Media Release

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COMMONWEALTH BANK HALF YEAR RESULTS – 31 DECEMBER 2003

11 February 2004

Results Overview

The Commonwealth Bank announced a statutory net profit after tax of $1,243 million for the half year ended 31 December 2003. On a cash basis[1], net profit was $1,240 million, an increase of 3% on the prior comparative period[2]. The result includes after tax expenses of $346 million related to the Which new Bank service transformation.

The underlying cash net profit after tax[3] increased by 17% to $1,487 million compared with the prior comparative period.

The operating environment over the period has been characterised by strong competition in the financial services sector, coupled with a relatively strong Australian economy.

Chief Executive Officer, David Murray said, “This is a very pleasing half year result. We have achieved growth in cash earnings sufficient to offset $346 million of after tax transformation costs incurred in the half year. The result reflects the strong performance of our Australian and New Zealand banking operations, significantly higher profit growth in the insurance business compared with the same time last year, and a rebound from funds management since June 2003 as global equity markets continue to recover.”

On a statutory basis, earnings per share was 96 cents. On a cash basis, earnings per share was 96 cents, an increase of 1% on the prior comparative period. Directors declared an interim dividend of 79 cents per share, fully franked. The interim dividend payout ratio on a cash basis is 82.9%. The dividend has been determined having regard to our previous commitment to add back the costs of Which new Bank in determining total dividends for the 2004 financial year.

Mr Murray said, “The interim dividend of 79 cents is 10 cents or 14% higher than for the same period last year. Importantly, the dividend maintains Commonwealth Bank’s impressive record of paying an increased dividend to shareholders at every interim and full year profit result since listing in 1991.”

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Operations Performance

Banking

Banking operations performed strongly during the period, delivering a 14% increase in underlying net profit after tax, primarily the result of home loan growth and continued sound asset quality. The Bank's total lending assets, excluding securitisation, increased 13% to $191 billion. This increase was primarily driven by the growth in home loan outstandings, and improved corporate lending. In New Zealand, ASB Bank performed well, increasing lending volumes, particularly in home loans and rural lending. ASB's result was driven by the continuing success of its service and sales performance, successful marketing campaigns, and the continued momentum of the 'One Team' referral program.

Insurance

The underlying net profit after tax in the insurance business[4] reflects a $54 million increase on the prior comparative period. Key drivers of this result included solid premium growth, improved persistency, and focused cost management.

Stronger performances were recorded in Australia and Asia. In Hong Kong, initiatives included the alignment of policyholder dividends to investment returns, the launch of an innovative new multi-manager investment product and expense reductions within operations.

Funds Management

The performance of the funds management business has rebounded since June, in line with a recovery in global equity markets and stronger funds flow, reflecting higher levels of investor confidence. Underlying net profit after tax increased by 1% compared with the prior comparative period. Funds under management rose by $6 billion or 7% to $100 billion since June 2003, through a combination of improving investment returns and stronger retail and wholesale inflows.

The Bank's master trust offering, FirstChoice, continued to perform strongly with net inflows of $1.7 billion achieved in the half year. Total funds under administration now exceed $5 billion.

Which new Bank

The early stage of implementing the Which new Bank service transformation is progressing well. A major focus since September has been to ensure that staff understand, embrace and adopt the Bank's vision to excel in customer service.

Mr Murray gave a comprehensive outline of all the work streams and activities. He highlighted the Bank's progress on the following initiatives:

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- In the Performance Culture Program, the Bank has completed all the diagnostic work and the leadership team has radically changed its day to day activities.

- The Service and Sales Management System, which will involve all staff across the Bank, is already being applied by the leadership team.

- The Bank-wide introduction of the CommSee customer management system has commenced in Tasmania providing customer-serving staff with an important tool to help them anticipate and respond to customer needs.

Capital Management

The Bank's capital position remains strong with the Tier 1 capital ratio at 7.26%, an increase from 6.96% at June 2003.

A $450-$550 million off-market share buy-back is planned for March 2004. The size of the buy back will be decided by Directors and will be dependent on various factors, including market conditions.

Following completion of the buy back, the Bank has announced that it will offer two further services for shareholders. A Share Sale Facility will enable shareholders to sell residual small holdings immediately after the buy-back. A Share Purchase Plan will give shareholders the opportunity to buy additional shares in the Bank. These services will be free of brokerage.

Outlook

The global economy is expected to continue its strong growth in the short term. However, a number of medium-term structural issues remain, including the US current account deficit and the exchange rate re-alignment currently underway.

Factors influencing the Australian economy remain, on balance, positive and are expected to remain so for the first half of 2004. Beyond that, the interplay between household debt and interest rates, house prices and household wealth and the Australian Dollar could result in a slowing in credit growth.

Subject to market conditions being maintained, the Bank is targetting growth in cash EPS exceeding 10% compound annual growth rate (CAGR) over the three years to 30 June 2006, which is expected to be ahead of the industry growth for the period. The Bank also expects to improve productivity by between 4-6% CAGR over this period and aims to grow profitable market share across major product lines and increase the dividend per share every year.

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Growth in cash earnings was sufficient to offset Which new Bank expenses in the first half. The Bank reiterates the views expressed by the Chairman at the AGM that:

"At this stage, there appears to be sufficient momentum in the economy to support solid underlying earnings growth for the full year, although the rate of growth may moderate in the second half.

The Bank will add back the non-recurring transformation charges, in considering the amount to be distributed as dividends to shareholders. Consequently, as indicated in the Which new Bank announcement, we expect to be able to continue the uninterrupted pattern of increased dividends that we have been able to deliver since privatisation."

In respect of Which new Bank, early signs of the positive impact of some of our initiatives on the Bank's culture, processes and performance confirm that the course we are taking is the right way forward.

The Bank remains extremely well positioned to meet the challenges ahead and will benefit from scale, breadth of services and strength of its proprietary distribution systems.

Mr Murray said, "We are very encouraged by our early progress on Which new Bank. Whilst there is considerable work to be done over the next two and a half years, the size of the prize for the Bank and the first evidence that we are able to progressively implement our plans strengthens our resolve. Our commitment to maintain our policy of increasing shareholder dividends reflects that confidence in delivering on our Which new Bank service transformation vision."

Performance Summary
Key aspects of the results:

	31-Dec-2003	30-Jun-2003	31-Dec-2002
Net Profit After Tax attributable to shareholders (statutory)	$1,243 million	$1,390 million	$622 million
Net Profit After Tax (cash basis)[1]	$1,240 million	$1,371 million	$1,208 million
Underlying Net Profit After Tax Banking	$1,294 million	$1,240 million	$1,136 million
Funds Management	$126 million	$108 million	$125 million
Insurance[4]	$67 million	$52 million	$13 million
Underlying Net Profit After Tax[3]	$1,487 million	$1,400 million	$1,274 million
Total Assets Held and Funds Under Management	$364 billion	$337 billion	$333 billion
Final dividend (fully franked)	79 cents	85 cents	69 cents

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Key Performance Measures and Comparison to prior comparative period[2]:

Net Profit After Tax attributable to shareholders (statutory)	$1,243 million	Up from $622 million[5]
Net Profit After Tax (cash basis)[1]	$1,240 million	Up 3% from $1,208 million
Return on Equity[6] (cash basis)[1]	12.33%	Down from 12.39%
Earnings per Share (cash basis)[1]	95.5 cents	Up from 95 cents
Lending Assets net of securitisation	$191 billion	Up 13% from $169 billion
Underlying Banking Cost to Income Ratio[7]	50.7%	Down from 52.2%
Risk Weighted Capital Ratio	9.46%	Down from 9.81%
Tier 1 Ratio	7.26%	Up from 7.06%

[1] 'Cash basis' is defined as net profit after tax and before goodwill amortisation, life insurance and funds management appraisal value uplift/(reduction). The difference between the cash and statutory results for the half year reflects goodwill amortisation of $162 million and an appraisal value uplift of $165 million, both of which are non-cash items.
[2] 'Prior comparative period' refers to the six month period ending 31 December 2002
[3] Underlying cash profit excludes shareholder investment returns and the cost of initiatives (including Which new Bank) along with their associated tax if relevant.
[4] The insurance results have been restated from those reported at 30 June 2003 and 31 December 2002 to include the general insurance business, which were previously reported under Banking.
[5] The 31 December 2003 result included an uplift in the appraisal value of controlled entities of $165 million, whereas the prior comparative period included an appraisal value reduction of $426 million.
[6] Ratio based on profit from ordinary activities after tax and outside equity interest applied to average shareholders' equity, excluding outside equity interests.
[7] 'Underlying Banking Cost to Income Ratio' excludes expenses for strategic initiatives.

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