Commonwealth Bank

Media Release

COMMONWEALTH BANK FULL YEAR RESULTS – 30 JUNE 2002

Sydney, 21 August 2002

In announcing its full year results today, the Commonwealth Bank indicated that it will maintain its branch numbers at the current number, foreshadowed further restructuring and highlighted a more uncertain operating environment going forward.

The Bank announced a net profit after income tax of $2,655 million for the year ended 30 June 2002, up 11% on the prior year. On a 'cash'[1] basis, net profit was $2,501 million, also an increase of 11%. Directors declared a fully franked dividend of 82 cents per share for the six months, bringing the dividend per share for the full year to 150 cents.

The Chief Executive Officer, Mr David Murray, said, "This is a good result which has been achieved despite volatility in global equity markets and higher credit losses during the first half of the year. The strong banking result was achieved despite a slightly lower margin, the funds management businesses grew strongly, and the life insurance business was negatively affected by poor returns from equity markets. Total assets held and funds under management grew by 6% to $327 billion. Return on total banking assets and funds under management was 0.8%."

Mr Murray highlighted that the Bank's lending portfolio remains soundly managed. The annualised credit charge for bad debt in the second half of the year was less than the full year in 2000/2001, despite the current weakening in the overall economic outlook.

Mr Murray said, "This result reflects the dedicated effort of the Bank's 38,000 staff. I am happy to announce that, for the sixth time in seven years, staff based in Australia with more than 12 months service will receive a free grant of $1,000 worth of Commonwealth Bank shares." He added that the Bank's staff had made good progress towards new and better service standards. Their commitment to service was integral to the Bank's solid performance in the following areas:

- Strong growth in housing loan balances of 16% to $92.9 billion;
- Retail deposits grew 10% to $64.2 billion;
- Average funds under management balances were 10% higher than in the prior year; and

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

- Customers increasingly used the Bank's credit card and transactional services, with total card balances increasing 15% to $4.8 billion. Retail transactions fees represent 5% of total banking income for the year.

With over 1,000 branches, the Commonwealth Bank's branch network remains Australia's largest, exceeding its nearest competitor by around 200 branches and the Bank has today announced that it will keep branch numbers at the current level as of today. As a consequence, a small number of branches that the Bank had previously announced as closing, will remain open.

The Bank provides financial services to more Australians than any other financial institution and, to continue to do so, must remain competitive and efficient. The Bank is operating in an environment characterised by increasing concern about equity market volatility, particularly in the US. In Australia, lending growth for housing is expected to slow, and, whilst business investment is showing signs of improvement, the overall level of growth may be slower over coming years.

Against the background of this uncertain and challenging environment, the Bank needs to adapt in order to ensure its continued competitiveness. Last December, four new divisions were created, each with dedicated services for a particular group of customers. Since then, detailed work has been completed in planning the implementation of streamlined processes to facilitate faster decision making at the front line, provide shorter response times to better meet customer expectations and improve the Bank's responsiveness to customers' needs. Implementing these changes will incur an incremental net cost of approximately $120 million after tax in the coming year to cover systems changes, re-engineering of overall processes and staff redundancies. This amount will not be taken as a restructuring provision but rather will be treated as an expense in the accounts. The annual benefit in succeeding years will exceed this one-time cost.

The Bank expects that total staff numbers will be further reduced by around 1,000 by the end of this financial year as a result of eliminating duplication, inefficiencies and some back office processing. In addition to the 500 positions announced earlier, a further 1,550 positions will no longer be required. At the same time, there is expected to be an increase of some 550 positions, principally providing customer service. While every attempt will be made to redeploy displaced staff, where this is not possible staff will receive a redundancy package.

The Bank expects to achieve satisfactory earnings growth over the coming year having regard to the economic conditions.

Within this calendar year and subject to the receipt of regulatory approvals, the Bank intends to issue complying capital securities to enable it to undertake a share buy-back of approximately $500 million.

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Performance Summary

Key aspects of the results:

Net Profit After Tax attributable to shareholders (statutory)	$2,655 million
Net Profit After Tax (cash basis)[1]	$2,501 million
Banking: Net Profit After Tax	$2,067 million
Funds Management: Net Profit After Tax	$216 million
Life Insurance: Net Profit After Tax	$218 million
Total assets held and Funds Under Management	$327 billion
Final dividend (fully franked)	82 cents per share

Key Performance Measures and Comparison to prior year:

Net Profit After Tax attributable to shareholders (statutory)	$2,655 million	Up 11%
Net Profit After Tax (cash basis)[1]	$2,501 million	Up 11%
Return on Equity[2] (cash basis)[1]	13.93%	Up from 12.83%
Earnings per Share (cash basis)[1,3]	197 cents	Up 10% or 18 cents
Lending Assets net of securitisation	$161 billion	Up 8%
Banking Cost Income Ratio	54.1%	Down from 57.7%
Risk Weighted Capital Ratio	9.80%	Up from 9.16%
Tier 1 Ratio	6.78%	Up from 6.51%

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

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

3 Earnings are net of dividends on preference shares of $34 million (30 June 2001: $9 million).