



Commonwealth Bank

Presentation of Full Year Results

22 August 2001

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Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 22 August 2001. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.



Speaker's Notes

- Speaker's notes for this presentation are attached below each slide.
- To access them, you may need to save the slides in PowerPoint and view/print in "notes view."



Overview

- Retail Integration completed ahead of time & to business case
- Additional \$70 million of integration synergies identified
- \$800 million added to value of wealth management businesses
- Strong net interest income with stable net interest margin
- Positive contribution from other banking income
- Home lending market share beginning to stabilise
- Weaker life insurance operating margins & investment earnings below long term expectations
- Operating expenses increased above plan



Agenda

- **Performance Highlights**
- **Income and Expenditure**
- **Balance Sheet**
- **Colonial Merger**
- **Funding and Capital**



Performance Highlights

Commonwealth Bank Group

Set out in this presentation are unaudited proforma graphs and tables which comprise the profit and loss, balance sheet and life insurance and funds management statistics for the Commonwealth Bank Group and Colonial Limited for the half years ending December 1999 and June 2000. These have been prepared to illustrate the proforma consolidated position of Commonwealth Bank and Colonial as if Colonial had been merged with Commonwealth Bank as at 31 December 1999 for balance sheet purposes and from 1 July 1999 to 30 June 2000 for profit and loss purposes.

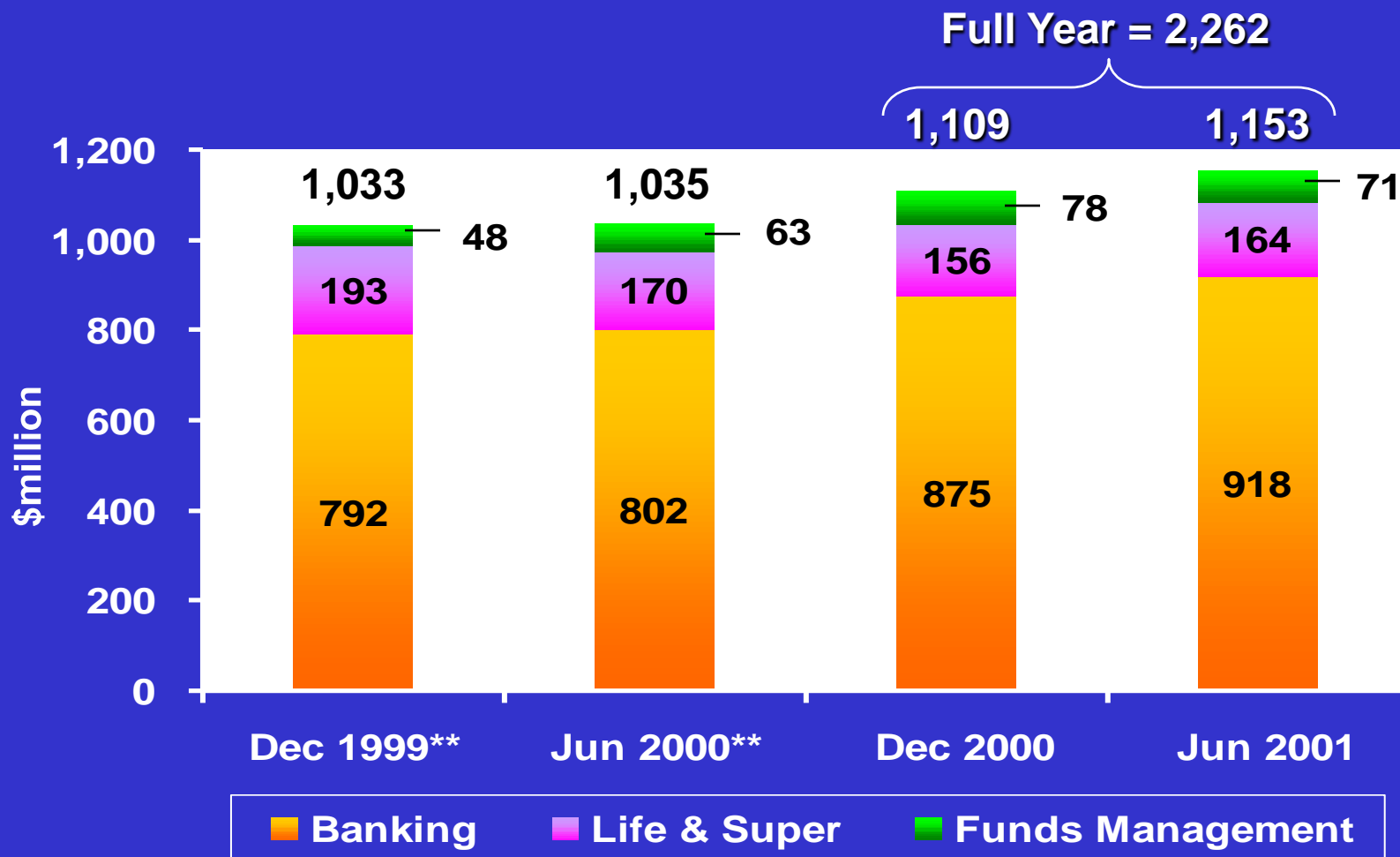
The proformas do not include goodwill amortisation or life insurance appraisal value uplift. The results included within the profit and loss have been adjusted for abnormal items and other items not considered part of the ongoing operations, such as the effect of Colonial's UK life insurance business which was sold during the year and specific payments made by Colonial in relation to the merger with Commonwealth Bank. [No adjustments have been made for inconsistencies in accounting policies between Colonial and Commonwealth].



Managing Integration: Scale & Complexity



Net Operating Profit*



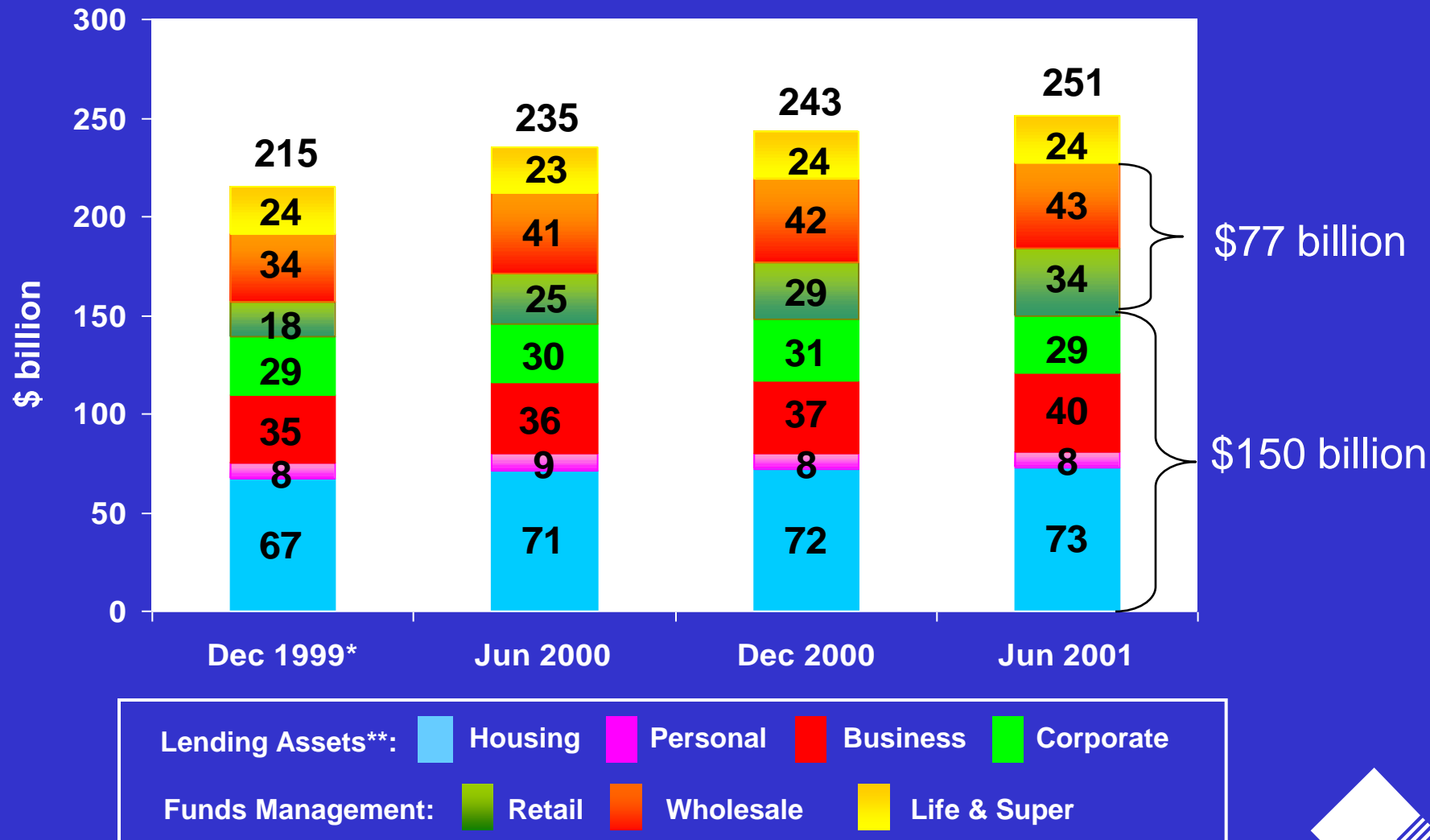
* Net Profit after tax and outside equity interest - cash basis.

Excludes abnormal items, appraisal value uplift and goodwill amortisation.

** Proforma



Total Lending Assets & Funds Under Management



* Proforma

** Excludes securitised housing loan balances \$6.8b (Jun 01), \$4.7b (Dec 00), \$3b (Jun 00), \$1.7b (Dec 99).



Australian Market Share

	Jun 2000 [^]	Dec 2000	Jun 2001
Home Loans (Residentially Secured)	21.4%	20.8%	20.3%
Credit Cards	27.8%	26.5%	26.3%*
Retail Deposits	25.3%	24.6%	24.0%
Retail FUM	19.2%	19.6%	20.4%
Superannuation/Annuities	22.0%	22.0%	22.3%**
Retail Broking	9.0%	8.5%	8.7%

* Market share as at 31 May 2001

** Market share as at 31 March 2001

[^] Commonwealth and Colonial combined



Home Loan Market Share

- Maintained 30%+ market share in proprietary channels
- Doubled market share in mortgage broker channel
- Increased mobile lenders and field staff
- Market share beginning to stabilise
- Broker channels less profitable than proprietary channels
- Owner occupied mortgage balances grew by \$750 million in June 2001



New Zealand Market Share

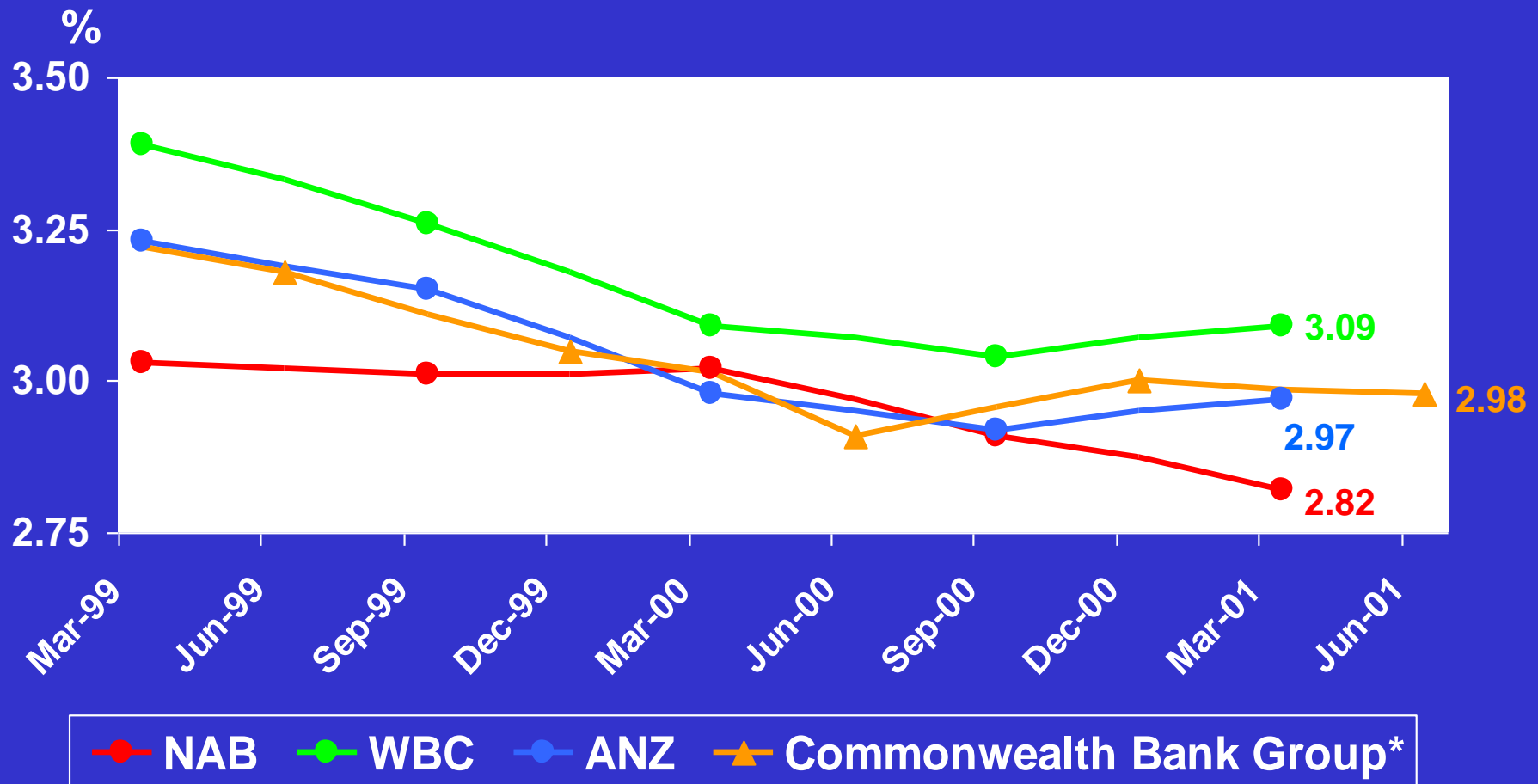
ASB Group

New Zealand	Jun 2000	Dec 2000	Jun 2001
Retail Lending	15.0%	14.0%	14.0%*
Retail Deposits	14.2%	14.5%	14.5%
Credit Cards	14.4%	13.8%	14.1%*
Retail Funds Management	3.8%	4.7%	5.9%*
Main Bank Share	16.8%	17.7%	16.4%*

* As at 31 March 2001



Domestic Net Interest Margins



Net interest margin for Commonwealth Bank Group refers to half-yearly reporting periods ending June and December. The ANZ, NAB and WBC net interest margin refers to the half-yearly reporting periods ending March and September.

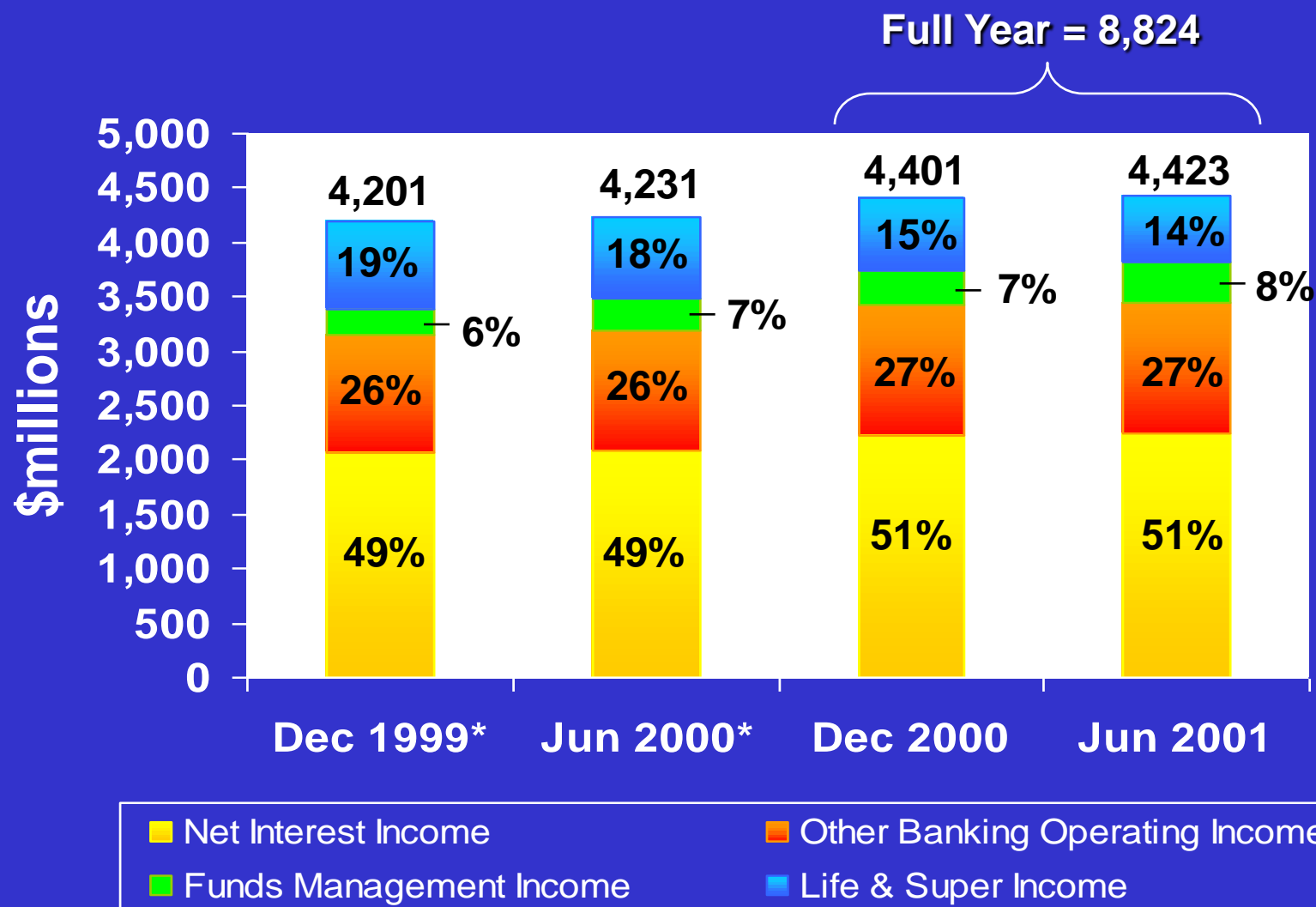
* Proforma



Income and Expenditure



Operating Income



* Proforma



Banking

- 8% growth in Banking total operating income
- 8% growth in Banking net interest income
- Other Banking operating income up 9%
 - Commission and other fees, up 10%
 - Trading Income, up 30%
 - Lending Fees, down 3%

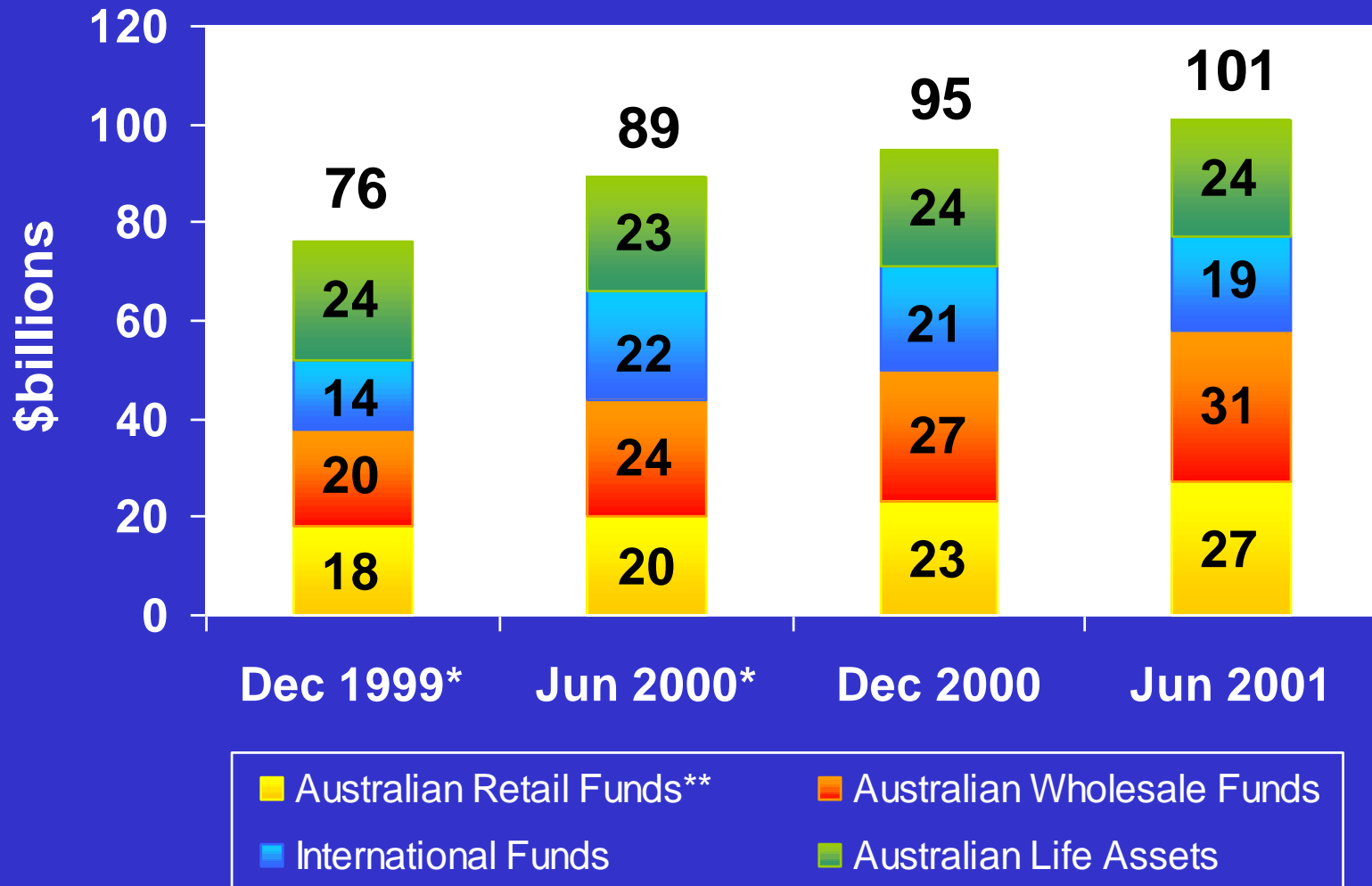
Funds Management

	Half Year				Full Year
	31/12/99*	30/06/00*	31/12/00	30/06/01	30/06/01
	\$M	\$M	\$M	\$M	\$M
Operating income	255	318	340	399	739
Operating expenses	186	224	224	272	496
Operating profit before tax	69	94	116	127	243
Income tax expense	21	31	38	56	94
Operating profit after tax	48	63	78	71	149

* Proforma



Funds Management



* Proforma ** Includes listed property trusts



Funds Management: ASSIRT Reconciliation

	Group Total \$m
Funds Under Management (external funds)	76,953
add life & super assets held in FUM (internal funds)	24,527
Total Funds Under Management per June 2001 Profit Announcement	101,480
less ASB Group funds under management	(2,340)
Other	(272)
Funds Under Management per ASSIRT June 2001 Report	98,868

Life & Super

Sources of life & super operating profit (excluding abnormals)

	Half Year				Full Year
	31/12/99*	30/6/00*	31/12/00	30/06/01	30/06/01
	\$M	\$M	\$M	\$M	\$M
The Margin on Services operating profit after tax is represented by :					
Planned profit margins	103	122	128	129	257
Experience variation	(12)	(8)	(33)	(30)	(63)
New business / losses reversal of capitalised losses	11	2	(3)	1	(2)
Operating margins	102	116	92	100	192
Investment earnings on assets in excess of policy liabilities	91	52	68	58	126
Other	-	2	(4)	6	2
Operating profit after income tax	193	170	156	164	320

* Proforma



Life & Super

Investment Earnings

- Target investment mix is approximately 50 : 50 growth : income
- As at 30 June 2001: ☒ 36% is directly invested in equity markets
☒ 11% is invested in property

Net Earnings on Shareholders Assets (\$m):

Year ending -	30/6/00	30/6/01
Australia	112	83
New Zealand	15	(5)
Asia	16	2
Total	143	80

Market Returns & Group Exposure (%):

Market Index	Movement for Year	Exposure* at 30/6/01
All Ords	5%	50%
Dow Jones	0%	20%
Euro Top 300	(11%)	10%
MSCI	(21%)	10%

* % of total Group equity exposure



Business Value: Movement Analysis

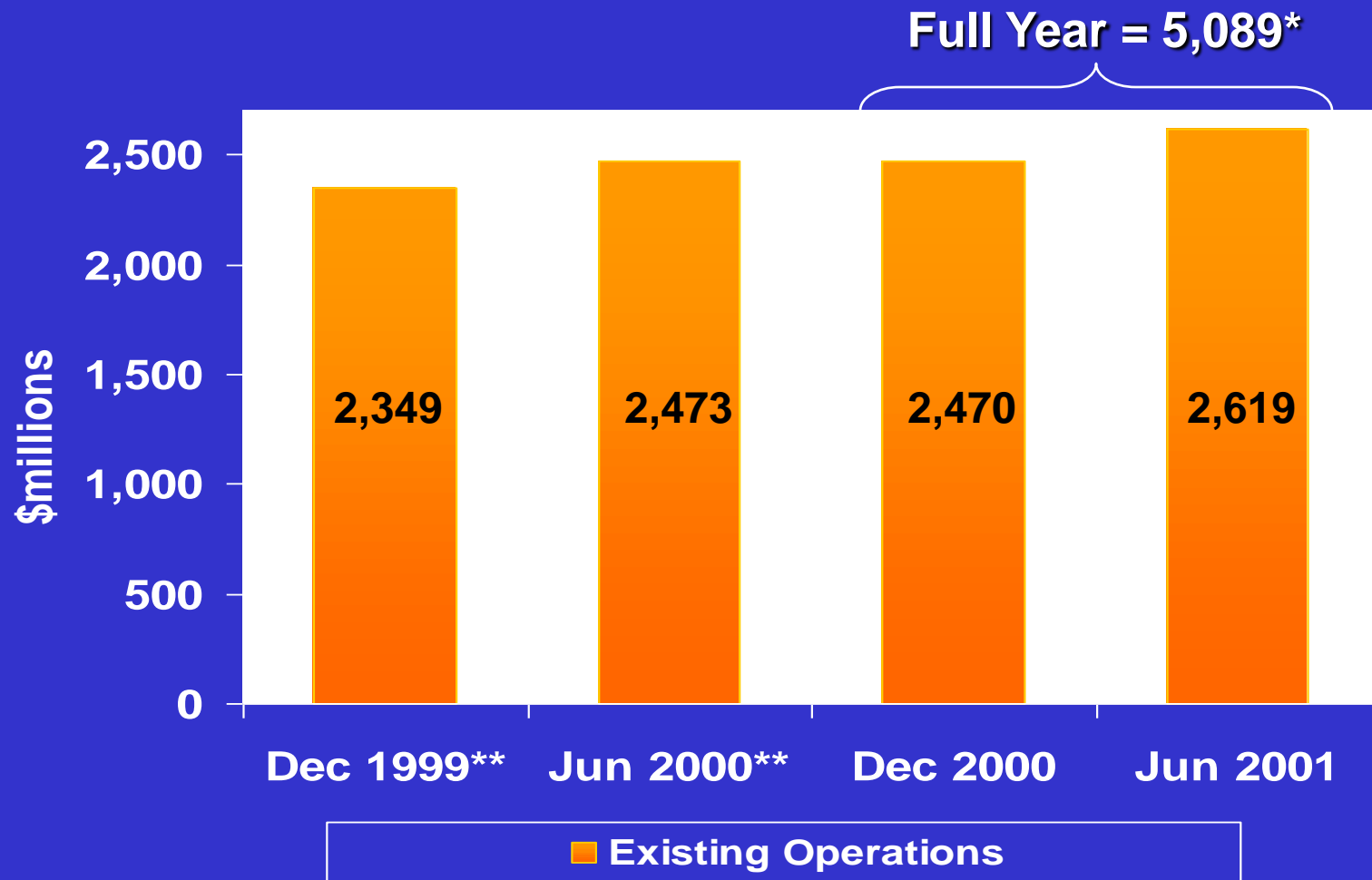
	\$m
Business Value as at 30 June 2000	6,736
Analysis of Movement since 30 June 2000	
MoS / Cash Profits	423
Synergies Credited Against Goodwill	332
Net Appraisal Value Uplift	474
Other	38
Increase to 30 June 2001	1,267
Business Value as at 30 June 2001	8,003

Goodwill & Appraisal Value Uplift

Appraisal Value Uplift (full year to 30 June 2001)	\$m
Funds Management	596
Life & Super	
Australia	(33)
New Zealand	(26)
Asia	<u>(63)</u>
	(122)
Appraisal Value Uplift through Profit and Loss Account	474
<hr/>	
Goodwill Amortisation (full year to 30 June 2001)	
Colonial Acquisition	285
ASB Group - Acquisition of Minority	10
State Bank Victoria	39
Other Group Entities	<u>4</u>
Goodwill Amortisation through Profit and Loss Account	338
<hr/>	
Accelerated Goodwill realised as Appraisal Value	332



Operating Expense Analysis



*Total operating expenses excluding \$81 million attributable to Business Acquisitions and GST (net of synergies).

** Proforma

Cost Ratios



- Banking Cost to Income
- ◆— Banking Cost to Avg. Balance Sheet Assets
- ▲— Total Cost to Total Controllable Assets**

* Proforma

** Costs to assets held and funds under management

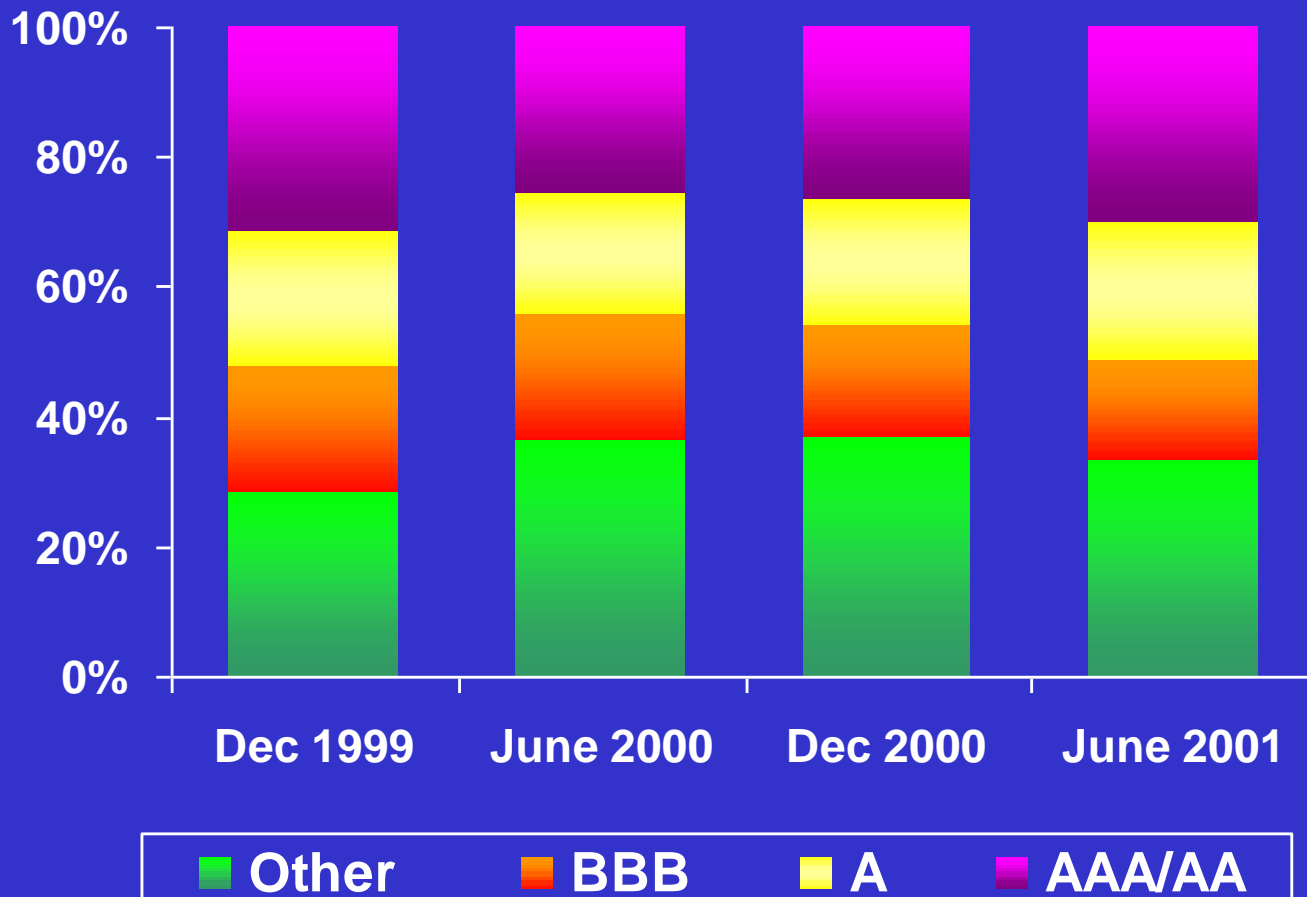


Asset Quality

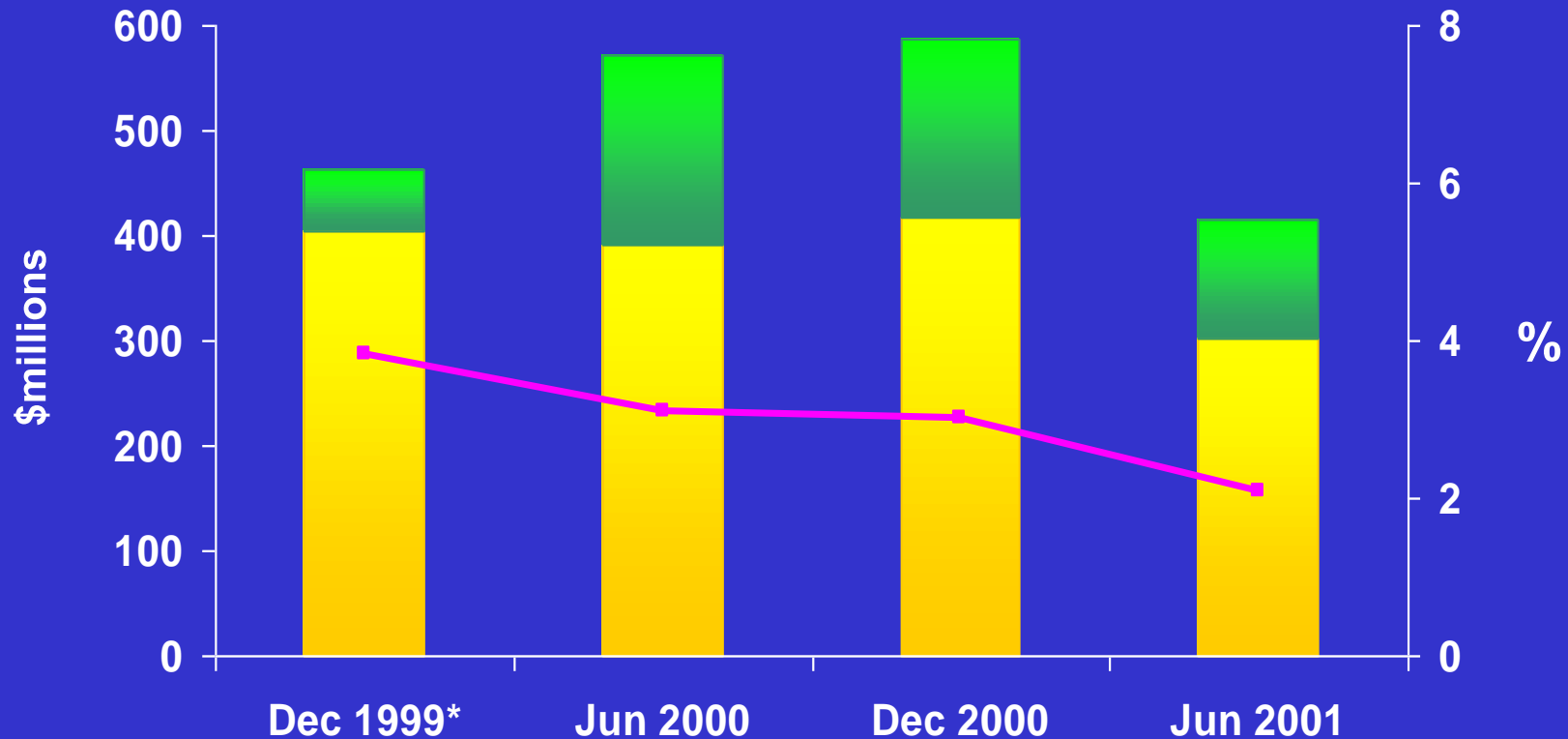


Credit Risk

Total Risk Rated Exposures



Net Impaired Assets



- Commonwealth Bank Group (Other Countries)
- Commonwealth Bank Group (Australia)
- Net Impaired assets as % of Total Shareholder Equity (axis on right)

* Commonwealth Bank Group excluding Colonial

Arrears

Loans Accruing past 90 days or more

	30/06/00	31/12/00	30/06/01
	\$m	\$m	\$m
Housing Loans	211	247	218
Other Loans	64	66	90
Total	275	313	308

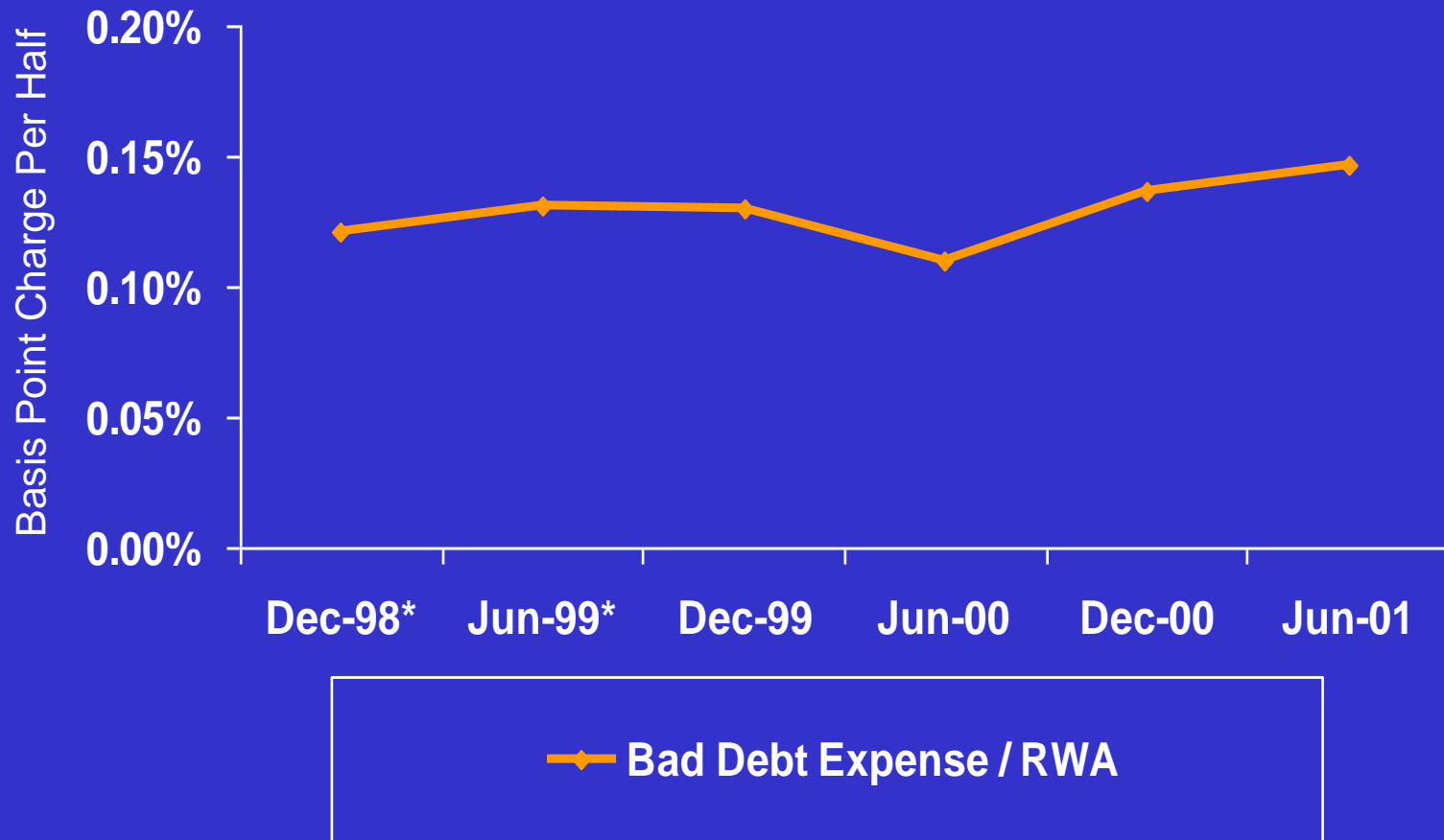
Housing loans arrears rate

	30/6/98	30/6/99	30/6/00*	31/12/00*	30/06/01
Housing Loans accruing but past 90 days or more \$m	249	182	211	247	218
Housing loan balances \$m	47,471	52,646	70,738	71,505	73,511
Arrears rate %	0.53%	0.35%	0.30%	0.35%	0.30%

*Housing loan balances net of securitisation and includes Colonial and home equity and similar facilities. See Profit Announcement for the full year ended 30 June 2001 (p.13)

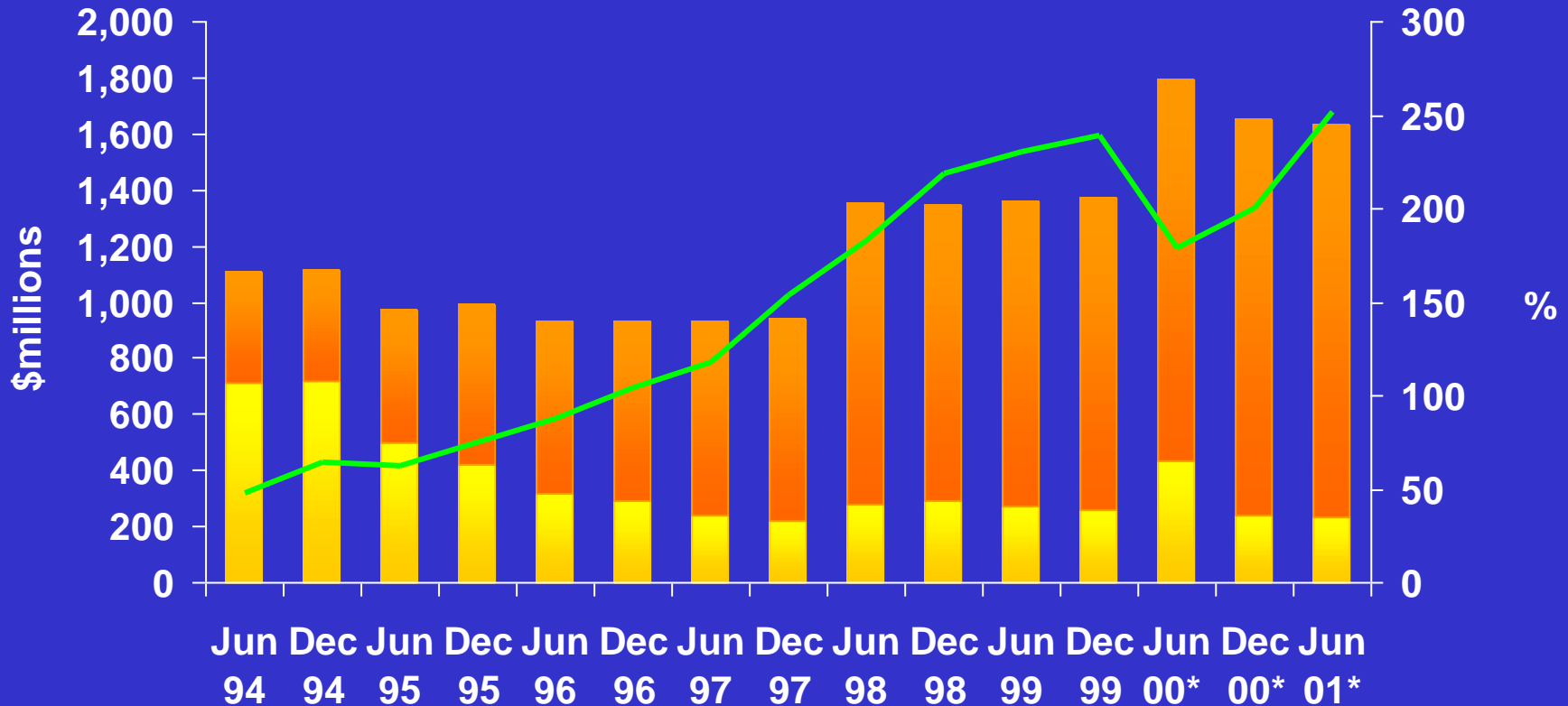


Credit Risk: Historical P&L Charge



* Excludes Colonial

Aggregate Provisions



* Includes Colonial

Colonial Merger



Overall Synergies

Additional integration synergies:

	\$m
Base case synergy target	380
Additional synergies:	
- Staff costs	70
- Property savings	
- Other (net)	
Total anticipated integration synergies by end of year 3 (June 2003)	450



Integration Expenditure

Restructuring Provision

	Provision 30/06/00 \$m	Expenditure Full Year Ended 30/06/01 \$m	Adjustments to Opening Balance \$m	Closing Balance 30/06/01 \$m
Restructuring Costs				
- Colonial	294	244	145	195
- Commonwealth	106	100	-	6
Total Restructuring Costs (pre tax)	400	344	145	201
<i>Net of Tax</i>	330	275	87	142
Fair Value Adjustments (pre tax)	475	n/a	162	637
<i>Net of Tax</i>	327	n/a	151	478



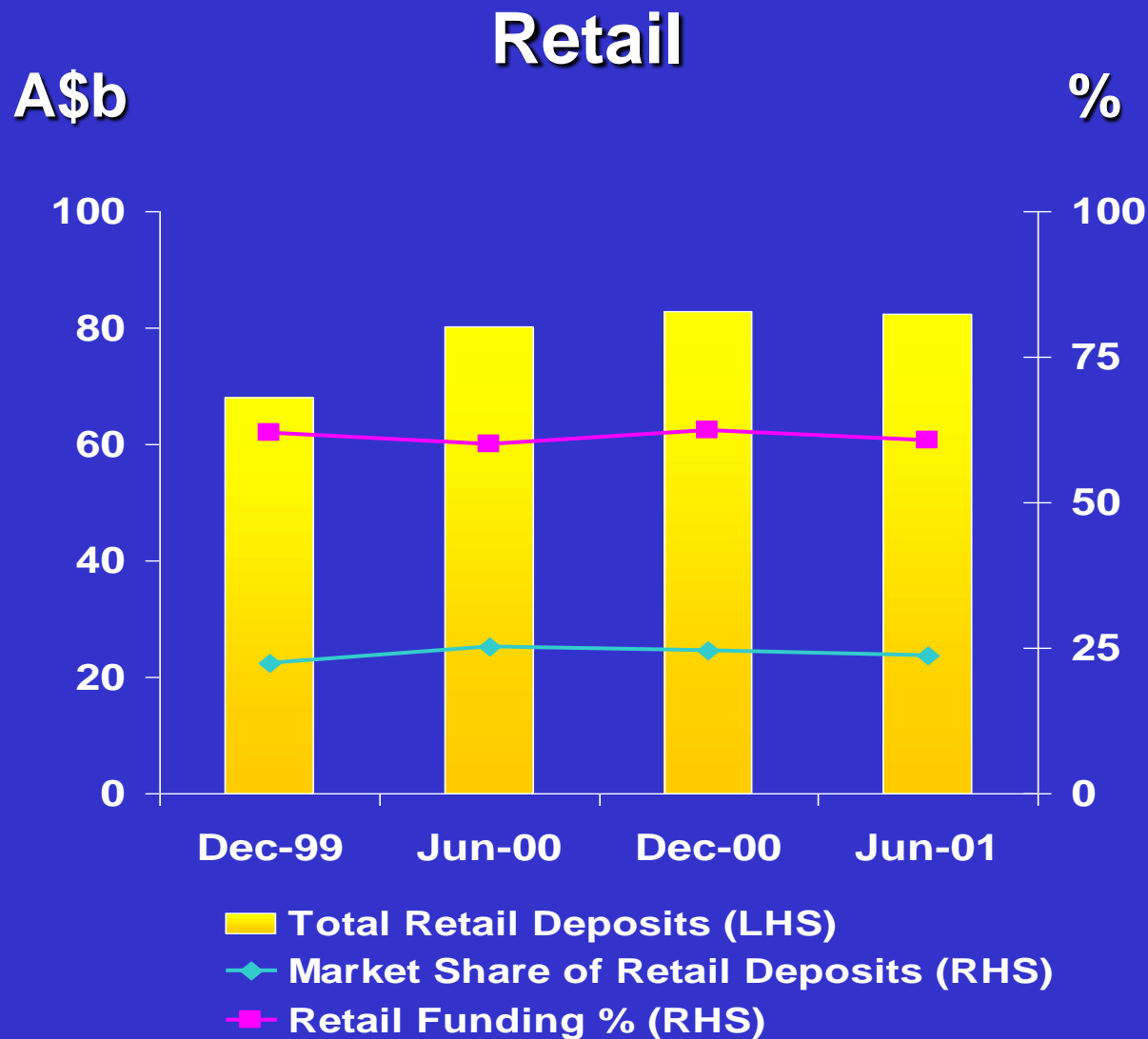
Integration Related Staff Movements

	Business Case Jan-00	Merger Jun-00	Jun-01	Movement Jan to Jun
Total Staff	40,018	37,205	34,960	(5,058)
Total Integration Mvt	(269)	(2,855)		(3,124)
Retrenchments	(110)	(1,359)		(1,469)
Other Net Reduction	(113)	(1,083)		(1,196)
EDS Migration & Technology Net Exits	(46)	(413)		(459)
				(3,124)

Funding and Capital



Funding Sources



Capital Adequacy

31 Dec 99 30 Jun 00 31 Dec 00 30 June 01

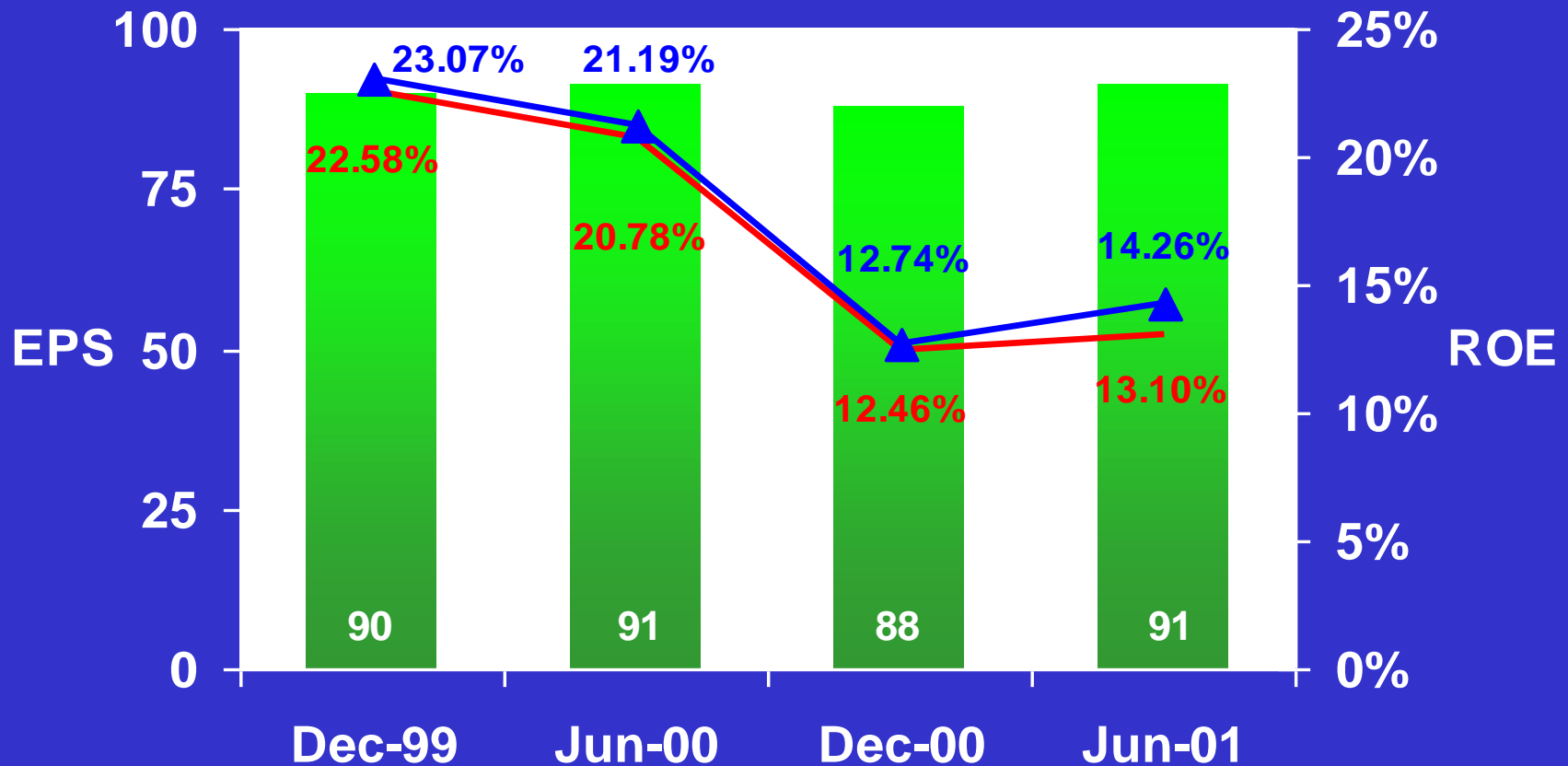
Total Tier One Capital	7,336	9,618	8,914	9,015
Total Tier Two Capital	<u>3,945</u>	<u>6,097</u>	<u>5,802</u>	<u>5,784</u>
Tier One and Tier Two Capital	11,281	15,715	14,716	14,799
Deductions	<u>(1,389)</u>	<u>(3,197)</u>	<u>(2,278)</u>	<u>(2,119)</u>
<hr/>				
Total Regulatory Capital	<u>9,892</u>	<u>12,518</u>	<u>12,438</u>	<u>12,680</u>

Risk Weighted Capital Ratios (%)

Tier one	6.76	7.49	6.71	6.51
Tier two	3.63	4.75	4.37	4.18
Less Deductions	<u>(1.28)</u>	<u>(2.49)</u>	<u>(1.71)</u>	<u>(1.53)</u>
<u>Total</u>	<u>9.11</u>	<u>9.75</u>	<u>9.37</u>	<u>9.16</u>



ROE and EPS

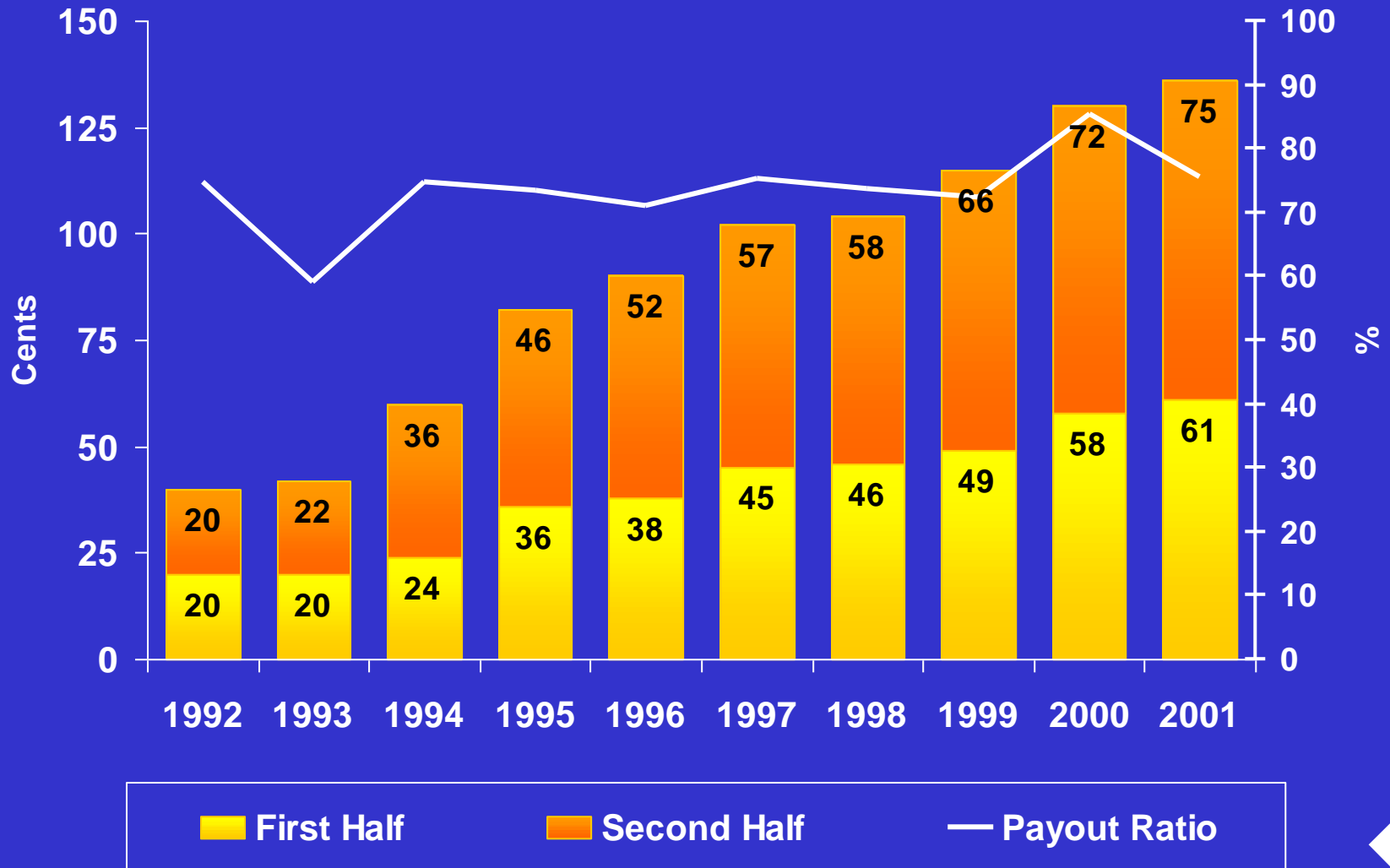


■ Earnings per share - cash basis — ROE - cash basis ▲ ROE - before abnormals

* As reported in prior profit announcements (i.e. not proforma)



Annual Dividends



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