



COMMONWEALTH BANK HALF YEAR RESULTS – 31 DECEMBER 2004

- Statutory NPAT up 50% on previous corresponding period
- Cash NPAT up 42% on previous corresponding period
- Underlying NPAT up 12% on previous corresponding period
- Dividends per share up 8% on previous corresponding period

Highlights	31 Dec 2004	30 June 2004	31 Dec 2003	31 Dec 04 v 31 Dec 03
Contributions to profit:				
Banking	\$1,427m	\$1,381m	\$1,294m	Up 10%
Funds Management	\$170m	\$148m	\$126m	Up 35%
Insurance	\$67m	\$62m	\$67m	No change
Net profit after tax (underlying basis)	\$1,664	\$1,591m	\$1,487m	Up 12%
Shareholder investment returns (after tax)	\$111m	\$53m	\$99m	Up 12%
Initiatives including WnB (after tax)	(\$19m)	(\$189m)	(\$346m)	Down 95 %
Net profit after tax (cash basis)	\$1,756m	\$1,455m	\$1,240m	Up 42%
Appraisal value uplift	\$265m	\$36m	\$165m	Up 61%
Goodwill amortisation	(\$162m)	(\$162m)	(\$162m)	No change
Net profit after tax (statutory basis)	\$1,859m	\$1,329m	\$1,243m	Up 50%
Key Shareholder Ratios	31 Dec 2004	30 June 2004	31 Dec 2003	31 Dec 04 v 31 Dec 03
Earnings per share (cash basis - basic)	133.5 cents	111.1 cents	95.5 cents	Up 40%
Return on equity (cash basis)	16.0%	13.5%	11.9%	Up 410 bps
Dividend per share (fully franked) (interim dividend payable 31 March 2005)	85 cents	104 cents	79 cents	Up 6 cents
Dividend payout ratio (cash basis, excluding WnB)	63.2%	83.1%	64.4%	Down 120 bps
Other Performance Indicators	31 Dec 2004	30 June 2004	31 Dec 2003	31 Dec 04 v 31 Dec 03
Total lending assets (net of securitisation)	\$224bn	\$206bn	\$191bn	Up 17%
Total assets held and funds under administration	\$415bn	\$393bn	\$369bn	Up 12%
Net interest margin	2.44%	2.46%	2.60%	16 bps decline
Banking expense to income (underlying)	49.7%	50.8%	50.7%	2.0% improvement
Funds management expense to average funds under administration (underlying)	0.72%	0.73%	0.80%	10% improvement

Commonwealth Bank

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Results overview

The Bank's statutory net profit after tax ('NPAT') for the six months to 31 December 2004 was \$1,859 million, an increase of 50% on the previous corresponding period. On a cash basis, which excludes goodwill amortisation and appraisal value uplift, NPAT was \$1,756 million, an increase of 42% over the previous corresponding period. As planned, the large initial Which new Bank ("WnB") project spend was not repeated in this period.

Underlying NPAT, which excludes the net costs associated with WnB and shareholder investment returns, was up 12% on the previous corresponding period.

On a cash basis, earnings per share were 133.5 cents, an increase of 40% on the previous corresponding period. The Bank declared another record dividend on the back of strong results across all businesses. The interim dividend per share is 85 cents fully franked.

Chief Executive Officer, David Murray said, "I am very pleased to announce another increase in the Bank's interim dividend and a strong and positive outlook. Today's result makes it clear that the Bank's service transformation is working. Our strong financial result is supported by the better way we serve our customers. Our people want the change, are putting our customers first and deserve credit for their fantastic effort. For our customers, this means flexibility, reliability and competitiveness.

"Our substantial investments in service, people and processes are already generating returns for shareholders. CommSee, the Bank's new customer service system, has been successful beyond our expectations and we go forward knowing that the major technology risks under Which new Bank are now behind us.

"Operational highlights include strong performance of the Australian and New Zealand banking operations, significantly higher profit growth in the funds management business and a steady result from insurance. We have met all our critical Which new Bank milestones for the period, and we have seen productivity improvements in all businesses, driven by increasing revenue and flat costs."

Operational Performance

Banking

Underlying banking NPAT increased 10% over the previous corresponding period, driven by growth in home loans, other personal and business lending. Net interest margin is broadly stable, moving 2 basis points to 2.44% from 2.46% for the half year to 30 June 2004. This is better than expectations, and compares favourably with the reduction of 14 basis points in the previous half year.

WnB initiatives drove further improvement in productivity across banking, with the underlying expense-to-income ratio reducing by 110bp to 49.7% in the six months to 31 December 2004.

Mr Murray commented on trading income, which was affected by poor market conditions, "During this cyclically weak period for trading income, our focus will be on maintenance and continuous improvement of our service levels by supporting the development of our people and our systems.

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“ASB Bank in New Zealand has continued to achieve robust lending growth across its entire portfolio, and market shares have continued to grow.

“Provisioning levels are more than adequate for the character of our book. While provisioning is approximately 20% lower than that of other major banks, our impaired assets are approximately 50% lower than the other major banks,” Mr Murray said.

Funds Management & Insurance

In the funds management business, underlying NPAT growth was 15% compared to the six months to 30 June 2004, and 35% compared with the previous corresponding period. This growth was the result of strong revenue, offset by moderate expense growth compared to the last half, but a decline in expenses compared with the previous corresponding period.

Funds under administration increased by 7% for the six months to 31 December 2004 to \$117.4 billion. The growth was due predominantly to strong investment markets and continued growth in net flows.

Mr Murray said he was pleased that enhancements to the FirstChoice product were well received by the market, leading to record net flows into FirstChoice in the last two months of the period. He also commented favourably on the improved performance of the Colonial First State funds. “With a large fund, it is hard to turn around the performance quickly. We said that we would address this issue in a patient manner, and we have been actively managing it. There are now clear signs of progress in our investment performance,” he said.

In the insurance business the underlying profit after tax of \$67 million is an increase of 8% from the June 2004 half year, and in line with the previous corresponding period. An increase in life insurance revenue was offset by a decline in general insurance revenue, which was affected by a series of storms in Australia.

Which new Bank

WnB has made excellent progress, meeting all critical project milestones. Net benefits realised for the six months to 31 December 2004 were \$301 million and gross investment spend was \$255 million. The program remains on track to deliver a total annual net benefit exceeding \$620 million in 2005 and at least \$900 million in 2006 and beyond.

Mr Murray said, “When we introduced Which new Bank, we said that it would be a fundamental cultural transformation, allowing us to put the customer first, both in terms of behaviour and the tools used to provide a better service”.

“Halfway into this transformation, our people are encouraged by the difference we are making for our customers and this is reflected in business activity levels. Simply, Which new Bank has put us in a better position to compete and our people are united in an effort to serve customers better.”

Mr Murray said that further progress had been made with simplification of processes resulting in significant reductions in home and personal loan approval times and improvements in branch queue lengths. Mr Murray also said a further 30 branches were refurbished.

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He also commented on the successful implementation of Release 7 of CommSee, the Bank's new customer service system. "CommSee has led to significant service enhancement, and the best indication of this has been the lower level of customer complaints following the rollout. Our next steps are to implement CommSee across the branch network, tie it in to NetBank, and use it as our platform for Business Banking".

Mr Murray said CommSee is being progressively rolled out across mainland Australia, starting this month.

Outlook

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

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

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

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

Since that time, the Bank has kept its investment spend within the planned expenditure and achieved benefits in excess of plan.

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

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

Media Release Media Release

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Key Market Share Statistics

	31 Dec 2004	30 June 2004	31 Dec 2003	31 Dec 04 v 30 Jun 04
RETAIL				
Home Loans	19.6%	19.3%	19.3%	30 bps
Retail deposits	23.4%	23.6%	24.1%	(20 bps)
Credit Cards	23.2%	22.7%	22.7%	50 bps
BUSINESS				
Business Lending	13.5%	13.8%	13.7%	(30 bps)
FUNDS MANAGEMENT				
Australian Retail	14.7%	14.4%	14.5%	30 bps

ENDS

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