Commonwealth Bank of Australia
ACN 123 123 124

Concise Annual Report 2005

CommonwealthBank

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Message from the Chairman

Introduction

I am very pleased to report another strong year of growth for the Bank during 2004/2005, despite increased competition in the financial services sector and expectations throughout the year of slower economic growth. This excellent result was achieved as the Bank continued to progress the Which new Bank program to transform the customer service experience. We are now well established to meet and, in many cases exceed, targets set at the commencement of the program in September 2003, and have laid a strong strategic platform for future growth.

Results

The Bank reported a statutory full year net profit after tax (NPAT) of $3,991 million for the year ended 30 June 2005, an increase of 55% over the previous year. Cash net profit (NPAT excluding appraisal value uplift and goodwill amortisation) increased 31% to $3,538 million, which is at the upper end of guidance provided to the market in February 2005. On an underlying basis, which excludes Which new Bank expenses and Shareholder Investment Returns, NPAT rose 13% to $3,466 million for the full year.

These results were achieved by strong revenue growth in a very competitive market and broadly flat expenses. The Bank is well on track to meet its commitment made at the start of Which new Bank to achieve between 4% and 6% compound annual growth productivity improvements over the three years of the program on a cash basis.

A favourable Banking result was achieved for the year, supported by strong growth in home and personal lending. The net interest margin has been stable for the last three half years, with margin contraction for the full year of eight basis points to 2.45%, well within the Bank's expectations. This was a particularly good outcome, given increased competition across lending and deposit products. Loan asset quality continued to be well managed, in line with the Bank's risk management policies.

The Fund Management business recorded a 28% increase in underlying NPAT reflecting growth in Funds under Administration supported by favourable investment markets. FirstChoice again achieved excellent flows, particularly in the retail segment due to competitive pricing, superior service and extensive distribution. Investment performance also stood out, with 95% of retail domestic funds outperforming the benchmark on a one year basis.

The Bank's Insurance business delivered a strong result for the year in both its Australian and international operations. The Australian insurance business maintained its number one market position in life risk premiums with 13.8% market share. The New Zealand business, operating under the Sovereign brand, improved volumes across all major business lines and experienced a positive claims result for the year.

The Bank's international banking, funds management and insurance businesses continued to grow and develop, providing the Bank with opportunities for expansion in select markets in the future.

Commonwealth Bank acquired interests in two banks in China during the year – an 11% interest in Jinan City Commercial Bank and a 19.9% interest in Hangzhou City Commercial Bank (subject to regulatory approval). PT Bank Commonwealth (PTBC), our Indonesian banking business, has been operating since 1997 and continues to attract new customers. Australian customers of Commonwealth Bank can now access their funds from any of PTBCs 12 ATMs located in Jakarta, Bali, Surabaya and Bandung. This is a valuable service for the growing number of Australians working and travelling throughout Indonesia. The Bank has also established a representative office in Bangalore, India.

These interests are low risk growth options which position us well for future growth in the region's key markets.

Dividends and Capital

The Bank paid another record dividend to Shareholders with the full year dividend payment totalling 197 cents per share, an increase of 14 cents per share on the previous year. This is the 13th year of increases in the full year dividend payment to Shareholders since the Bank was privatised. The full year dividend payout ratio (cash basis) is 73.9%, consistent with the 2003/2004 payout ratio which excluded Which new Bank expenses. This is an outstanding result for Shareholders.

The final dividend payment of $1.12 per share, fully franked, will be paid to Shareholders on 23 September 2005. The Bank continues to issue new shares to satisfy the requirements of the Dividend Reinvestment Plan, which is capped at 10,000 shares per shareholder.

During the year, dividend payments were also made to the holders of PERLS, PERLS II, Trust Preferred Securities, ASB Capital preference shares and ASB Capital No. 2 preference shares.

The Bank maintained its strong capital position during the year with capital ratios sitting above the Bank's target minimum ratios. Credit ratings remain unchanged and were re-affirmed by the major ratings agencies in June 2005.

Two capital management initiatives undertaken during the year were well received by the market and provide additional capital flexibility for the Bank in the future. These included the issue of NZ$350 million of Perpetual Preference Shares in December 2004 by ASB Capital No. 2 Limited and an issue of NZ$350 million of Redeemable Preference Shares by CBA Capital Australia Limited in May 2005.

Which new Bank

The Bank made significant progress with Which new Bank during the year, meeting all critical milestones set for 2004/2005 and many initiatives exceeding expectations. Net benefits for the year totalled $724 million, well in excess of the $620 million expected for the year. Considerable progress was made across many initiatives and highlights are detailed in the Message from the CEO on page 8 of the Concise Annual Report.

Which new Bank is a three year program which now has significant momentum. It has been a time of transformational change for the Bank and I am pleased with our progress at a time of enormous change for our people. The Which new Bank program as originally formulated is to conclude during 2006 and the Bank is now working on further initiatives which will ensure that customer service enhancements will continue as more systems and processes are refined and our people remain committed to providing customers with a better service.

Outlook

From an international perspective, we anticipate continuing respectable economic growth and strong commodity prices. Although domestic growth has slowed, a combination of widespread investment in capacity expansion, and favourable terms of trade together suggest some pick up in growth. Progress of the domestic economy is therefore contingent upon continuing strong terms of trade and the success of business investment.

Australia's fiscal position, credit quality, employment levels and business confidence are strong and provide a positive overall environment for financial services businesses. Robust demand for business credit is helping offset the continuing moderation of demand for housing credit from its record peak. Competition across the banking industry, particularly for deposits, is likely to continue, with margins declining generally in line with experience in recent years.

In February 2005, the Bank increased its expected compound annual growth rate in cash earnings per share for the period 2003 to 2006 from exceeding 10% per annum to exceeding 12% per annum. Subject to market conditions, the Bank remains committed to at least achieving this goal. For the 2006 fiscal year, the Bank remains confident that the momentum within the business from Which new Bank will ensure that the Bank delivers EPS growth which equals or exceeds the average of its peers. As a consequence, the Bank expects dividend per share to further increase in the 2006 fiscal year subject to the factors considered in its dividend policy.

Corporate Governance

The Bank continues to place great emphasis on its responsibilities for good corporate governance, and always strives to increase shareholder value. Recent increases in demands for compliance with corporate governance requirements have placed pressure on corporate resources and precious management time. While appropriate levels of regulation are needed, I am concerned that the current rate of growth in regulation hinders the ability of businesses to compete and prosper. The Bank will continue to find the right balance to have excellent corporate governance while striving for innovation and growth to benefit shareholders.

CEO Transition

September 2005 also marks David Murray's retirement after 39 years of service to the Commonwealth Bank, the past 13 years as Chief Executive Officer. David and the Board considered that this was an appropriate time for a new Chief Executive Officer to be appointed, with the Which new Bank program on track for completion during 2006 and sufficient time for the new CEO to develop the Bank's future strategy.

The Bank has undergone enormous change under David's leadership. David took the Bank from a partly privatised company with a market capitalisation of $6 billion in 1992 to a fully integrated financial services provider with a market capitalisation of around $50 billion in 2005. Shareholder value has grown over David's 13 year term as CEO with Total Shareholder Returns (including gross dividend payments) of more than 24% per annum (compound annual growth), an outstanding achievement for a public company to attain over an extended period.

Significant milestones occurred under David's leadership, including full privatisation, the integration of State Bank of Victoria and the merger with Colonial Limited in 2000. The introduction and development of CommSec, the Bank's on line broker, and NetBank also occurred during David's time as CEO.

The Board, and myself as Chairman, would like to personally thank David for his commitment and contribution to the Bank and for the substantial legacy he leaves. David's commitment to the Commonwealth Bank has been outstanding and his distinguished career serves as a role model, not only to our people, but to all those who have chosen a career in the financial services industry.

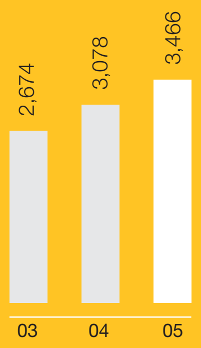
Ralph Norris will commence as Chief Executive Officer and Managing Director of the Bank from close of business on 22 September 2005. Ralph joins us from Air New Zealand Limited where he was Managing Director and Chief Executive Officer from February 2002 to August 2005. He has twice been honoured with New Zealand's Executive of the Year – in 1997 while at ASB Bank and in 2004 while at Air New Zealand. From 1991 to 2001 Ralph was Managing Director and Chief Executive Officer of ASB Bank Limited, the Bank's New Zealand banking operation. Ralph oversaw tremendous growth while at ASB, increasing market share, expanding the footprint of the business and growing its profitability. It is in view of these exceptional achievements that the Board has every confidence in Ralph's track record and his ability to lead the Bank beyond Which new Bank.

John Schubert
Chairman

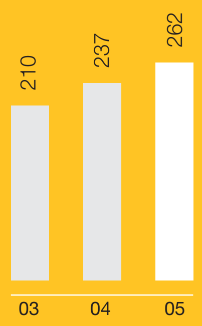
10 August 2005

Key Financial Results

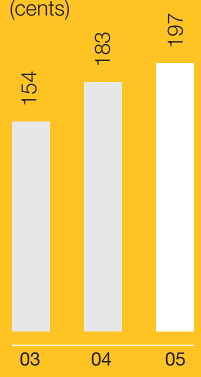
Net Profit After Tax ($M) **Underlying Basis**



Underlying Earnings per Share (cents)

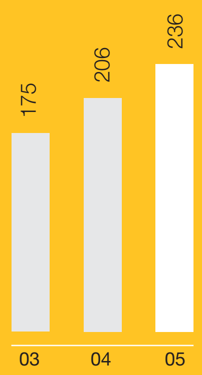


Dividends per Share (cents)

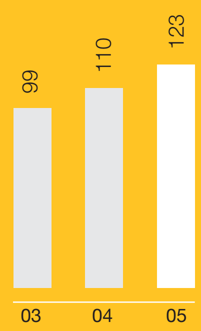


Return on Equity (%) **Underlying Basis**

Lending Assets ($B)



Funds under Administration



Highlights

Financial Performance and Business Review

Net profit after income tax	Full Year Ended 30/06/05 $M	30/06/04 $M	Jun 05 vs Jun 04 %
Statutory basis	3,991	2,572	55
Cash basis	3,538	2,695	31
Underlying basis	3,466	3,078	13

The Bank's net profit after tax ('statutory basis') increased by 55% to $3,991 million for the year ended 30 June 2005. This result includes an Appraisal Value uplift of $778 million ($201 million in 2004) and goodwill amortisation of $325 million (which is consistent with 2004).

Net profit after tax ('cash basis') increased by 31% to $3,538 million compared with $2,695 million in the prior year. Earnings per share ('cash basis') was $2.68, an increase of 30%, which is at the upper end of the market guidance provided in February. Net profit after tax ('cash basis') includes:

- Shareholder investment returns, which increased from $152 million after tax in 2004 to $177 million after tax; and
- Substantially lower Which new Bank expenses of $105 million after tax, compared with $535 million in 2004.

Excluding these items, net profit after tax ('underlying basis') increased by 13% to $3,466 million compared with $3,078 million in the prior year. Strong income growth and good cost control contributed to the strong result, with:

- Growth in lending assets of 15%, with market share growth across a range of products, and net interest margins remaining flat over the year;
- Growth in Funds under Administration of 12%, with the gross margin declining by only two basis points;
- Insurance revenues benefiting from a 8% growth in inforce premiums, despite severe weather storms in February;
- Expenses remaining virtually flat for three halves, despite being impacted by higher spend on compliance projects and a stronger NZ dollar; and
- The charge for bad and doubtful debts as a proportion of Risk Weighted Assets remaining consistent with the previous year at 17 basis points.

Total Shareholder Return (TSR) over the two years ended 30 June 2005 was 50.5%. This is in excess of the 40.6% increase in the ASX Accumulation Financial Index over the same period.

The result for the second half of the year was also strong, with Total Operating Income increasing 5% compared with the first half and operating expenses remaining flat.

Net profit after tax ('underlying basis') increased by 8% on the first half year. The operating environment was characterised by significantly stronger price competition in the retail deposit market, and a moderate slowdown in home lending volumes.

Weaker shareholder investment earnings in the second half (down 41%) and a substantially higher Which new Bank expense ($86 million compared with $19 million in the first half) resulted in net profit after tax ('cash basis') increasing by 1% to $1,782 million.

Which new Bank

The Bank has continued to meet or exceed its Which new Bank market commitments and critical project milestones. A comprehensive discussion of progress and outcomes is set out on page 6.

Financial Condition

The Group's assets increased by $23 billion to $329 billion (2004: $306 billion) over the year.

Total lending assets increased by $30 billion from $206 billion to $236 billion at 30 June 2005 reflecting growth across a range of lending products.

The Bank's capital position remained strong throughout the year, sitting comfortably above the Bank's target minimum ratios and in compliance with the requirements of the regulators. The Tier One capital ratio increased from 7.43% to 7.46% and the Total Capital ratio decreased from 10.25% to 9.75% during the year to 30 June 2005.

During the year, the Bank's risk-weighted assets grew from $169 billion to $190 billion.

The Bank's long term credit ratings remain unchanged. At 30 June 2005, the Bank's credit ratings were:

Credit Ratings	Long Term	Short Term
Fitch Ratings	AA	F1+
Moody's Investor Services	Aa3	P–1
Standard & Poor's	AA–	A–1+

The following significant capital management initiatives were undertaken to actively manage the Bank's Tier One capital:

- Issue of NZ$350 million (A$323 million) of Perpetual Preference Shares in December 2004;
- Issue of $200 million of shares in March 2005 to satisfy the DRP in respect of the interim dividend for 2004/2005; and
- In accordance with APRA guidelines, the estimated issue of $272 million of shares to satisfy the DRP in respect of the final dividend for 2004/2005.

As required by APRA, the Bank's investment in its life insurance and funds management companies is deducted from regulatory capital to arrive at the Bank's Capital Ratios. The Bank's life and funds management companies held an estimated $580 million excess over regulatory capital requirements at 30 June 2005 in aggregate.

The Bank has an integrated risk management framework to identify, assess and manage risks in the business. The Bank's risk profile is measured by the difference between capital available to absorb loss and risk as assessed by target equity required.

Dividends

The total dividend for the year is another record at $1.97 per share, an increase of 14 cents or 8% on the prior year. The dividend payout ratio ('cash basis') for the year is 73.9% consistent with the payout ratio in the prior year, after adjusting for the additional Which new Bank expenses in that year.

The dividend payment for the second half of the year is $1.12 per share ($1.04 per share in the previous year). This dividend payment is fully franked and will be paid on 23 September 2005 to owners of ordinary shares at the close of business on 19 August 2005 ('record date'). Shares will be quoted ex-dividend on 15 August 2005.

The Bank issued $200 million of shares to satisfy Shareholder participation in the Dividend Reinvestment Plan ('DRP') in respect of the interim dividend for 2004/2005. It expects to issue around $272 million of shares in respect of the DRP for the final dividend for 2004/2005.

Which new Bank Summary

Background

In September 2003, the Bank launched its Which new Bank customer service vision 'To excel in customer service'. The service transformation consists of three themes; excellent **customer service** through **engaged people** supported by **simple processes**.

The Bank estimated a spend of $1,480 million over the three years to 2006. This included $600 million of normal project spend, and an additional $620 million in areas such as systems and process simplification, technology and staff training and $260 million invested in the branch network.

The Bank provided the following financial guidance:

- An increase in cash EPS exceeding 10% compound average growth rate (CAGR) over the three years, which has subsequently been revised upwards to exceed 12% CAGR;
- Achieving a 4-6% per annum productivity improvement;
- Regaining profitable market share in key business lines; and
- Increasing dividends each year.

Progress in 2005

The Bank continues to make significant progress on its market commitments, with net benefits in 2005 totalling $724 million. Market shares in key business lines have improved (home loans, personal lending, funds management) or are showing signs of turnaround (business lending, deposits). Efficiency gains are being recorded in each segment. Dividends have continued to increase throughout the program.

Progress within the major initiatives include the following:

- 'CommLeader' the Bank's leadership program which provides a common understanding of our approach to leadership and desired behaviours that underpin the cultural change, has been completed by 300 senior leaders;
- Service and sales training for 27,000 staff has been completed, thereby equipping staff and managers to provide higher quality needs analysis and improved service to our customers;
- 'CommWay' initiatives have achieved turnaround time improvement across many of the Bank's processes. In addition, a significant improvement in response times for home loans and personal loans has been achieved with end-to-end systems and process redesign.
- 'CommSee' the new customer management platform, that provides our customer service staff with ready access to imaged client documents and authorities, is making it easier to view customer information. More than half our branches now have CommSee operating and we are averaging over 90,000 referrals per month and maintaining a conversion rate of around 30%. Although CommSee is still being implemented across the country, the momentum gained during the second half of the year will position us well to benefit fully from this customer service initiative;
- A further 127 branches have been refurbished this year, bringing the number of branches modernised to help our people provide faster, more efficient service, to 252;
- The new NetBank platform was introduced in April 2005 providing enhanced functionality and greater flexibility for our two million on line customers;
- A redesign of Support Functions has led to the implementation of new business models, achieving simplification and efficiency gains and improving customer service as reflected in the internal customer service survey results; and
- The Wealth Management team achieved its June 2005 goal of reducing the number of product systems to seven. This brings the number of systems decommissioned to 10, since the beginning of Which new Bank.

Key metrics

Customer service

Product sales per retail staff member for the June 2005 quarter are 25% higher than at the commencement of Which new Bank in September 2003.

Customer queue times across branches have improved with 85% of branches now serving customers, on average, within two minutes, compared with 41% at the start of the program.

Our internal Service Quality Index, which tracks a number of our service indicators, has moved from 7.7 in June 2003 to 8.5 in June 2005. Our Strength of Relationship score has increased slightly from 5.7 in the June 2003 quarter to 5.9 in the June 2005 quarter.

Engaged people

The annual employee workplace (Gallup) survey, measuring employee engagement, showed the Bank increased its percentile rating from 74th in May 2003 to 77th in May 2005. This is against our target of exceeding the global best practice mark at the 75th percentile.

Our recently introduced internal customer service survey, which surveys our support and operations staff for quality of service provided, has risen for the third successive quarter. The latest result show 88% of internal customers agree that they receive excellent service.

The staff engagement survey reaffirmed progress with results improving in the last six months. This includes staff having a clear understanding of the customer service vision, where the Bank is headed and that we have an environment where ideas and knowledge are more freely shared.

Simple processes

CommWay, the Bank's approach to continuous improvement, has completed 41 projects averaging a 49% improvement in turnaround times as well as achieving efficiency gains. Projects were completed across all major operations and support areas. In addition, the program has built competencies across the Bank, with over 450 business people skilled in applying the tools and methodologies as part of their everyday role.

Customers are being provided with quicker credit decisions for home loans and personal loans. The proportion of conditional approvals able to be provided on-the-spot has increased to 71% for home loans in branches, and 45% for personal loans, compared with 47% and 0% respectively at the start of the program. This will continue to rise as additional initiatives are fully implemented.

Focus for 2006

The Bank continues to make significant progress in its customer service transformation and remains confident that with the momentum gained so far, it will meet all the Which new Bank market commitments.

The 2006 financial year will see the completion of all major Which new Bank projects including the deployment of CommSee across Australia. We expect customer service to continue to improve as our people further embrace the service and sales culture, our customer service staff are provided with better tools to serve customers and turnaround times continue to reduce.

Message from the Chief Executive Officer

This 2005 fiscal year has been another great year for the Bank and it has once again been a privilege to work alongside our people serving our customers and providing our shareholders with another year of solid returns.

The Bank starts the current year in a stronger position based on an improved and improving value proposition for our customers. The fact that nearly half of Australians have a financial relationship with the Bank attests to the enormous strength of our brand and the commitment we have made over the years to building our infrastructure and the service culture needed to meet the needs of our customers.

The Which new Bank transformation is just one example of the extent to which we are prepared to go to ensure that we maintain our compelling service proposition. Over the three years of the program, which commenced in 2003, we will have invested almost $1.5 billion in a wide range of initiatives designed to transform the way our people work with our customers to enable them to realise their expectations. Two years in, I am pleased to report that we have achieved all our significant milestones for 2005 with net benefits totalling $724 million and are on track to achieve the 2006 milestones in the third and final year. Over the past 12 months, the Bank has made significant progress in our three main streams of work – customer service, engaged people and simpler processes:

Customer Service

– We have been able to measure the success of the program by improved customer survey scores and positive feedback from our customers. These improvements have, in turn, driven increased market shares, better financial performance and record dividend payments.

– The implementation of a new information system, which commenced nationally in April 2005, is enabling our staff to have a single view of our customers' dealings with us, to record details of each interaction we have with them, to efficiently refer customers to specialists across the Bank.

– A total of 127 branches have been refurbished this year, bringing the total number of refurbished and modernised branches to 252. Customers have welcomed the new branch environment and the significant reduction in queue time, with the majority of our branches now serving customers within two minutes.

– In June 2005, the Bank launched NetBank Saver, an internet deposit savings account that offers our customers a high interest rate, no bank fees, and facilities to instantly transfer funds to and from the linked Streamline account available 24 hours a day, seven days a week.

Engaged People

– 300 senior leaders of the Bank have completed an upgraded leadership development programme, which provides them with a common understanding of the Bank's approach to leadership and encourages desired behaviours that underpin our cultural transformation.

– Over 27,000 staff have completed training to be able to apply common service and sales principles in their everyday work. Recent scores from internal and independent surveys have reaffirmed that our people are more engaged than ever. Results indicate that our people have a clear understanding of the Bank's customer service vision, know where the Bank is heading, and agree that the Bank has an environment where ideas and knowledge are shared freely.

Simpler Processes

– Customers are benefiting from the improved turn around times we are achieving through the implementation of a culture of continuous improvement. Already, customers are receiving quicker credit decisions for home loans and personal loans and further service improvements will follow from a number of additional processes which are now being simplified.

– In April 2005, the Bank introduced the new NetBank platform providing enhanced services and greater flexibility for our two million on line customers. Improvements include simpler processes when transferring money or making multiple payments, better and real-time access to transaction information and improved technology that provides our customers with the highest level of security.

Offshore Developments

Internationally, we are focussing on countries in Asia whose economies are growing and whose large populations have rapidly rising incomes.

The Bank has made two strategic investments in China. In September 2004, it entered into a strategic co-operation agreement with Jinan City Commercial Bank (‘JNCCB’). Approval by the China Banking Regulatory Commission has been obtained to purchase an 11 percent shareholding in JNCCB, with options to increase this to 20 percent at a later stage. In April 2005, the Bank entered into its second strategic co-operation agreement, this time with Hangzhou City Commercial Bank (‘HZCCB’) and subject to approval by the China Banking Regulatory Commission, it plans to purchase a 19.9 percent shareholding in HZCCB. An important component of these initiatives is to provide these organisations with access to our banking capabilities which will significantly enhance their performance and provide them with the skills they need to meet the increasingly sophisticated needs of their local customers.

The Bank is also investigating development opportunities in other Asian countries. In June 2005, the Bank obtained approval from the Reserve Bank of India to establish a Representation Office in Bangalore.

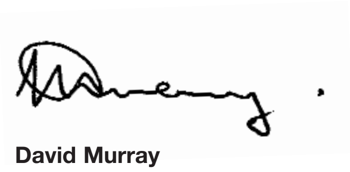
CEO Transition

In June this year, the Bank announced that I will be retiring and that Ralph Norris had been appointed Chief Executive Officer. Subsequently, we have announced that I will be leaving the Bank on 22 September and that Ralph Norris will take up the position from the close of business on that date. This, therefore, will be my last message to you.

During the past thirteen years as Chief Executive Officer, I have been proud to lead the Bank through a number of significant achievements, including full privatisation, integration of State Bank of Victoria and merger with Colonial Limited.

When we announced Which new Bank, I said that this would be the biggest programme that the Bank had undertaken since privatisation. Over the past two years, I have felt among our people a growing passion and enthusiasm for the direction in which the Bank is heading. They have enthusiastically embraced the Which new Bank vision and are committed to delivering a better service for our customers. The exceptional outcomes we have achieved, both domestically and internationally, have been made possible only by the dedication and commitment of our people.

As Chief Executive Officer, I have indeed been fortunate in the encouragement and counsel I have received from the Board. I would also like to take this opportunity to thank my Executive Team and all our people for their support and commitment to our customers and to thank Shareholders for their continuing loyalty to the Bank and their confidence in its future. I am confident that Ralph will successfully build on the momentum which exists within the Bank and will enjoy the same level of support which I have had during my tenure as Chief Executive of the Bank.



David Murray
Managing Director and Chief Executive Officer

10 August 2005

The Bank's People

Our people strategy is to deliver excellence in customer service through 'Engaged people who are empowered, motivated and skilled to deliver'. During the year, we have completed a number of activities as part of our people engagement strategy.

- Improvement in the Bank's OH&S systems, to achieve a culture where workplace behaviours ensure the safety and health of all employees, contractors and customers, is a continuing priority.
- The Bank's performance management system provides managers and team members with an opportunity to engage in regular conversations about job performance. The system has been aligned more closely with the Bank's customer service and business objectives. Performance is measured against workplace behaviours as well as business outcomes. The relationship between individual and team performance and recognition and reward has also been strengthened.
- A program of process simplification is underway which draws on the techniques from 'Lean Manufacturing' and 'Six Sigma'. These methods support employee engagement by encouraging staff participation in the improvement of work systems which can reduce cycle times and costs.
- The Bank has continued to use employee equity plans aligned to shareholder interests. One example is the Employee Share Acquisition Plan, which provides staff with a grant of up to $1,000 worth of free shares if the Bank meets its overall performance targets. In eight of the last nine years, an annual grant of shares has been offered to staff. In respect of the year just ended all eligible employees will receive shares to the value of $1,000.
- The Bank's performance and remuneration systems are reviewed regularly to ensure good quality people continue to be attracted to the Bank and motivated to excel in customer service.
- Talent management systems have been enhanced. The role of the Manager one Removed has been simplified while executive reviews of talent have been broadened to enrich the assessment of potential high performers.
- The Bank's leadership program has been comprehensively redesigned to support the Bank's People Principles.
- As a committed Equal Employment Opportunity (EEO) employer, the Bank has enhanced the quality and accessibility of its EEO resources. It has also introduced a specialist EEO investigations stream into the Fair Treatment Review system. The absence of a difference in responses from male and female staff in the Bank's annual employee workplace (Gallup) survey suggests that the Bank's people engagement strategies are contributing to an inclusive workplace culture.
- The Bank has conducted a twice yearly performance culture survey which measures progress against cultural aspirations which were defined as part of the Which new Bank program.
- The Bank has continued to support its extensive range of flexible working practices – for example, part-time work, job share, career break and 12 weeks paid maternity leave.

The Bank and the Community – A Profile

The Commonwealth Bank has been actively contributing to the Australian community since it commenced operations in 1912. The Bank combines the work of the Commonwealth Bank Foundation, our community partners and our people to achieve social outcomes and improve the communities in which we live and operate.

At the core of our community activities is our commitment to providing education and access, for Australians, to the cultural, financial, social and artistic aspects of Australian life.

The Commonwealth Bank Foundation

The Bank began supporting the education of young people more than 70 years ago through student banking and more recently the DollarsandSense website (www.dollarsandsense.com.au). To extend this commitment the Commonwealth Bank Foundation was established in 2002.

The Foundation seeks to encourage the development of financial literacy skills of young Australians and aims to create awareness, skill and understanding of the benefits of a more financially literate community. This comes from the Bank's view that education is integral to empowering individuals to make effective decisions to achieve their financial goals.

In the past financial year, the Commonwealth Bank Foundation has supported many programs including:

e-Learning Grants: Now in its fourth year, the Bank makes 70 grants of $5,000 each available to primary schools annually to improve literacy, numeracy and financial literacy skills through the use of technology.

Financial Literacy Grants: Launched in 2004 and available to all secondary schools in Australia, the grants help to develop awareness, skill and understanding in financial literacy of students in Years 7 to 12. One hundred grants of $3,500 each are available annually.

Australian Financial Literacy Assessment: Developed with the assistance of Educational Assessment Australia, this is a free and voluntary annual Financial Literacy Assessment for secondary school students in Years 9 and 10.

Financial Literacy Curriculum Resource: Provides financial literacy support materials, mapped to curriculum in each state and territory, to support the teaching of financial literacy in schools across Australia.

DollarsandSense Website: The DollarsandSense website was launched in 2002. It is a valuable financial literacy education support tool for teachers, developed in consultation with educators. It helps young people aged 14 to 17 to develop money management skills.

The Foundation works with a variety of experts including NSW Department of Education and Training, Business Educators Australasia and the Enterprise Network for Young Australians to create the best possible resources to improve financial literacy skills.

In the Community

The Commonwealth Bank recognises the important role it plays in the community, not only as an employer and provider of banking services to millions of customers but also in the wider community. We are working to make banking services as accessible as possible to all Australians and support programs and organisations that are working to create a better community for everyone.

Accessibility

The Commonwealth Bank works to ensure greater accessibility to our financial services. Not only does the Bank have the largest branch, ATM and EFTPOS networks with a total of more than 130,000 points of access for customers, but we also partner with Australia Post, Woolworths and Big W to make banking even more accessible.

The Bank runs Banking Made Easy workshops nationally, providing training to promote greater understanding of electronic banking, for seniors and disability groups. The Bank also offers fee free banking for many special needs customers.

Partnerships

The Bank has established rewarding partnerships with many community organisations providing education and greater access to services for all Australians. Our support is spread across metropolitan, regional and remote Australia. In 2004/05 these partnerships included:

Medical Research
- Breast Cancer Institute of Australia
- Children's Cancer Institute of Australia
- Prostate Cancer Foundation of Australia

The Arts
- Australian Chamber Orchestra
- Country Arts SA
- Opera Australia
- Queensland Opera Company
- Tasmanian Symphony Orchestra

Sport
- Commonwealth Bank Cricket Academy
- Netball Australia – Commonwealth Bank Trophy

Community
- Caritas
- Conservation Volunteers Australia
- Council on the Ageing (COTA, NSW)
- disability.com.au
- Frontier Services
- Legacy
- Link Disability Magazine
- Museum Victoria
- National Trust of Australia (NSW)
- Regional Achievers Awards
- St Vincent de Paul Night Bus
- Very Special Kids
- Wesley Mission
- Zoos Victoria

Our People

An integral part of the Bank's community involvement is the contribution of our people. Bank staff donate their time and money to support the wellbeing of Australian children through the Staff Community Fund.

Staff Community Fund: was founded in 1916 by staff who wanted to provide cots and blankets for Australian children during the First World War. Today, the Fund contributes more than $450,000 each year to organisations promoting the wellbeing of Australian children with the majority of support directed to the Humour Foundation's Clown Doctors.

This money comes from regular fortnightly contributions by current and retired staff, and also through special fundraising days, like 'Make a Kid's Day'. At present there are around 3,000 active members making contributions to the Staff Community Fund.

For more information on the Bank's community support and work in the community visit www.commbank.com.au/community

Directors of the Commonwealth Bank of Australia

John M Schubert

Chairman

Dr Schubert has been a member of the Board since 1991 and Chairman since November 2004. He is Chairman of the Nominations Committee and a member of the Risk and People & Remuneration Committees. He holds a Bachelor's 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 and the former Chairman and Managing Director of Esso Australia Ltd.

Chairman: G2 Therapies Limited.

Director: BHP Billiton Limited, BHP Billiton plc, and Qantas Airways Limited.

Other Interests: Academy of Technological Science and Engineering (Fellow), Institute of Engineers (Fellow), and AGSM Advisory Board (Member).

Dr Schubert is a resident of New South Wales. Age 62.

David V Murray

Managing Director and Chief Executive Officer

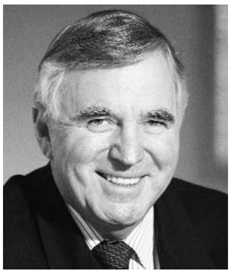
Mr Murray has been a member of the Board and Chief Executive Officer since June 1992. He is a member of the Risk Committee. He holds a Bachelor of Business, Master of Business Administration, an honorary PhD from Macquarie University and has 38 years experience in banking.

Chairman: Business/Industry/Higher Education Collaboration Council.

Director: Tara Anglican School for Girls Foundation Limited.

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

Mr Murray is a resident of New South Wales. Age 56.



Reg J Clairs, AO

Mr Clairs has been a member of the Board since March 1999 and is Chairman of the People & Remuneration Committee and a member of the Risk Committee. As the former Chief Executive Officer of Woolworths Limited, he had 33 years experience in retailing, branding and customer service.

Director: David Jones Limited and The Cellnet Group.

Deputy Chairman: National Australia Day Council.

Other Interests: Institute of Company Directors (Member).

Mr Clairs is a resident of Queensland. Age 67.

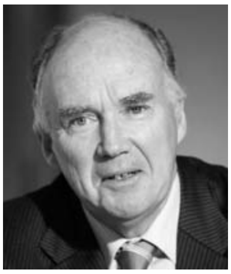
A B (Tony) Daniels, OAM

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

Director: Australian Gas Light Company 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 70.



Colin R Galbraith, AM

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

Chairman: BHP Billiton Community Trust.

Director: GasNet Australia (Group) and OneSteel Limited.

Other Interests: Council of Legal Education in Victoria (Honorary Secretary), CARE Australia (Director) and Royal Melbourne Hospital Neuroscience Foundation (Trustee).

Mr Galbraith is a resident of Victoria. Age 57.

S Carolyn H Kay

Ms Kay has been a member of the Board since March 2003 and is also a member of the People & Remuneration and Risk Committees. She holds Bachelor Degrees in Law and Arts and a Graduate Diploma in Management. She has extensive experience in international finance. She was a senior executive at Morgan Stanley in London and Melbourne for 10 years and prior to that she worked in international banking and finance both as a lawyer and banker in London, New York and Melbourne.

Director: Mayne Group Limited and Deputy Chair Victorian Funds Management Corporation.

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

Ms Kay is resident in New South Wales. Age 43.

Warwick G Kent, AO

Mr Kent has been a member of the Board since June 2000 and is a member of the Audit and Risk Committees. 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 (Retired 31 July 2005), and Hoyts Corporation Pty Ltd.

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

Mr Kent is a resident of Western Australia. Age 69.

Fergus D Ryan

Mr Ryan has been a member of the Board since March 2000 and is Chairman of the Audit Committee and a member of the Risk 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 33 years with that firm including five years as Managing Partner Australasia. Until November 2002, he was Strategic Investment Co-ordinator and Major Projects Facilitator for the Commonwealth Government.

Member: Prime Minister's Community Business Partnership and Council of the National Library of Australia.

Director: Australian Foundation Investment Company Limited and Clayton Utz.

Other Interests: Committee for Melbourne (Patron), Pacific Institute (Counsellor) and Special Committee for Mature Age Workers (Chairman).

Mr Ryan is a resident of Victoria. Age 62.

Frank J Swan

Mr Swan has been a member of the Board since July 1997 and is Chairman of the Risk Committee and a member of the Nominations Committee. He holds a Bachelor of Science Degree and has 23 years senior management experience in the food and beverage industries.

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

Director: National Foods Limited.

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

Mr Swan is a resident of Victoria. Age 64.

Barbara K Ward

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

Chairperson: Country Energy.

Director: Lion Nathan Limited, Record Investments Limited, Multiplex Limited and Multiplex Funds Management Limited.

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 51.

Ralph J Norris

Incoming Managing Director and Chief Executive Officer

Mr Norris' appointment as Managing Director and Chief Executive Officer was announced on 14 June 2005 with effect from 22 September 2005. Mr Norris has been Chief Executive Officer and Managing Director of Air New Zealand since February 2002 and has been a Director of that company since August 1998. He retired from that Board in August 2005 to take up his position with the Bank.

Prior to his appointment at Air New Zealand, Mr Norris had a 30 year career in banking. He was Chief Executive Officer of ASB Bank Limited from March 1991 until September 2001 and Head of International Financial Services from August 1999 until 2001.

In August 2005, Mr Norris retired from the Board of Fletcher Building Limited where he had been a Director since 2001.

Other interests: Fellow New Zealand Institute of Management and Fellow New Zealand Computer Society.

Mr Norris has become a resident of New South Wales. Age 56.

N R (Ross) Adler, AO

Retired 5 November 2004

Mr Adler had been a member of the Board since 1990 and was a member of the Audit and Risk Committees. 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 Ltd and AWL Enterprises Pty Ltd.

Other Interests: Adelaide Festival (Chairman), 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 59.

John T Ralph, AC

Retired 5 November 2004

Mr Ralph had been a member of the Board since 1985 and Chairman since 1999. He was also Chairman of the Risk, People & Remuneration and Nominations Committees. He is a Fellow of the Australian Society of Certified Practising Accountants and has had over 50 years experience in the mining and finance industries.

Deputy Chairman: Telstra Corporation Limited.

Other Interests: Melbourne Business School (Board of Management), Australian Foundation for Science (Chairman), Australian Farm Institute (Chairman), Australian Institute of Company Directors (Fellow), Australian Institute of Management (Fellow), Australian Academy of Science (Fellow), Australian Academy of Technological Science and Engineering (Fellow), Scouts Australia Victorian Branch (President) and St Vincent's Institute Foundation (Patron).

Mr Ralph is a resident of Victoria. Age 72.

Other Directorships

The Directors held directorships on other listed companies within the last three years as follows:

Director	Company	Date Appointed	Date of Ceasing (if applicable)
J M Schubert	BHP Billiton Limited	01/06/2000	
	BHP Billiton Plc	29/06/2001	
	Qantas Limited	23/10/2000	
	Worley Group Limited	28/11/2002	28/02/2005
R J Clairs	David Jones Limited	22/02/1999	
	Cellnet Group Limited	01/07/2004	
A B Daniels	Orica Limited	01/03/1995	17/12/2003
	The Australian Gas Light Company	04/08/1999	
C R Galbraith	OneSteel Limited	25/10/2000	
	GasNet Australia (Group)	17/12/2001	
S C H Kay	Mayne Group Limited	28/09/2001	
	Ansell Limited	19/05/2000	01/11/2002
W G Kent	West Australian Newspapers Holdings Limited	02/02/1998	
	Coventry Group Limited	01/07/2001	
	Perpetual Trustees Australia Limited (Group)	01/05/1998	31/07/2005
F D Ryan	Australian Foundation Investment Company Limited	08/08/2001	
F J Swan	Foster's Group Limited	25/10/1999	
	National Foods Limited	11/03/1997	30/06/2005
	Southcorp Limited	26/05/2005	29/07/2005
B K Ward	Lion Nathan Limited	20/02/2003	
	Multiplex Group	26/10/2003	
	Record Investments Limited	29/04/2005	
J T Ralph	Telstra Corporation Limited	14/10/1996	
	BHP Billiton Plc	01/11/1997	04/11/2002

Board of Directors

Charter

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

- The corporate governance of the Bank, including the establishment of Committees;
- Oversight of the business and affairs of the Bank by:
  - Establishing, with management, the strategies and financial objectives;
  - Approving major corporate initiatives;
  - Establishing appropriate systems of risk management; and
  - Monitoring the performance of management;
- Communicating with Shareholders and the community, results of, and developments in, the operations of the Bank;
- Appointment of the Chief Executive Officer; and
- Approval of the Bank's major HR policies and overseeing the development strategies for senior and high performing executives.

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

Composition

There are currently 10 Directors of the Bank and details of their experience, qualifications, special responsibilities and attendance at meetings are set out in the Directors' Report.

Membership of the Board and Committees is set out below:

Director[2]	Board Membership	Committee Membership			
		Nominations	People & Remuneration	Audit	Risk
J M Schubert	Non-executive, Independent, Chairman	Chairman	Member		Member
D V Murray[1]	Executive, Chief Executive Officer				Member
R J Clairs	Non-executive, Independent		Chairman		Member
A B Daniels	Non-executive, Independent		Member		Member
C R Galbraith	Non-executive, Independent	Member		Member	Member
S C H Kay	Non-executive, Independent		Member		Member
W G Kent	Non-executive, Independent			Member	Member
F D Ryan	Non-executive, Independent			Chairman	Member
F J Swan	Non-executive, Independent	Member			Chairman
B K Ward	Non-executive, Independent			Member	Member

1 Mr D V Murray will retire as Chief Executive Officer and Director on 22 September 2005 and will be replaced by Mr R J Norris.
2 Mr J T Ralph and Mr N R Adler retired from the Board on 5 November 2004.

The Constitution of the Bank specifies that:

- The Chief Executive Officer and any other executive director shall not be eligible to stand for election as Chairman of the Bank;
- The number of Directors shall not be less than nine nor more than 13 (or such lower number as the Board may from time to time determine). The Board determined that upon the retirement of Mr Ralph and Mr Adler at the 2004 Annual General Meeting, the number of Directors shall be 10; and
- At each Annual General Meeting one-third of Directors (other than the Chief Executive Officer) shall retire from office and may stand for re-election.

The Board has established a policy that, with a phasing-in provision for existing Directors, the term of Directors' appointments would be limited to 12 years (except where succession planning for Chairman and appointment of Chairman requires an extended term. On appointment, the Chairman will be expected to be available for that position for five years).

Independence

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

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

Each Director may from time to time have personal dealings with the Bank. Each Director is involved with other companies or professional firms which may from time to time have dealings with the Bank. Details of offices held by Directors with other organisations are set out in the Directors' Report and on the Bank's website. Full details of related party dealings are also set out in the Directors' Report.

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

– The specific disclosures made by each Director as referred to above;

– Where applicable, the related party dealings referrable to each Director, noting that those dealings are not material under accounting standards;

– That no Director is, or has been associated directly with, a substantial Shareholder of the Bank;

– That no non-executive Director has ever been employed by the Bank or any of its subsidiaries;

– That no Director is, or has been associated with a supplier, professional adviser, consultant to or customer of the Bank which is material under accounting standards; and

– That no non-executive Director personally carries on any role for the Bank otherwise than as a Director of the Bank.

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

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

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

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

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

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

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

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

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

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

The Bank has adopted a policy whereby, on appointment, a letter is provided from the Chairman to the new Director setting out the terms of appointment and relevant Board policies including time commitment, code of ethics and continuing education. All current Directors have been provided with a letter confirming the terms of their appointment. A copy of the form of letter of appointment appears on the Bank's website.

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

– The Board will consist of a majority of independent non-executive Directors and the membership of the Nominations, People & Remuneration and Audit Committees should consist solely of independent non-executive Directors. The Risk Committee should consist of a majority of independent non-executive Directors;

– The Chairman will be an independent non-executive Director. The Audit Committee will be chaired by an independent non-executive Director other than the Board Chairman;

– The Board will generally meet regularly with an agenda designed to provide adequate information about the affairs of the Bank, allow the Board to guide and monitor management and assist in involvement in discussions and decisions on strategy. Matters having strategic implications are given priority on the agenda for regular Board meetings. In addition, ongoing strategy is the major focus of at least two of the Board meetings annually;

– The Board has an agreed policy on the basis on which Directors are entitled to obtain access to Company documents and information and to meet with management; and

– 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 generally made available to all Directors.

Ethical Standards

Conflicts of Interest

In accordance with the Constitution and the *Corporations Act 2001*, Directors are required to 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. In addition, any Director who has a conflict of interest in connection with any matter being considered by the Board or a Committee does not receive a copy of any paper dealing with the matter.

Share Trading

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

The guidelines provide, that in addition to the requirement that Directors not deal in the securities of the Bank or any related company when they have or may be perceived as having relevant unpublished price-sensitive information, Directors are only permitted to deal within certain periods. These periods include between three and 30 days after the announcement of half yearly and final results and from the date of the annual general meeting until 14 days after the Annual General Meeting. Further, the guidelines require that Directors not deal on the basis of considerations of a short term nature or to the extent of trading in those securities. Similar restrictions apply to executives of the Bank.

In addition, Bank policy prohibits:

– For Directors and executives who report to the Chief Executive Officer, any hedging of publicly disclosed shareholding positions; and

– For executives, any trading (including hedging) in positions prior to vesting of shares or options.

Remuneration Arrangements

Details of the governance arrangements and policies relevant to remuneration are set out in the Directors' Report – Remuneration Report.

Audit Arrangements

Audit Committee

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

– The Audit Committee consists entirely of independent Non-Executive Directors, all of whom have familiarity with financial management and at least one has expertise in financial accounting and reporting. The Chairman of the Bank is not permitted to be the Chairman of the Audit Committee;

– At least twice a year the Audit Committee meets the external auditors and the chief internal audit executive and also separately with the external auditors independently of management;

– The Audit Committee is responsible for nominating the external auditor to the Board for appointment by Shareholders. The Audit Committee approves the terms of the contract with the external auditor, agrees the annual audit plan and approves payments to the Auditor;

– The Audit Committee discusses and receives assurances from the external auditors on the quality of the Bank's systems, its accounting processes and its financial results. It also receives a report from the Auditors on any significant matters raised by the Auditors with management;

– All material accounting matters requiring exercise of judgement by management are specifically reviewed by the Audit Committee and reported on by the Committee to the Board; and

– Certified assurances are received by the Audit Committee and the Board that the Auditors meet the independence requirements as recommended by the Corporations Act and the Securities and Exchange Commission ('SEC') of the USA.

In carrying out these functions, the Committee:

– Reviews the financial statements and reports of the Group;

– Reviews accounting policies to ensure compliance with current laws, relevant regulations and accounting standards;

– 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.

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 and statutory requirements; and

– The quality of the accounting policies applied and any other significant judgements made.

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

The Board has determined that Fergus Ryan is an 'Audit Committee Financial Expert' within the meaning of that term as described in the SEC rules. Although the Board has determined that this individual has the requisite attributes defined under the rules of the SEC, his responsibilities are the same as those of the other Audit Committee members. He is not an auditor, does not perform 'field work' and is not a full time employee. The SEC has determined that an Audit Committee member who is designated as an Audit Committee Financial Expert will not be deemed to be an 'expert' for any purpose as a result of being identified as an Audit Committee Financial Expert.

The Audit Committee is responsible for oversight of management in the preparation of the Bank's financial statements and financial disclosures. The Audit Committee relies on the information provided by management and the external auditor. The Audit Committee does not have the duty to plan or conduct audits to determine whether the Bank's financial statements and disclosures are complete and accurate.

Non-Audit Services

The Board has in place an Independent Auditor Services Policy which only permits the Independent Auditor to carry out audit services which are required by statute and related services which are an extension of, or an adjunct to, those audit services. All other non-audit services are prohibited unless the Audit Committee determines otherwise in any particular case. The objective of this policy is to avoid prejudicing the independence of the Auditors.

The policy also ensures that the Auditors do not:

– Assume the role of management or act as an employee;

– Become an advocate for the Bank;

– Audit their own work;

– Create a mutual or conflicting interest between the Auditor and the Bank;

– Require an indemnification from the Bank to the Auditor;

– Seek contingency fees; nor

– Have a direct financial or business interest or a material indirect financial or business interest in the Bank or any of its affiliates, or an employment relationship with the Bank or any of its affiliates.

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

– Bookkeeping or services relating to accounting records or financial statements of the Bank;

– Financial information systems design and implementation;

– Appraisal or valuation services and fairness opinions;

– Actuarial services;

– Internal audit outsourcing services;

– Management functions, including acting as an employee;

– Human resources;

– Broker-dealer, investment adviser or investment banking services;

– Legal services; or

– Expert services unrelated to the audit.

In general terms, the permitted services are:

– Audit services to the Bank or an affiliate;

– Related services connected with the lodgement of statements or documents with the ASX, Australian Securities and Investments Commission ('ASIC'), APRA, SEC or other regulatory or supervisory bodies;

– Services reasonably related to the performance of the audit services;

– Agreed upon procedures or comfort letters provided by the Auditor to third parties in connection with the Bank's financing or related activities; and

– Other services pre-approved by the Audit Committee.

The SEC has requested that the Bank produce documents and information relating to all services provided by the Bank's external auditors, Ernst & Young, since 1 July 2000, in the context of the US auditor independence rules.

The Bank understands that the SEC has made similar requests to certain other Australian companies registered with the SEC and accounting firms.

The Bank is producing the documents and information requested.

Although the Bank cannot predict the nature of any future action if the SEC determines that any services provided by Ernst & Young did not comply with the SEC's rules and while the SEC could seek sanctions of a type or in amounts not currently known, based on information currently available to the Bank, it does not believe the outcome of the SEC's ongoing inquiry will have a material adverse financial effect on the Commonwealth Bank Group.

Auditor

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

The audit partner from Ernst & Young attends the Annual General Meetings of the Bank and is available to respond to Shareholder audit related questions.

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

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

Risk Management

Risk Committee

The Risk Committee oversees credit, market, and operational 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.

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.

Framework

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

A full description of the functions of the framework and the nature of the risks is set out in the section of the Annual Report entitled Integrated Risk Management and in the Annual Report in Notes 14 and 39 to the Financial Statements.

Nominations Committee

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

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

Continuous Disclosure

The *Corporations Act 2001* and the ASX Listing Rules require that a company discloses to the market matters which could be expected to have a material effect on the price or value of the company's securities. The Bank's 'Guidelines for Communication between the Bank and Shareholders' sets out the processes to ensure that Shareholders and the market are provided with full and timely information about the Bank's activities in compliance with continuous disclosure requirements. Management procedures 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.

Ethical Policies

Values Statement

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

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

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

– To act properly and efficiently in pursuing the objectives of the Bank;

– To avoid situations which may give rise to a conflict of interest;

– To know and adhere to the Bank's Equal Employment Opportunity policy and programs;

– To maintain confidentiality in the affairs of the Bank and its customers; and

– To be absolutely honest in all professional activities.

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

Our People
The Bank is committed to providing fair, safe, challenging and rewarding work, recognising the importance of attracting and retaining high quality staff and consequently, being in a position to excel in customer service.

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

– Fair Treatment Review;

– Equal Employment Opportunity;

– Occupational Health and Safety;

– Recruitment and selection;

– Performance management;

– Talent management and succession planning;

– Remuneration and recognition;

– Employee share plans; and

– Supporting Professional Development.

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

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

Governance Philosophy
The Board has consistently placed great importance on the governance of the Bank, which it believes is vital to the wellbeing of the corporation. The Bank has adopted a comprehensive framework of Corporate Governance Guidelines which are designed to properly balance performance and conformance and thereby allow the Bank to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and the practices of the Bank comply with all the current best practice recommendations set by the ASX Corporate Governance Council.

US Sarbanes-Oxley Act
On 30 July 2002, a broad US financial reporting and corporate governance reform law, called the Sarbanes-Oxley Act of 2002 ('SOX Act'), was enacted. A number of provisions of this Act apply to the Group because it has certain securities registered with the SEC under the Securities Exchange Act of 1934 ('Exchange Act').

Under the Exchange Act, the Bank files periodic reports with the SEC, including an annual report on Form 20-F. Pursuant to the requirements of the SOX Act, the SEC has adopted rules requiring that the Group's Chief Executive Officer and Chief Financial Officer personally provide certain certifications with respect to the disclosure contained in the annual report on Form 20-F.

Some of the more significant certifications generally include:

– That based on their knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact and the financial statements and other financial information included within the report fairly present in all material respects the financial condition, results of operations and cash flows of the Group;

– That they have ensured that appropriate disclosure controls and procedures have been put in place such that all material information has been disclosed and made known to them and they have evaluated the effectiveness of those disclosure controls and procedures as of the end of the Group's fiscal year and presented in the annual report on Form 20-F their conclusions about the effectiveness of the disclosure controls and procedures as of the end of the most recent fiscal year;

– That in respect of internal controls over financial reporting they have disclosed to the Group's external auditors and to the Audit Committee of the Board of Directors all significant deficiencies and material weaknesses in the design or operation of those internal controls over financial reporting which are reasonably likely to adversely affect the Group's ability to record, process, summarise and report financial information, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Group's internal control over financial reporting; and

- The annual report on Form 20-F discloses whether or not there were any changes in internal control over financial reporting during the period covered by the annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, the Group's internal control over financial reporting.

The Group will in addition to providing these certifications make the following disclosures in its annual report on Form 20-F:

- The Group's Chief Executive Officer and Chief Financial Officer, with the assistance of other members of the Group's management, have evaluated the effectiveness of the Group's disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Group's Chief Executive Officer and Chief Financial Officer have concluded that the Group's disclosure controls and procedures are effective; and
- The Group's Chief Executive Officer and Chief Financial Officer have also concluded that there have not been any adverse changes in the Group's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Group's internal control over financial reporting.

The SOX Act prohibits an issuer from extending or maintaining credit, arranging for the extension of credit, or renewing an extension of credit, in the form of a personal loan, to or for any Director or executive officer of the Group, unless an exception is available. Loans maintained by the Group before 30 July 2002 are exempt so long as there is no material modification to any term of the extension of credit or any renewal of the extension of credit. Ordinary course lending that is considered 'consumer credit' is in certain circumstances also exempt. Furthermore, in April 2004, the SEC adopted a rule exempting from the prohibition loans made by foreign banks meeting certain requirements.

The Group is also required to disclose in its annual report on Form 20-F for the 2005 financial year, whether it has adopted a written code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Group has adopted such a code.

Certifications and Disclosures

In respect of this Annual Report and as at the date of this Annual Report, the Group's Chief Executive Officer and Chief Financial Officer make the following Sarbanes-Oxley-related certifications:

- That they have reviewed the report;
- That based on their knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
- That based on their knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Group as of, and for, the periods presented in the report;
- That they are responsible for establishing and maintaining disclosure controls and procedures (as defined in the US Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) for the Group and have:
  - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under their supervision, to ensure that material information relating to the Group, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the report is being prepared;
  - Evaluated the effectiveness of those disclosure controls and procedures and presented in this report their conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - Disclosed in this report any adverse change in the Group's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Group's internal control over financial reporting; and
- That they have disclosed, based on their most recent evaluation of internal control over financial reporting, to the Group's auditors and the Audit Committee of the Group's Board of Directors:
  - All significant deficiencies (if any) in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Group's ability to record, process, summarise and report financial data; and
  - Any fraud, whether or not material, that involves management or other employees who have a significant role in the Group's internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, with the assistance of other members of the Group's management, have evaluated the effectiveness of the Group's disclosure controls and procedures as of 30 June 2005. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have each concluded that the Group's disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting
No adverse changes in our internal controls over financial reporting occurred during the year ended 30 June 2005 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. Material changes in our internal controls over financial reporting will occur from 1 July 2005 with the transition to International Financial Reporting Standards, refer to Note 1 (qq) to the Financial Statements.

Company Secretaries
The details of the Bank's company secretaries, including their experience and qualifications are set out below.

John Hatton has been Company Secretary of the Commonwealth Bank of Australia since 1994.

From 1985-1994, he was a solicitor with the Bank's Legal Department.

He holds a Bachelor of Laws degree from Sydney University and was admitted as a solicitor in New South Wales. He is a Fellow of Chartered Secretaries Australia and a Member of the Australian Institute of Company Directors.

Henry Broekhuijse was appointed a Company Secretary to the Bank in August 2001.

He joined the Commonwealth Bank Legal Services Department in January 1979 and has approximately 25 years' experience as an in-house lawyer.

He has a Bachelor of Arts from Sydney University and a Bachelor of Laws degree from the University of New South Wales. He is a Member of the Law Society of New South Wales; Australian Corporate Lawyers Association; City of Sydney Law Society; and the Risk Management Association – Australia.

Carla Collingwood was appointed a Company Secretary to the Bank in July 2005 to replace Henry Broekhuijse.

From 1994 until 2005, she was a solicitor with the Bank's Legal Services Department, before being appointed to the position of General Manager, Secretariat. She holds a Bachelor of Laws degree (Hons) and a Graduate Diploma in Company Secretary Practice from Chartered Secretaries Australia.

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial report of the Commonwealth Bank of Australia (the 'Bank') and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2005.

The names of the Directors holding office during the financial year and until the date of this report are set out on pages 12 to 14 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 of Australia during the financial year were:

	Directors' Meetings	
Director	**No. of Meetings Held[1]**	**No. of Meetings Attended**
J M Schubert	13	13
D V Murray	13	12
R J Clairs	13	13
A B Daniels	13	13
C R Galbraith	13	12
S C H Kay	13	13
W G Kent	13	13
F D Ryan	13	13
F J Swan	13	12
B K Ward	13	13
N R Adler	4	4
J T Ralph	4	4

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

	Committee Meetings					
	Risk Committee		Audit Committee		People & Remuneration Committee	
Director	**No. of Meetings Held[1]**	**No. of Meetings Attended**	**No. of Meetings Held[1]**	**No. of Meetings Attended**	**No. of Meetings Held[1]**	**No. of Meetings Attended**
J M Schubert	6	6	2	2	7	7
D V Murray	6	6				
R J Clairs	6	6			8	6
A B Daniels	6	5			8	8
C R Galbraith	6	6	4	4		
S C H Kay	6	6			5	5
W G Kent	6	6	4	4		
F D Ryan	6	6	6	6		
F J Swan	6	4				
B K Ward	6	6	6	6		
N R Adler	2	2	2	2		
J T Ralph	2	2			3	3

	Nominations Committee	
Director	**No. of Meetings Held[1]**	**No. of Meetings Attended**
J M Schubert	2	2
C R Galbraith	2	2
F J Swan	2	2

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

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:

(i) Banking
The Group provides a full range of retail banking services including housing loans, credit cards, personal loans, savings and cheque accounts, and demand and term deposits. The Group has leading domestic market shares in home loans, personal loans, retail deposits and discount stockbroking, and is one of Australia's largest issuers of credit cards. The Group also offers a full range of commercial products including business loans, equipment and trade finance, and rural and agribusiness products. For our corporate and institutional clients, we offer a broad range of structured finance, equities and advisory solutions, financial markets and equity markets solutions, transactions banking, and merchant acquiring.

The Group also has full service banking operations in New Zealand and Fiji. The Group has wholesale banking operations in London, New York, Hong Kong, Singapore and Tokyo.

(ii) Funds Management
The Group is Australia's largest funds manager and largest retail funds manager in terms of its total value of Funds under Administration. The Group's funds management business is managed as part of Wealth Management division. 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.

(iii) Insurance
The Group provides term insurance, disability insurance, annuities, master trusts, investment products and household general insurance.

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

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 2005 was $3,991 million (2004: $2,542 million).

The net operating profit for the year ended 30 June 2005 after tax, and before goodwill amortisation, appraisal value uplift, shareholder investment returns and costs related to initiatives including Which new Bank was $3,466 million. This is an increase of $388 million or 13% over the year ended 30 June 2004.

In September 2003, the Group launched its Which new Bank customer service vision. This is a three year transformation program with an estimated spend of $1,480 million over the period. This includes $600 million of normal project spend, and an additional $620 million in areas of staff training, systems and process simplification and technology, and $260 million invested in the branch network.

The Bank has continued to meet all of its Which new Bank commitments and critical project milestones, with net benefits in 2005 totalling $724 million. Market shares in key business lines have improved (home loans, personal lending, funds management) or are showing signs of turnaround (business-lending, deposits). Efficiency gains are being recorded in each segment.

The principal contributing factors to the profit increase were a growth in net interest income reflecting growth across a range of lending products, combined with an increase in commissions. Underlying expenses increased by only 4%, despite higher spend on compliance and the impact of a stronger NZ dollar. Funds management and insurance income rose which reflects buoyant equity markets for most of the year, growth in Funds under Administration and growth in inforce premiums. Additionally, appraisal values of the life insurance and funds management businesses increased by $778 million reflecting the growth in Funds under Administration and improved equity markets.

Dividends
The Directors have declared a fully franked (at 30%) final dividend of 112 cents per share amounting to $1,434 million. The dividend will be payable on 23 September 2005 to shareholders on the register at 5:00 pm on 19 August 2005. Dividends paid since the end of the previous financial year:

– As declared in last year's report, a fully franked final dividend of 104 cents per share amounting to $1,315 million was paid on 24 September 2004. The payment comprised cash disbursements of $1,069 million with $246 million being reinvested by participants through the Dividend Reinvestment Plan;

– In respect of the current year, a fully franked interim dividend of 85 cents per share amounting to $1,083 million was paid on 31 March 2005. The payment comprised cash disbursements of $883 million with

$200 million being reinvested by participants through the Dividend Reinvestment Plan; and

- Additionally, quarterly dividends totalling $39 million for the year were paid on the PERLS; $34 million on the PERLS II; $42 million on the Trust Preferred Securities; $9 million on the ASB Capital preference shares; and $7 million on the ASB Capital No.2 preference shares.

Review of Operations

An analysis of operations for the financial year is set out in the Highlights on page 5 and Business Overview on pages 49 to 50. A review of the financial condition of the Bank is set out in the Highlights on page 5.

Changes in State of Affairs

During the year, the Bank continued to make significant progress in implementing a number of strategic initiatives under the Which new Bank program launched in September 2003.

The program is designed to ensure a better service outcome for the Bank's customers.

Progress within the major initiatives included the following:

- 'Commsee', the new banking customer management platform, as well as providing frontline staff with ready access to imaged client documents and authorities, is making it easier to share customer information. More than half the branches now have CommSee operating and are averaging over 90,000 referrals per month.
- 'CommWay' initiatives have led to turnaround time improvements and a significant reduction in home loan and personal loan approval times, through the implementation of end-to-end systems and process improvements.
- A further 127 branches have been refurbished this year, bringing the total number of branches modernised to help provide faster, more efficient service to 253.
- The new NetBank platform was introduced in April 2005 providing enhanced functionality and greater flexibility for two million online customers.
- The Wealth Management team achieved its goal of reducing the number of product systems to seven, bringing the total number of product systems decommissioned to 10 since the beginning of Which new Bank.

The Chairman of the Commonwealth Bank of Australia, Dr John Schubert, announced on 14 June 2005 that the Board had appointed Mr Ralph Norris to take over the role of Managing Director and Chief Executive Officer on the retirement of Mr David Murray. Mr Murray will retire from the Bank on 22 September 2005. Mr Norris is currently Managing Director and Chief Executive Officer of Air New Zealand Limited.

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

Events Subsequent to Balance Date

On 7 July 2005 the Bank entered into an agreement to sell its life insurance and financial planning business in Hong Kong for approximately $600 million to Sun Life Financial. The business consisted of CMG Asia Limited, CommServe Financial Limited and Financial Solutions Limited, with a combined carrying value of $527 million under current Australian GAAP. The carrying value will be different under AIFRS, principally due to differences in discount rates used in the actuarial valuation of policyholder liabilities and differences in treatment of historic foreign exchange losses under AIFRS.

The transaction, targeted for completion within three months and together with the determination of the final profit, is subject to conditions precedent.

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.

Business Strategies and Future Developments

Business strategies, prospects and future developments, which may affect the operations of the Group in subsequent financial years, are referred to in the Message from the Chairman on page 2, Highlights on page 5 and Which new Bank Summary on pages 6 to 7.
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 the Remuneration Report within this report.

Options

An Executive Option Plan ('EOP') 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, the EOP was discontinued and Shareholders approved the establishment of the Equity Reward Plan ('ERP'). The last grant of options to be made under the ERP was the 2001 grant, with options being granted 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 in the 2001 grant. During the financial year, the performance hurdle for the 2001 ERP grant was met. All option grants have now met their specified performance hurdles. During the financial year and for the period to the date of this report 2,741,600 shares were allotted by the Bank consequent to the exercise of options granted under the EOP and ERP. Full details of the Plan are disclosed in Note 5 to the Financial Statements. No options have been allocated since the beginning of the 2001/2002 financial year.

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

For details of the options previously granted to the Chief Executive Officer, being a Director, refer to the Remuneration Report within 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

Articles 19.1, 19.2 and 19.3 of the Commonwealth Bank of Australia's Constitution provides:

"19. Indemnity

19.1 Persons to whom articles 19.2 and 19.4 apply

Articles 19.2 and 19.4 apply:

(a) to each person who is or has been a director, secretary or senior manager of the company; and

(b) to such other officers, employees, former officers or former employees of the company or of its related bodies corporate as the directors in each case determine, (each an "Officer" for the purposes of this article).

19.2 Indemnity

The company must indemnify each Officer on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses ("Liabilities") incurred by the Officer as an officer of the company or of a related body corporate.

19.3 Extent of indemnity

The indemnity in article 19.2:

(a) is enforceable without the Officer having to first incur any expense or make any payment;

(b) is a continuing obligation and is enforceable by the Officer even though the Officer may have ceased to be an officer of the company or its related bodies corporate; and

(c) applies to Liabilities incurred both before and after the adoption of this constitution."

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

The Directors, as named on pages 12 to 14 of this report, and the Secretaries of the Commonwealth Bank of Australia, being J D Hatton, H J Broekhuijse (resigned 12 July 2005) and C F Collingwood (appointed 12 July 2005) are indemnified under articles 19.1, 19.2 and 19.3 as are all the senior managers of the Commonwealth Bank of Australia.

Deeds of Indemnity have been executed by Commonwealth Bank of Australia consistent with articles 19.1, 19.2 and 19.3 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.

Remuneration Report

Introduction

This report details the Bank's remuneration policy for Directors and executives (including senior managers and company secretaries) and the links between the performance of the Bank and individual remuneration outcomes. Remuneration arrangements, including details of equity holdings, loans and other transactions for Directors and Specified Executives of the Bank, are also disclosed. In compiling this report the Bank has met the disclosure requirements of accounting standard AASB 1046, as well as those prescribed by the *Corporations Act 2001*.

People & Remuneration Committee

The Bank's remuneration arrangements are overseen by the People & Remuneration Committee of the Board, which currently consists of Mr R J Clairs (Chairman), Dr J M Schubert, Mr A B Daniels and Ms S C H Kay. Prior to Mr J T Ralph's retirement on 5 November 2004, the Committee consisted of Messrs Ralph (Chairman), Daniels and Clairs. The Committee's activities are governed by its terms of reference which is available on the Bank's website at http://shareholders.commbank.com.au.

The Committee considers changes in remuneration policy likely to have a material impact on the Bank and is informed of leadership performance, legislative compliance on employment issues, industrial agreements and incentive plans operating across the Bank.

The Committee also considers senior appointments and remuneration arrangements for senior management. The remuneration arrangements for the Chief Executive Officer (CEO) and Group Executives (senior direct reports to the CEO) are approved by the full Board.

The policy of the Board is that the Committee shall consist entirely of independent Non-executive Directors. The CEO attends Committee meetings by invitation but does not attend in relation to matters that can affect him.

Remuneration Policy

The Bank's remuneration systems complement and reinforce its performance culture, and leadership and talent management systems. The remuneration systems aim to:

- Attract and retain high calibre employees;
- Align individual and Bank goals; and
- Ensure total remuneration is competitive by market standards.

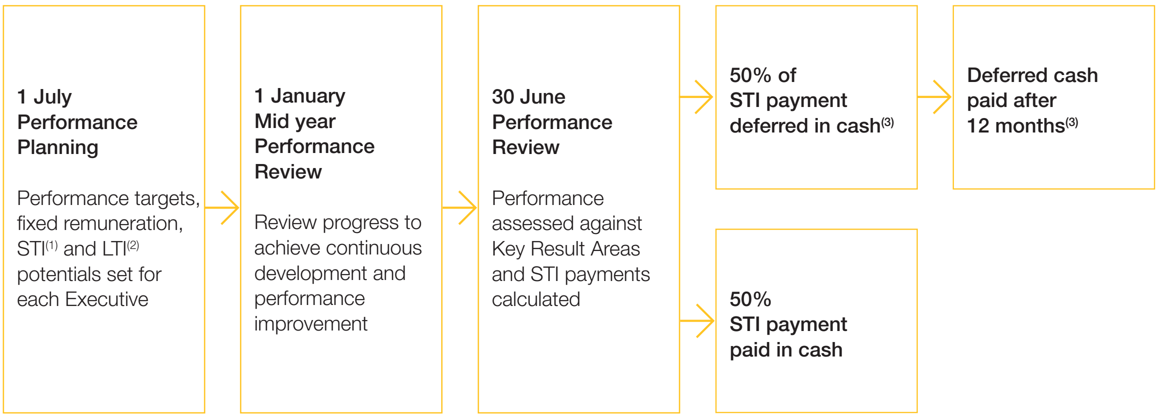
For Executives, this also aims to reward with an appropriate mix of remuneration according to their level in the organisation, with a significant weighting towards both short term and long term variable ('at risk') pay linked to performance. This focus aims to:

- Reward Executives for Bankwide, business unit and individual performance against targets set by reference to appropriate benchmarks and against behavioural standards;
- Align the interests of Executives with those of Shareholders; and
- Link Executive reward with the strategic goals and sustainable performance of the Bank.

In determining appropriate levels of Executive remuneration, the People & Remuneration Committee engages an external consultant to provide independent advice. This ensures that the remuneration of Executives is set competitively compared to market. It also helps the Committee understand movements and trends in Executive remuneration that should be factored into considerations regarding the remuneration of Executives.

Remuneration and terms and conditions of employment are specified in an individual contract of employment with each Executive, which is signed by the Executive and the Bank.

The following diagram illustrates the annual cycle of the Bank's remuneration arrangements for Senior Executives.



1 STI refers to Short Term Incentive.
2 LTI refers to Long Term Incentive. LTI grant allocations are made by September each year. After three years the grant is measured against the performance hurdle to assess what portion of the grant, if any, will vest at that time. Refer to page 29 for further detail.
3 STI deferral applies generally to the CEO and to executives who, in a reporting sense, are no more than two levels removed from the CEO. Payment is subject to forfeiture on resignation or misconduct including misrepresentation of performance outcomes.

Remuneration Structure

Remuneration of the Bank's Executives consists of three key elements:

- Fixed remuneration;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

The 'mix' of these components for each Executive varies according to their role, as outlined below.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation.

Fixed remuneration is competitively set so that the Bank can attract, motivate and retain high calibre local and international Executive staff.

Fixed remuneration is reviewed annually by the People & Remuneration Committee through a process that considers relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Variable ('At Risk') Remuneration

The relationship of fixed and variable remuneration (potential short term and long term incentives) is approved for each level of Executive management by the People & Remuneration Committee.

The Bank's remuneration structure is designed to motivate employees for short and long term performance. This mix between short term and long term variable components maintains a focus on the sustainable short term performance of the Bank, whilst ensuring a clear line of sight in positioning the Bank for its longer term success.

The current target mix of remuneration components for executives is illustrated in the following table.

Current target potential remuneration mix for Executives

	Fixed Component (Base Remuneration and Superannuation)	STI Component	LTI Component
	%	%	%
CEO	25	25	50
Group Executives	30	30	40

Where market practice requires, the structure for some specialist (high revenue-generating) roles differs from that which applies generally to Executive management. For such specialists, a greater proportion of the variable component of remuneration may be in short term rather than long term incentives but the overall mix of remuneration is still heavily weighted towards 'at risk' pay.

Short Term Incentive (STI) Arrangements

Employees at all levels of the Bank participate in the Bank's STI arrangements.

Actual STI payments for executives depend on the extent to which operating targets and behaviour standards set at the beginning of the financial year are met.

Depending on the executive's level within the organisation, any actual STI payments received are based on a combination of Bankwide, business unit and individual performance.

On an annual basis, after consideration of performance against Key Result Areas, the Board approves an overall performance rating for the Bank and each business unit. The Executive's manager assesses individual performance based on the Bank's Performance Feedback and Review system.

Executives receive a limited (if any) performance payment if their individual performance is not 'meeting expectations'. Such situations would be under active performance management.

The aggregate of annual STI payments available for Executives across the Bank is subject to the approval of the People & Remuneration Committee. In the case of the CEO and Group Executives, individual payments are subject to the approval of the Board.

For payments made in recognition of performance for the year ended 30 June 2005, where STI deferral applies, the STI payments are delivered in two components:

- 50 percent made as immediate cash payment; and
- 50 percent in cash deferred for one year. Generally, the Executive will need to be an employee of the Bank at the end of the deferral period to receive this portion.

This represents a simplification from previous years where the deferral was made in shares, half of which vested after one year, and the remainder vested after two years.

Long Term Incentive (LTI) Arrangements

Under the Bank's Equity Reward Plan (ERP), LTI grants to Executives are delivered in the form of ordinary shares in the Bank that vest in the Executive if and to the extent that a performance hurdle is met.

LTI grants are made to Executives who are able to directly influence the generation of Shareholder wealth and thus the Bank's performance against the relevant hurdle. Participation is thus restricted to Executives who, in a reporting sense, are no more than three levels removed from the CEO.

The quantum of grants made to each Executive depends on their level within the organisation and has regard to the desired mix between fixed remuneration, short term and long term incentive as well as the performance and potential of the individual Executive.

No value will accrue to the Executive unless the Bank's Total Shareholder Return (TSR) (which is calculated by combining the reinvestment of dividends and the movement in the Bank's share price) at least meets the 50th percentile of a peer comparator group of companies over a three to five year period. The percentage of shares vesting in the Executive rises with increased performance. To receive the full value of the LTI grant, the Bank's performance must be in the top quartile of the peer group. The table below provides a summary of the ERP grants from previous years that were in operation during the year ended 30 June 2005.

Summary of performance hurdles for Employee Reward Plan (ERP) grants

	2001 Grant	2002 Grant	2003 Grant	2004 Grant
Performance measurement				
From	3 Sept 2001	2 Sept 2002	1 Sept 2003	23 Aug 2004
To	4 Sept 2004	3 Sept 2005	2 Sept 2006	24 Aug 2007
Additional vesting opportunities	Every month from Oct 2004 until Sept 2006	Every six months from 3 Sept 2005 until 2 Sept 2007	Every six months from 2 Sept 2006 until 1 Sept 2008	Every six months from 24 Aug 2007 until 23 Aug 2009
Expiry Date if Exercisable	3 Sept 2006	2 Sept 2007	1 Sept 2008	23 Aug 2009
Status as at 30 June 2005	Vested on 3 Oct 04	30th percentile	68th percentile	74th percentile
Vesting Scale	< Weighted Average of Peers = 0% > Weighted Average of Peers = 100%	< 50th percentile = Nil shares 50th – 67th percentile = 50% – 75% of shares 68th – 75th percentile = 76% – 100% of shares		
Performance Hurdle	TSR vs Peer Group. If the performance hurdle is not reached after three years, the options[1] may nevertheless be exercisable or the shares vest, where the hurdle is subsequently reached within five years from the grant date.	TSR vs Peer Group. Where the rating is at least at the 50th percentile on the third anniversary of the grant, the shares will vest at a time nominated by the Executive, within the half yearly windows, over the next two years. The vesting percentage will be the higher of the rating determined at the third anniversary of the grant and the rating determined at the half yearly measurement point at which the Executive nominates that the shares will vest. Where the rating is below the 50th percentile on the third anniversary of grant, the shares can still vest if the rating reaches the 50th percentile at one of the half yearly measurement points prior to the fifth anniversary, but the maximum vesting will be 50%.		

1 The Bank has not granted options to any Executives since 2001. More information can be found in Note 5 (Share Capital) to the Financial Statements.

The use of a relative TSR based hurdle ensures an alignment between comparative shareholder return and reward for Executives.

In assessing whether the performance hurdles for each grant have been met, the Bank receives independent data from Standard & Poor's which provides both the Bank's TSR growth from the commencement of each grant and that of the peer group (excluding the Bank). The Bank's performance against the hurdle is then determined as follows:

- For grants prior to 2002, the TSR of each company in the peer group is weighted by market capitalisation to form an index against which the Bank's TSR is compared.
- For grants made from 2002 onwards, each company in the peer group and the Bank is ranked in order of TSR growth from the commencement of each grant. A weighting for each company in the peer group is determined by dividing the market capitalisation of the relevant company by the total market capitalisation of the peer group. The Bank's percentile ranking is determined by aggregating the calculated weighting of each company ranked below the Bank.

The peer group chosen for comparison reflects the Bank's current business mix and currently[1] consists of:

Adelaide Bank	IAG
AMP	Macquarie Bank
Australia & New Zealand Banking Group	National Australia Bank
AXA	QBE Insurance
Bank of Queensland	St.George
Bendigo Bank	Suncorp-Metway
	Westpac Banking Group

1 GIO and BankWest were included prior to 19 January 2000 and 26 August 2003 respectively.

Further details of the ERP may be found in Note 5 (Share Capital) to the Financial Statements.

Bank Performance

Short Term Performance – 2004/2005

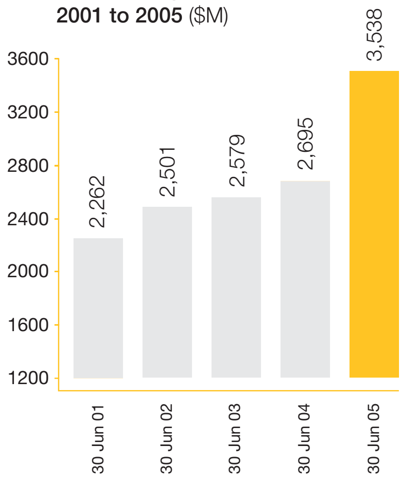
The Bank's Short Term Incentive framework is underpinned by a performance management system through which all staff are assessed on outcomes and behaviours. Staff have Key Result Areas in Customer Service, People Engagement, and Business Outcomes. Below is a description of the Bank's performance in each of these areas.

Summary of Bank performance

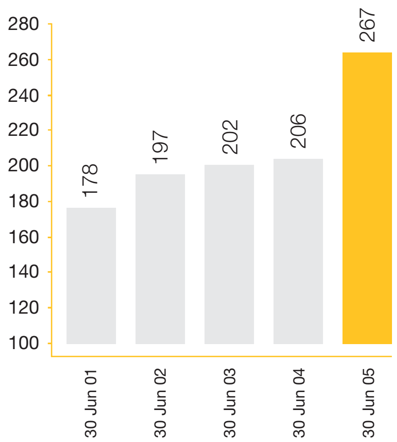
Key Result Area	Commentary
Customer Service	The Bank's vision is 'to excel in customer service'. There have been substantial service improvements driven from the Which new Bank service transformation program. This result is supported by enhanced customer satisfaction readings, significant customer turnaround time improvements, the implementation of CommSee (in progress and on schedule), an upgraded NetBank, service and sales management training and more branch refurbishments. The progress in customer service reflects that the Which new Bank program is on schedule. It is expected that the impact during 2005/06 of service initiatives already completed and being implemented will add further to the Bank's competitiveness, customer satisfaction levels and ultimately the Bank's market share in profitable areas.
People Engagement	There have been substantial people engagement improvements driven from the Which new Bank program. This result is supported by enhanced employee satisfaction readings, key culture change measures, a continuing safety improvement focus and the implementation of enhanced leadership, performance management and talent management frameworks. This progress is reflective of the Bank's commitment to its people and the success of the Which new Bank program assisting in the achievement of the vision through engaged people.
Business Outcomes	The Bank exceeded its net profit after tax (NPAT) targets for the year ended 30 June 2005. Cash NPAT and underlying NPAT increased by 31% and 13% respectively compared with the previous year. As part of this, the Which new Bank program has exceeded targets with net benefits in 2005 of $724 million. There were strong results in retail banking, funds management and insurance, tempered by moderate results in institutional and business banking. These results are supported by market share improvements in most products, productivity gains and return on equity increases. The Bank has improved market share in home lending (from 19.3% to 19.9%) and retail funds under administration (from 14.4% to 14.8%) in the past 12 months. The Bank has shown strong lending growth in the retail bank and stable net interest margins since 30 June 2004. It has achieved increases in average interest earning assets and home lending balances of 13.9% and 18.5% respectively.

The following graphs illustrate the Bank's NPAT and earnings per share (EPS) performance on a cash basis over the last five years.

Cash NPAT performance 2001 to 2005 ($M)



Cash EPS performance 2001 to 2005 (cents)



Longer Term Performance

Long term performance is measured on the Bank's Total Shareholder Return (TSR) relative to its peers. TSR is calculated by combining the reinvestment of dividends and the movement in the Bank's share price.

2001 LTI grant performance

The performance hurdle for the 2001 grant was reached in October 2004 with the Bank having outperformed the peer group TSR index by 7.8% over the performance period.

2002, 2003, 2004 LTI grant performance

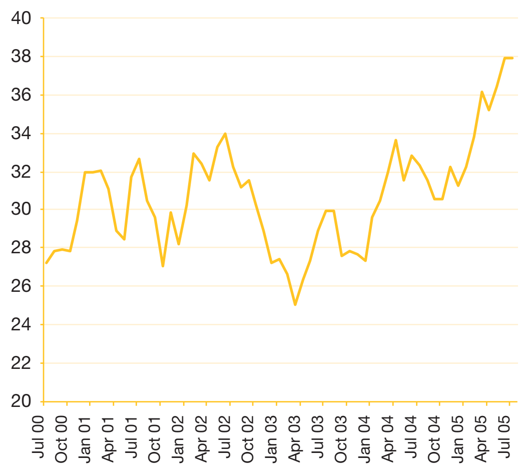
The Bank's performance must reach at least the 50th percentile for 50% of the shares granted to vest. All of the shares granted will only vest if the Bank's performance reaches the 75th percentile.

As at 30 June 2005, the Bank's performance was tracking under the 50th percentile for the 2002 grant and over the 50th percentile for the 2003 and 2004 grants.

Share price

The Bank's share price has trended upward over the last five years, with a steeper incline since the introduction of the Which new Bank program in September 2003. Which new Bank has improved the Bank's long term sustainable competitive positioning by enhancing customer service, people engagement and productivity.

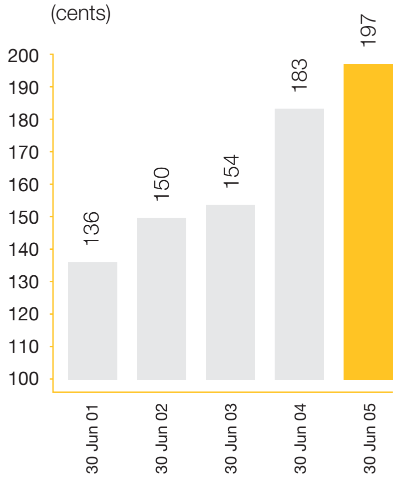
Share price (dollars)



Dividends per Share

The Bank's dividend per share has increased each year over the last five years, with more significant increases since the introduction of the Which new Bank program.

Dividends per Share (cents)



Directors' Remuneration

Mr David V Murray (Managing Director and CEO)

Summary of Remuneration Arrangements

Mr Murray's remuneration consists of fixed and variable (at risk) components. For the year ended 30 June 2005, fixed remuneration, which comprises base remuneration (calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation, was 35% of total remuneration.

The variable (at risk) remuneration consists of short and long-term incentives.

Short Term Incentives (STIs) are delivered in two components: 50% made as an immediate cash payment and 50% in deferred cash. Performance is measured against Key Result Areas, with payment subject to the approval of the Board. The Board has assessed Mr Murray's performance for the year and has approved a STI payment of $1,520,000.

Long Term Incentives (LTIs) are delivered in the form of Reward Shares under the Bank's Equity Reward Plan, and no value will accrue unless the Bank's Total Shareholder Return (TSR) at least meets the 50th percentile of the comparator group of companies. The Bank obtained shareholder approval for all LTI grants for Mr Murray.

The total variable remuneration for the year ended 30 June 2005 was 65% of total remuneration.

The Board determines Mr Murray's remuneration, 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 for a term of five years with remuneration subject to review annually by the Board.

As announced on 22 December 2004, Mr Murray's remuneration arrangements were altered during the year. As a result of an independent review of Executive remuneration, the Board changed the mix of Mr Murray's remuneration by increasing the proportion of his remuneration that is performance-based.

Mr Murray's deferred STI arrangements changed with 50% of the STI payment being deferred in cash for one year. This is consistent with changes made that apply to executives who, in a reporting sense, are no more than two levels removed from the CEO.

Mr Murray's remuneration arrangements are detailed on page 36 (Remuneration of Directors) and follow the same principles as other Executives except in relation to the Bank seeking Shareholder approval of LTI grants.

At the 2004 Annual General Meeting (AGM), the Board sought and was granted the approval of Shareholders (under ASX Listing Rule 10.14) for a maximum of 250,000 shares to be allocated to Mr Murray under the Equity Reward Plan in two tranches prior to the 2006 AGM. As communicated on 22 December 2004, 125,000 shares were granted to Mr Murray in 2004.

Retirement of Mr Murray

Mr Murray's contract provides for a notice period of not less than six months and a pro rata payment of the average of the previous three years short term incentive payments. His arrangements also provide for him to exercise all vested options and obtain vested shares as described below.

On exit from the Bank, Mr Murray is entitled to receive his statutory entitlements of accrued annual and long service leave as well as accrued superannuation benefits. This arrangement is the same for all Bank Executives.

As announced on 15 July 2005, Mr Murray will retire from the Bank on 22 September 2005 after 39 years service, 13 of which have been as Managing Director and CEO.

Upon his departure, Mr Murray will receive payments of approximately $17.5 million. This comprises the components set out below.

Mr Murray's payments on leaving the Bank

	Approximate Value $M
Statutory Benefits	
Superannuation Benefit	11.8
Accrued Statutory Annual and Long Service Leave	2.3
Contractual Entitlements	2.4
Deferred STI Payments	1.0
Total	**17.5**

The Deferred STI Payments component is the total value of the deferred portions of payments determined in recognition of performance over the 2003/04 and 2004/05 financial years.

Depending on achievement of prescribed performance hurdles, Mr Murray may also be entitled to receive LTI shares granted under the Equity Reward Plan during 2002, 2003 and 2004, totalling 268,000 shares over the next four years. He may receive all, some or none of these shares, depending on the performance of each grant over the relevant periods.

The actual value of this benefit to Mr Murray is therefore contingent upon the number of shares he receives and the share price at the time (further details of the Bank's LTI arrangements are at page 29). Applying the accounting principles adopted in the Bank's audited financial disclosures, which assumes 50% of the shares are received, the value of these shares at the time of the announcement of Mr Murray's retirement date was approximately $5.2 million.

Appointment of Mr Norris

The Bank has appointed Mr Ralph Norris as Managing Director and CEO effective 22 September 2005. Prior to taking up appointment as Managing Director and CEO, Mr Norris will spend a period in hand over with Mr Murray to ensure a smooth transition.

Mr Norris' remuneration will be structured in a similar manner to Mr Murray's and will be reviewed by the Board on an annual basis.

Initially, fixed remuneration (including employer contributions to superannuation) will be $1.9 million per annum. The variable component consists of both STI and LTI.

The STI arrangements provide the opportunity to earn up to $1.9 million per annum, subject to performance against Key Result Areas as set by the Board. As was the case with Mr Murray's arrangements, 50% of the STI is delivered as an immediate cash payment with the remaining 50% deferred in cash for one year.

Subject to Shareholder approval, the LTI component provides for Mr Norris to receive a grant of shares under the Bank's Equity Reward Plan (ERP). No value will accrue to Mr Norris under the ERP unless the Bank's Total Shareholder Return (TSR) at least meets the 50th percentile of a peer comparator group of companies over a three to five year period. The initial LTI allocation is to the approximate value of $3.8 million.

Mr Norris' contract provides for no end date, although he may resign at any time by giving six months' notice. The Bank may terminate Mr Norris' employment, in cases other than misconduct, on 12 months' notice in his first year of service and six months' notice thereafter. In the latter case the Bank will pay all fixed remuneration and any outstanding statutory entitlements. Any unvested STI or LTI amounts will be payable at the discretion of the Board.

There is also a provision allowing Mr Norris to terminate the agreement if a material change to his status occurs and to receive benefits as if the Bank had terminated his employment.

Non-executive Directors
Remuneration Arrangements

Remuneration for Non-executive Directors consists of base and committee fees within a maximum of $3 million per annum as approved by Shareholders at the Annual General Meeting held on 5 November 2004. No component of Non-executive Director remuneration is contingent upon performance.

On appointment to the Board, Non-executive Directors enter into a service agreement with the Bank in the form of a letter of appointment. The letter of appointment, a copy of which appears on the Bank's website, summarises the Board policies and terms, including remuneration, relevant to the office of Director. All current Non-executive Directors have entered into a form of service agreement.

The policy of the Board is that the aggregate amount of fees 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 Nominations Committee annually reviews the fees payable to individual Non-executive Directors and takes into account relevant factors and, where appropriate, receives external advice on comparable remuneration. The last review was undertaken in December 2004, at which time components of the Directors' fees were increased to the current levels to reflect the increasing commitments and responsibilities on Directors in meeting the statutory and regulatory requirements of their office. Those increases also took account of the termination of the Directors' Retirement Allowance Scheme.

Non-executive Directors have 20% of their annual fees applied to the mandatory on-market acquisition of shares in the Bank. They can also voluntarily participate in a plan to have up to an additional 50% of their annual fees applied to the on-market acquisition of shares in the Bank.

The Bank's Non-executive Directors' fee structure provides for a base fee for all Bank Directors of $160,000, and a base Chairman's fee of $560,000. In addition, amounts are payable where Directors are members of, or chair a Committee. Details of the breakdown of each Non-Executive Director's fees is provided on page 35. The Bank also contributes to compulsory superannuation on behalf of Non-Executive Directors.

Retirement Benefits

Under the Directors' Retirement Allowance Scheme, which was approved by Shareholders at the 1997 Annual General Meeting, Directors previously accumulated a retirement benefit on a pro rata basis to a maximum of four years' total emoluments after 12 years' service. No benefit accrued until the Director had served three years on the Board. In 2002 the Board decided to discontinue the Directors' Retirement Allowance Scheme without affecting the entitlements of then existing Non-Executive Directors. After that time, new Directors have not been entitled to participate in the scheme.

The Board resolved with effect from the 2004 Annual General Meeting to terminate accrual of further benefits under the scheme and freeze the entitlements of current members until their respective retirements. This approach has resulted in remuneration arrangements being expressed in a more transparent manner.

The only increment in the value of Directors' retirement benefit entitlements shown in the tables on pages 35 and 36 for this year reflects the period up until 5 November 2004, being the date of the Annual General Meeting.

Details of Components of Non-executive Director Fees[1]

Director	Board Remuneration $	Committee Remuneration: People & Remuneration $	Audit $	Risk $	Total $
J M Schubert	560,000	20,000		20,000	600,000
R J Clairs	160,000	35,000		20,000	215,000
A B Daniels	160,000	20,000		20,000	200,000
C R Galbraith	160,000		25,000	20,000	205,000
S C H Kay	160,000	20,000		20,000	200,000
W G Kent	160,000		25,000	20,000	205,000
F D Ryan	160,000		45,000	20,000	225,000
F J Swan	160,000			35,000	195,000
B K Ward	160,000		25,000	20,000	205,000
Total	**1,840,000**	**95,000**	**120,000**	**195,000**	**2,250,000**

1 Non-executive Directors sacrifice 20% of these fees on a mandatory basis under the Non-executive Directors Share Plan ('NEDSP').

The entitlements of the Non-executive Directors under the Directors' Retirement Allowance Scheme are:

Directors' Retirement Allowance Scheme

Non-executive Directors	Increase in Accrued Benefit in Year $	Entitlement as at 30 June 2005 $
J M Schubert	12,157	636,398
R J Clairs	18,201	202,989
A B Daniels	15,159	160,618
C R Galbraith	8,542	159,092
S C H Kay[1]	–	–
W G Kent	8,542	159,092
F D Ryan	12,723	168,263
F J Swan	8,087	266,173
B K Ward	17,225	370,180
N R Adler[2]	12,152	–
J T Ralph[2]	7,481	–

1 Ms Kay was appointed a Director after the closure of the Scheme.
2 Messrs Adler and Ralph both retired on 5 November 2004. On retirement, they were paid their accrued entitlements under the Scheme, being $431,211 for Mr Adler and $1,203,960 for Mr Ralph.

Individual Remuneration Details for Directors

Individual remuneration details for Directors are set out below:

Remuneration of Directors

	Primary Benefits			Post Employments Benefits		Equity Benefits				Other Benefits	
Year Ended 30 June	Cash[1]	Cash STI Payment	STI Deferred in Cash	Super-annuation[2]	Retirement Allowance[3]	STI Deferred in Shares	LTI Options	LTI Reward Shares	NEDSP[1]	Termin-ation Benefits	Total Remun-eration
	Fixed $	At Risk $	At Risk $	Fixed $	Fixed $	At Risk $	At Risk $	At Risk $	Fixed $	$	$
J M Schubert Chairman											
2005	**342,987**	**–**	**–**	**30,869**	**12,157**	**–**	**–**	**–**	**85,747**	**–**	**471,760**
2004	130,545	–	–	11,749	46,981	–	–	–	32,636	–	221,911
D V Murray[4] Managing Director and CEO (see notes to the 'Remuneration of Specified Executives' table for details of individual items)											
2005	**1,757,500**	**760,000**	**760,000**	**142,500**	**–**	**431,250**	**81,284**	**1,563,504**	**–**	**–**	**5,496,038**
2004	1,680,000	450,000	–	136,080	–	365,000	431,666	1,363,362	–	–	4,426,108
R J Clairs											
2005	**139,075**	**–**	**–**	**12,517**	**18,201**	**–**	**–**	**–**	**34,769**	**–**	**204,562**
2004	86,424	–	–	7,778	38,988	–	–	–	21,606	–	154,796
A B Daniels											
2005	**131,831**	**–**	**–**	**11,865**	**15,159**	**–**	**–**	**–**	**32,958**	**–**	**191,813**
2004	86,424	–	–	7,778	41,663	–	–	–	21,606	–	157,471
C R Galbraith											
2005	**130,220**	**–**	**–**	**11,720**	**8,542**	**–**	**–**	**–**	**32,555**	**–**	**183,037**
2004	89,460	–	–	8,051	46,418	–	–	–	22,365	–	166,294
S C H Kay											
2005	**165,976**	**–**	**–**	**14,938**	**–**	**–**	**–**	**–**	**41,494**	**–**	**222,408**
2004	97,482	–	–	8,773	–	–	–	–	24,370	–	130,625
W G Kent											
2005	**130,220**	**–**	**–**	**11,720**	**8,542**	**–**	**–**	**–**	**32,555**	**–**	**183,037**
2004	89,460	–	–	8,051	46,418	–	–	–	22,365	–	166,294
F D Ryan											
2005	**145,398**	**–**	**–**	**13,086**	**12,723**	**–**	**–**	**–**	**36,350**	**–**	**207,557**
2004	90,435	–	–	8,139	46,466	–	–	–	22,609	–	167,649
F J Swan											
2005	**124,478**	**–**	**–**	**11,203**	**8,087**	**–**	**–**	**–**	**31,119**	**–**	**174,887**
2004	89,460	–	–	8,051	44,429	–	–	–	222,365	–	164,305
B K Ward											
2005	**135,831**	**–**	**–**	**12,225**	**17,225**	**–**	**–**	**–**	**33,958**	**–**	**199,239**
2004	90,435	–	–	8,139	51,566	–	–	–	22,609	–	172,749
N R Adler[5]											
2005	**36,333**	**–**	**–**	**2,196**	**–**	**–**	**–**	**–**	**9,083**	**431,211**	**478,823**
2004	90,435	–	–	8,318	23,717	–	–	–	22,609	–	145,079
J T Ralph[5,6]											
2005	**88,881**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,220**	**1,203,960**	**1,315,061**
2004	245,887	–	–	–	36,479	–	–	–	61,472	–	343,838
Total Remuneration for Directors											
2005	**3,328,730**	**760,000**	**760,000**	**274,839**	**100,636**	**431,250**	**81,284**	**1,563,504**	**392,808**	**1,635,171**	**9,328,222**
2004	2,866,447	450,000	–	220,907	423,125	365,000	431,666	1,363,362	296,612	–	6,417,119

1 For Non-executive Directors, this includes that portion of base fees and Committee fees paid as cash. Non-executive Directors also sacrifice 20% of their fees on a mandatory basis under the NEDSP. Further detail on the NEDSP is contained in Note 5 (Share Capital) to the Financial Statements.

2 The Bank is not currently contributing to its staff superannuation fund (the Officers' Superannuation Fund) as the fund is currently in surplus. A notional cost of contribution has been determined on an individual basis for those Non-executive Directors who are members of that fund. Some Directors have superannuation contributions made to other funds.

3 For Non-executive Directors this represents the increase in their accrued benefit in the year under the Directors' Retirement Allowance Scheme which was approved by Shareholders at the 1997 AGM. See page 34 regarding discontinuance of the scheme.

4 Refer to page 33 for details of Mr Murray's termination payments.

5 Messrs Adler and Ralph both retired on 5 November 2004.

6 Mr Ralph turned 71 during the year ended 30 June 2004. The Bank's compulsory superannuation obligations generally cease after a person attains age 70.

Specified Executives' Remuneration

AASB 1046 defines a 'Specified Executive' as someone who is directly accountable and responsible for the strategic and operational management of an organisation. The Bank is required to disclose details of remuneration for the five employees, excluding Directors, with the greatest authority in this area. The Bank has taken the view that all members of its Executive Committee have significant influence over the strategic direction of the Bank, and accordingly defines all nine of its Group Executives as a Specified Executive for disclosure purposes.

Individual Remuneration Details for Specified Executives

The following table details the fixed and at risk remuneration for Specified Executives for the year ended 30 June 2005.

Remuneration of Specified Executives

	Primary Benefits				Post Employment Benefits	Equity Benefits			Other Benefits		
Year Ended 30 June	Cash[1]	Non-Monetary[2]	Cash STI Payment[3]	STI Deferred in Cash[4]	Super-annuation[5]	STI Deferred in Shares[6]	LTI Options[7]	LTI Reward Shares[7]	Termin-ation Benefits[8]	Other Benefits[9]	Total Remun-eration
	Fixed $	Fixed $	At Risk $	At Risk $	Fixed $	At Risk $	At Risk $	At Risk $	$	$	$
M A Cameron Group Executive, Financial and Risk Management											
2005	**718,300**	**10,260**	**327,250**	**327,250**	**51,700**	**160,625**	**–**	**263,187**	**–**	**–**	**1,858,572**
2004	600,000	13,000	170,000	–	243,200	99,375	–	150,325	–	–	1,275,900
L G Cupper Group Executive, People Services											
2005	**605,000**	**10,260**	**292,500**	**292,500**	**45,000**	**185,625**	**24,385**	**408,380**	**–**	**–**	**1,863,650**
2004	580,000	13,000	156,000	–	115,200	156,875	118,642	415,022	–	–	1,554,739
S I Grimshaw Group Executive, Wealth Management											
2005	**932,500**	**10,260**	**425,000**	**425,000**	**67,500**	**275,625**	**32,514**	**548,870**	**–**	**–**	**2,717,269**
2004	891,000	13,000	280,000	–	89,880	196,875	130,054	498,873	–	–	2,099,682
H D Harley Group Executive, Retail Banking Services											
2005	**783,500**	**10,260**	**357,500**	**357,500**	**56,500**	**207,500**	**16,257**	**397,155**	**–**	**–**	**2,186,172**
2004	700,000	13,000	230,000	–	101,500	130,000	75,578	321,078	–	–	1,571,156
M A Katz Group Executive, Premium Business Services											
2005	**950,000**	**10,260**	**382,500**	**382,500**	**68,400**	**277,500**	**40,642**	**674,563**	**–**	**–**	**2,786,365**
2004	910,000	13,000	290,000	–	132,100	237,500	197,736	677,520	–	–	2,457,856
R V McKinnon Group Executive, Technology Services											
2005	**560,000**	**10,260**	**240,000**	**240,000**	**40,000**	**138,750**	**12,193**	**279,410**	**–**	**–**	**1,520,613**
2004	540,000	13,000	142,500	–	38,880	122,688	55,804	253,061	–	–	1,165,933
G L Mackrell Group Executive, International Financial Services											
2005	**628,000**	**10,260**	**315,000**	**315,000**	**84,985**	**198,125**	**–**	**403,559**	**–**	**–**	**1,954,929**
2004	600,000	13,000	202,500	–	80,500	166,250	113,718	391,143	–	–	1,567,111
J K O'Sullivan General Counsel (commenced in role on 17 October 2003)											
2005	**728,000**	**10,260**	**295,000**	**295,000**	**52,000**	**150,000**	**–**	**253,359**	**–**	**–**	**1,783,619**
2004	493,443	9,164	140,984	–	35,528	–	–	105,232	–	–	784,351
G A Petersen Group Executive, Strategic Development (commenced in role on 17 June 2004)											
2005	**437,000**	**10,260**	**217,500**	**217,500**	**72,200**	**103,227**	**–**	**161,824**	**–**	**–**	**1,219,511**
2004	16,716	497	4,208	–	2,762	2,960	–	2,559	–	–	29,702
Total Remuneration for Specified Executives[10]											
2005	**6,342,300**	**92,340**	**2,852,250**	**2,852,250**	**538,285**	**1,696,977**	**125,991**	**3,390,307**	**–**	**–**	**17,890,700**
2004	6,661,528	119,700	2,010,454	–	1,003,282	1,502,195	966,952	3,787,051	845,000	332,848	17,229,010

Amounts in the above table reflect remuneration for the time the Executive has been in the role of a Specified Executive, i.e. pro rating is applied relative to the date the Executive commenced or ceased in the role of a Specified Executive. Remuneration earned as an Executive prior to appointment to a role as a Specified Executive is not included in the amounts shown for that Executive.

1 Reflects amounts paid in the year ended 30 June and is calculated on a total cost basis. Included may be salary sacrifice amounts (e.g. motor vehicles plus FBT) with the exception of salary sacrifice superannuation which is included under 'Superannuation'.

2 Represents the cost of car parking (including FBT).

3 Cash STI payment represents the amount of cash immediately payable to an Executive in recognition of performance to the year ended 30 June.

4 STI Deferred in Cash represents the mandatory deferral of 50% of STI payments for Executives in recognition of performance to the year ended 30 June 2005. These amounts are deferred until 1 July 2006. Generally, the Executive will need to be an employee of the Bank at the end of the deferral period to receive this portion. Previous years' deferrals of STI payments were made in shares.

5 Represents Company contribution to superannuation and includes any allocations made by way of salary sacrifice by Executives.

6 STI Deferred in shares represents the cost of shares acquired under the mandatory component of the Equity Participation Plan ('EPP'). Shares vest in two equal tranches after one and two years respectively. For example, for STI payments for the year ended 30 June 2004, half the shares vest on 1 July 2005 and half vest on 1 July 2006. The amount included in remuneration each year has been amortised on a straight-line basis over the vesting period for each tranche of shares. See Note 5 (Share Capital) to the Financial Statements for further details on the operation of the EPP.

7 The value of LTIs disclosed above was calculated as follows:
The 'fair value' of options has been calculated using the Black-Scholes valuation model that incorporates the assumptions below:

Option valuation assumptions

	Assumptions					
Commencement Date	Fair Value $	Exercise Price $	Risk Free Rate %	Term Months	Dividend Yield %	Volatility %
24 August 1999	3.14	23.84	5.82	37	4.82	20.0
24 August 1999 (CEO's Options)	3.48	23.84	5.82	49	4.82	20.0
13 September 2000	3.47	26.97	6.00	37	4.41	17.9
3 September 2001	4.01	30.12	5.24	37	4.61	20.8

The 'fair value' of shares is the Bank's closing share price at the Commencement Date for each grant, i.e., $27.64 for shares granted on 13 September 2000, $29.50 for shares granted on 3 September 2001, $31.42 for shares granted on 2 September 2002, $27.48 for shares granted on 1 September 2003 and $29.69 for shares granted on 23 August 2004.
As required under AASB 1046 the Bank has estimated the number of options and shares expected to vest in relation to each grant. The assessment has been made as at 30 June 2005 based on the Bank's performance against the relative hurdle. In respect of options and shares granted in 1999, 2000 and 2001, 100% of the number granted has vested. For shares granted in 2002, 2003 and 2004, the Bank currently anticipates that 50% of the number granted will vest.
The annualised equivalent of the 'fair value' in respect of the number of options and shares for each grant that have or are expected to vest, has been amortised on a straight-line basis over the period from the Commencement Date until the first possible vesting date – a period of 37 months (49 months in respect of options granted to Mr Murray on 24 August 1999).

8 Represents any severance payments made on termination of employment (excluding any payment in lieu of notice).

9 All Other Benefits payable that are not covered above, including any payment made in lieu of notice on termination of employment and other contractual payments.

10 Group totals in respect of the financial year ended 30 June 2004 do not necessarily equal the sum of amounts disclosed for individuals specified in 2005 as there are differences to the individuals specified in 2004.

Termination Arrangements

The Bank's Executive contracts generally provide for severance payments of up to six months in cases where termination of employment is initiated by the Bank, other than for misconduct or unsatisfactory performance. Exceptions to these arrangements apply to Messrs Grimshaw, Cupper and O'Sullivan whose contracts allow for a 12 months' severance payment where termination is initiated by the Bank. There is also a four week notice period for either party to terminate the agreement.

The contracts for Specified Executives do not have a fixed term.

Upon exit from the Bank, Executives are entitled to receive their statutory entitlements of accrued annual and long service leave, as well as accrued superannuation benefits.

Executives who leave the Bank during a given performance year (i.e. 1 July to 30 June) will generally not receive a STI payment for that year except in the circumstances of retrenchment, retirement or death. In those circumstances, a pro rated payment may be made based on the length of service during the performance year.

Deferred cash or shares from previous STI awards are usually forfeited where the Executive resigns or is dismissed. In circumstances of retrenchment, retirement or death any cash will generally be paid and unvested shares will generally vest immediately.

LTI grants are generally forfeited where the executive resigns or is dismissed. In circumstances of retrenchment, retirement or death, the Executive or their estate may, at Board discretion, retain a pro rated grant of long term incentives. Vesting of any long term incentives retained by the Executive will still be subject to the performance hurdle relevant to that grant.

STI Allocations to Directors and Specified Executives for the Year Ended 30 June 2005

	Percentage Paid[1] %	Percentage Forfeited %	Percentage Deferred[2] %	Minimum Total Value $	Maximum Total Value $
D V Murray	50	–	50	760,000	1,520,000
M A Cameron	50	–	50	327,250	654,500
L G Cupper	50	–	50	292,500	585,000
S I Grimshaw	50	–	50	425,000	850,000
H D Harley	50	–	50	357,500	715,000
M A Katz	50	–	50	382,500	765,000
R V McKinnon	50	–	50	240,000	480,000
G L Mackrell	50	–	50	315,000	630,000
J K O'Sullivan	50	–	50	295,000	590,000
G A Petersen	50	–	50	217,500	435,000

1 Will be paid on 1 September 2005.
2 Will vest on 1 July 2006 and be paid in July 2006, subject to not being forfeited due to resignation or misconduct including misrepresentation of performance outcomes. Will generally vest and be immediately payable in circumstances of retrenchment, retirement or death. See page 33 for treatment of Mr Murray's retirement consistent with this policy.

LTI Allocations to Directors and Specified Executives (under 2004 ERP Grant) in the Year Ended 30 June 2005

	Percentage Paid[1] %	Percentage Forfeited %	Percentage Deferred[1] %	Number of Reward Shares Allocated	Minimum Total Value $	Maximum Total Value[2] $
D V Murray	–	–	100	125,000	–	3,711,250
M A Cameron	–	–	100	28,130	–	835,179
L G Cupper	–	–	100	25,000	–	742,250
S I Grimshaw	–	–	100	37,500	–	1,113,375
H D Harley	–	–	100	35,000	–	1,039,150
M A Katz	–	–	100	43,130	–	1,280,529
R V McKinnon	–	–	100	18,750	–	556,687
G L Mackrell	–	–	100	28,130	–	835,179
J K O'Sullivan	–	–	100	25,940	–	770,158
G A Petersen	–	–	100	19,500	–	578,955

1 Will vest in 2007/2008, 2008/2009 or 2009/2010 subject to the service conditions and performance hurdle being met (see page 30). In circumstances of retrenchment, retirement or death, the Executive or their estate may, at Board discretion, retain a pro rated grant of long term incentives. See page 33 for treatment on Mr Murray's retirement consistent with this policy.
2 This equals the 'Number of Reward Shares Allocated' multiplied by the Bank's closing share price at the Commencement Date of the grant (23 August 2004), which was $29.69.

Equity Holdings of Directors and Specified Executives

Option Holdings of Directors and Specified Executives

Mr Murray is the only Director holding options in the Bank and he exercised one million options during the year ended 30 June 2005. The Bank's Non-executive Directors do not hold any options.

Option holdings of Directors and Specified Executives

Name	Balance 1 July 2004	Options Exercised	Balance 30 June 2005	Vested and Exercisable at 30 June 2005[1] Number	Exercise Price $
Directors					
D V Murray	1,250,000	(1,000,000)	250,000	250,000	30.12
Total for Directors	**1,250,000**	**(1,000,000)**	**250,000**	**250,000**	**30.12**
Specified Executives					
L G Cupper	150,000	(75,000)	75,000	75,000	30.12
S I Grimshaw	100,000	–	100,000	100,000	30.12
H D Harley	87,500	–	87,500	50,000	30.12
				37,500	26.97
M A Katz	250,000	–	250,000	125,000	30.12
				125,000	26.97
R V McKinnon	62,500	(25,000)	37,500	37,500	30.12
G L Mackrell	232,500	(232,500)	–	–	–
Total for Specified Executives	**882,500**	**(332,500)**	**550,000**	**387,500**	**30.12**
				162,500	**26.97**

1 For most executives, 'Vested and Exercisable' options represents those granted on 3 September 2001 with an exercise price of $30.12. Messrs Harley and Katz also hold vested but unexercised options granted on 13 September 2000 that have an exercise price of $26.97.

Shareholdings of Directors and Specified Executives

Shareholdings of Directors

All shares were acquired by Directors on normal terms and conditions or through the Non-executive Directors' Share Plan (or in the case of Mr Murray the Equity Reward Plan, the previous Executive Option Plan or the Equity Participation Plan). Mr Murray exercised 1,000,000 options during the year, leaving his total holdings of options at 250,000 under the Equity Reward Plan. (No further options will be granted under the Equity Reward Plan. The Executive Option Plan was discontinued in 2000.)

Mr Murray was also awarded rights to 125,000 shares under the Equity Reward Plan and 15,078 shares under the Equity Participation Plan during the year. He has a total holding of 325,000 shares under the Equity Reward Plan and 21,866 shares under the Equity Participation Plan.

Shares awarded under the Equity Reward Plan and Equity Participation Plan are registered in the name of the Trustee. The transfer of legal title to Mr Murray is subject to vesting conditions, and, in the case of the Equity Reward Plan, is conditional on the Bank achieving a prescribed performance hurdle over a minimum three year period. For further details of the Non-executive Directors' Share Plan, Equity Reward Plan, previous Executive Option Plan and Equity Participation Plan refer to Note 5 (Share Capital) to the Financial Statements.

In addition, Mr Ralph holds an investment of $101,754 with Commonwealth Property Securities Fund and an investment of $619,753 in Colonial First State Diversified Hedge Fund. Both holdings are held beneficially.
Dr Schubert holds an investment of $738,636 in Colonial First State Wholesale Diversified Fund.

Mr Daniels beneficially holds an investment of $53,058 in Colonial First State Global Health and Biotech Fund. A related party of Mr Daniels holds an investment of $307,591 in Colonial First State Future Leaders Fund and $292,712 in Colonial First State Imputation Fund.

Details of shareholdings of Directors and Specified Executives (or relatives or entities controlled or significantly influenced by them) are as follows:

Shareholdings of Directors

Name	Class	Balance 1 July 2004	Acquired/ Granted as Remuneration[1]	On Exercise of Options	Net Change Other[2]	Balance 30 June 2005
Directors						
J M Schubert	Ordinary	16,268	1,658	–	582	18,508
D V Murray	Ordinary	280,833	–	1,000,000	(957,195)	323,638
	Deferred STI	19,427	15,078	–	(12,639)	21,866
	Reward Shares	242,000	125,000	–	(42,000)	325,000
R J Clairs	Ordinary	12,631	726	–	–	13,357
A B Daniels	Ordinary	16,392	695	–	582	17,669
C R Galbraith	Ordinary	7,689	672	–	463	8,824
S C H Kay	Ordinary	2,980	689	–	–	3,669
W G Kent	Ordinary	14,522	672	–	92	15,286
F D Ryan	Ordinary	6,671	759	–	–	7,430
F J Swan	Ordinary	4,996	645	–	304	5,945
B K Ward[3]	Ordinary	4,914	719	–	133	5,766
N R Adler	Ordinary	9,490	203	–	97	9,790
J T Ralph	Ordinary	23,861	496	–	345	24,702
Total For Directors	**Ordinary**	**401,247**	**7,934**	**1,000,000**	**(954,597)**	**454,584**
	Deferred STI	**19,427**	**15,078**	**–**	**(12,639)**	**21,866**
	Reward Shares	**242,000**	**125,000**	**–**	**(42,000)**	**325,000**

1 For Non-executive Directors, represents shares acquired under NEDSP on 30 September 2004, 30 December 2004 and 22 April 2005 by mandatory sacrifice of fees. All shares are subject to a 10-year trading restriction (shares will be tradeable earlier if the Director leaves the Board). See Note 5 (Share Capital) to the Financial Statements for further details on the NEDSP. For Mr Murray, this represents:
- Deferred STI – acquired under the mandatory component of the Bank's Equity Participation Plan ('EPP'). Shares were purchased on 31 October 2004 in two equal tranches, vesting on 1 July 2005 and 1 July 2006 respectively. See Note 5 (Share Capital) to the Financial Statements for further details on the EPP.
- Reward Shares – granted under the Equity Reward Plan ('ERP') on and subject to a performance hurdle. The first possible date for meeting the performance hurdle is 23 August 2007 with the last possible date for vesting being 23 August 2009. See Note 5 (Share Capital) to the Financial Statements for further details on the ERP.

2 'Net change other' incorporates changes resulting from purchases and sales during the year by Directors and, for Mr Murray, vesting of deferred STI shares (which became Ordinary shares).

3 Ms Ward continued to hold 250 PERLS II securities at 30 June 2005.

Shareholdings of Specified Executives

Name	Class	Balance 30 June 2004	Acquired/ Granted as Remuneration[1]	On Exercise of Options	Net Change Other[2]	Balance 30 June 2005
M A Cameron	Ordinary	–	–	–	–	–
	Deferred STI	4,797	5,696	–	(2,399)	8,094
	Reward Shares	32,300	28,130	–	–	60,430
L G Cupper	Ordinary	27,206	–	75,000	(57,666)	44,540
	Deferred STI	8,409	6,534	–	(5,558)	9,385
	Reward Shares	70,000	25,000	–	(11,000)	84,000
S I Grimshaw	Ordinary	256	–	–	16,109	16,365
	Deferred STI	9,503	9,382	–	(4,752)	14,133
	Reward Shares	90,300	37,500	–	(14,000)	113,800
H D Harley	Ordinary	13,711	–	–	12,141	25,852
	Deferred STI	6,816	7,707	–	(4,282)	10,241
	Reward Shares	57,700	35,000	–	(7,000)	85,700
M A Katz[3]	Ordinary	407,386	–	–	(103,638)	303,748
	Deferred STI	12,706	9,717	–	(8,362)	14,061
	Reward Shares	114,000	43,130	–	(18,000)	139,130
R V McKinnon	Ordinary	9,292	–	25,000	9,699	43,991
	Deferred STI	6,507	4,775	–	(4,199)	7,083
	Reward Shares	45,500	18,750	–	(5,500)	58,750
G L Mackrell	Ordinary	21,088	–	232,500	(226,269)	27,319
	Deferred STI	8,619	6,785	–	(5,270)	10,134
	Reward Shares	66,100	28,130	–	(11,000)	83,230
J K O'Sullivan	Ordinary	5,565	–	–	–	5,565
	Deferred STI	–	6,702	–	–	6,702
	Reward Shares	33,500	25,940	–	–	59,440
G A Petersen	Ordinary	2,756	–	–	5,816	8,572
	Deferred STI	4,086	3,701	–	(2,610)	5,177
	Reward Shares	19,000	19,500	–	(3,000)	35,500
Total for Specified Executives	**Ordinary**	**487,260**	**–**	**332,500**	**(343,808)**	**475,952**
	Deferred STI	**61,443**	**60,999**	**–**	**(37,432)**	**85,010**
	Reward Shares	**528,400**	**261,080**	**–**	**(69,500)**	**719,980**

1 Represents:
- Deferred STI – acquired under the mandatory component of the Bank's Equity Participation Plan ('EPP'). Shares were purchased on 31 October 2004 in two equal tranches, vesting on 1 July 2005 and 1 July 2006 respectively. See Note 5 (Share Capital) to the Financial Statements for further details on the EPP.
- Reward Shares – granted under the Equity Reward Plan ('ERP') and are subject to a performance hurdle. The first possible date for meeting the performance hurdle is 23 August 2007 with the last possible date for vesting being 23 August 2009. See Note 5 (Share Capital) to the Financial Statements for further details on the ERP.

2 'Net change other' incorporates changes resulting from purchases and sales during the year by executives and vesting of Deferred STI and Reward Shares (which became Ordinary shares).

3 Mr Katz continued to hold 250 PERLS II securities at 30 June 2005.

Shares and Options Vested During the Year

Name	Deferred STI Vested	Reward Shares Vested	Shares Granted on Exercise of Options: Number	Exercise Price $	Value in Excess of Exercise Price[1] $	Total Value of Options Exercised[2] $
Directors						
D V Murray	12,639	42,000	1,000,000	23.84	6.61	6,610,000
Total Directors	**12,639**	**42,000**	**1,000,000**	**NA**	**NA**	**6,610,000**
Specified Executives						
M A Cameron	2,399	–	–	–	–	–
L G Cupper	5,558	11,000	75,000	26.97	8.92	669,000
S I Grimshaw	4,752	14,000	–	–	–	–
H D Harley	4,282	7,000	–	–	–	–
M A Katz	8,362	18,000	–	–	–	–
R V McKinnon	4,199	5,500	25,000	26.97	4.28	107,000
G L Mackrell	5,270	11,000	100,000	23.84	7.61	761,000
			57,500	26.97	4.85	278,875
			75,000	30.12	5.77	432,750
G A Petersen	2,610	3,000	–	–	–	–
Total Specified Executives	**37,432**	**69,500**	**332,500**	**NA**	**NA**	**2,248,625**

1 'Value in Excess of Exercise Price' represents the difference between the exercise price and closing market value of CBA shares on date of exercise.
2 'Total Value of Options Exercised' represents the number of options exercised multiplied by the 'Value in Excess of Exercise Price'. No options were granted or lapsed during the year. Accordingly, this value represents the total value of options that were granted, lapsed and exercised during the year.

Loans to Directors and Specified Executives

ASIC Class Order

Australian banks, parent entities of Australian banks and controlled entities of Australian banks have been exempted, subject to certain conditions, under an ASIC Class Order No. 98/110 (as amended by ASIC Class Order No. 04/665), from making disclosures of any loan made, guaranteed or secured by a bank to related parties (other than for Directors, Specified Executives and entities controlled or significantly influenced by them) and financial instrument transactions (other than shares and share options) of a bank where a Director, or a Specified Executive, of the relevant entity is not a party and where the loan or financial instrument transaction is lawfully made and occurs in the ordinary course of banking business and either on an arm's length basis or with the approval of a general meeting of the relevant entity and its ultimate parent entity (if any). The exemption does not cover transactions that relate to the supply of goods and services to a bank, other than financial assets or services.

The Class Order does not apply to a loan or financial instrument transaction which any Director, or a Specified Executive, of the relevant entity should reasonably be aware that if not disclosed would have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources.

A condition of the Class Order is that the Bank must lodge a statutory declaration, signed by two Directors, with the Australian Securities and Investments Commission accompanying the annual report. The declaration provides confirmation that the Bank has systems of internal control and procedures to provide assurance that any financial instrument transactions of a bank, which are not entered into on an arm's length basis, are drawn to the attention of the Directors so that they may be disclosed.

Individual Loans to Directors and Specified Executives

Total Loans to Directors and Specified Executives

Year Ended 30 June	Balance 1 July $000	Interest Charged $000	Interest Not Charged $000	Write-off $000	Balance 30 June $000	Number in Group at 30 June
Directors						
2005	**2**	**–**	**–**	**–**	**3**	**1**
2004	36	3	–	–	22	2
Specified Executives						
2005	**8,706**	**523**	**–**	**–**	**8,803**	**6**
2004	4,633	377	–	–	8,829	6
Total Directors and Specified Executives						
2005	**8,708**	**523**	**–**	**–**	**8,806**	**7**
2004	4,669	380	–	–	8,851	8

Details of individuals with loans above $100,000 in the reporting period are as follows:

Individual Loans above $100,000 to Specified Executives

	Balance 1 July 2004 $000	Interest Charged $000	Interest Not Charged $000	Write-off $000	Balance 30 June 2005 $000	Highest Balance in Period $000
Directors						
Not Applicable						
Specified Executives						
S I Grimshaw	1,543	90	–	–	1,485	1,543
H D Harley	335	24	–	–	332	338
	202	11	–	–	–	202
	272	10	–	–	–	343
	185	10	–	–	–	185
	250	13	–	–	243	252
	321	26	–	–	347	347
M A Katz	175	12	–	–	175	175
	175	8	–	–	175	175
	–	14	–	–	500	500
G L Mackrell	58	2	–	–	–	190
	295	12	–	–	–	296
	–	<1	–	–	1,080	1,080
	146	4	–	–	–	147
J K O'Sullivan	1,500	97	–	–	1,500	1,500
	200	13	–	–	392	395
	861	53	–	–	696	861
	258	15	–	–	208	268
G A Petersen	900	40	–	–	400	900
	800	52	–	–	800	800

Terms and Conditions of Loans

All loans to Directors and Specified Executives (or related entities controlled or significantly influenced by them) have been provided on an arm's length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

Other Transactions of Directors, Specified Executives and Other Related Parties

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed above) of Directors and Specified Executives with the Bank and other banks that are controlled entities occur in the ordinary course of business of the banks on an arm's length basis.

Under the Australian Securities and Investments Commission Class Order referred to above, disclosure of financial instrument transactions regularly made by a bank is limited to disclosure of such transactions with a Director, Specified Executive and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between the banks and their Directors and Specified Executives have been trivial or domestic and were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with Directors, Specified Executives and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the Bank.

The interests of Mr Ralph, Dr Schubert and Mr Daniels in investment funds managed by Colonial First State are detailed above. Additionally, Mr Galbraith is a partner in the law firm, Allens Arthur Robinson, which acted for the Bank in the provision of legal services during the financial year. The fees for these services amounted to $2,290,323.

All other such transactions that have occurred with Directors, Specified Executives and their related entities and other related parties have been trivial or domestic and were principally in the nature of lodgement or withdrawal of deposit, unit funds and superannuation monies.

Audit

Certain disclosures required by AASB 1046 have been made in this Remuneration Report. Pages 33 to 45 of this report have been audited as required.

Non-Audit Services

Amounts paid or payable for non-audit services to Ernst & Young are as follows:

	$000
Regulatory audits, reviews, attestations and assurances for Group entities – Australia	1,245
Regulatory audits, reviews, attestations and assurances for Group entities – Offshore	204
Financial and other audits, reviews attestations and assurances for Group entities – Australia	145
Financial and other audits, reviews attestations and assurances for Group entities – Offshore	8
Assurance services relating to Sarbanes-Oxley legislation compliance	417
Agreed upon procedures and comfort letters in respect of financing, debt raising and related activities	58
Due diligence and transactional services	220
Taxation services	10
Other	113
Total	**2,420**[1]

1 An additional amount of $3,305,000 was paid to Ernst & Young by way of fees paid for Non-Audit Services provided to entities not consolidated into the Financial Statements. These relate predominantly to audits, reviews, attestations and assurances for managed investment schemes and superannuation funds.

Amounts paid or payable for audit services to Ernst & Young totalled $7,921,000 and to other auditors totalled $114,000.

The Bank has in place an Independent Auditor Services Policy, details of which are set out in the Corporate Governance section of this Concise Annual Report, to assist in ensuring the independence of the Bank's external auditor.

The Audit Committee has considered the provision, during the year, of non-audit services by Ernst & Young and has concluded that the provision of those services did not compromise the auditor independence requirements of the Corporations Act.

The Audit Committee advised the Board accordingly and, after considering the Committee's advice, the Board of Directors agreed that it was satisfied that the provision of the non-audit services by Ernst & Young during the year, was compatible with the general standard of independence imposed by the Corporations Act.

The reasons for the Directors being satisfied that the provision of the non-audit services during the year, did not compromise the auditor independence requirements of the Corporations Act are:

- The operation of the Independent Auditor Services Policy during the year to restrict the nature of non-audit services engagements, to prohibit certain services and to require Audit Committee pre-approval for all such engagements; and
- The relative quantum of fees paid for non-audit services compared to the quantum of audit fees.

The above Directors' statements are in accordance with the advice received from the Audit Committee.

Auditor's Declaration of Independence

We have obtained the following independence declaration from our auditors, Ernst & Young.

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Auditor's Independence Declaration to the Directors of Commonwealth Bank of Australia

In relation to our audit of the financial report of Commonwealth Bank of Australia for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct, other than two employees of Ernst & Young held bank accounts with Commonwealth Bank of Australia with insignificant balances whilst engaged in the audit which constitute technical contraventions of the auditor independence requirements of the Act.

In my opinion, due to the nature of these contraventions and the rectification steps which have been undertaken, these issues have not impaired our audit independence for the year ended 30 June 2005.

Ernst & Young

S J Ferguson
Partner
10 August 2005

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

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 (as amended by ASIC Class Order 04/667).

Incorporation of Additional Material

This report incorporates the Message from the Chairman, Highlights, Which new Bank Summary, Corporate Governance, Business Overview and Shareholding Information sections of this Concise Annual Report.

Signed in accordance with a resolution of the Directors.

J M Schubert
Chairman

D V Murray
Managing Director
Chief Executive Officer

10 August 2005

Five Year Financial Summary

	2005 $M	2004 $M	2003 $M	2002 $M	2001 $M
Financial Performance					
Net interest income	**5,966**	5,410	5,026	4,710	4,474
Other operating income	**5,388**	5,081	4,373	4,358	4,350
Total operating income	**11,354**	10,491	9,399	9,068	8,824
Charge for bad and doubtful debts	**322**	276	305	449	385
Operating expenses:					
Comparable business	**5,697**	5,500	5,312	5,201	5,170
Which new Bank	**150**	749	239	–	–
	5,847	6,249	5,551	5,201	5,170
Operating profit before goodwill amortisation, appraisal value uplift and income tax expense	**5,185**	3,966	3,543	3,418	3,269
Income tax expense	**(1,637)**	(1,262)	(958)	(916)	(993)
Outside equity interests	**(10)**	(9)	(6)	(1)	(14)
Net profit after tax ('cash basis')	**3,538**	2,695	2,579	2,501	2,262
Appraisal value uplift/(reduction)	**778**	201	(245)	477	474
Goodwill amortisation	**(325)**	(324)	(322)	(323)	(338)
Operating profit after income tax attributable to members of the Bank	**3,991**	2,572	2,012	2,655	2,398
Contributions to profit (after tax)					
Banking	**2,959**	2,675	2,376	2,067	1,793
Funds management	**351**	274	233	368	323
Insurance	**156**	129	65	33	20
Profit on operations ('underlying basis')[1]	**3,466**	3,078	2,674	2,468	2,136
Shareholder investment returns	**177**	152	73	33	126
Which new Bank	**(105)**	(535)	(168)	–	–
Profit on operations ('cash basis')	**3,538**	2,695	2,579	2,501	2,262
Goodwill amortisation	**(325)**	(324)	(322)	(323)	(338)
Appraisal value uplift/(reduction)	**778**	201	(245)	477	474
Operating profit after income tax	**3,991**	2,572	2,012	2,655	2,398
Financial Position					
Loans, advances and other receivables	**217,516**	189,391	160,347	147,074	136,059
Total assets	**329,035**	305,995	265,110	249,648	230,411
Deposits and other public borrowings	**168,029**	163,177	140,974	132,800	117,355
Total liabilities	**302,975**	281,110	242,958	228,592	210,563
Shareholders' equity	**24,271**	22,405	20,024	19,030	18,393
Net tangible assets	**19,877**	17,700	14,995	13,639	12,677
Risk weighted assets	**189,559**	169,321	146,808	141,049	138,383
Average interest earning assets	**243,948**	214,187	188,270	170,634	160,607
Average interest bearing liabilities	**225,592**	197,532	174,737	157,105	145,978
Assets (on balance sheet)					
Australia	**271,596**	252,652	221,248	208,673	196,918
New Zealand	**41,650**	35,059	27,567	24,579	20,208
Other	**15,789**	18,284	16,295	16,396	13,285
Total Assets	**329,035**	305,995	265,110	249,648	230,411

1 'Underlying basis' excludes Shareholder investment returns, initiatives including Which new Bank, goodwill amortisation and appraisal value uplift/(reduction).

Five Year Financial Summary continued

	2005	2004	2003	2002	2001
Shareholder Summary					
Dividends per share (cents) – fully franked	**197**	183	154	150	136
Dividend cover (times) – statutory	**1.5**	1.1	0.9	1.4	1.4
Dividend cover (times) – cash	**1.4**	1.1	1.3	1.3	1.3
Dividend cover (times) – underlying	**1.3**	1.3	1.4	1.3	1.2
Earnings per share (cents)					
Basic					
Statutory	**303.1**	196.9	157.4	209.6	189.6
Cash basis[1]	**267.6**	206.6	202.6	197.3	178.8
Underlying basis[2]	**261.9**	237.1	210.2	194.6	168.8
Fully Diluted					
Statutory	**303.0**	196.8	157.3	209.3	189.3
Cash basis[1]	**267.5**	206.5	202.5	197.0	178.6
Underlying basis[2]	**261.8**	237.0	210.0	194.3	168.5
Dividend payout ratio (%)[3]					
Statutory	**65.2**	93.5	97.7	71.7	71.2
Cash basis[1]	**73.9**	89.1	75.9	76.2	75.5
Underlying basis[2]	**75.5**	77.6	73.3	77.2	80.2
Net tangible assets per share ($)	**13.8**	12.2	11.4	10.3	9.6
Weighted average number of shares (basic) (M)	**1,273**	1,256	1,253	1,250	1,260
Weighted average number of shares (fully diluted) (M)	**1,274**	1,257	1,254	1,252	1,262
Number of Shareholders	**704,906**	714,901	746,073	722,612	709,647
Share prices for the year ($)					
Trading high	**38.52**	33.54	32.75	34.94	34.15
Trading low	**28.79**	27.00	23.05	24.75	26.18
End (closing price)	**37.95**	32.58	29.55	32.93	34.15
Performance Ratios (%)					
Return on average Shareholders' equity[4,5,8]					
Statutory	**18.3**	12.5	10.5	14.7	13.5
Cash basis[1]	**16.0**	12.7	13.1	12.9	12.1
Underlying basis[2]	**15.6**	14.6	13.6	12.8	11.3
Return on average total assets[4]					
Statutory	**1.3**	0.9	0.8	1.1	1.1
Cash basis[1]	**1.1**	0.9	1.0	1.0	1.0
Underlying basis[2]	**1.1**	1.1	1.0	1.0	1.0
Capital adequacy – Tier 1	**7.46**	7.43	6.96	6.78	6.51
Capital adequacy – Tier 2	**3.21**	3.93	4.21	4.28	4.18
Deductions	**(0.92)**	(1.11)	(1.44)	(1.26)	(1.53)
Capital adequacy – Total	**9.75**	10.25	9.73	9.80	9.16
Net interest margin	**2.45**	2.53	2.67	2.76	2.78
Other Information (numbers)					
Full time staff equivalent[6]	**35,313**	36,296	35,845	37,245	37,460
Branches/service centres (Australia)	**1,006**	1,012	1,014	1,020	1,066
Agencies (Australia)	**3,864**	3,866	3,893	3,936	3,928
ATMs (Proprietary)	**3,154**	3,109	3,116	3,049	2,931
EFTPOS terminals	**137,240**	126,049	129,959	126,613	122,074
EzyBanking	**841**	815	760	730	659
Productivity					
Total operating income per full-time (equivalent) employee ($)	**308,357**	278,047	262,212	243,469	235,558
Staff expense/Total operating income (%)	**23.3**	24.3	26.4	26.4	26.7
Total operating expenses[7]/Total operating income (%)	**51.5**	59.6	59.1	57.4	58.6

1 'Cash basis' for the purpose of these Financial Statements is defined as net profit after tax and before goodwill amortisation and life insurance and funds management appraisal value uplift.
2 'Underlying earnings' for the purpose of these Financial Statements is defined as net profit after tax and before Shareholder investment returns, initiatives including Which new Bank, goodwill amortisation and life insurance and funds management appraisal value uplift.
3 Dividends paid divided by earnings less preference dividends.
4 Calculations based on operating profit after tax and outside equity interests applied to average Shareholders' equity/average total assets.
5 2005, 2004 and 2003 Shareholders' equity includes retained earnings before provision for final dividend of $1,434 million, $1,315 million and $1,066 million respectively. Prior periods' return on average Shareholders' equity – cash basis and underlying basis have been restated to exclude the provision for final dividend.
6 Staff numbers include all permanent full time staff, part time staff equivalents and external contractors employed by third party agencies.
7 Total Operating Expenses excluding goodwill amortisation and charge for bad and doubtful debts.
8 Prior period numbers have been restated to include preference share dividends as a deduction from operating profit.

Business Overview

The following commentary provides an overview of the performance of the main businesses of the Group. For further information on the financial performance of these businesses, please refer to page 52 of this report.

Banking

Australian Retail

The Australian retail banking operations performed strongly over the year.

The Bank was able to further improve its market share position in home lending, credit cards and other personal lending through a combination of competitive products, effective marketing and good customer service. Margins increased in all products except home loans, where there was only a minor contraction, reflecting growth in third party volumes.

Credit quality remained sound. A decision was taken to increase the risk profile on personal lending unsecured credit, which had a positive impact on lending volume and revenue growth, but with some increase in the bad debt expense. The Bank's personal loan quality remains on par with the average of major competitors.

There has been some loss of retail deposit market share in the high interest rate segment as competitors aggressively price in an effort to gain market share. The Bank's strategy remains focussed on delivering segmented product offers as the basis for maintaining profitable market share. In June, the Bank introduced its new NetBank Saver account to meet the needs of customers in this market segment.

The Bank introduced changes to its mortgage broker business model during the year with a progressive implementation from April 2005. Results to date have been in line with expectations, including a significant reduction in the proportion of introductory rate or 'honeymoon' business. Separately, development continues on the Bank's new commission-only proprietary home loan channel 'Innovators' (launched late 2004), with early results encouraging. The new channel is designed to acquire new home loan customers from external sources, and to complement our existing branch, mobile and broker channels.

Premium, Business and Corporate and Institutional

Premium Business Services provides financial services to a broad client base that incorporates the institutional, corporate and business segments as well as the Bank's high-net worth personal clients.

Our working capital services business had a strong year with continued market share growth and good earnings momentum. The global markets trading business was limited by the low volatility in the Australian dollar and in particular Australian interest rates, leading to some decline in domestic customer activity. The lending business saw intense competition, especially for larger credit and particularly during the first half of the year.

While business lending market share reduced slightly, the Bank's pricing and credit discipline led to further improvements in credit quality.

The Bank's relationship-based service approach has been successful for a broad range of investment products including primary offerings of equities and debt.

Other performance highlights include:

- Lead roles in a number of new financings, including a $1 billion bond issue for Goldman Sachs and a $1.9 billion Syndicated Standby Revolving and Term Loan Facility for Qantas Airways Ltd. This was the largest Australian dollar syndicated debt raising by an Australian corporate in the market last year; and
- The acquisition of AOT Australia, which further leverages CommSec's scale into the institutional market. CommSec continues to be the most active broker by number of transactions on the ASX and has the busiest single purpose website in Australia.

Asia Pacific

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

During the year, the Bank acquired an 11% interest in Jinan City Commercial Bank, one of the 10 largest city commercial banks in China by assets. Subject to regulatory approval, the Bank will also acquire a 19.9% interest in Hzangzhou City Commercial Bank, ranked in the top five city commercial banks by assets.

The New Zealand banking sector has continued to remain buoyant during the second half, with some evidence of a slowdown in the home loan market. The impact of the cash rate increases continues to be negative across the market and competition remains intense.

ASB Bank has strengthened its position, further increasing its market share in home lending throughout the year.

ASB Bank was recognised for the third consecutive year as the 'Bank of the Year' for New Zealand (Source: *Banker Magazine, UK*) reflecting the Bank's strong operational performance and commitment to customer service.

Funds Management

The operating environment was favourable, with revenue growth and fund flows benefiting from strong investment markets. At the same time competition remained intense. While the market environment has been conducive to volume growth, the focus of the business on expense control and margins has ensured this volume growth has translated to an excellent profit result.

The year also saw a significant improvement in retail flows and a corresponding increase in retail market share (following several years of declining share). Retail flows were driven by the FirstChoice product which continues to dominate industry retail flows due to a combination of competitive pricing, excellent service and extensive distribution reach.

Another highlight for the year was investment performance, where 95% (by value) of our domestic funds outperformed benchmark including our flagship Australian Equity funds which all ranked in first or second quartile.

Other key developments within the business during the year included:

- Acquisition of a minority stake in 452 Capital, which gives access to the rapidly growing boutique segment of the market;
- Establishment of a new quantitative asset management business (as a joint venture with Acadian);
- Continuing progress in rationalising legacy systems and products (now down to seven systems from 17 at the start of the program);
- Organisational changes which saw the creation of a discrete asset management business, quite separate from the platform/retail distribution business; and
- Excellent progress in selling funds management products through the Bank network, with productivity of planners up 38%.

Insurance

Australia

The Australian business delivered a good profit result for the year, achieved through revenue growth, improved underwriting performance, reduced unit costs and favourable Life Insurance claims experience.

Key drivers were:

- Life insurance revenue growth, with life insurance premiums increasing by 5%, despite the loss of a large Group risk mandate;
- Positive claims experience in life insurance products;

offset by

- Significant weather related claims in the general insurance portfolio, predominantly attributed to the February Eastern Seaboard storms.

The Bank maintained its number one market share of Australian risk premiums with 13.8% of the life insurance risk market. The Bank's share of retail life sales (new business) was 12.9%.

Total operating margin in the Australian business for the year increased by 21% to $94 million. Improved operating margins in Life Insurance offset the lower contribution from the underwritten General Insurance business. The Bank has the largest branch based general insurance distribution footprint in Australia.

Cash net profit after tax increased by 4% to $186 million as stronger operating margins were offset by lower Shareholder investment returns.

New Zealand

The life insurance operations in New Zealand trade predominantly under the Sovereign brand.

Sovereign has continued to focus on the delivery of operational improvements and the successful execution of service excellence initiatives. The three key achievements during the year were:

- Continued strengthening of business volumes across all major business lines;
- Further improvements to operations and systems infrastructure; and
- Positive claims experience.

Total cash net profit after tax was $74 million for the year, an increase of 35% on prior year, while the operating margin was $52 million, 41% above the same period last year.

Sovereign's sales momentum has continued into the second half of the year. New business market share increased significantly to 30.4% (March 2005 quarter), up from 28.4% in the previous corresponding period. The business has also maintained its market leadership position with 27.5% of the 'in-force' premium market. (Source: ISI)

Asia

Asia includes the life insurance and pension administration operations in Hong Kong, and life businesses in China, Vietnam, Indonesia and Fiji. The Hong Kong businesses represent the largest operations in the region.

The total cash net profit after tax in the Asia business was $49 million, up from $17 million in the prior year. Operating margin for the year was $8 million, an increase from $3 million in the prior year. This primarily reflects positive investment returns, partly offset by a stronger Australian dollar.

Post balance date, the Bank has entered into an agreement to sell its Hong Kong based life insurance, pensions administration and financial planning businesses to Sun Life Financial. The transaction, targeted for completion within three months, is subject to regulatory approvals. More details are set out on page 26.

Financial Statements

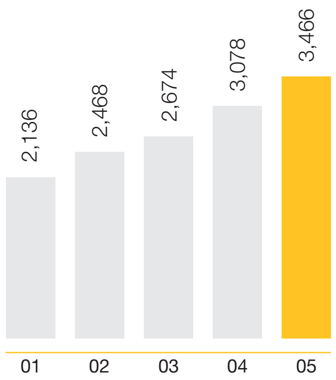
Commonwealth Bank of Australia
ACN 123 123 124

Except where otherwise stated, all figures relate to the year ended 30 June 2005 and comparatives for the profit and loss are to the Commonwealth Bank Group year ended 30 June 2004.

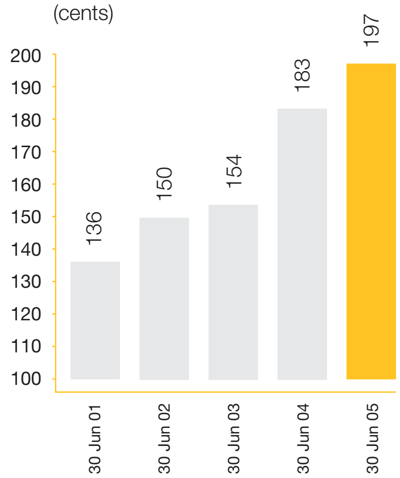
Comments on Statement of Financial Performance

For the year ended 30 June 2005

Operating Profit
('Underlying Basis') ($M)



Dividends per Share
(cents)



For the year ended 30 June 2005, the Commonwealth Bank Group recorded a net operating profit after income tax of $3,991 million, an increase of 55% over the prior year.

The net operating profit ('underlying basis') for the year ended 30 June 2005 after tax, and before goodwill amortisation, appraisal value uplift, investment returns on Shareholders' funds in the funds management and insurance business and initiatives including Which new Bank was $3,466 million. This was an increase of $388 million or 13% over the year ended 30 June 2004.

The Group result comprised:

	$M	
Underlying segment profit after tax		
– Banking	2,959	up 11%
– Funds Management	351	up 28%
– Insurance	156	up 21%
	3,466	
Shareholder investment returns (after tax)	177	
Which new Bank (after tax)	(105)	
Net profit after tax (cash basis)	3,538	
Appraisal value uplift	778	
Goodwill amortisation	(325)	
Net profit after tax	**3,991**	

Banking

The contribution to profit after tax from the Group's banking businesses increased to $2,959 million, 11% over the prior year, reflecting:

- Strong volume growth in home lending, up 15% to $140 billion and personal lending, up 19% to $16 billion;
- Stable net interest margin since June 2004 to bring the full year NIM to 2.45%, eight basis points below the average for the prior year;
- Continued market share growth in the key retail lending products;
- Good cost control, with relatively flat costs; and
- Bad debt expense as a proportion of Risk Weighted Assets remaining at 17 basis points.

Funds Management

The contribution to profit after tax from the Group's funds management business increased to $351 million, 28% over the prior year.

The performance reflects strong Funds under Administration growth of 12% to $123 billion at 30 June 2005 and tight cost control which limited operating expenses growth including commissions to 1%.

Insurance

The contribution from insurance to profit after tax was up $27 million to $156 million, 21% over the prior year. The improvement in performance reflects growth in inforce premiums and good investment markets.

Group Expenses

Total operating expenses for the Group were 6% lower than in the prior year, decreasing by $402 million to $5,847 million reflecting the fall in expenses on the Which new Bank program. Underlying costs were $5,697 million, up 4% on the prior year, principally related to increased salary costs.

In September 2003, the Group launched its Which new Bank customer service vision. This is a three year transformation program with an estimated spend of $1,480 million over the period. The Bank has continued to meet all of its Which new Bank commitments and critical project milestones, with significant net benefits resulting.

Income Tax

Income tax expense includes amounts on behalf of life insurance policy holders and corporate tax. During the year, total income tax expense increased by $375 million to $1,637 million. The corporate income tax expense increased by $350 million or 33% to $1,409 million for 2005. This resulted in an effective corporate tax rate of 28.4% in 2005, which was consistent with the prior year rate of 28.1%.

Appraisal Value[1]

For the year ended 30 June 2005, appraisal values of the life insurance and funds management businesses increased by $778 million. This increase in appraisal value reflects the growth in Funds under Administration and improved fund flows, while persistency levels and claims ratios improved across each of the insurance businesses.

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 2005

	Group 2005 $M	Group 2004 $M
Interest income	**16,194**	13,287
Interest expense	**10,228**	7,877
Net interest income	**5,966**	5,410
Other income:		
Revenue from sale of assets	**595**	943
Written down value of assets sold	**(604)**	(874)
Other	**2,924**	2,777
Net banking operating income	**8,881**	8,256
Funds management income including premiums	**1,261**	1,175
Investment revenue	**2,008**	1,967
Claims and Policyholder liability expense	**(1,871)**	(1,809)
Net funds management operating income	**1,398**	1,333
Insurance premiums and related revenue	**1,132**	1,012
Investment revenue	**1,186**	840
Claims and Policyholder liability expense	**(1,243)**	(950)
Insurance margin on services operating income	**1,075**	902
Total net operating income before appraisal value uplift/(reduction)	**11,354**	10,491
Charge for bad and doubtful debts	**322**	276
Operating expenses:		
Comparable business	**5,697**	5,500
Which new Bank	**150**	749
	5,847	6,249
Appraisal value uplift/(reduction)	**778**	201
Goodwill amortisation	**(325)**	(324)
Profit from ordinary activities before income tax	**5,638**	3,843
Income tax expense	**1,637**	1,262
Profit from ordinary activities after income tax	**4,001**	2,581
Outside equity interests in net profit	**(10)**	(9)
Net profit attributable to members of the Bank	**3,991**	2,572
Foreign currency translation adjustment	**(141)**	(8)
Revaluation of properties	**33**	54
Total valuation adjustments	**(108)**	46
Total changes in equity other than those resulting from transactions with owners as owners	**3,883**	2,618

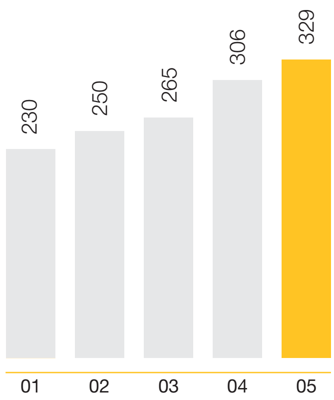
	Cents per share	
Earnings per share based on net profit distributable to members of the Bank:		
Basic	**303.1**	196.9
Fully Diluted	**303.0**	196.8
Dividends per share attributable to Shareholders of the Bank:		
Ordinary shares	**197**	183
Preference shares (issued 6 April 2001)	**1,115**	1,065
Other equity instruments (issued 6 August 2003)	**7,795**	7,306
Other equity instruments (issued 6 January 2004)	**908**	402

	$M	$M
Net Profit after Income Tax comprises:		
Net Profit after income tax ('underlying basis')	**3,466**	3,078
Shareholders' investment returns	**177**	152
Which new Bank	**(105)**	(535)
Net Profit after Income Tax ('cash basis')	**3,538**	2,695
Appraisal value uplift/(reduction)	**778**	201
Goodwill amortisation	**(325)**	(324)
Net Profit after Income Tax ('statutory basis')	**3,991**	2,572

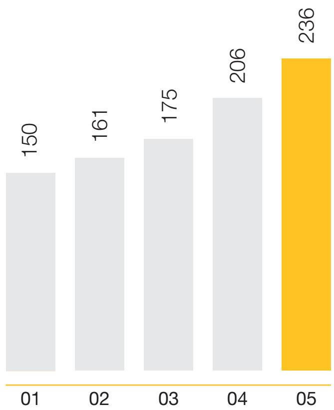
Comments on Statement of Financial Position

As at 30 June 2005

Total Assets ($B)



Lending Assets ($B)



Group Assets

The Group's assets increased by $23 billion to $329 billion (2004: $306 billion) over the year.

Total lending assets increased by $30 billion from $206 billion to $236 billion at 30 June 2005 reflecting growth across a range of lending products.

The total provisions for impairment for the Group at 30 June 2005 were $1,547 million, broadly consistent with the prior year. 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 was 0.73%.

Capital Management

The Group maintains a strong capital position.

As at 30 June 2005, the Capital Adequacy Ratio was 9.75% (well above the regulatory requirement of 8%), compared with 10.25% at 30 June 2004.

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 2005

	Group 2005 $M	Group 2004 $M
Assets		
Cash and liquid assets	**5,715**	6,453
Receivables due from other financial institutions	**6,205**	8,369
Trading securities	**14,628**	14,896
Investment securities	**10,272**	11,447
Loans, advances and other receivables	**217,516**	189,391
Bank acceptances of customers	**16,786**	15,019
Life insurance investment assets	**27,837**	28,942
Deposits with regulatory authorities	**45**	38
Property, plant and equipment	**1,344**	1,204
Investment in associates	**52**	239
Intangible assets	**4,394**	4,705
Other assets	**24,241**	25,292
Total Assets	**329,035**	305,995
Liabilities		
Deposits and other public borrowings	**168,029**	163,177
Payables due to other financial institutions	**8,023**	6,641
Bank acceptances	**16,786**	15,019
Provision for dividend	**14**	14
Income tax liability	**1,550**	811
Other provisions	**881**	997
Life insurance policyholder liabilities	**24,694**	24,638
Debt issues	**58,621**	44,042
Bills payable and other liabilities	**18,086**	19,140
	296,684	274,479
Loan capital	**6,291**	6,631
Total Liabilities	**302,975**	281,110
Net Assets	**26,060**	24,885
Shareholders' Equity		
Share capital:		
Ordinary share capital	**13,871**	13,359
Preference share capital	**687**	687
Other equity instruments	**1,573**	1,573
Reserves	**4,624**	3,946
Retained profits	**3,516**	2,840
Shareholders' Equity attributable to members of the Bank	**24,271**	22,405
Outside equity interests:		
Controlled entities	**631**	304
Life insurance statutory funds and other funds	**1,158**	2,176
Total outside equity interests	**1,789**	2,480
Total Shareholders' Equity	**26,060**	24,885

Statement of Cash Flows

For the year ended 30 June 2005

	Group 2005 $M	Group 2004 $M
Cash flows from operating activities		
Interest received	**16,205**	13,101
Dividends received	**3**	6
Interest paid	**(10,198)**	(7,543)
Other operating income received	**4,649**	3,410
Expenses paid	**(5,714)**	(5,529)
Income taxes paid	**(985)**	(1,366)
Net decrease/(increase) in trading securities	**318**	(4,324)
Life insurance:		
Investment income	**1,572**	841
Premiums received[1]	**3,183**	3,562
Policy payments[1]	**(4,664)**	(4,529)
Net cash provided by/(used in) operating activities	**4,369**	(2,371)
Cash flows from investing activities		
Payments for shares in controlled entities, other companies and management rights	**(82)**	–
Proceeds from disposal of controlled entities	**–**	63
Proceeds from disposal of entities and businesses	**173**	–
Disposal of shares in other companies	**–**	114
Net movement in investment securities:		
Purchases	**(22,608)**	(25,587)
Proceeds from sale	**392**	697
Proceeds at or close to maturity	**22,799**	24,407
(Lodgement)/withdrawal of deposits with regulatory authorities	**(7)**	(15)
Net increase in loans, advances and other receivables	**(28,447)**	(29,328)
Net amounts paid to controlled entities	**–**	–
Proceeds from sale of property, plant and equipment	**30**	69
Purchase of property, plant and equipment	**(286)**	(536)
Net decrease/(increase) in receivables due from other financial institutions not at call	**933**	292
Net decrease/(increase) in securities purchased under agreements to resell	**991**	(1,023)
Net decrease/(increase) in other assets	**1,056**	(1,461)
Life insurance:		
Purchases of investment securities	**(14,165)**	(20,286)
Proceeds from sale/maturity of investment securities	**15,281**	21,500
Net cash (used in) investing activities	**(23,940)**	(31,094)
Cash flows from financing activities		
Buy back of shares	**–**	(532)
Proceeds from issue of shares (net of costs)	**66**	505
Proceeds from issue of preference shares to outside equity interests	**323**	–
Proceeds from issue of other equity instruments (net of costs)	**–**	1,573
Net increase in deposits and other borrowings	**6,332**	21,997
Net movement in debt issues	**14,579**	13,413
Dividends paid (excluding DRP)	**(2,083)**	(1,774)
Net movements in other liabilities	**(330)**	(242)
Net increase/(decrease) in payables due to other financial institutions not at call	**449**	(929)
Net increase/(decrease) in securities sold under agreements to repurchase	**(1,480)**	206
Issue of loan capital	**1,233**	985
Redemptions of loan capital	**(1,392)**	(317)
Other	**(37)**	(2)
Net cash provided by financing activities	**17,660**	34,883
Net increase/(decrease) in cash and cash equivalents	**(1,911)**	1,418
Cash and cash equivalents at beginning of period	**2,846**	1,428
Cash and cash equivalents at end of period	**935**	2,846

1 These were gross premiums and policy payments before splitting between policyholder liabilities and revenue and expense.

For further information, refer to the full Annual Report – 2005 Financial Statements. The cash flow statement highlights the net growth from Investing Activities of $23.9 billion including lending assets of $28.4 billion, financed by deposits growth of $6.3 billion and debt issues of $14.6 billion. Operating activities generated $4.4 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 2005

Note 1

Accounting Policies

The accompanying concise financial report has been derived from the financial report of the Commonwealth Bank of Australia (the 'Bank') and its controlled entities, the Group, for the year ended 30 June 2005 provided in the full Annual Report – 2005 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 financial services 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 2005 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 2005 Financial Statements.

International Financial Reporting Standards Transition Management

On 1 July 2005 the Bank commenced application of the Australian equivalent of International Financial Reporting Standards ('AIFRS') to the maintenance of all financial records. This is in line with the conversion deadline set out by the Financial Reporting Council of Australia.

The Bank completed its review of the AIFRS and their impact during the planning stage of the project. Conversion issues were then identified and methodologies designed to resolve those issues.

Implementation of these changes was completed during the financial year ended 30 June 2005, including the maintenance of a shadow set of AIFRS-compliant financial records for that year.

Although all AIFRS are applied by the Bank from 1 July 2005 some standards are not applicable to the comparative financial year (the financial year beginning 1 July 2004). As such, on release of AIFRS-compliant financial statements for the financial year beginning 1 July 2005, the financial results for the comparative financial year will only be restated to a limited extent. Descriptions of the key AIFRS issues are set out below and segregated between those issues which have an effective impact from 1 July 2004 and those which have an effective impact from 1 July 2005.

Key Accounting Issues

Full disclosure around each of the key AIFRS issues is set out in Note 1(qq) to the Annual Financial Statements, including quantifications of the financial impact. The following is a summary of the key areas of difference between current accounting practice and the treatment under AIFRS:

Issues with effective impact from 1 July 2004

EMPLOYEE BENEFITS – DEFINED BENEFIT SUPERANNUATION PLANS

With the introduction of AIFRS, the surpluses and/or deficits that arise within individual defined benefit superannuation plans must be recognised in the Statement of Financial Position. The actuarial gains and losses related to defined benefit superannuation plans arising in each period are recognised directly in Retained Earnings from 1 July 2004.

EMPLOYEE BENEFITS – EMPLOYEE SHARE SCHEMES

The Bank currently accrues all share based compensation on a cost basis and amortises it to expense over the vesting period where there are performance hurdles to be met. Shares in the Bank are purchased by a Trust when the shares are granted and held until they vest to the employee.

Under AIFRS the fair value of the share based compensation is calculated at grant date and amortised to expense over the vesting period, subject to service and performance conditions being met. Transitional arrangements are in place under AIFRS such that only those shares granted after 7 November 2002 and vesting after 1 January 2005 are accounted for in this manner. Shares in the Bank held by the Trust are consolidated, reclassified as 'Treasury Shares' and accounted for as a deduction from Share Capital.

Note 1 continued

Accounting Policies continued

ACCOUNTING FOR LIFE INSURANCE AND FUNDS MANAGEMENT BUSINESS

Appraisal Value Accounting

On transition to AIFRS, the asset representing the excess of the net market value over net assets of the Bank's life insurance controlled entities can no longer be recognised in full. As a result, the Bank will now cease to recognise any movement in the appraisal value in the Statement of Financial Performance. The write-off of the internally generated component has been principally reflected against the General Reserve; and the acquired component has been reclassified as Goodwill within the Statement of Financial Position and is subject to an annual impairment test.

Treasury Shares

Under Australian GAAP direct investments in Commonwealth Bank shares by the Bank's life insurance statutory funds were recognised in the Statement of Financial Position at market value. On transition to AIFRS these assets have been reclassified as 'Treasury Shares' and accounted for as a deduction from Share Capital.

ACCOUNTING FOR GOODWILL

On transition to AIFRS, Goodwill is no longer amortised, but instead, is subject to an annual assessment for impairment to ensure that the carrying value of Goodwill is not greater than the recoverable amount. As a result, the Statement of Financial Performance will no longer include an expense item reflecting the annual Goodwill amortisation. No impairment adjustment to opening Retained Earnings arises as at 1 July 2004 in respect of this issue.

Other Issues (refer to Note 1(qq) to the Annual Financial Statements for further details) include:

- Consolidation of Special Purpose Vehicles
- Income and expense recognition
- Foreign Currency Translation Reserve
- Taxation

Issues with effective impact from 1 July 2005

DERIVATIVE FINANCIAL INSTRUMENTS INCLUDING HEDGE ACCOUNTING AND EMBEDDED DERIVATIVES

Under AIFRS all derivative financial instruments, including embedded derivatives and those used for balance sheet hedging purposes, are recognised on-balance sheet and measured at fair value.

Hedge accounting can be applied, subject to certain rules, for fair value hedges, cash flow hedges, and hedges of investments in foreign operations. Cash flow hedges are the predominant form of hedging applied by the Bank.

It is expected that these new rules on accounting for hedge instruments and embedded derivatives will introduce significant volatility within equity reserves, and the potential for some volatility within the Statement of Financial Performance.

PROVISIONS FOR LOAN IMPAIRMENT

In line with market practice, the Bank's current general provisioning for impairment covers non-identifiable probable losses and latent risks inherent in the overall portfolio of advances and other credit transactions. Under AIFRS the Bank will at each reporting date first assess whether any objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The Bank uses judgement to estimate the amount of any impairment loss.

As a result of this change, there may be a reduction in the amount of the Bank's general/collective provisioning for impairment. Due to current uncertainty around AIFRS accounting interpretations and the development of Australian industry practice in this area, a loan impairment provision in accordance with AIFRS cannot be reliably estimated.

The practice of recording specific provisions for loan impairment will continue under AIFRS, however, such provisions – termed provisions for individually significant impaired loans – must be based on the discounted values of estimated future cash flows.

Classification of Hybrid Financial Instruments

The Bank currently has on issue three types of hybrid financial instruments: Preferred Exchangeable Resettable Listed Shares ('PERLS'); Perpetual Exchangeable Resettable Listed Securities ('PERLS II') and Trust Preferred Securities ('TPS'). These instruments are currently classified as equity instruments.

Under AIFRS these instruments were reclassified as debt within the Statement of Financial Position on 1 July 2005. From 1 July 2005 onwards, distributions to the holders of these hybrid financial instruments will be treated as interest expense in the Statement of Financial Performance.

Accounting for Life Insurance Business

Measurement Differences

Under AIFRS, measurement differences arise within the insurance products and investment-style products of the life insurance and funds management businesses. Specifically, the actuarial calculation of Policyholder liabilities is affected by a change in the discount rates applied, and certain acquisition costs related to investment-style products which were deferred under current Australian GAAP can no longer be deferred under AIFRS.

Outside Equity Interests

On transition to AIFRS, the outside equity interests in controlled unit trusts of the life companies no longer qualify as equity. As a result, the Bank has, on adoption of AIFRS, reclassified outside equity interests in life insurance statutory funds and other funds to liabilities.

Other Issues (refer to Note 1(qq) to the Annual Financial Statements for further details) include:

- Revenue and Expense Recognition
- Financial Instruments Classification for Banking Business.

Subsequent Events

Sale of Hong Kong business

On 7 July 2005 the Bank entered into an agreement to sell its life insurance and financial planning business in Hong Kong for approximately $600 million to Sun Life Financial. The business consisted of CMG Asia Limited, CommServe Financial Limited and Financial Solutions Limited, with a combined carrying value of $527 million under current Australian GAAP. The carrying value will be different under AIFRS, principally due to differences in discount rates used in the actuarial valuation of policy holder liabilities and differences in treatment of historic foreign exchange losses under AIFRS.

The transaction, targeted for completion within three months, and together with the determination of the final profit is subject to conditions precedent.

Note 2
Dividends

	2005 $M	2004 $M
Ordinary Shares		
Interim ordinary dividend (fully franked) (2005: 85 cents, 2004: 79 cents, 2003: 69 cents)		
Interim ordinary dividend paid – cash component only	**883**	808
Interim ordinary dividend paid – dividend reinvestment plan	**200**	188
Preference Shares		
Preference dividends paid (fully franked) (2005: 1,115 cents, 2004: 1,065 cents, 2003: 1,019 cents)	**29**	28
Provision for preference dividend	**10**	9
Other Equity Instruments		
Dividends paid	**76**	55
Other dividends – ASB preference shares	**16**	8
Total Dividends Provided or Paid	**1,214**	1,096
Other provision carried	**4**	5
Dividends proposed and not recognised as a liability (fully franked) (2005: 112 cents, 2004: 104 cents, 2003: 85 cents)	**1,434**	1,315

Dividend Franking Account

After fully franking the final dividend to be paid for the year ended 30 June 2005 the amount of credits available as at 30 June 2005 to frank dividends for subsequent financial years is $194 million (2004: $75 million). This figure is based on the combined franking accounts of the Bank at 30 June 2005, which have been adjusted for franking credits that will arise from the payment of income tax payable on profits for the year ended 30 June 2005, franking debits that will arise from the payment of dividends proposed for the year and franking credits that the Bank may be prevented from distributing in subsequent financial periods. The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. Dividend payments on or after 1 July 2005 will be franked at the 30% tax rate. These calculations have been based on the taxation law as at 30 June 2005.

Note 3
Financial Reporting by Segments

Primary Segment Business Segments Financial Performance	Year Ended 30 June 2005 Banking $M	 Funds Management $M	 Insurance $M	 Group Total $M
Interest income	16,194	–	–	16,194
Premium and related revenue	–	–	1,132	1,132
Other income	3,519	3,269	1,186	7,974
Appraisal value uplift	–	301	477	778
Total revenue	19,713	3,570	2,795	26,078
Interest expense	10,228	–	–	10,228
Segment result before tax, goodwill amortisation and appraisal value uplift	4,103	560	522	5,185
Income tax expense	(1,220)	(204)	(213)	(1,637)
Segment result after tax and before goodwill amortisation and appraisal value uplift	2,883	356	309	3,548
Outside equity interest	(3)	(7)	–	(10)
Segment result after tax and outside equity interest before goodwill amortisation and appraisal value uplift	2,880	349	309	3,538
Goodwill amortisation	(303)	(17)	(5)	(325)
Appraisal value uplift	–	301	477	778
Net profit attributable to Shareholders of the Bank	2,577	633	781	3,991
Non-Cash Expenses				
Goodwill amortisation	303	17	5	325
Charge for bad and doubtful debts	322	–	–	322
Depreciation	135	8	13	156
Other	84	27	–	111
Financial Position				
Total Assets	292,026	19,306	17,703	329,035
Acquisition of property, plant and equipment, intangibles and other non-current assets	303	8	39	350
Associate investments	19	1	32	52
Total Liabilities	275,751	16,844	10,380	302,975

Note 3 continued

Financial Reporting by Segments continued

Primary Segment Business Segments Financial Performance	Year Ended 30 June 2004 Banking $M	 Funds Management $M	 Insurance $M	 Group Total $M
Interest income	13,287	–	–	13,287
Premium and related revenue	–	–	1,012	1,012
Other income	3,720	3,142	840	7,702
Appraisal value (reduction)/uplift	–	(95)	296	201
Total revenue	17,007	3,047	2,148	22,202
Interest expense	7,877	–	–	7,877
Segment result before tax, goodwill amortisation and appraisal value uplift	3,091	504	371	3,966
Income tax expense	(914)	(228)	(120)	(1,262)
Segment result after income tax and before goodwill amortisation and appraisal value uplift	2,177	276	251	2,704
Outside equity interest	(1)	(8)	–	(9)
Segment result after tax and outside equity interest before goodwill amortisation and appraisal value uplift	2,176	268	251	2,695
Goodwill amortisation	(302)	(17)	(5)	(324)
Appraisal value (reduction)/uplift	–	(95)	296	201
Net profit attributable to Shareholders of the Bank	1,874	156	542	2,572
Non-Cash Expenses				
Goodwill amortisation	302	17	5	324
Charge for bad and doubtful debts	276	–	–	276
Depreciation	110	8	9	127
Which new Bank initiatives	427	–	–	427
Other	30	50	14	94
Financial Position				
Total Assets	269,066[1]	19,878	17,051[1]	305,995
Acquisition of property, plant and equipment, intangibles and other non-current assets	518	6	9	533
Associate investments	194	1	44	239
Total Liabilities	254,284	17,439	9,387	281,110

1 Restated to reflect a restructure and subsequent realignment in business segments.

Secondary Segment Geographical Segments	2005 $M	%	2004 $M	%
Revenue				
Australia	**20,790**	**79.7**	17,911	80.7
New Zealand	**3,507**	**13.5**	2,728	12.3
Other Countries[1]	**1,781**	**6.8**	1,563	7.0
	26,078	**100.0**	22,202	100.0
Net profit attributable to Shareholders of the Bank				
Australia	**3,223**	**80.7**	2,091	81.3
New Zealand	**509**	**12.8**	309	12.0
Other Countries[1]	**259**	**6.5**	172	6.7
	3,991	**100.0**	2,572	100.0
Assets				
Australia	**271,596**	**82.5**	252,652	82.6
New Zealand	**41,650**	**12.7**	35,059	11.4
Other Countries[1]	**15,789**	**4.8**	18,284	6.0
	329,035	**100.0**	305,995	100.0
Acquisition of property, plant and equipment, intangibles and other non-current assets				
Australia	**303**	**86.6**	495	92.9
New Zealand	**37**	**10.6**	29	5.4
Other Countries[1]	**10**	**2.8**	9	1.7
	350	**100.0**	533	100.0

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

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

Note 4
Earnings per Share

	2005 c	2004 c
Earnings Per Ordinary Share		
– Basic	**303.1**	196.9
– Fully diluted	**303.0**	196.8

	$M	$M
Reconciliation of earnings used in the calculation of earnings per share		
Profit from ordinary activities after income tax	**4,001**	2,581
Less: Preference share dividends	**(39)**	(37)
Less: Other equity instrument dividends	**(76)**	(55)
Less: Other dividends – ASB preference shares	**(16)**	(8)
Less: Outside equity interests	**(10)**	(9)
Earnings used in calculation of earnings per share	**3,860**	2,472

	Number of Shares 2005 M	Number of Shares 2004 M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,273**	1,256
Effect of dilutive securities – share options	**1**	1
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	**1,274**	1,257

Underlying Earnings Per Ordinary Share	**c**	c
– Basic	**261.9**	237.1
– Fully diluted	**261.8**	237.0

Note 5
Share Capital – Employee Plans

Details of the Directors' and Specified Executives' remuneration, interests in long term incentive plans, shares, options and loans are included in the Remuneration section of the Directors' Report.

Employee Share Plans

The Bank has in place the following employee share plans:

- Commonwealth Bank Employee Share Acquisition Plan ('ESAP');
- Commonwealth Bank Equity Participation Plan ('EPP');
- Commonwealth Bank Equity Reward Plan ('ERP'); and
- Commonwealth Bank Non-Executive Directors Share Plan ('NEDSP').

The ESAP and ERP were each approved by Shareholders at the Annual General Meeting ('AGM') on 26 October 2000. Shareholders' consent was not required for either the EPP or NEDSP but details were included in the Explanatory Memorandum to the meeting to ensure Shareholders were fully informed.

Employee Share Acquisition Plan

The ESAP was introduced in 1996 and provides employees with up to $1,000 worth of free shares per annum subject to a performance target being met. The performance target is growth in annual profit of the greater of 5% or the consumer price index (CPI change) plus 2%. Whenever annual profit growth exceeds CPI change, the Board may use its discretion in determining whether any grant of shares will be made.

Under ESAP, shares granted are restricted for sale for three years or until such time as the participating employee ceases employment with the Group, whichever is earlier. Shares granted under the ESAP receive full dividend entitlements, voting rights and there are no forfeiture or vesting conditions attached to the shares granted.

Effective from 1 July 2002, shares granted under ESAP offers have been expensed through the profit and loss. In the current year, 699,918 shares were granted to eligible employees in respect of the 2004 grant.

The Bank has determined to allocate each eligible employee shares up to a value of $1,000 in respect of the 2005 grant. As a result, an amount of $27 million has been accrued in respect of the year ended 30 June 2005. The shares will be purchased on-market at the then market price.

From 1 July 2000 to 30 June 2002, details of issues under ESAP were:

Issue Date	Bonus Ordinary Shares Issued[1]	No. of Participants	Shares issued to Each Participant	Issue Price[2]
13 October 2000	872,620	24,932	35	$27.78
20 December 2000	805	23	35	$27.78
31 October 2001	893,554	26,281	34	$28.95
3 December 2001	3,876	114	34	$28.95
31 January 2002	1,938	57	34	$28.95

From 1 July 2002, details of shares purchased under ESAP were:

Purchase Date	Ordinary Shares Purchased	No. of Participants	Shares Allocated to Each Participant	Allocation Price[3]
31 October 2002	830,874	25,178	33	$29.71
22 January 2003	1,584	48	33	$29.71
31 October 2003	683,617	23,573	29	$27.53
29 October 2004	699,918	22,578	31	$31.52

1 For Offers in 2000 and 2001 both new and existing Shareholders were granted Bonus Ordinary Shares issued from the Share Capital Account.
2 The Issue Price x Shares issued to each Participant effectively represents about $1,000 of free shares.
3 The Allocation Price for the offer is equal to the market value which is determined by calculating the weighted average of the prices at which the shares were traded on the ASX during the five trading day period up to and including the grant date. The Allocation Price x Shares issued to each participant effectively represents about $1,000 of free shares for the 2002 and 2004 Offers and $800 of free shares for the 2003 Offer.

Equity Participation Plan

The EPP facilitates the voluntary sacrifice of both fixed remuneration and annual short term incentives (STI) to be applied in the acquisition of shares. The plan previously also facilitated the mandatory sacrifice of 50% of STI payments for some employees. However the mandatory component of EPP ceased for the year ending 30 June 2005 and was replaced with a separate cash STI deferral arrangement for eligible employees. Shares previously granted under the mandatory component of the EPP remain subject to their vesting conditions.

All shares acquired by employees under this plan are purchased on-market at the current market price. A total number of 7,952,277 shares have been acquired under the EPP since the plan commenced in 2001.

Details of purchases under the EPP from 1 July 2004 to 30 June 2005 were as follows:

Allotment Date	Participants	Shares Purchased	Average Purchase Price
24 September 2004	1,449	1,858,984	$29.85
30 September 2004	756	259,890	$30.05
30 December 2004	80	12,274	$32.11
22 April 2005	57	8,704	$35.97

Under the voluntary component of the EPP, shares purchased are restricted for sale for two years or when a participating employee ceases employment with the Bank, whichever is earlier. Shares purchased under the voluntary component of the EPP carry full dividend entitlements, voting rights and there are no forfeiture or vesting conditions attached to the shares.

Under the mandatory component of the EPP, fully paid ordinary shares were purchased and held in trust until such time as the vesting conditions were met. The vesting condition attached to the shares specifies that participants must remain employees of the Bank until the vesting date (generally a period of one and two years after the STI award period).

Each participant of the mandatory component of the EPP for whom shares are held by the Trustee on their behalf has a right to receive dividends. Once the shares vest, dividends which have accrued during the vesting period are paid to participants. The participant may also direct the Trustee on how the voting rights attached to the shares are to be exercised during the vesting period.

Where participating employees do not satisfy the vesting conditions, shares and dividend rights are forfeited.

Note 5 continued

Share Capital – Employee Plans continued

The movement in shares purchased under the mandatory component of the EPP has been as follows:

Details of Movements	July 2004 – June 2005	July 2003 – June 2004
Shares held under the Plan at the beginning of the year	2,790,353	2,497,184
Shares allocated during year	2,067,281	2,121,075
Shares vested during year	(2,016,790)	(1,715,807)
Shares forfeited during year	(224,073)	(112,099)
Shares held under the Plan at end of the year	2,616,771	2,790,353

Shares acquired under both the voluntary and mandatory components of the EPP have been expensed through the profit and loss. In the current year, $2.5 million was expensed through the profit and loss to reflect the cost of allocations under the plan. The expense through the profit and loss for the current year is lower than previous years due to the discontinuation of the mandatory component of the EPP.

Equity Reward Plan

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

Previous grants under the ERP were in two parts, comprising grants of options and grants of shares. Since 2001/2002, no options have been issued under the ERP. From 2002/2003, Reward Shares only have been issued under this plan.

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

The prescribed performance hurdle for options and Reward Shares issued prior to 2002/2003 which has now been met was:

- The Bank's TSR (broadly, growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed the index of TSR achieved by the comparator group of companies. The comparator group (previously companies represented in the ASX 'Banks and Finance Accumulation Index' excluding the Bank) was widened in 2001/2002 to better reflect the Bank's business mix; and
- If the performance hurdle is not reached within that three years the options may nevertheless be exercisable or the shares vest, only where the hurdle is subsequently reached within five years from the grant date.

For Reward Shares granted from 2002/2003 onwards, a tiered vesting scale was introduced so that 50% of the allocated shares vest if the Bank's TSR is equal to the 50th percentile return, 75% vest at the 67th percentile and 100% when the Bank's return is in the top quartile.

Where the rating is at least at the 50th percentile on the third anniversary of the grant, the shares will vest at a time nominated by the executive, within half yearly windows, over the next two years. The vesting percentage will be the higher of the rating determined at the third year anniversary of the grant and the rating determined at the half yearly measurement point at which the executive nominates that the shares will vest.

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

Reward Shares acquired under the share component of the ERP are purchased on-market at the current market price. The cost of shares acquired is expensed through the profit and loss over a three year period, reflecting the minimum vesting period. In the current year, $12 million has been expensed through the profit and loss.

Executive options issued up to September 2001 have not been recorded as an expense by the Group.

Details of options issued and shares acquired under ERP as well as movements in the options and shares are as follows:

Options

Year of Grant	Commencement Date	Issue Date	Options Issued	Options Outstanding[1]	Participants	Exercise Price	Exercise Period
2000	13 September 2000	7 February 01	577,500	247,500	16	$26.97[2]	14 September 2003 to 13 September 2010[3]
	13 September 2000	31 October 01	12,500	–	1	$26.97[2]	14 September 2003 to 13 September 2010[3]
2001	3 September 2001	31 October 01	2,882,000	1,689,100	61	$30.12[2]	4 September 2004 to 3 September 2011[4]
	3 September 2001	31 January 02	12,500	12,500	1	$30.12[2]	4 September 2004 to 3 September 2011[4]
	3 September 2001	15 April 02	100,000	100,000	1	$30.12[2]	4 September 2004 to 3 September 2011[4]

1 Options outstanding as at the date of the report.
2 The premium adjustment (based on the actual difference between the dividend and bond yields at the date of vesting) was nil.
3 Performance hurdle was satisfied on 31 March 2004 and options may be exercised up to 13 September 2010.
4 Performance hurdle was satisfied on 3 October 2004 and options may be exercised up to 3 September 2011.

Options – Details of Movements

	July 2003 – June 2004		July 2004 – June 2005	
Year of Grant	2000	2001	2000	2001
Total options:				
Held by participants at the start of the year	427,500	2,336,400	402,500	2,235,200
Granted during year	–	–	–	–
Exercised during year	–	–	155,000	403,900
Lapsed during year	–	101,200	–	29,700
Outstanding at the end of the year	427,500	2,235,200	247,500	1,801,600
Granted from 30 June to date of report	–	–	–	–
Exercised from 30 June to date of report	25,000	–	–	50,000
Lapsed from 30 June to date of report	–	–	–	–
Outstanding as at the date of report	402,500	2,235,200	247,500	1,751,600

Reward Shares

Year of Grant	Purchase Date	Shares Purchased	Shares Allocated	Participants	Vesting Period	Average Purchase Price
2000	20 Feb 2001	361,100	361,100	61	14 Sept 2003 to 13 Sept 2005[5]	$29.72
	31 Oct 2001	2,000	2,000	1	14 Sept 2003 to 13 Sept 2005[5]	$29.25
2001	31 Oct 2001	652,100	661,500[1]	241	4 Sept 2004 to 3 Sept 2006[6]	$29.25
2002	22 Nov 2002	357,500	545,500[2]	195	3 Sept 2005 to 2 Sept 2007[7]	$28.26
2003	12 Nov 2003	285,531	595,600[3]	255	2 Sept 2006 to 1 Sept 2008[7]	$28.33
2004	11 Nov 2004	225,934	522,290[4]	259	23 Aug 2007 to 23 Aug 2009[7]	$29.87

1 In October 2001, 11,400 Reward Shares were re-allocated to participants receiving the 2001 grant as a result of reward shares forfeited from previous ERP grant.
2 In November 2002, 188,000 shares were re-allocated to participants receiving the 2002 grant as a result of shares forfeited from previous grants. The total number of Reward Shares allocated in 2002 represents 50% of the maximum entitlement that participants may receive. It is intended that Reward Shares required to meet obligations under ERP will be acquired by the trust on-market during the term of the grant and (if required) shortly after the time of vesting.
3 In November 2003, 310,069 shares were re-allocated to participants receiving the 2003 grant as a result of shares forfeited from previous grants. The total number of Reward Shares allocated in 2003 represents 50% of the maximum entitlement that participants may receive – refer to footnote 2 above for further information.
4 In November 2004, 296,356 shares were re-allocated to participants receiving the 2004 grant as a result of shares forfeited from previous grants. The total number of Reward Shares allocated in 2004 represents 50% of the maximum entitlement that participants may receive – refer to footnote 2 above for further information.
5 Performance hurdle was satisfied on 31 March 2004 and as a result 195,700 shares vested to participants of the 2000 grant.
6 Performance hurdle was satisfied on 3 October 2004 and as a result 423,500 shares vested to participants of the 2001 grant.
7 Performance hurdle must be satisfied within the vesting period, otherwise shares will be forfeited.

Note 5 continued

Share Capital – Employee Plans continued

Reward Shares – Details of Movements

	July 2003 – June 2004				July 2004 – June 2005			
Year of Grant	2000	2001	2002	2003	2001	2002	2003	2004
Total reward shares:								
Held by participants at the start of the year	217,100	518,500	515,300	–	437,000	445,825	557,500	–
Granted during year	–	–	–	597,100	–	–	–	597,975
Vested during year	195,700	–	–	–	423,500	–	–	–
Lapsed during year	21,400	59,000	43,225	10,725	13,500	68,975	94,650	53,075
Outstanding at the end of the year	–	459,500	472,075	586,375	–	376,850	462,850	544,900
Granted from 30 June to date of report	–	–	–	–	–	–	–	–
Vested from 30 June to date of report	–	–	–	–	–	–	–	–
Lapsed from 30 June to date of report	–	22,500	26,250	28,875	–	11,400	8,950	8,750
Outstanding as at the date of report	–	437,000	445,825	557,500	–	365,450	453,900	536,150

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

For a limited number of executives including overseas based staff and those approved by the Chief Executive Officer and ratified by the Board, a cash based 'share replicator' ERP scheme is operated by way of grants of performance units. The performance unit grants are subject to the same vesting conditions as the Reward Share component of the ERP. On meeting the vesting condition, a cash payment is made to executives whereby the value is determined based on the current share price on vesting plus an accrued dividend value. An amount of $3.1 million has been expensed through the profit and loss in respect of the year ended 30 June 2005 to reflect future payments which may be required under the 'share replicator' plan.

Executive Option Plan

As previously notified to Shareholders, this plan was discontinued in 2000/2001.

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

Options cannot be exercised before each respective exercise period and the ability to exercise is conditional on the Bank achieving a prescribed performance hurdle. The option plan did not grant rights to the optionholders to participate in a share issue of any other body corporate.

The performance hurdle is the same TSR comparator hurdle as outlined above for the ERP grants prior to 2002/2003.

The last grant under EOP was made in September 2000. The performance hurdles for the August 1999 grant and the September 2000 grant were met in 2004.

Details of issues made under EOP as well as movements for 2003/2004 and 2004/2005 are as follows:

EOP

Commencement Date	Issue Date	Options Issued	Options Outstanding	Participants	Exercise Price[1]	Exercise Period
3 Nov 1997	11 Dec 1997	2,875,000	–	27	$15.53[2]	4 Nov 00 to 3 Nov 02
25 Aug 1998	30 Sept 1998	3,275,000	–	32	$19.58[2]	26 Aug 01 to 25 Aug 03
24 Aug 1999	24 Sept 1999	3,855,000	450,000	38	$23.84[2]	25 Aug 02 to 24 Aug 09[3]
13 Sept 2000	13 Oct 2000	2,002,500	637,300	50	$26.97[2]	14 Sept 03 to 13 Sept 10[4]

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 Performance hurdle for the 1999 grant was satisfied on 28 February 2004 and options may be exercised up to 24 August 2009.
4 Performance hurdle for the 2000 grant was satisfied on 31 March 2004 and options may be exercised up to 13 September 2010.

Details of Movements

		1 July 2003 to 30 June 2004[1]		1 July 2004 to 30 June 2005[1]	
Year of Grant	1998	1999	2000	1999	2000
Total options:					
Held by participants at the start of the year	312,500	3,221,000	1,336,200	1,875,000	1,144,600
Exercised during year	312,500	1,271,000	129,100	1,425,000	507,300
Lapsed during year	–	25,000	12,500	–	–
Outstanding at the end of the year	–	1,925,000	1,194,600	450,000	637,300
Exercised from 30 June to date of report	–	50,000	50,000	–	75,400
Lapsed from 30 June to date of report	–	–	–	–	–
Outstanding as at the date of report	–	1,875,000	1,144,600	450,000	561,900

1 The EOP was discontinued in 2000/2001 and no options have been granted under the plan during the last four reporting periods.

Summary of shares issued during the period 1 July 2004 to the date of the report as a result of options being exercised are:

Option Issue Date	Shares Issued	Price Paid per Share	Total Consideration Paid
24 Sept 1999	1,475,000	$23.84	$35,164,000
13 Oct 2000	632,700	$26.97	$17,063,919
7 Feb 2001	180,000	$26.97	$4,854,600
3 Sept 2001	453,900	$30.12	$13,671,468

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

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

Note 5 continued

Share Capital – Employee Plans continued

Non-Executive Directors Share Plan

The NEDSP provides for the acquisition of shares by Non-Executive Directors through the mandatory sacrifice of 20% of their annual fees. Shares purchased are restricted for sale for 10 years or when the Director leaves the Board, whichever is earlier. In addition, Non-Executive Directors can voluntarily elect to sacrifice up to a further 50% of their annual fees for the acquisition of shares.

Shares acquired under the Plan receive full dividend entitlements and voting rights. There are no forfeiture or vesting conditions attached to shares granted under the NEDSP.

Shares are purchased on-market at the current market price and a total of 41,943 shares have been purchased under the NEDSP since the plan commenced in 2001. Since March 2005, shares are now acquired under the plan on a six monthly basis.

Details of grants under the NEDSP from 1 July 2004 to 30 June 2005 were as follows:

Period Ending	Total Fees Sacrificed	Participants	Shares Purchased	Average Purchase Price
30 September 2004	$74,406	11	2,475	$30.05
31 December 2004	$76,218	9	2,373	$32.11
31 March 2005	$110,958	9	3,086	$35.97

The trading restrictions on shares were lifted for two Non-Executive Directors as they ceased to be Non-Executive Directors during the period 1 July 2004 to the date of this report.

For the current year, $262,000 was expensed through the profit and loss reflecting shares purchased and allocated under the NEDSP.

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia, the Directors declare that:

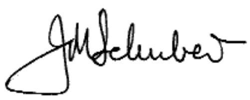
(a) the Financial Statements and notes thereto comply with Accounting Standards and in their opinion are in accordance with the *Corporations Act 2001*;

(b) the Financial Statements and notes thereto give a true and fair view of the Bank's and the Group's financial position as at 30 June 2005 and of their performance for the year ended on that date;

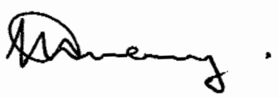
(c) in the opinion of the Directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable; and

(d) the Directors have been given the declarations required under section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2005.

Signed in accordance with a resolution of the Directors.



J M Schubert
Chairman



D V Murray
Managing Director and Chief Executive Officer

10 August 2005

Independent audit report to members of Commonwealth Bank of Australia

Matters relating to the Electronic Presentation of the Audited Concise Financial Report

This audit report relates to the financial report of Commonwealth Bank of Australia (the Bank) for the year ended 30 June 2005 included on the Bank's web site. The Bank's directors are responsible for the integrity of the Bank's web site. We have not been engaged to report on the integrity of the Bank's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated Group for the year ended 30 June 2005. The consolidated Group comprises both Commonwealth Bank of Australia and the entities it controlled during the year.

The directors of the Bank are responsible for preparing a concise financial report and the additional disclosures in accordance with AASB 1046 "Director and Executive Disclosures by Disclosing Entities" on pages 33 to 45, included in the directors' report designated as audited, that complies with Accounting Standard AASB 1039 "Concise Financial Reports", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report and the additional disclosures.

Audit approach

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

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

– testing that the information in the concise financial report and additional disclosures are consistent with the full financial report, and

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

We have also performed an independent audit of the full financial report of the Bank for the year ended 30 June 2005. Our audit report on the full financial report was signed on 10 August 2005, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence

We are independent of the Bank, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Bank a written Auditor's Independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the concise financial report and additional disclosures included in the directors' report designated as audited, of Commonwealth Bank of Australia complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Ernst & Young

Ernst & Young
Sydney

S J Ferguson
Partner

10 August 2005

Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 9 August 2005

Rank	Name of Holder	Number of Shares	%
1	J P Morgan Nominees Australia Limited	111,408,316	8.70
2	National Nominees Limited	96,687,608	7.55
3	Westpac Custodian Nominees Ltd	85,384,118	6.67
4	Citigroup Nominees Pty Limited	60,755,582	4.75
5	RBC Global Services Australia Nominees Pty Limited	30,800,038	2.41
6	ANZ Nominees Limited	27,532,803	2.15
7	Cogent Nominees Pty Limited	25,691,489	2.01
8	Queensland Investment Corporation	17,830,341	1.39
9	AMP Life Limited	14,110,370	1.10
10	Australian Foundation Investment Company Limited	7,895,245	0.62
11	HSBC Custody Nominees (Australia) Limited	6,807,983	0.53
12	Invia Custodian Pty Limited	6,525,391	0.51
13	Bond Street Custodians Limited	5,753,504	0.45
14	Westpac Financial Services Ltd	5,235,203	0.41
15	UBS Private Clients Australian Nominees Pty Ltd	4,724,440	0.37
16	IAG Nominees Pty Limited	4,232,183	0.33
17	Suncorp Custodian Services Pty Ltd	4,002,039	0.31
18	CSS Board & PSS Board	3,790,789	0.30
19	Government Superannuation Office	3,722,681	0.29
20	UBS Nominees Pty Ltd	3,613,551	0.28

The 20 largest Shareholders hold 526,503,674 shares which is equal to 41.12% 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 buy back of its shares.

Range of Shares (Fully Paid Ordinary Shares and Employee Shares): 9 August 2005

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1-1,000	530,269	75.35%	183,322,997	14.33%
1,001-5,000	153,710	21.84%	310,410,482	24.24%
5,001-10,000	13,769	1.96%	94,537,305	7.38%
10,001-100,000	5,750	0.82%	110,537,543	8.63%
100,001 and over	266	0.04%	581,593,245	45.42%
Total	703,764	100.00%	1,280,401,572	100.00%
Less than marketable parcel of $500	12,393		63,195	

Voting Rights

Under the Bank's Constitution, each person who is a voting member and who is 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 person present at a general meeting represents personally or by proxy, attorney or official representative more than one member, on a show of hands the person is entitled to one vote even though he or she represents more than one member.

If a member is present in person and votes on a resolution, 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 is entitled to vote on a show of hands; and
- on a 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:

- if the appointment does not specify the proportion or number of the member's votes each proxy may exercise, then on a poll each proxy may exercise one half of the member's votes;
- neither proxy shall be entitled to vote on a show of hands; and
- on a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

Top 20 Holders of Preferred Exchangeable Resettable Listed Shares ('PERLS') as at 9 August 2005

Rank	Name of Holder	Number of Shares	%
1	UBS Nominees Pty Ltd	79,068	2.25
2	Bond Street Custodians Limited	47,639	1.36
3	RBC Global Services Australia Nominees Pty Ltd	47,077	1.35
4	UBS Private Clients Australia Nominees Pty Ltd	44,377	1.27
5	J P Morgan Nominees Australia Limited	39,000	1.11
6	Invia Custodian Pty Limited	34,823	0.99
7	The Australian National University	33,532	0.96
8	National Nominees Limited	33,527	0.96
9	ANZ Executors & Trustee Company Limited	30,617	0.87
10	Australian Executor Trustees Limited	28,467	0.81
11	Boxall Marine Pty Ltd	25,000	0.71
12	Questor Financial Services Limited	24,277	0.69
13	National Superannuation Trusts P/L	19,769	0.56
14	Livingstone Investments (NSW) Pty Limited	15,500	0.44
15	BT Portfolio Services Limited (WA)	12,690	0.36
16	Ms Thelma Jones Martin-Weber	12,500	0.36
17	Albert Investments Pty Limited	10,000	0.29
18	Felden Pty Ltd	10,000	0.29
19	Marbear Holdings Pty Limited	10,000	0.29
20	Mrs Fay Cleo Martin-Weber	10,000	0.29
21	Swinburne University of Technology	10,000	0.29
22	Perpetual Trustee Co Ltd (Hunter)	8,863	0.25
23	E G Superannuation Pty Ltd	7,500	0.21

The 23 largest PERLS shareholders hold 594,226 shares which is equal to 16.96% of the total shares on issue. 23 PERLS shareholders are disclosed in the above table due to a number of shareholders having the same number of PERLS.

Stock Exchange Listing

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

Range of Shares (PERLS): 9 August 2005

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1-1,000	21,082	98.5%	2,393,283	68.38%
1,001-5,000	292	1.36%	566,022	16.17%
5,001-10,000	18	0.08%	134,714	3.85%
10,001-100,000	12	0.06%	405,981	11.60%
100,001-Over	–	–	–	–
Total	21,404	100.00%	3,500,000	100.00%
Less than marketable parcel of $500	8		11	

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.

Top 20 Holders of Perpetual Exchangeable Resettable Listed Securities II as at 9 August 2005

Rank	Name of Holder	Number of Shares	%
1	J P Morgan Nominees Australia Limited	474,545	12.65
2	National Nominees Limited	231,000	6.16
3	RBC Global Services Australia Nominees Pty Limited	141,532	3.77
4	UBS Warburg Private Clients Nominees Pty Ltd	86,409	2.30
5	Bond Street Custodians Limited	76,921	2.05
6	Westpac Custodian Nominees Limited	69,157	1.84
7	Citigroup Nominees Pty Limited	61,673	1.64
8	Invia Custodian Pty Limited	55,505	1.48
9	Cogent Nominees Pty Limited	51,878	1.38
10	Questor Financial Services Limited	46,704	1.25
11	Perpetual Trustee Company Limited	43,337	1.16
12	AMP Life Limited	40,149	1.07
13	Pan Australian Nominees Pty Limited	30,237	0.81
14	ANZ Executors and Trustee Company Limited	28,201	0.75
15	Cryton Investments No 9 Pty Ltd	25,000	0.67
16	J Neave Investments Pty Limited	24,942	0.67
17	Gordon Merchant No 2 Pty Ltd	24,440	0.65
18	ANZ Nominees Limited	20,319	0.54
19	Tynong Pastoral Co Pty Ltd	19,950	0.53
20	Israelite House of David	15,000	0.40

The 20 largest PERLS II shareholders hold 1,566,899 shares which is equal to 41.77% of the total shares on issue.

Stock Exchange Listing

Commonwealth Bank PERLS II are listed on the Australian Stock Exchange under the trade symbol PCBPA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers.

Range of Shares (PERLS II): 9 August 2005

Range	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Issued Capital
1-1,000	8,429	95.94%	1,356,589	36.18%
1,001-5,000	296	3.37%	653,313	17.42%
5,001-10,000	35	0.40%	274,601	7.32%
10,001-100,000	24	0.27%	759,952	20.27%
100,001-Over	2	0.02%	705,545	18.81%
Total	8,786	100.00%	3,750,000	100.00%
Less than marketable parcel of $500	2		3	

Voting Rights

PERLS II do not confer any voting rights in the Bank but if they are exchanged for or convert into ordinary shares or preference shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary or preference shares (as the case may be) will be as set out on pages 74 and 75 respectively for the Bank's ordinary shares and PERLS preference shares.

Trust Preferred Securities

550,000 Trust Preferred Securities were issued on 6 August 2003. Cede & Co is registered as the sole holder of these securities.

The Trust Preferred Securities do not confer any voting rights in the Bank but if they are exchanged for or convert into ordinary shares or preference shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary or preference shares (as the case may be) will be as set out on pages 74 and 75 respectively for the Bank's ordinary shares and PERLS preference shares.

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Laurie C Tuzo

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Chief Executive Officer, First State International
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First State Investments (UK) Limited
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T Waring

Contact Us

www.commbank.com.au

13 2221 General Enquiries

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 8:00am and 8:00pm, Monday to Friday.

13 2224 Home Loans and Investment Home Loans

To apply for a new home loan/investment home loan or to maintain an existing loan. Available from 8:00am to 10:00pm, 365 days a year.

13 1431 Personal Loan Sales

To apply for a new personal loan. Available from 8:00am to 8:00pm, Monday to Friday.

13 1519 CommSec (Commonwealth Securities)

Available from 8am to 7pm (EST), 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.commsec.com.au

13 1709 CommSec Margin Loan

Enables you to expand your portfolio by borrowing against your existing shares and managed funds. To find out more simply call 13 1709 8:00am to 5:00pm (EST) Monday to Friday or visit www.commsec.com.au

1800 240 889 Telephone Typewriter Service

A special telephone banking service for our hearing and speech impaired customers. The service covers all the services available on 13 2221. Available from 8:00am to 8:00pm, Monday to Friday.

1800 011 217 Lost or Stolen Cards

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

13 1998 Business Line

For a full range of business banking solutions. Available from 8:00am to 8:00pm, Monday to Friday.

13 2015 Commonwealth Financial Services

For enquires on retirement and superannuation products, or managed investments. Available from 8:30am to 6:00pm (EST), Monday to Friday.

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

CommInsure

For all your **general insurance** needs call **13 2423** 8:00am to 8:00pm (EST), Monday to Friday – or visit www.comminsure.com.au

For **general claims assistance** call **13 2420**, 24 hours a day, 365 days a year.

For all your **life insurance** needs call **13 1056** 8:00am to 8:00pm (EST), Monday to Friday – or visit www.comminsure.com.au

Internet Banking

You can apply for a home loan, credit card, personal loan, term deposit or a savings account 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 **13 2828** between 8:00am and 8:00pm (EST), Monday to Friday.

Corporate Directory

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J D Hatton

Shareholder Information
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Australian Stock Exchange Listing
CBA

Annual Report
To request a copy of the Annual Report
please call 1800 022 440

CommonwealthBank

Commonwealth Bank of Australia
ACN 123 123 124