Annual U.S. Disclosure Document
(Master Version)

Year ended 30 June 2011

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Index

Introduction

Certain material information about the Group, including information regarding the Group's risk management policies and procedures, use of derivative financial instruments and the market risk attributable to such instruments, liquidity and capital resources and other important information, is included in the Group's 2010 and 2011 Financial Reports (as defined below). In particular, Note 40 to the Financial Statements (2010: Note 40) Market Risk describes certain of the Group's risk management policies and procedures. In addition, the Group prepares a Basel II Pillar 3 Capital Adequacy and Risk Disclosures Report, which includes certain information about the Group's capital and assets. As a result, this Annual U.S. Disclosure Document – Year Ended 30 June 2011 (this "Document") should be read in conjunction with:

- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2011 which contains the Financial Statements for the years ended 30 June 2009, 2010 and 2011 and as at 30 June 2010 and 2011 (the "2011 Financial Report");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2010 which contains the Financial Statements for the years ended 30 June 2008, 2009 and 2010 and as at 30 June 2009 and 2010 (the "2010 Financial Report");
- The Commonwealth Bank of Australia Basel II Pillar 3 Capital Adequacy and Risk Disclosures as at 30 June 2011; and
- The announcement titled "Recent Developments, Commonwealth Bank announces retirement of Ralph Norris and appoints Ian Narev as Chief Executive Officer, dated 22 July 2011";

in each case, as found on the U.S. Investor Website located at http://www.commbank.com.au/usinvestors (the "U.S. Investor Website").

Except as otherwise stated, references within this Document to the Financial Report or Notes to the Financial Statements are to the 2011 Financial Report.

Except as otherwise stated, all figures herein relate to the financial year ended 30 June 2011 and comparatives for the balance sheet and income statement are to the financial year ended 30 June 2010, '$' and 'AUD' refer to Australian Dollars, 'USD' 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. The Group's financial years end on June 30 of each year. References to the 2011 Financial Year are to the financial year ended 30 June 2011, references to the 2010 Financial Year are to the financial year ended 30 June 2010 and references to the 2009 Financial Year are to the financial year ended 30 June 2009.

Appendix B provides definitions of the market share percentages disclosed on page 7.

Segment Disclosure

The Group conducts its businesses through seven segments: Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest and Other (including IFS Asia). For an overview of each segment, see "Description of Business - Operating Divisions" in this Document and Note 32 to the Financial Statements.

Special Note Regarding Forward-Looking Statements

Special Note Regarding Forward-Looking Statements

Certain statements under the captions "Highlights", "Group Performance Analysis", "Retail Banking Services", "Business and Private Banking", "Institutional Banking and Markets", "Wealth Management", "New Zealand", "Bankwest", "Other", "Integrated Risk Management", "Capital Management", "Contractual and Commercial Commitments", "Description of Business", Note 47 to the 2011 Financial Statements – "Disclosures about Fair Values 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 changes in political, social, credit, liquidity, investor confidence and economic conditions in Australia, New Zealand or elsewhere; global credit and equity market conditions; the impact of natural disasters, such as the Queensland floods and Christchurch earthquakes; demographic changes; technological 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 global credit market conditions including funding costs, credit ratings and access; regulatory 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 beginning on page 9 of this Document .

Basis of preparation

The consolidated Financial Statements of the Group for the years ended 30 June 2011, 2010 and 2009 comply with International Financial Reporting Standards (IFRS).

The Financial Report is presented in Australian dollars.

The Management Discussion and Analysis discloses the net profit after tax on both a "statutory basis" and a "cash basis". The statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with IFRS. The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding a number of items that introduce volatility and/or one off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments. A complete list of items excluded from statutory profit is provided in the reconciliation of the Net profit after tax ("cash basis") on page 6.

Appendix A supplies certain 2007, 2008 and 2009 comparative information, prepared on an IFRS basis.

Non-GAAP Financial Measures

In this Document, the Group presents its profit on a "statutory basis", which is calculated in accordance with IFRS.

In addition to its financial results reported in the 2011 Financial Report and the 2010 Financial Report in accordance with IFRS, the Group reports and describes in this Document certain "non-GAAP financial measures" (as defined in SEC Regulation G) of the financial performance and results of the Group. These non-GAAP financial measures are not calculated in accordance with IFRS. This Document contains reconciliations of these non-GAAP financial measures to the Group's financial results prepared in accordance with IFRS.

The non-GAAP financial measures included in this document are:

- *cash basis* – the Group presents its results on a "cash net profit after tax basis". "Cash basis" is defined by management as net profit after tax and non-controlling interests, before Bankwest significant items, tax on New Zealand structured finance transactions, treasury shares valuation adjustment, unrealised gains and losses related to hedging and IFRS volatility, loss on disposal of controlled entities/investments and other non-cash one-off expenses. Management believes that "cash basis" is a meaningful measure of the Group's performance and it provides a basis for the determination of the Bank's dividends. A reconciliation of the Group's net profit after tax from a statutory basis to a cash basis is set out on page 6.
- *earnings per share (cash basis)* – the Group presents its earnings per share on both a statutory and a cash basis. "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.
- *Funds Under Administration (FUA)*, represents funds administered by the Group and includes Funds Under Management (FUM) and funds managed externally. The Group derives funds management fees from Funds Under Administration and Funds Under Management and management believes that the reporting of these measures assists investors in evaluating the Group's funds management operations.

The Group also presents its dividend payout ratio on a statutory and cash basis. The dividend payout ratio (statutory basis) 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 applicable period, 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 applicable period. 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.

Highlights

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

Group Performance Highlights

Net Profit after Income Tax	Full Year Ended 30/06/11 $M	30/06/10 $M	30/06/09 (1) $M
Statutory basis	**6,394**	5,664	4,723
Cash basis	**6,835**	6,101	4,415

(1) The Group acquired Bankwest and St Andrew's on 19 December 2008. The 2009 Financial Year includes the Bankwest and St Andrew's results from the date of acquisition. As a result, Bankwest and St Andrew's contributed slightly more than six months of results in the 2009 Financial Year and contributed results for the entire 2010 and 2011 Financial Years.

The Group's net profit after tax ("statutory basis") for the year ended 30 June 2011 was $6,394 million, up 13% on the prior year.

Return on equity ("statutory basis") was 18.4% and Earnings per share ("statutory basis") was 411.2 cents, up 12% on the prior year.

This result was achieved in a challenging environment where the impacts of the Global Financial Crisis (GFC) continued to linger. Credit growth remained and continues to remain at historic lows, business and consumer confidence was and continues to be fragile and there was and continues to be significant uncertainty in global markets.

Despite these difficult conditions, the Group, with its well managed, diversified business model and strong and stable financial platform, delivered another solid result. This has been supported by a continued disciplined approach to the execution of the Group's five strategic priorities (described in "Description of Business – Business Strategies and Future Developments") and prudent management in uncertain times.

Operating income growth was impacted by a low credit growth environment, strong competition, particularly in the home lending and deposit markets, together with difficult trading conditions for the Markets and Wealth businesses.

Operating expenses were managed tightly, laying the platform for continued investment in the business, including the effective execution of the Core Banking initiative (described in "Description of Business – Business Strategies and Future Developments") which is now past the half way stage.

Impairment expense continued to decrease as credit quality gradually improved, however, some of the Group's customers are finding business conditions challenging. The Group has maintained a conservative approach to provisioning.

Capital and Funding

The Group maintained a strong capital position and remains one of a handful of global banks with a AA credit rating. The Group's Tier One capital ratio was 10.01% at 30 June 2011, up 86 basis points over the year.

The Group remains well funded, which has enabled it to provide ongoing support to customers. Strong deposit growth coupled with subdued system credit growth saw the Group satisfy a significant proportion of its funding requirements from domestic deposits.

Customer deposits made up 61% of the Group's total funding source at 30 June 2011, up from 58% in the prior year. Customer deposits increased $26 billion to $349 billion at 30 June 2011.

Recent initiatives by global regulators have helped to clarify future capital and liquidity requirements for the Australian banking industry. The Group believes the G-20 and Basel III initiatives regarding capital will be manageable within the timeframes, however the new liquidity rules require further clarification.

The Group remains actively involved in the consultation process, working closely with other industry participants and the regulators.

Dividends

The final dividend declared was $1.88 per share, up 11% on the prior year. The total dividend for the year to 30 June 2011 was $3.20, taking the dividend payout ratio ("statutory basis") to 78.3%.

The final dividend payment will be fully franked and will be paid on 6 October 2011 to owners of ordinary shares at the close of business on 19 August 2011 (record date). Shares were quoted ex–dividend on 15 August 2011.

Recent Developments

On 22 July 2011, the Board announced the appointment of Mr. Ian Narev (Group Executive, Business and Private Banking since January 2009) to the role of Chief Executive Officer of the Commonwealth Bank of Australia upon the retirement of Ralph Norris at the end of November 2011. See the announcement dated 22 July 2011 on the U.S. Investor Website for more information about Mr. Narev and the terms of his employment.

Outlook

The discussion below includes forward-looking statements. See "Special note regarding forward looking statements" on page 3.

The 2011 financial year was a challenging one for the Group and many of its customers. While the Australian resources sector continued to perform well, many other parts of the Australian economy were impacted by a range of headwinds including fragile consumer confidence, political uncertainty, a high Australian dollar and natural disasters.

Ongoing offshore instability, often flowing from the GFC, continues to impact the Australian economy and has the potential to place further upward pressure on wholesale funding costs for the Australian banking industry.

The 2011 financial year was characterised by subdued system credit growth and intense competition. At this stage there is nothing to suggest that the 2012 financial year will see any material improvement nor is it clear what the catalyst will be for a meaningful revival in consumer and corporate confidence which the Group believes is a prerequisite to stronger demand for credit.

Against this backdrop the Group intends to continue to operate in a disciplined and prudent manner with a focus on driving productivity initiatives to deliver sustainable improvements in business performance. The Group's priority is to maintain a robust and stable financial and operating platform, which will enable us to support our customers and provide superior returns to shareholders.

Group Performance Summary	Full Year Ended 30/06/11 $M	Full Year Ended 30/06/10 $M	Full Year Ended 30/06/09 $M	Statutory Full Year Ended 30/06/11 $M	Statutory Full Year Ended 30/06/10 $M	Statutory Full Year Ended 30/06/09 $M
Net interest income	**12,658**	11,868	10,186	**12,607**	11,922	10,301
Other banking income	**3,983**	4,112	4,176	**3,630**	4,208	3,914
Total banking income	**16,641**	**15,980**	**14,362**	**16,237**	**16,130**	**14,215**
Funds management income	**2,041**	1,898	1,813	**2,042**	1,928	1,490
Insurance income	**856**	945	910	**1,118**	1,230	769
Total operating income	**19,538**	**18,823**	**17,085**	**19,397**	**19,288**	**16,474**
Investment experience	**121**	236	(267)	**n/a**	n/a	n/a
Total income	**19,659**	**19,059**	**16,818**	**19,397**	**19,288**	**16,474**
Operating expenses	**(8,891)**	(8,601)	(7,765)	**(9,060)**	(8,716)	(7,960)
Impairment expense	**(1,280)**	(2,075)	(3,048)	**(1,280)**	(2,379)	(3,048)
Gain on acquisiton of controlled entities	**-**	-	-	**-**	-	983
Net profit before income tax	**9,488**	**8,383**	**6,005**	**9,057**	**8,193**	**6,449**
Corporate tax expense [1]	**(2,637)**	(2,266)	(1,560)	**(2,647)**	(2,513)	(1,696)
Non-controlling interests [2]	**(16)**	(16)	(30)	**(16)**	(16)	(30)
Net profit after tax ("cash basis")	**6,835**	**6,101**	**4,415**	**n/a**	**n/a**	**n/a**
Hedging and IFRS volatility (after tax) [3]	**(265)**	17	(245)	**n/a**	n/a	n/a
Bankwest non-cash items (after tax)	**(147)**	(216)	614	**n/a**	n/a	n/a
Tax on NZ structured finance transactions	**-**	(171)	-	**n/a**	n/a	n/a
Other non-cash items (after tax)	**(29)**	(67)	(61)	**n/a**	n/a	n/a
Net profit after tax ("statutory basis")	**6,394**	**5,664**	**4,723**	**6,394**	**5,664**	**4,723**

Represented by: [4]	30/06/11 $M	30/06/10 $M	30/06/09 $M
Retail Banking Services	**2,845**	2,461	2,107
Business and Private Banking	**1,039**	898	736
Institutional Banking and Markets	**1,004**	1,173	143
Wealth Management	**608**	674	258
New Zealand	**454**	198	404
Bankwest	**293**	(314)	122
Other	**151**	574	953
Net profit after tax ("statutory basis")	**6,394**	**5,664**	**4,723**

(1) For purposes of presentation, Policyholder tax expense components of Corporate tax expense are shown on a net basis (30 June 2011: $166 million, 30 June 2010: $130 million and 30 June 2009: ($164) million).

(2) Non-controlling interests include preference dividends paid to holders of preference shares in ASB Capital Limited and ASB Capital No.2 Limited.

(3) Hedging and IFRS volatility includes unrealised fair value gains and losses on economic hedges that do not qualify for hedge accounting under IFRS. Refer to pages 18 and 19 for further details.

(4) Comparatives have been restated for the impact of business resegmentation. Refer to segment disclosures on pages 25 to 51 for further information.

Highlights continued

Shareholder Summary	Full Year Ended 30/06/11	30/06/10	30/06/09
Dividends per share - fully franked (cents)	**320**	290	228
Dividend cover - statutory (times)	**1. 3**	1. 3	1. 3
Dividend cover - cash (times)	**1. 4**	1. 4	1. 3
Earnings per share (cents)			
Statutory basis - basic [1]	**411. 2**	367. 9	328. 5
Statutory basis - fully diluted [1]	**395. 1**	354. 2	313. 4
Cash basis - basic	**438. 7**	395. 5	305. 6
Cash basis - fully diluted	**420. 6**	379. 8	292. 4
Dividend payout ratio (%)			
Statutory basis	**78. 3**	79. 7	73. 1
Cash basis	**73. 2**	73. 9	78. 2
Weighted average no. of shares - statutory basic (M) [1]	**1,545**	1,527	1,420
Weighted average no. of shares - cash basic (M)	**1,548**	1,531	1,426
Return on equity - cash (%)	**19. 5**	18. 7	15. 8
Return on equity - statutory (%)	**18. 4**	17. 5	16. 8

(1) Further details disclosed in Note 7, Earnings per share to the 2011 Financial Statements.

Market Share Percentage [1]	As at 30/06/11 %	31/12/10 %	30/06/10 %
Home loans	**25. 7**	25. 9	26. 1
Credit cards [2] [3]	**22. 6**	22. 7	22. 5
Personal lending (APRA and other Household lending) [4]	**14. 9**	14. 6	14. 6
Household deposits	**30. 0**	30. 5	31. 3
Retail deposits [2] [5]	**26. 9**	26. 7	27. 4
Business Lending - APRA	**18. 1**	18. 6	19. 5
Business Lending - RBA[2]	**17. 0**	17. 2	17. 4
Business Deposits - APRA	**21. 2**	21. 3	22. 9
Asset Finance	**14. 8**	14. 6	14. 3
Equities trading	**5. 9**	5. 7	6. 3
Australian Retail Funds - administrator view [2] [6]	**15. 0**	15. 0	14. 6
FirstChoice Platform [2] [6]	**11. 3**	11. 2	10. 9
Australia (total life insurance risk) [2] [6]	**12. 4**	12. 5	12. 6
Australia (individual life insurance risk) [2] [6]	**13. 3**	13. 3	13. 3
NZ Lending for housing	**22. 2**	22. 4	22. 8
NZ Retail Deposits	**21. 4**	21. 2	21. 6
NZ Lending to business [2]	**9. 1**	9. 2	9. 5
NZ Retail FUM [2]	**14. 4**	14. 5	17. 9
NZ Annual inforce premiums	**29. 9**	30. 3	31. 0

(1) For market share definitions refer to Appendix B.
(2) Prior periods have been restated in line with market updates.
(3) As at 31 May 2011.
(4) Personal lending market share includes personal loans and margin loans.
(5) In accordance with RBA guidelines, these measures include some products relating to both the Retail and Corporate segments.
(6) As at 31 March 2011.

Credit Ratings	Long–term	Short–term	Outlook
Fitch Ratings	AA	F1+	Stable
Moody's Investor Services [1]	Aa2	P-1	Stable
Standard & Poor's	AA	A-1+	Stable

(1) On 18 May 2011, Moody's Investor Services downgraded the long-term credit ratings of the Bank along with the other three major Australian banks.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. Ratings should be evaluated independently of any other information.

Key Performance Indicators - Group	Full Year Ended 30/06/11	30/06/10	30/06/09
Group			
Statutory net profit after tax ($M)	**6,394**	5,664	4,723
Net interest margin (%)	**2. 19**	2. 13	2. 10
Average interest earning assets ($M) (1)	**576,369**	553,735	481,248
Average interest bearing liabilities ($M) (1)	**538,843**	521,338	454,258
Statutory funds management income to average FUA (%)	**1. 04**	1. 03	0. 86
Funds Under Administration (FUA) - average ($M)	**196,254**	186,418	173,872
Statutory insurance income to average inforce premiums (%)	**54. 2**	61. 4	42. 8
Average inforce premiums ($M)	**2,063**	2,005	1,798
Statutory operating expenses to total operating income (%)	**46. 7**	45. 2	45. 6
Statutory effective corporate tax rate (%)	**27. 9**	29. 6	28. 1
Retail Banking Services (2)			
Statutory net profit after tax ($M)	**2,845**	2,461	2,107
Statutory operating expenses to total banking income (%)	**38. 7**	39. 5	42. 9
Business and Private Banking (2)			
Statutory net profit after tax ($M)	**1,039**	898	736
Statutory operating expenses to total banking income (%)	**43. 7**	44. 9	48. 8
Institutional Banking and Markets (2)			
Statutory net profit after tax ($M)	**1,004**	1,173	143
Statutory operating expenses to total banking income (%)	**33. 6**	32. 0	29. 6
Wealth Management			
Statutory net profit after tax ($M)	**608**	674	258
FUA - average ($M)	**188,866**	179,802	167,677
Average inforce premiums ($M)	**1,612**	1,572	1,405
Statutory funds management income to average FUA (%)	**1. 05**	1. 03	0. 82
Statutory insurance income to average inforce premiums (%)	**48. 8**	55. 0	31. 9
Statutory operating expenses to net operating income (%) (3)	**57. 4**	54. 4	87. 0
New Zealand			
Statutory net profit after tax ($M)	**454**	198	404
FUA - average ($M)	**7,388**	6,616	6,195
Average inforce premiums ($M)	**451**	433	393
Statutory funds management income to average FUA (%)	**0. 54**	0. 70	0.79
Statutory insurance income to average inforce premiums (%)	**60. 9**	61. 4	63. 1
Statutory operating expenses to total operating income (%)	**49. 7**	52. 2	46. 1
Bankwest			
Statutory net profit after tax ($M)	**293**	(314)	122
Statutory operating expenses to total banking income (%)	**64. 7**	60. 0	66. 5
Capital Adequacy - (Basel II)			
Common Equity (%)	**7. 66**	6. 86	n/a
Tier One (%)	**10. 01**	9. 15	8. 07
Total (%)	**11. 70**	11. 49	10. 42

(1) Average interest earning assets and average interest bearing liabilities have been adjusted to remove the impact of securitisation. Refer to Average Balances and Related Interest in Note 4 of the 2011 Financial Statements.

(2) Comparatives have been restated for the impact of business resegmentation.

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

Risk Factors

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 53 to 57. The Integrated Risk Management section provides details on how the Group manages its credit, market (traded and non-traded), funding and liquidity, operational, compliance, business continuity, security risks, strategic business and reputation risks in the course of carrying on its business. Also refer to Notes 38 – 41 of the 2011 Financial Statements.

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

Global credit and equity markets, particularly in the United States and Europe, have continued to experience heightened volatility, disruption and decreased liquidity. These challenging market conditions have resulted in less liquidity, greater price and interest rate volatility, widening of credit spreads and a lack of price transparency in markets generally.

The Group's businesses operate in, or depend on the operation of, these markets, either directly or indirectly, including through exposures in securities, loans, derivatives and other activities. In addition, turmoil in the financial markets can flow into the real economy. As a diversified financial institution, the Group is impacted in a number of ways by the current economic climate, in particular, the wholesale funding markets.

The Group continues to monitor industry and company specific developments and the state of the global and Australian economies. It is difficult to predict how long the volatility of the financial markets will persist and which markets, products or other businesses will be affected most. The volatile financial markets have and may continue to adversely impact our results of operations.

A downturn in the Australian and New Zealand economies could adversely impact the Group's results.

As a financial group whose core businesses are banking, funds management and insurance primarily located in Australia and New Zealand, the performance of the Group is dependent on the state of the Australian and New Zealand economies, as well as customer and investor confidence and prevailing market conditions. The Group can give no assurances as to the likely future conditions of the Australian and New Zealand economies, which can be influenced by many factors within and outside Australia and New Zealand, which are outside of its control.

Australian economic conditions improved during the 2011 Financial Year; however, the recovery remains fragile. Internationally, concerns about sovereign debt and weaknesses in some advanced economies is affecting business and consumer sentiment. Domestically, Australia has benefited from strong conditions in the resource sector, which has grown strongly while other sectors of the economy, particularly those negatively impacted by the strong Australian dollar have been relatively weak. The severe flooding and cyclones within Australia have had some temporary negative impacts on the Australian economy.

A material downturn in the Australian and/or 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. The Group's 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 markets 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 the Group's revenues from its funds management and insurance business.

Adverse financial market conditions may significantly affect the Group's ability to access international capital markets and credit, on which it relies for a substantial amount of its wholesale funding.

The ability to obtain debt funding and the cost of debt funding have improved over the past year (in comparison to the market during the 2010 Financial Year); however the market is still more volatile than the pre-2008 period. In particular, since 30 June 2011 the global debt and equity markets have experienced significant volatility due to the European sovereign debt crisis and the downgrade of the US long-term debt rating by Standard & Poor's. Retail and wholesale funding costs have remained elevated (compared to funding costs experienced pre-2008). The Group has increased its levels of deposit funding, thereby reducing its reliance on off-shore wholesale funding; however the Group remains reliant on off-shore wholesale markets. If the Group is unable to pass its increased funding costs on to its customers, its net interest margins will contract, which will adversely impact the Group's results of operations.

Disruptions, uncertainty or volatility in financial markets may limit the Group's access to capital, particularly its ability to issue securities, particularly longer-dated securities, in international capital markets at a cost that is acceptable to the Group. 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.

Failure to hedge effectively against adverse fluctuations in exchange rates could negatively impact the Group's results of operations.

The Group undertakes the majority of its wholesale funding in international capital markets in currencies other than the Australian dollar, principally the U.S. dollar and the Euro. This exposes the Group to risks associated with exchange rates for the Australian dollar, which is the currency in which it prepares its financial statements and the principal currency of the Group's revenue and operating cash flows. The impact of such exchange rate risk cannot be predicted reliably. The Group attempts to manage its exchange rate risks to minimise any adverse effect on its financial position and performance. However, the level of the Group's hedging may change over time, and the Group may change its hedging policy at any time. The Group's results of operations may be adversely affected if its hedges are not effective to mitigate exchange rate risks or for balance sheet purposes, if the Group is inappropriately hedged. There can be no assurance that the Group's exchange rate hedging arrangements or hedging policy will be sufficient or effective.

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 it. Such parties may default on their obligations to the Group 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 the Group, 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.

The Group is subject to extensive regulation, which could impact its results.

The Group's banking, funds management and insurance activities are subject to extensive regulation, including those relating to capital levels, liquidity levels, solvency, provisioning, and insurance policy terms and conditions. The Group's business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the Australian and New Zealand governments and the governments and regulators of the other jurisdictions in which the Group conducts business.

The requirement to maintain certain levels of Tier One and Total 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 for 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.

Any changes to the regulatory liquidity requirements that increase the minimum level of liquid assets to be held could increase funding costs, and hence have an adverse impact on the Group's results of operations. Significant breaches of regulatory requirements may have a material adverse impact on the Group's results of operation and financial condition.

Regulatory actions taken now or in the future may significantly affect the Group's operations and financial condition.

The events in the financial services industry and, more generally, in the international financial markets and the global economy over the past three years, have led to various proposals for changes in the regulation of the financial services industry. In Australia, the Australian Prudential Regulation Authority (APRA) intends to adopt regulations designed to enhance the capital adequacy of, and liquidity risk management by, authorised deposit-taking institutions (ADIs), which are expected to be based on the proposals ultimately adopted by the Basel Committee on Banking Supervision. While there can be no assurance that any or all of these regulatory changes will ultimately be adopted, or the form that any such regulations may ultimately take, any such changes, if enacted or adopted, may impact the profitability of the Group's business activities, require changes to certain business practices, and expose the Group to additional costs. Such additional costs may result from, among other things, holding additional capital and significant levels of liquid assets and undertaking changes to the wholesale funding profile. These changes may also require the Group to invest significant management attention and resources to make any necessary changes, and could therefore also adversely affect the Group's business and operations.

Furthermore, in May 2011 the Economics Committee of the Australian Senate issued its report into competition within the Australian banking sector. The broad ranging report examined, among other things, the products banks offer, their fees and charges, the current level of competition between bank and non-bank providers and any policies, practices and strategies that may enhance competition in banking, including legislative change.

The Group may face operational risks associated with being a complex financial institution and may incur losses as a result of ineffective risk management processes and strategies.

The Group's businesses are highly dependent on the Group's ability to process and monitor, in many cases on a daily basis, a very large number of transactions, many of which are highly complex, across multiple markets in many currencies. The Group's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or may become disabled as a result of events that are wholly or partially beyond our control, such as a spike in transaction volume, adversely affecting our ability to process these transactions or provide these services. In addition, the Group is exposed to the risk of loss resulting from human error, the failure of internal or external processes and systems or from external events. Such operational risks may include theft and fraud, improper business practices, client suitability and servicing risks, product complexity and pricing risk or improper recording, evaluating or accounting for transactions, breach of security and physical protection systems, or breaches of the Group's internally or externally imposed policies and regulations.

As with any business operating in the financial services market, the Group utilises complex technology frameworks and systems to deliver its services and manage internal processes. Therefore disruptions to the technology framework can have an impact on the Group's operations. These disruptions can be caused from internal events (e.g. system upgrades) and external events (e.g. failure of vendors' systems or power supplies). While the Group employs a range of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. As such, the Group may, in the course of our activities, incur losses. There can be no assurance that the risk management processes and strategies that we have developed in response to current market conditions will adequately anticipate additional market stress or unforeseen circumstances. For a further discussion of the Group's risk management policies and procedures, see "Integrated Risk Management".

Reputational damage could harm the Group's business and prospects.

Various issues may give rise to reputational risk and cause harm to the Group's business, prospects and market position. These issues could include a failure to meet legal and regulatory requirements (such as money laundering, trade sanctions and privacy laws), inadequate sales and trading practices, inappropriate management of conflicts of interest and other ethical issues, and non-compliance with internal policies and procedures. Failure to address these issues appropriately could also give rise to additional legal risk, subjecting the Group to regulatory enforcement actions, fines and penalties, or harm the Group's reputation and integrity among the Group's customers, investors and other stakeholders.

Market Risks could adversely impact the Group's results.

Market risk is the potential of loss arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, lease residual risk values, and implied volatility levels for all assets and liabilities where options are transacted. For the purposes of market risk management, the Group makes a distinction between traded and non-traded market risks. The pre-dominant non-traded market risk is interest rate risk in the banking book. Other non-traded markets risks are transactional and structural foreign exchange risk arising from capital investments in offshore operations, non-traded equity risk, market risk arising from the insurance business and lease residual value risk.

The Group trades and distributes financial market products and risk management services to customers on a global basis.

The objectives of the Group's financial markets activities are to:

- Provide risk management and capital market products to customers;
- Efficiently assist in managing the Group's own market risks; and
- Conduct profitable trading within a controlled framework, leveraging off the Group's market presence and expertise.

For a description of these specific risks, see Note 40 to the 2011 Financial Statements.

Liquidity and funding risks, and life insurance risk could adversely impact the Group's results.

The Group is subject to liquidity risk, funding risk and life insurance risk which could adversely impact our future results. These risks are described in detail under "Integrated Risk Management" commencing on page 53.

The Group faces intense competition, which could adversely impact its 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. As financial markets recover and the Group's competitors overcome any difficulties they have experienced, competition is expected to increase, especially as non-Australian financial services providers expand in Australia. Further details on the competition faced by the Group are detailed in "Description of Business – Competition" on page 77 of this Document.

The Group's business may be adversely affected by acquisitions of businesses.

From time to time, the Group evaluates and undertakes acquisitions of businesses. With acquisitions there is a risk that we may suffer a downgrade of our credit ratings, we may not achieve expected synergies from the acquisition as a result of difficulties in integrating information and other systems, we may achieve lower than expected cost savings or otherwise incur losses, we may lose customers and market share, we may face disruptions to our operations resulting from integrating the systems and processes of the acquired business into the Group, our management's time may be diverted to facilitate the integration of the acquired business into the Group, or the acquisition may have other negative impacts on our results, financial condition or operations. The Group regularly assesses acquisition opportunities and if it were to undertake significant levels of acquisitions these risks may be exacerbated.

Selected Consolidated Income Statement Data	Full Year Ended 30 June					
	2011	2011	2010	2009	2008	2007
	US$M [3]	(A$ millions, except where indicated)				
IFRS						
Interest income	**40,035**	**37,304**	32,215	31,519	29,234	23,862
Interest expense	**26,505**	**24,697**	20,293	21,218	21,327	16,826
Net interest income	**13,530**	**12,607**	11,922	10,301	7,907	7,036
Impairment expense	**1,374**	**1,280**	2,379	3,048	930	434
Non-interest income	**7,287**	**6,790**	7,366	6,173	6,662	6,355
Operating expenses	**9,723**	**9,060**	8,716	7,960	7,384	6,419
Net profit before income tax	**9,720**	**9,057**	8,193	6,449	6,255	6,538
Income tax expense	**2,841**	**2,647**	2,513	1,696	1,433	2,041
Net profit after income tax	**6,879**	**6,410**	5,680	4,753	4,822	4,497
Non-controlling interests	**(17)**	**(16)**	(16)	(30)	(31)	(27)
Net profit attributable to Equity holders at the Bank	**6,862**	**6,394**	5,664	4,723	4,791	4,470
Dividend declared [1]	**3,144**	**2,930**	2,633	1,747	2,029	1,939
Weighted average number of shares (basic) (M)	**1,545**	**1,545**	1,527	1,420	1,307	1,281
Earnings per share, basic (cents)	**441. 3**	**411. 2**	367. 9	328. 5	363. 0	344. 7
Earnings per share, fully diluted (cents)	**424. 0**	**395. 1**	354. 2	313. 4	348. 7	339. 7
Dividends per share (cents)	**343**	**320**	290	228	266	256
Dividend payout ratio (%) [2]	**78. 3**	**78. 3**	79. 7	73. 1	74. 1	75. 2

(1) Represents final dividend declared as at 30 June for each respective year.

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

(3) USD translated from AUD using 30 June 2011 month end noon buying rate, as described below.

Exchange Rates

For each of the Group's Financial Years indicated, as well as July and August (to date) of 2011, the period end and average exchange rates are set out below, together with the high, low and month end rates (unless otherwise indicated) for recent months. All rates referred to are the 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") .

To calculate the USD figures provided, the 30 June 2011 month end Noon Buying Rate was used.

	Full Year Ended 30 June				
	2011	2010	2009	2008	2007
	(expressed in US$ per A$1.00)				
Period End	**1. 0732**	0. 8480	0. 8055	0. 9562	0. 8491
Average Rate	**0. 9905**	0. 8820	0. 7546	0. 9007	0. 7867

	Month ended 2011					
	August [1]	July	June	May	April	March
	(expressed in US$ per A$1.00)					
High	**1. 0930**	1. 1026	1. 0737	1. 0970	1. 0937	1. 0358
Low	**1. 0192**	1. 0565	1. 0439	1. 0496	1. 0490	0. 9823
Month End Noon Buying Rates	**1. 0444**	1. 1001	1. 0732	1. 0660	1. 0937	1. 0358

(1) Represents the most current August 2011 exchange rate data ended 19th August 2011.

Financial Review continued

Consolidated Balance Sheet Data	2011 US$M [2]	2011	2010	2009	2008	2007
	Full Year Ended 30 June					
		(A$ millions, except where indicated)				
IFRS						
Assets						
Cash and liquid assets	**14,210**	**13,241**	10,119	11,340	7,736	10,108
Receivables due from other financial institutions	**11,154**	**10,393**	10,072	14,421	6,984	5,495
Assets at fair value through income statement:						
Trading	**21,967**	**20,469**	22,851	25,401	21,676	21,469
Insurance	**16,096**	**14,998**	15,940	17,260	20,650	23,519
Other	**884**	**824**	654	1,677	3,266	4,073
Derivative assets	**32,536**	**30,317**	27,689	26,358	18,232	12,743
Available-for-sale investments	**48,478**	**45,171**	32,915	21,504	11,488	9,672
Loans bills discounted and other receivables	**536,661**	**500,057**	493,459	466,631	361,282	315,465
Bank acceptances of customers	**11,520**	**10,734**	11,569	14,728	18,278	18,721
Property, plant and equipment	**2,539**	**2,366**	2,351	2,472	1,640	1,436
Investments in associates	**1,837**	**1,712**	1,490	1,047	906	836
Intangible assets	**10,306**	**9,603**	9,420	9,245	8,258	7,835
Deferred tax assets	**1,395**	**1,300**	1,270	1,653	76	254
Other assets	**7,170**	**6,681**	6,482	6,070	6,492	7,157
	716,753	**667,866**	646,281	619,807	486,964	438,783
Assets held for sale	**35**	**33**	49	565	608	1,374
Total Assets	**716,788**	**667,899**	646,330	620,372	487,572	440,157
Liabilities						
Deposits and other public borrowings	**430,511**	**401,147**	374,663	368,721	263,706	219,068
Payables due to other financial institutions	**17,063**	**15,899**	12,608	15,109	17,672	14,386
Liabilities at fair value through income statement	**11,259**	**10,491**	15,342	16,596	15,526	16,396
Derivative liabilities	**36,463**	**33,976**	24,884	32,134	19,541	16,680
Bank acceptances	**11,520**	**10,734**	11,569	14,728	18,278	18,721
Current tax liability	**1,311**	**1,222**	1,056	883	768	882
Deferred tax liability	**323**	**301**	221	168	266	908
Other provisions	**1,370**	**1,277**	1,197	1,243	1,174	878
Insurance policy liabilities	**14,651**	**13,652**	14,592	16,056	18,495	21,613
Debt issues	**127,337**	**118,652**	130,210	101,819	85,817	88,525
Managed fund units on issue	**1,125**	**1,048**	880	914	1,109	310
Bills payable and other liabilities	**11,432**	**10,652**	10,025	8,520	7,524	7,346
Total Liabilities	**664,365**	**619,051**	597,247	576,891	449,876	405,713
Loan capital [1]	**12,407**	**11,561**	13,513	12,039	11,559	10,000
Total liabilities and loan capital	**676,772**	**630,612**	610,760	588,930	461,435	415,713
Net Assets	**40,016**	**37,287**	35,570	31,442	26,137	24,444
Total Shareholders' Equity	**40,016**	**37,287**	35,570	31,442	26,137	24,444
Other equity instruments	**1,008**	**939**	939	939	939	939
Total Shareholders' Equity excluding other equity instruments	**39,008**	**36,348**	34,631	30,503	25,198	23,505

	2011	2010	2009	2008	2007
Full-time staff equivalent	**46,060**	45,025	44,218	39,621	37,873
Branches/service centres (Australia)	**1,160**	1,147	1,142	1,009	1,010
Agencies (Australia)	**3,795**	3,884	3,859	3,814	3,833

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

(2) USD translated from AUD at 30 June 2011 (see month end noon buying rate in the table on page 12).

Consolidated Ratios and Operating Data	2011 US$M [1]	2011	2010	2009	2008	2007
	Full Year Ended 30 June (A$ millions, except where indicated)					
IFRS						
Profitability						
Net interest margin (%) [2]		**2. 19**	2. 13	2. 10	2. 02	2. 08
Interest spread (%) [3]		**1. 90**	1. 91	1. 84	1. 68	1. 75
Return on average Shareholders' Equity (%) [4]		**18. 4**	17. 5	16. 8	19. 8	20. 7
Return on average total assets (%) [4]		**1. 0**	0. 9	0. 9	1. 0	1. 1
Productivity						
Total operating income per full-time staff equivalent [5]	**451,951**	**421,125**	428,384	394,794	367,709	353,576
Staff expense/total operating income (%)		**25. 1**	23. 8	22. 9	25. 0	24. 1
Total operating expenses/total operating income (%) [5]		**46. 7**	45. 2	45. 6	50. 7	47. 9
Ratio of earnings to fixed charges [6]		**1. 4**	1. 4	1. 3	1. 3	1. 4
Capital Adequacy (at year end) [7]						
Basel I						
Risk weighted assets		**n/a**	n/a	n/a	n/a	245,347
Tier One capital		**n/a**	n/a	n/a	n/a	17,512
Tier Two capital		**n/a**	n/a	n/a	n/a	8,365
Total capital [8]		**n/a**	n/a	n/a	n/a	23,951
Tier One capital/risk weighted assets (%)		**n/a**	n/a	n/a	n/a	7. 14
Tier Two capital/risk weighted assets (%)		**n/a**	n/a	n/a	n/a	3. 41
Total capital/risk weighted assets (%)		**n/a**	n/a	n/a	n/a	9. 76
Basel II						
Risk weighted assets	**302,332**	**281,711**	290,821	288,836	205,501	n/a
Tier One capital	**30,278**	**28,213**	26,601	23,311	16,791	n/a
Tier Two capital	**5,097**	**4,749**	6,819	6,784	7,013	n/a
Total capital [8]	**35,375**	**32,962**	33,420	30,095	23,804	n/a
Tier One capital/risk weighted assets (%)		**10. 01**	9. 15	8. 07	8. 17	n/a
Tier Two capital/risk weighted assets (%)		**1. 69**	2. 34	2. 35	3. 41	n/a
Total capital/risk weighted assets (%)		**11. 70**	11. 49	10. 42	11. 58	n/a
Average Shareholders' Equity/average total assets (%)		**5. 5**	5. 3	5. 2	5. 5	5. 8

(1) USD translated from AUD at 30 June 2011 (see month end noon buying rate in the table on page 12).

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

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

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

(5) Total operating income represents net interest income before deducting loan impairment expense 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 2011, 2010, 2009 and 2008 shown on Basel II basis. 2007 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 Capital Management.

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

Consolidated Ratios and Operating Data	2011 (6) US$M	2011	2010	2009	2008	2007
	Full Year Ended 30 June		(A$ millions, except where indicated)			
IFRS						
Asset Quality Data (1)						
Non-accrual loans (2)	**5,685**	**5,297**	5,216	4,210	683	421
Total impaired assets (3)	**5,685**	**5,297**	5,216	4,210	683	421
Individually assessed provisions for impairment	**2,281**	**2,125**	1,992	1,729	279	199
Collective provisions for impairment	**3,266**	**3,043**	3,461	3,225	1,466	1,034
Net impaired assets (net of interest reserved)	**3,404**	**3,172**	3,224	2,481	404	321
Total provisions for impairment/average credit risk (%) (4)		**0. 7**	0. 7	0. 7	0. 3	0. 3
Loan impairment expense/average credit risk (%) (4)		**0. 2**	0. 3	0. 4	0. 2	0. 1
Gross impaired assets/credit risk (%) (5)		**0. 6**	0. 7	0. 6	0. 1	0. 1
Net impaired assets/total Shareholders' Equity (%)		**8. 5**	9. 1	7. 9	1. 2	0. 9
General provision for impairment/risk weighted assets (%) Basel I		**n/a**	n/a	n/a	n/a	n/a
Collective provision for impairment/risk weighted assets (%) Basel I		**n/a**	n/a	n/a	n/a	0. 4
Collective provision for impairment/risk weighted assets (%) Basel II		**1. 1**	1. 2	1. 1	0. 7	n/a

(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) Gross impaired assets comprise non-accrual loans, restructured loans, Other Real Estate Owned Assets and Other Assets Acquired Through Security Enforcement.
(4) Average credit risk is based on gross credit risk less unearned income. Averages are based on current and previous year end balances.
(5) Gross impaired assets as a percentage of credit risk as disclosed in Note 14 to the 2011 Financial Statements less unearned income as presented in Note 13 to the 2011 Financial Statements.
(6) USD translated from AUD at 30 June 2011 (see month end noon buying rate for 2011 Financial Year in the table on page 12).

Summary Cash Flows Data

Further details of the Group's cash flows are found in the 2011 Financial Statements and Notes to the Financial Statements.

Summary Cash Flows (2)	2011 (1) US$M	2011 $M	2010 $M	2009 $M	2008 $M	2007 $M
	Full Year Ended 30 June					
Net Cash (used in)/provided by operating activities	**18,960**	**17,667**	(26,669)	(8,510)	3,270	(2,147)
Net Cash (used in)/provided by investing activities	**(1,117)**	**(1,041)**	(511)	(3,214)	(128)	(1,476)
Net Cash (used in)/provided by financing activities	**(14,612)**	**(13,615)**	29,911	11,645	(4,961)	5,669
Net (decrease)/increase in cash and cash equivalents	**3,231**	**3,011**	2,731	(79)	(1,819)	2,046
Cash and Cash Equivalents at beginning of period	**5,277**	**4,917**	2,186	2,265	4,084	2,038
Cash and Cash Equivalents at end of period	**8,508**	**7,928**	4,917	2,186	2,265	4,084

(1) USD translated from AUD at 30 June 2011 (see month end noon buying rate for 2011 Financial Year in the table on page 12).
(2) Comparative information for all periods has been restated to conform with presentation in the current period.

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 2011 compared to Financial Year 2010

The Group's net profit after tax ("statutory basis") for the year ended 30 June 2011 was $6,394 million, which represented a 13% increase on the prior year.

Earnings per share ("statutory basis") increased 12% on the prior year to 411.2 cents per share, whilst Return on equity ("statutory basis") increased 90 basis points to 18.4%.

This solid result was achieved in an environment where the impacts of the GFC continue to linger. Credit growth remained low, business and consumer confidence remained fragile and there was significant uncertainty in global markets. Despite the challenging market conditions, effective execution of the Group's five strategic priorities has driven a sound financial performance. The result was characterised by:

- Net interest income increased 6% to $12,607 million, reflecting a six basis point increase in net interest margin to 2.19% and 4% growth in average interest earning assets to $576 billion;
- Other banking income declined 14% to $3,630 million, with unfavourable hedging and IFRS volatility, reduced retail fees and commissions, lower CommSec brokerage and Markets trading income partly offset by higher bills income and improved Treasury earnings derived through management of short dated interest rate exposures;
- Net funds management operating income increased 6% to $2,042 million, supported by a 5% increase in average funds under administration and stronger investment performance, partly offset by the appreciation of the Australian dollar;
- Net insurance operating income declined 9% to $1,118 million, partly reflecting the sale of the St Andrew's insurance business on 1 July 2010. After adjusting for the sale of St Andrew's, insurance income decreased 5% due to higher claims in the wholesale and retail life businesses;
- Operating expenses increased 4% on 30 June 2010 to $9,060 million, with 1% of the growth driven by continued investment in projects supporting the Group's strategic priorities. Operating expenses, excluding investment expenses, increased 3% reflecting the Group's disciplined approach and continued focus on productivity initiatives which have delivered operational efficiencies; and
- Impairment expense decreased 46% to $1,280 million, mainly reflecting lower Bankwest property related impairments.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 25-51.

Financial Year 2010 compared to Financial Year 2009

The Group's statutory net profit after tax for the 2010 Financial Year was $5,664 million, which represents a 20% increase on the prior year.

The performance during the year was characterised by:

- Solid growth in retail lending and deposit balances, with home lending up 11% to $324 billion and domestic deposits up 3% to $335 billion as at 30 June 2010. Business and corporate lending was down 3% to $155 billion mainly due to deleveraging by institutional clients, while small business lending remained strong;
- Full year net interest margin improved by three basis points to 2.13% as assets were repriced in response to higher funding costs and increased credit risk, along with increased earnings benefiting from higher average capital;
- A 29% increase in funds management income due to 7% growth in average Funds Under Administration to $186 billion at 30 June 2010 driven by improved investment market returns. This was partly offset by lower performance fees and dividends from infrastructure assets;
- A 60% increase in insurance income driven by higher investment experience and solid volume growth, partially offset by higher claims experience including significant weather events;
- Operating expense growth of 9%, reflecting the impact of a full year contribution by Bankwest in the year ended 30 June 2010 and a continued investment in people, customers, technology (including the Core Banking Modernisation programme) and projects to support strategic priorities and drive Group wide productivity;
- Significantly lower impairment expense due to the non-recurrence of a small number of single name corporate exposures experienced in the prior year and improved corporate portfolio credit quality, partly offset by additional impairment expense in Bankwest particularly in relation to east coast property development exposures, following a comprehensive review of the pre-acquisition performing loan portfolio discussed on page 46; and
- Significantly higher investment experience mainly as a result of the unwinding of unrealised mark to market losses in the Guaranteed Annuities portfolio.

Net Interest Income

Financial Year 2011 compared to Financial Year 2010

Net interest income increased by 6% on the prior year to $12,607 million for the year ended 30 June 2011. This was a result of growth in average interest earning assets of 4% together with a six basis point improvement in net interest margin to 2.19%, each of which is discussed below.

Financial Year 2010 compared to Financial Year 2009

Net interest income increased by 16% on the prior year to $11,922 million for the year ended 30 June 2010. Excluding the impact of the Bankwest acquisition, net interest income increased 3% on the prior year to $10,531 million. The increase was a result of solid growth in average interest earning assets of 15% (which includes the full year impact of the acquisition of Bankwest), together with a three basis point improvement in net interest margin to 2.13%, each of which is discussed below.

Average Interest Earning Assets

Financial Year 2011 compared to Financial Year 2010

Average interest earning assets increased by $22 billion on the prior year to $576 billion, reflecting a $12 billion increase in average lending interest earning assets and a $10 billion increase in average non-lending interest earning assets.

Home loan average balances, excluding the impact of securitisation (securitisation was not material in the 2011 Financial Year or the 2010 Financial Year), increased by $20 billion or 7% since 30 June 2010 to $318 billion.

Average balances for business and corporate lending decreased by $8 billion since 30 June 2010 to $150 billion, largely due to institutional clients deleveraging their balance sheets, a strategic shift away from higher risk property and complex lending in Bankwest and the impact of the strengthening Australian dollar on foreign currency denominated loans.

Average non-lending interest earning assets increased $10 billion since 30 June 2010 due to higher levels of liquid assets driven by balance sheet growth and in anticipation of future regulatory requirements.

Financial Year 2010 compared to Financial Year 2009

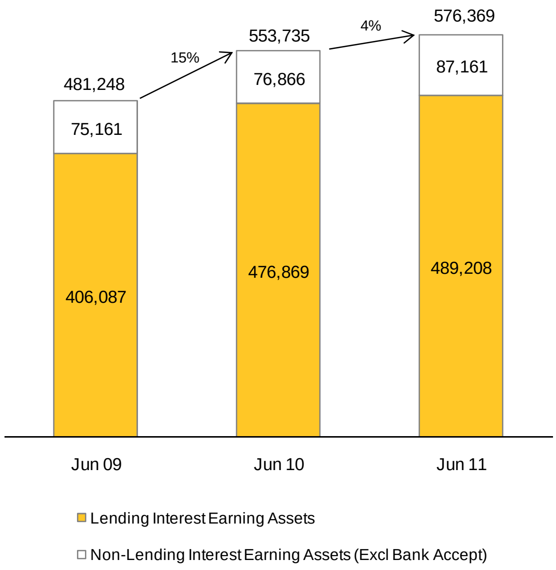
Average interest earning assets increased by $72 billion on the prior year to $554 billion for the year ended 30 June 2010, reflecting a $71 billion increase in average lending interest earning assets and a slight increase in average non-lending interest earning assets.

Average home loan balances, excluding the impact of securitisation (securitisation was not material in the 2010 Financial Year or the 2009 Financial Year), increased by $60 billion since 30 June 2009 to $298 billion, driven by above market volume growth despite tightening credit standards, as the Group increased its home lending market share through competitive customer rates and improved customer retention and the impact of a full year contribution from Bankwest in the year ended 30 June 2010. Excluding Bankwest, average home loans increased by $35 billion to $259 billion.

Average balances for business and corporate lending increased by $10 billion since 30 June 2009 to $159 billion primarily driven by the impact of a full year contribution from Bankwest in the year ended 30 June 2010, partially offset by institutional clients deleveraging in response to the current economic environment.

Average non-lending interest earning assets increased $2 billion compared to the prior year driven by the impact of a full year contribution from Bankwest, offset by a decrease in liquid assets which were held in the prior year to fund the Bankwest operations upon acquisition.

Average Interest Earning Assets ($M)



Net Interest Margin

Financial Year 2011 compared to Financial Year 2010

The Group's net interest margin increased six basis points compared to the prior year to 2.19% for the year ended 30 June 2011. The Australian contribution to Group net interest margin (which excludes the IFRS reclassification and New Zealand) decreased one basis point. The key drivers were:

<u>Asset pricing and mix:</u> Increase in margin of five basis points, reflecting the impact of repricing on home loans (six basis points) and personal loans (one basis point), partly offset by a reduction in business lending margins (one basis point). The growth in home loans relative to business lending, which has a higher average margin than home loans, resulted in a negative mix impact (one basis point).

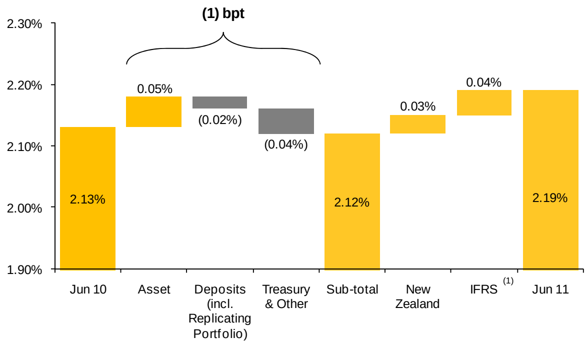
<u>Deposit pricing and mix:</u> Decrease of two basis points as market competition for retail deposits continues to impact Investment account margins (one basis point). In addition, the favourable impact of the increasing cash rate environment on transaction and savings account margins has been offset by a reduction in replicating portfolio benefit and ongoing market competition (one basis point).

The replicating portfolio is a technique used to stabilise the Net Interest Earnings of the Group over long term interest rate cycles. Replicating portfolios are engineered portfolios of assets that have repricing characteristics that closely match the repricing characteristics of retail products like demand deposit accounts. The main benefit of replicating portfolios is the protection of deposit product profitability when interest rates are falling. The benefit diminishes over time in a stable interest rate environment.

<u>Treasury and other:</u> Decrease of four basis points driven by holding higher levels of non-lending interest earning assets.

The New Zealand contribution to Group net interest margin increased three basis points compared to 30 June 2010. This reflected a shift in portfolio mix as customers switched from fixed to variable rate home loans together with repricing initiatives.

NIM movement – June 2010 to 2011



(1) The reclassification from Net interest income to Other banking income relates to certain economic hedges which do not qualify for IFRS hedge accounting.

Financial Year 2010 compared to Financial Year 2009

The net interest margin improved three basis points on the prior year to 2.13% for the year ended 30 June 2010 with the key drivers including:

<u>Deposit pricing</u>: Deposit margins decreased ten basis points primarily driven by increased competition on savings and investment products together with the decline in average cash rates (2010: 3.7%; 2009: 4.8%).

Asset pricing: Overall increase in margin of nine basis points, reflecting the impact of repricing on home loans (two basis points), personal lending (three basis points) and business lending (four basis points) in response to higher average funding costs and increased credit risk.

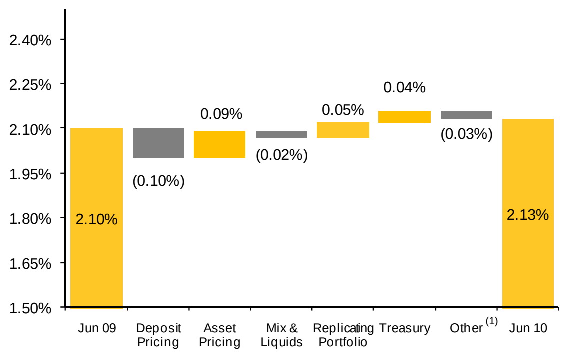
Mix: Overall decrease in margin of two basis points as a result of strong growth in relatively lower margin home loans.

Replicating Portfolio: Increased five basis points, acting as a "buffer" to the declining deposit margins.

Treasury: Increased earnings benefiting from higher average capital (four basis points).

Other: Decrease of three basis points driven by lower margins in offshore businesses which are reported separately from the Group's domestic business.

NIM movement – June 2009 to 2010



(1) Includes the reclassification from Net interest income to Other banking income relates to certain economic hedges which do not qualify for IFRS hedge accounting.

Additional information, including the average balances, is set out in Note 4 to the 2011 Financial Statements.

Other Banking Income

	Full Year Ended		
	30/06/11	30/06/10	30/06/09
	$M	$M	$M
Commissions	**1,946**	2,006	2,027
Lending fees	**1,467**	1,435	1,396
Trading income	**717**	597	741
Other income	**351**	333	287
	4,481	4,371	4,451
IFRS reclassification of net swap costs (1)	**(498)**	(259)	(275)
Other banking income ("cash basis")	**3,983**	4,112	4,176
Hedging and IFRS volatility	**(346)**	119	(262)
Gain/ loss on disposal of controlled entities	**(7)**	(23)	-
Other banking income ("statutory basis")	**3,630**	4,208	3,914

(1) The reclassification from Net interest income to Other banking income relates to certain economic hedges which do not qualify for IFRS hedge accounting.

Financial Year 2011 compared to Financial Year 2010

Other banking income of $3,630 million for the year ended 30 June 2011, decreased 14% compared to the prior year.

Factors impacting other banking income were:

Commissions: decreased 3% on the prior year to $1,946 million. This was primarily driven by lower dishonour exception fees, customer migration to lower fee products and lower contract note volumes in CommSec;

Lending fees: increased 2% on the prior year to $1,467 million. This was driven by higher commercial bill income, partially offset by lower early repayment and overdrawn exception fees;

Trading income: increased 20% on the prior year to $717 million. This was primarily due to improved Treasury earnings relating to the management of short dated interest rate exposures, partly offset by lower Institutional Banking and Markets earnings that were impacted by a challenging environment characterised by lower domestic volatility, flattening yield curves and narrowing credit spreads; and

Other income: increased 5% on the prior year to $351 million mainly due to higher leasing fee income.

Hedging and IFRS volatility: includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting under IFRS, including:

- Cross currency interest rate swaps hedging foreign currency denominated debt issues; and
- Foreign exchange hedges relating to future New Zealand earnings.

Fair value gains or losses on all these economic hedges are excluded from cash profit since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $346 million loss was recognised in the year ended 30 June 2011 (30 June 2010: $119 million gain).

Financial Year 2010 compared to Financial Year 2009

Other banking income increased 8% on the prior year to $4,208 million for the year ended 30 June 2010, due to the following:

Commissions: decreased by 1% on the prior year to $2,006 million. This was primarily driven by a decrease in credit card loyalty reward income, ATM direct charging income and dishonour fees ($53 million). This was partly offset by increased brokerage commissions following higher trading volumes in CommSec.

Lending fees: increased 3% on the prior year to $1,435 million. Institutional commitment and lending fees increased together with Commercial Bill fees, following solid volume growth and improved margins. These were offset by declines in overdraft fees ($97 million) following a significant reduction in fee levels across a range of personal and business transaction accounts early in the 2010 Financial Year. Early repayment fees also declined after reaching highs in the prior year following rapid and significant reductions in official cash rates that led to high levels of fixed-rate home loan refinancing in the 2009 Financial Year.

Trading income: decreased by 19% on the prior year to $597 million. This outcome was impacted by a strong trading result in the prior year due to greater financial market volatility that resulted in higher trading volumes during the prior year. In the 2010 Financial Year, counterparty fair value mark to market valuations have benefited from narrowing credit spreads.

Other income: increased by 16% on the prior year to $333 million primarily due to gains from asset sales in Institutional Banking and Markets.

Hedging and IFRS volatility: includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting under IFRS, including:

- Cross currency interest rate swaps hedging foreign currency denominated debt issues; and
- Foreign exchange hedges relating to future New Zealand earnings.

Fair value gains or losses on all these economic hedges are excluded from cash profit since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $119 million gain recognised in the year ended 30 June 2010 (30 June 2009: $262 million loss).

Funds Management Income

	Full Year Ended		
	30/06/11	30/06/10	30/06/09
	$M	$M	$M
CFS GAM	**907**	789	773
Colonial First State	**860**	811	703
CommInsure	**208**	224	259
New Zealand and Other	**66**	74	78
Funds management income ("cash basis")	**2,041**	1,898	1,813
Treasury shares valuation adjustment	**(24)**	(51)	(33)
Policyholder tax	**62**	50	(139)
Investment experience	**(37)**	31	(151)
Funds management income ("statutory basis")	**2,042**	1,928	1,490

Financial Year 2011 compared to Financial Year 2010

Funds Management income increased 6% on the prior year to $2,042 million for the year ended 30 June 2011. This outcome was supported by a 5% increase in average FUA to $196 billion at 30 June 2011. Internationally sourced fund flows were solid and FirstChoice and FirstWrap attracted their share of net flows ahead of system.

Investment performance was solid but impacted by difficult market conditions, particularly through the quarter leading up to 30 June 2011. Base fee contributions were higher as a result of improved business mix. This was partially offset by the continued strengthening of the Australian dollar.

Funds management income to average FUA increased by one basis point to 1.04% compared to the prior year, mainly reflecting improved business mix.

Financial Year 2010 compared to Financial Year 2009

Funds management income increased 29% on the prior year to $1,928 million for the year ended 30 June 2010. The growth was primarily attributable to a 7% increase in average FUA to $186 billion and a 6% increase in average FUM to $144 billion, reflecting improved investment market returns partly offset by lower performance fees and dividends from infrastructure assets.

Funds management income to average FUA was relatively stable over the prior year.

Insurance Income

	Full Year Ended		
	30/06/11	30/06/10	30/06/09
	$M	$M	$M
CommInsure and Other	**625**	684	636
Sovereign and Other	**231**	261	274
Insurance income ("cash basis")	**856**	945	910
Policyholder tax	**104**	80	(25)
Investment experience	**158**	205	(116)
Insurance income ("statutory basis")	**1,118**	1,230	769

Financial Year 2011 compared to Financial Year 2010

Insurance income decreased 9% on the prior year to $1,118 million. On 1 July 2010 the Group completed the sale of the St Andrew's insurance business which contributed no income to the 2011 financial year (2010: $54 million). The decrease in insurance income was also impacted by higher claims in the wholesale and retail life businesses. The general insurance business saw improved performance with inforce premium growth of 7% together with improved claims despite the impact of severe weather events.

The reduction in investment experience from $205 million at 30 June 2010 to $158 million at 30 June 2011 was mainly due to lower mark to market gains on the Guaranteed Annuities portfolio.

Financial Year 2010 compared to Financial Year 2009

Insurance income increased by 60% on the prior year to $1,230 million for the year ended 30 June 2010. The increase was driven by 12% growth in average inforce premiums to $2,005 million, partially offset by higher claims experience in the General Insurance businesses, including significant weather events.

In addition, investment experience increased by $321 million mainly due to the unwinding of mark to market loss on the Guaranteed Annuities portfolio.

Operating Expenses

Financial Year 2011 compared to Financial Year 2010

Operating expenses increased 4% on the prior year to $9,060 million. Of this increase, 1% was driven by continued investment in projects supporting the Group's strategic priorities, including the Core Banking Modernisation initiative. Operating expenses, excluding investment expenses, increased 3% on the prior year. This reflects the Group's continued focus on productivity initiatives which have delivered operational efficiencies. This was offset by inflation-related salary increases, investment in staff (with full time equivalent employees increasing by 2%) and higher defined benefit superannuation plan expense (30 June 2011: $137 million; 30 June 2010: $103 million).

Financial Year 2010 compared to Financial Year 2009

Operating expenses increased by 9% over the prior year to $8,716 million for the year ended 30 June 2010. This was driven by:

- The impact of a full year contribution by Bankwest in the year ended 30 June 2010 ($397 million higher expenses);
- Higher staff costs, reflecting the Group's strong performance in the 2010 Financial Year and an out of cycle 2% pay rise;

- Continued investment in technology and projects to support strategic priorities and drive Group wide productivity; and
- The unfavourable impact of investment markets on the Group's defined benefit superannuation fund resulting in a $103 million expense for the 2010 financial year (2009: $14 million non-cash expense).

Gross investment spend remained strong at $1,036 million ($1,075 million in the 2009 Financial Year). The primary focus is again on Core Banking Modernisation, with additional investment on the upgrade of Risk Management systems.

The table below details the Group's staff numbers as at 30 June 2011, 2010 and 2009.

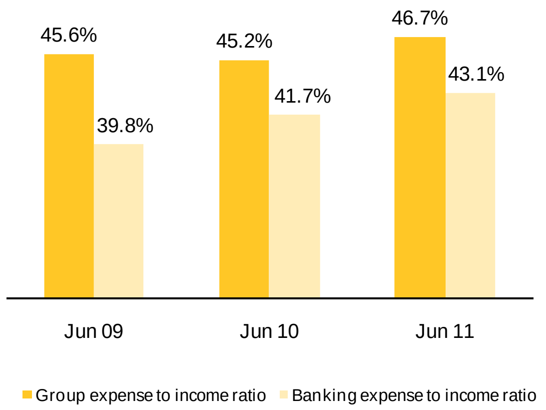
Staff Numbers

	Full Year Ended		
Full-Time Equivalent Staff	2011	2010	2009
Australia	**37,504**	36,987	35,111
Total	**46,060**	45,025	44,218

Full-time equivalent staff have been weighted for employees on extended leave, for example, maternity leave, unpaid sick leave or career break.

Expense to income ratios

The Group expense to income ratio ("statutory basis") increased by 150 basis points from 45.2% at 30 June 2010 to 46.7% at 30 June 2011. The Group expense to income ratio ("statutory basis") decreased 40 basis points from 45.6% at 30 June 2009 to 45.2% at 30 June 2010. Whilst income growth slowed, the Group maintained a continued focus on technology and operational efficiencies.



Loan Impairment Expense

Financial Year 2011 compared to Financial Year 2010

Loan impairment expense for the year was $1,280 million, representing 25 basis points of average gross loans and acceptances. Loan impairment expense decreased 46% on the prior year from $2,379 million at 30 June 2010 to $1,280 million at 30 June 2011, largely driven by:

- A significant reduction in Bankwest's loan impairment expense from $1,058 million at 30 June 2010 to $109 million at 30 June 2011, following the detailed review and increased provisioning of its business banking portfolio in the prior year;
- Improved average arrears rates in the unsecured retail portfolio in the 2011 Financial Year resulting in a lower collective provision charge for these portfolios; and
- Improvement in ASB's loan impairment expense in line with the improvement of the economic environment in New Zealand. This improvement has been partially offset by provisions set aside to assist customers impacted by the Christchurch earthquakes.

Financial Year 2010 compared to Financial Year 2009

Impairment expense for the 2010 Financial Year was $2,379 million, down 22% compared to $3,048 million in the prior year. The reduction was primarily driven by the non-recurrence of a small number of single name corporate exposures that impacted the prior year. Loan impairment expense in the corporate portfolio has also decreased following improved economic conditions and credit ratings.

Retail loan impairment expense, however, increased as a result of solid consumer finance volume growth and the Group continuing to support customers through difficult times.

Bankwest loan impairment expense also increased as a result of deterioration of the pre-acquisition business lending portfolio.

Since the initial review of the Bankwest portfolio, further detailed work was undertaken into the Bankwest business banking portfolio during the 2010 Financial Year. This review identified additional performing pre-acquisition loans with poor asset quality, high loan to value ratios and insufficient covenant coverage. This resulted in significant risk grade reassessments and security revaluations with provisioning increasing $304 million. These loans are confined to the pre-acquisition business banking portfolio.

Given the one off nature of the impairment and the fact it relates to an understatement of provisioning in the pre-acquisition portfolio, this additional amount of loan impairment expense was recorded as a non-cash item. This is consistent with the treatment of the gain on acquisition of Bankwest.

Gross impaired assets increased to $5,216 million at 30 June 2010, a 24% increase over the prior year, including the impact of the Bankwest business banking review.

Provisions for Impairment

Financial Year 2011 compared to Financial Year 2010

The Group believes it maintains a prudent and conservative approach to provisioning, with total provisions for impairment losses of $5,168 million as at 30 June 2011, which is a 5% reduction compared to 30 June 2010. The current level of provision reflects:

- A reduction of Bankwest provisions as pre-acquisition troublesome or impaired loans run off, and the credit quality of new loans improve;
- Increased CBA individually assessed provisions associated with new impaired loans as the conservative coverage of impaired loans continues; and
- A decline in management overlay as the modelled overlay reduced in line with the reduction in the base collective provisions. This was partly offset by a slight increase in the economic overlay.

Financial Year 2010 compared to Financial Year 2009

The Group believes it maintains a prudent and conservative approach to provisioning, with total provisions for impairment losses including Bankwest at 30 June 2010 of $5,453 million. This represents a $499 million increase since June 2009. The current level reflects:

- Increased individual and collective provisioning to cover specific pre-acquisition exposures in the Bankwest loan book;
- Reduced credit exposure in the corporate portfolio;
- Growth and higher arrears rates over the 2010 Financial Year in the retail portfolios; and
- A management overlay of $1,192 million to cover the impact of economic conditions and other risks.
- No direct exposure to US sub-prime or non-recourse mortgages; and
- No material exposure to Collateralised Debt Obligations (CDO's).

Taxation Expense

	Full Year Ended		
	2011	2010	2009
Income Tax	$M	$M	$M
Retail Banking Services	**1,202**	1,062	889
Business and Private Banking	**417**	363	288
Institutional Banking and Markets	**311**	339	(151)
Wealth Management	**218**	210	205
New Zealand	**150**	99	135
Bankwest	**199**	(20)	50
Other	**100**	155	215
Investment Experience	**40**	58	(71)
Total income tax expense (cash basis)	**2,637**	2,266	1,560
Statutory adjustments	**10**	247	136
Total income tax expense	**2,647**	2,513	1,696

	2011	2010	2009
Effective Tax	%	%	%
Retail Banking Services	**29. 7**	30. 1	29. 7
Business and Private Banking	**28. 6**	28. 8	28. 1
Institutional Banking and Markets	**23. 7**	22. 4	large
Wealth Management	**28. 1**	28. 0	30. 1
New Zealand	**24. 0**	56. 9	23. 8
Bankwest	**34. 7**	22. 5	35. 4
Total – corporate	**27. 9**	29. 6	28. 1

Financial Year 2011 compared to Financial Year 2010

The income tax expense was $2,647 million, representing an effective tax rate of 27.9%.

The effective tax rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore banking unit and offshore jurisdictions that have lower corporate tax rates.

Financial Year 2010 compared to Financial Year 2009

The corporate tax expense for the year was $2,513 million, including the impact of the tax on New Zealand Structured Finance transactions of $171 million, representing an effective tax rate of 29.6%.

Core Banking Modernisation

Gross investment spend remained strong during the year at $1,179 million (30 June 2010: $1,036 million; 30 June 2009: $1,075 million), with the primary focus being on the Core Banking Modernisation (CBM) initiative. The CBM initiative continues to make significant progress. Highlights over the year include the:

- Launch of new retail savings and transaction account functionality, with over 1.2 million new accounts opened on the new platform;
- Successful migration of 10 million retail savings and transaction accounts onto the new platform, allowing these customers to enjoy the benefits of real time banking and providing the organisation with streamlined customer centric processes; and
- Development of business savings and transaction account functionality.

We expect the 2012 financial year to see the launch of business savings and transaction account functionality and migration of an additional one million business savings and transaction accounts onto the platform. In addition, SAP will be implemented as the primary customer solution for the Group, with the existing customer system decommissioned. Planning for the lending phases of the initiative has begun, with development commencing in the 2012 financial year.

See "Description of Business – Business Strategies and Future Developments" for more information on the Core Banking Modernisation.

Review of Group Assets and Liabilities

Financial Year 2011 compared to Financial Year 2010

Asset growth of $22 billion or 3% since 30 June 2010, was driven mainly by growth of $11 billion or 3% in home lending and growth of $14 billion or 18% in non-lending interest earning assets, partly offset by lower business and corporate lending balances as a result of institutional clients deleveraging and strengthening of the Australian dollar.

Asset growth was funded by an increase in customer deposits, which represented 61% of total funding at 30 June 2011 (30 June 2010: 58%). Wholesale funding decreased compared to 30 June 2010, as a result of the strong growth in customer deposits, the low credit growth environment and the strengthening of the Australian dollar.

The weighted average maturity (WAM) of new long-term wholesale debt issued in the year ended 30 June 2011 was 4.1 years. The WAM of outstanding long-term wholesale debt marginally declined to 3.6 years at 30 June 2011 from 3.8 years at 30 June 2010.

Financial Year 2010 compared to Financial Year 2009

Asset growth of $26 billion during the 2010 Financial Year or 4% since 30 June 2009, was driven mainly by home lending growth of $31 billion or 11%, partly offset by lower business and corporate lending balances as a result of institutional clients deleveraging, while small business lending remained strong. Asset growth was funded by an increase in customer deposits which represented 58% of total funding at 30 June 2010 (2009: 56%). Whilst total wholesale funding was relatively stable compared to 30 June 2009, the Group has increased the share of long term wholesale funding and lengthened the tenor of the long term portfolio to 3.8 years at 30 June 2010 (2009: 3.6 years).

Home loans excluding securitisation

Financial Year 2011 compared to Financial Year 2010

Home loans excluding securitisation experienced steady growth with balances increasing $11 billion to $325 billion as at 30 June 2011, a 3% increase on 30 June 2010. This outcome was impacted by moderating credit growth and intense price competition. The Group maintained its competitive position through product innovation, targeted discounting and a focus on customer service.

Financial Year 2010 compared to Financial Year 2009

Home loans excluding securitisation experienced strong growth with balances increasing $34 billion to $314 billion as at 30 June 2010, a 12% increase on 30 June 2009. Domestic volume growth and market share gains benefited from competitive customer rates, improved customer retention and strong growth in the first home buyer market.

Personal loans

Financial Year 2011 compared to Financial Year 2010

Personal loans, including credit cards, margin lending and other personal loans, increased 2% since 30 June 2010 to $21 billion at 30 June 2011. Steady growth in credit card balances was influenced by new product offerings. This was offset by a decline in margin lending balances due to continued conservative investor sentiment. Other personal loans remained flat compared to 30 June 2010.

Financial Year 2010 compared to Financial Year 2009

Personal loans including credit cards, margin lending and other personal loans increased $1 billion to $21 billion as at 30 June 2010, a 7% increase on 30 June 2009. Growth was driven predominantly by an increase in credit card balances following the success of the Amex companion card release and targeted limit increase campaigns. Margin lending balances also increased, up 4% on 30 June 2009 to $5 billion partly due to the recovery in equity markets.

Business and corporate loans

Financial Year 2011 compared to Financial Year 2010

Business and corporate loans declined by $6 billion to $148 billion as at 30 June 2011, a 4% decrease on 30 June 2010. This was driven mainly by institutional clients deleveraging, a strategic shift away from higher risk property and complex lending in Bankwest and the strengthening of the Australian dollar. This decline was partly offset by solid growth in business lending in Business and Private Banking.

Financial Year 2010 compared to Financial Year 2009

Business and corporate loans declined by $5 billion to $155 billion as at 30 June 2010, a 3% decrease on 30 June 2009. This was impacted mainly by institutional clients deleveraging as a result of the economic environment. This was partially offset by strong growth and market share gains in Business and Private Banking, particularly in loans to small business customers.

Non-lending interest earning assets

Financial Year 2011 compared to Financial Year 2010

Non-lending interest earning assets increased $14 billion to $88 billion as at 30 June 2011, an 18% increase on 30 June 2010. This was primarily due to an increase in liquid assets in anticipation of future regulatory requirements.

Financial Year 2010 compared to Financial Year 2009

Non-lending interest earning assets increased $2 billion to $75 billion as at 30 June 2010 a 3% increase on 30 June 2009, mainly driven by an increase in available for sale assets.

Other assets

Financial Year 2011 compared to Financial Year 2010

Other assets, including bank acceptances of customers, derivative assets, provisions for impairments, securitisation assets, insurance assets and intangibles, increased $3 billion to $86 billion on 30 June 2011, a 4% increase on 30 June 2010. This was impacted by higher derivative asset balances as a result of volatility in foreign exchange and interest rate markets.

Financial Year 2010 compared to Financial Year 2009

Other assets including bank acceptances of customers, derivative assets, provisions for impairment, securitisation assets, insurance assets and intangibles, decreased $6 billion to $83 billion as at 30 June 2010, a 7% decrease on 30 June 2009. This was impacted by lower securitisation and bank acceptances balances driven by lower market demand for these products.

Interest bearing deposits

Financial Year 2011 compared to Financial Year 2010

Interest bearing deposits increased by $26 billion to $392 billion as at 30 June 2011, a 7% increase on 30 June 2010.

Targeted campaigns in a highly competitive market resulted in growth of $19 billion in investment deposits, representing a 12% increase on 30 June 2010. Transaction deposits increased 8% to $79 billion.

Other demand deposits decreased 2% compared to 30 June 2010. This was mainly driven by lower certificates of deposits being replaced by the growth in customer deposits.

Financial Year 2010 compared to Financial Year 2009

Interest bearing deposits increased by $6 billion to $366 billion as at 30 June 2010, a 2% increase on 30 June 2009. The increase was driven by targeted campaigns in a highly competitive market delivering solid growth in both investment and transaction products. This was partially offset by a $18 billion decrease in certificates of deposits (included in other demand deposits) following the Group's strategy to reduce the share of short term wholesale funding. Excluding certificates of deposit, total retail and business deposits increased 8% compared to the 30 June 2009.

Debt issues

Financial Year 2011 compared to Financial Year 2010

Debt issues have decreased $13 billion to $108 billion as at 30 June 2011, an 11% decrease on 30 June 2010. The decrease in term funding was driven by the strengthening Australian dollar in addition to maturing debt being replaced by the growth in customer deposits. Refer to "Liquidity and Capital Resources" in this Document for further information on debt programmes and issuance for the year ended 30 June 2011.

Financial Year 2010 compared to Financial Year 2009

Debt issues outstanding increased $32 billion to $121 billion as at 30 June 2010, a 35% increase on 30 June 2009. The increase in term funding was driven by growth in lending assets and the Group's strategy to increase its long term wholesale funding and lengthen the tenor of the long term debt portfolio. Growth slowed in the second half in line with lower asset growth. Refer to "Liquidity and Capital Resources" in this Document for further information on debt programmes and issuance for the year ended 30 June 2010.

Other interest bearing liabilities

Financial Year 2011 compared to Financial Year 2010

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, decreased $4 billion to $38 billion as at 30 June 2011, an 8% decrease on 30 June 2010. This was driven mainly by New Zealand replacing maturing facilities with debt issues.

Financial Year 2010 compared to Financial Year 2009

Other interest bearing liabilities including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, decreased $2 billion to $41 billion as at 30 June 2010, a 5% decrease on 30 June 2009 due to lower amounts held on deposit from other financial institutions at year end.

Non-interest bearing liabilities

Financial Year 2011 compared to Financial Year 2010

Non-interest bearing liabilities, including derivative liabilities, insurance policy liabilities and bank acceptances, increased $9 billion to $82 billion as at 30 June 2011, a 12% increase on 30 June 2010. This was driven predominantly by foreign exchange volatility impacting derivative liabilities hedging term debt.

Financial Year 2010 compared to Financial Year 2009

Non-interest bearing liabilities including derivative liabilities, insurance policy liabilities and bank acceptances, decreased $10 billion to $73 billion as at 30 June 2010, a 12% decrease on 30 June 2009. This was driven predominantly by foreign exchange volatility impacting derivative liabilities hedging term debt and lower levels of bank acceptances.

Total Group Assets & Liabilities	As at 30/06/11 $M	30/06/10 $M	30/06/09 $M
Interest earning assets			
Home loans including securitisation	**335,841**	323,573	292,206
Less: securitisation	**(11,296)**	(9,696)	(12,568)
Home loans excluding securitisation	**324,545**	313,877	279,638
Personal	**20,943**	20,572	19,260
Business and corporate	**148,420**	154,742	160,089
Loans, bills discounted and other receivables (1)	**493,908**	489,191	458,987
Non-lending interest earning assets	**88,142**	74,610	72,688
Total interest earning assets	**582,050**	563,801	531,675
Other assets	**85,849**	82,529	88,697
Total assets	**667,899**	646,330	620,372
Interest bearing liabilities			
Transaction deposits (2)	**79,466**	73,783	66,599
Saving deposits (2)	**81,680**	79,435	77,496
Investment deposits (2)	**176,100**	156,694	139,395
Other demand deposits (2)	**54,613**	55,957	76,615
Total interest bearing deposits	**391,859**	365,869	360,105
Deposits not bearing interest	**9,288**	8,794	8,616
Deposits and other public borrowings	**401,147**	374,663	368,721
Debt issues	**108,421**	121,438	89,868
Other interest bearing liabilities	**37,950**	41,461	43,744
Total interest bearing liabilities	**538,230**	528,768	493,717
Securitisation debt issues	**10,231**	8,772	11,951
Non-interest bearing liabilities	**82,151**	73,220	83,262
Total liabilities	**630,612**	610,760	588,930
Provisions for impairment losses			
Collective provision	**3,043**	3,461	3,225
Individually assessed provisions	**2,125**	1,992	1,729
Total provisions for impairment losses	**5,168**	5,453	4,954
Less: Off balance sheet provisions	**(21)**	(25)	(30)
Total provisions for loan impairment	**5,147**	5,428	4,924

(1) Excludes provisions for impairment which are included in Other Assets.

(2) Comparatives have been restated following alignment of Bankwest product classifications with the Group.

Retail Banking Services

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

Financial Year 2011 compared to Financial Year 2010

Retail Banking Services statutory net profit after tax for the year ended 30 June 2011 was $2,845 million, representing a 16% increase on the prior year. The result was driven by solid growth in net interest income partially offset by lower other banking income, sound management of operational expenses and an improvement in loan impairment expense.

Financial Year 2010 compared to Financial Year 2009

The key drivers of Retail Banking Services results for the 2010 Financial Year were:

- A 38% increase in home loan revenue to $2,405 million due to strong volume growth and improved margins as a result of a shift in portfolio mix as fixed rate loans written at historically low margins rolled off together with an increased proportion of loans written through proprietary channels;
- A 8% increase in consumer finance revenue to $1,560 million due to continued focus on quality account acquisition and pricing to reflect the current risk environment;
- Excluding loyalty, operating expenses increased 5% on prior year due to continued investment; and
- A 5% increase in impairment expense due to consumer growth and higher arrears levels in the current economic environment.

Home Loans

Financial Year 2011 compared to Financial Year 2010

Home Loan income for the year ended 30 June 2011 was $2,893 million, a 20% increase on the prior year. Average volume growth was 6% in a period of reduced market activity. Net interest margin improved, benefitting from portfolio repricing and the continued roll off of fixed rate loans written at relatively low margins. Funding costs continued to increase as lower cost funding rolled off and was replaced with higher priced new wholesale debt.

Other banking income fell 3% primarily due to the abolition of switching fees for customers refinancing loans with CBA. Deferred establishment fees for new customers were also removed in March 2011.

Financial Year 2010 compared to Financial Year 2009

Home Loans income for the year ended 30 June 2010 increased 38% on the prior year to $2,405 million, benefiting from strong average volume growth of 18% and improved margins. Margins benefited from a shift in portfolio mix as fixed rate loans written at historically low margins rolled off together with an increased proportion of loans written through proprietary channels. This benefit was partially offset by a significant increase in funding costs. Volume growth was driven by competitive customer rates and strong growth in the first home buyer market.

Consumer Finance

Financial Year 2011 compared to Financial Year 2010

Consumer Finance income for the year ended 30 June 2011 was $1,700 million, an increase of 9% on the prior year. This result benefited from improved margins and volume growth in both the Credit Card and Personal Lending portfolios. Other banking income was flat as the impact from the reduction in over-limit and late payment fees was offset by higher volume related income.

Financial Year 2010 compared to Financial Year 2009

Consumer Finance income for the year ended 30 June 2010 increased 8% on the prior year to $1,560 million, with continued focus on quality account acquisition and pricing to reflect the current risk environment.

The success of the Amex companion card and targeted limit increase campaigns drove 11% growth in Credit Card balances. Personal Loan balances increased 2% on the prior year.

Other banking income decreased by 14% on the prior year, primarily due to lower Credit Card loyalty income following changes to the Qantas Frequent Flyer programme in 2009, which caused a high level of loyalty point redemptions in the 2009 Financial Year. Excluding loyalty income, other banking income increased by 12% on the prior year largely due to volume growth.

Retail Deposits

Financial Year 2011 compared to Financial Year 2010

Retail Deposit income for the year ended 30 June 2011 was $2,609 million, a decrease of 7% on the prior year. Net interest income fell by 5% with continued margin pressure from price competition and a shift towards lower margin products within the portfolio offsetting strong average balance growth of 10%. Other banking income decreased 15% primarily due to the reduction in exception fees in October 2009.

Financial Year 2010 compared to Financial Year 2009

Deposit income for the year ended 30 June 2010 decreased by 9% on the prior year to $2,797 million. This result was significantly impacted following the introduction of ATM direct charging in March 2009, the reduction in exception fees, such as dishonour and overdraft fees, from October 2009 and continued margin compression in a very competitive market. Volume growth remained robust with a 10% increase in balances on the prior year end.

Distribution

Financial Year 2011 compared to Financial Year 2010

Distribution income for the year ended 30 June 2011 was $306 million, an increase of 11% on the prior year. This reflected increased revenue from foreign exchange products and commissions received from the distribution of Business Banking and Wealth Management products through the retail network. The Group continues to focus on building deeper relationships with customers and now has the highest average products per customer[(1)] of the major banks.

(1) Roy Morgan Research, Australians 14+, Banking and Finance products per Banking and Finance customers, six months rolling average, at 30 June 2011.

Financial Year 2010 compared to Financial Year 2009

Income associated with the sale of foreign exchange products, and commissions received from the distribution of business banking and wealth management products through the retail distribution network for the year ended 30 June 2010 increased by 23% on the prior year. Growth was driven by improved cross-sell performance and new product offerings such as Travel Money Card.

Operating Expenses

Financial Year 2011 compared to Financial Year 2010

Expenses for the year ended 30 June 2011 were $2,903 million, up 4% on the prior year, with the cost to income ratio falling to 38.7%. Expenses included investment spend relating to the Core Banking Modernisation initiative. Underlying expense growth was 2%, driven primarily by staff inflationary increases.

Financial Year 2010 compared to Financial Year 2009

Expenses remained flat on the prior year at $2,779 million. Excluding the impact of credit card related loyalty expenses, expenses increased by 5%. This primarily reflects continuing investment in technology, marketing, risk management and collections.

Efficiency gains enabled a reduction in the expense to income ratio to 39.5%, down from 42.9% in 2009.

Impairment Expense

Financial Year 2011 compared to Financial Year 2010

Impairment expense for the year ended 30 June 2011 was $558 million, a decrease of 24% on the prior year. This result was supported by improved average arrears rates in the unsecured portfolio as well as continued investment in collections and credit decisioning capabilities.

Financial Year 2010 compared to Financial Year 2009

Impairment expense increased 5% on the prior year to $736 million, primarily due to consumer finance volume growth, and increased arrears levels in the economic environment.

Retail Banking Services continued

	Full Year Ended 30 June 2011				
	Home Loans	Consumer Finance [1]	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	2,706	1,281	2,222	-	6,209
Other banking income	187	419	387	306	1,299
Total banking income	2,893	1,700	2,609	306	7,508
Operating expenses					(2,903)
Loan impairment expense					(558)
Net profit before tax					4,047
Corporate tax benefit/(expense)					(1,202)
Cash net profit after tax					**2,845**
					-
Statutory net profit after tax					**2,845**

	Full Year Ended 30 June 2010 [2]				
	Home Loans	Consumer Finance [1]	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	2,213	1,143	2,340	-	5,696
Other banking income	192	417	457	276	1,342
Total banking income	2,405	1,560	2,797	276	7,038
Operating expenses					(2,779)
Loan impairment expense					(736)
Net profit before tax					3,523
Corporate tax benefit/(expense)					(1,062)
Cash net profit after tax					**2,461**
					-
Statutory net profit after tax					**2,461**

	Full Year Ended 30 June 2009				
	Home Loans	Consumer Finance [1]	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	1,575	958	2,392	-	4,925
Other banking income	167	483	677	224	1,551
Total banking income	1,742	1,441	3,069	224	6,476
Operating expenses					(2,781)
Loan impairment expense					(699)
Net profit before tax					2,996
Corporate tax benefit/(expense)					(889)
Cash net profit after tax					**2,107**
					-
Statutory net profit after tax					**2,107**

	As at		
	30/06/11	30/06/10	30/06/09
Balance Sheet	$M	$M	$M
Home loans (including securitisation)	**260,583**	250,428	226,457
Consumer finance	**13,989**	12,961	12,064
Other Assets	**201**	250	-
Total assets	**274,773**	263,639	238,521
Home loans (net of securitisation)	**252,438**	243,695	217,855
Transaction deposits	**19,357**	19,050	20,335
Savings deposits	**59,127**	59,206	55,334
Investments and other deposits	**83,951**	71,719	60,817
Deposits not bearing interest	**3,057**	2,840	2,858
Other Liabilities	**2,926**	2,519	-
Total liabilities	**168,418**	155,334	139,344

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

(2) Comparatives have been restated for the impact of business resegmentation.

Forward-Looking Statements

This Business and Private Banking analysis contains certain forward-looking statements. See "Special Note regarding Forward-Looking Statements" on page 3.

Financial Performance and Business Review

Financial Year 2011 compared to Financial Year 2010

Business and Private Banking delivered a strong performance, achieving statutory net profit after tax of $1,039 million for the year ended 30 June 2011, which represented a 16% increase on the prior year.

The business banking segments contributed significantly to this result, experiencing growth in lending and deposit volumes, improving deposit margins and a lower impairment expense. While equities trading market volumes were lower, CommSec continued to maintain its prominence in the online non advisory market in a highly competitive environment.

Financial Year 2010 compared to Financial Year 2009

Business and Private Banking delivered a strong performance, achieving 22% growth in statutory net profit after tax to $898 million for the year ended 30 June 2010.

This result reflected growth across all businesses with operating performance growth of 19% and total banking income growth of 11%. The revenue performance was driven by strong growth in business lending balances, stable margins and improved equities trading volumes within CommSec.

Corporate Financial Services

Financial Year 2011 compared to Financial Year 2010

Corporate Financial Services income in the 2011 Financial Year increased 13% on the prior year to $1,084 million. This was driven by commercial lending balance growth of 10% and deposit balance growth of 13%.

There has been ongoing investment in people, systems and processes and a focus on delivering an outstanding client experience for new and existing customers.

Financial Year 2010 compared to Financial Year 2009

Corporate Financial Services income in the 2010 Financial Year increased 3% on the prior year to $960 million. This was driven by business lending growth of 10%, while margins also improved. The benefit from increasing deposit balances was offset by lower deposit margins primarily due to the impact of competitive pricing.

Regional and Agribusiness Banking

Financial Year 2011 compared to Financial Year 2010

Regional and Agribusiness Banking income in the 2011 Financial Year increased 8% on the prior year to $426 million. This reflected a 5% increase in lending balances and a 5% increase in deposit balances, whilst margins were stable.

Through the Specialised Agri Solutions team, the business continued to focus on identifying and delivering innovative solutions to customers with more complex needs. The business has also strongly supported its customers who were affected by the natural disasters which occurred earlier in the year. In addition, the business continued to make targeted investment in frontline staff and brand awareness.

Financial Year 2010 compared to Financial Year 2009

Regional and Agribusiness Banking income in the 2010 Financial Year increased 17% on the prior year to $394 million. This reflected a 9% increase in lending balances and improved margins. Growth in asset finance volumes also contributed to this result, partly offset by the impact of competitive pricing on deposit margins.

Local Business Banking

Financial Year 2011 compared to Financial Year 2010

Local Business Banking income in the 2011 Financial Year increased 9% on the prior year to $774 million. This was driven by growth in both lending and deposit balances of 9%.

This result reflected continued investment of business bankers within the retail branch network and a focus on broadening frontline staff capabilities. The business also successfully launched a new BizAwards credit card in March 2011, which provides additional benefits to customers.

Financial Year 2010 compared to Financial Year 2009

Local Business Banking income in the 2010 Financial Year increased 14% on the prior year to $708 million. This was driven by growth in lending balances of 14%, with deposit income flat reflecting higher balances offset by the impact of competitive pricing on margins.

Private Bank

Financial Year 2011 compared to Financial Year 2010

Private Bank income in the 2011 Financial Year increased 5% on the prior year to $251 million. This result was driven by growth in home lending and deposit balances.

Funds under administration balances grew 16%, driven by a stronger financial advisory services offering which includes enhanced research capabilities and an expanded investment support function.

Financial Year 2010 compared to Financial Year 2009

Private Bank income in the 2010 Financial Year increased 11% on the prior year to $240 million. This was driven by growth in the lending book together with increased cross sell of financial advisory services. Deposit income remained flat year on year reflecting competitive term deposit pricing.

Equities and Margin Lending

Financial Year 2011 compared to Financial Year 2010

Equities and Margin Lending income in the 2011 Financial Year decreased 12% on the prior year to $410 million. This result reflected lower market volumes in equities trading and subdued market volumes in margin lending, while cautious investor sentiment contributed to strong balance growth in cash management products.

Despite lower equities trading volumes, CommSec maintained online market share above 50% and stable yields in a highly competitive market while strong market share was also maintained in margin lending.

Financial Year 2010 compared to Financial Year 2009

Equities and Margin Lending income in the 2010 Financial Year increased 13% on the prior year to $467 million. This was due to growth in both retail and wholesale brokerage, with CommSec daily trades increasing 20% on the prior year.

Margin lending balances in the 2010 Financial Year increased 4% on the prior year partly due to the recovery in equity markets. CommSec cash management income increased 20% driven by continued balance growth.

Operating Expenses

Financial Year 2011 compared to Financial Year 2010

Operating expenses of $1,335 million in the 2011 Financial Year increased 3% on the prior year reflecting a disciplined approach to expense management. The business continued to make targeted investments in frontline staff and technology whilst continuing to focus on achieving operational efficiencies.

Financial Year 2010 compared to Financial Year 2009

Operating expenses of $1,295 million in the 2010 Financial Year represented an increase of 2% on the prior year. This result was driven predominately by increased IT costs relating to system improvements.

Impairment Expense

Financial Year 2011 compared to Financial Year 2010

Impairment expense of $261 million in the 2011 Financial Year decreased 20% on the prior year. This trend reflects the strong underlying quality of the business lending portfolio.

Financial Year 2010 compared to Financial Year 2009

Impairment expense of $326 million in the 2010 Financial Year increased 6% on the prior year.

	Full Year Ended 30 June 2011						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	528	265	515	110	177	92	1,687
Other banking income	556	161	259	141	233	15	1,365
Total banking income	1,084	426	774	251	410	107	3,052
Operating expenses							(1,335)
Loan impairment expense							(261)
Net profit before tax							1,456
Corporate tax benefit/(expense)							(417)
Cash net profit after tax							**1,039**
							-
Statutory net profit after tax							**1,039**

	Full Year Ended 30 June 2010 (1)						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	541	257	461	114	183	87	1,643
Other banking income	419	137	247	126	284	26	1,239
Total banking income	960	394	708	240	467	113	2,882
Operating expenses							(1,295)
Loan impairment expense							(326)
Net profit before tax							1,261
Corporate tax benefit/(expense)							(363)
Cash net profit after tax							**898**
							-
Statutory net profit after tax							**898**

	Full Year Ended 30 June 2009						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	545	220	383	107	194	76	1,525
Other banking income	385	118	238	109	218	12	1,080
Total banking income	930	338	621	216	412	88	2,605
Operating expenses							(1,272)
Loan impairment expense							(309)
Net profit before tax							1,024
Corporate tax benefit/(expense)							(288)
Cash net profit after tax							**736**
							-
Statutory net profit after tax							**736**

(1) Comparatives have been restated for the impact of resegmentation.

Business and Private Banking continued

Balance Sheet	30/06/11 $M	30/06/10 $M	30/06/09 $M
	As at		
Interest earning lending assets (excluding margin loans)	**67,737**	63,132	55,042
Bank acceptances of customers	**9,808**	10,155	12,099
Non-lending interest earning assets	**480**	295	1,311
Margin loans	**4,213**	4,771	4,569
Other assets (1)	**690**	448	1,794
Total assets	**82,928**	78,801	74,815
Transaction deposits	**49,309**	45,026	39,379
Savings deposits	**5,720**	4,744	4,982
Investments deposits	**41,650**	37,147	30,243
Certificates of deposit and other	**57**	162	172
Due to other financial institutions	**403**	895	2,101
Other non-interest bearing liabilities (1)	**16,149**	15,324	17,922
Total liabilities (2)	**113,288**	103,298	94,799

(1) Other assets include intangible assets, and Other non-interest bearing liabilities include bank acceptances.

(2) Includes deposits relating to Institutional Banking and Markets as well as Business and Private Banking customers.

Forward-Looking Statements

This Institutional Banking and Markets analysis contains certain forward-looking statements. See "Special Note regarding Forward-Looking Statements" on page 3.

Financial Performance and Business Review

Financial Year 2011 compared to Financial Year 2010

Institutional Banking and Markets achieved a statutory net profit after tax of $1,004 million for the year ended 30 June 2011, which represented a 14% decrease on the prior year, reflecting:

- A 5% decrease in banking income to $2,467 million primarily due to lower trading income in Markets as a result of lower volatility and the effect of the decline in lending balances in Institutional Banking;
- A reduction in investment allowance tax credits; and
- A 30% increase in impairment expense to $324 million as a result of a write-back in provisions in the prior year.

The business has maintained its focus of continuous investment through its foreign exchange platform renewal, enhanced online Transaction Banking Platform (CommBiz) and continued build-out of the Institutional Equities and Debt Capital Markets business. Customer service continues to be a key focus for Institutional Banking and Markets through deepening client relationships, growing transaction banking, increasing foreign exchange market share and developing stronger institutional investor focus.

Financial Year 2010 compared to Financial Year 2009

Institutional Banking and Markets achieved a statutory net profit after tax of $1,173 million for the year ended 30 June 2010, which represented a significant increase on the prior year results of $143 million. The result was driven by moderate growth in operating income and a substantial decline in impairment expense, partly offset by higher staff expenses.

Operating income increased by 8% on the prior year to $2,591 million, reflecting:

- A 17% increase in Institutional Banking operating income as a result of good activity levels and disciplined pricing strategies, along with enhanced focus and performance in Transaction Banking including Payments and Deposits. Margins improved across the lending portfolio, of which 63% had been repriced since 1 July 2008. Operating income was impacted by a decline in Institutional lending balances of 17% from 2009 Financial Year end to 2010 Financial Year end as a result of the deleveraging of corporations during the 2010 year. The rate of decline in lending balances moderated through the 2010 year and stabilised by year end; and
- Markets operating income declined by 10% following the exceptional growth of the prior year and also reflecting the strategic decision to withdraw from certain Structured Finance activities.

The business continues to invest for the future, building its capacity in the Institutional Equities and Debt Capital Markets business, foreign exchange platform renewal and driving enhancements through improved information technology capabilities to enrich customer experience. Customer service continues to be a key focus of Institutional Banking and Markets.

Institutional Banking

Financial Year 2011 compared to Financial Year 2010

Net interest income for the year ended 30 June 2011 decreased 5% on the prior year to $1,073 million as a result of a 10% decrease in average loan balances, higher funding costs and reduced margins on deposits from transactional banking customers. This was partly offset by the recognition of deferred fees from the early repayment of debt facilities and improved deposit volumes from transactional banking customers.

Other banking income for the year ended 30 June 2011 increased 2% on the prior year to $755 million driven by increased leasing fee income and a favourable contribution from hedging credit exposures.

Financial Year 2010 compared to Financial Year 2009

Net interest income for the year ended 30 June 2010 increased 6% on the prior year to $1,127 million driven by higher margins whilst maintaining strong asset quality as well as focusing on innovative solutions to meet customer needs. In line with the broader market, lending balances continued to decline as customers deleverage. This resulted in a 17% reduction in Institutional Lending balances at year end compared to the prior year end.

Other banking income for the year ended 30 June 2010 increased by 39% on the prior year to $742 million driven by higher fee income and sale of equity investments, partly offset by the costs associated with hedging exposures.

Markets

Financial Year 2011 compared to Financial Year 2010

Net interest income for the year ended 30 June 2011 increased 6% on the prior year to $220 million primarily due to modest growth in interest earning assets.

Other banking income for the year ended 30 June 2011 decreased 19% on the prior year to $419 million due to a challenging trading environment as a result of flattening yield curves, lower domestic market volatility, narrowing spreads and weaker activity in equity capital markets. This was partly offset by the favourable contribution of the counterparty fair value mark to market valuation as credit spreads tightened.

Financial Year 2010 compared to Financial Year 2009

Net interest income for the year ended 30 June 2010 decreased by 47% on the prior year to $207 million, primarily due to margin compression in offshore branches as market liquidity gradually improved.

Other banking income for the year ended 30 June 2010 increased by 24% on the prior year to $515 million, as the unfavourable impact of traded market instruments and the counterparty fair value mark to market valuations taken in the prior year was not repeated. In addition, the Institutional Equities and Debt Capital Markets division continued to contribute positively to the result with stronger client flows.

Operating Expenses

Financial Year 2011 compared to Financial Year 2010

Operating expenses for the year ended 30 June 2011 decreased slightly on the prior year to $828 million representing a disciplined approach to cost management across the business while continuing to focus on maintaining a competitive advantage through targeted investment in technology and people.

Institutional Banking and Markets continued

Financial Year 2010 compared to Financial Year 2009

Operating expenses for the year ended 30 June 2010 increased 22% on the prior year to $830 million. The increase is predominantly due to higher staff expenses, additional operating lease depreciation expense and the continued investment in information technology.

Impairment Expense

Financial Year 2011 compared to Financial Year 2010

Impairment expense for the year ended 30 June 2011 increased 30% on the prior year to $324 million. This was impacted by a larger write back of provisions in the year ended 30 June 2010 than the write backs in the year ended 30 June 2011.

Financial Year 2010 compared to Financial Year 2009

Impairment expense for the year ended 30 June 2010 decreased significantly on the prior year from $1,708 million to $249 million. This outcome benefitted from the improved operating environment reflected in improving customer credit ratings and the non-recurrence of a small number of large single name exposures which impacted the prior year. The decline in lending balances also led to lower levels of collective provisions.

Corporate Tax Expense

Financial Year 2011 compared to Financial Year 2010

Corporate tax expense for the year ended 30 June 2011 was $311 million. The effective tax rate of 23.7% benefited from profit generated from offshore jurisdictions attracting lower corporate tax rates and tax credits associated with asset finance transactions.

Financial Year 2010 compared to Financial Year 2009

The corporate tax expense for the year ended 30 June 2010 increased significantly against prior year to $339 million driven primarily by the increase in net profit before tax. The effective tax rate of 22.4% benefitted from investment allowance tax credits associated with the asset finance leasing business, in addition to profit generated in offshore jurisdictions that have lower corporate tax rates.

	Full Year Ended 30 June 2011		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	1,073	220	1,293
Other banking income	755	419	1,174
Total banking income	1,828	639	2,467
Operating expenses			(828)
Loan impairment expense			(324)
Net profit before tax			1,315
Corporate tax benefit/(expense)			(311)
Cash net profit after tax			**1,004**
			-
Statutory net profit after tax			**1,004**

	Full Year Ended 30 June 2010 (1)		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	1,127	207	1,334
Other banking income	742	515	1,257
Total banking income	1,869	722	2,591
Operating expenses			(830)
Loan impairment expense			(249)
Net profit before tax			1,512
Corporate tax benefit/(expense)			(339)
Cash net profit after tax			**1,173**
			-
Statutory net profit after tax			**1,173**

	Full Year Ended 30 June 2009		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	1,062	391	1,453
Other banking income	535	414	949
Total banking income	1,597	805	2,402
Operating expenses			(679)
Loan impairment expense			(1,708)
Net profit before tax			15
Corporate tax benefit/(expense)			151
Cash net profit after tax			**166**
One-off expenses (after tax)			(23)
Statutory net profit after tax			**143**

	As at		
Balance Sheet	30/06/11 $M	30/06/10 $M	30/06/09 $M
Interest earning lending assets	**48,097**	54,892	67,213
Bank acceptances of customers	**925**	1,414	2,629
Non-lending interest earning assets	**32,664**	29,434	30,858
Other assets (2)	**15,452**	8,755	12,500
Total assets	**97,138**	94,495	113,200
Certificates of deposit and other	**8,241**	12,834	12,725
Investments deposits	**6,982**	5,082	9,008
Due to other financial institutions	**13,457**	10,055	11,627
Liabilities at fair value through Income Statement	**4,234**	3,974	2,598
Debt issues	**3,490**	2,506	3,413
Loan capital	**544**	627	644
Other non-interest bearing liabilities (2)	**26,683**	23,820	33,863
Total liabilities	**63,631**	58,898	73,878

(1) Comparatives have been restated for the impact of business resegmentation.

(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

Financial Year 2011 compared to Financial Year 2010

Underlying profit after tax for the year ended 30 June 2011 was $581 million, down marginally on the prior year. A solid Funds Management and General Insurance result was offset by an increase in claims and compliance related expenditure.

Funds under Administration increased 5% on the prior year to $189 billion as at 30 June 2011. This was supported by solid internationally sourced fund flows, partly offset by the outflow of cash mandates and the run-off of the legacy book. FirstChoice and FirstWrap achieved an above market share of net flows in the retail domestic market.

Statutory net profit after tax for the year ended 30 June 2011 was $608 million, which represents a 10% decrease on the prior year mainly due to the unwinding of mark to market losses on the Guaranteed Annuities portfolio in the prior years.

Financial Year 2010 compared to Financial Year 2009

Underlying profit after tax in the 2010 Financial Year increased 15% on the prior year to $592 million. The result was driven by solid growth in underlying volumes and improved investment markets.

FUA increased 6% on the prior year to $180 billion as at 30 June 2010 largely as a result of improved investment market conditions. The impact of improved market conditions was partially offset by FUA outflows of $3 billion for the year primarily due to the outflow of short-term cash mandates from institutional investors.

Statutory net profit after tax for the Wealth Management business in the 2010 Financial Year was up significantly on the prior year to $674 million. This outcome was driven by improved investment experience due to improved investment markets, unwinding of unrealised mark to market losses in the Guaranteed Annuities portfolio and the non-recurrence of impairments encountered in the prior year.

CFS Global Asset Management (CFSGAM)

Financial Year 2011 compared to Financial Year 2010

CFSGAM provides asset management services to wholesale and institutional investors. CFSGAM continues to execute strategies to capitalise on global growth opportunities and enhance its domestic business.

Underlying profit after tax for the year ended 30 June 2011 of $275 million increased 17% on the prior year, reflecting strong investment performance and higher base fee contributions due to improved business mix even as the Australian dollar strengthened.

Funds under Management as at 30 June 2011 were $149 billion, up 3% on the prior year mainly driven by improving equity markets offset by foreign exchange movements.

Statutory net profit after tax for the year ended 30 June 2011 of $281 million represents an increase of 6% on the prior year.

Financial Year 2010 compared to Financial Year 2009

Underlying net profit after tax in the 2010 Financial Year of $236 million was up 14% on the prior year, reflecting strong investment performance and higher base fee contribution partially offset by a strengthening Australian dollar, lower performance fees and dividends received from infrastructure assets.

FUM in CFSGAM as at 30 June 2010 was $144 billion, up 4% on the prior year. The impact of improved conditions in equity markets was partially offset by outflows in short term cash mandates.

Investment performance remained solid with 75%, 67% and 76% of funds outperforming benchmark over one, three and five year periods respectively, reflecting the success of CFSGAM's research-based investment philosophy.

Statutory net profit after tax for the year ended 30 June 2010 of $266 million represents a significant increase on the prior year.

Colonial First State (CFS)

Financial Year 2011 compared to Financial Year 2010

Colonial First State provides wealth creation solutions for retail customers and market leading platforms for advisers, offering product packaging, administration, distribution and advice.

Underlying profit after tax for the year ended 30 June 2011 of $141 million decreased 4% on the prior year, reflecting solid funds growth and stable margins offset by increasing compliance costs and claims.

FirstChoice and Custom Solutions platforms had positive net flows of $3.4 billion.

Statutory net profit after tax for the year ended 30 June 2011 of $143 million represents a decrease of 1% on the prior year.

Financial Year 2010 compared to Financial Year 2009

Underlying net profit after tax in the 2010 Financial Year increased 55% on the prior year to $147 million, driven by strong net flows and market conditions.

The FirstChoice platform, Colonial First State's investment platform, performed well with positive net flows of $3 billion for the year ended 30 June 2010.

Statutory net profit after tax for the year ended 30 June 2010 of $144 million represents a 53% increase on the prior year.

CommInsure

Financial Year 2011 compared to Financial Year 2010

CommInsure is a provider of life and general insurance in Australia. CommInsure's strategy continues to focus on improving service and streamlining processes.

Statutory net profit after tax of $293 million for the year ended 30 June 2011 decreased by 26% on the prior year. This decrease was impacted by the sale of the St Andrew's insurance business on 1 July 2010 which contributed $54 million in statutory insurance income in the 2010 financial year. The decrease was also impacted by:

- Life Insurance performance declined due to higher claims in income protection and wholesale risk, partially offset by strong growth in bank channels;
- General Insurance performance improved due to volume growth and improved claims despite the impact of weather events in the second half of the year; and
- Legacy funds management income declined in line with expectations.

Financial Year 2010 compared to Financial Year 2009

Underlying net profit after tax in the 2010 Financial Year declined 3% on the prior year to $299 million.

CommInsure's strategy during the year focussed on improving service, streamlining processes and enhancing core business profitability. Increasing the profitability of the insurance businesses will continue to be the core focus, in order to offset the declining contribution from the legacy funds management business, which is in long term run-off.

Statutory net profit after tax in the 2010 Financial Year increased significantly on the prior year to $396 million driven by improved investment performance, and the unwinding of unrealised mark to market losses in the Guaranteed Annuities portfolio.

Retail Life insurance business performance was relatively stable over the prior year, including strong inforce premium growth, offset by higher claims experience.

Wholesale Life insurance business performance improved, despite a reduction in inforce premiums, due to improved claims management and sustainable pricing.

General Insurance business performance improved over the prior year, experiencing strong growth in inforce premiums, and improved loss ratios despite major weather events.

Operating Expenses

Financial Year 2011 compared to Financial Year 2010

Total operating expenses for the year ended 30 June 2011 of $1,280 million increased 6% on the prior year. Expense growth reflects strategic investment in the business to support offshore growth and expansion as well as meeting the compliance related costs in the retail advice and platform businesses.

Financial Year 2010 compared to Financial Year 2009

Total operating expenses for the year ended 30 June 2010 of $1,210 million increased 3% on the prior year. Expenses were managed in line with market conditions, while maintaining strategic investment spend.

Wealth Management continued

	Full Year Ended 30 June 2011				
	CFSGAM	Colonial First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	907	860	209	(1)	1,975
Insurance income	-	-	625	-	625
Total operating income	907	860	834	(1)	2,600
Volume expenses	(151)	(171)	(199)	-	(521)
Net operating income	756	689	635	(1)	2,079
Operating expenses	(391)	(489)	(276)	(124)	(1,280)
Net profit before tax	365	200	359	(125)	799
Corporate tax benefit/(expense)	(90)	(59)	(105)	36	(218)
Underlying profit after tax	275	141	254	(89)	581
Investment experience after tax	6	2	51	2	61
Cash net profit after tax	**281**	**143**	**305**	**(87)**	**642**
Treasury shares valuation adjustment (after tax)	-	-	-	(22)	**(22)**
Other (after tax)	-	-	(12)	-	**(12)**
Statutory net profit after tax	**281**	**143**	**293**	**(109)**	**608**

	Full Year Ended 30 June 2010				
	CFSGAM	Colonial First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	789	811	226	(2)	1,824
Insurance income	-	-	684	-	684
Total operating income	789	811	910	(2)	2,508
Volume expenses	(126)	(160)	(209)	(1)	(496)
Net operating income	663	651	701	(3)	2,012
Operating expenses	(358)	(444)	(281)	(127)	(1,210)
Net profit before tax	305	207	420	(130)	802
Corporate tax benefit/(expense)	(69)	(60)	(121)	40	(210)
Underlying profit after tax	236	147	299	(90)	592
Investment experience after tax	30	(3)	97	2	126
Cash net profit after tax	**266**	**144**	**396**	**(88)**	**718**
Treasury shares valuation adjustment (after tax)	-	-	-	(44)	(44)
Statutory net profit after tax	**266**	**144**	**396**	**(132)**	**674**

	Full Year Ended 30 June 2009				
	CFSGAM	Colonial First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	773	696	258	8	1,735
Insurance income	-	-	615	21	636
Total operating income	773	696	873	29	2,371
Volume expenses	(134)	(152)	(183)	(8)	(477)
Net operating income	639	544	690	21	1,894
Operating expenses	(353)	(408)	(267)	(147)	(1,175)
Net profit before tax	286	136	423	(126)	719
Corporate tax benefit/(expense)	(79)	(41)	(114)	29	(205)
Underlying profit after tax	207	95	309	(97)	514
Investment experience after tax	(114)	(1)	(132)	19	(228)
Cash net profit after tax	**93**	**94**	**177**	**(78)**	**286**
Treasury shares valuation adjustment (after tax)	-	-	-	(28)	(28)
Statutory net profit after tax	**93**	**94**	**177**	**(106)**	**258**

Summary	Full Year Ended 30/06/11 $M	30/06/10 $M	30/06/09 $M
Funds under administration - average (1)	**188,866**	179,802	167,677
Funds under administration - spot (1)	**188,511**	179,614	169,210
Funds under management - average (1)	**150,396**	144,624	136,604
Funds under management - spot (1)	**148,639**	144,298	138,204
Retail Net funds flows (Australian Retail)	**(349)**	246	(1,364)

Funds Under Management (FUM) (1)	Full Year Ended 30/06/11 $M	30/06/10 $M	30/06/09 $M
Australian equities	**22,336**	21,499	17,741
Global equities	**50,860**	45,685	35,705
Cash and fixed interest	**50,946**	54,180	61,395
Property and Infrastructure (2)	**24,497**	22,934	23,363
Total	**148,639**	144,298	138,204

Sources of Profit from CommInsure	Full Year Ended 30/06/11 $M	30/06/10 $M	30/06/09 $M
Life insurance operating margins			
Planned profit margins	**164**	166	149
Experience variations	**(36)**	6	14
Funds management operating margins	**112**	120	156
General insurance operating margins	**14**	7	(10)
Operating margins	**254**	299	309
Investment experience after tax	**51**	97	(132)
Cash net profit after tax	**305**	396	177

(1) FUM & FUA do not include the Group's interest in the China Cinda JV.

(2) This asset class includes wholesale and listed property trusts as well as indirect listed property securities funds which are traded through the ASX.

Wealth Management continued

Annual Inforce Premiums - Risk Business	Full Year Ended 30 June 2011				
	Opening Balance 30/06/10 $M	Sales/New Business $M	Lapses $M	Other Movements $M	Closing Balance 30/06/11 $M
Retail life	782	208	(130)	-	860
Wholesale life	323	67	(46)	-	344
General insurance	408	100	(72)	-	436
Sub-total	1,513	375	(248)	-	1,640
St Andrew's Insurance	71	-	-	(71)	-
Total	**1,584**	**375**	**(248)**	**(71)**	**1,640**

Annual Inforce Premiums - Risk Business	Full Year Ended 30 June 2010				
	Opening Balance 30/06/09 $M	Sales/New Business $M	Lapses $M	Other Movements $M	Closing Balance 30/06/10 $M
Retail life	697	200	(115)	-	782
Wholesale life (1)	435	66	(178)	-	323
General insurance	360	107	(59)	-	408
Sub-total	1,492	373	(352)	-	1,513
St Andrew's Insurance	68	23	(20)	-	71
Total	**1,560**	**396**	**(372)**	-	**1,584**

Annual Inforce Premiums - Risk Business	Full Year Ended 30 June 2009				
	Opening Balance 30/06/08 $M	Sales/New Business $M	Lapses $M	Other Movements $M	Closing Balance 30/06/09 $M
Retail life	605	212	(120)	-	697
Wholesale life	366	103	(34)	-	435
General insurance	279	136	(55)	-	360
Sub-total	1,250	451	(209)	-	1,492
St Andrew's Insurance	-	-	-	68	68
Total	**1,250**	**451**	**(209)**	**68**	**1,560**

(1) Lapses include a $130 million reduction as a result of the loss of the wholesale portfolio for the Australian Super business.

Funds Under Adminstration	Opening Balance 30/06/10 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 30/06/11 $M
	Full Year Ended 30 June 2011					
FirstChoice	43,640	13,690	(11,194)	2,496	2,982	49,118
Custom Solutions [1]	6,114	2,496	(1,599)	897	425	7,436
Standalone (including legacy) [2]	22,942	3,589	(7,210)	(3,621)	1,319	20,640
Retail products [3]	72,696	19,775	(20,003)	(228)	4,726	77,194
Other retail [4]	1,153	39	(160)	(121)	73	1,105
Australian retail	73,849	19,814	(20,163)	(349)	4,799	78,299
Wholesale	41,050	18,658	(23,069)	(4,411)	2,985	39,624
Property	17,167	1,948	(352)	1,596	145	18,908
Other [5]	3,033	33	(156)	(123)	173	3,083
Domestically sourced	135,099	40,453	(43,740)	(3,287)	8,102	139,914
Internationally sourced	44,515	12,857	(9,462)	3,395	687	48,597
Total Wealth Management	179,614	53,310	(53,202)	108	8,789	188,511

Funds Under Adminstration	Opening Balance 30/06/09 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 30/06/10 $M
	Full Year Ended 30 June 2010					
FirstChoice	35,955	12,418	(9,019)	3,399	4,286	43,640
Custom Solutions [1]	5,341	1,713	(1,497)	216	557	6,114
Standalone (including legacy) [2]	24,950	4,021	(7,303)	(3,282)	1,274	22,942
Retail products [3]	66,246	18,152	(17,819)	333	6,117	72,696
Other retail [4]	1,154	42	(129)	(87)	86	1,153
Australian retail	67,400	18,194	(17,948)	246	6,203	73,849
Wholesale	45,092	17,638	(24,631)	(6,993)	2,951	41,050
Property	18,722	955	(1,759)	(804)	(751)	17,167
Other [5]	3,236	36	(145)	(109)	(94)	3,033
Domestically sourced	134,450	36,823	(44,483)	(7,660)	8,309	135,099
Internationally sourced	34,760	11,748	(7,275)	4,473	5,282	44,515
Total Wealth Management	169,210	48,571	(51,758)	(3,187)	13,591	179,614

Funds Under Adminstration	Opening Balance 30/06/08 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 30/06/09 $M
	Full Year Ended 30 June 2009					
FirstChoice	38,707	10,862	(8,617)	2,245	(4,997)	35,955
Custom Solutions [1]	6,257	2,176	(2,165)	11	(927)	5,341
Standalone (including legacy) [2]	30,076	3,787	(7,253)	(3,466)	(1,660)	24,950
Retail products [3]	75,040	16,825	(18,035)	(1,210)	(7,584)	66,246
Other retail [4]	1,366	54	(208)	(154)	(58)	1,154
Australian retail	76,406	16,879	(18,243)	(1,364)	(7,642)	67,400
Wholesale	52,376	21,457	(27,089)	(5,632)	(1,652)	45,092
Property	20,210	1,281	(2,336)	(1,055)	(433)	18,722
Other [5]	3,248	508	(165)	343	(355)	3,236
Domestically sourced	152,240	40,125	(47,833)	(7,708)	(10,082)	134,450
Internationally sourced	32,730	9,589	(8,728)	861	1,169	34,760
Total Wealth Management	184,970	49,714	(56,561)	(6,847)	(8,913)	169,210

(1) Custom Solutions includes the FirstWrap product.
(2) Includes cash management trusts.
(3) Retail Funds that align to Plan for Life market share releases.
(4) Includes regular premium plans. These retail products are not reported in market share data.
(5) Includes life company assets sourced from retail investors but not attributable to a funds management product.
(6) Includes foreign exchange gains and losses from translation of internationally sourced business.

New Zealand

Forward-Looking Statements

This New Zealand analysis contains certain forward-looking statements. See "Special Note regarding Forward-Looking Statements" on page 3.

Financial Performance and Business Review

The New Zealand result incorporates ASB Bank and Sovereign Insurance businesses. The CBA branch results relating to the Institutional Banking and Markets business in New Zealand are not included.

Financial Year 2011 compared to Financial Year 2010

New Zealand statutory net profit after tax(1) for the year ended 30 June 2011 was NZ$568 million, a significant increase on the prior year net profit after tax of NZ$230 million. The result was driven by a strong performance from ASB Bank with margins benefiting from a shift in portfolio mix towards variable rate loans and repricing initiatives. Sovereign's growth in inforce premiums, positive claims experience and lower lapse rates were more than offset by the impacts of the Christchurch earthquakes.

Following the earthquakes in Christchurch, ASB Bank donated NZ$1.5 million to earthquake relief funds and launched a NZ$250 million investment programme, which included NZ$1 million in community assistance grants. This was in addition to support offered by both ASB Bank and Sovereign to their customers and people.

Financial Year 2010 compared to Financial Year 2009

New Zealand statutory net profit after tax(1) for the year ended 30 June 2010 was NZ$230 million, a decrease of 53% on the prior year. NZ$209 million of this decrease represents a one off expense in relation to the settlement of tax on New Zealand structured finance transactions with the New Zealand tax authority. Excluding the impact of this one-off tax expense, statutory net profit after tax decreased 11%. The result reflects the impact of tightening credit markets, which increased funding costs, along with the recession in New Zealand impacting the banking and insurance businesses.

ASB Bank

Financial Year 2011 compared to Financial Year 2010

ASB Bank statutory net profit after tax(1) for the year ended 30 June 2011 was NZ$484 million, up significantly on the prior year.

Net interest income for the year ended 30 June 2011 was NZ$1,107 million, up 22% on the prior year reflecting:

- Improving home loan margins as a result of a continued shift by customers from fixed to variable rate loans and repricing initiatives. Home loan balances remained steady at NZ$37 billion;
- Business lending margins also benefited from a shift in portfolio mix from fixed to variable rate loans and from risk based pricing initiatives. Business lending balances declined slightly as customers continued to deleverage; and
- Deposit margins remained under pressure in a competitive local market with customers moving towards higher yielding investment deposits. Balances increased 3% to NZ$32 billion at 30 June 2011.

Other banking income for the year ended 30 June 2011 was NZ$367 million, up 7% on the prior year due to higher trading income, partially offset by lower early repayment adjustment fees from customers.

Operating expenses for the year ended 30 June 2011 were NZ$733 million, up 10% on the prior year. The increase was driven by investment in strategic initiatives to benefit and support ASB Bank's customers (including Christchurch) and enhanced risk management, partially offset by disciplined expense management and efficiency gains.

Impairment expense for the year ended 30 June 2011 decreased 42% on the prior year to NZ$72 million, as asset quality improved in line with the broader economic conditions.

Financial Year 2010 compared to Financial Year 2009

ASB Bank statutory net profit after tax (1) for the year ended 30 June 2010 was NZ$123 million, a decrease of 66% on the prior year. This was achieved in a very challenging environment for the New Zealand banking industry. The key drivers of the ASB result for the 2010 Financial Year were:

- A continued change in portfolio mix from fixed rate to higher margin floating rate home loans, offset by lower margins on deposits in an extremely competitive market;
- Retail deposits grew 3% to NZ$31 billion as at 30 June 2010 as ASB offered competitive term investments rates to customers, as part of its strategy to grow local funding and reduce reliance on the wholesale funding market;
- New Zealand home loan balances increased 2% over the prior year to NZ$38 billion;
- Business lending balances declined 1% over the prior year;
- Other banking income decreased 33% on the prior year to NZ$342 million reflecting reduced trading income as markets stabilised during the year. In addition, early repayment adjustment fees relating to customers breaking fixed rate mortgages decreased compared to the prior year; and
- Impairment expense decreased 47% on the prior year due to a continuing improvement in the underlying economy, including lower unemployment and stronger business sentiment. There has also been a focus on collections and recoveries procedures.

An amount of NZ$209 million in relation to the settlement of tax on New Zealand structured finance transactions was included in the Group's statutory net profit after tax in the 2010 year.

(1) Includes allocated capital charges and other CBA costs.

Sovereign Insurance

Financial Year 2011 compared to Financial Year 2010

Sovereign statutory net profit after tax[(1)] for the year ended 30 June 2011 was NZ$86 million, a decrease of 17% on the prior year. The major drivers of the result were:

- Policy valuation gains recognised in the prior year that were not repeated in the year ended 30 June 2011 due to legislation changes in life tax and premium changes in legacy disability income products;
- The non-recurrence of a gain on the revaluation of deferred tax on policy liabilities in the prior year as a result of the reduction of the New Zealand corporate tax rate from 30% to 28%;
- Claims due to the Christchurch earthquake, partially offset by;
- 5% growth in inforce premiums; and
- Positive claims experience and a continued improvement in risk and health lapse rates.

Financial Year 2010 compared to Financial Year 2009

Sovereign's statutory net profit after tax[(1)] for the year ended 30 June 2010 was NZ$103 million, a decrease of 13% on the prior year. The key drivers of the Sovereign result were:

- Claims volumes increased significantly in the current year, primarily in the health, trauma and disability income areas;
- One-off NZ$18 million gain recognised in the 2010 year due to the revaluation of deferred tax on policy liabilities driven by the reduction in New Zealand corporate tax rate from 30% to 28% on 1 July 2011;
- Valuation gains on policy liabilities were recognised in the prior year, driven by lower New Zealand bond rates. This gain has partially reversed this year as bond rates recovered;
- Inforce premiums increased by 7% over the prior year and persistency was superior to the rest of the New Zealand market; and
- Despite a fall in share of new business sales Sovereign continues to lead the market in new business sales.

(1) Includes allocated capital charges and other CBA costs.

New Zealand continued

	Full Year Ended 30 June 2011				
	ASB	Sovereign	Other [1]	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	1,107	-	(10)	1,097	840
Other banking income [2]	367	-	(30)	337	286
Total banking income	1,474	-	(40)	1,434	1,126
Funds management income	54	-	(2)	52	40
Insurance income	-	257	19	276	211
Total operating income	1,528	257	(23)	1,762	1,377
Operating expenses	(733)	(218)	32	(919)	(704)
Loan impairment expense	(72)	-	-	(72)	(54)
Net profit before tax	723	39	9	771	619
Corporate tax benefit/(expense)	(219)	34	-	(185)	(150)
Underlying profit after tax	504	73	9	586	469
Investment experience after tax	-	13	(11)	2	1
Cash net profit after tax	**504**	**86**	**(2)**	**588**	**470**
Hedging and IFRS volatility (after tax)	(20)	-	-	(20)	(16)
Statutory net profit after tax	**484**	**86**	**(2)**	**568**	**454**

	Full Year Ended 30 June 2010				
	ASB	Sovereign	Other [1]	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	908	-	(9)	899	716
Other banking income [2]	342	-	(31)	311	278
Total banking income	1,250	-	(40)	1,210	994
Funds management income	61	-	(3)	58	46
Insurance income	-	251	15	266	213
Total operating income	1,311	251	(28)	1,534	1,253
Operating expenses	(666)	(205)	42	(829)	(667)
Loan impairment expense	(125)	-	-	(125)	(100)
Net profit before tax	520	46	14	580	486
Corporate tax benefit/(expense)	(166)	45	1	(120)	(99)
Underlying profit after tax	354	91	15	460	387
Investment experience after tax	-	12	(11)	1	1
Cash net profit after tax	**354**	**103**	**4**	**461**	**388**
Hedging and IFRS volatility (after tax)	(30)	-	-	(30)	(26)
Tax on NZ structured finance transactions	(209)	-	-	(209)	(171)
Other non-cash items (after tax)	8			8	7
Statutory net profit after tax	**123**	**103**	**4**	**230**	**198**

	Full Year Ended 30 June 2009				
	ASB	Sovereign	Other [1]	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	905	-	24	929	756
Other banking income [2]	509	-	(16)	493	404
Total banking income	1,414	-	8	1,422	1,160
Funds management income	65	-	(5)	60	49
Insurance income	-	269	(15)	254	207
Total operating income	1,479	269	(12)	1,736	1,416
Operating expenses	(634)	(200)	41	(793)	(649)
Loan impairment expense	(238)	-	-	(238)	(194)
Net profit before tax	607	69	29	705	573
Corporate tax benefit/(expense)	(200)	27	4	(169)	(135)
Underlying profit after tax	407	96	33	536	438
Investment experience after tax	-	22	(22)	-	-
Cash net profit after tax	**407**	**118**	**11**	**536**	**438**
Hedging and IFRS volatility (after tax)	(42)	-	-	(42)	(34)
Statutory net profit after tax	**365**	**118**	**11**	**494**	**404**

(1) Other includes ASB and Sovereign funding entities and elimination entries between Sovereign and ASB.

(2) Total Other banking income disclosed in AUD includes realised gains or losses associated with the hedge of the New Zealand operations.

Balance Sheet	As at 30/06/11 NZ$M	30/06/10 NZ$M	30/06/09 NZ$M
Home lending	**37,444**	37,778	36,991
Assets at fair value through Income Statement	**4,165**	5,815	7,429
Other lending assets	**15,148**	15,960	16,327
Non-lending interest earning assets	**4,003**	1,543	1,522
Other assets	**4,597**	4,723	5,198
Total assets	**65,357**	**65,819**	**67,467**
Deposits	**31,921**	30,889	29,892
Liabilities at fair value through Income Statement	**7,671**	13,261	16,535
Debt issues	**6,910**	3,805	3,564
Due to other financial institutions (1)	**6,368**	6,488	5,048
Other liabilities	**7,314**	6,640	8,066
Total liabilities	**60,184**	**61,083**	**63,105**
Balance Sheet			
Assets			
ASB Bank	**63,050**	63,557	65,230
Other	**2,307**	2,262	2,237
Total assets	**65,357**	**65,819**	**67,467**
Liabilities			
ASB Bank	**59,103**	60,010	62,072
Other	**1,081**	1,073	1,033
Total liabilities	**60,184**	**61,083**	**63,105**

Sources of Profit from Insurance Activities	Full Year Ended 30/06/11 NZ$M	30/06/10 NZ$M	30/06/09 NZ$M
The Margin on Services profit from ordinary activities after income tax is represented by:			
Planned profit margins (2)	**58**	60	84
Experience variations (2)	**15**	31	12
Operating margins	**73**	91	96
Investment experience after tax	**13**	12	22
Cash net profit after tax	**86**	**103**	**118**

New Zealand - Funds Under Administration (2)	Full Year Ended 30/06/11 NZ$M	30/06/10 NZ$M	30/06/09 NZ$M
Opening balance	**8,771**	7,389	8,001
Inflows	**2,528**	3,233	2,173
Outflows	**(1,529)**	(2,439)	(2,147)
Net Flows	**999**	794	26
Investment income & other	**637**	588	(638)
Closing balance	**10,407**	**8,771**	**7,389**

New Zealand - Annual Inforce Premiums	Full Year Ended 30/06/11 NZ$M	30/06/10 NZ$M	30/06/09 NZ$M
Opening balance	**554**	516	468
Sales/New business	**87**	97	100
Lapses	**(55)**	(59)	(52)
Other movements	**(2)**	-	-
Closing balance	**584**	**554**	**516**

(1) Includes deposits due to Group companies.

(2) Comparatives have been restated to conform to the presentation in the Wealth Management business.

Bankwest

Forward-Looking Statements

This Bankwest analysis contains certain forward-looking statements. See "Special Note regarding Forward-Looking Statements" on page 3.

Financial Performance and Business Review

The Group acquired 100% of the share capital of Bank of Western Australia Ltd (Bankwest) on 19 December 2008, providing the opportunity to expand the Group's business in the Western Australian and East Coast markets.

Bankwest operates in the Australian market and is focused on providing a comprehensive range of products to the business banking and retail segments.

Financial Year 2011 compared to Financial Year 2010

Bankwest statutory net profit after tax for the year ended 30 June 2011 was $293 million, up significantly from the $314 million loss in the prior year. The improved performance was primarily driven by lower loan impairment expense.

Key drivers of the year's performance were:

- Banking income increased to $1,640 million, up 5% compared to the prior year, mainly due to improved deposit margins and above system home loan balance growth;
- Operating expenses decreased by 1% from the prior year due to a continuing focus on discretionary expenditure and efficiency gains from the integration of processes with CBA. The expense to income ratio continues to improve, now at 53%; and
- Impairment expense of $109 million, 90% lower than the $1,058 million recognised in the prior year due to the non-recurrence of property related impairment that impacted the prior year.

Lending balances at 30 June 2011 increased 1% on the prior year, with the increase in home lending partly offset by the strategic run-off of complex business lending. Lending margins increased on the prior year with higher funding costs offset by pricing initiatives.

Deposit balances at 30 June 2011 increased 2% on the prior year. Deposit margins increased on the prior year due to improved pricing of Term Deposits and Institutional Clients.

Financial Year 2010 compared to Financial Year 2009

Bankwest statutory net loss after tax for the year ended 30 June 2010 was $314 million, down from the profit of $122 million in the prior year. The result reflects higher loan impairment and integration expenses, partially offset by a strong operating performance.

Key highlights of the operating performance were:

- Banking income increased from $759 million to $1,569 million due to a full year contribution of income, supported by strong retail lending volume growth and higher margins; and
- Operating expenses increased from $483 million to $880 million reflecting a full year contribution of expenses, partially offset by efficiency gains.

The statutory net profit after tax was unfavourably impacted by cash loan impairment expense of $754 million, up significantly on the prior year. The increase in impairment expense was mainly due to property related exposures, primarily in Queensland and New South Wales. An additional $304 million non-cash loan impairment was recognised after a review of performing loans conducted by the Group in the 2010 Financial Year discussed under "Impairment Expense".

Deposit balances at year end increased 10% over the prior year end in a highly competitive market at year end, driven by attractive product offerings and a strong focus on sales.

Lending balances increased 10% over the prior year, driven by growth in home loans.

Retail

Financial Year 2011 compared to Financial Year 2010

Home loan balances at 30 June 2011 increased 10% to $46 billion on the prior year with above system growth driven by new products and targeted marketing campaigns. Margins improved on prior periods following repricing in November 2010, partly offset by increased funding costs.

Retail deposit balances increased below system growth, reflecting a strategy of margin management over pricing for growth.

Financial Year 2010 compared to Financial Year 2009

Home loan balances increased 19% on the prior year to $42 billion at 30 June 2010, driven by improved customer retention rates, competitive loan rates and an increased number of branches on the East Coast.

Retail deposit balances at 30 June 2010 decreased 9% on the prior year end and margins remained relatively stable reflecting the highly competitive market.

Business

Financial Year 2011 compared to Financial Year 2010

Business lending balances at 30 June 2011 decreased 13% on the prior year primarily due to higher risk exposures being managed down. Lending margins increased on the prior year due to improved product mix.

Business deposit balances at 30 June 2011 increased 2% on the prior year driven by growth in Transaction Accounts, partly offset by a decrease in lower margin money market balances driving an improvement in deposit margins.

Financial Year 2010 compared to Financial Year 2009

Business lending balances at 30 June 2010 decreased 3% on the prior year end to $24 billion due to weaker market demand and a strategic shift in focus away from the property sector. Lending margins were broadly in line with the prior year.

Business deposits at 30 June 2010 increased 19% on the prior year end due to strong demand for money market products and a focus on sales. This compares to system growth of 2%. Business deposit margins increased due to a focus on profitable growth.

Operating Expenses

Financial Year 2011 compared to Financial Year 2010

Operating expenses decreased 1% over the prior year to $869 million due to efficiency gains, lower consultancy and discretionary spend.

Financial Year 2010 compared to Financial Year 2009

Operating expenses increased 82% over the prior year to $880 million. The increase was primarily driven by the full year contribution of expenses in the 2010 Financial Year. Expense management remains a key focus, with numerous expense containment and integration initiatives currently in progress.

Impairment Expense

Financial Year 2011 compared to Financial Year 2010

Impairment expense for the year ended 30 June 2011 was $109 million, down 90% compared to the $1,058 million recognised in the prior year.

Business lending experienced more stable client ratings, exits and reductions of troublesome asset exposures and non-recurrence of property related impairments, primarily in Queensland and New South Wales. Retail lending benefited from higher recoveries driving an overall lower impairment charge.

Home loan arrears remained flat on the prior year, while credit card arrears increased slightly, mainly as a result of the Queensland floods.

Financial Year 2010 compared to Financial Year 2009

Cash impairment expense for the 2010 Financial Year was $754 million, up significantly from the prior year end. The increase in impairment expense was mainly due to property related exposures, primarily in Queensland and New South Wales.

Arrears levels have improved during the year, with greater than 90 day rates declining across the entire retail portfolio, in particular credit cards.

The Group has also included $304 million of loan impairment expense as a non-cash item which relates specifically to the Bankwest pre-acquisition loan portfolio.

Since the initial review of the Bankwest portfolio, further detailed work was undertaken into the Bankwest business banking portfolio. This comprehensive review identified many pre-acquisition loans reflecting poor asset quality, high loan to value ratios and insufficient covenant coverage. This resulted in significant risk grade reassessments and security revaluations with loan impairment expense increasing $304 million. These loans are confined to the pre-acquisition business banking book.

Given the one off nature of the impairment and the fact it relates to an understatement of the provisioning on the pre-acquisition portfolio, this additional amount of loan impairment expense was recorded as a non-cash item. This is consistent with the treatment of the gain on acquisition of Bankwest.

Bankwest continued

	Full Year Ended		
	30/06/11	30/06/10 [3]	30/06/09 [4]
	$M	$M	$M
Net interest income	**1,420**	1,336	591
Other banking income	**220**	233	168
Total banking income	**1,640**	1,569	759
Operating expenses	**(869)**	(880)	(483)
Loan Impairment expense	**(109)**	(754)	(113)
Net profit before tax	**662**	(65)	163
Corporate tax benefit/(expense)	**(199)**	20	(50)
Cash net profit after tax	**463**	**(45)**	**113**
Hedging and IFRS volatility (after tax)	**(33)**	(66)	(18)
Pre-acquisition loan impairment (after tax)	**-**	(212)	-
Merger related amortisation and integration expenses (after tax)	**(137)**	9	27
Statutory net profit after tax	**293**	**(314)**	**122**

	As at		
	30/06/11	30/06/10	30/06/09
Balance Sheet	$M	$M	$M
Home lending (including securitisation)	**45,673**	41,681	35,048
Other lending assets	**22,722**	25,975	26,366
Other assets	**8,433**	7,028	6,913
Total assets	**76,828**	74,684	68,327
Transaction deposits	**8,731**	8,409	4,803
Savings deposits	**7,033**	6,848	8,708
Investment deposits	**26,956**	26,584	24,639
Certificates of deposits and other	**59**	130	157
Debt issues	**9,064**	10,211	4,903
Due to other financial institutions [1]	**16,644**	15,382	19,119
Other liabilities	**3,068**	2,304	2,059
Total liabilities [2]	**71,555**	69,868	64,388

(1) Includes amounts due to Group companies (30 June 2011: $16.5 billion; 30 June 2010: $15.4 billion; 30 June 2009: $19.1 billion).
(2) Comparatives have been restated following alignment of Bankwest product classifications with the Group.
(3) Net interest income has been restated following an allocation of capital costs previously held centrally in Other.
(4) Includes results from date of acquisition (19 December 2008).

Integration Progress – Bankwest and St Andrew's

The integration of the Bankwest and the remaining St Andrew's businesses into the Group that began in the 2009 financial year is now largely complete.

Major outcomes achieved include :

- Integration of various support functions, including property and procurement;
- Alignment of risk models, data definitions, market rate risk and pricing models, and operating models;
- Upgrade and integration of general ledger and financial reporting capabilities;
- Reciprocal ATM access with customers of both CBA and Bankwest having access to over 4,000 ATMs, the largest network of any bank nationally, without paying any additional fees;
- Bankwest and CBA IT interoperability links;
- Aligning various IT and business contract arrangements between Bankwest and CBA, including cheque processing supplier; and
- Establishment of strong and collaborative cross divisional working arrangements between Bankwest and CBA, building strong foundations for the future.

The total integration expenditure incurred to complete the programme was $246 million. Costs synergies of $240 million (annualised run rate) have largely been delivered, including the benefits associated with restructuring and the cessation of the Bankwest east coast branch rollout.

	Year Ended
	30/06/11
Integration Expenditure [1]	$M
Restructuring	**2**
Property	**28**
Operations	**40**
IT expenditure	**24**
Other	**-**
Total	**94**

(1) These costs are recognised as non-cash items as they are one off in nature and therefore are not representative of the Group's ongoing performance.

Forward-Looking Statements

This Other analysis contains certain forward-looking statements. See “Special Note regarding Forward-Looking Statements” on page 3.

Financial Performance and Business Review

IFS Asia

International Financial Services Asia (IFS Asia) incorporates the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese retail banks, the joint venture Chinese life insurance business and the life insurance operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

Financial Year 2011 compared to Financial Year 2010

IFS Asia statutory net profit after tax for the year ended 30 June 2011 was $53 million, an increase of 18% over the prior year. The key drivers of the result were as follows:

- Banking income increased 10% to $204 million driven by strong lending growth from the Indonesian retail business together with strong contributions from the Bank of Hangzhou and Vietnam International Bank (VIB) investments;
- Insurance income increased by 18% to $47 million, reflecting improved sales volumes from the Indonesian life insurance business, particularly bancassurance sales; partially offset by,
- An increase of 12% in operating expenses to $184 million, largely due to the continued expansion of the Indonesian businesses.

After adjusting for foreign exchange movements, statutory net profit after tax increased 36% compared to the prior year.

Financial Year 2010 compared to Financial Year 2009

IFS Asia statutory net profit after tax for the year ended 30 June 2010 was $45 million, an increase of 50% over the prior year. The result was underpinned by strong income growth from the Chinese retail banks and Indonesian life insurance business, partially offset by an increase in impairment expense.

Fiji

The Fiji business was sold on 15 December 2009 and its contribution prior to its sale was not material to the Group. Fiji statutory net loss after tax until the date of disposal on 15 December 2009 was $24 million for the year ended 30 June 2010, down from a $2 million net profit in the prior year. A loss on sale of $30 million, which includes realised structural foreign exchange losses, has been recorded as a non-cash item.

Corporate Centre

Financial Year 2011 compared to Financial Year 2010

Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury. Operating income in the Corporate Centre represents the business activities of the Group’s Treasury function.

Treasury is primarily focussed on the management of the Group’s interest rate risk, funding and liquidity requirements, and management of the Group’s capital. The Treasury function includes:

- Asset & Liability Management: manages the interest rate risk of the Group’s non-traded balance sheet using transfer pricing to consolidate risk into Treasury and hedging the residual mismatch between assets and liabilities using swaps, futures and options;
- Liquidity Operations: manages the Group’s short term wholesale funding and prudential liquidity requirements;
- Group Funding: manages the Group’s long term wholesale funding requirements; and
- Capital Management: manages the Group’s capital requirements.

Corporate Centre statutory net profit after tax for the year ended 30 June 2011 was $177 million, a 68% decrease on the prior year.

Total banking income decreased 8% to $812 million driven by:

- Lower Asset and Liability Management earnings from the impact of the rising interest rate environment on interest rate positioning and reduced loan prepayment fees; partially offset by
- Wider spreads achieved on liquid portfolios in Liquidity Operations; and
- Increased Capital Management earnings from growth in retained earnings.

Unfavourable hedging and IFRS volatility movements also contributed to the reduction in statutory net profit after tax.

Financial Year 2010 compared to Financial Year 2009

Corporate Centre statutory net profit after tax for the year ended 30 June 2010 was $545 million, a 47% decrease on the prior year, primarily driven by the non-recurrence of the gain on acquisition of Bankwest in 2009.

Total banking income decreased 6% to $884 million driven by lower Asset & Liability Management income from the management of short dated interest rate risk exposures; partially offset by increased Capital Management income due to the benefit of higher earnings on capital following capital raisings in the prior year.

Operating expenses increased significantly to $268 million due to the unfavourable impact of investment market performance on the Group’s defined benefit superannuation fund ($103 million) and an increase in Group provisions for staff costs due to strong financial performance by the Group.

Group wide Eliminations/Unallocated

Financial Year 2011 compared to Financial Year 2010

Group wide Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Group wide Eliminations/Unallocated statutory net loss after tax for the year ended 30 June 2011 was $84 million, a $92 million decrease compared to the prior year. This was primarily driven by the release of centrally held impairment provisions of $100 million in the prior year.

Financial Year 2010 compared to Financial Year 2009

Group wide Eliminations/Unallocated statutory net profit after tax for the year ended 30 June 2010 was $8 million, representing a $119 million improvement on the prior year. The result included the release of central impairment provisions.

Other continued

	Full Year Ended 30 June 2011				
	IFS Asia	Fiji	Corporate Centre	Eliminations [3]/ Unallocated	Total
	$M	$M	$M	$M	$M
Net interest income [1]	80	-	718	(87)	711
Other banking income [1]	124	-	94	(81)	137
Total banking income	204	-	812	(168)	848
Funds management income	-	-	-	26	26
Insurance income	47	-	-	(27)	20
Total operating income	251	-	812	(169)	894
Operating expenses	(184)	-	(267)	-	(451)
Loan impairment expense	(10)	-	-	36	26
Net profit before tax	57	-	545	(133)	469
Corporate tax benefit/(expense)	(5)	-	(142)	47	(100)
Minority interests	(2)	-	-	(14)	(16)
Underlying profit after tax	50	-	403	(100)	353
Investment experience after tax	3	-	-	16	19
Cash net profit after tax	**53**	**-**	**403**	**(84)**	**372**
Hedging and IFRS volatility (after tax)	-	-	(216)	-	(216)
Other (after tax)	-	5	(10)	-	(5)
Statutory net profit after tax	**53**	**5**	**177**	**(84)**	**151**

	Full Year Ended 30 June 2010				
	IFS Asia	Fiji	Corporate Centre [4]	Eliminations [3]/ Unallocated [2]	Total
	$M	$M	$M	$M	$M
Net interest income [1]	62	9	883	(70)	884
Other banking income [1]	124	3	1	(106)	22
Total banking income	186	12	884	(176)	906
Funds management income	-	-	-	28	28
Insurance income	40	6	-	2	48
Total operating income	226	18	884	(146)	982
Operating expenses	(164)	(12)	(268)	-	(444)
Loan impairment expense	(11)	1	-	100	90
Net profit before tax	51	7	616	(46)	628
Corporate tax benefit/(expense)	(7)	(1)	(167)	20	(155)
Minority interests	(2)	-	-	(14)	(16)
Underlying profit after tax	42	6	449	(40)	457
Investment experience after tax	3	-	-	48	51
Cash net profit after tax	**45**	**6**	**449**	**8**	**508**
Hedging and IFRS volatility (after tax)	-	-	109	-	109
Loss on sale of Fiji (after tax)	-	(30)	-	-	(30)
Other (after tax)	-	-	(13)	-	(13)
Statutory net profit after tax	**45**	**(24)**	**545**	**8**	**574**

(1) Excludes the impact of the reclassification of net swap costs from Net interest income to Other banking income related to certain economic hedges which do not qualify for IFRS hedge accounting (June 2011: $498 million; June 2010: $259 million; June 2009: $275 million).

(2) Net interest income has been restated following an allocation of capital costs to Bankwest.

(3) Represents Group wide eliminations.

(4) Comparatives have been restated for the impact of business resegmentation.

	Full Year Ended 30 June 2009				
	IFS Asia	Fiji	Corporate Centre	Eliminations [2]/ Unallocated	Total
	$M	$M	$M	$M	$M
Net interest income [1]	59	33	710	(141)	661
Other banking income [1]	102	-	230	(33)	299
Total banking income	161	33	940	(174)	960
Funds management income	-	-	-	29	29
Insurance income	37	17	-	13	67
Total operating income	198	50	940	(132)	1,056
Operating expenses	(157)	(37)	(55)	-	(249)
Loan impairment expense	(4)	(4)	-	(17)	(25)
Net profit before tax	37	9	885	(149)	782
Corporate tax benefit/(expense)	(7)	(7)	(237)	36	(215)
Minority interests	(3)	-	-	(27)	(30)
Underlying profit after tax	27	2	648	(140)	537
Investment experience after tax	3	-	-	29	32
Cash net profit after tax	**30**	**2**	**648**	**(111)**	**569**
Defined benefit superannuation expense (after tax)	-	-	(10)	-	(10)
Hedging and IFRS volatility (after tax)	-	-	(193)	-	(193)
Gain on acquisition of controlled entities net of integration costs (after tax)	-	-	587	-	587
Statutory net profit after tax	**30**	**2**	**1,032**	**(111)**	**953**

(1) Excludes the impact of the reclassification of net swap costs from Net interest income to Other banking income related to certain economic hedges which do not qualify for IFRS hedge accounting (June 2011: $498 million; June 2010: $259 million; June 2009: $275 million).

(2) Represents Group wide eliminations.

Investment Experience

Investment Experience	Full Year Ended 30/06/11 $M	30/06/10 $M	30/06/09 $M
Wealth Management	**83**	183	(317)
New Zealand	**1**	1	8
Other	**37**	52	42
Investment experience before tax	**121**	236	(267)
Corporate tax benefit/(expense)	**(40)**	(58)	71
Investment experience after tax	**81**	178	(196)

Shareholder Investment Asset Mix (%)	As at 30 June 2011 [1] Australia %	New Zealand %	Asia %	Total %
Local equities	1	1	-	-
International equities	-	-	-	-
Property	13	-	-	10
Sub-total	**14**	**1**	**-**	**10**
Fixed interest	23	51	96	32
Cash	63	48	4	58
Sub-total	**86**	**99**	**100**	**90**
Total	**100**	**100**	**100**	**100**

Shareholder Investment Asset Mix ($M)	As at 30 June 2011 [1] Australia $M	New Zealand $M	Asia $M	Total $M
Local equities	9	2	-	11
International equities	-	1	-	1
Property	242	-	-	242
Sub-total	**251**	**3**	**-**	**254**
Fixed interest	424	280	80	784
Cash	1,171	267	3	1,441
Sub-total	**1,595**	**547**	**83**	**2,225**
Total	**1,846**	**550**	**83**	**2,479**

(1) Includes Shareholders' funds in the CFS Global Asset Management, Colonial First State and CommInsure businesses.

Group Operating Expenses

The following table sets out the Group's operating expenses for Financial Years 2011, 2010 and 2009.

	Group		
	2011 $M	2010 $M	2009 $M
Staff Expenses			
Salaries and wages	**4,081**	3,845	3,405
Share-based compensation	**156**	130	125
Superannuation- defined contribution plans	**48**	48	44
Superannuation- defined benefit plan	**137**	103	14
Provisions for employee entitlements	**88**	58	88
Payroll tax	**213**	202	188
Fringe benefits tax	**38**	40	36
Other staff expenses	**110**	157	94
Total staff expenses	**4,871**	4,583	3,994
Occupancy and Equipment Expenses			
Operating lease rentals	**532**	527	488
Depreciation:			
Buildings	**35**	30	29
Leasehold improvements	**103**	98	85
Equipment	**82**	90	89
Operating lease assets	**42**	45	37
Repairs and maintenance	**87**	84	80
Other	**112**	103	102
Total occupancy and equipment expenses	**993**	977	910
Information Technology Services			
Application, maintenance and development	**235**	209	167
Data processing	**267**	227	202
Desktop	**120**	141	141
Communications	**221**	199	179
Amortisation of software assets	**183**	178	122
IT equipment depreciation	**78**	75	62
Total information technology services	**1,104**	1,029	873
Other Expenses			
Postage	**112**	115	121
Stationery	**84**	97	100
Fees and commissions:			
Fees payable on trust and other fiduciary activities	**537**	497	453
Other	**318**	367	359
Advertising, marketing and loyalty	**457**	398	475
Amortisation of intangible assets (excluding software and merger related amortisation)	**15**	27	17
Non-lending losses	**83**	103	86
Other	**317**	408	391
Total other expenses	**1,923**	2,012	2,002
Total expenses	**8,891**	8,601	7,779
Investment and restructuring			
Integration expenses	**94**	40	112
Merger related amortisation [(1)]	**75**	75	37
One-off expenses	**-**	-	32
Investment and restructuring	**-**	-	-
Total investment and restructuring	**169**	115	181
Total operating expenses	**9,060**	8,716	7,960
Net hedging ineffectiveness comprises:			
Gain/(Loss) on fair value hedges:			
Hedging instruments	**(417)**	771	543
Hedged items	**427**	(838)	(569)
Cash flow hedge ineffectiveness	**(6)**	5	8
Net hedging ineffectiveness	**4**	(62)	(18)

(1) Merger related amortisation relates to Bankwest core deposits and customer lists.

Integrated Risk Management

Risk Governance

The Board and its Risk Committee operate as the highest level of the Group's risk governance and under the direction of their respective charters. At management level, risk governance is undertaken by a structured hierarchy of committees and forums across the Group, each with specified accountabilities. A more detailed description of the risk governance structure is set out in the Corporate Governance section of this Document.

Risk Management Organisation

The Group Chief Risk Officer (CRO), who heads the Risk Management function, oversees independent risk management for the Group. This unit is comprised of both risk management teams embedded in the businesses and Group functional teams that develop controls for each type of risk and who help the Group understand risk aggregation to enable enterprise wide risk management. The CRO reports to the Chief Executive Officer (CEO) and has direct reporting requirements to the Risk Committee.

Risk management professionals deployed in each Business Unit measure risks and take actions to ensure each business adheres to risk policies and procedures. They also provide insights to assist the business in making decisions that optimise their risk-adjusted returns.

Whilst the independent risk management function is an important component of the risk management framework, business managers are the consequential owners of the risks taken in their businesses. As risk owners, they are expected to staff their businesses with employees who are appropriately knowledgeable about risk and its management.

The Group believes its risk appetite framework creates transparency over risk management and strategy decisions and, in turn, promotes a strong risk culture. Governance processes and disciplines are connected to the Group's, and aligned businesses, risk appetite statements. These promote independence of the risk management function from the Group's Business Units and the Group Audit and Assurance (GAA) function.

Independent review of the risk management framework is carried out by GAA. They audit the actions of businesses and risk management teams. In addition, risk management and GAA support "whistle blower" protocols to encourage employees to raise issues they believe reveal weaknesses in the Group's risk undertakings.

Further information on financial risk governance and management is included in Note 38 to the Financial Statements.

Risk Appetite

The risk appetite of the Group represents the types and degree of risk that it is willing to accept for its stakeholders in undertaking its strategic and business actions. Fundamentally, it guides the Group's risk culture and sets out quantitative and qualitative boundaries on risk-taking activities which apply Group wide.

The Board's view is that a well articulated risk appetite is important in giving the Group's stakeholders a clear expectation of how the Group will operate from a risk taking perspective.

This expectation is defined by a number of principles and metrics that are aligned to the Board's risk philosophy and sets minimum standards for shareholder value; allowing for resiliency factors in capital, funding, asset/liability management, liquidity, risk culture, and other risk mitigants.

Risk appetite is dynamic in nature and is reviewed on a regular basis in conjunction with the Group's strategic plans and business actions. The validation of strategic plans against the risk appetite ensures that the assessment of current capital adequacy and future contingent capital plans are also aligned with the risk appetite.

The Group's risk culture is to take risks that are adequately rewarded and that support its aspiration of achieving solid and sustainable growth in shareholder value. Supporting this culture, the Group will:

- Operate responsibly, meet the financial needs of its customers, provide excellent customer service and maintain impeccable professional standards and business ethics;
- Differentiate between risk (with a relatively clearly discernable distribution of possible outcomes), which is to be assessed on its merits, and uncertainty (which has an unknown distribution of possible outcomes that is hard to discern), which is to be minimised;
- Make business decisions only after careful consideration of risk, including consideration of potential upside and downside scenarios;
- Understand the risks it takes on (or the nature of uncertainties involved), undertaking strategic initiatives or exposure to new products and services only as sufficient experience and insight is gained;
- Exercise disciplined moderation in risk-taking, underpinned with strength in capital, funding and liquidity;
- Diligently strive to protect and enhance its reputation;
- Maintain a control environment that, within practical constraints, minimises risks to the sustainability of its business; and
- Promote a culture aimed at the achievement of best practice in the recognition, assessment, pricing and management of risk.

Risk policies and tolerances support the Group and business risk appetite statements by:

- Summarising the principles and practices to be used by the Group in managing its major risks;
- Quantifying the financial operating limits for risks, principally credit risk, market risk (both traded and non-traded) and operational risk; and
- Stating clearly the types of risk outcomes to which the Group is intolerant.

The Group regularly benchmarks and aligns its policy framework against existing prudential and regulatory standards. Potential developments in Australian and international standards, and best practice are considered during a review.

Risks that are readily quantifiable (such as credit, market and liquidity risks) have their risk profiles restricted by specified limits. Other significant risk categories are not managed in terms of defined financial limits, but via comprehensive qualitative management standards and procedures.

Principal Risk Types

The principal risk types, their relevant governing policies and how they support the risk appetite are outlined in the table below.

Risk Type	Governing Policies	How Policy Supports Risk Appetite
Credit Risk including Concentration Risk	Group Credit Policy; Country Risk Policy; Aggregation Policy; Large Credit Exposure Policy; Industry Sector Concentration Policy; and Securitisation Policy.	**Quantitative limits/tolerances:** Control Country Risk through a limits structure that captures cross-border credit risk exposures to other countries or entities based overseas; Set industry limits for exposures by industry; Govern the authority of management with regard to the amount of credit provided to any single counterparty after applying the aggregation policy within the Credit Risk Rated segment; and Govern all Securitisation activities undertaken by the Group.
Market Risk	Group Market Risk Policy; and Funds Management and Insurance Market Risk Policy.	**Quantitative limits/tolerances:** Traded Market Risk (VaR and stress testing limits); Interest Rate Risk in the Banking Book (Market Value Sensitivity and Net Interest Earnings at Risk limits); Seed Trust Market Risk limits; Lease Residual Value Risk limits; Investment mandates for Insurance Asset and Liability Management Risk (VaR and stress testing limits); and Non-Traded Equity limits.
Liquidity and Funding Risk	Group Liquidity and Funding Policy.	**Quantitative limits/tolerances:** Liquid asset holdings under name crisis scenario; and Source of funding (e.g. wholesale) limits and term funding limits.
Operational Risk	Operational Risk Policy and Framework.	**Management via:** A suite of risk mitigating policies; Reporting and case management of loss and near loss incidents; Comprehensive risk assessment and control assurance processes; Quantitative Risk Assessment Framework and Capital modelling; and Support from skilled risk professionals embedded throughout the Group.
Insurance Risk	Risk Management Framework.	**Management via:** Risk Management Strategy and Risk Statement; Underwriting and claims standards; Retaining the right to amend premiums on risk policies; and Re-insurance purchases under policy guidance.
Compliance Risk	Compliance Risk Management Framework (CRMF).	**Management via:** The CRMF Minimum Group standards for compliance; Risk management obligations Register and Guidance Notes that detail specific requirements and accountabilities for each Business Unit; Business Unit compliance frameworks; and Support from skilled compliance professionals embedded throughout the Group.
Strategic Business Risk	Strategic Framework.	**Management via a suite of management controls including:** Strategic planning; Strategic implementation; and Financial management.
Reputational Risk	Cultural Framework and Statement of Professional Practice.	**Management via:** Support from risk professionals embedded throughout the Group; and Crisis management testing of leadership team.

Integrated Risk Management continued

Credit Risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations. At a portfolio level, credit risk includes concentration risk arising from interdependencies between counterparties (large credit exposures), and concentrations of exposure to countries, industry sectors and geographical regions. Exposure to risk also arises through securitisation activity.

The Group's credit risk policies have been developed as a matter of sound risk management practice and in accordance with the expectations of regulators' prudential standards as well as legal requirements.

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.

Further information on credit risk management and measurement is included in Note 39 to the Financial Statements.

Market Risk

Market risk is the potential of loss arising from adverse changes in interest rates, foreign exchange rates, commodity and equity prices, credit spreads, lease residual values, and implied volatility levels. Market risk also includes risks associated with funding and liquidity management.

Further information on market risk is included in Note 40 to the Financial Statements.

Liquidity and Funding Risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. 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.

Further information on liquidity and funding risk is included in Note 41 to the Financial Statements and "Liquidity and Capital Resources".

Operational Risk

Operational risk is defined as the risk of economic loss arising from inadequate or failed internal processes, people, systems or from external events. It includes legal, regulatory, fraud, business continuity and technology risks.

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

- 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; and
- Making decisions based upon an informed risk-return analysis and appropriate standards of professional practice.

Insurance Risk

Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. Risk exposure arises in the insurance business as the risk that claims payments are greater than expected. In the life insurance business, this arises primarily through mortality (death) or morbidity (illness or injury) risks being greater than expected. For the general insurance business, variability arises mainly through weather related incidents and similar events, as well as general variability in home, motor and travel insurance claim amounts.

The management of insurance risk is an integral part of the operation of the insurance business. It is essential in the control of claims on an end-to-end basis, from underwriting to policy termination or claim payment.

The major methods of mitigating insurance risk are:

- Sound product design and pricing, to ensure that robust procedures are in place and there are no risks which have not been priced into contracts;
- Regular review of insurance experience, so that product design and pricing remains sound;
- Carrying out underwriting, so that the level of risk associated with an individual contract can be accurately assessed, charged for through premium rates, and reserved for;
- Claims management, where an assessment is made such that only genuinely insured claims are admitted and paid; and
- Transferring a portion of the risk carried to reinsurers.

Further information on the Life Insurance Business is included in Note 33 to the Financial Statements.

Compliance Risk

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 consistent with the Australian Standard on Compliance Programmes. It is designed to help the Group meet its obligations under the Corporations Act 2001, the Group's Australian Financial Services Licence and Australian Credit Licences. CRMF incorporates a number of components, including Group policies, a Compliance Obligations Register and a Compliance Review programme to monitor compliance with policies.

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 and 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, oversee and report on compliance to management, compliance committees and the Board.

Strategic Business Risk

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

- Macroeconomic conditions;
- Competitive forces at work; or
- Social trends.

Strategic business risk is taken into account as business strategies and objectives are defined. The Board receives reports on business plans, major projects and change initiatives and monitors progress and reviews successes compared to plans.

Reputational Risk

Reputational risk arises from the negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulators and other relevant parties of the Group.

This risk can adversely affect the Group's ability to maintain existing, or establish new, business relationships and access to sources of funding. Reputational risk is multidimensional and reflects the perception of other market participants. Furthermore, it exists throughout the organisation and exposure to reputational risk is a function of the adequacy of the Group's control of its risk management processes, as well as the manner and efficiency with which management responds to external influences on Group-related transactions. In many but not all respects, adverse reputational risk outcomes flow from the failure to manage other types of risk.

Stress Testing Framework

Stress testing is used, in combination with other risk management practices, to understand, manage and quantify the Group's risks.

The Group regularly carries out stress tests across its various businesses as part of:

- Formal business strategic planning and capital assessment at Board level;
- Regular risk management exercises;
- Business contingency planning; and
- Requests from regulators or external agencies.

Ad-hoc risk stress testing is also regularly undertaken to identify and assess the risk profile of the Group.

The stress testing framework includes:

- Group-wide stress scenarios which inform and engage the Board in assessing capital requirements and other key financial outcomes under various severe but plausible scenarios. These tests are conducted across businesses with the results aggregated to the Group level; and
- Risk Management related stress testing, which supports enhanced risk identification, assessment and management within the Group's Risk Appetite.

Such stress testing facilitates a more robust understanding of the Group's risks and facilitates better management policies and predictability of capital requirements in more extreme circumstances.

Stress testing also provides an input into the formation of internal views of the adequacy of the Group's capital, liquidity, and provisions and the development of capital and liquidity contingency plans which detail how the Group would respond to potential future adverse scenarios.

Specific risk types for which stress tests are conducted on a routine basis for business risk management purposes include:

- Credit risk stress tests on a number of retail and commercial portfolios (which includes stressing the property prices of the exposures underlying security);
- Traded market risk, non-traded interest rate risk, non-traded equity risk and non-traded insurance risk portfolios;
- Liquidity stress tests that determine survival horizons are performed and reported to the Asset and Liability Committee (ALCO) on a monthly basis. The stress tests look to identify the timeframe over which high quality liquid assets could survive under various stress liability run-off scenarios;
- Funding indicators monitor a range of balance sheet metrics focussing on external market conditions, changing patterns of business activity and concentration; and
- Operational risk to assess the potential for operational risk outcomes.

Risk Management Initiatives

In order to remain effective in constantly evolving economic, strategic and regulatory environments, the risk management framework and culture requires a continuous cycle of review and refinement. Over the last twelve months the Group has made the following key refinements to its framework:

- Developed a refreshed three year risk management strategic plan to provide a roadmap for future development of the risk management framework;
- Updated the risk appetite statements for the Group and for each of the Group's major Business Units;
- Explicitly considered risk behaviours into remuneration policy and practices;
- Enhanced the Group's policy framework by including the articulation of appropriate lower level sub-limits that are consistent with Group level limits;
- Refreshed credit risk assessment models;
- Continued to integrate subsidiary entities into the Group's risk management framework and practices;
- Undertaken various risk optimisation strategies and portfolio reviews that have provided insight into key risk dependencies and resulted in adjusting risk exposure levels based on available risk-adjusted returns;
- Implemented projects that will substantially enhance core risk systems, data and processes;
- Strengthened the credit decisioning process, the monitoring of deteriorating credits, the provisioning process and risk-based pricing models;
- Enhanced the structured learning framework for credit risk management professionals as well as risk training for front line staff;
- Completed annual reviews of policies relating to Credit Risk, Market Risk, Operational Risk, Compliance Risk and the Insurance Risk Management Framework;
- Enhanced the Group's risk modelling and stress testing frameworks to meet the demands of an ever-changing macroeconomic environment; and
- Monitored and responded to regulatory changes and likely future regulatory changes. The Group has increased its participation in global financial forums and taken actions to influence regulators and the Government to help shape future regulatory reform.

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 2011, bank and sovereign cross border outstanding exposures $14.1 billion and $5.8 billion respectively, exceeded 1% of the Group's total assets. At 30 June 2011, there were no country cross border outstanding exposures exceeding 0.75% of the Group's total assets.

At 30 June 2010, there were no individual industry category where cross border outstanding exposures exceeded 1% of the Group's total assets. There was no country cross border outstanding exposures exceeding 0.75% of the Group's total assets.

Capital Management

The Bank is an Authorised Deposit-taking Institution (ADI) and is subject to regulation by the Australian Prudential Regulation Authority (APRA) under the authority of the Banking Act 1959. APRA has set minimum regulatory capital requirements for banks that are consistent with the 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 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, which includes both Bankwest and ASB Bank (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 Group 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.

The tangible component of the investment in the insurance and funds management operations is 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. These include share issues and buybacks, dividend and dividend reinvestment plan (DRP) 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 ALCO. Three year capital forecasts are conducted on a quarterly basis and a detailed capital and strategic plan is presented to the Board annually.

The Group's capital ratios throughout the 2010 and 2011 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved minimums.

The Bank is required to inform APRA immediately of any breach or potential breach of its minimum prudential 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. APRA does not permit banks to pay dividends from retained profits without prior approval. Under APRA guidelines, the expected dividend must be deducted from Tier One Capital.

Current Regulatory Framework

Basel II

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 supervisory review process including 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.

The Group, excluding Bankwest, was granted advanced Basel II accreditation by APRA on 10 December 2007.

From 1 January 2008, the advanced internal ratings based approach (AIRB) for credit risk and the advanced measurement approaches (AMA) for operational risk were adopted in the calculation of RWA.

APRA specifically requested Australian banks to incorporate regulatory capital for interest rate risk in the banking book (IRRBB) in their assessment of total regulatory capital from 1 July 2008. IRRBB is the risk that the Bank's profit derived from net interest income (interest earned less interest paid), in current and future periods, is adversely impacted from changes to interest rates. This is measured from two perspectives; firstly by quantifying the change in the net present value of the Balance Sheet's future earnings potential and secondly; as the anticipated change to the net interest income which is reported in the Bank's Income Statement. This is not a requirement under the Basel II Pillar 1 framework.

There is an agreed methodology for measuring market risk for traded assets, which remained unchanged from Basel I.

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

Regulatory Changes

There are a number of regulatory changes in progress that will impact the measurement of capital for the Group in regards to Banking, General and Life Insurance and Conglomerate Groups.

Banking – Basel Committee Changes

On 16 December 2010, the Basel Committee on Banking Supervision (BCBS) published details of its main banking reforms to strengthen global capital and liquidity regulations with the aim of promoting a more resilient banking sector.

The "*Basel III: A global regulatory framework for more resilient banks and banking systems*" reforms are designed to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risks.

The regulations will increase the common equity minimum requirement from 2% to 4.5%. They introduce a capital conservation buffer of 2.5%, taking the minimum common equity requirement to 7%. Tier One and Total Capital minimum requirements (inclusive of the capital conservation buffer) will increase to 8.5% and 10.5% respectively. The reforms also introduce a minimum leverage ratio of Tier One Capital to total exposures of 3%.

The framework includes higher capital requirements and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of the Liquidity Coverage Ratio (LCR) requirement, which aims to ensure that banks have sufficient high-quality liquid assets to survive an acute stress scenario lasting for one month and the Net Stable Funding Ratio (NSFR), as a separate liquidity metric. Although the Basel Committee has not asked for additional comment on the LCR and NSFR, both are subject to observation periods and transitional arrangements. APRA is expected to announce the application of the new framework in Australia in the second half of 2011.

The final impact of new liquidity and funding regulations on the Group is still uncertain though it is likely that they will require increased long term debt issuance and higher holdings of liquid assets. The Group continues to monitor developments in this area and intends to update its liquidity and funding policies as appropriate.

The reforms will be phased in from 1 January 2013 to 1 January 2019.

Banking – APRA Changes

APRA has begun work on developing draft prudential standards to implement the changes outlined by the BCBS.

APRA is expected to release a consultation paper on implementation in Australia in August 2011. Draft prudential standards are expected by December 2011, and final standards are expected in December 2012.

The BCBS and APRA conducted several recent Quantitative Impact Studies (QIS) to assess the impact of the proposed changes. The results of these studies are expected to be used to calibrate appropriate capital levels.

Basel II enhancements announced in July 2009, relating to securitisation and market risk, will be implemented from 1 January 2012.

General and Life Insurers

APRA released a Discussion Paper titled "*Review of capital standards for general insurers and life insurers*" in May 2010, followed by more detailed technical papers in July 2010. APRA is seeking to improve the risk sensitivity of its capital standards, and to introduce a definition and measurement of the capital base for insurers that is consistent with ADIs. A QIS to assess the impact of the proposed changes was completed in 2010 and after some refinements, APRA requested a further QIS be completed in 2011. The final standards are expected to be released by APRA in 2012 with implementation to commence in 2013.

The Reserve Bank of New Zealand (RBNZ) issued draft solvency standards for life insurance operations in August 2010. Following a period of consultation with the industry, the RBNZ is close to finalising the standard which will take effect during 2012.

Supervision of Conglomerate Groups

APRA released a Discussion Paper titled "*Supervision of Conglomerate Groups*" in March 2010. APRA is seeking to extend its current prudential supervision framework to conglomerate groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. The aims of the Level 3 proposal are to ensure that a conglomerate group holds adequate capital to protect the APRA regulated entities from potential contagion and other risks within the group.

A QIS to assess the impact of the proposed changes was completed in February 2011. Draft capital standards are expected in 2012 with implementation to commence in 2013.

Pillar 3 Disclosures

Full details on the market disclosures required under Pillar 3, per prudential standard APS 330 "*Public Disclosure of Prudential Information*", are provided on the U.S. Investor Website.

RWA 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 RWA, which is used as the denominator in the calculation of the Tier 1 capital ratio, Tier 2 capital ratio and total capital ratio.

Under the Basel I framework, to calculate RWA, 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 RWA, the Group has developed models that measures certain risk metrics (e.g., market risk, credit risk, operational risk and Interest Rate Risk in the Banking Book). The determination of RWA 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 is based on an economic downturn conditions, 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, RWA 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 RWA 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, RWA calculated in accordance with Basel II, as interpreted by APRA, may differ from RWA 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.

Capital Management

The Group maintains a strong capital position with the capital ratios well in excess of APRA minimum capital adequacy requirements (Prudential Capital Ratio (PCR)) and the Board approved minimum levels at all times throughout the year ended 30 June 2011.

Compared to the prior year, the Group's Common Equity and Tier One Capital increased 80 and 86 basis points respectively, reflecting a solid profit performance and reduction in RWA.

Total Capital increased 21 basis points compared to the prior year. The benefits from the growth in Tier One Capital being partially offset by the planned redemption of a number of Lower Tier Two instruments, and foreign currency translation impacts of these instruments.

The Group's Common Equity, Tier One and Total Capital ratios as at 30 June 2011 under the Financial Services Authority (the UK regulator) method of calculating regulatory capital as a percentage of RWA were 10.9%, 13.7% and 15.0% respectively. This has been provided for comparative purposes as the Group is not regulated by the Financial Services Authority.

Capital Initiatives

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

Tier One Capital

- The DRP for the 2010 final dividend was satisfied in full by an on market purchase and transfer of shares. As such there was no impact on the Group's capital ratios. The DRP participation rate was 25.8% and follows the removal of the 1.5% discount;
- The allocation of $513 million of ordinary shares in order to satisfy the DRP in respect of the interim dividend for the 2011 financial year, representing a participation rate of 25.1%; and
- The redemption of $65 million in Exchangeable Floating Rate notes, classified as Innovative Tier One Capital, in February 2011.

Tier Two Capital

- Redemption of five separate subordinated Lower Tier Two debt issues totalling $795 million, the majority of which took place in November 2010; and
- Redemption of a $152 million (NZ$ 200 million) Lower Tier Two debt issue in June 2011.

Regulatory Capital Requirements for Other Major ADI's in the Group

ASB Bank Limited

ASB Bank Limited's (ASB) operations are included in the Group's capital requirements however, ASB operates as a stand-alone Bank under Basel II advanced status and is subject to regulation by the RBNZ. The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements.

ASB had a Tier One ratio of 11.2% and a Total Capital ratio of 12.8% at 30 June 2011. ASB Bank was in compliance with its regulatory capital requirements at all times during the year. Once Basel III reforms are implemented, ASB will be required to report a common equity ratio.

Bankwest

Bankwest's operations are included in the Group's capital requirements however, Bankwest operates as a stand-alone Bank under Basel II standardised status and is separately regulated by APRA. There is a programme to extend the Group's advanced accreditation to determine regulatory capital for Bankwest.

Bankwest's capital ratios, at 30 June 2011, are in excess of both APRA minimum requirements and Board approved minimum levels. The Tier One ratio was 9.1% and Total Capital was 12.9%. Bankwest was in compliance with its regulatory capital requirements at all times during the year. Once Basel III reforms are implemented, Bankwest will be required to report a common equity ratio.

Capital Management continued

Regulatory Capital Requirements for 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)].

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 Insurance Business'*, issued by the New Zealand Society of Actuaries. The Group's general insurance businesses are regulated by APRA under the Insurance Act 1973. The Group determines capital requirements for general insurance businesses in accordance with APRA Prudential Standards.

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 insurance and funds management companies held assets in excess of regulatory capital requirements at 30 June 2011. The Group's Australian and New Zealand insurance and funds management businesses held $1,014 million of assets in excess of regulatory solvency requirements at 30 June 2011 (31 December 2010: $1,147 million; 30 June 2010: $1,007 million).

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

Capital Adequacy

Risk Weighted Capital Ratios	As at 30/06/11 %	31/12/10 %	30/06/10 %
Common Equity [1]	**7. 66**	7. 35	6. 86
Tier One	**10. 01**	9. 71	9. 15
Tier Two	**1. 69**	1. 79	2. 34
Total Capital	**11. 70**	11. 50	11. 49

Regulatory Capital	As at 30/06/11 $M	31/12/10 $M	30/06/10 $M
Ordinary Share Capital	**23,602**	23,083	23,081
Treasury shares [2]	**294**	301	298
Ordinary Share Capital and Treasury Shares	**23,896**	23,384	23,379
Other Equity Instruments	**939**	939	939
Trust Preferred Securities 2006 [3]	**(939)**	(939)	(939)
Total Other Equity Instruments	**-**	-	-
Reserves [4]	**392**	269	1,089
Cash flow hedge reserve	**402**	490	417
Employee compensation reserve	**(135)**	(100)	(125)
Asset revaluation reserve	**(191)**	(189)	(194)
Available-for-sale investments reserve	**(245)**	(22)	(173)
Foreign currency translation reserve related to non-consolidated subsidiaries	**149**	118	8
Total Reserves	**372**	566	1,022
Retained Earnings and current period profits	**11,826**	10,534	9,938
Expected dividend [5]	**(2,930)**	(2,045)	(2,633)
Estimated reinvestment under Dividend Reinvestment Plan [6]	**733**	511	-
Retained earnings adjustment for non-consolidated subsidiaries [7]	**227**	230	392
Other	**(189)**	(63)	(52)
Net Retained Earnings	**9,667**	9,167	7,645
Non-controlling Interest [8]	**528**	524	523
ASB Perpetual Preference Shares [8]	**(505)**	(505)	(505)
Non-controlling interests less ASB Perpetual Preference Shares	**23**	19	18
Total Fundamental Tier One Capital	**33,958**	33,136	32,064

(1) Represents Fundamental Tier One Capital net of Tier One deductions.
(2) Represents shares held by the Group's life insurance operations and employee share scheme trusts.
(3) Trust Preferred Securities 2006 issued 15 March 2006 of USD700 million. These instruments qualify as Tier One Innovative Capital of the Group.
(4) The Group's general reserve, capital reserve and foreign currency translation reserve (excluding balances related to non consolidated subsidiaries) qualify as Fundamental Tier One Capi
(5) Represents expected dividends required to be deducted from current period earnings.
(6) Dividend Reinvestment Plan (DRP) in respect of the June 2011 final dividend is to be satisfied through the issue of shares, with the assumed reinvestment rate based on reinves
DRP in respect of the June 2010 final dividend was satisfied in full by an on market purchase and transfer of shares.
(7) Represents cumulative current year profit and retained earnings adjustment for subsidiaries not consolidated for regulatory purposes. This includes adjustments to the extent to which reta
million, June 2010: $360 million). The retention of these profits are used to fund the future growth of these operations. This has been offset by the one-off write back adjustments upon ad
(8) Non-controlling interest classified as Tier One Innovative Capital under Basel II regulations. Comprised predominantly of ASB Perpetual Preference Shares of NZ$550 million issued by N

Capital Management continued

Capital Adequacy (continued)

Regulatory Capital	As at 30/06/11 $M	31/12/10 $M	30/06/10 $M
Tier One Capital Deductions - 100%			
Goodwill and other intangibles (excluding software) (1)	**(8,306)**	(8,382)	(8,470)
Capitalised expenses	**(252)**	(242)	(288)
Capitalised computer software costs	**(1,297)**	(1,100)	(950)
Defined benefit superannuation plan surplus (2)	**(53)**	(255)	(221)
General reserve for credit losses top up (3)	**(132)**	(106)	(90)
Deferred tax	**(287)**	(47)	(96)
Tier One Capital deductions - 100%	**(10,327)**	(10,132)	(10,115)
Tier One Capital Deductions - 50% (4)			
Equity investments in other companies and trusts (5)	**(317)**	(328)	(323)
Equity investments in non-consolidated subsidiaries (net of intangibles) (6)	**(526)**	(539)	(518)
Expected impairment losses (before tax) in excess of eligible credit provisions (net of deferred tax) (7)	**(817)**	(748)	(830)
Other deductions	**(396)**	(390)	(328)
Tier One Capital deductions - 50%	**(2,056)**	(2,005)	(1,999)
Total Tier One Capital Deductions	**(12,383)**	(12,137)	(12,114)
Fundamental Tier One Capital After Deductions	**21,575**	20,999	19,950
Residual Tier One Capital			
Innovative Tier One Capital			
Non-cumulative preference shares (8)	**2,598**	2,626	2,728
Non-controlling Interests (9)	**505**	505	505
Eligible loan capital	**128**	198	236
Total Innovative Tier One Capital	**3,231**	3,329	3,469
Non-Innovative Residual Tier One Capital (10)	**3,407**	3,407	3,407
Less: Residual capital in excess of prescribed limits transferred to Upper Tier Two Capital (11)	**-**	-	(225)
Total Residual Tier One Capital	**6,638**	6,736	6,651
Total Tier One Capital	**28,213**	27,735	26,601

(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

(3) Capital deduction at 30 June 2011 of $132 million after tax (31 December 2010: $106 million, 30 June 2010: $90 million) to ensure the Group has sufficient provisions and capital to cover

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

(5) Represents the Group's non-controlling interest in other companies and unit trusts.

(6) Represents the net equity within the non-consolidated subsidiaries (primarily the Colonial Group) which is deducted 50% from Tier One and 50% from Tier Two Capital. This deduction is
Colonial Hybrid Issue $700 million (December 2010: $700 million, June 2010: $700 million).

(7) Regulatory Expected Loss (pre tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (collective provision and general

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

(9) Non-controlling interest classified as Tier One Innovative Capital under Basel II regulations. Comprised predominantly of ASB Perpetual Preference Shares of NZ$550 million issued by N

(10) Comprises PERLS IV $1,465 million (less costs) issued by the Bank in July 2007 and PERLS V $2,000 million (less costs) issued by the Bank in October 2009. These have been appro

(11) 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.

Capital Adequacy (continued)

Regulatory Capital	As at 30/06/11 $M	31/12/10 $M	30/06/10 $M
Tier Two Capital			
Upper Tier Two Capital			
Residual capital in excess of prescribed limits transferred from Tier One Capital (1)	**-**	-	225
Prudential general reserve for credit losses (net of tax) (2)	**620**	618	603
Asset revaluation reserve (3)	**86**	85	87
Upper Tier Two note and bond issues	**336**	350	382
Other	**124**	108	83
Total Upper Tier Two Capital	**1,166**	1,161	1,380
Lower Tier Two Capital			
Lower Tier Two note and bond issues (4) (5)	**5,728**	5,990	7,454
Holding of own Lower Tier Two Capital	**(89)**	(35)	(16)
Total Lower Tier Two Capital	**5,639**	5,955	7,438
Tier Two Capital Deductions			
50% Deductions from Tier Two Capital (6)	**(2,056)**	(2,005)	(1,999)
Total Tier Two Capital	**4,749**	5,111	6,819
Total Capital	**32,962**	32,846	33,420

(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) Represents the after tax collective provisions and general reserve for credit losses of banking entities in the Group (including Bankwest) which operate under the Basel II Standardised methodology.

(3) APRA allows only 45% of 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) Represents 50% Tier One and 50% Tier Two Capital deductions under Basel II rules.

Capital Management continued

Capital Adequacy (continued)

Risk Weighted Assets	As at 30/06/11 $M	31/12/10 $M	30/06/10 $M
Credit Risk			
Subject to Advanced IRB approach			
Corporate	**39,180**	40,129	44,252
SME Corporate	**22,471**	22,071	26,216
SME Retail	**4,435**	4,896	5,170
Sovereign	**2,517**	2,557	2,800
Bank	**7,216**	6,686	7,492
Residential mortgage	**55,709**	56,412	55,882
Qualifying revolving retail	**6,398**	6,761	6,772
Other retail	**7,253**	6,398	6,322
Impact of the regulatory scaling factor (1)	**8,711**	8,755	9,294
Total risk weighted assets subject to Advanced IRB approach	**153,890**	154,665	164,200
Specialised lending exposures subject to slotting criteria	**35,990**	34,339	35,483
Subject to Standardised approach			
Corporate	**8,048**	8,040	8,872
SME Corporate	**7,389**	7,597	7,746
SME Retail	**4,461**	4,377	4,684
Sovereign	**103**	99	215
Bank	**1,238**	1,583	1,136
Residential mortgage	**23,515**	22,605	22,436
Other retail	**2,574**	2,510	2,530
Other	**4,751**	4,619	5,472
Total risk weighted assets subject to standardised approach	**52,079**	51,430	53,091
Securitisation	**2,670**	1,894	1,569
Equity exposures	**2,113**	2,280	2,420
Total risk weighted assets for credit risk exposures	**246,742**	244,608	256,763
Market risk	**3,162**	3,873	3,503
Interest rate risk in the banking book	**9,699**	17,033	10,272
Operational risk	**22,108**	20,049	20,283
Total risk weighted assets (2)	**281,711**	285,563	290,821

(1) APRA requires risk weighted assets amounts that are derived from IRB risk weight functions be multiplied by a factor of 1.06.

(2) Risk Weighted Assets (RWA) include the consolidation of Bankwest which operates under the Basel II Standardised methodology.

Liquidity and Capital Resources

The Group's key funding tools include:

- Its consumer retail funding base includes a wide range of retail transaction accounts, investment accounts, term deposits and retirement style accounts for individual consumers;
- Its customer small business and institutional deposit base; and
- Its wholesale international and domestic funding programmes which include it's Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit programme; Australian, U.S. and Euro Commercial Paper programmes; Bankwest Euro Commercial Paper programme; U.S. Extendible Notes programmes; Australian dollar Domestic Debt Programme; U.S. Medium Term Note Programme; Euro Medium Term Note Programme; and its Medallion and Swan securitisation programmes.

At 30 June 2011 virtually all of the Group's Australian dollar liquid assets qualified for repurchase by the RBA at any time.

Recent Market Environment

The incremental cost of wholesale funding has been generally stable over the last financial year but remains high. The Group remains dependent upon wholesale funding markets outside of Australia, with approximately 56% of wholesale funding being undertaken in the international capital markets as at 30 June 2011. The Group continually monitors the cost of funding markets and investor appetite for debt issues of the Group. The Group has managed its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and has continued to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and secured debt markets.

The final impact of new liquidity and funding regulations on the Group is still uncertain though it is likely that they will require increased long term debt issuance and higher holdings of liquid assets. The Group continues to monitor developments in this area and will update its liquidity and funding policies as appropriate.

Details of the Group's regulatory capital position and capital management activities are disclosed in Note 31 to the 2011 Financial Statements.

Additionally, the Group continually monitors market and regulatory developments which may permit it to broaden its funding base, including the legislation that is under discussion in Australia that would enable Australian banks to issue covered bonds.

Liquidity and Capital Resources continued

Commitments for Capital Expenditure Not Provided for	Group 2011 $M	2010 $M
Not later than one year	**13**	**19**
Total commitments for capital expenditure not provided for	**13**	**19**

Debt Issues (for further details see Note 24 to the 2011 Financial Statements)

	Group 2011 $M	2010 $M	2009 $M
Short term debt issues	**51,463**	49,757	39,586
Long term debt issues	**67,189**	80,453	62,233
Total debt issues	**118,652**	130,210	101,819
Short Term Debt Issues			
AUD commercial paper	**123**	494	258
USD commercial paper	**28,937**	20,423	20,419
EUR commercial paper	**2,005**	1,981	566
GBP commercial paper	**4,913**	4,980	609
Other currency commercial paper	**143**	88	-
Long term debt issues with less than one year to maturity	**15,342**	21,791	17,734
Total short term debt issues	**51,463**	49,757	39,586
Long Term Debt Issues			
USD medium term notes	**31,389**	41,074	23,221
AUD medium term notes	**9,507**	9,796	12,273
NZD medium term notes	**2,384**	1,112	1,163
JPY medium term notes	**8,265**	8,808	9,489
GBP medium term notes	**1,707**	1,558	2,116
EUR medium term notes	**7,973**	11,044	8,971
Other currencies medium term notes	**5,922**	6,971	4,851
Offshore loans (all JPY)	**42**	90	149
Total long term debt issues	**67,189**	80,453	62,233
Maturity Distribution of Debt Issues (1)			
Less than three months	**27,721**	27,939	23,883
Between three and twelve months	**23,742**	21,818	15,703
Between one and five years	**48,259**	61,741	52,899
Greater than five years	**18,930**	18,712	9,334
Total debt issues	**118,652**	130,210	101,819

(1) Represents the contractual maturity of the underlying instrument.

Debt Issues (continued)

The following table details the current debt programmes and issuing shelves along with programme or shelf size as at 30 June 2011. 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 2011.

Debt Programmes and Issuing Shelves

Programme/Issue Shelf	Programme/Issuing Shelf Type
Australia	
No Limit	Domestic Debt Issuance Programme
AUD 3 billion	CFL Domestic Borrowing Programme
Euro Market	
USD 7 billion	ASB Euro Commercial Paper Programme
USD 7 billion	CBA Euro Commercial Paper Programme
USD 70 billion	Euro Medium Term Note Programme (1)(2)
USD 10 billion	ASB Extendible Notes Programme
USD 7. 5 billion	Bankwest Euro Commercial Paper Programme
Asia	
JPY 500 billion	Uridashi shelf (2)
USD 5 billion	Asian Transferable Certificates of Deposit Programme
New Zealand	
No Limit	ASB Domestic Medium Term Note Programme
No Limit	ASB Registered Certificate of Deposit Programme
No Limit	CBA Domestic Medium Term Note Programme
United States	
USD 7 billion	ASB Commercial Paper Programme
USD 30 billion(3)	CBA Commercial Paper Programme
USD 50 billion	U.S. Medium Term Note Programme

(1) ASB Finance Limited, unconditionally and irrevocable guaranteed by ASB Bank Limited, is also an issuer under this programme.

(2) Amounts are also reflected under the $70 billion Euro Medium Term Note Programme.

(3) This programme limit was increased to USD 35 billion on 28 July 2011.

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 24 and 26 to the 2011 Financial Statements.

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 programmes 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 accounting standards these entities are consolidated in the Financial Statements if they meet the definition 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 such Off-Balance Sheet financing entities that it has determined falls within the control criteria.

Securitisation Programmes

The Group conducts a Loan Securitisation programme 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 to Note 41 to the 2011 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 through Special Purpose Entities (SPEs). The SPEs are separate, bankruptcy-remote vehicles that operate under master series agreements. The SPEs operate 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 accounting standards the assets and liabilities of the SPEs are deemed to be controlled and therefore consolidated into the Group's balance sheet.

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

Fee income is recognised 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 programmes after all payments due to investors and costs of the programme have been met. The value of securitisation fee and residual income is not a material component of the Group's fee income.

Group Arrangements with Issuers	2011 $M	2010 $M	2009 $M
Management fee paid to the Group	**1**	1	3
Liquidity facilities utilised by Issuers	**800**	800	800
Derivatives face value provided to Issuers	**800**	819	819

Credit Risk Related Instruments

The Group is party to a range of financial instruments that give rise to contingent and/or future liabilities. These transactions are a consequence of the Group's normal course of business to meet the financing needs of its customers and in managing its own risk. These financial instruments include guarantees, letters of credit, bill endorsements and other commitments to provide credit. The face (contract) value represents the maximum potential amount that could be lost if the counterparty fails to meet its financial obligations.

As the Group will only be required to meet these obligations in the event of default, the cash requirements of these instruments are expected to be considerably less than their face values.

These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. In accordance with Bank policy, exposure to any of these transactions (net of collateral) are not carried at a level that would have material adverse effect on the financial condition of the Bank and its controlled entities.

The only material category of commitments is the $128 billion of commitments to provide credit (2010: $109 billion). These are committed but undrawn facilities available to borrowers at call. 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 36 to the 2011 Financial Statements – Contingent Liabilities, Contingent Assets and Commitments.

Off-Balance Sheet Arrangements continued

	Face Value			Group Credit Equivalent		
	2011 $M	2010 $M	2009 $M	2011 $M	2010 $M	2009 $M
Credit risk related instruments						
Guarantees	**4,462**	3,658	3,642	**4,462**	3,364	3,641
Standby letters of credit	**931**	817	206	**931**	809	206
Bill endorsements	**28**	57	537	**28**	57	538
Documentary letters of credit	**50**	71	43	**46**	70	43
Performance related contingents	**1,996**	1,240	1,994	**1,910**	1,208	1,951
Commitments to provide credit	**128,007**	109,420	117,887	**112,689**	89,920	100,798
Other commitments	**660**	478	400	**465**	266	265
Total credit risk related instruments	**136,134**	**115,741**	**124,709**	**120,531**	**95,694**	**107,442**

Guarantees are undertakings given to support the obligations of a customer to third parties.

Standby letters of credit are undertakings to pay, against presentation of documents, an obligation in the event of a default by a customer.

Bills of exchange endorsed by the Group to pay or accept which represent liabilities in the event of default by the acceptor and the drawer of the bill.

Documentary letters of credit are undertakings by the Group to pay or accept drafts drawn by an overseas supplier of goods against presentation of documents in the event of payment default by a customer.

Performance related contingents are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation.

Commitments to provide credit include all obligations on the part of the Group to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

Other commitments include underwriting facilities and commitments with certain drawdowns.

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 2011 Financial Statements – Derivative Financial Instruments).

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 Group without the risk of incurring significant penalty or expense. In addition commitments to purchase or sell loans are included in other commitments.

These 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 potential loss to the Group in the event of non-performance by the counterparty.

Under Basel II advanced internal ratings based 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 when approved by APRA may an exposure less than fully-advanced amount be used as the credit equivalent exposure amount.

As the potential loss depends on counterparty performance, the Group utilises the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Group takes collateral where it is considered necessary to support off- balance sheet financial instruments with credit risk. 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 carrying value of future payments that may be required for Guarantees as defined in ASC Codification Topic 460: Guarantees, is set out by term below:

	Group Carrying Value (1)		
	2011 $M	2010 $M	2009 $M
Guarantees	**-**	1	1
Standby letters of credit	**2**	4	7
Bill endorsements	**1**	1	2
Documentary letters of credit	**-**	1	-
Performance related contingents	**18**	18	20
Total	**21**	25	30

(1) These instruments have a maturity profile within one year from the balance sheet date.

Off-Balance Sheet Arrangements continued

Securitisation of Assets

As discussed on page 69 of this Document, the Group undertakes various securitisation programmes.

The outstanding balance of securitised loans at 30 June 2011 was $8,293 million (2010: $6,732 million). No credit losses were incurred by the Group in relation to these securitised loans during the Financial Years 2011 and 2010. The credit risk in respect of these loans is fully covered through mortgage insurance. During the financial year ended 30 June 2011, the Group issued $3.0 billion AUD residential mortgaged backed securities (RMBS) via Medallion Trust Series 2011-1.

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

As the SPE is consolidated under IFRS, these liquidity facilities are not disclosed within Contingent Liabilities as commitments to provide credit within Note 36 to the 2011 Financial Statements (2011: $159 million, 2010: $89 million). Interest rate swaps (2011: $86 million, 2010: $116 million) are not disclosed in Note 11 to the 2011 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 programme after all payments due to investors and costs of the programme 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 2011 and 2010 were:

	2011 $M	2010 $M	2009 $M
Servicing fee	**16**	18	24
Management fee	**2**	3	3
Excess servicing fee	**41**	49	89
Proceeds from sale of mortgage loans	**3,000**	-	-
Interest rate swaps	**86**	116	76
Total cash receipts	**3,145**	**186**	**192**

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 2011 and 2010 the Group had commitments for capital expenditure (see Note 36 to the 2011 Financial Statements) and lease commitments (see Note 35 to the 2011 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 41 to the 2011 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 2011					
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Unspecified
	$M	$M	$M	$M	$M	$M
On-Balance Sheet (1)						
Debt Issues	**139,355**	**55,632**	**32,278**	**24,596**	**26,849**	**-**
Deposits and other Public Borrowings	**406,460**	**389,114**	**12,230**	**4,591**	**525**	**-**
Loan Capital	**16,315**	**897**	**2,705**	**3,867**	**8,846**	**-**
Total On-Balance Sheet	**562,130**	**445,643**	**47,213**	**33,054**	**36,220**	**-**
Off-Balance Sheet						
Credit risk related instruments (2)	**136,134**	**136,134**	**-**	**-**	**-**	**-**
Lease commitments – Property, Plant and Equipment (4)	**3,129**	**485**	**809**	**547**	**1,288**	**-**
Commitments for Capital Expenditure Not Provided for in the Accounts (3)	**13**	**13**	**-**	**-**	**-**	**-**
Total Off-Balance Sheet	**139,276**	**136,632**	**809**	**547**	**1,288**	**-**

(1) Contractual On-Balance sheet obligations also include contractual interest; refer to Note 39 to the 2011 Financial Statements.

(2) Credit risk related instruments, see page 70.

(3) Refer Note 36 to the 2011 Financial Statements.

(4) Refer Note 35 to the 2011 Financial Statements.

Contractual and Commercial Commitments continued

Lease Arrangements

Operating leases are entered into to meet the business needs of entities in the Group. Leases are primarily over commercial and retail premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into or on rental review dates.

Long Term Contracts

On 26 September 1997, the Bank entered the Information Technology and Telecommunications Services Agreement with EDS (Australia) Pty Ltd (now HP Enterprise Services Australia Pty Ltd). This agreement covers the provision of enterprise processing services and end user computing services until 30 June 2012 and for card services until 1 May 2017.

In 2009, the Bank entered into an Agreement for Lease with Lend Lease Development and Australian Prime Property Fund for Commonwealth Bank Place, a new building in the Sydney Central Business District (CBD) comprising over 50,000m^2 of commercial accommodation located above a retail podium. It is expected to accommodate over 6,000 of the Group's employees by early 2012.

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. The term of the agreements expire in December 2012.

In November 2007, the Bank signed a lease agreement with a term of 12 years with DPT Operator Pty Ltd and DPPT Operator Pty Ltd for accommodating approximately 5,000 of the Group's employees at Darling Park Tower 1 at 201 Sussex Street in the Sydney CBD.

In July 2006, the Bank entered into a lease agreement with Colonial First State Property Limited as trustee for both Site 6 and 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 April 2009, the Group entered into an Agreement to Lease for 12 years (with options to extend) on completion of Raine Square, a new 21 level office tower in Perth that will provide almost 40,000m^2 of office accommodation above three levels of retail space. Once complete, it is expected to accommodate over 3,500 of the Group's Perth based employees. Bankwest has also exercised an extension option on existing premises from November 2009.

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

Failure to Settle Risk

The Group 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, The Bulk Electronic Clearing System, The Consumer Electronic Clearing System and the High Value Clearing System (only if operating in fallback mode). This credit risk exposure is unquantifiable in advance, but is well understood, and is extinguished upon settlement at 9am each business day.

Capital Commitments

The Group is committed for capital expenditure, under contract of $13 million as at 30 June 2011 (2010: $19 million). The Bank is committed for $13 million (2010: $17 million). These commitments are expected to be extinguished within 12 months.

Services 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 2011 was $4.2 million (2010: $6.5 million).

Transactions in Own Shares

The Group had the following employee share plans in place during the year ended 30 June 2011:

- Commonwealth Bank Employee Share Plan (ESP)
- Commonwealth Bank Group Leadership Reward Plan (GLRP)
- Commonwealth Bank Equity Participation Plan (EPP);
- Commonwealth Bank Group Leadership Share Plan (GLSP);
- Commonwealth Bank Equity Reward Plan (ERP); and

The ERP arrangements were 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 the EPP but details were included in the Explanatory Memorandum to the 2000 meeting to ensure Shareholders were fully informed. Shareholders' consent was not required for either the ESP or GLRP.

For further information regarding compensation arrangements and agreements with Group Key Management Personnel, see the Remuneration Report in the 2011 Financial Report.

Forward-Looking Statements

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

Overview

The 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 2011, the Group had total consolidated assets of over $667 billion and loans outstanding of $500 billion. The Group's statutory net profit after tax was $6,394 million for the 2011 Financial Year.

The address of the Bank's principal executive office is Ground Floor, Tower 1, 201 Sussex Street, Sydney, New South Wales, 2000, Australia and its telephone number is (612) 9378 2000.

The Group conducts its operations primarily through the following business units: Retail Banking Services through which the Group conducts its Australian retail business; Business and Private Banking through which the Group conducts its Corporate Financial Services, Regional and Agribusiness, Local Business, Private Bank, and Equities and Margin Lending businesses; Institutional Banking and Markets through which the Group conducts its Institutional Banking and Markets businesses; Wealth Management, through which the Group conducts its Australian Funds Management and insurance businesses; New Zealand, through which the Group conducts its New Zealand banking and insurance businesses, Bankwest, through which the Group conducts full service retail and commercial banking services within Australia under the Bankwest brand and IFS Asia, through which the Group conducts banking and insurance business in Asia. 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. 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 44% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2011 and represented 41% of its total assets at that date.

Business and Private Banking (B&PB)

The Group offers commercial products within Australia including business loans and deposits and asset finance facilities to small and medium sized corporate customers and to rural and agribusiness customers. This segment also provides private banking services to high net worth individuals and margin lending through CommSec.

B&PB contributed 16% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2011 and represented 12% of its total assets at that date.

Institutional Banking and Markets (IB&M)

The Group provides a range of resources to assist institutional/corporate clients to grow and manage their business, creating customised solutions based on specific needs, industry trends and market conditions. The Total Capital Solutions offering comprises debt and capital markets, risk management and transactional banking to corporate and institutional clients. IB&M also has wholesale banking operations in London, New York, Singapore, Hong Kong and Malta.

IB&M contributed 16% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2011 and represented 15% of its total assets at that date.

Wealth Management (WM)

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. WM also has Funds Management businesses in the United Kingdom and Asia.

WM also provides Australian term insurance, disability insurance, annuities, master trusts, investment products and general insurance.

WM contributed 10% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2011 and represented 3% of its total assets at that date. As of 30 June 2011, Wealth Management had $189 billion of assets under administration and $1,640 million of inforce insurance premiums.

New Zealand (NZ)

The Group's New Zealand segment conducts banking operations through ASB Bank. The segment also comprises life insurance and funds management business through Sovereign that are included in this segment. The Group previously had operations in Fiji, which were disposed of on 15 December 2009. New Zealand contributed 7% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2011 and represented 8% of its total assets at that date.

Bankwest

Bankwest offers retail and small business banking services and provides a comprehensive range of products for these clients. Bankwest is a market leader in Western Australia.

As a result of the acquisition of Bank of Western Australia Ltd on 19 December 2008, the Group operates full service retail and commercial banking services within Australia under the Bankwest brand. Bankwest contributed 5% of the Group's statutory net profit after tax for the financial year ended 30 June 2011 and represented 12% of its total assets as at that date.

International Financial Services Asia (IFS Asia)

IFS Asia incorporates the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese retail banks, the joint venture Chinese life insurance business and the life insurance operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management businesses in Asia.

Description of Business continued

Support Divisions

Enterprise Services

Enterprise Services facilitates the delivery of Information Technology and Telecommunications services and strategic planning practices across the Group. Enterprise Services 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 Services and Risk Management provide 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.

Business Strategies and Future Developments

Strategic priorities

The Group's strategic direction focuses on five areas of significant opportunity - Customer service, Business banking, Technology and operational excellence, Trust and team spirit and Profitable growth:

- Customer Service – Improving customer service is the Group's highest priority; ensuring our customers experience our people as knowledgeable, pro-active, friendly and able to meet their needs;
- Business banking – Business banking is a key business, however the Group is underweight in market share and the Group's service perception is below that of our peers;
- Technology & operational excellence – The Group aims to ensure we make the best use of our technology resources and deliver what the Group needs to best serve our customers, now and in the future;
- Trust and team spirit – Trust and team spirit focuses on achieving a culture where our people feel engaged, passionate and valued. Building a culture of trust and team spirit is essential to achieving our vision, as success with our people will lead to success with our customers and shareholders;
- Profitable growth – The Group has developed experience and capabilities in areas which are now offering good opportunities to provide shareholders with increased returns on their investment. The investment in customer service has provided the opportunity to increase cross-sell and number of products held by our customers. The Group is looking to broaden our base into growth markets where the Group can leverage its assets and capabilities.

Core Banking Modernisation

In the 2008 Financial Year, the Group commenced a comprehensive programme to modernise its existing banking legacy IT systems with a single customer-centric IT platform, which it refers to as the Core Banking Modernisation programme.

The Core Banking Modernisation programme has provided and is expected to continue to provide ongoing efficiency gains that will lower annual operating costs and provide a better customer service platform and simplicity, as well as provide operational benefits. The announced forecast cost of the Core Banking Modernisation programme is expected to be approximately $1.1 billion, which is expected to be spent through the 2013 Financial Year. The Group has been migrating systems to its new platform in stages in order to mitigate the risk associated with a comprehensive IT roll-out and to minimize business disruption.

History and Ownership

The Commonwealth Bank of Australia was founded under the Commonwealth Bank Act in 1911 and commenced operations in 1912, empowered to conduct both savings and general (trading) bank business with the security of a Federal Government guarantee. In 1920, responsibility for note issue was transferred to the Commonwealth Bank. The next two decades saw the Commonwealth Bank's responsibilities expand to encompass those of a central bank. These powers were codified by emergency legislation enacted during the early days of World War II. Subsequent legislative amendment in 1959 created a separate Reserve Bank of Australia to take over the central bank functions from the Bank.

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;
- the Bank to become the successor in law of the State Bank of Victoria (SBV); and
- the issue of shares in the Bank to the public.

On 17 April 1991, the organisation became a public company with share capital governed by the Corporations Law but subject to certain overriding provisions of the Commonwealth Banks Act 1959. The Commonwealth Bank was fully privatised in three stages from 1991 to July 1996.

The Commonwealth Bank has been involved in many mergers. These mergers include:

1913: State Savings Bank of Tasmania (1902-1913) incorporating: Post Office Savings Bank of Tasmania (1882-1902)

1920: Queensland Government Savings Bank (1916-1920) incorporating:

- Moreton Bay Savings Bank (1856-1865)
- Ipswich Savings Bank (1861-1866)
- Toowoomba Savings Bank (1862-1867)
- Government Savings Bank of Queensland (1865-1916)

1931: State Savings Bank of Western Australia (1926-1931) incorporating: Government Savings Bank of WA (1906-1926) which had previously incorporated Post Office Savings Bank of Western Australia (1863-1908)

1931: Government Savings Bank of NSW (1871-1931) incorporating: Savings Bank of NSW (1832-1914) which had previously incorporated NSW Savings Bank/Campbell's Bank (1819-1833) and Port Stephens Savings Bank (1830-1832)

1989: ASB Bank Ltd (1987-current) 75% holding expanded to 100% in 2000, incorporating:

- Auckland Savings Bank/ASB Trust Bank (1847-1987)
- Westland Bank
- Sovereign Ltd (1989-current)
- Retail stockbroking and fixed income operations from Warburg Dillion Read (1997-current) which had previously incorporated S G Warburg & Co and Dillion, Read & Co

1991: State Bank of Victoria/SBV (1842-1991) formerly Savings Bank of Victoria/SSB and Savings Bank of Port Phillip

2000: Colonial Limited, formerly Colonial Mutual (1873-2000) incorporating:

- Trust Bank (1991-1999) formed out of a merger between Hobart Savings Bank/Savings Bank of Tasmania (1845-1991) and the Tasmania Bank, formerly Launceston Bank for Savings (1835-1991) which had previously incorporated Tasmanian Permanent Building Society
- Legal & General, Australia (1953-1998)
- State Bank of New South Wales (1931-1994), formerly the Rural Bank
- Prudential Corporation – Australia & New Zealand (1925-1998)

2008: Bank of Western Australia Limited (Bankwest) and St Andrew's Australia Pty Ltd (St Andrew's) (Note: St Andrew's insurance business was sold effective 1 July 2010.)

Australia

Financial Services

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

The crisis in the global financial system led to substantial public sector support being provided to financial institutions in a number of countries. Support for banks included increased caps on deposit insurance schemes, guarantees on wholesale funding, the injection of capital, removal of certain types of assets completely or providing insurance against losses on the assets of banks' balance sheets, and the establishment of public-private investment funds.

While the Australian and New Zealand banking industries have not been immune to this disruption, the banking industries in these countries have generally weathered the global financial crisis better than global peers.

However, these schemes have not completely eased the pressure faced in the wholesale funding markets as uncertainty still remains. Looking ahead, a reduction in risk aversion is central to resolving these domestic and global concerns.

Funds Management

The long term growth outlook for the Australian funds management industry remains positive, underpinned by the proposal to both simplify superannuation and increase compulsory superannuation contributions from 9% currently to 12% by the 2020 financial year.

The demand for simple, transparent low fee products is expected to continue as retail commissions are removed and investors focus on net-of-fee performance.

Australia's aging population and widening retirement funding gap is expected to drive demand for products which address market volatility, inflationary threats and longevity risks, and there continues to be significant demand from global investors for well managed international funds.

Domestic funds management margins remain under pressure with further Australian regulatory changes expected to reduce fees and increase capital requirements and associated compliance costs. Consolidation of the industry is set to continue as industry participants seek scale to counteract margin pressure and expand capabilities.

Insurance

Government policy supporting the beneficial treatment of life insurance inside superannuation is expected to drive strong growth in the life insurance sector, increasing overall coverage.

At the same time, life insurance distribution dynamics continue to evolve, with bancassurance, master trusts and industry funds emerging as the strongest growth channels. To meet the growing needs of these channels, insurance manufacturers are placing a greater emphasis on technology and service efficiency.

The general insurance market remains concentrated but is highly competitive, particularly with the entry of low cost operators. Industry profitability during the financial year has been negatively impacted by significant weather related event claims.

New Zealand

The Group's banking activities in New Zealand are conducted through the ASB Group and insurance activities through the Sovereign Group.

Competition in the New Zealand banking sector remains intense, with the four main banks being owned by Australian parents and accounting for 90% of the total banking system. In addition, Kiwibank, the New Zealand Government and New Zealand Post owned and operated bank launched in March 2002, continues to compete aggressively in the retail sector.

The non-bank financial sector remains weak due to elevated funding costs arising from the GFC. There have been some collapses and further consolidation of this segment is expected.

The Christchurch earthquake is likely to dampen New Zealand economic growth in the short term. Lending growth has been subdued and this is expected to continue.

Competition for retail deposits remains strong as banks move to secure increased domestic funding whilst at the same time reduce reliance on wholesale funding.

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 aging population impacting retirement savings and the provision of retirement solutions placing pressure on labour supply.

In December 2009, the Basel Committee on Banking Supervision released a consultation package of proposals aimed at strengthening global capital and liquidity regulations. Some of the proposed changes may have an effect on Australian financial institutions.

Description of Business continued

Competition

Australia and New Zealand

Competitive Landscape

Australia and New Zealand are strongly competitive financial services markets across the range of banking, funds management and insurance products. Competitors include the major Australian/NZ banks (Australia and New Zealand Banking Group (ANZ), National Australia Bank (NAB) and Westpac Banking Corporation (WBC)), regional banks, foreign banks and both local and international non-bank intermediaries.

Each of the major banks offer a full range of financial products and services through branch networks, electronic channels and third party intermediaries across Australia. The regional banks, while smaller than the majors, operate across state borders, or nationally, primarily in mortgage lending, facilitated by non-bank mortgage originators and brokers. Non-bank financial intermediaries such as building societies and credit unions operate in the areas of accepting deposits and residential mortgage lending, mainly for owner-occupied housing. Since 2008's credit crisis, regional banks and non-bank financial intermediaries have not been as active competitors of the major banks due to changes in markets and consumer preference since the start of the global financial crisis.

In addition, the Wealth Management businesses compete with the other three major Australian banks (ANZ, NAB, WBC), AMP, TOWER, IAG, Suncorp, QBE, Challenger, Perpetual and other major international insurance and funds management providers.

Trends

The Australian and New Zealand financial services sector performed strongly in the decade ended in late 2008, largely driven by strong growth in lending. Since 2008 this trend has changed to lower credit growth and higher savings growth with the expectation that this trend will continue.

The funds management industry has experience strong growth, especially within the superannuation (pension funds) industry although the downturn in equity markets impacted returns and inflows. Future growth will be underpinned by the aging population, continued tax benefits of long-term saving through superannuation and compulsory employer pension contributions. This growth potential continues to attract new entrants to this market, from international fund managers and boutique players.

Changes in the financial needs of consumers, regulatory changes, and technology developments have also changed the competitive landscape. 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

The New Zealand banking system is characterised by strong competition, with the four main banks operating in the market being owned by the four major Australian Banks, and accounting for 90% of the total banking system. In addition, Kiwibank, the Government owned and operated bank launched in 2002, continues to compete aggressively in the retail sector. The non-bank financial sector remains relatively weak following increased credit spreads and liquidity pressure arising from the global financial crisis (with further consolidation expected). Competition for retail funding has increased as banks move to secure more domestic and medium to long term funding and reduce reliance on the wholesale funding market, in line with more stringent Reserve Bank requirements for liquidity introduced in April 2010.

Employees

The Group employs approximately 46,000 people on a full time equivalent basis.

In June 2011, we launched our inaugural Diversity Policy which formalises our framework to create and maintain an inclusive and collaborative workplace culture. It outlines our diversity strategy which is focused on building a sustainable business through accessing the broadest possible talent pool.

We aim to recruit, develop and retain qualified and passionate individuals regardless of gender, age, race, family or caring responsibilities, disability or sexual orientation.

Our primary focus on increasing gender diversity in senior leadership continues, as we understand the business benefits attained by having broader gender diversity across all levels of the organisation.

The Group enhanced its commitment to the development of its people with a particular focus on leadership competencies and the ability of existing leaders to assess and coach their teams. The talent review process requires talent review plans to be discussed by the Executive Committee, providing a robust assessment of the workforce. Talent dashboards are produced enabling senior leaders to get an in-depth view of the talent pipeline within their business and are used as a source of talent decision making. In response, leadership development programmes are tailored across a range of career levels and audiences.

The Group continues to provide numerous initiatives, services, resources and tools to its people to support their health and wellbeing and fulfil our duty of care as an employer.

A range of mental health initiatives are also available, including our Employee Assistance Programme, targeted training programmes for our leaders and participation in Mental Health Month. We also have resources to help employees deal with stress.

The past few years saw significant decreases in the Group's Lost Time Injury Frequency Rate (LTIFR) which can be attributed to the continued implementation of the safety management system. In the 12 months to June 2011 the LTIFR was 1.9.

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.

The main regulators of financial services in Australia are 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.

The Reserve Bank of Australia (RBA) is responsible for monetary policy, financial system stability and regulation of the payments system. The RBA also administers sanctions implemented via the Banking (Foreign Exchange) Regulations 1959.

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 that 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. ASIC is also responsible for the National Consumer Credit Protection Act and the responsible lending framework it imposes upon credit providers.

The Australian Transaction Reports and Analysis Centre (AUSTRAC) has responsibility for overseeing compliance with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 and the Financial Transaction Reports Act 1988. 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.

In addition to the above, the Department of Foreign Affairs and Trade (DFAT), a federal government department, has responsibility for implementing legislation giving effect to decisions of the United Nations Security Council (UNSC), relating to sanctions, including the freezing of terrorist assets.

Supervisory Arrangements

The Bank and its subsidiary Bank of Western Australia are Authorised Deposit-taking Institutions (ADI's) under the Banking Act 1959 and are 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 ADIs 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 programme 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 has approved the Bank'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.

(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 obligations, Certificates of Deposit / Bills of other banks and overnight interbank loans) and other highly liquid marketable securities. More detailed comments on the Group's liquidity and funding risks are provided in Note 41 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 39 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 Commonwealth 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 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 Treasurer.

(vi) Fit and 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 which include designated members of senior management. ADIs also have to comply with APRA's Governance prudential standard which sets out requirements for Board size and composition, independence of directors, executive remuneration 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.

Life insurance and general insurance companies are subject to prudential standards including capital adequacy, risk management and reinsurance arrangements. Compliance with APRA regulation is monitored through regular returns, independent actuarial investigations, auditor certification and supervisory inspections.

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

Insurance and Wealth Management Regulation

The Group conducts general and life insurance business, funds management, asset management, custodial services, financial advice and superannuation (trustee) businesses through its Wealth Management division. The key regulators for the Group's wealth management businesses are APRA and ASIC. The Group's insurance and superannuation businesses are required to comply with relevant legislations including the Life Insurance Act 1995, Insurance Act 1973 and the Superannuation Industry (Supervision) Act 1993. They are also required to comply with APRA's prudential standards. These standards cover, amongst others, capital adequacy, governance and risk management. The Group's wealth management businesses are also governed by the Corporations Act 2001 which is administered by ASIC. Many of the Group's wealth management businesses are holders of Australian Financial Services licences and are required to meet various ongoing obligations thereunder.

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.

Among other things, on 23 December 2010 ASIC commenced proceedings against the Bank (and two other banks) in relation to Storm Financial, a Queensland-based financial planning firm that collapsed and went into liquidation in March 2009. ASIC's proceedings allege the Bank was knowingly concerned in Storm's operation of an unregistered managed investment scheme, in breach of the Corporations Act. ASIC's proceedings are regulatory in nature and ASIC is not currently seeking that the Bank pay monetary compensation to any person. On 2 July 2010, separate class action proceedings were commenced against the Bank in relation to Storm Financial. At this stage the size of the class action has not been defined and damages sought have not been quantified. These proceedings are being managed in the same Court (Federal Court of Australia) and by the same judge as the ASIC proceedings referred to above.

In 2009, the Bank separately established a resolution scheme for clients of Storm Financial who borrowed money from the Bank. The resolution scheme is nearing completion, having settled the claims of over 1,700 individuals, and the Bank believes that appropriate provisions are held to cover the outcomes and costs of the scheme. Certain borrowers who have opted out of the resolution scheme, or who chose not to participate are pursuing litigation against the Bank.

The Group is also aware from media reports and other public announcements that class action proceedings may be commenced against it at some time after October 2011 with respect to certain bank 'exception' fees. Such a class action was commenced in the Federal Court of Australia against another major Australian bank on 22 September 2010 for the recovery of certain bank 'exception' fees imposed by that bank. It is not practicable at this stage to predict the amount of such claims or likely success of any such class action.

Critical Accounting Policies and Estimates

Note 1 to the 2011 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. Management discusses the accounting policies which are sensitive to the use of judgement, estimates and assumptions with the Board Audit Committee.

These policies include provisions for impairment, actuarial assumptions in determining life insurance policy liabilities, determining whether certain entities should be consolidated, determining the fair value of financial instruments, assessing goodwill for impairment and actuarial assumptions in determining defined benefit plan obligations. An explanation of these policies and the related judgements and estimates involved is set out in Note 1 to the 2011 Financial Statements.

On 1 July 2010, the Tax consolidated Group began to apply the new tax regime for financial instruments – Taxation of Financial Arrangements "TOFA". Further details are set out in Note 5 – Income Tax to the 2011 Financial Statements.

Remuneration of Auditors

Disclosure of the Remuneration of Auditors is set out in Note 34 to the 2011 Financial Statements.

Introduction

This statement outlines 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 its well-being. The Board has adopted a comprehensive framework of Corporate Governance Guidelines, designed to properly balance performance and conformance. This enables 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", dated 30 June 2010, released by the ASX Corporate Governance Council.

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;
  - Overseeing the establishment of 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 (CEO); 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. It has regard to the interests of the Group's customers, people, shareholders and the broader community in which the Group operates at all times.

Delegation of Authority

The Board delegates to the CEO 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.

The CEO is responsible for the day to day management of the Group and maintaining a comprehensive set of management delegations under the Group's Delegation of Authorities framework. These delegations cover commitments around project investment, operational expenditure and non-financial activities or processes. They are designed to accelerate decision-making and improve both efficiency and customer service.

Composition

There are currently eleven Directors of the Bank and details of their experience, qualifications, special responsibilities and attendance at meetings are set out in the Directors' Report in the 2011 Financial Statements.

Membership of the Board and Committees is set out below:

	Board Membership	Position Title	Committee Membership			
Director			Board Performance and Renewal	People & Remuneration	Audit	Risk
D J Turner	Non-Executive, Independent	Chairman	Chairman	Member	-	Member
R J Norris (1)	Executive	Chief Executive Officer	-	-	-	Member
J A Anderson	Non-Executive, Independent	-	Member	-	-	Member
C R Galbraith	Non-Executive, Independent,	-	Member	-	Member	Member
J S Hemstritch	Non-Executive, Independent	-	-	Chairman	-	Member
S C H Kay	Non-Executive, Independent	-	-	Member	Member	Member
A M Mohl	Non-Executive, Independent	-	-	Member	-	Member
F D Ryan	Non-Executive, Independent	-	-	-	Chairman	Member
H H Young	Non-Executive, Independent	-	-	-	Member	Chairman
B J Long	Non-Executive, Independent	-	-	-	Member	Member
L K Inman (2)	Non-Executive, Independent	-	-	-	-	Member

(1) Mr Norris has announced that he will resign as CEO (and director) of CBA at the end of November 2011.

(2) Ms Inman was appointed to the Board with effect from 16 March 2011. In accordance with the Bank's Constitution and the ASX Listing Rules, she will stand for election at the Annual General Meeting to be held on 8 November 2011.

Constitution

The Constitution of the Bank specifies that:

- The CEO 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 thirteen (or such lower number as the Board may from time to time determine). The Board has determined that the number of Directors shall be eleven; and
- At each Annual General Meeting (AGM) one third of Directors (other than the CEO) 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.

Directors are required to conduct themselves in accordance with the ethical policies of the Group. They are required to be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act 2001. This disclosure extends to the interests of family companies and spouses. Directors are also 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 2001 and the Group's policies. Each Director may from time to time have personal dealings with the Group. Each Director could be 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 in the 2011 Financial Statements. 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;
- 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 has a material contractual relationship with the Group other than as a Director of the Bank.

Education

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

Review

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

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 AGM.

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 CEO's performance and remuneration which is conducted by the Board in the absence of the CEO.

Performance evaluations in accordance with the above processes have been undertaken during the year. Details on management performance evaluations are contained in the Remuneration Report section of the Directors' Report in the 2011 Financial Report.

Board Performance and Renewal Committee

The Board Performance and Renewal Committee reviews annually the corporate governance procedures of the Group. It considers the composition and effectiveness of the Commonwealth Bank of Australia Board and also 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, with the CEO attending the meeting by invitation.

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. These are aimed at creating a Board capable of challenging, stretching and motivating management to achieve sustained, outstanding 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. Each Director should:

- 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 an appropriate mix of skills, diversity 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.

Professional intermediaries are engaged to identify a diverse range of potential candidates for appointment as Directors based on the identified criteria.

The Board Performance and Renewal Committee will assess the skills, experience and personal qualities of these candidates as well as take into consideration other attributes including diversity to ensure that any appointment decisions are made in line with the objectives of the Board and the Group's Diversity Policy. A copy of the Policy is available on the Group's website.

Candidates who are considered suitable for appointment as Directors by the Board Performance and Renewal Committee are then recommended for decision by the Board and, if appointed, will stand for election at the next AGM, in accordance with the Constitution.

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. These include time commitment, code of ethics and continuing education. All current Directors have been provided with a letter confirming the terms of their appointment.

Policies

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

- The Board will consist of a majority of independent Non-Executive Directors;
- 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 Chairman;
- The Board will meet on a regular and timely basis. The agenda will provide adequate information about the affairs of the Group. It also enables the Board to guide and monitor management, and assist in its involvement in discussions and decisions on strategy. Strategic matters are given priority on the agenda for regular Board meetings. In addition, ongoing strategy is the major focus of at least one Board meeting annually;
- The Board has an agreed policy on the basis on which Directors are entitled to obtain access to Group 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 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 requirements 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 AGM until 14 days after the AGM. The guidelines also require that Directors do 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, which is in addition to the prohibition of any trading (including hedging) in positions prior to vesting of shares or options.

Directors and Executives who report to the CEO are also prohibited from:

- Any hedging of publicly disclosed shareholding positions; and
- Entering into or maintaining arrangements for margin borrowing, short selling or stock lending, in connection with the securities of the Group.

In June 2010 the Board approved a revised Group Securities Trading Policy, which replaced the guidelines. This policy applied to all Directors, employees and contractors of the Group from 21 September 2010.

Remuneration Arrangements

Details of the governance arrangements and policies relevant to remuneration are set out in the Directors' Report – Remuneration Report in the 2011 Financial Report.

Audit Arrangements

Audit Committee

The purpose of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities. It provides an objective and independent review of the effectiveness of the external reporting of financial information and the internal control environment of the Group, as well as obtaining an understanding of the tax and accounting risks which face the Group. The Audit Committee is responsible for the oversight of accounting policies, professional accounting requirements, internal audit (GAA), external audit, APRA statutory and regulatory reporting requirements, and the appointment of the external auditor.

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

These include:

- The Audit Committee shall comprise at least three members. All members must be Non-Executive, Independent Directors and be financially literate. At least one member should have relevant qualifications and experience as referred to in the ASX Corporate Governance Principles and Recommendations;
- The chairman of the Audit Committee may not be the Chairman of the Board. The term of each member will be determined by the Board through annual review. The Risk Committee chairman will be a member of the Audit Committee and vice-versa to ensure the flow of relevant information between the two committees;
- Meetings will be at least quarterly and as required. The external auditor will be invited to all meetings.
- Meetings will be held from time to time with GAA and the external auditor without management or others being present;
- The Committee has the power to call attendees as required, including open access to management, GAA, external audit and the right to seek explanations and additional information;
- Senior management and the internal and external auditor have free and unfettered access to the Audit Committee with the Group Auditor having a direct reporting line, whilst maintaining a management reporting line to the Chief Financial Officer; and
- It has the option, with the concurrence of the Chairman of the Board, to retain independent legal, accounting or other advisors to the extent the Committee considers necessary at the Group's expense.

Auditor

PricewaterhouseCoopers (PwC) was appointed as the external auditor of the Bank at the 2007 AGM, effective from the beginning of the 2008 financial year.

The PwC audit partner will attend the 2011 AGM and be available to respond to shareholder questions relating to the external audit.

The Group requires that the partner managing the external audit be changed after a period of no longer than five years, in line with current regulations.

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

Non-Audit Services

The External Auditor Services Policy requires the Audit Committee (or its delegate) to approve all audit and non-audit services before engaging the external auditors to perform the work. The policy also prohibits the external auditors from providing certain services to the Group or its affiliates. The objective of this policy is to avoid prejudicing the independence of the external auditors.

The policy is designed to ensure that the external 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 themselves and the Group;
- Require an indemnification from the Group to themselves;
- 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 external 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 or contribution-in-kind reports;
- Actuarial services unless 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;
- Expert services for the purpose of advocating the interests of the Group;
- Services relating to marketing, planning or opining in favour of the tax treatment of certain transactions;
- Tax services in connection with certain types of tax transactions;
- Tax services to individuals, and any immediate family members of any individuals, in a Financial Reporting Oversight Role; and
- Certain corporate recovery and similar services.

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 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 external auditor to third parties in connection with the Group's financing or related activities; and
- Other services pre-approved by the Audit Committee.

Risk Management

Risk Management governance originates at Board level, and cascades through to the CEO and businesses, via policies and delegated authorities. This ensures Board level oversight and a clear segregation of duties between those who originate and those who approve risk exposures. Independent review of the risk management framework is carried out through GAA.

The Board and its Risk Committee operate under the direction of their respective charters. The Board Charter stipulates, among other things that:

- The Board is responsible for "overseeing the establishment of systems of risk management by approving accounting policies, financial statements and reports, credit policies and standards, risk management policies and procedures and operational risk policies and systems of internal controls"; and
- The CEO is responsible for "implementing a system, including a system of internal controls and audits, to identify and manage risks that are material to the business of the Group".

The CEO and the Chief Financial Officer have given the Board their declaration in accordance with section 295A of the Corporations Act 2001 and confirmation that the declaration is founded on a sound system of risk management and internal control and also that the system is operating effectively in all material respects in relation to financial risks.

Risk Committee

The Risk Committee oversees the Group's risk management framework. This includes credit, market (including traded interest rate risk in the banking book, lease residual values, non-traded equity and structural foreign exchange), liquidity, funding, operational, insurance, compliance and regulatory risks assumed by the Group in the course of carrying on its business. It reviews regular reports from management on the measurement of risk and the adequacy and effectiveness of the Group's risk management and internal controls systems.

Strategic risks are governed by the Board, with input from the various Board sub-committees. Tax and accounting risks are governed by the Audit Committee.

A key purpose is to help formulate the Group's risk appetite for consideration by the Board, and agreeing and recommending a risk management framework to the Board that is consistent with the approved risk appetite.

This framework, which is designed to achieve portfolio outcomes consistent with the Group's risk-return expectations, includes:

- High-level risk management policies for each of the risk areas it is responsible for overseeing; and
- A set of risk limits to manage exposures and risk concentrations.

The Committee monitors management's compliance with the Group risk framework (high-level policies and limits). It also makes recommendations on the key policies relating to capital (that underpin the Internal Capital Adequacy Assessment Process), liquidity and funding. These are overseen and reviewed by the Board on at least an annual basis.

The Committee also monitors the health of the Group's risk culture, and reports any significant issues to the Board.

As part of the remuneration policy, the Risk Committee provides written input to the People & Remuneration Committee to assist in the alignment of executive remuneration with appropriate risk behaviours.

The Committee reviews significant correspondence between the Group and its regulators, receives reports from management on the Group's regulatory relations and reports any significant regulatory issues to the Board.

Levels of insurance cover on insurance policies maintained by the Group to mitigate some operational risks are disclosed to the Risk Committee for comment.

The Risk Committee charter states that the Committee will meet at least quarterly, and as required. In practice this is at least six times a year. To allow it to form a view on the independence of the function, the Risk Committee meets with the Group Chief Risk Officer (CRO) in the absence of other management at least annually or at the will of the Committee or the CRO. The chairman of the Risk Committee provides a report to the Board following each Committee meeting.

Framework

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

A description of the functions of the framework and the nature of the risks is set out in the Risk Management section of this Document and in Notes 38 to 41 to the Financial Statements.

Continuous Disclosure

Market matters which could be expected to have a material effect on the price or value of the Company's securities must be disclosed under the Corporations Act 2001 and the ASX Listing Rules. The Group's "Guidelines for Communication between the Bank and Shareholders" is available on the Group's website. These set 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.

Continuous Disclosure policy and processes are in place throughout the Group to ensure that all material matters which may potentially require disclosure are promptly reported to the CEO, 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 ASX Listing Rules, advised to the market. A Disclosure Committee has also 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.

Shareholder Communication

The Group believes it is very important for its shareholders to make informed decisions about their investment in the Group. In order for shareholders to have an understanding of the business operations and performance, the Group seeks to provide shareholders with access to quality information in a timely fashion. This will be communicated in the form of:

- Interim and final results;
- Annual Reports;
- Shareholder newsletters;
- AGM;
- Quarterly trading updates and Business Unit briefings where considered appropriate;
- All other price sensitive information will be released to the ASX in a timely manner; and
- The Group's website.

The Group employs a wide range of communication approaches. These include direct communication with shareholders, publication of all relevant Group information on the shareholder centre section of the website and webcasting of most market briefings for shareholders. Upcoming webcasts are announced to the market via ASX announcements and publicised on the website to enable interested parties to participate. In order to make its general meetings more accessible to shareholders, the Group moves the location between Australian capital cities each year and live webcasts are available for viewing online. These actions are aimed at encouraging shareholder participation at general meetings.

A summary record of issues discussed at one-on-one or group meetings with investors and analysts, including a record of those present, time and venue of the meeting, are kept for internal reference only.

The Group is committed to maintaining a level of disclosure that meets the highest of standards and provides all investors with timely and equal access to information.

Ethical Policies

The values of the Group are trust, honesty and integrity. The Board carries out its legal duties in accordance with these values and having appropriate regard to the interests of the Group's customers, shareholders, people 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. This 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 programmes;
- 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 our people. The Group has also established insider trading guidelines for our people 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

There are various policies and systems in place to enable our people to carry out their duties in accordance with the values of the Group. These include:

- 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 Policy

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

The policy has been extended to include reporting of auditing and accounting issues. These are 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

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 applicable regulations.

The Board employs 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 communication 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 conflict of interest situations 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.

Five Year Financial Summary

Income Statement	2011 $M	2010 $M	2009 $M	2008 $M	2007 $M
Net interest income	**12,658**	11,868	10,186	7,907	7,036
Other operating income [1]	**7,001**	7,191	6,632	6,434	6,161
Total operating income	**19,659**	19,059	16,818	14,341	13,197
Operating expenses	**(8,891)**	(8,601)	(7,765)	(7,021)	(6,427)
Impairment expense	**(1,280)**	(2,075)	(3,048)	(930)	(434)
Operating profit before goodwill and income tax expense	**9,488**	8,383	6,005	6,390	6,336
Corporate tax expense	**(2,637)**	(2,266)	(1,560)	(1,626)	(1,782)
Non-controlling interests	**(16)**	(16)	(30)	(31)	(27)
Net profit after tax ("cash basis")	**6,835**	6,101	4,415	4,733	4,527
Defined benefit superannuation plan income/(expense) [2]	**-**	-	(10)	9	5
Treasury shares valuation adjustment	**(22)**	(44)	(28)	60	(75)
Hedging and IFRS volatility	**(265)**	17	(245)	(42)	13
Visa Initial Public Offering gain after tax	**-**	-	-	295	-
Investment and restructuring	**-**	-	-	(264)	-
One-off expenses	**-**	-	(23)	-	-
Tax on NZ Structured finance transactions	**-**	(171)	-	-	-
Loss on disposal of controlled entities/investments	**(7)**	(23)	-	-	-
Bankwest non cash items	**(147)**	(216)	614	-	-
Net profit after income tax attributable to Equity holders of the Bank	**6,394**	5,664	4,723	4,791	4,470
Contributions to profit (after tax)					
Retail Banking Services	**2,845**	2,461	2,107	1,911	1,766
Business and Private Banking	**1,039**	898	736	721	n/a
Institutional Banking and Markets	**1,004**	1,173	166	771	n/a
Premium Business Services	**n/a**	n/a	n/a	n/a	1,445
Wealth Management	**581**	592	514	789	548
New Zealand	**469**	387	438	n/a	n/a
Bankwest	**463**	(45)	113	n/a	n/a
International Financial Services	**n/a**	n/a	n/a	555	461
Other [2]	**353**	457	537	(1)	211
Net profit after tax ("underlying basis")	**6,754**	5,923	4,611	4,746	4,431
Investment experience after tax	**81**	178	(196)	(13)	96
Net profit after tax ("cash basis")	**6,835**	6,101	4,415	4,733	4,527
Defined benefit superannuation plan income/(expense) [2]	**-**	-	(10)	9	5
Treasury shares valuation adjustment	**(22)**	(44)	(28)	60	(75)
Hedging and IFRS volatility	**(265)**	17	(245)	(42)	13
Visa Initial Public Offering gain after tax	**-**	-	-	295	-
Investment and restructuring	**-**	-	-	(264)	-
One-off expenses	**-**	-	(23)	-	-
Tax on NZ Structured finance transactions	**-**	(171)	-	-	-
Loss on disposal of controlled entities/investments	**(7)**	(23)	-	-	-
Bankwest non cash items	**(147)**	(216)	614	-	-
Net profit after tax ("statutory basis")	**6,394**	5,664	4,723	4,791	4,470
Balance Sheet					
Loans, bills discounted and other receivables	**500,057**	493,459	466,631	361,282	315,465
Total assets	**667,899**	646,330	620,372	487,572	440,157
Deposits and other public borrowings	**401,147**	374,663	368,721	263,706	219,068
Total liabilities	**630,612**	610,760	588,930	461,435	415,713
Shareholders' equity	**37,287**	35,570	31,442	26,137	24,444
Net tangible assets	**26,217**	24,688	20,738	16,422	15,158
Risk weighted assets	**281,711**	290,821	288,836	205,501	245,347
Average interest earning assets	**576,369**	553,735	481,248	385,667	332,492
Average interest earning liabilities	**538,843**	521,338	454,258	363,049	311,236
Assets (on Balance Sheet) - Australia	**581,695**	561,618	528,354	410,225	360,188
Assets (on Balance Sheet) - New Zealand	**54,993**	56,948	59,606	54,312	55,160
Assets (on Balance Sheet) - Other	**31,211**	27,764	32,412	23,035	24,809

(1) Includes investment experience.

(2) Due to the change in expectations on the size and impact of defined benefit superannuation plan (income)/expense, from 1 July 2009 this amount has been included as part of total expenses ("cash basis") and is recorded in the Other segment.

Five Year Financial Summary continued

	2011	2010	2009	2008	2007
Shareholder summary					
Dividends per share - fully franked (cents)	**320**	290	228	266	256
Dividends cover - statutory (times)	**1.3**	1.3	1.3	1.3	1.3
Dividends cover - cash (times)	**1.4**	1.4	1.3	1.3	1.3
Earnings per share (cents)					
Basic					
Statutory	**411.2**	367.9	328.5	363.0	344.7
Cash basis	**438.7**	395.5	305.6	356.9	347.1
Fully diluted					
Statutory	**395.1**	354.2	313.4	348.7	339.7
Cash basis	**420.6**	379.8	292.4	343.1	342.1
Dividend payout ratio (%)					
Statutory	**78.3**	79.7	73.1	74.1	75.2
Cash basis	**73.2**	73.9	78.2	75.0	74.2
Net tangible assets per share ($)	**16.8**	15.9	13.7	12.4	11.7
Weighted average number of shares (statutory basic) (M)	**1,545**	1,527	1,420	1,307	1,281
Weighted average number of shares (statutory fully diluted) (M)	**1,668**	1,640	1,548	1,424	1,344
Weighted average number of shares (cash basic) (M)	**1,548**	1,531	1,426	1,313	1,289
Weighted average number of shares (cash fully diluted) (M)	**1,671**	1,644	1,554	1,430	1,351
Number of shareholders	**792,765**	784,382	776,283	741,072	696,118
Share prices for the year ($)					
Trading high	**55.77**	60.00	46.69	62.16	56.16
Trading low	**47.05**	36.20	24.03	37.02	42.98
End (closing price)	**52.30**	48.64	39.00	40.17	55.25
Performance ratios (%)					
Return on average Shareholders' equity					
Statutory	**18.4**	17.5	16.8	19.8	20.7
Cash basis	**19.5**	18.7	15.8	20.4	21.7
Return on average total assets					
Statutory	**1.0**	0.9	0.9	1.0	1.1
Cash basis	**1.0**	1.0	0.8	1.0	1.1
Capital adequacy - Tier One	**10.01**	9.15	8.07	8.17	7.14
Capital adequacy - Tier Two	**1.69**	2.34	2.35	3.41	3.41
Capital adequacy - Deductions	**-**	-	-	-	(0.79)
Capital adequacy - Total	**11.70**	11.49	10.42	11.58	9.76
Net interest margin	**2.19**	2.13	2.10	2.02	2.08
Other information (numbers)					
Full-time equivalent employees	**46,060**	45,025	44,218	39,621	37,873
Branches/services centres (Australia)	**1,160**	1,147	1,142	1,009	1,010
Agencies (Australia)	**3,795**	3,884	3,859	3,814	3,833
ATM's (proprietary)	**4,173**	4,149	4,075	3,301	3,242
EFTPOS terminals	**170,855**	165,621	167,025	187,377	171,138
Productivity (1)					
Total income per full-time (equivalent) employee ($)	**424,186**	418,057	386,381	362,384	344,520
Employee expense/Total income (%)	**24.9**	24.3	23.3	25.5	24.7
Total operating expenses/Total income (%)	**45.5**	45.7	45.4	48.9	49.3

(1) Cash basis.

Appendix A – Additional Historical Information

For the purposes of providing investors with a thorough understanding of the Group's performance, this Appendix provides relevant Financial Year 2007 and 2008 information not provided within the 2011 Financial Report.

Provisions for Impairment

	Group	
	2008	2007
	$M	$M
Provisions for impairment losses		
Collective provision		
Opening balance	1,156	1,161
Acquisitions	-	-
Net collective provision funding	627	316
Impairment losses written off	(381)	(432)
Impairment losses recovered	77	103
Fair value and other	(13)	8
Closing balance	1,466	1,156
Individually assessed provisions		
Opening balance	100	80
Acquisitions	-	-
Net new and increased individual provisioning	336	134
Write-back of provisions no longer required	(33)	(16)
Discount unwind to interest income	(9)	(6)
Fair value and other	7	(5)
Impairment losses written off	(122)	(87)
Closing balance	279	100
Total provisions for impairment losses	1,745	1,256
Less: Off balance sheet provisions	(32)	(23)
Total provisions for loan impairment	1,713	1,233

	Group	
	2008	2007
	%	%
Provision Ratios		
Collective provision as a % of gross loans and acceptances	0. 38	0. 34
Collective provision as a % of risk weighted assets - Basel II	0. 71	n/a
Individually assessed provisions for impairment as a % of gross impaired assets	40. 8	23. 8
Total provisions for impairment losses as a % of gross loans and acceptances	0. 46	0. 37

Appendix A – Additional Historical Information

Credit Risk Management

The following table sets out the Group's impaired asset position by industry and asset class as at 30 June 2009.

							Group 2009
Industry	Loans $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	1,539	-	-	-	-	-	-
Agriculture	4,717	257	(77)	180	2	(1)	1
Bank and other financial	9,900	878	(483)	395	110	(1)	109
Home Loans	261,504	246	(82)	164	36	(1)	35
Construction	4,072	242	(104)	138	4	-	4
Personal	15,148	42	(23)	19	496	(52)	444
Asset Financing	7,923	46	(31)	15	58	(5)	53
Other commercial and industrial	108,570	1,901	(760)	1,141	255	(10)	245
Total Australia	413,373	3,612	(1,560)	2,052	961	(70)	891
Overseas							
Sovereign	1,466	-	-	-	-	-	-
Agriculture	5,483	60	(9)	51	-	-	-
Bank and other financial	7,619	109	(68)	41	86	-	86
Home Loans	30,702	196	(10)	186	18	-	18
Construction	635	-	-	-	4	-	4
Personal	743	1	-	1	14	(3)	11
Asset Financing	717	-	-	-	-	-	-
Other commercial and industrial	13,034	211	(82)	129	60	-	60
Total Overseas	60,399	577	(169)	408	182	(3)	179
Gross balances	473,772	4,189	(1,729)	2,460	1,143	(73)	1,070

Credit Risk Management (continued)

The following table sets out the Group's impaired asset position by industry and asset class as at 30 June 2008.

	Group 2008						
Industry	Loans $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	1,568	-	-	-	-	-	-
Agriculture	2,547	15	(4)	11	3	-	3
Bank and other financial	8,917	58	(27)	31	5	-	5
Real estate:							
Mortgage	186,926	157	(34)	123	23	(1)	22
Construction	1,647	11	(1)	10	1	(1)	-
Personal	19,233	14	(9)	5	364	(61)	303
Asset Financing	7,894	55	(12)	43	49	(5)	44
Other commercial and industrial	80,423	310	(161)	149	34	(5)	29
Total Australia	309,155	620	(248)	372	479	(73)	406
Overseas							
Sovereign	1,230	-	-	-	-	-	-
Agriculture	4,814	1	-	1	-	-	-
Bank and other financial	6,743	4	(4)	-	4	-	4
Real estate:							
Mortgage	28,817	37	(7)	30	1	-	1
Construction	606	3	(8)	(5)	1	-	1
Personal	532	2	(2)	-	13	(3)	10
Asset Financing	548	1	(2)	(1)	-	-	-
Other commercial and industrial	12,779	15	(8)	7	5	(1)	4
Total Overseas	56,069	63	(31)	32	24	(4)	20
Gross balances	365,224	683	(279)	404	503	(77)	426

Appendix A – Additional Historical Information

Credit Risk Management (continued)

The following table sets out the Group's impaired asset position by industry and asset class as at 30 June 2007.

						Group 2007
	Loans	Gross Impaired Assets	Individually Assessed Provisions	Write-offs	Recoveries	Net Write-offs
Industry	$M	$M	$M	$M	$M	$M
Australia						
Sovereign	1,777	-	-	-	-	-
Agriculture	2,491	5	(3)	1	(1)	-
Bank and other financial	7,894	2	(2)	-	(1)	(1)
Real estate:						
Mortgage	163,839	182	(23)	20	(1)	19
Construction	1,588	8	(1)	1	(1)	-
Personal	18,252	3	5)	408	(77)	331
Asset Financing	7,827	35	(13)	49	(10)	39
Other commercial and industrial	61,610	163	(39)	30	(8)	22
Total Australia	265,278	398	(86)	509	(99)	410
Overseas						
Sovereign	3,189	-	-	-	-	-
Agriculture	4,151	-	-	-	-	-
Bank and other financial	6,943	-	(1)	-	-	-
Real estate:						
Mortgage	28,931	12	(4)	-	-	-
Construction	618	-	-	-	-	-
Personal	660	2	(1)	7	(4)	3
Asset Financing	507	1	(1)	-	-	-
Other commercial and industrial	8,341	8	(7)	3	-	3
Total Overseas	53,340	23	(14)	10	(4)	6
Gross balances	318,618	421	(100)	519	(103)	416

Credit Risk Management (continued)

The following tables sets out the Group's credit risk by industry and asset class as at 30 June 2007, 2008 and 2009.

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

										Group
										At 30 June 2009
	Sovereign	Agri-culture	Bank & Other Financial	Home Loans	Constr-uction	Personal	Asset Financing	Other Comm & Indust.	Other	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,509	-	-	-	-	-	-	5,509
Receivables due from other financial institutions	-	-	8,590	-	-	-	-	-	-	8,590
Assets at fair value through Income Statement:										
Trading	3,473	-	14,438	-	-	-	-	2,291	-	20,202
Insurance (1)	1,631	-	5,134	-	295	-	-	8,509	-	15,569
Other	-	60	1	-	-	-	-	29	-	90
Derivative assets	284	33	15,441	-	43	-	-	6,372	-	22,173
Available-for-sale investments	7,237	-	1,384	-	-	-	-	7,281	-	15,902
Loans, bills discounted and other receivables	1,539	4,717	9,900	261,504	4,072	15,148	7,923	108,570	-	413,373
Bank acceptances	7	2,972	327	-	547	-	-	10,874	-	14,727
Other assets (2)	233	66	6,674	11	13	17	141	723	11,076	18,954
Total on balance sheet Australia	14,404	7,848	67,398	261,515	4,970	15,165	8,064	144,649	11,076	535,089
Credit risk exposures relating to off balance sheet assets:										
Guarantees	64	22	197	26	279	-	-	2,625	296	3,509
Loan commitments	900	1,286	2,415	52,253	1,348	16,413	-	31,208	718	106,541
Other commitments	26	21	145	12	443	-	1	2,174	28	2,850
Total Australia	15,394	9,177	70,155	313,806	7,040	31,578	8,065	180,656	12,118	647,989
Overseas Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,831	-	-	-	-	-	-	5,831
Receivables due from other financial institutions	-	-	5,831	-	-	-	-	-	-	5,831
Assets at fair value through Income Statement:										
Trading	2,476	-	1,543	-	-	-	-	1,180	-	5,199
Insurance (1)	1,370	-	321	-	-	-	-	-	-	1,691
Other	228	7	1,286	-	-	3	-	63	-	1,587
Derivative assets	173	77	3,408	-	3	-	-	524	-	4,185
Available-for-sale investments	435	-	1,694	-	-	-	-	3,473	-	5,602
Loans, bills discounted and other receivables	1,466	5,483	7,619	30,702	635	743	717	13,034	-	60,399
Bank acceptances	-	-	-	-	-	-	-	1	-	1
Other assets (2)	185	1	125	2	-	-	-	111	1,674	2,098
Total on balance sheet Overseas	6,333	5,568	27,658	30,704	638	746	717	18,386	1,674	92,424
Credit risk exposures relating to off balance sheet assets:										
Guarantees	24	1	-	-	29	-	-	79	-	133
Loan commitments	159	390	74	2,936	238	1,165	-	6,380	-	11,342
Other commitments	24	1	-	133	2	-	-	174	-	334
Total Overseas	6,540	5,960	27,732	33,773	907	1,911	717	25,019	1,674	104,233
Total gross credit risk	21,934	15,137	97,887	347,579	7,947	33,489	8,782	205,675	13,792	752,222

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Appendix A – Additional Historical Information

Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

	Group									
	At 30 June 2008									
	Sovereign	Agri-culture	Bank & Other Financial	Real Estate Mortgage	Real Estate Constr-uction	Personal	Asset Financing	Other Comm & Indust.	Other	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	4,841	-	-	-	-	-	-	4,841
Receivables due from other financial institutions	-	-	4,880	-	-	-	-	-	-	4,880
Assets at fair value through Income Statement:										
Trading	2,043	-	12,910	-	-	-	-	3,504	-	18,457
Insurance (1)	4,096	-	3,527	313	24	-	-	10,716	-	18,676
Other	-	-	295	-	-	-	-	-	-	295
Derivative assets	204	15	13,560	-	5	-	-	2,555	-	16,339
Available-for-sale investments	2,981	-	1,419	-	-	-	-	2,764	-	7,164
Loans, bills discounted and other receivables	1,568	2,547	8,917	186,926	1,647	19,233	7,894	80,423	-	309,155
Bank acceptances	8	2,764	485	-	533	-	-	14,488	-	18,278
Other assets (2)	20	32	1,018	2,338	21	240	99	1,405	10,647	15,820
Total on balance sheet Australia	10,920	5,358	51,852	189,577	2,230	19,473	7,993	115,855	10,647	413,905
Credit risk exposures relating to off balance sheet assets:										
Guarantees	51	9	176	25	110	-	-	2,335	-	2,706
Loan commitments	907	840	8,262	38,094	770	12,124	-	24,256	-	85,253
Other commitments	155	6	634	69	2,145	-	-	7,689	-	10,698
Total Australia	12,033	6,213	60,924	227,765	5,255	31,597	7,993	150,135	10,647	512,562
Overseas Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	2,895	-	-	-	-	-	-	2,895
Receivables due from other financial institutions	-	-	2,104	-	-	-	-	-	-	2,104
Assets at fair value through Income Statement:										
Trading	823	-	1,425	-	-	-	-	971	-	3,219
Insurance (1)	394	-	1,070	-	-	-	-	510	-	1,974
Other	1,069	33	1,204	-	40	29	-	596	-	2,971
Derivative assets	54	19	1,213	-	-	-	-	607	-	1,893
Available-for-sale investments	225	-	2,031	-	-	-	-	2,068	-	4,324
Loans, bills discounted and other receivables	1,230	4,814	6,743	28,817	606	532	548	12,779	-	56,069
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (2)	23	89	125	535	11	10	10	433	924	2,160
Total on balance sheet Overseas	3,818	4,955	18,810	29,352	657	571	558	17,964	924	77,609
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	1	1	-	25	-	-	69	-	96
Loan commitments	267	360	541	2,884	195	1,141	-	6,663	-	12,051
Other commitments	41	1	86	-	2	-	-	145	-	275
Total Overseas	4,126	5,317	19,438	32,236	879	1,712	558	24,841	924	90,031
Total gross credit risk	16,159	11,530	80,362	260,001	6,134	33,309	8,551	174,976	11,571	602,593

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in “Other” for the purpose of reconciling to the Balance Sheet.

Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

										Group At 30 June 2007
	Sovereign $M	Agriculture $M	Bank & Other Financial $M	Real Estate Mortgage $M	Real Estate Construction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,984	-	-	-	-	-	-	5,984
Receivables due from other financial institutions	-	-	2,809	-	-	-	-	-	-	2,809
Assets at fair value through Income Statement:										
Trading	3,894	-	10,193	-	-	-	-	4,924	-	19,011
Insurance [1]	4,300	-	3,888	374	33	-	-	12,225	-	20,820
Other	-	-	423	-	-	-	-	-	-	423
Derivative assets	170	-	8,494	-	14	-	-	296	-	8,974
Available-for-sale investments	2,456	-	1,417	-	-	-	-	1,572	-	5,445
Loans, advances and other receivables	1,777	2,491	7,894	163,839	1,588	18,252	7,827	61,610	-	265,278
Bank acceptances	11	2,155	441	-	571	-	-	15,543	-	18,721
Other assets [2]	28	39	960	2,575	25	287	123	968	10,745	15,750
Total on balance sheet Australia	12,636	4,685	42,503	166,788	2,231	18,539	7,950	97,138	10,745	363,215
Credit risk exposures relating to off balance sheet items:										
Guarantees										2,281
Loan commitments										72,167
Other commitments										12,842
Total Australia										450,505
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	4,124	-	-	-	-	-	-	4,124
Receivables due from other financial institutions	-	-	2,686	-	-	-	-	-	-	2,686
Assets at fair value through Income Statement:										
Trading	383	-	977	-	-	-	-	1,098	-	2,458
Insurance [1]	487	-	1,641	-	-	-	-	571	-	2,699
Other	244	365	2,369	-	67	-	-	605	-	3,650
Derivative assets	50	-	1,541	-	-	-	-	2,178	-	3,769
Available-for-sale investments	210	-	1,841	-	-	-	-	2,176	-	4,227
Loans, advances and other receivables	3,189	4,151	6,943	28,931	618	660	507	8,341	-	53,340
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets [2]	63	82	137	571	12	13	10	1,236	1,018	3,142
Total on balance sheet Overseas	4,626	4,598	22,259	29,502	697	673	517	16,205	1,018	80,095
Credit risk exposures relating to off balance sheet items:										
Guarantees										570
Loan commitments										13,264
Other commitments										598
Total Overseas										94,527
Total gross credit risk										545,032

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Appendix A – Additional Historical Information

Credit Risk Management (continued)

Large Exposures

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

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

	Group		
	2009 Number	2008 Number	2007 Number
5% to less than 10% of Group's capital resources	**1**	1	-
10% to less than 15% of Group's capital resources	**-**	-	-

Appendix A – Additional Historical Information

Asset Quality

Financial assets individually assessed as impaired

	Group 2009 Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M
Australia			
Loans and other receivables:			
Housing loans	274	(82)	192
Other personal	27	(23)	4
Asset financing	72	(31)	41
Other commercial and industrial	3,260	(1,424)	1,836
Financial assets individually assessed as impaired-Australia	3,633	(1,560)	2,073
Overseas			
Loans and other receivables:			
Housing loans	203	(10)	193
Other personal	1	-	1
Asset financing	-	-	-
Other commercial and industrial	373	(159)	214
Financial assets individually assessed as impaired-Overseas	577	(169)	408
Total financial assets individually assessed as impaired	4,210	(1,729)	2,481

	2008			Group 2007		
	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M	Gross Impaired Assets $M	Individually Assessed Provisions $M	Net Impaired Assets $M
Australia						
Loans and other receivables:						
Housing loans	157	(34)	123	182	(23)	159
Other personal	14	(97)	(83)	3	(104)	(101)
Asset financing	55	(12)	43	35	(13)	22
Other commercial and industrial	394	(193)	201	178	(45)	133
Financial assets individually assessed as impaired-Australia	620	(336)	284	398	(185)	213
Overseas						
Loans and other receivables:						
Housing loans	37	(7)	30	12	(4)	8
Other personal	2	(2)	-	2	(1)	1
Asset financing	1	(2)	(1)	1	(1)	-
Other commercial and industrial	23	(20)	3	8	(8)	-
Financial assets individually assessed as impaired-Overseas	63	(31)	32	23	(14)	9
Total financial assets individually assessed as impaired	683	(367)	316	421	(199)	222

Appendix A – Additional Historical Information

Asset Quality (continued)

	Australia 2009 $M	Overseas 2009 $M	Group Total 2009 $M
Non-Performing Loans by Size of Loan			
Less than $1 million	493	172	665
$1 million to $10 million	843	171	1,014
Greater than $10 million	2,297	234	2,531
Total	3,633	577	4,210

	Australia 2008 $M	Overseas 2008 $M	Total 2008 $M	Australia 2007 $M	Overseas 2007 $M	Group Total 2007 $M
Non-Performing Loans by Size of Loan						
Less than $1 million	189	39	228	194	14	208
$1 million to $10 million	175	24	199	151	9	160
Greater than $10 million	256	-	256	53	-	53
Total	620	63	683	398	23	421

Appendix A – Additional Historical Information

Average Balances and Related Interest

	2009		
	Avg Bal	Income	Yield
Net Interest Margin	$M	$M	%
Total interest earning assets (excluding securitisation)	481,248	30,763	6. 39
Total interest bearing liabilities (excluding securitisation)	454,258	20,635	4. 55
Net interest income & interest spread (excluding securitisation)		10,128	1. 84
Benefit of free funds			0. 26
Net interest margin			2. 10

Appendix A – Additional Historical Information

Loans, Advances and Other Receivables

	Group		
	2009	2008	2007
	$M	$M	$M
Australia			
Overdrafts	17,829	20,047	2,902
Housing loans (1)	261,504	186,926	161,406
Credit card outstandings	9,055	7,555	7,185
Lease financing	4,572	4,239	4,532
Bills discounted	10,936	5,868	3,640
Term loans	107,337	83,431	68,577
Redeemable preference share financing	-	-	-
Other lending	1,616	1,076	1,339
Other securities	524	13	11
Total Australia	413,373	309,155	249,592
Overseas			
Overdrafts	744	716	1,605
Housing loans	30,702	28,817	28,931
Credit card outstandings	573	538	533
Lease financing	541	563	531
Bills discounted	-	-	33
Term loans	27,079	23,916	20,027
Redeemable preference share financing	744	1,194	1,194
Other lending	16	25	183
Other securities	-	300	303
Total overseas	60,399	56,069	53,340
Gross loans, advances and other receivables	473,772	365,224	302,932
Less			
Provisions for impairment			
Collective provision	(3,195)	(1,434)	(1,034)
Individually assessed provisions	(1,729)	(279)	(199)
Unearned income:			
Term loans	(1,134)	(1,047)	(941)
Lease financing	(1,083)	(1,182)	(979)
	(7,141)	(3,942)	(3,153)
Net loans, advances and other receivables	466,631	361,282	299,779

(1) Includes securitised loan balances for 2009 of $9,696 million (2008: $11,676 million; 2007: $15,633 million) in the Group. Liabilities of similar values are included in Debt Issues (Group).

	Group		
	2009	2008	2007
	$M	$M	$M
Finance Leases			
Minimum lease payments receivable:			
Not later than one year	1,479	1,354	1,462
Later than one year but not later than five years	2,554	2,328	2,583
Later than five years	1,080	1,120	1,018
Lease financing	5,113	4,802	5,063

Appendix A – Additional Historical Information

Deposits and Other Public Borrowings

	Group 2009 $M
Australia	
Certificates of deposit	56,735
Term deposits	99,177
On demand and short term deposit	153,382
Deposits not bearing interest	7,135
Securities sold under agreements to repurchase	8,413
Total Australia	324,842
Overseas	
Certificates of deposit	9,960
Term deposits	22,517
On demand and short term deposits	9,760
Deposits not bearing interest	1,481
Securities sold under agreements to repurchase	161
Total Overseas	43,879
Total Deposits and Other Public Borrowings	368,721

Appendix B – Market Share Definitions

24. Market Share Definitions

Retail Banking Services

Home Loans	CBA Total Housing Loans (APRA) + CBA Securitised Housing Loans (APRA) + Home Path Balance	Total Housing Loans (incl securitisations) (from RBA which includes NBFI's unlike APRA) (1)
Credit Cards	CBA Personal Credit Card Lending (APRA)	Credit Cards excluding those issued to Business with Interest Free + without Interest Free (from RBA which includes NBFI's unlike APRA) (1)
Personal Lending (APRA and Other Household Lending)	CBA Term Personal Lending + 88% of Margin Lending balances + Personal Leasing + Revolving credit	Other Loans to Households (APRA)
Household Deposits	Total transaction and investment account deposit balances recorded on the domestic books of CBA from individual Australian residents excluding self-managed superannuation funds (as per APRA definitions)	Total Bank Household Deposits (from APRA monthly banking statistics)
Retail Deposits	CBA Deposits from Residents excluding those by Banks and Governments and also excluding FX AUD equivalent	Total RBA: Current Deposits with banks + Term (excl CD's) + Other with banks (from RBA monthly bulletin statistics) (1)

Business Market Share

Business Lending (APRA)	Loans to residents that are recorded on the domestic books of CBA within the non-financial corporation's sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporation's (as per lending balances submitted to APRA in ARF 320.0)	Total loans to the non-financial corporation's sector for all licensed banks that submit to APRA
Business Lending (RBA)	CBA and CBFC (subsidiary) business lending and credit (specific 'business lending' categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills)	Total of business lending and credit to the private non-financial sector by all financial intermediaries (sourced from RBA table Lending & Credit Aggregates which is in turn sourced from specific 'business lending' categories in lodged APRA returns – 320.0, 320.1 and 320.4) (includes bills on issue and securitised business loans) (1)
Business Deposits (APRA)	Total transaction and non-transaction account deposit balances recorded on the domestic books of CBA from residents within the non-financial corporation's sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporation's (as per deposit balances submitted to APRA in ARF 320.0)	Total transaction and non-transaction deposit balances from the non-financial corporation's sector for all licensed banks that submit to APRA
Equities Trading	Twelve months rolling average of total value of equities trades	Twelve months rolling average of total value of equities market trades as measured by ASX

Wealth Management

Australian Retail Funds – administration view	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties)	Total funds in retail investment products market (from Plan for Life)
FirstChoice Platform	Total funds in FirstChoice platform	Total funds in platform/masterfund market (from Plan for Life)
Australia (Total Life Insurance Risk)	Total risk inforce premium of all CBA Group Australian life insurance companies	Total risk inforce premium for all Australian life insurance companies (from Plan for Life)
Australia (Individual Life Insurance Risk)	(Individual lump sum + individual risk income) inforce premium of all CBA Group Australian life insurance companies	Individual risk inforce premium for all Australian life insurance companies (from Plan for Life)

(1) The RBA restates the total of all financial intermediaries retrospectively when required. This may be due to a change in definition, the inclusion of a new participant or correction of errors in prior returns.

24. Market Share Definitions (continued)

New Zealand

Lending for housing	All ASB residential mortgages to personal customers for housing purposes (including off balance sheet)	Total New Zealand residential mortgages to personal customers for housing purposes (from New Zealand Reserve Bank)
Lending to Business	All New Zealand dollar claims on ASB Balance Sheet excluding agriculture, Finance, Insurance, Government, Household and Non-Resident sector loans	Total New Zealand dollar credit to the resident business sector, based on Australia New Zealand Standard Industrial Classification (ANZSIC) excluding the following: Agriculture, Finance, Insurance, General Government, Household and Non-Resident sector loans (from New Zealand Reserve Bank)
Retail Deposits	All New Zealand dollar retail deposits on ASB Balance Sheet	Total New Zealand dollar retail deposits of all New Zealand registered banks (from New Zealand Reserve Bank)
Retail FUM	Total ASB FUM + Sovereign FUM	Total Market net Retail Funds under Management (from Fund Source Research Limited)
Annual Inforce Premiums	Total Sovereign inforce premiums excluding health (inforce annual premium income + new business – exits – other)	Total inforce premium for New Zealand (from ISI statistics)

Bankwest

Home Loans	Bankwest Total Housing Loans (APRA) + Bankwest Securitised Housing loans (APRA)	Total Housing Loans (incl securitisations) (from RBA which includes NBFI's unlike APRA) (1)
Business Lending (APRA)	Loans and advances to residents that are recorded on the domestic books of Bankwest within the non-financial corporations sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporations (as per lending balances submitted to APRA in ARF 320.0)	Total loans and advances to the non-financial corporations sector for all licensed banks that submit to APRA
Business Lending (RBA)	Bankwest business lending and credit (specific 'business lending' categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book and ARF 320.4 Accepted and Endorsed Bills)	Total of business lending and credit to the private non-financial sector by all financial intermediaries (sourced from RBA table Lending & Credit Aggregates which is in turn sourced from specific 'business lending' categories in lodged APRA returns - 320.0, 320.1 and 320.4) (includes bills on issue and securitised business loans) (1)
Credit Cards	Bankwest Personal Credit Card Lending (APRA)	Credit Cards excluding those issued to Business with Interest Free + without Interest Free (from RBA which includes NBFI's unlike APRA) (1)
Personal Lending (APRA and Other Household Lending)	Bankwest Term Personal Lending + Margin Lending net balances + Personal Leasing + Revolving credit	Other Loans to Households (APRA)
Household Deposits	Total transaction and investment account deposit balances recorded on the domestic books of Bankwest from individual Australian residents excluding self-managed superannuation funds (as per APRA definitions)	Total Bank Household Deposits (from APRA monthly banking statistics)
Business Deposits (APRA)	Total transaction and non-transaction account deposit balances recorded on the domestic books of Bankwest from residents within the non-financial corporations sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporations (as per deposit balances submitted to APRA in ARF 320.0)	Total transaction and non-transaction deposit balances from the non-financial corporations sector for all licensed banks that submit to APRA

(1) The RBA restates the total of all financial intermediaries retrospectively when required. This may be due to a change in definition, the inclusion of a new participant or correction of errors in prior returns.