



APRA'S DISCUSSION PAPER ON ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

SYDNEY, 25 February 2005: Yesterday, the Australian Prudential Regulation Authority released a discussion paper outlining its proposals related to the changes in regulatory capital for financial institutions resulting from the forthcoming adoption of the Australian equivalent of International Financial Reporting Standards.

Commonwealth Bank will adopt the new financial reporting standards from 1 July 2005 and APRA intend that their proposed changes to regulatory capital will take effect from 1 January 2006, subject to any transitional arrangements.

APRA's proposed regulatory capital changes are broadly in line with the Bank's expectations and are likely to be benign from a profit perspective. Michael Cameron, the Bank's Chief Financial Officer said, "the proposed changes are expected to reduce the Bank's Tier 1 capital ratio by approximately 60 basis points, which would have reduced the 31 December 2004 Tier 1 capital ratio from 7.46% to 6.86%. This is in line with the Bank's target range for Tier 1 of 6.5% to 7.0%."

The proposed changes do not materially impact the Bank's total capital ratio.

The Bank will now consider the proposals in more detail and respond to APRA within the consultation process.

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