Commonwealth Bank of Australia
ACN 123 123 124

Annual Report 2005

CommonwealthBank

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Chairman's Statement

Introduction

I am very pleased to report another strong year of growth for the Bank during 2004/2005, despite increased competition in the financial services sector and expectations throughout the year of slower economic growth. This excellent result was achieved as the Bank continued to progress the Which new Bank program to transform the customer service experience. We are now well established to meet and, in many cases exceed, targets set at the commencement of the program in September 2003, and have laid a strong strategic platform for future growth.

Results

The Bank reported a statutory full year net profit after tax (NPAT) of $3,991 million for the year ended 30 June 2005, an increase of 55% over the previous year. Cash net profit (NPAT excluding appraisal value uplift and goodwill amortisation) increased 31% to $3,538 million, which is at the upper end of guidance provided to the market in February 2005. On an underlying basis, which excludes Which new Bank expenses and Shareholder Investment Returns, NPAT rose 13% to $3,466 million for the full year.

These results were achieved by strong revenue growth in a very competitive market and broadly flat expenses. The Bank is well on track to meet its commitment made at the start of Which new Bank to achieve between 4% and 6% compound annual growth productivity improvements over the three years of the program on a cash basis.

A favourable Banking result was achieved for the year, supported by strong growth in home and personal lending. The net interest margin has been stable for the last three half years, with margin contraction for the full year of eight basis points to 2.45%, well within the Bank's expectations. This was a particularly good outcome, given increased competition across lending and deposit products. Loan asset quality continued to be well managed, in line with the Bank's risk management policies.

The Fund Management business recorded a 28% increase in underlying NPAT reflecting growth in Funds under Administration supported by favourable investment markets. FirstChoice again achieved excellent flows, particularly in the retail segment due to competitive pricing, superior service and extensive distribution. Investment performance also stood out, with 95% of retail domestic funds outperforming the benchmark on a one year basis.

The Bank's Insurance business delivered a strong result for the year in both its Australian and international operations. The Australian insurance business maintained its number one market position in life risk premiums with 13.8% market share. The New Zealand business, operating under the Sovereign brand, improved volumes across all major business lines and experienced a positive claims result for the year.

The Bank's international banking, funds management and insurance businesses continued to grow and develop, providing the Bank with opportunities for expansion in select markets in the future.

Commonwealth Bank acquired interests in two banks in China during the year - an 11% interest in Jinan City Commercial Bank and a 19.9% interest in Hangzhou City Commercial Bank (subject to regulatory approval). PT Bank Commonwealth (PTBC), our Indonesian banking business, has been operating since 1997 and continues to attract new customers. Australian customers of Commonwealth Bank can now access their funds from any of PTBCs 12 ATMs located in Jakarta, Bali, Surabaya and Bandung. This is a valuable service for the growing number of Australians working and travelling throughout Indonesia. The Bank has also established a representative office in Bangalore, India.

These interests are low risk growth options which position us well for future growth in the region's key markets.

Dividends and Capital

The Bank paid another record dividend to Shareholders with the full year dividend payment totalling 197 cents per share, an increase of 14 cents per share on the previous year. This is the 13th year of increases in the full year dividend payment to Shareholders since the Bank was privatised. The full year dividend payout ratio (cash basis) is 73.9%, consistent with the 2003/2004 payout ratio which excluded Which new Bank expenses. This is an outstanding result for Shareholders.

The final dividend payment of $1.12 per share, fully franked, will be paid to Shareholders on 23 September 2005. The Bank continues to issue new shares to satisfy the requirements of the Dividend Reinvestment Plan, which is capped at 10,000 shares per shareholder.

During the year, dividend payments were also made to the holders of PERLS, PERLS II, Trust Preferred Securities, ASB Capital preference shares and ASB Capital No. 2 preference shares.

The Bank maintained its strong capital position during the year with capital ratios sitting above the Bank's target minimum ratios. Credit ratings remain unchanged and were re-affirmed by the major ratings agencies in June 2005.

Two capital management initiatives undertaken during the year were well received by the market and provide additional capital flexibility for the Bank in the future. These included the issue of NZ$350 million of Perpetual Preference Shares in December 2004 by ASB Capital No. 2 Limited and an issue of NZ$350 million of Redeemable Preference Shares by CBA Capital Australia Limited in May 2005.

Which new Bank

The Bank made significant progress with Which new Bank during the year, meeting all critical milestones set for 2004/2005 and many initiatives exceeding expectations. Net benefits for the year totalled $724 million, well in excess of the $620 million expected for the year. Considerable progress was made across many initiatives and highlights are detailed in the Chief Executive Officer's Statement on page 5 of the Annual Report.

Which new Bank is a three year program which now has significant momentum. It has been a time of transformational change for the Bank and I am pleased with our progress at a time of enormous change for our people. The Which new Bank program as originally formulated is to conclude during 2006 and the Bank is now working on further initiatives which will ensure that customer service enhancements will continue as more systems and processes are refined and our people remain committed to providing customers with a better service.

Outlook

From an international perspective, we anticipate continuing respectable economic growth and strong commodity prices. Although domestic growth has slowed, a combination of widespread investment in capacity expansion, and favourable terms of trade together suggest some pick up in growth. Progress of the domestic economy is therefore contingent upon continuing strong terms of trade and the success of business investment.

Australia's fiscal position, credit quality, employment levels and business confidence are strong and provide a positive overall environment for financial services businesses. Robust demand for business credit is helping offset the continuing moderation of demand for housing credit from its record peak. Competition across the banking industry, particularly for deposits, is likely to continue, with margins declining generally in line with experience in recent years.

Chairman's Statement (continued)

In February 2005, the Bank increased its expected compound annual growth rate in cash earnings per share for the period 2003 to 2006 from exceeding 10 percent per annum to exceeding 12 percent per annum. Subject to market conditions, the Bank remains committed to at least achieving this goal. For the 2006 fiscal year, the Bank remains confident that the momentum within the business from Which new Bank will ensure that the Bank delivers EPS growth which equals or exceeds the average of its peers. As a consequence, the Bank expects dividend per share to further increase in the 2006 fiscal year subject to the factors considered in its dividend policy.

Corporate Governance

The Bank continues to place great emphasis on its responsibilities for good corporate governance, and always strives to increase shareholder value. Recent increases in demands for compliance with corporate governance requirements have placed pressure on corporate resources and precious management time. While appropriate levels of regulation are needed, I am concerned that the current rate of growth in regulation hinders the ability of business to compete and prosper. The Bank will continue to find the right balance to have excellent corporate governance while striving for innovation and growth to benefit shareholders.

CEO Transition

September 2005 also marks David Murray's retirement after 39 years of service to the Commonwealth Bank, the past 13 years as Chief Executive Officer. David and the Board considered that this was an appropriate time for a new Chief Executive Officer to be appointed, with the Which new Bank program on track for completion during 2006 and sufficient time for the new CEO to develop the Bank's future strategy.

The Bank has undergone enormous change under David's leadership. David took the Bank from a partly privatised company with a market capitalisation of $6 billion in 1992 to a fully integrated financial services provider with a market capitalisation of around $50 billion in 2005. Shareholder value has grown over David's 13 year term as CEO with Total Shareholder Returns (including gross dividend payments) of more than 24% per annum (compound annual growth), an outstanding achievement for a public company to attain over an extended period.

Significant milestones occurred under David's leadership, including full privitisation, the integration of State Bank of Victoria and the merger with Colonial Limited in 2000. The introduction and development of CommSec, the Bank's online broker, and NetBank also occurred during David's time as CEO.

The Board, and myself as Chairman, would like to personally thank David for his commitment and contribution to the Bank and for the substantial legacy he leaves. David's commitment to the Commonwealth Bank has been outstanding and his distinguished career serves as a role model, not only to our people, but to all those who have chosen a career in the financial services industry.

Ralph Norris will commence as Chief Executive Officer and Managing Director of the Bank from close of business on 22 September 2005. Ralph joins us from Air New Zealand Limited where he was Managing Director and Chief Executive Officer from February 2002 to August 2005. He has twice been honoured with New Zealand's Executive of the Year - in 1997 while at ASB Bank and in 2004 while at Air New Zealand. From 1991 to 2001 Ralph was Managing Director and Chief Executive Officer of ASB Bank Limited, the Bank's New Zealand banking operation. Ralph oversaw tremendous growth while at ASB, increasing market share, expanding the footprint of the business and growing its profitability. It is in view of these exceptional achievements that the Board has every confidence in Ralph's track record and his ability to lead the Bank beyond Which new Bank.

John Schubert
Chairman
10 August 2005

Chief Executive Officer's Statement

This 2005 fiscal year has been another great year for the Bank and it has once again been a privilege to work along side our people serving our customers and providing our shareholders with another year of solid returns.

The Bank starts the current year in a stronger position based on an improved and improving value proposition for our customers. The fact that nearly half of Australians have a financial relationship with the Bank attests to the enormous strength of our brand and the commitment we have made over the years to building our infrastructure and the service culture needed to meet the needs of our customers.

The Which new Bank transformation is just one example of the extent to which we are prepared to go to ensure that we maintain our compelling service proposition. Over the three years of the programme, which commenced in 2003, we will have invested almost $1.5 billion in a wide range of initiatives designed to transform the way our people work with our customers to enable them to realise their expectations. Two years in, I am pleased to report that we have achieved all our significant milestones for 2005 with net benefits totalling $724 million and are on track to achieve the 2006 milestones in the third and final year. Over the past 12 months, the Bank has made significant progress in our three main streams of work – customer service, engaged people and simpler processes:

Customer Service

- We have been able to measure the success of the programme by improved customer survey scores and positive feedback from our customers. These improvements have, in turn, driven increased market shares, better financial performance and record dividend payments.
- The implementation of a new information system, which commenced nationally in April 2005, is enabling our staff to have a single view of our customers' dealings with us, to record details of each interaction we have with them, to efficiently refer customers to specialists across the Bank.
- A total of 127 branches have been refurbished this year, bringing the total number of refurbished and modernised branches to 252. Customers have welcomed the new branch environment and the significant reduction in queue time, with the majority of our branches now serving customers within 2 minutes.
- In June 2005, the Bank launched NetBank Saver, an internet deposit savings account that offers our customers a high interest rate, no bank fees, and facilities to instantly transfer funds to and from the linked Streamline account available 24 hours a day, 7 days a week.

Engaged People

- 300 senior leaders of the Bank have completed an upgraded leadership development programme, which provides them with a common understanding of the Bank's approach to leadership and encourages desired behaviours that underpin our cultural transformation.
- Over 27,000 staff have completed training to be able to apply common service and sales principles in their everyday work. Recent scores from internal and independent surveys have reaffirmed that our people are more engaged than ever. Results indicate that our people have a clear understanding of the Bank's customer service vision, know where the Bank is heading, and agree that the Bank has an environment where ideas and knowledge are shared freely.

Simpler Processes

- Customers are benefiting from the improved turn around times we are achieving through the implementation of a culture of continuous improvement. Already, customers are receiving quicker credit decisions for home loans and personal loans and further service improvements will follow from a number of additional processes which are now being simplified.
- In April 2005, the Bank introduced the new NetBank platform providing enhanced services and greater flexibility for our two million online customers. Improvements include simpler processes when transferring money or making multiple payments, better and real-time access to transaction information and improved technology that provides our customers with the highest level of security.

Offshore Developments

Internationally, we are focussing on countries in Asia whose economies are growing and whose large populations have rapidly rising incomes.

The Bank has made two strategic investments in China. In September 2004, it entered into a strategic co-operation agreement with Jinan City Commercial Bank ('JNCCB'). Approval by the China Banking Regulatory Commission has been obtained to purchase an 11 percent shareholding in JNCCB, with options to increase this to 20 percent at a later stage. In April 2005, the Bank entered into its second strategic co-operation agreement, this time with Hangzhou City Commercial Bank ('HZCCB') and subject to approval by the China Banking Regulatory Commission, it plans to purchase a 19.9 percent shareholding in HZCCB. An important component of these initiatives is to provide these organisations with access to our banking capabilities which will significantly enhance their performance and provide them with the skills they need to meet the increasingly sophisticated needs of their local customers.

The Bank is also investigating development opportunities in other Asian countries. In June 2005, the Bank obtained approval from the Reserve Bank of India to establish a Representation Office in Bangalore.

CEO Transition

In June this year, the Bank announced that I will be retiring and that Ralph Norris had been appointed Chief Executive Officer. Subsequently, we have announced that I will be leaving the Bank on 22 September and that Ralph Norris will take up the position from the close of business on that date. This, therefore, will be my last message to you.

During my time as Chief Executive Officer over the past thirteen years, I have been proud to lead the Bank through a number of significant achievements, including full privatisation, integration of State Bank of Victoria and merger with Colonial Limited.

When we announced Which new Bank, I said that this would be the biggest programme that the Bank had undertaken since privatisation. Over the past two years, I have felt among our people a growing passion and enthusiasm for the direction in which the Bank is heading. They have enthusiastically embraced the Which new Bank vision and are committed to delivering a better service for our customers. The exceptional outcomes we have achieved, both domestically and internationally, have been made possible only by the dedication and commitment of our people.

As Chief Executive Officer, I have indeed been fortunate in the encouragement and counsel I have received from the Board. I would also like to take this opportunity to thank my Executive Team and all our people for their support and commitment to our customers and to thank shareholders for their continuing loyalty to the Bank and their confidence in its future. I am confident that Ralph will successfully build on the momentum which exists within the Bank and will enjoy the same level of support which I have had during my tenure as Chief Executive of the Bank.

David Murray
Managing Director and Chief Executive Officer
10 August 2005

Highlights

Financial Performance and Business Review

	Full Year ended		Jun 05 vs
	30/06/05	30/06/04	Jun 04
Net profit after income tax	**$M**	**$M**	**%**
Statutory basis	**3,991**	2,572	55
Cash basis	**3,538**	2,695	31
Underlying basis	**3,466**	3,078	13

The Bank's net profit after tax ("statutory basis") increased by 55% to $3,991 million for the year ended 30 June 2005. This result includes an Appraisal Value uplift of $778 million ($201 million in 2004) and goodwill amortisation of $325 million (which is consistent with 2004).

Net profit after tax ("cash basis") increased by 31% to $3,538 million compared with $2,695 million in the prior year. Earnings per share ("cash basis") was $2.68, an increase of 30%, which is at the upper end of the market guidance provided in February. Net profit after tax ("cash basis") includes:

- Shareholder investment returns, which increased from $152 million after tax in 2004 to $177 million after tax; and
- Substantially lower Which new Bank expenses of $105 million after tax, compared with $535 million in 2004.

Excluding these items, net profit after tax ("underlying basis") increased by 13% to $3,466 million compared with $3,078 million in the prior year. Strong income growth and good cost control contributed to the strong result, with:

- Growth in lending assets of 15%, with market share growth across a range of products, and net interest margins remaining flat over the year;
- Growth in Funds under Administration of 12%, with the gross margin declining by only two basis points;
- Insurance revenues benefiting from a 8% growth in inforce premiums, despite severe weather storms in February;
- Expenses remaining virtually flat for three halves, despite being impacted by higher spend on compliance projects and a stronger NZ dollar; and
- The charge for bad and doubtful debts as a proportion of Risk Weighted Assets remaining consistent with the previous year at 17 basis points.

Total Shareholder Return (TSR) over the two years ended 30 June 2005 was 50.5%. This is in excess of the 40.6% increase in the ASX Accumulation Financial Index over the same period.

The result for the second half of the year was also strong, with Total Operating Income increasing 5% compared with the first half and operating expenses remaining flat.

Net profit after tax ("underlying basis") increased by 8% on the first half year. The operating environment was characterised by significantly stronger price competition in the retail deposit market, and a moderate slowdown in home lending volumes.

Weaker shareholder investment earnings in the second half (down 41%) and a substantially higher Which new Bank expense ($86 million compared with $19 million in the first half) resulted in net profit after tax ("cash basis") increasing by 1% to $1,782 million.

Which new Bank

The Bank has continued to meet or exceed its Which new Bank market commitments and critical project milestones. A comprehensive discussion of progress and outcomes is set out on pages 10 and 11.

Financial Condition

The Group's assets increased by $23 billion to $329 billion (2004: $306 billion) over the year.

Total lending assets increased by $30 billion from $206 billion to $236 billion at 30 June 2005 reflecting growth across a range of lending products.

The Bank's capital position remained strong throughout the year, sitting comfortably above the Bank's target minimum ratios and in compliance with the requirements of the regulators. The Tier One capital ratio increased from 7.43% to 7.46% and the Total Capital ratio decreased from 10.25% to 9.75% during the year to 30 June 2005.

During the year, the Bank's risk-weighted assets grew from $169 billion to $190 billion.

The Bank's long term credit ratings remain unchanged.

At 30 June 2005, the Bank's credit ratings were:

Credit Rating	Long-term	Short-term
Fitch Ratings	AA	F1+
Moody's Investor Services	Aa3	P-1
Standard & Poor's	AA-	A-1+

The following significant capital management initiatives were undertaken to actively manage the Bank's Tier One capital:

- Issue of NZ$350 million (A$323 million) of Perpetual Preference Shares in December 2004;
- Issue of $200 million of shares in March 2005 to satisfy the DRP in respect of the interim dividend for 2004/2005; and
- In accordance with APRA guidelines, the estimated issue of $272 million of shares to satisfy the DRP in respect of the final dividend for 2004/2005.

As required by APRA, the Bank's investment in its life insurance and funds management companies is deducted from regulatory capital to arrive at the Bank's Capital Ratios. The Bank's life and funds management companies held an estimated $580 million excess over regulatory capital requirements at 30 June 2005 in aggregate.

The Bank has an integrated risk management framework to identify, assess and manage risks in the business. The Bank's risk profile is measured by the difference between capital available to absorb loss and risk as assessed by target equity required. This risk framework is described more fully elsewhere in this report.

Dividends

The total dividend for the year is another record at $1.97 per share, an increase of 14 cents or 8% on the prior year. The dividend payout ratio ("cash basis") for the year is 73.9% consistent with the payout ratio in the prior year, after adjusting for the additional Which new Bank expenses in that year.

The dividend payment for the second half of the year is $1.12 per share ($1.04 per share in the previous year). This dividend payment is fully franked and will be paid on 23 September 2005 to owners of ordinary shares at the close of business on 19 August 2005 ("record date"). Shares will be quoted ex-dividend on 15 August 2005.

The Bank issued $200 million of shares to satisfy shareholder participation in the Dividend Reinvestment Plan ("DRP") in respect of the interim dividend for 2004/2005. It expects to issue around $272 million of shares in respect of the DRP for the final dividend for 2004/2005.

Highlights (continued)

Contributions to Profit (after income tax)	Full Year Ended 30/06/05 $M	30/06/04 $M	Jun 05 vs Jun 04 %	Half Year Ended 30/06/05 $M	31/12/04 $M	Jun 05 vs Dec 04 %
Banking	**2,959**	2,675	11	**1,532**	1,427	7
Funds Management	**351**	274	28	**181**	170	6
Insurance	**156**	129	21	**89**	67	33
NPAT ("underlying basis")	**3,466**	3,078	13	**1,802**	1,664	8
Shareholder Investment Returns (after tax)	**177**	152	16	**66**	111	(41)
Which new Bank (after tax)	**(105)**	(535)	large	**(86)**	(19)	large
NPAT ("cash basis")	**3,538**	2,695	31	**1,782**	1,756	1
Appraisal value uplift	**778**	201	large	**513**	265	large
Goodwill amortisation	**(325)**	(324)	-	**(163)**	(162)	1
NPAT ("statutory basis")	**3,991**	2,572	55	**2,132**	1,859	15
Dividends on preference shares paid(1)	**131**	109		**70**	61	
Dividends on ordinary shares paid/declared	**2,517**	2,311		**1,434**	1,083	

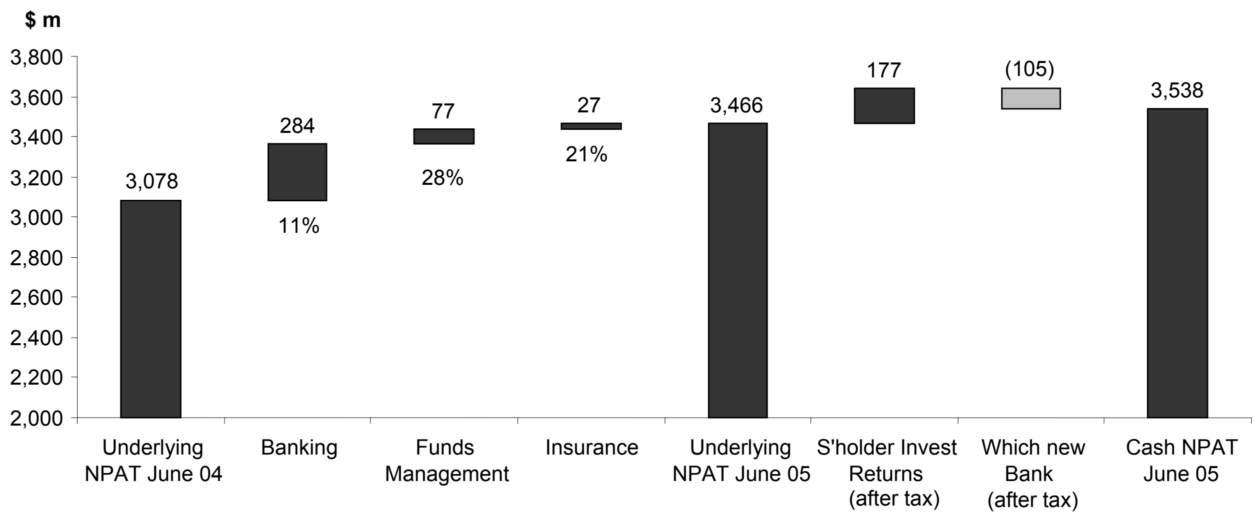
(1) Includes dividends paid on Perls, Perls II, Trust Preferred securities and ASB preference shares.

Shareholder Summary	Full Year Ended 30/06/05	30/06/04	Jun 05 vs Jun 04 %	Half Year Ended 30/06/05	31/12/04	Jun 05 vs Dec 04 %
Dividend per share – fully franked (cents)	**197**	183	14 cents	**112**	85	27 cents
Dividend cover – cash (times)	**1.4**	1.1		**1.2**	1.6	
Dividend cover – underlying (times)	**1.3**	1.3		**1.2**	1.5	
Earnings per share (cents)						
Statutory – basic	**303.1**	196.9	54	**161.5**	141.6	14
Statutory – fully diluted	**303.0**	196.8	54	**161.4**	141.6	14
Cash basis - basic	**267.6**	206.6	30	**134.1**	133.5	-
Cash basis – fully diluted	**267.5**	206.5	30	**134.0**	133.5	-
Underlying basis - basic	**261.9**	237.1	10	**135.5**	126.3	7
Underlying basis – fully diluted	**261.8**	237.0	10	**135.5**	126.3	7
Dividend payout ratio (%)						
Statutory	**65.2**	93.5		**69.5**	60.2	
Cash Basis(1)	**73.9**	73.9		**83.8**	63.9	
Weighted ave(2) number of shares – basic	**1,273**	1,256		**1,277**	1,269	
Weighted ave(2) number of shares – fully diluted	**1,274**	1,257		**1,278**	1,270	
Return on Equity – cash (%)	**16.0**	12.7	330 bpts	**15.9**	16.0	(10) bpts
Return on Equity – underlying (%)	**15.6**	14.6	100 bpts	**16.1**	15.1	100 bpts

(1) Dividend payout ratio for June 2004 excludes the impact of Which new Bank expenses ($535 million after tax), as communicated at the commencement of the program. No adjustment has been made for 2005.

(2) ave: average

Underlying growth of 13% on prior year



Highlights (continued)

Important Dates for Shareholders

15 August 2005	Ex-Dividend Date
19 August 2005	Record Date
23 September 2005	Final Dividend Payment
28 October 2005	Annual General Meeting
15 February 2006	2006 Interim Results Announcement

	Full Year Ended			Half Year Ended		
Group Performance Summary	**30/06/05 $M**	**30/06/04 $M**	**Jun 05 vs Jun 04 %**	**30/06/05 $M**	**31/12/04 $M**	**Jun 05 vs Dec 04 %**
NPAT ("statutory basis")	**3,991**	2,572	55	**2,132**	1,859	15
NPAT ("cash basis")	**3,538**	2,695	31	**1,782**	1,756	1
NPAT ("underlying basis") [(1)]	**3,466**	3,078	13	**1,802**	1,664	8
Net Interest Income	**5,966**	5,410	10	**3,033**	2,933	3
Other banking income	**2,915**	2,846	2	**1,503**	1,412	6
Funds management income	**1,261**	1,158	9	**646**	615	5
Insurance income	**747**	678	10	**387**	360	8
Total Operating Income	**10,889**	10,092	8	**5,569**	5,320	5
Shareholder investment returns	**237**	196	21	**92**	145	(37)
Policyholder tax benefit	**228**	203	12	**117**	111	5
Total Income	**11,354**	10,491	8	**5,778**	5,576	4
Operating expenses	**5,697**	5,500	4	**2,869**	2,828	1
Which new Bank	**150**	749	large	**122**	28	large
Total Operating Expenses	**5,847**	6,249	(6)	**2,991**	2,856	5
Charge for bad and doubtful debts	**322**	276	17	**176**	146	21
Net Profit Before Income Tax	**5,185**	3,966	31	**2,611**	2,574	1
Policyholder tax expense	**228**	203	12	**117**	111	5
Corporate tax expense	**1,409**	1,059	33	**707**	702	1
Outside equity interests	**10**	9	11	**5**	5	-
NPAT ("cash basis")	**3,538**	2,695	31	**1,782**	1,756	1
Appraisal value uplift	**778**	201	large	**513**	265	large
Goodwill amortisation	**(325)**	(324)	-	**(163)**	(162)	1
NPAT ("statutory basis")	**3,991**	2,572	55	**2,132**	1,859	15

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

	Full Year Ended			Half Year Ended		
Key Performance Indicators	**30/06/05 $M**	**30/06/04 $M**	**Jun 05 vs Jun 04 %**	**30/06/05 $M**	**31/12/04 $M**	**Jun 05 vs Dec 04 %**
Banking						
Net interest margin (%)	**2.45**	2.53	(8) bpts	**2.45**	2.44	1 bpt
Average interest earning assets	**243,948**	214,187	14	**249,586**	238,402	5
Average interest bearing liabilities	**225,592**	197,532	14	**230,354**	220,908	4
Funds Management						
Operating income to average funds under administration (%)	**1.09**	1.11	(2) bpts	**1.09**	1.10	(1) bpt
Funds under administration - spot	**123,064**	109,883	12	**123,064**	117,440	5
Insurance						
Inforce premiums	**1,265**	1,167	8	**1,265**	1,199	6
Capital Adequacy						
Tier 1 (%)	**7.46**	7.43		**7.46**	7.46	
Total (%)	**9.75**	10.25		**9.75**	9.60	
Adjusted Common Equity	**4.91**	4.75		**4.91**	4.76	

Credit Ratings	**Long-term**	**Short-term**	**Affirmed**
Fitch Ratings	AA	F1+	Jun 05
Moody's Investor Services	Aa3	P-1	Jun 05
Standards & Poor's	AA-	A-1+	Jun 05

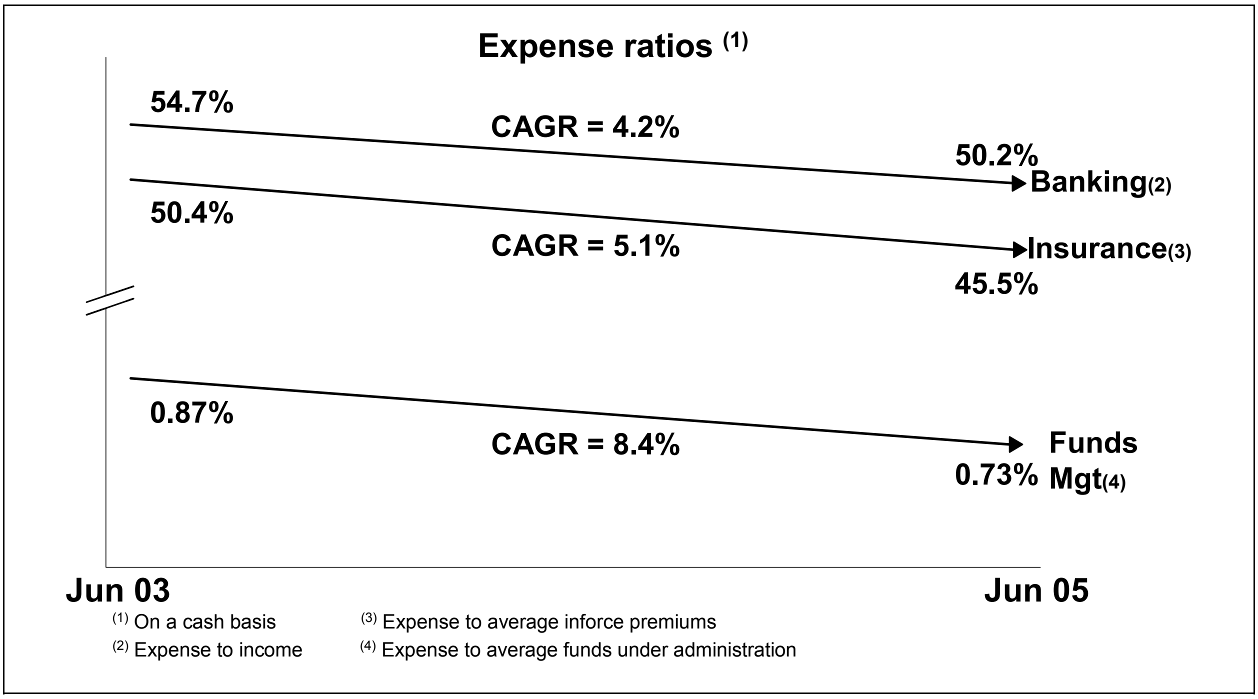
The Bank continues to maintain a strong capital position, reflected in its credit ratings which remained unchanged for the year. Additional information regarding the Bank's capital is disclosed in Note 31.

Highlights (continued)

Balance Sheet Summary	As at 30/06/05 $M	31/12/04 $M	30/06/04 $M	Jun 05 vs Dec 04 %	Jun 05 vs Jun 04 %
Lending Assets[1]	**235,849**	224,402	205,946	5	15
Total assets	**329,035**	320,952	305,995	3	8
Total liabilities	**302,975**	295,885	281,110	2	8
Shareholders' equity	**26,060**	25,067	24,885	4	5
Assets held and FUA[3]					
On Balance Sheet					
Banking assets	**292,026**	284,258	269,066[2]	3	9
Insurance Funds under administration	**22,959**	23,221	22,952	(1)	-
Other insurance and internal funds management assets	**14,050**	13,473	13,977[2]	4	1
	329,035	320,952	305,995	3	8
Off Balance Sheet					
Funds under administration	**100,105**	94,219	86,931	6	15
	429,140	415,171	392,926	3	9

(1) Lending assets comprise Loans, Advances, and Other Receivables (gross of provisions for impairment) and Bank acceptances of customers.
(2) Comparatives for 30 June 2004 have been restated to reflect a restructure and subsequent realignment in business segments.
(3) FUA: Funds under Administration

Productivity and Efficiency	Full Year Ended 30/06/05	30/06/04	Jun 05 vs Jun 04 %	Half Year Ended 30/06/05	31/12/04	Jun 05 vs Dec 04 %
Banking						
Expense to income (%)	**50.2**	59.2	15.2	**50.3**	50.1	(0.4)
Underlying expense to income (%)	**48.9**	50.8	3.7	**48.1**	49.7	3.2
Funds Management						
Expense to average FUA (%)	**0.73**	0.80	8.8	**0.72**	0.74	2.7
Underlying expense to average FUA (%)	**0.70**	0.76	7.9	**0.68**	0.72	5.6
Insurance						
Expense to average inforce premiums (%)	**45.5**	47.3	3.8	**46.6**	44.9	(3.8)
Underlying expense to average inforce premiums (%)	**45.3**	46.1	1.7	**46.5**	44.8	(3.8)



Which new Bank Summary

Background

In September 2003, the Bank launched its Which new Bank customer service vision "To excel in customer service". The service transformation consists of three themes; excellent **customer service** through **engaged people** supported by **simple processes**.

The Bank estimated a spend of $1,480 million over the three years to 2006. This included $600 million of normal project spend, and an additional $620 million in areas such as systems and process simplification, technology and staff training and $260 million invested in the branch network.

The Bank provided the following financial guidance:

- An increase in cash EPS exceeding 10% compound average growth rate (CAGR) over the three years, which has subsequently been revised upwards to exceed 12% CAGR;
- Achieving a 4-6%pa productivity improvement;
- Regaining profitable market share in key business lines; and
- Increasing dividends each year.

Progress in 2005

The Bank continues to make significant progress on its market commitments, with net benefits in 2005 totalling $724 million. Market shares in key business lines have improved (home loans, personal lending, funds management) or are showing signs of turn-around (business lending, deposits). Efficiency gains are being recorded in each segment. Dividends have continued to increase throughout the program.

Progress within the major initiatives include the following:

- "CommLeader" the Bank's leadership program which provides a common understanding of our approach to leadership and desired behaviours that underpin the cultural change, has been completed by 300 senior leaders;
- Service and sales training for 27,000 staff has been completed, thereby equipping staff and managers to provide higher quality needs analysis and improved service to our customers;
- "CommWay" initiatives have achieved turnaround time improvement across many of the Bank's processes. In addition, a significant improvement in response times for home loans and personal loans has been achieved with end-to-end systems and process redesign.
- "CommSee" the new customer management platform, that provides our customer service staff with ready access to imaged client documents and authorities, is making it easier to view customer information. More than half our branches now have CommSee operating and we are averaging over 90,000 referrals per month and maintaining a conversion rate of around 30%. Although CommSee is still being implemented across the country, the momentum gained during the second half of the year will position us well to benefit fully from this customer service initiative;
- A further 127 branches have been refurbished this year, bringing the number of branches modernised to help our people provide faster, more efficient service, to 252;
- The new NetBank platform was introduced in April 2005 providing enhanced functionality and greater flexibility for our 2 million on line customers;
- A redesign of Support Functions has led to the implementation of new business models, achieving simplification and efficiency gains and improving customer service as reflected in the internal customer service survey results; and
- The Wealth Management team achieved its June 2005 goal of reducing the number of product systems to seven. This brings the number of systems decommissioned to 10, since the beginning of Which new Bank.

Key metrics

<u>Customer service</u>

Product sales per retail staff member for the June 2005 quarter are 25% higher than at the commencement of Which new Bank in September 2003.

Customer queue times across branches have improved with 85% of branches now serving customers, on average, within two minutes, compared with 41% at the start of the program.

Our internal Service Quality Index, which tracks a number of our service indicators, has moved from 7.7 in June 2003 to 8.5 in June 2005. Our Strength of Relationship score has increased slightly from 5.7 in the June 2003 quarter to 5.9 in the June 2005 quarter.

<u>Engaged People</u>

The annual employee workplace (Gallup) survey, measuring employee engagement, showed the Bank increased its percentile rating from 74^{th} in May 2003 to 77^{th} in May 2005. This is against our target of exceeding the global best practice mark at the 75^{th} percentile.

Our recently introduced internal customer service survey, which surveys our support and operations staff for quality of service provided, has risen for the third successive quarter. The latest result show 88% of internal customers agree that they receive excellent service.

The staff engagement survey reaffirmed progress with results improving in the last six months. This includes staff having a clear understanding of the customer service vision, where the Bank is headed and that we have an environment where ideas and knowledge are more freely shared.

<u>Simple processes</u>

CommWay, the Bank's approach to continuous improvement, has completed 41 projects averaging a 49% improvement in turnaround times as well as achieving efficiency gains. Projects were completed across all major operations and support areas. In addition, the program has built competencies across the Bank, with over 450 business people skilled in applying the tools and methodologies as part of their everyday role.

Customers are being provided with quicker credit decisions for home loans and personal loans. The proportion of conditional approvals able to be provided on-the-spot has increased to 71% for home loans in branches, and 45% for personal loans, compared with 47% and 0% respectively at the start of the program. This will continue to rise as additional initiatives are fully implemented.

Focus for 2006

The Bank continues to make significant progress in its customer service transformation and remains confident that with the momentum gained so far, it will meet all the Which new Bank market commitments.

The 2006 financial year will see the completion of all major Which new Bank projects including the deployment of CommSee across Australia. We expect customer service to continue to improve as our people further embrace the service and sales culture, our customer service staff are provided with better tools to serve customers and turnaround times continue to reduce.

Which new Bank Summary (continued)

Which New Bank (WnB)	Full Year Ended 30/06/05 $M	Full Year Ended 30/06/04 $M	Half Year Ended 30/06/05 $M	Half Year Ended 31/12/04 $M
Gross spend	**601**	634	**346**	255
Change in provision for future costs	**(97)**	208	**(40)**	(57)
Investments capitalised	**(154)**	(112)	**(84)**	(70)
Net Which new Bank expenses	**350**	730	**222**	128
Less: Normal project spend	**(200)**	(200)	**(100)**	(100)
Expensing of previously capitalised software	**-**	219	**-**	-
Incremental WnB expense – before tax	**150**	749	**122**	28
Incremental WnB expense – after tax	**105**	535	**86**	19
Which new Bank expense to date	**1,235**	634	**1,235**	889

Incremental WnB expense by Segment	Full Year Ended 30/06/05 $M	Full Year Ended 30/06/04 $M	Half Year Ended 30/06/05 $M	Half Year Ended 31/12/04 $M
Banking	**112**	698	**97**	15
Funds Management	**36**	37	**24**	12
Insurance	**2**	14	**1**	1
Incremental WnB expense – before tax	**150**	749	**122**	28

Which new Bank benefits – total	Full Year Ended 30/06/05 $M	Full Year Ended 30/06/04 $M	Half Year Ended 30/06/05 $M	Half Year Ended 31/12/04 $M
Gross benefits – Revenue	**340**	152	**192**	148
Less: Additional operating expenses	**(67)**	(60)	**(36)**	(31)
Net benefits – Revenue	**273**	92	**156**	117
Gross benefits - Expenses	**451**	145	**267**	184
Net benefits pre tax	**724**	237	**423**	301
Target communicated to market	**620**	200		

The impact on current full year expenses is the net of $451 million cost benefits, less the impact of additional operating expenses of $67 million, totalling $384 million. The ratio of net benefits is: revenue 38% : expenses 62% (2004 was 39% and 61% respectively).

Investment capitalised under WnB	Full Year Ended 30/06/05 $M	Full Year Ended 30/06/04 $M	Half Year Ended 30/06/05 $M	Half Year Ended 31/12/04 $M
Branch Refurbishment	**58**	74	**45**	13
IT systems	**96**	38	**39**	57
Total amount capitalised	**154**	112	**84**	70

The balance of capitalised IT systems at 30 June 2005 was $182 million.

	June 2005 Milestone	Percentage complete*	Target date
Customer	1. Service & Sales Management - remaining staff trained	100%	Jun 05
	2. Branch Refurbishment - refurbish 125	100%	Jun 05
	3. NetBank - new service implemented	100%	Mar 05
	4. CommSee - platform built and deployment commenced	100%	Apr 05
	5. CommSee - 40% customer-facing staff trained	100%	Jun 05
	6. Segment Model - pilot completed	100%	Jun 05
People	7. Performance Culture - performance management system implemented	100%	Dec 04
	8. Performance Culture - new learning curriculum available	100%	Jun 05
Process	9. CommWay - 40 process simplification initiatives completed	100%	Jun 05
	10. Support Function Redesign - implementation of 14 functions completed	100%	Jun 05
	11. Wealth management systems - reduced from 11 to 7	100%	Jun 05
	12. Procurement - 10 key categories renegotiated	100%	Jun 05
	13. IT Efficiency - run-rate savings of $80m realised	100%	Jun 05

* As at end June 2005 ¦ As at May 2005 WnB progress update

Banking Analysis

Financial Performance

The 2005 underlying profit after tax for the banking business increased by 11% to $2,959 million. The performance during the year was underpinned by:

- Strong volume growth in home lending, up 15% to $140 billion and personal lending, up 19% to $16 billion;
- Stable net interest margin since June 2004 to bring the full year NIM to 2.45%, eight basis points below the average for the prior year;
- Continued market share growth in the key retail lending products;
- Good cost control, with relatively flat costs, and
- Bad debt expense as a proportion of Risk Weighted Assets remaining at 17 basis points.

The underlying result for the second half of the year increased 7% to $1,532 million from $1,427 million in the first half. The second half performance reflects:

- Home lending volumes remaining ahead of market growth, despite a slow down across the market in the second half;
- Continued stable product margins;
- Operating costs being relatively flat compared with the first half; and
- Improved productivity with the underlying cost to income ratio dropping to 48.1%.

Business Review

Australian Retail

The Australian retail banking operations performed strongly over the year.

The Bank was able to further improve its market share position in home lending, credit cards and other personal lending through a combination of competitive products, effective marketing and good customer service. Margins increased in all products except home loans, where there was only a minor contraction, reflecting growth in third party volumes.

Credit quality remained sound. A decision was taken to increase the risk profile on personal lending unsecured credit, which had a positive impact on lending volume and revenue growth, but with some increase in the bad debt expense. The Bank's personal loan quality remains on par with the average of major competitors.

There has been some loss of retail deposit market share in the high interest rate segment as competitors aggressively price in an effort to gain market share. The Bank's strategy remains focused on delivering segmented product offers as the basis for maintaining profitable market share. In June, the Bank introduced its new NetBank Saver account to meet the needs of customers in this market segment.

The Bank introduced changes to its mortgage broker business model during the year with a progressive implementation from April 2005. Results to date have been in line with expectations, including a significant reduction in the proportion of introductory rate or "honeymoon" business. Separately, development continues on the Bank's new commission-only proprietary home loan channel "Innovators" (launched late 2004), with early results encouraging. The new channel is designed to acquire new home loan customers from external sources, and to complement our existing branch, mobile and broker channels.

Premium, Business & Corporate and Institutional

Premium Business Services provides financial services to a broad client base that incorporates the institutional, corporate and business segments as well as the Bank's high-net worth personal clients.

Our working capital services business had a strong year with continued market share growth and good earnings momentum. The global markets trading business was limited by the low volatility in the Australian dollar and in particular Australian interest rates, leading to some decline in domestic customer activity. The lending business saw intense competition, especially for larger credit and particularly during the first half of the year.

While business lending market share reduced slightly, the Bank's pricing and credit discipline led to further improvements in credit quality.

The Bank's relationship-based service approach has been successful for a broad range of investment products including primary offerings of equities and debt.

Other performance highlights include:

- Lead roles in a number of new financings, including 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; and
- 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.

Asia Pacific

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

During the year, the Bank acquired an 11% interest in Jinan City Commercial Bank, one of the 10 largest city commercial banks in China by assets. Subject to regulatory approval, the Bank will also acquire a 19.9% interest in Hzangzhou City Commercial Bank, ranked in the top five city commercial banks by assets.

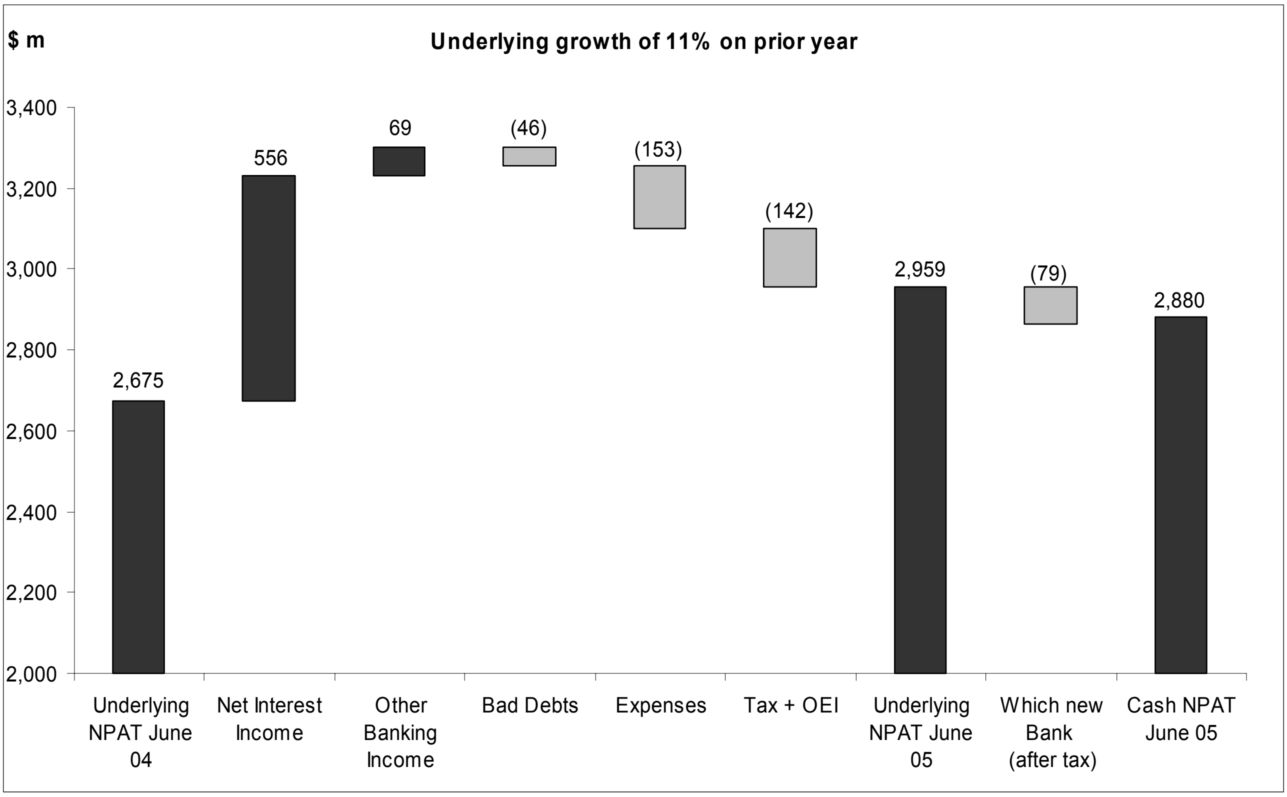
The New Zealand banking sector has continued to remain buoyant during the second half, with some evidence of a slowdown in the home loan market. The impact of the cash rate increases continues to be negative across the market and competition remains intense.

ASB Bank has strengthened its position, further increasing its market share in home lending throughout the year.

ASB Bank was recognised for the third consecutive year as the "Bank of the Year" for New Zealand (Source: Banker Magazine, UK) reflecting the Bank's strong operational performance and commitment to customer service.

Banking Analysis (continued)

Key Performance Indicators	Full Year Ended 30/06/05 $M	30/06/04 $M	Jun 05 vs Jun 04 %	Half Year Ended 30/06/05 $M	31/12/04 $M	Jun 05 vs Dec 04 %
Net interest income	**5,966**	5,410	10	**3,033**	2,933	3
Other operating income	**2,915**	2,846	2	**1,503**	1,412	6
Total Operating Income	**8,881**	8,256	8	**4,536**	4,345	4
Operating expenses	**4,344**	4,191	4	**2,184**	2,160	1
Which new Bank	**112**	698	large	**97**	15	large
Total Operating Expenses	**4,456**	4,889	(9)	**2,281**	2,175	5
Charge for bad and doubtful debts	**322**	276	17	**176**	146	21
Net profit before Income Tax	**4,103**	3,091	33	**2,079**	2,024	3
Income tax expense	**1,220**	914	33	**615**	605	2
Outside equity interests	**3**	1	-	**1**	2	-
NPAT ("cash basis")	**2,880**	2,176	32	**1,463**	1,417	3
NPAT("underlying basis") (1)	**2,959**	2,675	11	**1,532**	1,427	7
Productivity and other measures						
Expense to income (%)	**50.2**	59.2	15.2	**50.3**	50.1	(0.4)
Expense to income - underlying (%)	**48.9**	50.8	3.7	**48.1**	49.7	3.2
Effective corporate tax rate (%)	**29.7**	29.6	10 bpts	**29.6**	29.9	(30) bpts
Balance Sheet						
Lending assets ($m) (2)	**235,849**	205,946	15	**235,849**	224,202	5
Average interest earning assets ($m)	**243,948**	214,187	14	**249,586**	238,402	5
Average interest bearing liabilities ($m)	**225,592**	197,532	14	**230,354**	220,908	4
Asset Quality						
Risk weighted assets ($m)	**189,559**	169,321	12	**189,559**	180,673	5
Net impaired assets ($m)	**219**	197	11	**219**	238	(8)
General provision/Risk weighted assets (%)	**0.73**	0.82	(9) bpts	**0.73**	0.76	(3) bpts
Total provisions/Gross impaired assets (net of interest reserved) (%)	**411.4**	451.8	-	**411.4**	373.0	-
Bad debt expense as a % of Risk weighted assets annualised (%)	**0.17**	0.16	1 bpt	**0.19**	0.16	3 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 (continued)

Total Banking Income

Total banking income comprises income from the Australian Retail; Premium, Business & Corporate and Institutional; Group Treasury and Asia Pacific operations.

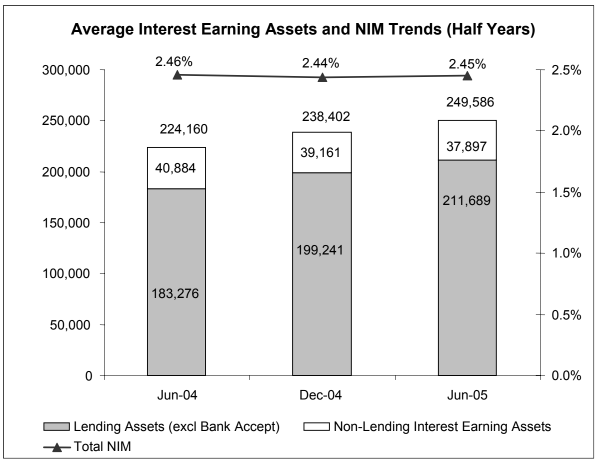
	Full Year		Half Year	
Total Banking Income	30/06/2005 $M	30/06/2004 $M	30/06/2005 $M	31/12/2004 $M
Australian Retail	4,679	4,292	2,392	2,287
Premium, Business, Corporate and Institutional and Group Treasury	2,877	2,715	1,443	1,434
Asia Pacific	833	710	428	405
Trading income	440	499	221	219
Other	52	40	52	-
Total Banking Income	**8,881**	**8,256**	**4,536**	**4,345**
Net Interest Income	5,966	5,410	3,033	2,933
Other Banking Income	2,915	2,846	1,503	1,412
Total Banking Income	**8,881**	**8,256**	**4,536**	**4,345**

- *Australian Retail Banking Services:* Total income increased by 9% from the prior year to $4,679 million, driven largely by higher interest income, with growth in lending assets of 15% while margins remained stable. Income during the second half was 5% above the first half.
- *Premium, Business & Corporate and Institutional and Group Treasury*: Total income was 6% above the prior full year and reflects improved growth in lending assets. Income in the second half of the year was relatively flat compared with the first half.
- *Asia Pacific:* The increase in total income by 17% from the prior year reflects the benefits of continued strong lending growth in ASB Bank combined with a stronger New Zealand Dollar. Income in the second half of the year was 6% above the first half.

Net Interest Income

Net interest income for the year increased by 10% to $5,966 million. The growth was driven by a 14% increase in average interest earning assets, partially offset by an eight basis points contraction in the net interest margin to 2.45%.

During the second half of the year, with evidence of a slow down in home lending activity, net interest income increased 3% on the first half. This was the result of a 5% growth in average interest earning assets, a stable net interest margin (2.45%) and three less days in the second half compared with the first half.



Volume

Average interest earning assets increased by $26 billion over the year to $250 billion, reflecting a $28 billion increase in lending assets. Average liquid assets reduced by $3 billion during the year.

The largest contributor to the increase in average interest earning assets was the continued resilience of home lending in Australia and New Zealand.

Average home loan balances increased by 19% since 30 June 2004 to $132 billion (19% growth excluding securtisation). This growth was ahead of the market, in both the Australia and New Zealand residential lending sectors.

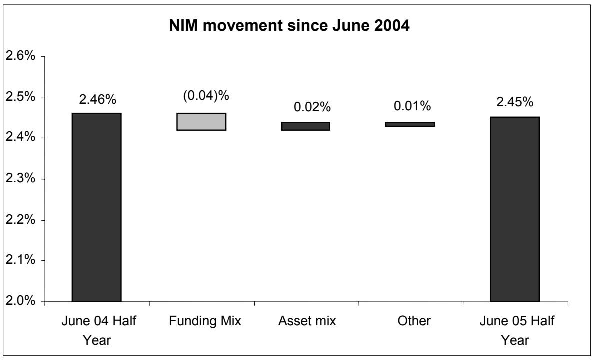
During the second half of the year, home lending activity across the market slowed as expected. Average home lending balances increased 6% (down from 10% in the first half).

Personal lending average balances increased $2 billion (15%) since June 2004, with strong growth across all major products including personal loans, credit cards and margin lending.

Average balances for Business, Corporate and Institutional lending grew 13% over the full year, across a number of lines of business including variable lending, hire purchase and term loans. During the second half average balances grew by 5% relative to the first half.

Interest Margin

The net interest margin for the full year of 2.45% was eight basis points below the prior year. Following the contraction which occurred during the second half of last year, the NIM has remained stable over the past 12 months. The average monthly margin for the June 2005 half year of 2.45% was in line with the average margin for the June 2004 half year of 2.46%.



Factors impacting on the margin relative to the June 2004 half year included:

- Funding Mix: increased reliance on wholesale funding as a result of the strong growth in home lending outpacing retail deposit growth. The impact was to reduce NIM by four basis points.
- Asset Mix: continued strong growth in home loans balances (lower margin than other products) compared with other lending caused a slight reduction in NIM, but this was more than offset by the reduced level of non-lending liquid assets.
- Other: while competition remained strong across all products, the Bank continued to focus on maintaining the net interest margin. Most product margins remained relatively flat, which together with a slight benefit from a cash rate increase led to a one basis point increase in NIM.

During the second half of the year the net interest margin stabilised at 2.45%, up one basis point from the first half. This outcome reflected relatively stable margins across the major lending assets.

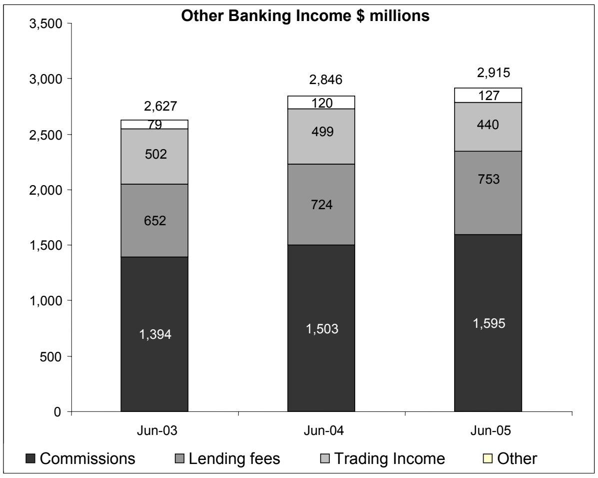
Banking Analysis (continued)

Other Banking Income

	Full Year Ended		Half Year Ended	
	30/06/05 $M	30/06/04 $M	30/06/05 $M	31/12/04 $M
Commissions and Fees	**1,595**	1,503	**798**	797
Lending fees	**753**	724	**395**	358
Trading income	**440**	499	**221**	219
Other	**127**	120	**89**	38
Other Banking Income	**2,915**	**2,846**	**1,503**	**1,412**

Other banking income increased 2% to $2,915 million compared with $2,846 million in the prior year. During the current year higher volume related commission and lending fees income were partially offset by lower trading income.

During the second half of the year, income increased 6% over the first half with increased volumes, changes in upfront commission payments to mortgage brokers and higher leasing income attributable to a change in tax legislation. Commission and trading income were broadly in line with the first half of the year.



During the year:

- <u>Commissions and Fees</u> increased 6% to $1,595 million driven by increased volumes and completion of major infrastructure transactions (including Tollways) during the first half of the year. Credit card volume increases were driven by increased activity levels, combined with the launch of the Platinum card during March 2004. There was no significant growth in commission and fee income in the second half, relative to the first half of the year.
- <u>Lending Fees</u> increased 4% to $753 million with volume increases in bill and overdraft facilities being the primary drivers. Second half income increased 10% on the first half, reflecting a reduction in upfront commission payments to mortgage brokers, combined with continued higher volumes in personal lending, overdraft and bill facilities.
- <u>Trading Income</u> of $440 million was 12% below the prior year with lower market volatility and difficult trading conditions while lower volumes were recorded across the derivatives and foreign exchange sectors. Second half trading income levels were in line with the first half.
- <u>Other Banking Income</u> was relatively flat for the year. Current year income includes an amount of $52 million due to the change in tax consolidation legislation for leasing (recognised in the second half of the year). The prior year included profits from strategic assets sales (Bank of Queensland and Fleet Lease) totalling $71 million, partially offset by a $31 million equity accounting loss of an associated entity due to a change in it's accounting policy.

Operating Expenses

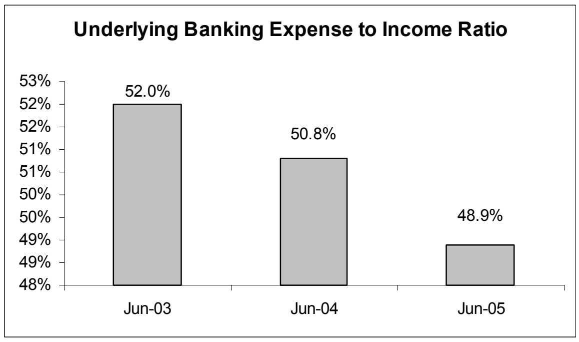
Operating expenses within the Banking business increased 4% to $4,344 million during the current year. Operating expenses during the year were impacted by:

- Average increase of 4% in staff expenses reflecting labour market movements and other inflation-related cost increases;
- Volume growth in the New Zealand Banking operations;
- A stronger New Zealand Dollar contributing an additional $20 million in costs; and
- Increased costs associated with large compliance related projects (e.g. Basel II, IFRS and Sarbanes Oxley) totalling $35 million for the year ($15 million in 2004).

Excluding the impact of the higher New Zealand Dollar and increased compliance project costs, operating expenses increased by 3%.

During the second half of the year, operating costs were virtually flat, increasing by only 1% to $2,184 million. Costs across the core Australian banking segments were at or below the first half, offset by volume related increases within the New Zealand Banking operations.

Productivity



The underlying Banking expense to income ratio dropped to below 50% for the first time to 48.9% over the year. This favourable result was attributable to higher income (8% increase) without a corresponding rise in underlying expenses. The benefits realised under the Which new Bank program continue to increase.

The underlying Banking expense to income ratio for the second half was 48.1%, down from 49.7% in the first half and 50.8% in the prior June half year.

Bad and Doubtful Debts

The total charge for bad and doubtful debts for the full year was $322 million, which is 17 basis points of Risk Weighted Assets. This level is consistent with the prior year.

Impaired assets were $395m at year end, down from $445m at December 2004 and up from $363m at June 2004.

The Bank remains well provisioned, with total provisions for impairment as a percentage of gross impaired assets net of interest reserved of 411% (December 2004: 373%, June 2004: 452%). General provision as a percentage of risk weighted assets is 0.73% compared with 0.76% as at 31 December 2004 and 0.82% as at 30 June 2004.

Taxation Expense

The corporate tax charge for the full year was $1,220 million, an effective tax rate of 29.7% compared with 29.6% in the prior year.

The effective tax rate in the second half of the current year was 29.6%, down from 29.9% in the first half.

Banking Analysis (continued)

Assets & Liabilities

Retail Lending

Major Balance Sheet Items (gross of impairment)	30/06/05 $M	31/12/04 $M	30/06/04 $M	Jun 05 vs Dec 04 %	Jun 05 vs Jun 04 %
		As at			
Lending assets - Home Lending (excl. securitisation)	**129,913**	121,704	112,488	7	15
Lending assets - Home Lending	**119,094**	115,313	104,883	3	14
Lending assets - Personal Lending	**15,477**	14,317	13,160	8	18
Market Share Percentage					
Home Loans	**19.9**	19.6	19.3 (1)		
Credit cards	**22.9**	23.2	22.7 (1)		

(1) As reported in the June 2004 Profit Announcement

Home Lending

Home loan balances (net of securitisation) increased by 14% from 30 June 2004 to $119 billion. Excluding the impact of securitisation, (there were a number of tranches in the past six months), the growth since June 2004 totalled 15% and 7% since December 2004. Home lending market share improved, rising 63 basis points since June 2004 (up 31 basis points from December 2004) to 19.9% as at June 2005. Market share has improved each month in the year to June 2005.

The Bank's branches continue to perform strongly, with growth ahead of the overall market. This has been supported by further increases in broker originated loans which now account for 21% of the Bank's total Australian book.

Personal Lending

Personal lending balances increased by 18% over the full year to $15.5 billion, and by 8% over the past six months.

Personal Loans have grown strongly, as the Bank has sought to optimise the relationship between risk and reward. Growth in credit card balances reflected higher activity levels and the launch of a new Platinum card in March 2004. Market share in credit cards has improved 20 basis points since June 2004. Margin Lending balances continued to grow throughout the year, assisted by strong equity markets.

Business, Corporate and Institutional Lending (1)

Major Balance Sheet Items (gross of impairment)	30/06/05 $M	31/12/04 $M	30/06/04 $M	Jun 05 vs Dec 04 %	Jun 05 vs Jun 04 %
		As at			
Interest earning lending assets	**51,584**	48,424	45,899	7	12
Bank acceptances of customers	**16,786**	16,297	15,019	3	12
Cash and other liquid assets	**11,144**	10,667	13,379	4	(17)
Trading & investment securities	**22,057**	23,525	23,884	(6)	(8)
Market Share Percentage					
Business Lending	**13.4**	13.5	13.8		
Asset Finance (3)	**16.6**	16.7 (2)	16.8		
Transaction Services (Commercial) (4)	**24.8**	24.4 (2)	24.4 (2)		
Transaction Services (Corporate) (5)	**22.1**	21.4 (2)	20.9 (2)		

(1) Includes Group Treasury

(2) As reported in the December 2004 Profit Announcement

(3) Source: AELA (Aust Equip Lessors Assoc) as at May 2005. The comparatives have been restated to now also include other CBA receivables (previously included CBFC business only)

(4) Source: East & Partners as at February 2005. Survey respondents included companies with $20 million to $340 million turnover.

(5) Source: East & Partners as at May 2005. Survey respondents are companies with turnover greater than $340 million

Lending Assets

Business, Corporate and Institutional interest earning lending has increased $5.7 billion or 12% over the year to $51.6 billion at June 2005 ($3.2 billion or 7% growth since December 2004). Bank acceptances increased by 12% since June 2004 (3% growth since December 2004) with Bill facilities continuing to be a valuable source of financing for our customers.

Total lending growth market share (including bank acceptances) decreased slightly during the second half of the year to 13.4%. Business credit spreads, particularly for large transactions, contracted further throughout the year, reflecting the higher competitive business environment.

Trading and Investment Securities

Trading and Investment securities decreased by $1.8 billion over the year ($1.5 billion since December 2005) to $22.1 billion at June 2005.

Transaction Services

Transaction market share for medium (commercial) and large corporations continued to grow, increasing 40 and 70 basis points respectively over the past half year.

Banking Analysis (continued)

Deposits Australia

	As at				
	30/06/05 $M	31/12/04 $M	30/06/04 $M	Jun 05 vs Dec 04 %	Jun 05 vs Jun 04 %
Transaction Deposits	**30,501**	29,394	28,887	4	6
Savings Deposits	**34,205**	33,603	32,914	2	4
Investment Deposits	**52,286**	50,566	47,844	3	9
Deposits not bearing Interest	**5,823**	5,885	5,407	(1)	8
Sub Total Deposits (excl CD's and other)	**122,815**	119,448	115,052	3	7
Certificate of Deposits and other [1]	**18,299**	21,360	24,101	(14)	(24)
Total Deposits (Australia)	**141,114**	140,808	139,153	-	1
Debt issues	**51,682**	45,465	38,542	14	34
Market Share Percentage					
Household Deposits[2]	**29.8**	30.3	30.7		
Retail Deposits[3]	**22.9**	23.4	23.6 [4]		

(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

Deposits

In a competitive market, characterised by aggressive pricing, the Bank has grown its total deposits excluding Certificates of Deposit (CD's) by 7% over the year to 30 June 2005 (up 3% since 31 December 2004), whilst improving product margins. Across the three deposit categories, the strongest growth was in Investment Deposits, which have increased 9% over the past twelve months.

Transaction and Savings Deposits grew by 6% and 4% respectively during the past year. Savings performance reflected heightened competition as a number of competitors looked to compete aggressively on price in an effort to grow market share.

The Bank's strategy remains focussed on delivering segmented product offers as the basis for maintaining profitable market share. As part of this strategy the Bank introduced its new NetBank Saver account in June 2005.

Debt Issues

Debt issues were $51.7 billion at 30 June 2005, an increase of $13 billion or 34% from 30 June 2004 (14% or $6 billion increase since December 2004). The growth of debt issues reflects the wholesale funding requirement following the strong asset growth over the past twelve months. The majority of these issues were from offshore markets, where there was favourable market conditions and attractive funding rates.

Asia Pacific

	As at				
Major Balance Sheet Items (gross of impairment)	30/06/05 $M	31/12/04 $M	30/06/04 $M	Jun 05 vs Dec 04 %	Jun 05 vs Jun 04 %
Home Lending	**20,765**	18,945	16,967	10	22
Other Lending assets	**12,132**	10,906	10,018	11	21
Trading & investment securities	**2,843**	3,378	2,459	(16)	16
Cash and liquid assets	**821**	1,469	1,481	(44)	(45)
Debt issues	**6,939**	5,881	5,500	18	26
Deposits [1]	**23,006**	21,492	19,176	7	20
Market Share Percentage					
NZ Lending for housing [3]	**23.0**	22.7	22.2[4]		
NZ Retail Deposits[3]	**19.5**	18.7	17.5[2]		

(1) Asia Pacific Deposits exclude deposits held in other overseas countries (30 June 2005, $3,909 million).
(2) As reported in the June 2004 Profit Announcement.
(3) Source: Reserve Bank of NZ.
(4) Under the current definition used by the RBNZ, the equivalent prior period market share would be 22.4%.

Lending Assets

Total Asia Pacific home lending remained strong over the past twelve months, increasing by 22% to $20.8 billion at 30 June 2005. Growth in the second half of the year has been maintained, increasing 10% relative to December 2004. The strong performance reflects ASB Bank's prominence in the Auckland market, continued excellence in customer service and ongoing successful marketing campaigns.

ASB Bank has continued to grow its home lending market share increasing 30 basis points over the past six months to 23.0% by 30 June 2005.

Other lending assets, which comprise personal, rural and business/commercial lending assets, achieved similar growth levels to that of housing, increasing 21% in the twelve months to 30 June 2005.

Deposits

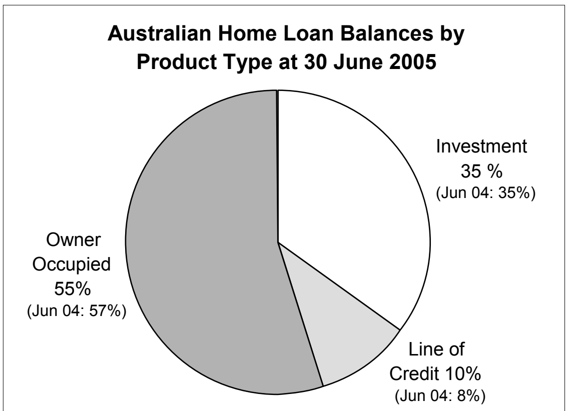
ASB Bank's retail deposits increased 20% over the year and 7% in the past six months. Growth in deposits have been ahead of market with market share increasing to 19.5% at June 2005 up from 17.5% at June 2004 and 18.7% at December 2004.

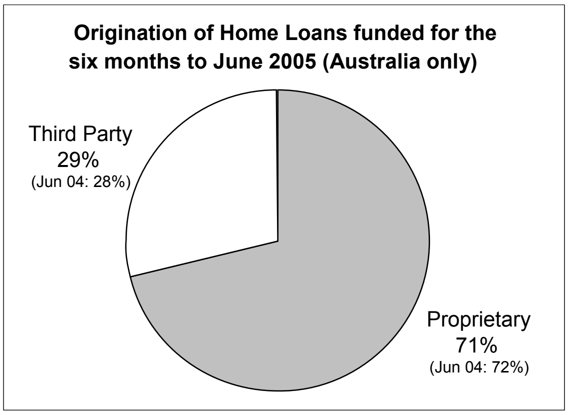
The ASB Bank net interest margin decreased over the year, primarily in the first half of the year. This was attributable to the impact of competitive pressures and higher wholesale funding costs.

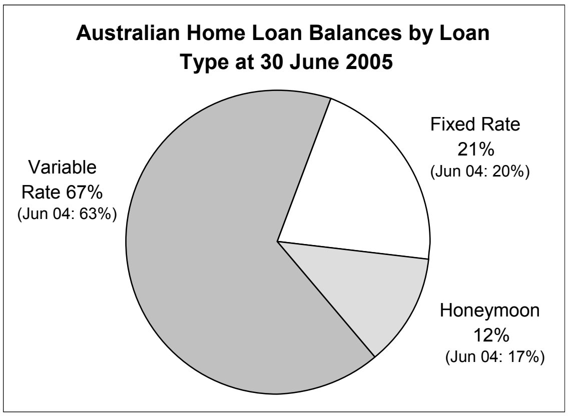
Banking Analysis (continued)

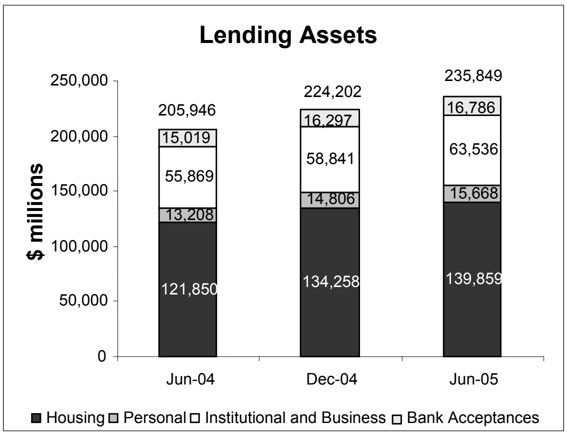
Total Banking	30/06/05 $M	31/12/04 $M	30/06/04 $M	Jun 05 vs Dec 04 %	Jun 05 vs Jun 04 %
	As at				
Interest Earning Assets					
Home Loans excl. securitisation	**150,677**	140,649	129,455	7	16
Less: Securitisation	**(10,818)**	(6,391)	(7,605)	69	42
Home Loans	**139,859**	134,258	121,850	4	15
Personal	**15,668**	14,806	13,208	6	19
Business and Corporate	**63,536**	58,841	55,869	8	14
Loans, Advances and Other Receivables [1]	**219,063**	207,905	190,927	5	15
Cash and other liquid assets[2]	**10,627**	10,284	13,704	3	(22)
Trading Securities	**14,628**	15,881	14,896	(8)	(2)
Investment Securities	**10,272**	11,022	11,447	(7)	(10)
Non Lending Interest Earning Assets	**35,527**	37,187	40,047	(4)	(11)
Total Interest Earning Assets	**254,590**	245,092	230,974	4	10
Other Assets[3]	**74,445**	75,860	75,021	(2)	(1)
Total Assets	**329,035**	320,952	305,995	3	8
Interest Bearing Liabilities					
Transaction Deposits	**34,694**	32,608	31,104	6	12
Savings Deposits	**38,461**	38,052	37,549	1	2
Investment Deposits	**66,087**	64,312	59,693	3	11
Certificates of Deposit and other	**21,809**	25,440	28,250	(14)	(23)
Total Interest Bearing Deposits	**161,051**	160,412	156,596	-	3
Deposits not bearing interest	**6,978**	7,013	6,581	-	6
Deposits and Other Public Borrowings	**168,029**	167,425	163,177	-	3
Due to Other Financial Institutions	**8,023**	9,512	6,641	(16)	21
Debt Issues	**58,621**	51,346	44,042	14	33
Loan Capital	**6,291**	5,801	6,631	8	(5)
Sub-Total	**240,964**	234,084	220,491	3	9
Other Non Interest Bearing Liabilities	**62,011**	61,801	60,619	-	2
Total Liabilities	**302,975**	295,885	281,110	2	8

(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.









Banking Analysis (continued)

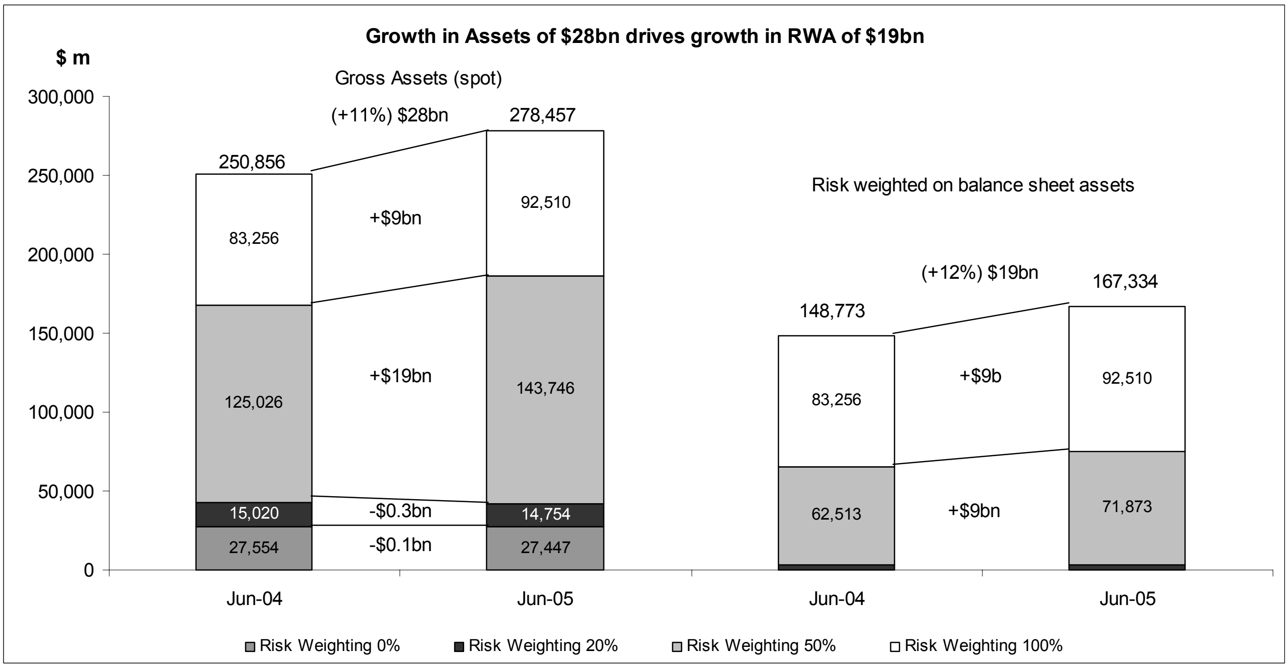
Provisions for Impairment	30/06/05 $M	31/12/04 $M	30/06/04 $M
		As at	
General provisions	**1,390**	1,379	1,393
Specific provisions	**157**	180	143
Total Provisions	**1,547**	1,559	1,536
Total provisions for impairment as a % of gross impaired assets net of interest reserved	**411.4**	373.0	451.8
Specific provisions for impairment as a % of gross impaired assets net of interest reserved	**41.8**	43.1	42.1
General provisions as a % of risk weighted assets	**0.73**	0.76	0.82
Bad debt expense as a % of risk weighted assets annualised.	**0.17**	0.16	0.16

Total provisions for impairment for the Bank at 30 June 2005 were $1,547 million. This level of provisioning is considered adequate to cover any bad debt write offs from the current lending portfolio having regard to the current outlook.

Specific provisions for impairment have increased by 10% to $157 million at 30 June 2005 as a result of an increase in the level of gross impaired assets over the year from $363 million to $395 million.

The general provision for impairment has decreased to $1,390 million at 30 June 2005. The general provision as a percentage of Risk Weighted Assets reduced to 0.73% from 0.82% in the prior year. The general provision as a percentage of risk weighted assets has declined over the last three years reflecting:

- The majority of growth in credit has been in home loans, which have a lower credit risk than other portfolios;
- The continuing strong asset quality in the business lending book; and
- A level of impaired assets which is at the lower level achieved over the past decade.



Funds Management Analysis

Financial Performance and Business Review

Performance Highlights

The full year underlying net profit after tax for the funds management business increased by 28% to $351 million. The performance during the year reflects:

- Strong funds under administration growth of 12% to $123 billion at 30 June; and
- Tight cost control which limited operating expenses growth including commissions to 1%.

The full year cash profit after tax increased by 30% to $349 million. Cash profit was also supported by strong investment markets which increased shareholder investment returns by 27% to $33 million.

The underlying result for the second half of the year increased 6% to $181 million from $170 million in the first half despite a higher effective tax rate. Profit momentum was sustained with operating income increasing by 5%, while costs remained flat.

The cash net profit after tax for the six months to June 2005 decreased by 5% to $170 million. The result was impacted by lower shareholder investment returns following less buoyant investment markets in the second half of the year, higher Which new Bank investment spend and changes to the effective tax rate.

Business Review

The operating environment was favourable, with revenue growth and fund flows benefiting from strong investment markets. At the same time competition remained intense. While the market environment has been conducive to volume growth, the focus of the business on expense control and margins has ensured this volume growth has translated to an excellent profit result.

The year also saw a significant improvement in retail flows and a corresponding increase in retail market share (following several years of declining share). Retail flows were driven by the FirstChoice product which continues to dominate industry retail flows due to a combination of competitive pricing, excellent service and extensive distribution reach.

Another highlight for the year was investment performance, where 95% (by value) of our domestic funds outperformed benchmark including our flagship Australian Equity funds which all ranked in first or second quartile.

Other key developments within the business during the year included:

- Acquisition of a minority stake in 452 Capital, which gives access to the rapidly growing boutique segment of the market;
- Establishment of a new quantitative asset management business (as a joint venture with Acadian);
- Continuing progress in rationalising legacy systems and products (now down to seven systems from 17 at the start of the program);
- Organisational changes which saw the creation of a discrete asset management business, quite separate from the platform/retail distribution business; and
- Excellent progress in selling funds management products through the Bank network, with productivity of planners up 38%.

Investment Performance

The investment performance of the asset management business continues to improve with 95% of retail domestic funds exceeding benchmark on a one year basis. This compares with 57% last year.

Importantly, the investment performance of our flagship Australian Equity funds are now well ahead of benchmark on a one year basis with rankings in first and second quartiles.

Operating Income

Operating income for the year increased by 8% to $1,271 million. Income growth was supported by a 12% increase in funds under administration balances to $123 billion as at 30 June 2005.

Margins were maintained against a background of increasing competition. The gross revenue margin for the business was 109 basis points, a decrease of two basis points on 2004. The good margin result is due to a combination of the wholesale net flows being skewed toward higher margin products, and the strong investment returns which meant there was little decline in the funds under management on the older retail products.

During the second half of the year operating income increased by 5% to $651 million. This result was underpinned by a 5% increase in funds under administration spot balances and margin contraction of one basis point.

Operating Expenses

Operating expenses for the year of $812 million were virtually flat compared with 2004. Volume expenses, which grew 2% for the year due to stronger sales volumes, accounted for all of the growth in expenses. Other operating expenses were flat year on year, despite the additional cost base of the Symetry business which was acquired during the year.

Key drivers of expenses for the period were:

- Significant savings due to WnB initiatives including the rationalisation of the legacy product systems;
- Redesign and rationalisation of back office functions resulting in head count savings, offset by;
- Average salary increases of 4%.

Expenses to average funds under administration for the year were 0.73%, a decline of seven basis points, reflecting good cost management during the year. On an underlying basis the ratio was 0.70% which represents an improvement of six basis points. This represents a productivity improvement of 8% for the year.

During the second half of the year, operating costs were flat compared with the first half.

Taxation

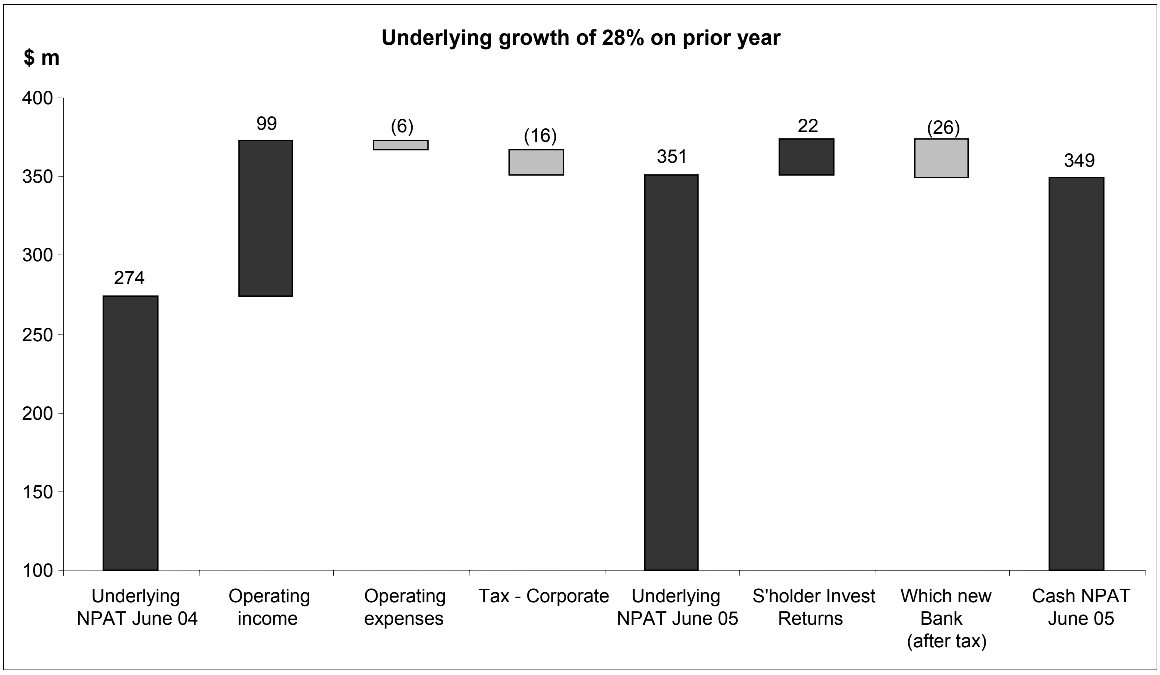
The corporate tax charge for the year was $100 million, with an effective tax rate of 21.9% compared with 22.3% for the prior year. The low effective tax rate in this business is due to the impact of transitional tax relief on investment style funds management products within life insurance legal entities and utilisation of prior period tax losses in offshore businesses. This is the last year where transitional relief is granted to life companies and the effective tax rate will be closer to the corporate tax rate in future periods.

Funds Management Analysis (continued)

Profit Summary

Key Performance Indicators	Full Year Ended 30/06/05 $M	30/06/04 $M	Jun 05 vs Jun 04 %	Half Year Ended 30/06/05 $M	31/12/04 $M	Jun 05 vs Dec 04 %
Operating income - external	**1,261**	1,158	9	**646**	615	5
Operating income - internal	**10**	14	(29)	**5**	5	-
Total Operating Income	**1,271**	1,172	8	**651**	620	5
Shareholder investment returns	**33**	26	27	**9**	24	(63)
Policyholder tax expense	**104**	149	(30)	**52**	52	-
Funds Management Income	**1,408**	1,347	5	**712**	696	2
Operating expenses	**812**	806	1	**406**	406	-
Which new Bank	**36**	37	(3)	**24**	12	large
Total Operating Expenses	**848**	843	1	**430**	418	3
Net Profit before Income Tax	**560**	504	11	**282**	278	1
Policyholder tax expense	**104**	149	(30)	**52**	52	-
Corporate tax expense	**100**	79	27	**56**	44	27
Outside equity interests	**7**	8	(13)	**4**	3	33
NPAT ("cash basis")	**349**	268	30	**170**	179	(5)
NPAT ("underlying basis") [(1)]	**351**	274	28	**181**	170	6
Funds Under Administration						
Funds under administration - average	**116,262**	105,458	10	**120,507**	112,185	7
Funds under administration - spot	**123,064**	109,883	12	**123,064**	117,440	5
Net flows	**456**	846	(46)	**(394)**	850	large
Total Retail net flows	**2,190**	(35)	large	**547**	1,643	large
Productivity and Other Measures						
Operating income to ave FUA	**1.09**	1.11	(2) bpts	**1.09**	1.10	(1) bpts
Expenses to ave FUA actual (%)	**0.73**	0.80	(7) bpts	**0.72**	0.74	(2) bpts
Expenses to ave FUA underlying (%)	**0.70**	0.76	(6) bpts	**0.68**	0.72	(4) bpts
Effective corporate tax rate (%)	**21.9**	22.3	(40) bpts	**24.3**	19.5	480 bpts

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



Funds Management Analysis (continued)

Funds under Administration

Funds under Administration (spot balances) have increased by 12% over the year to $123 billion as at 30 June 2005. The growth in Funds under Administration was due predominantly to strong investment markets which contributed $13 billion. Net flows for the year were $0.5 billion. Pleasingly, overall retail flows were positive $2.2 billion, a turnaround on the flat net flows in the prior year.

Average Funds under Administration of $116.3 billion were 10% higher than the prior year.

The key drivers of funds flows were:

- Continuation of market leading flows into FirstChoice capturing in excess of 25% of the market net flows;
- Outflows from the cash management product due to competition from attractively priced retail deposit products;
- Outflows in other retail products which include closed legacy products, which was consistent with the prior year;
- Continuing outflows from GDP Equities Plus despite the improved investment performance;
- Loss of lower margin cash and indexed wholesale mandates; and
- Good flows into higher margin equity products in the International business.

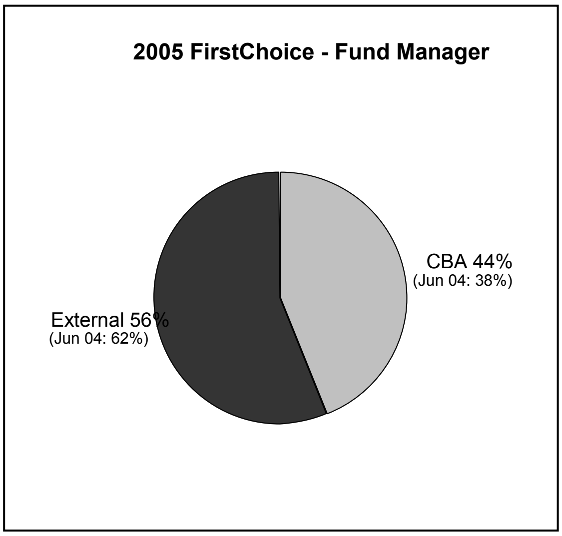
Market Share

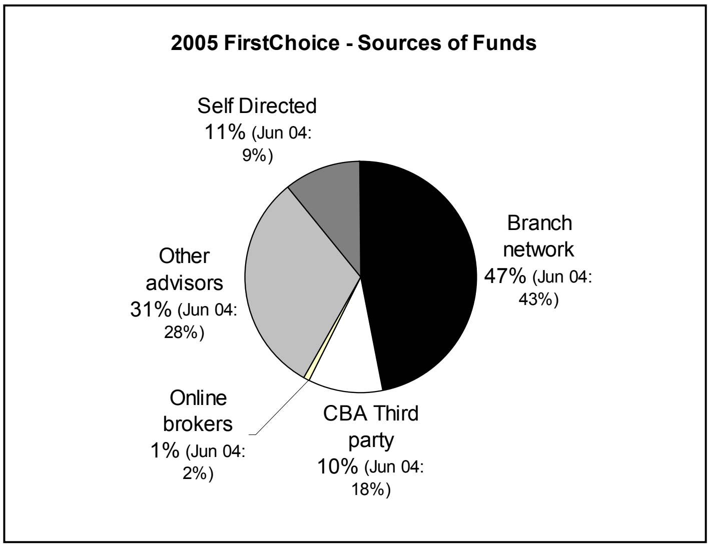
The Australian retail market share increased from 14.2% at 30 June 2004 to 14.8% at 31 March 2005 (31 December 2004: 14.7%). This was due to a reclassification of $3.1 billion of wholesale Funds under Administration to retail (equivalent to 0.6% of market share), following the launch of FirstChoice Wholesale.

The business has seen a significant turnaround in the net flow position of retail Funds under Administration in recent quarters. The most recent Plan for Life survey showed the Bank ranking No. 4 for total retail net flows and No. 3 for retail flows excluding cash trusts.

Market Share Percentage	30/06/05	31/12/04[(1)]	30/06/04[(2)]
Australian Retail – administrator view[(3)]	**14.8**	14.7	14.4[(4)]
New Zealand	**12.7**	13.3	13.2[(5)]
Australian Property[(6)]	**4.8**	5.2	5.5

(1) As reported in the December 2004 Profit Announcement.
(2) As reported in the June 2004 Profit Announcement.
(3) 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).
(4) As at March 2004.
(5) Source: Fund Source Research. Prior period market shares have been updated to reflect total FUA rather than retail FUA as previously reported.
(6) Source: UBS Warburg.





Funds Management Analysis (continued)

Funds Under Administration	Opening Balance[1] 30/06/04 $M	Inflows $M	Outflows $M	Investment Income $M	Acquisitions & Disposals $M	Fx & other Movements[2] $M	Closing Balance 30/06/05 $M
	Full Year Ended 30 June 2005						
FirstChoice & Avanteos [1]	12,075	10,377	(4,265)	1,153	-	(271)[1]	**19,069**
Cash Management	4,414	2,961	(3,425)	232	-	-	**4,182**
Other Retail	34,705	4,417	(7,875)	3,951	-	871[3]	**36,069**
Australian Retail	**51,194**	**17,755**	**(15,565)**	**5,336**	**-**	**600**	**59,320**
Wholesale [1]	23,955	10,841	(13,350)	3,177	-	271	**24,894**
Property	12,624	1,207	(1,172)	1,668	-	(871)[3]	**13,456**
Other	3,033	248	(786)	391	-	-	**2,886**
Domestically Sourced	**90,806**	**30,051**	**(30,873)**	**10,572**	**-**	**-**	**100,556**
Internationally Sourced	19,077	9,209	(7,931)	2,453	-	(300)	**22,508**
Total	**109,883**	**39,260**	**(38,804)**	**13,025**	**-**	**(300)**	**123,064**

Funds Under Administration	Opening Balance 30/06/03 $M	Inflows $M	Outflows $M	Investment Income $M	Acquisition & Disposals $M	Fx & other Movements[2] $M	Closing Balance 30/06/04 $M
	Full Year Ended 30 June 2004						
FirstChoice & Avanteos	4,192	5,431	(1,370)	757	-	-	9,010
Cash Management	4,963	3,178	(3,930)	203	-	-	4,414
Other Retail	34,498	4,893	(8,237)	3,551	-	-	34,705
Australian Retail	**43,653**	**13,502**	**(13,537)**	**4,511**	**-**	**-**	**48,129**
Wholesale	25,485	12,322	(13,453)	2,666	-	-	27,020
Property	11,790	2,023	(2,079)	890	-	-	12,624
Other	3,251	-	(583)	365	-	-	3,033
Domestically Sourced	**84,179**	**27,847**	**(29,652)**	**8,432**	**-**	**-**	**90,806**
Internationally Sourced	14,387	7,769	(5,118)	1,592	(255)[4]	702	19,077
Total	**98,566**	**35,616**	**(34,770)**	**10,024**	**(255)**	**702**	**109,883**

Funds Under Administration	Opening Balance 31/12/04 $M	Inflows $M	Outflows $M	Investment Income $M	Acquisitions & Disposals $M	Fx & other Movements[2] $M	Closing Balance 30/06/05 $M
	Half Year Ended 30 June 2005						
FirstChoice & Avanteos	16,266	5,287	(2,317)	104	-	(271)[1]	19,069
Cash Management	4,460	1,330	(1,788)	180	-	-	4,182
Other Retail	35,743	1,822	(3,787)	1,420	-	871[3]	36,069
Australian Retail	**56,469**	**8,439**	**(7,892)**	**1,704**	**-**	**600**	**59,320**
Wholesale	24,274	5,805	(6,445)	989	-	271	24,894
Property	12,797	740	(661)	1,451	-	(871)[3]	13,456
Other	2,887	-	(674)	673	-	-	2,886
Domestically Sourced	**96,427**	**14,984**	**(15,672)**	**4,817**	**-**	**-**	**100,556**
Internationally Sourced	21,013	3,600	(3,306)	912	-	289	22,508
Total	**117,440**	**18,584**	**(18,978)**	**5,729**	**-**	**289**	**123,064**

Funds Under Administration	Opening Balance 30/06/04 $M	Inflows $M	Outflows $M	Investment Income $M	Acquisitions & Disposals $M	Fx & other Movements[2] $M	Closing Balance 31/12/04 $M
	Half Year Ended 31 December 2004						
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	34,705	2,595	(4,088)	2,531	-	-	35,743
Australian Retail	**51,194**	**9,316**	**(7,673)**	**3,632**	**-**	**-**	**56,469**
Wholesale	23,955	5,036	(6,905)	2,188	-	-	24,274
Property	12,624	467	(511)	217	-	-	12,797
Other	3,033	248	(112)	(282)	-	-	2,887
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	**109,883**	**20,676**	**(19,826)**	**7,296**	**-**	**(589)**	**117,440**

(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 year. During the half year ended 30 June 2005, an amount of $271 million was transferred from FirstChoice to wholesale business.

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

(3) Aligns classification to source of funds rather than product grouping.

(4) Scheduled withdrawal of Winterthur funds.

Insurance Analysis

Financial Performance and Business Review

Performance Highlights

The Bank is the largest life insurer in the Australian, New Zealand and Fiji markets. The Insurance business delivered a strong profit result for the year, with underlying net profit after tax increasing by 21% to $156 million. The performance during the year was underpinned by:

- Operating income growth of 10%
- In force premium growth of 8% to $1,265 million

The full year cash net profit after tax increased by 23% to $309 million. The result was supported by investment markets which increased shareholder investment returns by 20% to $204 million.

The underlying result for the second half of the year increased 33% to $89 million, due to continuing growth in income and a lower effective tax rate in the second half. However, the cash net profit after tax decreased by 7% to $149 million due to lower investment returns.

Business Review

Australia

The Australian business delivered a good profit result for the year, achieved through revenue growth, improved underwriting performance, reduced unit costs and favourable Life Insurance claims experience.

Key drivers were:

- Life insurance revenue growth, with life insurance premiums increasing by 5%, despite the loss of a large Group risk mandate;
- Positive claims experience in life insurance products; offset by
- Significant weather related claims in the general insurance portfolio, predominantly attributed to the February Eastern Seaboard storms.

The Bank maintained its number one market share of Australian risk premiums with 13.8% of the life insurance risk market. The Bank's share of retail life sales (new business) was 12.9%.

Total operating margin in the Australian business for the year increased by 21% to $94 million. Improved operating margins in Life Insurance offset the lower contribution from the underwritten General Insurance business. The Bank has the largest branch based general insurance distribution footprint in Australia.

Cash net profit after tax increased by 4% to $186 million as stronger operating margins were offset by lower shareholder investment returns.

New Zealand

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

Sovereign has continued to focus on the delivery of operational improvements and the successful execution of service excellence initiatives. The three key achievements during the year were:

- Continued strengthening of business volumes across all major business lines;
- Further improvements to operations and systems infrastructure; and
- Positive claims experience.

Total cash net profit after tax was $74 million for the year, an increase of 35% on prior year, while the operating margin was $52 million, 41% above same period last year.

Sovereign's sales momentum has continued into the second half of the year. New business market share increased significantly to 30.4% (March 2005 quarter), up from 28.4% in the previous corresponding period. The business has also maintained its market leadership position with 27.5% of the 'in-force' premium market. (*Source: ISI*).

Asia

Asia includes the life insurance and pension administration operations in Hong Kong, and life businesses in China, Vietnam, Indonesia and Fiji. The Hong Kong businesses represent the largest operations in the region.

The total cash net profit after tax in the Asia business was $49 million, up from $17 million in the prior year. Operating margin for the year was $8 million, an increase from $3 million in the prior year. This primarily reflects positive investment returns, partly offset by a stronger Australian dollar.

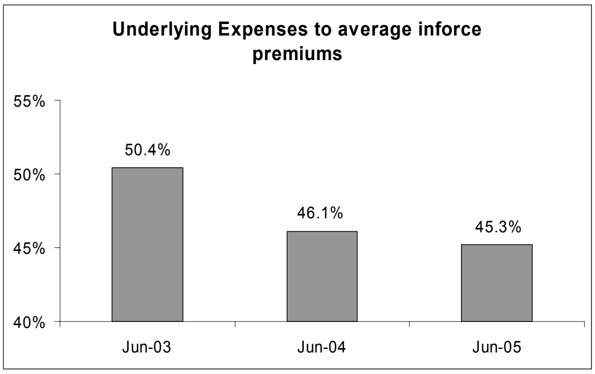
Post balance date, the Bank has entered into an agreement to sell its Hong Kong based life insurance, pensions administration and financial planning businesses to Sun Life Financial. The transaction, targeted for completion within three months, is subject to regulatory approvals. More detail is set out on page 47.

Operating Income

Operating income of $747 million was 10% higher than the prior year. This result was mainly attributable to favourable Life Insurance claims experience in all regions, particularly on the Lump Sum and Wholesale life insurance business.

During the second half of the year, operating income increased 8%. This was also driven by the Life Insurance business.

Operating Expenses



Operating expenses of $551 million were 7% higher than last year. The underlying expense to average in force premium ratio was 45.3% a drop of 2% on the previous year.

The higher expenses were primarily related to the New Zealand operations, which was affected by:

- Adverse foreign exchange movements,
- Higher staff expenses driven by wage inflation associated with a tighter labour market; and
- Sales volume growth resulting in an increase in commission costs.

Corporate Taxation

The effective corporate tax rate for the year was 22.4% compared with 20.8% in the prior year. The increase in the effective corporate tax is due to the increased profitability and permanent differences. The tax rate is lower than the corporate tax rate due to utilisation of tax losses in the overseas businesses.

Insurance Analysis (continued)

Summary Financial Performance (excluding appraisal value uplift)	Full Year Ended 30/06/05 $M	30/06/04 $M	Jun 05 vs Jun 04 %	Half Year Ended 30/06/05 $M	31/12/04 $M	Jun 05 vs Dec 04 %
Insurance						
Life Insurance Operating Income	**693**	618	12	**363**	330	10
General Insurance Operating Income	**54**	60	(10)	**24**	30	(20)
Total Operating Income	**747**	678	10	**387**	360	8
Shareholder investment returns	**204**	170	20	**83**	121	(31)
Policyholder tax	**124**	54	large	**65**	59	10
Total Insurance Income	**1,075**	902	19	**535**	540	(1)
Operating expenses[1]	**551**	517	7	**284**	267	6
Which new Bank	**2**	14	large	**1**	1	-
Total operating expenses	**553**	531	4	**285**	268	6
Net profit before income tax	**522**	371	41	**250**	272	(8)
Income tax expense attributable to:						
Policyholder	**124**	54	large	**65**	59	10
Corporate	**89**	66	35	**36**	53	(32)
NPAT ("cash basis")	**309**	251	23	**149**	160	(7)
NPAT ("underlying basis") [2]	**156**	129	21	**89**	67	33
Productivity and Other Measures						
Expenses to ave inforce premiums (actual %)	**45.5**	47.3	3.8	**46.6**	44.9	(3.8)
Expenses to ave inforce premiums (underlying %)[2]	**45.3**	46.1	1.7	**46.5**	44.8	(3.8)
Effective corporate tax rate (%)	**22.4**	20.8	160 bpts	**19.5**	24.9	(540) bpts

(1) Operating expenses include $10 million internal expenses (2004: $14 million).
(2) Underlying basis excludes shareholder investment returns and Which new Bank.

Sources of Profit from Insurance Activities

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

	Full Year 30/06/05 $M	30/06/04 $M	Jun 05 vs Jun 04 %	Half Year 30/06/05 $M	31/12/04 $M	Jun 05 vs Dec 04 %
Planned profit margins	**122**	107	14	**60**	62	(3)
Experience variations	**27**	-	large	**28**	(1)	large
Other	**(8)**	(8)	-	**(8)**	-	large
General insurance operating margin	**13**	19	(32)	**6**	7	(14)
Operating margins	**154**	118	31	**86**	68	26
After tax shareholder investment returns	**155**	133	17	**63**	92	(32)
Net profit after Income Tax ("cash basis")	**309**	251	23	**149**	160	(7)

Geographical Analysis of Business Performance

Full Year Ended

Net Profit after Income Tax "Cash Basis"	Australia 30/06/05 $M	30/06/04 $M	New Zealand 30/06/05 $M	30/06/04 $M	Asia 30/06/05 $M	30/06/04 $M	Total 30/06/05 $M	30/06/04 $M
Operating margins	**94**	78	**52**	37	**8**	3	**154**	118
After tax shareholder investment returns	**92**	101	**22**	18	**41**	14	**155**	133
Net Profit after Income Tax	**186**	179	**74**	55	**49**	17	**309**	251

Half Year Ended

Net Profit after Income Tax "Cash Basis"	Australia 30/06/05 $M	30/12/04 $M	New Zealand 30/06/05 $M	31/12/04 $M	Asia 30/06/05 $M	31/12/04 $M	Total 30/06/05 $M	31/12/04 $M
Operating margins	**55**	39	**26**	26	**5**	3	**86**	68
After tax shareholder investment returns	**44**	48	**12**	10	**7**	34	**63**	92
Net Profit after Income Tax	**99**	87	**38**	36	**12**	37	**149**	160

Insurance Analysis (continued)

	Full Year Ended 30 June 2005				
Annual Inforce Premiums (2)	**Opening Balance 30/06/04 $M**	**Sales/New Business $M**	**Lapses $M**	**Other Movements(1) $M**	**Closing Balance 30/06/05 $M**
General Insurance(3)	**192**	**62**	**(39)**	**-**	**215**
Personal Life	**703**	**164**	**(89)**	**7**	**785**
Group Life	**272**	**74**	**(87)**	**6**	**265**
Total	**1,167**	**300**	**(215)**	**13**	**1,265**
Australia	**815**	**228**	**(187)**	**-**	**856**
New Zealand	**258**	**48**	**(15)**	**5**	**296**
Asia	**94**	**24**	**(13)**	**8**	**113**
Total	**1,167**	**300**	**(215)**	**13**	**1,265**

	Full Year Ended 30 June 2004				
Annual Inforce Premiums(2)	**Opening Balance 30/06/03 $M**	**Sales/New Business $M**	**Lapses $M**	**Other Movements(1) $M**	**Closing Balance 30/06/04 $M**
General Insurance(3)	196	46	(50)	-	192
Personal Life	626	156	(85)	6	703
Group Life	254	53	(34)	(1)	272
Total	1,076	255	(169)	5	1,167
Australia	771	177	(133)	-	815
New Zealand	221	42	(16)	11	258
Asia	84	36	(20)	(6)	94
Total	1,076	255	(169)	5	1,167

	Half Year Ended 30 June 2005				
Annual Inforce Premiums(2)	**Opening Balance 31/12/04 $M**	**Sales/New Business $M**	**Lapses $M**	**Other Movements(1) $M**	**Closing Balance 30/06/05 $M**
General Insurance(3)	205	33	(23)	-	**215**
Personal Life	750	84	(47)	(2)	**785**
Group Life	244	42	(19)	(2)	**265**
Total	1,199	159	(89)	(4)	**1,265**
Australia	809	123	(76)	-	**856**
New Zealand	281	24	(6)	(3)	**296**
Asia	109	12	(7)	(1)	**113**
Total	1,199	159	(89)	(4)	**1,265**

(1) Consists mainly of foreign exchange movements.
(2) Inforce premium relates to risk business. Savings products are disclosed within Funds Management.
(3) General insurance inforce premiums includes approximately $40 million of badged premium.

Inforce Premiums

Annual in force premiums grew by 8.4% for the year to $1,265 million. General Insurance and personal insurance premiums increased by 12.0% and 11.7% respectively. There was a decrease of 2.6% in the Group Life in force premiums mainly attributable to the loss of a large mandate in the Australian Life Insurance business in the first half of the year.

Australia maintained its leading position of inforce premiums with 13.8% of market share in total life insurance at 31 March 2005. Sovereign maintained its leading position in New Zealand with a market share of 27.5%.

During the second half of the year, inforce premiums increased by 8.6% in Group Life insurance, followed by 4.9% and 4.7% growth in General Insurance and retail life insurance premiums respectively.

Market Share Percentage – Annual Inforce Premiums	**30/06/05**	31/12/04(2)	30/06/04(1)
Australia (Total Risk)(4)	**13.8**	14.6	14.8(3)
Australia (Individual Risk)(4)	**13.0**	12.7	12.7(2)
New Zealand(5)	**27.5**	27.4	27.5(2)
Hong Kong(6)	**2.5**	2.5	2.5(3)

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

Shareholder Investment Returns

Shareholder Investment Returns	Full Year Ended 30/06/05 $M	30/06/04 $M	Jun 05 vs Jun 04 %	Half Year Ended 30/06/05 $M	31/12/04 $M	Jun 05 vs Dec 04 %
Funds Management Business	**33**	26	27	**9**	24	(63)
Insurance Business	**204**	170	20	**83**	121	(31)
Shareholder Investment Returns before Tax	**237**	196	21	**92**	145	(37)
Taxation	**60**	44	36	**26**	34	(24)
Shareholder Investment Returns after Tax	**177**	152	16	**66**	111	(41)

Shareholder Investments Asset Mix (%)	As at 30 June 2005 Australia %	New Zealand %	Asia %	Total %
Local equities	7	1	5	**5**
International equities	3	6	8	**5**
Property	20	5	1	**13**
Other	-	4	2	**1**
Growth	**30**	**16**	**16**	**24**
Fixed interest	24	54	59	**37**
Cash	46	27	6	**33**
Other (1)	-	3	19	**6**
Income	**70**	**84**	**84**	**76**
Total	**100**	**100**	**100**	**100**

Shareholder Investments Asset Mix ($M)	As at 30 June 2005 Australia $M	New Zealand $M	Asia $M	Total $M
Local equities	107	4	30	**141**
International equities	50	26	50	**126**
Property	306	19	6	**331**
Other	-	12	10	**22**
Growth	**463**	**61**	**96**	**620**
Fixed interest	370	224	346	**940**
Cash	684	112	36	**832**
Other (1)	-	12	109	**121**
Income	**1,054**	**348**	**491**	**1,893**
Total	**1,517**	**409**	**587**	**2,513**

(1) Other mainly includes non revenue generating assets

Domestic and international investment markets rebounded strongly over the year, with the benchmark S&P/ASX200 price index increasing by 21.1% and the MSCI World index by 8.3%. All other asset classes (fixed interest, property and cash) posted positive returns.

Shareholder investment returns of $237 million pre tax for the year represent an increase of 21% over the prior year. This reflected lower returns in Australia due to lower level of capital held in the business offset by the strong international investment markets.

Capital reduced during the year as a result of dividends to the shareholder in excess of profit ($56 million), foreign exchange movements ($58 million) and the acquisition of Symmetry Limited.

During the second half of the year, shareholder investment returns were 37% lower due to lower growth rates across most investment markets globally.

Life Company Valuations

The following table sets out the components of the carrying values of the Bank's life insurance and funds management businesses. These are Directors' valuations, based on appraisal values using a range of economic and business assumptions determined by management, which were reviewed by independent actuaries, Trowbridge Deloitte.

In determining the carrying value, Directors have taken account of certain market based factors which result in the adoption of a more conservative valuation that is $450 million lower at 30 June 2005 ($450 million lower at 30 June 2004) than that determined by Trowbridge Deloitte.

		Life Insurance			Total
	Funds Management	Australia	New Zealand	Asia(1)	
Carrying Value at 30 June 2005	**$M**	**$M**	**$M**	**$M**	**$M**
Shareholders net tangible assets	**500**	**1,017**	**409**	**587**	**2,513**
Value of inforce business	**1,859**	**533**	**359**	**-**	**2,751**
Embedded Value	**2,359**	**1,550**	**768**	**587**	**5,264**
Value of future new business	**3,096**	**330**	**350**	**22**	**3,798**
Carrying Value	**5,455**	**1,880**	**1,118**	**609**	**9,062**
Increase/(Decrease) in Carrying Value since 30 June 2004	**316**	**219**	**140**	**(15)**	**660**

		Life Insurance			Total
	Funds Management	Australia	New Zealand	Asia(1)	
Analysis of Movement Since 30 June 2004	**$M**	**$M**	**$M**	**$M**	**$M**
Profits	349	176	71	50	646
Net Capital movements (2)	(121)	195	(79)	1	(4)
Dividends paid	(213)	(485)	-	(4)	(702)
Acquisitions (3)	(30)	-	-	-	(30)
FX Movements	-	-	2	(60)	(58)
Change in Shareholders NTA	**(15)**	**(114)**	**(6)**	**(13)**	**(148)**
Acquired excess	30	-	-	-	30
Net Appraisal value uplift/(reduction)	**301**	**333**	**146**	**(2)**	**778**
Increase/(Decrease) to 30 June 2005	**316**	**219**	**140**	**(15)**	**660**

(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. Subject to gaining the appropriate regulatory approval, the disposal of the Hong Kong life insurance operations will occur subsequent to 30 June 2005. Refer Note 1 (pp) to the financial statements for further information.

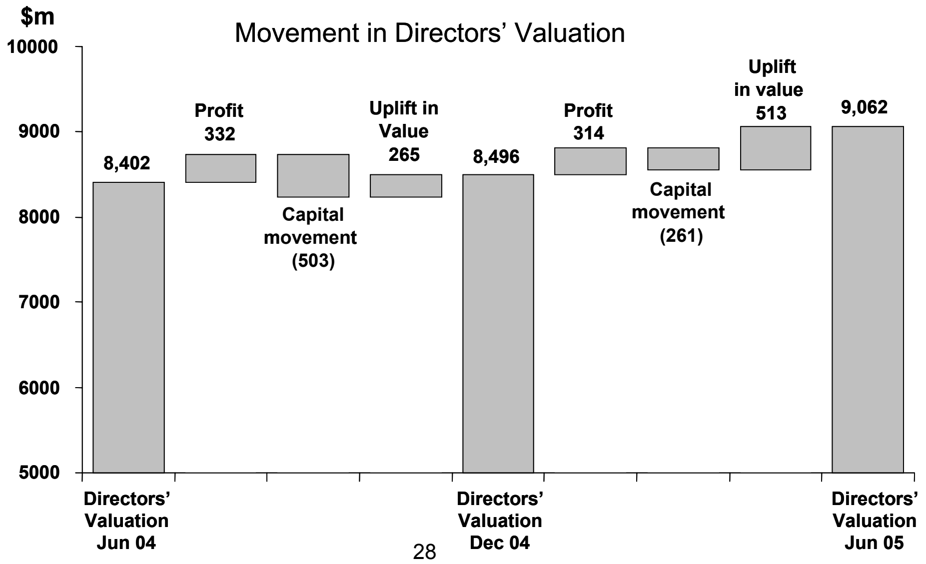
(2) Includes capital injections, transfers and movements in intergroup loans.

(3) Represents the purchase of Symmetry 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 positive change in value of $660 million since 30 June 2004. The main components comprised:

- An appraisal value uplift of $778 million, reflecting growth in Funds under Administration, and improved fund flows while persistency levels and claims ratios improved across each of the insurance businesses. The uplift also includes the negative impact of continued uncertainty of investment markets and industry funds flows;
- Decrease due to dividends in excess of profits of $56 million; and
- A $62 million decrease in net tangible assets due to net capital and foreign exchange movements.



Presentation of Financial Information

Definitions

In this annual report, the Bank presents its profit from ordinary activities after tax on a “statutory basis”, which is calculated in accordance with Australian GAAP, and on a “cash basis”. "Cash basis" is defined by management as net profit after tax and outside equity interests, before goodwill amortisation and funds management and life insurance appraisal value uplift/(reduction). Management believes "cash basis" is a meaningful measure of the Bank’s performance and provides the basis for the determination of the Bank’s dividends. Also for the years ended 30 June 2005 and 30 June 2004, the Bank added back the non-recurring ‘Which new Bank’ costs in considering the amount to be distributed as dividends to shareholders. The goodwill amortisation is an annual accounting charge to profit, with amortisation principally over a 20-year period. The appraisal value uplift or reduction is a movement in the value of the funds management and life insurance businesses which in part is driven by external economic factors and markets, such as world equity markets and interest rates.

The Bank also presents its earnings per share on a statutory basis and on a cash basis. Earnings per share on a statutory basis are affected by the impact of changes in the appraisal value of our funds management and life insurance businesses. "Earnings per share (cash basis)" is defined by management as net profit after tax and outside equity interests, before goodwill amortisation and funds management and life insurance appraisal value uplift/(reduction), divided by the weighted average of the Bank’s ordinary shares outstanding over the relevant period. This measure shows the "cash basis" net profit after tax, as described above, per share.

"Operating Expenses – Which new Bank” refers to incremental expenses associated with the Which new Bank Program. These incremental costs principally relate to restructuring expenses. “Operating expenses – Which new Bank” plus “operating expenses — comparable business” is equal to the Australian GAAP measure "operating expenses". Management believes it is meaningful to highlight these items in an analysis of our results.

"Underlying profit" refers to profit after tax, “cash basis”, before operating expenses - initiatives including Which new Bank and shareholder investment returns. "Underlying profit" is referred to across all our businesses. The underlying profit is the result of our core operating performance. Management believes it is meaningful to highlight the underlying profit in order to show performance on a comparable basis, in particular excluding the volatility of equity markets and restructuring expenses.

"Underlying" productivity ratios:

- Exclude expenses of “Which new Bank”;
- Exclude shareholder investment returns from funds management and life insurance income; and
- Exclude policyholder tax from the funds management income and life insurance income lines.

"Underlying" productivity ratios have been presented to provide what management believes to be a more relevant presentation of our productivity ratios. Management believes that these adjustments enable comparison of our productivity ratios from period to period to be more meaningful as it reflects our core operating performance.

Integrated Risk Management

Risk Management

The integrated risk management framework identifies, assesses, manages and reports risks and risk adjusted returns on a consistent and reliable basis.

Independent review is carried out through the audit role.

The Bank's risk profile is measured by the difference between capital available to absorb loss and risk as assessed by target equity required.

"Target equity" is defined as the potential risk of loss of one year's earnings, measured at a standard consistent with an AA credit rating.

Target equity is derived from underlying exposures to credit, market, operational and insurance risks in the banking, and wealth management (insurance and funds management) businesses of the Bank. In the banking business, economic capital is a measure of the potential risk of loss of cash earnings. In the wealth management businesses, target equity is a measure of the potential risk of loss of the fair value of the business. This is then adjusted so as to allow comparison between the banking and wealth management businesses target equity.

The following sections describe the integrated risk management framework components.

Credit Risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations.

Credit risk arises in the banking business from lending activities, the provision of guarantees including letters of credit and commitments to lend, investment in bonds and notes, financial markets transactions and other associated activities. In the insurance business credit risk arises from investment in bonds and notes, loans, and from reliance on reinsurance. The funds management business does not generally involve credit risk from a shareholder perspective.

The measurement of credit risk is based on an internal credit risk rating system, and utilises analytical tools to calculate expected and unexpected loss for the credit portfolio.

The Bank uses a diversified portfolio approach for the management of credit risk (refer to Note 14) comprised of the following:

- A system of industry limits and targets for exposures by industry;
- A process for considering the risk associated with correlations between large exposures;
- A large credit exposure policy for aggregate exposures to individual, commercial and industrial client groups tiered by credit risk rating and loan duration; and
- A system of country limits for geographic exposures.

These policies assist in the diversification of the credit portfolio.

The credit portfolio is managed in two distinct segments:

- Statistically Managed Segment
- Comprises exposures that are generally less than \$250,000 and is dominated by the housing loan portfolio. Other products in this segment are credit cards, personal loans and some leasing businesses. Credit facilities are approved using scoring and check sheet techniques.
- Risk Rated Segment
  Comprises all other credit exposures. Management is based on the internal credit risk rating system, which makes an assessment of the potential for default for each exposure and the amount of loss if default should occur.

Provision for expected credit loss in the banking business commences when an exposure first arises. The expected loss is re-assessed on a regular basis and provisioning adjusted accordingly.

A centralised exposure management system records all significant credit exposures of the Bank. Customers, industry, geographic and other significant groupings of exposure are regularly monitored.

A centralised portfolio model is used to assess risk and return on an overall portfolio basis and for segments of the portfolio. The model also assists in determining economic equity and general provision requirements, and credit portfolio stress testing.

Off Balance Sheet Arrangements

The Bank is involved with a number of special purpose entities in the ordinary course of business, primarily to provide funding and financial services to our customers. Under Australian GAAP these entities are consolidated in the financial statements if they meet the criteria of control. The definition of control depends upon substance rather than form, and accordingly, determination of the existence of control involves management judgment. The Bank has no off balance sheet financing entities that it is considered to control.

As detailed in Note 1 (jj), the Bank conducts a Loan Securitisation program through which it packages and sells loans as securities to investors. Liquidity facilities are provided at arm's length to the program by the Bank in accordance with the Australian Prudential Regulation Authority ("APRA") Prudential Guidelines. These liquidity facilities are disclosed within Contingent Liabilities as commitments to provide credit.

Market Risk

Market risk is the potential for change in the value of on and off balance sheet positions caused by a change in the value, volatility or relationship between market rates and prices.

Market risk arises from the mismatch between assets and liabilities in both the banking and insurance businesses and from controlled trading undertaken in pursuit of profit. The Bank is exposed to diverse financial instruments including interest rates, foreign currencies, equities and commodities and transacts in both physical and derivative instruments.

A discussion and analysis of the Bank's market risk is contained in Note 39 to the Financial Statements. Information on trading securities is further contained in Note 10 to the Financial Statements. Note 2 to the Financial Statements contains financial markets trading income contribution to the Bank.

In the trading book of the banking business, market risk is measured by a Value-at-Risk (VaR) model. This model uses the distribution of historical changes in market prices to assess the potential for future losses. The VaR model takes into account correlations between risks and the potential for movements in one portfolio to offset movements in another. Actual results are backtested to check the validity of the VaR model. In addition, because the VaR model cannot encompass all possible outcomes, tests covering a variety of stress scenarios are regularly performed to simulate the effect of extreme market conditions.

Integrated Risk Management (continued)

The following table provides a summary of VaR by product. This is one element of the total integrated risk model used by the Bank. Refer to Note 39 to the financial statements for further details.

VaR Expressed based on 97.5% confidence	Average VaR During June 2005 Half Year $M	Average VaR During December 2004 Half Year $M	Average VaR During June 2004 Half Year $M
Group			
Interest rate risk	**3.44**	3.68	2.88
Exchange rate risk	**0.26**	0.58	1.09
Implied volatility risk	**0.49**	0.53	0.84
Equities risk	**0.04**	0.22	0.70
Commodities risk	**0.18**	0.34	0.37
Prepayment risk	**0.38**	0.54	0.58
ASB Bank	**0.22**	0.26	0.14
Diversification benefit	**(0.98)**	(1.64)	(2.49)
	4.03	4.51	4.11
Credit Spread	**4.85**	4.67	4.92
Total	**8.88**	9.18	9.03

VaR Expressed based on 99.0% confidence	Average VaR During June 2005 Half Year $M	Average VaR During December 2004 Half Year $M	Average VaR During June 2004 Half Year $M
Group			
Interest rate risk	**4.78**	4.72	3.69
Exchange rate risk	**0.31**	0.70	1.28
Implied volatility risk	**0.73**	0.70	1.04
Equities risk	**0.05**	0.30	0.98
Commodities risk	**0.21**	0.41	0.45
Prepayment risk	**0.38**	0.54	0.58
ASB Bank	**0.32**	0.34	0.19
Diversification benefit	**(1.28)**	(2.01)	(3.21)
	5.50	5.70	5.00
Credit Spread	**5.75**	5.54	5.84
Total	**11.25**	11.24	10.84

In the non-traded book of the banking business, a range of techniques is adopted to measure market risk. These include simulation of the effects of market price changes on assets and liabilities for business activities where there are no direct measures of the effects of market prices on those activities.

Liquidity risk is the risk that assets cannot be liquidated in time to meet maturing obligations. Limits are set to ensure that holdings of liquid assets do not fall below prudent levels. The liquid assets held are assets that are eligible for repurchase by the Reserve Bank of Australia (over and above those required to meet the Real Time Gross Settlement obligations), certificates of deposits and bills of exchange accepted by other banks and overnight interbank loans. More detailed comments on the Bank's liquidity and funding risks are provided in Note 39.

Market risk in the life insurance business arises from mismatches between assets and liabilities. Guaranteed returns are offered on some classes of policy. These liabilities may not be capable of being easily hedged through matching assets. Wherever possible, the Bank segregates policyholder's funds from shareholder's funds and sets investment mandates that are appropriate for each.

The investment mandates for assets in policyholder's funds attempt to match asset characteristics with the nature of policy obligations. The ability to match asset characteristics with policy obligations may be constrained by a number of factors including regulatory constraints, the lack of suitable investments as well as by the nature of the policy liabilities themselves. A large proportion of policyholder's assets are held for investment linked policies where the policyholder takes the risk of falls in the market value of the assets. A smaller proportion of policyholder's assets are held to support policies where life companies have guaranteed either the principal invested or the investment return ('guaranteed policies') where investment mandates for these classes of policies emphasise lower volatility assets such as cash and fixed interest. The Bank no longer sells guaranteed policies. Inforce business contains guaranteed policies sold in the past and on which the Bank continues to collect premiums.

Liquidity risk is not a significant issue in life insurance companies. The life insurance companies in the Bank hold substantial investments in highly liquid assets such as listed shares, government bonds and bank deposits. Furthermore, processing time for claims and redemptions enables each company to forecast and manage its liquidity needs.

Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. The Bank enters into derivatives transactions including swaps, forward rate agreements, futures, options and combinations of these instruments. The sale of derivatives to customers as risk management products and their use for trading purposes is integral to the Bank's financial markets activities. Derivatives are also used to manage the Group's own exposure to market risk. The Bank participates in both exchange traded and Over the Counter ("OTC") derivatives markets.

Exchange Traded Derivatives

Exchange traded derivatives are executed through a registered exchange, for example the Sydney Futures Exchange and the Australian Stock Exchange. The contracts have standardised terms and require lodgment of initial and variation margins in cash or other collateral at the Exchange, which guarantees ultimate settlement.

OTC Traded Derivatives

The Bank buys and sells financial instruments that are traded 'over-the-counter', rather than on recognised exchanges. The terms and conditions of these transactions are negotiated between the parties, although the majority conform to accepted market conventions. Industry standard documentation is used, most commonly in the form of a master agreement supported by individual transaction confirmations. The documentation protects the Bank's interests should the counterparty default, and provides the ability to net outstanding balances in jurisdictions where the relevant law allows.

The Bank's exposure to derivatives is disclosed in Note 39 Market Risk.

Operational and Strategic Business Risk

The Bank's operational and strategic business risk management framework supports the achievement of the Group's financial and business goals.

Operational Risk is defined as the risk of economic gain or loss resulting from:

- Inadequate or failed internal processes and methodologies;
- People;
- Systems; or
- External events.

Strategic Business Risk is defined as the risk of economic gain or loss resulting from changes in the business environment caused by the following factors:

- Economic;
- Competitive;
- Social trends; or
- Regulatory.

In each of the businesses, management is responsible for the identification, assessment and treatment of these risks. The Bank's operational risk framework and governance structures supports these efforts through a suite of risk mitigating policies, the reporting of internal loss incidents and key risk indicators, expert assessment of risk exposures, and skilled operational risk people employed throughout the Group.

The Bank's operational risk measurement methodology has been enhanced to meet internal needs and position for future Basel II requirements. This methodology combines expert assessment of individual risk exposures with internal loss data to calculate operational risk economic equity.

Target equity for the banking business is calculated by aggregating individual risk measures which are based on expert assessment. For the insurance and funds management businesses target equity is calculated using worst-case scenarios that impact upon business risk factors such as pricing, margins and business volumes.

The Bank continues to benchmark and monitor its insurance risk transfer program for efficiency and effectiveness. This is primarily achieved through a methodology to optimise total shareholder returns in determining the most appropriate blend of insurance risk transfer and economic capital.

Business Continuity Management

Business Continuity Management ("BCM") within the Bank involves the development, maintenance and testing of advance action plans to respond to defined risk events. This ensures that business processes continue with minimal adverse impact on customers, staff, products, services and brands.

BCM constitutes an essential component of the Bank's risk management process by providing a controlled response to potential operational risks that could have a significant impact on the Bank's critical processes and revenue streams. It includes both cost-effective responses to mitigate the impact of risk events or disasters and crisis management plans to respond to crisis events.

A comprehensive BCM program including plan development, testing and education has been rolled out across all business units to embed BCM methodologies and capability throughout the Bank.

Insurance Risk

There are two risk types that are considered to be unique to life insurance businesses. These are the risks that the incidence of mortality (death) and morbidity (illness and injury) claims are higher than assumed when pricing life insurance policies, or is greater than best estimate assumptions used to determine the fair value of the business.

Insurance risk may arise through reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. In addition, in the case of morbidity, the time to recovery may be longer than assumed. Insurance risk is controlled by ensuring underwriting standards adequately identify potential risk, retaining the right to amend premiums on risk policies where appropriate and through the use of reinsurance. The experience of the Group's life insurance business and those of the industry as a whole are reviewed annually.

Description of Business Environment

Competition

Australia

Financial services providers in Australia offer a wide range of products and services to retail and business customers, encompassing for the most part banking, funds management and insurance.

The Australian financial services environment has been undergoing significant change over the last decade. The strong growth in lending over that time has been a significant driver of profitability for the sector. More recently however, the expectation is for lower credit growth going forward. This could conceivably lead to intensifying competition between traditional players in the banking sector, and to ongoing downward pressure on margins.

Traditional competitors comprise the major banks, the five 'regional' banks and smaller domestic players. New entrants have emerged in recent years and include both local operators and global entities.

The four major banks in Australia are Commonwealth Bank of Australia, National Bank of Australia, Westpac Banking Corporation and ANZ Banking Group. Each of the major banks offers a full range of financial products and services through branch networks across Australia. The five 'regional' banks, whilst smaller than the majors, now mostly operate across state borders, or nationally. They have experienced strong growth primarily in mortgage lending, facilitated by the proliferation of non-bank mortgage originators and brokers.

There are thirteen foreign-owned banks operating in Australia through locally incorporated subsidiaries. An additional twenty-four banks conduct operations through a foreign bank branch. Five foreign banks have both a locally incorporated subsidiary and a branch.

Non-bank financial intermediaries such as building societies and credit unions compete strongly in the areas of accepting deposits and residential mortgage lending, mainly for owner-occupied housing. These state-based institutions have been making headway in achieving multi-state coverage, partly encouraged by a more accommodating regulatory environment. Over recent years 'community banks' have emerged. Under this model, the local community effectively purchases, from a regional bank, the right to operate a franchise of the bank but within the auspices of the regional bank's banking authority.

In addition to the expectation of margin pressures from traditional players, incumbent banks are facing increased competition from new entrants. These new entrants may be smaller, locally based operations, or may be large global entities. In both cases, they are attacking the segments of the market where margins are typically the widest. The local new entrants have been encroaching on product markets such as housing loans and credit cards, and on distribution markets such as mortgage broking and business banking broking. The global new entrants enjoy the benefits of being scale players with some of their operations located in low cost markets. They are entering the deposit, home loan, credit card and business banking markets.

Another longer term development has been the substantial growth in funds under management, especially within the superannuation (pension funds) industry. Future growth will be underpinned by the Australian Government's continued encouragement of long-term saving through superannuation (employers contribute a defined percentage of the employee's salary to a retirement fund on behalf of the employee. The employer then receives taxation concessions for the monies contributed). This growth potential continues to attract new entrants to this market, whether they be international fund managers or boutique players.

For the major banks, the expectation of continuing but slower growth in credit, and the recognition of the potentially higher growth in wealth management, has resulted in their expansion into funds management and/or insurance, either through acquisition or through agreements with third parties.

The growing size of overall funds under management, when combined with the percentage of funds pre-allocated to fixed-income type investments, provides borrowers with a number of alternative sources of capital to pure bank finance. Indeed the corporate bond market in Australia has benefited from the growth in funds under management with many of the major Australian corporates now directly accessing capital markets domestically and around the world. The Bank, in competition with numerous domestic and foreign banks, is actively involved as an originator of corporate debt in the capital markets, especially in the Euro-AUD and Euro-NZD sector, and in the creation of new financing structures including as arranger and underwriter in major infrastructure projects undertaken by the corporate sector.

Changes in the financial needs of consumers, deregulation, and technology developments have also changed the mode of competition. In particular, the development of electronic delivery channels and the reduced reliance on a physical network facilitate the entry of new players from related industries, such as retailers, telecommunication companies and utilities. Technological change has provided opportunities for new entrants with differing combinations of expertise and has enabled the unbundling of the value chain.

New Zealand

As in Australia, the New Zealand banking system is characterised by strong competition. The Bank's activities in New Zealand are conducted through ASB Group. Banks in New Zealand are free to compete in almost any area of financial activity. As in Australia, there is strong competition with non-bank financial institutions in the areas of funds management and the provision of insurance.

New Zealand banking activities are led by four financial services groups, all owned by Australian-based banks operating through nationwide branch networks.

The Group's major competitors in New Zealand are ANZ and the National Bank of New Zealand (both wholly owned subsidiaries of the ANZ Group), Bank of New Zealand (a wholly-owned subsidiary of National Australia Bank), and Westpac. In addition, there are several financial institutions operating largely in the wholesale banking sector including Deutsche Bank and ABN Amro.

Through its wholly owned subsidiaries, Sovereign Group and ASB Group Investments, ASB Group also competes in the New Zealand insurance and investment market, where Asteron (part of the Promina Group) and AXA are major competitors.

Financial System Regulation in Australia

Australia has by international standards a high quality system of financial regulation. Following a comprehensive inquiry into the Australian financial system (the 'Wallis Inquiry'), the Australian Government introduced a new regulatory framework. The previous framework, which applied regulations according to the type of institution being regulated, resulted in similar products being regulated differently. The new functional approach regulates products consistently regardless of the particular type of institutions providing them.

Since July 1998, the new regulatory arrangements have comprised four separate agencies: The Reserve Bank of Australia, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission and the Australian Competition and Consumer Commission. Each of these agencies has system wide responsibilities for the different objectives of government oversight of the financial system. A description of these agencies and their general responsibilities and functions is set out below.

Reserve Bank of Australia ("RBA") – is responsible for monetary policy, financial system stability and regulation of the payments system.

Description of Business Environment (continued)

Australian Prudential Regulation Authority ("APRA") – has comprehensive powers to regulate prudentially banks and other deposit-taking institutions, insurance companies and superannuation (pension funds). Unless an institution is authorised under the Banking Act 1959 or exempted by APRA, it is prohibited from engaging in the general business of deposit-taking.

Australian Securities and Investments Commission ("ASIC") – has responsibility for market conduct, consumer protection and corporate regulation functions across the financial system including for investment, insurance and superannuation products and the providers of these products.

Australian Competition and Consumer Commission ("ACCC") – has responsibility for competition policy and consumer protection across all sectors of the economy.

Consistent with its functional approach to regulation, the Wallis Inquiry proposed a single licensing regime for financial sales, advice and dealings in relation to financial products, consistent and comparable financial product disclosure and a single authorisation procedure for financial exchanges and clearing and settlement facilities. The Financial Services Reform Act 2001 enacting these proposals came into force in March 2004. It is intended to facilitate innovation and promote business while at the same time ensuring adequate levels of consumer protection and market integrity.

The Government passed into law in June 2004 a package of proposals (known as CLERP 9) dealing with audit regulation and corporate disclosure. CLERP 9 is designed to ensure Australia has an effective regulatory and disclosure framework that provides the structures and incentives for a fully informed market.

Supervisory Arrangements

The Bank is an authorised deposit-taking institution under the Banking Act and is subject to prudential regulation by APRA as a bank.

In carrying out its prudential responsibilities, APRA closely monitors the operations of banks to ensure that they operate within the prudential framework it has laid down, and that they follow sound management practices.

APRA currently supervises banks by a system of off-site examination. It closely monitors the operations of banks through the collection of regular statistical returns and regular prudential consultations with each bank's management. APRA also conducts a program of specialised on-site visits to assess the adequacy of individual banks' systems for identifying, measuring and controlling risks associated with the conduct of these activities.

In addition, APRA has established arrangements under which each bank's external auditor reports to APRA regarding observance of prudential standards and other supervisory requirements.

The prudential framework applied by APRA is embodied in a series of prudential standards including:

(i) Capital Adequacy

Under APRA capital adequacy guidelines, Australian banks are required to maintain a ratio of capital (comprising Tier One and Tier Two capital components) to risk-weighted assets of at least 8%, of which at least half must be Tier One capital. Regulatory capital requirements are measured for the Bank ("Level 1") and for the Bank together with its banking subsidiaries ("Level 2"). APRA capital requirements are generally consistent with those agreed upon by the Basel Committee on Banking Supervision. APRA has advised that a third level of capital adequacy ("Level 3") for conglomerate groups will be implemented to coincide with Basel II. For information on the capital position of the Bank, see Note 31 Capital Adequacy.

(ii) Funding and Liquidity

APRA exercises liquidity control by requiring each bank to develop a liquidity management strategy that is appropriate for itself. Each policy is formally approved by APRA. A key element of the Group's liquidity policy is the holding of a stock of high quality liquid assets to meet day to day fluctuations in liquidity. The liquid assets held are assets that are available for repurchase by the RBA (over and above those required to meet the Real Time Gross Settlement ("RTGS") obligations, AUD Certificates of Deposits/Bills of other banks and AUD overnight interbank loans). More detailed comments on the Group's liquidity and funding risks are provided in Note 39.

(iii) Large Credit Exposures

APRA requires banks to ensure that, other than in exceptional circumstances, individual credit exposures to non-bank, non-government clients do not exceed 25% of the capital base. Exposure to authorised deposit taking institutions ("ADIs") is not to exceed 50% of the capital base. Prior consultation must be held with APRA if a bank intends to exceed set thresholds. For information on the Bank's large exposures refer to Note 14 to the Financial Statements.

(iv) Ownership and Control

In pursuit of transparency and risk minimisation, the Financial Sector (Shareholding) Act 1998 embodies the principle that regulated financial institutions should maintain widespread ownership. The Act applies a common 15% shareholding limit for authorised deposit taking institutions, insurance companies and their holding companies. The Treasurer has the power to approve acquisitions exceeding 15% where this is in the national interest, taking into account advice from the ACCC in relation to competition considerations and APRA on prudential matters. The Treasurer may also delegate approval powers to APRA where one financial institution seeks to acquire another.

The Government's present policy is that mergers among the four major banks will not be permitted until the Government is satisfied that competition from new and established participants in the financial industry, particularly in respect of small business lending, has increased sufficiently.

Proposals for foreign acquisition of Australian banks are subject to approval by the Treasurer under the Foreign Acquisitions and Takeovers Act 1975.

(v) Banks' Association With Non-Banks

There are formal guidelines (including maximum exposure limits) that control investments and dealings with subsidiaries and associates. A bank's equity associations with other institutions should normally be in the field of finance. APRA has expressed an unwillingness to allow subsidiaries of a bank to exceed a size which would endanger the stability of the parent. No bank can enter into any agreements or arrangements for the sale or disposal of its business, or effect a reconstruction or carry on business in partnership with another bank, without the consent of the Commonwealth Treasurer.

(vi) Supervision of Non-Bank Group Entities

The Australian life insurance company subsidiaries, general insurance company subsidiaries and the superannuation trustees of the group also come within the supervisory purview of APRA.

APRA's prudential supervision of both life insurance and general insurance companies is exercised through the setting of minimum standards for solvency and financial strength to ensure obligations to policyholders can be met. Trustees operating APRA regulated superannuation entities are now required to apply for a Registrable Superannuation Entity ("RSE") licence from APRA.

Description of Business Environment (continued)

General insurance companies are subject to prudential standards including capital adequacy, liability valuation, risk management and reinsurance arrangements. Compliance with APRA regulation for general insurance companies is monitored through regular returns, lodgement of an audited annual return, and auditor certification covering prudential matters.

The financial condition of life insurance companies is monitored through regular financial reporting, lodgment of audited accounts, the preparation of a financial conditions report (prepared by the company's approved actuary) and supervisory inspections.

Critical Accounting Policies and Estimates

The Notes to the Financial Statements contain a summary of the Group's significant accounting policies. Certain of these policies are considered to be more important in the determination of the Group's financial position, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. These decisions are reviewed by a Committee of the Board.

These policies include judgements as to levels of provisions for impairment for loan balances, actuarial assumptions in determining life insurance policy liabilities and market valuations of life insurance controlled entities. An explanation of these policies and the related judgements and estimates involved is set out below.

Provisions for Impairment

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

Credit losses arise primarily from loans but also from other credit instruments such as bank acceptances, contingent liabilities, financial instruments and investments and assets acquired through security enforcement.

Specific Provisions

Specific provisions are maintained 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, and a loss of $10,000 or more is expected. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken.

Specific provisions (in bulk) are also made against each statistically managed segment to cover facilities which are not well secured and past due 180 days or more, against the credit risk rated segment for exposures aggregating to less than $250,000 and 90 days or more past due, and against emerging credit risks identified in specific segments in the credit risk rated managed portfolio. These provisions are derived primarily by reference to historical ratios of write-offs to balances in default.

Specific provisions are provided for from the general provision.

All facilities subject to a specific provision for impairment are classified as non-accrual, as set out in Note 15.

General Provision

The general provision represents management's estimates of non-identifiable probable losses and latent risks inherent in the overall portfolio of loans and other credit transactions.

The evaluation process is subject to a series of estimates and judgements.

In the credit risk rated managed segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual credits are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed segment the history of defaults and losses, and the size, structure and diversity of portfolios are considered.

In addition management considers overall indicators of portfolio performance, quality and economic conditions.

Changes in these estimates could have a direct impact on the level of provision determined.

The amount required to bring the general provision to the level assessed is taken to profit and loss as set out in Note 13.

Life Insurance Policyholder Liabilities

Life insurance policyholder liabilities are accounted for under AASB 1038: Life Insurance Business. A significant area of judgement is in the determination of policyholder liabilities, which involve actuarial assumptions.

All policyholder liabilities are recognised in the Statement of Financial Position and are measured at net present values or, if not materially different, on an accumulation basis after allowing for acquisition expenses. They are calculated in accordance with the principles of Margin on Services ("MoS") profit reporting as set out in Actuarial Standard AS 1.03: Valuation of Policy Liabilities issued by the Life Insurance Actuarial Standards Board.

The areas of judgement where key actuarial assumptions are made in the determination of policyholder liabilities are:

- Business assumptions including:
  - Amount, timing and duration of claims/policy payments;
  - Policy lapse rates; and
  - Acquisition and long term maintenance expense levels;
- Long term economic assumptions for discount and interest rates, inflation rates and market earnings rates; and
- Selection of methodology, either projection or accumulation method. The selection of the method is generally governed by the product type.

The determination of assumptions relies on making judgements on variances from long-term assumptions. Where experience differs from long term assumptions:

- Recent results may be a statistical aberration; or
- There may be a commencement of a new paradigm requiring a change in long term assumptions.

The Group's actuaries arrive at conclusions regarding the statistical analysis using their experience and judgement.

Additional information on the accounting policy is set out in Note 1(ii) Life Insurance Business, and Note 34 Life Insurance Business details the key actuarial assumptions.

Market Valuation of Life Insurance Controlled Entities

Interests in controlled entities held by the life insurance companies are subject to revaluation each period, such that the investment in the controlled entity is recorded at market value.

On consolidation the investment in controlled entities is eliminated and the excess of market value of controlled entities over their underlying net assets is separately recognised in Other Assets (Note 21) on the balance sheet as 'Excess of Net Market Value over Net Tangible Assets of Life Insurance Controlled Entities'. This amount is assessed periodically as part of the valuation of investments with changes in value taken to profit. This excess does not require amortisation in the financial statements.

Appraisal valuations are used to assist the directors in setting the market value. There are several key economic and business assumptions involved in the appraisal valuations, the selection of which involves actuarial judgement.

Economic assumptions are the long term view on key economic drivers and comprise investment earnings rates, risk discount rates and inflation. The economic assumptions are reviewed as a suite to take account of the correlation between the movements in each factor.

Description of Business Environment (continued)

Business assumptions relate to the performance of the Group's businesses, both stand alone and relative to the market. These assumptions are only altered when there is a long-term change in views, which is supported by clearly discernible trends. The assumption setting process is similar to that used for Margin on Services policyholder liabilities. The major business assumptions for life businesses are:

- Sales/new business;
- Claims;
- Persistency; and
- Expenses.

The major business assumptions for funds management businesses are:

- Sales/new business;
- Margins/business mix;
- Redemptions; and
- Cost to income ratio.

Details of the key assumptions used in the valuations are set out in Note 34 Life Insurance Business.

On transition to the Australian equivalent of International Financial Reporting Standards ("AIFRS") on 1 July 2005, the asset "Excess of Net Market Value over Net Tangible Assets of Life Insurance Controlled Entities" can no longer be recognised in full. As a result, the Bank will, on adoption of AIFRS, cease to recognise any movement in the appraisal value in the Statement of Financial Performance. The write off of the internally generated component will principally be reflected against General Reserve; and the acquired component will be reclassified as Goodwill.

Provision for Which new Bank costs

On 19 September 2003, the Group launched its Which new Bank customer service vision. This is a three year transformation program and involves the Bank in additional expenditure in the key areas of staff training and skilling, systems and process simplification, and technology. In the year to 30 June 2005 such expenses have totalled $150 million and principally comprised redundancies and process improvement costs. In the period to 30 June 2004 such expenses have totalled $749 million and principally comprised of redundancies, expensing of previously capitalised software of $219 million, process improvements and branch refurbishment.

The Group is required to book a provision for restructuring costs to the extent that it has announced a plan or started implementing a plan, and has no realistic alternative but to proceed with the restructuring.

There is a level of management judgement involved in estimating the planned costs involved and the level of commitment to the plan, such that it is judged that the plan will proceed to completion.

On this basis a provision for 'Which new Bank' costs of $91 million was outstanding at 30 June 2005, which is included in the expenses referred to above.

The cost estimates for the provision were determined by the businesses concerned taking into account the details of the planned initiatives and their timing. Other provisions for restructuring established in the past have proved to be appropriately estimated at the time. The provision established in June 2000 when the Group acquired the Colonial Limited Group of companies to cover the integration of the Colonial operations into the existing Group is described in Note 1(z) of the Financial Statements for the year ended 30 June 2003. This provision for restructuring was estimated at $400 million at 30 June 2000. This initial estimate was subsequently revised up to $545 million in the year ended 30 June 2001. The revision to costs of restructure principally related to additional staff redundancy payments and information technology contract termination costs. The current transformation initiative is a three year program that is estimated to cost $1,480 million over the 2004 to 2006 period. Minimal additional provisions for 'Which new Bank' costs are expected to be established over the remaining period.

International Financial Reporting Standards

On 1 July 2005 the Bank commenced application of the Australian equivalent of International Financial Reporting Standards ("AIFRS") to the maintenance of all financial records. This is in line with the conversion deadline set out by the Financial Reporting Council of Australia.

Descriptions of the key AIFRS issues are set out in Note 1 (qq) of the Financial Statements.

Corporate Governance

Board of Directors

Charter

The role and responsibilities of the Board of Directors are set out in the Board Charter. The responsibilities include:

- The corporate governance of the Bank, including the establishment of Committees;
- Oversight of the business and affairs of the Bank by:
  - Establishing, with management, the strategies and financial objectives;
  - Approving major corporate initiatives;
  - Establishing appropriate systems of risk management; and
  - Monitoring the performance of management;
- Communicating with shareholders and the community, results of, and developments in, the operations of the Bank;
- Appointment of the Chief Executive Officer; and
- Approval of the Bank's major HR policies and overseeing the development strategies for senior and high performing executives.

There is in place a comprehensive set of management delegations to allow management to carry on the business of the Bank.

Composition

There are currently 10 Directors of the Bank and details of their experience, qualifications, special responsibilities and attendance at meetings are set out in the Directors' Report.

Membership of the Board and Committees is set out below:

DIRECTOR(2)	BOARD MEMBERSHIP		COMMITTEE MEMBERSHIP			
			Nominations	People & Remuneration	Audit	Risk
J M Schubert	Non-executive, Independent	Chairman	Chairman	Member		Member
D V Murray(1)	Executive	Chief Executive Officer				Member
R J Clairs	Non-executive, Independent			Chairman		Member
A B Daniels	Non-executive, Independent			Member		Member
C R Galbraith	Non-executive, Independent		Member		Member	Member
S C H Kay	Non-executive, Independent			Member		Member
W G Kent	Non-executive, Independent				Member	Member
F D Ryan	Non-executive, Independent				Chairman	Member
F J Swan	Non-executive, Independent		Member			Chairman
B K Ward	Non-executive, Independent				Member	Member

(1) Mr D V Murray will retire as Chief Executive Officer and Director on 22 September 2005 and will be replaced by Mr R J Norris.
(2) Mr J T Ralph and Mr N R Adler retired from the Board on 5 November 2004.

The Constitution of the Bank specifies that:

- The Chief Executive Officer and any other executive director shall not be eligible to stand for election as Chairman of the Bank;
- The number of Directors shall not be less than 9 nor more than 13 (or such lower number as the Board may from time to time determine). The Board determined that upon the retirement of Mr Ralph and Mr Adler at the 2004 Annual General Meeting, the number of directors shall be 10; and
- At each Annual General Meeting one-third of Directors (other than the Chief Executive Officer) shall retire from office and may stand for re-election.

The Board has established a policy that, with a phasing in provision for existing Directors, the term of directors' appointments would be limited to 12 years (except where succession planning for Chairman and appointment of Chairman requires an extended term. On appointment, the Chairman will be expected to be available for that position for five years).

Corporate Governance (continued)

Independence

The Board regularly assesses the independence of each Director. For this purpose an independent Director is a non-executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment.

In addition to being required to conduct themselves in accordance with the ethical policies of the Bank, Directors are required to be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act and this disclosure extends to the interests of family companies and spouses. Directors are required to strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and the Bank's policies.

Each Director may from time to time have personal dealings with the Bank. Each Director is involved with other companies or professional firms which may from time to time have dealings with the Bank. Details of offices held by Directors with other organisations are set out in the Directors' Report and on the Bank's website. Full details of related party dealings are set out in notes to the Company's accounts as required by law.

All the current non-executive Directors of the Bank have been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

- The specific disclosures made by each Director as referred to above;
- Where applicable, the related party dealings referrable to each Director, noting that those dealings are not material under accounting standards;
- That no Director is, or has been associated directly with, a substantial shareholder of the Bank;
- That no non-executive Director has ever been employed by the Bank or any of its subsidiaries;
- That no Director is, or has been associated with a supplier, professional adviser, consultant to or customer of the Bank which is material under accounting standards; and
- That no non-executive Director personally carries on any role for the Bank otherwise than as a Director of the Bank.

The Bank does not consider that term of service on the Board is a factor affecting a Director's ability to act in the best interests of the Bank. Independence is judged against the ability, integrity and willingness of the Director to act. The Board has established a policy limiting Directors' tenures to ensure that skill sets remain appropriate in a dynamic industry.

Education

Directors participate in an induction programme upon appointment and in a refresher programme on a regular basis. The Board has established a program of continuing education to ensure that it is kept up to date with developments in the industry both locally and globally. This includes sessions with local and overseas experts in the particular fields relevant to the Bank's operations.

Review

The Board has in place a process for annually reviewing its performance, policies and practices. These reviews seek to identify where improvements can be made and also assess the quality and effectiveness of information made available to Directors. Every two years, this process is facilitated by an external consultant, with an internal review conducted in the intervening years. The review includes an assessment of the performance of each Director.

After consideration of the results of the performance assessment, the Board will determine its endorsement of the Directors to stand for re-election at the next Annual General Meeting.

The non-executive Directors meet at least annually, without management, in a forum intended to allow for an open discussion on Board and management performance. This is in addition to the consideration of the Chief Executive Officer's performance and remuneration which is conducted by the Board in the absence of the Chief Executive Officer.

The Chairman meets at least annually with members of the senior executive team to discuss with them the Board's performance and level of involvement from their perspective.

Selection of Directors

The Nominations Committee has developed a set of criteria for director appointments which have been adopted by the Board. The criteria set the objective of the Board as being as effective, and preferably more effective than the best boards in the comparable peer group. These criteria, which are reviewed annually, ensure that any new appointee is able to contribute to the ongoing effectiveness of the Board, have the ability to exercise sound business judgment, to think strategically and have demonstrated leadership experience, high levels of professional skill and appropriate personal qualities.

The Committee regularly reviews the skill base and experience of existing Directors to enable identification of attributes required in new Directors.

An executive search firm is engaged to identify potential candidates based on the identified criteria.

Candidates for appointment as Directors are considered by the Nominations Committee, recommended for decision by the Board and, if appointed, stand for election, in accordance with the Constitution, at the next general meeting of shareholders.

The Bank has adopted a policy whereby, on appointment, a letter is provided from the Chairman to the new Director setting out the terms of appointment and relevant Board policies including time commitment, code of ethics and continuing education. All current Directors have been provided with a letter confirming the terms of their appointment. A copy of the form of letter of appointment appears on the Bank's website.

Policies

Board policies relevant to the composition and functions of Directors include:

- The Board will consist of a majority of independent non-executive Directors and the membership of the Nominations, People & Remuneration and Audit Committees should consist solely of independent non-executive Directors. The Risk Committee should consist of a majority of independent non-executive Directors;
- The Chairman will be an independent non-executive Director. The Audit Committee will be chaired by an independent non-executive Director other than the Board Chairman;
- The Board will generally meet regularly with an agenda designed to provide adequate information about the affairs of the Bank, allow the Board to guide and monitor management and assist in involvement in discussions and decisions on strategy. Matters having strategic implications are given priority on the agenda for regular Board meetings. In addition, ongoing strategy is the major focus of at least two of the Board meetings annually;
- The Board has an agreed policy on the basis on which Directors are entitled to obtain access to company documents and information and to meet with management; and
- The Bank has in place a procedure whereby, after appropriate consultation, Directors are entitled to seek independent professional advice, at the expense of the Bank, to assist them to carry out their duties as Directors. The policy of the Bank provides

that any such advice is generally made available to all Directors.

Ethical Standards

Conflicts of Interest

In accordance with the Constitution and the Corporations Act 2001, Directors are required to disclose to the Board any material contract in which they may have an interest. In compliance with section 195 of the Corporations Act 2001 any Director with a material personal interest in a matter being considered by the Board will not be present when the matter is being considered and will not vote on the matter. In addition, any director who has a conflict of interest in connection with any matter being considered by the Board or a Committee does not receive a copy of any paper dealing with the matter.

Share Trading

The restrictions imposed by law on dealings by Directors in the securities of the Bank have been supplemented by the Board of Directors adopting guidelines which further limit any such dealings by Directors, their spouses, any dependent child, family company or family trust.

The guidelines provide, that in addition to the requirement that Directors not deal in the securities of the Bank or any related company when they have or may be perceived as having relevant unpublished price-sensitive information, Directors are only permitted to deal within certain periods. These periods include between three and 30 days after the announcement of half yearly and final results and from the date of the annual general meeting until 14 days after the Annual General Meeting. Further, the guidelines require that Directors not deal on the basis of considerations of a short term nature or to the extent of trading in those securities. Similar restrictions apply to executives of the Bank.

In addition, Bank policy prohibits:

- For Directors and executives who report to the Chief Executive Officer, any hedging of publicly disclosed shareholding positions; and
- For executives, any trading (including hedging) in positions prior to vesting of shares or options.

Remuneration Arrangements

Details of the governance arrangements and policies relevant to remuneration are set out in the Directors' Report - Remuneration Report.

Audit Arrangements

Audit Committee

The Charter of the Audit Committee incorporates a number of policies and practices to ensure that the Committee is independent and effective. Among these are:

- The Audit Committee consists entirely of independent non-executive Directors, all of whom have familiarity with financial management and at least one has expertise in financial accounting and reporting. The Chairman of the Bank is not permitted to be the Chairman of the Audit Committee;
- At least twice a year the Audit Committee meets the external auditors and the chief internal audit executive and also separately with the external Auditors independently of management;
- The Audit Committee is responsible for nominating the external auditor to the Board for appointment by shareholders. The Audit Committee approves the terms of the contract with the external auditor, agrees the annual audit plan and approves payments to the Auditor;
- The Audit Committee discusses and receives assurances from the external auditors on the quality of the Bank's systems, its accounting processes and its financial results. It also receives a report from the Auditors on any significant matters raised by the Auditors with management;
- All material accounting matters requiring exercise of judgement by management are specifically reviewed by the Audit Committee and reported on by the Committee to the Board; and
- Certified assurances are received by the Audit Committee and the Board that the Auditors meet the independence requirements as recommended by the Corporations Act and the Securities and Exchange Commission ("SEC") of the USA.

In carrying out these functions, the Committee:

- Reviews the financial statements and reports of the Group;
- Reviews accounting policies to ensure compliance with current laws, relevant regulations and accounting standards;
- Conducts any investigations relating to financial matters, records, accounts and reports which it considers appropriate; and
- Reviews all material matters requiring exercise of judgment by management and reports those matters to the Board.

The Committee regularly considers, in the absence of management and the external auditor, the quality of the information received by the Committee and, in considering the financial statements, discusses with management and the external auditor:

- The financial statements and their conformity with accounting standards, other mandatory reporting and statutory requirements; and
- The quality of the accounting policies applied and any other significant judgments made.

The external audit partner attends meetings of the Audit Committee by invitation and attends the Board meetings when the annual and half yearly accounts are approved and signed.

The Board has determined that Fergus Ryan is an "audit committee financial expert" within the meaning of that term as described in the SEC rules. Although the Board has determined that this individual has the requisite attributes defined under the rules of the SEC, his responsibilities are the same as those of the other Audit Committee members. He is not an auditor, does not perform "field work" and is not a full time employee. The SEC has determined that an audit committee member who is designated as an audit committee financial expert will not be deemed to be an "expert" for any purpose as a result of being identified as an audit committee financial expert.

The Audit Committee is responsible for oversight of management in the preparation of the Bank's financial statements and financial disclosures. The Audit Committee relies on the information provided by management and the external auditor. The Audit Committee does not have the duty to plan or conduct audits to determine whether the Bank's financial statements and disclosures are complete and accurate.

Non-Audit Services

The Board has in place an Independent Auditor Services Policy which only permits the Independent Auditor to carry out audit services which are required by statute and related services which are an extension of, or an adjunct to, those audit services. All other non-audit services are prohibited unless the Audit Committee determines otherwise in any particular case. The objective of this policy is to avoid prejudicing the independence of the Auditors.

The policy also ensures that the Auditors do not:

- Assume the role of management or act as an employee;
- Become an advocate for the Bank;
- Audit their own work;
- Create a mutual or conflicting interest between the Auditor and the Bank;
- Require an indemnification from the Bank to the Auditor;

Corporate Governance (continued)

- Seek contingency fees; nor
- Have a direct financial or business interest or a material indirect financial or business interest in the Bank or any of its affiliates, or an employment relationship with the Bank or any of its affiliates.

Under the policy, the Auditor shall not provide the following services:

- Bookkeeping or services relating to accounting records or financial statements of the Bank;
- Financial information systems design and implementation;
- Appraisal or valuation services and fairness opinions;
- Actuarial services;
- Internal audit outsourcing services;
- Management functions, including acting as an employee;
- Human resources;
- Broker-dealer, investment adviser or investment banking services;
- Legal services; or
- Expert services unrelated to the audit.

In general terms, the permitted services are:

- Audit services to the Bank or an affiliate;
- Related services connected with the lodgement of statements or documents with the ASX, ASIC, APRA, SEC or other regulatory or supervisory bodies;
- Services reasonably related to the performance of the audit services;
- Agreed upon procedures or comfort letters provided by the Auditor to third parties in connection with the Bank's financing or related activities; and
- Other services pre-approved by the Audit Committee.

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

The Bank is producing the documents and information requested.

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

Auditor

Ernst & Young was appointed as the Auditor of the Bank at the 1996 Annual General Meeting and continues in that office.

The audit partner from Ernst & Young attends the Annual General Meetings of the Bank and is available to respond to shareholder audit related questions.

The Bank currently requires that the partner managing the audit for the external auditor be changed within a period of five years.

The Chief Executive Officer is authorised to appoint and remove the chief internal audit executive only after consultation with the Audit Committee.

Risk Management

Risk Committee

The Risk Committee oversees credit, market, and operational risks assumed by the Bank in the course of carrying on its business.

The Committee considers the Group's credit policies and ensures that management maintains a set of credit underwriting standards designed to achieve portfolio outcomes consistent with the Group's risk/return expectations. In addition, the Committee reviews the Group's credit portfolios and recommendations by management for provisioning for bad and doubtful debts.

The Committee approves risk management policies and procedures for market, funding and liquidity risks incurred or likely to be incurred in the Group's business. The Committee reviews progress in implementing management procedures and identifying new areas of exposure relating to market, funding and liquidity risk.

In addition, the Committee ratifies the Group's operational risk policies for approval by the Board and reviews and informs the Board of the measurement and management of operational risk. Operational risk is a basic line management responsibility within the Group consistent with the policies established by the Committee. A range of insurance policies maintained by the Group mitigates some operational risks.

Framework

The Bank has in place an integrated risk management framework to identify, assess, manage and report risks and risk adjusted returns on a consistent and reliable basis.

A full description of the functions of the framework and the nature of the risks is set out in the section of the Annual Report entitled Integrated Risk Management and in Notes 14 and 39 to the Financial Statements.

Nominations Committee

The Nominations Committee of the Board critically reviews, at least annually, the corporate governance procedures of the Bank and the composition and effectiveness of the Commonwealth Bank of Australia Board and the boards of the major wholly owned subsidiaries. The policy of the Board is that the Committee shall consist solely of independent non executive directors. The Chief Executive Officer attends the meeting by invitation.

In addition to its role in proposing candidates for director appointment for consideration by the Board, the Committee reviews fees payable to non-executive directors and reviews, and advises the Board in relation to Chief Executive Officer succession planning.

Continuous Disclosure

The Corporations Act 2001 and the ASX Listing Rules require that a company discloses to the market matters which could be expected to have a material effect on the price or value of the company's securities. The Bank's "Guidelines for Communication between the Bank and Shareholders" sets out the processes to ensure that shareholders and the market are provided with full and timely information about the Bank's activities in compliance with continuous disclosure requirements. Management procedures are in place throughout the Commonwealth Bank Group to ensure that all material matters which may potentially require disclosure are promptly reported to the Chief Executive Officer, through established reporting lines, or as a part of the deliberations of the Bank's Executive Committee. Matters reported are assessed and, where required by the Listing Rules, advised to the market. The Company Secretary is responsible for communications with the ASX and for ensuring that such information is not released to any person until the ASX has confirmed its release to the market.

Ethical Policies

Values Statement

The Bank demands the highest standards of honesty and loyalty from all its people and strong governance within the Bank.

Our values statement – "trust, honesty and integrity" - reflects this standard.

Statement of Professional Practice

The Bank has adopted a code of ethics, known as a Statement of Professional Practice, which sets standards of behaviour required of all employees and directors including:

- To act properly and efficiently in pursuing the objectives of the Bank;
- To avoid situations which may give rise to a conflict of interest;
- To know and adhere to the Bank's Equal Employment Opportunity policy and programs;
- To maintain confidentiality in the affairs of the Bank and its customers; and
- To be absolutely honest in all professional activities.

These standards are regularly communicated to staff. In addition, the Bank has established insider trading guidelines for staff to ensure that unpublished price sensitive information about the Bank or any other company is not used in an illegal manner.

Our People

The Bank is committed to providing fair, safe, challenging and rewarding work, recognising the importance of attracting and retaining high quality staff and consequently, being in a position to excel in customer service.

There are various policies and systems in place to enable achievement of these goals, including:

- Fair Treatment Review;
- Equal Employment Opportunity;
- Occupational Health and Safety;
- Recruitment and selection;
- Performance management;
- Talent management and succession planning;
- Remuneration and recognition;
- Employee share plans; and
- Supporting Professional Development.

Behaviour Issues

The Bank is strongly committed to maintaining an ethical workplace, complying with legal and ethical responsibilities. Policy requires staff to report fraud, corrupt conduct, mal-administration or serious and substantial waste by others. A system has been established which allows staff to remain anonymous, if they wish, for reporting of these matters.

The policy has been extended to include reporting of auditing and accounting issues, which will be reported to the Chief Compliance Officer by the Chief Security Officer, who administers the reporting and investigation system. The Chief Security Officer reports any such matters to the Audit Committee, noting the status of resolution and actions to be taken.

Governance Philosophy

The Board has consistently placed great importance on the governance of the Bank, which it believes is vital to the well-being of the corporation. The Bank has adopted a comprehensive framework of Corporate Governance Guidelines which are designed to properly balance performance and conformance and thereby allow the Bank to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and the practices of the Bank comply with all the current best practice recommendations set by the ASX Corporate Governance Council.

US Sarbanes-Oxley Act

On 30 July 2002, a broad US financial reporting and corporate governance reform law, called the Sarbanes-Oxley Act of 2002 ("SOX Act"), was enacted. A number of provisions of this Act apply to the Group because it has certain securities registered with the SEC under the Securities Exchange Act of 1934 ("Exchange Act").

Under the Exchange Act, the Bank files periodic reports with the SEC, including an annual report on Form 20-F. Pursuant to the requirements of the SOX Act, the SEC has adopted rules requiring that the Group's Chief Executive Officer and Chief Financial Officer personally provide certain certifications with respect to the disclosure contained in the annual report on Form 20-F.

Some of the more significant certifications generally include:

- That based on their knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact and the financial statements and other financial information included within the report fairly present in all material respects the financial condition, results of operations and cash flows of the Group;
- That they have ensured that appropriate disclosure controls and procedures have been put in place such that all material information has been disclosed and made known to them and they have evaluated the effectiveness of those disclosure controls and procedures as of the end of the Group's fiscal year and presented in the annual report on Form 20-F their conclusions about the effectiveness of the disclosure controls and procedures as of the end of the most recent fiscal year;
- That in respect of internal controls over financial reporting they have disclosed to the Group's external auditors and to the Audit Committee of the Board of Directors all significant deficiencies and material weaknesses in the design or operation of those internal controls over financial reporting which are reasonably likely to adversely affect the Group's ability to record, process, summarise and report financial information, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Group's internal control over financial reporting; and
- The annual report on Form 20-F discloses whether or not there were any changes in internal control over financial reporting during the period covered by the annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, the Group's internal control over financial reporting.

The Group will in addition to providing these certifications make the following disclosures in its annual report on Form 20-F:

- The Group's Chief Executive Officer and Chief Financial Officer, with the assistance of other members of the Group's management, have evaluated the effectiveness of the Group's disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Group's Chief Executive Officer and Chief Financial Officer have concluded that the Group's disclosure controls and procedures are effective.
- The Group's Chief Executive Officer and Chief Financial Officer have also concluded that there have not been any adverse changes in the Group's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Group's internal control over financial reporting.

The SOX Act prohibits an issuer from extending or maintaining credit, arranging for the extension of credit, or renewing an extension of credit, in the form of a personal loan, to or for any director or executive officer of the Group, unless an exception is available. Loans maintained by the Group before 30 July 2002 are exempt so long as there is no material modification to any term of the extension of credit or any renewal of the extension of credit. Ordinary course lending that is considered "consumer credit" is in certain circumstances also exempt. Furthermore, in April 2004, the SEC adopted a rule exempting from the prohibition loans made by foreign banks meeting certain requirements.

The Group is also required to disclose in its annual report on Form 20-F for the 2005 financial year, whether it has adopted a written code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Group has adopted such a code.

Corporate Governance (continued)

Certifications and Disclosures

In respect of this annual report and as at the date of this annual report, the Group's Chief Executive Officer and Chief Financial Officer make the following Sarbanes-Oxley related certifications:

- That they have reviewed the report;
- That based on their knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
- That based on their knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Group as of, and for, the periods presented in the report;
- That they are responsible for establishing and maintaining disclosure controls and procedures (as defined in the US Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Group and have:
  - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under their supervision, to ensure that material information relating to the Group, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the report is being prepared;
  - Evaluated the effectiveness of those disclosure controls and procedures and presented in this report their conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- Disclosed in this report any adverse change in the Group's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Group's internal control over financial reporting; and
- That they have disclosed, based on their most recent evaluation of internal control over financial reporting, to the Group's auditors and the Audit Committee of the Group's Board of Directors:
  - All significant deficiencies (if any) in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Group's ability to record, process, summarise and report financial data; and
  - Any fraud, whether or not material, that involves management or other employees who have a significant role in the Group's internal control over financial reporting.

Evaluation of disclosure controls and procedures

Our Chief Executive Officer and Chief Financial Officer, with the assistance of other members of the Group's management, have evaluated the effectiveness of the Group's disclosure controls and procedures as of 30 June 2005. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have each concluded that the Group's disclosure controls and procedures are effective.

Changes in internal control over financial reporting

No adverse changes in our internal controls over financial reporting occurred during the year ended 30 June 2005 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. Material changes in our internal controls over financial reporting will occur from 1 July 2005 with the transition to International Financial Reporting Standards, refer to Note 1 (qq) to the Financial Statements.

Company Secretaries

The details of the Bank's company secretaries, including their experience and qualifications are set out below.

John Hatton has been Company Secretary of the Commonwealth Bank of Australia since 1994.

From 1985-1994, he was a solicitor with the Bank's Legal Department.

He has a Bachelor of Laws degree from Sydney University and was admitted as a solicitor in New South Wales. He is a Fellow of Chartered Secretaries Australia and a Member of the Australian Institute of Company Directors.

Henry Broekhuijse was appointed a Company Secretary to the Bank in August 2001.

He joined the Commonwealth Bank Legal Services Department in January 1979 and has approximately 25 years experience as an in-house lawyer.

He has a Bachelor of Arts from Sydney University and a Bachelor of Laws degree from the University of New South Wales. He is a Member of the Law Society of New South Wales; Australian Corporate Lawyers Association; City of Sydney Law Society; and the Risk Management Association – Australia.

Carla Collingwood was appointed a Company Secretary to the Bank in July 2005 to replace Henry Broekhuijse.

From 1994 until 2005, she was a solicitor with the Bank's Legal Services Department, before being appointed to the position of General Manager, Secretariat. She holds a Bachelor of Laws degree (Hons.) and a Graduate Diploma in Company Secretary Practice from Chartered Secretaries Australia.

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report, together with the financial report of the Commonwealth Bank of Australia (the 'Bank') and of the Group, being the Bank and its controlled entities, for the year ended 30 June 2005.

The names of the Directors holding office during the financial year and until the date of this report are set out below together with details of Directors' experience, qualifications, special responsibilities and organisations in which each of the Directors has declared an interest.

John M Schubert, Chairman

Dr Schubert has been a member of the Board since 1991 and Chairman since November 2004. He is chairman of the Nominations Committee and a member of the Risk and People & Remuneration Committees. He holds a Bachelor's Degree and PhD in Chemical Engineering and has experience in the petroleum, mining and building materials industries. Dr Schubert is the former Managing Director and Chief Executive Officer of Pioneer International Limited and the former Chairman and Managing Director of Esso Australia Ltd.

Chairman: G2 Therapies Limited.

Director: BHP Billiton Limited, BHP Billiton Plc, and Qantas Airways Limited.

Other Interests: Academy of Technological Science and Engineering (Fellow), Institute of Engineers (Fellow), and AGSM Advisory Board (Member).

Dr Schubert is a resident of New South Wales. Age 62.

David V Murray, Managing Director and Chief Executive Officer

Mr Murray has been a member of the Board and Chief Executive Officer since June 1992. He is a member of the Risk Committee. He holds a Bachelor of Business, Master of Business Administration, an honorary PhD from Macquarie University and has thirty-eight years experience in banking.

Chairman: Business/Industry/Higher Education Collaboration Council.

Director: Tara Anglican School for Girls Foundation Limited.

Other Interests: International Monetary Conference (Member), Asian Bankers' Association (Member), Australian Bankers' Association (Member), Asia Pacific Bankers' Club (Member), Business Council of Australia (Member), and the Financial Sector Advisory Council (Member).

Mr Murray is a resident of New South Wales. Age 56.

Reg J Clairs, AO

Mr Clairs has been a member of the Board since March 1999 and is Chairman of the People & Remuneration Committee and a member of the Risk Committee. As the former Chief Executive Officer of Woolworths Limited, he had thirty-three years experience in retailing, branding and customer service.

Director: David Jones Limited and The Cellnet Group.

Deputy Chairman: National Australia Day Council.

Other Interests: Institute of Company Directors (Member).

Mr Clairs is a resident of Queensland. Age 67.

A B (Tony) Daniels, OAM

Mr Daniels has been a member of the Board since March 2000 and is a member of the People & Remuneration and Risk Committees. He has extensive experience in manufacturing and distribution, being Managing Director of Tubemakers of Australia for eight years to December 1995, during a long career with that company. He has also worked with government in superannuation, competition policy and export facilitation.

Director: Australian Gas Light Company and O'Connell St Associates.

Other Interests: Australian Institute of Company Directors (Fellow) and Australian Institute of Management (Fellow).

Mr Daniels is a resident of New South Wales. Age 70.

Colin R Galbraith, AM

Mr Galbraith has been a member of the Board since June 2000 and is a member of the Nominations, Audit and Risk Committees. He was previously a Director of Colonial Limited, appointed 1996. He is a partner of Allens Arthur Robinson, Lawyers.

Chairman: BHP Billiton Community Trust.

Director: GasNet Australia (Group) and OneSteel Limited.

Other Interests: Council of Legal Education in Victoria (Honorary Secretary), CARE Australia (Director) and Royal Melbourne Hospital Neuroscience Foundation (Trustee).

Mr Galbraith is a resident of Victoria. Age 57.

S Carolyn H Kay

Ms Kay has been a member of the Board since March 2003 and is also a member of the People & Remuneration and Risk Committees. She holds Bachelor Degrees in Law and Arts and a Graduate Diploma in Management. She has extensive experience in international finance. She was a senior executive at Morgan Stanley in London and Melbourne for 10 years and prior to that she worked in international banking and finance both as a lawyer and banker in London, New York and Melbourne.

Director: Mayne Group Limited and Deputy Chair Victorian Funds Management Corporation.

Other Interests: Australian Institute of Company Directors (Fellow).

Ms Kay is resident in New South Wales. Age 43.

Warwick G Kent, AO

Mr Kent has been a member of the Board since June 2000 and is a member of the Audit and Risk Committees. He was previously a Director of Colonial Limited, appointed 1998. He was Managing Director and Chief Executive Officer of BankWest until his retirement in 1997. Prior to joining BankWest, Mr Kent had a long and distinguished career with Westpac Banking Corporation.

Chairman: Coventry Group Limited and West Australian Newspapers Holdings Limited.

Director: Perpetual Trustees Australia Limited Group (Retired 31 July 2005), and Hoyts Corporation Pty Ltd.

Other Interests: Walter and Eliza Hall Trust (Trustee), Australian Institute of Company Directors (Fellow), Australian Society of CPAs (Fellow), Australian Institute of Bankers (Fellow) and the Chartered Institute of Company Secretaries (Fellow).

Mr Kent is a resident of Western Australia. Age 69.

Directors' Report (continued)

Fergus D Ryan

Mr Ryan has been a member of the Board since March 2000 and is Chairman of the Audit Committee and a member of the Risk Committee. He has extensive experience in accounting, audit, finance and risk management. He was a senior partner of Arthur Andersen until his retirement in August 1999 after thirty three years with that firm including five years as Managing Partner Australasia. Until November 2002, he was Strategic Investment Co-ordinator and Major Projects Facilitator for the Commonwealth Government.

Member: Prime Minister's Community Business Partnership and Council of the National Library of Australia.

Director: Australian Foundation Investment Company Limited and Clayton Utz.

Other Interests: Committee for Melbourne (Patron), Pacific Institute (Counsellor) and Special Committee for Mature Age Workers (Chairman).

Mr Ryan is a resident of Victoria. Age 62.

Frank J Swan

Mr Swan has been a member of the Board since July 1997 and is Chairman of the Risk Committee and a member of the Nominations Committee. He holds a Bachelor of Science degree and has twenty three years senior management experience in the food and beverage industries.

Chairman: Foster's Group Limited and Centacare Catholic Family Services.

Director: National Foods Limited.

Other Interests: Institute of Directors (Fellow), Australian Institute of Company Directors (Fellow) and Australian Institute of Management (Fellow).

Mr Swan is a resident of Victoria. Age 64.

Barbara K Ward

Ms Ward has been a member of the Board since 1994 and is a member of the Audit and Risk Committees. She holds a Bachelor of Economics and Master of Political Economy and has experience in policy development and public administration as a senior ministerial adviser and experience in the transport and aviation industries, most recently as Chief Executive of Ansett Worldwide Aviation Services.

Chairperson: Country Energy.

Director: Lion Nathan Limited, Record Investments Limited, Multiplex Limited and Multiplex Funds Management Limited.

Other Interests: Sydney Opera House Trust (Trustee), Australia Day Council of New South Wales (Member) and Australian Institute of Company Directors (Member).

Ms Ward is a resident of New South Wales. Age 51.

Ralph J Norris , Incoming Managing Director and Chief Executive Officer

Mr Norris' appointment as Managing Director and Chief Executive Officer was announced on 14 June 2005 with effect from 22 September 2005. Mr Norris has been Chief Executive Officer and Managing Director of Air New Zealand since February 2002 and has been a Director of that company since August 1998. He retired from that Board in August 2005 to take up his position with the Bank.

Prior to his appointment at Air New Zealand, Mr Norris had a 30 year career in banking. He was Chief Executive Officer of ASB Bank Limited from March 1991 until September 2001 and Head of International Financial Services from August 1999 until 2001.

In August 2005, Mr Norris retired from the Board of Fletcher Building Limited where he had been a Director since 2001.

Other Interests: Fellow New Zealand Institute of Management and Fellow New Zealand Computer Society.

Mr Norris has become a resident of New South Wales. Age 56

N R (Ross) Adler, AO, Retired 5 November 2004

Mr Adler had been a member of the Board since 1990 and was a member of the Audit and Risk Committees. He holds a Bachelor of Commerce and a Master of Business Administration. He has experience in various commercial enterprises, more recently in the oil and gas and chemical trading industries. He is the former Managing Director and Chief Executive Officer of Santos Limited.

Chairman: Austrade and Amtrade International Pty Ltd.

Director: Australian Institute of Commercialisation Ltd and AWL Enterprises Pty Ltd.

Other Interests: Adelaide Festival (Chairman), University of Adelaide (Council Member and Chairman of the Finance Committee) and Executive Member of the Australian Japan Business Co-operation Committee.

Mr Adler is a resident of South Australia. Age 59.

John T Ralph, AC, Retired 5 November 2004

Mr Ralph had been a member of the Board since 1985 and Chairman since 1999. He was also Chairman of the Risk, People & Remuneration and Nominations Committees. He is a Fellow of the Australian Society of Certified Practising Accountants and has had over fifty years experience in the mining and finance industries.

Deputy Chairman: Telstra Corporation Limited.

Other Interests: Melbourne Business School (Board of Management), Australian Foundation for Science (Chairman), Australian Farm Institute (Chairman), Australian Institute of Company Directors (Fellow), Australian Institute of Management (Fellow), Australian Academy of Science (Fellow), Australian Academy of Technological Science and Engineering (Fellow), Scouts Australia Victorian Branch (President) and St Vincent's Institute Foundation (Patron).

Mr Ralph is a resident of Victoria. Age 72.

Directors’ Report (continued)

Other Directorships

The Directors held directorships on other listed companies within the last three years as follows:

DIRECTOR	Company	Date Appointed	Date of Ceasing (if applicable)
J M Schubert	BHP Billiton Limited	01/06/2000	
	BHP Billiton Plc	29/06/2001	
	Qantas Limited	23/10/2000	
	Worley Group Limited	28/11/2002	28/02/2005
R J Clairs	David Jones Limited	22/02/1999	
	Cellnet Group Limited	01/07/2004	
A B Daniels	The Australian Gas Light Company	04/08/1999	
	Orica Limited	01/03/1995	17/12/2003
C R Galbraith	Onesteel Limited	25/10/2000	
	GasNet Australia Group	17/12/2001	
S C H Kay	Mayne Group Limited	28/09/2001	
	Ansell Limited	19/05/2000	01/11/2002
W G Kent	West Australian Newspapers Holdings Limited	02/02/1998	
	Coventry Group Limited	01/07/2001	
	Perpetual Trustees Australia Limited (Group)	01/05/1998	31/07/2005
F D Ryan	Australian Foundation Investment Company Limited	08/08/2001	
F J Swan	Foster's Group Limited	25/10/1999	
	National Foods Limited	11/03/1997	30/06/2005
	Southcorp Limited	26/05/2005	29/07/2005
B K Ward	Lion Nathan Limited	20/02/2003	
	Multiplex Group	26/10/2003	
	Record Investments Limited	29/04/2005	
J T Ralph	Telstra Corporation Limited	14/10/1996	
	BHP Billiton Plc	01/11/1997	04/11/2002

Directors' Report (continued)

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Commonwealth Bank of Australia during the financial year were:

DIRECTOR	DIRECTORS' MEETINGS No. of Meetings Held[(1)]	No. of Meetings Attended
J M Schubert	13	13
D V Murray	13	12
R J Clairs	13	13
A B Daniels	13	13
C R Galbraith	13	12
S C H Kay	13	13
W G Kent	13	13
F D Ryan	13	13
F J Swan	13	12
B K Ward	13	13
N R Adler	4	4
J T Ralph	4	4

(1) The number of meetings held during the time the Director held office during the year.

	COMMITTEE MEETINGS					
	Risk Committee		Audit Committee		People & Remuneration Committee	
DIRECTOR	No. of Meetings Held[(1)]	No. of Meetings Attended	No. of Meetings Held[(1)]	No. of Meetings Attended	No. of Meetings Held[(1)]	No. of Meetings Attended
J M Schubert	6	6	2	2	7	7
D V Murray	6	6				
R J Clairs	6	6			8	6
A B Daniels	6	5			8	8
C R Galbraith	6	6	4	4		
S C H Kay	6	6			5	5
W G Kent	6	6	4	4		
F D Ryan	6	6	6	6		
F J Swan	6	4				
B K Ward	6	6	6	6		
N R Adler	2	2	2	2		
J T Ralph	2	2			3	3

DIRECTOR	NOMINATIONS COMMITTEE No. of Meetings Held[(1)]	No. of Meetings Attended
J M Schubert	2	2
C R Galbraith	2	2
F J Swan	2	2

(1) The number of meetings held during the time the Director was a member of the relevant committee.

Principal Activities

The Commonwealth Bank Group is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, superannuation, life insurance, general insurance, funds management, broking services and finance company activities. The principal activities of the Commonwealth Bank Group during the financial year were:

(i) Banking

The Group provides a full range of retail banking services including housing loans, credit cards, personal loans, savings and cheque accounts, and demand and term deposits. The Group has leading domestic market shares in home loans, personal loans, retail deposits and discount stockbroking, and is one of Australia's largest issuers of credit cards. The Group also offers a full range of commercial products including business loans, equipment and trade finance, and rural and agribusiness products. For our corporate and institutional clients, we offer a broad range of structured finance, equities and advisory solutions, financial markets and equity markets solutions, transactions banking, and merchant acquiring.

The Group also has full service banking operations in New Zealand and Fiji. The Group has wholesale banking operations in London, New York, Hong Kong, Singapore and Tokyo.

(ii) Funds Management

The Group is Australia's largest funds manager and largest retail funds manager in terms of its total value of Funds under Administration. The Group's funds management business is managed as part of the Wealth Management division. This business manages a wide range of wholesale and retail investment, superannuation and retirement funds. Investments are across all major asset classes including Australian and International shares, property, fixed interest and cash.

The Group also has funds management businesses in New Zealand, UK and Asia.

(iii) Insurance

The Group provides term insurance, disability insurance, annuities, master trusts, investment products and household general insurance.

The Group is Australia's largest insurer based on life insurance assets held, and is Australia's largest manager in retail superannuation, allocated pensions and annuities by funds under management.

Life insurance operations are also conducted in New Zealand, where the Group has the leading market share, and throughout Asia and the Pacific.

There have been no significant changes in the nature of the principal activities of the Group during the financial year.

Consolidated Profit

Consolidated operating profit after tax and outside equity interests for the financial year ended 30 June 2005 was $3,991 million (2004: $2,542 million).

The net operating profit for the year ended 30 June 2005 after tax, and before goodwill amortisation, appraisal value uplift, shareholder investment returns and costs related to initiatives including Which new Bank was $3,466 million. This is an increase of $388 million or 13% over the year ended 30 June 2004.

In September 2003, the Group launched its Which new Bank customer service vision. This is a three year transformation program with an estimated spend of $1,480 million over the period. This includes $600 million of normal project spend, and an additional $620 million in areas of staff training, systems and process simplification and technology, and $260 million invested in the branch network.

The Bank has continued to meet all of its Which new Bank commitments and critical project milestones, with net benefits in 2005 totalling $724 million. Market shares in key business lines have improved (home loans, personal lending, funds management) or are showing signs of turn-around (business-lending, deposits). Efficiency gains are being recorded in each segment.

The principal contributing factors to the profit increase were a growth in net interest income reflecting growth across a range of lending products, combined with an increase in commissions. Underlying expenses increased by only 4%, despite higher spend on compliance and the impact of a stronger NZ dollar. Funds management and insurance income rose which reflects buoyant equity markets for most of the year, growth in Funds under Administration and growth in inforce premiums. Additionally appraisal values of the life insurance and funds management businesses increased by $778 million reflecting the growth in Funds under Administration and improved equity markets.

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 112 cents per share amounting to $1,434 million. The dividend will be payable on 23 September 2005 to shareholders on the register at 5pm on 19 August 2005. Dividends paid since the end of the previous financial year:

- As declared in last year's 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;
- In respect of the current year, a fully franked interim dividend of 85 cents per share amounting to $1,083 million was paid on 31 March 2005. The payment comprised cash disbursements of $883 million with $200 million being reinvested by participants through the Dividend Reinvestment Plan; and
- Additionally, quarterly dividends totalling $39 million for the year were paid on the PERLS; $34 million on the PERLS II; $42 million on the Trust Preferred Securities; $9 million on the ASB Capital preference shares; and $7 million on the ASB Capital No.2 preference shares.

Review of Operations

An analysis of operations for the financial year is set out in the Highlights on page 6 and business review sections for Banking, Funds Management and Insurance on pages 12, 20 and 24 respectively. A review of the financial condition of the Bank is set out in the Highlights on page 6.

Changes in State of Affairs

During the year, the Bank continued to make significant progress in implementing a number of strategic initiatives under the Which new Bank program launched in September 2003.

The program is designed to ensure a better service outcome for the Bank's customers.

Progress within the major initiatives included the following:

- "Commsee," the new banking customer management platform, as well as providing frontline staff with ready access to imaged client documents and authorities, is making it easier to share customer information. More than half the branches now have CommSee operating and are averaging over 90,000 referrals per month.
- "CommWay" initiatives have led to turnaround time improvements and a significant reduction in home loan and personal loan approval times, through the implementation of end-to-end systems and process improvements.
- A further 127 branches have been refurbished this year, bringing the total number of branches modernised to help provide faster, more efficient service to 253.
- The new NetBank platform was introduced in April 2005 providing enhanced functionality and greater flexibility for 2 million online customers.
- The Wealth Management team achieved its goal of reducing the number of product systems to seven, bringing the total number of product systems decommissioned to 10 since the beginning of Which new Bank.

The Chairman of Commonwealth Bank of Australia, Dr. John Schubert, announced on 14 June 2005 that the Board had appointed Mr. Ralph Norris to take over the role of Managing Director and Chief Executive Officer on the retirement of Mr. David Murray. Mr. Murray will retire from the Bank on 22 September 2005. Mr. Norris is currently Managing Director and Chief Executive Officer of Air New Zealand Limited.

There were no other significant changes in the state of affairs of the Group during the financial year.

Events Subsequent to Balance Date

On 7 July 2005 the Bank entered into an agreement to sell its life insurance and financial planning business in Hong Kong for approximately $600 million to Sun Life Financial. The business consisted of CMG Asia Limited, CommServe Financial Limited and Financial Solutions Limited, with a combined carrying value of $527 million under current Australian GAAP. The carrying value will be different under AIFRS, principally due to differences in discount rates used in the actuarial valuation of policyholder liabilities and differences in treatment of historic foreign exchange losses under AIFRS. The impact of conversion to AIFRS is included in Note 1 (qq) to the Financial Statements.

The transaction, targeted for completion within three months, and together with the determination of the final profit is subject to conditions precedent.

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

Directors' Report (continued)

Business Strategies and Future Developments

Business strategies, prospects and future developments, which may affect the operations of the Group in subsequent financial years, are referred to in the Chairman's Statement on page 3, Highlights on page 6 and Which new Bank Summary on page 10. In the opinion of the Directors, disclosure of any further information on likely developments in operations would be unreasonably prejudicial to the interests of the Group.

Environmental Regulation

The Bank and its controlled entities are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory, but can incur environmental liabilities as a lender. The Bank has developed credit policies to ensure this is managed appropriately.

Directors' Shareholdings

Particulars of shares in the Commonwealth Bank or in a related body corporate are set out the Remuneration Report within this report.

Options

An Executive Option Plan ("EOP") was approved by shareholders at the Annual General Meeting on 8 October 1996 and its continuation was further approved by shareholders at the Annual General Meeting on 29 October 1998. At the 2000 Annual General Meeting, the EOP was discontinued and shareholders approved the establishment of the Equity Reward Plan ("ERP"). The last grant of options to be made under the ERP was the 2001 grant, with options being granted on 31 October 2001, 31 January 2002 and 15 April 2002. A total of 3,007,000 options were granted by the Bank to 81 executives in the 2001 grant. During the financial year, the performance hurdle for the 2001 ERP grant was met. All option grants have now met their specified performance hurdles. During the financial year and for the period to the date of this report 2,741,600 shares were allotted by the Bank consequent to the exercise of options granted under the EOP and ERP. Full details of the Plan are disclosed in Note 29 to the financial statements. No options have been allocated since the beginning of the 2001/2002 financial year.

The names of persons who currently hold options in the Plan are entered in the register of option holders kept by the Bank pursuant to Section 170 of the Corporations Act 2001. The register may be inspected free of charge.

For details of the options previously granted to the Chief Executive Officer, being a director, refer to the Remuneration Report within this report.

Directors' Interests in Contracts

A number of Directors have given written notices, stating that they hold office in specified companies and accordingly are to be regarded as having an interest in any contract or proposed contract that may be made between the Bank and any of those companies.

Directors' and Officers' Indemnity

Articles 19.1, 19.2 and 19.3 of the Commonwealth Bank of Australia's Constitution provides:

"19. Indemnity

19.1 Persons to whom articles 19.2 and 19.4 apply

Articles 19.2 and 19.4 apply:

(a) to each person who is or has been a director, secretary or senior manager of the company; and

(b) to such other officers, employees, former officers or former employees of the company or of its related bodies corporate as the directors in each case determine,

(each an "Officer" for the purposes of this article).

19.2 Indemnity

The company must indemnify each Officer on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses ("Liabilities") incurred by the Officer as an officer of the company or of a related body corporate.

19.3 Extent of indemnity

The indemnity in article 19.2:

(a) is enforceable without the Officer having to first incur any expense or make any payment;

(b) is a continuing obligation and is enforceable by the Officer even though the Officer may have ceased to be an officer of the company or its related bodies corporate; and

(c) applies to Liabilities incurred both before and after the adoption of this constitution."

An indemnity for employees, who are not directors, secretaries or senior managers, is not expressly restricted in any way by the Corporations Act 2001.

The Directors, as named on pages 43 and 44 of this report, and the Secretaries of the Commonwealth Bank of Australia, being J D Hatton, H J Broekhuijse (resigned 12 July 2005) and C F Collingwood (appointed 12 July 2005) are indemnified under article 19.1, 19.2 and 19.3 as are all the senior managers of the Commonwealth Bank of Australia.

Deeds of Indemnity have been executed by Commonwealth Bank of Australia consistent with article 19.1, 19.2 and 19.3 above in favour of each Director.

Directors' and Officers' Insurance

The Commonwealth Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of those named and referred to above and the directors, secretaries, executive officers and employees of any related bodies corporate as defined in the insurance policy. The insurance grants indemnity against liabilities permitted to be indemnified by the company under Section 199B of the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Directors' Report – Remuneration Report

Introduction

This report details the Bank's remuneration policy for Directors and Executives (including senior managers and company secretaries) and the links between the performance of the Bank and individual remuneration outcomes. Remuneration arrangements, including details of equity holdings, loans and other transactions for Directors and Specified Executives of the Bank, are also disclosed. In compiling this report the Bank has met the disclosure requirements of accounting standard AASB 1046, as well as those prescribed by the Corporations Act 2001.

People & Remuneration Committee

The Bank's remuneration arrangements are overseen by the People & Remuneration Committee of the Board, which currently consists of Mr R J Clairs (Chairman), Dr J M Schubert, Mr A B Daniels and Ms S C H Kay. Prior to Mr J T Ralph's retirement on 5 November 2004, the Committee consisted of Messrs Ralph (Chairman), Daniels and Clairs. The Committee's activities are governed by its terms of reference which is available on the Bank's website at http://shareholders.commbank.com.au.

The Committee considers changes in remuneration policy likely to have a material impact on the Bank and is informed of leadership performance, legislative compliance on employment issues, industrial agreements and incentive plans operating across the Bank.

The Committee also considers senior appointments and remuneration arrangements for senior management. The remuneration arrangements for the Chief Executive Officer (CEO) and Group Executives (senior direct reports to the CEO) are approved by the full Board.

The policy of the Board is that the Committee shall consist entirely of independent Non-Executive Directors. The CEO attends Committee meetings by invitation but does not attend in relation to matters that can affect him.

Remuneration Policy

The Bank's remuneration systems complement and reinforce its performance culture, and leadership and talent management systems. The remuneration systems aim to:

- Attract and retain high calibre employees;
- Align individual and Bank goals; and
- Ensure total remuneration is competitive by market standards.

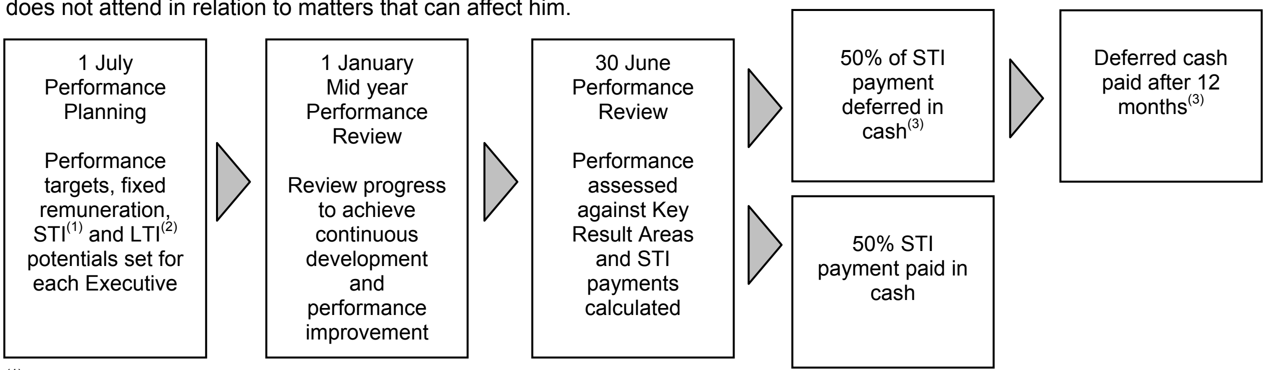
For Executives, this also aims to reward with an appropriate mix of remuneration according to their level in the organisation, with a significant weighting towards both short term and long term variable ('at risk') pay linked to performance. This focus aims to:

- Reward Executives for Bankwide, business unit and individual performance against targets set by reference to appropriate benchmarks and against behavioural standards;
- Align the interests of Executives with those of shareholders; and
- Link Executive reward with the strategic goals and sustainable performance of the Bank.

In determining appropriate levels of Executive remuneration, the People & Remuneration Committee engages an external consultant to provide independent advice. This ensures that the remuneration of Executives is set competitively compared to market. It also helps the Committee understand movements and trends in Executive remuneration that should be factored into considerations regarding the remuneration of Executives.

Remuneration and terms and conditions of employment are specified in an individual contract of employment with each Executive, which is signed by the Executive and the Bank.

The following diagram illustrates the annual cycle of the Bank's remuneration arrangements for senior executives.



(1) STI refers to Short Term Incentive.
(2) LTI refers to Long Term Incentive. LTI grant allocations are made by September each year. After three years the grant is measured against the performance hurdle to assess what portion of the grant, if any, will vest at that time. Refer to page 50 for further detail.
(3) STI deferral applies generally to the CEO and to executives who, in a reporting sense, are no more than two levels removed from the CEO. Payment is subject to forfeiture on resignation or misconduct including misrepresentation of performance outcomes.

Remuneration Structure

Remuneration of the Bank's Executives consists of three key elements:

- Fixed remuneration;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

The 'mix' of these components for each Executive varies according to their role, as outlined below.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation.

Fixed remuneration is competitively set so that the Bank can attract, motivate and retain high calibre local and international Executive staff.

Fixed remuneration is reviewed annually by the People & Remuneration Committee through a process that considers relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Variable ('At Risk') Remuneration

The relationship of fixed and variable remuneration (potential short term and long term incentives) is approved for each level of Executive management by the People & Remuneration Committee.

The Bank's remuneration structure is designed to motivate employees for short and long term performance. This mix between short term and long term variable components maintains a focus on the sustainable short term performance of the Bank, whilst ensuring a clear line of sight in positioning the Bank for its longer term success.

The current target mix of remuneration components for Executives is illustrated in the following table.

Current target potential remuneration mix for Executives

	Fixed Component (Base Remuneration and Superannuation) %	STI Component %	LTI Component %
CEO	25	25	50
Group Executives	30	30	40

Where market practice requires, the structure for some specialist (high revenue-generating) roles differs from that which applies generally to Executive management. For such specialists, a greater proportion of the variable component of remuneration may be in short term rather than long term incentives but the overall mix of remuneration is still heavily weighted towards 'at risk' pay.

Short Term Incentive (STI) Arrangements

Employees at all levels of the Bank participate in the Bank's STI arrangements.

Actual STI payments for Executives depend on the extent to which operating targets and behaviour standards set at the beginning of the financial year are met.

Depending on the Executive's level within the organisation, any actual STI payments received are based on a combination of Bankwide, business unit and individual performance.

On an annual basis, after consideration of performance against Key Result Areas, the Board approves an overall performance rating for the Bank and each business unit. The Executive's manager assesses individual performance based on the Bank's Performance Feedback and Review system.

Executives receive a limited (if any) performance payment if their individual performance is not 'meeting expectations'. Such situations would be under active performance management.

The aggregate of annual STI payments available for Executives across the Bank is subject to the approval of the People & Remuneration Committee. In the case of the CEO and Group Executives, individual payments are subject to the approval of the Board.

For payments made in recognition of performance for the year ended 30 June 2005, where STI deferral applies, the STI payments are delivered in two components -

- 50 percent made as immediate cash payment; and
- 50 percent in cash deferred for one year. Generally, the Executive will need to be an employee of the Bank at the end of the deferral period to receive this portion.

This represents a simplification from previous years where the deferral was made in shares, half of which vested after one year, and the remainder vested after two years.

Long Term Incentive (LTI) Arrangements

Under the Bank's Equity Reward Plan (ERP), LTI grants to Executives are delivered in the form of ordinary shares in the Bank that vest in the Executive if and to the extent that a performance hurdle is met.

LTI grants are made to Executives who are able to directly influence the generation of shareholder wealth and thus the Bank's performance against the relevant hurdle. Participation is thus restricted to Executives who, in a reporting sense, are no more than three levels removed from the CEO.

The quantum of grants made to each Executive depends on their level within the organisation and has regard to the desired mix between fixed remuneration, short term and long term incentive as well as the performance and potential of the individual Executive.

No value will accrue to the Executive unless the Bank's Total Shareholder Return (TSR) (which is calculated by combining the reinvestment of dividends and the movement in the Bank's share price) at least meets the 50^{th} percentile of a peer comparator group of companies over a three to five year period. The percentage of shares vesting in the Executive rises with increased performance. To receive the full value of the LTI grant, the Bank's performance must be in the top quartile of the peer group. The table below provides a summary of the ERP grants from previous years that were in operation during the year ended 30 June 2005.

Summary of performance hurdles for Employee Reward Plan (ERP) grants

	2001 Grant	2002 Grant	2003 Grant	2004 Grant
Performance measurement From To	 3 Sept 2001 4 Sept 2004	 2 Sept 2002 3 Sept 2005	 1 Sept 2003 2 Sept 2006	 23 Aug 2004 24 Aug 2007
Additional vesting opportunities	Every month from Oct 2004 until Sept 2006	Every six months from 3 Sept 2005 until 2 Sept 2007	Every six months from 2 Sept 2006 until 1 Sept 2008	Every six months from 24 Aug 2007 until 23 Aug 2009
Expiry Date if Exercisable	3 Sept 2006	2 Sept 2007	1 Sept 2008	23 Aug 2009
Status as at 30 June 2005	Vested on 3 Oct 04	30th percentile	68th percentile	74th percentile
Vesting Scale	< Weighted Average of Peers = 0% > Weighted Average of Peers = 100%	< 50th percentile = NIL shares 50th – 67th percentile = 50% - 75% of shares 68th – 75th percentile = 76% - 100% of shares		
Performance Hurdle	TSR vs Peer Group. If the performance hurdle is not reached after three years, the options[1] may nevertheless be exercisable or the shares vest, where the hurdle is subsequently reached within five years from the grant date.	TSR vs Peer Group. Where the rating is at least at the 50th percentile on the third anniversary of the grant, the shares will vest at a time nominated by the Executive, within the half yearly windows, over the next two years. The vesting percentage will be the higher of the rating determined at the third anniversary of the grant and the rating determined at the half yearly measurement point at which the Executive nominates that the shares will vest. Where the rating is below the 50th percentile on the third anniversary of grant, the shares can still vest if the rating reaches the 50th percentile at one of the half yearly measurement points prior to the fifth anniversary, but the maximum vesting will be 50%.		

(1) The Bank has not granted options to any Executives since 2001. More information can be found in Note 29 (Share Capital) to the Financial Statements.

The use of a relative TSR based hurdle ensures an alignment between comparative shareholder return and reward for Executives.

In assessing whether the performance hurdles for each grant have been met, the Bank receives independent data from Standard & Poors which provides both the Bank's TSR growth from the commencement of each grant and that of the peer group (excluding the Bank). The Bank's performance against the hurdle is then determined as follows –

- For grants prior to 2002, the TSR of each company in the peer group is weighted by market capitalisation to form an index against which the Bank's TSR is compared.
- For grants made from 2002 onwards, each company in the peer group and the Bank is ranked in order of TSR growth from the commencement of each grant. A weighting for each company in the peer group is determined by dividing the market capitalisation of the relevant company by the total market capitalisation of the peer group. The Bank's percentile ranking is determined by aggregating the calculated weighting of each company ranked below the Bank.

The peer group chosen for comparison reflects the Bank's current business mix and currently[1] consists of:

Adelaide Bank	Macquarie Bank
AMP	National Australia Bank
Australia & New Zealand Banking Group	QBE Insurance
AXA	St George
Bank of Queensland	Suncorp-Metway
Bendigo Bank	Westpac Banking Group
IAG	

(1) GIO and BankWest were included prior to 19 January 2000 and 26 August 2003 respectively.

Further details of the ERP may be found in Note 29 (Share Capital) to the Financial Statements.

Directors' Report – Remuneration Report (continued)

Bank Performance

Short Term Performance – 2004/2005

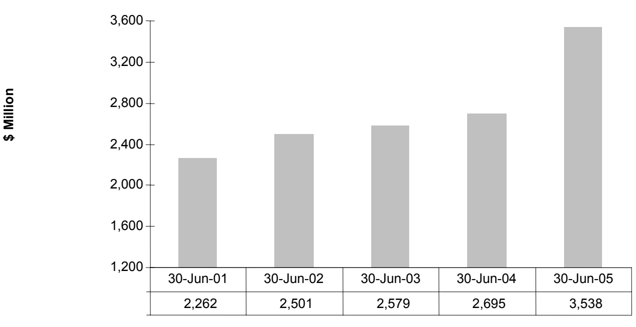
The Bank's Short Term Incentive framework is underpinned by a performance management system through which all staff are assessed on outcomes and behaviours. Staff have Key Result Areas in Customer Service, People Engagement, and Business Outcomes. Below is a description of the Bank's performance in each of these areas.

Summary of Bank performance

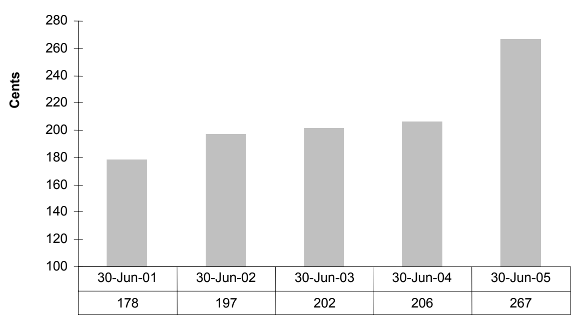
Key Result Area	Commentary
Customer Service	The Bank's vision is 'to excel in customer service'. There have been substantial service improvements driven from the Which new Bank service transformation program. This result is supported by enhanced customer satisfaction readings, significant customer turnaround time improvements, the implementation of CommSee (in progress and on schedule), an upgraded NetBank, service & sales management training and more branch refurbishments. The progress in customer service reflects that the Which new Bank program is on schedule. It is expected that the impact during 2005/2006 of service initiatives already completed and being implemented will add further to the Bank's competitiveness, customer satisfaction levels and ultimately the Bank's market share in profitable areas.
People Engagement	There have been substantial people engagement improvements driven from the Which new Bank program. This result is supported by enhanced employee satisfaction readings, key culture change measures, a continuing safety improvement focus and the implementation of enhanced leadership, performance management and talent management frameworks. This progress is reflective of the Bank's commitment to its people and the success of the Which new Bank program assisting in the achievement of the vision through engaged people.
Business Outcomes	The Bank exceeded its net profit after tax (NPAT) targets for the year ended 30 June 2005. Cash NPAT and underlying NPAT increased by 31% and 13% respectively compared with the previous year. As part of this, the Which new Bank program has exceeded targets with net benefits in 2005 of $724 million. There were strong results in retail banking, funds management and insurance, tempered by moderate results in institutional and business banking. These results are supported by market share improvements in most products, productivity gains and return on equity increases. The Bank has improved market share in home lending (from 19.3% to 19.9%) and retail funds under administration (from 14.4% to 14.8%) in the past 12 months. The Bank has shown strong lending growth in the retail bank and stable net interest margins since 30 June 2004. It has achieved increases in average interest earning assets and home lending balances of 13.9% and 18.5% respectively.

The following graphs illustrate the Bank's NPAT and earnings per share (EPS) performance on an cash basis over the last five years.

Cash NPAT performance 2001 to 2005



Cash EPS performance 2001 to 2005



Directors' Report – Remuneration Report (continued)

Longer Term Performance

Long term performance is measured on the Bank's Total Shareholder Return (TSR) relative to its peers. TSR is calculated by combining the reinvestment of dividends and the movement in the Bank's share price.

2001 LTI Grant Performance

The performance hurdle for the 2001 grant was reached in October 2004 with the Bank having outperformed the peer group TSR index by 7.8% over the performance period.

2002, 2003, 2004 LTI Grant Performance

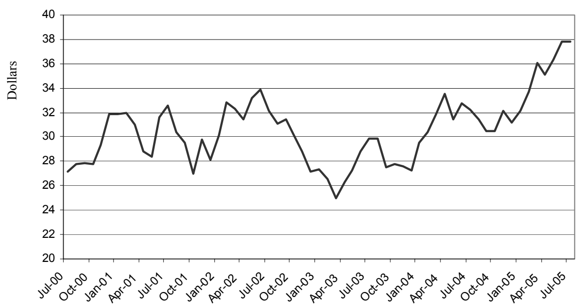
The Bank's performance must reach at least the 50th percentile for 50% of the shares granted to vest. All of the shares granted will only vest if the Bank's performance reaches the 75^{th} percentile.

As at 30 June 2005, the Bank's performance was tracking under the 50^{th} percentile for the 2002 grant and over the 50^{th} percentile for the 2003 and 2004 grants.

Share Price

The Bank's share price has trended upward over the last five years, with a steeper incline since the introduction of the Which new Bank program in September 2003. Which new Bank has improved the Bank's long term sustainable competitive positioning by enhancing customer service, people engagement and productivity.

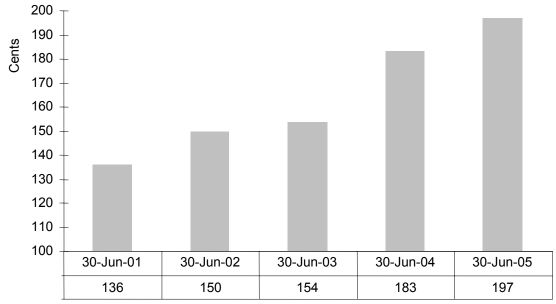
Share Price



Dividends per Share

The Bank's dividend per share has increased each year over the last five years, with more significant increases since the introduction of the Which new Bank program.

Dividends per Share



Directors' Remuneration

Mr David V Murray (Managing Director and CEO)

Summary of Remuneration Arrangements

Mr Murray's remuneration consists of fixed and variable (at risk) components. For the year ended 30 June 2005, fixed remuneration, which comprises base remuneration (calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as employer contributions to superannuation, was 35% of total remuneration.

The variable (at risk) remuneration consists of short and long-term incentives.

Short Term Incentives (STIs) are delivered in two components: 50% made as an immediate cash payment and 50% in deferred cash. Performance is measured against Key Result Areas, with payment subject to the approval of the Board. The Board has assessed Mr Murray's performance for the year and has approved a STI payment of $1,520,000.

Long Term Incentives (LTIs) are delivered in the form of Reward Shares under the Bank's Equity Reward Plan, and no value will accrue unless the Bank's Total Shareholder Return (TSR) at least meets the 50th percentile of the comparator group of companies. The Bank obtained shareholder approval for all LTI grants for Mr Murray.

The total variable remuneration for the year ended 30 June 2005 was 65% of total remuneration.

The Board determines Mr Murray's remuneration, pursuant to the Constitution, as part of the terms and conditions of his appointment. Those terms and conditions are established in a contract of employment with Mr Murray which was effective from 2 July 2001 for a term of 5 years with remuneration subject to review annually by the Board.

As announced on 22 December 2004, Mr Murray's remuneration arrangements were altered during the year. As a result of an independent review of Executive remuneration, the Board changed the mix of Mr Murray's remuneration by increasing the proportion of his remuneration that is performance-based.

Mr Murray's deferred STI arrangements changed with 50% of the STI payment being deferred in cash for one year. This is consistent with changes made that apply to executives who, in a reporting sense, are no more than two levels removed from the CEO.

Mr Murray's remuneration arrangements are detailed on page 57 (Remuneration of Directors) and follow the same principles as other Executives except in relation to the Bank seeking shareholder approval of LTI grants.

At the 2004 Annual General Meeting (AGM), the Board sought and was granted the approval of shareholders (under ASX Listing Rule 10.14) for a maximum of 250,000 shares to be allocated to Mr Murray under the Equity Reward Plan in two tranches prior to the 2006 AGM. As communicated on 22 December 2004, 125,000 shares were granted to Mr Murray in 2004.

Retirement of Mr Murray

Mr Murray's contract provides for a notice period of not less than six months and a pro-rata payment of the average of the previous three years' short term incentive payments. His arrangements also provide for him to exercise all vested options and obtain vested shares as described below.

On exit from the Bank, Mr Murray is entitled to receive his statutory entitlements of accrued annual and long service leave as well as accrued superannuation benefits. This arrangement is the same for all Bank Executives.

As announced on 15 July 2005, Mr Murray will retire from the Bank on 22 September 2005 after 39 years service, 13 of which have been as Managing Director and CEO.

Upon his departure, Mr Murray will receive payments of approximately $17.5 million. This comprises the components set out below.

Mr Murray's payments on leaving the Bank

	Approximate Value ($M)
Statutory Benefits	
Superannuation Benefit	11.8
Accrued Statutory Annual and Long Service Leave	2.3
Contractual Entitlements	2.4
Deferred STI Payments	1.0
Total	**17.5**

The Deferred STI Payments component is the total value of the deferred portions of payments determined in recognition of performance over the 2003/2004 and 2004/2005 financial years.

Depending on achievement of prescribed performance hurdles, Mr Murray may also be entitled to receive LTI shares granted under the Equity Reward Plan during 2002, 2003 and 2004, totalling 268,000 shares over the next four years. He may receive all, some or none of these shares, depending on the performance of each grant over the relevant periods.

The actual value of this benefit to Mr Murray is therefore contingent upon the number of shares he receives and the share price at the time (further details of the Bank's LTI arrangements are at page 50). Applying the accounting principles adopted in the Bank's audited financial disclosures, which assumes 50% of the shares are received, the value of these shares at the time of the announcement of Mr Murray's retirement date was approximately $5.2 million.

Appointment of Mr Norris

The Bank has appointed Mr Ralph Norris as Managing Director and CEO effective 22 September 2005. Prior to taking up appointment as Managing Director and CEO, Mr Norris will spend a period in hand over with Mr Murray to ensure a smooth transition.

Mr Norris' remuneration will be structured in a similar manner to Mr Murray's and will be reviewed by the Board on an annual basis.

Initially, fixed remuneration (including employer contributions to superannuation) will be $1.9 million per annum. The variable component consists of both STI and LTI.

The STI arrangements provide the opportunity to earn up to $1.9 million per annum, subject to performance against Key Result Areas as set by the Board. As was the case with Mr Murray's arrangements, 50% of the STI is delivered as an immediate cash payment with the remaining 50% deferred in cash for one year.

Subject to shareholder approval, the LTI component provides for Mr Norris to receive a grant of shares under the Bank's Equity Reward Plan (ERP). No value will accrue to Mr Norris under the ERP unless the Bank's Total Shareholder Return (TSR) at least meets the 50th percentile of a peer comparator group of companies over a three to five year period. The initial LTI allocation is to the approximate value of $3.8 million.

Mr Norris' contract provides for no end date, although he may resign at any time by giving six months notice. The Bank may terminate Mr Norris' employment, in cases other than misconduct, on twelve months notice in his first year of service and six months notice thereafter. In the latter case the Bank will pay all fixed remuneration and any outstanding statutory entitlements. Any unvested STI or LTI amounts will be payable at the discretion of the Board.

There is also a provision allowing Mr Norris to terminate the agreement if a material change to his status occurs and to receive benefits as if the Bank had terminated his employment.

Non Executive Directors

Remuneration Arrangements

Remuneration for Non-Executive Directors consists of base and committee fees within a maximum of $3,000,000 per annum as approved by shareholders at the Annual General Meeting held on 5 November 2004. No component of Non-Executive Director remuneration is contingent upon performance.

On appointment to the Board, Non-Executive Directors enter into a service agreement with the Bank in the form of a letter of appointment. The letter of appointment, a copy of which appears on the Bank's website, summarises the Board policies and terms, including remuneration, relevant to the office of Director. All current Non-Executive Directors have entered into a form of service agreement.

The policy of the Board is that the aggregate amount of fees should be set at a level which provides the Bank with the necessary degree of flexibility to enable it to attract and retain the services of directors of the highest calibre.

The Nominations Committee annually reviews the fees payable to individual Non-Executive Directors and takes into account relevant factors and, where appropriate, receives external advice on comparable remuneration. The last review was undertaken in December 2004, at which time components of the Directors' fees were increased to the current levels to reflect the increasing commitments and responsibilities on Directors in meeting the statutory and regulatory requirements of their office. Those increases also took account of the termination of the Directors' Retirement Allowance Scheme.

Non-Executive Directors have 20% of their annual fees applied to the mandatory on-market acquisition of shares in the Bank. They can also voluntarily participate in a plan to have up to an additional 50% of their annual fees applied to the on-market acquisition of shares in the Bank.

The Bank's Non-Executive Directors' fee structure provides for a base fee for all Bank Directors of $160,000, and a base Chairman's fee of $560,000. In addition, amounts are payable where Directors are members of, or chair a Committee. Details of the breakdown of each Non-Executive Director's fees is provided on page 56. The Bank also contributes to compulsory superannuation on behalf of Non-Executive Directors.

Retirement Benefits

Under the Directors' Retirement Allowance Scheme, which was approved by shareholders at the 1997 Annual General Meeting, Directors previously accumulated a retirement benefit on a pro rata basis to a maximum of four years' total emoluments after twelve years' service. No benefit accrued until the Director had served three years on the Board. In 2002 the Board decided to discontinue the Directors' Retirement Allowance Scheme without affecting the entitlements of then existing Non-Executive Directors. After that time, new Directors have not been entitled to participate in the scheme.

The Board resolved with effect from the 2004 Annual General Meeting to terminate accrual of further benefits under the Scheme and freeze the entitlements of current members until their respective retirements. This approach has resulted in remuneration arrangements being expressed in a more transparent manner.

The only increment in the value of Directors' retirement benefit entitlements shown in the tables on pages 56 and 57 for this year reflects the period up until 5 November 2004, being the date of the Annual General Meeting.

Directors' Report – Remuneration Report (continued)

Details of components of Non-Executive Director fees[1]

Director	Board Remuneration $	Committee Remuneration: People and Remuneration $	Committee Remuneration: Audit $	Committee Remuneration: Risk $	Total $
J M Schubert	560,000	20,000		20,000	600,000
R J Clairs	160,000	35,000		20,000	215,000
A B Daniels	160,000	20,000		20,000	200,000
C R Galbraith	160,000		25,000	20,000	205,000
S C H Kay	160,000	20,000		20,000	200,000
W G Kent	160,000		25,000	20,000	205,000
F D Ryan	160,000		45,000	20,000	225,000
F J Swan	160,000			35,000	195,000
B K Ward	160,000		25,000	20,000	205,000
Total	1,840,000	95,000	120,000	195,000	2,250,000

(1) Non-Executive Directors sacrifice 20% of these fees on a mandatory basis under the Non-Executive Directors Share Plan (NEDSP).

The entitlements of the Non-Executive Directors under the Directors' Retirement Allowance Scheme are:

Directors' Retirement Allowance Scheme

Non-Executive Directors	Increase in Accrued Benefit in Year $	Entitlement as at 30 June 2005 $
J M Schubert	12,157	636,398
R J Clairs	18,201	202,989
A B Daniels	15,159	160,618
C R Galbraith	8,542	159,092
S C H Kay [1]	-	-
W G Kent	8,542	159,092
F D Ryan	12,723	168,263
F J Swan	8,087	266,173
B K Ward	17,225	370,180
N R Adler [2]	12,152	-
J T Ralph [2]	7,481	-

(1) Ms Kay was appointed a Director after the closure of the scheme.
(2) Messrs Adler and Ralph both retired on 5 November 2004. On retirement, they were paid their accrued entitlements under the Scheme, being $431,211 for Mr Adler and $1,203,960 for Mr Ralph.

Individual Remuneration Details for Directors

Individual remuneration details for Directors are set out below.

Remuneration of Directors

Year ended 30 June	Primary Benefits			Post Employment Benefits		Equity Benefits				Other Benefits	Total Remun-eration
	Cash [1]	Cash STI Payment	STI Deferred in Cash	Super-annuation [2]	Retirement Allowance [3]	STI Deferred in Shares	LTI Options	LTI Reward Shares	NEDSP[1]	Term-ination Benefits	
	Fixed ($)	At Risk ($)	At Risk ($)	Fixed ($)	Fixed ($)	At Risk ($)	At Risk ($)	At Risk ($)	Fixed ($)	($)	($)
J M Schubert	Chairman										
2005	**342,987**	**-**	**-**	**30,869**	**12,157**	**-**	**-**	**-**	**85,747**	**-**	**471,760**
2004	130,545	-	-	11,749	46,981	-	-	-	32,636	-	221,911
D V Murray [4]	Managing Director and CEO (see notes to the "Remuneration of Specified Executives" table for details of individual items)										
2005	**1,757,500**	**760,000**	**760,000**	**142,500**	**-**	**431,250**	**81,284**	**1,563,504**	**-**	**-**	**5,496,038**
2004	1,680,000	450,000	-	136,080	-	365,000	431,666	1,363,362	-	-	4,426,108
R J Clairs											
2005	**139,075**	**-**	**-**	**12,517**	**18,201**	**-**	**-**	**-**	**34,769**	**-**	**204,562**
2004	86,424	-	-	7,778	38,988	-	-	-	21,606	-	154,796
A B Daniels											
2005	**131,831**	**-**	**-**	**11,865**	**15,159**	**-**	**-**	**-**	**32,958**	**-**	**191,813**
2004	86,424	-	-	7,778	41,663	-	-	-	21,606	-	157,471
C R Galbraith											
2005	**130,220**	**-**	**-**	**11,720**	**8,542**	**-**	**-**	**-**	**32,555**	**-**	**183,037**
2004	89,460	-	-	8,051	46,418	-	-	-	22,365	-	166,294
S C H Kay											
2005	**165,976**	**-**	**-**	**14,938**	**-**	**-**	**-**	**-**	**41,494**	**-**	**222,408**
2004	97,482	-	-	8,773	-	-	-	-	24,370	-	130,625
W G Kent											
2005	**130,220**	**-**	**-**	**11,720**	**8,542**	**-**	**-**	**-**	**32,555**	**-**	**183,037**
2004	89,460	-	-	8,051	46,418	-	-	-	22,365	-	166,294
F D Ryan											
2005	**145,398**	**-**	**-**	**13,086**	**12,723**	**-**	**-**	**-**	**36,350**	**-**	**207,557**
2004	90,435	-	-	8,139	46,466	-	-	-	22,609	-	167,649
F J Swan											
2005	**124,478**	**-**	**-**	**11,203**	**8,087**	**-**	**-**	**-**	**31,119**	**-**	**174,887**
2004	89,460	-	-	8,051	44,429	-	-	-	22,365	-	164,305
B K Ward											
2005	**135,831**	**-**	**-**	**12,225**	**17,225**	**-**	**-**	**-**	**33,958**	**-**	**199,239**
2004	90,435	-	-	8,139	51,566	-	-	-	22,609	-	172,749
N R Adler [5]											
2005	**36,333**	**-**	**-**	**2,196**	**-**	**-**	**-**	**-**	**9,083**	**431,211**	**478,823**
2004	90,435	-	-	8,318	23,717	-	-	-	22,609	-	145,079
J T Ralph [5][6]											
2005	**88,881**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22,220**	**1,203,960**	**1,315,061**
2004	245,887	-	-	-	36,479	-	-	-	61,472	-	343,838
Total Remuneration for Directors											
2005	**3,328,730**	**760,000**	**760,000**	**274,839**	**100,636**	**431,250**	**81,284**	**1,563,504**	**392,808**	**1,635,171**	**9,328,222**
2004	2,866,447	450,000	-	220,907	423,125	365,000	431,666	1,363,362	296,612	-	6,417,119

(1) For Non-Executive Directors, this includes that portion of base fees and committee fees paid as cash. Non-Executive Directors also sacrifice 20% of their fees on a mandatory basis under the Non-Executive Directors Share Plan (NEDSP). Further detail on the NEDSP is contained in Note 29 (Share Capital) to the Financial Statements.

(2) The Bank is not currently contributing to its staff superannuation fund (the Officers' Superannuation Fund) as the fund is currently in surplus. A notional cost of contribution has been determined on an individual basis for those Non-Executive Directors who are members of that fund. Some Directors have superannuation contributions made to other funds.

(3) For Non-Executive Directors this represents the increase in their accrued benefit in the year under the Director's Retirement Allowance Scheme which was approved by shareholders at the 1997 Annual General Meeting. See page 55 regarding discontinuance of the Scheme.

(4) Refer to page 54 for details of Mr Murray's termination payments.

(5) Messrs Adler and Ralph both retired on 5 November 2004.

(6) Mr Ralph turned 71 during the year ended 30 June 2004. The Bank's compulsory superannuation obligations generally cease after a person attains age 70.

Specified Executives' Remuneration

AASB 1046 defines a 'Specified Executive' as someone who is directly accountable and responsible for the strategic and operational management of an organisation. The Bank is required to disclose details of remuneration for the five employees, excluding Directors, with the greatest authority in this area. The Bank has taken the view that all members of its Executive Committee have significant influence over the strategic direction of the Bank, and accordingly defines all nine of its Group Executives as a Specified Executive for disclosure purposes.

Individual Remuneration Details for Specified Executives

The following table details the fixed and at risk remuneration for Specified Executives for the year ended 30 June 2005.

Remuneration of Specified Executives

Year ended 30 June	Primary Benefits				Post Employment Benefits	Equity Benefits			Other Benefits		Total Remun-eration
	Cash(1)	Non Monetary(2)	Cash STI Payment(3)	STI Deferred in Cash(4)	Super-annuation(5)	STI Deferred in Shares(6)	LTI Options(7)	LTI Reward Shares(7)	Term-ination Benefits(8)	Other Benefits(9)	
	Fixed ($)	Fixed ($)	At Risk ($)	At Risk ($)	Fixed ($)	At Risk ($)	At Risk ($)	At Risk ($)	($)	($)	($)
M A Cameron	Group Executive, Financial and Risk Management										
2005	**718,300**	**10,260**	**327,250**	**327,250**	**51,700**	**160,625**	-	**263,187**	-	-	**1,858,572**
2004	600,000	13,000	170,000	-	243,200	99,375	-	150,325	-	-	1,275,900
L G Cupper	Group Executive, People Services										
2005	**605,000**	**10,260**	**292,500**	**292,500**	**45,000**	**185,625**	**24,385**	**408,380**	-	-	**1,863,650**
2004	580,000	13,000	156,000	-	115,200	156,875	118,642	415,022	-	-	1,554,739
S I Grimshaw	Group Executive, Wealth Management										
2005	**932,500**	**10,260**	**425,000**	**425,000**	**67,500**	**275,625**	**32,514**	**548,870**	-	-	**2,717,269**
2004	891,000	13,000	280,000	-	89,880	196,875	130,054	498,873	-	-	2,099,682
H D Harley	Group Executive, Retail Banking Services										
2005	**783,500**	**10,260**	**357,500**	**357,500**	**56,500**	**207,500**	**16,257**	**397,155**	-	-	**2,186,172**
2004	700,000	13,000	230,000	-	101,500	130,000	75,578	321,078	-	-	1,571,156
M A Katz	Group Executive, Premium Business Services										
2005	**950,000**	**10,260**	**382,500**	**382,500**	**68,400**	**277,500**	**40,642**	**674,563**	-	-	**2,786,365**
2004	910,000	13,000	290,000	-	132,100	237,500	197,736	677,520	-	-	2,457,856
R V McKinnon	Group Executive, Technology Services										
2005	**560,000**	**10,260**	**240,000**	**240,000**	**40,000**	**138,750**	**12,193**	**279,410**	-	-	**1,520,613**
2004	540,000	13,000	142,500	-	38,880	122,688	55,804	253,061	-	-	1,165,933
G L Mackrell	Group Executive, International Financial Services										
2005	**628,000**	**10,260**	**315,000**	**315,000**	**84,985**	**198,125**	-	**403,559**	-	-	**1,954,929**
2004	600,000	13,000	202,500	-	80,500	166,250	113,718	391,143	-	-	1,567,111
J K O'Sullivan	General Counsel (commenced in role on 17 October 2003)										
2005	**728,000**	**10,260**	**295,000**	**295,000**	**52,000**	**150,000**	-	**253,359**	-	-	**1,783,619**
2004	493,443	9,164	140,984	-	35,528	-	-	105,232	-	-	784,351
G A Petersen	Group Executive, Strategic Development (commenced in role on 17 June 2004)										
2005	**437,000**	**10,260**	**217,500**	**217,500**	**72,200**	**103,227**	-	**161,824**	-	-	**1,219,511**
2004	16,716	497	4,208	-	2,762	2,960	-	2,559	-	-	29,702
Total Remuneration for Specified Executives(10)											
2005	**6,342,300**	**92,340**	**2,852,250**	**2,852,250**	**538,285**	**1,696,977**	**125,991**	**3,390,307**	**-**	**-**	**17,890,700**
2004	6,661,528	119,700	2,010,454	-	1,003,282	1,502,195	966,952	3,787,051	845,000	332,848	17,229,010

Amounts in the above table reflect remuneration for the time the Executive has been in the role of a Specified Executive, i.e. pro-rating is applied relative to the date the Executive commenced or ceased in the role of a Specified Executive. Remuneration earned as an Executive prior to appointment to a role as a Specified Executive is not included in the amounts shown for that Executive.

(1) Reflects amounts paid in the year ended 30 June and is calculated on a total cost basis. Included may be salary sacrifice amounts (e.g. motor vehicles plus FBT) with the exception of salary sacrifice superannuation which is included under 'Superannuation'.

(2) Represents the cost of car parking (including FBT).

(3) Cash STI payment represents the amount of cash immediately payable to an Executive in recognition of performance to the year ended 30 June.

(4) STI Deferred in Cash represents the mandatory deferral of 50% of STI payments for Executives in recognition of performance to the year ended 30 June 2005. These amounts are deferred until 1 July 2006. Generally, the Executive will need to be an employee of the Bank at the end of the deferral period to receive this portion. Previous years' deferrals of STI payments were made in shares.

(5) Represents company contribution to superannuation and includes any allocations made by way of salary sacrifice by Executives.

(6) STI Deferred in Shares represents the cost of shares acquired under the mandatory component of the Equity Participation Plan (EPP). Shares vest in two equal tranches after one and two years respectively. For example, for STI payments for the year ended 30 June 2004, half the shares vest on 1 July 2005 and half vest on 1 July 2006. The amount included in remuneration each year has been amortised on a straight-line basis over the vesting period for each tranche of shares. See Note 29 (Share Capital) to the Financial Statements for further details on the operation of the EPP.

(7) The value of LTIs disclosed above was calculated as follows –

The 'fair value' of options has been calculated using the Black-Scholes valuation model that incorporates the assumptions below –

Option valuation assumptions

				Assumptions		
Commencement Date	Fair Value	Exercise Price	Risk Free Rate	Term	Dividend Yield	Volatility
24 Aug 1999	$3.14	$23.84	5.82%	37 mths	4.82%	20.0%
24 Aug 1999 (CEOs Options)	$3.48	$23.84	5.82%	49 mths	4.82%	20.0%
13 Sept 2000	$3.47	$26.97	6.00%	37 mths	4.41%	17.9%
3 Sept 2001	$4.01	$30.12	5.24%	37 mths	4.61%	20.8%

The 'fair value' of shares is the Bank's closing share price at the Commencement Date for each grant, i.e., $27.64 for shares granted on 13 September 2000, $29.50 for shares granted on 3 September 2001, $31.42 for shares granted on 2 September 2002, $27.48 for shares granted on 1 September 2003 and $29.69 for shares granted on 23 August 2004.

As required under AASB 1046 the Bank has estimated the number of options and shares expected to vest in relation to each grant. The assessment has been made as at 30 June 2005 based on the Bank's performance against the relative hurdle. In respect of options and shares granted in 1999, 2000 and 2001, 100% of the number granted has vested. For shares granted in 2002, 2003 and 2004, the Bank currently anticipates that 50% of the number granted will vest.

The annualised equivalent of the 'fair value' in respect of the number of options and shares for each grant that have or are expected to vest, has been amortised on a straight line basis over the period from the Commencement Date until the first possible vesting date – a period of 37 months (49 months in respect of options granted to Mr Murray on 24 August 1999).

(8) Represents any severance payments made on termination of employment (excluding any payment in lieu of notice).

(9) All Other Benefits payable that are not covered above, including any payment made in lieu of notice on termination of employment and other contractual payments.

(10) Group totals in respect of the financial year ended 30 June 2004 do not necessarily equal the sum of amounts disclosed for individuals specified in 2005 as there are differences to the individuals specified in 2004.

Termination Arrangements

The Bank's Executive contracts generally provide for severance payments of up to six months in cases where termination of employment is initiated by the Bank, other than for misconduct or unsatisfactory performance. Exceptions to these arrangements apply to Messrs Grimshaw, Cupper and O'Sullivan whose contracts allow for a twelve months severance payment where termination is initiated by the Bank. There is also a four week notice period for either party to terminate the agreement.

The contracts for Specified Executives do not have a fixed term.

Upon exit from the Bank, Executives are entitled to receive their statutory entitlements of accrued annual and long service leave, as well as accrued superannuation benefits.

Executives who leave the Bank during a given performance year (i.e. 1 July to 30 June) will generally not receive a STI payment for that year except in the circumstances of retrenchment, retirement or death. In those circumstances, a pro-rated payment may be made based on the length of service during the performance year.

Deferred cash or shares from previous STI awards are usually forfeited where the Executive resigns or is dismissed. In circumstances of retrenchment, retirement or death any cash will generally be paid and unvested shares will generally vest immediately.

LTI grants are generally forfeited where the Executive resigns or is dismissed. In circumstances of retrenchment, retirement or death, the Executive or their estate may, at Board discretion, retain a pro-rated grant of long term incentives. Vesting of any long term incentives retained by the Executive will still be subject to the performance hurdle relevant to that grant.

Directors' Report – Remuneration Report (continued)

STI Allocations to Directors and Specified Executives for the Year Ended 30 June 2005

	Percentage Paid(1)	Percentage Forfeited	Percentage Deferred(2)	Minimum Total Value ($)	Maximum Total Value ($)
D V Murray	50%	-	50%	760,000	1,520,000
M A Cameron	50%	-	50%	327,250	654,500
L G Cupper	50%	-	50%	292,500	585,000
S I Grimshaw	50%	-	50%	425,000	850,000
H D Harley	50%	-	50%	357,500	715,000
M A Katz	50%	-	50%	382,500	765,000
R V McKinnon	50%	-	50%	240,000	480,000
G L Mackrell	50%	-	50%	315,000	630,000
J K O'Sullivan	50%	-	50%	295,000	590,000
G A Petersen	50%	-	50%	217,500	435,000

(1) Will be paid on 1 September 2005.
(2) Will vest on 1 July 2006 and be paid in July 2006, subject to not being forfeited due to resignation or misconduct including misrepresentation of performance outcomes. Will generally vest and be immediately payable in circumstances of retrenchment, retirement or death. See page 54 for treatment on Mr Murray's retirement consistent with this policy.

LTI Allocations to Directors and Specified Executives (under 2004 ERP Grant) in the Year Ended 30 June 2005

	Percentage Paid(1)	Percentage Forfeited	Percentage Deferred(1)	Number of Reward Shares Allocated	Minimum Total Value ($)	Maximum Total Value(2) ($)
D V Murray	-	-	100%	125,000	-	3,711,250
M A Cameron	-	-	100%	28,130	-	835,179
L G Cupper	-	-	100%	25,000	-	742,250
S I Grimshaw	-	-	100%	37,500	-	1,113,375
H D Harley	-	-	100%	35,000	-	1,039,150
M A Katz	-	-	100%	43,130	-	1,280,529
R V McKinnon	-	-	100%	18,750	-	556,687
G L Mackrell	-	-	100%	28,130	-	835,179
J K O'Sullivan	-	-	100%	25,940	-	770,158
G A Petersen	-	-	100%	19,500	-	578,955

(1) Will vest in 2007/2008, 2008/2009 or 2009/2010 subject to the service conditions and performance hurdle being met (see page 51). In circumstances of retrenchment, retirement or death, the Executive or their Estate may, at Board discretion, retain a pro-rated grant of long term incentives. See page 54 for treatment on Mr Murray's retirement consistent with this policy.
(2) This equals the "Number of Reward Shares Allocated" multiplied by the Bank's closing share price at the Commencement Date of the grant (23 August 2004), which was $29.69.

Equity Holdings of Directors and Specified Executives

Option Holdings of Directors and Specified Executives

Mr Murray is the only Director holding options in the Bank and he exercised 1,000,000 options during the year ended 30 June 2005. The Bank's Non-Executive Directors do not hold any options.

Option holdings of Directors and Specified Executives

Name	Balance 1 July 2004	Options Exercised	Balance 30 June 2005	Vested and Exercisable at 30 June 2005[1] Number	Exercise Price ($)
Directors					
D V Murray	1,250,000	(1,000,000)	250,000	250,000	30.12
Total for Directors	**1,250,000**	**(1,000,000)**	**250,000**	**250,000**	**30.12**
Specified Executives					
L G Cupper	150,000	(75,000)	75,000	75,000	30.12
S I Grimshaw	100,000	-	100,000	100,000	30.12
H D Harley	87,500	-	87,500	50,000	30.12
				37,500	26.97
M A Katz	250,000	-	250,000	125,000	30.12
				125,000	26.97
R V McKinnon	62,500	(25,000)	37,500	37,500	30.12
G L Mackrell	232,500	(232,500)	-	-	-
Total for Specified Executives	**882,500**	**(332,500)**	**550,000**	**387,500**	**30.12**
				162,500	**26.97**

(1) For most Executives, 'Vested and Exercisable' options represents those granted on 3 September 2001 with an exercise price of $30.12. Messrs Harley and Katz also hold vested but unexercised options granted on 13 September 2000 that have an exercise price of $26.97.

Shareholdings of Directors and Specified Executives

Shareholdings of Directors

All shares were acquired by Directors on normal terms and conditions or through the Non-Executive Directors' Share Plan (or in the case of Mr Murray the Equity Reward Plan, the previous Executive Option Plan or the Equity Participation Plan). Mr Murray exercised 1,000,000 options during the year, leaving his total holdings of options at 250,000 under the Equity Reward Plan. (No further options will be granted under the Equity Reward Plan. The Executive Option Plan was discontinued in 2000).

Mr Murray was also awarded rights to 125,000 shares under the Equity Reward Plan and 15,078 shares under the Equity Participation Plan during the year. He has a total holding of 325,000 shares under the Equity Reward Plan and 21,866 shares under the Equity Participation Plan.

Shares awarded under the Equity Reward Plan and Equity Participation Plan are registered in the name of the Trustee. The transfer of legal title to Mr Murray is subject to vesting conditions, and, in the case of the Equity Reward Plan, is conditional on the Bank achieving a prescribed performance hurdle over a minimum three year period. For further details of the Non-Executive Directors' Share Plan, Equity Reward Plan, previous Executive Option Plan and Equity Participation Plan refer to Note 29 (Share Capital) to the Financial Statements.

In addition, Mr Ralph holds an investment of $101,754 with Commonwealth Property Securities Fund and an investment of $619,753 in Colonial First State Diversified Hedge Fund. Both holdings are held beneficially. Dr Schubert holds an investment of $738,636 in Colonial First State Wholesale Diversified Fund.

Mr Daniels beneficially holds an investment of $53,058 in Colonial First State Global Health and Biotech Fund. A related party of Mr Daniels holds an investment of $307,591 in Colonial First State Future Leaders Fund and $292,712 in Colonial First State Imputation Fund.

Directors' Report – Remuneration Report (continued)

Details of shareholdings of Directors and Specified Executives (or relatives or entities controlled or significantly influenced by them) are as follows:

Shareholdings of Directors

Name	Class	Balance 1 July 2004	Acquired/Granted as Remuneration[1]	On Exercise of Options	Net Change Other[2]	Balance 30 June 2005
Directors						
J M Schubert	Ordinary	16,268	1,658	-	582	18,508
D V Murray	Ordinary	280,833	-	1,000,000	(957,195)	323,638
	Deferred STI	19,427	15,078	-	(12,639)	21,866
	Reward Shares	242,000	125,000	-	(42,000)	325,000
R J Clairs	Ordinary	12,631	726	-	-	13,357
A B Daniels	Ordinary	16,392	695	-	582	17,669
C R Galbraith	Ordinary	7,689	672	-	463	8,824
S C H Kay	Ordinary	2,980	689	-	-	3,669
W G Kent	Ordinary	14,522	672	-	92	15,286
F D Ryan	Ordinary	6,671	759	-	-	7,430
F J Swan	Ordinary	4,996	645	-	304	5,945
B K Ward [3]	Ordinary	4,914	719	-	133	5,766
N R Adler	Ordinary	9,490	203	-	97	9,790
J T Ralph	Ordinary	23,861	496	-	345	24,702
Total For Directors	**Ordinary**	**401,247**	**7,934**	**1,000,000**	**(954,597)**	**454,584**
	Deferred STI	**19,427**	**15,078**	**-**	**(12,639)**	**21,866**
	Reward Shares	**242,000**	**125,000**	**-**	**(42,000)**	**325,000**

(1) For Non-Executive Directors, represents shares acquired under NEDSP on 30 September 2004, 30 December 2004 and 22 April 2005 by mandatory sacrifice of fees. All shares are subject to a 10 year trading restriction (shares will be tradeable earlier if the Director leaves the Board). See Note 29 (Share Capital) to the Financial Statements for further details on the NEDSP. For Mr Murray, this represents:

- Deferred STI – acquired under the mandatory component of the Bank's Equity Participation Plan (EPP). Shares were purchased on 31 October 2004 in two equal tranches, vesting on 1 July 2005 and 1 July 2006 respectively. See Note 29 (Share Capital) to the Financial Statements for further details on the EPP.
- Reward Shares – granted under the Equity Reward Plan (ERP) on and subject to a performance hurdle. The first possible date for meeting the performance hurdle is 23 August 2007 with the last possible date for vesting being 23 August 2009. See Note 29 (Share Capital) to the Financial Statements for further details on the ERP.

(2) 'Net change other' incorporates changes resulting from purchases and sales during the year by Directors and, for Mr Murray, vesting of deferred STI shares (which became Ordinary shares).

(3) Ms Ward continued to hold 250 PERLS II securities at 30 June 2005.

Directors' Report – Remuneration Report (continued)

Shareholdings of Specified Executives

Name	Class	Balance 30 June 2004	Acquired/Granted as Remuneration[1]	On Exercise of Options	Net Change Other [2]	Balance 30 June 2005
Specified Executives						
M A Cameron	Ordinary	-	-	-	-	-
	Deferred STI	4,797	5,696	-	(2,399)	8,094
	Reward Shares	32,300	28,130	-	-	60,430
L G Cupper	Ordinary	27,206	-	75,000	(57,666)	44,540
	Deferred STI	8,409	6,534	-	(5,558)	9,385
	Reward Shares	70,000	25,000	-	(11,000)	84,000
S I Grimshaw	Ordinary	256	-	-	16,109	16,365
	Deferred STI	9,503	9,382	-	(4,752)	14,133
	Reward Shares	90,300	37,500	-	(14,000)	113,800
H D Harley	Ordinary	13,711	-	-	12,141	25,852
	Deferred STI	6,816	7,707	-	(4,282)	10,241
	Reward Shares	57,700	35,000	-	(7,000)	85,700
M A Katz [3]	Ordinary	407,386	-	-	(103,638)	303,748
	Deferred STI	12,706	9,717	-	(8,362)	14,061
	Reward Shares	114,000	43,130	-	(18,000)	139,130
R V McKinnon	Ordinary	9,292	-	25,000	9,699	43,991
	Deferred STI	6,507	4,775	-	(4,199)	7,083
	Reward Shares	45,500	18,750	-	(5,500)	58,750
G L Mackrell	Ordinary	21,088	-	232,500	(226,269)	27,319
	Deferred STI	8,619	6,785	-	(5,270)	10,134
	Reward Shares	66,100	28,130	-	(11,000)	83,230
J K O'Sullivan	Ordinary	5,565	-	-	-	5,565
	Deferred STI	-	6,702	-	-	6,702
	Reward Shares	33,500	25,940	-	-	59,440
G A Petersen	Ordinary	2,756	-	-	5,816	8,572
	Deferred STI	4,086	3,701	-	(2,610)	5,177
	Reward Shares	19,000	19,500	-	(3,000)	35,500
Total for Specified Executives	**Ordinary**	**487,260**	**-**	**332,500**	**(343,808)**	**475,952**
	Deferred STI	**61,443**	**60,999**	**-**	**(37,432)**	**85,010**
	Reward Shares	**528,400**	**261,080**	**-**	**(69,500)**	**719,980**

(1) Represents:
- Deferred STI - acquired under the mandatory component of the Bank's Equity Participation Plan (EPP). Shares were purchased on 31 October 2004 in two equal tranches, vesting on 1 July 2005 and 1 July 2006 respectively. See Note 29 (Share Capital) to the Financial Statements for further details on the EPP.
- Reward Shares - granted under the Equity Reward Plan (ERP) and are subject to a performance hurdle. The first possible date for meeting the performance hurdle is 23 August 2007 with the last possible date for vesting being 23 August 2009. See Note 29 (Share Capital) to the Financial Statements for further details on the ERP.

(2) 'Net change other' incorporates changes resulting from purchases and sales during the year by Executives and vesting of Deferred STI and Reward Shares (which became Ordinary shares).

(3) Mr Katz continued to hold 250 PERLS II securities at 30 June 2005.

Directors' Report – Remuneration Report (continued)

Shares and Options Vested and Exercised During the Year

Name	Deferred STI Vested	Reward Shares Vested	Shares Granted on Exercise of Options			
			Number	Exercise Price ($)	Value in Excess of Exercise Price(1) ($)	Total Value of Options Exercised(2) ($)
Directors						
D V Murray	12,639	42,000	1,000,000	23.84	6.61	6,610,000
Total Directors	**12,639**	**42,000**	**1,000,000**	**NA**	**NA**	**6,610,000**
Specified Executives						
M A Cameron	2,399	-	-	-	-	-
L G Cupper	5,558	11,000	75,000	26.97	8.92	669,000
S I Grimshaw	4,752	14,000	-	-	-	-
H D Harley	4,282	7,000	-	-	-	-
M A Katz	8,362	18,000	-	-	-	-
R V McKinnon	4,199	5,500	25,000	26.97	4.28	107,000
G L Mackrell	5,270	11,000	100,000	23.84	7.61	761,000
			57,500	26.97	4.85	278,875
			75,000	30.12	5.77	432,750
G A Petersen	2,610	3,000	-	-	-	-
Total Specified Executives	**37,432**	**69,500**	**332,500**	**NA**	**NA**	**2,248,625**

(1) "Value in Excess of Exercise Price" represents the difference between the exercise price and closing market value of CBA shares on date of exercise.

(2) "Total Value of Options Exercised" represents the number of options exercised multiplied by the "Value in Excess of Exercise Price". No options were granted or lapsed during the year. Accordingly, this value represents the total value of options that were granted, lapsed and exercised during the year.

Loans to Directors and Specified Executives

ASIC Class Order

Australian banks, parent entities of Australian banks and controlled entities of Australian banks have been exempted, subject to certain conditions, under an ASIC Class Order No. 98/110 (as amended by ASIC Class Order No. 04/665), from making disclosures of any loan made, guaranteed or secured by a bank to related parties (other than for Directors, Specified Executives and entities controlled or significantly influenced by them) and financial instrument transactions (other than shares and share options) of a bank where a Director, or a specified Executive, of the relevant entity is not a party and where the loan or financial instrument transaction is lawfully made and occurs in the ordinary course of banking business and either on an arm's length basis or with the approval of a general meeting of the relevant entity and its ultimate parent entity (if any). The exemption does not cover transactions that relate to the supply of goods and services to a bank, other than financial assets or services.

The Class Order does not apply to a loan or financial instrument transaction which any Director, or a Specified Executive, of the relevant entity should reasonably be aware that if not disclosed would have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources.

A condition of the Class Order is that the Bank must lodge a statutory declaration, signed by two Directors, with the Australian Securities and Investments Commission accompanying the annual report. The declaration provides confirmation that the Bank has systems of internal control and procedures to provide assurance that any financial instrument transactions of a bank, which are not entered into on an arm's length basis, are drawn to the attention of the Directors so that they may be disclosed.

Directors' Report – Remuneration Report (continued)

Individual Loans to Directors and Specified Executives

Total loans to Directors and Specified Executives

	Year Ended 30 June	Balance 1 July $000s	Interest Charged $000s	Interest Not Charged $000s	Write-off $000s	Balance 30 June $000s	Number in Group at 30 June
Directors							
	2005	**2**	**-**	**-**	**-**	**3**	**1**
	2004	36	3	-	-	**22**	2
Specified Executives							
	2005	**8,706**	**523**	**-**	**-**	**8,803**	**6**
	2004	4,633	377	-	-	8,829	6
Total Directors and Specified Executives							
	2005	**8,708**	**523**	**-**	**-**	**8,806**	**7**
	2004	4,669	380	-	-	8,851	8

Details of individuals with loans above $100,000 in the reporting period are as follows:

Individual loans above $100,000 to Specified Executives

	Balance 1 July 2004 $000s	Interest Charged $000s	Interest Not Charged $000s	Write-off $000s	Balance 30 June 2005 $000s	Highest Balance in Period $000s
Directors						
Not Applicable						
Specified Executives						
S I Grimshaw	1,543	90	-	-	1,485	1,543
H D Harley	335	24	-	-	332	338
	202	11	-	-	-	202
	272	10	-	-	-	343
	185	10	-	-	-	185
	250	13	-	-	243	252
	321	26	-	-	347	347
M A Katz	175	12	-	-	175	175
	175	8	-	-	175	175
	-	14	-	-	500	500
G L Mackrell	58	2	-	-	-	190
	295	12	-	-	-	296
	-	<1	-	-	1,080	1,080
	146	4	-	-	-	147
J K O'Sullivan	1,500	97	-	-	1,500	1,500
	200	13	-	-	392	395
	861	53	-	-	696	861
	258	15	-	-	208	268
G A Petersen	900	40	-	-	400	900
	800	52	-	-	800	800

Terms and Conditions of Loans

All loans to Directors and Specified Executives (or related entities controlled or significantly influenced by them) have been provided on an arms-length commercial basis including the term of the loan, security required and the interest rate (which may be fixed or variable).

Other Transactions of Directors, Specified Executives and Other Related Parties

Financial Instrument Transactions

Financial instrument transactions (other than loans and shares disclosed above) of Directors and Specified Executives with the Bank and other banks that are controlled entities occur in the ordinary course of business of the banks on an arm's length basis.

Under the Australian Securities and Investments Commission Class Order referred to above, disclosure of financial instrument transactions regularly made by a bank is limited to disclosure of such transactions with a Director, Specified Executive and entities controlled or significantly influenced by them.

All such financial instrument transactions that have occurred between the banks and their Directors and Specified Executives have been trivial or domestic and were in the nature of normal personal banking and deposit transactions.

Transactions other than Financial Instrument Transactions of Banks

All other transactions with Directors, Specified Executives and their related entities and other related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally involve the provision of financial and investment services by entities not controlled by the bank.

The interests of Mr Ralph, Dr Schubert and Mr Daniels in investment funds managed by Colonial First State are detailed above. Additionally, Mr Galbraith is a partner in the law firm, Allens Arthur Robinson, which acted for the Bank in the provision of legal services during the financial year. The fees for these services amounted to $2,290,323.

All other such transactions that have occurred with Directors, Specified Executives and their related entities and other related parties have been trivial or domestic and were principally in the nature of lodgement or withdrawal of deposit, unit funds and superannuation monies.

Audit

Certain disclosures required by AASB 1046 have been made in this Remuneration Report. Pages 54 to 66 of this report have been audited as required.

Director's Report (continued)

Non-Audit Services

Amounts paid or payable to Ernst & Young for non-audit services provided during the year, as set out in the Annual Report in Note 35 to the Financial Statements are as follows:

	$'000
Regulatory audits, reviews, attestations and assurances for Group entities – Australia	1,245
Regulatory audits, reviews, attestations and assurances for Group entities – Off-shore	204
Financial and other audits, reviews, attestations and assurances for Group entities - Australia	145
Financial and other audits, reviews, attestations and assurances for Group entities – Off-shore	8
Assurance services relating to Sarbanes-Oxley legislation compliance	417
Agreed upon procedures and comfort letters in respect of financing, debt raising and related activities	58
Due diligence and transactional services	220
Taxation services	10
Other	113
Total	**2,420**(1)

(1) An additional amount of $3,305,000 was paid to Ernst & Young by way of fees paid for Non-Audit Services provided to entities not consolidated into the Financial Statements. These relate predominately to audits, reviews, attestations and assurances for managed investment schemes and superannuation funds.

Amounts paid or payable for audit services to Ernst & Young totalled $7,921,000 and to other auditors totalled $114,000.

The Bank has in place an Independent Auditor Services Policy, details of which are set out in the Corporate Governance section of this Annual Report, to assist in ensuring the independence of the Bank's external auditor.

The Audit Committee has considered the provision, during the year, of non-audit services by Ernst & Young and has concluded that the provision of those services did not compromise the auditor independence requirements of the Corporations Act.

The Audit Committee advised the Board accordingly and, after considering the Committee's advice, the Board of Directors agreed that it was satisfied that the provision of the non-audit services by Ernst & Young during the year, was compatible with the general standard of independence imposed by the Corporations Act.

The reasons for the Directors being satisfied that the provision of the non-audit services during the year did not compromise the auditor independence requirements of the Corporations Act are:

- The operation of the Independent Auditor Services Policy during the year to restrict the nature of non-audit services engagements, to prohibit certain services and to require Audit Committee pre-approval for all such engagements; and
- The relative quantum of fees paid for non-audit services compared to the quantum of audit fees.

The above Directors' statements are in accordance with the advice received from the Audit Committee.

Auditor's Declaration of Independence

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 audit of the financial report of Commonwealth Bank of Australia for the financial year ended 30 June 2005, 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, other than two employees of Ernst & Young held bank accounts with Commonwealth Bank of Australia with insignificant balances whilst engaged in the audit which constitute technical contraventions of the auditor independence requirements of the Act.

In my opinion, due to the nature of these contraventions and the rectification steps which have been undertaken, these issues have not impaired our audit independence for the year ended 30 June 2005.

Ernst & Young

Ernst & Young

S J Ferguson
Partner
10 August 2005

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

Roundings

The amounts contained in this report and the financial statements have been rounded to the nearest million dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100 (as amended by ASIC Class Order 04/667).

Incorporation of Additional Material

This report incorporates the Chairman's Statement, Highlights, Which new Bank Summary, Business Review, Corporate Governance and Shareholding Information sections of this Annual Report.

Signed in accordance with a resolution of the Directors.

J M Schubert
Chairman

D V Murray
Managing Director
Chief Executive Officer

10 August 2005

Five Year Financial Summary

	2005 $M	2004 $M	2003 $M	2002 $M	2001 $M
Financial Performance					
Net interest income	**5,966**	5,410	5,026	4,710	4,474
Other operating income	**5,388**	5,081	4,373	4,358	4,350
Total operating income	**11,354**	10,491	9,399	9,068	8,824
Charge for bad and doubtful debts	**322**	276	305	449	385
Operating expenses:					
Comparable business	**5,697**	5,500	5,312	5,201	5,170
Which new Bank	**150**	749	239	-	-
	5,847	6,249	5,551	5,201	5,170
Operating profit before goodwill amortisation, appraisal value uplift and income tax expense	**5,185**	3,966	3,543	3,418	3,269
Income tax expense	**(1,637)**	(1,262)	(958)	(916)	(993)
Outside equity interests	**(10)**	(9)	(6)	(1)	(14)
Net profit after tax ("cash basis")	**3,538**	2,695	2,579	2,501	2,262
Appraisal value uplift/(reduction)	**778**	201	(245)	477	474
Goodwill amortisation	**(325)**	(324)	(322)	(323)	(338)
Operating profit after income tax attributable to members of the Bank	**3,991**	2,572	2,012	2,655	2,398
Contributions to profit (after tax)					
Banking	**2,959**	2,675	2,376	2,067	1,793
Funds management	**351**	274	233	368	323
Insurance	**156**	129	65	33	20
Profit on operations ("underlying basis") [1]	**3,466**	3,078	2,674	2,468	2,136
Shareholder investment returns	**177**	152	73	33	126
Which new Bank	**(105)**	(535)	(168)	-	-
Profit on operations ("cash basis")	**3,538**	2,695	2,579	2,501	2,262
Goodwill amortisation	**(325)**	(324)	(322)	(323)	(338)
Appraisal value uplift/(reduction)	**778**	201	(245)	477	474
Operating profit after income tax	**3,991**	2,572	2,012	2,655	2,398
Financial Position					
Loans, advances and other receivables	**217,516**	189,391	160,347	147,074	136,059
Total assets	**329,035**	305,995	265,110	249,648	230,411
Deposits and other public borrowings	**168,029**	163,177	140,974	132,800	117,355
Total liabilities	**302,975**	281,110	242,958	228,592	210,563
Shareholders' equity	**24,271**	22,405	20,024	19,030	18,393
Net tangible assets	**19,877**	17,700	14,995	13,639	12,677
Risk weighted assets	**189,559**	169,321	146,808	141,049	138,383
Average interest earning assets	**243,948**	214,187	188,270	170,634	160,607
Average interest bearing liabilities	**225,592**	197,532	174,737	157,105	145,978
Assets (on balance sheet)					
Australia	**271,596**	252,652	221,248	208,673	196,918
New Zealand	**41,650**	35,059	27,567	24,579	20,208
Other	**15,789**	18,284	16,295	16,396	13,285
Total Assets	**329,035**	305,995	265,110	249,648	230,411

(1) "Underlying basis" excludes shareholder investment returns, initiatives including Which new Bank, goodwill amortisation and appraisal value uplift/(reduction)

Five Year Financial Summary (continued)

	2005	2004	2003	2002	2001
Shareholder Summary					
Dividends per share (cents) - fully franked	**197**	183	154	150	136
Dividend cover (times) - statutory	**1.5**	1.1	0.9	1.4	1.4
Dividend cover (times) - cash	**1.4**	1.1	1.3	1.3	1.3
Dividend cover (times) - underlying	**1.3**	1.3	1.4	1.3	1.2
Earnings per share (cents)					
Basic					
Statutory	**303.1**	196.9	157.4	209.6	189.6
Cash basis (1)	**267.6**	206.6	202.6	197.3	178.8
Underlying basis (2)	**261.9**	237.1	210.2	194.6	168.8
Fully Diluted					
Statutory	**303.0**	196.8	157.3	209.3	189.3
Cash basis (1)	**267.5**	206.5	202.5	197.0	178.6
Underlying basis (2)	**261.8**	237.0	210.0	194.3	168.5
Dividend payout ratio (%) (3)					
Statutory	**65.2**	93.5	97.7	71.7	71.2
Cash basis (1)	**73.9**	89.1	75.9	76.2	75.5
Underlying basis (2)	**75.5**	77.6	73.3	77.2	80.2
Net tangible assets per share ($)	**13.8**	12.2	11.4	10.3	9.6
Weighted average number of shares (basic) (M)	**1,273**	1,256	1,253	1,250	1,260
Weighted average number of shares (fully diluted) (M)	**1,274**	1,257	1,254	1,252	1,262
Number of shareholders	**704,906**	714,901	746,073	722,612	709,647
Share prices for the year ($)					
Trading high	**38.52**	33.54	32.75	34.94	34.15
Trading low	**28.79**	27.00	23.05	24.75	26.18
End (closing price)	**37.95**	32.58	29.55	32.93	34.15
Performance Ratios (%)					
Return on average shareholders' equity (4) (5) (8)					
Statutory	**18.3**	12.5	10.5	14.7	13.5
Cash basis (1)	**16.0**	12.7	13.1	12.9	12.1
Underlying basis (2)	**15.6**	14.6	13.6	12.8	11.3
Return on average total assets (4)					
Statutory	**1.3**	0.9	0.8	1.1	1.1
Cash basis(1)	**1.1**	0.9	1.0	1.0	1.0
Underlying basis(2)	**1.1**	1.1	1.0	1.0	1.0
Capital adequacy - Tier 1	**7.46**	7.43	6.96	6.78	6.51
Capital adequacy - Tier 2	**3.21**	3.93	4.21	4.28	4.18
Deductions	**(0.92)**	(1.11)	(1.44)	(1.26)	(1.53)
Capital adequacy - Total	**9.75**	10.25	9.73	9.80	9.16
Net interest margin	**2.45**	2.53	2.67	2.76	2.78
Other Information (numbers)					
Full time staff equivalent (6)	**35,313**	36,296	35,845	37,245	37,460
Branches/service centres (Australia)	**1,006**	1,012	1,014	1,020	1,066
Agencies (Australia)	**3,864**	3,866	3,893	3,936	3,928
ATMs (Proprietary)	**3,154**	3,109	3,116	3,049	2,931
EFTPOS terminals	**137,240**	126,049	129,959	126,613	122,074
EzyBanking	**841**	815	760	730	659
Productivity					
Total Operating Income per full-time (equivalent) employee ($)	**308,357**	278,047	262,212	243,469	235,558
Staff Expense/Total Operating Income (%)	**23.3**	24.3	26.4	26.4	26.7
Total Operating Expenses (7) /Total Operating Income (%)	**51.5**	59.6	59.1	57.4	58.6

(1) "Cash basis" for the purpose of these financial statements is defined as net profit after tax and before, goodwill amortisation and life insurance and funds management appraisal value uplift.

(2) "Underlying earnings" for the purpose of these financial statements is defined as net profit after tax and before shareholder investment returns, initiatives including Which new Bank, goodwill amortisation and life insurance and funds management appraisal value uplift.

(3) Dividends paid divided by earnings less preference dividends.

(4) Calculations based on operating profit after tax and outside equity interests applied to average shareholders' equity/average total assets.

(5) 2005, 2004 and 2003 shareholders' equity includes retained earnings before provision for final dividend of $1,434 million, $1,315 million and $1,066 million respectively. Prior periods' return on average shareholders' equity – cash basis and underlying basis have been restated to exclude the provision for final dividend.

(6) Staff numbers include all permanent full time staff, part time staff equivalents and external contractors employed by third party agencies.

(7) Total Operating Expenses excluding goodwill amortisation and charge for bad and doubtful debts.

(8) Prior period numbers have been restated to include preference share dividends as a deduction from operating profit.

Financial Statements

Statements of Financial Performance

for the year ended 30 June 2005

	Note	GROUP 2005 $M	GROUP 2004 $M	GROUP 2003 $M	BANK 2005 $M	BANK 2004 $M
Interest income	2	**16,194**	13,287	11,528	**13,404**	11,053
Interest expense	2	**10,228**	7,877	6,502	**8,601**	6,649
Net interest income		**5,966**	5,410	5,026	**4,803**	4,404
Other income:						
Revenue from sale of assets		**595**	943	128	**474**	1,398
Written down value of assets sold		**(604)**	(874)	(106)	**(439)**	(1,823)
Other		**2,924**	2,777	2,605	**3,988**	3,737
Net banking operating income		**8,881**	8,256	7,653	**8,826**	7,716
Funds management income including premiums	3	**1,261**	1,175	1,149	**-**	-
Investment revenue	3	**2,008**	1,967	8	**-**	-
Claims and policyholder liability expense		**(1,871)**	(1,809)	(91)	**-**	-
Net funds management operating income		**1,398**	1,333	1,066	**-**	-
Insurance premiums and related revenue	3	**1,132**	1,012	1,131	**-**	-
Insurance Investment revenue	3	**1,186**	840	620	**-**	-
Claims and policyholder liability expense		**(1,243)**	(950)	(1,071)	**-**	-
Insurance margin on services operating income		**1,075**	902	680	**-**	-
Total net operating income before appraisal value uplift/(reduction)		**11,354**	10,491	9,399	**8,826**	7,716
Charge for bad and doubtful debts	2,13	**322**	276	305	**292**	263
Operating expenses:						
Comparable business	2	**5,697**	5,500	5,312	**4,357**	4,226
Which new Bank [1]	2	**150**	749	239	**150**	725
		5,847	6,249	5,551	**4,507**	4,951
Appraisal value uplift/(reduction)	34	**778**	201	(245)	**-**	-
Goodwill amortisation		**(325)**	(324)	(322)	**(186)**	(186)
Profit from ordinary activities before income tax		**5,638**	3,843	2,976	**3,841**	2,316
Income tax expense	5	**1,637**	1,262	958	**920**	669
Profit from ordinary activities after income tax		**4,001**	2,581	2,018	**2,921**	1,647
Outside equity interests in net profit		**(10)**	(9)	(6)	**-**	-
Net profit attributable to members of the Bank		**3,991**	2,572	2,012	**2,921**	1,647
Foreign currency translation adjustment		**(141)**	(8)	(129)	**(2)**	10
Revaluation of properties		**33**	54	3	**33**	43
Total valuation adjustments		**(108)**	46	(126)	**31**	53
Total changes in equity other than those resulting from transactions with owners as owners		**3,883**	2,618	1,886	**2,952**	1,700

	Note	Cents per share 2005	Cents per share 2004	Cents per share 2003
Earnings per share based on net profit distributable to members of the Bank				
Basic	7	**303.1**	196.9	157.4
Fully Diluted	7	**303.0**	196.8	157.3
Dividends per share attributable to shareholders of the Bank:				
Ordinary shares	6	**197**	183	154
Preference shares (issued 6 April 2001)	6	**1,115**	1,065	1,019
Other equity instruments (issued 6 August 2003)		**7,795**	7,306	-
Other equity instruments (issued 6 January 2004)		**908**	402	-

	$M	$M	$M
Net Profit after Income Tax comprises:			
Net Profit after income tax ("underlying basis")	**3,466**	3,078	2,674
Shareholders investment returns	**177**	152	73
Which new Bank [1]	**(105)**	(535)	(168)
Net Profit after Income Tax ("cash basis")	**3,538**	2,695	2,579
Appraisal value uplift/(reduction)	**778**	201	(245)
Goodwill amortisation	**(325)**	(324)	(322)
Net Profit after Income Tax ("statutory basis")	**3,991**	2,572	2,012

(1) June 2005 and 2004 results reflects the Which new Bank program, while prior year includes other strategic initiatives undertaken.

Statements of Financial Position

as at 30 June 2005

	Note	GROUP 2005 $M	GROUP 2004 $M	BANK 2005 $M	BANK 2004 $M
Assets					
Cash and liquid assets	8	**5,715**	6,453	**5,574**	6,485
Receivables due from other financial institutions	9	**6,205**	8,369	**6,133**	7,068
Trading securities	10	**14,628**	14,896	**12,432**	12,877
Investment securities	11	**10,272**	11,447	**6,922**	6,626
Loans, advances and other receivables	12	**217,516**	189,391	**174,140**	154,139
Bank acceptances of customers		**16,786**	15,019	**16,917**	15,160
Life insurance investment assets	16	**27,837**	28,942	**-**	-
Deposits with regulatory authorities	17	**45**	38	**1**	4
Shares in and loans to controlled entities	18	**-**	-	**29,161**	23,677
Property, plant and equipment	19	**1,344**	1,204	**796**	722
Investment in associates	42	**52**	239	**12**	220
Intangible assets	20	**4,394**	4,705	**2,336**	2,522
Other assets	21	**24,241**	25,292	**17,200**	18,849
Total Assets		**329,035**	305,995	**271,624**	248,349
Liabilities					
Deposits and other public borrowings	22	**168,029**	163,177	**143,858**	142,469
Payables due to other financial institutions	23	**8,023**	6,641	**7,969**	6,611
Bank acceptances		**16,786**	15,019	**16,917**	15,160
Due to controlled entities		**-**	-	**16,652**	14,176
Provision for dividend	6	**14**	14	**14**	13
Income tax liability	24	**1,550**	811	**1,421**	690
Other provisions	25	**881**	997	**709**	819
Life insurance policyholder liabilities	34	**24,694**	24,638	**-**	-
Debt issues	26	**58,621**	44,042	**40,687**	24,449
Bills payable and other liabilities	27	**18,086**	19,140	**16,658**	17,888
		296,684	274,479	**244,885**	222,275
Loan Capital	28	**6,291**	6,631	**7,010**	7,338
Total Liabilities		**302,975**	281,110	**251,895**	229,613
Net Assets		**26,060**	24,885	**19,729**	18,736
Shareholders' Equity					
Share capital:					
Ordinary share capital	29	**13,871**	13,359	**13,871**	13,359
Preference share capital	29	**687**	687	**687**	687
Other equity instruments	29	**1,573**	1,573	**737**	737
Reserves		**4,624**	3,946	**2,179**	2,148
Retained profits		**3,516**	2,840	**2,255**	1,805
Shareholders' equity attributable to members of the Bank		**24,271**	22,405	**19,729**	18,736
Outside equity interests:					
Controlled entities	30	**631**	304	**-**	-
Life insurance statutory funds and other funds	30	**1,158**	2,176	**-**	-
Total outside equity interests		**1,789**	2,480	**-**	-
Total Shareholders' Equity		**26,060**	24,885	**19,729**	18,736

Statements of Changes in Shareholders' Equity

for the year ended 30 June 2005

	Note	GROUP 2005 $M	2004 $M	2003 $M	BANK 2005 $M	2004 $M
Ordinary Share Capital	29					
Opening balance		**13,359**	12,678	12,665	**13,359**	12,678
Buy back		**-**	(213)	-	**-**	(213)
Buy back for dividend reinvestment plan		**-**	-	(361)	**-**	-
Dividend reinvestment plan		**446**	389	361	**446**	389
Employee share ownership schemes		**66**	38	13	**66**	38
Share purchase plan		**-**	467	-	**-**	467
Closing balance		**13,871**	13,359	12,678	**13,871**	13,359
Preference Share Capital	29					
Opening balance		**687**	687	687	**687**	687
Closing balance		**687**	687	687	**687**	687
Other Equity Instruments	29					
Opening balance		**1,573**	-	**-**	**737**	-
Issue of instruments		**-**	1,573	**-**	**-**	737
Closing balance		**1,573**	1,573	**-**	**737**	737
Retained profits						
Opening balance		**2,840**	2,809	1,452	**1,805**	2,591
Reversal of provision for final dividend at 30 June 2002 (on adoption of AASB 1044)		**-**	-	1,027	**-**	-
Share buy back		**-**	(319)	-	**-**	(319)
Transfers from reserves		**-**	142	250	**-**	-
Operating profit attributable to members of Bank		**3,991**	2,572	2,012	**2,921**	1,647
Total available for appropriation		**6,831**	5,204	4,741	**4,726**	3,919
Transfers to reserves		**(786)**	(201)	-	**-**	-
Interim dividend - cash component		**(883)**	(808)	(699)	**(883)**	(808)
Interim dividend - dividend reinvestment plan		**(200)**	(188)	(166)	**(200)**	(188)
Payment of final dividend - cash component		**(1,069)**	(865)	(832)	**(1,069)**	(865)
Payment of final dividend - dividend reinvestment plan		**(246)**	(201)	(195)	**(246)**	(201)
Other dividends		**(131)**	(101)	(40)	**(73)**	(52)
Closing balance		**3,516**	2,840	2,809	**2,255**	1,805
Reserves						
General Reserve						
Opening balance		**3,810**	3,751	3,998	**570**	570
Appropriation from profits		**786**	201	-	**-**	-
Transfer to retained profits		**-**	(142)	(247)	**-**	-
Closing balance		**4,596**	3,810	3,751	**570**	570
Capital Reserve						
Opening balance		**280**	289	289	**1,531**	1,531
Reversal of revaluation surplus / (deficit) on sale of property		**2**	(9)	-	**2**	-
Closing balance		**282**	280	289	**1,533**	1,531
Asset Revaluation Reserve						
Opening balance		**61**	7	4	**43**	-
Revaluation of investments and properties		**33**	45	3	**33**	43
Transfers on sale of properties		**(2)**	9	-	**(2)**	-
Closing balance		**92**	61	7	**74**	43
Foreign Currency Translation Reserve						
Opening balance		**(205)**	(197)	(65)	**4**	(6)
Currency translation adjustments		**(141)**	(8)	(129)	**(2)**	10
Transfer to retained profits		**-**	-	(3)	**-**	-
Closing balance		**(346)**	(205)	(197)	**2**	4
Total Reserves		**4,624**	3,946	3,850	**2,179**	2,148
Shareholder's Equity Attributable to Members of the Bank		**24,271**	22,405	20,024	**19,729**	18,736

Statements of Cash Flows

for the year ended 30 June 2005

		GROUP			BANK	
		2005	2004	2003	**2005**	2004
	Note	**$M**	$M	$M	**$M**	$M
Cash Flows From Operating Activities						
Interest received		**16,205**	13,101	11,452	**13,148**	11,045
Dividends received		**3**	6	4	**988**	798
Interest paid		**(10,198)**	(7,543)	(6,455)	**(8,515)**	(6,351)
Other operating income received		**4,649**	3,410	3,135	**3,615**	2,375
Expenses paid		**(5,714)**	(5,529)	(5,438)	**(4,475)**	(4,459)
Income taxes paid		**(985)**	(1,366)	(1,258)	**(619)**	(886)
Net decrease/(increase) in trading securities		**318**	(4,324)	(2,484)	**505**	(4,672)
Life insurance:						
Investment income		**1,572**	841	644	**-**	-
Premiums received [1]		**3,183**	3,562	4,130	**-**	-
Policy payments [1]		**(4,664)**	(4,529)	(5,855)	**-**	-
Net Cash provided by / (used in) operating activities	46 (c)	**4,369**	(2,371)	(2,125)	**4,647**	(2,150)
Cash Flows from Investing Activities						
Payments for shares in controlled entities, other companies and management rights		**(82)**	-	(173)	**(24)**	-
Proceeds from disposal of controlled entities	46 (f)	**-**	63	33	**-**	885
Proceeds from disposal of entities and businesses		**173**	-	-	**178**	-
Redemption of capital from controlled entities		**-**	-	-	**306**	-
Disposal of shares in other companies		**-**	114	-	**-**	114
Net movement in investment securities:						
Purchases		**(22,608)**	(25,587)	(18,055)	**(20,254)**	(15,157)
Proceeds from sale		**392**	697	23	**275**	390
Proceeds at or close to maturity		**22,799**	24,407	17,719	**19,344**	14,904
(Lodgement)/withdrawal of deposits with regulatory authorities		**(7)**	(15)	66	**3**	(2)
Net increase in loans, advances and other receivables		**(28,447)**	(29,328)	(13,577)	**(20,293)**	(22,873)
Net amounts paid to controlled entities		**-**	-	-	**(3,325)**	1,412
Proceeds from sale of property, plant and equipment		**30**	69	72	**30**	7
Purchase of property, plant and equipment		**(286)**	(536)	(143)	**(164)**	(175)
Net decrease/(increase) in receivables due from other financial institutions not at call		**933**	292	513	**441**	(344)
Net decrease/(increase) in securities purchased under agreements to resell		**991**	(1,023)	50	**988**	(1,039)
Net decrease/(increase) in other assets		**1,056**	(1,461)	301	**758**	(1,537)
Life insurance:						
Purchases of investment securities		**(14,165)**	(20,286)	(13,091)	**-**	-
Proceeds from sale/maturity of investment securities		**15,281**	21,500	14,628	**-**	-
Net Cash (used in) Investing Activities		**(23,940)**	(31,094)	(11,634)	**(21,737)**	(23,415)
Cash Flows from Financing Activities						
Buy back of shares		**-**	(532)	-	**-**	(532)
Proceeds from issue of shares (net of costs)		**66**	505	13	**66**	505
Proceeds from issue of preference shares to outside equity interests		**323**	-	182	**-**	-
Proceeds from issue of other equity instruments (net of costs)		**-**	1,573	-	**-**	737
Net increase in deposits and other borrowings		**6,332**	21,997	5,129	**2,807**	19,254
Net movement in debt issues		**14,579**	13,413	7,054	**16,238**	7,765
Dividends paid (excluding DRP)		**(2,083)**	(1,774)	(1,933)	**(2,024)**	(1,726)
Net movements in other liabilities		**(330)**	(242)	(926)	**(292)**	113
Net increase/(decrease) in payables due to other financial institutions not at call		**449**	(929)	(796)	**449**	(909)
Net increase/(decrease) in securities sold under agreements to repurchase		**(1,480)**	206	3,046	**(1,418)**	269
Issue of loan capital		**1,233**	985	901	**1,554**	1,784
Redemptions of loan capital		**(1,392)**	(317)	-	**(1,621)**	(317)
Other		**(37)**	(2)	19	**6**	(16)
Net Cash provided by Financing Activities		**17,660**	34,883	12,689	**15,765**	26,927
Net (decrease)/increase in Cash and Cash Equivalents		**(1,911)**	1,418	(1,070)	**(1,325)**	1,362
Cash and Cash Equivalents at beginning of period		**2,846**	1,428	2,498	**1,639**	277
Cash and Cash Equivalents at end of period	46(a)	**935**	2,846	1,428	**314**	1,639

[1] These were gross premiums and policy payments before splitting between policyholder liabilities and revenue and expense.

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

Notes to the financial statements

NOTE 1 Summary of Significant Accounting Policies

(a) Bases of accounting

In this financial report Commonwealth Bank of Australia is referred to as the 'Bank' or 'Company', and the 'Group' or the 'Consolidated Entity' consists of the Bank and its controlled entities. The financial report is a general purpose financial report which complies with the requirements of the Banking Act, Corporations Act 2001, applicable Accounting Standards and other mandatory reporting requirements so far as the requirements are considered appropriate to a banking corporation.

The accounting polices applied are consistent with those of the previous year.

The Statements of Cash Flows has been prepared in accordance with the International Accounting Standard IAS 7: Cash Flow Statements.

The preparation of the financial report in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates although it is not anticipated that such differences would be material.

Unless otherwise indicated, all amounts are shown in $ million and are expressed in Australian currency.

(b) Historical cost

The financial statements of the Bank and the consolidated financial statements have been prepared in accordance with the historical cost convention and, except for AASB 1038: Life Insurance Business requirements and where indicated, do not reflect current valuations of non monetary assets. Domestic bills discounted which are included in loans, advances and other receivables and held by the Company and securities and derivatives held for trading purposes have been marked to market. The carrying amounts of all non current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date.

If the carrying amount of a non current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts for particular classes of assets the relevant cash flows have not been discounted to their present value unless otherwise stated.

(c) Consolidation

The consolidated financial statements include the financial statements of the Bank and all entities where it is determined that there is a capacity to control as defined in AASB 1024: Consolidated Accounts. All balances and transactions between Group entities have been eliminated on consolidation.

(d) Investments in associated companies

Associated companies are defined as those entities over which the Group has significant influence but there is no capacity to control. Details of material associated companies are shown in Note 42 to the Financial Statements.

Investments in associates are carried at cost plus the Group's share of post-acquisition profit or loss. The Group's share of profit or loss of associates is included in the profit from ordinary activities.

(e) Foreign currency translations

All foreign currency monetary assets and liabilities are revalued at spot rates of exchange prevailing at balance date. Foreign currency forward, futures, swaps and option positions are valued at the appropriate market rates applying at balance date. Unrealised gains and losses arising from these revaluations and gains and losses arising from foreign exchange dealings are included in the results.

The foreign currency assets and liabilities of overseas branches and overseas controlled entities are converted to Australian currency at 30 June 2005 in accordance with the current rate method. Profit and loss items for overseas branches and overseas controlled entities are converted to Australian dollars progressively throughout the year at the spot exchange rate at the date of the transaction.

Translation differences arising from conversion of opening balances of shareholders' funds of overseas controlled entities at year end exchange rates are excluded from profit and loss and reflected in a Foreign Currency Translation Reserve. The Group maintains a substantially matched position in assets and liabilities in foreign currencies and the level of net foreign currency exposure does not have a material effect on its financial condition.

(f) Roundings

The amounts contained in this report and the financial statements have been rounded to the nearest million dollars unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100 (as amended by ASIC Class Order 04/667).

(g) Financial instruments

The Group is a full service financial institution that offers an extensive range of on balance sheet and off balance sheet financial instruments.

For each class of financial instrument listed below, except for restructured facilities referred to in Note 1(m), financial instruments are transacted on a commercial basis to derive an interest yield/cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

(h) Cash and liquid assets

Cash and liquid assets includes cash at branches, cash at bankers and money at short call.

They are brought to account at the face value or the gross value of the outstanding balance where appropriate.

Interest is taken to profit when earned.

(i) Receivables due from other financial institutions

Receivables from other financial institutions includes loans, nostro balances and settlement account balances due from other banks. They are brought to account at the gross value of the outstanding balance. Interest is taken to profit when earned.

(j) Trading securities

Trading securities are short and long term public, bank and other debt securities and equities that are acquired and held for trading purposes. They are brought to account at net fair value based on quoted market prices, broker or dealer price quotations. Realised gains and losses on disposal and unrealised fair value adjustments are reflected in 'Other Income'. Interest on trading securities is reported in net interest earnings. Trading securities are recorded on a trade date basis.

(k) Investment securities

Investment securities are securities purchased with the intent of being held to maturity.

Investment securities are short and long term public, bank and other securities and include bonds, bills of exchange, commercial paper, certificates of deposit and equities. These securities are recorded at cost or amortised cost. Premiums and discounts are amortised through profit and loss each year from the date of purchase so that securities attain their redemption values by maturity date. Interest is reflected in profit when earned. Dividends on equities are brought to account in profit on declaration date. Any profits or losses arising from disposal prior to maturity are taken to profit in the period in which they are realised. The cost of securities sold is calculated on a specific identification basis. Unrealised losses related to permanent diminution in the value of investment securities are recognised in profit and the recorded values of those securities adjusted accordingly.

Investment securities are recorded on a trade date basis. The relationship between book and net fair values of investment securities is shown in Note 11.

(l) Repurchase agreements

Securities sold under agreements to repurchase are retained within the investment or trading portfolios and accounted for accordingly. Liability accounts are used to record the obligation to repurchase and are disclosed as deposits and other public borrowings. Securities held under reverse repurchase agreements are recorded as liquid assets.

(m) Loans, advances and other receivables

Loans, advances and other receivables include overdrafts, home, credit card and other personal lending, term loans, leasing, bill financing, redeemable preference shares and leverage leases. They are carried at the recoverable amount represented by the gross value of the outstanding balance adjusted for provisions for bad and doubtful debts, interest reserved and unearned tax remissions on leveraged leases. Interest and yield related fees are reflected in profit when earned. Yield related fees received in advance are deferred, included as part of the carrying value of the loan and amortised to profit as 'Interest Income' over the term of the loan. Note 1(n) provides additional information with respect to leasing and leveraged leasing.

Non Accrual Facilities

Non accrual facilities (primarily loans) are recorded on a cash basis for recognition of income. Upon classification as non accrual, all interest charged in the current financial period is reversed from profit and reserved if it has not been received in cash.

If necessary, a specific provision for impairment is recognised so that the carrying amount of the facility does not exceed the expected future cash flows. In subsequent periods, interest in arrears/due on non accrual facilities is taken to profit and loss when a cash payment is received/realised and the amount is not designated as a principal payment. Non accrual facilities are restored to an accrual basis when all principal and interest payments are current and full collection is probable.

Restructured Facilities

When facilities (primarily loans) have the original contractual terms modified, the accounts become classified as restructured. Such accounts will have interest accrued to profit as long as the facility is performing on the modified basis in accordance with the restructured terms. If performance is not maintained, or collection of interest and/or principal is no longer probable, the account will be returned to the non accrual classification. Facilities are generally kept as non accrual until they are returned to a performing basis.

Assets Acquired Through Securities Enforcement ("AATSE")

Assets acquired in satisfaction of facilities in default (primarily loans) are recorded at net market value at the date of acquisition. Any difference between the carrying amount of the facility and the net market value of the assets acquired is represented as a specific provision for diminution of value or written off. AATSE are further classified as Other Real Estate Owned ("OREO") or Other Assets Acquired Through Security Enforcement ("OAATSE"). Such assets are classified in the appropriate asset classifications in the balance sheet.

Bad Debts

Bad debts are written off in the period in which they are recognised. Bad debts previously specifically provided for are written off against the related specific provisions, while bad debts not provided for are written off through the general provision. Any subsequent cash recovery is credited to the general provision.

(n) Leasing and leveraged leasing

Finance leases are accounted for using the finance method and are included in loans, advances and other receivables. Income, determined on an actuarial basis, is taken to account over the term of the lease in relation to the outstanding investment balance.

The finance method also applies to leveraged leases but with income being brought to account at the rate which yields a constant rate of return on the outstanding investment balance over the life of the transaction so as to reflect the underlying assets, liabilities, revenue and expenses that flow from the arrangements. Where a change occurs in the estimated lease cash flows or available tax benefits at any stage during the term of the lease, the total lease profit is recalculated for the entire lease term and apportioned over the remaining lease term.

In accordance with amendments to AASB 1008: Leases, all leveraged leases with a lease term beginning from 1 July 1999 are accounted for as finance leases with income brought to account progressively over the lease term.

Leveraged lease receivables are recorded under loans, advances and other receivables at amounts that reflect the equity participation in the lease. The debt provider in the transaction has no recourse other than to the unremitted lease rentals and the equipment under lease.

Operating lease rental revenue and expense is recognised in the profit in equal periodic amounts over the effective lease term.

(o) Provisions for impairment

Provisions for credit losses are maintained at an amount adequate to cover anticipated credit related losses. Credit losses arise primarily from loans but also from other credit instruments such as bank acceptances, contingent liabilities, financial instruments and investments and assets acquired through security enforcement.

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, and a loss of $10,000 or more is expected. A specific provision is also established against each statistically managed portfolio in the statistically managed segment to cover facilities which are not well secured and past due 180 days or more, against the credit risk rated managed segment for exposures aggregating to less than $250,000 and 90 days past due or more, and against emerging credit risks identified in specific segments in the credit risk rated managed portfolio. These provisions are funded 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. The balance of provisions for impairment and movements therein are set out in Note 13.

All facilities subject to a specific provision are classified as non accrual and interest is only taken to profit when received in cash.

(p) Bank acceptances of customers

The exposure arising from the acceptance of bills of exchange that are sold into the market is brought to account as a liability. An asset of equal value is raised to reflect the offsetting claim against the drawer of the bill. Bank acceptances generate fee income that is taken to profit when earned.

NOTE 1 Summary of Significant Accounting Policies continued

(q) Deposits with regulatory authorities

In several countries in which the Group operates, the law requires that the Group lodge regulatory deposits with the local central bank at a rate of interest below that generally prevailing in that market. The amount of the deposit and the interest rate receivable are calculated in accordance with the requirements of the local central bank. Interest is taken to profit when earned.

(r) Shares in and loans to controlled entities

These investments are recorded at the lower of cost or recoverable amount.

(s) Property, plant and equipment

At year end, independent market valuations, reflecting current use, were obtained for all individual property holdings (other than leasehold improvements). Directors adopt a valuation based on this independent advice. Adjustments arising from revaluation are reflected in Asset Revaluation Reserve, except to the extent the adjustment reverses a revaluation previously recognised in profit and loss. The potential effect of any capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount.

Depreciation on owned buildings is based on the assessed useful life of each building. The book value of buildings demolished as part of the redevelopment of a site is written off in the financial year in which the buildings are demolished. Leasehold improvements are capitalised and depreciated over the unexpired term of the current lease.

Equipment and assets held for lease is shown at cost less depreciation calculated principally on a category basis at rates applicable to each category's useful life. Depreciation is calculated using the straight line method. It is treated as an operating expense and charged to profit. The amounts charged for the year are shown in Note 2. Profit or loss on sale of property is treated as operating income or expense. Realised amounts in Asset Revaluation Reserve are transferred to Capital Reserve.

Investment property carried at lower of cost and recoverable amount is not depreciated in accordance with the depreciation guidance in AASB1021: Depreciation.

The useful lives of major depreciable assets are as follows:

Buildings	
- Shell	Maximum 30 years
- Integral plant and equipment	
- carpets	10 years
- all other (air-conditioning, lifts)	20 years
- Non integral plant and equipment	
- fixtures and fittings	10 years
Leasehold improvements	Lesser of unexpired lease term or lives as above
Equipment	
- Security surveillance systems	10 years
- Furniture	8 years
- Office machinery	5 years
- EFTPOS machines	3 years

The Bank has outsourced the majority of its information processing and does not own any material amounts of computer or communications equipment.

(t) Goodwill

Goodwill, representing the excess of purchase consideration plus incidental expenses over the fair value of the identifiable net assets at the time of acquisition of an entity, is capitalised and brought to account in the balance sheet.

The goodwill so determined is amortised on a straight line basis over the period of expected benefit but not exceeding 20 years. Purchased goodwill resulting from the acquisition of the Colonial Group in June 2000, the merger with the State Bank of Victoria in 1991 and from the acquisition of the 25% minority interest in ASB Group in New Zealand in August 2000 is each being amortised over 20 years. The periods of goodwill amortisation are subject to review annually by the Directors.

(u) Other assets

Other assets include all other financial assets and includes interest, fees, market revaluation of trading derivatives and other unrealised income receivable and securities sold not delivered. These assets are recorded at the cash value to be realised when settled.

Capitalisation of Computer Software Costs

In accordance with the American Institute of Certified Public Accountants Statement of Position 98-1 'Accounting for the Costs of Computer Software Developed or Obtained for Internal Use', the Group capitalises computer software costs. The criteria for capitalised computer software costs is that only computer software projects costing $10 million or more are capitalised and capitalisation is limited to those investments that will deliver identifiable and sustainable customer value and an increase in returns, in a significant line of business. The Group carries net unamortised capitalised computer software costs of $182 million as at 30 June 2005 (2004:$107 million).

Such costs are amortised over the assessed useful life of the projects. An amortisation period of 2½ years is adopted for most software developments. Software maintenance costs continue to be expensed as incurred.

(v) Deposits and other public borrowings

Deposits and other public borrowings includes certificates of deposits, term deposits, savings deposits, cheque and other demand deposits, debentures and other funds raised publicly by borrowing corporations. They are brought to account at the gross value of the outstanding balance. Interest is charged to profit when incurred.

(w) Payables due to other financial institutions

Payables due to other financial institutions includes deposits, vostro balances and settlement account balances due to other banks. They are brought to account at the gross value of the outstanding balance. Interest is charged to profit when incurred.

(x) Income taxes

The Group has adopted the liability method of tax effect accounting. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is disclosed as a future income tax benefit or a provision for deferred income tax. Amounts are offset where the tax payable and realisable benefit are expected to occur in the same financial period. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of being utilised (Notes 5 and 21).

The Commonwealth Bank of Australia has elected to be taxed as a single entity under the tax consolidation system with effect from 1 July 2002.

(y) Provisions for employee entitlements

The provision for long service leave is subject to actuarial review and is maintained at a level that accords with actuarial advice.

The provision for annual leave represents the outstanding liability as at balance date. Actual payments made during the year are included in Salaries and Wages.

The provision for other employee entitlements represents liabilities for staff housing loan benefits, a subsidy to a registered health fund with respect to retired employees and current employees, and employee incentives under employee share plans and bonus schemes.

The level of these provisions has been determined in accordance with the requirements of AASB 1028: Accounting for Employee Entitlements.

(z) Provisions for restructuring

Provisions for restructuring are brought to account where there is a detailed formal plan for restructure and a demonstrated commitment to that plan.

Provision for 'Which new Bank' costs

On 19 September 2003, the Group launched its Which new Bank customer service vision. This is a three year transformation program and results in the Bank incurring additional expenditure in the key areas of staff training and skilling, systems and process simplification, and technology. In the year to 30 June 2005 such expenses have totalled $150 million and principally comprised redundancies and process improvement costs. In the period to 30 June 2004 such expenses have totalled $749 million and principally comprise redundancies, expensing of previously capitalised software of $219 million, process improvements and branch refurbishment. The outstanding provision for 'Which new Bank' costs at 30 June 2005 is $91 million.

(aa) Provision for self insurance

The provision for self insurance covers certain non lending losses and non transferred insurance risks. Actuarial reviews are carried out at regular intervals with provisioning effected in accordance with actuarial advice.

(bb) Debt issues

Debt issues are short and long term debt issues of the Group including commercial paper, notes, term loans and medium term notes which are recorded at cost or amortised cost. Premiums, discounts and associated issue expenses are amortised through profit and loss each year from the date of issue so that securities attain their redemption values by maturity date.

Interest is charged against profit as incurred. Any profits or losses arising from redemption prior to maturity are taken to profit in the period in which they are realised.

Further details of the Group's debt issues are shown in Note 26.

(cc) Bills payable and other liabilities

Bills payable and other liabilities includes all other financial liabilities and includes interest, fees, market revaluation of trading derivatives and other unrealised expenses payable and securities purchased not delivered.

These liabilities are recorded at the cash value to be realised when settled.

(dd) Loan capital

Loan capital is debt issued by the Group with terms and conditions, such as being undated or subordinated, which qualify the debt issue for inclusion as capital under APRA guidelines. Loan capital debt issues are recorded at cost or amortised cost.

Premiums, discounts and associated issue expenses are amortised through profit each year from the date of issue so that securities attain their redemption values by maturity date. Interest is reflected in profit as incurred. Any profits or losses arising from redemption prior to maturity are taken to profit in the period in which they are realised.

Further details of the Group's loan capital debt issues are shown in Note 28.

(ee) Shareholders' equity

Ordinary share capital is the amount of paid up capital from the issue of ordinary shares.

Preference Share Capital and Other Equity Instruments is the amount of paid up capital from the issue of preference shares and other equity instruments respectively.

General reserve is derived from revenue profits and is available for dividend except for undistributable profits in respect of the Group's life insurance businesses of $3,750 million, including the appraisal value uplift (2004: $2,964 million and 2003: $2,905 million).

Capital reserve is derived from capital profits and is available for dividend.

Further details of share capital, outside equity interests and reserves are shown in Notes 29, 30 and Statements of Changes in Shareholders' Equity.

(ff) Derivative financial instruments

The Group enters into a significant volume of derivative financial instruments that include foreign exchange contracts, forward rate agreements, futures, options and interest rate, currency, equity and credit swaps. Derivative financial instruments are used as part of the Group's trading activities and to hedge certain assets and liabilities.

Derivative financial instruments held or issued for trading purposes

Traded derivative financial instruments are recorded at net fair value based on quoted market prices, broker or dealer price quotations. A positive revaluation amount of a contract is reported as an asset and a negative revaluation amount of a contract as a liability. Changes in net fair value are reflected in profit immediately as they occur.

Derivative financial instruments held or issued for purposes other than trading

The principal objective in holding or issuing derivative financial instruments for purposes other than trading is to manage balance sheet interest rate, exchange rate and credit risk associated with certain assets and liabilities such as loans, investment securities, deposits and debt issues. To be effective as hedges, the derivatives are identified and allocated against the underlying hedged item or class of items and generally modify the interest rate, exchange rate or credit characteristics of the hedged asset or liability. Such derivative financial instruments are purchased with the intent of being held to maturity. Derivatives that are designated and effective as hedges are accounted for on the same basis as the instruments they are hedging.

Swaps

Interest rate swap receipts and payments are accrued to profit as interest of the hedged item or class of items being hedged over the term for which the swap is effective as a hedge of that designated item. Premiums or discounts to market interest rates that are received or made in advance are deferred and amortised to profit over the term for which the swap is effective as a hedge of the underlying hedged item or class of items.

Similarly with cross currency swaps, interest rate receipts and payments are brought to account on the same basis outlined in the previous paragraph. In addition, the initial principal flows are reported net and revalued to market at the current market exchange rate. Revaluation gains and losses are taken to profit against revaluation losses and gains of the underlying hedged item or class of items.

Credit default swaps are utilised to manage credit risk in the asset portfolio. Premiums are accrued to profit and loss as interest of the hedged item or class of items being hedged over the term for which the instrument is effective as a hedge. Any principal cash flow on default is brought to account on the same basis as the designated item being hedged.

Equity swaps are utilised to manage the risk associated with both the capital investment in equities and the related yield. These swaps enable the income stream to be reflected in profit and loss when earned. Any capital gain or loss at maturity of the swap is brought to account on the same basis as the underlying equity being hedged.

Forward rate agreements and futures

Realised gains and losses on forward rate agreements and futures contracts are deferred and included as part of the carrying value of the hedged item or class of items being hedged. The cash flow is amortised to profit as interest of the hedged item or class of items being hedged over the term for which the instrument is effective as a hedge.

Options

Where options are utilised in the management of balance sheet risk, premiums on options and any realised gains and losses on exercise are deferred and included as part of the carrying value of the hedged item or class of items being hedged. The cash flows are amortised to profit as interest of the hedged item or class of items being hedged over the term for which the instrument is effective as a hedge.

Early termination

Where a derivative instrument hedge is terminated prior to its 'maturity date', realised gains and losses are deferred and included as part of the carrying value of the hedged item or class of items being hedged.

The cash flows are amortised to profit as interest of the hedged item or class of items being hedged over the period for which the hedge would have been effective. Where the underlying hedged item or class of items being hedged ceases to exist, the derivative instrument hedge is terminated and realised and unamortised gains or losses taken to profit and loss.

Further information on derivative financial instruments is shown in Note 39.

(gg) Commitments to extend credit, letters of credit, guarantees, warranties and indemnities issued

These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. They are recorded as contingent liabilities at their face value. Further information is shown in Note 38.

(hh) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The principal sources of revenue are interest income and fees and commissions.

Interest income

Interest income is reflected in profit when earned on an accrual basis. Further information is included in Notes 1(k) Investment securities, 1(m) Loans, advances and other receivables and 1(n) Leasing and leveraged leasing.

Lending fees

Material non refundable front end loan fees that are yield related and do not represent cost recovery, are taken to profit over the period of the loan. Associated costs incurred in these lending transactions are deferred and netted against yield related loan fees. Where non refundable front end loan fees are received that represent cost recovery or charges for services not directly related to the yield on a loan, they are taken to income in the period in which they are received. Where fees are received on an ongoing basis and represent the recoupment of the costs of maintaining and administering existing loans, these fees are taken to income on an accrual basis.

Commission and other fees

When commission charges and fees relate to specific transactions or events, they are recognised as income in the period in which they are received. However, when they are charged for services provided over a period, they are taken to income on an accrual basis.

Other income

Trading income is brought to account when earned based on changes in net fair value of financial instruments and recorded from trade date. Further information is included in Notes 1(e) Foreign currency translations, 1(j) Trading securities and 1(ff) Derivative financial instruments. Life insurance business income recognition is explained in Note 1(ii) below.

(ii) Life Insurance Business

The Group's life insurance business is accounted for in accordance with the requirements of Accounting Standard AASB 1038: Life Insurance Business, which is summarised below:

(i) All assets, liabilities, revenues, expenses and equity are included in the financial report irrespective of whether they are designated as relating to policyholders or to shareholders.
(ii) All assets are measured at net market values.
(iii) All liabilities are measured at net present values. Policy liabilities are calculated in accordance with the principles of Margin on Services (MoS) profit reporting as set out in Actuarial Standard AS 1.03: Valuation of Policy Liabilities issued by the Life Insurance Actuarial Standards Board. Other Liabilities are measured at net present value at reporting date.
(iv) Any life insurers within the Group that are parent entities recognise and disclose any excess or deficiency of the net market values of interests in subsidiaries over the net assets of those subsidiaries as an item in the financial report of the life insurer economic entity.
(v) Premiums and claims are separated on a product basis into their revenue, expense and change in liability components unless the separation is not practicable or the components cannot be reliably measured.
(vi) Returns on all investments controlled by a life insurer entity in the Group are recognised as revenues.
(vii) Participating benefits vested in relation to the financial year, other than transfers from unvested policyholder benefits liabilities, are recognised as expenses.
(viii) Reinsurance contracts entered into are recognised on a gross basis.

The Group conducts life insurance business through Commonwealth Insurance Holdings Limited (CIHL), Colonial Mutual Life Assurance Society Limited (CMLA) in Australia, Sovereign Assurance Company Limited in New Zealand, and several subsidiaries and joint ventures throughout Asia. CIHL is the top tier life insurance company within the life insurance corporate structure and values its interests at market in its controlled entities at each reporting date.

Accounting policies and disclosures specific to life insurance business are required under AASB 1038. These are provided in this note and Notes 16, 21 and 34.

Premiums and Claims

(i) Investment linked business
Premiums received, which are in the nature of investment deposits, have the fee portion of the premium recognised as revenue and the deposit portion recognised as an increase in policy liabilities. Premiums with no due date are recognised on a cash received basis. Fees earned by the Shareholder for managing the funds invested are recognised as revenue. Claims under investment linked businesses represent withdrawals of investment deposits and are recognised as a reduction in policy liabilities.

(ii) Non-investment linked business
Premiums received for providing services and bearing risks are recognised as revenue. Premiums with a regular due date are recognised as revenue on an accruals basis. Non-investment linked claims are recognised as an expense when a liability has been established

Market Value Accounting

All assets are valued at net market value ("NMV") and all liabilities at net present value at balance date. Consistent with the principles of market value accounting, movements in the net market value of assets and net present value of liabilities during the period are immediately recognised in profit.

Life Insurance Investment Assets

Investments are measured at net market values at balance date. Listed securities are valued at the price ruling at balance date. Where no quoted market exists, the Directors adopt various methods determined by internal and external valuers. In these cases the values are deemed equivalent to net market value. Details of particular methods adopted are as follows:

- Valuation of the investment in the life insurance controlled entities is based on the appraisal value. The appraisal value comprises the present value of future profits from in force business, the estimated value of profits from future business and the shareholders interest in the net worth of the life insurance Statutory and Shareholder Funds.
- Non life insurance controlled entities are valued using a discounted cash flow method applied to anticipated future income streams, allowing for assumptions about future sales growth, redemptions, expenses, investment returns and fee margins. This method allows the values so calculated to be expressed in the form of appraisal values, consistent with those calculated for the life insurance controlled entities. Valuation of the investment in the non life insurance controlled entities is then based on these calculated appraisal values as at reporting date.
- Properties are valued annually by qualified independent valuers.

Excess of Net Market Value over Net Assets of Controlled Entities

Interests in controlled entities held by the life insurance companies are subject to revaluation each period, such that the investment in the controlled entity is recorded at market value.

On consolidation the investment in controlled entities is eliminated and the excess of market value of controlled entities over their underlying net assets is separately recognised in Other Assets (Note 21) on the balance sheet as 'Excess of Net Market Value over Net Tangible Assets of Life Insurance Controlled Entities'. This amount is assessed periodically as part of the valuation of investments with changes in value taken to profit. This excess does not require amortisation in the financial statements.

Life Insurance Policy Liabilities and Margin on Services Profit

Policy liabilities are calculated in accordance with the principles of Margin on Services ("MoS") profit reporting as set out in Actuarial Standard AS 1.03: Valuation of Policy Liabilities issued by the Life Insurance Actuarial Standards Board. Policy liabilities are calculated in a way that allows for the systematic release of planned profit margins as services are provided to policyowners and the revenues relating to those services are received. Selected profit carriers including premiums and anticipated annuity payments are used to determine profit recognition.

Profit

Life insurance business operating under this profit recognition methodology can be analysed as follows:

(i) Emergence of planned profit margins:
In setting premium rates, life insurers will include planned margins of revenues over expenses. When the life insurer has performed the services necessary to establish a valid claim to those margins and has received the revenues relating to those services, the planned margins are recognised in profit. Where actual experience replicates planned margin assumptions, the planned profit margin will be released over the life of the policy.

(ii) Difference between actual and planned experience:
Experience profits/(losses) are realised where actual experience differs from the expected performance used to determine planned margins. Circumstances giving rise to experience profits/(losses) include experience variations in claims, expenses, mortality, discontinuance and investment returns. For example, an experience profit will emerge when the expenses of maintaining all in force business in a year are lower than those allowed for in the planned margin.

(iii) Loss recognition on groups of related products or reversals of previously recognised losses:
Where future expenses for a group of related products exceeds future revenues, the anticipated loss is recognised immediately. If unprofitable business becomes profitable, previously recognised losses are reversed immediately.

(iv) Investment earnings on assets in excess of policy liabilities: Investment assets are held in excess of those required to meet policy liabilities. Investment earnings are directly influenced by market conditions and as such this component of profit will vary from year to year.

Participating Policies

Policy liabilities attributable to participating policies include the value of future planned shareholder profit margins and an allowance for future supportable bonuses. The value of supportable bonuses and planned shareholder profit margins account for all profit on participating policies based on best estimate assumptions.

Under Margin on Services profit recognition methodology, the value of supportable bonuses and the shareholder profit margin relating to a reporting year will emerge as planned profits in that year.

Policy Acquisition Costs

Policy acquisition costs include the fixed and variable costs of acquiring new business. These costs are effectively deferred through the determination of policy liabilities at the balance date to the extent that they are deemed recoverable from premium or policy charges. Deferred acquisition costs are effectively amortised over the life of the policy.

(jj) Loan Securitisation

The Group conducts a loan securitisation program through which it packages and sells loans as securities to investors. For its services to the program, the Group receives fees such as loan servicing, program management and trustee fees on an arms length basis. Fee income is recognised in income on an accruals basis in relation to the period in which the costs of providing these services are incurred.

Interest rate swaps and liquidity facilities are provided at arms length to the program by the Group in accordance with APRA Prudential Guidelines.

The Group is entitled to any residual income of the program after all payments due to investors and costs of the program have been met.

Due to the significant uncertainties inherent in estimating the underlying loan repayment rates and interest margins, future cash flows cannot be reliably measured. Therefore, no asset/liability or gain/loss on sale of the loans has been recognised. The residual income is recognised in Other Income when receivable. Interest rate swaps are recognised in income on an accruals basis.

(kk) Fiduciary activities

The Bank and designated controlled entities act as Responsible Entity, Trustee and/or Manager for a number of Wholesale, Superannuation and Investment Funds, Trusts and Approved Deposit Funds. Further details are shown in Note 38.

The assets and liabilities of these Trusts and Funds are not included in the consolidated financial statements as the Bank does not have direct or indirect control of the Trusts and Funds as defined by AASB 1024. Commissions and fees earned in respect of the activities are included in the profit of the Group and the designated controlled entity.

(ll) Superannuation plans

The Group sponsors a range of superannuation plans for its employees. The assets and liabilities of these plans are not included in the consolidated financial statements.

The superannuation contributions expense principally represents the annual funding, determined after having regard to actuarial advice, to provide for future obligations of defined benefit plans. Contributions to all superannuation plans are made in accordance with the rules of the plans.

(mm) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

(nn) Definitions

'Overseas' represents amounts booked in branches and controlled entities outside Australia.

'Borrowing Corporation' as defined by Section 9 of the Corporations Act 2001 is CBFC Limited, Colonial Finance Limited and their controlled entities.

'Net Fair Value' represents the fair or market value adjusted for transaction costs.

'Cash Basis' is defined as net profit after tax and outside equity interest before goodwill amortisation and funds management and life insurance appraisal value uplift/(reduction).

'Underlying Basis' is defined as net profit after tax ("cash basis") excluding Which new Bank initiatives, shareholder investment returns and the cost of the June 2002 Employee Share Acquisition Plan ("ESAP") paid in October 2002.

(oo) Policy changes (2004)

Software Capitalisation

The criteria for information technology software capitalisation was amended effective 1 July 2003, such that only computer software projects costing $10 million or more are capitalised and capitalisation is limited to those investments that will deliver identifiable and sustainable customer value and an increase in returns, in a significant line of business.

This change resulted in the expensing of $219 million of previously capitalised software at 1 July 2003.

(pp) Subsequent Events

Sale of Hong Kong Business

On 7 July 2005 the Bank entered into an agreement to sell its life insurance and financial planning business in Hong Kong for approximately $600 million to Sun Life Financial. The business consisted of CMG Asia Limited, CommServe Financial Limited and Financial Solutions Limited, with a combined carrying value of $527 million under current Australian GAAP. The carrying value will be different under AIFRS, principally due to differences in discount rates used in the actuarial valuation of policyholder liabilities and differences in treatment of historic foreign exchange losses under AIFRS. The impact of conversion to AIFRS is included in Note 1 (qq).

The transaction, targeted for completion within three months, and together with the determination of the final profit is subject to conditions precedent.

(qq) International Financial Reporting Standards (IFRS)

Transition Management

On 1 July 2005 the Bank commenced application of the Australian equivalent of International Financial Reporting Standards ("AIFRS") to the maintenance of all financial records. This is in line with the conversion deadline set out by the Financial Reporting Council of Australia.

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

Implementation of these changes was completed during the financial year ended 30 June 2005, including the maintenance of a shadow set of AIFRS-compliant financial records for that year.

Although all AIFRSs are 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 AIFRS-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 AIFRS issues are set out below and segregated between those issues which have an effective impact from 1 July 2004 and those which 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 below, both within the narrative disclosures and in summary tabular form. It should be noted that the Bank cannot reliably estimate the prospective financial impact beyond 1 July 2005 of AIFRS issues, as the eventual impact of these issues depend upon uncertain future events and transactions.

All amounts set out below are audited estimates based upon prevailing world-wide accounting interpretations and existing financial instrument valuation methodologies. To the extent that those interpretations or valuation methodologies change, the amounts quoted below may be subject to alteration prior to the release of the Bank's AIFRS-compliant financial statements for the financial year ending 30 June 2006. All amounts are stated on an 'after-tax' basis.

Key Accounting Issues

Whilst the implementation of AIFRS has no impact on the Bank's cash flows, underlying economic strength, nor risk management practices, the following key areas of difference between current accounting practice and the treatment under AIFRS have been identified:

Issues with effective impact from 1 July 2004

(i) Employee Benefits – Defined Benefit Superannuation Plans

With the introduction of AIFRS, the surpluses and/or deficits that arise within individual defined benefit superannuation plans must be recognised in the statement of financial position. There is 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 available include direct recognition in Profit of all of the actuarial gain or loss, direct recognition in Retained Earnings of all of the actuarial gain or loss, or the 'corridor' approach which progressively recognises a certain 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 has selected direct recognition in Retained Earnings as the method of accounting for the defined benefit superannuation plans from 1 July 2004.

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 AIFRS, the comparative period beginning 1 July 2004 has recorded an opening Retained Earnings adjustment reflecting the value of this surplus. It should be noted that the value of the net surplus for financial reporting purposes does not reflect the actuarial valuation used when assessing funding requirements of the plans. The actuarial valuation is higher than the value used for financial reporting purposes principally due to the use of prescribed discount rates in the latter. This opening adjustment to Retained Earnings as at 1 July 2004 is a net increase of $389 million. This is comprised of both an increase in Retained Earnings of $443 million due to the recognition of the defined benefit plan currently in surplus, and a decrease in Retained Earnings of $54 million due to the recognition of the defined benefit plan currently in deficit.

For the AIFRS comparative financial year ended 30 June 2005, the restatement of the statement of financial performance includes an additional, non-cash, expense item of $52 million, reflecting the accrual accounting charge to profit and loss associated with accounting for defined benefit plans.

For the AIFRS comparative financial year ended 30 June 2005 there was an actuarial gain of $102 million and other movements totalling $8 million (principally foreign exchange movements) resulting in a total increase of $110 million to net assets and Retained Earnings. The total movement of $110 million comprised a $108 million increase in respect of the defined benefit plan currently in surplus, and a $2 million increase in respect of the defined benefit plan currently in deficit. The balance of the net accounting surplus remaining as at 1 July 2005 is $447 million after tax, being a plan surplus of $502 million less a plan deficit of $55 million. The above adjustments are summarised in the table below;

	Group $M
1 July 2004 net plan surplus	389
Accounting expense	(52)
Net actuarial gains and other movements - to Retained Earnings	110
30 June 2005 net plan surplus	447

(ii) Employee Benefits – Employee Share Schemes

The Bank currently accrues all share based compensation on a cost basis and amortises it to expense over the vesting period where there are performance hurdles to be met. Shares in the Bank are purchased by a Trust when the shares are granted and held until they vest to the employee.

Under AIFRS the fair value of the share based compensation is calculated at grant date and amortised to expense over the vesting period, subject to service and performance conditions being met. Transitional arrangements are in place under AIFRS such that only those shares granted after 7 November 2002 and vesting after 1 January 2005 are accounted for in this manner. Shares in the Bank held by the Trust have been consolidated, reclassified as 'Treasury Shares' and accounted for as a deduction from Share Capital.

The opening adjustment as at 1 July 2004 includes a decrease of $126 million in Share Capital being the recognition of Treasury Shares at cost, an increase of $47 million in Equity Compensation Reserve reflecting the cumulative expense amortisation related to the purchase of Treasury Shares, and an increase of $141 million in Retained Earnings, comprising an adjustment to recognise the unamortised expense of $79 million together with the reversal of the accrued payable previously recorded under Australian GAAP of $62 million.

For the AIFRS comparative financial year ended 30 June 2005, there is an additional expense of $30 million being the difference in the amortisation expense for the year between Australian GAAP and AIFRS (which includes a one-off increase in expense of $32 million due to the discontinuance of the mandatory component of the Equity Participation Plan and the resulting recognition of cash incentives on an accruals basis). Within Shareholders Equity there has been a decrease in Share Capital of $6 million being the net movement in Treasury Shares for the year reflecting both purchases and vesting of shares, and a net decrease in Equity Compensation Reserve of $24 million reflecting both the vesting of Treasury Shares in the half year period prior to 1 January 2005 transition date and the amortisation during the year.

The only share based compensation which remains after 1 July 2005 is in relation to the Long Term Incentive program.

The Bank does not expect that the application of AIFRS to share based compensation from 1 July 2005 will have a material impact on net profit relative to current Australian GAAP.

(iii) Consolidation of Special Purpose Vehicles

AIFRS 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 AIFRS. This has resulted in a gross up of the assets and liabilities recorded within the statement of financial position of $8,795 million as at 1 July 2004. A small number of special purpose vehicles in respect of structured transactions will also be consolidated, but this only results in reclassification between categories of assets within the statement of financial position.

During the comparative AIFRS financial year ended 30 June 2005 there was a net increase in the carrying value of the assets and liabilities held by the securitisation vehicles of $3,435 million. This reflects the net impact of repayment and securitisation of new assets during the year. As these adjustments simply involve a grossing up of assets and liabilities on the Bank's balance sheet, with no material impact on shareholders' equity, they do not form part of the tabular presentation of summary financial impacts below.

There is no net profit impact arising from the consolidation of these vehicles.

(iv) Accounting for Life Insurance and Funds Management Business

Appraisal Value Accounting

On transition to AIFRS, 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 AIFRS, cease to recognise any movement in this asset in the statement of financial performance. The write off of the internally generated component will 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 opening adjustments as at 1 July 2004 was a decrease to General Reserve of $2,836 million, being the reversal of internally generated appraisal value increases of $3,123 million less a $287 million transfer of historic writedowns of acquired goodwill to Retained Earnings. There is also a 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. During the AIFRS comparative financial year ended 30 June 2005, a further uplift in the appraisal value of $778 million was recognised under Australian GAAP. This amount has been reversed in the AIFRS comparative statement of financial performance.

Treasury Shares

Under current Australian GAAP direct investments in Commonwealth Bank shares by the Bank's life insurance statutory funds are recognised in the statement of financial position at net market value. On transition to AIFRS these assets will be reclassified as 'Treasury Shares' and accounted for as a deduction from Share Capital. These adjustments only occur at the consolidated Group level, and do not affect the financial statements of the underlying life insurance entities. The opening adjustment as at 1 July 2004 was a decrease of $300 million in Insurance Investment Assets; a decrease in Deferred Income Tax Liability of $9 million; a decrease of $245 million in Share Capital, being the cost of the investments; and a decrease of $46 million in Retained Earnings, being the reversal of the cumulative opening market value appreciation. During the AIFRS comparative financial year ended 30 June 2005, all realised and unrealised gains and dividend income on these shares of $39 million was recognised under current Australian GAAP. This amount has been reversed in the AIFRS comparative statement of financial performance, although an amount of $19 million representing realised gains and dividend income earned during the year has been transferred directly to Retained Earnings. As at 1 July 2005 a net decrease in Share Capital of $8 million has been recorded under AIFRS, being the net movement in the cost of Treasury Shares held during the AIFRS comparative financial year ended 30 June 2005. As the calculation of life insurance policyholder liabilities continues to include the fair values of policyholders' interest in these Treasury Shares, the removal of movements in Treasury Share assets attributable to policyholders result in a mismatch within the consolidated financial statements.

Income and Expense Recognition

Initial entry fee income on investment style products issued by entities other than life insurers is currently immediately recognised as income in the statement of financial performance. The application of AIFRS to such investment contracts is currently being considered internationally with one possible interpretation requiring the deferral of all upfront fees over the life of the underlying investment contract. The Bank's approach under AIFRS is to recognise upfront fees immediately as income where the Bank has provided financial advice. However, assuming the entire amount of this fee income was deferred, the adjustment to opening Retained Earnings as at 1 July 2004 would be a decrease of $69 million, and statutory profit for the year ended 30 June 2005 would be decreased by $9 million. Given the uncertainty around the eventual accounting interpretation this adjustment has been omitted from the tables below.

(v) Accounting for Goodwill

On transition to AIFRS Goodwill is no longer amortised but continues to be 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. During the AIFRS comparative financial year ended 30 June 2005, goodwill amortisation of $325 million was recognised under Australian GAAP. This amount has been reversed in the AIFRS comparative statement of financial performance, net of amortisation totalling $4 million in respect of separately identifiable intangible assets.

(vi) Foreign Currency Translation Reserve

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

(vii) Taxation

A "balance sheet" approach to tax-effect accounting is followed under AIFRS 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. As at 1 July 2004 this change in approach did not result in any material adjustment to Shareholders' Equity.

Issues with effective impact from 1 July 2005

(viii) Derivative Financial Instruments including Hedge Accounting and Embedded Derivatives

Under AIFRS all derivative financial instruments, including embedded derivatives and those used for balance sheet hedging purposes, are to be recognised on-balance sheet and measured at fair value. These amounts in particular, are audited estimates based upon prevailing world-wide accounting interpretations and existing financial instrument valuation methodologies. To the extent that those interpretations or valuation methodologies change, the amounts quoted below may be subject to alteration prior to the release of the Bank's AIFRS-compliant financial statements for the financial year ending 30 June 2006.

Hedge accounting can be applied, subject to certain rules, for fair value hedges, cash flow hedges, and hedges of investments in foreign operations. Cash flow hedges are the predominant form of hedging applied by the Bank. Embedded derivatives relate to certain structured transactions and potential changes in the future ownership structures of certain entities within the Bank.

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

As at 1 July 2005, the Bank recognised the following two amounts within Shareholders' Equity in relation to the hedge accounting and embedded derivatives, being:

- an adjustment to Retained Earnings of $313 million to reflect both the initial recognition of embedded derivatives and non-hedged derivatives at fair value, and also the cumulative cash flow and fair value hedge ineffectiveness inherent within the entire 1 July 2005 hedge accounting portfolio; and
- the recognition of a Cash Flow Hedge Reserve of $40 million representing the cumulative hedge effectiveness of all 1 July 2005 cash flow hedge relationships.

(ix) Provisions for Loan Impairment

In line with market practice, the Bank's current general provisioning for impairment covers non-identifiable probable losses and latent risks inherent in the overall portfolio of loans, advances and other credit transactions. Under AIFRS the Bank will at each reporting date first assess whether any objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The Bank uses judgement to estimate the amount of any impairment loss.

As a result of this change, there may be a reduction in the amount of the Bank's general/collective provisioning for impairment. Due to current uncertainty around AIFRS accounting interpretations and the development of Australian industry practice in this area, a loan impairment provision in accordance with AIFRS cannot be reliably estimated.

The practice of recording specific provisions for loan impairment will continue under AIFRS, however, such provisions – termed provisions for individually significant impaired loans - 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. At 1 July 2005 there was no material change in the specific/individually significant impaired loan provision.

(x) Classification of Hybrid Financial Instruments

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

Under AIFRS these instruments were reclassified as debt within the statement of financial position on 1 July 2005. Those instruments denominated in a foreign currency were re-translated at exchange rates prevailing on 30 June 2005, rather than the exchange rate prevailing at the date of issue. This resulted in a decrease to Shareholders' Equity of $2,159 million. This adjustment is comprised of a decrease in Preference Share Capital and Other Equity Instruments of $2,260 million; an increase in Retained Earnings of $22 million; and an increase in the Foreign Currency Translation Reserve of $79 million.

From 1 July 2005 onwards, distributions to the holders of these hybrid financial instruments will be treated as interest expense in the statement of financial performance.

(xi) Revenue and Expense Recognition

Under AIFRS, the Bank has changed the timing of the recognition of 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.

As at 1 July 2005, a decrease in Retained Earnings of $61 million has been recognised, reflecting the deferral of previously recognised revenue and expense items. This adjustment comprises a net deferral of expense in relation to the retail banking portfolios and a, larger, net deferral of income in relation to the corporate banking portfolios.

(xii) Accounting for Life Insurance Business

Measurement differences

Under AIFRS, measurement differences arise within the insurance products and investment-style products of the life insurance and funds management businesses. Specifically, the actuarial calculation of policyholder liabilities is affected by a change in the discount rates applied for some contracts, and certain acquisition costs related to investment-style products which were deferred under current Australian GAAP can no longer be deferred under AIFRS. On transition to AIFRS, this will have the effect of increasing the amount of Insurance Policyholder Liabilities and decreasing Retained Earnings by a total of $248 million.

Income and Expense Recognition

A similar issue in respect of initial entry fee income on investment style products as described in section (iv) above for entities other than life insurers, will apply to life insurance entities from 1 July 2005. The Bank's approach under AIFRS is to recognise upfront fees immediately where the Bank has provided financial advice. Where initial entry fee income has been deferred under AIFRS, this has resulted in a decrease to Retained Earnings of $75 million on 1 July 2005. However, assuming the entire amount of this fee income was deferred, as at 1 July 2005, this would result in a further reduction to Retained Earnings of $17 million. Given the uncertainty around the eventual accounting interpretation this adjustment has been omitted from the tables below.

Outside Equity interests

On transition to AIFRS, the outside equity interests in controlled unit trusts of the life companies no longer qualify as equity. As a result, the Bank has, on adoption of AIFRS, reclassified outside equity interests in life insurance statutory funds and other funds to liabilities. As at 1 July 2005, this will result in a reduction to Total Shareholders' Equity of $1,158 million.

(xiii) Financial Instruments Classification for Banking Business

Certain of the Bank's financial assets currently carried at amortised cost will be reclassified as Available-for-sale investments (measured at fair value with unrealised gains and losses carried in a reserve) and financial assets held at fair value with changes in value recognised in profit and loss.

On transition to AIFRS, the reclassification of financial instruments, principally being investment securities, as Available-for-sale investments resulted in an increase in Total Assets and an Available-for-sale Asset Revaluation Reserve of $68 million. Additionally, those financial instruments designated as fair value through profit and loss resulted in a decrease in Total Assets and Retained Earnings of $3 million.

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 and some of the regulated subsidiaries. Currently, accounting definitions for asset and equity measurement are central to the capital adequacy requirements set by prudential regulators. The Australian Prudential Regulation Authority ("APRA") has released a discussion paper setting out some of its proposed prudential responses to the adoption of AIFRS by APRA regulated institutions.

However, there are a number of specific AIFRS related changes where it is unclear whether the Bank's current capital measurement methodologies will be maintained. APRA is consulting with regulated entities, including the Bank, prior to their finalisation of any amendments to the prudential regulations.

NOTE 1 Summary of Significant Accounting Policies continued

Summary of Financial Impacts

A summary of the material after-tax financial impacts of conversion to AIFRS is set out in the following three tables:

Table 1 represents the reconciliation of Australian GAAP Shareholders' Equity to AIFRS Shareholders' Equity as at 1 July 2004, for those standards with an effective date of 1 July 2004.

Table 2 sets out the expected adjustments to the result for the year ended 30 June 2005, for those standards with an effective impact from 1 July 2004.

Table 3 sets out the additional adjustments to Shareholders Equity as at 1 July 2005 for those standards with an effective date of 1 July 2005, which deal with Financial Instruments and Insurance.

References are provided within the tables to the detailed narrative disclosures in the section above.

Table 1: Shareholders' Equity Reconciliation as at 1 July 2004

Shareholders' Equity Reconciliation	Reference	Consolidated Group TOTAL SHAREHOLDERS' EQUITY $M
Australian GAAP Total as at 1 July 2004		24,885
AIFRS 1 July 2004 After Tax Adjustments to Shareholders' Equity		
Retained Earnings Impacts:		
Initial recognition of defined benefit superannuation plan in surplus	(i)	443
Initial recognition of defined benefit superannuation plan in deficit	(i)	(54)
Net adjustment in respect of share based payment compensation	(ii)	141
Reversal of market value appreciation on treasury shares held within the Bank's life insurance statutory funds	(iv)	(46)
Transfer of historic write-downs of acquired goodwill within the appraisal value of the life insurance and funds management businesses	(iv)	(287)
Transfer from Foreign Currency Translation Reserve	(vi)	(205)
Change in the revenue recognition pattern for 'net of tax' leveraged leases		17
Share Capital Impacts:		
Initial recognition of treasury shares held within employee share scheme trust	(ii)	(126)
Initial recognition of treasury shares held within the Bank's life insurance statutory funds	(iv)	(245)
General Reserve:		
Net write down of internally generated appraisal value of the life insurance and funds management businesses	(iv)	(2,836)
Other Reserves:		
Transfer from the Foreign Currency Translation Reserve to Retained Earnings	(vi)	205
Increase in Asset Revaluation Reserve following change in valuation methodology for owner-occupied property		32
Initial recognition of Equity Compensation Reserve	(ii)	47
AIFRS restated Shareholders' Equity as at 1 July 2004		21,971

Notes to the financial statements

NOTE 1 Summary of Significant Accounting Policies continued

Table 2: Restatement of After Tax Profit & Loss for year ended 30 June 2005

	Reference	Group $M	Group $M	Bank $M	Bank $M
Australian GAAP Statutory Profit After Tax for year ended 30 June 2005			**3,991**		**2,921**
Recognition of non-cash pension expense related to defined benefit superannuation plans	(i)	(52)		(52)	
Recognition of amortisation expense related to treasury shares held within the employee share scheme trust	(ii)	(30)		(31)	
Reversal of realised and unrealised gains and dividend income accrued on treasury shares held within the Bank's life insurance statutory funds	(iv)	(39)		-	
Reversal of goodwill expense net of separately identifiable intangible asset amortisation	(v)	321		186	
Change in the revenue recognition pattern for 'net of tax' leveraged leases		(9)		(9)	
Total AIFRS after tax adjustment to distributable earnings for the year ended 30 June 2005		**191**		**94**	
Reversal of internally generated appraisal value uplift in the life insurance and funds management businesses	(iv)	(778)		-	
Total AIFRS after tax adjustment to Statutory Profit for the year ended 30 June 2005			**(587)**		**94**
Restated AIFRS after tax Statutory Profit for the year ended 30 June 2005			**3,404**		**3,015**

Notes to the financial statements

NOTE 1 Summary of Significant Accounting Policies continued

Table 3: Shareholders' Equity Reconciliation as at 1 July 2005

Shareholders' Equity Reconciliation	Reference	Consolidated Group TOTAL SHAREHOLDERS' EQUITY $M
AIFRS restated Shareholders' Equity as at 1 July 2004		**21,971**
Australian GAAP after tax Statutory Profit for the year ended 30 June 2005		**3,991**
Total AIFRS after tax adjustment to Statutory Profit for the year ended 30 June 2005 per Table 2		**(587)**
Other current Australian GAAP Reserve Movements for the year ended 30 June 2005		**(2,816)**[1]
IFRS 1 July 2005 After Tax Adjustments to Shareholders' Equity		
Retained Earnings Impacts:		
Actuarial and other movements within the defined benefit superannuation plan in surplus	(i)	108
Actuarial and other movements within the defined benefit superannuation plan in deficit	(i)	2
Net movement in the calculation of life insurance policyholder liabilities due to actuarial methodology changes and the write off of deferred acquisition cost asset on products reclassified from insurance contracts to investment contracts	(xii)	(248)
Adjustment in respect of realised gains and dividend income on treasury shares held within the Bank's life insurance statutory funds	(iv)	19
Deferral of initial entry fee income earned by life insurance entities	(xii)	(75)
Adjustment to fair value calculation for assets held by life insurance business		(14)
Adjustment in respect of derivative financial instruments on initial application of hedge accounting and recognition of embedded derivatives	(viii)	(313)
Deferral of previously recognised net income and expenses within banking business	(xi)	(61)
Foreign exchange adjustment on the reclassification of hybrid financial instruments from equity to liabilities	(x)	22
Adjustment to fair value calculation for trading assets within the banking portfolios and for other financial instruments designated as fair value through profit and loss	(xiii)	(3)
Share Capital Impacts:		
Net movement in treasury shares held within employee share scheme trust	(ii)	(6)
Net movement in treasury shares held within the Bank's life insurance statutory funds	(iv)	(8)
Other Reserves and Capital Movements:		
Asset Revaluation Reserve adjustment for change in valuation methodology for owner-occupied property		(4)
Reclassification of outside equity interest in the life insurance statutory funds and other funds as liabilities	(xii)	(1,158)
Initial recognition of Cash Flow Hedge Reserve on initial application of hedge accounting	(viii)	40
Reclassification of hybrid financial instruments from equity to liabilities	(x)	(2,260)
Foreign currency translation reserve adjustment due to reclassification of hybrid financial instruments from equity to liabilities at exchange rates at 30 June 2005	(x)	79
Reclassification and revaluation of Australian GAAP investment securities at cost to available-for-sale financial assets at fair value	(xiii)	68
Net movement in Equity Compensation Reserve	(ii)	(24)
AIFRS Restated Shareholders' Equity as at 1 July 2005		**18,723**

(1) Represents movements in Shareholders' Equity other than profit for the year:

	$M
Change in Ordinary Shareholders' Equity	512
Change in Reserves	678
Change in Outside Equity Interests:	
Controlled entities	327
Insurance statutory funds	(1,018)
Change in Retained Earnings	676
Less: Net profit after tax ("statutory basis")	(3,991)
Net adjustment	(2,816)

Notes to the financial statements

NOTE 2 Operating Profit

Profit from ordinary activities before income tax has been determined as follows:

	GROUP			BANK	
	2005	2004	2003	**2005**	2004
	$M	$M	$M	**$M**	$M
Interest Income					
Loans	**14,244**	11,675	10,126	**11,428**	9,504
Other financial institutions	**229**	182	191	**136**	90
Cash and liquid assets	**198**	198	150	**221**	214
Trading securities	**785**	600	454	**647**	486
Investment securities	**723**	607	566	**242**	229
Dividends on redeemable preference shares	**15**	25	41	**3**	3
Controlled entities	**-**	-	-	**727**	527
Total Interest Income	**16,194**	13,287	11,528	**13,404**	11,053
Interest Expense					
Deposits	**7,063**	5,949	4,732	**5,543**	4,833
Other financial institutions	**257**	160	198	**255**	159
Debt issues	**2,557**	1,505	1,352	**1,944**	1,081
Controlled entities	**-**	-	-	**496**	282
Loan capital	**351**	263	220	**363**	294
Total Interest Expense	**10,228**	7,877	6,502	**8,601**	6,649
Net Interest Income	**5,966**	5,410	5,026	**4,803**	4,404
Other Operating Income					
Lending fees	**753**	724	652	**730**	702
Commission and other fees	**1,595**	1,503	1,394	**1,310**	1,256
Trading income					
Foreign exchange earnings	**167**	228	200	**137**	203
Trading securities	**193**	165	190	**164**	128
Other financial instruments (incl derivatives)	**80**	106	112	**80**	106
Dividends - controlled entities	**-**	-	-	**988**	794
- other	**3**	6	4	**-**	4
Net (loss) gain on investments and loans	**(13)**	80	(9)	**(39)**	(416)
Net profit (loss) on sale of property, plant and equipment	**4**	(11)	22	**4**	(10)
Funds management income	**1,398**	1,333	1,066	**-**	-
Insurance income	**1,075**	902	680	**-**	-
Other [1]	**133**	45	62	**649**	545
Total Other Operating Income	**5,388**	5,081	4,373	**4,023**	3,312
Total Net Operating Income before appraisal value uplift/(reduction)	**11,354**	10,491	9,399	**8,826**	7,716
Charge for Bad and Doubtful Debts (Note 13)					
General provisions	**322**	276	305	**292**	263
Total Charge for Bad and Doubtful Debts	**322**	276	305	**292**	263

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

Notes to the financial statements

NOTE 2 Operating Profit continued

	GROUP			BANK	
	2005	2004	2003	**2005**	2004
	$M	$M	$M	**$M**	$M
Staff Expenses					
Salaries and wages	**2,274**	2,152	2,106	**1,758**	1,683
Superannuation contributions	**7**	8	13	**(18)**	(14)
Provisions for employee entitlements	**67**	41	11	**59**	34
Payroll tax	**115**	115	107	**101**	101
Fringe benefits tax	**32**	32	26	**28**	28
Other staff expenses	**104**	100	120	**29**	46
Comparable business	**2,599**	2,448	2,383	**1,957**	1,878
Initiatives including Which new Bank	**50**	273	155	**50**	267
Total Staff Expenses (excluding share based compensation)	**2,649**	2,721	2,538	**2,007**	2,145
Share Based Compensation					
Comparable business	**44**[(1)]	105	94	**44**	104
Initiatives including Which new Bank	**-**	-	25	**-**	-
Total Share Based Compensation	**44**	105	119	**44**	104
Occupancy and Equipment Expenses					
Operating lease rentals	**331**	340	354	**266**	280
Depreciation					
Buildings	**21**	21	24	**20**	18
Leasehold improvements	**58**	55	51	**46**	45
Equipment	**63**	50	53	**29**	22
Operating lease fixed assets	**8**	-	-	**-**	-
Repairs and maintenance	**71**	68	58	**64**	61
Other	**61**	47	69	**40**	28
Comparable business	**613**	581	609	**465**	454
Initiatives including Which new Bank	**13**	20	3	**13**	20
Total Occupancy and Equipment Expenses	**626**	601	612	**478**	474
Information Technology Services					
Projects and development	**322**	281	194	**298**	247
Data processing	**248**	238	255	**221**	214
Desktop	**150**	159	178	**148**	157
Communications	**204**	205	171	**174**	178
Software amortisation	**26**	11	78	**18**	2
Information technology equipment-depreciation	**6**	1	1	**6**	1
Comparable business	**956**	895	877	**865**	799
Initiatives including Which new Bank	**52**	292	30	**52**	274
Total Information Technology Services	**1,008**	1,187	907	**917**	1,073
Other Expenses					
Postage	**112**	112	109	**98**	98
Stationery	**108**	114	118	**79**	88
Fees and commissions	**628**	598	551	**402**	369
Advertising, marketing and loyalty	**288**	311	259	**234**	260
Other	**349**	336	312	**213**	176
Comparable business	**1,485**	1,471	1,349	**1,026**	991
Initiatives including Which new Bank	**35**	164	26	**35**	164
Total Other Expenses	**1,520**	1,635	1,375	**1,061**	1,155
Comparable business	**5,697**	5,500	5,312	**4,357**	4,226
Initiatives including Which New Bank	**150**	749	239	**150**	725
Total Operating Expenses before goodwill amortisation	**5,847**	6,249	5,551	**4,507**	4,951
Appraisal value uplift/(reduction)	**778**	201	(245)	**-**	-
Goodwill amortisation	**(325)**	(324)	(322)	**(186)**	(186)
Profit from ordinary activities before income tax	**5,638**	3,843	2,976	**3,841**	2,316

(1) Reduction in share based compensation reflects the cessation of the mandatory component of the equity participation plan in February 2005, which is now paid in cash and included within salaries and wages (refer to Note 29).

Notes to the financial statements

NOTE 3 Revenue from Ordinary Activities

			GROUP		BANK
	2005	2004	2003	**2005**	2004
	$M	$M	$M	**$M**	$M
Banking					
Interest income	**16,194**	13,287	11,528	**13,404**	11,053
Fees and commissions	**2,348**	2,227	2,046	**2,040**	1,958
Trading income	**440**	499	502	**380**	437
Dividends	**3**	6	4	**988**	798
Proceeds from sale of property, plant and equipment	**30**	69	72	**26**	9
Proceeds from sale of investments and loans	**565**	874	56	**448**	1,398
Other income	**133**	45	53	**580**	535
	19,713	17,007	14,261	**17,866**	16,188
Funds Management and Insurance					
Funds management income including premiums	**1,261**	1,175	1,149	**-**	-
Insurance premium and related income	**1,132**	1,012	1,131	**-**	-
Investment income	**3,194**	2,807	628	**-**	-
	5,587	4,994	2,908	**-**	-
Appraisal value uplift [(1)]	**778**	201	-	**-**	-
Total revenue from ordinary activities	**26,078**	22,202	17,169	**17,866**	16,188

There were no sources of revenue from non-operating activities.

(1) Appraisal value reduction of $245 million for year ended 30 June 2003.

Note 4 Average Balances and Related Interest

The table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rates for each of the years ending 30 June 2003, 30 June 2004 and 30 June 2005. Averages used are predominantly daily averages.

The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Overseas intragroup borrowings have been adjusted in the interest spread and margin calculations to more appropriately reflect the overseas cost of funds. Non-accrual loans are included in Interest Earning Assets under loans, advances and other receivables.

Full Year Ended	2005			2004			2003		
	Average Balance $M	**Interest $M**	**Average Rate %**	**Average Balance $M**	**Interest $M**	**Average Rate %**	**Average Balance $M**	**Interest $M**	**Average Rate %**
Average Interest Earning Asset and Income									
Cash and liquid assets									
Australia	**3,716**	**178**	**4.8**	4,027	181	4.5	3,293	133	4.0
Overseas	**1,077**	**20**	**1.9**	868	17	2.0	813	17	2.1
Receivables due from other financial institutions									
Australia	**2,228**	**61**	**2.7**	3,382	32	0.9	2,446	37	1.5
Overseas	**3,748**	**168**	**4.5**	3,776	150	4.0	3,734	154	4.1
Deposits with regulatory authorities									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**43**	**-**	**-**	62	-	-	56	-	-
Trading securities									
Australia	**11,532**	**603**	**5.2**	9,682	444	4.6	7,360	326	4.4
Overseas	**3,850**	**182**	**4.7**	3,445	156	4.5	3,395	128	3.8
Investment securities									
Australia	**3,802**	**296**	**7.8**	4,411	298	6.8	4,240	261	6.2
Overseas	**8,538**	**427**	**5.0**	8,440	310	3.7	8,062	305	3.8
Loans, advances and other receivables									
Australia	**171,231**	**11,832**	**6.9**	149,487	9,927	6.6	131,746	8,538	6.5
Overseas	**34,183**	**2,427**	**7.1**	26,607	1,772	6.7	23,125	1,629	7.0
Other interest earning assets	**-**	**-**	**-**	-	-	-	-	-	-
Intragroup loans									
Australia	**-**	**-**	**-**	-	-	-	-	-	-
Overseas	**5,793**	**92**	**1.6**	4,102	17	0.4	3,604	31	0.9
Average interest earning assets and interest income including intragroup	**249,741**	**16,286**	**6.5**	218,289	13,304	6.1	191,874	11,559	6.0
Intragroup eliminations	**(5,793)**	**(92)**	**1.6**	(4,102)	(17)	0.4	(3,604)	(31)	0.9
Total average interest earning assets and interest income	**243,948**	**16,194**	**6.6**	214,187	13,287	6.2	188,270	11,528	6.1

Note 4 Average Balance Sheet and Related Interest continued

Full Year Ended	2005	2004	2003
Average Non-interest Earning Assets	**Average Balance $M**	**Average Balance $M**	**Average Balance $M**
Bank acceptances			
Australia	**16,263**	13,877	13,144
Overseas	**-**	1	53
Life insurance investment assets			
Australia	**23,263**	24,430	26,333
Overseas	**4,542**	4,120	4,070
Property, plant and equipment			
Australia	**1,108**	792	627
Overseas	**144**	161	197
Other assets			
Australia	**26,150**	29,452	24,046
Overseas	**3,303**	2,264	3,303
Provisions for impairment			
Australia	**(1,430)**	(1,411)	(1,497)
Overseas	**(142)**	(150)	(150)
Total average non-interest earning assets	**73,201**	73,536	70,126
Total Average Assets	**317,149**	287,723	258,396
Percentage of total average assets applicable to overseas operations	**20.5%**	18.7%	19.5%

NOTE 4 Average Balances and Related Interest continued

Average Liabilities and Interest Expense

Full Year Ended	**2005**			**2004**			**2003**		
	Average Balance $M	**Interest $M**	**Average Rate %**	**Average Balance $M**	**Interest $M**	**Average Rate %**	**Average Balance $M**	**Interest $M**	**Average Rate %**
Average Interest Bearing Liabilities and Loan Capital and Interest Expense									
Time deposits									
Australia	**61,821**	**3,183**	**5.1**	57,186	2,683	4.7	45,674	1,956	4.3
Overseas	**17,716**	**1,356**	**7.7**	15,963	1,062	6.7	14,255	876	6.1
Savings deposits									
Australia	**31,304**	**586**	**1.9**	31,178	514	1.6	32,780	492	1.5
Overseas	**2,927**	**119**	**4.1**	3,028	105	3.5	2,788	100	3.6
Other demand deposits									
Australia	**41,235**	**1,653**	**4.0**	39,044	1,499	3.8	34,043	1,230	3.6
Overseas	**4,859**	**166**	**3.4**	3,432	86	2.5	2,906	78	2.7
Payables due to other financial institutions									
Australia	**1,707**	**50**	**2.9**	1,916	35	1.8	1,752	34	1.9
Overseas	**6,292**	**207**	**3.3**	5,042	125	2.5	6,712	164	2.4
Debt issues									
Australia	**34,853**	**2,095**	**6.0**	21,885	1,292	5.9	17,651	1,047	5.9
Overseas	**16,540**	**462**	**2.8**	12,855	213	1.7	10,738	305	2.8
Loan capital									
Australia	**5,566**	**321**	**5.8**	5,793	255	4.4	5,234	212	4.1
Overseas	**772**	**30**	**3.9**	210	8	3.8	204	8	3.9
Other interest bearing liabilities	**-**	**-**	**-**	-	-	-	-	-	-
Intragroup borrowings									
Australia	**5,793**	**92**	**1.6**	4,102	17	0.4	3,604	31	0.9
Overseas	**-**	**-**	**-**	-	-	-	-	-	-
Average interest bearing liabilities and loan capital and interest expense including intragroup	**231,385**	**10,320**	**4.5**	201,634	7,894	3.9	178,341	6,533	3.7
Intragroup eliminations	**(5,793)**	**(92)**	**1.6**	(4,102)	(17)	0.4	(3,604)	(31)	0.9
Total average interest bearing liabilities and loan capital and interest expense	**225,592**	**10,228**	**4.5**	197,532	7,877	4.0	174,737	6,502	3.7
Non-Interest Bearing Liabilities									
Deposits not bearing interest									
Australia	**5,512**			5,112			4,784		
Overseas	**1,121**			1,059			871		
Liability on bank acceptances									
Australia	**16,263**			13,877			13,146		
Overseas	**-**			1			53		
Life insurance policy liabilities									
Australia	**20,732**			20,658			20,828		
Overseas	**3,900**			3,548			3,596		
Other liabilities									
Australia	**14,630**			20,655			16,034		
Overseas	**3,927**			3,131			2,739		
Total average non-interest bearing liabilities	**66,085**			68,041			62,051		
Total average liabilities and loan capital	**291,677**			265,573			236,788		
Shareholders' equity	**25,472**			22,150			21,608		
Total average liabilities, loan capital and shareholders' equity	**317,149**			287,723			258,396		
Percentage of total average liabilities applicable to overseas operations	**19.9%**			18.2%			18.9%		

NOTE 4 Average Balances and Related Interest continued

Changes in Net Interest Income: Volume and Rate Analysis	30/06/05 vs 30/06/04 Changes due to Volume $M	Rate $M	Total $M	30/06/04 vs 30/06/03 Changes due to Volume $M	Rate $M	Total $M
Interest Earning Assets						
Cash and liquid assets						
Australia	**(14)**	**11**	**(3)**	31	17	48
Overseas	**4**	**(1)**	**3**	1	(1)	-
Receivables due from other financial institutions						
Australia	**(21)**	**50**	**29**	12	(17)	(5)
Overseas	**(1)**	**19**	**18**	2	(6)	(4)
Trading securities						
Australia	**91**	**68**	**159**	105	13	118
Overseas	**19**	**7**	**26**	2	26	28
Investment securities						
Australia	**(44)**	**42**	**(2)**	11	26	37
Overseas	**4**	**113**	**117**	14	(9)	5
Loans, advances and other receivables						
Australia	**1,473**	**432**	**1,905**	1,164	225	1,389
Overseas	**521**	**134**	**655**	239	(96)	143
Other interest earning assets	**-**	**-**	**-**	-	-	-
Intragroup loans						
Australia	**-**	**-**	**-**	-	-	-
Overseas	**17**	**58**	**75**	3	(17)	(14)
Change in interest income including intragroup	**1,984**	**998**	**2,982**	1,615	130	1,745
Intragroup eliminations	**(17)**	**(58)**	**(75)**	(3)	17	14
Change in interest income	**1,911**	**996**	**2,907**	1,597	162	1,759
Interest Bearing Liabilities and Loan Capital						
Time deposits						
Australia	**228**	**272**	**500**	517	210	727
Overseas	**125**	**169**	**294**	109	77	186
Savings deposits						
Australia	**2**	**70**	**72**	(25)	47	22
Overseas	**(4)**	**18**	**14**	8	(3)	5
Other demand deposits						
Australia	**86**	**68**	**154**	186	83	269
Overseas	**42**	**38**	**80**	14	(6)	8
Payables due to other financial institutions						
Australia	**(5)**	**20**	**15**	3	(2)	1
Overseas	**36**	**46**	**82**	(41)	2	(39)
Debt issues						
Australia	**773**	**30**	**803**	251	(6)	245
Overseas	**82**	**167**	**249**	48	(140)	(92)
Loan capital						
Australia	**(12)**	**78**	**66**	24	19	43
Overseas	**22**	**-**	**22**	-	-	-
Other interest bearing liabilities	**-**	**-**	**-**	-	-	-
Intragroup borrowings						
Australia	**17**	**58**	**75**	3	(17)	(14)
Overseas	**-**	**-**	**-**	-	-	-
Change in interest expense including intragroup	**1,246**	**1,180**	**2,426**	877	484	1,361
Intragroup eliminations	**(17)**	**(58)**	**(75)**	(3)	17	14
Change in interest expense	**1,196**	**1,155**	**2,351**	879	496	1,375
Change in net interest income	**740**	**(184)**	**556**	673	(289)	384

NOTE 4 Average Balances and Related Interest continued

Changes in Net Interest Income: Volume and Rate Analysis

The preceding table shows the movement in interest income and expense due to changes in volume and changes in interest rates. Volume variances reflect the change in interest from the prior period due to movement in the average balance. Rate variance reflects the change in interest from the prior year due to changes in interest rates.

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

			GROUP
	2005	2004	2003
	$M	$M	$M
Net interest income	**5,966**	5,410	5,026
Average interest earning assets	**243,948**	214,187	188,270

Interest Margins and Spreads

Interest spread represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest margin represents net interest income as a percentage of average interest earning assets. The calculations for Australia and Overseas include intragroup cross border loans/borrowings and associated interest.

	2005	**2004**	2003
	%	%	%
Australia			
Interest Spread [(1)]	**2.36**	2.46	2.68
Benefit of net free liabilities, provisions and equity [(2)]	**0.23**	0.22	0.20
Australia Interest Margin [(3)]	**2.59**	2.68	2.88
Overseas			
Interest Spread [(1)]	**1.03**	1.18	1.22
Benefit of net free liabilities, provisions and equity [(2)]	**0.68**	0.56	0.49
Overseas Interest Margin [(3)]	**1.71**	1.74	1.71
Group			
Interest Spread [(1)]	**2.11**	2.22	2.40
Benefit of net free liabilities, provisions and equity [(2)]	**0.34**	0.31	0.27
Group Interest Margin [(3)]	**2.45**	2.53	2.67

(1) Difference between the average interest rate earned and the average interest rate paid on funds.
(2) A portion of the Group's interest earning assets is funded by net interest free liabilities and shareholders' equity. The benefit to the Group of these interest free funds is the amount it would cost to replace them at the average cost of funds.
(3) Net interest income divided by average interest earning assets for the year.

Notes to the financial statements

NOTE 5 Income Tax Expense

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

			GROUP		BANK
	2005	2004	2003	**2005**	2004
	$M	$M	$M	**$M**	$M
Operating profit from ordinary activities before income tax					
Banking	**4,103**	3,091	3,165	**4,028**	2,502
Funds Management	**560**	504	217	**-**	-
Insurance	**522**	371	161	**-**	-
Appraisal value uplift/(reduction)	**778**	201	(245)	**-**	-
Goodwill amortisation	**(325)**	(324)	(322)	**(186)**	(186)
	5,638	3,843	2,976	**3,842**	2,316
Prima facie income tax at 30%					
Banking	**1,231**	927	950	**1,208**	751
Funds Management	**168**	151	65	**-**	-
Insurance	**157**	111	48	**-**	-
Appraisal value uplift/(reduction)	**233**	60	(73)	**-**	-
Goodwill amortisation	**(98)**	(97)	(97)	**(56)**	(56)
	1,691	1,152	893	**1,152**	695
Add (or deduct) permanent differences expressed on a tax effect basis:					
Current Period					
Specific provisions for offshore bad and doubtful debts not tax effected	**4**	3	13	**-**	(2)
Taxation offsets (net of accruals)	**(48)**	(47)	(36)	**(309)**	(224)
Tax adjustment referable to policy holder income	**160**	142	(41)	**-**	-
Non assessable income - life insurance surplus	**(30)**	(30)	(18)	**-**	-
Change in excess of net market value over net assets of life insurance controlled entities	**(233)**	(60)	73	**-**	-
Non deductible goodwill amortisation	**98**	97	97	**56**	56
Non deductible intergroup losses	**-**	-	-	**-**	136
Tax losses recognised	**(9)**	-	(18)	**(2)**	1
Other	**4**	17	(5)	**23**	5
	(54)	122	65	**(232)**	(28)
Prior Periods					
Other	**-**	(12)	-	**-**	2
Total income tax expense	**1,637**	1,262	958	**920**	669
Income tax attributable to operating profit					
Banking	**1,220**	914	931	**920**	669
Funds management	**100**	79	57	**-**	-
Insurance	**89**	66	28	**-**	-
Corporate tax	**1,409**	1,059	1,016	**920**	669
Policyholder tax	**228**	203	(58)	**-**	-
Total Income Tax expense	**1,637**	1,262	958	**920**	669
Income tax expense comprises:					
Current taxation provision	**1,611**	1,128	917	**1,068**	639
Deferred income (benefit)/tax provision	**139**	138	(24)	**(30)**	(32)
Future income tax benefit	**(125)**	(24)	45	**(121)**	57
Notional tax expense - leveraged leases	**8**	23	22	**2**	5
Other	**4**	(3)	(2)	**1**	-
Total Income Tax Expense	**1,637**	1,262	958	**920**	669
The components of income tax expense consist of the following:					
Current Australia	**1,438**	977	853	**1,059**	633
Overseas	**175**	156	112	**9**	12
	1,613	1,133	965	**1,068**	645
Deferred Australia	**(5)**	99	(1)	**(148)**	20
Overseas	**29**	30	(6)	**-**	4
	24	129	(7)	**(148)**	24

NOTE 5 Income Tax Expense continued

	GROUP			BANK	
	2005	2004	2003	**2005**	2004
The significant temporary differences are as follows:	**$M**	$M	$M	**$M**	$M
Deferred income tax assets arising from:					
Provisions not tax deductible until expense incurred	**442**	369	353	**399**	274
Other	**208**	195	172	**178**	149
Future income tax benefits (Note 21)	**650**	564	525	**577**	423
Intergroup deferred tax receivable (Note 21)	**-**	-	-	**549**	317
Deferred income tax liabilities arising from:					
Leveraged leasing	**193**	232	302	**193**	232
Lease financing	**103**	100	96	**99**	100
Other	**421**	52	16	**365**	-
Total deferred income tax liabilities (Note 24)	**717**	384	414	**657**	332
Intergroup deferred tax payable (Note 27)	**-**	-	-	**60**	153
Future income tax benefits attributable to tax losses carried forward as an asset	**3**	5	36	**-**	-
Future income tax benefits not taken to account					
Valuation allowance					
Opening balance	**170**	142	168	**94**	62
Prior year adjustments	**(33)**	(6)	(34)	**(33)**	(3)
Benefits now taken to account	**(9)**	(6)	(18)	**(2)**	(5)
Benefits arising during the year not recognised	**31**	40	26	**20**	40
Closing balance (Note 21)	**159**	170	142	**79**	94

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.

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 6 Dividends

	GROUP			BANK	
	2005	2004	2003	**2005**	2004
	$M	$M	$M	**$M**	$M
Ordinary Shares					
Interim ordinary dividend (fully franked) (2005: 85 cents, 2004: 79 cents, 2003: 69 cents)					
Interim ordinary dividend paid - cash component only	**883**	808	699	**883**	808
Interim ordinary dividend paid - dividend reinvestment plan	**200**	188	166	**200**	188
Preference Shares					
Preference dividends paid (fully franked) (2005: 1,115 cents, 2004: 1,065 cents, 2003: 1,019 cents)	**29**	28	28	**29**	28
Provision for preference dividend	**10**	9	8	**10**	9
Other Equity Instruments					
Dividends paid	**76**	55	-	**34**	15
Other dividends – ASB preference shares	**16**	8	4	**-**	-
Total Dividends Provided or Paid	**1,214**	1,096	905	**1,156**	1,048
Other provision carried	**4**	5	4	**4**	4
Dividends proposed and not recognised as a liability (fully franked) (2005: 112 cents , 2004: 104 cents, 2003: 85 cents)	**1,434**	1,315	1,066	**1,434**	1,315

Dividend Franking Account

After fully franking the final dividend to be paid for the year ended 30 June 2005 the amount of credits available as at 30 June 2005 to frank dividends for subsequent financial years is $194 million (2004: $75 million). This figure is based on the combined franking accounts of the Bank at 30 June 2005, which have been adjusted for franking credits that will arise from the payment of income tax payable on profits for the year ended 30 June 2005, 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 that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. Dividend payments on or after 1 July 2005 will be franked at the 30% tax rate. These calculations have been based on the taxation law as at 30 June 2005.

Dividend History

Half Year Ended	**Cents Per Share**	**Half-year Payout Ratio** (1)	**Full Year Payout Ratio** (1)	**Full Year Payout Ratio Cash Basis** (2)	**DRP Price $**	**DRP Participation Rate** (3)
31 December 2002	69	143.2%	-	-	24.75	19.2%
30 June 2003	85	77.7%	97.7%	75.9%	28.03	18.9%
31 December 2003	79	82.7%	-	-	31.61	18.8%
30 June 2004	104	103.8%	93.5%	73.9%(4)	30.14	18.7%
31 December 2004	85	71.8%	-	-	35.90	18.6%
30 June 2005	112	69.5%	65.2%	73.9%		

(1) Dividend Payout Ratio: dividends divided by earnings.
(2) Payout ratio based on net profit after tax before goodwill amortisation and appraisal value uplift/(reduction).
(3) DRP Participation Rate: the percentage of total issued share capital participating in the Dividend Reinvestment Plan.
(4) Adjusted for Which new Bank costs.

Notes to the financial statements

NOTE 7 Earnings Per Share

	GROUP		
	2005	2004	2003
	c	c	c
Earnings Per Ordinary Share			
- Basic	**303.1**	196.9	157.4
- Fully diluted	**303.0**	196.8	157.3
	$M	$M	$M
Reconciliation of earnings used in the calculation of earnings per share			
Profit from ordinary activities after income tax	**4,001**	2,581	2,018
Less: Preference share dividends	**(39)**	(37)	(36)
Less: Other equity instrument dividends	**(76)**	(55)	-
Less: Other dividends – ASB preference shares	**(16)**	(8)	(4)
Less: Outside equity interests	**(10)**	(9)	(6)
Earnings used in calculation of earnings per share	**3,860**	2,472	1,972

	Number of Shares		
	2005	2004	2003
	M	M	M
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,273**	1,256	1,253
Effect of dilutive securities - share options	**1**	1	1
Weighted average number of ordinary shares used in the calculation of fully diluted earnings per share	**1,274**	1,257	1,254
Underlying Earnings Per Ordinary Share	**c**	c	c
- Basic	**261.9**	237.1	210.2
- Fully diluted	**261.8**	237.0	210.2

NOTE 8 Cash and Liquid Assets

		GROUP		BANK
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Australia				
Notes, coins and cash at bankers	**1,491**	1,488	**1,312**	1,423
Money at short call	**3**	3	**-**	-
Securities purchased under agreements to resell	**2,598**	4,091	**2,598**	4,091
Bills receivable and remittances in transit	**372**	158	**371**	156
Total Australia	**4,464**	5,740	**4,281**	5,670
Overseas				
Notes, coins and cash at bankers	**68**	60	**5**	-
Money at short call	**307**	261	**45**	77
Securities purchased under agreements to resell	**876**	374	**1,243**	738
Bills receivable and remittances in transit	**-**	18	**-**	-
Total Overseas	**1,251**	713	**1,293**	815
Total Cash and Liquid Assets	**5,715**	6,453	**5,574**	6,485

NOTE 9 Receivables from Other Financial Institutions

		GROUP		BANK
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Australia	**3,691**	4,914	**4,161**	4,910
Overseas	**2,514**	3,455	**1,972**	2,158
Total Receivables from Other Financial Institutions	**6,205**	8,369	**6,133**	7,068

NOTE 10 Trading Securities

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Australia				
Listed:				
Australian Public Securities				
Commonwealth and States	**283**	621	**283**	621
Local and semi-government	**505**	1,114	**505**	1,114
Bills of exchange	**1,346**	1,576	**1,346**	1,576
Certificates of deposit	**5,977**	5,088	**5,977**	5,088
Medium term notes	**1,949**	1,410	**1,949**	1,410
Other securities	**196**	273	**181**	267
Unlisted:				
Commercial paper	**767**	885	**878**	889
Medium term notes	**-**	268	**-**	268
Other securities	**-**	75	**-**	-
Total Australia	**11,023**	11,310	**11,119**	11,233
Overseas				
Listed:				
Government securities	**358**	826	**248**	284
Eurobonds	**502**	524	**502**	524
Bills of exchange	**1,559**	772	**-**	-
Floating rate notes	**563**	836	**563**	836
Commercial paper	**367**	403	**-**	-
Unlisted:				
Commercial paper	**6**	17	**-**	-
Other securities	**250**	208	**-**	-
Total Overseas	**3,605**	3,586	**1,313**	1,644
Total Trading Securities	**14,628**	14,896	**12,432**	12,877

NOTE 11 Investment Securities

	GROUP			BANK	
	2005 $M	2004 $M	2003 $M	**2005 $M**	2004 $M
Australia					
Listed:					
Australian Public Securities					
Commonwealth and States	**2,201**	2,209	1,915	**2,201**	2,209
Bills of exchange	**-**	30	-	**-**	-
Other securities and equity investments	**343**	444	439	**336**	433
Unlisted:					
Australian Public Securities					
Local and semi-government	**80**	80	80	**-**	-
Medium term notes	**220**	448	942	**220**	58
Mortgage backed securities	**1,055**	-	-	**1,055**	-
Other securities and equity investments	**672**	611	965	**71**	69
Total Australia	**4,571**	3,822	4,341	**3,883**	2,769
Overseas					
Listed:					
Government securities	**79**	758	484	**63**	715
Treasury notes	**-**	-	5	**-**	-
Certificates of deposit	**1,376**	1,242	1,357	**1,341**	1,228
Eurobonds	**636**	792	993	**600**	655
Medium term notes	**378**	425	239	**122**	142
Floating rate notes	**619**	732	324	**177**	121
Other securities	**165**	377	1,392	**76**	279
Unlisted:					
Government securities	**224**	137	98	**-**	-
Eurobonds	**477**	155	230	**76**	155
Medium term notes	**254**	1,200	583	**221**	189
Floating rate notes	**452**	709	900	**286**	273
Preference shares	**744**	744	-	**-**	-
Other securities and equity investments	**297**	354	90	**77**	100
Total Overseas	**5,701**	7,625	6,695	**3,039**	3,857
Total Investment Securities	**10,272**	11,447	11,036	**6,922**	6,626

NOTE 11 Investment Securities continued

	GROUP		
		Market Value at 30 June	
	2005	2004	2003
	$M	$M	$M
Australia			
Australian Public Securities			
Commonwealth and States	**2,334**	2,328	2,118
Bills of exchange	**-**	30	-
Medium term notes	**224**	449	935
Mortgage backed securities	**1,055**	-	-
Other securities and equity investments	**1,079**	1,034	1,400
Total Australia	**4,692**	3,841	4,453
Overseas			
Government securities	**306**	897	593
Treasury notes	**-**	-	5
Certificates of deposit	**1,376**	1,223	1,357
Eurobonds	**1,133**	983	1,260
Medium term notes	**637**	1,622	816
Floating rate notes	**1,075**	1,442	1,215
Preference shares	**744**	744	-
Other securities and equity investments	**470**	738	1,488
Total Overseas	**5,741**	7,649	6,734
Total Investment Securities	**10,433**	11,490	11,187
Net Unrealised Surplus	**161**	43	151

Gross Unrealised Gains and Losses of Group

The following table sets out the gross unrealised gains and losses of the Group's investment securities.

	At 30 June 2005				At 30 June 2004			
	Amortised Cost	**Gross Gains**	**Unrealised Losses**	**Fair Value**	Amortised Cost	Gross Gains	Unrealised Losses	Fair Value
	$M	**$M**	**$M**	**$M**	$M	$M	$M	$M
Australia								
Australian Public Securities								
Commonwealth and States	**2,281**	**54**	**1**	**2,334**	2,289	46	7	2,328
Bills of exchange	**-**	**-**	**-**	**-**	30	-	-	30
Medium term notes	**220**	**4**	**-**	**224**	448	1	-	449
Mortgage backed securities	**1,055**	**-**	**-**	**1,055**	-	-	-	-
Other securities and equity investments (1)	**1,015**	**64**	**-**	**1,079**	1,055	11	32	1,034
Total Australia	**4,571**	**122**	**1**	**4,692**	3,822	58	39	3,841
Overseas								
Government securities	**303**	**3**	**-**	**306**	895	3	1	897
Certificates of deposit	**1,376**	**-**	**-**	**1,376**	1,242	-	19	1,223
Eurobonds	**1,113**	**21**	**1**	**1,133**	947	36	-	983
Medium term notes	**632**	**6**	**1**	**637**	1,625	-	3	1,622
Floating rate notes	**1,071**	**4**	**-**	**1,075**	1,441	1	-	1,442
Preference shares	**744**	**-**	**-**	**744**	744	-	-	744
Other securities and equity investments	**462**	**8**	**-**	**470**	731	7	-	738
Total Overseas	**5,701**	**42**	**2**	**5,741**	7,625	47	23	7,649
Total Investment Securities	**10,272**	**164**	**3**	**10,433**	11,447	105	62	11,490

Investment securities are carried at cost or amortised cost and are purchased with the intent of being held to maturity. The investment portfolio is managed in the context of the full balance sheet of the Group.

(1) Equity derivatives are in place to hedge equity market risk in respect of structured equity products for customers. There are $42 million of net deferred losses on these contracts (2004: $31 million net deferred gains) which offset the above unrealised gains and these are disclosed within Note 39. At the end of the financial year there were no net deferred gains or losses included in the amortised cost value.

Notes to the financial statements

NOTE 11 Investment Securities continued

Maturity Distribution and Average Yield

The following table analyses the maturities and weighted average yields of the Group's holdings of investment securities.

									Group
							Maturity Period at 30 June 2005		
	1 to 12 months		1 to 5 years		5 to 10 years		10 years or more		Total
	$M	%	$M	%	$M	%	$M	%	$M
Australia									
Australian Public Securities									
Commonwealth and States	253	5.23	1,418	6.01	544	5.47	66	6.14	2,281
Medium term notes	3	8.00	202	6.23	15	8.00	-	-	220
Mortgage backed	-	-	-	-	-	-	1,055	5.36	1,055
Other securities, commercial paper and equity investments	325	5.68	683	5.78	-	-	7	3.64	1,015
Total Australia	581		2,303		559		1,128		4,571
Overseas									
Government securities	175	7.02	69	7.59	59	1.40	-	-	303
Certificates of deposit	1,338	3.68	38	3.14	-	-	-	-	1,376
Eurobonds	209	3.26	849	5.06	55	5.20	-	-	1,113
Medium term notes	111	6.20	521	3.10	-	-	-	-	632
Floating rate notes	124	2.23	881	6.23	38	3.68	28	1.72	1,071
Preference shares	-	-	-	-	744	6.33	-	-	744
Other securities, commercial paper and equity investments	109	7.27	353	3.97	-	-	-	-	462
Total Overseas	2,066		2,711		896		28		5,701
Total Investment Securities	2,647		5,014		1,455		1,156		10,272
Maturities at Fair Value	2,692		5,066		1,497		1,178		10,433

Additional Disclosure

Proceeds at or close to maturity of investment securities were $22,799 million (2004: $24,407 million; 2003: $17,719 million).

Proceeds from sale of investment securities were $392 million (2004: $697 million; 2003: $23 million).

Realised capital gains were $9 million and realised capital losses were $1 million (2004: realised capital gains $6 million and realised capital losses $4 million; 2003: realised capital gains $7 million and realised capital losses $5 million).

Notes to the financial statements

NOTE 12 Loans, Advances and Other Receivables

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Australia				
Overdrafts	**2,564**	2,423	**2,564**	2,423
Housing loans	**119,094**	104,883	**115,667**	101,717
Credit card outstandings	**6,682**	5,890	**6,682**	5,890
Lease financing	**4,313**	3,843	**1,348**	1,279
Bills discounted	**3,399**	3,454	**3,399**	3,454
Term loans	**46,451**	39,708	**41,447**	36,943
Reedemable preference share financing	**9**	37	**9**	37
Equity participation in leveraged leases	**742**	1,120	**376**	433
Other lending	**390**	420	**750**	587
Total Australia	**183,644**	161,778	**172,242**	152,763
Overseas				
Overdrafts	**2,660**	2,481	**-**	-
Housing loans	**20,765**	16,967	**54**	46
Credit card outstandings	**406**	358	**-**	-
Lease financing	**195**	175	**127**	81
Term loans	**12,804**	10,314	**3,686**	3,222
Redeemable preference share financing	**-**	262	**-**	-
Other lending	**192**	60	**-**	-
Total Overseas	**37,022**	30,617	**3,867**	3,349
Gross Loans, Advances and Other Receivables	**220,666**	192,395	**176,109**	156,112
Less				
Provisions for impairment (Note 13)				
General provision	**(1,390)**	(1,393)	**(1,218)**	(1,242)
Specific provision against loans and advances	**(157)**	(143)	**(134)**	(121)
Unearned income				
Term loans	**(889)**	(758)	**(426)**	(412)
Lease financing	**(589)**	(541)	**(154)**	(151)
Leveraged leases	**(84)**	(111)	**(18)**	(21)
Interest reserved	**(19)**	(23)	**(19)**	(23)
Unearned tax remissions on leveraged leases	**(22)**	(35)	**-**	(3)
	(3,150)	(3,004)	**(1,969)**	(1,973)
Net Loans, Advances and Other Receivables	**217,516**	189,391	**174,140**	154,139
Lease receivables, net of unearned income				
(included above)				
Current	**1,179**	1,072	**542**	592
Non current	**2,740**	2,405	**779**	617
	3,919	3,477	**1,321**	1,209

Leasing Arrangements

Retail Banking Services provides vehicle and equipment lease finance to a broad range of industries including transport, service, earthmoving, construction, manufacturing and mining. Most lease finance arrangements are for terms of between three and five years and rentals are generally payable monthly in advance. Premium Business Services provides leasing services and hire purchase to corporate clients for a range of equipment. They also arrange off-balance sheet finance for large scale long life plant and equipment across different tax jurisdictions.

NOTE 12 Loans, Advances and Other Receivables continued

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Finance Leases				
Minimum lease payments receivable:				
No later than one year	**1,417**	1,189	**595**	640
Later than one year but not later than five years	**2,379**	1,861	**836**	570
Later than five years	**712**	968	**44**	150
Lease financing	**4,508**	4,018	**1,475**	1,360
Leverage Leases				
Minimum lease payments receivable:				
No later than one year	**185**	421	**227**	217
Later than one year but not later than five years	**505**	546	**133**	97
Later than five years	**52**	153	**16**	119
Equity Participation in Leverage Leasing	**742**	1,120	**376**	433

NOTE 12 Loans, Advances and Other Receivables continued

Maturity Distribution of Loans

The following table sets forth the contractual maturity distribution of the Group's loans, advances and other receivables (excluding bank acceptances) at 30 June 2005.

	GROUP Maturity Period at 30 June 2005			
	Maturing One Year or Less $M	Maturing Between One & Five Years $M	Maturing After Five Years $M	Total $M
Australia				
Government and public authorities	871	679	1,450	3,000
Agriculture, forestry and fishing	1,120	937	1,156	3,213
Financial, investment and insurance	3,688	1,664	530	5,882
Real estate				
Mortgage [1]	15,588	16,201	87,306	119,095
Construction [2]	637	777	280	1,694
Personal	5,606	8,286	612	14,504
Lease financing	1,505	2,796	754	5,055
Other commercial and industrial	18,825	7,725	4,651	31,201
Total Australia	47,840	39,065	96,739	183,644
Overseas				
Government and public authorities	96	82	38	216
Agriculture, forestry and fishing	698	1,404	1,270	3,372
Financial, investment and insurance	2,263	2,295	2,469	7,027
Real estate				
Mortgage [1]	1,987	7,131	11,647	20,765
Construction [2]	91	91	89	271
Personal	399	151	2	552
Lease financing	97	88	10	195
Other commercial and industrial	3,218	885	521	4,624
Total Overseas	8,849	12,127	16,046	37,022
Gross Loans, Advances and Other Receivables	56,689	51,192	112,785	220,666
Interest Rate Sensitivity of Lending				
Australia	29,003	23,794	65,425	118,222
Overseas	3,321	3,368	3,722	10,411
Total Variable Interest Rates	32,324	27,162	69,147	128,633
Australia	18,837	15,271	31,314	65,422
Overseas	5,528	8,759	12,324	26,611
Total Fixed Interest Rates	24,365	24,030	43,638	92,033
Gross Loans, Advances and Other Receivables	56,689	51,192	112,785	220,666

[1] Principally owner occupied housing. While most of these loans would have a contractual term of 20 years or more, the actual average term of the portfolio is less than five years.

[2] Financing real estate and land development projects.

Notes to the financial statements

NOTE 13 Provisions For Impairment

	GROUP					BANK	
	2005	2004	2003	2002	2001	**2005**	2004
	$M	$M	$M	$M	$M	**$M**	$M
General Provisions							
Opening balance	**1,393**	1,325	1,356	1,399	1,358	**1,242**	1,152
Charge against profit	**322**	276	305	449	385	**292**	263
Acquired provisions, including fair value adjustments	**-**	-	-	-	51	**-**	-
Transfer to specific provisions	**(352)**	(202)	(350)	(495)	(411)	**(326)**	(189)
Bad debts recovered	**81**	79	74	56	88	**60**	66
Adjustments for exchange rate fluctuations and other items	**2**	2	(9)	1	(29)	**(1)**	19
	1,446	1,480	1,376	1,410	1,442	**1,267**	1,311
Bad debts written off	**(56)**	(87)	(51)	(54)	(43)	**(49)**	(69)
Closing balance	**1,390**	1,393	1,325	1,356	1,399	**1,218**	1,242
Specific Provisions							
Opening balance	**143**	205	270	234	432	**121**	157
Charge against profit	**-**	-	-	-	-	**-**	-
Acquired provisions, including fair value adjustments	**-**	-	-	-	6	**-**	-
Transfer from general provision for							
New and increased provisioning	**408**	264	416	546	495	**378**	243
Less write-back of provisions no longer required	**(56)**	(62)	(66)	(51)	(84)	**(52)**	(54)
Net transfer	**352**	202	350	495	411	**326**	189
Adjustments for exchange rate fluctuations and other items	**(3)**	3	(11)	(11)	(17)	**-**	2
	492	410	609	718	832	**447**	348
Bad debts written off	**(335)**	(267)	(404)	(448)	(598)	**(313)**	(227)
Closing balance	**157**	143	205	270	234	**134**	121
Total Provisions for Impairment	**1,547**	1,536	1,530	1,626	1,633	**1,352**	1,363
Specific provisions for impairment comprise the following segments:							
Provisions against loans and advances	**157**	143	205	270	233	**134**	121
Provisions for diminution	**-**	-	-	-	1	**-**	-
Total	**157**	143	205	270	234	**134**	121
	%	%	%	%	%	**%**	**%**
Provision Ratios							
Specific provisions for impairment as % of gross impaired assets net of interest reserved	**41.76**	42.06	32.08	30.54	36.06	**37.81**	36.00
Total provisions for impairment as % of gross impaired assets net of interest reserved	**411.44**	451.76	239.44	183.94	251.62	**381.49**	403.55
General provisions as % of risk weighted assets	**0.73**	0.82	0.90	0.96	1.01	**0.68**	0.79
	$M	$M	$M	$M	$M	**$M**	$M
Charge to profit and loss for bad and doubtful debts comprises:							
General provisions	**322**	276	305	449	385	**292**	263
Specific provisions	**-**	-	-	-	-	**-**	-
Total Charge for Bad and Doubtful Debts	**322**	276	305	449	385	**292**	263
Ratio of net charge-offs during the period to average gross loans, advances and other receivables outstanding during the period	**0.16%**	0.16%	0.19%	0.31%	0.28%	**0.18%**	0.18%

NOTE 13 Provisions For Impairment continued

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Total charge for bad and doubtful debts	**322**	276	**292**	263
The charge is required for:				
Specific Provisioning				
New and increased provisioning	**408**	264	**378**	243
Less provisions no longer required	**(56)**	(62)	**(52)**	(54)
Net specific provisioning	**352**	202	**326**	189
Provided from general provision	**(352)**	(202)	**(326)**	(189)
Charge to profit and loss	**-**	-	**-**	-
General Provisioning				
Direct write-offs	**56**	87	**49**	69
Recoveries of amounts previously written off	**(81)**	(79)	**(60)**	(66)
Movement in general provision	**(5)**	66	**(23)**	71
Funding of specific provisions	**352**	202	**326**	189
Charge to profit and loss	**322**	276	**292**	263
Total Charge for Bad and Doubtful Debts	**322**	276	**292**	263

Specific Provisions for Impairment by Industry Category

The following table sets forth the Group's specific provisions for impairment by industry category as at 30 June 2001, 2002, 2003, 2004 and 2005.

					GROUP At 30 June
	2005	2004	2003	2002	2001
	$M	$M	$M	$M	$M
Australia					
Government and public authorities	**-**	-	-	-	-
Agriculture, forestry and fishing	**16**	2	3	10	8
Financial, investment and insurance	**1**	1	2	26	24
Real estate					
Mortgage [(1)]	**3**	6	6	6	4
Construction [(2)]	**7**	4	-	4	6
Personal	**63**	38	36	35	28
Lease financing	**5**	3	4	6	7
Other commercial and industrial	**49**	74	112	134	77
Total Australia	**144**	128	163	221	154
Overseas					
Government and public authorities	**-**	-	10	11	15
Agriculture, forestry and fishing	**-**	-	1	-	-
Financial, investment and insurance	**1**	-	-	12	4
Real estate					
Mortgage [(1)]	**11**	6	7	3	7
Construction [(2)]	**-**	-	-	-	-
Personal	**1**	8	4	3	3
Lease financing	**-**	-	-	-	-
Other commercial and industrial	**-**	1	20	20	51
Total Overseas	**13**	15	42	49	80
Total Specific Provisions	**157**	143	205	270	234

(1) Principally owner occupied housing.
(2) Primarily financing real estate and land development projects.

NOTE 13 Provisions For Impairment continued

Bad Debts Written Off by Industry Category

The following table sets forth the Group's bad debts written-off and bad debts recovered for financial years ended 30 June 2001, 2002, 2003, 2004 and 2005.

					GROUP Year Ended 30 June
	2005 $M	2004 $M	2003 $M	2002 $M	2001 $M
Bad Debts Written Off					
Australia					
Government and public authorities	**-**	-	-	-	-
Agriculture, forestry and fishing	**1**	2	4	6	10
Financial, investment and insurance	**4**	6	26	6	1
Real estate					
Mortgage [1]	**8**	5	8	11	10
Construction [2]	**4**	1	-	4	14
Personal	**280**	228	209	177	142
Lease financing	**4**	8	11	18	16
Other commercial and industrial	**83**	75	171	178	301
Total Australia	**384**	325	429	400	494
Overseas					
Government and public authorities	**-**	6	-	1	-
Agriculture, forestry and fishing	**-**	-	-	-	-
Financial, investment and insurance	**-**	1	16	58	6
Real estate					
Mortgage [1]	**6**	1	2	2	1
Construction [2]	**-**	-	-	-	-
Personal	**-**	7	7	6	38
Lease financing	**-**	-	-	-	-
Other commercial and industrial	**1**	14	1	35	102
Total Overseas	**7**	29	26	102	147
Gross Bad Debts Written Off	**391**	354	455	502	641
Bad Debts Recovered					
Australia	**76**	73	57	49	59
Overseas	**5**	6	17	7	29
Bad Debts Recovered	**81**	79	74	56	88
Net Bad Debts Written Off	**310**	275	381	446	553

(1) Principally owner occupied housing.
(2) Primarily financing real estate and land development projects.

Notes to the financial statements

NOTE 13 Provisions For Impairment continued

Bad Debts Recovered by Industry Category

The following table sets forth the Group's bad debts recovered by industry category for financial years ended 30 June 2001, 2002, 2003, 2004 and 2005.

					GROUP Year Ended 30 June
	2005	2004	2003	2002	2001
	$M	$M	$M	$M	$M
Bad Debts Recovered					
Australia					
Government and public authorities	**-**	-	-	-	-
Agriculture, forestry and fishing	**2**	5	1	1	-
Financial, investment and insurance	**3**	1	4	-	9
Real estate					
Mortgage [(1)]	**1**	1	-	1	1
Construction [(2)]	**1**	-	-	-	1
Personal	**60**	50	38	30	30
Lease financing	**1**	3	2	-	1
Other commercial and industrial	**8**	13	12	17	17
Total Australia	**76**	73	57	49	59
Overseas					
Government and public authorities	**-**	-	-	-	-
Agriculture, forestry and fishing	**-**	-	-	-	-
Financial, investment and insurance	**-**	1	1	1	-
Real estate					
Mortgage [(1)]	**-**	-	-	-	-
Construction [(2)]	**-**	-	-	3	1
Personal	**4**	4	4	-	3
Lease financing	**-**	-	-	-	-
Other commercial and industrial	**1**	1	12	3	25
Total Overseas	**5**	6	17	7	29
Bad Debts Recovered	**81**	79	74	56	88

(1) Principally owner occupied housing.
(2) Primarily financing real estate and land development projects.

NOTE 14 Credit Risk Management

The Group has clearly defined credit policies for the approval and management of credit risk. Credit underwriting standards, which incorporate income/repayment capacity, acceptable terms and security and loan documentation tests exist for all major lending areas.

The Group relies, in the first instance, on the assessed integrity and ability of the debtor or counterparty to meet its contracted financial obligations for repayment. Collateral security, in the form of real property or a floating charge is generally taken for business credit except for major government, bank and corporate counterparties of strong financial standing. Longer term consumer finance is generally secured against real estate while short term revolving consumer credit is generally unsecured.

The credit risk portfolio is divided into two segments, statistically managed and credit risk rated.

Statistically managed exposures generally comprise facilities of less than $250,000 for housing loan, credit card, personal loan and some leasing products. These exposures are generally not individually reviewed unless arrears occur. The portfolios are reviewed by the business unit with an overview by the Portfolio Quality Assurance unit.

Facilities in the statistically managed segment become classified for remedial management by centralised units based on arrears status. Impaired assets in this segment are those ‘classified’ facilities that are not well secured and past due 180 days or more. Most of these facilities are written off immediately on becoming past due 180 days or more.

Credit risk rated exposures generally comprise business and corporate exposures, including bank and government exposures. Each exposure is assigned an internal risk rating that is based on an assessment of the risk of default and the risk of loss in the event of default. Credit risk rated exposures are generally required to be reviewed annually, unless they are small transactions that are managed on a behavioural basis after their initial rating at origination. The risk rated segment is subject to inspection by the Portfolio Quality Assurance unit, which is independent of the business units and which reports quarterly on its findings to the Board Risk Committee.

Risk rated portfolios are reviewed on a risk prioritised basis, usually within a period of eighteen months, by the Portfolio Quality Assurance unit. High risk portfolios are reviewed more frequently. Credit processes, including compliance with policy and underwriting standards, and application of risk ratings, are examined, and reported where cases of non-compliance are observed.

Facilities in the credit risk rated segment become classified for remedial management by centralised units based on assessment in the risk rating system. These facilities are generally those classified as troublesome (which equate to the APRA classifications of special mention and substandard) and impaired assets. Impaired assets in this segment are those facilities where a specific provision for impairment has been raised, the facility is maintained on a cash basis, a loss of principal or interest is anticipated, facilities have been restructured or other assets have been accepted in satisfaction of an outstanding debt. Loans are generally classified as non-accrual when receivership, insolvency or bankruptcy occurs. Provisions for impairment are raised for an amount equal to the difference between the exposure and the estimated amount ultimately recoverable from the borrower.

A centralised exposure management system records all significant credit risks borne by the Group.

The Risk Committee of the Board operates under a charter of the Board in terms of which the Committee oversees the Group’s credit management policies and practices. The Committee usually meets every two months, and more often if required.

The Group uses a portfolio approach to the management of its credit risk. A key element is a well diversified portfolio. The Group uses various portfolio management tools, including a centralised portfolio model that assesses risk and return on an overall portfolio and segmented basis, to assist in diversifying the credit portfolio. The Group is involved in credit derivative transactions, has purchased various assets in the market, and has carried out various asset securitisations and a Collateralised Loan Obligation issue.

Notes to the financial statements

NOTE 14 Credit Risk Management continued

Total Gross Credit Risk by Industry

The following table sets out the Group's total gross credit risk by industry as at 30 June 2001, 2002, 2003, 2004 and 2005. The industry profile of the loans, advances and other receivables content for the five financial years to 30 June 2005 is shown on page 117.

					GROUP
					At 30 June
	2005	2004	2003	2002	2001
Industry	**$M**	$M	$M	$M	$M
Australia					
Government and public authorities	**7,122**	5,672	5,810	5,955	6,012
Agriculture, forestry and fishing	**5,029**	5,616	5,100	5,480	6,308
Financial, investment and insurance	**38,704**	26,301	19,867	20,926	22,490
Real estate					
Mortgage [1]	**124,095**	110,209	91,956	85,032	73,800
Construction [2]	**2,211**	3,619[4]	2,722	3,837	4,547
Personal	**14,970**	13,839[4]	12,327	11,718	10,979
Lease financing	**5,055**	4,963	5,264	5,425	6,628
Other commercial and industrial	**54,273**	56,537[4]	51,469	43,531	42,893
Total Australia	**251,459**	226,756	194,515	181,904	173,657
Overseas					
Government and public authorities	**1,385**	2,307	1,709	1,390	385
Agriculture, forestry and fishing	**3,392**	3,277	2,278	1,863	1,564
Financial, investment and insurance	**18,295**	22,098	14,828	14,192	11,897
Real estate					
Mortgage [1]	**21,747**	17,722	13,428	10,735	8,085
Construction [2]	**346**	258[4]	210	185	198
Personal	**581**	420	1,391	343	449
Lease financing	**195**	175	197	256	146
Other commercial and industrial	**10,667**	5,894[4]	9,080	10,173	10,359
Total Overseas	**56,608**	52,151	43,121	39,137	33,083
Total Gross Credit Risk	**308,067**	278,907	237,636	221,041	206,740
Less Unearned Income	**(1,562)**	(1,410)	(1,310)	(1,219)	(1,343)
Total Credit Risk	**306,505**	277,497	236,326	219,822	205,397
Charge for Bad and Doubtful Debts	322	276	305	449	385
Loss Rate [3]	0.11%	0.10%	0.13%	0.20%	0.19%

(1) Principally owner occupied housing.
(2) Primarily financing real estate and land development projects.
(3) The loss rate is the charge as a percentage of the credit risk.
(4) Certain of these loans have been reclassified consistent with prior years.

The Group has a good quality and well diversified credit portfolio in Australia, with 47.6% of the exposure in mortgage loans and a further 18.6% in finance, investment and insurance (primarily banks). 18.5% of exposure is overseas, of which 38.4% is in mortgage loans. Overall, over 65% of individually risk rated exposures in the commercial portfolio (including government and finance) are of investment grade or equivalent quality.

NOTE 14 Credit Risk Management continued

The following table sets out the Group's credit risk by industry and asset class at 30 June 2005.

Industry	Trading Securities $M	Investment Securities $M	Loans Advances and Other Receivables $M	Bank Acceptances of Customers $M	Contingent Liabilities $M	Derivatives $M	Total $M
Australia							
Government and public authorities	788	2,278	3,000	10	819	227	7,122
Agriculture, forestry and fishing	-	-	3,213	1,741	40	35	5,029
Financial, investment and insurance	7,324	837	5,882	1,167	4,563	15,240	35,013
Real estate							
Mortgage [1]	-	-	119,095	-	5,000	-	124,095
Construction [2]	-	-	1,694	274	216	27	2,211
Personal	-	-	14,504	380	84	2	14,970
Lease financing	-	-	5,055	-	-	-	5,055
Other commercial and industrial	2,911	1,456	31,201	13,214	3,341	2,150	54,273
Total Australia	11,023	4,571	183,644	16,786	14,063	17,681	247,768
Overseas							
Government and public authorities	558	303	216	-	259	49	1,385
Agriculture, forestry and fishing	-	-	3,372	-	13	7	3,392
Financial, investment and insurance	1,798	2,122	7,027	-	1,512	3,277	15,736
Real estate							
Mortgage [1]	-	-	20,765	-	982	-	21,747
Construction [2]	-	-	271	-	69	6	346
Personal	-	-	552	-	27	2	581
Lease financing	-	-	195	-	-	-	195
Other commercial and industrial	1,249	3,276	4,624	-	1,057	461	10,667
Total Overseas	3,605	5,701	37,022	-	3,919	3,802	54,049
Gross Balances	14,628	10,272	220,666	16,786	17,982	21,483	301,817
Other Risk Concentrations							
Receivables due from other financial institutions							6,205
Deposits with regulatory authorities							45
Total Gross Credit Risk							308,067

[1] Principally owner occupied housing.
[2] Primarily financing real estate and land development projects.

Risk concentrations for contingent liabilities and derivatives are based on the credit equivalent balance in Note 38, Contingent Liabilities and Assets and Note 39, Market Risk respectively.

Notes to the financial statements

NOTE 14 Credit Risk Management continued

The following table sets out the Group's credit risk by industry and asset class as at 30 June 2004.

Industry	Trading Securities $M	Investment Securities $M	Loans Advances and Other Receivables $M	Bank Acceptances of Customers $M	Contingent Liabilities $M	Derivatives $M	Total $M
Australia							
Government and public authorities	1,735	2,289	1,132	11	437	68	5,672
Agriculture, forestry and fishing	-	-	3,925	1,517	65	109	5,616
Financial, investment and insurance	6,664	-	3,693	684	1,186	9,160	21,387
Real estate							-
Mortgage (1)	-	-	104,883	-	5,326	-	110,209
Construction (2)	-	-	2,626	302	642	49	3,619
Personal	-	-	13,389	333	116	1	13,839
Lease financing	-	-	4,963	-	-	-	4,963
Other commercial and industrial	2,911	1,533	27,167	12,172	5,956	6,798	56,537
Total Australia	11,310	3,822	161,778	15,019	13,728	16,185	221,842
Overseas							
Government and public authorities	1,050	902	182	-	98	37	2,269
Agriculture, forestry and fishing	-	-	3,277	-	-	-	3,277
Financial, investment and insurance	2,058	5,592	5,857	-	1,733	3,403	18,643
Real estate							
Mortgage (1)	-	-	16,967	-	755	-	17,722
Construction (2)	-	-	257	-	1	-	258
Personal	-	-	415	-	2	3	420
Lease financing	-	-	175	-	-	-	175
Other commercial and industrial	478	1,131	3,487	-	551	247	5,894
Total Overseas	3,586	7,625	30,617	-	3,140	3,690	48,658
Gross Balances	14,896	11,447	192,395	15,019	16,868	19,875	270,500
Other Risk Concentrations							
Receivables due from other financial institutions							8,369
Deposits with regulatory authorities							38
Total Gross Credit Risk							278,907

(1) Principally owner occupied housing.
(2) Primarily financing real estate and land development projects.

Risk concentrations for contingent liabilities and derivatives are based on the credit equivalent balance in Note 38, Contingent Liabilities and Assets and Note 39, Market Risk respectively.

NOTE 14 Credit Risk Management continued

Impaired Assets by Industry and Status

The following table sets out the Group's impaired asset position by industry and status as at 30 June 2005.

Industry	Total Risk $M	Impaired Assets $M	Provisions for Impairment $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia						
Government and public authorities	7,122	-	-	-	-	-
Agriculture, forestry and fishing	5,029	76	16	1	(2)	(1)
Financial, investment and insurance	35,013	6	1	4	(3)	1
Real estate						
Mortgage [(1)]	124,095	-	3	8	(1)	7
Construction [(2)]	2,211	2	7	4	(1)	3
Personal	14,970	46	63	280	(60)	220
Lease financing	5,055	8	5	4	(1)	3
Other commercial and industrial	54,273	243	49	83	(8)	75
Total Australia	247,768	381	144	384	(76)	308
Overseas						
Government and public authorities	1,385	-	-	-	-	-
Agriculture, forestry and fishing	3,392	1	-	-	-	-
Financial, investment and insurance	15,736	-	1	-	-	-
Real estate						
Mortgage [(1)]	21,747	7	11	6	-	6
Construction [(2)]	346	-	-	-	-	-
Personal	581	4	1	-	(4)	(4)
Lease financing	195	-	-	-	-	-
Other commercial and industrial	10,667	2	-	1	(1)	-
Total Overseas	54,049	14	13	7	(5)	2
Gross Balances	301,817	391	157	391	(81)	310
Receivables due from other financial institutions	6,205					
Deposits with regulatory authorities	45					
Total Gross Credit Risk	308,067					

(1) Principally owner occupied housing.
(2) Primarily financing real estate and land development projects.

NOTE 14 Credit Risk Management continued

The following table sets out the Group's impaired asset position by industry and status as at 30 June 2004.

Industry	Total Risk $M	Impaired Assets $M	Provisions for Impairment $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia						
Government and public authorities	5,672	-	-	-	-	-
Agriculture, forestry and fishing	5,616	19	2	2	(5)	(3)
Financial, investment and insurance	21,387	6	1	6	(1)	5
Real estate						
Mortgage (1)	110,209	-	6	5	(1)	4
Construction (2)	3,619	15	4	1	-	1
Personal	13,839	6	38	228	(50)	178
Lease financing	4,963	5	3	8	(3)	5
Other commercial and industrial	56,537	294	74	75	(13)	62
Total Australia	221,842	345	128	325	(73)	252
Overseas						
Government and public authorities	2,269	-	-	6	-	6
Agriculture, forestry and fishing	3,277	-	-	-	-	-
Financial, investment and insurance	18,643	5	-	1	(1)	-
Real estate						
Mortgage (1)	17,722	11	6	1	-	1
Construction (2)	258	-	-	-	-	-
Personal	420	1	8	7	(4)	3
Lease financing	175	-	-	-	-	-
Other commercial and industrial	5,894	1	1	14	(1)	13
Total Overseas	48,658	18	15	29	(6)	23
Gross Balances	270,500	363	143	354	(79)	275
Receivables due from other financial institutions	8,369					
Deposits with regulatory authorities	38					
Total Gross Credit Risk	278,907					

Large Exposures

Concentration of exposure to any debtor or counterparty group is controlled by a large credit exposure policy. All exposures outside the policy are approved by the Board Risk Committee.

The following table shows the aggregate number of the Bank's counterparty Corporate and Industrial exposures (including direct and contingent exposure) which individually were greater than 5% of the Group's capital resources (Tier One and Tier Two capital):

	2005 Number	2004 Number	2003 Number	2002 Number	2001 Number
10% to less than 15% of Group's capital resources	**-**	-	-	-	-
5% to less than 10% of Group's capital resources	**1**	1	-	1	2

NOTE 14 Credit Risk Management continued

Credit Portfolio Receivables by Industry

The following table sets out the distribution of the Group's loans, advances and other receivables (excluding bank acceptances) by industry at 30 June 2001, 2002, 2003, 2004 and 2005.

					At 30 June
	2005	2004	2003	2002	2001
Industry	**$M**	$M	$M	$M	$M
Australia					
Government and public authorities	**3,000**	1,132	1,505	2,466	1,655
Agriculture, forestry and fishing	**3,213**	3,925	3,677	3,893	4,734
Financial, investment and insurance	**5,882**	3,693	2,024	1,435	4,670
Real estate					
Mortgage [1]	**119,095**	104,883	87,592	75,394	65,466
Construction [2], [3]	**1,694**	2,626	1,701	2,182	2,548
Personal [3]	**14,504**	13,389	11,972	11,488	10,576
Lease financing	**5,055**	4,963	5,264	5,425	6,628
Other commercial and industrial	**31,201**	27,167	26,449	26,866	25,782
Total Australia	**183,644**	161,778	140,184	129,149	122,059
Overseas					
Government and public authorities	**216**	182	222	204	165
Agriculture, forestry and fishing	**3,372**	3,277	2,278	1,863	1,258
Financial, investment and insurance	**7,027**	5,857	3,210	3,035	2,824
Real estate					
Mortgage [1]	**20,765**	16,967	12,611	10,444	8,045
Construction [2]	**271**	257	209	185	177
Personal	**552**	415	1,391	337	440
Lease financing	**195**	175	197	256	146
Other commercial and industrial	**4,624**	3,487	2,959	4,573	4,081
Total Overseas	**37,022**	30,617	23,077	20,897	17,136
Gross Loans, Advances and Other Receivables	**220,666**	192,395	163,261	150,046	139,195
Provisions for bad and doubtful debts, unearned income, interest reserved and unearned tax remissions on leverage leases	**(3,150)**	(3,004)	(2,914)	(2,972)	(3,136)
Net Loans, Advances and Other Receivables	**217,516**	189,391	160,347	147,074	136,059

[1] Principally owner occupied housing.
[2] Primarily financing real estate and land development projects.
[3] Certain of these loans for the 2004 year have been reclassified consistent with prior years.

NOTE 15 Asset Quality

Impaired Assets

The Group follows the Australian disclosure requirements for impaired assets contained in AASB 1032: Specific Disclosures by Financial Institutions.

There are three classifications of impaired assets:

(a) Non accruals, comprising:

- Any credit risk facility against which a specific provision for impairment has been raised;
- Any credit risk facility maintained on a cash basis because of significant deterioration in the financial position of the borrower; and
- Any credit risk facility where loss of principal or interest is anticipated.

All interest charged in the relevant financial period that has not been received in cash is reversed from profit and loss when facilities become classified as non accrual. Interest on these facilities is then only taken to profit if received in cash.

(b) Restructured Facilities, comprising:

- Credit risk facilities on which the original contractual terms have been modified due to financial difficulties of the borrower. Interest on these facilities is taken to profit and loss. Failure to comply fully with the modified terms will result in immediate reclassification to non accrual.

(c) Assets Acquired Through Security Enforcement (AATSE), comprising:

- *Other Real Estate Owned (OREO)*, comprising real estate where the Group has assumed ownership or foreclosed in settlement of a debt; and
- *Other Assets Acquired Through Security Enforcement (OAATSE),* comprising assets other than real estate where the Group has assumed ownership or foreclosed in settlement of a debt.

			GROUP
	2005	2004	2003
	%	%	%
Impaired Asset Ratios			
Gross impaired assets net of interest reserved as % of risk weighted assets	**0.20**	0.20	0.44
Net impaired assets as % of:			
Risk weighted assets	**0.12**	0.12	0.30
Total shareholders' equity	**0.82**	0.79	1.96

Colonial State Bank

Indemnified Loan Book

Pursuant to the Sale Agreement between Colonial and the New South Wales Government, Colonial State Bank's loan book as at 31 December 1994 and any further loan losses (including interest) arising are indemnified by the NSW Government. This indemnity is to the extent of 90% of the losses after an initial $60 million (which was provided for by Colonial State Bank as at 31 December 1994). All loans (other than impaired loans) were covered for a period of three years from 31 December 1994 and for the duration of the loan in the case of impaired loans so classified as at 31 December 1997. The sale agreement also allows for loans to be withdrawn from the indemnity provided the withdrawal is approved by Colonial State Bank and the NSW Government and the due processes are followed.

Pursuant to the sale agreement, the costs of funding and managing non-performing loans that are covered by the loan indemnities are reimbursed by the NSW Government on a quarterly basis.

Notes to the financial statements

NOTE 15 Asset Quality continued

Impaired Assets

The following table sets forth the Group's impaired assets as at 30 June 2001, 2002, 2003, 2004 and 2005.

					GROUP At 30 June
	2005	2004	2003	2002	2001
	$M	$M	$M	$M	$M
Australia					
Non-accrual loans:					
Gross balances	**381**	345	545	732	518
Less interest reserved	**(19)**	(23)	(25)	(54)	(63)
Gross balance (net of interest reserved)	**362**	322	520	678	455
Less provisions for impairment	**(144)**	(128)	(163)	(221)	(154)
Net Non-Accrual Loans	**218**	194	357	457	301
Restructured loans:					
Gross balances	-	-	-	-	1
Less interest reserved	-	-	-	-	-
Gross balance (net of interest reserved)	-	-	-	-	1
Less specific provisions	-	-	-	-	-
Net Restructured Loans	-	-	-	-	1
Assets Acquired Through Security Enforcement (AATSE):					
Gross balances	-	-	-	-	-
Less provisions for impairment	-	-	-	-	-
Net AATSE	-	-	-	-	-
Net Australian Impaired Assets	**218**	194	357	457	302
Overseas					
Non-accrual loans:					
Gross balances	**14**	18	120	211	197
Less interest reserved	**-**	-	(1)	(5)	(5)
Gross balance (net of interest reserved)	**14**	18	119	206	192
Less provisions for impairment	**(13)**	(15)	(42)	(49)	(79)
Net Non-Accrual Loans	**1**	3	77	157	113
Restructured loans:					
Gross balances	-	-	-	-	-
Less interest reserved	-	-	-	-	-
Gross balance (net of interest reserved)	-	-	-	-	-
Less specific provisions	-	-	-	-	-
Net Restructured Loans	-	-	-	-	-
Asset Acquired Through Security Enforcement (AATSE)	-	-	-	-	1
Less provisions for impairment	-	-	-	-	(1)
Net AATSE	-	-	-	-	-
Net overseas impaired assets	**1**	3	77	157	113
Total Net Impaired Assets	**219**	197	434	614	415

Notes to the financial statements

NOTE 15 Asset Quality continued

Movement in Impaired Asset Balances

The following table provides an analysis of the movement in the gross impaired asset balances for financial years 2001, 2002, 2003, 2004 and 2005.

				GROUP Year Ended 30 June	
Gross Impaired Assets	**2005 $M**	2004 $M	2003 $M	2002 $M	2001 $M
Gross impaired assets at period beginning	**363**	665	943	717	1,135
New and increased	**769**	532	617	1,069	707
Balances written off	**(350)**	(278)	(456)	(481)	(666)
Returned to performing or repaid	**(387)**	(556)	(439)	(362)	(459)
Gross Impaired Assets at Period End	**395**	363	665	943	717

				GROUP At 30 June	
Loans Accruing But Past Due 90 Days or More	**2005 $M**	2004 $M	2003 $M	2002 $M	2001 $M
Accruing loans past due 90 days or more					
Housing loans	**183**	168	157	176	218
Other loans	**119**	78	91	73	90
Total	**302**	246	248	249	308

				GROUP Year Ended 30 June	
Net Interest Foregone on Impaired Assets	**2005 $M**	2004 $M	2003 $M	2002 $M	2001 $M
Interest income forgone					
Australia non accrual facilities	**13**	10	15	21	8
Overseas non accrual facilities	**-**	-	3	7	8
Total	**13**	10	18	28	16

				GROUP Year Ended 30 June	
Interest Taken to Profit on Impaired Assets	**2005 $M**	2004 $M	2003 $M	2002 $M	2001 $M
Australia					
Non accrual facilities	**9**	11	26	27	37
Restructured facilities	**-**	-	-	-	-
Overseas					
Non accrual facilities	**-**	3	4	3	14
OREO	**-**	-	-	-	-
Total Interest Taken to Profit	**9**	**14**	**30**	**30**	**51**

NOTE 15 Asset Quality continued

Impaired Assets

	Australia 2005 $M	**Overseas 2005 $M**	**GROUP Total 2005 $M**	Australia 2004 $M	Overseas 2004 $M	GROUP Total 2004 $M
Non Accrual Loans						
With provisions	**235**	**14**	**249**	193	13	206
Without provisions	**146**	**-**	**146**	152	5	157
Gross Balances	**381**	**14**	**395**	345	18	363
Less interest reserved	**(19)**	**-**	**(19)**	(23)	-	(23)
Net Balances	**362**	**14**	**376**	322	18	340
Less provisions for impairment	**(144)**	**(13)**	**(157)**	(128)	(15)	(143)
Net Non Accrual Loans	**218**	**1**	**219**	194	3	197
Restructured Loans						
Gross balances	-	-	-	-	-	-
Less interest reserved	-	-	-	-	-	-
Net balances	-	-	-	-	-	-
Less provisions for impairment	-	-	-	-	-	-
Net Restructured Loans	-	-	-	-	-	-
Other Real Estate Owned (OREO)	-	-	-	-		
Gross balances	-	-	-	-	-	-
Less provisions for impairment	-	-	-	-	-	-
Net OREO	-	-	-	-	-	-
Other Assets Acquired Through Security Enforcement (OAATSE)						
Gross balances	-	-	-	-	-	-
Less provisions for impairment	-	-	-	-	-	-
Net OAATSE	-	-	-	-	-	-
Total Impaired Assets						
Gross balances	**381**	**14**	**395**	345	18	363
Less interest reserved	**(19)**	**-**	**(19)**	(23)	-	(23)
Net balances	**362**	**14**	**376**	322	18	340
Less provisions for impairment	**(144)**	**(13)**	**(157)**	(128)	(15)	(143)
Net Impaired Assets	**218**	**1**	**219**	194	3	197
Non Accrual Loans by Size of Loan						
Less than $1 million	**119**	**13**	**132**	108	13	121
$1 million to $10 million	**116**	**1**	**117**	114	5	119
Greater than $10 million	**146**	**-**	**146**	123	-	123
Total	**381**	**14**	**395**	345	18	363
Accruing Loans 90 days past due or more [1]	**267**	**35**	**302**	224	22	246

[1] These are loans that are well secured and not classified as impaired assets but which are in arrears 90 days or more. Interest on these loans continues to be taken to profit.

NOTE 15 Asset Quality continued

Selected Regional Exposures

Asia

Over 66% of total exposures relate to financial institutions. Exposures to Indonesia, Thailand and Korea represent approximately 16% of the Group's Asian credit risk.

The Group's credit risk exposure to Asian countries as at 30 June 2005 is set out below. The exposures exclude Group equity investments.

Asian Exposures

							GROUP
			CUSTOMER TYPE			2005	2004
Country	Finance	Corporate/ Multinational	Government	Project Finance[1]	APL/NZPL	Total Exposure[2]	Total Exposure
	$M	$M	$M	$M	$M	$M	$M
China	335	6	-	-	-	341	177
Hong Kong	492	984	-	-	217	1,693	1,492
	827	990	-	-	217	2,034	1,669
Japan	710	78	30	-	6	824	546
Malaysia	65	67	49	-	1	182	380
Singapore	584	127	9	-	33	753	880
Phillipines	328	2	-	-	-	330	641
Taiwan	621	1	-	-	-	622	314
Other	6	35	-	-	-	41	3
	2,314	310	88	-	40	2,652	2,764
Indonesia	23	5	23	23	6	80	246
South Korea	359	102	112	-	-	573	985
Thailand	229	26	1	-	-	256	220
	611	133	136	23	6	909	1,451
Total	3,752	1,433	224	23	263	5,695	5,884

Other Regional Exposures

							GROUP
			CUSTOMER TYPE			2005	2004
Region	Finance	Corporate/ Multinational	Government	Project Finance[1]	APL/NZPL	Total Exposure[2]	Total Exposure
	$M	$M	$M	$M	$M	$M	$M
Eastern Europe	1	1	-	-	-	2	1
Latin America	-	-	-	-	-	-	-
Middle East	398	8	-	-	-	406	73

(1) Project Finance - Long term lending for large scale projects (such as mining and infrastructure) where repayment is primarily reliant on the cash flow from the project.

(2) Total Exposure - The maximum of the limit or balance utilised for committed facilities, whichever is highest, and the balance utilised for uncommitted facilities. For derivative facilities, balances are reported on a 'mark to market' plus potential exposure basis.

NOTE 16 Insurance Investment Assets

	GROUP 2005 $M	2004 $M
Equity Security Investments		
Direct	**3,144**	4,433
Indirect	**6,467**	8,025
	9,611	12,458
Debt Security Investments		
Direct	**3,918**	3,518
Indirect	**8,116**	7,710
	12,034	11,228
Property Investments		
Direct	**3**	80
Indirect	**2,442**	2,330
	2,445	2,410
Other Assets	**3,747**	2,846
Total Life Insurance Investment Assets	**27,837**	28,942

Direct investments refer to investments that are directly with the issuer of the investment. Indirect investments refer to investments that are held through unit trusts or similar investment vehicles.

Disclosure on Asset Restriction

Investments held in the Australian statutory funds can only be used within the restrictions imposed under the Life Insurance Act 1995.

The main restrictions are that assets in a fund can only be used to meet the liabilities and expense of the fund, to acquire investments to further the business of the fund or as distributions when solvency and capital adequacy requirements are met.

Participating policyholders can receive a distribution when solvency requirements are met, whilst shareholders can only receive a distribution when the higher level of capital adequacy requirements are met.

These investment assets held in the statutory funds are not available for use by the Commonwealth Bank's operating businesses.

NOTE 17 Deposits with Regulatory Authorities

	GROUP 2005 $M	2004 $M	BANK 2005 $M	2004 $M
Central Banks Overseas	**45**	38	**1**	4
Total Deposits with Regulatory Authorities	**45**	38	**1**	4

NOTE 18 Shares in and Loans to Controlled Entities

	GROUP 2005 $M	2004 $M	BANK 2005 $M	2004 $M
Shares in controlled entities	**-**	-	**17,634**	12,156
Loans to controlled entities	**-**	-	**11,527**	11,521
Total Shares in and Loans to Controlled Entities	**-**	-	**29,161**	23,677

NOTE 19 Property, Plant and Equipment

	GROUP 2005 $M	GROUP 2004 $M	BANK 2005 $M	BANK 2004 $M
(a) Land and Buildings				
Land				
At 30 June 2005 valuation	**170**	-	**155**	-
At 30 June 2004 valuation	**-**	160	**-**	148
Closing balance	**170**	160	**155**	148
Buildings				
At 30 June 2005 valuation	**262**	-	**243**	-
At 30 June 2004 valuation	**-**	253	**-**	231
Closing balance	**262**	253	**243**	231
Total Land and Buildings	**432**	413	**398**	379

These valuations were established by the Directors and are lower than valuations prepared by independent valuers. This valuation process is conducted on an annual basis.

	GROUP 2005 $M	GROUP 2004 $M	BANK 2005 $M	BANK 2004 $M
(b) Leasehold Improvements				
At cost	**702**	657	**582**	545
Provision for depreciation	**(409)**	(376)	**(337)**	(310)
Closing balance	**293**	281	**245**	235
(c) Equipment				
At cost	**723**	639	**406**	333
Provision for depreciation	**(486)**	(448)	**(253)**	(225)
Closing balance	**237**	191	**153**	108
(d) Assets Under Lease				
At cost	**138**	67	**-**	-
Provision for depreciation	**(8)**	-	**-**	-
Closing balance	**130**	67	**-**	-
(e) Investment Property [1]				
At cost	**252**	252	**-**	-
Total Property, Plant and Equipment	**1,344**	1,204	**796**	722

(1) This investment represents a 50% interest in a long term freehold lease over property.

NOTE 19 Property, Plant and Equipment continued

Reconciliation	GROUP 2005 $M	GROUP 2004 $M	BANK 2005 $M	BANK 2004 $M

Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the 2005 and 2004 financial years.

	2005 $M	2004 $M	2005 $M	2004 $M
Land				
Opening balance	**160**	141	**148**	129
Disposals	**(6)**	(8)	**(6)**	(3)
Net revaluations	**16**	27	**13**	22
Closing balance	**170**	160	**155**	148
Buildings				
Opening balance	**253**	302	**231**	233
Acquisitions	**22**	2	**22**	-
Disposals	**(9)**	(57)	**(10)**	(5)
Revaluation	**17**	27	**20**	21
Depreciation	**(21)**	(21)	**(20)**	(18)
Closing balance	**262**	253	**243**	231
Leasehold Improvements				
Opening balance	**281**	228	**235**	175
Acquisitions	**78**	119	**62**	117
Disposals	**(8)**	(11)	**(6)**	(12)
Depreciation	**(58)**	(55)	**(46)**	(45)
Closing balance	**293**	281	**245**	235
Equipment				
Opening balance	**191**	150	**108**	71
Acquisitions	**115**	96	**80**	58
Disposals	**-**	(4)	**-**	-
Depreciation	**(69)**	(51)	**(35)**	(21)
Closing balance	**237**	191	**153**	108
Assets Under Lease				
Opening balance	**67**	-	**-**	-
Acquisitions	**71**	67	**-**	-
Depreciation	**(8)**	-	**-**	-
Closing balance	**130**	67	**-**	-
Investment Property				
Opening balance	**252**	-	**-**	-
Acquisitions	**-**	252	**-**	-
Closing balance	**252**	252	**-**	-

NOTE 20 Intangible Assets

	GROUP		BANK	
	2005	2004	**2005**	**2004**
	$M	$M	**$M**	$M
Purchased goodwill - Colonial	**5,591**	5,591	**2,671**	2,671
Purchased goodwill - Other	**1,169**	1,155	**835**	835
Realisation of life insurance synergy benefits	**(332)**	(332)	**-**	-
Accumulated amortisation	**(2,034)**	(1,709)	**(1,170)**	(984)
Total Intangibles	**4,394**	4,705	**2,336**	2,522

Segment Allocation of Goodwill

In recognition of the disclosure requirements of US SFAS 141: Business Combinations and the Australian Accounting Standard AASB 138: Intangible Assets (effective 1 July 2004), the Group's carrying amount of goodwill is disclosed for each segment of business.

Segment	**2005** **$M**	2004 $M
Banking(1)	**4,090**	4,379
Funds Management(2)	**236**	253
Insurance(2)	**68**	73
Total	**4,394**	4,705

(1) The allocation to banking includes goodwill related to the acquisitions of Colonial, State Bank of Victoria and 25% of ASB Bank.
(2) The allocation to funds management and insurance principally relates to the goodwill on acquisition of Colonial.

Additional to the Colonial goodwill acquired, $2,548 million in excess of net market value over net assets of life insurance controlled entities was booked at acquisition of the Colonial funds management and life insurance businesses in June 2000.

NOTE 21 Other Assets

	GROUP 2005 $M	GROUP 2004 $M	BANK 2005 $M	BANK 2004 $M
Accrued interest receivable	**1,197**	1,208	**1,503**	1,247
Shares in other companies	**267**	223	**133**	80
Accrued fees/reimbursements receivable	**641**	600	**507**	602
Securities sold not delivered	**907**	1,540	**625**	1,347
Future income tax benefits	**650**	564	**577**	423
Excess of net market value over net assets of life insurance controlled entities	**6,549**	5,741	**-**	-
Excess related to outside equity interests [1]	**111**	111	**-**	-
Unrealised gains on trading derivatives (Note 39)	**12,144**	12,827	**12,043**	12,798
Intergroup current tax receivable	**-**	-	**55**	104
Intergroup deferred tax receivable	**-**	-	**549**	317
Other	**1,775**	2,478	**1,208**	1,931
Total Other Assets	**24,241**	25,292	**17,200**	18,849

[1] This is an outside equity interest in a funds management business acquired during 2003, and is not included in the revaluation in Note 34 Life Insurance Business.

Potential future income tax benefits of the Company arising from:

- Capital losses arising under the tax consolidations system; and
- Tax loses and timing differences in offshore centres,

have not been recognised as assets because recovery is not virtually certain.

These benefits could amount to:

- $44 million (2004: $34 million) in capital losses; and
- $115 million (2004: $136 million) in offshore centres.

These potential tax benefits will only be obtained if:

- The Company derives future capital gains and assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- The Company continues to comply with the conditions for claiming capital losses and deductions imposed by tax legislation; and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

Excess of net market value over net assets of controlled entities of the life insurance businesses:

	GROUP At 30 June 2005 Market Value $M	Net Assets $M	Excess of Market Value Over Net Assets $M
Commonwealth and Colonial entities	**7,944**	**2,104**	**5,840**
ASB entities	**1,118**	**409**	**709**
	9,062	**2,513**	**6,549**

	GROUP At 30 June 2004 Market Value $M	Net Assets $M	Excess of Market Value Over Net Assets $M
Commonwealth and Colonial entities	7,424	2,246	5,178
ASB entities	978	415	563
	8,402	2,661	5,741

NOTE 22 Deposits and Other Public Borrowings

	GROUP 2005 $M	GROUP 2004 $M	BANK 2005 $M	BANK 2004 $M
Australia				
Certificates of deposit	**16,041**	20,516	**16,041**	20,516
Term deposits	**41,582**	38,530	**39,993**	36,714
On demand and short term deposits	**75,410**	71,115	**75,806**	71,289
Deposits not bearing interest	**5,823**	5,407	**5,853**	5,431
Securities sold under agreements to repurchase and short sales	**2,258**	3,585	**2,258**	3,648
Total Australia	**141,114**	139,153	**139,951**	137,598
Overseas				
Certificates of deposit	**3,105**	3,716	**386**	1,906
Term deposits	**13,617**	11,724	**2,998**	2,448
On demand and short term deposits	**8,633**	6,852	**113**	73
Deposits not bearing interest	**1,155**	1,174	**5**	11
Securities sold under agreements to repurchase and short sales	**405**	558	**405**	433
Total Overseas	**26,915**	24,024	**3,907**	4,871
Total Deposits and Other Public Borrowings	**168,029**	163,177	**143,858**	142,469

Maturity Distribution of Certificates of Deposit and Time Deposits

The following table sets forth the maturity distribution of the Group's certificates of deposit and time deposits as at 30 June 2005.

GROUP At 30 June 2005	Maturing Three Months or Less $M	Maturing Between Three & Six Months $M	Maturing Between Six & Twelve Months $M	Maturing After Twelve Months $M	Total $M
Australia					
Certificates of deposit [(1)]	**7,912**	**5,078**	**1,427**	**1,624**	**16,041**
Time deposits	**20,075**	**14,527**	**4,665**	**2,315**	**41,582**
Total Australia	**27,987**	**19,605**	**6,092**	**3,939**	**57,623**
Overseas					
Certificates of deposit [(1)]	**2,355**	**373**	**321**	**56**	**3,105**
Time deposits	**9,632**	**2,795**	**772**	**418**	**13,617**
Total Overseas	**11,987**	**3,168**	**1,093**	**474**	**16,722**
Total Certificates of Deposit and Time Deposits	**39,974**	**22,773**	**7,185**	**4,413**	**74,345**

(1) All certificates of deposit issued by the Bank are for amounts greater than $100,000.

NOTE 23 Payables to Other Financial Institutions

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Australia	**2,708**	2,383	**2,712**	2,383
Overseas	**5,315**	4,258	**5,257**	4,228
Total Payables to Other Financial Institutions	**8,023**	6,641	**7,969**	6,611

NOTE 24 Income Tax Liability

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Australia				
Provision for income tax	**808**	402	**757**	352
Provision for deferred income tax	**657**	355	**657**	332
Total Australia	**1,465**	757	**1,414**	684
Overseas				
Provision for income tax	**25**	25	**7**	6
Provision for deferred income tax	**60**	29	**-**	-
Total Overseas	**85**	54	**7**	6
Total Income Tax Liability	**1,550**	811	**1,421**	690

Notes to the financial statements

NOTE 25 Other Provisions

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Provision for:				
Long service leave	**296**	300	**285**	293
Annual leave	**146**	130	**126**	112
Other employee entitlements	**82**	98	**82**	98
Which new Bank costs	**91**	208	**91**	208
Restructuring costs	**18**	-	**18**	-
General insurance claims	**100**	79	**-**	-
Self insurance/non lending losses	**66**	60	**66**	59
Other	**82**	122	**41**	49
Total Other Provisions	**881**	997	**709**	819

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Which new Bank costs:				
Opening balance	**208**	-	**208**	-
Additional provision	**-**	208	**-**	208
Transfers	**(20)**	-	**(20)**	-
Amounts utilised during the year	**(97)**	-	**(97)**	-
Closing balance	**91**	208	**91**	208
Restructuring costs:				
Opening balance	**-**	30	**-**	29
Additional provision	**22**	-	**22**	-
Amounts utilised during the year	**(4)**	(30)	**(4)**	(29)
Closing balance	**18**	-	**18**	-
General insurance claims:				
Opening balance	**79**	66	**-**	-
Additional provision	**61**	44	**-**	-
Amounts utilised during the year	**(40)**	(31)	**-**	-
Closing balance	**100**	79	**-**	-
Self insurance/non lending losses:				
Opening balance	**60**	56	**59**	55
Additional provision	**34**	13	**34**	13
Amounts utilised during the year	**(28)**	(9)	**(27)**	(9)
Closing balance	**66**	60	**66**	59
Other:				
Opening balance	**122**	107	**49**	63
Additional provision	**29**	70	**24**	6
Amounts utilised during the year	**(69)**	(54)	**(32)**	(20)
Foreign exchange translation adjustment	**-**	(1)	**-**	-
Closing balance	**82**	122	**41**	49

Notes to the financial statements

NOTE 26 Debt Issues

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Short term debt issues	**26,344**	20,401	**9,500**	6,127
Long term debt issues	**32,277**	23,641	**31,187**	18,322
Total Debt Issues	**58,621**	44,042	**40,687**	24,449
Short Term Debt Issues				
AUD Promissory Notes	**1,214**	1,450	**-**	-
AUD Bank Bills	**624**	490	**-**	-
US Commercial Paper	**10,141**	9,381	**-**	-
Euro Commercial Paper	**4,976**	3,638	**3,065**	2,498
Long Term Debt Issues with less than one year to maturity	**9,389**	5,442	**6,435**	3,629
Total Short Term Debt Issues	**26,344**	20,401	**9,500**	6,127
Long Term Debt Issues				
USD Medium Term Notes	**15,358**	8,790	**15,680**	8,146
AUD Medium Term Notes	**4,850**	4,453	**6,272**	2,813
JPY Medium Term Notes	**868**	734	**692**	520
GBP Medium Term Notes	**4,401**	3,837	**2,736**	1,981
Other Currencies Medium Term Notes	**6,596**	5,583	**5,807**	4,822
Offshore Loans (all JPY)	**-**	40	**-**	40
Eurobonds	**204**	204	**-**	-
Total Long Term Debt Issues	**32,277**	23,641	**31,187**	18,322
Maturity Distribution of Debt Issues				
Less than 3 months	**11,055**	6,949	**6,006**	1,925
3 months to 12 months	**15,288**	13,452	**3,493**	4,202
Between 1 and 5 years	**22,312**	17,542	**21,320**	12,224
Greater than 5 years	**9,966**	6,099	**9,868**	6,098
Total Debt Issues	**58,621**	44,042	**40,687**	24,449

The Bank has a Euro Medium Term Note programme under which it may issue notes (“EMTNs”) up to an aggregate amount of USD35 billion. Notes issued under the programme are both fixed and variable rates. Interest rate risk associated with the notes is incorporated within the Bank’s interest rate risk framework.

Subsequent to 30 June 2005, the Bank has issued:

- USD medium term notes: between 1 and 5 years – USD100 million (AUD130.80 million); Greater than 5 years – USD143.44 million (AUD187.62 million);
- USD extendible notes: between 1 and 5 years – USD2,100 million (AUD2,746.78 million);
- JPY medium term notes: between 1 and 5 years – JPY4 billion (AUD47.49 million); Greater than 5 years – JPY6 billion (AUD71.23 million);
- CHF medium term notes: between 1 and 5 years – CHF300 million (AUD306.67 million);
- CAD medium term notes: between 1 and 5 years – CAD25 million (AUD26.6 million); and
- HKD medium term notes: between 1 and 5 years – HKD400 million (AUD67.33 million); Greater than 5 years – HKD207 million (AUD34.9 million).

Where any debt issue is booked in an offshore branch or subsidiary, the amounts have first been converted into the base currency of the branch at a branch defined exchange rate, before being converted into the AUD equivalent.

Where proceeds have been employed in currencies other than that of the ultimate repayment liability, swap or other hedge arrangements have been entered into.

NOTE 26 Debt Issues continued

Short Term Borrowings

The following table analyses the Group's short term borrowings for the financial years ended 30 June 2003, 2004 and 2005.

	GROUP		
	Year Ended 30 June		
	2005	2004	2003
	(AUD Millions, except where indicated)		
US Commercial Paper			
Outstanding at period end [(1)]	**10,141**	9,381	6,163
Maximum amount outstanding at any month end [(2)]	**10,178**	11,983	8,973
Approximate average amount outstanding [(2)]	**9,839**	8,161	5,890
Approximate weighted average rate on:			
Average amount outstanding	**1.2%**	1.1%	1.4%
Outstanding at period end	**1.5%**	1.2%	1.2%
Euro Commercial Paper			
Outstanding at period end [(1)]	**4,976**	3,638	5,738
Maximum amount outstanding at any month end [(2)]	**6,146**	6,402	5,990
Approximate average amount outstanding [(2)]	**3,800**	4,798	3,132
Approximate weighted average rate on:			
Average amount outstanding	**2.2%**	1.0%	1.3%
Outstanding at period end	**2.8%**	1.2%	1.1%
Bill Reliquification [(3)]			
Maximum amount outstanding at any month end [(2)]	**-**	-	250
Approximate average amount outstanding [(2)]	**-**	-	23
Approximate weighted average rate on:			
Average amount outstanding	**-**	-	4.9%
Other Commercial Paper			
Outstanding at period end [(1)]	**1,838**	1,940	2,420
Maximum amount outstanding at any month end [(2)]	**2,110**	3,216	3,066
Approximate average amount outstanding [(2)]	**1,790**	2,675	2,476
Approximate weighted average rate on:			
Average amount outstanding	**5.8%**	5.2%	3.7%
Outstanding at period end	**5.7%**	5.6%	3.9%

(1) The amount outstanding at period end is reported on a book value basis (amortised cost).
(2) The maximum and average amounts over the period are reported on a face value basis because the book values of these amounts are not available. Any difference between face value and book value would not be material given the short term nature of the borrowings.
(3) Commercial bills sold under non recourse arrangements.

Exchange Rates Utilised

As at		**30 June 2005**	30 June 2004
AUD 1.00 =	USD	**0.7643**	0.6894
	GBP	**0.4223**	0.3823
	JPY	**84.165**	74.914
	NZD	**1.090**	1.097
	HKD	**5.940**	5.378
	DEM	**1.235**	1.116
	CHF	**0.978**	0.8720
	IDR	**7,425**	6,487
	THB	**31.531**	28.229
	FJD	**1.301**	1.239
	PHP	**42.946**	38.731
	EUR	**0.6316**	0.5706

NOTE 26 Debt Issues continued

Guarantee Arrangements

Commonwealth Bank of Australia

The due payment of all monies payable by the Bank was guaranteed by the Commonwealth of Australia under section 117 of the Commonwealth Bank's Act 1959 (as amended) at 30 June 1996. This guarantee has been progressively phased out following the sale of the Commonwealth of Australia's shareholding in the Bank on 19 July 1996.

The transitional arrangements for phasing out the Commonwealth of Australia's guarantee are contained in the Commonwealth Bank Sale Act 1995.

In relation to the Commonwealth of Australia's guarantee of the Bank's liabilities, transitional arrangements provided that:

- All demand deposits and term deposits were guaranteed for a period of three years from 19 July 1996, with term deposits outstanding at the end of that three year period being guaranteed until maturity; and

- All other amounts payable under a contract that was entered into, or under an instrument executed, issued, endorsed or accepted by the Bank at 19 July 1996 will be guaranteed until their maturity.

Accordingly, demand deposits are no longer guaranteed. Term deposits outstanding at 19 July 1999 remain guaranteed until maturity. The run-off of the Government guarantee has no effect on the Bank's access to deposit markets.

Commonwealth Development Bank

On 24 July 1996, the Commonwealth of Australia sold its 8.1% shareholding in the Commonwealth Development Bank Limited (CDBL) to the Bank for $12.5 million.

Under the arrangements relating to the purchase by the Bank of the Commonwealth of Australia's shareholding in the CDBL:

- All lending assets as at 30 June 1996 have been quarantined in CDBL, consistent with the charter terms on which they were written;
- The CDBL's liabilities continue to remain guaranteed by the Commonwealth; and
- CDBL ceased to write new business or incur additional liabilities from 1 July 1996. From that date, new business that would have previously been written by CDBL is being written by the rural arm of the Bank.

The due payment of all monies payable by CDBL is guaranteed by the Commonwealth of Australia under Section 117 of the Commonwealth Banks Act 1959 (as amended). This guarantee will continue to be provided by the Commonwealth whilst quarantined assets are held. The value of the liabilities under the guarantee will diminish as quarantined assets reach maturity and are repaid.

State Bank of NSW (known as Colonial State Bank)

The enabling legislation for the sale of the State Bank of New South Wales Limited (SBNSW), the State Bank (Privatisation) Act 1994 – Section 12 and the State Bank (Corporatisation) Act 1989 – Section 12 (as amended), provides in general terms for a guarantee by the NSW Government in respect of all funding liabilities and off balance sheet products (other than demand deposits) incurred or issued prior to 31 December 1997 by SBNSW until maturity and a guarantee for demand deposits accepted by SBNSW up to 31 December 1997. Other obligations incurred before 31 December 1994 are also guaranteed to their maturity. On 4 June 2001 Commonwealth Bank of Australia became the successor in law to SBNSW pursuant to the Financial Sector Transfers of Business Act 1999. The NSW Government guarantee of the liabilities and products as described above continues unchanged by the succession.

Note 27 Bills Payable and Other Liabilities

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Bills payable	**928**	980	**863**	950
Accrued interest payable	**1,355**	1,325	**1,226**	1,140
Accrued fees and other items payable	**1,255**	1,151	**860**	829
Securities purchased not delivered	**1,065**	1,649	**796**	1,458
Unrealised losses on trading derivatives (Note 39)	**11,914**	12,188	**11,854**	12,156
Intergroup deferred tax payable	**-**	-	**60**	153
Other liabilities	**1,569**	1,847	**999**	1,202
Total Bills Payable and Other Liabilities	**18,086**	19,140	**16,658**	17,888

NOTE 28 Loan Capital

		Currency Amount (M)	Footnotes	GROUP 2005 $M	GROUP 2004 $M	GROUP 2003 $M	BANK 2005 $M	BANK 2004 $M	BANK 2003 $M
Tier 1 Capital									
Exchangeable	FRN	USD38	(1)	**49**	55	59	**49**	55	59
Exchangeable	FRN	USD95	(2)	**124**	138	142	**124**	138	142
Undated	FRN	USD100	(3)	**131**	145	150	**131**	145	150
Undated	TPS	USD550	(4)	**-**	-	-	**719**	799	-
				304	338	351	**1,023**	1,137	351
Tier 2 Capital									
Extendible	FRN	AUD25	(5)	**-**	25	25	**-**	25	25
Extendible	FRN	AUD275	(5)	**275**	275	275	**275**	275	275
Subordinated	MTN	AUD185	(6)	**-**	-	185	**-**	-	185
Subordinated	FRN	AUD115	(6)	**-**	-	115	**-**	-	115
Subordinated	FRN	AUD25	(7)	**25**	25	25	**25**	25	25
Subordinated	MTN	AUD200	(8)	**-**	200	199	**-**	200	199
Subordinated	FRN	AUD50	(8)	**-**	50	50	**-**	50	50
Subordinated	Notes	USD300	(9)	**549**	549	549	**549**	549	549
Subordinated	FRN	USD450	(9)	**-**	650	672	**-**	650	672
Subordinated	EMTN	JPY20,000	(10)	**216**	240	248	**216**	240	248
Subordinated	EMTN	USD200	(11)	**-**	313	313	**-**	313	313
Subordinated	EMTN	USD75	(12)	**-**	115	115	**-**	115	115
Subordinated	EMTN	USD100	(13)	**-**	152	152	**-**	152	152
Subordinated	EMTN	USD400	(14)	**501**	501	501	**501**	501	501
Subordinated	EMTN	GBP200	(15)	**408**	408	408	**408**	408	408
Subordinated	EMTN	JPY30,000	(16)	**387**	429	444	**387**	429	444
Subordinated	Loan	NZD100	(17)	**-**	92	88	**-**	-	-
Subordinated	FRN	AUD210	(18)	**-**	210	210	**-**	210	210
Subordinated	FRN	AUD38	(19)	**-**	38	38	**-**	38	38
Subordinated	Notes	AUD130	(20)	**130**	130	130	**130**	130	130
Subordinated	Other	AUD21	(21)	**-**	21	35	**-**	21	35
Subordinated	Notes	USD350	(22)	**536**	512	524	**536**	512	524
Subordinated	EMTN	GBP150	(23)	**373**	373	373	**373**	373	373
Subordinated	MTN	AUD300	(24)	**300**	300	-	**300**	300	-
Subordinated	FRN	AUD200	(24)	**200**	200	-	**200**	200	-
Subordinated	EMTN	JPY10,000	(25)	**127**	127	-	**127**	127	-
Subordinated	EMTN	USD500	(26)	**711**	358	-	**711**	358	-
Subordinated	FRN	AUD300	(27)	**300**	-	-	**300**	-	-
Subordinated	EMTN	EUR300	(28)	**501**	-	-	**501**	-	-
Subordinated	EMTN	USD100	(29)	**126**	-	-	**126**	-	-
Subordinated	Notes	NZD350	(30)	**322**	-	-	**322**	-	-
				5,987	6,293	5,674	**5,987**	6,201	5,586
Total Loan Capital				**6,291**	6,631	6,025	**7,010**	7,338	5,937

Where a foreign currency hedge is in place to utilise a loan capital issue in a currency other than that of its original issue, the AUD equivalent value is shown net of the hedge.

(1) USD 300 million undated Floating Rate Notes ("FRNs") issued 11 July 1988 exchangeable into dated FRNs.

Outstanding notes at 30 June 2005 were:

Due July 2006	:	USD32.5 million
Undated	:	USD5 million

(2) USD 400 million undated FRNs issued 22 February 1989 exchangeable into dated FRNs.

Outstanding notes at 30 June 2005 were:

Due February 2006	:	USD24 million
Due February 2008	:	USD7 million
Undated	:	USD64 million

(3) USD 100 million undated capital notes issued on 15 October 1986.

The Bank has entered into separate agreements with theCommonwealth of Australia relating to each of the above issues (the 'Agreements') which qualify the issues as Tier One capital.

The agreements provide that, upon the occurrence of certain events listed below, the Bank may issue either fully paid ordinary shares to the Commonwealth of Australia or (with the consent of the Commonwealth of Australia) rights to all shareholders to subscribe for fully paid ordinary shares up to an amount equal to the outstanding principal value of the relevant note issue or issues plus any interest paid in respect of the notes for the most recent financial year and accrued interest. The issue price of such shares will be determined by reference to the prevailing market price for the Bank's shares.

Any one or more of the following events may trigger the issue of shares to the Commonwealth of Australia or a rights issue:

- A relevant event of default (discussed below) occurs in respect of a note issue and the Trustee of the relevant notes gives notice to the Bank that the notes are immediately due and payable;
- The most recent audited annual financial statements of the Group show a loss (as defined in the Agreements);
- The Bank does not declare a dividend in respect of its ordinary shares;
- The Bank, if required by the Commonwealth of Australia and subject to the agreement of the APRA, exercises its option to redeem a note issue; or
- In respect of Undated FRNs which have been exchanged to Dated FRNs, the Dated FRNs mature.

NOTE 28 Loan Capital continued

Any payment made by the Commonwealth of Australia pursuant to its guarantee in respect of the relevant notes will trigger the issue of shares to the Commonwealth of Australia to the value of such payment.

The relevant events of default differ depending on the relevant Agreement. In summary, they cover events such as failure of the Bank to meet its monetary obligation in respect of the relevant notes; the insolvency of the Bank; any law being passed to dissolve the Bank or the Bank ceasing to carry on general banking business in Australia; and the Commonwealth of Australia ceasing to guarantee the relevant notes. In relation to Dated FRNs which have matured to date, the Bank and the Commonwealth agreed to amend the relevant Agreement to reflect that the Commonwealth of Australia was not called upon to subscribe for fully paid ordinary shares up to an amount equal to the principal value of the maturing FRNs.

(4) USD550 million convertible notes issued August 2003.

(5) AUD275 million extendible floating rate note issued December 1989, due December 2014;

The Bank has entered into a separate agreement with the Commonwealth of Australia relating to the above issue (the 'Agreement') which qualifies the issue as Tier Two capital. For capital adequacy purposes Tier Two debt based capital is reduced each year by 20% of the original amount during the last 5 years to maturity.

The agreement provides for the Bank to issue either fully paid ordinary shares to the Commonwealth of Australia or (with the consent of the Commonwealth of Australia) rights to all shareholders to subscribe for fully paid ordinary shares up to an amount equal to the outstanding principal value of the note issue plus any interest paid in respect of the notes for the most recent financial year and accrued interest. The issue price will be determined by reference to the prevailing market price for the Bank's shares.

Any one or more of the following events will trigger the issue of shares to the Commonwealth of Australia or a rights issue:

- A relevant event of default occurs in respect of the note issue and, where applicable, the Trustee of the notes gives notice of such to the Bank;
- The Bank, if required by the Commonwealth of Australia and subject to the agreement of the APRA, exercises its option to redeem such issue; or
- Any payment made by the Commonwealth of Australia pursuant to its guarantee in respect of the issue will trigger the issue of shares to the Commonwealth of Australia to the value of such payment.

(6) AUD300 million subordinated notes, issued February 1999; due February 2009, split into AUD185 million fixed rate notes and AUD115 million floating rate notes. Called and redeemed February 2004.

(7) AUD25 million subordinated FRN, issued April 1999, due April 2029.

(8) AUD250 million subordinated notes, issued November 1999, due November 2009; split into AUD200 million fixed rate notes and AUD50 million floating rate notes. Called and redeemed November 2004.

(9) USD750 million subordinated notes, issued June 2000, due June 2010; split into USD300 million fixed rate notes and USD450 million floating rate notes. The floating rate notes were called and redeemed in June 2005.

(10) JPY20 billion perpetual subordinated EMTN, issued February 1999.

(11) USD200 million subordinated EMTN, issued November 1999, due November 2009. Called and redeemed November 2004.

(12) USD75 million subordinated EMTN, issued January 2000, due January 2010. Called and redeemed January 2005.

(13) USD100 million subordinated EMTN, issued January 2000, due January 2010. Called and redeemed January 2005.

(14) USD400 million subordinated EMTN issued June 1996 due July 2006.

(15) GBP200 million subordinated EMTN issued March 1996 due December 2006.

(16) JPY30 billion subordinated EMTN issued October 1995 due October 2015.

(17) NZD100 million subordinated loan matures 15 December 2009. Called and repaid December 2004.

(18) AUD210 million Euro FRN issued September 1996, matured September 2004.

(19) AUD38 million FRN issued December 1997, matured December 2004.

(20) AUD130 million subordinated notes comprised as follows: AUD10 million fixed rate notes issued 12 December 1995, maturing 12 December 2005. AUD110 million floating rate notes issued 12 December 1995, maturing 12 December 2005. AUD5 million fixed rate notes issued 17 December 1996, maturing 12 December 2005. AUD5 million floating rate notes issued 17 December 1996, maturing 12 December 2005.

(21) Comprises 8 subordinated notes and FRN issues. The face value amounts are less than $10 million each and are all in Australian Dollars. The maturities range from August 2009 to October 2009. All called and redeemed between August 2004 and October 2004.

(22) USD350 million subordinated fixed rate note, issued June 2003, due June 2018.

(23) GBP150 million subordinated EMTN, issued June 2003, due December 2023.

(24) AUD500 million subordinated notes, issued February 2004, due February 2014; split into AUD300 million fixed rate notes and AUD200 million floating rate notes.

(25) JPY10 billion subordinated EMTN, issued May 2004, due May 2034.

(26) USD500 million subordinated EMTN issued in June 2004 (USD250 million) and August 2004 (USD250 million), due August 2014.

(27) AUD300 million subordinated floating rate notes, issued February 2005, due February 2015.

(28) EUR300 million subordinated EMTN issued March 2005, due March 2015.

(29) USD100 million subordinated EMTN issued March 2005, due March 2025.

(30) NZD350 million subordinated notes issued May 2005, due April 2015.

Notes to the financial statements

NOTE 29 Share Capital

Issued and Paid Up Ordinary Capital	**BANK** **2005** **$M**	 2004 $M
Ordinary Share Capital		
Opening balance	**13,359**	12,678
Dividend Reinvestment Plan: Final Dividend prior year	**246**	201
Dividend Reinvestment Plan: Interim Dividend	**200**	188
Share buy back	**-**	(213)
Share purchase plan	**-**	467
Exercise of Executive Options	**67**	38
Issue costs	**(1)**	-
Closing balance	**13,871**	13,359

Shares on Issue	Number	Number
Opening balance	**1,264,006,062**	1,253,581,363
Dividend reinvestment plan issues:		
2003/2004 Final Dividend fully paid ordinary shares at $30.14	**8,172,546**	-
2004/2005 Interim Dividend fully paid ordinary shares at $35.90	**5,581,364**	-
2002/2003 Final Dividend fully paid ordinary shares at $28.03	**-**	7,165,289
2003/2004 Interim Dividend fully paid ordinary shares at $31.61	**-**	5,916,319
Share buy back	**-**	(19,360,759)
Share purchase plan shares issued at $31.36	**-**	14,891,250
Exercise under Executive Option Plan	**2,516,200**	1,812,600
Closing balance	**1,280,276,172**	1,264,006,062

Terms and Conditions of Ordinary Share Capital

Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from sale of surplus assets in proportion to the number of and amounts paid up on shares held. A shareholder has one vote on a show of hands and one vote for each fully paid share on a poll. A shareholder may be present at a general meeting in person or by proxy or attorney, and if a body corporate it may also authorise a representative.

Preference Share Capital

PERLS	**BANK** **2005** **$M**	 2004 $M
PERLS Capital issued and paid up	**687**	687
	Number	Number
	3,500,000	3,500,000

Commonwealth Bank PERLS ("PERLS") are perpetual preference shares that offer a quarterly, floating rate dividend. PERLS represent a less expensive form of equity funding than ordinary shares and increase the diversity and flexibility of the Bank's capital base.

A holder of PERLS on the relevant record date is entitled to receive on each relevant dividend payment date, if determined by the Directors to be payable, a dividend. If a dividend is not paid the Bank will not be permitted to pay dividends on any of its ordinary shares until four consecutive dividends are paid on the PERLS. Holders of Commonwealth Bank PERLS will rank ahead of holders of ordinary shares in a winding up to the extent of the issue price of the Commonwealth Bank PERLS. PERLS are listed and traded on the Australian Stock Exchange.

Holders of PERLS are entitled to vote at a general meeting of the issuer in limited circumstances.

Other Equity Instruments	 **2005** **$M**	**GROUP** 2004 $M	 **2005** **$M**	**BANK** 2004 $M
Other equity instruments issued and paid up	**1,573**	1,573	**737**	737
	Number	Number	**Number**	Number
	4,300,000	4,300,000	**550,000**	550,000

NOTE 29 Share Capital continued

Issue of other equity instruments

Trust Preferred Securities

On 6 August 2003 a wholly owned entity of the Bank issued USD550 million (AUD832 million) of perpetual non call 12 year trust preferred securities into the US Capital Markets. These securities offer a non-cumulative fixed rate distribution of 5.805% per annum payable semi-annually. The securities qualify as Tier One capital of the Bank.

PERLS II

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

Share Buy-back

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

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

Share Purchase Plan

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

Dividends

The Directors have declared a fully franked (at 30%) final dividend of 112 cents per share amounting to $1,434 million. The dividend will be payable on 23 September 2005 to shareholders on the register at 5pm on 19 August 2005. Dividends paid by the end of the previous financial year:

- As declared in last year's 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;
- In respect of the current year, a fully franked interim dividend of 85 cents per share amounting to $1,083 million was paid on 31 March 2005. The payment comprised cash disbursements of $883 million with $200 million being reinvested by participants through the Dividend Reinvestment Plan; and
- Additionally, quarterly dividends totalling $39 million for the year were paid on the PERLS; $34 million on the PERLS II; $42 million on the Trust Preferred Securities; $9 million on the ASB Capital preference shares; and $7 million on the ASB Capital No.2 preference shares.

Dividend Reinvestment Plan

The Bank expects to issue around $272 million of shares in respect of the Dividend Reinvestment Plan for the final 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 dividend reinvestment plan at 5:00pm on 19 August 2005 at ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South, 1235.

Ex Dividend Date

The ex dividend date is 15 August 2005.

Employee Share Plans

The Bank has in place the following employee share plans:

- Commonwealth Bank Employee Share Acquisition Plan ("ESAP");
- Commonwealth Bank Equity Participation Plan ("EPP");
- Commonwealth Bank Equity Reward Plan ("ERP"); and
- Commonwealth Bank Non-Executive Directors Share Plan ("NEDSP").

The ESAP and ERP were each approved by Shareholders at the Annual General Meeting ("AGM") on 26 October 2000. Shareholders' consent was not required for either the EPP or NEDSP but details were included in the Explanatory Memorandum to the meeting to ensure Shareholders were fully informed.

Employee Share Acquisition Plan ("ESAP")

The ESAP was introduced in 1996 and provides employees with up to $1,000 worth of free shares per annum subject to a performance target being met. The performance target is growth in annual profit of the greater of 5% or the consumer price index (CPI change) plus 2%. Whenever annual profit growth exceeds CPI change, the Board may use its discretion in determining whether any grant of shares will be made.

Under ESAP, shares granted are restricted for sale for three years or until such time as the participating employee ceases employment with the Group, whichever is earlier. Shares granted under the ESAP receive full dividend entitlements, voting rights and there are no forfeiture or vesting conditions attached to the shares granted.

Effective from 1 July 2002, shares granted under ESAP offers have been expensed through the profit and loss. In the current year, 699,918 shares were granted to eligible employees in respect of the 2004 grant.

The Bank has determined to allocate each eligible employee shares up to a value of $1,000 in respect of the 2005 grant. As a result, an amount of $27 million has been accrued in respect of the year ended 30 June 2005. The shares will be purchased on-market at the then market price.

NOTE 29 Share Capital continued

From 1 July 2000 to 30 June 2002, details of issues under ESAP were:

Issue Date	Bonus Ordinary Shares Issued[(1)]	No. of Participants	Shares issued to Each Participant	Issue Price[(2)]
13 Oct 2000	872,620	24,932	35	$27.78
20 Dec 2000	805	23	35	$27.78
31 Oct 2001	893,554	26,281	34	$28.95
3 Dec 2001	3,876	114	34	$28.95
31 Jan 2002	1,938	57	34	$28.95

From 1 July 2002, details of shares purchased under ESAP were:

Purchase Date	Ordinary Shares Purchased	No. of Participants	Shares allocated to Each Participant	Allocation Price[(3)]
31 Oct 2002	830,874	25,178	33	$29.71
22 Jan 2003	1,584	48	33	$29.71
31 Oct 2003	683,617	23,573	29	$27.53
29 Oct 2004	699,918	22,578	31	$31.52

(1) For Offers in 2000 and 2001 both new and existing Shareholders were granted Bonus Ordinary Shares issued from the Share Capital Account.

(2) The Issue Price x Shares issued to each Participant effectively represents about $1,000 of free shares.

(3) The Allocation Price for the offer is equal to the market value which is determined by calculating the weighted average of the prices at which the shares were traded on the ASX during the five trading day period up to and including the grant date. The Allocation Price x Shares issued to each participant effectively represents about $1,000 of free shares for the 2002 and 2004 Offers and $800 of free shares for the 2003 Offer.

Equity Participation Plan ("EPP")

The EPP facilitates the voluntary sacrifice of both fixed remuneration and annual short term incentives (STI) to be applied in the acquisition of shares. The plan previously also facilitated the mandatory sacrifice of 50% of STI payments for some employees. However the mandatory component of EPP ceased for the year ending 30 June 2005 and was replaced with a separate cash STI deferral arrangement for eligible employees. Shares previously granted under the mandatory component of the EPP remain subject to their vesting conditions.

All shares acquired by employees under this plan are purchased on-market at the current market price. A total number of 7,952,277 shares have been acquired under the EPP since the plan commenced in 2001.

Details of purchases under the EPP from 1 July 2004 to 30 June 2005 were as follows:

Allotment Date	Participants	Shares Purchased	Average Purchase Price
24 Sept 2004	1,449	1,858,984	$29.85
30 Sept 2004	756	259,890	$30.05
30 Dec 2004	80	12,274	$32.11
22 Apr 2005	57	8,704	$35.97

Under the voluntary component of the EPP, shares purchased are restricted for sale for two years or when a participating employee ceases employment with the Bank, whichever is earlier. Shares purchased under the voluntary component of the EPP carry full dividend entitlements, voting rights and there are no forfeiture or vesting conditions attached to the shares.

Under the mandatory component of the EPP, fully paid ordinary shares were purchased and held in trust until such time as the vesting conditions were met. The vesting condition attached to the shares specifies that participants must remain employees of the Bank until the vesting date (generally a period of one and two years after the STI award period).

Each participant of the mandatory component of the EPP for whom shares are held by the Trustee on their behalf has a right to receive dividends. Once the shares vest, dividends which have accrued during the vesting period are paid to participants. The participant may also direct the Trustee on how the voting rights attached to the shares are to be exercised during the vesting period.

Where participating employees do not satisfy the vesting conditions, shares and dividend rights are forfeited.

The movement in shares purchased under the mandatory component of the EPP has been as follows:

Details of Movements	July 04 – June 05	July 03 - June 04
Shares held under the Plan at the beginning of year	2,790,353	2,497,184
Shares allocated during year	2,067,281	2,121,075
Shares vested during year	(2,016,790)	(1,715,807)
Shares forfeited during year	(224,073)	(112,099)
Shares held under the Plan at end of year	2,616,771	2,790,353

Shares acquired under both the voluntary and mandatory components of the EPP have been expensed through the profit and loss. In the current year, $2.5 million was expensed through the profit and loss to reflect the cost of allocations under the plan. The expense through the profit and loss for the current year is lower than previous years due to the discontinuation of the mandatory component of the EPP.

NOTE 29 Share Capital continued

Equity Reward Plan ("ERP")

The Board has envisaged that up to a maximum of 500 employees would participate each year in the ERP.

Previous grants under the ERP were in two parts, comprising grants of options and grants of shares. Since 2001/2002, no options have been issued under the ERP. From 2002/2003, Reward Shares only have been issued under this plan.

The exercise of previously granted options and the vesting of employee legal title to the shares is conditional on the Bank achieving a prescribed performance hurdle. The ERP performance hurdle is based on relative Total Shareholder Return ("TSR") with the Bank's TSR performance being measured against a comparator group of companies.

The prescribed performance hurdle for options and Reward Shares issued prior to 2002/2003 which has now been met was:

- The Bank's TSR (broadly, growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed the index of TSR achieved by the comparator group of companies. The comparator group (previously companies represented in the ASX 'Banks and Finance Accumulation Index' excluding the Bank) was widened in 2001/2002 to better reflect the Bank's business mix; and
- If the performance hurdle is not reached within that three years the options may nevertheless be exercisable or the shares vest, only where the hurdle is subsequently reached within five years from the grant date.

For Reward Shares granted from 2002/2003 onwards, a tiered vesting scale was introduced so that 50% of the allocated shares vest if the Bank's TSR is equal to the 50th percentile return, 75% vest at the 67th percentile and 100% when the Bank's return is in the top quartile.

Where the rating is at least at the 50th percentile on the third anniversary of the grant, the shares will vest at a time nominated by the executive, within half yearly windows, over the next two years. The vesting percentage will be the higher of the rating determined at the third year anniversary of the grant and the rating determined at the half yearly measurement point at which the executive nominates that the shares will vest.

Where the rating is below the 50th percentile on the third anniversary of grant, the shares can still vest if the rating reaches the 50th percentile at one of the half yearly measurement points prior to the fifth anniversary, but the maximum vesting will be 50%.

Reward Shares acquired under the share component of the ERP are purchased on-market at the current market price. The cost of shares acquired is expensed through the profit and loss over a three year period, reflecting the minimum vesting period. In the current year, $12 million has been expensed through the profit and loss.

Executive options issued up to September 2001 have not been recorded as an expense by the Group.

Details of options issued and shares acquired under ERP as well as movements in the options and shares are as follows:

Options

Year of Grant	Commencement Date	Issue Date	Options Issued	Options Outstanding(1)	Participants	Exercise Price	Exercise Period
2000	13 Sep 2000	7 Feb 01	577,500	247,500	16	$26.97(2)	14 Sep 2003 to 13 Sep 2010(3)
	13 Sep 2000	31 Oct 01	12,500	-	1	$26.97(2)	14 Sep 2003 to 13 Sep 2010(3)
2001	3 Sep 2001	31 Oct 01	2,882,000	1,689,100	61	$30.12(2)	4 Sep 2004 to 3 Sep 2011(4)
	3 Sep 2001	31 Jan 02	12,500	12,500	1	$30.12(2)	4 Sep 2004 to 3 Sep 2011(4)
	3 Sep 2001	15 Apr 02	100,000	100,000	1	$30.12(2)	4 Sep 2004 to 3 Sep 2011(4)

(1) Options outstanding as at the date of the report.
(2) The premium adjustment (based on the actual difference between the dividend and bond yields at the date of vesting) was nil.
(3) Performance hurdle was satisfied on 31 March 2004 and options may be exercised up to 13 September 2010.
(4) Performance hurdle was satisfied on 3 October 2004 and options may be exercised up to 3 September 2011.

Options - Details of Movements	**July 2003 - June 2004**		**July 2004 – June 2005**	
Year of Grant	2000	2001	2000	2001
Total options:				
Held by participants at the start of year	427,500	2,336,400	402,500	2,235,200
Granted during year	-	-	-	-
Exercised during year	-	-	155,000	403,900
Lapsed during year	-	101,200	-	29,700
Outstanding at the end of year	427,500	2,235,200	247,500	1,801,600
Granted from 30 June to the date of report	-	-	-	-
Exercised from 30 June to date of report	25,000	-	-	50,000
Lapsed from 30 June to the date of report	-	-	-	-
Outstanding as at the date of report	402,500	2,235,200	247,500	1,751,600

NOTE 29 Share Capital continued

Reward Shares

Year of Grant	Purchase Date	Shares Purchased	Shares Allocated	Participants	Vesting Period	Average Purchase Price
2000	20 Feb 2001	361,100	361,100	61	14 Sept 2003 to 13 Sept 2005[5]	$29.72
	31 Oct 2001	2,000	2,000	1	14 Sept 2003 to 13 Sept 2005[5]	$29.25
2001	31 Oct 2001	652,100	661,500[1]	241	4 Sept 2004 to 3 Sept 2006[6]	$29.25
2002	22 Nov 2002	357,500	545,500[2]	195	3 Sept 2005 to 2 Sept 2007[7]	$28.26
2003	12 Nov 2003	285,531	595,600[3]	255	2 Sept 2006 to 1 Sept 2008[7]	$28.33
2004	11 Nov 2004	225,934	522,290[4]	259	23 Aug 2007 to 23 Aug 2009[7]	$29.87

(1) In October 2001, 11,400 Reward Shares were re-allocated to participants receiving the 2001 grant as a result of reward shares forfeited from previous ERP grant.

(2) In November 2002, 188,000 shares were re-allocated to participants receiving the 2002 grant as a result of shares forfeited from previous grants. The total number of Reward Shares allocated in 2002 represents fifty percent of the maximum entitlement that participants may receive. It is intended that Reward Shares required to meet obligations under ERP will be acquired by the trust on-market during the term of the grant and (if required) shortly after the time of vesting.

(3) In November 2003, 310,069 shares were re-allocated to participants receiving the 2003 grant as a result of shares forfeited from previous grants. The total number of Reward Shares allocated in 2003 represents fifty percent of the maximum entitlement that participants may receive – refer to footnote 2 above for further information.

(4) In November 2004, 296,356 shares were re-allocated to participants receiving the 2004 grant as a result of shares forfeited from previous grants. The total number of Reward Shares allocated in 2004 represents fifty percent of the maximum entitlement that participants may receive – refer to footnote 2 above for further information.

(5) Performance hurdle was satisfied on 31 March 2004 and as a result 195,700 shares vested to participants of the 2000 grant.

(6) Performance hurdle was satisfied on 3 October 2004 and as a result 423,500 shares vested to participants of the 2001 grant.

(7) Performance hurdle must be satisfied within the vesting period, otherwise shares will be forfeited.

Reward Shares - Details of Movements

	July 03 - June 04				July 04 - June 05			
Year of Grant	**2000**	**2001**	**2002**	**2003**	**2001**	**2002**	**2003**	**2004**
Total reward shares:								
Held by participants at the start of year	217,100	518,500	515,300	-	437,000	445,825	557,500	-
Granted during year	-	-	-	597,100	-	-	-	597,975
Vested during year	195,700	-	-	-	423,500	-	-	-
Lapsed during year	21,400	59,000	43,225	10,725	13,500	68,975	94,650	53,075
Outstanding at the end of year	-	459,500	472,075	586,375	-	376,850	462,850	544,900
Lapsed from 30 June to date of report	-	22,500	26,250	28,875	-	11,400	8,950	8,750
Outstanding as at the date of report	-	437,000	445,825	557,500	-	365,450	453,900	536,150

During the vesting period, Reward Shares are held in trust. Each participant on behalf of whom Reward Shares are held by the Trustee has a right to receive dividends. Once the shares vest dividends are paid in relation to those accrued during the vesting period. The participant may also direct the Trustee on how the voting rights attached to the shares are to be exercised during the vesting period.

For a limited number of executives including overseas based staff and those approved by the Chief Executive Officer and ratified by the Board, a cash based 'share replicator' ERP scheme is operated by way of grants of performance units. The performance unit grants are subject to the same vesting conditions as the Reward Share component of the ERP. On meeting the vesting condition, a cash payment is made to executives whereby the value is determined based on the current share price on vesting plus an accrued dividend value. An amount of $3.1 million has been expensed through the profit and loss in respect of the year ended 30 June 2005 to reflect future payments which may be required under the 'share replicator' plan.

Executive Option Plan ("EOP")

As previously notified to Shareholders, this plan was discontinued in 2000/2001.

Under the EOP, the Bank granted options to purchase ordinary shares to those key executives who, being able by virtue of their responsibility, experience and skill to influence the generation of Shareholder wealth, were declared by the Board of Directors to be eligible to participate in the plan. Non-Executive Directors were not eligible to participate in the plan.

Options cannot be exercised before each respective exercise period and the ability to exercise is conditional on the Bank achieving a prescribed performance hurdle. The option plan did not grant rights to the option holders to participate in a share issue of any other body corporate.

The performance hurdle is the same TSR comparator hurdle as outlined above for the Equity Reward Plan grants prior to 2002/2003.

The last grant under EOP was made in September 2000. The performance hurdles for the August 1999 grant and the September 2000 grant were met in 2004.

Notes to the financial statements

NOTE 29 Share Capital continued

Details of issues made under EOP as well as movements for 2003/2004 and 2004/2005 are as follows:

Executive Option Plan ("EOP")

Commencement Date	Issue Date	Options Issued	Options Outstanding	Participants	Exercise Price[1]	Exercise Period
3 Nov 1997	11 Dec 1997	2,875,000	-	27	$15.53[2]	4 Nov 00 to 3 Nov 02
25 Aug 1998	30 Sep 1998	3,275,000	-	32	$19.58[2]	26 Aug 01 to 25 Aug 03
24 Aug 1999	24 Sep 1999	3,855,000	450,000	38	$23.84[2]	25 Aug 02 to 24 Aug 09[3]
13 Sep 2000	13 Oct 2000	2,002,500	637,300	50	$26.97[2]	14 Sep 03 to 13 Sep 10[4]

(1) Market value at the commencement date. Market value is defined as the weighted average of the prices at which shares were traded on the ASX during the one week period before the commencement date.
(2) Premium adjustment (based on the actual difference between the dividend and bond yields at the date of vesting) was nil.
(3) Performance hurdle for the 1999 grant was satisfied on 28 February 2004 and options may be exercised up to 24 August 2009.
(4) Performance hurdle for the 2000 grant was satisfied on 31 March 2004 and options may be exercised up to 13 September 2010.

Details of Movements

	1 July 2003 to 30 June 2004[1]			1 July 2004 to 30 June 2005 [1]	
Year of Grant	1998	1999	2000	1999	2000
Total options -					
Held by participants at the start of year	312,500	3,221,000	1,336,200	1,875,000	1,144,600
Exercised during year	312,500	1,271,000	129,100	1,425,000	507,300
Lapsed during year	-	25,000	12,500	-	-
Outstanding at the end of year	-	1,925,000	1,194,600	450,000	637,300
Exercised from 30 June to date of report	-	50,000	50,000	-	75,400
Lapsed from 30 June to date of report	-	-	-	-	-
Outstanding as at the date of report	-	1,875,000	1,144,600	450,000	561,900

(1) The EOP was discontinued in 2000/2001 and no options have been granted under the plan during the last four reporting periods.

Summary of shares issued during the period 1 July 2004 to the date of the report as a result of options being exercised are:

Option Issue Date	Shares Issued	Price paid per Share	Total Consideration Paid
24 Sep 1999	1,475,000	$23.84	$35,164,000
13 Oct 2000	632,700	$26.97	$17,063,919
7 Feb 2001	180,000	$26.97	$4,854,600
3 Sep 2001	453,900	$30.12	$13,671,468

No amount is unpaid in respect of the shares issued upon exercise of the options during the above period.

Under the Bank's EOP and ERP an option holder generally has no right to participate in any new issue of securities of the Bank or of a related body corporate as a result of holding the option except that if there is a pro rata issue of shares to the Bank's Shareholders by way of bonus issue involving capitalisation (other than in place of dividends or by way of dividend reinvestment) an option holder is entitled to receive additional shares upon exercise of the options being the number of bonus shares that the option holder would have received if the options had been exercised and shares issued prior to the bonus issue.

NOTE 29 Share Capital continued

Non-Executive Directors Share Plan ("NEDSP")

The NEDSP provides for the acquisition of shares by non-executive directors through the mandatory sacrifice of 20% of their annual fees. Shares purchased are restricted for sale for 10 years or when the Director leaves the Board, whichever is earlier. In addition, Non-Executive Directors can voluntarily elect to sacrifice up to a further 50% of their annual fees for the acquisition of shares.

Shares acquired under the plan receive full dividend entitlements and voting rights. There are no forfeiture or vesting conditions attached to shares granted under the NEDSP.

Shares are purchased on-market at the current market price and a total of 41,943 shares have been purchased under the NEDSP since the plan commenced in 2001. Since March 2005, shares are now acquired under the plan on a six monthly basis.

Details of grants under the NEDSP from 1 July 2004 to 30 June 2005 were as follows:

Quarter Ending	Total Fees Sacrificed	Participants	Shares Purchased	Average Purchase Price
30 Sep 2004	**$74,406**	11	2,475	$30.05
31 Dec 2004	**$76,218**	9	2,373	$32.11
31 Mar 2005	**$110,958**	9	3,086	$35.97

The trading restrictions on shares were lifted for two Non-Executive Directors as they ceased to be Non-Executive Directors during the period 1 July 2004 to the date of this report.

For the current year, $262,000 was expensed through the profit and loss reflecting shares purchased and allocated under the NEDSP.

NOTE 30 Outside Equity Interests

	GROUP	
	2005	2004
	$M	$M
Controlled Entities:		
Share Capital [(1)]	**623**	300
Retained profits and reserves	**8**	4
Life Insurance Statutory funds	**1,158**	2,176
Total Outside Equity Interests	**1,789**	2,480

(1) ASB Perpetual Preference Shares - $505 million.

On 10 December 2002, ASB Capital Limited, a New Zealand subsidiary, issued NZD200 million (AUD182 million) of perpetual preference shares. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly and are non-cumulative.

On 22 December 2004, ASB Capital No.2 Ltd, a New Zealand subsidiary, issued NZD350 million (AUD323 million) of perpetual preference shares. Such shares are non-redeemable and carry limited voting rights. Dividends are payable quarterly and are non-cumulative.

Gandel Listed Property Trusts - $111 million.

In July 2002 Colonial First State Property Retail Pty Ltd was incorporated and in August 2002, the Colonial First State Property Retail Trust ("CFSPRT") was established. Both of these entities are owned 60% by the CBA Group and 40% by outside equity interests. On 30 September 2002, unit holders of the Colonial First State Property Trust Group ("CFT"), the Commonwealth Property Office Fund ("CPA") and the Gandel Retail Trust ("GAN") approved a proposal which saw CPA acquire the industrial/office assets of CFT and GAN acquire the retail assets of CFT. GAN changed its name to the CFS Gandel Retail Trust and CFSPRT became the delegated manager of this trust along with the retail component of a wholesale property trust.

Notes to the financial statements

NOTE 31 Capital Adequacy

Commonwealth Bank of Australia ("the Bank") is subject to regulation by the Australian Prudential Regulation Authority ("APRA") under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks that are consistent with the Basel Accord. These requirements define what is acceptable as capital and provide for standard methods of measuring the risks incurred by the Bank. APRA has set minimum ratios that compare the regulatory capital with risk-weighted on and off balance sheet assets. Regulatory capital requirements are measured for the Bank (known as "Level 1") and for the Bank and its banking subsidiaries (known as "Level 2"). The life insurance and funds management businesses are not consolidated for capital adequacy purposes.

Regulatory capital is divided into Tier One and Tier Two capital. Certain deductions are made from the sum of Tier One and Tier Two capital to arrive at the Capital Base. Tier One capital consists of shareholders' equity plus other capital instruments acceptable to APRA, less goodwill and less the intangible element of the investment in life insurance and funds management businesses. Tier Two capital consists of the general provision for credit losses and other hybrid and debt instruments acceptable to APRA. The tangible element of the investment in life insurance and funds management businesses is deducted from the sum of Tier One and Tier Two capital to arrive at the Capital Base.

In accordance with APRA's methodology, measuring risk requires one of a number of risk weights to be applied to each asset on the balance sheet and to off-balance sheet obligations. The risk weights are 100%, 50%, 20% and 0%. It should be noted that the risk weights are not consistent with the loss experience of the Bank and its subsidiaries. In addition, there is an agreed method for measuring market risk for traded assets.

The regulatory capital ratios of the Bank are shown on page 145. An analysis of the movement in the capital ratios is shown on page 144.

Dividends

Banks may not pay dividends if immediately after payment, they are unable to meet the minimum capital requirements. Banks cannot pay dividends from retained earnings without APRA's prior approval. Under APRA guidelines, the expected dividend must be deducted from Tier One capital.

Regulatory Capital Requirements for Other ADIs in the Group

ASB Bank Limited is subject to regulation by the Reserve Bank of New Zealand ("RBNZ"). RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements. At 30 June 2005 ASB Bank Limited Group had a Tier One ratio of 9.7% and a Total Capital ratio of 10.3%.

Regulatory Capital Requirements for Life Insurance and Funds Management Business

The Group's life insurance businesses in Australia are regulated by APRA. The Life Insurance Act 1995 includes a framework for the calculation of the regulatory capital requirements for life insurance companies. There are two tiers to the regulatory capital requirements – 'solvency' and 'capital adequacy'. The capital adequacy test is always equal to or greater than the solvency test. At 30 June 2005, for Australian life insurance companies, the estimated excess over capital adequacy within life insurance statutory funds amounted to $102 million in aggregate.

The Group owns two life insurance companies in Australia: Commonwealth Insurance Holdings Limited ("CIHL"), and The Colonial Mutual Life Assurance Society Limited ("CMLA").

There are no regulatory capital requirements for life insurance companies in New Zealand, though the directors of any company must certify its solvency under the Companies Act 1993. The Group determines the minimum capital requirements for its New Zealand life insurance business according to the Prudential Reserving Guidance Note of the New Zealand Society of Actuaries.

The life insurance business in Hong Kong is regulated by the Insurance Authority of Hong Kong. The minimum regulatory requirement comprises a solvency test as defined in local regulations and ordinances.

Fund managers in Australia are subject to responsible entity regulation by the Australian Securities and Investment Commission ("ASIC"). The regulatory capital requirements vary for responsible entities depending on the type of Australian Financial Services or Authorised Representatives' Licence held, but a requirement of up to $5 million of net tangible assets applies.

APRA supervises approved trustees of superannuation funds and requires them to also maintain net tangible assets of at least $5 million. These requirements are not cumulative where an entity is both an approved trustee for superannuation purposes and a responsible entity.

The total Group's life and funds management companies held an estimated $580 million excess over regulatory capital requirements at 30 June 2005 in aggregate.

Regulatory Changes

Basel II

In June 2004, the Basel Committee on Banking Supervision ("the Basel Committee") issued the Revised Framework for the calculation of capital adequacy for banks, commonly known as Basel II. The objective of the Basel II Framework is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profile of banks.

The Basel II Framework is based on three "pillars". Pillar 1 covers the capital requirements for banks, Pillar 2 covers the supervisory review process and Pillar 3 relates to market disclosure. There are three approaches to credit risk under the Basel II Framework. These are Standardised and two internal ratings-based ("IRB") approaches. The Standardised Approach is a modified version of the current approach, but with risk weights aligned with the credit ratings of borrowers and counterparties. Under the IRB approaches (Foundation and Advanced), banks such as Commonwealth Bank that use internal models to calculate and allocate the amount of capital required for credit risk, may be able to use components of their own calculations to determine the amount of regulatory capital required for credit risk. Under the Foundation IRB Approach, the regulator will, in most cases, provide the parameters. Under the Advanced IRB Approach, substantially all of the parameters will be those used by the bank in its internal models. The Commonwealth Bank is intending to implement the Advanced IRB approach.

The Basel II Framework introduces a capital requirement for operational risk. As with credit risk, there are multiple approaches. The Bank is intending

NOTE 31 Capital Adequacy continued

to implement the Advanced Measurement Approach ("AMA").

The current capital requirements for market risk are not expected to change significantly under the Basel II Framework. The Bank is on track to lodge its Accreditation application for Advanced IRB and AMA approaches with APRA by 30 September 2005. The implementation of Basel II in Australia is expected to take place on 1 January 2008.

International Financial Reporting Standards

The Bank will be required to report under the Australian equivalent of International Financial Reporting Standards ("AIFRS") for the financial year commencing 1 July 2005. APRA has stated that it intends to amend its prudential regulations in response to the implementation of AIFRS and that these changes will take effect on 1 July 2006.

Many of the AIFRS changes will have an affect upon the reporting of the Bank's assets and equity. Currently, accounting definitions for asset and equity measurement are central to the capital adequacy requirements set by prudential regulators. In February 2005 APRA released a discussion paper on its proposed changes to fair value and other issues. However, APRA are yet to clarify the full extent of its proposed changes to regulatory capital requirements. As such, it is currently unclear what impact that these changes will have on the Bank's capital adequacy position.

Refer to Note 1 (qq) for further discussion of AIFRS.

Conglomerate Groups

APRA has advised that a third level of capital adequacy ("Level 3") will be implemented to coincide with Basel II. APRA defines a conglomerate group as a group of companies containing one or more Australian incorporated Authorised Deposit-taking Institutions ("ADIs"). The Bank is an ADI and the Commonwealth Bank Group falls within APRA's definition of a conglomerate group. Each conglomerate group will be required to hold capital that corresponds to the corporate structure of that conglomerate. The calculation will have regard to all group members and the capacity to move surplus capital from one group entity to another.

The regulatory capital requirements for each conglomerate group will be specific to that group.

The proposals indicate that the use of internal capital estimation and allocation models may be permitted. However, APRA has not yet specified their requirements for internal models, nor when they will complete their review of the Bank's models.

Whilst the Bank considers that it is strongly capitalised (as evidenced by its credit ratings), no assurance can be given that our models will meet APRA's requirements or that the Bank meets the Level 3 capital requirements.

Active Capital Management

The Bank maintains a strong capital position. The Tier One capital ratio increased from 7.43% to 7.46% and the Total Capital ratio decreased from 10.25% to 9.75% during the year to 30 June 2005. The Bank's credit ratings remained unchanged.

During the year, the Bank's risk-weighted assets grew from $169 billion to $190 billion.

The changes in the regulatory capital ratios are attributed to the following movements and significant initiatives undertaken to actively manage the Bank's capital:

Tier One capital

- Issue of NZ$350 million (AUD$323 million) of Perpetual Preference Shares in December 2004;
- Issue of $200 million of shares in March 2005 to satisfy the DRP in respect of the interim dividend for 2004/05; and
- In accordance with APRA guidelines, the estimated issue of $272 million of shares to satisfy the DRP in respect of the final dividend for 2004/05.

Further details of these transactions are provided in Note 29.

- From 1 July 2004, APRA requires banks to deduct certain capitalised expenses from Tier One capital. This change in regulatory requirements resulted in a $107 million decrease in Tier One capital.

Tier Two capital

- Issue of the equivalent of AUD$1,554 million Lower Tier Two capital;
- Call of the equivalent of AUD$1,866 million notes. However, as some of the notes had been amortised in accordance with APRA requirements, the impact was to reduce Tier Two capital in the year to 30 June 2005 by AUD$1,592 million; and
- Reduction in Tier Two note and bond issues of AUD$319 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

The following movements in deductions have occurred during the year:

- 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 Note 34).

NOTE 31 Capital Adequacy continued

Risk-Weighted Capital Ratios	2005 Actual %	GROUP 2004 Actual %
Tier One	**7.46**	7.43
Tier Two	**3.21**	3.93
Less deductions	**(0.92)**	(1.11)
Total	**9.75**	10.25
Adjusted Common Equity [1]	**4.91**	4.75

Regulatory Capital	2005 $M	GROUP 2004 $M
Tier One capital		
Shareholders' equity	**26,060**	24,885
Eligible loan capital	**304**	338
Estimated reinvestment under Dividend Reinvestment Plan [2]	**272**	250
Foreign currency translation reserve related to non-consolidated subsidiaries	**211**	179
Deduct:		
Asset revaluation reserve	**(92)**	(61)
Goodwill	**(4,394)**	(4,705)
Expected dividend	**(1,434)**	(1,315)
Intangible component of investment in non-consolidated subsidiaries [3]	**(5,397)**	(4,674)
Outside equity interest in entities controlled by non-consolidated subsidiaries	**(111)**	(114)
Outside equity interest in insurance statutory funds and other funds	**(1,158)**	(2,176)
Capitalised expenses[4]	**(107)**	-
Other	**(13)**	(19)
Total Tier One capital	**14,141**	12,588
Tier Two capital		
Asset revaluation reserve	**92**	61
General provision for bad and doubtful debts [5]	**1,389**	1,390
FITB related to general provision	**(414)**	(398)
Upper Tier Two note and bond issues	**237**	267
Lower Tier Two note and bond issues [6] [7]	**4,783**	5,338
Total Tier Two capital	**6,087**	6,658
Total capital	**20,228**	19,246
Deduct:		
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier One capital)[3]	**(1,721)**	(1,886)
Other deductions	**(28)**	(5)
Capital Base	**18,479**	17,355

(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) Refer to Note 34 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) Effective 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.

NOTE 31 Capital Adequacy continued

Adjusted Common Equity[1]	GROUP 2005 $M	GROUP 2004 $M
Tier One capital	**14,141**	12,588
Deduct:		
Eligible loan capital	**(304)**	(338)
Preference share capital	**(687)**	(687)
Other equity instruments	**(1,573)**	(1,573)
Outside equity interest (net of outside equity interest component deducted from Tier One capital)	**(520)**	(190)
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier One capital)[2]	**(1,721)**	(1,886)
Other deductions	**(28)**	(5)
Other	**-**	139
Total Adjusted Common Equity	**9,308**	8,048

(1) Adjusted Common Equity ("ACE") is one measure considered by Standard & Poor's in evaluating the Bank's credit rating. The ACE ratio has been calculated in accordance with the Standard & Poor's methodology.
(2) Refer to Note 34 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.

Risk-Weighted Assets	Face Value 2005 $M	Face Value 2004 $M	Risk Weights %	GROUP Risk-Weighted Balance 2005 $M	GROUP Risk-Weighted Balance 2004 $M
On Balance Sheet Assets					
Cash, claims on Reserve Bank, short term claims on Australian Commonwealth and State Government and Territories, and other zero-weighted assets	**27,447**	27,554	0%	-	-
Claims on OECD banks and local governments	**14,754**	15,020	20%	**2,951**	3,004
Advances secured by residential property[1]	**143,746**	125,026	50%	**71,873**	62,513
All other assets	**92,510**	83,256	100%	**92,510**	83,256
Total On Balance Sheet Assets - Credit Risk [2] [3]	**278,457**	250,856		**167,334**	148,773

	Face Value 2005 $M	Face Value 2004 $M	Credit Equivalent 2005 $M	Credit Equivalent 2004 $M	GROUP Risk-Weighted Balance 2005 $M	GROUP Risk-Weighted Balance 2004 $M
Off-Balance Sheet Exposures						
Direct credit substitutes	**3,308**	3,293	**3,308**	3,293	**2,622**	2,836
Trade and performance related items	**1,280**	1,069	**584**	483	**540**	453
Commitments	**76,581**	65,097	**13,839**	12,745	**10,328**	9,238
Foreign exchange, interest rate and other market related transactions	**885,700**	769,742	**20,814**	20,069	**5,881**	5,614
Total Off Balance Sheet Exposures - Credit Risk [4]	**966,869**	839,201	**38,545**	36,590	**19,371**	18,141
Total Risk-Weighted Assets - Credit Risk					**186,705**	166,914
Risk-Weighted Assets - Market Risk					**2,854**	2,407
Total Risk-Weighted Assets					**189,559**	169,321

(1) For loans secured by residential property approved after 5 September 1994, a risk weight of 100% applied where the loan to valuation ratio is in excess of 80%. Effective from 28 August 1998, a risk weight of 50% applies to these loans if they are totally insured by an acceptable lender's mortgage insurer. Loans that are risk-weighted at 100% are reported under 'All other assets'.
(2) The difference between Total On Balance Sheet Assets and the Group's balance sheet reflects the alternative treatment of some assets and provisions as prescribed in APRA's capital adequacy guidelines; principally goodwill, general provision for bad and doubtful debts, and investments in life insurance and fund management business.
(3) Total On Balance Sheet Assets exclude debt and equity securities in the trading book and all on balance sheet positions in commodities, as they are included in the calculation of notional market risk-weighted assets.
(4) Off Balance Sheet Exposures secured by residential property account for $6.2 billion of off balance sheet credit equivalent assets ($3.1 billion of off balance sheet risk-weighted assets).

NOTE 32 Maturity Analysis of Monetary Assets and Liabilities

The maturity distribution of monetary assets and liabilities is based on contractual terms. The majority of the longer term monetary assets are variable rate products, with actual maturities shorter than the contractual terms. Therefore this information is not relied upon by the Bank in the management of its interest rate risk in Note 39.

								GROUP
					Maturity Period At 30 June 2005			
	At Call $M	Overdrafts $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not specified $M	Total $M
Assets								
Cash and liquid assets	916	-	4,799	-	-	-	-	5,715
Receivables due from other financial institutions	378	-	5,039	416	51	321	-	6,205
Trading securities (1)	-	-	14,628	-	-	-	-	14,628
Investment securities	-	-	1,390	1,256	5,003	2,623	-	10,272
Loans, advances and other receivables (2)	4,837	5,225	21,044	28,195	49,434	110,171	(1,390)	217,516
Bank acceptances of customers	-	-	16,387	399	-	-	-	16,786
Life assets(3)	181	-	4,181	483	3,516	3,170	16,306	27,837
Other monetary assets	1	-	15,505	20	1	17	115	15,659
Total monetary assets	6,313	5,225	82,973	30,769	58,005	116,302	15,031	314,618
Liabilities								
Deposits and other public borrowings (3)	93,684	-	39,974	29,958	4,274	139	-	168,029
Payables due to other financial institutions	809	-	6,054	1,160	-	-	-	8,023
Bank acceptances	-	-	16,387	399	-	-	-	16,786
Life liabilities	-	-	-	-	-	-	24,694	24,694
Debt issues and loan capital	-	-	11,071	15,664	24,750	13,427	-	64,912
Other monetary liabilities	8	-	17,421	30	9	7	174	17,649
Total monetary liabilities	94,501	-	90,907	47,211	29,033	13,573	24,868	300,093

(1) Trading securities are purchased without the intention to hold until maturity and are categorised as maturing within 3 months.

(2) $116 billion of this figure represents owner occupied housing loans. While most of these loans would have a contractual term of 20 years or more, and are analysed accordingly, the actual average term of the portfolio has historically been less than 5 years.

(3) Includes substantial ‘core’ deposits that are contractually at call customer savings and cheque accounts. History demonstrates such accounts provide a stable source of long term funding for the Bank. Also refer to the Interest Rate Risk Sensitivity table in Note 39.

Notes to the financial statements

NOTE 32 Maturity Analysis of Monetary Assets and Liabilities continued

								GROUP
					Maturity Period At 30 June 2004			
	At Call $M	Overdrafts $M	0 to 3 months $M	3 to 12 Months $M	1 to 5 years $M	Over 5 years $M	Not specified $M	Total $M
Assets								
Cash and liquid assets	888	-	5,565	-	-	-	-	6,453
Receivables due from other financial institutions	774	-	7,126	80	70	319	-	8,369
Trading securities [1]	-	-	14,896	-	-	-	-	14,896
Investment securities	-	-	1,952	1,646	5,145	2,704	-	11,447
Loans, advances and other receivables [2]	2,646	4,904	27,597	19,883	39,957	95,797	(1,393)	189,391
Bank acceptances of customers	-	-	8,643	6,376	-	-	-	15,019
Life assets[3]	51	-	2,948	554	3,924	3,466	17,999	28,942
Other monetary assets	390	-	17,963	5	-	-	174	18,532
Total Monetary Assets	4,749	4,904	86,690	28,544	49,096	102,286	16,780	293,049
Liabilities								
Deposits and other public borrowings [3]	88,691	-	48,863	21,191	3,594	838	-	163,177
Payables due to other financial institutions	536	-	4,564	1,529	12	-	-	6,641
Bank acceptances	-	-	8,643	6,376	-	-	-	15,019
Life liabilities	-	-	-	-	-	-	24,638	24,638
Debt issues and loan capital	-	-	7,160	13,699	19,162	10,249	403	50,673
Other monetary liabilities	9	-	17,996	918	32	8	196	19,159
Total Monetary Liabilities	89,236	-	87,226	43,713	22,800	11,095	25,237	279,307

(1) Trading securities are purchased without the intention to hold until maturity and are categorised as maturing within three months.

(2) $102 billion of this figure represents owner occupied housing loans. While most of these loans would have a contractual term of 20 years or more, and are analysed accordingly, the actual average term of the portfolio has historically been less than 5 years.

(3) Includes substantial 'core' deposits that are contractually at call customer savings and cheque accounts. History demonstrates such accounts provide a stable source of long term funding for the Bank. Also refer to Interest Rate Risk Sensitivity table in Note 39.

Notes to the financial statements

NOTE 33 Financial Reporting by Segments

				GROUP Year Ended 30 June 2005
Primary Segment		**Funds**		
Business Segments	**Banking**	**Management**	**Insurance**	**Total**
Financial Performance	**$M**	**$M**	**$M**	**$M**
Interest income	**16,194**	**-**	**-**	**16,194**
Premium and related revenue	**-**	**-**	**1,132**	**1,132**
Other income	**3,519**	**3,269**	**1,186**	**7,974**
Appraisal value uplift	**-**	**301**	**477**	**778**
Total Revenue	**19,713**	**3,570**	**2,795**	**26,078**
Interest expense	**10,228**	**-**	**-**	**10,228**
Segment result before tax, goodwill amortisation and appraisal value uplift	**4,103**	**560**	**522**	**5,185**
Income tax expense	**(1,220)**	**(204)**	**(213)**	**(1,637)**
Segment result after tax and before goodwill amortisation and appraisal value uplift	**2,883**	**356**	**309**	**3,548**
Outside equity interest	**(3)**	**(7)**	**-**	**(10)**
Segment result after tax and outside equity interest before goodwill amortisation and appraisal value uplift	**2,880**	**349**	**309**	**3,538**
Goodwill amortisation	**(303)**	**(17)**	**(5)**	**(325)**
Appraisal value uplift	**-**	**301**	**477**	**778**
Net profit attributable to Shareholders of the Bank	**2,577**	**633**	**781**	**3,991**
Non-Cash Expenses				
Goodwill amortisation	**303**	**17**	**5**	**325**
Charge for bad and doubtful debts	**322**	**-**	**-**	**322**
Depreciation	**135**	**8**	**13**	**156**
Other	**84**	**27**	**-**	**111**
Financial Position				
Total Assets	**292,026**	**19,306**	**17,703**	**329,035**
Acquisition of Property, Plant & Equipment, Intangibles and other Non-Current Assets	**303**	**8**	**39**	**350**
Associate Investments	**19**	**1**	**32**	**52**
Total Liabilities	**275,751**	**16,844**	**10,380**	**302,975**

Notes to the financial statements

NOTE 33 Financial Reporting by Segments continued

Primary Segment Business Segments Financial Performance				**GROUP Year Ended 30 June 2004**
	Banking $M	**Funds Management $M**	**Insurance $M**	**Total $M**
Interest income	13,287	-	-	13,287
Premium and related revenue	-	-	1,012	1,012
Other income	3,720	3,142	840	7,702
Appraisal value (reduction)/uplift	-	(95)	296	201
Total Revenue	17,007	3,047	2,148	22,202
Interest expense	7,877	-	-	7,877
Segment result before tax, goodwill amortisation and appraisal value uplift	3,091	504	371	3,966
Income tax expense	(914)	(228)	(120)	(1,262)
Segment result after income tax and before goodwill amortisation and appraisal value uplift	2,177	276	251	2,704
Outside equity interest	(1)	(8)	-	(9)
Segment result after tax and outside equity interest before goodwill amortisation and appraisal value uplift	2,176	268	251	2,695
Goodwill amortisation	(302)	(17)	(5)	(324)
Appraisal value (reduction)/uplift	-	(95)	296	201
Net profit attributable to Shareholders of the Bank	1,874	156	542	2,572
Non-Cash Expenses				
Goodwill amortisation	302	17	5	324
Charge for bad and doubtful debts	276	-	-	276
Depreciation	110	8	9	127
Which new Bank initiatives	427	-	-	427
Other	30	50	14	94
Financial Position				
Total Assets	269,066[1]	19,878	17,051[1]	305,995
Acquisition of Property, Plant & Equipment, Intangibles and other Non-current Assets	518	6	9	533
Associate Investments	194	1	44	239
Total Liabilities	254,284	17,439	9,387	281,110

(1) Restated to reflect a restructure and subsequent realignment in business segments.

Notes to the financial statements

NOTE 33 Financial Reporting by Segments continued

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

Notes to the financial statements

NOTE 33 Financial Reporting by Segments continued

Secondary Segment	**2005 $M**	**%**	2004 $M	%	2003 $M	%
Geographical Segments						
Revenue						
Australia	**20,790**	**79.7**	17,911	80.7	14,008	81.6
New Zealand	**3,507**	**13.5**	2,728	12.3	2,025	11.8
Other Countries[1]	**1,781**	**6.8**	1,563	7.0	1,136	6.6
	26,078	**100.0**	22,202	100.0	17,169	100.0
Net profit attributable to shareholders of the Bank						
Australia	**3,223**	**80.7**	2,091	81.3	1,659	82.4
New Zealand	**509**	**12.8**	309	12.0	265	13.2
Other Countries[1]	**259**	**6.5**	172	6.7	88	4.4
	3,991	**100.0**	2,572	100.0	2,012	100.0
Assets						
Australia	**271,596**	**82.5**	252,652	82.6	221,248	83.5
New Zealand	**41,650**	**12.7**	35,059	11.4	27,567	10.4
Other Countries[1]	**15,789**	**4.8**	18,284	6.0	16,295	6.1
	329,035	**100.0**	305,995	100.0	265,110	100.0
Acquisition of Property, Plant & Equipment, Intangibles and other Non-current Assets						
Australia	**303**	**86.6**	495	92.9	98	81.7
New Zealand	**37**	**10.6**	29	5.4	6	5.0
Other Countries[1]	**10**	**2.8**	9	1.7	16	13.3
	350	**100.0**	533	100.0	120	100.0

[1] Other Countries are:
United Kingdom, United States of America, Japan, Singapore, Hong Kong, Grand Cayman, Malta, Fiji, Indonesia, China and Vietnam.

The geographical segments represent the location in which the transaction was booked.

NOTE 34 Life Insurance Business

The following information, in accordance with AASB 1038: Life Insurance Business, is provided to disclose the statutory life insurance business transactions contained in the Group financial statements and the underlying methods and assumptions used in their calculation. Also refer to Notes 1(ii) and 21. The insurance segment result is prepared on a business segment basis, refer to Note 33.

		GROUP
Summarised Statement of Financial Performance	**2005 $M**	2004 $M
Premium and related revenue	**1,500**	1,362
Outward reinsurance premiums expense	**(231)**	(194)
Claims expense	**(422)**	(501)
Reinsurance recoveries	**122**	139
Investment revenue (excluding investments in subsidiaries)		
Equity securities	**1,635**	1,582
Debt securities	**795**	558
Property	**353**	238
Other	**411**	399
Life insurance policy liabilities expense	**(2,686)**	(1,972)
Margin on services operating income	**1,477**	1,611
Change in excess of net market values over net assets of life insurance controlled entities	**778**	201
Life Insurance operating income	**2,255**	1,812
Administration expense	**(787)**	(790)[1]
Operating profit before income tax	**1,468**	1,022
Income tax attributable to operating profit	**(314)**	(300)
Operating profit after income tax	**1,154**	722
Outside equity interest in operating profit after income tax	**(5)**	(8)
Net profit after income tax	**1,149**	**714**

Sources of life insurance operating profit

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

Emergence of planned profit margins	**206**	186
Difference between actual and planned experience	**(2)**	6
Movement in excess of net market value over net assets of controlled entities	**778**	201
Reversal of previously recognised losses or loss recognition on groups of related products	**-**	10
Investment earnings on assets in excess of policyholder liabilities	**167**	311
Operating profit after income tax	**1,149**	714
Life insurance premiums received and receivable	**3,112**	3,688
Life insurance claims paid and payable	**4,632**	4,356

(1) In 2004 volume expenses were netted against margin on services operating income. For 2005 these expenses have been shown gross and the comparatives restated for consistency.

NOTE 34 Life Insurance Business continued

Carrying Values of Life Insurance and Funds Management Business

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			
Analysis of Movement since 30 June 2004	**Funds Management $M**	**Australia $M**	**New Zealand $M**	**Asia(1) $M**	**Total $M**
Profits	349	176	71	50	646
Net capital movements (2)	(121)	195	(79)	1	(4)
Dividends paid	(213)	(485)	-	(4)	(702)
Acquisitions (3)	(30)	-	-	-	(30)
Foreign exchange movements	-	-	2	(60)	(58)
Change in Shareholders net tangible assets	(15)	(114)	(6)	(13)	(148)
Acquired excess(3)	30	-	-	-	30
Net appraisal value uplift/(reduction)	301	333	146	(2)	778
Increase/(Decrease) to 30 June 2005	**316**	**219**	**140**	**(15)**	**660**
Shareholders' Net Tangible Assets					
30 June 2004 balance	515	1,131	415	600	2,661
Profits	349	176	71	50	646
Net capital movements (2)	(121)	195	(79)	1	(4)
Dividends paid	(213)	(485)	-	(4)	(702)
Acquisitions (3)	(30)	-	-	-	(30)
Foreign exchange movements	-	-	2	(60)	(58)
30 June 2005 balance	**500**	**1,017**	**409**	**587**	**2,513**
Value In Force Business					
30 June 2004 balance	1,850	295	286	-	2,431
Uplift	9	238	73	-	320
30 June 2005 balance	**1,859**	**533**	**359**	**-**	**2,751**
Value Future New Business					
30 June 2004 balance	2,774	235	277	24	3,310
Acquisitions (3)	30	-	-	-	30
Uplift/(reduction)	292	95	73	(2)	458
30 June 2005 balance	**3,096**	**330**	**350**	**22**	**3,798**

(1) The Asian life businesses are not held in the 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. Subject to regulatory approval, the disposal of the Hong Kong life insurance operations will occur subsequent to 30 June 2005. Refer to Note 1 (pp) to the Financial Statements for further information.

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

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

NOTE 34 Life Insurance Business continued

Carrying Value at 30 June 2005	Funds Management $M	Life Insurance Australia $M	New Zealand $M	Asia[1] $M	Total $M
Shareholders' net tangible assets	**500**	**1,017**	**409**	**587**	**2,513**
Value in force business	**1,859**	**533**	**359**	**-**	**2,751**
Embedded value	**2,359**	**1,550**	**768**	**587**	**5,264**
Value future new business	**3,096**	**330**	**350**	**22**	**3,798**
Carrying Value	**5,455**	**1,880**	**1,118**	**609**	**9,062**

(1) The Asian life businesses are not held in the 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. Subject to regulatory approval, the disposal of the Hong Kong life insurance operations will occur subsequent to 30 June 2005. Refer to Note 1 (pp) to the Financial Statements for further information.

Change in Valuations

The valuations adopted have resulted in a total positive change in value of $660 million since 30 June 2004. The main components comprised:

- An appraisal value uplift of $778 million, reflecting growth in Funds under Administration and improved fund flows, while persistency levels and claims ratios improved across each of the insurance businesses. The uplift also includes the negative impact of continued uncertainty of investment markets and industry funds flows;
- Decrease due to dividends in excess of profits of $56 million; and
- A $62 million decrease in net tangible assets due to net capital and foreign exchange movements.

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 Note 31.

Reconciliation of the Components of the Carrying Value to the Value of Investments in Non-Consolidated Subsidiaries

	2005 $M	2004 $M
Intangible component of investment in non-consolidated subsidiaries deducted from Tier One capital comprises:		
Value future new business	**3,798**	3,310
Value of self-generated in force business	**1,599**	1,279
Other [1]	**-**	85
	5,397	4,674
Investment in non-consolidated subsidiaries deducted from Total Capital comprises:		
Shareholders' net tangible assets in life and funds management businesses	**2,513**	2,661
Capital in other non-consolidated subsidiaries	**348**	351
Value of acquired in force business	**1,152**	1,152
Less non-recourse debt	**(2,292)**	(2,278)
	1,721	1,886

(1) Relates to revised APRT 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 are described in the section Actuarial Methods and Assumptions.

As at 30 June 2005	New Business Multiplier	Risk Discount Rate %	Value of Franking Credits %
Life insurance entities			
Australia	**8**	**10.1**	**70**
New Zealand	**9**	**9.8**	**-**
Asia			
- Hong Kong[1]	**n/a**	**n/a**	**-**
- Other	**various**	**various**	**-**
Funds management entities			
Australia	**n/a**	**11.7**	**70**

(1) Refer Note 1 (pp) for comments relating to the sale of the Hong Kong life insurance entities.

NOTE 34 Life Insurance Business continued

As at 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 10-year government bond yield as the proxy for the risk free rate.

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

The assumptions for future new business are set after considering current levels of new business and the expected growth in business. A review of current experience has resulted in an increase in the future sales volume assumption for Australian funds management and life insurance businesses.

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 were set out in the various statutory returns of these life insurance businesses.

Components of Policy Liabilities	2005 $M	2004 $M
Future policy benefits [1]	**27,790**	27,779
Future bonuses	**1,385**	1,346
Future expenses	**1,829**	1,762
Future profit margins	**1,795**	1,472
Future charges for acquisition expenses	**(540)**	(527)
Balance of future premiums	**(7,660)**	(7,266)
Provisions for bonuses not allocated to participating policyholders	**95**	72
Total Policy Liabilities	**24,694**	24,638

(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 Life 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/expected claim payments
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

NOTE 34 Life Insurance Business continued

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 below is a summary of the material assumptions used in the calculation of policy liabilities. These assumptions were also used in the determination of appraisal values.

Discount Rates

These were the rates used to discount further 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.

	Discount Rates	
	June 2005	June 2004
Class of Business	**Rate Range %**	Rate Range %
Traditional – ordinary business (after tax)	**5.52 – 6.26**	6.11 – 6.86
Traditional – superannuation business (after tax)	**6.74 – 7.67**	7.46 – 8.40
Annuity business (after tax)	**4.37 – 6.49**	6.17 – 6.98
Term insurance – ordinary business (after tax)	**3.58 – 4.36**	3.45 – 4.15
Term insurance – superannuation business (after tax)	**3.58 – 3.85**	3.45 – 4.15
Disability business (before tax)	**5.11 – 5.70**	5.93
Investment linked – ordinary business (after tax)	**4.98 – 6.10**	5.61 – 6.04
Investment linked – superannuation business (after tax)	**6.50 – 6.71**	7.37 – 7.42
Investment linked – exempt (after tax)	**7.38 – 7.61**	8.41 – 8.80
Investment account – ordinary business (after tax)	**3.74**	4.32
Investment account – superannuation business (after tax)	**4.55**	5.25
Investment account – exempt (after tax)	**5.31**	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

Investment management expense assumptions now vary by asset classes and are based on the recently negotiated investment fees as set out in Fund Management Agreements. There has been no significant change to overall investment fees.

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 inforce. The experience has been broadly in line with assumptions. 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 are assumed to grow in line with assumed investment earnings assumptions, net of asset charges as per current company practice. There have been no significant changes to these assumptions.

Mortality and Morbidity

Rates vary by sex, age, product type and smoker status. Rates were based on standard mortality tables applicable to each territory e.g. IA95-97 in Australia for risk, IM/IF80 for annuities, adjusted for recent company and industry experience where appropriate. Mortality and morbidity assumptions have been reduced on some products.

NOTE 34 Life Insurance Business continued

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 life 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 and Fiduciary Activities

Arrangements were in place to ensure that asset management and other fiduciary activities of controlled entities were independent of the life 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 are 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.

NOTE 35 Remuneration of Auditors

	GROUP		BANK	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Amounts paid or due and payable for audit services to:				
Ernst & Young	**7,921**	6,969	**4,084**	2,664
Other Auditors	**114**	134	**-**	-
	8,035	7,103	**4,084**	2,664
Amounts paid or due and payable for non-audit services to Ernst & Young:				
Audit related services	**2,077**	1,858	**1,664**	1,022
Taxation services	**16**	222	**8**	136
All other services				
Corporate finance services	**-**	203	**-**	203
Staff assistance services	**-**	13	**-**	13
Other services	**327**	569	**11**	284
	2,420[(1)]	2,865	**1,683**	1,658
Total Remuneration of Auditors	**10,455**	9,968	**5,767**	4,322

(1) An additional amount of $3,305,000 was paid to Ernst & Young by way of fees paid for Non-Audit Services provided to entities not consolidated into the Financial Statements. These relate predominately to audits, reviews, attestations and assurances for managed investment schemes and superannuation funds.

The Audit Committee has considered the non-audit services provided by Ernst & Young and is satisfied that the services and the level of fees are compatible with maintaining auditors' independence.

Audit related fees principally include audit of the Group's US Forms 20-F and 6k, services in relation to regulatory requirements and other services that only the external auditor can provide, as well as investigations and reviews of internal control systems and financial or regulatory information.

Taxation fees include income tax and GST compliance and related advice, and tax technology and related training.

All other fees principally include transaction support services related to potential and actual acquisition and disposition transactions and advice regarding implementation of revised compliance and regulatory requirements.

NOTE 36 Commitments for Capital Expenditure Not Provided for in the Accounts

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Not later than one year	**13**	44	**13**	42
Later than one year but not later than two years	**-**	2	**-**	-
Total Commitments for Capital Expenditure Not Provided for in the Accounts	**13**	46	**13**	42

NOTE 37 Lease Commitments - Property, Plant and Equipment

	GROUP		BANK	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Commitments in respect of non cancellable operating lease agreements due:				
Not later than one year	**297**	295	**263**	241
Later than one year but not later than five years	**635**	646	**540**	522
Later than five years	**214**	207	**165**	150
Total Lease Commitments - Property, Plant and Equipment	**1,146**	1,148	**968**	913
Group's share of lease commitments of associated entities:				
Not later than one year	**-**	12		
Later than one year but not later than five years	**-**	16		
Total Lease Commitments - Property, Plant and Equipment	**-**	28		

Lease Arrangements

Leases entered into by the Group are for the purpose of accommodating the business needs. Leases may be over retail, commercial, industrial and residential premises and reflect the needs of the occupying business and market conditions. All leases are negotiated using either internal or external professional property resources acting for the Group.

Rental payments are determined in terms of relevant lease requirements, usually reflecting market rentals.

The Group as lessee has no purchase options over premises occupied.

There are no restrictions imposed on the Group's lease of space other than those forming part of the negotiated lease arrangements for each specific premise.

NOTE 38 Contingent Liabilities and Assets

The Group is involved in a range of transactions that give rise to contingent and/or future liabilities. These transactions meet the financing requirements of customers and include endorsed bills of exchange, letters of credit, guarantees and commitments to provide credit.

These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. In accordance with Bank policy, exposure to any of these transactions is not carried at a level that would have a material adverse effect on the financial condition of the Bank and its controlled entities.

Details of contingent liabilities and off balance sheet business (excluding Derivatives – Note 39) are:

				GROUP
		Face Value		**Credit Equivalent**
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Credit risk related instruments				
Guarantees	**2,438**	2,230	**2,438**	2,230
Standby letters of credit	**321**	362	**321**	362
Bill endorsements	**276**	308	**276**	308
Documentary letters of credit	**185**	171	**37**	34
Performance related contingents	**1,095**	898	**547**	449
Commitments to provide credit	**76,162**	64,651	**13,421**	12,329
Other commitments	**8,279**	7,158	**942**	1,156
Total credit risk related instruments	**88,756**	75,778	**17,982**	16,868

Guarantees represent unconditional undertakings by the Bank (or Group entity) to support the obligations of its customers to third parties.

Standby letters of credit are undertakings by the Bank (or Group entity) to pay, against production of documents, an obligation in the event of a default by a customer.

Bill endorsements relate to bills of exchange that have been endorsed by the Bank (or Group entity) and represent liabilities in the event of default by the acceptor and the drawer of the bill.

Documentary letters of credit represent an undertaking to pay or accept drafts drawn by an overseas supplier of goods against production of documents in the event of payment default by a customer.

Performance related contingents involve undertakings by the Bank (or Group entity) to pay third parties if a customer fails to fulfil a contractual non-monetary obligation.

Commitments to provide credit include all obligations on the part of the Bank (or Group entity) to provide credit facilities.

Other commitments include the Bank's (or Group entity) obligations under sale and repurchase agreements, outright forward purchases and forward deposits and underwriting facilities.

The transactions are categorised and credit equivalents calculated under APRA guidelines for the risk based measurement of capital adequacy. The credit equivalent amounts are a measure of the potential loss to the Group in the event of non performance by counterparty.

The credit equivalent exposure from direct credit substitutes (guarantees, standby letters of credit and bill endorsements) is the face value of the transaction, whereas the credit equivalent exposure to documentary letters of credit and performance related contingents is 20% and 50% respectively of the face value. The exposure to commitments to provide credit is calculated by applying given credit conversion factors to the face value to reflect the duration, the nature and the certainty of the contractual undertaking to provide the facility.

Where the potential loss depends on the performance of a counterparty, the Group utilises the same credit policies and assessment criteria for off balance sheet business as it does for on balance sheet business and if it is deemed necessary, collateral is obtained based on management's credit evaluation of the counterparty. If a probable loss is identified, suitable provisions are raised.

Contingent Assets

The credit risk related contingent liabilities of $88,756 million (2004: $75,778 million) detailed above also represent contingent assets of the Group. Such commitments to provide credit may in the normal course convert to loans and other assets of the Group.

Litigation

Neither the Commonwealth Bank nor any of its controlled entities is engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Commonwealth Bank or any of its controlled entities. Where some loss is probable an appropriate provision has been made.

NOTE 38 Contingent Liabilities and Assets continued

Fiduciary Activities

The Group and its associated entities conduct investment management and other fiduciary activities as responsible entity, trustee, or manager for numerous investment funds and trusts, including superannuation and approved deposit funds, wholesale and retail trusts. The amounts of funds concerned that are not reported in the Group's balance sheet are as follows:

	2005 $M	2004 $M
Funds under administration		
Australia	**77,208**	67,393
United Kingdom	**11,914**	10,721
New Zealand	**8,579**	7,614
Asia	**2,404**	1,203
	100,105	86,931

Certain entities within the Group act as responsible entity or trustee of virtually all managed schemes ("schemes"), wholesale and retail trusts ("trusts") managed by the Group in Australia, United Kingdom and New Zealand. The above funds under administration do not include on balance sheet investments and policyholder liabilities held in the statutory funds of the life insurance business (refer to Note 16) where an entity within the Group may act as a trustee. Liabilities are incurred by these entities in their capacity as responsible entity or trustee. Rights of indemnity are held against the schemes and trusts whose assets exceeded their liabilities at 30 June 2005. Where entities within the Group act as manager of unit trusts, obligations exist under the relevant Trust Deeds, whereby upon request from a unit holder, the manager has an obligation to repurchase units from the trust or to arrange for the relevant trustee to redeem units from the assets of those trusts. It is considered unlikely that these entities will need to repurchase units from their own funds.

The Commonwealth Bank of Australia does not guarantee the performance or obligations of its subsidiaries.

Long Term Contracts

In 1997, the Bank entered into a ten year contract with EDS (Australia) Pty Ltd, relating to the provision of information technology services.

In 2000, the Bank entered into a five year agreement with TCNZ Australia Pty Ltd for the provision of telecommunications services. During 2004/05 the majority of the services under this agreement were extended to August 2008.

Failure to Settle Risk

In accordance with the regulations and procedures governing clearing arrangements contained within the Australian Paper Clearing System ("Clearing 1"), the Bulk Electronic Clearing System ("Clearing 2"), the Consumer Electronic Clearing System ("Clearing 3") and the High Value Clearing System ("Clearing Stream 4", only if operating in 'bypass mode') of the Australian Payments Clearing Association Limited, the Bank is subject to a credit risk exposure in the event that another financial institution fails to settle for its payments clearing activities. This credit risk exposure is unquantifiable in advance.

Service Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and Specified Executives of the Company and its controlled entities at 30 June 2005 was $7 million (2004: $8 million).

Notes to the financial statements

NOTE 39 Market Risk

The Bank in its daily operations is exposed to a number of market risks. Market risk relates to the risk that market rates and prices will change and that this will have an adverse affect on the profitability and/or net worth of the Bank, e.g. an adverse interest rate movement. Market risk also includes operational risks of market access for funding and liquidity.

Under the authority of the Board of Directors, the Risk Committee of the Board ensures the risk tolerance of the Group is consistent with the business strategy and that all the market risk exposure is managed within their mandated tolerance. Regular market risk reports are tabled before the Risk Committee of the Board.

Within the Group, market risk is greatest in the management of the balance sheets of the banking and insurance businesses. Market risk also arises in the course of its intermediation activities in financial services and in financial markets trading.

Market Risk in Balance Sheet Management

The Risk Committee of the Board approves the Bank's balance sheet market risk policies and limits. Implementation of the policy is through the Asset and Liability Committee, which is chaired by the Chief Executive Officer, and with operational management delegated to the Group Executives of the associated business units.

For bank balance sheets, market risk includes liquidity risk, funding risk, interest rate risk and foreign exchange risk. On life and general insurance balance sheets, market risk is part of the principal means by which long term liabilities are managed. In this sense and in contrast to banking, market risk is structural for these businesses.

Liquidity risk

Balance sheet liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Group manages liquidity requirements by currency and by geographical location of all its operations. Liquidity policy and management strategies are in place to manage liquidity in a day-to-day sense, and also under crisis scenarios.

APRA Prudential Standards require each bank to develop a liquidity management strategy that is appropriate for itself, based on its size and nature of operations. The objectives of the Group's liquidity policies are to:

- Ensure all financial obligations are met when due;
- Provide adequate protection, even under crisis scenarios, at lowest cost; and
- Achieve sustainable, lowest-cost funding within the limitations of funding diversification requirements.

Funding risk

Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. The funding policy augments the liquidity policy with its aim to assure the Group has a stable diversified funding base without over-reliance on any one market sector.

Domestically, the Group continues to obtain the majority of its AUD funding from a stable retail deposit base, which has a lower interest cost than wholesale funds. The relative size of the Group's retail base has enabled it to source funds at a lower than average rate of interest than the other major Australian banks. Funding diversification is particularly important in offshore markets where the absence of any 'natural' offshore funding base means the Group is principally reliant on money market and capital market sources for funding. The Group has imposed internal prudential constraints on the relative mix of offshore sources of funds.

The following table outlines the range of financial instruments used by the Group to raise deposits and borrowings, both within Australia and overseas. Funds are raised from well-diversified sources and there are no material concentrations in these categories.

Market Risk		**GROUP**
	2005	2004
	$M	$M
Australia		
Cheque accounts	**27,455**	24,699
Savings accounts	**31,947**	31,067
Term deposits	**41,582**	38,530
Cash management accounts	**21,831**	20,756
Debt issues	**40,240**	27,688
Bank acceptances	**16,786**	15,019
Certificates of deposit	**16,041**	20,516
Life insurance policy liabilities	**20,636**	20,834
Loan capital	**6,291**	6,539
Securities sold under agreements to repurchase and short sales	**2,258**	3,585
Other	**2,708**	2,383
Total Australia	**227,775**	211,616
Overseas		
Deposits and interbank	**32,230**	28,282
Commercial paper	**12,266**	8,776
Life Insurance policy liabilities	**4,058**	3,804
Other debt issues	**6,115**	7,578
Loan capital	**-**	92
Total Overseas	**54,669**	48,532
Total Funding Sources	**282,444**	260,148
Provisions and other liabilities	**20,531**	20,962
Total Liabilities	**302,975**	281,110

NOTE 39 Market Risk continued

Interest rate risk (Banking)

Interest rate risk in the Banking balance sheet arises from the potential for a change in interest rates to have an adverse affect on the net interest earnings, in the current reporting period and in future years. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities. The objective is to manage the interest rate risk to achieve stable and sustainable net interest earnings in the long term.

The Bank measures and manages balance sheet interest rate risk from two perspectives:

(a) Next 12 months earnings

The risk to the net interest earnings over the next 12 months for a change in interest rates is measured on a monthly basis. Risk is measured assuming an immediate 1% parallel movement in interest rates across the whole yield curve as well as other interest rate scenarios with variations in size and timing of interest rate movements. Potential variations in net interest earnings are measured using a simulation model that takes into account the projected change in balance sheet asset and liability levels and mix. Assets and liabilities with pricing directly based on market rates are repriced based on the full extent of the rate shock that is applied. Risk on the other assets and liabilities (those priced at the discretion of the Bank) is measured by taking into account both the manner the products have repriced in the past as well as the expected change in price based on the current competitive market environment.

The figures in the table represent the potential change to net interest earnings during the year (expressed as a percentage of expected net interest earnings in the next 12 months) based on a 1% parallel rate shock and the expected change in price of assets and liabilities held for purposes other than trading.

(expressed as a percentage of expected next 12 months' earnings)	**2005 %**	2004 %
Average monthly exposure	**1.1**	0.9
High month exposure	**1.5**	1.3
Low month exposure	**0.5**	0.5

(b) Economic value

Some of the Bank's assets and liabilities have interest rate risk that is not fully captured within a measure of risk to the next 12 months earnings. To measure this longer-term sensitivity, the Bank utilises an economic value-at-risk ("VaR") analysis. This analysis measures the potential change in the net present value of cash flows of assets and liabilities. Cash flows for fixed rate products are included on a contractual basis, after adjustment for forecast prepayment activities. Cash flows for products repriced at the discretion of the Bank are based on the expected repricing characteristics of those products.

The total cash flows are revalued under a range of possible interest rate scenarios using the VaR methodology. The interest rate scenarios are based on actual interest rate movements that have occurred over one year and five year historical observation periods. The measured VaR exposure is an estimate to a 97.5% confidence level (one-tail) of the potential loss that could occur if the balance sheet positions were to be held unchanged for a one month holding period. For example, VaR exposure of $1 million means that in 97.5 cases out of 100, the expected net present value will not decrease by more than $1 million given the historical movement in interest rates.

The figures in the following table represent the net present value of the expected change in future earnings in all future periods for the remaining term of all existing assets and liabilities held for purposes other than trading.

	2005 $M	2004 $M
Exposure as at 30 June	**7**	19
Average monthly exposure	**24**	40
High month exposure	**78**	92
Low month exposure	**5**	19

NOTE 39 Market Risk continued

The following table represents the Bank's contractual interest rate sensitivity for repricing mismatches as at 30 June 2005 and corresponding weighted average effective interest rates. The net mismatch represents the net value of assets, liabilities and off balance sheet instruments that may be repriced in the time periods shown. All assets and liabilities are shown according to contractual repricing dates. Options are shown in the mismatch report using the delta equivalents of the option face values.

Interest Rate Risk Sensitivity

	Repricing Period at 30 June 2005								
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Australia									
Assets									
Cash and liquid assets	4,464	3,181	-	-	-	-	-	1,283	4.95
Receivables due from other financial institutions	3,691	2,946	559	86	-	-	-	100	3.61
Trading securities	11,023	11,012	-	-	-	-	-	11	4.77
Investment securities	4,571	1,152	121	289	147	2,240	620	2	6.01
Loans, advances and other receivables	180,641	113,110	11,792	8,633	13,169	33,107	2,097	(1,267)	7.25
Bank acceptances of customers	16,786	-	-	-	-	-	-	16,786	-
Life insurance investment assets	23,124	3,145	896	77	364	2,505	2,156	13,981	4.67
Property, plant and equipment	1,190	-	-	-	-	-	-	1,190	-
Intangible assets	3,987	-	-	-	-	-	-	3,987	-
Other assets	22,421	-	-	-	-	-	-	22,421	-
Total Assets	271,898	134,546	13,368	9,085	13,680	37,852	4,873	58,494	5.65
Liabilities									
Deposits and other public borrowings	141,114	93,701	21,222	12,435	4,479	3,288	136	5,853	4.27
Payables due to other financial institutions	2,708	2,086	544	56	9	13	-	-	3.45
Bank acceptances	16,786	-	-	-	-	-	-	16,786	-
Provision for dividend	14	-	-	-	-	-	-	14	-
Income tax liability	1,465	-	-	-	-	-	-	1,465	-
Other provisions	840	-	-	-	-	-	-	840	-
Life insurance policy liabilities	20,636	-	-	-	-	-	-	20,636(1)	-
Debt issues	40,240	6,751	18,299	2,385	1,458	10,847	500	-	5.80
Bills payable and other liabilities	17,311	-	-	-	-	-	-	17,311	-
Loan capital	6,291	608	2,202	146	-	1,939	1,396	-	7.13
Total Liabilities	247,405	103,146	42,267	15,022	5,946	16,087	2,032	62,905	3.60
Shareholders' Equity									
Share capital	18,846	-	-	-	-	-	-	18,846	
Outside equity interests	1,270	-	-	-	-	-	-	1,270	
Total Shareholders' Equity	20,116	-	-	-	-	-	-	20,116	
Off Balance Sheet Items									
Swaps	(2)	3,296	(17,956)	4,543	3,322	6,726	69	-	(3)
Options	(2)	-	84	(15)	-	(69)	-	-	(3)
Futures	(2)	-	3,420	3,196	(3,890)	(2,208)	(518)	-	(3)
Net Mismatch	(2)	34,696	(43,351)	1,787	7,166	26,214	2,392	(24,527)	(3)
Cumulative Mismatch	(2)	34,696	(8,655)	(6,868)	298	26,512	28,904	4,377	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates. This is particularly so with investment linked policies.
(2) No balance sheet amount applicable.
(3) No rate applicable.

NOTE 39 Market Risk continued

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
	Repricing Period at 30 June 2005								
Overseas									
Assets									
Cash and liquid assets	1,251	1,094	82	-	1	-	-	74	2.77
Receivables due from other financial institutions	2,514	1,017	1,143	351	-	-	-	3	3.60
Trading securities	3,605	291	2,335	152	97	492	233	5	5.81
Investment securities	5,701	500	3,406	573	151	713	357	1	4.37
Loans, advances and other receivables	36,875	11,633	3,633	3,027	6,449	12,158	98	(123)	7.49
Life insurance investment assets	4,713	1,005	64	9	25	433	831	2,346	2.32
Deposits with regulatory authorities	45	-	-	-	-	-	-	45	-
Property, plant and equipment	154	-	-	-	-	-	-	154	-
Intangible assets	407	-	-	-	-	-	-	407	-
Other assets	1,872	-	-	-	-	-	-	1,872	-
Total Assets	57,137	15,540	10,663	4,112	6,723	13,796	1,519	4,784	6.04
Liabilities									
Deposits and other public borrowings	26,915	16,866	4,995	3,220	1,102	542	186	4	5.44
Payables due to other financial institutions	5,315	3,538	670	870	237	-	-	-	4.23
Income tax liability	85	-	-	-	-	-	-	85	-
Other provisions	41	-	-	-	-	-	-	41	-
Life insurance policy liabilities	4,058	-	-	-	-	-	-	4,058 (1)	-
Debt issues	18,381	3,378	4,059	9,389	387	1,122	46	-	2.28
Bills payable and other liabilities	774	-	-	-	-	-	-	774	-
Total Liabilities	55,569	23,782	9,724	13,479	1,726	1,664	232	4,962	3.80
Shareholders' Equity									
Share capital	5,425	-	-	-	-	-	-	5,425	
Outside equity interests	519	-	-	-	-	-	-	519	
Total Shareholders' Equity	5,944	-	-	-	-	-	-	5,944	
Off Balance Sheet Items									
Swaps	(2)	3,942	9,056	(1,039)	(3,254)	(8,832)	87	39	(3)
FRAs	(2)	(459)	463	(551)	547	-	-	-	(3)
Futures	(2)	-	1,167	(592)	(575)	-	-	-	(3)
Net Mismatch	(2)	(4,759)	11,625	(11,549)	1,715	3,300	1,374	(6,083)	(3)
Cumulative Mismatch	(2)	(4,759)	6,866	(4,683)	(2,968)	332	1,706	(4,377)	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates. This is particularly so with investment linked policies.
(2) No balance sheet amount applicable.
(3) No rate applicable.

As noted above the cumulative mismatch reflects contractual repricing periods. The balance sheet is managed based on assessments of expected pricing behaviour having regard to historical trends and competitive positioning.

The Group has a significant portfolio of loans with fixed interest rates maturing in the one to five years repricing period. Funding is principally raised from retail deposits with at call variable interest rates. The interest rate risk exposure is managed in accordance with the principles outlined above in this note.

Notes to the financial statements

NOTE 39 Market Risk continued

								Repricing Period at 30 June 2004	
	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
Australia									
Assets									
Cash and liquid assets	5,740	4,802	-	-	4	-	-	934	3.27
Receivables due from other financial institutions	4,914	3,657	1,076	78	2	-	-	101	2.88
Trading securities	11,310	11,310	-	-	-	-	-	-	3.53
Investment securities	3,822	81	180	792	17	1,966	782	4	6.09
Loans, advances and other receivables	158,915	96,547	10,283	8,776	14,148	28,444	1,989	(1,272)	6.89
Bank acceptances of customers	15,019	-	-	-	-	-	-	15,019	-
Life insurance investment assets	24,673	761	2,090	203	247	2,934	2,514	15,924	4.62
Property, plant and equipment	1,053	-	-	-	-	-	-	1,053	-
Goodwill	4,270	-	-	-	-	-	-	4,270	-
Other assets	23,236	-	-	-	-	-	-	23,236	-
Total Assets	252,952	117,158	13,629	9,849	14,418	33,344	5,285	59,269	5.16
Liabilities									
Deposits and other public borrowings	139,153	90,121	20,032	14,160	3,418	3,133	826	7,463	3.89
Payables due to other financial institutions	2,383	2,147	58	153	4	20	-	1	1.19
Bank acceptances	15,019	-	-	-	-	-	-	15,019	-
Provision for dividend	14	-	-	-	-	-	-	14	-
Income tax liability	757	-	-	-	-	-	-	757	-
Other provisions	954	-	-	-	-	-	-	954	-
Life insurance policy liabilities	20,834	-	-	-	-	-	-	20,834[(1)]	-
Debt issues	27,688	1,428	2,258	1,834	2,022	14,370	5,776	-	5.27
Bills payable and other liabilities	15,802	-	-	-	-	-	-	15,802	-
Loan capital	6,539	331	221	613	999	1,825	2,550	-	4.57
Total Liabilities	229,143	94,027	22,569	16,760	6,443	19,348	9,152	60,844	3.14
Shareholders' Equity									
Share capital	21,079	-	-	-	-	-	-	21,079	
Outside equity interests	2,288	-	-	-	-	-	-	2,288	
Total Shareholders' Equity	23,367	-	-	-	-	-	-	23,367	
Off Balance Sheet Items									
Swaps	(2)	(10,161)	(12,663)	8,173	954	8,150	5,547	-	(3)
Options	(2)	(426)	-	176	-	75	175	-	(3)
Futures	(2)	-	5,171	(10,311)	6,264	(902)	(222)	-	(3)
Net Mismatch	(2)	12,544	(16,432)	(8,873)	15,193	21,319	1,633	(24,942)	(3)
Cumulative Mismatch	(2)	12,544	(3,888)	(12,761)	2,432	23,751	25,384	442	(3)

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates. This is particularly so with investment linked policies.
(2) No balance sheet amount applicable.
(3) No rate applicable.

NOTE 39 Market Risk continued

	Balance Sheet Total $M	0 to 1 month $M	1 to 3 months $M	3 to 6 months $M	6 to 12 months $M	1 to 5 years $M	Over 5 years $M	Not Interest Bearing $M	Weighted Average Rate %
	Repricing Period at 30 June 2004								
Overseas									
Assets									
Cash and liquid assets	713	493	116	-	30	-	-	74	2.23
Receivables due from other financial institutions	3,455	2,005	1,423	15	-	-	-	12	3.20
Trading securities	3,586	2,021	1,237	221	60	25	22	-	4.29
Investment securities	7,625	827	2,193	622	374	1,843	1,766	-	4.00
Loans, advances and other receivables	30,476	10,868	2,671	2,616	4,233	9,509	700	(121)	6.87
Life insurance investment assets	4,269	67	54	32	71	990	955	2,100	2.11
Deposits with regulatory authorities	38	-	-	-	-	-	-	38	-
Property, plant and equipment	151	-	-	-	-	-	-	151	-
Goodwill	435	-	-	-	-	-	-	435	-
Other assets	2,295	-	-	-	-	-	-	2,295	-
Total Assets	53,043	16,281	7,694	3,506	4,768	12,367	3,443	4,984	5.22
Liabilities									
Deposits and other public borrowings	24,024	14,697	4,636	2,605	1,095	515	14	462	4.22
Payables due to other financial institutions	4,258	2,844	928	485	1	-	-	-	2.80
Income tax liability	54	-	-	-	-	-	-	54	-
Other provisions	43	-	-	-	-	-	-	43	-
Life insurance policy liabilities	3,804	-	-	-	-	-	-	3,804[1]	-
Debt issues	16,354	2,919	2,411	8,504	328	1,664	481	47	1.72
Bills payable and other liabilities	3,338	-	-	-	-	-	-	3,338	-
Loan capital	92	-	-	92	-	-	-	-	8.22
Total Liabilities	51,967	20,460	7,975	11,686	1,424	2,179	495	7,748	2.74
Shareholders' Equity									
Share capital	1,326	-	-	-	-	-	-	1,326	
Outside equity interests	192	-	-	-	-	-	-	192	
Total Shareholders' Equity	1,518	-	-	-	-	-	-	1,518	
Off Balance Sheet Items									
Options	[2]	3,273	5,205	(186)	(2,073)	(6,381)	115	47	[3]
Swaps	[2]	-	-	(61)	61	-	-	-	[3]
FRAs	[2]	(820)	(137)	547	410	-	-	-	[3]
Futures	[2]	-	218	(185)	526	(559)	-	-	[3]
Net Mismatch	[2]	(1,726)	5,005	(8,065)	2,268	3,248	3,063	(4,235)	[3]
Cumulative Mismatch	[2]	(1,726)	3,279	(4,786)	(2,518)	730	3,793	(442)	[3]

(1) Technically, the insurance policy liabilities are not interest bearing, but the amount of the liability may change in line with changes in interest rates. This is particularly so with investment linked policies.
(2) No balance sheet amount applicable.
(3) No rate applicable.

NOTE 39 Market Risk continued

As at 30 June	Exchange Rate Related Contracts 2005 $M	Exchange Rate Related Contracts 2004 $M	Interest Rate Related Contracts 2005 $M	Interest Rate Related Contracts 2004 $M	Total 2005 $M	Total 2004 $M
Within 6 months	**(8)**	99	**(51)**	(34)	**(59)**	65
Within 6 months - 1 year	**(7)**	4	**17**	(13)	**10**	(9)
Within 1 - 2 years	**29**	(21)	**(20)**	16	**9**	(5)
Within 2 - 5 years	**34**	59	**(208)**	(190)	**(174)**	(131)
After 5 years	**65**	7	**(87)**	(698)	**(22)**	(691)
Net deferred gain/(loss)	**113**	148	**(349)**	(919)	**(236)**	(771)

Foreign exchange risk

Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. The Bank hedges all balance sheet foreign exchange risks except for long term investments in offshore subsidiaries.

Net deferred gains and losses

Net deferred unrealised gains and losses arising from derivative hedging contracts entered into in order to manage risk arising from assets, liabilities, commitments of anticipated future transactions, together with the expected term of deferral are shown above.

Net deferred gains and losses are only in respect of derivatives and must be considered in the context of the total interest rate and foreign exchange rate risk of the balance sheet. The deferred gains and losses on both derivatives and on balance sheet assets and liabilities are included in the economic VaR measure outline above.

Additionally, there is $42 million of net deferred losses on derivatives (2004: $31 million net deferred gains) used to hedge equity risk on investments disclosed within Note 11.

Market Risk in the provision of Financial Services

Market risk in the life insurance business arises from mismatches between asset returns and guaranteed liability returns on some policy changes (which may not be capable of being hedged through matching assets), adverse movements in market prices affecting fee income on investment-linked policies and from returns obtained from investing the shareholders capital held in each life company. As at 30 June 2005, shareholders' funds in the life insurance business are invested 75% in income assets (cash and fixed interest) and 25% in growth assets (shares and property) with the asset mix varying from company to company. Policyholder funds are invested to meet policyholders' reasonable expectations without putting the shareholder at undue risk.

The Bank provides operating leases to customers on equipment such as motor vehicles, computers and industrial equipment. Residual value risk is the risk that the amount recouped by selling the equipment at lease expiry will be less than the residual value of the lease. In managing this risk the Bank utilises industry experts to ensure that the residual value of equipment is prudently estimated at the start of the lease and the Bank realises the maximum value of the equipment at lease expiry.

Market Risk in Financial Markets Trading

The Group trades and distributes financial markets products and provides risk management services to clients on a global basis.

The objectives of the Group's financial markets activities are to:

- Provide risk management products and services to customers;
- Efficiently assist in managing the Group's own market risks; and
- Conduct profitable trading within a controlled framework, leveraging off the Bank's market presence and expertise.

The Group maintains access to markets by quoting bid and offer prices with other market makers and carries an inventory of treasury and capital market instruments, including a broad range of securities and derivatives.

In foreign exchange, the Group is a participant in all major currencies and is a major participant in the Australian dollar market, providing services for central banks, institutional, corporate and retail customers. Positions are also taken in the interest rate, debt, equity and commodity markets based on views of future market movements. Trading securities are further detailed in Note 10 to the financial statements.

Income is earned from spreads achieved through market making and from taking outright market risk. All trading positions are valued daily and taken to profit and loss on a mark to market basis. Trading profits also take account of interest, dividends and funding costs relating to trading activities. Market liquidity risk is controlled by focusing trading activity in highly liquid markets.

Note 2 to the financial statements details Financial Markets Trading Income contribution to the income of the Group. In addition, this contribution provides important diversification benefits to the Group.

Derivative Contracts

The table on the next page details the Group's outstanding derivative contracts as at the end of the year.

Each derivative type is split between those held for 'Trading' purposes and those for 'Other than Trading' purposes. Derivatives classified as 'Other than Trading' are transactions entered into in order to manage the risks arising from non-traded assets, liabilities and commitments in Australia and offshore centres.

The 'Face Value' is the notional or contractual amount of the derivatives. This amount is not necessarily exchanged and predominantly acts as a reference value upon which interest payments and net settlements can be calculated and on which revaluation is based.

The 'Credit Equivalent' is calculated using a standard APRA formula and is disclosed for each product class. This amount is a measure of the on balance sheet loan equivalent of the derivative contracts, which includes a specified percentage of the face value of each contract plus the market value of all contracts with an unrealised gain at balance date. The Credit Equivalent does not take into account any benefits of netting exposures to individual counterparties.

The accounting policy for derivative financial instruments is set out in Note 1(ff).

NOTE 39 Market Risk continued

	Face Value		GROUP Credit Equivalent	
	2005 $M	2004 $M	**2005 $M**	2004 $M
Derivatives				
Exchange rate related contracts				
Forwards				
Trading	**164,491**	151,595	**3,542**	3,083
Other than trading	**31,776**	30,983	**786**	1,504
Total Forwards	**196,267**	182,578	**4,328**	4,587
Swaps				
Trading (1)	**85,978**	61,688	**7,439**	5,242
Other than trading	**46,969**	38,671	**2,165**	2,855
Total Swaps	**132,947**	100,359	**9,604**	8,097
Futures				
Trading	**25**	1	**-**	-
Other than trading	**-**	-	**-**	-
Total Futures	**25**	1	**-**	-
Options purchased and sold				
Trading	**21,523**	64,930	**304**	856
Other than trading	**141**	126	**5**	2
Total Options Purchased and Sold	**21,664**	65,056	**309**	858
Total Exchange Rate Related Contracts	**350,903**	347,994	**14,241**	13,542
Interest rate related contracts				
Forwards				
Trading	**25,312**	28,311	**6**	13
Other than trading	**120**	500	**2**	11
Total Forwards	**25,432**	28,811	**8**	24
Swaps				
Trading (1)	**273,456**	139,297	**3,185**	2,276
Other than trading	**146,799**	201,510	**2,843**	3,033
Total Swaps	**420,255**	340,807	**6,028**	5,309
Futures				
Trading	**44,362**	38,525	**-**	67
Other than trading	**14,558**	17,251	**249**	-
Total Futures	**58,920**	55,776	**249**	67
Options purchased and sold				
Trading	**26,659**	15,100	**185**	110
Other than trading	**4,098**	4,683	**43**	15
Total Options Purchased and Sold	**30,757**	19,783	**228**	125
Total Interest Rate Related Contracts	**535,364**	445,177	**6,513**	5,525
Credit risk related contracts				
Swaps				
Trading	**3,002**	2,870	**250**	348
Other than trading	**3,972**	3,490	**290**	393
Total Swaps	**6,974**	6,360	**540**	741
Total Credit Risk Related Contracts	**6,974**	6,360	**540**	741
Equity risk related contracts				
Swaps				
Other than trading	**276**	340	**44**	33
Futures				
Other than trading	**115**	-	**115**	-
Options purchased and sold				
Trading	**395**	313	**27**	33
Other than trading	**29**	25	**3**	1
Total Options Purchased and Sold	**424**	338	**30**	34
Total Equity Risk Related Contracts	**815**	678	**189**	67
Total Derivatives Exposures	**894,056**	800,209	**21,483**	19,875

(1) Derivative book restructured to meet AIFRS hedging guidelines.

The Bank has also entered swaps to hedge property values and income related to investment property risk. Each of these has a face value of $252 million and a total credit equivalent of $5 million (2004: each has a face value of $252 million and a credit equivalent of $1 million.)

NOTE 39 Market Risk continued

The fair or market value of trading derivative contracts, disaggregated into gross unrealised gains and gross unrealised losses, are shown below. In line with the Group's accounting policy, these unrealised gains and losses are recognised immediately in profit and loss, and together with net realised gains on trading derivatives and realised and unrealised gains and losses on trading securities are reported within trading income under foreign exchange earnings, trading securities or other financial instruments (refer to Note 2). In aggregate, derivatives trading was profitable for the Group during the year.

	Fair Value		Average Fair Value	
	2005	2004	**2005**	2004
	$M	$M	**$M**	$M
Exchange rate related contracts				
Forward contracts:				
Gross unrealised gains	**1,532**	2,417	**2,147**	2,673
Gross unrealised losses	**(1,686)**	(2,742)	**(2,306)**	(2,975)
	(154)	(325)	**(159)**	(302)
Swaps:				
Gross unrealised gains	**6,602**	5,718	**6,409**	5,370
Gross unrealised losses	**(6,177)**	(4,335)	**(5,382)**	(4,145)
	425	1,383	**1,027**	1,225
Futures:				
Gross unrealised gains	**1**	-	**1**	1
Gross unrealised losses	**-**	(3)	**(1)**	(3)
	1	(3)	**-**	(2)
Options purchased and sold:				
Gross unrealised gains	**146**	482	**262**	822
Gross unrealised losses	**(191)**	(634)	**(351)**	(1,167)
	(45)	(152)	**(89)**	(345)
Net Unrealised Gains on Exchange Rate Related Contracts	**228**	903	**779**	576
Interest rate related contracts				
Forward contracts:				
Gross unrealised gains	**2**	4	**6**	6
Gross unrealised losses	**(2)**	(4)	**(5)**	(5)
	-	-	**1**	1
Swaps:				
Gross unrealised gains	**3,727**	4,084	**3,538**	4,833
Gross unrealised losses	**(3,761)**	(4,362)	**(3,792)**	(5,209)
	(34)	(278)	**(254)**	(376)
Futures:				
Gross unrealised gains	**10**	24	**14**	41
Gross unrealised losses	**(28)**	(25)	**(15)**	(50)
	(18)	(1)	**(1)**	(9)
Options purchased and sold:				
Gross unrealised gains	**108**	66	**74**	155
Gross unrealised losses	**(50)**	(57)	**(48)**	(123)
	58	9	**26**	32
Net Unrealised Losses on Interest Rate Related Contracts	**6**	(270)	**(228)**	(352)
Credit related trading derivative contracts				
Swaps:				
Gross unrealised gains	**4**	17	**7**	16
Gross unrealised losses	**(8)**	(11)	**(12)**	(13)
Net Unrealised Gains on Credit Related Contracts	**(4)**	6	**(5)**	3
Equity related contracts				
Options purchased and sold:				
Gross unrealised gains	**13**	15	**13**	12
Gross unrealised losses	**(13)**	(15)	**(13)**	(12)
Net Unrealised Gains on Equity Related Contracts	**-**	-	**-**	-
Net Unrealised Gains on Trading Derivative Contracts	**230**	639	**546**	227

NOTE 39 Market Risk continued

In accordance with the accounting policy set out in Note 1(ff) the above trading derivative contract revaluations have been presented on a gross basis on the balance sheet.

	Fair Value	
	2005	2004
	$M	$M
Unrealised gains on trading derivatives (Note 21)	**12,144**	12,827
Unrealised losses on trading derivatives (Note 27)	**11,914**	12,188
Net unrealised gains on trading derivatives	**230**	639

Note 40 Superannuation Commitments

The Group sponsors a range of superannuation plans for its employees world wide. Details of major defined benefit plans with assets in excess of $10 million are:

Name of Plan	Type	Form of Benefit	Date of Last Actuarial Review of the Fund
Officers' Superannuation Fund ("OSF")	Defined Benefits and Accumulation	Indexed pensions and lump sums	30 June 2003
Commonwealth Bank of Australia (UK) Staff Benefits Scheme ("CBA(UK)SBS")	Defined Benefits and Accumulation	Indexed pensions and lump sums	1 August 2003

Financial Details of Defined Benefits Plans

	OSF[1] **$M**	**CBA (UK)**[2] **SBS $M**	**Total $M**
Net Market Value of Assets[3]	5,761	311	**6,072**
Present Value of Accrued Benefits[4]	4,073	384	**4,457**
Difference between Net Market of Assets And Present Value of Accrued Benefits	1,688	(73)	**1,615**
Difference as a percentage of plan assets	29%	23%	**27%**
Value of Vested Benefits[4]	4,073	284	**4,357**

(1) The values for the OSF are the fund actuary's estimates as at 31 March 2005 (which are unaudited).
(2) The values for the CBA(UK)SBS are the fund actuary's estimates as at 31 March 2005 (which are unaudited).
(3) These values have been extracted from the latest available fund financial statements (which are unaudited).
(4) The Present Value of Accrued Benefits and Value of Vested Benefits for the OSF have been calculated in accordance with the Australian Accounting Standards AAS 25 Financial Reporting for Superannuation Plans. For CBA(UK)SBS, the Present Value of Accrued Benefits and Value of Vested Benefits have been calculated in accordance with relevant UK actuarial standards and practices.

Contributions

For the plans listed in the above table, entities of the Group contribute to the respective plans in accordance with the Trust Deeds following the receipt of actuarial advice.

With the exception of contributions corresponding to salary sacrifice benefits, the Bank ceased contributions to the OSF from 8 July 1994. Further, the Bank ceased contributions to the OSF relating to salary sacrifice benefits from 1 July 1997.

An actuarial assessment of the OSF as at 30 June 2003 was completed during the year ended 30 June 2004. In line with the actuarial advice contained in the assessment, the Bank does not intend to make contributions to the OSF until after consideration of the next actuarial assessment of the OSF as at 30 June 2006.

An actuarial assessment of the CBA(UK)SBS at 1 August 2003 revealed a deficit of GBP30 million (AUD72 million at 30 June 2005 exchange rate). Following from this assessment, the Bank agreed to contribute the recommended contributions to finance future accruals of defined benefits (dollar contributions estimated at AUD5 million per annum at 30 June 2005 exchange rate) and to make additional contributions of GBP3 million per annum (AUD7 million per annum at 30 June 2005 exchange rate) payable over 15 years to finance the fund deficit. An actuarial assessment of the CBA(UK)SBS at 1 July 2005 is currently in progress.

NOTE 41 Controlled Entities

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
AUSTRALIA		
(a) Banking		
Commonwealth Bank of Australia		Australia
Controlled Entities:		
Commonwealth Development Bank of Australia Limited		Australia
CBA Investments Limited		Australia
CBA Specialised Financing Limited		Australia
Share Investments Pty Limited		Australia
CBA Investments (No.2) Pty Limited		Australia
CBA International Finance Pty Limited		Australia
CBCL Australia Limited		Australia
CBFC Limited		Australia
Collateral Leasing Pty Limited		Australia
Commonwealth Securities Limited		Australia
Homepath Pty Limited		Australia
Chullora Equity Investments (No.2) Pty Limited		Australia
Chullora Equity Investments (No.3) Pty Limited		Australia
Commonwealth Investments Pty Limited		Australia
Commonwealth Property Limited		Australia
Infravest (No.1) Limited		Australia
Retail Investor Pty Limited		Australia
Sparad (No.24) Pty Limited		Australia
Colonial Employee Share Plan Limited		Australia
Colonial Finance Limited		Australia
Colonial Financial Services Pty Limited		Australia
CST Securitisation Management Limited		Australia
Emerald Holding Company Limited		Australia
TD Waterhouse Holdings (Aust) Pty Limited		Australia
Preferred Capital Limited		Australia
Newport Limited		Australia
Padang Pty Ltd		Australia
M Land Pty Ltd		Australia
PERLS II Trust		Australia
GT Funding No.1 Pty Ltd		Australia
GT Operating No.1 Pty Ltd		Australia
Watermark Limited		Australia
Emerald Limited		Australia
Loft No.1 Pty Ltd		Australia
Loft No.2 Pty Ltd		Australia
Fringe Pty Ltd		Australia
Reliance Achiever Pty Ltd		Australia
Reliance Achiever Partnership		Australia
Lily Pty Ltd		Australia
Pavillion Limited		Australia
Leaseway Transportation Pty Limited		Australia
Medallion 2003-2G		Australia
Broadcasting Infrastructure Asset Partnership		Australia
Greenwood Lending Pty Ltd		Australia

NOTE 41 Controlled Entities continued

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
(b) Insurance and Funds Management		
Commonwealth Insurance Limited		Australia
Commonwealth Custodial Services Limited		Australia
Commonwealth Insurance Holdings Limited		Australia
Commonwealth Life Limited		Australia
CLL Investments Limited		Australia
CIF (Hazelwood) Pty Limited		Australia
Commonwealth Investment Services Limited Group		
Commonwealth Investment Services Limited		Australia
Commonwealth Managed Investments Limited		Australia
CISL (Hazelwood) Pty Limited		Australia
Commonwealth Funds Management Limited Group		
Commonwealth Funds Management Limited		Australia
CFM (ADF) Limited		Australia
CFML Nominees Pty Limited		Australia
CMG Asia Pty Limited		Australia
CMG First State Investment Managers (Asia) Limited		Australia
Colonial AFS Services Pty Limited		Australia
Colonial Financial Corporation Limited		Australia
Colonial First State Group Limited		Australia
Colonial First State Investments Limited		Australia
Avanteos Pty Limited		Australia
Colonial First State Property Limited		Australia
Colonial First State Property Retail Pty Limited	60	Australia
Colonial First State Property Retail Trust	60	Australia
Colonial First Statutory Funds Management Limited		Australia
CFS Managed Property Limited		Australia
Colonial Holding Company Pty Limited		Australia
Colonial Holding Company (No.2) Pty Limited		Australia
Colonial Financial Management Limited		Australia
Colonial International Holdings Pty Limited		Australia
Colonial Investments Holding Pty Limited		Australia
Colonial Investment Services Limited		Australia
Colonial LGA Holdings Limited		Australia
The Colonial Mutual Life Assurance Society Limited		Australia
Colonial Portfolio Services Limited		Australia
Colonial Services Pty Limited		Australia
Jacques Martin Pty Limited		Australia
PIF Managed Property Pty Limited		Australia
Colonial Protection Insurance Pty Ltd		Australia
NEW ZEALAND		
(a) Banking		
ASB Group Limited		New Zealand
ASB Holdings Limited		New Zealand
ASB Bank Limited		New Zealand
ASB Finance Limited		New Zealand
ASB Management Services Limited		New Zealand
ASB Properties Limited		New Zealand
ASB Superannuation Nominees Limited		New Zealand
CBA Funding (NZ) Limited		New Zealand
ASB Capital No.2		New Zealand
(b) Insurance and Funds Management		
ASB Group Limited		New Zealand
ASB Life Limited		New Zealand
Sovereign Limited		New Zealand
Colonial First State Investment Managers (NZ) Limited		New Zealand
Colonial First State Investments (NZ) Limited		New Zealand
ASB Group (Life) Limited		New Zealand
Kiwi Income Properties Limited		New Zealand
Kiwi Property Management Limited		New Zealand
Sovereign Life NZ Limited		New Zealand
Sovereign Services Corporation New Zealand Limited		New Zealand

NOTE 41 Controlled Entities continued

Entity Name	Extent of Beneficial Interest if not 100%	Incorporated in
OTHER OVERSEAS		
(a) Banking		
CBA Asia Limited		Singapore
CBA (Europe) Finance Limited		United Kingdom
CBA (Delaware) Finance Incorporated		USA
CTB Australia Limited		Hong Kong
Senator House Investments (UK) Limited[(1)]		United Kingdom
Commonwealth Securities (Japan) Pty Limited		Japan
National Bank of Fiji Limited	51	Fiji
PT Bank Commonwealth		Indonesia
CBA Capital Holdings Inc		USA
CBA Capital Trust 1		USA
CBA Funding Trust 1		USA
Seahorse Investments UK Ltd		United Kingdom
CommInternational Limited		Malta
CommFinance Limited		Malta
Pontoon		United Kingdom
Quay (Funding) PLC		United Kingdom
Burdekin Investments		Cayman Islands
(b) Insurance and Funds Management		
CMG Asia Life Holdings Limited		Bermuda
CMG Asia Limited		Bermuda
CMG Asia Pensions and Retirements Limited		Hong Kong
CMG First State Investments (Hong Kong) Limited		Hong Kong
CMG First State Singapore Limited		Singapore
Colonial Fiji Life Limited		Fiji
Colonial First State International Assets Limited		United Kingdom
Colonial First State Investments (Fiji) Limited		Fiji
Colonial First State Investment Managers (UK) Limited		United Kingdom
Colonial Healthcare (Fiji) Limited		Fiji
Colonial Services (Fiji) Limited		Fiji
Colonial First State UK Holdings Limited		United Kingdom
Stewart Ivory Holdings Limited		United Kingdom
Waterloo & Victoria Limited		Cayman Islands
First State (HK) LLC		United States
FS Invest Hldgs (Singapore) Ltd		Singapore

Non-operating and minor operating controlled entities and investment vehicles holding policyholder assets are excluded from the above list.

(1) Wholly owned subsidiary of Newport Limited

NOTE 42 Investments in Associated Entities and Joint Ventures

	GROUP 2005 $M	GROUP 2004 $M	Extent of Ownership Interest %	Principal Activities	Balance Date
EDS (Australia) Pty Limited [(1)]	**-**	193	35	Information Technology Services	31 December
PT Astra CMG Life	**10**	12	50	Life insurance - Indonesia	31 December
Allday Enterprises Ltd	**1**	1	30	Financial Services	31 December
China Life CMG Life Assurance Company Limited [(2)]	**10**	20	49	Life insurance - China	31 December
Bao Minh CMG Life Insurance Company	**12**	12	50	Life insurance - Vietnam	31 December
CMG CH China Funds Management Limited	**1**	1	50	Investment Management	31 March
BAC Airports Pty Ltd	**18**	-	33	Airport Services	30 June
Total	**52**	239			

(1) Investment sold in May 2005.
(2) Equity accounted loss of $10 million principally relates to a write-off of capitalised start up costs.

The Group also holds investments in the Colonial First State Property Trust Group and Colonial Mastertrust Wholesale equity funds (including the Fixed Interest, Australian Share, International Share, Property Securities, Capital Stable, Balanced and Diversified Growth funds) through controlled life insurance entities, which are not accounted for under the equity accounting method.

Instead, the market values for these investments are calculated at balance date and are brought to account at this value in compliance with the requirements of AASB 1038: Life Insurance Business. These investments are classified as property or equity investments and are not material components of these asset categories.

	GROUP 2005 $M	GROUP 2004 $M
Share of associates' profits/(losses) after notional goodwill amortisation		
Operating profits/(losses) before income tax	**7**	(44)
Income tax benefit	**(2)**	12
Operating profits/(losses) after income tax	**5**	(32)
Carrying amount of investments in associated entities		
Opening balance	**239**	287
New investments	**20**	-
Disposals/transfers	**(203)**	-
Writedown value of investments	**(10)**	(16)
Share of associates' profits/(losses)	**5**	(32)
Closing Balance	**52**	239

NOTE 43 Standby Arrangements and Unused Credit Facilities
(of controlled entities that are borrowing corporations)

	GROUP Available 2005 $M	GROUP Unused 2005 $M	GROUP Available 2004 $M	GROUP Unused 2004 $M
Financing arrangements accessible				
Bank overdraft	**70**	**51**	**70**	**58**

NOTE 44 Director and Executive Disclosures

Details of the Directors' and Specified Executives' remuneration, interests in long-term incentive plans, shares, options and loans are included in the Remuneration Report of the Directors' Report.

NOTE 45 Related Party Disclosures

Ultimate Parent

Commonwealth Bank of Australia is the ultimate Australian parent company in the Group.

Controlled Entities

Transactions with related parties in the Group are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions. These transactions principally arise out of the provision of banking services, the acceptance of funds on deposit, the granting of loans and other associated financial activities.

Support services are provided by the Bank such as provision of premises and/or equipment, availability of transfer payment and accounting facilities through data processing etc, and are transfer charged to the respective user entity at commercial rates.

Refer to Note 41 for details of controlled entities.

The Bank's aggregate investment in and loans to controlled entities are disclosed in Note 18.

Amounts due to controlled entities are disclosed in the statement of financial position of the Bank.

Details of amounts paid to or received from related parties, in the form of dividends or interest, are set out in Note 2.

All transactions between Group entities are eliminated on consolidation.

Other Related Entities

An amount of $492 million (2004: $548 million) was incurred by the Group in transactions and services provided by other related entities.

NOTE 46 Statements of Cash Flows

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

	GROUP			BANK	
	2005 $M	2004 $M	2003 $M	**2005 $M**	2004 $M
Note (a) Reconciliation of Cash					
Notes, coins and cash at bankers	**1,559**	1,548	1,492	**1,318**	1,421
Other short term liquid assets	**682**	440	641	**415**	233
Receivables due from other financial institutions - at call	**2,893**	4,124	2,528	**2,737**	3,230
Payables due to other financial institutions - at call	**(4,199)**	(3,266)	(3,233)	**(4,156)**	(3,245)
Cash and Cash Equivalents at end of year	**935**	2,846	1,428	**314**	1,639

Note (b) Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- Customer deposits to and withdrawals from deposit;
- Accounts, borrowings and repayments on loans, advances and other receivables;
- Sales and purchases of trading securities; and
- Proceeds from and repayment of short term debt issues.

Note (c) Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities	GROUP **2005 $M**	2004 $M	2003 $M	BANK **2005 $M**	2004 $M
Net profit after income tax	**4,001**	2,581	2,018	**2,921**	1,647
Decrease/(increase) in interest receivable	**11**	(186)	(78)	**(256)**	(8)
Increase/(decrease) in interest payable	**30**	334	62	**86**	298
Net decrease /(increase) in trading securities	**318**	(4,324)	(2,484)	**505**	(4,672)
Net (gain)/loss on sale of investment securities	**(8)**	(2)	9	**(4)**	(2)
(Gain)/loss on sale of property, plant and equipment	**(4)**	11	(22)	**(4)**	10
Net loss/(gain) on sale of controlled entities and associates	**13**	(43)	-	**35**	453
Charge for bad and doubtful debts	**322**	276	305	**292**	263
Depreciation and amortisation	**475**	450	450	**281**	271
(Decrease)/increase in other provisions	**(116)**	185	(15)	**(110)**	143
Increase/(decrease) in income taxes payable	**406**	(36)	(234)	**406**	(7)
(Decrease)/increase in deferred income taxes payable	**332**	(29)	(166)	**232**	323
(Increase)/decrease in future income tax benefits	**(86)**	(39)	100	**(337)**	(532)
(Increase)/decrease in accrued fees/reimbursements receivable	**(41)**	(107)	(94)	**94**	(334)
(Decrease)/increase in accrued fees and other items payable	**104**	412	6	**31**	262
Amortisation of premium on investment securities	**(4)**	12	6	**(4)**	11
Unrealised loss/(gain) on revaluation of trading securities	**408**	(260)	(269)	**454**	(264)
Change in excess of net market value over net assets of life insurance controlled entities	**(778)**	(201)	245	**-**	-
Change in policy liabilities	**56**	777	(2,056)	**-**	-
Revaluation of life insurance assets	**(665)**	(1,430)	164	**-**	-
Gain on sale of life insurance assets	**(592)**	(456)	(154)	**-**	-
Other	**187**	(296)	82	**25**	(12)
Net Cash provided by/(used in) Operating Activities	**4,369**	(2,371)	(2,125)	**4,647**	(2,150)

NOTE 46 Statements of Cash Flows continued

Note (d) Non Cash Financing and Investing Activities

Shares issued under the Dividend Reinvestment Plan for 2005 were $446 million (2004: $389 million).

Note (e) Acquisition of Controlled Entities

	2005 $M	2004 $M	2003 $M
Consideration			
Cash paid on acquisitions	**44**	-	71
Pre-acquisition dividend received	**-**	-	2
	44		73
Fair value of net tangible assets acquired			
Cash & liquid assets	**4**	-	29
Other assets	**4**	-	29
Other provisions	**(2)**	-	(8)
Bills payable and other liabilities	**(6)**	-	(33)
	-	-	17
Excess market value over net assets of life insurance subsidiary	**30**	-	26
Goodwill	**14**	-	30
	44	-	73
Outflow/(inflows) of cash on acquisitions			
Cash payments	**44**	-	71
Less cash and cash equivalents acquired	**(4)**	-	(29)
	40	-	42

Note (f) Disposal of Controlled Entities

	2005 $M	2004 $M	2003 $M
Disposal proceeds			
Cash receipt on disposal	**-**	63	33
	-	63	33
Fair value of net tangible assets disposed			
Net book value of assets disposed	**-**	20	65
Profit/(loss) on sale	**-**	43	(32)
	-	63	33
Inflow of cash from disposal			
Cash proceeds	**-**	63	33
	-	63	33

Note (g) Financing Facilities

Standby funding lines are immaterial.

NOTE 47 Disclosures about Fair Value of Financial Instruments

These amounts represent estimates of net fair values at a point in time. Significant estimates regarding economic conditions, loss experience, risk characteristics associated with particular financial instruments and other factors were used for the purposes of this disclosure. These estimates are subjective in nature and involve matters of judgment. Therefore, they cannot be determined with precision. Changes in the assumptions could have a material impact on the amounts estimated.

While the estimated net fair value amounts are designed to represent estimates at which these instruments could be exchanged in a current transaction between willing parties, many of the Group's financial instruments lack an available trading market as characterised by willing parties engaging in an exchange transaction. In addition, it is the Bank's intent to hold most of its financial instruments to maturity and therefore it is not probable that the net fair values shown would be realised in a current transaction.

The estimated net fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments. In addition, the value of long-term relationships with depositors (core deposit intangibles) and other customers (credit card intangibles) are not reflected. The value of these items is significant.

Because of the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make reasonable comparisons of the Bank's net fair value information with that of other financial institutions. It is important that the many uncertainties discussed above be considered when using the estimated net fair value disclosures and to realise that because of these uncertainties, the aggregate net fair value amount should in no way be construed as representative of the underlying value of the Commonwealth Bank of Australia.

	Carrying Value $M	**2005 Net Fair Value $M**	Carrying Value $M	2004 Net Fair Value $M
Assets				
Cash and liquid assets	**5,715**	**5,715**	6,453	6,453
Receivables due from other financial institutions	**6,205**	**6,205**	8,369	8,369
Trading securities	**14,628**	**14,628**	14,896	14,896
Investment securities	**10,272**	**10,433**	11,447	11,490
Loans, advances and other receivables	**217,516**	**218,037**	189,391	188,954
Bank acceptances of customers	**16,786**	**16,786**	15,019	15,019
Life insurance investment assets	**27,837**	**27,837**	28,942	28,942
Deposit accounts with regulatory authorities	**45**	**45**	38	38
Other assets	**23,452**	**23,470**	24,721	24,721
Liabilities				
Deposits and other public borrowings	**168,029**	**168,565**	163,177	163,645
Payables due to other financial institutions	**8,023**	**8,023**	6,641	6,641
Bank acceptances	**16,786**	**16,786**	15,019	15,019
Life insurance policy liabilities	**24,694**	**24,694**	24,638	24,638
Debt issues	**58,621**	**57,655**	44,042	43,651
Bills payable and other liabilities	**18,086**	**18,083**	19,140	19,148
Loan capital	**6,291**	**6,113**	6,631	6,740
Asset and liability hedges - unrealised gains/(losses) (Refer to Note 39)	**-**	**(277)**	-	(740)

The net fair value estimates were determined by the following methodologies and assumptions:

Liquid assets and bank acceptances of customers

The carrying values of cash and liquid assets, receivables due from other financial institutions and bank acceptances of customers approximate their net fair value as they are short term in nature or are receivable on demand.

Securities

Trading securities are carried at net market/net fair value and investment securities have their net fair value determined based on quoted market prices, broker or dealer price quotations.

Loans, advances and other receivables

The carrying value of loans, advances and other receivables is net of general and specific provisions for doubtful debts and interest/fees reserved.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio plus an add-on of the average credit margin of the existing portfolio, where appropriate.

NOTE 47 Disclosures about Fair Value of Financial Instruments continued

The net fair value of impaired loans was calculated by discounting expected cash flows using a rate that includes a premium for the uncertainty of the flows.

For shares in companies, the estimated net fair values are based on quoted market prices.

Life Insurance Investment Assets & Policy Liabilities

Life insurance investment assets are carried at net fair value. Life insurance policy liabilities are measured on a net present value basis. This treatment is in accordance with accounting standard AASB 1038: Life Insurance Business.

Statutory deposits with central banks

In several other countries in which the Group operates, the law requires that the Group lodge regulatory deposits with the local central bank at a rate of interest below that generally prevailing in that market. The net fair value is assumed to be equal to the carrying value as the Group is only able to continue as a going concern with the maintenance of these deposits.

All other financial assets

Included in this category are fees receivable, unrealised income, investments in associates of $52 million (2004: $239 million), and excess of net market value over net assets of life insurance controlled entities of $6,549 million (2004: $5,741 million), where the carrying amount is considered to be a reasonable estimate of net fair value.

Other financial assets are net of goodwill, future income tax benefits and prepayments/unamortised payments, as these do not constitute a financial instrument.

Deposits and other public borrowings

The net fair value of non interest bearing, call and variable rate deposits, and fixed rate deposits repricing within six months, is the carrying value as at 30 June. Discounted cash flow models based upon deposit type and its related maturity, were used to calculate the net fair value of other term deposits.

Short term liabilities

The carrying value of payables due to other financial institutions and bank acceptances approximate their net fair value as they are short term in nature and reprice frequently.

Debt issues and loan capital

The net fair values of debt issues and loan capital were calculated based on quoted market prices as at 30 June.

For those debt issues where quoted market prices were not available, discounted cash flow and option pricing models were used, utilising a yield curve appropriate to the expected remaining maturity of the instrument.

All other financial liabilities

This category includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities that are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities.

Other provisions including provision for dividend, income tax liability and unamortised receipts are not considered financial instruments.

Asset and liability hedges

Net fair value of asset and liability hedges is based on quoted market prices, broker or dealer price quotations, discounted cashflow models or option pricing models as appropriate.

Commitments to extend credit, letters of credit, guarantees, warranties and indemnities issued

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risk and attract fees in line with market prices for similar arrangements. They are not presently sold or traded. The items generally do not involve cash payments other than in the event of default. The fee pricing is set as part of the broader customer credit process and reflects the probability of default. The net fair value may be represented by the present value of fees expected to be received, less associated costs. The overall level of fees involved is not material.

Other off-balance sheet financial instruments

The net fair value of trading and investment derivative contracts (foreign exchange contracts, currency swaps, exchange rate futures, currency options, forward rate agreements, interest rate swaps, interest rate futures, interest rate options), were obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate.

The fair value of these instruments is disclosed in Note 39.

Directors' Declaration

In accordance with a resolution of the directors of the Commonwealth Bank of Australia, the directors declare that:

(a) the financial statements and notes thereto comply with Accounting Standards and in their opinion are in accordance with the Corporations Act 2001;

(b) the financial statements and notes thereto give a true and fair view of the Bank's and the Group's financial position as at 30 June 2005 and of their performance for the year ended on that date;

(c) in the opinion of the directors, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they become due and payable; and

(d) the directors have been given the declarations required under Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2005.

Signed in accordance with a resolution of the Directors.

J M Schubert
Chairman

D V Murray
Managing Director and
Chief Executive Officer

10 August 2005

Independent audit report to the members of Commonwealth Bank of Australia

Matters relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of Commonwealth Bank of Australia for the year ended 30 June 2005 included on the Bank's web site. The Bank's directors are responsible for the integrity of the Bank's web site. We have not been engaged to report on the integrity of the Bank'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, and the directors' declaration for Commonwealth Bank of Australia and the consolidated Group, for the year ended 30 June 2005. The consolidated Group comprises both the Bank and the entities it controlled during that year.

The directors of the Bank are responsible for preparing a financial report and the additional disclosures in accordance with AASB 1046 "Director and Executive Disclosures by Disclosing Entities" on pages 54 to 66, included in the directors' report designated as audited that gives a true and fair view of the financial position and performance of the Bank and the consolidated Group, and that complies with Accounting Standards in Australia, 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.

Audit approach

We conducted an independent audit of the financial report and the additional disclosures in order to express an opinion on it to the members of the Bank. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report and the additional disclosures are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report and additional disclosures present fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Bank's and the Group's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the additional disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the additional disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Bank.

Independence

We are independent of the Bank, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Bank a written Auditor's Independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report, and the additional disclosures included in the directors' report designated as audited, of Commonwealth Bank of Australia are in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of Commonwealth Bank of Australia and the Group at 30 June 2005 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young
Sydney

S J Ferguson
Partner

10 August 2005

Shareholding Information

Top 20 Holders of Fully Paid Ordinary Shares as at 9 August 2005

Rank	Name of Holder	Number of Shares	%
1	J P Morgan Nominees Australia Limited	111,408,316	8.70
2	National Nominees Limited	96,687,608	7.55
3	Westpac Custodian Nominees Ltd	85,384,118	6.67
4	Citigroup Nominees Pty Limited	60,755,582	4.75
5	RBC Global Services Australia Nominees Pty Limited	30,800,038	2.41
6	ANZ Nominees Limited	27,532,803	2.15
7	Cogent Nominees Pty Limited	25,691,489	2.01
8	Queensland Investment Corporation	17,830,341	1.39
9	AMP Life Limited	14,110,370	1.10
10	Australian Foundation Investment Company Limited	7,895,245	0.62
11	HSBC Custody Nominees (Australia) Limited	6,807,983	0.53
12	Invia Custodian Pty Limited	6,525,391	0.51
13	Bond Street Custodians Limited	5,753,504	0.45
14	Westpac Financial Services Ltd	5,235,203	0.41
15	UBS Private Clients Australian Nominees Pty Ltd	4,724,440	0.37
16	IAG Nominees Pty Limited	4,232,183	0.33
17	Suncorp Custodian Services Pty Ltd	4,002,039	0.31
18	CSS Board & PSS Board	3,790,789	0.30
19	Government Superannuation Office	3,722,681	0.29
20	UBS Nominees Pty Ltd	3,613,551	0.28

The 20 largest shareholders hold 526,503,674 shares which is equal to 41.12% of the total shares on issue.

Stock Exchange Listing

The shares of the Commonwealth Bank of Australia are listed on the Australian Stock Exchange under the trade symbol CBA, with Sydney being the home exchange.

Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank. The Bank does not have a current on-market buyback of its shares.

Range of Shares (Fully Paid Ordinary Shares and Employee Shares): 9 August 2005

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1-1,000	530,269	75.35%	183,322,997	14.33%
1,001-5,000	153,710	21.84%	310,410,482	24.24%
5,001-10,000	13,769	1.96%	94,537,305	7.38%
10,001-100,000	5,750	0.82%	110,537,543	8.63%
100,001 and over	266	0.04%	581,593,245	45.42%
Total	703,764	100.00%	1,280,401,572	100.00%
Less than marketable parcel of $500	12,393		63,195	

Voting Rights

Under the Bank's Constitution, each person who is a voting member and who is present at a general meeting of the Bank in person or by proxy, attorney or official representative is entitled:

- on a show of hands – to one vote; and
- on a poll – to one vote for each share held or represented.

If a person present at a general meeting represents personally or by proxy, attorney or official representative more than one member, on a show of hands the person is entitled to one vote even though he or she represents more than one member.

If a member is present in person and votes on a resolution, any proxy or attorney of that member is not entitled to vote.

If more than one official representative or attorney is present for a member:

- none of them is entitled to vote on a show of hands; and
- on a poll only one official representative may exercise the member's voting rights and the vote of each attorney shall be of no effect unless each is appointed to represent a specified proportion of the member's voting rights, not exceeding in aggregate 100%.

If a member appoints two proxies and both are present at the meeting:

- if the appointment does not specify the proportion or number of the member's votes each proxy may exercise, then on a poll each proxy may exercise one half of the member's votes;
- neither proxy shall be entitled to vote on a show of hands; and
- on a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

Shareholding Information

Top 20 Holders of Preferred Exchangeable Resettable Listed Shares (PERLS) as at 9 August 2005

Rank	Name of Holder	Number of Shares	%
1	UBS Nominees Pty Ltd	79,068	2.25
2	Bond Street Custodians Limited	47,639	1.36
3	RBC Global Services Australia Nominees Pty Ltd	47,077	1.35
4	UBS Private Clients Australia Nominees Pty Ltd	44,377	1.27
5	J P Morgan Nominees Australia Limited	39,000	1.11
6	Invia Custodian Pty Limited	34,823	0.99
7	The Australian National University	33,532	0.96
8	National Nominees Limited	33,527	0.96
9	ANZ Executors & Trustee Company Limited	30,617	0.87
10	Australian Executor Trustees Limited	28,467	0.81
11	Boxall Marine Pty Ltd	25,000	0.71
12	Questor Financial Services Limited	24,277	0.69
13	National Superannuation Trusts P/L	19,769	0.56
14	Livingstone Investments (NSW) Pty Limited	15,500	0.44
15	BT Portfolio Services Limited (WA)	12,690	0.36
16	Ms Thelma Jones Martin-Weber	12,500	0.36
17	Albert Investments Pty Limited	10,000	0.29
18	Felden Pty Ltd	10,000	0.29
19	Marbear Holdings Pty Limited	10,000	0.29
20	Mrs Fay Cleo Martin-Weber	10,000	0.29
21	Swinburne University of Technology	10,000	0.29
22	Perpetual Trustee Co Ltd (Hunter)	8,863	0.25
23	E G Superannuation Pty Ltd	7,500	0.21

The 23 largest PERLS shareholders hold 594,226 shares which is equal to 16.96% of the total shares on issue. 23 PERLS shareholders are disclosed in the above table due to a number of shareholders having the same number of PERLS.

Stock Exchange Listing

Commonwealth Bank PERLS are listed on the Australian Stock Exchange under the trade symbol CBAPA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers, generally under the abbreviation of CBA or C'wealth Bank (pref).

Range of Shares (PERLS): 9 August 2005

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1-1,000	21,082	98.5%	2,393,283	68.38%
1,001-5,000	292	1.36%	566,022	16.17%
5,001-10,000	18	0.08%	134,714	3.85%
10,001-100,000	12	0.06%	405,981	11.60%
100,001 and over	-	-	-	-
Total	21,404	100.00%	3,500,000	100.00%
Less than marketable parcel of $500	8		11	

Voting Rights

The holders will be entitled to receive notice of any general meeting of the Bank and a copy of every circular or other like document sent out by the Bank to ordinary shareholders and to attend any general meeting of the Bank.

The holders will not be entitled to vote at a general meeting of the Bank except in the following circumstances:

- If at the time of the meeting, a dividend has been declared but has not been paid in full by the relevant payment date;
- On a proposal to reduce the Bank's share capital;
- On a resolution to approve the terms of a buy-back agreement;
- On a proposal that affects rights attached to Commonwealth Bank PERLS;
- On a proposal to wind up the Bank;
- On a proposal for the disposal of the whole of the Bank's property, business and undertaking;
- During the winding up of the Bank; or
- As otherwise required under the Listing Rules from time to time,

in which case the holders will have the same rights as to manner of attendance and as to voting in respect of each Commonwealth Bank PERLS as those conferred on ordinary shareholders in respect of each ordinary share.

At a general meeting of the Bank, holders are entitled:

- On a show of hands, to exercise one vote when entitled to vote in respect of the matters listed above; and
- On a poll, to one vote for each Commonwealth Bank PERLS.

Shareholding Information

Top 20 Holders of Perpetual Exchangeable Resettable Listed Securities II ("PERLS II") as at 9 August 2005

Rank	Name of Holder	Number of Shares	%
1	J P Morgan Nominees Australia Limited	474,545	12.65
2	National Nominees Limited	231,000	6.16
3	RBC Global Services Australia Nominees Pty Limited	141,532	3.77
4	UBS Warburg Private Clients Nominees Pty Ltd	86,409	2.30
5	Bond Street Custodians Limited	76,921	2.05
6	Westpac Custodian Nominees Limited	69,157	1.84
7	Citigroup Nominees Pty Limited	61,673	1.64
8	Invia Custodian Pty Limited	55,505	1.48
9	Cogent Nominees Pty Limited	51,878	1.38
10	Questor Financial Services Limited	46,704	1.25
11	Perpetual Trustee Company Limited	43,337	1.16
12	AMP Life Limited	40,149	1.07
13	Pan Australian Nominees Pty Limited	30,237	0.81
14	ANZ Executors and Trustee Company Limited	28,201	0.75
15	Cryton Investments No 9 Pty Ltd	25,000	0.67
16	J Neave Investments Pty Limited	24,942	0.67
17	Gordon Merchant No 2 Pty Ltd	24,440	0.65
18	ANZ Nominees Limited	20,319	0.54
19	Tynong Pastoral Co Pty Ltd	19,950	0.53
20	Israelite House of David	15,000	0.40

The 20 largest PERLS II shareholders hold 1,566,899 shares which is equal to 41.77% of the total shares on issue.

Stock Exchange Listing

Commonwealth Bank PERLS II are listed on the Australian Stock Exchange under the trade symbol PCBPA, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers.

Range of Shares (PERLS II): 9 August 2005

Range	Number of Shareholders	Percentage Shareholders	Number of Shares	Percentage Issued Capital
1-1,000	8,429	95.94%	1,356,589	36.18%
1,001-5,000	296	3.37%	653,313	17.42%
5,001-10,000	35	0.40%	274,601	7.32%
10,001-100,000	24	0.27%	759,952	20.27%
100,001 and over	2	0.02%	705,545	18.81%
Total	8,786	100.00%	3,750,000	100.00%
Less than marketable parcel of $500	2		3	

Voting Rights

PERLS II do not confer any voting rights in the Bank but if they are exchanged for or convert into ordinary shares or preference shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary or preference shares (as the case may be) will be as set out on pages 183 and 184 respectively for the Bank's ordinary shares and PERLS preference shares.

Trust Preferred Securities

550,000 Trust Preferred Securities were issued on 6 August 2003. Cede & Co is registered as the sole holder of these securities.

The Trust Preferred Securities do not confer any voting rights in the Bank but if they are exchanged for or convert into ordinary shares or preference shares of the Bank in accordance with their terms of issue, the voting rights of the ordinary or preference shares (as the case may be) will be as set out on pages 183 and 184 respectively for the Bank's ordinary shares and PERLS preference shares.

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T Waring

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www.commbank.com.au

13 2221 General Enquiries
For your everyday banking including paying bills using BPAY our automated service is available 24 hours a day, 365 days a year.
From overseas call **+61 13 2221**. Operator assistance is available between 8am and 8pm, Monday to Friday.

13 2224 Home Loans & Investment Home Loans
To apply for a new home loan/investment home loan or to maintain an existing loan. Available from 8am to 10pm, 365 days a year.

13 1431 Personal Loan Sales
To apply for a new personal loan.
Available from 8am to 8pm, Monday to Friday.

13 15 19 CommSec (Commonwealth Securities)
Available from 8am to 7pm (EST), Monday to Friday.
CommSec provides the information and tools to make smart investment easy, accessible and affordable for all Australians, by phone or Internet at www.commsec.com.au

13 17 09 CommSec Margin Loan
Enables you to expand your portfolio by borrowing against your existing shares and managed funds. To find out more simply call 13 17 09 8am to 5pm (EST) Monday to Friday or visit www.commsec.com.au.

1800 240 889 Telephone Typewriter Service
A special telephone banking service for our hearing and speech impaired customers. The service covers all the services available on 13 2221. Available from 8am to 8pm, Monday to Friday.

1800 011 217 Lost or Stolen Cards
To report a lost or stolen card 24 hours a day, 365 days a year.

13 1998 Business Line
For a full range of business banking solutions.
Available from 8am to 8pm, Monday to Friday.

13 2015 Commonwealth Financial Services
For enquires on retirement and superannuation products, or managed investments. Available from 8.30am to 6pm (EST), Monday to Friday.
Unit prices are available 24 hours a day, 365 days a year.

CommInsure
For all your **general insurance** needs call **13 2423** 8am to 8pm (EST), Monday to Friday – or visit www.comminsure.com.au
For **general claims assistance** call **13 2420,** 24 hours a day, 365 days a year.
For all your **life insurance** needs call **13 1056** 8am to 8pm (EST), Monday to Friday – or visit www.comminsure.com.au

Internet Banking
You can apply for a home loan, credit card, personal loan, term deposit or a savings account on the internet by visiting our website at www.commbank.com.au available 24 hours a day, 365 days a year.

Do your everyday banking on our internet banking service **Net**Bank at www.commbank.com.au/netbank available 24 hours a day, 365 days a year.

To apply for access to **Net**Bank, call **13 2828** between 8am and 8pm (EST), Monday to Friday.

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008 002 054
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612 8280 7199

Australian Stock Exchange Listing
CBA

Annual Report
To request a copy of the annual report please call 1800 022 440

CommonwealthBank

Commonwealth Bank of Australia
ACN 123 123 124