Commonwealth Bank
Commonwealth Bank of Australia
ACN 123 123 124

Profit Announcement For the half year ended 31 December 2001

Results have been subject to an independent review by the external auditors.
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This Profit Announcement is available on the Internet at:
www.commbank.com.au

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Financial Highlights

(Except where otherwise stated, all figures relate to the half year ended 31 December 2001 and comparatives for the profit and loss are to the half year ended 31 December 2000. The term "prior comparative period" refers to the six months ended 31 December 2000. Comparisons on balance sheet are to 30 June 2001 unless otherwise stated.)

For the half year ended 31 December 2001, the Commonwealth Bank Group recorded a net profit after income tax of $1,204 million, up 6% on the prior comparative period.

The net profit from ordinary activities ('cash basis')[1] for the half year ended 31 December 2001 after tax, and before goodwill amortisation and appraisal value uplift is $1,192 million. This is an increase of $83 million or 7% over the half year ended 31 December 2000.

A fully franked dividend of 68 cents per ordinary share will be paid on 28 March 2002 to owners of ordinary shares at the close of business on 22 February 2002.

On a cash basis, the dividend payout ratio for the half year is 72.6% up from 69.7% for the prior comparative period.

The Group result comprised:

	$M	% on 31/12/00
Segment profit after tax		
- Banking	975	up 11%
- Funds Management	96	up 23%
- Life Insurance	121	down 22%
Net profit from ordinary activities after tax and before goodwill amortisation and appraisal value uplift	1,192	up 7%

Banking

The contribution to profit after tax from the Group's banking businesses increased to $975 million, 11% over the prior comparative period, reflecting:

- Net interest income growth of $128 million or 6%, which was achieved through a 7% growth in average interest earning assets compared with the prior period and only a slight decline in net interest margin to 2.77% despite 3 reductions in the official (cash) interest rate over the period.
- Other banking income growth of $82 million or 7%, notwithstanding a reduction in lending fees as a result of discount linked home loan establishment fee offers. The increase was primarily driven from increased volume of transactions, in particular credit cards and increased financial markets trading income.
- Expenses were reduced slightly from the prior period levels with the banking cost to income ratio lower by 3.9 percentage points over the prior comparative period.
- Bad debt expense increased by $108 million to $290 million mainly due to specific provisions required against two large corporate exposures.

Funds Management

The contribution to profit after tax from the Group's funds management businesses increased to $96 million, 23% over the prior comparative period. This result reflects continued strong performance within the Australian business with net inflows for the period particularly good in a difficult economic environment.

Total FUM grew by $13 billion to $106 billion over the prior comparative period. This growth was driven by strong inflows particularly in the Australian market, offset by declines due to investment markets, particularly in the off-shore businesses. The increased FUM balances contributed to the 19% increase in revenue over the period. The increased cost base reflects:

- increased staff numbers in Australia to manage increased volumes.
- the inclusion of two strategic investments from 1 January 2001 and project costs associated with both new products launched in the period and developments currently in progress; and
- increased costs in the UK as part of the continuing development of the business.

Life Insurance

Operating margins in Australia improved $20 million or 22% to $112 million over the prior comparative period. This result reflects integration expense savings and improved experience, particularly in mortality and disability claims. Margins in New Zealand and Asia reduced by $27 million over the prior comparative period due to poor persistency and expense overruns in Hong Kong and increased disability claims in New Zealand.

Investment returns in the prior comparative period included $47 million from the transfer of certain strategic investments in the life insurance business. Excluding this item, investment returns on shareholder's funds increased $15 million to $36 million for the current period.

Group Expenses

Operating expenses across the Group were marginally higher than the prior comparative period levels at $2,594 million. The merger of the Colonial and Commonwealth Group businesses realised approximately $150 million of additional expense savings in the current half year, which have been offset by volume based and other expense increases. As the life business cost to income ratio is distorted by movements in policyholder tax and investment earnings, a "normalised" ratio has been determined by using a long term assumed rate of 8% pre tax return on shareholders funds, and excluding policyholder tax. On this basis the Group cost to income ratio has decreased by 3.0 percentage points to 56.6% for the half year.

Income Tax

Income tax expense has reduced by $25 million to $469 million, 5% less than the prior comparative period. Of this reduction, $13 million relates to tax on behalf of life insurance policyholders due to lower investment returns in Australia. The balance of $12 million primarily results from the 4 percentage points reduction in the corporate tax rate to 30% offset by a reduction in rebateable dividends and non allowable losses for offshore expenses.

The components of the segment results are detailed below:

Banking[2]	$M	% on 31/12/00
Total operating income	3,627	up 6%
Net interest income	2,349	up 6%
Other operating income	1,278	up 7%
Operating expenses	1,965	down 1%
Bad debt charge	290	up 59%
Income tax expense	396	up 9%
Profit after tax	975	up 11%
Net interest margin	2.77%	down 2 basis points
Lending assets	**$B**	
(net of securitisation) [3]	155	up 5%
Average interest earning assets	168	up 7%
Funds Management	**$M**	
Operating income [4]	404	up 19%
Operating expenses	276	up 23%
Income tax expense	32	down 16%
Profit after tax	96	up 23%
	$B	
Funds under management [5]	106	up 15%
- Retail	35	up 20%
- Wholesale	45	up 9%
- Life insurance	26	up 16%
Life Insurance	**$M**	
Operating margin		
- Australia	112	up 22%
- Asia and New Zealand	(27)	down $27m
Investment earnings on assets in excess of policyholder liabilities	36	down 47%
Profit after tax	121	down 22%
	$B	
Life insurance assets	37	up 10%

Financial Highlights

Appraisal Value Uplift[6]

For the half year ended 31 December 2001, appraisal values of the life insurance and funds management businesses increased by $625 million. Of the increase, $217 million comprised net profit of the businesses, $174 million represented the appraisal value uplift and the balance of $234 million represented the net capital movements and disposals of business.

(1) 'Cash basis' for the purpose of this performance summary is defined as net profit after tax and outside equity interest, before goodwill amortisation and life insurance and funds management appraisal value uplift.
(2) Includes General Insurance.
(3) Net of loans securitised of $5,705 million ($6,773 million at 30 June 2001 and $4,704 million at 31 December 2001).
(4) Includes internal income.
(5) Includes internal and external FUM.
(6) 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'.

Goodwill Amortisation

The goodwill amortisation charged in determining the result for the half year was $162 million.

Key Performance Measures

		On 31/12/00
Return on equity (statutory)	13.27	up 0.51 percentage points
Return on equity (cash basis)	13.13	up 0.66 percentage points
Earnings per share (cents) (statutory)	95	up 5 cents
Earnings per share (cents) (cash basis)	94	up 6 cents
Total assets held and funds under management	$320bn	up 9%

The purchase of Colonial resulted in an initial dilution of EPS (cash basis). With the major integration milestones now achieved the EPS has begun to increase as the impact of synergies are reflected in earnings.

Integration of Colonial

The majority of the integration work was completed prior to 30 June 2001, including the amalgamation of the Colonial branch network with the Commonwealth Bank. Total expense synergies realised within the result for the year to 30 June 2001 were $120 million, with $20 million achieved in the half year to 31 December 2000 and $100 million achieved in the second half. Of this amount, 85% related to the banking business and 15% related to the life insurance business. In the current half year, synergies realised have amounted to $150 million which is an increase of $130 million over the prior comparative period, and a $50 million increase over the June half year.

The current forecast of the annualised synergies arising from the integration of the Colonial businesses into the Group remains at $450 million of which $380 million is cost synergies and $70 million is revenue synergies.

Based on performance to 31 December 2001, annualised cost synergies amount to $320 million. The remaining annualised cost synergies of $60 million per year are expected to be achieved through the finalisation of technology and property portfolios during the next year. In addition, the amalgamation of the Colonial and Commonwealth Life Insurance and Funds Management businesses into the Investment and Insurance Services division is expected to achieve productivity improvements.

Of the expected annualised revenue synergies of $70m, $45 million (annualised) has been achieved to date. The remaining synergies are expected to be achieved through funding and cross sell initiatives implemented over the next year.

Included within the synergies achieved to 30 June 2001 were revenue and cost synergies of $35 million within the life and funds management business. The effect of these was recognised through the appraisal value as at 30 June 2001 and adjusted directly against unamortised goodwill. For the half year to 31 December 2001, no additional synergies have been realised within the valuation of the life and funds management business, pending implementation of the recently announced restructure.

Group Performance Summary

	Half Year Ended 31/12/01 $M	30/06/01 $M	31/12/00 $M	31/12/01 vs 31/12/00 %
Profit from ordinary activities after tax (statutory)	**1,204**	**1,263**	**1,135**	**6**
Profit from ordinary activities after tax ('cash basis [1] ')	**1,192**	**1,153**	**1,109**	**7**
Income				
Interest income	5,369	5,876	6,024	(11)
Interest expense	3,020	3,623	3,803	(21)
Net interest income	**2,349**	**2,253**	**2,221**	**6**
Other banking operating income	1,278	1,185	1,196	7
Total banking income	**3,627**	**3,438**	**3,417**	**6**
Life insurance income [2]	529	624	644	(18)
Funds management income	390	381	320	22
Total Income	**4,546**	**4,443**	**4,381**	**4**
Expenses				
Operating expenses	2,594	2,585	2,585	-
Charge for bad and doubtful debts	290	203	182	59
Total Expenses	**2,884**	**2,788**	**2,767**	**4**
Profit from ordinary activities before goodwill amortisation, appraisal value uplift and income tax	**1,662**	**1,655**	**1,614**	**3**
Income tax expense [2]	469	499	494	(5)
Profit from ordinary activities after income tax	**1,193**	**1,156**	**1,120**	**7**
Outside equity interests	(1)	(3)	(11)	(91)
Profit from ordinary activities after income tax and before goodwill amortisation and appraisal value uplift	**1,192**	**1,153**	**1,109**	**7**
Appraisal value uplift	174	285	189	(8)
Goodwill amortisation	(162)	(175)	(163)	(1)
Net profit after income tax attributable to shareholders of the Bank	**1,204**	**1,263**	**1,135**	**6**
Contributions to profit (after tax)				
Banking	975	918	875	11
Life insurance	121	164	156	(22)
Funds management	96	71	78	23
Profit after tax from ordinary activities ('cash basis [1] ')	**1,192**	**1,153**	**1,109**	**7**
Goodwill amortisation	(162)	(175)	(163)	(1)
Appraisal value uplift	174	285	189	(8)
Net profit after income tax attributable to shareholders of the Bank	**1,204**	**1,263**	**1,135**	**6**

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

(2) Included within life insurance income is $25 million relating to policyholder income (31 December 2000: $38 million; 30 June 2001: $56 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	31/12/01 $M	30/06/01 $M	31/12/00 $M	31/12/01 vs 31/12/00 %
Balance Sheet - Summary				
Total Assets	**239,653**	230,411	223,325	7
Total Liabilities	**219,249**	210,563	203,864	8
Shareholders' Equity	**20,404**	**19,848**	**19,461**	**5**
Assets held and Funds under management				
On Balance Sheet				
Banking assets	**200,573**	191,333	187,278	7
Life insurance funds under management	**26,199**	24,527	22,506	16
Other life insurance and funds management assets	**12,881**	14,551	13,541	(5)
	239,653	**230,411**	**223,325**	**7**
Off Balance Sheet				
Funds under management	**80,103**	76,954	70,183	14
	319,756	**307,365**	**293,508**	**9**
Banking Assets	**200,573**	191,333	187,278	7
Life insurance and funds management assets	**39,080**	39,078	36,047	8
External funds under management	**80,103**	76,954	70,183	14
	319,756	**307,365**	**293,508**	**9**

	Half Year Ended			31/12/01
	31/12/01	**30/06/01**	**31/12/00**	**vs 31/12/00 %**
Shareholder Summary				
Dividends per share (cents) - fully franked	**68**	75	61	11
Dividends provided for, reserved or paid ($million)	**870**	947	773	13
Dividend cover (times) - statutory	**1.4**	1.3	1.5	(7)
Dividend cover (times) - cash	**1.4**	1.2	1.4	-
Earnings per share (cents) [(1)]				
(basic & fully diluted)				
statutory [(4)]	**95**	100	90	
cash basis [(3)] [(4)]	**94**	91	88	
Dividend payout ratio (%) [(2)]				
statutory	**71.8**	74.4	68.1	
cash basis [(3)]	**72.6**	81.6	69.7	
Net tangible assets per share ($)	**10.51**	10.19	9.41	
Weighted average number of shares (basic)	**1,248m**	1,256m	1,264m	
Shares at end of period	**1,253m**	1,244m	1,267m	
Number of shareholders	**728,768**	709,647	735,492	
Share prices for the period ($)				
Trading high	**33.60**	34.15	32.36	
Trading low	**24.75**	26.18	26.18	
End (closing price)	**29.94**	34.15	30.90	

(1) Calculated in accordance with the revised AASB 1027: Earnings per Share applicable 1 July 2001.
(2) Dividends paid divided by earnings.
(3) 'Cash basis' for the purpose of this performance summary is defined as net profit after tax and before goodwill amortisation and life insurance and funds management appraisal value uplift. Earnings are net of dividends on preference shares of $18 million.
(4) The Earnings per share for the June 2001 half year was affected by the impact of a large increase in the appraisal value uplift, particularly in the funds management business. The earnings per share on a cash basis is not impacted by appraisal value uplift.

Group Performance Summary

	Half Year Ended		
	31/12/01 %	30/06/01 %	31/12/00 %
Performance Ratios (%)			
Return on average shareholders' equity [1]			
statutory	**13.27**	14.26	12.76
cash basis	**13.13**	13.10	12.47
Return on average total assets [2]			
statutory	**1.02**	1.12	1.02
cash basis	**1.01**	1.02	1.00
Capital adequacy - Tier 1	**6.75**	6.51	6.71
Capital adequacy - Tier 2	**4.27**	4.18	4.37
Deductions	**(1.71)**	(1.53)	(1.71)
Capital adequacy - Total	**9.31**	9.16	9.37
Productivity			
Cost to total average assets ratio	**2.19**	2.30	2.32
Cost to assets held and funds under management	**1.64**	1.73	1.78
Staff expense/Total operating income	**26.73**	26.27	27.22
Total operating income per FTE	**$132,674**	$126,504	$122,284
Other Information (numbers)			
Full time staff	**30,446**	31,976	33,016
Part time staff	**7,623**	7,161	7,190
Full time staff equivalent	**34,265**	34,960	35,993

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

(2) Based on profit from ordinary activities after tax and outside equity interest. Averages are based on beginning and end of period balances.

Cost to Income Ratios

The life insurance and hence Group cost to income ratios can be distorted by movements in investment markets from period to period. Further, the life insurance result incurs added volatility from the inclusion of policyholder tax in the life insurance income line as explained in the Life Insurance – Business Analysis on page 22.

To provide a more relevant presentation of the underlying cost performance of the life insurance business and remove volatility from the Group cost to income ratio, a “normalised” ratio has been determined. The normalised ratio excludes policy holder tax from the life insurance income line and substitutes an assumed long term 8% pre tax return on shareholders funds for actual investment returns on shareholders funds.

	31/12/01 %	30/06/01 %	31/12/00 %
Cost to Income Ratio			
Banking	**54.2**	57.4	58.1
Funds Management	**68.3**	68.2	65.9
Life Insurance	**69.4**	57.4	61.5
Life Insurance (normalised)	**64.7**	61.7	66.3
Group	**57.1**	58.2	59.0
Group (normalised)	**56.6**	58.8	59.6

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.

On 20 December 2001 the Group announced an organisational restructure to become effective by the end of February 2002. The new structure creates four new business divisions designed to align product development and service delivery more fully with the Bank's customer segments. The new businesses are:

- Retail Banking Services – incorporating personal and small business customers.
- Premium Financial Services – incorporating the Group's existing wealth management businesses with a focus on personal customers with more complex financial needs.
- Investment and Insurance Services – incorporating the Group's funds management, master funds, superannuation and insurance business.
- Institutional Banking Services – incorporating institutional, corporate and middle market business customers.

Strategic Initiatives

The strategic vision of the Group is to help customers manage and build wealth. The financial goal is to deliver total shareholder returns in the top quartile of Australian listed peers.

To better service the needs of our customers and meet the changing nature of financial services, the Group's strategic focus is in three key areas designed to grow earnings and drive productivity over the long term:

- Customisation and delivery of banking services. Group initiatives centre around increasing the breadth of service to personal customers with complex needs through premium banking services, and more efficient transaction products and services to customers whose relationship is mainly transactional.
- The development and design of customised wealth management products providing long term financial solutions for our customers. Delivery of products through both proprietary and third party networks is an essential component of this and will reinforce the Group's high brand recognition.
- Significantly improved productivity outcomes across the Group. This is being addressed through the acceleration of strategic initiatives and reduction of costs. A range of business redesign programmes have been implemented to streamline and automate processes, reduce unit costs and enhance customer service levels. Enhancing the Group's online capability is a key component of the programmes. An organisational review will remove unnecessary processing and facilitate faster, more responsive decision making, and a new structure will improve the organisational design.

The organisational restructure announced in December 2001 was undertaken to create vertically integrated businesses that align product development and service delivery to customer segments. The new structure, operational by the end of February 2002, complements the Group's greater strategic focus on wealth management and better positions it to meet the needs of all customers. The grouping together of manufacturing activities and services relevant to particular customer segments ensures greater clarity and focus, removes service and distribution resource overlaps and achieves improved efficiencies.

Outlook Statement

The recently announced organisational restructure positions the Group well to capture an increasing share of the wealth management market and customise service to each of its customer groups. Additionally, efficiency measures implemented mid 2001 will augment earnings in the second half.

Directors expect to achieve double digit EPS growth for 2001/2002 subject to :

- The effects of any large impaired loan exposures that may emerge in this adverse phase of the credit cycle.
- The impact of equity markets on returns on life insurance shareholder funds.

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

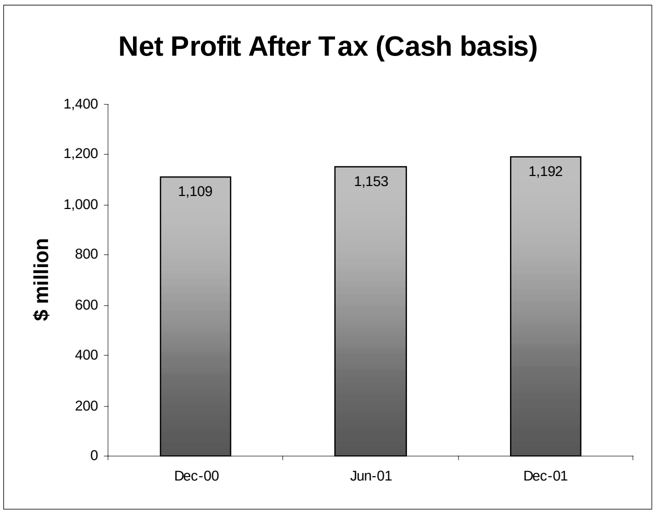
- Rate of business growth;
- Capital adequacy;
- Investment requirements;
- The cyclical nature of life insurance investment returns and expectations of long term investment returns; and
- A range of other factors.

Subject to these factors, the group will continue to maintain a high payout ratio relative to its peers. The dividend payout ratio for the half year was 72.6% on a cash basis.

Main Financial Indicators

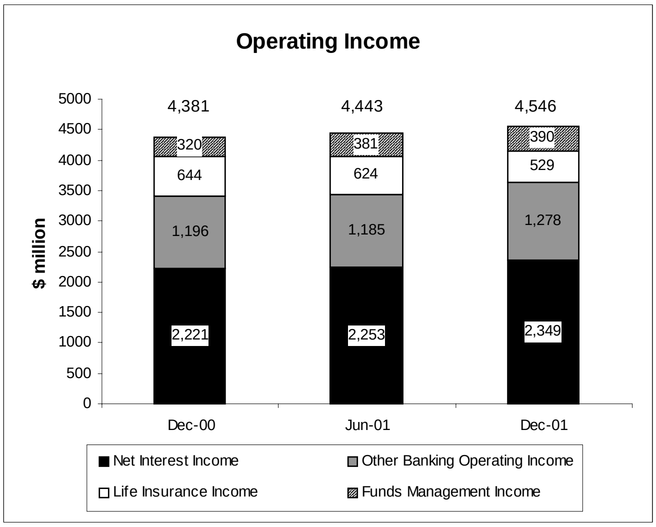
Net Profit After Tax (Cash basis)

- The Group recorded a net profit after tax before goodwill amortisation and appraisal value uplift for the half year of $1,192 million. This result represents a 7% increase over the half year ended 31 December 2000.



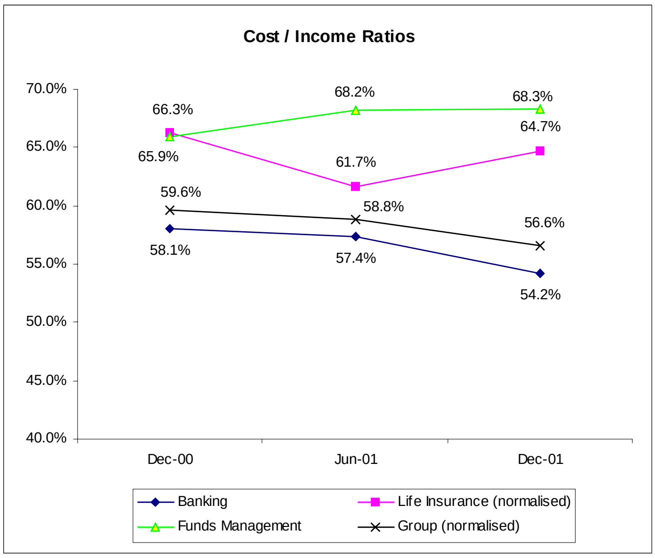
Operating Income

- Total operating income for the half year was $4,546 million (31 December 2000: $4,381 million).
- Net interest income of $2,349 million represents an increase of 6% over the prior comparative period.
- Other banking operating income of $1,278 million, represents an increase of 7% over the prior comparative period.
- External funds management income of $390 million (before $14 million of internal income) represents an increase of 22% over the prior comparative period.
- Life insurance income of $529 million represents a decline of 18% over the prior comparative period, primarily due to lower investment returns.



Cost Ratios

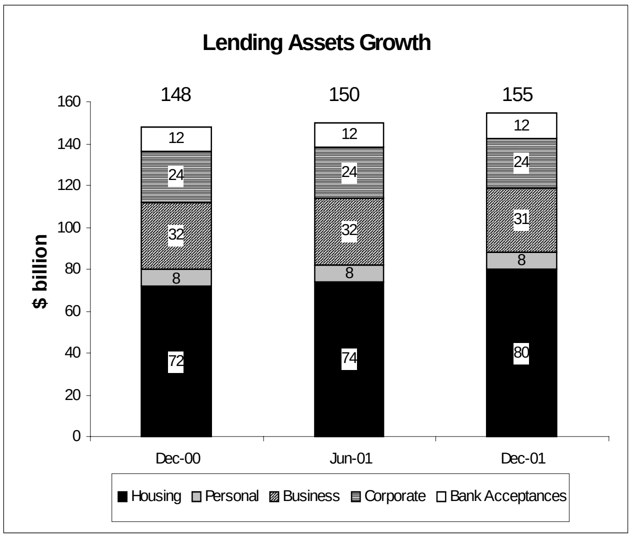
- The Banking cost to income ratio has declined from 58.1% for the half year ended 31 December 2000 to 54.2% for the current half year.
- The funds management cost to income ratio has increased from 65.9% in the half year ended 31 December 2000 to 68.3% for the current half year. The increase is associated with increased business volumes, new fund establishment costs and a reduced contribution to income from investment markets.
- The life insurance cost to income ratio on a normalised basis has decreased from 66.3% for the half year ended 31 December 2000 to 64.7% for the current half year.
- The Group cost to income ratio on a normalised basis has decreased by 3.0 percentage points from 59.6% at 31 December 2000 to 56.6% at 31 December 2001.



Main Financial Indicators

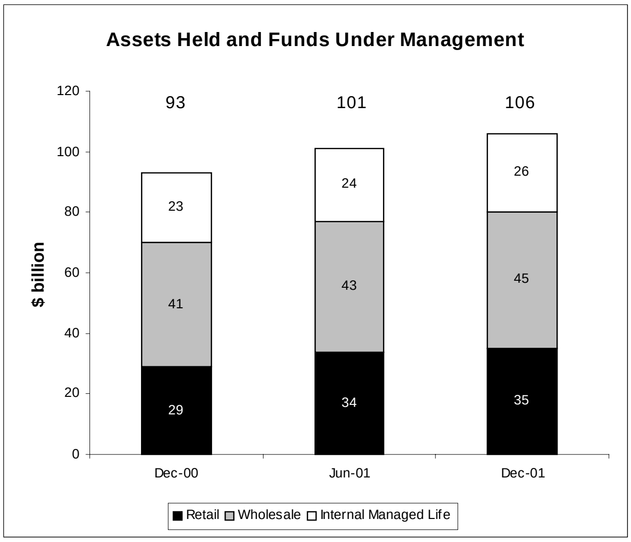
Lending Assets Growth

Lending assets spot balances (net of securitisation) have increased by $7 billion or 5% over the prior comparative period. The majority of this growth has been achieved in housing which increased $6 billion or 8% over 30 June 2001 and $8 billion or 12% over the prior comparative period. This reflects improved market conditions and the effect of Group strategic initiatives. Other lending categories have remained flat with a slight increase in corporate lending offset by a fall in business lending reflecting the subdued business credit markets.



Funds Under Management

- Total funds under management (FUM) at 31 December 2001 increased by $5 billion or 5% over 30 June 2001 to $106 billion. Total FUM consists of $80 billion in external FUM and $26 billion in FUM managed on behalf of the life insurance business (Refer table on page 20). The FUM balances were impacted by strong net inflows, offset by the impact of falling world equity markets.
- Retail FUM (including international funds) have increased by $1 billion to $35 billion.
- Wholesale FUM (including international funds), which includes assets managed within masterfund offerings have increased by $2 billion or 5% over the half year compared to 30 June 2001.
- The Group's custody business administers $75 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.

Main Financial Indicators

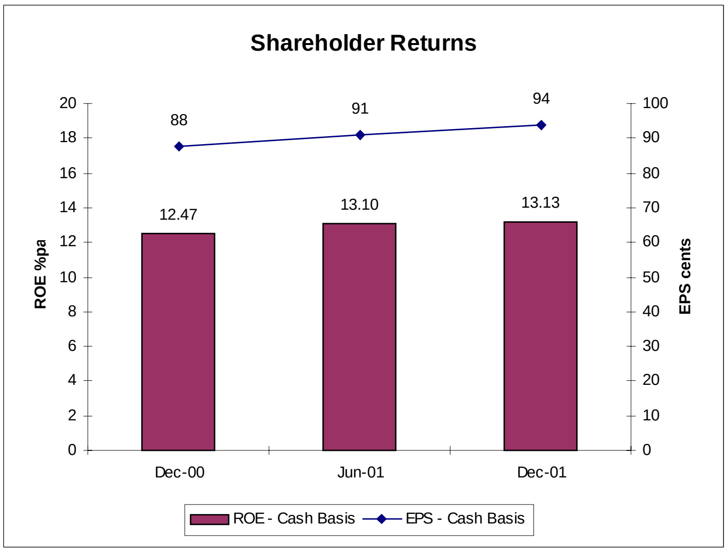
Shareholder Returns

Earnings Per Share – Cash Basis

Earnings per share is up 6 cents in the half year ended 31 December 2001 compared with the prior comparative period. The EPS was initially diluted as expected following the Colonial acquisition and is now increasing as earnings growth and the impact of synergies from the Colonial acquisition are realised.

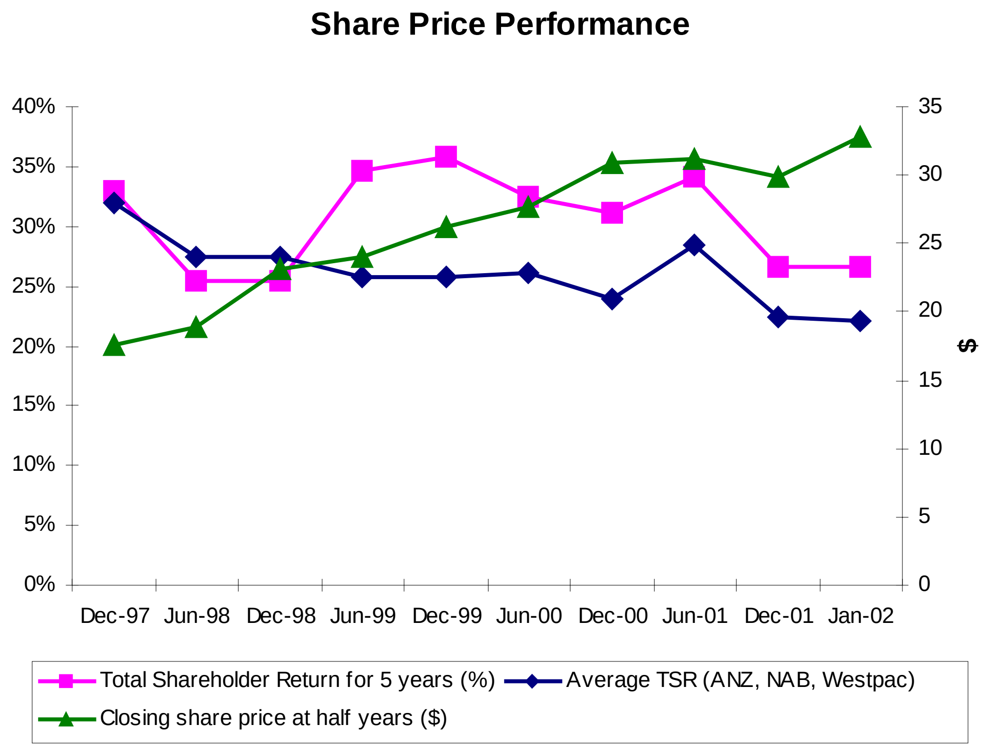
Return on Equity

- Return on equity (cash basis) for the half year ended 31 December 2001 has increased by 0.66 percentage points over the prior comparative period from 12.47% to 13.13%.
- Return on equity (statutory basis) for the half year ended 31 December 2001 has increased by 0.51 percentage points over the prior comparative period from 12.76% to 13.27%.



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 31 December 2001 is 26.6%.



Banking Performance Summary

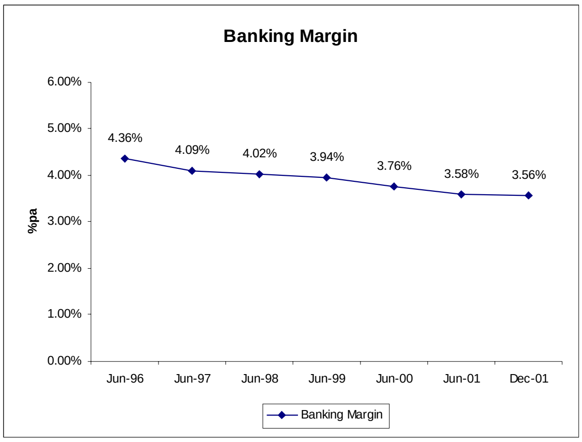
The contribution from the Group's banking business has increased 11% over the prior comparative period to $975 million, with net interest earnings increasing by 6% to $2,349 million and other banking income increasing by 7% to $1,278 million. Average interest earning assets have increased by 7% over the prior comparative period to $168 billion. Expenses were held below prior period levels, resulting in a 16% increase in underlying profit to $1,662 million. This growth has been partly offset by a $108 million increase in the provision for bad and doubtful debts together with an increase in income tax expense associated with non allowable overseas expenses.

	Half Year Ended			
Profit Summary	**31/12/01 $M**	**30/06/01 $M**	**31/12/00 $M**	**31/12/01 vs 31/12/00 %**
Underlying Profit (before bad debts and income tax expense)	**1,662**	1,465	1,432	16
Profit from ordinary activities after tax [(1)]	**975**	918	875	11
Lending Assets [(2)]	**155,284**	149,776	147,759	5
Average interest earning assets	**168,222**	163,363	157,897	7
Average interest bearing liabilities	**154,614**	148,531	143,466	8
Risk weighted assets	**138,271**	138,383	132,754	4
Net impaired assets	**674**	415	588	15
Performance Ratios (%)				
Net interest margin	**2.77**	2.78	2.79	(1)
General provision/Risk weighted assets	**0.96**	1.01	1.06	(9)
Total provisions/Gross Impaired assets (net of interest reserved)	**167.1**	251.6	199.5	(16)
Non-interest income/Total operating income	**35.2**	34.5	35.2	-
Cost to average assets ratio	**1.99**	2.10	2.11	(6)
Cost to income ratio	**54.2**	57.4	58.1	(7)
Other Information (numbers)				
Branches/service centres (Australia)	**1,045**	1,066	1,335	(22)
Agencies (Australia) [(5)]	**3,927**	3,928	4,060	(3)
ATMs [(6)]	**3,968**	3,910	4,089	(3)
EFTPOS terminals	**124,503**	122,074	120,469	3
EzyBanking sites	**725**	659	655	11

Banking Margin[(4)]

The ratio of total banking income to average total banking assets (including securitisation) has continued to decline, reducing from 4.36% at 30 June 1996 to 3.56% for the half year ended 31 December 2001. This reflects the decrease in net interest margins over this period, only being partly offset by increases in other sources of banking income, leading to a 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, cost efficiencies and realisation of integration synergies.



(1) Represents profit after tax and outside equity interest and before goodwill amortisation.
(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 $5.7 billion as at 31 December 2001 compared to $6.8 billion as at 30 June 2001 and $4.7 billion at 31 December 2000.
(3) The factors affecting the Group and banking cost to income ratio are discussed on page 25 of this profit announcement.
(4) Banking Margin represents total Banking income divided by total average Banking assets.
(5) Includes Australia Post and private agencies.
(6) Includes third party ATMs.

Banking Performance Summary

Major Balance Sheet Items

As at	31/12/01 $M	30/06/01 $M	31/12/00 $M	31/12/01 vs 31/12/00 %
Loans, advances and other receivables [(1)]				
Gross Housing	**85,450**	80,284	76,209	12
Securitisation	**(5,705)**	(6,773)	(4,704)	21
Housing (net of securitisation)	**79,745**	73,511	71,505	12
Personal	**8,105**	7,768	8,125	-
Business	**30,974**	32,224	32,638	(5)
Corporate	**24,595**	24,198	23,876	3
Bank acceptances	**11,865**	12,075	11,615	2
Total lending assets	**155,284**	149,776	147,759	5
Trading securities				
Corporate	**7,080**	6,909	8,522	(17)
Deposits and other public borrowings				
Personal	**62,783**	58,620	60,205	4
Business	**17,835**	16,351	14,835	20
Corporate	**45,576**	42,384	36,936	23
	126,194	117,355	111,976	13
Debt issues				
Corporate	**24,751**	24,484	28,377	(13)

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

(1) Loan balances are before provisions for impairment.

	Half Year Ended			
Profit Summary	**31/12/01 $M**	**30/06/01 $M**	**31/12/00 $M**	**31/12/01 vs 31/12/00 %**
Interest income	5,369	5,876	6,024	(11)
Interest expense	3,020	3,623	3,803	(21)
Net interest income	**2,349**	**2,253**	**2,221**	**6**
Other operating income	1,278	1,185	1,196	7
Total operating income	**3,627**	**3,438**	**3,417**	**6**
Operating expenses	1,965	1,973	1,985	(1)
Underlying profit	**1,662**	**1,465**	**1,432**	**16**
Charge for bad and doubtful debts	290	203	182	59
Profit from ordinary activities before goodwill amortisation and income tax	**1,372**	**1,262**	**1,250**	**10**
Income tax expense	396	341	364	9
Outside equity interests	1	3	11	(91)
Profit from ordinary activities after income tax, before goodwill amortisation	**975**	**918**	**875**	**11**

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

Banking - Business Analysis

(All figures relate to the half-year ended 31 December 2001. All comparisons are to the half year ended 31 December 2000 unless otherwise stated. Market share statistics represent Australian Operations.)

As shown in the Banking Performance Summary on page 12, total lending assets have grown by $7 billion to $155 billion over the prior half year to 31 December 2001. As at 31 December 2001, securitised home loan balances amounted to $5.7 billion, an increase of $1 billion over the prior half-year. Allowing for this, gross lending assets have increased by $9 billion or 6% since 31 December 2000. This growth has been achieved primarily through housing loans which have increased by $9 billion. Corporate lending balances have increased by $1 billion and Personal Lending balances have remained flat. Despite an increase in markets share, Business Lending balances have reduced by $2 billion reflecting the subdued business credit markets.

In a very competitive lending market combined with decreased levels of business confidence, the Group's market share position has stabilised in the major product groups over the half-year to 31 December 2001. An analysis of the key areas is detailed below.

Personal Products

Housing Loans

The Group's home loan outstandings, including securitisation, totalled $85 billion at 31 December 2001, a 12% increase over the prior comparative period.

Growth in home loans has been strong, with record levels of new business written in the half year as a result of specific campaigns undertaken and strong housing market conditions generally. This resulted in gross home loan balances increasing by $5 billion to $85 billion for the six months since 30 June 2001 compared to a $2.5 billion increase in the prior comparative period. The Group's market share of home loans during the half year was 20.2% at November 2001 compared with 20.4% at 30 June 2001. *(source: APRA Residentially Secured All Lenders)*.

Personal Lending

Personal Lending balances at 31 December 2001 amounted to $8 billion which is in line with the prior comparative period, however represents a 4% increase on 30 June 2001. The principal balances included within Personal Lending are credit card outstandings and personal loans.

Credit Cards

Credit card outstandings for the Group totalled just over $4.1 billion at 31 December 2001, a 8% increase from the balance of $3.8 billion at 30 June 2001.

The Group has maintained strong new cardholder account growth with the number of cardholder accounts increasing to 2.9 million in the six months to 31 December 2001. The number of merchants increased to over 150,000 with growth achieved through initiatives such as expanded Internet services to merchants. The Group's market share of Credit Card outstanding balances was 21.3% as at November 2001 compared to 21.4% at 30 June 2001*(Source: RBA)*.

Personal Loans

Personal loan outstandings for the Group totalled $3.7 billion at 31 December 2001 compared with $3.5 billion as at 30 June 2001.

Due to the growth in use of credit card and redraw facilities on home loan products the market for personal loans is declining. However, the Group continues to hold the largest share of the personal loan market with 21.6% as at December 2001 compared to 21.9% as at June 2001 *(Source: APRA All banks).*

Deposit Products

As at 31 December 2001, the Group's retail deposit base in Australia stood at approximately $63 billion, a 7% increase from 30 June 2001. The Group is the largest acceptor of retail deposits in Australia with a market share of 24.1% at December 2001 compared with 24.0% at June 2001 *(Source: APRA All banks)*.

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 from 652,000 to more than 700,000 for the six months to 31 December 2001. Over 82% of CommSec trades are now conducted online with the balance by telephone. Service and efficiency has been further improved over the half-year period with the launch of a mobile phone and e-mail alerts service initiative.

Business Products

Business Lending

At 31 December 2001, total Business Lending (excluding bank acceptances) amounted to $31 billion, a reduction of $1 billion over the half-year from 30 June 2001 and $2 billion over the prior comparative period reflecting the weak business confidence over the period. The Group market share of business lending at 30 September 2001 was 15.1%, up from 14.8% at 30 June 2001 (*Source: RBA*).

Corporate Products

Corporate Lending balances amounted to $25 billion at 31 December 2001, representing an increase of 3% or $1 billion over the prior comparative period. Corporate Deposits have increased by $3 billion to $46 billion at 31 December 2001 from 30 June 2001, an increase of 8% (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. From February 2002, CommSec will move to Premium Financial Services and investment management will move to Investment and Insurance Services and the remainder will be combined with middle market business customers to form the Institutional and Business Services division.

Financial Markets

Strong growth in the contribution of Financial Markets was achieved with Trading income up 23% due to increased client interest in foreign exchange and interest rate risk management, volatile market conditions in September and October and correct positioning of the trading books which benefited from the downward trend in global interest rates.

New developments during the half included the completion of a consumer oriented labelling programme with the Australian Greenhouse Office which saw the first Greenhouse Friendly Certification issued in November 2001, and the establishment of a Syndicate Desk to streamline primary markets deal execution and enhance product delivery through leveraging the capabilities of institutional based client groups.

The progress of eCommCorporate, the Group's online financial markets trading platform, has been significant with a 40% increase in customer numbers to over 1,400 in the half year since 30 June 2001. Transaction volumes have grown strongly with a corresponding expansion in the products offered to include Investment Bank Bills and Fixed Term Deposits.

Corporate Finance

Corporate Finance continues to develop and implement innovative financing structures to meet the needs of clients. Substantial transactions undertaken in the six months to 31 December 2001 include:

- Joint Lead Arranger of a limited recourse project finance facility for QCT Resources, one of the largest project finance resource transactions to occur in Australia.
- Joint Lead Arranger of a finance package to fund the buyout of Just Jeans by Catalyst Investment Managers.
- Joint Lead Arranger of a multi currency syndicated core debt facility for Amalgamated Holdings.
- Joint Lead Arranger and Underwriter of a syndicated merger finance facility for Brambles/GKN.

Banking - Business Analysis

- Joint Lead Underwriter of a syndicated facility for Natural Gas Corporation.
- Arranger of a total of $800 million of structured investments.

$7 billion of capital was raised for clients in the half-year to 31 December 2001 which represents 4% growth on that raised for the same period last financial year. Of this amount 39% was by originations, 41% financing by direct lending and the balance by syndicated loans.

Transaction Services

Transaction Services, which provides cash management solutions for clients through corporate accounts, payments and information services, experienced strong growth over the half year. Funds and transaction volumes have both increased as a result of growth in new business.

Commonwealth Custodial Services

Commonwealth Custodial Services continues to consolidate its position in the market with over $75 billion of assets under administration at 31 December 2001.

Customer Service

The Group operates the largest financial services distribution network in the country, with service provided to approximately 10 million personal and business account holders through a wide range of direct customer contact, self-service and third party channels.

Strategic emphasis is on better aligning sales and service to the needs of distinct customer segments by recognising that different types of service are required by different customer segments. This is reflected in the new organisational structure announced on 20 December 2001 (Refer page 8).

Direct contact service channels

Further reconfiguration of the branch and business banking centre networks was undertaken over the six months reflecting changing customer needs.

The branch network was reduced by 21 over the half year, from 1,066 at June 2001 to 1,045 at December 2001. This ongoing rationalisation of the branch network is being undertaken in line with customer demand and usage patterns.

To better meet the full financial services needs of customers, the Group's key objective is to broaden and deepen relationships with existing customers through a focus on cross-selling of related products and services wherever appropriate.

In implementing the Group's customised approach to service, a number of initiatives were undertaken in the half year including;

- The introduction of a Premium Banking service for high value personal customers from December 2001, providing relationship management services through 13 Premium Banking Centres nationally. Premium Banking customers will now be managed under the Premium Financial Services division created as part of the recent organisational restructure.
- To better meet the wealth management and wealth creation needs of customers, financial advisory staff have been grouped as either financial planners or investment consultants, with staff filling these roles required to satisfy well-defined accreditation/qualification levels.
- The role of some 700 personal lenders has been redefined to focus purely on sales, thereby complementing the Group's 184 mobile bankers to create a more effective home loan sales force. Additionally, new positions have been created to focus on after-sales service.
- The Group's direct customer contact network continues to be augmented by the alliance with Australia Post. Personal Banking services are available at 3,746 Australia Post agencies across the country, together with the expansion of transactional banking services for business clients to 119 Australia Post locations.

Electronic and Direct Banking

Customer usage of direct and self-service banking continues to grow. The total number of transactions performed in direct/electronic channels increased over the half year to December 2001, while branch teller transactions continued to decline. As a result, the proportion of total transactions carried out in-branch reduced from 15.6% to 15.2% in the six months to 31 December 2001. Over the half year, NetBank processed over 70 million transactions, up from 57 million in the previous half year.

Use of telephone banking services continues to grow with in excess of 62 million calls received during the current half year (up 11% on 30 June 2001), peaking at 2.9 million calls per week. Further development of the two new call centres established in Tasmania and Newcastle last financial year was undertaken.

ATM and EFTPOS usage continued to grow strongly in the six months to 31 December 2001, with total transactions up 13% and 24% respectively since June 2001. The group retains the largest proprietary ATM and EFTPOS terminal networks in the country (3,008 and 124,503 terminals respectively) and acquired the transactions of a further 960 third party ATMs. A major upgrade of the network was implemented with over 400 ATMs replaced to date and further replacements planned.

Woolworths EzyBanking

Woolworths EzyBanking is available through 725 Woolworths and Safeway stores nationally. Sales of transaction accounts (Ezy Action) and credit cards (Ezy Mastercard) during the half year have been above expectations with more than 600,000 account holders signed up as at 31 December 2001. Approximately 35% of these customers are new to the Bank.

Third Party

The Group manages a range of distribution networks, including:

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

It is estimated that the growth in new home loan originations through mortgage brokers was particularly strong in the half year to 31 December 2001 increasing by 4 percentage points. The Group had an estimated 10% share of the broker mortgage approval market at 31 December 2001.

United Kingdom

The UK mortgage operation was integrated into the First State Investments (UK) in October 2001. The combined business continues to offer the existing products of both First State Investments (UK), the Group's specialist international fund manager and UK private client manager, and Newworld, its flexible mortgage business.

New Zealand Banking Operations

There have been signs of greater demand for new lending towards the end of the six months in New Zealand.

ASB Bank's total lending growth for total loans was 5.6% annualised in the half year to 31 December 2001, compared to the market annualised growth rate of 7.5%. Customer retention and customer acquisition were important drivers of volume growth, with the customer base increasing by 5.9% in the year to 31 December 2001 to reach over 935,000 customers.

At 31 December 2001, ASB Bank had total assets of NZ$24.7 billion (December 2000: NZ$18.4 billion), including total advances of NZ$17.5 billion (December 2000 NZ$15.2 billion).

This contributed to an 18% increase in profit in the period over the prior comparative period.

Banking Analysis of Performance

Net Interest Income

	Half Year Ended			
	31/12/01 $M	30/06/01 $M	31/12/00 $M	31/12/01 vs 31/12/00 %
Interest Income				
Loans	**4,701**	5,034	5,212	(10)
Other financial institutions	**69**	138	142	(51)
Liquid assets	**77**	52	58	33
Trading securities	**203**	311	237	(14)
Investment securities	**292**	308	347	(16)
Dividends on redeemable preference shares	**24**	28	26	(8)
Other	**3**	5	2	50
Total Interest Income	**5,369**	**5,876**	**6,024**	**(11)**
Interest Expense				
Deposits	**2,206**	2,435	2,607	(15)
Other financial institutions	**115**	165	163	(29)
Debt issues	**553**	834	827	(33)
Loan capital	**132**	179	195	(32)
Other	**14**	10	11	27
Total Interest Expense	**3,020**	**3,623**	**3,803**	**(21)**
Net Interest Income	**2,349**	**2,253**	**2,221**	**6**

Net Interest Income

Net interest income for the half year increased by 6% or $128 million from $2,221 million in the prior comparative period to $2,349 million.

The increase in the net interest income was due to a $10 billion or 7% increase in average interest earning assets between 31 December 2000 and 31 December 2001. The increase was offset partially by a drop in the NIM from 2.79% at 31 December 2000 to 2.77% at 31 December 2001.

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 1 of this report.

Half Year INCREASE/DECREASE	**December 2001 vs December 2000 $M**	**December 2001 vs June 2001 $M**
Due to changes in average volume of interest earning assets and interest bearing liabilities	**145**	**68**
Due to changes in interest margin	**(17)**	**(9)**
Due to days variance in periods	**-**	**37**
Change in net interest income	**128**	**96**

The growth in average interest earning assets reflects:

- A 12% growth in home loans over the prior comparative period due to the current low interest environment, the positive effect of the Government's first home owners grant and the relatively stable economy in the current period. The Group has also introduced several initiatives to address market share which was lost during the complex integration of the Colonial businesses. This has been successful in arresting the market share decline, with the market share standing at 20.2% at 30 November 2001.
- Other lending areas were flat in total in the current half year reflecting the general economic conditions and lower levels of business confidence.

Banking Analysis of Performance

Group Interest Margins and Spreads

The following table shows margins and spreads for the Group. 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.

	Half Year Ended		
	31/12/01	**30/06/01**	**31/12/00**
	%	**%**	**%**
Australia			
Interest spread [1]	**2.73**	2.57	2.55
Benefit of interest free liabilities, provisions and equity [2]	**0.27**	0.41	0.45
Net interest margin [3]	**3.00**	2.98	3.00
Overseas			
Interest spread [1]	**1.14**	1.14	0.98
Benefit of interest free liabilities, provisions and equity [2]	**0.49**	0.55	0.55
Net interest margin [3]	**1.63**	1.69	1.53
Group			
Interest spread [1]	**2.46**	2.33	2.31
Benefit of interest free liabilities, provisions and equity [2]	**0.31**	0.45	0.48
Net interest margin [3]	**2.77**	2.78	2.79

(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

The Group net interest margin for the half year to 31 December 2001 decreased by 2 basis points from the prior comparative period to 2.77%.

There were three cash rate reductions in the current half year which, when combined with the four cash rate reductions in the second half of the June 2001 year, put pressure on the net interest margin. Changes to the Group's product mix, particularly within home loans, together with improved levels of retail deposits since June 2001 have helped stabilise the Group's interest margin.

Other factors which have supported the Group's net interest margin are the continued benefit from home loan securitisation and the narrowing spread between cash and wholesale rates over the period.

Banking Analysis of Performance

Other Banking Income from Ordinary Activities

The following table sets forth the Group's other banking operating income for the half year ended 31 December 2001 together with comparatives.

	Half Year Ended			
	31/12/01 $M	**30/06/01 $M**	**31/12/00 $M**	**31/12/01 vs 31/12/00 %**
Lending fees	**293**	284	318	(8)
Commission and other fees	**606**	594	579	5
Trading income	**251**	222	204	23
Dividends	**2**	4	10	(80)
Net gain on investment securities	**60**	20	36	67
Net profit on sale of property, plant and equipment	**16**	24	1	large
General insurance premium income	**59**	52	55	7
Less general insurance claims	**(34)**	(28)	(29)	17
Other	**25**	13	22	14
Total Other Banking Income from Ordinary Activities	**1,278**	**1,185**	**1,196**	**7**

Other Banking Operating Income – Up 7% on 31/12/00

Other Operating Income increased by 7% or $82 million from $1,196 million to $1,278 million over the prior comparative period. Included within other banking income is non interest income earned on transactions and accounts with the Groups' personal business and corporate customers. The principal reasons for the overall increase are set out below.

Lending Fees – Down 8% on 31/12/00

Lending fees have dropped by 8% or $25 million to $293 million over the comparative period mainly due to a number of discount linked establishment fee offers during the current half year. The entry fee discounts and use of brokers is part of the Group's strategy to build lending balances to improve future earnings potential.

Commission and Other Fees – Up 5% on 31/12/00

Growth in commission and other fees has been driven by increased transaction activity, particularly within credit cards, although growth has slowed since the prior half year. In relation to the credit card business there has been a 24% increase in the value of merchants sales and 18% increase in the value of credit cardholders sales.

Retail transaction fees for the half year to 31 December 2001 represent 12% of Other Banking income (4% of total Banking income) which is consistent with the prior comparative period.

Trading Income – Up 23% on 31/12/00

The Group's Financial Markets operations contributed $251 million of trading income, representing growth of 23% over the comparative period. Volumes of client transactions grew due to heightened interest in foreign exchange and interest rate risk management and peaked in September and October 2001 with the added volatility in the market. Financial Markets trading books benefited from the downward trend in global interest rates and underlying market volatility. This growth in trading income was achieved without significant additional risk exposure.

Dividends – Down 80% on 31/12/00

Dividend income represents dividends earned on the Group's strategic investments. Some of these investments were sold during the current half year.

Net Gain on Investment Securities – Up 67% on 31/12/00

Gains during the current half year included the profit on sale of certain strategic investments totalling $53 million. In the prior comparative period the profit included the sale of the Group's interest in Brisbane Airports Corporation Ltd.

Net Profit on Sale of Property Plant and Equipment – Up $15 million on 31/12/00

The current half year includes the gain on sale of properties in Melbourne and Brisbane CBDs during October 2001 as a continuation of the Group sale and leaseback strategy.

General Insurance Income (net of claims) – Down $1 million on 31/12/00

General Insurance premium income less claims has reduced slightly to $25 million for the current half 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 half year ending 31 December 2001 together with comparatives.

	Half Year Ended		
	31/12/01 $M	**30/06/01 $M**	**31/12/00 $M**
Specific Provisioning			
New and increased provisioning	**383**	311	184
Less provisions no longer required	**(27)**	(34)	(50)
Net specific provisioning	**356**	277	134
Provided from general provision	**(356)**	(277)	(134)
Charge to profit and loss	**-**	-	-
General provisioning			
Direct write offs	**25**	21	14
Recoveries of amounts previously written off	**(28)**	(52)	(36)
Movement in general provision	**(63)**	(43)	70
Funding of specific provisions	**356**	277	134
Charge to profit and loss	**290**	**203**	**182**
Total Charge for Bad and Doubtful Debts	**290**	**203**	**182**
Bad debt expense / Risk weighted assets	**0.21%**	0.15%	0.14%

Total charge for bad and doubtful debts for the half year ended 31 December 2001 was $290 million which was $108 million (59%) higher than the charge in the prior comparative period. This increase is primarily related to a small number of large corporate and commercial lending exposures that became impaired in the half year and have been provisioned for potential loss. As previously disclosed to the market, these include Pasminco (net exposure $347 million) and Enron (net exposure $100 million). If the credit cycle continues as expected, the ratio of bad debt expense to risk weighted assets should improve in the coming year.

Provisions for Impairment

	Half Year Ended		
	31/12/01 $M	**30/06/01 $M**	**31/12/00 $M**
General Provisions	**1,334**	1,399	1,412
Specific Provisions	**309**	234	240
Total Provisions	**1,643**	1,633	1,652
Total provisions for impairment as a % of gross impaired assets net of interest reserved	**167.1**	251.6	199.5
Specific Provisions for impairment as a % of gross impaired assets net of interest reserved	**31.43**	36.06	28.99
General provisions as a % of risk weighted assets	**0.96**	1.01	1.06

Total provisions for impairment for the Group at 31 December 2001 were $1,643 million, up 0.6% from 30 June 2001. 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 increased 32% from $234 million at 30 June 2001 to $309 million at 31 December 2001, primarily as a result of increased provisioning to cover a small number of large corporate and commercial lending exposures that became impaired during the half year, (most notably the two large corporate defaults mentioned previously).

The general provisions for impairment have reduced to $1,334 million at 31 December 2001 from $1,399 million at 30 June 2001, a decrease of 5%. The general provision as a percentage of Risk Weighted Assets reduced marginally to 0.96% from 1.01%. This level is consistent with that of other major Australian banks. Gross impaired assets less interest reserved have increased 51% from $649 million to $983 million over the half year. This has been primarily due to additions to gross impaired assets (including interest reserved) for the six months of $804 million (of which 56% relates to the two large corporate defaults mentioned previously).

Funds Management – Business Analysis

The funds management businesses have contributed $96 million to the Group's result for the half year. This represents an increase of $18 million or 23% over the prior comparative period. The growth in net profit reflects strong net inflows within Australia with external funds under management increasing by $10 billion over the prior comparative period.

The following tables set forth the Group's Funds Management result for the half year ending 31 December 2001 together with comparatives.

	Half Year Ended			
	31/12/01 $M	30/06/01 $M	31/12/00 $M	31/12/01 vs 31/12/00 %
Funds Management				
Operating income - external	390	381	320	22
Operating income - internal [1]	14	18	20	(30)
Total income from funds management business	404	399	340	19
Operating expenses	276	272	224	23
Profit before tax	128	127	116	10
Income tax expense	32	56	38	(16)
Net profit after tax	**96**	**71**	**78**	**23**

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.

	31/12/01 $M	30/06/01 $M	31/12/00 $M	31/12/01 vs 31/12/00 %
Assets held and funds under management (FUM) [2]				
Funds management [4] [5]	**80,103**	76,954	70,183	14
Internal life insurance funds	**26,199**	24,527	22,506	16
Total FUM	**106,302**	**101,481**	**92,689**	**15**
Other life and funds management assets [3]	**12,881**	14,551	13,541	(5)
Total	**119,183**	**116,032**	**106,230**	**12**
Australia	**95,513**	91,810	79,452	20
United Kingdom	**14,088**	14,953	17,771	(21)
New Zealand	**5,492**	4,650	4,854	13
Asia	**4,090**	4,619	4,153	(2)
Total	**119,183**	**116,032**	**106,230**	**12**

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

As at 31 December 2001	Opening Balance 30/06/01 $M	Inflows $M	Outflows $M	Investment Income $M	Other Movements and Transfers $M	Closing Balance 31/12/01 $M
Funds Under Management (including Life Insurance)						
Retail	33,948	7,407	(5,462)	6	(1,282) [7]	34,617
Wholesale	43,006	8,169	(4,926)	(798) [6]	35	45,486
Internal managed life	24,527	2,170	(2,171)	190	1,483 [7]	26,199
Total FUM	**101,481**	**17,746**	**(12,559)**	**(602)**	**236**	**106,302**

(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, $8 billion at 31 December 2001 and $9.5 billion from 30 June 2001 ($8.7 billion at 31 December 2000).
(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) Investment losses relate primarily to UK equity market. Other movements relate to foreign exchange gains and losses.
(7) Includes $1.5 billion reclassification between retail and internal funds under management. Other movements primarily relate to foreign exchange gains and losses.

Funds Management – Business Analysis

Performance Analysis

The result for the period was characterised by the strong performance of the Australian business which continued to achieve strong net inflows despite a difficult economic environment.

Strong growth in income, which increased by 19% or $64 million to $404 million was achieved in the half year ended 31 December 2001 compared to the prior comparative period. This was partially offset by increased expenses for the business, which increased 23% over the same period.

Income growth was generated by strong net inflows across the Group. Net inflows in the six months to 31 December 2001 were $5.1 billion, which is 13% higher than the average net inflows achieved over the year to 30 June 2001. This was achieved against a backdrop of a six months characterised by uncertainty and nervousness within the funds management market with softer equity markets and lower levels of investment, particularly during September and October. The period also saw a change in the mix of business with investors preferences being toward more defensive assets such as cash and fixed income.

The increase in expenses was driven by a number of factors. The results for 31 December 2001 include the costs associated with two strategic investments acquired in December 2000. In addition, costs in the United Kingdom remained constant while income has fallen largely due to the decline in equity markets and the loss of some ex-Colonial UK assets.

During the six months, the Colonial First State business launched two new products, being the Global Geared Share Fund and the Global Diversified Strategies Fund, as well as introducing a range of nil entry options on a number of existing products, which added to costs in the period. In addition, costs were incurred during the period on product and service offerings likely to be launched over the next six months.

Funds Under Management Performance

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

Total external FUM have increased by $3.1 billion or 4% to $80 billion over the six months to 31 December 2001 and $9.9 billion or 14% over the prior comparative period. Internally managed life FUM increased by 7% or $1.7 billion over the six months to 31 December 2001 and $3.7 billion or 16% over the prior comparative period. The combined life insurance assets and funds under management totalled $119 billion at 31 December 2001 (Refer page 20).

Colonial First State Investments

Colonial First State Investment's (CFSI) FUM grew 4% since 30 June 2001 with strong growth recorded in both wholesale and retail funds. New business inflows remained strong during the half year, particularly in Australia, but this has been partially offset by investment valuation declines.

While the events of September 11 resulted in a temporary slowdown in funds inflows and investment returns throughout the market for that month, the following three months of the period saw inflows recover as investment markets returned to pre September 11 levels.

The number of consolidated unitholder accounts in Australia increased from 488,917 at 30 June 2001 to 549,580 at 31 December 2001, representing an increase of 12.4%. This enabled Colonial First State to improve its retail market share from 6.08% to 6.13% *(Source: ASSIRT September 2001)*. Colonial First State continues to have a five star rating with Morning Star.

Commonwealth Financial Services and Commonwealth Investment Management

The Commonwealth Financial Services and Commonwealth Investment Management businesses total FUM increased by 3% or $1 billion since 30 June 2001. This was despite lower investment returns for the period resulting from a general decline in world investment markets (including the temporary effects of September 11) and increased competition for new external funds flows. As at 31 December 2001 $10 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 its focus on development of its Asian and UK businesses with the acquisition of several investment management contracts in Asia from Barclays.

As a result of the recently announced organisational structure of the Group, the funds management businesses of CFSI and Commonwealth Investment Management and Commonwealth Financial Services will now be combined under the Investment and Insurance Services division.

Life Insurance – Business Analysis

The life insurance operations contributed $121 million to the Group's result for the half year. Operating margins in Australia increased by $20 million over the prior comparative period, however a poor performance in Asia and New Zealand resulted in a $27 million reduction in the combined operating margin for those regions. Investment earnings on shareholders' funds reduced by $32 million over the prior comparative period.

This reduction is due to underlying movements in equity markets and the inclusion of $47 million in investment earnings relating to the transfer of a strategic investment to the life business in the prior comparative period.

As at 31 December 2001, life insurance assets totalled $37 billion, which is in line with 30 June 2001 and increased 10% over 31 December 2000. The results from the Group's life insurance operations are detailed on the following pages.

The following table sets forth the Group's Life Insurance Income result for the year ending 31 December 2001 together with comparatives.

	Half Year Ended			
Summary Financial Performance (excluding appraisal value uplift)	**31/12/01 $M**	**30/06/01 $M**	**31/12/00 $M**	**31/12/01 vs 31/12/00 %**
Life Insurance				
Margin on Services operating income - external	529	624	644	(18)
Operating expenses - external	(353)	(340)	(376)	(6)
Operating expenses - internal [1]	(14)	(18)	(20)	(30)
Total expenses	(367)	(358)	(396)	(7)
Profit from life insurance activities before tax	162	266	248	(35)
Income tax expense attributable to:				
Policy holder	25	56	38	(34)
Corporate	16	46	54	(70)
Net profit after tax	**121**	**164**	**156**	**(22)**

(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.

The most significant impact of this is the inclusion of policyholder tax within operating income and tax expense. For the half year the effect of this is a $25 million charge compared with a $38 million charge for the 31 December 2000 half year. The reduction is mainly attributable to reduced investment earnings on behalf of policyholders for the period. Inclusion of this item in accordance with accounting standards causes fluctuations in the cost to income ratio and the effective tax rate between periods.

The net 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.

	Half Year Ended			
	31/12/01 $M	**30/06/01 $M**	**31/12/00 $M**	**31/12/01 vs 31/12/00 %**
Sources of profit from life insurance activities				
The Margin on Services profit from ordinary activities after income tax is represented by:				
Planned profit margins	**126**	129	128	(2)
Experience variation	**(33)**	(30)	(33)	-
New business losses / reversal of capitalised losses	**(8)**	1	(3)	large
Operating margins	**85**	100	92	(8)
Investment earnings on assets in excess of policyholder liabilities [1]	**36**	58	68	(47)
Other	**-**	6	(4)	large
Net profit after tax	**121**	**164**	**156**	**(22)**

(1) Includes a gain of $47 million in the December 2000 half year resulting from the transfer of certain strategic investments to the life insurance business. Excluding this gain investment income increased 71% or $15 million over the prior comparative period.

Life Insurance – Business Analysis

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.

Half Year Ended	Australia 31/12/01 $M	Australia 31/12/00 $M	New Zealand 31/12/01 $M	New Zealand 31/12/00 $M	Asia 31/12/01 $M	Asia 31/12/00 $M
Operating Margins	112	92	6	14	(33)	(14)
Investment earnings on assets in excess of policyholder liabilities	15	28	3	1	18	(8)
Other	-	-	-	(4)	-	-
Profit after tax	**127**	**120**	**9**	**11**	**(15)**	**(22)**

Operating margins in Australia increased by $20 million to $112 million from $92 million in the prior comparative period. This result was achieved from continued growth in revenue from retirement products, a successful stabilisation of claims costs on mortality and disability business, an improvement in claims on life insurance and the benefit of synergies achieved during the second half of last year which have flowed through to this half year's result.

Within New Zealand margins have been affected by a continuation of the increase in the levels of mortality and disability claims.

Margins on the Asian life insurance business have fallen by $19 million in the current half year when compared to the prior comparable period.

The decrease is mainly due to reduced sales volumes and poor persistency rates in Hong Kong together with higher expense levels.

Investment returns on shareholders funds after tax in the prior comparative period included $47 million from the transfer of certain strategic investments. Excluding this item, investment returns on shareholder funds have increased by $15 million for the current period. Investment returns were lower in Australia due to the global downturn in equity markets with some improvement in Asia and New Zealand. Life insurance tangible assets in excess of liabilities amounted to approximately $3.0 billion as at 31 December 2001. The Group has maintained a balanced weighting between growth and fixed interest investments during the period.

New Business – Life Insurance and Superannuation	Half Year Ended 31/12/01 $M	Half Year Ended 30/06/01 $M	Half Year Ended 31/12/00 $M	31/12/01 vs 31/12/00 %
Superannuation business	**1,853**	2,718	2,340	(21)
Life insurance risk	**135**	131	131	3
Annuities and insurance bonds	**462**	479	427	8
Total	**2,450**	3,328	2,898	(15)

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

The table shows that new business sales have reduced 15% over the prior comparative period.

The Australian life insurance business has continued to experience pressure on its sales volumes with increased competition from funds managers on its investment style products. The Group has achieved compensating strong performances in sales volumes in its funds management businesses. This continues a trend that emerged during the second half of last year.

These new business sales levels have had only a marginal effect on the current period earnings, however the effect on the appraisal values of the Group's life insurance business has been greater as disclosed on page 24.

Asian sales were lower due to Hong Kong being 10% behind the prior comparative period, reflecting the sharp downturn in the economy.

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 using a range of economic and business assumptions determined by management which are reviewed by independent actuaries Trowbridge Consulting. The key actuarial assumptions that have been used are also summarised.

As at 31 December 2001	Life Insurance			Funds	
	Australia $M	New Zealand $M	Asia [1] $M	Management $M	Total $M
Shareholders net tangible assets	1,933	275	760	365	3,333
Value of inforce business	700	133	91	698	1,622
Embedded Value	2,633	408	851	1,063	4,955
Value of future new business	695	257	90	2,631	3,673
Carrying Value	**3,328**	**665**	**941**	**3,694**	**8,628**

Analysis of Movement since 30 June 2001	Life Insurance			Funds	
	Australia $M	New Zealand $M	Asia $M	Management $M	Total $M
Profits	127	9	(15)	96	217
Net Capital Movements [2]	163	30	102	-	295
Disposals of Business [3]	-	-	(46)	-	(46)
Change in Shareholders NTA	**290**	**39**	**41**	**96**	**466**
Value Transfer [4]	(88)	-	-	88	-
Disposals of Business [3]	-	-	(15)	-	(15)
Net Appraisal Value Uplift	(9)	(10)	(28)	221	174
Increase to 31 December 2001	**193**	**29**	**(2)**	**405**	**625**

(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) Includes dividends paid, capital injections and payments for investments in controlled entities.
(3) Represents the sale of the Thailand life insurance business.
(4) Represents the recognition of value transfer between the Australian superannuation business included within life insurance above and funds management businesses arising from the introduction of more funds management products to the Group's proprietary distribution channels.

Change in Life Insurance and Funds Management Valuations

The valuations adopted above have resulted in a total valuation increase of $625 million since 30 June 2001.

The main components of the increase comprise:

- Total profits earned for the year of $217 million.
- Capital injections and disposals of business of $295 million.
- Net appraisal value uplift of $174 million.
- Recognition of a transfer of value between the life insurance and funds management businesses of $88 million.

The net appraisal value uplift of $174 million includes $221 million relating to the funds management businesses. This reflects the continuing strong funds flow performance of the Group in a competitive and volatile market.

Offsetting this, the life insurance businesses appraisal values reduced by $47 million. This result reflects some decline in new business sales within the Australian life business and lower values in overseas life businesses arising from poor disability experience in New Zealand and poor persistency and expense overruns in Hong Kong.

Amortisation of the 'excess' in relation to the Asian life businesses also contributed to the reduced uplift.

Further details on the movement in carrying value for the year are included in Appendix 9.

The synergies achieved during the 30 June 2001 year were included in the appraisal value of the life business at that date. No further synergies have been recognised in the current period. Remaining synergies are expected to be achieved with the amalgamation of the Colonial and Commonwealth life and funds management business (Refer page 4).

Valuation Assumptions

The key changes in assumptions used in the life insurance valuations since 30 June 2001 are:

- In Australia, new business volumes for savings/investment business have been reduced slightly to reflect lower than expected sales growth during the year (Refer Life Insurance business Analysis on page 22).
- In New Zealand, future disability claim costs have been increased to reflect deteriorating claims experience with no allowance for any expected fee increases in that region. There is some evidence of both poorer persistency and higher medical claim costs than assumed in the appraisal value, however more experience is required to determine if a trend is emerging and hence no change has been made to these assumptions at December 2001.
- In Asia, future investment earning rates and discount rates were reduced to reflect the fall in US interest rates; future Hong Kong sales assumptions were reduced given a change in the level and mix of business in the 12 months to December 2001; the value of future Hong Kong agency expense overruns was increased.

The key changes in assumptions used in the funds management appraisal valuations since 30 June 2001 are:

- New business volumes have been increased slightly reflecting the continued growth in sales and Funds Under Management.

Further details on actuarial assumptions can be found in Appendix 9.

Value Transfer

During the current period the funds management businesses experienced an increase in sales activity on their retail based investment products as a result of introducing more products to the Bank's proprietary distribution channel. The savings and investment products offered by the life insurance businesses through the same channels experienced a decrease in sales activity during the same period. An amount of $88 million in appraisal value was transferred between the life insurance and funds management businesses to recognise this value shift within the Group.

Group Operating Expenses

The following table sets forth the Group's operating expenses for year ended 31 December 2001 together with comparatives.

	Half Year Ended			
	31/12/01 $M	30/06/01 $M	31/12/00 $M	31/12/01 vs 31/12/00 %
Banking	**1,965**	1,973	1,985	(1)
Life Insurance	**353**	340	376	(6)
Funds Management	**276**	272	224	23
Total Operating Expenses	**2,594**	2,585	2,585	-

Cost to Income Ratios

	31/12/01 %	30/06/01 %	31/12/00 %
Cost to Income Ratio			
Banking	**54.2**	57.4	58.1
Funds Management	**68.3**	68.2	65.9
Life Insurance	**69.4**	57.4	61.5
Life Insurance (normalised)	**64.7**	61.7	66.3
Group	**57.1**	58.2	59.0
Group (normalised)	**56.6**	58.8	59.6
Cost to average assets held and funds under management (1)	**1.64**	1.73	1.78

(1) The fall in cost to average assets held and funds under management reflects the improved cost performance of the banking division, the growth in funds under management (up $9.9 billion on prior comparative period) and on balance sheet assets, including life insurance (up $16.3 billion or 7%) over the prior comparative period.

The Group's operating expenses were $2,594 million for the half year, an increase of $9 million on the prior comparative period. The increase was the result of a reduction in the banking and life insurance expenses offset by increases in funds management.

The movement in expenses within these businesses, primarily relates to:

- As noted on page 4, in the current period additional synergies of $130 million were achieved compared to the prior comparative period. Of this increase 85% was achieved within the banking business, and 15% was achieved within the life insurance business.
- Costs increased by $50 million due to increased volumes within the banking business, primarily within home lending where balance growth was double that of the prior comparative period, together with transaction volumes relating to credit cards which increase processing and loyalty costs.
- A 4% wage increase as the result of the finalisation of an enterprise bargaining agreement in the second half of last year added $45 million to the current period costs.
- Life insurance expenses reduced reflecting reduced sales volumes and a continuation of expense synergies achieved during the June half year. These were partly offset by increased costs within the Asian Business.
- Costs in the funds management business increased by $52 million due to increased sales and processing volumes in Australia, together with marketing and infrastructure costs relating to the establishment of two new funds during the period. In addition, funds management costs in the UK business remained constant while income has fallen.

The Group's cost to income ratio reflects the different business mix. To remove the volatility of investment earnings from the life insurance cost to income ratio, a 'normalised' ratio has been calculated which removes the effect of policyholder tax and uses the long term assumption of an 8% pre-tax return on insurance shareholder funds.

On this basis there was a decrease in the Group cost to income ratio by 3.0 percentage points from 59.6% to 56.6%.

The Banking cost income ratio decreased 3.9 percentage points from 58.1% in the half year ended 31 December 2000 to 54.2% in the current half year. This reflects additional synergies achieved in relation to the Colonial integration offset partly by volume based increases and a general increase in average staff costs.

The Funds Management cost to income ratio has increased 2.4 percentage points from 65.9% in the prior comparative period to 68.3% in the current half year reflecting the reduced income from investment markets, the costs associated with launching new funds during the period and development of product service offerings likely to be launched in the next six months.

The Life Insurance cost to income ratio on a normalised basis has reduced by 1.6 percentage points from 66.3% in the prior comparative period to 64.7% in the current half year.

Other Group Items

	Half Year Ended			
	31/12/01 $M	30/06/01 $M	31/12/00 $M	31/12/01 vs 31/12/00 %
Expenses by category as follows:				
Staff	**1,215**	1,161	1,199	1
Occupancy and equipment	**270**	300	304	(11)
Information technology services	**427**	418	330	29
Other expenses	**682**	706	752	(9)
Total Operating Expenses	**2,594**	2,585	2,585	-

The Group does not manage or analyse expenses on the basis presented in the above table. The prior comparative period includes staff and other costs for Colonial's insourced information technology division which have since been transferred to EDS and flow through the information technology line. Occupancy costs have reduced due to synergies achieved through the branch network rationalisation. Funds management expenses have increased reflecting the increased business volumes together with product marketing and establishment costs within Australia and the United Kingdom.

Staff Numbers

The table below details the Group's staff numbers as at 31 December 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	31/12/01	30/06/01	31/12/00
Full time staff	30,446	31,976	33,016
Part time staff	7,623	7,161	7,190
Full time staff equivalent	**34,265**	**34,960**	**35,993**
Australia	28,513	28,837	30,007
New Zealand	3,958	3,872	3,720
Other Overseas	1,794	2,251	2,266
	34,265	**34,960**	**35,993**

Income Tax Expense

	Half Year Ended			
	31/12/01 $M	30/06/01 $M	31/12/00 $M	31/12/01 vs 31/12/00 %
Banking	396	341	364	9
Funds Management	32	56	38	(16)
Life Insurance	41	102	92	(55)
Total Income Tax Expense	**469**	**499**	**494**	**(5)**
Effective tax rate				
Banking	29%	27%	29%	
Funds Management	25%	44%	33%	
Life Insurance (Corporate)	10%	17%	22%	

Income tax expense has decreased 5% from $494 million for 31 December 2000 to $469 million for 31 December 2001.

The tax expense consists of corporate tax of $444 million (half year to 31 December 2000 $456 million) and policyholder tax of $25 million (half year to 31 December 2000 $38 million).

The banking effective tax rate is the same as the prior comparative period. This reflected the lower corporate tax rate of 30% this period, the utilisation of overseas tax losses during the 30 June 2001 year which did not occur this period, lower dividend rebates and non allowable losses for offshore expenses.

The funds management effective tax rate was lower due to the lower corporate tax rate and an overprovision in the prior period. The 30 June 2001 rate had been inflated by non-recognition of overseas tax losses.

Other Group Items

Restructuring Provisions

Provisions for restructuring costs totalling $545 million ($417 million after tax) were booked as of 30 June 2001 to cover the costs of integrating the Colonial operations (acquired 13 June 2000) into the Group. At 30 June 2001 $201 million ($142 million after tax) remained unutilised. During the current period a further $93 million ($65 million after tax) was utilised leaving a balance of $108 million ($77 million after tax) in the provision at 31 December 2001.

Integration related synergies of $450 million (annualised) are expected to be achieved by 2003, as previously forecast. This comprises forecast cost synergies of $355 million, revenue synergies of $70 million and funding synergies of $25 million.

Dividends

Dividends will 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 expectations of long term 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 half year was 72.6% on a cash basis.

Capital Management

The Bank's maintains a strong capital position. This is recognised in its credit ratings. Moody's Investor Services and Standard & Poor's affirmed these during the six months ended 31 December 2001.

	Long-term	Short-term	Affirmed
Fitch Ratings	AA	F1+	
Moody's Investor Services	Aa3	P-1	4/10/01
Standard and Poor's	AA-	A-1+	18/12/01

Risk Weighted Capital Ratios

	31/12/01	30/06/01	31/12/01
	%	%	%
Tier 1 Capital	6.75	6.51	6.71
Total Capital	9.31	9.16	9.37

The increase in the ratios from 30 June 2001 can be attributed to:

- An increase in tier 1 capital of $321 million principally due to an increase in retained earnings.
- Risk weighted assets remained steady at $138 billion despite an increase in on-balance sheet assets of $9 billion. This was achieved by improved classification of assets by risk weight, principally through the identification of additional eligible security, and by a change in asset mix. The growth in on-balance sheet assets during the period consisted mainly of mortgage loans (risk weighted at 50%) and assets risk weighted at 0%.

As required by APRA, the investment in life insurance and funds management is deducted from regulatory capital to arrive at the ratios shown above. This treatment does not recognise the surplus capital held in the life insurance and funds management businesses, nor does it give credit for the risk diversification benefits provided by these businesses.

Over recent years, the Bank has made regular returns of capital in the form of share buy-backs. The Bank continues to examine ways in which it can manage its capital more efficiently. There is capacity within the Group to raise hybrid capital in a variety of forms and the market appetite for Commonwealth Bank instruments remains strong. Subject to market conditions, this provides the opportunity for the Bank to consider further capital management initiatives in 2002.

In September 2001, 5,954,040 new shares were issued at $28.79 each to satisfy shareholder participation in the DRP in respect of the final dividend for 2000/01. The Bank intends to purchase on-market the shares needed to satisfy shareholder participation in the DRP in respect of the interim dividend for 2001/02 payable in March 2002.

The Bank continues to work closely with the regulator on the proposed changes to the calculation of regulatory capital for banks scheduled for introduction in 2005. Whilst there are insufficient details to be able to calculate the new capital requirements precisely, preliminary work indicates that the Group's regulatory capital ratios will improve significantly under the new capital requirements. This arises from the closer risk alignment of the new rules, particularly as regards credit risk, and the relatively low risk profile of the Group.

Commonwealth Bank

Commonwealth Bank of Australia
ACN 123 123 124

Statutory Financial Report
Half year ended 31 December 2001

Contents

Directors' Report

The Directors submit their report for the half year ended 31 December 2001.

Directors

The names of the Directors holding office during the half year ended 31 December 2001 and until the date of this report were:

J T Ralph AC	Chairman
J M Schubert	Deputy Chairman
D V Murray	Managing Director
N R Adler AO	Director
R J Clairs AO	Director
A B Daniels OAM	Director
C R Galbraith	Director
W G Kent AO	Director
F D Ryan	Director
F J Swan	Director
B K Ward	Director

Review and Results of Operations

Commonwealth Bank Group recorded a net profit after tax of $1,204 million for the half year ended 31 December 2001, compared with $1,135 million for the half year ended 31 December 2000, an increase of 6%.

The Group reported a net profit from Banking of $975 million (2000: $875 million) reflecting strong growth in interest earnings based on asset growth and strong growth in other banking income, particularly card products and trading income, offset by an increase in bad debt expense mainly due to provisions required against three large corporate exposures.

The net profit from life insurance, on a "margin on services" basis, of $121 million (2000: $156 million) and funds management, of $96 million (2000: $78 million) reflects the good performance of the Australian businesses offset slightly by poor performances in Asia and New Zealand and lower investment earnings.

The life insurance and funds management businesses are recorded at their appraisal value of $8,628 million (life insurance $4,934 million, funds management $3,694 million). For the half year ended 31 December 2001, there was a $625 million increase in appraisal value, represented by $174 million of appraisal value uplift and $451 million in net asset movements. The appraisal value uplift has more than offset the goodwill amortisation for the half year of $162 million.

The integration of the Colonial business into the Group is proceeding well and is expected to meet business targets of $450 million in cost and revenue synergies. Synergies achieved and reflected in the current half year result amounted to $150 million.

Signed in accordance with a resolution of the Directors.

J T Ralph AC
Chairman

D V Murray
Managing Director

13 February 2002

Consolidated Statement of Financial Performance

For the half year ended 31 December 2001

	Note	31/12/01 $M	30/06/01 $M	31/12/00 $M
Interest income		**5,369**	5,876	6,024
Interest expense		**3,020**	3,623	3,803
Net interest income		**2,349**	2,253	2,221
Other income:				
Revenue from sale of assets		**222**	196	143
Written down value of assets sold		**(146)**	(152)	(106)
Other		**1,202**	1,141	1,159
Net banking operating income		**3,627**	3,438	3,417
Premiums and related revenue		**606**	462	496
Investment revenue		**253**	982	716
Claims and policyholder liability expense		**(330)**	(820)	(568)
Life insurance margin on services operating income		**529**	624	644
Funds management fee income		**390**	381	320
Net life insurance and funds management operating income before appraisal value uplift		**919**	1,005	964
Total net operating income before appraisal value uplift		**4,546**	4,443	4,381
Charge for bad and doubtful debts		**290**	203	182
Operating expenses:				
Staff expenses		**1,215**	1,161	1,199
Occupancy and equipment expenses		**270**	300	304
Information technology services		**427**	418	330
Other expenses		**682**	706	752
		2,594	2,585	2,585
Profit from ordinary activities before appraisal value uplift, goodwill amortisation and income tax		**1,662**	1,655	1,614
Appraisal value uplift		**174**	285	189
Goodwill amortisation		**(162)**	(175)	(163)
Profit from ordinary activities before income tax		**1,674**	1,765	1,640
Income tax expense	3	**469**	499	494
Profit from ordinary activities after income tax		**1,205**	1,266	1,146
Outside equity interests in net profit		**(1)**	(3)	(11)
Net profit attributable to shareholders of the Bank		**1,204**	1,263	1,135
Foreign currency translation adjustment		**(40)**	69	29
Revaluation of investments and properties		**-**	5	-
Total valuation adjustments		**(40)**	74	29
Total changes in equity other than those resulting from transactions with owners as owners		**1,164**	1,337	1,164

	Cents per share		
Earnings per share based on net profit distributable to shareholders of the Bank			
Basic and Fully Diluted	**95**	100	90
Dividends provided for, reserved or paid per share attributable to shareholders of the Bank:			
Ordinary shares	**68**	75	61
Preference shares (issued 6 April 2001)	**502**	261	-

Consolidated Statement of Financial Position

As at 31 December 2001

	Note	31/12/01 $M	30/06/01 $M	31/12/00 $M
Assets				
Cash and liquid assets		**5,865**	3,709	3,676
Receivables due from other financial institutions		**4,628**	4,622	3,937
Trading securities		**7,080**	6,909	8,522
Investment securities		**11,179**	9,705	9,007
Loans, advances and other receivables	4	**141,777**	136,059	134,493
Bank acceptances of customers		**11,865**	12,075	11,615
Life insurance investment assets		**31,269**	31,213	28,070
Deposits with regulatory authorities		**273**	61	52
Property, plant and equipment		**879**	919	1,204
Investment in associates		**335**	400	421
Intangible assets		**10,849**	10,852	10,526
Other assets		**13,654**	13,887	11,802
Total Assets		**239,653**	230,411	223,325
Liabilities				
Deposits and other public borrowings	6	**126,194**	117,355	111,976
Payables due to other financial institutions		**7,267**	6,903	5,039
Bank acceptances		**11,865**	12,075	11,615
Provision for dividend		**864**	779	642
Income tax liability		**1,448**	1,355	1,559
Other provisions		**981**	1,007	1,170
Life insurance policyholder liabilities		**27,012**	27,029	26,134
Debt issues		**24,751**	24,484	28,377
Bills payable and other liabilities		**13,181**	13,872	11,804
		213,563	204,859	198,316
Loan Capital		**5,686**	5,704	5,548
Total Liabilities		**219,249**	210,563	203,864
Net Assets		**20,404**	19,848	19,461
Shareholders' Equity				
Share Capital				
Ordinary share capital		**12,661**	12,455	12,671
Preference share capital		**687**	687	-
Reserves		**4,131**	4,091	3,438
Retained profits		**1,246**	1,160	1,836
Shareholders' equity attributable to shareholders of the Bank		**18,725**	18,393	17,945
Outside equity interests:				
Controlled entities		**(3)**	(3)	131
Life insurance statutory funds		**1,682**	1,458	1,385
Total outside equity interests		**1,679**	1,455	1,516
Total Shareholders' Equity		**20,404**	19,848	19,461

Consolidated Statement of Cash Flows

For the half year ended 31 December 2001

	Note	31/12/01 $M	30/06/01 $M	31/12/00 $M
Cash Flows From Operating Activities				
Interest received		**5,434**	5,721	6,338
Dividends received		**2**	4	10
Interest paid		**(2,928)**	(3,956)	(3,748)
Other operating income received		**1,524**	1,420	1,380
Expenses paid		**(2,796)**	(2,548)	(3,035)
Income taxes paid		**(342)**	(643)	(609)
Net decrease (increase) in trading securities		**(143)**	979	(1,241)
Life insurance:				
Investment income		**340**	194	706
Premiums received [(1)]		**2,874**	3,111	3,175
Policy payments [(1)]		**(2,615)**	(2,858)	(2,565)
Net Cash provided by Operating Activities	8(a)	**1,350**	**1,424**	**411**
Cash Flows from Investing Activities				
Proceeds from (payments for) disposal (acquisition) of entities		**48**	(29)	(385)
Net movement in investment securities:				
Purchases		**(13,614)**	(11,636)	(8,040)
Proceeds from sale		**134**	58	124
Proceeds at or close to maturity		**12,283**	11,056	8,444
Withdrawal (lodgement) of deposits with regulatory authorities		**(212)**	9	6
Net increase in loans, advances and other receivables		**(6,008)**	(1,772)	(2,409)
Proceeds from sale of property, plant and equipment		**78**	138	19
Purchase of property, plant and equipment		**(82)**	(87)	(45)
Net decrease (increase) in receivables due from other financial institutions not at call		**519**	(1,485)	1,301
Net decrease (increase) in securities purchased under agreements to resell		**(868)**	(283)	(608)
Net decrease (increase) in other assets		**(536)**	1,346	158
Life insurance:				
Purchases of investment securities		**(6,157)**	(12,881)	(8,348)
Proceeds from sale/maturity of investment securities		**6,014**	13,176	7,380
Net Cash used in Investing Activities		**(8,401)**	**(2,390)**	**(2,403)**
Cash Flows from Financing Activities				
Buy back of shares		**-**	(701)	(23)
Proceeds from issue of shares (net of costs)		**34**	718	5
Net increase (decrease) in deposits and other borrowings		**7,386**	6,042	(796)
Net movement in debt issues		**502**	(4,393)	2,294
Dividends paid		**(781)**	(629)	(739)
Net movements in other liabilities		**(81)**	(1,962)	952
Net increase (decrease) in payables due to other financial institutions not at call		**(887)**	1,997	(601)
Net increase (decrease) in securities sold under agreements to repurchase		**1,453**	(662)	177
Other		**(13)**	(616)	547
Net Cash provided by Financing Activities		**7,613**	**(206)**	**1,816**
Net Increase (decrease) in Cash and Cash Equivalents		**562**	(1,172)	(176)
Cash and Cash Equivalents at beginning of period		**38**	1,210	1,386
Cash and Cash Equivalents at end of period	8(b)	**600**	**38**	**1,210**

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

(1) These are gross premiums and policy payments before splitting between policyholders and shareholders.

Notes to the financial statements

Note 1 Accounting Policies

The half year report should be read in conjunction with the annual consolidated financial statements of Commonwealth Bank of Australia (the Bank) as at 30 June 2001 and with any public announcements made by the Bank and its controlled entities during the half year ended 31 December 2001 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

These half year consolidated financial statements are a general purpose financial report made out in accordance with the Corporations Act 2001, applicable Accounting Standards including AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other mandatory reporting requirements so far as the requirements are considered appropriate to a banking corporation. This half year report does not include all notes of the type normally included in the annual financial report.

The accounting policies followed in this half year report are the same as those applied in the 30 June 2001 annual financial report.

This half year report has been prepared in accordance with the historical cost convention and, except for AASB 1038 requirements and Directors' valuations of property holdings, does not reflect current valuations of non monetary assets. Trading securities and traded derivative financial instruments are brought to account at net fair value.

In accordance with the Australian Securities and Investments Commission Class Order No. 98/100 dated 10 July 1998, amounts in these financial statements have been rounded to the nearest million dollars unless otherwise stated.

For the purposes of preparing the half year financial statements, the half year has been treated as a discrete reporting period.

Note 2 Revenue from Ordinary Activities

	Half Year Ended		
	31/12/01 $M	30/06/01 $M	31/12/00 $M
Revenue from Ordinary Activities			
Banking			
Interest income	**5,369**	5,876	6,024
Fee and commissions	**899**	878	897
Trading income	**251**	222	204
Dividends	**2**	4	10
Sale of property, plant and equipment	**78**	138	19
Sale of investment securities	**144**	58	124
Other income	**50**	37	48
	6,793	**7,213**	**7,326**
Life Insurance and Funds management			
Life insurance			
- premium and related income	**606**	462	496
- investment revenue	**253**	982	716
Funds management fee income	**390**	381	320
	1,249	**1,825**	**1,532**
Appraisal value uplift	**174**	285	189
Total revenue from ordinary activities	**8,216**	**9,323**	**9,047**

Notes to the financial statements

Note 3 Income Tax Expense

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

	Half Year Ended		
	31/12/01 $M	30/06/01 $M	31/12/00 $M
Profit from ordinary activities before income tax			
Banking	**1,372**	1,262	1,250
Life insurance	**162**	266	248
Funds management	**128**	127	116
Appraisal value uplift	**174**	285	189
Goodwill amortisation	**(162)**	(175)	(163)
	1,674	**1,765**	**1,640**
Prima facie income tax at 30% (30 June 2001 and prior: 34%)			
Banking	**412**	429	425
Life insurance	**49**	91	84
Funds management	**38**	43	39
Appraisal value uplift	**52**	97	64
Goodwill amortisation	**(49)**	(59)	(55)
	502	**601**	**557**
Add (or deduct) permanent differences expressed on a tax effect basis			
Current period			
Tax rate change	**-**	3	-
Specific provisions for offshore bad and doubtful debts not tax effected	**17**	8	-
Taxation rebates (net of accruals)	**(10)**	(5)	(30)
Tax adjustment referable to policy holder income [(1)]	**17**	37	25
Non-assessable income - life insurance surplus [(1)]	**(25)**	(25)	(17)
Change in excess of net market value over net assets of life insurance controlled entities	**(52)**	(97)	(64)
Non-deductible goodwill amortisation	**49**	59	55
Non-assessable capital gains	**-**	(38)	-
Tax losses recognised	**(25)**	(65)	-
Employee share acquisition plan	**(8)**	-	(8)
Other items	**(2)**	52	(26)
	(39)	(71)	(65)
Prior Periods			
Other	**6**	(31)	2
Total income tax expense	**469**	**499**	**494**
Income tax attributable to profit from ordinary activities			
Banking	**396**	341	364
Life insurance	**16**	46	54
Funds management	**32**	56	38
Corporate tax	**444**	443	456
Policy holder tax	**25**	56	38
Total Income Tax Expense	**469**	499	494

(1) The prima facie life insurance income tax of $49 million less these permanent differences equals the total life insurance tax expense of $41 million.

Notes to the financial statements

Note 4 Loans, Advances and Other Receivables

	31/12/01 $M	30/06/01 $M	31/12/00 $M
Australia			
Overdrafts	**2,145**	2,785	2,527
Housing loans	**70,678**	65,466	63,837
Credit card outstandings	**4,292**	3,962	3,779
Lease financing	**4,292**	4,497	5,315
Bills discounted	**1,829**	1,556	1,538
Term loans	**39,204**	40,650	39,829
Redeemable preference share financing	**-**	306	630
Equity participation in leveraged leases	**1,374**	1,536	1,612
Other lending	**1,230**	1,301	1,760
Total Australia	**125,044**	122,059	120,827
Overseas			
Overdrafts	**1,407**	1,304	1,220
Housing loans	**9,067**	8,045	7,668
Credit card outstandings	**264**	232	237
Lease financing	**279**	256	257
Term loans	**8,276**	6,790	6,853
Redeemable preference share financing	**445**	471	459
Other lending	**47**	38	189
Total Overseas	**19,785**	17,136	16,883
Gross Loans, Advances and Other Receivables	**144,829**	139,195	137,710
Less:			
Provisions for impairment			
General provision	**(1,334)**	(1,399)	(1,412)
Specific provision against loans and advances	**(308)**	(233)	(239)
Unearned income			
Term loans	**(635)**	(643)	(560)
Lease financing	**(466)**	(514)	(633)
Leveraged leases	**(160)**	(186)	(198)
Interest reserved	**(64)**	(68)	(70)
Unearned tax remissions on leveraged leases	**(85)**	(93)	(105)
	(3,052)	(3,136)	(3,217)
Net Loans, Advances and Other Receivables	**141,777**	136,059	134,493

Note 5 Asset Quality

Balances of Impaired Assets

	31/12/01 $M	30/06/01 $M	31/12/00 $M
Total Impaired Assets			
Gross non-accruals	**1,045**	715	896
Gross restructured	**1**	1	1
Other real estate owned	**-**	-	-
Other assets acquired through security enforcement	**1**	1	1
Total Gross impaired assets	**1,047**	**717**	**898**
Less Interest reserved	**(64)**	(68)	(70)
Subtotal	**983**	**649**	**828**
Less Specific provisions for impairment	**(309)**	(234)	(240)
Total Net Impaired assets	**674**	**415**	**588**
Net Impaired Assets by Geographical Segments			
Australia	**566**	302	413
Overseas	**108**	113	175
Total	**674**	**415**	**588**

Provisions for Impairment	Half Year Ended 31/12/01 $M	30/06/01 $M	31/12/00 $M
General Provisions			
Opening balance	**1,399**	1,412	1,358
Charge against profit and loss	**290**	203	182
Acquired provisions, including fair value adjustments	**-**	50	1
Transfer to specific provisions	**(356)**	(277)	(134)
Bad debts recovered	**28**	52	36
Adjustments for exchange rate fluctuations and other items	**-**	(16)	(13)
	1,361	1,424	1,430
Bad debts written off	**(27)**	(25)	(18)
Closing balance	**1,334**	1,399	1,412
Specific Provisions			
Opening balance	**234**	240	432
Acquired provisions, including fair value adjustments	**-**	1	5
Transfer from general provision for:			
New and increased provisioning	**383**	311	184
Less write-back of provisions no longer required	**(27)**	(34)	(50)
Net transfer	**356**	277	134
Adjustments for exchange rate fluctuations and other items	**(1)**	8	(25)
	589	526	546
Bad debts written off	**(280)**	(292)	(306)
Closing balance	**309**	234	240
Total Provisions for Impairment	**1,643**	1,633	1,652
Specific provisions for impairment comprise the following segments:			
Provisions against loans and advances	**308**	233	239
Provisions for diminution	**1**	1	1
Total	**309**	234	240

	%	%	%
Provision Ratios			
Specific provisions for impairment as % of gross impaired assets net of interest reserved	**31.43**	36.06	28.99
Total provisions for impairment as % of gross impaired assets net of interest reserved	**167.1**	251.6	199.5
General provisions as % of risk weighted assets	**0.96**	1.01	1.06
Impaired Asset Ratios			
Gross impaired assets net of interest reserved as % of credit risk net of unearned income	**0.47**	0.32	0.42
Net impaired assets as % of:			
Risk weighted assets	**0.49**	0.30	0.44
Total shareholders' equity	**3.30**	2.09	3.02

Accounting Policy

Provisions for impairment are maintained at an amount adequate to cover anticipated credit related losses.

Specific provisions are established where full recovery of principal is considered doubtful. Specific provisions are made against:

- Individual facilities in the credit risk rated managed segment where exposure aggregates to $250,000 or more.
- Each statistically managed portfolio to cover facilities which are not well secured and past due 180 days or more.
- Credit risk rated managed segment for exposures aggregating less than $250,000 and 90 days past due or more and;
- Emerging credit risks identified in specific segments in the credit risk rated managed portfolio.

Provisions against segments are determined primarily by reference to historical ratios of write offs to balances in default.

General provisions for bad and doubtful debts are maintained to cover non identified probable losses and latent risks inherent in the overall portfolio of advances and other credit transactions. The provisions are determined having regard to the general risk profile of the credit portfolio, historical loss experience, economic conditions and a range of other criteria.

The amounts required to bring the provisions for impairment to their assessed levels are charged to profit. Provisions for impairment and movements therein are set out above.

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.

	Half Year Ended		
	31/12/01 $M	**30/06/01 $M**	**31/12/00 $M**
Impaired Assets			
Income received			
Current period	**5**	10	10
Prior period	**6**	15	16
Total income received	**11**	25	26
Income forgone	**15**	9	7
Movement in Impaired Asset Balances			
Gross impaired assets at period beginning	**717**	898	1,135
New and increased	**804**	226	481
Balances written off	**(297)**	(299)	(367)
Returned to performing or repaid	**(177)**	(108)	(351)
Gross impaired assets at period end	**1,047**	**717**	**898**

Loans accruing but past 90 days or more	**31/12/01 $M**	**30/06/01 $M**	**31/12/00 $M**
Housing loans	**168**	218	247
Other loans	**79**	90	66
Total	**247**	308	313

Note 6 Deposits and Other Public Borrowings

	31/12/01 $M	**30/06/01 $M**	**31/12/00 $M**
Australia			
Certificates of deposit	**12,589**	12,927	11,149
Term deposits	**28,136**	28,102	30,225
On demand and short term deposits	**60,818**	54,601	49,867
Deposits not bearing interest	**5,409**	6,350	6,623
Securities sold under agreements to repurchase	**1,855**	435	769
Other	**7**	6	7
Total Australia	**108,814**	**102,421**	**98,640**
Overseas			
Certificates of deposit	**3,462**	2,294	1,747
Term deposits	**8,547**	7,849	7,439
On demand and short term deposits	**4,572**	4,130	3,528
Deposits not bearing interest	**740**	635	622
Agreements to repurchase	**59**	26	-
Total Overseas	**17,380**	**14,934**	**13,336**
Total Deposits and Other Public Borrowings	**126,194**	**117,355**	**111,976**

Notes to the financial statements

Note 7 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.

	Half Year Ended 31 December 2001			
Primary Segment		**Life**	**Funds**	**GROUP**
Business Segments	**Banking**	**Insurance**	**Management**	**Total**
Profit and Loss	**$M**	**$M**	**$M**	**$M**
Interest income	**5,369**	**-**	**-**	**5,369**
Premium and related revenue	-	**606**	**-**	**606**
Other income	**1,424**	**253**	**390**	**2,067**
Appraisal value uplift				**174**
Total Revenue	**6,793**	**859**	**390**	**8,216**
Interest Expense	**3,020**	**-**	**-**	**3,020**
Profit before tax, goodwill amortisation and appraisal value uplift	**1,372**	**162**	**128**	**1,662**
Income tax expense	**(396)**	**(41)**	**(32)**	**(469)**
Profit after tax and before goodwill amortisation and appraisal value uplift	**976**	**121**	**96**	**1,193**
Outside equity interest	**(1)**	**-**	**-**	**(1)**
Profit after tax and outside equity interest before goodwill amortisation and appraisal value uplift	**975**	**121**	**96**	**1,192**
Goodwill amortisation				**(162)**
Appraisal value uplift				**174**
Net profit attributable to shareholders of the Bank	**975**	**121**	**96**	**1,204**
Non-Cash Expenses				
Goodwill amortisation				**(162)**
Charge for bad and doubtful debts	**(290)**	**-**	**-**	**(290)**
Depreciation	**(53)**	**(4)**	**(3)**	**(60)**
Other	**(36)**	**(1)**	**(1)**	**(38)**
Balance Sheet				
Total Balance Sheet Assets	**200,573**	**37,182**	**1,898**	**239,653**
Acquisition of Property, Plant & Equipment and Intangibles	**79**	**3**	**-**	**82**
Associate Investments	**240**	**72**	**23**	**335**
Total Balance Sheet Liabilities	**190,083**	**28,630**	**536**	**219,249**

	Half Year Ended 31 December 2000			
	Banking	Life Insurance	Funds Management	GROUP Total
Profit and Loss	$M	$M	$M	$M
Interest income	6,024	-	-	6,024
Premium and related revenue	-	496	-	496
Other income	1,302	716	320	2,338
Appraisal value uplift				189
Total Revenue	7,326	1,212	320	9,047
Interest Expense	3,803	-	-	3,803
Profit before tax, appraisal value uplift, goodwill amortisation	1,250	248	116	1,614
Income tax expense	(364)	(92)	(38)	(494)
Profit after income tax and before goodwill amortisation and appraisal value uplift	886	156	78	1,120
Outside equity interest	(11)	-	-	(11)
Profit after tax and outside equity interest before goodwill amortisation and appraisal value uplift	875	156	78	1,109
Goodwill amortisation				(163)
Appraisal value uplift				189
Net profit attributable to shareholders of the Bank	875	156	78	1,135
Non-Cash Expenses				
Goodwill amortisation				(163)
Charge for bad and doubtful debts	(182)	-	-	(182)
Depreciation	(59)	(20)	(3)	(82)
Other	(28)	(5)	(3)	(36)
Balance Sheet				
Total Balance Sheet Assets	187,278	33,886	2,161	223,325
Acquisition of Property, Plant & Equipment and Intangibles	45	-	-	304 [1]
Associate Investments	251	124	46	421
Total Balance Sheet Liabilities	175,851	27,444	569	203,864

(1) Includes intangible assets of $259 million on acquisition of 25% interest in ASB Group.

Financial Reporting by Segments		31/12/01		31/12/00
	$M	%	$M	%
GEOGRAPHICAL SEGMENTS				
Revenue				
Australia	**6,940**	**84.5**	7,780	86.0
New Zealand	**518**	**6.3**	704	7.8
Other Countries *	**758**	**9.2**	563	6.2
	8,216	**100.0**	9,047	100.0
Net profit attributable to shareholders of the Bank				
Australia	**1,130**	**93.9**	1,025	90.3
New Zealand	**52**	**4.3**	69	6.1
Other Countries *	**22**	**1.8**	41	3.6
	1,204	**100.0**	**1,135**	100.0
Assets				
Australia	**200,250**	**83.6**	190,661	85.4
New Zealand	**23,497**	**9.8**	18,693	8.4
Other Countries *	**15,906**	**6.6**	13,971	6.2
	239,653	**100.0**	**223,325**	100.0
Acquisition of Property, Plant & Equipment and Intangibles				
Australia	**60**	**73.2**	299	98.4
New Zealand	**19**	**23.2**	5	1.6
Other Countries *	**3**	**3.6**	-	-
	82	**100.0**	**304**	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.

Note 8 Statement of Cash Flows

(a) Reconciliation of Operating Profit after Income Tax to Net Cash Provided by Operating Activities

	Half Year Ended		
	31/12/01 $M	**30/06/01 $M**	**31/12/00 $M**
Profit from ordinary activities after income tax	**1,205**	1,266	1,146
Decrease (increase) in interest receivable	**65**	(155)	314
Increase (decrease) in interest payable	**92**	(332)	54
Net (increase) decrease in trading securities	**(143)**	979	(1,241)
Net (gain)/loss on sale of investment securities	**(60)**	(20)	(36)
Charge for bad and doubtful debts	**290**	203	182
Depreciation and amortisation	**222**	243	245
Other provisions	**(26)**	(307)	(385)
Increase (decrease) in income taxes payable	**255**	(162)	(209)
(Decrease) increase in deferred income taxes payable	**(162)**	(43)	(54)
(Increase) decrease in future income tax benefits	**34**	41	168
Amortisation of premium on investment securities	**9**	1	23
Unrealised gain on revaluation of trading securities	**222**	(134)	(52)
Change in excess of net market value over net assets of life insurance controlled entities	**(174)**	(285)	(189)
Other assets	**-**	400	-
Other	**(479)**	(271)	445
Net Cash provided by Operating Activities	**1,350**	1,424	411

(b) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank, money at short call, at call deposits with other financial institutions and settlement account balances with other banks.

As At	**31/12/01 $M**	**30/06/01 $M**	**31/12/00 $M**
Notes, coins and cash at bankers	**2,072**	1,048	1,384
Other short term liquid assets	**808**	544	457
Receivables due from other financial institutions - at call	**983**	458	1,253
Payables due to other financial institutions - at call	**(3,263)**	(2,012)	(1,884)
Cash and Cash Equivalents at end of year	**600**	38	1,210

(c) Non Cash Financing and Investing Activities

The value of shares issued under the Dividend Reinvestment Plan totalled $172 million during the half year ended 31 December 2001 (31 December 2000: $169 million).

Note 9 Events after the end of the Financial Period

The Directors are not aware of any matter or circumstance that has occurred since the end of the half year that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Note 10 Contingent Liabilities

There have been no material changes in contingent liabilities since those disclosed in the financial statements for the year ended 30 June 2001, refer to note 38 of the 2001 Annual Report.

Directors' Declaration

In accordance with a resolution of the Directors of the Commonwealth Bank of Australia we state that in the opinion of the Directors:

(a) the half year consolidated financial statements and notes as set out on pages 30 to 41:

- (i) give a true and fair view of the financial position as at 31 December 2001 and the performance for half year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

J T Ralph AC
Chairman

D V Murray
Managing Director

13 February 2002

Independent Review Report

To the members of Commonwealth Bank of Australia

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of Commonwealth Bank of Australia for the half year ended 31 December 2001 included on Commonwealth Bank of Australia's web site. The company's directors are responsible for the integrity of the Commonwealth Bank of Australia's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

We have reviewed the financial report of Commonwealth Bank of Australia for the half-year ended 31 December 2001, set out on pages 30 to 42 including the Directors' Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Commonwealth Bank of Australia and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements and in order for the Commonwealth Bank of Australia to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the disclosing entity's personnel and analytical review procedures applied to financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement

As a result of our review, we have not become aware of any matter that makes us believe that the half-year financial report of Commonwealth Bank of Australia is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at (balance date) and its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001;

(b) other mandatory professional reporting requirements in Australia.

Ernst & Young

S C Van Corp
Partner

Sydney

13 February 2002

Appendices

1. **Average Interest Earning Assets and Liabilities**
2. **Interest Rate and Volume Analysis**
3. **Integrated Risk Management**
4. **Capital Adequacy**
5. **Credit Rating**
6. **Share Capital and Reserves**
7. **Definitions**
8. **Expenses**
9. **Life Insurance Business**
10. **Intangible Assets**
11. **Amortisation Schedule**
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1. 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 half years ending 31 December 2001, 30 June 2001 and 31 December 2000. Averages used are predominantly daily averages.

The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Overseas intragroup 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.

Half Year Ended		**31/12/01**			**30/06/01**			**31/12/00**	
	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	**4,300**	**74**	**3.4**	2,380	49	4.2	2,475	58	4.6
Overseas	**264**	**3**	**2.3**	303	3	2.0	243	-	-
Receivables due from other financial institutions									
Australia	**1,631**	**26**	**3.2**	2,543	71	5.6	2,771	88	6.3
Overseas	**2,373**	**43**	**3.6**	1,724	67	7.8	1,468	54	7.3
Deposits with regulatory authorities									
Australia	**-**	**-**	**n/a**	-	-	n/a	-	-	n/a
Overseas	**114**	**-**	**-**	39	-	-	19	-	-
Trading securities									
Australia	**5,368**	**139**	**5.1**	6,427	231	7.2	4,818	156	6.4
Overseas	**2,831**	**64**	**4.5**	2,785	80	5.8	2,392	81	6.7
Investment securities									
Australia	**3,530**	**110**	**6.2**	2,882	105	7.3	3,600	137	7.5
Overseas	**7,274**	**182**	**5.0**	6,553	203	6.2	5,988	210	7.0
Loans, advances and other receivables									
Australia	**121,680**	**4,075**	**6.6**	119,720	4,384	7.4	118,129	4,599	7.7
Overseas	**18,857**	**650**	**6.8**	18,007	678	7.6	15,994	639	7.9
Other interest earning assets	**-**	**3**	**n/a**	-	5	n/a	-	2	n/a
Intragroup loans									
Australia	**-**	**-**	**n/a**	-	-	n/a	-	-	n/a
Overseas	**3,106**	**40**	**2.6**	3,209	82	5.2	3,188	109	6.8
Average interest earning assets and interest income including intragroup	**171,328**	**5,409**	**6.3**	166,572	5,958	7.2	161,085	6,133	7.6
Intragroup eliminations	**(3,106)**	**(40)**	**2.6**	(3,209)	(82)	5.2	(3,188)	(109)	6.8
Total average interest earning assets and interest income	**168,222**	**5,369**	**6.3**	163,363	5,876	7.3	157,897	6,024	7.6

Half Year Ended	31/12/01 Average Balance $M	31/06/01 Average Balance $M	31/12/00 Average Balance $M
Non-Interest Earning Assets			
Bank acceptances			
Australia	**11,748**	12,361	11,792
Overseas	**53**	137	81
Life insurance investment assets			
Australia	**26,865**	26,825	26,339
Overseas	**4,104**	4,104	2,037
Property, plant and equipment			
Australia	**699**	911	1,135
Overseas	**217**	238	242
Other assets			
Australia	**24,548**	22,899	20,435
Overseas	**3,723**	2,654	1,029
Provisions for impairment			
Australia	**(1,550)**	(1,634)	(1,354)
Overseas	**(139)**	(78)	(90)
Total average non-interest earning assets	**70,268**	68,417	61,646
Total Average Assets	**238,490**	231,780	219,543
Percentage of total average assets applicable to overseas operations	**17.9%**	17.1%	14.8%

Half Year Ended	31/12/01 Average Balance $M	31/12/01 Interest $M	31/12/01 Average Rate %	30/06/01 Average Balance $M	30/06/01 Interest $M	30/06/01 Average Rate %	31/12/00 Average Balance $M	31/12/00 Interest $M	31/12/00 Average Rate %
Average Interest Bearing Liabilities and Loan Capital and Interest Expense									
Time Deposits									
Australia	**42,107**	**1,014**	**4.8**	41,475	1,209	5.9	42,965	1,310	6.0
Overseas	**11,017**	**367**	**6.6**	10,447	360	6.9	9,325	351	7.5
Savings Deposits									
Australia	**31,277**	**227**	**1.4**	27,432	281	2.1	28,231	322	2.3
Overseas	**2,353**	**42**	**3.5**	2,173	43	4.0	1,883	40	4.2
Other demand deposits									
Australia	**28,442**	**524**	**3.7**	25,501	509	4.0	22,153	555	5.0
Overseas	**2,287**	**32**	**2.8**	2,046	34	3.4	1,779	28	3.1
Payables due to other financial institutions									
Australia	**2,174**	**42**	**3.8**	1,594	40	5.0	953	25	5.2
Overseas	**5,079**	**73**	**2.8**	4,504	125	5.6	3,976	138	6.9
Debt issues									
Australia	**14,108**	**385**	**5.4**	17,259	567	6.6	17,002	532	6.2
Overseas	**10,155**	**168**	**3.3**	10,280	266	5.2	9,656	296	6.1
Loan capital									
Australia	**5,525**	**128**	**4.6**	5,732	176	6.2	5,399	191	7.0
Overseas	**90**	**4**	**8.8**	89	3	6.8	143	4	5.5
Other interest bearing liabilities	**-**	**14**	**n/a**	-	10	n/a	-	11	n/a
Intragroup borrowings									
Australia	**3,106**	**40**	**2.6**	3,209	82	5.2	3,188	109	6.8
Overseas	**-**	**-**	**n/a**	-	-	n/a	-	-	n/a
Average interest bearing liabilities and loan capital and interest expense including intragroup	**157,720**	**3,060**	**3.8**	151,741	3,705	4.9	146,653	3,912	5.3
Intragroup eliminations	**(3,106)**	**(40)**	**2.6**	(3,209)	(82)	5.2	(3,188)	(109)	6.8
Total average interest bearing liabilities and loan capital and interest expense	**154,614**	**3,020**	**3.9**	148,532	3,623	4.9	143,465	3,803	5.3

Half Year Ended	31/12/01 Average Balance $M	30/06/01 Average Balance $M	31/12/00 Average Balance $M
Non-Interest Bearing Liabilities			
Deposits not bearing interest			
Australia	**5,813**	6,308	5,764
Overseas	**665**	634	582
Liability on acceptances			
Australia	**11,748**	12,367	11,792
Overseas	**53**	137	81
Life insurance policy liabilities			
Australia	**23,305**	23,290	23,873
Overseas	**3,376**	3,421	1,826
Other liabilities			
Australia	**15,907**	14,294	12,790
Overseas	**2,831**	4,131	1,669
Total average non-interest bearing liabilities	**63,698**	64,584	58,377
Total average liabilities and loan capital	**218,312**	213,116	201,842
Shareholders' equity	**20,178**	18,664	17,700
Total average liabilities, loan capital and shareholders' equity	**238,490**	231,780	219,542
Percentage of total average liabilities applicable to overseas operations	**17.4%**	17.8%	15.3%

2. Interest Rate and Volume Analysis

Half Year Ended	**31/12/01 vs 31/12/00**			**31/12/01 vs 30/06/01**		
	Changes due to			**Changes due to**		
	Volume $M	**Rate $M**	**Total $M**	**Volume $M**	**Rate $M**	**Total $M**
Interest Earning Assets						
Cash and liquid assets						
Australia	37	(21)	16	37	(12)	25
Overseas	-	3	3	-	-	-
Receivables due from other financial institutions						
Australia	(27)	(35)	(62)	(20)	(26)	(46)
Overseas	25	(36)	(11)	19	(44)	(25)
Trading securities						
Australia	16	(33)	(17)	(33)	(63)	(96)
Overseas	12	(29)	(17)	1	(19)	(18)
Investment securities						
Australia	(2)	(25)	(27)	22	(19)	3
Overseas	39	(67)	(28)	20	(45)	(25)
Loans, advances and other receivables						
Australia	129	(653)	(524)	69	(451)	(382)
Overseas	107	(96)	11	31	(70)	(39)
Other interest earning assets	-	-	-	-	(3)	(3)
Intragroup loans						
Australia	-	-	-	-	-	-
Overseas	(2)	(67)	(69)	(2)	(41)	(43)
Change in interest income including intragroup	348	(1,072)	(724)	157	(807)	(650)
Intragroup eliminations	2	67	69	2	41	43
Change in interest income	362	(1,017)	(655)	166	(772)	(606)
Interest Bearing Liabilities and Loan Capital						
Time Deposits						
Australia	(23)	(272)	(295)	17	(231)	(214)
Overseas	60	(44)	16	19	(18)	1
Savings Deposits						
Australia	28	(123)	(95)	34	(93)	(59)
Overseas	9	(7)	2	3	(5)	(2)
Other demand deposits						
Australia	137	(168)	(31)	57	(50)	7
Overseas	8	(4)	4	4	(6)	(2)
Payables due to other financial institutions						
Australia	28	(11)	17	13	(12)	1
Overseas	27	(93)	(66)	12	(67)	(55)
Debt Issues						
Australia	(85)	(62)	(147)	(96)	(96)	(192)
Overseas	12	(140)	(128)	(3)	(100)	(103)
Loan Capital						
Australia	4	(67)	(63)	(6)	(45)	(51)
Overseas	(2)	2	-	-	1	1
Other interest bearing liabilities	-	3	3	-	4	4
Intragroup borrowings						
Australia	(2)	(67)	(69)	(2)	(41)	(43)
Overseas	-	-	-	-	-	-
Change in interest expense including intragroup	267	(1,119)	(852)	133	(840)	(707)
Intragroup eliminations	2	67	69	2	41	43
Change in interest expense	257	(1,040)	(783)	135	(798)	(663)
Change in net interest income	145	(17)	128	68	(9)	58
Change due to Variation in Time Periods			-			37

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.

3. 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. The 2001 Annual Report pages 31 to 33, Integrated Risk Management, details the major risks managed by a diversified financial institution.

Credit Risk

The Group uses a portfolio approach for the management of its credit risk. A key element is a well diversified portfolio. The Group is using various portfolio management tools to assist in diversifying the credit portfolio.

The commercial portfolio remains well rated regardless of a small number of large impaired assets. The level of exposure within Australia to the commercial portfolio and the home lending segment further supports the strength of the portfolio, with Australia expected to have a comparatively quick recovery on the international stage.

Industry	**31/12/01 %**	**30/06/01 %**
Accommodation, Cafes and Restaurants	1.4	1.4
Agriculture, Forestry and Fishing	2.8	2.9
Communication Services	0.7	0.7
Construction	1.4	1.6
Cultural and Recreational Services	0.6	0.9
Electricity, Gas and Water Supply	1.8	1.6
Finance and Insurance	11.2	10.3
Government Administration and Defence	4.8	4.4
Health and Community Services	1.5	1.6
Individuals	3.5	3.8
Manufacturing	5.3	5.9
Mining	1.1	1.1
Personal and Other Services	0.6	0.5
Property and Business Services	8.0	8.7
Retail Trade	2.1	2.1
Transport and Storage	2.7	2.9
Wholesale Trade	1.4	1.8
Consumer	49.1	47.8
Total	100.0	100.0

The Group is traditionally a large home loan provider in both Australia and New Zealand (see "Consumer" above), where historically losses have been less than 0.03% of the portfolio in most years.

Region

	31/12/01 %	**30/06/01 %**
Australia	84.7	87.9
New Zealand	8.5	7.2
Europe	3.0	2.0
Americas	2.0	1.5
Asia	1.7	1.3
Other	0.1	0.1
Total	100.0	100.0

The Group has the bulk of the exposure concentrated in Australia and New Zealand.

Commercial Portfolio Quality

	31/12/01 %	**30/06/01 %**	**31/12/00 %**
AAA/AA	29	27	27
A	20	21	19
BBB	15	15	17
Other	36	37	37
Total	100	100	100

As % of commercial portfolio exposure (including finance and insurances) which has been individually risk rated. The Group has over 60% of commercial exposures at investment grade quality.

Consumer Portfolio Quality

	31/12/01	**30/06/01**	**31/12/00**
Housing loans accruing but past 90 days or more $m	168	218	247
Housing loan balances $m*	79,745	73,511	71,505
Arrears rate %	0.21	0.30	0.35

* Housing loan balances net of securitisation and includes home equity and similar facilities.

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

Next 12 months' Earnings

Over the half year to 31 December 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)	**31/12/01 %**	**30/06/01 %**	**31/12/00 %**
Average monthly exposure	1.6	1.8	1.8
High month exposure	1.7	2.4	2.2
Low month exposure	1.4	0.9	1.7

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.

	31/12/01 $M	**30/06/01 $M**	**31/12/00 $M**
Exposure as at period end	**35**	42	13
Average monthly exposure	**20**	23	18
High month exposure	**35**	42	23
Low month exposure	**9**	11	13

Foreign Exchange Risk in the Balance Sheet is 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 0.4% (0.4% for the half year to 31 December 2000).

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

	Average VaR During December 2001 Half $M	Average VaR During June 2001 Half $M	Average VaR During December 2000 Half $M
Group (excluding ASB Bank)			
Interest rate risk	2.6	2.21	2.30
Exchange risk	1.54	1.03	0.64
Implied volatility risk	0.48	0.39	0.32
Equities risk	0.47	0.42	0.42
Commodities risk	0.48	0.34	0.33
Prepayment	0.32	0.44	0.38
ASB Bank	**0.14**	**0.17**	**0.21**
Diversification benefit	(2.45)	(1.99)	(1.74)
Total	**3.58**	**3.01**	**2.86**

Withdrawal of Terrorism Insurance Cover

When the Group's insurance policies were renewed on 30 November 2001, insurers imposed terrorism exclusion clauses in the Group's policies for owned real estate assets (replacement value $1.2 billion) and for some managed funds real estate assets.

The Group, through the Australian Bankers Association and other interest groups, is seeking Federal Government participation in achieving a national solution to a problem created by the withdrawal of reinsurers from offering this form of cover.

The Group is also constantly reviewing the insurance market to access cover in the event that a viable insurance market solution becomes available.

4. Capital Adequacy

	Half Year Ended		
	31/12/01 $M	30/06/01 $M	31/12/00 $M
Tier One Capital			
Shareholders' Equity	**20,404**	19,848	19,461
Eligible Loan Capital	**459**	462	423
Total Shareholders' Equity and Loan Capital	**20,863**	20,310	19,884
Less Asset revaluation reserve	**(5)**	(5)	-
Less Goodwill	**(5,554)**	(5,716)	(6,007)
Less Preference shares	**-**	-	(39)
Less Intangible component of investment in non-consolidated subsidiaries	**(4,286)**	(4,116)	(3,449)
Less Outside equity interest in entities controlled by non-consolidated subsidiaries	**(1,682)**	(1,458)	(1,475)
Total Tier One Capital	**9,336**	9,015	8,914
Tier Two Capital			
Asset revaluation reserve	**5**	5	-
General provision for bad and doubtful debts [(1)]	**1,331**	1,390	1,412
FITB related to general provision	**(391)**	(436)	(420)
Upper tier 2 note and bond issues	**298**	317	314
Lower tier 2 note and bond issues	**5,241**	5,348	5,054
Less Lower tier 2 adjustment to 50% of tier 1 capital	**(573)**	(840)	(597)
Preference shares	**-**	-	39
Total Tier Two Capital	**5,911**	5,784	5,802
Tier One and Tier Two Capital	**15,247**	14,799	14,716
Less Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier 1)	**(2,328)**	(2,005)	(2,169)
Less Other deductions	**(38)**	(114)	(109)
Capital Base	**12,881**	12,680	12,438

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

	31/12/01 %	30/06/01 %	31/12/00 %
Risk Weighted Capital Ratios			
Tier one	**6.75**	6.51	6.71
Tier two	**4.27**	4.18	4.37
Less deductions	**(1.71)**	(1.53)	(1.71)
Total Capital	**9.31**	9.16	9.37

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.

5. CREDIT RATING

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

6. SHARE CAPITAL AND RESERVES

	Shares Issued	$M
Ordinary Share Capital		
Opening balance 1 July 2001	1,244,015,455	12,455
Exercise of executive options	1,792,500	34
Employee Share Acquisition Plan Issues	897,430	-
DRP 2000/2001 final dividend fully paid ordinary shares @ $28.79	5,954,040	172
Closing balance 31 December 2001	1,252,659,425	12,661
Preference Share Capital		
Opening balance 1 July 2001	3,500,000	687
Closing balance 31 December 2001	3,500,000	687
Retained Profits		
Opening balance 1 July 2001		1,160
Net profit for the half year		1,204
Provisions for dividends		(870)
Appropriations to reserves (net)		(248)
Closing balance 31 December 2001		1,246
Reserves		
Opening balance 1 July 2001		4,091
Transfer of DRP Reserve to Share Capital		(168)
Appropriation from profits (net)		248
Movement in Foreign Currency Translation Reserve		(40)
Closing balance 31 December 2001		4,131

Dividend Franking Account

After fully franking the dividend to be paid in respect of the half year ended 31 December 2001 the amount of the franking credits available as at 31 December 2001 to frank dividends for subsequent financial years is nil. This figure is based on the combined franking accounts of the Group at 31 December 2001, which have been adjusted for franking credits that will arise from the payment of income tax payable on profits of the half year ended 31 December 2001, franking debits that will arise from the payment of dividends proposed for the half year and franking credits that the Group may be prevented from distributing in subsequent financial periods. 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 Reinvestment Plan

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 22 February 2002 at ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South, 1232.

Ex Dividend Date

The ex dividend date is 18 February 2002.

7. DEFINITIONS

Item	Description
Appraisal Value	The embedded value plus estimated value of profits from future business.
Cash Earnings	Represents profit from ordinary activities after tax and outside equity interest before appraisal value uplift and goodwill amortisation.
Dividend Payout Ratio	Dividends paid, net of dividends on preference shares, divided by earnings.
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 the revised AASB 1027: Earnings per Share effective 1 July 2001.
Other Countries	United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, the Philippines, Fiji, Thailand, Indonesia, Malaysia, China and Vietnam.
Return on Average Shareholders' Equity	Based on profit from ordinary activities after tax and outside equity interests applied to average shareholders equity.
Return on Average Total Assets	Based on profit from ordinary activities 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 profit from ordinary activities before tax, charge for bad and doubtful debts and goodwill amortisation.

8. Expenses

Group Expenses	Half Year Ended 31/12/01 $M	30/06/01 $M	31/12/00 $M
Staff Expenses			
Salaries and wages	**1,031**	1,024	1,022
Superannuation contributions	**5**	5	7
Provision for long service leave	**26**	24	23
Provisions for other employee entitlements	**11**	(21)	13
Payroll tax	**49**	46	53
Fringe benefits tax	**25**	26	22
Other staff expenses	**68**	57	59
Total Staff Expenses	**1,215**	1,161	1,199
Occupancy and Equipment Expenses			
Operating lease rentals	**155**	168	161
Depreciation			
Buildings	**13**	14	15
Leasehold improvements	**21**	22	23
Equipment	**26**	32	44
Repairs and maintenance	**27**	33	27
Other	**28**	31	34
Total Occupancy and Equipment Expenses	**270**	300	304
Information Technology Services			
Projects and development	**129**	144	72
Data processing	**130**	126	90
Desktop	**79**	64	81
Communications	**89**	84	87
Total Information Technology Services	**427**	418	330
Other Expenses			
Postage	**53**	57	51
Stationery	**51**	51	53
Fees and commissions	**297**	292	232
Other	**281**	306	416
Total Other Expenses	**682**	706	752
Total Operating Expenses	**2,594**	2,585	2,585

Some prior period comparatives have been amended to reflect current classification of expenses.

9. 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.

Summarised Profit and Loss Statement	Half Year Ended 31/12/01 $M	30/06/01 $M	31/12/00 $M
Premium and related revenue[1]	**698**	536	586
Outward reinsurance premiums expense	**(92)**	(74)	(90)
Claims expense[1]	**(270)**	(438)	(183)
Reinsurance recoveries	**43**	56	85
Investment revenue (excluding investments in subsidiaries)			
Equity securities	**(262)**	186	366
Debt securities	**422**	541	361
Property	**114**	236	41
Other	**(21)**	19	(52)
Life insurance policy liabilities expense[1]	**(103)**	(438)	(470)
Margin on services operating income	**529**	**624**	**644**
Change in excess of net market values over net assets of life insurance controlled entities	**174**	285	189
Life insurance operating income	**703**	**909**	**833**
Administration expense	**(367)**	(358)	(396)
Operating profit before income tax	**336**	**551**	**437**
Income tax attributable to operating profit	**(41)**	(102)	(92)
Operating profit after income tax	**295**	**449**	**345**
Outside equity interest in operating profit after income tax	**-**	**-**	-
Net profit after income tax	**295**	**449**	**345**

Sources of life insurance operating profit

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

	31/12/01	30/06/01	31/12/00
Emergence of planned profit margins	**126**	129	128
Difference between actual and planned experience	**(33)**	(30)	(33)
Movement in excess of net market value over net assets of controlled entities	**174**	285	189
Reversal of previously recognised losses or loss recognition on groups of related products	**(8)**	1	(3)
Investment earnings on assets in excess of policyholder liabilities	**36**	58	68
Other	**-**	6	(4)
Profit after income tax	**295**	**449**	**345**

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

(1) For the above profit and loss presentation premiums and claims are split between policyholders and shareholders on an estimation basis.

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. These are Directors' valuations based on appraisal values using a range of economic and business assumptions determined by management which are reviewed by independent actuaries Trowbridge Consulting.

Analysis of Movement since 30 June 2001	**Life Insurance**			**Funds**	
	Australia $M	**New Zealand $M**	**Asia $M**	**Management $M**	**Total $M**
Profits	127	9	(15)	96	217
Net Capital Movements	163	30	102	-	295
Disposals of Business [1]	-	-	(46)	-	(46)
Change in Shareholders NTA	**290**	**39**	**41**	**96**	**466**
Value Transfer [2]	(88)	-	-	88	-
Disposals of Business [1]	-	-	(15)	-	(15)
Net Appraisal Value Uplift	(9)	(10)	(28)	221	174
Increase to 31 December 2001	**193**	**29**	**(2)**	**405**	**625**

SHAREHOLDERS' NET TANGIBLE ASSETS

	Life Insurance			**Funds Management**	**Total**
	Australia	**New Zealand**	**Asia**		
30 June 2001 balance	1,643	236	719	269	2,867
Profits	127	9	(15)	96	217
Net capital movements	163	30	102	-	295
Disposals of business [1]	-	-	(46)	-	(46)
31 December 2001 balance	1,933	275	760	365	3,333

VALUE IN FORCE BUSINESS

	Life Insurance			**Funds Management**	**Total**
	Australia	**New Zealand**	**Asia**		
30 June 2001 balance	706	135	101	618	1,560
Disposals of business [1]	-	-	(10)	-	(10)
Uplift	(6)	(2)	-	80	72
31 December 2001 balance	700	133	91	698	1,622

VALUE FUTURE NEW BUSINESS

	Life Insurance			**Funds Management**	**Total**
	Australia	**New Zealand**	**Asia**		
30 June 2001 balance	786	265	123	2,402	3,576
Disposals of business [1]	-	-	(5)	-	(5)
Uplift	(91)	(8)	(28)	229	102
31 December 2001 balance	695	257	90	2,631	3,673

CARRYING VALUE AT 31 DECEMBER 2001

	Life Insurance			**Funds Management**	**Total**
	Australia	**New Zealand**	**Asia**		
Shareholders' net tangible assets	1,933	275	760	365	3,333
Value in force business	700	133	91	698	1,622
Embedded value	**2,633**	**408**	**851**	**1,063**	**4,955**
Value future new business	695	257	90	2,631	3,673
Carrying Value	**3,328**	**665**	**941**	**3,694**	**8,628**

(1) Represents the sale of the Thailand life insurance business.
(2) Represents the recognition of value transfer between the Australia superannuation business included within life insurance above and funds management business arising from the introduction of more funds management products to the Group's proprietary distribution channels.

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

	31/12/01 $M	30/6/01 $M	31/12/00 $M
Intangible component of investment in non-consolidated subsidiaries deducted from Tier 1 capital comprises:			
Value future new business	**3,673**	3,576	2,824
Value of self-generated in force business	**613**	540	675
Adjustments [(1)]	**-**	-	(50)
	4,286	4,116	3,449
Investment in non-consolidated subsidiaries deducted from Total Capital comprises:			
Shareholders' NTA in life and funds management businesses	**3,333**	2,867	2,666
Shareholders' NTA in other non-consolidated subsidiaries	**32**	41	180
Debt recognised as capital per APRA regulations	**40**	96	56
Value of acquired in force business [(2)]	**1,010**	1,020	1,020
Less non-recourse debt	**(2,087)**	(2,019)	(1,743)
Other	**-**	-	(10)
	2,328	2,005	2,169

(1) Adjustments principally relate to the re-allocation of value between in force business and future new business.

(2) The decline in the value of acquired in force business relates to the sale of the Group's interest in the Thailand life insurance business.

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.

31 December 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	10	HKD13.0[(2)] USD12.0	-
- Other	various	various	-
Funds management entities			
Australia	n/a	12.5	70

As at 30 June 2001	New Business Multiplier	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

(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.

	31/12/01 $M	30/06/01 $M
Components of policy liabilities:		
Future policy benefits [1]	**29,858**	29,727
Future bonuses	**1,398**	1,583
Future expenses	**1,798**	2,209
Future profit margins	**1,187**	1,224
Future charges for acquisition expenses	**(344)**	(648)
Balance of future premiums	**(6,934)**	(7,112)
Provisions for bonuses not allocated to participating policyholders	**49**	46
Total policy liabilities	**27,012**	27,029

[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 future 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	December 2001 Rate Range %	June 2001 Rate Range %	June 2000 Rate Range %
Traditional – ordinary business (after tax)	6.37-6.71	6.38-6.72	6.11
Traditional – superannuation business (after tax)	7.78-8.21	7.80-8.23	7.88
Annuity business (after tax)	6.266-7.885	6.51-7.97	6.40-8.25
Term life insurance – ordinary business (after tax)	3.86-4.55	4.20-4.55	3.20-5.28
Term life insurance – superannuation business (after tax)	3.86-4.55	4.20-4.55	4.50-5.28
Disability business (before tax)	6.50	4.20-4.55	6.15
Investment linked – ordinary business (after tax)	5.86-6.43	5.86-6.36	5.70-5.82
Investment linked – superannuation business (after tax)	7.37-7.83	7.34-7.92	7.00-7.80
Investment linked – exempt (after tax)	8.37-9.10	8.34-9.12	8.35-8.63
Investment account – ordinary business (after tax)	4.50	4.51	4.44
Investment account – superannuation business (after tax)	5.48	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. There have been no significant changes to these assumptions.

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 in New Zealand.

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 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.

10. Intangible Assets

	31/12/01 $M	30/06/01 $M	31/12/00 $M
Purchased goodwill - Colonial	**5,662**	5,662	5,424
Purchased goodwill - Other	**1,131**	1,131	1,153
Realisation of Life Insurance Synergy benefits [1]	**(332)**	(332)	-
Accumulated amortisation	**(907)**	(745)	(570)
Total Goodwill	**5,554**	5,716	6,007
Excess of net market value over net assets of life insurance controlled entities	**5,295**	5,136	4,519
Total Intangibles	**10,849**	10,852	10,526

(1) 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.

11. Amortisation Schedule

	31/12/01 $M	30/06/01 $M	31/12/00 $M
Goodwill	**5,554**	5,716	6,007
Excess of Net Market value over net assets of life insurance controlled entities	**5,295**	5,136	4,519
	10,849	**10,852**	**10,526**
Analysis of movement:			
Goodwill			
Opening balance	**5,716**	6,007	5,905
Purchased goodwill	**-**	-	259
Amortisation for the half year	**(162)**	(175)	(163)
Transfer from excess	**-**	(332)	-
Fair value adjustments and increase in integration provisions	**-**	238	-
Other adjustments	**-**	(22)	6
Closing Balance	**5,554**	**5,716**	**6,007**
Excess of Net Market value over net assets of life insurance controlled entities			
Opening balance	**5,136**	4,519	4,322
Synergies	**-**	332	-
Other adjustments [2]	**(15)**	-	8
Appraisal value uplift	**174**	285	189
Closing Balance	**5,295**	**5,136**	**4,519**

(2) Includes the sale of the Thailand life insurance business during the period

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12. Performance Summaries

Group Performance Summary	Half Year Ended 31/12/01 $M	30/06/01 $M	31/12/00 $M	Proforma 30/06/00 [3] $M
Profit from ordinary activities after tax (statutory)	**1,204**	**1,263**	**1,135**	**refer note (4)**
Profit from ordinary activities after tax ('cash basis [1] ')	**1,192**	**1,153**	**1,109**	**1,035**
Income				
Interest income	5,369	5,876	6,024	5,513
Interest expense	3,020	3,623	3,803	3,427
Net interest income	**2,349**	**2,253**	**2,221**	**2,086**
Other banking operating income	1,278	1,185	1,196	1,106
Total banking income	**3,627**	**3,438**	**3,417**	**3,192**
Life insurance income [2]	529	624	644	739
Funds management income	390	381	320	300
Total Income	**4,546**	**4,443**	**4,381**	**4,231**
Expenses				
Expenses (from ordinary activities)	2,594	2,585	2,585	2,473
Charge for bad and doubtful debts	290	203	182	142
Total Expenses	**2,884**	**2,788**	**2,767**	**2,615**
Profit from ordinary activities before goodwill amortisation, appraisal value uplift and income tax	**1,662**	**1,655**	**1,614**	**1,616**
Income tax expense [2]	469	499	494	555
Profit from ordinary activities after income tax	**1,193**	**1,156**	**1,120**	**1,061**
Outside equity interests	(1)	(3)	(11)	(26)
Profit from ordinary activities after income tax and before goodwill amortisation and appraisal value uplift	**1,192**	**1,153**	**1,109**	**1,035**
Appraisal value uplift	174	285	189	refer note (4)
Goodwill amortisation	(162)	(175)	(163)	refer note (4)
Net profit after income tax attributable to shareholders of the Bank	**1,204**	**1,263**	**1,135**	refer note (4)
Contributions to profit (after tax)				
Banking	975	918	875	802
Life insurance	121	164	156	170
Funds management	96	71	78	63
Profit after tax from ordinary activities ('cash basis [1] ')	**1,192**	**1,153**	**1,109**	**1,035**
Goodwill amortisation	(162)	(175)	(163)	refer note (4)
Appraisal value uplift	174	285	189	refer note (4)
Net profit after income tax attributable to shareholders of the Bank	**1,204**	**1,263**	**1,135**	refer note (4)

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

(2) Included within life insurance income is $25 million relating to policyholder income tax (31 December 2000: $38 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).

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

(4) Proforma results have only been prepared on a ‘cash basis’.

Banking Performance Summary Profit from Ordinary Activities Summary	Half Year Ended 31/12/01 $M	 30/06/01 $M	 31/12/00 $M	Proforma 30/06/00 $M
Interest income	5,369	5,876	6,024	5,513
Interest expense	3,020	3,623	3,803	3,427
Net interest income	**2,349**	**2,253**	**2,221**	**2,086**
Other operating income	1,278	1,185	1,196	1,106
Total operating income	**3,627**	**3,438**	**3,417**	**3,192**
Operating expenses	1,965	1,973	1,985	1,878
Underlying profit	**1,662**	**1,465**	**1,432**	**1,314**
Charge for bad and doubtful debts	290	203	182	142
Profit from ordinary activities before goodwill amortisation and income tax	**1,372**	**1,262**	**1,250**	**1,172**
Income tax expense	396	341	364	344
Outside equity interests	1	3	11	26
Profit from ordinary activities after income tax, before goodwill amortisation	**975**	**918**	**875**	**802**

Net Interest Income				
Loans	**4,701**	5,034	5,212	4,776
Other financial institutions	**69**	138	142	121
Liquid assets	**77**	52	58	50
Trading securities	**203**	311	237	227
Investment securities	**292**	308	347	323
Dividends on redeemable preference shares	**24**	28	26	12
Other	**3**	5	2	4
Total Interest Income	**5,369**	**5,876**	**6,024**	**5,513**
Interest Expense				
Deposits	**2,206**	2,435	2,607	2,344
Other financial institutions	**115**	165	163	171
Debt issues	**553**	834	827	773
Loan capital	**132**	179	195	138
Other	**14**	10	11	1
Total Interest Expense	**3,020**	**3,623**	**3,803**	**3,427**
Net Interest Income	**2,349**	**2,253**	**2,221**	**2,086**

Other Banking Income	Half Year Ended 31/12/01 $M	30/06/01 $M	31/12/00 $M	Proforma 30/06/00 $M
Lending fees	**293**	284	318	317
Commission and other fees	**606**	594	579	559
Trading income	**251**	222	204	160
Dividends	**2**	4	10	7
Net gain on investment securities	**60**	20	36	(5)
Net profit on sale of property, plant and equipment	**16**	24	1	3
General insurance premium income	**59**	52	55	53
Less general insurance claims	**(34)**	(28)	(29)	(26)
Other	**25**	13	22	38
Total Other Banking Income	**1,278**	**1,185**	**1,196**	**1,106**

Funds Management Profit after tax				
Operating income - external	390	381	320	300
Operating income - internal	14	18	20	18
Total income from funds management business	404	399	340	318
Operating expenses	276	272	224	224
Profit before tax	128	127	116	94
Income tax expense	32	56	38	31
Net profit after tax	**96**	**71**	**78**	**63**

Summary Financial Performances (excluding appraisal value uplift)	Half Year Ended 31/12/01 $M	30/06/01 $M	31/12/00 $M	Proforma 30/06/00 $M
Life Insurance				
Margin on Services operating income - external	529	624	644	739
Operating expenses - external	(353)	(340)	(376)	(371)
Operating expenses - internal [1]	(14)	(18)	(20)	(18)
Total expenses	(367)	(358)	(396)	(389)
Profit from life insurance activities before tax	162	266	248	350
Income tax expense attributable to:				
Policy holder	25	56	38	refer note (1)
Corporate	16	46	54	180
Net profit after tax	**121**	**164**	**156**	**170**

Sources of profit from life insurance activities

The Margin on Services profit from ordinary activities after income tax is represented by:

	31/12/01	30/06/01	31/12/00	30/06/00
Planned profit margins	**126**	129	128	122
Experience variation	**(33)**	(30)	(33)	(8)
New business losses / reversal of capitalised losses	**(8)**	1	(3)	2
Operating margins	**85**	100	92	116
Investment earnings on assets in excess of policyholder liabilities [1]	**36**	58	68	52
Other	**-**	6	(4)	2
Net profit after tax	**121**	**164**	**156**	**170**

(1) Policyholder tax is not separately identified for proforma numbers.