



Commonwealth Bank

Media Release

COMMONWEALTH BANK HALF YEAR RESULTS ANNOUNCEMENT – 31 DECEMBER 2001

Sydney, 13 February 2002

Results

The Commonwealth Bank today announced a net profit after income tax of \$1,204 million, for the half year ended 31 December 2001. On a 'cash' basis, that is excluding goodwill amortisation and appraisal value uplift, the net profit was \$1,192 million, an increase of 7% over the previous comparable period. The Directors declared an interim dividend of 68 cents per share, fully franked.

The Managing Director, Mr David Murray commented, "This is a good result achieved in a challenging operating environment. In addition to growing earnings, the underlying performance reflects the delivery of Colonial acquisition benefits and solid progress in banking and funds management businesses. Insurance returns were subdued".

The contribution from the banking business increased by 11% over the previous comparable period as a result of steady growth in net interest earnings and other banking income, and greater focus on managing operating costs. In line with the deterioration in the credit market, the charge for bad and doubtful debts increased by 59%, reflecting the provisioning required against two large corporate exposures.

Housing loan balances (including securitisation) grew strongly, increasing by 12% to over \$85 billion. This result was achieved through the implementation of several targeted campaigns and buoyant market conditions generally.

The funds management businesses performed well, delivering a 23% increase in after tax earnings to \$96m for the half year. Funds under management grew by \$5 billion to \$106 billion over the half year. Mr Murray said, "This is an excellent result with strong volume growth, particularly in the Australian business, achieved despite difficult economic conditions, uncertain equity markets and lower inflows immediately following September 11. The diversity of the Bank's funds management product offering was demonstrated through the change in the mix of business products as investors switched from equity style products into cash and fixed interest funds".

The life and superannuation businesses earned an after tax profit of \$121 million. Operating margins in Australia increased as a result of stronger sales of retirement

products, stable claims expense and continuing achievement of merger integration synergies. Offsetting this were low investment returns, and a weaker performance from the New Zealand and Asian life insurance businesses.

Return on equity (cash basis) for the half year increased from 12.47% to 13.13% compared with the previous comparable period. Earnings per share (cash basis) for the same period and on the same comparable basis increased by 6 cents to 94 cents.

Strategic Initiatives

The Bank's domestic strategic focus over the last half year has continued to be on customising service, wealth management and productivity improvement. The Bank announced a new organisational structure in December to create vertically integrated businesses, aligning product development and service delivery to customer segments. Mr Murray explained that the new structure better reflects the current business mix, provides an improved focus on delivering customised wealth management solutions and enables the Bank to better meet the needs of all customers. The creation of a Premium Financial Services division positions the Bank to better serve customers with complex needs through the provision of customised products and services. At the same time, the Bank has streamlined its products to enable it to continue to provide all customers with efficient and accessible transaction banking.

Environmental and Community Support

The Bank is a longstanding supporter of a broad range of community activities and organisations, and provider of educational support to promote greater financial understanding.

The Bank regards environmental management as a fundamental aspect of sound business management, and, to this end, endeavours to make efficient use of energy, water, paper and procurement of materials. This program is being implemented through voluntary commitments such as the Australian Greenhouse Challenge Program to reduce greenhouse emissions in the Bank's operations.

The Bank has played a long-standing role in community and environmentally-based activities. It has today announced a three-year partnership with Conservation Volunteers Australia which will engage the community, including Bank staff, through voluntary participation in 300 habitat preservation projects over a three year period.

The Bank's commitment to providing educational support has been further strengthened through the announcement of a financial education website 'Dollars and Sense' aimed at the 14-21 age group. The website is designed to help teenagers and young adults develop essential financial life skills and give them the confidence to manage money and achieve their financial goals.

Outlook

The Australian economy recorded solid growth last year despite the very weak international economic environment. Current indications are that the Australian economy will continue to grow at a healthy rate in 2002. The outlook for the international economy has improved with economic activity in the United States in particular appearing to be stabilising. Domestically, while the impetus to growth from the residential construction sector will fade over the course of 2002, gains in consumer spending and business investment should support economic activity. Against this background, interest rates are likely to remain steady in the immediate future.

Mr Murray said, "The Bank expects to achieve double digit earnings per share growth for the 2001/2002 financial year subject to current trends in bad debt expense and life business investment earnings being maintained".

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

Performance Summary

Key aspects of the results:

Net Profit From Ordinary Activities After Tax	\$1,204 million
Net Profit After Tax ¹	\$1,192 million
Banking: Net Profit After Tax ¹	\$975 million
Funds Management: Net Profit After Tax ¹	\$96 million
Life Insurance: Net Profit After Tax ¹	\$121 million
Total assets held and Funds Under Management	\$320 billion
Interim dividend	68 cents per share

Key Performance Measures and Comparison to Previous Comparable Period:

Net Profit From Ordinary Activities After Tax	\$1,204 million	Up 6%
Net Profit After Tax ¹	\$1,192 million	Up 7%
Return on Equity ¹	13.13%	Up from 12.47%
Earnings per Share ¹	94 cents	Up 6 cents
Lending Assets net of securitisation	\$155 billion	Up 5%
Funds Under Management	\$106 billion	Up 15%
- Retail	\$35 billion	Up 20%
- Wholesale	\$45 billion	Up 9%
- Life Insurance	\$26 billion	Up 16%
Banking Cost Income Ratio	54.2%	Down from 58.1%
Risk Weighted Capital Ratio	9.31%	Down from 9.37%
Tier 1 Ratio	6.75%	Up from 6.71%
Banking Margin ²	3.56%	Down 4 basis points

¹ 'Cash' basis, that is, before goodwill amortisation and appraisal value uplift

² Return on assets used in the banking business