Which new Bank

CommonwealthBank

Commonwealth Bank of Australia ACN 123 123 124

Profit Announcement

For the half year ended 31 December 2004

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Except where otherwise stated, all figures relate to the half year ended 31 December 2004 and comparatives to the half year ended 30 June 2004. The term "prior comparative period" refers to the six months ended 31 December 2003, while the term "prior half" refers to the six months ended 30 June 2004, unless otherwise stated.

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Results have been subject to an independent review by the external auditors.
Released 9 February 2005

Highlights

Financial Performance and Business Review

The Bank continues to perform well against its Which new Bank commitments. Since the start of the Which new Bank program:

- Cash EPS has grown in excess of 10% on a compound annual growth basis;
- Productivity has improved in the range of 4%-6% per annum;
- Dividend per share has continued to increase; and
- In the main, the Bank has successfully maintained its market share while focussing on profitability.

	Half Year Ended				
				Dec 04	Dec 04
	31/12/04	30/06/04	31/12/03	vs Jun 04	vs Dec 03
Net Profit after Income Tax	$M	$M	$M	%	%
Underlying basis	**1,664**	1,591	1,487	5	**12**
Cash basis	**1,756**	1,455	1,240	21	**42**
Statutory basis	**1,859**	1,329	1,243	40	**50**

The Bank's net profit after tax ("statutory basis") for the six months ended 31 December 2004 was $1,859 million, an increase of 50% against a net profit after tax of $1,243 million for the prior comparative period.

The result is up 40% against a net profit after tax of $1,329 million for the prior half year. The statutory result includes:

- shareholder investment returns of $111 million (after tax), compared to $53 million for the prior half and $99 million for the prior comparative period;
- Which new Bank expenses, totalling $19 million (after tax), compared to $189 million for the prior half and $346 million for the prior comparative period;
- an appraisal value uplift of $265 million, compared with $36 million for the prior half and $165 million for the prior comparative period; and
- goodwill amortisation of $162 million which is consistent with prior periods.

Excluding these items, the Bank posted a strong operating result for the six months, with net profit after tax ("underlying basis") up 12% to $1,664 million from $1,487 million in the prior comparative period.

Net profit after tax ("underlying basis") increased 5% on the prior half year. Excluding the impact of the sale of the Bank of Queensland shareholding and Fleet Lease in the prior half, the increase was 9%.

The strong operating performance reflects:

- Continued strong home lending growth both domestically and in New Zealand which were the major contributors to a 9% increase in lending asset balances over the prior half year (17% increase compared to the prior comparative period);
- Stable average NIM, which reduced by only 2 bpts to 2.44% compared to the prior half year;
- Strong performance in Funds Management following continued buoyant investment markets and as a consequence, higher funds under administration;
- Prudent cost control across the business, with operating expenses remaining flat over the period, which include the one-off impact of compliance projects of $15 million and a stronger New Zealand Dollar; and
- $301 million of revenue and cost benefits arising from the Which new Bank program.

Which new Bank Program

The Bank has made excellent progress in the Which new Bank program which was announced to the market in September 2003, meeting all critical project milestones set for the period. Net benefits realised for the six months to 31 December 2004 were $301 million and gross investment spend was $255 million.

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

Overall, the program remains likely to deliver a total annual net benefit exceeding $620 million in 2005 and at least $900 million in 2006, with a total investment of $1,480 million over the three years to 30 June 2006. Of this amount, $889 million has been spent since the program was announced. More detail is included on page 7.

Dividends

The interim dividend declared for the half year is another record at 85 cents per share, an increase of 6 cents or 8% on the prior comparative period. The dividend payout ratio ("cash basis") for the period is 63.9%.

This dividend payment is fully franked and will be paid on 31 March 2005 to owners of ordinary shares at the close of business on 18 February 2005 (Record Date). Shares will be quoted ex-dividend on 14 February 2005.

The Bank issued $246 million of shares to satisfy shareholder participation in the Dividend Reinvestment Plan ("DRP") in respect of the final dividend for 2003/04. The Bank expects to issue around $206 million of shares in respect of the DRP for the interim dividend for 2004/05.

Outlook

The Australian economy has continued to perform strongly in 2004 and although it has lost some momentum, it is also expected to perform well in 2005, with strong employment growth, high consumer confidence and rising real wages. Business capital expenditure plans are being revised upwards for the year ahead and the global economy is still expanding.

Offshore, the US fiscal and current account deficits, and a weak US currency together with the rate of growth in China remain medium term issues of significance to the Australian economy.

We see no change in the highly competitive environment for financial services, in response to which, we launched Which new Bank transformation program in 2003. At the commencement of the transformation, we said that, subject to the market conditions continuing over the three years of Which new Bank, the Bank would:

- target a compound annual growth rate (CAGR) in cash earnings per share (EPS) exceeding 10% per annum;
- achieve 4-6% compound annual productivity improvement;
- gain profitable market share growth across major product lines; and
- increase the dividend per share each year.

Since that time, we have kept our investment spend within the planned expenditure and achieved benefits in excess of plan.

Subject to the market conditions, we expect Cash EPS growth for the full year to 30 June 2005 of between 25% and 30%. This partly reflects the impact of expenses related to Which new Bank being substantially lower in 2005 than 2004 and the realisation of benefits which are continuing to increase.

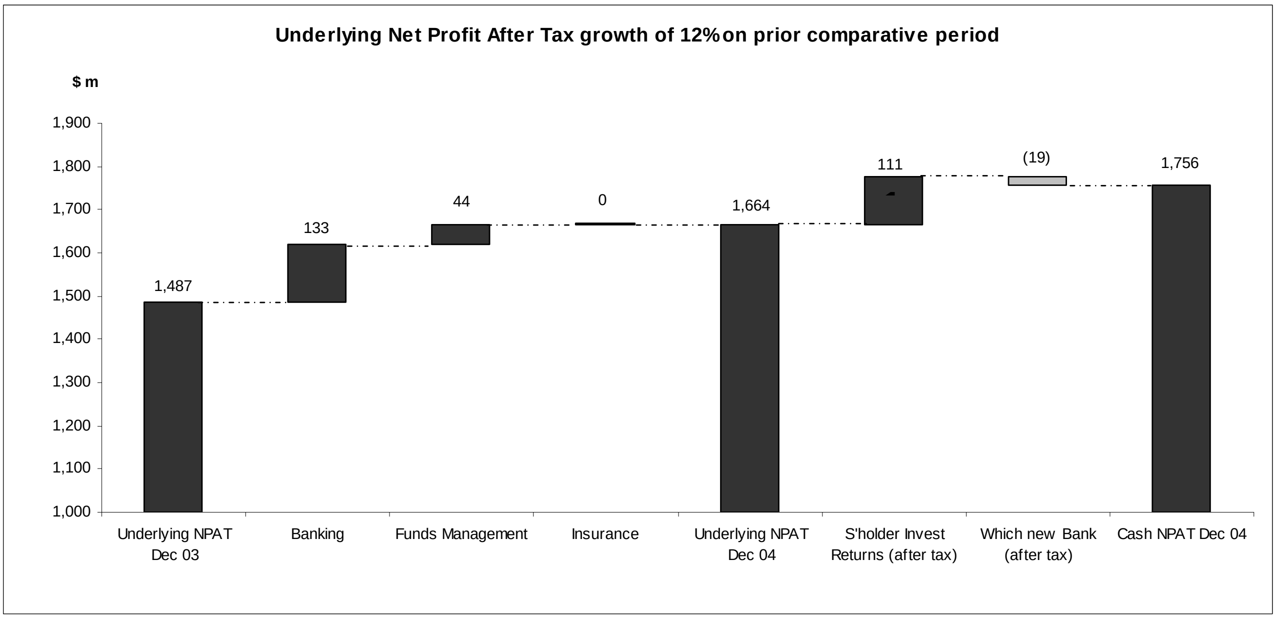
The Bank is confident of the progress of the Which new Bank program and expects to improve upon the original commitment given, with CAGR Cash EPS over 2003 to 2006 now estimated to exceed 12%.

Highlights (cont'd)

	Half Year Ended				
	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Contributions to Profit (after income tax)					
Banking	**1,427**	1,381	1,294	3	**10**
Funds Management	**170**	148	126	15	**35**
Insurance	**67**	62	67	8	**-**
Net Profit after Income Tax ("underlying basis")	**1,664**	1,591	1,487	5	**12**
Shareholder Investment Returns (after tax)	**111**	53	99	large	**12**
Which new Bank (after tax)	**(19)**	(189)	(346)	(90)	**(95)**
Net Profit after Income Tax ("cash basis")	**1,756**	1,455	1,240	21	**42**
Appraisal value uplift	**265**	36	165	large	**61**
Goodwill amortisation	**(162)**	(162)	(162)	-	**-**
Net Profit after Income Tax ("statutory basis")	**1,859**	1,329	1,243	40	**50**
Preference Dividends Paid [(1)]	**61**	62	39		
Ordinary Dividends Paid / Declared	**1,083**	1,315	996		

(1) Includes dividends paid on Perls, Perls II and Trust Preferred Securities.

Shareholder Summary	Half Year Ended				
	31/12/04	30/06/04	31/12/03	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Dividends per share - fully franked (cents)	**85**	104	79		**6 cents**
Dividend cover - cash (times)	**1.6**	1.1	1.2		
Dividend cover - underlying (times)	**1.5**	1.2	1.5		
Earnings per share (cents)					
Statutory - basic	**141.6**	101.1	95.8	40	**48**
Statutory - fully diluted	**141.6**	101.0	95.7	40	**48**
Cash basis - basic	**133.5**	111.1	95.5	20	**40**
Cash basis - fully diluted	**133.5**	111.1	95.5	20	**40**
Underlying basis - basic	**126.3**	122.0	115.2	4	**10**
Underlying basis - fully diluted	**126.3**	121.9	115.1	4	**10**
Dividend payout ratio (%)					
Statutory	**60.2**	103.8	82.7		
Cash basis	**63.9**	94.4	82.9		
Cash basis, excluding Which New Bank	**63.2**	83.1	64.4		
Weighted average number of shares - basic (number)	**1,269**	1,255	1,257		
Weighted average number of shares - fully diluted (number)	**1,270**	1,256	1,258		
Return on equity - cash (%)	**16.0**	13.6	11.9	240bpts	**410bpts**



Important Dates for Shareholders

14 February 2005	Ex-Dividend Date
31 March 2005	Interim Dividend Payment
10 August 2005	2005 Final Results Announcement
28 October 2005	Annual General Meeting

Highlights (cont'd)

	Half Year Ended				
	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Net Profit after Income Tax ("statutory basis")	**1,859**	1,329	1,243	40	**50**
Net Profit after Income Tax ("cash basis")	**1,756**	1,455	1,240	21	**42**
Net Profit after Income Tax ("underlying basis") [(1)]	**1,664**	1,591	1,487	5	**12**
Net Interest Income	**2,933**	2,739	2,671	7	**10**
Other banking income	**1,412**	1,471	1,375	(4)	**3**
Funds management income	**615**	576	582	7	**6**
Insurance income	**360**	356	322	1	**12**
Total Operating Income	**5,320**	5,142	4,950	3	**7**
Shareholder investment returns	**145**	55	141	large	**3**
Policyholder tax benefit	**111**	83	120	34	**(8)**
Total Income	**5,576**	5,280	5,211	6	**7**
Operating expenses	**2,828**	2,791	2,709	1	**4**
Which new Bank	**28**	255	494	(89)	**(94)**
Total Operating Expenses	**2,856**	3,046	3,203	(6)	**(11)**
Charge for bad and doubtful debts	**146**	126	150	16	**(3)**
Net Profit Before Income Tax	**2,574**	2,108	1,858	22	**39**
Policyholder tax expense	**111**	83	120	34	**(8)**
Corporate tax expense	**702**	565	494	24	**42**
Outside equity interests	**5**	5	4	-	**25**
Net Profit after Income Tax ("cash basis")	**1,756**	1,455	1,240	21	**42**
Appraisal value uplift	**265**	36	165	large	**61**
Goodwill amortisation	**(162)**	(162)	(162)	-	**-**
Net Profit after Income Tax ("statutory basis")	**1,859**	1,329	1,243	40	**50**

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

Key Performance Indicators	Half Year Ended				
	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Banking					
Net interest margin (%)	**2.44**	2.46	2.60	(2)bpts	**(16)bpts**
Average interest earning assets	**238,402**	224,160	204,323	6	**17**
Average interest bearing liabilities	**220,908**	206,473	188,688	7	**17**
Funds Management					
Operating income to average funds under administration (%)	**1.10**	1.09	1.13	1bpt	**(3)bpts**
Funds under administration	**117,440**	109,883	105,526	7	**11**
Insurance					
Inforce premiums	**1,199**	1,167	1,102	3	**9**
Capital Adequacy					
Tier 1 (%)	**7.46**	7.43	7.26	3bpts	**20bpts**
Total (%)	**9.60**	10.25	9.46	(65)bpts	**14bpts**
Adjusted common equity	**4.76**	4.75	4.61	1bpt	**15bpts**

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

The Bank continues to maintain a strong capital position which is reflected in its credit ratings which again remained unchanged during the half year. Additional information regarding the Bank's capital is disclosed on pages 50 and 51.

Highlights (cont'd)

Balance Sheet Summary	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
	Half Year Ended				
Total assets	**320,952**	305,995	285,879	5	**12**
Total liabilities	**295,885**	281,110	262,678	5	**13**
Shareholders' equity	**25,067**	24,885	23,201	-	**8**
Assets held and Funds under administration					
On Balance Sheet					
Banking assets	**284,258**	269,066[1]	250,594	6	**13**
Insurance Funds under administration	**23,221**	22,952	22,145	1	**5**
Other insurance and internal funds management assets	**13,473**	13,977[1]	13,140	(4)	**3**
	320,952	305,995	285,879	5	**12**
Off Balance Sheet					
Funds under administration	**94,219**	86,931	83,381	8	**13**
	415,171	392,926	369,260	6	**12**

(1) Comparatives for 30 June 2004 have been restated to reflect a restructure and subsequent realignment in business segments.

Productivity and Efficiency (1)	31/12/04	30/06/04	31/12/03	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
	Half Year Ended				
Banking					
Expense to income (%)	**50.1**	56.4	62.1	11.2	**19.3**
Underlying expense to income (%)	**49.7**	50.8	50.7	2.2	**2.0**
Funds Management					
Expense to average funds under administration (%)	**0.74**	0.75	0.85	1.3	**12.9**
Underlying expense to average funds under administration (%)	**0.72**	0.73	0.80	1.4	**10.0**
Insurance					
Expense to average inforce premiums (%)	**44.9**	49.3	46.2	8.9	**2.8**
Underlying expense to average inforce premiums (%)	**44.8**	47.5	45.5	5.7	**1.5**

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

Which new Bank	31/12/04 $M	30/06/04 $M	31/12/03 $M
	Half Year Ended		
Expenses incurred	**255**	455	179
Change in provision for future costs	**(57)**	8	200
Investment capitalised (1)	**(70)**	(67)	(45)
Gross Which new Bank expense	**128**	396	334
Normal project spend	**(100)**	(150)	(50)
Expensing of previously capitalised software	**-**	9	210
Incremental Which new Bank expense - before tax	**28**	255	494
Incremental Which new Bank expense - after tax	**19**	189	346

(1) Represents IT software $57 million and Branch refurbishment $13 million.

Which new Bank Benefits	Revenue $M	Costs $M	Total $M
	Half Year Ended 31 December 2004		
Gross benefits	**148**	**184**	**332**
Additional operating expenses	**(31)**	**-**	**(31)**
Net benefits	**117**	**184**	**301**

The impact on current half year expenses is the net of $184 million cost benefits, less the impact of additional operating expenses of $31 million, totalling $153 million. The ratio of net benefits is; revenue 39% : expenses 61%.

Banking Analysis

Financial Performance and Business Review

Underlying profit after tax for the banking operations increased by 10% to $1,427 million from $1,294 million in the prior comparative period.

The result was up 3% to $1,427 million from $1,381 million for the prior half year. Excluding the impact of the sale of Bank of Queensland and Fleet Lease of $71 million in the prior half, the increase in underlying profit after tax was 9%.

The performance was underpinned by the following factors:

- Strong volume growth in home lending, up 10% to $134 billion and personal lending, up 12% to $15 billion, compared to the prior half year;
- Relatively stable NIM, which reduced only 2 bpts to 2.44% compared to the prior half year;
- Good cost control across the business, with flat operating expenses (which includes the one-off impact of compliance projects of $15 million and a stronger New Zealand Dollar); and
- Continuing sound credit quality.

Australian Retail

The Australian retail banking operations performed strongly, supported by solid growth in key product lines, sustained improvement in customer service levels and ongoing productivity gains.

The performance highlights for the six months included:

- Strong growth in each of the Bank's key retail lending segments with home loans growing 10% since 30 June 2004;
- Stable product NIMs; and
- Continued gains in underlying productivity and efficiency supported by Which new Bank.

The Bank has also successfully achieved profitable growth in market share for its key lending segments. The market for retail deposits however, is becoming increasingly competitive, with some competitors pricing aggressively in an effort to win market share. The Bank is responding through a combination of product and service initiatives designed to capitalise on the Bank's strong brand and distribution channels.

The Bank has also announced changes to its mortgage broker business model which will be implemented progressively from April 2005. These include a revised commission structure which better aligns to product profitability whilst rewarding best practice business behaviours in areas such as training, compliance and loan quality. Separately, a new commission-only proprietary home loan channel "Innovators" was launched, designed to acquire new home loan customers from external sources, and to complement our existing branch, mobile and broker channels.

During the six months, further good progress was made in the Which new Bank program. Highlights included:

- Improved customer service levels as measured against internal benchmarks and supported by AC Nielsen showing improvement in customer satisfaction levels;
- Successful pilot in Tasmania of CommSee, the Bank's new customer management platform. CommSee now enables imaging of client signatures and authorities, inbound client mail and control documents. Through easier sharing of information, CommSee currently generates approximately 80,000 referrals across the Bank each month;
- Embedding process changes resulting in significant improvements in home loan and personal loan (internet based) approval times and queue lengths;
- Refurbishment of a further 30 branches, taking the total number of branches refurbished to 156;
- The adoption of several cultural change initiatives; and
- The launch of our new advertising campaign which puts some of our frontline customer service people in the spotlight.

Premium, Business & Corporate and Institutional

During the half year, Premium Business Services simplified its operating structure, reducing the number of relationship-managed client segments from seven to three. This allowed a greater focus on the institutional, corporate and business banking segments and enabled us to provide better service to our business and high-net worth personal clients. The Bank has created a dedicated national Agribusiness team and have linked our corporate and business banking teams to better extend industry initiatives, new product and relationship management talent across Corporate, Small and Medium Enterprises (SME) and Small Business clients.

The relationship based approach for a broad range of investment products, including primary offerings of equities and debt, has been particularly successful. In aggregate, the Bank raised in excess of $34 billion for our clients during the six months. This included significant capital raisings for ConnectEast, Bradken, Australian Pipeline Trust and Retail Cube. In addition, the Bank funded over $21 billion for business clients and $3 billion of new loans for premium high net worth individuals.

Other major achievements included:

- The acquisition of AOT Australia, which further leverages CommSec's scale into the institutional market. CommSec continues to be the most active broker by number of transactions on the ASX and has the busiest single purpose website in Australia, receiving more than 400 million hits per month;
- By combining sector expertise with distribution, the Bank has been successful in winning a number of new deals. This included completing a $1 billion bond issue for Goldman Sachs and a $1.9 billion Syndicated Standby Revolving and Term Loan Facility for Qantas Airways Ltd. This was the largest Australian dollar syndicated debt raising by an Australian corporate in the market last year;
- The Bank has maintained its number one position in capital markets (Source: Insto, Bloomberg and IFR);
- The Bank further expanded its rural client base through acquiring the wool futures trading book and client base from Macquarie Bank.

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.

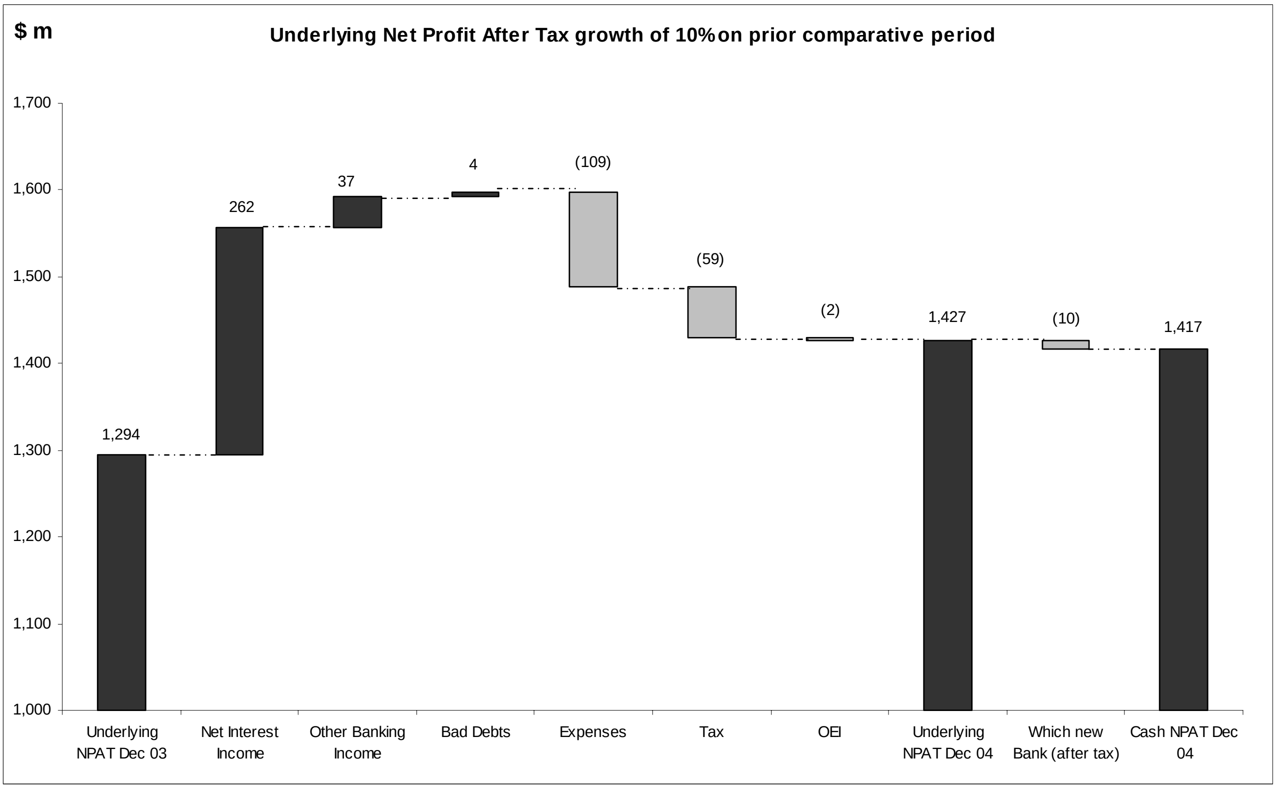
Overall lending activity in the New Zealand market has remained buoyant over the past half year despite a decrease in house sales activity compared with the prior comparative period and three successive increases in the official cash rate.

ASB Bank has continued to achieve greater than industry lending growth across its entire loan portfolio. Total lending growth during the first half of the year was 9%, while total assets grew 11% during the same period. Market share has continued to grow, with share of housing lending increasing to 22.7% at 31 December 2004 from 22.2% at 30 June 2004 (source: Reserve Bank of New Zealand).

ASB Bank was recognised for the third consecutive year as the "Bank of the Year" for New Zealand by the Banker magazine from the UK, reflecting the Bank's strong operational performance and commitment to customer service.

Banking Analysis (cont'd)

Key Performance Indicators	Half Year Ended 31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Net interest income	**2,933**	2,739	2,671	7	**10**
Other operating income	**1,412**	1,471	1,375	(4)	**3**
Total Operating Income	**4,345**	4,210	4,046	3	**7**
Operating expenses	**2,160**	2,140	2,051	1	**5**
Which new Bank	**15**	235	463	(94)	**(97)**
Total Operating Expenses	**2,175**	2,375	2,514	(8)	**(13)**
Charge for bad and doubtful debts	**146**	126	150	16	**(3)**
Net Profit before Income Tax	**2,024**	1,709	1,382	18	**46**
Income tax expense	**605**	502	412	21	**47**
Outside equity interests	**2**	1	-	large	**large**
Net Profit after Income Tax ("cash basis")	**1,417**	1,206	970	17	**46**
Net Profit after Income Tax ("underlying basis") [(1)]	**1,427**	1,381	1,294	3	**10**
Productivity and other measures					
Expense to income (%)	**50.1**	56.4	62.1	11.2	**19.3**
Expense to income - underlying (%)	**49.7**	50.8	50.7	2.2	**2.0**
Effective corporate tax rate (%)	**29.9**	29.4	29.8	50bpts	**10bpts**
Balance Sheet					
Lending assets ($m)[(2)]	**224,202**	205,946	191,272	9	**17**
Average interest earning assets ($m)	**238,402**	224,160	204,323	6	**17**
Average interest bearing liabilities ($m)	**220,908**	206,473	188,688	7	**17**
Asset Quality					
Risk weighted assets ($m)	**180,673**	169,321	157,471	7	**15**
Net impaired assets ($m)	**238**	197	375	21	**(37)**
General provision/Risk weighted assets (%)	**0.76**	0.82	0.86	(6)bpts	**(10)bpts**
Total provisions/Gross impaired assets (net of interest reserved) (%)	**373.0**	451.8	271.6	(17)	**37**
Bad debt expense as a % of Risk weighted assets (%)	**0.08**	0.07	0.10	1bpt	**(2)bpts**

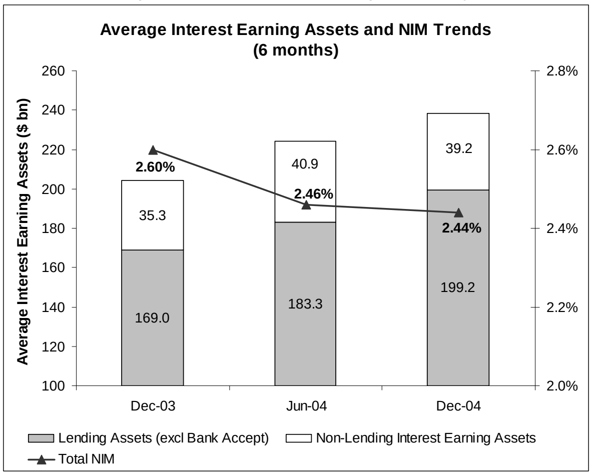


(1) Underlying basis excludes Which new Bank.
(2) Lending assets comprise Loans, Advances and other receivables (gross of provisions for impairment) and Bank acceptances of customers.

Banking Analysis (cont'd)

Net Interest Income

Net interest income increased by 10% to $2,933 million compared to the prior comparative period and 7% compared to the prior half year. The growth was driven by an increase in average interest earning assets of 6% to $238 billion from the prior half year. Net interest margin (NIM) was relatively stable, reducing by only 2 basis points to 2.44% compared to 2.46% for the prior half year.



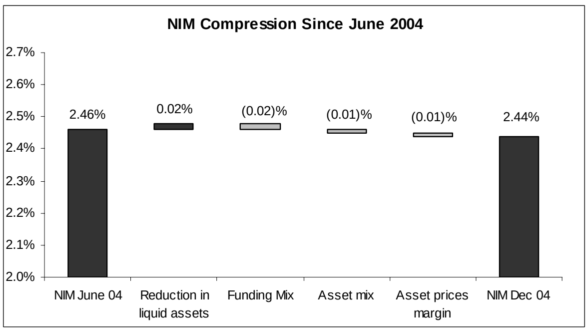
Volume

Average interest earning assets increased by $14.2 billion, represented by a $16 billion increase in lending assets, while average liquid assets reduced slightly by $1.7 billion.

The largest contributor to the increase in average interest earning assets was continued growth in housing loans in Australia and New Zealand. Average housing loan balances increased by 10% since the half year ended 30 June 2004 to $128 billion (net of securitisation), accounting for over 75% of the total increase in average lending assets. This was the result of continued growth in the residential lending markets as well as increased market share in both Australia and New Zealand.

Growth in Business, Corporate and Institutional Lending assets was across a number of lines of business. Variable lending, hire purchase and term loans all experienced growth.

Margin



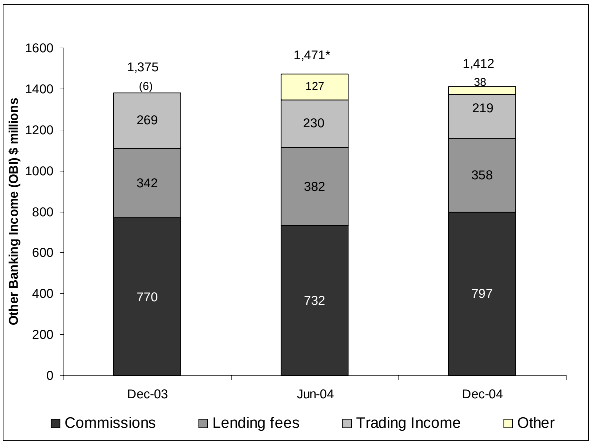
While achieving strong lending growth, the NIM was relatively stable, reducing by only 2 basis points in the six months to 2.44%.

Factors impacting the Bank's margin include:

- Non lending interest earning assets: Non lending interest earning assets decreased by $1.7 billion during the half year resulting in a two basis point increase in NIM;
- Funding Mix: Strong growth in home loans continues to outpace growth in retail deposits, resulting in a higher reliance on wholesale funding. The change in funding mix reduced NIM by two basis points;
- Asset Mix: The continued strong growth in home loan balances compared with other lending caused a change in lending mix, which reduced NIM by one basis point; and
- Asset prices margin: Home loan margin contraction was driven mostly by volume related third party trail commissions which reduced NIM by one basis point.

Other Banking Operating Income

Other banking operating income increased by 3% to $1,412 million compared to $1,375 million for the prior comparative period. Compared to the prior half year, other banking income declined marginally. The prior half year however, included a profit of $71 million for the sale of the Bank of Queensland shareholding and Fleet Lease.



* Includes Bank of Queensland and Fleet Lease, $71 million.

Factors impacting other banking operating income were:

- *Fees and commissions* increased by 9% to $797 million from $732 million in the prior half year and by 4% compared to the prior comparative period. Seasonal spending and the launch of a Platinum card and other campaigns during the half year contributed to increased credit card volumes. CommSec brokerage commissions increased, with strong domestic equity markets, and fees received for corporate transactions were also up. The June 2004 and December 2004 half years were impacted by the RBA Interchange rate changes implemented in November 2003.
- *Lending fees* decreased by 6% to $358 million from the prior half year. Most of the decrease was due to a large fee received on a corporate transaction in the prior half year. A portion of the decrease was due to volume related upfront broker commissions fully expensed in the half.
- *Trading income* declined 5% to $219 million compared to $230 million in the prior half year with lower market volatility (interest rates and foreign exchange) and difficult trading conditions which reduced trading volumes.
- *Other banking income* decreased by $88 million from $127 million in the prior half year to $38 million. As mentioned previously, the prior half year included the profit on sale of the Fleet Lease business of $43 million and Bank of Queensland shares of $28 million.

Banking Analysis (cont'd)

Total Banking Income

Total Banking Income by division	Dec 04 $M	Jun 04 $M	Dec 03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
	Half Year Ended				
Australian Retail	**2,287**	2,164	2,128	6	**7**
Premium, Business & Corporate and Institutional and Group Funding	**1,619**	1,581	1,578	2	**3**
Asia Pacific	**439**	394	371	11	**18**
One-off items	**-**	71	(31)	large	**large**
Total Banking Income	**4,345**	4,210	4,046	3	**7**

Total banking income comprises income from the Australian Retail, Institutional and Business Banking and Group Treasury, and Asia Pacific operations.

- *Australian Retail Banking Services:* Total income increased by 6% from the prior half year to $2,287 million, driven largely by higher interest income, and growth in Lending Assets of 10%, together with a range of service based initiatives.
- *Premium, Business & Corporate and Institutional and Group Funding:* Income for the six months to 31 December 2004 increased 2% to $1,619 million. This reflects growth in lending assets and increased CommSec brokerage commissions, partially offset by lower trading revenues due to lower market volatility. This also includes the Group funding and balance sheet management activities.
- *Asia Pacific:* The increase in total income by 11% from the prior half year to $439 million resulted primarily from improved home, personal, rural and business lending activity in ASB Bank as well as the benefit from a stronger New Zealand Dollar.
- *One off items:* The prior half year result includes the profit on sale of Bank of Queensland shareholding and Fleet Lease totaling $71 million, while December 2003 includes $31 million equity accounted loss of an associated entity principally related to a change in its accounting policy.

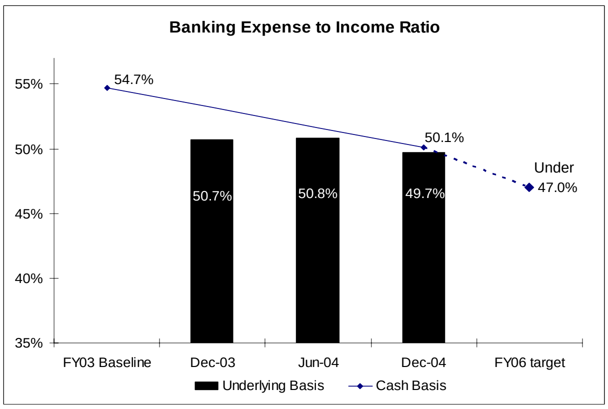
Operating Expenses

Operating expenses within the Banking business remained virtually flat, increasing by only 1% to $2,160 million for the current half year compared to the prior half year. The operating expenses were impacted by:

- Average salary increases of 4% to reflect labour market movements, as well as other inflation-related cost increases;
- Growth in the New Zealand banking operations and a stronger New Zealand Dollar; and
- Increased costs as a result of one-off compliance projects of $15 million.

These increases were largely offset by Which new Bank cost savings, which are discussed in more detail below.

Productivity



The underlying Banking expense to income ratio for the half year dropped below 50% for the first time to 49.7%. This was the result of higher total income without a corresponding rise in underlying expenses. Productivity improvements arising from the Which new Bank program are increasing. Net cost benefits attributable to the Banking business were $139 million for the six months compared to $56 million for the prior half year, while net revenue benefits totalled $137 million against $97 million for the prior half year.

Which new Bank Program

The Which new Bank program continues to progress well. Initiatives are being executed to plan including:

- "CommWay", the Bank's process simplification initiative, which continues to deliver simpler and more effective processes;
- Support Function redesign has resulted in 14 support functions being restructured with the focus now being on further refining and simplifying business processes;
- Procurement initiatives which have resulted in 10 key supplier categories being renegotiated; and
- IT efficiency initiatives which have already resulted in savings.

Customer experience is improving with customers in 98% of branches being served on average in less than 5 minutes, 70% of home loan applications in branches are receiving on the spot decisions for conditional approval, and the time taken for a response on personal loan internet applications has improved to 20 minutes. Implementation of other major initiatives will further add to these positive outcomes.

People engagement remains strong as staff continue to support Which new Bank. Internal surveys demonstrate a shift in culture is taking place. This shift is underpinned by our performance culture initiative. The key change from this initiative has been in the way the performance of our people are measured, recognised and rewarded. This will further encourage superior customer service.

Processes are becoming simpler. CommWay has delivered significant benefits to customer facing areas and the Bank is looking to extend this to processes in support areas.

Bad and Doubtful Debts

The total charge for bad and doubtful debts was $146 million for the half year ended 31 December 2004, an increase of $20 million from the prior half year and a decrease of $4 million from the prior comparative period. The increase over the prior half year primarily reflects the increase in impaired assets.

The Bank remains well provisioned, with total provisions for impairment as a percentage of gross impaired assets net of interest reserved of 373% (June 2004: 452%, December 2003: 272%) and a general provision as a percentage of risk weighted assets of 0.76% compared with 0.82% as at 30 June 2004 and 0.86% as at 31 December 2003.

Taxation Expense

The corporate tax charge for the half year was $605 million, an effective tax rate of 29.9% compared to 29.4% for the prior half year and 29.8% for the prior comparative period. The lower effective tax rate in the prior half year was due to the utilisation of carried forward capital losses against gains made from the sale of Bank of Queensland shares and Fleet Lease.

Banking Analysis (cont'd)

Assets & Liabilities

Retail Lending

Major Balance Sheet Items (gross of impairment)	Half Year Ended 31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Lending assets - Home Lending	**115,313**	104,883	97,729	10	**18**
Lending assets - Personal Lending	**14,317**	13,160	12,651	9	**13**

Market Share [(1)]	31/12/04	30/06/04	31/12/03
Home Loans	19.6%	19.3%[(2)]	19.3%[(3)]
Credit cards	23.2%[(4)]	22.7%[(2)]	22.7%[(3)]

(1) Refer to definitions on page 64
(2) As reported in the June 2004 Profit Announcement
(3) As reported in the December 2003 Profit Announcement
(4) As at November 2004

Home Lending

Home loan balances net of securitisation increased by 9.9% since 30 June 2004 to $115 billion. Market share improved, rising 30 basis points from 19.3% as reported at June 2004 to 19.6% as at December 2004. Although growth in the Australian housing sector has slowed compared to the prior half year, demand for home loans continues to be strong. The level of securitisation has decreased by 16% to $6.4 billion compared to 30 June 2004. The decrease is due to the continued amortisation of securitised balances. The Bank has recently completed its global issuance of $4.2 billion mortgaged backed securities through the Medallion Trust, its Mortgage Backed Securities programme. This transaction brings the total issuance to date under the Medallion global programme to over $19 billion.

The Bank maintained its position as Australia's leading home loan provider. While the Bank's proprietary channels maintained their share of new business, there was also an increase in the share of broker originated loans, which now account for 19% of the Bank's total Australian book compared with 16% at June 2004.

Other than for the minor impact of the greater use of brokers, home loan margins have remained steady over the period.

Personal Lending

Personal lending includes Personal Loans, Credit Cards and Margin Loans. Total Personal Lending increased by 9% over the half year to $14.3 billion, reflecting growth across all three products. Credit Card balances were up due to increased spending (seasonal), credit limit increases and the launch of new Platinum cards, while Margin Loans increased due to increased investor activity as a result of the strong equity markets.

The Bank is focussed on growing the Personal Loans portfolio. Results to date have seen a good response with a strong increase in the number of new loans. While there has been some increase in the risk profile, the net revenue contribution has outweighed the incremental risk. Comparative industry data indicates that the Bank's level of risk exposure to Personal Loans is less than that of our domestic competitors with the gross write-off level being the lowest in the industry.

Business, Corporate and Institutional Lending[(1)]

Major Balance Sheet Items (gross of impairment)	Half Year Ended 31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Interest earning lending assets	**48,424**	45,899	44,173	6	**10**
Bank acceptances of customers	**16,297**	15,019	13,734	9	**19**
Cash and other liquid assets	**10,667**	13,379	12,003	(20)	**(11)**
Trading & investment securities	**23,525**	23,884	20,937	(2)	**12**

Market Share [(2)]	31/12/04	30/06/04	31/12/03
Transaction Services (Commercial)[(6)]	24.4%[(5)]	24.4%[(3)]	22.7%[(4)]
Transaction Services (Corporate)[(7)]	21.4%[(5)]	20.9%[(3)]	18.1%[(4)]
Business Lending	13.5%	13.8%[(2)]	13.7%[(2)]
Asset Finance[(8)]	15.9%[(5)]	16.0%[(3)]	15.5%[(4)]

(1) Includes Group Funding and Balance Sheet Management
(2) Refer to definitions on page 64
(3) As reported in the June 2004 Profit Announcement
(4) As reported in the December 2003 Profit Announcement
(5) As at November 2004
(6) Source: East & Partners. Survey respondents included companies with $20 million to $340 million turnover.
(7) Source: East & Partners. Survey respondents are companies with turnover greater than $340 million
(8) Source: AELA (Aust Equip Lessors Assoc)

Lending Assets

Business, Corporate and Institutional Lending has increased $3.8 billion or 6% over the half year to $64.7 billion. This reflected good growth in a number of product lines since 30 June 2004. Variable lending, Hire Purchase and term loans have all experienced growth.

Trading and Investment Securities

Trading securities decreased by $0.4 billion during the half year to $13.0 billion, while investment securities remained unchanged at $10.5 billion. Lower market volatility and difficult trading conditions has limited the degree of volume growth.

Banking Analysis (cont'd)

Deposits (Australia)

	Half Year Ended				
	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Transaction Deposits	**29,394**	28,887	28,968	2%	**1%**
Savings Deposits	**33,603**	32,914	32,346	2%	**4%**
Investment Deposits	**50,566**	47,844	45,112	6%	**12%**
Deposits not bearing Interest	**5,885**	5,407	5,659	9%	**4%**
Sub Total Deposits (excl CD's and other)	**119,448**	115,052	112,105	4%	**7%**
Certificate of Deposits and other [(1)]	**21,360**	24,101	24,115	(11%)	**(11%)**
Total Deposits (Australia)	**140,808**	139,153	136,220	1%	**3%**
Debt issues	**45,465**	38,542	30,082	18%	**51%**
Market Share					
Household Deposits[(2)]	30.3%	30.7%	na		
Retail Deposits[(3)]	23.4%	23.6%[(4)]	24.1%[(5)]		

(1) Other includes securities sold under agreement to repurchase and short sales.
(2) Source: APRA
(3) Source: RBA
(4) As reported in the June 2004 Profit Announcement
(5) As reported in the December 2003 Profit Announcement

Deposits

Total Deposits (excluding Certificates of Deposit (CD's) and other) grew by 4% over the half year, due mainly to relatively strong growth in Investment Deposits. Savings and Transaction Deposits grew by 2% from June 2004, reflecting heightened competition as a number of smaller competitors looked to compete aggressively on price in an effort to grow market share. The Bank is responding to this competition through a strategy focussed on the combined benefits of convenience, improved service and price. Early results of this strategy are encouraging and consistent with our expectations.

In terms of APRA definitions, the Bank's Household Deposits grew by 4.2%, which was below market but in line with the average of the major banks. In a competitive market characterised by some very aggressive interest rates and fees, the Bank has grown its total deposits, including transaction accounts. This was achieved whilst maintaining relatively stable deposit product margins.

A higher reliance on Debt issues rather than CD's assisted in managing the domestic NIM.

Debt Issues

Debt issues were $45.5 billion at 31 December 2004, an increase of $6.9 billion or 18% from 30 June 2004. Debt issues grew in response to strong asset growth. The growth also reflects favourable structured Euro Medium Term Notes market conditions and continued tightening of credit spreads in public markets, which encouraged some larger plain vanilla deals.

Asia Pacific

	Half Year Ended				
Major Balance Sheet Items (gross of impairment)	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Lending assets - Home Lending	**18,945**	16,967	14,499	12	**31**
Lending assets - Other	**10,906**	10,018	8,486	9	**29**
Trading & investment securities	**3,378**	2,459	3,008	37	**12**
Cash and liquid assets	**1,469**	1,481	1,604	(1)	**(8)**
Debt issues	**5,881**	5,500	3,075	7	**91**
Deposits[(1)]	**21,492**	19,176	17,783	12	**21**
Market Share					
NZ Lending for housing [(4)]	22.7%	22.2%[(5)]	21.6%[(5)]		
NZ Retail Deposits[(4)]	18.7%	17.5%[(2)]	17.2%[(3)]		

(1) Asia Pacific Deposits exclude deposits held in other overseas countries (31 December 2004: $5,125 million)
(2) As reported in the June 2004 Profit Announcement
(3) As reported in the December 2003 Profit Announcement
(4) Source: Reserve Bank of NZ.
(5) Under the current definition used by the RBNZ, the equivalent prior period market shares would be 22.4% and 21.7% respectively

Lending Assets

New Zealand lending growth remained strong during the first half despite evidence of a slowdown in both construction activity and real estate prices. Total Asia Pacific home lending grew 31% to $18.9 billion over the twelve months, and 12% over the six months. The resilience can be attributed to heightened consumer demand for fixed rate offerings, ASB Bank's prominence in the Auckland market, continued excellence in customer service and ongoing successful marketing campaigns.

Total advances grew 9.6%. Private sector credit grew 6.5% to December 2004 (source: Reserve Bank of New Zealand Private Sector Credit (Residents only)). ASB Bank has continued to grow its home lending market share to 22.7% by 31 December 2004 from 22.2% at 30 June 2004, (source: Reserve Bank of New Zealand). Lending assets – Other comprises personal, rural and business/commercial lending assets.

Deposits

ASB Bank's retail deposits increased by 7.2% during the first half with market share increasing to 18.7% at 31 December 2004 from 17.5% at 30 June 2004 (source: Reserve Bank of New Zealand).

Overall ASB Bank margin has decreased reflecting the impact of competitive pressures.

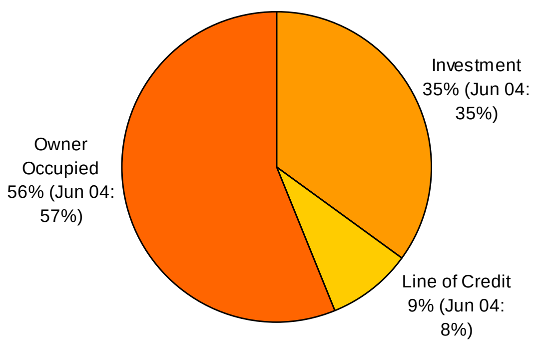
Banking Analysis (cont'd)

Total Banking

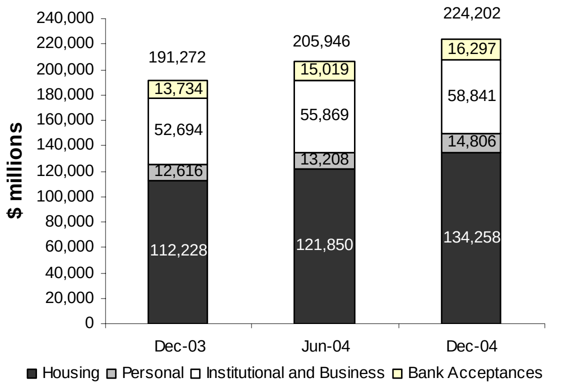
	Half Year Ended				
	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Interest Earning Assets					
Home Loans	**134,258**	121,850	112,228	10%	**20%**
Personal	**14,806**	13,208	12,616	12%	**17%**
Business and Corporate	**58,841**	55,869	52,694	5%	**12%**
Loans, Advances and Other Receivables (1)	**207,905**	190,927	177,538	9%	**17%**
Cash and other liquid assets(2)	**10,284**	13,704	12,336	(25%)	**(16%)**
Trading Securities	**15,881**	14,896	12,134	7%	**31%**
Investment Securities	**11,022**	11,447	11,811	(4%)	**(7%)**
Non Lending Interest Earning Assets	**37,187**	40,047	36,281	(7%)	**2%**
Total Interest Earning Assets	**245,092**	230,974	213,819	6%	**15%**
Other Assets(3)	**75,860**	75,021	72,060	1%	**5%**
Total Assets	**320,952**	305,995	285,879	5%	**12%**
Interest Bearing Liabilities					
Transaction Deposits	**32,608**	31,104	30,906	5%	**6%**
Savings Deposits	**38,052**	37,549	36,674	1%	**4%**
Investment Deposits	**64,312**	59,693	56,545	8%	**14%**
Certificates of Deposit and other	**25,440**	28,250	28,017	(10%)	**(9%)**
Total Interest Bearing Deposits	**160,412**	156,596	152,142	2%	**5%**
Deposits not bearing interest	**7,013**	6,581	6,772	7%	**4%**
Deposits and Other Public Borrowings	**167,425**	163,177	158,914	3%	**5%**
Due to Other Financial Institutions	**9,512**	6,641	5,846	43%	**63%**
Debt Issues	**51,346**	44,042	33,157	17%	**55%**
Loan Capital	**5,801**	6,631	5,790	(13%)	**-**
Sub-Total	**234,084**	220,491	203,707	6%	**15%**
Other Non Interest Bearing Liabilities	**61,801**	60,619	58,971	2%	**5%**
Total Liabilities	**295,885**	281,110	262,678	5%	**13%**

(1) Gross of provisions for impairment, which are included in "other assets".
(2) Includes interest earning portion only. Non interest earning portion is included under "other assets".
(3) Other assets include Bank acceptances of customers and provision for impairment.

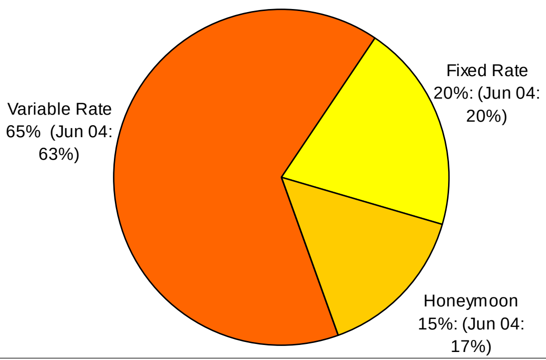
Australian Home Loan Balances by Product Type at 31 December 2004



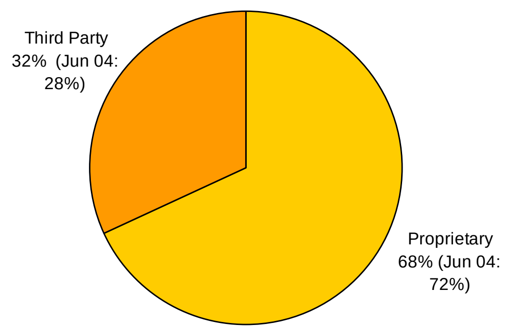
Lending Assets



Australian Home Loan balances by Loan Type at 31 December 2004



Origination of Home Loans funded for the half year (Australia only)



Banking Analysis (cont'd)

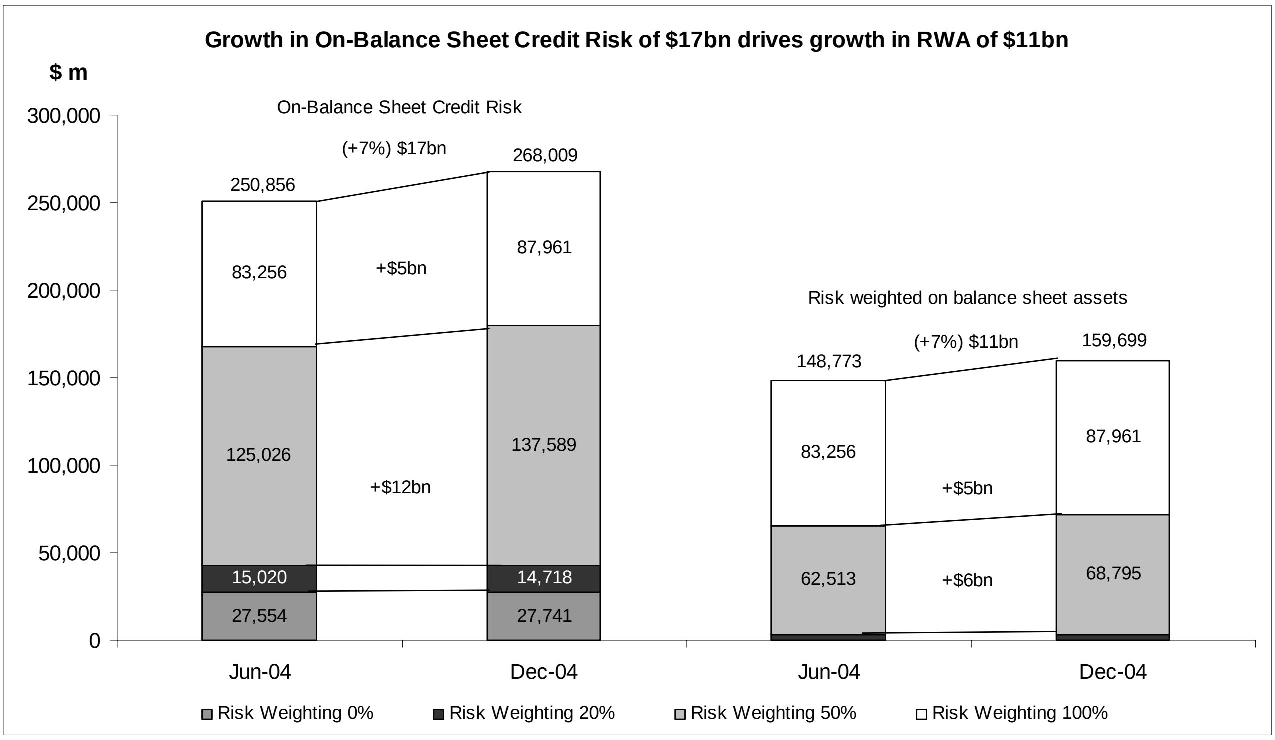
Provisions for Impairment	31/12/04 $M	30/06/04 $M	31/12/03 $M
General provisions	**1,379**	1,393	1,358
Specific provisions	**180**	143	198
Total Provisions	**1,559**	1,536	1,556
Total provisions for impairment as a % of gross impaired assets net of interest reserved	**373.0**	451.8	271.6
Specific provisions for impairment as a % of gross impaired assets net of interest reserved	**43.1**	42.1	34.6
General provisions as a % of risk weighted assets	**0.76**	0.82	0.86
Bad debt expense as a % of risk weighted assets	**0.08**	0.07	0.10

Total provisions for impairment for the Bank at 31 December 2004 are $1,559 million. This level of provisioning is considered to be prudent in order to cover any bad debt write offs from the current lending portfolio having regard to the current outlook.

Since 30 June 2004 specific provisions for impairment have increased by 26% to $180 million at 31 December 2004, reflecting an increase in impaired assets, which was primarily due to the default of two corporate clients. Gross Impaired Assets net of interest reserved have increased by $78 million since 30 June 2004, an increase of 23% - refer to Note 6 of the accounts.

The general provision for impairment has decreased to $1,379 million at 31 December 2004, a decrease of $14 million since 30 June 2004. The general provision as a percentage of Risk Weighted Assets reduced to 0.76% from 0.82% at 30 June 2004. The general provision as a percentage of risk weighted assets has declined over the three half years reflecting:

- Major growth in credit continues to be in home loans which have a lower credit risk than other portfolios;
- Continuing strong asset quality in the business book; and
- The low levels of gross impaired assets (balances in the last three halves have been the lowest in over a decade).



Funds Management Analysis

Financial Performance and Business Review

Performance Highlights

Underlying profit after tax of $170 million was an increase of 35% over the prior comparative period and 15% over the prior half year. The result was achieved with strong growth in revenue and good expense control.

Funds under administration (FUA) grew by 7% during the period to $117.4 billion at 31 December 2004. The growth in FUA was the result of strong investment markets with investment returns contributing $7.3 billion for the half year. Net funds flows also improved, particularly in platform products, however this was offset by lower International and Wholesale net flows for the half year.

Business Review

The key feature of the industry during the half year was the strong performance of investment markets which contributed to a 7% growth in FUA balances for the Bank. Platform products continued to dominate the net flows for the industry.

Industry retail flows for the September 2004 quarter were the strongest in two years and the re-emergence of the major industry players was evident with 7 of the 10 largest fund managers, including Colonial First State, appearing in the top 10 for net flows for the September 2004 quarter.

During the half year, enhancements to the FirstChoice product were well received by the market leading to record net flows into FirstChoice in the last two months of the period.

Despite continued downward pressure on margins, the Bank was able to maintain the FUA margin at 1.10% for the six months.

Operating expenses grew by 4% over the half year and 1% on the average of the preceding two half years.

Which new Bank Program

The Funds Management business has made substantial progress on Which new Bank and is on track to deliver the benefits in line with the commitments made to the market in September 2003.

Key milestones on the initiatives during the half year were:

- A continuation of the product migration strategy away from legacy systems with another successful migration during the period resulting in further cost savings;
- Launch of the FirstChoice Wholesale product, with a market leading fee structure and range of features which has led to record FirstChoice net flows;
- Continued rationalisation of back-office functions leading to cost savings; and
- A range of initiatives around our adviser productivity which has already seen significant improvement in network adviser sales during the half year.

Investment Performance

Absolute investment returns have been strong for the six months in line with the market and 81% of our domestic funds exceeded benchmark on a one year basis. The equity funds performance remains mixed with the Australian Share Fund and Imputation Fund ahead of benchmark for the current half year, but behind benchmark on a one year basis.

Operating Income

Operating income increased by 6% to $620 million compared to the prior half year. The revenue increase was achieved with a 7% increase in FUA spot balances to $117.4 billion and a 5% increase in average FUA for the period to $112.2 billion.

The FUA margin improved one basis point during the half year to 1.10% although down three basis points on the same period last year.

Shareholder Investment Returns

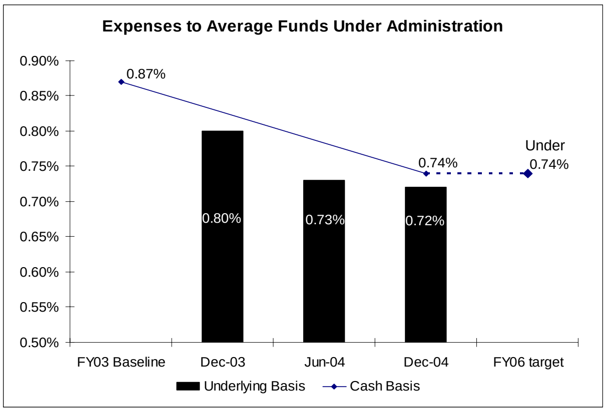
Shareholder investment returns of $24 million were double the prior half year and up 71% on the prior comparative period. This reflected the strong performance of investment markets during the period and higher returns on fixed interest investments.

Operating Expenses

Group overhead costs were reallocated across the different business lines between the two half years in 2004. This reallocation had no impact on the full year 2004 Funds Management result, but distorts the half-on-half comparison of expenses. Operating expenses for the six months to December 2004 are up 1% on the average of the preceding two half years.

- Key drivers of expenses for the period were:
  - higher ongoing operating costs associated with revenue generating activities such as adviser productivity programmes and start up ventures in Indonesia and China and product enhancements;
  - higher costs in New Zealand due to the establishment of a merged funds management distribution platform, and
  - average salary increases of 4%; partly offset by:
  - savings from restructuring of back-office activities.

Productivity



Underlying operating expenses as a percentage of average funds under administration of 0.72% were down one basis point compared with June 2004 and eight basis points compared to December 2003. This represents a productivity improvement of 10% over the year.

Taxation

The corporate tax charge for the half year was $44 million, an effective tax rate of 19.5% compared to 20.5% for the prior half year and 24.4% for the prior comparative period. The low effective tax rate in this business is due to the impact of transitional tax relief on investment style funds management products within life insurance legal entities and utilisation of prior period tax losses in offshore businesses. The benefits derived from the transitional tax relief will cease at the end of this financial year.

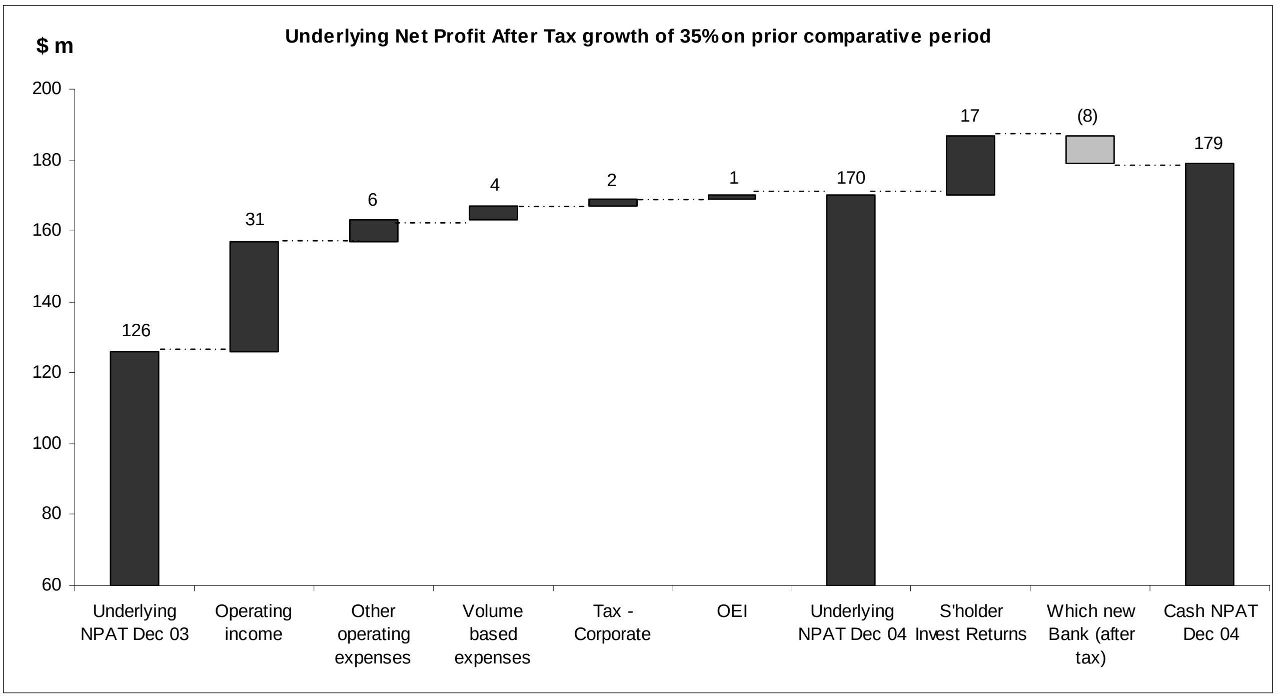
Funds Management Analysis (cont'd)

Profit Summary

Key Performance Indicators	Half Year Ended 31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Funds Management					
Operating income - external	**615**	576	582	7	**6**
Operating income - internal	**5**	7	7	(29)	**(29)**
Total Operating Income	**620**	583	589	6	**5**
Shareholder investment returns	**24**	12	14	large	**71**
Policyholder tax benefit	**52**	67	82	(22)	**(37)**
Funds Management Income	**696**	662	685	5	**2**
Volume based expenses	**78**	84	82	(7)	**(5)**
Other operating expenses	**328**	306	334	7	**(2)**
Operating expenses	**406**	390	416	4	**(2)**
Which new Bank	**12**	10	27	20	**(56)**
Total Operating Expenses	**418**	400	443	5	**(6)**
Net Profit before Income Tax	**278**	262	242	6	**15**
Policyholder tax expense	**52**	67	82	(22)	**(37)**
Corporate tax expense	**44**	40	39	10	**13**
Outside equity interests	**3**	4	4	(25)	**(25)**
Net Profit after Income Tax ("cash basis")	**179**	151	117	19	**53**
Net Profit after Income Tax ("underlying basis") [(1)]	**170**	148	126	15	**35**

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

	31/12/04	30/06/04	31/12/03	Dec 04 vs Jun 04	Dec 04 vs Dec 03
Funds Under Administration					
Funds under administration - average	**112,185**	107,211	103,818	5	**8**
Funds under administration - spot	**117,440**	109,883	105,526	7	**11**
Net flows	**850**	(260)	1,106	large	**(23)**
Productivity and Other Measures					
Operating income to average funds under administration (%)	**1.10**	1.09	1.13	1bpt	**(3)bpts**
Expenses to average funds under administration - (%)	**0.74**	0.75	0.85	1	**13**
Expenses to average funds under administration - underlying (%)	**0.72**	0.73	0.80	1	**10**
Effective corporate tax rate (%)	**19.5**	20.5	24.4	(100)bpts	**(490)bpts**



Funds Management Analysis (cont'd)

Funds under Administration

Funds under administration (spot balances) have increased by 11% over the prior comparative period and by 7% since June 2004 to $117.4 billion at 31 December 2004, with net flows of $850 million for the half year. The growth in Funds under Administration was due predominantly to strong investment markets and continued growth in platform net flows.

Average funds under administration of $112.2 billion at 31 December 2004 were 8% higher than the prior corresponding period and 5% higher than the prior half year.

FirstChoice

FirstChoice again achieved market leading net flows for the period of $3 billion. Enhancements to the FirstChoice offering during the period led to record net inflows being achieved during the latter part of the period and the platform which was launched in 2002 has reached $10 billion in FUA. Avanteos net flows were also strong and contributed to the closing FUA balance for FirstChoice and Avanteos increasing to $16.3 billion.

Other Retail

Other retail funds under administration have improved the net flow position during the period, however continued net outflows reflect the industry shift toward platform products.

The legacy retail products of the business remain in net outflow position due to the decision to close most of these products to new business. Whilst these products remain a substantial component of the FUA balance and a significant contributor to Funds Management profit they are costly to maintain and customers are migrating as the industry shifts to platform products.

Wholesale

Wholesale funds under administration were impacted by ongoing outflows on Australian Equity funds and the loss of a large index mandate during the half year which resulted in net outflows of $1.9 billion.

Property

Property funds under administration comprise both listed and unlisted (wholesale) funds. Total property funds under administration grew marginally during the half year with net flows slightly negative and $217 million of investment returns.

Internationally Sourced

Internationally sourced FUA returned to positive net flows for the half year with FUA growing by 10% during the period mainly due to strong inflows in the New Zealand business. This was despite the scheduled loss of a mandate in the United Kingdom of $800 million during the period.

Market Share

The Australian retail market share increased from 14.4% at 30 June 2004 to 14.7% at 31 December 2004. This was due to a reclassification of $3.1 billion of wholesale FUA to retail, following the launch of FirstChoice Wholesale. The underlying trend in market share was still down, however this trend has flattened significantly and the Bank's share of retail net flows has been in the top 10 for the last two quarters. This has been assisted by the record net flows into the FirstChoice product over this period and the turn-around in investment performance of our major funds.

Funds Management Analysis (cont'd)

	Half Year Ended 31 December 2004						
Funds Under Administration	**Opening Balance[1] 30/06/04 $M**	**Inflows $M**	**Outflows $M**	**Investment Income $M**	**Acquisitions & Disposals $M**	**Fx Movements [2] $M**	**Closing Balance 31/12/04 $M**
FirstChoice & Avanteos	12,075	5,090	(1,948)	1,049	-	-	16,266
Cash Management	4,414	1,631	(1,637)	52	-	-	4,460
Other Retail	37,738	2,843	(4,200)	2,249	-	-	38,630
Wholesale	23,955	5,036	(6,905)	2,188	-	-	24,274
Property	12,624	467	(511)	217	-	-	12,797
Domestically Sourced	**90,806**	**15,067**	**(15,201)**	**5,755**	**-**	**-**	**96,427**
Internationally Sourced	19,077	5,609	(4,625)	1,541	-	(589)	21,013
Total - Funds Under Administration	**109,883**	**20,676**	**(19,826)**	**7,296**	**-**	**(589)**	**117,440**

	Half Year Ended 30 June 2004						
Funds Under Administration	**Opening Balance 31/12/03 $M**	**Inflows $M**	**Outflows $M**	**Investment Income $M**	**Acquisitions & Disposals $M**	**Fx Movements [2] $M**	**Closing Balance 30/06/04 $M**
FirstChoice & Avanteos	6,298	2,974	(754)	492	-	-	9,010
Cash Management	4,664	1,543	(1,903)	110	-	-	4,414
Other Retail	38,144	2,182	(4,277)	1,689	-	-	37,738
Wholesale	26,238	5,349	(5,476)	909	-	-	27,020
Property	12,129	605	(589)	479	-	-	12,624
Domestically Sourced	**87,473**	**12,653**	**(12,999)**	**3,679**	**-**	**-**	**90,806**
Internationally Sourced	18,053	3,076	(2,990)	(203)	(255)	1,396	19,077
Total - Funds Under Administration	**105,526**	**15,729**	**(15,989)**	**3,476**	**(255)**	**1,396**	**109,883**

	Half Year Ended 31 December 2003						
Funds Under Administration	**Opening Balance 30/06/03 $M**	**Inflows $M**	**Outflows $M**	**Investment Income $M**	**Acquisitions & Disposals $M**	**Fx Movements [2] $M**	**Closing Balance 31/12/03 $M**
FirstChoice & Avanteos	4,192	2,457	(616)	265	-	-	6,298
Cash Management	4,963	1,635	(2,027)	93	-	-	4,664
Other Retail	37,749	2,711	(4,543)	2,227	-	-	38,144
Wholesale	25,485	6,973	(7,977)	1,757	-	-	26,238
Property	11,790	1,418	(1,490)	411	-	-	12,129
Domestically Sourced	**84,179**	**15,194**	**(16,653)**	**4,753**	**-**	**-**	**87,473**
Internationally Sourced	14,387	4,693	(2,128)	1,795	-	(694)	18,053
Total - Funds Under Administration	**98,566**	**19,887**	**(18,781)**	**6,548**	**-**	**(694)**	**105,526**

(1) During the period a wholesale version of FirstChoice was introduced targeted at retail customers. FUA flows to this product are categorised as retail FUA. To ensure consistency, $3.1 billion of existing wholesale business was reclassified from Wholesale to FirstChoice in the opening balance of the current half year.

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

Market Share	**31/12/04**	**30/06/04[1]**	**31/12/03 [2]**
Australian Retail – administrator view[5]	14.7%[3]	14.4%	14.5%
New Zealand[6]	13.3%[3]	13.2%	12.8%
Australian Property[7]	5.2%[4]	5.5%	n/a

(1) As reported in the June 2004 Profit Announcement

(2) As reported in the December 2003 Profit Announcement

(3) As at September 2004

(4) As at October 2004

(5) 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. Prior period market shares have not been restated to reflect the transfer of $3.1 billion of funds into FirstChoice Wholesale (a retail product).

(6) Source: Fund Source Research. Prior period market shares have been updated to reflect total FUA rather than retail FUA as previously reported.

(7) Source: UBS Warburg

Insurance Analysis

Financial Performance and Business Review

Performance Highlights

The underlying profit after tax of $67 million is in line with the prior comparative period and represents an increase of 8% from the prior half year.

The growth in underlying profit after tax was impacted by a change in the effective tax rate and the allocation between underlying profit and shareholder investment returns. On a pre-tax basis, underlying profit increased 27% on the prior comparative period and 6% on the prior half.

This result was achieved with a 1% increase in operating income during the period with life insurance revenue growth offset by a decline in general insurance revenue. The New Zealand life insurance business maintained its market leadership position with improved sales. Asian operations continued to strengthen.

Operating expenses of $267 million were in line with the prior half year and up 7% on the prior comparative period.

Business Review

Australia

The operating margins in the domestic business increased from June 2004 with improved margins in Life Insurance offset by a lower contribution from the General Insurance business.

The main driver of the lower general insurance margins was a higher claims incidence in the current half year resulting from storm activity on the east coast of Australia. Claims were lower than the prior half year, partly due to seasonal factors. A comparison to the prior comparative period shows that claims ratios have improved since December 2003.

Sales were up 22% over the prior half year, however the loss of a large group mandate led to in force premiums declining marginally over the period.

The key drivers of the current half year's result were:

- Continuation of prior period's strong investment returns;
- Improved margins on life insurance;
- Strong sales growth offset by the loss of a large group mandate, and the
- Higher incidence of general insurance claims as a result of storms.

The group maintained its number one market share rank for risk premiums.

New Zealand

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

During the six months, Sovereign maintained its competitive position and market leadership position with 27.4% of the 'in-force' premium market compared to 27.5% at 30 June 2004 (Source: ISI).

The operating performance during the first half was solid. This included:

- Strengthening business volumes across all major product lines with improved sales and underwriting process times; and
- Solid persistency experience across both risk and savings product lines.

The total profit for the Sovereign business was $37 million during the half year, an increase of 48% compared with the prior half year. Operating margins were $26 million and 53% above the prior half year. The main contributors of the increase were improved product pricing, sales mix and favourable claims experience.

Asia

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

The Asian businesses have continued to strengthen. Key drivers during the period included:

- Further cost efficiencies due to tight cost control and increasing volumes;
- Continued strengthening of persistency experience in Hong Kong representing a significant improvement over the prior corresponding period; and
- Continuation of the strong sales momentum with a greater proportion of non guaranteed and more profitable new business sales in Hong Kong.

The Asian operations produced $37 million in profit, compared with a loss of $10 million during the prior half, principally due to stronger investment earnings.

Operating margins improved to a profit of $3 million. This contrasts with a prior half year profit of $1 million and includes all pension administration, China and Vietnam start-up expenditure.

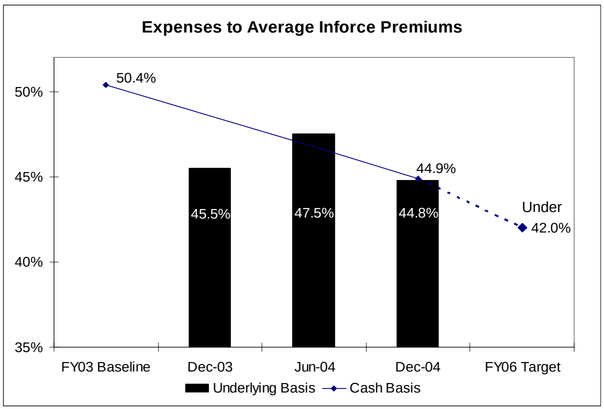
Operating Income

Operating income of $360 million was 1% higher than in the prior half year, but 12% up on the prior comparative period. Despite a series of storms in Australia during the current half year, General Insurance revenue was significantly higher than the prior corresponding period but 27% lower than the prior half year, during which the business experienced unusually low claims ratios. Premiums were up 18% on the prior comparative period.

Shareholder Investment Returns

Shareholder investment returns of $121 million for the period represent an increase of $78 million on the prior half year despite a substantial reduction in the level of capital held in the business. This reflected the strong performance of investment markets during the half year.

Operating Expenses



Operating expenses of $267 million were in line with the prior half year. The underlying expense to average inforce premium ratio was 44.8%.

Corporate Taxation

The effective corporate tax rate for the half was 24.9% compared to 19% in the prior half year. The current tax rate is more reflective of the "sustainable" tax rate.

Insurance Analysis (cont'd)

Profit Summary

Summary Financial Performance (excluding appraisal value (reduction)/uplift)	Half Year Ended 31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Insurance					
Life Insurance Operating Income	**330**	315	303	5	**9**
General Insurance Operating Income	**30**	41	19	(27)	**58**
Total Operating Income	**360**	356	322	1	**12**
Shareholder investment returns	**121**	43	127	large	**(5)**
Policyholder tax	**59**	16	38	large	**55**
Total Insurance Income	**540**	415	487	30	**11**
Volume based expenses	**112**	119	105	(6)	**7**
Other operating expenses - external	**150**	142	137	6	**9**
Other operating expenses - internal	**5**	7	7	(29)	**(29)**
Operating expenses	**267**	268	249	-	**7**
Which new Bank	**1**	10	4	(90)	**(75)**
Total operating expenses	**268**	278	253	(4)	**6**
Net Profit before Income Tax	**272**	137	234	99	**16**
Income tax expense attributable to:					
Policyholder	**59**	16	38	large	**55**
Corporate	**53**	23	43	large	**23**
Net Profit after Income Tax ("cash basis")	**160**	98	153	63	**5**
Net Profit after Income Tax ("underlying basis") (1)	**67**	62	67	8	**-**
Productivity and Other Measures					
Expenses to average inforce premiums (%)	**44.9**	49.3	46.2	8.9	**2.8**
Expenses to average inforce premiums (underlying %) (1)	**44.8**	47.5	45.5	5.7	**1.5**
Effective corporate tax rate (%)	**24.9**	19.0	21.9	590bpts	**300bpts**

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

Sources of Profit from Insurance Activities	Half Year Ended 31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
The Margin on Services profit from ordinary activities after income tax is represented by:					
Planned profit margins	**62**	55	52	13	**19**
Experience variations	**(1)**	(11)	11	(91)	**large**
Other	**-**	(10)	2	large	**large**
General insurance operating margin	**7**	20	(1)	(65)	**large**
Operating margins	**68**	54	64	26	**6**
After tax shareholder investment returns	**92**	44	89	large	**3**
Net profit after Income Tax ("cash basis")	**160**	98	153	63	**5**

Geographical Analysis of Business Performance

Net Profit after Income Tax ("cash basis")	Australia 31/12/04 $M	Australia 30/06/04 $M	New Zealand 31/12/04 $M	New Zealand 30/06/04 $M	Asia 31/12/04 $M	Asia 30/06/04 $M	Total 31/12/04 $M	Total 30/06/04 $M
Operating margins	**39**	36	**26**	17	**3**	1	**68**	54
Investment earnings on assets in excess of policyholder liabilities	**48**	47	**10**	8	**34**	(11)	**92**	44
Net Profit after Income Tax	**87**	83	**36**	25	**37**	(10)	**160**	98

Insurance Analysis (cont'd)

Inforce Premiums

	Half Year Ended 31 December 2004				
Annual Inforce Premiums	**Opening Balance 30/06/04 $M**	**Sales/New Business $M**	**Lapses $M**	**Other Movements(2) $M**	**Closing Balance 31/12/04 $M**
General Insurance	**192**	**29**	**(16)**	**-**	**205**
Personal Life	**703**	**80**	**(42)**	**9**	**750**
Group Life	**272**	**32**	**(68)**	**8**	**244**
Total	**1,167**	**141**	**(126)**	**17**	**1,199**
Australia	**815**	**105**	**(111)**	**-**	**809**
New Zealand	**258**	**24**	**(9)**	**8**	**281**
Asia	**94**	**12**	**(6)**	**9**	**109**
Total	**1,167**	**141**	**(126)**	**17**	**1,199**

	Half Year Ended 30 June 2004				
Annual Inforce Premiums	**Opening Balance 31/12/03 $M**	**Sales/New Business $M**	**Lapses $M**	**Other Movements(2) $M**	**Closing Balance 30/06/04 $M**
General Insurance	201	22	(31)	-	192
Personal Life	635	100	(44)	12	703
Group Life	266	14	(10)	2	272
Total	1,102	136	(85)	14	1,167
Australia	800	86	(69)	(2)	815
New Zealand	226	24	(3)	11	258
Asia	76	26	(13)	5	94
Total	1,102	136	(85)	14	1,167

	Half Year Ended 31 December 2003				
Annual Inforce Premiums	**Opening Balance 30/06/03 $M**	**Sales/New Business $M**	**Lapses $M**	**Other Movements(2) $M**	**Closing Balance 31/12/03 $M**
General Insurance	196	24	(19)	-	201
Personal Life	626	56	(41)	(6)	635
Group Life	254	39	(24)	(3)	266
Total	1,076	119	(84)	(9)	1,102
Australia	771	91	(64)	2	800
New Zealand (1)	221	18	(13)	-	226
Asia (1)	84	10	(7)	(11)	76
Total	1,076	119	(84)	(9)	1,102

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

Annual inforce premiums grew by 2.7% for the half year to $1,199 million. General insurance and personal insurance inforce premiums grew by 6.8% and 6.6% respectively however there was a decrease of 10.3% in Group life inforce premiums mainly attributable to the loss of a large mandate in the Australian Life business.

Australia maintained its leading position of inforce premiums despite these reducing from 14.8% at 30 June 2004 to 14.6% at 30 September 2004 and Sovereign maintained its leading position in New Zealand with a market share of 27.4%, slightly down from 27.5% at 30 June 2004.

Market Share – Annual Inforce Premiums	**31/12/04**	**30/06/04(1)**	**31/12/03 (2)**
Australia (Total Risk)(4)	14.6%(3)	14.8%	15.1%
Australia (Individual Risk)(4)	12.7%(3)	12.7%	12.7%
New Zealand(5)	27.4%	27.5%(7)	28.1%
Hong Kong(6)	2.5%(3)	2.5%	2.2%

(1) As reported in the June 2004 Profit Announcement
(2) As reported in the December 2003 Profit Announcement
(3) As at September 2004
(4) Source: Plan for Life
(5) Source: ISI Statistics
(6) Source: HK Insurance Assoc
(7) Market Share has been restated due to the merger of two competitors, of which one did not have data previously captured in the ISI Statistics.

Shareholder Investment Returns

Shareholder Investment Returns	Half Year Ended 31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Funds Management Business	**24**	12	14	large	**71**
Insurance Business	**121**	43	127	large	**(5)**
Shareholder Investment Returns before Tax	**145**	55	141	large	**3**
Taxation [(1)]	**34**	2	42	large	**19**
Shareholder Investment Returns after Tax	**111**	53	99	large	**12**

At 31 December 2004 Shareholder Investments Asset Mix (%)	Australia %	New Zealand %	Asia %	Total %
Local equities	**8**	**1**	**5**	**6**
International equities	**4**	**7**	**10**	**6**
Property	**21**	**4**	**1**	**13**
Other [(2)]	**-**	**3**	**3**	**1**
Sub-total	**33**	**15**	**19**	**26**
Fixed interest	**24**	**50**	**56**	**36**
Cash	**43**	**26**	**8**	**32**
Other [(3)]	**-**	**9**	**17**	**6**
Sub-total	**67**	**85**	**81**	**74**
Total	**100**	**100**	**100**	**100**

At 31 December 2004 Shareholder Investments Asset Mix ($M)	Australia $M	New Zealand $M	Asia $M	Total $M
Local equities	**121**	**4**	**28**	**153**
International equities	**52**	**31**	**57**	**140**
Property	**301**	**18**	**7**	**326**
Other [(2)]	**-**	**14**	**20**	**34**
Sub-total	**474**	**67**	**112**	**653**
Fixed interest	**347**	**219**	**326**	**892**
Cash	**626**	**112**	**45**	**783**
Other [(3)]	**-**	**38**	**102**	**140**
Sub-total	**973**	**369**	**473**	**1,815**
Total	**1,447**	**436**	**585**	**2,468**

(1) Tax on Shareholder Investment Returns for the six months ended 30 June 2004 included a year to date adjustment relating to the six months ended 31 December 2003.
(2) Other assets include the excess of carrying value over net tangible assets.
(3) Other mainly includes non revenue generating assets.

Domestic and international investment markets remained strong 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) also 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 31 December 2004 ($450 million lower at 30 June 2004) than that determined by Trowbridge Deloitte. The key consideration by Directors in determining their value is the uncertainty around industry funds flows.

		Life Insurance			
Carrying Value at 31 December 2004	**Funds Management $M**	**Australia $M**	**New Zealand $M**	**Asia[1] $M**	**Total $M**
Shareholders net tangible assets	**504**	**952**	**437**	**567**	**2,460**
Value of inforce business	**1,948**	**425**	**311**	**-**	**2,684**
Embedded Value	**2,452**	**1,377**	**748**	**567**	**5,144**
Value of future new business	**2,796**	**237**	**296**	**23**	**3,352**
Carrying Value	**5,248**	**1,614**	**1,044**	**590**	**8,496**
Increase/(Decrease) in Carrying Value since 30 June 2004	**109**	**(47)**	**66**	**(34)**	**94**

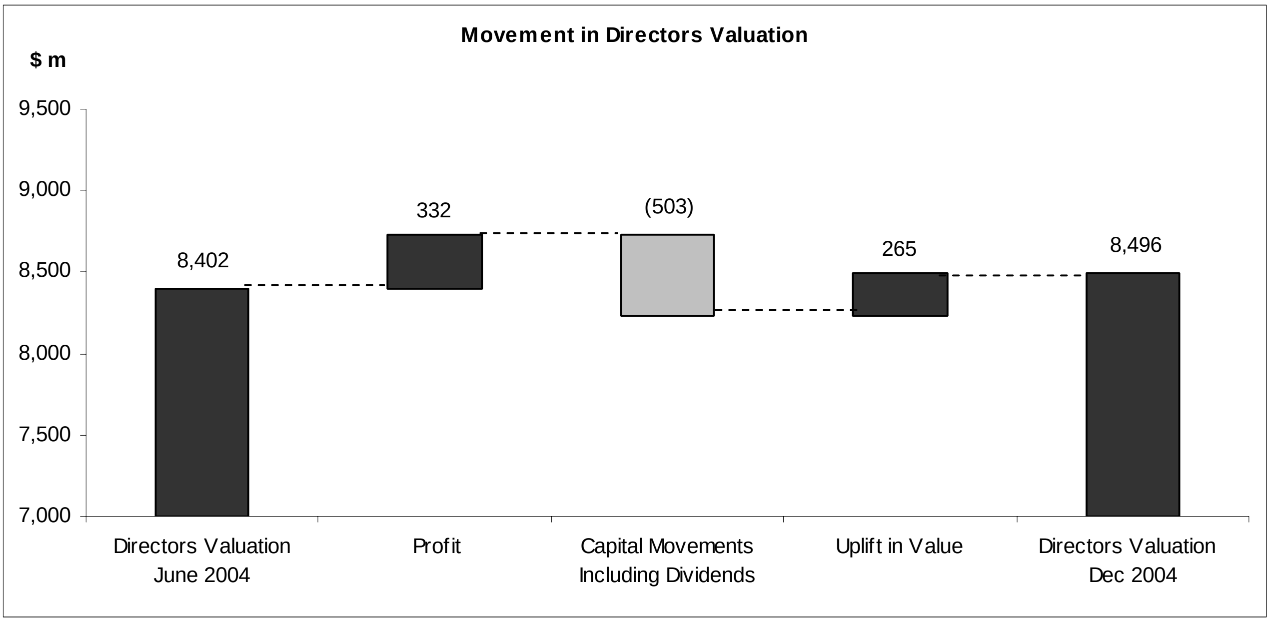
		Life Insurance			
Analysis of Movement Since 30 June 2004	**Funds Management $M**	**Australia $M**	**New Zealand $M**	**Asia[1] $M**	**Total $M**
Profits	179	80	36	37	332
Capital movements [2]	(78)	92	(18)	-	(4)
Dividends paid	(82)	(351)	-	-	(433)
Acquisitions[3]	(30)	-	-	-	(30)
FX Movements	-	-	4	(70)	(66)
Change in Shareholders NTA	(11)	(179)	22	(33)	(201)
Acquired excess[3]	30	-	-	-	30
Appraisal value uplift/(reduction)	90	132	44	(1)	265
Increase/(Decrease) to 31 December 2004	109	(47)	66	(34)	94

(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.
(3) Represents the purchase of Symetry Limited. The goodwill on acquisition is reclassified as acquired excess, representing the difference between appraisal value and net assets at the time of acquisition.

Change in Valuations

The valuations adopted have resulted in a total increase in value of $94 million since 30 June 2004. The main components comprised:

- An appraisal value uplift of $265 million, reflecting good business performance and strong equity markets.
- Decrease due to dividends in excess of profits of $101 million.
- Decrease due to net capital and foreign exchange movements of $70 million.



Directors Report

Directors Report

The Directors submit their report for the half year ended 31 December 2004.

Directors

The names of the Directors holding office during the half year ended 31 December 2004 and until the date of this report were:

J M Schubert	Chairman (Appointed Chairman 5 November 2004)
JT Ralph AC	Past Chairman (Retired 5 November 2004)
D V Murray	Managing Director and Chief Executive Officer
N R Adler AO	Director (Retired 5 November 2004)
R J Clairs AO	Director
A B Daniels OAM	Director
C R Galbraith AM	Director
S C Kay	Director
W G Kent AO	Director
F D Ryan	Director
F J Swan	Director
B K Ward	Director

Review and Results of Operations

Commonwealth Bank recorded a net profit after tax of $1,859 million for the half year ended 31 December 2004, compared with $1,243 million for the prior comparative period, an increase of 50%. The increase was principally due to an increase in net interest income resulting from strong lending growth, a reduction in Which new Bank expenses and an increased appraisal value uplift in respect of the insurance and funds management businesses.

The net profit from Banking of $1,417 million (December 2003: $970 million) before goodwill amortisation, reflects strong growth in net interest income primarily due to continued growth in home loans and other personal lending, together with a reduction in Which new Bank expenses to $10 million (after tax) (December 2003: $324 million).

The net profit from funds management of $179 million (December 2003: $117 million) before goodwill amortisation and appraisal value uplift reflects growth in revenues from an 11% increase in funds under administration over the period. Insurance reported a net profit of $160 million (December 2003: $153 million) before goodwill amortisation and appraisal value uplift reflecting solid premium growth and new business volumes.

The Funds Management and Insurance businesses are recorded at a value of $8,496 million (Funds Management $5,248 million, Insurance $3,248 million). For the half year ended 31 December 2004, there was a $94 million increase in value, represented by a $265 million appraisal value increase, acquired appraisal value of $30 million and ($201) million in net asset movements.

In accordance with the ASX Principles of Good Corporate Governance and Best Practice Recommendations, the Chief Executive Officer and the Group Executive Financial and Risk Management, have provided the Board with a written statement that the accompanying financial report represents a true and fair view, in all material respects, of the Bank's financial position as at 31 December 2004 and performance for the six month period ended 31 December 2004, in accordance with relevant accounting standards.

We have obtained the following independence declaration from our auditors, Ernst and Young.

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Auditor's Independence Declaration to the Directors of Commonwealth Bank of Australia

In relation to our review of the financial report of Commonwealth Bank of Australia for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

S J Ferguson
Partner
9 February 2005

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Signed in accordance with a resolution of the Directors.

JM Schubert
Chairman

DV Murray
Managing Director and Chief Executive Officer

9 February 2005

Consolidated Statement of Financial Performance

For the half year ended 31 December 2004

	Note	31/12/04 $M	30/06/04 $M	31/12/03 $M
Interest income		**7,840**	7,046	6,241
Interest expense		**4,907**	4,307	3,570
Net interest income		**2,933**	2,739	2,671
Other income:				
Revenue from sale of assets		**237**	832	111
Written down value of assets sold		**(235)**	(760)	(114)
Other		**1,410**	1,399	1,378
Net banking operating income		**4,345**	4,210	4,046
Funds management fee income including premiums		**611**	578	597
Investment revenue		**1,223**	1,026	941
Claims and policyholder liability expense		**(1,143)**	(949)	(860)
Net funds management operating income		**691**	655	678
Premiums and related revenue		**575**	460	552
Investment revenue		**716**	336	504
Claims and policyholder liability expense		**(751)**	(381)	(569)
Insurance margin on services operating income		**540**	415	487
Total net operating income before appraisal value uplift		**5,576**	5,280	5,211
Charge for bad and doubtful debts		**146**	126	150
Operating expenses:				
Operating expenses	3	**2,828**	2,791	2,709
Which new Bank	3	**28**	255	494
Total Operating expenses		**2,856**	3,046	3,203
Appraisal value uplift		**265**	36	165
Goodwill amortisation		**(162)**	(162)	(162)
Profit from ordinary activities before income tax		**2,677**	1,982	1,861
Income tax expense	4	**813**	648	614
Profit from ordinary activities after income tax		**1,864**	1,334	1,247
Outside equity interests in net profit		**(5)**	(5)	(4)
Net profit attributable to members of the Bank		**1,859**	1,329	1,243
Foreign currency translation adjustment		**(151)**	165	(173)
Revaluation of properties		**-**	56	(2)
Total valuation adjustments		**(151)**	221	(175)
Total changes in equity other than those resulting from transactions with owners as owners		**1,708**	**1,550**	**1,068**

	Cents per share		
Earnings per share based on net profit distributable to members of the Bank			
Basic	**141.6**	101.1	95.8
Fully Diluted	**141.6**	101.0	95.7
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**85**	104	79
Preference shares - PERLS (issued 6 April 2001)	**558**	556	509
Other equity instruments - Trust Preferred Securities (issued 6 August 2003)	**3,721**	4,210	3,096
Other equity instruments - PERLS II (issued 6 January 2004)	**449**	402	-

	$M	$M	$M
Net Profit after Income Tax comprises			
Net Profit after income tax ("underlying basis")	**1,664**	1,591	1,487
Shareholders investment returns	**111**	53	99
Which new Bank	**(19)**	(189)	(346)
Net Profit after income tax ("cash basis")	**1,756**	1,455	1,240
Add Appraisal value uplift	**265**	36	165
Less Goodwill amortisation	**(162)**	(162)	(162)
Net Profit after income tax ("statutory basis")	**1,859**	1,329	1,243

Consolidated Statement of Financial Position

As at 31 December 2004

	Note	31/12/04 $M	30/06/04 $M	31/12/03 $M
Assets				
Cash and liquid assets		**5,648**	6,453	5,892
Receivables due from other financial institutions		**6,456**	8,369	7,620
Trading securities		**15,881**	14,896	12,134
Investment securities		**11,022**	11,447	11,811
Loans, advances and other receivables	5	**206,346**	189,391	175,982
Bank acceptances of customers		**16,297**	15,019	13,734
Insurance investment assets		**28,232**	28,942	27,955
Deposits with regulatory authorities		**32**	38	95
Property, plant and equipment		**1,262**	1,204	1,027
Investment in associates		**233**	239	251
Intangible assets		**4,555**	4,705	4,867
Other assets		**24,988**	25,292	24,511
Total assets		**320,952**	305,995	285,879
Liabilities				
Deposits and other public borrowings	7	**167,425**	163,177	158,914
Payables due to other financial institutions		**9,512**	6,641	5,846
Bank acceptances		**16,297**	15,019	13,734
Provision for dividend		**13**	14	12
Income tax liability		**1,195**	811	999
Other provisions		**891**	997	1,041
Insurance policyholder liabilities		**24,967**	24,638	23,992
Debt issues		**51,346**	44,042	33,157
Bills payable and other liabilities		**18,438**	19,140	19,193
		290,084	274,479	256,888
Loan Capital		**5,801**	6,631	5,790
Total liabilities		**295,885**	281,110	262,678
Net assets		**25,067**	24,885	23,201
Shareholders' Equity				
Share Capital:				
Ordinary share capital		**13,647**	13,359	12,885
Preference share capital		**687**	687	687
Other equity instruments		**1,573**	1,573	832
Reserves		**3,959**	3,946	3,626
Retained profits		**3,159**	2,840	2,996
Shareholders' equity attributable to members of the Bank		**23,025**	22,405	21,026
Outside Equity Interests:				
Controlled entities		**629**	304	304
Insurance statutory funds and other funds		**1,413**	2,176	1,871
Total outside equity interests		**2,042**	2,480	2,175
Total shareholders' equity		**25,067**	24,885	23,201

Consolidated Statement of Cash Flows

For the half year ended 31 December 2004

	Note	31/12/04 $M	30/06/04 $M	31/12/03 $M
Cash Flows from Operating Activities				
Interest received		**7,743**	6,825	6,276
Dividends received		**1**	3	3
Interest paid		**(4,817)**	(3,992)	(3,551)
Other operating income received		**1,774**	1,476	1,934
Expenses paid		**(2,765)**	(2,576)	(2,953)
Income taxes paid		**(443)**	(626)	(740)
Net increase in trading securities		**(1,409)**	(3,066)	(1,258)
Life insurance:				
Investment income		**434**	423	418
Premiums received [1]		**1,558**	1,668	1,894
Policy payments [1]		**(2,436)**	(2,028)	(2,501)
Net Cash used in Operating Activities	9	**(360)**	(1,893)	(478)
Cash Flows from Investing Activities				
Payments for acquisition of entities and management rights		**(42)**	-	-
Proceeds from disposal of entities and businesses		**-**	63	-
Acquisition of shares in other companies		**(22)**	-	-
Disposal of shares in other companies		**-**	114	
Net movement in investment securities:				
Purchases		**(11,251)**	(17,940)	(7,647)
Proceeds from sale		**228**	647	50
Proceeds at or close to maturity		**10,648**	17,652	6,755
Withdrawal (lodgement) of deposits with regulatory authorities		**6**	57	(72)
Net increase in loans, advances and other receivables		**(17,101)**	(13,543)	(15,785)
Proceeds from sale of property, plant and equipment		**9**	8	61
Purchase of property, plant and equipment		**(144)**	(202)	(334)
Net decrease/(increase) in receivables due from other financial institutions not at call		**1,886**	1,180	(888)
Net decrease/(increase) in securities purchased under agreements to resell		**1,266**	(816)	(207)
Net decrease/(increase) in other assets		**1,904**	(1,113)	(348)
Life insurance:				
Purchases of investment securities		**(6,349)**	(15,457)	(4,829)
Proceeds from sale/maturity of investment securities		**7,794**	15,888	5,612
Net cash used in investing activities		**(11,168)**	(13,462)	(17,632)
Cash Flows from Financing Activities				
Buy back of shares		**-**	(538)	6
Proceeds from issue of shares (net of costs)		**43**	505	-
Proceeds from issue of preference shares for outside equity interests		**323**	-	-
Proceeds from issue of other equity instruments (net of costs)		**-**	741	832
Net increase in deposits and other borrowings		**4,633**	5,031	16,966
Net movement in debt issues		**7,304**	10,885	2,528
Dividends paid (including DRP buy back of shares)		**(1,130)**	(870)	(904)
Net movements in other liabilities		**(1,064)**	609	(851)
Net increase/(decrease) in payables due to other financial institutions not at call		**1,003**	(394)	(535)
Net (decrease)/increase in securities sold under agreements to repurchase		**(385)**	(768)	974
Issue of loan capital		**321**	985	-
Redemption of loan capital		**(942)**	(317)	-
Other		**(13)**	(29)	27
Net cash provided by financing activities		**10,093**	15,840	19,043
Net (decrease)/increase in cash and cash equivalents		**(1,435)**	485	933
Cash and cash equivalents at beginning of period		**2,846**	2,361	1,428
Cash and cash equivalents at end of period	9	**1,411**	2,846	2,361

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

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

Notes to the Financial Statements

Note 1 Accounting Policies

The half year report should be read in conjunction with the annual consolidated financial statements of Commonwealth Bank of Australia (the Bank) as at 30 June 2004 and with any public announcements made by the Bank and its controlled entities during the half year ended 31 December 2004 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

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

The accounting policies followed in this half year report are the same as those applied in the 30 June 2004 annual financial report.

In accordance with the Australian Securities and Investments Commission Class Order No. 98/100 (as amended by ASIC Class Order 04/667) amounts in these financial statements have been rounded to the nearest million dollars unless otherwise stated.

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

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.

Implementation of these changes is well underway and the Bank is expecting to complete this process prior to 30 June 2005.

Although all IFRSs will be applied by the Bank from 1 July 2005 some standards are not applicable to the comparative financial year (the financial year beginning 1 July 2004). As such, on release of IFRS-compliant financial statements for the financial year beginning 1 July 2005, the financial results for the comparative financial year will only be restated to a limited extent. Descriptions of the key IFRS issues are set out below and segregated between those issues which will have an effective impact from 1 July 2004 and those which will have an effective impact from 1 July 2005. Where the financial impact of conversion can be reasonably estimated, and where it is material, details are provided. It should be noted that the Bank cannot reliably estimate the financial impacts of those IFRS issues which will have an effective impact from 1 July 2005, as the eventual impact of these issues currently depend upon uncertain future events, transactions and accounting interpretations.

Key Accounting Issues

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

Issues with effective impact from 1 July 2004

(i) 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 relevant standard was amended in December 2004 to permit a choice of three options for the recognition of actuarial gains and losses related to defined benefit superannuation plans within Profit or Retained Earnings. The options now available include direct recognition in Profit of all of the periodic gain or loss, direct recognition in Retained Earnings of all of the periodic gain or loss, or the 'corridor' approach which progressively recognises a portion of the gain or loss within Profit over the expected average remaining working lives of employees within the plan. Under each of these options, the net surpluses or deficits of the defined benefit superannuation plans must be recognised within the Statement of Financial Position.

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. This opening adjustment to Retained Earnings as at 1 July 2004 is currently estimated to be at least an increase of \$556 million before tax (\$389 million after tax). The Bank has not yet determined which of the above three options now available for the recognition of the plan actuarial gains and losses it will select. Selection of the 'corridor' approach would likely lead to a larger positive opening Retained Earnings adjustment than noted above. The Bank is currently carrying out a calculation of this potential adjustment which involves a detailed recalculation of actuarial estimates over a lengthy retrospective period. As such it is not currently possible to estimate this potential adjustment.

(ii) 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, will be consolidated under IFRS. This will result in an estimated gross up of the assets and liabilities recorded within the statement of financial position of \$8.7 billion as at 1 July 2004. A small number of special purpose vehicles in respect of structured transactions will also be consolidated, but these are expected to only result in reclassification between categories of assets within the statement of financial position.

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

(iii) Accounting for Life Insurance and Funds Management Business

On transition to IFRS, the 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 movement in the appraisal value in the statement of financial performance. The write off of the internally generated component will ultimately principally be reflected against the General Reserve; and the acquired component will be reclassified as Goodwill within the statement of financial position and subject to an annual impairment test. The estimated opening adjustments as at 1 July 2004 are a decrease to General Reserve of \$2,836 million, a decrease to Retained Earnings of \$287 million, the total reversal of the asset representing the excess of the net market value over the net assets of the Bank's life insurance controlled entities of \$5,852 million and a net increase in goodwill of \$2,729 million. This goodwill amount does not include any notional amortisation charge from the date of acquisition until transition.

Notes to the Financial Statements

Under existing Accounting Standards direct investments in Commonwealth Bank shares by the Bank's life insurance statutory funds are recognised in the statement of financial position at market value. On transition to IFRS these assets will be reclassified as 'Treasury Shares' and accounted for as a deduction from Share Capital. The estimated opening adjustment as at 1 July 2004 will be a decrease of $300 million in Insurance Investment Assets; a decrease of $245 million in Share Capital, being the cost of the investments; and a decrease of $55 million in Retained Earnings, being the reversal of market value appreciation.

Initial entry fee income on investment style products issued by entities other than life insurers is currently recognised as income up front in the statement of financial performance. The application of IFRS to such investment contracts is currently being considered internationally with one possible interpretation requiring the deferral of up-front fees over the life of the underlying investment contract. Given the uncertainty around the eventual accounting interpretation the Bank cannot reliably estimate the financial impact of this issue.

(iv) 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. No impairment adjustment to opening Retained Earnings arises as at 1 July 2004 in respect of this issue.

(v) Foreign Currency Translation Reserve

On transition to IFRS, an option exists to deem any amounts recorded with Foreign Currency Translation Reserve ('FCTR') as zero. The Bank intends to adopt this transition option, resulting in a reduction of Retained Earnings of $205 million from FCTR as at 1 July 2004.

(vi) 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.

Issues with effective impact from 1 July 2005

(i) 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.

(ii) Provisions for Loan Impairment

In line with market practice, the Bank's current general provisioning for impairment is designed to take account of our expectations of probable losses and risks inherent in the credit portfolio. Under IFRS the Bank will raise collective provisions in respect of only those financial assets where there is 'objective evidence' that an impairment event has occurred 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 impairment.

The practice of recording specific provisions for loan impairment will continue under IFRS, however, such provisions must be based on the discounted values of 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.

(iii) 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 major portions of these instruments will be reclassified as debt within the statement of financial position.

(iv) 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.

(v) Accounting for Life Insurance Business

A similar issue in respect of initial entry fee income on investment style products as described above for entities other than life insurers, will apply to life insurance entities from 1 July 2005.

On transition to IFRS, the outside equity interests in controlled unit trusts of the life companies will no longer qualify as equity. As a result, the Bank will, on adoption of IFRS, reclassify outside equity interests in life insurance statutory funds and other funds to 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 the Australian Prudential Regulation Authority (APRA) will review the measurement rules in its Prudential Standards in response to IFRS changes. APRA have issued guidance on interim prudential arrangements. This guidance generally indicates that the status quo will be maintained in respect of the majority of the current prudential capital treatments, however, it remains unclear whether capital measurement will be fully immunised from IFRS changes in all cases. APRA have indicated that they will be consulting with regulated entities prior to their finalisation of any amendments to the prudential regulations.

Note 2 Revenue from Ordinary Activities

Revenue from Ordinary Activities	Half Year Ended 31/12/04 $M	30/06/04 $M	31/12/03 $M
Banking			
Interest income	**7,840**	7,046	6,241
Fees and commissions	**1,155**	1,114	1,113
Trading income	**219**	230	269
Dividends	**1**	3	3
Sale of property, plant and equipment	**9**	8	61
Sale of investment securities	**228**	824	50
Other (1)	**35**	52	(7)
	9,487	9,277	7,730
Funds Management and Insurance			
Insurance premium and related income	**575**	460	552
Investment revenue	**1,939**	1,362	1,445
Funds management fee income	**611**	578	597
	3,125	2,400	2,594
Appraisal value uplift	**265**	36	165
Total revenue from ordinary activities	**12,877**	11,713	10,489

(1) Includes an equity accounted loss of $36 million for the half year ended 31 December 2003. $31 million of the loss relates to a change in revenue recognition accounting policy by the associate entity, while $5 million represents a notional amortisation of goodwill.

Notes to the Financial Statements

Note 3 Operating Expenses

	Half Year Ended		
	31/12/04 **$M**	**30/06/04** **$M**	**31/12/03** **$M**
Staff Expenses			
Salaries and wages	**1,112**	1,074	1,078
Superannuation contributions	**1**	5	3
Provisions for employee entitlements	**27**	19	22
Payroll tax	**59**	56	59
Fringe benefits tax	**16**	18	14
Other staff expenses	**52**	45	55
Comparable business	**1,267**	1,217	1,231
Which new Bank	**7**	104	169
Total staff expenses (excluding share based compensation)	**1,274**	1,321	1,400
Share Based Compensation			
Comparable business	**52**	56	49
Total share based compensation	**52**	56	49
Occupancy and Equipment Expenses			
Operating lease rentals	**168**	168	172
Depreciation			
Buildings	**10**	10	11
Leasehold improvements	**29**	29	26
Equipment	**27**	26	24
Repairs and maintenance	**35**	39	29
Other	**36**	15	32
Comparable business	**305**	287	294
Which new Bank	**3**	18	2
Total occupancy and equipment expenses	**308**	305	296
Information Technology Services			
Projects and development	**165**	174	107
Data processing	**128**	111	127
Desktop	**79**	84	75
Communications	**101**	112	93
Software amortisation	**5**	7	4
IT Equipment Depreciation	**2**	1	-
Comparable business	**480**	489	406
Which new Bank	**13**	57	235
Total information technology services	**493**	546	641
Other Expenses			
Postage	**56**	56	56
Stationery	**56**	62	52
Fees and commissions	**325**	309	289
Advertising, marketing and loyalty rewards	**136**	152	159
Other	**151**	163	173
Comparable business	**724**	742	729
Which new Bank	**5**	76	88
Total other expenses	**729**	818	817
Comparable business	**2,828**	2,791	2,709
Which new Bank	**28**	255	494
Total	**2,856**	3,046	3,203

Which new Bank

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 half year to 31 December 2004 such expenses totalled $28 million and principally comprised redundancies and process improvement costs.

Total Full Time Equivalent (FTE) numbers have reduced to 35,442 at 31 December 2004 (includes domestic and offshore staff, as well as staff employed on Which new Bank projects). This compares to 36,296 FTEs at 30 June 2004 and 34,956 at 31 December 2003. Total FTEs (excluding those working on Which new Bank specific projects) have reduced by 1,104 since the commencement of Which new Bank. This includes 2,512 redundancies.

Notes to the Financial Statements

Note 4 Income Tax Expense

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

	Half Year Ended		
	31/12/04	**30/06/04**	**31/12/03**
	$M	**$M**	**$M**
Profit from Ordinary Activities before Income Tax			
Banking	**2,024**	1,709	1,382
Funds management	**278**	262	242
Insurance	**272**	137	234
Appraisal value uplift	**265**	36	165
Goodwill amortisation	**(162)**	(162)	(162)
	2,677	1,982	1,861
Prima Facie Income Tax at 30%			
Banking	**607**	512	415
Funds management	**83**	78	73
Insurance	**82**	41	70
Appraisal value uplift	**80**	10	50
Goodwill amortisation	**(49)**	(48)	(49)
	803	593	559
Add (or Deduct) Permanent Differences Expressed on a Tax Effect Basis			
Current period			
Specific provisions for offshore bad and doubtful debts not tax affected	**2**	1	2
Taxation offsets (net of accruals)	**(26)**	(26)	(21)
Tax adjustment referable to policyholder income	**78**	58	84
Non-assessable income - life insurance surplus	**(16)**	(20)	(10)
Change in excess of net market value over net assets of life insurance controlled entities	**(80)**	(10)	(50)
Non-deductible goodwill amortisation	**49**	48	49
Tax losses recognised	**(2)**	-	-
Other items	**12**	16	1
	17	67	55
Prior periods			
Other	**(7)**	(12)	-
Total income tax expense	**813**	648	614
Income Tax Attributable to Profit from Ordinary Activities			
Banking	**605**	502	412
Funds management	**44**	40	39
Insurance	**53**	23	43
Corporate tax	**702**	565	494
Policyholder tax	**111**	83	120
Total income tax expense	**813**	648	614
Effective Tax Rate			
Total - corporate	**28.5%**	27.9%	28.4%
Banking - corporate	**29.9%**	29.4%	29.8%
Funds management - corporate	**19.5%**	20.5%	24.4%
Insurance - corporate	**24.9%**	19.0%	21.9%

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. Calculations at 31 December 2004 have been based on legislation enacted to that date. Legislation in respect of leasing and leasing partnerships has not yet been finalised, therefore the calculations do not reflect any consolidations adjustments relating to leasing.

New Zealand Subsidiaries

Certain subsidiaries of the Bank in New Zealand are being audited by the Inland Revenue Department as part of the normal Inland Revenue Department procedures, with a particular focus on structured finance transactions. No tax assessments have been issued.

Notes to the Financial Statements

Note 5 Loans, Advances and Other Receivables

	Half Year Ended		
	31/12/04 $M	**30/06/04 $M**	**31/12/03 $M**
Australia			
Overdrafts	**2,271**	2,423	2,013
Housing loans	**115,313**	104,883	97,729
Credit card outstanding	**6,456**	5,890	5,583
Lease financing	**4,795**	4,193	3,837
Bills discounted	**2,964**	3,454	2,957
Term loans	**43,329**	39,558	39,127
Redeemable preference share financing	**39**	37	37
Equity participation in leveraged leases	**777**	920	1,162
Other lending	**334**	420	668
Total Australia	**176,278**	161,778	153,113
Overseas			
Overdrafts	**2,521**	2,481	2,132
Housing loans	**18,945**	16,967	14,499
Credit card outstanding	**409**	358	336
Lease financing	**165**	175	173
Term loans	**11,018**	10,314	8,437
Redeemable preference share financing	**247**	262	237
Other lending	**18**	60	16
Total overseas	**33,323**	30,617	25,830
Gross loans, advances and other receivables	**209,601**	192,395	178,943
Less:			
Provisions for impairment			
General provision	**(1,379)**	(1,393)	(1,358)
Specific provision against loans and advances	**(180)**	(143)	(198)
Unearned income			
Term loans	**(824)**	(758)	(678)
Lease financing	**(725)**	(541)	(536)
Leveraged leases	**(96)**	(111)	(127)
Interest reserved	**(27)**	(23)	(24)
Unearned tax remissions on leveraged leases	**(24)**	(35)	(40)
	(3,255)	(3,004)	(2,961)
Net loans, advances and other receivables	**206,346**	189,391	175,982

Note 6 Asset Quality

	Half Year Ended		
Balances of Impaired Assets	**31/12/04 $M**	**30/06/04 $M**	**31/12/03 $M**
Total Impaired Assets			
Gross non-accruals	**445**	363	597
Less Interest reserved	**(27)**	(23)	(24)
	418	340	573
Less Specific provisions for impairment	**(180)**	(143)	(198)
Total net impaired assets	**238**	197	375
Net Impaired Assets by Geographical Segment			
Australia	**238**	194	308
Overseas	**-**	3	67
Total	**238**	197	375

Notes to the Financial Statements

Note 6 Asset Quality (Cont'd)

	Half Year Ended		
Provisions for Impairment	**31/12/04 $M**	**30/06/04 $M**	**31/12/03 $M**
General Provisions			
Opening balance	**1,393**	1,358	1,325
Charge against profit and loss	**146**	126	150
Transfer to specific provisions	**(172)**	(84)	(118)
Bad debts recovered	**40**	42	37
Adjustments for exchange rate fluctuations and other items	**-**	4	(2)
	1,407	1,446	1,392
Bad debts written off	**(28)**	(53)	(34)
Closing balance	**1,379**	1,393	1,358
Specific Provisions			
Opening balance	**143**	198	205
Transfer from general provision for:			
New and increased provisioning	**203**	121	143
Less write-back of provisions no longer required	**(31)**	(37)	(25)
Net transfer	**172**	84	118
Adjustments for exchange rate fluctuations and other items	**(3)**	4	(1)
	312	286	322
Bad debts written off	**(132)**	(143)	(124)
Closing balance	**180**	143	198
Total provisions for impairment	**1,559**	1,536	1,556
Specific provisions for impairment comprise the following segments:			
Provisions against loans and advances	**180**	143	198
Total	**180**	143	198
Includes specific provisions on indemnified loans (Colonial portfolio)			

	%	%	%
Provision Ratios			
Specific provisions for impairment as a % of gross impaired assets net of interest reserved	**43.1**	42.1	34.6
Total provisions for impairment as a % of gross impaired assets net of interest reserved	**373.0**	451.8	271.6
General provisions as a % of risk weighted assets	**0.76**	0.82	0.86
Impaired Asset Ratios			
Gross impaired assets net of interest reserved as % of risk weighted assets	**0.23**	0.20	0.36
Net impaired assets as % of:			
Risk weighted assets	**0.13**	0.12	0.24
Total shareholders' equity	**0.95**	0.79	1.62

Provisioning 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.

Notes to the Financial Statements

Note 6 Asset Quality (Cont'd)

	Half Year Ended		
	31/12/04 $M	**30/06/04 $M**	**31/12/03 $M**
Impaired Assets			
Income received:			
Current period	**3**	4	4
Prior period	**2**	2	4
Total income received	**5**	6	8
Interest income forgone	**6**	6	4
Movement in Impaired Asset Balances			
Gross impaired assets at period beginning	**363**	597	665
New and increased	**386**	275	257
Balances written off	**(134)**	(149)	(129)
Returned to performing or repaid	**(170)**	(360)	(196)
Gross impaired assets at period end	**445**	363	597

	Half Year Ended		
Loans Accruing but Past Due 90 Days or More (consumer segment)	**31/12/04 $M**	**30/06/04 $M**	**31/12/03 $M**
Housing loans	**176**	168	147
Other loans	**94**	78	66
	270	246	213

Note 7 Deposits and Other Public Borrowings

	Half Year Ended		
	31/12/04 $M	**30/06/04 $M**	**31/12/03 $M**
Australia			
Certificates of deposit	**18,594**	20,516	19,636
Term deposits	**40,738**	38,530	35,391
On demand and short term deposits	**72,855**	71,115	71,055
Deposits not bearing interest	**5,855**	5,407	5,659
Securities sold under agreements to repurchase and short sales	**2,766**	3,585	4,479
Total Australia	**140,808**	139,153	136,220
Overseas			
Certificates of deposit	**3,213**	3,716	3,585
Term deposits	**13,719**	11,724	11,413
On demand and short term deposits	**7,662**	6,852	6,266
Deposits not bearing interest	**1,158**	1,174	1,113
Securities sold under agreements to repurchase and short sales	**865**	558	317
Total overseas	**26,617**	24,024	22,694
Total deposits and other public borrowings	**167,425**	163,177	158,914

Notes to the Financial Statements

Note 8 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.

Primary Segment Business Segments Financial Performance	Half Year Ended 31 December 2004 Banking $M	 Funds Management $M	 Insurance $M	 Total $M
Interest income	7,840	-	-	7,840
Premium and related revenue	-	-	575	575
Other income	1,647	1,834	716	4,197
Appraisal value uplift	-	90	175	265
Total revenue	9,487	1,924	1,466	12,877
Interest expense	4,907	-	-	4,907
Segment result before income tax, goodwill amortisation and appraisal value uplift	2,024	278	272	2,574
Income tax expense	(605)	(96)	(112)	(813)
Segment result after income tax and before goodwill amortisation and appraisal value uplift	1,419	182	160	1,761
Outside equity interest	(2)	(3)	-	(5)
Segment result after income tax and outside equity interest before goodwill amortisation and appraisal value uplift	1,417	179	160	1,756
Goodwill amortisation	(151)	(9)	(2)	(162)
Appraisal value uplift	-	90	175	265
Net profit attributable to shareholders of the Bank	1,266	260	333	1,859
Non-Cash Expenses				
Goodwill amortisation	151	9	2	162
Charge for bad and doubtful debts	146	-	-	146
Depreciation	60	4	4	68
Other	31	1	-	32
Financial Position				
Total assets	284,258	19,597	17,097	320,952
Acquisition of property, plant & equipment, intangibles and other non-current assets	134	4	6	144
Associate investments	188	1	44	233
Total liabilities	268,625	17,159	10,101	295,885

Notes to the Financial Statements

Note 8 Financial Reporting by Segments (Cont'd)

Primary Segment Business Segments Financial Performance	Half Year Ended 31 December 2003 Banking $M	 Funds Management $M	 Insurance $M	 Total $M
Interest income	6,241	-	-	6,241
Premium and related revenue	-	-	552	552
Other income	1,489	1,538	504	3,531
Appraisal value uplift	-	156	9	165
Total revenue	7,730	1,694	1,065	10,489
Interest expense	3,570	-	-	3,570
Segment result before income tax, goodwill amortisation and appraisal value uplift	1,382	242	234	1,858
Income tax expense	(412)	(121)	(81)	(614)
Segment result after income tax and before goodwill amortisation and appraisal value uplift	970	121	153	1,244
Outside equity interest	-	(4)	-	(4)
Segment result after income tax and outside equity interest before goodwill amortisation and appraisal value uplift	970	117	153	1,240
Goodwill amortisation	(151)	(9)	(2)	(162)
Appraisal value uplift	-	156	9	165
Net profit attributable to shareholders of the Bank	819	264	160	1,243
Non-Cash Expenses				
Goodwill amortisation	151	9	2	162
Charge for bad and doubtful debts	150	-	-	150
Depreciation	56	1	4	61
Which new Bank	399	11	-	410
Other	26	-	-	26
Financial Position				
Total assets	250,594	18,980	16,305	285,879
Acquisition of property, plant & equipment and intangibles and other non-current assets	329	-	5	334
Associate investments	190	1	60	251
Total liabilities	236,796	16,781	9,101	262,678

Notes to the Financial Statements

Note 8 Financial Reporting by Segments (Cont'd)

Secondary Segment Geographical Segment Financial Performance	Half Year Ended 31/12/04 $M	% %	31/12/03 $M	% %
Revenue				
Australia	**10,158**	**78.9**	8,572	81.7
New Zealand	**1,605**	**12.5**	1,300	12.4
Other Countries (1)	**1,114**	**8.6**	617	5.9
	12,877	**100.0**	10,489	100.0
Net Profit Attributable to Shareholders of the Bank				
Australia	**1,532**	**82.4**	990	79.7
New Zealand	**217**	**11.7**	163	13.1
Other Countries (1)	**110**	**5.9**	90	7.2
	1,859	**100.0**	1,243	100.0
Assets				
Australia	**261,151**	**81.4**	237,255	83.0
New Zealand	**39,434**	**12.3**	30,825	10.8
Other Countries (1)	**20,367**	**6.3**	17,799	6.2
	320,952	**100.0**	285,879	100.0
Acquisition of Property, Plant & Equipment and Intangibles and Other Non-current Assets				
Australia	**129**	**89.6**	313	93.7
New Zealand	**11**	**7.6**	17	5.1
Other Countries (1)	**4**	**2.8**	4	1.2
	144	**100.0**	334	100.0

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

The geographical segment represents the location in which the transaction was originated.

Note 9 Statement of Cash Flows

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

	Half Year Ended 31/12/04 $M	30/06/04 $M	31/12/03 $M
Profit from ordinary activities after income tax	**1,864**	1,334	1,247
Increase in interest receivable	**(97)**	(155)	(31)
Increase in interest payable	**90**	314	20
Net increase in trading securities	**(1,409)**	(3,066)	(1,258)
Net gain on sale of investment securities	**(1)**	(1)	(1)
(Gain)/loss on sale of property plant and equipment	**(1)**	8	3
Sale of controlled entities	-	(43)	-
Charge for bad and doubtful debts	**146**	126	150
Depreciation and amortisation	**235**	235	227
(Decrease)/increase in other provisions	**(105)**	(38)	223
(Decrease)/increase in income taxes payable	**(4)**	(175)	139
Increase/(decrease) in deferred income taxes payable	**386**	(14)	(15)
(Increase)/decrease in future income tax benefits	**(12)**	211	(250)
Increase in accrued fees/reimbursements receivable	**(17)**	(104)	(3)
(Decrease)/increase in accrued fees and other items payable	**(176)**	463	(51)
Amortisation of premium on investment securities	**3**	8	4
Unrealised (gain)/loss on revaluation of trading securities	**(281)**	(580)	320
Change in excess of net market value over net assets of life insurance controlled entities	**(265)**	(36)	(165)
Revaluation of Life Insurance assets	**(745)**	(883)	(547)
Change in policy liabilities	**328**	646	131
Gain on sale of Life Insurance assets	**(389)**	(455)	(1)
Other	**90**	312	(620)
Net Cash used in Operating Activities	**(360)**	(1,893)	(478)

Notes to the Financial Statements

(b) Reconciliation of Cash

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

	Half Year Ended		
	31/12/04 $M	**30/06/04 $M**	**31/12/03 $M**
Notes, coins and cash	**1,999**	1,548	1,852
Other short term liquid assets	**449**	440	391
Receivables due from other financial institutions - at call	**4,096**	4,124	2,194
Payables due to other financial institutions - at call	**(5,133)**	(3,266)	(2,076)
Cash and Cash Equivalents at end of half year	**1,411**	2,846	2,361

(c) Non Cash Financing and Investing Activities

The value of shares issued under the Dividend Reinvestment Plan was $246 million during the half year ended 31 December 2004 (31 December 2003: $201 million).

Note 10 Events after the end of the Financial Period

Dividends

The Directors have declared a fully franked dividend of 85 cents per share – amounting to $1,083 million for the half year ended 31 December 2004.

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

Note 11 Contingent Liabilities

There have been no material changes in contingent liabilities since those disclosed in the financial statements for the year ended 30 June 2004, refer to note 38 of the 2004 Annual Report.

Directors' Declaration

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

(a) the half year consolidated financial statements and notes as set out on pages 26 to 40 are in accordance with the Corporations Act and:

  (i) give a true and fair view of the financial position as at 31 December 2004 and the performance for the half year ended on that date of the consolidated entity; and

  (ii) comply with Accounting Standard AASB1029: Interim Financial Reporting and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the Directors.

J M Schubert
Chairman

D V Murray
Managing Director and
Chief Executive Officer

9 February 2005

Independent Review Report

To the Members of Commonwealth Bank of Australia

Matters relating to the Electronic Presentation of the Reviewed Financial Report

This audit report relates to the financial report of Commonwealth Bank of Australia for the period ended 31 December 2004 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements for the consolidated entity comprising both Commonwealth Bank of Australia (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors' of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Commonwealth Bank of Australia and the entities it controlled during the period, is not in accordance with:

(a) the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of their performance for the half-year ended on that date; and
   (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young
Sydney

S J Ferguson
Partner

Dated: 9 February 2005

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**
6. **Operating Expenses**
7. **Integrated Risk Management**
8. **Capital Adequacy**
9. **Share Capital**
10. **Life Company Valuations and Policy Liabilities**
11. **Intangible Assets**
12. **Amortisation Schedule**
13. **Summary**
14. **Analysis Template**
15. **Definitions**

1. NET INTEREST INCOME

	Half Year Ended				
	31/12/04 $M	**30/06/04 $M**	**31/12/03 $M**	**Dec 04 vs Jun 04 %**	**Dec 04 vs Dec 03 %**
Interest Income					
Loans	**6,886**	6,179	5,496	11	**25**
Other financial institutions	**101**	85	97	19	**4**
Cash and liquid assets	**107**	106	92	1	**16**
Trading securities	**394**	331	269	19	**46**
Investment securities	**344**	337	270	2	**27**
Dividends on redeemable preference shares	**8**	8	17	-	**(53)**
Total interest income	**7,840**	7,046	6,241	11	**26**
Interest Expense					
Deposits	**3,437**	3,279	2,670	5	**29**
Other financial institutions	**126**	84	76	50	**66**
Debt issues	**1,179**	806	700	46	**68**
Loan capital	**165**	138	124	20	**33**
Total interest expense	**4,907**	4,307	3,570	14	**37**
Net interest income	**2,933**	2,739	2,671	7	**10**

2. NET INTEREST MARGIN

	Half Year Ended		
	31/12/04 %	**30/06/04 %**	**31/12/03 %**
Australia			
Interest spread [(1)]	**2.36**	2.36	2.56
Benefit of interest free liabilities, provisions and equity [(2)]	**0.21**	0.23	0.23
Net interest margin [(3)]	**2.57**	2.59	2.79
Overseas			
Interest spread [(1)]	**1.12**	1.13	1.22
Benefit of interest free liabilities, provisions and equity [(2)]	**0.65**	0.63	0.50
Net interest margin [(3)]	**1.77**	1.76	1.72
Total Bank			
Interest spread [(1)]	**2.12**	2.13	2.31
Benefit of interest free liabilities, provisions and equity [(2)]	**0.32**	0.33	0.29
Net interest margin [(3)]	**2.44**	2.46	2.60

(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 half years ending 31 December 2004, 30 June 2004 and 31 December 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.

	Half Year Ended 31/12/04			Half Year Ended 30/06/04			Half Year Ended 31/12/03		
	Avg Bal	Income	Yield	Avg Bal	Income	Yield	Avg Bal	Income	Yield
Average Balances	$M	$M	%	$M	$M	%	$M	$M	%
Interest Earning Assets									
Home Loans[1]	128,135	4,240	6.56%	116,226	3,756	6.50%	106,654	3,350	6.25%
Personal	13,901	731	10.43%	12,982	653	10.12%	12,483	608	9.69%
Business and Corporate	57,205	1,923	6.67%	54,068	1,777	6.61%	49,853	1,555	6.20%
Loans, Advances and Other Receivables	**199,241**	**6,894**	**6.86%**	**183,276**	**6,186**	**6.79%**	**168,990**	**5,513**	**6.49%**
Cash and other liquid assets	10,826	208	3.81%	12,300	191	3.12%	11,933	189	3.15%
Trading Securities	15,800	394	4.95%	14,526	331	4.58%	11,743	269	4.56%
Investment Securities	12,535	344	5.44%	14,058	338	4.84%	11,657	270	4.61%
Non Lending Interest Earning Assets	**39,161**	**946**	**4.79%**	**40,884**	**860**	**4.23%**	**35,333**	**728**	**4.10%**
Total Interest Earning Assets	**238,402**	**7,840**	**6.52%**	**224,160**	**7,046**	**6.32%**	**204,323**	**6,241**	**6.08%**
Non Interest Earning Assets[2]	**73,220**			**77,169**			**69,942**		
Total Average Assets	**311,622**			**301,329**			**274,265**		
Interest Bearing Liabilities									
Transaction Deposits[3]	31,132	356	2.27%	29,557	328	2.23%	30,345	306	2.01%
Savings Deposits[4]	38,249	636	3.30%	37,229	589	3.18%	36,005	530	2.93%
Investment Deposits[5]	62,498	1,748	5.55%	59,011	1,573	5.36%	54,983	1,307	4.73%
Certificates of Deposit and other	26,182	697	5.28%	30,369	787	5.21%	22,231	528	4.73%
Total Interest Bearing Deposits	**158,061**	**3,437**	**4.31%**	**156,167**	**3,279**	**4.22%**	**143,564**	**2,670**	**3.70%**
Due to Other Financial Institutions	7,820	126	3.20%	7,097	84	2.38%	6,821	76	2.22%
Debt Issues	48,556	1,179	4.82%	37,134	805	4.36%	32,334	700	4.31%
Loan Capital	6,471	165	5.06%	6,075	139	4.60%	5,969	124	4.13%
Total Interest Bearing Liabilities	**220,908**	**4,907**	**4.41%**	**206,473**	**4,307**	**4.19%**	**188,688**	**3,570**	**3.76%**
Non Interest Bearing Liabilities	**65,737**			**70,812**			**62,815**		
Total Average Liabilities	**286,645**			**277,285**			**251,503**		

Geographical analysis of key categories

	Avg Bal 31/12/04	Income	Yield	Avg Bal 30/06/04	Income	Yield	Avg Bal 31/12/03	Income	Yield
Loans, Advances and Other									
Australia	166,361	5,747	6.85%	154,929	5,246	6.81%	144,104	4,681	6.46%
Overseas	32,880	1,147	6.92%	28,347	940	6.67%	24,886	832	6.65%
Total	**199,241**	**6,894**	**6.86%**	**183,276**	**6,186**	**6.79%**	**168,990**	**5,513**	**6.49%**
Non Lending Interest Earning Assets									
Australia	21,672	564	5.16%	23,739	534	4.52%	19,289	421	4.34%
Overseas	17,489	382	4.33%	17,145	326	3.82%	16,044	307	3.81%
Total	**39,161**	**946**	**4.79%**	**40,884**	**860**	**4.23%**	**35,333**	**728**	**4.10%**
Total Interest Bearing Deposits									
Australia	133,333	2,666	3.97%	133,599	2,619	3.94%	121,302	2,077	3.41%
Overseas	24,728	771	6.19%	22,568	660	5.88%	22,262	593	5.30%
Total	**158,061**	**3,437**	**4.31%**	**156,167**	**3,279**	**4.22%**	**143,564**	**2,670**	**3.70%**
Other Interest Bearing Liabilities									
Australia	40,027	1,177	5.83%	30,451	850	5.61%	28,746	732	5.07%
Overseas	22,820	293	2.55%	19,855	178	1.80%	16,378	168	2.04%
Total	**62,847**	**1,470**	**4.64%**	**50,306**	**1,028**	**4.11%**	**45,124**	**900**	**3.97%**

(1) Yield includes trail commissions paid to third party brokers.
(2) Includes Bank Acceptances and provisions for impairment.
(3) Includes both business and personal transaction accounts. Business transaction accounts include cheque accounts, while personal transaction accounts include Streamline and passbook accounts.
(4) Includes Cash Management Call Accounts, Savings Investment and Pensioner Security accounts.
(5) Includes Term deposits and money market call accounts.

3. Average Balances and Related Interest (cont'd)

Net Interest Margin	Half Year Ended 31/12/04 Avg Bal $M	Income $M	Yield %	Half Year Ended 30/06/04 Avg Bal $M	Income $M	Yield %	Half Year Ended 31/12/03 Avg Bal $M	Income $M	Yield %
Total Interest Earning Assets	238,402	7,840	6.52%	224,160	7,046	6.32%	204,323	6,241	6.08%
Total Interest Bearing Liabilities	220,908	4,907	4.41%	206,473	4,307	4.19%	188,688	3,570	3.76%
Net Interest Income & Interest spread		**2,933**	**2.12%**		**2,739**	**2.13%**		**2,671**	**2.31%**
Benefit of free funds			0.32%			0.33%			0.29%
Net interest margin			**2.44%**			**2.46%**			**2.60%**

4. Interest Rate and Volume Analysis

Change in Net Interest Income	Half Year Ended 31/12/04 vs 31/12/03 Increase/ (Decrease) %	Half Year Ended 31/12/04 vs 30/06/04 Increase/ (Decrease) %
Due to changes in average volume of interest earning assets and interest bearing liabilities	**440**	**176**
Due to changes in interest margin	**(178)**	**(20)**
Due to variation in time period	**-**	**38**
Change in net interest income	**262**	**194**

Volume & Rate variance	Dec 04 vs Dec 03 Volume $M	Rate $M	Total $M	Dec 04 vs Jun 04 Volume $M	Rate $M	Total $M
Interest Earning Assets						
Home Loans	694	196	890	392	92	484
Personal	72	51	123	48	30	78
Business and Corporate	239	129	368	105	41	146
Loans, Advances and Other Receivables	**1,036**	**345**	**1,381**	**634**	**74**	**708**
Cash and other liquid assets	(6)	25	19	(14)	31	17
Trading Securities	99	26	125	35	28	63
Investment Securities	13	61	74	(45)	51	6
Non Lending Interest Earning Assets	**106**	**112**	**218**	**(24)**	**110**	**86**
Total Interest Earning Assets	**1,099**	**500**	**1,599**	**558**	**236**	**794**
Interest Bearing Liabilities						
Transaction Deposits	8	42	50	18	10	28
Savings Deposits	35	71	106	17	30	47
Investment Deposits	218	241	459	107	59	166
Certificates of Deposit and other	70	82	152	(81)	(2)	(83)
Total Interest Bearing Deposits	353	414	767	85	73	158
Due to Other Financial Institutions	17	33	50	13	29	42
Debt Issues	398	81	479	336	38	374
Loan Capital	8	33	41	6	20	26
Total Interest Bearing Liabilities	**673**	**664**	**1,337**	**372**	**228**	**600**
Change in net interest income	**440**	**(178)**	**262**	**176**	**(20)**	**156**
Change due to variation in time periods						**38**

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

5. OTHER BANKING OPERATING INCOME

	Half Year Ended				
	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Lending fees	**358**	382	342	(6)	**5**
Commission and other fees	**797**	732	771	9	**3**
Trading income	**219**	230	269	(5)	**(19)**
Dividends	**1**	3	3	large	**large**
Net gain on investments and loans	**1**	80	-	large	**large**
Net profit/(loss) on sale of property, plant and equipment	**1**	(8)	(3)	large	**large**
Other [1]	**35**	52	(7)	(33)	**large**
Total other banking operating income	**1,412**	1,471	1,375	(4)	**3**

(1) Includes an equity accounted loss of $36 million for the half year ended 31 December 2003. Loss principally relates to a change in revenue recognition accounting policy by the associate entity.

6. OPERATING EXPENSES

	Half Year Ended				
	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Operating expenses	**2,828**	2,791	2,709	1	**4**
Which new Bank	**28**	255	494	large	**large**
Total	**2,856**	3,046	3,203	(6)	**(11)**

	Half Year Ended				
Expenses by Segment	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Operating expenses					
Banking	**2,160**	2,140	2,051	1	**5**
Funds management	**406**	390	416	4	**(2)**
Insurance	**262**	261	242	-	**8**
	2,828	2,791	2,709	1	**4**
Which new Bank					
Banking	**15**	235	463	large	**large**
Funds management	**12**	10	27	20	**(56)**
Insurance	**1**	10	4	large	**large**
	28	255	494	(89)	**(94)**
Total	**2,856**	3,046	3,203	(6)	**(11)**

	Half Year Ended				
Expenses by Category	31/12/04 $M	30/06/04 $M	31/12/03 $M	Dec 04 vs Jun 04 %	Dec 04 vs Dec 03 %
Staff	**1,267**	1,217	1,231	4	**3**
Share based compensation	**52**	56	49	(7)	**6**
Occupancy and equipment	**305**	287	294	6	**4**
Information technology services	**480**	489	406	(2)	**18**
Other expenses	**724**	742	729	(2)	**(1)**
Operating expenses	**2,828**	2,791	2,709	1	**4**
Which new Bank	**28**	255	494	large	**large**
Total	**2,856**	3,046	3,203	(6)	**(11)**

Capitalisation of Computer Software Costs

The Bank carries computer software costs (net of amortisation) of $163 million as at 31 December 2004 (30 June 2004: $107 million). Expenditure in the period principally comprises development of Which new Bank customer focussed systems.

7. 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, insurance risk and operational risk. The 2004 Annual Report pages 27 to 29, 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 8.1% 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 Bank is traditionally a large home loan provider in both Australia and New Zealand (see "Consumer" below), where historical losses have been less than 0.03% of the portfolio in most years.

Industry on Balance Sheet Exposure	31/12/04 %	30/06/04 %	31/12/03 %
Accommodation, Cafes and Restaurants	**1.1**	1.3	1.4
Agriculture, Forestry and Fishing	**3.2**	3.6	2.8
Communication Services	**0.3**	0.4	0.3
Construction	**1.4**	1.7	1.5
Cultural and Recreational Services	**0.8**	0.9	0.8
Electricity, Gas and Water Supply	**1.4**	1.4	1.5
Finance and Insurance	**10.7**	11.1	10.4
Government Administration and Defence	**2.5**	4.0	4.6
Health and Community Services	**1.7**	1.5	1.6
Manufacturing	**3.1**	3.8	4.1
Mining	**0.6**	0.7	0.8
Personal and Other Services	**0.4**	0.5	0.4
Property and Business Services	**8.1**	8.6	7.6
Retail Trade	**2.0**	2.1	2.3
Transport and Storage	**2.0**	2.4	2.5
Wholesale Trade	**1.1**	1.1	1.2
Consumer	**59.6**	54.9	56.2
	100.0	100.0	100.0

Regional Credit Exposure	31/12/04 %	30/06/04 %	31/12/03 %
Australia	**83.4**	83.9	84.6
New Zealand	**12.7**	12.4	12.1
Europe	**2.2**	2.0	1.5
Americas	**1.3**	1.2	1.1
Asia	**0.3**	0.4	0.6
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	31/12/04 %	30/06/04 %	31/12/03 %
AAA/AA	**32**	35	30
A	**18**	17	17
BBB	**16**	15	17
Other	**34**	33	36
	100	100	100

As at 31 December 2004, 66% of the Bank's commercial exposures are at investment grade quality; that is BBB or better. The commercial portfolio remains well rated and we continue to experience relatively low levels of bad debts during the half year.

Consumer Portfolio Quality	31/12/04 %	30/06/04 %	31/12/03 %
Housing loans accruing but past 90 days or more ($m)	**176**	168	147
Housing loan balances ($m) (1)	**134,258**	121,850	112,228
Arrears rate (%)	**0.13**	0.14	0.13

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

7. INTEGRATED RISK MANAGEMENT (CONT'D)

The Bank in its daily operations is exposed to a number of market risks (which are detailed in the 2004 Annual Report under Integrated Risk Management (pages 27 to 29) and Note 39 Market Risk).

Interest Rate Risk

Interest rate risk in the balance sheet is discussed within Note 39 of the 2004 Annual Report.

Next 12 months' Earnings

The potential impact on net interest earnings of a 1% parallel rate shock and the expected change in price of assets and liabilities held for purposes other than trading is as follows:

(expressed as a % of expected next 12 months' earnings)	**31/12/04 %**	**30/06/04 %**	**31/12/03 %**
Average monthly exposure	**1.0**	0.9	0.8
High month exposure	**1.5**	1.3	1.1
Low month exposure	**0.5**	0.5	0.3

Value at Risk (VaR)

VaR within Financial Markets Trading is discussed in the 2004 Annual Report (page 27 Integrated Risk Management).

The following table provides a summary of VaR by product.

VaR Expressed based on 97.5% confidence	**Average VaR During December 2004 Half Year $M**	**Average VaR During June 2004 Half Year $M**	**Average VaR During December 2003 Half Year $M**
Group			
Interest rate risk	**3.68**	2.88	3.02
Exchange rate risk	**0.58**	1.09	1.24
Implied volatility risk	**0.53**	0.84	0.92
Equities risk	**0.22**	0.70	0.56
Commodities risk	**0.34**	0.37	0.33
Prepayment risk	**0.54**	0.58	0.36
ASB Bank	**0.26**	0.14	0.20
Diversification benefit	**(1.64)**	(2.49)	(2.51)
	4.51	4.11	4.12
Credit Spread [(1)]	**4.67**	4.92	-
Total	**9.18**	9.03	4.12

VaR Expressed based on 99.0% confidence	**Average VaR During December 2004 Half Year $M**	**Average VaR During June 2004 Half Year $M**	**Average VaR During December 2003 Half Year $M**
Group			
Interest rate risk	**4.72**	3.69	3.99
Exchange rate risk	**0.70**	1.28	1.50
Implied volatility risk	**0.70**	1.04	1.26
Equities risk	**0.30**	0.98	0.70
Commodities risk	**0.41**	0.45	0.40
Prepayment risk	**0.54**	0.58	0.36
ASB Bank	**0.34**	0.19	0.25
Diversification benefit	**(2.01)**	(3.21)	(3.26)
	5.70	5.00	5.20
Credit Spread [(1)]	**5.54**	5.84	-
Total	**11.24**	10.84	5.20

(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.

8. CAPITAL ADEQUACY

Risk Weighted Capital Ratios	31/12/04 %	30/06/04 %	31/12/03 %
Tier One	**7.46**	7.43	7.26
Tier Two	**3.13**	3.93	3.56
Less deductions	**(0.99)**	(1.11)	(1.36)
Total	**9.60**	10.25	9.46
Adjusted Common Equity (1)	**4.76**	4.75	4.61

Regulatory Capital	31/12/04 $M	30/06/04 $M	31/12/03 $M
Tier One capital			
Shareholders' equity	**25,067**	24,885	23,201
Eligible loan capital	**298**	338	311
Estimated reinvestment under Dividend Reinvestment Plan (2)	**206**	250	189
Foreign currency translation reserve related to non-consolidated subsidiaries	**216**	179	246
Deduct:			
Asset revaluation reserve	**(61)**	(61)	(5)
Goodwill	**(4,555)**	(4,705)	(4,867)
Expected dividend	**(1,083)**	(1,315)	(996)
Intangible component of investment in non-consolidated subsidiaries (3)	**(4,964)**	(4,674)	(4,644)
Outside equity interest in entities controlled by non-consolidated subsidiaries	**(111)**	(114)	(123)
Outside equity interest in insurance statutory funds and other funds	**(1,413)**	(2,176)	(1,871)
Capitalised expenses (4)	**(98)**	-	-
Other	**(15)**	(19)	(3)
Total Tier One capital	**13,487**	12,588	11,438
Tier Two capital			
Asset revaluation reserve	**61**	61	5
General provision for bad and doubtful debts (5)	**1,379**	1,390	1,353
FITB related to general provision	**(411)**	(398)	(388)
Upper Tier Two note and bond issues	**250**	267	249
Lower Tier Two note and bond issues (6), (7)	**4,374**	5,338	4,381
Total Tier Two capital	**5,653**	6,658	5,600
Total Capital	**19,140**	19,246	17,038
Deduct:			
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier One capital) (3)	**(1,776)**	(1,886)	(2,075)
Other deductions	**(27)**	(5)	(63)
Capital Base	**17,337**	17,355	14,900

Adjusted Common Equity (1)	31/12/04 $M	30/06/04 $M	31/12/03 $M
Tier One capital	**13,487**	12,588	11,438
Deduct:			
Eligible loan capital	**(298)**	(338)	(311)
Preference share capital	**(687)**	(687)	(687)
Other equity instruments	**(1,573)**	(1,573)	(832)
Outside equity interest (net of outside equity interest component deducted from Tier One capital)	**(518)**	(190)	(181)
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier One capital) (3)	**(1,776)**	(1,886)	(2,075)
Other deductions	**(27)**	(5)	-
Other	**-**	139	(86)
Total Adjusted Common Equity	**8,608**	8,048	7,266

(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.
(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) From 1 July 2004, APRA requires banks to deduct certain capitalised expenses from Tier One capital.
(5) Excludes general provision for bad and doubtful debts in non-consolidated subsidiaries.
(6) APRA requires these Lower Tier Two note and bond issues to be included as if they were un-hedged.
(7) 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.

8. CAPITAL ADEQUACY (CONT'D)

Risk-Weighted Assets	Face Value 31/12/04 $M	30/06/04 $M	31/12/03 $M	Risk Weights %	Risk Weighted Balance 31/12/04 $M	30/06/04 $M	31/12/03 $M
On balance sheet assets							
Cash, claims on Reserve Bank, short term claims on Australian Commonwealth and State Government and Territories, and other zero risk-weighted assets	**27,741**	27,554	28,874	0%	**-**	-	-
Claims on OECD banks and local governments	**14,718**	15,020	13,351	20%	**2,943**	3,004	2,670
Advances secured by residential property	**137,589**	125,026	115,628	50%	**68,795**	62,513	57,814
All other assets	**87,961**	83,256	77,500	100%	**87,961**	83,256	77,500
Total on balance sheet assets – credit risk	**268,009**	250,856	235,353		**159,699**	148,773	137,984
Total off balance sheet exposures – credit risk (1)					**18,300**	18,141	17,278
Risk weighted assets – market risk					**2,674**	2,407	2,209
Total risk weighted assets					**180,673**	169,321	157,471

(1) Off balance sheet exposures secured by the residential property account for $5.8 billion of off balance sheet credit equivalent assets ($2.9 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 7.43% at 30 June 2004 to 7.46% and the Total Capital Ratio decreased from 10.25% to 9.60% during the six months to 31 December 2004. The Bank's credit ratings remained unchanged.

During the period, the Bank's Risk Weighted Assets grew from $169 billion to $181 billion. The change in the regulatory capital ratios is attributed to the following movements and significant initiatives undertaken to actively manage the Bank's capital:

Tier One capital

- Issue of NZ$350 million (A$323 million) of Perpetual Preference Shares in December 2004;
- Issue of $246 million of shares in September 2004 to satisfy the Dividend Reinvestment Plan (DRP) in respect to the final dividend for 2003/04;
- In accordance with APRA guidelines, the estimated issue of $206 million of shares to satisfy the DRP in respect of the interim dividend for 2004/05.

Further details of these transactions are provided in Appendix 9.

- From 1 July 2004, APRA requires banks to deduct certain capitalised expenses from Tier One capital. The change in regulatory requirements resulted in a $98 million decrease in Tier One Capital.

Tier Two capital

- Issue of US$250 million (A$321 million) subordinated medium term notes settled in August 2004. The notes mature in 2014 and are callable in 2009. The notes qualify as Lower Tier Two capital.
- Call of the equivalent of A$942 million notes. However, as some of the instruments have been amortised in accordance with APRA requirements, the impact was to reduce Tier Two capital in the six months to 31 December 2004 by A$686 million.
- Reduction in Tier Two note and bond issues of A$389 million resulting from changes in foreign exchange rates (whilst these notes are hedged, the unhedged value is included in the calculation of regulatory capital in accordance with APRA regulations).

Deductions from Total Capital

- Dividends 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 (refer to Appendix 10).

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 A$580 million excess over regulatory capital requirements at 31 December 2004 in aggregate.

9. SHARE CAPITAL

	Half Year Ended 31/12/04	
	Shares Issued	**$M**
Ordinary Share Capital		
Opening balance 1 July 2004	**1,264,006,062**	**13,359**
Exercise of executive options	**1,697,400**	**43**
DRP 2003/2004 final dividend fully paid shares at $30.14	**8,172,546**	**246**
Issue costs		**(1)**
Closing balance 31 December 2004	**1,273,876,008**	**13,647**
Preference Share Capital (PERLS)		
Opening balance 1 July 2004	**3,500,000**	**687**
Closing balance 31 December 2004	**3,500,000**	**687**
Other Equity Instruments		
Opening balance 1 July 2004	**4,300,000**	**1,573**
Closing balance 31 December 2004	**4,300,000**	**1,573**
Retained Profits		
Opening balance 1 July 2004		**2,840**
Net profit for the half year		**1,859**
Payment of final dividend		**(1,315)**
Appropriations to reserves (net)		**(164)**
Payment of other dividends		**(61)**
Closing balance 31 December 2004		**3,159**
Reserves		
Opening balance 1 July 2004		**3,946**
Appropriation from retained profits (net)		**164**
Movement in foreign currency translation reserve (1)		**(151)**
Closing balance 31 December 2004		**3,959**
Outside Equity Interests: Controlled Entities		
Opening balance 1 July 2004		**304**
Issue of Perpetual Preference Shares (2)		**323**
Share of profit		**2**
Closing balance 31 December 2004		**629**

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

(2) Issue of NZ$350 million (A$323 million) by ASB Capital No.2 Limited.

9. SHARE CAPITAL (CONT'D)

Dividend Franking Account

After fully franking the interim dividend to be paid for the half year ended 31 December 2004 the amount of credits available, as at 31 December 2004 to frank dividends for subsequent financial years is nil (June 2004: $75 million). This figure is based on the combined franking accounts of the Bank at 31 December 2004, which have been adjusted for franking credits that will arise from the payment of income tax payable on profits for the half year ended 31 December 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 January 2005 will be franked at the 30% tax rate. These calculations have been based on the taxation law as at 31 December 2004.

Dividends

The Directors have declared a fully franked interim dividend of 85 cents per share amounting to $1,083 million. The dividend will be payable on 31 March 2005 to shareholders on the register at 5pm on 18 February 2005.

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 104 cents per share amounting to $1,315 million was paid on 24 September 2004. The payment comprised cash disbursements of $1,069 million with $246 million being reinvested by participants through the Dividend Reinvestment Plan;
- Additionally, quarterly dividends totalling $20 million for the year were paid on the PERLS preference shares, $17 million on the PERLS II, $20 million on the Trust Preferred Securities, and; $4 million on the ASB Capital preference shares.

Outside Equity Interests

On 22 December 2004, ASB Capital No. 2 Limited, a New Zealand subsidiary, issued NZ$350 million (A$323 million) of perpetual preference shares. These shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly and are non-cumulative.

Dividend Reinvestment Plan

The Bank expects to issue around $206 million of shares in respect of the Dividend Reinvestment Plan for the interim dividend for 2004/05.

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 18 February 2005 at ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South, 1235.

Ex Dividend Date

The ex-dividend date is 14 February 2005.

10. 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 2004	$M	$M	$M	$M	$M
Profits	179	80	36	37	332
Capital movements [(2)]	(78)	92	(18)	-	(4)
Dividends paid	(82)	(351)	-	-	(433)
Acquisitions[(3)]	(30)	-	-	-	(30)
FX Movements	-	-	4	(70)	(66)
Change in Shareholders NTA	(11)	(179)	22	(33)	(201)
Acquired excess[(3)]	30	-	-	-	30
Appraisal value uplift/(reduction)	90	132	44	(1)	265
Increase/(Decrease) to 31 December 2004	109	(47)	66	(34)	94

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia[(1)]	Total
Shareholders' Net Tangible Assets	$M	$M	$M	$M	$M
30 June 2004 balance	515	1,131	415	600	2,661
Profits	179	80	36	37	332
Net capital movements [(2)]	(78)	92	(18)	-	(4)
Dividends paid	(82)	(351)	-	-	(433)
Acquisitions[(3)]	(30)	-	-	-	(30)
Foreign exchange movements	-	-	4	(70)	(66)
31 December 2004 balance	504	952	437	567	2,460

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia[(1)]	Total
Value in Force Business	$M	$M	$M	$M	$M
30 June 2004 balance	1,850	295	286	-	2,431
Uplift	98	130	25	-	253
31 December 2004 balance	1,948	425	311	-	2,684

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia[(1)]	Total
Value Future New Business	$M	$M	$M	$M	$M
30 June 2004 balance	2,774	235	277	24	3,310
Acquisitions[(3)]	30	-	-	-	30
Uplift/(reduction)	(8)	2	19	(1)	12
31 December 2004 balance	2,796	237	296	23	3,352

		Life Insurance			
	Funds Management	Australia	New Zealand	Asia[(1)]	Total
Carrying Value at 31 December 2004	$M	$M	$M	$M	$M
Shareholders' net tangible assets	504	952	437	567	2,460
Value in force business	1,948	425	311	-	2,684
Embedded value	2,452	1,377	748	567	5,144
Value future new business	2,796	237	296	23	3,352
Carrying value	5,248	1,614	1,044	590	8,496

(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.

(3) Represents the purchase of Symetry Limited. The goodwill on acquisition is reclassified as acquired excess, representing the difference between appraisal value and net assets at the time of acquisition.

10. 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 8.

Reconciliation of the Components of the Carrying Value to the Value of Investments in Non-Consolidated Subsidiaries	**31/12/04 $M**	**30/06/04 $M**	**31/12/03 $M**
Intangible component of investment in non-consolidated subsidiaries deducted from Tier One capital comprises:			
Value future new business	**3,352**	3,310	4,025
Value of self-generated inforce business	**1,532**	1,279	528
Other [1]	**80**	85	91
	4,964	4,674	4,644
Investment in non-consolidated subsidiaries deducted from Total Capital comprises:			
Shareholders' net tangible assets in life and funds management businesses	**2,460**	2,661	2,900
Capital in other non-consolidated subsidiaries	**404**	351	349
Value of acquired inforce business	**1,152**	1,152	1,152
Less non-recourse debt	**(2,240)**	(2,278)	(2,326)
	1,776	1,886	2,075

(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.

	31 December 2004		
	New Business Multiplier	**Risk Discount Rate %**	**Value of Franking Credits %**
Life insurance entities			
Australia	**8**	**10.3**	**70**
New Zealand	**9**	**10.2**	**-**
Asia			
- Hong Kong	**9**	**11.5**	**-**
- Other	**various**	**various**	**-**
Funds management entities			
Australia	**n/a**	**12.0**	**70**

	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	-
- Other	various	various	-
Funds management entities			
Australia	n/a	12.5	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 government bond yield of appropriate duration 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.

10. 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	31/12/04 $M	30/06/04 $M	31/12/03 $M
Future policy benefits [1]	**27,701**	27,779	27,451
Future bonuses	**1,362**	1,346	1,211
Future expenses	**1,757**	1,762	1,689
Future profit margins	**1,596**	1,472	1,392
Future charges for acquisition expenses	**(542)**	(527)	(971)
Balance of future premiums	**(6,966)**	(7,266)	(6,829)
Provisions for bonuses not allocated to participating policyholders	**59**	72	49
Total policy liabilities	**24,967**	24,638	23,992

(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.

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

Class of Business	December 2004 Rate Range %	June 2004 Rate Range %
Traditional – ordinary business (after tax)	**5.68 – 6.42**	6.11 – 6.86
Traditional – superannuation business (after tax)	**6.93 – 7.87**	7.46 – 8.40
Annuity business (after tax)	**5.87 – 6.69**	6.17 – 6.98
Term insurance – ordinary business (after tax)	**3.68 – 5.03**	3.45 – 5.03
Term insurance – superannuation business (after tax)	**3.68 – 5.03**	3.45 – 5.03
Disability business (before tax)	**5.33**	5.93
Investment linked – ordinary business (after tax)	**5.18 – 5.82**	5.61 – 6.04
Investment linked – superannuation business (after tax)	**6.90 – 6.94**	7.37 – 7.42
Investment linked – exempt (after tax)	**7.87 – 8.09**	8.41 – 8.80
Investment account – ordinary business (after tax)	**3.89**	4.32
Investment account – superannuation business (after tax)	**4.74**	5.25
Investment account – exempt (after tax)	**5.53**	6.13

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

There have been no significant changes to the investment management expense 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. There have been no significant changes to these assumptions.

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

Australian life insurers

Australian life insurers are required to hold prudential reserves in excess of the amount of policy liabilities. These reserves are required to support capital adequacy requirements and provide protection against adverse experience. Actuarial Standard AS2.03 '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.

Overseas life insurers

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.

11. Intangible Assets

	31/12/04 $M	30/06/04 $M	31/12/03 $M
Purchased goodwill - Colonial	**5,591**	5,591	5,591
Purchased goodwill - other	**1,167**	1,155	1,155
Accumulated amortisation	**(2,203)**	(2,041)	(1,879)
Total intangible assets	**4,555**	4,705	4,867

12. Amortisation Schedule

	Half Year Ended		
	31/12/04 $M	30/06/04 $M	31/12/03 $M
Goodwill			
Opening balance	**4,705**	4,867	5,029
Purchased goodwill [1]	**12**	-	-
Amortisation for the year	**(162)**	(162)	(162)
Closing balance	**4,555**	4,705	4,867

(1) Relates to the purchase of AOT Australia Ltd.

13. SUMMARY

		Page	Half Year Dec 04	Half Year Jun 04	Half Year Dec 03	Half Year Dec 04 v Jun 04		Half Year Dec 04 v Dec 03	
							%		%
Total									
Net profit after tax - underlying	$m	5	**1,664**	1,591	1,487	73	5	177	12
Net profit after tax - cash basis	$m	5	**1,756**	1,455	1,240	301	21	516	42
Appraisal value uplift	$m	5	**265**	36	165	229	large	100	61
Goodwill Amortisation	$m	5	**(162)**	(162)	(162)	-	-	-	-
Net profit after tax - statutory	$m	5	**1,859**	1,329	1,243	530	40	616	50
Earnings per share cash basis - basic (cents)	Cents	5	**133.5**	111.1	95.5	22.4	20	38.0	40
Dividend per share	Cents	5	**85**	104	79				
Dividend pay-out ratio cash basis	%	5	**63.9**	94.4	82.9				
Tier 1 capital	%	6	**7.46**	7.43	7.26	0.03	3bpts	0.20	20bpts
Total capital	%	6	**9.60**	10.25	9.46	(0.65)	(65)bpts	0.14	14bpts
Adjusted common equity	%	6	**4.76**	4.75	4.61	0.01	1bpt	0.15	15bpts
Number of full time equivalent staff	No.	7	**35,442**	36,296	34,956	(854)	(2.4)	486	1
Return on equity - cash	%	5	**16.0**	13.6	11.9	2.5	250bpts	4.1	410bpts
Weighted average number of shares - basic	No.	5	**1,269**	1,255	1,257	14	1	12	1
Net tangible assets per share	$	62	**12.72**	12.22	11.61	0.50	4.09	1.11	9.56
Banking									
Net profit after tax - underlying	$m	5	**1,427**	1,381	1,294	46	3	133	10
Net profit after tax - cash basis	$m	9	**1,417**	1,206	970	211	17	447	46
Net Interest Income	$m	9	**2,933**	2,739	2,671	194	7	262	10
Net Interest Margin	%	6	**2.44**	2.46	2.60	(0.02)	(2)bpts	(0.16)	(16)bpts
Other banking income	$m	9	**1,412**	1,471	1,375	(59)	(4)	37	3
Expense to income ratio - underlying	%	9	**49.7**	50.8	50.7	(1.1)	2.2	(1.0)	2
Average interest earning assets	$m	9	**238,402**	224,160	204,323	14,242	6	34,079	17
Average interest earning liabilities	$m	9	**220,908**	206,473	188,688	14,435	7	32,220	17
Bad debts charge	$m	9	**146**	126	150	20	16	(4)	(3)
Bad debts to risk weighted assets	%	9	**0.08**	0.07	0.10	0.01	1bpt	(0.02)	(2)bpts
General provision to risk weighted assets	%	9	**0.76**	0.82	0.86	(0.06)	(6)bpts	(0.10)	(10)bpts
Total provision to gross impaired assets	%	9	**373.0**	451.8	271.6	(78.8)	(17.4)	101.4	37
Specific Provision to Impaired Assets	%	15	**43.1**	42.1	34.6	1.0	2.4	8.5	25
Risk weighted assets	$m	9	**180,673**	169,321	157,471	11,352	6.7	23,202	15
Funds Management									
Net profit after tax - underlying	$m	5	**170**	148	126	22	15	44	35
Net profit after tax - cash basis	$m	17	**179**	151	117	28	19	62	53
Shareholder investment returns	$m	17	**24**	12	14	12	large	10	71
Average funds under administration	$m	17	**112,185**	107,211	103,818	4,974	5	8,367	8
Net (outflows) / inflows	$m	17	**850**	(260)	1,106	1,110	large	(256)	(23)
Income to average funds under administration	%	17	**1.10**	1.09	1.13	0.01	1	(0.03)	(3)
Expenses to average funds under administration -underlying	%	17	**0.72**	0.73	0.80	(0.01)	1	(0.08)	10
Insurance									
Net profit after tax - underlying	$m	5	**67**	62	67	5	8	-	-
Net profit after tax - cash basis	$m	21	**160**	98	153	62	63	7	5
Shareholder investment returns	$m	21	**121**	43	127	78	large	(6)	(5)
Inforce premiums	$m	22	**1,199**	1,167	1,102	32	3	97	9
Expenses to Average Inforce premiums - underlying	%	21	**44.8**	47.5	45.5	(2.7)	5.7	(0.70)	1.5
Funds Management and Life Insurance Company Valuations									
Profits	$m	24	**332**	249	270	83	33.3	62	23
Capital Movements	$m	24	**(4)**	17	35	(21)	large	(39)	large
Dividends	$m	24	**(433)**	(555)	(345)	122	(22)	(88)	26
Disposals and Acquisitions	$m	24	**(30)**	-	-	(30)		(30)	
Acquired Excess	$m	24	**30**	-	-	30		30	
Foreign exchange movements	$m	24	**(66)**	50	(66)	(116)	large	-	-
Net appraisal value uplift/(reduction)	$m	24	**265**	36	165	229	large	100	61
Total movement in carrying value	$m	24	**94**	(203)	59	297	large	35	59

14. ANALYSIS TEMPLATE

Profit Summary - Input schedule	Half Year Dec-04 $m	Half Year Jun-04 $m	Half Year Dec-03 $m	December 2004 Profit Announcement
Income				
Net Interest Income	2,933	2,739	2,671	page 6
Other banking operating income	1,412	1,471	1,375	page 6
Total Banking Income	**4,345**	**4,210**	**4,046**	
Operating Income	615	576	582	page 17
Shareholder investment returns	24	12	14	page 17
Policyholder tax benefits	52	67	82	page 17
Funds Management income	**691**	**655**	**678**	
Operating Income - Life insurance	330	315	303	page 21
Operating Income - General insurance	30	41	19	page 21
Operating Income Insurance	**360**	**356**	**322**	
Shareholder investment returns	121	43	127	page 21
Policyholder tax	59	16	38	page 21
Insurance Income	**540**	**415**	**487**	
Total Income	**5,576**	**5,280**	**5,211**	
Expenses				
Banking	2,160	2,140	2,051	page 9
Funds Management	406	390	416	page 17
Insurance	262	261	242	page 21
Operating Expenses	**2,828**	**2,791**	**2,709**	
Banking	15	235	463	page 9
Funds Management	12	10	27	page 17
Insurance	1	10	4	page 21
Which new Bank	**28**	**255**	**494**	
Total Expenses	**2,856**	**3,046**	**3,203**	
Profit before bad debt expense	**2,720**	**2,234**	**2,008**	
Charge for Bad and Doubtful Debts	146	126	150	page 6
Profit before tax expense	**2,574**	**2,108**	**1,858**	
Income Tax - Policyholder	111	83	120	
Income Tax - Corporate	702	565	494	page 6
Income Tax	**813**	**648**	**614**	
Operating Profit after Tax	**1,761**	**1,460**	**1,244**	
Outside Equity Interest (OEI)	5	5	**4**	page 6
Net Profit After Tax & OEI – Cash Basis	**1,756**	**1,455**	**1,240**	
Appraisal Value Uplift	265	36	165	page 6
Goodwill Amortisation	(162)	(162)	(162)	page 6
Net Profit after Tax & OEI - Statutory	**1,859**	**1,329**	**1,243**	
Investment Return on Shareholder Funds	145	55	141	
Tax Expense on Shareholder Investment Returns	34	2	42	page 23
Shareholder Investment Returns - after tax	**111**	**53**	**99**	
Which new Bank	28	255	494	
Tax Expense on Which new Bank	(9)	(66)	(148)	page 7
Which new Bank - after tax	**19**	**189**	**346**	
Net Profit After Tax - underlying	**1,664**	**1,591**	**1,487**	
Other Data				
Average Interest Earning Assets	238,402	224,160	204,323	page 6
Average Net Assets	24,976	24,043	22,677	page 27 -average of opening & closing balance
Average Outside Equity Interest	2,261	2,328	2,152	page 27 -average of opening & closing balance
Average preference shares & other equity instruments	2,259	1,889	1,103	page 27 -average of opening & closing balance
Accumulated AV uplift and goodwill	(612)	(715)	(589)	
Preference dividends	61	62	39	page 5
Average number of shares	1,269	1,255	1,257	page 5
Average number of shares - fully diluted	1,270	1,256	1,258	page 5
Dividends per share	85	104	79	page 5
No of shares at end of period	1,274	1,264	1,261	page 52
Average Funds under Administration	112,185	107,211	103,818	page 17
Operating expenses - Internal	5	7	7	page 21
Avg Inforce Premiums	1,183	1,135	1,089	page 22 -average of opening & closing balance
Net Assets	25,067	24,885	23,201	page 27
Goodwill	4,555	4,705	4,867	page 27
Outside Equity Interests	2,042	2,480	2,175	page 27
Preference Share Capital	687	687	687	page 27
Other equity instruments	1,573	1,573	832	page 27
Tier One capital	13,487	12,588	11,438	page 50
Eligible Loan Capital	298	338	311	page 50
Preference Share capital	687	687	687	page 50
Other equity interests	1,573	1,573	832	page 50
Outside Equity Interest (net of OEI deducted from Tier 1 capit	518	190	181	page 50
Investment in non consolidated subsidiaries (net of Intangible component deducted from Tier 1 capital)	1,776	1,886	2,075	page 50
Other deductions	27	5	-	page 50
Other	-	139	(86)	page 50
Risk Weighted Assets	180,673	169,321	157,471	page 51

14. ANALYSIS TEMPLATE (CONT'D)

Ratio's - Output summary	Half Year		
	Dec-04 $m	Jun-04 $m	Dec-03 $m
EPS			
Earnings per Share - cash basis	**133.5**	**111.1**	**95.5**
NPAT (cash)	1,756	1,455	1,240
less preference dividends	(61)	(62)	(39)
Adjusted profit for EPS calculation	1,695	1,394	1,201
Average number of shares	1,269	1,255	1,257
Diluted average number of shares	1,270	1,256	1,258
EPS diluted - Cash basis	**133.5**	**111.1**	**95.5**
Earnings per Share - underlying basis	**126.3**	**122.0**	**115.2**
NPAT (underlying)	1,664	1,591	1,487
less preference dividends	(61)	(62)	(39)
Adjusted profit for EPS calculation	1,603	1,529	1,448
Average number of shares	1,269	1,255	1,257
DPS			
Dividends			
Dividends per share	**85**	**104**	**79**
No of shares at end of period	1,274	1,264	1,261
Total Dividend	**1,083**	**1,315**	**996**
Dividend payout ratio - Cash basis			
NPAT (cash)	1,756	1,455	1,240
less preference dividends	(61)	(62)	(39)
NPAT - ordinary shareholders	1,695	1,394	1,201
Total Dividend	1,083	1,315	996
Payout ratio - cash basis	**63.9**	**94.3**	**82.9**
Dividend Cover			
NPAT - ordinary shareholders	1,695	1,394	1,201
Total Dividend	1,083	1,315	996
Dividend Cover - cash	**1.6**	**1.1**	**1.2**
ROE			
Return on Equity - cash			
Avg Net Assets	24,976	24,043	22,677
Less:			
OEI	(2,261)	(2,328)	(2,152)
Preference shares	(2,259)	(1,889)	(1,103)
Average Equity	20,456	19,826	19,422
Less Accum AV uplift and goodwill	(612)	(715)	(589)
Net	21,068	20,541	20,011
NPAT (cash)	1,756	1,455	1,240
less preference dividends	(61)	(62)	(39)
Adjusted profit for ROE calculation	1,695	1,394	1,201
Return on Equity - cash	**16.0%**	**13.5%**	**11.9%**
Return on Equity - underlying			
Avg Net Assets	24,976	24,043	22,677
OEI	(2,261)	(2,328)	(2,152)
Pref shares	(2,259)	(1,889)	(1,103)
Av. Equity	20,456	19,826	19,422
Accum AV uplift and goodwill	(612)	(715)	(589)
Net	21,068	20,541	20,011
NPAT (Underlying)	1,664	1,591	1,487
less preference dividends	(61)	(62)	(39)
Adjusted profit for ROE calculation	1,603	1,529	1,448
Return on Equity - Underlying	**15.1%**	**14.8%**	**14.4%**
NIM			
Net Interest Income	2,933	2,739	2,671
Average Interest Earning assets	238,402	224,160	204,323
NIM %pa	**2.44%**	**2.46%**	**2.60%**

14. ANALYSIS TEMPLATE (CONT'D)

Ratios - Output summary (Cont'd)	Half Year		
	Dec-04 $m	Jun-04 $m	Dec-03 $m
Productivity			
Banking expense to income ratio			
Expenses including Which new Bank	2,175	2,375	2,514
Banking Income	4,345	4,210	4,046
Expense to Income - cash	**50.1%**	**56.4%**	**62.1%**
Operating Expenses	2,160	2,140	2,051
Banking Income	4,345	4,210	4,046
Expense to Income - underlying	**49.7%**	**50.8%**	**50.7%**
Funds Management expenses to average FUA ratio			
Expenses including Which new Bank	418	400	443
Average Funds under Administration	112,185	107,211	103,818
Expenses to average FUA - cash	**0.74%**	**0.75%**	**0.85%**
Expenses	406	390	416
Average Funds under Administration	112,185	107,211	103,818
Expenses to average FUA - underlying	**0.72%**	**0.73%**	**0.80%**
Insurance expenses to average in-force premiums ratio			
Operating expenses - External	263	271	246
Operating expenses - Internal	5	7	7
Expenses including Which new Bank	268	278	253
Average inforce premiums	1,183	1,135	1,089
Expenses to average in-force premiums - cash	**44.9%**	**49.3%**	**46.2%**
Operating expenses - External	262	261	242
Operating expenses - Internal	5	7	7
Total Expenses	267	268	249
Average inforce premiums	1,183	1,135	1,089
Expenses to average in-force premiums - underlying	**44.8%**	**47.5%**	**45.5%**
Net Tangible Assets (NTA) per share			
Net Assets	25,067	24,885	23,201
Less:			
Goodwill	(4,555)	(4,705)	(4,867)
Outside Equity Interests	(2,042)	(2,480)	(2,175)
Preference Share Capital	(687)	(687)	(687)
Other equity instruments	(1,573)	(1,573)	(832)
Total Net Tangible Assets	16,210	15,440	14,640
No of shares at end of period	1,274	1,264	1,261
Net Tangible Assets (NTA) per share	**$ 12.72**	**$ 12.22**	**$ 11.61**
ACE Ratio			
Tier One capital	13,487	12,588	11,438
Deduct:			
Eligible Loan Capital	(298)	(338)	(311)
Preference Share capital	(687)	(687)	(687)
Other equity interests	(1,573)	(1,573)	(832)
Outside Equity Interest (net of OEI deducted from Tier 1 capital)	(518)	(190)	(181)
Investment in non consolidated subsidiaries (net of intangible component deducted from Tier 1 capital)	(1,776)	(1,886)	(2,075)
Other deductions	(27)	(5)	-
Add Other	-	139	(86)
Total Adjusted Common Equity	8,608	8,048	7,266
Risk Weighted Assets	180,673	169,321	157,471
ACE Ratio	**4.76%**	**4.75%**	**4.61%**

15. 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 (31 December 2004: $61 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”.
Net Tangible Assets per Share	Net assets excluding goodwill, outside equity interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.
Return on Average Shareholders’ Equity	Based on net profit after tax (annualised) and outside equity interests applied to average shareholders equity, excluding outside equity interests, preference share and other equity instruments.
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 (annualised). 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 Which new Bank) as a percentage of revenue.
Underlying Profit	Represents net profit after tax (“cash basis”) excluding Which new Bank and shareholder investment returns.

Market Share Calculations

RETAIL

Home Loans: Total Household Loans(APRA) – MISA (Pre Sep 04) + Securitised Assets (APRA) + Homepath
Total Housing Loans (incl securitisations) (from RBA which includes NBFI's unlike APRA)*

Credit Cards: CBA Total Credit Card Lending (APRA)
Total Credit Cards with Interest Free + Total Credit Cards without Interest Free (from RBA which includes NBFI's unlike APRA)*

Retail Deposits: CBA Current Deposits with banks + Term (excl CD's) + Other (All as reported to RBA)
Total Current Deposits with banks + Term(excl CD's) + Other (from RBA Monetary Aggregates which includes NBFI's unlike APRA)*

BUSINESS

Business Lending** CBA Business Credit (as reported to RBA)
Total Business Credit (per RBA Table Lending & Credit Aggregates) (Includes Debt securities & bills unlike APRA)*

* The RBA restates numbers retrospectively when required. This may be due to a change in definition, the inclusion of a new participant or correction of errors in prior returns. The Bank will restate its market shares where the RBA denominator has changed.

** In the 2004 Annual Report the Bank's Business Lending market share was reported as 14.2% at 30 June 2004. In July 2004 the RBA made the decision to include securitised balances from discrete independent entities and retrospectively adjusted the numbers. Using the RBA restated balances the Bank's 30 June 2004 revised market share is 13.8%.