Commonwealth Bank
Commonwealth Bank of Australia
ACN 123 123 124

Profit Announcement For the half year ended 31 December 2003

Results have been subject to an independent review by the external auditors.
Released 11 February 2004

This Profit Announcement is available on the Internet at:
www.commbank.com.au

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Terms used in the Profit Announcement are defined in Appendix 13.

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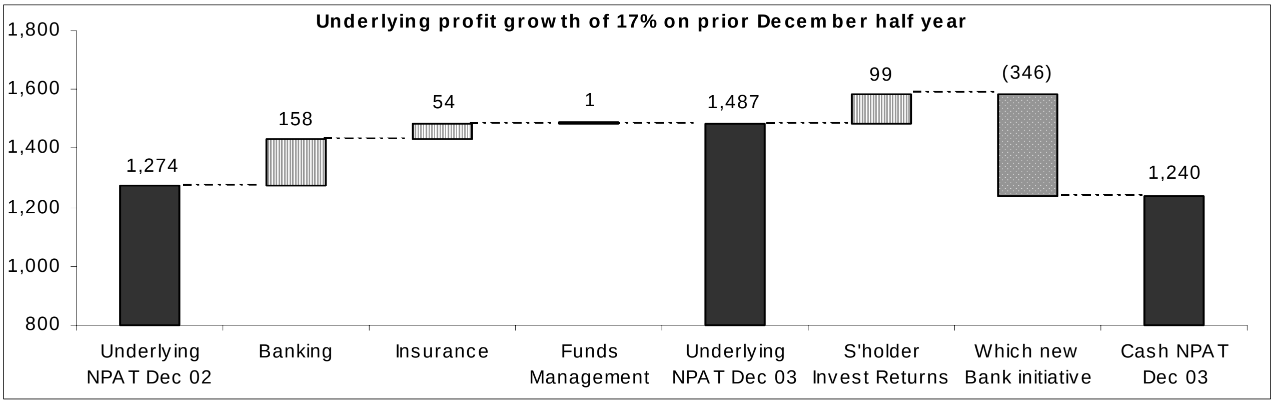
Except where otherwise stated, all figures relate to the half year ended 31 December 2003 and comparatives for the profit and loss are to the half year ended 31 December 2002. The term “prior comparative period” refers to the six months ended 31 December 2002. Comparisons on balance sheet are to 30 June 2003 unless otherwise stated.

Highlights

Key Performance Indicators	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v-31/12/02 %
Profitability				
Underlying Segment Profit after Income Tax:				
Banking	**1,294**	1,240	1,136	14
Funds Management	**126**	108	125	1
Insurance	**67**	52	13	large
Underlying Profit after Income Tax	**1,487**	1,400	1,274	17
Shareholder investment returns (after tax)	**99**	81	(8)	large
Initiatives including Which new Bank (after tax) (1)	**(346)**	(110)	(58)	large
Net Profit after Income Tax ("cash basis")	**1,240**	1,371	1,208	3
Goodwill amortisation	**(162)**	(162)	(160)	1
Appraisal value uplift/(reduction)	**165**	181	(426)	large
Net Profit after Income Tax ("statutory basis")	**1,243**	1,390	622	100
Banking				
Net interest margin (%)	**2.60**	2.69	2.65	(2)
Average interest earning assets	**204,323**	192,942	183,675	11
Average interest bearing liabilities	**188,688**	178,069	171,460	10
Funds Management				
Funds under management	**100,383**	94,207	95,266	5
Insurance				
Inforce premiums	**1,102**	1,076	1,040	6
Shareholder Investment Returns (before Tax)	**141**	96	(5)	large
Operating Expenses				
Operating expenses	**2,709**	2,685	2,627	3
Initiatives including Which new Bank (1)	**494**	156	83	large
Total	**3,203**	2,841	2,710	18
Underlying Productivity				
Banking expenses to income (%)	**50.7**	51.9	52.2	(3)
Funds Management expenses to average funds under management (%)	**0.84**	0.88	0.86	(2)
Insurance expenses to average inforce premiums (%)	**45.5**	47.7	52.8	(14)
Shareholder Measures				
Return on equity - cash basis	**12.33**	13.95	12.39	-
EPS - cash basis - basic (cents)	**95.5**	107.7	95.0	1
Dividend per share (cents)	**79**	85	69	14
Dividend payout ratio (%)	**82.9**	79.0	72.7	14
Capital Adequacy				
Tier 1 (%)	**7.26**	6.96	7.06	3
Total (%)	**9.46**	9.73	9.81	(4)
Full-time Staff Equivalent (FTE's)	**34,956**	35,845	36,421	(4)

(1) December 2003 results include Which new Bank, while prior year includes strategic initiatives undertaken and June 2002 ESAP costs paid in October 2002.



Underlying measures exclude shareholder investment returns and the cost of initiatives (including Which new Bank) 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

The Bank's net profit after tax ("statutory basis") for the six months ended 31 December 2003 was $1,243 million. This is against a net profit after tax of $622 million for the six months ended 31 December 2002, which included a reduction in the appraisal value of controlled entities of $426 million, compared with an increase of $165 million in the appraisal value in the current period.

The net profit after tax ("cash basis") for the period was $1,240 million, an increase of 3% over the prior comparative period. This result was achieved inclusive of $346 million (after tax) of incremental expenses in relation to the Which new Bank strategic initiative.

The Bank posted a strong core operating result for the six months ended 31 December 2003, with net profit after tax ("underlying basis") up 17% to $1,487 million from $1,274 million at 31 December 2002.

This result reflects a strong performance in the Australian and New Zealand retail banking operations, driven primarily by strong growth in the housing market. Housing assets increased by 12% over the six months ending 31 December 2003 to $112 billion up from $100 billion as at 30 June 2003. The New Zealand performance represents above market growth across the portfolio.

Results for the Institutional and Business Services business has shown modest growth over the six months, reflecting improved market conditions combined with the more customer focussed business model implemented through the IBS redesign program during the second half of the last financial year and continuing in this financial year.

In Funds Management, stronger equity markets contributed to a rise in funds under management, an improvement in investor confidence and the levels of funds flow. Underlying net profit after tax of $126 million was up 1% on the prior comparative period, while the underlying net profit on a pre-tax basis was up 7% to $173 million. Funds under management levels have recovered significantly since June 2003.

Insurance results were strong, with underlying net profit after tax of $67 million, compared with $13 million in the prior comparable period. The increase was across all regions, particularly Australia and Asia. The Insurance result was restated for prior periods to include the General Insurance operations.

Underlying productivity across all three segments has improved since June 2003. Underlying operating expenses increased by 3% on the prior comparative period. This reflects growth in banking volumes, the full year effect of the establishment of the Premium Financial Services business, general Enterprise Bargaining Agreement (EBA) wage increases partly offset by benefits from prior period initiatives and reduced Asian expenses as a result of business disposals and cost management.

Credit quality in the lending portfolio has continued to improve with very low levels of corporate defaults. The bad debt charge as a percentage of risk weighted assets remained largely unchanged at 0.10% at 31 December 2003 compared with 0.11% at 31 December 2002.

Dividends

The interim dividend declared for the half year is another record at 79 cents per share, an increase of 10 cents or 14.5% on the prior comparative period. For the current half year, the dividend takes into acount the expense in relation to the Which new Bank initiative. As a result, the dividend payout ratio for the half year is 82.9% compared with a payout ratio of 72.7% in the prior comparative period.

This dividend payment is fully franked and will be paid on 30 March 2004 to owners of ordinary shares at the close of business on 20 February 2004 (record date). Shares become ex-dividend on 16 February 2004.

The Bank issued $201 million of shares to satisfy shareholder participation in the Dividend Reinvestment Plan (DRP) in respect of the final dividend for 2002/03. It expects to issue around $189 million of shares in respect to the DRP for the interim dividend for 2003/04.

Dividends are based on net profit after tax ("cash basis") per share, having regard to the following:

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

Capital Management

The Bank maintains a strong capital position. This is recognised in its credit ratings. The Bank's credit ratings remained unchanged during the period.

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

Risk Weighted Capital Ratios

	31/12/03 %	30/06/03 %	31/12/02 %
Tier one	**7.26**	6.96	7.06
Tier two	**3.56**	4.21	4.08
Less deductions	**(1.36)**	(1.44)	(1.33)
Total capital	**9.46**	9.73	9.81
Adjusted Common Equity (ACE) (1)	**4.61**		

(1) The ACE ratio has been calculated in accordance with the Standard & Poor's methodology. As this is the first time the Bank has disclosed this ratio, no comparatives are published.

The Bank's capital position remains strong. A more detailed explanation of the movements in the capital ratios are set out on page 51.

An off-market buy-back of $450 million to $550 million is planned for March 2004. This is expected to result in enhanced EPS and improved ROE. The ultimate size of the buy-back is at the discretion of Directors and will be dependent on market conditions at the time.

Market share

The table below sets out the latest available market shares for the current and prior period along key product lines.

Line of Business	31/12/03	30/06/03(1)
Banking		
Retail and Business Deposits	24.1%(2)	24.2%
Credit Cards	22.7%(3)	22.8%
Home Loans	19.3%(4)	19.5%(6)
New Zealand Lending	21.6%	20.6%
New Zealand Retail Deposits	17.2%	16.4%
Transaction Services	23.1%(5)	22.7%
Business Lending	14.2%	14.0%
Asset Finance	15.5%	15.1%
Funds Management		
Australia Retail	14.7%(4)	14.9%
New Zealand	14.7%	14.5%
Insurance		
New Zealand	28.1%(4)	28.3%
Australia	15.1%(4)	15.3%
Hong Kong	2.2%(4)	2.2%

(1) Actual June 2003 Market Share number which was generally unavailable at the time of the previous profit announcement and includes an adjustment for any change in definitions on the part of regulatory authorities (2) reflects sale of Commonwealth Custodian Services in October 2003 (3) as at November 2003 (4) as at September 2003 (5) as at August 2003 (6) as at March 2003

Highlights (cont'd)

Which new Bank initiative

During September 2003, the Bank launched it's Which new Bank initiative. The objective of this initiative is to excel in customer service through engaged people supported by simpler processes.

Outcomes will include faster service delivery and better quality advice, enhanced training for staff, simpler processes and less bureaucracy.

The Bank is pleased with the early stages of these initiatives where good progress has been made on several key workstreams. This has resulted in improved productivity across all businesses since June 2003. Over the life of the program, the improved customer service levels are expected to lead to growth in market share.

For the six months, total incremental spend on the Which new Bank initiative totalled $494 million pre-tax, ($346 million after-tax). The major categories of spend include the expensing of $210 million of previously capitalised software, $200 million of provisions for future spend and $134 million costs net of $45 million capitalisation. This incremental spend is after taking into consideration the normal level of project spend, which is $50 million pre-tax net of capitalisation. The $200 million provision covers expected retrenchment costs, consulting fees and other expenses.

The financial impact of Which new Bank for the half year is set out below:

$m	**Actual 31/12/03**
Initiative expenses incurred	179
Investment capitalised	(45)
Provision for future costs	200
Expensing of previously capitalised software	210
Gross Which new Bank expense	544
Normal project spend (gross)	(70)
Normal project spend capitalised	20
Incremental Which new Bank expense	**494**

Net benefits realised during the six months ended 31 December 2003 total $63m pre-tax. These benefits are mainly ongoing cost savings, and were realised across the following areas:

- Redesign of Business and Corporate Banking and associated risk support.
- Several initiatives in the Retail Banking Services and Premium Financial Services business.

The Bank remains on track to meet the targets for the Which new Bank initiative that were announced in September 2003.

Further details on the specific initiatives are included in the business overview sections.

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.

Growth in cash earnings was sufficient to offset Which new Bank expenses in the first half. The Bank reiterates the views expressed 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.

Highlights (cont'd)

	Half Year Ended			
	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Net Profit after Income Tax ("statutory basis")	**1,243**	1,390	622	100
Net Profit after Income Tax ("cash basis")	**1,240**	1,371	1,208	3
Net Profit after Income Tax ("underlying basis")	**1,487**	1,400	1,274	17
Net Interest Income	**2,671**	2,572	2,454	9
Other banking income	**1,375**	1,356	1,271	8
Funds management income	**582**	540	575	1
Insurance income	**322**	318	280	15
Total Operating Income	**4,950**	4,786	4,580	8
Shareholder investment returns	**141**	96	(5)	large
Policyholder tax benefit/(expense)	**120**	32	(90)	large
Total Income	**5,211**	4,914	4,485	16
Operating expenses	**2,709**	2,685	2,627	3
Initiatives including Which new Bank (1)	**494**	156	83	large
Total Operating Expenses	**3,203**	2,841	2,710	18
Charge for bad and doubtful debts	**150**	154	151	(1)
Net Profit Before Income Tax	**1,858**	1,919	1,624	14
Policyholder tax expense/(benefits)	**120**	32	(90)	large
Corporate tax expense	**494**	513	503	(2)
Outside equity interests	**4**	3	3	33
Net Profit after Income Tax ("cash basis")	**1,240**	1,371	1,208	3
Appraisal value uplift/(reduction)	**165**	181	(426)	large
Goodwill amortisation	**(162)**	(162)	(160)	1
Net Profit after Income Tax ("statutory basis")	**1,243**	1,390	622	100
Contributions to Profit (after income tax)				
Banking	**1,294**	1,240	1,136	14
Funds Management	**126**	108	125	1
Insurance	**67**	52	13	large
Net Profit after Income Tax ("underlying basis")	**1,487**	1,400	1,274	17
Shareholder Investment Returns (after tax)	**99**	81	(8)	large
Initiatives including Which new Bank (after tax) (1)	**(346)**	(110)	(58)	large
Net Profit after Income Tax ("cash basis")	**1,240**	1,371	1,208	3
Appraisal value uplift/(reduction)	**165**	181	(426)	large
Goodwill amortisation	**(162)**	(162)	(160)	1
Net Profit after Income Tax ("statutory basis")	**1,243**	1,390	622	100

Strategic Initiative Expenses and Shareholder Investment Returns(1)	Half Year Ended			
"Underlying" measures exclude the following items:	Before Tax 31/12/03 $M	After Tax 31/12/03 $M	Before Tax 31/12/02 $M	After Tax 31/12/02 $M
Banking				
Initiatives	**463**	**324**	56	39
ESAP	**-**	**-**	27	19
Funds Management				
Initiatives	**27**	**19**	-	-
Investment returns	**14**	**10**	5	4
Insurance				
Initiatives	**4**	**3**	-	-
Investment returns	**127**	**89**	(10)	(12)
Total				
Initiatives	**494**	**346**	56	39
ESAP	**-**	**-**	27	19
Investment returns	**141**	**99**	(5)	(8)

The current period benefits from initiatives of $63 million were reflected in operating expenses and operating income.

Throughout the report underlying measures exclude shareholder investment returns and incremental first time operating expenses, being strategic initiatives and the cost of the June 2002 ESAP paid in October 2002.

(1) December 2003 results reflects the Which new Bank initiative, while prior periods include strategic initiatives undertaken and the cost of the June 2002 ESAP paid in October 2002.

Highlights (cont'd)

Balance Sheet Summary	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Total assets	**285,879**	265,110	262,017	9
Total liabilities	**262,678**	242,958	239,571	10
Shareholders' equity	**23,201**	22,152	22,446	3
Assets held and Funds under Management				
On Balance Sheet				
Banking assets	**250,594**	229,289	226,729	11
Insurance funds under management	**22,145**	22,800	23,969	(8)
Other insurance and internal funds management assets	**13,140**	13,021	11,319	16
	285,879	265,110	262,017	9
Off Balance Sheet				
Funds under management	**78,238**	71,407	71,297	10
	364,117	336,517	333,314	9

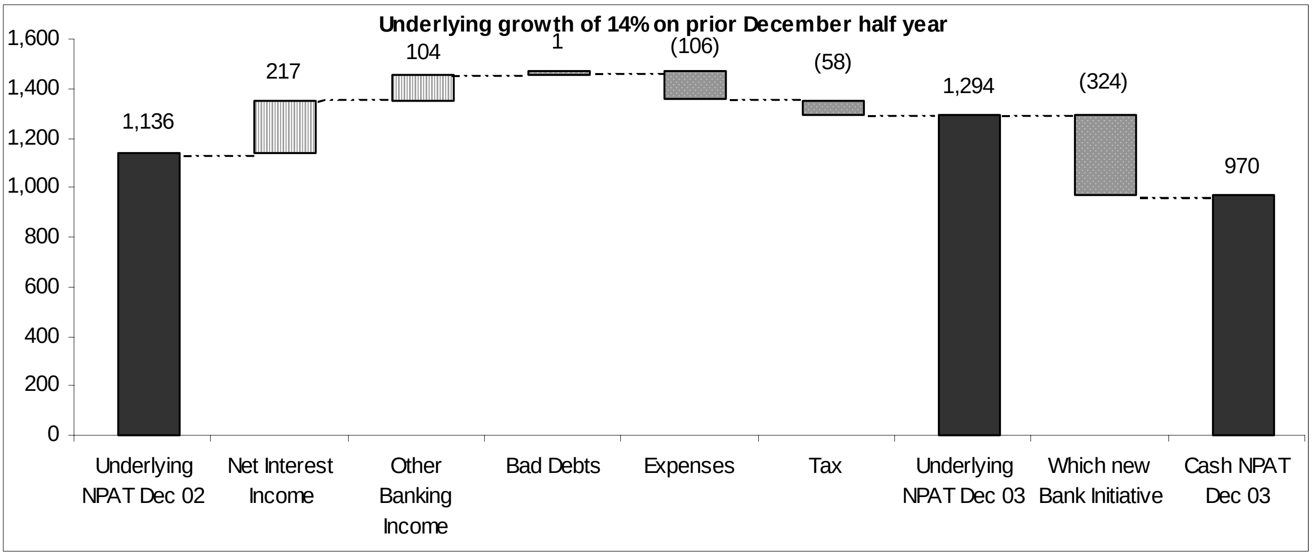
Shareholder Summary	Half Year Ended 31/12/03	30/06/03	31/12/02	31/12/03 -v- 31/12/02 %
Dividends per share - fully franked (cents)	**79**	85	69	14
Dividend cover - cash (times)	**1.2**	1.3	1.4	(14)
Earnings per share (cents)				
Statutory - basic	**95.8**	109.2	48.2	99
Statutory - fully diluted	**95.7**	109.1	48.2	99
Cash basis - basic	**95.5**	107.7	95.0	1
Cash basis - fully diluted	**95.5**	107.6	94.9	1
Dividend payout ratio (%)				
Statutory	**82.7**	77.9	143.2	(42)
Cash basis	**82.9**	79.0	72.7	14
Weighted average number of shares - basic (number)	**1,257**	1,254	1,253	0
Weighted average number of shares - fully diluted (number)	**1,258**	1,254	1,254	0

Productivity and Efficiency	Half Year Ended 31/12/03	30/06/03	31/12/02	31/12/03 -v- 31/12/02 %
Banking				
Expense to income (%)	**62.1**	54.9	54.4	14
Underlying expense to income (%)	**50.7**	51.9	52.2	(3)
Funds Management				
Expense to average funds under management (%)	**0.90**	0.96	0.86	5
Underlying expenses to average funds under management (%)	**0.84**	0.88	0.86	(2)
Insurance				
Expense to average inforce premiums (%)	**46.2**	47.7	52.8	(13)
Underlying expense to average inforce premiums (%)	**45.5**	47.7	52.8	(14)
Underlying staff expense/total operating income (%)	**25.86**	26.43	26.46	(2)
Total operating income per FTE ($)	**141,607**	133,519	125,752	13
Full time staff equivalent (FTE's)	**34,956**	35,845	36,421	(4)

Banking Analysis

Key Performance Indicators	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Profitability				
Underlying Profit after Income Tax	**1,294**	1,240	1,136	14
Initiatives including Which new Bank (after tax) (1)	**(324)**	(84)	(58)	large
Net Profit after Income Tax ("cash basis")	**970**	1,156	1,078	(10)
Operating Income				
Net interest income ($m)	**2,671**	2,572	2,454	9
Net interest margin (%)	**2.60**	2.69	2.65	(2)
Other banking income ($m)	**1,375**	1,356	1,271	8
Total banking income ($m)	**4,046**	3,928	3,725	9
Other banking income/Total banking income (%)	**34.0**	34.5	34.1	-
Operating Expenses				
Operating expenses ($m)	**2,051**	2,037	1,945	5
Initiatives including Which new Bank (1) ($m)	**463**	118	83	large
Productivity and Other Measures				
Expense to income (%)	**62.1**	54.9	54.4	14
Expense to income - underlying (%)	**50.7**	51.9	52.2	(3)
Effective corporate tax rate (%)	**29.8**	28.6	30.3	(2)
Balance Sheet				
Lending assets ($m)	**191,272**	175,074	169,084	13
Average interest earning assets ($m)	**204,323**	192,942	183,675	11
Average interest bearing liabilities ($m)	**188,688**	178,069	171,460	10
Asset Quality				
Charge for bad and doubtful debts ($m)	**150**	154	151	(1)
Risk weighted assets ($m)	**157,471**	146,808	143,771	10
Net impaired assets ($m)	**375**	434	599	(37)
General provision/Risk weighted assets (%)	**0.86**	0.90	0.92	(7)
Total provisions/Gross impaired assets (net of interest reserved) (%)	**271.6**	239.4	184.1	48
Bad debt expense/Risk weighted assets (%)	**0.10**	0.10	0.11	(9)

(1) December 2003 results reflects the Which new Bank initiative, while prior periods include strategic initiatives undertaken and the cost of the June 2002 ESAP paid in October 2002.



Banking Analysis (cont'd)

Financial Performance and Business Review

Banking operations continued to post strong results, with underlying net profit after tax up 14% or $158 million to $1,294 million from $1,136 million for the prior comparative period. On a cash basis, after reflecting incremental expenses on the Which new Bank initiative totaling $324 million (after tax), net profit was down $108 million or 10% to $970 million.

The strong underlying result was driven by higher home loan balances, higher credit card and ATM volumes and an improvement in trading and business activity. The underlying cost to income ratio continued to reduce from 52.2% for the prior comparative period to 50.7% for the half year ended 31 December 2003.

Retail

In retail banking operations, the performance for the half-year to December was driven by continued growth in the residential housing market, with record new approval volumes underpinning strong growth in net interest income, which was up 9% on the prior corresponding period. The strong revenue result was further supported by strong credit card sales and new deposit growth.

Going forward, opportunities for further market-driven revenue growth are expected to come under pressure from a slowing housing market and the impact of Reserve Bank credit card reforms. In an environment of heightened competitive pressures, the Bank is pursuing a service transformation program designed to ensure a better service outcome for our customers. Across the retail bank, highlights to-date have included:

- Changes to our home loan process, which make applying for a new loan or changing details on an existing loan much simpler and easier. Through system and process improvements, the great majority of home loan applications are now either conditionally approved on the spot or within one business day. Around 70% of maintenance transactions (such as amending loan repayments) on existing loans can now be done immediately in the branch or over the telephone, compared with up to 10 days previously.
- The refurbishment of 20 branches (at 31 December 2003) to a modern layout more conducive to effective customer service, with a further 105 branches to be completed by June 2004. This ongoing program will see more than 10% of branches modernised each year with a total investment of $260 million over the next three years.
- A continued emphasis on reducing customer waiting times, with some branches showing up to a 50% improvement over the past six months.

These actions represent the initial steps in a wide-ranging three year program that will transform the Bank's service culture and results. Over the next twelve months, specific actions will include;

- Changes to frontline customer service roles from early 2004, designed to ensure a greater proportion of staff time is spent on servicing customers. Changes will be supported by additional skills training and new incentives for staff aligned to better customer service outcomes. Early trials of these changes in a selected number of branches have shown significant improvements in service and sales outcomes.
- Changing the role of our branch managers so that up to 80% of their time is spent with their customers or coaching their staff.
- Developing more efficient processes leading to faster approval times for credit cards and personal loans.
- The introduction of a new, more efficient NetBank service with additional functionality by the end of 2004.

Asia Pacific

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

The New Zealand economy continued to grow strongly during the first half. Three successive interest rate reductions prior to August 2003 further boosted the housing sector. Total market lending as measured by Private Sector Credit (Residents only) grew by 8.2% in the year to November 2003. ASB Bank's lending growth was 19.2%, more than double the market rate (source: Reserve Bank of New Zealand). The key drivers of the success were our first class sales and service performance, successful marketing campaigns and the continued momentum of the "One Team" referral program.

ASB Bank was recognised as the top major retail bank (for the sixth consecutive year) and business bank (for the fifth consecutive year) in the annual University of Auckland "Bank customer satisfaction survey", resulting from the bank's focus on customer service.

The banking operations in Indonesia and Fiji continued to achieve solid balance sheet growth.

Institutional & Business

The robust domestic economy, supported by improving global conditions, has sustained stronger momentum across all business segments. The environment has been conducive to maintaining good credit quality.

Significant transformation across all client segments and associated risk functions has improved client service standards, while achieving substantial productivity gains. While there was some slippage in lending market share during the implementation phase of this program, this has been recovered. Importantly, client satisfaction scores have continued to improve, providing positive feedback on the new service delivery models.

In Business Banking, we maintained our leading market share (source: Taylor Nelson Sofries). A range of successful marketing campaigns were conducted over the period. The support for regional and rural Australia, especially areas hard hit by the drought, was recognised at both State and Federal levels.

In Corporate Banking, we increased market share across a range of products while maintaining the leading market share for principal banker to mid-corporates and ranking first overall in client satisfaction for treasury services to mid-corporates (source: East & Partners).

A number of market leading transactions in commercial property and infrastructure finance were executed by the Institutional Banking teams. These included finance for the Chatswood Chase Shopping Centre acquisition, and acting as sponsor for the consortium that won the bid for the Sydney Basin airports.

The implementation for the Financial Services Reform Act (FSRA) has progressed well and our license is effective from 1 December 2003.

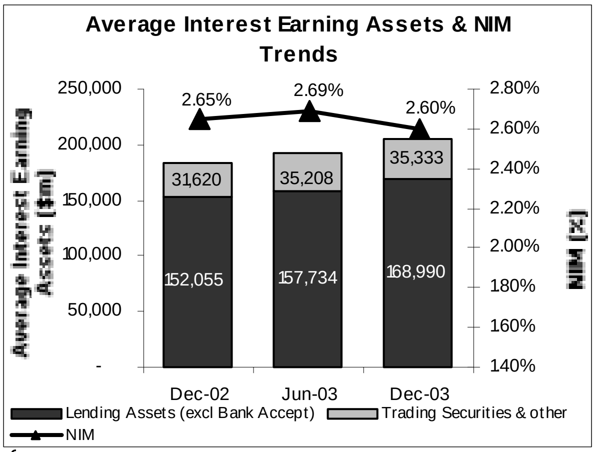
Banking Analysis (cont'd)

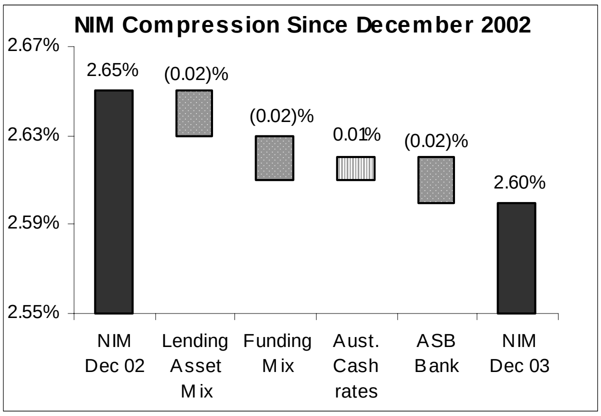
Profit Summary

Key Performance Indicators	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Net interest income	**2,671**	2,572	2,454	9
Other operating income	**1,375**	1,356	1,271	8
Total Operating Income	**4,046**	3,928	3,725	9
Operating expenses	**2,051**	2,037	1,945	5
Initiatives including Which new Bank [1]	**463**	118	83	large
Total Operating Expenses	**2,514**	2,155	2,028	24
Charge for bad and doubtful debts	**150**	154	151	(1)
Net Profit before Income Tax	**1,382**	1,619	1,546	(11)
Income tax expense	**412**	463	468	(12)
Net Profit after Income Tax ("cash basis")	**970**	1,156	1,078	(10)

(1) December 2003 results reflects the Which new Bank initiative, while prior periods include strategic initiatives undertaken and the cost of the June 2002 ESAP paid in October 2002.

Net Interest Income





Net interest income increased by 9% or $217 million to $2,671 million for the six months ended 31 December 2003 while average interest earning assets increased by 11% or $20.6 billion to $204.3 billion over the same period. The average net interest margin (NIM) reduced by 5 basis points to 2.60%.

The increase in average interest earning assets comprises an increase of $16 billion in lending assets and $4 billion in investment and trading securities. The increase in average interest earning assets contributed $266 million to the increase in net interest income.

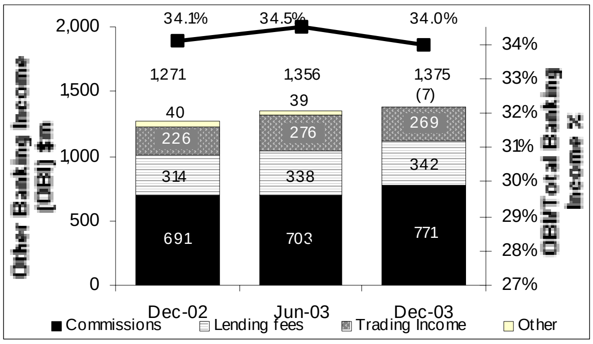
The largest contributor to the increase in average interest earning assets continued to be the strong residential lending market in Australia and New Zealand, with loan balances increasing by $12 billion or 12% since 30 June 2003, accounting for 75% of the total increase in lending assets.

The reduction of 5 basis points in the net interest margin from 2.65% for the six months to 31 December 2002 to 2.60% impacted net interest income by $49m. Factors impacting the margin reduction include:

- The strong growth in home loan balances was not matched by a similar increase in retail deposits, resulting in a higher reliance on wholesale funding. The net impact of the growth in home loans and higher reliance on wholesale funding reduced the net interest margin by 4 basis points.
- Benefit from the two increases in the Australian cash rates contributed 1 basis point, although the impact of the second increase on 4 December was minimal for the period.
- Margins in ASB Bank reduced as a result of three reductions in the cash rate in New Zealand prior to August and due to competitive pressures. This reduced the Bank's overall net interest margin by 2 basis points.

Banking Analysis (cont'd)

Other Banking Operating Income



Other Banking Operating Income

Other banking operating income increased by 8% or $104 million to $1,375 million for the half year compared with $1,271 million for the period ended 31 December 2002. Other banking operating income includes non-interest income earned on transaction accounts for the Bank's personal, business and corporate customers.

The reasons for the increase in other operating income include:

- Fees and commissions increased by 12% or $80 million to $771 million. CommSec experienced record trading levels during the six months (exceeding 477,000 trades in October), resulting in an increase in commissions of $31 million or 84%. The acquisition and integration of TD Waterhouse effective 1 May 2003 also contributed to this increase. Credit card spend was up 15% while growth in transactional activity was also positive. Personal transaction fees are less than 5% of the Bank's total income.
- Lending fees increased by 9% or $28 million. Growth in retail lending fees was the result of the increased activity in home lending, margin lending and overdraft line fees, which was partly offset by increased mortgage brokerage and valuation fees. Institutional and Business fees increased, reflecting an improvement in market conditions relative to the prior comparative period.
- Trading income was up 19% or $43 million, reflecting improved trading and market conditions in the reporting period compared with the half year ended 31 December 2002.
- Other banking income decreased by $47 million to negative $7 million. The current period includes an equity accounted loss of an associate entity principally related to a change in its accounting policy. The prior period results included a loss on strategic investments.

The income for General Insurance has been reallocated to the Insurance segment and prior period numbers and ratios have been restated. This reduced Banking other operating income by $24 million for the six months ended 31 December 2002 and $17 million for the year ended 30 June 2003, with a similar increase in the Insurance total operating income.

The income from tied financial planners was reallocated to Funds Management, reducing other banking operating income by $11 million for the six months ended 31 December 2002 and $18 million for the six months ended 30 June 2003.

Operating Expenses

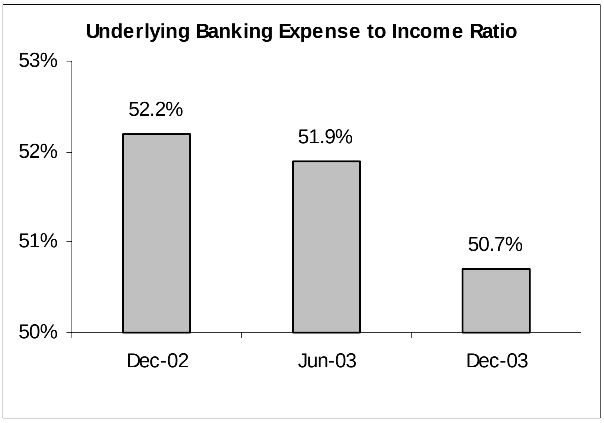
Total operating expenses on a comparable business basis for the half year increased by 5% from $1,945 million in December 2002 to $2,051 million in December 2003. The increase was due to:

- Increases in volume related expenses including credit card loyalty.
- The full year effect of establishing the Premium Financial Services business.
- Salary increases of 4% awarded under the Enterprise Bargaining Agreement (EBA).
- The net loss incurred as a result of a large fraud in Western Australia.

These increases were partly offset by savings from prior period strategic initiatives.

Productivity Efficiency

The underlying banking expense to income ratio continued to improve from 51.9% for the six months ended 30 June 2003 to 50.7% at 31 December 2003, a productivity improvement of 4.6% annualised. The improvement is due to strong revenue growth in the Bank and the benefits from strategic initiatives implemented in current and prior years partially offset by the increase in costs.



Initiatives including Which new Bank

The key strategic activities carried out in the current period were the continued implementation of the IBS redesign program and process improvements relating to the home loan application process, as well as the branch refurbishment program in Retail Banking Services. More details on specific initiatives are outlined on page 9.

Bad and Doubtful Debts

The total charge of $150 million for bad and doubtful debts is at similar levels for the prior two six month periods ($151 million for the six months ended 31 December 2002 and $154 million for the six months ended 30 June 2003).

Low interest rates continued to contribute to a good credit environment, with personal and corporate arrears and default levels at historically low levels.

The Bank remains well provisioned, with total provisions for impairment as a percentage of gross impaired assets net of interest reserved of 271.6% (June 2003 : 239.4%) and a general provision as a percentage of risk weighted assets of 0.86%, compared against 0.90% at 30 June 2003.

Taxation Expense

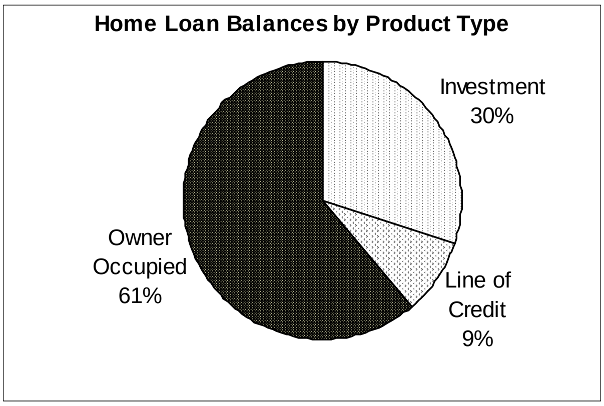
The corporate tax charge of $412 million is 12% or $56 million lower than 31 December 2002 reflecting the lower profit inclusive of the incremental initiative expenses. The average effective tax rate has reduced slightly to 29.8%.

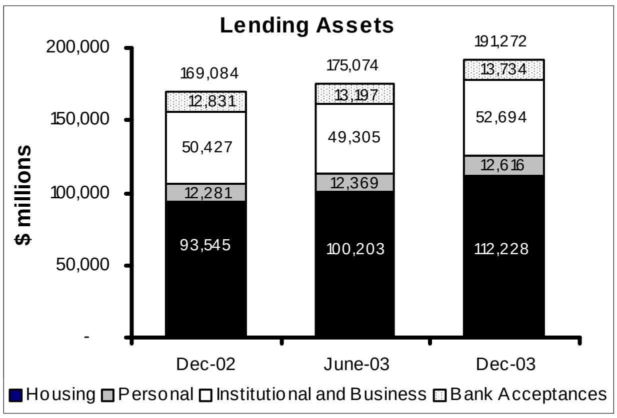
Banking Analysis (cont'd)

Major Balance Sheet Items

Major Balance Sheet Items (gross of impairment) - by Product	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Gross housing	**117,530**	106,683	99,456	18
Securitisation	**(5,302)**	(6,480)	(5,911)	(10)
Housing (net of securitisation)	**112,228**	100,203	93,545	20
Personal	**12,616**	12,369	12,281	3
Institutional and Business	**52,694**	49,305	50,427	4
Bank acceptances	**13,734**	13,197	12,831	7
Total Lending Assets	**191,272**	175,074	169,084	13
Trading & Investment Securities	**23,945**	21,471	26,053	(8)
Deposits and Other Public Borrowings	**158,914**	140,974	139,348	14
Debt Issues	**33,157**	30,629	29,025	14

Major Balance Sheet Items (gross of impairment) - by Business	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Retail:				
Lending assets	**110,604**	100,134	94,094	18
Deposits	**71,932**	68,702	68,024	6
Asia Pacific:				
Lending assets	**22,685**	19,880	19,468	17
Trading & investment securities	**3,008**	2,953	2,983	1
Debt issues	**3,075**	2,570	1,928	59
Deposits	**17,783**	17,168	16,662	7
Institutional and Business and Group Treasury:				
Lending assets	**57,983**	55,060	55,522	4
Trading & investment securities	**20,937**	18,518	23,070	(9)
Debt issues	**30,082**	28,059	27,097	11
Deposits	**69,199**	55,104	54,662	27





Banking Analysis (cont'd)

Retail

Lending Assets

Australian retail banking lending assets at 31 December 2003 were $111 billion, an increase of 11% or $11 billion over 30 June 2003 and up 18% over the 12 months since 31 December 2002. Lending assets comprise Australian Home Lending and Personal Lending.

Home Lending

Home loan balances net of securitisation increased by 12% since 30 June 2003 and 20% since 31 December 2002. The increase in home loans accounts for approximately 75% of the increase in total lending assets during the last six months. This reflects continued strong demand in both owner occupied and investment loans. Market share as at 30 September 2003 was 19.3%, compared with 19.5% as reported at June 2003, relating to March 2003 (source: APRA). The market for "low document" home loans experienced strong growth during the period. As most of these borrowers fall outside the Bank's lending criteria, the Bank did not benefit from this growth. The Bank maintained its position as Australia's leading home loan provider and has increased its share of broker originated loans which now account for 13% of the total Australian book compared with 10% at June 2003, while 25% of new home loans funded are originated by third party brokers. The Bank's share of broker originated loans as at 30 September 2003 was 20.3% (source: Market Intelligence Strategy Centre), achieving its objective of at least 20% share of that market.

Approval levels remained strong up to December. It is likely that growth will moderate in the forthcoming half due to the increase in interest rates from historically low levels, and investors' changing views on the relative merits of direct property investment.

Personal Lending

Personal lending includes Personal Loans, Credit Cards and Margin Loans. Balances increased by 2% over six months to $12.6 billion as at December 2003 reflecting growth in Credit Card balances and margin lending.

Retail Deposits

Retail deposits showed good growth, with total balances increasing by $3 billion from 30 June 2003 to $71.9 billion. Competition has intensified within the market as the improved investment market performance has started to attract customers back to equity based products.

Asia Pacific

Lending Assets

The New Zealand lending volumes remained strong during the first half across all sectors, particularly in housing and business lending. Credit demand was the major contributor to the strong growth. Housing activity remained buoyant and this has driven growth in housing mortgage balances.

ASB Bank's share of the lending market continued to grow, with market share increasing to 21.6% as at December 2003 from 20.6% in June 2003 (source: Reserve Bank of New Zealand). Focused marketing activity and ASB Bank's sales and service performance underpinned this result.

Deposits

Retail funding within ASB Bank increased from $12.3 billion at 30 June 2003 to $13 billion at 31 December 2003, an increase of 6%.

Institutional and Business and Group Treasury

Lending Assets

Institutional and Business Lending has increased $2.8 billion or 5% over the six months since 30 June 2003 to $58 billion. This growth reflected good transaction activity in Institutional Banking, a stronger performance in Corporate Banking and steady growth in Business Banking. Market share at 14.2% as at December 2003 has increased relative to 30 June 2003 of 14% (source: APRA).

Trading and Investment Securities

Trading and investment securities increased by $2.4 billion to $20.9 billion at 31 December 2003 from $18.5 billion as at 30 June 2003. This increase is primarily due to short term deposits as a result of funding operations.

Debt Issues

Debt issues were $30 billion at 31 December 2003, an increase of $2 billion since 30 June 2003. The increase reflects offshore funding raised to fund the growth in the Bank's assets.

Deposits

Deposits were $69 billion at 31 December 2003, an increase of $14 billion from $55 billion at 30 June 2003. This primarily reflects an increase in business deposit market share as well as increased use of wholesale funding to fund the growth in the Bank's assets.

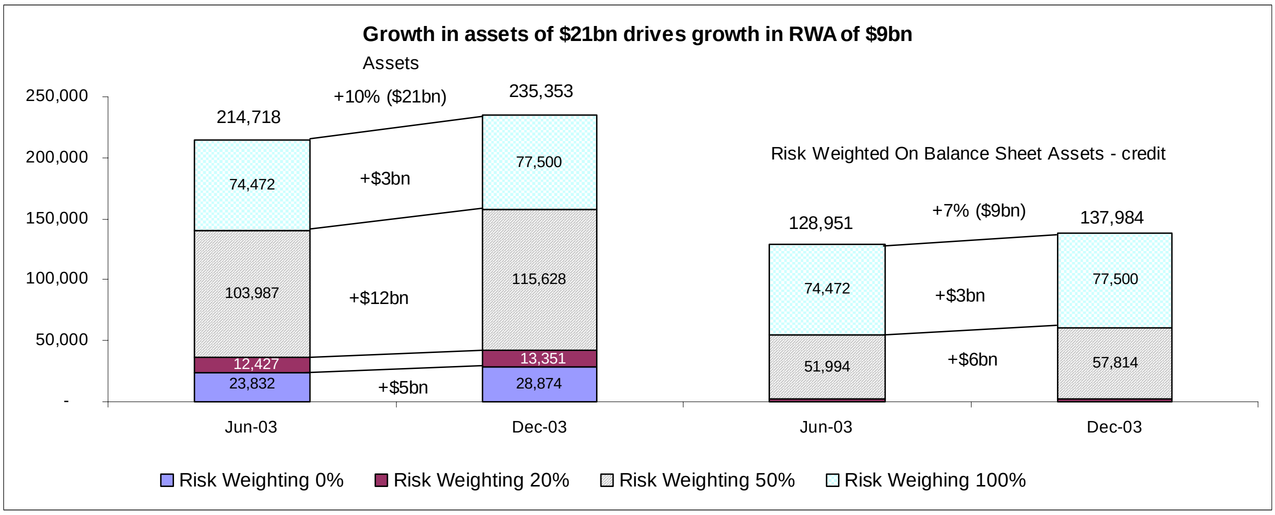
Banking Analysis (cont'd)

Provisions for Impairment	31/12/03 $M	30/06/03 $M	31/12/02 $M
General provisions	**1,358**	1,325	1,327
Specific provisions	**198**	205	264
Total Provisions	**1,556**	1,530	1,591
Total provisions for impairment as a % of gross impaired assets net of interest reserved	**271.6**	239.4	184.1
Specific provisions for impairment as a % of gross impaired assets net of interest reserved	**34.55**	32.08	30.56
General provisions as a % of risk weighted assets	**0.86**	0.90	0.92
Bad debt expense/Risk weighted assets	**0.10**	0.10	0.11

Total provisions for impairment for the Bank at 31 December 2003 were $1,556 million, up 1.7% from 30 June 2003. 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 by 3.4% from $205 million at 30 June 2003 to $198 million at 31 December 2003, primarily as a result of continuing reductions in the level of impaired assets (Gross Impaired Assets net of interest reserved have reduced by $290 million since December 2002, a reduction of 34%).

The general provision for impairment has increased to $1,358 million at 31 December 2003 from $1,325 million at 30 June 2003, an increase of 2.5%. The general provision as a percentage of Risk Weighted Assets reduced to 0.86% from 0.90% in that period. This level is generally 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.



Funds Management Analysis

Key Performance Indicators	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
	Half Year Ended			
Profitability [(2)]				
Underlying Profit after Income Tax	**126**	108	125	1
Shareholder investment returns (after tax)	**10**	6	4	large
Initiatives including Which new Bank (after tax) [(1)]	**(19)**	(27)	-	-
Net Profit after Income Tax ("cash basis")	**117**	87	129	(9)
Operating Income				
Operating income	**589**	548	580	2
Operating income to average funds under management (%)	**1.19**	1.19	1.18	1
Operating Expenses				
Operating expenses	**416**	406	418	-
Initiatives including Which new Bank [(1)]	**27**	38	-	-
Funds Under Management				
Funds under management - average	**98,357**	93,202	97,465	1
Funds under management - spot	**100,383**	94,207	95,266	5
Net flows	**1,080**	(1,493)	(2,232)	large
Productivity and Other Measures				
Expenses to average funds under management - actual (%)	**0.90**	0.96	0.86	5
Expenses to average funds under management - underlying (%)	**0.84**	0.88	0.86	(2)
Effective corporate tax rate (%)	**24.4**	19.6	21.4	14

(1) December 2003 results reflects the Which new Bank initiative, while prior periods include strategic initiatives undertaken

(2) Prior periods have been restated to include income from external advisors previously reported under Banking and some minor expense reallocations.

Financial Performance and Business Review

Performance Highlights

Underlying net profit after tax of $126 million was up 1% on the prior comparative period and up a strong 17% on the six months ended 30 June 2003. On a pre-tax basis the underlying net profit was up 7% to $173 million on the prior comparative period. Spot funds under management for the six months ended 31 December 2003 was $100 billion, which is up 7% on 30 June 2003 levels ($94 billion).

Business Review

The business benefited from a recovery in global share markets which boosted funds under management. The more favourable market conditions also contributed to an improvement in investor confidence and funds flows. However, after the sustained period of poor equity returns in previous years, funds flow for the industry remains well down on historic levels.

A very tight focus was maintained on costs with business as usual expenses down $2 million period on period. The business, however, continued to incur significant costs in respect of regulatory and compliance spend in addition to initiative spend associated with Which new Bank.

Underpinning the financial results, the business highlights included:

- The FirstChoice mastertrust product continued to achieve very strong flows in the latest reported quarter (September 2003). Funds in this product, launched only 18 months ago now total $5 billion.
- Funds flow in our UK business has been extremely strong. Net flows of $2.4 billion for the six months represent a record for the UK business.
- Investment performance on the flagship Colonial First State Australian Equities fund continues to improve and is now back in the second quartile on a 12 month basis.

Strategic Initiatives

The major strategic initiatives undertaken were focussed on process and system simplification, as well as continuing to build our position in the platform market. These included:

- Further progress was made on the product migration program, aimed at reducing the number of products and systems especially on the older closed products. The number of product systems supporting the older products has already been reduced from 17 to 14, and is targeted to reach five by 2006.
- Continued development of the FirstChoice mastertrust platform, with a focus on enhancing the platform to provide additional services and reporting for financial planners.
- A reorganisation of the various support functions, designed to reduce costs and better leverage the resources through the creation of common support functions across the various businesses.
- Following a strategic review of our UK operations, the business has been refocussed as a manufacturer of specialist product, rather than a more generalised operation in all asset classes.

Comparative Figures

The December 2003 result has been impacted by a different expense allocation between funds management and insurance.

If the comparatives were adjusted to reflect the December 2003 basis, $11 million of pre-tax expenses would have been included in the insurance business rather than the funds management business.

If done, this adjustment would have resulted in a 8% increase in underlying cash NPAT compared to the previous comparative period.

Funds Management Analysis (cont'd)

Profit Summary

Key Performance Indicators	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Funds Management				
Operating income - external	**582**	540	575	1
Operating income - internal	**7**	8	5	40
Total Operating Income	**589**	548	580	2
Shareholder investment returns	**14**	8	5	large
Policyholder tax expense/(benefits)	**82**	4	(66)	large
Funds Management Income	**685**	560	519	32
Volume based expenses	**82**	77	81	1
Other operating expenses	**334**	329	337	(1)
Operating expenses	**416**	406	418	-
Initiatives including Which new Bank (1)	**27**	38	-	-
Total Operating Expenses	**443**	444	418	6
Net Profit before Income Tax	**242**	116	101	large
Policyholder tax expense/(benefits)	**82**	4	(66)	large
Corporate tax expense	**39**	22	35	11
Outside equity interests	**4**	3	3	33
Net Profit after Income Tax ("cash basis")	**117**	87	129	(9)

(1) December 2003 results reflects the Which new Bank initiative, while prior periods include strategic initiatives undertaken including the one off cost relating to the sale of the custody business.

Operating Income

Operating income increased by 2% or $9 million to $589 million for the six months to 31 December 2003, compared with $580 million for the prior comparative period.

Improved domestic and global equity markets and strong inflows into the UK business resulted in an increase in total funds under management (spot balance) from $94.2 billion at 30 June 2003 to $100.4 billion. Average funds under management for the six months was $98.4 billion, which is 1% higher than levels at 31 December 2002 of $97.5 billion, although the closing funds under management at 31 December 2003 is much higher.

The operating income to average funds under management ratio remained steady at 1.19% which is consistent with the prior two six month periods.

Shareholder Investment Returns

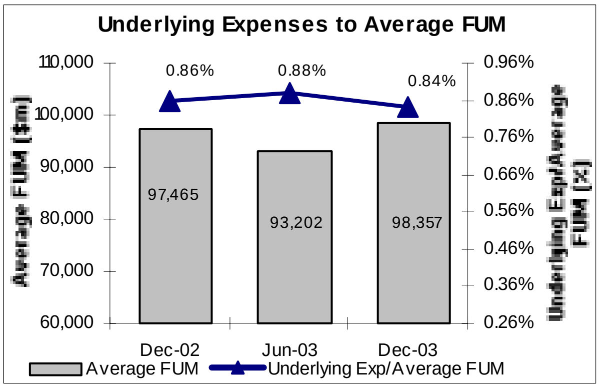
Shareholder investment returns of $14 million reflected the impact of improved local and global equity markets compared with prior periods.

Operating Expenses

Volume related expenses (consisting mainly of commissions) increased slightly from $81 million for the six months ended 31 December 2002 to $82 million in the current reporting period.

A strong focus on expense control and the benefits from prior year strategic initiatives led to other expenses reducing slightly compared with the comparable period last year, with expenses totalling $334 million for the six months ended 31 December 2003 against $337 million for the prior comparative period.

Productivity Efficiency



Operating expenses as a percentage of average funds under management of 0.84% was down 4basis points compared with June 2003.

Initiatives including Which new Bank

Costs of $27 million relating to Which new Bank initiatives include the expenses of continued rationalisation of systems, development of FirstChoice mastertrust platform, reorganisation of support functions and the strategic review of the UK operations. In addition to strategic initiatives, the prior period also includes the one-off cost relating to the sale of the custody business.

Taxation

The corporate taxation charge for the period ending 31 December 2003 was $39 million, an increase of 11% compared wtih 31 December 2002. The tax charge reflects an increased effective tax rate of 24% compared with 21% at 31 December 2002. The low effective tax rate in this business is due to transitional tax relief on investment style funds management products within life insurance legal entities. The benefits derived from this relief are being phased out over a five year period ending in 2005, thereby progressively increasing the effective tax rate.

Funds Management Analysis (cont'd)

Funds Under Management

	Half Year Ended 31 December 2003						
	Opening Balance 30/06/03 $M	Inflows $M	Outflows $M	Investment Income $M	Acquisitions & Disposals $M	Other Movements & Transfers[(1)] $M	Closing Balance 31/12/03 $M
FirstChoice	3,211	2,177	(517)	157	-	-	5,028
Cash Management	4,963	1,635	(2,027)	93	-	-	4,664
Other Retail	36,417	3,506	(4,940)	1,720	-	-	36,703
Wholesale	23,966	6,788	(7,978)	1,717	-	-	24,493
Property	11,790	1,418	(1,490)	411	-	-	12,129
Domestically Sourced	**80,347**	**15,524**	**(16,952)**	**4,098**	**-**	**-**	**83,017**
Internationally Sourced	13,860	6,502	(3,994)	1,678	-	(680)	17,366
Total	**94,207**	**22,026**	**(20,946)**	**5,776**	**-**	**(680)**	**100,383**

	Half Year Ended 30 June 2003						
	Opening Balance 31/12/02 $M	Inflows $M	Outflows $M	Investment Income $M	Acquisitions & Disposals $M	Other Movements & Transfers[(1)] $M	Closing Balance 30/06/03 $M
FirstChoice	1,846	1,648	(323)	40	-	-	3,211
Cash Management	5,244	525	(879)	73	-	-	4,963
Other Retail	38,487	4,340	(6,738)	328	-	-	36,417
Wholesale	24,878	5,137	(6,761)	712	-	-	23,966
Property	11,250	-	348	192	-	-	11,790
Domestically Sourced	**81,705**	**11,650**	**(14,353)**	**1,345**	**-**	**-**	**80,347**
Internationally Sourced	13,561	1,311	(101)	838	-	(1,749)	**13,860**
Total	**95,266**	**12,961**	**(14,454)**	**2,183**	**-**	**(1,749)**	**94,207**

	Half Year Ended 31 December 2002						
	Opening Balance 30/06/02 $M	Inflows $M	Outflows $M	Investment Income $M	Acquisitions & Disposals $M	Other Movements & Transfers[(1)] $M	Closing Balance 31/12/02 $M
FirstChoice	561	1,558	(255)	(18)	-	-	1,846
Cash Management	5,634	596	(1,091)	105	-	-	5,244
Other Retail	40,909	3,111	(4,404)	(1,129)	-	-	38,487
Wholesale	27,766	4,460	(6,062)	(1,286)	-	-	24,878
Property	8,895	-	(348)	545	2,158	-	11,250
Domestically Sourced	**83,765**	**9,725**	**(12,160)**	**(1,783)**	**2,158**	**-**	**81,705**
Internationally Sourced	19,073	5,273	(5,070)	(1,263)	(5,000)	548	13,561
Total	**102,838**	**14,998**	**(17,230)**	**(3,046)**	**(2,842)**	**548**	**95,266**

(1) Includes foreign exchange gains and losses from translation of internationally sourced business.

Funds Management Analysis (cont'd)

Funds under management

Funds under management increased by $6 billion or 7% from $94 billion at 30 June 2003 to $100 billion at 31 December 2003. Strong local and global equity markets contributed $6 billion, net inflows were $1 billion while the impact of a stronger Australian dollar had a negative impact of $680 million. Average funds under management of $98 billion at 31 December 2003 were 1% higher than 31 December 2002.

FirstChoice

FirstChoice continued its strong performance, with net inflows totalling $1.7 billion for the six months ended 31 December 2003. This took the total funds under management to over $5 billion since its launch in May 2002. FirstChoice topped the industry flows into platforms for the September 2003 quarter.

Cash Management

Cash management trusts saw further net outflows totalling $0.4 billion during the reporting period. The majority of these funds have moved into similar cash deposit products in Banking.

Other Retail

Other retail funds under management grew a modest $0.3 billion or 1% to $36.7 billion. The net outflows (excluding investment returns) on Colonial First State retail products reflects an industry move away from single manager retail products to masterfund products (like FirstChoice).

Wholesale

Despite relatively high levels of outflows, wholesale FUM has increased by $0.5 billion or 2.2% to $24.5 billion. These outflows were predominantly in the Australian equities asset class.

The level of FUM in the institutional market increased substantially with the cash, fixed interest and other debt products performing strongly.

Property

Property FUM comprises both listed and unlisted (wholesale) funds. Total property FUM grew $0.3 billion or 2.8%, benefiting from both asset revaluations and acquisitions of new properties.

Internationally sourced

International funds inflow was particularly strong at $6.5 billion for the half year due to some large mandate wins into the Global Emerging Markets product.

Due to the exceptional funds flow, FUM growth was 25% (or 30% in local currency).

Insurance Analysis

Key Performance Indicators	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Profitability				
Underlying Profit after Income Tax	**67**	52	13	large
Shareholder investment returns (after tax)	**89**	76	(12)	large
Initiatives including Which new Bank (after tax)	**(3)**	-	-	-
Net Profit after Income Tax ("cash basis")	**153**	128	1	large
Regional Net Profit after Income Tax - ("cash basis")				
Australia	**96**	75	3	large
New Zealand	**30**	33	13	large
Asia	**27**	20	(15)	large
Operating Income				
Operating income	**322**	318	280	15
Operating Expenses				
Operating expenses	**249**	250	269	(7)
Initiatives including Which new Bank	**4**	-	-	-
Annual Inforce Premiums				
Australia	**800**	771	746	7
New Zealand	**226**	221	203	11
Asia	**76**	84	91	(16)
Productivity and Other Measures				
Expenses to average inforce premiums (actual %)	**46.2**	47.7	52.8	12
Expenses to average inforce premiums (underlying %)	**45.5**	47.7	52.8	13
Effective corporate tax rate (%)	**21.9**	17.9	-	

Financial Performance and Business Review

Performance Highlights

The profit from the Insurance business was $153 million compared with a profit of $1 million for the prior comparative period. Excluding investment returns and incremental Which new Bank expenses, the underlying operating performance was $67 million, an increase of $54 million over the prior comparative period. This improvement was across all regions. 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.

Business Review

Australia

The profit in the Australian insurance business was up strongly on the prior comparative period, which was adversely impacted by a one off asset write down. Key drivers of the half year result were the positive investment returns, solid premium growth (4%) and tight expense control. General insurance claims were slightly above prior period mainly due to claims arising from the Melbourne and Sydney storms and flooding.

Other highlights for the period included:

- Maintained No. 1 market share (15.1%) of inforce life risk premiums.
- Launch of a new Loan Protection product, designed to facilitate cross sell to bank customers taking out loans.

A number of reengineering projects and technology investments were commenced, designed to streamline processes, improve customer service, improve productivity and reduce costs in servicing and administration areas.

New Zealand

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

New business volumes across the market contracted by 3.4% in the year to September 2003. During the same period, Sovereign's market share held steady at 25.4%. Sovereign had maintained its market leadership position with 28.1% share of the in-force premium income market in September 2003.

Repricing of products, new underwriting and claims management programmes produced significant profit margin expansion. In addition persistency experience showed continued improvement as the business maintained its focus on improving customer service. Product and system platform rationalisation continued to make substantial progress.

Asia

Asia includes life insurance and pension administration operations in Hong Kong, together with life businesses in China, Vietnam, Indonesia and Fiji. Hong Kong represents our largest operation in the region.

The relatively swift containment of the SARS epidemic, increasing economic co-operation with the Chinese mainland, and the rebound of international equity markets improved economic conditions and stabilised the life insurance industry in Hong Kong.

The Asian business continued to improve. Key initiatives during the period included:

- Alignment of policyholder dividends to investment returns in Hong Kong.
- Launch of an innovative new multi-manager investment product in Hong Kong.
- Expense reductions within Hong Kong operations.
- Improvement in agent remuneration practice in China and Indonesia.

Insurance Analysis (cont'd)

Profit Summary

Summary Financial Performance (excluding appraisal value (reduction)/uplift)	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Insurance				
Insurance Operating Income	**303**	297	254	19
General Insurance Operating Income	**19**	21	26	(27)
Total Operating Income	**322**	318	280	15
Shareholder investment returns	**127**	88	(10)	large
Policyholder tax	**38**	28	(24)	large
Total Insurance Income	**487**	434	246	98
Volume based expenses	**105**	114	114	(8)
Other operating expenses - external	**137**	128	150	(9)
Other operating expenses - internal	**7**	8	5	40
Operating expenses	**249**	250	269	(7)
Initiatives including Which new Bank	**4**	-	-	-
Total operating expenses	**253**	250	269	(6)
Net Profit before Income Tax	**234**	184	(23)	large
Income tax expense attributable to:				
Policyholder	**38**	28	(24)	large
Corporate	**43**	28	-	-
Net Profit after Income Tax ("cash basis")	**153**	128	1	large

Operating Income

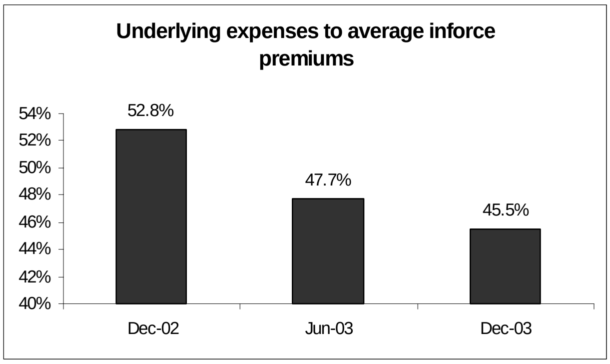
Operating income of $322 million was 15% or $42 million higher than in the prior comparative period. Operating income in the prior period included a write-down of an asset in the Australian annuity fund of $23 million. Taking this item into account, operating income was up 6% on 31 December 2002 with a growth in life insurance income being partly offset by a decline in general insurance income as a result of adverse weather claims in Melbourne and Sydney.

Shareholder Investment Returns

Shareholder investment returns of $127 million for the period represent an increase of $137 million on the prior comparative period, reflecting the rebound in domestic and overseas equity markets.

Operating Expenses

Operating expenses of $249 million represent a decline of $20 million on the prior comparative period. This reflects a decline in expenses particularly within the Asian business, due to cost control initiatives in the Hong Kong life and CommServe businesses.



Corporate Taxation

The corporate tax charge for the period was $43 million compared with a nil charge in the prior year. This reflects the growth in profit. The effective tax rate for the business was 22%.

Sources of Profit from Insurance Activities	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
The Margin on Services profit from ordinary activities after income tax is represented by:				
Planned profit margins	**52**	52	52	-
Experience variations	**11**	4	(46)	large
New business losses / reversal of capitalised losses	**2**	(8)	-	n/a
General insurance operating margin	**(1)**	4	7	large
Operating margins	**64**	52	13	large
After tax shareholder investment returns	**89**	76	(12)	large
Net profit after Income Tax ("cash basis")	**153**	128	1	large

Insurance Analysis (cont'd)

Geographical Analysis of Business Performance

	Half Year Ended							
	Australia		New Zealand		Asia		Total	
	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02
Underlying Profit after Income Tax	$M	$M	$M	$M	$M	$M	$M	$M
Operating margins	**42**	10	**20**	12	**2**	(9)	**64**	13
Investment earnings on assets in excess of policyholder liabilities	**54**	(7)	**10**	1	**25**	(6)	**89**	(12)
Net Profit after Income Tax	**96**	3	**30**	13	**27**	(15)	**153**	1

Australia

The Australian business generated $96 million in cash profit after tax. This reflects an increase of $93 million on the prior comparative period. This is attributable to:

- An increase in shareholder investment returns of $61 million.
- An improvement in operating margins of $32 million, reflecting the inclusion in the prior periods of the write-down of an investment asset, together with better claims experience and improved investment returns.

New Zealand

The New Zealand business generated $30 million in profit after tax. This represents an increase of $17 million over the same period last year. This is attributable to:

- Improved underwriting and claims management.
- Rate increases.
- Improved persistency.
- Positive investment earnings.
- Expenses containment.

Asia

The Asian business produced $27 million in profit, compared with a loss of $15 million in the prior period. Disposal of the Philippine life company had adversely impacted the prior result by $10 million. The favourable current period result reflected strong investment markets performance and improved operating margins.

Operating margins (including regional and business start-up/development expenses) improved to a profit of $2 million, compared with a prior year loss of $9 million due to:

- Continuing improvement in persistency rates within the Hong Kong business.
- Expense reductions.
- Consolidation of the pension administration business in the first half of 2003.

	Half Year Ended 31 December 2003				
Annual Inforce Premiums	Opening Balance 30/06/03 $M	Sales/New Business $M	Lapses $M	Other Movements[1] $M	Closing Balance 31/12/03 $M
General Insurance	**196**	**24**	**(19)**	**-**	**201**
Personal Life	**626**	**56**	**(41)**	**(6)**	**635**
Group Life	**254**	**39**	**(24)**	**(3)**	**266**
Total	**1,076**	**119**	**(84)**	**(9)**	**1,102**
Australia	**771**	**91**	**(64)**	**2**	**800**
New Zealand	**221**	**18**	**(13)**	**-**	**226**
Asia	**84**	**10**	**(7)**	**(11)**	**76**
Total	**1,076**	**119**	**(84)**	**(9)**	**1,102**

(1) Consists mainly of foreign exchange movements.

Insurance Analysis (cont'd)

Annual Inforce Premiums	Half Year Ended 30 June 2003 Opening Balance 31/12/02 $M	Sales/New Business $M	Lapses $M	Other Movements(2) $M	Closing Balance 30/06/03 $M
General Insurance	187	24	(15)	-	196
Personal Life	603	57	(28)	(6)	626
Group Life	250	28	(21)	(3)	254
Total	1,040	109	(64)	(9)	1,076
Australia	746	83	(58)	-	771
New Zealand	203	16	(5)	7	221
Asia	91	10	(1)	(16)	84
Total	1,040	109	(64)	(9)	1,076

Annual Inforce Premiums	Half Year Ended 31 December 2002 Opening Balance 30/06/02 $M	Sales/New Business $M	Lapses $M	Other Movements(2) $M	Closing Balance 31/12/02 $M
General Insurance	172	27	(12)	-	187
Personal Life	580	72	(50)	1	603
Group Life	229	30	(9)	-	250
Total	981	129	(71)	1	1,040
Australia	698	97	(49)	-	746
New Zealand (1)	187	27	(11)	-	203
Asia (1)	96	5	(11)	1	91
Total	981	129	(71)	1	1,040

(1) Life Insurance results for both New Zealand and Asia include savings products. Savings products are disclosed within Funds Management for the Australian business. Inforce premium relates to risk business only.
(2) Consists mainly of foreign exchange movements.

Annual inforce premiums increased by $62 million or 6% to $1,102 million at 31 December 2003. The premiums for the six months ended 31 December 2002 included the results of Asian operations since sold.

The Australian market share of inforce premiums reduced slightly from 15.3% at 30 June 2003 to 15.1% at 30 September 2003, and Sovereign maintained its leading position in New Zealand with a market share of 28.1%, slightly down from 28.3% at 30 June 2003.

Shareholder Investment Returns

Shareholder Investment Returns	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Funds Management Business	**14**	8	5	large
Insurance Business	**127**	88	(10)	large
Shareholder Investment Returns before Tax	**141**	96	(5)	large
Taxation	**42**	15	3	large
Shareholder Investment Returns after Tax	**99**	81	(8)	large

Shareholder Investments Asset Mix (%)	Australia 31/12/03 %	New Zealand 31/12/03 %	Asia 31/12/03 %	Total 31/12/03 %
Local equities	**13**	**1**	**5**	**10**
International equities	**3**	**11**	**5**	**5**
Property	**16**	**2**	**-**	**11**
Other [(1)]	**-**	**12**	**13**	**4**
Sub-total	**32**	**26**	**23**	**30**
Fixed interest	**37**	**38**	**53**	**40**
Cash	**31**	**32**	**11**	**27**
Other	**-**	**4**	**13**	**3**
Sub-total	**68**	**74**	**77**	**70**
Total	**100**	**100**	**100**	**100**

Shareholder Investments Asset Mix ($M)	Australia 31/12/03 $M	New Zealand 31/12/03 $M	Asia 31/12/03 $M	Total 31/12/03 $M
Local equities	**258**	**3**	**28**	**289**
International equities	**53**	**45**	**30**	**128**
Property	**308**	**8**	**-**	**316**
Other [(1)]	**-**	**50**	**73**	**123**
Sub-total	**619**	**106**	**131**	**856**
Fixed interest	**704**	**148**	**308**	**1,160**
Cash	**597**	**130**	**63**	**790**
Other	**-**	**18**	**76**	**94**
Sub-total	**1,301**	**296**	**447**	**2,044**
Total	**1,920**	**402**	**578**	**2,900**

(1) Other assets include the excess of carrying value over net tangible assets.

The Group revised its investment mandate during the period, reducing the weighting of growth assets to income assets from a benchmark 45:55 split to a 30:70 split. It is anticipated that this will reduce the volatility of shareholder investment earnings in future reporting periods.

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 certain market based factors which result in the adoption of a more conservative valuation that is $450 million lower at 31 December 2003 (which is consistent with June 2003) than that determined by Trowbridge Deloitte. The key consideration by Directors in determining their value is the potential impact from subdued levels of industry funds flows.

		Life Insurance			
Carrying Value at 31 December 2003	**Managed Products $M**	**Australia $M**	**New Zealand $M**	**Asia[1] $M**	**Total $M**
Shareholders net tangible assets	**620**	**1,300**	**402**	**578**	**2,900**
Value of inforce business	**1,217**	**233**	**226**	**4**	**1,680**
Embedded Value	**1,837**	**1,533**	**628**	**582**	**4,580**
Value of future new business	**3,658**	**79**	**266**	**22**	**4,025**
Carrying Value	**5,495**	**1,612**	**894**	**604**	**8,605**
Increase/(Decrease) in carrying Value since 30 June 2003	**22**	**24**	**45**	**(32)**	**59**

		Life Insurance			
Analysis of Movement Since 30 June 2003	**Managed Products $M**	**Australia $M**	**New Zealand $M**	**Asia[1] $M**	**Total $M**
Profits	**117**	**96**	**30**	**27**	**270**
Capital movements and dividends[2]	**(241)**	**(60)**	**(9)**	**-**	**(310)**
FX Movements	**(10)**	**-**	**1**	**(57)**	**(66)**
Change in Shareholders NTA	**(134)**	**36**	**22**	**(30)**	**(106)**
Appraisal value uplift/(reduction)	**156**	**(12)**	**23**	**(2)**	**165**
Increase/(Decrease) to 31 December 2003	**22**	**24**	**45**	**(32)**	**59**

(1) The Asian life businesses are not held in a market value environment and are 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, transfers and movements in intergroup loans.

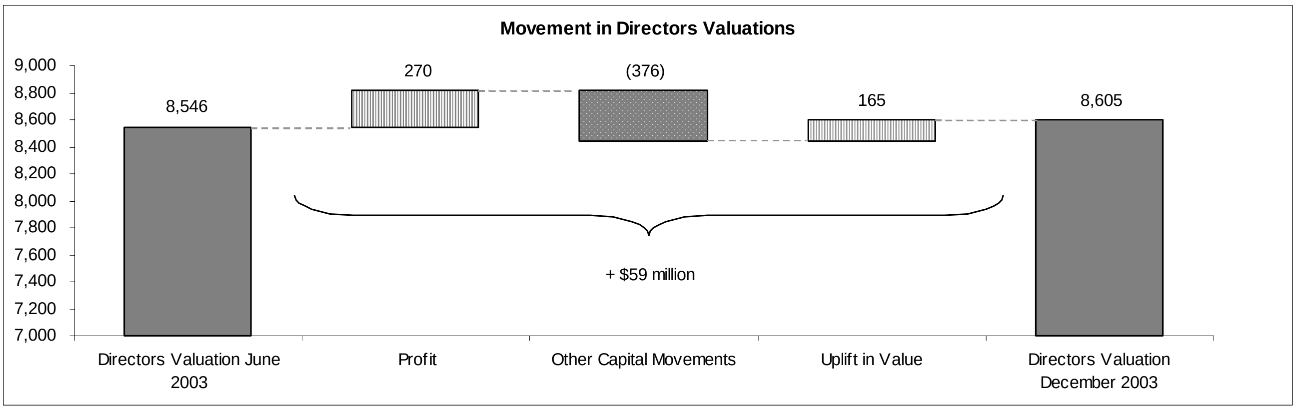
Change in valuations

The valuations adopted have resulted in a total value increase of $59 million since 30 June 2003.

The main components of the increase of $59 million comprised:

- A $106 million decrease in net tangible assets as detailed above.
- An appraisal value uplift of $165 million, which is in line with expectations, reflecting steady business performance, some slight changes to risk discount rates and improved world equity markets and their effect on industry flows.

The capital movements in the current period primarily represent inter-group transfers to fund dividend payments.



Directors Report

Directors Report

The Directors submit their report for the half year ended 31 December 2003.

Directors

The names of the Directors holding office during the half year ended 31 December 2003 and until the date of this report were:

JT Ralph AC	Chairman
J M Schubert	Deputy Chairman
D V Murray	Chief Executive Officer
N R Adler AO	Director
R J Clairs AO	Director
A B Daniels OAM	Director
C R Galbraith AM	Director
S C Kay	Director
W G Kent AO	Director
F D Ryan	Director
F J Swan	Director
B K Ward	Director

Review and Results of Operations

Commonwealth Bank recorded a net profit after tax of $1,243 million for the half year ended 31 December 2003, compared with $622 million for the half year ended 31 December 2002, an increase of 100%. The increase was principally due to the appraisal value uplift in respect of the insurance and funds management businesses compared with a negative adjustment in the prior comparative period.

The net profit from Banking of $970 million (2002: $1,078 million) before goodwill amortisation includes $324 million (after tax) incremental Which new Bank expenses (2002: $39 million in strategic initiatives). The results reflected strong growth in net interest income primarily due to continued growth in the residential housing market, credit card sales and new deposits, and an improvement in trading and business activity.

The net profit from funds management of $117 million (2002: $129 million) before goodwill amortisation and appraisal value uplift reflects the phasing out of the transitional tax relief and expenses from the Which new Bank initiative. Insurance reported a net profit of $153 million (2002: $1 million) before amortisation and appraisal value uplift reflecting strong investment returns, solid premium growth, tight expense control and new business volumes.

The funds management and insurance businesses are recorded at a value of $8,605 million (funds management $5,495 million, insurance $3,110 million). For the half year ended 31 December 2003, there was a $59 million increase in value, represented by a $165 million appraisal value increase and ($106) million in net asset movements.

In accordance with the ASX Principles of Good Corporate Governance and Best Practice Recommendations, the Chief Executive Officer and the Group Executive Financial and Risk Management, have provided the Board with a written statement that the accompanying financial report represents a true and fair view, in all material respects, of the Bank's financial position as at 31 December 2003 and performance for the six month period ended 31 December 2003, in accordance with relevant accounting standards.

Signed in accordance with a resolution of the Directors.

JT Ralph AC
Chairman

DV Murray
Managing Director and Chief Executive Officer

11 February 2004

Consolidated Statement of Financial Performance

For the half year ended 31 December 2003

	Note	31/12/03 $M	30/06/03 $M	31/12/02 $M
Interest income		**6,241**	5,860	5,668
Interest expense		**3,570**	3,288	3,214
Net interest income		**2,671**	2,572	2,454
Other income:				
Revenue from sale of assets		**111**	61	67
Written down value of assets sold		**(114)**	(43)	(63)
Other		**1,378**	1,338	1,267
Net banking operating income		**4,046**	3,928	3,725
Funds management fee income including premiums		**597**	627	522
Investment revenue		**941**	276	(268)
Claims and policyholder liability expense		**(860)**	(351)	260
Net funds management operating income		**678**	552	514
Premiums and related revenue		**552**	648	483
Investment revenue		**504**	506	114
Claims and policyholder liability expense		**(569)**	(720)	(351)
Insurance margin on services operating income		**487**	434	246
Net insurance and funds management operating income before appraisal value uplift/(reduction)		**1,165**	986	760
Total net operating income before appraisal value uplift/(reduction)		**5,211**	4,914	4,485
Charge for bad and doubtful debts		**150**	154	151
Operating expenses:				
Operating expenses	3	**2,709**	2,685	2,627
Initiatives including Which new Bank [(1)]	3	**494**	156	83
		3,203	2,841	2,710
Appraisal value uplift/(reduction)		**165**	181	(426)
Goodwill amortisation		**(162)**	(162)	(160)
Profit from ordinary activities before income tax		**1,861**	1,938	1,038
Income tax expense	4	**614**	545	413
Profit from ordinary activities after income tax		**1,247**	1,393	625
Outside equity interests in net profit		**(4)**	(3)	(3)
Net profit attributable to members of the Bank		**1,243**	1,390	622
Foreign currency translation adjustment		**(173)**	(285)	156
Revaluation of properties		**(2)**	3	-
Total valuation adjustments		**(175)**	(282)	156
Total changes in equity other than those resulting from transactions with owners as owners		**1,068**	1,108	778
		Cents per Share		
Earnings per share based on net profit distributable to members of the Bank				
Basic		**95.8**	109.2	48.2
Fully Diluted		**95.7**	109.1	48.2
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares		**79**	85	69
Preference shares (issued 6 April 2001)		**509**	500	519
Other equity instruments (issued 6 August 2003)		**3,096**	-	-
		$M	**$M**	**$M**
Net Profit after Income Tax comprises				
Net Profit after income tax ("cash basis")		**1,240**	1,371	1,208
Add Appraisal value uplift/(reduction)		**165**	181	(426)
Less Goodwill amortisation		**(162)**	(162)	(160)
Net Profit after income tax ("statutory basis")		**1,243**	1,390	622

(1) December 2003 results reflects the Which new Bank initiative, while prior periods include strategic initiatives undertaken and the cost of the June 2002 ESAP paid in October 2002.

Consolidated Statement of Financial Position

As at 31 December 2003

	Note	31/12/03 $M	30/06/03 $M	31/12/02 $M
Assets				
Cash and liquid assets		**5,892**	5,575	5,015
Receivables due from other financial institutions		**7,620**	7,066	6,735
Trading securities		**12,134**	10,435	13,462
Investment securities		**11,811**	11,036	12,591
Loans, advances and other receivables	5	**175,982**	160,347	154,663
Bank acceptances of customers		**13,734**	13,197	12,831
Insurance investment assets		**27,955**	27,835	28,847
Deposits with regulatory authorities		**95**	23	21
Property, plant and equipment		**1,027**	821	832
Investment in associates		**251**	287	323
Intangible assets		**4,867**	5,029	5,161
Other assets		**24,511**	23,459	21,536
Total assets		**285,879**	265,110	262,017
Liabilities				
Deposits and other public borrowings	7	**158,914**	140,974	139,348
Payables due to other financial institutions		**5,846**	7,538	8,458
Bank acceptances		**13,734**	13,197	12,831
Provision for dividend		**12**	12	13
Income tax liability		**999**	876	774
Other provisions		**1,041**	819	745
Insurance policyholder liabilities		**23,992**	23,861	24,762
Debt issues		**33,157**	30,629	29,025
Bills payable and other liabilities		**19,193**	19,027	18,166
		256,888	236,933	234,122
Loan Capital		**5,790**	6,025	5,449
Total liabilities		**262,678**	242,958	239,571
Net assets		**23,201**	22,152	22,446
Shareholders' Equity				
Share Capital:				
Ordinary share capital		**12,885**	12,678	12,678
Preference share capital		**687**	687	687
Other equity instruments		**832**	-	-
Reserves		**3,626**	3,850	4,014
Retained profits		**2,996**	2,809	2,424
Shareholders' equity attributable to members of the Bank		**21,026**	20,024	19,803
Outside Equity Interests:				
Controlled entities		**304**	304	300
Insurance statutory funds and other funds		**1,871**	1,824	2,343
Total outside equity interests		**2,175**	2,128	2,643
Total shareholders' equity		**23,201**	22,152	22,446

Consolidated Statement of Cash Flows

For the half year ended 31 December 2003

	Note	31/12/03 $M	30/06/03 $M	31/12/02 $M
Cash Flows from Operating Activities				
Interest received		**6,276**	5,942	5,510
Dividends received		**3**	1	3
Interest paid		**(3,551)**	(3,384)	(3,071)
Other operating income received		**1,934**	1,194	1,941
Expenses paid		**(2,953)**	(2,710)	(2,728)
Income taxes paid		**(740)**	(293)	(965)
Net decrease (increase) in trading securities		**(1,258)**	2,793	(5,277)
Life insurance:				
Investment income		**418**	429	215
Premiums received [(1)]		**1,894**	1,719	2,411
Policy payments [(1)]		**(2,501)**	(2,843)	(3,012)
Net Cash provided by / (used in) operating activities	9	**(478)**	2,848	(4,973)
Cash Flows from Investing Activities				
Payments for acquisition of entities and management rights		**-**	(59)	(114)
Proceeds from disposal of entities and businesses		**-**	-	33
Net movement in investment securities:				
Purchases		**(7,647)**	(4,694)	(13,361)
Proceeds from sale		**50**	-	24
Proceeds at or close to maturity		**6,755**	6,213	11,505
Withdrawal (lodgement) of deposits with regulatory authorities		**(72)**	(2)	68
Net increase in loans, advances and other receivables		**(15,785)**	(5,837)	(7,740)
Proceeds from sale of property, plant and equipment		**61**	29	43
Purchase of property, plant and equipment		**(334)**	(75)	(68)
Net decrease (increase) in receivables due from other financial institutions not at call		**(888)**	450	63
Net decrease (increase) in securities purchased under agreements to resell		**(207)**	(1,505)	1,555
Net decrease (increase) in other assets		**(348)**	1,331	(1,030)
Life insurance:				
Purchases of investment securities		**(4,829)**	(7,301)	(5,790)
Proceeds from sale/maturity of investment securities		**5,612**	7,624	7,004
Net cash used in investing activities		**(17,632)**	(3,826)	(7,808)
Cash Flows from Financing Activities				
Proceeds from issue of shares (net of costs)		**6**	-	13
Proceeds from issue of preference shares for outside equity interests		**-**	-	182
Proceeds from issue of other equity instruments (net of costs)		**832**	-	-
Net increase (decrease) in deposits and other borrowings		**16,966**	(886)	6,015
Net movement in debt issues		**2,528**	1,619	5,435
Dividends paid (including DRP buy back of shares)		**(904)**	(888)	(1,045)
Net movements in other liabilities		**(851)**	(1,598)	672
Net increase (decrease) in payables due to other financial institutions not at call		**(535)**	(1,722)	926
Net increase (decrease) in securities sold under agreements to repurchase		**974**	2,514	532
Issue of loan capital		**-**	901	-
Other		**27**	41	(22)
Net cash provided by financing activities		**19,043**	(19)	12,708
Net Increase (decrease) in cash and cash equivalents		**933**	(997)	(73)
Cash and cash equivalents at beginning of period		**1,428**	2,425	2,498
Cash and cash equivalents at end of period	9	**2,361**	1,428	2,425

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.

Notes to the Financial Statements

Note 1 Accounting Policies

The half year report should be read in conjunction with the annual consolidated financial statements of Commonwealth Bank of Australia (the Bank) as at 30 June 2003 and with any public announcements made by the Bank and its controlled entities during the half year ended 31 December 2003 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

These half year consolidated financial statements are a general purpose financial report made out in accordance with the Corporations Act 2001, applicable Accounting Standards including AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other mandatory reporting requirements so far as the requirements are considered appropriate to a banking corporation. This half year report does not include all notes of the type normally included in the annual financial report.

The accounting policies followed in this half year report are the same as those applied in the 30 June 2003 annual financial report.

Software Capitalisation

The criteria for information technology software capitalisation has been amended, such that only computer software projects costing $10 million or more are being capitalised and capitalisation is limited to those investments that will deliver identifiable and sustainable customer value and an increase in returns, in a significant line of business.

This change has been applied retrospectively and has resulted in the expensing of $210 million of previously capitalised software.

This half year report has been prepared in accordance with the historical cost convention and, except for AASB 1038: Life Insurance Business requirements and Directors' valuations of property holdings, does not reflect current valuations of non monetary assets. Trading securities and traded derivative financial instruments are brought to account at net fair value.

In accordance with the Australian Securities and Investments Commission Class Order No. 98/100 dated 10 July 1998, amounts in these financial statements have been rounded to the nearest million dollars unless otherwise stated.

For the purposes of preparing the half year financial statements, the half year has been treated as a discrete reporting period.

Note 2 Revenue from Ordinary Activities

	Half Year Ended		
Revenue from Ordinary Activities	**31/12/03 $M**	**30/06/03 $M**	**31/12/02 $M**
Banking			
Interest income	**6,241**	5,860	5,668
Fee and commissions	**1,113**	1,041	1,005
Trading income	**269**	276	226
Dividends	**3**	1	3
Sale of property, plant and equipment	**61**	29	43
Sale of investment securities	**50**	32	24
Other (1)	**(7)**	20	34
	7,730	7,259	7,003
Funds Management and Insurance			
Insurance premium and related income	**552**	648	483
Investment revenue	**1,445**	782	(154)
Funds management fee income	**597**	627	522
	2,594	2,057	851
Appraisal value uplift (2)	**165**	181	-
Total revenue from ordinary activities	**10,489**	9,497	7,854

(1) Includes an equity accounted loss of $36 million for the half year ended 31 December 2003. Loss principally relates to a change in revenue recognition accounting policy by the associate entity.
(2) Appraisal value reduction of $426 million for the half year ended 31 December 2002.

Notes to the Financial Statements

Note 3 Operating Expenses

	Half Year Ended		
	31/12/03 $M	**30/06/03 $M**	**31/12/02 $M**
Staff Expenses			
Salaries and wages	**1,078**	1,058	1,050
Superannuation contributions	**3**	8	5
Provisions for employee entitlements	**22**	7	4
Payroll tax	**59**	57	50
Fringe benefits tax	**14**	12	14
Other staff expenses	**55**	63	57
	1,231	1,205	1,180
Share Based Compensation	**49**	60	32
Occupancy and Equipment Expenses			
Operating lease rentals	**172**	179	175
Depreciation			
Buildings	**11**	11	13
Leasehold improvements	**26**	28	23
Equipment	**24**	28	25
Repairs and maintenance	**29**	31	27
Other	**32**	31	38
	294	308	301
Information Technology Services			
Projects and development	**107**	92	103
Data processing	**127**	123	132
Desktop	**75**	85	76
Communications	**93**	89	82
Software amortisation	**4**	41	37
	406	430	430
Other Expenses			
Postage	**56**	55	54
Stationery	**52**	52	66
Fees and commissions	**289**	269	282
Advertising, marketing and loyalty rewards	**159**	128	148
Other	**173**	178	134
	729	682	684
Operating Expenses	**2,709**	2,685	2,627
Initiatives including Which new Bank	**494**	156	83
Total	**3,203**	2,841	2,710

Transformation Program

On 19 September 2003, the Group launched its Which new Bank customer service vision. This is a three year transformation program and involves the Bank in additional expenditure in the key areas of staff training and skilling, systems and process simplification, and technology. In the period to 31 December 2003 transformation expenses have totalled $494 million and principally comprise redundancies, expensing of capitalised software of $210 million and consulting costs. The outstanding provision for transformation at 31 December 2003 is $200 million.

Some prior period comparatives have been reclassified to reflect the current categorisation of expenses, while the cost of the June 2002 ESAP, paid in October 2002 is included under Initiatives.

Notes to the Financial Statements

Note 4 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.

	Half Year Ended		
	31/12/03 $M	**30/06/03 $M**	**31/12/02 $M**
Profit from Ordinary Activities before Income Tax			
Banking	**1,382**	1,619	1,546
Funds management	**242**	116	101
Insurance	**234**	184	(23)
Appraisal value uplift/(reduction)	**165**	181	(426)
Goodwill amortisation	**(162)**	(162)	(160)
	1,861	1,938	1,038
Prima Facie Income Tax at 30%			
Banking	**415**	486	464
Funds management	**73**	35	30
Insurance	**70**	55	(7)
Appraisal value uplift/(reduction)	**50**	55	(128)
Goodwill amortisation	**(49)**	(49)	(48)
	559	582	311
Add (or Deduct) Permanent Differences Expressed on a Tax Effect Basis			
Current period			
Specific provisions for offshore bad and doubtful debts not tax effected	**2**	15	(2)
Taxation offsets (net of accruals)	**(21)**	(31)	(5)
Tax adjustment referable to policyholder income	**84**	22	(63)
Non-assessable income - life insurance surplus	**(10)**	2	(20)
Change in excess of net market value over net assets of life insurance controlled entities	**(50)**	(55)	128
Non-deductible goodwill amortisation	**49**	49	48
Tax losses recognised	**-**	(12)	(6)
Other items	**1**	(33)	28
	55	(43)	108
Prior periods			
Other	**-**	6	(6)
Total income tax expense	**614**	545	413
Income Tax Attributable to Profit from Ordinary Activities			
Banking	**412**	463	468
Funds management	**39**	22	35
Insurance	**43**	28	-
Corporate tax	**494**	513	503
Policyholder tax	**120**	32	(90)
Total income tax expense	**614**	545	413
Effective Tax Rate			
Group - corporate	**28%**	27%	29%
Banking - corporate	**30%**	29%	30%
Funds management - corporate	**24%**	20%	21%
Insurance - corporate	**22%**	18%	**-**

Tax Consolidation

Legislation has been enacted to allow Australian resident entities to elect to consolidate and be treated as a single entity for Australian tax purposes. At the date of this report, the directors of the Commonwealth Bank of Australia have made a decision to elect to be taxed as a single entity. Members of the group have entered into a tax sharing arrangement which provides for the allocation of income tax liabilities between the entities should the head entity (Commonwealth Bank of Australia) default on its tax payment obligations. At balance date, the possibility of default is remote. The Bank has not formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

Commonwealth Bank of Australia has agreed to reimburse its wholly-owned subsidiaries which form part of the consolidated tax group for the net deferred tax assets that remain at implementation date. Alternatively where there exists a net tax liability, wholly owned subsidiaries will compensate Commonwealth Bank of Australia.

Tax consolidation calculations at 31 December 2003 have been based on legislation enacted to that date. Legislation in respect of leasing and leasing partnerships has not yet been finalised. These calculations have resulted in no material adjustment to the consolidated tax expense for the half year ended 31 December 2003.

Notes to the Financial Statements

Note 5 Loans, Advances and Other Receivables

	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M
Australia			
Overdrafts	**2,013**	2,452	2,034
Housing loans	**97,729**	87,592	81,713
Credit card outstandings	**5,583**	5,227	4,992
Lease financing	**3,837**	3,988	3,932
Bills discounted	**2,957**	2,303	2,431
Term loans	**39,127**	36,742	37,519
Redeemable preference share financing	**37**	-	-
Equity participation in leveraged leases	**1,162**	1,276	1,259
Other lending	**668**	604	637
Total Australia	**153,113**	140,184	134,517
Overseas			
Overdrafts	**2,132**	2,005	2,387
Housing loans	**14,499**	12,611	11,832
Credit card outstandings	**336**	296	323
Lease financing	**173**	197	238
Term loans	**8,437**	7,444	7,744
Redeemable preference share financing	**237**	511	585
Other lending	**16**	13	56
Total overseas	**25,830**	23,077	23,165
Gross loans, advances and other receivables	**178,943**	163,261	157,682
Less:			
Provisions for impairment			
General provision	**(1,358)**	(1,325)	(1,327)
Specific provision against loans and advances	**(198)**	(205)	(263)
Unearned income			
Term loans	**(678)**	(618)	(628)
Lease financing	**(536)**	(549)	(542)
Leveraged leases	**(127)**	(143)	(146)
Interest reserved	**(24)**	(26)	(56)
Unearned tax remissions on leveraged leases	**(40)**	(48)	(57)
	(2,961)	(2,914)	(3,019)
Net loans, advances and other receivables	**175,982**	160,347	154,663

Note 6 Asset Quality

Balances of Impaired Assets	31/12/03 $M	30/06/03 $M	31/12/02 $M
Total Impaired Assets			
Gross non-accruals	**597**	**665**	919
Gross structured	**-**	**-**	-
Other assets acquired through security enforcement	**-**	**-**	-
Total gross impaired assets	**597**	**665**	919
Less Interest reserved	**(24)**	**(26)**	(56)
	573	**639**	863
Less Specific provisions for impairment	**(198)**	**(205)**	(264)
Total net impaired assets	**375**	**434**	599
Net Impaired Assets by Geographical Segment			
Australia	**308**	**357**	499
Overseas	**67**	**77**	100
Total	**375**	**434**	599

Notes to the Financial Statements

Provisions for Impairment	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M
General Provisions			
Opening balance	**1,325**	1,327	1,356
Charge against profit and loss	**150**	154	151
Transfer to specific provisions	**(118)**	(160)	(190)
Bad debts recovered	**37**	41	33
Adjustments for exchange rate fluctuations and other items	**(2)**	(9)	-
	1,392	1,353	1,350
Bad debts written off	**(34)**	(28)	(23)
Closing balance	**1,358**	1,325	1,327
Specific Provisions			
Opening balance	**205**	264	270
Transfer from general provision for:			
New and increased provisioning	**143**	211	205
Less write-back of provisions no longer required	**(25)**	(51)	(15)
Net transfer	**118**	160	190
Adjustments for exchange rate fluctuations and other items	**(1)**	(11)	-
	322	413	460
Bad debts written off	**(124)**	(208)	(196)
Closing balance	**198**	205	264
Total provisions for impairment	**1,556**	1,530	1,591
Specific provisions for impairment comprise the following segments:			
Provisions against loans and advances	**198**	205	263
Provisions for diminution	**-**	-	1
Total	**198**	205	264

	%	%	**%**
Provision Ratios			
Specific provisions for impairment as a % of gross impaired assets net of interest reserved	**34.55**	32.08	30.56
Total provisions for impairment as a % of gross impaired assets net of interest reserved	**271.55**	239.44	184.10
General provisions as a % of risk weighted assets	**0.86**	0.90	0.92
Impaired Asset Ratios			
Gross impaired assets net of interest reserved as % of risk weighted assets	**0.36**	0.44	0.60
Net impaired assets as % of:			
Risk weighted assets	**0.24**	0.30	0.42
Total shareholders' equity	**1.62**	1.96	2.67

Accounting Policy

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

Specific provisions are established where full recovery of principal is considered doubtful. Specific provisions are 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 are not well secured and past due 180 days or more.
- Credit risk rated managed segment for exposures aggregating to less than $250,000 and 90 days past due or more.
- Emerging credit risks identified in specific segments in the credit risk rated managed portfolio.

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

General provisions for bad and doubtful debts are maintained to cover non identified probable losses and latent risks inherent in the overall portfolio of advances and other credit transactions. The provisions are 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 are charged to profit. Provisions for impairment and movements therein are 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.

Notes to the Financial Statements

	Half Year Ended		
	31/12/03 $M	**30/06/03 $M**	**31/12/02 $M**
Impaired Assets			
Income received:			
Current period	**4**	14	6
Prior period	**4**	3	7
Total income received	**8**	17	13
Interest income forgone	**4**	3	15
Movement in Impaired Asset Balances			
Gross impaired assets at period beginning	**665**	919	943
New and increased	**257**	263	354
Balances written off	**(129)**	(243)	(213)
Returned to performing or repaid	**(196)**	(274)	(165)
Gross impaired assets at period end	**597**	665	919

Loans Accruing but Past Due 90 Days or More	**31/12/03 $M**	**30/06/03 $M**	**31/12/02 $M**
Housing loans	**147**	**157**	136
Other loans	**66**	**91**	75
	213	**248**	211

Note 7 Deposits and Other Public Borrowings

	31/12/03 $M	**30/06/03 $M**	**31/12/02 $M**
Australia			
Certificates of deposit	**19,636**	11,228	13,535
Term deposits	**35,391**	32,398	31,382
On demand and short term deposits	**71,055**	68,507	66,772
Deposits not bearing interest	**5,659**	5,001	5,267
Securities sold under agreements to repurchase and short sales	**4,479**	3,231	689
Total Australia	**136,220**	120,365	117,645
Overseas			
Certificates of deposit	**3,585**	2,900	3,607
Term deposits	**11,413**	10,326	10,725
On demand and short term deposits	**6,266**	5,871	5,822
Deposits not bearing interest	**1,113**	921	935
Securities sold under agreements to repurchase and short sales	**317**	591	614
Total overseas	**22,694**	20,609	21,703
Total deposits and other public borrowings	**158,914**	140,974	139,348

Notes to the Financial Statements

Note 8 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.

The general insurance business results have been aggregated with the previously reported life insurance segment results to comprise the insurance segment results. Prior period results have been reclassified accordingly. General insurance business was previously included in the banking segment.

	Half Year Ended			
	31 December 2003			
Primary Segment		**Funds**		
Business Segments	**Banking**	**Management**	**Insurance**	**Total**
Financial Performance	**$M**	**$M**	**$M**	**$M**
Interest income	**6,241**	**-**	**-**	**6,241**
Premium and related revenue	**-**	**-**	**552**	**552**
Other income	**1,489**	**1,538**	**504**	**3,531**
Appraisal value uplift	**-**	**156**	**9**	**165**
Total revenue	**7,730**	**1,694**	**1,065**	**10,489**
Interest expense	**3,570**	**-**	**-**	**3,570**
Segment result before income tax, goodwill amortisation and appraisal value uplift	**1,382**	**242**	**234**	**1,858**
Income tax (expense)/credit	**(412)**	**(121)**	**(81)**	**(614)**
Segment result after income tax and before goodwill amortisation and appraisal value uplift	**970**	**121**	**153**	**1,244**
Outside equity interest	**-**	**(4)**	**-**	**(4)**
Segment result after income tax and outside equity interest before goodwill amortisation and appraisal value uplift	**970**	**117**	**153**	**1,240**
Goodwill amortisation	**(151)**	**(9)**	**(2)**	**(162)**
Appraisal value uplift	**-**	**156**	**9**	**165**
Net profit attributable to shareholders of the Bank	**819**	**264**	**160**	**1,243**
Non-Cash Expenses				
Goodwill amortisation	**(151)**	**(9)**	**(2)**	**(162)**
Charge for bad and doubtful debts	**(150)**	**-**	**-**	**(150)**
Depreciation	**(56)**	**(1)**	**(4)**	**(61)**
Transformation	**(399)**	**(11)**	**-**	**(410)**
Other	**(26)**	**-**	**-**	**(26)**
Financial Position				
Total assets	**250,594**	**18,980**	**16,305**	**285,879**
Acquisition of property, plant & equipment, intangibles and other non-current assets	**329**	**-**	**5**	**334**
Associate investments	**190**	**1**	**60**	**251**
Total liabilities	**236,796**	**16,781**	**9,101**	**262,678**

Notes to the Financial Statements

Primary Segment Business Segments Financial Performance	Half Year Ended 31 December 2002 Banking $M	Funds Management $M	Insurance $M	Group Total $M
Interest income	5,668	-	-	5,668
Premium and related revenue	-	-	483	483
Other income	1,335	254	114	1,703
Total revenue	7,003	254	597	7,854
Interest expense	3,214	-	-	3,214
Segment result before income tax, goodwill amortisation and appraisal value reduction	1,546	101	(23)	1,624
Income tax (expense)/credit	(468)	31	24	(413)
Segment result after income tax and before goodwill amortisation and appraisal value reduction	1,078	132	1	1,211
Outside equity interest	-	(3)	-	(3)
Segment result after income tax and outside equity interest before goodwill amortisation and appraisal value reduction	1,078	129	1	1,208
Goodwill amortisation (1)	(149)	(9)	(2)	(160)
Appraisal value reduction	-	(351)	(75)	(426)
Net profit attributable to shareholders of the Bank	929	(231)	(76)	622
Non-Cash Expenses				
Goodwill amortisation	(149)	(9)	(2)	(160)
Charge for bad and doubtful debts	(151)	-	-	(151)
Depreciation	(49)	(4)	(7)	(60)
Appraisal value reduction	-	(351)	(75)	(426)
Other	(3)	(1)	-	(4)
Financial Position				
Total assets	226,728	18,518	16,771	262,017
Acquisition of property, plant & equipment and intangibles and other non-current assets	40	142	-	182
Associate investments	229	36	58	323
Total liabilities	212,781	17,523	9,267	239,571

(1) Prior periods have been restated to reflect the allocation of goodwill amortisation across businesses.

Notes to the Financial Statements

Secondary Segment Geographical Segment Financial Performance	Half Year Ended 31/12/03 $M	%	31/12/02 $M	%
Revenue				
Australia	**8,572**	**81.7**	6,523	83.1
New Zealand	**1,300**	**12.4**	894	11.4
Other Countries [1]	**617**	**5.9**	437	5.5
	10,489	**100.0**	7,854	100.0
Net Profit Attributable to Shareholders of the Bank				
Australia	**973**	**78.3**	476	76.5
New Zealand	**163**	**13.1**	130	20.9
Other Countries [1]	**107**	**8.6**	16	2.6
	1,243	**100.0**	622	100.0
Assets				
Australia	**237,255**	**83.0**	217,207	82.9
New Zealand	**30,825**	**10.8**	27,879	10.6
Other Countries [1]	**17,799**	**6.2**	16,931	6.5
	285,879	**100.0**	262,017	100.0
Acquisition of Property, Plant & Equipment and Intangibles and Other Non-current Assets				
Australia	**313**	**93.7**	165	90.7
New Zealand	**17**	**5.1**	8	4.4
Other Countries [1]	**4**	**1.2**	9	4.9
	334	**100.0**	182	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.

Note 9 Statement of Cash Flows

(a) Reconciliation of Operating Profit after Income Tax to Net Cash Provided by Operating Activities

	Half Year Ended 31/12/03 $M	30/06/03 $M	31/12/02 $M
Profit from ordinary activities after income tax	**1,247**	1,393	625
Decrease (increase) in interest receivable	**(31)**	85	(163)
Increase (decrease) in interest payable	**20**	(80)	142
Net (increase) decrease in trading securities	**(1,258)**	2,793	(5,277)
Net (gain)/loss on sale of investment securities	**(1)**	8	1
(Gain)/loss on sale of property plant and equipment	**3**	(16)	(6)
Charge for bad and doubtful debts	**150**	154	151
Depreciation and amortisation	**227**	270	259
Other provisions	**223**	74	(89)
Increase (decrease) in income taxes payable	**139**	209	(443)
(Decrease) increase in deferred income taxes payable	**(15)**	(107)	(59)
(Increase) decrease in future income tax benefits	**(250)**	133	(33)
(Increase) decrease in accrued fees/reimbursements receivable	**(3)**	(4)	(90)
(Decrease) increase in accrued fees and other items payable	**(51)**	1	5
Amortisation of premium on investment securities	**4**	(275)	6
Unrealised gain on revaluation of trading securities	**320**	(233)	239
Change in excess of net market value over net assets of life insurance controlled entities	**(165)**	(181)	426
Unrealised (gain)/loss on insurance investment assets	**(947)**	209	371
Change in policy liabilities	**131**	(901)	(1,155)
Unrealised (gain)/loss on loan capital	**(231)**	(325)	22
Other	**10**	(359)	95
Net Cash provided by Operating Activities	**(478)**	2,848	(4,973)

(b) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank, money at short call, at call deposits with other financial institutions and settlement account balances with other banks.

	Half Year Ended		
	31/12/03 $M	**30/06/03 $M**	**31/12/02 $M**
Notes, coins and cash at bankers	**1,852**	1,492	2,387
Other short term liquid assets	**391**	641	689
Receivables due from other financial institutions - at call	**2,194**	2,528	1,779
Payables due to other financial institutions - at call	**(2,076)**	(3,233)	(2,430)
Cash and Cash Equivalents at end of year	**2,361**	1,428	2,425

(c) Non Cash Financing and Investing Activities

The value of shares issued under the Dividend Reinvestment Plan was $201 million during the half year ended 31 December 2003 (31 December 2002: nil)

Note 10 Events after the end of the Financial Period

Issue of PERLS II

On 6 January 2004 a wholly owned entity of the Bank (Commonwealth Managed Investments Limited as Responsible Entity of the PERLS II Trust) issued A$750 million Perpetual Exchangeable Resettable Listed Securities (PERLS II). These securities are units in a registered managed investments scheme, perpetual in nature, offering a non-cumulative floating rate distribution, payable quarterly.

Buy Back

On 11 February 2004, the Bank announced that an off-market buy-back of $450 million to $550 million is planned for March 2004. The ultimate size of the buy-back is at the discretion of Directors and will be dependent on market conditions at the time.

Dividends

The Directors have declared a fully franked dividend of 79 cents per share – amounting to $996 million for the half year ended 31 December 2003.

The Directors are not aware of any other matter or circumstance that has occurred since the end of the half year that has significantly affected or may significantly affect the operation of the Bank, the results of those operations or the state of affairs of the Bank in subsequent financial years.

Note 11 Contingent Liabilities

There have been no material changes in contingent liabilities since those disclosed in the financial statements for the year ended 30 June 2003, refer to note 38 of the 2003 Annual Report.

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia we state that in the opinion of the Directors:

(a) the half year consolidated financial statements and notes as set out on pages 26 to 38:

- (i) give a true and fair view of the financial position as at 31 December 2003 and the performance for the half year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB1029: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

J T Ralph AC
Chairman

D V Murray
Chief Executive Officer

11 February 2004

Independent Review Report

To the Members of Commonwealth Bank of Australia

Matters relating to the Electronic Presentation of the Reviewed Financial Report

This review report relates to the financial report of Commonwealth Bank of Australia, for the period ended 31 December 2003 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the consolidated entity, for the period ended 31 December 2003. The consolidated entity comprises both the Commonwealth Bank of Australia and the entities it controlled during that period.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Commonwealth Bank of Australia is not in accordance with:

(a) the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2003 and of its performance for the period ended on that date; and
- (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst Young
Sydney

S J Ferguson
Partner

11 February 2004

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**
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7. **Integrated Risk Management**
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1. NET INTEREST INCOME

	Half Year Ended			
	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Interest Income				
Loans	**5,496**	5,154	4,972	11
Other financial institutions	**97**	86	105	(8)
Cash and liquid assets	**92**	73	77	19
Trading securities	**269**	238	216	25
Investment securities	**270**	291	275	(2)
Dividends on redeemable preference shares	**17**	18	23	(26)
Total interest income	**6,241**	5,860	5,668	10
Interest Expense				
Deposits	**2,670**	2,360	2,372	13
Other financial institutions	**76**	92	106	(28)
Debt issues	**700**	727	625	12
Loan capital	**124**	109	111	12
Total interest expense	**3,570**	3,288	3,214	11
Net interest income	**2,671**	2,572	2,454	9

2. NET INTEREST MARGIN

	Half Year Ended		
	31/12/03 %	30/06/03 %	31/12/02 %
Australia			
Interest spread (1)	**2.56**	2.71	2.65
Benefit of interest free liabilities, provisions and equity (2)	**0.23**	0.19	0.21
Net interest margin (3)	**2.79**	2.90	2.86
Overseas			
Interest spread (1)	**1.22**	1.08	1.36
Benefit of interest free liabilities, provisions and equity (2)	**0.50**	0.63	0.35
Net interest margin (3)	**1.72**	1.71	1.71
Group			
Interest spread (1)	**2.31**	2.40	2.40
Benefit of interest free liabilities, provisions and equity (2)	**0.29**	0.29	0.25
Net interest margin (3)	**2.60**	2.69	2.65

(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 half years ending 31 December 2003, 30 June 2003 and 31 December 2002. Averages used were predominantly daily averages.

The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Overseas intragroup borrowing's 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.

	Half Year Ended								
	31/12/03			30/06/03			31/12/02		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	$M	$M	%	$M	$M	%	$M	$M	%
Average Interest Earning Assets and Interest Income									
Cash and liquid assets									
Australia	**3,748**	**83**	**4.4**	2,983	63	4.3	3,598	70	3.9
Overseas	**1,004**	**9**	**1.8**	1,032	10	1.9	598	7	2.3
Receivables due from other financial institutions									
Australia	**3,306**	**17**	**1.0**	2,394	17	1.4	2,497	20	1.6
Overseas	**3,816**	**80**	**4.2**	3,931	69	3.5	3,540	85	4.8
Deposits with regulatory authorities									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**59**	**-**	**n/a**	57	-	n/a	55	-	n/a
Trading securities									
Australia	**8,192**	**191**	**4.6**	8,293	169	4.1	6,443	157	4.8
Overseas	**3,551**	**78**	**4.4**	3,910	69	3.6	2,888	59	4.1
Investment securities									
Australia	**4,043**	**130**	**6.4**	4,274	142	6.7	4,207	119	5.6
Overseas	**7,614**	**140**	**3.7**	8,334	149	3.6	7,794	156	4.0
Loans, advances and other receivables									
Australia	**144,104**	**4,681**	**6.5**	134,021	4,296	6.5	129,508	4,242	6.5
Overseas	**24,886**	**832**	**6.7**	23,713	876	7.4	22,547	753	6.6
Other interest earning assets	**-**	**-**	**n/a**	-	-	n/a	-	-	n/a
Intragroup loans									
Australia	**-**	**-**	**n/a**	-	-	n/a	-	-	n/a
Overseas	**3,360**	**5**	**0.3**	4,724	19	0.8	2,502	12	1.0
Average interest earning assets and interest income including intragroup	**207,683**	**6,246**	**6.0**	197,666	5,879	6.0	186,177	5,680	6.1
Intragroup eliminations	**(3,360)**	**(5)**	**0.3**	(4,724)	(19)	0.8	(2,502)	(12)	1.0
Total average interest earning assets and interest income	**204,323**	**6,241**	**6.1**	192,942	5,860	6.1	183,675	5,668	6.1

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

	Half Year Ended		
	31/12/03 $M	**30/06/03 $M**	**31/12/02 $M**
Average Non-Interest Earning Assets			
Bank acceptances			
Australia	**13,560**	13,050	13,237
Overseas	**2**	66	40
Life insurance investment assets			
Australia	**24,565**	25,076	27,569
Overseas	**4,023**	4,050	4,090
Property, plant and equipment			
Australia	**677**	619	635
Overseas	**183**	194	200
Other assets			
Australia	**22,756**	22,789	21,118
Overseas	**6,787**	6,450	4,459
Provisions for impairment			
Australia	**(1,391)**	(1,469)	(1,525)
Overseas	**(148)**	(151)	(149)
Total average non-interest earning assets	**71,014**	70,674	69,674
Total average assets	**275,337**	263,616	253,349
Percentage of total average assets applicable to overseas operations	**20.0%**	21.4%	19.2%

3. Average Balances and Related Interest (cont'd)

	Half Year Ended								
	30/12/03			30/06/03			31/12/02		
	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	**50,954**	**1,110**	**4.3**	45,402	926	4.1	45,941	1,030	4.4
Overseas	**15,980**	**503**	**6.3**	13,781	461	6.7	14,722	415	5.6
Savings Deposits									
Australia	**31,711**	**249**	**1.6**	32,496	243	1.5	33,059	249	1.5
Overseas	**2,991**	**51**	**3.4**	2,885	53	3.7	2,693	47	3.5
Other demand deposits									
Australia	**38,637**	**718**	**3.7**	35,595	638	3.6	32,517	592	3.6
Overseas	**3,291**	**39**	**2.4**	2,996	39	2.6	2,817	39	2.7
Payables due to other financial institutions									
Australia	**2,019**	**17**	**1.7**	1,634	12	1.5	1,868	22	2.3
Overseas	**4,802**	**59**	**2.4**	6,692	80	2.4	6,732	84	2.5
Debt issues									
Australia	**20,966**	**595**	**5.6**	19,017	560	5.9	16,307	487	5.9
Overseas	**11,368**	**105**	**1.8**	12,181	167	2.8	9,319	138	2.9
Loan capital									
Australia	**5,761**	**120**	**4.1**	5,127	105	4.1	5,339	107	4.0
Overseas	**208**	**4**	**3.8**	263	4	3.1	146	4	5.4
Other interest bearing liabilities	**-**	**-**	**n/a**	-	-	n/a	-	-	n/a
Intragroup borrowings									
Australia	**3,360**	**5**	**0.3**	4,724	19	0.8	2,502	12	1.0
Overseas	**-**	**-**	**n/a**	-	-	n/a	-	-	n/a
Average interest bearing liabilities and loan capital and interest expense including intragroup	**192,048**	**3,575**	**3.7**	182,793	3,307	3.6	173,962	3,226	3.7
Intragroup eliminations	**(3,360)**	**(5)**	**0.3**	(4,724)	(19)	0.8	(2,502)	(12)	1.0
Total average interest bearing liabilities and loan capital and interest expense	**188,688**	**3,570**	**3.8**	178,069	3,288	3.7	171,460	3,214	3.7

	Half Year Ended		
	31/12/03	30/06/03	31/12/02
	Average Balance $M	Average Balance $M	Average Balance $M
Average Non-Interest Bearing Liabilities			
Deposits not bearing interest			
Australia	**4,996**	4,849	4,720
Overseas	**1,053**	913	830
Liability on acceptances			
Australia	**13,560**	13,049	13,242
Overseas	**2**	66	40
Life insurance policy liabilities			
Australia	**20,464**	20,080	21,564
Overseas	**3,491**	3,495	3,695
Other liabilities			
Australia	**17,620**	18,136	13,303
Overseas	**2,701**	2,695	2,782
Total average non-interest bearing liabilities	**63,887**	63,283	60,176
Total average liabilities and loan capital	**252,575**	241,352	231,636
Shareholders' equity	**22,762**	22,264	21,713
Total average liabilities, loan capital and shareholders' equity	**275,337**	263,616	253,349
Percentage of total average liabilities applicable to overseas operations	**18.2%**	19.0%	18.9%

4. INTEREST RATE AND VOLUME ANALYSIS

	Half Year Ended	
	31/12/03 vs 31/12/02 Increase/ (Decrease)	31/12/03 vs 30/06/03 Increase/ (Decrease)
Change in Net Interest Income	**%**	**%**
Due to changes in average volume of interest earning assets and interest bearing liabilities	**266**	152
Due to changes in interest margin	**(49)**	(88)
Due to variation in time period	**-**	35
Change in net interest income	**217**	99

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

Changes in Net Interest Income: Volume and Rate Analysis	Half Year Ended 31/12/03 vs 31/12/02 Changes due to Volume $M	Rate $M	Total $M	31/12/03 vs 30/06/03 Changes due to Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	3	10	13	17	2	19
Overseas	4	(2)	2	-	(1)	(1)
Receivables due from other financial institutions						
Australia	5	(8)	(3)	6	(6)	-
Overseas	6	(11)	(5)	(2)	12	10
Trading securities						
Australia	41	(7)	34	(2)	22	20
Overseas	14	5	19	(7)	15	8
Investment securities						
Australia	(5)	16	11	(8)	(6)	(14)
Overseas	(3)	(13)	(16)	(13)	2	(11)
Loans, advances and other receivables						
Australia	464	(25)	439	328	(2)	326
Overseas	78	1	79	42	(98)	(56)
Other interest earning assets	-	-	-	-	-	-
Intragroup loans						
Australia	-	-	-	-	-	-
Overseas	3	(10)	(7)	(4)	(10)	(14)
Change in interest income including intragroup	639	(73)	566	321	(35)	286
Intragroup eliminations	(3)	10	7	4	10	14
Change in interest income	618	(45)	573	350	(49)	301
Interest Bearing Liabilities and Loan Capital						
Time Deposits						
Australia	108	(29)	79	118	52	170
Overseas	38	51	89	72	(35)	37
Savings Deposits						
Australia	(11)	11	-	(6)	9	3
Overseas	5	(1)	4	2	(5)	(3)
Other demand deposits						
Australia	111	15	126	56	15	71
Overseas	6	(6)	-	3	(4)	(1)
Payables due to other financial institutions						
Australia	1	(6)	(5)	3	2	5
Overseas	(24)	(1)	(25)	(23)	1	(22)
Debt Issues						
Australia	134	(26)	108	56	(29)	27
Overseas	25	(58)	(33)	(9)	(55)	(64)
Loan Capital						
Australia	8	5	13	14	-	14
Overseas	1	(1)	-	(1)	1	-
Other interest bearing liabilities	-	-	-	-	-	-
Intragroup borrowings						
Australia	3	(10)	(7)	(4)	(10)	(14)
Overseas	-	-	-	-	-	-
Change in interest expense including intragroup	327	22	349	166	56	222
Intragroup eliminations	(3)	10	7	4	10	14
Change in interest expense	315	41	356	200	37	237
Change in net interest income	266	(49)	217	152	(88)	64
Change due to variation in time periods						35

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

The volumes and rate variances for total interest earning assets and liabilites 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 half years.

5. OTHER BANKING OPERATING INCOME

	Half Year Ended			
	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Lending fees	**342**	338	314	9
Commission and other fees	**771**	703	691	12
Trading income	**269**	276	226	19
Dividends	**3**	1	3	-
Net gain on investments and loans	**-**	3	(12)	large
Net (loss)/profit on sale of property, plant and equipment	**(3)**	16	6	large
Other [(1)]	**(7)**	19	43	large
Total other banking operating income	**1,375**	1,356	1,271	8

(1) Includes an equity accounted loss of $36 million for the half year ended 31 December 2003. Loss principally relates to a change in revenue recognition accounting policy by the associate entity.

6. OPERATING EXPENSES

	Half Year Ended			
	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Operating expenses	**2,709**	2,685	2,627	3
Initiatives including Which new Bank [(1)]	**494**	156	83	large
Total	**3,203**	2,841	2,710	18

	Half Year Ended			
Expenses by Segment	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Banking	**2,051**	2,037	1,945	5
Funds management	**416**	406	418	-
Insurance	**242**	242	264	(8)
Operating expenses	**2,709**	2,685	2,627	3
Banking	**463**	118	83	large
Funds management	**27**	38	-	-
Insurance	**4**	-	-	-
Initiatives including Which new Bank [(1)]	**494**	156	83	large
Total	**3,203**	2,841	2,710	18

	Half Year Ended			
Expenses by Category	31/12/03 $M	30/06/03 $M	31/12/02 $M	31/12/03 -v- 31/12/02 %
Staff	**1,231**	1,205	1,180	4
Share based compensation	**49**	60	32	53
Occupancy and equipment	**294**	308	301	(2)
Information technology services	**406**	430	430	(6)
Other expenses	**729**	682	684	7
Operating expenses	**2,709**	2,685	2,627	3
Initiatives including Which new Bank [(1)]	**494**	156	83	large
Total	**3,203**	**2,841**	**2,710**	**18**

(1) December 2003 includes Which new Bank, while prior periods include strategic initiatives undertaken and the cost of the June 2002 ESAP paid in October 2002.

7. INTEGRATED RISK MANAGEMENT (EXCLUDES 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 2003 Annual Report pages 30 to 32, 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 7.6% exposure to 'Property and Business Services' in the table below includes 0.8% of commercial property exposure for which the risk has effectively been transferred to third party investors by way of a synthetic securitisation transaction.

The commercial portfolio remains well rated and we experienced low actual bad debts during the period.

Industry	31/12/03 %	30/06/03 %	31/12/02 %
Accommodation, Cafes and Restaurants	**1.4**	1.4	1.4
Agriculture, Forestry and Fishing	**2.8**	2.9	2.9
Communication Services	**0.3**	0.5	0.7
Construction	**1.5**	1.7	1.7
Cultural and Recreational Services	**0.8**	0.8	0.8
Electricity, Gas and Water Supply	**1.5**	1.6	1.6
Finance and Insurance	**10.4**	9.5	10.9
Government Administration and Defence	**4.6**	4.3	4.3
Health and Community Services	**1.6**	1.7	1.7
Manufacturing	**4.1**	4.6	5.1
Mining	**0.8**	1.0	1.3
Personal and Other Services	**0.4**	0.5	0.6
Property and Business Services	**7.6**	7.8	8.1
Retail Trade	**2.3**	2.1	2.2
Transport and Storage	**2.5**	2.6	2.5
Wholesale Trade	**1.2**	1.5	1.6
Consumer	**56.2**	55.5	52.6
	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	31/12/03 %	30/06/03 %	31/12/02 %
Australia	**86.8**	86.5	85.4
New Zealand	**9.9**	9.9	10.2
Europe	**1.5**	1.5	1.6
Americas	**1.1**	1.3	1.5
Asia	**0.6**	0.7	1.0
Other	**0.1**	0.1	0.3
	100.0	100.0	100.0

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

Commercial Portfolio Quality	31/12/03 %	30/06/03 %	31/12/02 %
AAA/AA	**30**	28	29
A	**17**	19	17
BBB	**17**	16	14
Other	**36**	37	40
	100	100	100

As percentage of commercial portfolio exposure (including finance and insurances) which has been individually risk rated, the Bank has 64% of commercial exposures at investment grade quality.

Consumer Portfolio Quality	31/12/03	30/06/03	31/12/02
Housing loans accruing but past 90 days or more $M	**147**	157	136
Housing loan balances ($m) (1)	**112,228**	100,203	93,545
Arrears rate (%)	**0.13**	0.16	0.15

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

7. INTEGRATED RISK MANAGEMENT (CONT'D)

Interest Rate Risk

Interest rate risk in the balance sheet is discussed within Note 39 of the 2003 Annual Report

Next 12 months' Earnings

Over the half year to 31 December 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)	31/12/03 %	30/06/03 %	31/12/02 %
Average monthly exposure	**0.8**	1.3	1.8
High month exposure	**1.1**	2.1	2.1
Low month exposure	**0.3**	0.4	1.6

Foreign Exchange Risk

Foreign exchange risk in the balance sheet is discussed within Note 39 of the 2003 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 2003).

Value at Risk (VaR)

VaR within Financial Markets Trading is discussed in the 2003 Annual Report.

VaR Expressed based on 97.5% confidence	Average VaR During December 2003 Half Year $M	Average VaR During June 2003 Half Year $M	Average VaR During December 2002 Half Year $M
Group			
Interest rate risk	**3.02**	3.43	3.37
Exchange rate risk	**1.24**	1.31	1.47
Implied volatility risk	**0.92**	0.62	0.59
Equities risk	**0.56**	0.73	0.32
Commodities risk	**0.33**	0.32	0.35
Prepayment risk	**0.36**	0.38	0.30
ASB Bank	**0.20**	0.15	0.19
Diversification benefit	**(2.51)**	(2.32)	(2.14)
Total	**4.12**	4.62	4.45

VaR Expressed based on 99.0% confidence	Average VaR During December 2003 Half Year $M	Average VaR During June 2003 Half Year $M	Average VaR During December 2002 Half Year $M
Group			
Interest rate risk	**3.99**	4.31	4.45
Exchange rate risk	**1.50**	1.64	1.75
Implied volatility risk	**1.26**	0.79	0.71
Equities risk	**0.70**	0.93	0.39
Commodities risk	**0.40**	0.41	0.42
Prepayment risk	**0.36**	0.38	0.30
ASB Bank	**0.25**	0.20	0.24
Diversification benefit	**(3.26)**	(3.02)	(2.70)
Total	**5.21**	5.64	5.57

In the half year ending 30 June 2004 a new risk type covering credit spreads will be added to the VaR model. To date that risk has been captured by way of a "Specific Risk" capital allocation charge. The change reflects growth in this particular market segment and the increasing availability of data for credit spreads on which to model.

8. CAPITAL ADEQUACY

Risk Weighted Capital Ratios	31/12/03 %	30/06/03 %	31/12/02 %
Tier One	**7.26**	6.96	7.06
Tier Two	**3.56**	4.21	4.08
Less deductions	**(1.36)**	(1.44)	(1.33)
Total	**9.46**	9.73	9.81
Adjusted Common Equity [1]	**4.61**		

	31/12/03 $m	30/06/03 $m	31/12/02 $m
Tier One capital			
Shareholders' equity	**23,201**	22,152	22,446
Eligible loan capital	**311**	351	414
Estimated reinvestment under Dividend Reinvestment Plan [2]	**189**	-	-
Foreign currency translation reserve related to non-consolidated subsidiaries	**246**	147	(3)
Deduct:			
Asset revaluation reserve	**(5)**	(7)	(4)
Goodwill	**(4,867)**	(5,029)	(5,161)
Expected dividend	**(996)**	(1,066)	(865)
Intangible component of investment in non-consolidated subsidiaries	**(4,644)**	(4,388)	(4,191)
Outside equity interest in entities controlled by non-consolidated subsidiaries	**(123)**	(123)	(110)
Outside equity interest in life insurance statutory funds	**(1,871)**	(1,824)	(2,343)
Other	**(3)**	-	(35)
Total Tier One capital	**11,438**	10,213	10,148
Tier Two capital			
Asset revaluation reserve	**5**	7	4
General provision for bad and doubtful debts [3]	**1,353**	1,321	1,323
FITB related to general provision	**(388)**	(391)	(384)
Upper Tier Two note and bond issues	**249**	250	298
Lower Tier Two note and bond issues	**4,381**	4,990	4,620
Total Tier Two capital	**5,600**	6,177	5,861
Total Capital	**17,038**	16,390	16,009
Deduct:			
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier One capital)	**(2,075)**	(2,072)	(1,868)
Other	**(63)**	(42)	(42)
Capital base	**14,900**	14,276	14,099

Adjusted Common Equity [4]	31/12/03 $M
Tier One capital	**11,438**
Deduct:	
Eligible loan capital	**(311)**
Preference share capital	**(687)**
Other equity instruments	**(832)**
Outside equity interest (net of outside equity interest component deducted from Tier One capital)	**(181)**
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier One capital)	**(2,075)**
Other	**(86)**
Total adjusted common equity	**7,266**

(1) The ACE ratio has been calculated in accordance with the Standard & Poor's methodology. As this is the first time the Bank has disclosed this ratio, no comparatives are published.
(2) Based on reinvestment experience related to the Bank's Dividend Reinvestment Plan.
(3) Excludes general provision for bad and doubtful debts in non-consolidated subsidiaries.
(4) Adjusted Common Equity (ACE) is one measure considered by Standard & Poor's in evaluating the Bank's AA- credit rating.

8. CAPITAL ADEQUACY (CONT'D)

Risk-weighted Assets	Face Value 31/12/03 $M	30/06/03 $M	31/12/02 $M	Risk Weights %	Risk Weighted Balance 31/12/03 $M	30/06/03 $M	31/12/02 $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	**28,874**	23,832	24,980	0%	**-**	-	-
Claims on OECD banks and local governments	**13,351**	12,427	14,329	20%	**2,670**	2,485	2,866
Advances secured by residential property	**115,628**	103,987	97,717	50%	**57,814**	51,993	48,858
All other assets	**77,500**	74,472	74,701	100%	**77,500**	74,472	74,701
Total on balance sheet assets – credit risk	**235,353**	214,718	211,727		**137,984**	128,950	126,425
Total off balance sheet exposures – credit risk [(1)]					**17,278**	16,533	16,088
Risk weighted assets – market risk					**2,209**	1,325	1,258
Total risk weighted assets					**157,471**	146,808	143,771

(1) Off balance sheet exposures secured by residential property account for $10.6 billion of off balance sheet credit equivalent assets ($5.3 billion of off balance sheet risk weighted assets).

The change in regulatory capital ratios since 30 June 2003 can be attributed to:

- An increase in Tier One capital of $1,225 million principally due to retained earnings, the issue of USD550 million (AUD832 million) of hybrid capital in August 2003, the issue of $201 million value of shares to satisfy the DRP in respect to the final dividend for 2002/03, and the estimated $189 million value of shares required to satisfy the DRP in respect to the interim dividend for 2003/04.
- A decrease in Tier Two capital principally due to a reduction in lower Tier Two note and bond issues resulting from changes in foreign exchange rates. (Whilst these notes and bonds are hedged, the unhedged value is included in the calculation of regulatory capital).
- An increase in risk weighted assets from $147 billion to $157 billion. This increase is largely related to the $12 billion increase in housing loans secured by residential mortgages, which attract a concessionary risk weighting of 50%.

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 $890 million of surplus capital above regulatory requirements held in the life insurance and funds management businesses, nor does it give credit for the risk diversification benefits provided by these businesses.

On 6 January 2004, a wholly owned entity of the Bank (Commonwealth Managed Investments Limited as Responsible Entity of the PERLS II Trust) issued $750 million of Perpetual Exchangeable Resettable Listed Securities (PERLS II). These securities are units in a registered managed investments scheme, perpetual in nature, offering a non-cumulative floating rate distribution payable quarterly. The issue of PERLS II forms part of the continual capital management strategy of the Bank and increases the diversity and flexibility of the Bank's capital base.

On 27 January 2004, the Bank announced the issue of $500 million subordinated medium term notes for settlement on 10 February 2004. The notes mature in 2014 and are callable in 2009. The notes qualify as Lower Tier Two capital and will replace $300 million subordinated notes redeemed on 10 February 2004.

An off-market buy-back of $450 million to $550 million is planned for March 2004. This is expected to result in enhanced EPS and improved ROE. The ultimate size of the buy-back is at the discretion of Directors and will be dependent on market conditions at the time.

Shareholders in the Bank have previously been able to increase their shareholding directly through the DRP. The Bank intends to provide a further opportunity for shareholders to directly increase their shareholding through a Share Purchase Plan (SPP) to be introduced following completion of the buy-back. Shareholders participating in the SPP will have the opportunity to directly purchase shares in the Bank free of brokerage and other charges. It is anticipated that further offers under this SPP will be made in the future, subject to Director's discretion.

The Bank intends to establish a Share Sale Facility (SSF) following completion of the buy-back. Under the SSF, eligible shareholders will be able to sell their shares free of brokerage and other charges.

On a proforma basis, at 31 December 2003, the issue of PERLS II, the increase in Lower Tier Two capital, an off-market buy-back of say, $500 million, and a SPP of say, $150 million would have increased Tier One capital from 7.26% to 7.51%, and total capital from 9.46% to 9.84%.

9. SHARE CAPITAL

	Half Year Ended 31/12/03	
	Shares Issued	**$M**
Ordinary Share Capital		
Opening balance 1 July 2003	**1,253,581,363**	**12,678**
Exercise of executive options	**312,500**	**6**
2002/2003 final dividend fully paid shares at $28.03	**7,165,289**	**201**
Closing balance 31 December 2003	**1,261,059,152**	**12,885**
Preference Share Capital		
Opening balance 1 July 2003	**3,500,000**	**687**
Closing balance 31 December 2003	**3,500,000**	**687**
Other Equity Instruments		
Issue during the half year	**550,000**	**832**
Closing balance 31 December 2003	**550,000**	**832**
Retained Profits		
Opening balance 1 July 2003		**2,809**
Net profit for the half year		**1,243**
Payment of final dividend		**(1,066)**
Appropriations from reserves (net)		**49**
Payment of other dividends		**(39)**
Closing balance 31 December 2003		**2,996**
Reserves		
Opening balance 1 July 2003		**3,850**
Appropriation to retained profits (net)		**(49)**
Movement in foreign currency translation reserve (1)		**(173)**
Movement in asset revaluation reserve		**(2)**
Closing balance 31 December 2003		**3,626**
Outside Equity Interests: Controlled Entities		
Opening balance 1 July 2003		**304**
Closing balance 31 December 2003		**304**

(1) The movement in the foreign exchange translation reserve adjustment relates primarily to the revaluation of subsidiaries in Hong Kong, United Kingdom and United States of America as a result of foreign exchange rate movements.

Issue of Other Equity Instruments

On 6 August 2003 the Bank, via a wholly owned entity of the Bank, issued USD 550 million (AUD 832 million) of trust preferred securities into the US Capital Markets. The securities qualify as Tier One capital of the Bank.

Issue of PERLS II

On 6 January 2004 a wholly owned entity of the Bank (Commonwealth Managed Investments Limited as Responsible Entity of the PERLS II Trust) issued $750 million Perpetual Exchangeable Resettable Listed Securities (PERLS II). The securities qualify as Tier One capital of the Bank. Refer Note 10 of Financial Statements for further details.

Buy Back

On 11 February 2004, the Bank announced that an off-market buy-back of $450 million to $550 million is planned for March 2004. The ultimate size of the buy-back is at the discretion of Directors and will be dependent on market conditions at the time.

Dividend Franking Account

After fully franking the interim dividend to be paid for the half year ended 31 December 2003, the amount of credits available as at 31 December 2003 to frank dividends for subsequent financial years is $337 million. This figure is based on the combined franking accounts of the Bank at 31 December 2003, which have been adjusted for franking credits that will arise from the payment of income tax payable on profits for the half year ended 31 December 2003, franking debits that will arise from the payment of dividends proposed for the half year and franking credits that the Bank may be prevented from distributing in subsequent financial periods. The available amount will be further reduced by an estimated $150 million resulting from the planned share buy-back. 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 January 2004 will be franked at the 30% tax rate. These calculations have been based on the taxation law as at 11 February 2004.

Dividends

The Directors have declared a fully franked (at 30%) interim dividend of 79 cents per share (2002/03: 69 cents) amounting to $996 million (2002/03: $865 million). The dividend will be paid on 30 March 2004 to eligible shareholders. Additionally, distributions totalling $39 million for the half year were paid to preference shareholders and other equity instrument holders.

A fully franked final dividend of 85 cents per share amounting to $1,066 million was paid on 8 October 2003 in respect to the year ended 30 June 2003. The payment comprised cash disbursements of $865 million with $201 million being reinvested by participants through the Dividend Reinvestment Plan.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan continues to be 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 20 February 2004 at ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South, 1235.

Ex Dividend Date

The ex dividend date is 16 February 2004.

10. LIFE COMPANY VALUATIONS

Carrying Values of Insurance and Funds Management Businesses

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.

		Life Insurance			
	Managed Products	**Australia**	**New Zealand**	**Asia(1)**	**Total**
Analysis of Movement since 30 June 2003	**$M**	**$M**	**$M**	**$M**	**$M**
Profits	**117**	**96**	**30**	**27**	**270**
Net capital movements and dividends(2)	**(241)**	**(60)**	**(9)**	**-**	**(310)**
Foreign exchange movements	**(10)**	**-**	**1**	**(57)**	**(66)**
Change in shareholders net tangible assets	**(134)**	**36**	**22**	**(30)**	**(106)**
Net appraisal value uplift/(reduction)	**156**	**(12)**	**23**	**(2)**	**165**
Increase/(Decrease) to 31 December 2003	**22**	**24**	**45**	**(32)**	**59**

		Life Insurance			
	Managed Products	**Australia**	**New Zealand**	**Asia(1)**	**Total**
Shareholders' Net Tangible Assets	**$M**	**$M**	**$M**	**$M**	**$M**
30 June 2003 balance	**754**	**1,264**	**380**	**608**	**3,006**
Profits	**117**	**96**	**30**	**27**	**270**
Net capital movements and dividends	**(241)**	**(60)**	**(9)**	**-**	**(310)**
Foreign exchange movements	**(10)**	**-**	**1**	**(57)**	**(66)**
31 December 2003 balance	**620**	**1,300**	**402**	**578**	**2,900**

		Life Insurance			
	Managed Products	**Australia**	**New Zealand**	**Asia(1)**	**Total**
Value Future New Business	**$M**	**$M**	**$M**	**$M**	**$M**
30 June 2003 balance	**3,596**	**79**	**278**	**24**	**3,977**
Uplift/(reduction)	**62**	**-**	**(12)**	**(2)**	**48**
31 December 2003 balance	**3,658**	**79**	**266**	**22**	**4,025**

		Life Insurance			
	Managed Products	**Australia**	**New Zealand**	**Asia(1)**	**Total**
Value in Force Business	**$M**	**$M**	**$M**	**$M**	**$M**
30 June 2003 balance	**1,123**	**245**	**191**	**4**	**1,563**
Uplift/(reduction)	**94**	**(12)**	**35**	**-**	**117**
31 December 2003 balance	**1,217**	**233**	**226**	**4**	**1,680**

		Life Insurance			
	Managed Products	**Australia**	**New Zealand**	**Asia(1)**	**Total**
Carrying Value at 31 December 2003	**$M**	**$M**	**$M**	**$M**	**$M**
Shareholders' net tangible assets	**620**	**1,300**	**402**	**578**	**2,900**
Value in force business	**1,217**	**233**	**226**	**4**	**1,680**
Embedded value	**1,837**	**1,533**	**628**	**582**	**4,580**
Value future new business	**3,658**	**79**	**266**	**22**	**4,025**
Carrying value	**5,495**	**1,612**	**894**	**604**	**8,605**

(1) The Asian life insurance businesses are not held in a market value environment and are 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, transfers and movements in intergroup loans.

10. Life Company Valuations (Cont'd)

The following table reconciles the carrying values of the life insurance and funds management businesses to the value of investments in non-consolidated subsidiaries as shown in the capital adequacy calculation in appendix 8.

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

	31/12/03 $M	30/06/03 $M	31/12/02 $M
Intangible component of investment in non-consolidated subsidiaries deducted from Tier one capital comprises:			
Value future new business	**4,025**	3,977	3,765
Value of self-generated in force business	**528**	411	426
Other [1]	**91**	-	-
	4,644	4,388	4,191
Investment in non-consolidated subsidiaries deducted from total capital comprises:			
Shareholders' net tangible assets in life and funds management businesses	**2,900**	3,006	3,015
Capital in other non-consolidated subsidiaries	**349**	286	243
Value of acquired in force business	**1,152**	1,152	1,152
Less non-recourse debt	**(2,326)**	(2,372)	(2,542)
	2,075	2,072	1,868

(1) Relates to revised APRA Prudential Standards effective 1 July 2003

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.

	31 December 2003		
	New Business Multiplier	**Risk Discount Rate %**	**Value of Franking Credits %**
Life insurance entities			
Australia	**8**	**10.8**	**70**
New Zealand	**8**	**11.7**	**-**
Asia			
- Hong Kong	**8**	**12.0**	**-**
- Other	**various**	**various**	**-**
Funds management entities			
Australia	**n/a**	**12.4**	**70**

	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

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.

10. 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 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	31/12/03 $M	30/06/03 $M	31/12/02 $M
Future policy benefits [1]	**27,451**	27,426	28,654
Future bonuses	**1,211**	1,188	1,277
Future expenses	**1,689**	1,637	2,318
Future profit margins	**1,392**	1,420	1,352
Future charges for acquisition expenses	**(971)**	(916)	(741)
Balance of future premiums	**(6,829)**	(6,956)	(8,147)
Provisions for bonuses not allocated to participating policyholders	**49**	62	49
Total policy liabilities	**23,992**	23,861	24,762

(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.

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 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 payments
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 the 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.

Class of Business	December 2003 Rate Range %	June 2003 Rate Range %
Traditional – ordinary business (after tax)	5.87 - 6.62	5.44 – 6.19
Traditional – superannuation business (after tax)	7.17 – 8.11	6.65 – 7.58
Annuity business (after tax)	6.22 – 7.03	5.46 – 6.67
Term insurance – ordinary business (after tax)	3.57 – 3.92	3.16 – 3.85
Term insurance – superannuation business (after tax)	3.57 – 3.92	3.16 – 3.85
Disability business (before tax)	5.60	5.50
Investment linked – ordinary business (after tax)	5.42 – 5.86	4.88 – 5.68
Investment linked – superannuation business (after tax)	6.98 – 7.52	6.33 – 6.84
Investment linked – exempt (after tax)	7.92 – 8.49	7.20 – 8.27
Investment account – ordinary business (after tax)	4.08	3.67
Investment account – superannuation business (after tax)	4.97	4.46
Investment account – exempt (after tax)	5.80	5.21

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 expenses are based on an internal analysis of experience and are assumed to increase in line with inflation each year and to be sufficient to cover the cost of servicing the business in the coming year after adjusting for one off expenses. For Participating Business, expenses continue on the previous charging basis.

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. The inflation assumption for maintenance expenses also include an allowance for higher per policy costs for some products. 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 insurance fund. All controlled Australian 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 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 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 insurance statutory funds and their shareholder funds.

11. INTANGIBLE ASSETS

	31/12/03 $M	30/06/03 $M	31/12/02 $M
Purchased goodwill - Colonial	**5,591**	5,591	5,592
Purchased goodwill - other	**1,155**	1,155	1,125
Accumulated amortisation	**(1,879)**	(1,717)	(1,556)
Total intangible assets	**4,867**	5,029	5,161

12. AMORTISATION SCHEDULE

	Half Year Ended		
	31/12/03 $M	30/06/03 $M	31/12/02 $M
Goodwill			
Opening balance	**5,029**	5,161	5,391
Purchased goodwill	**-**	30	-
Amortisation for the half year	**(162)**	(162)	(160)
Transfer of funds from Colonial Foundation Trust	**-**	-	(71)
Other adjustments	**-**	-	1
Closing balance	**4,867**	5,029	5,161

13. 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 Bank operations in New Zealand.
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. Dividends paid on preference shares and other equity instruments are deducted from earnings to arrive at earnings per share (31/12/03: $39 million)
Embedded Value	The estimated value of future profits from existing business together with net tangible assets.
Funds Management	Funds management business includes the Investment & Insurance division, International Financial Services division and custody business which resides in Institutional Banking Services.
Insurance	Insurance business includes the life risk business within the Investment & Insurance division and the International Financial Services division and general insurance.
Net Profit after Tax ("Cash Basis")	Represents profit after tax and outside equity interest before appraisal value (reduction)/uplift and goodwill amortisation.
Net Profit after Tax ("Statutory")	Represents profit after tax and outside equity interests and after 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 3rd party agencies. Prior period staff numbers have been restated to reflect this.
Underlying Expense to Income Ratio	Represents operating expenses (excluding first time expenses) as a percentage of revenue.
Underlying Profit	Represents net profit after tax ("cash basis") excluding strategic initiatives and the cost of the June 2002 Employee Share Acquisition Plan (ESAP) paid in October 2002, and shareholder investment returns.