



COMMONWEALTH BANK FULL YEAR RESULTS – 30 JUNE 2003

20 August 2003

Results

Today the Commonwealth Bank announced a statutory net profit after tax of \$2,012 million for the year ended 30 June 2003, 24% below the prior year. On a cash basis, net profit was \$2,579 million, an increase of 3% on the previous year. The difference between the cash and statutory results for the period reflects goodwill amortisation of \$322 million and a reduction in appraisal value of the wealth management businesses of \$245 million, both of which are non cash items.

Chief Executive Officer, Mr David Murray said: "This result is consistent with our statement at the Bank's interim results in February and at the Annual General Meeting last October. It reflects a strong banking performance primarily driven by the Australian and New Zealand retail banking operations. The life insurance result shows solid profit growth, whilst the funds management result was affected by market conditions."

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

Dividend

On a cash basis, earnings per share is 203 cents, an increase of 3% on the prior year. The Directors declared a fully franked final dividend of 85 cents per share for the six months, bringing the dividend per share for the full year to 154 cents. The dividend payout rate of 75.9% remains high relative to the Bank's peers.

Mr Murray said: "This is another record dividend and reflects the Commonwealth Bank's eleven year history of growing fully franked dividends for our shareholders."

Performance by business

The banking operations delivered a strong result with a 16% increase in underlying net profit after tax, driven by solid home loan growth and continuing sound asset quality. The Bank's total lending assets, excluding securitisation, increased 9% to \$175 billion. This increase was driven by strong growth in home loan outstandings, which rose by 17%. In New Zealand, ASB Bank's performance reflected increased lending volumes and market share gains in key products.



The funds management underlying net profit after tax decreased by \$132 million. This is in line with lower average funds under management, reflecting weakness in investment markets and retail investor preference for defensive, cash based products and property over much of the period.

The master trust offering, FirstChoice, which was launched in May 2002 performed strongly, achieving \$3.2 billion in funds by 30 June 2003, with around 40% of all inflows sourced from the Bank's branch network. Of the Bank's customers, almost 60% chose to have these funds invested in Colonial First State products with the remainder choosing third party asset managers.

The Bank's underlying life insurance operating profit reflects a 41% increase on the prior year. Including the impact of the improvement in shareholder investment returns results in an 85% increase over last year. The growth in life insurance sales through the Bank's network increased from 28% to 41% for the year ended 30 June 2003.

During the year, the Bank implemented a number of significant strategic initiatives aimed at improving customer service and simplifying processes. The gross cost of these initiatives for the year has been \$214 million. Annualised future benefits at \$165 million are ahead of target and in line with the Bank's commitment to a 3-6% annual improvement in productivity.

In presenting the Bank's position to the market on the 29 July, Mr Murray referred to the considerable value the Colonial merger had added to the Bank. The integration of the banking businesses and the value created through wealth management, reflects the global experience of wealth management being a complementary business for banks.

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 United States 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 Bank's strategy is designed to address these needs.

Media Release

Commonwealth Bank

Commonwealth Bank of Australia
ABN 48 123 123 124

Group Corporate Relations
GPO Box 2719
Sydney NSW 2001
Australia

Telephone: (02) 9378 2663
Telephone: (02) 9378 2662
Facsimile: (02) 9378 2395
www.commbank.com.au



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 stated that it intends to maintain its high dividend payout ratio relative to its peers.

For further information, please contact

Bryan Fitzgerald
Group Corporate Relations
Commonwealth Bank of Australia
Telephone: (02) 9378 2663

For copies of the Profit Announcement visit the Bank's website at www.commbank.com.au



Performance Summary

Key aspects of the results:

Net Profit After Tax attributable to shareholders (statutory)	\$2,012 million
Net Profit After Tax (cash basis) ¹	\$2,579 million
Underlying Net Profit After Tax	
Banking	\$2,401 million
Funds Management	\$228 million
Life Insurance	\$58 million
Underlying Net Profit After Tax ²	<u>\$2,687 million</u>
Total Assets Held and Funds Under Management	\$337 billion
Final dividend (fully franked)	85 cents

Key Performance Measures and Comparison to prior comparative period³:

Net Profit After Tax attributable to shareholders (statutory)	\$2,012 million	
Net Profit After Tax (cash basis) ¹	\$2,579 million	Up 3% from \$2,501 million
Return on Equity ⁴ (cash basis) ¹	13.27%	Up 15 basis points from 13.12%
Earnings per Share (cash basis) ¹	202.6 cents	Up from 197.3 cents
Lending Assets net of securitisation	\$175 billion	Up 9% from \$161 billion
Underlying Bank Cost to Income Ratio ⁵	52.0%	Down from 54.1%
Risk Weighted Capital Ratio	9.73%	Down from 9.8%
Tier 1 Ratio	6.96%	Up from 6.78%

¹ 'Cash basis' is defined as net profit after tax and before goodwill amortisation, life insurance and funds management appraisal value uplift/(reduction).

² 'Underlying Net Profit After Tax' excludes first time expenses and investment returns.

³ 'Prior comparative period' refers to the twelve month period ending 30 June 2002.

⁴ Ratio based on profit from ordinary activities after tax and outside equity interest applied to average shareholders' equity, excluding outside equity interests.

⁵ 'Underlying Bank Cost to Income Ratio' excludes first time expenses.