U.S. Disclosure Document

For the half year ended 31 December 2012

Report for the half year ended 31 December 2012	$M	
Revenue from ordinary activities	22,918	Down 4%
Profit/(loss) from ordinary activities after tax attributable to Equity holders	3,661	Up 1%
Net profit/(loss) for the period attributable to Equity holders	3,661	Up 1%
Dividends (distributions)		
Interim Dividend - fully franked (cents per share)		164
Record date for determining entitlements to the dividend		22 February 2013

This Report (Document) should be read in conjunction with:

- The Commonwealth Bank of Australia Annual U.S. Disclosure Document – Year Ended 30 June 2012 (the "2012 Annual U.S. Disclosure Document");
- The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2012 which contains the Financial Statements for the years ended 30 June 2010, 2011 and 2012 and as of 30 June 2010 and 2011 (the "2012 Financial Report");
- 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 of 30 June 2009 and 2010 (the "2011 Financial Report");
- The Commonwealth Bank of Australia Basel II Pillar 3 Capital Adequacy and Risk Disclosures as of 31 December 2012; and
- The Commonwealth Bank of Australia Basel II Pillar 3 Capital Adequacy and Risk Disclosures as of 30 June 2012.

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

The term "Bank" refers to the Commonwealth Bank of Australia and the term "Group" refers to the Bank and its consolidated subsidiaries. Certain other terms used in this Document are defined in Appendix 19 – Definitions and Appendix 20 – Market Share Definitions.

This Document, the 2012 Annual U.S. Disclosure Document, the 2012 Financial Report and the 2011 Financial Report are each presented in Australian dollars unless stated otherwise.

The Group's financial years end on June 30 of each year. References to the 2012 Financial Year are to the year ended 30 June 2012 and prior financial years are referred to in a similar manner.

Except where otherwise stated, all figures in this Document relate to the half year ended 31 December 2012. The term "prior comparative period" refers to the half year ended 31 December 2011, while the term "prior half" refers to the half year ended 30 June 2012 and the terms "current period" or "current half" refers to the half year ended 31 December 2012.

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Section 1 – Disclosures

Special Note Regarding Forward-Looking Statements

Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, ”Capital”, “Group Performance Analysis”, “Retail Banking Services”, “Business and Private Banking”, “Institutional Banking and Markets”, “Wealth Management”, “New Zealand”, “Bankwest”, “Other”, “Liquidity and Capital Resources” 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 and elsewhere where the Group or its customers operate or raise funds; the impact of natural disasters; 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 and equity 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 other regions where the Group operates; 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.

Risk factors applicable to the Group are detailed on page 7 of this Document and pages 9 – 11 of the 2012 Annual U.S. Disclosure Report.

Basis of preparation

The consolidated Financial Statements of the Group for the half years ended 31 December 2012, 30 June 2012 and 31 December 2011 comply with International Financial Reporting Standards (IFRS).

The management discussion and analysis in this Document 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 view of the Group's underlying operating results, excluding a number of items that the Group believes introduce volatility and/or 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 distinguish between positive and negative adjustments. A complete list of items excluded from statutory profit is provided in the reconciliation of the Group's net profit after tax on page 11 and in Appendix 12.

This Document does not include all notes of the type included in the 2012 Annual U.S. Disclosure Document and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the 2012 Annual U.S. Disclosure Document. As a result, this Document should be read in conjunction with the 2012 Annual U.S Disclosure Document, the 2012 Financial Report and the 2011 Financial Report.

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 this Document, the 2012 Financial Report and the 2011 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.

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 non-cash items, Bell Group litigation, treasury shares valuation adjustment, Count Financial acquisition costs unrealised gains and losses related to hedging and IFRS volatility and other non-cash one-off expenses. This is management's preferred measure of the Group's financial performance. A reconciliation of the Group's net profit after tax from a statutory basis to a cash basis is set out on page 11 and in Appendix 12.
- 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.

Reclassification of Certain Income Statement and Balance Sheet Information

During the current half, the Group has made a number of changes to the presentation of segment results:

- Customer Reporting – to align with the Group's strategic focus on placing the customer at the centre of everything we do, the presentation of segment Profit and Loss and Balance Sheet has been refined. This has led to a reallocation of revenue, expenses and associated customer balances between segments based on where the customer relationship is being managed, rather than the business from which the product originated. This change primarily affects the presentation of the Retail Banking Services and Business and Private Banking segments.
- Capital Allocation – with the introduction of the Basel III regulatory capital framework, the Group has enhanced its capital allocation methodology, allocating the higher capital requirements to business segments. This has resulted in a reallocation of earnings on equity from the Corporate Centre (where residual capital was previously held) to each segment, with no change to total Group capital levels.
- Single ADI – as a consequence of the Group relinquishing the Authorised Deposit-taking Institution (ADI) license held by Bankwest in October 2012, certain treasury-related revenues, operating expenses and balance sheet items have been transferred from the Bankwest segment to the Corporate Centre.

In order to provide a meaningful comparison to the Group's historical operations, the Group has also reclassified these items in the financial information for the prior half and the prior comparative period presented in this Document.

Basel III Information

The Basel III capital disclosures provided in this Document have been prepared based on the Group's interpretation of the Basel III rules defined by the Basel Committee on Banking Supervision (BCBS) (released December 2010) and the prudential standards released by APRA in September 2012.

Segment Disclosure

The definitions of the Group's segments are disclosed in Appendix 19.

Critical Accounting Policies and Estimates

The accounting policies followed in this Document are the same as those applied in the Group's 2012 Financial Report, except for the exceptions referred to in Note 1 to the financial results included in this Document. Certain policies are considered to be more important in the determination of the Group's financial position, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. These decisions are reviewed by the Board Audit Committee.

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

Provisions for Impairment

Provisions for impairment are recognised where there is objective evidence of impairment and at an amount adequate to cover assessed credit related losses. In addition, provisions are raised where no objective evidence of impairment exists for an individually assessed financial asset, but for which a loss event has occurred which is likely to result in a loss within a group of financial assets.

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

Individually Assessed Provisions

Individually assessed provisions are raised where there is objective evidence of impairment and full recovery of principal is considered doubtful.

Individually assessed provisions are made against individual risk related credit facilities where a loss of $20,000 or more is expected. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between the financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short term balances are not discounted.

Collective Provision

All other loans and advances that do not have an individually assessed provision are assessed collectively for impairment.

The collective provision is maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the Balance Sheet date.

The evaluation process is subject to a series of estimates and judgements. In the credit risk rated segment, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual credits are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed (retail) segment, the history of arrears and losses, and the size, structure and diversity of portfolios are considered.

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

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

The amount required to bring the collective provision to the level assessed is recognised as an expense as set out in Note 6 to the financial results included in this Document.

Life Insurance Policyholder Liabilities

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

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

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

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

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

Superannuation Obligations

The Group currently sponsors two defined benefit plans as described in Note 1(y) and Note 41 of the 2012 Financial Report. For each of these plans, actuarial valuations of the plan's obligations and fair value measurements of the plan's assets are performed semi-annually in accordance with the requirements of AASB 119 'Employee Benefits'.

The actuarial valuation of plan obligations is dependent upon a series of assumptions, the key ones being price inflation, discount rates, earnings growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and obligations, and the superannuation cost charged to the Income Statement.

Consolidation of Special Purpose Entities

The Group assesses, at inception and periodically, whether a special purpose entity should be consolidated based on the risks and rewards of each entity and whether the majority pass to the Group. Such assessments are predominately required in the context of the Group's securitisation program and structured transactions.

Risk Factors

Details of significant risk factors applicable to the Group are set forth under the section entitled "Risk Factors" on pages 9 to 11 of the 2012 U.S. Annual Disclosure Document. That 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, which are in addition to, and should be read in conjunction with, the "Special Note Regarding Forward-Looking Statements" on page 4 of this Document and Appendix 6 – Integrated Risk Management to this Document. The Integrated Risk Management appendix 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 – 40 of the 2012 Financial Report.

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Section 2 – Highlights

Group Performance Highlights

	Half Year Ended ("statutory basis")		Half Year Ended ("cash basis")				
	31 Dec 12	Dec 12 vs Dec 11 %	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Net profit after tax ($M)	**3,661**	1	**3,780**	3,537	3,576	7	6
Return on equity (%)	**17. 6**	(200)bpts	**18. 1**	18. 1	19. 2	-	(110)bpts
Earnings per share - basic (cents)	**228. 6**	(1)	**235. 5**	222. 2	227. 2	6	4
Dividends per share (cents)	**164**	20	**164**	197	137	(17)	20

These "Highlights" contain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

Financial Performance

The Group's net profit after tax ("statutory basis") for the half year ended 31 December 2012 increased 1% on the prior comparative period to $3,661 million.

Return on equity ("statutory basis") was 17.6% and Earnings per share ("statutory basis") was 228.6 cents, a decrease of 1% on the prior comparative period.

The Group has delivered a strong financial result in an environment characterised by continued global uncertainty, subdued credit growth and higher deposit funding costs.

The Group continues to focus on delivering long term sustainable competitive advantage by identifying and meeting more of our customers' needs.

Operating income growth reflected strong performances across the Retail Banking Services, Wealth Management, and Institutional Banking and Markets businesses. Business lending system growth remained low and competition for domestic deposits continued to intensify.

Operating expenses continue to reflect disciplined cost management, further investment in both technology and regulatory change and compliance initiatives.

Loan impairment expense increased as a result of higher commercial loan charges, partly offset by improvement in the retail lending portfolio as arrears rates reduced across all products. Overall, asset quality remains strong, with modest declines in troublesome and impaired loans covered by what we believe to be conservative levels of provisioning and economic overlays.

Capital

The Group strengthened its capital position as at 31 December 2012 under both the Basel II methodology and the new Basel III regulatory capital framework. The Basel II Common Equity Tier One (CET1) and Tier One Capital ratios were 8.3% and 10.5% respectively.

Under the application of Basel III, which is effective from 1 January 2013, the Group achieved a CET1 ratio of 10.6% as at 31 December 2012, as measured on a fully internationally harmonised basis. This places the Group in a strong position upon the implementation of Basel III, compares favourably to our international and domestic peers, and is well above the regulatory minimum levels.

Funding

A significant portion of the Group's lending growth was funded by growth in customer deposits. Customer deposits now constitute 63% of the Group's funding base.

Wholesale funding levels remained stable in the current half, and while the cost of issuing new wholesale funding has recently abated, domestic deposit costs continue to increase and maintain pressure on Group margins.

Dividends

The interim dividend determined was $1.64 per share, an increase of 20% on the prior comparative period. The dividend payout ratio ("statutory basis") for the half year to 31 December 2012 increased to 73%, consistent with the Board's revised dividend policy which was announced in August 2012.

The interim dividend payment is intended to be fully franked and is planned to be paid on 5 April 2013 to owners of ordinary shares at the close of business on 22 February 2013 (record date). Shares were quoted ex–dividend on 18 February 2013.

Outlook

The discussion below includes forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4.

Since reporting the Group's full year results in August 2012 there have been some improvements in the global macroeconomic environment. In each of the major areas of concern – European Union stability, the US recovery and China's ongoing growth – developments have been relatively positive overall. As a result, there has been a period of relative stability, which has had a generally positive impact on global equity and debt markets.

Risks remain in both the global and domestic economy and therefore the Group remains cautious. There is still no sustainable long-term plan for resolving sovereign indebtedness in Europe, and the US recovery remains fragile. The long-term effects of the strategies of central banks overseas to restore stability are uncertain. Continuation of the current stability are expected to translate into a slow but steady rebuilding of consumer and business confidence in Australia, and this is the Group's base case for the 2013 calendar year.

In any event, the Group intends to continue to focus on the long-term strategic goals that have underpinned this result and this should position the Group very well into the future.

Group Performance Summary	Half Year Ended 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %	Half Year Ended ("statutory basis") 31 Dec 12 $M	Dec 12 vs Dec 11 %
Net interest income	**6,862**	6,513	6,644	5	3	**6,852**	3
Other banking income	**2,135**	2,000	1,927	7	11	**2,120**	2
Total banking income	**8,997**	8,513	8,571	6	5	**8,972**	3
Funds management income	**1,033**	980	977	5	6	**1,040**	9
Insurance income	**505**	459	501	10	1	**627**	1
Total operating income	**10,535**	9,952	10,049	6	5	**10,639**	3
Investment experience	**84**	93	56	(10)	50	**n/a**	n/a
Total income	**10,619**	10,045	10,105	6	5	**10,639**	3
Operating expenses	**(4,755)**	(4,594)	(4,602)	4	3	**(4,792)**	2
Loan impairment expense	**(616)**	(544)	(545)	13	13	**(680)**	25
Net profit before tax	**5,248**	4,907	4,958	7	6	**5,167**	2
Corporate tax expense (1)	**(1,460)**	(1,363)	(1,373)	7	6	**(1,498)**	5
Non-controlling interests (2)	**(8)**	(7)	(9)	14	(11)	**(8)**	(11)
Net profit after tax ("cash basis")	**3,780**	3,537	3,576	7	6	**n/a**	n/a
Hedging and IFRS volatility (3) (4)	**(10)**	9	115	large	large	**n/a**	n/a
Other non-cash items (3)	**(109)**	(80)	(67)	36	63	**n/a**	n/a
Net profit after tax ("statutory basis")	**3,661**	3,466	3,624	6	1	**3,661**	1
Represented by: (5)							
Retail Banking Services	**1,506**	1,374	1,329	10	13		
Business and Private Banking	**735**	746	767	(1)	(4)		
Institutional Banking and Markets	**558**	527	571	6	(2)		
Wealth Management	**303**	299	272	1	11		
New Zealand	**303**	257	312	18	(3)		
Bankwest	**225**	200	238	13	(5)		
Other	**31**	63	135	(51)	(77)		
Net profit after tax ("statutory basis")	**3,661**	3,466	3,624	6	1		

(1) For purposes of presentation, policyholder tax expense components of corporate tax expense are shown on a net basis (31 December 2012: $84 million; 30 June 2012: $82 million; 31 December 2011: $40 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) Refer to Appendix 12 for details.

(4) Hedging and IFRS volatility includes unrealised fair value and losses on economic hedges that do not qualify for hedge accounting under IFRS.

(5) Comparative information has been restated to reflect changes in the presentation of segment results in the current period. The changes include the reallocation of revenue, expenses and associated customer balances between segments based on where the customer relationship is managed; the allocation of residual earnings on capital across the business segments; and the impact of the Group relinquishing the ADI licence held by Bankwest during October 2012. Refer to Appendix 16 for details.

Highlights continued

Key Performance Indicators	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Group					
Statutory net profit after tax ($M)	**3,661**	3,466	3,624	6	1
Net interest margin (%) (1)	**2. 09**	2. 05	2. 12	4 bpts	(3)bpts
Average interest earning assets ($M) (1)	**649,394**	636,547	622,898	2	4
Average interest bearing liabilities ($M) (1)	**605,408**	595,873	585,492	2	3
Statutory funds management income to average FUA (%) (1)	**0. 97**	0. 99	0. 98	(2)bpts	(1)bpt
Funds Under Administration (FUA) - average ($M) (1)	**212,126**	200,019	193,571	6	10
Statutory insurance income to average inforce premiums (%)	**49. 4**	52. 0	56. 8	(260)bpts	large
Average inforce premiums ($M)	**2,519**	2,363	2,180	7	16
Statutory operating expenses to total operating income (%)	**45. 0**	46. 0	45. 5	(100)bpts	(50)bpts
Statutory effective corporate tax rate (%)	**27. 8**	28. 0	27. 6	(20)bpts	20 bpts
Retail Banking Services					
Statutory net profit after tax ($M) (1)	**1,506**	1,374	1,329	10	13
Statutory operating expenses to total banking income (%) (1)	**38. 9**	40. 1	40. 2	(120)bpts	(130)bpts
Business and Private Banking					
Statutory net profit after tax ($M) (1)	**735**	746	767	(1)	(4)
Statutory operating expenses to total banking income (%) (1)	**36. 1**	35. 7	35. 7	40 bpts	40 bpts
Institutional Banking and Markets					
Statutory net profit after tax ($M) (1)	**558**	527	571	6	(2)
Statutory operating expenses to total banking income (%) (1)	**33. 3**	35. 3	35. 0	(200)bpts	(170)bpts
Wealth Management					
Statutory net profit after tax ($M) (1)	**303**	299	272	1	11
FUA - average ($M)	**204,009**	192,325	186,266	6	10
Average inforce premiums ($M)	**2,021**	1,889	1,724	7	17
Statutory funds management income to average FUA (%)	**0. 98**	0. 99	0. 99	(1)bpt	(1)bpt
Statutory insurance income to average inforce premiums (%)	**46. 6**	49. 3	51. 2	(270)bpts	(460)bpts
Statutory operating expenses to net operating income (%) (2)	**60. 3**	60. 6	67. 2	(30)bpts	large
New Zealand					
Statutory net profit after tax ($M) (1)	**303**	257	312	18	(3)
FUA - average ($M) (1)	**8,117**	7,694	7,305	5	11
Average inforce premiums ($M)	**498**	474	456	5	9
Statutory funds management income to average FUA (%) (1)	**0. 61**	0. 60	0. 57	1 bpt	4 bpts
Statutory insurance income to average inforce premiums (%)	**53. 0**	61. 1	76. 3	large	large
Statutory operating expenses to total operating income (%) (1)	**45. 2**	46. 9	42. 0	(170)bpts	320 bpts
Bankwest					
Statutory net profit after tax ($M) (1)	**225**	200	238	13	(5)
Statutory operating expenses to total banking income (%) (1)	**52. 9**	57. 7	55. 2	(480)bpts	(230)bpts
Capital Adequacy (Basel III)					
Common Equity Tier One (Internationally Harmonised %)	**10. 6**	9. 8	9. 3	80 bpts	130 bpts
Common Equity Tier One (APRA %)	**8. 1**	7. 5	7. 1	60 bpts	100 bpts
Capital Adequacy (Basel II)					
Common Equity Tier One (%)	**8. 3**	7. 8	7. 7	50 bpts	60 bpts
Tier One (%)	**10. 5**	10. 0	9. 9	50 bpts	60 bpts
Total Capital (%)	**11. 2**	11. 0	11. 1	20 bpts	10 bpts

(1) Comparative information has been restated to reflect changes in the presentation of segment results in the current period. The changes include the reallocation of revenue, expenses and associated customer balances between segments based on where the customer relationship is managed; the allocation of residual earnings on capital across the business segments; and the impact of the Group relinquishing the ADI licence held by Bankwest during October 2012. Refer to Appendix 16 for details.

(2) Net operating income represents total operating income less volume related expenses.

Shareholder Summary	Half Year Ended 31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Dividends per share - fully franked (cents)	**164**	197	137	(17)	20
Dividend cover - statutory (times)	**1. 4**	1. 1	1. 7	27	(18)
Dividend cover - cash (times)	**1. 4**	1. 1	1. 6	27	(13)
Earnings per share (cents) [1]					
Statutory basis - basic	**228. 6**	218. 1	230. 8	5	(1)
Statutory basis - fully diluted	**221. 7**	210. 3	222. 1	5	-
Cash basis - basic	**235. 5**	222. 2	227. 2	6	4
Cash basis - fully diluted	**228. 2**	214. 2	218. 7	7	4
Dividend payout ratio (%) [1]					
Statutory basis	**72. 5**	91. 1	60. 1	large	large
Cash basis	**70. 2**	89. 2	60. 9	large	large
Weighted average no. of shares ("statutory basis") - basic (M) [1] [2]	**1,593**	1,579	1,561	1	2
Weighted average no. of shares ("cash basis") - basic (M) [1] [2]	**1,596**	1,583	1,564	1	2
Return on equity ("statutory basis") (%) [1]	**17. 6**	17. 9	19. 6	(30)bpts	(200)bpts
Return on equity ("cash basis") (%) [1]	**18. 1**	18. 1	19. 2	-	(110)bpts

(1) For definitions refer to Appendix 19. See Note 7 of the 2012 Financial Report for details.
(2) Fully diluted EPS and weighted average number of shares are disclosed in Appendix 13.

Market Share [1]	As at 31 Dec 12 %	30 Jun 12 %	31 Dec 11 %	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Home loans	**25. 1**	25. 2	25. 3	(10)bpts	(20)bpts
Credit cards - RBA [2]	**23. 9**	23. 3	23. 2	60 bpts	70 bpts
Other household lending [3]	**16. 6**	16. 4	16. 3	20 bpts	30 bpts
Household deposits	**28. 7**	28. 9	29. 4	(20)bpts	(70)bpts
Retail deposits [4]	**25. 2**	25. 4	26. 0	(20)bpts	(80)bpts
Business lending - APRA	**19. 3**	19. 3	19. 4	-	(10)bpts
Business lending - RBA	**17. 7**	17. 6	17. 5	10 bpts	20 bpts
Business deposits - APRA	**20. 6**	20. 6	20. 6	-	-
Asset finance	**13. 3**	13. 6	13. 7	(30)bpts	(40)bpts
Equities trading	**5. 4**	5. 5	5. 8	(10)bpts	(40)bpts
Australian Retail - administrator view [5]	**15. 4**	15. 5	15. 2	(10)bpts	20 bpts
FirstChoice Platform [5]	**11. 6**	11. 8	11. 6	(20)bpts	-
Australia life insurance (total risk) [5]	**13. 5**	13. 6	13. 2	(10)bpts	30 bpts
Australia life insurance (individual risk) [5]	**13. 3**	13. 3	13. 3	-	-
NZ lending for housing	**22. 1**	21. 9	22. 2	20 bpts	(10)bpts
NZ retail deposits	**20. 2**	20. 6	21. 0	(40)bpts	(80)bpts
NZ lending to business	**9. 8**	9. 0	8. 9	80 bpts	90 bpts
NZ retail FUM	**17. 7**	18. 8	15. 1	(110)bpts	260 bpts
NZ annual inforce premiums	**29. 7**	30. 3	30. 2	(60)bpts	(50)bpts

(1) Prior periods have been restated in line with market updates. For market share definitions refer to Appendix 20.
(2) As at 30 November 2012.
(3) Other household lending market share includes personal loans and margin loans.
(4) In accordance with RBA guidelines, these measures include some products relating to both the retail and corporate segments.
(5) As at 30 September 2012.

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

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.

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Contents

Section 3 – Group Performance Analysis

Group Performance Analysis

Financial Performance and Business Review

This Group Performance Analysis contains certain forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4.

December 2012 versus December 2011

The Group's net profit after tax ("statutory basis") increased 1% on the prior comparative period to $3,661 million.

Earnings per share ("statutory basis") decreased 1% on the prior comparative period to 228.6 cents per share and return on equity ("statutory basis") decreased 200 basis points on the prior comparative period to 17.6%.

We believe this half year result, delivered in an environment of subdued lending growth and higher deposit costs, demonstrates that the Group's strategic focus on creating long term value for customers, shareholders and people has enabled the delivery of superior returns in subdued operating conditions. The key components of the Group result were:

- **Net interest income** increased 3% to $6,852 million, reflecting a 4% growth in average interest earning assets, partly offset by a three basis point decline in net interest margin;
- **Other banking income** increased 2% to $2,120 million, with higher Markets trading income, including a favourable counterparty fair value adjustment, combined with increased Treasury earnings;
- **Funds management income** increased 9% to $1,040 million, due to a 10% increase in average FUA;
- **Insurance income** increased 1% to $627 million due to 16% average inforce premium growth and lower event claims, offset by higher lapses in both wholesale and retail life;
- **Operating expenses** increased 2% to $4,792 million, driven mainly by higher staff costs resulting from inflation-related salary increases and higher defined benefit superannuation expenses, higher IT expenses related to additional system support costs and increased software amortisation driven by the Core Banking Modernisation (CBM) initiative. This was partly offset by the continued focus on the realisation of operational efficiencies from productivity initiatives; and
- **Loan impairment expense** increased 25% to $680 million, driven mainly by higher charges for commercial loans, partly offset by improvements in the retail lending portfolios as arrears rates reduced across all products.

December 2012 versus June 2012

The Group's net profit after tax ("statutory basis") increased 6% on the prior half to $3,661 million.

Earnings per share ("statutory basis") increased 5% on the prior half to 228.6 cents per share, whilst return on equity ("statutory basis") decreased 30 basis points to 17.6%.

It should be noted when comparing current half financial performance to the prior half that there are two extra calendar days assisting revenue in the current half. Key points of note in the result included the following:

- **Net interest income** increased 6% to $6,852 million, reflecting a four basis point increase in net interest margin and 2% growth in average interest earning assets;
- **Other banking income** increased 5% to $2,120 million, with higher Markets trading income, including a favourable counterparty fair value adjustment, partly offset by lower lending and syndication fees;
- **Funds management income** increased 6% to $1,040 million, driven by a 6% increase in average FUA from global equity market recovery and higher performance fees;
- **Insurance income** increased 3% to $627 million due to 7% average inforce premium growth, favourable claims experience and strong new business sales in Asia.
- **Operating expenses** increased 3% to $4,792 million, driven by inflation-related salary increases, higher defined benefit superannuation expense, higher IT expenses related to additional system support costs and increased software amortisation driven by the CBM initiative. This was partly offset by the continued focus on productivity initiatives delivering operational efficiencies; and
- **Loan impairment expense** increased 25% to $680 million, driven mainly by an increase in Bankwest loan impairment expense to more normal levels for the current economic cycle. We believe conservative levels of collective provisioning and economic overlays were maintained.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 34-52.

Net Interest Income

	Half Year Ended				
	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12	Dec 12 vs Dec 11
	$M	$M	$M	%	%
Net interest income ("cash basis")	**6,862**	6,513	6,644	5	3
Hedging and IFRS volatility	**4**	(8)	(1)	large	large
Bankwest non-cash items	**(14)**	(13)	(13)	8	8
Net interest income ("statutory basis")	**6,852**	6,492	6,630	6	3
Average interest earning assets					
Home loans	**355,674**	349,266	341,861	2	4
Personal	**21,036**	21,034	20,709	-	2
Business and corporate	**168,726**	163,963	160,874	3	5
Total average lending interest earning assets	**545,436**	534,263	523,444	2	4
Non-lending interest earning assets	**103,958**	102,284	99,454	2	5
Total average interest earning assets	**649,394**	636,547	622,898	2	4
Net interest margin (%) ("statutory basis")	**2.09**	2.05	2.12	4 bpts	(3)bpts

December 2012 versus December 2011

Net interest income increased by 3% on the prior comparative period to $6,852 million. The result was driven by growth in average interest earning assets of 4%, partly offset by a three basis point decline in net interest margin.

Average Interest Earning Assets

Average interest earning assets increased by $26 billion on the prior comparative period to $649 billion, reflecting a $22 billion increase in average lending interest earning assets and a $4 billion increase in average non-lending interest earning assets.

Home loan average balances increased by $14 billion or 4% on the prior comparative period to $356 billion. The growth in home loan balances was largely driven by the domestic banking businesses.

Average balances for business and corporate lending increased by $8 billion on the prior comparative period to $169 billion, predominantly driven by growth in institutional lending.

Average non-lending interest earning assets increased $4 billion on the prior comparative period due to higher average levels of liquid assets driven by prudent business settings and balance sheet growth.

Net Interest Margin

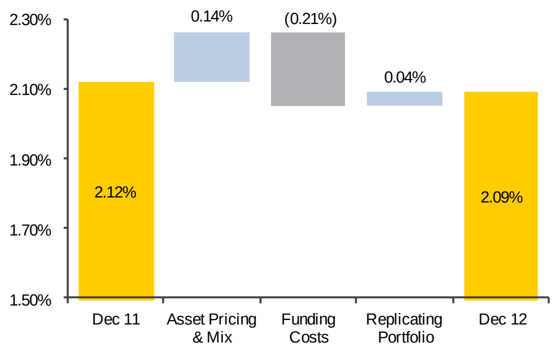
The Group's net interest margin decreased by three basis points on the prior comparative period to 2.09%. The key drivers of the movement were:

Asset pricing and mix: Increased margin of 14 basis points, reflecting the repricing of lending portfolios in response to the continued increase in funding costs associated with both wholesale and domestic deposits.

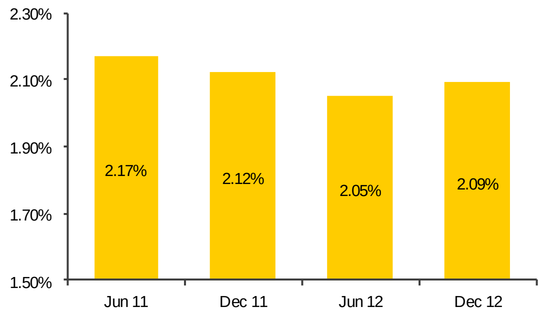
Funding costs: Decreased margin of 21 basis points reflecting higher wholesale funding costs of eight basis points, coupled with a 13 basis points increase in deposits costs from the ongoing strong competition and the negative impact of the falling cash rate environment.

Replicating portfolio: Increased margin of four basis points as the replicating portfolio (a portfolio of financial instruments which hedge against interest rate volatility) mitigated the impact on Group earnings from the falling cash rate environment.

NIM movement since December 2011



Group NIM (Half Year Ended)



Net Interest Income (continued)

December 2012 versus June 2012

Net interest income increased by 6% on the prior half driven by growth in average interest earning assets of 2% along with a four basis point improvement in net interest margin to 2.09%, which was largely a result of the reduction in basis risk over the period.

Average Interest Earning Assets

Average interest earning assets increased by $13 billion on the prior half to $649 billion, reflecting an $11 billion increase in average lending interest earning assets and a $2 billion increase in average non-lending interest earning assets.

Home loan average balances increased by $6 billion or 2% on the prior half to $356 billion driven by growth in the domestic banking businesses.

Average balances for business and corporate lending increased by $5 billion on the prior half to $169 billion driven by a combination of domestic business banking, institutional lending and New Zealand.

Average non-lending interest earning assets increased $2 billion on the prior half. The increase in trading assets was partly offset by reduced levels of liquid assets, given lower liquidity risk within the liability profile.

Net Interest Margin

The Group's net interest margin increased four basis points compared to the prior half to 2.09%. The key drivers were:

Asset pricing and mix: Increased margin of seven basis points, reflecting the repricing of lending portfolios in response to the increase in funding costs.

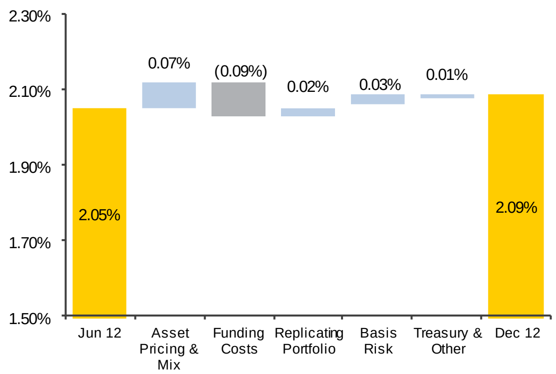
Funding costs: Decreased margin of nine basis points, including the impact of higher cost of deposits as a result of strong competition of six basis points. The average cost of the wholesale funding portfolio continued to increase over the period, reducing margin by a further three basis points.

Replicating portfolio: Increased margin of two basis points as the replicating portfolio mitigated the impact on Group earnings from the falling cash rate environment.

Basis risk: Basis risk arises from funding assets which are priced relative to the cash rate with liabilities priced relative to the bank bill swap rate. Margins increased by three basis points as a result of a reduction in the spread between the cash rate and the bank bill swap rate during the current half.

Treasury and other: Increased margin of one basis point, mainly driven by the benefit of earnings on higher Group capital levels.

NIM movement since June 2012



Other Banking Income

	Half Year Ended				
	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12	Dec 12 vs Dec 11
	$M	$M	$M	%	%
Commissions	**993**	988	1,009	1	(2)
Lending fees	**509**	536	461	(5)	10
Trading income	**443**	281	241	58	84
Other income	**190**	195	216	(3)	(12)
Other banking income ("cash basis")	**2,135**	2,000	1,927	7	11
Hedging and IFRS volatility	**(15)**	10	152	large	large
Other banking income ("statutory basis")	**2,120**	2,010	2,079	5	2

December 2012 versus December 2011

Other banking income increased 2% on the prior comparative period to $2,120 million driven by the following revenue items:

Commissions decreased 2% on the prior comparative period to $993 million. This was driven by lower brokerage income reflecting continued subdued market trading conditions;

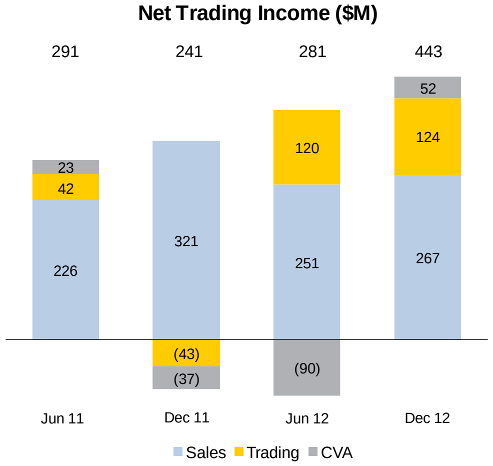
Lending fees increased 10% on the prior comparative period to $509 million. This included growth in undrawn Institutional Lending balances leading to higher commitment fees and volume growth in personal lending. This was partly offset by lower income following the abolition of deferred establishment fees;

Trading income increased 84% on the prior comparative period to $443 million. This was due to the Markets business benefitting from favourable counterparty fair value adjustments due to narrowing credit spreads and higher Treasury earnings;

Other income decreased 12% on the prior comparative period to $190 million mainly due to timing of gains on asset sales which includes the sale of 48 Martin Place; and

Hedging and IFRS volatility decreased significantly on the prior comparative period primarily due to the non-recurrence of gains driven by exchange rate movements.

Other Banking Income (continued)



December 2012 versus June 2012

Other banking income increased 5% on the prior half to $2,120 million driven by the following revenue items:

Commissions increased 1% on the prior half to $993 million. This was driven by a growth in card interchange income from increased cardholder spend;

Lending fees decreased 5% on the prior half to $509 million, driven by lower deal flows in the Institutional Lending and Asset Leasing businesses;

Trading income increased 58% on the prior half to $443 million as a result of favourable counterparty fair value adjustments and increased sales revenue from the rates and fixed income businesses;

Other income decreased 3% on the prior half to $190 million mainly due to gains on the sale of Sydney CBD properties in the prior half, partly offset by increased leasing fee income and higher equity accounted income from the Bank of Hangzhou in China; and

Hedging and IFRS volatility decreased significantly on the prior comparative period primarily due to the non-recurrence of gains driven by exchange rate movements.

Funds Management Income

	Half Year Ended				
				Dec 12 vs	Dec 12 vs
	31 Dec 12	30 Jun 12	31 Dec 11	Jun 12	Dec 11
	$M	$M	$M	%	%
CFS Global Asset Management	**481**	435	448	11	7
Colonial First State	**445**	431	414	3	7
CommInsure	**72**	77	83	(6)	(13)
New Zealand	**25**	23	21	9	19
Other	**10**	14	11	(29)	(9)
Funds management income ("cash basis")	**1,033**	980	977	5	6
Treasury shares valuation adjustment	**(39)**	(20)	5	95	large
Policyholder tax	**47**	24	(33)	96	large
Investment experience	**(1)**	(1)	8	-	large
Funds management income ("statutory basis")	**1,040**	983	957	6	9

December 2012 versus December 2011

Funds management income increased 9% on the prior comparative period to $1,040 million driven by:

- A 10% increase in average FUA to $212 billion, primarily driven by improved global equity markets;
- A full six months contribution from Count Financial Limited (Count Financial), acquired in November 2011; and
- Sound investment performance, with the vast majority of funds outperforming benchmark over a three year period; partly offset by
- The managed contraction in the CommInsure closed investment business.

The ratio of funds management income to average FUA margin decreased by one basis point to 0.97%, driven by the managed contraction of the CommInsure closed investment business.

December 2012 versus June 2012

Funds management income increased 6% on the prior half to $1,040 million driven by:

- A 6% increase in average FUA to $212 billion, driven by improved equity markets and good investment performance; and
- Higher performance fees received in CFS Global Asset Management (CFSGAM) driven by strong fund performance; partly offset by
- The managed contraction of the CommInsure closed investment portfolios.

Internationally sourced fund flows recovered significantly due to the expansion of the Group's offshore sales capabilities, whilst FirstChoice and Custom Solutions continued to contribute solid net fund flows throughout the current half.

The ratio of funds management income to average FUA margin decreased by two basis points to 0.97%.

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Group Performance Analysis continued

Insurance Income

	Half Year Ended				
	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12	Dec 12 vs Dec 11
	$M	$M	$M	%	%
CommInsure	**368**	327	364	13	1
New Zealand	**113**	111	116	2	(3)
IFS Asia	**37**	33	34	12	9
Other	**(13)**	(12)	(13)	8	-
Insurance income ("cash basis")	**505**	459	501	10	1
Policyholder tax	**37**	58	73	(36)	(49)
Investment experience	**85**	94	48	(10)	77
Insurance income ("statutory basis")	**627**	611	622	3	1

December 2012 versus December 2011

Insurance income increased by 1% on the prior comparative period to $627 million driven by:

- An increase in average inforce premiums of 16% to $2,519 million driven by strong new business sales; and
- Lower general insurance event claims, whilst the prior comparative period experienced a major weather event; offset by
- Unfavourable claims experience in wholesale life; and
- Increased lapse rates in both wholesale and retail life.

December 2012 versus June 2012

Insurance income increased by 3% on the prior half to $627 million driven by:

- An increase in average inforce premiums of 7% to $2,519 million;
- Improved retail life claims experience; and
- Strong new business sales in Asia.

Operating Expenses

	Half Year Ended				
	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12	Dec 12 vs Dec 11
	$M	$M	$M	%	%
Staff expenses	**2,564**	2,469	2,478	4	3
Occupancy and equipment expenses	**536**	535	521	-	3
Information technology services expenses	**627**	578	581	8	8
Other expenses	**1,028**	1,012	1,022	2	1
Operating expenses ("cash basis")	**4,755**	4,594	4,602	4	3
Bankwest non-cash items	**37**	38	37	(3)	-
Count Financial Limited acquisition costs	**-**	17	43	large	large
Operating expenses ("statutory basis")	**4,792**	4,649	4,682	3	2
Statutory operating expenses to total operating income (%)	**45. 0**	46. 0	45. 5	(100)bpts	(50)bpts
Statutory banking expense to operating income (%)	**40. 8**	41. 9	40. 7	(110)bpts	10 bpts

December 2012 versus December 2011

Operating expenses increased 2% on the prior comparative period to $4,792 million. The key drivers were:

Staff expenses increased by 3% to $2,564 million, driven by inflation-related salary increases and higher defined benefit superannuation plan expense, partly offset by the ongoing focus on productivity improvements;

Occupancy and equipment expenses increased by 3% to $536 million, largely due to higher depreciation expense for the new office premises in Sydney and operating lease assets;

Information technology services expenses increased by 8% to $627 million, primarily due to additional system support costs and increased software amortisation driven by the CBM initiative;

Other expenses increased by 1% to $1,028 million, impacted by higher credit card rewards program expenses, partly offset by lower compliance costs; and

Group expense to income ratio improved 50 basis points on the prior comparative period to 45.0%. The banking expense to income ratio increased 10 basis points on the prior comparative period to 40.8%. The Group maintains a continued focus on technology and productivity-driven operating efficiencies.

December 2012 versus June 2012

Operating expenses increased 3% on the prior half to $4,792 million. The key drivers were:

Staff expenses increased by 4% to $2,564 million, mainly driven by inflation-related salary increases and higher defined benefit superannuation plan expense, partly offset by the ongoing focus on productivity improvements;

Occupancy and equipment expenses of $536 million remained flat on the prior half, with the decrease in rent resulting from the completion of the move to the new office premises being offset by higher building and operating lease depreciation expense;

Information technology services expenses increased by 8% to $627 million, primarily due to additional system support costs and increased software amortisation driven by the CBM initiative;

Other expenses increased by 2% to $1,028 million, impacted by higher compliance costs; and

Group expense to income ratio improved 100 basis points on the prior comparative period to 45.0%. The banking expense to income ratio decreased 110 basis points on the prior comparative period to 40.8%.

Operating Expenses (continued)

Investment Spend

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Expensed investment spend [1]	**242**	273	229	(11)	6
Capitalised investment spend	**340**	366	418	(7)	(19)
Investment spend	**582**	639	647	(9)	(10)
Comprising:					
Productivity and Growth	**285**	278	308	3	(7)
Core Banking Modernisation	**137**	180	188	(24)	(27)
Risk and Compliance	**108**	110	78	(2)	38
Branch refurbishment and other	**52**	71	73	(27)	(29)
Investment spend	**582**	639	647	(9)	(10)

(1) Included within Operating expense disclosures on page 20.

The Group continued to invest in the business with $582 million incurred in the half year to 31 December 2012, a decrease of 10% on the prior comparative period. Completion of the CBD property investments in Sydney and Perth contributed to this reduction, together with lower spend on the CBM.

Investment in Productivity and Growth continued to be the main focus of the Group, however a high level of spend on risk and compliance projects was maintained as systems are implemented to assist in satisfying new regulatory obligations.

During the half, the Group invested $137 million in the CBM initiative which is in the final stages of delivery and continues to make significant progress. Highlights for the half included:

- The successful delivery of the migration of the remaining large and complex commercial deposit and transaction accounts onto the new CBM platform; and
- Further implementation of functionality and the commencement of a Commercial Lending pilot initiative in Victoria which is intended to precede the migration of commercial loan accounts in the second half of the financial year.

Loan Impairment Expense

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Retail Banking Services	**246**	237	346	4	(29)
Business and Private Banking	**150**	137	129	9	16
Institutional Banking and Markets	**161**	121	33	33	large
New Zealand	**22**	26	11	(15)	large
Bankwest	**86**	23	38	large	large
Other	**15**	-	(12)	large	large
Loan impairment expense ("statutory basis")	**680**	544	545	25	25

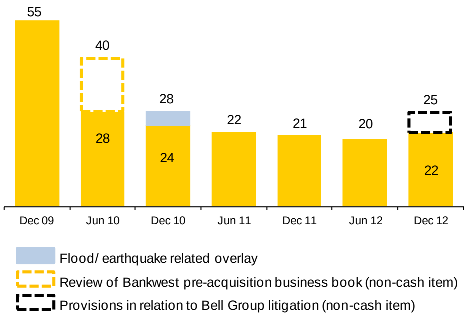
December 2012 versus December 2011

Loan impairment expense increased 25% on the prior comparative period to $680 million. The increase is mainly driven by:

- Increased expense in Bankwest which returned to more normal levels for this part of the economic cycle;
- Increased loan impairment expense in Institutional Banking & Markets and Business & Private Banking as a result of the deterioration of a small number of loans and softening collateral values in a small number of troublesome and impaired assets; and
- Modest additional overlays set aside for identified issues; partly offset by
- A reduction in impairment losses in Retail Banking Services as arrears rates reduced across all products during the current half.

Loan Impairment Expense (continued)

Half Year Impairment Expenses (annualised) as a % of Average Gross Loans and Acceptances (bpts)



December 2012 versus June 2012

Loan impairment expense increased 25% on the prior half to $680 million, mainly driven by:

- Increased loan impairment expense in Bankwest, which returned to more normal levels for this part of the economic cycle; and
- Additional overlays set aside for identified issues in the current half.

Taxation Expense

	Half Year Ended				
	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12	Dec 12 vs Dec 11
	$M	$M	$M	%	%
Corporate tax expense ($M)	**1,414**	1,348	1,388	5	2
Effective tax rate (%)	**27. 8**	28. 0	27. 6	(20)bpts	20 bpts

	Half Year Ended				
	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12	Dec 12 vs Dec 11
Income Tax	$M	$M	$M	%	%
Retail Banking Services	**642**	587	552	9	16
Business and Private Banking	**317**	323	329	(2)	(4)
Institutional Banking and Markets	**186**	129	169	44	10
Wealth Management	**126**	123	112	2	13
New Zealand	**102**	97	88	5	16
Bankwest	**111**	110	117	1	(5)
Other	**(24)**	(6)	6	large	large
Total income tax expense ("cash basis")	**1,460**	1,363	1,373	7	6
Statutory adjustments	**38**	67	55	(43)	(31)
Total income tax expense ("statutory basis")	**1,498**	1,430	1,428	5	5

	Half Year Ended				
	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12	Dec 12 vs Dec 11
Effective Tax	$M	$M	$M	%	%
Retail Banking Services	**29. 9**	29. 9	29. 3	-	3
Business and Private Banking	**30. 1**	30. 2	30. 0	-	-
Institutional Banking and Markets	**23. 0**	19. 7	22. 8	15	-
Wealth Management	**28. 1**	27. 4	27. 9	4	-
New Zealand	**24. 6**	27. 4	24. 3	(7)	4
Bankwest	**29. 2**	36. 2	30. 1	(19)	(3)
Total – corporate	**27. 8**	28. 0	27. 6	-	-

December 2012 versus December 2011

Corporate tax expense for the half year ended 31 December 2012 increased 2% on the prior comparative period.

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.

December 2012 versus June 2012

Corporate tax expense for the half year ended 31 December 2012 increased 5% on the prior half.

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.

Review of Group Assets and Liabilities

Group Assets and Liabilities	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	As at				
Interest earning assets					
Home loans [1]	**359,058**	352,981	345,622	2	4
Personal loans	**21,470**	21,057	20,907	2	3
Business and corporate loans [1]	**166,957**	166,188	162,371	-	3
Loans, bills discounted and other receivables [2]	**547,485**	540,226	528,900	1	4
Non-lending interest earning assets	**103,747**	104,304	103,008	(1)	1
Total interest earning assets	**651,232**	644,530	631,908	1	3
Other assets	**70,107**	73,699	70,078	(5)	-
Total assets	**721,339**	718,229	701,986	-	3
Interest bearing liabilities					
Transaction deposits [1]	**82,913**	81,104	79,793	2	4
Savings deposits [1]	**99,585**	91,279	91,587	9	9
Investment deposits	**192,302**	197,138	188,917	(2)	2
Other demand deposits	**63,173**	58,852	62,052	7	2
Total interest bearing deposits	**437,973**	428,373	422,349	2	4
Debt issues	**127,439**	134,429	130,039	(5)	(2)
Other interest bearing liabilities	**40,502**	38,704	37,844	5	7
Total interest bearing liabilities	**605,914**	601,506	590,232	1	3
Non-interest bearing liabilities	**72,126**	75,151	72,879	(4)	(1)
Total liabilities	**678,040**	676,657	663,111	-	2

(1) The Group has realigned comparative product balances as part of changes in segment allocations to conform to presentation in the current period. Refer to Appendix 16 for details.

(2) Loans, bills discounted and other receivables exclude provisions for impairment which are included in Other assets.

December 2012 versus December 2011

Asset growth of $19 billion or 3% on the prior comparative period was primarily driven by increased home lending and business and corporate lending.

Continued strong deposit growth allowed the Group to satisfy a significant portion of its funding requirements entirely through customer deposits. Customer deposits now represent 63% of total funding (31 December 2011: 62%).

Home loans

Home loans experienced steady growth with balances increasing $13 billion to $359 billion, a 4% increase on the prior comparative period. This outcome was impacted by strong price competition and low system credit growth. The Group has maintained its competitive position and continued profitable growth through a strong focus on customer service.

Personal loans

Personal loans, including credit cards and margin lending, increased 3% on the prior comparative period to $21 billion. Solid growth in credit card and personal loan balances, mainly driven by successful campaigns and continued product innovation, were partly offset by lower margin lending due to continued conservative investor sentiment.

Business and corporate loans

Business and corporate loans increased $5 billion to $167 billion, reflecting a 3% increase on the prior comparative period. This was driven by improved momentum in business and institutional lending balances, partially offset by a reduction in higher risk pre-acquisition exposures in Bankwest.

Non-lending interest earning assets

Non-lending interest earning assets increased $1 billion to $104 billion, a 1% increase on the prior comparative period. This was primarily due to an increase in liquid assets resulting from the Group's business settings and balance sheet growth.

Other assets

Other assets, including derivative assets, insurance assets and intangibles of $70 billion remained flat on the prior comparative period.

Interest bearing deposits

Interest bearing deposits increased $16 billion to $438 billion, a 4% increase on the prior comparative period.

Targeted campaigns in a highly competitive market and customer preference for more stable investments resulted in growth of $8 billion in savings deposits, a $3 billion increase in investment deposits, a $3 billion increase in transaction deposits and a $1 billion increase in other demand deposits, the majority of which relates to Retail Banking Services.

Debt issues

Debt issues decreased $3 billion to $127 billion, a 2% decrease on the prior comparative period. Growth in customer deposits satisfied the Group's additional funding requirements and substituted debt issues as the incremental funding source.

Refer to Group Operations and Business Settings – Funding for further information on debt programs and issuance for the half year ended 31 December 2012.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased $3 billion to $41 billion, a 7% increase on the prior comparative period.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased $1 billion to $72 billion, a 1% decrease on the prior comparative period. This was predominantly driven by foreign exchange volatility impacting derivative liabilities hedging term debt.

Review of Group Assets and Liabilities (continued)

December 2012 versus June 2012

Asset growth of $3 billion on the prior half was mainly due to higher home lending, partly offset by lower derivative asset balances driven by volatility in foreign exchange and interest rate markets.

Continued strong deposits growth allowed the Group to satisfy a significant portion of its funding requirements from customer deposits. Customer deposits made up 63% of total funding, a 1% increase on the prior half.

Home loans

Home loan balances increased $6 billion to $359 billion, reflecting a 2% increase on the prior half. This outcome was the result of subdued system credit growth and intense price competition. The Group continues to maintain its competitive position through profitable growth and a strong focus on delivering excellent customer service.

Personal loans

Personal loans, including credit cards and margin lending, increased 2% on the prior half to $21 billion. Strong growth in credit card balances and personal loans was the result of successful campaigns and product innovation. This was partly offset by a decline in margin lending balances reflecting conservative investor sentiment in the market.

Business and corporate loans

Business and corporate loans increased $1 billion to $167 billion. This was largely due to solid business lending growth in both Australia and New Zealand.

Non-lending interest earning assets

Non-lending interest earning assets remained stable at $104 billion.

Other assets

Other assets, including derivative assets, insurance assets and intangibles, decreased 5% on the prior half to $70 billion. This decrease reflected lower derivative asset balances driven by volatility in foreign exchange and interest rate markets.

Interest bearing deposits

Interest bearing deposits increased $10 billion to $438 billion, reflecting a 2% increase on the prior half.

Customer preference for lower risk investments and ongoing global market volatility, coupled with targeted campaigns in a highly competitive market, resulted in growth of $8 billion in savings deposits, a $4 billion increase in other demand deposits and a $2 billion increase in transaction deposits, the majority of which relates to Retail Banking Services.

Investment deposits decreased 2% compared to the prior half, which was mainly due to a run off of money market investments in Bankwest.

Debt issues

Debt issues decreased $7 billion to $127 billion, reflecting a 5% decrease on the prior half. Solid customer deposit growth satisfying the Group's additional funding requirements substituted debt issues as the incremental funding source.

Refer to Group Operations and Business Settings – Funding for further information on debt programs and issuance for the half year ended 31 December 2012.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased 5% on the prior half to $41 billion.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, decreased 4% on the prior half to $72 billion. This was driven predominantly by foreign exchange volatility impacting derivative liabilities hedging term debt.

Contents

Section 4 – Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Provisions for impairment losses					
Collective provision	**2,858**	2,837	2,984	1	(4)
Individually assessed provisions	**1,845**	2,008	2,097	(8)	(12)
Total provisions for impairment losses	**4,703**	4,845	5,081	(3)	(7)
Less: Off balance sheet provisions	**(18)**	(18)	(21)	-	(14)
Total provisions for loan impairment	**4,685**	4,827	5,060	(3)	(7)

December 2012 versus December 2011

Total provisions for impairment losses decreased 7% on the prior comparative period to $4,703 million as at 31 December 2012. The movement in the level of provisioning reflects:

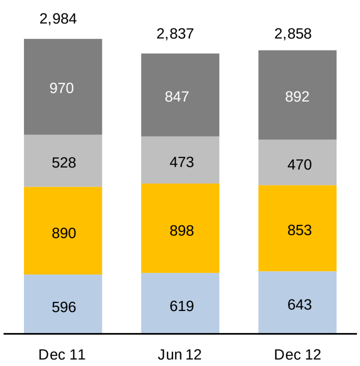
- Reduced individually assessed provisions for both the commercial and Bankwest loan portfolios, as a result of the finalisation of a number of impaired assets;
- A reduction of Bankwest collective provisions as pre-acquisition troublesome loans continued to run-off;
- Reduced home loan collective provisions as a result of decreasing arrears;
- A reduction in management overlays led by the decrease in Bankwest higher risk loans and the resolution of other issues during the prior half; partly offset by
- Increased collective provisioning across Institutional Banking and Markets and Business and Private Banking caused by the deterioration in a small number of accounts, as well as softening of collateral values in a small number of troublesome assets; and
- Economic overlays remain unchanged on the prior comparative period.

December 2012 versus June 2012

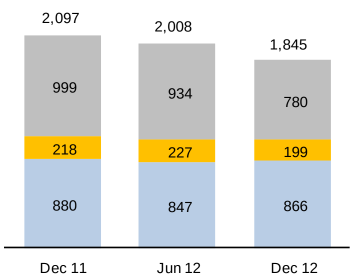
Total provisions for impairment losses decreased 3% on the prior half to $4,703 million as at 31 December 2012. The movement in the level of provisioning reflects:

- Reduced individually assessed provisions in the Bankwest lending portfolio, as a result of the finalisation of a number of impaired assets; and
- A reduction in retail collective provisions as arrears reduced; partly offset by;
- Increased collective provisioning across Institutional Banking and Markets and Business and Private Banking which has been impacted by deterioration in a small number of accounts as well as softening of collateral values in a small number of troublesome assets; and
- Increased provisioning overlays for specific issues (economic overlays remain unchanged on the prior half).

Collective Provisions ($M)



Individually Assessed Provisions ($M)



Overlay Bankwest Consumer Commercial

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

Credit Quality Metrics	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Gross loans and acceptances (GLAA) ($M)	**549,216**	542,097	530,899	1	3
Risk weighted assets (RWA) ($M)	**301,611**	302,787	297,705	-	1
Credit risk weighted assets ($M)	**258,467**	261,429	258,446	(1)	-
Gross impaired assets ($M) (1)	**4,313**	4,499	4,676	(4)	(8)
Net impaired assets ($M) (1)	**2,468**	2,491	2,579	(1)	(4)
Provision ratios					
Collective provision as a % of credit risk weighted assets	**1. 11**	1. 09	1. 15	2 bpts	(4)bpts
Total provision as a % of credit risk weighted assets	**1. 82**	1. 85	1. 97	(3)bpts	(15)bpts
Individually assessed provisions for impairment as a % of gross impaired assets (1)	**42. 78**	44. 63	44. 85	(185)bpts	(207)bpts
Total provisions for impairment losses as a % of GLAA's	**0. 86**	0. 89	0. 96	(3)bpts	(10)bpts
Asset quality ratios					
Gross impaired assets as a % of GLAA's (1)	**0. 79**	0. 83	0. 88	(4)bpts	(9)bpts
Loans 90+ days past due but not impaired as a % of GLAA's (1)	**0. 51**	0. 57	0. 58	(6)bpts	(7)bpts
Impairment expense ("statutory basis") annualised as a % of average GLAA's	**0. 25**	0. 20	0. 21	5 bpts	4 bpts

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 for details.

Provision Ratios

The provision coverage ratios remain strong. The increase in the collective provision ratio to 1.11% is a result of the reduction in credit risk weighted assets. The impaired asset portfolio remains well provisioned with provision coverage of 42.78% as at 31 December 2012.

Asset Quality

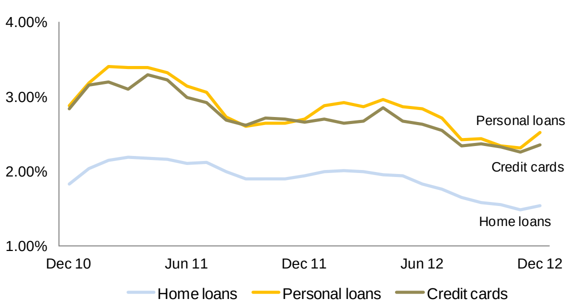
The asset quality ratios show the continued improvement in the quality of the book with both the level of impaired assets and 90 days past due loans which are not impaired continuing to reduce. The credit quality of both the retail and corporate portfolios remained sound.

Retail Portfolios – Arrears Rates (1)

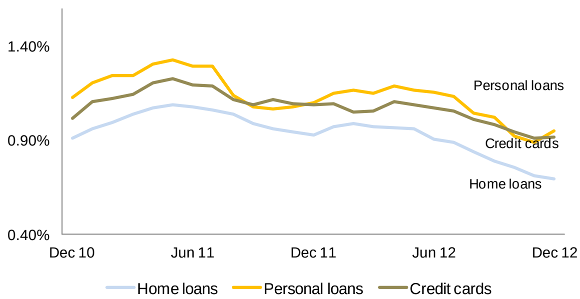
Retail arrears across all products reduced during the current half, in part driven by reducing interest rates.

Home loan arrears reduced over the half, with 30+ day arrears decreasing from 1.83% to 1.53% and 90+ day arrears reducing from 0.90% to 0.70%. Unsecured retail arrears improved over the half with credit card 30+ days arrears falling from 2.63% to 2.36% and 90+ days arrears reducing from 1.07% to 0.92%. Personal loan arrears improved with 30+ day arrears falling from 2.83% to 2.52% and 90+ days arrears falling from 1.15% to 0.95%.

30+ Days Arrears Ratios (%)(2)



90+ Days Arrears Ratios (%)(2)

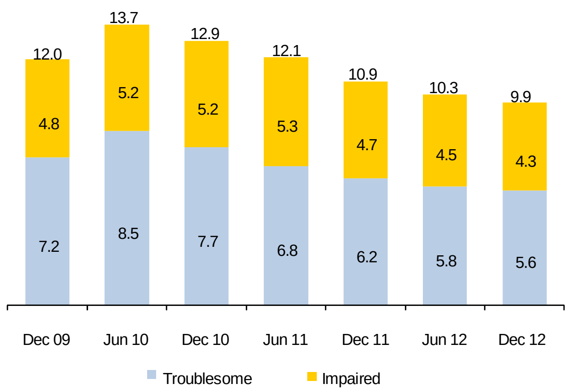


Troublesome and Impaired Assets

Commercial troublesome assets reduced 3% during the half to $5.6 billion.

Gross impaired assets decreased 4% on the prior half to $4,313 million. Gross impaired assets as a proportion of gross loans and acceptances of 0.79% decreased four basis points on the prior half, reflecting the improving quality of the corporate portfolios.

Troublesome and Impaired Assets ($B)



(1) Comparative information has been restated to conform to presentation in the current period.

(2) Includes retail portfolios of Retail Banking Services, Bankwest and New Zealand.

Capital

Basel III Regulatory Framework

Background

The Group has adopted the Basel III measurement and monitoring of regulatory capital effective from 1 January 2013.

In December 2010, the BCBS published a discussion paper on banking reforms to address issues which led to the global financial crisis and to position banks for future crises. The objectives of the capital reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk. The major reforms are to be phased in from 1 January 2013 to 1 January 2019.

In September 2012, Australian Prudential Regulation Authority (APRA) published final standards relating to the implementation of the Basel III capital reforms in Australia. APRA has adopted a more conservative approach than the minimum standards published by the BCBS and a more accelerated timetable for implementation.

The APRA prudential standards require a minimum CET1 ratio of 4.5% effective from 1 January 2013. An additional CET1 capital conservation buffer of 2.5% is intended to be implemented on 1 January 2016, bringing the minimum CET1 requirement to 7%. The BCBS advocates the same minimum requirements, but implementation is to be phased in over an extended timeframe up to 1 January 2019.

Basel III Internationally Harmonised Capital Position as at 31 December 2012

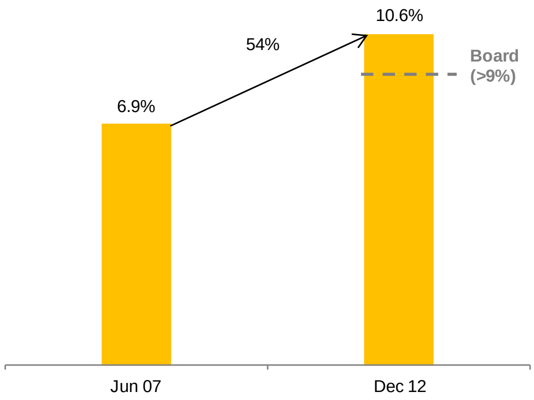
The Board has set a target of holding greater than 9% of CET1, as defined under the internationally harmonised BCBS rules.

The Group's internationally harmonised CET1 ratios are calculated based on full adoption of the Basel III capital reforms, which will not come into effect until 2019 for most banks.

Adoption of a CET1 target based on internationally harmonised principles enables a more meaningful comparison of the Group's capital levels relative to its international peers. The Group is in a strong capital position upon the implementation of Basel III with CET1 as measured on an internationally harmonised basis of 10.6% as at 31 December 2012. This is well in excess of both the prescribed minimum of 4.5% and the Board approved target.

The Group has adopted what it believes to be a conservative and proactive approach to capital management and this is reflected in the overall strength of its capital position. The CET1 ratio (on an internationally harmonised basis) has increased by over 54% since the beginning of the global financial crisis in June 2007.

Basel III Internationally Harmonised Capital Position (%)



APRA Capital Position as at 31 December 2012 (Basel III)

The Group has a CET1 ratio of 8.1% under the Basel III APRA prudential standards as at 31 December 2012, above the minimum ratio of 4.5%.

The differences in the Basel III APRA and the Basel III internationally harmonised CET1 ratios include:

Deductions

- APRA requires a full deduction to be taken against CET1 for equity investments (including investments in insurance and funds management operations) and deferred tax assets. On an internationally harmonised basis, such items are concessionally risk weighted if they fall below prescribed thresholds.

Risk Weighted Assets

- APRA requires capital to be held for Interest Rate Risk in the Banking Book. There is no similar requirement on an internationally harmonised basis; and
- APRA requires a minimum Loss Given Default floor of 20% to be applied to residential mortgages which is higher than regulatory requirements elsewhere.

Basel II Regulatory Framework

Capital Position as at 31 December 2012 (Basel II)

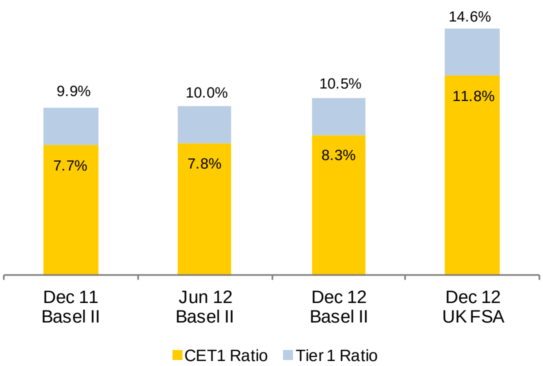
The Group maintained a strong capital position with the capital ratios well in excess of APRA Basel II minimum capital adequacy requirements (Prudential Capital Ratio (PCR)) and the Board approved minimum levels at all times throughout the year ended 31 December 2012.

The Group's Common Equity Tier 1 (CET1) and Tier One Capital ratios as at 31 December 2012 were 8.3% and 10.5% respectively.

The Group's CET1 and Tier One Capital ratios increased by 49 and 53 basis points respectively on the prior half. This was primarily driven by capital generated from earnings (net of dividend) and the benefit delivered from the Bankwest portfolio moving to Advanced status in December 2012. No allowance has been taken into account in the Basel II capital ratios for the Dividend Reinvestment Plan (DRP) as it has been anticipated that the DRP will be satisfied in full by an on market purchase of shares.

The Group's CET1 and Tier One Capital ratios as at 31 December 2012 under the Financial Services Authority (the UK regulator) method of calculating regulatory capital as a percentage of RWA were 11.8% and 14.6 % respectively. This has been provided for comparative purposes as the Group is not regulated by the Financial Services Authority.

Basel II Capital Position (%)



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

Tier One Capital

- In October 2012, the Group issued $2 billion of Perpetual Exchangeable Resalable Listed Securities (PERLS VI), Basel III compliant, additional Tier One security. The proceeds of this issue were used, to the extent necessary, to refinance the maturing PERLS IV and otherwise to fund the Group's business; and
- The allocation of approximately $929 million of ordinary shares in order to satisfy the DRP in respect of the final dividend for the 2011/2012 financial year, representing a participation rate of 29.6%.

Further details on the Group's Basel II regulatory capital position are included in Appendix 8.

Bankwest

Bankwest relinquished its ADI license on 1 October 2012 in line with prudential regulations requiring Australian subsidiaries of major banks to operate under the same license as their parent.

Bankwest operated as a standalone bank up to 30 September 2012 and was subject to separate regulation by APRA.

APRA extended the Group's Advanced Internal Rating based accreditation to include Bankwest's non retail loans and residential mortgages from 31 December 2012.

Pillar 3 Disclosures (Basel II)

Details on the market disclosures required under Pillar 3, per prudential standard APS 330 "Public Disclosure of Prudential Information", are provided on the Group's website.

Other Regulatory Change

General and Life Insurers

In October 2012, APRA completed its review of regulatory capital standards for life insurers and general insurers (LAGIC) and released the final version of all life insurance and general insurance prudential standards. Implementation of the majority of the reforms occurred on 1 January 2013.

Superannuation Funds Management

In November 2012, APRA released final prudential standards that introduce new financial requirements for registered superannuation trustees. The new requirements are being implemented on 1 July 2013.

In November 2011, the Australian Securities and Investments Commission (ASIC) released new financial requirements that apply to Responsible Entities. These new requirements became effective on 1 November 2012.

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 proposals 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.

Draft capital standards are expected to be released in the early part of the 2013 calendar year with the intention at this point in time to implement from 1 January 2014.

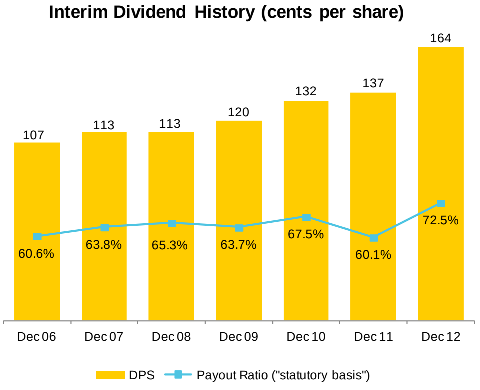
Group Operations and Business Settings continued

Dividends

Interim Dividend for the Year Ended 31 December 2012.

An interim dividend of $1.64 per share was determined, an increase of 20% on the prior comparative period. The dividend payout ratio ("statutory basis") for the half year to 31 December 2012 was 72.5%, up from 60.1% in the prior comparative period. This increase is consistent with the Board's revised dividend policy, announced in August 2012, which increased the payout ratio for the interim dividend.

The interim dividend is planned to be fully franked and is planned to be paid on 5 April 2013 to owners of ordinary shares at the close of business on 22 February 2013 (record date). Shares were quoted ex-dividend on 18 February 2013.



Dividend Reinvestment Plan (DRP)

The DRP will continue to operate but no discount will be applied to shares allocated under the plan for the interim dividend. The DRP for the 2013 interim dividend is anticipated to be satisfied in full by an on market purchase of shares.

Dividend Policy

As announced as part of the June 2012 full year results, the Group intends to:

- Pay cash dividends at strong and sustainable levels;
- Target a full-year payout ratio of 70% to 80%; and
- Maximise the use of its franking account by paying fully franked dividends.

The payout ratio for interim dividends is estimated to be approximately 70% of interim profit to ensure a more even distribution of dividends across the year.

Liquidity

	As at 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Internal RMBS	**57,362**	57,730	38,560	(1)	49
Bank, NCD, Bills, RMBS, Supra, Covered Bonds	**31,109**	32,429	36,577	(4)	(15)
Cash, Government and Semi-Government Bonds	**39,833**	44,418	40,220	(10)	(1)
Liquid Assets (1)	**128,304**	134,577	115,357	(5)	11

(1) Liquids reported net of applicable regulatory haircuts.

December 2012 versus December 2011

The Group holds what it believes to be a high quality, well diversified liquid asset portfolio to prudently meet Balance Sheet liquidity needs and regulatory requirements.

Liquid assets increased $13 billion to $128 billion, an 11% increase on the prior comparative period. The increase was driven by the expansion of the internal residential mortgage-backed securitisation vehicle (Internal RMBS) which provides the Group with the ability to borrow on a secured basis from the Reserve Bank of Australia.

Excluding Internal RMBS, the Group maintained $71 billion of liquid assets, well above the regulatory minimum requirement of $53 billion.

December 2012 versus June 2012

The Group holds what it believes to be a high quality, well diversified liquid asset portfolio to prudently meet Balance Sheet liquidity needs and regulatory requirements.

Liquid assets decreased $7 billion to $128 billion, a 5% decrease on the prior comparative period. The decrease was driven by the reduction in liquidity risk given lower short term deposits from financial institutions.

Excluding internal RMBS assets, the Group maintained $71 billion of liquid assets, well above the regulatory minimum requirement of $53 billion.

Funding

Group Funding (1)	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	As at				
Customer deposits	**385,879**	379,299	370,464	2	4
Short term wholsesale funding	**108,075**	108,491	115,034	-	(6)
Long term wholesale funding - less than one year residual maturity	**24,571**	25,715	32,391	(4)	(24)
Long term wholesale funding - more than one year residual maturity (2)	**103,031**	103,638	89,734	(1)	15
IFRS MTM and derivative FX revaluations	**(4,267)**	(5,417)	(6,975)	(21)	(39)
Total wholesale funding	**231,410**	232,427	230,184	-	1
Total funding	**617,289**	611,726	600,648	1	3

(1) Shareholders' equity is excluded from this view of funding sources, other than the USD trust preferred securities, which are classified as other equity instruments in the statutory balance sheet.

(2) Residual maturity of long term wholesale funding included in Debt issues, Loan capital and Share capital – other equity instruments, is the earlier of the next call date or final maturity.

December 2012 versus December 2011

Customer deposits

Customer deposits accounted for 63% of total funding at 31 December 2012, compared to 62% in the prior comparative period. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from customer deposits. The remaining 37% of total funding comprised various wholesale debt issuance.

Short term wholesale funding

Short term wholesale funding includes debt with an original maturity or call date of less than 12 months, and consists of Certificates of Deposit and Bank Acceptances, as well as debt issued under domestic, Euro and US Commercial paper programs by CBA and ASB. Short term wholesale funding accounted for 47% of total wholesale funding at 31 December 2012, down from 50% at 31 December 2011.

Long term wholesale funding

Long term wholesale funding includes debt with an original maturity or call date of greater than 12 months. Long term wholesale funding conditions improved during the half compared to the prior comparative period as northern hemisphere central banks provided further support to their economies and banking systems. During the half, the Group issued $13 billion of long term wholesale debt transactions in multiple currencies including AUD, USD, EUR, and GBP. Given improved funding conditions, most issuance was in senior unsecured format, although the Group also used its covered bond program to provide cost, tenor and diversification benefits. The weighted average maturity (WAM) of new long term wholesale debt issued in the December 2012 half year was 5.3 years. The WAM of outstanding long term wholesale debt was 3.7 years at 31 December 2012.

Long term wholesale debt (including adjustment for IFRS MTM and derivative FX valuation) increased by 7% on the prior comparative period and accounted for 53% of total wholesale funding at 31 December 2012, compared to 50% in the prior comparative period.

December 2012 versus June 2012

Customer deposits

Customer deposits accounted for 63% of total funding at 31 December 2012, compared to 62% in the prior half. Strong deposit growth has seen the Group satisfy a significant proportion of its funding requirements from what it believes to be high quality retail customer deposits. The remaining 37% of total funding comprised various wholesale debt issuance.

Short term wholesale funding

Short term wholesale funding includes debt with an original maturity or call date of less than 12 months, and consists of Certificates of Deposit and Bank Acceptances, as well as debt issued under domestic, Euro and US Commercial paper programs by CBA and ASB. Short term wholesale funding accounted for 47% of total wholesale funding at 31 December 2012, consistent with the prior half.

Long term wholesale funding

Long term wholesale debt (including adjustment for IFRS MTM and derivative FX valuation) was unchanged on the prior half and accounted for 53% of total wholesale funding at 31 December 2012, consistent with the prior half.

For further information on Liquidity and Funding risk, please refer to Appendix 6.

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Contents

Section 5 - Divisional Performance

Retail Banking Services

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 [1] $M	31 Dec 11 [1] $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Net interest income	**3,162**	2,945	2,994	**7**	6
Other banking income	**756**	722	729	**5**	4
Total banking income	**3,918**	3,667	3,723	**7**	5
Operating expenses	**(1,524)**	(1,469)	(1,496)	**4**	2
Loan impairment expense	**(246)**	(237)	(346)	**4**	(29)
Net profit before tax	**2,148**	1,961	1,881	**10**	14
Corporate tax expense	**(642)**	(587)	(552)	**9**	16
Cash net profit after tax	**1,506**	1,374	1,329	**10**	13
Statutory net profit after tax	**1,506**	1,374	1,329	**10**	13
Income analysis:					
Net interest income					
Home Loans	**1,444**	1,198	1,234	**21**	17
Consumer Finance [2]	**763**	731	671	**4**	14
Retail Deposits	**928**	993	1,062	**(7)**	(13)
Business Products	**27**	23	27	**17**	-
Total net interest income	**3,162**	2,945	2,994	**7**	6
Other banking income					
Home Loans	**101**	99	105	**2**	(4)
Consumer Finance [2]	**251**	232	230	**8**	9
Retail Deposits	**192**	198	194	**(3)**	(1)
Business Products	**34**	26	34	**31**	-
Distribution	**178**	167	166	**7**	7
Total other banking income	**756**	722	729	**5**	4
Total banking income	**3,918**	3,667	3,723	7	5

	As at				
Balance Sheet	31 Dec 12 $M	30 Jun 12 [1] $M	31 Dec 11 [1] $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Home loans	**238,187**	234,134	230,727	2	3
Consumer finance [2]	**14,555**	13,883	13,597	5	7
Other interest earning assets	**1,734**	1,925	1,432	(10)	21
Total interest earning assets	**254,476**	249,942	245,756	2	4
Other assets	**932**	224	93	large	large
Total assets	**255,408**	250,166	245,849	2	4
Transaction deposits	**18,841**	17,979	18,118	5	4
Savings deposits	**62,128**	57,266	57,306	8	8
Investment deposits and other	**88,623**	86,067	80,949	3	9
Total interest bearing deposits	**169,592**	161,312	156,373	5	8
Non-interest bearing liabilities	**5,867**	5,706	5,474	3	7
Total liabilities	**175,459**	167,018	161,847	5	8

	Half Year Ended				
Key Financial Metrics	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Performance indicators					
Return on assets (%)	**1. 2**	1. 1	1. 1	10 bpts	10 bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 20**	0. 19	0. 28	1 bpt	(8)bpts
Statutory operating expenses to total banking income (%)	**38. 9**	40. 1	40. 2	(120)bpts	(130)bpts
Other asset/liability information					
Average interest earning assets ($M)	**251,433**	247,998	243,573	1	3
Average interest bearing liabilities ($M)	**165,841**	157,992	152,141	5	9

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.

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

Financial Performance and Business Review

This Retail Banking Services analysis contains forward-looking statements. See “Special Note Regarding Forward-Looking Statements” on page 4 of this Document.

December 2012 versus December 2011

Retail Banking Services statutory net profit after tax for the half year ended 31 December 2012 was $1,506 million, an increase of 13% on the prior comparative period. The result was driven by solid volume growth, disciplined expense management, and an improvement in loan impairment expense. Based on third-party data, we believe customer satisfaction levels continued to improve during the half, reaching their highest level in 15 years[1].

Net Interest Income

Net interest income was $3,162 million, an increase of 6% on the prior comparative period. This was supported by strong volume growth in deposit and consumer finance products and improved net interest margin.

Balance sheet growth included:

- Home loan growth of 3%, achieved in a subdued environment with competitor activity remaining strong;
- Consumer finance experienced strong growth, driven by successful campaigns and product innovation; and
- Deposit balances increased by 8%, with growth mainly in lower margin investment deposit and online saver products.

Net interest margin increased, reflecting:

- A recovery in margins across the lending portfolio, as a result of repricing in response to higher average wholesale and deposit funding costs; and
- A significant decrease in deposit margins, resulting from falling cash rates and intense competition, particularly in the investment deposit and online saver products.

Other Banking Income

Other Banking Income was $756 million, an increase of 4% on the prior comparative period, reflecting:

- A reduction in home loan fees of 4% due to the ongoing run off of deferred establishment fees offset by higher package fee income;
- An increase in consumer finance fees of 9%, reflecting volume growth in personal loans and higher credit card interchange income;
- Reduced deposit fee income of 1% as customers continue to shift into low fee deposit accounts; and
- Distribution[2] income increasing 7% as foreign exchange products, including Travel Money Card, continue to perform strongly.

Operating Expenses

Operating expenses for the half year were $1,524 million, an increase of 2% on the prior comparative period. The ongoing productivity focus through the retail business has resulted in inflationary pressures being largely absorbed. Incremental CBM amortisation contributed 1% to expense growth. The expense to income ratio was 38.9%, a decrease of 130 basis points on the prior comparative period.

Expense growth also includes continued investment in technology, a strategic priority for the Group, with further enhancements to NetBank and Kaching launched during the half. Customer access via mobile devices has surpassed access from desktops, a key indicator of changing customer behaviour and the Group’s focus on servicing mobile channels.

Loan Impairment Expense

Loan impairment expense for the half year was $246 million, a decrease of 29% on the prior comparative period.

Arrears rates fell significantly across all portfolios leading to lower collective provisions and a reduced loan impairment expense. The arrears improvements have been assisted by increased repayment behaviours in a falling cash rate environment and increased Collections effectiveness.

In addition, for the secured portfolio, underlying improvements in quality, particularly from recent lending, have resulted in lower arrears. Individually assessed provisions have decreased due to a more active property market.

December 2012 versus June 2012

Statutory net profit after tax increased by 10% on the prior half. The result was driven by solid revenue growth and disciplined cost management, offset by a slight increase in loan impairment expense.

Net Interest Income

Net interest income increased by 7% on the prior half, reflecting deposit balance growth and improved margins on the lending portfolio.

Balance sheet growth included:

- Subdued home loan and credit card growth, consistent with broader market trends; and
- Robust deposit balance growth of 5% on the prior half, predominantly in savings deposits.

Net interest margin increased, reflecting:

- A recovery in margins across the lending portfolio – the result of the timing of repricing and the continuation of risk based pricing for unsecured loans; and
- Lower deposit margins, primarily as a result of competitive pricing in an environment of falling cash rates.

Other Banking Income

Other banking income increased by 5% on the prior half. Key factors included:

- Home loan income up 2% due to increased volumes;
- An increase in consumer finance fees of 8%, reflecting higher credit card interchange revenue; and
- Deposits down 3% due to the customer shift into low fee deposit accounts.

Operating Expenses

Operating expenses grew by 4% on the prior half, primarily reflecting the impact of salary increases and inflationary increases in property costs. Loyalty costs also increased in the half due to seasonal patterns in the redemption of points and the introduction of the innovative rewards partnership with the department store Myer, which allows customers to use their points to pay for goods in store directly at the point of sale.

The expense to income ratio was 38.9%, a decrease of 120 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense increased 4% compared to the prior half largely due to a slight increase in net write-offs, proportionate with underlying portfolio growth.

(1) Roy Morgan Research. Retail Main Financial Institution (MFI) Customer Satisfaction, Australians 14+, % ”Very Satisfied” or ”Fairly Satisfied” with relationship with that MFI. Six month rolling average to December 2012.

(2) Distribution includes income associated with the sale of foreign exchange products, and commissions received from the distribution of wealth management products through the retail network.

Business and Private Banking

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 (1) $M	31 Dec 11 (1) $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Net interest income	1,472	1,467	1,454	-	1
Other banking income	408	410	450	-	(9)
Total banking income	1,880	1,877	1,904	-	(1)
Operating expenses	(678)	(671)	(679)	1	-
Loan impairment expense	(150)	(137)	(129)	9	16
Net profit before tax	1,052	1,069	1,096	(2)	(4)
Corporate tax expense	(317)	(323)	(329)	(2)	(4)
Cash net profit after tax	735	746	767	(1)	(4)
Statutory net profit after tax	735	746	767	(1)	(4)
Income analysis:					
Net interest income					
Corporate Financial Services	509	499	500	2	2
Regional & Agribusiness	268	255	254	5	6
Local Business Banking	487	487	467	-	4
Private Bank	118	112	113	5	4
Equities and Margin Lending	77	83	82	(7)	(6)
Other	13	31	38	(58)	(66)
Total net interest income	1,472	1,467	1,454	-	1
Other banking income					
Corporate Financial Services	157	148	169	6	(7)
Regional & Agribusiness	45	48	54	(6)	(17)
Local Business Banking	104	104	104	-	-
Private Bank	21	20	20	5	5
Equities and Margin Lending	78	86	101	(9)	(23)
Other	3	4	2	(25)	50
Total other banking income	408	410	450	-	(9)
Total banking income	1,880	1,877	1,904	-	(1)
Income by product:					
Business Products	1,097	1,122	1,132	(2)	(3)
Retail Products	536	512	484	5	11
Equities and Margin Lending	139	146	165	(5)	(16)
Markets	80	60	90	33	(11)
Other	28	37	33	(24)	(15)
Total banking income	1,880	1,877	1,904	-	(1)

	As at				
Balance Sheet	31 Dec 12 $M	30 Jun 12 (1) $M	31 Dec 11 (1) $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Home loans	38,276	38,254	37,538	-	2
Consumer finance	1,043	1,125	1,043	(7)	-
Business loans	58,099	56,487	55,472	3	5
Margin loans	2,774	3,092	3,347	(10)	(17)
Total interest earning assets	100,192	98,958	97,400	1	3
Non-lending interest earning assets	166	365	462	(55)	(64)
Other assets (2)	173	463	244	(63)	(29)
Total assets	100,531	99,786	98,106	1	2
Transaction deposits	18,536	19,047	18,577	(3)	-
Savings deposits	12,130	11,415	12,032	6	1
Investment deposits and other	25,093	24,549	24,719	2	2
Total interest bearing deposits	55,759	55,011	55,328	1	1
Due to other financial institutions	1,478	1,042	449	42	large
Debt issues and other (3)	7,960	9,070	9,928	(12)	(20)
Non-interest bearing liabilities (2)	5,608	5,408	5,578	4	1
Total liabilities	70,805	70,531	71,283	-	(1)

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.
(2) Other assets include intangible assets and Non-interest bearing liabilities include non-interest bearing deposits.
(3) Debt issues include Bank acceptances.

Key Financial Metrics	Half Year Ended 31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Performance indicators					
Return on assets (%)	**1. 5**	1. 5	1. 6	-	(10)bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 30**	0. 28	0. 27	2 bpts	3 bpts
Statutory operating expenses to total banking income (%)	**36. 1**	35. 7	35. 7	40 bpts	40 bpts
Other asset/liability information					
Average interest earning assets ($M)	**100,702**	98,185	97,490	3	3
Average interest bearing liabilities ($M)	**66,021**	65,210	63,406	1	4

Financial Performance and Business Review

This Business and Private Banking analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2012 versus December 2011

Business and Private Banking achieved a statutory net profit after tax of $735 million for the half year ended 31 December 2012, a decrease of 4% on the prior comparative period. Total income decreased 1% during the period with growth in business banking income offset by lower income from risk management related products and equities trading. A continued focus on productivity measures resulted in flat cost growth. Loan impairment expense was impacted by a softening of collateral values.

Net Interest Income

Net interest income of $1,472 million increased 1% compared to the prior comparative period. This reflected modest growth in average interest earning assets and customer deposits, partly offset by a decrease in net interest margin.

Balance sheet growth included:

- Business lending growth of 5% which reflected continued customer demand for market rate linked products such as commercial bills;
- Home loan growth of 2% despite strong competitor activity in a subdued environment; and
- Customer deposits increased 1% on the prior comparative period reflecting a highly competitive environment.

Net interest margin decreased reflecting continued customer demand for higher yield deposit products and the impact of the falling cash rate environment, partly offset by the effective management of asset margins.

Other Banking Income

Other banking income of $408 million decreased 9% on the prior comparative period due to:

- A decrease of 26% in equities trading volumes, whilst yields were stronger with a higher average value per trade undertaken. Despite lower trading volumes, CommSec increased market share;
- Lower sales of risk management and foreign exchange related products; partly offset by
- Increased merchant acquiring income driven by targeted repricing activity in response to current market conditions.

Operating Expenses

Operating expenses of $678 million were flat on the prior comparative period despite significantly higher investment costs associated with the implementation of the new core banking platform. Salary related costs were 3% lower reflecting a continued focus on productivity related activities including effective capacity management along frontline employees. In addition, volume related expenses decreased due to lower sales of risk management related products and lower equities trading volumes.

Loan Impairment Expense

Loan impairment expense of $150 million increased 16% on the prior comparative period due in part to the softening in collateral values of longstanding exposures.

Loan impairment expense as a percentage of average gross loans and acceptances increased by three basis points on the prior comparative period to 30 basis points.

December 2012 versus June 2012

Statutory net profit after tax was $735 million for the half year ended 31 December 2012, a decrease of 1% on the prior half. Income was flat during the period, with growth in business banking income partly offset by lower income from equities trading. Effective cost management resulted in 1% cost growth with lower staff expense being offset by an increased investment in technology related initiatives. Loan impairment expense increased 9% impacted by a softening of collateral values.

Net Interest Income

Net interest income of $1,472 million was flat on the prior half. This reflected modest growth in average interest earning assets, offset by a slight reduction in net interest margin.

Balance sheet growth reflected:

- Business lending growth of 3%, whilst home loans were flat; and
- Customer deposits during the period increased 1% with growth in higher yield savings accounts.

Net interest margin decreased, reflecting continued customer demand for higher yield deposit products and the impact of the falling cash rate environment, partly offset by the effective management of asset margins.

Other Banking Income

Other banking income of $408 million was flat on the prior half due to increased sales of risk management related products and higher merchant acquiring income, which was driven by targeted repricing activity. This was offset by a decrease of 10% in equities trading volumes despite yields being higher.

Operating Expenses

Operating expenses of $678 million increased 1% on the prior half. Cost discipline in the business has allowed for investment in the implementation of the new core banking platform. This investment has driven an increase in the number of new transaction accounts as a result of benefits relating to real-time banking and everyday settlement. Continued focus on productivity activities resulted in salary related costs decreasing 2%. In addition, volume related expenses decreased due to lower equities trading volumes.

Loan Impairment Expense

Loan impairment expense of $150 million increased 9% on the prior half due in part to the softening in collateral values of longstanding exposures.

Loan impairment expense as a percentage of average gross loans and acceptances increased by two basis points on the prior half to 30 basis points.

Institutional Banking and Markets

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 [1] $M	31 Dec 11 [1] $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Net interest income	694	746	743	(7)	(7)
Other banking income	634	454	447	40	42
Total banking income	1,328	1,200	1,190	11	12
Operating expenses	(442)	(423)	(417)	4	6
Loan impairment expense	(97)	(121)	(33)	(20)	large
Net profit before tax	789	656	740	20	7
Corporate tax expense	(186)	(129)	(169)	44	10
Cash net profit after tax	603	527	571	14	6
Bell Group litigation (after tax)	(45)	-	-	-	-
Statutory net profit after tax	558	527	571	6	(2)
Income analysis:					
Net interest income					
Institutional Banking	584	610	601	(4)	(3)
Markets	110	136	142	(19)	(23)
Total net interest income	694	746	743	(7)	(7)
Other banking income					
Institutional Banking	403	394	377	2	7
Markets	231	60	70	large	large
Total other banking income	634	454	447	40	42
Total banking income	1,328	1,200	1,190	11	12
Income by product:					
Institutional Products	844	862	840	(2)	-
Asset Leasing	116	126	102	(8)	14
Markets	341	196	212	74	61
Other	27	16	36	69	(25)
Total banking income	1,328	1,200	1,190	11	12

	As at				
Balance Sheet	31 Dec 12 $M	30 Jun 12 [1] $M	31 Dec 11 [1] $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Interest earning lending assets	73,225	73,425	71,550	-	2
Non-lending interest earning assets	33,556	34,267	33,614	(2)	-
Other assets [2]	32,119	35,463	34,474	(9)	(7)
Total assets	138,900	143,155	139,638	(3)	(1)
Transaction deposits	35,228	34,452	34,210	2	3
Investment deposits	36,642	40,090	36,793	(9)	-
Certificates of deposit and other	14,008	12,484	11,338	12	24
Total interest bearing deposits	85,878	87,026	82,341	(1)	4
Due to other financial institutions	15,823	15,856	14,060	-	13
Debt issues and other [3]	4,209	4,805	8,626	(12)	(51)
Non-interest bearing liabilities [2]	26,888	29,829	29,208	(10)	(8)
Total liabilities	132,798	137,516	134,235	(3)	(1)

	Half Year Ended				
Key Financial Metrics	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Performance indicators					
Return on assets (%)	0. 8	0. 7	0. 8	10 bpts	-
Statutory impairment expense annualised as a % of average GLAA's (%)	0. 44	0. 33	0. 09	11 bpts	35 bpts
Statutory operating expenses to total banking income (%)	33. 3	35. 3	35. 0	(200)bpts	(170)bpts
Other asset/liability information					
Average interest earning assets ($M)	109,128	105,803	107,264	3	2
Average interest bearing liabilities ($M)	109,221	105,154	106,371	4	3

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.

(2) Other assets include intangible assets and derivative assets. Non-interest bearing liabilities include derivative liabilities.

(3) Debt issues and other includes bank acceptances, liabilities at fair value and loan capital.

Financial Performance and Business Review

This Institutional Banking and Markets analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2012 versus December 2011

Institutional Banking and Markets achieved a statutory net profit after tax of $558 million, a 2% decrease on the prior comparative period. Growth in average lending balances, higher lending fee income, favourable counterparty fair value adjustments and a positive trading performance in Markets was offset by higher loan impairment expense and lower margins, which were impacted by higher funding costs, as well as provisions for Bell Group litigation.

Net Interest Income

Net interest income decreased 7% on the prior comparative period to $694 million, driven by lower margins, partly offset by growth in average lending balances.

Balance sheet growth included:

- Strong momentum in loan balances with Institutional Lending average balances increasing 12% since 31 December 2011, with particular success in the investment grade commercial property, transport and storage, and natural resources industries; and
- A 7% rise in average deposit volumes mainly driven by growth in domestic term deposit balances.

Net interest margin decreased reflecting:

- Higher funding costs leading to lower asset margins; and
- Declining deposit margins impacted by competition for deposits and a shift in product mix to lower margin term deposit products.

Other Banking Income

Other banking income increased 42% on the prior comparative period to $634 million, due to:

- A favourable trading performance in Markets compared to the prior comparative period;
- Favourable counterparty fair value adjustments of $47 million for the half year ended 31 December 2012 compared to the unfavourable adjustment in the prior comparative period of $35 million. This impact was primarily driven by tightening credit spreads; and
- Higher Asset Leasing and commitment fee income.

Operating Expenses

Operating expenses increased 6% on the prior comparative period to $442 million. The increase included higher depreciation expenses (up 30% on the prior comparative period) relating to growth in the Asset Leasing business and selected investment in strategic projects.

The investment has been targeted to deliver on the Total Capital Solutions strategy to our clients. Whilst overall employee numbers have declined, there has been increased investment in the natural resources and transport industries to support growth in these sectors.

The business continued to focus on key strategic projects including Transaction Banking and systems enhancements to the Group's foreign exchange and fixed income platforms.

Loan Impairment Expense

Loan impairment expense increased $64 million on the prior comparative period to $97 million, driven by an increased number of small individually assessed provisions and a lower level of write-backs. The overall credit rating of the institutional portfolio remained stable.

Corporate Tax Expense

The corporate tax expense for the half year ended 31 December 2012 was $186 million. The effective tax rate of 24% remained relatively stable.

December 2012 versus June 2012

Institutional Banking and Markets achieved a statutory net profit after tax of $558 million for the half year ended 31 December 2012, which represented a 6% increase on the prior half. The result was driven by favourable counterparty fair value adjustments and lower loan impairment expense. This was partly offset by lower margins due to increased funding costs, as well as provisions for Bell Group litigation.

Net Interest Income

Net interest income decreased 7% on the prior half to $694 million. This decrease was driven by lower margins and subdued lending growth as clients continue to be cautious in a challenging economic environment. Favourable conditions in debt capital markets for corporate issuers also contributed to subdued growth in lending balances.

Balance sheet growth included:

- Institutional Lending average balances increased 4% since 30 June 2012, with continued momentum in the natural resources sector; and
- Average deposit volumes increased 7%, largely in domestic term deposits.

Net interest margin decreased reflecting:

- Lower asset margins due to higher funding costs; and
- Compressed deposit margins reflecting competition for deposits and a change in product mix to lower margin term deposit products.

Other Banking Income

Other banking income was $634 million, an increase of 40% on the prior half due to:

- Favourable counterparty fair value adjustments of $47 million for the half year ended 31 December 2012 compared to the unfavourable adjustment in the prior half of $86 million. This impact was primarily driven by tightening credit spreads; and
- Increased sales revenue from the rates and fixed income businesses, reflecting greater client deal flow.

Operating Expenses

Operating expenses increased 4% on the prior half to $442 million. The increase was driven by higher depreciation expenses relating to growth in Asset Leasing volumes and selected investment in strategic projects, including Transaction Banking and the Group's foreign exchange and fixed income platforms. This was partly offset with a continued focus on productivity and a disciplined approach to cost management across the business.

Loan Impairment Expense

Loan impairment expense was $97 million, a decrease of 20% on the prior half, driven by a reduction in single name exposures, partly offset by a lower level of write-backs. The overall credit rating of the institutional portfolio remained stable.

Corporate Tax Expense

The corporate tax expense for the half year ended 31 December 2012 was $186 million. The effective tax rate of 24% was higher than the prior half due to the timing of dividend distributions in offshore jurisdictions.

Wealth Management

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 [1] $M	31 Dec 11 [1] $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Funds management income	**998**	943	945	6	6
Insurance income	**368**	327	364	13	1
Total operating income	**1,366**	1,270	1,309	8	4
Volume expenses	**(249)**	(248)	(292)	-	(15)
Net operating income	**1,117**	1,022	1,017	9	10
Operating expenses	**(743)**	(689)	(680)	8	9
Net profit before tax	**374**	333	337	12	11
Corporate tax expense	**(101)**	(90)	(88)	12	15
Underlying profit after tax	**273**	243	249	12	10
Investment experience after tax	**61**	82	55	(26)	11
Cash net profit after tax	**334**	325	304	3	10
Treasury shares valuation adjustment (after tax)	**(31)**	(16)	1	94	large
Count Financial Limited acquisition costs (after tax)	**-**	(10)	(33)	(100)	(100)
Statutory net profit after tax	**303**	299	272	1	11
Represented by:					
CFS Global Asset Management	**152**	123	135	24	13
Colonial First State	**77**	69	7	12	large
CommInsure	**170**	170	176	-	(3)
Other	**(96)**	(63)	(46)	52	large
Statutory net profit after tax	**303**	299	272	1	11

	Half Year Ended				
Key Financial Metrics	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Performance indicators					
Statutory funds management income to average FUA (%)	**0. 98**	0. 99	0. 99	(1)bpt	(1)bpt
Statutory insurance income to average inforce premiums (%)	**46. 6**	49. 3	51. 2	(270)bpts	(460)bpts
Statutory operating expenses to net operating income (%)	**60. 3**	60. 6	67. 2	(30)bpts	large
Funds under administration - average ($M)	**204,009**	192,325	186,266	6	10
Funds under administration - spot ($M)	**215,851**	192,781	184,045	12	17
Funds under management - average ($M)	**152,580**	147,412	145,385	4	5
Funds under management - spot ($M)	**160,650**	146,220	141,930	10	13
Retail net funds flows (Australian Retail) ($M)	**722**	703	(509)	3	large
Annual Inforce Premiums - average ($M)	**2,021**	1,889	1,724	7	17
Annual Inforce Premiums - spot ($M)	**2,071**	1,971	1,807	5	15

	Half Year Ended [1]											
	CFS Global Asset Management			Colonial First State [2]			CommInsure			Other		
	Dec 12 $M	Jun 12 $M	Dec 11 $M	Dec 12 $M	Jun 12 $M	Dec 11 $M	Dec 12 $M	Jun 12 $M	Dec 11 $M	Dec 12 $M	Jun 12 $M	Dec 11 $M
Funds management income	**481**	435	448	**445**	431	414	**73**	77	83	**(1)**	-	-
Insurance income	**-**	-	-	**-**	-	-	**368**	325	366	**-**	2	(2)
Total operating income	**481**	435	448	**445**	431	414	**441**	402	449	**(1)**	2	(2)
Volume expenses	**(75)**	(71)	(69)	**(66)**	(74)	(118)	**(108)**	(102)	(106)	**-**	(1)	1
Net operating income	**406**	364	379	**379**	357	296	**333**	300	343	**(1)**	1	(1)
Operating expenses	**(235)**	(215)	(224)	**(278)**	(254)	(251)	**(156)**	(149)	(143)	**(74)**	(71)	(62)
Net profit before tax	**171**	149	155	**101**	103	45	**177**	151	200	**(75)**	(70)	(63)
Corporate tax expense	**(32)**	(38)	(32)	**(30)**	(29)	(13)	**(53)**	(45)	(60)	**14**	22	17
Underlying profit after tax	**139**	111	123	**71**	74	32	**124**	106	140	**(61)**	(48)	(46)
Investment experience after tax	**13**	12	12	**6**	5	8	**46**	64	36	**(4)**	1	(1)
Cash net profit after tax	**152**	123	135	**77**	79	40	**170**	170	176	**(65)**	(47)	(47)
Treasury shares valuation adjustment (after tax)	**-**	-	-	**-**	-	-	**-**	-	-	**(31)**	(16)	1
Count Financial Limited acquisition costs (after tax)	**-**	-	-	**-**	(10)	(33)	**-**	-	-	**-**	-	-
Statutory net profit after tax	**152**	123	135	**77**	69	7	**170**	170	176	**(96)**	(63)	(46)

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.

(2) Colonial First State incorporates the results of all financial planning businesses including Commonwealth Financial Planning.

Financial Performance and Business Review

This Wealth Management analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2012 versus December 2011

Statutory net profit after tax for the half year ended 31 December 2012 was $303 million, a 11% increase on the prior comparative period benefiting from a partial recovery in global investment markets.

Net operating income increased 10% on the prior comparative period and FUA, as at 31 December 2012, increased 17% to $216 billion. Insurance Inforce Premiums increased 15% to $2.1 billion.

Funds Management Income

Funds Management income of $998 million increased 6% on the prior comparative period.

CFSGAM FUM for the half averaged $153 billion, an increase of 5% on the prior comparative period. Growth was mainly driven by improved equity markets and sound investment performance with 75% of assets outperforming benchmark over a three year period.

The improvement in equity markets during the period reflected improved investor confidence which delivered solid FUM net flows for the half of $3 billion and improved margins. CFSGAM continued to invest in expanding offshore sales capability and diversifying its geographic and asset class base.

Colonial First State (CFS) flagship platform's margin improved slightly due to favourable mix. Platform net flows benefited from improved market sentiment and were up 6% on the prior comparative period to $1.8 billion, contributing to the highest Australian Retail net flows in five years. CFS platforms captured 27% of market net flows over the period and FirstChoice retained the number one market share position[(1)].

The managed contraction of the closed legacy investment business continued in line with expectations, impacting funds management margins.

Insurance Income

Insurance income was $368 million, a 1% increase on the prior comparative period.

Retail Life Insurance income increased 1% driven by growth in Retail Bank network sales. Claims experience was mixed with some pressure in the income protection products whilst lapse rates increased, which is a trend that is consistent with the current industry experience. Wholesale Life revenue declined due to a rise in claims.

General Insurance inforce premium growth was 19% and delivered a strong result with 17% higher net earned premium, improved claims experience and no major events in the half.

Operating Expenses

Operating expense growth was 9% mainly due to increased investment in strategic growth initiatives in the period, including productivity programs, strengthening risk management and preparing for changes in the regulatory environment. The result also incorporated the full period impact of the inclusion of Count Financial. Excluding strategic investment spend, expense growth was attributable to inflation-related salary increases and investment in the offshore business. Compliance projects progress remained on track.

Investment Experience

Investment Experience includes the return on invested shareholder capital and benefited from unrealised mark to market revaluation gains on the Guaranteed Annuity portfolio.

December 2012 versus June 2012

Statutory net profit after tax for the half year ended 31 December 2012 was $303 million, a 1% increase on the prior half driven by market growth and improved insurance performance.

Net operating income increased 9% on the prior half and Funds under Administration, as at 31 December 2012, increased 12% to $216 billion. Insurance Inforce Premiums increased 5% to $2.1 billion.

Funds Management Income

Funds Management income of $998 million increased 6% on the prior half.

CFSGAM average FUM of $153 billion increased 4% on the prior half, mainly driven by improved equity markets and ongoing strong investment performance. Investors remained cautious despite signs of market recovery and demand for cash and fixed interest products continued to be strong.

CFS FirstChoice and Custom Solutions platforms performed well with net flows increasing 3% on the prior half. Custom Solutions reached a milestone $10 billion in FUA during the half. While the last quarter saw increased equity net flows, demand for lower-risk deposit products remained strong, growing 13% over the last half.

Wealth Management has now sourced over $20 billion in bank deposit funding for the Group as at 31 December 2012.

Insurance Income

Insurance income was $368 million, a 13% increase on the prior half.

Retail Life Insurance Inforce Premium increased 5% to $856 million and revenue increased 14%, benefiting from higher sales originating from the Retail Bank network. Claims improved but overall margins were impacted by continuing lapse pressure. Wholesale Life Insurance income fell due to deteriorating claims experience.

General Insurance net earned premiums increased 8%, benefiting from strong sales growth through retail bank channels and lower working claims. The result also benefited from lower event claims due to the unpredictable nature of events.

Operating Expenses

Operating expense growth was 8% due to strategic investment in business growth initiatives. Productivity remained a key focus for the business. During the period a number of productivity initiatives progressed, including a review of call centre processes and delivered increased capacity and efficiency. The reintegration of motor vehicle claims processing resulted in an improvement in customer service. Excluding strategic investment spend, expense growth was mainly due to inflation-related salary increases and technology spend.

Investment Experience

Investment Experience includes the return on shareholder capital, which has been impacted by lower interest rates and bond yields.

(1) Plan for Life quarterly release.

Funds Under Management (FUM) [1]	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Australian equities	**20,211**	18,366	18,391	10	10
Global equities	**58,045**	50,003	47,955	16	21
Cash and fixed interest	**58,139**	54,242	51,849	7	12
Property and Infrastructure [2]	**24,255**	23,609	23,735	3	2
Total	**160,650**	146,220	141,930	10	13

Sources of Profit from CommInsure	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Life insurance operating margins					
Planned profit margins	**82**	89	81	(8)	1
Experience variations	**(28)**	(42)	(4)	(33)	large
Funds management operating margins	**39**	44	45	(11)	(13)
General insurance operating margins	**31**	15	18	large	72
Operating margins	**124**	106	140	17	(11)
Investment experience after tax [3]	**46**	64	36	(28)	28
Cash net profit after tax	**170**	170	176	-	(3)
Statutory net profit after tax	**170**	170	176	-	(3)

Annual Inforce Premiums - Risk Business	Opening Balance 30 Jun 12 $M	Sales/New Business $M	Lapses $M	Closing Balance 31 Dec 12 $M
	Half Year Ended 31 December 2012			
Retail life	815	133	(92)	856
Wholesale life	651	71	(63)	659
General insurance	505	77	(26)	556
Total	1,971	281	(181)	2,071

Annual Inforce Premiums - Risk Business	Opening Balance 31 Dec 11 $M	Sales/New Business $M	Lapses $M	Closing Balance 30 Jun 12 $M
	Half Year Ended 30 June 2012			
Retail life	781	108	(74)	815
Wholesale life	558	130	(37)	651
General insurance	468	62	(25)	505
Total	1,807	300	(136)	1,971

Annual Inforce Premiums - Risk Business	Opening Balance 30 Jun 11 $M	Sales/New Business $M	Lapses $M	Closing Balance 31 Dec 11 $M
	Half Year Ended 31 December 2011			
Retail life	743	108	(70)	781
Wholesale life	461	133	(36)	558
General insurance	436	58	(26)	468
Total	1,640	299	(132)	1,807

(1) FUM and 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.
(3) Comparative information has been reclassified to conform to presentation in the current period.

Funds Under Administration	Half Year Ended 31 December 2012 Opening Balance 30 Jun 12 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 31 Dec 12 $M
FirstChoice	50,014	7,069	(6,348)	721	4,009	54,744
Custom Solutions [1]	9,081	2,253	(1,219)	1,034	787	10,902
Standalone (including Legacy) [2]	17,268	3,178	(4,158)	(980)	2,532	18,820
Retail products [3]	76,363	12,500	(11,725)	775	7,328	84,466
Other retail [4]	1,001	14	(67)	(53)	73	1,021
Australian retail	77,364	12,514	(11,792)	722	7,401	85,487
Wholesale	43,443	15,332	(11,775)	3,557	2,505	49,505
Property	18,694	357	(14)	343	147	19,184
Other [5]	3,432	14	(74)	(60)	121	3,493
Domestically sourced	142,933	28,217	(23,655)	4,562	10,174	157,669
Internationally sourced	49,848	10,669	(8,772)	1,897	6,437	58,182
Total Wealth Management	192,781	38,886	(32,427)	6,459	16,611	215,851

Funds Under Administration	Half Year Ended 30 June 2012 Opening Balance 31 Dec 11 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 30 Jun 12 $M
FirstChoice	47,539	6,811	(6,070)	741	1,734	50,014
Custom Solutions [1]	7,910	2,294	(1,330)	964	207	9,081
Standalone (including Legacy) [2]	17,758	1,350	(2,307)	(957)	467	17,268
Retail products [3]	73,207	10,455	(9,707)	748	2,408	76,363
Other retail [4]	1,018	19	(64)	(45)	28	1,001
Australian retail	74,225	10,474	(9,771)	703	2,436	77,364
Wholesale	40,660	9,815	(8,249)	1,566	1,217	43,443
Property	19,026	4	(173)	(169)	(163)	18,694
Other [5]	3,255	14	(61)	(47)	224	3,432
Domestically sourced	137,166	20,307	(18,254)	2,053	3,714	142,933
Internationally sourced	46,879	4,471	(4,536)	(65)	3,034	49,848
Total Wealth Management	184,045	24,778	(22,790)	1,988	6,748	192,781

Funds Under Administration	Half Year Ended 31 December 2011 Opening Balance 30 Jun 11 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 31 Dec 11 $M
FirstChoice	49,118	7,144	(6,202)	942	(2,521)	47,539
Custom Solutions [1]	7,436	2,116	(1,409)	707	(233)	7,910
Standalone (including Legacy) [2]	20,640	1,336	(3,436)	(2,100)	(782)	17,758
Retail products [3]	77,194	10,596	(11,047)	(451)	(3,536)	73,207
Other retail [4]	1,105	16	(74)	(58)	(29)	1,018
Australian retail	78,299	10,612	(11,121)	(509)	(3,565)	74,225
Wholesale	39,624	12,937	(11,392)	1,545	(509)	40,660
Property	18,908	183	(138)	45	73	19,026
Other [5]	3,083	15	(79)	(64)	236	3,255
Domestically sourced	139,914	23,747	(22,730)	1,017	(3,765)	137,166
Internationally sourced	48,597	4,989	(3,758)	1,231	(2,949)	46,879
Total Wealth Management	188,511	28,736	(26,488)	2,248	(6,714)	184,045

(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

	Half Year Ended				
	31 Dec 12 A$M	30 Jun 12 (1) A$M	31 Dec 11 (1) A$M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Net interest income	**530**	516	497	3	7
Other banking income (2)	**127**	106	108	20	18
Total banking income	**657**	622	605	6	9
Funds management income	**25**	23	21	9	19
Insurance income	**113**	111	116	2	(3)
Total operating income	**795**	756	742	5	7
Operating expenses	**(365)**	(371)	(353)	(2)	3
Loan impairment expense	**(22)**	(26)	(11)	(15)	large
Net profit before tax	**408**	359	378	14	8
Corporate tax expense	**(101)**	(91)	(89)	11	13
Underlying profit after tax	**307**	268	289	15	6
Investment experience after tax	**2**	(11)	(5)	large	large
Cash net profit after tax	**309**	257	284	20	9
Hedging and IFRS volatility (after tax)	**(6)**	-	28	large	large
Statutory net profit after tax	**303**	257	312	18	(3)

	Half Year Ended				
	31 Dec 12 NZ$M	30 Jun 12 (1) NZ$M	31 Dec 11 (1) NZ$M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Net interest income	**675**	660	639	2	6
Other banking income	**161**	143	144	13	12
Total banking income	**836**	803	783	4	7
Funds management income	**32**	30	27	7	19
Insurance income	**144**	143	149	1	(3)
Total operating income	**1,012**	976	959	4	6
Operating expenses	**(465)**	(474)	(454)	(2)	2
Loan impairment expense	**(28)**	(33)	(14)	(15)	large
Net profit before tax	**519**	469	491	11	6
Corporate tax expense	**(128)**	(119)	(117)	8	9
Underlying profit after tax	**391**	350	374	12	5
Investment experience after tax	**2**	(14)	(6)	large	large
Cash net profit after tax	**393**	336	368	17	7
Hedging and IFRS volatility (after tax)	**(1)**	6	21	large	large
Statutory net profit after tax	**392**	342	389	15	1
Represented by :					
ASB	**347**	306	345	13	1
Sovereign	**44**	25	49	76	(10)
Other (3)	**1**	11	(5)	(91)	large
Statutory net profit after tax	**392**	342	389	15	1

	Half Year Ended				
Key Financial Metrics	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Performance indicators					
Statutory funds management income to average FUA (%)	**0. 61**	0. 60	0. 57	1 bpt	4 bpts
Statutory insurance income to average inforce premiums (%)	**53. 0**	61. 1	76. 3	large	large
Statutory operating expenses to total operating income (%)	**45. 2**	46. 9	42. 0	(170)bpts	320 bpts

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.

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

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

This New Zealand analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2012 versus December 2011

New Zealand[1] statutory net profit after tax[2] for the half year ended 31 December 2012 increased 1% on the prior comparative period to NZ$392 million. The result was driven by a solid performance from ASB Bank with improved margins from fixed lending repricing, volume growth and increases in other banking income, offset by higher operating and loan impairment expenses. Sovereign's profit in the prior comparative period reflected unusually strong claims experience and record low lapse rates which has not continued in the current period.

December 2012 versus June 2012

New Zealand statutory net profit after tax increased 15% on the prior half. The result was driven by a strong performance from ASB Bank reflecting growth in lending margins and other banking income, lower operating expenses and lower loan impairment expense from improved asset quality. Sovereign's profit increased significantly compared to the prior half due to the non-recurrence of unfavourable actuarial policy valuations.

(1) 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.

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

ASB Bank	31 Dec 12 NZ$M	30 Jun 12 (1) NZ$M	31 Dec 11 (1) NZ$M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Net interest income	**666**	649	632	3	5
Other banking income	**180**	162	161	11	12
Total banking income	**846**	811	793	4	7
Funds management income	**29**	26	24	12	21
Total operating income	**875**	837	817	5	7
Operating expenses	**(364)**	(386)	(353)	(6)	3
Loan impairment expense	**(28)**	(33)	(14)	(15)	large
Net profit before tax	**483**	418	450	16	7
Corporate tax expense	**(135)**	(118)	(126)	14	7
Underlying profit after tax	**348**	300	324	16	7
Cash net profit after tax	**348**	300	324	16	7
Hedging and IFRS volatility (after tax)	**(1)**	6	21	large	large
Statutory net profit after tax	**347**	306	345	13	1

Balance Sheet	31 Dec 12 NZ$M	30 Jun 12 (1) NZ$M	31 Dec 11 (1) NZ$M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	As at				
Home loans	**38,679**	37,410	37,382	3	3
Assets at fair value through Income statement	**1,897**	2,200	2,560	(14)	(26)
Other interest earning assets	**17,010**	15,808	15,332	8	11
Total interest earning assets	**57,586**	55,418	55,274	4	4
Non-lending interest earning assets	**5,258**	4,841	7,336	9	(28)
Other assets	**2,465**	3,133	2,841	(21)	(13)
Total assets	**65,309**	63,392	65,451	3	-
Customer deposits	**38,126**	37,179	37,086	3	3
Debt issues	**7,627**	6,309	6,658	21	15
Other interest bearing liabilities (2)	**10,303**	11,139	12,893	(8)	(20)
Total interest bearing liabilities	**56,056**	54,627	56,637	3	(1)
Non-interest bearing liabilities	**4,544**	4,579	4,793	(1)	(5)
Total liabilities	**60,600**	59,206	61,430	2	(1)

Key Financial Metrics	31 Dec 12	30 Jun 12 (1)	31 Dec 11 (1)	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Performance indicators					
Return on assets (%)	**1. 1**	1. 0	1. 1	10 bpts	-
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 10**	0. 12	0. 05	(2)bpts	5 bpts
Statutory funds management income to average FUA (%)	**0. 61**	0. 58	0. 56	3 bpts	5 bpts
Statutory operating expenses to total operating income (%)	**41. 6**	45. 7	41. 4	(410)bpts	20 bpts
Other asset/liability information					
Average interest earning assets (NZ$M)	**61,604**	62,306	61,577	(1)	-
Average interest bearing liabilities (NZ$M)	**55,440**	56,009	54,590	(1)	2

New Zealand - Funds Under Administration	31 Dec 12 NZ$M	30 Jun 12 NZ$M	31 Dec 11 NZ$M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Opening balance	**10,084**	9,523	9,344	6	8
Inflows	**1,261**	1,160	1,096	9	15
Outflows	**(1,631)**	(813)	(685)	large	large
Net Flows	**(370)**	347	411	large	large
Investment income & other	**623**	214	(232)	large	large
Closing balance	**10,337**	10,084	9,523	3	9

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.

(2) Includes NZ$4.4 billion due to Group companies (30 June 2012: NZ$6.6 billion; 31 December 2011: NZ$6.3 billion)

December 2012 versus December 2011

ASB Bank statutory net profit after tax for the half year ended 31 December 2012 increased 1% on the prior comparative period to NZ$347 million. The result was driven by 7% growth in operating income partially offset by an increase in operating and loan impairment expenses.

Net Interest Income

Net interest income was NZ$666 million, an increase of 5% on the prior comparative period with strong customer lending growth of NZ$1.6 billion and improving margins.

Balance Sheet growth included:

- Home loan balances increased 3% in a competitive market, with the majority of growth in the fixed rate portfolio due to focussed product offerings and improved customer retention;
- Business loans were up 11% on the prior comparative period with growth reinvigorated by ongoing investment in people development and enhanced customer experience; and
- Customer deposit balances increased 3% on the prior comparative period with growth in term deposits, transactions and savings reflecting customer demand for low risk investments.

Net interest margin increased by 10 basis points reflecting:

- Fixed rate repricing and effective margin management in the business lending portfolio, along with personal lending margin improvement; partly offset by
- Unfavourable mix impact on customer deposit margins as customers continue to move towards higher yielding products combined with the continued increase in average wholesale funding costs; and
- Competitive pressure on new business margins across the fixed home lending portfolio.

Other Banking and Funds Management Income

Other banking income for the half year ended 31 December 2012 increased 12% on the prior comparative period to NZ$180 million. This improvement was driven by strong bancassurance income after a focus on cross sell and increased business and institutional fee income. Fund management income increased 21% as a result of balance growth in the KiwiSaver scheme.

Operating Expenses

Operating expenses for the half year ended 31 December 2012 increased 3% on the prior comparative period to NZ$364 million. The increase was primarily driven by technology, marketing and inflation related property and staff costs. This was partly offset by productivity gains across the business and lower non-lending losses. The expense to income ratio for the Bank was 41.6%, an improvement of 20 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense for the current half increased 100% on the prior comparative period to NZ$28 million. Coming off cyclical lows, there was increased retail provisioning as a result of lending growth partly offset by strengthening credit quality across the portfolio. The business lending portfolio expense increased as the portfolio returned to more stable levels after improvements in the prior comparative period. Arrears across the retail portfolio continue to trend downwards and are currently at the lowest level seen in recent years.

December 2012 versus June 2012

ASB Bank statutory net profit after tax has increased by 13% on the prior half reflecting lending growth and lower operating and loan impairment expenses.

Net Interest Income

Net interest income has increased NZ$17 million on the prior half, driven principally by higher lending margins, partly offset by customers continuing to shift to higher yielding deposit products. Customer lending volume growth was strong with above system growth in all key lending portfolios.

Balance Sheet growth included:

- Home loan balances increased 3% driven by growth in fixed loans due to targeted product offerings;
- Business loans were up 8% on the prior half continuing the momentum in the commercial and rural lending portfolios with increased focus on customer experience; and
- Customer deposit balances increased 3% on the prior half with the major driver being savings products amidst a shift in deposit portfolio mix with term deposits remaining flat.

Net interest margin increased five basis points reflecting:

- Growth in business lending margins, offset by a slight reduction in home lending margins as a result of new and existing customer preference for lower margin fixed rate loans, reversing the trend to variable loans seen in prior periods; partly offset by
- Pressure on customer deposit margins which were impacted by a mix shift in the portfolio as customers continue to move towards higher yielding products; and
- Continued increase in average wholesale funding costs, which remain above pre global financial crisis levels.

Other Banking and Funds Management Income

Other banking income increased 11% on the prior half. The increase was driven by higher card fees and improving cross sell contributing to higher bancassurance income. Fund management income increased 12%, continuing to benefit from the balance growth in the KiwiSaver scheme.

Operating Expenses

Operating expenses decreased NZ$22 million or 6% on the prior half reflecting productivity gains from simplifying business processes, lower project and staff costs. Discretionary expenditure has also been tightly controlled with the expense to income ratio 41.6%, an improvement of 410 basis points on the prior half.

Loan Impairment Expense

Loan impairment expense decreased NZ$5 million or 15% on the prior half. The decrease was primarily driven by improvements in home loan asset quality with a reduction in delinquencies during the current half. Improvement in the business lending portfolio also contributed to the decrease. Retail portfolio arrears rates continued to reduce and remained at low levels.

Sovereign	31 Dec 12 NZ$M	30 Jun 12 [1] NZ$M	31 Dec 11 [1] NZ$M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Insurance income	**150**	151	154	(1)	(3)
Operating expenses	**(119)**	(116)	(113)	3	5
Net profit before tax	**31**	35	41	(11)	(24)
Corporate tax benefit	**7**	-	9	large	(22)
Underlying profit after tax	**38**	35	50	9	(24)
Investment experience after tax	**6**	(10)	(1)	large	large
Cash net profit after tax	**44**	25	49	76	(10)
Statutory net profit after tax	**44**	25	49	76	(10)
Sources of profit represented by:					
The Margin on Services profit from ordinary activities after income tax is represented by:					
Planned profit margins	**41**	42	40	(2)	3
Experience variations	**(3)**	(7)	10	(57)	large
Operating margins	**38**	35	50	9	(24)
Investment experience after tax	**6**	(10)	(1)	large	large
Statutory net profit after tax	**44**	25	49	76	(10)

Key Financial Metrics	31 Dec 12	30 Jun 12 [1]	31 Dec 11 [1]	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Performance indicators					
Statutory insurance income to average inforce premiums (%)	**47.1**	49.5	51.6	(240)bpts	(450)bpts
Average inforce premiums (NZ$M)	**632**	614	594	3	6

Annual Inforce Premiums	31 Dec 12 NZ$M	30 Jun 12 NZ$M	31 Dec 11 NZ$M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Opening balance	**623**	604	584	3	7
Sales/New business	**52**	48	50	8	4
Lapses	**(35)**	(29)	(29)	21	21
Other movements	**-**	-	(1)	large	large
Closing balance	**640**	623	604	3	6

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.

December 2012 versus December 2011

Sovereign statutory net profit after tax for the half year ended 31 December 2012 decreased 10% on the prior comparative period to NZ$44 million. The reduction was driven by adverse persistency and claims experience in the current period and an unusually strong claims result in the prior comparative period.

Insurance Income

Surplus claims reserves established in relation to the Christchurch earthquake were released during the prior comparative period, resulting in a NZ$6 million half on half impact. Although persistency remains excellent by industry standards, the record low lapse rates in the comparative period have not been sustained, and this coupled with the impact of claims volatility resulted in a 3% decline in Insurance income to NZ$150 million.

Operating Expenses

Operating expenses increased 5% on the prior comparative period to NZ$119 million. Growth was primarily driven by increased renewal commission expense due to a 6% growth in annual inforce premiums.

December 2012 versus June 2012

Sovereign statutory net profit after tax increased 76% on the prior half. The prior half was impacted by unfavourable tax and actuarial policy valuation adjustments which have not recurred.

Insurance Income

Insurance income of NZ$150 million decreased 1% on the prior half with a continuation of solid inforce premium growth offset by a deterioration in persistency experience and the impact of claims volatility. Lapse rates have not been maintained at the record low levels established last year, but still compare favourably to industry standards.

Operating Expenses

Operating expenses of NZ$119 million increased 3% on the prior half. This growth was primarily driven by increased renewal commission expense due to growth in annual inforce premiums.

Bankwest

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 (1) $M	31 Dec 11 (1) $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Net interest income	**761**	707	755	8	1
Other banking income	**110**	100	101	10	9
Total banking income	**871**	807	856	8	2
Operating expenses	**(416)**	(420)	(428)	(1)	(3)
Loan impairment expense	**(86)**	(23)	(38)	large	large
Net profit before tax	**369**	364	390	1	(5)
Corporate tax expense	**(111)**	(110)	(117)	1	(5)
Cash net profit after tax	**258**	254	273	2	(5)
Bankwest non-cash items	**(33)**	(54)	(35)	(39)	(6)
Statutory net profit after tax	**225**	200	238	13	(5)

	As at				
Balance Sheet	31 Dec 12 $M	30 Jun 12 (1) $M	31 Dec 11 (1) $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Home loans	**51,567**	50,953	48,615	1	6
Non-lending interest earning assets	**22**	32	11	(31)	large
Other interest earning assets	**21,510**	22,253	22,441	(3)	(4)
Total interest earning assets	**73,099**	73,238	71,067	-	3
Other assets	**635**	725	334	(12)	90
Total assets	**73,734**	73,963	71,401	-	3
Transaction deposits	**7,177**	6,758	6,205	6	16
Savings deposits	**9,901**	9,631	10,111	3	(2)
Investment deposits	**24,019**	28,692	28,892	(16)	(17)
Certificates of deposit and other	**236**	265	283	(11)	(17)
Total interest bearing deposits	**41,333**	45,346	45,491	(9)	(9)
Other interest bearing liabilities	**98**	155	83	(37)	18
Non-interest bearing liabilities	**1,215**	1,332	1,125	(9)	8
Total liabilities	**42,646**	46,833	46,699	(9)	(9)

	Half Year Ended				
Key Financial Metrics	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Performance indicators					
Return on assets (%)	**0. 6**	0. 5	0. 7	10 bpts	(10)bpts
Statutory impairment expense annualised as a % of average GLAA's (%)	**0. 23**	0. 06	0. 11	17 bpts	12 bpts
Statutory operating expenses to total banking income (%)	**52. 9**	57. 7	55. 2	(480)bpts	(230)bpts
Other asset/liability information					
Average interest earning assets ($M)	**73,408**	71,924	69,511	2	6
Average interest earning liabilities ($M)	**43,813**	45,476	43,982	(4)	-

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.

Financial Performance and Business Review

This Bankwest analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2012 versus December 2011

Bankwest statutory net profit after tax for the half year ended 31 December 2012 was $225 million, decreased 5% from the prior comparative period. Total banking income increased 2% and operating expenses decreased 3%, offset by a $48 million increase in loan impairment expense.

Net Interest Income

Net interest income of $761 million increased 1% due to higher home loan margins and volumes offset by lower deposit margins due to falling cash rates.

Balance sheet growth included:

- Home loan balances increased 6% driven by competitive products and targeted marketing campaigns;
- Business loan balances decreased 5% in a low credit growth environment due to the continued run off of pre-acquisition higher risk loans;
- Transaction account balances increased 16% due to targeted marketing campaigns;
- Savings deposits decreased 2% in a competitive market; and
- Investment deposit balances decreased 17% due to the reduction of low margin money market investment deposits used for funding under Single ADI licence.

Net interest margin decreased reflecting:

- Lower savings and transaction account margins due to price competition and the impact of the falling cash rate environment; partly offset by
- Higher home loan margins due to repricing in response to higher funding costs.

Other Banking Income

Other banking income of $110 million increased 9%, driven by increased home loan fees, improved counterparty fair value credit adjustment and higher ATM fees due to an expanded ATM network, partly offset by lower business lending fees.

Operating Expenses

Operating expenses of $416 million were down 3% reflecting a strong focus on productivity and expense management. The decrease was mainly attributable to lower IT expenses and marketing spend in light of the lower credit growth environment.

Expense to income ratio of 52.9% has improved, down 230 basis points compared to the prior comparative period.

Loan Impairment Expense

Loan impairment expense of $86 million increased $48 million. The prior comparative period benefited from a high level of write-backs. Loan impairment expense, at 23 basis points of gross loans and advances, has returned to what the Group views as more normal levels for this part of the economic cycle.

December 2012 versus June 2012

Statutory net profit after tax for the half year increased 13% compared to the prior half. Total banking income increased 8% and operating expenses decreased 1%, partly offset by higher loan impairment expense.

Net Interest Income

Net interest income increased 8% due to higher home loan volumes and margins, higher retail deposit volumes and improved money market investment deposit margins.

Balance sheet growth included:

- Home loan balances increased 1% on the prior half, reflecting slowing credit growth;
- Business loan balances decreased 4% impacted by a reduction in pre-acquisition higher risk exposures;
- Transaction account balances increased 6% due to increasing customer numbers and cross-sell initiatives;
- Savings deposits increased 3% reflecting more opportunities for targeted profitable growth;
- Investment deposit balances decreased 16% due to the reduction of low margin money market investment deposits used for funding under Single ADI licence.

Net interest margin increased reflecting:

- Home loan margins increased reflecting the full period impact of prior half and current period repricing;
- Investment deposit margins increased due to the run off of low margin money market investment deposits; partly offset by
- Lower transaction account margins due to the impact of the falling cash rate environment.

Other Banking Income

Other banking income of $110 million increased 10% compared to the prior half due to a lower counterparty fair value credit adjustment, higher ATM fees and higher transaction fees.

Operating Expenses

Operating expenses of $416 million decreased 1% due to continued productivity and efficiency initiatives. The decrease was attributable to lower IT costs and lower marketing spend.

Expense to income ratio of 52.9%, decreased 480 basis points on the prior half.

Loan Impairment Expense

Loan impairment of $86 million increased $63 million. The prior half benefited from a high level of write-backs. The loan impairment expense has returned to what the Group views as more normal levels for this part of the economic cycle.

Home loan and personal loan arrears improved compared to the prior half due to an improved collections strategy and consumer de-leveraging. Credit card arrears increased modestly compared to the prior half.

Other

	Half Year Ended				
	31 Dec 12	30 Jun 12 (1)	31 Dec 11 (1)	Dec 12 vs	Dec 12 vs
	$M	$M	$M	Jun 12 %	Dec 11 %
IFS Asia	47	42	38	12	24
Corporate Centre	16	40	(13)	(60)	large
Eliminations/ Unallocated	(28)	(28)	23	-	large
Cash net profit after tax	35	54	48	(35)	(27)
Hedging and IFRS volatility (after tax)	(4)	9	87	large	large
Statutory net profit after tax	31	63	135	(51)	(77)

	Half Year Ended				
	31 Dec 12	30 Jun 12 (1)	31 Dec 11 (1)	Dec 12 vs	Dec 12 vs
IFS Asia (2)	$M	$M	$M	Jun 12 %	Dec 11 %
Net interest income	49	52	49	(6)	-
Other banking income	83	76	70	9	19
Total banking income	132	128	119	3	11
Insurance income	37	33	34	12	9
Total operating income	169	161	153	5	10
Operating expenses	(111)	(107)	(105)	4	6
Loan impairment expense	(6)	(5)	(6)	20	-
Net profit before tax	52	49	42	6	24
Corporate tax expense	(5)	(4)	(4)	25	25
Non-controlling interests	(2)	(2)	(2)	-	-
Underlying profit after tax	45	43	36	5	25
Investment experience after tax	2	(1)	2	large	-
Cash net profit after tax	47	42	38	12	24
Statutory net profit after tax	47	42	38	12	24

(1) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.

(2) International Financial Services Asia (IFS Asia) incorporates the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese 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.

This Other analysis contains forward-looking statements. See "Special Note Regarding Forward-Looking Statements" on page 4 of this Document.

December 2012 versus December 2011

International Financial Services Asia (IFS Asia) statutory net profit after tax for the half year ended 31 December 2012 was $47 million, which represented an increase of 24% on the prior comparative period. The result was driven by strong contributions from the proprietary businesses in Indonesia and from the Bank of Hangzhou in China.

Net Interest Income

Net interest income of $49 million was in line with the prior comparative period. Growth in lending balances from Indonesia was offset by the strengthened Australian dollar. The consumer, business and SME lending balances in Indonesia have grown by 59%, 42% and 54% respectively over the prior comparative period. Partially offsetting these gains, multifinance lending balances have contracted 43% reflecting the impact of recent regulatory changes in the multifinance industry.

The Group continues to invest in expanding its footprint in Asia with PT Bank Commonwealth adding six branches bringing the total number of branches in Indonesia to 91, a further five sales offices for PT Commonwealth Life bringing the total number of proprietary sales offices to 30, and two more County Banks bringing the total number of proprietary banks in China to five. Approval for a further five County banks has been received from the Chinese regulator. While still a number of years away from achieving critical mass, County banks' lending balances continue to grow strongly.

The proprietary banking businesses in India and Vietnam continue to grow in line with expectations.

Total proprietary customer numbers in Asia have grown 26% since December 2011 to approximately 331,000. Total IFS Asia customers, including multifinance and group insurance participants are over 1.3 million as at 31 December 2012.

Other Banking Income

Other banking income increased 19% to $83 million. The result was mainly due to a strong contribution from the Bank of Hangzhou, reflecting solid lending balance growth and improved margins in the business.

Insurance Income

Insurance income increased 9% to $37 million, reflecting strong growth in new business volumes at PT Commonwealth Life in Indonesia. There was solid growth in average inforce premium on the prior comparative period due to higher new business and increased persistency.

BoCommLife in China also grew steadily, with average inforce premium up due to growth in new business income and a change in product mix from single premium to regular premium.

Operating Expenses

Operating expenses increased 6% to $111 million. Expense growth reflects higher volume related expenses in line with increased sales growth in the Indonesian Insurance business and continued expansion in Indonesia and China.

December 2012 versus June 2012

IFS Asia statutory net profit after tax for the half year ended 31 December 2012 increased 12% on the prior half, driven by stronger performance from Bank of Hangzhou in China.

Net Interest Income

Net interest income decreased 6%, driven primarily by the strengthened Australian dollar. The consumer, business and SME lending balances in Indonesia have grown by 23%, 27% and 16% over the last six months respectively, partially offset by 35% contraction of multifinance lending.

The proprietary businesses in China, India and Vietnam continue to grow consistently.

Proprietary customer numbers also continue to grow steadily, with a 13% increase since 30 June 2012.

Other Banking Income

Other banking income increased 9%, driven by a strong contribution from the Bank of Hangzhou, reflecting sound growth in lending balances in the business.

Insurance Income

Insurance income increased 12% reflecting growth in new business volumes and higher renewals at PT Commonwealth Life in Indonesia.

BoCommLife also grew steadily, with average inforce premium up due to higher new business sales.

Operating Expenses

Operating expenses increased 4%, reflecting higher volume related expenses in line with sales in the Indonesian Insurance business.

	Half Year Ended				
	31 Dec 12	30 Jun 12 (2)	31 Dec 11 (2)	Dec 12 vs	Dec 12 vs
Corporate Centre (1)	$M	$M	$M	Jun 12 %	Dec 11 %
Net interest income	168	116	100	45	68
Other banking income	69	123	20	(44)	large
Total operating income	237	239	120	(1)	98
Operating expenses	(227)	(196)	(152)	16	49
Net profit before tax	10	43	(32)	(77)	large
Corporate tax expense	6	(3)	19	large	(68)
Cash net profit after tax	16	40	(13)	(60)	large
Hedging and IFRS volatility (after tax)	(2)	6	87	large	large
Statutory net profit after tax	14	46	74	(70)	(81)

(1) Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury. 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:

- Portfolio 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 and the Group's prudent liquidity requirements;
- Group Funding & Liquidity : manages the Group's long term and short term wholesale funding requirements; and
- Capital and Regulatory Strategy: manages the Group's capital requirements.

(2) Comparative information has been reclassified to conform with presentation in the current period. Refer to Appendix 16 for details.

December 2012 versus December 2011

Corporate Centre statutory net profit after tax for the half year ended 31 December 2012 decreased $60 million on the prior comparative period to $14 million.

Total operating income increased 98%, to $237 million driven by:

- Improved Treasury earnings as prior comparative period results were impacted by the market volatility on the mark to market portfolios; and
- Increased earnings on the liquids portfolio.

December 2012 versus June 2012

Corporate Centre statutory net profit after tax for the half year ended 31 December 2012 decreased $32 million on the prior half to $14 million.

Total operating income of $237 million reflected continued stability in Treasury earnings.

Other continued

Eliminations/Unallocated [1]	31 Dec 12 $M	30 Jun 12 [2] $M	31 Dec 11 [2] $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
	Half Year Ended				
Net interest income	**26**	(36)	52	large	(50)
Other banking income	**(52)**	9	2	large	large
Total banking income	**(26)**	(27)	54	(4)	large
Funds management income	**10**	14	11	(29)	(9)
Insurance income	**(13)**	(12)	(13)	8	-
Total operating income	**(29)**	(25)	52	16	large
Loan impairment expense	**(9)**	5	18	large	large
Net profit before tax	**(38)**	(20)	70	90	large
Corporate tax expense	**24**	14	(24)	71	large
Non-controlling interests	**(6)**	(5)	(7)	20	(14)
Underlying profit after tax	**(20)**	(11)	39	82	large
Investment experience after tax	**(8)**	(17)	(16)	(53)	(50)
Cash net profit after tax	**(28)**	(28)	23	-	large
Hedging and IFRS volatility	**(2)**	3	-	large	large
Statutory net profit after tax	**(30)**	(25)	23	20	large

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

(2) Comparative information has been reclassified to conform to presentation in the current period. Refer to Appendix 16 for details.

December 2012 versus December 2011

Eliminations/Unallocated statutory net loss after tax for the half year ended 31 December 2012 decreased $53 million on the prior comparative period to $30 million. This was primarily driven by timing of recognition of unallocated revenue items and centrally held loan impairment provisions recognised in the prior comparative period.

December 2012 versus June 2012

Eliminations/Unallocated statutory net loss after tax for the half year ended 31 December 2012 was $30 million, an increase of 20% on the prior half. The result was driven by an unfavourable movement in hedging and IFRS volatility of $5 million.

Liquidity and Capital Resources

Liquidity and Funding Arrangements

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due, by ensuring it is able to borrow funds on an unsecured basis, or has sufficient quality assets to borrow against on a secured basis, or has sufficient quality liquid assets to sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's funding policies and risk management framework are designed to complement the Group's liquidity policies by providing for an optimal liability structure to finance the Group's businesses. The long-term stability and security of the Group's funding is also designed to protect its liquidity position in the event of a crisis specific to the Group.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations across its Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest, and Asian businesses, during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

More information regarding the Group's liquidity and debt maturity profile can be found in Appendix 6.

The Risk Management Framework for Liquidity and Funding

The Group's liquidity and funding policies are approved by the Board and agreed with APRA. The Group has an Asset and Liability Committee whose charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. The Group Treasury division manages the Group's liquidity and funding positions in accordance with the Group's liquidity policy; including monitoring and satisfying the liquidity needs of the Group and its subsidiaries.

Subsidiaries within the Colonial Group apply their own liquidity and funding methods to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank, manages its own domestic liquidity and funding needs in accordance with its own liquidity policies and the policies of the Group. ASB's liquidity policy is also overseen by the Reserve Bank of New Zealand. The Group also has a relatively small banking subsidiary in Indonesia that manages its own liquidity and funding on a similar basis.

The Group's Risk Management division provide oversight of the Group's liquidity and funding risk and manage the Group's relationship with prudential regulators.

Liquidity and Capital Resources (continued)

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
Debt Issues	$M	$M	$M
Short term debt issues	**39,147**	50,125	57,071
Long term debt issues	**80,137**	74,587	62,236
Total debt issues	**119,284**	124,712	119,307

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
Maturity Distribution of Debt Issues	$M	$M	$M
Less than three months	**17,968**	24,586	36,514
Between three and twelve months	**23,521**	25,539	20,557
Between one and five years	**56,812**	54,863	47,072
Greater than five years	**20,983**	19,724	15,164
Total debt issues	**119,284**	124,712	119,307

Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programmes as at 31 December 2012.

Debt Programmes and Issuing Shelves

Programme/Issue Shelf	Programme/Issuing Shelf Type
Australia	
Unlimited	Domestic Debt Issuance Programme
Unlimited	CFL Domestic Borrowing Programme
Euro Market	
EUR 7 billion	ASB Covered Bond Programme
USD 7 billion	ASB Euro Commercial Paper Programme
USD 20 billion	CBA Euro Commercial Paper Programme
USD 70 billion	Euro Medium Term Note Programme (1)(2)
USD 10 billion	ASB Extendible Notes Programme
Asia	
USD 5 billion	Asian Transferable Certificates of Deposit Programme
JPY 500 billion	Uridashi Shelf (2)
New Zealand	
Unlimited	ASB Domestic Medium Term Note Programme
Unlimited	ASB Registered Certificate of Deposit Programme
Unlimited	CBA Domestic Medium Term Note Programme
United States	
USD 7 billion	ASB Commercial Paper Programme
USD 35 billion	CBA Commercial Paper Programme
USD 50 billion	U.S. Rule 144A / Regulation S Medium Term Note Programme
USD 30 billion	CBA Covered Bond Programme
USD 25 billion	CBA 3(a)(2) 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.

Liquidity and Capital Resources (continued)

In addition to the debt instruments on the previous page, the Group has made certain contractual and commercial commitments to make expenditures. The contractual obligations profile of the Group is presented under Note 35 of the 2012 Financial Report. Except as noted in Note 12 to the consolidated financial statements of the Group for the half year ended 31 December 2012, the Group is not aware of any material changes to this profile since 30 June 2012.

For more information on the Group's funding programs and liquidity and capital resources, see Note 40 of the 2012 Financial Report.

Details of the Group's regulatory capital position and capital management activities are disclosed in Appendix 8: Regulatory Capital and Note 30 of the 2012 Financial Report.

Recent Market Environment

Market practice and regulatory requirements for managing funding and liquidity risk are evolving internationally as a result of the global financial crisis and subsequent "Basel III" initiatives announced by the BCBS. As a member of the BCBS, APRA is issuing new Basel III new prudential standards based on the BCBS minimum standards and implementation timetable. The new APRA standards will govern liquidity requirements at the banking group and Australian ADI licence levels, with potential for other offshore jurisdictions in which the Group operates having additional specific requirements for local banking operations.

The Basel III reforms introduce a Liquidity Capital Ratio (LCR) and Net Stable Funding Ratio (NSFR) as minimum requirements for liquid asset holdings and long-term funding of assets respectively. Due to the limited availability of "Basel III" qualifying liquid assets in Australia, implementation of the LCR locally will include the provision of a Committed Liquidity Facility to the Reserve Bank of Australia (RBA) which will ensure the liquidity of other approved assets under stress conditions, with additional cost, and qualify them for the regulatory liquid asset buffer.

In January 2013, the BCBS released updated and final minimum standards for the LCR and liquidity risk monitoring. APRA is expected to release updated Australian liquidity risk standards in the first half of 2013.

CBA is actively managing transition to "Basel III" implementation in accordance with the known requirements and timetable for both qualitative and quantitative standards.

Details of the Group's regulatory capital position and capital management activities are disclosed in Appendix 8.

Off-Balance Sheet Arrangements

For further details regarding the Group's off-balance sheet arrangements, please see "Off-Balance Sheet Arrangements" beginning on page 66 of the 2012 U.S. Annual Disclosure Document.

Corporate Governance

Changes to Executive Team

On 7 May 2012, the Group announced the impending resignation of Ross McEwan, Group Executive Retail Banking Services. Mr McEwan formally resigned from this role on 13 July 2012. On 3 August 2012, the Group announced the appointment of Matt Comyn as Mr McEwan's replacement. Mr. Comyn has been with the Group since 1999, and previously held the position of Executive General Manager for Local Business Banking which includes responsibility for CBA's small business clients and 1,000 staff.

Prior to that Mr. Comyn was Managing Director of CommSec from 2006 – 2010, and grew market share and profitability through a range of organic and inorganic strategic initiatives. During 2004 – 2005, he played a lead role in the development of the CommSec platform, the Group's customer relationship management system and before that he held a number of roles in the Institutional Banking Division. Mr. Comyn left for a short period during 2010 to become CEO of Morgan Stanley Smith Barney in Australia before returning to the Group.

Mr. Comyn holds a Master's degree in Commerce, majoring in finance, and a Bachelor's degree in Aviation, both from the University of New South Wales. He has also completed the General Management Program at Harvard Business School.

Changes to Board of Directors

Following the 2012 Annual General Meeting held on 30 October 2012, Mr Colin Galbraith and Mr Fergus Ryan retired from the Board, both having served as Directors for over 12 years. Mr Galbraith and Mr Ryan were both Members of the Risk Committee and Audit Committee. Mr Galbraith was also a Member of the Board Performance and Renewal Committee. The Group has not appointed any new Directors since.

Contents

Section 6 – Directors' Report and Financial Statements

Directors' Report

The Directors of the Commonwealth Bank of Australia submit their report together with the financial statements of the Commonwealth Bank of Australia and its controlled entities (collectively referred to as "the Group") for the half year ended 31 December 2012.

Directors

The names of the Directors holding office during and since the end of the half year were:

D J Turner	Chairman
I M Narev	Managing Director and Chief Executive Officer
J A Anderson KBE	Director
C R Galbraith AM	Director (Resigned effective 30 October 2012)
J S Hemstritch	Director
L K Inman	Director
S C H Kay	Director
B J Long	Director
A M Mohl	Director
F D Ryan AO	Director (Resigned effective 30 October 2012)
H H Young	Director

Review and Results of Operations

Commonwealth Bank of Australia earned a consolidated statutory net profit after tax of $3,661 million for the half year ended 31 December 2012, compared with $3,624 million for the prior comparative period, an increase of 1%. The result was principally supported by strong retail banking and funds management revenue growth and disciplined cost management.

The statutory net profit after tax from Retail Banking Services was $1,506 million (December 2011: $1,329 million) reflecting solid volume growth, disciplined expense management and an improvement in loan impairment expense.

The statutory net profit after tax from Business and Private Banking was $735 million (December 2011: $767 million), driven by a growth in business banking income offset by lower revenue from equities trading. A continued focus on productivity initiatives resulted in flat cost growth.

The statutory net profit after tax from Institutional Banking and Markets was $558 million (December 2011: $571 million), driven by improved Markets income offset by higher loan impairment expenses.

The statutory net profit after tax from Wealth Management was $303 million (December 2011: $272 million), driven by a recovery in global investment markets and lower claims.

The statutory net profit after tax from New Zealand was $303 million (December 2011: $312 million), driven by a solid performance from ASB Bank with improved lending margins and volume growth offset by higher impairment expenses and Hedging and IFRS volatility.

The statutory net profit after tax from Bankwest was $225 million (December 2011: $238 million). This result reflected higher home loan volumes and margins, higher fees and lower expenses, offset by an increase in loan impairment expense.

The Chief Executive Officer and the Chief Financial Officer have provided the Board with a written statement that the accompanying financial statements and notes are in accordance with the Corporations Act 2001, they represent a true and fair view, in all material respects, of the Group's financial position as at 31 December 2012 and of its performance for the half year ended on that date and also that they are prepared in accordance with relevant accounting standards and any further requirements in the Corporations Act 2001.

We have obtained the following independence declaration from the Group's auditors, PricewaterhouseCoopers.

pwc

Auditor's Independence Declaration

As lead auditor for the review of Commonwealth Bank of Australia for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Commonwealth Bank of Australia and the entities it controlled during the period.

M. Laithwaite

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Sydney
13 February 2013

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Liability limited by a scheme approved under Professional Standards Legislation.

Signed in accordance with a resolution of the Directors.

D J Turner
Chairman
13 February 2013

I M Narev
Managing Director and Chief Executive Officer

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Consolidated Income Statement

For the half year ended 31 December 2012

		Half Year Ended		
		31 Dec 12	30 Jun 12	31 Dec 11
	Notes	$M	$M	$M
Interest income	2	**17,780**	18,786	19,472
Interest expense		**(10,928)**	(12,294)	(12,842)
Net interest income		**6,852**	6,492	6,630
Other banking income		**2,120**	2,010	2,079
Net banking operating income		**8,972**	8,502	8,709
Funds management income		**1,030**	978	981
Investment revenue/(expense)		**550**	361	(135)
Claims and policyholder liability (expense)/revenue		**(540)**	(356)	111
Net funds management operating income		**1,040**	983	957
Premiums from insurance contracts		**1,157**	1,108	1,006
Investment revenue		**281**	329	218
Claims and policyholder liability expense from insurance contracts		**(811)**	(826)	(602)
Net insurance operating income		**627**	611	622
Total net operating income before impairment and operating expenses		**10,639**	10,096	10,288
Impairment expense	6	**(680)**	(544)	(545)
Operating expenses	3	**(4,792)**	(4,649)	(4,682)
Net profit before income tax		**5,167**	4,903	5,061
Corporate tax expense	4	**(1,414)**	(1,348)	(1,388)
Policyholder tax expense	4	**(84)**	(82)	(40)
Net profit after income tax		**3,669**	3,473	3,633
Non-controlling interests		**(8)**	(7)	(9)
Net profit attributable to Equity holders of the Bank		**3,661**	3,466	3,624

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	Cents per Share		
Earnings per share:			
Basic	**228. 6**	218. 1	230. 8
Diluted	**221. 7**	210. 3	222. 1

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2012

	Half Year Ended		
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
Net profit after income tax for the period	**3,669**	3,473	3,633
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Gains and losses on cash flow hedging instruments:			
Recognised in equity	**(447)**	20	710
Transferred to Income Statement	**220**	565	193
Gains and losses on available-for-sale investments:			
Recognised in equity	**323**	61	(410)
Transferred to Income Statement on disposal	**(36)**	(28)	(53)
Foreign currency translation reserve	**21**	191	11
Income tax on items transferred directly to/from equity:			
Foreign currency translation reserve	**(1)**	(4)	(8)
Available-for-sale investments revaluation reserve	**(86)**	(13)	135
Cash flow hedge reserve	**68**	(175)	(267)
Total of items that may be reclassified	**62**	617	311
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses from defined benefit superannuation plans net of tax	**235**	197	(420)
Revaluation of properties	**-**	28	4
Income tax on revaluation of properties	**-**	(5)	-
Total of items that will not be reclassified	**235**	220	(416)
Other comprehensive income/(expense) net of income tax	**297**	837	(105)
Total comprehensive income for the period	**3,966**	4,310	3,528
Total comprehensive income for the period is attributable to:			
Equity holders of the Bank	**3,958**	4,303	3,519
Non-controlling interests	**8**	7	9
Total comprehensive income for the period	**3,966**	4,310	3,528

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2012

		As at		
		31 Dec 12	30 Jun 12	31 Dec 11
Assets	Notes	$M	$M	$M
Cash and liquid assets		**18,837**	19,666	19,220
Receivables due from other financial institutions		**9,650**	10,886	8,428
Assets at fair value through Income Statement:				
Trading		**17,736**	13,816	16,512
Insurance		**14,136**	14,525	14,410
Other		**1,211**	980	1,227
Derivative assets		**36,838**	38,937	37,191
Available-for-sale investments		**58,792**	60,827	59,971
Loans, bills discounted and other receivables	5	**534,645**	525,682	513,108
Bank acceptances of customers		**8,155**	9,717	10,732
Property, plant and equipment		**2,598**	2,503	2,448
Investment in associates		**2,029**	1,898	1,863
Intangible assets		**10,366**	10,281	10,026
Deferred tax assets		**840**	980	1,471
Other assets		**5,488**	7,517	5,345
		721,321	718,215	701,952
Assets held for sale		**18**	14	34
Total assets		**721,339**	718,229	701,986
Liabilities				
Deposits and other public borrowings	7	**448,410**	437,655	431,827
Payables due to other financial institutions		**23,479**	22,126	17,424
Liabilities at fair value through Income Statement		**7,195**	6,555	9,986
Derivative liabilities		**37,203**	39,221	38,212
Bank acceptances		**8,155**	9,717	10,732
Current tax liabilities		**1,287**	1,537	1,428
Deferred tax liabilities		**395**	338	394
Other provisions		**1,223**	1,224	1,255
Insurance policy liabilities		**13,032**	12,994	12,881
Debt issues		**119,284**	124,712	119,307
Managed funds units on issue		**710**	995	1,028
Bills payable and other liabilities		**7,840**	9,561	8,204
		668,213	666,635	652,678
Loan capital		**9,827**	10,022	10,433
Total liabilities		**678,040**	676,657	663,111
Net assets		**43,299**	41,572	38,875
Shareholders' Equity				
Share capital:				
Ordinary share capital	9	**26,126**	25,175	24,651
Other equity instruments	9	**939**	939	939
Reserves	9	**1,262**	1,571	829
Retained profits	9	**14,440**	13,356	11,928
Shareholders' equity attributable to Equity holders of the Bank		**42,767**	41,041	38,347
Non-controlling interests	9	**532**	531	528
Total Shareholders' equity		**43,299**	41,572	38,875

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2012

	Ordinary share capital $M	Other equity instruments $M	Reserves $M	Retained profits $M	Shareholders' equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' equity $M
As at 30 June 2011	23,602	939	392	11,826	**36,759**	528	**37,287**
Net profit after income tax	-	-	-	3,624	**3,624**	9	**3,633**
Net other comprehensive income	-	-	315	(420)	**(105)**	-	**(105)**
Total comprehensive income for the period	-	-	315	3,204	**3,519**	9	**3,528**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid on ordinary shares	-	-	-	(2,930)	**(2,930)**	-	**(2,930)**
Dividends paid on other equity instruments	-	-	-	(15)	**(15)**	-	**(15)**
Dividend reinvestment plan (net of issue costs)	832	-	-	-	**832**	-	**832**
Other equity movements:							
Share based payments	2	-	(40)	-	**(38)**	-	**(38)**
Issue of shares (net of issue costs)	237	-	-	-	**237**	-	**237**
Purchase of treasury shares	(73)	-	-	-	**(73)**	-	**(73)**
Sale and vesting of treasury shares	51	-	-	-	**51**	-	**51**
Other changes	-	-	162	(157)	**5**	(9)	**(4)**
As at 31 December 2011	24,651	939	829	11,928	**38,347**	528	**38,875**
Net profit after income tax	-	-	-	3,466	**3,466**	7	**3,473**
Net other comprehensive income	-	-	640	197	**837**	-	**837**
Total comprehensive income for the period	-	-	640	3,663	**4,303**	7	**4,310**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid on ordinary shares	-	-	-	(2,166)	**(2,166)**	-	**(2,166)**
Dividends paid on other equity instruments	-	-	-	(15)	**(15)**	-	**(15)**
Dividend reinvestment plan (net of issue costs)	531	-	-	-	**531**	-	**531**
Other equity movements:							
Share based payments	-	-	41	-	**41**	-	**41**
Purchase of treasury shares	(23)	-	-	-	**(23)**	-	**(23)**
Sale and vesting of treasury shares	16	-	-	-	**16**	-	**16**
Other changes	-	-	61	(54)	**7**	(4)	**3**
As at 30 June 2012	25,175	939	1,571	13,356	**41,041**	531	**41,572**
Net profit after income tax	-	-	-	3,661	**3,661**	8	**3,669**
Net other comprehensive income	-	-	62	235	**297**	-	**297**
Total comprehensive income for the period	-	-	62	3,896	**3,958**	8	**3,966**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid on ordinary shares	-	-	-	(3,137)	**(3,137)**	-	**(3,137)**
Dividends paid on other equity instruments	-	-	-	(14)	**(14)**	-	**(14)**
Dividend reinvestment plan (net of issue costs)	929	-	-	-	**929**	-	**929**
Other equity movements:							
Share based payments	-	-	(46)	-	**(46)**	-	**(46)**
Purchase of treasury shares	(55)	-	-	-	**(55)**	-	**(55)**
Sale and vesting of treasury shares	77	-	-	-	**77**	**-**	**77**
Other changes	-	-	(325)	339	**14**	(7)	**7**
As at 31 December 2012	26,126	939	1,262	14,440	**42,767**	532	**43,299**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Half Year Ended		
	31 Dec 12	**30 Jun 12**	**31 Dec 11**
	Cents per Share		
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**164**	197	137
Trust preferred securities	**2,877**	3,043	2,946

Consolidated Statement of Cash Flows [1]

For the half year ended 31 December 2012

		Half Year Ended		
		31 Dec 12	30 Jun 12	31 Dec 11
	Notes	$M	$M	$M
Cash flows from operating activities				
Interest received [2]		**17,817**	18,981	19,356
Interest paid [2]		**(11,239)**	(12,535)	(12,921)
Other operating income received [2]		**2,601**	2,604	2,529
Expenses paid		**(4,419)**	(3,904)	(4,633)
Income taxes paid		**(1,740)**	(1,171)	(1,201)
Net cash (outflows)/inflows from assets at fair value through Income Statement (excluding life insurance)		**(2,332)**	(502)	2,830
Net cash inflows/(outflows) from liabilities at fair value through Income Statement:				
Life insurance:				
Investment income		**227**	711	80
Premiums received [3]		**1,060**	1,136	1,002
Policy payments [3]		**(2,068)**	(1,772)	(1,260)
Other liabilities at fair value through Income Statement		**706**	(3,031)	(572)
Cash flows from operating activities before changes in operating assets and liabilities		**613**	517	5,210
Changes in operating assets and liabilities arising from cash flow movements				
Movement in available-for-sale investments:				
Purchases		**(23,696)**	(34,307)	(42,101)
Proceeds		**26,022**	34,556	28,309
Net change in deposits with regulatory authorities		**16**	(3)	(12)
Net increase in loans, bills discounted and other receivables		**(9,417)**	(11,740)	(14,014)
Net decrease in receivables due from other financial institutions not at call		**171**	2,148	1,237
Net (increase)/decrease in securities purchased under agreements to resell		**(534)**	170	(668)
Life insurance business:				
Purchase of insurance assets at fair value through Income Statement [2]		**(755)**	(1,273)	(916)
Proceeds from sale/maturity of insurance assets at fair value through Income Statement [2]		**1,909**	1,808	1,483
Net (increase)/decrease in other assets		**(329)**	114	(175)
Net increase in deposits and other public borrowings		**10,986**	3,609	32,141
Net decrease in payables due to other financial institutions not at call		**(382)**	(8,843)	(1,472)
Net (decrease)/increase in securities sold under agreements to repurchase		**(616)**	1,548	(365)
Net (decrease)/increase in other liabilities		**(366)**	475	(320)
Changes in operating assets and liabilities arising from cash flow movements		**3,009**	(11,738)	3,127
Net cash provided by/(used in) operating activities	10 (a)	**3,622**	(11,221)	8,337
Cash flows from investing activities				
Payments for acquisition of controlled entities	10 (d)	**-**	-	(125)
Net proceeds from disposal of entities and businesses (net of cash disposals)		**-**	9	12
Dividends received		**28**	28	24
Proceeds from sale of property, plant and equipment		**17**	10	15
Purchases of property, plant and equipment		**(307)**	(317)	(267)
Payments for acquisitions of investments in associates/joint ventures		**(71)**	(20)	(65)
Purchase of intangible assets		**(242)**	(307)	(278)
Sale/(purchase) of assets held for sale		**2**	1	(1)
Net cash used in investing activities		**(573)**	(596)	(685)

(1) It should be noted that the Group does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.
(2) Comparative information has been restated to conform to presentation in the current period.
(3) Represents gross premiums and policy payments before splitting between policyholders and shareholders.

Consolidated Statement of Cash Flows [1] (continued)

For the half year ended 31 December 2012

	Notes	Half Year Ended 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
Cash flows from financing activities				
Proceeds from the issue of shares (net of issue costs)		**-**	-	2
Dividends paid (excluding Dividend Reinvestment Plan)		**(2,214)**	(1,649)	(2,099)
Proceeds from issuance of debt securities		**43,670**	91,454	70,976
Redemption of issued debt securities		**(48,327)**	(85,369)	(73,549)
Purchase of treasury shares		**(55)**	(23)	(73)
Sale of treasury shares		**24**	8	11
Issue of loan capital		**1,977**	-	-
Redemption of loan capital		**(2,132)**	(504)	(1,271)
Other [2]		**(81)**	284	(17)
Net cash (used in)/provided by financing activities		**(7,138)**	4,201	(6,020)
Net (decrease)/increase in cash and cash equivalents		**(4,089)**	(7,616)	1,632
Effect of exchange rates on cash and cash equivalents [2]		**(42)**	(74)	205
Cash and cash equivalents at beginning of period		**2,075**	9,765	7,928
Cash and cash equivalents at end of period [3]	10 (b)	**(2,056)**	2,075	9,765

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

(2) Comparative information has been restated to conform to presentation in the current period.

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

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1 Accounting Policies

General Information

The Financial Statements of the Commonwealth Bank of Australia (the "Bank") and its subsidiaries (the "Group") for the half year ended 31 December 2012, were approved and authorised for issue by the Board of Directors on 13 February 2013.

The Bank is incorporated and domiciled in Australia. It is a company limited by shares that are publicly traded on the Australian Securities Exchange (ASX). The address of its registered office is Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000, Australia.

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

(a) Basis of accounting

This general purpose financial report for the half year ended 31 December 2012 has been prepared in accordance with the requirements of the Corporations Act 2001 and "AASB 134 Interim Financial Reporting" which ensures compliance with "IAS 34 Interim Financial Reporting".

This half year financial report does not include all notes of the type normally included within an Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the Annual Financial Report.

As a result, this report should be read in conjunction with the 30 June 2012 Annual Financial Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The amounts contained in this Financial Report and the Financial Statements are presented in Australian Dollars and rounded to the nearest million dollars unless otherwise stated, under the option available under ASIC Class Order 98/100 (as amended by ASIC Class Order 04/667).

For the purpose of this half year financial report, the half year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Annual Financial Report for the year ended 30 June 2012. Certain comparatives have been restated for consistency in presentation at 31 December 2012. The affected comparatives are footnoted. Aside from changes to the presentation of segment information as disclosed in Note 8, the restatements are not considered to have a material impact.

The following amendments to Australian Accounting Standards have been adopted during the period but do not have a material impact on the Group:

- AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'; and
- AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'.

Note 2 Income from Ordinary Activities

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Banking			
Interest income	**17,780**	18,786	19,472
Fees and commissions	**1,502**	1,524	1,470
Trading income	**443**	281	241
Net gain on disposal of available-for-sale investments recognised in Income Statement	**36**	28	53
Net gain on other non-fair valued financial instruments	**-**	1	1
Net hedging ineffectiveness	**(5)**	(24)	63
Net (loss)/gain on other fair valued financial instruments:			
Fair value through Income Statement	**(1)**	1	47
Non-trading derivatives	**(10)**	23	62
Dividends	**4**	4	2
Net (loss)/gain on sale of property, plant and equipment	**(9)**	41	(2)
Share of profit of associates and joint ventures	**67**	37	39
Other income	**93**	94	103
	19,900	20,796	21,551
Funds management, investment contract and insurance contract revenue			
Funds management and investment contract income including premiums	**1,030**	978	981
Insurance contract premiums and related income	**1,157**	1,108	1,006
Funds management claims and policyholder liability revenue	**-**	-	111
Investment income	**831**	690	218
	3,018	2,776	2,316
Total income	**22,918**	23,572	23,867

Note 3 Operating Expenses

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Staff expenses			
Salaries and wages	**2,108**	2,057	2,079
Share-based compensation	**94**	95	90
Superannuation - defined contribution plans	**20**	26	16
Superannuation - defined benefit plan	**110**	88	80
Provisions for employee entitlements	**54**	45	56
Payroll tax	**112**	104	109
Fringe benefits tax	**20**	17	18
Other staff expenses	**46**	37	30
Total staff expenses	**2,564**	2,469	2,478
Occupancy and equipment expenses			
Operating lease rentals	**288**	296	289
Depreciation of property, plant and equipment	**147**	138	132
Repairs and maintenance	**44**	45	45
Other	**57**	56	55
Total occupancy and equipment expenses	**536**	535	521
Information technology services			
Application maintenance and development	**211**	172	150
Data processing	**111**	122	119
Desktop	**50**	41	64
Communications	**103**	109	117
Amortisation and impairment of software assets	**112**	90	93
IT equipment depreciation	**40**	44	38
Total information technology services	**627**	578	581
Other expenses			
Postage	**57**	55	57
Stationery	**46**	44	41
Fees and commissions:			
Fees payable on trust and other fiduciary activities	**263**	290	273
Other	**162**	122	188
Advertising, marketing and loyalty	**225**	229	230
Amortisation of intangible assets (excluding software and merger related amortisation)	**11**	10	8
Non-lending losses	**35**	43	38
Other	**229**	219	187
Total other expenses	**1,028**	1,012	1,022
Investment and restructuring			
Integration expenses (1)	**-**	17	43
Merger related amortisation (2)	**37**	38	37
Total investment and restructuring	**37**	55	80
Total operating expenses	**4,792**	4,649	4,682

(1) Integration expenses relate to the Count Financial Limited acquisition.

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

Note 4 Income Tax Expense

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Profit before Income Tax	**5,167**	4,903	5,061
Prima facie income tax at 30%	**1,550**	1,471	1,518
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:			
Taxation offsets and other dividend adjustments	**-**	-	(3)
Tax adjustment referable to policyholder income	**59**	58	28
Tax losses not previously brought to account	**(11)**	(14)	(14)
Offshore tax rate differential	**(39)**	(51)	(32)
Offshore banking unit	**(16)**	(19)	(17)
Income tax under/(over) provided in prior year	**-**	37	(15)
Other	**(45)**	(52)	(37)
Total income tax expense	**1,498**	1,430	1,428
Corporate tax expense	**1,414**	1,348	1,388
Policyholder tax expense	**84**	82	40
Total income tax expense	**1,498**	1,430	1,428
Effective tax rate (1)	**%**	%	%
Total – corporate	**27. 8**	28. 0	27. 6
Retail Banking Services – corporate	**29. 9**	29. 9	29. 3
Business and Private Banking – corporate	**30. 1**	30. 2	30. 0
Institutional Banking and Markets – corporate	**23. 0**	19. 7	22. 8
Wealth Management – corporate	**28. 1**	27. 4	27. 9
New Zealand – corporate	**24. 6**	27. 4	24. 3
Bankwest – corporate	**29. 2**	36. 2	30. 1

(1) Comparative information has been reclassified to conform to presentation in the current period.

Note 5 Loans, Bills Discounted and Other Receivables

	As at		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Australia			
Overdrafts	**21,555**	21,497	21,671
Home loans [1]	**327,626**	322,918	316,462
Credit card outstandings	**11,331**	11,149	11,088
Lease financing	**4,087**	4,250	4,428
Bills discounted	**19,703**	16,777	15,322
Term loans [1]	**98,013**	99,902	97,793
Other lending	**648**	625	1,004
Other securities	**7**	7	5
Total Australia	**482,970**	477,125	467,773
New Zealand			
Overdrafts	**694**	697	448
Home loans	**30,674**	29,326	28,434
Credit card outstandings	**646**	603	590
Lease financing	**340**	358	378
Term loans	**15,030**	14,016	13,493
Total New Zealand	**47,384**	45,000	43,343
Other Overseas			
Overdrafts	**212**	194	159
Home loans	**758**	737	726
Lease financing	**114**	120	103
Term loans	**9,623**	9,204	8,063
Total Other Overseas	**10,707**	10,255	9,051
Gross loans, bills discounted and other receivables	**541,061**	532,380	520,167
Less:			
Provisions for Loan Impairment:			
Collective provision	**(2,840)**	(2,819)	(2,963)
Individually assessed provisions	**(1,845)**	(2,008)	(2,097)
Unearned income:			
Term loans	**(969)**	(1,032)	(1,136)
Lease financing	**(762)**	(839)	(863)
	(6,416)	(6,698)	(7,059)
Net loans, bills discounted and other receivables	**534,645**	525,682	513,108

(1) Comparative information has been reclassified to conform to presentation in the current period.

Note 6 Provisions for Impairment and Asset Quality

	As at 31 December 2012				
	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired					
Investment Grade	207,424	4,072	597	95,819	307,912
Pass Grade	129,009	13,487	7,752	47,022	197,270
Weak	12,879	2,628	90	4,253	19,850
Total loans which were neither past due nor impaired	349,312	20,187	8,439	147,094	525,032
Loans which were past due but not impaired					
Past due 1 - 29 days	3,988	736	95	959	5,778
Past due 30 - 59 days	1,976	188	36	121	2,321
Past due 60 - 89 days	917	105	18	85	1,125
Past due 90 - 179 days	958	167	3	354	1,482
Past due 180 days or more	951	20	-	353	1,324
Total loans past due but not impaired	8,790	1,216	152	1,872	12,030

	As at 30 June 2012				
	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired (1)					
Investment Grade	205,400	4,074	526	95,955	305,955
Pass Grade	121,643	13,417	7,829	46,088	188,977
Weak	12,972	3,605	77	3,818	20,472
Total loans which were neither past due nor impaired	340,015	21,096	8,432	145,861	515,404
Loans which were past due but not impaired (1)					
Past due 1 - 29 days	3,871	775	110	1,007	5,763
Past due 30 - 59 days	2,038	194	52	154	2,438
Past due 60 - 89 days	1,108	112	15	101	1,336
Past due 90 - 179 days	1,274	195	4	137	1,610
Past due 180 days or more	1,255	22	9	169	1,455
Total loans past due but not impaired	9,546	1,298	190	1,568	12,602

	As at 31 December 2011				
	Home Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans which were neither past due nor impaired (1)					
Investment Grade	201,075	3,926	582	86,971	292,554
Pass Grade	119,116	13,018	7,872	51,041	191,047
Weak	12,086	2,554	112	4,240	18,992
Total loans which were neither past due nor impaired	332,277	19,498	8,566	142,252	502,593
Loans which were past due but not impaired (1) (2)					
Past due 1 - 29 days	4,398	731	133	1,061	6,323
Past due 30 - 59 days	1,956	185	46	208	2,395
Past due 60 - 89 days	990	109	26	129	1,254
Past due 90 - 179 days	1,197	193	-	123	1,513
Past due 180 days or more	1,299	26	14	239	1,578
Total loans past due but not impaired	9,840	1,244	219	1,760	13,063

(1) Comparative information has been restated to conform to presentation in the current period.

(2) Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 180 days past due. If they are not written off at this time they are classified as impaired.

Note 6 Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Movement in impaired asset balances (1)			
Gross impaired assets - opening balance	**4,499**	4,676	5,297
New and increased	**1,842**	2,010	1,919
Balances written off	**(951)**	(940)	(747)
Returned to performing or repaid	**(1,077)**	(1,247)	(1,793)
Gross impaired assets - closing balance (2)	**4,313**	4,499	4,676

	As at		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Impaired assets by size of asset (1)			
Less than $1 million	**1,129**	1,106	1,044
$1 million to $10 million	**1,280**	1,469	1,630
Greater than $10 million	**1,904**	1,924	2,002
Gross impaired assets	**4,313**	4,499	4,676
Less individually assessed provisions for impairment	**(1,845)**	(2,008)	(2,097)
Net impaired assets	**2,468**	2,491	2,579

	As at		
	31 Dec 12	30 Jun 12	31 Dec 11
	%	%	%
Asset quality ratios			
Gross impaired assets as a % of gross loans and acceptances	**0. 79**	0. 83	0. 88
Loans 90 or more days past due but not impaired as a % of gross loans and acceptances (1)	**0. 51**	0. 57	0. 58

(1) Comparative information has been restated to conform to presentation in the current period.

(2) Includes $3,999 million of loans and advances and $314 million of other financial assets (30 June 2012: $4,374 million of loans and advances and $125 million of other financial assets; 31 December 2011: $4,511 million of loans and advances and $165 million of other financial assets).

Note 6 Provisions for Impairment and Asset Quality (continued)

Provisioning Policy

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

For loans and receivables the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial asset's original effective interest rate. Short term balances are not discounted.

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Provision for Impairment Losses			
Collective provision			
Opening balance	**2,837**	2,984	3,043
Net collective provision funding	**299**	111	201
Impairment losses written off	**(349)**	(384)	(356)
Impairment losses recovered	**74**	127	101
Other	**(3)**	(1)	(5)
Closing balance	**2,858**	2,837	2,984
Individually assessed provisions			
Opening balance	**2,008**	2,097	2,125
Net new and increased individual provisioning	**521**	662	540
Net write-back of provisions no longer required	**(140)**	(229)	(196)
Discount unwind to interest income	**(51)**	(59)	(63)
Other	**168**	187	178
Impairment losses written off	**(661)**	(650)	(487)
Closing balance	**1,845**	2,008	2,097
Total provisions for impairment losses	**4,703**	4,845	5,081
Less: Off balance sheet provisions	**(18)**	(18)	(21)
Total provisions for loan impairment	**4,685**	4,827	5,060

	As at		
	31 Dec 12	30 Jun 12	31 Dec 11
	%	%	%
Provision Ratios			
Collective provision as a % of credit risk weighted assets	**1. 11**	1. 09	1. 15
Total provision as a % of credit risk weighted assets	**1. 82**	1. 85	1. 97
Individually assessed provisions for impairment as a % of gross impaired assets (1)	**42. 78**	44. 63	44. 85
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 86**	0. 89	0. 96

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Loan Impairment Expense			
Net collective provisioning funding	**299**	111	201
Net new and increased individual provisioning	**521**	662	540
Write-back of individually assessed provisions	**(140)**	(229)	(196)
Total impairment expense	**680**	544	545

(1) Comparative information has been restated to conform to presentation in the current period.

Note 7 Deposits and Other Public Borrowings

	As at		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Australia			
Certificates of deposit	**48,123**	45,839	50,093
Term deposits	**154,698**	152,543	148,135
On demand and short term deposits	**184,199**	176,866	175,519
Deposits not bearing interest	**8,415**	7,530	7,757
Securities sold under agreements to repurchase	**4,592**	5,245	3,600
Total Australia	**400,027**	388,023	385,104
New Zealand			
Certificates of deposit	**352**	254	255
Term deposits	**17,670**	17,710	16,531
On demand and short term deposits	**11,576**	10,732	10,735
Deposits not bearing interest	**1,921**	1,661	1,648
Securities sold under agreements to repurchase	**19**	-	80
Total New Zealand	**31,538**	30,357	29,249
Other Overseas			
Certificates of deposit	**9,408**	7,002	7,419
Term deposits	**6,361**	11,266	9,027
On demand and short term deposits	**957**	916	938
Deposits not bearing interest	**102**	91	74
Securities sold under agreements to repurchase	**17**	-	16
Total Other Overseas	**16,845**	19,275	17,474
Total deposits and other public borrowings	**448,410**	437,655	431,827

Note 8 Financial Reporting by Segments

The principal activities of the Group are carried out in the below business segments. These segments are based on where the customer relationship is being managed. A detailed description of each segment is disclosed in Note 31 of the Group's annual financial statements for the year ended 30 June 2012.

	Half Year Ended 31 December 2012							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Total $M
Net interest income	3,162	1,472	694	-	530	761	243	**6,862**
Other banking income	756	408	634	-	127	110	100	**2,135**
Total banking income	3,918	1,880	1,328	-	657	871	343	**8,997**
Funds management income	-	-	-	998	25	-	10	**1,033**
Insurance income	-	-	-	368	113	-	24	**505**
Total operating income	3,918	1,880	1,328	1,366	795	871	377	**10,535**
Investment experience (1)	-	-	-	86	3	-	(5)	**84**
Total income	3,918	1,880	1,328	1,452	798	871	372	**10,619**
Operating expenses (2)	(1,524)	(678)	(442)	(992)	(365)	(416)	(338)	**(4,755)**
Loan impairment expense	(246)	(150)	(97)	-	(22)	(86)	(15)	**(616)**
Net profit before tax	2,148	1,052	789	460	411	369	19	**5,248**
Corporate tax expense	(642)	(317)	(186)	(126)	(102)	(111)	24	**(1,460)**
Non-controlling interests	-	-	-	-	-	-	(8)	**(8)**
Net profit after tax ("cash basis") (3)	1,506	735	603	334	309	258	35	**3,780**
Hedging and IFRS volatility	-	-	-	-	(6)	-	(4)	**(10)**
Other non-cash items	-	-	(45)	(31)	-	(33)	-	**(109)**
Net profit after tax ("statutory basis")	1,506	735	558	303	303	225	31	**3,661**
Additional information								
Intangible asset amortisation	(15)	(22)	(9)	(7)	(13)	(38)	(56)	**(160)**
Depreciation	(3)	(7)	(31)	(2)	(14)	(19)	(111)	**(187)**
Balance Sheet								
Total assets	255,408	100,531	138,900	20,594	53,640	73,734	78,532	**721,339**
Acquisition of property, plant and equipment, intangibles and other non-current assets	-	11	124	2	21	33	127	**318**
Investment in associates	72	28	7	892	-	-	1,030	**2,029**
Total liabilities	175,459	70,805	132,798	22,594	48,888	42,646	184,850	**678,040**

(1) Investment experience is presented on a pre-tax basis.

(2) Operating expenses include volume related expenses.

(3) Non-cash items are excluded from net profit after tax ("cash basis"), which is Management's preferred measure of the Group's financial performance, as they tend to be nonrecurring in nature or not considered representative of the Group's ongoing financial performance. The items for the period are Bell Group litigation, treasury shares valuation adjustment, unrealised gains and losses related to hedging and IFRS volatility, and Bankwest non-cash items.

Note 8 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2011 (1)							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Total $M
Net interest income	2,994	1,454	743	-	497	755	201	**6,644**
Other banking income	729	450	447	-	108	101	92	**1,927**
Total banking income	3,723	1,904	1,190	-	605	856	293	**8,571**
Funds management income	-	-	-	945	21	-	11	**977**
Insurance income	-	-	-	364	116	-	21	**501**
Total operating income	3,723	1,904	1,190	1,309	742	856	325	**10,049**
Investment experience (2)	-	-	-	79	(6)	-	(17)	**56**
Total income	3,723	1,904	1,190	1,388	736	856	308	**10,105**
Operating expenses (3)	(1,496)	(679)	(417)	(972)	(353)	(428)	(257)	**(4,602)**
Loan impairment expense	(346)	(129)	(33)	-	(11)	(38)	12	**(545)**
Net profit before tax	1,881	1,096	740	416	372	390	63	**4,958**
Corporate tax expense	(552)	(329)	(169)	(112)	(88)	(117)	(6)	**(1,373)**
Non-controlling interests	-	-	-	-	-	-	(9)	**(9)**
Net profit after tax ("cash basis") (4)	1,329	767	571	304	284	273	48	**3,576**
Hedging and IFRS volatility	-	-	-	-	28	-	87	**115**
Other non-cash items	-	-	-	(32)	-	(35)	-	**(67)**
Net profit after tax ("statutory basis")	1,329	767	571	272	312	238	135	**3,624**
Additional information								
Intangible asset amortisation	(20)	(24)	(4)	(3)	(12)	(42)	(33)	**(138)**
Depreciation	(4)	(8)	(24)	(2)	(13)	(15)	(104)	**(170)**
Balance Sheet								
Total assets	245,849	98,106	139,638	20,434	51,502	71,401	75,056	**701,986**
Acquisition of property, plant and equipment, intangibles and other non-current assets	5	-	124	287	23	31	109	**579**
Investment in associates	69	26	7	829	-	-	932	**1,863**
Total liabilities	161,847	71,283	134,235	20,235	47,568	46,699	181,244	**663,111**

(1) Comparatives have been restated to align to improvements made in segment reporting.

(2) Investment experience is presented on a pre-tax basis.

(3) Operating expenses include volume related expenses.

(4) Represents net profit after tax and non-controlling interests before Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, Count Financial acquisition costs and unrealised gains and losses related to hedging and IFRS volatility.

Note 8 Financial Reporting by Segments (continued)

Geographical Information Financial Performance and Position	Half Year Ended 31 Dec 12 $M	31 Dec 12 %	31 Dec 11 $M	31 Dec 11 %
Income (1)				
Australia	**20,114**	**87. 8**	21,143	88. 6
New Zealand	**1,898**	**8. 3**	1,896	7. 9
Other locations (2)	**906**	**3. 9**	828	3. 5
Total Income	**22,918**	**100.0**	23,867	100. 0
Non-Current Assets				
Australia	**13,895**	**92. 7**	13,311	92. 9
New Zealand	**923**	**6. 1**	853	5. 9
Other locations (2)	**175**	**1. 2**	173	1. 2
Total non-current assets (3)	**14,993**	**100.0**	14,337	100. 0

(1) Comparative information has been restated to conform to presentation in the current period.

(2) Other locations include: United Kingdom, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China, Vietnam and India.

(3) Non-current assets include property, plant and equipment, investments in associates, joint ventures and intangibles.

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

During the period, the Group made a number of segment reporting improvements effective from 1 July 2012. Results and balances for the comparative period in this note have been restated due to the following:

- Customer Reporting – revenue, expenses and associated customer balances were reallocated between segments based on where the customer relationship is being managed, rather than the business from which the product originated. This change primarily affects the presentation of the Retail Banking Services and Business and Private Banking segments.
- Capital Allocation – the Group allocated higher capital requirements to business segments following the introduction of the Basel III regulatory capital framework. Earnings on equity were reallocated from the Corporate Centre (where residual capital was previously held) to each segment, with no change to total Group capital levels.
- Single ADI – treasury-related revenues, operating expenses and balance sheet items were transferred from the Bankwest segment to the Corporate Centre following the relinquishment of the Bankwest banking licence.

Note 9 Shareholders' Equity

	Half Year Ended 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
Ordinary share capital			
Opening balance	**25,175**	24,651	23,602
Issue of shares	**-**	-	237
Dividend reinvestment plan (net of issue costs) (1)	**929**	531	832
Exercise of executive options under employee share ownership schemes	**-**	-	2
Sale/(purchase) and vesting of treasury shares (2)	**22**	(7)	(22)
Closing balance	**26,126**	25,175	24,651
Other equity instruments			
Opening balance	**939**	939	939
Closing balance	**939**	939	939
Retained profits			
Opening balance	**13,356**	11,928	11,826
Actuarial gains/(losses) from defined benefit superannuation plans	**235**	197	(420)
Realised gains and dividend income on treasury shares	**14**	7	6
Operating profit attributable to Equity holders of the Bank	**3,661**	3,466	3,624
Total available for appropriation	**17,266**	15,598	15,036
Transfers from/(to) general reserve	**325**	(61)	(162)
Transfers from employee compensation reserve	**-**	-	(1)
Interim dividend - cash component	**-**	(1,635)	-
Interim dividend - dividend reinvestment plan	**-**	(531)	-
Final dividend - cash component	**(2,207)**	-	(2,099)
Final dividend - dividend reinvestment plan (DRP) (1)	**(930)**	-	(831)
Other dividends (3)	**(14)**	(15)	(15)
Closing balance	**14,440**	13,356	11,928

(1) The determined dividend includes an amount attributable to DRP of $930 million (final 2011/2012) and $831 million (final 2010/2011) with $929 million and $832 million ordinary shares being issued under plan rules, which include the carry forward of DRP balance from previous dividends.

(2) Relates to movements in treasury shares held within life insurance funds and the employee share scheme trust.

(3) Dividends relating to equity instruments on issue other than ordinary shares.

Note 9 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Reserves			
General reserve			
Opening balance	**1,201**	1,140	978
Appropriation (to)/from retained profits	**(325)**	61	162
Closing balance	**876**	1,201	1,140
Capital reserve			
Opening balance	**351**	332	328
Revaluation surplus on sale of property	**2**	19	4
Closing balance	**353**	351	332
Asset revaluation reserve			
Opening balance	**195**	191	191
Revaluation of properties	**-**	28	4
Transfers on sale of properties	**(2)**	(19)	(4)
Tax on revaluation of properties	**-**	(5)	-
Closing balance	**193**	195	191
Foreign currency translation reserve			
Opening balance	**(893)**	(1,080)	(1,083)
Currency translation adjustments of foreign operations	**23**	192	7
Currency translation on net investment hedge	**(2)**	(1)	4
Tax on translation adjustments	**(1)**	(4)	(8)
Closing balance	**(873)**	(893)	(1,080)
Cash flow hedge reserve			
Opening balance	**644**	234	(402)
Gains and losses on cash flow hedging instruments:			
Recognised in equity	**(447)**	20	710
Transferred to Income Statement:			
Interest income	**(408)**	(330)	(24)
Interest expense	**628**	895	217
Tax on cash flow hedging instruments	**68**	(175)	(267)
Closing balance	**485**	644	234
Employee compensation reserve			
Opening balance	**136**	95	135
Current period movement	**(46)**	41	(40)
Closing balance	**90**	136	95
Available-for-sale investments reserve			
Opening balance	**(63)**	(83)	245
Net gains and losses on revaluation of available-for-sale investments	**323**	61	(410)
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	**(36)**	(28)	(53)
Tax on available-for-sale investments	**(86)**	(13)	135
Closing balance	**138**	(63)	(83)
Total reserves	**1,262**	1,571	829
Shareholders' equity attributable to equity holders of the Bank	**42,767**	41,041	38,347
Shareholders' equity attributable to non-controlling interests	**532**	531	528
Total Shareholders' equity	**43,299**	41,572	38,875

The balances disclosed above include a share of associates and joint ventures' other comprehensive income of: $nil for December 2012, $14 million for June 2012, and ($7) million for December 2011.

Note 10 Notes to the Statement of Cash Flows

(a) Reconciliation of Net Profit after Income Tax to Net Cash provided by/(used in) Operating Activities

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Net profit after income tax	**3,669**	3,473	3,633
Decrease/(increase) in interest receivable	**37**	195	(116)
Decrease in interest payable	**(310)**	(241)	(79)
Net (increase)/decrease in assets at fair value through Income Statement (excluding life insurance	**(2,541)**	324	3,067
Net gain on sale of controlled entities and associates	**-**	(9)	(12)
Net gain on sale of investments	**-**	(1)	-
Net increase in derivative assets/(liabilities)	**(226)**	(441)	(222)
Net loss/(gain) on sale of property, plant and equipment	**9**	(41)	2
Equity accounting profit	**(92)**	(59)	(61)
Loan impairment expense	**680**	447	642
Depreciation and amortisation (including asset write downs)	**347**	320	308
Increase/(decrease) in liabilities at fair value through Income Statement (excluding life insurance)	**600**	(3,749)	(572)
Decrease in other provisions	**(4)**	(42)	(27)
(Decrease)/increase in income taxes payable	**(342)**	(93)	130
(Decrease)/increase in deferred tax liabilities	**58**	(56)	208
Decrease/(increase) in deferred tax assets	**73**	434	(85)
(Increase)/decrease in accrued fees/reimbursements receivable	**(5)**	22	(4)
(Decrease)/increase in accrued fees and other items payable	**(75)**	379	(315)
Net decrease in life insurance contract policy liabilities	**(695)**	(473)	(684)
Increase/(decrease) in cash flow hedge reserve	**12**	(20)	(38)
Increase/(decrease) in fair value on hedged items	**102**	(109)	(209)
Changes in operating assets and liabilities arising from cash flow movements	**3,009**	(11,738)	3,127
Other (1)	**(684)**	257	(356)
Net cash provided by/(used in) operating activities	**3,622**	(11,221)	8,337

(1) Comparative information has been restated to conform to presentation in the current period.

(b) Reconciliation of Cash

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

	As at		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Notes, coins and cash at banks	**8,502**	8,508	10,985
Other short term liquid assets	**2,686**	4,095	1,052
Receivables due from other financial institutions – at call (1)	**9,555**	10,597	5,841
Payables due to other financial institutions – at call (1)	**(22,799)**	(21,125)	(8,113)
Cash and cash equivalents at end of period	**(2,056)**	2,075	9,765

(1) At call includes certain receivables and payables due from and to financial institutions within three months.

(c) Non-Cash Financing and Investing Activities

	Half Year Ended		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan	**929**	531	832

Note 10 Notes to the Statement of Cash Flows (continued)

(d) Acquisition of Controlled Entities

Current period

There were no acquisitions in the current period.

Prior comparative period

The Group obtained control of Count Financial Limited (Count) on 29 November 2011. The Group subsequently acquired 100% of the issued share capital on 9 December 2011. Count is an accountant-based financial advice business. This acquisition is supporting the Group in growing its distribution capabilities through the expansion of its adviser network.

Details of this business combination were disclosed in Note 48 of the Group's annual financial statements for the year ended 30 June 2012.

Note 11 Events Subsequent to Balance Date

Other than as outlined below, the Group is not aware of any further matters or circumstances that have occurred since the end of the period that have significantly affected or will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan for the interim dividend for the half year ended 31 December 2012 is anticipated to be satisfied fully by an on market purchase and transfer of shares.

Note 12 Contingent Liabilities and Commitments

Contingent Liabilities

Other than as outlined below, there has been no material change in contingent liabilities since those disclosed in the Financial Statements for the year ended 30 June 2012. Refer to Note 35 of the Group's annual financial statements for the year ended 30 June 2012.

Storm Financial

In September 2012, the Group reached settlement with the Australian Securities and Investments Commission (ASIC) in relation to Storm Financial, whereby additional amounts will be offered to affected customers.

The class action proceedings against the Group in relation to Storm Financial remain ongoing. The claims of all the members in the class remain unable to be quantified, as class members can still elect to settle through the revised offers of the resolution scheme. The proceedings for the class action are listed for hearing in March 2013.

The Group believes that appropriate provisions are held with respect to Storm Financial.

Exception Fee Class Action

In May 2011, Maurice Blackburn announced that it intended to sue 12 Australian banks, including the Commonwealth Bank of Australia and Bankwest, with respect to exception fees. On 16 December 2011 proceedings were issued against the Commonwealth Bank of Australia and on 18 April 2012 proceedings were issued against Bankwest. The financial impact cannot be reliably measured at this stage; however, it is not anticipated to have a material impact on the Group. Proceedings are stayed until 7 June 2013.

Contingent Commitments

Aussie Home Loans Pty Limited

The Group entered into an agreement on 18 December 2012 to increase its investment in Aussie Home Loans Pty Limited initially from 33% to 80%, with the subsequent right to move to 100% ownership. John Symond will remain as Executive Chairman and Aussie Home Loans Pty Limited will continue to operate as a stand-alone mortgage broker and financial services provider. The acquisition is dependent on the Group obtaining clearance from the Australian Competition and Consumer Commission and is not material to the Group's results.

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

(a) The half year consolidated financial statements and notes as set out on pages 60 to 80 are in accordance with the Corporations Act 2001 and:

- (i) give a true and fair view of the financial position of the consolidated entity as at 31 December 2012 and of its performance for the half year ended on that date; and
- (ii) comply with the Accounting Standards and any further requirements in the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

D J Turner
Chairman
Dated: 13 February 2013

I M Narev
Managing Director and Chief Executive Officer

Independent auditor's review report to the members of Commonwealth Bank of Australia

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Commonwealth Bank of Australia, which comprises the consolidated balance sheet as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Commonwealth Bank of Australia Group (the consolidated entity). The consolidated entity comprises both Commonwealth Bank of Australia and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Commonwealth Bank of Australia are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Commonwealth Bank of Australia, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Commonwealth Bank of Australia is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

M. Laithwaite

Marcus Laithwaite
Partner

Sydney
13 February 2013

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Section 7 - Appendices

Appendices

1. Net Interest Income

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Interest Income					
Loans and bills discounted	**16,338**	17,090	17,619	(4)	(7)
Other financial institutions	**34**	48	54	(29)	(37)
Cash and liquid assets	**99**	158	172	(37)	(42)
Assets at fair value through Income Statement	**220**	221	400	-	(45)
Available-for-sale investments	**1,089**	1,269	1,227	(14)	(11)
Total interest income ("statutory basis")	**17,780**	18,786	19,472	(5)	(9)
Interest Expense					
Deposits	**7,887**	8,588	9,045	(8)	(13)
Other financial institutions	**111**	86	99	29	12
Liabilities at fair value through Income Statement	**98**	124	196	(21)	(50)
Debt issues	**2,611**	3,254	3,238	(20)	(19)
Loan capital	**221**	242	264	(9)	(16)
Total interest expense ("statutory basis")	**10,928**	12,294	12,842	(11)	(15)
Net interest income ("statutory basis")	**6,852**	6,492	6,630	6	3

Net Interest Income – Reconciliation of Cash to Statutory basis

The table below sets out the accounting impacts arising from the application of "AASB 139 Financial Instruments: Recognition and Measurement" to the Group's derivative hedging activities and other non-cash items.

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Total interest income ("cash basis")	**17,794**	18,811	19,490	(5)	(9)
Fair value adjustment interest income	**(14)**	(13)	(13)	8	8
Hedging and IFRS volatility	**-**	(12)	(5)	(100)	(100)
Total interest income ("statutory basis")	**17,780**	18,786	19,472	(5)	(9)
Total interest expense ("cash basis")	**10,932**	12,298	12,846	(11)	(15)
Hedging and IFRS volatility	**(4)**	(4)	(4)	-	-
Total interest expense ("statutory basis")	**10,928**	12,294	12,842	(11)	(15)

2. Net Interest Margin

	Half Year Ended		
	31 Dec 12 %	30 Jun 12 %	31 Dec 11 %
Australia			
Interest spread (1)	**1. 84**	1. 81	1. 89
Benefit of interest-free liabilities, provisions and equity (2)	**0. 27**	0. 29	0. 28
Net interest margin (3)	**2. 11**	2. 10	2. 17
New Zealand			
Interest spread (1)	**1. 78**	1. 78	1. 73
Benefit of interest-free liabilities, provisions and equity (2)	**0. 37**	0. 36	0. 32
Net interest margin (3)	**2. 15**	2. 14	2. 05
Other Overseas			
Interest spread (1)	**1. 28**	1. 38	1. 21
Benefit of interest-free liabilities, provisions and equity (2)	**0. 04**	0. 06	0. 06
Net interest margin (3)	**1. 32**	1. 44	1. 27
Total Group			
Interest spread (1)	**1. 86**	1. 79	1. 86
Benefit of interest-free liabilities, provisions and equity (2)	**0. 24**	0. 27	0. 26
Net interest margin (3)	**2. 10**	2. 06	2. 12

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

(2) A portion of the Group's interest earning assets is funded by net interest free liabilities and Shareholders' equity. The benefit to the Group of these interest free funds is the amount it would cost to replace them at the average cost of funds.

(3) Net interest income divided by average interest earning assets for the half year annualised.

3. Average Balances and Related Interest

The following table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the half years ending 31 December 2012, 30 June 2012 and 31 December 2011. Averages used were predominantly daily averages. Interest is accounted for based on product yield, while all trading gains and losses are disclosed as trading income within Other banking income. Where assets or liabilities are hedged, the interest amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates.

The New Zealand and Other Overseas components comprise overseas branches of the Bank and overseas domiciled controlled entities.

Non-accrual loans are included in interest earning assets under Loans, bills discounted and other receivables.

The official cash rate in Australia decreased by 50 basis points during the half year, while official cash rate in New Zealand was unchanged.

	Half Year Ended 31 Dec 12			Half Year Ended 30 Jun 12			Half Year Ended 31 Dec 11		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	$M	$M	%	$M	$M	%	$M	$M	%
Home loans (1)	**355,674**	**10,404**	**5. 80**	349,266	11,021	6. 35	341,861	11,631	6. 77
Personal (2)	**21,036**	**1,363**	**12. 85**	21,034	1,373	13. 13	20,709	1,348	12. 95
Business and corporate (1)	**168,726**	**4,585**	**5. 39**	163,963	4,713	5. 78	160,874	4,658	5. 76
Loans, bills discounted and other receivables	**545,436**	**16,352**	**5. 95**	534,263	17,107	6. 44	523,444	17,637	6. 70
Cash and liquid assets	**28,600**	**133**	**0. 92**	28,638	206	1. 45	27,437	226	1. 64
Assets at fair value through Income Statement (excluding life insurance)	**15,351**	**220**	**2. 84**	14,135	221	3. 14	20,864	400	3. 81
Available-for-sale investments	**60,007**	**1,089**	**3. 60**	59,511	1,277	4. 32	51,153	1,227	4. 77
Non-lending interest earning assets	**103,958**	**1,442**	**2. 75**	102,284	1,704	3. 35	99,454	1,853	3. 71
Total interest earning assets (3)	**649,394**	**17,794**	**5. 44**	636,547	18,811	5. 94	622,898	19,490	6. 22
Non-interest earning assets	**71,972**			77,514			76,612		
Total average assets	**721,366**			714,061			699,510		

	Half Year Ended 31 Dec 12			Half Year Ended 30 Jun 12			Half Year Ended 31 Dec 11		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Bearing Liabilities	$M	$M	%	$M	$M	%	$M	$M	%
Transaction deposits (1)	**82,040**	**615**	**1. 49**	77,099	709	1. 85	77,483	798	2. 05
Saving deposits (1)	**95,793**	**1,468**	**3. 04**	91,067	1,586	3. 50	88,762	1,758	3. 94
Investment deposits	**198,143**	**4,319**	**4. 32**	192,332	4,765	4. 98	183,909	4,850	5. 25
Certificates of deposit and other	**63,490**	**1,485**	**4. 64**	61,571	1,528	4. 99	63,267	1,639	5. 15
Total interest bearing deposits	**439,466**	**7,887**	**3. 56**	422,069	8,588	4. 09	413,421	9,045	4. 35
Payables due to other financial institutions	**21,844**	**111**	**1. 01**	19,979	86	0. 87	17,517	99	1. 12
Liabilities at fair value through Income Statement	**6,253**	**98**	**3. 11**	8,434	124	2. 96	10,562	196	3. 69
Debt issues	**127,652**	**2,611**	**4. 06**	134,785	3,254	4. 85	132,377	3,238	4. 87
Loan capital	**10,193**	**225**	**4. 38**	10,606	246	4. 66	11,615	268	4. 59
Total interest bearing liabilities	**605,408**	**10,932**	**3. 58**	595,873	12,298	4. 15	585,492	12,846	4. 36
Non-interest bearing liabilities	**73,522**			77,758			75,938		
Total average liabilities	**678,930**			673,631			661,430		

(1) Comparisons between reporting periods are impacted by reclassification of products between categories.

(2) Personal includes personal loans, credit cards, and margin loans.

(3) Used for calculating net interest margin.

3. Average Balances and Related Interest (continued)

Net Interest Margin	Half Year Ended 31 Dec 12 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 12 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 11 Avg Bal $M	Interest $M	Yield %
Total interest earning assets	**649,394**	**17,794**	**5. 44**	636,547	18,811	5. 94	622,898	19,490	6. 22
Total interest bearing liabilities	**605,408**	**10,932**	**3. 58**	595,873	12,298	4. 15	585,492	12,846	4. 36
Net interest income and interest spread		**6,862**	**1. 86**		6,513	1. 79		6,644	1. 86
Benefit of free funds			**0. 24**			0. 27			0. 26
Net interest margin			**2. 10**			2. 06			2. 12

Geographical Analysis of Key Categories

	Half Year Ended 31 Dec 12 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 12 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 11 Avg Bal $M	Interest $M	Yield %
Loans, bills discounted and other receivables									
Australia	**489,189**	**14,809**	**6. 01**	479,738	15,589	6. 53	470,445	16,131	6. 82
New Zealand (1)	**45,840**	**1,346**	**5. 82**	44,541	1,341	6. 05	44,156	1,350	6. 08
Other overseas (1)	**10,407**	**197**	**3. 76**	9,984	177	3. 57	8,843	156	3. 51
Total	**545,436**	**16,352**	**5. 95**	534,263	17,107	6. 44	523,444	17,637	6. 70
Non-lending interest earning assets									
Australia	**71,625**	**1,302**	**3. 61**	70,635	1,504	4. 28	68,767	1,658	4. 80
New Zealand (1)	**6,270**	**85**	**2. 69**	7,453	89	2. 40	7,403	91	2. 45
Other overseas (1)	**26,063**	**55**	**0. 42**	24,196	111	0. 92	23,284	104	0. 89
Total	**103,958**	**1,442**	**2. 75**	102,284	1,704	3. 35	99,454	1,853	3. 71
Total interest bearing deposits									
Australia	**391,021**	**7,250**	**3. 68**	374,237	7,847	4. 22	368,525	8,326	4. 49
New Zealand (1)	**29,363**	**572**	**3. 86**	28,832	643	4. 48	27,066	631	4. 64
Other overseas (1)	**19,082**	**65**	**0. 68**	19,000	98	1. 04	17,830	88	0. 98
Total	**439,466**	**7,887**	**3. 56**	422,069	8,588	4. 09	413,421	9,045	4. 35
Other interest bearing liabilities									
Australia	**132,711**	**2,769**	**4. 14**	142,432	3,499	4. 94	140,070	3,569	5. 07
New Zealand (1)	**11,547**	**206**	**3. 54**	11,818	159	2. 71	13,484	188	2. 77
Other overseas (1)	**21,684**	**70**	**0. 64**	19,554	52	0. 53	18,517	44	0. 47
Total	**165,942**	**3,045**	**3. 64**	173,804	3,710	4. 29	172,071	3,801	4. 39

(1) The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities. Overseas intragroup borrowings have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds. Non-accrual loans were included in interest earning assets under Loans, bills discounted and other receivables.

4. Interest Rate and Volume Analysis

Interest Earning Assets [1]	Half Year Ended Dec 12 vs Jun 12			Half Year Ended Dec 12 vs Dec 11		
	Volume	Rate	Total	Volume	Rate	Total
	$M	$M	$M	$M	$M	$M
Home loans	195	(812)	(617)	437	(1,664)	(1,227)
Personal	-	(10)	(10)	21	(6)	15
Business and corporate	133	(261)	(128)	220	(293)	(73)
Loans, bills discounted and other receivables	346	(1,101)	(755)	700	(1,985)	(1,285)
Cash and liquid assets	-	(73)	(73)	7	(100)	(93)
Assets at fair value through Income Statement (excluding life insurance)	18	(19)	(1)	(92)	(88)	(180)
Available-for-sale investments	10	(198)	(188)	187	(325)	(138)
Non-lending interest earning assets	26	(288)	(262)	73	(484)	(411)
Total interest earning assets	366	(1,383)	(1,017)	778	(2,474)	(1,696)

Interest Bearing Liabilities [1]	Half Year Ended Dec 12 vs Jun 12			Half Year Ended Dec 12 vs Dec 11		
	Volume	Rate	Total	Volume	Rate	Total
	$M	$M	$M	$M	$M	$M
Transaction deposits	41	(135)	(94)	41	(224)	(183)
Saving deposits	77	(195)	(118)	124	(414)	(290)
Investment deposits	135	(581)	(446)	343	(874)	(531)
Certificates of deposit and other	46	(89)	(43)	5	(159)	(154)
Total interest bearing deposits	333	(1,034)	(701)	519	(1,677)	(1,158)
Payables due to other financial institutions	9	16	25	23	(11)	12
Liabilities at fair value through Income Statement	(33)	7	(26)	(74)	(24)	(98)
Debt issues	(159)	(484)	(643)	(106)	(521)	(627)
Loan capital	(9)	(12)	(21)	(32)	(11)	(43)
Total interest bearing liabilities	184	(1,550)	(1,366)	398	(2,312)	(1,914)

(1) The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

Change in Net Interest Income [1]	Half Year Ended	
	Dec 12 vs Jun 12	Dec 12 vs Dec 11
	Increase/(Decrease)	Increase/(Decrease)
	$M	$M
Due to changes in average volume of interest earning assets	134	281
Due to changes in interest margin	125	(63)
Due to variation in time period	90	-
Change in net interest income	349	218

(1) "Volume" reflects the change in net interest income over the period due to balance growth (assuming rates were held constant), and "Rate" reflects the change due to movements in yield (assuming volumes were held constant). "Variation in time periods" only applies to reporting periods of differing lengths (e.g. between half years).

4. Interest Rate and Volume Analysis (continued)

Geographical Analysis of Key Categories [1]	Half Year Ended Dec 12 vs Jun 12			Half Year Ended Dec 12 vs Dec 11		
	Volume	Rate	Total	Volume	Rate	Total
	$M	$M	$M	$M	$M	$M
Loans, bills discounted and other receivables						
Australia	297	(1,077)	(780)	605	(1,927)	(1,322)
New Zealand	39	(34)	5	50	(54)	(4)
Other overseas	8	12	20	29	12	41
Total	346	(1,101)	(755)	700	(1,985)	(1,285)
Non-lending interest earning assets						
Australia	20	(222)	(202)	60	(416)	(356)
New Zealand	(15)	11	(4)	(15)	9	(6)
Other overseas	6	(62)	(56)	9	(58)	(49)
Total	26	(288)	(262)	73	(484)	(411)
Total interest bearing deposits						
Australia	332	(929)	(597)	463	(1,539)	(1,076)
New Zealand	11	(82)	(71)	49	(108)	(59)
Other overseas	-	(33)	(33)	5	(28)	(23)
Total	333	(1,034)	(701)	519	(1,677)	(1,158)
Other interest bearing liabilities						
Australia	(221)	(509)	(730)	(171)	(629)	(800)
New Zealand	(4)	51	47	(31)	49	18
Other overseas	6	12	18	9	17	26
Total	(156)	(509)	(665)	(124)	(632)	(756)

(1) The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

5. Other Banking Income

	Half Year Ended				
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Lending fees	**509**	536	461	(5)	10
Commissions	**993**	988	1,009	1	(2)
Trading income	**443**	281	241	58	84
Net gains on disposal of available-for-sale investments	**36**	28	53	29	(32)
Net gains on disposal of other non-fair valued financial instruments	**-**	1	1	large	large
Net (losses)/gains on sale of property, plant and equipment	**(9)**	41	(2)	large	large
Net hedging ineffectiveness	**(5)**	(24)	63	(79)	large
Net (losses)/gains on other fair valued financial instruments:					
Fair value through Income Statement	**(1)**	1	47	large	large
Non-trading derivatives	**(10)**	23	62	large	large
Dividends	**4**	4	2	-	large
Other	**160**	131	142	22	13
Total other banking income	**2,120**	2,010	2,079	5	2

Other banking income – reconciliation of cash and statutory basis

The table below sets out various accounting impacts arising from the application of "AASB 139 Financial Instruments: Recognition and Measurement" to the Group's derivative hedging activities and other non-cash items.

	Half Year Ended		
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
Other banking income ("cash basis")	**2,135**	2,000	1,927
Revenue hedge of New Zealand operations - unrealised	**(8)**	(8)	18
Hedging and IFRS volatility	**(7)**	18	134
Other banking income ("statutory basis")	**2,120**	2,010	2,079

6. Integrated Risk Management

The major categories of risk actively managed by the Group include credit risk, market risk, liquidity and funding risk and operational risks.

The Group's approach to risk management including governance, management, appetite, policies and procedures are described in the Risk Management section of the 2012 U.S. Annual Disclosure Document of the Group.

Additionally, further disclosures in respect of capital adequacy and risk are provided in the Group's Pillar 3 document.

Credit Risk

The Group uses a portfolio approach for the management of its credit risk, of which a key element is a well diversified portfolio. The Group uses various portfolio management tools to assist in diversifying the credit portfolio.

Below is a breakdown of the Group's committed exposure across industry, region and commercial credit quality.

By Industry (1)	31 Dec 12 %	30 Jun 12 %	31 Dec 11 %
Agriculture, forestry and fishing	**2. 1**	2. 1	2. 1
Banks	**10. 4**	11. 1	10. 9
Business services	**1. 0**	1. 0	0. 9
Construction	**0. 9**	0. 9	1. 0
Consumer	**53. 4**	52. 8	52. 7
Culture and recreational services	**0. 9**	1. 0	0. 9
Energy	**1. 0**	1. 1	1. 0
Finance - Other	**3. 4**	3. 5	3. 7
Health and community service	**0. 8**	0. 7	0. 7
Manufacturing	**1. 9**	2. 1	2. 0
Mining	**1. 3**	1. 0	1. 0
Property	**6. 7**	6. 5	6. 3
Retail trade and wholesale trade	**2. 5**	2. 4	2. 6
Sovereign	**7. 4**	7. 5	7. 9
Transport and storage	**1. 6**	1. 5	1. 5
Other	**4. 7**	4. 8	4. 8
	100. 0	100. 0	100. 0

By Region (1)	31 Dec 12 %	30 Jun 12 %	31 Dec 11 %
Australia	**80. 0**	79. 7	80. 8
New Zealand	**8. 4**	8. 1	8. 1
Europe	**4. 7**	5. 2	4. 6
Americas	**4. 3**	4. 5	4. 1
Asia	**2. 5**	2. 4	2. 3
Other	**0. 1**	0. 1	0. 1
	100. 0	100. 0	100. 0

Commercial Portfolio Quality (1)	31 Dec 12 %	30 Jun 12 %	31 Dec 11 %
AAA/AA	**30**	31	34
A	**19**	19	17
BBB	**17**	18	16
Other	**34**	32	33
	100	100	100

(1) Committed exposures by industry, region and commercial credit quality is disclosed on a gross basis (calculated before collateralisation).

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance sectors), the Group has 66% of commercial exposures at investment grade quality.

Included in the Group's European exposures is $1,302 million of exposure to Spain, Ireland, Italy and Greece. The exposure comprises $249 million Italian sovereign (Government), $83 million Italian and Spanish banks (primarily short term deposits) and $970 million of predominantly Irish and Spanish corporate counterparties (primarily secured by residential and other security).

6. Integrated Risk Management (continued)

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- Balance Sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Short and long term wholesale funding limits are established, reviewed regularly and monitored to ensure that they are met. The Group's market capacity is known and used as a factor in funding strategies;
- At least a prescribed minimum level of assets are retained in highly liquid form;
- This level of liquid assets complies with crisis scenario assumptions related to "worst case" wholesale and retail market conditions; is adequate to meet known funding obligations over certain timeframes and allocated across Australian dollar and foreign currency denominated securities in accordance with specific calculations;
- Certain levels of liquid assets are held to provide for the risk of the Group's committed but undrawn lending obligations being drawn by customers, as calculated based on draw down estimates and forecasts;
- The Group maintains certain levels of liquid assets categories within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government bonds. The second includes negotiable certificates of deposit, bank bills, bank term securities, supranational bonds and Australian RMBS securities that meet certain RBA requirements.
- Internal RMBS securities, being mortgages that have been securitised but retained by the Bank, are held for their repo-eligibility with the RBA under a stress scenario and included within Group liquids; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are central bank repo-eligible under normal market conditions.

The Group's key funding tools include:

- Its consumer retail funding base, which includes a wide range of retail transaction accounts, investment accounts and retirement style accounts for individual consumers;
- Its small business and institutional deposit base; and
- Its wholesale international and domestic funding programs which include its: Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit program; Australian, U.S. and Euro Commercial Paper programs; U.S. Extendible Notes program; Australian dollar Domestic Debt program; U.S. Rule 144A/Regulation S Medium Term Note Program; Euro Medium Term Note program, multi jurisdiction Covered Bonds program and its Medallion securitisation program.

The Group's key liquidity tools include:

- A liquidity management model similar to a "maturity ladder" or "liquidity gap analysis", that allows forecasting of liquidity needs on a daily basis;
- An additional liquidity management model that implements the agreed prudential liquidity policies. This model is calibrated with a series of "worst case" liquidity crisis scenarios, incorporating both systemic and "name" crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due; Central bank repurchase agreement facilities which provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable;
- The Group's various short term funding programs which are supplemented by the Interbank Deposit Agreement between the four major Australian banks. This agreement is similar to a standby liquidity facility that allows the Group to access funding in various crisis circumstances.

Recent Market Environment

Market practice and regulatory requirements for managing funding and liquidity risk are evolving internationally as a result of the global financial crisis and subsequent "Basel III" initiatives announced by the BCBS. As a member of the BCBS, APRA is issuing new prudential standards based on the BCBS minimum standards and implementation timetable. The new APRA standards will govern liquidity requirements at the banking group and Australian ADI licence levels, with potential for other offshore jurisdictions in which the Group operates having additional specific requirements for local banking operations.

The Basel III reforms introduce a LCR and NSFR as minimum requirements for liquid asset holdings and long-term funding of assets respectively. Due to the limited availability of "Basel III" qualifying liquid assets in Australia, implementation of the LCR locally will include the provision of a Committed Liquidity Facility by the RBA which will ensure the liquidity of other approved assets under stress conditions, with additional cost, and qualify them for the regulatory liquid asset buffer.

In January 2013, the BCBS released updated and final minimum standards for the LCR and liquidity risk monitoring. APRA is expected to release updated Australian liquidity risk standards in the first half of 2013.

CBA is actively managing transition to "Basel III" implementation in accordance with the known requirements and timetable for both qualitative and quantitative standards.

6. Integrated Risk Management (continued)

Funding Sources

The following table provides the funding sources for the Group, including customer deposits, short term and long term wholesale funding. Shareholders' equity is excluded from this view of funding sources other than the USD Trust Preferred Securities, which are classified as other equity instruments in the statutory Balance Sheet.

	As at				
	31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs	Dec 12 vs
Group Funding	$M	$M	$M	Jun 12 %	Dec 11 %
Transaction deposits (1)	**82,913**	81,104	79,793	2	4
Savings deposits (1)	**99,585**	91,279	91,587	9	9
Investment deposits	**192,302**	197,138	188,917	(2)	2
Other customer deposits(2)	**11,079**	9,778	10,167	13	9
Total customer deposits	**385,879**	379,299	370,464	2	4
Wholesale funding					
Short term					
Certificates of deposit	**36,055**	31,831	35,678	13	1
Bank acceptances	**8,155**	9,717	10,732	(16)	(24)
ECP commercial paper programme	**1,506**	8,017	8,629	(81)	(83)
US commercial paper programme	**30,700**	28,200	33,001	9	(7)
Securities sold under agreements to repurchase	**4,629**	5,245	3,696	(12)	25
Other (3)	**27,030**	25,481	23,298	6	16
Total short term wholesale funding	**108,075**	108,491	115,034	-	(6)
Long term wholesale funding - less than one year residual maturity (3)	**24,571**	25,715	32,391	(4)	(24)
Long term - greater than one year residual maturity (4)					
Transferable certificates of deposit (5)	**13,743**	19,068	19,580	(28)	(30)
Euro medium term note programme	**26,731**	25,586	26,213	4	2
US medium term note programme	**22,583**	23,753	23,622	(5)	(4)
Covered bond programmes	**14,396**	12,574	-	14	large
Other debt issues (6)	**8,836**	7,403	4,956	19	78
Securitisation	**6,125**	6,240	6,901	(2)	(11)
Loan capital	**9,158**	7,520	7,481	22	22
Other	**1,459**	1,494	981	(2)	49
Total long term wholesale funding - greater than one year residual maturity (3)	**103,031**	103,638	89,734	(1)	15
IFRS MTM and derivative FX revaluations	**(4,267)**	(5,417)	(6,975)	(21)	(39)
Total wholesale funding	**231,410**	232,427	230,184	-	1
Total funding	**617,289**	611,726	600,648	1	3
Reported as:					
Deposits and other public borrowings	**448,410**	437,655	431,827	2	4
Payables due to other financial institutions	**23,479**	22,126	17,424	6	35
Liabilities at fair value through income statement	**7,195**	6,555	9,986	10	(28)
Bank acceptances	**8,155**	9,717	10,732	(16)	(24)
Debt issues	**119,284**	124,712	119,307	(4)	-
Loan capital	**9,827**	10,022	10,433	(2)	(6)
Share capital - other equity interests	**939**	939	939	-	-
Total funding	**617,289**	611,726	600,648	1	3

(1) Certain comparative information has been reclassified to conform to presentation in the current period.

(2) Other customer deposits primarily consist of non-interest bearing deposits and deposits held at fair value through the income statement.

(3) Includes short sales, due to other financial institutions, debt issues with original maturity/call date less than one year.

(4) Residual maturity of long term wholesale funding included in Debt issues, Loan capital and Share capital – other equity instruments, is the earlier of the next call date or final maturity.

(5) Includes long term domestic debt program (included within certificates of deposit, refer to Note 7).

(6) Includes debt included in liabilities at fair value through income statement.

6. Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 39 of the 2012 Financial Report.

Value at Risk (VaR)

The Group uses Value at Risk (VaR) as one of the measures of Traded and Non-Traded Market Risk. VaR measures potential loss using historically observed market volatility and correlation between different markets.

VaR is modelled at a 97.5% confidence level over a 1 day holding period for Trading Book positions and over a 20 day holding period for Banking Book interest rate risk and insurance business market risk.

Where VaR is deemed not to be an appropriate method of risk measurement other risk measures have been used, as specified by the heading or accompanying footnotes of the tables provided.

	Average VaR		
	31 Dec 12	30 Jun 12	31 Dec 11
Traded Market Risk (1)	$M	$M	$M
Risk Type			
Interest rate risk	**6.6**	5.9	4.5
Foreign exchange risk	**1.0**	1.0	1.1
Equities risk	**2.2**	1.9	2.5
Commodities risk	**0.9**	1.2	1.3
Credit spread risk	**2.2**	2.5	3.2
Diversification benefit	**(7.6)**	(6.9)	(6.5)
Total general market risk	**5.3**	5.6	6.1
Undiversified risk	**2.9**	3.3	3.5
ASB Bank	**0.2**	2.0	2.5
Bankwest	**0.1**	0.1	0.1
Total	**8.5**	11.0	12.2

(1) Average VaR is at 1 day 97.5% confidence, and is calculated for each six month period.

	Average VaR (3)		
Non-traded VaR in Australian Life Insurance Business	31 Dec 12	30 Jun 12	31 Dec 11
(20 day 97.5% Confidence)	$M	$M	$M
Shareholder funds (1)	**20.7**	20.4	26.1
Guarantees (to Policyholders) (2)	**21.2**	25.9	35.4

(1) VaR in relation to the investment of Shareholder Funds.

(2) VaR in relation to product portfolios where the Group has a guaranteed liability to policyholders.

(3) For the half year ended.

6. Integrated Risk Management (continued)

Non-Traded Equity

Non-traded equity includes all equity instruments outside the trading portfolio with the exception of structural and strategic holdings integral to the Group's operations.

	As at		
	VaR	VaR	VaR
	31 Dec 12	30 Jun 12	31 Dec 11
Non-Traded Equity Risk VaR (20 day 97.5% Confidence)	$M	$M	$M
VaR	**94. 0**	94. 0	99. 0

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is discussed within Note 39 of the 2012 Financial Report.

(a) Next 12 months' Earnings

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

		31 Dec 12	30 Jun 12	31 Dec 11
Net Interest Earnings at Risk [1]		$M	$M	$M
Average monthly exposure	AUD	**100. 4**	92. 7	211. 8
	NZD	**11. 3**	14. 4	27. 0
High month exposure	AUD	**114. 2**	140. 9	284. 3
	NZD	**16. 2**	18. 3	32. 5
Low month exposure	AUD	**89. 2**	40. 7	154. 0
	NZD	**5. 3**	11. 5	18. 0

(1) Half year ended.

(b) Economic Value

A 20-day 97.5% VaR measure is used to capture the economic impact of adverse changes in interest rates on all banking book assets and liabilities.

	Average VaR [3]		
	31 Dec 12	30 Jun 12	31 Dec 11
Non-traded Interest Rate Risk [1]	$M	$M	$M
AUD Interest rate risk	**79. 8**	104. 2	142. 7
NZD Interest rate risk [2]	**1. 9**	1. 4	1. 3

(1) VaR is at 20 day 97.5% confidence.

(2) Relates specifically to ASB data as at month end.

(3) Half year ended.

7. Counterparty and Other Credit Risk Exposures

Special purpose and off-balance sheet entities

The Group invests in or establishes special purpose entities (SPEs) in the ordinary course of business, primarily to provide funding and financial services for its customers. These SPEs are consolidated in the Financial Statements if they meet the criteria of control as outlined in Note 1 to the Financial Statements of the 2012 Financial Report. The definition of control depends upon substance rather than form and, accordingly, determination of the existence of control involves management judgement. The Group assesses whether an SPE should be consolidated based on whether the majority of risks and rewards in the entity pass to the Group.

Some of the SPEs with which the Group is involved are detailed below, including the reason for their establishment and the control factors associated with the Group's interest in them. The Group does not bear the majority of residual risks and rewards of the SPEs which are not consolidated.

Securitisation vehicles

Reason for establishment – Securitisation is a financing technique whereby assets are transferred to an SPE, which funds the purchase of assets by issuing securities to investors. The Group has a policy of funding diversification and assets may be securitised to provide greater diversification of the Group's funding sources.

Control factors – The Group may manage these securitisation vehicles, service assets in the vehicle, provide hedging, or provide other facilities such as liquidity facilities. The Group retains the risks associated with the provision of these services. The Group is also entitled to any residual income from the SPEs after all payments due to investors and costs of the program have been met.

Structured Finance Entities

Reason for establishment – These entities are established to assist the Group's Structured Finance function with the structuring of client or group financing. The resulting lending and investment arrangements are entered into under the Group's approved lending criteria and are subject to appropriate credit approval processes. The assets arising from these financing activities are generally included in Receivables due from other financial institutions, Available-for-sale investments or Loans, bills discounted and other receivables. Exposures in the form of guarantees or undrawn credit lines are included within Contingent liabilities and credit related commitments.

Control factors – The Group may manage these vehicles, hold minor amounts of capital, provide financing or transact derivatives with these entities. These entities are generally consolidated by the Group.

Asset-backed securities

Asset-backed securities are debt instruments based on pools of assets which may consist of residential mortgages, commercial mortgages or other types of receivables. The Group has acquired asset-backed securities primarily as part of its trading activities (classified as Trading assets), liquidity management (classified as Available-for-sale investments), or through investments in SPEs.

The primary source of repayment of the debt instruments is the cash flows from the underlying assets. Investors in the debt instruments have no recourse to the general assets of the issuer. The majority of the Group's asset-backed securities portfolio consists of notes rated at least AA- that are carried at fair value on the Balance Sheet.

Leveraged finance

The Group provides debt financing to companies acquired by private equity firms. These acquisitions are typically highly leveraged. Target businesses are those with operations in Australia and New Zealand with stable and established earnings and the ability to reduce borrowing levels.

The Group's exposure is well diversified across industries and private equity sponsors. All debt facilities provided are senior with first ranking security over the cash flows and assets of the businesses.

Hedge funds

There were no material movements in exposures to hedge funds since 30 June 2012 and these exposures are not considered to be material.

Collateralised debt obligations (CDOs) and credit linked notes

The Group has no material direct or indirect exposure to CDOs or credit linked notes.

Lenders mortgage insurance

Lenders mortgage insurance is provided by Genworth Financial Mortgage Insurance Pty Ltd and QBE Lenders Mortgage Insurance Ltd. The annualised expected loss claim, representing the total value of claims that would be due from these providers to the Group, on the basis of current market conditions, is approximately $123 million from Genworth and $10 million from QBE.

Monoline insurers

The underlying debt instruments that have been wrapped by monoline insurers are predominantly Australian domiciled and have stand-alone ratings ranging from BBB to A+. As at 31 December 2012 the Group had $179 million in exposures to these instruments (June 2012: $188 million).

7. Counterparty and Other Credit Risk Exposures (continued)

Securitisation Vehicles

An analysis of the assets of, and exposures to, consolidated securitisation vehicles which the Group has established or manages is outlined in the tables below.

	Loans		Associated Liabilities	
	31 Dec 12	30 Jun 12	31 Dec 12	30 Jun 12
	$M	$M	$M	$M
Securitisation programmes				
Residential mortgages (1)	**8,810**	9,279	**7,415**	7,858
Total securitisation programmes	**8,810**	9,279	**7,415**	7,858
Covered bond programmes				
Residential mortgages	**20,183**	22,358	**15,050**	12,789
Total covered bond programmes	**20,183**	22,358	**15,050**	12,789
Total securitisation and covered bond programmes	**28,993**	31,637	**22,465**	20,647

(1) These loans and associated liabilities have been included on the basis that the associated liabilities are issued externally.

	Funded		Unfunded		Total	
	31 Dec 12	30 Jun 12	31 Dec 12	30 Jun 12	31 Dec 12	30 Jun 12
Exposure to Securitisation SPEs	$M	$M	$M	$M	$M	$M
Residential mortgage backed securities held for potential repurchase with central banks	**71,560**	72,192	**-**	-	**71,560**	72,192
Other residential mortgage backed securities	**3,615**	3,535	**-**	-	**3,615**	3,535
Derivatives	**1,285**	1,519	**-**	-	**1,285**	1,519
Liquidity support & other facilities	**1,405**	884	**1,158**	972	**2,563**	1,856
Total exposure to securitisation SPEs	**77,865**	78,130	**1,158**	972	**79,023**	79,102

(1) Unfunded amounts apply to financial arrangements the Group holds with securitisation SPEs that the SPE is yet to draw on.

(2) Derivatives are measured on the basis of Potential Credit Exposure (PCE), a credit risk measurement of maximum risk over the term of the transaction or current fair value where PCE is not available.

7. Counterparty and Other Credit Risk Exposures (continued)

Asset-backed Securities

Analysis of the exposure to non-Group originated asset-backed securities and related facilities is outlined in the tables below.

Summary of Asset-backed Securities	Carrying Amount 31 Dec 12 $M	30 Jun 12 $M
Commercial mortgage backed securities	32	32
Residential mortgage backed securities	4,472	4,493
Other asset-backed securities	9	-
Total	4,513	4,525

Asset-backed Securities by Underlying Asset

	Trading Portfolio		AFS Portfolio (1)		Other		Total	
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 12 $M	30 Jun 12 $M	31 Dec 12 $M	30 Jun 12 $M	31 Dec 12 $M	30 Jun 12 $M
Sub-prime	-	-	-	-	-	-	-	-
Non-conforming (Alt-A)	1	1	-	-	-	-	1	1
Prime mortgages	38	23	4,155	4,191	279	278	4,472	4,492
Other assets	-	-	40	32	-	-	40	32
Total	39	24	4,195	4,223	279	278	4,513	4,525

Asset-backed Securities by Credit Rating and Geography

	AAA & AA		A		BBB		BB and below including not rated		Total	
	31 Dec 12 $M	30 Jun 12 $M	31 Dec 12 $M	30 Jun 12 $M	31 Dec 12 $M	30 Jun 12 $M	31 Dec 12 $M	30 Jun 12 $M	31 Dec 12 $M	30 Jun 12 $M
Australia	4,160	4,161	25	29	-	10	18	15	4,203	4,215
Europe	-	-	-	-	-	-	279	278	279	278
UK	-	-	31	32	-	-	-	-	31	32
Total	4,160	4,161	56	61	-	10	297	293	4,513	4,525

Warehousing Financing Facilities	Funded Commitments 31 Dec 12 $M	30 Jun 12 $M	Unfunded Commitments 31 Dec 12 $M	30 Jun 12 $M	Total 31 Dec 12 $M	30 Jun 12 $M
Australia	2,811	3,361	1,237	1,328	4,048	4,689
New Zealand	538	605	19	28	557	633
Europe	310	298	-	-	310	298
Total	3,659	4,264	1,256	1,356	4,915	5,620

Commercial Paper Standby Liquidity Facilities (2)	Funded Commitments 31 Dec 12 $M	30 Jun 12 $M	Unfunded Commitments 31 Dec 12 $M	30 Jun 12 $M	Total 31 Dec 12 $M	30 Jun 12 $M
Standby liquidity facilities	-	19	-	200	-	219

(1) Available-for-sale investments (AFS).

(2) Facilities provided to companies with operations in Australia and New Zealand.

8. Regulatory Capital

Risk Weighted Capital Ratios (Basel II)	As at 31 Dec 12 %	30 Jun 12 %	31 Dec 11 %
Common Equity Tier One [(1)]	**8. 3**	7. 8	7. 7
Tier One	**10. 5**	10. 0	9. 9
Tier Two	**0. 7**	1. 0	1. 2
Total Capital	**11. 2**	11. 0	11. 1

Regulatory Capital (Basel II)	As at 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
Ordinary Share Capital	**26,126**	25,175	24,651
Treasury Shares [(2)]	**301**	323	316
Ordinary Share Capital and Treasury Shares	**26,427**	25,498	24,967
Other Equity Instruments	**939**	939	939
Trust Preferred Securities 2006 [(3)]	**(939)**	(939)	(939)
Total Other Equity Instruments	**-**	-	-
Reserves [(4)]	**1,262**	1,571	829
Cash flow hedge reserve	**(485)**	(644)	(234)
Employee compensation reserve	**(90)**	(136)	(95)
Asset revaluation reserve	**(193)**	(195)	(191)
Available-for-sale investments reserve [(5)]	**(138)**	-	-
Foreign currency translation reserve related to non-consolidated subsidiaries	**164**	171	153
Total Reserves	**520**	767	462
Retained Earnings and current period profits	**14,440**	13,356	11,928
Expected dividend [(6)]	**(2,639)**	(3,137)	(2,166)
Estimated reinvestment under Dividend Reinvestment Plan [(7)]	**-**	784	542
Retained earnings adjustment for non-consolidated subsidiaries [(8)]	**(239)**	(126)	35
Other	**(308)**	(219)	(178)
Net Retained Earnings	**11,254**	10,658	10,161
Non-controlling Interest [(9)]	**532**	531	528
ASB Perpetual Preference Shares [(9)]	**(505)**	(505)	(505)
Non-controlling interests less ASB Perpetual Preference Shares	**27**	26	23
Total Fundamental Tier One Capital	**38,228**	36,949	35,613

(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 Capital.

(5) As at December 2012 the Available-for-Sale reserve was $138 million (credit balance) and is not eligible for inclusion in regulatory capital.

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

(7) The 31 December 2012 Basel II capital position assumes that the DRP in respect of the 31 December 2012 interim dividend is to be satisfied in full by on market purchased shares. The DRP in respect of both the June 2012 final and December 2011 interim dividend was satisfied in full by the issue of shares.

(8) Represents cumulative current year profit and retained earnings adjustment for subsidiaries not consolidated for regulatory purposes. This includes adjustments to the extent to which retained earnings from non-consolidated subsidiaries have not been repatriated to the Bank in dividends (December 2012: $991 million; June 2012: $878 million; December 2011: $717 million). The retention of these profits is used to fund the future growth of these operations. This has been offset by the one-off write back adjustments upon adoption of IFRS of $752 million.

(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 New Zealand subsidiary entities. These shares are non-redeemable and carry limited voting rights.

8. Regulatory Capital (continued)

Regulatory Capital (Basel II)	As at 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
Tier One Capital Deductions - 100%			
Goodwill and other intangibles (excluding software) [1]	**(8,535)**	(8,581)	(8,546)
Capitalised expenses	**(224)**	(263)	(240)
Capitalised computer software costs	**(1,831)**	(1,700)	(1,480)
General reserve for credit losses top up [2]	**(197)**	(209)	(183)
Deferred tax	**(393)**	(548)	(383)
Tier One Capital Deductions - 100%	**(11,180)**	(11,301)	(10,832)
Tier One Capital Deductions - 50% [3]			
Equity investments in other entities [4]	**(614)**	(612)	(638)
Equity investments in non-consolidated subsidiaries (net of intangibles) [5]	**(632)**	(629)	(594)
Expected impairment losses (before tax) in excess of eligible credit provisions (net of deferred tax) [6]	**(512)**	(630)	(646)
Other deductions	**(241)**	(113)	(66)
Tier One Capital Deductions - 50%	**(1,999)**	(1,984)	(1,944)
Total Tier One Capital Deductions	**(13,179)**	(13,285)	(12,776)
Fundamental Tier One Capital After Deductions	**25,049**	23,664	22,837
Residual Tier One Capital			
Innovative Tier One Capital			
Non-cumulative preference shares and notes [7]	**4,592**	2,625	2,626
Non-controlling interests [8]	**505**	505	505
Eligible loan capital	**96**	98	98
Less: Innovative capital in excess of prescribed limits transferred to Upper Tier Two Capital [9]	**(426)**	-	-
Total Innovative Tier One Capital	**4,767**	3,228	3,229
Non-Innovative Residual Tier One Capital [10]	**1,964**	3,407	3,407
Total Residual Tier One Capital	**6,731**	6,635	6,636
Total Tier One Capital	**31,780**	30,299	29,473

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

(2) Capital deduction at 31 December 2012 of $197 million after tax (30 June 2012: $209 million; 31 December 2011: $183 million) to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of the individual facilities, as required by APS 220.

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

(4) Represents the Group's non-controlling interest in other entities.

(5) Represents the net equity within the non-consolidated subsidiaries (primarily the Insurance and Funds Management businesses operating within Colonial Group), which is deducted 50% from Tier One and 50% from Tier Two Capital. This deduction is net of $1,158 million in Non-Recourse Debt issued by Colonial Finance Limited (30 June 2012: $1,214 million; 31 December 2011: $1,880 million) and $1,000 million in Colonial Group Subordinated Notes issued in April 2012. The Colonial Hybrid issue of $700 million was redeemed in two equal tranches, $350 million in April 2012 and $350 million in November 2011. The Group's insurance and funds management companies held $1,447 million of assets in excess of regulatory solvency requirements at 31 December 2012 (30 June 2012:$1,318 million; 31 December 2011: $1,108 million).

(6) 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 reserve for credit losses net of tax and individually assessed provision pre-tax) are deducted 50% from both Tier One and Tier Two Capital.

(7) Comprises APRA approved Innovative Tier One Capital instruments (PERLS III, PERLS VI and Trust Preferred Securities 2003 and 2006). PERLS VI was issued in October 2012 ($2 billion less issue costs).

(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 New Zealand subsidiary entities. These shares are non-redeemable and carry limited voting rights.

(9) Innovative capital, eligible for inclusion as Tier One Capital under the existing Basel II framework, is subject to an APRA prescribed limit of 15% of Tier One Capital. Any excess above this limit is transferred to Upper Tier Two Capital.

(10) Comprises PERLS V $2,000 million (less costs) issued by the Bank in October 2009. PERLS IV $1,465 million (less costs) matured in October 2012.

8. Regulatory Capital (continued)

Regulatory Capital (Basel II)	As at 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
Tier Two Capital			
Upper Tier Two Capital			
Innovative capital in excess of prescribed limits transferred from Tier One Capital [1]	**426**	-	-
Prudential general reserve for credit losses (net of tax) [2]	**124**	595	631
Asset revaluation reserve [3]	**87**	88	86
Upper Tier Two note and bond issues	**324**	358	368
Other	**204**	176	151
Total Upper Tier Two Capital	**1,165**	1,217	1,236
Lower Tier Two Capital			
Lower Tier Two note and bond issues [4] [5]	**2,900**	3,726	4,314
Holding of own Lower Tier Two Capital	**-**	(20)	(18)
Total Lower Tier Two Capital	**2,900**	3,706	4,296
Tier Two Capital Deductions			
50% Deductions from Tier Two Capital [6]	**(1,999)**	(1,984)	(1,944)
Total Tier Two Capital	**2,066**	2,939	3,588
Total Capital	**33,846**	33,238	33,061

(1) Innovative capital eligible for inclusion as Tier One Capital under the Basel II framework is subject to an APRA prescribed limit of 15% of Tier One Capital. Any excess above this limit is 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. In the December 2012 half year, APRA granted approval for the redemption of three separate subordinated Lower Tier Two debt instruments totalling $711 million (30 June 2012: $500 million; 31 December 2011: $1,361 million).

(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.

8. Regulatory Capital (continued)

Risk Weighted Assets (Basel II)	31 Dec 12 (1) $M	30 Jun 12 (1) $M	31 Dec 11 (1) $M
Credit Risk			
Subject to Advanced IRB approach			
Corporate	**51,851**	49,331	45,983
SME Corporate	**30,833**	22,319	22,155
SME Retail	**4,222**	4,071	4,486
Sovereign	**3,692**	3,003	3,201
Bank	**8,322**	7,619	7,925
Residential mortgage	**63,637**	54,545	53,844
Qualifying revolving retail	**6,460**	6,703	6,491
Other retail	**8,983**	8,462	8,116
Impact of the regulatory scaling factor (2)	**10,680**	9,363	9,132
Total Risk Weighted Assets subject to Advanced IRB approach	**188,680**	165,416	161,333
Specialised lending exposures subject to slotting criteria	**48,398**	36,141	36,915
Subject to Standardised approach			
Corporate	**3,894**	10,430	9,950
SME Corporate	**317**	6,580	6,803
SME Retail	**4,728**	4,836	4,230
Sovereign	**203**	107	308
Bank	**138**	1,243	1,303
Residential mortgage	**2,257**	25,705	24,660
Other retail	**2,212**	2,559	2,627
Other assets	**4,124**	3,240	5,215
Total Risk Weighted Assets subject to Standardised approach	**17,873**	54,700	55,096
Securitisation	**1,119**	2,833	2,695
Equity exposures	**2,397**	2,339	2,407
Total Risk Weighted Assets for credit risk exposures	**258,467**	261,429	258,446
Traded market risk	**4,517**	4,842	3,105
Interest rate risk in the banking book	**10,996**	9,765	11,525
Operational risk	**27,631**	26,751	24,629
Total Risk Weighted Assets	**301,611**	302,787	297,705

(1) RWA for June 2012 and December 2011 include the consolidation of Bankwest under the Basel II Standardised methodology. APRA granted approval for the Group to extend its Advanced Internal Ratings Based accreditation to include the Bankwest non-retail loans and residential mortgage portfolio from 31 December 2012.

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

9. Share Capital

Shares on Issue	Half Year Ended 31 Dec 12 Number	30 Jun 12 Number	31 Dec 11 Number
Opening balance (excluding Treasury Shares deduction)	**1,592,154,780**	1,581,280,593	1,558,637,244
Issue of shares (1)	**-**	-	5,042,949
Dividend reinvestment plan issue:			
2010/2011 Final dividend fully paid ordinary shares $47.48	**-**	-	17,524,300
2011/2012 Interim dividend fully paid ordinary shares $48.81	**-**	10,874,187	-
2011/2012 Final dividend fully paid ordinary shares $54.54	**17,026,061**	-	-
Exercise of executive option plan	**-**	-	76,100
Closing balance (excluding Treasury Shares deduction)	**1,609,180,841**	1,592,154,780	1,581,280,593
Less: Treasury Shares (2)	**(6,316,670)**	(6,874,405)	(6,774,861)
Closing balance	**1,602,864,171**	1,585,280,375	1,574,505,732

(1) The Group acquired 100% of the issued share capital of Count Financial during the period ended 31 December 2011 for purchase consideration of $372 million. This was part funded through the issue of 5,042,949 CBA ordinary shares.

(2) Relates to Treasury shares held within the Life Insurance statutory funds and the employees share scheme trust.

Dividend Franking Account

After fully franking the interim dividend to be paid for the half year ended 31 December 2012, the amount of credits available at the 30% tax rate to frank dividends for subsequent financial years is $435 million (June 2012: $390 million; December 2011: $435 million). This figure is based on the franking accounts of the Bank at 31 December 2012, adjusted for franking credits that we expect to arise from the payment of income tax payable on profits for the half year, franking debits that will likely arise from the payment of dividends proposed and franking credits that the Bank may be prevented from distributing in subsequent financial periods. The Bank expects that future tax payments will generate sufficient franking credits for the Bank to be able to continue to fully frank future dividend payments. These calculations have been based on the taxation law as at 31 December 2012.

Dividends

The Directors have determined a fully franked interim dividend of 164 cents per share amounting to $2,639 million. There is no foreign conduit income attributed to the final dividend. The dividend is intended to be paid on 5 April 2013 to shareholders on the register at 5:00pm EST on 22 February 2013.

The Board determines the dividends per share based on net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

Dividend Reinvestment Plan

Participation in the DRP is optional and offers ordinary shareholders in certain jurisdictions the opportunity to acquire fully paid ordinary shares instead of receiving the dividend in cash. Shares allocated under the DRP will rank equally with other ordinary shares already on issue.

The DRP for the 2013 interim dividend is anticipated to be satisfied in full by an on market purchase of shares.

Record Date

The register closes for determination of dividend entitlement and for participation in the DRP at 5:00pm EST on 22 February 2013 at Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235.

Ex-Dividend Date

The ex-dividend date is 18 February 2013.

10. Intangible Assets

	As at		
	31 Dec 12	30 Jun 12	31 Dec 11
	$M	$M	$M
Goodwill			
Purchased goodwill	**7,707**	7,705	7,624
Closing balance	**7,707**	7,705	7,624
Computer Software Costs			
Cost	**2,549**	2,462	2,182
Accumulated amortisation	**(714)**	(758)	(698)
Accumulated impairment	**(4)**	(4)	(4)
Closing balance	**1,831**	1,700	1,480
Core Deposits (1)			
Cost	**495**	495	495
Accumulated amortisation	**(284)**	(248)	(213)
Closing balance	**211**	247	282
Management Fee Rights (2)			
Cost	**316**	316	316
Closing balance	**316**	316	316
Brand Name (3)			
Cost	**190**	190	190
Closing balance	**190**	190	190
Other (4)			
Cost	**255**	255	253
Accumulated amortisation	**(144)**	(132)	(119)
Closing balance	**111**	123	134
Total intangible assets	**10,366**	10,281	10,026

(1) Core deposits represent the value of the Bankwest deposit base compared to the avoided cost of alternative funding sources such as securitisation and wholesale funding. This asset was acquired on 19 December 2008 with a useful life of seven years based on the weighted average attrition rates of the Bankwest deposit portfolio.

(2) Management fee rights have an indefinite useful life under the contractual terms of the management agreements and are subject to an annual valuation for impairment testing purposes. No impairment was required as a result of this valuation.

(3) Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. This asset has an indefinite useful life, as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. The asset is not subject to amortisation, but is subject to annual impairment testing. No impairment was required as a result of this test. The Count Financial Limited brand name ($4 million) is amortised over the estimated useful life of 20 years.

(4) Other intangibles include the value of externally acquired customer relationships. This value represents future net income generated from the relationships that existed at Balance Sheet date. The asset has a useful life of ten years based on the assumed attrition rates of the acquired relationships.

11. ASX Appendix 4D

Compliance Statement

This interim report for the half year ended 31 December 2012 is prepared in accordance with the ASX Listing Rules. It should be read in conjunction with any announcements to the market made by the Group during the period.

The preliminary report has been prepared in accordance with Accounting Standards in Australia.

The Financial Statements of the Group have not been audited.

J D Hatton

Company Secretary

13 February 2013

11. ASX Appendix 4D (continued)

Details of entities over which control was gained and lost during the year (Rule 4.2A.3 Item No. 4)

The Group has not gained or lost control over any entities during the half.

Details of associates and joint ventures (Rule 4.2A.3 Item No. 7)

As at 31 December 2012	Ownership Interest Held (%)
Acadian Asset Management (Australia) Limited	50%
Aegis Correctional Partnership Pty Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Nominees Pty Limited	50%
Aegis Securitisation Trust	50%
Aspire Schools Financing (Qld) Pty Limited	50%
Aspire Schools Holdings (Qld) Pty Limited	50%
Equigroup Pty Limited	50%
Sentinel Partnership Pty Limited	50%
Sentinel Financing Holdings Pty Ltd	50%
Sentinel Finance Holding Trust	50%
Sentinel Financing Pty Limited	50%
First State Cinda Fund Management Company Limited	46%
BoCommLife Insurance Company Limited	38%
Countplus Limited	37%
Aussie Home Loans Pty Limited	33%
International Private Equity Real Estate Fund	33%
Vipro Pty Limited	33%
Cardlink Services Limited	25%
Cash Services Australia Pty Limited	25%
Paymark Limited (1)	25%
Bank of Hangzhou Co., Ltd.	20%
First State European Diversified Investment Fund	20%
Qilu Bank Co., Ltd.	20%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
CFS Retail Property Trust (2)	8%
Commonwealth Property Office Fund (2)	6%

(1) Formerly known as Electronic Transaction Services Limited.

(2) The consolidated entity has significant influence due to its relationship as a Responsible Entity.

Other Significant Information

There are no other significant events since 31 December 2012 that have materially affected the financial position or performance of the Group.

Post Balance Date Events

There have been no significant events occurring since the balance sheet date other than as disclosed in Note 11.

Foreign Entities (Rule 4.2A.3 Item No. 8)

Not applicable.

12. Profit Reconciliation

	Half Year Ended 31 December 2012							
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items	Treasury shares valuation adjustment	Bell Group litigation	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Group								
Net interest income	**6,862**	4	(14)	-	-	-	-	**6,852**
Other banking income	**2,135**	(15)	-	-	-	-	-	**2,120**
Total banking income	**8,997**	(11)	(14)	-	-	-	-	**8,972**
Funds management income	**1,033**	-	-	(39)	-	47	(1)	**1,040**
Insurance income	**505**	-	-	-	-	37	85	**627**
Total operating income	**10,535**	(11)	(14)	(39)	-	84	84	**10,639**
Investment experience	**84**	-	-	-	-	-	(84)	**-**
Total income	**10,619**	(11)	(14)	(39)	-	84	-	**10,639**
Operating expenses	**(4,755)**	-	(37)	-	-	-	-	**(4,792)**
Loan impairment expenses	**(616)**	-	-	-	(64)	-	-	**(680)**
Net profit before tax	**5,248**	(11)	(51)	(39)	(64)	84	-	**5,167**
Corporate tax expense	**(1,460)**	1	18	8	19	(84)	-	**(1,498)**
Non-controlling interests	**(8)**	-	-	-	-	-	-	**(8)**
Net profit after tax	**3,780**	(10)	(33)	(31)	(45)	-	-	**3,661**

12. Profit Reconciliation (continued)

	Half Year Ended 30 June 2012							
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items	Count Financial acquisition costs	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	$M	$M	$M	$M	$M	$M	$M	$M
Group								
Net interest income	**6,513**	(8)	(13)	-	-	-	-	**6,492**
Other banking income	**2,000**	10	-	-	-	-	-	**2,010**
Total banking income	**8,513**	2	(13)	-	-	-	-	**8,502**
Funds management income	**980**	-	-	-	(20)	24	(1)	**983**
Insurance income	**459**	-	-	-	-	58	94	**611**
Total operating income	**9,952**	2	(13)	-	(20)	82	93	**10,096**
Investment experience	**93**	-	-	-	-	-	(93)	**-**
Total income	**10,045**	2	(13)	-	(20)	82	-	**10,096**
Operating expenses	**(4,594)**	-	(38)	(17)	-	-	-	**(4,649)**
Loan impairment expenses	**(544)**	-	-	-	-	-	-	**(544)**
Net profit before tax	**4,907**	2	(51)	(17)	(20)	82	-	**4,903**
Corporate tax expense	**(1,363)**	7	(3)	7	4	(82)	-	**(1,430)**
Non-controlling interests	**(7)**	-	-	-	-	-	-	**(7)**
Net profit after tax	**3,537**	9	(54)	(10)	(16)	-	-	**3,466**

12. Profit Reconciliation (continued)

	Half Year Ended 31 December 2011							
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items	Count Financial acquisition costs	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Group								
Net interest income	**6,644**	(1)	(13)	-	-	-	-	**6,630**
Other banking income	**1,927**	152	-	-	-	-	-	**2,079**
Total banking income	**8,571**	151	(13)	-	-	-	-	**8,709**
Funds management income	**977**	-	-	-	5	(33)	8	**957**
Insurance income	**501**	-	-	-	-	73	48	**622**
Total operating income	**10,049**	151	(13)	-	5	40	56	**10,288**
Investment experience	**56**	-	-	-	-	-	(56)	**-**
Total income	**10,105**	151	(13)	-	5	40	-	**10,288**
Operating expenses	**(4,602)**	-	(37)	(43)	-	-	-	**(4,682)**
Loan impairment expenses	**(545)**	-	-	-	-	-	-	**(545)**
Net profit before tax	**4,958**	151	(50)	(43)	5	40	-	**5,061**
Corporate tax expense	**(1,373)**	(36)	15	10	(4)	(40)	-	**(1,428)**
Non-controlling interests	**(9)**	-	-	-	-	-	-	**(9)**
Net profit after tax	**3,576**	115	(35)	(33)	1	-	-	**3,624**

13. Analysis Template

Profit Summary - Input Schedule	Half Year Ended 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
Net interest income	**6,862**	6,513	6,644
Other banking income	**2,135**	2,000	1,927
Total banking income	**8,997**	8,513	8,571
Funds management income	**1,033**	980	977
Insurance income	**505**	459	501
Total operating income	**10,535**	9,952	10,049
Investment experience	**84**	93	56
Total income	**10,619**	10,045	10,105
Operating expenses (1)			
Retail Banking Services	**(1,524)**	(1,469)	(1,496)
Business and Private Banking	**(678)**	(671)	(679)
Institutional Banking and Markets	**(442)**	(423)	(417)
Wealth Management - operating expenses	**(743)**	(689)	(680)
Wealth Management - volume expenses	**(249)**	(248)	(292)
New Zealand	**(365)**	(371)	(353)
Bankwest	**(416)**	(420)	(428)
Other	**(338)**	(303)	(257)
Total operating expenses	**(4,755)**	(4,594)	(4,602)
Profit before loan impairment expense	**5,864**	5,451	5,503
Loan impairment expense	**(616)**	(544)	(545)
Net profit before income tax	**5,248**	4,907	4,958
Corporate tax expense	**(1,460)**	(1,363)	(1,373)
Operating profit after tax	**3,788**	3,544	3,585
Non-controlling interests	**(8)**	(7)	(9)
Net profit after tax ("cash basis")	**3,780**	3,537	3,576
Treasury shares valuation adjustment (after tax)	**(31)**	(16)	1
Hedging and IFRS volatility (after tax)	**(10)**	9	115
Bankwest non-cash items (after tax)	**(33)**	(54)	(35)
Count Financial acquisition costs (after tax)	**-**	(10)	(33)
Bell Group litigation (after tax)	**(45)**	-	-
Net profit after tax ("statutory basis")	**3,661**	3,466	3,624
Total operating income (1)			
Retail Banking Services	**3,918**	3,667	3,723
Business and Private Banking	**1,880**	1,877	1,904
Institutional Banking and Markets	**1,328**	1,200	1,190
Wealth Management (net of volume expenses)	**1,117**	1,022	1,017
New Zealand	**795**	756	742
Bankwest	**871**	807	856
Other	**377**	375	325

(1) Comparative information has been restated to conform to presentation in the current period. Refer to Appendix 16 for details.

13. Analysis Template (continued)

Profit Summary - Input Schedule	Half Year Ended 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
Other data			
Net interest income	**6,862**	6,513	6,644
Average interest earning assets	**649,394**	636,547	622,898
Average net assets (1)	**42,436**	40,224	38,081
Average non-controlling interests (1)	**532**	530	528
Average other equity instruments (1)	**939**	939	939
Average treasury shares (1)	**(312)**	(320)	(306)
Distributions - other equity instruments	**20**	22	20
Interest expense (after tax) - PERLS III	**19**	23	25
Interest expense (after tax) - PERLS IV	**13**	21	23
Interest expense (after tax) - PERLS V	**37**	40	45
Interest expense (after tax) - PERLS VI	**15**	-	-
Interest expense (after tax) - TPS	**11**	11	11
Weighted average number of shares - statutory basis (M)	**1,593**	1,579	1,561
Weighted average number of shares - statutory diluted (M)	**1,686**	1,683	1,669
Weighted average number of shares - cash basis (M)	**1,596**	1,583	1,564
Weighted average number of shares - cash diluted (M)	**1,689**	1,687	1,672
Weighted average number of shares - PERLS III (M)	**20**	23	24
Weighted average number of shares - PERLS IV (M)	**16**	29	30
Weighted average number of shares - PERLS V (M)	**33**	40	41
Weighted average number of shares - PERLS VI (M)	**14**	-	-
Weighted average number of shares - TPS (M)	**9**	11	12
Weighted average number of shares - Executive options (M)	**1**	1	1
Dividends per share (cents) - fully franked	**164**	197	137
No. of shares at end of period excluding Treasury Shares deduction (M)	**1,609**	1,592	1,581
Funds Under Administration (FUA) - average	**212,126**	200,019	193,571
Average inforce premiums	**2,519**	2,363	2,180
Net assets	**43,299**	41,572	38,875
Total intangible assets	**10,366**	10,281	10,026
Non-controlling interests	**532**	531	528
Other equity instruments	**939**	939	939

(1) Average of reporting period balances.

13. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
EPS			
Net profit after tax - ("cash basis")	**3,780**	3,537	3,576
Less distribution - other equity instruments	**(20)**	(22)	(20)
Adjusted profit for EPS calculation	**3,760**	3,515	3,556
Average number of shares (M)	**1,596**	1,583	1,564
Earnings per share - "cash basis" (cents) (1)	**235. 5**	222. 2	227. 2
Interest expense (after tax) - PERLS III	**19**	23	25
Interest expense (after tax) - PERLS IV	**13**	21	23
Interest expense (after tax) - PERLS V	**37**	40	45
Interest expense (after tax) - PERLS VI	**15**	-	-
Interest expense (after tax) - TPS	**11**	11	11
Profit impact of assumed conversions (after tax)	**95**	95	104
Weighted average number of shares - PERLS III (M)	**20**	23	24
Weighted average number of shares - PERLS IV (M)	**16**	29	30
Weighted average number of shares - PERLS V (M)	**33**	40	41
Weighted average number of shares - PERLS VI (M)	**14**	-	-
Weighted average number of shares - TPS (M)	**9**	11	12
Weighted average number of shares - Executive Options (M)	**1**	1	1
Weighted average number of shares - dilutive securities (M)	**93**	104	108
Adjusted cash profit for EPS calculation	**3,760**	3,515	3,556
Add back profit impact of assumed conversions (after tax)	**95**	95	104
Adjusted diluted profit for EPS calculation	**3,855**	3,610	3,660
Average number of shares (M)	**1,596**	1,583	1,564
Add back weighted average number of shares (M)	**93**	104	108
Diluted average number of shares (M)	**1,689**	1,687	1,672
Earnings per share diluted - "cash basis" (cents) (1)	**228. 2**	214. 2	218. 7
Net profit after tax - ("statutory basis")	**3,661**	3,466	3,624
Less distribution - other equity instruments	**(20)**	(22)	(20)
Adjusted profit for EPS calculation	**3,641**	3,444	3,604
Average number of shares (M)	**1,593**	1,579	1,561
Earnings per share - "statutory basis" (cents) (1)	**228. 6**	218. 1	230. 8
DPS			
Dividends			
Dividends per share (cents)	**164**	197	137
No of shares at end of period (M)	**1,609**	1,592	1,581
Total dividends	**2,639**	3,137	2,166
Dividend payout ratio - "cash basis"			
Net profit after tax - ("cash basis")	**3,780**	3,537	3,576
NPAT - available for distribution to ordinary shareholders	**3,760**	3,515	3,556
Total dividends	**2,639**	3,137	2,166
Payout ratio - cash basis (%)	**70. 2**	89. 2	60. 9
Dividend cover			
NPAT - available for distribution to ordinary shareholders	**3,760**	3,515	3,556
Total dividends	**2,639**	3,137	2,166
Dividend cover - cash basis (times)	**1. 4**	1. 1	1. 6

(1) EPS calculations based on NPAT, interest expense, distributions and number of shares prior to rounding to the nearest million.

13. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31 Dec 12 $M	30 Jun 12 $M	31 Dec 11 $M
ROE			
Return on equity - "cash basis"			
Average net assets	**42,436**	40,224	38,081
Less:			
Average non-controlling interests	**(532)**	(530)	(528)
Average other equity instruments	**(939)**	(939)	(939)
Average equity	**40,965**	38,755	36,614
Add average treasury shares	**312**	320	306
Net average equity	**41,277**	39,075	36,920
Net profit after tax - cash basis"	**3,780**	3,537	3,576
Less distribution - other equity instruments	**(20)**	(22)	(20)
Adjusted profit for ROE calculation	**3,760**	3,515	3,556
Return on equity - "cash basis" (%)	**18. 1**	18. 1	19. 2
Return on equity - "statutory basis"			
Average net assets	**42,436**	40,224	38,081
Average non-controlling interests	**(532)**	(530)	(528)
Average other equity interests	**(939)**	(939)	(939)
Average equity	**40,965**	38,755	36,614
Net profit after tax - "statutory basis"	**3,661**	3,466	3,624
Less distribution other equity instruments	**(20)**	(22)	(20)
Adjusted profit for ROE calculation	**3,641**	3,444	3,604
Return on equity - "statutory basis" (%)	**17. 6**	17. 9	19. 6
Net Tangible Assets (NTA) per share			
Net assets	**43,299**	41,572	38,875
Less:			
Intangible assets	**(10,366)**	(10,281)	(10,026)
Non-controlling interests	**(532)**	(531)	(528)
Other equity instruments	**(939)**	(939)	(939)
Total net tangible assets	**31,462**	29,821	27,382
No. of shares at end of period (M)	**1,609**	1,592	1,581
Net tangible assets (NTA) per share ($)	**19.55**	18.73	17.32

14. Summary

Group		Half Year Ended 31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Net profit after tax ("cash basis")	$M	**3,780**	3,537	3,576	7	6
Treasury shares valuation adjustment (after tax)	$M	**(31)**	(16)	1	94	large
Hedging and IFRS volatility (after tax)	$M	**(10)**	9	115	large	large
Bankwest non-cash items (after tax)	$M	**(33)**	(54)	(35)	(39)	(6)
Count Financial Limited acquisition costs (after tax)	$M	**-**	(10)	(33)	large	large
Bell Group litigation (after tax)	$M	**(45)**	-	-	large	large
Net profit after tax ("statutory basis")	$M	**3,661**	3,466	3,624	6	1
Earnings per share ("cash basis") - basic	cents	**235. 5**	222. 2	227. 2	6	4
Dividends per share (fully franked)	cents	**164**	197	137	(17)	20
Dividend pay out ratio ("cash basis")	%	**70. 2**	89. 2	60. 9	large	large
Common Equity Tier One (Internationally Harmonised) - Basel III	%	**10. 6**	9. 8	9. 3	80 bpts	130 bpts
Common Equity Tier One (APRA) - Basel III	%	**8. 1**	7. 5	7. 1	60 bpts	100 bpts
Common Equity Tier One - Basel II	%	**8. 3**	7. 8	7. 7	50 bpts	60 bpts
Tier One - Basel II	%	**10. 5**	10. 0	9. 9	50 bpts	60 bpts
Total Capital - Basel II	%	**11. 2**	11. 0	11. 1	20 bpts	10 bpts
Number of full time equivalent staff	No.	**44,363**	44,844	45,810	(1)	(3)
Return on equity ("cash basis")	%	**18. 1**	18. 1	19. 2	-	(110)bpts
Return on equity ("statutory basis")	%	**17. 6**	17. 9	19. 6	(30)bpts	(200)bpts
Weighted average no. of shares ("statutory basis") - basic	M	**1,593**	1,579	1,561	1	2
Net tangible assets per share	$	**19. 55**	18. 73	17. 32	4	13
Net interest income ("cash basis")	$M	**6,862**	6,513	6,644	5	3
Net interest margin	%	**2. 10**	2. 06	2. 12	4 bpts	(2)bpts
Other banking income ("cash basis")	$M	**2,135**	2,000	1,927	7	11
Other banking income to total banking income	%	**23. 7**	23. 5	22. 5	20 bpts	120 bpts
Operating expenses to total operating income	%	**45. 1**	46. 2	45. 8	(110)bpts	(70)bpts
Average interest earning assets	$M	**649,394**	636,547	622,898	2	4
Average interest bearing liabilities	$M	**605,408**	595,873	585,492	2	3
Loan impairment expense ("cash basis")	$M	**616**	544	545	13	13
Impairment expense ("cash basis") annualised as a % of average gross loans and acceptances	%	**0. 22**	0. 20	0. 21	2 bpts	1 bpt
Individually assessed provisions for impairment as a % of gross impaired assets	%	**42. 78**	44. 63	44. 85	(185)bpts	(207)bpts
Risk weighted assets	$M	**301,611**	302,787	297,705	-	1
Retail Banking Services						
Cash net profit after tax	$M	**1,506**	1,374	1,329	10	13
Operating expenses to total banking income	%	**38. 9**	40. 1	40. 2	(120)bpts	(130)bpts
Business and Private Banking						
Cash net profit after tax	$M	**735**	746	767	(1)	(4)
Operating expenses to total banking income	%	**36. 1**	35. 7	35. 7	40 bpts	40 bpts
Institutional Banking and Markets						
Cash net profit after tax	$M	**603**	527	571	14	6
Operating expenses to total banking income	%	**33. 3**	35. 3	35. 0	(200)bpts	(170)bpts

14. Summary (continued)

		Half Year Ended				
		31 Dec 12	30 Jun 12	31 Dec 11	Dec 12 vs Jun 12 %	Dec 12 vs Dec 11 %
Wealth Management						
Cash net profit after tax	$M	**334**	325	304	3	10
Underlying profit after tax	$M	**273**	243	249	12	10
Investment experience after tax	$M	**61**	82	55	(26)	11
Funds Under Administration - (average)	$M	**204,009**	192,325	186,266	6	10
Funds Under Administration - (spot)	$M	**215,851**	192,781	184,045	12	17
Net funds flows	$M	**6,459**	1,988	2,248	large	large
Annual inforce premiums - (average)	$M	**2,021**	1,889	1,724	7	17
Annual Inforce premiums - (spot)	$M	**2,071**	1,971	1,807	5	15
Funds management income to average FUA	%	**0. 97**	0. 99	1. 01	(2)bpts	(4)bpts
Insurance income to average inforce premiums	%	**36. 1**	34. 8	42. 0	130 bpts	large
Operating expenses to net operating income	%	**66. 5**	67. 4	66. 9	(90)bpts	(40)bpts
New Zealand						
Cash net profit after tax	$M	**309**	257	284	20	9
Underlying profit after tax	$M	**307**	268	289	15	6
Funds Under Administration - (average)	$M	**8,117**	7,694	7,305	5	11
Funds Under Administration - (spot)	$M	**8,197**	7,905	7,244	4	13
Average inforce premiums	$M	**498**	474	456	5	9
Annual Inforce premiums - (spot)	$M	**507**	488	460	4	10
Funds management income to average FUA	%	**0. 61**	0. 60	0. 57	1 bpt	4 bpts
Insurance income to average inforce premiums	%	**45. 0**	47. 1	50. 6	(210)bpts	large
Operating expenses to total operating income	%	**45. 9**	49. 1	47. 6	(320)bpts	(170)bpts
Bankwest						
Cash net profit after tax	$M	**258**	254	273	2	(5)
Operating expenses to total banking income	%	**47. 8**	52. 0	50. 0	(420)bpts	(220)bpts

15. Foreign Exchange Rates

Exchange Rates Utilised (1)		As at		
		31 Dec 12	30 Jun 12	31 Dec 11
AUD 1.00 =	USD	**1. 0386**	1. 0181	1. 0159
	EUR	**0. 7868**	0. 8079	0. 7855
	GBP	**0. 6430**	0. 6509	0. 6591
	NZD	**1. 2610**	1. 2756	1. 3147
	JPY	**89. 4895**	80. 9160	78. 7664

(1) End of day, Sydney time.

16. Disclosure Changes

The Group has made a number of changes to disclosures within this Profit Announcement.

Customer Reporting

To align with the Group's strategic focus on placing the customer at the centre of everything we do, the presentation of segment Profit and Loss and Balance Sheet has been refined. This has led to a reallocation of revenue, expenses and associated customer balances between segments based on where the customer relationship is being managed, rather than the business from which the product originated. This change primarily affects the presentation of the Retail Banking Services and Business and Private Banking segments.

Capital Allocation

With the introduction of the Basel III regulatory capital framework, the Group has enhanced its capital allocation methodology, allocating the higher capital requirements to business segments. This has resulted in a reallocation of earnings on equity from the Corporate Centre (where residual capital was previously held) to each segment, with no change to total Group capital levels.

Single ADI

As a consequence of the Group relinquishing the ADI license held by Bankwest in October 2012, certain treasury-related revenues, operating expenses and balance sheet items have been transferred from the Bankwest segment to the Corporate Centre.

16. Disclosure Changes (continued)

The impact of these changes on each segment's Statutory NPAT and Balance Sheet for the comparative periods is set out below:

Segment Statutory NPAT (impact by adjustment type):

	Half Year Ended 30 June 2012							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Group $M
Statutory NPAT - as published	1,495	516	513	271	232	211	228	**3,466**
Restatements:								
Customer Reporting [1]	(174)	191	(17)	-	-	-	-	**-**
Capital Allocation & Other	53	39	31	28	25	32	(208)	**-**
Single ADI	-	-	-	-	-	(43)	43	**-**
Statutory NPAT - as restated	1,374	746	527	299	257	200	63	**3,466**

	Half Year Ended 31 December 2011							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Group $M
Statutory NPAT - as published	1,439	551	547	240	286	220	341	**3,624**
Restatements:								
Customer Reporting [1]	(162)	179	(17)	-	-	-	-	**-**
Capital Allocation & Other	52	37	41	32	26	42	(230)	**-**
Single ADI	-	-	-	-	-	(24)	24	**-**
Statutory NPAT - as restated	1,329	767	571	272	312	238	135	**3,624**

(1) Primarily relates to the transfer of revenue related to home loans and retail deposits held by relationship-managed business banking customers from RBS to BPB.

Segment Statutory NPAT (impact by Profit & Loss line item):

	Half Year Ended 30 June 2012							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Group $M
Statutory NPAT - as published	1,495	516	513	271	232	211	228	**3,466**
Restatements:								
Increase/(decrease) in Operating income	(191)	352	18	-	35	(18)	(196)	**-**
(Increase)/decrease in Operating expenses	(2)	(2)	3	-	1	2	(2)	**-**
(Increase)/decrease in Loan impairment expense	21	(20)	(1)	-	-	-	-	**-**
Increase/(decrease) in Investment experience	-	-	-	40	-	-	(40)	**-**
(Increase)/decrease in Corporate tax expense	51	(100)	(6)	(12)	(11)	5	73	**-**
Statutory NPAT - as restated	1,374	746	527	299	257	200	63	**3,466**

	Half Year Ended 31 December 2011							
	Retail Banking Services $M	Business and Private Banking $M	Institutional Banking and Markets $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other $M	Group $M
Statutory NPAT - as published	1,439	551	547	240	286	220	341	**3,624**
Restatements:								
Increase/(decrease) in Operating income	(171)	332	26	-	34	23	(244)	**-**
(Increase)/decrease in Operating expenses	(6)	(4)	8	-	2	2	(2)	**-**
(Increase)/decrease in Loan impairment expense	19	(19)	-	-	-	-	-	**-**
Increase/(decrease) in Investment experience	-	-	-	46	-	-	(46)	**-**
(Increase)/decrease in Corporate tax expense	48	(93)	(10)	(14)	(10)	(7)	86	**-**
Statutory NPAT - as restated	1,329	767	571	272	312	238	135	**3,624**

16. Disclosure Changes (continued)

Segment Balance Sheet

	Half Year Ended 30 June 2012							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M
Total Assets - as published	284,754	82,157	126,196	20,643	51,456	82,595	70,428	**718,229**
Increase/(decrease) (1)	(34,588)	17,629	16,959	-	-	(8,632)	8,632	**-**
Total Assets - as restated	250,166	99,786	143,155	20,643	51,456	73,963	79,060	**718,229**
Total Liabilities - as published	185,402	115,001	74,662	21,081	47,226	76,570	156,715	**676,657**
Increase/(decrease) (2)	(18,384)	(44,470)	62,854	-	-	(29,737)	29,737	**-**
Total Liabilities - as restated	167,018	70,531	137,516	21,081	47,226	46,833	186,452	**676,657**

	Half Year Ended 31 December 2011							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	Other	Group
	$M	$M	$M	$M	$M	$M	$M	$M
Total Assets - as published	279,953	82,485	121,155	20,434	51,502	80,042	66,415	**701,986**
Increase/(decrease) (1)	(34,104)	15,621	18,483	-	-	(8,641)	8,641	**-**
Total Assets - as restated	245,849	98,106	139,638	20,434	51,502	71,401	75,056	**701,986**
Total Liabilities - as published	179,054	115,336	72,975	20,235	47,568	74,320	153,623	**663,111**
Increase/(decrease) (2)	(17,207)	(44,053)	61,260	-	-	(27,621)	27,621	**-**
Total Liabilities - as restated	161,847	71,283	134,235	20,235	47,568	46,699	181,244	**663,111**

(1) Primarily relates to the transfer of home loans held by relationship-managed business banking customers from RBS to BPB and business loans held by Institutional customers transferred from BPB to IB&M; and the impact of Single ADI licence on Bankwest/Other segments.

(2) Primarily relates to the transfer of retail deposits held by relationship-managed business banking customers from RBS to BPB and business deposits held by Institutional customers transferred from BPB to IB&M; and the impact of Single ADI licence on Bankwest/Other segments.

17. Euro-zone Exposures

This table includes exposures to Euro-zone countries that are currently experiencing significant economic, fiscal and/or political strains such that likelihood of default would be higher than would be anticipated when such factors do not exist.

The exposures below are represented gross unless cash collateral has been pledged which is the case for derivative exposures.

The total exposures to these countries are 100% funded. No further unfunded committed exposures exist.

The Group continues to monitor these exposures and notes, that due to their size and associated security, they are not considered significant to the Group as a whole.

It should be noted that the interest rate risk exposures on these positions is insignificant to the Group as a whole.

	Sovereign Exposure	Non Sovereign Exposure		Total Exposure
		Bank	Corporate	
Financial Instrument	**$M**	**$M**	**$M**	**$M**
Italy				
Loans and Leases	-	61	-	**61**
Available for Sale Assets	249	-	-	**249**
Derivative Assets	-	12	-	**12**
	249	**73**	**-**	**322**
Spain				
Loans and Leases	-	10	300	**310**
Derivative Assets	-	-	-	**-**
	-	**10**	**300**	**310**
Ireland				
Loans and Leases	-	-	650	**650**
Derivative Assets	-	-	20	**20**
	-	-	**670**	**670**
Total Exposure	**249**	**83**	**970**	**1,302**

18. Independent Auditors

With respect to the unaudited financial information contained in the half-year financial report of Commonwealth Bank of Australia which comprises the balance sheet, the income statement, the statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes for the six-month periods ended 31 December 2012, 30 June 2012, and 31 December 2011, included in this report, PricewaterhouseCoopers, an Australian partnership ("PwC Australia") reported that they have applied review procedures in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report by the Independent Auditor of the Entity. Their separate report dated 13 February 2013 appearing herein states that they did not perform an audit and they do not express an audit opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

19. Definitions

Term	Description
Advanced Internal Ratings Based	Approach used to measure credit risk in accordance with the Group's Basel II accreditation approval provided by APRA that allows the Group to use internal estimates of Probability of Default, Loss Given Default and Exposure at Default for the purposes of calculating regulatory capital.
Bankwest	Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products.
Business and Private Banking	Business and Private Banking provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec.
Corporate Centre and Group wide Eliminations/Unallocated	Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury. Group wide Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.
Customer satisfaction – external survey	This represents satisfaction with Main Financial Institution (MFI) based on the relationship with the financial institution as measured by Roy Morgan Research. The figures are six months rolling averages and are based on respondents aged 14+. The measure is the percentage of customers who answered as being either "very satisfied" or "fairly satisfied" with their MFI.
Dividend payout ratio	Dividends paid on ordinary shares divided by earnings (earnings are net of dividends on other equity instruments).
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share	Calculated in accordance with AASB 133: Earnings per Share.
Expense to income ratio	Represents operating expenses as a percentage of total operating income.
Full time equivalent staff	Includes all permanent full time staff, part time staff equivalents and external contractors employed through third party agencies.
Institutional Banking and Markets	Institutional Banking and Markets services the Group's major corporate, institutional and government clients using a relationship management model based on industry expertise and local insights. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities price risk management and transactional banking capabilities. Institutional Banking and Markets has international operations in London, Malta, New York, New Zealand, Singapore, Hong Kong, Japan and Shanghai.
Interest Rate Risk in the Banking Book	Interest Rate Risk in the Banking Book 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 in 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. The APS117 IRRBB regulatory capital requirement is calculated using the net present value approach.
IFS Asia	IFS Asia incorporates the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese banks, the joint venture Chinese life insurance business and 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.
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, Count Financial Limited acquisition costs, Bell Group litigation expense and unrealised gains and losses related to hedging and IFRS volatility. This is Management's preferred measure of the Group's financial performance.
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, Bankwest non-cash items, the gain/loss on disposal of controlled entities/investments, treasury shares valuation adjustment, Count Financial Limited acquisition costs, Bell Group litigation expense and unrealised gains and losses related to hedging and IFRS volatility. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".
Net profit after tax ("Underlying basis")	Represents net profit after tax ("cash basis") excluding investment experience.
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests, and other equity instruments divided by ordinary shares on issue at the end of the period.
New Zealand	New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand (excluding the international business of Institutional Banking and Markets).

19. Definitions (continued)

Term	Description
Operating expenses to net operating income ratio	Represents operating expenses (excluding volume expenses) as a percentage of total operating income less volume expenses.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Retail Banking Services	Retail Banking Services provides home loan, consumer finance and retail deposit products and servicing to all Retail bank customers. In addition commission is received for the distribution of wealth management products through the retail distribution network.
Return on average shareholders' equity – Cash basis	Based on cash net profit after tax and non-controlling interests less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests, other equity instruments and treasury shares.
Return on average shareholders' equity – Statutory basis	Based on net profit after tax ("statutory basis") less other equity instruments' distributions applied to average shareholders' equity, excluding non-controlling interests and other equity instruments.
Troublesome or Impaired Assets	Internal credit risk rating of 7-9. These credit facilities are not eligible for new or increased exposure unless it will protect or improve the Group's position by maximising recovery prospects or to facilitate rehabilitation. Where a client is in default but the facility is well secured then the facility may be classed as troublesome but not impaired. Where a client's facility is not well secured and a loss is expected, then a facility is impaired. Unsecured retail facilities are classified as impaired when they are 180 days past due. Facilities are classified as restructured where their original contractual arrangements have been modified to provide for concessions of interest or principal, for reasons that relate to the customer's financial difficulties, rendering the facility non-commercial to the Group. Facilities that have been restructured are considered impaired. Default is usually consistent with one or more of the following criteria: ▪ The customer is 90 days or more overdue on a scheduled credit obligation repayment; or ▪ The customer is unlikely to repay their credit obligation to the Bank in full, without recourse by the Group to actions such as realising available security.
Wealth Management	Wealth Management includes the Global Asset Management (including operations in Asia and Europe), Platform Administration and Life and General Insurance businesses of the Australian operations.
Weighted average number of shares ("cash basis")	Includes an adjustment to exclude "Treasury Shares" related to investment in the Bank's shares held by the employee share scheme trust.
Weighted average number of shares ("statutory basis")	Includes an adjustment to exclude "Treasury Shares" related to investments in the Bank's shares held by both the life insurance statutory funds and by the employee share scheme trust.

20. Market Share Definitions

Retail Market Share

Home Loans	CBA Total Housing Loans (APRA) + CBA Securitised Housing Loans (APRA) + Homepath Balance	Total Housing Loans (incl securitisations) (from RBA which includes NBFI's unlike APRA)
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)
Personal Lending (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, other ADIs 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)

Business Market Share

Business Lending (APRA)	Loans to residents that are recorded on the domestic books of CBA 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 corporation's (as per lending balances submitted to APRA in ARF 320.0)	Total loans to the non-financial corporations 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)
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	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)

20. 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)
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)
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)
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)
Personal Lending (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
Retail Deposits	BWA Deposits from Residents excluding those by Banks, other ADIs 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)