries

Through the Institutional and Business Services Division, the Bank deals with a wide range of financial intermediaries including banks, fund managers and insurance companies. These clients assist the Bank in providing liquidity to markets such as foreign exchange, bank bills, bonds, derivatives and equities.

The Bank is growing its activity in servicing these clients with payments and transaction services products, including Australian dollar clearing. Our payments business has shown strong growth and is now positioned as a leader in high volume payment processing. The Bank is the largest clearer in the domestic market.

Capital Users

A range of financial solutions is available to corporate clients seeking to raise capital, including direct lending, syndicated loans, structured finance, hybrid and equity financings and risk management products such as swaps and options.

Over \$15 billion in capital was raised for corporate clients in the 2001/02 year. Major transactions by the Bank during the year included the arrangement and/or underwriting of a dual currency facility for the de-merger of BHP Steel; merger finance for Brambles/GKN Group; one of the largest resource project finance deals undertaken in Australia for QCT Resources, and; acted as Sponsor, Senior Debt Joint Lead Arranger and Underwriter, Hedge Bank, Agent and Security Trustee for the Southern Cross Consortium, the successful bidder for the privatisation of Sydney Airport.

The Bank is working extensively to develop new products by investigating areas likely to affect the financial future of clients, such as environmental products, which is a key development area.

The Bank and the Community – A Profile

The Bank aspires to be an active participant in the community and to contribute to 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 – Bank customers have more opportunities to access its services than those of any other Australian financial institution. Its network is Australia's largest and the Bank has announced that it will be keeping branch numbers at current levels.

Service Levels – To meet customer expectations of quality service, the Bank is introducing processes to speed up decision-making, provide customers with shorter response times and improve responsiveness to customer needs. The standard of the Bank's service is monitored closely to identify sources of customer frustration which are then addressed in a continuous improvement program.

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 war veteran customers.

Community

The Bank is a long standing and active supporter of the communities in which it operates.

Education – Building on its long history of support for education, the Bank offers a number of educational programs aimed both at younger and older members of the community. Recognising the need for improved financial literacy, the Bank recently launched the Dollars and Sense web site (www.dollarsandsense.com.au) which offers

financial management skills for 14-21 year olds. Older persons are assisted through the Banking Made Easy program which aims to help them feel confident in using electronic banking.

Disaster Relief – The Bank continues to assist customers and the wider community when bushfires, floods, drought and other unforeseen events 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.

Bank Staff – Since 1916, Bank staff have contributed generously to their local communities. The Staff Community Fund now concentrates its efforts on supporting activities to improve the health of Australian children.

Environment

The Bank seeks to make efficient use of its consumption of energy, water, paper and purchases of other materials.

Environmental Management – As a signatory both to the Federal Government's Greenhouse Challenge program and the NSW Sustainable Energy Development Authority's Energy Smart Business program, the Bank has committed to improving energy use and reducing greenhouse gas emissions from its operations.

Services – In partnership with BP Australia, the Bank has developed for its business customers the first product set to be endorsed under the Australian Greenhouse Office's Eco-label.

Community Cooperation – With Conservation Volunteers, 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 over the next three years.

Executive Management



David Murray
Chief Executive Officer



Garry Mackrell
Group Executive
International Financial Services



Adrian Cosenza
Group Executive
CEO Office and Group
Strategic Development



John Mulcahy
Group Executive
Retail Banking Services



Les Cupper
Group Executive
Group Human Resources



Peter Polson
Group Executive
Investment and Insurance
Services



Stuart Grimshaw
Group Executive
Financial and Risk Management



Michael Ullmer
Group Executive
Institutional and Business
Services



Michael Katz
Group Executive
Premium Financial Services

Our Directors



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.

Director: BHP Billiton Limited and BHP Billiton plc.

Other Interests: Melbourne Business School (Board of Management), Australian Foundation for Science (Chairman), Australian Institute of Company Directors (Fellow), and Australian Institute of Management (Fellow).

Mr Ralph is a resident of Victoria. Age 69.

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, Hanson Plc, Qantas Airways Limited and Australian Graduate School of Management Ltd.

Other Interests: Business Council of Australia (President), Academy of Technological Science (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 59.

David V Murray, Managing Director and Chief Executive Officer

Mr Murray has been a member of the Board and Managing Director since June 1992. He holds a Bachelor of Business and Master of Business Administration and has thirty-six 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), Asian Pacific Bankers' Club (Member), Business Council of Australia (Member), World Economic Forum (Member), General Motors Australian Advisory Council (Member), APEC Business Advisory Council (Member), and the Financial Sector Advisory Council (Member).

Mr Murray is a resident of New South Wales. Age 53.



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. He is the former Managing Director and Chief Executive Officer of Santos Limited.

Chairman: Austrade and Amtrade International Pty Ltd.

Director: Australian Institute of Commercialisation, Tereny Investments Pty Ltd, AWL Enterprises Pty Ltd and Shelrey Pty Ltd.

Member: Advisory Council of Equity and Advisory Limited.

Other Interests: Adelaide Festival (Chairman), Art Gallery of South Australia (Chairman until 20 July 2002), University of Adelaide (Council Member and Chairman of the Finance Committee) and Executive Member of the Australian Japan Business Co-operation Committee.

Mr Adler is a resident of South Australia. Age 57.

Reg J Clairs, AO

Mr Clairs has been a member of the Board since 1 March 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 and The Prime Minister's Supermarket to Asia Board.

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

Other Interests: Foundation Member of the Prime Minister's Supermarket to Asia Council and Member of the Institute of Company Directors.

Mr Clairs is a resident of Queensland. Age 64.

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.

Director: Australian Gas Light Company, Orica, 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 67.

Our Directors continued



Colin R Galbraith

Mr Galbraith 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 1996. He is a partner of Allens Arthur Robinson, Solicitors.

Chairman: BHP Billiton Community Trust.

Director: GasNet Australia Limited, GasNet Australian (Operations) Pty Ltd and OneSteel Limited.

Other Interests: Secretary of Council of Legal Education in Victoria, Member 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 54.

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 Group.

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 66.

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. Until 31 July 2002, he was Strategic Investment Co-ordinator and Major Projects Facilitator for the Commonwealth Government.

Member: Prime Minister's Community Business Partnership.

Director: Australian Foundation Investment Company Limited.

Other Interests: Counsellor, Committee for Melbourne and Patron of the Pacific Institute.

Mr Ryan is a resident of Victoria. Age 59.





Frank J Swan

Mr Swan has been a member of the Board since July 1997 and is a member of the Risk and Nominations 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 and Catholic Ladies College Eltham.

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

Mr Swan is a resident of Victoria. Age 61.

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 six years' experience in policy development and public administration as a senior ministerial adviser and twelve years' experience in the transport and aviation industries, most recently as Chief Executive of Ansett Worldwide Aviation Services. Since 1998, she has pursued a career as a company director.

Chairperson: Country Energy.

Director: Rail Infrastructure Corporation and Allens Arthur Robinson.

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

Ms Ward is a resident of New South Wales. Age 48.

Corporate Governance

Board of Directors

The Board of Directors assumes responsibility for corporate governance of the Bank. It oversees the business and the affairs of the Bank, establishes, with management, the strategies and financial objectives to be implemented by

management and monitors the performance of management directly and through the Board Committees.

The Board currently consists of eleven Directors. Membership of the Board and its Committees is set out below:

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

All of the Non-Executive Directors of the Bank are independent from Management in that they have not been employed in an Executive capacity by the Bank, do not have relationships as professional advisers or significant contracts with the Bank and have no interest or relationship which might materially interfere with their ability to act in the best interests of the Bank.

Details of the experience, qualifications, special responsibilities and attendance at meetings of the Directors are set out in the Directors' Report.

The Constitution of the Bank specifies that:

- ▶ the Chief Executive Officer and any other Executive Directors shall not be eligible to stand for election as Chairman of the Bank;
- ▶ the number of Directors shall be not 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 11; and
- ▶ at each Annual General Meeting, one-third of Directors (other than the Managing Director) shall retire from office and may stand for re-election.

The Board has adopted a policy that, with a phasing in provision dealing with existing Directors, the maximum term of appointment of Directors to the Board would normally be limited to twelve years. Directors do not stand for re-election after attaining the age of 70.

Each year the Board conducts an evaluation review. This year, the review was carried out by an external consultant. This form of review will be repeated at 2 yearly intervals to ensure that the Board and the governance systems operate in accordance with best practice, with an internal review conducted in the intervening years.

The Board has established a programme of education to ensure that it is kept up to date with developments in the industry both locally and globally. Directors participate in an induction programme upon appointment and in a refresher programme on a regular basis.

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 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.

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.

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.

Before a current Director nominates for re-election, the Chairman consults with the rest of the Board to review the Director's performance before endorsing re-election.

Remuneration Arrangements

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 is set out in Note 5. Directors' fees do not incorporate any bonus or incentive element.

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 sacrifice of 20% of their annual fees. Details of this Plan were set out in the Notice of Meeting to the 2000 Annual General Meeting.

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 and they are subject to review from time to time, by the Board.

The Board has decided to discontinue the retirement scheme which provides 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, allow for a benefit on a pro rata basis to a maximum of four years' total emoluments after twelve years' service. The entitlements of current, Non-Executive Directors will not be affected but no new members will be admitted to the scheme.

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; 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 Non-Executive Directors. The Chief Executive Officer attends Committee meetings by invitation but does not attend for discussion or decision 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.

The Bank's remuneration policy in respect of Executives includes provisions that remuneration will be competitively set so that the Bank can attract, motivate and retain high quality local and international executive staff and that remuneration will incorporate, to a significant degree, variable pay for performance elements. Details of the remuneration paid to the Chief Executive Officer and five highest paid other members of the Senior Executive Team who were Officers of the Bank at 30 June 2002 are set out in Note 6.

Corporate Governance continued

Audit Arrangements

Ernst & Young was appointed as the Auditor of the Bank at the 1996 Annual General Meeting and continues to fulfil that office. The Bank currently requires the partner managing the audit to be changed within a period of five years.

The Board has established a policy governing the carrying out of non-audit work by the external Auditor to ensure that the independence of the external Auditor is not affected by conflicts. The policy identifies the nature of non-audit work that cannot be undertaken, to ensure that the Auditor does not:

- ▶ assume the role of management;
- ▶ become an advocate for their own client; or
- ▶ audit their own professional expertise.

Under the policy, staff of the Auditor will not be seconded to resource management positions and the Auditor will not normally provide the following services:

- ▶ bookkeeping or other services relating to accounting records or design and implementation of financial information systems;
- ▶ appraisal or valuation and fairness opinions;
- ▶ advice on deal structuring and assistance in related documentation;
- ▶ provision of tax planning and strategic advice;
- ▶ actuarial advisory services;
- ▶ executive recruitment services or extensive human resource functions;
- ▶ acting as broker-dealer, promoter or underwriter; or
- ▶ provision of legal services.

A process of approval is in place to control the nature and quantum of permissible non-audit work undertaken by the Auditor.

The Board's Audit Committee consists entirely of Non-Executive Directors and the chairman of the Committee is not Chairman of the Bank. This structure reflects the Board's policy. The Chief Executive Officer attends Committee meetings by invitation. The Committee oversees the adequacy of the overall internal control functions and the internal audit functions within the Group and their relationship to external audit.

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;
- ▶ conducts any investigations relating to financial matters, records, accounts and reports which it considers appropriate; and
- ▶ reviews all material matters requiring exercise of judgement 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 Committee periodically meets separately with the Group Auditor and the external Auditor in the absence of management.

The scope of the audit is agreed between the Committee and the Auditor. 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.

Risk Management

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.

Independent Professional Advice

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.

Access to Information

The Board has an agreed policy on the circumstances in which Directors are entitled to obtain access to company documents and information.

Ethical Standards

The Bank has adopted 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.

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. 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 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.

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.

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial statements 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 2002.

The names of the Directors holding office during the financial year and until the date of this report are set out on pages 24 to 27 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:

| Director | Directors' Meetings | |
|---------------|-----------------------|--------------------------|
| | No. of Meetings Held* | No. of Meetings Attended |
| J T Ralph | 10 | 10 |
| J M Schubert | 10 | 9 |
| D V Murray | 10 | 10 |
| N R Adler | 10 | 9 |
| R J Clairs | 10 | 10 |
| A B Daniels | 10 | 10 |
| C R Galbraith | 10 | 10 |
| W G Kent | 10 | 9 |
| F D Ryan | 10 | 10 |
| F J Swan | 10 | 9 |
| B K Ward | 10 | 10 |

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

Committee Meetings

| | 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 | 11 | 11 | | | 7 | 7 | 2 | 2 |
| J M Schubert | | | 5 | 5 | | | 2 | 2 |
| D V Murray**** | 11 | 11 | | | 6 | 6 | 2 | 2 |
| N R Adler*** | | | 2 | 1 | 5 | 4 | | |
| R J Clairs** | | | 3 | 3 | 2 | 2 | | |
| A B Daniels | | | | | 7 | 7 | | |
| C R Galbraith | 11 | 11 | | | | | | |
| W G Kent | 11 | 11 | | | | | | |
| F D Ryan | | | 5 | 5 | | | | |
| F J Swan ^o | 11 | 9 | | | | | 0 | 0 |
| B K Ward | | | 5 | 5 | | | | |

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

** Mr Clairs retired from the Audit Committee and was appointed to the Remuneration Committee on 31 March 2002.

*** Mr Adler retired from the Remuneration Committee and was appointed to the Audit Committee on 31 March 2002.

**** Mr Murray retired from the Remuneration and Nominations Committees on 8 May 2002.

^o Mr Swan was appointed to the Nominations Committee on 8 May 2002.

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.

Institutional and Business Services offers a full range of commercial products including business loans, equipment and trade finance, and rural and agribusiness products.

Corporate and business customers also 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, Colonial First State is managed as part of Investment and Insurance Services operations. This business manages 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 funds 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 2002 was \$2,655 million (2001: \$2,398 million).

The net operating profit for the year ended 30 June 2002 after tax, and before goodwill amortisation and appraisal value uplift was \$2,501 million. This is an increase of \$239 million or 11% over the year ended 30 June 2001.

The principal contributing factors to this increase were a growth in net interest income reflecting continued lending asset growth together with growth in commissions, funds management income and trading income, whilst expenses have been held stable.

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 82 cents per share amounting to \$1,027 million. The dividend will be payable on 8 October 2002 to shareholders on the register at 5:00pm on 30 August 2002. Dividends paid since the end of the previous financial year:

- as provided for in last year's report, a fully franked final dividend of 75 cents per share amounting to \$933 million was paid on 8 October 2001. The payment comprised cash disbursements of \$762 million with \$171 million being reinvested by participants through the Dividend Reinvestment Plan; and
- in respect of the current year, a fully franked interim dividend of 68 cents per share amounting to \$852 million was paid on 28 March 2002. The payment comprised cash disbursements of \$693 million with \$159 million being reinvested by participants through the Dividend Reinvestment Plan.
- Additionally, quarterly dividends totalling \$34 million for the year were paid on the PERLS preference shares.

Directors' Report continued

Review of Operations

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

Changes in State of Affairs

On 20 December 2001 the Group announced an organisational restructure which became effective at the end of February 2002. The new structure creates five new business divisions designed to align product development and service delivery more fully with the Bank's customer segments. The new businesses are:

- ▶ **Retail Banking Services** – incorporating delivery of service to our mass-market personal segments plus manufacturing of banking products.
- ▶ **Premium Financial Services** – incorporating delivery of service to personal customers with more complex financial needs.
- ▶ **Institutional Banking Services** – incorporating delivery of services to all business and corporate clients, ranging from small businesses through to large corporations.
- ▶ **Investment and Insurance Services** – incorporating management of the Group's managed funds, master funds, superannuation and insurance products, as well as liaising with and supporting third-party financial planners and in-house advisers.
- ▶ **International Financial Services** – incorporating our existing operations in New Zealand, Fiji, Indonesia, Vietnam, Hong Kong and China.

Subsequently, the Group announced that Technology, Operations and Procurement will be progressively repositioned into other business units, principally Retail Banking Services and Investment and Insurance Services.

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

Events Subsequent to Balance Date

On 30 July 2002, The Group announced a proposal to merge the Colonial First State Property Trust Group with the Commonwealth Property Office Fund and the Gandel Retail Trust. This will strengthen the Group's market position in both the wholesale and retail property funds management markets.

On 21 August 2002, the Group announced that the implementation changes resulting from the organisation restructure announced in December 2001, as described above,

will incur an incremental net cost of \$120 million after tax during the 2003 financial year. These costs relate to system changes, re-engineering of overall processes and staff redundancies.

On 21 August 2002, the Group also announced that before 31 December 2002, subject to the receipt of regulatory approvals, the Bank intends to issue complying capital securities to enable it to undertake a share buy-back of approximately \$500 million.

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 Strategic Vision and Business Goals section on page 6. 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 and 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, 2,052,500 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 options 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 24 to 27 of this report, and the Secretaries of the Commonwealth Bank, being J D Hatton (Secretary) and H J Broekhuijsen (Assistant Company Secretary) are indemnified under Article 19 as are all the executive officers and employees 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 to the Financial Statements.

Incorporation of Additional Material

This report incorporates the Review of Operations, Strategic Vision and Business Goals, Corporate Governance 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
21 August 2002



D V Murray
Managing Director

Five Year Financial Summary

| | 2002 | 2001 | 2000 | 1999 | 1998 |
|--|---------|---------|---------|---------|---------|
| | \$M | \$M | \$M | \$M | \$M |
| Financial Performance | | | | | |
| Net interest income | 4,710 | 4,474 | 3,719 | 3,527 | 3,397 |
| Other operating income | 4,358 | 4,350 | 2,420 | 1,997 | 1,833 |
| Total operating income | 9,068 | 8,824 | 6,139 | 5,524 | 5,230 |
| Charge for bad and doubtful debts | 449 | 385 | 196 | 247 | 233 |
| Total operating expenses | 5,201 | 5,170 | 3,407 | 3,070 | 3,039 |
| Operating profit before goodwill amortisation, appraisal value uplift, abnormal items and income tax expense | 3,418 | 3,269 | 2,536 | 2,207 | 1,958 |
| Income tax expense | (916) | (993) | (820) | (714) | (641) |
| Outside equity interests | (1) | (14) | (38) | (24) | (20) |
| Abnormal items | - | - | 967 | - | (570) |
| Income tax credit on abnormal items | - | - | 20 | - | 409 |
| Appraisal value uplift | 477 | 474 | 92 | - | - |
| Goodwill amortisation | (323) | (338) | (57) | (47) | (46) |
| Operating profit after income tax attributable to members of the Bank | 2,655 | 2,398 | 2,700 | 1,422 | 1,090 |
| Contributions to profit (after tax) | | | | | |
| Banking | 2,067 | 1,793 | 1,513 | 1,342 | 1,210 |
| Life insurance | 218 | 320 | 129 | 103 | 76 |
| Funds management | 216 | 149 | 36 | 24 | 11 |
| Profit on operations (cash basis) | 2,501 | 2,262 | 1,678 | 1,469 | 1,297 |
| Goodwill amortisation | (323) | (338) | (57) | (47) | (46) |
| Appraisal value uplift | 477 | 474 | 92 | - | - |
| Abnormal income (expense) after tax | - | - | 987 | - | (161) |
| Operating profit after income tax | 2,655 | 2,398 | 2,700 | 1,422 | 1,090 |
| Financial Position | | | | | |
| Loans, advances and other receivables | 147,074 | 136,059 | 132,263 | 101,837 | 89,816 |
| Total assets | 249,648 | 230,411 | 218,259 | 138,096 | 130,544 |
| Deposits and other public borrowings | 132,800 | 117,355 | 112,594 | 93,428 | 83,886 |
| Total liabilities | 228,592 | 210,563 | 199,824 | 131,134 | 123,655 |
| Shareholders' equity | 19,030 | 18,393 | 17,472 | 6,735 | 6,712 |
| Net tangible assets | 13,639 | 12,677 | 11,942 | 6,471 | 6,358 |
| Risk weighted assets | 141,049 | 138,383 | 128,484 | 99,556 | 94,431 |
| Average interest earning assets | 170,634 | 160,607 | 129,163 | 114,271 | 102,165 |
| Average interest bearing liabilities | 157,105 | 145,978 | 117,075 | 103,130 | 91,650 |
| Assets (on balance sheet) | | | | | |
| Australia | 208,673 | 196,918 | 187,452 | 115,510 | 110,120 |
| New Zealand | 24,579 | 20,208 | 16,661 | 13,046 | 10,846 |
| Other | 16,396 | 13,285 | 14,146 | 9,540 | 9,578 |
| Total Assets | 249,648 | 230,411 | 218,259 | 138,096 | 130,544 |

| | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---------|---------|---------|---------|---------|
| Shareholder Summary | | | | | |
| Dividends per share (cents) – fully franked | 150 | 136 | 130 | 115 | 104 |
| Dividends provided for, reserved or paid (\$million) | 1,913 | 1,720 | 1,431 | 1,063 | 955 |
| Dividend cover (times) – statutory | 1.4 | 1.4 | 1.2 | 1.3 | 1.3 |
| Dividend cover (times) – cash basis ⁽⁴⁾ | 1.3 | 1.3 | 1.6 | 1.3 | 1.1 |
| Earnings per share (cents) | | | | | |
| Basic | | | | | |
| before abnormal items | 209.6 | 189.6 | 184.8 | 153.4 | 134.5 |
| after abnormal items | 209.6 | 189.6 | 291.2 | 153.4 | 117.2 |
| cash basis ⁽⁴⁾ | 197.3 | 178.8 | 181.0 | 158.5 | 139.4 |
| Fully diluted | | | | | |
| before abnormal items | 209.3 | 189.3 | 184.4 | 153.1 | 134.3 |
| after abnormal items | 209.3 | 189.3 | 290.7 | 153.1 | 117.0 |
| cash basis ⁽⁴⁾ | 197.0 | 178.6 | 180.6 | 158.1 | 139.3 |
| Dividend payout ratio (%) ⁽¹⁾ | | | | | |
| before abnormal items | 71.7 | 71.2 | 83.5 | 74.7 | 76.3 |
| after abnormal items | 71.7 | 71.2 | 53.0 | 74.7 | 87.6 |
| cash basis ⁽⁴⁾ | 76.2 | 75.5 | 85.3 | 72.4 | 73.7 |
| Net tangible assets per share (\$) | 10.9 | 10.2 | 9.2 | 6.8 | 6.7 |
| Weighted average number of shares (basic) | 1,250m | 1,260m | 927m | 927m | 930m |
| Weighted average number of shares (fully diluted) | 1,252m | 1,262m | 929m | 929m | 931m |
| Number of shareholders | 722,612 | 709,647 | 788,791 | 404,728 | 419,926 |
| Share prices for the year (\$) | | | | | |
| Trading high | 34.94 | 34.15 | 27.95 | 28.76 | 19.66 |
| Trading low | 24.75 | 26.18 | 22.54 | 18.00 | 13.70 |
| End (closing price) | 32.93 | 34.15 | 27.69 | 24.05 | 18.84 |
| Performance Ratios (%) | | | | | |
| Return on average shareholders' equity ⁽²⁾ | | | | | |
| before abnormal items | 14.7 | 13.5 | 22.1 | 20.5 | 18.5 |
| after abnormal items | 14.7 | 13.5 | 34.8 | 20.5 | 16.1 |
| cash basis | 13.9 | 12.8 | | | |
| Return on average total assets ⁽²⁾ | | | | | |
| before abnormal items | 1.1 | 1.1 | 1.1 | 1.1 | 1.0 |
| after abnormal items | 1.1 | 1.1 | 1.7 | 1.1 | 0.9 |
| cash basis | 1.0 | 1.0 | | | |
| Capital adequacy – Tier 1 | 6.78 | 6.51 | 7.49 | 7.05 | 8.07 |
| Capital adequacy – Tier 2 | 4.28 | 4.18 | 4.75 | 3.12 | 2.82 |
| Deductions | (1.26) | (1.53) | (2.49) | (0.79) | (0.40) |
| Capital adequacy – Total | 9.80 | 9.16 | 9.75 | 9.38 | 10.49 |
| Net interest margin | 2.76 | 2.78 | 2.88 | 3.09 | 3.33 |

Five Year Financial Summary continued

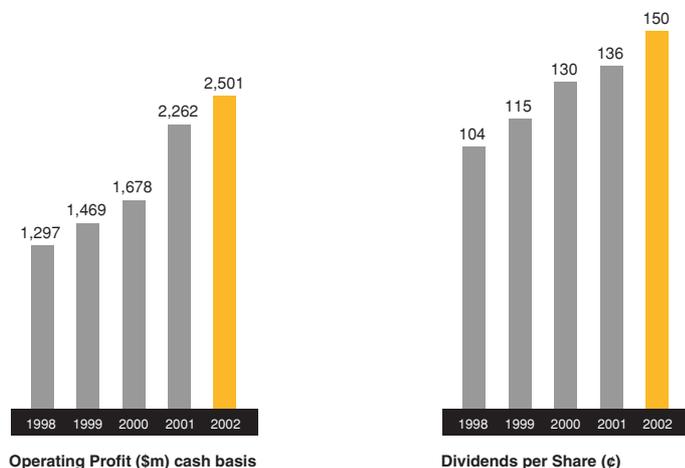
| | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|----------------|---------|---------|---------|---------|
| Other Information (numbers) | | | | | |
| Full-time staff | 30,378 | 31,976 | 34,154 | 26,394 | 28,034 |
| Part-time staff | 7,714 | 7,161 | 7,383 | 6,655 | 6,968 |
| Full-time staff equivalent | 34,498 | 34,960 | 37,131 | 28,964 | 30,743 |
| Branches/service centres (Australia) | 1,020 | 1,066 | 1,441 | 1,162 | 1,218 |
| Agencies (Australia) | 3,936 | 3,928 | 4,020 | 3,934 | 4,015 |
| ATMs | 3,950 | 3,910 | 4,141 | 2,602 | 2,501 |
| EFTPOS terminals | 126,613 | 122,074 | 116,064 | 90,152 | 83,038 |
| EzyBanking | 730 | 659 | 603 | n/a | n/a |
| Productivity | | | | | |
| Total Operating Income per full-time (equivalent) employee (\$) | 262,856 | 252,400 | 211,842 | 190,720 | 170,120 |
| Staff Expense/Total Operating Income (%) | 26.4 | 26.7 | 27.8 | 29.0 | 31.0 |
| Total Operating Expenses ⁽³⁾ /Total Operating Income (%) | 57.4 | 58.6 | 57.2 | 55.6 | 58.1 |

⁽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.



Comments on Statement of Financial Performance

For the year ended 30 June 2002

(Except where otherwise stated, all figures relate to the year ended 30 June 2002 and comparatives for the profit and loss are to the year ended 30 June 2001.)

For the year ended 30 June 2002, the Commonwealth Bank Group recorded a net operating profit after income tax of \$2,655 million.

The net operating profit ("cash basis") for the year ended 30 June 2002 after tax, and before goodwill amortisation and appraisal value uplift is \$2,501 million. This is an increase of \$239 million or 11% over the year ended 30 June 2001.

The Group result comprised:

| | \$M | |
|--------------------------|------------|----------|
| Segment profit after tax | | |
| – Banking | 2,067 | up 15% |
| – Funds Management | 216 | up 45% |
| – Life Insurance | 218 | down 32% |
| Appraisal value uplift | 477 | |
| Goodwill amortisation | (323) | |
| Net Profit | 2,655 | |

Banking

The contribution to profit after tax from the Group's banking businesses increased to \$2,067 million, 15% over the prior year, reflecting:

- Net interest income growth of \$236 million or 5%, which was achieved through a 6% growth in average interest earning assets compared with the prior year, primarily due to housing loans, and a stable net interest margin of 2.76%.
- Other banking operating income growth of \$171 million or 7%, driven by growth in lending fees and commission income together with the strong trading income and gains on sale of investments.
- Expenses were lower than the prior year levels with the banking cost to income ratio reducing by 3.6 percentage points to 54.1%.

Funds Management

The contribution to profit after tax from the Group's funds management business increased to \$216 million, 45% over the prior year.

Funds under management increased by 1% to \$103 billion which encompassed a 5% increase to 31 December 2001 and a 3% decline in the second half of the year. This outcome reflected the impacts of poor investment returns and the loss of a few large institutional mandates in Australia and the run-off of an asset management contract in the UK.

Life Insurance

The contribution from life insurance to profit after tax was down \$102 million to \$218 million, 32% less than the prior

year. This result principally reflects lower investment earnings on shareholders' funds which have reduced the after-tax profit from life insurance by \$93 million.

Group Expenses

Total operating expenses for the Group were less than 1% higher than the prior year, increasing by \$31 million to \$5,201 million. Additional cost synergies of \$205 million associated with the Colonial and Commonwealth Group integration were achieved in the current year, offset by volume related increases in expenses and the effect of EBA-related staff cost increases.

Bad debt expense increased by \$64 million to \$449 million mainly due to specific provisions required against two large corporate exposures in the first half of the year.

Income Tax

Income tax expense includes amounts on behalf of life insurance policy holders and corporate tax. During the year total income tax expense decreased by \$77 million to \$916 million, however, policyholder tax contributed \$130 million to this reduction due to lower investment returns attributable to policyholders during the year.

The corporate income tax expense increased by \$53 million or 6% to \$952 million this year. This resulted in an effective corporate tax rate of 27.6% in the current year which was slightly lower than the prior year rate of 28.3%. The reduction is due mainly to the drop in the corporate tax rate from 34% to 30% this year, partly offset by higher recognition of tax losses last year.

Appraisal Value Uplift⁽¹⁾

For the year ended 30 June 2002, appraisal values of the life insurance and funds management businesses increased by \$577 million. The increase comprised:

- a \$57 million change to net tangible assets being, profits of \$434 million offset by other capital movements of \$377 million;
- other valuation changes of \$43 million; and
- an appraisal value uplift of \$477 million being \$147 million relating to the transfer of CFS Property and underlying uplift of \$330 million.

The underlying uplift of \$330 million is broadly in line with expectations and slightly in excess of goodwill amortisation.

⁽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 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 2002

| | Group 2002 \$M | Group 2001 \$M |
|--|------------------------|----------------------|
| Interest income | 10,455 | 11,900 |
| Interest expense | 5,745 | 7,426 |
| Net interest income | 4,710 | 4,474 |
| Other income: | | |
| Revenue from sale of assets | 718 | 185 |
| Written down value of assets sold | (628) | (104) |
| Other | 2,462 | 2,300 |
| Net banking operating income | 7,262 | 6,855 |
| Premiums and related revenue | 1,140 | 1,073 |
| Investment revenue | (100) | 1,698 |
| Claims and policyholder liability expense | (43) | (1,503) |
| Life insurance margin on services operating income | 997 | 1,268 |
| Funds management fee income | 809 | 701 |
| Net life insurance and funds management operating income before appraisal value uplift | 1,806 | 1,969 |
| Total net operating income before appraisal value uplift | 9,068 | 8,824 |
| Charge for bad and doubtful debts | 449 | 385 |
| Operating expenses: | | |
| Staff expenses | 2,390 | 2,360 |
| Occupancy and equipment expenses | 578 | 604 |
| Information technology services | 838 | 788 |
| Other expenses | 1,395 | 1,418 |
| | 5,201 | 5,170 |
| Appraisal value uplift | 477 | 474 |
| Goodwill amortisation | (323) | (338) |
| Profit from ordinary activities before income tax | 3,572 | 3,405 |
| Income tax expense | 916 | 993 |
| Profit from ordinary activities after income tax | 2,656 | 2,412 |
| Outside equity interests in net profit | (1) | (14) |
| Net profit attributable to members of the Bank | 2,655 | 2,398 |
| Foreign currency translation adjustment | (146) | 98 |
| Revaluation of properties | (1) | 5 |
| Total valuation adjustments | (147) | 103 |
| Total changes in equity other than those resulting from transactions with owners as owners | 2,508 | 2,501 |
| | Cents per Share | |
| Earnings per share based on net profit distributable to members of the Bank: | | |
| Basic | 209.6 | 189.6 |
| Fully Diluted | 209.3 | 189.3 |
| Dividends provided for, reserved or paid per share attributable to shareholders of the Bank: | | |
| Ordinary shares | 150 | 136 |
| Preference shares (issued 6 April 2001) | 970 | 261 |
| <i>For further information, refer full Annual Report – 2002 Financial Statements.</i> | | |
| Net profit comprises: | | |
| | \$M | \$M |
| Underlying profit (cash earnings) | 2,501 | 2,262 |
| Plus appraisal value uplift | 477 | 474 |
| Less goodwill amortisation | (323) | (338) |
| Net Profit | 2,655 | 2,398 |

Comments on Statement of Financial Position

As at 30 June 2002

Group Assets

The Group's assets increased by \$19.2 billion to \$249.6 billion (2001: \$230.4 billion) over the year.

Total lending assets increased by \$11 billion from \$150 billion to \$161 billion at 30 June 2002.

The total provisions for impairment for the Group at 30 June 2002 were \$1,626 million down less than 1% from 30 June 2001. 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 0.96% following a steady decline from 1.14% at 30 June 1998.

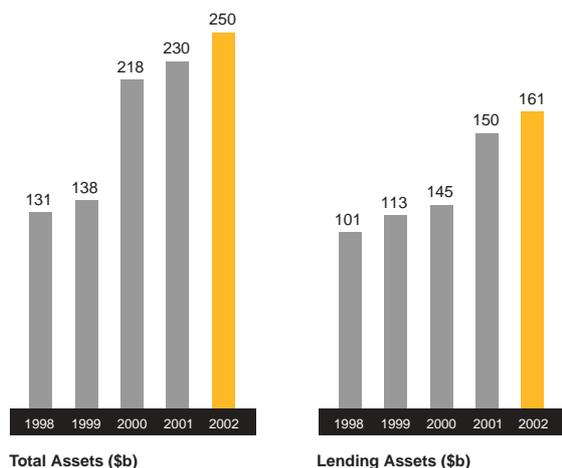
Capital Management

The Group maintains a strong capital position.

As at 30 June 2002, the Capital adequacy Ratio was 9.80% (well above the regulatory guideline of 8%), compared to 9.16% at 30 June 2001.

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.



Statement of Financial Position

As at 30 June 2002

| | Group 2002 \$M | Group 2001 \$M |
|---|----------------------|----------------------|
| Assets | | |
| Cash and liquid assets | 6,044 | 3,709 |
| Receivables due from other financial institutions | 7,728 | 4,622 |
| Trading securities | 8,389 | 6,909 |
| Investment securities | 10,766 | 9,705 |
| Loans, advances and other receivables | 147,074 | 136,059 |
| Bank acceptances of customers | 12,517 | 12,075 |
| Life insurance investment assets | 30,109 | 31,213 |
| Deposits with regulatory authorities | 89 | 61 |
| Property, plant and equipment | 862 | 919 |
| Investment in associates | 313 | 400 |
| Intangible assets | 5,391 | 5,716 |
| Other assets | 20,366 | 19,023 |
| Total Assets | 249,648 | 230,411 |
| Liabilities | | |
| Deposits and other public borrowings | 132,800 | 117,355 |
| Payables due to other financial institutions | 7,864 | 6,903 |
| Bank acceptances | 12,517 | 12,075 |
| Provision for dividend | 1,040 | 779 |
| Income tax liability | 1,276 | 1,355 |
| Other provisions | 834 | 1,007 |
| Life insurance policyholder liabilities | 25,917 | 27,029 |
| Debt issues | 23,575 | 24,484 |
| Bills payable and other liabilities | 17,342 | 13,872 |
| | 223,165 | 204,859 |
| Loan Capital | 5,427 | 5,704 |
| Total Liabilities | 228,592 | 210,563 |
| Net Assets | 21,056 | 19,848 |
| Shareholders' Equity | | |
| Share Capital: | | |
| Ordinary Share Capital | 12,665 | 12,455 |
| Preference Share Capital | 687 | 687 |
| Reserves | 4,226 | 4,091 |
| Retained profits | 1,452 | 1,160 |
| Shareholders' equity attributable to members of the Bank | 19,030 | 18,393 |
| Outside equity interests: | | |
| Controlled entities | 9 | (3) |
| Life insurance statutory funds | 2,017 | 1,458 |
| Total outside equity interests | 2,026 | 1,455 |
| Total Shareholders' Equity | 21,056 | 19,848 |

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 2002

| | Group 2002 \$M | Group 2001 \$M |
|--|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Interest received | 10,683 | 12,059 |
| Dividends received | 5 | 14 |
| Interest paid | (5,805) | (7,704) |
| Other operating income received | 3,706 | 2,800 |
| Expenses paid | (5,366) | (5,583) |
| Income taxes paid | (926) | (1,252) |
| Net decrease (increase) in trading securities | (1,159) | (262) |
| Life insurance: | | |
| Investment income | 870 | 900 |
| Premiums received | 5,689 | 6,286 |
| Policy payments | (5,704) | (5,423) |
| Net Cash provided by Operating Activities | 1,993 | 1,835 |
| Cash Flows from Investing Activities | | |
| Payments for acquisition of entities | (57) | (414) |
| Proceeds from disposal of entities and businesses | 314 | – |
| Net movement in investment securities: | | |
| Purchases | (23,488) | (19,676) |
| Proceeds from sale | 295 | 28 |
| Proceeds at or close to maturity | 22,192 | 19,654 |
| Withdrawal (lodgement) of deposits with regulatory authorities | (28) | 15 |
| Net increase in loans, advances and other receivables | (11,702) | (4,181) |
| Proceeds from sale of property, plant and equipment | 109 | 157 |
| Purchase of property, plant and equipment | (164) | (132) |
| Net decrease (increase) in receivables due from other financial institutions not at call | (855) | (184) |
| Net decrease (increase) in securities purchased under agreements to resell | (1,376) | (891) |
| Net decrease (increase) in other assets | (241) | 1,504 |
| Life insurance: | | |
| Purchases of investment securities | (13,926) | (21,229) |
| Proceeds from sale/maturity of investment securities | 14,618 | 20,556 |
| Net Cash used in Investing Activities | (14,309) | (4,793) |
| Cash Flows from Financing Activities | | |
| Buyback of shares | – | (724) |
| Proceeds from issue of shares (net of costs) | 39 | 723 |
| Net increase (decrease) in deposits and other borrowings | 15,135 | 5,246 |
| Net movement in debt issues | (967) | (2,099) |
| Dividends paid | (1,661) | (1,368) |
| Net movements in other liabilities | 1,809 | (1,010) |
| Net increase (decrease) in payables due to other financial institutions not at call | 211 | 1,396 |
| Net increase (decrease) in securities sold under agreements to repurchase | 310 | (485) |
| Other | (100) | (69) |
| Net Cash provided by Financing Activities | 14,776 | 1,610 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,460 | (1,348) |
| Cash and Cash Equivalents at beginning of period | 38 | 1,386 |
| Cash and Cash Equivalents at end of period | 2,498 | 38 |

For further information, refer full Annual Report – 2002 Financial Statements.

The cash flow statement highlights the net growth from Investing Activities of \$14.3 billion including Lending Assets of \$11.7 billion, financed by Deposits growth of \$15.1 billion.

Operating activities provided \$2.0 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 2002

NOTE 1 Accounting Policies

This 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 2002 provided in the full Annual Report – 2002 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 2002 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.

A full description of the accounting policies adopted by the Group is provided in the full Annual Report 2002 Financial Statements.

NOTE 2 Dividends Provided for, Reserved or Paid

| | Group 2002 \$M | Group 2001 \$M |
|--|-------------------------------|-------------------------------|
| Ordinary Shares | | |
| Interim ordinary dividend (fully franked) of 68 cents per share (2001: 61 cents, 2000: 58 cents) | | |
| Provision for interim ordinary dividend – cash component only | 852 | 642 |
| Declared final ordinary dividend (fully franked) of 82 cents per share (2001: 75 cents, 2000: 72 cents) | | |
| Provision for final ordinary dividend – cash component only | 1,027 | 765 |
| Other provision | – | 5 |
| Preference Shares | | |
| Preference dividends paid (fully franked) of 970 cents per share (2001: 261 cents) | 26 | – |
| Provision for preference dividend | 8 | 9 |
| Dividends provided for payments in cash or paid | 1,913 | 1,421 |
| Appropriations to Dividend Reinvestment Plan Reserve | | |
| Interim ordinary dividend | – | 131 |
| Final ordinary dividend | – | 168 |
| Dividends appropriated to Dividend Reinvestment Plan Reserve | – | 299 |
| Total Dividends Provided for, Reserved or Paid | 1,913 | 1,720 |
| Other provision carried | 5 | – |

Dividend Franking Account

After fully franking the final dividend to be paid for the year ended 30 June 2002 the amount of franking credits available as at 30 June 2002 to frank dividends for subsequent financial years is \$400 million (30 June 2001: nil).

This figure is based on the combined franking accounts of the Group at 30 June 2002 and has been adjusted for franking credits that will arise from the payment of income tax payable on profits of the year ended 30 June 2002, franking debits that

will arise from the payment of dividends proposed as at 30 June 2002 and franking credits that the Group may be prevented from distributing. 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 2002 will be franked at the 30% tax rate. These calculations have been based on the taxation law as at 30 June 2002.

Notes to the Financial Statements continued

For the year ended 30 June 2002

NOTE 3 Financial Reporting by Segments

| Primary Segment Business Segments Financial Performance | Year Ended 30 June 2002 | | | Group Total \$M |
|--|-------------------------|--------------------------|----------------------------|-----------------------|
| | Banking \$M | Life Insurance \$M | Funds Management \$M | |
| Interest income | 10,455 | – | – | 10,455 |
| Premium and related revenue | – | 1,140 | – | 1,140 |
| Other income | 3,180 | (100) | 809 | 3,889 |
| Appraisal value uplift | – | – | – | 477 |
| Total Revenue | 13,635 | 1,040 | 809 | 15,961 |
| Interest Expense | 5,745 | – | – | 5,745 |
| Segment result before tax, goodwill amortisation and appraisal value uplift | 2,884 | 240 | 294 | 3,418 |
| Income tax expense | (816) | (22) | (78) | (916) |
| Segment result after tax and before goodwill amortisation and appraisal value uplift | 2,068 | 218 | 216 | 2,502 |
| Outside equity interest | (1) | – | – | (1) |
| Segment result after tax and outside equity interest before goodwill amortisation and appraisal value uplift | 2,067 | 218 | 216 | 2,501 |
| Goodwill amortisation ⁽¹⁾ | | | | (323) ⁽¹⁾ |
| Appraisal value uplift ⁽¹⁾ | | | | 477 ⁽¹⁾ |
| Net profit attributable to shareholders of the Bank | 2,067 | 218 | 216 | 2,655 |
| Non-Cash Expenses | | | | |
| Goodwill amortisation | | | | (323) |
| Charge for bad and doubtful debts | (449) | – | – | (449) |
| Depreciation | (109) | (12) | (7) | (128) |
| Other | (43) | (1) | (2) | (46) |
| Financial Position | | | | |
| Total Assets | 211,130 | 35,637 | 2,881 | 249,648 |
| Acquisition of Property, Plant and Equipment and Intangibles | 147 | 4 | 13 | 164 |
| Associate Investments | 235 | 57 | 21 | 313 |
| Total Liabilities | 200,885 | 27,241 | 466 | 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 2002

NOTE 3 Financial Reporting by Segments continued

| Financial Performance | Year Ended 30 June 2001 | | | Group Total \$M |
|--|-------------------------|--------------------------|----------------------------|-----------------------|
| | Banking \$M | Life Insurance \$M | Funds Management \$M | |
| Interest income | 11,900 | – | – | 11,900 |
| Premium and related revenue | – | 1,073 | – | 1,073 |
| Other income | 2,485 | 1,698 | 701 | 4,884 |
| Appraisal value uplift | – | – | – | 474 |
| Total Revenue | 14,385 | 2,771 | 701 | 18,331 |
| Interest Expense | 7,426 | – | – | 7,426 |
| Segment result before tax, appraisal value uplift, goodwill amortisation | 2,512 | 514 | 243 | 3,269 |
| Income tax expense | (705) | (194) | (94) | (993) |
| Segment result after income tax and before goodwill amortisation and appraisal value uplift | 1,807 | 320 | 149 | 2,276 |
| Outside equity interest | (14) | – | – | (14) |
| Segment result after tax and outside equity interest before goodwill amortisation and appraisal value uplift | 1,793 | 320 | 149 | 2,262 |
| Goodwill amortisation | | | | (338) |
| Appraisal value uplift | | | | 474 |
| Net profit attributable to shareholders of the Bank | 1,793 | 320 | 149 | 2,398 |
| Non-Cash Expenses | | | | |
| Goodwill amortisation | | | | (338) |
| Charge for bad and doubtful debts | (385) | – | – | (385) |
| Depreciation | (108) | (37) | (5) | (150) |
| Other | (28) | (5) | (4) | (37) |
| Financial Position | | | | |
| Total Assets | 191,333 | 37,278 | 1,800 | 230,411 |
| Acquisition of Property, Plant and Equipment and Intangibles | 129 | – | 3 | 391 ⁽¹⁾ |
| Associate Investments | 249 | 128 | 23 | 400 |
| Total Liabilities | 179,733 | 30,329 | 501 | 210,563 |

⁽¹⁾ Includes intangible assets of \$259 million on acquisition of 25% interest in ASB Group.

Notes to the Financial Statements continued

For the year ended 30 June 2002

| Secondary Segment Geographical Segment | 2002 \$M | % | 2001 \$M | % | 2000 \$M | % |
|---|----------------|--------------|----------------|--------------|----------------------|--------------|
| GEOGRAPHICAL SEGMENTS | | | | | | |
| Revenue | | | | | | |
| Australia | 12,651 | 79.3 | 15,265 | 83.3 | 11,614 | 85.8 |
| New Zealand | 1,591 | 10.0 | 1,499 | 8.2 | 1,171 | 8.6 |
| Other Countries* | 1,719 | 10.7 | 1,567 | 8.5 | 755 | 5.6 |
| | 15,961 | 100.0 | 18,331 | 100.0 | 13,540 | 100.0 |
| Net profit attributable to shareholders of the Bank | | | | | | |
| Australia | 2,569 | 96.8 | 2,228 | 92.9 | 2,536 | 93.9 |
| New Zealand | 178 | 6.7 | 159 | 6.6 | 105 | 3.9 |
| Other Countries* | (92) | (3.5) | 11 | 0.5 | 59 | 2.2 |
| | 2,655 | 100.0 | 2,398 | 100.0 | 2,700 | 100.0 |
| Assets | | | | | | |
| Australia | 208,673 | 83.6 | 196,918 | 85.5 | 187,452 | 85.9 |
| New Zealand | 24,579 | 9.8 | 20,208 | 8.8 | 16,661 | 7.6 |
| Other Countries* | 16,396 | 6.6 | 13,285 | 5.7 | 14,146 | 6.5 |
| | 249,648 | 100.0 | 230,411 | 100.0 | 218,259 | 100.0 |
| Acquisition of Property, Plant and Equipment and Intangibles | | | | | | |
| Australia | 134 | 81.7 | 360 | 92.1 | 7,906 ⁽¹⁾ | 97.2 |
| New Zealand | 26 | 15.9 | 29 | 7.4 | 231 ⁽¹⁾ | 2.8 |
| Other Countries* | 4 | 2.4 | 2 | 0.5 | – | – |
| | 164 | 100.0 | 391 | 100.0 | 8,137 | 100.0 |

* Other Countries are: United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, the Philippines, Fiji, Thailand, Indonesia, Malaysia, China and Vietnam. Thailand and Malaysia operations were sold during the year ended 30 June 2002.

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

⁽¹⁾ Includes intangible assets of \$8,043 million on acquisition of Colonial Group.

NOTE 4 Earnings per Share

| | Group 2002 cents | Group 2001 cents |
|--|-------------------------|------------------------|
| Statutory Earnings per Ordinary Share | | |
| – Basic | 209.6 | 189.6 |
| – Fully diluted | 209.3 | 189.3 |
| Reconciliation of earnings used in the calculation of earnings per share | | |
| Profit from ordinary activities after income tax | 2,656 | 2,412 |
| Less: Preference share dividend | (34) | (9) |
| Less: Outside equity interests | (1) | (14) |
| Earnings used in calculation of earnings per share | 2,621 | 2,389 |
| | Number of Shares | |
| | M | M |
| Weighted average number of ordinary shares used in the calculation of earnings per share | 1,250 | 1,260 |
| Effect of dilutive securities – share options | 2 | 2 |
| Weighted average number of ordinary shares used in calculation of fully diluted earnings per share | 1,252 | 1,262 |
| | Cents | Cents |
| Cash Basis Earnings per Ordinary Share | | |
| – Basic | 197.3 | 178.8 |
| – Fully diluted | 197.0 | 178.6 |

Notes to the Financial Statements continued

For the year ended 30 June 2002

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 2002 was:

| | Base Fee/Pay \$ | Committee Fee \$ | Salary Sacrifice ⁽²⁾ \$ | Superannuation ⁽¹⁾ \$ | Total Remuneration \$ |
|--------------------------------|--------------------|---------------------|---------------------------------------|-------------------------------------|-----------------------------|
| Non-Executive Directors | | | | | |
| Mr J T Ralph, AC | 192,000 | 32,000 | 56,000 | 17,920 | 297,920 |
| Dr J M Schubert | 96,000 | 20,000 | 29,000 | 9,280 | 154,280 |
| Mr N R Adler, AO | 64,000 | 12,997 | 19,249 | 6,160 | 102,406 |
| Mr R J Clairs, AO | 64,000 | 15,003 | 19,751 | 7,110 | 105,864 |
| Mr A B Daniels, OAM | 64,000 | 12,000 | 19,000 | 6,840 | 101,840 |
| Mr W G Kent, AO | 64,000 | 20,000 | 21,000 | 7,560 | 112,560 |
| Mr C R Galbraith | 64,000 | 20,000 | 21,000 | 7,560 | 112,560 |
| Mr F D Ryan | 64,000 | 16,000 | 20,000 | 7,200 | 107,200 |
| Mr F J Swan | 64,000 | 20,000 | 21,000 | 7,560 | 112,560 |
| Ms B K Ward | 64,000 | 16,000 | 20,000 | 6,200 | 106,200 |

Executive Director

Mr D V Murray (refer Note 6)

⁽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.

Non-Executive Directors' Share Plan (NEDSP)

The NEDSP provides for the acquisition of shares by Non-Executive Directors through the mandatory sacrifice of 20% of their annual fees (paid on a quarterly basis). Shares purchased are restricted for sale for 10 years or when the Director leaves the Board, whichever is earlier. Shares are purchased on-market at the current market price. The cost of the shares purchased is expensed. Details of shares purchased under this Plan so far are:

| Quarter Ending | Total Fees Sacrificed | Participants | Shares Purchased | Average Purchase Price |
|----------------|--------------------------|--------------|---------------------|---------------------------|
| 31/12/2000 | \$63,517 | 11 | 1,989 | \$31.93 |
| 31/03/2001 | \$65,917 | 11 | 2,359 | \$27.94 |
| 30/06/2001 | \$61,331 | 10 | 1,820 | \$33.45 |
| 30/09/2001 | \$62,005 | 10 | 2,454 | \$25.44 |
| 31/12/2001 | \$62,005 | 10 | 2,091 | \$29.65 |
| 31/03/2002 | \$62,005 | 10 | 1,950 | \$31.83 |
| 30/06/2002 | \$61,332 | 10 | 1,848 | \$33.15 |

No trading restrictions were lifted on shares during the year to 30 June 2002.

Notes to the Financial Statements continued

For the year ended 30 June 2002

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 directly reporting to the Chief Executive Officer, who were officers of the Bank and the Group for the year ended 30 June 2002. The table does not include individuals, who are not direct reports to the Chief Executive Officer, whose incentive based remuneration, consistent with market practice in the industry, in any given year is in excess of that received by a member of the Senior Executive Team.

Senior Executive Team

| Name and Position | Base Pay ⁽¹⁾ | Bonus ⁽²⁾ | | Super-annuation ⁽³⁾ | Other Compensation ⁽⁴⁾ | Total Remuneration | Option Grant ⁽⁶⁾ | Share Grant ⁽⁶⁾ |
|---|-------------------------|----------------------|----------------------|--------------------------------|-----------------------------------|--------------------|-----------------------------|----------------------------|
| | | Paid this Year | Vested in CBA Shares | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | Number | Number |
| D V Murray Chief Executive Officer | 1,550,000 | 335,000 | 335,000 | 125,550 | 4,650,000 ⁽⁵⁾ | 6,995,550 | 250,000 | 42,000 |
| P L Polson Group Executive, Investment and Insurance Services | 679,589 | 500,000 | – | 196,585 | 584,368 | 1,960,542 | 100,000 | 14,000 |
| M A Katz Group Executive, Premium Financial Services | 850,000 | 230,000 | 230,000 | 67,500 | 12,000 | 1,389,500 | 125,000 | 18,000 |
| M J Ullmer Group Executive, Institutional and Business Services | 790,000 | 220,000 | 220,000 | 132,300 | 12,000 | 1,374,300 | 125,000 | 18,000 |
| J F Mulcahy Group Executive, Retail Banking Services | 760,000 | 185,000 | 185,000 | 63,000 | 12,000 | 1,205,000 | 125,000 | 18,000 |
| S I Grimshaw Group Executive, Financial and Risk Management ⁽⁷⁾ | 287,671 | 200,000 | – | 20,712 | 605,000 | 1,113,383 | 100,000 | 14,000 |
| Retired Executive R J Norris Head of International Financial Services and Managing Director and CEO of ASB Group ⁽⁶⁾ | 172,603 | – | – | n/a | 1,030,833 ⁽⁶⁾ | 1,203,436 | – | – |

⁽¹⁾ Base pay is calculated on a Total Cost basis. It reflects the total remuneration package and includes any FBT charges related to employee benefits including motor vehicles.

⁽²⁾ The Group has a vesting (deferral) arrangement for most Executives. 50% of the bonus payment is paid immediately and the remaining 50% is deferred and vested in the Bank's shares. Half of the shares will vest after one year (in 2003) and half will vest after two years (in 2004). Generally these instalments are only paid 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. 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⁾ This payment was made in accordance with a contract entered into with the CEO on 21 June 1992 which provided for the lump sum to be paid upon satisfactory completion of ten years' service in that position (or pro rata for earlier termination of appointment after five years' service had been completed). A new contract of employment was entered into effective 2 July 2001. This contract does not have a similar provision in relation to service post 21 June 2002.

Notes to the Financial Statements continued

For the year ended 30 June 2002

NOTE 6 Remuneration of Executives continued

(6) Option Grants awarded under the Equity Reward Plan are a right to subscribe for ordinary shares at an exercise price which is 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).

Share Grants are awarded under the Equity Reward Plan. Shares are purchased on market and charged against profit and loss. Shares are registered in the name of the Trustee. No consideration is payable by the Executive for the grant of shares. The transfer of legal title to the Executive is subject to vesting conditions.

The ability to exercise options and the vesting of the shares is conditional on the Bank achieving a prescribed performance hurdle. To reach the performance hurdle, the Bank's Total Shareholder Return (broadly, 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, the options will lapse and entitlement to shares will be forfeited.

The options and shares are subject to a performance hurdle, the achievement of which is uncertain.

Effective from 1 July 2002, options will no longer be issued under the Equity Reward Plan. In future Reward Shares only will be issued under this plan.

A further change introduced is that whereas previously allocated options and shares vested upon the weighted average Total Shareholder Return of peer institutions being exceeded, a tiered vesting scale has been introduced so that 50% of allocated shares vest if the Bank's Total Shareholder Return is equal to the median return, 75% vest at the 67th percentile and 100% 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.

(7) Commenced 1 February 2002.

(8) Retired 28 September 2001.

(9) Converted from NZ dollars.

Executive Option Plan

Shareholders were informed at the AGM on 26 October 2000 that the Commonwealth Bank Executive Option Plan would be discontinued. Details of issues made under this plan are:

| Commencement Date | Issue Date | Options Issued | Options Outstanding | Participants | Exercise Price ⁽¹⁾ | Exercise Period |
|-------------------|-------------|----------------|---------------------|--------------|-------------------------------|----------------------------|
| 12 Nov 1996 | 16 Dec 1996 | 2,100,000 | 0 | 25 | \$11.85 | 13 Nov 1999 to 12 Nov 2001 |
| 3 Nov 1997 | 11 Dec 1997 | 2,875,000 | 50,000 | 27 | \$15.53 ⁽²⁾ | 4 Nov 2000 to 3 Nov 2002 |
| 25 Aug 1998 | 30 Sep 1998 | 3,275,000 | 1,047,500 | 32 | \$19.58 ⁽²⁾ | 26 Aug 2001 to 25 Aug 2003 |
| 24 Aug 1999 | 24 Sep 1999 | 3,855,000 | 3,450,000 | 38 | \$23.84 ⁽³⁾ | 25 Aug 2002 to 24 Aug 2009 |
| 13 Sep 2000 | 13 Oct 2000 | 2,002,500 | 1,654,200 | 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).

1,783,300 options, from all grants to date, have been forfeited as at 30 June 2002. 1,730,000 options from the 1996 grant, 2,465,000 options from the 1997 grant and 1,927,500 options from the 1998 grant have been exercised as at the date of this report.

Details of shares issued during the period 1 July 2001 to the date of this report as a result of options being exercised are:

| Option Issue Date | Shares Issued | Price Paid per Share | Total Consideration Paid |
|-------------------|---------------|----------------------|--------------------------|
| 16 Dec 1996 | 50,000 | \$11.85 | \$592,500 |
| 11 Dec 1997 | 75,000 | \$15.53 | \$1,164,750 |
| 30 Sep 1998 | 1,927,500 | \$19.58 | \$37,740,450 |

No amount is unpaid in respect of the shares issued upon exercise of the options during the above period.

Notes to the Financial Statements continued

For the year ended 30 June 2002

Equity Reward Plan

Details of options issued and shares acquired under the Equity Reward Plan are:

| Commencement Date | Issue Date | Options Issued | Options Outstanding ⁽¹⁾ | Participants | Exercise Price | Exercise Period |
|-------------------|-------------|----------------|------------------------------------|--------------|------------------------|---|
| 13 Sep 2000 | 7 Feb 2001 | 577,500 | 560,000 | 23 | \$26.97 ⁽²⁾ | 14 Sep 2003 to 13 Sep 2010 ⁽³⁾ |
| 13 Sep 2000 | 31 Oct 2001 | 12,500 | 12,500 | 1 | \$26.97 ⁽²⁾ | 14 Sep 2003 to 13 Sep 2010 ⁽³⁾ |
| 3 Sep 2001 | 31 Oct 2001 | 2,882,000 | 2,750,600 | 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.

Executive options are not currently recorded as an expense by the Group. Based on the current deliberations of the International Accounting Standards Board on recognition of an expense for equity based compensation, the Group would be required to recognise an expense for the fair value of the options issued. During the current year 2,994,500 options were issued with a fair value of \$2.01, with 12,500 options issued with a fair value of \$1.53. This would result in an expense of \$6.0 million being recorded by the Group. Fair value is determined using the Black-Scholes option pricing model and includes a 50% discount for probability of options not being exercised.

Shares

| Purchase Date | Shares Allocated | Participants | Vesting Period | Average Purchase Price |
|---------------|------------------|--------------|---|------------------------|
| 20 Feb 2001 | 361,100 | 61 | 14 Sep 2003 to 13 Sep 2005 ⁽¹⁾ | \$29.72 |
| 31 Oct 2001 | 2,000 | 1 | 14 Sep 2003 to 13 Sep 2005 ⁽¹⁾ | \$29.25 |
| 31 Oct 2001 | 661,500 | 241 | 4 Sep 2004 to 3 Sep 2006 ⁽¹⁾ | \$29.25 |

⁽¹⁾ Performance hurdle must be satisfied within the vesting period, otherwise shares will be forfeited.

57,600 shares granted under the Equity Reward Plan have lapsed as at 30 June 2002. Effective from 1 July 2002, options will no longer be issued under the Equity Reward Plan. In future reward shares only will be issued under this plan.

Equity Participation Plan

The Equity Participation Plan 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 a quarterly basis, on-market at the then current market price. The first purchase of shares under this scheme was on 1 October 2001.

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 2002 as set out on pages 39 to 51 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 2002.

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

21 August 2002



D V Murray

Managing Director

Independent Audit Report

To the members of Commonwealth Bank of Australia

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of Commonwealth Bank of Australia for the year ended 30 June 2002 included on Commonwealth Bank of Australia's web site. The consolidated entity's directors are responsible for the integrity of the Commonwealth Bank of Australia'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

We have audited the financial report of Commonwealth Bank of Australia, comprising the Statement of Financial Performance, the Statement of Financial Position, the Statement of Cash Flows, Notes 1 to 48 and the Director's Declaration for the year ended 30 June 2002. The consolidated entity's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the consolidated entity.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Commonwealth Bank of Australia is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2002 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



Ernst & Young

Sydney

21 August 2002



S C Van Gorp

Partner

Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 19 August 2002

| Rank | Name of Holder | Number of Shares | % |
|------|--|------------------|-------|
| 1 | JP Morgan Nominees Australia Limited | 139,212,991 | 11.11 |
| 2 | National Nominees Limited | 80,211,010 | 6.40 |
| 3 | Westpac Custodian Nominees Limited | 76,842,869 | 6.13 |
| 4 | Citicorp Nominees Pty Limited | 61,012,231 | 4.87 |
| 5 | RBC Global Services Australia Nominees Pty Limited | 29,358,631 | 2.34 |
| 6 | Commonwealth Custodial Services Limited | 23,503,823 | 1.88 |
| 7 | AMP Life Limited | 19,013,132 | 1.52 |
| 8 | ANZ Nominees Limited | 14,988,579 | 1.20 |
| 9 | Queensland Investment Corporation | 12,925,984 | 1.03 |
| 10 | Cogent Nominees Pty Limited | 10,854,533 | 0.87 |
| 11 | HSBC Custody Noms (Aust) Ltd | 8,651,384 | 0.69 |
| 12 | Colonial Foundation Limited | 6,873,632 | 0.55 |
| 13 | NRMA Nominees Pty Limited | 6,634,764 | 0.53 |
| 14 | The National Mutual Life Assoc of Australasia Ltd | 5,270,297 | 0.42 |
| 15 | ING Life Limited | 4,882,631 | 0.39 |
| 16 | CSS Board & PSS Board | 4,619,712 | 0.37 |
| 17 | Invia Custodian Pty Limited | 4,485,373 | 0.36 |
| 18 | Australian Foundation Investment Company Ltd | 4,195,818 | 0.33 |
| 19 | Gladiator Custodian Pty Limited | 4,007,598 | 0.32 |
| 20 | Belike Nominees Pty Limited | 3,824,600 | 0.31 |

The twenty largest shareholders hold 521,369,592 shares which is equal to 41.61% 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 21 August 2002

| | Shares | Options |
|------------------|---------|-----------|
| J T Ralph, AC | 14,789 | – |
| J M Schubert | 8,831 | – |
| D V Murray | 106,374 | 1,750,000 |
| N R Adler, AO | 7,825 | – |
| R J Clairs, AO | 11,153 | – |
| A B Daniels, OAM | 1,102 | – |
| C R Galbraith | 5,462 | – |
| W G Kent, AO | 7,416 | – |
| F D Ryan | 5,160 | – |
| F J Swan | 3,051 | – |
| B K Ward | 3,175 | – |

In addition, Mr Ralph holds 100,000 units in Commonwealth Property Trust and 495,294.7 units in Colonial First State Diversified Hedge Fund. Both holdings are held beneficially.

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 2002

| Range | Number of Shareholders | Percentage Shareholders | Number of Shares | Percentage Issued Capital |
|--------------------------------------|------------------------|-------------------------|----------------------|---------------------------|
| 1 – 1,000 | 572,260 | 78.64% | 188,943,469 | 15.08% |
| 1,001 – 5,000 | 138,004 | 18.96% | 277,502,645 | 22.15% |
| 5,001 – 10,000 | 12,094 | 1.66% | 83,633,151 | 6.67% |
| 10,001 – 100,000 | 5,093 | 0.70% | 100,861,185 | 8.05% |
| 100,001 – Over | 276 | 0.04% | 601,980,913 | 48.05% |
| Total | 727,727 | 100.00% | 1,252,921,363 | 100.00% |
| Less than marketable parcel of \$500 | 13,163 | | 80,820 | |

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.

Top 20 Holders of Preferred Exchangeable Resettable Listed Shares (PERLS) as at 19 August 2002

| Rank | Name of Holder | Number of Shares | % |
|------|--|------------------|------|
| 1 | Commonwealth Custodial Services Limited | 286,248 | 8.18 |
| 2 | The National Mutual Life Assoc of Australasia Ltd | 131,650 | 3.76 |
| 3 | AMP Life Limited | 80,000 | 2.29 |
| 4 | Invia Custodian Pty Limited | 76,122 | 2.17 |
| 5 | ANZ Executors & Trustee Company Limited | 56,342 | 1.61 |
| 6 | RBC Global Services Australia Nominees Pty Limited | 47,895 | 1.37 |
| 7 | Tower Trust Limited | 42,169 | 1.20 |
| 8 | UBS Warburg Private Clients Nominees Pty Limited | 42,037 | 1.20 |
| 9 | Boxall Marine Pty Ltd | 25,000 | 0.71 |
| 10 | Questor Financial Services Limited | 24,695 | 0.71 |
| 11 | JB Were Capital Markets Limited | 20,760 | 0.59 |
| 12 | Brencorp No 11 Pty Limited | 17,256 | 0.49 |
| 13 | Ms Lesley Yvette Coney | 16,190 | 0.46 |
| 14 | Livingstone Investments (NSW) Pty Limited | 15,000 | 0.43 |
| 15 | Perpetual Trustee Co Ltd (Hunter) | 12,776 | 0.37 |
| 16 | Ms Thelma Joan Martin-Weber | 12,500 | 0.36 |
| 17 | Albert Investments Pty Limited | 10,000 | 0.29 |
| 18 | Bigbal Pty Ltd | 10,000 | 0.29 |
| 19 | Felden Pty Ltd | 10,000 | 0.29 |
| 20 | Marbear Holdings Pty Limited | 10,000 | 0.29 |
| 21 | Mrs Fay Cleo Martin-Weber | 10,000 | 0.29 |
| 22 | Swinbourne University of Technology | 10,000 | 0.29 |

The twenty two largest PERLS shareholders hold 966,640 shares which is equal to 27.62% of the total shares on issue. Twenty two 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).

Shareholding Information continued

Range of Shares (PERLS): 19 August 2002

| Range | Number of Shareholders | Percentage Shareholders | Number of Shares | Percentage Issued Capital |
|--------------------------------------|------------------------|-------------------------|------------------|---------------------------|
| 1 – 1,000 | 20,134 | 98.65% | 1,981,857 | 56.62% |
| 1,001 – 5,000 | 236 | 1.16% | 492,864 | 14.08% |
| 5,001 – 10,000 | 20 | 0.10% | 162,283 | 4.64% |
| 10,001 – 100,000 | 16 | 0.08% | 445,098 | 12.72% |
| 100,001 – Over | 2 | 0.01% | 417,898 | 11.94% |
| Total | 20,408 | 100.00% | 3,500,000 | 100.00% |
| Less than marketable parcel of \$500 | 3 | | 4 | |

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 PERLS.

Contact Us

General Enquiries – 13 2221

For your everyday banking including paying bills using BPAY our automated service is available 24 hours a day, 365 days a year. From overseas call **+61 13 2221**. Operator assistance is available between 8am and 8pm, Monday to Friday.

Home Loans & Investment Home Loans – 13 2224

To apply for a new home loan/investment home loan or to maintain an existing loan. Available from 8am to 10pm, 365 days a year.

13 15 19 CommSec (Commonwealth Securities). Available from 8am to 7pm (Sydney time), Monday to Friday.

CommSec provides the information and tools to make smart investment easy, accessible and affordable for all Australians. By phone or Internet at www.commssec.com.au

Telephone Typewriter Service – 1800 240 889

A special telephone banking service for our hearing and speech impaired customers. The service covers all the services available on **13 2221**. Available from 8am to 8pm, Monday to Friday.

Lost or Stolen Cards – 1800 011 217

To report a lost or stolen card 24 hours a day, 365 days a year.

Business Line – 13 1998

For a full range of business banking solutions. Available from 8am to 8pm, Monday to Friday.

Commonwealth Insurance Limited – 13 24 23

For all your general insurance needs – alternatively visit www.commbank.com.au/insurance

Commonwealth Insurance Limited – 13 24 20

For general insurance claims assistance 24 hours a day, 365 days a year.

Commonwealth Financial Services – 13 20 15

For enquiries on retirement and superannuation products, life insurance or managed investments. Available from 8am to 8pm (Sydney time), Monday to Friday.

Unit prices are available 24 hours a day, 365 days a year.

Internet Banking

You can apply for a home loan or credit card on the internet by visiting our website at www.commbank.com.au available 24 hours a day, 365 days a year.

Do your everyday banking on our internet banking service NETBANK at www.commbank.com.au/netbank available 24 hours a day, 365 days a year.

To apply for access to NETBANK, call Freecall **1800 022 955** between 8am and 8pm (Sydney time), Monday to Friday.

Corporate Directory

Registered Office

Level 1, 48 Martin Place
Sydney NSW 1155
Telephone (02) 9378 2000
Facsimile (02) 9378 3317

Company Secretary

J D Hatton

Shareholder Information

www.commbank.com.au/shareholder

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.registrars.aprl.com.au
Email registrars@aprl.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 **1800 022 440**