

Commonwealth Bank
Commonwealth Bank of Australia
ACN 123 123 124

**Profit Announcement
For the year ended
30 June 2003**

Results have been subject to an independent audit
by the external auditors.
Released 20 August 2003

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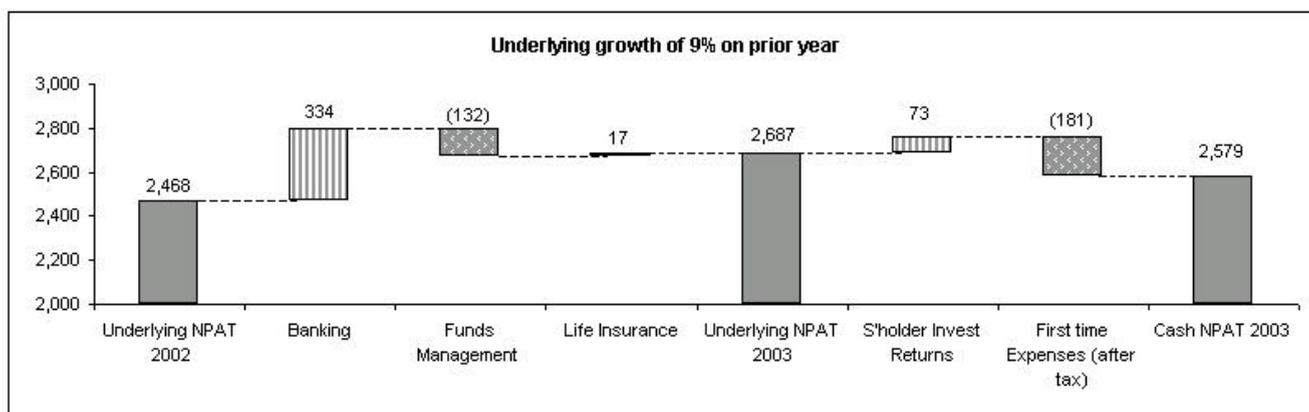
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Terms used in the Profit Announcement are defined in Appendix 19.

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Highlights

Key Performance Indicators	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Profitability			
Underlying Segment Profit after Income Tax:			
Banking	2,401	2,067	16
Funds Management	228	360	(37)
Life Insurance	58	41	41
Underlying Profit after Income Tax	2,687	2,468	9
Shareholder investment returns (after tax)	73	33	large
Operating expenses - included for first time (after tax)	(181)	-	-
Net Profit after Income Tax ("cash basis")	2,579	2,501	3
Goodwill amortisation	(322)	(323)	(0)
Appraisal value (reduction) / uplift	(245)	477	large
Net Profit after Income Tax ("statutory basis")	2,012	2,655	(24)
Banking			
Net interest margin (%)	2.67	2.76	(3)
Average interest earning assets	188,270	170,634	10
Average interest bearing liabilities	174,737	157,105	11
Funds Management			
Funds under management	94,207	102,838	(8)
Life Insurance			
Inforce premiums	880	810	9
Shareholder Investment Returns (before Tax)			
	91	47	94
Operating Expenses			
Comparable business	5,292	5,201	2
First time	259	-	-
Total operating expenses	5,551	5,201	7
Underlying Productivity			
Banking expenses to income (%)	52.0	54.1	(4)
Funds Management expenses to average funds under management (%)	0.85	0.73	16
Life Insurance expenses to average inforce premiums (%)	57.3	68.8	(17)
Shareholder Measures			
EPS - cash basis - basic (cents)	202.6	197.3	3
Dividend per share (cents)	154	150	3
Capital Adequacy			
Tier 1 (%)	6.96	6.78	3
Total (%)	9.73	9.80	(1)
Full-time Staff Equivalent (FTE's)	35,845	37,245	(4)



Underlying measures exclude shareholder investment returns and first time operating expenses along with their associated tax if relevant. This represents core operating performance, removing the volatility of shareholder earnings and the impact of strategic initiatives

Highlights (cont'd)

Financial Performance and Business Review

After deducting goodwill amortisation of \$322 million and a net reduction in appraisal value of \$245 million, the Commonwealth Bank recorded a net profit after income tax of \$2,012 million, or 24% below the prior year.

The net profit after tax (cash basis) for the year ended 30 June 2003 is \$2,579 million, an increase of \$78 million or 3% on the prior year.

This result was achieved inclusive of \$259 million of first time expenses related to strategic initiatives of \$214 million and \$45 million of expense relating to two years allocations of shares issued to employees under the employee share program.

This result reflects a strong banking performance primarily driven by the Australian and New Zealand retail banking operations. The housing market has primarily driven the banking performance, with balance growth at over 17% for the year. The New Zealand performance reflects strong industry conditions combined with growth in market shares for retail, business and rural lending.

Results for Institutional and Business Banking were subdued, primarily reflecting the difficult industry conditions. The weakened demand for credit in the institutional segment and conditions in global markets resulted in flat earnings outcomes.

In Funds Management, falling equity markets globally have reduced funds under management and depressed volumes of inflows, particularly in the first half of the year.

The underlying profit performance of the Life Insurance business includes a one off write down of an investment asset within Australia. Excluding this the results of all regions, particularly Asia, were favourable. The Life Insurance result also benefited from a rebound in equity markets in the second half of the year.

Underlying operating expenses have increased by 2% over the year, primarily driven by increased volumes, the set up of the new Premium Financial Services Division together with increased regulatory expenses associated with the Funds Management business.

The growth in banking income combined with the benefit of strategic initiatives undertaken resulted in an underlying banking productivity improvement of 4% for the year. The underlying banking expense to income ratio is 52.0% compared with 54.1% in 2002.

The credit quality of the portfolio has improved with bad debt charge as a percentage of risk weighted assets decreasing from 0.32% at June 2002 to 0.21% at June 2003. This reflects an absence of significant corporate defaults compared with the prior year. The home lending portfolio continues to show low levels of delinquency and write-offs relative to historical trends.

2002/03 Restructuring Initiatives

During the year the Bank implemented a number of significant strategic initiatives with the aim of improving service levels and productivity.

The initiatives undertaken during the year included:

- Re-organisation within the retail banking operations aimed at eliminating duplication, inefficiencies and some back office processing.
- Empowerment of front line retail sales staff with information and decision-making capabilities to better meet customer needs.
- Redesign of system and relationship management processes in the business and corporate segments.
- Simplification and consolidation of legacy systems and processes within the Investment and Insurance business.

The gross expense of these initiatives in the current year, combined with the current year benefits and expected annualised future benefits are set out in the table below:

Pre Tax \$M	Expenses	Benefits	Net Expense	Annual Benefit
Full year to 30 June 2003	214	69	145	165

The gross expense for the year of \$214m is lower than the previously reported expectation of \$227m. Initiatives were achieved at a lower expense. The value of future expected benefits exceeds that previously reported.

As reported in the June 2002 profit announcement, it was anticipated that the above initiatives would result in a net reduction in the Bank's staff numbers of 1,000. This comprised a reduction of 1,500 from the retail and business-banking initiatives partly offset by the creation of customer facing positions in the premium division. Net staff numbers have reduced by 1,400 over the year. This comprised a reduction of 1,740 in back office positions partly offset by the creation of 340 customer-facing positions.

Bank Strategy

The CBA vision is to excel in customer service. To achieve this we are progressing our strategy to provide a consistently good range of services to meet the integrated financial needs of our customers. Implementation is centred on five key themes.

- Engage our people to provide consistently good service for customers through our proprietary distribution network.
- Implement a service and sales based management culture.
- Deepen customer relationships through needs based bundling.
- Simplify our processes and systems to improve service and productivity.
- Optimise the business mix.

There will be a strong focus on listening to our customers and supporting our people to deliver customer service results with improved tools and processes as well as more closely aligning our people and systems to our service aspirations.

Outlook

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

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

Customers will need more convenient and informed access to financial services, through wealth management advice, products to respond to the aging of the population and personalised banking services for payments, savings and investments. The strategy outlined above is designed to address these needs.

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

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

The Bank intends to maintain its high dividend payout ratio relative to its peers.

Highlights (cont'd)

Profit Summary

	Full Year Ended		
	30/06/03 \$M	30/06/02 \$M	Increase/ (Decrease) %
Net Profit after Income Tax ("statutory basis")	2,012	2,655	(24)
Net Profit after Income Tax ("cash basis")	2,579	2,501	3
Income			
Interest income	11,528	10,455	10
Interest expense	6,502	5,745	13
Net Interest Income	5,026	4,710	7
Other banking operating income	2,697	2,552	6
Total Banking Income	7,723	7,262	6
Funds management income ⁽¹⁾	1,042	1,147	(9)
Life insurance income ⁽¹⁾	634	659	(4)
Total Income	9,399	9,068	4
Expenses			
Operating expenses - comparable business	5,292	5,201	2
Operating expenses - included for first time	259	-	-
Total Expenses	5,551	5,201	7
Charge for bad and doubtful debts	305	449	(32)
Net profit before income tax, outside equity interests, goodwill amortisation and appraisal value (reduction)/uplift	3,543	3,418	4
Income tax expense ⁽¹⁾	958	916	5
Net profit after income tax, outside equity interests, goodwill amortisation and appraisal value (reduction)/uplift	2,585	2,502	3
Outside equity interests	(6)	(1)	large
Net Profit after Income Tax ("cash basis")	2,579	2,501	3
Appraisal value (reduction)/uplift	(245)	477	large
Goodwill amortisation	(322)	(323)	(0)
Net Profit after Income Tax ("statutory basis")	2,012	2,655	(24)
Contributions to Profit (after income tax)			
Banking	2,401	2,067	16
Funds Management	228	360	(37)
Life Insurance	58	41	41
Underlying Profit after Income Tax	2,687	2,468	9
Shareholder Investment Returns (after tax)	73	33	large
Operating Expenses - included for first time (after tax)	(181)	-	-
Net Profit after Income Tax ("cash basis")	2,579	2,501	3
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Appraisal value (reduction)/uplift	(245)	477	large
Net Profit after Income Tax ("statutory basis")	2,012	2,655	(24)

⁽¹⁾ Included within funds management and life insurance income and income tax expense is a \$58 million tax credit relating to policyholder losses (30 June 2002: \$36 million tax credit). These amounts were offsetting and therefore the impact on the net profit after tax is nil.

Balance Sheet Summary	Increase/ (Decrease)		
	30/06/03 \$M	30/06/02 \$M	%
Total assets	265,110	249,648	6
Total liabilities	242,958	228,592	6
Shareholders' equity	22,152	21,056	5
Assets held and Funds under Management			
On Balance Sheet			
Banking assets	229,289	211,130	9
Life insurance funds under management	22,800	25,355	(10)
Other life insurance and internal funds management assets	13,021	13,163	(1)
	265,110	249,648	6
Off Balance Sheet			
Funds under management	71,407	77,483	(8)
	336,517	327,131	3

Highlights (cont'd)

Shareholder Summary	Full Year Ended		Increase/ (Decrease) %
	30/06/03	30/06/02	
Dividends per share - fully franked (cents)	154	150	3
Dividend cover - cash (times)	1.3	1.3	-
Earnings per share (cents)			
Statutory - basic	157.4	209.6	
Statutory - fully diluted	157.3	209.3	
Cash basis - basic	202.6	197.3	
Cash basis - fully diluted	202.5	197.0	
Dividend payout ratio (%)			
statutory	97.7	71.7	
cash basis	75.9	76.2	
Weighted average number of shares (basic) (number)	1,253	1,250	
Weighted average number of shares (fully diluted) (number)	1,254	1,252	

Productivity and Efficiency	Full Year Ended		Increase/ (Decrease) %
	30/06/03	30/06/02	
Banking			
Expense to income (%)	54.8	54.1	1
Underlying expense to income (%)	52.0	54.1	(4)
Funds Management			
Expense to average funds under management (%)	0.89	0.73	22
Underlying expenses to average funds under management (%)	0.85	0.73	16
Life Insurance			
Expense to average inforce premiums (%)	57.3	68.8	(17)
Underlying staff expense/total operating income (%)	26.14	26.35	(1)
Total operating income per FTE (\$)	262,212	243,469	8
Full time staff equivalent (FTE's)	35,845	37,245	(4)

First Time Expenses and Shareholder Investment Returns	Full Year Ended			
	Before Tax 30/06/03	After Tax 30/06/03	Before Tax 30/06/02	After Tax 30/06/02
Underlying measures exclude the following items:	\$M	\$M	\$M	\$M
Banking				
Strategic initiatives	(176)	(124)	-	-
ESAP	(41)	(28)	-	-
Funds Management				
Strategic initiatives	(38)	(26)	-	-
ESAP	(4)	(3)	-	-
Investment returns	13	9	12	8
Life Insurance				
Investment returns	78	64	35	25
Total				
Strategic initiatives	(214)	(150)	-	-
ESAP	(45)	(31)	-	-
Investment returns	91	73	47	33

The current year benefits from strategic initiatives of \$69 million were reflected in "operating expenses – comparable businesses".

Throughout the report underlying measures exclude shareholder investment returns and first time operating expenses, being strategic initiatives and the cost of ESAP.

Highlights (cont'd)

Other Items

Dividends

The total dividend for the year is 154c, an increase of 4 cents or 3% on the prior year.

The dividend payout ratio for the year is 75.9% on a cash basis, consistent with the prior year payout ratio of 76.2%. The Bank purchased on market the shares needed to satisfy shareholder participation in the Dividend Reinvestment Plan (DRP) in respect of the interim dividend for 2002/03. It expects to do the same in respect of the final dividend for 2002/03.

The dividend payment for the second half of the year is 85 cents per share. This dividend payment is fully franked and will be paid on 8 October 2003 to owners of ordinary shares at the close of business on 29 August 2003 (record date). Shares purchased on or after 25 August 2003 (ex-dividend date) do not qualify for the dividend.

Dividends were based on Cash Profit Per Share, having regard to the following:

- Rate of business growth;
- Capital adequacy;
- Investment requirements;
- The cyclical nature of life insurance investment returns and expectations of long term investment returns; and
- A range of other factors.

Subject to these factors, the Bank will continue to maintain a high payout ratio relative to its peers.

Capital Management

The Bank maintains a strong capital position. This is recognised in its credit ratings. The Bank's credit ratings remain unchanged for the year.

	Long-term	Short-term	Affirmed
Fitch Ratings	AA	F1+	Feb 03
Moody's Investor Services	Aa3	P-1	Oct 01
Standard and Poor's	AA-	A-1+	Dec 02

The risk weighted capital ratios of the Bank were detailed below.

	30/06/03	30/06/02
Risk Weighted Capital Ratios	%	%
Tier one	6.96	6.78
Tier two	4.21	4.28
Less deductions	(1.44)	(1.26)
Total capital	9.73	9.80

Tier 1 capital is one of the key measures the Bank uses to manage capital. The increase in the tier one ratio from 30 June 2002 can be attributed to:

- An increase of \$652 million principally due to retained earnings and the issue of NZD200 million (AUD181 million) of preference shares by ASB Bank (included in outside equity interest on the balance sheet).
- An increase in risk weighted assets from \$141 billion to \$147 billion. Housing loans secured by residential mortgages, which attract a concessionary risk weighting of 50%, increased by \$14.4 billion.

As required by APRA, the investment in life insurance and funds management is deducted from regulatory capital to arrive at the ratios shown above. This treatment does not recognise the surplus capital held in the life insurance and funds management businesses, nor does it give credit for the risk diversification benefits provided by these businesses.

In August 2003, the Bank raised USD550 million (AUD 824 million) of Perpetual non call 12 year tier 1 hybrid capital which would have increased Tier 1 capital at 30 June 2003 from 6.96% to 7.52%. These securities offer a non-cumulative fixed rate distribution of 5.805% per annum payable semi-annually. The transaction was an opportunistic response to favourable credit markets in the United States.

Market Shares

The table below sets out the market share holding for the current and prior year along key product lines.

We remain a leader in most product lines and have generally increased our shares, however there has been a reduction in home loans, and business lending and Australian retail funds management market shares.

The acceleration of our strategic initiatives relating to customer service will be key in improving these positions.

Line of Business	30/06/03	30/06/02
Banking		
Retail Deposits	24.8% ⁽¹⁾	24.7%
Credit Cards	22.9% ⁽¹⁾	22.8%
Home Loans	19.5% ⁽³⁾	19.9% ⁽⁵⁾
New Zealand Lending	20.4% ⁽²⁾	19.6%
New Zealand Deposits	16.3% ⁽²⁾	15.5%
Merchant Acquiring	33.9% ⁽²⁾	34.5%
Transaction Services	22.7% ⁽⁴⁾⁽⁷⁾	21.8%
Business Lending	14.3% ⁽⁶⁾	15.2%
Asset Finance	15.1% ⁽⁸⁾	16.5%
Funds Management		
Australia Retail	14.8%	15.5%
New Zealand	14.0% ⁽³⁾	13.0%
Australia Property	6.3%	5.2%
Life Insurance		
New Zealand	28.3% ⁽²⁾	26.2%
Australia	15.0% ⁽³⁾	14.9%
Hong Kong	2.5%	2.1%

⁽¹⁾ as at May 2003 ⁽²⁾ as at April 2003 ⁽³⁾ as at March 2003 ⁽⁴⁾ as at Feb 2003

⁽⁵⁾ as at March 2002 Previously reported 20.1%, which was revised by APRA to 19.9%

⁽⁶⁾ Adjusted to reflect changes in APRA data series ⁽⁷⁾ Mid corporate segment

⁽⁸⁾ Business written by CBFC only

Highlights (cont'd)

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 (the SOX Act), was enacted. By its terms, this Act applies to the Bank because it has certain securities registered with the US Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (the 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 Bank'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.

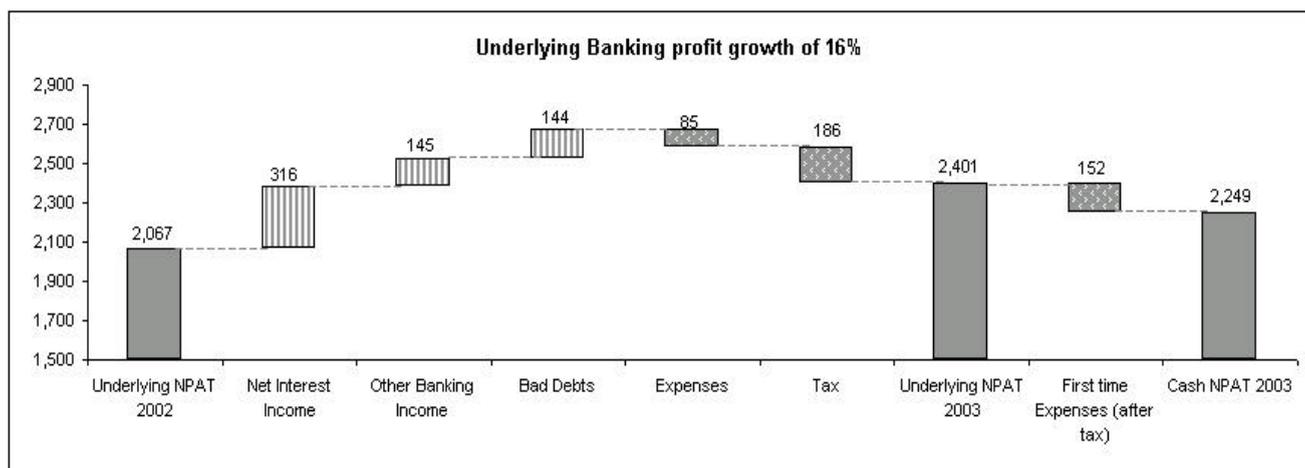
Some of the more significant certifications generally include:

- 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 Bank;

- 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 Bank'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 Bank'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 were reasonably likely to adversely affect the Bank'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 Bank'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 has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting.

Banking Analysis

Key Performance Indicators	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Profitability			
Underlying Profit after Income Tax	2,401	2,067	16
Operating expenses - included for first time (after tax)	(152)	-	-
Net Profit after Income Tax ("cash basis")	2,249	2,067	9
Operating Income			
Net interest income (\$m)	5,026	4,710	7
Net interest margin (%)	2.67	2.76	(3)
Other operating banking income (\$m)	2,697	2,552	6
Total banking income (\$m)	7,723	7,262	6
Other operating banking income/Total banking income (%)	34.92	35.14	(1)
Operating Expenses			
Comparable businesses (\$m)	4,014	3,929	2
First time (\$m)	217	-	-
Productivity and Other Measures			
Expense to income (%)	54.8	54.1	(1)
Expense to income - underlying (%)	52.0	54.1	4
Effective corporate tax rate (%)	29.4	28.3	(4)
Balance Sheet			
Lending assets (\$m)	175,074	161,216	9
Average interest earning assets (\$m)	188,270	170,634	10
Average interest bearing liabilities (\$m)	174,737	157,105	11
Asset Quality			
Charge for bad and doubtful debts (\$m)	305	449	(32)
Risk weighted assets (\$m)	146,808	141,049	4
Net impaired assets (\$m)	434	614	(29)
General provision/Risk weighted assets (%)	0.90	0.96	(6)
Total provisions/Gross impaired assets (net of interest reserved) (%)	239.4	183.9	30
Bad debt expense/Risk weighted assets (%)	0.21	0.32	(34)



Financial Performance and Business Review

Banking operations produced a very strong result. The cash profit contribution increased by \$182 million or 9% to \$2,249 million.

Excluding first time expenses, the growth in underlying profit is 16% or \$334 million. This was achieved

through strong balance growth, fee initiatives and an improvement in asset quality.

Underlying operating expenses have remained relatively flat, increasing by \$85m or 2%, which includes increased volume and the expense of establishing the new premium financial services division.

Banking Analysis (cont'd)

Financial Performance and Business Review

Retail

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

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

- Development of the premium financial services distribution model. This added new expenses to the Bank, primarily funded by the benefits from other strategic initiatives. The premium distribution model is team-based and involves providing clients with access to a team of advisers, all of whom were aware of the clients' relationships with the Bank and equipped to satisfy the customers financial needs utilising the full range of wealth management services. This has been specifically developed to facilitate superior client experience and over 195,000 banking clients were now being serviced through this model.
- The introduction of a new telling system, improving service and efficiency levels across the branch network.
- A new home loan system introduced for branch and mobile lenders, with automatic linkages to back-office processing areas for significant improvement in customer service and efficiency levels.
- The acquisition of TD Waterhouse. This business has been integrated into CommSec which in aggregate now has over one million Equities Trading Accounts.
- Refinement of the credit card loyalty program, Commonwealth Awards, enhancing many of its features for customers. Fee structures for all credit cards were reviewed and changes implemented effective January 2003.

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

The specific focus in the forthcoming years will be on:

- Enhancing the premium service experience for our clients by enhancing systems and further investment in the training of our people.
- Re-designing and refurbishing the branch network to better service customer needs.
- Streamlining and simplifying processes and procedures to ensure every interaction with customers is as efficient as possible – from simple over-the-counter deposits and withdrawals to the establishment of a new home loan.
- Continuing to upgrade key systems, including ATMs and NetBank, to further improve service delivery.
- Simplifying products and better aligning these to the needs of our customers.
- Creating an environment where our people were continually encouraged, supported, empowered and motivated to perform at their best.

Asia Pacific

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

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

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

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

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

Institutional & Business

The business climate was subdued over the year and as a result, market competition has intensified.

In light of the business environment the focus for the year was on the continued delivery of innovative solutions and transforming the business for future growth.

During the year, a new client-servicing model, based on client need was implemented. This involved segmentation of the client base into Institutional, Corporate and Business Banking groups, with distinct Regional segments within business banking established to meet the needs of clients based outside the metropolitan areas. In conjunction with the new segmentation, simplified technology platforms and streamlined credit processes for all client segments were rolled out. These measures enable a more responsive service to clients, improved productivity and increase the focus on generating new business, while preserving the overall risk profile of the Bank.

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

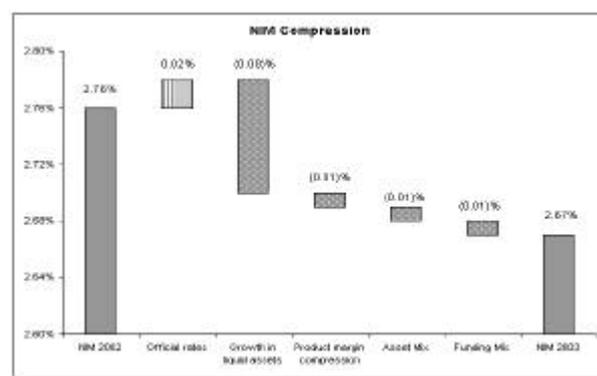
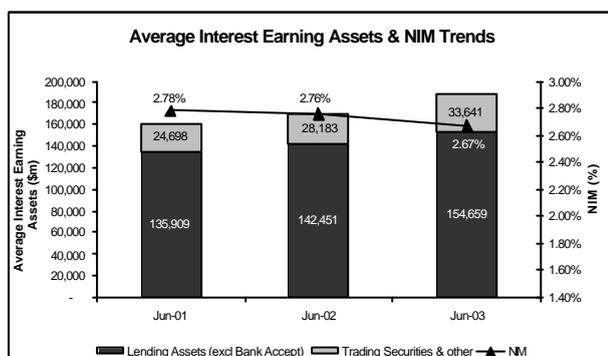
Central to the success of the business over the next year will be the continued transformation of product offerings, services, processes and systems and the ongoing promotion of a high performance culture, which enables our people to excel in client service.

Banking Analysis (cont'd)

Profit Summary

	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Net interest income	5,026	4,710	7
Other operating income	2,697	2,552	6
Total Operating Income	7,723	7,262	6
Operating expenses - comparable businesses	4,014	3,929	2
Operating expenses - included for the first time	217	-	-
Total Operating Expenses	4,231	3,929	8
Charge for bad and doubtful debts	305	449	(32)
Net Profit before Income Tax	3,187	2,884	11
Income tax expense	938	816	15
Outside equity interests	-	1	large
Net Profit after Income Tax ("cash basis")	2,249	2,067	9

Net Interest Income



Net Interest Income for the year increased by 7% or \$316 million from \$4,710 million in the prior year to \$5,026 million in the current year.

The increase in net interest income is due to a 10% or \$18 billion increase in average interest earning assets between 30 June 2002 and 30 June 2003. This has been partially offset by a reduction in the net interest margin of 9 basis points from 2.76% at June 2002 to 2.67% in the current year.

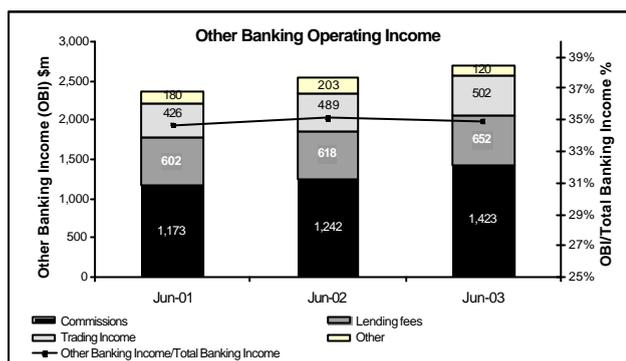
The growth in average interest earning assets reflects an increase of \$13 billion in lending assets and \$2 billion in investment and trading securities. The strong housing market in Australia and New Zealand has primarily driven the lending asset growth, while the opportunity to obtain overseas funding has driven the growth in investment and trading securities. The growth in average lending assets contributed an additional \$479 million volume benefit in net interest income. Further analysis of the movement in interest earning assets is provided on page 13.

The reduction in the net interest margin from 2.76% at June 2002 to 2.67% in the current year has had a negative effect on interest income of \$163 million. The decline in margin can be attributed as follows:

- A benefit of two basis points from the movement in Australian official rates in June 2002, which was fully reflected in the current year and New Zealand cash rate increases. This was offset by:
- The global environment of low overseas interest rates, combined with favourable exchange rates created opportunities for acquiring overseas funding through Debt Issues. The funding acquired more than exceeded the lending asset growth. The excess funding was deposited in high quality liquid assets, reducing the Bank's net interest margin by eight basis points.
- Further penetration of the home lending broker market and strong competition across all lending products reduced the bank margin by one basis point.
- The higher mix of home lending assets and trading and investment securities, lower yielding products, as a percentage of the total portfolio reduced the margin by one basis point.
- Institutional and business deposits combined with the growth in Debt Issues has increased the proportion of funding from wholesale funding sources compared with retail funding, thus reducing the margin by one basis point.

Banking Analysis (cont'd)

Other Banking Operating Income



Other banking operating income has increased by \$145 million or 6% on the prior year, increasing from \$2,552 million for 2002 to \$2,697 million for 2003. Included within other banking income is non-interest income earned on transaction accounts for the Bank's personal, business and corporate customers. The principal reasons for the increase were set out below:

Growth in commissions and other fees of 15% or \$181 million, was primarily driven by new fee structures on retail transaction and savings accounts introduced in the prior financial year. This initiative reflected a simplified fee structure for customers and a more stable income structure for the Bank, which were less dependent on interest income and transactional volumes. The result also includes strong growth in credit card transactions, reflecting market growth combined with successful campaigns targeted at specific customer segments.

Growth in lending fees of \$34 million or 6% reflects a growth in bank acceptance fees combined with growth in home lending establishment and service fees. The growth in home lending fees is partly offset by an increase in up-front 3rd party broker commissions. Trailing commissions were netted against net interest income. This channel now accounts for 19% of new home lending fundings, up from 12% in the prior financial year.

Trading income moderately increased by \$13 million or 3% over the prior year. The reduced currency volatility and weaker credit market adversely impacted this business particularly in the first half of the financial year.

Other banking income of \$120 million has decreased by \$83 million on the prior year. The prior year included a profit on sale of strategic investments, while the current year includes a provision against a strategic investment, and increased claims within the general insurance business on Canberra bush fires.

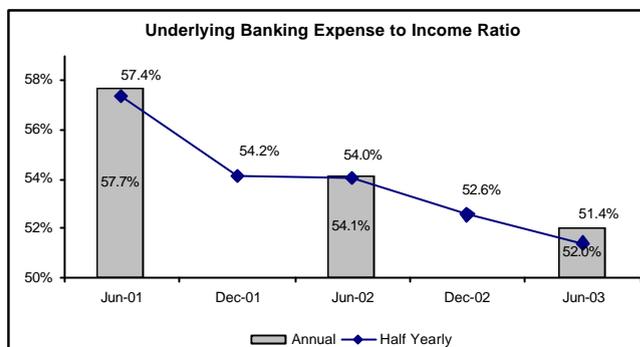
Operating Expenses – Comparable Business

Expenses from comparable businesses have increased by 2% or \$85 million from \$3,929 million at 30 June 2002 to \$4,231 million at 30 June 2003. Expenses in the current period reflect:

- The benefits from strategic initiatives implemented during the year, offset by
- Expenses associated with the development of the Premium Business model.
- Volume related increases in credit cards and home lending.
- Increased software amortisation charges following the implementation of the Bank's new financial and HR systems.
- Increased expenses on New Zealand operations as a result of the appreciation of its currency relative to the Australian dollar.
- Enterprise Bargaining Agreement (EBA) increases have been met through other expense efficiencies.

Productivity Efficiency

The underlying banking expense to income ratio has improved by 4% from 54.1% for the year ended 30 June 2002 to 52.0% for the year ended 30 June 2003. This reflects strong revenue growth generated primarily through housing and fee initiatives combined with the benefits of the strategic initiatives and overall productivity improvements.



The expense to income ratio for the six months ended 30 June 2003 is 51.4% an improvement from 52.6% for the six months ended 31 December 2002.

Operating Expenses – Included for the First Time

Operating expenses included for the first time within the banking business were \$217 million. This includes the expense of ESAP of \$41 million and strategic initiatives of \$176 million.

The key banking initiatives were the re-organisation within the retail banking and the redesign of system and relationship management processes in the business banking and corporate banking segments.

Bad and Doubtful Debts

The total charge for bad and doubtful debts for the year ended 30 June 2003 was \$305 million, a decrease of \$144 million from \$449 million in 2002.

The prior year included a small number of large corporate and commercial lending exposures, which became impaired during the first half of that financial year.

Taxation Expense

The corporate tax charge is \$938 million, an increase of 15% or \$122 million on the prior financial year. The primary cause of the increased tax charge has been increased profits. The effective rate of taxation for the current year is 29.4%, an increase from 28.3% in the prior year. This reflects the utilisation of capital losses in the prior year, which has not re-occurred in the current year.

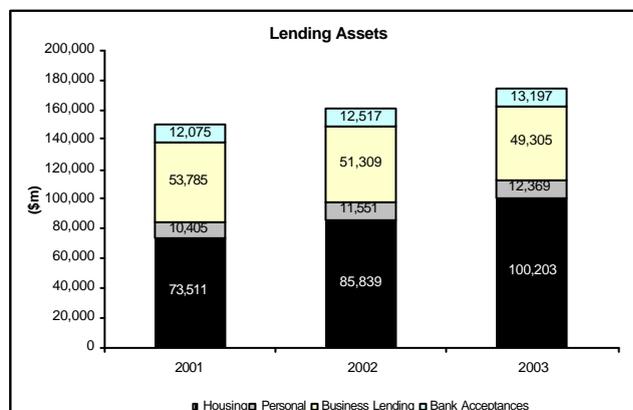
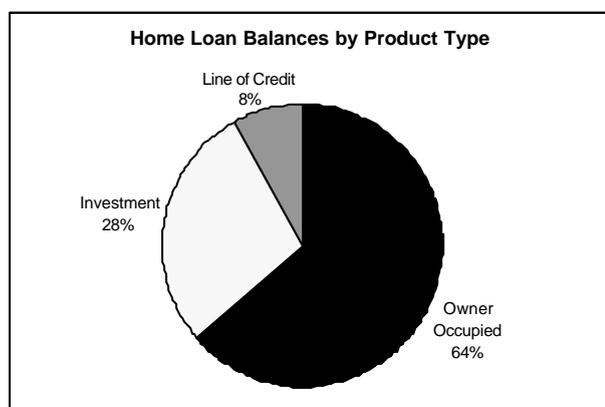
Banking Analysis (cont'd)

Major Balance Sheet Items

Major Balance Sheet Items (gross of impairment) - by Product	30/06/03 \$M	30/06/02 \$M	Increase/ (Decrease) %
Gross housing	106,683	92,886	15
Securitisation	(6,480)	(7,047)	(8)
Housing (net of securitisation)	100,203	85,839	17
Personal ⁽¹⁾	12,369	11,551	7
Business and Corporate ⁽¹⁾	49,305	51,309	(4)
Bank acceptances	13,197	12,517	5
Total Lending Assets	175,074	161,216	9
Trading & Investment Securities	21,471	19,155	12
Deposits and Other Public Borrowings	140,974	132,800	6
Debt Issues	30,629	23,575	30

⁽¹⁾ Balances have been restated in 2002 due to reclassification of some products from Business and Corporate to Personal.

Major Balance Sheet Items (gross of impairment) - by Business	30/06/03 \$M	30/06/02 \$M	Increase/ (Decrease) %
Retail:			
Lending assets	100,134	87,531	14
Deposits	68,702	65,835	4
Total	168,836	153,366	10
Asia Pacific:			
Lending assets	19,880	16,951	17
Trading & investment securities	2,953	2,126	39
Debt issues	2,570	2,405	7
Deposits	17,168	13,916	23
Total	42,571	35,397	20
Institutional and Business:			
Lending assets	55,060	56,735	(3)
Trading & investment securities	18,518	17,029	9
Debt issues	28,059	21,170	33
Deposits	55,104	53,049	4
Total	156,741	147,983	6



Banking Analysis (cont'd)

Retail

Lending Assets

Retail banking lending assets was \$100 billion, an increase of \$12 billion or 14% over the prior year. Lending assets comprises Australian Home Lending and Personal Lending.

Housing

Home loan outstandings have increased by 16% over the prior year. This reflects strong performance in proprietary networks and a growing share of the 3rd party broker market. This growth was primarily achieved in line with market demand as a result of the low interest rate environment and increased demand for investment home loans influenced by the volatile equity markets. This was combined with customer service and retention initiatives undertaken during the year.

The Bank maintained its position as Australia's leading home loan provider, however market share declined from 19.9% at 31 March 2002 to 19.5% at 31 March 2003 (Source: APRA *Residentially Secured All Lenders*). The Bank has increased its share of the 3rd party broker market to 15% at March 2003 compared with 12% at March 2002.

Recent approvals and fundings have remained strong.

Personal Lending

Personal lending includes Personal loans, Credit Cards and Margin Loans.

The Banks market share of personal credit cards increased from 22.8% at 30 June 2002 to 22.9% at 31 May 2003 (Source: RBA *Credit Card Balances*). The above market growth was driven by effective sales and marketing campaigns.

Margin lending balances have increased by approximately 10%.

Personal loan balances declined marginally over the year although the second half performance was stronger. The market for traditional personal lending products remains under pressure from alternative financing options such as credit cards and home loan redraw facilities.

Retail Deposits

Retail deposit balances at 30 June 2003 were \$68.7 billion, an increase of \$2.9 billion over the prior year. This growth was driven by increased demand for cash management products and is reflective of weak equity markets and new compliance requirements on the sale of cash management trusts. This has been partly offset by a slight reduction in transaction account balances.

The Bank is the largest acceptor of retail deposits in Australia with a market share of 24.8% at 31 May 2003 compared with 24.7% at June 2002 (Source : RBA)

Asia Pacific

Lending Assets

Lending volumes growth was high primarily driven by the New Zealand business. Within this business the growth in housing lending was 18%, rural lending grew 24%, business-lending growth was 19%, and total advances increased by 12%. This compared with the annual market growth rate of 9.1% as measured by Private Sector Credit (Residents only) (Source: Reserve Bank of New Zealand).

Record growth in ASB's home loan approvals was the result of its significant presence in the more rapidly growing Auckland market, effective Spring and Summer marketing campaigns, together with positive market dynamics including favourable economic conditions, stable interest rates, and high immigration levels. ASB's share of the retail lending market nationwide increased to 20.4% by 30 April 2003 (30 June 2002, 19.6%) and its share of the rural lending market reached 12.9% by 30 April 2003 (30 June 2002, 12.5%) (Source: Reserve Bank of New Zealand).

Deposits

ASB's total deposit growth was 13% compared with market growth of 8.2% (Source: Reserve Bank of New Zealand). The majority of ASB's deposits were sourced from term investments, with safety and security of capital being the primary drivers.

Institutional and Business

Lending Assets

Lending assets of \$55.1 billion have declined by 3% from \$56.7 billion in the prior year. This is primarily due to lower foreign currency lending balances, reflecting activity as well as the strengthening of the Australian dollar relative to other currencies. Domestic lending balances were flat over the year; however this included the effect of syndication in the current year of bridge finance advanced shortly prior to 30 June 2002, as well as continued credit portfolio management, in particular with respect to large exposures. The Bank's market share of Domestic Business Lending is 14.3% at June 2003 compared with 15.2% at June 2002 (Source: RBA).

Trading and Investment Securities

Trading and investment securities have increased 9% on the prior year. This is primarily due to short-term treasury deposits arising as a result of funding operations.

Debt Issues

Debt Issues were \$28 billion, an increase of \$7 billion on the prior year with the Bank taking advantage of the low interest rate environment and accessible funding markets offshore. This provides the Bank with greater liquidity to fund future lending asset growth.

Deposits

Deposits were \$55 billion, an increase of \$2 billion or 4% on the prior year. This is due to strong growth in business and corporate deposits, as a result of strong growth in business cheque accounts and cash deposit accounts, through market share growth in transaction services.

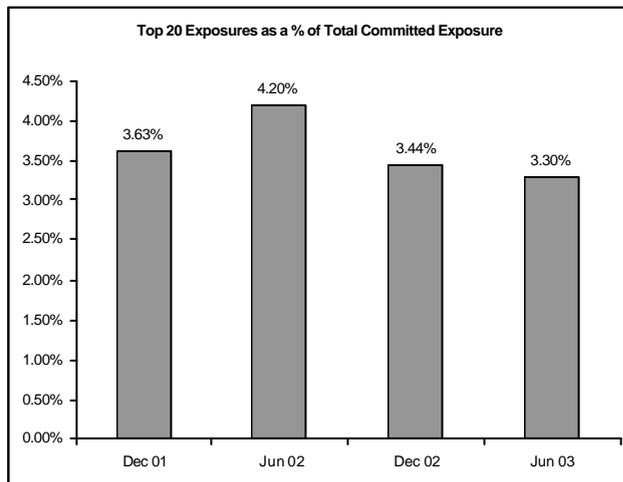
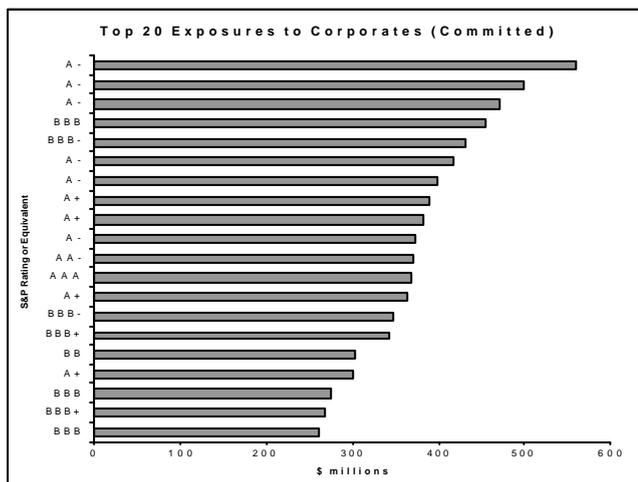
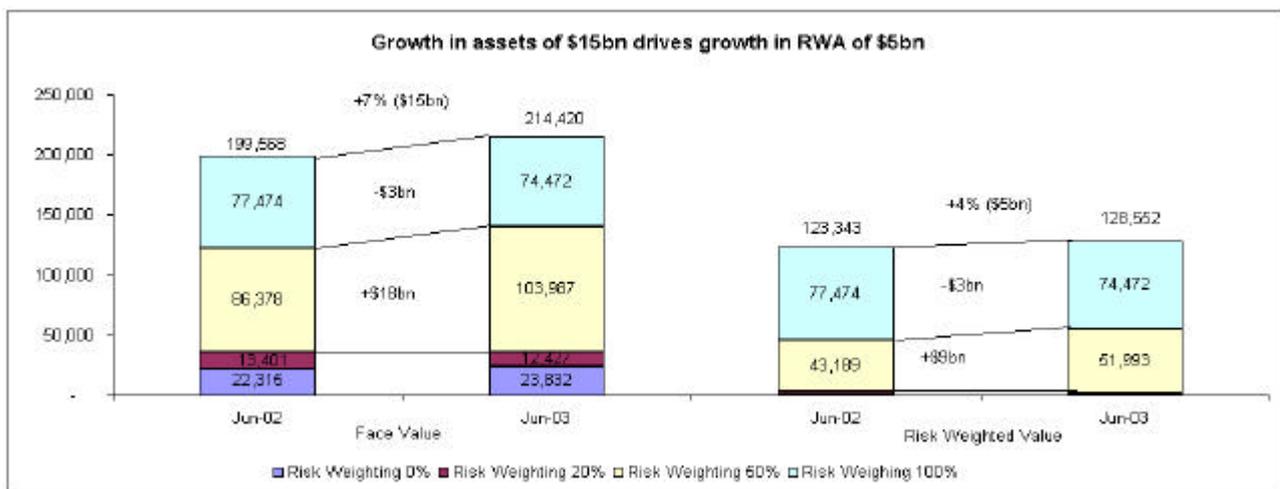
Banking Analysis (cont'd)

Provisions for Impairment	30/06/03 \$M	30/06/02 \$M
General provisions	1,325	1,356
Specific provisions	205	270
Total Provisions	1,530	1,626
Total provisions for impairment/gross impaired assets net of interest reserved (%)	239.4	183.9
Specific provisions for impairment/gross impaired assets net of interest reserved (%)	32.08	30.54
General provisions/risk weighted assets (%)	0.90	0.96
Bad debt expense/risk weighted assets (%)	0.21	0.32

Total provisions for impairment for the Bank at 30 June 2003 were \$1,530 million, down 5.9% from 30 June 2002. This level of provisioning is considered adequate to cover any bad debt write offs from the current lending portfolio having regard to the current outlook.

Specific provisions for impairment have decreased 24.1% from \$270 million at 30 June 2002 to \$205 million at 30 June 2003, primarily as a result of lower corporate defaults in the year as well as a number of provision reductions due to better than anticipated recoveries and provision write-offs.

The general provisions for impairment have reduced to \$1,325 million at 30 June 2003 from \$1,356 million at 30 June 2002, a decrease of 2.3%. The general provision as a percentage of Risk Weighted Assets reduced to 0.90% from 0.96%. This level is consistent with that of other major Australian banks. The general provision as a percentage of risk weighted assets has declined over the last 3 years reflecting the fact that the major growth in credit has been in home loans which have lower credit risk than other portfolios. Gross impaired assets less interest reserved have decreased 27.7% from \$884 million to \$639 million over the year. This has been primarily due to lower corporate defaults in the year as well as a number of provision reductions due to better than anticipated recoveries and provision write-offs.



Funds Management Analysis

Key Performance Indicators	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Profitability			
Underlying Profit after Income Tax	228	360	(37)
Shareholder investment returns (after tax)	9	8	13
Operating expenses - included for first time (after tax)	(29)	-	-
Net Profit after Income Tax ("cash basis")	208	368	(43)
Operating Income			
Operating income	1,104	1,213	(9)
Operating income to average funds under management (%)	1.16	1.17	(1)
Operating Expenses			
Comparable business	807	761	6
First time	42	-	-
Funds Under Management			
Funds under management - average	95,333	104,027	(8)
Funds under management - spot	94,207	102,838	(8)
Net flows	(3,725)	4,776	large
Productivity and Other Measures			
Expenses to average funds under management - actual (%)	0.89	0.73	22
Expenses to average funds under management - underlying (%)	0.85	0.73	16
Effective corporate tax rate (%)	20	21	(5)

Financial Performance and Business Review

Performance Highlights

The results for the funds management business were impacted by market conditions, with cash profit contribution for the year of \$208 million after tax.

Excluding the expenses from restructure initiatives and shareholder investment returns the underlying profit is \$228 million a 37% decrease on the prior year. This primarily reflects the effect of depressed equity markets for most of the year on funds under management, lower fund flows and the impact of increased compliance and regulatory expenses.

Business Review

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

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

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

- First Choice product, which was launched in May 2002, performed strongly, achieving \$3.2 billion in funds by 30 June 2003. The business retained more than 60% of these funds to manage internally.
- In September 2002, the respective unit holders approved the merger of Colonial First State Property Trust Group (CFT) with the Commonwealth Property Office Funds (CPA) and Gandel Retail Trust (GAN). The merger resulted in CPA and GAN creating two leading sector specific listed property trusts and the addition of \$2.2 billion in FUM. These businesses have now been successfully integrated and further strengthen the Bank's position as a leading property fund manager.

- The establishment of a strategic alliance with 452 Capital, giving exposure to the growing boutique segment of the funds management industry.
- Extension of the First Choice product offering into the business superannuation market with the launch of "First Choice Employer Super".
- Rationalising the Bank's position in the UK market with the sale of the Stewart Ivory Private Client business giving a clearer focus on our core funds management business in the UK.
- The investment team in the UK continues to deliver solid investment results against benchmark, and fund flows in the second half of the year increased substantially.

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

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

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

- Strong market position and scale across all segments of the value chain with the number one market share of retail funds under management at 14.8% at 30 June 2003, a decrease from 15.5% at June 2002 (Source: Plan for Life).
- Broad and diversified distribution, including further sales growth opportunities through the retail branch and premium distribution channels.
- A strong brand in both the investor and adviser market places through Colonial First State.

Funds Management Analysis (cont'd)

Profit Summary

	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Funds Management			
Operating income - external	1,091	1,200	(9)
Operating income - internal	13	13	-
Total Operating Income	1,104	1,213	(9)
Shareholder investment returns	13	12	8
Policyholder tax benefits	(62)	(65)	(5)
Funds Management Income	1,055	1,160	(9)
Operating expenses - comparable business	807	761	6
Operating expenses - included for the first time	42	-	-
Total Operating Expenses	849	761	12
Net Profit before Income Tax	206	399	(48)
Policyholder tax benefits	(62)	(65)	(5)
Corporate tax expense	54	96	(44)
Outside equity interests	6	-	-
Net Profit after Income Tax ("cash basis")	208	368	(43)

Operating Income

Operating income for the year is \$1,104 million, a \$109 million or 9% decrease on the prior year. Despite market conditions and significant changes in the product mix, the operating income to average funds under management ratio has been stable at 1.16%.

The key driver of the reduction in operating income has been the decline in funds under management, which has been adversely affected, by the decline in equity markets.

Shareholder Investment Returns

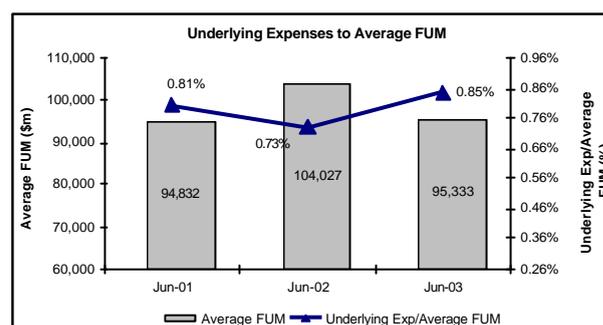
Shareholder investment returns of \$13 million were consistent with the prior year.

Operating Expenses – Comparable Businesses

Expenses for the year were \$807 million, a \$46 million or 6% increase on the prior year. This reflects:

- An increase in expenses associated with ASB's funds management business whose share of retail managed fund inflows remained consistently in the top three of all fund managers in New Zealand.
- Increased expenses in Australia, incurred in complying with new regulatory changes, increased compliance expenses on legacy business and underlying staff expense increases. This was partly offset by lower commissions as a result of lower volumes of inflows.

Productivity Efficiency



Expenses as a percentage of average FUM increased over the year, reflecting the fall in funds and an increase in expenses.

Operating Expenses – Included for the First Time

These expenses include the expenses of strategic initiatives. The strategic initiatives undertaken during the year were the sale of the Banks custody business, integration of the Commonwealth and Colonial First State Funds Management business and commencement of a migration and rationalisation program for closed products.

Taxation

The corporate taxation charge for the year is \$54 million, a reduction of 44% on the prior year. This reduction is in line with the reduction in profits with the effective tax rate stable at 20%.

The effective tax rate in the funds management business is below the standard tax rate of 30%, primarily as a result of transitional concessions on business written within life insurance legal entities.

Funds Management Analysis (cont'd)

Funds Under Management

Full Year Ended 30 June 2003

	Opening Balance 30/06/02 \$M	Inflows \$M	Outflows \$M	Investment Income \$M	Acquisitions & Disposals \$M	Other Movements & Transfers ⁽¹⁾ \$M	Closing Balance 30/06/03 \$M
First Choice	561	3,206	(578)	22	-	-	3,211
Cash management trusts	5,634	1,121	(1,970)	178	-	-	4,963
Retail	51,089	11,052	(12,630)	(562)	2,158	(638)	50,469
Wholesale	45,554	12,580	(16,506)	(501)	(5,000)	(563)	35,564
Total FUM	102,838	27,959	(31,684)	(863)	(2,842)	(1,201)	94,207

Full Year Ended 30 June 2002

	Opening Balance 30/06/01 \$M	Inflows \$M	Outflows \$M	Investment Income \$M	Acquisitions & Disposals \$M	Other Movements & Transfers ⁽¹⁾ \$M	Closing Balance 30/06/02 \$M
First Choice	-	561	-	-	-	-	561
Cash management trusts	6,172	5,637	(6,464)	289	-	-	5,634
Retail	51,902	14,509	(12,407)	(1,720)	-	(1,195)	51,089
Wholesale	43,407	15,121	(12,181)	(1,557)	-	764	45,554
Total FUM	101,481	35,828	(31,052)	(2,988)	-	(431)	102,838

⁽¹⁾ Includes foreign exchange gains and losses from translation of UK Funds Management business

Funds Under Management

Funds under management were \$94 billion at 30 June 2003, a decline of \$8 billion or 8% on the prior year. This result is comprised of net outflows of \$4 billion, investment return losses of \$1 billion and net disposals of \$3 billion. The majority of these movements occurred in the first half of the year.

First Choice

First Choice Funds have increased to \$3.2 billion as at 30 June 2003. This product was launched in May 2002 and enhanced during the year with the launch of the First Choice Corporate super product. The performance has been very positive, with the business retaining over 60% of these funds to manage internally.

Cash Management Trusts

Funds in the Cash Management Trust were \$5 billion, a decrease of 12% or \$0.6 billion on the prior year. The reduction in funds invested in the cash management trust was more than offset by the flow of funds into the banking retail deposit product and largely reflected the higher rates available on the banking products as well as new, more onerous compliance requirements on the sale of cash management trusts.

Retail

Retail funds under management were \$50 billion, a decrease of 1.2% over the prior year. This result includes \$2.2 billion acquired as part of the Gandel transaction.

The net flows from other retail products were impacted by some substitution of sales from these products into First Choice, the combined impact was a funds inflow of \$1 billion.

The other primary cause of the outflows has been customer sentiment regarding investment markets, and a slowing of inflows and increased redemptions on equity based products. Consistent with this change in sentiment the business has also seen a shift from international and Australian equity products to more defensive investments such as property and fixed interest.

Wholesale

Wholesale funds under management were \$35 billion, a decrease of \$10 billion from the prior year. Included within this decline was an outflow of \$3.5 billion following the previous sale of the UK life business to Winterthur and \$1.5 billion in relation to the sale by First State UK of its private client business. The underlying reduction of \$5 billion includes \$0.5 billion of investment losses as a result of market volatility and \$4 billion in net outflows. The net outflows occurred primarily in the Australian business as a result of lost equity mandates following the departure of personnel in the first half of the financial year. Consistent with the trend in retail products, there was also a slowing of inflows and increased redemptions of equity products generally, which was exacerbated by some downgrades in researcher ratings of the Colonial First State Australian equity funds.

Funds Under Management Geographical Segment	30/06/03 \$M	30/06/02 \$M	Increase/ (Decrease) %
Australia	78,359	81,670	(4)
United Kingdom	6,908	12,089	(43)
New Zealand	6,063	5,690	7
Asia	2,877	3,389	(15)
Total	94,207	102,838	(8)

Life Insurance Analysis

Key Performance Indicators	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Profitability			
Underlying Profit after Income Tax	58	41	41
Shareholder investment returns (after tax)	64	25	large
Net Profit after Income Tax ("cash basis")	122	66	85
Regional Net Profit after Income Tax - ("cash basis")			
Australia	71	84	(15)
New Zealand	46	28	64
Asia	5	(46)	large
Operating Income			
Operating income	634	659	(4)
Operating Expenses			
Comparable business	484	524	(8)
Annual Inforce Premiums			
Australia	575	527	9
New Zealand	221	187	18
Asia	84	96	(13)
Productivity and Other Measures			
Expenses to average inforce premiums (%)	57.3	68.8	(16)
Effective corporate tax rate (%)	16	38	(58)

Financial Performance and Business Review

Performance Highlights

The Life Insurance profit increased by \$56 million or 85% over the prior year to \$122 million. Excluding investment returns the underlying operating performance was \$58 million, a \$17 million or 41% improvement on the prior year. The improvement in underlying performance reflected a turnaround in the Asian business and strong profit growth in New Zealand, partly offset by a one off write down of an asset in the Australian Business.

Business Review

Australia

The Australian business grew strongly (9% inforce premiums) in a difficult market to become Australia's largest writer of Life risk premium with 15.0% market share.

Growth was achieved through product innovation, diversifying distribution and focusing on customer service.

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

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

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

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

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

New Zealand

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

Sovereign maintained its market leadership position with market share of in-force business premium income increasing to 28.3% at April 2003 compared with 26.2% at April 2002 (*source: ISI*). This was achieved through product re-pricing, above market persistency rates and the continued roll out of Sovereign's distribution model.

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

Asia

Asia covers our life insurance and pension administration operations in Hong Kong, and life businesses in China, Vietnam, Indonesia and Fiji. During the year the Philippines life insurance operation was divested.

North Asian economies faced difficult market conditions during the financial year due to the impact of the SARS crisis. The life industry across the region also suffered from volatility in international equity markets.

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

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

Life Insurance Analysis (cont'd)

Profit Summary

Summary Financial Performance (excluding appraisal value (reduction)/uplift)	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Life Insurance			
Operating income	552	595	(7)
Shareholder investment returns	78	35	large
Policyholder tax	4	29	(86)
Total Life Insurance Income	634	659	(4)
Operating expenses - comparable business external	471	511	(8)
Operating expenses - comparable business internal	13	13	-
Net Profit before Income Tax	150	135	11
Income tax expense attributable to:			
Policyholder	4	29	(86)
Corporate	24	40	(40)
Net Profit after Income Tax ("cash basis")	122	66	85

Operating Income

Operating Income was \$552 million for the year, a decrease of 7% or \$43 million on the prior year. This is primarily due to a significant write down of an individual asset in the Australian annuity fund of \$30 million combined with a reduction in income in Asia following the sale of the Philippine business. Underlying performance has been positive across all regions.

Shareholder Investment Returns

Shareholder investment returns were \$78 million for the year, an increase of \$43 million or 123% on the prior year. This reflected the rebound in global equity markets in the second half of the year.

Operating Expenses

Operating expenses were \$484 million, a decline of \$40 million on the prior year. This primarily reflected the sale of the Philippine business in Asia, a reduction in operating expenses in Hong Kong as a result of expense control initiatives, and a reduction in business start up expenses.

Corporate Taxation

The corporate tax expense was \$24 million a reduction from the prior period of \$16 million. The effective tax rate in the prior year reflected losses in the Asian business. There was no tax benefit booked in respect of these losses, as it was not considered to be virtually certain that the losses would be recovered. The current year result reflects a small profit from the Asian business.

Sources of Profit from Life Insurance Activities	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
The Margin on Services profit from ordinary activities after income tax is represented by:			
Planned profit margins	104	94	11
Experience variations	(38)	(43)	(12)
New business losses / reversal of capitalised losses	(8)	(10)	20
Operating margins	58	41	41
After tax shareholder investment returns	64	25	large
Operating (Loss)/Profit after Income Tax	122	66	85

Experience variations for the year were \$38 million. This comprised negative experience of \$48 million for the first half of the year, partly offset by favourable experience of \$10m in the second half of the year. The following experiences contributed to the first half results:

- Write down on an investment within the Australian business of \$30 million.
- Worse than long term plan persistency within the Asian and New Zealand business
- Start up expenses in the Asian Business, being primarily China, Vietnam and the Pension Retirement business in Hong Kong.

The second half favourable experiences reflect:

- Reduction in start up expenses in Asia, following cost control initiatives and the sale of the Philippine business, partly offset by

- Worse than long term plan persistency within the Asian and New Zealand business.

The prior full year experience variations of \$43 million included:

- Adverse claims experience in the New Zealand business.
- Although continuing to improve, worse than long term plan persistency within the Asian Business.
- Start up expenses in Asia.

The magnitude of the Asian persistency and start up expenses reduced in the current year, contributing to the improved Asian result.

Life Insurance Analysis (cont'd)

Geographical Analysis of Business Performance

	Full Year Ended							
	Australia		New Zealand		Asia		Total	
	30/06/03	30/06/02	30/06/03	30/06/02	30/06/03	30/06/02	30/06/03	30/06/02
Underlying Profit after Income Tax	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Operating margins	36	66	31	25	(9)	(50)	58	41
Investment earnings on assets in excess of policyholder liabilities	35	18	15	3	14	4	64	25
Net Profit after Income Tax	71	84	46	28	5	(46)	122	66

Australia

The Australian result for the year was \$71 million, a reduction of \$13 million or 15% on prior year.

Operating margins were \$36 million a reduction of \$30 million on the prior year, reflecting the write off of a significant asset in the first half of this year.

New Zealand

The profit contribution of the New Zealand business was \$46 million, a 64% increase on the prior year.

The operating margin was \$31 million, a 24% increase on the prior year. Adverse morbidity and disability claims and investment losses on annuity business impacted the prior period result. The current period result reflected favourable foreign exchange benefit and claims experience as a result of improved claims management, partly offset by higher than planned lapses. The lapse rate was however, below that experienced in the industry.

Asia

The Asian result for the year was \$5 million compared with a loss of \$46 million in the prior year.

Operating margins were a loss of \$9 million compared with a prior year loss of \$50 million. The improvement reflected the following:

- Stronger income stream as a result of the development of the pension fund administration business.
- One – off charges and new business losses, primarily in the Philippines, adversely impacted the prior year result.
- The current period result reflects improved expense control, particularly in maintenance expenses, and improved persistency compared with the prior year.

Full Year Ended 30 June 2003

	Opening	Sales/New	Lapses	Other	Closing
	Balance				Business
	30/06/02	\$M	\$M	\$M	30/06/03
Annual Inforce Premiums	\$M	\$M	\$M	\$M	\$M
Personal	581	128	(78)	(6)	625
Group	229	59	(30)	(3)	255
Total	810	187	(108)	(9)	880
Australia	527	128	(80)	-	575
New Zealand	187	43	(16)	7	221
Asia	96	16	(12)	(16)	84
Total	810	187	(108)	(9)	880

Full Year Ended 30 June 2002

	Opening	Sales/New	Lapses	Other	Closing
	Balance				Business
	30/06/01	\$M	\$M	\$M	30/06/02
Annual Inforce Premiums	\$M	\$M	\$M	\$M	\$M
Personal	525	137	(81)	-	581
Group	189	62	(22)	-	229
Total	714	199	(103)	-	810
Australia	463	124	(60)	-	527
New Zealand	161	52	(26)	-	187
Asia	90	23	(17)	-	96
Total	714	199	(103)	-	810

Annual inforce premiums increased by \$70 million or 9% on the prior year. This reflected an improvement in the lapse rate from 14.4% in the prior year to 13.3% in the current year.

The Bank's Australian market share of inforce premiums was 15.0% at March 2003, an increase from 14.9% at June 02 (Source: Plan for Life).

Sovereign's market share of inforce premiums was 28.3% at April 2003, compared with 26.2% at June 2002. Market share of new business was stable at 27.0% (Source ISI)

Shareholder Investment Returns

Shareholder Investment Returns	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Funds Management Business	13	12	8
Life Insurance Business	78	35	large
Shareholder Investment Returns before Tax	91	47	94
Taxation	18	14	29
Shareholder Investment Returns after Tax	73	33	large

Shareholder Investments Asset Mix (%)	Australia	New Zealand	Asia	Total
	30/06/03 %	30/06/03 %	30/06/03 %	30/06/03 %
Local equities	27	1	17	22
International equities	7	12	-	6
Property	15	3	-	10
Other ⁽¹⁾	-	10	29	7
Subtotal	49	26	46	45
Fixed interest	11	19	54	20
Cash	40	55	-	35
Subtotal	51	74	54	55
Total	100	100	100	100

Shareholder Investments Asset Mix (\$M)	Australia	New Zealand	Asia	Total
	30/06/03 \$M	30/06/03 \$M	30/06/03 \$M	30/06/03 \$M
Local equities	561	5	89	655
International equities	141	45	1	187
Property	302	11	-	313
Other ⁽¹⁾	-	38	236	274
Subtotal	1,004	99	326	1,429
Fixed interest	235	72	283	590
Cash	778	209	0	987
Subtotal	1,013	281	283	1,577
Total	2,017	380	609	3,006

⁽¹⁾ Asia other primarily includes the excess of carrying value over net tangible assets

Life Company Valuations

The following table sets out the components of the carrying values of the Bank's life insurance and funds management businesses. These were Directors' valuations, based on appraisal values using a range of economic and business assumptions determined by management, which were reviewed by independent actuaries, Trowbridge Deloitte.

In determining the carrying value, Directors have taken account of a number of market based factors which result in the adoption of a more conservative valuation that is \$450 million lower at 30 June 2003 (\$780 million lower at 31 December 2002; \$748 million lower at 30 June 2002) than that determined by Trowbridge Deloitte. The Directors

have considered the potential impacts to the appraisal value from continued volatility and uncertainty within world equity markets and the subdued levels of industry funds flows.

Some of the key factors allowed for within the Directors valuation at 31 December 2002, to reflect current market conditions, have now been incorporated into the Trowbridge Deloitte valuation at 30 June 2003. This has led to a reduction in the difference between the Directors valuation and the Trowbridge Deloitte valuation of \$330 million.

Carrying Value at 30 June 2003	Funds	Life Insurance			Total
	Management	Australia	New Zealand	Asia ⁽¹⁾	
	\$M	\$M	\$M	\$M	\$M
Shareholders net tangible assets	754	1,264	380	608	3,006
Value of inforce business	1,123	245	191	4	1,563
Embedded Value	1,877	1,509	571	612	4,569
Value of future new business	3,596	79	278	24	3,977
Carrying Value	5,473	1,588	849	636	8,546
(Decrease)/Increase in Carrying Value since 30 June 2002	(110)	178	61	(163)	(34)

Analysis of Movement Since 30 June 2002	Funds	Life Insurance			Total
	Management	Australia	New Zealand	Asia ⁽¹⁾	
	\$M	\$M	\$M	\$M	\$M
Profits	208	71	46	5	330
Capital movements ⁽²⁾	154	98	1	36	289
Dividends paid	(196)	(111)	-	-	(307)
Disposals/Acquisitions of business ⁽³⁾	(110)	-	-	(20)	(130)
FX Movements	(4)	(3)	(1)	(92)	(100)
Change in Shareholders NTA	52	55	46	(71)	82
Acquired excess	129	-	-	-	129
Appraisal value (decrease)/uplift	(291)	123	15	(92)	(245)
(Decrease)/Increase to 30 June 2003	(110)	178	61	(163)	(34)

⁽¹⁾ The Asian life businesses were not held in the market value environment and were carried at net assets plus any excess representing the difference between appraisal value and net assets at the time of acquisition. This excess which effectively represents goodwill is being amortised on a straight-line basis over 20 years.

⁽²⁾ Includes capital injections and movements in intergroup loans.

⁽³⁾ Represents the purchase of management rights in CFS Retail Property Trust, the acquisition of Avanteos, investment in a Chinese funds management joint venture, disposal of some Colonial First State UK business and disposal of the Philippines life insurance business.

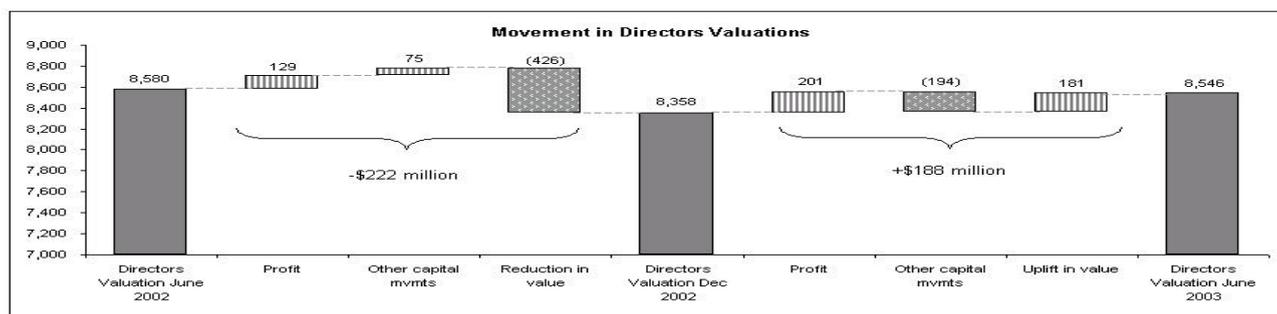
Change in valuations

The valuations adopted have resulted in a total value reduction of \$34 million since 30 June 2002. This comprised a reduction in carrying value of \$222 million in the period 30 June 2002 to 31 December 2002, partly offset by an increase in value of \$188 million in the period 31 December 2002 to 30 June 2003.

The main components of the reduction of \$34 million between 30 June 2002 and 30 June 2003 comprised:

- A \$82 million increase in net tangible assets as shown above.
- Acquired excess of \$129 million primarily in relation to the merger of the Colonial First State Property Trust

- Group (CFT) with the Commonwealth Property Office Fund (CPA) and Gandel Retail Trust (GAN) ("the property trust merger").
- Appraisal value reduction of \$245 million.
The capital movements in the current period primarily include an injection of capital into the funds management business in relation to the property trust merger.
The appraisal value reduction for the year of \$245 million reflects:
 - Uncertainty and low returns in world equity markets and their effect on industry flows.
 - The performance of the business during the year.



Commonwealth Bank
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**Financial Disclosures for
the year ended 30 June 2003**

Consolidated Statement of Financial Performance

For the year ended 30 June 2003

	Appendix	30/06/03 \$M	30/06/02 \$M
Interest income		11,528	10,455
Interest expense		6,502	5,745
Net interest income	1	5,026	4,710
Other income:			
Revenue from sale of assets		128	718
Written down value of assets sold		(106)	(628)
Other		2,675	2,462
Net banking operating income	1,5	7,723	7,262
Funds management fee income including premiums		1,125	1,083
Investment revenue		8	(393)
Claims and policyholder liability expense		(91)	457
Net funds management operating income		1,042	1,147
Premiums and related revenue		1,011	866
Investment revenue		620	293
Claims and policyholder liability expense		(997)	(500)
Life insurance margin on services operating income		634	659
Net life insurance and funds management operating income before appraisal value (reduction)/uplift		1,676	1,806
Total net operating income before appraisal value (reduction)/uplift		9,399	9,068
Charge for bad and doubtful debts		305	449
Operating expenses:			
Comparable business		5,292	5,201
First time		259	-
	6	5,551	5,201
Appraisal value (reduction)/uplift		(245)	477
Goodwill amortisation		(322)	(323)
Profit from ordinary activities before income tax		2,976	3,572
Income tax expense	7	958	916
Profit from ordinary activities after income tax		2,018	2,656
Outside equity interests in net profit		(6)	(1)
Net profit attributable to members of the Bank		2,012	2,655
Foreign currency translation adjustment		(129)	(146)
Revaluation of properties		3	(1)
Total valuation adjustments		(126)	(147)
Total changes in equity other than those resulting from transactions with owners as owners		1,886	2,508
Cents per Share			
Earnings per share based on net profit distributable to members of the Bank			
Basic		157.4	209.6
Fully Diluted		157.3	209.3
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares		154	150
Preference shares (issued 6 April 2001)		1,019	970
		\$M	\$M
Net Profit after Income Tax comprises			
Net Profit after income tax ("cash basis")		2,579	2,501
Less Appraisal value (reduction)/uplift		(245)	477
Less Goodwill amortisation		(322)	(323)
Net Profit after income tax ("statutory basis")		2,012	2,655

Consolidated Statement of Financial Position

As at 30 June 2003

	Appendix	30/06/03 \$M	30/06/02 \$M
Assets			
Cash and liquid assets		5,575	6,044
Receivables due from other financial institutions		7,066	7,728
Trading securities		10,435	8,389
Investment securities		11,036	10,766
Loans, advances and other receivables	8	160,347	147,074
Bank acceptances of customers		13,197	12,517
Life insurance investment assets		27,835	30,109
Deposits with regulatory authorities		23	89
Property, plant and equipment		821	862
Investment in associates		287	313
Intangible assets	16	5,029	5,391
Other assets		23,459	20,366
Total assets		265,110	249,648
Liabilities			
Deposits and other public borrowings	10	140,974	132,800
Payables due to other financial institutions		7,538	7,864
Bank acceptances		13,197	12,517
Provision for dividend		12	1,040
Income tax liability		876	1,276
Other provisions		819	834
Life insurance policyholder liabilities		23,861	25,917
Debt issues		30,629	23,575
Bills payable and other liabilities		19,027	17,342
		236,933	223,165
Loan Capital		6,025	5,427
Total liabilities		242,958	228,592
Net assets		22,152	21,056
Shareholders' Equity			
Share Capital:	14		
Ordinary share capital		12,678	12,665
Preference share capital		687	687
Reserves		3,850	4,226
Retained profits		2,809	1,452
Shareholders' equity attributable to members of the Bank		20,024	19,030
Outside Equity Interests:			
Controlled entities		304	9
Life insurance statutory funds and other funds		1,824	2,017
Total outside equity interests		2,128	2,026
Total shareholders' equity		22,152	21,056

Consolidated Statement of Cash Flows

For the Year ended 30 June 2003

	30/06/03 \$M	30/06/02 \$M
Cash Flows from Operating Activities		
Interest received	11,452	10,683
Dividends received	4	5
Interest paid	(6,455)	(5,805)
Other operating income received	3,135	3,706
Expenses paid	(5,438)	(5,366)
Income taxes paid	(1,258)	(926)
Net decrease (increase) in trading securities	(2,484)	(1,159)
Life insurance:		
Investment income	644	870
Premiums received ⁽¹⁾	4,130	5,689
Policy payments ⁽¹⁾	(5,855)	(5,704)
Net Cash provided by/(used in) operating activities	(2,125)	1,993
Cash Flows from Investing Activities		
Payments for acquisition of entities and management rights	(173)	(57)
Proceeds from disposal of entities and businesses	33	314
Net movement in investment securities:		
Purchases	(18,055)	(23,488)
Proceeds from sale	23	295
Proceeds at or close to maturity	17,719	22,192
Withdrawal (lodgement) of deposits with regulatory authorities	66	(28)
Net increase in loans, advances and other receivables	(13,577)	(11,702)
Proceeds from sale of property, plant and equipment	72	109
Purchase of property, plant and equipment	(143)	(164)
Net decrease (increase) in receivables due from other financial institutions not at call	513	(855)
Net decrease (increase) in securities purchased under agreements to resell	50	(1,376)
Net decrease (increase) in other assets	301	(241)
Life insurance:		
Purchases of investment securities	(13,091)	(13,926)
Proceeds from sale/maturity of investment securities	14,628	14,618
Net cash used in investing activities	(11,634)	(14,309)
Cash Flows from Financing Activities		
Proceeds from issue of shares (net of costs)	13	39
Proceeds from issue of preference shares for outside equity interests	182	-
Net increase (decrease) in deposits and other borrowings	5,129	15,135
Net movement in debt issues	7,054	(967)
Dividends paid (including DRP buy back of shares)	(1,933)	(1,661)
Net movements in other liabilities	(926)	1,809
Net increase (decrease) in payables due to other financial institutions not at call	(796)	211
Net increase (decrease) in securities sold under agreements to repurchase	3,046	310
Issue of loan capital	901	-
Other	19	(100)
Net cash provided by financing activities	12,689	14,776
Net Increase (decrease) in cash and cash equivalents	(1,070)	2,460
Cash and cash equivalents at beginning of period	2,498	38
Cash and cash equivalents at end of period	1,428	2,498

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

⁽¹⁾ These were gross premiums and policy payments before splitting between policyholders and shareholders.

Appendices

1. NET INTEREST INCOME
2. NET INTEREST MARGIN
3. AVERAGE BALANCES AND RELATED INTEREST
4. INTEREST RATE AND VOLUME ANALYSIS
5. OTHER BANKING OPERATING INCOME
6. OPERATING EXPENSES
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13. CAPITAL ADEQUACY
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15. LIFE INSURANCE BUSINESS
16. INTANGIBLE ASSETS
17. AMORTISATION SCHEDULE
18. PERFORMANCE SUMMARIES
19. DEFINITIONS

1. NET INTEREST INCOME

	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Interest Income			
Loans	10,084	9,231	9
Other financial institutions	233	165	41
Cash and liquid assets	137	142	(4)
Trading securities	454	359	26
Investment securities	579	517	12
Dividends on redeemable preference shares	41	41	-
Total interest income	11,528	10,455	10
Interest Expense			
Deposits	4,732	4,256	11
Other financial institutions	198	193	3
Debt issues	1,352	1,064	27
Loan capital	220	232	(5)
Total interest expense	6,502	5,745	13
Net interest income	5,026	4,710	7

2. NET INTEREST MARGIN

	Full Year Ended	
	30/06/03 %	30/06/02 %
Australia		
Interest spread ⁽¹⁾	2.68	2.75
Benefit of interest free liabilities, provisions and equity ⁽²⁾	0.20	0.25
Net interest margin ⁽³⁾	2.88	3.00
Overseas		
Interest spread ⁽¹⁾	1.22	1.16
Benefit of interest free liabilities, provisions and equity ⁽²⁾	0.49	0.43
Net interest margin ⁽³⁾	1.71	1.59
Group		
Interest spread ⁽¹⁾	2.40	2.47
Benefit of interest free liabilities, provisions and equity ⁽²⁾	0.27	0.29
Net interest margin ⁽³⁾	2.67	2.76

⁽¹⁾ Difference between the average interest rate earned and the average interest rate paid on funds.

⁽²⁾ A portion of the Bank's interest earning assets is funded by interest free liabilities and shareholders' equity. The benefit to the Bank of these interest free funds is the amount it would cost to replace them at the average cost of funds.

⁽³⁾ Net interest income divided by average interest earning assets for the period.

3. AVERAGE BALANCES AND RELATED INTEREST

The table lists the major categories of interest earning assets and interest bearing liabilities of the Bank together with the respective interest earned or paid and the average interest rates for each of the full years ended 30 June 2003 and 30 June 2002, and the half years ending 30 June 2003, 31 December 2002 and 30 June 2002. Averages used were predominantly daily averages.

The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Overseas intragroup borrowings have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds. Non-accrual loans were included in interest earning assets under loans, advances and other receivables.

	Full Year Ended					
	30/06/03			30/06/02		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
Average Interest Earning Assets and Interest Income						
Cash and liquid assets						
Australia	3,293	133	4.0	4,290	138	3.2
Overseas	813	4	0.5	285	4	1.4
Receivables due from other financial institutions						
Australia	2,446	79	3.2	1,822	69	3.8
Overseas	3,734	154	4.1	2,663	96	3.6
Deposits with regulatory authorities						
Australia	-	-	n/a	-	-	n/a
Overseas	56	-	n/a	174	-	n/a
Trading securities						
Australia	7,360	326	4.4	5,138	248	4.8
Overseas	3,395	128	3.8	2,698	111	4.1
Investment securities						
Australia	4,240	261	6.2	3,774	211	5.6
Overseas	8,062	318	3.9	7,339	306	4.2
Loans, advances and other receivables						
Australia	131,746	8,496	6.4	123,006	7,984	6.5
Overseas	23,125	1,629	7.0	19,445	1,288	6.6
Other interest earning assets	-	-	n/a	-	-	n/a
Intragroup loans						
Australia	-	-	n/a	-	-	n/a
Overseas	3,604	31	0.9	3,232	65	2.0
Average interest earning assets and interest income including intragroup	191,874	11,559	6.0	173,866	10,520	6.1
Intragroup eliminations	(3,604)	(31)	0.9	(3,232)	(65)	2.0
Total average interest earning assets and interest income	188,270	11,528	6.1	170,634	10,455	6.1
Average Non-Interest Earning Assets						
Bank acceptances						
Australia	13,144			11,965		
Overseas	53			66		
Life insurance investment assets						
Australia	26,333			26,853		
Overseas	4,070			4,129		
Property, plant and equipment						
Australia	627			681		
Overseas	197			203		
Other assets						
Australia	24,046			23,617		
Overseas	3,303			3,411		
Provisions for impairment						
Australia	(1,497)			(1,546)		
Overseas	(150)			(143)		
Total average non-interest earning assets	70,126			69,236		
Total average assets	258,396			239,870		
Percentage of total average assets applicable to overseas operations	19.5%			18.1%		

3. AVERAGE BALANCES AND RELATED INTEREST (CONT'D)

	Full Year Ended					
	30/06/03			30/06/02		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
Average Interest Bearing Liabilities and Loan Capital and Interest Expense						
Time Deposits						
Australia	45,674	1,956	4.3	41,283	1,901	4.6
Overseas	14,255	876	6.1	12,479	761	6.1
Savings Deposits						
Australia	32,780	492	1.5	32,078	412	1.3
Overseas	2,788	100	3.6	2,444	82	3.4
Other demand deposits						
Australia	34,043	1,230	3.6	29,517	1,037	3.5
Overseas	2,906	78	2.7	2,386	63	2.6
Payables due to other financial institutions						
Australia	1,752	34	1.9	2,043	65	3.2
Overseas	6,712	164	2.4	5,320	128	2.4
Debt issues						
Australia	17,651	1,047	5.9	14,578	800	5.5
Overseas	10,738	305	2.8	9,398	264	2.8
Loan capital						
Australia	5,234	212	4.1	5,491	227	4.1
Overseas	204	8	3.9	88	5	5.7
Other interest bearing liabilities	-	-	n/a	-	-	n/a
Intragroup borrowings						
Australia	3,604	31	0.9	3,232	65	2.0
Overseas	-	-	n/a	-	-	n/a
Average interest bearing liabilities and loan capital and interest expense including intragroup	178,341	6,533	3.7	160,337	5,810	3.6
Intragroup eliminations	(3,604)	(31)	0.9	(3,232)	(65)	2.0
Total average interest bearing liabilities and loan capital and interest expense	174,737	6,502	3.7	157,105	5,745	3.7
Average Non-Interest Bearing Liabilities						
Deposits not bearing interest						
Australia	4,784			5,424		
Overseas	871			705		
Liability on acceptances						
Australia	13,146			11,965		
Overseas	53			66		
Life insurance policy liabilities						
Australia	20,828			23,092		
Overseas	3,596			3,457		
Other liabilities						
Australia	16,034			14,628		
Overseas	2,739			3,026		
Total average non-interest bearing liabilities	62,051			62,363		
Total average liabilities and loan capital	236,788			219,468		
Shareholders' equity	21,608			20,402		
Total average liabilities, loan capital and shareholders' equity	258,396			239,870		
Percentage of total average liabilities applicable to overseas operations	18.9%			17.9%		

3. AVERAGE BALANCES AND RELATED INTEREST (CONT'D)

	Half Year Ended								
	30/06/03			31/12/02			30/06/02		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
Average Interest Earning Assets and Interest Income									
Cash and liquid assets									
Australia	2,983	63	4.3	3,598	70	3.9	4,280	64	3.0
Overseas	1,032	2	0.4	598	2	0.7	305	1	0.7
Receivables due from other financial institutions									
Australia	2,394	42	3.5	2,497	37	2.9	2,015	43	4.3
Overseas	3,931	69	3.5	3,540	85	4.8	2,958	53	3.6
Deposits with regulatory authorities									
Australia	-	-	n/a	-	-	n/a	-	-	n/a
Overseas	57	-	n/a	55	-	n/a	235	-	n/a
Trading securities									
Australia	8,293	169	4.1	6,443	157	4.8	4,906	109	4.5
Overseas	3,910	69	3.6	2,888	59	4.1	2,562	47	3.7
Investment securities									
Australia	4,274	142	6.7	4,207	119	5.6	4,022	101	5.1
Overseas	8,334	157	3.8	7,794	161	4.1	7,405	124	3.4
Loans, advances and other receivables									
Australia	134,021	4,271	6.4	129,508	4,225	6.5	124,419	3,909	6.3
Overseas	23,713	876	7.4	22,547	753	6.6	19,977	635	6.4
Other interest earning assets	-	-	n/a	-	-	n/a	-	-	n/a
Intragroup loans									
Australia	-	-	n/a	-	-	n/a	-	-	n/a
Overseas	4,724	19	0.8	2,502	12	1.0	3,361	25	1.5
Average interest earning assets and interest income including intragroup	197,666	5,879	6.0	186,177	5,680	6.1	176,445	5,111	5.8
Intragroup eliminations	(4,724)	(19)	0.8	(2,502)	(12)	1.0	(3,361)	(25)	1.5
Total average interest earning assets and interest income	192,942	5,860	6.1	183,675	5,668	6.1	173,084	5,086	5.9
Average Non-Interest Earning Assets									
Bank acceptances									
Australia	13,050			13,237			12,187		
Overseas	66			40			79		
Life insurance investment assets									
Australia	25,076			27,569			26,842		
Overseas	4,050			4,090			4,154		
Property, plant and equipment									
Australia	619			635			662		
Overseas	194			200			189		
Other assets									
Australia	22,789			21,118			22,710		
Overseas	6,450			4,459			3,053		
Provisions for impairment									
Australia	(1,469)			(1,525)			(1,541)		
Overseas	(151)			(149)			(148)		
Total average non-interest earning assets	70,674			69,674			68,187		
Total average assets	263,616			253,349			241,271		
Percentage of total average assets applicable to overseas operations	21.4%			19.2%			18.3%		

3. AVERAGE BALANCES AND RELATED INTEREST (CONT'D)

	Half Year Ended								
	30/06/03			31/12/02			30/06/02		
	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %	Average Balance \$M	Interest \$M	Average Rate %
Average Interest Bearing Liabilities and Loan Capital and Interest Expense									
Time Deposits									
Australia	45,402	926	4.1	45,941	1,030	4.4	40,465	887	4.4
Overseas	13,781	461	6.7	14,722	415	5.6	13,955	380	5.5
Savings Deposits									
Australia	32,496	243	1.5	33,059	249	1.5	32,894	185	1.1
Overseas	2,885	53	3.7	2,693	47	3.5	2,535	40	3.2
Other demand deposits									
Australia	35,595	638	3.6	32,517	592	3.6	30,610	513	3.4
Overseas	2,996	39	2.6	2,817	39	2.7	2,486	31	2.5
Payables due to other financial institutions									
Australia	1,634	12	1.5	1,868	22	2.3	1,910	23	2.4
Overseas	6,692	80	2.4	6,732	84	2.5	5,555	55	2.0
Debt issues									
Australia	19,017	560	5.9	16,307	487	5.9	15,055	415	5.6
Overseas	12,181	167	2.8	9,319	138	2.9	8,629	96	2.2
Loan capital									
Australia	5,127	105	4.1	5,339	107	4.0	5,456	99	3.7
Overseas	263	4	3.1	146	4	5.4	86	1	2.3
Other interest bearing liabilities	-	-	n/a	-	-	n/a	-	-	n/a
Intragroup borrowings									
Australia	4,724	19	0.8	2,502	12	1.0	3,361	25	1.5
Overseas	-	-	n/a	-	-	n/a	-	-	n/a
Average interest bearing liabilities and loan capital and interest expense including intragroup	182,793	3,307	3.6	173,962	3,226	3.7	162,997	2,750	3.4
Intragroup eliminations	(4,724)	(19)	0.8	(2,502)	(12)	1.0	(3,361)	(25)	1.5
Total average interest bearing liabilities and loan capital and interest expense	178,069	3,288	3.7	171,460	3,214	3.7	159,636	2,725	3.4
Deposits not bearing interest									
Australia	4,849			4,720			5,029		
Overseas	913			830			745		
Liability on acceptances									
Australia	13,049			13,242			12,187		
Overseas	66			40			79		
Life insurance policy liabilities									
Australia	20,080			21,564			22,875		
Overseas	3,495			3,695			3,539		
Other liabilities									
Australia	18,136			13,303			13,337		
Overseas	2,695			2,782			3,214		
Total average non-interest bearing liabilities	63,283			60,176			61,005		
Total average liabilities and loan capital	241,352			231,636			220,641		
Shareholders' equity	22,264			21,713			20,630		
Total average liabilities, loan capital and shareholders' equity	263,616			253,349			241,271		
Percentage of total average liabilities applicable to overseas operations	19.0%			18.9%			18.5%		

4. INTEREST RATE AND VOLUME ANALYSIS

Change in Net Interest Income	Full Year Ended		Full Year Ended	
	30/06/03 vs 30/06/02 Increase/ (Decrease) %		30/06/02 vs 30/06/01 Increase/ (Decrease) %	
Due to changes in average volume of interest earning assets and interest bearing liabilities		479		278
Due to changes in interest margin		(163)		(42)
Change in net interest income		316		236

Changes in Net Interest Income: Volume and Rate Analysis	Full Year Ended			Full Year Ended		
	30/06/03 vs 30/06/02 Changes due to			30/06/02 vs 30/06/01 Changes due to		
	Volume \$M	Rate \$M	Total \$M	Volume \$M	Rate \$M	Total \$M
Interest Earning Assets						
Cash and liquid assets						
Australia	(36)	31	(5)	71	(40)	31
Overseas	5	(5)	-	-	1	1
Receivables due from other financial institutions						
Australia	22	(12)	10	(41)	(49)	(90)
Overseas	41	17	58	60	(85)	(25)
Trading securities						
Australia	103	(25)	78	(28)	(111)	(139)
Overseas	27	(10)	17	6	(56)	(50)
Investment securities						
Australia	27	23	50	35	(66)	(31)
Overseas	29	(17)	12	58	(165)	(107)
Loans, advances and other receivables						
Australia	565	(53)	512	287	(1,286)	(999)
Overseas	251	90	341	176	(205)	(29)
Other interest earning assets	-	-	-	-	(7)	(7)
Intragroup loans						
Australia	-	-	-	-	-	-
Overseas	5	(39)	(34)	1	(127)	(126)
Change in interest income including intragroup	1,056	(17)	1,039	656	(2,227)	(1,571)
Intragroup eliminations	(5)	39	34	(1)	127	126
Change in interest income	1,080	(7)	1,073	679	(2,124)	(1,445)
Interest Bearing Liabilities and Loan Capital						
Time Deposits						
Australia	195	(140)	55	(50)	(568)	(618)
Overseas	108	7	115	171	(136)	35
Savings Deposits						
Australia	10	70	80	73	(264)	(191)
Overseas	12	6	18	16	(17)	(1)
Other demand deposits						
Australia	161	32	193	228	(255)	(27)
Overseas	14	1	15	14	(13)	1
Payables due to other financial institutions						
Australia	(7)	(24)	(31)	32	(32)	-
Overseas	34	2	36	47	(182)	(135)
Debt Issues						
Australia	175	72	247	(152)	(147)	(299)
Overseas	38	3	41	(24)	(274)	(298)
Loan Capital						
Australia	(11)	(4)	(15)	(4)	(136)	(140)
Overseas	6	(3)	3	(2)	-	(2)
Other interest bearing liabilities						
Intragroup borrowings						
Australia	5	(39)	(34)	1	(127)	(126)
Overseas	-	-	-	-	-	-
Change in interest expense including intragroup	666	57	723	503	(2,310)	(1,807)
Intragroup eliminations	(5)	39	34	(1)	127	126
Change in interest expense	650	107	757	486	(2,167)	(1,681)
Change in net interest income	479	(163)	316	278	(42)	236
Change due to variation in time periods						

These volume and rate analyses were for full year periods. The calculations were based on balances over the full year.

4. INTEREST RATE AND VOLUME ANALYSIS (CONT'D)

The volume and rate variances for both total interest earning assets and liabilities have been calculated separately (rather than being the sum of the individual categories). The variation in time periods allows for the different number of days in the respective full years.

Changes in Net Interest Income: Volume and Rate Analysis	Half Year Ended					
	30/06/03 vs 31/12/02			30/06/03 vs 30/06/02		
	Volume	Rate	Total	Volume	Rate	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Interest Earning Assets						
Cash and liquid assets						
Australia	(13)	7	(6)	(23)	22	(1)
Overseas	1	(1)	-	2	(1)	1
Receivables due from other financial institutions						
Australia	(1)	7	6	7	(8)	(1)
Overseas	8	(23)	(15)	17	(1)	16
Trading securities						
Australia	41	(26)	15	72	(12)	60
Overseas	19	(8)	11	24	(2)	22
Investment securities						
Australia	2	23	25	7	34	41
Overseas	11	(12)	(1)	17	16	33
Loans, advances and other receivables						
Australia	144	(29)	115	304	58	362
Overseas	40	94	134	128	113	241
Other interest earning assets	-	-	-	-	-	-
Intragroup loans						
Australia	-	-	-	-	-	-
Overseas	10	(3)	7	8	(14)	(6)
Change in interest income including intragroup	327	(36)	291	600	168	768
Intragroup eliminations	(10)	3	(7)	(8)	14	6
Change in interest income	281	3	284	593	181	774
Interest Bearing Liabilities and Loan Capital						
Time Deposits						
Australia	(11)	(76)	(87)	105	(66)	39
Overseas	(29)	81	52	(6)	87	81
Savings Deposits						
Australia	(4)	2	(2)	(3)	61	58
Overseas	4	3	7	6	7	13
Other demand deposits						
Australia	55	1	56	86	39	125
Overseas	3	(2)	1	6	2	8
Payables due to other financial institutions						
Australia	(3)	(7)	(10)	(3)	(8)	(11)
Overseas	(1)	(2)	(3)	12	13	25
Debt Issues						
Australia	80	1	81	113	32	145
Overseas	40	(9)	31	44	27	71
Loan Capital						
Australia	(4)	4	-	(6)	12	6
Overseas	2	(2)	-	2	1	3
Other interest bearing liabilities	-	-	-	-	-	-
Intragroup borrowings						
Australia	10	(3)	7	8	(14)	(6)
Overseas	-	-	-	-	-	-
Change in interest expense including intragroup	162	(29)	133	350	207	557
Intragroup eliminations	(10)	3	(7)	(8)	14	6
Change in interest expense	122	4	126	328	235	563
Change in net interest income	123	35	158	268	(57)	211
Change due to variation in time periods			(40)			-

These volume and rate analyses were for half year periods. The calculations were based on balances over the half year.

The volume and rate variances for both total interest earning assets and liabilities have been calculated separately (rather than being the sum of the individual categories). The variation in time periods allows for the different number of days in the respective half years.

5. OTHER BANKING OPERATING INCOME

	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Lending fees	652	618	6
Commission and other fees	1,423	1,242	15
Trading income	502	489	3
Dividends	4	5	(20)
Net gain on investments and loans	(9)	78	large
Net profit on sale of property, plant and equipment	22	12	83
General insurance premium income	116	119	(3)
Less general insurance claims	(75)	(66)	14
Other	62	55	13
Total other banking operating income	2,697	2,552	6

6. OPERATING EXPENSES

	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Expenses - comparable businesses	5,292	5,201	2
Expenses - included for the first time	259	-	-
Total operating expenses	5,551	5,201	7

Expenses by Segment	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Banking	4,014	3,929	2
Funds management	807	761	6
Life insurance	471	511	(8)
Total operating expenses - comparable business	5,292	5,201	2
Banking	217	-	-
Funds management	42	-	-
Total operating expenses - included for the first time	259	-	-
Total operating expenses	5,551	5,201	7

Expenses by Category	Full Year Ended		Increase/ (Decrease) %
	30/06/03 \$M	30/06/02 \$M	
Staff	2,538	2,327	9
Share based compensation	119	63	89
Occupancy and equipment	612	578	6
Information technology services	890	838	6
Other expenses	1,392	1,395	-
Total operating expenses	5,551	5,201	7

6. OPERATING EXPENSES (CONT'D)

Group Expenses	Full Year Ended	
	30/06/03 \$M	30/06/02 \$M
Staff Expenses		
Salaries and wages	2,106	2,016
Superannuation contributions	13	11
Provisions for employee entitlements	11	44
Payroll tax	107	92
Fringe benefits tax	26	32
Other staff expenses	120	132
Recurrent expenses	2,383	2,327
Restructuring	155	-
Total staff expenses (excluding share based compensation)	2,538	2,327
Share Based Compensation	119	63
Occupancy and Equipment Expenses		
Operating lease rentals	354	324
Depreciation		
Buildings	24	26
Leasehold improvements	51	47
Equipment	53	55
Repairs and maintenance	58	56
Other	69	70
Recurrent expenses	609	578
Restructuring	3	-
Total occupancy and equipment expenses	612	578
Information Technology Services		
Projects and development	195	189
Data processing	255	275
Desktop	161	155
Communications	171	175
Software amortisation	78	44
Recurrent expenses	860	838
Restructuring	30	-
Total information technology services	890	838
Other Expenses		
Postage	109	111
Stationery	118	104
Fees and commissions	551	609
Advertising, marketing and loyalty	276	256
Other	312	315
Recurrent expenses	1,366	1,395
Restructuring	26	-
Total other expenses	1,392	1,395
Total operating expenses	5,551	5,201

Some prior period comparatives have been reclassified to reflect the current categorisation of expenses.

7. INCOME TAX EXPENSE

Income tax expense shown in the financial statements differs from the prima facie tax charge calculated at current taxation rates on net profit.

	Full Year Ended	
	30/06/03	30/06/02
	\$M	\$M
Profit from Ordinary Activities before Income Tax		
Banking	3,187	2,884
Funds management	206	399
Life insurance	150	135
Appraisal value (reduction)/uplift	(245)	477
Goodwill amortisation	(322)	(323)
	2,976	3,572
Prima Facie Income Tax at 30%		
Banking	956	866
Funds management	62	120
Life insurance	45	40
Appraisal value (reduction)/uplift	(73)	143
Goodwill amortisation	(97)	(97)
	893	1,072
Add (or Deduct) Permanent Differences Expressed on a Tax Effect Basis		
Current period		
Specific provisions for offshore bad and doubtful debts not tax effected	13	(3)
Taxation rebates (net of accruals)	(36)	(24)
Tax adjustment referable to policy holder income	(66)	(25)
Non-assessable income - life insurance surplus	(18)	(25)
Change in excess of net market value over net assets of life insurance controlled entities	73	(143)
Non-deductible goodwill amortisation	97	97
Tax losses recognised	(18)	(35)
Employee share acquisition plan	-	(8)
Other items	20	17
	65	(149)
Prior periods		
Other	-	(7)
Total income tax expense	958	916
Income Tax Attributable to Profit from Ordinary Activities		
Banking	938	816
Funds management	54	96
Life insurance	24	40
Corporate tax	1,016	952
Policyholder tax	(58)	(36)
Total income tax expense	958	916
Effective Tax Rate		
Group - corporate	28%	28%
Banking - corporate	29%	28%
Funds management - corporate	20%	21%
Life insurance - corporate	16%	38%

8. LOANS, ADVANCES AND OTHER RECEIVABLES

	30/06/03 \$M	30/06/02 \$M
Australia		
Overdrafts	2,452	2,513
Housing loans	87,592	75,394
Credit card outstandings	5,227	4,552
Lease financing	3,988	4,094
Bills discounted	2,303	1,753
Term loans	36,742	38,544
Equity participation in leveraged leases	1,276	1,331
Other lending	604	968
Total Australia	140,184	129,149
Overseas		
Overdrafts	2,005	1,691
Housing loans	12,611	10,444
Credit card outstandings	296	274
Lease financing	197	256
Term loans	7,444	7,494
Redeemable preference share financing	511	695
Other lending	13	43
Total overseas	23,077	20,897
Gross loans, advances and other receivables	163,261	150,046
Less:		
Provisions for impairment		
General provision	(1,325)	(1,356)
Specific provision against loans and advances	(205)	(270)
Unearned income		
Term loans	(618)	(631)
Lease financing	(549)	(426)
Leveraged leases	(143)	(162)
Interest reserved	(26)	(59)
Unearned tax remissions on leveraged leases	(48)	(68)
	(2,914)	(2,972)
Net loans, advances and other receivables	160,347	147,074

9. ASSET QUALITY

	30/06/03 \$M	30/06/02 \$M
Balances of Impaired Assets		
Total Impaired Assets		
Gross non-accruals	665	943
Total gross impaired assets	665	943
Less Interest reserved	(26)	(59)
	639	884
Less Specific provisions for impairment	(205)	(270)
Total net impaired assets	434	614
Net Impaired Assets by Geographical Segment		
Australia	357	457
Overseas	77	157
Total	434	614

9. ASSET QUALITY (CONT'D)

Provisions for Impairment	Full Year Ended	
	30/06/03 \$M	30/06/02 \$M
General Provisions		
Opening balance	1,356	1,399
Charge against profit and loss	305	449
Transfer to specific provisions	(350)	(495)
Bad debts recovered	74	56
Adjustments for exchange rate fluctuations and other items	(9)	1
	<u>1,376</u>	<u>1,410</u>
Bad debts written off	(51)	(54)
Closing balance	<u>1,325</u>	<u>1,356</u>
Specific Provisions		
Opening balance	270	234
Transfer from general provision for:		
New and increased provisioning	416	546
Less write-back of provisions no longer required	(66)	(51)
Net transfer	<u>350</u>	<u>495</u>
Adjustments for exchange rate fluctuations and other items	(11)	(11)
	<u>609</u>	<u>718</u>
Bad debts written off	(404)	(448)
Closing balance	<u>205</u>	<u>270</u>
Total provisions for impairment	<u>1,530</u>	<u>1,626</u>
Specific provisions for impairment comprise the following segments:		
Provisions against loans and advances	205	270
Provisions for diminution	-	-
Total	<u>205</u>	<u>270</u>
	<u>%</u>	<u>%</u>
Provision Ratios		
Specific provisions for impairment as a % of gross impaired assets net of interest reserved	32.08	30.54
Total provisions for impairment as a % of gross impaired assets net of interest reserved	239.44	183.94
General provisions as a % of risk weighted assets	0.90	0.96
Impaired Asset Ratios		
Gross impaired assets net of interest reserved as % of risk weighted assets	0.44	0.63
Net impaired assets as % of:		
Risk weighted assets	0.30	0.44
Total shareholders' equity	1.97	2.92

Accounting Policy

Provisions for impairment were maintained at an amount adequate to cover anticipated credit related losses.

Specific provisions were established where full recovery of principal is considered doubtful. Specific provisions were made against:

- Individual facilities in the credit risk rated managed segment where exposure aggregates to \$250,000 or more;
- Each statistically managed portfolio to cover facilities that were not well secured and past due 180 days or more;
- Credit risk rated managed segment for exposures aggregating less than \$250,000 and 90 days past due or more and;
- Emerging credit risks identified in specific segments in the credit risk rated managed portfolio.

Provisions against segments were determined primarily by reference to historical ratios of write offs to balances in default.

General provisions for bad and doubtful debts were maintained to cover non identified probable losses and latent risks inherent in the overall portfolio of advances and other credit transactions. The provisions were determined having regard to the general risk profile of the credit portfolio, historical loss experience, economic conditions and a range of other criteria.

The amounts required to bring the provisions for impairment to their assessed levels were charged to profit. Provisions for impairment and movements therein were set out above.

Income Received and Forgone on Impaired Assets - Interest is only taken to profit on non-accrual loans when received in cash. Interest entitlement on non-accrual loans that is not received represents income forgone.

9. ASSET QUALITY (CONT'D)

	Full Year Ended	
	30/06/03	30/06/02
	\$M	\$M
Impaired Assets		
Income received:		
Current period	20	16
Prior period	10	14
Total income received	30	30
Interest income forgone	18	28
Movement in Impaired Asset Balances		
Gross impaired assets at period beginning	943	717
New and increased	617	1,069
Balances written off	(456)	(481)
Returned to performing or repaid	(439)	(362)
Gross impaired assets at period end	665	943
	30/06/03	30/06/02
Loans Accruing but Past Due 90 Days or More	\$M	\$M
Housing loans	157	176
Other loans	91	73
	248	249

10. DEPOSITS AND OTHER PUBLIC BORROWINGS

	30/06/03		30/06/02	
	\$M		\$M	
Australia				
Certificates of deposit	11,228		15,832	
Term deposits	32,398		28,991	
On demand and short term deposits	68,507		63,844	
Deposits not bearing interest	5,001		6,072	
Securities sold under agreements to repurchase and short sales	3,231		757	
Total Australia	120,365		115,496	
Overseas				
Certificates of deposit	2,900		2,258	
Term deposits	10,326		9,035	
On demand and short term deposits	5,871		5,185	
Deposits not bearing interest	921		806	
Securities sold under agreements to repurchase and short sales	591		20	
Total overseas	20,609		17,304	
Total deposits and other public borrowings	140,974		132,800	

11. FINANCIAL REPORTING BY SEGMENTS

This note sets out segment reporting in accordance with statutory reporting requirements. Refer to the business analysis at the front of this report for detailed profit and loss accounts by segment.

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

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

11. FINANCIAL REPORTING BY SEGMENTS (CONT'D)

Primary Segment Business Segments Financial Performance	Full Year Ended			
	30 June 2002			
	Banking \$M	Funds Management \$M	Life Insurance \$M	Group Total \$M
Interest income	10,455	-	-	10,455
Premium and related revenue	-	-	866	866
Other income	3,180	690	293	4,163
Appraisal value (reduction)/uplift				477
Total revenue	13,635	690	1,159	15,961
Interest expense	5,745	-	-	5,745
Segment result before income tax, goodwill amortisation and appraisal value (reduction)/uplift	2,884	399	135	3,418
Income tax expense	(816)	(31)	(69)	(916)
Segment result after income tax and before goodwill amortisation and appraisal value (reduction)/uplift	2,068	368	66	2,502
Outside equity interest	(1)	-	-	(1)
Segment result after income tax and outside equity interest before goodwill amortisation and appraisal value (reduction)/uplift	2,067	368	66	2,501
Goodwill amortisation ⁽¹⁾				(323)
Appraisal value (reduction)/uplift ⁽¹⁾				477
Net profit attributable to shareholders of the Bank				2,655
Non-Cash Expenses				
Goodwill amortisation	-	-	-	323
Charge for bad and doubtful debts	449	-	-	449
Depreciation	109	7	12	128
Appraisal value reduction	-	-	-	245
Other	87	2	1	90
Financial Position				
Total assets	211,130	20,531	17,987	249,648
Acquisition of property, plant & equipment and intangibles and other non-current assets	147	17	-	164
Associate investments	235	30	48	313
Total liabilities	200,885	18,123	9,584	228,592

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

Secondary Segment Geographical Segments Financial Performance	Full Year Ended			
	30/06/03		30/06/02	
	\$M	%	\$M	%
Revenue				
Australia	13,934	81.6	12,651	79.3
New Zealand	2,025	11.8	1,591	10.0
Other Countries ⁽¹⁾	1,136	6.6	1,719	10.7
	17,095	100.0	15,961	100.0
Net Profit Attributable to Shareholders of the Bank				
Australia	1,385	68.8	2,569	96.8
New Zealand	539	26.8	178	6.7
Other Countries ⁽¹⁾	88	4.4	(92)	(3.5)
	2,012	100.0	2,655	100.0
Assets				
Australia	221,248	83.5	208,673	83.6
New Zealand	27,567	10.4	24,579	9.8
Other Countries ⁽¹⁾	16,295	6.1	16,396	6.6
	265,110	100.0	249,648	100.0
Acquisition of Property, Plant & Equipment and Intangibles and Other Non-current Assets				
Australia	98	81.7	134	81.7
New Zealand	6	5.0	26	15.9
Other Countries ⁽¹⁾	16	13.3	4	2.4
	120	100.0	164	100.0

⁽¹⁾ Other Countries were: United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, the Philippines, Fiji, Indonesia, China and Vietnam.

The geographical segment represents the location in which the transaction was booked.

12. INTEGRATED RISK MANAGEMENT (Excludes Life Insurance and Funds Management)

The major categories of risk actively managed by the Bank include credit risk, liquidity and funding risk, market risk and other operational risks. The 2002 Annual Report pages 35 to 38, Integrated Risk Management, detail the major risks managed by a diversified financial institution.

Credit Risk

The Bank uses a portfolio approach for the management of its credit risk. A key element is a well diversified portfolio. The Bank is using various portfolio management tools to assist in diversifying the credit portfolio.

The commercial portfolio remains well rated. The level of on balance sheet exposures within Australia to the commercial portfolio and the home lending segment further supports the strength of the portfolio, with Australia continuing to perform strongly on the international stage.

Industry	30/06/03 %	31/12/02 %	30/06/02 %
Accommodation, Cafes and Restaurants	1.4	1.4	1.5
Agriculture, Forestry and Fishing	2.9	2.9	3.1
Communication Services	0.5	0.7	0.8
Construction	1.7	1.7	0.9
Cultural and Recreational Services	0.8	0.8	0.8
Electricity, Gas and Water Supply	1.6	1.6	1.7
Finance and Insurance	9.5	10.9	10.9
Government Administration and Defence	4.3	4.3	5.0
Health and Community Services	1.7	1.7	1.5
Manufacturing	4.6	5.1	5.2
Mining	1.0	1.3	1.1
Personal and Other Services	0.5	0.6	0.6
Property and Business Services	7.8	8.1	6.5
Retail Trade	2.1	2.2	2.4
Transport and Storage	2.6	2.5	3.2
Wholesale Trade	1.5	1.6	1.6
Consumer	55.5	52.6	53.2
	100.0	100.0	100.0

The Bank is traditionally a large home loan provider in both Australia and New Zealand (see "Consumer" above), where historically losses have been less than 0.03% of the portfolio in most years.

Region	30/06/03 %	31/12/02 %	30/06/02 %
Australia	86.5	85.4	86.9
New Zealand	9.9	10.2	8.3
Europe	1.5	1.6	1.8
Americas	1.3	1.5	1.8
Asia	0.7	1.0	1.1
Other	0.1	0.3	0.1
	100.0	100.0	100.0

The Bank has the bulk of committed exposures concentrated in Australia and New Zealand.

Commercial Portfolio Quality	30/06/03 %	31/12/02 %	30/06/02 %
AAA/AA	28	29	27
A	19	17	19
BBB	16	14	15
Other	37	40	39
	100	100	100

As percentage of commercial portfolio exposure (including finance and insurances) which has been individually risk rated, the Bank has over 63% of commercial exposures at investment grade quality.

Consumer Portfolio Quality	30/06/03	31/12/02	30/06/02
Housing loans accruing but past 90 days or more (\$m)	157	136	176
Housing loan balances (\$m) ⁽¹⁾	100,203	93,545	85,839
Arrears rate (%)	0.16	0.15	0.21

⁽¹⁾ Housing loan balances net of securitisation and includes home equity and similar facilities.

12. INTEGRATED RISK MANAGEMENT (CONT'D)

Interest Rate Risk

Interest rate risk in the balance sheet is discussed within Note 39 of the 2002 Annual Report

Next 12 months' Earnings

Over the year to 30 June 2003 the potential impact on net interest earnings of a 1% parallel rate shock and the expected change in price of assets and liabilities held for purposes other than trading is as follows:

(expressed as a % of expected next 12 months' earnings)	30/06/03 %	30/06/02 %
Average monthly exposure	1.3	1.3
High month exposure	2.1	1.8
Low month exposure	0.4	0.7

Foreign Exchange Risk

Foreign exchange risk in the balance sheet is discussed within Note 39 of the 2002 Annual Report.

An adverse movement of 10% in the applicable AUD foreign exchange rate would cause the Bank's capital ratio to deteriorate by less than 0.3% (0.3% for the year to 30 June 2002).

Value at Risk (VaR)

VaR within Financial Markets Trading is discussed in the 2002 Annual Report.

	Average VaR During June 2003 Half Year \$M	Average VaR During December 2002 Half Year \$M	Average VaR During June 2002 Half Year \$M	Average VaR During December 2001 Half Year \$M
Group (excluding ASB Bank)				
Interest rate risk	3.43	3.37	3.23	2.60
Exchange rate risk	1.31	1.47	2.07	1.54
Implied volatility risk	0.62	0.59	0.59	0.48
Equities risk	0.73	0.32	0.42	0.47
Commodities risk	0.32	0.35	0.31	0.48
Prepayment risk	0.38	0.30	0.21	0.32
ASB Bank	0.15	0.19	0.17	0.14
Diversification benefit	(2.32)	(2.14)	(2.39)	(2.45)
Total	4.62	4.45	4.61	3.58

13. CAPITAL ADEQUACY

Risk Weighted Capital Ratios	30/06/03 %	30/06/02 %	
Tier one	6.96	6.78	
Tier two	4.21	4.28	
Less deductions	(1.44)	(1.26)	
Total	9.73	9.80	
	30/06/03 \$M	30/06/02 \$M	Increase/ (Decrease) %
Tier One Capital			
Shareholders' equity	22,152	21,056	5
Eligible loan capital	351	415	(15)
Total shareholders' equity and loan capital	22,503	21,471	5
Add back Foreign currency translation reserve related to non-consolidated subsidiaries	147	90	63
Less Asset revaluation reserve	(7)	(4)	75
Less Goodwill	(5,029)	(5,391)	(7)
Less Expected dividend	(1,066)	-	-
Less Intangible component of investment in non-consolidated subsidiaries	(4,388)	(4,588)	(4)
Less Outside equity interest in entities controlled by non-consolidated subsidiaries	(123)	-	-
Less Outside equity interest in life insurance statutory funds	(1,824)	(2,017)	(10)
Total tier one capital	10,213	9,561	7
Tier Two Capital			
Asset revaluation reserve	7	4	75
General provision for bad and doubtful debts ⁽¹⁾	1,321	1,351	(2)
FITB related to general provision	(391)	(392)	(0)
Upper tier two note and bond issues	250	297	(16)
Lower tier two note and bond issues	4,990	4,934	1
Less Lower tier two adjustment to 50% of tier one capital	-	(154)	large
Total tier two capital	6,177	6,040	2
Tier One and Tier Two Capital	16,390	15,601	5
Less Investment in non-consolidated subsidiaries (net of intangible component deducted from tier one)	(2,072)	(1,741)	19
Less Other deductions	(42)	(40)	5
Capital base	14,276	13,820	3

⁽¹⁾ Excludes general provision for bad and doubtful debts in non-consolidated subsidiaries.

Risk-weighted Assets	Face Value		Risk Weights %	Risk Weighted Balance	
	30/06/03 \$M	30/06/02 \$M		30/06/03 \$M	30/06/02 \$M
On Balance Sheet Assets					
Cash, claims on Reserve Bank, short term claims on Australian Commonwealth and State Government and Territories, and other zero-weighted assets	23,832	22,315	0%	-	-
Claims on OECD banks and local governments	12,427	13,401	20%	2,485	2,680
Advances secured by residential property	103,987	86,378	50%	51,993	43,189
All other assets	74,472	77,474	100%	74,472	77,474
Total on balance sheet assets – credit risk	214,718	199,568		128,950	123,343
Total off balance sheet exposures – credit risk ^{(1),(2)}				16,533	16,516
Risk weighted assets – market risk				1,325	1,190
Total risk weighted assets				146,808	141,049

⁽¹⁾ The risk weighting attributable to off balance sheet exposures was impacted by improved classification of assets by risk weight, principally through identification of additional eligible security and by more accurate classification of counterparties.

⁽²⁾ Off balance sheet exposures secured by residential property account for \$10.4 billion of off balance sheet credit equivalent assets (\$5.2 billion of off balance sheet risk weighted assets).

For an analysis of the movements in the capital ratios see page 7.

14. SHARE CAPITAL

	Full Year Ended	
	30/06/03	
	Shares Issued	\$M
Ordinary Share Capital		
Opening balance 1 July 2002	1,252,921,363	12,665
Exercise of executive options	660,000	13
Buy back for DRP: 2001/2002 final dividend	(6,111,510)	(195)
2001/2002 final dividend fully paid shares at \$31.92	6,111,510	195
Buy back for DRP: 2002/2003 interim dividend	(6,753,320)	(166)
2002/2003 interim dividend fully paid ordinary shares at \$24.75	6,753,320	166
Closing balance 30 June 2003	<u>1,253,581,363</u>	<u>12,678</u>
Preference Share Capital		
Opening balance 1 July 2002	3,500,000	687
Closing balance 30 June 2003	<u>3,500,000</u>	<u>687</u>
Retained Profits		
Opening balance 1 July 2002		1,452
Reversal of provision for final dividend at 30 June 2002 (on adoption of AASB 1044)		1,027
Net profit for the year		2,012
Payment of final dividend		(1,027)
Appropriations from reserves (net)		250
Payment of interim dividend		(865)
Payment of other dividends		(40)
Closing balance 30 June 2003		<u>2,809</u>
Reserves		
Opening balance 1 July 2002		4,226
Appropriation from profits (net)		(250)
Movement in foreign currency translation reserve		(129)
Movement in asset revaluation reserve		3
Closing balance 30 June 2003		<u>3,850</u>
Outside Equity Interests: Controlled Entities		
Opening balance 1 July 2002		9
Issue of Perpetual Preference Shares by ASB Capital		181
Listed property trusts acquired (Gandel)		110
Other		4
Closing balance 30 June 2003		<u>304</u>

Dividend Franking Account

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

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 85 cents per share amounting to \$1,066 million. The dividend will be paid on 8 October 2003 to eligible shareholders. A fully franked interim dividend of 69 cents per share amounting to \$865 million was paid on 28 March 2003. The payment comprised cash disbursements

of \$699 million with \$166 million being reinvested by participants through the Dividend Reinvestment Plan. Additionally, dividends totalling \$40 million for the year were paid on preference shares.

As provided for in last year's financial report, a fully franked final dividend of 82 cents per share amounting to \$1,027 million was paid on 8 October 2002. The payment comprised cash disbursements of \$832 million with \$195 million being reinvested by participants through the Dividend Reinvestment Plan.

Dividend Reinvestment Plan

The dividend reinvestment plan is capped at 10,000 shares per shareholder.

Record Date

The register closes for determination of dividend entitlement and for participation in the dividend reinvestment plan at 5:00pm on 29 August 2003 at ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South, 1232.

Ex Dividend Date

The ex dividend date is 25 August 2003.

15. LIFE COMPANY VALUATIONS

Carrying Values of Life Insurance and Funds Management Business

The following table sets out the components of the carrying values of the Bank's life insurance and funds management businesses, together with the key actuarial assumptions that have been used. These were Directors'

valuations based on appraisal values using a range of economic and business assumptions determined by management which were reviewed by independent actuaries Trowbridge Deloitte

Analysis of Movement since 30 June 2002	Funds	Life Insurance			Total
	Management ⁽⁵⁾	Australia ⁽⁶⁾	New Zealand	Asia ⁽¹⁾	
	\$M	\$M	\$M	\$M	\$M
Profits	208	71	46	5	330
Net capital movements ⁽²⁾	154	98	1	36	289
Dividends	(196)	(111)	-	-	(307)
Disposals/Acquisitions of business ⁽³⁾	(110)	-	-	(20)	(130)
Foreign exchange movements	(4)	(3)	(1)	(92)	(100)
Change in shareholders net tangible assets	52	55	46	(71)	82
Acquired excess ⁽⁴⁾	129	-	-	-	129
Net appraisal value (reduction)/uplift	(291)	123	15	(92)	(245)
Increase/(Decrease) to 30 June 2003	(110)	178	61	(163)	(34)

Shareholders' Net Tangible Assets	Funds	Life Insurance			Total
	Management ⁽⁵⁾	Australia ⁽⁶⁾	New Zealand	Asia ⁽¹⁾	
	\$M	\$M	\$M	\$M	\$M
30 June 2002 balance	702	1,209	334	679	2,924
Profits	208	71	46	5	330
Net capital movements	(42)	(13)	1	36	(18)
Disposals/Acquisitions of business ⁽³⁾	(110)	-	-	(20)	(130)
Foreign exchange movements	(4)	(3)	(1)	(92)	(100)
30 June 2003 balance	754	1,264	380	608	3,006

Value in Force Business	Funds	Life Insurance			Total
	Management ⁽⁵⁾	Australia ⁽⁶⁾	New Zealand	Asia ⁽¹⁾	
	\$M	\$M	\$M	\$M	\$M
30 June 2002 balance	1,221	178	179	40	1,618
Disposals/Acquisitions of business ⁽⁴⁾	84	-	-	-	84
(Reduction)/Uplift	(182)	67	12	(36)	(139)
30 June 2003 balance	1,123	245	191	4	1,563

Value Future New Business	Funds	Life Insurance			Total
	Management ⁽⁵⁾	Australia ⁽⁶⁾	New Zealand	Asia ⁽¹⁾	
	\$M	\$M	\$M	\$M	\$M
30 June 2002 balance	3,660	23	275	80	4,038
Disposals/Acquisitions of business ⁽⁴⁾	45	-	-	-	45
(Reduction)/Uplift	(109)	56	3	(56)	(106)
30 June 2003 balance	3,596	79	278	24	3,977

Carrying Value at 30 June 2003	Funds	Life Insurance			Total
	Management ⁽⁵⁾	Australia ⁽⁶⁾	New Zealand	Asia ⁽¹⁾	
	\$M	\$M	\$M	\$M	\$M
Shareholders' net tangible assets	754	1,264	380	608	3,006
Value in force business	1,123	245	191	4	1,563
Embedded value	1,877	1,509	571	612	4,569
Value future new business	3,596	79	278	24	3,977
Carrying value	5,473	1,588	849	636	8,546

(1) The Asian life businesses were not held in the market value environment and were carried at net assets plus any excess representing the difference between appraisal value and net assets at the time of acquisition. This excess which effectively represents goodwill is being amortised on a straight-line basis over 20 years.

(2) Includes capital injections and movements in intergroup loans.

(3) Represents the purchase of management rights in CFS Retail Property Trust, the acquisition of Avanteos, investment in a Chinese funds management joint venture, disposal of some Colonial First State UK business and disposal of the Philippines life insurance business.

(4) Represents the value of acquired management rights of CFS Retail Property Trust, the acquisition of Avanteos and investment in a Chinese funds management joint venture.

(5) "Managed Products" business was reported at 30 June 2002 as "Funds Management" and "Life Insurance - Australia - Investment" business. These businesses have been combined.

(6) "Life Insurance - Australia" business was reported at 30 June 2002 as "Life Insurance - Australia - Risk" business. This business includes risk, traditional, investment account and annuity business.

15. LIFE COMPANY VALUATIONS (CONT'D)

The following table reconciles the carrying values of the life and funds management businesses to the value of investments in non-consolidated subsidiaries as shown in the capital adequacy calculation in appendix 13.

Reconciliation of the Components of the Carrying Value to the Value of Investments in Non-Consolidated Subsidiaries

	30/06/03 \$M	30/06/02 \$M
<i>Intangible component of investment in non-consolidated subsidiaries deducted from tier one capital comprises:</i>		
Value future new business	3,977	4,038
Value of self-generated in force business	411	550
	<u>4,388</u>	<u>4,588</u>
<i>Investment in non-consolidated subsidiaries deducted from total capital comprises:</i>		
Shareholders' net tangible assets in life and funds management businesses	3,006	2,924
Capital in other non-consolidated subsidiaries	286	122
Value of acquired in force business ⁽¹⁾	1,152	1,068
Less non-recourse debt	<u>(2,372)</u>	<u>(2,373)</u>
	<u>2,072</u>	<u>1,741</u>

⁽¹⁾ The increase in the value of acquired in force business principally relates to the acquisition of management rights of CFS Retail Property Trust.

Key Assumptions Used in Appraisal Values

The following key assumptions have been used in determining the appraisal values. Other actuarial assumptions used in the valuation were described in the section Actuarial Methods and Assumptions.

30 June 2003			
	New Business Multiplier	Risk Discount Rate %	Value of Franking Credits %
Life insurance entities			
Australia	8	10.8	70
New Zealand	8	10.9	-
Asia			
- Hong Kong	8	11.5	-
- Other	various	various	-
Funds management entities			
Australia	n/a	11.9	70
30 June 2002			
	New Business Multiplier	Risk Discount Rate %	Value of Franking Credits %
Life insurance entities			
Australia	9	11.5	70
New Zealand	8	12.0	-
Asia			
- Hong Kong	10	HKD13.0 USD12.0	-
- Other	various	various	-
Funds management entities			
Australia	n/a	13.0	70

The movement in the risk discount rate is based on the change in the underlying risk free rate using a capital asset pricing model framework. This framework utilises the local 10-year government bond yield as the proxy for the risk free rate.

The movement in risk discount rates have been accompanied by broadly equivalent movements in assumed future investment returns.

15. LIFE COMPANY VALUATIONS (CONT'D)

Policy Liabilities

Appropriately qualified actuaries have been appointed in respect of each life insurance business and they have reviewed and satisfied themselves as to the accuracy of the policy liabilities included in this financial report, including compliance with the regulations of the Life Insurance Act (Life Act) 1995 where appropriate. Details were set out in the various statutory returns of these life insurance businesses.

Components of Policy Liabilities	30/06/03 \$M	30/06/02 \$M
Future policy benefits ⁽¹⁾	27,426	29,164
Future bonuses	1,188	1,493
Future expenses	1,637	2,259
Future profit margins	1,420	1,343
Future charges for acquisition expenses	(916)	(1,085)
Balance of future premiums	(6,956)	(7,330)
Provisions for bonuses not allocated to participating policyholders	63	73
Total policy liabilities	23,862	25,917

⁽¹⁾ Including bonuses credited to policyholders in prior years.

Taxation

Taxation has been allowed for in the determination of policy liabilities in accordance with the relevant legislation applicable in each territory.

On 1 July 2000 a new tax regime for life insurance companies commenced in Australia. The primary effect of this regime is to tax profits that had previously not been subject to taxation. Allowance has been made in the appraisal values and policy liabilities of the life insurance businesses for the impact of the new tax requirements.

Actuarial Methods and Assumptions

Policy liabilities have been calculated in accordance with the Margin on Services (MoS) methodology as set out in Actuarial Standard 1.03 – Valuation Standard ('AS1.03') issued by the Life Insurance Actuarial Standards Board ('LIASB'). The principal methods and profit carriers used for particular product groups were as follows:

Product Type	Method	Profit Carrier
Individual		
Conventional	Projection	Bonuses / dividends or expected claim payments
Investment account	Projection	Bonuses or asset charges
Investment linked	Accumulation	Not applicable
Lump sum risk	Projection	Premiums/claims
Income stream risk	Projection	Expected claim payments
Immediate annuities	Projection	Bonuses or annuity payment
Group		
Investment account	Projection	Bonuses or asset charges
Investment linked	Accumulation	Not applicable
Lump sum risk	Projection	Claims
	Accumulation	Premiums (implied)
Income stream risk	Projection	Expected claim payments

The 'Projection Method' measures the present values of estimated future policy cash flows to calculate policy liabilities. The policy cash flows incorporate investment income, premiums, expenses, redemptions and benefit payments.

The 'Accumulation Method' measures the accumulation of amounts invested by policyholders plus investment earnings less fees specified in the policy to calculate policy liabilities. Deferred acquisition costs were offset against this liability.

Bonuses were amounts added, at the discretion of the life insurer, to the benefits currently payable under Participating Business. Under the Life Act, bonuses were a distribution to policyholders of profits and may take a number of forms including reversionary bonuses, interest credits and capital growth bonuses (payable on the termination of the policy).

Actuarial assumptions

Set out below is a summary of the material assumptions used in the calculation of policy liabilities. These assumptions were also used in the determination of appraisal values.

Discount rates

These were the rates used to discount future cash flows to determine their net present value in the policy liabilities. The discount rates were determined with reference to the expected earnings rate of the assets that support the policy liabilities adjusted for taxation where relevant. The following table shows the applicable rates for the major classes of business in Australia and New Zealand. The changes relate to changes in long term earnings rates, asset mix and reflect the new tax regime for Australian business.

15. LIFE COMPANY VALUATIONS (CONT'D)

Class of Business	June 2003	June 2002
	Rate Range %	Rate Range %
Traditional – ordinary business (after tax)	5.44 – 6.19	6.21 – 6.96
Traditional – superannuation business (after tax)	6.65 – 7.58	7.58 – 8.52
Annuity business (after tax)	5.46 – 6.67	6.49 – 7.86
Term life insurance – ordinary business (after tax)	3.16 – 3.85	3.89 – 4.55
Term life insurance – superannuation business (after tax)	3.16 – 3.85	3.89 – 4.55
Disability business (before tax)	5.50	6.50
Investment linked – ordinary business (after tax)	4.88 – 5.68	5.89 – 6.45
Investment linked – superannuation business (after tax)	6.33 – 6.84	7.51 – 7.96
Investment linked – exempt (after tax)	7.20 – 8.27	8.52 – 9.13
Investment account – ordinary business (after tax)	3.67	4.41
Investment account – superannuation business (after tax)	4.46	5.36

Bonuses

The valuation assumes that the long-term supportable bonuses will be paid, which is in line with company bonus philosophy. There have been no significant changes to these assumptions.

Maintenance expenses

The maintenance expense assumptions were based on an analysis of experience over the past year and assumed to increase with inflation. 'One-off' expenses were excluded.

The maintenance expense assumptions for the Australian operations were previously based on contractual fees as set out in the service company agreements.

Investment management expenses

Investment management expense assumptions were based on the contractual fees (inclusive of an allowance for inflation) as set out in Fund Manager agreements. There have been no significant changes to these assumptions.

Inflation

The inflation assumption is consistent with the investment earning assumptions. There have been no significant changes to these assumptions.

Benefit indexation

The indexation rates were based on an analysis of past experience and estimated long term inflation and vary by business and product type. There have been no significant changes to these assumptions.

Taxation

The taxation basis and rates assumed vary by territory and product type. For the Australian business it reflects the new regime for life insurance companies effective 1 July 2000.

Voluntary discontinuance

Discontinuance rates were based on recent company and industry experience and vary by territory, product, age and duration in force. There have been no significant changes to these assumptions.

Surrender values

Current surrender value bases were assumed to apply in the future. There have been no significant changes to these assumptions.

Unit price growth

Unit prices were assumed to grow in line with assumed investment earnings assumptions, net of asset charges as per current company practice. There have been no significant changes to these assumptions.

Mortality and morbidity

Rates vary by sex, age, product type and smoker status. Rates were based on standard mortality tables applicable to each territory e.g. IA90-92 in Australia for risk, IM/IF80 for annuities, adjusted for recent company and industry experience where appropriate.

Solvency

Australian life insurers

Australian life insurers were required to hold prudential reserves in excess of the amount of policy liabilities. These reserves were required to support capital adequacy requirements and provide protection against adverse experience. Actuarial Standard AS2.03 'Solvency Standard' ('AS2.03') prescribes a minimum capital requirement and the minimum level of assets required to be held in each life insurance fund. All controlled Australian life insurance entities complied with the solvency requirements of AS2.03. Further information is available from the individual statutory returns of subsidiary life insurers.

Overseas life insurers

Overseas life insurance subsidiaries were required to hold reserves in excess of policy liabilities in accordance with local Acts and prudential rules. Each of the overseas subsidiaries complied with local requirements. Further information is available from the individual statutory returns of subsidiary life insurers.

Managed assets & fiduciary activities

Arrangements were in place to ensure that asset management and other fiduciary activities of controlled entities were independent of the life insurance funds and other activities of the Bank.

Disaggregated information

Life insurance business is conducted through a number of life insurance entities in Australia and overseas. Under the Australian Life Insurance Act 1995, life insurance business is conducted within one or more separate statutory funds that were distinguished from each other and from the shareholders' fund. The financial statements of Australian life insurers prepared in accordance with AASB 1038, (and which were lodged with the relevant Australian regulators) show all major components of the financial statements disaggregated between the various life insurance statutory funds and their shareholder funds.

16. INTANGIBLE ASSETS

	30/06/03 \$M	30/06/02 \$M
Purchased goodwill - Colonial	5,591	5,662
Purchased goodwill - other	1,155	1,125
Realisation of life insurance synergy benefits ⁽¹⁾	(332)	(332)
Accumulated amortisation	(1,385)	(1,064)
Total intangible assets	5,029	5,391

⁽¹⁾ Expense and revenue synergies, planned on acquisition of Colonial, were being achieved from the integration of the Commonwealth and Colonial life insurance businesses. Changes in the excess of net market value over net assets of life insurance controlled entities, that were directly attributable to these expense and revenue synergies, have been recorded as a realisation of goodwill.

Acquisition of TD Waterhouse

On 1 May 2003, the Bank acquired a 100% interest in TD Waterhouse Australian stockbroking operations.

Consideration of \$27 million cash was paid for net liabilities of \$3 million resulting in goodwill recognised on acquisition of \$30 million. The goodwill will be amortised over a period of 10 years, representing the assessed life of the ongoing business.

Segment Allocation of Goodwill

In recognition of the disclosure requirements of US SFAS 141: Business Combinations and the proposals of Australian ED 109 Intangible Assets, the Bank's carrying amount of goodwill at 30 June 2003 is disclosed for each segment of business.

<u>Segment</u>	<u>\$M</u>
Banking ⁽¹⁾	4,681
Funds management ⁽²⁾	270
Life insurance ⁽²⁾	78
Total	<u>5,029</u>

⁽¹⁾ The allocation to banking includes goodwill related to the acquisitions of Colonial, State Bank of Victoria and 25% of ASB Bank.

⁽²⁾ The allocation to funds management and life insurance principally relates to the goodwill on acquisition of Colonial.

Additional to the Colonial goodwill acquired, \$2,548 million in excess of net market value over net assets of life insurance controlled entities was booked at acquisition of the Colonial funds management and life insurance businesses in June 2000.

17. AMORTISATION SCHEDULE

	<u>Full Year Ended</u>	
	30/06/03 \$M	30/06/02 \$M
Goodwill		
Opening balance	5,391	5,716
Purchased goodwill	30	(6)
Amortisation for the year	(322)	(323)
Transfer of funds from Colonial Foundation Trust	(71)	-
Other adjustments	1	4
Closing balance	5,029	5,391

18. PERFORMANCE SUMMARIES

	Full Year 30/06/03 \$M	Half Year 30/06/03 \$M	Half Year 31/12/02 \$M	Full Year 30/06/02 \$M	Half Year 30/06/02 \$M	Half Year 31/12/01 \$M
Profit from ordinary activities after income tax (statutory)	2,012	1,390	622	2,655	1,451	1,204
Profit from ordinary activities after income tax ('cash basis')	2,579	1,371	1,208	2,501	1,309	1,192
Income						
Interest income	11,528	5,860	5,668	10,455	5,086	5,369
Interest expense	6,502	3,288	3,214	5,745	2,725	3,020
Net interest income	5,026	2,572	2,454	4,710	2,361	2,349
Other banking operating income	2,697	1,391	1,306	2,552	1,274	1,278
Total banking income	7,723	3,963	3,760	7,262	3,635	3,627
Funds management income	1,042	538	504	1,147	547	600
Life insurance income	634	413	221	659	340	319
Total income	9,399	4,914	4,485	9,068	4,522	4,546
Expenses						
Operating expenses - comparable business	5,292	2,665	2,627	5,201	2,607	2,594
Operating expenses - included for first time	259	176	83	-	-	-
Charge for bad and doubtful debts	305	154	151	449	159	290
Total expenses	5,856	2,995	2,861	5,650	2,766	2,884
Profit from ordinary activities before goodwill amortisation, appraisal value (reduction)/uplift and income tax	3,543	1,919	1,624	3,418	1,756	1,662
Income tax expense	958	545	413	916	447	469
Profit from ordinary activities after income tax	2,585	1,374	1,211	2,502	1,309	1,193
Outside equity interests	(6)	(3)	(3)	(1)	-	(1)
Profit from ordinary activities after income tax and before goodwill amortisation and appraisal value (reduction)/uplift	2,579	1,371	1,208	2,501	1,309	1,192
Appraisal value (reduction)/uplift	(245)	181	(426)	477	303	174
Goodwill amortisation	(322)	(162)	(160)	(323)	(161)	(162)
Net profit after income tax attributable to members of the Bank	2,012	1,390	622	2,655	1,451	1,204
Contributions to profit (after income tax)						
Banking	2,249	1,170	1,079	2,067	1,092	975
Funds management	208	73	135	368	186	182
Life insurance	122	128	(6)	66	31	35
Profit after income tax from ordinary activities ('cash basis')	2,579	1,371	1,208	2,501	1,309	1,192
Goodwill amortisation	(322)	(162)	(160)	(323)	(161)	(162)
Appraisal value (reduction)/uplift	(245)	181	(426)	477	303	174
Net profit after income tax attributable to shareholders of the Bank	2,012	1,390	622	2,655	1,451	1,204

18. PERFORMANCE SUMMARIES (CONT'D)

Banking	Full Year 30/06/03	Half Year 30/06/03	Half Year 31/12/02	Full Year 30/06/02	Half Year 30/06/02	Half Year 31/12/01
Profit Summary	\$M	\$M	\$M	\$M	\$M	\$M
Interest income	11,528	5,860	5,668	10,455	5,086	5,369
Interest expense	6,502	3,288	3,214	5,745	2,725	3,020
Net interest income	5,026	2,572	2,454	4,710	2,361	2,349
Other operating income	2,697	1,391	1,306	2,552	1,274	1,278
Total operating income	7,723	3,963	3,760	7,262	3,635	3,627
Expenses						
Operating expenses - comparable business	4,014	2,038	1,976	3,929	1,964	1,965
Operating expenses - included for the first time	217	134	83	-	-	-
Charge for bad and doubtful debts	305	154	151	449	159	290
Profit from ordinary activities before goodwill amortisation and income tax	3,187	1,637	1,550	2,884	1,512	1,372
Income tax expense	938	467	471	816	420	396
Profit from ordinary activities after Income tax	2,249	1,170	1,079	2,068	1,092	976
Outside equity interests	-	-	-	1	-	1
Profit from ordinary activities after income tax	2,249	1,170	1,079	2,067	1,092	975

Net Interest Income	Full Year 30/06/03	Half Year 30/06/03	Half Year 31/12/02	Full Year 30/06/02	Half Year 30/06/02	Half Year 31/12/01
Profit Summary	\$M	\$M	\$M	\$M	\$M	\$M
Interest Income						
Loans	10,084	5,129	4,955	9,231	4,527	4,704
Other financial institutions	233	111	122	165	96	69
Liquid assets	137	65	72	142	65	77
Trading securities	454	238	216	359	156	203
Investment securities	579	299	280	517	225	292
Dividends on redeemable preference shares	41	18	23	41	17	24
Total interest income	11,528	5,860	5,668	10,455	5,086	5,369
Interest Expense						
Deposits	4,732	2,360	2,372	4,256	2,036	2,220
Other financial institutions	198	92	106	193	78	115
Debt issues	1,352	727	625	1,064	511	553
Loan capital	220	109	111	232	100	132
Total interest expense	6,502	3,288	3,214	5,745	2,725	3,020
Net interest income	5,026	2,572	2,454	4,710	2,361	2,349

18. PERFORMANCE SUMMARIES (CONT'D)

Other Banking Income	Full Year	Half Year	Half Year	Full Year	Half Year	Half Year
Profit Summary	30/06/03	30/06/03	31/12/02	30/06/02	30/06/02	31/12/01
	\$M	\$M	\$M	\$M	\$M	\$M
Lending fees	652	338	314	618	325	293
Commission and other fees	1,423	721	702	1,242	636	606
Trading income	502	276	226	489	238	251
Dividends	4	1	3	5	3	2
Net gain on investment securities	(9)	3	(12)	78	18	60
Net profit on sale of property, plant and equipment	22	16	6	12	(4)	16
General insurance premium income	116	59	57	119	60	59
Less general insurance claims	(75)	(42)	(33)	(66)	(32)	(34)
Other	62	19	43	55	30	25
Total other banking income	2,697	1,391	1,306	2,552	1,274	1,278

Funds Management	Full Year	Half Year	Half Year	Full Year	Half Year	Half Year
Profit Summary	30/06/03	30/06/03	31/12/02	30/06/02	30/06/02	31/12/01
	\$M	\$M	\$M	\$M	\$M	\$M
Funds Management Profit after tax						
Total income from funds management business	1,117	542	575	1,160	554	606
Operating expenses	(849)	(449)	(400)	(761)	(388)	(373)
Profit before income tax	268	93	175	399	166	233
Income tax benefits/(expense)	54	17	37	31	(20)	51
Outside equity interests	6	3	3	-	-	-
Net profit after income tax	208	73	135	368	186	182

Life Insurance	Full Year	Half Year	Half Year	Full Year	Half Year	Half Year
Profit Summary	30/06/03	30/06/03	31/12/02	30/06/02	30/06/02	31/12/01
	\$M	\$M	\$M	\$M	\$M	\$M
Operating income	634	413	221	659	340	319
Operating expenses	(484)	(228)	(256)	(524)	(262)	(262)
Profit from life insurance activities before income tax	150	185	(35)	135	78	57
Income tax expense/(credit) attributable to:						
Policyholder	4	28	(24)	29	17	12
Corporate	24	29	(5)	40	30	10
Net profit after income tax	122	128	(6)	66	31	35

19. DEFINITIONS

Term	Description
Appraisal Value	The embedded value plus estimated value of profits from future business.
Banking	Banking operations includes retail, institutional and business banking, Asia Pacific banking, treasury and centre support functions. Retail banking operations include banking services, which were distributed through the Premium and Retail distribution divisions. Institutional and business banking includes banking services which, were distributed to all business customers through the Institutional and Business Services division and the small business customers which were serviced through the Premium and Retail divisions and funding operations. Asia Pacific banking includes offshore banking subsidiaries, primarily ASB operations in New Zealand. The Banking result also includes profit from general insurance.
Dividend Payout Ratio	Dividends paid on ordinary shares divided by earnings (earnings are net of dividends on preference shares).
DRP	Dividend reinvestment plan.
DRP Participation Rate	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings Per Share	Calculated in accordance with the revised AASB 1027: Earnings per Share.
Embedded Value	The estimated value of future profits from existing business together with net tangible assets.
Funds Management	Funds management business includes results from the Investment & Insurance division, International Financial Services division and custody business which resides in Institutional Banking Services.
Life Insurance	Life insurance business includes the life risk business within the Investment & Insurance division and the International Financial Services division.
Net Profit after Tax ("Cash Basis")	Represents profit after tax and outside equity interest before appraisal value (reduction)/uplift and goodwill amortisation.
Operating Expenses – Included for the First Time	Refers to one-off expenses associated with the strategic initiatives as outlined at 30 June 2002 and additional share based compensation following changes to remuneration structure and the Bank's policy.
Net Profit after Tax ("Statutory")	Represents profit after tax and outside equity interests and before goodwill amortisation and appraisal value (reduction)/uplift. This is equivalent to the statutory item "Net Profit attributable to Members of the Bank".
Return on Average Shareholders' Equity	Based on net profit after tax and outside equity interests applied to average shareholders equity, excluding outside equity interests.
Return on Average Shareholders Equity Cash Basis	As per the return on average shareholder equity, excluding the effect of goodwill amortisation and appraisal value (reduction)/uplift from profit and equity.
Return on Average Total Assets	Based on profit after tax and outside equity interests. Averages were based on beginning and end of period balances.
Staff Numbers	Staff numbers include all permanent full time staff, part time staff equivalents and external contractors employed by 3 rd party agencies. Prior period staff numbers have been restated to reflect this.
Total Assets	Includes the gross amount of trading derivative contract revaluations.
Underlying Expense to Income Ratio	Represents operating expenses (excluding first time expenses) as a percentage of revenue.
Underlying Profit	Represents cash profit after tax excluding expenses included for the first time, and shareholder investment returns.