Commonwealth Bank

Media Release

COMMONWEALTH BANK GROUP FULL YEAR RESULTS ANNOUNCEMENT - 30 JUNE 2001

Sydney, 22 August 2001: Results The Commonwealth Bank Group today announced a net operating profit after tax of $2,262 million ("cash"[1] basis) for the full year ended 30 June 2001, an increase of 9% on the previous year. Profit is expressed on a "cash" basis, which is used by the Bank to calculate dividends and by analysts to evaluate the results. Directors declared a final dividend of 75 cents per share, fully franked at 30%. (The reported profit[2] after tax was $2,398 million.)

The contribution from the Group's banking business increased 12% over the prior year, as a result of worthwhile growth in net interest earnings and steady growth in other banking income. The charge for bad and doubtful debts increased by 24% to $385 million, reflecting deterioration in the credit market following a slowdown in the economy.

Housing loans (including securitisation) grew by 9% to over $80 billion. Retail deposits grew by 4%, with the balance of funding for the business achieved by increased use of wholesale borrowings and loan securitisation.

The funds management businesses had a very good year, contributing almost $150 million to the group result, up 34% over the year. This reflected strong growth in funds under management which increased 15% to over $101 billion. The Managing Director of the Group, Mr David Murray, said, "This result was particularly pleasing, demonstrating that the momentum in the funds management businesses was maintained through the integration with Colonial. Further, the principal source of new funds under management was the retail sector". As at 30 June 2001, the Group's funds management businesses rank number one in the ASSIRT survey in terms of total funds under management and retail market share. Combined retail funds inflow for Commonwealth Investment Management and Colonial First State during June was over $1,500 million, the top ranking performance in Australia.

In the life insurance and superannuation business, operating margins in Australia decreased, reflecting lower investment returns and increased claims expense, offset in part by growth in products such as superannuation and allocated pensions. Lower investment returns also affected the New Zealand and Asian life insurance businesses. Further, business volumes in Hong Kong were affected by the difficult competitive environment.

[1] That is, before goodwill amortisation and the increase in value of the wealth management businesses.
[2] That is, net operating profit after income tax.

Overall, the valuation of the Group's wealth management businesses increased by $800 million. The key feature was an increase in the value of the funds management businesses of $596 million. This was partly offset by a reduction in the value of the Group's Asian life insurance businesses of $93 million.

Return on equity for the 6 months to 30 June 2001 was up 1.5% to 14.3%. Return on equity for the year was 13.5%, down from the previous year due to the shares issued to acquire Colonial in June 2000.

The banking margin, which represents the return on the assets used in the banking business, has declined at an increasing rate from 4.1% in 1997 to 3.5% for the year just ended. This reflects falling net interest margins only partially offset by increases in other sources of banking income, leading to a lower net cost of banking to customers.

Colonial Integration

Mr Murray outlined the significant progress made on the integration of the Colonial businesses into the Group. Based on the work completed to date, the synergies expected to be achieved when the process is complete by 2003 are $450 million per annum, $70 million higher than the original estimate.

Mr Murray said, "The major milestone achieved during the year was the integration of Commonwealth Group's banking operations with those of Colonial State Bank and Colonial Trust Bank. This involved combining the branches, ATMs and other sales outlets of Colonial with those of Commonwealth Bank, together with combining the back office processing areas". This was a significant undertaking, and at the time of its announcement, part of the largest merger in Australian corporate history. The integration of the retail banking operations has gone well and was completed ahead of schedule. Mr Murray commented that he was pleased with the ACCC confirmation that the Group has met all its obligations in relation to pricing, product availability and service quality. That is not to say that the integration was without challenges. It had adversely impacted momentum in the Group's core businesses, especially in the first half, and there are some residual service issues that are being addressed as they arise.

Overseas, the integration of the New Zealand operations of Colonial has been completed. Work is under way in Asia and the United Kingdom to draw together the combined operations to provide a more focussed face to the market and realise cost efficiencies.

Service

Over the last year, the Bank continued to build on its ambition to provide customised service to all Australians by:

- Continuing to provide fee free banking for over 1.3 million school children. This year the Group invested in an Internet based system that makes the deposit process easier and significantly faster for schools.

- Continuing to be Australia's leading provider of accessible financial services, with a network of over 1,000 branches, around 4,000 agents who provide face-to-face banking, approximately 4,000 ATMs and more than 122,000 EFTPOS terminals.

- Meeting the growing demand for online services with a range of new offerings. The Group now has over 1.5 million online customers.

- Providing customers with investment opportunities in the Group's managed funds through over 670 financial planners in the branches, through 5,000 independent financial planners and agents, or directly via the Internet through a number of websites.

- Making Ezy Banking available through 659 Woolworths stores. This provides 55 free transactions a month and face to face service. There are now more than 425,000 Ezy Banking accounts.

- Giving customers access to a home loan at a time and location convenient to them; in person at one of over 1,000 branches; with one of the Group's 168 Mobile Bankers; via the telephone by calling 13 2224; or online. Customers can also access Colonial branded mortgages through third party mortgage brokers.

- Continuing to invest in developing its Business Bankers to enable them to better understand its customers' businesses, and provide sensible financial solutions. The Group's online Business Centre is designed specifically for business customers.

- Offering a customised service to rural clients through the award winning AgriOptions package which provides farmers with maximum flexibility and certainty in managing their business.

The task for the year ahead is to enhance and adapt service standards for the different needs of different customers. The Group remains committed to customising services for all Australians depending on their level of need.

Outlook

Recovery in the major global economies continues to be uncertain, putting at risk the sustainability of current growth rates in Australia, even with a historically low exchange rate. Credit quality in the business sector is expected to continue to weaken, reflecting the normal lag from an economic slow down. The Group is well provisioned to cover bad debts, with total provisions of two and a half times the identified impaired loans at year end.

With the successful completion of the critical phases of the Colonial integration, the Group is positioned to achieve the benefits of integration synergies. The Group also expects that its strategic investments, including the Colonial merger, will improve its competitive position by enhancing customer service, revenue and efficiency.

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

Performance Summary

Key aspects of the results:

Net Profit After Tax (cash basis[1])	$2,262 million
Banking: Operating Profit after tax	$1,793 million
Funds Management: Operating Profit after tax	$149 million
Life Insurance: Operating Profit after tax	$320 million
Total Asset Held and Funds Under Management	$307 billion
Final dividend	75 cents per share

Key Performance Measures and comparison to previous year:

Net Profit After Tax (cash basis[1])	$2,262 million	Up 9%
Net Profit After Tax (reported basis[2])	$2,398 million	
Return on equity (reported basis[2])	13.50%	
Earnings per Share (reported basis[2])	190 cents	Up 5 cents
Lending Assets net of securitisation	$150 billion	Up 3%
Funds Under Management	$101 billion	Up 15%
- Retail	$34 billion	Up 38%
- Wholesale	$43 billion	Up 6%
- Life Insurance	$24 billion	Up 7%
Banking Cost Income Ratio	57.7%	Up from 57.4%
Risk Weighted Capital Ratio	9.16%	Down from 9.75%
Tier 1 ratio	6.51%	Down from 7.49%
Banking Margin[3]	3.58%	Down 18 basis points

[1] That is, before goodwill amortisation and the increase in value of the wealth management businesses
[2] That is, net operating profit after income tax.
[3] Return on assets used in the banking business.