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# Presentation of Full Year Results

Stuart Grimshaw

21 August 2002



# Disclaimer

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The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 21 August 2002. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.



# Speaker's Notes

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



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# Overview



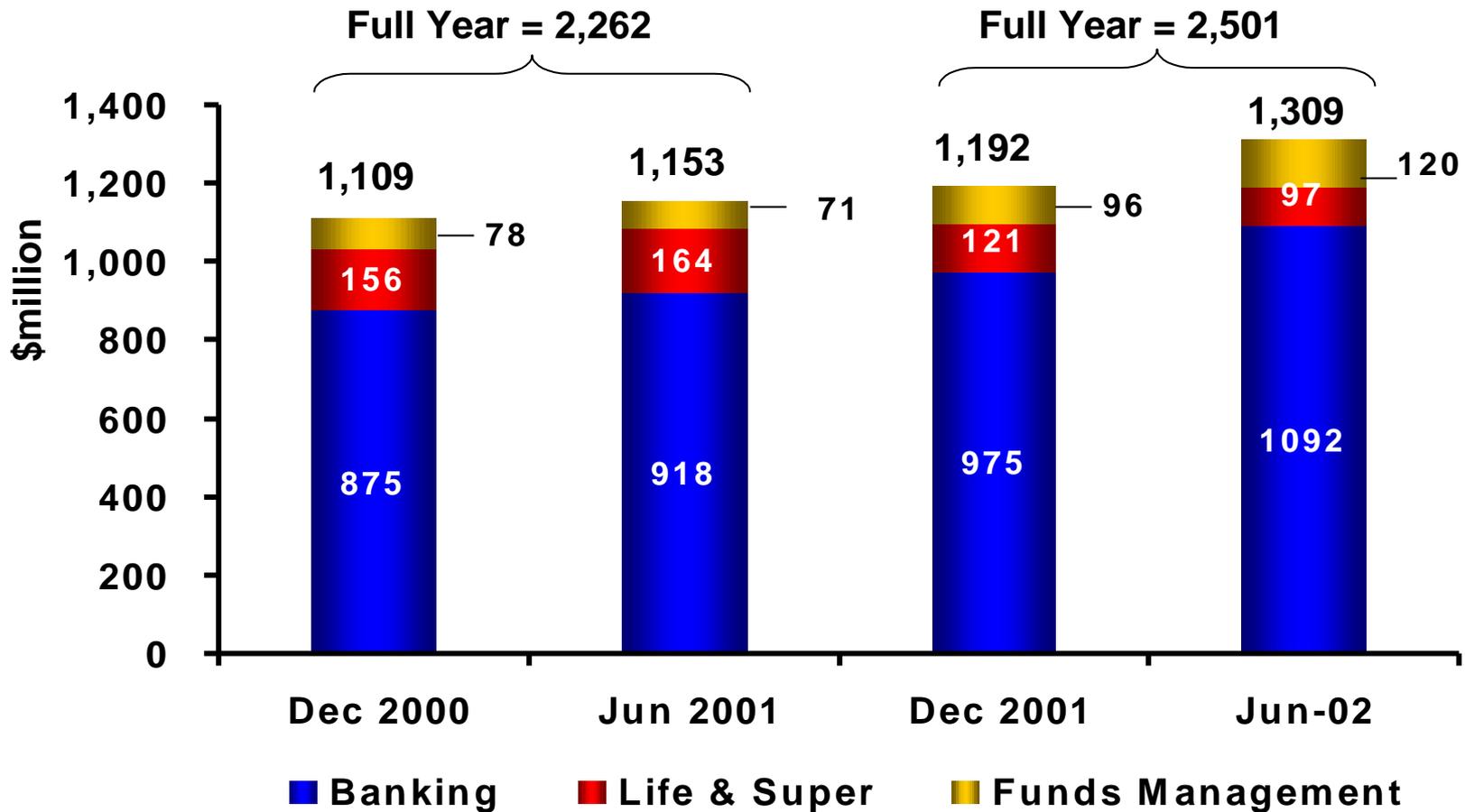
# Result Highlights

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- Solid Earnings Growth
  - Reported Profit up 10.7% to \$2,655m
  - Cash Profit up 10.6% to \$2,501m
  - Cash EPS up 10.1% to \$1.97
- Costs steady year on year
  - Improved productivity and cost to income ratio
- Credit Quality and Provisioning remains strong
- Capital position remains strong



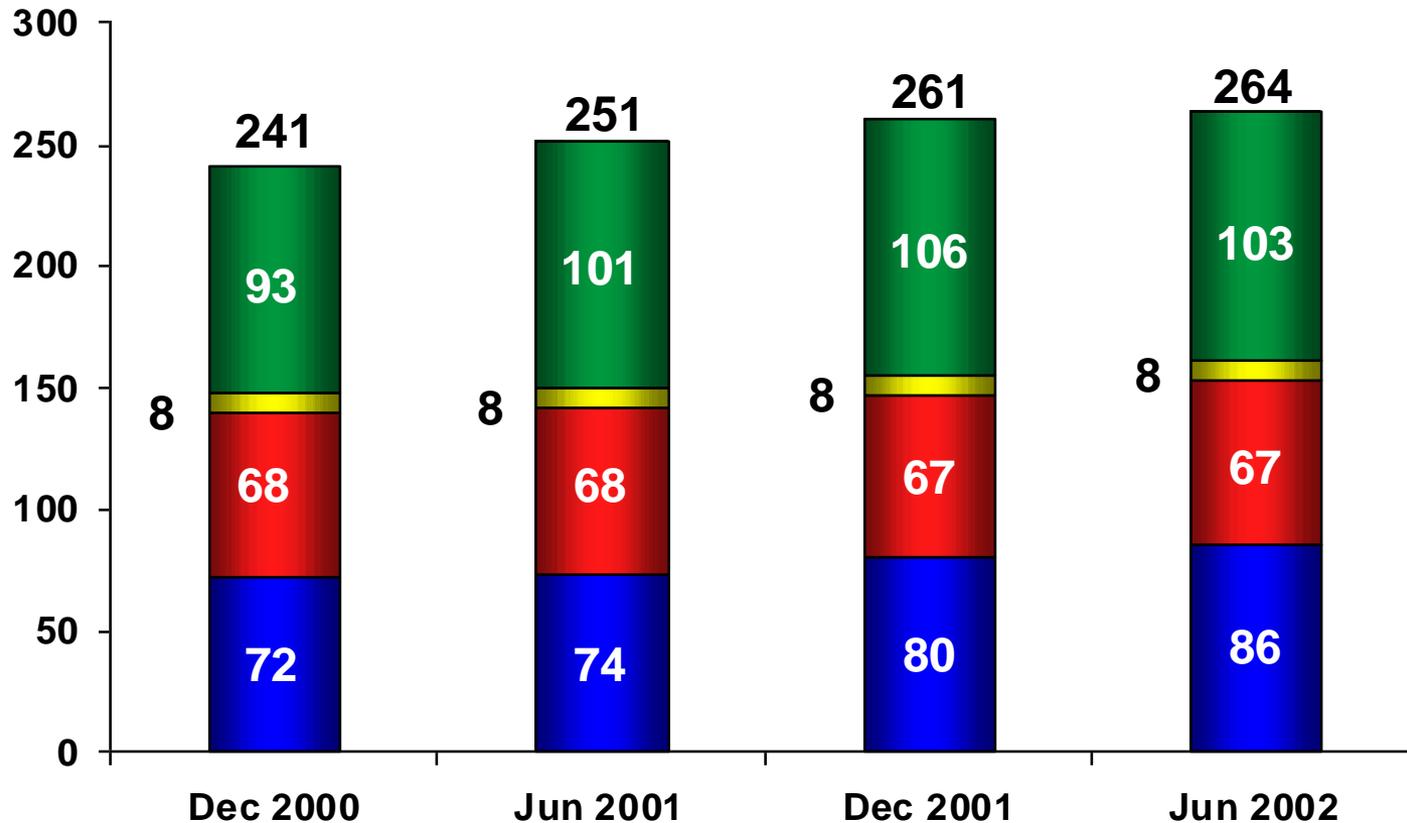
# Net Profit\*



\* Net Profit after tax and outside equity interest - cash basis.  
Excludes appraisal value uplift and goodwill amortisation.



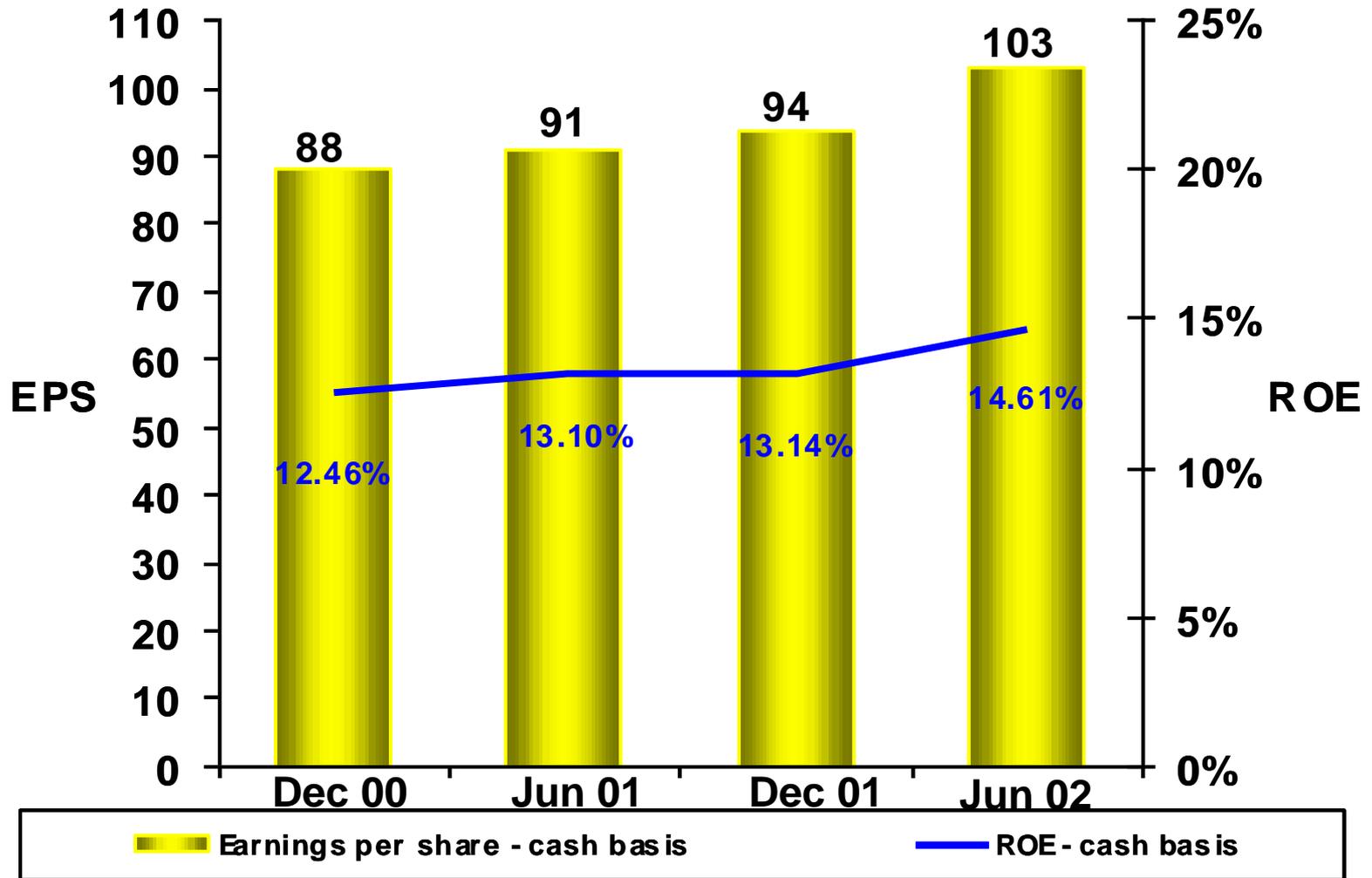
# Total Lending Assets and Funds Under Management



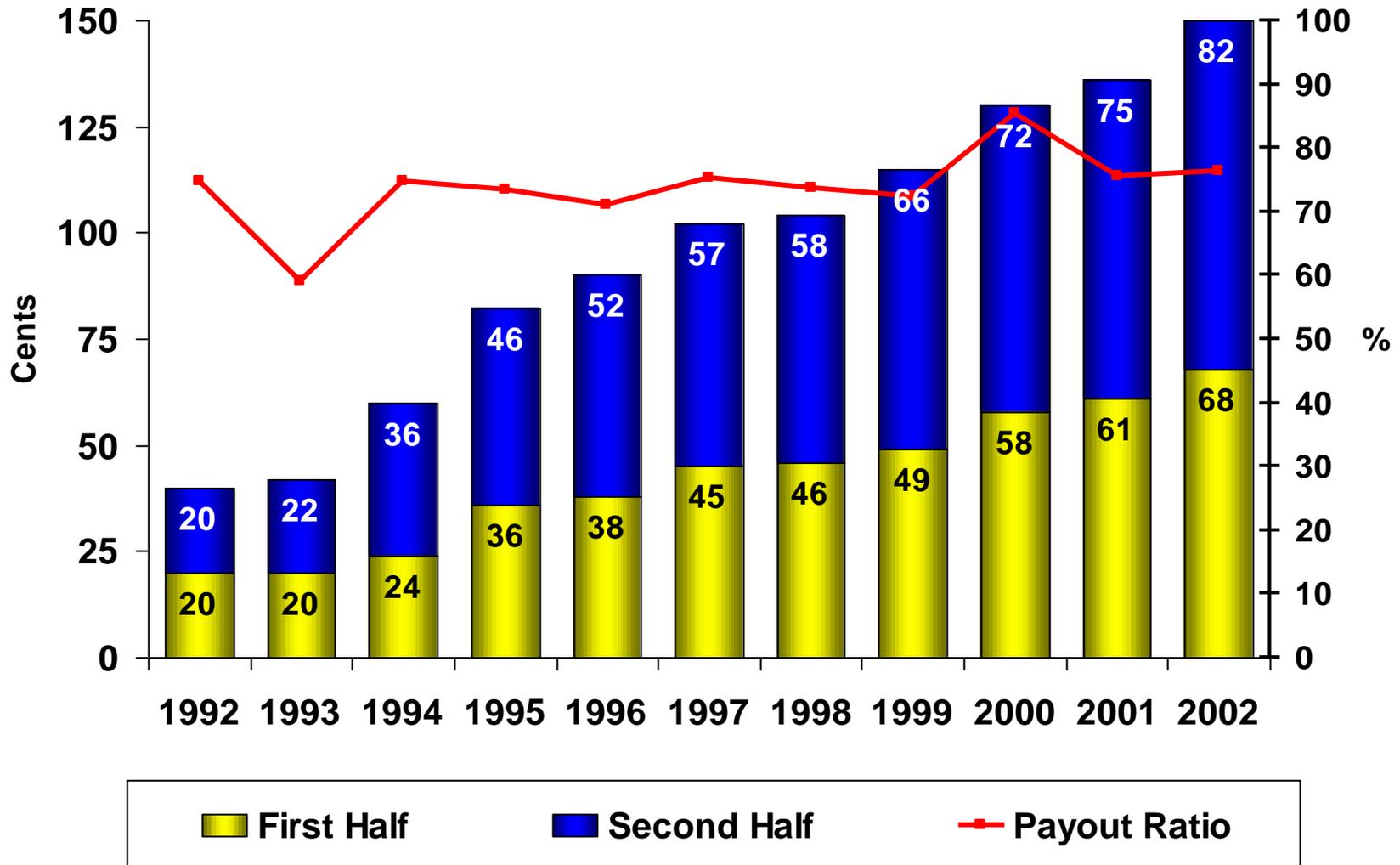
\*\* Excludes securitised housing loan balances



# ROE and EPS



# Dividend Growth



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# Segment Results: Banking

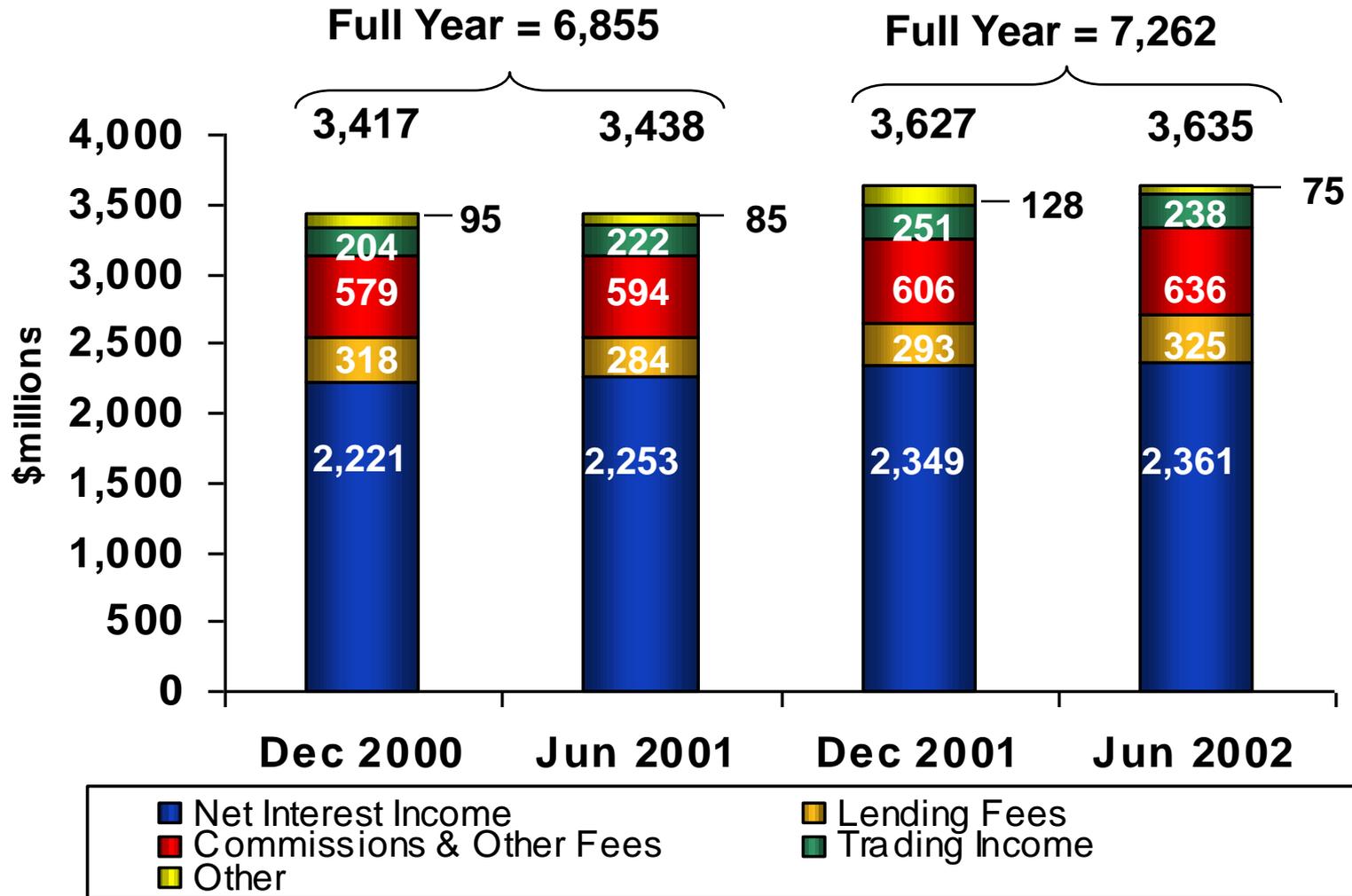


# Banking

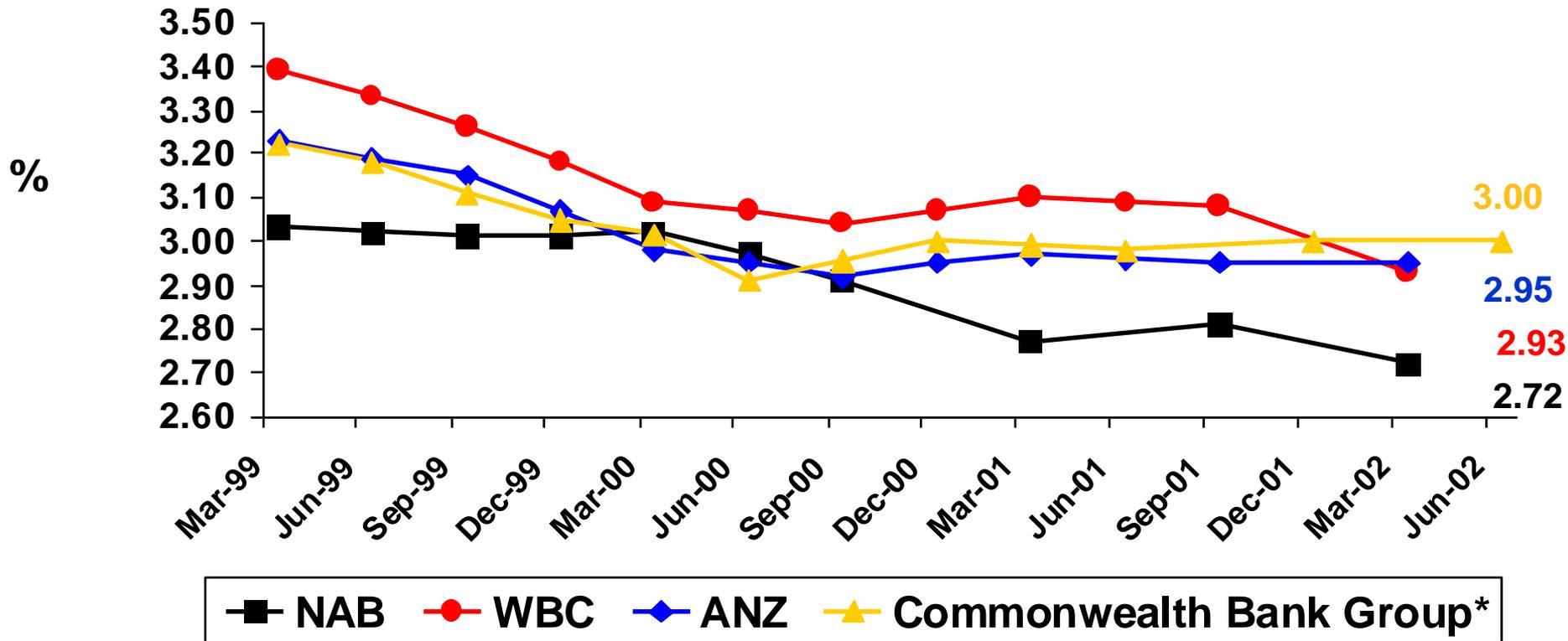
	30/06/02 \$M	30/06/01 \$M	30/06/02 vs 30/06/01 %
Net interest income	4,710	4,474	5%
Other operating income	2,552	2,381	7%
<b>Total operating income</b>	<b>7,262</b>	<b>6,855</b>	<b>6%</b>
Operating expenses	3,929	3,958	-1%
<b>Underlying profit</b>	<b>3,333</b>	<b>2,897</b>	<b>15%</b>
Charge for bad and doubtful debts	449	385	17%
<b>Operating profit before goodwill amortisation and income tax</b>	<b>2,884</b>	<b>2,512</b>	<b>15%</b>
Income tax expense	816	705	16%
Outside equity interests	1	14	large
<b>Operating profit after income tax, before goodwill amortisation</b>	<b>2,067</b>	<b>1,793</b>	<b>15%</b>
 <b>Banking Cost to Income Ratio</b>	 <b>54.1 %</b>	 <b>57.7 %</b>	



# Banking Operating Income



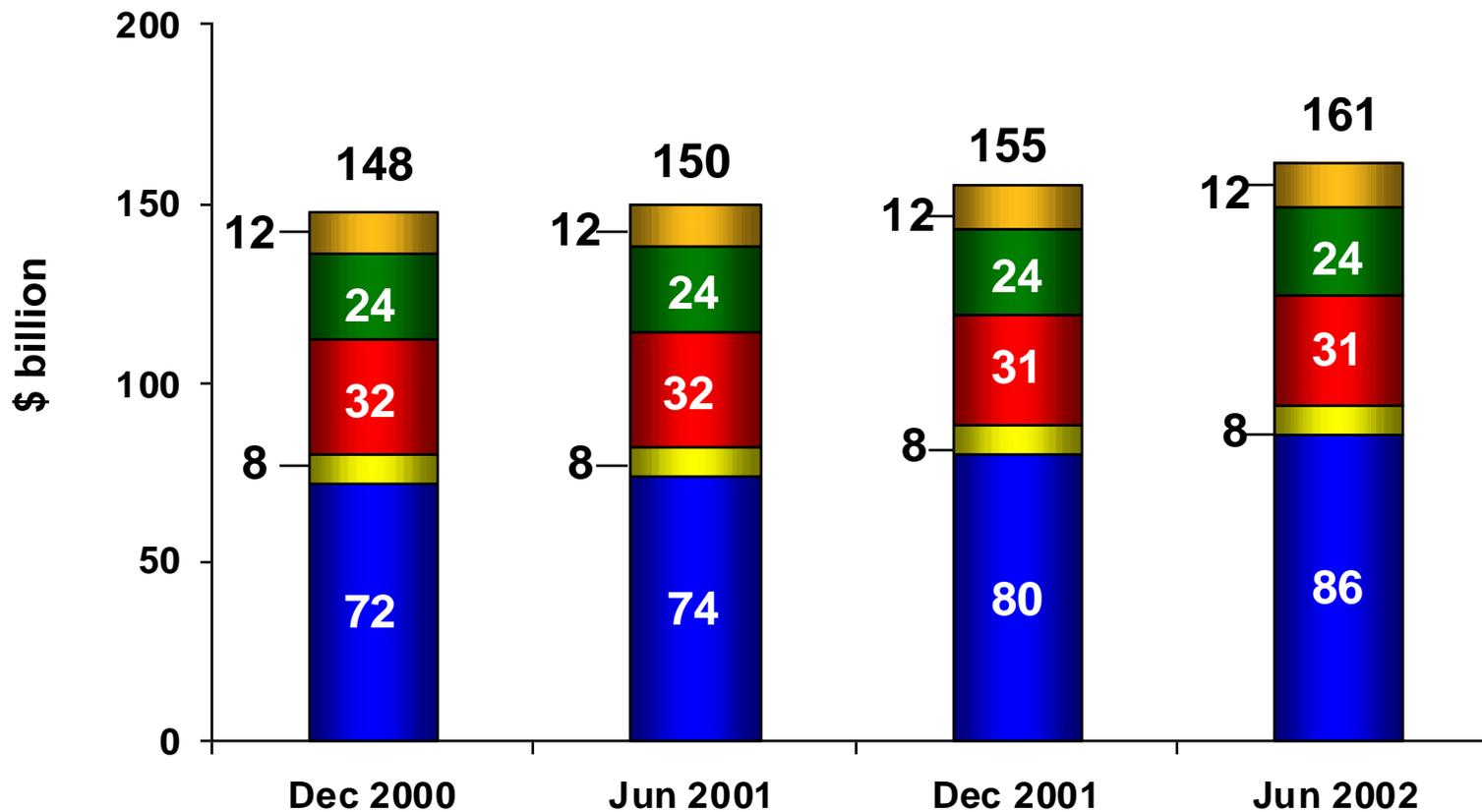
# Domestic Net Interest Margins



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

\*Proforma

# Lending Assets



Lending Assets\*\*: ■ Housing ■ Personal ■ Business ■ Corporate ■ Bank Acceptances

\*\* Excludes securitised housing loan balances \$7.0b (Jun 02)\$5.7b (Dec 01)\$6.8b (Jun 01), \$4.7b (Dec 00).



# Market Share

<b><u>Australia</u></b>	<b>Jun 2001</b>	<b>Dec 2001</b>	<b>Jun 2002</b>
<b>Home Loans</b> (Residentially Secured)	<b>20.4%</b>	<b>20.1%</b>	<b>20.1%*</b>
<b>Credit Cards</b>	<b>21.4%</b>	<b>21.4%</b>	<b>21.6%</b>
<b>Retail Deposits</b>	<b>24.0%</b>	<b>24.1%</b>	<b>24.2%*</b>
<b>Retail Broking</b>	<b>9.0%</b>	<b>8.6%</b>	<b>9.2%</b>
<b><u>New Zealand</u></b>			
<b>Retail Lending</b>	<b>15.3%</b>	<b>15.1%</b>	<b>16.3%*</b>
<b>Retail Deposits</b>	<b>14.5%</b>	<b>14.7%</b>	<b>15.5%*</b>
<b>Credit Cards</b>	<b>14.1%</b>	<b>13.5%</b>	<b>13.5%*</b>
<b>Main Bank Share</b>	<b>16.4%</b>	<b>16.2%</b>	<b>16.3%*</b>

\* March 2002. More recent data is not yet available.

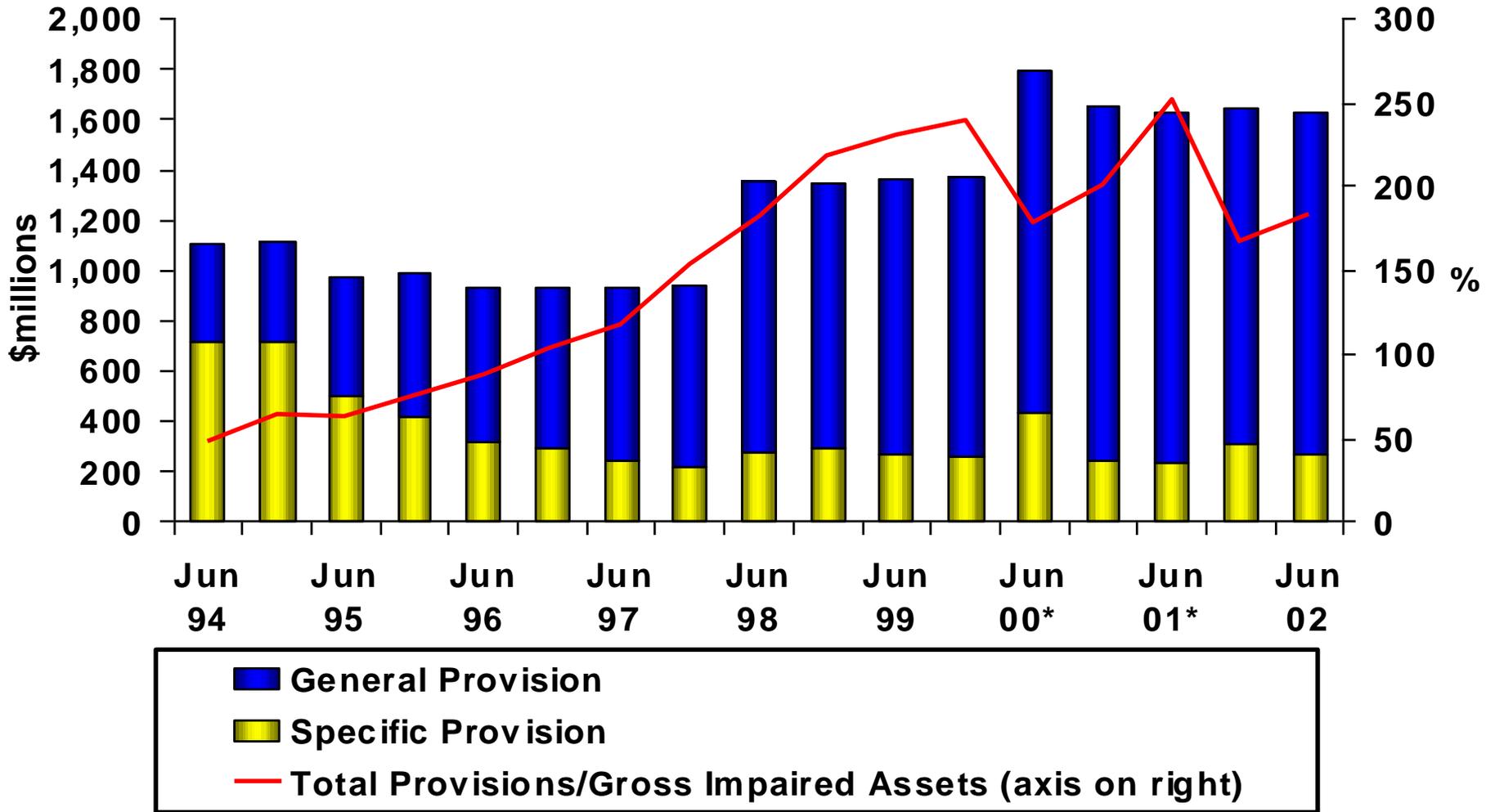


# Asset Quality Overview

	First Half	Second Half
Charge for Bad & Doubtful Debts (6 months)	\$290m	\$159m
Charge for Bad & Doubtful Debts to RWA (annualised)	0.42%	0.23%
Impaired Assets (net of interest reserved)	\$983m	\$884m
Specific Provisions	\$309m	\$270m
General Provision	\$1,334m	\$1,356m
General Provision to RWA	0.96%	0.96%



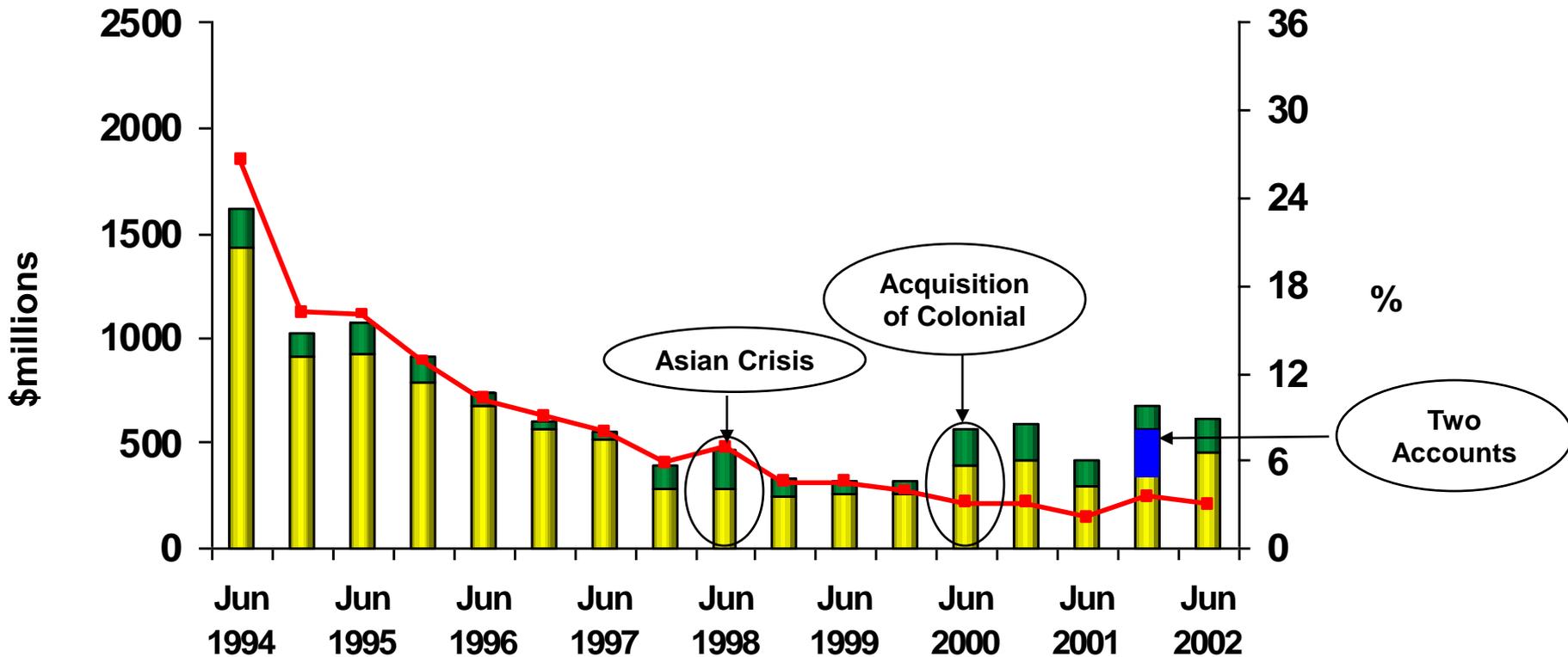
# Aggregate Provisions



\* Includes Colonial



# Net Impaired Assets



Commonwealth Bank Group (Other Countries)\*

Commonwealth Bank Group (Australia)\*

Net Impaired assets as % of Total Shareholder Equity\* (axis on right)

\* Excluding Colonial prior to 30 June 2000



# Arrears

## Loans Accruing past 90 days or more

	31/12/00	30/06/01	31/12/01	30/06/02
	\$m	\$m	\$m	\$m
Housing Loans	247	218	168	176
Other Loans	66	90	79	73
<b>Total</b>	<b>313</b>	<b>308</b>	<b>247</b>	<b>249</b>

## Housing loans arrears rate

	31/12/00	30/06/01	31/12/01	30/06/02
Housing Loans accruing but past 90 days or more \$m	247	218	168	176
Housing loan balances \$m	71,505	73,511	79,745	85,839
<b>Arrears rate %</b>	<b>0.35%</b>	<b>0.30%</b>	<b>0.21%</b>	<b>0.21%</b>



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# Segment Results: Funds Management and Life & Super



# Funds Management

	30/06/02	30/06/01	30/06/02 vs 30/06/01 %
	\$M	\$M	%
Operating income	842	739	14%
Operating expenses	548	496	10%
Operating profit before tax	294	243	21%
Income tax expense	78	94	(17)%
<b>Operating profit after tax</b>	<b>216</b>	<b>149</b>	<b>45%</b>
<b>Funds Management Cost to Income Ratio</b>	<b>65.1 %</b>	<b>67.1%</b>	



# Life and Super

	30/06/02 \$M	30/06/01 \$M	30/06/02 vs 30/06/01 %
<b>Operating margins</b>			
Australia	210	190	11%
New Zealand	25	24	4%
Asia	(50)	(20)	large
<b>Total</b>	<b>185</b>	<b>194</b>	<b>(5)%</b>
<b>Investment earnings on shareholder funds <sup>(1)</sup></b>	<b>33</b>	<b>126</b>	<b>(74)%</b>
<b>Operating profit after tax</b>	<b>218</b>	<b>320</b>	<b>(32)%</b>

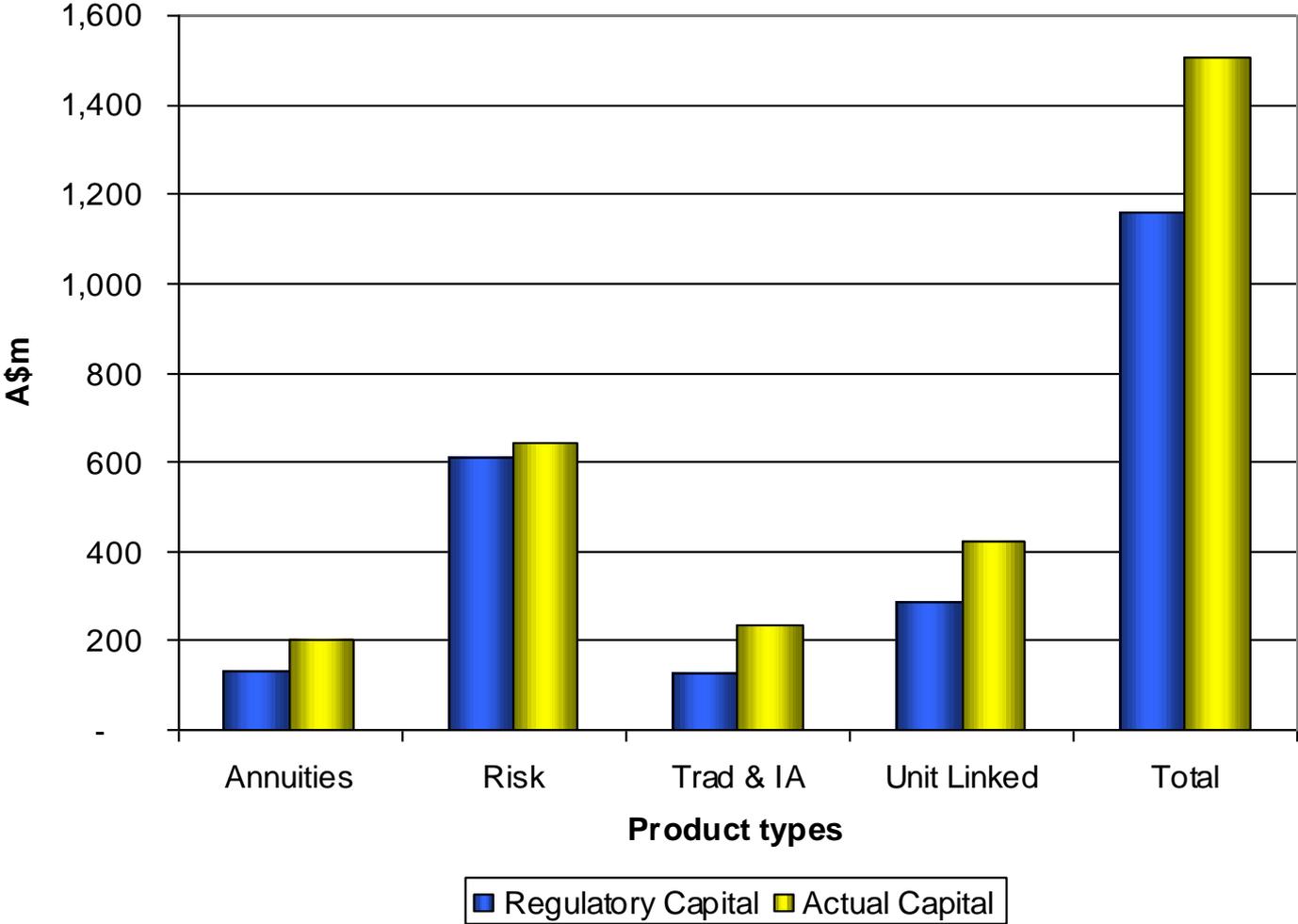
## Life Insurance Cost to Income Ratio

Basic	75.9 %	59.5%
Normalised	63.5 %	64.0%

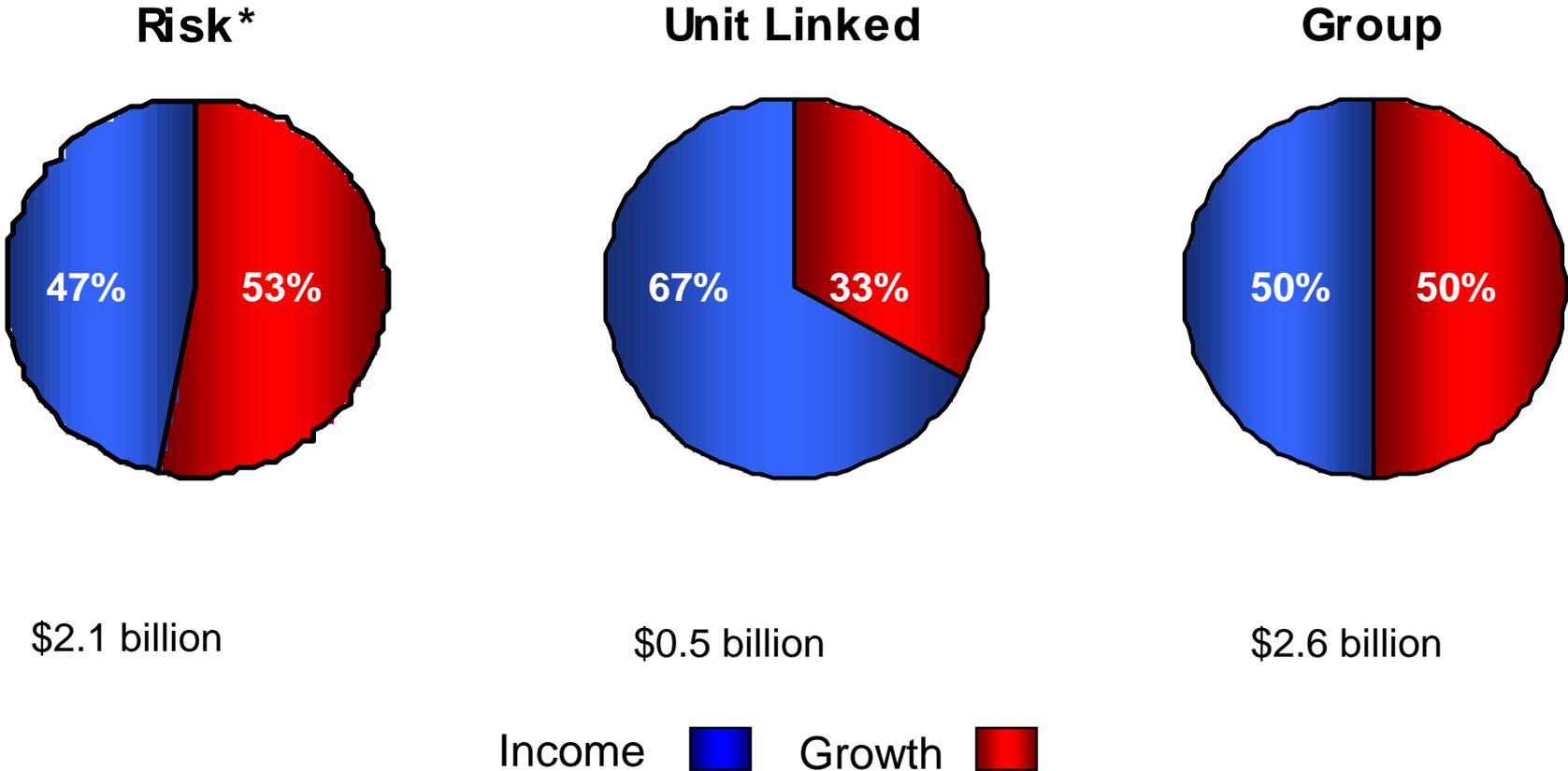
(1) includes a \$47 million gain in the December 2000 half year due to the transfer of certain strategic investments to the life insurance business.



# Shareholder Funds in Australian Life Insurance Companies



# Shareholder Funds in Life Insurance Companies



\*Risk includes traditional, investment account, annuities, personal risk and group risk.



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# Funds Under Management and Appraisal Value



# Market Share

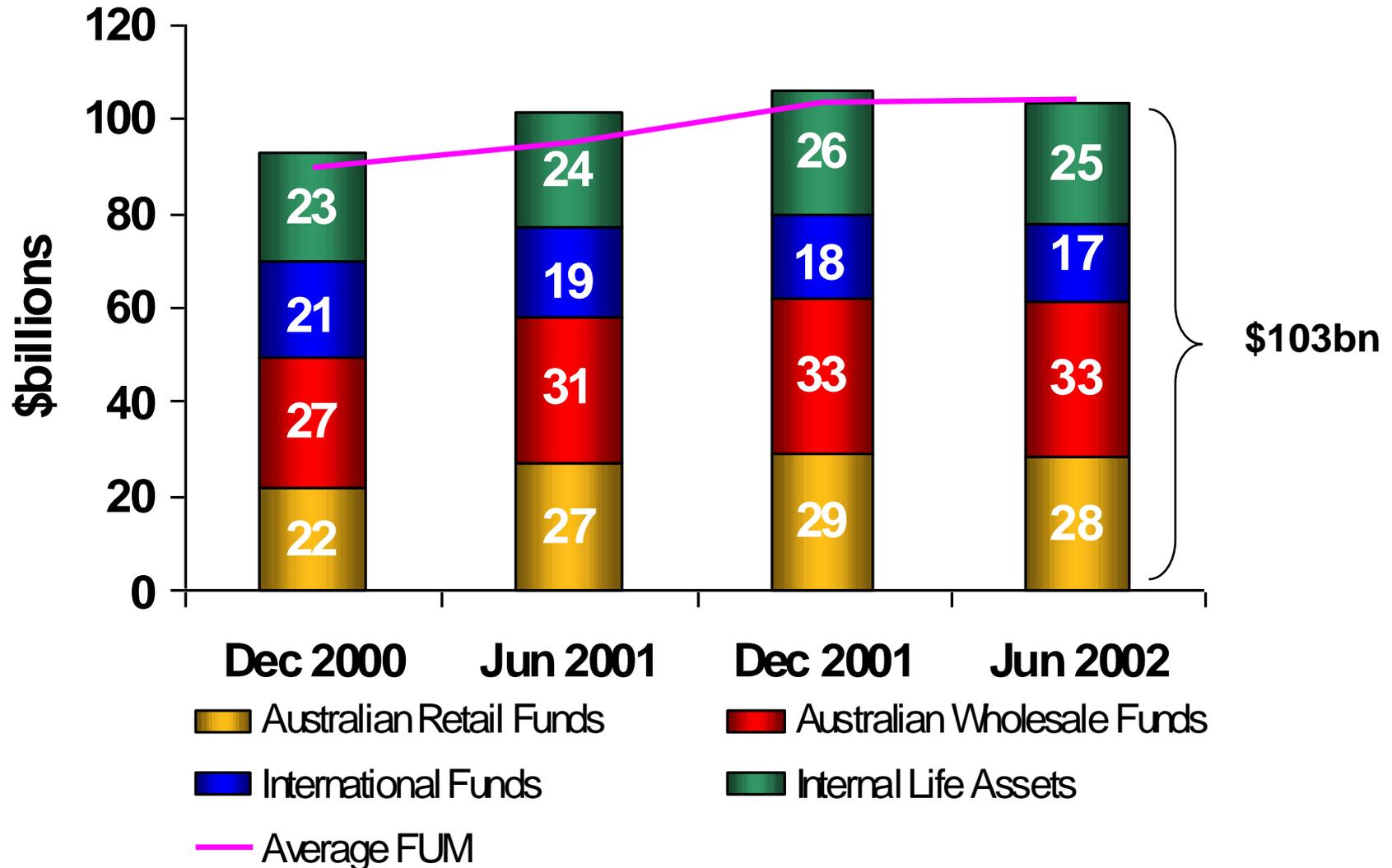
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	Jun 2001	Dec 2001	Jun 2002
<b><u>Australia</u></b>			
<b>Retail FUM (Plan for Life)</b>	<b>16.3%</b>	<b>16.4%</b>	<b>16.3%*</b>
<b>Retail FUM (ASSIRT)</b>	<b>20.4%</b>	<b>20.6%</b>	<b>20.2%</b>
<b>Superannuation/Annuities</b>	<b>16.1%</b>	<b>16.1%</b>	<b>15.9%*</b>
<b>Inforce Premiums</b>	<b>14.4%</b>	<b>14.5%</b>	<b>14.4%*</b>
<b><u>New Zealand</u></b>			
<b>Retail Funds Management</b>	<b>5.9%</b>	<b>6.1%</b>	<b>6.5%*</b>

\* March 2002



# Funds Under Management

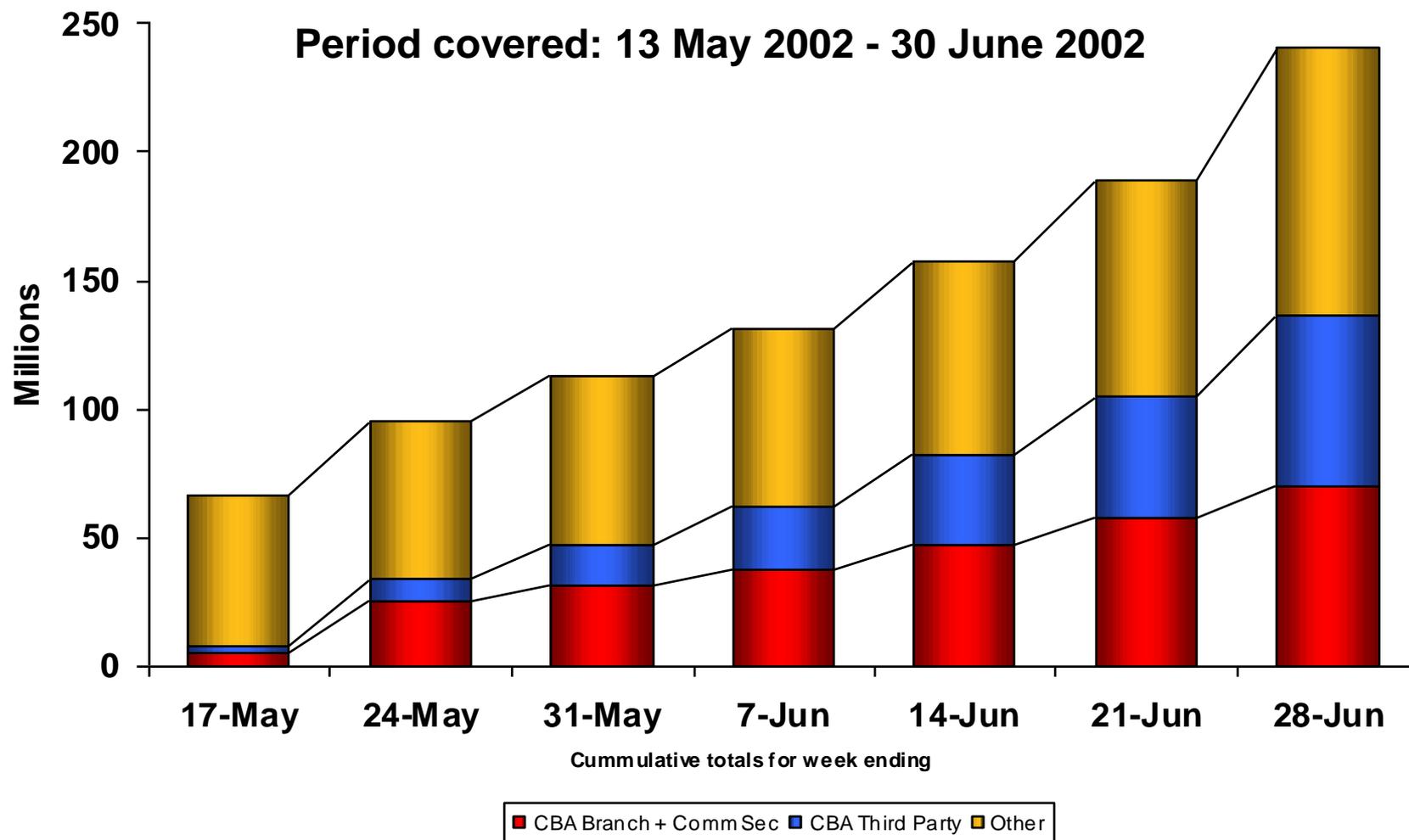


# Funds Under Management - Movement Analysis

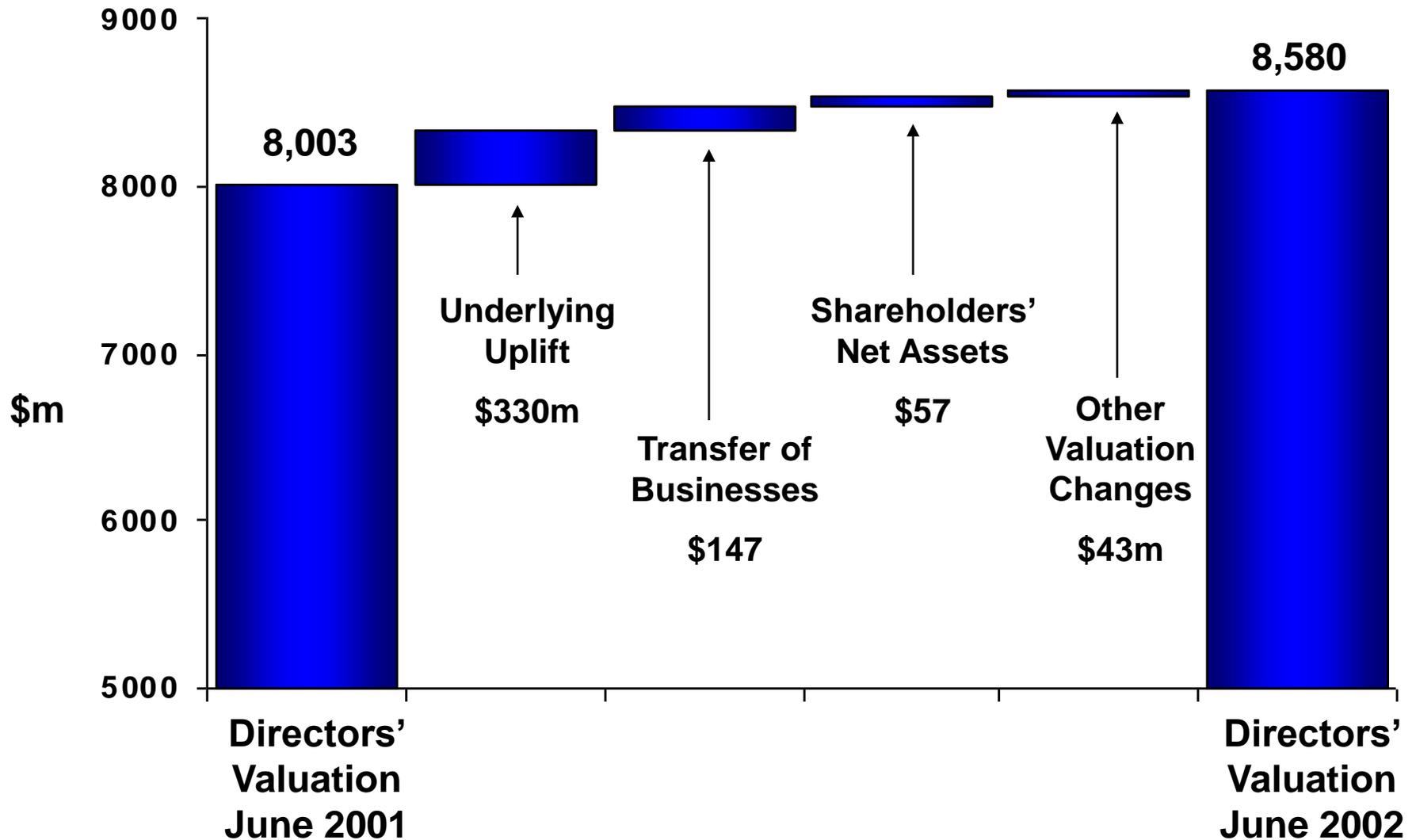
	Opening Balance 30/06/01 \$m	Inflows \$m	Outflows \$m	Investment Income \$m	Other Movements & Transfers* \$m	Closing Balance 30/06/02 \$m
Externally managed						
Retail	33,948	15,125	-13,421	-941	-686	34,025
Wholesale	43,006	15,040	-12,014	-1,552	-1,022	43,458
Total External	76,954	30,165	-25,435	-2,493	-1,708	77,483
Internally managed life	24,527	5,663	-5,617	-495	1,277	25,355
Total FUM	101,481	35,828	-31,052	-2,988	-431	102,838



# FirstChoice: Retail Net Contribution by Channel



# Appraisal Value

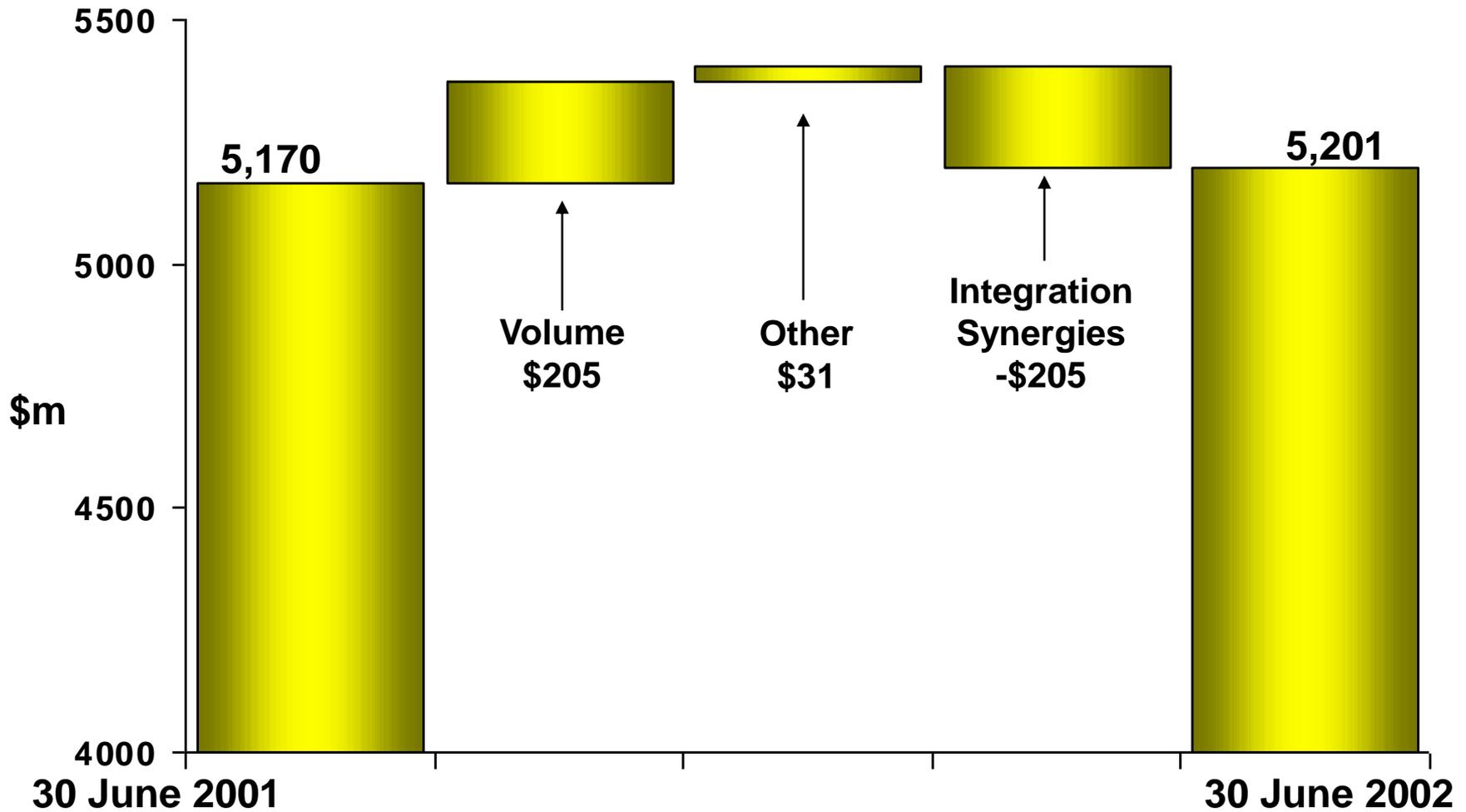


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# Cost Management



# Costs Contained Year on Year



# Integration Synergies

	June 2003 Forecast	31/12/00 \$m	30/06/01 \$m	31/12/01 \$m	30/06/02 \$m
<b>Recognised Synergies</b>					
Cost		20	100	150	175
Revenue		5	17	20	32
<b>Annualised Synergies</b>					
Cost	<b>380</b>	80	275	320	380
Revenue	<b>70</b>	10	40	45	70
<b>Total</b>	<b>450</b>	90	315	365	450

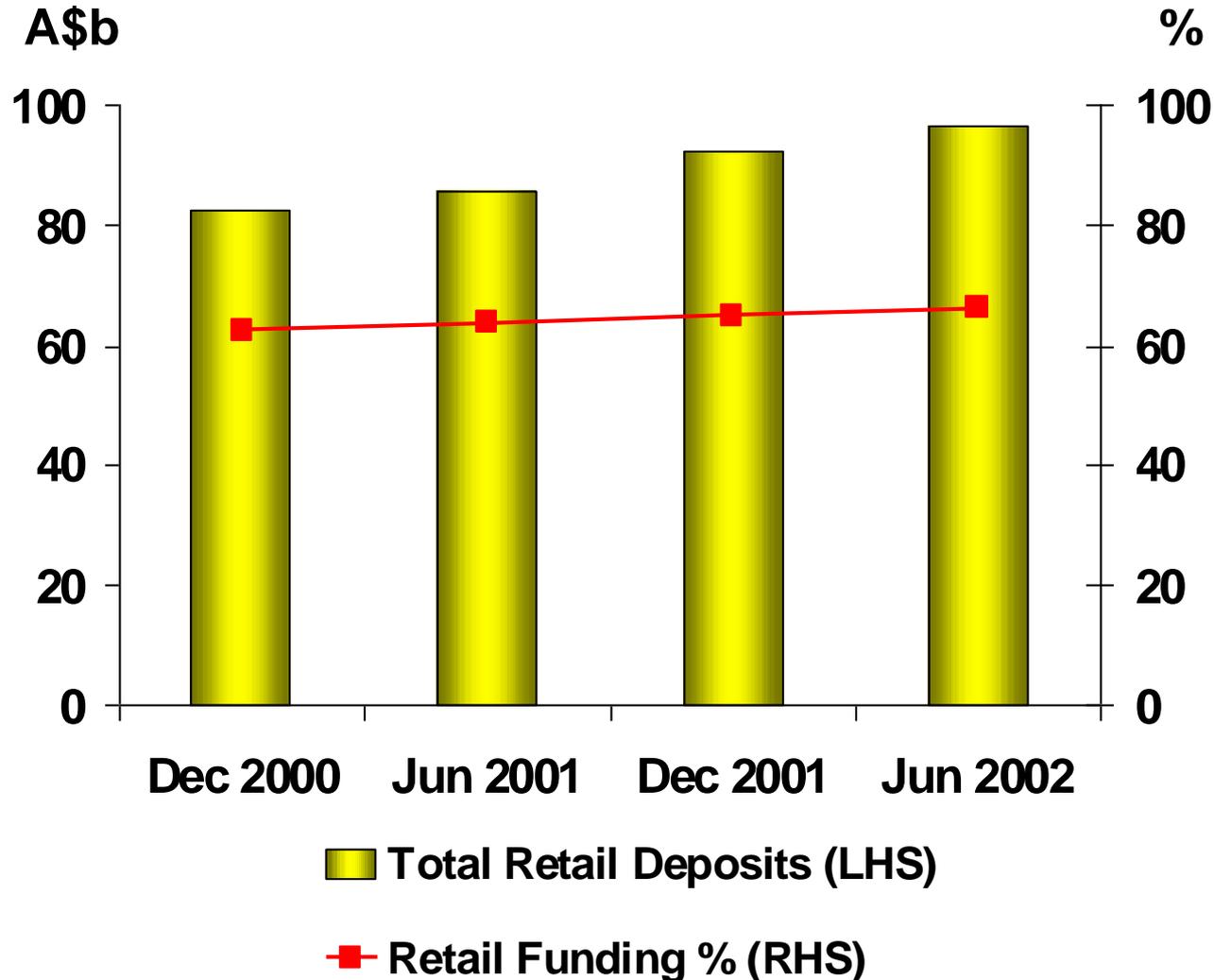


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# Funding and Capital



# Funding Sources - Retail



# Capital Management

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- Capital position remains strong as evidenced by credit ratings

Standard & Poor's	AA-	“very strong”
Moody's	Aa3	“exceptional financial security”
Fitch	AA	“very high credit quality”
- Shareholders equity increased by \$637 million
- Strong regulatory capital ratios
- Low use of innovative capital
- Payments to shareholders of \$1,622 million



# Capital Adequacy

	30/06/02 \$M	30/06/01 \$M	30/06/00 \$M
Total Tier One Capital	9,561	9,015	9,618
Total Tier Two Capital	6,040	5,784	6,097
<b>Tier One and Tier Two Capital</b>	<b>15,601</b>	<b>14,799</b>	<b>15,715</b>
Deductions	(1,781)	(2,119)	(3,197)
<b>Total Regulatory Capital</b>	<b>13,820</b>	<b>12,680</b>	<b>12,518</b>
<b>Risk Weighted Capital Ratios (%)</b>			
Tier One	6.78	6.51	7.49
Tier Two	4.28	4.18	4.75
Less deductions	(1.26)	(1.53)	(2.49)
<b>Total Capital</b>	<b>9.80</b>	<b>9.16</b>	<b>9.75</b>



# Economic Equity

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- Internal models show the Group is strongly capitalised
- Regulatory capital ratios can be misleading:
  - Risk weights are not risk aligned
  - Capital required for residential mortgages is overstated
  - No operational risk charge
  - No value placed on earnings and risk diversification



# Future Capital Initiatives

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- Strongly capitalised bank
- Moves by regulators to recognise internal models will make CBA's strong capital position more apparent
- Continued high payout ratio
- Innovative capital securities
- Off-market Share buy-back of \$500 million



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# Summary



# Summary

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- We have achieved:
  - Double digit EPS growth
  - 3-6% productivity growth
- Improved ROE
- High dividend payout ratio
- Improved credit quality
- Solid capital management position provides scope for capital initiatives



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# Presentation of Full Year Results

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