Commonwealth Bank
Commonwealth Bank of Australia
ACN 123 123 124

Profit Announcement For the year ended 30 June 2001

Results have been subject to an independent audit by the external auditors.
Released 22 August 2001

This Profit Announcement is available on the Internet at:
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Financial Highlights

(Except where otherwise stated, all figures relate to the year ended 30 June 2001 and comparatives for the profit and loss are to the proforma combination of the Commonwealth Bank Group and Colonial Limited for the year ended 30 June 2000. Financial data is provided on a half year basis in Appendix 12.)

For the year ended 30 June 2001, the Commonwealth Bank Group recorded a net operating profit after income tax of $2,398 million.

The net operating profit ('cash basis') for the year ended 30 June 2001 after tax, and before goodwill amortisation and appraisal value uplift is $2,262 million. This is an increase of $194 million or 9% over the year ended 30 June 2000.

A fully franked dividend of 75 cents per ordinary share will be paid on 8 October 2001 to owners of ordinary shares at the close of business on 27 August 2001.

On a cash basis, the dividend payout ratio for the year is 75.5% down from 85.3% for the prior year. The prior year ratio was inflated by the dividend payment to Colonial shareholders with only 17 days of Colonial contribution included in the Group result.

The Group result comprised:

	$M	
Segment profit after tax		
- Banking	1,793	up 12%
- Funds Management	149	up 34%
- Life Insurance	320	down 12%
Net operating profit after tax and before goodwill amortisation and appraisal value uplift	2,262	up 9%

Banking

The contribution to profit after tax from the Group's banking businesses increased to $1,793 million, 12% over the prior year, reflecting:

- Net interest income growth of $318 million or 8%, which was achieved through an 8% growth in average interest earning assets compared with the prior year and a stable net interest margin of 2.78%.
- Other banking income growth of $203 million or 9%, notwithstanding a reduction in lending fees as a result of discounted and nil home loan establishment fee offers.
- Tax benefits totalling $84 million with $30 million relating to the effect of the reduction in the corporate tax rate on current year income tax and deferred tax balances, and the increased recoupment of prior year, unrecognised tax losses of $54 million.

Funds Management

The contribution to profit after tax from the Group's funds management businesses increased to $149 million, 34% over the prior year. Funds under management (FUM) (excluding life insurance FUM) have grown by 18% to $77 billion, contributing to a 29% increase in funds management income, partly offset by increased volume related expenses such as sales and processing costs. The funds management business also manages internal funds of $24 billion on behalf of the life insurance businesses of the Group.

Life Insurance

The contribution from life insurance to profit after tax was down $43 million to $320 million, 12% less than the prior year. This result reflects lower investment earnings on shareholders funds which have reduced the after tax profit from life insurance by $17 million, together with the effect of poor persistency and claims experience in Asia and New Zealand.

Group Expenses

Operating expenses across the Group increased 7% or $348 million to $5,170 million. The increase includes the effect of GST of $111 million and expenses from acquired and developing businesses of $90 million. The merger of the Colonial and Commonwealth Group businesses realised approximately $120 million of expense savings in the current year. Excluding these items, expenses increased by 5.5%, reflecting a 4% wage increase as a result of a domestic enterprise bargaining arrangement and increased sales volume related expenses in both the domestic and international business.

Bad debt expense increased by $75 million to $385 million due to the stage of the credit cycle. Provision coverage ratios have remained strong.

Income Tax

Income tax expense has reduced by $190 million to $993 million, 16% less than the prior year. Of this reduction, $93 million relates to tax on behalf of life insurance policyholders. The balance of $97 million primarily results from the 2 percentage points reduction in the corporate tax rate to 34% and utilisation of previously unrecognised tax losses.

The components of the segment results are detailed below:

Banking(1)	**$M**	
Total operating income	6,855	up 8%
Net interest income	4,474	up 8%
Other operating income	2,381	up 9%
Operating expenses	3,958	up 9%
Bad debt charge	385	up 24%
Income tax expense	705	down 6%
Operating profit after tax	1,793	up 12%
Net interest margin	2.78%	down 1 basis point
Lending assets	**$B**	
(net of securitisation) (2)	150	up 3%
Average interest earning assets	161	up 8%
Funds Management	**$M**	
Operating income (3)	739	up 29%
Operating expenses	496	up 21%
Income tax expense	94	up 81%
Operating profit after tax	149	up 34%
	$B	
Funds under management (4)	101	up 15%
- Retail	34	up 38%
- Wholesale	43	up 6%
- Life insurance	24	up 7%
Life Insurance	**$M**	
Operating margin		
- Australia and New Zealand	213	down 4%
- Asia	(21)	down $17m
Investment earnings on assets in excess of policyholder liabilities	126	down 12%
Operating profit after tax	320	down 12%
	$B	
Life insurance assets	39	up 18%

Appraisal Value Uplift(5)

For the year ended 30 June 2001, appraisal values of the life insurance and funds management businesses increased by $1,267 million. Of the increase, $423 million comprised net profit of the businesses, $806 million represented the appraisal value uplift and the balance of $38 million represented the net capital movements. The appraisal value uplift comprises two elements. Firstly, $332 million arising from realised Colonial integration synergy benefits relating to the life insurance and funds management businesses which have been offset directly against goodwill; and secondly, $474 million of operating appraisal value uplift reflected in profit.

(1) Includes General Insurance.
(2) Net of loans securitised of $6,773 million ($3,006 million at 30 June 2000).
(3) Includes internal income.
(4) Includes internal and external FUM.
(5) AASB 1038 requires that all investments owned by a life company be recorded at market value. The 'appraisal value uplift' is the periodic movement in the Balance Sheet asset 'excess of market value over net assets'.

Financial Highlights

Goodwill Amortisation

The goodwill amortisation charged in determining the result for the year was $338 million.

Key Performance Measures

Return on equity (before abnormals)	13.50%	(7)
Return on equity (cash basis)	12.83%	up 0.37 percentage points
Earnings per share (cents) (before abnormals)(6)	190	up 5 cents
Earnings per share (cents) (cash basis)(6)	179	down 2 cents
Total assets held and funds under management(6)	$307bn	up 8.4%

As expected, the purchase of Colonial has resulted in a dilution of EPS (cash basis) during the first year. With the major integration milestones now achieved future results will benefit as the cost and revenue synergies are realised.

Integration of Colonial

Significant progress has been made on the integration of the Colonial businesses into the Group. Based on the work completed to date, cost and revenue synergies are expected to exceed the business case estimate of $380 million. The current forecast of the annualised synergies that will be realised when the integration is completed (by 30 June 2003) is of the order of $450 million.

Additional costs associated with the integration work were identified during the year resulting in a $145 million increase in the provision for integration costs (before tax), bringing total once off integration costs to $545 million (Refer page 26 for detail).

The major milestone achieved during the year was the integration of Colonial State Bank, which involved combining the distribution networks and the conversion of the Colonial product systems to equivalent Commonwealth Bank product systems.

A new network staffing structure was introduced in October 2000, integrating the most effective sales and service elements of Commonwealth Bank and Colonial into a single, streamlined and customer focussed delivery system. Along with this new structure, 367 Colonial branches were amalgamated or absorbed into the Commonwealth Bank branch network and two new call centres were established.

(6) Comparison with actual 30 June 2000.
(7) Proforma results have only been prepared on a cash basis.

Group Performance Summary

	Full Year Ended 30/06/01 $M	Proforma Group 30/06/00[4] $M	Actual 30/06/00 $M	Comparison 30/06/01 vs 30/06/00 Proforma %
Profit and Loss - Summary				
Operating profit after tax ('cash basis [1] ')	**2,262**	**2,068**	**1,678**	**9**
Operating profit after tax and abnormal items	**2,398**	Refer note [5]	**2,700**	
Income				
Interest income	11,900	10,402	8,842	14
Interest expense	7,426	6,246	5,123	19
Net interest income	**4,474**	**4,156**	**3,719**	**8**
Other banking operating income	2,381	2,178	1,951	9
Total banking income	**6,855**	**6,334**	**5,670**	**8**
Life insurance income [6]	**1,268**	1,557	326	(19)
Funds management income	**701**	541	143	30
Total Income	**8,824**	**8,432**	**6,139**	**5**
Expenses				
Operating expenses - existing operations	**5,089**	4,822	3,407	6
Operating expenses - business acquisitions and GST, net of synergies [2]	**81**	-	-	-
Total operating expenses	**5,170**	**4,822**	**3,407**	**7**
Charge for bad and doubtful debts	385	310	196	24
Total Expenses	**5,555**	**5,132**	**3,603**	**8**
Operating profit before goodwill amortisation, appraisal value uplift, abnormal items and income tax	**3,269**	**3,300**	**2,536**	**(1)**
Income tax expense [6]	993	1,183	820	(16)
Operating profit after income tax	**2,276**	**2,117**	**1,716**	**8**
Outside equity interests [3]	(14)	(49)	(38)	(71)
Operating profit after income tax and before goodwill amortisation, appraisal value uplift and abnormal items	**2,262**	**2,068**	**1,678**	**9**
Abnormal items	-	Refer note [5]	967	
Income tax credit on abnormal items	-	"	20	
Appraisal value uplift	474	"	92	
Goodwill amortisation	(338)	"	(57)	
Operating profit after income tax attributable to shareholders of the Bank	**2,398**	**"**	**2,700**	
Contributions to profit (after tax)				
Banking	1,793	1,594	1,513	12
Life insurance	320	363	129	(12)
Funds management	149	111	36	34
Profit after tax from operations ('cash basis [1] ')	**2,262**	**2,068**	**1,678**	**9**
Goodwill amortisation	(338)	Refer note [5]	(57)	
Appraisal value uplift	474	"	92	
Operating profit after income tax and before abnormal items	2,398	"	1,713	
Abnormal items after tax	-	"	987	
Operating profit after income tax	**2,398**	**"**	**2,700**	

(1) 'Cash basis' for the purpose of this performance summary is defined as net profit after tax and before abnormal items, goodwill amortisation and life insurance and funds management appraisal value uplift.

(2) Business acquisitions include costs associated with acquisitions in the prior year including State Street Master custody operations, Trust Bank and the development of European Banking which increased expenses by $90 million, and net GST of $111 million. Offset against this figure are the Colonial integration expense synergies achieved to date of $120 million.

(3) Primarily includes 25% outside equity interest in the ASB Group. In August 2000 the Group purchased this 25% interest.

(4) Proforma Group represents the combined results of Commonwealth Bank and Colonial for the year ended 30 June 2000. The Colonial results have been adjusted for abnormal items and other items not considered part of the ongoing operations.

(5) Proforma results have only been prepared on a 'cash basis'.

(6) Included within life insurance income is $94 million of tax relating to policyholder income (30 June 2000: $187 million). This item is also included in the income tax line in the above profit and loss. The net impact on the net profit after tax is therefore nil (Refer page 22).

Group Performance Summary

As at	30/06/01 $M	30/06/00 $M	Comparison 30/06/01 vs 30/06/00 %
Balance Sheet - Summary			
Total Assets	**230,411**	218,259	6
Total Liabilities	**210,563**	199,824	5
Shareholders' Equity	**19,848**	18,435	8
Assets held and Funds under management			
On Balance Sheet			
Banking assets	**191,333**	185,108	3
Life funds under management	**24,527**	22,916	7
Other life insurance and funds management assets	**14,551**	10,235	42
	230,411	**218,259**	**6**
Off Balance Sheet			
Funds under management [(1)]	**76,954**	65,266	18
	307,365	**283,525**	**8**
Banking Assets	**191,333**	185,108	3
Life insurance and funds management assets	**39,078**	33,151	18
External funds under management	**76,954**	65,266	18
	307,365	**283,525**	**8**

	Full Year Ended 30/06/01 $M	30/06/00 $M	30/06/01 vs 30/06/00 %
Shareholder Summary			
Dividends per share (cents) - fully franked	**136**	130	5
Dividends provided for, reserved or paid ($million)	**1,720**	1,431	20
Dividend cover (times - before abnormals)	**1.4**	1.2	17
Dividend cover (times - cash)	**1.3**	1.4	(7)
Earnings per share (cents) [(2)]			
(basic & fully diluted)			
before abnormal items	**190**	185	
after abnormal items	**190**	291	
cash basis [(4)]	**179**	181	
Dividend payout ratio (%) [(3)]			
before abnormal items	**71.2**	83.5	
after abnormal items	**71.2**	53.0	
cash basis [(4)]	**75.5**	85.3	
Net tangible assets per share ($)	**10.19**	9.18	
Weighted average number of shares (basic)	**1,260m**	927m	
Shares at end of period	**1,244m**	1,260m	
Number of shareholders	**709,647**	788,791	
Share prices for the period ($)			
Trading high	**34.15**	27.95	
Trading low	**26.18**	22.54	
End (closing price)	**34.15**	27.69	

(1) In accordance with ASSIRT reporting requirements the funds management balances exclude $9.5 billion (2000: $8 billion) in funds under overlay management by Tactical Global Management.

(2) Calculated in accordance with AASB 1027: Earnings per Share.

(3) Dividends paid divided by earnings. The comparative ratios have been amended to the same basis as the current year. Previously this ratio was calculated as Dividend per share divided by Earnings per share. Excludes dividends on preference shares of $9 million.

(4) 'Cash basis' for the purpose of this performance summary is defined as net profit after tax and before abnormal items, before goodwill amortisation and life insurance and funds management appraisal value uplift. The 30 June 2000 dividend payout ratio was inflated by the payment of the final dividend to Colonial shareholders, but the Colonial Group only contributed 17 days profit to the 30 June 2000 result.

Group Performance Summary

	Full Year Ended		
		Proforma Group[6]	
	30/06/01	30/06/00	30/06/00
	%	%	%
Performance Ratios (%)			
Return on average shareholders' equity [1]			
before abnormal items	13.50	Refer note [7]	22.06
after abnormal items	13.50	Refer note [7]	34.78
cash basis	12.83	12.46	21.61
Return on average total assets [2]			
before abnormal items	1.07	Refer note [7]	1.08
after abnormal items	1.07	Refer note [7]	1.70
cash basis	1.01	1.03	1.06
Capital adequacy - Tier 1	6.51	7.49	7.49
Capital adequacy - Tier 2	4.18	4.75	4.75
Deductions	(1.53)	(2.49)	(2.49)
Capital adequacy - Total	9.16	9.75	9.75
Productivity			
Cost to total average assets ratio [3]	2.30	2.40	2.15
Cost to assets held and funds under management [3]	1.75	1.83	1.85
Staff expense/Total operating income [4]	26.75	26.07	27.77
Total operating income per FTE [5]	$252,400	$227,088	$211,842
Cost to income ratios (%)			
Banking	57.70	57.40	55.80
Funds management	67.10	71.60	67.30
Life insurance	59.50	52.10	46.00
Other Information (numbers)			
Full time staff	31,976	34,154	34,154
Part time staff	7,161	7,383	7,383
Full time staff equivalent	34,960	37,131	37,131

(1) Ratio based on operating profit after tax and outside equity interest applied to average shareholders equity, excluding outside equity interests.

(2) Based on operating profit after tax and outside equity interest. Averages are based on beginning and end of year balances. 30 June 2000 includes Colonial assets weighted for the 17 days from 13 June 2000 to 30 June 2000.

(3) 30 June 2000 includes Colonial assets weighted for the 17 days from 13 June 2000 to 30 June 2000.

(4) The effect of lower investment earnings and MOS profits in the current year increased this ratio over the prior year.

(5) 30 June 2000 includes Colonial FTE staff numbers weighted for the 17 days from 13 June 2000 to 30 June 2000.

(6) Proforma Group represents the combined results of Commonwealth Bank and Colonial for the year ended 30 June 2000.

(7) Proforma results have only been prepared on a cash basis.

Overview of Group

Commonwealth Bank of Australia provides a wide range of banking, financial and related services primarily in Australia and New Zealand. These services include personal, business and corporate banking, life insurance and funds management. On 13 June 2000 the Group acquired 100% of Colonial Limited (Colonial) a life insurance, banking and funds management group. Colonial had operations in Australia, New Zealand, the United Kingdom and throughout Asia and the Pacific.

The Commonwealth Bank of Australia became the successor in law to the State Bank of New South Wales (known as Colonial State Bank) and to all the assets and liabilities of State Bank of New South Wales effective on 4 June 2001 pursuant to legislation.

Strategic Initiatives

The demand for banking and financial services is being driven by three major forces:

- The convergence of technology and information, with the Internet a significant influence.
- The need to provide relevant long term savings and investment products for an ageing population.
- The need to satisfy the day to day individual requirements of personal and business customers.

Changing customer needs is heightening the demand for information and advice, but is also encouraging demands for more regulation.

A more challenging, uncertain environment, continuing pressure on margins and a weaker domestic currency, each pose significant challenges.

Within this globalising yet more customer focused environment, the Group's major assets are its domestic scale and management capabilities, a pre-eminent brand and a strong, diversified business mix.

Consistent with this context, the Group's vision is to be recognised as having the best brands in helping customers manage and build wealth.

A set of business goals underpins the achievement of the Group's vision. Each operating division in turn has a series of strategies that are consistent with, and directed at the collective achievement of those business goals, which are to:

- Provide customised service to grow revenue per customer.
- Develop best team.
- Develop offshore opportunities.
- Achieve global best-practice costs.

The strategic emphasis is on wealth management services that are aligned to customers' needs, and the use of technology to improve both service and productivity.

Outlook Statement

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. Interest rates are expected to remain low, around the levels of the past six months. Equities markets will continue to reflect uncertainty about the global economy and corporate earnings.

Credit quality in the business sector is expected to continue to weaken reflecting the normal lag from an economic slow-down. However, low interest rates should moderate the severity of the credit cycle.

Uncertainty in the equities markets may affect investment returns in the insurance businesses and dampen revenue on investment management activities; however, continued strong growth of retail funds should be achieved in the light of the current momentum in the business and Government policy on superannuation. Lending volumes are expected to continue at recently achieved growth rates, supported by low interest rates and reasonable demand for credit. However, bank margins are expected to continue to decline reflecting the competitive environment witnessed over recent years.

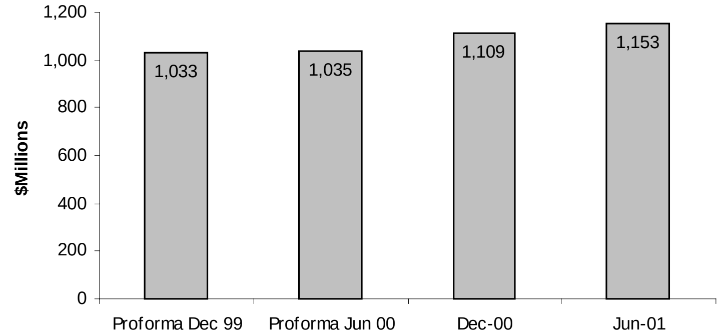
With the successful completion of the critical phases of the Colonial integration, the Bank is positioned to achieve the benefits of integration synergies. The Bank also expects that its strategic investments, including the Colonial merger, will improve its competitive position by enhancing customer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

Directors expect that the Group will continue to maintain a high ratio of dividends to cash earnings relative to peer financial institutions.

Main Financial Indicators

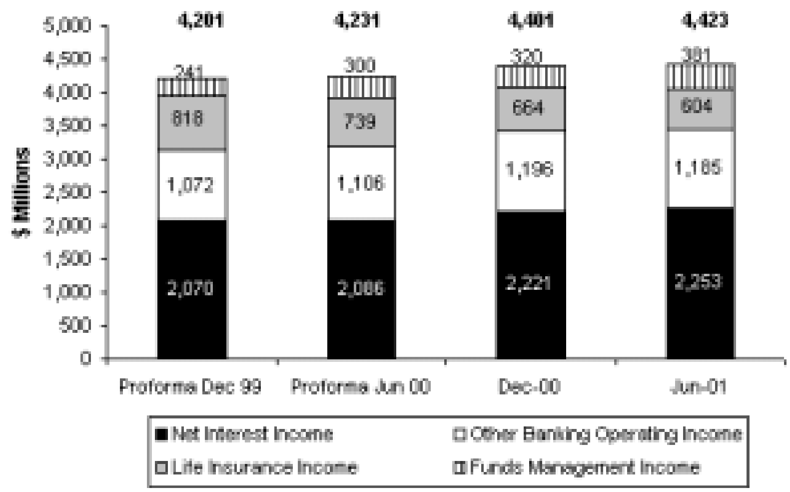
Graphs presented in this section include half yearly comparisons with prior years on a proforma basis where this information displays a more relevant trend.

Net Operating Profit (Cash basis)



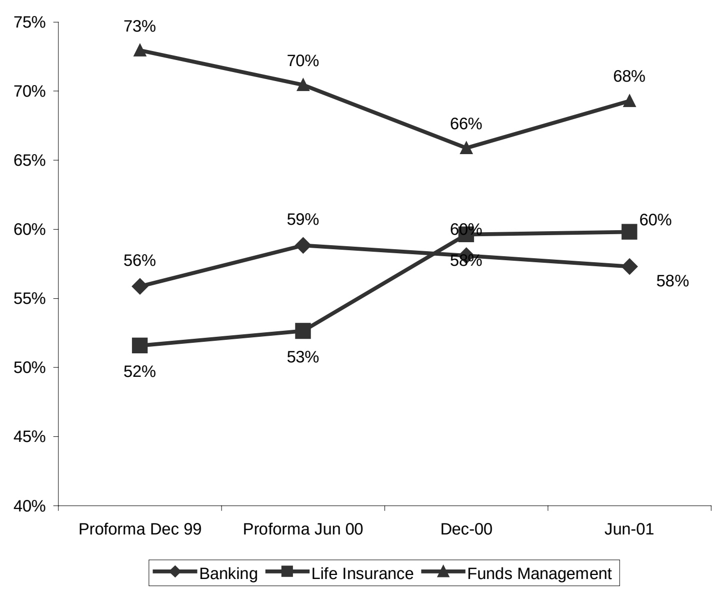
- The Group recorded a net operating profit before goodwill amortisation and appraisal value uplift for the year of $2,262 million. This result represents a 9% increase over last year.
- The result for the six months to 30 June 2001 of $1,153 million represents an increase of 11% over the prior comparative period.

Operating Income



- Total operating income for the year was $8,824 million, an increase of 5% over last year.
- Net interest income of $4,474 represents an increase of 8% over last year.
- Other banking operating income of $2,381 million, represents an increase of 9% over last year.
- External funds management income of $701 million (before $38 million of internal income) represents an increase of 30% over last year.
- Life insurance income of $1,268 million represents a decline of 19% over last year.

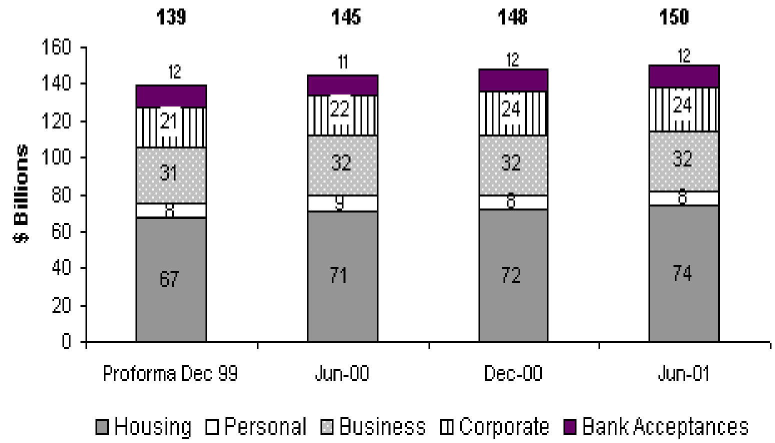
Cost Ratios



- The Banking cost income ratio has declined from 59% for the half year ended June 2000 to 58% for the current half year.
- The funds management cost income ratio has declined from 70% in the half year ended June 2000 to 68% for the current half year. The increase in the ratio over the past six months reflects one off costs incurred in aligning Stewart Ivory with the Colonial business in the United Kingdom.
- The life insurance cost income ratio has increased from 53% for the half year ended June 2000 to 60% for the current half year due to lower investment earnings and poor persistency and claims experience in Asia and New Zealand.

Main Financial Indicators

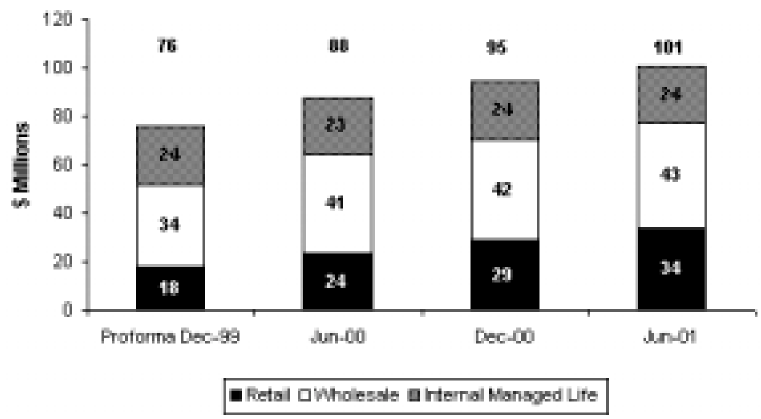
Lending Assets Growth



Lending assets spot balances (net of securitisation) have increased by $5 billion or 3% over the prior financial year. The majority of this growth has been achieved in housing during the six months ending June 2001, and reflects improved market conditions and the effect of Group strategic initiatives.

Funds Under Management

- Total funds under management (FUM) at 30 June 2001 were $101 billion, a 15% increase for the year. Total FUM consists of $77 billion in external FUM and $24 billion in FUM managed on behalf of the life insurance business (Refer table on page 20).
- Retail FUM (including international funds) have increased by $10 billion or 42% for the year.
- Wholesale FUM (including international funds) have increased by $2 billion or 6% over the year.
- The Group's custody business administers $74 billion of assets.



Note:

(1) Internal Managed Life FUM relates to the funds managed for the Life Insurance businesses of the Group.

(2) Total FUM as reported by ASSIRT is represented by Retail, Wholesale and Internal FUM, excluding $3 billion of international funds.

(3) The Wholesale balance of FUM has been adjusted due to the change in ASSIRT policy of reporting the Tactical Global Management fund under overlay management on a cash basis from March 2001, as opposed to reporting the total market exposure. As a result the wholesale balance has been reduced by $9.5 billion (2000: $8 billion).

Main Financial Indicators

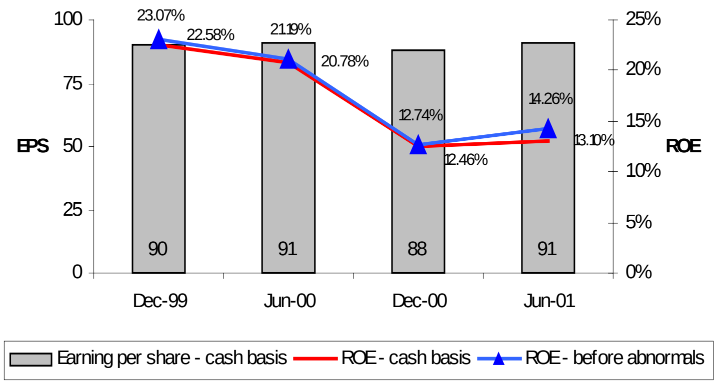
Shareholder Returns

Earnings Per Share

Earnings per share is up 3 cents in the half year ended June 2001 compared with the first half. This reflects the progressive realisation of synergies from the Colonial integration.

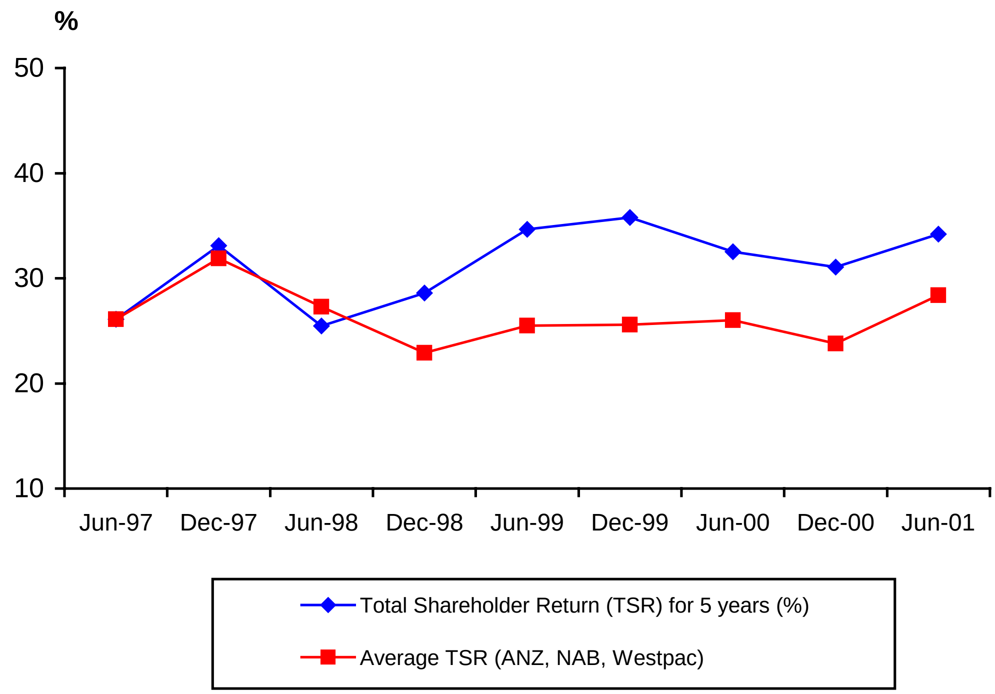
Return on Equity

- Return on Equity (before abnormals) for the half year ended June 2001 has increased by 1.52 percentage points over the half year ended December 2000 from 12.74% to 14.26%. The annual return on equity before abnormals was 13.50%.
- Return on Equity (cash basis) for the half year ended 30 June 2001 has increased by 0.64 percentage points over the half year ended 31 December 2000 from 12.46% to 13.10%. The annual return on equity (cash basis) was 12.83%.



Share Price Performance

Total Shareholder Return (TSR) is calculated using movements in the share price assuming all dividends are reinvested. The five year return to 30 June 2001 is 34.2%.



Banking Performance Summary

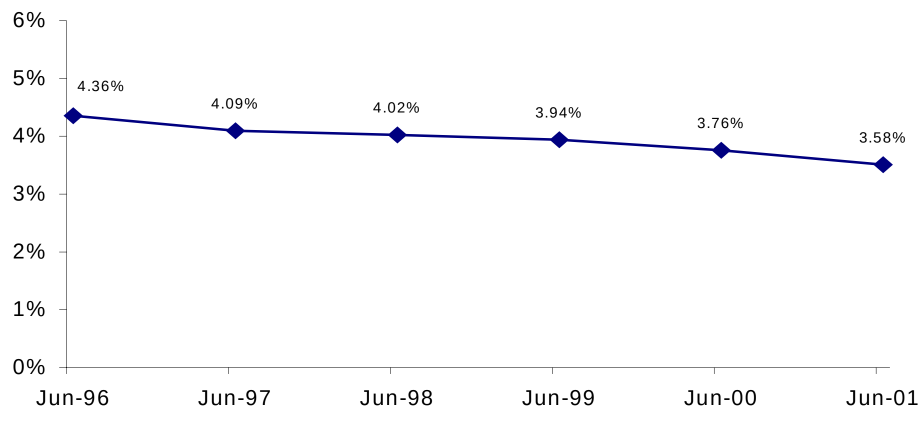
The contribution from the Group's banking business has increased 12% over the prior year to $1,793 million, with net interest earnings increasing by 8% to $4,474 million and other banking income increasing by 9% to $2,381 million. Average interest earning assets have increased by 8% over the prior year to $161 billion. Underlying profit, before tax and bad debts has increased by 7% over the prior year to $2,897 million.

	Full Year Ended			Comparison
	30/06/01 $M	Proforma Group[(3)] 30/06/00 $M	Actual 30/06/00 $M	30/06/01 vs 30/06/00 Proforma %
Operating Profit after Tax from operations [(1)]	**1,793**	**1,594**	**1,513**	**12**
Lending Assets [(2)]	**149,776**	145,159	145,159	3
Average interest earning assets [(6)]	**160,607**	149,106	129,163	8
Average interest bearing liabilities	**145,978**	135,801	117,075	7
Risk weighted assets	**138,383**	128,484	128,484	8
Net impaired assets	**415**	572	572	(27)
Performance Ratios (%)				
Net interest margin	**2.78**	2.79	2.88	
General provision/Risk weighted assets	**1.01**	1.06	1.06	(5)
Total provisions/Gross Impaired assets (net of interest reserved)	**251.6**	178.3	178.3	41
Non-interest income/Total operating income	**34.7**	34.4	34.2	1
Cost to average assets ratio	**2.1**	2.1	2.0	-
Cost to income ratio [(4)]	**57.7**	57.4	55.8	1
Other Information (numbers)				
Branches/service centres (Australia) [(8)]	**1,066**	1,441	1,441	
Agencies (Australia) [(7)]	**3,928**	4,020	4,020	
ATMs [(9)]	**3,910**	4,141	4,141	
EFTPOS terminals	**122,074**	116,064	116,064	
EzyBanking sites	**659**	603	603	

Banking Margin[(5)]

The ratio of total banking income to average total banking assets (including securitisation) has declined at an increasing rate from 4.36% at 30 June 1996 to 3.58% for the year ended 30 June 2001. This reflects how net interest margins have decreased over this period, but have only been partly offset by increases in other sources of banking income, leading to the lower net cost of banking to customers.

Despite this, the Group's profit after tax has continued to grow, reflecting strong asset growth, new service lines and cost efficiencies.



(1) Represents operating profit after tax and outside equity interest and before goodwill amortisation and abnormal items. The 30 June 2000 result includes $6 million of Colonial profit for the period 13 June 2000 to 30 June 2000.

(2) Lending Assets represents loans, advances and receivables and bank acceptances excluding provisions for bad and doubtful debts and securitised balances. Securitised balances are not included in lending assets and amounted to $6.8 billion as at 30 June 2001 compared to $3.0 billion as at 30 June 2000.

(3) Proforma Group represents the combined balances of the Commonwealth Bank and Colonial State Bank for the year ended 30 June 2000.

(4) The factors affecting the Group and banking cost to income ratio are discussed on page 25 of this profit announcement.

(5) Banking Margin represents total Banking income divided by total average Banking assets.

(6) Interest earning assets increased significantly in the latter half of the June 2000 year. This increase did not have a large impact on average assets for the prior year but resulted in a much higher average interest earning asset balance for the current year.

(7) Includes Australia Post and private agencies.

(8) Comparatives have been restated for a definitional change where Colonial single point operators have been reclassified to branches.

(9) Includes third party ATMs.

Banking Performance Summary

Major Balance Sheet Items

As at	30/06/01 $M	30/06/00[3] $M	Comparison 30/06/01 vs 30/06/00 %
Loans, advances and other receivables [1]			
Gross Housing	**80,284**	73,744	9
Securitisation	**(6,773)**	(3,006)	large
Housing (net of securitisation)	**73,511**	70,738	4
Personal	**7,768**	8,533	(9)
Business	**32,224**	32,437	(1)
Corporate	**24,198**	22,343	8
Bank acceptances	**12,075**	11,108	9
Total lending assets	**149,776**	145,159	3
Trading securities			
Corporate	**6,909**	7,347	(6)
Deposits and other public borrowings			
Personal	**58,620**	56,337	4
Business	**16,351**	14,056	16
Corporate	**42,384**	42,201	0
	117,355	112,594	4
Debt issues			
Corporate	**24,484**	25,275	(3)

Detailed analysis of the above is provided in Banking - Business Analysis (Refer pages 14 to 15).

(1) Loan balances are before provisions for impairment.

	Full Year Ended			Comparison
Operating Profit Summary	**30/06/01 $M**	**Proforma Group[2] 30/06/00 $M**	**Actual 30/06/00 $M**	**30/06/01 vs 30/06/00 Proforma %**
Interest income	11,900	10,402	8,842	14
Interest expense	7,426	6,246	5,123	19
Net interest income	**4,474**	**4,156**	**3,719**	**8**
Other operating income	2,381	2,178	1,951	9
Total operating income	**6,855**	**6,334**	**5,670**	**8**
Operating expenses	3,958	3,633	3,164	9
Underlying profit	**2,897**	**2,701**	**2,506**	**7**
Charge for bad and doubtful debts	385	310	196	24
Operating profit before abnormal items, goodwill amortisation and income tax	**2,512**	**2,391**	**2,310**	**5**
Income tax expense	705	748	759	(6)
Outside equity interests	14	49	38	(71)
Operating profit after income tax, before abnormal items and goodwill amortisation	**1,793**	**1,594**	**1,513**	**12**

Detailed analysis of the components of Banking Operating Profit is provided on pages 16 to 19.

(2) Proforma Group represents the combined balances of the banking operations of Commonwealth Bank and Colonial for the year ended 30 June 2000.

(3) Prior year figures have been adjusted to align with categories as at 30 June 2001 following the amalgamation of Colonial operations and product systems.

Banking – Business Analysis

(All figures relate to the year ended 30 June 2001. All comparisons are to 30 June 2000 unless otherwise stated. Market share statistics exclude ASB Bank.)

As shown in the Banking Performance Summary on page 12, total lending assets have grown by $4.6 billion to $149.8 billion during the year to 30 June 2001. As at 30 June 2001, securitised home loan balances amounted to $6.8 billion, an increase of $3.8 billion over the year. Allowing for this, gross lending assets have increased by $8.4 billion or 6% since 30 June 2000.

Despite this growth, the market has remained very competitive and the Group has experienced a small decline in market share in the major product groups over the year. During the early part of the year, while the Group focussed on the more complex planning stages of integration, some business momentum was lost. Over the second half of the year the Group regained part of this.

An analysis of the areas of growth is detailed below.

Personal Products

Housing Loans

The Group's home loan outstandings, including securitisation, totalled $80.3 billion at 30 June 2001, a 9% increase over the year. Securitised balances were $6.8 billion as at 30 June 2001 compared to $3.0 billion as at 30 June 2000.

Growth in home loans was affected in the first half by the impact of the GST, the Sydney Olympics and significant growth in non-traditional mortgage origination such as mortgage broker channels. However, campaigns undertaken to drive balance sheet growth resulted in stronger sales in the second half, limiting the decline in the Group’s total market share of home loans, which was 20.3% at June 2001 *(source: APRA 06/01)*.

Personal Lending

Personal Lending balances at 30 June 2001 amounted to $7.8 billion, a reduction of $0.8 billion compared with the balance at 30 June 2000. The principal balances included within Personal Lending are credit card outstandings and personal loans. These are discussed below.

Credit Cards

Credit card outstandings for the Group totalled just over $3.8 billion at 30 June 2001, a 9% increase from the balance of $3.5 billion at 30 June 2000.

The Group has maintained strong new cardholder account growth for the year with the number of cardholder accounts increasing to 2.8 million. The number of merchants increased to over 146,000 from last year with growth encouraged through expanded Internet services to merchants. The Group’s market share of Credit Cards has declined marginally to 26.3% as at May 2001 from 27.8% last year *(Source: ABA)*.

Personal Loans

Personal loan outstandings for the Group totalled $3.5 billion at 30 June 2001 compared with $4.2 billion as at 30 June 2000. During the half year to 31 December the reduction was due partly to $0.5 billion of loans to individuals for infrastructure borrowings which matured.

The Group continues to hold the largest share of the personal loan market with 21.9% as at June 2001 compared to 23.9% last year *(Source: APRA 06/01)*.

Deposit Products

As at 30 June 2001, the Group’s retail deposit base in Australia stood at approximately $58.6 billion, a 4% increase from June 2000. The Group is the largest acceptor of retail deposits in Australia with a market share of 24.0% at June 2001 compared with 25.3% at June 2000 *(Source: APRA All banks)*. However, there was a planned reduction due to the non-renewal of some high cost Colonial certificates of deposit with consequent benefits to interest margins.

Share Trading

Commonwealth Securities maintained its position as the leading broker in Australia in terms of the number of transactions. The total number of clients increased over the year from 537,000 to 652,000 at 30 June 2001. Over 80% of CommSec trades are now conducted online with the balance by telephone. Service and efficiency has been improved through the launch of initiatives such as Voice Broker, a speech recognition system and enhanced Straight Through Processing across all channels.

Business Products

Business Lending

At 30 June 2001, total Business Lending (excluding bank acceptances) amounted to $32.2 billion, representing a marginal decline during the year.

Corporate Products

Corporate Lending balances amounted to $24.2 billion at 30 June 2001, representing an increase of 8% or $2 billion during the year. Corporate Deposits have risen slightly at 30 June 2001 to $42.4 billion (including certificates of deposit).

The Group’s Institutional Banking Division services the Group’s corporate clients with turnover of more than $40 million per annum, Government entities and other major financial institutions. The products offered include financial markets, corporate finance, securities underwriting, trading and distribution, equities, payments and transaction services, investment management and custody. Many of these products are offered globally to match the international operations of the Group’s clients. Highlights during the year included the following:

Financial Markets

There was a strong growth in the contribution of Financial Markets with Trading income up 30% due to increased volume of client transactions and underlying market volatility.

Financial Markets continues to offer a wide range of innovative risk management solutions to clients. New developments this year included various energy risk management transactions for clients using swaps and options, the development of products related to the environment including the creation of a consumer oriented labelling programme with the Australian Greenhouse Office, and the continual development of financial risk management products including Best of Two Asset Options, Margin Locks, Floating Rate Par Forwards and Average Strike Options.

Corporate Finance

Corporate Finance undertook a number of substantial transactions in the twelve months to 30 June 2001 including:

- An innovative non-recourse project financing transaction in Victoria for Pulse Energy to fund the acquisition of retail gas and electricity customers in Victoria.
- Joint lead underwriter and arranger of financing for Billiton’s acquisition of the Worsley Alumina Refinery.
- Joint lead arranger for a syndicated facility for an acquisition by CSL Limited.
- A cross border leasing transaction in the United Kingdom on behalf of the Royal Mail.
- Co-arranger of a debt package to support an acquisition by Amatek Holdings.

Over $17 billion of capital was raised for clients in the year to 30 June 2001 which represents a 49% growth on that raised in the previous financial year. Of this amount 39% was by originations, 36% financing by direct lending and the balance by syndicated loans and equity.

Equity Capital Markets

The Group established a position in the equity capital markets during the year and participated in a number of raisings including managing the Initial Public Offering of shares by Pan Pharmaceuticals and underwriting and distributing the Resettable Preference Share Issue for Australand Holdings.

Banking - Business Analysis

Transaction Services

Transaction Services, which provides cash management solutions for clients through corporate accounts, payments and information services, experienced strong growth over the financial year. The payments business is now positioned as a leader in high volume payment processing and the Group is the largest clearer in the domestic market.

Commonwealth Custodial Services

Commonwealth Custodial Services has consolidated its position in the market with $74 billion of assets under administration at 30 June 2001.

Customer Service

The Group operates the largest financial services distribution network in the country, with sales and service provided through a wide range of direct customer contact, self-service and third party channels. The integration of the Colonial banking operations over 2000/01 has further expanded the range of delivery options available to our customers. Strategic emphasis is on generating customer service, value and efficiency across the distribution network, with a number of transformational changes to management structures and systems over 2000/01 providing a strong platform for future growth.

Direct contact service channels

The combined branch network of Commonwealth and Colonial was reduced by 375 over 2000/01, from 1,441 as at June 2000 (1,074 Commonwealth, 367 Colonial) to 1,066 as at June 2001. Included in this reduction were 290 integration-related amalgamations. In addition, 536 branches were refurbished during the year.

In integrating Colonial operations, a key priority was to ensure that the particular skills and competencies of both organisations were effectively leveraged going forward. A number of former Colonial franchisees have been retained in key network roles, including 15 in Regional and Rural locations. Through integration, a wider range of branch types is now available to customers, with further reconfiguration of the network planned to better meet the needs of specific locations and customer segments. A new network structure introduced in October 2000 draws on the best elements of both organisations to improve alignment and customer focus in key markets. Together with the implementation of a new sales and service leadership system promoting greater ownership, accountability and reward for performance, these changes are translating into a more client focussed, efficient, effective and committed delivery network.

In addition to branches, there were important developments in a number of other direct customer contact channels over the year. A comprehensive transformation was undertaken of management structures and systems across the Group's Business Banking arm thereby allowing the number of Business Banking Centres to be reduced from 97 to 83.

The Group's mobile banker sales force continues to play an important role in the home loan market, meeting customer demand for greater convenience and accessibility. In support of the Group's strategy to be positioned to meet the full financial needs of customers, insurance managers have been appointed, trained and accredited to meet the insurance risk needs of the Commercial Business, Middle Market and Personal Segments. As a result of the Colonial integration, the combined Financial Advisor network of Financial Planners and Investment Consultants has expanded to 670. This network is fully accredited to sell a suite of internal and external products.

The Group's direct customer contact network continues to be augmented by the alliance with Australia Post. Personal Banking services are available at 3,738 Australia Post agencies across the country, and following a successful trial, transactional banking services for business clients has expanded to 112 Australia Post locations.

Electronic and Direct Banking

Customer usage of direct and self-service banking continues to gain pace. The total number of transactions performed in direct/electronic channels increased by 22% over the year while teller transactions continued to decline. As a result, the proportion of total transactions carried out in-branch was further reduced, from 18.8% to 15.6% this year. NetBank customer registrations surpassed 1.0 million, up from 320,000 last year. Over the year, NetBank processed some 152 million transactions, up from 49 million in the previous year. The Group's total online customers numbered over 1.5 million (including Commonwealth Securities Ltd customers) at 30 June 2001.

Telephone banking password customers now exceed 5 million (up 33%). During the year, in excess of 110 million calls were received on the 132221 customer service line (up 11%), peaking at 2.5 million calls per week. Two new call centres were established over the year, designed to both meet public assurance commitments arising from integration and to cater for our expanding requirements going forward.

ATM and EFTPOS usage continue to grow strongly, with total transactions up 6% and 40% respectively over 2000/01. The group retains the largest proprietary ATM and EFTPOS terminal networks in the country (2,910 and 122,074 terminals respectively) plus acquired the transactions of a further 1,000 third party ATMs.

Woolworths EzyBanking

Woolworths EzyBanking is available through 659 Woolworths stores nationally. Sales of transaction accounts (Ezy Action) and credit cards (Ezy Mastercard) during the year have been above expectations with more than 425,000 account holders signed up as at 30 June 2001. Approximately 35% of these customers are new to the Commonwealth Bank Group.

Third Party

Through the acquisition of Colonial Limited, the Group has increased the range of distribution networks previously used to include:

- Multi-agents and life brokers.
- Authorised financial planners through wholly owned businesses.
- Independent financial planners.
- Insurance franchisers.
- Mortgage brokers.

Distributors in these new channels number over 5,000.

United Kingdom

Given the high level of competition, opportunities are being explored to leverage the Group's presence in the UK flowing from the Colonial acquisition. This will involve merging the Newworld UK business with the existing UK Wealth Management Business.

New Zealand Banking Operations

Growth in ASB's banking operations was particularly strong in relation to personal, business and rural lending. This contributed to a total annual lending growth for total loans of 10%, compared to the market annual growth rate of 3.7% *(Source: PSCR – Reserve Bank of New Zealand)*. Customer retention and customer acquisition were important drivers of volume growth, with the customer base increasing by 2.3% in the past year to reach over 880,000 customers.

At 30 June 2001, ASB Bank had total assets of NZ$20.1 billion (2000: $17.3 billion), including total advances of NZ$16.2 billion (2000 $14.4 billion).

Banking Analysis of Performance

Net Interest Income

	Full Year Ended 30/06/01 $M	Proforma Group[1] 30/06/00 $M	Actual 30/06/00 $M	Comparison 30/06/01 vs 30/06/00 Proforma[2] %
Interest Income				
Loans	**10,246**	9,031	7,663	13
Other financial institutions	**280**	198	191	41
Liquid assets	**110**	82	78	34
Trading securities	**548**	465	295	18
Investment securities	**655**	598	586	10
Dividends on redeemable preference shares	**54**	24	24	large
Other	**7**	4	5	75
Total Interest Income	**11,900**	**10,402**	**8,842**	**14**
Interest Expense				
Deposits	**5,042**	4,386	3,773	15
Other financial institutions	**328**	300	297	9
Short term debt issues	**902**	762	671	18
Long term debt issues	**759**	560	171	36
Loan capital	**374**	237	210	58
Other	**21**	1	1	large
Total Interest Expense	**7,426**	**6,246**	**5,123**	**19**
Net Interest Income	**4,474**	**4,156**	**3,719**	**8**

Net Interest Income

30/06/01 – Proforma 30/06/00 (up 8%)

Net interest income for the year increased by 8% or $318 million from $4,156 million to $4,474 million.

The increase in net interest income was the result of the growth in net interest earning assets. As shown on page 12, average interest earning assets grew by $12 billion or 8% from $149 billion at 30 June 2000 to $161 billion at 30 June 2001. This generated additional net interest income of $334 million, offset by a small decline in the net interest margin from 2.79% to 2.78% resulting in a reduction in net interest income of $5 million, and a one day variance in the accounting periods reducing net interest income by $11 million.

The table below highlights the effect of movements in net interest earning assets and interest margin on net interest income. Further details can be found in Appendix 6 of this report.

Full Year INCREASE/DECREASE	**Financial Year 2001 vs Proforma Financial Year 2000 $M**	**Financial Year 2000 vs Financial Year 1999 $M**
Due to changes in average volume of interest earning assets and interest bearing liabilities	**334**	**424**
Due to changes in interest margin	**(5)**	**(232)**
Due to days variance in periods	**(11)**	**-**
Change in net interest income	**318**	**192**

The growth in average interest earning assets reflects:

A strong growth in home loans in the latter half of the year ended June 2000 as the market anticipated increased prices following the introduction of the GST. The current financial year had a slow first quarter in home lending, where the introduction of the GST and post Olympic factors contributed to softer market conditions. This was compounded by unexpected growth in the volume of originations through mortgage brokers. Home loan volumes picked up strongly over the rest of the year as a result of an extensive advertising campaign supported by nil establishment fee offers, and an improvement in market conditions. While market share declined across a number of products, growth in balances over the final months reflected a strong level of home loan approvals.

Commercial lending had a slow first half, however during the second half volumes improved providing clear indications that the extensive rebuilding programme undertaken across the network during 2000/01 is driving improved results.

The acquisition of Trust Bank during the prior financial year contributed to the current year growth in average interest earning assets.

(1) Proforma Group represents the combined results of Commonwealth Bank and Colonial for the year ended 30 June 2000.

Banking Analysis of Performance

Group Interest Margins and Spreads

The following table shows both actual and proforma margins and spreads for the Group for the June 2000 and June 2001 financial years. Interest spread represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest margin represents net interest income as a percentage of average interest earning assets.

The calculations of margins and spreads for Australia and Overseas include an allowance for transfer of offshore funding used to finance onshore lending. The lower overseas margins and spreads reflect the effect of the wholesale funding nature of that business.

	Full Year Ended		
	30/06/01 %	Proforma Group 30/06/00 %	30/06/00 %
Australia			
Interest spread (1)	**2.56**	2.58	2.71
Benefit of interest free liabilities, provisions and equity (2)	**0.43**	0.40	0.42
Net interest margin (3)	**2.99**	2.98	3.13
Overseas			
Interest spread (1)	**1.06**	1.10	1.22
Benefit of interest free liabilities, provisions and equity (2)	**0.55**	0.42	0.30
Net interest margin (3)	**1.61**	1.52	1.52
Group			
Interest spread (1)	**2.32**	2.38	2.47
Benefit of interest free liabilities, provisions and equity (2)	**0.46**	0.41	0.41
Net interest margin (3)	**2.78**	2.79	2.88

(1) Difference between the average interest rate earned and the average interest rate paid on funds.
(2) A portion of the Group's interest earning assets is funded by interest free liabilities and shareholders' equity. The benefit to the Group 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.

Group Interest Margin

30/06/01 - Proforma 30/06/00 (down 1 basis point)
30/06/01 - 30/06/00 (down 10 basis points)

The Group net interest margin for the year to 30 June 2001 decreased slightly by 1 basis point from the prior year to 2.78%.

There was a number of factors which impacted the average rate. In addition to three cash rate increases in the latter part of the June 2000 financial year there was also one cash rate increase and three reductions in the year to June 2001. The net effect of the product repricing following these changes was to put pressure on the net interest margin.

Partly offsetting this was the benefit to net interest margins from the difference of market driven short term wholesale rates being below official cash rates during the year due to an expectation by the market that official rates would fall. However, the market has started to anticipate the end of the easing cycle in official rates with the next move more likely to be an increase.

Average deposit balances on low interest paying accounts were higher over the year than the prior year, mainly as a result of businesses accumulating their GST instalments. This benefited the net interest margin by increasing the amount of interest free liabilities.

Banking Analysis of Performance

Other Banking Operating Income

The following table sets forth the Group's other banking operating income for the year ended 30 June 2001 together with comparatives.

	Full Year Ended 30/06/01 $M	Proforma Group 30/06/00 $M	Actual 30/06/00 $M	30/06/01 vs 30/06/00 Proforma %
Lending fees	**602**	623	554	(3)
Commission and other fees	**1,173**	1,066	946	10
Trading income	**426**	327	311	30
Dividends	**14**	20	20	(30)
Net gain on investment securities	**56**	12	12	large
Net profit on sale of property, plant and equipment	**25**	14	14	79
General insurance premium income	**107**	104	104	3
Less general insurance claims	**(57)**	(55)	(55)	4
Other	**35**	67	45	(48)
Total Other Banking Operating Income	**2,381**	**2,178**	**1,951**	**9**

Other Banking Operating Income

30/06/01 – Proforma 30/06/00 (up 9%)

Other Operating Income increased by 9% or $203 million from $2,178 million to $2,381 million during the current year. The principal reasons for the overall increase are set out below.

Lending Fees

30/06/01 – Proforma 30/06/00 (down 3%)

Lending fees have dropped by 3% or $21 million to $602 million over the prior year mainly due to a number of nil entry and discounted home loan establishment fee offers during the current year. This was part of the Group's strategy to build lending balances to improve future earnings potential.

The lower establishment fees were partly offset by increases in other lending fees based on higher volumes.

Commission and Other Fees

30/06/01 – Proforma 30/06/00 (up 10%)

Growth in commission and other fees has been driven by Credit Cards with increased sales activity from both merchants and cardholders, although growth has slowed since last year. There has been a 27% increase in the value of merchants sales and 20% increase in the value of credit cardholders sales.

Retail transaction fees for the year to 30 June 2001 represent 12% of Other Banking Operating income (4% of total Banking Operating income) which is consistent with last year.

Trading Income

30/06/01 – Proforma 30/06/00 (up 30%)

The Group's Financial Markets operations contributed $426 million of trading income, representing growth of 30% or $99 million on the previous year. Trading Income improved due to market volatility in the interest rate and foreign exchange markets. Volumes of client transactions grew significantly as a result of this higher level of underlying volatility. This growth in trading income did not result in significant additional risk exposure.

Dividends

30/06/01 – Proforma 30/06/00 (down 25%)

Dividend income represents dividends earned on the Group's strategic investments.

Net Gain on Investment Securities

30/06/01 – Proforma 30/06/00 (up $44 million)

Gains during the current year included the sale of the Brisbane Airport investment and the sale of the Group's interest in IPAC Securities.

Net Profit on Sale of Property Plant and Equipment

30/06/01 – Proforma 30/06/00 (up 79%)

The Group continued its sale and leaseback strategy during the current year, with the sale of several major properties within the Sydney CBD.

General Insurance Income (net of claims)

30/06/01 – Proforma 30/06/00 (up 3%)

General Insurance premium income less claims has remained stable at $50 million during the current financial year.

Banking Analysis of Performance

Charge for Bad and Doubtful Debts

The following table sets out the charge for bad and doubtful debts for the year ending 30 June 2001 together with comparatives.

	Full Year Ended		
		Proforma Group	Comparison
	30/06/01	30/06/00	30/06/00
	$M	$M	$M
Specific Provisioning			
New and increased provisioning	**495**	n/a	236
Less provisions no longer required	**(84)**	n/a	(96)
Net specific provisioning	**411**	246	140
Provided from general provision	**(411)**	(246)	(140)
Charge to profit and loss	-	-	-
General provisioning			
Direct write offs	**35**	34	34
Recoveries of amounts previously written off	**(88)**	(54)	(54)
Movement in general provision	**27**	84	76
Funding of specific provisions	**411**	246	140
Charge to profit and loss	**385**	**310**	**196**
Total Charge for Bad and Doubtful Debts	**385**	**310**	**196**

Total charge for bad and doubtful debts increased by 24% to $385 million during the year to 30 June 2001, primarily relating to a small number of large corporate and commercial lending exposures that became impaired during the year and were provisioned for potential loss.

Provisions for Impairment

	Full Year Ended	
	30/06/01	30/06/00
	$M	$M
Provisions for Impairment		
General Provisions	1,399	1,358
Specific Provisions	234	432
Total Provisions	1,633	1,790
Total provisions for impairment as a % of gross impaired assets net of interest reserved	251.6	178.3
Specific Provisions for impairment as a % of gross impaired assets net of interest reserved	36.06	43.03
General provisions as a % of risk weighted assets	1.01	1.06

Total Provisions for Impairment for the Group at 30 June 2001 were $1,633 million, down 8.8% from 30 June 2000. 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 46% from $432 million to $234 million from 30 June 2000 to 30 June 2001, primarily as a result of increased write offs of the impaired asset portfolio including the effect of applying the Commonwealth policy to Colonial portfolios.

The general provisions for impairment have increased to $1,399 million at 30 June 2001 from $1,358 million at 30 June 2000, an increase of 3%. The general provision as a percentage of Risk Weighted Assets is at 1.01%, down from 1.06% at 30 June 2000. This level is consistent with that of other major Australian banks.

Gross impaired assets less interest reserved have decreased 35% from $1,004 million to $649 million over the year. This has been primarily due to additions to gross impaired assets (including interest reserved) for the year of $707 million which have been more than offset by write offs and realisations totalling $1,125 million.

This has resulted in a decrease in the coverage ratio of specific provisions to 36.06% from 43.03%, reflecting the positive management of impaired assets, which were generally well provisioned, and have now been written off.

Funds Management – Business Analysis

The funds management businesses have contributed $149 million to the Group's result for the year. This represents an increase of $38 million or 34% over the prior year. The growth in operating profit reflects strong growth in external funds under management which have increased by $11.7 billion to $77 billion. Funds management income has increased by 29% partly offset by an increase in variable sales and processing expenses.

The following tables set forth the Group's Funds Management result for the year ending 30 June 2001 together with comparatives.

	Full Year Ended			Comparison
	30/06/01 $M	Proforma Group 30/06/00 $M	Actual 30/06/00 $M	30/06/01 vs 30/06/00 Proforma %
Funds Management				
Operating income - external	701	541	143	30
Operating income - internal [(1)]	38	32	10	19
Total operating income	739	573	153	29
Operating expenses	496	410	103	21
Operating profit before tax	243	163	50	49
Income tax expense	94	52	14	81
Operating profit after tax	**149**	**111**	**36**	**34**

The Funds Management business manages both internal funds (Life Insurance statutory fund assets) and external funds (wholesale and retail). The tables below show the split of each type of funds managed.

	30/06/01 $M	30/06/00 $M	30/06/01 vs 30/06/00 %
Assets held and funds under management (FUM) [(2)]			
Funds management [(4)] [(5)]	76,954	65,266	18
Internal life insurance funds	24,527	22,916	7
Total FUM	**101,481**	**88,182**	**15**
Other life and funds management assets [(3)]	14,551	10,235	42
Total	**116,032**	**98,417**	**18**
Australia	91,810	72,456	27
United Kingdom	14,953	19,202	(22)
New Zealand	4,650	3,270	42
Asia	4,619	3,489	32
Total	**116,032**	**98,417**	**18**
Total expenses to funds under management [(6)]	0.5%	0.5%	n/a
Total funds management expense to Income [(7)]	67.1%	71.6%	n/a

The analysis of the movement of funds by product category is as follows:

Year to Date June 2001	Opening Balance	Inflows	Outflows [(9)]	Portfolio and Other Returns	Closing Balance
Funds Under Management $M (including Life Insurance)					
Retail	24,554	20,616	(12,337)	1,113	33,946
Wholesale [(8)]	40,712	13,228	(12,436)	1,502	43,006
Internal managed life	22,916	4,964	(5,045)	1,692	24,527
Total FUM	**88,182**	**38,808**	**(29,818)**	**4,307**	**101,479**
Other Life assets [(3)]	10,235	3,051	-	1,267	14,553
Total	**98,417**	**41,859**	**(29,818)**	**5,574**	**116,032**

(1) Income received from the life insurance business to manage statutory funds.
(2) Excludes non-Group funds under trusteeship, custody and administration.
(3) Includes life investment assets managed by parties other than the Group funds management businesses, and other non-investment life assets (including excess of market value over net assets of life insurance subsidiaries).
(4) Funds under management exclude funds under tactical overlay management. In accordance with revised ASSIRT reporting requirements 30 June 2000 comparatives have been restated to exclude $8 billion in funds under tactical overlay management at 30 June 2000 and $9.5 billion from 30 June 2001.
(5) Represents total external funds under management of the Group. ASSIRT reporting includes external funds under management, and funds managed on behalf of the life insurance companies in the Group which are included within life insurance assets. ASB Group funds under management are not included in the ASSIRT reporting.
(6) The 30 June 2000 ratio is calculated on a proforma basis.
(7) Total funds management expense to income ratio is calculated on a gross of commission basis due to the differing cost structures of the funds management businesses across the Group. The 30 June 2000 ratio is calculated on a proforma basis.
(8) Wholesale opening balance has been reduced by $8 billion to exclude tactical overlay management (Refer Note 4).
(9) Internal managed life outflows include the transfer of $2.5 billion of funds during the current financial year relating to assets acquired by Winterthur as part of the sale of Colonial UK Life.

Funds Management – Business Analysis

Performance Analysis

The result has been driven by a strong growth in income, which has increased by $166 million from $573 million in the financial year ended 30 June 2000 to $739 million in the current financial year. This growth in income is due to an increase of $13 billion or 15% in funds under management (FUM).

Expenses for the business reflect increased volumes; however, some one off expenses were incurred in integrating the Stewart Ivory acquisition into the First State business in the United Kingdom.

Tax expense has increased due to the non-recognition of tax benefits in relation to certain offshore tax losses.

Funds Under Management Performance

The combined Commonwealth and Colonial First State funds management business rank first in terms of both retail and wholesale FUM *(Source: ASSIRT March 2001)*.

Total external FUM have increased by $11.7 billion or 18% to $77 billion over the year to 30 June 2001. Internally managed life FUM increased by 7% or $1.6 billion over the year to 30 June 2001. The combined life insurance assets and funds under management totalled $116 billion at 30 June 2001 (Refer page 20).

The growth in assets held and funds under management of $18 billion to $116 billion was achieved across retail ($9 billion), wholesale ($3 billion) and life insurance assets ($6 billion).

Colonial First State Investments

Colonial First State Investment's (CFSI) FUM grew 23 % with strong growth recorded in both wholesale and retail funds. New business inflows remained strong during the year, particularly in Australia.

The number of active accounts in Australia increased from 565,000 at 30 June 2000 to 793,000 at 30 June 2001, representing an increase of 40%. This enabled Colonial First State to improve its retail market share from 5.4% to 6.1% *(Source: ASSIRT March 2001)*. Colonial First State continues to have a five star rating.

During the year, the property asset management businesses of Commonwealth Property and Colonial First Sate were merged, giving the combined group approximately $12 billion in property assets under management.

Commonwealth Investment Management

Commonwealth Investment Management (CIM) total FUM grew by 6 % over the year mainly due to strong retail funds growth which increased 78% over the year to $12 billion at 30 June 2001. This included the transfer in of $2.3 billion of funds from Colonial life which were previously managed by CFSI. Excluding this transfer the increase was 44% for the year. This growth reflected strong sales in retail unit trust (entry fee product) and retail cash management trusts. As at 30 June 2001 $9 billion was managed on behalf of a diverse range of wholesale clients, including state, local and semi-government entities, corporations, investment funds and superannuation funds.

New Products and Initiatives

The CFSI group continued to develop its international business in the United Kingdom and Asia, which trade under the name of First State Investments. In the UK, the integration of the Stewart Ivory business (acquired in March 2000) was completed giving the UK business a funds management and private client platform for growth. In Hong Kong, a number of new products were launched including the New China Fund, which invests in Chinese corporations through the Chinese and Hong Kong stock markets.

A number of enhancements to CFSI's online services were made during the year including extensions to FirstNet Adviser, an online service that allows advisors enquiry access to their clients' investment details. CFSI investors can transact online, with functionality allowing additional investments to existing accounts, withdrawals to a nominated bank account and switching of investment monies between a range of Managed Investment Funds.

In May 2001, CFSI launched the Diversified Private Equity Fund, a public offer fund that invests in a portfolio of quality unlisted companies.

Life Insurance – Business Analysis

The life insurance operations contributed $320 million to the Group's result for the year, which is a decrease of $43 million from $363 million for the year to 30 June 2000. The effect of the decline in world equity markets on investment earnings on life insurance funds, together with poor claims and persistency experience were the principal reasons for the reduction in the profit from life insurance operations.

As at 30 June 2001, life insurance assets totalled $39 billion, an increase of $6 billion or 18% over the year. The results from the Group's life insurance operations are detailed on the following pages. During the early part of the year while the Group focussed on the more complex planning stages of integration, some business momentum was lost. The Group is now starting to regain part of this.

The following table sets forth the Group's Life Insurance Income result for the year ending 30 June 2001 together with comparatives.

	Full Year Ended			Comparison
Summary Profit and Loss (excluding abnormal income and appraisal value uplift)	**30/06/01 $M**	**Proforma Group 30/06/00 $M**	**Actual 30/06/00 $M**	**30/06/01 vs 30/06/00 Proforma %**
Life Insurance				
Margin on Services operating income - external	1,268	1,557	326	(19)
Operating expenses - external	(716)	(779)	(140)	(8)
Operating expenses - internal [1]	(38)	(32)	(10)	19
Total expenses	(754)	(811)	(150)	(7)
Operating profit before tax	514	746	176	(31)
Income tax expense	194	383	47	(49)
Operating profit after tax	**320**	**363**	**129**	**(12)**

(1) Management charge paid to Funds Management.

The table above details the operating income, operating expenses and tax expense from the Group's life insurance businesses, based on the disclosure required by Accounting Standard AASB 1038.

It should be noted that income, operating expenses and tax expense included in the table above includes both policyholders' and shareholders' components.

Included within tax expense for the year is $94 million relating to policyholder earnings, compared with $187 million last year. The reduction is mainly attributable to reduced investment earnings on behalf of policyholders.

The operating profit after tax relates to shareholders. In order to gain a more informative understanding of the shareholder profit after tax, the sources of profit are analysed in the table below.

The table below details the sources of after tax profit from the Group's life insurance operations.

	Full Year Ended			Comparison
	30/06/01 $M	**Proforma Group 30/06/00 $M**	**Actual 30/06/00 $M**	**30/06/01 vs 30/06/00 Proforma %**
Sources of life insurance operating profit (excluding abnormal income)				
The Margin on Services operating profit after income tax is represented by:				
Planned profit margins	**257**	225	121	14
Experience variation	**(63)**	(20)	(8)	large
New business losses / reversal of capitalised losses	**(2)**	13	1	large
Operating margins	**192**	218	114	(12)
Investment earnings on assets in excess of policyholder liabilities [1]	**126**	143	13	(12)
Other	**2**	2	2	-
Operating profit after tax	**320**	**363**	**129**	**(12)**

(1) Includes a gain of $46 million in the current year resulting from the transfer of certain strategic investments to the life insurance business.

Underlying results of life insurance businesses by geographical region.

The table below details the underlying results of the Group's life insurance businesses by geographical region.

Full Year Ended	**30/06/01 $M**	**Australia Proforma Group 30/06/00 $M**	**30/06/01 $M**	**New Zealand Proforma Group 30/06/00 $M**	**30/06/01 $M**	**Asia Proforma Group 30/06/00 $M**
Operating Margins	190	201	23	21	(21)	(4)
Investment earnings on assets in excess of policyholder liabilities	129	112	(5)	15	2	16
Other	-	1	1	-	1	1
Operating profit after tax	**319**	**314**	**19**	**36**	**(18)**	**13**

Life Insurance – Business Analysis

Operating margins in Australia decreased to $190 million from $201 million in the prior year reflecting lower policyholder investment returns, and increased claims offset by growth in the investment-linked portfolio, particularly superannuation and allocated pension products. The disability trends experienced in the first half have been controlled through improvements in claims management and repricing which should protect margins on this line of business in the future.

In addition experience variations in the prior year in Australia reflected some positive one off items and loss reversals that have not been repeated in the current year, and hence operating margins are lower in the current reporting period.

Expense integration synergies achieved to date are reflected in the current year operating margins. The expense synergies reflect the benefits of the integration of the Colonial life companies which occurred in the first half of the June 2000 financial year and the benefits of the progressive integration of the Colonial and Commonwealth life companies in the current reporting period.

The Australian life business has experienced sales pressure on its master fund business, although across the Group this was largely compensated by strong sales growth of complementary products by the funds management businesses. While this did not materially impact the profit margin in the current year, it did impact the life business appraisal value (Refer Summary of Life Insurance and Funds Management Valuations – page 24).

Margins on the Asian life insurance business have fallen by $17 million in the current year. The primary driver of this is persistency rates in Hong Kong. Although persistency rates are improving, the residual effect from large acquisitions of agents in 1998/99 and continued poaching of staff continues to depress margins.

Investment returns on shareholders funds for the year ended 30 June 2001 (assets in excess of policyholder liabilities) were $126 million which was $17 million lower than in the prior year. Investment returns were lower in all regions due to the global downturn in equity markets and some investment write-downs within the New Zealand portfolio. As part of a re-balancing of the Group's exposure to equities, during the year certain strategic investments previously held by the Bank, which were held at cost, were transferred to the life insurance operations where assets are reported at market value. This resulted in a gain of $46 million after tax being reported within investment earnings on assets held in excess of policyholder liabilities. Life insurance assets in excess of liabilities amounted to approximately $2.6 billion as at 30 June 2001. The Group has maintained a balanced weighting between growth and fixed interest investments during the period.

New Business – Life Insurance and Superannuation	Full Year Ended 30/06/01 $M	Proforma Group 30/06/00 $M	Actual 30/06/00 $M	Comparison 30/06/01 vs 30/06/00 Proforma %
Master Fund/Trusts	**4,727**	4,333	2,646	9
Risk	**295**	253	46	17
Annuities, bonds and other statutory fund products	**901**	1,153	348	(22)
Total	**5,923**	5,739	3,040	3

Details of the Group's new business mix for life insurance products is set out in the above table.

On a pro-forma basis, sales of new business grew by 3% over the year. This reflects growth across all regions.

The growth within Australia represents an increase in masterfund/trust products and risk business offset by a decline in Annuities and Bonds.

The growth in masterfund/trust products has been in personal and corporate superannuation. Margins on these products remain strong, and while there is some pressure on third party originated business overall there has been no margin compression.

Sales of life insurance bonds and traditional forms of life insurance investment business within Australia have fallen over the year. This is in line with expectations, as investors switch to masterfund/trust products.

Further growth in Australia is expected following the introduction of a more comprehensive life insurance risk product range to the branch network and the introduction of specialist risk writers for both personal and business lines. New member services are being developed to strengthen the Group's offerings to this market.

Asian new business sales are above the prior year. The largest areas of growth have been in Thailand following expansion of its agency force, and Hong Kong following the launch of the Mandatory Provident Fund (MPF).

The launch of the MPF funds is a one off event and the impact that it had on the current year's new business is not expected to be repeated in future years.

New Zealand growth has primarily been within the risk products and the masterfund/trust product offerings.

Summary of Life Insurance and Funds Management Valuations

The following table sets out the components of the carrying values of the Group's life insurance and funds management businesses. These are Directors' valuations based on appraisal values determined by independent actuaries Trowbridge Consulting. The key actuarial assumptions that have been used by the independent actuaries are also summarised.

As at 30 June 2001	**Australia $M**	**Life Insurance New Zealand $M**	**Asia [1] $M**	**Funds Management $M**	**Total $M**
Shareholders net tangible assets	1,643	236	719	269	2,867
Value of in force business	706	135	101	618	1,560
Embedded Value	2,349	371	820	887	4,427
Value of future new business	786	265	123	2,402	3,576
Carrying Value	**3,135**	**636**	**943**	**3,289**	**8,003**
30 June 2000 Carrying Value	3,015	604	875	2,242	6,736
Increase to 30 June 2000	120	32	68	1,047	1,267

Analysis of Movement since 30 June 2000	**Australia $M**	**Life Insurance New Zealand $M**	**Asia $M**	**Funds Management $M**	**Total $M**
Profits	273 [2]	19	(18)	149	423
Opening Fair Value Adjustments	-	-	(30)	-	(30)
Net Capital Movements [3]	(269)	39	179	77	26
Transfers / Acquisitions of Business [4]	-	-	-	34	34
Change in Shareholders NTA	**4**	**58**	**131**	**260**	**453**
Synergies Credited to Goodwill	332	-	-	-	332
Transfers / Acquisitions of Business [5]	(183)	-	-	191	8
Net Appraisal Value Uplift	(33)	(26)	(63)	596	474
Increase to 30 June 2001	**120**	**32**	**68**	**1,047**	**1,267**

(1) The Asian Life businesses are not held in the market value environment and are carried at net assets plus an 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) Excluding the gain of $46 million resulting from the transfer of certain strategic investments to the life insurance business.
(3) Includes dividends paid, capital injections and payments for investments in controlled entities.
(4) Represents the inclusion of net assets for funds management businesses not held in a market value environment.
(5) This item includes a transfer of business from the life insurance business to the funds management business ($183 million). Balance of $8 million represents goodwill on acquisition of State Street.

Change in Life Insurance and Funds Management Valuations

The valuations adopted above have resulted in a total valuation increase of $1,267 million since 30 June 2000.

The main components of the increase comprise:

- Total profits earned for the year of $423 million.
- Opening fair value adjustments to the Asian life operations totalling $30 million representing changed assumptions on tax and investment earnings in the opening valuation.
- Realisation of expense and revenue synergy benefits arising on the Colonial integration of $332 million. These have been credited against goodwill.
- Net appraisal value uplift of $474 million for the year.

The net appraisal value uplift of $474 million includes $596 million relating to the funds management businesses. This reflects strong growth in funds under management which have increased by 15% over the year to 30 June 2001 and lower expense levels arising from increased scale in the businesses.

Offsetting this, the life insurance businesses appraisal values reduced by $122 million. This result reflects lower than expected growth in sales volumes in the Australian business and the impact of lower than expected investment returns during the year.

A partial write off of the 'excess' in relation to the Asian life businesses and lower than expected business persistency experience in the New Zealand business also contributed to the reduced uplift.

Further details on the movement in carrying value for the year are included in Appendix 13.

Valuation Assumptions

The key changes in assumptions used in the life insurance appraisal valuations since 30 June 2000 are:

- Investment earnings rates, discount rates and new business growth rates have been reduced by 0.5% to reflect changes in long term interest rates.
- New business volumes for life insurance business in Australia have been slightly reduced reflecting lower than expected growth in sales during the year (Refer Life Insurance Business Analysis on page 23).
- A slight increase in disability claims in Australia and New Zealand.
- Business persistency in New Zealand has been reduced in light of recent poor persistency experience.

The key changes in assumptions used in the funds management appraisal valuations since 30 June 2000 are:

- Investment earnings rates, discount rates and new business growth rates have been reduced by 0.5% to reflect changes in long term interest rates.
- New business volumes for the funds management businesses have been increased based on improved experience during the year (Refer Funds Management Business Analysis on page 21).
- Expense levels for the funds management businesses have decreased slightly reflecting increased scale in the businesses.

Further details on actuarial assumptions can be found in Appendix 13.

Group Operating Expenses

The following table sets forth the Group's operating expenses for year ended 30 June 2001 together with comparatives.

	Full Year Ended 30/06/01 $M	Full Year Ended Proforma Group 30/06/00 $M	Full Year Ended Actual 30/06/00 $M	Comparison 30/06/01 vs 30/06/00 Proforma %
Expenses from - Existing operations	**5,089**	4,822	3,407	6
Expenses from - Business acquisitions and GST (net of synergies)	**81**	-	-	n/a
Total Operating Expenses	**5,170**	**4,822**	**3,407**	**7**
Expenses by category as follows:				
Staff (2)	**2,360**	Refer note (2)	1,705	
Occupancy and equipment	**604**	"	437	
Information technology services (2)	**748**	"	571	
Other expenses	**1,458**	"	694	
Total Operating Expenses	**5,170**	"	3,407	
Banking	**3,958**	3,633	3,164	9
Life Insurance	**716**	779	140	(8)
Funds Management	**496**	410	103	21
Total Operating Expenses	**5,170**	4,822	3,407	7
Cost to average assets held and funds under management (1)	**1.75**	1.85	1.85	(5)

(1) The fall in cost to average assets held and funds under management reflects the strong growth in funds under management (up $13 billion or 15% on a proforma basis) and on balance sheet assets, including life insurance (up $4 billion or 42%) over the past 12 months. In contrast operating expenses have risen 7%.

(2) Proforma is not available as Colonial Group did not prepare expense breakdown on this basis.

The Group's operating expenses have increased $348 million or 7% from $4,822 million for the year ended 30 June 2000 to $5,170 million for the current year.

Expenses from existing operations have increased by $267 million or 5.5% from $4,822 million to $5,089 million in the current year. The increase in expenses primarily relates to:

- Volume related increases of $122 million, predominantly relating to the Funds Management businesses and increased loyalty costs in the Cards business.
- The finalisation of an enterprise bargaining agreement with staff resulted in a 4% increase in salaries effective from 1 July 2000. This added $97 million to costs.
- Asian expenses incurred in developing the life insurance business.

The introduction of the GST added $111 million to expenses while the costs of developing European banking, the full year effect of the acquisition in the first half of last year of Trust Bank of Tasmania and State Street Master Custody businesses has added a further $90 million. The above increases are partly offset by $120 million of Colonial integration savings made in the current year.

Cost to Income Ratios

	30/06/01 %	30/06/00 %
Banking	57.7	57.4
Funds Management	67.1	71.6
Life Insurance	59.5	52.1
Group	58.6	57.2

The Group's cost to income ratio reflects the different business mix, including policyholder items and investment returns on life insurance shareholder funds.

Accordingly, it is more appropriate to look at the cost to income ratio by line of business. The increase in the Banking cost income ratio of 0.3% from 57.4% in the year ended 30 June 2000 to 57.7% in the current year is attributable to the following:

- The GST together with the impact of the 4% wage rise increased the cost income ratio by 1.8%.
- Expenditure in relation to the development of the European banking operations and the full year effect of new businesses has increased the cost to income ratio by 0.7%.
- Synergies achieved in relation to the Colonial integration have decreased the cost to income ratio by 1.6%.
- The cost to income benefit from improved volumes of 0.3%.

The improvement in the funds management ratio of 3.8% from 71.6% in the prior year to 67.1% in the current year is due to scale economies from the growth in funds under management, partly offset by some one off expenses within Stewart Ivory during the second half of the financial year.

The increase in the life insurance cost income ratio reflects the impact of lower investment earnings and policyholder tax (4.8% impact).

The achievement of the integration of the Colonial business ahead of schedule represented a significant milestone for the Group. The current forecast of the annualised cost synergies that will be realised when the integration is completed (by 30 June 2003) is $355 million (out of the total synergies forecast of $450 million).

Other Group Items

Staff Numbers

The table below details the Group's staff numbers as at 30 June 2001. Staff number reductions related to the Colonial integration were in excess of 2,700 with a net increase in other staff movements reflecting business growth.

Staff Numbers as at	30/06/01 Number	30/06/00 Number
Full time staff	31,976	34,154
Part time staff	7,161	7,383
Full time staff equivalent	**34,960**	**37,131**
Australia	28,837	31,056
New Zealand	3,872	3,731
Other Overseas	2,251	2,344
	34,960	**37,131**

Income Tax Expense

	Full Year Ended			Comparison
	30/06/01 $M	Proforma Group 30/06/00 $M	Actual 30/06/00 $M	30/06/01 vs 30/06/00 Proforma %
Banking	705	748	759	(6)
Funds Management	94	52	14	81
Life	194	383	47	(49)
	993	**1,183**	**820**	**(16)**
Effective tax rate				
Banking	28%	31%	33%	
Funds Management	39%	32%	28%	
Life Insurance (Policyholder and Corporate)	38%	51%	27%	

Income tax expense has decreased 16% from $1,183 million for 30 June 2000 to $993 million for 30 June 2001.

The tax expense consists of corporate tax of $899 million (year to 30 June 2000 $996 million) and policyholder tax of $94 million (year to 30 June 2000 $187 million).

Corporate taxation has declined by $97 million, primarily reflecting the benefit from the drop in the corporate tax rate from 36% to 34% which reduced the prima facie income tax expense by $65 million, the utilisation of previously unrecognised overseas tax losses of $54 million, offset by a $20 million adjustment for the effect of lower tax rates on deferred tax balances when compared to the prior year.

The reduction in policyholder tax expense of $93 million is as a result of lower tax paid due to weaker investment returns on behalf of policyholders.

The funds management effective tax rate increased due to the non-recognition of overseas tax losses partly offset by the benefits from the change in tax rate.

Restructuring Provisions and Fair Value Adjustments

The following table highlights the restructuring provisions and fair value adjustments raised as part of the acquisition of Colonial Limited at 30 June 2000 and subsequent revisions at 30 June 2001.

	Actual Balance 30/06/01 $M	Expenditure Year Ended 30/06/01 $M	Revised 30/06/01 $M	Increase $M	Reported 30/06/00 $M
Restructuring Costs					
- Colonial	195	244	439	145	294
- Commonwealth Bank	6	100	106	-	106
Total restructuring costs (pre tax)	**201**	**344**	**545**	**145**	**400**
Net of Tax	**142**	**275**	**417**	**87**	**330**

	Actual Balance 30/6/01 $M	Revision $M	Reported 30/6/00 $M
Fair Value Adjustments	**637**	**162**	**475**
Net of Tax	478	151	327

Other Group Items

Provisions for restructuring costs of $400 million ($330 million after tax) were raised at 30 June 2000. These provisions covered the estimated costs, based on information then available, of integrating the Colonial operations (acquired 13 June 2000) into the Group, including the rationalisation of processing and administrative functions. The principal costs associated with this programme are in the area of redundancy, property and systems.

An additional $145 million ($87 million after tax) was added to the provision during the year to cover the forecast additional costs of integration. The additional costs are primarily in the area of staff redundancies and information technology contract termination costs.

Integration related synergies of $450 million are expected to be achieved by 2003, an increase of $70 million on those previously forecast. This comprises forecast cost synergies of $355 million revenue synergies of $70 million and funding synergies of $25 million. The increase is the result of a more detailed understanding of the business together with the accelerated timeframes over which the integration will be completed.

During the current year, restructuring costs of $344 million were charged against the provision. These expenses included redundancy and other staff payments of $100 million, occupancy costs of $45 million, information technology costs of $95 million and other staff costs of $24 million.

Fair value adjustments of $475 million ($327 million net of tax) were raised at 30 June 2000. These fair value adjustments principally related to write offs of capitalised systems costs in accordance with Commonwealth Bank accounting policy and additional general provisioning for bad debts to bring Colonial onto a consistent provisioning methodology.

Additional fair value adjustments of $151 million (net of tax) were taken during the year. These principally relate to asset and investment write downs, additional general provisioning as a result of aligning Colonial credit policies with the Commonwealth Group and tax adjustments.

These revisions to the provision for restructuring and fair value adjustments result in an increase in goodwill on acquisition of $238 million.

Dividends

Dividends will continue to be based on Cash Earnings Per Share, having regard to the following:

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

Subject to these factors, the group will continue to maintain a high payout ratio relative to its peers. The dividend payout ratio for the year was 75.5% on a cash basis.

Capital Management

Risk Weighted Capital Ratios

	30/06/01	**30/06/00**
Tier 1 Capital	6.51	7.49
Total Capital	9.16	9.75

The decline in the ratios from 30 June 2000 can be attributed to:

- A change in the treatment of the investment in our life insurance and funds management businesses announced by APRA in February 2001. The capital adequacy calculation included in the December 2000 profit announcement incorporated this change. If this change had not occurred the tier 1 ratio at 30 June 2001 would have been 0.39% higher and the total capital ratio would have been 0.20% higher;
- An increase in goodwill associated with the merger with Colonial amounting to $238 million (Refer to the discussion on Restructuring Provision and Fair Value Adjustment);
- A decrease in tier 1 capital of $464 million relating to the acquisition of the remaining 25% interest in ASB Group in August 2000;
- A decrease in the contributions to capital from lower tier 2 dated notes and bond issues due to the regulatory limitation that these instruments do not exceed 50% of tier 1 capital; and
- A $9.9 billion (8%) increase in the amount of risk weighted assets.

The Group has continued its active capital management programme. During the year:

- An on-market buy-back programme in November 2000 resulted in the purchase of 0.8 million ordinary shares for $23.5 million;
- An off-market buy-back in March 2001 resulted in the purchase of 25.1 million ordinary shares for $700 million;
- The issue of 3.5 million PERLS (Preferred Exchangeable Resettable Listed Shares) in March 2001 raised $687 million net of issue costs; and
- The shares needed to satisfy the DRP in respect of the interim dividend paid in March 2001 were acquired on-market. This required the purchase of 4.5 million ordinary shares for $143.6 million.

In January 2001 the Basel Committee on Banking Supervision issued proposals for changes to the calculation of capital adequacy for banks. These changes will not come into effect until 2005. The changes include a specific requirement for capital to cover operating risk and changes to the capital requirement for credit risk. Under the proposals, the deduction for investment in life insurance and funds management companies currently made from total capital will be split 50% from tier 1 and 50% from tier 2. There is insufficient information available to ascertain whether overall the proposals will result in an increased requirement for regulatory capital or not. The Bank continues to work closely with industry bodies and with APRA to ensure that the changes, when finalised, will require a realistic level of capital. For further detail on capital adequacy see Appendix 8.

Commonwealth Bank

Commonwealth Bank of Australia
ACN 123 123 124

Financial Disclosures for the year ended 30 June 2001

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Consolidated Statement of Cash Flows

Consolidated Statement of Financial Performance

	30/06/01 $M	30/06/00 $M
Interest income	**11,900**	8,842
Interest expense	**7,426**	5,123
Net interest income	**4,474**	3,719
Other income:		
Proceeds from sale of assets	**185**	61
Written down value of assets sold	**(104)**	(36)
Other	**2,300**	1,926
Net banking operating income	**6,855**	5,670
Premiums and related revenue	**958**	459
Investment revenue	**1,698**	1,066
Claims and policyholder liability expense	**(1,388)**	(1,199)
Life insurance margin on services operating income	**1,268**	326
Funds management fee income	**701**	143
Net life insurance and funds management operating income before appraisal value uplift	**1,969**	469
Total net operating income before appraisal value uplift	**8,824**	6,139
Charge for bad and doubtful debts	**385**	196
Operating expenses:		
Staff expenses	**2,360**	1,705
Occupancy and equipment expenses	**604**	437
Information technology services	**748**	571
Other expenses	**1,458**	694
	5,170	3,407
Profit from ordinary activities before appraisal value uplift, restructuring charge, goodwill amortisation and income tax	**3,269**	2,536
Appraisal value uplift	**474**	1,165
Restructuring charge	**-**	(106)
Goodwill amortisation	**(338)**	(57)
Profit from ordinary activities before income tax	**3,405**	3,538
Income tax expense	**993**	800
Net profit	**2,412**	2,738
Outside equity interests in net profit	**(14)**	(38)
Net profit attributable to members of the Bank	**2,398**	2,700
	Cents per share	
Earnings per share based on net profit distributable to members of the Bank		
Basic and Fully Diluted	**190**	291
Dividends provided for, reserved or paid per share attributable to members of the Bank:	**136**	130

Consolidated Statement of Financial Position

As at 30 June 2001

	30/06/01 $M	30/06/00 $M
Assets		
Cash and liquid assets	**3,709**	2,575
Receivables due from other financial institutions	**4,622**	5,154
Trading securities	**6,909**	7,347
Investment securities	**9,705**	9,149
Loans, advances and other receivables	**136,059**	132,263
Bank acceptances of customers	**12,075**	11,107
Life insurance investment assets	**31,213**	27,036
Deposits with regulatory authorities	**61**	46
Property, plant and equipment	**919**	1,073
Investment in associates	**400**	403
Intangible Assets	**10,852**	10,227
Other assets	**13,887**	11,879
Total Assets	**230,411**	218,259
Liabilities		
Deposits and other public borrowings	**117,355**	112,594
Payables due to other financial institutions	**6,903**	4,633
Bank acceptances	**12,075**	11,107
Provision for dividend	**779**	708
Income tax liability	**1,355**	1,823
Other provisions	**1,007**	1,554
Life insurance policyholder liabilities	**27,029**	25,282
Debt issues	**24,484**	25,275
Bills payable and other liabilities	**13,872**	11,549
	204,859	194,525
Loan Capital	**5,704**	5,299
Total Liabilities	**210,563**	199,824
Net Assets	**19,848**	18,435
Shareholders' Equity		
Share Capital		
Ordinary Share Capital	**12,455**	12,521
Preference Share Capital	**687**	-
Reserves	**4,091**	3,265
Retained profits	**1,160**	1,686
Shareholders' equity attributable to members of the Bank	**18,393**	17,472
Outside equity interests:		
Controlled entities	**(3)**	375
Life insurance statutory funds	**1,458**	588
Total outside equity interests	**1,455**	963
Total Shareholders' Equity	**19,848**	18,435

Consolidated Statement of Cash Flows

For the year ended 30 June 2001

	30/06/01 $M	30/06/00 $M
Cash Flows From Operating Activities		
Interest received	**12,059**	7,949
Dividends received	**14**	20
Interest paid	**(7,704)**	(4,538)
Other operating income received	**2,800**	2,210
Expenses paid	**(5,583)**	(3,215)
Income taxes paid	**(1,252)**	(976)
Net decrease (increase) in trading securities	**(262)**	(50)
Life insurance:		
Investment income	**900**	428
Premiums received	**6,286**	2,771
Policy payments	**(5,423)**	(2,112)
Net Cash provided by Operating Activities	**1,835**	**2,487**
Cash Flows from Investing Activities		
Payments for acquisition of entities	**(337)**	(46)
Net movement in investment securities:		
Purchases	**(19,676)**	(16,852)
Proceeds from sale	**28**	17
Proceeds at or close to maturity	**19,654**	15,212
Withdrawal (lodgement) of deposits with regulatory authorities	**15**	950
Net increase in loans, advances and other receivables	**(4,181)**	(8,791)
Proceeds from sale of property, plant and equipment	**157**	44
Purchase of property, plant and equipment	**(132)**	(94)
Net decrease (increase) in receivables due from other financial institutions not at call	**(184)**	(3,697)
Net decrease (increase) in securities purchased under agreements to resell	**(891)**	(433)
Net decrease (increase) in other assets	**1,427**	(2,424)
Life insurance:		
Purchases of investment securities	**(21,229)**	(11,356)
Proceeds from sale/maturity of investment securities	**20,556**	10,863
Net Cash used in Investing Activities	**(4,793)**	**(16,607)**
Cash Flows from Financing Activities		
Buyback of shares	**(724)**	(553)
Proceeds from issue of shares (net of costs)	**723**	4
Net increase (decrease) in deposits and other borrowings	**5,246**	6,043
Net movement in debt issues	**(2,099)**	5,834
Dividends paid	**(1,368)**	(882)
Net movements in other liabilities	**(1,010)**	461
Net increase (decrease) in payables due to other financial institutions not at call	**1,396**	2,470
Net increase (decrease) in securities sold under agreements to repurchase	**(485)**	327
Issue of loan capital	**-**	2,053
Other	**(69)**	306
Net Cash provided by Financing Activities	**1,610**	**16,063**
Net Increase (Decrease) in Cash and Cash Equivalents	**(1,348)**	**1,943**
Cash and Cash Equivalents at beginning of period	**1,386**	**(557)**
Cash and Cash Equivalents at end of period	**38**	**1,386**

It should be noted that the Bank does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.

Appendices

1. Income Tax Expense
2. Loans, Advances and Other Receivables
3. Deposits and Other Public Borrowings
4. Financial Reporting by Segments
5. Average Interest Earning Assets & Liabilities
6. Interest Rate and Volume Analysis
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11. Definitions
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1. INCOME TAX EXPENSE

Income tax expense shown in the financial statements differs from the prima facie tax charge calculated at current taxation rates on operating profit.

	Full Year Ended	
	30/06/01	30/06/00
	$M	$M
Operating profit before income tax		
Banking	**2,174**	2,147
Life insurance	**988**	1,341
Funds Management	**243**	50
	3,405	3,538
Prima facie income tax at 34% (30 June 2000 and prior: 36%)		
Banking	**739**	773
Life insurance	**336**	483
Funds Management	**83**	18
	1,158	1,274
Add (or deduct) permanent differences expressed on a tax effect basis		
Current period		
Tax rate change	**3**	23
Specific provisions for offshore bad and doubtful debts not tax effected	**8**	(22)
Taxation rebates (net of accruals)	**(35)**	(38)
Tax adjustment referable to policy holder income [(1)]	**62**	28
Non-assessable income - life insurance surplus [(1)]	**(43)**	(62)
Change in excess of net market value over net assets of life insurance controlled entities [(1)]	**(161)**	(402)
Non-deductible goodwill amortisation	**115**	21
Non-assessable capital gains	**(38)**	-
Tax losses recognised	**(65)**	(11)
Employee share acquisition plan	**(8)**	(9)
Other items	**26**	(3)
	(136)	(475)
Prior Periods		
Other	**(29)**	1
Total income tax expense	**993**	800
Income tax attributable to operating profit		
Banking	**705**	739
Life insurance	**100**	3
Funds Management	**94**	14
Shareholder tax	**899**	756
Policy holder tax	**94**	44
Total Income Tax Expense	**993**	800

(1) The prima facie life insurance income tax of $336 million less these permanent differences equals the life insurance tax expense of $194 million.

2. LOANS, ADVANCES AND OTHER RECEIVABLES

	30/06/01 $M	30/06/00 $M
Australia		
Overdrafts [1]	**2,785**	2,816
Housing loans [1]	**65,466**	63,471
Credit card outstandings	**3,962**	3,501
Lease financing	**4,497**	5,565
Bills discounted	**1,556**	991
Term loans	**40,650**	39,579
Redeemable preference share financing	**306**	641
Equity participation in leveraged leases	**1,536**	1,659
Other lending	**1,301**	1,708
Total Australia	**122,059**	119,931
Overseas		
Overdrafts	**1,304**	1,080
Housing loans	**8,045**	7,266
Credit card outstandings	**232**	208
Lease financing	**256**	228
Term loans	**6,790**	6,837
Redeemable preference share financing	**471**	-
Other Lending	**38**	218
Total Overseas	**17,136**	15,837
Gross Loans, Advances and Other Receivables	**139,195**	135,768
Less:		
Provisions for impairment		
General provision	**(1,399)**	(1,358)
Specific provision against loans and advances	**(233)**	(431)
Unearned income		
Term loans	**(643)**	(558)
Lease financing	**(514)**	(691)
Leveraged leases	**(186)**	(216)
Interest reserved	**(68)**	(131)
Unearned tax remissions on leveraged leases	**(93)**	(120)
	(3,136)	(3,505)
Net Loans, Advances and Other Receivables	**136,059**	132,263

[1] Housing loans at 30 June 2001 include $5.7 billion of home equity facility loans reclassified from the overdraft category. Equivalent loans of $2.4 billion at 30 June 2000 have been reclassified in the comparatives.

Asset Quality

Balances of Impaired Assets

	Full Year Ended 30/06/01 $M	30/06/00 $M
Total Impaired Assets		
Gross non-accruals	**715**	1,132
Gross restructured	**1**	1
Other real estate owned	**-**	1
Other assets acquired through security enforcement	**1**	1
Total Gross impaired assets	**717**	**1,135**
Less Interest reserved	**(68)**	(131)
Subtotal	**649**	**1,004**
Less Specific provisions for impairment	**(234)**	(432)
Total Net Impaired assets	**415**	**572**
Net Impaired Assets by Geographical Segments		
Australia	**302**	391
Overseas	**113**	181
Total	**415**	**572**

Provisions for Impairment	Full Year Ended 30/06/01 $M	30/06/00 $M
General Provisions		
Opening balance	**1,358**	1,081
Charge against profit and loss	**385**	196
Acquired provisions, including fair value adjustments	**51**	214
Transfer to specific provisions	**(411)**	(140)
Bad debts recovered	**88**	54
Adjustments for exchange rate fluctuations and other items	**(29)**	(3)
	1,442	1,402
Bad debts written off	**(43)**	(44)
Closing balance	**1,399**	1,358
Specific Provisions		
Opening balance	**432**	275
Acquired provisions, including fair value adjustments	**6**	219
Transfer from general provision for:		
New and increased provisioning	**495**	236
Less write-back of provisions no longer required	**(84)**	(96)
Net transfer	**411**	140
Adjustments for exchange rate fluctuations and other items	**(17)**	5
	832	639
Bad debts written off	**(598)**	(207)
Closing balance	**234**	432
Total Provisions for Impairment	**1,633**	1,790
Specific provisions for impairment comprise the following segments:		
Provisions against loans and advances	**233**	431
Provisions for diminution	**1**	1
Total	**234**	432

	%	%
Provision Ratios		
Specific provisions for impairment as % of gross impaired assets net of interest reserved	**36.06**	43.03
Total provisions for impairment as % of gross impaired assets net of interest reserved	**251.62**	178.29
General provisions as % of risk weighted assets	**1.01**	1.06
Impaired Asset Ratios		
Gross impaired assets net of interest reserved as % of credit risk net of unearned income	**0.32**	0.51
Net impaired assets as % of:		
Risk weighted assets	**0.30**	0.44
Total shareholders' equity	**2.09**	3.10

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.

	Full Year Ended 30/06/01 $M	30/06/00 $M
Impaired Assets		
Income received		
Current period	**20**	16
Prior period	**31**	35
Total income received	**51**	51
Income forgone	**16**	9
Movement in Impaired Asset Balances		
Gross impaired assets at period beginning	**1,135**	657
New and increased	**707**	414
Balances written off	**(666)**	(226)
Returned to performing or repaid	**(459)**	(194)
	717	651
Colonial Impaired assets acquired	**-**	484
Gross impaired assets at period end	**717**	1,135

Loans accruing but past 90 days or more	30/06/01 $M	30/06/00 $M
Housing loans	**218**	211
Other loans	**90**	64
Total	**308**	275

Housing loan arrears rate		
Housing loans accruing but past 90 days or more $M	**218**	211
Housing loan balances $M	**73,511**	70,738
Arrears rate %	**0.30%**	0.30%

3. Deposits and Other Public Borrowings

	30/06/01 $M	30/06/00 $M
Australia		
Certificates of deposit	**12,927**	14,136
Term deposits	**28,102**	29,677
On demand and short term deposits	**54,601**	48,975
Deposits not bearing interest	**6,350**	6,075
Securities sold under agreements to repurchase	**435**	946
Other	**6**	7
Total Australia	**102,421**	**99,816**
Overseas		
Certificates of deposit	**2,294**	2,686
Term deposits	**7,849**	6,144
On demand and short term deposits	**4,130**	3,419
Deposits not bearing interest	**635**	529
Total Overseas	**14,934**	**12,778**
Total Deposits and Other Public Borrowings	**117,355**	**112,594**

4. 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.

Primary Segment Business Segments Profit and Loss	Year Ended 30 June 2001 Banking $M	 Life Insurance $M	 Funds Management $M	 GROUP Total $M
Interest income	**11,900**	**-**	**-**	**11,900**
Premium and related revenue	**-**	**958**	**-**	**958**
Other income	**2,485**	**1,698**	**701**	**4,884**
Appraisal value uplift	**-**	**-**	**-**	**474**
Total Revenue	**14,385**	**2,656**	**701**	**18,216**
Interest Expense	**7,426**	**-**	**-**	**7,426**
Profit before tax, appraisal value uplift, goodwill amortisation	**2,512**	**514**	**243**	**3,269**
Income tax expense	**(705)**	**(194)**	**(94)**	**(993)**
Profit after tax and before goodwill amortisation and appraisal value uplift	**1,807**	**320**	**149**	**2,276**
Outside equity interest	**(14)**	**-**	**-**	**(14)**
Profit after tax and outside equity interest before goodwill amortisation and appraisal value uplift	**1,793**	**320**	**149**	**2,262**
Goodwill amortisation				**(338)**
Appraisal value uplift				**474**
Profit after tax	**1,793**	**320**	**149**	**2,398**
Non-Cash Expenses				
Goodwill amortisation	**-**	**-**	**-**	**(338)**
Depreciation	**(108)**	**(37)**	**(5)**	**(150)**
Other	**(28)**	**(5)**	**(4)**	**(37)**
Balance Sheet				
Total Balance Sheet Assets	**191,333**	**37,278**	**1,800**	**230,411**
Acquisition of Property, Plant & Equipment and Intangibles	**28**	**400**	**3**	**431**
Associate Investments	**249**	**128**	**23**	**400**
Total Balance Sheet Liabilities	**179,733**	**30,329**	**501**	**210,563**

Profit and Loss	Year Ended 30 June 2000 Banking $M	 Life Insurance $M	 Funds Management $M	 GROUP Total $M
Interest income	8,842	-	-	8,842
Premium and related revenue	-	459	-	459
Other income	1,987	1,066	143	3,196
Appraisal value uplift	-	-	-	1,165
Total Revenue	10,829	1,525	143	13,662
Interest Expense	5,123	-	-	5,123
Profit before tax, appraisal value uplift, goodwill amortisation	2,310	176	50	2,536
Income tax expense	(739)	(47)	(14)	(800)
Profit after income tax and before goodwill amortisation and appraisal value uplift	1,571	129	36	1,736
Outside equity interest	(38)	-	-	(38)
Profit after tax and outside equity interest before goodwill amortisation and appraisal value uplift	1,533	129	36	1,698
Goodwill amortisation				(57)
Restructuring provision				(106)
Appraisal value uplift	-	-	-	1,165
Profit after tax	1,533	129	36	2,700
Non-Cash Expenses				
Goodwill amortisation	-	-	-	(57)
Depreciation	(115)	(2)	-	(117)
Other	(41)	(2)	(1)	(44)
Balance Sheet				
Total Balance Sheet Assets	185,108	32,642	509	218,259
Acquisition of Property, Plant & Equipment and Intangibles	2,836	2,392	440	5,668
Associate Investments	263	108	32	403
Total Balance Sheet Liabilities	171,488	28,140	195	199,824

Financial Reporting by Segments		30/06/01		30/06/00
	$M	%	$M	%
GEOGRAPHICAL SEGMENTS				
Revenue				
Australia	**15,150**	**83.2**	11,736	85.9
New Zealand	**1,499**	**8.2**	1,171	8.6
Other Countries *	**1,567**	**8.6**	755	5.5
	18,216	**100.0**	13,662	100.0
Operating profit after tax and outside equity interests				
Australia	**2,228**	**92.9**	2,536	93.9
New Zealand	**159**	**6.6**	105	3.9
Other Countries *	**11**	**0.5**	59	2.2
	2,398	**100.0**	2,700	100.0
Assets				
Australia	**196,918**	**85.5**	187,452	85.9
New Zealand	**20,208**	**8.8**	16,661	7.6
Other Countries *	**13,286**	**5.8**	14,146	6.5
	230,411	**100.0**	218,259	100.0
Acquisition of Property, Plant & Equipment and Intangibles				
Australia	**400**	**92.9**	5,085	93.0
New Zealand	**29**	**6.6**	328	6.0
Other Countries *	**2**	**0.5**	55	1.0
	431	**100.0**	5,468	100.0

* Other Countries are:
United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, the Philippines, Fiji, Thailand, Indonesia, Malaysia, China and Vietnam.

5. AVERAGE INTEREST EARNING ASSETS AND LIABILITIES

The table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rates for each of the full years ending 30 June 2001 and proforma 30 June 2000 and the half years ending 30 June 2001, 31 December 2000 and proforma 30 June 2000. Averages used are predominantly daily averages.

The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Overseas intergroup borrowings have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds. Non-accrual loans are included in Interest Earning Assets under loans, advances and other receivables.

Full Year Ended	30/06/01			Proforma 30/06/00		
	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Average Interest Earning Assets and interest income						
Cash and liquid assets						
Australia	**2,428**	**107**	**4.4**	1,933	82	4.2
Overseas	**273**	**3**	**1.1**	42	-	-
Receivables due from other financial institutions						
Australia	**2,658**	**159**	**6.0**	2,000	118	5.9
Overseas	**1,595**	**121**	**7.6**	1,307	80	6.1
Deposits with regulatory authorities						
Australia	**-**	**-**	**n/a**	13	-	-
Overseas	**29**	**-**	**-**	6	-	-
Trading securities						
Australia	**5,616**	**387**	**6.9**	6,376	366	5.7
Overseas	**2,587**	**161**	**6.2**	1,929	99	5.1
Investment securities						
Australia	**3,244**	**242**	**7.5**	4,307	272	6.3
Overseas	**6,268**	**413**	**6.6**	5,331	326	6.1
Loans, advances and other receivables						
Australia	**118,917**	**8,983**	**7.6**	111,762	8,070	7.2
Overseas	**16,992**	**1,317**	**7.8**	14,100	985	7.0
Other interest earning assets	**-**	**7**	**n/a**	-	4	n/a
Intragroup loans						
Australia	**-**	**-**	**n/a**	-	-	n/a
Overseas	**3,198**	**191**	**6.0**	2,825	168	5.9
Average interest earning assets and interest income including intragroup	**163,805**	**12,091**	**7.4**	151,931	10,570	7.0
Intragroup eliminations	**(3,198)**	**(191)**	**6.0**	(2,825)	(168)	5.9
Total average interest earning assets and interest income	**160,607**	**11,900**	**7.4**	149,106	10,402	7.0

Full Year Ended	30/06/01		
	Average Balance $M	Interest $M	Average Rate %
Non-Interest Earning Assets			
Bank acceptances			
Australia	**12,074**		
Overseas	**109**		
Life insurance investment assets			
Australia	**26,580**		
Overseas	**3,062**		
Property, plant and equipment			
Australia	**1,024**		
Overseas	**240**		
Other assets			
Australia	**21,676**		
Overseas	**1,835**		
Provisions for impairment			
Australia	**(1,493)**		
Overseas	**(84)**		
Total average non-interest earning assets	**65,023**		
Total Average Assets	**225,630**		
Percentage of total average assets applicable to overseas operations	**16.0%**		

(1) Proforma 30 June 2000 non-interest data is not available.

Full Year Ended	30/06/01			Proforma 30/06/00		
	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	42,226	2,519	6.0	44,510	2,424	5.4
Overseas	9,882	711	7.2	8,665	483	5.6
Savings Deposits						
Australia	27,835	603	2.2	27,950	542	1.9
Overseas	2,027	83	4.1	2,017	66	3.3
Other demand deposits						
Australia	23,813	1,064	4.5	20,391	827	4.1
Overseas	1,911	62	3.2	1,419	44	3.1
Payables due to other financial institutions						
Australia	1,271	65	5.1	1,030	59	5.7
Overseas	4,238	263	6.2	3,718	241	6.5
Debt issues						
Australia	17,130	1,099	6.4	14,620	893	6.1
Overseas	9,965	562	5.6	7,655	430	5.6
Loan capital						
Australia	5,564	367	6.6	3,759	231	6.1
Overseas	116	7	6.0	68	6	8.8
Other interest bearing liabilities	-	21	n/a	-		n/a
Intragroup borrowings						
Australia	3,198	191	6.0	2,825	168	5.9
Overseas	-	-	n/a	-	-	n/a
Average interest bearing liabilities and loan capital and interest expense including intragroup	149,176	7,617	5.1	138,626	6,414	4.6
Intragroup eliminations	(3,198)	(191)	6.0	(2,825)	(168)	5.9
Total average interest bearing liabilities and loan capital and interest expense	145,978	7,426	5.1	135,801	6,246	4.6

Full Year Ended	30/06/01		
	Average Balance $M	Interest $M	Average Rate %
Non-Interest Bearing Liabilities			
Deposits not bearing interest			
Australia	**6,034**		
Overseas	**608**		
Liability on acceptances			
Australia	**12,077**		
Overseas	**109**		
Life insurance policy liabilities			
Australia	**23,584**		
Overseas	**2,617**		
Other liabilities			
Australia	**13,536**		
Overseas	**2,890**		
Total average non-interest bearing liabilities	**61,455**		
Total average liabilities and loan capital	**207,433**		
Shareholders' equity	**18,197**		
Total average liabilities, loan capital and shareholders' equity	**225,630**		
Percentage of total average liabilities applicable to overseas operations	**16.6%**		

(1) Proforma 30 June 2000 non-interest data is not available.

Half Year Ended	30/06/01			31/12/00			Proforma 30/06/00		
	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Average Interest Earning Assets and interest income									
Cash and liquid assets									
Australia	**2,380**	**49**	**4.2**	2,475	58	4.6	2,244	50	4.5
Overseas	**303**	**3**	**2.0**	243	-	-	25	-	-
Receivables due from other financial institutions									
Australia	**2,543**	**71**	**5.6**	2,771	88	6.3	2,437	74	6.1
Overseas	**1,724**	**67**	**7.8**	1,468	54	7.3	1,325	47	7.1
Deposits with regulatory authorities									
Australia	**-**	**-**	**n/a**	-	-	n/a	-	-	n/a
Overseas	**39**	**-**	**-**	19	-	-	10	-	-
Trading securities									
Australia	**6,427**	**231**	**7.2**	4,818	156	6.4	5,535	172	6.2
Overseas	**2,785**	**80**	**5.8**	2,392	81	6.7	1,848	55	6.0
Investment securities									
Australia	**2,882**	**105**	**7.3**	3,600	137	7.5	4,513	150	6.7
Overseas	**6,553**	**203**	**6.2**	5,988	210	7.0	5,096	173	6.8
Loans, advances and other receivables									
Australia	**119,720**	**4,384**	**7.4**	118,129	4,599	7.7	115,239	4,241	7.4
Overseas	**18,007**	**678**	**7.6**	15,994	639	7.9	14,755	547	7.5
Other interest earning assets	**-**	**5**	**n/a**	-	2	n/a	-	4	n/a
Intragroup loans									
Australia	**-**	**-**	**n/a**	-	-	n/a	-	-	n/a
Overseas	**3,209**	**82**	**5.2**	3,188	109	6.8	3,795	117	6.2
Average interest earning assets and interest income including intragroup	**166,572**	**5,958**	**7.2**	161,085	6,133	7.6	156,822	5,630	7.2
Intragroup eliminations	**(3,209)**	**(82)**	**5.2**	(3,188)	(109)	6.8	(3,795)	(117)	6.2
Total average interest earning assets and interest income	**163,363**	**5,876**	**7.3**	157,897	6,024	7.6	153,027	5,513	7.2

Full Year Ended	30/06/01			31/12/00		
	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Non-Interest Earning Assets						
Bank acceptances						
Australia	**12,361**			11,792		
Overseas	**137**			81		
Life insurance investment assets						
Australia	**26,825**			26,339		
Overseas	**4,104**			2,037		
Property, plant and equipment						
Australia	**911**			1,135		
Overseas	**238**			242		
Other assets						
Australia	**22,899**			20,435		
Overseas	**2,654**			1,029		
Provisions for impairment						
Australia	**(1,634)**			(1,354)		
Overseas	**(78)**			(90)		
Total average non-interest earning assets	**68,417**			61,646		
Total Average Assets	**231,780**			219,543		
Percentage of total average assets applicable to overseas operations	**17.1%**			14.8%		

(1) Proforma 30 June 2000 non-interest data is not available.

Half Year Ended	**30/06/01**			**31/12/00**			**Proforma 30/06/00**		
	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	41,475	1,209	5.9	42,965	1,310	6.0	45,101	1,280	5.7
Overseas	10,447	360	6.9	9,325	351	7.5	8,762	258	5.9
Savings Deposits									
Australia	27,432	281	2.1	28,231	322	2.3	27,849	295	2.1
Overseas	2,173	43	4.0	1,883	40	4.2	1,947	34	3.5
Other demand deposits									
Australia	25,501	509	4.0	22,153	555	5.0	20,698	451	4.4
Overseas	2,046	34	3.4	1,779	28	3.1	1,465	26	3.6
Payables due to other financial institutions									
Australia	1,594	40	5.0	953	25	5.2	758	26	6.9
Overseas	4,504	125	5.6	3,976	138	6.9	3,385	145	8.6
Debt issues									
Australia	17,259	567	6.6	17,002	532	6.2	16,330	507	6.2
Overseas	10,280	266	5.2	9,656	296	6.1	9,146	267	5.9
Loan capital									
Australia	5,732	176	6.2	5,399	191	7.0	4,114	133	6.5
Overseas	89	3	6.8	143	4	5.5	122	5	8.2
Other interest bearing liabilities	-	10	n/a	-	11	n/a	-		n/a
Intragroup borrowings									
Australia	3,209	82	5.2	3,188	109	6.8	3,795	117	6.2
Overseas	-	-	n/a	-	-	n/a	-	-	n/a
Average interest bearing liabilities and loan capital and interest expense including intragroup	151,741	3,705	4.9	146,653	3,912	5.3	143,472	3,544	5.0
Intragroup eliminations	(3,209)	(82)	5.2	(3,188)	(109)	6.8	(3,795)	(117)	6.2
Total average interest bearing liabilities and loan capital and interest expense	148,532	3,623	4.9	143,465	3,803	5.3	139,677	3,427	4.9

Half Year Ended	30/06/01			31/12/00		
	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Non-Interest Bearing Liabilities						
Deposits not bearing interest						
Australia	**6,308**			5,764		
Overseas	**634**			582		
Liability on acceptances						
Australia	**12,367**			11,792		
Overseas	**137**			81		
Life insurance policy liabilities						
Australia	**23,290**			23,873		
Overseas	**3,421**			1,826		
Other liabilities						
Australia	**14,294**			12,790		
Overseas	**4,131**			1,669		
Total average non-interest bearing liabilities	**64,584**			58,377		
Total average liabilities and loan capital	**213,116**			201,842		
Shareholders' equity	**18,664**			17,700		
Total average liabilities, loan capital and shareholders' equity	**231,780**			219,542		
Percentage of total average liabilities applicable to overseas operations	**17.8%**			15.3%		

6. Interest Rate and Volume Analysis of Full Year Results

Full Year Ended	30/06/01 vs Proforma 30/06/00 Changes due to		
	Volume $M	Rate $M	Total $M
Interest Earning Assets			
Cash and liquid assets			
Australia	21	4	25
Overseas	1	2	3
Receivables due from other financial institutions			
Australia	39	2	41
Overseas	20	22	41
Deposits with regulatory authorities			
Australia	-	-	-
Overseas	-	-	-
Trading securities			
Australia	(48)	70	22
Overseas	37	25	62
Investment securities			
Australia	(73)	44	(29)
Overseas	59	28	88
Loans, advances and other receivables			
Australia	528	407	935
Overseas	213	122	335
Other interest earning assets	-	3	3
Intragroup loans			
Australia	-	-	-
Overseas	22	1	24
Change in interest income including intragroup	850	700	1,550
Intragroup eliminations	(22)	(1)	(24)
Change in interest income	826	700	1,526
Interest Bearing Liabilities and Loan Capital			
Time Deposits			
Australia	(130)	232	102
Overseas	78	152	229
Savings Deposits			
Australia	(2)	65	62
Overseas	0	17	17
Other demand deposits			
Australia	146	94	239
Overseas	16	3	18
Payables due to other financial institutions			
Australia	13	(7)	6
Overseas	33	(10)	23
Debt Issues			
Australia	157	52	209
Overseas	130	3	133
Loan Capital			
Australia	115	22	137
Overseas	4	(3)	1
Other interest bearing liabilities	-	21	21
Intragroup borrowings			
Australia	22	1	24
Overseas	-	-	-
Change in interest expense including intragroup	513	708	1,221
Intragroup eliminations	(22)	(1)	(24)
Change in interest expense	492	705	1,197
Change in net interest income	334	(5)	329
Change due to Variation in Time Periods			(11)

Volume and Rate Analyses are for the full year. The calculations are based on balances over the year. The volume and rate variances for both total interest earning assets and liabilities 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 respective years.

INTEREST RATE AND VOLUME ANALYSIS OF HALF YEAR RESULTS

Half Year Ended	30/06/01 vs Proforma 30/06/00 Changes due to			30/06/01 vs Proforma 31/12/00 Changes due to		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	3	(4)	(1)	(2)	(6)	(8)
Overseas	1	2	3	-	3	3
Receivables due from other financial institutions						
Australia	3	(6)	(3)	(7)	(9)	(16)
Overseas	15	5	20	10	4	14
Deposits with regulatory authorities						
Australia	-	-	-	-	-	-
Overseas	-	-	-	-	-	-
Trading securities						
Australia	30	30	60	55	23	78
Overseas	27	(2)	25	12	(12)	-
Investment securities						
Australia	(57)	12	(44)	(27)	(3)	(30)
Overseas	47	(16)	31	19	(22)	(4)
Loans, advances and other receivables						
Australia	164	2	166	60	(200)	(140)
Overseas	121	13	134	77	(28)	49
Other interest earning assets	-	1	1	-	3	3
Intragroup loans						
Australia	-	-	-	-	-	-
Overseas	(17)	(18)	(34)	1	(26)	(25)
Change in interest income including intragroup	348	11	359	201	(276)	(75)
Intragroup eliminations	17	18	34	(1)	26	25
Change in interest income	371	22	393	201	(251)	(50)
Interest Bearing Liabilities and Loan Capital						
Time Deposits						
Australia	(104)	40	(64)	(44)	(36)	(80)
Overseas	54	50	103	40	(25)	15
Savings Deposits						
Australia	(4)	(8)	(12)	(9)	(27)	(36)
Overseas	4	5	9	6	(2)	4
Other demand deposits						
Australia	100	(39)	60	75	(112)	(37)
Overseas	10	(2)	8	4	2	6
Payables due to other financial institutions						
Australia	25	(11)	14	16	(1)	15
Overseas	39	(59)	(19)	16	(27)	(11)
Debt Issues						
Australia	30	34	63	8	36	44
Overseas	31	(31)	-	17	(43)	(25)
Loan Capital						
Australia	51	(7)	44	11	(23)	(12)
Overseas	(1)	(1)	(2)	(2)	1	(1)
Other interest bearing liabilities	-	10	10	-	(1)	(1)
Intragroup borrowings						
Australia	(17)	(18)	(34)	1	(26)	(25)
Overseas	-	-	-	-	-	-
Change in interest expense including intragroup	203	(22)	181	129	(272)	(143)
Intragroup eliminations	17	18	34	(1)	26	25
Change in interest expense	216	(1)	215	128	(246)	(118)
Change in net interest income	155	23	178	73	(5)	68
Change due to Variation in Time Periods			(11)			(36)

These Volume and Rate Analyses are for half year periods. The calculations are based on balances over the half year.

The volume and rate variances for both total interest earning assets and liabilities 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 respective half years.

7. INTEGRATED RISK MANAGEMENT

(Excludes Life 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. Refer to the 2001 Annual Report, Note 39 which explains the management of market risk.

Interest Rate Risk in the Balance Sheet will be discussed within Note 39 of the 2001 Annual Report.

Next 12 months' Earnings

Over the year to 30 June 2001 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)	**30/06/01 %**	**30/06/00 %**
Average monthly exposure	**1.8**	1.8
High month exposure	**2.4**	2.3
Low month exposure	**0.9**	1.4

Economic Value

The figures in the following table represent the net present value of the expected change in future earnings in all future periods for the remaining term of existing assets and liabilities, where repricing dates do not match, held for purposes other than trading.

	30/06/01 $M	**30/06/00 $M**
Exposure as at period end	**42**	19
Average monthly exposure	**23**	27
High month exposure	**42**	45
Low month exposure	**11**	15

Foreign Exchange Risk in the Balance Sheet will be discussed within Note 39 of the 2001 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%for June 2000)

Value at Risk (VaR) within Financial Markets Trading will be discussed in the 2001 Annual Report.

	Average VaR During June 2001 Half $M	Average VaR During December 2000 Half $M	Average VaR During June 2000 Half $M	Average VaR During December 1999 Half $M
Group (excluding ASB Bank)				
Interest rate risk	2.21	2.30	2.52	2.35
Exchange risk	1.03	0.64	0.73	0.67
Implied volatility risk	0.39	0.32	0.25	0.32
Equities risk	0.42	0.42	0.32	0.13
Commodities risk	0.34	0.33	0.29	0.47
Prepayment	0.44	0.38	0.28	0.00
ASB Bank	**0.17**	**0.21**	**0.26**	0.00
Diversification benefit	(1.99)	(1.74)	(1.59)	(1.49)
Total	**3.00**	**2.86**	**3.06**	**2.45**

8. CAPITAL ADEQUACY

	Full Year Ended		Comparison
	30/06/01 $M	30/06/00 $M	30/06/01 vs 30/06/00 %
Tier One Capital			
Shareholders' Equity (excluding asset revaluation reserve)	**19,843**	18,435	8
Eligible Loan Capital	**462**	418	11
Total Shareholders' Equity and Loan Capital	**20,305**	18,853	8
Less Goodwill	**(5,716)**	(5,905)	(3)
Less Preference shares	**-**	(86)	large
Less Intangible component of investment in non-consolidated subsidiaries	**(4,116)**	(2,656)	55
Less Outside equity interest in entities controlled by non-consolidated subsidiaries	**(1,458)**	(588)	large
Total Tier One Capital	**9,015**	9,618	(6)
Tier Two Capital			
Asset revaluation reserve	**5**	-	large
General provision for bad and doubtful debts [(1)]	**1,390**	1,358	2
FITB related to general provision	**(436)**	(420)	4
Note and bond issues	**4,825**	5,120	(6)
Preference shares	**-**	39	large
Total Tier Two Capital	**5,784**	6,097	(5)
Tier One and Tier Two Capital	**14,799**	15,715	(6)
Less Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier 1)	**(2,005)**	(2,528)	(21)
Less Other deductions	**(114)**	(669)	(83)
Capital Base	**12,680**	12,518	1

(1) Excludes general provision for bad and doubtful debts relating to investments in non-consolidated subsidiaries.

	30/06/01 %	30/06/00 %
Risk Weighted Capital Ratios		
Tier one	**6.51**	7.49
Tier two	**4.18**	4.75
Less deductions	**(1.53)**	(2.49)
Total	**9.16**	9.75

The Australian Prudential Regulation Authority (APRA) sets minimum capital adequacy ratios for the Group. These ratios compare the capital base of the Group with on and off balance sheet assets, weighted for risk. Capital base consists of shareholders equity plus other capital instruments acceptable to APRA (tier 1 capital) and general provision for credit losses and other hybrid and debt instruments acceptable to APRA (tier 2 capital). The life insurance and funds management businesses are not consolidated for capital adequacy purposes.

For an analysis of the movements in the capital ratios see page 27.

Government Guarantee

In conjunction with the Government's sale in 1996 of its remaining shareholding in the Commonwealth Bank, transitional arrangements were implemented which provide that:

- all demand and term deposits were guaranteed for a period of three years from 19 July 1996, with term deposits outstanding at the end of that three-year period being guaranteed until maturity; and
- all other amounts payable under a contract that was entered into before or under an instrument executed, issued, endorsed or accepted by the Bank and outstanding at 19 July 1996 will be guaranteed until their maturity.

Accordingly, demand deposits are no longer guaranteed.

Term deposits outstanding at 19 July 1999 remain guaranteed until maturity. The run off of the Government guarantee has had no effect on the Bank's access to deposit markets.

9. Credit Ratings

Debt issues not guaranteed by the Commonwealth of Australia

	Short-term	Long-term
Standard & Poor's Corporation	A-1+	AA-
Moody's Investors Service, Inc.	P-1	Aa3
Fitch, Inc	F1+	AA
Moody's Bank Financial Strength Rating		B
Fitch, Inc Individual Rating		A/B

10. Share Capital and Reserves

	Shares Issued	$M
Ordinary Share Capital		
Opening balance 1 July 2000	1,260,201,978	12,521
Buyback	(25,927,367)	(275)
Exercise of executive options	2,435,000	37
Employee Share Acquisition Plan Issues	873,425	-
Employee Share Subscription Plan Issues	107,550	3
DRP 1999/2000 final dividend fully paid ordinary shares @ $27.31	6,324,869	169
Buyback for DRP*	(4,652,665)	(144)
DRP: 2000/2001 interim dividend fully paid ordinary shares@30.82 *	4,514,948	144
Sell down of shares from DRP *	137,717	4
Issue costs	-	(4)
Closing balance 30 June 2001	1,244,015,455	12,455
Preference Share Capital		
Opening balance 1 July 2000	-	-
Shares issued	3,500,000	700
Issue Costs	-	(13)
Closing balance 30 June 2001	3,500,000	687
Retained Profits		
Opening balance 1 July 2000		1,686
Buyback		(449)
Operating profit for year		2,398
Provisions for cash dividends		(1,421)
Appropriations to reserves (net)		(1,054)
Closing balance 30 June 2001		1,160
Reserves		
Opening balance 1 July 2000		3,265
Transfer of DRP Reserve to Share Capital and Cash Dividend		(331)
Transfer to Asset Revaluation Reserve		5
Appropriation from profits (net)		1,054
Movement in Foreign Currency Translation Reserve		98
Closing balance 30 June 2001		4,091

* Shares were not cancelled but were placed in a holding account until they were issued to DRP participants; with the remainder of the shares being sold. Thus, there was no actual movement in the number of shares on issue.

Dividend Franking Account

After fully franking the final dividend to be paid for the year ended 30 June 2001 the amount of franking credits available as at 30 June 2001 to frank dividends for subsequent financial years is nil (30 June 2000: $450 million). The 30 June 2000 franking account balance was fully utilised by the April 2001 share buy-back which was in part paid out of retained earnings. This figure is based on the combined franking accounts of the Group at 30 June 2001 and has been adjusted for franking credits that will arise from the payment of income tax payable on profits of the year ended 30 June 2001, franking debits that will arise from the payment of dividends proposed as at 30 June 2001 and franking credits that the Group may be prevented from distributing. 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 July 2001 will be franked at the 30% tax rate.

The Dividend Reinvestment Plan is 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 31 August 2001 at ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South, 1232.

Ex Dividend Date

The ex dividend date is 27 August 2001.

11. DEFINITIONS

Item	Description
Appraisal Value	The embedded value plus estimated value of profits from future business.
Dividend Payout Ratio	Dividends per share divided by earnings per share.
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 AASB 1027: Earnings per Share.
Other Countries	United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, the Philippines, Fiji, Thailand, Indonesia, Malaysia, China and Vietnam.
Proforma 30 June 2000	Proforma represents the combined results of Commonwealth Bank and Colonial for the year ended 30 June 2000 adjusted for items not considered part of the ongoing operations.
Return on Average Shareholders' Equity	Based on operating profit after tax and outside equity interests applied to average shareholders equity.
Return on Average Total Assets	Based on operating profit after tax and outside equity interests. Averages are based on beginning and end of period balances.
Total Assets	Includes the gross amount of trading derivative contract revaluations.
Underlying Profit	Represents operating profit before tax, charge for bad and doubtful debts and goodwill amortisation.

12. Proforma Performance Summaries

Group Performance Summary	Full Year 30/06/01 $M	Half Year 30/06/01 $M	Half Year 31/12/00 $M	Full Year[4] Proforma 30/06/00 $M	Half Year Proforma[4] 30/06/00 $M	Half Year Proforma 31/12/99 $M
Profit and Loss - Summary						
Operating profit after tax ('cash basis [1]')	**2,262**	**1,153**	**1,109**	**2,068**	**1,035**	**1,033**
Operating profit after tax and abnormal items	**2,398**	**1,263**	**1,135**	**Refer note [5]**	**Refer note [5]**	**Refer note [5]**
Income						
Interest income	11,900	5,876	6,024	10,402	5,513	4,889
Interest expense	7,426	3,623	3,803	6,246	3,427	2,819
Net interest income	**4,474**	**2,253**	**2,221**	**4,156**	**2,086**	**2,070**
Other banking operating income	2,381	1,185	1,196	2,178	1,106	1,072
Total banking income	**6,855**	**3,438**	**3,417**	**6,334**	**3,192**	**3,142**
Life insurance income [6]	1,268	604	664	1,557	739	818
Funds management income	701	381	320	541	300	241
Total Income	**8,824**	**4,423**	**4,401**	**8,432**	**4,231**	**4,201**
Expenses						
Operating expenses - existing operations	5,089	2,619	2,470	4,822	2,473	2,349
Operating expenses - business acquisitions and GST, net of synergies [2]	81	(34)	115	-	-	-
Total operating expenses	**5,170**	**2,585**	**2,585**	**4,822**	**2,473**	**2,349**
Charge for bad and doubtful debts	385	203	182	310	142	168
Total Expenses	**5,555**	**2,788**	**2,767**	**5,132**	**2,615**	**2,517**
Operating profit before goodwill amortisation, appraisal value uplift, abnormal items and income tax	**3,269**	**1,635**	**1,634**	**3,300**	**1,616**	**1,684**
Income tax expense [6]	993	479	514	1,183	555	628
Operating profit after income tax	**2,276**	**1,156**	**1,120**	**2,117**	**1,061**	**1,056**
Outside equity interests [3]	(14)	(3)	(11)	(49)	(26)	(23)
Operating profit after income tax and before goodwill amortisation, appraisal value uplift and abnormal items	**2,262**	**1,153**	**1,109**	**2,068**	**1,035**	**1,033**
Abnormal items		-	-	Refer note [5]		
Income tax credit on abnormal items	-	-	-	"		
Appraisal value uplift	474	285	189	"		
Goodwill amortisation	(338)	(175)	(163)	"		
Operating profit after income tax attributable to shareholders of the Bank	**2,398**	**1,263**	**1,135**	**"**		
Contributions to profit (after tax)						
Banking	1,793	918	875	1,594	802	792
Life insurance	320	164	156	363	170	193
Funds management	149	71	78	111	63	48
Profit after tax from operations ('cash basis [1]')	**2,262**	**1,153**	**1,109**	**2,068**	**1,035**	**1,033**
Goodwill amortisation	(338)	(175)	(163)	Refer note [5]		
Appraisal value uplift	474	285	189	"		
Operating profit after income tax and before abnormal items	2,398	1,263	1,135	"		
Abnormal items after tax	-	-	-	"		
Operating profit after income tax	**2,398**	**1,263**	**1,135**	**"**		

(1) 'Cash basis' for the purpose of this performance summary is defined as net profit after tax and before abnormal items, before goodwill amortisation and life insurance appraisal value uplift.

(2) Business acquisitions include State Street custody operations, Trust Bank and the development of European Banking which increased expenses by $90 million, and net GST of $111 million.

(3) Primarily includes 25% outside equity interest in the ASB Group. In August 2000 CBA purchased the remaining 25%.

(4) Proforma Group represents the combined results of Commonwealth Bank and Colonial for the year ended 30 June 2000. The Colonial results have been adjusted for abnormal items and other items not considered part of the ongoing operations.

(5) Proforma results have only been prepared on a 'cash basis'.

Group Performance Summary	Full Year 30/06/01 $M	Half Year 30/06/01 $M	Half Year 31/12/00 $M	Full Year Proforma[4] 30/06/00 $M	Half Year Proforma 30/06/00 $M	Half Year Proforma 31/12/99 $M
Performance Ratios (%)						
Return on average shareholders' equity [1]						
before abnormal items	13.50	14.26	12.74	Refer note [5]	Refer note [5]	Refer note [5]
after abnormal items	13.50	14.26	12.74	Refer note [5]	Refer note [5]	Refer note [5]
cash basis	12.83	13.10	12.46	12.46	12.48	12.44
Return on average total assets [2]						
before abnormal items	1.07	1.12	1.02	Refer note [5]	Refer note [5]	Refer note [5]
after abnormal items	1.07	1.12	1.02	Refer note [5]	Refer note [5]	Refer note [5]
cash basis	1.01	1.02	1.00	1.03	0.97	1.05
Capital adequacy - Tier 1	6.51	6.51	6.71	7.49	7.49	n/a
Capital adequacy - Tier 2	4.18	4.18	4.37	4.75	4.75	n/a
Deductions	(1.53)	(1.53)	(1.71)	(2.49)	(2.49)	n/a
Capital adequacy - Total	9.16	9.16	9.37	9.75	9.75	n/a
Productivity						
Cost to total average assets ratio [3]	2.30	2.30	2.32	2.40	2.33	2.38
Cost to assets held and funds under management [3]	1.75	1.73	1.78	1.83	1.83	1.85
Staff expense/Total operating income	26.75	26.27	27.22	n/a	n/a	n/a
Total operating income per FTE	$252,400	$126,504	$122,284	$227,088	$113,948	$117,026
Cost to income ratios (%)						
Banking	57.7	57.4	58.1	57.4	58.8	55.9
Funds management	67.1	68.2	65.9	71.6	70.4	72.9
Life insurance	59.5	59.3	59.6	52.1	52.6	51.6
Other Information (numbers)						
Full time staff	31,976	31,976	33,016	34,154	34,154	n/a
Part time staff	7,161	7,161	7,190	7,383	7,383	n/a
Full time staff equivalent	34,960	34,960	35,993	37,131	37,131	n/a

(1) Annualised ratio based on operating profit after tax and outside equity interest applied to average shareholders equity, excluding outside equity interests.
(2) Based on operating profit after tax and outside equity interest. Averages are based on beginning and end of year balances. 30 June 2000 includes Colonial assets weighted for the 17 days from 13 June 2000 to 30 June 2000.
(3) 30 June 2000 includes Colonial assets weighted for the 17 days from 13 June 2000 to 30 June 2000.
(4) Proforma Group represents the combined results of Commonwealth Bank and Colonial for the year ended 30 June 2000.
(5) Proforma results have only been provided on a cash basis.

Banking Performance Summary	Full Year 30/06/01 $M	Half Year 30/06/01 $M	Half Year 31/12/00 $M	Full Year [2] Proforma 30/06/00 $M	Half Year Proforma 30/06/00 $M	Half Year Proforma 31/12/99 $M
Operating Profit after Tax from operations [1]	**1,793**	**918**	**875**	**1,594**	**802**	**792**
Lending Assets	**149,776**	149,776	147,756	145,159	145,159	139,092
Average interest earning assets	**160,607**	163,363	157,897	149,106	153,027	145,227
Average interest bearing liabilities	**145,978**	148,531	143,466	135,801	139,677	131,968
Risk weighted assets	**138,383**	138,383	132,754	128,484	128,484	n/a
Net impaired assets	**415**	415	588	572	572	n/a
Performance Ratios (%)						
Net interest margin	**2.78**	2.78	2.79	2.79	2.74	2.84
General provision/Risk weighted assets	**1.01**	1.01	1.06	1.06	1.06	n/a
Total provisions/Gross Impaired assets (net of interest reserved)	**251.6**	251.6	199.5	178.3	178.3	n/a
Non-interest income/Total operating income	**34.7**	34.5	35.2	34.4	34.6	34.1
Cost to average assets ratio	**2.07**	2.10	2.11	2.12	2.11	2.12
Cost to income ratio	**57.7**	57.4	58.1	57.4	58.8	55.9

Operating Profit Summary

Operating Profit Summary	Full Year 30/06/01 $M	Half Year 30/06/01 $M	Half Year 31/12/00 $M	Full Year [2] Proforma 30/06/00 $M	Half Year Proforma 30/06/00 $M	Half Year Proforma 31/12/99 $M
Interest income	**11,900**	5,876	6,024	10,402	5,513	4,889
Interest expense	**7,426**	3,623	3,803	6,246	3,427	2,819
Net interest income	**4,474**	2,253	**2,221**	**4,156**	**2,086**	**2,070**
Other operating income	**2,381**	1,185	1,196	2,178	1,106	1,072
Total operating income	**6,855**	3,438	**3,417**	**6,334**	**3,192**	**3,142**
Operating expenses	**3,958**	1,973	1,985	3,633	1,878	1,755
Underlying profit	**2,897**	1,465	**1,432**	**2,701**	**1,314**	**1,387**
Charge for bad and doubtful debts	**385**	203	182	310	142	168
Operating profit before abnormal items, goodwill amortisation and income tax	**2,512**	1,262	**1,250**	**2,391**	**1,172**	**1,219**
Income tax expense	**705**	341	364	748	344	404
Outside equity interests	**14**	3	11	49	26	23
Operating profit after income tax, before abnormal items and goodwill amortisation	**1,793**	918	**875**	**1,594**	**802**	**792**

(1) Represents operating profit after tax and outside equity interest and before goodwill amortisation and abnormal items.
(2) Proforma Group represents combined Commonwealth Bank and Colonial for the year ended 30 June 2000.

Banking Analysis of Performance

Net Interest Income

	Full Year 30/06/01 $M	Half Year 30/06/01 $M	Half Year 31/12/00 $M	Full Year Proforma 30/06/00 $M	Half Year Proforma 30/06/00 $M	Half Year Proforma 31/12/99 $M
Interest Income						
Loans	**10,246**	5,034	5,212	9,031	4,776	4,255
Other financial institutions	**280**	138	142	198	121	77
Liquid assets	**110**	52	58	82	50	32
Trading securities	**548**	311	237	465	227	238
Investment securities	**655**	308	347	598	323	275
Dividends on redeemable preference shares	**54**	28	26	24	12	12
Other	**7**	5	2	4	4	-
Total Interest Income	**11,900**	**5,876**	**6,024**	**10,402**	**5,513**	**4,889**
Interest Expense						
Deposits	**5,042**	2,435	2,607	4,386	2,344	2,042
Other financial institutions	**328**	165	163	300	171	129
Short term debt issues	**902**	432	470	762	460	302
Long term debt issues	**759**	402	357	560	313	247
Loan capital	**374**	179	195	237	138	99
Other	**21**	10	11	1	1	-
Total Interest Expense	**7,426**	**3,623**	**3,803**	**6,246**	**3,427**	**2,819**
Net Interest Income	**4,474**	**2,253**	**2,221**	**4,156**	**2,086**	**2,070**

Group Interest Margins and Spreads

	Full Year 30/06/01	Half Year 30/06/01	Half Year 31/12/00	Full Year Proforma 30/06/00	Half Year Proforma 30/06/00	Half Year Proforma 31/12/99
Australia						
Interest spread	2.56	2.57	2.55	2.58	2.50	2.67
Benefit of interest free liabilities, provisions and equity	0.43	0.41	0.45	0.40	0.41	0.38
Net interest margin	2.99	2.98	3.00	2.98	2.91	3.05
Overseas						
Interest spread	1.06	1.14	0.98	1.10	1.08	1.12
Benefit of interest free liabilities, provisions and equity	0.55	0.55	0.55	0.42	0.45	0.39
Net interest margin	1.61	1.69	1.53	1.52	1.53	1.51
Group						
Interest spread	2.32	2.33	2.31	2.38	2.31	2.45
Benefit of interest free liabilities, provisions and equity	0.46	0.45	0.48	0.41	0.43	0.39
Net interest margin	2.78	2.78	2.79	2.79	2.74	2.84

Banking Analysis of Performance

Other Banking Operating Income

	Full Year 30/06/01 $M	Half Year 30/06/01 $M	Half Year 31/12/00 $M	Full Year Proforma 30/06/00 $M	Half Year Proforma 30/06/00 $M	Half Year Proforma 31/12/99 $M
Lending fees	602	284	318	623	317	306
Commission and other fees	1,173	594	579	1,066	559	507
Trading income	426	222	204	327	160	167
Dividends	15	5	10	20	7	13
Net gain on investment securities	56	20	36	12	(5)	17
Net profit on sale of property, plant and equipment	25	24	1	14	3	11
General insurance premium income	107	52	55	104	53	51
Less general insurance claims	(57)	(28)	(29)	(55)	(26)	(29)
Other	34	12	22	67	38	29
Total Other Banking Operating Income	**2,381**	**1,185**	**1,196**	**2,178**	**1,106**	**1,072**

Funds Management Business

Operating income - external	**701**	381	320	541	300	241
Operating income - internal [(1)]	**38**	18	20	32	18	14
Total operating income	**739**	399	340	573	318	255
Operating expenses	**496**	272	224	410	224	186
Operating profit before tax	**243**	127	116	163	94	69
Income tax expense	**94**	56	38	52	31	21
Operating profit after tax	**149**	**71**	**78**	**111**	**63**	**48**

(1) Income received from Life Insurance Business to manage statutory funds.

Life Insurance Analysis & Performance

Summary Profit and Loss (excluding abnormal income and appraisal value uplift)	Full Year 30/06/01 $M	Half Year 30/06/01 $M	Half Year 31/12/00 $M	Full Year Proforma 30/06/00 $M	Half Year Proforma 30/06/00 $M	Half Year Proforma 31/12/99 $M
Life Insurance						
Margin on Services operating income - external	**1,268**	604	664	1,557	739	818
Operating expenses - external	**(716)**	(340)	(376)	(779)	(371)	(408)
Operating expenses - internal (1)	**(38)**	(18)	(20)	(32)	(18)	(14)
Total expenses	**(754)**	(358)	(396)	(811)	(389)	(422)
Operating profit before tax	**514**	246	268	746	350	396
Income tax expense	**194**	82	112	383	180	203
Operating profit after tax	**320**	**164**	**156**	**363**	**170**	**193**

(1) Management charge paid to Funds Management.

Life insurance Business

	Full Year 30/6/01 $M	Half Year 30/6/01 $M	Half Year 31/12/00 $M	Full Year Proforma 30/6/00 $M	Half Year Proforma 30/6/00 $M	Half Year Proforma 31/12/99 $M
Sources of life insurance operating profit (excluding Abnormals)						
The Margin on Services operating profit after income tax is represented by:						
Planned profit margins	**257**	**129**	128	225	122	103
Experience variation	**(63)**	**(30)**	(33)	(20)	(8)	(12)
New business losses / reversal of capitalised losses	**(2)**	**1**	(3)	13	2	11
Operating margins	**192**	**100**	92	218	116	102
Investment earnings on assets in excess of policyholder liabilities	**126**	**58**	68	143	52	91
Other	**2**	**6**	(4)	2	2	-
Operating profit after income tax	**320**	**164**	**156**	**363**	**170**	**193**
New Business – Insurance and Superannuation						
Master Fund/Trusts	4,727	2,230	2,497	4,333	2,646	2,272
Risk	295	164	131	253	46	137
Annuities, bonds and other statutory fund products	901	373	528	1,153	348	631
Total	**5,923**	**2,767**	**3,156**	**5,739**	**3,040**	**3,040**

Group Operating Expenses	Full Year 30/06/01 $M	Half Year[2] 30/06/01 $M	Half Year 31/12/00 $M	Full Year Proforma 30/06/00 $M	Half Year Proforma 30/06/00 $M	Half Year Proforma 31/12/99 $M
Expenses from - Existing operations	5,089	2,619	2,470	4,822	2,473	2,349
Expenses from - Business acquisitions and GST (net of synergies)	81	(34)	115	-	-	-
Total Operating Expenses	**5,170**	**2,585**	**2,585**	**4,822**	**2,473**	**2,349**
Expenses by category as follows:						
Staff	2,360	1,161	1,199	Refer note [1]	Refer note [1]	Refer note [1]
Occupancy and equipment	604	300	304	"	"	"
Information technology services	748	418	330	"	"	"
Other expenses	1,458	706	752	"	"	"
Total Operating Expenses	**5,170**	**2,585**	**2,585**	**"**	**"**	**"**
Banking	3,958	1,973	1,985	3,633	1,878	1,755
Life Insurance	716	340	376	779	371	408
Funds Management	496	272	224	410	224	186
Total Operating Expenses	**5,170**	**2,585**	**2,585**	**4,822**	**2,473**	**2,349**
Cost to income ratio	58.6	58.5	58.7	57.2	58.5	55.9
Cost to average assets held and funds under management	1.75	1.73	1.78	1.85	1.83	1.85

(1) Proforma information is not available as Colonial Group did not analyse expenses on this basis.
(2) During the current six months the transition of Colonial IT staff to EDS Australia has resulted in increased IT expenses offset by lower staff, occupancy and other expenses.

Group Operating Expenses	Full Year Ended 30/06/01 $M	30/06/00[1] $M
Salaries and wages	**2,061**	1,498
Superannuation contributions	**12**	2
Provision for long service leave	**47**	38
Provisions for other employee entitlements	**(10)**	6
Payroll tax	**99**	75
Fringe benefits tax	**48**	33
Other staff expenses	**103**	53
Total Staff Expenses	**2,360**	1,705
Occupancy and Equipment Expenses		
Operating lease rentals	**329**	208
Depreciation		
Buildings	**29**	31
Leasehold improvements	**45**	28
Equipment	**76**	58
Repairs and maintenance	**60**	46
Other	**65**	66
Total Occupancy and Equipment Expenses	**604**	437
Information Technology Services		
Projects and development	**205**	186
Data processing	**219**	144
Desktop	**152**	103
Communications	**172**	138
Total Information Technology Services	**748**	571
Other Expenses		
Postage	**108**	81
Stationery	**107**	75
Fees and commissions	**535**	176
Other	**708**	362
Total Other Expenses	**1,458**	694
Total Operating Expenses	**5,170**	3,407

[1] The above operating expenses are actual expenses incurred for the financial years ending 30 June 2001 and 30 June 2001. A detailed breakdown of expenses on a proforma basis for 30 June 2000 financial year is not available.

13. LIFE INSURANCE BUSINESS

The following information, in accordance with AASB 1038, is provided to disclose life insurance business transactions contained in the Group financial statements and the underlying methods and assumptions used in their calculation.

	GROUP	
Summarised Profit and Loss Statement	**2001**	2000
	$M	$M
Premium and related revenue	**1,122**	459
Outward reinsurance premiums expense	**(164)**	(122)
Claims expense	**(621)**	(310)
Reinsurance recoveries	**141**	89
Investment revenue (excluding investments in subsidiaries)		
Equity securities	**552**	592
Debt securities	**902**	442
Property	**277**	32
Other	**(33)**	-
Life insurance policy liabilities expense	**(908)**	(856)
Margin on services operating income	**1,268**	326
Change in excess of net market values over net assets of life insurance controlled entities	**474**	92
Life Insurance operating income	**1,742**	418
Administration expense	**(754)**	(150)
Operating profit before income tax	**988**	268
Income tax attributable to operating profit	**(194)**	(47)
Operating profit after income tax	**794**	221
Outside equity interest in operating profit after income tax	**-**	(2)
Operating profit after outside equity interest and income tax	**794**	219

Sources of life insurance operating profit

The Margin on Services operating profit after income tax is represented by:

	2001 $M	2000 $M
Emergence of planned profit margins	**257**	121
Difference between actual and planned experience	**(63)**	(8)
Movement in excess of net market value over net assets of controlled entities	**474**	92
Reversal of previously recognised losses or loss recognition on groups of related products	**(2)**	1
Investment earnings on assets in excess of policyholder liabilities	**126**	13
Other	**2**	2
Operating profit after income tax	**794**	221
Life insurance premiums received and receivable	**6,510**	2,927
Life insurance claims paid and payable	**5,671**	2,279

An analysis of this financial result is contained in the Life Insurance – Business Analysis section of this report.

Carrying Values of Life Insurance and Funds Management Business

The following table sets out the components of the carrying values of the Group's life insurance and funds management businesses, together with the key actuarial assumptions that have been used by the independent actuaries. These are Directors' valuations based on appraisal values determined by independent actuaries Trowbridge Consulting.

Analysis of Movement since 30 June 2000	**Life Insurance Australia $M**	**Life Insurance New Zealand $M**	**Life Insurance Asia $M**	**Funds Management $M**	**Total $M**
Profits [1]	273	19	(18)	149	423
Opening Fair Value Adjustments [2]	-	-	(30)	-	(30)
Net Capital Movements	(269)	39	179	77	26
Transfers / Acquisitions of Business [3]	-	-	-	34	34
Change in Shareholders NTA	**4**	**58**	**131**	**260**	**453**
Synergies Credited to Goodwill [4]	332	-	-	-	332
Transfers / Acquisitions of Business	(183)	-	-	191	8
Net Appraisal Value Uplift	(33)	(26)	(63)	596	474
Increase to 30 June 2001	**120**	**32**	**68**	**1,047**	**1,267**

SHAREHOLDERS' NET TANGIBLE ASSETS

	Life Insurance			**Funds Management**	**Total**
	Australia	**New Zealand**	**Asia**		
30 June 2000 balance [5]	1,639	178	588	9	2,414
Opening fair value adjustment [2]	-	-	(30)	-	(30)
Profits	319	19	(18)	149	469
Less profit on strategic holding [4]	(46)	-	-	-	(46)
Net capital movements	(269)	39	179	77	26
Transfers/acquisitions of business [3]	-	-	-	34	34
30 June 2001 balance	1,643	236	719	269	2,867

VALUE IN FORCE BUSINESS

	Life Insurance			**Funds Management**	**Total**
	Australia	**New Zealand**	**Asia**		
30 June 2000 balance [5]	686	186	101	624	1,597
Synergies credited to goodwill [4]	-	-	-	-	-
Transfers/acquisitions of business [4]	-	-	-	2	2
Uplift	20	(51)	n/a	(8)	(39)
30 June 2001 balance	706	135	101	618	1,560

VALUE FUTURE NEW BUSINESS

	Life Insurance			**Funds Management**	**Total**
	Australia	**New Zealand**	**Asia**		
30 June 2000 balance [5]	690	240	186	1,609	2,725
Synergies credited to goodwill [4]	332	-	-	-	332
Transfers/acquisitions of business [4]	(183)	-	-	189	6
Uplift	(53)	25	(63)	604	513
30 June 2001 balance	786	265	123	2,402	3,576

CARRYING VALUE AT 30 JUNE 2001

	Life Insurance			**Funds Management**	**Total**
	Australia	**New Zealand**	**Asia**		
Shareholders' net tangible assets	1,643	236	719	269	2,867
Value in force business	706	135	101	618	1,560
Embedded value	**2,349**	**371**	**820**	**887**	**4,427**
Value future new business	786	265	123	2,402	3,576
Carrying Value	**3,135**	**636**	**943**	**3,289**	**8,003**

(1) Total Australian life insurance profit is $320 million, comprising $274 million in the life insurance corporate structure and $46 million relating to certain strategic investments transferred from the Bank to the life insurance operations.

(2) Fair value adjustments totalling $30 million have been made to the opening value of the Asian operations representing changed assumptions on tax and investment earnings in the opening valuation.

(3) Represents the net tangible assets of a number of funds management entities not held in a life insurance corporate structure ($34 million).

(4) This item includes a transfer of business from the Life insurance business to the Funds Management business ($183 million) and goodwill arising on acquisition of new businesses during the year ($8 million). Cost and revenue synergies arising from the Colonial Integration were achieved during the year with a value of $332 million. The value of these synergies is credited against goodwill.

(5) Balances at 30 June 2000 include some minor adjustments principally related to the re-allocation of value between in force business and future new business. Such adjustments have no effect on the Appraisal Value Uplift for the year.

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

Reconciliation of the components of the carrying value to the value of investments in non-consolidated subsidiaries

	30 June 2001	30 June 2000[(1)]
Intangible component of investment in non-consolidated subsidiaries deducted from Tier 1 capital comprises:		
Value future new business	**3,576**	**2,725**
Value of self-generated in force business [(2)]	**540**	**-**
Adjustments [(1)]	**-**	**(69)**
	4,116	**2,656**
Investment in non-consolidated subsidiaries deducted from Total Capital comprises:		
Shareholders' NTA in life and funds management businesses	**2,867**	**2,414**
Shareholders' NTA in other non-consolidated subsidiaries	**41**	**78**
Debt recognised as capital per APRA regulations	**96**	**140**
Value of in force business [(2)]	**-**	**1,597**
Value of acquired in force business [(2)]	**1,020**	**-**
Less non-recourse debt	**(2,019)**	**(1,698)**
Other [(1)]	**-**	**(3)**
	2,005	**2,528**

(1) Balances at 30 June 2000 include some minor adjustments principally related to the re-allocation of value between in force business and future new business.

(2) Refer Note 31 of the Annual Report for an explanation of the change in treatment between 30 June 2000 and 30 June 2001 relating to the value of self-generated business in force.

Key Assumptions Used in Appraisal Values

The following Key Assumptions have been used by Trowbridge Consulting in determining the appraisal values. Other actuarial assumptions used in the valuation are described in the section Actuarial Methods and Assumptions.

30 June 2001	New Business Multiplier[(1)]	Risk Discount Rate %	Value of Franking Credits %
Life insurance entities			
Australia	9	11.5	70
New Zealand	9	12.0	-
Asia			
- Hong Kong	9	HKD13.5 [(2)] USD12.5	-
- Other	Various	Various	-
Funds management entities			
Australia	n/a	12.5	70

As at 30 June 2000	New Business Multiplier	Risk Discount Rate %	Value of Franking Credits %
Life insurance entities			
Australia	10	12	70
New Zealand	8	13	-
Asia			
- Hong Kong	9	HKD15 [(2)] USD12.5	-
- Other	various	various	-
Funds management entities			
Australia	n/a	13	70

(1) Changes in multipliers reflect changed risk discount rates, changes to business mix and changes to views on future new business growth.

(2) These are the risk discount rates for Hong Kong dollar business and US dollar business.

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 Life Insurance Act 1995 where appropriate. Details are set out in the various statutory returns of these life insurance businesses.

	2001 $M	2000 $M
Components of policy liabilities:		
Future policy benefits [1]	**29,727**	28,983
Future bonuses	**1,583**	1,751
Future expenses	**2,209**	1,648
Future profit margins	**1,224**	1,170
Future charges for acquisition expenses	**(648)**	(616)
Balance of future premiums	**(7,112)**	(7,701)
Provisions for bonuses not allocated to participating policyholders	**46**	47
Total policy liabilities	**27,029**	25,282

[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.

On 1 July 2000 a new tax regime for life insurance companies commenced in Australia. The primary effect of this regime is to tax profits that had previously not been subject to taxation. Allowance has been made in the appraisal values and policy liabilities of the life insurance businesses for the impact of the new tax requirements.

Actuarial Methods and Assumptions

Policy liabilities have been calculated in accordance with the Margin on Services (MoS) methodology as set out in Actuarial Standard 1.02 – Valuation Standard (‘AS1.02’) issued by the Life Insurance Actuarial Standards Board (‘LIASB’). The principal methods and profit carriers used for particular product groups are 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	Projection	Asset charge
	Accumulation	Not applicable
Lump sum risk	Projection	Premiums/claims
Income stream risk	Projection	Expected claim payments
Immediate annuities	Projection	Bonuses or annuity payment
Group		
Investment account	Projection	Bonuses or asset charges
Investment linked	Projection	Asset charge
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 are offset against this liability.

Bonuses are amounts added, at the discretion of the life insurer, to the benefits currently payable under Participating Business. Under the Life Act, bonuses are 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 are also used in the determination of appraisal values.

Discount Rates

These are the rates used to discount further cash flows to determine their net present value in the policy liabilities. The discount rates are 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	June 2001 Rate Range %	June 2000 Rate Range %
Traditional – ordinary business (after tax)	6.38-6.72	6.11
Traditional – superannuation business (after tax)	7.80-8.23	7.88
Annuity business (after tax)	6.51-7.97	6.40-8.25
Term life insurance – ordinary business (after tax)	4.20-4.55	3.20-5.28
Term life insurance – superannuation business (after tax)	4.20-4.55	4.50-5.28
Disability business (before tax)	4.20-4.55	6.15
Investment linked – ordinary business (after tax)	5.86-6.36	5.70-5.82
Investment linked – superannuation business (after tax)	7.34-7.92	7.00-7.80
Investment linked – exempt (after tax)	8.34-9.12	8.35-8.63
Investment account – ordinary business (after tax)	4.51	4.44
Investment account – superannuation business (after tax)	5.49	5.72

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

For the Australian and New Zealand operations of the Colonial Group, maintenance expense assumptions are based on the contractual fees (inclusive of an allowance for inflation) as set out in the service company agreements. These have increased in line with inflation.

For other operations maintenance expense assumptions are based on an analysis of experience over the past year taking into account future business plans. 'One-off' expenses are excluded.

Investment management expenses

Investment management expense assumptions are 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. There have been no significant changes to these assumptions.

Benefit indexation

The indexation rates are 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 are based on recent company and industry experience and vary by territory, product, age and duration in force. The only significant change has been an increase in the assumption for New Zealand and Asia.

Surrender values

Current surrender value bases are assumed to apply in the future. There have been no significant changes to these assumptions.

Unit price growth

Unit prices are 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 are 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. The only significant change has been an increase in the assumption for disability claims.

Solvency

Australian Life Insurers

Australian life insurers are required to hold prudential reserves in excess of the amount of policy liabilities. These reserves are required to support capital adequacy requirements and provide protection against the adverse experience. Actuarial Standard AS2.02 'Solvency Standard' ('AS2.02') prescribes a minimum capital requirement and the minimum level of assets required to be held in each life insurance fund. All controlled Australian life insurance entities complied with the solvency requirements of AS2.02. Further information is available from the individual statutory returns of subsidiary life insurers.

Overseas life insurers

Overseas life insurance subsidiaries are 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 are in place to ensure that asset management and other fiduciary activities of controlled entities are independent of the life insurance funds and other activities of the Group.

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 which are distinguished from each other and from the shareholders' fund. The financial statements of Australian life insurers prepared in accordance with AASB 1038, (and which are lodged with the relevant Australian regulators) show all major components of the financial statements disaggregated between the various life insurance statutory funds and their shareholder funds.

14. INTANGIBLE ASSETS

	GROUP 2001 $M	2000 $M
Purchased goodwill - Colonial	**5,662** [1]	5,424
Purchased goodwill - Other [3]	**1,131**	888
Realisation of Life Insurance Synergy benefits [2]	**(332)**	-
Accumulated amortisation	**(745)**	(407)
Total Goodwill	**5,716**	5,905
Excess of net market value over net assets of life insurance controlled entities	**5,136**	4,322
Total Intangibles	**10,852**	10,227

(1) Increase in goodwill associated with Colonial relates to amendments to integration provision ($87 million) and fair value adjustment ($151 million). Refer Restructuring Provision and Fair Value Adjustment discussion for further details (page 26).

(2) Cost and revenue synergies, planned on acquisition of Colonial, are being achieved from the integration of the Commonwealth and Colonial life insurance businesses. Changes in the Excess of net market value over net assets of life insurance controlled entities that are directly attributable to these cost and revenue synergies have been recorded as a realisation of goodwill.

(3) Increase in other goodwill principally relates to acquisition of remaining 25% interest in ASB Group in August 2000.

15. AMORTISATION SCHEDULE

	30/06/01 $M	30/06/00 $M
Goodwill	**5,716**	5,905
Excess of Net Market value over net assets of life insurance controlled entities	**5,136**	4,322
	10,852	10,227
Analysis of movement:		
Goodwill		
Opening balance	**5,905**	491
Purchased goodwill	**243**	5,495
Amortisation for the year	**(338)**	(57)
Transfer from excess	**(332)**	-
Fair value adjustments and increase in integration provisions	**238**	-
Other adjustments	**-**	(24)
Closing Balance	**5,716**	5,905
Excess of Net Market value over net assets of life insurance controlled entities		
Opening balance	**4,322**	-
Introduction of appraisal value accounting	**-**	4,260
Synergies	**332**	-
Other adjustments [4]	**8**	(30)
Appraisal value uplift	**474**	92
Closing Balance	**5,136**	4,322

(4) Includes an adjustment to the opening balance of ($30) million in June 2000 (refer page 24) and $8 million excess arising from the acquisition of State Street in the year ended 30 June 2001.