Commonwealth Bank

Commonwealth Bank of Australia

ACN 123 123 124

Annual U.S. Disclosure Document

Year Ended 30 June 2008

Dated: 25 September 2008

Contents

Introduction

Introduction

This Annual U.S. Disclosure Document – Year Ended 30 June 2008 (the "Document") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2008 which contains the Financial Statements for the years ended 30 June 2006, 2007 and 2008 and as of 30 June 2007 and 2008 (the "2008 Financial Report"); and
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2007 which contains the Financial Statements for the years ended 30 June 2005, 2006 and 2007 and as of 30 June 2006 and 2007 (the "2007 Financial Report");

as found on the U.S. Investor Website located at http://www.commbank.com.au/usinvestors.

References within this Document to the Financial Report or Notes to the Financial Statements are to the 2008 Financial Report.

Special Note Regarding Forward-Looking Statements

Certain statements under the captions ”Highlights”, ”Group Performance Analysis”, “Retail Banking Services”, Premium Business Services”, “Wealth Management”, “International Financial Services”, “Other”, “Integrated Risk Management”, ”Capital Management”, “Contractual and Commercial Commitments”, “Description of Business Environment”, “Directors’ Details”, Note 49 to the Financial Statements – Disclosure about Fair Value of Financial Instruments and elsewhere in this Document constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements including economic forecasts and assumptions and business and financial projections involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include demographic changes, changes in competitive conditions in Australia, New Zealand, Asia, the United States or the United Kingdom, changes in the regulatory structure of the banking, life insurance and funds management industries in Australia, New Zealand, the United Kingdom or Asia, changes in political, social, credit, liquidity, investor confidence and economic conditions in Australia or New Zealand, legislative proposals for reform of the banking, life insurance and funds management industries in Australia, and various other factors beyond the Group's control. Given these risks, uncertainties and other factors, potential investors are cautioned not to place undue reliance on such forward-looking statements.

Details on significant risk factors applicable to the Group are detailed on page 14.

Financial Information Definitions

In addition to financial results reported in accordance with the Australian equivalents to International Financial Reporting Standards ("AIFRS") in this Document, the Group reports certain "non-GAAP financial measures" of the financial performance and results of the Group (as defined in SEC Regulation G). These non-GAAP financial measures are not calculated in accordance with AIFRS and are described below. This Document contains reconciliations of these non-GAAP financial measures to our financial results prepared in accordance with AIFRS.

In this Document, the Group presents its profit from ordinary activities after tax on a "statutory basis", which is calculated in accordance with AIFRS.

The Group also presents its results on a "cash basis". "Cash basis" is defined by management as net profit after tax and minority interests, before the gain on Visa Initial Public Offering, provisions for investment and restructuring, defined benefit superannuation plan income/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility. Management believes "cash basis" is a meaningful measure of the Group's performance and it provides the basis for the determination of the Bank's dividends.

The Group also presents its Earnings per share on a statutory basis and on a cash basis. Earnings per share on a statutory basis is affected by the impact of the gain on the Visa Initial Public Offering, provisions for investment and restructuring, defined benefit superannuation plan income/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility.

Unrealised gains and losses related to hedging and AIFRS volatility represent non-economic gains and losses arising solely from the recognition of income and expense from the unwinding of structured transactions offsetting loss or profit that was not previously recognised in the Group's Income Statement due to the Group's transition to AIFRS. Such transactions are economically neutral.

"Earnings per share (cash basis)" is defined by management as "cash basis" net profit after tax as described above, divided by the weighted average of the Bank's ordinary shares outstanding over the relevant period.

The Group also presents its dividend payout ratio on a statutory and cash basis. The dividend payout ratio is calculated by dividing the dividends paid on ordinary shares by the net profit after tax ("statutory basis"), net of dividends on other equity instruments. The dividend payout ratio ("cash basis") is calculated by dividing the dividends paid on ordinary shares by the net profit after tax ("cash basis"), net of dividends on other equity instruments. Similarly, the Group presents "Dividend cover – statutory", which is net profit after tax ("statutory basis"), net of dividends on other equity instruments divided by dividends on ordinary shares for the financial year, and "Dividend cover – cash", which is net profit after tax ("cash basis") net of dividends on other equity instruments divided by dividends on ordinary shares for the financial year. These ratios are provided on both a statutory and cash basis since net profit after tax, the primary component of these ratios, is also presented on a statutory and cash basis, for the reasons described above.

The Group presents an Adjusted Common Equity ratio (the "ACE ratio"). The ACE ratio is one measure considered by Standard & Poor's in evaluating the Bank's credit rating and is calculated in accordance with Standard & Poor's methodology. The ACE ratio has been provided in response to an increased focus by equity analysts on this measure and to permit comparability by investors with other financial institutions.

For the Group's calculation of the ACE ratio refer to Liquidity and Capital Resources.

Basis of preparation

The consolidated Financial Statements of the Group for the years ended 30 June 2008, 2007 and 2006 comply with current Australian Accounting Standards, which consist of Australian equivalents to International Financial Reporting Standards ("AIFRS").

The basis of the AIFRS standards are the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. As a result of complying with AIFRS, the Group accounts also comply with IFRS, and interpretations adopted by the International Accounting Standards Board.

The Financial Report is presented in Australian dollars.

The following comparative information has been restated:

- During the 2008 financial year the Group reassessed the application of AASB 132 Financial Instruments: Presentation, to certain products with legal right of set off, for which interest is calculated and charged on a net basis. While interest continues to be calculated and charged on a net basis, the Group no longer considers that these products meet the requirements for set off in the Balance Sheet, so they are now presented on a gross basis. Prior periods have been restated by increasing: Loans, advances and other receivables and Deposits and other public borrowings as follows - 2007: increased $15,686 million, 2006: increased $14,349 million;
- During the 2008 financial year the Group reassessed the application of AASB 139 Financial Instruments: Recognition and Measurement, to certain liabilities previously designated as Liabilities at fair value through Income Statement. These liabilities did not meet the necessary requirements for this designation. Consequently these liabilities have been reclassified to Debt issues. Prior periods have been restated, by decreasing Liabilities at fair value through Income Statement and increasing Debt issues as follows - 2007: $3,035 million, 2006: $2,144 million; and
- During the 2008 financial year the Group reassessed the application of AASB 112: Income Taxes to presentation of deferred income tax balances for the tax-consolidated group and determined that the conditions for set-off have been met. This has had the effect of reducing Deferred tax assets and Deferred tax liabilities as follows - 2007: $668 million, 2006: $602 million.

Appendices A and B contain certain financial information based on Australian GAAP as it applied prior to the adoption of AIFRS ("AGAAP"). AGAAP is not, and should not be considered to be, comparable to information prepared in accordance with AIFRS.

Appendix C supplies certain required 2005 comparatives information, prepared on an AIFRS basis.

Except where otherwise stated, all figures relate to the financial year ended 30 June 2008 and comparatives for the balance sheet and profit and loss are to the financial year ended 30 June 2007. '$' and 'A$' refer to Australian Dollars, while 'US$' refers to U.S. Dollars. References to the "Bank" refer to the Commonwealth Bank of Australia and references to the "Group" refer to the Bank and its subsidiaries on a consolidated basis.

These "Highlights" contain certain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 3.

	Full Year		
	30/06/08	30/06/07	30/06/06
Net Profit after Income Tax	$M	$M	$M
Statutory basis	**4,791**	4,470	3,928
Cash basis	**4,733**	4,527	4,086

Group Performance Highlights

The Group's net profit after tax ("statutory basis") for the financial year ended 30 June 2008 was $4,791 million, an increase of 7% on the prior year. The final dividend is $1.53 per share and the total dividend for the 2008 financial year is $2.66 per share.

Cash earnings per share increased 3% on the prior year to 356.9 cents per share.

This result was achieved in a difficult environment with the Group incurring additional funding costs during the 2008 financial year primarily due to ongoing volatility in global credit markets. In addition, loan impairment expense increased $496 million on the prior year primarily due to increased provisioning in the corporate portfolio reflecting a tougher economic climate.

Key financial performance highlights over the 2008 financial year were:

- Growth in Banking income of 8%, following an increase in average interest earning assets of 16% to $386 billion and net interest margin contraction of six basis points;
- Funds management income growth of 23%, reflecting average funds under administration growth of 18% to $194 billion and net gains from asset sales;
- Growth in average inforce premiums of 18% to $1,511 million supported by sales growth in both life and general insurance businesses;
- Operating expense growth of 9%, reflecting continued investment in the business to support productivity and growth initiatives as well as the effect of inflation on salary and general expenses;
- Increase in funding cost; and
- Substantially increased corporate loan provisioning levels consistent with market conditions.

The Group's net profit after tax ("statutory basis") includes the following non-cash items:

- Gain on the Visa Initial Public Offering of $295 million after tax [(1)]; and
- Amounts have been recognised for investment and restructuring of $264 million after tax [(1)], relating to the cost of implementation of the four-year, $580 million Core Banking Modernisation project and other strategic initiatives. The Group expensed a small portion of these provisions in the 2008 financial year and expects to release the substantial majority of these provisions in the short to medium term as expenses relating to the Core Banking Modernisation project are realised.

Other performance highlights specifically relating to the Group's strategic priorities over the 2008 financial year included:

- The launch of the Group's new "Determined to be different" brand marketing campaign;
- Commenced Core Banking Modernisation, a project designed to deliver a world class technology platform and enhanced customer service that is described in more detail under Strategic Priorities: Technology and Operational Excellence, page 6; and
- People Engagement Workplace survey results which place the Group in the top quartile worldwide (source: Gallup).

Basel II Transition

In December 2007, APRA granted "advanced" Basel II accreditation status to the Group for the measurement of regulatory capital, which was effective from 1 January 2008. The Tier One and Total Capital ratios as at 30 June 2008 as disclosed on page 12 have been calculated in accordance with the Basel II methodology. Further details on the impact of the Basel II transition are in Capital Management, page 46.

Capital adequacy ratios calculated on the basis of Basel II are not comparable to capital adequacy ratios calculated on the basis of Basel I. In addition, Basel II guidelines have been interpreted and implemented differently by regulators in different jurisdictions and, as a result, capital ratios calculated on the basis of Basel II in different jurisdictions may not be comparable. Some of these differences may be material. See Liquidity and Capital Resources for a discussion of Basel II as implemented by the Reserve Bank of Australia (the "RBA").

Dividends

The final dividend declared is $1.53 per share which takes the total dividend for the 2008 financial year to $2.66, an increase of 10 cents or 4% on the prior year. The dividend has been determined based on net profit after tax ("cash basis"). On this basis the dividend payout ratio for the 2008 financial year is 75.0%.

The dividend payment is fully franked and will be paid on 1 October 2008 to owners of ordinary shares at the close of business on 22 August 2008 ("record date"). Shares were quoted ex-dividend on 18 August 2008.

The Group issued $400 million of shares to satisfy shareholder participation in the Dividend Reinvestment Plan ("DRP") in respect of the interim dividend for 2007/08.

Strategic Priorities

The Group is committed to achieving its vision of becoming Australia's finest financial services organisation through excelling in customer service, with our objective to be ranked number one in customer service by June 2010.

This commitment is reflected in the Group's new advertising theme "Determined to be Different" which was unveiled during 2008. Simply put, this theme conveys our determination to be better than we have ever been, by making real progress across each of our five strategic priorities:

- Customer Service;
- Business Banking;
- Technology and Operational Excellence;
- Trust and Team Spirit; and
- Profitable Growth.

(1) Refer footnotes (3) and (4) on page 7.

Highlights

Customer service remains the Group's top strategic priority, for which further good progress was made during 2008, including:

- Embedding of sales and service culture with a particular emphasis on training our front line people;
- Investing in our front line and becoming more accessible to our customers, in particular refurbishing retail branches and opening new branches; increasing customer facing staff in both the retail and business banking areas; opening new business banking centres; and continuing training for wealth management and insurance advisers to drive our cross-sell initiatives;
- Continuously reviewing and refining our product portfolio and introducing new and improved products; and
- Simplifying procedures to improve responsiveness and speed up approval and processing times.

Improving our competitive position in Business Banking remains a strategic priority, with key progress and outcomes during 2008 including:

- Increases to the Business Banking "footprint" by employing more business bankers, adding new business and private banking centres and putting business bankers back into selected retail branches;
- Continued migration of our business customers to CommBiz, our internet based business banking offering which has now been rolled out to over 90% of customers on outdated platforms;
- Acquisition and integration of IWL providing strategic entry into the online wholesale broking market;
- Launch of the new CommSec Banking Solutions "Better Together" and iPhone share trading option; and
- Business deposit market share gains with total deposits up 143 basis points.

Technology and Operational Excellence initiatives are designed to deliver greater efficiency across the Group as well as provide competitive leverage through innovative processes and systems. Progress during the 2008 financial year included:

- The announcement of a $580 million, four year Core Banking Modernisation project which will replace the Group's legacy systems and drive improvements in customer service and productivity through process simplification and the introduction of real time straight through processing;
- Continued efficiency gains in relation to IT costs, with the Group's IT efficiency ratio now standing at 13.7%, which is in line with international best practice;
- Significant improvements in systems stability, security, controls and disaster recovery capabilities;
- Introduction of a number of initiatives designed to improve customer service, increase operational efficiency and provide increased security to the Group and its customers. These include NetBank online statements, simplification of home loan processes, introduction of the Mediclear system, Global Markets and CommSec growth initiatives, IWL systems integration, motor insurance underwriting, Wealth Management cross-sell, FirstChoice platform enhancements, Basel II implementation and Anti Money Laundering compliance; and
- Restructuring of relationships with IT providers through the execution of new application sourcing agreements designed to deliver greater contestability, flexibility and enhanced delivery capability across the Group's applications portfolio.

The commitment, engagement and enthusiasm of our people go to the heart of our success as an organisation and our ability to deliver on our strategies. Progress on Trust and Team Spirit initiatives included:

- Greater collaboration across the Group and better alignment to the needs of our customers;
- Improvements in workplace safety with the Group's Lost Time Injury Frequency Rate falling by a further 31%; and
- Continued support to the community including significant commitments to a range of initiatives such as financial literacy, environmental partnerships and one-off assistance for communities in need of help.

The Profitable Growth strategic priority was introduced to ensure that the Group remains focused on identifying opportunities which will ensure continued growth and value creation. Progress during the 2008 financial year included:

- Our Indonesian and Chinese businesses, whilst still a relatively small part of the Group, are all performing well;
- CFS GAM continues to review a wide range of opportunities to grow its global footprint;
- Premium Business Services is seeking to build on its level of expertise in the Institutional Banking and Global Markets Group by further developing its debt and equity market capabilities and leveraging core competencies into offshore markets; and
- Continued focus on improving Group-wide cross-sell and referral rates, designed to better leverage the significant opportunities in our existing customer base.

Highlights

Group Performance Summary	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
Net interest income	**7,907**	7,036	6,514
Other banking income	**3,312**	3,321	3,082
Total banking income	**11,219**	10,357	9,596
Funds management income	**2,307**	1,874	1,543
Insurance income	**832**	817	742
Total operating income	**14,358**	13,048	11,881
Shareholder investment returns	**(17)**	149	101
Profit on sale of Hong Kong Insurance Business	**-**	-	145
Total income	**14,341**	13,197	12,127
Operating expenses	**7,021**	6,427	5,994
Loan impairment expense	**930**	434	398
Net profit before income tax	**6,390**	6,336	5,735
Corporate tax expense (1)	**1,626**	1,782	1,618
Minority interests (2)	**31**	27	31
Net profit after income tax ("cash basis")	**4,733**	4,527	4,086
Gain on Visa Initial Public Offering (3)	**295**	-	-
Investment and restructuring (4)	**(264)**	-	-
Defined benefit superannuation plan income/(expense)	**9**	5	(25)
Treasury shares valuation adjustment	**60**	(75)	(100)
Hedging and AIFRS volatility	**(42)**	13	(33)
Net profit after income tax ("statutory basis")	**4,791**	4,470	3,928
Represented by: (5) (6)			
Retail Banking Services	**1,874**	1,766	1,576
Premium Business Services	**1,463**	1,442	1,132
Wealth Management	**800**	552	404
International Financial Services	**596**	525	598
Other	**58**	185	218
Net profit after income tax ("statutory basis")	**4,791**	4,470	3,928

(1) For purposes of presentation, Policyholder tax benefit and Policyholder tax expense components of Corporate tax expense are shown on a net basis (year ended 30 June 2008: $(115) million, 30 June 2007: $266 million, 30 June 2006: $331 million).

(2) Minority interests include preference dividends paid to holders of preference shares in ASB Capital.

(3) Comprises cash received on disposal of shares exchanged in the Visa IPO and the initial recognition of new Visa shares at fair value, net of tax.

(4) Comprises provisions for investment and restructuring of $282 million relating to the cost of implementation of Core Banking Modernisation and other investment and restructuring and related asset write-downs of $95 million (including Computer Software write-offs of $77 million), net of tax.

(5) Group overheads are allocated to business segments based on a range of underlying cost drivers.

(6) During the current financial year the presentation of the segments of the Group was changed. Prior periods have been restated on a consistent basis.

Shareholder Summary	Full Year Ended 30/06/08	30/06/07	30/06/06
Dividend per share – fully franked (cents)	**266**	256	224
Dividend cover – statutory (times)	**1. 3**	1. 3	1. 4
Dividend cover – cash (times)	**1. 3**	1. 3	1. 4
Earnings per share (cents)			
Statutory – basic	**363. 0**	344. 7	308. 2
Statutory – fully diluted	**348. 7**	339. 7	303. 1
Cash basis – basic	**356. 9**	347. 1	318. 5
Cash basis – fully diluted	**343. 1**	342. 1	312. 9
Dividend payout ratio (%)			
Statutory basis	**74. 1**	75. 2	73. 3
Cash basis	**75. 0**	74. 2	70. 5
Weighted avg no. of shares – statutory basic (M) (1)	**1,307**	1,281	1,275
Weighted avg no. of shares – cash basic (M)	**1,313**	1,289	1,283
Return on equity – cash (%)	**20. 4**	21. 7	21. 5

(1) Fully diluted weighted average number of shares are disclosed in Note 7 to the Financial Statements.

Highlights

Balance Sheet Summary	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
Lending assets [1]	**369,597**	319,786	280,445
Total assets [2]	**487,572**	440,157	382,850
Total liabilities [2]	**461,435**	415,713	361,507
Shareholders' Equity	**26,137**	24,444	21,343
Assets held and Funds Under Administration (FUA)			
On Balance Sheet:			
Banking assets [2]	**461,944**	412,111	354,001
Insurance Funds Under Administration	**17,345**	19,814	20,792
Other insurance and internal funds management assets	**8,283**	8,232	8,057
	487,572	440,157	382,850
Off Balance Sheet:			
Funds Under Administration	**173,960**	157,257	130,721
Total assets held and FUA	**661,532**	597,414	513,571

(1) Lending assets comprise Loans, advances, and other receivables (gross of provisions for impairment and excluding securitisation and unearned income) and Bank acceptances of customers.

(2) During the 2008 financial year, a review of the accounting treatment of Group Limit Facilities and Mortgage Interest Saver Accounts led to an increase in lending and deposit balances (30 June 2008: $20 billion, 30 June 2007: $16 billion, 30 June 2006: $14 billion).

Highlights

Key Performance Indicators	Full Year Ended 30/06/08	30/06/07	30/06/06
Group			
Statutory net profit after tax ($M)	**4,791**	4,470	3,928
Net interest margin (%) (1) (2)	**2. 02**	2. 08	2. 22
Average interest earning assets ($M) (1) (2)	**385,667**	332,492	289,416
Average interest bearing liabilities ($M) (1) (2)	**362,249**	311,236	269,718
Statutory funds management income to average funds under administration (%)	**1. 22**	1. 20	1. 17
Average funds under administration ($M)	**194,156**	164,404	139,082
Statutory insurance income to average inforce premiums (%)	**49. 0**	81. 6	94. 3
Average inforce premiums ($M)	**1,511**	1,278	1,180
Statutory operating expense to total operating income (%)	**50. 7**	47. 9	49. 1
Statutory effective corporate tax rate (%)	**24. 3**	28. 3	28. 4
Retail Banking Services			
Statutory net profit after tax ($M)	**1,874**	1,766	1,576
Statutory operating expense to total banking income (%)	**46. 3**	46. 6	48. 8
Premium Business Services			
Statutory net profit after tax ($M)	**1,463**	1,442	1,132
Statutory operating expense to total banking income (%)	**45. 9**	45. 8	48. 5
Wealth Management			
Statutory net profit after tax ($M)	**800**	552	404
Average funds under administration ($M)	**186,696**	157,338	133,424
Average inforce premiums ($M)	**1,136**	938	825
Statutory funds management income to average funds under administration (%)	**1. 24**	1. 22	1. 18
Statutory insurance income to average inforce premiums (%)	**42. 1**	82. 7	73. 3
Statutory operating expense to net operating income (%) (3)	**56. 1**	51. 9	56. 1
International Financial Services			
Statutory net profit after tax ($M)	**596**	525	598
Average funds under administration ($M)	**7,460**	7,066	5,658
Average inforce premiums ($M)	**375**	340	355
Statutory funds management income to average funds under administration (%)	**0. 64**	0. 65	0. 81
Statutory insurance income to average inforce premiums (%)	**76. 3**	78. 5	143. 1
Statutory operating expense to net operating income (%) (3)	**50. 6**	51. 5	46. 1
Capital Adequacy Ratios – (Basel I) (4)			
Tier One (%)	**-**	7. 14	7. 56
Total (%)	**-**	9. 76	9. 66
Adjusted Common Equity (%)	**-**	4. 79	4. 50
Capital Adequacy Ratios – (Basel II) (4)			
Tier One (%)	**8. 17**	-	-
Total (%)	**11. 58**	-	-
Adjusted Common Equity (%)	**6. 47**	-	-

(1) During the 2008 financial year a review of the accounting treatment of Group Limit Facilities and Mortgage Interest Saver Accounts led to an increase in lending and deposit balances (30 June 2008: $20 billion, 30 June 2007: $16 billion, 30 June 2006: $14 billion). Prior periods have been restated on a consistent basis.

(2) Average interest earning assets and average interest bearing liabilities have been adjusted to remove the impact of securitisation. Refer to Note 4 to the Financial Statements.

(3) Net operating income represents Total operating income less volume expenses.

(4) June 2008 regulatory capital is calculated in accordance with Basel II rules and methodology which was effective from 1 January 2008. The Basel II ratios make no allowances for interest rate risk in the banking book, as this measure is not effective until 1 July 2008. The June 2007 and June 2006 regulatory capital is reported in accordance with Basel I rules and methodology.

Credit Ratings (1)	Long–term	Short–term	Outlook
Fitch Ratings	AA	F1+	Stable
Moody's Investor Services	Aa1	P-1	Stable
Standard & Poor's	AA	A-1+	Stable

(1) Ratings are not a recommendation to purchase, hold or sell securities, and may be changed, suspended or withdrawn at any time.

The Group believes it continues to maintain a strong capital position as reflected in its credit ratings. Additional information regarding the Group's capital is disclosed in Liquidity and Capital Resources.

Financial Review

Selected Consolidated Income Statement Data	Full Year Ended 30 June 2008 US$M (2)	2008	2007	2006	2005
		(A$ millions, except where indicated)			
AIFRS					
Interest income	**25,033**	**29,234**	23,862	19,758	16,781
Interest expense	**18,262**	**21,327**	16,826	13,244	10,755
Net interest income	**6,771**	**7,907**	7,036	6,514	6,026
Loan impairment expense	**796**	**930**	434	398	322
Non-interest income	**5,705**	**6,662**	6,355	5,772	5,252
Operating expenses	**6,323**	**7,384**	6,419	6,029	5,944
Operating profit before income tax	**5,356**	**6,255**	6,538	5,859	5,012
Income tax expense attributable to operating profit	**1,227**	**1,433**	2,041	1,900	1,602
Operating profit after income tax	**4,129**	**4,822**	4,497	3,959	3,410
Outside equity interests	**(27)**	**(31)**	(27)	(31)	(10)
Net Income	**4,103**	**4,791**	4,470	3,928	3,400
Dividend declared ($)	**1,737**	**2,029**	1,939	1,668	1,434
Weighted average number of shares (basic)	**1,119**	**1,307**	1,281	1,275	1,260
Earnings per share, basic (cents)	**311**	**363. 0**	344. 7	308. 2	259.6
Earnings per share, fully diluted (cents)	**299**	**348. 7**	339. 7	303. 1	255.3
Dividends per share (cents)	**228**	**266**	256	224	197
Dividend payout ratio (%) (1)	**63. 5**	**74. 1**	75. 2	73. 3	77. 0

(1) Dividends paid on ordinary shares divided by earnings (earnings are net of dividends on other equity instruments).

(2) US$ translated from A$ using 29 August month end closing exchange rate.

Exchange Rates

For each of the Group's financial years indicated, the period end and average noon buying rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York the ("Noon Buying Rate") are set out below, together with the high and low rates and month end closing rates for the previous six months.

To calculate the US$ figures provided the 29 August 2008 month end closing exchange rate was used.

	Full Year Ended 2008	2007	2006	2005	2004
	(expressed in US$ per A$1.00)				
Period End	**0. 9562**	0. 8491	0. 7423	0. 7618	0. 6952
Average Rate	**0. 9007**	0. 7867	0. 7475	0. 7534	0. 7192

	August	July	June	May	April	March
	(expressed in US$ per A$1.00)					
High	0. 9317	0. 9797	0. 961	0. 9644	0. 9488	0. 9441
Low	0. 8563	0. 9415	0. 9342	0. 9338	0. 9067	0. 8958
Month End Closing Rates	0. 8563	0. 9415	0. 9562	0. 9551	0. 9419	0. 9132

Consolidated Balance Sheet Data	2008 US$M [5]	2008	2007	2006	2005
	Full Year Ended 30 June				
		(A$ millions, except where indicated)			
AIFRS					
Assets					
Cash and liquid assets [1]	**6,624**	**7,736**	10,108	5,868	6,055
Receivables due from other financial institutions	**5,980**	**6,984**	5,495	7,107	6,087
Assets at fair value through the income statement:					
Trading	**18,561**	**21,676**	21,469	15,758	14,631
Insurance	**17,683**	**20,650**	23,519	24,437	27,484
Other [1]	**2,797**	**3,266**	4,073	2,207	-
Derivative assets	**15,612**	**18,232**	12,743	9,675	-
Available-for-sale investments	**9,837**	**11,488**	9,672	11,203	-
Investment securities	**-**	**-**	-	-	10,838
Loans, advances and other receivables [2]	**309,366**	**361,282**	315,465	273,525	243,232
Bank acceptances of customers	**15,651**	**18,278**	18,721	18,310	16,786
Investment property	**-**	**-**	-	258	252
Property, plant and equipment	**1,404**	**1,640**	1,436	1,313	1,132
Investments in associates	**776**	**906**	836	190	52
Intangible assets	**7,071**	**8,258**	7,835	7,809	7,656
Deferred tax assets	**65**	**76**	254	48	651
Other assets	**5,559**	**6,492**	7,157	5,141	17,434
	416,987	**486,964**	438,783	382,849	352,290
Assets held for sale	**521**	**608**	1,374	1	-
Total Assets	**417,508**	**487,572**	440,157	382,850	352,290
Liabilities					
Deposits and other public borrowings [2]	**225,811**	**263,706**	219,068	187,576	182,912
Payables due to other financial institutions	**15,133**	**17,672**	14,386	11,184	8,023
Liabilities at fair value through the income statement	**13,295**	**15,526**	16,396	11,667	-
Derivative liabilities	**16,733**	**19,541**	16,680	10,820	-
Bank acceptances	**15,651**	**18,278**	18,721	18,310	16,786
Current tax liability	**658**	**768**	882	378	833
Deferred tax liability	**228**	**266**	908	734	921
Other provisions	**1,005**	**1,174**	878	821	871
Insurance policy liabilities	**15,837**	**18,495**	21,613	22,225	24,694
Debt issues	**73,485**	**85,817**	88,525	80,735	70,765
Managed fund units on issue	**950**	**1,109**	310	1,109	-
Bills payable and other liabilities	**6,443**	**7,524**	7,346	6,053	17,551
Total Liabilities	**385,229**	**449,876**	405,713	351,612	323,356
Loan capital [3]	**9,898**	**11,559**	10,000	9,895	6,291
Total liabilities and loan capital	**395,127**	**461,435**	415,713	361,507	329,647
Net Assets	**22,381**	**26,137**	24,444	21,343	22,643
Total Shareholders' Equity [4]	**22,381**	**26,137**	24,444	21,343	22,643
Preference share capital	**-**	**-**	-	-	687
Other equity instruments	**804**	**939**	939	939	1,573
Total Shareholders' Equity excluding hybrid financial instruments	**21,577**	**25,198**	23,505	20,404	20,383

	2008	2007	2006	2005	2004
Full-time staff equivalent	**39,621**	37,873	36,664	35,313	36,296
Branches/service centres (Australia)	**1,009**	1,010	1,005	1,006	1,012
Agencies (Australia)	**3,814**	3,833	3,836	3,864	3,866

(1) During the 2008 financial year certain ASB bank overnight settlement account balances were reclassified from assets at fair value through income statement to cash and liquid assets.

(2) A review of the accounting treatment of Group Limit Facilities and Mortgage Interest Saver Accounts led to an increase in lending and deposit balances (30 June 2008: $20 billion, 30 June 2007: $16 billion, 30 June 2006: $14 billion). Prior periods have been restated on a consistent basis.

(3) Represents interest bearing liabilities qualifying as regulatory capital.

(4) Includes minority interests (see Note 34 to the Financial Statements).

(5) US$ translated from A$ at 29 August 2008 (see month end closing exchange rate for August in the table on page 10).

Consolidated Ratios and Operating Data	2008 US$M (1)	2008	2007	2006	2005
	Full Year Ended 30 June				
		(A$ millions, except where indicated)			
AIFRS					
Profitability					
Net interest margin (%) (2)		**2. 02**	2. 08	2. 22	2. 29
Interest spread (%) (3)		**1. 68**	1. 75	1. 90	1. 98
Return on average Shareholders' Equity (%) (4)		**19. 8**	20. 7	20. 4	18. 2
Return on average total assets (%) (4)		**1. 0**	1. 1	1. 1	1. 0
Productivity					
Total operating income per full-time (equivalent) employee	**309,942**	**361,955**	348,454	330,760	314,388
Staff expense/total operating income (%) (5)		**25. 5**	24. 5	23. 3	24. 1
Total operating expenses/total operating income (%) (5)		**49. 0**	48. 7	49. 4	52. 9
Ratio of earnings to fixed charges (6)		**1. 3**	1. 4	1. 4	1. 4
Capital Adequacy (at year end) (7)					
Basel I					
Risk weighted assets		**n/a**	245,347	216,438	189,559
Tier One capital		**n/a**	17,512	16,354	14,141
Tier Two capital		**n/a**	8,365	6,725	6,087
Total capital (8)		**n/a**	23,951	20,916	18,479
Tier One capital/risk weighted assets (%)		**n/a**	7. 14	7. 56	7. 46
Tier Two capital/risk weighted assets (%)		**n/a**	3. 41	3. 10	3. 21
Total capital/risk weighted assets (%)		**n/a**	9. 76	9. 66	9. 75
Basel II					
Risk weighted assets	**175,971**	**205,501**	n/a	n/a	n/a
Tier One capital	**14,378**	**16,791**	n/a	n/a	n/a
Tier Two capital	**6,005**	**7,013**	n/a	n/a	n/a
Total capital (8)	**20,383**	**23,804**	n/a	n/a	n/a
Tier One capital/risk weighted assets (%)		**8. 17**	n/a	n/a	n/a
Tier Two capital/risk weighted assets (%)		**3. 41**	n/a	n/a	n/a
Total capital/risk weighted assets (%)		**11. 58**	n/a	n/a	n/a
Average Shareholders' Equity/average total assets (%)		**5. 3**	5. 5	6. 0	6. 5

(1) US$ translated from A$ at 29 August 2008 (see month end closing exchange rate for August in the table on page 10).

(2) Net interest income divided by average interest earning assets for the year.

(3) Difference between the average interest rate earned and the average interest rate paid on funds.

(4) Calculations based on net profit after tax ("statutory basis"), net of dividends on other equity investments applied to average Shareholders' Equity and average total assets respectively.

(5) Total operating income represents net interest income before deducting charges for bad and doubtful debts plus non-interest income.

(6) Net profit before tax and fixed charges (interest expense and rental costs) divided by fixed charges.

(7) Capital adequacy figures for 2008 shown on Basel II basis. Prior years shown on Basel I basis. For a discussion of the difference between the calculation of capital adequacy figures under Basel I and Basel II, see Liquidity and Capital Resources.

(8) Represents Tier One capital and Tier Two capital less deductions under statutory guidelines imposed by APRA. Refer Liquidity and Capital Resources for further details.

Consolidated Ratios and Operating Data (1)	2008 US$M (7)	2008	2007	2006	2005
		Full Year Ended 30 June (A$ millions, except where indicated)			
AIFRS					
Asset Quality Data (2)					
Non-accrual loans (3)	**585**	**683**	421	326	395
Total impaired assets (4)	**585**	**683**	421	326	376
Individually assessed provisions for impairment	**314**	**367**	199	171	157
Collective provisions for impairment	**1,153**	**1,346**	1,034	1,046	1,390
Net impaired assets (net of interest reserved)	**271**	**316**	222	155	219
Total provisions for impairment/average credit risk (%) (5)		**0. 3**	0. 3	0. 4	0. 5
Loan impairment expense/average credit risk (%) (5)		**0. 2**	0. 1	0. 1	0. 1
Gross impaired assets/credit risk (%) (6)		**0. 1**	0. 1	0. 1	0. 1
Net impaired assets/total Shareholders' Equity (%)		**1. 2**	0. 9	0. 7	1. 0
General provision for impairment/risk weighted assets (%) Basel I	**n/a**	**n/a**	n/a	n/a	0. 7
Collective provision for impairment/risk weighted assets (%) Basel I		**n/a**	0. 4	0. 5	n/a
Collective provision for impairment/risk weighted assets (%) Basel II		**0. 7**	n/a	n/a	n/a

(1) The Group adopted AIFRS accounting standards for the reporting period beginning 1 July 2004. As a result only the 2008, 2007, 2006 and 2005 results are presented on an AIFRS basis, and figures for 2004 are not directly comparable. Unadjusted figures (presented on an AGAAP basis) for 2004 are included within Appendix A and Appendix B to this Document for information. AGAAP is not, and should not be considered to be, comparable to information prepared in accordance with AIFRS.

(2) All impaired asset balances and ratios are net of interest reserved.

(3) Non-accrual facilities comprise any credit risk exposure where a specific provision for impairment has been raised, or is maintained on a cash basis because of significant deterioration in the financial position of the borrower, or where loss of principal or interest is anticipated.

(4) Total impaired assets comprise non-accrual loans, restructured loans, Other Real Estate Owned assets and Other Assets Acquired Through Security Enforcement.

(5) Average credit risk is based on gross credit risk less unearned income. Averages are based on current and previous year end balances.

(6) Total impaired assets as a percentage of credit risk as disclosed in Note 15 to the Financial Statements less unearned income as calculated in Note 13 to the Financial Statements.

(7) US$ translated from A$ at 29 August 2008 (see month end closing exchange rate for 2008 financial year in the table on page 10).

Summary Cash Flow Data

Further details of the Group's cash flow are found in the Financial Statements and Notes to the Financial Statements.

Summary Cash Flow	2008 US$M (1)	2008 $M	2007 $M	2006 $M	2005 $M
		Full Year Ended 30 June			
Net Cash (used in)/provided by operating activities	**(1,777)**	**(2,075)**	5,641	1,162	(336)
Net Cash (used in)/provided by investing activities	**(130)**	**(152)**	(2,276)	(386)	801
Net Cash (used in)/provided by financing activities	**349**	**408**	(1,319)	(14)	(2,188)
Net (decrease)/increase in cash and cash equivalents	**(1,558)**	**(1,819)**	2,046	762	(1,723)
Cash and Cash Equivalents at beginning of period	**3,497**	**4,084**	2,038	1,276	2,999
Cash and Cash Equivalents at end of period	**1,940**	**2,265**	4,084	2,038	1,276

(1) US$ translated from A$ at 29 August 2008 (see month end closing exchange rate for August in the table on page 10).

Financial Review

Forward-Looking Statements

This "Financial Review" contains certain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 3.

Risk Factors

This section describes the principal risk factors that could materially affect the Group's businesses, its revenues, operating income, net income, net assets, liquidity and capital resources. The factors below should be considered in connection with the "Special Note Regarding Forward-Looking Statements" on page 3 and the Integrated Risk Management section as detailed on pages 43 to 45. The Integrated Risk Management section provides details on how the Group manages its credit, market (traded and non-traded), funding and liquidity, operational and strategic business, business continuity, compliance and security risks in the course of carrying on its business.

The Group's businesses may be adversely affected by the current disruption in the global credit markets and associated impacts.

Since July 2007, disruption in the global credit markets, coupled with the repricing of credit risk, and the United States and United Kingdom housing market deterioration has created increasingly difficult conditions in financial markets. These conditions have resulted in historically high levels of volatility, less liquidity, widening of credit spreads and a lack of price transparency in certain markets. Most recently, these conditions have resulted in the failures of a number of financial institutions in the United States and unprecedented action by governmental authorities and central banks around the world. It is difficult to predict how long these conditions will exist and how the Group's markets, products and businesses will be affected. These conditions may be exacerbated by persisting volatility in the financial sector and the capital markets, or concerns about, or a default by, one or more institutions, which could lead to significant market-wide liquidity problems, or losses or defaults by other institutions. Accordingly, these conditions could adversely affect the Group's consolidated financial position or results of operations in future periods. In addition, the Group may become subject to litigation and regulatory or governmental scrutiny, or may be subject to changes in applicable regulatory regimes that may be materially adverse to the Group and its prospects. Furthermore, it is not possible to predict what structural and/or regulatory changes may result from the current market conditions or whether such changes may be materially adverse to the Group or its future prospects.

The Group may incur losses associated with its counterparty exposures.

The Group faces the possibility that a counterparty may be unable to honour its contractual obligations to us. Such parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to us, executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries.

Adverse credit market conditions may significantly affect the Group's ability to access international capital markets, cost of capital or ability to meet the Group's liquidity needs.

Disruptions, uncertainty or volatility in credit markets may limit the Group's access to capital, particularly its ability to issue longer-dated securities in international capital markets. These market conditions may limit the Group's ability to replace, in a timely manner, maturing liabilities and access the capital necessary to grow our business. As such, the Group may be forced to delay raising capital, issue shorter tenors than it prefers, or pay less attractive interest rates, thereby, increasing its interest expense, decreasing its profitability or significantly reducing its financial flexibility.

A downturn in the Australian and New Zealand economies could adversely impact our results

As a financial group whose core businesses are banking, funds management and insurance, the performance of the Group is dependent on the state of the Australian and New Zealand economies, customer and investor confidence and prevailing market rates. The results of the Group in recent years have benefited from historically high rates of growth of the Australian and New Zealand economies, strong links to the rapidly growing economies in China, India and South East Asia, low unemployment and, until the 2008 financial year, historically low rates of inflation. We can give no assurances as to the likely future states of the Australian and New Zealand economies, which can be influenced by many factors within and outside Australia and New Zealand, outside of our control.

Australian economic conditions at the end of August 2008 revealed a weakening in retail sales, declining household and commercial loan approvals, lower growth in housing and business credit and subdued business and consumer confidence, with less buoyant equity markets.

A material downturn in the Australian and New Zealand economies could adversely impact future results and could potentially result in further increases in the amount overdue on individual loans. Recessive economic cycles also have a negative influence on liquidity levels, credit defaults of corporations and other borrowers and return on assets. Our banking business is affected by market conditions in that there may be less demand for loan products or certain customers may face difficulty in meeting their obligations. In particular, a significant or sustained decrease in the Australian and New Zealand housing market or property valuations could adversely affect our home mortgage portfolio. Furthermore, weaknesses in global securities markets due to credit, liquidity or other problems could result in a decline in our revenues from our funds management and insurance business.

We are subject to extensive regulation, which could impact our results

The Group's banking, funds management and insurance activities are subject to extensive regulation, mainly relating to liquidity levels, solvency, provisioning, and insurance policy terms and conditions. Our business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the Australian government.

The requirement to maintain certain levels of Tier One and Tier Two eligible capital determines the level of lending activity, or, alternatively, requires the issue of additional equity capital or subordinated debt, which are additional sources of funds to the Group. Any change in regulation, including changes that increase the requirements of regulatory capital could have an adverse impact on the Group's results of operations.

On 10 December 2007, the Group became one of the first major banks in Australia to be granted “advanced” Basel II accreditation by APRA. As a result of receiving advanced Basel II accreditation, the advanced internal ratings based approach (AIRB) for credit risk and the advanced measurement approaches (AMA) for operational risk have been adopted in the calculation of risk weighted assets. There is an agreed methodology for measuring market risk for traded assets, which remains unchanged from Basel I.

Further details on Basel II are contained in Capital Management on pages 46 to 53.

Reputational damage could harm our business and prospects

Various issues may give rise to reputational risk and cause harm to our business and prospects. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering laws, trade sanctions legislation, privacy laws, information security policies, sales and trading practices, and conduct by companies in which we hold strategic investments. Failure to address these issues appropriately could also give rise to additional legal risk, subject the Group to regulatory enforcement actions, fines and penalties, or harm our reputation among our customers and our investors in the marketplace.

Market risks, interest rate and currency risk could adversely impact our results

The Group is subject to the risks typical of banking, insurance and funds management activities, such as interest rate fluctuations, exchange rate variations and capital and equity market volatility. Many of these risks are outside the control of the Group. The results of our banking and insurance operations are affected by our management of interest rate sensitivity. Activity in the securities markets generally also affects our banking, funds management and insurance business. We also offer a number of financial products that expose us to risks associated with fluctuations in interest rates, securities prices or the value of real estate assets. For a description of these specific risks, see Note 42 to the Financial Statements.

Liquidity and funding risks, operational risk and life insurance risk could adversely impact our results

The Group is subject to liquidity and funding risks, operational risk and life insurance risks. These risks are described in detail under “Integrated Risk Management” commencing on page 43.

We face intense competition, which could adversely impact our results

The Group faces intense competition in all of its principal areas of operation and geographical markets, principally Australia and New Zealand. Competition in the banking and funds management markets has, however, had the most significant effect on the Group's results and operations. Further details on the competition faced by the Group are detailed in 'Competition' on page 64 of this Document.

Outlook

The headwinds which the Australian banking industry experienced in the 2008 financial year are expected to dominate the outlook for global banking. Uncertainty and volatility in global credit markets will continue to place upward pressure on funding costs.

While the domestic economy remains resilient, credit growth is expected to moderate to slightly below the average of the past decade as the slowing in the economy impacts both consumers and business.

The outlook is cautious going into the new financial year and the Group intends to continue with its conservative stance until signs of improvement in economic conditions are evident. The Group believes its capital position is strong with capital levels above target ranges. The group believes it is taking a prudent approach to the management of credit and market risk and we believe that we are well provisioned given the economic outlook.

While it is clearly a time to be cautious, the Group’s robust financial position enables it to maintain the momentum behind its five strategic priorities and remains committed to further strengthening core businesses should attractive, “on strategy”, investment opportunities arise.

Group Performance Analysis

Forward-Looking Statements

This Group Performance Analysis contains certain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 3.

Financial Performance and Business Review

Financial Year 2008 compared to Financial Year 2007

The Group's Statutory net profit after tax for the 2008 financial year was $4,791 million, an increase of 7% on the prior year.

The performance during the 2008 financial year was underpinned by:

- Strong growth in lending balances, with business lending up 22% to $127 billion and housing lending up 12% to $216 billion;
- Domestic deposit volume growth of 23% since June 2007 to $234 billion;
- Underlying net interest margin contraction of 10 basis points since 30 June 2007;
- Average funds under administration growth of 18% to $194 billion, reflecting positive net funds flows partly offset by falls in Australian and global equity markets;
- Operating expense growth of 15% on the prior year, reflecting continued investment in the Group's business expenses associated with investment and restructuring, as well as the effect of inflation on salary and general expenses;
- Higher funding costs resulting from widening cash to bill spreads caused by volatility in global credit markets. These additional costs were not able to be fully passed on to customers; and
- Increased corporate sector collective and individual provisioning up to $847 million consistent with market conditions.

Financial Year 2007 compared to Financial Year 2006

The 2007 financial year net profit after tax ("statutory basis") of $4,470 million for the Group increased by 14% on the 2006 financial year.

The performance during the 2007 financial year was supported by:

- Significant business lending volume growth of 18% since June 2006 to $104 billion;
- Solid volume growth in home loans, up 13% since June 2006 to $177 billion;
- Domestic deposit volume growth of 16% since June 2006 to $191 billion including the doubling of NetBank Saver balances which totalled over $8 billion as at 30 June 2007;
- Net interest margin decreased 14 basis points over the 2007 financial year, comprising 15 basis points of underlying margin contraction and one basis point due to AIFRS accounting volatility;
- Average funds under administration growth of 18% to $164 billion with strong investment markets and retail flows underpinning growth over the 2007 financial year;
- Targeted investment in areas intended to drive future profitability balanced by cost control in other areas, resulting in operating expenses increasing 7% on the prior year; and
- Continued stability in the credit quality across the portfolio.

Net Interest Income

Financial Year 2008 compared to Financial Year 2007

Net interest income increased in the 2008 financial year by 12% on the prior year to $7,907 million.

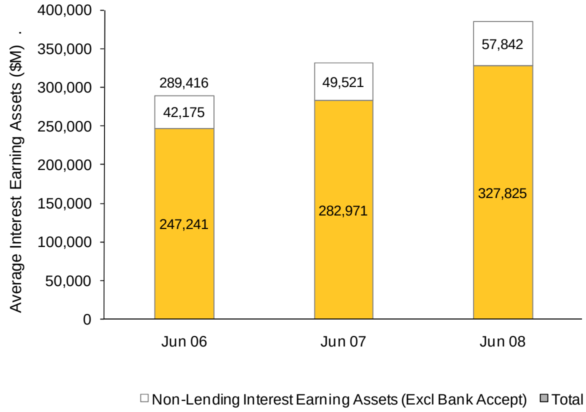
Excluding the impact of the reclassification of net swap costs under AIFRS, net interest income growth was 10%.

This result was achieved primarily through volume growth in average interest earning assets of 16%, partly offset by underlying margin contraction of ten basis points.

Financial Year 2007 compared to Financial Year 2006

Net interest income increased by 8% to $7,036 million for the 2007 financial year compared to $6,514 million for the 2006 financial year. The increase in 2007 was primarily the result of continued volume growth reflected by an increase in average interest earning assets of 15%, partially offset by a 6% reduction in net interest margin.

Average Interest Earning Assets (1)



Financial Year 2008 compared to Financial Year 2007

Average interest earning assets increased by $53 billion in the 2008 financial year on the prior year to $386 billion, reflecting a $45 billion increase in average lending interest earnings assets and an $8 billion increase in average non-lending interest earning assets.

Home lending growth was the largest contributor to the increase in average interest earning assets. Average home loan balances, excluding the impact of securitisation, increased by 15% since 30 June 2007.

Average balances for business and corporate lending benefited from strong volume growth, particularly in Institutional Banking. This resulted in growth of 18% since 30 June 2007.

Personal lending average balances grew by 12% since 30 June 2007. This result continues to be driven by growth in margin lending, which slowed due to the downturn in investment markets.

Financial Year 2007 compared to Financial Year 2006

The 2007 financial year saw an increase in average interest earning assets of $43 billion to $332 billion, reflecting a $36 billion increase in average lending interest earning assets and a $7 billion increase in average non-lending interest earning assets. The major contributors to the 2007 increase were as follows:

- 10% increase in average home loan balances;
- 13% increase in personal lending average balances; and
- 22% increase in business lending average balances.

(1) Refer footnote (1) on page 17.

Net Interest Margin

Financial Year 2008 compared to Financial Year 2007

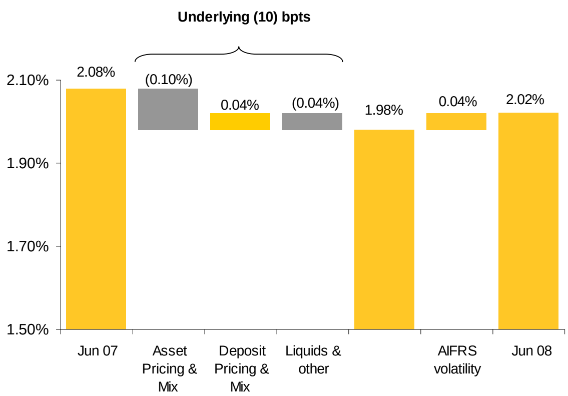
Underlying net interest margin decreased 10 basis points compared to the prior year. This was partly offset by AIFRS hedging volatility which resulted in a four basis point increase, bringing headline margin contraction to six basis points. The key drivers of the underlying margin contraction were:

<u>Asset pricing and mix</u>: Overall margin contraction of 10 basis points, with home lending margins contributing to a seven basis point decline during the 2008 financial year due to the impact of higher funding costs together with the increased proportion of lower margin fixed rate and packaged home lending products more than offsetting the changes in pricing of standard variable rate home loans. Business and personal lending margins contracted three basis points primarily due to higher funding costs and the strong growth in lower margin Institutional loans and lower interest rate credit cards.

<u>Deposit pricing and mix</u>: Retail deposit margins improved four basis points primarily due to benefits of increases in the official cash rate offsetting the ongoing mix impact of strong growth in higher interest rate deposit products.

<u>Liquids and other:</u> The Group increased holdings of liquid assets by $8 billion during the 2008 financial year, resulting in four basis points of margin compression.

NIM movement since June 2007 (1) (2)



(1) Headline net interest margin has been impacted by a change in the accounting treatment of Group Limit Facilities and Mortgage Interest Saver Accounts which led to an increase in lending and deposit balances. Prior periods have been restated on a consistent basis. Refer to Note 1(b) to the Financial Statements.

(2) Refer to Note 4 to the Financial Statements, for average interest earning assets and average interest bearing liabilities yields.

In order to mitigate the effect of further net interest margin deterioration the Group has undertaken hedging of short-dated interest rate exposures which led to incremental costs of approximately $50 million in Other banking income.

Additional information, including the average balances, is set out in Note 4 to the Financial Statements.

Financial Year 2007 compared to Financial Year 2006

In the 2007 financial year, net interest margin declined by 14 basis points from the 2006 financial year largely driven by asset and deposit pricing and mix compressions. The key drivers of the margin reduction were:

<u>Asset pricing and mix</u>: In 2007 the Group experienced strong competition in the home lending segment in both Australia and New Zealand; and credit card portfolio repricing, which resulted in net interest margin contraction of 5 basis points and 2 basis points respectively.

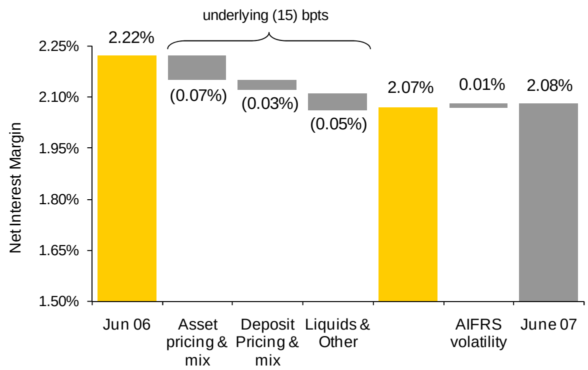
Business lending margin remained stable overall during the 2007 financial year with some improving margins on domestic lending offsetting growth in lower margin offshore portfolios.

<u>Deposit pricing and mix</u>: The combined impact of cash rate increases during the 2006 financial year on deposits, repricing of certain products and increasing proportion of lower margin savings accounts was a net benefit of three basis points. This was more than offset by an increase in the deeming rate on pensioner savings (one basis point); and yield curve impact from tightening of bill rate to cash rate spread and replicating portfolio (five basis points).

<u>Liquids and other</u>: Average non-lending interest earning assets have increased by $8 billion, resulting in headline margin contraction of five basis points.

<u>AIFRS Volatility</u>: The yield related to certain non-trading derivatives is reclassified to other banking income under AIFRS, which distorts the calculation of net interest margin. In the 2008 financial year this had the effect of increasing headline margin by one basis point.

NIM movement June 2006 to June 2007

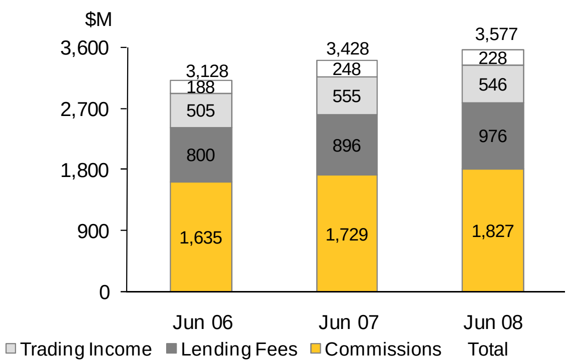


Other Banking Income

	Full Year Ended		
	30/06/08	30/06/07	30/06/06
	$M	$M	$M
Commissions	**1,827**	1,729	1,635
Lending fees	**976**	896	800
Trading income	**546**	555	505
Other income	**228**	248	188
	3,577	3,428	3,128
AIFRS reclassification of net swap costs	**(265)**	(107)	(46)
Other banking income (1)	**3,312**	3,321	3,082

(1) Reflects other banking income ("cash basis").

Excluding the impact of AIFRS non-trading derivative volatility, Other banking income for the financial year ended 30 June 2008 increased 4% to $3,577 million from $3,428 million for the financial year ended 30 June 2007, which represented a 10% increase over the financial year ended 30 June 2006.



Group Performance Analysis

Financial Year 2008 compared to Financial Year 2007

Factors impacting Other banking income during the financial year ended 30 June 2008, as compared to the financial year ended 30 June 2007, were:

- Commissions: increased by 6% on the prior year to $1,827 million, principally driven by brokerage commissions within CommSec and volume-driven increases in international transactions;
- Lending fees: increased by 9% on the prior year to $976 million. The growth is principally due to retail and corporate customer fees increasing in line with lending volumes together with higher syndication structured transaction fee income;
- Trading income: decreased 2% on the prior year to $546 million primarily due to additional costs on derivatives used to hedge short-dated interest rate exposures; and
- Other income: decreased 8% on the prior year to $228 million. The 2007 financial year included $79 million due to the sale of the Group's share in Greater Energy Alliance Corporation Pty Limited ("Loy Yang") and $58 million in relation to the sale of MasterCard shares. In the 2008 financial year other income included the realised gains on hedges of the New Zealand operations of $31 million compared to a loss of $23 million in the prior year, accrued income of $24 million relating to a prior period tax refund, the receipt of dividend income on Group investments of $36 million, together with several other offsetting non-recurring gains and losses.

Other transactions not included in cash definition however included in statutory definition of Other Banking income include:

- Realised gains on the Visa Initial Public Offering of $295 million after tax; and
- Hedging and AIFRS volatility.

Financial Year 2007 compared to Financial Year 2006

Factors impacting Other banking income during the financial year ended 30 June 2007, as compared to the financial year ended 30 June 2006, were:

- Commissions: increased by 6% to $1,729 million. The increase was primarily driven by a 22% increase in CommSec brokerage volumes and increased volume of initial public offering activities;
- Lending fees: increased by 12% to $896 million. The result was primarily driven by an increase in lending volumes, particularly line fees related to the business and corporate lending portfolios;
- Trading income: increased 10% to $555 million reflecting favourable market conditions; and
- Other income increased $60 million. The 2007 financial year included a $79 million gain on the sale of the Group's share in Greater Energy Alliance Corporation Pty Limited ("Loy Yang") and $58 million in relation to the sale of Mastercard shares.

Funds Management Income

	Full Year Ended		
	30/06/08	30/06/07	30/06/06
	$M	$M	$M
CFS GAM	**1,068**	759	567
Colonial First State	**909**	844	637
CommInsure & Other	**282**	225	293
Sovereign & Other	**48**	46	46
Funds management income	**2,307**	1,874	1,543

Financial Year 2008 compared to Financial Year 2007

Funds management income increased by 23% to $2,307 million for the financial year ended 30 June 2008 from $1,874 million in 2007. This growth was driven by an increase in average funds under administration (FUA) of 18% on the prior year to $194 billion and $108 million pre-tax gain on sale of assets.

Financial Year 2007 compared to Financial Year 2006

Funds Management income increased by 21% to $1,874 million for the financial year ended 30 June 2007. This growth was primarily driven by an increase in average funds under administration of 18% on the prior year to $164 billion, underpinned by strong investment markets and retail flows.

Insurance Income

	Full Year Ended		
	30/06/08	30/06/07	30/06/06
	$M	$M	$M
CommInsure & Other	**580**	573	467
Sovereign & Other	**252**	244	275
Insurance income	**832**	817	742

Financial Year 2008 compared to Financial Year 2007

Insurance income increased by 2% to $832 million for the financial year ended 30 June 2008. This result is primarily a combination of growth in average inforce premiums of 18%, partially offset by adverse claims experience associated with weather events concentrated on the east coast of Australia.

Financial Year 2007 compared to Financial Year 2006

Insurance income increased 10% to $817 million for the financial year ended 30 June 2007. This result is primarily a combination of growth in average inforce premiums of 8% and a positive claims experience.

Operating Expenses

Financial Year 2008 compared to Financial Year 2007

Group operating expenses for the 2008 financial year increased by 15% on the prior year to $7,398 million. This result was greater than the 7% increase experienced in the 2007 financial year. Operating expenses were impacted by:

- A $432 million increase in total staff expenses, as a result of:
  - Average salary increases reflecting the tight domestic labour market together with the effect of inflation; and
  - Continued investment in staff in support of strategic initiatives, with staff numbers rising 5% on the prior year;
- A $79 million increase in occupancy expenses primarily resulting from market rent increases, relocation of the Business Continuity Centre to Sydney Olympic Park and increases in other property costs;
- A one-off GST refund received in the current period ($64 million) which was used to fund $62 million of additional projects to support the Group's strategic initiatives;
- Higher volume related expenses primarily resulting from strong growth in funds under administration, the IWL acquisition and an increase in underlying retail equities trading volumes; and
- Continued productivity improvements achieved through process re-engineering and simplification initiatives.

Financial Year 2007 compared to Financial Year 2006

Group operating expenses increased by 7% on the prior year to $6,427 million. Operating expenses were impacted by:

- Average salary increase of 4% reflecting the competitive domestic labour market and the effect of inflation on general expenses;
- Ongoing investment in front line staff across each of the key businesses, with staff numbers rising 3% over the year;
- Continued investment in various projects supporting the strategic priorities of the Group, most notably the Business Banking and Global markets growth initiatives;
- Establishment of competitive remuneration schemes in the asset management business to attract and retain high quality talent; and
- Continued productivity improvements achieved through process simplification initiatives.

The table below details the Group's staff numbers as at 30 June 2008, 2007 and 2006.

Staff Numbers	Group Full Year Ended 2008	2007	2006
Australia	**30,766**	29,990	29,423
Full-time staff equivalent	**39,621**	37,873	36,664

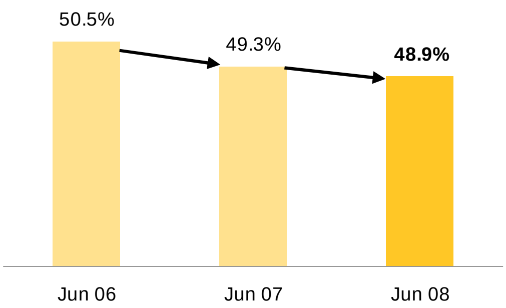
Full-time equivalent staff have been weighted for the lower costs per employee of staff on extended leave, for example, maternity leave, unpaid sick leave or career break.

Productivity

The expense to income ratio improved over the last three years from 50.5% in the year ended 30 June 2006 to 48.9% in the financial year ended 30 June 2008, representing a 1% improvement in productivity. The improvement in productivity in each of the last three years is a reflection of income growth, expense management and continued investment in the business.

During the 2007 financial year the expense to income ratio improved from 50.5% to 49.3% representing a 2% improvement in productivity. The improvement reflects strong income growth, targeted growth in investment spend and discipline in underlying cost control.

Group Expense to Income Ratio



Taxation Expense

Income Tax Expense – cash basis	Group Full Year Ended 2008 $M	2007 $M	2006 $M
Retail Banking Services	**813**	756	676
Premium Business Services	**410**	465	423
Wealth Management	**276**	242	139
International Financial Services	**165**	125	153
Other	**(34)**	141	192
Shareholder Investment returns	**(4)**	53	35
Total income tax expense (cash basis)	**1,626**	1,782	1,618
Statutory adjustments	**(78)**	(7)	(49)
Total income tax expense	**1,548**	1,775	1,569

Effective Tax Rate – statutory basis	2008 %	2007 %	2006 %
Retail Banking Services	**29. 9**	30. 0	30. 0
Premium Business Services	**21. 6**	24. 3	27. 2
Wealth Management	**27. 9**	33. 3	26. 1
International Financial Services	**22. 1**	22. 2	21. 1
Total – corporate	**24. 3**	28. 3	28. 4

The corporate tax charge for the 2008 financial year was $1,548 million, representing an effective tax rate of 24.3%. For the 2008 financial year, income tax decreased $227 million as a result of a reduction in the effective tax rate in the Premium Business Services, Wealth Management and Other segments.

Wealth Management segment lower effective tax rate is due to greater amounts of non-assessable income and foreign income at lower tax rates and Premium Business Services segment lower effective tax rate is due to additional income tax deductions obtained in relation to prior years. The lower tax rate in the Other segment is due to the satisfactory resolution of long outstanding issues with tax authorities.

Reductions in the corporate tax rate in offshore jurisdictions including New Zealand, Hong Kong and the United Kingdom will lead to a lower underlying tax rate than in prior years. The long term underlying effective tax rate is expected to range between approximately 27% and 28%.

During the 2007 financial year, the corporate tax charge was $1,775 million, an effective tax rate of 28.3%.

In 2007, the lower effective tax rate was principally due to a combination of the utilisation of domestic capital losses and lower offshore tax rates.

Segment tax expense and rates are discussed in the Retail Banking Services, Premium Business Services, Wealth Management, International Financial Services and Other sections.

Loan Impairment

The total charge for loan impairment for the year ended 30 June 2008 was $930 million, which represents 26 basis points of average gross loans and acceptances. This expense is $496 million higher than the year ended 30 June 2007, due to increased levels of collective and individual provisioning in the corporate portfolio reflecting a deterioration in credit conditions, particularly in the corporate portfolio.

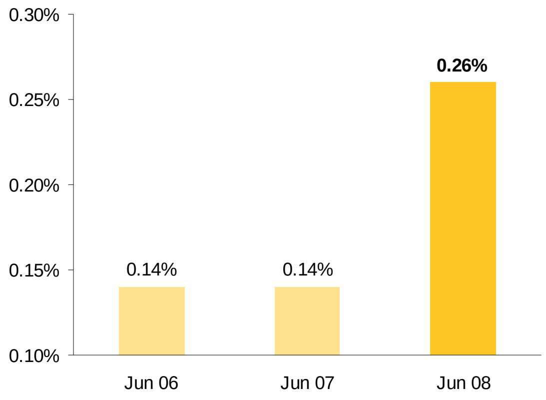
The total charge for loan impairment expense in the 2007 financial year was $434 million, which represent 14 basis points of average gross loans and acceptances. This was driven by general growth in risk weighted assets and risk ratings downgrades in the corporate middle market segment. The 2007 loan impairment expense was consistent with the $398 million experienced in the financial year ended 30 June 2006.

Gross impaired assets were $683 million as at 30 June 2008, compared with $421 million at 30 June 2007 and $326 million at June 2006.

The Group believes it is well provisioned, with total provisions for impairment losses as at 30 June 2008 of $1,745 million. Loan impairment provisions in the Premium Business Services segment increased to $847 million and in the Retail Banking Services segment are $622 million. The current level of provisioning primarily reflects:

- The large proportion of high quality, low risk home loans within the consumer portfolio;
- No direct exposure to U.S. sub-prime or non-recourse mortgages;
- No participation in the zero rate credit card balance transfer market;
- Increased collective and individual provisioning in the corporate portfolio consistent with market conditions; and
- No material exposure to Collateralised Debt Obligations (“CDOs”).

Loan Impairment Expense to Average Gross Loans and Acceptances [(1)]



(1) During the 2008 financial year a review of the netting of certain assets and liabilities led to an increase in both lending and deposit balances (30 June 2008: $20 billion, 30 June 2007: $16 billion, 30 June 2006: $14 billion). Prior periods have been restated on a consistent basis.

Total Group Assets & Liabilities	30/06/08 $M	30/06/07 $M	30/06/06 $M
Interest earning assets			
Home loans including securitisation	**215,743**	192,770	169,156
Less: securitisation	**(11,676)**	(15,633)	(12,607)
Home loans excluding securitisation	**204,067**	177,137	156,549
Personal	**20,265**	20,074	17,228
Business and corporate	**126,987**	103,854	88,358
Loans, advances and other receivables [1]	**351,319**	301,065	262,135
Provisions for loan impairment	**(1,713)**	(1,233)	(1,217)
Net loans, advances and other receivables	**349,606**	299,832	260,918
Non-lending interest earning assets	**49,385**	49,553	40,283
Total interest earning assets	**400,704**	350,618	302,418
Other assets [2]	**86,868**	89,539	80,432
Total assets [3]	**487,572**	440,157	382,850
Interest bearing liabilities			
Transaction deposits	**59,917**	55,168	48,085
Savings deposits	**53,420**	52,408	44,764
Investment deposits	**98,745**	76,856	67,364
Other demand deposits	**44,014**	26,156	20,325
Total interest bearing deposits	**256,096**	210,588	180,538
Deposits not bearing interest	**7,610**	8,480	7,038
Deposits and other public borrowings	**263,706**	219,068	187,576
Debt issues	**73,785**	69,753	65,086
Other interest bearing liabilities	**44,756**	43,719	34,890
Total interest bearing liabilities	**374,637**	324,060	280,514
Securitisation debt issues	**12,032**	15,737	13,505
Non-interest bearing liabilities [4]	**74,766**	75,916	67,488
Total liabilities [3]	**461,435**	415,713	361,507
Provisions for loan impairment			
Collective provision	**1,346**	1,034	1,046
Individually assessed provisions	**367**	199	171
Total provisions for loan impairment	**1,713**	1,233	1,217
Other credit provisions [5]	**32**	23	24
Total provisions for impairment losses	**1,745**	1,256	1,241

Asset Quality	Full Year Ended		
	30/06/08	30/06/07	30/06/06
Gross loans and acceptances ($M)	**383,502**	337,339	280,282
Risk weighted assets ("RWA") – Basel I ($M)	**-**	245,347	216,438
Risk weighted assets ("RWA") – Basel II ($M) [6]	**205,501**	-	-
Gross impaired assets ($M)	**683**	421	326
Net impaired assets ($M)	**316**	222	155
Collective provision as a % of RWA – Basel I	**-**	0. 42	0. 48
Collective provision as a % of RWA – Basel II	**0. 65**	-	-
Collective provision as a % of credit risk weighted assets – Basel II	**0. 72**	-	-
Collective provision as a % of gross loans and acceptances	**0. 35**	0. 31	0. 37
Individually assessed provisions for impairment as a % of gross impaired assets [7]	**40. 8**	23. 8	24. 5
Loan impairment expense as a % of average risk weighted assets – Basel I [8]	**-**	0. 19	0. 20
Loan impairment expense as a % of average risk weighted assets – Basel II [9]	**0. 46**	-	-
Loan impairment expense as a % of average gross loans and acceptances [8]	**0. 26**	0. 14	0. 14

(1) Gross of provisions for impairment which are included in other assets.

(2) Other assets include Bank acceptances of customers, derivative assets, provisions for loan impairment, securitisation assets, insurance assets and intangibles.

(3) During the 2008 financial year a review of the netting of certain assets and liabilities led to an increase in both lending and deposit balances (30 June 2008: $20 billion, 30 June 2007: $16 billion, 30 June 2006: $14 billion). Prior periods have been restated on a consistent basis.

(4) Non-interest bearing liabilities include derivative liabilities and insurance policy liabilities.

(5) Included in Other provisions.

(6) RWA for Interest Rate Risk in the Banking Book is excluded from the above tables as it is effective from 1 July 2008 only.

(7) Bulk portfolio provisions of $88 million at 30 June 2008 ($99 million at 30 June 2007) to cover unsecured personal loans and credit card lending have been deducted from individually assessed provisions to calculate this ratio. These provisions are deducted due to the exclusion of the related assets from gross impaired assets. The related asset amounts are instead included in the 90 days or more past due disclosure.

(8) Average of opening and closing balances.

(9) This ratio uses Basel II RWA at 30 June 2008.

Group Operating Expenses Summary

The following table sets out the Group's operating expenses for financial years 2008, 2007 and 2006.

			Group
	2008	2007	2006
	$M	$M	$M
Staff Expenses	**3,661**	3,229	2,823
Occupancy and Equipment Expenses	**767**	688	621
Information Technology Services	**826**	883	985
Other expenses	**1,767**	1,627	1,565
Investment and restructuring	**377**	-	-
Operating expenses	**7,398**	6,427	5,994
Defined benefit superannuation plan income/(expense)	**14**	8	(35)
Profit before income tax	**6,255**	6,538	5,859

Forward-Looking Statements

This Retail Banking Services analysis contains certain forward-looking statements. See “Special Note Regarding Forward-Looking Statements” on page 3.

Financial Performance and Business Review

Retail Banking Services statutory net profit after tax for the year ended 30 June 2008 increased by 6% to $1,874 million from $1,766 million for the year ended 30 June 2007, despite the impact of increased funding costs from continuing volatility in global credit markets. This has been achieved by volume growth in key product lines, sound credit quality, continued expense management and strategic business investment to drive profitable growth and efficiency.

The key drivers of Retail Banking Services results for the 2008 financial year were:

- A 5% decrease in home loan revenue to $1,308 million largely as a result of net interest margin contraction resulting from higher funding costs that could not be fully passed on to customers, which was partially offset by average home loan balance growth of 15% for the period;
- A 2% growth in consumer finance revenue to $1,127 million (excluding the profit on the sale of shares in MasterCard for the year ended 30 June 2007) largely as a result of increased credit card balances, which more than offset the contraction in net interest margin; and
- Strong operating expense management illustrated by an improvement in the expense to income ratio for the business decreasing from 46.6% for the financial year ended 30 June 2007 to 46.3% for the financial year ended 30 June 2008.

Net profit after tax (“statutory basis”) for the financial year ended 30 June 2007 increased by 12% to $1,766 million. This result reflects the strategic targeting of profitable growth in a competitive market, disciplined cost management and continued sound credit quality.

Growth in the year ended 30 June 2007 was primarily driven by:

- A 5% increase in home loan revenue to $1,380 million as a result of growth in home loan balances, which more than offset margin compression;
- A 1% increase in total income in the Consumer Finance portfolio to $1,103 million (excluding $58 million in relation to the sale of shares of MasterCard in January 2007); and
- A 6% increase in deposit revenue, driven by strong volume growth of 9%.

Home Loans

Home loan revenue decreased by 5% to $1,308 million for the year ended 30 June 2008 from $1,380 million for the year ended 30 June 2007. The 2008 financial year result was impacted by net interest margin contraction which was driven by higher funding costs following continued volatility in global credit markets that was not able to be fully passed on to customers. The effect of net interest margin contraction was partially offset by average home loan balance growth of 15% on the prior year, driven by good performances in both the branch and broker channels, as evidenced by 15 consecutive months of market share gains. Fee revenue growth was up 20% to $134 million for the year ended 30 June 2008 from $112 million for the year ended 30 June 2007, underpinned by package fee income and volume growth.

Home loan revenue grew 5% to $1,380 million as a result of 11% growth in home loan balances, which more than offset margin compression reflecting growth in lower margin package and fixed rate loans and the tightening of the yield curve ahead of the August 2006 and November 2006 cash rate rises.

Consumer Finance

Consumer Finance revenue grew 2% to $1,127 million for the year ended 30 June 2008 from $1,103 million (excluding the profit on the sale of shares in MasterCard) for the year ended 30 June 2007. This 2008 financial year result was achieved despite increased funding costs. The contraction in net interest margin was more than offset by growth in credit card balances of 5% on the prior year.

This growth has been driven by targeted customer campaigns and a focus on cross-sell initiatives which resulted in an increase in new accounts opened. Personal loans continued to perform well with steady volume growth and risk based pricing initiatives.

Total income in the Consumer Finance portfolio for the financial year ended 30 June 2007 grew by 6% to $1,161 million. This increase included $58 million in relation to the sale of shares of MasterCard in January 2007. In 2006, the Group recognized total income of $32 million relating to the MasterCard Initial Public Offering.

Retail Deposits

Deposit revenue increased 12% to $3,059 million for the year ended 30 June 2008 from $2,727 million for the year ended 30 June 2007, driven by a combination of 18% volume growth and focused margin management in a competitive environment.

Despite the highly competitive environment for retail deposits, Retail Banking Services maintained a dominant position and further grew market share by capturing 30% of market balance growth over the 2008 financial year (Source: APRA). The success of products such as NetBank Saver and Business Online Saver and targeted Term Deposits campaigns resulted in a stable market share of 29.1% in June 2008.

Deposit revenue increased by 6% for the financial year ended 30 June 2007, driven by strong volume growth. Deposit balances for the financial year ended 30 June 2007 grew by 9%, with all major product categories recording good inflows, including Transaction Accounts, Term Deposits, Cash Management Accounts and NetBank Saver.

Distribution

Commissions received from the distribution of both Business Banking and Wealth Management products through the retail distribution network remained in line with the prior year. This performance in a difficult environment benefited from improved insurance sales capabilities in the branch network and an increased focus on cross-sell activities.

Operating Expenses

Expense growth on the 2008 financial year was contained to 2% compared to a 1% increase in 2007. Containment in each year was achieved despite wage inflation pressures in a tight labour market, higher occupancy costs and continued strategic business investment. Sound management of these cost pressures together with the continued realisation of IT cost savings and productivity gains have contributed to further improvements in the expense to income ratio from 46.6% in the 2007 financial year to 46.3% for the 2008 financial year.

Retail Banking Services

Loan Impairment Expense

Loan impairment expense fell by 5% in the 2008 financial year on the 2007 financial year to $331 million, despite average interest earning asset growth of 13% over the same period. This 2008 financial year result reflects the Group's goals of careful portfolio management and responsible lending practices over a period of intense competition. Despite the uncertain environment, arrears rates across the portfolios have not significantly deteriorated during the 2008 financial year and in most cases were at a lower rate than in recent years.

Loan impairment expense for the financial year ended 2007 fell by 1% to $349 million. Home loan losses remained in line with prior years. The Group's credit card arrears rates in the 2007 financial year were in line with expectations and at a lower level than the 2006 financial year.

Market Share Percentage [1]	30/06/08	30/06/07	30/06/06
Home loans	**19.3**	18.5	18.7
Credit cards [2]	**18.2**	18.8	20.3
Personal lending (APRA and other households) [3]	**15.8**	16.4	16.1
Household deposits [4]	**29.1**	29.0	29.3
Retail deposits[4]	**22.3**	21.6	22.2

(1) Market share information is sourced from a combination of published data from APRA and Reserve Bank of Australia.

(2) As at 30 May 2008.

(3) Personal lending market share includes personal loans and margin loans.

(4) In accordance with APRA guidelines, these measures include some products relating to both the Retail and Corporate Segment.

	Full Year Ended 30 June 2008 [1]				
	Home Loans $M	Consumer Finance $M	Retail Deposits $M	Distribution $M	Total $M
Net interest income	**1,174**	**780**	**2,386**	**-**	**4,340**
Other banking income	**134**	**347**	**673**	**103**	**1,257**
Total banking income	**1,308**	**1,127**	**3,059**	**103**	**5,597**
Operating expenses					**2,549**
Loan impairment expense					**331**
Net profit before tax					**2,717**
Corporate tax expense					**813**
Cash net profit after tax					**1,904**
Investment and restructuring					**(30)**
Statutory net profit after tax					**1,874**

	Full Year Ended 30 June 2007 [1]				
	Home Loans $M	Consumer Finance $M	Retail Deposits $M	Distribution $M	Total $M
Net interest income	1,268	742	2,071	-	4,081
Other banking income	112	419	656	104	1,291
Total banking income	1,380	1,161	2,727	104	5,372
Operating expenses					2,501
Loan impairment expense					349
Net profit before tax					2,522
Corporate tax expense					756
Cash net profit after tax					1,766
Statutory net profit after tax					1,766

	Full Year Ended 30 June 2006 [1]				
	Home Loans $M	Consumer Finance $M	Retail Deposits $M	Distribution $M	Total $M
Net interest income	1,231	758	1,910	-	3,899
Other banking income	88	339	669	93	1,187
Total banking income	1,319	1,097	2,579	93	5,088
Operating expenses					2,482
Loan impairment expense					354
Net profit before tax					2,252
Corporate tax expense					676
Cash net profit after tax					1,576
Statutory net profit after tax					1,576

(1) During the current period there has been a re-alignment of internal charges between consumer finance and retail deposits segments. Prior periods have been restated on a consistent basis.

	Full Year Ended		
Major Balance Sheet Items (gross of impairment)	30/06/08 $M	30/06/07 $M	30/06/06 $M
Home loans (including securitisation) [1]	**186,942**	162,751	146,869
Consumer finance [2]	**11,428**	10,810	10,640
Total assets – Retail Banking Services products	**198,370**	173,561	157,509
Home loans (net of securitisation)	**175,266**	147,118	134,262
Transaction deposits	**18,267**	18,980	16,993
Savings deposits	**44,261**	41,782	38,211
Investment and other deposits	**55,388**	38,779	35,893
Deposits not bearing interest	**2,305**	2,599	2,362
Total liabilities - Retail Banking Services products	**120,221**	102,140	93,459

(1) During the 2008 financial year, a review of the accounting treatment of Mortgage Interest Saver Accounts led to an increase in lending and deposit balances (30 June 2008: $3,234 million, 30 June 2007: $2,433 million, 30 June 2006: $2,035 million). Refer Note 1 to the Financial Statements.

(2) Consumer Finance includes personal loans and credit cards.

Premium Business Services

Forward-Looking Statements

This Premium Business Services analysis contains certain forward-looking statements. See “Special Note Regarding Forward-Looking Statements” on page 3.

Financial Performance and Business Review

Premium Business Services total banking income grew 16% on the prior year, or 17% after adjusting for the impact of the acquisition of IWL in the 2008 financial year and the gain on sale of the Group’s share in the Greater Energy Alliance Corporation Pty Ltd (”Loy Yang”) in the 2007 financial year. This result was underpinned by an improvement in customer service scores and gains in deposit market share.

The strong performance was impacted by higher funding costs, increased investment spend (including the cost of integrating the IWL business), a tax refund on the satisfactory resolution of an outstanding issue and additional loan impairment provisioning, resulting in cash net profit after tax growth of 2% on the prior year.

For the year ended 30 June 2007 total banking income grew 13% on the prior year excluding the gain on the sale of Loy Yang.

Institutional Banking

Institutional Banking income for the 2008 financial year increased by 14% (19% excluding the prior year sale of Loy Yang) on the 2007 financial year to $1,882 million primarily driven by a significant increase in Financial Markets income, balance growth and stable margins. The syndication business recorded growth and was joint lead arranger of a $3.4 billion syndication deal for Singapore Power.

During the 2007 financial year income increased by 27% (21% excluding current year sale of Loy Yang). The high double digit growth reflects robust volume growth whilst maintaining stable margins.

Private Client Services

Despite weaker financial markets during the 2008 financial year, Private Client Services income increased by 25% on the prior year to $626 million. This growth was the result of income growth as well as the impact of the IWL acquisition in November 2007.

The integration of IWL is tracking well against the planned integration schedule with all retail clients transitioned onto the CommSec platform.

In June, CommSec successfully launched an integrated cash management solution as part of its trading platform under the theme ‘Better Together’.

The 2007 financial year growth of 25% reflects solid CommSec performance assisted by robust investment markets.

Corporate Financial Services

Corporate Financial Services income increased by 14% on the prior year to $932 million. Corporate Financial Services continued to invest in additional front line staff, adding 90 full-time equivalents during the 2008 financial year, as well as opening eight new Business Banking Centres across New South Wales, South Australia and Victoria adding to the eight Centres opened during the prior year. In addition, new specialist teams have been created to service the Healthcare and Financial Planning client segments which, together with the strong focus on client cross-sell activity, has driven balance growth.

The 2007 financial year performance was mixed, with strong interest income flows offset by flat Other Banking income performance. The banking income result was adversely impacted by lower merchant fee income and higher interchange expenses.

Agribusiness

Agribusiness income for the 2008 financial year grew 20% on the prior year to $253 million. This was underpinned by significant balance growth resulting from a continued focus on corporate agriculture and large scale family farming enterprises. Market share gains were achieved during the 2008 financial year by providing customers with tailored commodity and interest rate risk management solutions. 'AgriLine', the purpose built service centre based in Wagga Wagga, has continued to exceed expectations with over 30,000 client calls having been recorded since April 2007.

The 2007 financial year growth of 12% on the prior year to reflects solid double digit interest income growth supported by 8% growth in banking income.

Local Business Banking

Investment in Local Business Banking, as part of the Group’s strategic priority in Business Banking, has resulted in a turnaround in performance since the prior year. The progressive roll out of Business Bankers across more than 700 branches, the implementation of the new 24 hour, 7 day customer service centre and the implementation of a new business model have contributed to a 65% uplift in lending activity and 12% growth in income to $568 million over the prior year.

During the 2007 financial year, Local Business Banking reported a negative growth of 7%. This client segment is currently undergoing significant investment under the Business Banking growth strategy.

Operating Expenses

Operating expenses of $1,915 million represent an increase of 15% for the year ended 30 June 2008, compared to an increase of 10% for the 2007 financial year. This 2008 financial year result reflects: expansion of the front line sales force, the opening of eight new Business Banking Centres, additional Business Bankers in Branches, as well as costs associated with the IWL acquisition. In addition, client demand for operating leases through the Structured Asset Finance business has resulted in increased depreciation costs for the Group.

The drivers of the 2007 financial year expense growth include general salary increases and higher employee numbers, in addition to increased investment spend to support the strategic expansion of the business banking and financial markets activities.

Loan Impairment Expense

Loan impairment expense has increased significantly to $426 million from the historically low levels of recent years. During the year ended 30 June 2007 loan impairment expense increased by 10% over the prior year. This 2008 financial year result was the combined result of additional collective provisioning related to the current global economic conditions, increases in individually assessed provisions and balance growth across the portfolio.

In 2007, the loan impairment expense was $7 million higher than the prior year. This was due to an increase in the assessment of portfolio risk and specific provisions relating to the corporate middle market segment.

Market Share

Business deposit market share of non-financial corporations, as measured by APRA, has increased by 143 basis points since 30 June 2007 to 14.4% at 30 June 2008.

Business lending market share to non-financial corporations, as measured by APRA, decreased 26 basis points since 30 June 2007 to 12.2% at 30 June 2008 while business lending market share as measured by the RBA has decreased 10 basis points since 30 June 2007 to 12.5% at 30 June 2008. The reduction in lending market share was driven by a direct strategy to actively manage exposure to certain sectors of the market within the institutional banking business.

Market Share Percentage (1)	30/06/08	30/06/07	30/06/06
Business lending – APRA	**12. 2**	12. 4	12. 1
Business lending – RBA (2)	**12. 5**	12. 6	13. 2
Business deposits – APRA	**14. 4**	13. 0	11. 9
Equities trading (CommSec) (2)	**5. 9**	4. 3	4. 3

(1) Market share information is sourced from a combination of published data from APRA and Reserve Bank of Australia.

(2) Prior comparative period has been restated.

Premium Business Services

	Full Year Ended 30 June 2008						
	Institutional Banking $M	Private Client Services $M	Corporate Financial Services $M	Agri business $M	Local Business Banking $M	Eliminations $M	Total $M
Net interest income	**996**	**240**	**516**	**156**	**358**	**-**	**2,266**
Other banking income	**886**	**386**	**416**	**97**	**210**	**(30)**	**1,965**
Total banking income	**1,882**	**626**	**932**	**253**	**568**	**(30)**	**4,231**
Operating expenses							**1,915**
Loan impairment expense							**426**
Net profit before tax							**1,890**
Corporate tax expense							**410**
Cash net profit after tax							**1,480**
Investment and restructuring							**(15)**
Defined benefit superannuation plan expense							**(2)**
Statutory net profit after tax							**1,463**

	Full Year Ended 30 June 2007 (1)						
	Institutional Banking $M	Private Client Services $M	Corporate Financial Services $M	Agri business $M	Local Business Banking $M	Eliminations $M	Total $M
Net interest income	820	189	441	132	328	-	1,910
Other banking income	837	313	377	79	178	(40)	1,744
Total banking income	1,657	502	818	211	506	(40)	3,654
Operating expenses							1,669
Loan impairment expense							75
Net profit before tax							1,910
Corporate tax expense							465
Cash net profit after tax							1,445
Investment and restructuring							-
Defined benefit superannuation plan expense							(3)
Statutory net profit after tax							1,442

	Full Year Ended 30 June 2006 (1)						
	Institutional Banking $M	Private Client Services $M	Corporate Financial Services $M	Agri business $M	Local Business Banking $M	Eliminations $M	Total $M
Net interest income	647	156	373	115	348	-	1,639
Other banking income	655	247	383	73	194	(40)	1,512
Total banking income	1,302	403	756	188	542	(40)	3,151
Operating expenses							1,522
Loan impairment expense							68
Net profit before tax							1,561
Corporate tax expense							423
Cash net profit after tax							1,138
Investment and restructuring							-
Defined benefit superannuation plan expense							(6)
Statutory net profit after tax							1,132

(1) During the 2008 financial year the lines of business have been re-segmented due to refinements in allocation methodology. Prior periods have been restated on a consistent basis.

Major Balance Sheet Items (gross of impairment)	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
Interest earning lending assets (1)	**113,828**	95,519	80,223
Bank acceptances of customers	**18,278**	18,721	18,310
Non-lending interest earning assets	**18,705**	25,245	22,472
Margin loans	**7,817**	8,070	5,758
Other assets (2)	**14,742**	11,869	7,466
Total assets	**173,370**	159,424	134,229
Transaction deposits (1)	**39,791**	34,831	28,740
Other demand deposits	**5,602**	4,658	11,722
Deposits not bearing interest	**3,839**	4,244	3,518
Certificates of deposits and other	**33,922**	28,522	28,040
Due to other financial institutions	**16,659**	13,837	10,339
Liabilities at fair value through Income Statement	**1,914**	3,965	2,085
Debt issues	**25,438**	37,861	15,555
Loan capital	**581**	344	628
Other non-interest bearing liabilities (2)	**38,639**	44,582	50,630
Total liabilities	**166,385**	172,844	151,257

(1) During the 2008 financial year, a review of the accounting treatment of Group Limit Facilities led to an increase in lending and deposit balances (30 June 2008: $17,134 million, 30 June 2007: $13,253 million, 30 June 2006: $12,314 million).

(2) Other assets include intangible assets and derivative assets, and other non-interest bearing liabilities include derivative liabilities.

Wealth Management

Forward-Looking Statements

This Wealth Management analysis contains certain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 3.

Financial Performance and Business Review

Statutory net profit after tax for the Wealth Management business for the 2008 financial year increased by 45% on the prior year to $800 million. The result was driven by strong revenue growth in the funds management businesses and gains on asset sales, offset by lower Shareholder investment returns.

2007 statutory net profit after tax increased by 37% to $552 million reflecting continued revenue growth across the business.

Funds Under Administration increased 10% to $185 billion as at 30 June 2008. The growth in Funds Under Administration was driven by positive net flows offset by significant market falls in Australian and global equities during the 2008 financial year.

Net funds flows for the year ended 30 June 2008 were $28.6 billion, driven by:

- Solid net flows into the FirstChoice and Avanteos platforms and Global Equity Funds; and
- Short-term cash mandates from institutional investors.

Investment markets have been volatile, with some negative returns experienced during the 2008 financial year. Despite this, investment performance has been good relative to the market with 63% of funds outperforming benchmark on a three year basis.

CFS Global Asset Management (CFS GAM)

CFS Global Asset Management provides asset management services to wholesale and institutional investors. Statutory net profit after tax for the 2008 financial year was $409 million, an increase of 59% on the prior year and 14% over the 2006 financial year. The 2008 financial year result reflects revenue growth from the global expansion and diversification of the business. Included in operating income is a pre-tax gain of $108 million from the sell-down of seed assets.

Funds Under Management increased 9% to $153 billion from $140 billion at 30 June 2007. During the 2007 financial year Funds Under Management increased by 18%. The 2008 financial year growth in Funds Under Management was driven by strong flows into global equity funds and short-term cash mandates from institutional investors.

Key developments in the 2008 financial year include:

- Managed property funds are well positioned in this market environment with quality assets and strong balance sheets;
- Launched over 14 funds during the 2008 financial year. A number of funds have grown out of the GAM Seeding Trust, which is the foundation for many new product development initiatives within the business;
- CFS Property Management has entered into a joint venture partnership with Jones Lang LaSalle for the establishment of Sandalwood Pte Ltd, one of Asia's largest third-party retail property asset management and development businesses; and
- The progressive sell-down of the Group's interest in Anglican Water Group ("AWG") continues, with the remaining 16% holding expected to be sold in the 2009 financial year.

Colonial First State

Colonial First State provides product packaging, administration, distribution and advice to retail customers. Statutory net profit after tax was $206 million, an increase of 45% on the 2007 financial year and 27% over the 2006 financial year.

Net revenue benefited from strong inflows, as investors took advantage of superannuation legislation changes in June 2007, and tight expense control also contributed to the result.

FirstChoice flows remained strong in the market with $4.9 billion in net flows for the year to 30 June 2008. FirstChoice captured 18% of master fund net flows in the year to March 2008.

Key developments in the 2008 financial year include:

- Ranking number one in terms of cash flows in Money Management's 2008 Top 50 Platforms Survey;
- Rated by advisers as the best platform and recorded the highest average satisfaction in the Investment Trends 2007 Planner Technology Report; and
- The addition of eight new investment options following the launch of the Generation Global Sustainability Fund earlier in the 2008 financial year. The new options include Australian and Global infrastructure funds, providing a total of 100 options.

CommInsure

CommInsure is a domestic provider of life and general insurance. Statutory net profit after tax for the 2008 financial year was $253 million, a decline of 25% on the 2007 financial year, impacted by significant fall in investment markets in the second half and the unrealised mark to market losses of $37 million from widening credit spreads on the valuation of assets backing the Guaranteed Annuities portfolio. The life insurance business attracted strong new business volumes in both retail and wholesale lines driving a 22% growth in inforce premiums to $1,250 million at 30 June 2008 and a 12% increase in planned profit margins.

During the year ended 30 June 2007 statutory net profit after tax increased 27% over the prior year reflecting growth in shareholder investment returns, together with strong volume growth and improved operating margins.

Life experience variations were positive at $12 million albeit at lower levels than the prior year following a reversion to normal life claims experience on wholesale life following exceptional experience in the prior year.

The general insurance business experienced strong new business growth primarily through cross-sell into the Bank network. General Insurance operating margins were significantly impacted by claims associated with major weather events resulting in a net loss for the 2008 financial year.

Key developments in the 2008 financial year include:

- Strong Retail Life sales up 22% on the prior year; and
- General Insurance new business sales increased by 102% on the 2008 financial year through a significant improvement in cross-sell rates, the launch of a new motor insurance product during the year and the deployment of Branch Insurance Representatives into the remaining regions of the Group's retail branch network.

Operating Expenses

Total operating expenses increased by 7% in the 2008 financial year to $1,262 million, demonstrating a level of containment compared to the 15% increase experienced in the 2007 financial year primarily driven by:

- Investment in the expansion of the Global Asset Management businesses;
- Growth in employee profit share allocations, commensurate with profit growth and investment performance; and
- Establishment of motor underwriting and expansion of the insurance distribution footprint.

The drivers of the increase in operating expenses over the 2007 financial year include:

- Investment in the international expansion of the CFS Global Asset Management business;
- Establishment of competitive remuneration schemes in the Asset Management business to attract and retain high quality talent;
- Increased spend on strategic priorities including Wealth Management cross-sell initiative and new product development; and
- Investment on system simplification initiatives.

Taxation

The effective corporate tax rate on statutory net profit was 27.9% for the 2008 financial year compared with 33.3% for the 2007 financial year and 26.1% in the 2006 financial year.

Wealth Management

	Full Year Ended 30 June 2008 [1]				
		Colonial			
	CFS GAM	First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	**1,068**	**909**	**280**	**2**	**2,259**
Insurance income	**-**	**-**	**580**	**-**	**580**
Total operating income	**1,068**	**909**	**860**	**2**	**2,839**
Volume expense	**153**	**215**	**177**	**-**	**545**
Net operating income	**915**	**694**	**683**	**2**	**2,294**
Operating expenses	**369**	**416**	**331**	**146**	**1,262**
Net profit before tax	**546**	**278**	**352**	**(144)**	**1,032**
Corporate tax expense	**136**	**85**	**103**	**(48)**	**276**
Shareholder investment returns after tax	**(1)**	**13**	**4**	**(32)**	**(16)**
Cash net profit after tax	**409**	**206**	**253**	**(128)**	**740**
Treasury shares valuation adjustment	**-**	**-**	**-**	**60**	**60**
Statutory net profit after tax	**409**	**206**	**253**	**(68)**	**800**

	Full Year Ended 30 June 2007				
		Colonial			
	CFS GAM	First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	759	844	229	(4)	1,828
Insurance income	-	-	573	-	573
Total operating income	759	844	802	(4)	2,401
Volume expense	98	184	155	-	437
Net operating income	661	660	647	(4)	1,964
Operating expenses	310	407	316	141	1,174
Net profit before tax	351	253	331	(145)	790
Corporate tax expense	108	78	96	(40)	242
Shareholder investment returns after tax	15	(33)	103	(6)	79
Cash net profit after tax	258	142	338	(111)	627
Treasury shares valuation adjustment	-	-	-	(75)	(75)
Statutory net profit after tax	258	142	338	(186)	552

	Full Year Ended 30 June 2006				
		Colonial			
	CFS GAM	First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	567	637	291	2	1,497
Insurance income	-	-	467	-	467
Total operating income	567	637	758	2	1,964
Volume expense	66	111	192	(5)	364
Net operating income	501	526	566	7	1,600
Operating expenses	242	359	287	132	1,020
Net profit before tax	259	167	279	(125)	580
Corporate tax expense	51	48	78	(38)	139
Shareholder investment returns after tax	19	(7)	66	(15)	63
Cash net profit after tax	227	112	267	(102)	504
Treasury shares valuation adjustment	-	-	-	(100)	(100)
Statutory net profit after tax	227	112	267	(202)	404

	Full Year Ended		
	30/06/08	30/06/07	30/06/06
Sources of Profit from Insurance Activities	$M	$M	$M
The Margin on Services profit from ordinary activities after income tax is represented by:			
Planned profit margins	**145**	130	83
Experience variations	**12**	39	22
Funds management operating margins	**117**	55	75
General insurance operating margins	**(25)**	11	21
Operating margins	**249**	235	201
Shareholder investment returns after tax	**4**	103	66
Cash net profit after tax	**253**	338	267

(1) Additional information has been provided for this segment in line with the historic level of market disclosure.

Funds Under Management (FUM) (1)	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
Australian equities	**23,502**	31,199	26,632
Global equities	**35,589**	33,709	26,683
Cash and fixed interest	**66,729**	48,927	44,092
Property and alternative investments	**27,120**	25,850	21,275
Total	**152,940**	139,685	118,682

(1) FUM does not include the Group's interests in the China Joint Venture, AWG plc or ENW Limited.

Funds Under Administration (FUA)	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
Funds under administration – average	**186,696**	157,338	133,424
Funds under administration – spot	**184,970**	168,810	145,648
Funds under management – average	**152,328**	128,893	113,458
Funds under management – spot	**152,940**	139,685	118,682
Retail Net funds flows (Australian Retail)	**1,888**	(1,366)	8,235

Market Share

In the latest Plan for Life market share statistics, the Group remained 1st in total Australian retail market share at 14.2% while FirstChoice Platform remained flat at 9.6%. Market share for Individual Life Insurance increased to 13.1% in a growing market and CommInsure continues to maintain the No.1 ranking for Total Life Insurance with 14.3% of the market.

Market Share Percentage (1)	As at 30/06/08 %	30/06/07 %	30/06/06 %
Australian Retail Funds – administrator view (2) (3)	**14. 2**	14. 1	15. 4
FirstChoice Platform (2) (3)	**9. 6**	9. 0	7. 7
Australia (Total Life Insurance Risk) (2) (3)	**14. 3**	14. 3	13. 2
Australia (Individual Life Insurance Risk) (2) (3)	**13. 1**	12. 9	12. 3

(1) Market share information is sourced from Plan for Life
(2) Prior period comparatives have been restated.
(3) As at 31 March 2008.

Annual Inforce Premiums (1)	Full Year Ended 30 June 2008 Opening Balance 30/06/07 $M	Sales/New Balances $M	Lapses $M	Other (2) Movements $M	Closing Balance 30/06/08 $M
General insurance	**184**	**113**	**(39)**	**21**	**279**
Retail life	**530**	**156**	**(81)**	**-**	**605**
Wholesale life	**308**	**91**	**(33)**	**-**	**366**
Total	**1,022**	**360**	**(153)**	**21**	**1,250**

Annual Inforce Premiums (1)	Full Year Ended 30 June 2007 Opening Balance 30/06/06 $M	Sales/New Balances $M	Lapses $M	Other (2) Movements $M	Closing Balance 30/06/07 $M
General insurance	169	56	(41)	-	184
Retail life	486	128	(84)	-	530
Wholesale life	199	176	(64)	(3)	308
Total	**854**	**360**	**(189)**	**(3)**	**1,022**

Annual Inforce Premiums (1)	Full Year Ended 30 June 2006 Opening Balance 30/06/05 $M	Sales/New Balances $M	Lapses $M	Other (2) Movements $M	Closing Balance 30/06/06 $M
General insurance	154	49	(34)	-	169
Retail life	450	115	(79)	-	486
Wholesale life	191	46	(38)	-	199
Total	**795**	**210**	**(151)**	**-**	**854**

(1) Inforce premium relates to risk business. Savings products are disclosed within Funds Management.
(2) Other movements represent prior year renewals not previously included in comparatives.

Wealth Management

Funds Under Administration	Opening Balance 30/06/07 $M	Inflows $M	Outflows $M	Net flows $M	Investment Income & Other [5] $M	Closing Balance 30/06/08 $M
	Full Year Ended 30 June 2008					
FirstChoice	**39,545**	**17,537**	**(12,610)**	**4,927**	**(5,765)**	**38,707**
Avanteos	**5,875**	**2,365**	**(1,079)**	**1,286**	**(904)**	**6,257**
Cash management	**3,130**	**1,767**	**(2,411)**	**(644)**	**90**	**2,576**
Legacy products [1]	**34,061**	**2,477**	**(6,110)**	**(3,633)**	**(2,928)**	**27,500**
Retail Products (Plan for Life) [2]	**82,611**	**24,146**	**(22,210)**	**1,936**	**(9,507)**	**75,040**
Other retail [3]	**1,577**	**209**	**(257)**	**(48)**	**(163)**	**1,366**
Australian retail	**84,188**	**24,355**	**(22,467)**	**1,888**	**(9,670)**	**76,406**
Wholesale	**34,469**	**37,097**	**(17,470)**	**19,627**	**(1,720)**	**52,376**
Property	**14,843**	**3,481**	**(1,713)**	**1,768**	**3,599**	**20,210**
Other [4]	**3,635**	**159**	**(267)**	**(108)**	**(279)**	**3,248**
Domestically sourced	**137,135**	**65,092**	**(41,917)**	**23,175**	**(8,070)**	**152,240**
Internationally sourced	**31,675**	**17,481**	**(12,042)**	**5,439**	**(4,384)**	**32,730**
Total Wealth Management	**168,810**	**82,573**	**(53,959)**	**28,614**	**(12,454)**	**184,970**

Funds Under Administration	Opening Balance 30/06/06 $M	Inflows $M	Outflows $M	Net flows $M	Investment Income & Other [5] $M	Closing Balance 30/06/07 $M
	Full Year Ended 30 June 2007					
FirstChoice	26,177	17,191	(7,995)	9,196	4,172	39,545
Avanteos	9,198	2,603	(7,966)	(5,363)	2,040	5,875
Cash management	3,690	2,066	(2,751)	(685)	125	3,130
Legacy products [1]	34,669	2,757	(7,426)	(4,669)	4,061	34,061
Retail Products (Plan for Life) [2]	73,734	24,617	(26,138)	(1,521)	10,398	82,611
Other retail [3]	886	412	(257)	155	536	1,577
Australian retail	74,620	25,029	(26,395)	(1,366)	10,934	84,188
Wholesale	29,815	12,902	(10,037)	2,865	1,789	34,469
Property	13,909	1,014	(2,411)	(1,397)	2,331	14,843
Other [4]	3,708	136	(608)	(472)	399	3,635
Domestically sourced	122,052	39,081	(39,451)	(370)	15,453	137,135
Internationally sourced	23,596	12,704	(11,874)	830	7,249	31,675
Total Wealth Management	145,648	51,785	(51,325)	460	22,702	168,810

Funds Under Administration	Opening Balance 30/06/05 $M	Inflows $M	Outflows $M	Net flows $M	Investment Income & Other [5] $M	Closing Balance 30/06/06 $M
	Full Year Ended 30 June 2006					
FirstChoice	16,128	13,077	(5,287)	7,790	2,259	26,177
Avanteos	2,941	6,142	(599)	5,543	714	9,198
Cash management	4,182	2,417	(3,061)	(644)	152	3,690
Legacy products [1]	35,225	3,268	(7,669)	(4,401)	3,845	34,669
Retail Products (Plan for Life) [2]	58,476	24,904	(16,616)	8,288	6,970	73,734
Other retail [3]	844	182	(235)	(53)	95	886
Australian retail	59,320	25,086	(16,851)	8,235	7,065	74,620
Wholesale	24,894	13,099	(11,810)	1,289	3,632	29,815
Property	13,456	1,074	(2,144)	(1,070)	1,523	13,909
Other [4]	2,886	192	(481)	(289)	1,111	3,708
Domestically sourced	100,556	39,451	(31,286)	8,165	13,331	122,052
Internationally sourced	17,471	9,609	(7,623)	1,986	4,139	23,596
Total Wealth Management	118,027	49,060	(38,909)	10,151	17,470	145,648

(1) Includes stand-alone retail and legacy retail products.

(2) Retail products aligned to Plan for Life market release.

(3) Includes listed equity trusts and regular premium plans. These retail products are not reported in market share data.

(4) Includes life company assets sourced from retail investors but not attributable to a funds management product (e.g. premiums from risk products). These amounts do not appear in retail market share data.

(5) Includes foreign exchange gains and losses from translation of international sourced business.

Forward-Looking Statements

This International Financial Services analysis contains certain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 3.

Financial Performance and Business Review

International Financial Services incorporates the Group's banking operations in New Zealand, Fiji, Indonesia, China, Japan, India and Vietnam. It also includes life insurance and funds distribution activities in several of these countries.

Statutory net profit after tax for the 2008 financial year was $596 million, an increase of 14% on the 2007 financial year. After removing the impact of realised gains and losses associated with the hedge of the New Zealand operations and other foreign exchange movements the underlying growth was 17%. This profit growth was attributable to sustained growth in the Group's New Zealand businesses, complemented by the growing contribution from Asian businesses, particularly the China banking investments.

Statutory net profit after tax for the 2007 financial year was $525 million, a decrease of 12% on the 2006 financial year, impacted by the profit on sale of the Hong Kong insurance business of $145 million in the 2006 financial year. After adjusting the result, net profit after tax increased by 16%.

ASB Bank

ASB Bank statutory net profit after tax for the 2008 financial year was $428 million, an increase of 20% on the 2007 financial year. This result was achieved in a challenging market with aggressive competition continuing to place downward pressure on margins and a general slowing in economic activity. The major drivers of growth during the 2008 financial year were:

- Home loan balances increased by 9% over the 2008 financial year, with market share increasing to 23.3%. Business banking market share increased to 8.8% at 30 June 2008, following 17% growth in balances for the 2008 financial year. Rural lending also showed strong growth for the 2008 financial year. Retail deposits grew by 13% to NZD 27.8 billion at 30 June 2008. Market share for retail deposits was stable at 21.2%;
- Net interest margin declined by six basis points with the impact of competition and the increased costs of wholesale funding partially offset by the higher mix of retail deposits;
- Impairment expenses increased to $34 million from $16 million in 2007. Although loan arrears remain within acceptable limits, early indications are that the slowing in the New Zealand economy is starting to impact arrears; and
- ASB continued to focus on service capability, expanding the branch network with the addition of 10 new branches.

During the 2007 financial year net profit after tax decreased by 2% on the prior year, reflecting the competitive nature of the New Zealand banking industry, characterised by aggressive pricing, particularly on home loans.

This result was driven by:

- Asset growth represented by total lending balances increasing by NZD 6,170 million or 16% over the prior year including a 14% increase in home lending volumes;
- Solid growth in retail deposits of 16% to NZD 24.5 billion, mainly due to a 23% increase in FastSaver, BusinessSaver and Term Investment balances;
- Margin contraction for the 2007 financial year of ten basis points, most of which occurred during the first half, driven by tightening home loan margins and changes in product mix such as the re-weighting of the deposits portfolio towards higher interest rate savings products; and
- Continued low impairment losses.

Sovereign Insurance

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

Sovereign's statutory net profit after tax for the 2008 financial year was $96 million, an increase of 3% on the prior year. The 2008 financial year's result included the impact of a deterioration in the New Zealand dollar exchange rate. The main drivers of this result for the 2008 financial year were:

- Positive claims experience particularly in the Death and Living Assurance/TPD classes;
- Growth in inforce premiums of 11% whilst market share declined slightly to 31.7% at 31 March 2008, from 31.8% at 30 June 2007; and
- Growth in new business sales with Sovereign capturing 34.4% of new business sales market share to March 2008 on a rolling 12 month basis.

During 2007, statutory net profit after tax decreased by 6% on the 2006 financial year, due to the run-off of the investment book.

Other Asia Pacific Business

International Financial Services has grown its presence in the Asia Pacific region during the 2008 financial year with a number of business initiatives:

- Indonesia: Following the completion of the acquisition of Bank Arta Niaga Kencana (ANK) in July 2007 and the legal merger of Bank ANK with PT Bank Commonwealth (PTBC) in December 2007, PTBC has continued to focus on expansion with the addition of eight new branches during the 2008 financial year which now total 51;
- Indonesia: Acquisition of an additional 30% interest held by the Group's joint venture partner in PT Astra Life Insurance business bringing the Group's shareholding to 80%. The business provides unit linked investment, traditional life and disability insurance products through its 51 branches operating in 16 Indonesian cities;
- Vietnam: Granting of a licence to operate a branch in Ho Chi Minh City in January 2008;
- China: Continued strong growth in profits of the Jinan City Commercial Bank (11% holding) and Bank of Hangzhou (19.9% holding); and
- The Fiji business performed well in 2008 following the disruptions which arose during the political crisis in the prior year. There are signs of increasing arrears as the economic uncertainty continues.

International Financial Services

In the 2007 financial year, the highlights in the Asia Pacific region were:

- Acquisition of an 83% stake in Arta Niaga Kencana (Bank ANK) in Surabaya region of Indonesia adding 20 branches;
- Continued branch expansion in PT Bank Commonwealth in Indonesia with four new branches added during the year;
- Increasing the Group's investment in Hangzhou City Commercial Bank to maintain 19.9% equity stake following an investment by the Asian Development Bank; and
- The launch of a new customer website "Moving to Australia?" in five different languages to make opening a bank account even easier for overseas moving to or doing business in Australia.

Operating Expenses

Operating expenses for the 2008 financial year increased by 11% over the prior year to $825 million. This increase was primarily due to:

- Increases in staff costs associated with branch expansion programs in ASB and PT Bank Commonwealth;
- Acquisitions and start up costs for new operations, including a branch in Vietnam, full year expenses for Bank ANK in Indonesia and the acquisition of PT Commonwealth Life;
- Wage inflation averaging 6% in New Zealand reflecting a combination of competitive labour markets and the introduction of a mandatory employer sponsored savings scheme (Kiwisaver);
- Wage inflation in China and Indonesia in excess of 10% for the 2008 financial year; partly offset by
- Impact of the weaker New Zealand Dollar and Indonesian Rupiah against the Australian Dollar.

During 2007 operating expenses increased by 1% on the 2006 financial year due to an increase in staff costs in addition to acquisition and start up of costs associated with the Asian expansion program.

Market Share Percentage (1)	30/06/08	30/06/07	30/06/06
NZ lending for housing (2)	**23.3**	23.1	23.1
NZ retail deposits (2)	**21.2**	21.2	20.3
NZ retail FUM (2)	**16.4**	15.8	16.0
NZ annual inforce premium	**31.7**	31.8	31.4

(1) Market share banking information is sourced from Reserve Bank of Australia. Funds under Management – Funds Source Research Limited and Inforce Premiums from ISI Statistics

(2) The prior period comparative has been restated.

	Full Year Ended 30 June 2008 [1]			
	ASB	Sovereign	Other	Total
	$M	$M	$M	$M
Net interest income	**814**	**-**	**101**	**915**
Other banking income	**316**	**-**	**67**	**383**
Total banking income	**1,130**	**-**	**168**	**1,298**
Funds management income	**-**	**48**	**-**	**48**
Insurance income	**-**	**210**	**42**	**252**
Total operating income	**1,130**	**258**	**210**	**1,598**
Operating expenses	**484**	**194**	**147**	**825**
Loan impairment expense	**34**	**-**	**9**	**43**
Net profit before tax	**612**	**64**	**54**	**730**
Corporate tax expense	**184**	**(7)**	**(12)**	**165**
Minority interests	**-**	**-**	**2**	**2**
Underlying profit after tax	**428**	**71**	**64**	**563**
Shareholder investment returns after tax	**-**	**25**	**1**	**26**
Cash net profit after tax	**428**	**96**	**65**	**589**
Gain on Visa Initial Public Offering	**-**	**-**	**25**	**25**
Investment and restructuring	**-**	**-**	**(10)**	**(10)**
Hedging and AIFRS volatility	**-**	**-**	**(8)**	**(8)**
Statutory net profit after tax	**428**	**96**	**72**	**596**

	Full Year Ended 30 June 2007			
	ASB	Sovereign	Other	Total
	$M	$M	$M	$M
Net interest income	708	-	41	749
Other banking income	266	-	41	307
Total banking income	974	-	82	1,056
Funds management income	-	46	-	46
Insurance income	-	220	24	244
Total operating income	974	266	106	1,346
Operating expenses	456	180	104	740
Loan impairment expense	16	-	4	20
Net profit before tax	502	86	(2)	586
Corporate tax expense	145	10	(30)	125
Underlying profit after tax	357	76	28	461
Shareholder investment returns after tax	-	17	-	17
Cash net profit after tax	357	93	28	478
Gain on Visa Initial Public Offering	-	-	-	-
Investment and restructuring	-	-	-	-
Hedging and AIFRS volatility	-	-	47	47
Statutory net profit after tax	357	93	75	525

	Full Year Ended 30 June 2006			
	ASB	Sovereign	Other	Total
	$M	$M	$M	$M
Net interest income	656	-	44	700
Other banking income	301	-	31	332
Total banking income	957	-	75	1,032
Funds management income	-	46	-	46
Insurance income	-	230	45	275
Total operating income	957	276	120	1,353
Operating expenses	418	190	128	736
Loan impairment expense	17	-	5	22
Net profit before tax	522	86	(13)	595
Corporate tax expense	157	4	(8)	153
Underlying profit after tax	365	82	(5)	442
Shareholder investment returns after tax	-	17	(14)	148
Cash net profit after tax	365	99	126	590
Gain on Visa Initial Public Offering	-	-	-	-
Investment and restructuring	-	-	-	-
Hedging and AIFRS volatility	-	-	8	8
Statutory net profit after tax	365	99	134	598

(1) Additional information has been provided for this segment in line with the historic level of market disclosure.

International Financial Services

Major Balance Sheet Items (gross of impairment)	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
Home lending	**28,347**	28,581	21,916
Assets at fair value through Income Statement	**5,186**	4,921	4,428
Other lending assets	**12,328**	11,333	10,532
Non-lending interest earning assets	**1,654**	3,102	340
Other assets	**4,119**	4,654	3,710
Total assets	**51,634**	52,591	40,926
Debt issues	**3,556**	3,970	744
Deposits [1]	**22,810**	23,094	18,040
Liabilities at fair value through Income Statement	**12,592**	12,168	11,727
Other liabilities	**3,792**	4,569	3,147
Total liabilities	**42,750**	43,801	33,658

Balance Sheet			
Assets			
ASB Bank	**46,958**	47,688	36,724
Other	**4,676**	4,903	4,202
Total assets	**51,634**	52,591	40,926
Liabilities			
ASB Bank	**39,231**	39,112	29,306
Other	**3,519**	4,689	4,352
Total liabilities	**42,750**	43,801	33,658

(1) International Financial Services exclude deposits held in other overseas countries (30 June 2008: $7 billion, 30 June 2007: $5 billion and 30 June 2006: $5 billion). These deposits are reported within the Premium Business Services segment.

Sources of Profit from Insurance Activities	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
The Margin on Service profit from ordinary activities after income tax is represented by:			
Planned profit margin	**76**	75	64
Experience variations	**11**	18	26
Operating margins	**87**	93	90
Shareholder investment returns after tax	**41**	24	145
Cash net profit after tax	**128**	117	235

New Zealand – Funds Under Administration	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
Opening balance	**8,261**	5,865	5,037
Inflows	**2,382**	2,921	2,488
Outflows	**(2,905)**	(1,618)	(1,809)
Net Flows	**(523)**	1,303	679
Investment income and Other	**(1,403)**	1,093	149
Closing balance	**6,335**	8,261	5,865

New Zealand – Annual Inforce Premiums	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
Opening balance	**379**	302	296
Sales/New Business	**54**	55	47
Lapses	**(14)**	(14)	(12)
Other movements	**(48)**	36	(29)
Closing balance	**371**	379	302

Other

	Full Year Ended 30 June 2008		
	Corporate Centre	Eliminations/ Unallocated	Total
	$M	$M	$M
Net interest income (1)	**302**	**(181)**	**121**
Other banking income (1)	**(12)**	**(16)**	**(28)**
Total operating income	**290**	**(197)**	**93**
Operating expenses	**(75)**	**-**	**(75)**
Loan impairment expense	**-**	**130**	**130**
Underlying profit before tax	**365**	**(327)**	**38**
Corporate tax expense	**110**	**(144)**	**(34)**
Minority interests	**-**	**29**	**29**
Underlying profit after tax	**255**	**(212)**	**43**
Shareholder investment returns	**-**	**(23)**	**(23)**
Cash net profit after tax	**255**	**(235)**	**20**
Gain on Visa Initial Public Offering	**-**	**-**	**271**
Investment and restructuring	**-**	**-**	**(210)**
Defined benefit superannuation plan income/(expense)	**-**	**-**	**12**
Hedging and AIFRS volatility	**-**	**-**	**(35)**
Statutory net profit after tax	**255**	**(235)**	**58**

	Full Year Ended 30 June 2007		
	Corporate Centre	Eliminations/ Unallocated	Total
	$M	$M	$M
Net interest income (1)	277	(88)	189
Other banking income (1)	99	(13)	86
Total operating income	376	(101)	275
Operating expenses	(94)	-	(94)
Loan impairment expense	-	(10)	(10)
Underlying profit before tax	470	(91)	379
Corporate tax expense	168	(27)	141
Minority interests	-	27	27
Underlying profit after tax	302	(91)	211
Shareholder investment returns	-	-	-
Cash net profit after tax	302	(91)	211
Defined benefit superannuation plan income/(expense)	-	-	8
Hedging and AIFRS volatility	-	-	(34)
Statutory net profit after tax	302	(91)	185

	Full Year Ended 30 June 2006		
	Corporate Centre	Eliminations/ Unallocated	Total
	$M	$M	$M
Net interest income (1)	309	(79)	230
Other banking income (1)	92	3	95
Total operating income	401	(76)	325
Operating expenses	(130)	-	(130)
Loan impairment expense	-	(46)	(46)
Underlying profit before tax	531	(30)	501
Corporate tax expense	201	(9)	192
Minority interests	-	31	31
Underlying profit after tax	330	(52)	278
Shareholder investment returns	-	-	-
Cash net profit after tax	330	(52)	278
Defined benefit superannuation plan income/(expense)	-	-	(19)
Hedging and AIFRS volatility	-	-	(41)
Statutory net profit after tax	330	(52)	218

(1) Excludes the impact of reclassification of net swap costs from Net interest income to Other banking income related to certain economic hedges which do not qualify for AIFRS hedge accounting (30 June 2008: $265 million, 30 June 2007: $107 million and June 2006: $46 million).

Other

Financial Performance

Financial Year 2008 compared to Financial Year 2007

Corporate Centre includes the results of unallocated group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury, together with centralised project spend. Cash net profit after tax for the 2008 financial year has decreased $47 million on the prior year due largely to the impact of $100 million of additional funding costs which were absorbed within Treasury income during the 2008 financial year.

Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated intra-group revenue and expenses. Cash net profit after tax for the 2008 financial year has decreased $144 million on the prior year due to a reduction in the interest accrued on intra-group lending balances, a change in the methodology relating to the apportionment of deferred tax assets across the Group, a significant strengthening of the centralised portion of the collective loan impairment provision, the reversal of a prior period tax provision and other unallocated intra-group expenses.

Financial Year 2007 compared to Financial Year 2006

Corporate Centre Statutory net profit after tax has decreased $28 million on the prior year resulting from a combination or lower interest income due to market rate movements and associated transfer pricing impacts together with lower operating expense credits arising from refinements to support cost allocation methodology.

Eliminations/ Unallocated Statutory net profit after tax reduced by $39 million on the prior year due to lower Total Operating income and a reduction to loan impairment expense credit held centrally arising from methodology refinements.

Shareholder Investment Returns

Shareholder Investment Returns	Full Year Ended 30/06/08 $M	30/06/07 $M	30/06/06 $M
Wealth Management	**(19)**	129	94
International Financial Services	**25**	20	152
Eliminations	**(23)**	-	-
Shareholder investment returns before tax	**(17)**	149	246
Corporate tax expense	**(4)**	53	35
Shareholder investment returns after tax	**(13)**	96	211

Shareholder investment returns of $17 million before tax was impacted by market volatility, primarily in the property sector.

Shareholder Investment Asset Mix (%)	As at 30 June 2008 Australia %	New Zealand %	Asia %	Total %
Local equities	**1**	**-**	**-**	**-**
International equities	**-**	**1**	**12**	**1**
Property	**21**	**-**	**32**	**17**
Sub-total	**22**	**1**	**44**	**18**
Fixed interest	**26**	**55**	**55**	**34**
Cash	**52**	**44**	**1**	**48**
Sub-total	**78**	**99**	**56**	**82**
Total	**100**	**100**	**100**	**100**

Shareholder Investment Asset Mix ($M)	As at 30 June 2008 Australia $M	New Zealand $M	Asia $M	Total $M
Local equities	**10**	**1**	**-**	**11**
International equities	**-**	**4**	**11**	**15**
Property	**310**	**1**	**28**	**339**
Sub-total	**320**	**6**	**39**	**365**
Fixed interest	**373**	**246**	**49**	**668**
Cash	**748**	**194**	**1**	**943**
Sub-total	**1,121**	**440**	**50**	**1,611**
Total	**1,441**	**446**	**89**	**1,976**

Group Operating Expenses

The following table sets out the Group's operating expenses for Financial Years 2008, 2007 and 2006.

	Group		
	2008	2007	2006
	$M	$M	$M
Staff Expenses			
Salaries and wages	**3,097**	2,746	2,419
Share-based compensation	**106**	89	39
Superannuation contributions	**14**	8	8
Provisions for employee entitlements	**90**	61	66
Payroll tax	**162**	139	123
Fringe benefits tax	**32**	34	34
Other staff expenses	**160**	152	134
Total Staff Expenses	**3,661**	3,229	2,823
Occupancy and Equipment Expenses			
Operating lease rentals	**403**	367	338
Depreciation:			
Buildings	**27**	22	22
Leasehold improvements	**63**	59	56
Equipment	**84**	73	64
Operating lease assets	**20**	22	9
Repairs and maintenance	**81**	71	73
Other	**89**	74	59
Total Occupancy and Equipment Expenses	**767**	688	621
Information Technology Services			
Application maintenance and development	**224**	304	364
Data processing	**195**	206	227
Desktop	**114**	119	137
Communications	**174**	168	201
Amortisation of software assets	**88**	62	43
IT equipment depreciation	**31**	24	13
Total Information Technology Services	**826**	883	985
Other Expenses			
Postage	**119**	109	118
Stationery	**98**	104	98
Fees and commissions:			
Fees payable on trust and other fiduciary activities	**538**	402	351
Other	**280**	289	285
Advertising, marketing and loyalty	**348**	326	307
Amortisation of other intangible assets (excluding software)	**15**	8	6
Non-lending losses	**78**	97	116
Other	**291**	292	284
Total other expenses	**1,767**	1,627	1,565
Investment and restructuring			
Write-down of leasehold improvements	**18**	-	-
Write-down of software assets	**77**	-	-
Other provisions	**282**	-	-
Total investment and restructuring	**377**	-	-
Total operating expenses	**7,398**	6,427	5,994
Defined benefit superannuation plan income/(expense)	**14**	8	(35)
Profit before income tax	**6,255**	6,538	5,859
Net hedging ineffectiveness comprises:			
Gain/(Loss) on fair value hedges:			
Hedging Instruments	**921**	285	(2,183)
Hedged Items	**(970)**	(271)	2,163
Cash flow hedge ineffectiveness	**(9)**	16	5
Net hedging ineffectiveness	**(58)**	30	(15)

Risk Management

The Risk Committee of the Board oversees credit, market (traded and non-traded), funding and liquidity, operational and strategic business, business continuity, compliance and security risks assumed by the Group in the course of carrying on its business. Further information of the role and function of the Risk Committee is discussed in the Corporate Governance section of this Document.

The Group 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. This framework requires each business to manage the outcome of its risk-taking activities, and enjoy the resulting risk adjusted returns. Risk management professionals employed in each Business Unit measure risks and provide advice on what risks might be taken for better returns. These risk professionals report to the Group Chief Risk Officer, who in turn reports to the CEO and has direct reporting requirements to the Risk Committee of the Board.

Independent review of the risk management framework is carried out through Group Audit.

Basel II

The Basel Committee on Banking Supervision introduced a new risk based capital framework (Basel II) in June 2004. The new framework reflects advances in the management of risk since the introduction of the original Basel Accord in 1988.

The Group initiated its Basel II project in 2004, implementing the new framework's principles in order to elevate the Group's risk management culture. The Group's approach to Basel II was to obtain advanced accreditation (cost effectively) by using and enhancing existing risk rating tools and data gathering capabilities. In June 2006, the Group commenced calculating its Risk Weighted Assets in accordance with Basel II rules as part of its accreditation application.

On 10 December 2007, the Group was one of the first major banks in Australia to gain approval from the Australian Prudential Regulation Authority (APRA) to use the advanced internal ratings-based (AIRB) approach for credit risk and the advanced measurement approach (AMA) for operational risk for the purposes of assessing risk weighted assets and regulatory capital. These approvals took effect from 1 January 2008.

APRA has requested the Group defer the release of its Pillar 3 disclosures until the last quarter of 2008, when the other major Australian banks release their disclosures, to aid in comparative analysis.

Further detail on the Group's assessment of regulatory capital required under the new Basel II framework is discussed in the section on Capital Management.

Credit Risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations. The measurement of credit risk is based on an internal credit risk rating system, which uses analytical tools to estimate expected and unexpected loss for the credit portfolio.

The introduction of the Basel II framework has enabled the Group to manage loan portfolios and improve the ability to price for risk.

Further information on credit risk management is included in Notes 15 and 42 to the Financial Statements.

Market Risk

Market risk is the potential of loss arising from adverse changes in interest rates, foreign exchange prices, commodity and equity prices, credit spreads, and implied volatility levels for all assets and liabilities where options are transacted. Market risk also includes risks associated with funding and liquidity management.

APRA has specifically requested Australian banks implementing the Basel II framework to incorporate regulatory capital for interest rate risk in the banking book (IRRBB) in their assessment of total regulatory capital from 1 July 2008. The Group's capital calculation framework has been updated to include an appropriate allowance for IRRBB capital in its 2009 financial year regulatory capital calculation.

The measurement of market risk for traded assets remains unchanged from the original Basel I approach.

Further information on market risk, including information on the Group's Value at Risk and interest rate sensitivities, is included in Note 42 to the Financial Statements.

Liquidity and Funding Risk

Under current APRA Prudential Standards, all Australian banks are required 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 funding and 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.

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 its operations. Subsidiaries are also included in the Group's liquidity policy framework. Liquidity policies are in place to manage liquidity in a day-to-day sense, and also under crisis assumptions.

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 Group's liquidity policy with its aim to assure the Group has a stable diversified funding base without over-reliance on any one market sector.

In Australia, the Group continues to obtain the majority of its Australian dollar funding from a stable retail deposit base which has a lower interest cost than wholesale funds. The retail funding percentage has increased to 57% in June 2008 (June 2007: 56%). The Bank believes that the relative size of the its retail base has enabled it to source funds at a lower than average rate of interest than the other major Australian banks. However, some of this benefit is offset by the cost of the Group's extensive retail network and the Group's large share of pensioner deeming accounts that pay interest based upon Deeming Rates which are determined by the Federal Government.

The cost of funds for 2008 Financial Year, calculated as a percentage of interest expense to average interest bearing liabilities, was 5.62% on a Group basis compared with the 5.12% on a Group basis for 2007 Financial Year and 4.66% on a Group basis for the 2006 Financial Year.

Integrated Risk Management

The Group obtains a significant proportion of its funding for the Australian Balance Sheet from wholesale sources – approximately 43% (2007: 44%), excluding Bank Acceptances. The cost of funds raised in the wholesale markets is affected by independently assessed credit ratings.

For more information on Liquidity and Funding Risk, including information about the maturity profile of the Group's liabilities, refer to Note 42 to the Financial Statements.

The Group manages certain risks, including interest rate risk, exchange rate risk, credit risk and certain other market risks by entering into derivative or hedging contracts, which themselves may subject the Group to risks. The Group's derivative contract exposures are detailed in Note 11 to the Financial Statements.

Operational and Strategic Business Risk

The Group's operational and strategic business risk management framework supports the achievement of its financial and business goals. Framework objectives approved by the Risk Committee are:

- Maintenance of an effective internal control environment and system of internal control;
- Demonstration of effective governance, including a consistent approach to operational risk management across the Group;
- Transparency, escalation and resolution of risk and control incidents and issues;
- Making decisions based upon an informed risk-return analysis and appropriate standards of professional practice; and
- Achieving business growth and enhancing financial performance through efficient and effective operational processes.

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

- Inadequate or failed internal processes and methodologies;
- People;
- Systems and models used in making business decisions; 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

Strategic business risk is taken into account when defining business strategy and objectives. The Risk Committee receives reports on business plans, major projects and change initiatives (including the Group's current relocation program NOVA and the Core System Modernisation Project). The Risk committee monitors progress and reviews successes compared to plans.

Each business manager is responsible for the identification and assessment of these risks, and for maintaining appropriate internal controls. Skilled operational risk professionals embedded in the business lead the Group's operational risk framework and governance structures to support business managers through a suite of risk mitigating policies, the reporting of internal loss incidents and key risk indicators, and qualitative and quantitative assessment of risk exposures.

Further governance and control oversight is provided by Group Audit for this and other risk types.

The Group's operational risk measurement methodology combines expert assessment of individual risk exposures with internal loss data to calculate operational risk economic capital and determine potential loss.

As a result of the implementation of the Basel II framework the Group developed a sophisticated Operational Risk loss incident database. This has increased awareness of controls and processes which is contributing to lower operational losses, including loan frauds.

Business Continuity Management

Business Continuity Management ("BCM") within the Group involves the development, maintenance and testing of advance action plans to respond to threats that have the potential to impact business operations. BCM ensures that business processes continue with minimal adverse impact on customers, staff, products, services and brands.

BCM constitutes an essential component of the Group's risk management process by providing a controlled response to business disruption events that could have a significant impact on the Group'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 continues to be implemented across all business units.

Compliance Risk Management

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may suffer as a result of its failure to comply with the requirements of relevant laws, regulatory bodies, industry standards and codes.

The Group's Compliance Risk Management Framework (CRMF) is a key element of the Group's integrated risk management framework. The CRMF is consistent with the Australian Standard on Compliance Programs; as such it is designed to meet the Group's obligations under the Corporations Act 2001 and the Bank's Australian Financial Services Licence. The CRMF incorporates a number of components including Group Standards, a Compliance Obligations Register and Guidance Notes that detail specific requirements and accountabilities. These are complemented by business unit compliance frameworks including obligations registers, standards and procedures.

The CRMF provides for the assessment of compliance risks, implementation of controls, monitoring and testing of framework effectiveness, the escalation, remediation and reporting of compliance incidents and control weaknesses.

The Group's compliance strategy is based on two fundamental principles:

- Line Management in each Business Unit have the responsibility to ensure their business is and remains compliant with legislative, regulatory, industry code and organisational requirements; and
- Group and Business Unit Regulatory Risk and Compliance teams work together to monitor, overview and report on compliance to management, compliance committees and the Board.

Security Risk

Security risk is defined as threats associated with theft and fraud, information and IT security, protective security and crisis management.

The Group's security risk management framework forms part of the operational risk framework and sets out the key roles, responsibilities and processes for security risk management across the Group.

Insurance Risk

The Group is exposed to insurance risk arising from underwriting general and life insurance contracts. Insurance is the transfer from a policyholder to the insurer of some or all of the cost of a loss which may arise from specified events. Insurance risk is that the Group's experience is different to that assumed when the insurance contract was priced and issued.

Quantification of insurance risk arises through reassessment of: the incidence of claims, the cost of claims, expectations of future claims experience as well as unforeseen events such as epidemics or catastrophes.

Insurance risk is managed through product design, pricing, underwriting, reserving, reinsurance and claims management processes. Products are generally priced using models which examine historic and projected claims experience for the class of business with reference, where relevant to industry experience. Underwriting standards are in place to ensure risks are only accepted in accordance with the product design and hence are consistent with the pricing. Reinsurance is in place to limit exposure to large single claims, or catastrophes. Claims are assessed, accepted and paid or declined to ensure valid claims are settled quickly and invalid claims are declined.

The Group continues to benchmark and monitor its insurance risk transfer program for efficiency and effectiveness. This is primarily achieved through a methodology that optimises total shareholder returns and determines the most appropriate blend of economic capital coverage and insurance risk transfer.

Cross Border Outstandings

Cross-border outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk. Outstandings include loans, acceptances and other monetary assets denominated in other than the counterparties' local currency. Local currency activities with local residents by foreign branches and controlled entities of the Group are excluded.

At 30 June 2008, there were no individual industry categories by country exceeding 1% of the Group's total assets. At 30 June 2007, the finance and insurance industry within the United States of America, with cross-border outstandings of $4.7 billion, was the only individual country by industry category exceeding 1% of the Group's total assets.

At 30 June 2008, the United Kingdom with cross border outstandings of $5.7 billion, Germany with $4.3 billion and the United States of America with $3.6 billion, were the only countries to exceed 0.75% of the Group's total assets. At 30 June 2007, the United States, with $4.8 billion, was the only country with cross border outstandings greater than 0.75% of the Group's total assets.

Capital Management

Capital Management

The Bank is an Authorised Deposit-taking Institution ("ADI") and is subject to regulation by APRA under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks that are consistent with the International Convergence of Capital Measurement and Capital Standards: A Revised Framework ("Basel II") issued by the Basel Committee on Banking Supervision. These requirements define what is acceptable as capital and provide for methods of measuring the risks incurred by the Bank.

The regulatory capital requirements are measured for the Extended Licence Entity Group (known as "Level One" comprising the Bank and APRA approved subsidiaries) and for the Bank and all of its banking subsidiaries (known as "Level Two" or the "Group).

All entities which are consolidated for accounting purposes are included within the Group capital adequacy calculations except for:

- The insurance and funds management operations; and
- The entities through which securitisation of Bank assets are conducted.

Regulatory capital is divided into Tier One and Tier Two Capital. Tier One Capital primarily consists of Shareholders' Equity plus other capital instruments acceptable to APRA, less goodwill and other prescribed deductions. Tier Two Capital is comprised primarily of hybrid and debt instruments acceptable to APRA less any prescribed deductions. Total Capital is the aggregate of Tier One and Tier Two Capital. A detailed breakdown of the components of capital is detailed on pages 49 to 51.

The tangible component of the investment in the insurance and funds management operations are deducted from capital, 50% from Tier One and 50% from Tier Two.

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital (Tier One, Tier Two or Total Capital) as a percentage of total Risk Weighted Assets ("RWA"). RWA represents an allocation of risks associated with the Group's assets and other related exposures.

The Group actively manages its capital to balance the requirements of various stakeholders (regulators, rating agencies and shareholders). This is achieved by optimising the mix of capital while maintaining adequate capital ratios throughout the financial year.

The Group has a range of instruments and methodologies available to effectively manage capital including share issues and buybacks, dividend and dividend reinvestment plan policies, hybrid capital raising and dated and undated subordinated debt issues. All major capital related initiatives require approval of the Board.

The Group's capital position is monitored on a continuous basis and reported monthly to the Asset and Liability Committee of the Bank. Three year capital forecasts are conducted on a quarterly basis and a detailed capital and strategy plan is presented to the Board annually.

The Group's capital ratios throughout the 2007 and 2008 Financial Years were in compliance with both APRA minimum capital adequacy requirements (Tier One Capital 4% and Total Capital 8%) and the Board Approved Target Ranges of Tier One Capital 6.5 to 7% and Total Capital 10 to 12%).

The Total Capital target range was amended in 2008 from a range of 9 to 11% to a range of 10 to 12% in order to align with the Group's strategy to apply for U.S. Financial Holding Company (FHC) status. FHC status requires the Group to maintain minimum Tier One Capital of 6% and Total Capital at 10% at all times.

The Bank is required to inform APRA immediately of any breach or potential breach of its minimum capital adequacy requirements, including details of remedial action taken or planned to be taken.

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 Profits without APRA's prior approval. Under APRA guidelines, the expected dividend must be deducted from Tier One Capital.

Regulatory Changes

Basel II

The Basel Committee on Banking Supervision introduced a new risk based capital framework (Basel II) in June 2004. The new framework reflects advances in the management of risk since the introduction of the original Basel Accord in 1988.

The aim of Basel II is to improve the stability and soundness of the financial system by more closely linking capital requirements to risks. This is achieved by allowing banks with sophisticated risk management systems and techniques to use internal models to align the assessment of risk with the assessment of regulatory capital required.

The Basel II framework consists of three pillars:

- Pillar 1 – defines the rules for calculating the minimum regulatory capital requirements for credit, market and operational risk;
- Pillar 2 – addresses the Group's internal capital adequacy assessment process (ICAAP); and
- Pillar 3 – specifies public disclosure requirements to enable market participants to assess key pieces of information on risk exposures and processes of a banking group.

In June 2006, the Group commenced calculating its RWA in accordance with Basel II rules as part of its accreditation application. On 10 December 2007, the Group became one of the first major banks in Australia to be granted "advanced" Basel II accreditation by APRA.

As a result of receiving advanced Basel II accreditation, the advanced internal ratings based approach (AIRB) for credit risk and the advanced measurement approaches (AMA) for operational risk have been adopted in the calculation of RWA. There is an agreed methodology for measuring market risk for traded assets, which remains unchanged from Basel I.

APRA has specifically requested Australian banks to incorporate regulatory capital for interest rate risk in the banking book in their assessment of total regulatory capital from 1 July 2008. This is not a requirement under Basel II Pillar 1. The Group's capital calculation framework has been updated to include an appropriate allowance for IRRBB capital in its 2009 financial year regulatory capital calculation.

The work undertaken to achieve the advanced accreditation has provided the Group with increased sophistication in risk measurement and management, thereby increasing the flexibility with which the Group manages its decision making and capital management.

Adoption of the methodology prescribed under the advanced approach was effective from 1 January 2008.

Regulatory capital as at 30 June 2008 has been calculated in accordance with the Basel II advanced methodology.

The prudential calculations for the prior financial year are in accordance with the previous Basel I methodology.

APRA made several changes to the definition of capital effective from 1 January 2008. The material changes applicable to the Group include:

- Limits on the amount of Residual (25%) and Innovative Capital (15%) that qualifies as Tier One capital, with any excess transferred to upper Tier Two Capital. APRA has granted the Group $974 million transitional relief on the innovative capital limits until 1 January 2010;
- Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (net of tax) are deducted 50% from both Tier One and Tier Two capital;
- The prudential general reserve for credit losses (mostly comprising the collective provision for impairment losses) is excluded from Upper Tier Two Capital;
- Total Capital deductions revert to 50% Tier One and 50% Tier Two Capital deductions;
- Capital floor based on 90% of the capital required under Basel II, which as at 30 June 2008 has no impact on the Group's capital levels; and
- The loss of AIFRS Transitional Relief from Tier One and Two Capital.

Risk Weighted Assets under Basel I and Basel II

Beginning on 1 January 2008, the Group began calculating and reporting its capital adequacy ratios in accordance with guidelines set by APRA in applying the Basel II capital adequacy framework, prior to which it calculated its capital adequacy ratios in accordance with guidelines set by APRA in applying the Basel I capital adequacy framework. There are substantial differences between how capital adequacy ratios are calculated under Basel I and Basel II, the most pronounced of which is in the calculation of risk weighted assets, which is used as the denominator in the calculation of each of the Tier 1 capital ratio, Tier 2 capital ratio and total capital ratio.

Under the Basel I framework, to calculate risk weighted assets, the Group's assets were classified into one of several risk categories and assigned a risk weighting determined by regulation based on that classification. The Group's assets were classified into the following five risk categories with the applicable risk weighting:

- cash, central bank and government debt and any OECD government debt – 0% risk weighting;
- public sector debt – 0%, 10%, 20% or 50%, depending on the credit quality of the issuer;
- development bank debt, OECD bank debt, OECD securities firm debt, non-OECD bank debt (under one year maturity) and non-OECD public sector debt, cash in collection – 20%;
- eligible residential mortgages – 50%; and
- private sector debt, non-OECD bank debt (maturity over a year), real estate, plant and equipment, capital instruments issued at other banks – 100%.

Risk weightings assigned to each asset class were determined by regulation and were not necessarily consistent with the loss experience of the Group. In addition, there was an agreed method for measuring market risk for traded assets.

Under the Basel II framework, to calculate risk weighted assets, the Group has developed models that measures certain risk metrics (e.g., market risk, credit risk, operational risk). The determination of risk-weighted assets under Basel II for credit risk depends on four key variables and the asset category the exposures fall under. The main variables are:

- Probability of default (PD) per rating grade, which gives the average percentage of borrowers that default in this rating grade in the course of one year;
- Exposure at default (EAD), which gives an estimate of the amount outstanding (drawn amounts plus likely future drawdowns of yet undrawn lines) in case the borrower defaults;
- Loss given default (LGD), which gives the percentage of exposure the Group might lose in case the borrower defaults. These losses are usually shown as a percentage of EAD, and depend, amongst others, on the type and amount of collateral as well as the type of borrower and the expected proceeds from the work-out of the assets; and
- Maturity (M) – effective maturity of the obligation.

The risk weightings assigned to each asset are more precise and reflect the Group's historical performance with respect to that asset class, subject to certain limitations imposed by APRA. Under the Basel II framework, risk weighted assets are intended to more accurately reflect the actual risks associated with the Group's assets on an asset by asset basis to allow it to more accurately measure the risk associated with its portfolio.

As a result of the different methodologies used in calculating risk weighted assets under Basel I and Basel II, capital adequacy figures as calculated in accordance with the differing regulatory frameworks will necessarily differ and are not comparable.

The Group also notes that the application of the Basel II framework by each home-country regulator may be different. As a result, risk weighted assets calculated in accordance with Basel II, as interpreted by APRA, may differ from risk weighted assets calculated in accordance with Basel II as may currently or in future be interpreted by the Federal Reserve Bank of the United States, the Financial Services Authority of the United Kingdom, or any other regulator.

Active Capital Management

The Group maintains a strong capital position with the advanced Basel II accreditation resulting in an increase in both the Group's Tier One and Total Capital ratios, primarily driven by the reduction in risk weighted assets.

As a result of Basel II advanced accreditation, the Total Capital Ratio was restated from 9.82% to 12.08% at 31 December 2007. The Tier One capital ratio was restated from 7.41% to 8.17% at 31 December 2007.

As at 30 June 2008 the Tier One and Total Capital ratio are 8.17% and 11.58%, respectively.

RWA are $206 billion at 30 June 2008. This represents an $8 billion increase from the restated Basel II 31 December 2007 level of $198 billion.

Adjusted Common Equity

The Group's Basel II ACE capital ratio as at 30 June 2008 is 6.47% and compares with 6.58% as at 31 December 2007.

Capital Management

Significant Initiatives

The following significant initiatives were undertaken during the financial year to actively manage the Bank's capital:

Tier One Capital

- Issue of $1,465 million ($1,443 million net of issue costs) Perpetual Exchangeable Resaleable Listed Securities (PERLS IV) in July 2007 which qualify as Non-Innovative Residual Tier One Capital;
- Issue of $709 million shares in October 2007 to satisfy the Dividend Reinvestment Plan ("DRP") in respect of the final dividend for 2006/07;
- Issue of $400 million of shares in April 2008 in order to satisfy the DRP in respect of the interim dividend for 2007/08. A further $98 million of shares were purchased as part of the DRP; and
- In accordance with APRA guidelines, the estimated issue of $609 million of shares to satisfy the DRP in respect of the final dividend for 2007/08. This estimate represents a 30% participation in the DRP in respect of the final dividend.

Tier Two Capital

- Issue of the equivalent of $664 million of Lower Tier Two Capital was raised during the financial year, all of which was raised in the first half of the financial year.

Regulatory Capital Requirements for Other Major ADIs in the Group

ASB Bank Limited

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 2008 ASB Bank Limited had a Tier One ratio of 9.4% and a Total Capital ratio of 11.8%

ASB Bank was in compliance with regulatory capital requirements at all times throughout the current financial year.

In December 2007 ASB Bank Limited received advanced Basel II accreditation from the Reserve Bank of New Zealand.

Regulatory Capital Requirements for Life Insurance and Funds Management Business

The Group's life insurance business in Australia is regulated by APRA. The Life Insurance Act 1995 includes a two tiered framework for the calculation of regulatory capital requirements for life insurance companies – "solvency" and "capital adequacy". The capital adequacy test for statutory funds is always equal to or greater than the solvency test. (1)

The Group owns Colonial Mutual Life Assurance Society Limited ("CMLA"), a life insurance company operating in Australia. Life insurance business previously written by Commonwealth Insurance Holdings Limited ("CIHL") was transferred into CMLA effective 30 June 2007.

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 professional standard "Solvency Reserving for Life Insurers", issued by the New Zealand Society of Actuaries.

Fund managers in Australia are subject to 'Responsible Entity' regulation by the Australian Securities and Investment Commission ("ASIC"). The regulatory capital requirements vary depending on the type of Australian Financial Services licence 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 Group's life insurance and funds management companies held assets in excess of regulatory capital requirements at 30 June 2008. The Group's Australian and New Zealand life insurance and funds management businesses held $949 million of assets in excess of regulatory solvency requirements at 30 June 2008 (2007: $1,168 million).

(1) The Shareholders' fund is subject to a separate capital requirement.

Capital Adequacy

Capital adequacy ratios calculated on the basis of Basel II are not comparable to capital adequacy ratios calculated on the basis of Basel I. See “Capital Management—Risk Weighted Assets under Basel I and Basel II” for a discussion of the differences between Basel I and Basel II, as implemented by APRA. In addition, Basel II guidelines have been interpreted and implemented differently by regulators in different jurisdictions and, as a result, capital ratios calculated on the basis of Basel II in different jurisdictions may not be comparable. Some of these differences may be material.

Financial measures as of 31 December 2007 have been calculated under both Basel I and Basel II for comparative purposes only.

				Group
Risk-Weighted Capital Ratios (1)	Basel II 30/06/08 %	Basel II 31/12/07 %	Basel I 31/12/07 %	Basel I 30/06/07 %
Tier One	**8.17**	8.17	7.41	7.14
Tier Two	**3.41**	3.91	3.19	3.41
Less Deductions	**-**	-	(0.78)	(0.79)
Capital Base	**11.58**	12.08	9.82	9.76
Adjusted Common Equity (2)	**6.47**	6.58	4.77	4.79

Regulatory Capital				Group
Tier One Capital				
Fundamental Tier One Capital				
Total shareholders’ equity (3)	**26,137**	25,638	25,638	24,444
Adjustments to total shareholders’ equity:				
Expected dividend (4)	**(2,029)**	(1,487)	(1,487)	(1,939)
Estimated reinvestment under Dividend Reinvestment Plan (5)	**609**	400	400	485
Treasury shares	**264**	235	235	255
Cash flow hedge reserve	**(341)**	(477)	(477)	(440)
General reserve for credit losses (after tax) (6)	**-**	-	-	(350)
Employee compensation reserve	**39**	81	81	51
Asset revaluation reserve	**(195)**	(181)	(181)	(185)
Available-for-sale investments reserve	**41**	72	72	35
Foreign currency translation reserve related to non-consolidated subsidiaries	**39**	(13)	(13)	(8)
Deferred fees	**2**	54	54	97
Retained earnings (7)	**752**	752	752	752
Trust Preferred Securities 2006 (8)	**(939)**	(939)	(939)	(939)
Minority Interests (9)	**(505)**	(505)	-	-
Other	**(67)**	(40)	(40)	(34)
Total Fundamental Tier One Capital	**23,807**	23,590	24,095	22,224
Residual Tier One Capital				
Innovative Tier One Capital				
Irredeemable non-cumulative preference shares (10)	**3,396**	3,451	3,451	3,474
Minority Interests (9)	**505**	505	-	-
Eligible loan capital	**209**	236	236	245
Total Innovative Capital	**4,110**	4,192	3,687	3,719
Non-Innovative Residual Tier One Capital (11)	**1,443**	1,443	1,443	-
Less residual capital in excess of prescribed limits transferred to Upper Tier Two Capital (12)	**(1,359)**	(1,592)	-	-
Total Residual Tier One Capital	**4,194**	4,043	5,130	3,719

(1) June 2008 regulatory capital is calculated in accordance with Basel II rules and methodology which was effective from 1 January 2008. The Basel II ratios quoted in the table above do not make allowance for interest rate risk in the banking book, which is not effective until 1 July 2008. The December 2007 and June 2007 regulatory capital is reported in accordance with Basel I rules and methodology.

(2) Adjusted Common Equity ("ACE") is one measure considered by Standard & Poor's in evaluating the Bank's credit rating. The ACE ratio for June 2008 has been calculated using the ACE numerator as a percentage of Basel II RWA with a comparison for December 2007. See the table “Adjusted Common Equity” for a reconciliation of Adjusted Common Equity to a Total Fundamental Tier One Capital.

(3) Represents total shareholders’ equity as disclosed in the Group's Consolidated Balance Sheet.

(4) Represents expected dividends required to be deducted from current period earnings.

(5) Represents a 30% participation in the Bank’s Dividend Reinvestment Plan (DRP) for the final dividend, which is an estimate based on reinvestment experience related to the DRP, as approved by APRA. The DRP in respect of the December 2007 interim dividend was satisfied by the issue of $400 million of ordinary shares and has been reflected in the December 2007 numbers as detailed in the table above. The shares to be issued under the DRP in respect of the final 2007 dividend were estimated at 25% as approved by APRA, actual take up was 36.6%.

(6) General reserve for credit loss of $350 million (after tax) transferred to retained earnings December 2007.

(7) Represents the write-down in retained earnings upon adoption of AIFRS within the non-consolidated subsidiaries.

(8) Trust Preferred Securities 2006 issued 15th March 2006 USD 700 million. These instruments qualify as Tier One Innovative Capital of the Bank.

(9) Minority interest classified as Tier One Innovative Capital under Basel II regulations. Comprised predominately of ASB Perpetual Preference Shares of NZD550 million issued by New Zealand subsidiary entities. These shares are non-redeemable and carry limited voting rights.

(10) APRA approved Innovative Tier One Capital instruments (PERLS II and III and Trust Preferred Securities 2003 and 2006).

(11) Perpetual Exchangeable Resaleable Listed Securities (PERLS IV) of $1,465 million (less costs) issued by the Bank in July 2007 and approved by APRA as Tier One Non-Innovative Capital instruments.

(12) Residual Capital eligible for inclusion as Tier One Capital is subject to an APRA prescribed limit of 25% of Tier One capital with any excess transferred to Upper Tier Two Capital. The Bank was granted transitional relief to 1 January 2010 with respect to the Innovative Capital limit of 15% of Tier One Capital of $974 million.

Capital Management

Capital Adequacy (continued)

	Group			
	Basel II 30/06/08 $M	Basel II 31/12/07 $M	Basel I 31/12/07 $M	Basel I 30/06/07 $M
Tier One Capital Deductions – 100%				
Goodwill [1]	**(8,010)**	(8,030)	(8,030)	(7,632)
Capitalised expenses	**(110)**	(100)	(100)	(136)
Capitalised computer software costs	**(353)**	(316)	(316)	(297)
Defined benefit superannuation plan surplus [2]	**(1,075)**	(1,314)	(1,314)	(1,270)
Deferred tax	**(38)**	(27)	(27)	(37)
	(9,586)	(9,787)	(9,787)	(9,372)
Tier One Capital Deductions – 50% [3]				
Equity investments in other companies and trusts[4]	**(561)**	(723)	(870)	(700)
Equity investments in non-consolidated subsidiaries (net on intangibles)	**(376)**	(296)	-	-
Expected impairment loss (before tax) in excess of eligible credit provisions (net of deferred tax) [5]	**(587)**	(536)	-	-
Other deductions	**(100)**	(95)	-	-
	(1,624)	(1,650)	(870)	(700)
Transitional Tier One Capital relief on adoption of AIFRS [6]	**-**	-	1,641	1,641
Total Tier One Deductions	**(11,210)**	(11,437)	(9,016)	(8,431)
Total Tier One Capital	**16,791**	16,196	20,209	17,512

(1) Represents total Goodwill and other intangibles (excluding capitalised computer software costs) which is required to be deducted from Tier One Capital.

(2) In accordance with APRA regulations, the surplus (net of tax) in the Bank's defined benefit superannuation fund which is included in shareholders' equity, must be deducted from Tier One Capital.

(3) Represents 50% Tier One and 50% Tier Two Capital deductions under Basel II rules.

(4) Represents the Group's non-controlling interest in major infrastructure assets and unit trusts.

(5) Regulatory Expected Loss (pre-tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (net of tax) are deducted 50% from both Tier One and Tier Two capital.

(6) APRA granted transitional relief for Tier One and Tier Two Capital on adoption of AIFRS, which expired 1 January 2008.

Capital Adequacy (continued)

Regulatory Capital	Basel II 30/06/08 $M	Basel II 31/12/07 $M	Basel I 31/12/07 $M	Group Basel I 30/06/07 $M
Tier Two Capital				
Upper Tier Two Capital				
Residual capital in excess of prescribed limits transferred from Tier One Capital (1)	**1,359**	1,592	-	-
Collective provision for impairment losses	**-**	-	1,084	1,034
Other credit provisions	**-**	-	28	23
Fair value credit adjustments	**-**	-	22	24
General reserve for credit losses (pre-tax equivalent)	**-**	-	-	500
Prudential general reserve for credit losses (2)	**-**	-	1,134	1,581
Future income tax benefit related to prudential general reserve for credit losses	**-**	-	(340)	(474)
Asset revaluation reserve (3)	**88**	81	81	83
Upper Tier Two note and bond issues	**196**	203	203	191
Other	**57**	45	45	34
Total Upper Tier Two Capital	**1,700**	1,921	1,123	1,415
Lower Tier Two Capital				
Lower Tier Two note and bond issues (4) (5)	**6,977**	7,532	7,532	6,922
Holding of own Lower Tier Two Capital	**(40)**	(45)	(45)	(46)
Transitional Tier Two capital relief on adoption of AIFRS (6)	**-**	-	74	74
Total Lower Tier Two capital	**6,937**	7,487	7,561	6,950
Tier Two Capital Deductions				
50% Deductions from Tier Two Capital (7)	**(1,624)**	(1,650)	-	-
Total Tier Two Capital	**7,013**	7,758	8,684	8,365
Total Tier One and Tier Two Capital	**23,804**	23,954	28,893	25,877
Total Capital Deductions (8)				
Investment in non–consolidated subsidiaries (net of intangible component deducted from Tier One Capital):	**-**	-	(592)	(409)
Value of acquired inforce business (9)	**-**	-	(1,339)	(1,339)
Other deductions	**-**	-	(189)	(178)
Total Capital	**23,804**	23,954	26,773	23,951

(1) Residual Capital eligible for inclusion as Tier One Capital is subject to an APRA prescribed limit of 25% of Tier One Capital with any excess transferred to Upper Tier Two Capital.

(2) Prudential General Reserve for Credit Losses is not eligible for inclusion in Upper Tier Two Capital under Basel II.

(3) APRA allows only 45% of the asset revaluation reserve to be included in Tier Two Capital.

(4) APRA requires these Lower Tier Two note and bond issues to be included as if they were unhedged.

(5) 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.

(6) APRA has granted transitional relief for Tier One and Two Capital on adoption of AIFRS, which expired 1 January 2008.

(7) Represents 50% Tier One and 50% Tier Two Capital deductions under Basel II rules.

(8) Total Capital deductions revert to a 50% Tier One and 50% Tier Two deduction under Basel II regulations.

(9) Value of acquired inforce business transferred to goodwill upon adoption of AIFRS. The deduction as at 30 June 2008 is now reflected in the goodwill deduction in Tier One Capital.

Capital Adequacy (continued)

Risk Weighted Assets (1)	Basel II 30/06/08 $M	Basel II 31/12/07 $M	Basel I 31/12/07 $M	Group Basel I 30/06/07 $M
Credit Risk				
Sovereign	**1,802**	1,380		
Banks	**5,292**	3,780		
Corporate (2)	**45,635**	40,855		
SME Corporate (3)	**31,478**	31,529		
Residential Mortgages (4)	**39,128**	34,693		
Qualifying Revolving Retail	**6,070**	5,587		
SME Retail (5)	**4,318**	5,920		
Other Retail	**5,274**	4,623		
Equity Portfolio	**293**	204		
Trading book repos and other derivatives (6)	**-**	4,851		
Specialised lending subject to the slotting approach (7)	**21,053**	22,760		
Securitisation (8)	**3,536**	2,554		
Other Assets (9)	**9,229**	5,968		
Portfolios subject to Standardised Approach	**5,992**	7,605		
Impact of regulatory scaling factor (10)	**8,340**	9,527		
Total Credit Risk	**187,440**	181,836	268,235	241,224
Market Risk - Traded	**4,501**	4,374	4,374	4,123
Operational Risk	**13,560**	12,018	n/a	n/a
Total risk weighted assets (11)	**205,501**	198,228	272,609	245,347

(1) Risk Weighted Assets for 30 June 2008 are calculated in accordance with the Group's advanced accreditation under Basel II. Risk Weighted Assets under Basel II are disclosed for 31 December 2007 for the purposes of comparison and align to the "Parallel Run" return provided to APRA at that date. Risk Weighted Assets calculated under Basel I methodology for 31 December 2007 and 30 June 2007 are shown for information purposes. See “Regulatory Changes” for a discussion of the differences in the calculation of RWA from Basel I to Basel II.

(2) Corporate includes commercial credit risk where annual revenues exceed $50 million.

(3) SME Corporate includes small and medium enterprise commercial credit risk where annual revenues are less than $50 million and exposures are greater than $1 million.

(4) Residential Mortgages include retail and small and medium enterprise exposures up to $1 million that are secured by residential mortgage property.

(5) SME Retail includes small and medium enterprise exposures up to $1 million that are not secured by residential mortgage property.

(6) Trading Book repos and derivatives were separately identified in the calculation of RWA during the Basel II "Parallel Run" period. From, 1 January 2008, these exposures are now reported in asset classes including Sovereign, Banks and Corporate.

(7) Specialised lending subject to the slotting approach includes Income Producing Real Estate and Project Finance.

(8) Securitisation includes Bank-originated securitised exposures and the provision of facilities to customers in relation to securitisation activities.

(9) Other Assets includes Cash, Investments in Related Entities, Fixed Assets and Margin Lending.

(10) Risk Weighted Assets which are calculated in accordance with APRA's approval for advanced accreditation under Basel II, are required to apply a scaling factor of 1.06 to assets that are not subject to specific risk weights. The 31 December 2007 comparative includes scaling impact of $1,531 million applied to Specialised Lending, Securitisation and Equity Portfolio that was included in the "Parallel Run" calculations of RWA provided to APRA at that date for those credit risk types. This is no longer applicable to these asset classes.

(11) The transitional capital floors prescribed in APRA Prudential Standard APS 150 "Capital Adequacy: Basel II Transition" did not impact on the Group's Risk Weighted Assets as at 30 June 2008 or 31 December 2007. Risk Weighted Assets equivalent for Interest Rate Risk in the Banking Book is not included in this table as it is not effective until 1 July 2008.

Capital Adequacy (continued)

Adjusted Common Equity [1]	Basel II 30/06/2008 $M	Basel II 31/12/2007 $M	Basel I 31/12/2007 $M	Group Basel I 30/06/2007 $M
Total Fundamental Tier One capital				
Deduct:	**23,807**	23,590	24,095	22,224
Goodwill	**(8,010)**	(8,030)	(8,030)	(7,632)
Capitalised expenses	**(110)**	(100)	(100)	(136)
Capitalised computer software costs	**(353)**	(316)	(316)	(297)
Defined benefit superannuation plan surplus	**(1,075)**	(1,314)	(1,314)	(1,270)
Investment in non-consolidated subsidiaries (net of intangible component deducted from Tier One Capital) [2]	**(752)**	(592)	(592)	(409)
Other deductions [3]	**(200)**	(189)	(189)	(178)
Minority interest [4]	**(13)**	(6)	(511)	(512)
Total Adjusted Common Equity	**13,294**	13,043	13,043	11,790
Total risk-weighted assets[5]	**205,501**	198,228	273,478	246,047

(1) Adjusted Common Equity ("ACE") is one measure considered by Standard & Poor's in evaluating the Bank's credit rating. The ACE ratio for June 2008 has been calculated using the ACE numerator as a percentage of Basel II RWA with a comparison for December 2007.

(2) Investment in non-consolidated subsidiaries of $752 million comprises $376 million deduction from both Tier One and Tier Two Capital.

(3) Other deductions of $200 million comprises $100 million deduction from both Tier One and Tier Two Capital.

(4) Represents minority interest balance net of preference shares transferred to innovative capital of $505 million.

(5) In calculating Basel I risk weighted assets in accordance with Standard and Poor's agreed methodology, the equity investment in other companies (December 2007: $0.9 billion and June 2007: $0.7 billion) was required to be added to risk weighted assets as this amount is not deducted from ACE Capital.

Liquidity and Capital Resources

Liquidity and Funding Risk

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, investment accounts, term deposits and retirement style accounts for individual consumers;
- Its small business and institutional deposit base; and
- Its wholesale international and domestic funding programmes which includes its: Australian Dollar Negotiable Certificates of Deposit programme; Transferable Certificate of Deposit programme; Australian Dollar bank bill programme; Australian, U.S. and Euro Commercial Paper programmes; U.S. Extendible Notes programme; Australian Dollar domestic borrowing programme; U.S. Medium Term Note Programme; Euro Medium Term Note Programme and Medallion "Regulation AB" securitisation programme.

See Note 42 to the Financial Statements for a description of the Group's liquidity policies and tools and a chart which illustrates the liquidity profile of the Group's outstanding wholesale debt liabilities at 30 June 2008, broken down by type of debt instrument and maturity.

Recent Market Environment

Although the cost of liquidity and funding has increased significantly since July 2007 due to unfavourable market conditions, the Group's liquidity and funding policies have remained unchanged throughout this period.

The Group has managed its liquidity to avoid concentrations such as dependence on single sources of funding and has taken advantage of its diversified funding base and significant funding capacity in the global unsecured debt markets.

In October 2007, the RBA expanded the range of eligible securities to include highly rated Australian residential mortgage backed securitisation utilising its own prime mortgages that could provide up to $12.25 billion of additional funding from the RBA should markets significantly deteriorate.

	Group	
Commitments for Capital Expenditure Not Provided for	2008 $M	2007 $M
Not later than one year	**45**	34
Total commitments for capital expenditure not provided for	**45**	34

	Group	
Debt Issues (for further details see Note 28 to the Financial Statements)	2008 $M	2007 $M
Short term debt issues	**35,877**	28,607
Long term debt issues	**49,940**	59,918
Total debt issues	**85,817**	88,525
Short Term Debt Issues		
AUD Promissory Notes	**-**	523
AUD Bank Bills	**-**	505
AUD Commercial Paper	**1,024**	2,828
USD Commercial Paper	**14,116**	7,793
EUR Commercial Paper	**622**	1,581
Other Currency Commercial Paper	**416**	4
Long Term Debt Issues with less than one year to maturity	**19,699**	15,373
Total short term debt issues	**35,877**	28,607
Long Term Debt Issues		
USD Medium Term Notes	**19,065**	30,675
AUD Medium Term Notes	**9,332**	10,918
NZD Medium Term Notes	**438**	161
JPY Medium Term Notes	**6,463**	3,062
GBP Medium Term Notes	**3,482**	3,544
EUR Medium Term Notes	**6,478**	6,670
Other Currencies Medium Term Notes	**3,630**	3,839
Offshore Loans (all JPY)	**152**	148
Eurobonds	**900**	901
Total long term debt issues	**49,940**	59,918
Maturity Distribution of Debt Issues		
Less than three months	**21,757**	10,178
Between three months to 12 months	**14,120**	18,429
Between one year and five years	**35,234**	36,205
Greater than five years	**14,706**	23,713
Total debt issues	**85,817**	88,525

The following table details the current debt programmes and issuing shelves along with programme or shelf size and outstandings as at 30 June 2008. Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programmes as at 30 June 2008.

Debt Programmes and Issuing Shelves

Programme/Issue Shelf	Outstanding as at 30 June 2008	Programme/Issuing Shelf Type
Australia		
No Limit	A$ 3,262 million	Transferable Certificates of Deposit Programme
No Limit	A$ 25 million	Debt Issuance Programme
No Limit	A$ 7,213 million	Medium Term Note Programme
A$ 3 billion	A$ 1,659 million	CBFC Domestic Borrowing Programme
A$ 3 billion	A$ 1,891 million	CFL Domestic Borrowing Programme
Euro Market		
US$ 7 billion	US$ 1,792 million	ASB Euro Commercial Paper Programme
US$ 7 billion	US$ 3,145 million (1)	CBA Euro Commercial Paper Programme
US$ 50 billion	US$ 35,461 million (1)	Euro Medium Term Note Programme (2)
US$ 10 billion	Nil	ASB Extendible Notes Programme
Japan		
JPY 500 billion	JPY 157 billion	Uridashi shelf (3)
New Zealand		
No Limit	NZ$ 563 million	ASB Domestic Medium Term Note Programme
No Limit	NZ$ 2,299 million	ASB Registered Certificate of Deposit Programme
No Limit	Nil	CBA Domestic Medium Term Note Programme
United States		
US$ 7 billion	US$ 5,339 million	ASB Commercial Paper Programme
US$ 15 billion	US$ 11,872 million	CBA Commercial Paper Programme
US$ 1 billion	US$ 300 million	Securities Exchange Commission registered shelf
US$ 15 billion	US$ 3,386 million	U.S. Medium Term Note Programme

(1) Outstandings are recorded at historic exchanges rates (per programme documentation).
(2) ASB Bank Limited is also an issuer under this program.
(3) Amounts are also reflected under the $50 billion Euro Medium Term Note Programme.

An analysis of our borrowings and outstandings from existing debt programmes and issuing shelves including the maturity profile, currency and interest rate structure can be found in Notes 28 and 31 to the Financial Statements.

Events Subsequent to Balance Date

The Directors are not aware of any 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.

The Bank expects to issue around $609 million of shares in respect of the Dividend Reinvestment Plan for the final dividend for the year ended 30 June 2008.

Off-Balance Sheet Arrangements

Off-Balance Sheet Arrangements

The Group is a full service financial institution that offers a range of On-Balance Sheet and Off-Balance Sheet arrangements and commitments to customers in the normal course of business. In addition, the Group has a number of other arrangements that form part of its day-to-day business operations. Such activities include traditional Off-Balance Sheet credit risk related instruments, commitments under capital and operating leases, long term debt issues, provision of liquidity facilities to securitisation programs and other contractual arrangements. These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. In accordance with Group policy, exposure to any of these transactions is not carried at a level that would have a material effect on the financial condition of the Group. The impact on the Consolidated Income Statement from these Off-Balance Sheet arrangements is not material.

Consolidated Entities

The Group 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 AIFRS 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 Group has no Off-Balance Sheet financing entities that it is considered to control under AIFRS.

Asset Backed Finance Programs

The Group is an active participant in the asset backed financing market where it assists customers' financing needs through providing customer access to the capital markets through issuer sponsored special purpose entities under master series agreements. The issuers are separate bankruptcy remote entities in the business of acquiring approved investments and/or entering into hedge transactions or other agreements by issuing debt securities. The issuers operate through segregated series and the debt issues of different series may have different credit ratings. The primary source of repayment of the debt issues is the cash flow from the pools of assets. Investors in the debt issues have no recourse to the general assets of the Group.

Under AIFRS the assets and liabilities of some of the issuers are deemed to be controlled and therefore consolidated into the Group's Consolidated Balance Sheet.

Under the management deeds, the issuers have appointed the manager, subject to certain limitations, to manage on the issuers' behalf the performance of the issuers' obligations and the exercise of the issuers' rights under the transaction documents. The issuers have appointed a wholly owned subsidiary of the Group as manager. The liability of the manager is limited to fraud or a negligent or wilful default by the manager of its obligations under the management deed.

As manager of the program, the Group provides deal origination services, asset portfolio monitoring, treasury and financial administration services for the issuers. Assets acquired by the issuers are appropriately diversified and credit enhanced to support the debt issuances. The Group does not service these assets and does not transfer its own assets to the issuers. The Group receives management fees at arms length for its services to the issuer.

In certain instances the Group provides deal specific credit enhancements as an arms length financial arrangement for the issuers in the form of liquidity facilities and derivatives. The following table summarises the total amount of the Group's arrangements to the program:

Group Arrangements with Issuers	2008 $M	2007 $M	2006 $M
Management fee paid to the Group	**7**	3	3
Liquidity facilities utilised by Issuers	**-**	-	-
Derivatives face value provided to Issuers	**820**	1,784	42

Credit Risk Related Instruments

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 are transacted on a commercial basis to attract fees in line with market prices for similar arrangements, with terms and conditions having due regard to the nature of the transaction and the risks involved. 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. The only material category of commitments is the $97,304 million of commitments to provide credit, of which $87,023 million is committed within the next year. The commitment to provide cash under these instruments is managed within the Group's liquidity and funding policies under current APRA Prudential Standards.

Details of contingent liabilities and Off-Balance Sheet business are set out in Note 41 to the Financial Statements – Contingent Liabilities.

Off-Balance Sheet Arrangements

	Face Value		Group Credit Equivalent	
	2008	2007	2008	2007
	$M	$M	$M	$M
Credit risk related instruments (1)				
Guarantees	**2,802**	2,851	**2,802**	2,851
Standby letters of credit	**142**	335	**142**	335
Bill endorsements	**61**	84	**61**	84
Documentary letters of credit	**53**	87	**53**	17
Performance related contingents	**1,870**	2,046	**1,870**	1,023
Commitments to provide credit	**97,304**	85,431	**83,499**	16,888
Other commitments	**8,846**	10,888	**672**	960
Total credit risk related instruments	**111,078**	101,722	**89,099**	22,158

(1) Differences between 2008 and 2007 credit equivalent amounts relate to adopting Basel II advanced internal ratings based approach for credit risk (previously calculated in accordance with Basel I). See below for more detail.

Guarantees represent unconditional undertakings by the Group to support the obligations of its customers to third parties.

Standby letters of credit are undertakings by the Group 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 Group 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 Group 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 Group to provide credit facilities. These credit facilities are both fixed and variable.

Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value (Refer to Note 11 to the Financial Statements – Derivative Assets and Liabilities).

Other commitments include the Group's obligations under sale and repurchase agreements, outright forward purchases and forward deposits and underwriting facilities. Other commitments also include obligations not otherwise disclosed above to extend credit, that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. In addition commitments to purchase or sell loans are included in other commitments.

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 the counterparty.

Under Basel I 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, nature and certainty of the contractual undertaking to provide the facility. The amounts reflected assume that the amounts may be fully advanced. The contractual amount of these instruments is the maximum amount at risk if the customer fails to meet its obligations. The risk is similar to the risk involved in extending loan facilities.

Under the Basel II advanced internal ratings approach for credit risk, the credit equivalent amount is the face value of the transaction, on the basis that at default the exposure is the amount fully advanced. Only where approved by APRA may an exposure less than the fully advanced amount be used as the credit equivalent exposure.

As the potential loss depends on counterparty performance, the Group utilises the same credit policies and assessment criteria for off-balance sheet business as for on-balance sheet business and if deemed necessary, collateral is obtained based on management's credit evaluation of the counterparty. If an event has occurred that gives rise to a present obligation and it is probable a loss will eventuate then provisions are raised.

The maximum potential amount of future payments that may be required for Guarantees as defined in FIN 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others is set out by term below:

	Group As at 30 June 2008 Face Value					
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total	Carrying Value
	$M	$M	$M	$M	$M	$M
Guarantees	**2,137**	**174**	**72**	**419**	**2,802**	**3.8**
Standby letters of credit	**133**	**1**	**-**	**8**	**142**	**2.3**
Bill endorsements	**61**	**-**	**-**	**-**	**61**	**3.1**
Documentary letters of credit	**52**	**1**	**-**	**-**	**53**	**0.1**
Performance related contingents	**1,531**	**150**	**86**	**103**	**1,870**	**33.7**
Total	**3,914**	**326**	**158**	**530**	**4,928**	**43.0**

Off-Balance Sheet Arrangements

	Less than 1 year $M	1 to 3 years $M	3 to 5 years $M	Over 5 years $M	Group As at 30 June 2007 Face Value Total $M	Carrying Value $M
Guarantees	2,839	12	-	-	2,851	1. 9
Standby letters of credit	126	86	63	60	335	2. 2
Bill endorsements	84	-	-	-	84	2. 1
Documentary letters of credit	87	-	-	-	87	0. 1
Performance related contingents	2,015	7	24	-	2,046	24. 4
Total	5,151	105	87	60	5,403	30. 7

	Less than 1 year $M	1 to 3 years $M	3 to 5 years $M	Over 5 years $M	Group As at 30 June 2006 Face Value Total $M	Carrying Value $M
Guarantees	2,585	2	-	5	2,592	4. 9
Standby letters of credit	214	23	35	70	342	0. 2
Bill endorsements	230	-	-	-	230	2. 7
Documentary letters of credit	613	-	-	-	613	0. 1
Performance related contingents	1,749	-	3	1	1,753	24. 7
Total	5,390	24	38	76	5,529	32. 7

Securitisation of Assets

The Group conducts a Loan Securitisation program through which it packages loans and issues securities to investors. The Group has a policy of funding diversification and assets are securitised to provide greater diversification of the Group's funding sources. The Group is not over-reliant on funding from any one market sector (refer Note 42 to the Financial Statements – "Liquidity and Funding Risk"). In addition, the Group's capital management benefits from reduced risk under APRA Prudential capital adequacy guidelines.

The Group securitises mortgage loans to a special purpose entity (SPE). The SPE is a separate bankruptcy remote entity that operates under master series agreements. The SPE operates through segregated series and the securities issued in different series may have different credit ratings. The primary source of repayment of the securities issued is the cash flow from the pools of assets. Investors in the securities issued have no recourse to the general assets of the Group. Under AIFRS these loans are recorded on the Group's Consolidated Balance Sheet.

The outstanding balance of securitised loans at 30 June 2008 was $11,676 million (2007: $15,633 million). No credit losses were incurred by the Group in relation to these securitised loans during the Financial Years 2008 and 2007. The credit risk in respect of these loans is fully covered through mortgage insurance. No loan securitisation transactions were undertaken in the 2008 Financial Year.

Interest rate swaps and liquidity facilities are provided at arms length to the program by the Group in accordance with APRA Prudential Guidelines.

As the SPE is consolidated under AIFRS, these liquidity facilities are not disclosed within Contingent Liabilities as commitments to provide credit within Note 41 to the Financial Statements (2008: $232 million, 2007: $272 million). Interest rate swaps (2008: ($37) million, 2007: $11 million) are not disclosed in Note 4 to the Financial Statements. These commitments are considered minor in the totality of the Group's business.

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. 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. The value of securitisation fee and residual income is not a material component of the Group's fee income.

Cashflows paid to/(from) the Bank from the SPE in Financial Years 2008 and 2007 were:

	2008 $M	2007 $M
Servicing fee	**31**	31
Management fee	**4**	5
Excess servicing fee	**58**	60
Proceeds from sale of mortgage loans	**-**	7,070
Interest rate swaps	**(37)**	11
Total cash receipts	**56**	7,177

Contractual and Commercial Commitments

Forward-Looking Statements

This “Contractual and Commercial Commitments” contains certain forward-looking statements. See “Special Note Regarding Forward-Looking Statements” on page 3.

Contractual and Commercial Commitments

At the end of Financial Years 2008 and 2007 the Group had commitments for capital expenditure (see Note 39 to the Financial Statements) and lease commitments (see Note 40 to the Financial Statements). These commitments are minor in the totality of the Group’s commitments.

The Group also had various monetary contractual liabilities, such as deposits and other public borrowings, payables to other financial institutions, bank acceptances, life liabilities, debt issues and loan-capital, and other monetary liabilities. Refer to Note 42 to the Financial Statements for the maturity distribution of these monetary contractual liabilities. Details of the Group’s contractual obligations are set out in the following table:

Contractual Obligations

	Payments due by period at 30 June 2008				
	Total $M	Less than 1 year $M	1 to 3 years $M	3 to 5 years $M	Over 5 years $M
On-Balance Sheet (1)					
Debt Issues	**99,609**	**38,476**	**24,691**	**16,716**	**19,726**
Deposits and other Public Borrowings	**268,142**	**263,550**	**3,807**	**722**	**62**
Loan Capital	**18,650**	**2,320**	**1,468**	**1,063**	**13,799**
Total On-Balance Sheet	**386,401**	**304,346**	**29,966**	**18,501**	**33,587**
Off-Balance Sheet					
Credit risk related instruments (2)	**111,078**	**91,552**	**8,387**	**6,619**	**4,520**
Commitments for Capital Expenditure Not Provided for in the Accounts (3)	**45**	**45**	**-**	**-**	**-**
Lease commitments – Property, Plant and Equipment (4)	**1,616**	**347**	**504**	**346**	**419**
Total Off-Balance Sheet	**112,739**	**91,944**	**8,891**	**6,965**	**4,939**

(1) Contractual On-Balance sheet obligations also include contractual interest, refer to Note 42 to the Financial Statements.

(2) Credit risk related instruments, see page 56 and 57.

(3) Refer Note 39 to the Financial Statements.

(4) Refer Note 40 to the Financial Statements.

Contractual and Commercial Commitments

Leases

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. In a small number of cases, the Group as lessee has a right of first refusal if the premises are to be sold.

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.

Long Term Contracts

In April 2008, the Bank signed agreements with SAP Australia Pty Limited and Accenture Australia Limited for its Core Banking Modernisation.

In December 2007, the Bank entered into separate agreements with each of Tata Consultancy Services Ltd, HCL Technologies Ltd and IBM Australia Ltd for the provision of application software related services. As part of entering into these contracts, the Bank terminated certain parts of the previous long term agreement with EDS (Australia) Pty Ltd relating to application software services. The remaining parts of the contract with EDS (Australia) Pty Ltd - related to mainframe, midrange, end user technology and cards-related services - continue until 2012.

In November 2007, the Bank signed a lease agreement with DPT Operator Pty Ltd and DPPT Operator Pty Ltd for accommodating 5,000 employees. The lease term for Darling Park Tower 1 at 201 Sussex Street is for a term of 12 years.

In July 2006, the Bank entered into a lease agreement with Colonial First State Property Limited as trustee for both the Site 6 Homebush Bay Trust, and for the Site 7 Homebush Bay Trust relating to the provision of accommodation. The development is a campus style multi-building facility at Sydney Olympic Park to accommodate around 3,500 employees. The average lease term is 12 years.

In 2005, the Bank entered into lease agreements for a fully refurbished existing building at 150 George Street Parramatta, with Perpetual Nominees Limited (as a custodian for the Colonial First State Commercial Property Trust) and a newly constructed building at 101 George Street Parramatta, with Commonwealth Custodial Services Limited, relating to the provision of accommodation. Both buildings have an average lease term of 10 years.

In 2000, the Bank entered into a long term agreement with TCNZ Australia Pty Ltd for the provision of telecommunications services. This agreement is due to expire in February 2009.

Failure to Settle Risk

The Bank is subject to a credit risk exposure in the event that another financial institution fails to settle for its payments clearing activities, in accordance with the regulations and procedures of the following clearing systems of the Australian Payments Clearing Association Limited: The Australian Paper Clearing System ("Clearing Stream One"), The Bulk Electronic Clearing System ("Clearing Stream Two"), The Consumer Electronic Clearing System ("Clearing Stream Three") and the High Value Clearing System ("Clearing Stream Four", only if operating in "bypass mode"). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement at 9am each business day.

Service Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group Key Management Personnel at 30 June 2008 was $13.6 million (2007: $5.1 million).

Transactions in Own Shares

The Group had the following employee share plans in place during the year ended 30 June 2008:

- Commonwealth Bank Employee Share Acquisition Plan ("ESAP");
- Commonwealth Bank Equity Participation Plan ("EPP");
- Commonwealth Bank Group Leadership Share Plan ("GLSP");
- Commonwealth Bank Equity Reward Plan ("ERP"); and
- Commonwealth Bank Non-Executive Directors Share Plan ("NEDSP").

The current ESAP and ERP arrangements were each approved by Shareholders at the Annual General Meeting ("AGM") on 26 October 2000. The GLSP was approved by Shareholders at the AGM on 7 November 2007. Shareholders' consent was not required for either the EPP or NEDSP but details were included in the Explanatory Memorandum to the 2000 meeting to ensure Shareholders were fully informed.

Forward-Looking Statements

This “Description of Business” contains certain forward-looking statements. See “Special Note Regarding Forward-Looking Statements” on page 3.

Overview

Commonwealth Bank of Australia provides a comprehensive range of banking, financial, life and risk business insurance and funds management services in Australia, New Zealand, throughout Asia and in the United Kingdom. The Bank is Australia's largest bank in terms of housing loans and retail deposits. At 30 June 2008, the Group had total consolidated assets of over $488 billion and loans outstanding of $361 billion. The Group's net profit after tax (“statutory basis”) was $4,791 million for the 2008 Financial Year.

The address of the Bank's principal executive office is 48 Martin Place, Sydney, New South Wales, 1155, Australia and its telephone number is (612) 9378 2000.

The Group conducts its operations primarily through the following business units: Retail Banking Services (RBS) and Premium Business Services (PBS), through which the Group conducts its Australian retail, corporate and institutional banking businesses, Wealth Management, through which the Group conducts its Australian funds management and insurance businesses and International Financial Services, including its New Zealand banking and insurance businesses. Each of these business groups is discussed in more detail below.

Operating Divisions

Retail Banking Services (RBS)

Retail Banking Services is responsible for the development and delivery of innovative and competitive products and services to almost 10 million retail customers. The business is responsible for the retail banking network in Australia comprising branches, 24 hour call centres, area offices, third party banking and support office. The retail bank is also responsible for the Bank's ATM network, and its online banking service, NetBank.

RBS contributed 40% of the Group’s net profit after tax (“cash basis”) for the financial year ended 30 June 2008 and represented 41% of its total assets at that date.

Premium Business Services (PBS)

Premium Business Services (PBS) provides wealth and relationship management for the Bank's premium clients (personal, business, corporate and institutional).

PBS undertakes financial markets activities in foreign exchange, debt and equity, and derivatives. Australia’s leading online broking service, CommSec, is also part of PBS.

The Bank also has global market activities in London, New York, Tokyo, Hong Kong, Singapore and Malta.

PBS contributed 31% of the Group’s net profit after tax (“cash basis”) for the financial year ended 30 June 2008 and represented 36% of its total assets at that date.

Wealth Management

The Wealth Management segment conducts Australian funds management business comprising wholesale and retail investment, superannuation and retirement funds. Wealth Management conducts its business under the brands of Colonial First State, CFS Global Asset Management and CommInsure. Investments are across all major asset classes including Australian and international shares, property, fixed interest and cash. This segment also has funds management businesses in the United Kingdom and Asia.

The Wealth Management segment also provides Australian term insurance, disability insurance, annuities, master trusts, investment products and general insurance.

Wealth Management contributed 16% of the Group’s net profit after tax (“cash basis”) for the financial year ended 30 June 2008 and represented 5% of its total assets at that date. As of 30 June 2008, Wealth Management had $185 billion of assets under management and $1,250 million of inforce insurance premiums.

International Financial Services (IFS)

International Financial Services is leading the Bank’s international strategy by focusing on identifying and developing offshore growth opportunities for the Bank in the Asia Pacific region.

The Bank is represented in 12 countries, operating full retail banks in New Zealand (ASB Bank), Fiji (Colonial National Bank) and Indonesia (PT Bank Commonwealth).

IFS has recently expended its banking presence in China and India, making two investments in Chinese city commercial banks, Jinan City Commercial Bank and Hangzhou City Commercial Bank, and establishing a Representative Office in India.

The Bank also has wholesale banking operations in Indonesia and Tokyo.

Life insurance and fund management businesses are operating in China, Singapore, Indonesia, Vietnam, Fiji and New Zealand. The Bank also has global market activities in London, New York, Tokyo, Hong Kong, Singapore and Malta.

IFS contributed 12% of the Group’s net profit after tax (“cash basis”) for the financial year ended 30 June 2008 and represented 11% of its total assets at that date.

Support Divisions

Enterprise IT

Enterprise IT facilitates the delivery of best practice Information Technology and Telecommunications services and strategic planning practices across the Group. Enterprise IT also helps business units with the implementation of new project initiatives, while maintaining the optimisation of existing operations.

Human Resources

Human Resources (HR) supports each business unit through recruitment, employee relations, HR administration, remuneration and benefits, occupational health and safety, project work and leadership development training.

Marketing and Communications

Marketing and Communications brings together the Group’s marketing, sponsorship, employee communication, media and public relations, brand and customer insights teams to provide strategic support and advice to the Group’s leaders.

Financial Services and Risk Management

Financial and Risk Management provides professional services and support to other divisions in the Group as well as to external parties. Value is added through policy formulation, strategic support and specialist advice on financial, risk and capital management as well as managing investor relations.

Description of Business

History and Ownership

The origins of the Bank lie in the former Commonwealth Bank of Australia which was established in 1911 by Act of Parliament to conduct commercial and savings banking businesses. Its functions were later expanded to encompass those of a central bank. Subsequent legislative amendment in 1959 created a separate Reserve Bank of Australia to take over the central bank functions.

In December 1990, the Commonwealth Bank's Restructuring Act 1990 was passed, which provided for:

- the conversion of the Bank into a public company with a share capital, governed by its Memorandum and Articles of Association but subject to certain overriding provisions of the Banking Act – this conversion occurred on 17 April 1991;
- the Bank to become the successor in law of the State Bank of Victoria (SBV) – this occurred on 1 January 1991; and
- the issue of shares in the Bank to the public.

An offer of just under 30% of the issued voting shares in the Bank was made to members of the Australian public and staff of the Bank in July 1991. This was done to strengthen the Bank's capital base following its acquisition of SBV and to provide a sound foundation for further development of the Bank's business.

In October 1993, the Commonwealth Government sold a portion of its shareholding in the Bank, thereby reducing its shareholding to 50.4% of the total number of issued voting shares.

In June 1996, the Commonwealth Government sold through a public offer its remaining 50.4% shareholding in the Bank. In conjunction with this offer, the Bank, pursuant to a buy-back Agreement between the Bank and the Commonwealth of Australia, agreed to buy back 100 million shares in the Bank from the Commonwealth. The public offer and buy back were completed on 22 July 1996.

In connection with the public offer of the Commonwealth's shares in 1996, transitional arrangements were implemented which provided that:

- all demand and term deposits were to be guaranteed by the Commonwealth government for a period of three years from 19 July 1996, when the Commonwealth of Australia ceased to hold more than 50% of the total voting shares in the Bank, 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 before, and was outstanding at 19 July 1996, were to be guaranteed by the Commonwealth Government until their maturity.

Under the terms of an agreement reached between the Commonwealth and the Bank, the Bank reports to the Commonwealth annually on the level and maturity profile of outstanding liabilities which are subject to the Commonwealth's guarantees.

The agreement also includes an undertaking from the Bank that it will not seek to extend the maturity profile of its deposit liabilities beyond that required in the normal course of business during the three years following the effective time. The liabilities of the Bank's subsidiary Commonwealth Development Bank Limited will continue to remain guaranteed by the Commonwealth. For full details of all guarantee arrangements refer to Note 28 to the Financial Statements.

In June 2000, the Group acquired 100% of the share capital of Colonial Limited, a life insurance, banking and funds management group. Colonial had operations in Australia, New Zealand, the United Kingdom and throughout Asia and the Pacific. The Group purchased ASB Bank Community Trust's remaining 25% interest in the ASB Group in New Zealand in August 2000 (the bank acquired 75% of ASB Group in February 1989).

The Commonwealth Bank of Australia became the successor in law to the State Bank of New South Wales (known as Colonial State Bank) and to all the assets and liabilities of State Bank of New South Wales effective on 4 June 2001 pursuant to legislation (acquired on 13 June 2000).

Australia

Financial Services

Financial services providers in Australia offer a wide range of products and services to consumer and business customers, encompassing retail, business and institutional banking, funds management, superannuation, insurance, investment and stockbroking services. The domestic competitive landscape includes the four major banks, regional banks, building societies and credit unions, foreign entrants to the Australian market, local and global investment banks and fund managers, private equity firms, insurance companies and third party distributors.

Banking

The Australian banking sector performed strongly in the 1990s and early this millennium, largely driven by strong growth in lending. More recently, however, there has been some slowing of credit growth and more active management of credit by consumers. Together with an increase in the activities of new entrants, this has led to intensifying competition and to downward pressure on margins. Over the last six months, the volatility in global credit markets has impacted all institutions negatively.

The major banks, which offer a full range of financial products and services through branch networks, call centres, the internet, ATMs and third party intermediaries across Australia, have responded to the increased competition by improving efficiency and by an increased focus on customer service. This has resulted in increased customer satisfaction scores across the industry.

The regional banks, whilst smaller than the majors, mostly now operate across state borders. They have experienced strong growth in targeted product segments (especially mortgages) facilitated by an increased acceptance by customers of third party brokers. At the present time it is unclear how this will develop given the higher funding costs incurred and current uncertainties in financial markets.

Funds Management

Substantial growth continues in funds management, especially within the superannuation (pension funds) segment although the Group expects the downturn in equity markets will impact returns and probably also inflows. The simplification of superannuation legislation including the removal of taxes on end benefits for over sixties is expected to support continuing growth in superannuation investment and self managed superannuation.

The search for above market return investments has seen an increased allocation of funds to boutiques, hedge funds, private equity players and alternative asset classes. The recent uncertainties have slowed this movement with investors showing some flight from risk to quality.

Over the last decade, 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.

Insurance

Solid growth in the sector is expected to continue given the current levels of underinsurance and beneficial treatment of life insurance inside superannuation. The Group believes that growing debt levels of households will increase the importance of life insurance and other wealth protection products.

The general insurance market is mature, diversified and highly competitive. Margin pressure and other competitive activity will necessitate targeted growth strategies.

New Zealand

The Group's activities in New Zealand are conducted through ASB Group. Through its wholly owned subsidiaries, Sovereign Group and ASB Group Investments, ASB Group also competes in the New Zealand insurance and investment market.

As in Australia, the New Zealand banking system is characterised by strong competition. New Zealand banking activities are led by four financial services groups, owned by the big four Australian major banks. In addition, there are several financial institutions operating largely in the wholesale banking sector. As in Australia, there is strong competition with non-bank financial institutions in the areas of funds management and the provision of insurance. Major trends in the New Zealand market include continued margin pressure, a slowing housing market, declining net migration and the commoditisation of retail lending.

Long-term trends that impact Financial Services

Long-term trends that impact financial services providers in Australia and New Zealand include: increasing consumer power as a result of electronic delivery channels; industry consolidation; an ageing population impacting retirement savings and the provision of retirement solutions placing pressure on labour supply.

Description of Business

Competition

Australia

Competitive Landscape

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 domestic competitive landscape includes the four major banks (including Commonwealth Bank of Australia, National Australia Bank, the ANZ Group and the Westpac Banking Group), regional banks, smaller players (including foreign banks) and both local and international non-bank financial intermediaries.

Each of the major banks offers a full range of financial products and services through branch networks, electronic channels and third party intermediaries across Australia. The 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. 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. At the present time it is unclear how this will develop given the higher funding costs incurred and current uncertainties in financial markets. Other non-bank financial intermediaries include investment banks, fund managers, finance companies, and a diverse range of product and service specialists.

In recent years, a number of local and global new entrants are pursuing segments of the market where margins are typically the widest, including product markets such as deposits, housing loans and credit cards, and on distribution markets such as mortgage broking and business banking broking.

Trends

The Australian financial services sector has performed strongly in the last decade, largely driven by strong growth in lending. More recently however, the expectation is for lower credit growth going forward. This, together with the encroachment of new entrants, may lead to intensifying competition and to ongoing downward pressure on margins.

Substantial growth has also occurred in funds under management, especially within the superannuation (pension funds) industry although the downturn in equity markets will impact returns and probably also inflows. Future growth will be underpinned by the Australian Government's continued encouragement of long-term saving through private superannuation and compulsory employer pension contributions, as well as the recent establishment of the Future Fund (designed to address the public sector's superannuation liabilities). This growth potential continues to attract new entrants to this market, from international fund managers to boutique players.

The major banks have expanded into funds management and/or insurance, either through acquisition or through agreements with third parties. The corporate bond market in Australia has also 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.

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. There is strong competition with non-bank financial institutions in the areas of funds management and the provision of insurance. Major trends in the New Zealand market include continued margin pressure, a slowing housing market, declining net migration and the commoditisation of retail lending,

New Zealand banking activities are led by four financial services groups, all owned by Australian based banks operating through nationwide branch networks. There is also the Government-owned Kiwibank, operating nationwide, and TSB Bank, operating in the main centres. Both banks offer retail and business banking services through branches. In addition, there are several financial institutions operating largely in the wholesale banking sector.

Through its wholly owned subsidiaries, Sovereign Group and ASB Group Investments, ASB Group also competes in the New Zealand insurance and investment market.

Employees

The Commonwealth Bank Group employs approximately 39,000 employees on a full-time equivalent basis.

The Bank views that having engaged, passionate and valued people who work together with trust and team spirit as being central to achieving its vision "to be Australia's finest financial services organisation through excelling in customer service". During the year, the Bank completed a number of activities as part of our people strategy.

- Improvement in the Bank's Occupational Health & Safety systems, to achieve a culture where workplace behaviours ensure the safety and health of all employees, contractors and customers, is a continuing priority.
- The Bank's performance management system provides managers and team members with an opportunity to engage in regular conversations about job performance. The system has been aligned closely with the Bank's customer service and business objectives. Performance is measured against workplace behaviours as well as business outcomes. The relationship between individual and team performance and recognition and reward has been strengthened.
- Talent management systems have been enhanced. The Bank makes a significant contribution to the training & personal development of its employees, including a Bankwide leadership program and extensive sales & service training and cultural improvement.
- The Gallup Workplace Survey results for the CBA Group for 2008 increased from 4.18 to 4.31 (out of a possible 5) and places us at the 79th percentile of the Gallup database. Gallup consider "best practice" to be from the 75th percentile onwards.
- The Bank has continued to use employee equity plans aligned to shareholder interests. One example is the Employee Share Acquisition Plan, which provides staff with a grant of up to $1,000 worth of free shares if the Bank meets its overall performance targets.

- The Group has determined to modify the allocation to each eligible employee in respect of the 2008 grant. The grant value will be differentiated based on individual performance ratings for the 2008 financial year for eligible employees. Accordingly, it is estimated that $12 million worth of shares will be purchased on-market at the prevailing market price.
- The Bank's performance and remuneration systems are reviewed regularly to ensure good quality people continue to be attracted to the Bank and motivated to excel in customer service.
- The Bank is a committed Equal Employment Opportunity (EEO) employer. The Bank has been named an Employer of Choice for Women by the Equal Opportunity for Women in the Workplace Agency (EOWA) and has maintained this status since the award's inception in 2001.
- The Bank has continued to support its extensive range of flexible working and wellbeing practices for staff – for example, part-time work, job share, career break, twelve weeks paid maternity leave, paternity and adoption leave, child care, staff influenza vaccines, health checks, access to advice and information for dependent care and health services and the ability to purchase up to four weeks additional leave each year.
- The Group's Australian workforce is currently not unionised and the Group believes its relationship with its employees is good.

Financial System Regulation in Australia

Australia has by international standards a high quality financial system which regulates financial products and services consistently regardless of the type of financial institutions providing them.

Since July 1998, the main financial services regulators in Australia have comprised five separate agencies: The Reserve Bank of Australia, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Transaction Reports and Analysis Centre and the Australian Competition and Consumer Commission. Each agency 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.

The Australian Prudential Regulation Authority ("APRA") has responsibility for the prudential supervision of banks, building societies and credit unions, life and general insurance companies, friendly societies and superannuation funds (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.

The Australian Securities and Investments Commission ("ASIC") has responsibility for regulating and enforcing Company and financial services laws to protect consumers, investors and creditors, including the Corporations Act 2001. The Corporations Act 2001 provides for a single licensing regime for sales, advice and dealings in financial products and services, consistent and comparable financial product disclosure and a single authorisation procedure for financial exchanges and clearing and settlement facilities. The current financial services regulatory framework is intended to facilitate innovation and promote business while at the same time ensuring consumer protection and market integrity.

The Australian Transaction Reports and Analysis Centre ("AUSTRAC") has responsibility for overseeing compliance with the Anti-Money Laundering and Counter Terrorism Financing Act (being phased in between December 2006 and December 2008) and the Financial Transaction Reports Act 1998. As a provider of financial services in Australia and internationally, the Group is committed to the principles of the Financial Action Task Force as the international standard setter for anti-money laundering and counter-terrorism financing efforts.

The Australian Competition and Consumer Commission ("ACCC") promotes competition and fair trade to benefit consumers, business and the community through the administration of The Trade Practices Act 1974.

Supervisory Arrangements

The Bank is an Authorised Deposit-taking Institution ("ADI") under the Banking Act and is subject to prudential regulation by APRA.

In carrying out its prudential responsibilities, APRA closely monitors the operations of banks to ensure that they operate within the prudential framework and that sound management practices are followed.

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 and other requirements including:

(i) Capital Adequacy

APRA approved the Group's application to use the advanced internal ratings-based approach to credit risk and the advanced measurement approach to operational risk for the purposes of calculating capital requirements under the Basel II Framework in December 2007. Refer to "Capital Management".

(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 high quality liquid assets to meet liquidity requirements.

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 Deposit/Bills of other banks and AUD overnight interbank loans) and other highly liquid market securities. More detailed comments on the Group's liquidity and funding risks are provided in Note 42 to the Financial Statements.

(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 unrelated 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 15 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 ADIs, 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) Fit & Proper and Governance

ADIs are subject to APRA's "Fit and Proper" and "Governance" prudential standards. ADIs are required to implement a Board approved Fit and Proper policy covering minimum requirements for the fitness and proprietary of their responsible persons (directors and designated members of senior management etc). ADIs also have to comply with APRA's Governance prudential standard which sets out requirements for Board size and composition, independence of directors and other APRA governance matters.

(vii) 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 review 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 required to hold a Registrable Superannuation Entity ("RSE") licence from APRA.

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, lodgement of audited accounts, the preparation of a financial conditions report (prepared by the company's approved actuary) and supervisory inspections.

Life and general insurance companies are also subject to similar Fit and Proper and Governance requirements as those applying to ADIs.

Legal Proceedings

Neither the Bank nor any of its controlled entities are 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 Bank or any of its controlled entities. Where some loss is probable and can be reliably estimated an appropriate provision has been made.

Critical Accounting Policies and Estimates

Note 1 to the Financial Statements contains 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 determining whether certain entities should be consolidated. An explanation of these policies and the related judgements and estimates involved is set out in Note 1 (mm) to the Financial Statements.

Remuneration of Auditors

Disclosure of the Remuneration of Auditors is set out in Note 38 to the Financial Statements.

Introduction

This statement reflects the key aspects of the Commonwealth Bank's corporate governance framework. The Board has consistently placed great importance on the governance of the Group, which it believes is vital to the well-being of the corporation. The Board has adopted a comprehensive framework of Corporate Governance Guidelines which are designed to properly balance performance and conformance and thereby allow the Group 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 Group comply with the revised 'Corporate Governance Principles and Recommendations' published in August 2007 by the Australian Securities Exchange (ASX) Limited's Corporate Governance Council.

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 Group, including the establishment of Committees;
- Oversight of the business and affairs of the Group by:
  - Establishing, with management, and approving the strategies and financial objectives;
  - Approving major corporate and capital initiatives and approving capital expenditure in excess of limits delegated to management;
  - Establishing appropriate systems of risk management including defining the Group's risk appetite and establishing appropriate financial policies such as target capital and liquidity ratios; and
  - Monitoring the performance of management and the environment in which the Group operates;
- Approving documents (including reports and statements to shareholders) required by the Bank's Constitution and relevant regulation;
- Employment of the Chief Executive Officer; and
- Approval of the Group's major HR policies and overseeing the development strategies for senior and high performing executives.

The Board carries out the legal duties of its role in accordance with the Group's values of trust, honesty and integrity and having regard to the interests of the Group's customers, staff, shareholders and the broader community in which the Group operates.

The Board delegates to the Chief Executive Officer the authority to achieve the Group's objective of creating long term value for its shareholders through providing financial services to its customers and providing sustained best-in-industry performance in safety, community reputation and environmental impact.

Composition

There are currently 11 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:

	Board	Position Title	Committee Membership			
Director			Board Performance & Renewal	People & Remuneration	Audit	Risk
J M Schubert	Non-Executive, independent	Chairman	Chairman	Member		
R J Norris	Executive	Chief Executive Officer				Member
J A Anderson	Non-Executive, independent					Member
R J Clairs	Non-Executive, independent			Chairman		
C R Galbraith	Non-Executive, independent		Member		Member	
J S Hemstritch	Non-Executive, independent			Member		Member
S C H Kay	Non-Executive, independent			Member	Member	
F D Ryan	Non-Executive, independent				Chairman	Member
D Turner	Non-Executive, independent		Member			Member
H H Young	Non-Executive, independent				Member	Chairman
A M Mohl (1)	Non-Executive, independent			Member		
W G Kent (2)	Non-Executive, independent					
F J Swan (2)	Non-Executive, independent					

(1) Mr Mohl was appointed to the Board with effect from 1 July 2008. In accordance with the Bank's constitution and the ASX Listing Rules, he will stand for election at the Annual General meeting to be held on 13 November 2008.

(2) Mr Kent and Mr Swan retired at the Annual General Meeting on 7 November 2007.

Corporate Governance

Constitution

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 nine nor more than 13 (or such lower number as the Board may from time to time determine). The Board has determined that the number of directors shall be 11; 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 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).

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 Group, 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 Group's policies.

Each Director may from time to time have personal dealings with the Group. Each Director is involved with other companies or professional firms which may from time to time have dealings with the Group. Details of offices held by Directors with other organisations are set out in the Directors' Report and on the Group's website. Full details of related party dealings are set out in the notes to the Financial Statements 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 Group which is material under accounting standards; and
- That no Non-Executive Director personally carries on any role for the Group other than as a Director of the Bank.

The Group 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 Group. 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 program upon appointment and in a refresher program 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 Group'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 process includes an assessment of the performance of the Board Committees and 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.

Selection of Directors

The Board Performance and Renewal Committee has developed a set of criteria for Director appointments which has been adopted by the Board. The criteria are aimed at creating a Board capable of challenging, stretching and motivating management to achieve sustained outstanding company performance in all respects. These criteria, which are reviewed annually, aim to ensure that any new appointee is able to contribute to the Board constituting a competitive advantage for the Group and:

- Be capable of operating as part of an exceptional team;
- Contribute outstanding performance and exhibit impeccable values;
- Be capable of inputting strongly to risk management, strategy and policy;
- Provide skills and experience required currently and for the future strategy of the Group;
- Be excellently prepared and receive all necessary education;
- Provide important and significant insights, input and questions to management from their experience and skill; and
- Vigorously debate and challenge management.

The Committee regularly compares the skill base and experience of existing Directors with that required for the future strategy of the Group to enable identification of attributes required in new Directors.

Executive search firms are engaged to identify potential candidates based on the identified criteria.

Candidates for appointment as Directors are considered by the Board Performance and Renewal 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 Group 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 Group'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 Board Performance and Renewal, 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 meet regularly with an agenda designed to provide adequate information about the affairs of the Group, 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 Group has in place a procedure whereby, after appropriate consultation, Directors are entitled to seek independent professional advice, at the expense of the Group, to assist them to carry out their duties as Directors. The policy of the Group 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 Group 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 Group 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 Group.

In addition, Group policy prohibits:

- For Directors and executives who report to the Chief Executive Officer, any hedging of publicly disclosed shareholding positions;
- For executives, any trading (including hedging) in positions prior to vesting of shares or options; and
- The use, by Directors and executives who report to the Chief Executive Officer, of investments of arrangements for margin borrowing, short selling or stock lending, in connection with the securities of the Group.

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 are financially literate and at least one has expertise in financial accounting and reporting. The Chairman of the Risk Committee is also a member of the Audit Committee. 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;
- 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 audit issues and receives periodic reports from the external Auditors on the quality of the Group'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 Audit Committee and Board meetings by invitation, which is normally all Audit Committee meetings and the Board meetings when the annual and half yearly accounts are approved and signed.

The Committee, at least twice a year, meets separately with each of the chief internal audit executive and the external Auditor, without management, as part of the process of ensuring independence of the audit functions.

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

Non-Audit Services

The Board has in place an External Auditor Services Policy which requires the Audit Committee (or its delegate) to approve all audit and non-audit services before engaging the Auditors. The policy also prohibits the Auditors from providing certain services to the Group or its affiliates. The objective of this policy is to avoid prejudicing the independence of the Auditors.

The policy is designed to ensure that the Auditors do not:

- Assume the role of management or act as an employee;
- Become an advocate for the Group;
- Audit their own work;
- Create a mutual or conflicting interest between the Auditor and the Group;
- Require an indemnification from the Group to the Auditor;
- Seek contingency fees; nor
- Have a direct financial or business interest or a material indirect financial or business interest in the Group or any of its affiliates, or an employment relationship with the Group or any of its affiliates.

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

- Bookkeeping or other services relating to accounting records or Financial Statements of the Group;
- Financial information systems design and implementation;
- Appraisal or valuation services (other than certain tax only valuation services) and fairness opinions;
- Actuarial services when approved in accordance with independence guidelines;
- Internal audit outsourcing services;
- Management functions, including acting as an employee and secondment arrangements;
- Human resources;
- Broker-dealer, investment adviser or investment banking services;
- Legal services; or
- Expert services for the purpose of advocating the interests of the Group.

In general terms, the permitted services are:

- Audit services to the Group or an affiliate;
- Related services connected with the lodgement of statements or documents with the Australian Securities Exchange (ASX), ASIC, APRA 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 Group's financing or related activities; and
- Other services pre-approved by the Audit Committee.

Auditor

PricewaterhouseCoopers was appointed as the Auditor of the Bank at the 2007 Annual General Meeting, effective from the beginning of the 2008 financial year.

The audit partner from PricewaterhouseCoopers will attend the 2008 Annual General Meeting of the Bank and will be available to respond to shareholder audit-related questions.

The Group currently requires that the partner managing the audit for the external Auditor be changed after a period of no longer than five years.

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

Due to SEC rules that apply to various activities that the Group continues to undertake in the United States, notwithstanding the Bank's de-registration under the Exchange Act, the Group and its Auditor must continue to comply with U.S. Auditor independence requirements.

Corporate Governance

Risk Management

Risk Committee

The Risk Committee oversees credit, market (traded and non-traded), funding and liquidity, operational and strategic business, business continuity, compliance and security risks assumed by the Group in the course of carrying on its business. A primary action is to construct the Group's risk appetite for consideration by the Board in its role of oversight of the Internal Capital Adequacy Assessment Process, which is updated on at least an annual basis.

The Committee guides the setting of risk appetite for credit risks, 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.

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. It guides the setting of risk appetite for traded and non-traded market risks, including the establishment of limits for these risk exposures. The Committee reviews progress in implementing management procedures and identifying new areas of exposure relating to market, funding and liquidity risk.

The Committee guides the setting of risk appetite for operational risks, including ratification of 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, with insurance risk coverage levels disclosed to the Risk Committee for comment.

The Committee oversees risk management of compliance risk through the Group's Compliance Risk Management Framework, which provides for assessment of compliance risks, implementation of controls, monitoring and testing of framework effectiveness, and the escalation, remediation and reporting of compliance incidents and control weaknesses.

The Committee meets, at least seven times each year and at least annually with the Group Chief Risk Officer, in the absence of other management to allow the Committee to form a view on the independence of the function.

Framework

The Group 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 this Document entitled Integrated Risk Management and in Notes 15 and 42 to the Financial Statements.

Board Performance and Renewal Committee

The Board Performance and Renewal Committee critically reviews, at least annually, the corporate governance procedures of the Group 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 and Board renewal.

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 Group'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 Group'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 Group's Executive Committee. Matters reported are assessed and, where required by the Listing Rules, advised to the market. A Disclosure Committee has been formed to provide advice on the requirements for disclosure of information 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

The Group's objective is to create long term value for its shareholders through providing financial services to its customers and producing sustained best-in-industry performance in safety, community, reputation and environmental impact.

The Group's vision is to be Australia's finest financial services organisation through excelling in customer service.

The values of the Group are trust, honesty and integrity. The Board carries out the legal duties of its role in accordance with the values and having appropriate regard to the interests of the Group's customers, shareholders, staff and the broader community in which the Group operates.

Policies and codes of conduct have been established by the Board and the Group Executive team to support the Group's objectives, vision and values.

Statement of Professional Practice

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

These standards are regularly communicated to staff. In addition, the Group has established insider trading guidelines for staff to ensure that unpublished price-sensitive information about the Group or any other Company is not used in an illegal manner or so that inside information could be used for personal advantage.

Our People

The Group 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 Group 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.

Code of Conduct

In carrying out its role, the Board will operate in a manner reflecting the Group's values and in accordance with its agreed corporate governance guidelines, the Bank's Constitution, the Corporations Act and all other application regulations.

The Board operates and requires at all levels, impeccable values, honesty and openness. Through its processes it achieves transparent, open governance and communications under all circumstances with both performance and conformance addressed.

The Board's policies and codes include detailed provisions dealing with:

- The interface between the Board and management to ensure there is effective communications of the Board's views and decisions resulting in motivation and focus towards long term shareholder value behaviours and outcomes;
- Disclosure of relevant personal interests so that potential situations of conflict of interest can be identified and appropriate action undertaken to avoid compromising the independence of the Board; and
- Securities dealings in compliance with the Group's strict guidelines and in accordance with the values of honesty and integrity.

Four Year Financial Summary (AIFRS)

	2008 $M	2007 $M	2006 $M	AIFRS [1] 2005 $M
Income Statement				
Net interest income	**7,907**	7,036	6,514	6,026
Other operating income	**6,434**	6,161	5,613	5,076
Total operating income	**14,341**	13,197	12,127	11,102
Loan Impairment expense	**930**	434	398	322
Operating expenses:				
Comparable business	**7,021**	6,427	5,994	5,719
Initiatives including Which new Bank	**-**	-	-	150
Total operating expenses	**7,021**	6,427	5,994	5,869
Operating profit before goodwill amortisation, appraisal value uplift and income tax expense	**6,390**	6,336	5,735	4,911
Corporate tax expense	**(1,626)**	(1,782)	(1,618)	(1,409)
Minority interests	**(31)**	(27)	(31)	(10)
Net profit after income tax ("cash basis")	**4,733**	4,527	4,086	3,492
Defined benefit superannuation plan income/(expense)	**9**	5	(25)	(53)
Treasury shares valuation adjustment	**60**	(75)	(100)	(39)
Hedging and AIFRS volatility	**(42)**	13	(33)	-
Visa Initial Public Offering gain after tax	**295**	-	-	-
Investment and restructuring	**(264)**	-	-	-
Appraisal value uplift	**-**	-	-	-
Goodwill amortisation	**-**	-	-	-
Net profit after income tax attributable to Equity holders of the Bank	**4,791**	4,470	3,928	3,400
Contributions to profit (after tax)				
Retail Banking Services	**1,904**	1,766	1,576	n/a
Premium Business Services	**1,480**	1,445	1,138	n/a
Wealth Management	**756**	548	441	n/a
International Financial Services	**563**	461	442	n/a
Other	**43**	211	278	n/a
Net profit after income tax ("underlying basis")	**4,746**	4,431	3,875	3,420
Shareholder investment returns	**(13)**	96	66	177
Which new Bank	**-**	-	-	(105)
Profit on sale of the Hong Kong Insurance Business	**-**	-	145	-
Net profit after income tax ("cash basis")	**4,733**	4,527	4,086	3,492
Defined benefit superannuation plan (expense)/income	**9**	5	(25)	(53)
Treasury shares valuation adjustment	**60**	(75)	(100)	(39)
Hedging and AIFRS volatility	**(42)**	13	(33)	-
Visa Initial Public Offering gain after tax	**295**	-	-	-
Strategic investment initiatives and asset write-offs	**(264)**	-	-	-
Goodwill amortisation	**-**	-	-	-
Appraisal value uplift	**-**	-	-	-
Net profit after income tax	**4,791**	4,470	3,928	3,400
Balance Sheet				
Loans, advances and other receivables	**361,282**	315,465	273,525	243,232
Total assets	**487,572**	440,157	382,850	351,662
Deposits and other public borrowings	**263,706**	219,068	187,576	182,912
Total liabilities	**461,435**	415,713	361,507	329,019
Shareholders' equity	**26,137**	24,444	21,343	22,643
Net tangible assets	**16,422**	15,158	12,087	10,938
Risk weighted assets	**205,501** [2]	245,347	216,438	189,559
Average interest earning assets	**385,667**	332,492	289,416	260,085
Average interest bearing liabilities	**362,249**	311,236	269,718	240,974
Assets (on Balance Sheet)				
Australia	**410,225**	360,188	318,578	294,513
New Zealand	**54,312**	55,160	43,318	41,383
Other	**23,035**	24,809	20,954	15,766
Total assets	**487,572**	440,157	382,850	351,662

Four Year Financial Summary (AIFRS)

				AIFRS (1)
	2008	2007	2006	2005
Shareholder Summary				
Dividend per share – fully franked (cents)	**266**	256	224	197
Dividend cover – statutory (times)	**1. 3**	1. 3	1. 4	1. 3
Dividend cover – cash (times)	**1. 3**	1. 3	1. 4	1. 3
Dividend cover – underlying (times)	**1. 3**	1. 3	1. 3	1. 3
Earnings per share (cents)				
Basic				
Statutory	**363. 0**	344. 7	308. 2	259. 6
Cash basis (2)	**356. 9**	347. 1	318. 5	264. 8
Fully diluted				
Statutory	**348. 7**	339. 7	303. 1	255. 3
Cash basis (2)	**343. 1**	342. 1	312. 9	260. 5
Dividend payout ratio (%) (3)				
Statutory	**74. 1**	75. 2	73. 3	77. 0
Cash basis (2)	**75. 0**	74. 2	70. 5	74. 9
Net tangible assets per share ($)	**12. 38**	11. 65	9. 42	8. 54
Weighted average number of shares (statutory basic)	**1,307**	1,281	1,275	1,260
Weighted average number of shares (statutory fully diluted)	**1,424**	1,344	1,329	1,316
Weighted average number of shares (cash basic)	**1,313**	1,289	1,283	1,269
Weighted average number of shares (cash fully diluted)	**1,430**	1,351	1,338	1,325
Number of Shareholders	**741,072**	696,118	698,552	704,906
Share prices for the year ($)				
Trading high	**62. 16**	56. 16	47. 41	38. 52
Trading low	**37. 02**	42. 98	36. 62	28. 79
End (closing price)	**40. 17**	55. 25	44. 41	37. 95
Performance Ratios (%)				
Return on average Shareholders' equity (4)				
Statutory	**19. 8**	20. 7	20. 4	18. 2
Cash basis	**20. 4**	21. 7	21. 5	18. 8
Return on average total assets (4)				
Statutory	**1. 0**	1. 1	1. 1	1. 0
Cash basis	**1. 0**	1. 1	1. 1	1. 1
Basel I				
Capital adequacy – Tier One	**n/a**	7. 14	7. 56	7. 46
Capital adequacy – Tier Two	**n/a**	3. 41	3. 10	3. 21
Capital adequacy – Deductions	**n/a**	(0. 79)	(1. 00)	(0. 92)
Capital adequacy – Total	**n/a**	9. 76	9. 66	9. 75
Basel II				
Capital adequacy – Tier One	**8. 17**	n/a	n/a	n/a
Capital adequacy – Tier Two	**3. 41**	n/a	n/a	n/a
Capital adequacy – Total	**11. 58**	n/a	n/a	n/a
Net interest margin	**2. 02**	2. 08	2. 22	2. 29
Other Information (numbers)				
Full-time equivalent employees (5)	**39,621**	37,873	36,664	35,313
Branches/services centres (Australia)	**1,009**	1,010	1,005	1,006
Agencies (Australia)	**3,814**	3,833	3,836	3,864
ATMs (proprietary)	**3,301**	3,242	3,191	3,154
EFTPOS terminals	**187,377**	171,138	157,350	137,240
EzyBanking locations	**930**	907	862	841
Productivity				
Total net operating income per full-time (equivalent) employee ($)	**361,955**	348,454	330,760	314,388
Employee expense/Total operating income (%)	**25. 5**	24. 5	23. 3	24. 1
Total operating expenses (6)/Total operating income (%)	**49. 0**	48. 7	49. 4	52. 9

(1) The Group adopted AIFRS accounting standards for the reporting period beginning 1 July 2004. As a result the 2008, 2007, 2006 and 2005 results are presented on an AIFRS basis. Refer Appendix A, B and C for additional comparative information.

(2) "Cash basis" for the purpose of these Financial Statements is defined as net profit after tax and before the gain on Visa Initial Public Offering, Provisions for investment and restructuring, defined benefit superannuation plan income/expense, Treasury Shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility.

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

(6) Total Operating Expenses excluding loan impairment expense.

Appendix A – Financial Review (AGAAP) for Financial Years 2005 and 2004

The Group has adopted AIFRS accounting standards for the reporting period beginning 1 July 2004. As a result the 2007, 2006 and 2005 results appearing elsewhere in this Document and in the 2008 Financial Report have been calculated on an AIFRS basis. The 2005 and 2004 results included, referred to and incorporated by reference in this Appendix A are stated on a prior Australian GAAP basis ("AGAAP"). Information based on AGAAP is not, and should not be considered to be, comparable to information prepared in accordance with AIFRS.

In order to provide investors with a more complete understanding of the information presented in this Appendix A, the Bank incorporates by reference into this Appendix A the following portions of its Annual Report on Form 20-F on for the fiscal year ended June 30 2005 (File No. 001-02419), which it has filed with the SEC under the U.S. Securities Exchange Act of 1934, as amended: pages 4-8, pages 15-58 and the Group's audited consolidated Financial Statements (and accompanying notes) at and for the fiscal years ended June 30, 2005 and 2004, included therein. The Bank encourages all investors to refer to such information in connection with their review of this Appendix A.

	Year Ended 30 June	
	Group	
Selected Consolidated Income Statement Data	2005	2004
	(A$ millions, except where indicated)	
Australian GAAP		
Interest income	16,194	13,287
Interest expense	(10,228)	(7,877)
Net interest income	5,966	5,410
Charge for bad and doubtful debts	(322)	(276)
Non interest income	6,166	5,282
Operating expenses (incl Goodwill)	(6,172)	(6,573)
Appraisal value reduction (1)	-	-
Operating profit before income tax	5,638	3,843
Income tax expense attributable to operating profit	(1,637)	(1,262)
Operating profit after income tax	4,001	2,581
Outside equity interests	(10)	(9)
Net Income	3,991	2,572
Dividend declared ($)	1,434	1,315
Weighted average number of shares (basic) (M)	1,273	1,256
Earnings per share, basic (cents)	303. 1	196. 9
Earnings per share, fully diluted (cents)	303. 0	196. 8
Dividends per share (cents)	197	183
Dividends payout ratio (%) (2)	65. 2	93. 5

(1) Appraisal value adjustment relating to life insurance business for Financial Year 2003 was a reduction and has been disclosed as an expense. For Financial Year 2004 ($201 million), and 2002 ($477 million), appraisal value adjustments were uplifts have been included in non interest income.

(2) Dividends divided by earnings.

Appendix A – Financial Review (AGAAP) for Financial Years 2005 and 2004

Consolidated Balance Sheet Data	Year Ended 30 June Group 2005	2004
	(A$ millions, except where indicated)	
Australian GAAP		
Assets		
Cash and liquid assets	5,715	6,453
Receivables due from other financial institutions	6,205	8,369
Trading securities	14,628	14,896
Investment securities	10,272	11,447
Loans, advances and other receivables	217,516	189,391
Bank acceptances of customers	16,786	15,019
Insurance investment assets	27,837	28,942
Deposits with regulatory authorities	45	38
Property, plant and equipment	1,344	1,204
Investments in associates	52	239
Intangible assets	4,394	4,705
Other assets	24,241	25,292
Total Assets	329,035	305,995
Liabilities		
Deposits and other public borrowings	168,029	163,177
Payables due to other financial institutions	8,023	6,641
Bank acceptances	16,786	15,019
Provision for dividend	14	14
Income tax liability	1,550	811
Other provisions	881	997
Insurance policy liabilities	24,694	24,638
Debt issues	58,621	44,042
Bills payable and other liabilities	18,086	19,140
Total Liabilities	296,684	274,479
Loan capital (1)	6,291	6,631
Total liabilities and loan capital	302,975	281,110
Net Assets	26,060	24,885
Total Shareholders' Equity (2)	26,060	24,885
Preference share capital	687	687
Other equity instruments	1,573	737
Total Shareholders' Equity excluding hybrid financial instruments	23,800	23,461

(1) Represents interest bearing liabilities qualifying as regulatory capital

(2) Includes minority interests.

Appendix A – Financial Review (AGAAP) for Financial Years 2005 and 2004

Consolidated Ratios and Operating Data	Year Ended 30 June 2005	2004
	(A$ millions, except where indicated)	
Australian GAAP		
Profitability		
Net interest margin (%) [1]	2. 45	2. 53
Interest spread (%) [2]	2. 11	2. 22
Return on average Shareholders' Equity (%) [3]	15. 67	13. 00
Return on average total assets (%) [4]	1. 26	0. 90
Productivity		
Ratio of earnings to fixed charges [5]	1. 4	1. 5
Capital Adequacy (at year end)		
Risk weighted assets	189,559	169,321
Tier One capital	14,141	12,588
Tier Two capital	6,087	6,658
Total capital [6]	18,479	17,355
Tier One capital/risk weighted assets (%)	7. 46	7. 43
Tier Two capital/risk weighted assets (%)	3. 21	3. 93
Total capital/risk weighted assets (%)	9. 75	10. 25
Average Shareholders' Equity/average total assets (%)	8. 03	8. 24

(1) Net interest income divided by average interest earning assets for the year.

(2) Difference between the average interest rate earned and the average interest rate paid on funds.

(3) Calculations based on operating profit after tax and outside equity interests applied to average Shareholders' Equity and average total assets respectively.

(4) Net profit before tax and fixed charges (interest expense and rental costs) divided by fixed charges.

(5) Represents Tier One capital and Tier Two capital less deductions under statutory guidelines imposed by the Reserve Bank of Australia.

Appendix A – Financial Review (AGAAP) for Financial Years 2005 and 2004

Consolidated Ratios and Operating Data	2005	2004
	Year Ended 30 June	
	(A$ millions, except where indicated)	
Australian GAAP		
Asset Quality Data (1)		
Non accrual loans (2)	395	363
Total impaired assets (3)	376	340
Specific provision for impairment (4)	157	143
General provision for impairment	1,390	1,393
Net impaired assets (net of interest reserved)	219	197
Total provisions for impairment/average credit risk (%) (5)	0. 5	0. 6
Charge for bad and doubtful debts/average credit risk (%) (5)	0. 1	0. 1
Gross impaired assets/credit risk (%) (6)	0. 1	0. 1
Net impaired assets/total Shareholders' Equity (%)	0. 8	0. 8
General provision for impairment/risk weighted assets (%)	0. 7	0. 8

(1) All impaired asset balances and ratios are net of interest reserved.

(2) Non accrual facilities comprise any credit risk exposure where a specific provision for impairment has been raised, or is maintained on a cash basis because of significant deterioration in the financial position of the borrower, or where loss of principal or interest is anticipated.

(3) Total impaired assets comprise non accrual loans, restructured loans, Other Real Estate Owned (OREO) assets and Other Assets Acquired Through Security Enforcement (OAATSE).

(4) Specific provisions for impairment include provisions raised against Off-Balance Sheet credit risk.

(5) Average credit risk is based on gross credit risk less unearned income. Averages are based on current and previous year end balances.

(6) Gross credit risk less unearned income.

Appendix A – Financial Review (AGAAP) for Financial Years 2005 and 2004

Financial Summary Australian GAAP	Group 2005 $M	Group 2004 $M
Income Statement		
Net interest income	5,966	5,410
Other operating income	5,388	5,081
Total operating income	11,354	10,491
Bad debts expense	322	276
Operating expenses:		
Comparable business	5,697	5,500
Initiatives including Which new Bank	150	749
Total operating expenses	5,847	6,249
Net profit before income tax	5,185	3,966
Corporate tax expense	(1,637)	(1,262)
Outside equity interests	(10)	(9)
Net profit after tax ("cash basis")	3,538	2,695
Appraisal value uplift/(reduction)	778	201
Goodwill amortisation	(325)	(324)
Operating profit after income tax attributable to members of the Bank	3,991	2,572
Contributions to profit (after tax)		
Net profit after income tax ("cash basis")	3,538	2,695
Goodwill amortisation	(325)	(324)
Appraisal value uplift/(reduction)	778	201
Net profit after income tax	3,991	2,572
Balance Sheet		
Loans, advances and other receivables	217,516	189,391
Total assets	329,035	305,995
Deposits and other public borrowings	168,029	163,177
Total liabilities	302,975	281,110
Shareholders' Equity	24,271	22,405
Net tangible assets	19,877	17,700
Risk weighted assets	189,559	169,321
Average interest earning assets	243,948	214,187
Average interest bearing liabilities	225,592	197,532
Assets (On-Balance Sheet)		
Australia	271,596	252,652
New Zealand	41,650	35,059
Other	15,789	18,284
Total Assets	329,035	305,995

Appendix A – Financial Review (AGAAP) for Financial Years 2005 and 2004

Financial Summary Australian GAAP (continued)	Group 2005	Group 2004
Shareholder Summary		
Dividends per share (cents) – fully franked	197	183
Dividends cover (times) – statutory	1. 5	1. 1
Dividends cover (times) – cash	1. 4	1. 1
Earnings per share (cents)		
Basic		
Statutory	303. 1	196. 9
Cash basis (1)	267. 6	206. 6
Fully diluted		
Statutory	303. 0	196. 8
Cash basis (1)	267. 5	206. 5
Dividend payout ratio (%) (2)		
Statutory	65. 2	93. 5
Cash basis (1)	73. 9	89. 1
Net tangible assets per share ($)	13. 8	12. 2
Weighted average number of shares (basic) (M)	1,273	1,256
Weighted average number of shares (fully diluted) (M)	1,274	1,257
Number of shareholders	704,906	714,901
Share prices for the year ($)		
Trading high	38. 52	33. 54
Trading low	28. 79	27. 00
End (closing price)	37. 95	32. 58
Performance Ratios (%)		
Return on average Shareholders' Equity (3) (4)		
Statutory	18. 3	12. 5
Cash basis (1)	16. 0	12. 7
Return on average total assets (3)		
Statutory	1. 3	0. 9
Cash basis (1)	1. 1	0. 9
Capital adequacy – Tier One	7. 46	7. 43
Capital adequacy – Tier Two	3. 21	3. 93
Deductions	(0. 92)	(1. 11)
Capital adequacy – Total	9. 75	10. 25
Net interest margin	2. 45	2. 53
Other Information (numbers)		
Full time staff equivalent (5)	35,313	36,296
Branches/services centres (Australia)	1,006	1,012
Agencies (Australia)	3,864	3,866
ATMs (proprietary)	3,154	3,109
EFTPOS terminals	137,240	126,049
EzyBanking locations	841	815

(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) Dividends paid divided by earnings less preference dividends.

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

(4) 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 has been restated to exclude the provision for final dividend.

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

Appendix B – Additional Historical (AGAAP) Information

The Group has adopted AIFRS accounting standards for the reporting period beginning 1 July 2004. As a result the 2007, 2006 and 2005 results appearing elsewhere in this Document and in the 2008 Financial Report have been calculated on an AIFRS basis. The 2005 and 2004 results included, referred to and incorporated by reference in this Appendix B are stated on a prior Australian GAAP basis ("AGGAP"). Information based on AGAAP is not, and should not be considered to be, comparable to information prepared in accordance with AIFRS.

In order to provide investors with a more complete understanding of the information presented in this Appendix B, the Bank incorporates by reference into this Appendix B the following portions of its Annual Report on Form 20-F for the fiscal year ended June 30, 2006 (File No. 001-02419), which it has filed with the SEC under the U.S. Securities Exchange Act of 1934, as amended and the Group's audited consolidated Financial Statements (and accompanying notes) at and for the fiscal years ended June 30, 2005 and 2004 included therein. The Bank encourages all investors to refer to such information in connection with their review of this Appendix B.

Average Balances and Related Interest

The following 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 rate for the year ended 30 June 2004. Averages used were predominately 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 were included in interest earning assets under loans, advances and other receivables.

	Group		
	Full Year Ended 2004		
Average Interest Earning Assets and Income	Average Balance $M	Interest $M	Average Rate %
Cash and liquid assets:			
Australia	4,027	181	4. 5
Overseas	868	17	2. 0
Receivables due from other financial institutions:			
Australia	3,382	32	0. 9
Overseas	3,776	150	4. 0
Deposits with regulatory authorities:			
Australia	-	-	-
Overseas	62	-	-
Trading securities:			
Australia	9,682	444	4. 6
Overseas	3,445	156	4. 5
Investment securities:			
Australia	4,411	298	6. 8
Overseas	8,440	310	3. 7
Loans, advances and other receivables:			
Australia	149,487	9,927	6. 6
Overseas	26,607	1,772	6. 7
Other interest earning assets	-	-	-
Intragroup loans:			
Australia	-	-	-
Overseas	4,102	17	0. 4
Average interest earning assets and interest income including intragroup	218,289	13,304	6. 1
Intragroup eliminations	(4,102)	(17)	0. 4
Total average interest earning assets and interest income	214,187	13,287	6. 2

Average Non-Interest Earning Assets	
Bank acceptances	
Australia	13,877
Overseas	1
Life insurance investment assets	
Australia	24,430
Overseas	4,120
Property, plant and equipment	
Australia	792
Overseas	161
Other assets	
Australia	29,452
Overseas	2,264
Provisions for impairment	
Australia	(1,411)
Overseas	(150)
Total average non-interest earning assets	73,536
Total average assets	287,723
Percentage of total average assets applicable to overseas operations (%)	18. 7

Average Balances and Related Interest (continued)

Average Interest Bearing Liabilities and Loan Capital and Interest Expense	Group Full Year Ended 2004 Average Balance $M	Interest $M	Average Rate %
Time deposits			
Australia	57,186	2,683	4. 7
Overseas	15,963	1,062	6. 7
Savings deposits			
Australia	31,178	514	1. 6
Overseas	3,028	105	3. 5
Other demand deposits			
Australia	39,044	1,499	3. 8
Overseas	3,432	86	2. 5
Payables due to other financial institutions			
Australia	1,916	35	1. 8
Overseas	5,042	125	2. 5
Debt issues			
Australia	21,885	1,292	5. 9
Overseas	12,855	213	1. 7
Loan capital			
Australia	5,793	255	4. 4
Overseas	210	8	3. 8
Other interest bearing liabilities	-	-	-
Intragroup borrowings			
Australia	4,102	17	0. 4
Overseas	-	-	-
Average interest bearing liabilities and loan capital and interest expense including intragroup	201,634	7,894	3. 9
Intragroup eliminations	(4,102)	(17)	0. 4
Total average interest bearing liabilities and loan capital and interest expense	197,532	7,877	4. 0

Non-Interest Bearing Liabilities	
Deposits not bearing interest	
Australia	5,112
Overseas	1,059
Liabilities on bank acceptances	
Australia	13,877
Overseas	1
Insurance policy liabilities	
Australia	20,658
Overseas	3,548
Other liabilities	
Australia	20,655
Overseas	3,131
Total average non-interest bearing liabilities	68,041
Total average liabilities and loan capital	265,573
Shareholders' Equity	22,150
Total average liabilities, loan capital and Shareholders' Equity	287,723
Percentage of total average liabilities (%)	18. 2

Appendix B – Additional Historical (AGAAP) Information

Average Balances and Related Interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis	Group June 2005 vs June 2004		
	Changes due to		
	Volume $M	Rate $M	Total $M
Interest Earning Assets			
Cash and liquid assets			
Australia	(14)	11	(3)
Overseas	4	(1)	3
Receivables due from other financial institutions			
Australia	(21)	50	29
Overseas	(1)	19	18
Trading securities			
Australia	91	68	159
Overseas	19	7	26
Investment securities			
Australia	(44)	42	(2)
Overseas	4	113	117
Loans, advances and other receivables			
Australia	1,473	432	1,905
Overseas	521	134	655
Other interest earning assets	-	-	-
Intragroup loans			
Australia	-	-	-
Overseas	17	58	75
Changes in interest income including intragroup	2,049	933	2,982
Intragroup eliminations	(17)	(58)	(75)
Changes in interest income	2,032	875	2,907
Interest Bearing Liabilities and Loan Capital			
Time deposits			
Australia	228	272	500
Overseas	125	169	294
Savings deposits			
Australia	2	70	72
Overseas	(4)	18	14
Other demand deposits			
Australia	86	68	154
Overseas	42	38	80
Payables due to other financial institutions			
Australia	(5)	20	15
Overseas	36	46	82
Debt issues			
Australia	773	30	803
Overseas	82	167	249
Loan capital			
Australia	(12)	78	66
Overseas	22	-	22
Other interest bearing liabilities	-	-	-
Intragroup borrowings			
Australia	17	58	75
Overseas	-	-	-
Changes in interest expense including intragroup	1,392	1,034	2,426
Intragroup eliminations	(17)	(58)	(75)
Changes in interest expense	1,375	976	2,351
Changes in net interest income	657	(101)	556

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).

Reconciliation of Net Interest Margin	Group 2004 $M
Net interest income	5,410
Average interest earning assets	214,187

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.

Geographical analysis of key categories	Group 2004 %
Australia	
Interest spread (1)	2. 46
Benefit of net free liabilities, provisions and equity (2)	0. 22
Australia interest margin (3)	2. 68
Overseas	
Interest spread (1)	1. 18
Benefit of net free liabilities, provisions and equity (2)	0. 56
Overseas interest margin (3)	1. 74
Group	
Interest spread (1)	2. 22
Benefit of net free liabilities, provisions and equity (2)	0. 31
Group interest margin (3)	2. 53

(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.

Appendix B – Additional Historical (AGAAP) Information

Investment Securities

Investment Securities	Group 2004 $M
Australia	
Listed:	
Australian Public Securities:	
Commonwealth and States	2,209
Bills of exchange	30
Other Securities and equity investments	444
Unlisted:	
Australian Public Securities:	
Local and semi-government	80
Medium term notes	448
Other securities and equity investments	611
Total Australia	3,822
Overseas	
Listed:	
Government securities	758
Certificates of deposit	1,242
Eurobonds	792
Medium term notes	425
Floating rate notes	732
Other securities	377
Unlisted:	
Government securities	137
Eurobonds	155
Medium term notes	1,200
Floating rate notes	709
Preference shares	744
Other securities and equity investments	354
Total Overseas	7,625
Total Investment Securities	11,447

Investment Securities (continued)

The following table sets out the gross unrealised gains and losses of the Group's investment securities.

	Group			
	At 30 June 2004			
Gross Unrealised Gains and Losses of Group	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Australia				
Australian Public Securities:				
Commonwealth and States	2,289	46	7	2,328
Bills of exchange	30	-	-	30
Medium term notes	448	1	-	449
Other securities and equity investments (1)	1,055	11	32	1.034
Total Australia	3,822	58	39	3.841
Overseas				
Government securities	895	3	1	897
Certificates of deposit	1,242	-	19	1,223
Eurobonds	947	36	-	983
Medium term notes	1,625	-	3	1,622
Floating rate notes	1,441	1	-	1,442
Preference shares	744	-	-	744
Other securities and equity investments	731	7	-	738
Total Overseas	7,625	47	23	7,649
Total Investment Securities	11,447	105	62	11,490

(1) Equity derivatives were in place to hedge equity market risk in respect of structured equity products for customers. There were $31 million of net deferred gains on these contracts which offset the above unrealised losses. At the end of the financial year there were no net deferred gains or losses included in the amortised cost value.

Investment securities were carried at cost or amortised cost and were purchased with the intent of being held to maturity. The investment portfolio was managed in the context of the full Balance Sheet of the Group.

Appendix B – Additional Historical (AGAAP) Information

Provisions for Impairment

	Group 2004 $M
General Provisions	
Opening balance	1,325
Charge against profit	276
Acquired provisions, including fair value adjustments	-
Transfer to specific provisions	(202)
Bad debts recovered	79
Adjustments for exchange rate fluctuations and other items	2
	1,480
Bad debts written off	(87)
Closing balance	1,393
Specific Provisions	
Opening balance	205
Charge against profit	-
Acquired provisions, including fair value adjustments	-
Transfer from collective provisions for:	
New and increased provisioning	264
Less write-back of provisions no longer required	(62)
Net transfer	202
Adjustment for exchange rate fluctuations and other items	3
	410
Bad debts written off	(267)
Closing balance	143
Total provisions for impairment	1,536
Specific provisions for impairment comprise the following segments:	
Provisions against loans and advances	143
Provisions for diminution	-
Total	143

Provision Ratios	%
Specific provisions for impairment as a % of gross impaired assets net of interest reserved	42. 06
Total provisions for impairment as % of gross impaired assets net of interest reserved	451. 76
General provisions as % of risk weighted assets	0. 82

	$M
Charge to profit and loss and doubtful debt comprises	
General provisions	276
Specific provisions	-
Total charge for bad and doubtful debts	276
Ratio of net charge-offs during the period to average gross loans, advances and other receivables outstanding during the period (%)	0. 16

Provisions for Impairment (continued)

	Group 2004 $M
Total charge for bad and doubtful debts	276
The charge is required for:	
Specific provisioning	
New and increased provisioning	264
Less provisions no longer required	(62)
Net specific provisioning	202
Provided from general provision	(202)
Charge to profit and loss	-
General Provisioning	
Direct write-offs	87
Recoveries of amounts previously written off	(79)
Movement in general provision	66
Funding of specific provisions	202
Charge to profit and loss	276
Total charge for bad and doubtful	276

Specific Provisions for Impairment by Industry Category

The following table sets out the Group's specified provisions for impairment by industry category as at 30 June 2004.

	Group 2004 $M
Australia	
Government and public authorities	-
Agriculture, forestry and fishing	2
Financial, investment and insurance	1
Real estate	
Mortgage (1)	6
Construction (2)	4
Personal	38
Lease financing	3
Other commercial and industrial	74
Total Australia	128
Overseas	
Government and public authorities	-
Agriculture, forestry and fishing	-
Financial, investment and insurance	-
Real estate	
Mortgage (1)	6
Construction (2)	-
Personal	8
Lease financing	-
Other commercial and industrial	1
Total Overseas	15
Total individually assessed provisions	143

(1) Principally owner occupied housing.

(2) Primarily financing real estate and land development projects.

Appendix B – Additional Historical (AGAAP) Information

Provisions for Impairment (continued)

Bad Debts Written Off by Industry Category

The following table sets out the Group's bad debts written off for Financial Year ended 30 June 2004.

	Year Ended 30 June Group 2004 $M
Bad Debts Written Off	
Australia	
Government and public authorities	-
Agriculture, forestry and fishing	2
Financial, investment and insurance	6
Real estate:	
Mortgage (1)	5
Construction (2)	1
Personal	228
Lease financing	8
Other commercial and industrial	76
Total Australia	326
Overseas	
Government and public authorities	6
Agriculture, forestry and fishing	-
Financial, investment and insurance	1
Real estate:	
Mortgage (1)	1
Construction (2)	-
Personal	7
Lease financing	-
Other commercial and industrial	14
Total Overseas	29
Gross Bad Debts written off	355
Bad Debts Recovered	
Australia	73
Overseas	6
Total Bad Debts Recovered	79
Net Bad Debts written off	276

(1) Principally owner occupied housing.

(2) Primarily financing real estate and land development projects.

Provisions for Impairment (continued)

Bad Debts Recovered by Industry Category

The following table sets out the Group's bad debts recovered for Financial Year ended 30 June 2004.

	Year Ended 30 June Group 2004 $M
Bad Debts Recovered	
Australia	
Government and public authorities	-
Agriculture, forestry and fishing	5
Financial, investment and insurance	1
Real estate:	
Mortgage (1)	1
Construction (2)	-
Personal	50
Lease financing	3
Other commercial and industrial	13
Total Australia	73
Overseas	
Government and public authorities	-
Agriculture, forestry and fishing	-
Financial, investment and insurance	1
Real estate:	
Mortgage (1)	-
Construction (2)	-
Personal	4
Lease financing	-
Other commercial and industrial	1
Total Overseas	6
Total Bad Debts Recovered	79

(1) Principally owner occupied housing.

(2) Primarily financing real estate and land development projects.

Appendix B – Additional Historical (AGAAP) Information

Credit Risk Management

Total Gross Credit Risk by Industry

The following table sets out the Group's total gross credit risk by industry as at 30 June 2004.

Industry	Group 2004 $M
Australia	
Government and public authorities	5,672
Agriculture, forestry and fishing	5,616
Financial, investment and insurance	26,301
Real estate:	
Mortgage (1)	110,209
Construction (2)	3,619 (4)
Personal	13,839 (4)
Lease financing	4,963
Other commercial and industrial	56,537 (4)
Total Australia	226,756
Overseas	
Government and public authorities	2,307
Agriculture, forestry and fishing	3,277
Financial, investment and insurance	22,098
Real estate:	
Mortgage (1)	17,722
Construction (2)	258 (4)
Personal	420
Lease financing	175
Other commercial and industrial	5,894 (4)
Total Overseas	52,151
Total Gross Credit Risk	278,907
Less unearned income	(1,410)
Total Credit Risk	277,497
Charge for Bad and doubtful debts	276
Loss Rate (%) (3)	0. 10

(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

Credit Risk Management (continued)

The following table sets out the Group's credit risk by industry and asset class as at 30 June 2004.

	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.

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) (3)	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 (3)	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
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.

(3) Certain of these loans have been reclassified for consistency.

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy. All exposures outside the policy are approved by the Board Risk Committee.

The following table shows the aggregated number of the Bank's counterparty Corporate and Industrial exposures (including direct and contingent exposures) which individually were greater then 5% of the Group's capital resources (Tier One and Tier Two capital):

	2004 Number	2003 Number
5% to less than 10% of Group's capital resources	1	-
10% to less than 15% of Group's capital resources	-	-

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 2004.

Industry	2004 $M
Australia	
Government and public authorities	1,132
Agriculture, forestry and fishing	3,925
Financial, investment and insurance	3,693
Real estate:	
Mortgage (1)	104,883
Construction (2)	2,626
Personal	13,389
Lease financing	4,963
Other commercial and industrial	27,167
Total Australia	161,778
Overseas	
Government and public authorities	182
Agriculture, forestry and fishing	3,277
Financial, investment and insurance	5,857
Real estate:	
Mortgage (1)	16,967
Construction (2)	257
Personal	415
Lease financing	175
Other commercial and industrial	3,487
Total Overseas	30,617
Gross loans, Advances and Other Receivables	192,395
Provisions for bad and doubtful debts, unearned income, interest reserved and unearned tax remissions on leveraged leases (3)	(3,004)
Net Loans, Advances and Other Receivables	189,391

(1) Principally owner occupied housing.

(2) Primarily financing real estate and land development projects.

(3) Interest reserved not recognised under AIFRS from 1 July 2005.

Appendix B – Additional Historical (AGAAP) Information

Asset Quality

	Group 2004 %
Impaired Asset Ratios	
Gross impaired asset ratios net of interest reserved as a % of risk weighted assets	0. 20
Net impaired assets as % of:	
Risk weighted assets	0. 12
Total Shareholders' Equity	0. 79

Impaired Assets

The following table sets out the Group's impaired assets as at 30 June 2004.

	At 30 June Group 2004 $M
Australia	
Non-Performing loans:	
Gross balances	345
Less interest reserved	(23)
Gross balances (net of interest reserved)	322
Less provisions for impairment	(128)
Net Non-Accrual Loans	194
Restructured loans:	
Gross balances	-
Less interest reserved	-
Gross balances (net of interest reserved)	-
Less specific provisions	-
Net Restructured Loans	-
Assets Acquired Through Security Enforcement (AATSE):	
Gross balances	-
Less provisions for impairment	-
Net AATSE	-
Net Australian Impaired assets	194
Overseas	
Non-Performing loans	
Gross balances	18
Less interest reserved	-
Gross balances (net of interest reserved)	18
Less provisions for impairment	(15)
Net Non-Accrual Loans	3
Restructured loans:	
Gross balances	-
Less interest reserved	-
Gross balances (net of interest reserved)	-
Less specific provisions	-
Net Restructured Loans	-
Asset Acquired Through Security Enforcement (AATSE)	
Gross Balance	-
Less provisions for impairment	-
Net AATSE	-
Net overseas impaired assets	3
Total Net Impaired Assets	197

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 2004.

Gross Impaired Assets	Year Ended 30 June Group 2004 $M
Gross impaired assets at beginning of period	665
New and increased	532
Balances written off	(278)
Returned to performing or repaid	(556)
Gross Impaired Assets at Period End	363

The following amounts comprising loans less than $250,000 are reported in accordance with regulatory returns to APRA. They are not classified as impaired assets and therefore not included within the above impaired assets summary.

Loans Performing Past Due 90 Days or More	Year Ended 30 June Group 2004 $M
Housing loans	168
Other loans	78
Total Loans Performing Past Due	246

Net Interest Forgone on Impaired Assets	Year Ended 30 June Group 2004 $M
Australia non-accrual facilities	10
Overseas non-accrual facilities	-
Total Interest Forgone	10

Interest Taken to Profit on Impaired Assets	Year Ended 30 June Group 2004 $M
Australia	
Non-accrual facilities	11
Restructured facilities	-
Overseas	
Non-accrual facilities	3
Other real estate owned	-
Total Interest Taken to Profit	14

Appendix B – Additional Historical (AGAAP) Information

Debt Issues

	Group 2004 $M
Short Term Debt Issues	20,401
Long Term Debt Issues	23,641
Total Debt Issues	44,042
Short Term Debt Issues	
AUD Promissory Notes	1,450
AUD Bank Bills	490
U.S Commercial Paper	9,381
Euro Commercial Paper	3,638
Long Term Debt Issues with less than one year to maturity	5,442
Total Short Term Debt Issues	20,401
Long Term Debt Issues	
USD Medium Term Notes	8,790
AUD Medium Term Notes	4,453
JPY Medium Term Notes	734
GBP Medium Term Notes	3,837
Other Currencies Medium Term Notes	5,583
Offshore Loans (all JPY)	40
Eurobonds	204
Total Long Term Debt Issues	23,641
Maturity Distribution of Debt Issues	
Less than 3 months	6,949
Between 3 months to 12 months	13,452
Between 1 and 5 years	17,542
Greater than 5 years	6,099
Total Debt Issues	44,042

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 one and five years – USD100 million (AUD130.80 million); Greater than five years – USD143.44 million (AUD187.62 million);
- USD extendible notes: between one and five years – USD2,100 million (AUD2,746.78 million);
- JPY medium term notes: between one and five years – JPY4 billion (AUD47.49 million); Greater than five years – JPY6 billion (AUD71.23 million);
- CHF medium term notes: between one and five years – CHF300 million (AUD306.67 million);
- CAD medium term notes: between one and five years – CAD25 million (AUD26.6 million); and
- HKD medium term notes: between one and five years – HKD400 million (AUD67.33 million); Greater than five 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.

Debt Issues (continued)

Short Term Borrowings

The following table analyses the Group's short term borrowings for the Financial Year ended 30 June 2004.

	Group 2004 (AUD Millions, except where indicated)
U.S Commercial Paper	
Outstanding at period end (1)	9,381
Maximum amount outstanding at any month end (2)	11,983
Approximate average amount outstanding (2)	8,161
Approximate weighted average rate on:	
Average amount outstanding	1. 1%
Outstanding at period end	1. 2%
Euro Commercial Paper	
Outstanding at period end (1)	3,638
Maximum amount outstanding at any month end (2)	6,402
Approximate average amount outstanding (2)	4,798
Approximate weighted average rate on:	
Average amount outstanding	1. 0%
Outstanding at period end	1. 2%
Other Commercial Paper	
Outstanding period end (1)	1,940
Maximum amount outstanding at any month end (2)	3,216
Approximate average amount outstanding (2)	2,675
Approximate weighted average rate on:	
Average amount outstanding	5. 2%
Outstanding at period end	5. 6%

(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 differences between face value and book value would not be material given the short term nature of the borrowings.

Exchange Rates Utilised	Currency	As at 30 June 2004
AUD 1.00 =	USD	0. 6894
	GBP	0. 3823
	JPY	74. 914
	NZD	1. 097
	HKD	5. 378
	DEM	1. 116
	CHF	0. 8720
	IDR	6,487
	THB	28. 229
	FJD	1. 239
	PHP	38. 731
	EUR	0. 5706

Appendix B – Additional Historical (AGAAP) Information

Loan Capital

		Currency Amount (M)	Footnotes	Group 2004 $M	Bank 2004 $M
Tier One Loan Capital					
Exchangeable	FRN	USD38	(1)	55	55
Exchangeable	FRN	USD71	(2)	138	138
Undated	FRN	USD100	(3)	145	145
Undated	TPS	USD550	(4)	-	799
Total Tier One Loan Capital				338	1,137
Tier Two Loan Capital					
Extendible	FRN	AUD25	(5)	25	25
Extendible	FRN	AUD275	(5)	275	275
Subordinated	FRN	AUD25	(6)	25	25
Subordinated	MTN	AUD200	(7)	200	200
Subordinated	FRN	AUD50	(7)	50	50
Subordinated	Notes	USD300	(8)	549	549
Subordinated	FRN	USD450	(8)	650	650
Subordinated	EMTN	JPY20,000	(9)	240	240
Subordinated	EMTN	USD200	(10)	313	313
Subordinated	EMTN	USD75	(11)	115	115
Subordinated	EMTN	USD100	(12)	152	152
Subordinated	EMTN	USD400	(13)	501	501
Subordinated	EMTN	GBP200	(14)	408	408
Subordinated	EMTN	JPY30,000	(15)	429	429
Subordinated	Loan	NZD100	(16)	92	-
Subordinated	FRN	AUD210	(17)	210	210
Subordinated	FRN	AUD38	(18)	38	38
Subordinated	Notes	AUD130	(19)	130	130
Subordinated	Other	AUD21	(20)	21	21
Subordinated	Notes	USD350	(21)	512	512
Subordinated	EMTN	GBP150	(22)	373	373
Subordinated	MTN	AUD300	(23)	300	300
Subordinated	FRN	AUD200	(23)	200	200
Subordinated	EMTN	JPY10,000	(24)	127	127
Subordinated	EMTN	USD500	(25)	358	358
Total Tier Two Loan Capital				6,293	6,201
Total Loan Capital				6,631	7,338

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 2006 were:

Due July 2006	:	USD32.5 million
Undated	:	USD5 million

Subsequent to 30 June 2006, the notes due July 2006 have been switched into undated notes.

[(2)] USD 400 million undated FRNs issued 22 February 1989 exchangeable into dated FRNs. USD24 million matured in February 2006.

Outstanding notes at 30 June 2006 were:

Due February 2008	:	USD7 million
Due February 2011	:	USD64 million

[(3)] USD 100 million undated capital notes issued on 15 October 1986. The Bank has entered into separate agreements with the Commonwealth 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:

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.

Loan Capital (continued)

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.

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) 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 U.S capital markets. These securities offer a non-cumulative fixed rate distribution of 5.805% per annum payable semi-annually. These instruments were previously classified as Other Equity Instruments.

(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. 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.

Original issue size was $300 million. $25 million matured in December 2004.

(6) AUD25 million subordinated FRN, issued April 1999, due April 2029.

(7) 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.

(8) 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.

(9) JPY20 billion perpetual subordinated EMTN, issued February 1999.

(10) USD200 million subordinated EMTN, issued November 1999, due November 2009. Called and redeemed November 2004.

(11) USD75 million subordinated EMTN, issued January 2000, due January 2010. Called and redeemed January 2005.

(12) USD100 million subordinated EMTN, issued January 2000, due January 2010. Called and redeemed January 2005.

(13) USD400 million subordinated EMTN issued June 1996 due July 2006.

(14) GBP200 million subordinated EMTN issued March 1996 due December 2006.

(15) JPY30 billion subordinated EMTN issued October 1995 due October 2015.

(16) NZD100 million subordinated loan matures 15 December 2009. Called and repaid December 2004.

(17) AUD210 million Euro FRN issued September 1996, matured September 2004.

(18) AUD38 million FRN issued December 1997, matured December 2004.

(19) AUD130 million subordinated notes comprised as follows: AUD10 million fixed rate notes issued 12 December 1995, matured 12 December 2005. AUD110 million floating rate notes issued 12 December 1995, matured 12 December 2005. AUD5 million fixed rate notes issued 17 December 1996, matured 12 December 2005. AUD5 million floating rate notes issued 17 December 1996, matured 12 December 2005.

(20) Comprised 8 subordinated notes and FRN issues. The face value amounts were less than $10 million each and were all in Australian Dollars. The maturities ranged from August 2009 to October 2009. All called and redeemed between August 2004 and October 2004.

(21) USD350 million subordinated fixed rate note, issued June 2003, due June 2018.

(22) GBP150 million subordinated EMTN, issued June 2003, due December 2023.

(23) AUD500 million subordinated notes, issued February 2004, due February 2014; split into AUD300 million fixed rate notes and AUD200 million floating rate notes.

(24) JPY10 billion subordinated EMTN, issued May 2004, due May 2034.

(25) USD500 million subordinated EMTN issued in June 2004 (USD250 million) and August 2004 (USD250 million), due August 2014.

Appendix C – Additional Historical (AIFRS) Information

For the purposes of providing investors with a thorough understanding of the Group's performance, Appendix C has been added to provide relevant Financial Year 2005 (AIFRS) information not provided within the 2008 Financial Report or the 2007 Financial Report.

Average Balances and Related Interest

The following 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 rate for the year ended 30 June 2005. Averages used were predominately 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 were included in interest earning assets under loans, advances and other receivables.

	Group Full Year Ended 2005		
Average Interest Earning Assets and Income	Average Balance $M	Interest $M	Average Rate %
Cash and liquid assets:			
Australia	3,716	178	4. 8
Overseas	1,077	20	1. 9
Receivables due from other financial institutions:			
Australia	2,394	61	2. 5
Overseas	3,791	168	4. 4
Assets at fair value through Income Statement – Trading			
Australia	11,535	603	5. 2
Overseas	3,850	182	4. 7
Investment securities:			
Australia	4,375	296	6. 8
Overseas	8,538	182	4. 7
Loans, advances and other receivables:			
Australia	186,626	11,822	6.3
Overseas	34,183	2,427	7. 1
Intragroup loans:			
Australia	-	-	-
Overseas	5,793	92	1. 6
Average interest earning assets and interest income including intragroup	265,878	16,031	6.1
Intragroup eliminations	(5,793)	(92)	1. 6
Total average interest earning assets and interest income	260,085	15,939	6.2
Securitisation home loan assets	8,568	597	7. 0

Average Non-Interest Earning Assets	
Bank acceptances	
Australia	16,263
Overseas	-
Assets at fair value through Income Statement – Insurance	
Australia	22,929
Overseas	4,542
Property, plant and equipment	
Australia	893
Overseas	144
Other assets	
Australia	23,822
Overseas	3,303
Provisions for impairment	
Australia	(1,430)
Overseas	(142)
Total average non-interest earning assets	70,324
Total average assets	338,977
Percentage of total average assets applicable to overseas operations (%)	17.5

Appendix C – Additional Historical (AIFRS) Information

Average Balances and Related Interest (continued)

Average Interest Bearing Liabilities and Loan Capital and Interest Expense	Group Full Year Ended 2005 Average Balance $M	Interest $M	Average Rate %
Time deposits			
Australia	61,826	3,183	5. 1
Overseas	17,716	1,356	7. 7
Savings deposits			
Australia	32,950	586	1.8
Overseas	2,927	119	4. 1
Other demand deposits			
Australia	54,966	1,653	3.0
Overseas	4,859	166	3. 4
Payables due to other financial institutions			
Australia	1,707	50	2. 9
Overseas	6,292	207	3. 3
Debt issues			
Australia	34,853	2,095	6. 0
Overseas	16,540	462	2. 8
Loan capital			
Australia	5,566	321	5. 8
Overseas	772	30	3. 9
Intragroup borrowings			
Australia	5,793	92	1. 6
Overseas	-	-	-
Average interest bearing liabilities and loan capital and interest expense including intragroup	246,767	10,320	4.2
Intragroup eliminations	(5,793)	(92)	1. 6
Total average interest bearing liabilities and loan capital and interest expense	240,974	10,228	4.2
Securitisation debt issues	9,911	527	5. 3

Non-Interest Bearing Liabilities	
Deposits not bearing interest	
Australia	5,512
Overseas	1,121
Liabilities on bank acceptances	
Australia	16,263
Overseas	-
Insurance policy liabilities	
Australia	20,732
Overseas	3,900
Other liabilities	
Australia	14,607
Overseas	3,927
Total average non-interest bearing liabilities	66,062
Total average liabilities and loan capital	316,947
Shareholders' Equity	22,030
Total average liabilities, loan capital and Shareholders' Equity	338,977
Percentage of total average liabilities (%)	18.3

Appendix C – Additional Historical (AIFRS) Information

Average Balances and Related Interest (continued)

Changes in Net Interest Income: Volume and Rate Analysis	Group June 2005 vs June 2004 Changes due to Volume $M	Rate $M	Total $M
Interest Earning Assets			
Cash and liquid assets			
Australia	(14)	11	(3)
Overseas	4	(1)	3
Receivables due from other financial institutions			
Australia	(21)	50	29
Overseas	(1)	19	18
Trading securities			
Australia	91	68	159
Overseas	19	7	26
Investment securities			
Australia	(44)	42	(2)
Overseas	4	113	117
Loans, advances and other receivables			
Australia	2,409	(514)	1,895
Overseas	521	134	655
Other interest earning assets			
Intragroup loans	-	-	-
Australia	-	-	-
Overseas	17	58	75
Changes in interest income including intragroup	2,985	(13)	2,972
Intragroup eliminations	(17)	(58)	(75)
Changes in interest income	2,968	(71)	2,897
Interest Bearing Liabilities and Loan Capital			
Time deposits			
Australia	228	272	500
Overseas	125	169	294
Savings deposits			
Australia	30	42	72
Overseas	(4)	18	14
Other demand deposits			
Australia	545	(391)	154
Overseas	42	38	80
Payables due to other financial institutions			
Australia	(5)	20	15
Overseas	36	46	82
Debt issues			
Australia	773	30	803
Overseas	82	167	249
Loan capital			
Australia	(12)	78	66
Overseas	22	-	22
Other interest bearing liabilities	-	-	-
Intragroup borrowings			
Australia	17	58	75
Overseas	-	-	-
Changes in interest expense including intragroup	1,879	547	2,426
Intragroup eliminations	(17)	(58)	(75)
Changes in interest expense	1,862	489	2,351
Changes in net interest income	1,106	(560)	546

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).

Reconciliation of Net Interest Margin	Group 2005 $M
Net interest income	5,966
Average interest earning assets	260,085

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.

Geographical analysis of key categories	Group 2005 %
Australia	
Interest spread (1)	2.17
Benefit of net free liabilities, provisions and equity (2)	0.22
Australia interest margin (3)	2.39
Overseas	
Interest spread (1)	1. 03
Benefit of net free liabilities, provisions and equity (2)	0. 68
Overseas interest margin (3)	1. 71
Group	
Interest spread (1)	1.98
Benefit of net free liabilities, provisions and equity (2)	0.31
Group interest margin (3)	2.29

(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.

Appendix C – Additional Historical (AIFRS) Information

Investment Securities

Investment Securities	Group 2005 $M
Australia	
Listed:	
Australian Public Securities:	
Commonwealth and States	2,201
Other Securities and equity investments	343
Unlisted:	
Australian Public Securities:	
Local and semi-government	80
Medium term notes	783
Mortgage backed securities	1,055
Other securities and equity investments	675
Total Australia	5,137
Overseas	
Listed:	
Government securities	79
Certificates of deposit	1,376
Eurobonds	636
Medium term notes	378
Floating rate notes	619
Other securities	165
Unlisted:	
Government securities	224
Eurobonds	477
Medium term notes	254
Floating rate notes	452
Preference shares	744
Other securities and equity investments	297
Total Overseas	5,701
Total Investment Securities	10,838

Investment Securities (continued)

The following table sets out the gross unrealised gains and losses of the Group's investment securities.

Gross Unrealised Gains and Losses of Group	Group At 30 June 2005			
	Amortised Cost $M	Gross Unrealised Gains $M	Gross Unrealised Losses $M	Fair Value $M
Australia				
Australian Public Securities:				
Commonwealth and States	2,281	54	1	2,334
Medium term notes	783	4	-	787
Mortgage backed securities	1,055	-	-	1,055
Other securities and equity investments (1)	1,018	64	-	1,082
Total Australia	5,137	122	1	5,258
Overseas				
Government securities	303	3	-	306
Certificates of deposit	1,376	-	-	1,376
Eurobonds	1,113	21	1	1,133
Medium term notes	632	6	1	637
Floating rate notes	1,071	4	-	1,075
Preference shares	744	-	-	744
Other securities and equity investments	462	8	-	470
Total Overseas	5,701	42	2	5,741
Total Investment Securities	10,838	164	3	10,999

(1) Equity derivatives were in place to hedge equity market risk in respect of structured equity products for customers. There were $31 million of net deferred gains on these contracts which offset the above unrealised losses. At the end of the financial year there were no net deferred gains or losses included in the amortised cost value.

Investment securities were carried at cost or amortised cost and were purchased with the intent of being held to maturity. The investment portfolio was managed in the context of the full Balance Sheet of the Group.

Appendix C – Additional Historical (AIFRS) Information

Provisions for Impairment

	Group 2005 $M
Collective Provisions	
Opening balance (1)	1,393
Charge against profit	322
Transfer to individually assessed provisions	(352)
Impaired assets recovered	81
Adjustments for exchange rate fluctuations and other items	2
	1,446
Impaired losses written off	(56)
Closing balance	1,390
Individually Assessed Specific Provisions	
Opening balance	143
Transfer from collective provisions for:	
New and increased provisioning	408
Less write-back of provisions no longer required	(56)
Net transfer	352
Adjustment for exchange rate fluctuations and other items	(3)
Bad debts written off	(335)
Closing balance	157
Total provisions for impairment	**1,547**

(1) The opening balance at 1 July 2005 includes the impact of adopting AIFRS 132, AIFRS 137 and AIFRS 139 which have not been applied to the 2005 comparatives in accordance with AASB 1.

Provision Ratios

Specific provisions for impairment as a % of gross impaired assets net of interest reserved (1)	41. 76
Total provisions for impairment as % of gross impaired assets net of interest reserved (1)	411 .44
General provisions as % of risk weighted assets	0. 73

(1) Interest reserved not recognised under AIFRS.

Provisions for Impairment (continued)

	Group 2005 $M
Total charge for bad and doubtful debts	
The charge is required for:	
Specific provisioning	
New and increased provisioning	408
Less provisions no collective required	(56)
Net specific provisioning	352
Provided from general provision	(352)
Charge to profit and loss	-
Collective Provisioning	
Direct write-offs	56
Recoveries of amounts previously written off	(81)
Movement in collective provision	(5)
Funding of individually assessed provisions	352
Charge to profit and loss	322
Total charge for bad and doubtful	322

Individually Assessed Provisions for Impairment by Industry Category

The following table sets out the Group's specified provisions for impairment by industry category as at 30 June 2005.

	Group 2005 $M
Australia	
Government and public authorities	-
Agriculture, forestry and fishing	16
Financial, investment and insurance	1
Real estate	
Mortgage (1)	3
Construction (2)	7
Personal	63
Lease financing	5
Other commercial and industrial	49
Total Australia	144
Overseas	
Government and public authorities	-
Agriculture, forestry and fishing	-
Financial, investment and insurance	1
Real estate	
Mortgage (1)	11
Construction (2)	-
Personal	1
Lease financing	-
Other commercial and industrial	-
Total Overseas	13
Total individually assessed provisions	157

(1) Principally owner occupied housing.

(2) Primarily financing real estate and land development projects.

Appendix C – Additional Historical (AIFRS) Information

Provisions for Impairment (continued)

Bad Debts Written Off by Industry Category

The following table sets out the Group's bad debts written off for the Financial Years ended 30 June 2005.

	Year Ended 30 June Group 2005 $M
Bad Debts Written Off	
Australia	
Government and public authorities	-
Agriculture, forestry and fishing	1
Financial, investment and insurance	4
Real estate:	
Mortgage (1)	8
Construction (2)	4
Personal	280
Lease financing	4
Other commercial and industrial	83
Total Australia	384
Overseas	
Government and public authorities	-
Agriculture, forestry and fishing	-
Financial, investment and insurance	-
Real estate:	
Mortgage (1)	6
Construction (2)	-
Personal	-
Lease financing	-
Other commercial and industrial	1
Total Overseas	7
Gross Bad Debts written off	391
Bad Debts Recovered	
Australia	76
Overseas	5
Total Bad Debts Recovered	81
Net Bad Debts written off	310

(1) Principally owner occupied housing.

(2) Primarily financing real estate and land development projects.

Appendix C – Additional Historical (AIFRS) Information

Credit Risk Management

Total Gross Credit Risk by Industry

The following table sets out the Group's total gross credit risk by industry as at 30 June 2005.

Industry	Group 2005 $M
Australia	
Government and public authorities	7,125
Agriculture, forestry and fishing	5,029
Financial, investment and insurance	38,588
Real estate:	
Mortgage (1)	136,559
Construction (2)	2,211
Personal	14,970
Lease financing	5,055
Other commercial and industrial	68,077
Total Australia	277,614
Overseas	
Government and public authorities	1,385
Agriculture, forestry and fishing	3,392
Financial, investment and insurance	18,250
Real estate:	
Mortgage (1)	21,747
Construction (2)	346
Personal	581
Lease financing	195
Other commercial and industrial	10,667
Total Overseas	56,563
Total Gross Credit Risk	334,177
Less unearned income	(1,572)
Total Credit Risk	332,605
Charge for Bad and doubtful debts	322
Loss Rate (%) (3)	0. 10

(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

Appendix C – Additional Historical (AIFRS) Information

Credit Risk Management (continued)

The following table sets out the Group's credit risk by industry and asset class as at 30 June 2006.

	Assets at Fair Value through Income Statement $M	Available For Sale Investments $M	Loans Advances and Other Receivables $M	Bank Acceptances of Customers $M	Derivatives $M	Contingent Liabilities $M	Total $M
Australia							
Government and public authorities	1,282	3,551	1,528	8	52	344	6,765
Agriculture, forestry and fishing	-	-	3,307	1,814	38	68	5,227
Financial, investment and insurance	8,013	122	9,683	1,103	6,518	1,484	26,923
Real estate:							
Mortgage (1)	-	-	146,869	-	-	5,124	151,993
Construction (2)	-	-	2,085	411	143	862	3,501
Personal	-	-	16,001	429	3	133	16,566
Lease financing	-	-	4,924	-	-	-	4,924
Other commercial and industrial	3,537	2,338	49,706	14,545	2,486	7,955	80,567
Total Australia	12,832	6,011	234,103	18,310	9,240	15,970	296,466
Overseas							
Government and public authorities	361	-	380	-	69	94	904
Agriculture, forestry and fishing	-	-	3,094	-	2	1	3,097
Financial, investment and insurance	1,543	518	8,003	-	4,352	3,137	17,553
Real estate:							
Mortgage (1)	-	-	22,287	-	-	980	23,267
Construction (2)	-	-	268	-	3	23	294
Personal	-	-	521	-	-	3	524
Lease financing	-	-	139	-	-	-	139
Other commercial and industrial	1,022	4,674	7,526	-	195	1,269	14,686
Total Overseas	2,926	5,192	42,218	-	4,621	5,507	60,464
Gross Balances	15,758	11,203	276,321	18,310	13,861	21,477	356,930

Other Risk Concentrations	
Receivables due from other financial institutions	7,033
Deposits with regulatory authorities	74
Total Gross Credit Risk	364,037

(1) Principally owner-occupied housing.

(2) Primarily financing real estate and land development projects.

Risk concentrations for contingent liabilities are based on the credit equivalent balance in Note 42 Contingent Liabilities, Assets and Commitments of the 2007 Financial Report. Risk concentrations for derivatives are based on the credit equivalent balance in Note 43 Market Risk of the 2007 Financial Report.

Credit Risk Management (continued)

The following table sets out the Group's credit risk by industry and asset class as at 30 June 2005.

	Assets at Fair value through Income Statement $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	2,281	3,000	10	819	227	7,125
Agriculture, forestry and fishing	-	-	3,213	1,741	40	35	5,029
Financial, investment and insurance	7,326	837	5,882	1,167	4,563	15,240	35,015
Real estate:							
Mortgage (1)	-	-	131,559	-	5,000	-	136,559
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	2,912	2,018	44,441	13,214	3,341	2,150	68,076
Total Australia	11,026	5,136	209,348	16,786	14,063	17,681	274,040
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	14,631	10,837	246,370	16,786	17,982	21,483	328,089

Other Risk Concentrations	
Receivables due from other financial institutions	6,042
Deposits with regulatory authorities	45
Total Gross Credit Risk	334,176

(1) Principally owner occupied housing.

(2) Primarily financing real estate and land development projects.

Appendix C – Additional Historical (AIFRS) Information

Credit Risk Management (continued)

The following table sets out the Group's credit risk by industry and asset class as at 30 June 2006.

						Group
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	6,765	-	-	1	-	1
Agriculture, forestry and fishing	5,227	12	4	8	(1)	7
Financial, investment and insurance	26,923	2	1	1	(2)	(1)
Real estate:						
Mortgage (1)	151,993	40	19	9	(1)	8
Construction (2)	3,501	7	2	5	-	5
Personal	16,566	56	97	388	(100)	288
Lease financing	4,924	12	1	6	(1)	5
Other commercial and industrial	80,567	183	42	68	(17)	51
Total Australia	296,466	312	166	486	(122)	364
Overseas						
Government and public authorities	904	-	-	-	-	-
Agriculture, forestry and fishing	3,097	1	-	-	-	-
Financial, investment and insurance	17,553	-	1	-	-	-
Real estate:						
Mortgage (1)	23,267	6	2	-	-	-
Construction (2)	294	4	-	-	-	-
Personal	524	2	2	7	(5)	2
Lease financing	139	-	-	-	-	-
Other commercial and industrial	14,686	1	-	4	-	4
Total Overseas	60,464	14	5	11	(5)	6
Gross Balances	356,930	326	171	497	(127)	370
Other Risk Concentrations						
Receivables due from other financial institutions	7,033					
Deposits with regulatory authorities	74					
Total Gross Credit Risk	364,037					

(1) Principally owner-occupied housing.

(2) Primarily financing real estate and land development projects.

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy. All exposures outside the policy are approved by the Board Risk Committee.

The following table shows the aggregated number of the Bank's counterparty Corporate and Industrial exposures (including direct and contingent exposures) which individually were greater then 5% of the Group's capital resources (Tier One and Tier Two capital):

	2006 Number	2005 Number
5% to less than 10% of Group's capital resources	-	1
10% to less than 15% of Group's capital resources	-	-

Credit Risk Management (continued)

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	7,125	-	-	-	-	-
Agriculture, forestry and fishing	5,029	76	16	1	(2)	(1)
Financial, investment and insurance	35,015	6	1	4	(3)	1
Real estate:						
Mortgage (1) (3)	136,559	32	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 (3)	68,076	211	49	83	(8)	75
Total Australia	274,040	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	328,089	395	157	391	(81)	310
Other Risk Concentrations						
Receivables due from other financial institutions	6,042					
Deposits with regulatory authorities	45					
Total Gross Credit Risk	334,176					

(1) Principally owner occupied housing.

(2) Primarily financing real estate and land development projects.

(3) Certain of these loans have been reclassified for consistency.

Large Exposures

Concentrations of exposure to any debtor or counterparty group are controlled by a large credit exposure policy. All exposures outside the policy are approved by the Board Risk Committee.

The following table shows the aggregated number of the Bank's counterparty Corporate and Industrial exposures (including direct and contingent exposures) which individually were greater then 5% of the Group's capital resources (Tier One and Tier Two capital):

	2005 Number	2004 Number
5% to less than 10% of Group's capital resources	1	1
10% to less than 15% of Group's capital resources	-	-

Appendix C – Additional Historical (AIFRS) Information

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 2006 and 2005.

Industry	2006 $M	2005 $M
Australia		
Government and public authorities	1,528	3,000
Agriculture, forestry and fishing	3,307	3,213
Financial, investment and insurance	9,683	5,882
Real estate:		
Mortgage (1)	146,869	131,559
Construction (2)	2,085	1,694
Personal	16,001	14,504
Lease financing	4,924	5,055
Other commercial and industrial	49,706	44,441
Total Australia	234,103	209,348
Overseas		
Government and public authorities	380	216
Agriculture, forestry and fishing	3,094	3,372
Financial, investment and insurance	8,003	7,027
Real estate:		
Mortgage (1)	22,287	20,765
Construction (2)	268	271
Personal	521	552
Lease financing	139	195
Other commercial and industrial	7,526	4,624
Total Overseas	42,218	37,022
Gross loans, Advances and Other Receivables	276,321	246,370
Provisions for bad and doubtful debts, unearned income, interest reserved and unearned tax remissions on leveraged leases (3)	(2,796)	(3,138)
Net Loans, Advances and Other Receivables	273,525	243,232

(1) Principally owner occupied housing.

(2) Primarily financing real estate and land development projects.

(3) Interest reserved not recognised under AIFRS from 1 July 2005.

Appendix C – Additional Historical (AIFRS) Information

Asset Quality

	Group 2005 %
Impaired Asset Ratios	
Gross impaired asset ratios net of interest reserved as a % of risk weighted assets	0. 20
Net impaired assets as % of:	
Risk weighted assets	0. 12
Total Shareholders' Equity	0. 97

Impaired Assets

The following table sets out the Group's impaired assets as at 30 June 2005.

	At 30 June Group 2005 $M
Australia	
Non-Performing loans:	
Gross balances	381
Less interest reserved	(19)
Gross balances (net of interest reserved)	362
Less provisions for impairment	(144)
Net Non-Accrual Loans	218
Restructured loans:	
Gross balances	-
Less interest reserved	-
Gross balances (net of interest reserved)	-
Less specific provisions	-
Net Restructured Loans	-
Assets Acquired Through Security Enforcement:	
Gross balances	-
Less provisions for impairment	-
Net AATSE	-
Net Australian Impaired assets	218
Overseas	
Non-Performing loans	
Gross balances	14
Less interest reserved	-
Gross balances (net of interest reserved)	14
Less provisions for impairment	(13)
Net Non-Accrual Loans	1
Restructured loans:	
Gross balances	
Less interest reserved	
Gross balances (net of interest reserved)	
Less specific provisions	
Net Restructured Loans	
Asset Acquired Through Security Enforcement	
Gross Balance	
Less provisions for impairment	
Net AATSE	
Net overseas impaired assets	1
Total Net Impaired Assets	219

Appendix C – Additional Historical (AIFRS) Information

Asset Quality (continued)

Movement in Impaired Asset Balances

The following table provides an analysis of the movement in the gross impaired asset balances for the 2005 Financial Year.

Gross Impaired Assets	Year Ended 30 June Group 2005 $M
Gross impaired assets at beginning of period	363
New and increased	769
Balances written off	(350)
Returned to performing or repaid	(387)
Gross Impaired Assets at Period End	395

The following amounts comprising loans less than $250,000 are reported in accordance with regulatory returns to APRA. They are not classified as impaired assets and therefore not included within the above impaired assets summary.

Loans Performing Past Due 90 Days or More	Year Ended 30 June Group 2005 $M
Housing loans	183
Other loans	119
Total Loans Performing Past Due	302

Net Interest Forgone on Impaired Assets	Year Ended 30 June Group 2005 $M
Australia non-accrual facilities	13
Overseas non-accrual facilities	-
Total Interest Forgone	13

Interest Taken to Profit on Impaired Assets	Year Ended 30 June Group 2005 $M
Australia	
Non-accrual facilities	9
Restructured facilities	-
Overseas	
Non-accrual facilities	-
Other real estate owned	-
Total Interest Taken to Profit	9