Which new Bank

2004

CommonwealthBank

Commonwealth Bank of Australia ACN 123 123 124

Profit Announcement

For the full year ended 30 June 2004

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Except where otherwise stated, all figures relate to the year ended 30 June 2004 and comparatives to the year ended 30 June 2003. The term "prior year" refers to the year ended 30 June 2003.

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Results have been subject to an independent audit by the external auditors.
Released 11 August 2004

Highlights

Financial Performance and Business Review

The Bank's net profit after tax ("statutory basis") for the year ended 30 June 2004 was $2,572 million, an increase of 28% on the prior year's result of $2,012 million. The current year's result included an appraisal value uplift of $201 million, compared with a reduction in the appraisal value of controlled entities of $245 million for the previous year.

The Bank posted a strong operating result for the year, with net profit after tax ("underlying basis") up 15% to $3,078 million from $2,674 million for the year to 30 June 2003.

Factors contributing to the growth in operating performance included:

- Continued strong home lending growth domestically and in New Zealand were the major contributors to the growth in lending asset balances, which increased 18% to $206 billion;
- Improved performance in Funds Management following positive investor sentiment in the market and higher assets under administration;
- Significantly stronger general and life Insurance results;
- Cost control across the business, with operating expenses increasing only 3.5% during the year;
- A favourable credit environment, with very low levels of corporate and personal defaults;
- Initial benefits arising from the Which new Bank program, offset by
- Some margin compression, in line with the industry, with net interest margin down 14 basis points to 2.53%.

The net profit after tax ("cash basis") for the year was $2,695 million, an increase of 5% over the prior year. This result was achieved after absorbing $535 million (after tax) of incremental expenses in relation to the Which new Bank program.

In addition, buoyant domestic and global equity markets led to investment returns on shareholders' funds in Funds Management and Insurance increasing to $152 million (after tax) against $73 million in the prior year.

Which new Bank Program

The Bank has made excellent progress in the Which new Bank program announced to the market in September 2003, meeting all critical project milestones set for the year. Net benefits realised in 2004 of $237 million exceeded the market commitment of $200 million.

Investment spend of $634 million for the twelve months was below the target of $660 million, however, total impact on 2004 profitability was slightly higher due mainly to lower levels of capitalisation.

Focus during the 2005 financial year will be on the execution of several major IT projects, as well as a significant cultural transformation of the domestic operations. Following the successful pilot of the Bank's new integrated customer service system, CommSee, in Tasmania, the roll out will commence progressively across the network as further development of the system is completed.

Overall, the program remains on track to deliver a total annual net benefit of $900 million by 2006 and beyond, with a total investment of $1,480 million over the three years. More detail is included on page 7.

Dividends

The total dividend for the year is another record at 183 cents per share, an increase of 29 cents or 18.8% on the prior year. The dividend was determined after adding back the expenses related to the Which new Bank program which, although charged against profit, is regarded as an investment in determining the dividend to shareholders. As a result, the dividend payout ratio ("cash basis") for the year is 89.1% (73.9% with Which new Bank costs added back).

The dividend payment for the second half of the year is 104 cents per share (85 cents per share in the previous year). This dividend payment is fully franked and will be paid on 24 September 2004 to owners of ordinary shares at the close of business on 20 August 2004 (record date). Shares will be quoted ex-dividend on 16 August 2004.

During the year, the Bank issued $201 million of shares to satisfy shareholder participation in the Dividend Reinvestment Plan ("DRP") in respect of the final dividend for 2002/03 and $188 million in respect of the interim dividend for 2003/04. The Bank expects to issue around $250 million of shares in respect of the DRP for the final dividend for 2003/04.

Outlook

The Global economy has improved noticeably, with an expectation of monetary tightening across the major economies in the near term.

The Australian economy continues to perform well although growth in domestic spending has slowed as the construction sector loses some momentum.

Consumer confidence is high while job security concerns are low and personal incomes are rising. Businesses should continue to benefit from sustained capital spending. High levels of spending on infrastructure are underway. The consequences of the housing slowdown remains a key domestic issue, although the effects so far have been muted.

Subject to market conditions being maintained, the Bank is targeting:

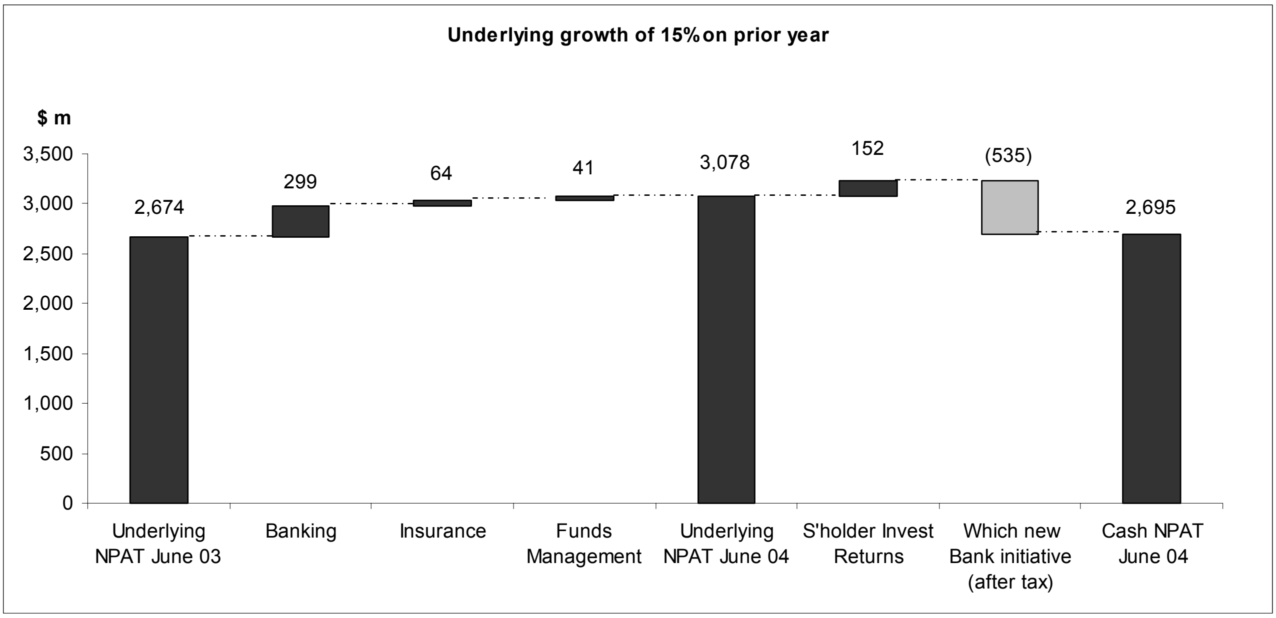
- Growth in cash EPS exceeding 10% compound annual growth rate (CAGR) over the three year period to 30 June 2006, which is expected to be ahead of industry growth;
- Improvement in productivity between 4-6% CAGR over this period; and
- Growth in profitable market share across major product lines.

Having regard to the factors considered in determining the dividend as set out on page 53, and subject to no significant change in the Bank's strategy and operating environment, the ratio of dividends per share to "cash" earnings is expected to be maintained at around the current level (i.e. the ratio with Which new Bank costs added back). The Bank expects that the impact of expenses related to Which new Bank will be significantly lower going forward, and benefits will continue to increase. Accordingly, cash earnings should be significantly higher and we expect to increase the dividend per share each year.

Highlights (cont'd)

	Full Year Ended		
	30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
Contributions to Profit (after income tax)			
Banking	**2,675**	2,376	13
Funds Management	**274**	233	18
Insurance	**129**	65	98
Net Profit after Income Tax ("underlying basis")	**3,078**	2,674	15
Shareholder Investment Returns (after tax)	**152**	73	108
Initiatives including Which new Bank (after tax) [(1)]	**(535)**	(168)	large
Net Profit after Income Tax ("cash basis")	**2,695**	2,579	5
Appraisal value uplift/(reduction)	**201**	(245)	large
Goodwill amortisation	**(324)**	(322)	1
Net Profit after Income Tax ("statutory basis")	**2,572**	2,012	28

Shareholder Summary	Full Year Ended		
	30/06/04	30/06/03	Increase/ (Decrease) %
Dividends per share - fully franked (cents)	**183**	154	19
Dividend cover - cash (times)	**1.1**	1.3	
Dividend cover - underlying (times)	**1.3**	1.4	
Earnings per share (cents)			
Statutory - basic	**196.9**	157.4	25
Statutory - fully diluted	**196.8**	157.3	25
Cash basis - basic	**206.6**	202.6	2
Cash basis - fully diluted	**206.5**	202.5	2
Underlying basis - basic	**237.1**	210.2	13
Underlying basis - fully diluted	**237.0**	210.0	13
Dividend payout ratio (%)			
Statutory	**93.5**	97.7	
Cash basis	**89.1**	75.9	
Underlying basis	**77.6**	73.3	
Weighted average number of shares - basic (number)	**1,256**	1,253	
Weighted average number of shares - fully diluted (number)	**1,257**	1,254	
Return on equity - cash (%)	**13.2**	13.3	(0.1)
Return on equity - underlying (%)	**15.1**	13.8	1.3



(1) June 2004 results reflect the Which new Bank program, while the prior year includes strategic initiatives undertaken and the cost of the June 2002 Employee Share Acquisition Plan (ESAP) paid in October 2002.

Important Dates for Shareholders

24 September 2004	Full Year Dividend Payment
5 November 2004	Annual General Meeting
9 February 2005	2005 Interim Results Announcement

Highlights (cont'd)

	Full Year Ended		
	30/06/04 $M	**30/06/03 $M**	**Increase/ (Decrease) %**
Net Profit after Income Tax ("statutory basis")	**2,572**	2,012	28
Net Profit after Income Tax ("cash basis")	**2,695**	2,579	5
Net Profit after Income Tax ("underlying basis") (1)	**3,078**	2,674	15
Net Interest Income	**5,410**	5,026	8
Other banking income	**2,846**	2,627	8
Funds management income	**1,158**	1,115	4
Insurance income	**678**	598	13
Total Operating Income	**10,092**	9,366	8
Shareholder investment returns	**196**	91	large
Policyholder tax benefit/(expense)	**203**	(58)	large
Total Income	**10,491**	9,399	12
Operating expenses	**5,500**	5,312	4
Initiatives including Which new Bank (2)	**749**	239	large
Total Operating Expenses	**6,249**	5,551	13
Charge for bad and doubtful debts	**276**	305	(10)
Net Profit Before Income Tax	**3,966**	3,543	12
Policyholder tax expense/(benefits)	**203**	(58)	large
Corporate tax expense	**1,059**	1,016	4
Outside equity interests	**9**	6	50
Net Profit after Income Tax ("cash basis")	**2,695**	2,579	4
Appraisal value uplift/(reduction)	**201**	(245)	large
Goodwill amortisation	**(324)**	(322)	1
Net Profit after Income Tax ("statutory basis")	**2,572**	2,012	28

(1) Underlying basis excludes Which new Bank program and Shareholder investment returns.

(2) June 2004 results reflect the Which new Bank program, while prior year includes strategic initiatives undertaken and the cost of the June 2002 ESAP paid in October 2002.

	Full Year Ended		
Key Performance Indicators	**30/06/04 $M**	**30/06/03 $M**	**Increase/ (Decrease) %**
Banking			
Net interest margin (%)	**2.53**	2.67	(0.1)
Average interest earning assets	**214,187**	188,270	14
Average interest bearing liabilities	**197,532**	174,737	13
Funds Management			
Funds under administration	**109,883**	98,566	11
Insurance			
Inforce premiums	**1,167**	1,076	8
Capital Adequacy			
Tier 1 (%)	**7.43**	6.96	0.5
Total (%)	**10.25**	9.73	0.5
Adjusted common equity	**4.75**	-	-

Capital Management

The Bank maintains a strong capital position. This is recognised in its credit ratings which again remained unchanged during the year.

Credit Ratings	**Long Term**	**Short Term**	**Affirmed**
Fitch Ratings	AA	F1+	Feb 04
Moody's Investor Services	Aa3	P-1	Dec 03
Standards & Poor's	AA-	A-1+	Apr 04

Additional information regarding the Bank's capital management initiatives are disclosed on pages 50 and 51.

Highlights (cont'd)

Balance Sheet Summary	30/06/04 $M	30/06/03 $M	Increase %
Total assets	**305,995**	265,110	15
Total liabilities	**281,110**	242,958	16
Shareholders' equity	**24,885**	22,152	12
Assets held and Funds under administration			
On Balance Sheet			
Banking assets	**265,062**	229,289	16
Insurance Funds under administration	**22,952**	22,144	4
Other insurance and internal funds management assets	**17,981**	13,677	31
	305,995	265,110	15
Off Balance Sheet			
Funds under administration	**86,931**	76,422	14
	392,926	341,532	15

Productivity and Efficiency[1]	Full Year Ended 30/06/04	30/06/03	Increase/ (Decrease) %
Banking			
Expense to income (%)	**59.2**	54.7	(8.2)
Underlying expense to income (%)	**50.8**	52.0	2.3
Funds Management			
Expense to average funds under administration (%)	**0.80**	0.87	8.0
Underlying expense to average funds under administration (%)	**0.76**	0.83	8.4
Insurance			
Expense to average inforce premiums (%)	**47.3**	50.4	6.2
Underlying expense to average inforce premiums (%)	**46.1**	50.4	8.5
Underlying staff expense/total operating income (%)	**25.3**	26.5	(4.5)
Total operating income per FTE ($)	**278,047**	261,292	6.4
Full time staff equivalent (FTE's) - Australia	**28,814**	29,608	(2.7)
Full time staff equivalent (FTE's) - International	**7,060**	6,237	13.2
	35,874	35,845	-
Full time staff equivalent (FTE's) - Which new Bank	**422**	-	n/a
Full time staff equivalent (FTE's)	**36,296**	35,845	1.3

(1) Productivity changes shown as an annualised percentage change.

Which new Bank Program	Full Year 30/06/04 $M	Market Commitment $M
Program expenses incurred	**634**	**660**
Provision for future costs	**208**	**210**
Investment capitalised	**(112)**	**(180)**
Gross Which new Bank expense	**730**	**690**
Normal project spend	**(200)**	**(200)**
Expensing of previously capitalised software	**219**	**215**
Incremental Which new Bank expense - before tax	**749**	**705**
Incremental Which new Bank expense - after tax	**535**	**500**

Which new Bank Benefits	Full Year Ended 30 June 2004 Revenue $M	Costs $M	Total $M
Gross benefits	**152**	**145**	**297**
Additional operating expenses	**(60)**	**-**	**(60)**
Net benefits	**92**	**145**	**237**

The impact on current year expenses is the net of $145 million cost benefits, less the impact of additional operating expenses of $60 million, totalling $85 million.

Banking Analysis

Financial Performance and Business Review

Banking operations posted a strong result for the year with underlying net profit after tax up 13% to $2,675 million. The underlying result was driven by strong growth in home loan and other personal lending, an improved credit environment and increased volumes.

Expenses in relation to the Which new Bank program totalled $499 million (after tax) for the year.

Australian Retail

The strong performance of the retail banking operations was driven by continued growth in the residential housing market, improved growth in other personal lending and solid deposit growth. Performance highlights for the year to June included:

- Home lending growth of 20%, underpinned by record sales volumes in both proprietary and broker channels.
- Strong performance in other personal lending, assisted by enhancements to the Personal Loan product and the launch of a new "Platinum" credit card in March 2004.
- Improved arrears levels across the retail lending portfolios, notwithstanding strong volume growth.
- Strong gains in underlying productivity levels, supported by efficiency improvements in operations processing areas and branch operations.
- Continued growth in online channels, with the Bank's NetBank service recognised during the year as the number one Internet Banking site in Australia (source: Australian NetGuide magazine May 2004).

Significant progress has been made in the Which new Bank service transformation program designed to ensure a better service outcome for our customers. The major initiatives undertaken across the retail bank during the year included:

- Changes to our home loan process, which make applying for a new loan or changing details on an existing loan much simpler and easier. Through system and process improvements, the great majority of home loan applications through retail proprietary channels are now either conditionally approved on the spot or within one business day. Around 70% of maintenance transactions (such as amending loan repayments on existing loans) can now be completed immediately in the branch or over the telephone, compared with up to 10 days previously.
- The commencement of our "Breakaway" Service and Sales program across our 1,000-strong retail branch network, encompassing a number of changes to improve frontline customer service, including new service-focussed performance measures for all frontline staff, dedicated service and sales coaching and changes to staff roles designed to ensure a greater proportion of time is spent on servicing customers. Early signs of significant improvements in service and sales outcomes are being experienced as this has been rolled out.
- The refurbishment of 125 branches to a modern layout more conducive to effective customer service. A further 200 to 250 branches are targeted for refurbishment over the next two years.
- A continued emphasis on reducing customer waiting times, with some branches showing up to a 50% improvement.
- The implementation of world class processing techniques in our back-office processing areas, delivering both significant efficiency benefits and improved turnaround times for our customers.

Asia Pacific

Asia Pacific Banking incorporates the Bank's retail and commercial banking operations in New Zealand, Fiji, and Indonesia. ASB Bank in New Zealand represents the majority of the Asia Pacific Banking business.

During the year ASB Bank achieved strong growth across the loan portfolio, particularly in housing credit.

Performance highlights were:

- Lending growth at well above market rates in the retail, commercial and rural sectors continued throughout the year. Home loan market share increased to 22.2% from 20.6% in June 2003.
- Leading customer service in the Banking sector. For the sixth consecutive year, ASB was recognised as the top major retail bank in terms of satisfied and very satisfied customers in the Auckland University Bank Customer Satisfaction survey. For the fifth consecutive year, ASB was rated the top business bank on the same criteria.
- A focus on technology innovation has led to the ASB website being judged the best Finance website for the second consecutive year by NetGuide Web Awards.
- The continued focus on process efficiencies has delivered an end-to-end credit card approval process which is faster, at a lower cost, and with improved service delivery.

The banking operations in Indonesia and Fiji continued to achieve strong balance sheet growth.

Premium, Business, Corporate & Institutional

The strong domestic economy and strict credit discipline have led to continued good credit quality. The market has been characterised by a drive to gain market share via aggressive pricing and competitive terms and conditions. Within this competitive environment we have increased market share in some segments whilst maintaining share for the others. Major achievements during the year have been:

- Growing market share in the business lending market (source: RBA) with strong performance in the institutional and corporate segments.
- Gained traction in the Transaction Banking segments through some major client wins. Market share in both the top 500 and commercial segments continued to increase (source: East & Partners).
- Strong growth in Asset Finance market share (source: AELA).
- Ranked second in Asia Pacific for project finance deals (source: Thompson).
- Maintained number one position in capital markets (source: Bloomberg, IFR, INSTO).
- Participated in the acquisition of the Loy Yang A power station as joint advisor. This was a landmark transaction in the energy sector and is the largest secondary market trade sale in the Australian infrastructure sector.

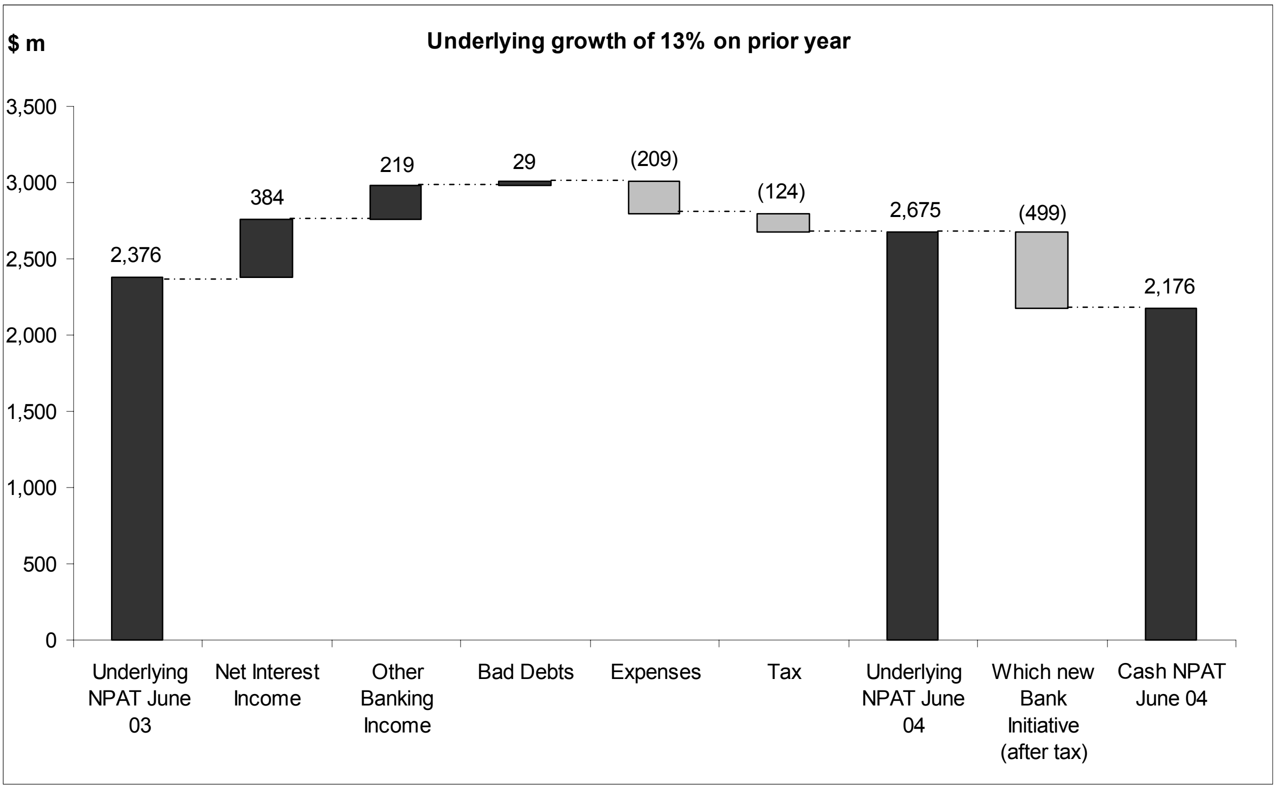
The Premium Financial Services and Institutional & Business Services business units merged on 18 May to more effectively meet the many common needs of premium and business customers. This newly formed business unit, Premium Business Services, enhances our ability to deepen relationships and in doing so, better identify high quality and relevant ideas for our customers.

Other initiatives undertaken during the year to strengthen the business have been:

- Completion of the redesign program to deliver better customer alignment and simplified processes.
- Development of the CommSee application to further enhance customer service capabilities.
- Continued focus on Customer Service Centres for day to day servicing to support the relationships with our clients.

Banking Analysis (cont'd)

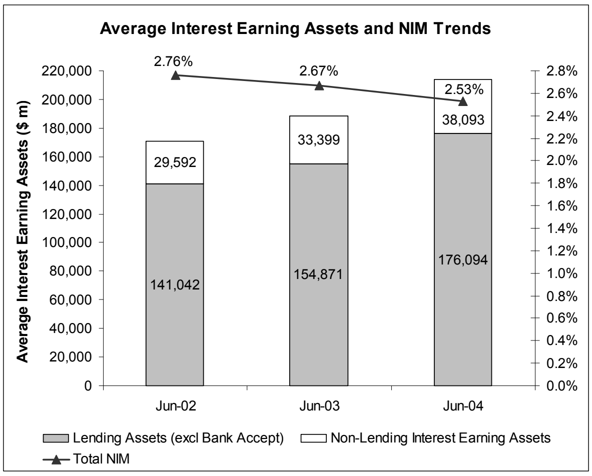
Key Performance Indicators	Full Year Ended 30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
Net interest income	**5,410**	5,026	8
Other operating income	**2,846**	2,627	8
Total Operating Income	**8,256**	7,653	8
Operating expenses	**4,191**	3,982	5
Initiatives including Which new Bank [1]	**698**	201	large
Total Operating Expenses	**4,889**	4,183	17
Charge for bad and doubtful debts	**276**	305	(10)
Net Profit before Income Tax	**3,091**	3,165	(2)
Income tax expense	**914**	931	(2)
Outside equity interests	**1**	-	-
Net Profit after Income Tax ("cash basis")	**2,176**	2,234	(3)
Net Profit after Income Tax ("underlying basis") [2]	**2,675**	2,376	13
Productivity and other measures			
Expense to income (%)	**59.2**	54.7	(8.2)
Expense to income - underlying (%)	**50.8**	52.0	2.3
Effective corporate tax rate (%)	**29.6**	29.4	20bpts
Balance Sheet			
Lending assets ($m)	**205,945**	175,074	18
Average interest earning assets ($m)	**214,187**	188,270	14
Average interest bearing liabilities ($m)	**197,532**	174,737	13
Asset Quality			
Risk weighted assets ($m)	**169,321**	146,808	15
Net impaired assets ($m)	**197**	434	(55)
General provision/Risk weighted assets (%)	**0.82**	0.90	(8)bpts
Total provisions/Gross impaired assets (net of interest reserved) (%)	**451.8**	239.4	large
Bad debt expense/Risk weighted assets (%)	**0.16**	0.21	(5)bpts



(1) June 2004 results reflect the Which new Bank program, while prior year results include strategic initiatives undertaken and the cost of the June 2002 ESAP paid in October 2002.
(2) Underlying basis excludes Which new Bank program.

Banking Analysis (cont'd)

Net Interest Income



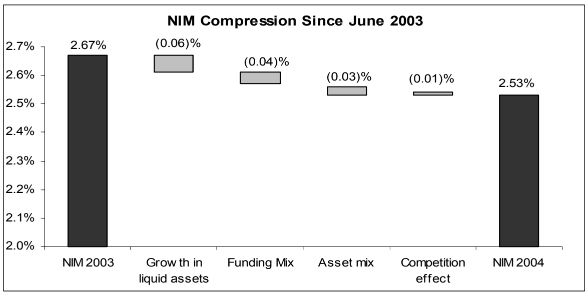
Net interest income increased by 8% to $5,410 million for the year. This increase was achieved through an increase of 14% in average interest earning assets to $214 billion, offset by a 14 basis point reduction in the net interest margin to 2.53%.

Volume

The increase in average interest earning assets represents an increase of $21 billion in lending assets and $5 billion in non-lending interest earning assets. The increase in average interest earning assets contributed $673 million to growth in net interest income.

The largest contributor to the increase in average interest earning assets continued to be the strong residential lending market in Australia and New Zealand, with average loan balances increasing by 20% since 30 June 2003 to $111.4 billion (net of securitisation), accounting for over 85% of the total increase in average lending assets.

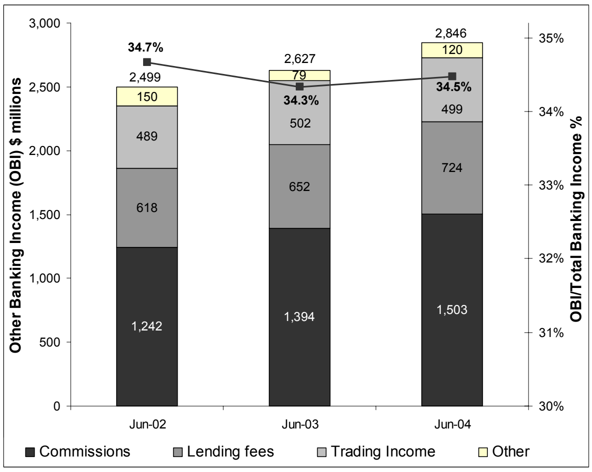
Margin



The reduction of 14 basis points in the Net Interest Margin (NIM) from 2.67% for the year to 30 June 2003 to 2.53% reduced net interest income by $289 million. Factors impacting the margin reduction include:

- Non lending interest earning assets: Non lending interest earning assets increased by $4.7 billion during the year largely as a result of increased liquidity requirements due to balance sheet growth and increased market making activities in Global Markets. This reduced the NIM by six basis points.
- Funding Mix: The strong growth in home loans outpaced growth in retail deposits, resulting in a higher reliance on wholesale funding. The impact was to reduce NIM by four basis points.
- Asset Mix: The continued strong growth in home loan balances compared with other lending reduced margins by three basis points.
- Competition: Represents the net impact of pricing changes on asset and liability products. Spreads on housing loans have tightened, offset by improved spreads on deposit products. The net impact of competition is a one basis point reduction in the NIM.

Other Banking Operating Income



Other banking operating income increased by 8% to $2,846 million for the year compared with $2,627 million for the previous year. This includes non-interest income earned on transaction accounts for the Bank's personal, business and corporate customers.

Factors impacting other banking operating income were:

- Fees and commissions increased by 8% to $1,503 million driven by increased volumes. CommSec experienced record trading levels during the year resulting in an increase in commissions of 72%. The acquisition and integration of TD Waterhouse effective 1 May 2003 also contributed to this increase. Spending on credit cards by customers increased by 17% during the year though this was partially offset by the impact of RBA interchange regulations. Personal transaction fees are less than 5% of the Bank's total income.
- Lending fees increased by 11% to $724 million. Growth in retail lending fees was the result of the increased activity in home lending, margin lending and overdraft line fees, which was partly offset by increased mortgage broker volumes and valuation fees. Institutional and Business fees increased, reflecting an improvement in market conditions.
- Trading income was in line with last year at $499 million.
- Other banking income increased by $41 million to $120 million. The current year includes the profit on sale of the Fleet Lease business of $43 million and Bank of Queensland shares of $28 million partially offset by equity accounted losses of an associate entity principally related to a change in its accounting policy ($32 million).

The income for General Insurance (previously reported in Other Banking Income) has been reallocated to the Insurance segment and prior year numbers and ratios have been restated. This reduced other banking operating income by $47 million for the year ended 30 June 2003 and $59 million for the year ended 30 June 2004, with a similar increase in the Insurance total operating income.

The income from the Bank's financial planners was reallocated to Funds Management, reducing other banking operating income by $24 million for the year ended 30 June 2003 and $15 million for the year ended 30 June 2004.

Banking Analysis (cont'd)

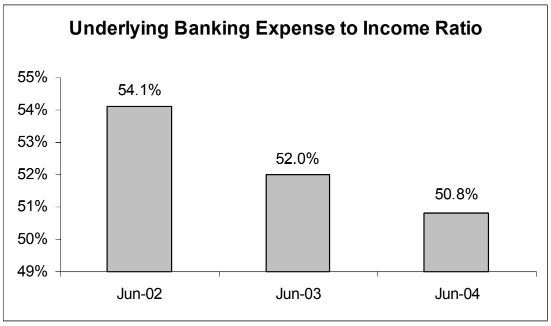
Operating Expenses

Total operating expenses on a comparable basis increased by 5% to $4,191 million for the current year. The increase was due to:

- Salary increases of 4% awarded under the Enterprise Bargaining Agreement (EBA).
- The full year effect of establishing the Premium Financial Services business which supported the strong growth in other banking operating income.
- Increases in volume related expenses including credit card loyalty.
- Operational (non-lending) losses incurred in retail banking and institutional banking.

These increases were partly offset by initial Which new Bank savings.

Productivity Efficiency



The underlying Banking expense to income ratio continued to improve from 52.0% for the year ended 30 June 2003 to 50.8% for the current year, a productivity improvement of 2.3%.

It is expected that productivity gains will accelerate over the remaining two years of the Which new Bank program as further cost initiatives are implemented, and the full year benefits realised.

Which new Bank Program

The key strategic activities carried out in the current year included service process improvements and branch refurbishments in Retail Banking Services, as well as the continued implementation of the IBS redesign program and process improvements.

Net benefits realised within the Banking operations during the year ended 30 June 2004 totalled $214 million pre tax. These benefits are split between ongoing cost savings of $124 million and revenue benefits of $90 million, and were realised across the following areas:

- Redesign of business and corporate banking and associated supporting functions.
- Several initiatives in the retail banking and premium financial segments.
- General procurement and IT&T savings.

Bad and Doubtful Debts

The total charge for bad and doubtful debts of $276 million was low compared with the prior two years ($305 million for the year ended 30 June 2003 and $449 million for the year ended 30 June 2002).

The low interest rates continued to contribute to a good credit environment, with personal and corporate arrears and default levels at low levels.

The Bank remains well provisioned, with total provisions for impairment as a percentage of gross impaired assets net of interest reserved of 451.8% (June 2003 : 239.4%) and a general provision as a percentage of risk weighted assets of 0.82%, compared with 0.90% at 30 June 2003.

Taxation Expense

The corporate tax charge of $914 million is in line with the prior year and reflects the effect of the incremental Which new Bank program expenses. The effective tax rate increased by 20 basis points to 29.6%.

Banking Analysis (cont'd)

Assets & Liabilities

Retail

Major Balance Sheet Items (gross of impairment)	30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
Lending assets - Home Lending	**104,883**	87,592	20
Lending assets - Personal Lending	**13,160**	11,989	10
Deposits	**72,360**	68,702	5

Market Share	30/06/04	30/06/03[(1)]
Home Loans[(3)]	19.3%[(2)]	19.5%
Retail deposits[(4)]	23.6%	24.2%
Credit cards[(4)]	22.7%[(2)]	22.8%

(1) As reported in the Dec-2003 Profit Announcement
(2) as at May 2004
(3) Source: APRA / ABS
(4) Source: Reserve Bank of Australia

Lending Assets

Australian retail banking lending assets increased by 19% to $118 billion. Lending assets comprise Australian Home Lending and Personal Lending.

Home Lending

Home loan balances net of securitisation increased by 20% since 30 June 2003 to $105 billion. The increase in home loans was the major factor contributing to the increase in total lending assets during the year. This reflects continued strong demand in both owner occupied and investment loans. Market share as at 31 May 2004 was 19.3%, compared with 19.5% as reported at June 2003, relating to March 2003 (source: APRA). The Bank's market share as at June 2003 was 19.3%.

The Bank maintained its position as Australia's leading home loan provider and has increased its share of broker originated loans which now account for 16% of the total Australian book compared with 11% at June 2003, while 26% of new home loans funded were originated by third party brokers.

Personal Lending

Personal lending includes Personal Loans, Credit Cards and Margin Loans. Balances increased by 10% over the year to $13.2 billion reflecting growth in Credit Card balances and margin lending.

Retail Deposits

Retail deposits showed good growth, with total balances increasing by over $3 billion to $72.4 billion. Competition has intensified within the market as the improved investment market performance has started to attract customers back to equity based products. The sale of Commonwealth Custodial Services Limited during the year impacted the Bank's deposit market share by an estimated 24 basis points.

Asia Pacific

Major Balance Sheet Items (gross of impairment)	30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
Lending assets - Home Lending	**16,967**	12,611	35
Lending assets - Other	**10,018**	7,269	38
Trading & investment securities	**2,459**	2,953	(17)
Debt issues	**5,500**	2,281	large
Deposits	**19,176**	17,168	12

Market Share	30/06/04	30/06/03[(1)]
NZ Lending for housing [(2)]	22.2%	20.6%
NZ Retail Deposits[(2)]	17.5%	16.4%

(1) As reported in the December 2003 Profit Announcement
(2) Source: Reserve Bank of NZ

Banking Analysis (cont'd)

Lending Assets

The New Zealand lending volumes were very strong during the year across all sectors, particularly in housing and business lending. Credit demand was strong and housing activity remained buoyant.

ASB Bank achieved Personal lending growth of 27%, Rural lending growth of 22% and Business/Commercial lending growth of 23%. Total operations advances growth was 26.5%. This compared with the annual market growth of 11.7% as measured by Private Sector Credit (Residents only).

ASB Bank's share of the home lending market continued to grow, with market share increasing to 22.2% from 20.6% (source: Reserve Bank of New Zealand). Focused marketing activity and ASB Bank's award winning service and sales performance underpinned this result.

Deposits

Retail funding within ASB Bank increased 15% to $14.2 billion.

Institutional and Business and Group Treasury

Major Balance Sheet Items (gross of impairment)	30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
Lending assets	**60,918**	55,060	11
Trading & investment securities	**23,884**	18,518	29
Debt issues	**38,542**	28,347	36
Deposits	**71,641**	55,104	30

Market Share	30/06/04	30/06/03[1]
Transaction Services (Commercial)[3]	24.4%[2]	22.7%
Transaction Services (Corporate)[4]	20.9%[2]	18.1%
Business Lending[5]	14.2%	14.0%
Asset Finance[6]	16.0%	15.1%

(1) As reported in the Dec-2003 Profit Announcement
(2) as at May 2004
(3) Source: East & Partners. Survey respondents included companies with $20 million to $340 million turnover.
(4) Source: East & Partners. Survey respondents are companies with turnover greater than $340 million
(5) Source: APRA / RBA
(6) Source: AELA (Aust Equip Lessors Assoc)

Lending Assets

Institutional and Business Lending has increased $5.8 billion or 11% over the year to $60.9 billion. This growth reflected good transaction activity in Institutional Banking, a stronger performance in Corporate Banking and steady growth in Business Banking. Market share as at May 2004 has increased to 14.2% compared with 30 June 2003 of 14.0% (source: APRA).

Trading and Investment Securities

Trading and investment securities increased by $5.4 billion to $23.9 billion at 30 June 2004. This increase is primarily due to increased liquidity requirements arising from liability growth.

Debt Issues

Debt issues were $38.5 billion at 30 June 2004, an increase of $10 billion. The increase reflects offshore funding raised on favourable terms to fund the growth in the Bank's assets.

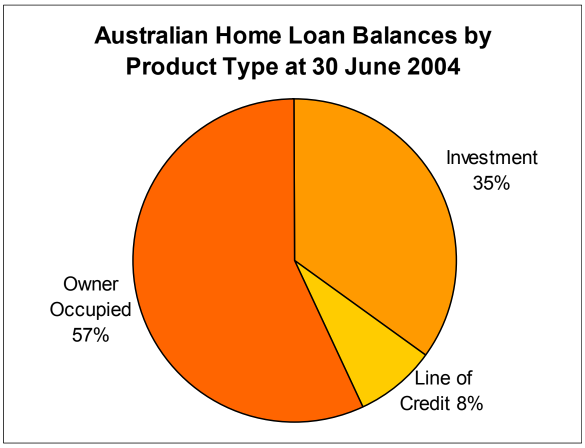
Deposits

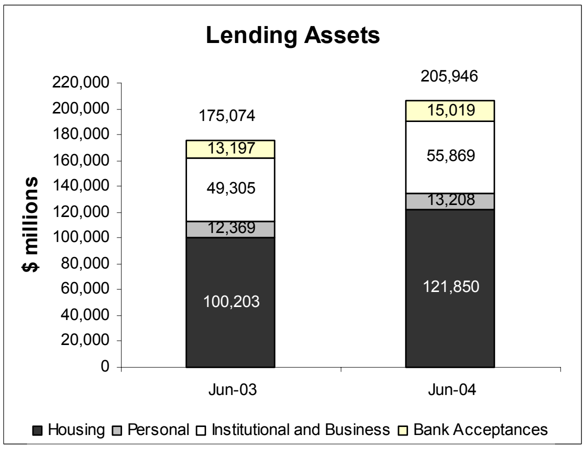
Deposits were $71.6 billion, an increase of $16.5 billion. This primarily reflects an increase in business deposit market share as well as increased use of wholesale funding to fund the growth in the Bank's assets.

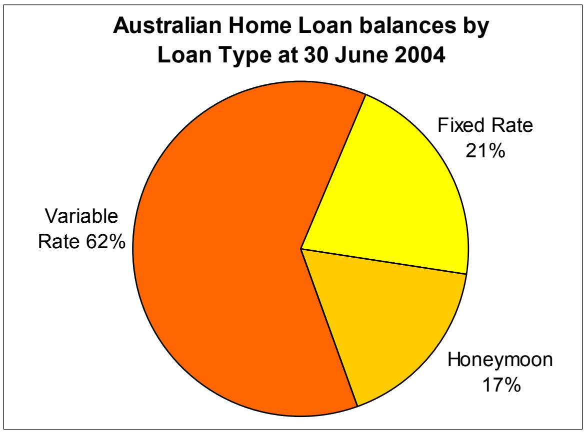
Banking Analysis (cont'd)

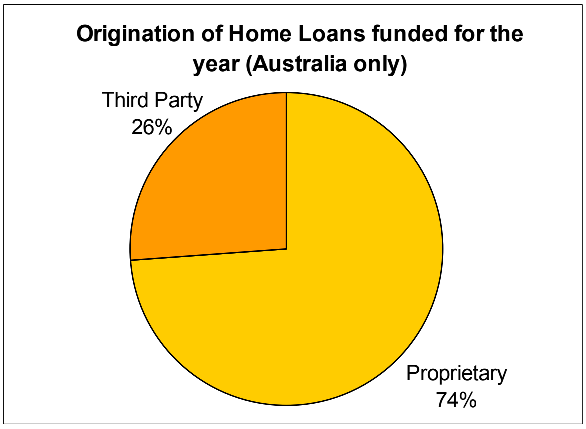
Total Banking

Major Balance Sheet Items (gross of impairment) - by Product	30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
Gross housing	**129,455**	106,683	21
Securitisation	**(7,605)**	(6,480)	17
Housing (net of securitisation)	**121,850**	100,203	22
Personal	**13,208**	12,369	7
Institutional and Business	**55,869**	49,305	13
Bank acceptances	**15,019**	13,197	14
Total Lending Assets	**205,946**	175,074	18
Trading & Investment Securities	**26,343**	21,471	23
Deposits and Other Public Borrowings	**163,177**	140,974	16
Debt Issues	**44,042**	30,629	44









Banking Analysis (cont'd)

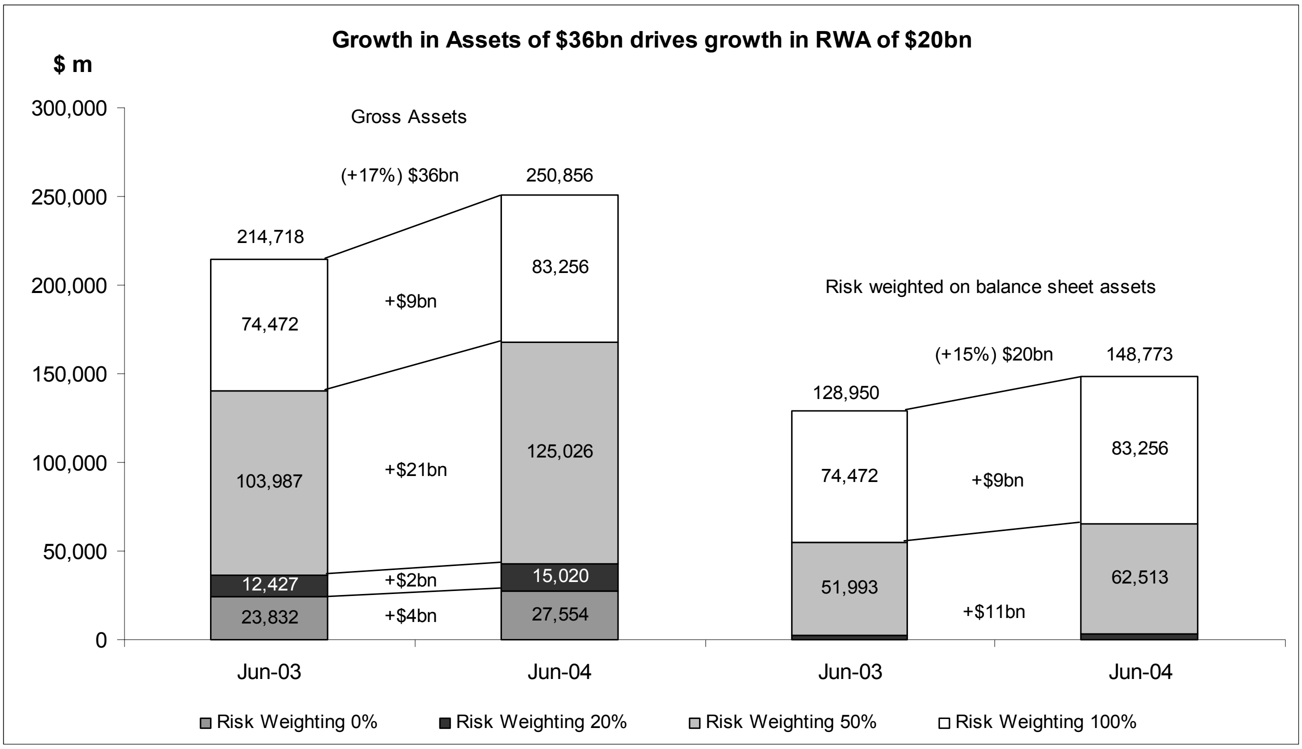
Provisions for Impairment	30/06/04 $M	30/06/03 $M
General provisions	**1,393**	1,325
Specific provisions	**143**	205
Total Provisions	**1,536**	1,530
Total provisions for impairment as a % of gross impaired assets net of interest reserved	**451.8**	239.4
Specific provisions for impairment as a % of gross impaired assets net of interest reserved	**42.1**	32.1
General provisions as a % of risk weighted assets	**0.82**	0.90
Bad debt expense as a % of risk weighted assets	**0.16**	0.21

Total provisions for impairment for the Bank at 30 June 2004 were $1,536 million. 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 decreased by 30% to $143 million at 30 June 2004, primarily as a result of significant reductions in the level of impaired assets (Gross Impaired Assets net of interest reserved have reduced by $299 million since June 2003, a reduction of 47%).

The general provision for impairment has increased to $1,393 million at 30 June 2004, an increase of 5% since June 2003. The general provision as a percentage of Risk Weighted Assets reduced to 0.82% from 0.90% in the year. This level is generally consistent with that of other major Australian banks. The general provision as a percentage of risk weighted assets has declined over the last three years reflecting:

- Major growth in credit has been in home loans which have a lower credit risk than other portfolios;
- Continuing strong asset quality in the business book; and
- The reduction in gross impaired assets to the lowest level in the past decade.



Funds Management Analysis

Financial Performance and Business Review

Performance Highlights

Underlying net profit after tax increased by 18% to $274 million for the year. This result was achieved on increased revenues of 4% while in a competitive environment the business focused on tight cost control which resulted in a 4% reduction in non-volume related expenses.

Funds under administration (FUA) ended the year at $110 billion, which is up 11% on 30 June 2003 levels, assisted by stronger domestic and international investment markets together with good inflows to the FirstChoice product in Australia and wholesale mandates in the United Kingdom.

Business Review

During the year there was a recovery of investment markets and an associated improvement in investor confidence. These conditions resulted in a recovery in flows into the retail funds sector after two years of relatively poor market returns.

The emerging preference of retail investors for platform products resulted in the more traditional retail products being in net outflow for the year. In the platform sector, the Bank was well positioned with the FirstChoice product increasing its FUA to over $7 billion. This resulted in the FirstChoice product being the industry leader in platform net flows during the year (Source: Plan for Life: March 2004).

International net flows were very strong, particularly in the United Kingdom, with FUA increasing by 32.5% over the year.

There was a focus on costs during the year which resulted in a $26 million reduction in non volume related expenses. This was achieved despite the business continuing to incur significant additional costs in respect of regulatory and compliance matters.

Which new Bank Program

The Funds Management business is a key contributor to the Bank's Which new Bank transformation program. The majority of the Funds Management initiatives undertaken during the year centred on developing the platform offerings and investing in our adviser network.

There was also a continuation of the system simplification program within the legacy product business which has and will result in significant cost savings. These initiatives will substantially improve our capacity to serve our customers and position the business to meet the changing preferences of investors. Key highlights of the initiatives during the year were:

- A continuation of the product migration strategy away from older style closed products. The number of product systems supporting legacy products has already been reduced from 17 to 11, and is targeted to reach five by December 2005.
- Launch of the improved FirstChoice mastertrust platform, with additional services and reporting for financial planners.
- A restructure of back office services to reduce costs and provide simpler processes.
- A strategic review of our UK operations which resulted in a more targeted product range and a reduction in the cost base of this business.

Investment Performance

The absolute returns of most of the funds were strong reflecting the recovery of investment markets. On a relative basis 70% of funds out-performed their benchmark during the year. The flagship Australian Equity and Global Equity funds, however, were below benchmark on a one year comparative performance which negatively impacted fund flows.

Operating Income

Operating income increased by 4% to $1,172 million for the year. This was achieved despite the negative impact from the appreciation of the Australian Dollar and the reduction of income following the sale of the Bank's custody business.

The revenue increase was supported by an 11% increase in FUA balances from $99 billion in 2003 to $110 billion. Average funds under administration for the year were $105.5 billion, which is 6% higher than in the prior year. FUA margins were very resilient with the income to average FUA ratio decreasing by three basis points to 1.11% over the year.

Shareholder Investment Returns

Shareholder investment returns attributable to the Funds Management business of $26 million were double the prior year figure of $13 million reflecting the strong investment markets during the year.

Operating Expenses

Operating expenses consist of two components:

- Ongoing operating costs; and
- Volume related costs which vary in relation to the level of business and revenue.

Operating costs were $26 million lower than in the prior year, reducing from $666 million to $640 million. The reduction was due to:

- The exit from non-core products in the UK business;
- Rationalisation of back office processes;
- Rationalisation of legacy systems; and
- Favourable exchange rate movements.

Volume related expenses were $8 million higher than in the prior year, an increase of 5% which was in line with revenue growth.

Productivity Efficiency

Underlying operating expenses as a percentage of average funds under administration of 0.76% were down seven basis points compared with June 2003, a productivity improvement of 8%.

Which new Bank Program

Costs of $37 million relating to Which new Bank initiatives include the expenses of continued rationalisation of systems, development of FirstChoice mastertrust platform, with a new version launched in May 2004 and redundancies resulting from the strategic review of the UK operations. The prior year also includes the one-off cost relating to the sale of the custody business.

Taxation

The corporate tax charge for the year was $79 million, an effective tax rate of 22% compared with 20% last year. The low effective tax rate in this business is largely due to transitional tax relief on investment style funds management products within life insurance legal entities. The benefits derived from this relief are being phased out over a five year period ending in 2005.

Funds Management Analysis (cont'd)

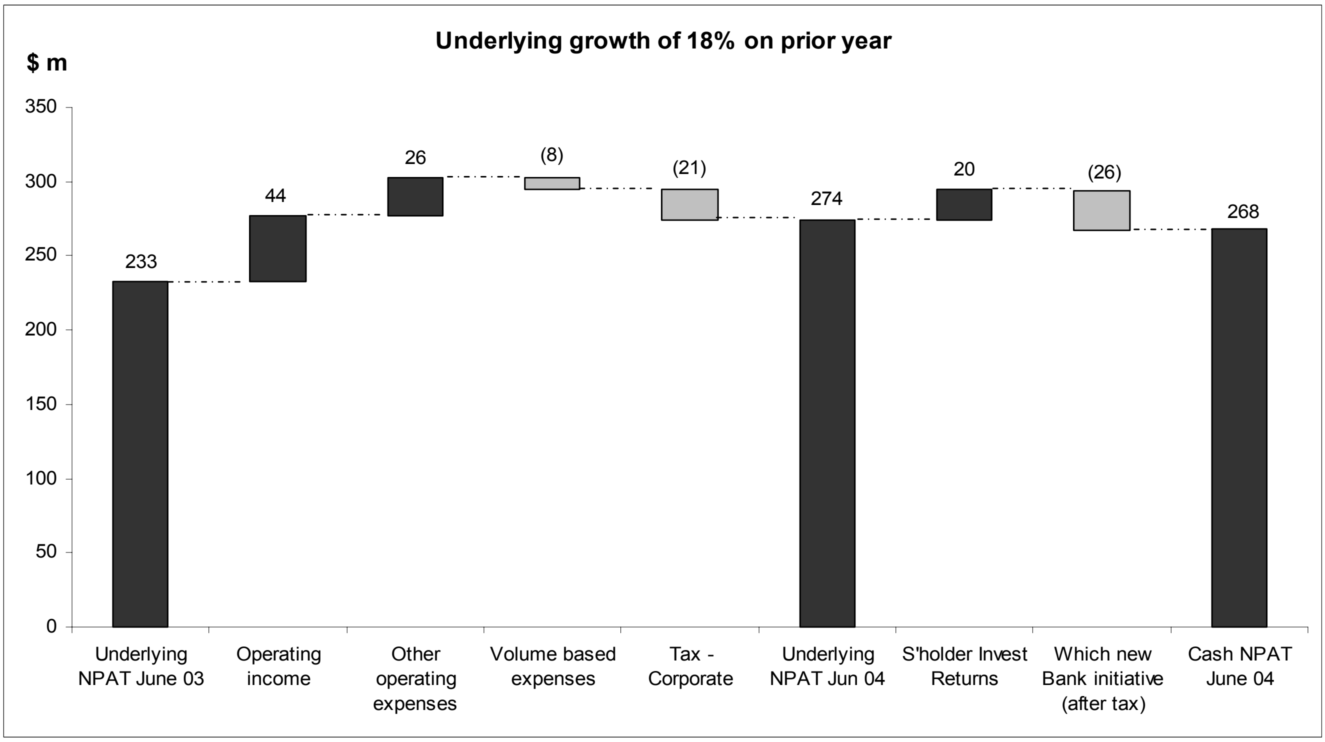
Profit Summary

Key Performance Indicators	30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
	Full Year Ended		
Funds Management			
Operating income - external	**1,158**	1,115	4
Operating income - internal	**14**	13	8
Total Operating Income	**1,172**	1,128	4
Shareholder investment returns	**26**	13	large
Policyholder tax expense/(benefits)	**149**	(62)	large
Funds Management Income	**1,347**	1,079	25
Volume based expenses	**166**	158	5
Other operating expenses	**640**	666	(4)
Operating expenses	**806**	824	(2)
Initiatives including Which new Bank (1)	**37**	38	(3)
Total Operating Expenses	**843**	862	(2)
Net Profit before Income Tax	**504**	217	large
Policyholder tax expense/(benefits)	**149**	(62)	large
Corporate tax expense	**79**	57	39
Outside equity interests	**8**	6	33
Net Profit after Income Tax ("cash basis")	**268**	216	24
Net Profit after Income Tax ("underlying basis") (2)	**274**	233	18

(1) June 2004 results reflect the Which new Bank program, while prior year results include strategic initiatives undertaken including the one off cost relating to the sale of the custody business.

(2) Underlying basis excludes shareholder investment returns and Which new Bank program.

	30/06/04	30/06/03	Increase/ (Decrease)
Funds Under Administration			
Funds under administration - average	**105,458**	99,280	6
Net flows	**846**	(686)	large
Productivity and Other Measures			
Operating income to average funds under administration (%)	**1.11**	1.14	(3)bpts
Expenses to average funds under administration - actual (%)	**0.80**	0.87	8.0
Expenses to average funds under administration - underlying (%)	**0.76**	0.83	8.4
Effective corporate tax rate (%)	**22.3**	20.4	190bpts



Funds Management Analysis (cont'd)

Funds under Administration

Funds under administration increased by 11% to $110 billion at 30 June 2004. The primary drivers of FUA growth were the strong investment markets which added $10 billion; the positive net flows in the FirstChoice product, and the international business.

Offsetting this was the net outflow of the other retail products due to:

- Run-off of legacy products;
- Reduced support for the Australian equity funds; and
- Industry trend towards platform products.

Average funds under administration of $105.5 billion for the year ended 30 June 2004 was 6% higher than the prior year.

FirstChoice and Avanteos

FirstChoice achieved $7 billion funds under administration during the year, an increase of 119% over the prior year. Net flows of $3 billion during the year placed the product at the top of the industry for platform flows (source: Plan for Life March 04). The relaunch of FirstChoice in May 2004 resulted in record net flows into the product in June.

The Avanteos business acquired during 2003 and provider of wholesale wrap products, experienced strong inflows during the year with FUA approaching $2 billion at the end of the year.

Other Retail (including Legacy Products)

Other Retail has two major components, being the closed legacy products and the traditional CFS retail products.

Other CFS retail funds under administration have continued to struggle to attract and retain customers as investors move away from traditional single entity managers to flexible mastertrust and wrap platforms, like FirstChoice.

The net outflow position of the legacy products results from the business decision to close most of these products to new clients. There remains a substantial inforce business in the legacy products and retention measures to minimise outflows from these products have been implemented.

Other retail funds remained steady reflecting investment returns for the year of positive $3.9 billion, offset by net outflows.

Wholesale

Wholesale funds under administration have risen 6% to $27 billion during the year. Investment returns were $2.7 billion for the year partly offset by $1.1 billion in net outflows. The net outflows on the wholesale business was largely attributable to Australian equity funds. Other asset classes showed good inflows.

Property

Property funds under administration comprise both listed and unlisted (wholesale) funds. Total property funds under administration grew by $0.8 billion or 7%, benefiting from both asset revaluations and acquisitions of new properties.

Internationally Sourced

International funds net inflows were $2.4 billion for the year due to some large mandate wins into the Global Emerging Markets product. Combined with good investment returns, this resulted in a 32.5% increase in international FUA over the year.

Definition

Funds under administration include all funds sourced by platforms such as FirstChoice and Avanteos, including the assets which are externally managed. This represents a change from the funds under management disclosed in previous years.

The change has been made as platform sales represent the largest growth area in the retail funds industry and to exclude these funds would present an incomplete view of the business performance.

The Bank monitors the leading market share position under both definitions. Comparative numbers have been restated.

Funds under administration for FirstChoice and Avanteos have been represented together for the first time. Comparative numbers including inflows, outflows and investment income have been restated.

Funds Management Analysis (cont'd)

Funds Under Administration	Opening Balance 30/06/03 $M	Inflows $M	Outflows $M	Investment Income $M	Acquisitions & Disposals $M	Fx Movements [1] $M	Closing Balance 30/06/04 $M
	Year Ended 30 June 2004						
FirstChoice & Avanteos	**4,192**	**5,431**	**(1,370)**	**757**	**-**	**-**	**9,010**
Cash Management	**4,963**	**3,178**	**(3,930)**	**203**	**-**	**-**	**4,414**
Other Retail	**37,749**	**4,893**	**(8,820)**	**3,916**	**-**	**-**	**37,738**
Wholesale	**25,485**	**12,322**	**(13,453)**	**2,666**	**-**	**-**	**27,020**
Property	**11,790**	**2,023**	**(2,079)**	**890**	**-**	**-**	**12,624**
Domestically Sourced	**84,179**	**27,847**	**(29,652)**	**8,432**	**-**	**-**	**90,806**
Internationally Sourced	**14,387**	**7,769**	**(5,118)**	**1,592**	**(255)**	**702**	**19,077**
Total - Funds Under Administration	**98,566**	**35,616**	**(34,770)**	**10,024**	**(255)**	**702**	**109,883**

Funds Under Administration	Opening Balance 30/06/02 $M	Inflows $M	Outflows $M	Investment Income $M	Acquisitions & Disposals $M	Fx Movements [1] $M	Closing Balance 30/06/03 $M
	Year Ended 30 June 2003						
FirstChoice & Avanteos	568	4,221	(614)	17	-	-	4,192
Cash Management	5,634	1,121	(1,970)	178	-	-	4,963
Other Retail	41,953	11,356	(13,867)	(1,693)	-	-	37,749
Wholesale	29,240	10,126	(13,329)	(552)	-	-	25,485
Property	8,895	963	(183)	(43)	2,158	-	11,790
Domestically Sourced	86,290	27,787	(29,963)	(2,093)	2,158	-	84,179
Internationally Sourced	19,522	4,603	(3,113)	(424)	(5,000)	(1,201)	14,387
Total - Funds Under Administration	105,812	32,390	(33,076)	(2,517)	(2,842)	(1,201)	98,566

(1) Includes foreign exchange gains and losses from translation of internationally sourced business.

Market Share	30/06/04	30/06/03
Australian Retail – administrator view[2]	14.4%[1]	14.5%
New Zealand[3]	14.4%[1]	14.5%
Australian Property[4]	5.5%	n/a

(1) as at March 2004
(2) Source: Plan for Life. The administrator view considers market share from the perspective of the company, which administers the product, and also includes badged products distributed by separate entities.
(3) Source: Fund Source Research
(4) Source: UBS Warburg

Insurance Analysis

Financial Performance and Business Review

Performance Highlights

The underlying profit after tax for the Insurance business for the year was $129 million, an increase of 98% over the prior year. This result was achieved with a 13% increase in operating income due to improved underwriting and favourable claims experience. Non volume related expenses were maintained at last year's levels driven by improved efficiency.

Business and Financial Review

Australia

The profit growth in the Australian business was achieved from strong underwriting performance in both the general and life risk insurance categories. This was driven largely by robust claims management, favourable claims experience and improved profitability in the annuities market.

Non volume related management expenses were maintained at last year's levels at the same time as providing enhanced customer service levels. This was achieved through significant business process re-engineering delivering enhanced productivity and efficiency in the business.

Key drivers of the current year's result were:

- Premium growth with Life Risk Premiums up 8%.
- Strong investment returns.
- Improved margins in the annuity market as a result of a return to more rational competitive pricing behaviour.
- Robust claims management activity driving enhanced claims expense outcomes despite some large weather related claims in the general insurance segment early in the year.

The group maintained its number one market share of risk premiums with a 14.8% share of the market.

New Zealand

The life insurance operations in New Zealand operate predominantly under the Sovereign brand.

The market for risk products was subdued during the year. However, Sovereign increased market share in new business from 27% to 28% and maintained its market leadership position with 28.2% of the in-force premium market (source: ISI). The business continued to expand sales through aligned channels such as ASB Bank while maintaining the levels of support from traditional independent financial advisers.

During the year the business fundamentals were further improved through product repricing, tighter underwriting standards and continued rationalisation of products and systems.

The New Zealand business generated $55 million profit after tax. This represents a 20% increase on last year's result of $46 million.

Asia

Asia includes life insurance and pension administration operations in Hong Kong, together with life businesses in China, Vietnam, Indonesia and Fiji. Hong Kong represents our largest operation in the region.

The Asian business continued to improve. Key initiatives during the year included:

- Improved risk profile of Hong Kong business following amendments to investment mix, product repricing and product mix;
- Significant reductions in expense levels for the Hong Kong operations; and
- Development of new distribution capabilities.

The Asian business produced $3 million in operating margins compared with a loss of $9 million for the prior year. The favourable result for the current year was driven by:

- Improved investment markets;
- Increased sales across all markets;
- Expense containment; and
- Improved persistency.

The result was impacted by a $16 million write off of capitalised pre-licence start-up costs in China which was reflected in Australian shareholder investment returns.

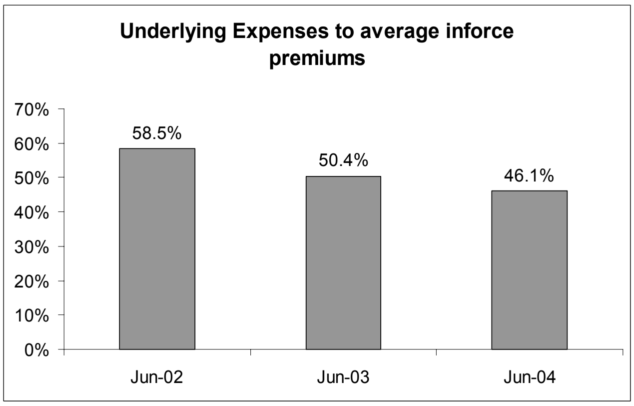
Operating Income

Operating income of $678 million was 13% higher than in the prior year. Operating income in the prior year included a write-down of an asset in the Australian annuity fund of $30 million. Taking this item into account, operating income was up 8% on the prior year. This was mainly attributable to growth in inforce premiums, positive experience on claims and an increase in general insurance income.

Shareholder Investment Returns

Shareholder investment returns attributable to the insurance business of $170 million for the year represent an increase of $92 million on the prior year, reflecting the rebound in domestic and overseas equity markets.

Operating Expenses



Operating expenses of $517 million decreased by $2 million compared with the prior year, due to a drop in volume related costs in the Asian business. Non volume related costs were in line with the prior year, with EBA related increases in staff costs, and increased compliance and regulatory related costs being offset by savings achieved by tight cost control and from process reengineering in the back-office.

The underlying expense to average inforce premium ratio of 46.1% represents a 9% productivity improvement over the year.

Corporate Taxation

The corporate tax charge for the year was $66 million an effective tax rate of 20.8% compared with 17.8% last year. The low effective tax rate in this business is largely due to transitional tax relief on certain products within life insurance legal entities. The benefits derived from this relief are being phased out over a five year period ending in 2005.

Insurance Analysis (cont'd)

Profit Summary

Summary Financial Performance (excluding appraisal value (reduction)/uplift)	Full Year Ended 30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
Insurance			
Life Insurance Operating Income	**618**	551	12
General Insurance Operating Income	**60**	47	28
Total Operating Income	**678**	598	13
Shareholder investment returns	**170**	78	large
Policyholder tax	**54**	4	large
Total Insurance Income	**902**	680	33
Volume based expenses	**224**	228	(2)
Other operating expenses - external	**279**	278	0
Other operating expenses - internal	**14**	13	8
Operating expenses	**517**	519	(0)
Initiatives including Which new Bank [1]	**14**	-	-
Total operating expenses	**531**	519	2
Net Profit before Income Tax	**371**	161	large
Income tax expense attributable to:			
Policyholder	**54**	4	large
Corporate	**66**	28	large
Net Profit after Income Tax ("cash basis")	**251**	129	95
Net Profit after Income Tax ("underlying basis") [2]	**129**	65	98
Productivity and Other Measures			
Expenses to average inforce premiums (actual %)	**47.3**	50.4	6.2
Expenses to average inforce premiums (underlying %)	**46.1**	50.4	8.5
Effective corporate tax rate (%)	**20.8**	17.8	300bpts

Sources of Profit from Insurance Activities	Full Year Ended 30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
The Margin on Services profit from ordinary activities after income tax is represented by:			
Planned profit margins	**107**	104	3
Experience variations	**-**	(42)	-
Other	**(8)**	(8)	-
General insurance operating margin	**19**	11	73
Operating margins	**118**	65	82
After tax shareholder investment returns	**133**	64	large
Net profit after Income Tax ("cash basis")	**251**	129	95

Geographical Analysis of Business Performance

	Full Year Ended							
	Australia		New Zealand		Asia		Total	
Net Profit after Income Tax ("cash basis")	**30/06/04 $M**	**30/06/03 $M**	**30/06/04 $M**	**30/06/03 $M**	**30/06/04 $M**	**30/06/03 $M**	**30/06/04 $M**	**30/06/03 $M**
Operating margins	**78**	43	**37**	31	**3**	(9)	**118**	65
Investment earnings on assets in excess of policyholder liabilities	**101**	35	**18**	15	**14**	14	**133**	64
Net Profit after Income Tax	**179**	78	**55**	46	**17**	5	**251**	129

(1) June 2004 result reflects the Which new Bank program.
(2) Underlying basis excludes shareholder investment returns and Which new Bank program.

Insurance Analysis (cont'd)

Inforce Premiums

	Full Year Ended 30 June 2004				
Annual Inforce Premiums	**Opening Balance 30/06/03 $M**	**Sales/New Business $M**	**Lapses $M**	**Other Movements(1) $M**	**Closing Balance 30/06/04 $M**
General Insurance	**196**	**46**	**(50)**	**-**	**192**
Personal Life	**626**	**156**	**(85)**	**6**	**703**
Group Life	**254**	**53**	**(34)**	**(1)**	**272**
Total	**1,076**	**255**	**(169)**	**5**	**1,167**
Australia	**771**	**177**	**(133)**	**-**	**815**
New Zealand	**221**	**42**	**(16)**	**11**	**258**
Asia	**84**	**36**	**(20)**	**(6)**	**94**
Total	**1,076**	**255**	**(169)**	**5**	**1,167**

(1) Consists mainly of foreign exchange movements.

	Full Year Ended 30 June 2003				
Annual Inforce Premiums	**Opening Balance 30/06/02 $M**	**Sales/New Business $M**	**Lapses $M**	**Other Movements(2) $M**	**Closing Balance 30/06/03 $M**
General Insurance	172	51	(27)	-	196
Personal Life	580	129	(78)	(5)	626
Group Life	229	58	(30)	(3)	254
Total	981	238	(135)	(8)	1,076
Australia	698	180	(107)	-	771
New Zealand	187	43	(16)	7	221
Asia	96	15	(12)	(15)	84
Total	981	238	(135)	(8)	1,076

(1) Life Insurance results for both New Zealand and Asia include savings products. Savings products are disclosed within Funds Management for the Australian business. Inforce premium relates to risk business only.
(2) Consists mainly of foreign exchange movements.

Annual inforce premiums increased by $91 million or 8% to $1,167 million for the year ended 30 June 2004. General Insurance lapses include $19 million of rebadged premiums which ceased to be attributable to the CBA business due to a FSRA related business restructuring.

The Australian business maintained its leading market share of inforce premiums despite a reduction from 15.3% at 30 June 2003 to 14.8% at 31 March 2004. Sovereign maintained its leading position in New Zealand with a market share of 28.2%, slightly down from 28.3% at 30 June 2003.

Market Share – Annual Inforce Premiums	**30/06/04**	**30/06/03(1)**
New Zealand(4)	28.2%(2)	28.3%
Australia (Total Risk)(5)	14.8%(3)	15.3%
Australia (Individual Risk)(5)	12.8%(3)	13.0%
Hong Kong(6)	2.5%(3)	2.8%

(1) As reported in the December 2003 Profit Announcement
(2) as at May 2004
(3) as at March 2004
(4) Source: ISI Statistics
(5) Source: Plan for Life
(6) Source: HK Insurance Assoc

Shareholder Investment Returns

Shareholder Investment Returns	Full Year Ended 30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
Funds Management Business	**26**	13	large
Insurance Business	**170**	78	large
Shareholder Investment Returns before Tax	**196**	91	large
Taxation	**44**	18	large
Shareholder Investment Returns after Tax	**152**	73	large

At 30 June 2004 Shareholder Investments Asset Mix (%)	Australia %	New Zealand %	Asia %	Total %
Local equities	**10**	**1**	**4**	**7**
International equities	**4**	**6**	**6**	**5**
Property	**22**	**4**	**-**	**14**
Other [(1)]	**-**	**3**	**4**	**1**
Sub-total	**36**	**14**	**14**	**27**
Fixed interest	**39**	**38**	**61**	**44**
Cash	**25**	**35**	**7**	**23**
Other	**-**	**13**	**18**	**6**
Sub-total	**64**	**86**	**86**	**73**
Total	**100**	**100**	**100**	**100**

At 30 June 2004 Shareholder Investments Asset Mix ($M)	Australia $M	New Zealand $M	Asia $M	Total $M
Local equities	**166**	**3**	**25**	**194**
International equities	**64**	**26**	**38**	**128**
Property	**357**	**17**	**-**	**374**
Other [(1)]	**-**	**14**	**21**	**35**
Sub-total	**587**	**60**	**84**	**731**
Fixed interest	**644**	**156**	**364**	**1,164**
Cash	**415**	**147**	**42**	**604**
Other	**-**	**52**	**110**	**162**
Sub-total	**1,059**	**355**	**516**	**1,930**
Total	**1,646**	**415**	**600**	**2,661**

(1) Other assets include the excess of carrying value over net tangible assets.

Domestic and international investment markets rebounded strongly over the year, with the benchmark S&P/ASX200 price index increasing by 16.7% and the MSCI World index by 21.8%. All other asset classes (fixed interest, property and cash) posted positive returns.

Life Company Valuations

The following table sets out the components of the carrying values of the Bank'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 were reviewed by independent actuaries, Trowbridge Deloitte.

In determining the carrying value, Directors have taken account of certain market based factors which result in the adoption of a more conservative valuation that is $450 million lower at 30 June 2004 ($450 million lower at 30 June 2003) than that determined by Trowbridge Deloitte. The key consideration by Directors in determining their value is the continued uncertainty of investment markets and industry funds flows.

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia[1]	Total
Carrying Value at 30 June 2004	**$M**	**$M**	**$M**	**$M**	**$M**
Shareholders net tangible assets	515	1,131	415	600	2,661
Value of inforce business	1,850	295	286	-	2,431
Embedded Value	2,365	1,426	701	600	5,092
Value of future new business	2,774	235	277	24	3,310
Carrying Value	5,139	1,661	978	624	8,402
Increase/(Decrease) in Carrying Value since 30 June 2003	(334)	73	129	(12)	(144)

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia[1]	Total
Analysis of Movement Since 30 June 2003	**$M**	**$M**	**$M**	**$M**	**$M**
Profits	268	180	54	17	519
Capital movements [2]	(27)	108	(29)	-	52
Dividends paid	(470)	(421)	(9)	-	(900)
FX Movements	(10)	-	19	(25)	(16)
Change in Shareholders NTA	(239)	(133)	35	(8)	(345)
Appraisal value uplift/(reduction)	(95)	206	94	(4)	201
Increase/(Decrease) to 30 June 2004	(334)	73	129	(12)	(144)

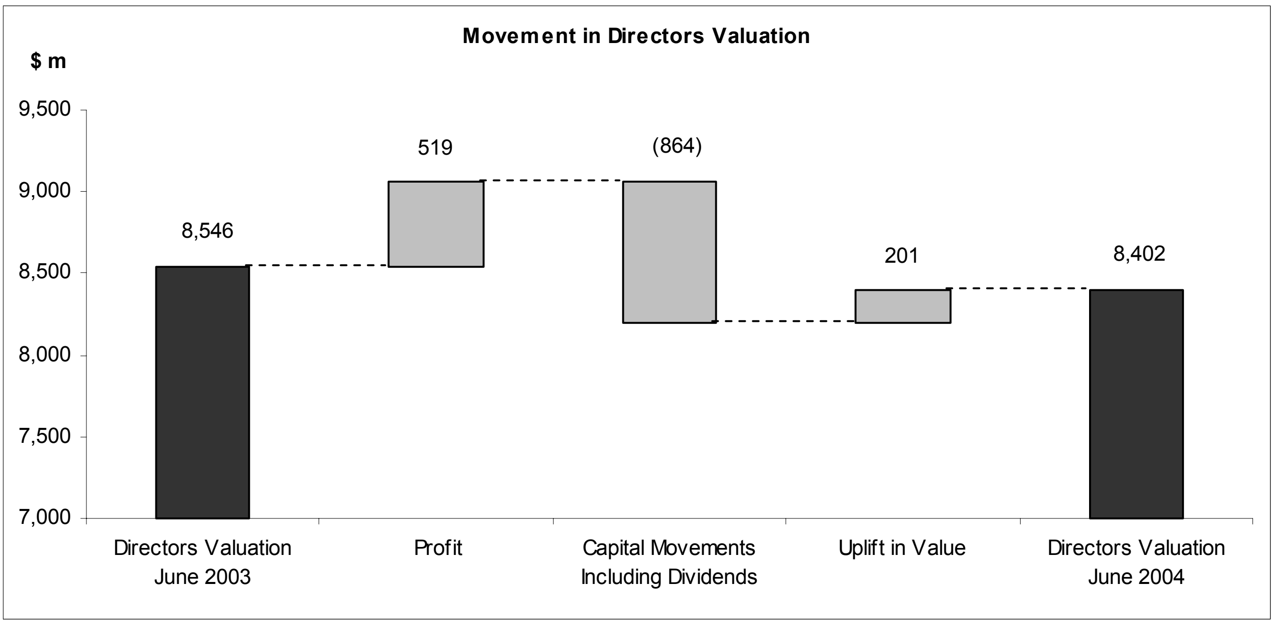
(1) The Asian life businesses are not held in a market value environment and are carried at net assets plus any excess representing the difference between appraisal value and net assets at the time of acquisition. This excess, which effectively represents goodwill, is being amortised on a straight line basis over 20 years subject to impairment.

(2) Includes capital injections, transfers and movements in intergroup loans.

Change in Valuations

The valuations adopted have resulted in a total negative change in value of $144 million since 30 June 2003. The main components comprised:

- A $345 million decrease in net tangible assets partially reflecting improved capital efficiency.
- An appraisal value uplift of $201 million, reflecting projected sales levels, higher retention rates and improved equity markets and their effect on industry flows.



Commonwealth Bank
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Financial Disclosures for the year ended 30 June 2004

Consolidated Statement of Financial Performance

For the year ended 30 June 2004

	Appendix	30/06/04 $M	30/06/03 $M
Interest income		**13,287**	11,528
Interest expense		**7,877**	6,502
Net interest income	1	**5,410**	5,026
Other income:			
Revenue from sale of assets		**943**	128
Written down value of assets sold		**(874)**	(106)
Other		**2,777**	2,605
Net banking operating income	1,5	**8,256**	7,653
Funds management fee income including premiums		**1,175**	1,149
Investment revenue		**1,967**	8
Claims and policyholder liability expense		**(1,809)**	(91)
Net funds management operating income		**1,333**	1,066
Premiums and related revenue		**1,012**	1,131
Investment revenue		**840**	620
Claims and policyholder liability expense		**(950)**	(1,071)
Insurance margin on services operating income		**902**	680
Total net operating income before appraisal value uplift/(reduction)		**10,491**	9,399
Charge for bad and doubtful debts		**276**	305
Operating expenses:			
Operating expenses	6	**5,500**	5,312
Initiatives including Which new Bank [(1)]	6	**749**	239
		6,249	5,551
Appraisal value uplift/(reduction)		**201**	(245)
Goodwill amortisation	17	**(324)**	(322)
Profit from ordinary activities before income tax		**3,843**	2,976
Income tax expense	7	**1,262**	958
Profit from ordinary activities after income tax		**2,581**	2,018
Outside equity interests in net profit		**(9)**	(6)
Net profit attributable to members of the Bank		**2,572**	2,012
Foreign currency translation adjustment		**(8)**	(129)
Revaluation of properties		**54**	3
Total valuation adjustments		**46**	(126)
Total changes in equity other than those resulting from transactions with owners as owners		**2,618**	1,886
		Cents per Share	
Earnings per share based on net profit distributable to members of the Bank			
Basic		**196.9**	157.4
Fully Diluted		**196.8**	157.3
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares		**183**	154
Preference shares (issued 6 April 2001)		**1,065**	1,019
Other equity instruments (issued 6 August 2003)		**7,306**	-
Other equity instruments (issued 6 January 2004)		**402**	**-**
		$M	**$M**
Net Profit after Income Tax comprises			
Net Profit after income tax ("underlying basis")		**3,078**	2,674
Shareholders investment returns		**152**	73
Initiatives including Which new Bank [(1)]		**(535)**	(168)
Net Profit after income tax ("cash basis")		**2,695**	2,579
Add Appraisal value uplift/(reduction)		**201**	(245)
Less Goodwill amortisation		**(324)**	(322)
Net Profit after income tax ("statutory basis")		**2,572**	2,012

(1) June 2004 results reflect the Which new Bank program, while prior year includes strategic initiatives undertaken and the cost of the June 2002 ESAP paid in October 2002.

Consolidated Statement of Financial Position

As at 30 June 2004

	Appendix	30/06/04 $M	30/06/03 $M
Assets			
Cash and liquid assets		**6,453**	5,575
Receivables due from other financial institutions		**8,369**	7,066
Trading securities		**14,896**	10,435
Investment securities		**11,447**	11,036
Loans, advances and other receivables	8	**189,391**	160,347
Bank acceptances of customers		**15,019**	13,197
Insurance investment assets		**28,942**	27,835
Deposits with regulatory authorities		**38**	23
Property, plant and equipment		**1,204**	821
Investment in associates	11	**239**	287
Intangible assets	16	**4,705**	5,029
Other assets		**25,292**	23,459
Total assets		**305,995**	265,110
Liabilities			
Deposits and other public borrowings	10	**163,177**	140,974
Payables due to other financial institutions		**6,641**	7,538
Bank acceptances		**15,019**	13,197
Provision for dividend		**14**	12
Income tax liability		**811**	876
Other provisions		**997**	819
Insurance policyholder liabilities	15	**24,638**	23,861
Debt issues		**44,042**	30,629
Bills payable and other liabilities		**19,140**	19,027
		274,479	236,933
Loan Capital		**6,631**	6,025
Total liabilities		**281,110**	242,958
Net assets		**24,885**	22,152
Shareholders' Equity			
Share Capital:			
Ordinary share capital	14	**13,359**	12,678
Preference share capital	14	**687**	687
Other equity instruments	14	**1,573**	-
Reserves	14	**3,946**	3,850
Retained profits	14	**2,840**	2,809
Shareholders' equity attributable to members of the Bank		**22,405**	20,024
Outside Equity Interests:			
Controlled entities	14	**304**	304
Insurance statutory funds and other funds		**2,176**	1,824
Total outside equity interests		**2,480**	2,128
Total shareholders' equity		**24,885**	22,152

Consolidated Statement of Cash Flows

For the year ended 30 June 2004

	30/06/04 $M	30/06/03 $M
Cash Flows from Operating Activities		
Interest received	**13,101**	11,452
Dividends received	**6**	4
Interest paid	**(7,543)**	(6,455)
Other operating income received	**3,410**	3,135
Expenses paid	**(5,529)**	(5,438)
Income taxes paid	**(1,366)**	(1,258)
Net decrease (increase) in trading securities	**(4,324)**	(2,484)
Life insurance:		
Investment income	**841**	644
Premiums received (1)	**3,562**	4,130
Policy payments (1)	**(4,529)**	(5,855)
Net Cash provided by / (used in) operating activities	**(2,371)**	(2,125)
Cash Flows from Investing Activities		
Payments for acquisition of entities and management rights	**-**	(173)
Proceeds from disposal of entities and businesses	**63**	33
Disposal of shares in other companies	**114**	-
Net movement in investment securities:		
Purchases	**(25,587)**	(18,055)
Proceeds from sale	**697**	24
Proceeds at or close to maturity	**24,407**	17,718
Withdrawal (lodgement) of deposits with regulatory authorities	**(15)**	66
Net increase in loans, advances and other receivables	**(29,328)**	(13,577)
Proceeds from sale of property, plant and equipment	**69**	72
Purchase of property, plant and equipment	**(536)**	(143)
Net decrease (increase) in receivables due from other financial institutions not at call	**292**	513
Net decrease (increase) in securities purchased under agreements to resell	**(1,023)**	50
Net decrease (increase) in other assets	**(1,461)**	301
Life insurance:		
Purchases of investment securities	**(20,286)**	(13,091)
Proceeds from sale/maturity of investment securities	**21,500**	14,628
Net cash used in investing activities	**(31,094)**	(11,634)
Cash Flows from Financing Activities		
Buy back of shares	**(532)**	**-**
Proceeds from issue of shares (net of costs)	**505**	13
Proceeds from issue of preference shares for outside equity interests	**-**	182
Proceeds from issue of other equity instruments (net of costs)	**1,573**	-
Net increase (decrease) in deposits and other borrowings	**21,997**	5,129
Net movement in debt issues	**13,413**	7,054
Dividends paid (including DRP buy back of shares)	**(1,774)**	(1,933)
Net movements in other liabilities	**(242)**	(926)
Net increase (decrease) in payables due to other financial institutions not at call	**(929)**	(796)
Net increase (decrease) in securities sold under agreements to repurchase	**206**	3,046
Issue of loan capital	**985**	901
Redemption of loan capital	**(317)**	-
Other	**(2)**	19
Net cash provided by financing activities	**34,883**	12,689
Net Increase (decrease) in cash and cash equivalents	**1,418**	(1,070)
Cash and cash equivalents at beginning of period	**1,428**	2,498
Cash and cash equivalents at end of period	**2,846**	1,428

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 were gross premiums and policy payments before splitting between policyholders and shareholders.

Appendices

1. Net Interest Income
2. Net Interest Margin
3. Average Balances and Related Interest
4. Interest Rate and Volume Analysis
5. Other Banking Operating Income
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1. NET INTEREST INCOME

	Full Year Ended		
	30/06/04 $M	30/06/03 $M	Increase/ (Decrease) %
Interest Income			
Loans	**11,675**	10,126	15
Other financial institutions	**182**	191	(5)
Cash and liquid assets	**198**	150	32
Trading securities	**600**	454	32
Investment securities	**607**	566	7
Dividends on redeemable preference shares	**25**	41	(39)
Total interest income	**13,287**	11,528	15
Interest Expense			
Deposits	**5,949**	4,732	26
Other financial institutions	**160**	198	(19)
Debt issues	**1,506**	1,352	11
Loan capital	**262**	220	19
Total interest expense	**7,877**	6,502	21
Net interest income	**5,410**	5,026	8

2. NET INTEREST MARGIN

	Full Year Ended	
	30/06/04 %	30/06/03 %
Australia		
Interest spread [(1)]	**2.46**	2.68
Benefit of interest free liabilities, provisions and equity [(2)]	**0.22**	0.20
Net interest margin [(3)]	**2.68**	2.88
Overseas		
Interest spread [(1)]	**1.18**	1.22
Benefit of interest free liabilities, provisions and equity [(2)]	**0.56**	0.49
Net interest margin [(3)]	**1.74**	1.71
Total Bank		
Interest spread [(1)]	**2.22**	2.40
Benefit of interest free liabilities, provisions and equity [(2)]	**0.31**	0.27
Net interest margin [(3)]	**2.53**	2.67

(1) Difference between the average interest rate earned and the average interest rate paid on funds.
(2) A portion of the Bank's interest earning assets is funded by interest free liabilities and shareholders' equity. The benefit to the Bank 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 year.

3. AVERAGE BALANCES AND RELATED INTEREST

The following table lists the major categories of interest earning assets and interest bearing liabilities of the Bank together with the respective interest earned or paid and the average interest rates for each of the years ending 30 June 2004, and 30 June 2003. Averages used were predominantly daily averages.

The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Overseas intragroup borrowing's have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds. Non-accrual loans were included in interest earning assets under loans, advances and other receivables.

	Full Year Ended					
	30/06/04			30/06/03		
	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	**4,027**	**181**	**4.5**	3,293	133	4.0
Overseas	**868**	**17**	**2.0**	813	17	2.1
Receivables due from other financial institutions						
Australia	**3,382**	**32**	**0.9**	2,446	37	1.5
Overseas	**3,776**	**150**	**4.0**	3,734	154	4.1
Deposits with regulatory authorities						
Australia	**-**	**-**	**-**	-	-	-
Overseas	**62**	**-**	**-**	56	-	-
Trading securities						
Australia	**9,682**	**444**	**4.6**	7,360	326	4.4
Overseas	**3,445**	**156**	**4.5**	3,395	128	3.8
Investment securities						
Australia	**4,411**	**298**	**6.8**	4,240	261	6.2
Overseas	**8,440**	**310**	**3.7**	8,062	305	3.8
Loans, advances and other receivables						
Australia	**149,487**	**9,927**	**6.6**	131,746	8,538	6.5
Overseas	**26,607**	**1,772**	**6.7**	23,125	1,629	7.0
Other interest earning assets	**-**	**-**	**-**	-	-	-
Intragroup loans						
Australia	**-**	**-**	**-**	-	-	-
Overseas	**4,102**	**17**	**0.4**	3,604	31	0.9
Average interest earning assets and interest income including intragroup	**218,289**	**13,304**	**6.1**	191,874	11,559	6.0
Intragroup eliminations	**(4,102)**	**(17)**	**0.4**	(3,604)	(31)	0.9
Total average interest earning assets and interest income	**214,187**	**13,287**	**6.2**	188,270	11,528	6.1

3. AVERAGE BALANCES AND RELATED INTEREST (CONT'D)

	Full Year Ended	
	30/06/04 $M	30/06/03 $M
Average Non-Interest Earning Assets		
Bank acceptances		
Australia	**13,877**	13,144
Overseas	**1**	53
Life insurance investment assets		
Australia	**24,430**	26,333
Overseas	**4,120**	4,070
Property, plant and equipment		
Australia	**792**	627
Overseas	**161**	197
Other assets		
Australia	**29,452**	24,046
Overseas	**2,264**	3,303
Provisions for impairment		
Australia	**(1,411)**	(1,497)
Overseas	**(150)**	(150)
Total average non-interest earning assets	**73,536**	70,126
Total average assets	**287,723**	258,396
Percentage of total average assets applicable to overseas operations	**18.7%**	19.5%

3. AVERAGE BALANCES AND RELATED INTEREST (CONT'D)

	Full Year Ended					
	30/06/04			30/06/03		
	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Average Interest Bearing Liabilities and Loan Capital and Interest Expense						
Time Deposits						
Australia	**57,186**	**2,683**	**4.7**	45,674	1,956	4.3
Overseas	**15,963**	**1,062**	**6.7**	14,255	876	6.1
Savings Deposits						
Australia	**31,178**	**514**	**1.6**	32,780	492	1.5
Overseas	**3,028**	**105**	**3.5**	2,788	100	3.6
Other demand deposits						
Australia	**39,044**	**1,499**	**3.8**	34,043	1,230	3.6
Overseas	**3,432**	**86**	**2.5**	2,906	78	2.7
Payables due to other financial institutions						
Australia	**1,916**	**35**	**1.8**	1,752	34	1.9
Overseas	**5,042**	**125**	**2.5**	6,712	164	2.4
Debt issues						
Australia	**21,885**	**1,292**	**5.9**	17,651	1,047	5.9
Overseas	**12,855**	**213**	**1.7**	10,738	305	2.8
Loan capital						
Australia	**5,793**	**255**	**4.4**	5,234	212	4.1
Overseas	**210**	**8**	**3.8**	204	8	3.9
Other interest bearing liabilities	**-**	**-**	**-**	-	-	-
Intragroup borrowings						
Australia	**4,102**	**17**	**0.4**	3,604	31	0.9
Overseas	**-**	**-**	**-**	-	-	-
Average Interest Bearing Liabilities and Loan capital and interest expense including intragroup	**201,634**	**7,894**	**3.9**	178,341	6,533	3.7
Intragroup eliminations	**(4,102)**	**(17)**	**0.4**	(3,604)	(31)	0.9
Total average interest bearing liabilities and loan capital and interest expense	**197,532**	**7,877**	**4.0**	174,737	6,502	3.7

	Full Year Ended	
	30/06/04 Average Balance $M	30/06/03 Average Balance $M
Average Non-Interest Bearing Liabilities		
Average Non-Interest Bearing Liabilities		
Deposits not bearing interest		
Australia	**5,112**	4,784
Overseas	**1,059**	871
Liability on bank acceptances		
Australia	**13,877**	13,146
Overseas	**1**	53
Life insurance policy liabilities		
Australia	**20,658**	20,828
Overseas	**3,548**	3,596
Other liabilities		
Australia	**20,655**	16,034
Overseas	**3,131**	2,739
Total average non-interest bearing liabilities	**68,041**	62,051
Total average liabilities and loan capital	**265,573**	236,788
Shareholders' equity	**22,150**	21,608
Total average liabilities, loan capital and shareholders' equity	**287,723**	258,396
Percentage of total average liabilities applicable to overseas operations	**18.2%**	18.9%

3. AVERAGE BALANCES AND RELATED INTEREST (CONT'D)

	Half Year Ended								
	30/06/04			31/12/03			30/06/03		
	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	**4,309**	**98**	**4.6**	3,748	83	4.4	2,983	63	4.3
Overseas	**731**	**8**	**2.2**	1,004	9	1.8	1,032	10	1.9
Receivables due from other financial institutions									
Australia	**3,459**	**15**	**0.9**	3,306	17	1.0	2,394	17	1.4
Overseas	**3,736**	**70**	**3.8**	3,816	80	4.2	3,931	69	3.5
Deposits with regulatory authorities									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**65**	**-**	**-**	59	-	-	57	-	-
Trading securities									
Australia	**11,188**	**253**	**4.5**	8,192	191	4.6	8,293	169	4.1
Overseas	**3,338**	**78**	**4.7**	3,551	78	4.4	3,910	69	3.6
Investment securities									
Australia	**4,783**	**168**	**7.1**	4,043	130	6.4	4,274	142	6.7
Overseas	**9,275**	**170**	**3.7**	7,614	140	3.7	8,334	149	3.6
Loans, advances and other receivables									
Australia	**154,929**	**5,246**	**6.8**	144,104	4,681	6.5	134,021	4,296	6.5
Overseas	**28,347**	**940**	**6.7**	24,886	832	6.7	23,713	876	7.4
Other interest earning assets	**-**	**-**	**-**	-	-	-	-	-	-
Intragroup loans									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**4,852**	**12**	**0.5**	3,360	5	0.3	4,724	19	0.8
Average interest earning assets and interest income including intragroup	**229,012**	**7,058**	**6.2**	207,683	6,246	6.0	197,666	5,879	6.0
Intragroup eliminations	**(4,852)**	**(12)**	**0.5**	(3,360)	(5)	0.3	(4,724)	(19)	0.8
Total average interest earning assets and interest income	**224,160**	**7,046**	**6.3**	204,323	6,241	6.1	192,942	5,860	6.1

	Half Year Ended		
	30/06/04 Average Balance $M	31/12/03 Average Balance $M	30/06/03 Average Balance $M
Average Non-Interest Earning Assets			
Bank acceptances			
Australia	**14,197**	13,560	13,050
Overseas	**-**	2	66
Life insurance investment assets			
Australia	**24,294**	24,565	25,076
Overseas	**4,218**	4,023	4,050
Property, plant and equipment			
Australia	**908**	677	619
Overseas	**139**	183	194
Other assets			
Australia	**32,507**	26,430	27,024
Overseas	**2,489**	2,041	2,127
Provisions for impairment			
Australia	**(1,431)**	(1,391)	(1,469)
Overseas	**(152)**	(148)	(151)
Total average non-interest earning assets	**77,169**	69,942	70,586
Total average assets	**301,329**	274,265	263,528
Percentage of total average assets applicable to overseas operations	**18.9%**	20.0%	21.4%

3. AVERAGE BALANCES AND RELATED INTEREST (CONT'D)

	Half Year Ended								
	30/06/04			31/12/03			30/06/03		
	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %	Average Balance $M	Interest $M	Average Rate %
Average Interest Bearing Liabilities and Loan Capital and Interest Expense									
Time Deposits									
Australia	**63,505**	**1,573**	**5.0**	50,954	1,110	4.3	45,402	926	4.1
Overseas	**15,928**	**559**	**7.1**	15,980	503	6.3	13,781	461	6.7
Savings Deposits									
Australia	**30,639**	**265**	**1.7**	31,711	249	1.6	32,496	243	1.5
Overseas	**3,065**	**54**	**3.5**	2,991	51	3.4	2,885	53	3.7
Other demand deposits									
Australia	**39,455**	**781**	**4.0**	38,637	718	3.7	35,595	638	3.6
Overseas	**3,575**	**47**	**2.6**	3,291	39	2.4	2,996	39	2.6
Payables due to other financial institutions									
Australia	**1,812**	**18**	**2.0**	2,019	17	1.7	1,634	12	1.5
Overseas	**5,285**	**66**	**2.5**	4,802	59	2.4	6,692	80	2.4
Debt issues									
Australia	**22,776**	**697**	**6.2**	20,966	595	5.6	19,017	560	5.9
Overseas	**14,358**	**108**	**1.5**	11,368	105	1.8	12,181	167	2.8
Loan capital									
Australia	**5,863**	**135**	**4.6**	5,761	120	4.1	5,127	105	4.1
Overseas	**212**	**4**	**3.8**	208	4	3.8	263	4	3.1
Other interest bearing liabilities	**-**	**-**	**-**	-	-	-	-	-	-
Intragroup borrowings									
Australia	**4,852**	**12**	**0.5**	3,360	5	0.3	4,724	19	0.8
Overseas	**-**	**-**	**-**	-	-	-	-	-	-
Average interest bearing liabilities and loan capital and interest expense including intragroup	**211,325**	**4,319**	**4.1**	192,048	3,575	3.7	182,793	3,307	3.6
Intragroup eliminations	**(4,852)**	**(12)**	**0.5**	(3,360)	(5)	0.3	(4,724)	(19)	0.8
Total average interest bearing liabilities and loan capital and interest expense	**206,473**	**4,307**	**4.2**	188,688	3,570	3.8	178,069	3,288	3.7

	Half Year Ended		
	30/06/04 Average Balance $M	31/12/03 Average Balance $M	30/06/03 Average Balance $M
Average Non-Interest Bearing Liabilities			
Deposits not bearing interest			
Australia	**5,112**	4,996	4,849
Overseas	**1,059**	1,053	913
Liability on bank acceptances			
Australia	**13,877**	13,560	13,049
Overseas	**1**	2	66
Life insurance policy liabilities			
Australia	**20,658**	20,464	20,080
Overseas	**3,548**	3,491	3,495
Other liabilities			
Australia	**24,742**	16,548	18,048
Overseas	**3,131**	2,701	2,695
Total average non-interest bearing liabilities	**72,128**	62,815	63,195
Total average liabilities and loan capital	**278,601**	251,503	241,264
Shareholders' equity	**22,727**	22,762	22,264
Total average liabilities, loan capital and shareholders' equity	**301,328**	274,265	263,528
Percentage of total average liabilities applicable to overseas operations	**18.0%**	18.2%	19.0%

4. Interest Rate and Volume Analysis

Change in Net Interest Income	Full Year Ended 30/06/04 vs 30/06/03 Increase/ (Decrease) %	30/06/03 vs 30/06/02 Increase/ (Decrease) %
Due to changes in average volume of interest earning assets and interest bearing liabilities	**673**	479
Due to changes in interest margin	**(289)**	(163)
Change in net interest income	**384**	316

4. INTEREST RATE AND VOLUME ANALYSIS (CONT'D)

Changes in Net Interest Income: Volume and Rate Analysis	Full Year Ended 30/06/04 vs 30/06/03 Changes due to Volume $M	Rate $M	Total $M	30/06/03 vs 30/06/02 Changes due to Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**31**	**17**	**48**	(36)	31	(5)
Overseas	**1**	**(1)**	**-**	5	(5)	-
Receivables due from other financial institutions						
Australia	**12**	**(17)**	**(5)**	22	(12)	10
Overseas	**2**	**(6)**	**(4)**	41	17	58
Trading securities						
Australia	**105**	**13**	**118**	103	(25)	78
Overseas	**2**	**26**	**28**	27	(10)	17
Investment securities						
Australia	**11**	**26**	**37**	27	23	50
Overseas	**14**	**(9)**	**5**	29	(17)	12
Loans, advances and other receivables						
Australia	**1,164**	**225**	**1,389**	565	(53)	512
Overseas	**239**	**(96)**	**143**	251	90	341
Other interest earning assets	**-**	**-**	**-**	-	-	-
Intragroup loans						
Australia	**-**	**-**	**-**	-	-	-
Overseas	**3**	**(17)**	**(14)**	5	(39)	(34)
Change in interest income including intragroup	**1,615**	**130**	**1,745**	1,056	(17)	1,039
Intragroup eliminations	**(3)**	**17**	**14**	(5)	39	34
Change in interest income	**1,597**	**162**	**1,759**	1,080	(7)	1,073
Interest Bearing Liabilities and Loan Capital						
Time Deposits						
Australia	**517**	**210**	**727**	195	(140)	55
Overseas	**109**	**77**	**186**	108	7	115
Savings Deposits						
Australia	**(25)**	**47**	**22**	10	70	80
Overseas	**8**	**(3)**	**5**	12	6	18
Other demand deposits						
Australia	**186**	**83**	**269**	161	32	193
Overseas	**14**	**(6)**	**8**	14	1	15
Payables due to other financial institutions						
Australia	**3**	**(2)**	**1**	(7)	(24)	(31)
Overseas	**(41)**	**2**	**(39)**	34	2	36
Debt Issues						
Australia	**251**	**(6)**	**245**	175	72	247
Overseas	**48**	**(140)**	**(92)**	38	3	41
Loan Capital						
Australia	**24**	**19**	**43**	(11)	(4)	(15)
Overseas	**-**	**-**	**-**	6	(3)	3
Other interest bearing liabilities	**-**	**-**	**-**	-	-	-
Intragroup borrowings						
Australia	**3**	**(17)**	**(14)**	5	(39)	(34)
Overseas	**-**	**-**	**-**	-	-	-
Change in interest expense including intragroup	**877**	**484**	**1,361**	666	57	723
Intragroup eliminations	**(3)**	**17**	**14**	(5)	39	34
Change in interest expense	**879**	**496**	**1,375**	650	107	757
Change in net interest income	**673**	**(289)**	**384**	479	(163)	316

These volume and rate analyses were for full year periods. The calculations were based on balances over the full year.

The volume and rate variances for total interest earning assets and liabilities have been calculated separately (rather than being the sum of the individual categories).

4. INTEREST RATE AND VOLUME ANALYSIS (CONT'D)

Changes in Net Interest Income: Volume and Rate Analysis	Half Year Ended 30/06/04 vs 31/12/03 Changes due to Volume $M	Rate $M	Total $M	30/06/04 vs 30/06/03 Changes due to Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	12	3	15	29	6	35
Overseas	(3)	2	(1)	(3)	1	(2)
Receivables due from other financial institutions						
Australia	1	(3)	(2)	6	(8)	(2)
Overseas	(2)	(8)	(10)	(3)	4	1
Trading securities						
Australia	66	(4)	62	63	21	84
Overseas	(6)	6	-	(12)	21	9
Investment securities						
Australia	23	15	38	18	8	26
Overseas	29	1	30	17	4	21
Loans, advances and other receivables						
Australia	306	259	565	702	248	950
Overseas	106	2	108	165	(101)	64
Other interest earning assets	-	-	-	-	-	-
Intragroup loans						
Australia	-	-	-	-	-	-
Overseas	3	4	7	-	(7)	(7)
Change in interest income including intragroup	570	242	812	981	198	1,179
Intragroup eliminations	(3)	(4)	(7)	-	7	7
Change in interest income	544	261	805	982	204	1,186
Interest Bearing Liabilities and Loan Capital						
Time Deposits	279	184	463	412	235	647
Australia	(7)	63	56	75	23	98
Overseas						
Savings Deposits	(12)	28	16	(14)	36	22
Australia	1	2	3	3	(2)	1
Overseas						
Other demand deposits	8	55	63	75	68	143
Australia	3	5	8	8	-	8
Overseas						
Payables due to other financial institutions						
Australia	(2)	3	1	2	4	6
Overseas	5	2	7	(17)	3	(14)
Debt Issues						
Australia	47	55	102	115	22	137
Overseas	24	(21)	3	24	(83)	(59)
Loan Capital						
Australia	-	15	15	16	14	30
Overseas	-	-	-	(1)	1	-
Other interest bearing liabilities	-	-	-	-	-	-
Intragroup borrowings						
Australia	3	4	7	-	(7)	(7)
Overseas	-	-	-	-	-	-
Change in interest expense including intragroup	336	408	744	557	455	1,012
Intragroup eliminations	(3)	(4)	(7)	-	7	7
Change in interest expense	313	424	737	568	451	1,019
Change in net interest income	249	(152)	97	400	(240)	160
Change due to variation in time periods			(29)			7

5. Other Banking Operating Income

	Full Year Ended		
	30/06/04 $M	**30/06/03 $M**	**Increase/ (Decrease) %**
Lending fees	**724**	652	11
Commission and other fees	**1,503**	1,394	8
Trading income	**499**	502	(1)
Dividends	**6**	4	50
Net gain on investments and loans	**80**	(9)	large
Net (loss)/profit on sale of property, plant and equipment	**(11)**	22	large
Other (1)	**45**	62	(27)
Total other banking operating income	**2,846**	2,627	8

(1) Includes an equity accounted loss of $32 million for the year ended 30 June 2004. Loss principally relates to a change in revenue recognition accounting policy by the associate entity.

6. Operating Expenses

	Full Year Ended		
	30/06/04 $M	**30/06/03 $M**	**Increase/ (Decrease) %**
Operating expenses	**5,500**	5,312	4
Initiatives including Which new Bank (1)	**749**	239	large
Total	**6,249**	5,551	13

	Full Year Ended		
Expenses by Segment	**30/06/04 $M**	**30/06/03 $M**	**Increase/ (Decrease) %**
Banking	**4,191**	3,982	5
Funds management	**806**	824	(2)
Insurance	**503**	506	(1)
Operating expenses	**5,500**	5,312	4
Banking	**698**	201	large
Funds management	**37**	38	(3)
Insurance	**14**	-	-
Initiatives including Which new Bank (1)	**749**	239	large
Total	**6,249**	5,551	13

	Full Year Ended		
Expenses by Category	**30/06/04 $M**	**30/06/03 $M**	**Increase/ (Decrease) %**
Staff	**2,448**	2,383	3
Share based compensation	**105**	94	12
Occupancy and equipment	**581**	609	(5)
Information technology services	**895**	877	2
Other expenses	**1,471**	1,349	9
Operating expenses	**5,500**	5,312	4
Initiatives including Which new Bank (1)	**749**	239	large
Total	**6,249**	5,551	13

(1) June 2004 results include the Which new Bank program, while the prior year results include strategic initiatives undertaken and the cost of the June 2002 ESAP paid in October 2002.

6. Operating Expenses (Cont'd)

	Full Year Ended 30/06/04 $M	Full Year Ended 30/06/03 $M
Staff Expenses		
Salaries and wages	**2,152**	2,106
Superannuation contributions	**8**	13
Provisions for employee entitlements	**41**	11
Payroll tax	**115**	107
Fringe benefits tax	**32**	26
Other staff expenses	**100**	120
Comparable business	**2,448**	2,383
Initiatives including Which new Bank	**273**	155
Total staff expenses (excluding share based compensation)	**2,721**	2,538
Share Based Compensation		
Comparable business	**105**	94
Initiatives including Which new Bank	**-**	25
Total share based compensation	**105**	119
Occupancy and Equipment Expenses		
Operating lease rentals	**340**	354
Depreciation		
Buildings	**21**	24
Leasehold improvements	**55**	51
Equipment	**50**	53
Repairs and maintenance	**68**	58
Other	**47**	69
Comparable business	**581**	609
Initiatives including Which new Bank	**20**	3
Total occupancy and equipment expenses	**601**	612
Information Technology Services		
Projects and development	**281**	194
Data processing	**238**	255
Desktop	**159**	178
Communications	**205**	171
Software amortisation	**11**	78
IT Equipment Depreciation	**1**	1
Comparable business	**895**	877
Initiatives including Which new Bank	**292**	30
Total information technology services	**1,187**	907
Other Expenses		
Postage	**112**	109
Stationery	**114**	118
Fees and commissions	**598**	551
Advertising, marketing and loyalty rewards	**311**	259
Other	**336**	312
Comparable business	**1,471**	1,349
Initiatives including Which new Bank	**164**	26
Total other expenses	**1,635**	1,375
Comparable business	**5,500**	5,312
Initiatives including Which new Bank	**749**	239
Total	**6,249**	5,551

Which new Bank Program

On 19 September 2003, the Bank launched the Which new Bank customer service vision. This is a three year transformation program and results in the Bank incurring additional expenditure in the key areas of staff training and skilling, systems and process simplification, and technology. In the year to 30 June 2004 transformation expenses totalled $749 million and principally comprise redundancies, expensing of previously capitalised software of $219 million, process improvement and branch refurbishment. The outstanding provision for Which new Bank costs at 30 June 2004 is $208 million.

Some prior year comparatives have been reclassified to reflect the current categorisation of expenses, while the cost of the June 2002 ESAP, paid in October 2002 is included under Initiatives.

7. 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.

	Full Year Ended 30/06/04 $M	Full Year Ended 30/06/03 $M
Profit from Ordinary Activities before Income Tax		
Banking	**3,091**	3,165
Funds management	**504**	217
Insurance	**371**	161
Appraisal value uplift/(reduction)	**201**	(245)
Goodwill amortisation	**(324)**	(322)
	3,843	2,976
Prima Facie Income Tax at 30%		
Banking	**927**	950
Funds management	**151**	65
Insurance	**111**	48
Appraisal value uplift/(reduction)	**60**	(73)
Goodwill amortisation	**(97)**	(97)
	1,152	893
Add (or Deduct) Permanent Differences Expressed on a Tax Effect Basis		
Current period		
Specific provisions for offshore bad and doubtful debts not tax effected	**3**	13
Taxation offsets (net of accruals)	**(47)**	(36)
Tax adjustment referable to policyholder income	**142**	(41)
Non-assessable income - life insurance surplus	**(30)**	(18)
Change in excess of net market value over net assets of life insurance controlled entities	**(60)**	73
Non-deductible goodwill amortisation	**97**	97
Tax losses recognised	**-**	(18)
Other items	**17**	(5)
	122	65
Prior periods		
Other	**(12)**	-
Total income tax expense	**1,262**	958
Income Tax Attributable to Profit from Ordinary Activities		
Banking	**914**	931
Funds management	**79**	57
Insurance	**66**	28
Corporate tax	**1,059**	1,016
Policyholder tax	**203**	(58)
Total income tax expense	**1,262**	958
Effective Tax Rate		
Total - corporate	**28.1%**	28.2%
Banking - corporate	**29.6%**	29.4%
Funds management - corporate	**22.3%**	20.4%
Insurance - corporate	**20.8%**	17.8%

Tax Consolidation

Legislation has been enacted to allow Australian resident entities to elect to consolidate and be treated as a single entity for Australian tax purposes. The Commonwealth Bank of Australia has elected to be taxed as a single entity with effect from 1 July 2002. The Bank has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime. Members of the tax consolidation group have entered into a tax sharing arrangement which provides for the allocation of income tax liabilities between the entities should the head entity, Commonwealth Bank of Australia, default on its tax payment obligations.

The Commonwealth Bank of Australia has also entered into a tax funding agreement with the members of the tax consolidation group. The tax funding agreement is effective from 1 July 2002. The agreement is aimed at achieving an allocation of the Bank's income tax liability to subsidiaries within the tax consolidated group as if they were operating on a stand-alone basis. The subsidiaries party to the agreement will reimburse the Commonwealth Bank of Australia for an amount calculated as if they were taxed on a stand-alone basis. Similarly, the Commonwealth Bank of Australia will reimburse subsidiaries for losses when they are utilized to reduce the group tax payable.

Calculations at 30 June 2004 have been based on legislation enacted to that date. Legislation in respect of leasing and leasing partnerships has not yet been finalised. Based on the enacted legislation, these calculations have resulted in a tax credit adjustment of $37 million to the consolidated tax expense for the year ended 30 June 2004. This tax benefit has been partially offset by non tax affected capital writedowns.

8. LOANS ADVANCES AND OTHER RECEIVABLES

	Full Year Ended 30/06/04 $M	Full Year Ended 30/06/03 $M
Australia		
Overdrafts	**2,423**	2,452
Housing loans	**104,883**	87,592
Credit card outstanding	**5,890**	5,227
Lease financing	**3,843**	3,988
Bills discounted	**3,454**	2,303
Term loans	**39,708**	36,742
Redeemable preference share financing	**37**	-
Equity participation in leveraged leases	**1,120**	1,276
Other lending	**420**	604
Total Australia	**161,778**	140,184
Overseas		
Overdrafts	**2,481**	2,005
Housing loans	**16,967**	12,611
Credit card outstanding	**358**	296
Lease financing	**175**	197
Term loans	**10,314**	7,444
Redeemable preference share financing	**262**	511
Other lending	**60**	13
Total overseas	**30,617**	23,077
Gross loans, advances and other receivables	**192,395**	163,261
Less:		
Provisions for impairment		
General provision	**(1,393)**	(1,325)
Specific provision against loans and advances	**(143)**	(205)
Unearned income		
Term loans	**(758)**	(618)
Lease financing	**(541)**	(549)
Leveraged leases	**(111)**	(143)
Interest reserved	**(23)**	(26)
Unearned tax remissions on leveraged leases	**(35)**	(48)
	(3,004)	(2,914)
Net loans, advances and other receivables	**189,391**	160,347

9. ASSET QUALITY

Balances of Impaired Assets	Full Year Ended 30/06/04 $M	Full Year Ended 30/06/03 $M
Total Impaired Assets		
Gross non-accruals	**363**	665
Total gross impaired assets	**363**	665
Less Interest reserved	**(23)**	(26)
	340	639
Less Specific provisions for impairment	**(143)**	(205)
Total net impaired assets	**197**	434
Net Impaired Assets by Geographical Segment		
Australia	**194**	357
Overseas	**3**	77
Total	**197**	434

9. ASSET QUALITY (CONT'D)

	Full Year Ended	
Provisions for Impairment	**30/06/04 $M**	**30/06/03 $M**
General Provisions		
Opening balance	**1,325**	1,356
Charge against profit and loss	**276**	305
Transfer to specific provisions	**(202)**	(350)
Bad debts recovered	**79**	74
Adjustments for exchange rate fluctuations and other items	**2**	(9)
	1,480	1,376
Bad debts written off	**(87)**	(51)
Closing balance	**1,393**	1,325
Specific Provisions		
Opening balance	**205**	270
Transfer from general provision for:		
New and increased provisioning	**264**	416
Less write-back of provisions no longer required	**(62)**	(66)
Net transfer	**202**	350
Adjustments for exchange rate fluctuations and other items	**3**	(11)
	410	609
Bad debts written off	**(267)**	(404)
Closing balance	**143**	205
Total provisions for impairment	**1,536**	1,530
Specific provisions for impairment comprise the following segments:		
Provisions against loans and advances	**143**	205
Total	**143**	205

	%	%
Provision Ratios		
Specific provisions for impairment as a % of gross impaired assets net of interest reserved	**42.1**	32.1
Total provisions for impairment as a % of gross impaired assets net of interest reserved	**451.8**	239.4
General provisions as a % of risk weighted assets	**0.82**	0.90
Impaired Asset Ratios		
Gross impaired assets net of interest reserved as % of risk weighted assets	**0.20**	0.44
Net impaired assets as % of:		
Risk weighted assets	**0.12**	0.30
Total shareholders' equity	**0.79**	1.97

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 that are not well secured and past due 180 days or more.
- Credit risk rated managed segment for exposures aggregating to less than $250,000 and 90 days past due or more.
- 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.

9. Asset Quality (cont'd)

	Full Year Ended	
	30/06/04 $M	30/06/03 $M
Impaired Assets		
Income received:		
Current period	**8**	20
Prior period	**6**	10
Total income received	**14**	30
Interest income forgone	**10**	18
Movement in Impaired Asset Balances		
Gross impaired assets at period beginning	**665**	943
New and increased	**532**	617
Balances written off	**(278)**	(456)
Returned to performing or repaid	**(556)**	(439)
Gross impaired assets at period end	**363**	665

Loans Accruing but Past Due 90 Days or More	30/06/04 $M	30/06/03 $M
Housing loans	**168**	**157**
Other loans	**78**	**91**
	246	**248**

10. Deposits and Other Public Borrowings

	30/06/04 $M	30/06/03 $M
Australia		
Certificates of deposit	**20,516**	11,228
Term deposits	**38,530**	32,398
On demand and short term deposits	**71,115**	68,507
Deposits not bearing interest	**5,407**	5,001
Securities sold under agreements to repurchase and short sales	**3,585**	3,231
Total Australia	**139,153**	120,365
Overseas		
Certificates of deposit	**3,716**	2,900
Term deposits	**11,724**	10,326
On demand and short term deposits	**6,852**	5,871
Deposits not bearing interest	**1,174**	921
Securities sold under agreements to repurchase and short sales	**558**	591
Total overseas	**24,024**	20,609
Total deposits and other public borrowings	**163,177**	140,974

11. 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.

The general insurance business results have been aggregated with the previously reported life insurance segment results to comprise the Insurance segment results. Prior year results have been reclassified accordingly. General insurance business was previously included in the Banking segment. The income from the Bank's financial planners was reallocated to the Funds Management segment. Prior year results have been reclassified accordingly.

	Full Year Ended 30 June 2004			
Primary Segment		**Funds**		**Group**
Business Segments	**Banking**	**Management**	**Insurance**	**Total**
Financial Performance	**$M**	**$M**	**$M**	**$M**
Interest income	**13,287**	**-**	**-**	**13,287**
Premium and related revenue	**-**	**-**	**1,012**	**1,012**
Other income	**3,720**	**3,142**	**840**	**7,702**
Appraisal value uplift / (reduction)	**-**	**(95)**	**296**	**201**
Total revenue	**17,007**	**3,047**	**2,148**	**22,202**
Interest expense	**7,877**	**-**	**-**	**7,877**
Segment result before income tax, goodwill amortisation and appraisal value uplift / (reduction)	**3,091**	**504**	**371**	**3,966**
Income tax (expense)/credit	**(914)**	**(228)**	**(120)**	**(1,262)**
Segment result after income tax and before goodwill amortisation and appraisal value uplift /(reduction)	**2,177**	**276**	**251**	**2,704**
Outside equity interest	**(1)**	**(8)**	**-**	**(9)**
Segment result after income tax and outside equity interest before goodwill amortisation and appraisal value uplift / (reduction)	**2,176**	**268**	**251**	**2,695**
Goodwill amortisation	**(302)**	**(17)**	**(5)**	**(324)**
Appraisal value uplift / (reduction)	**-**	**(95)**	**296**	**201**
Net profit attributable to shareholders of the Bank	**1,874**	**156**	**542**	**2,572**
Non-Cash Expenses				
Goodwill amortisation	**302**	**17**	**5**	**324**
Charge for bad and doubtful debts	**276**	**-**	**-**	**276**
Depreciation	**110**	**8**	**9**	**127**
Which new Bank initiatives	**427**	**-**	**-**	**427**
Other	**38**	**3**	**-**	**41**
Financial Position				
Total assets	**265,062**	**19,878**	**21,055**	**305,995**
Acquisition of property, plant & equipment, intangibles and other non-current assets	**518**	**6**	**9**	**533**
Associate investments	**194**	**1**	**44**	**239**
Total liabilities	**254,284**	**17,439**	**9,387**	**281,110**

11. FINANCIAL REPORTING BY SEGMENTS (CONT'D)

Primary Segment Business Segments Financial Performance	Full Year Ended 30 June 2003 Banking $M	 Funds Management $M	 Insurance $M	 Group Total $M
Interest income	11,528	-	-	11,528
Premium and related revenue	-	-	1,131	1,131
Other income	2,733	1,157	620	4,510
Total revenue	14,261	1,157	1,751	17,169
Interest expense	6,502	-	-	6,502
Segment result before income tax, goodwill amortisation and appraisal value uplift/ (reduction)	3,165	217	161	3,543
Income tax (expense)/credit	(931)	5	(32)	(958)
Segment result after income tax and before goodwill amortisation and appraisal value uplift / (reduction)	2,234	222	129	2,585
Outside equity interest	-	(6)	-	(6)
Segment result after income tax and outside equity interest before goodwill amortisation and appraisal value uplift/ (reduction)	2,234	216	129	2,579
Goodwill amortisation [1]	(300)	(18)	(4)	(322)
Appraisal value uplift/ (reduction)	-	(291)	46	(245)
Net profit attributable to shareholders of the Bank	1,934	(93)	171	2,012
Non-Cash Expenses				
Goodwill amortisation	300	18	4	322
Charge for bad and doubtful debts	305	-	-	305
Depreciation	109	8	11	128
Appraisal value uplift/ (reduction)	-	(291)	46	(245)
Other	112	1	-	113
Financial Position				
Total assets	229,289	19,622	16,199	265,110
Acquisition of property, plant & equipment and intangibles and other non-current assets	98	16	6	120
Associate investments	214	12	61	287
Total liabilities	216,939	17,044	8,975	242,958

[1] Prior years have been restated to reflect the allocation of goodwill amortisation across businesses.

11. Financial Reporting by Segments (Cont'd)

Secondary Segment Geographical Segment Financial Performance	Full Year Ended 30/06/04 $M	 %	 30/06/03 $M	 %
Revenue				
Australia	**17,746**	**80.0**	14,008	81.6
New Zealand	**2,671**	**12.0**	2,025	11.8
Other Countries (1)	**1,785**	**8.0**	1,136	6.6
	22,202	**100.0**	17,169	100.0
Net Profit Attributable to Shareholders of the Bank				
Australia	**2,091**	**81.3**	1,659	82.4
New Zealand	**309**	**12.0**	265	13.2
Other Countries (1)	**172**	**6.7**	88	4.4
	2,572	**100.0**	2,012	100.0
Assets				
Australia	**252,652**	**82.6**	221,248	83.5
New Zealand	**35,059**	**11.4**	27,567	10.4
Other Countries (1)	**18,284**	**6.0**	16,295	6.1
	305,995	**100.0**	265,110	100.0
Acquisition of Property, Plant & Equipment and Intangibles and Other Non-current Assets				
Australia	**495**	**92.9**	98	81.7
New Zealand	**29**	**5.4**	6	5.0
Other Countries (1)	**9**	**1.7**	16	13.3
	533	**100.0**	120	100.0

(1) Other Countries were: United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, the Philippines, Fiji, Indonesia, China and Vietnam.

The geographical segment represents the location in which the transaction was booked. The New Zealand net profit for 2003 has been restated onto a consistent basis with 2004.

12. Integrated Risk Management (Excludes 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 2003 Annual Report pages 30 to 32, Integrated Risk Management, detail the major risks managed by a diversified financial institution.

Credit Risk

The Bank uses a portfolio approach for the management of its credit risk. A key element is a well diversified portfolio. The Bank is using various portfolio management tools to assist in diversifying the credit portfolio. The 8.6% exposure to 'Property and Business Services' in the table below includes 0.7% of commercial property exposure for which the risk has effectively been transferred to third party investors by way of a synthetic securitisation transaction.

The commercial portfolio remains well rated and we experienced low actual bad debts during the year.

Industry	30/06/04 %	31/12/03 %	30/06/03 %
Accommodation, Cafes and Restaurants	**1.3**	1.4	1.4
Agriculture, Forestry and Fishing	**3.6**	2.8	2.9
Communication Services	**0.4**	0.3	0.5
Construction	**1.7**	1.5	1.7
Cultural and Recreational Services	**0.9**	0.8	0.8
Electricity, Gas and Water Supply	**1.4**	1.5	1.6
Finance and Insurance	**13.1**	10.4	9.5
Government Administration and Defence	**4.0**	4.6	4.3
Health and Community Services	**1.5**	1.6	1.7
Manufacturing	**3.8**	4.1	4.6
Mining	**0.7**	0.8	1.0
Personal and Other Services	**0.5**	0.4	0.5
Property and Business Services	**8.6**	7.6	7.8
Retail Trade	**2.1**	2.3	2.1
Transport and Storage	**2.4**	2.5	2.6
Wholesale Trade	**1.1**	1.2	1.5
Consumer	**52.9**	56.2	55.5
	100.0	100.0	100.0

The Bank 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	30/06/04 %	31/12/03 %	30/06/03 %
Australia	**86.2**	86.8	86.5
New Zealand	**9.9**	9.9	9.9
Europe	**2.0**	1.5	1.5
Americas	**1.2**	1.1	1.3
Asia	**0.6**	0.6	0.7
Other	**0.1**	0.1	0.1
	100.0	100.0	100.0

The Bank has the bulk of committed exposures concentrated in Australia and New Zealand.

Commercial Portfolio Quality	30/06/04 %	31/12/03 %	30/06/03 %
AAA/AA	**35**	30	28
A	**17**	17	19
BBB	**15**	17	16
Other	**33**	36	37
	100	100	100

As a percentage of commercial portfolio exposure (including finance and insurances) which has been individually risk rated, the Bank has 67% of commercial exposures at investment grade quality.

Consumer Portfolio Quality	30/06/04 %	31/12/03 %	30/06/03 %
Housing loans accruing but past 90 days or more $M	**168**	147	157
Housing loan balances ($m) [(1)]	**121,850**	112,228	100,203
Arrears rate (%)	**0.14**	0.13	0.16

(1) Housing loan balances are net of securitisation and include home equity and similar facilities.

12. INTEGRATED RISK MANAGEMENT (CONT'D)

Interest Rate Risk

Interest rate risk in the balance sheet is discussed within Note 39 of the 2003 Annual Report

Next 12 months' Earnings

Over the year to 30 June 2004 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)	**30/06/04** **%**	**30/06/03** **%**
Average monthly exposure	**0.9**	1.3
High month exposure	**1.3**	2.1
Low month exposure	**0.5**	0.4

Value at Risk (VaR)

VaR within Financial Markets Trading is discussed in the 2003 Annual Report.

VaR Expressed based on 97.5% confidence	**Average VaR During June 2004 Half Year $M**	**Average VaR During December 2003 Half Year $M**	**Average VaR During June 2003 Half Year $M**
Group			
Interest rate risk	**2.88**	3.02	3.43
Exchange rate risk	**1.09**	1.24	1.31
Implied volatility risk	**0.84**	0.92	0.62
Equities risk	**0.70**	0.56	0.73
Commodities risk	**0.37**	0.33	0.32
Prepayment risk	**0.58**	0.36	0.38
ASB Bank	**0.14**	0.20	0.15
Diversification benefit	**(2.49)**	(2.51)	(2.32)
	4.11	4.12	4.62
Credit Spread (1)	**4.92**	-	-
Total	**9.03**	4.12	4.62

VaR Expressed based on 99.0% confidence	**Average VaR During June 2004 Half Year $M**	**Average VaR During December 2003 Half Year $M**	**Average VaR During June 2003 Half Year $M**
Group			
Interest rate risk	**3.69**	3.99	4.31
Exchange rate risk	**1.28**	1.50	1.64
Implied volatility risk	**1.04**	1.26	0.79
Equities risk	**0.98**	0.70	0.93
Commodities risk	**0.45**	0.40	0.41
Prepayment risk	**0.58**	0.36	0.38
ASB Bank	**0.19**	0.25	0.20
Diversification benefit	**(3.21)**	(3.26)	(3.02)
	5.00	5.20	5.64
Credit Spread (1)	**5.84**	-	-
Total	**10.84**	5.20	5.64

(1) In the half year ending 30 June 2004 a new risk type covering credit spreads was added to the VaR model. Previously that risk has been captured by way of a "Specific Risk" capital allocation charge. The change reflects growth in this particular market segment and the increasing availability of data for credit spreads on which to model.

13. CAPITAL ADEQUACY

Risk Weighted Capital Ratios	30/06/04 %	30/06/03 %
Tier One	**7.43**	6.96
Tier Two	**3.93**	4.21
Less deductions	**(1.11)**	(1.44)
Total	**10.25**	9.73
Adjusted Common Equity [1]	**4.75**	

	30/06/04 $M	30/06/03 $M
Tier One capital		
Shareholders' equity	**24,885**	22,152
Eligible loan capital	**338**	351
Estimated reinvestment under Dividend Reinvestment Plan [2]	**250**	-
Foreign currency translation reserve related to non-consolidated subsidiaries	**179**	147
Deduct:		
Asset revaluation reserve	**(61)**	(7)
Goodwill	**(4,705)**	(5,029)
Expected dividend	**(1,315)**	(1,066)
Intangible component of investment in non-consolidated subsidiaries [3]	**(4,674)**	(4,388)
Outside equity interest in entities controlled by non-consolidated subsidiaries	**(114)**	(123)
Outside equity interest in insurance statutory funds and other funds	**(2,176)**	(1,824)
Other	**(19)**	-
Total Tier One capital	**12,588**	10,213
Tier Two capital		
Asset revaluation reserve	**61**	7
General provision for bad and doubtful debts [4]	**1,390**	1,321
FITB related to general provision	**(398)**	(391)
Upper Tier Two note and bond issues	**267**	250
Lower Tier Two note and bond issues [5], [6]	**5,338**	4,990
Total Tier Two capital	**6,658**	6,177
Total Capital	**19,246**	16,390
Deduct:		
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier One capital) [3]	**(1,886)**	(2,072)
Other	**(5)**	(42)
Capital base	**17,355**	14,276

Adjusted Common Equity [1]	30/06/04 $M
Tier One capital	**12,588**
Deduct:	
Eligible loan capital	**(338)**
Preference share capital	**(687)**
Other equity instruments	**(1,573)**
Outside equity interest (net of outside equity interest component deducted from Tier One capital)	**(190)**
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier One capital) [3]	**(1,886)**
Other deductions	**(5)**
Other	**139**
Total Adjusted Common Equity	**8,048**

(1) Adjusted Common Equity (ACE) is one measure considered by Standard & Poor's in evaluating the Bank's credit rating. The ACE ratio has been calculated in accordance with the Standard & Poor's methodology. As the Bank did not disclose this ratio for the previous year, no comparatives are published.
(2) Based on reinvestment experience related to the Bank's Dividend Reinvestment Plan.
(3) See page 55 for a reconciliation of the components of the carrying value of the life insurance and funds management business to the value of investments in non-consolidated subsidiaries.
(4) Excludes general provision for bad and doubtful debts in non-consolidated subsidiaries.
(5) APRA requires these lower Tier Two note and bond issues to be included as if they were un-hedged.
(6) For regulatory capital purposes, lower Tier Two note and bond issues are amortised by 20% of the original amount during each of the last five years to maturity.

13. CAPITAL ADEQUACY (CONT'D)

Risk-Weighted Assets	Face Value 30/06/04 $M	30/06/03 $M	Risk Weights %	Risk Weighted Balance 30/06/04 $M	30/06/03 $M
On balance sheet assets					
Cash, claims on Reserve Bank, short term claims on Australian Commonwealth and State Government and Territories, and other zero-weighted assets	**27,554**	23,832	0%	**-**	-
Claims on OECD banks and local governments	**15,020**	12,427	20%	**3,004**	2,485
Advances secured by residential property	**125,026**	103,987	50%	**62,513**	51,993
All other assets	**83,256**	74,472	100%	**83,256**	74,472
Total on balance sheet assets – credit risk	**250,856**	214,718		**148,773**	128,950
Total off balance sheet exposures – credit risk (1)				**18,141**	16,533
Risk weighted assets – market risk				**2,407**	1,325
Total risk weighted assets				**169,321**	146,808

(1) Off balance sheet exposures secured by the residential property account for $6.2 billion of off balance sheet credit equivalent assets ($3.1 billion of off balance sheet risk weighted assets).

Active Capital Management

The Bank maintains a strong capital position. The Tier One Capital Ratio increased from 6.96% to 7.43% and the Total Capital Ratio increased from 9.73% to 10.25% during the year to 30 June 2004. The Bank's credit ratings remained unchanged.

During the year, the Bank achieved strong growth in Risk Weighted Assets from $147 billion to $169 billion. The following significant initiatives were undertaken to actively manage the Bank's capital:

Tier One Capital

- Issue of US$550 million (A$832 million) of trust preferred securities in August 2003;
- Issue of $750 million of Perpetual Exchangeable Resettable Listed Securities (PERLS II) in January 2004;
- Issue of $201 million of shares in October 2003 to satisfy the Dividend Reinvestment Plan (DRP) in respect to the final dividend for 2002/03;
- Issue of $188 million of shares in March 2004 to satisfy the DRP in respect to the interim dividend for 2003/04;
- In accordance with APRA guidelines, the estimated issue of $250 million of shares to satisfy the DRP in respect of the final dividend for 2003/04;
- The issue of $467 million of shares pursuant to a Share Purchase Plan (SPP); and
- An off-market share buy-back of $532 million in March 2004 which reduced Tier 1 Capital.

Further details of these transactions are provided in Appendix 14.

Tier Two Capital

- Issue of $500 million subordinated medium term notes settled in February 2004. The notes mature in 2014 and are callable in 2009. The notes qualify as lower Tier Two capital.
- Issue of JPY10 billion (A$127 million) subordinated medium term notes settled in May 2004. The notes mature in May 2034 and are callable in May 2010. The notes qualify as lower Tier Two capital.
- Issue of US$250 million (A$358 million) subordinated medium term notes settled in June 2004. The notes mature in August 2014 and are callable in August 2009. The notes qualify as lower Tier Two capital.

Deductions from Total Capital

The following movements in deductions have occurred during the year:

- Sale of investment in Bank of Queensland; and
- Dividend of $194 million paid to the Bank from the life insurance and funds management businesses in excess of the dividend paid in respect of the after-tax profits of these businesses.

As required by APRA, the investment in life insurance and funds management is deducted from regulatory capital to arrive at the Bank's Capital Ratios. The Bank's life and funds management companies held an estimated $710 million excess over regulatory capital requirements at 30 June 2004 in aggregate.

In July 2004, the Bank issued US$250 million (A$357 million) subordinated medium term notes. The notes mature in 2014 and are callable in 2009. The notes qualify as lower Tier Two capital.

14. SHARE CAPITAL

	Full Year Ended 30/06/04	
	Shares Issued	**$M**
Ordinary Share Capital		
Opening balance 1 July 2003	**1,253,581,363**	**12,678**
Exercise of executive options	**1,812,600**	**38**
DRP 2002/2003 final dividend fully paid shares at $28.03	**7,165,289**	**201**
DRP 2003/2004 interim dividend fully paid shares at $31.61	**5,916,319**	**188**
Share buyback	**(19,360,759)**	**(213)**
Share purchase plan shares issued at $31.36	**14,891,250**	**467**
Closing balance 30 June 2004	**1,264,006,062**	**13,359**
Preference Share Capital (PERLS)		
Opening balance 1 July 2003	**3,500,000**	**687**
Closing balance 30 June 2004	**3,500,000**	**687**
Other Equity Instruments		
Issues during the year (net of issue costs)	**4,300,000**	**1,573**
Closing balance 30 June 2004	**4,300,000**	**1,573**
Retained Profits		
Opening balance 1 July 2003		**2,809**
Net profit for the year		**2,572**
Payment of final dividend		**(1,066)**
Payment of interim dividend		**(996)**
Share buyback (19,360,759 shares @ $16.50)		**(319)**
Appropriations to reserves (net)		**(59)**
Payment of other dividends		**(101)**
Closing balance 30 June 2004		**2,840**
Reserves		
Opening balance 1 July 2003		**3,850**
Appropriation from retained profits (net)		**59**
Movement in foreign currency translation reserve (1)		**(8)**
Movement in asset revaluation reserve		**54**
Movement in capital reserve		**(9)**
Closing balance 30 June 2004		**3,946**
Outside Equity Interests: Controlled Entities		
Opening balance 1 July 2003		**304**
Closing balance 30 June 2004		**304**

(1) The movement in the foreign exchange translation reserve adjustment relates primarily to the revaluation of subsidiaries in Hong Kong, United Kingdom and United States of America as a result of foreign exchange rate movements.

Issue of Other Equity Instruments

Trust Preferred Securities

On 6 August 2003 a wholly owned entity of the Bank issued US$550 million (A$832 million) of perpetual non call 12 year trust preferred securities into the US Capital Markets. These securities offer a non-cumulative fixed rate distribution of 5.805% per annum payable semi-annually. The securities qualify as Tier One capital of the Bank.

PERLS II

On 6 January 2004 a wholly owned entity of the Bank (Commonwealth Managed Investments Limited as Responsible Entity of the PERLS II Trust) issued $750 million of Perpetual Exchangeable Resettable Listed Securities (PERLS II). These securities are units in a registered managed investments scheme, perpetual in nature, offering a non-cumulative floating rate distribution payable quarterly. The securities qualify as Tier One capital of the Bank.

Share Buy Back

On 29 March 2004 the Bank announced the successful completion of its off-market share buy-back. A total of 19,360,759 shares were bought back at $27.50 per share, for a total cost of $532.4 million. An amount of $11 per share of the consideration for each share bought back was charged to paid up capital (total $213.0 million). The balance of $16.50 per share was deemed to be a fully franked dividend for tax purposes and charged to retained profits (total $319.4 million).

In accordance with the ATO Class Ruling CR2004/65, the "market value" of the shares bought back for tax purposes is $30.42 ("Tax Value"). For capital gains tax purposes an Australian resident individual or complying superannuation entity shareholder participating in the buy-back will be deemed to have disposed of each share bought back for deemed capital proceeds of $11.00 plus the amount by which the Tax Value exceeds the buy-back price. The Tax Value exceeds the buy-back price by $2.92 ($30.42 - $27.50). Accordingly, for capital gains tax purposes, the deemed disposal price for each share sold into the buy-back is $13.92 ($11.00 + $2.92).

14. Share Capital (Cont'd)

Share Purchase Plan

The Bank introduced a Share Purchase Plan (SPP) during the year. On 25 June 2004 a total of 14,891,250 shares were issued at $31.36 per share, for a total of $467 million, in respect of the SPP.

Dividend Franking Account

After fully franking the final dividend to be paid for the year ending 30 June 2004 the amount of credits available, as at 30 June 2004 to frank dividends for subsequent financial years is $75 million (2003: $417 million). This figure is based on the combined franking accounts of the Bank at 30 June 2004, which have been adjusted for franking credits that will arise from the payment of income tax payable on profits for the year ended 30 June 2004, franking debits that will arise from the payment of dividends proposed for the year and franking credits that the Bank may be prevented from distributing in subsequent financial periods. The Bank expects the future tax payments will generate sufficient franking credits for the Bank to be able to fully frank future dividend payments. Dividend payments on or after 1 July 2004 will be franked at the 30% tax rate. These calculations have been based on the taxation law as at 30 June 2004.

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 104 cents per share amounting to $1,315 million. The dividend will be payable on 24 September 2004 to shareholders on the register at 5pm on 20 August 2004.

Dividends per share are based on net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- The rate of return on assets; and
- Investments and/or divestments to support business development.

Dividends paid since the end of the previous financial year:

- As declared in last year's Annual Report, a fully franked final dividend of 85 cents per share amounting to $1,066 million was paid on 8 October 2003. The payment comprised cash disbursements of $865 million with $201 million being reinvested by participants through the Dividend Reinvestment Plan; and
- In respect of the current year, a fully franked interim dividend of 79 cents per share amounting to $996 million was paid on 30 March 2004. The payment comprised cash disbursements of $808 million with $188 million being reinvested by participants through the Dividend Reinvestment Plan.
- Additionally, quarterly dividends totalling $37 million for the year were paid on the PERLS preference shares, $15 million on the PERLS II (for distributions in March 2004 and June 2004), $40 million on the Trust Preferred Securities, and; $9 million on the ASB Capital preference shares.

Dividend Reinvestment Plan

The Bank expects to issue around $250 million of shares in respect of the DRP for the final dividend for 2003/04.

The Dividend Reinvestment Plan continues to be capped at 10,000 shares per shareholder.

Record Date

The register closes for determination of dividend entitlement and for participation in the DRP at 5:00pm on 20 August 2004 at ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South, 1235.

Ex Dividend Date

The ex-dividend date is 16 August 2004.

15. LIFE COMPANY VALUATIONS AND POLICY LIABILITIES

Carrying Values of Insurance and Funds Management Businesses

The following table sets out the components of the carrying values of the Bank'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 were reviewed by independent actuaries Trowbridge Deloitte.

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia(1)	Total
Analysis of Movement since 30 June 2003	$M	$M	$M	$M	$M
Profits	268	180	54	17	519
Net capital movements(2)	(27)	108	(29)	-	52
Dividends paid	(470)	(421)	(9)	-	(900)
Foreign exchange movements	(10)	-	19	(25)	(16)
Change in shareholders net tangible assets	(239)	(133)	35	(8)	(345)
Net appraisal value uplift/(reduction)	(95)	206	94	(4)	201
Increase/(Decrease) to 30 June 2004	(334)	73	129	(12)	(144)

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia(1)	Total
Shareholders' Net Tangible Assets	$M	$M	$M	$M	$M
30 June 2003 balance	754	1,264	380	608	3,006
Profits	268	180	54	17	519
Net capital movements(2)	(27)	108	(29)	-	52
Dividends paid	(470)	(421)	(9)	-	(900)
Foreign exchange movements	(10)	-	19	(25)	(16)
30 June 2004 balance	515	1,131	415	600	2,661

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia(1)	Total
Value in Force Business	$M	$M	$M	$M	$M
30 June 2003 balance	1,123	245	191	4	1,563
Uplift/(reduction)	727	50	95	(4)	868
30 June 2004 balance	1,850	295	286	-	2,431

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia(1)	Total
Value Future New Business	$M	$M	$M	$M	$M
30 June 2003 balance	3,596	79	278	24	3,977
Uplift/(reduction)	(822)	156	(1)	-	(667)
30 June 2004 balance	2,774	235	277	24	3,310

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia(1)	Total
Carrying Value at 30 June 2004	$M	$M	$M	$M	$M
Shareholders' net tangible assets	515	1,131	415	600	2,661
Value in force business	1,850	295	286	-	2,431
Embedded value	2,365	1,426	701	600	5,092
Value future new business	2,774	235	277	24	3,310
Carrying value	5,139	1,661	978	624	8,402

(1) The Asian life insurance businesses are not held in a market value environment and are carried at net assets plus any 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, subject to impairment.

(2) Includes capital injections, transfers and movements in intergroup loans.

15. LIFE COMPANY VALUATIONS AND POLICY LIABILITIES (CONT'D)

The following table reconciles the carrying values of the life insurance and funds management businesses to the value of investments in non-consolidated subsidiaries as shown in the capital adequacy calculation in appendix 13.

Reconciliation of the Components of the Carrying Value to the Value of Investments in Non-Consolidated Subsidiaries	**30/06/04 $M**	**30/06/03 $M**
Intangible component of investment in non-consolidated subsidiaries deducted from Tier One capital comprises:		
Value future new business	**3,310**	3,977
Value of self-generated in force business	**1,279**	411
Other [1]	**85**	-
	4,674	4,388
Investment in non-consolidated subsidiaries deducted from total capital comprises:		
Shareholders' net tangible assets in life and funds management businesses	**2,661**	3,006
Capital in other non-consolidated subsidiaries	**351**	286
Value of acquired in force business	**1,152**	1,152
Less non-recourse debt	**(2,278)**	(2,372)
	1,886	2,072

[1] Relates to revised APRA Prudential Standards effective 1 July 2003

Key Assumptions Used in Appraisal Values

The following key assumptions have been used in determining the appraisal values. Other actuarial assumptions used in the valuation were described in the section Actuarial Methods and Assumptions.

	30 June 2004		
	New Business Multiplier	**Risk Discount Rate %**	**Value of Franking Credits %**
Life insurance entities			
Australia	**8**	**10.9**	**70**
New Zealand	**9**	**10.3**	**-**
Asia			
- Hong Kong	**8**	**12.0**	**-**
- Other	**Various**	**Various**	**-**
Funds management entities			
Australia	**n/a**	**12.5**	**70**

	30 June 2003		
	New Business Multiplier	**Risk Discount Rate %**	**Value of Franking Credits %**
Life insurance entities			
Australia	8	10.8	70
New Zealand	8	10.9	-
Asia			
- Hong Kong	8	11.5	-
- Other	various	various	-
Funds management entities			
Australia	n/a	11.9	70

The movement in the risk discount rate is based on the change in the underlying risk free rate using a capital asset pricing model framework. This framework utilises the local 10-year government bond yield as the proxy for the risk free rate.

The movement in risk discount rates have been accompanied by broadly equivalent movements in assumed future investment returns on the Australian funds management business.

The assumptions for future new business are set after considering current levels of new business and the expected growth in business. A review of current experience has resulted in a reduction in the future sales assumption for Australian funds management.

15. Life Company Valuations and Policy Liabilities (Cont'd)

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 (Life Act) 1995 where appropriate. Details will be set out in the various statutory returns of these life insurance businesses.

Components of Policy Liabilities	30/06/04 $M	30/06/03 $M
Future policy benefits [(1)]	**27,779**	27,426
Future bonuses	**1,346**	1,188
Future expenses	**1,762**	1,637
Future profit margins	**1,472**	1,420
Future charges for acquisition expenses	**(527)**	(916)
Balance of future premiums	**(7,266)**	(6,956)
Provisions for bonuses not allocated to participating policyholders	**72**	62
Total policy liabilities	**24,638**	23,861

(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.

Actuarial Methods and Assumptions

Policy liabilities have been calculated in accordance with the Margin on Services (MoS) methodology as set out in Actuarial Standard 1.03 – Valuation Standard ('AS1.03') issued by the Insurance Actuarial Standards Board ('LIASB'). The principal methods and profit carriers used for particular product groups were as follows:

Product Type	Method	Profit Carrier
Individual		
Conventional	Projection	Bonuses or expected claim payments
Investment account	Projection	Bonuses or funds under management
Investment linked	Accumulation	Not applicable
Lump sum risk	Projection	Premiums/claims
Income stream risk	Projection	Expected claim payments
Immediate annuities	Projection	Annuity payments
Group		
Investment account	Projection	Bonuses or funds under management
Investment linked	Accumulation	Not applicable
Lump sum risk	Accumulation	Not applicable
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' for investment linked measures the accumulation of amounts invested by policyholders plus investment earnings less fees specified in the policy to calculate policy liabilities. Deferred acquisition costs were offset against this liability.

Bonuses were 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 on the next page is a summary of the material assumptions used in the calculation of policy liabilities. These assumptions were also used in the determination of the appraisal values.

Discount rates

These were the rates used to discount future cash flows to determine their net present value in the policy liabilities. The discount rates were 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 and asset mix.

15. LIFE COMPANY VALUATIONS AND POLICY LIABILITIES (CONT'D)

Class of Business	June 2004 Rate Range %	June 2003 Rate Range %
Traditional – ordinary business (after tax)	**6.11 – 6.86**	5.44 – 6.19
Traditional – superannuation business (after tax)	**7.46 – 8.40**	6.65 – 7.58
Annuity business (after tax)	**6.17 – 6.98**	5.46 – 6.67
Term insurance – ordinary business (after tax)	**3.45 – 4.15**	3.16 – 3.85
Term insurance – superannuation business (after tax)	**3.45 – 4.15**	3.16 – 3.85
Disability business (before tax)	**5.93**	5.50
Investment linked – ordinary business (after tax)	**5.61 – 6.04**	4.88 – 5.68
Investment linked – superannuation business (after tax)	**7.37 – 7.42**	6.33 – 6.84
Investment linked – exempt (after tax)	**8.41 – 8.80**	7.20 – 8.27
Investment account – ordinary business (after tax)	**4.32**	3.67
Investment account – superannuation business (after tax)	**5.25**	4.46
Investment account – exempt (after tax)	**6.13**	5.21

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

The maintenance expenses are based on an internal analysis of experience and are assumed to increase in line with inflation each year and to be sufficient to cover the cost of servicing the business in the coming year after adjusting for one off expenses. For Participating Business, expenses continue on the previous charging basis with adjustments for actual experience and are assumed to increase in line with inflation each year.

Investment management expenses

Investment management expense assumptions were 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.

Benefit indexation

The indexation rates were 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.

Voluntary discontinuance

Discontinuance rates were based on recent company and industry experience and vary by territory, product, age and duration in force. The experience has generally been favourable resulting in reductions in discontinuance rates for some product lines.

Surrender values

Current surrender value bases were assumed to apply in the future. There have been no significant changes to these assumptions.

Unit price growth

Unit prices were 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 were 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.

Solvency

<u>Australian life insurers</u>

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 AS2.03 'Solvency Standard' ('AS2.03') prescribes a minimum capital requirement and the minimum level of assets required to be held in each insurance fund. All controlled Australian insurance entities complied with the solvency requirements of AS2.03. Further information is available from the individual statutory returns of subsidiary life insurers.

<u>Overseas life insurers</u>

Overseas insurance subsidiaries were 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 were in place to ensure that asset management and other fiduciary activities of controlled entities were independent of the insurance funds and other activities of the Bank.

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 that were distinguished from each other and from the shareholders' funds. The financial statements of Australian life insurers prepared in accordance with AASB 1038, (and which will be lodged with the relevant Australian regulators) show all major components of the financial statements disaggregated between the various insurance statutory funds and their shareholder funds.

16. Intangible Assets

	30/06/04 $M	30/06/03 $M
Purchased goodwill - Colonial	**5,591**	5,591
Purchased goodwill - other	**1,155**	1,155
Accumulated amortisation	**(2,041)**	(1,717)
Total intangible assets	**4,705**	5,029

17. Amortisation Schedule

	Full Year Ended	
	30/06/04 $M	30/06/03 $M
Goodwill		
Opening balance	**5,029**	5,391
Purchased goodwill	**-**	30
Amortisation for the year	**(324)**	(322)
Transfer of funds from Colonial Foundation Trust	**-**	(71)
Other adjustments	**-**	1
Closing balance	**4,705**	5,029

18. PERFORMANCE SUMMARIES

	Full Year 30/06/04 $M	Half Year 30/06/04 $M	Half Year 31/12/03 $M	Full Year 30/06/03 $M	Half Year 30/06/03 $M	Half Year 31/12/02 $M
Profit from ordinary activities after income tax ("statutory basis")	**2,572**	**1,329**	**1,243**	2,012	1,390	622
Profit from ordinary activities after income tax ("cash basis")	**2,695**	**1,455**	**1,240**	2,579	1,371	1,208
Income						
Interest income	**13,287**	**7,046**	**6,241**	11,528	5,860	5,668
Interest expense	**7,877**	**4,307**	**3,570**	6,502	3,288	3,214
Net interest income	**5,410**	**2,739**	**2,671**	5,026	2,572	2,454
Other banking operating income	**2,846**	**1,471**	**1,375**	2,627	1,356	1,271
Total banking income	**8,256**	**4,210**	**4,046**	7,653	3,928	3,725
Funds management income	**1,158**	**576**	**582**	1,115	540	575
Life insurance income	**678**	**356**	**322**	598	318	280
Total Operating Income	**10,092**	**5,142**	**4,950**	9,366	4,786	4,580
Shareholder investment returns	**196**	**55**	**141**	91	96	(5)
Policyholder tax benefit/(expense)	**203**	**83**	**120**	(58)	32	(90)
Total Income	**10,491**	**5,280**	**5,211**	9,399	4,914	4,485
Expenses						
Operating expenses - comparable business	**5,500**	**2,791**	**2,709**	5,312	2,685	2,627
Initiatives including Which new Bank	**749**	**255**	**494**	239	156	83
Total expenses	**6,249**	**3,046**	**3,203**	5,551	2,841	2,710
Charge for bad and doubtful debts	**276**	**126**	**150**	305	154	151
Profit from ordinary activities before goodwill amortisation, appraisal value uplift/ (reduction) and income tax	**3,966**	**2,108**	**1,858**	3,543	1,919	1,624
Income tax expense	**1,262**	**648**	**614**	958	545	413
Profit from ordinary activities after income tax	**2,704**	**1,460**	**1,244**	2,585	1,374	1,211
Outside equity interests	**(9)**	**(5)**	**(4)**	(6)	(3)	(3)
Profit from ordinary activities after income tax and before goodwill amortisation and appraisal value uplift / (reduction)	**2,695**	**1,455**	**1,240**	2,579	1,371	1,208
Appraisal value uplift/ (reduction)	**201**	**36**	**165**	(245)	181	(426)
Goodwill amortisation	**(324)**	**(162)**	**(162)**	(322)	(162)	(160)
Net profit after income tax attributable to shareholders of the Bank	**2,572**	**1,329**	**1,243**	2,012	1,390	622
Contributions to profit (after income tax)						
Banking	**2,675**	**1,381**	**1,294**	2,376	1,240	1,136
Funds management	**274**	**148**	**126**	233	108	125
Life insurance	**129**	**62**	**67**	65	52	13
Profit from ordinary activities after income tax ("underlying basis")	**3,078**	**1,591**	**1,487**	2,674	1,400	1,274
Shareholder Investment Returns (after tax)	**152**	**53**	**99**	73	81	(8)
Initiatives including Which new Bank (after tax)	**(535)**	**(189)**	**(346)**	(168)	(110)	(58)
Profit after income tax from ordinary activities ("cash basis")	**2,695**	**1,455**	**1,240**	2,579	1,371	1,208
Goodwill amortisation	**(324)**	**(162)**	**(162)**	(322)	(162)	(160)
Appraisal value uplift/ (reduction)	**201**	**36**	**165**	(245)	181	(426)
Net profit after income tax attributable to shareholders of the Bank	**2,572**	**1,329**	**1,243**	2,012	1,390	622

18. Performance Summaries (Cont'd)

Banking Profit Summary	Full Year 30/06/04 $M	Half Year 30/06/04 $M	Half Year 31/12/03 $M	Full Year 30/06/03 $M	Half Year 30/06/03 $M	Half Year 31/12/02 $M
Interest income	**13,287**	**7,046**	**6,241**	11,528	5,860	5,668
Interest expense	**7,877**	**4,307**	**3,570**	6,502	3,288	3,214
Net interest income	**5,410**	**2,739**	**2,671**	5,026	2,572	2,454
Other operating income	**2,846**	**1,471**	**1,375**	2,627	1,356	1,271
Total Operating Income	**8,256**	**4,210**	**4,046**	7,653	3,928	3,725
Expenses						
Operating expenses - comparable business	**4,191**	**2,140**	**2,051**	3,982	2,037	1,945
Initiatives including Which new Bank	**698**	**235**	**463**	201	118	83
Charge for bad and doubtful debts	**276**	**126**	**150**	305	154	151
Net profit before income tax	**3,091**	**1,709**	**1,382**	3,165	1,619	1,546
Income tax expense	**914**	**502**	**412**	931	463	468
Net profit after income tax	**2,177**	**1,207**	**970**	2,234	1,156	1,078
Outside equity interests	**1**	**1**	**-**	-	-	-
Net profit after income tax ("cash basis")	**2,176**	**1,206**	**970**	2,234	1,156	1,078
Net profit after income tax ("underlying basis")	**2,675**	**1,381**	**1,294**	2,376	1,240	1,136

Net Interest Income Profit Summary	Full Year 30/06/04 $M	Half Year 30/06/04 $M	Half Year 31/12/03 $M	Full Year 30/06/03 $M	Half Year 30/06/03 $M	Half Year 31/12/02 $M
Interest Income						
Loans	**11,675**	**6,179**	**5,496**	10,126	5,154	4,972
Other financial institutions	**182**	**85**	**97**	191	86	105
Liquid assets	**198**	**106**	**92**	150	73	77
Trading securities	**600**	**331**	**269**	454	238	216
Investment securities	**607**	**337**	**270**	566	291	275
Dividends on redeemable preference shares	**25**	**8**	**17**	41	18	23
Total interest income	13,287	7,046	**6,241**	11,528	5,860	5,668
Interest Expense						
Deposits	**5,949**	**3,279**	**2,670**	4,732	2,360	2,372
Other Financial institutions	**160**	**84**	**76**	198	92	106
Debt issues	**1,506**	**806**	**700**	1,352	727	625
Loan capital	**262**	**138**	**124**	220	109	111
Total interest expense	**7,877**	**4,307**	**3,570**	6,502	3,288	3,214
Net interest income	**5,410**	**2,739**	**2,671**	5,026	2,572	2,454

Other Banking Income Profit Summary	Full Year 30/06/04 $M	Half Year 30/06/04 $M	Half Year 31/12/03 $M	Full Year 30/06/03 $M	Half Year 30/06/03 $M	Half Year 31/12/02 $M
Lending fees	**724**	**382**	**342**	652	338	314
Commission and other fees	**1,503**	**732**	**771**	1,394	703	691
Trading income	**499**	**230**	**269**	502	276	226
Dividends	**6**	**3**	**3**	4	1	3
Net gain on investment and loans	**80**	**80**	**-**	(9)	3	(12)
Net (loss)/profit on sale of property, plant and equipment	**(11)**	**(8)**	**(3)**	22	16	6
Other	**45**	**52**	**(7)**	62	19	43
Total other banking income	**2,846**	**1,471**	**1,375**	2,627	1,356	1,271

18. PERFORMANCE SUMMARIES (CONT'D)

Funds Management **Profit Summary**	**Full Year 30/06/04 $M**	**Half Year 30/06/04 $M**	**Half Year 31/12/03 $M**	**Full Year 30/06/03 $M**	**Half Year 30/06/03 $M**	**Half Year 31/12/02 $M**
Funds Management Profit after tax						
Total operating income	**1,172**	**583**	**589**	1,128	548	580
Shareholder investment returns	**26**	**12**	**14**	13	8	5
Policyholder tax expense/ (benefit)	**149**	**67**	**82**	(62)	4	(66)
Operating expenses - comparable business	**806**	**390**	**416**	824	406	418
Initiatives including Which new Bank	**37**	**10**	**27**	38	38	-
Profit before income tax	**504**	**262**	**242**	217	116	101
Income tax expense/ (credit) attributable to:						
Policyholder	**149**	**67**	**82**	(62)	4	(66)
Corporate	**79**	**40**	**39**	57	22	35
Outside equity interests	**8**	**4**	**4**	6	3	3
Net profit after income tax ("cash basis")	**268**	**151**	**117**	216	87	129
Net profit after income tax ("underlying basis")	**274**	**148**	**126**	233	108	125

Insurance **Profit Summary**	**Full Year 30/06/04 $M**	**Half Year 30/06/04 $M**	**Half Year 31/12/03 $M**	**Full Year 30/06/03 $M**	**Half Year 30/06/03 $M**	**Half Year 31/12/02 $M**
Total operating income	**678**	**356**	**322**	598	318	280
Shareholder investment returns	**170**	**43**	**127**	78	88	(10)
Policyholder tax	**54**	**16**	**38**	4	28	(24)
Operating expenses - comparable business	**517**	**264**	**253**	519	250	269
Initiatives including Which new Bank	**14**	**14**	**-**	-	-	-
Profit before income tax	**371**	**137**	**234**	161	184	(23)
Income tax expense/ (credit) attributable to:						
Policyholder	**54**	**16**	**38**	4	28	(24)
Corporate	**66**	**23**	**43**	28	28	-
Net profit after income tax ("cash basis")	**251**	**98**	**153**	129	128	1
Net profit after income tax ("underlying basis")	**129**	**62**	**67**	65	52	13

19. REVIEW OF NON-AUDIT SERVICES

The US Securities and Exchange Commission ("SEC") has requested that the Bank produce documents and information relating to all services provided by the Bank's external auditors, Ernst & Young, since 1 July 2000, in the context of the US auditor independence rules. The Bank understands that the SEC has made similar requests to certain other Australian companies registered with the SEC and accounting firms.

The Bank is producing the documents and information requested.

Although the Bank cannot predict the nature of any future action if the SEC determines that any services provided by Ernst & Young did not comply with the SEC's rules and while the SEC could seek sanctions of a type or in amounts not currently known, based on information currently available to the Bank, it does not believe the outcome of the SEC's ongoing inquiry will have a material adverse financial effect on the Commonwealth Bank Group.

20. INTERNATIONAL FINANCIAL REPORTING STANDARDS

Transition Management

The Bank is well progressed in the process of ensuring that it will comply with the Australian equivalent of International Financial Reporting Standards (IFRS) by June 2005. This is in line with the conversion timetable as set out by the Financial Reporting Council of Australia.

The Bank completed its review of the IFRS and their impact during the planning stage of the project. Conversion issues were then identified and methodologies designed to resolve these issues.

The Bank is now progressing to the implementation of these changes and will complete this process prior to 30 June 2005.

The Bank has not finalised the financial impact of the change to IFRS. A more comprehensive discussion of the changes to disclosures will be contained in Note 1(pp) of the 2004 Annual Report.

Key Accounting Issues

The following key areas of difference between current accounting practice and the treatment under IFRS have been identified:

Hedge Accounting

Under IFRS all derivative financial instruments, including those used for balance sheet hedging purposes, are to be recognised on-balance sheet and measured at fair value. Hedge accounting can be applied, subject to certain rules, for fair value hedges, cash flow hedges, and hedges of investments in foreign operations. The Bank has formulated a strategy based on the use of both cash flow and fair value hedging. Cash flow hedges are expected to be the predominant form of hedging applied by the Bank.

It is expected that these new rules around accounting for hedge instruments will introduce significant volatility within equity reserves, and the potential for some minor volatility within the statement of financial performance.

Employee Benefits

With the introduction of IFRS, the net surpluses or deficits that arise within defined benefit superannuation plans must be recognised in the statement of financial position. The annual movements in those surpluses or deficits must be recorded in the statement of financial performance.

The Bank currently sponsors two defined benefit plans. Actuarial valuations of these plans are carried out periodically, and a large surplus currently exists on a net basis. On transition to IFRS, the comparative period beginning 1 July 2004 will record an opening Retained Earnings adjustment reflecting the value of this surplus. For subsequent periods, the profit is likely to be affected by significant volatility as the value of the surplus fluctuates. Given the potential significance of this item we expect to show it as a separate line item in the statement of financial performance.

Provisions for Loan Impairment

In line with market practice, the Bank's current general provisioning for impaired loans is designed to take account of our expectations of probable future losses and latent risks inherent in the credit portfolio. Under IFRS the Bank must raise collective provisions in respect of only those losses for which there is 'objective evidence' of impairment as at each balance date. The methodology to calculate this provision is still being developed.

As a result of this change, there may be a reduction in the amount of the Bank's general provisioning for impaired loans.

The practice of recording specific provisions for loan impairment will continue under IFRS, however, such provisions must be discounted to their present value based on estimated future cash flows. The discount unwinds during the period between the initial recognition of the provision and the eventual recovery of the written down amount, resulting in the recording of interest in the statement of financial performance, within interest income.

Consolidation of Special Purpose Vehicles

IFRS requires the consolidation of certain special purpose vehicles that are not consolidated under the current accounting standards.

Vehicles related to the securitisation of Bank assets, and certain other customer asset securitisation vehicles, may be consolidated under IFRS. This would result in a gross up of the assets and liabilities recorded within the statement of financial position.

There is not expected to be any profit impact arising from consolidation of these vehicles.

Classification of Hybrid Financial Instruments

The Bank currently has on issue two types of hybrid financial instruments: Perpetual Exchangeable Resettable Listed Securities ('PERLS I and II'); and Trust Preferred Securities ('TPS'). These instruments are currently classified as equity instruments.

Under IFRS these instruments will be reclassified as debt within the statement of financial position and dividends paid will be shown as interest expense.

Revenue and Expense Recognition

Under IFRS, the Bank will change the way it currently recognises certain revenue and expense items. Any fee income integral to the yield of an originated financial instrument, net of any direct incremental costs, must be capitalised and deferred over the expected life of the instrument. This is not expected to have a material impact on net profit within the statement of financial performance, however some re-classifications of revenue between fee income and interest income will occur.

Accounting for Life Insurance Business

On transition to IFRS the intangible asset representing the excess of the net market value over net assets of the Bank's life insurance controlled entities can no longer be recognised in full. As a result the Bank will, on the adoption of IFRS, cease to recognise any uplift or reduction in the Appraisal Value in the Statement of Financial Performance. The write off of the internally generated component will ultimately be reflected against the General Reserve; and the acquired component will be reclassified as Goodwill within the statement of financial position and subjected to an annual impairment test.

Accounting for Goodwill

On transition to IFRS, Goodwill will no longer be amortised, but instead is subject to an annual assessment for impairment to ensure that the carrying value of Goodwill is not greater than the recoverable amount. As a result, the statement of financial performance will no longer include an expense item reflecting the annual Goodwill amortisation.

Taxation

A "balance sheet" approach to tax effect accounting is followed under IFRS replacing the current "statement of financial performance" approach. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. It is likely there will be some increases in levels of deferred tax assets and liabilities.

Regulatory Capital Treatment

Several of the above accounting issues affect the assets and equity items currently included in the calculation of the Bank's regulatory capital. Current accounting definitions for asset and equity measurement are central to the capital adequacy requirements set by prudential regulators. The Bank anticipates that APRA will review the measurement rules in its Prudential Standards in response to the IFRS changes, however it is unclear whether capital measurement will be fully immunised from the IFRS changes.

21. SUMMARY

		Page	Full Year 30/06/04	Full Year 30/06/03	Full Year 30/06/04 vs 30/06/03	
						%
Group						
Net profit after tax - underlying	$m	5	**3,078**	2,674	404	15
Net profit after tax - cash basis	$m	5	**2,695**	2,579	116	5
Appraisal value uplift / (reduction)	$m	5	**201**	(245)	446	large
Goodwill Amortisation	$m	5	**(324)**	(322)	(2)	1
Net profit after tax - statutory	$m	5	**2,572**	2,012	560	28
Earnings per share cash basis - basic (cents)	Cents	5	**206.6**	202.6	4	2
Dividend per share	Cents	5	**183.0**	154.0	29	19
Dividend pay-out ratio cash basis	%	5	**89.1**	75.9	-	-
Tier 1 capital	%	6	**7.43**	6.96	-	47bpts
Total capital	%	6	**10.25**	9.73	-	52bpts
Adjusted common equity	%	6	**4.75**	nr	-	-
Number of full time equivalent staff	No.	7	**36,296**	35,845	451	n/a
Return on equity - cash	%	5	**13.2**	13.3	-	(7)bpts
Return on equity - underlying	%	5	**15.1**	13.8	-	130bpts
Weighted average number of shares - basic	No.	5	**1,256**	1,253	3	-
Banking						
Net profit after tax - underlying	$m	5	**2,675**	2,376	299	13
Net profit after tax - cash basis	$m	9	**2,176**	2,234	(58)	(3)
Net Interest Income	$m	9	**5,410**	5,026	384	8
Net Interest Margin	%	6	**2.53**	2.67	-	(14)bpts
Other banking income	$m	9	**2,846**	2,627	219	8
Other bank income/total bank income	%	10	**34.5**	34.3	-	20bpts
Expense to income ratio - underlying	%	9	**50.8**	52.0	-	2.3
Average interest earning assets	$m	9	**214,187**	188,270	25,917	14
Average interest earning liabilities	$m	9	**197,532**	174,737	22,795	13
Bad debts charge	$m	9	**276**	305	(29)	(10)
Bad debts to risk weighted assets	%	9	**0.16**	0.21	-	(5)bpts
General provision to risk weighted assets	%	9	**0.82**	0.90	-	(8)bpts
Total provision to gross impaired assets	%	9	**451.8**	239.4	-	large
Specific Provision to Impaired Assets	%	15	**42.1**	32.1	-	large
Risk weighted assets	$m	9	**169,321**	146,808	22,513	15
Funds Management						
Net profit after tax - underlying	$m	5	**274**	233	41	18
Net profit after tax - cash basis	$m	17	**268**	216	52	24
Shareholder investment returns	$m	17	**26**	13	13	100
Average funds under administration	$m	17	**105,458**	99,280	6,178	6
Net (outflows) / inflows	$m	17	**846**	(686)	1,532	large
Income to average funds under administration	%	17	**1.11**	1.14	-	(3)bpts
Expenses to average funds under administration -underlying	%	17	**0.76**	0.83	-	8.4
Insurance						
Net profit after tax - underlying	$m	5	**129**	65	64	98
Net profit after tax - cash basis	$m	21	**251**	129	122	95
Shareholder investment returns	$m	21	**170**	78	92	large
Inforce premiums	$m	22	**1,167**	1,076	91	8
Expenses to Average Inforce premiums - underlying	%	21	**46.1**	50.4	-	8.5
Funds Management and Life Insurance Company Valuations						
Profits	$m	24	**519**	330	189	-
Capital Movements	$m	24	**52**	289	(237)	-
Dividends	$m	24	**(900)**	(307)	(593)	-
Disposals and Acquisitions	$m	-	**-**	(130)	130	-
Acquired Excess	$m	-	**-**	129	(129)	-
Foreign exchange movements	$m	24	**(16)**	(100)	84	-
Net appraisal value uplift/(reduction)	$m	24	**201**	(245)	446	-
Total movement in carrying value	$m	24	**(144)**	(34)	(110)	-

nr = Not Reported

22. DEFINITIONS

Term	Description
Appraisal Value	The embedded value plus estimated value of profits from future business.
Banking	Banking operations includes retail, institutional and business banking, Asia Pacific banking, treasury and centre support functions. Retail banking operations include banking services, which were distributed through the Premium and Retail distribution divisions. Institutional and business banking includes banking services which, were distributed to all business customers through the Institutional and Business Services division and the small business customers which were serviced through the Premium and Retail divisions and funding operations. Asia Pacific banking includes offshore banking subsidiaries, primarily ASB Bank operations in New Zealand.
Dividend Payout Ratio	Dividends paid on ordinary shares divided by earnings (earnings are net of dividends on preference shares).
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. Dividends paid on preference shares and other equity instruments are deducted from earnings to arrive at earnings per share (30 June 2004: $101 million).
Embedded Value	The estimated value of future profits from existing business together with net tangible assets.
Funds Management	Funds management business includes the Investment & Insurance division and International Financial Services division.
Insurance	Insurance business includes the life risk business within the Investment & Insurance division and the International Financial Services division and general insurance.
Net Profit after Tax (“Cash Basis”)	Represents profit after tax and outside equity interest before appraisal value uplift /(reduction) and goodwill amortisation.
Net Profit after Tax (“Statutory”)	Represents profit after tax and outside equity interests and after goodwill amortisation and appraisal value uplift/(reduction). This is equivalent to the statutory item “Net Profit attributable to Members of the Bank”.
Return on Average Shareholders’ Equity	Based on net profit after tax and outside equity interests applied to average shareholders equity, excluding outside equity interests.
Return on Average Shareholders Equity Cash Basis	As per the return on average shareholder equity, excluding the effect of goodwill amortisation and appraisal value uplift/(reduction) from profit and equity.
Return on Average Total Assets	Based on profit after tax and outside equity interests. Averages were based on beginning and end of period balances.
Staff Numbers	Staff numbers include all permanent full time staff, part time staff equivalents and external contractors employed by 3rd party agencies. Prior year staff numbers have been restated to reflect this.
Underlying Expense to Income Ratio	Represents operating expenses (excluding strategic initiative expenses) as a percentage of revenue.
Underlying Profit	Represents net profit after tax (“cash basis”) excluding Which new Bank initiatives, shareholder investment returns and the cost of the June 2002 Employee Share Acquisition Plan (ESAP) paid in October 2002.