



**Commonwealth** Bank

## **COMMONWEALTH BANK GROUP HALF YEAR RESULTS ANNOUNCEMENT - 31 DECEMBER 2000**

**Sydney, 13 February 2001**

### **Results**

The Commonwealth Bank Group today announced a net operating profit of \$1,135 million after tax for the half year ended 31 December 2000. Excluding goodwill and appraisal value uplift, the profit after tax was \$1,109 million. Directors declared an interim dividend of 61 cents per share, fully franked.

The result, which includes the Colonial Group for the full period, represents an increase of 8% over the previous comparable period.<sup>1</sup> The result was achieved against the background of a continued competitive environment, increasing sharemarket volatility and heightened uncertainty in the economic outlook.

Managing Director and CEO, Mr David Murray, commented that the result reflected sound banking business performance and strong volumes in funds under management. The Group has the leading Australian market position in most retail financial services products and is Australia's largest fund manager with \$79 billion in funds under management.

Mr Murray advised that the integration with Colonial is proceeding according to plan, and this progress is expected to be maintained. Colonial customers are now able to carry out banking transactions at Commonwealth Bank branches.

Mr Murray said, "The integration is being managed very closely. The combined operations of Commonwealth and Colonial position the Group as a leader across a diverse range of markets in the Australian financial services sector and this offers the opportunity to achieve further revenue growth and productivity improvements."

Cost growth broadly reflects increased volumes, new businesses and wage increases. While the focus on the integration has precluded any major process re-engineering in other areas, a range of technology initiatives are now moving to implementation.

### **Capital Management**

An off-market buy back of up to \$700 million is planned for March 2001, along with an issue of Tier 1 capital "PERLS" (Preferred Exchangeable Resettable Listed Shares) for a similar amount. The ultimate size of the buy back will depend on the take-up of PERLS by investors. The Bank's current on-market share buy back has been deferred until completion of the off-market buy back.

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<sup>1</sup> Comparisons are on a proforma basis i.e. results for the half-year ended 31 December 1999 as if Commonwealth Bank and Colonial had been a combined entity at that time.

## **Offshore Activities**

The Group has operations throughout Asia, the South Pacific, Europe and the United States. The offshore operations largely concentrate on institutional banking, insurance and managed funds businesses.

In light of a more uncertain economic outlook, offshore growth will be undertaken on a selective basis.

## **Ongoing Operations**

Mr Murray highlighted the Group's commitment to enhancing its customer service. A comprehensive revision of customer service standards has been completed. Performance will be measured against these standards, with the outcome affecting remuneration across the Group. The standards will be reviewed regularly to ensure they meet changing expectations of customers.

Services such as EzyBanking and NetBank are being adopted by customers looking for more convenient banking alternatives. The Group has relationships with more than one million online customers through NetBank, ComSec and online business banking services. In excess of 250,000 account holders had signed up for EzyBanking at 31 December 2000, attracted by unique EzyBanking features such as 55 free transactions per month and EzyRewards on debit and credit cards. More than 35% of these account holders are new to the Group.

The Group's banking margin (net interest income and other banking income, divided by average total banking assets) has steadily declined over the last four years, reflecting 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.

## **Outlook**

Mr Murray expressed some concern for the economic outlook. He commented, "A number of economic indicators suggest that the levels of economic growth will be significantly slower than in recent years, increasing the level of risk, not only for the Group but for the Australian business environment more generally.

"However, provided that the economic environment does not deteriorate more than anticipated, and with continued progress on the Colonial integration, the current rate of profit growth for the Group is expected to be maintained during the second half."

Looking forward, the Group will continue to closely manage the integration with Colonial, aim for focussed growth in a tougher economic environment and concentrate on improved customer service.

(ENDS)

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For copies of the Profit Announcement and the assurances given at the time of the merger with Colonial, visit the Group's website at [www.commbank.com.au](http://www.commbank.com.au).

General enquiries relating to the buy-back and issue of PERLS can be made on 1 800 242 300 or by visiting the Group's website at [www.commbank.com.au](http://www.commbank.com.au).

**Key aspects of the results:**

- Operating Profit after tax \$1,135 million
- Banking: Operating Profit after tax \$875 million
- Life Insurance: Operating Profit after tax \$156 million
- Funds Management: Operating Profit after tax \$78 million
- Total assets held and Funds Under Management \$302 billion
- **Interim dividend 61 cents per share**

**Key Performance Measures<sup>1</sup>:**

Net Profit After Tax	\$1,135 million	Up 8%
Net Profit After Tax (Cash Basis)	\$1,109 million	Up 7%
Return on equity (Cash Basis)	12.47%	Up from 12.44%
Earnings per share (Cash Basis)	88 cents	Down 2 cents
Lending assets <sup>2</sup>	\$152 billion	Up 8%
Funds under management	\$79 billion	Up 32%
- Retail	\$29 billion	Up 45%
- Wholesale	\$50 billion	Up 25%
Cost income ratio	58.7%	Up from 55.9%
Risk weighted capital ratio	9.37%	n/a
Tier 1 ratio	6.71%	n/a

<sup>1</sup> Comparisons to 31 December 1999 pro forma combination of Commonwealth Bank and Colonial Limited, except for Earnings Per Share where comparison is to actual December 1999.

<sup>2</sup> Includes securitisation of \$4.7 billion