Profit Announcement (U.S. Version)

Half Year ended 31 December 2011

Report for the half year ended 31 December 2011	$M	
Revenue from ordinary activities	23,723	Up 3%
Profit/(loss) from ordinary activities after tax attributable to Equity holders	3,624	Up 19%
Net profit/(loss) for the period attributable to Equity holders	3,624	Up 19%
Dividends (distributions)		
Interim Dividend - fully franked (cents per share)		137
Record date for determining entitlements to the dividend		24 February 2012

This report should be read in conjunction with:

- *The Commonwealth Bank of Australia Annual U.S. Disclosure Document – Year Ended 30 June 2011 (the "Annual Disclosure Document");*
- *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 2010 and 2011 (the "2011 Financial Report");*
- *The Commonwealth Bank of Australia Financial Report (U.S. Version) – Year Ended 30 June 2010 which contains the Financial Statements for the years ended 30 June 2008, 2009 and 2010 and as of 30 June 2009 and 2010 (the "2010 Financial Report");*
- *The Commonwealth Bank of Australia Basel II Pillar 3 Capital Adequacy and Risk Disclosures as of 31 December 2011; and*
- *The Commonwealth Bank of Australia Basel II Pillar 3 Capital Adequacy and Risk Disclosures as of 30 June 2011.*

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

The term "Bank" refers to the Commonwealth Bank of Australia and the term "Group" refers to the Bank and its consolidated subsidiaries. The terms "$", "AUD" and "A$" refer to Australian dollars, while "USD" and "US$" refer to US dollars. Certain other terms used in this Profit Announcement (U.S.Version) are defined in Appendix 17 – Definitions and Appendix 18 – Market share definitions.

Except where otherwise stated, references to "current half" and "current period" refer to the half year ended 31 December 2011. The term "prior comparative period" refers to the half year ended 31 December 2010, while the term "prior half" refers to the half year ended 30 June 2011.

The Group's financial years end on June 30 of each year. References to the 2011 Financial Year are to the year ended 30 June 2011.

Special Note Regarding Forward-Looking Statements

Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, “Group Performance Analysis”, “Retail Banking Services”, “Business and Private Banking”, “Institutional Banking and Markets”, “Wealth Management”, “New Zealand”, “Bankwest”, “Other”, “Liquidity and Capital Resources” and elsewhere in this Profit Announcement 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 and economic conditions, and investors’ confidence in Australia, New Zealand or elsewhere; global credit and equity market conditions; 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, the United States or Asia; changes in global credit market conditions including funding costs, credit ratings and access; changes in inflation, interest rates and exchange rates; regulatory proposals for reform of the banking, life insurance and funds management industries in Australia, New Zealand, the United Kingdom, the United States or Asia; changes in global credit market conditions including funding costs, credit ratings and access; regulatory proposals for reform of the banking, life insurance and funds management industries in Australia, and various other factors beyond the Group's control. Given these risks, uncertainties and other factors, potential investors are cautioned not to place undue reliance on such forward looking statements.

Details on significant risk factors applicable to the Group are detailed on page 6 of this Profit Announcement and pages 9 to 11 of the Annual Disclosure Document.

Financial Information Definitions

Basis of preparation

The consolidated Financial Statements of the Group for the half years ended 31 December 2011, 30 June 2011 and 31 December 2010 comply with International Financial Reporting Standards ("IFRS").

The management discussion and analysis discloses the net profit after tax on both a "statutory basis" and a "cash basis". The statutory basis is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with IFRS. The cash basis is used by management to present a clear view of the Group's underlying operating results, excluding a number of items that introduce volatility and/or one off distortions of the Group's current period performance. These items, such as hedging and IFRS volatility, are calculated consistently year on year and do not discriminate between positive and negative adjustments. A list of items excluded from statutory profit is provided in the reconciliation of the net profit after tax ("cash basis") on page 8 and in Appendix 12.

This Profit Announcement does not include all notes of the type included within the Annual 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 Annual Disclosure Document. As a result, this Profit Announcement should be read in conjunction with the Annual Disclosure Document, the 2011 Financial Report and the 2010 Financial Report.

This Profit Announcement, the Annual Disclosure Document, the 2011 Financial Report and the 2010 Financial Report are all presented in Australian dollars.

Non-GAAP Financial Measures

In this Profit Announcement, the Group presents its net profit after tax on a "statutory basis", which is calculated in accordance with IFRS.

In addition to its financial results reported in this Profit Announcement 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 Profit Announcement contains reconciliations of these non-GAAP financial measures to the Group's financial results prepared in accordance with IFRS.

The non-GAAP financial measures included in this Profit Announcement 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, Count Financial Limited ("Count Financial") acquisition costs (refer to page 14 for further information), treasury shares valuation adjustment, unrealised gains and losses related to hedging and IFRS volatility and the gain/loss on disposal of controlled entities/investments. Management believes that "cash basis" is a meaningful measure of the Group's performance and it provides a basis for the determination of the Bank's dividends. A reconciliation of the Group's net profit after tax from a statutory basis to a cash basis is set out on page 8 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 net profit after tax ("cash basis") 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) (funds managed by the Group) 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.

Financial Information Definitions continued

Segment disclosure

The Group's segments during the half year ended 31 December 2011 were:

(i) Retail Banking Services

Retail Banking Services includes both the manufacturing of home loan, consumer finance and retail deposit products and the sales and servicing of all Retail bank customers. In addition, commission is received for the distribution of business and wealth management products through the retail distribution network.

(ii) 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. In addition, commission is received for the distribution of retail banking products through the Business and Private Banking network.

(iii) 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 insight. 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.

(iv) Wealth Management

Wealth Management includes the Global Asset Management (including operations in Asia), Platform Administration and Life and General Insurance businesses of the Australian operations.

(v) 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).

(vi) Bankwest

Bankwest is a full service bank active in all Australian domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products. Bankwest also provides specialist services in international banking and projects.

(vii) Other

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

Critical Accounting Policies and Estimates

The accounting policies followed in this Profit Announcement are the same as those applied in the Group's 2011 Financial Report, except for the exceptions referred to in Note 1 to the Financial Statements included in this Profit Announcement. 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 Statements included in this Profit Announcement.

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.

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 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 2 and the Integrated Risk Management section as detailed on pages 76 to 80 of this Profit Announcement. The Integrated Risk Management section provides details on how the Group manages its credit, market (traded and non-traded), funding and liquidity, operational, compliance, business continuity, security risks, strategic business and reputation risks in the course of carrying on its business. Also refer to Notes 38 – 41 of the 2011 Financial Report.

Economic conditions, particularly in Europe, may have a negative impact on the Group's financial condition and liquidity.

Throughout the first half of the 2012 Financial Year, global credit and equity markets have been characterised by pervasive uncertainty and volatility, with such markets continuing to demonstrate reduced liquidity, widened credit spreads and decreased price transparency. These challenging market conditions have resulted, primarily, from the ongoing sovereign debt concerns in Europe and the tepid recovery of the US economy, with other developments, such as Standard & Poor's downgrade of the US' long term sovereign credit rating, imposing additional strains.

As a diversified financial institution that operates in various financial markets, the Group has been adversely impacted, both directly and indirectly, by these difficult market conditions. The Group may continue to endure similar or heightened adverse impacts in the future, depending upon factors such as whether economies in the US and Europe recover and the rate at which those recoveries occur.

The Group may also face new costs and challenges depending upon how the sovereign debt crisis in Europe is resolved. By the nature of its operations, the Group is significantly exposed to the risk of financial contagion and its results of operations could be impacted, perhaps materially, if the economic crisis in Europe worsens and sovereign or non-sovereign entities default on their debt obligations. Likewise, if the Euro destabilizes and one or more countries re-introduce country-specific currencies, the Group could suffer disruptions to its operations, including significant currency fluctuations and the inability to properly hedge against such fluctuations. While the Group believes that its direct exposure to troubled European sovereigns and financial institutions is immaterial, the Group may be impacted by disruptions to global funding markets and the global financial system more generally, or may be impacted indirectly through its counterparties that have direct exposure to these European sovereigns and financial institutions. See Appendix 6 for a description of the Group's exposure in certain European countries as of 31 December 2011.

Group Performance Highlights

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

	Half Year Ended		
Net Profit after	31/12/11	30/06/11	31/12/10
Income Tax	$M	$M	$M
Statutory basis	**3,624**	3,342	3,052

The Group's net profit after tax ("statutory basis") for the half year ended 31 December 2011 was $3,624 million, up 19% on the prior comparative period.

Return on equity ("statutory basis") was 19.6% and Earnings per share ("statutory basis") was 230.8 cents, up 17% on the prior comparative period, reflecting increased profitability whilst maintaining a strong capital position.

The Group has maintained its momentum, achieving another solid financial result in a challenging environment, characterised by low levels of credit growth, strong competition and elevated funding costs, as the Australian domestic economy continues to be impacted by ongoing global uncertainty emanating principally from the European sovereign debt crisis.

The combination of a well managed, diversified business model, strong balance sheet and stable financial platform has assisted the Group to navigate both the global uncertainty and market volatility, and maintain profitable growth and sustained shareholder returns.

Operating income growth reflected low system credit growth and difficult trading conditions for both the Wealth and Markets businesses. Lending and deposit competition remained intense, while wholesale funding costs increased significantly as a result of recent market turbulence.

Operating expenses have been managed prudently, with a continued focus on driving further efficiencies from productivity initiatives and effective execution of the Core Banking Modernisation initiative, allowing for investment in the business to continue.

Loan impairment expense continued to decrease reflecting the gradual improvement in credit quality. However, some of the Group's customers are finding the current economic environment increasingly challenging. As a result, the Group has maintained what it believes is a conservative approach to provisioning with economic overlays unchanged since 30 June 2011.

Further discussion of Group and divisional performance is set out on pages 12-38.

Capital and Funding

The Group maintained a strong capital position with a Tier One capital ratio as at 31 December 2011 of 9.90%.

Despite recent funding market disruptions caused by the European sovereign debt crisis, the Group believes it remains well funded, enabling the provision of ongoing support to customers. However, wholesale and deposit funding remains expensive and continues to place pressure on the Group's net interest margin.

Strong deposit growth, coupled with subdued system credit growth, has seen the Group satisfy a significant proportion of its funding requirements from domestic deposits. Customer deposits made up 62% of the Group's total funding source at 31 December 2011, up from 60% in the prior comparative period. Customer deposits increased $35 billion to $370 billion.

Recent initiatives by global regulators have helped to clarify future capital and liquidity requirements for the Australian banking industry. The Group believes that the G-20 and Basel III initiatives regarding capital are manageable within the specified timeframes, but will inevitably increase the cost of doing business.

In addition, the Reserve Bank of Australia announced it would provide a Committed Liquidity Facility from 1 January 2015. This will enable the Group to access a pre-specified amount of liquidity by entering into repurchase agreements on a broad range of eligible securities. The specific application of these requirements to each bank is the subject of ongoing discussions with APRA.

During the period, Australian bank regulations were amended to allow Australian banks to issue covered bonds as a source of funding. Covered bonds are expected to become a significant contributor to the Group's funding in the future as this product becomes established in various markets.

Dividends

The interim dividend declared was $1.37 per share, up 4% on the prior comparative period. The dividend payout ratio ("statutory basis") for the half year to 31 December 2011 was 60.1%.

The interim dividend payment will be fully franked and will be paid on 5 April 2012 to owners of ordinary shares at the close of business on 24 February 2012 ("record date"). Shares will be quoted ex–dividend on 20 February 2012.

Outlook

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

The outlook for the global economy remains unpredictable and the Group plans to retain its existing conservative business settings. Positive signs of economic recovery are welcomed, but it is recognised that in times of uncertainty, banks must remain cautious.

The fundamentals of the Australian economy remain strong and the Group has confidence in the prospects for this economy. However, in the absence of sustained recovery in offshore economies, particularly Europe, businesses and consumers will remain cautious, and the current trend of weak credit growth, asset allocation towards cash, and volatile markets will continue in Australia. Until clear signs of that sustained recovery are seen, average funding costs will continue to rise.

Highlights continued

Group Performance Summary	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %	Statutory result 31/12/11 $M	Dec 11 vs Dec 10 %
	Half Year Ended						
Net interest income	**6,551**	6,488	6,170	1	6	6,537	7
Other banking income	**2,020**	1,924	2,059	5	(2)	2,172	22
Total banking income	**8,571**	8,412	8,229	2	4	8,709	10
Funds management income	**977**	1,024	1,017	(5)	(4)	957	(5)
Insurance income	**501**	398	458	26	9	622	6
Total operating income	**10,049**	9,834	9,704	2	4	10,288	8
Investment experience	**56**	86	35	(35)	60	n/a	n/a
Total income	**10,105**	9,920	9,739	2	4	10,288	8
Operating expenses	**(4,602)**	(4,483)	(4,408)	3	4	(4,682)	5
Loan impairment expense	**(545)**	(558)	(722)	(2)	(25)	(545)	(25)
Net profit before income tax	**4,958**	4,879	4,609	2	8	5,061	17
Corporate tax expense (1)	**(1,373)**	(1,372)	(1,265)	-	9	(1,428)	13
Non controlling interests (2)	**(9)**	(7)	(9)	29	-	(9)	-
Net profit after tax ("cash basis")	**3,576**	3,500	3,335	2	7	n/a	n/a
Hedging and IFRS volatility (3)	**115**	(49)	(216)	large	large	n/a	n/a
Other non-cash items (4)	**(67)**	(109)	(67)	(39)	-	n/a	n/a
Net profit after tax ("statutory basis")	**3,624**	3,342	3,052	8	19	3,624	19
Represented by:							
Retail Banking Services (5)	**1,439**	1,457	1,397	(1)	3		
Business and Private Banking (5)	**551**	528	502	4	10		
Institutional Banking and Markets	**547**	506	498	8	10		
Wealth Management	**240**	273	335	(12)	(28)		
New Zealand	**286**	218	236	31	21		
Bankwest	**220**	145	148	52	49		
Other	**341**	215	(64)	59	large		
Net profit after income tax ("statutory basis")	**3,624**	3,342	3,052	8	19		

(1) For purposes of presentation, Policyholder tax expense components of Corporate tax expense are shown on a net basis (31 December 2011: $40 million; 30 June 2011: $66 million; 31 December 2010: $100 million).

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

(3) Hedging and IFRS volatility includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting under IFRS; refer to page 13 for further details.

(4) Refer to Appendix 12 for details.

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

Shareholder Summary	31/12/11	30/06/11	31/12/10	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
	Half Year Ended				
Dividends per share - fully franked (cents)	**137**	188	132	(27)	4
Dividend cover - cash (times)	**1. 6**	1. 2	1. 6	33	-
Earnings per share (cents) (1)					
Statutory - basic	**230. 8**	214. 7	196. 5	7	17
Cash basis - basic	**227. 2**	224. 4	214. 3	1	6
Dividend payout ratio (%) (1)					
Statutory basis	**60. 1**	88. 2	67. 5	large	large
Cash basis	**60. 9**	84. 2	61. 7	large	(80)bpts
Weighted average no. of shares - statutory basic (M) (1)	**1,561**	1,547	1,542	1	1
Weighted average no. of shares - cash basic (M) (1) (2)	**1,564**	1,551	1,546	1	1
Return on equity - statutory (%) (1)	**19. 6**	19.2	17.7	40 bpts	190 bpts
Return on equity - cash (%) (1)	**19. 2**	20. 0	19. 2	(80)bpts	-

(1) For definitions refer to Appendix 17.

(2) Diluted EPS and weighted average number of shares are disclosed in Appendix 13.

Issuer Credit Ratings	Long–term	Short–term	Outlook
Fitch Ratings(1)	AA-	F1+	Stable
Moody's Investor Services	Aa2	P-1	Stable
Standard & Poor's (2)	AA-	A-1+	Stable

(1) On 24 February 2012, Fitch Ratings downgraded the long-term credit ratings of the Bank along with two other major Australian banks.

(2) On 1 December 2011, Standard & Poor's downgraded the long-term credit ratings of the Bank along with the other three major Australian banks.

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

Highlights continued

Market Share Percentage [1]	As at 31/12/11 %	30/06/11 %	31/12/10 %
Home loans [2]	**25. 9**	25. 8	26. 0
Credit cards [2] [3]	**23. 1**	22. 9	22. 7
Personal lending (APRA and other Household) [2] [4]	**14. 6**	14. 8	14. 7
Household deposits	**29. 4**	30. 0	30. 5
Retail deposits [2] [5]	**26. 4**	26. 9	26. 6
Business Lending - APRA [2]	**17. 5**	17. 9	18. 4
Business Lending - RBA [2]	**16. 9**	16. 6	16. 9
Business Deposits - APRA [2]	**20. 9**	21. 4	21. 1
Asset Finance [2]	**13. 7**	13. 9	14. 0
Equities trading	**5. 8**	5. 9	5. 7
Australian Retail - administrator view [2] [6]	**14. 8**	15. 1	15. 0
FirstChoice Platform [2] [6]	**11. 4**	11. 5	11. 2
Australia (total risk) [2] [6]	**12. 2**	12. 5	12. 5
Australia (individual risk) [2] [6]	**13. 3**	13. 4	13. 4
NZ Lending for housing [2]	**22. 0**	22. 1	22. 4
NZ Retail Deposits	**21. 2**	21. 4	21. 2
NZ Lending to business [2]	**9. 3**	9. 2	9. 2
NZ Retail FUM [2]	**15. 1**	14. 4	14. 7
NZ Annual inforce premiums [2]	**30. 2**	30. 1	30. 5

(1) For market share definitions refer to Appendix 18.

(2) Prior periods have been restated in line with market updates.

(3) As at 30 November 2011.

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

(5) In accordance with RBA guidelines, these measures include some products relating to both the Retail and Corporate segments.

(6) As at 30 September 2011.

Key Performance Indicators	Half Year Ended 31/12/11	30/06/11	31/12/10	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Group					
Net profit after tax ("statutory basis") ($M)	**3,624**	3,342	3,052	8	19
Net interest margin (%)	**2. 15**	2. 25	2. 12	(10)bpts	3 bpts
Average interest earning assets ($M) (1)	**601,244**	578,982	573,800	4	5
Average interest bearing liabilities ($M) (1)	**564,743**	540,772	536,948	4	5
Funds management income to average FUA (%)	**1. 00**	1. 04	1. 04	(4)bpts	(4)bpts
Funds Under Administration (FUA) - average ($M)	**194,421**	198,851	194,011	(2)	-
Insurance income to average inforce premiums (%)	**45. 7**	39. 2	44. 9	large	80 bpts
Average inforce premiums ($M)	**2,180**	2,050	2,022	6	8
Operating expenses to total operating income ("statutory basis") (%)	**45. 5**	46. 5	47. 0	(100)bpts	(150)bpts
Effective corporate tax rate ("statutory basis") (%)	**27. 6**	28. 3	27. 5	(70)bpts	10 bpts
Retail Banking Services (2)					
Net profit after tax ("statutory basis") ($M)	**1,439**	1,457	1,397	(1)	3
Operating expenses to total banking income (%)	**38. 3**	38. 5	38. 7	(20)bpts	(40)bpts
Business and Private Banking (2)					
Net profit after tax ("statutory basis") ($M)	**551**	528	502	4	10
Operating expenses to total banking income (%)	**42. 9**	44. 5	43. 4	(160)bpts	(50)bpts
Institutional Banking and Markets (2)					
Net profit after tax ("statutory basis") ($M)	**547**	506	498	8	10
Operating expenses to total banking income (%)	**36. 5**	34. 2	32. 9	230 bpts	360 bpts
Wealth Management					
Net profit after tax ("statutory basis") ($M)	**240**	273	335	(12)	(28)
FUA - average ($M)	**186,266**	191,252	186,849	(3)	-
Average inforce premiums ($M)	**1,724**	1,608	1,580	7	9
Funds management income ("cash basis") to average FUA (%)	**1. 01**	1. 05	1. 04	(4)bpts	(3)bpts
Insurance income ("cash basis") to average inforce premiums (%)	**42. 0**	35. 7	42. 7	large	(70)bpts
Operating expenses ("cash basis") to net operating income (%) (3)	**66. 9**	65. 6	57. 7	130 bpts	large
New Zealand					
Net profit after tax ("statutory basis") ($M)	**286**	218	236	31	21
FUA - average ($M)	**8,155**	7,599	7,162	7	14
Average inforce premiums ($M)	**456**	442	442	3	3
Funds management income ("cash basis") to average FUA (%)	**0. 51**	0. 53	0. 55	(2)bpts	(4)bpts
Insurance income ("cash basis") to average inforce premiums (%)	**50. 6**	47. 9	47. 6	270 bpts	300 bpts
Operating expenses ("cash basis") to total operating income (%)	**50. 1**	51. 3	51. 0	(120)bpts	(90)bpts
Bankwest					
Net profit after tax ("statutory basis") ($M)	**220**	145	148	52	49
Operating expenses ("cash basis") to total banking income (%)	**50. 5**	52. 3	53. 7	(180)bpts	(320)bpts
Capital Adequacy					
Common Equity (%)	**7. 67**	7. 66	7. 35	1 bpt	32 bpts
Tier One (%)	**9. 90**	10. 01	9. 71	(11)bpts	19 bpts
Total Capital (%)	**11. 11**	11. 70	11. 50	(59)bpts	(39)bpts

(1) Average interest earning assets and average interest bearing liabilities have been adjusted to remove the impact of securitisation. Refer to Average Balances and Related Interest in Appendix 3.

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

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

Group Performance Analysis

Financial Performance and Business Review

The Group's net profit after tax ("statutory basis") for the half year ended 31 December 2011 was $3,624 million, which represented a 19% increase on the prior comparative period.

Earnings per share ("statutory basis") increased 17% on the prior comparative period to 230.8 cents per share, whilst Return on equity ("statutory basis") increased 190 basis points on the prior comparative period to 19.6%.

This solid financial result has been achieved in challenging economic conditions impacted by ongoing global uncertainty and market volatility. The Group believes that the result reflects the Group's continued operating momentum and strong financial platform, notwithstanding the low credit growth environment and the impact of increased wholesale and deposit funding costs. Key points of note in the result included the following:

- Net interest income increased 7% to $6,537 million, reflecting a three basis point increase in net interest margin and 5% growth in average interest earning assets;
- Other banking income increased 22% to $2,172 million, benefitting from favourable hedging and IFRS volatility, higher foreign exchange and bills income, partly offset by lower Markets trading income, including an unfavourable counterparty fair value adjustment, and lower Treasury earnings;
- Funds management income decreased 5% to $957 million, impacted by a 3% decrease in average funds under management (FUM) and a shift in portfolio mix towards lower margin cash and fixed interest investments reflecting cautious investor sentiment;
- Insurance income increased 6% to $622 million due to 8% average inforce premium growth, favourable claims experience in the New Zealand life insurance business and lower working claims experience in the general insurance business;
- Operating expenses increased 5% to $4,682 million, driven by inflation-related salary increases, property transition costs related to the new Sydney office premises and higher compliance costs. This was partly offset by the continued focus on productivity initiatives delivering operational efficiencies; and
- Loan impairment expense decreased 25% to $545 million, reflecting the gradual improvement in asset quality, with economic overlays unchanged since 30 June 2011.

The Group's net profit after tax ("statutory basis") for the half year ended 31 December 2011 increased 8% on the prior half, reflecting 4% growth in average interest earning assets, favourable hedging and IFRS volatility and higher insurance income from favourable claims experience and inforce premium growth. This was partly offset by a decrease in Group net interest margin, due to higher wholesale and deposit funding costs, together with lower funds management and Markets income which was impacted by the challenging economic conditions.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 20-38.

Net Interest Income

Net interest income increased by 7% on the prior comparative period to $6,537 million. This was a result of growth in average interest earning assets of 5% together with a three basis point improvement in net interest margin to 2.15%.

Net interest income increased by 1% on the prior half driven by average interest earning assets growth of 4%, partly offset by a ten basis point decline in net interest margin.

Average Interest Earning Assets

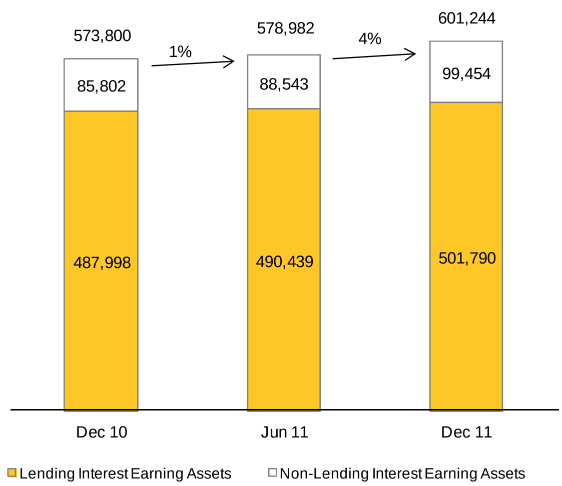
Average interest earning assets increased by $27 billion on the prior comparative period to $601 billion, reflecting a $14 billion increase in average lending interest earning assets and a $13 billion increase in average non-lending interest earning assets.

Home loan average balances, excluding the impact of securitisation, increased by $12 billion or 4% since 31 December 2010 to $328 billion.

Average balances for business and corporate lending increased by $1 billion since 31 December 2010 to $153 billion, largely due to growth in Business and Private Banking, partly offset by a reduction in higher risk exposures in Bankwest.

Average non-lending interest earning assets increased $13 billion since 31 December 2010 due to higher levels of liquid assets driven by prudent business settings and balance sheet growth.

Average Interest Earning Assets ($M)



Net Interest Margin

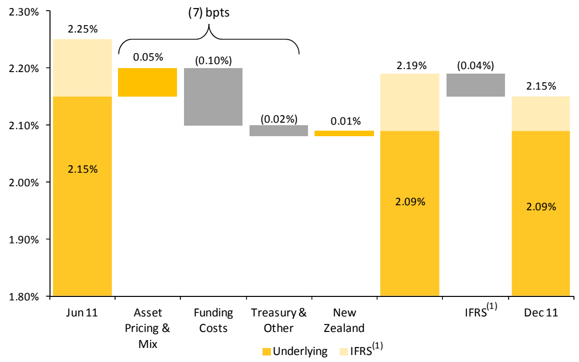
The Group's net interest margin decreased ten basis points compared to the prior half to 2.15%. The Australian contribution to Group net interest margin (which excludes the IFRS reclassification and New Zealand) decreased seven basis points. The key drivers were:

<u>Asset pricing and mix:</u> Increase in margin of five basis points, reflecting improved new business pricing on fixed-rate home loans and risk based pricing within the business lending portfolio.

<u>Funding costs:</u> Decrease in margin of ten basis points reflecting the continued pressure of increased wholesale funding costs and ongoing competition for deposits.

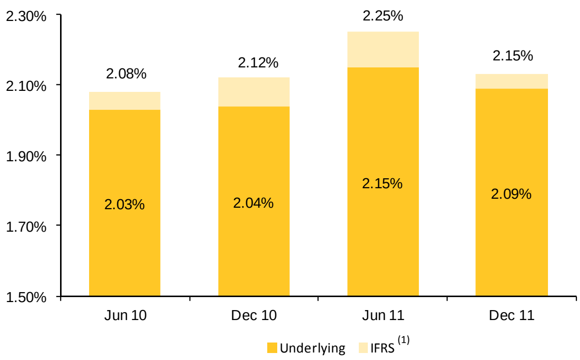
<u>Treasury and other:</u> Decrease of two basis points, mainly driven by holding higher levels of non-lending interest earning assets.

NIM movement since June 2011



New Zealand's contribution to the Group's net interest margin increased one basis point. This reflected the continued shift in portfolio mix as customers switched from fixed to variable rate home loans and improved margins on investment deposit accounts.

Group NIM (Half Year Ended)



Other Banking Income

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Commissions	**1,009**	961	985
Lending fees	**735**	760	707
Trading income	**241**	291	426
Other income	**216**	183	168
	2,201	2,195	2,286
IFRS reclassification of net swap costs (1)	**(181)**	(271)	(227)
Other banking income ("cash basis")	**2,020**	1,924	2,059
Hedging and IFRS volatility	**152**	(74)	(272)
Loss on disposal of controlled entities	**-**	-	(7)
Other banking income ("statutory basis")	**2,172**	1,850	1,780

Other banking income ("statutory basis") increased 22% on the prior comparative period to $2,172 million.

Factors impacting other banking income were:

- Commissions: increased 2% on the prior comparative period to $1,009 million. This was driven by solid foreign exchange volumes and home loan packaging fees, partly offset by lower brokerage income reflecting subdued market trading conditions;
- Lending fees: increased 4% on the prior comparative period to $735 million. This included higher commercial bill income due to improved new business margins and balance growth. This was partly offset by lower income following the abolition of home loan switching and deferred establishment fees;
- Trading income: decreased 43% on the prior comparative period to $241 million. This was due to lower Treasury earnings together with the Markets business being impacted by difficult trading conditions as well as unfavourable counterparty fair value adjustments from widening credit spreads and the decreasing interest rate environment; and
- Other income: increased 29% on the prior comparative period to $216 million mainly due to gains on asset sales, and an increase in leasing fee income.
- Hedging and IFRS volatility: includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting under IFRS, including:
  - Cross currency interest rate swaps hedging foreign currency denominated debt issues; and
  - Foreign exchange hedges relating to future New Zealand earnings.

  Fair value gains or losses on all these economic hedges are excluded from cash profit since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $152 million gain was recognised in the half year ended 31 December 2011 (30 June 2011: $74 million loss; 31 December 2010: $272 million loss).

Other banking income ("statutory basis") was up 17% on the prior half. This reflected favourable hedging and IFRS volatility, gains on asset sales, partly offset by lower brokerage and Markets earnings.

(1) The reclassification from Net interest income to Other banking income relates to certain economic hedges which do not qualify for IFRS hedge accounting. The IFRS reclassification of net swap costs decreased 20% compared to the prior comparative period to $181 million, reflecting a higher proportion of swaps in effective hedge accounting relationships in the current half.

Group Performance Analysis continued

Funds Management Income

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
CFS GAM	**448**	458	449
Colonial First State	**414**	434	426
CommInsure	**83**	101	107
New Zealand and Other	**32**	31	35
Funds management income ("cash basis")	**977**	1,024	1,017
Treasury shares valuation adjustment	**5**	(11)	(13)
Policyholder tax	**(33)**	8	54
Investment experience	**8**	10	(47)
Funds management income ("statutory basis")	**957**	1,031	1,011

Funds management income ("statutory basis") decreased 5% on the prior comparative period to $957 million driven by:

- A 3% decrease in average funds under management (FUM) to $145 billion, impacted by declining equity markets;
- A higher proportion of funds invested into lower margin cash and fixed interest investments due to recent market uncertainty;
- The continued run-off in the CommInsure closed investment portfolios; partly offset by
- Solid investment performance, notwithstanding the difficult market conditions.

Internationally sourced fund flows were solid and FirstChoice and FirstWrap continued to attract above system net flows, supported by strong performance across adviser channels, in particular financial planners leveraging the extensive retail branch network.

Funds management income to average funds under administration (FUA) margin decreased by four basis points to 1.00%, impacted by the shift in business mix to lower margin products which is reflective of cautious investor sentiment.

Funds management income ("statutory basis") decreased 7% compared to the prior half with average FUM down 4%.

Insurance Income

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
CommInsure	**364**	285	340
New Zealand and Other	**137**	113	118
Insurance income ("cash basis")	**501**	398	458
Policyholder tax	**73**	58	46
Investment Experience	**48**	76	82
Insurance income ("statutory basis")	**622**	532	586

Insurance income ("statutory basis") increased by 6% on the prior comparative period to $622 million driven by:

- Average inforce premiums increased by 8% to $2,180 million;
- Improved life insurance claims experience in New Zealand; and
- Favourable general insurance working claims experience.

Insurance income ("statutory basis") increased 17% compared to the prior half driven by favourable claims experience and a 6% increase in average inforce premiums.

Operating Expenses

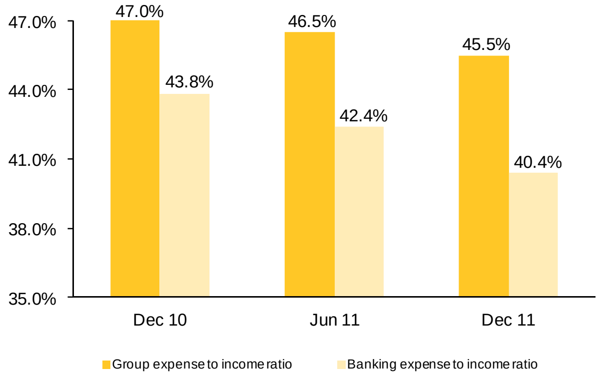
Operating expenses ("statutory basis") increased 5% on the prior comparative period to $4,682 million. The key drivers were:

- Staff expenses: increased by 3% to $2,478 million, driven by inflation-related salary increases and higher average staff numbers;
- Occupancy and Equipment expenses: increased by 8% to $521 million, largely impacted by the transition to the new office premises at Darling Quarter in the Sydney CBD and inflation-related rent reviews;
- Information Technology Services expenses: increased by 3% to $581 million, including higher communication expenses due to a new telephony platform, and increased software amortisation driven by the Core Banking Modernisation initiative;
- Other expenses: increased by 8% to $1,022 million, impacted by higher compliance costs, credit card rewards programme expenses and the Centenary year community support programme;
- Investment and restructuring expenses: increased by 48% to $80 million driven by the Count Financial acquisition costs including retention, advisory and other costs. On 9 December 2011, the Group completed the acquisition of Count Financial, via a scheme of arrangement for approximately $373 million, with the purchase funded by a combination of cash and issuance of ordinary shares by the Bank. Count Financial is an Australian network of financial planning accountants and advisors.

Operating expenses ("statutory basis") increased 2% compared to the prior half driven by inflation-related salary increases, investment in staff, the impact of higher compliance expenses and Count Financial acquisition costs. This was partly offset by continued focus on productivity initiatives.

Group Expense to Income Ratio ("statutory basis")

The Group expense to income ratio decreased by 150 basis points over the prior comparative period to 45.5%. The Banking expense to income ratio improved 340 basis points on the prior comparative period to 40.4%. These ratios benefitted from a continued focus on technology and operating efficiencies.

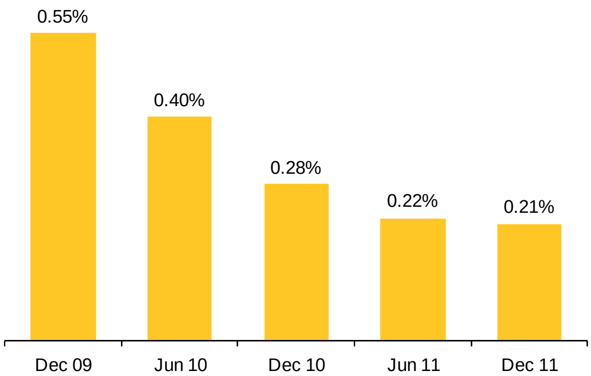


Loan Impairment Expense

Loan impairment expense for the half year ended 31 December 2011 was $545 million, representing 21 basis points of average gross loans and acceptances. Loan impairment expense decreased 25% on the prior comparative period. Key drivers were:

- A significant reduction in the Institutional Banking and Markets loan impairment expense with the non-recurrence of single name exposures; and
- The non-recurrence of the Queensland flood provisions recognised in the prior comparative period; partly offset by
- Higher loan impairment expense in Retail Banking Services, where the prior comparative period benefitted from a more significant improvement in unsecured arrears rates relative to the current half. In addition, individual provisions for home loans increased, driven by the difficult economic circumstances for some home owners.

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

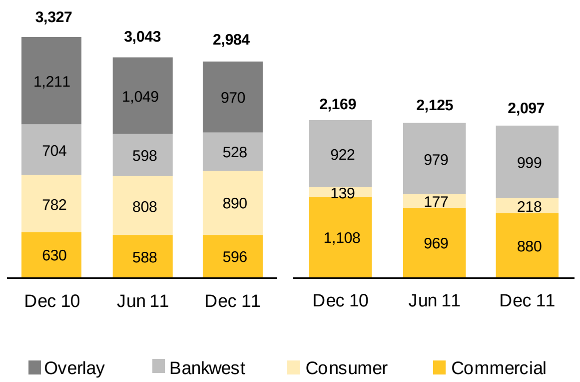


Provisions for Loan Impairment

The Group maintains what it believes is a prudent and conservative approach to provisioning, with total provisions for impairment losses of $5,081 million as at 31 December 2011, which is a 2% reduction compared to 30 June 2011. The current level of provisioning reflects:

- Reduced Commercial individually assessed provisions as the work out of a number of large impaired assets is completed;
- A reduction of Bankwest collective provisions as pre-acquisition troublesome loans continue to run-off; partly offset by
- Higher provisions in the Consumer portfolios, consistent with the difficult economic environment.
- Economic overlays remain unchanged from 30 June 2011.

Collective Provisions ($m) **Individual Provisions ($m)**



Taxation Expense

The income tax expense for the half year ended 31 December 2011 was $1,428 million and the effective tax rate was 27.6%.

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.

Taxation Expense

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
Income Tax	$M	$M	$M
Retail Banking Services	**600**	609	597
Business and Private Banking	**236**	197	216
Institutional Banking and Markets	**159**	157	154
Wealth Management	**88**	94	124
New Zealand	**79**	77	73
Bankwest	**115**	103	96
Other	**75**	101	1
Investment Experience	**21**	34	4
Total income tax expense ("cash basis")	**1,373**	1,372	1,265
Statutory adjustments	**55**	14	(4)
Total income tax expense ("statutory basis")	**1,428**	1,386	1,261

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
Effective Tax	$M	$M	$M
Retail Banking Services	**29. 4**	29. 5	29. 9
Business and Private Banking	**30. 0**	27. 2	30. 1
Institutional Banking and Markets	**22. 5**	23. 7	23. 6
Wealth Management	**27. 7**	29. 6	26. 9
New Zealand	**23. 9**	24. 0	23. 9
Bankwest	**29. 9**	34. 8	34. 5
Total – corporate	**27. 6**	28. 3	27. 5

Group Performance Analysis continued

Core Banking Modernisation

During the period, the Group invested $188 million on the Core Banking Modernisation (CBM) initiative which continues to make significant progress. Highlights over the half included:

- Launch of business deposits and savings account functionality which enables accounts to be opened on the new platform;
- Successful migration of over one million business deposit and transaction accounts onto the new platform allowing these customers to enjoy the benefits of real time banking; and
- Implementation of SAP Business Partner as the Group's new core customer information store, providing the Group with streamlined customer centric processes.

In the second half of the 2012 financial year, the Group expects to complete the migration of business deposit accounts to the new platform and that the business lending phase will commence.

Credit Quality

Retail arrears reduced over the current half, in line with seasonal trends.

Home loan arrears reduced over the current half, with 30+ day arrears decreasing from 2.08% at 30 June 2011 to 1.93% at 31 December 2011 and 90+ day arrears reducing from 1.17% at 30 June 2011 to 1.03% at 31 December 2011. Although arrears have decreased, the home loan portfolio experienced an increase in individually assessed provisions and impaired assets during the current half. This reflected the impact of the difficult economic environment with some home loan customers finding it difficult to service their repayments.

Unsecured retail arrears also improved over the current half with credit card 30+ days arrears falling from 2.99% at 30 June 2011 to 2.66% at 31 December 2011 and 90+ days arrears reducing from 1.20% at 30 June 2011 to 1.09% at 31 December 2011. In addition, personal loan arrears improved with 30+ day arrears falling from 3.07% at 30 June 2011 to 2.63% at 31 December 2011 and 90+ days arrears falling from 1.26% at 30 June 2011 to 1.08% at 31 December 2011.

The Group's ratings migration on the risk rated portfolio was stable during the current half with upgrades in line with downgrades. Commercial troublesome assets reduced by 8% during the current half to $6 billion.

Gross impaired assets were $4,692 million as at 31 December 2011, 11% lower than 30 June 2011. Gross impaired assets as a proportion of gross loans and acceptances of 0.88% reduced 14 basis points when compared to 30 June 2011 and 31 December 2010. The Group believes that its impaired asset portfolio remains well provisioned with provision coverage of 44.69%.

Loans 90 days past due but not impaired have reduced to 0.59% of gross loans and acceptances at 31 December 2011 (30 June 2011: 0.73%; 31 December 2010: 0.63%).

	As at				
				Dec 11 vs	Dec 11 vs
Other Credit Quality Metrics	31/12/11	30/06/11	31/12/10	Jun 11 %	Dec 10 %
Gross loans and acceptances ($M)	**530,899**	518,075	509,779	2	4
Risk weighted assets (RWA) ($M)	**297,705**	281,711	285,563	6	4
Credit risk weighted assets ($M)	**258,446**	246,742	244,608	5	6
Gross impaired assets ($M)	**4,692**	5,297	5,184	(11)	(9)
Net impaired assets ($M)	**2,595**	3,172	3,015	(18)	(14)
Collective provision as a % of credit risk weighted assets	**1. 15**	1. 23	1. 36	(8)bpts	(21)bpts
Total provision as a % of credit risk weighted assets	**1. 97**	2. 09	2. 25	(12)bpts	(28)bpts
Individually assessed provisions for impairment as a % of gross impaired assets	**44.69**	40.12	41.84	457 bpts	285 bpts
Impairment expense annualised as a % of average gross loans and acceptances	**0. 21**	0. 22	0. 28	(1)bpt	(7)bpts

Review of Group Assets and Liabilities

Asset growth of $52 billion or 8% over the prior comparative period, was mainly driven by growth in home lending, business and corporate lending balances and non-lending interest earning assets, primarily due to higher liquid asset holdings.

Strong deposit growth, coupled with subdued credit growth, has seen the Group satisfy a significant proportion of its funding requirements from deposits. Customer deposits now represent 62% of total funding (30 June 2011: 61%; 31 December 2010: 60%).

Home loans excluding securitisation

Home loans, excluding securitisation, experienced steady growth with balances increasing $15 billion to $333 billion, a 5% increase on the prior comparative period. This outcome was impacted by low system credit growth and intense price competition. The Group has maintained its competitive position through profitable growth and product innovation, targeted discounting and a focus on customer service.

Personal loans

Personal loans, including credit cards, margin lending and other personal loans, increased 1% over the prior comparative period to $21 billion. Solid growth in credit card balances and personal loans as a result of successful campaigns and product innovation, including the launch of the Diamond Awards credit card, were partly offset by a decline in margin lending balances due to continued conservative investor sentiment.

Business and corporate loans

Business and corporate loans increased $5 billion to $154 billion, a 3% increase on the prior comparative period. This was driven by improved momentum in institutional lending balances, together with solid lending growth in Business and Private Banking. This was partially offset by a reduction in higher risk exposures in Bankwest.

Non-lending interest earning assets

Non-lending interest earning assets increased $19 billion to $103 billion, a 23% increase on the prior comparative period. This was primarily due to an increase in liquid assets due to conservative business settings and balance sheet growth.

Other assets

Other assets, including bank acceptances of customers, derivative assets, provisions for impairments, securitisation assets, insurance assets and intangibles, increased $13 billion to $91 billion, a 17% increase on the prior comparative period. This was impacted by higher derivative asset balances as a result of volatility in foreign exchange and interest rate markets.

Interest bearing deposits

Interest bearing deposits increased $36 billion to $422 billion, a 9% increase on the prior comparative period.

Targeted campaigns in a highly competitive market and customer preference for more stable investments resulted in growth of $20 billion in investment deposits, $10 billion in transaction accounts, and a $7 billion increase in savings deposits.

Other demand deposits decreased 2% compared to the prior comparative period. This was mainly driven by lower certificates of deposits being replaced by growth in customer deposits.

Debt issues

Debt issues have increased $5 billion to $110 billion, a 5% increase on the prior comparative period.

Refer to Appendix 6 for further information on debt programmes and issuance for the half year ended 31 December 2011.

Non-interest bearing liabilities

Non-interest bearing liabilities, including derivative liabilities, insurance policy liabilities and bank acceptances, increased $7 billion to $84 billion, a 9% increase on the prior comparative period. This was driven predominantly by foreign exchange volatility impacting derivative liabilities hedging term debt.

Group Performance Analysis continued

Total Group Assets & Liabilities	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
	As at				
Interest earning assets					
Home loans including securitisation	**343,100**	335,841	327,704	2	5
Less: securitisation	**(10,455)**	(11,296)	(9,583)	(7)	9
Home loans excluding securitisation	**332,645**	324,545	318,121	2	5
Personal	**20,907**	20,943	20,665	-	1
Business and corporate	**154,161**	148,420	148,984	4	3
Loans, bills discounted and other receivables (1)	**507,713**	493,908	487,770	3	4
Non-lending interest earning assets	**103,008**	88,142	83,633	17	23
Total interest earning assets	**610,721**	582,050	571,403	5	7
Other assets	**91,265**	85,849	78,239	6	17
Total assets	**701,986**	667,899	649,642	5	8
Interest bearing liabilities					
Transaction deposits	**82,186**	79,466	72,150	3	14
Savings deposits	**89,194**	81,680	81,798	9	9
Investment deposits	**188,917**	176,100	168,770	7	12
Other demand deposits	**62,052**	54,613	63,361	14	(2)
Total interest bearing deposits	**422,349**	391,859	386,079	8	9
Debt issues	**109,820**	108,421	105,086	1	5
Other interest bearing liabilities	**37,844**	37,950	37,678	-	-
Total interest bearing liabilities	**570,013**	538,230	528,843	6	8
Securitisation debt issues	**9,487**	10,231	8,523	(7)	11
Non-interest bearing liabilities	**83,611**	82,151	76,927	2	9
Total liabilities	**663,111**	630,612	614,293	5	8
Provisions for impairment losses					
Collective provision	**2,984**	3,043	3,327	(2)	(10)
Individually assessed provisions	**2,097**	2,125	2,169	(1)	(3)
Total provisions for impairment losses	**5,081**	5,168	5,496	(2)	(8)
Less: Off balance sheet provisions	**(21)**	(21)	(25)	-	(16)
Total provisions for loan impairment	**5,060**	5,147	5,471	(2)	(8)

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

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Retail Banking Services

Financial Performance and Business Review

Retail Banking Services statutory net profit after tax for the half year ended 31 December 2011 was $1,439 million, which represented an increase of 3% on the prior comparative period. The result was driven by modest volume growth and an ongoing focus on cost efficiency, partially offset by an increase in loan impairment expense.

Statutory net profit after tax decreased 1% compared to the prior half, due primarily to home loan margin contraction following a sharp rise in wholesale funding costs as a result of market volatility, particularly over the last four months of the calendar year.

Banking income

Net interest income was $3,189 million, an increase of 7% on the prior comparative period, driven by strong volume growth across Retail Deposit and Consumer Finance products. Home Lending growth was relatively subdued in a low credit growth environment.

Other Banking Income increased 5% to $705 million due to the strong performance of credit cards and foreign exchange sales. This was partly offset by a decline in Home Lending fees together with a continued shift in deposit mix towards fee free accounts.

Net interest income decreased 1% compared to the prior half as average home loan volume growth of 2% was more than offset by the escalation in wholesale funding costs.

Other banking income increased 10% compared to the prior half primarily due to higher credit card interchange fees benefitting from new product launches and seasonally higher spend.

Home Loans

Home Loans income for the half year ended 31 December 2011 was $1,470 million, a 7% increase on the prior comparative period. Average volume growth was 3% in a period of subdued market activity with competition remaining strong. Net interest margin improved slightly with the continued roll-off of fixed rate loans written at historically low margins. This was partly offset by an increase in funding costs. Other banking income decreased 8%, due primarily to the removal of re-financing fees from March 2011.

Home Loans income decreased 4% compared to the prior half due to lower net interest margin as wholesale funding costs continued to rise, driven by the recent market volatility. Volume growth of 2% was broadly in line with system, with the improved momentum reflecting solid growth in new business funding.

Consumer Finance

Consumer Finance income for the half year ended 31 December 2011 was $914 million, an increase of 9% on the prior comparative period. Volume growth was solid in both the credit cards and personal loans portfolios, driven by successful campaigns and product innovation. Personal loans margin improved through risk based pricing strategies, with credit cards margin benefitting from an increased proportion of interest earning balances during the half.

Other banking income increased 8%, primarily reflecting the penetration of Amex companion cards and the successful launch of the Diamond Awards card.

Retail Deposits

Retail Deposit income for the half year ended 31 December 2011 was $1,334 million, an increase of 2% on the prior comparative period. This result was driven by strong average balance growth of 9%, the bulk of which came in lower margin term deposit and online saver products. Deposit margins decreased over the period, impacted by this continued portfolio shift, and intense competition in this market.

Other banking income decreased 2% due to an increased proportion of customers with fee free transaction and savings accounts.

Distribution (1)

Distribution income increased 18% on the prior comparative period to $176 million. This was driven by strong demand for foreign currency, and a continued increase in cross-sell of products. Average products per customer increased to 2.74, which remains the highest of the major banks(2).

Operating Expenses

Operating expenses for the half year were $1,490 million, up 5% on the prior comparative period, primarily driven by staff and property inflationary pressures, continued investment in the Core Banking Modernisation initiative and an increase in credit card loyalty redemptions. These increases were partially offset by improved efficiency in front line and back office processes, with investment in capability and streamlining of activities increasing productivity and resulting in improved service measures. This has resulted in customer satisfaction, during the half, reaching its highest level in 15 years(3), with all retail channels performing strongly.

Operating expenses were relatively flat compared to the prior half due to productivity gains and continued tight management of discretionary spend, offsetting inflationary expense increases.

The expense to income ratio was 38.3%, down 40 basis points against the prior comparative period.

Continued cost discipline throughout the half has allowed for ongoing investment in strategic projects such as developing award winning online and mobile banking services(4). This included the release of CommBank Kaching(TM), one of the most comprehensive smartphone payments application on offer by any banking institution.

Loan Impairment Expense

Loan impairment expense for the half year ended 31 December 2011 was $365 million, an increase of 44% on the prior comparative period.

Unsecured product arrears fell significantly in the prior comparative period, leading to reductions in collective provisioning and lower loan impairment expense. Whilst arrears rates trended down during the early part of the current half, the rate of decline, and therefore the impact, was not as pronounced.

Additionally, during the current half, higher relative volume growth in the unsecured portfolio led to increases in collective provisioning and, consistent with the difficult economic environment, increases in individually assessed provisions were experienced in the secured portfolio.

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

(2) Roy Morgan Research, Australians 14+, Average Banking and Finance products held at the bank per Banking and Finance customers, 6 months to December 2011. Major Banks include the CBA, Westpac, NAB and ANZ.

(3) Roy Morgan Research. Australians 14+, CBA MFI Satisfaction score, 6 months to December 2011.

(4) Australian Interactive Media Industry Association Awards - “Best Online Bank” and “Best Mobile Banking”.

	Half Year Ended 31 December 2011				
	Home Loans	Consumer Finance (1)	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	1,372	680	1,137	-	3,189
Other banking income	98	234	197	176	705
Total banking income	1,470	914	1,334	176	3,894
Operating expenses					(1,490)
Loan impairment expense					(365)
Net profit before tax					2,039
Corporate tax expense					(600)
Cash net profit after tax					1,439
Statutory net profit after tax					1,439

	Half Year Ended 30 June 2011 (2)				
	Home Loans	Consumer Finance (1)	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	1,441	660	1,115	-	3,216
Other banking income	92	206	187	156	641
Total banking income	1,533	866	1,302	156	3,857
Operating expenses					(1,486)
Loan impairment expense					(305)
Net profit before tax					2,066
Corporate tax expense					(609)
Cash net profit after tax					1,457
Statutory net profit after tax					1,457

	Half Year Ended 31 December 2010 (2)				
	Home Loans	Consumer Finance (1)	Retail Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	1,265	621	1,107	-	2,993
Other banking income	106	216	200	149	671
Total banking income	1,371	837	1,307	149	3,664
Operating expenses					(1,417)
Loan impairment expense					(253)
Net profit before tax					1,994
Corporate tax expense					(597)
Cash net profit after tax					1,397
Statutory net profit after tax					1,397

	As at				
	31/12/11	30/06/11	31/12/10	Dec 11 vs	Dec 11 vs
Balance Sheet	$M	$M	$M	Jun 11 %	Dec 10 %
Home loans (including securitisation)	**265,244**	260,583	255,484	2	4
Consumer finance	**14,672**	13,989	13,504	5	9
Other assets	**37**	201	243	(82)	(85)
Total assets	**279,953**	274,773	269,231	2	4
Home loans (net of securitisation)	**257,966**	252,438	249,466	2	3
Transaction deposits	**19,507**	19,357	19,060	1	2
Savings deposits	**63,709**	59,127	60,519	8	5
Investments and other deposits	**90,176**	83,951	78,558	7	15
Deposits not bearing interest	**3,244**	3,057	2,984	6	9
Other liabilities	**2,418**	2,926	2,307	(17)	5
Total liabilities	**179,054**	168,418	163,428	6	10

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

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

Business and Private Banking

Financial Performance and Business Review

Business and Private Banking achieved a statutory net profit after tax of $551 million for the half year ended 31 December 2011, which represented a 10% increase on the prior comparative period. The major drivers of this result were strong growth in business banking income, continued disciplined expense management and lower impairment expense, reflecting the sound quality of the portfolio. This was partly offset by a subdued Equities and Margin Lending result given the challenging economic environment and increased investor risk aversion.

Compared to the prior half, statutory net profit after tax increased 4%. Volumes experienced modest growth while net interest margin was impacted by increased wholesale funding costs. The Equities and Margin Lending result continued to be affected by difficult economic conditions. Expenses continued to be managed tightly, decreasing relative to the prior half due to the benefit of productivity initiatives and loan impairment expense also decreased.

Banking Income

Net interest income of $852 million was flat compared to the prior comparative period. This reflected solid growth in deposit and lending balances however margin lending balances decreased 21%. Net interest margin decreased compared to the prior comparative period as a result of increasing wholesale funding costs and intense competition for deposits.

Other banking income of $720 million increased 10% on the prior comparative period due to improved new business margins in commercial bills and increased sales of interest rate and commodity hedging products. Equities trading volumes were also lower than the prior comparative period whilst yields were stronger.

Corporate Financial Services

Corporate Financial Services income increased 15% on the prior comparative period to $561 million. Lending balances increased 11%, which reflected continued customer demand for market rate linked products such as commercial bills with some resulting increases in new business margins.

Deposit balances increased 12% on the prior comparative period whilst margins were impacted by strong competition for deposits and customer demand for higher yield products. In addition, income from the sale of interest rate risk management related products increased 79%.

Regional and Agribusiness Banking

Regional and Agribusiness Banking income increased 12% on the prior comparative period to $247 million. Deposit balances increased 15%, however margins were impacted by strong competitive pricing and customer demand for higher yield products.

Lending balances increased 2% and income from the sale of interest rate and commodity hedging products increased 43% on the prior comparative period.

Local Business Banking

Local Business Banking income increased 8% on the prior comparative period to $421 million. The result was driven by an increase of 15% in deposit balances, despite a competitive market environment.

Lending balances increased 4% with higher new business margins providing further benefits. This was partly offset by lower income from merchant acquiring activities which decreased 16% on the prior comparative period.

Private Bank

Private Bank income increased 5% on the prior comparative period to $128 million. Home lending balances increased 7% and margins improved on the prior comparative period. Funds under advice increased 24% in addition to benefitting from higher new business advice based fees.

Deposit balance growth of 5% was partly offset by a decrease in margins due to customer demand for higher yield products.

Equities and Margin Lending

Equities and Margin Lending income decreased 8% on the prior comparative period to $189 million. This reflected a 13% decrease in equities trading volumes, however market share increased. Margin lending balances decreased 21%, while deposit balances benefitted from investor caution, increasing 14%. Despite lower trading volumes, yields increased, with a higher average value per trade undertaken.

Operating Expenses

Operating expenses of $675 million were 3% higher compared to the prior comparative period. Salary related costs increased due to higher average staff numbers and inflationary related salary increases. Staff numbers were higher due to investments in product and technology capabilities and strategic projects, such as the implementation of the Core Banking Modernisation initiative and introduction of Everyday Settlement for merchant customers. Volume related expenses also increased due to strong sales of risk management related products. This was partly offset by the benefits from productivity initiatives, including call centre consolidation and the wind-down of the receivables finance business.

Compared to the prior half, operating expenses decreased 1%. Lower average staff numbers and other costs benefitted from productivity initiatives implemented in the first half of the year.

Loan Impairment Expense

Loan impairment expense of $110 million decreased 19% on the prior comparative period reflecting the improved underlying quality of the lending portfolio.

Loan impairment expense as a percentage of average gross loans and acceptances decreased by eight basis points over the prior comparative period to 27 basis points.

Business and Private Banking continued

	Half Year Ended 31 December 2011						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	231	142	281	91	84	23	852
Other banking income	330	105	140	37	105	3	720
Total banking income	561	247	421	128	189	26	1,572
Operating expenses							(675)
Loan impairment expense							(110)
Net profit before tax							787
Corporate tax expense							(236)
Cash net profit after tax							551
Statutory net profit after tax							551

	Half Year Ended 30 June 2011 (1)						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	231	139	269	94	87	16	836
Other banking income	276	89	133	35	120	44	697
Total banking income	507	228	402	129	207	60	1,533
Operating expenses							(682)
Loan impairment expense							(126)
Net profit before tax							725
Corporate tax expense							(197)
Cash net profit after tax							528
Statutory net profit after tax							528

	Half Year Ended 31 December 2010 (1)						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	238	136	264	86	91	36	851
Other banking income	251	84	126	36	114	44	655
Total banking income	489	220	390	122	205	80	1,506
Operating expenses							(653)
Loan impairment expense							(135)
Net profit before tax							718
Corporate tax expense							(216)
Cash net profit after tax							502
Statutory net profit after tax							502

	As at				
Balance Sheet	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Interest earning lending assets (excluding margin loans)	**68,288**	67,737	63,559	1	7
Bank acceptances of customers	**9,928**	9,808	9,149	1	9
Non-lending interest earning assets	**462**	480	473	(4)	(2)
Margin loans	**3,546**	4,213	4,489	(16)	(21)
Other assets (2)	**261**	690	235	(62)	11
Total assets	**82,485**	82,928	77,905	(1)	6
Transaction deposits	**51,382**	49,309	43,461	4	18
Savings deposits	**5,888**	5,720	5,164	3	14
Investments deposits	**41,846**	41,650	38,684	-	8
Certificates of deposit and other	**60**	57	171	5	(65)
Due to other financial institutions	**449**	403	366	11	23
Other non-interest bearing liabilities (2)	**15,711**	16,149	14,580	(3)	8
Total liabilities (3)	**115,336**	113,288	102,426	2	13

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

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

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

Institutional Banking and Markets

Financial Performance and Business Review

Institutional Banking and Markets achieved a statutory net profit after tax of $547 million for the half year ended 31 December 2011, which represented a 10% increase on the prior comparative period. The result was driven by improved momentum in lending balances, transactional banking deposit volume growth, higher lending margins and lower loan impairment expense. This was partly offset by the lower performance in the trading book.

Statutory net profit after tax increased 8% on the prior half. The result was driven by growth in lending balances, higher deposit margins and lower loan impairment expense. This was partly offset by lower leasing and trading income.

Banking Income

Net interest income increased 6% on the prior comparative period to $688 million. This increase was driven by higher lending margins and growth in lending assets, underscored by an improvement in underlying customer activity.

Other banking income was $476 million, a decrease of 22% on the prior comparative period, impacted by a weaker performance in the trading book, particularly in the first quarter, and the unfavourable impact of counterparty fair value adjustments due to widening credit spreads and a decreasing interest rate environment. This was partly offset by an increase in lending and leasing fees and strong growth in customer flows in the Markets business.

Institutional Banking

Net interest income increased 4% on the prior comparative period to $567 million due to higher Institutional Lending margins. Additionally, deposit volumes increased 9%, driven by a strong focus on new and existing Transaction Banking clients.

The business also experienced strong momentum in loan balance growth with Institutional Banking balances increasing 9% since 30 June 2011. Balance growth in Institutional Lending was generated from a diverse range of industries, with particular success in the investment grade commercial property and the natural resources sectors.

Other banking income increased 14% on the prior comparative period to $392 million, driven by an increase in fee income from lending activity, including strong progress in the asset leasing business. In addition, the Equity and Advisory Solutions Group benefitted from a gain on the sale of an equity investment in a UK hospital Public Private Partnership (PPP) transaction, in addition to advisory fees arising from other domestic PPP transactions.

Markets

Net interest income increased 15% on the prior comparative period to $121 million, primarily due to a change in product mix towards higher yielding assets in the domestic business and offshore branches.

Other banking income decreased 68% on the prior comparative period to $84 million, due to the adverse market conditions arising from the downgrade of the US sovereign credit rating and ongoing European sovereign debt concerns. In addition, the decrease in income was impacted by unfavourable counterparty fair value adjustments, primarily as a result of widening credit spreads and a decreasing interest rate environment.

The weaker trading outcome was partly offset by a strong performance in sales of Markets products, particularly in interest rates and foreign exchange hedging.

Operating Expenses

Operating expenses increased 2% on the prior comparative period to $425 million. The increase included higher depreciation expenses relating to growth in the asset leasing business, partly offset by lower staff costs, including lower incentives.

The business continued to invest in a number of focussed areas, including the renewal of the Group's foreign exchange platform, which contributed to a 33% increase in foreign exchange volumes compared to the prior comparative period. The investment in the Institutional Equities business was maintained as a key enabler of the strategy to deliver Total Capital Solutions to our clients.

Loan Impairment Expense

Loan impairment expense of $33 million was 83% lower than the prior comparative period, driven by a significant decrease in individually assessed provisions. The overall credit rating of the Institutional portfolio has remained stable.

Corporate Tax Expense

The corporate tax expense for the half year ended 31 December 2011 was $159 million. The effective tax rate of 23% benefitted from profit generated in offshore jurisdictions that have lower corporate tax rates and remained relatively stable compared to the prior comparative period and prior half.

	Half Year Ended 31 December 2011		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	567	121	688
Other banking income	392	84	476
Total banking income	959	205	1,164
Operating expenses			(425)
Loan impairment expense			(33)
Net profit before tax			706
Corporate tax expense			(159)
Cash net profit after tax			547
Statutory net profit after tax			547

	Half Year Ended 30 June 2011		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	528	115	643
Other banking income	410	154	564
Total banking income	938	269	1,207
Operating expenses			(413)
Loan impairment expense			(131)
Net profit before tax			663
Corporate tax expense			(157)
Cash net profit after tax			506
Statutory net profit after tax			506

	Half Year Ended 31 December 2010		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	545	105	650
Other banking income	345	265	610
Total banking income	890	370	1,260
Operating expenses			(415)
Loan impairment expense			(193)
Net profit before tax			652
Corporate tax expense			(154)
Cash net profit after tax			498
Statutory net profit after tax			498

	As at				
Balance Sheet	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Interest earning lending assets	**52,263**	48,097	51,414	9	2
Bank acceptances of customers	**804**	925	996	(13)	(19)
Non-lending interest earning assets	**33,614**	32,664	34,953	3	(4)
Other assets (1)(2)	**34,474**	30,342	26,779	14	29
Total assets	**121,155**	112,028	114,142	8	6
Certificates of deposit and other	**11,297**	8,241	14,421	37	(22)
Investments deposits	**10,177**	6,982	8,064	46	26
Due to other financial institutions	**14,060**	13,457	11,684	4	20
Liabilities at fair value through Income Statement	**5,245**	4,234	3,891	24	35
Debt issues	**2,021**	3,490	1,475	(42)	37
Loan capital	**556**	544	555	2	-
Other non-interest bearing liabilities (1)	**29,619**	26,683	25,526	11	16
Total liabilities	**72,975**	63,631	65,616	15	11

(1) Other assets include intangible assets and derivative assets, and Other non-interest bearing liabilities include derivative liabilities.
(2) Comparatives have been restated for the impact of business resegmentation with Group Treasury.

Wealth Management

Financial Performance and Business Review

Statutory profit after tax for the half year ended 31 December 2011 was $240 million, which represented a 28% decrease on the prior comparative period. The result was impacted by deteriorating global investment markets, which offset a solid insurance performance due to strong inforce premium growth and stable claims experience.

Funds under Administration as at 31 December 2011 were $184 billion, representing a 4% decrease on the prior comparative period. While market conditions continued to impact fund flows, FirstChoice and FirstWrap achieved an above market share of net flows over 12 months in a challenging retail domestic market.

Statutory net profit after tax decreased 12% on the prior half, reflecting softer investment markets, higher compliance costs and Count Financial acquisition costs.

CFS Global Asset Management (CFSGAM)

Underlying profit after tax of $123 million decreased 13% on the prior comparative period, reflecting lower Funds under Management (FUM) and increased investment spend to support global growth initiatives.

FUM as at 31 December 2011 were $142 billion, down 7% on the prior comparative period, mainly driven by declining equity markets. The fall in FUM compares favourably to a 15% decline in the S&P/ASX 200 and a 20% reduction in the MSCI Emerging Markets[(1)] indices over the same period. This was supported by strong investment performance with 61%, 76% and 70% of funds outperforming benchmark over one, three and five year periods respectively.

An uncertain global environment resulted in increasing fund flows into lower margin cash and fixed interest products. However, FUM margins improved due to strong overall investment performance. CFSGAM continued to invest in diversifying its geographic and asset class base with 54% of revenue sourced from non-Australian markets. This includes the establishment of a London based Emerging Markets Debt team, as well as expansion of global distribution capabilities with new offices in Europe and the Americas.

Statutory net profit after tax of $128 million represented a decrease of 17% on the prior comparative period.

Statutory net profit after tax increased 2% on the prior half.

Colonial First State (CFS)

Underlying profit after tax of $32 million decreased 59% on the prior comparative period. This result was impacted by a combination of several unfavourable factors during the half which included softer FUA growth due to challenging market conditions, a customer mix shift towards lower margin products and increased costs of compliance, including a recent Enforceable Undertaking with the Australian Securities and Investment Commission (ASIC) following an investigation into the provision of advice by some financial advisors. The business continued to invest in growing its distribution capabilities by expanding its adviser network, which included the acquisition of Count Financial. The acquisition increased the number of advisers to around 1,800, ranking CFS second by total number of advisers nationally[(2)].

FirstChoice and Custom Solutions platforms performed well with strong net flows of $1.6 billion for the half year ended 31 December 2011, boosted by a solid performance across adviser channels, in particular financial planners leveraging the extensive retail branch network.

FirstChoice retained its number one ranking as the largest flagship platform as at 30 September 2011[(3)] with a market share of 11.4% and achieving 19% of market net flows for the year to September 2011.

Statutory net profit after tax of $7 million represented a decrease of 91% on the prior comparative period and decreased 89% on the prior half, including the impact of the Count Financial acquisition costs.

CommInsure

Underlying profit after tax of $140 million decreased 8% on the prior comparative period. The result reflects a solid performance in all insurance portfolios, with insurance margins remaining stable and insurance income up 8%, offset by the run-off of the closed investment portfolios.

Retail Life Insurance performance was solid with increased sales generated by the retail branch network driving 11% growth in inforce premiums to $781 million. Claims experience was mixed with favourable experience in consumer credit insurance and continuing adverse experience in disability products.

The Wholesale Life Insurance business generated strong volume growth. Unfavourable industry fund claims experience offset positive Masterfund experience.

General Insurance benefitted from strong volume growth of 10% and improved working claims.

The funds management business, which is largely closed to new business, experienced a fall in profit consistent with long term run-off expectations and market conditions.

Statutory net profit after tax of $151 million represented a decrease of 5% on the prior comparative period. This result reflects the impact of investment markets on shareholder funds, partly offset by the non-recurrence of the loss on the sale of St. Andrew's that occurred in the prior comparative period.

Statutory net profit after tax was up 13% on the prior half.

Operating Expenses

Total operating expenses for the half year were $680 million, up 10% on the prior comparative period. Expense growth is attributable to inflation-related staff increases and strategic investment in offshore growth, complementing the expansion of domestic distribution capabilities. Growth was predominately in advice distribution staff, and in the expansion of fund management operations, both domestically and in Europe, the UK, the Americas and across Asia.

Expense management continued to be a major focus for all businesses, applying process excellence principles to improve processes and drive efficiencies. The current half also had increased investment in technology infrastructure and information technology spend.

The business also continued to invest in managing risk and preparing for changes in the regulatory environment.

Compared to the prior half, total operating expenses increased 3%.

(1) MSCI Emerging Markets Index (AUD).
(2) September 2011 Rainmaker.
(3) September 2011 Plan for Life quarterly release.

	Half Year Ended 31 December 2011				
	CFSGAM $M	Colonial First State $M	CommInsure $M	Other $M	Total $M
Funds management income	448	414	83	-	945
Insurance income	-	-	366	(2)	364
Total operating income	448	414	449	(2)	1,309
Volume expenses	(69)	(118)	(106)	1	(292)
Net operating income	379	296	343	(1)	1,017
Operating expenses	(224)	(251)	(143)	(62)	(680)
Net profit before tax	155	45	200	(63)	337
Corporate tax expense	(32)	(13)	(60)	17	(88)
Underlying profit after tax	123	32	140	(46)	249
Investment experience after tax	5	8	11	(1)	23
Cash net profit after tax	128	40	151	(47)	272
Treasury share valuation adjustment (after tax)	-	-	-	1	1
Count Financial acquisition costs (after tax)	-	(33)	-	-	(33)
Statutory net profit after tax	128	7	151	(46)	240

	Half Year Ended 30 June 2011				
	CFSGAM $M	Colonial First State $M	CommInsure $M	Other $M	Total $M
Funds management income	458	434	101	-	993
Insurance income	-	-	285	-	285
Total operating income	458	434	386	-	1,278
Volume expenses	(80)	(87)	(103)	(1)	(271)
Net operating income	378	347	283	(1)	1,007
Operating expenses	(201)	(259)	(140)	(61)	(661)
Net profit before tax	177	88	143	(62)	346
Corporate tax expense	(44)	(26)	(42)	18	(94)
Underlying profit after tax	133	62	101	(44)	252
Investment experience after tax	(7)	4	33	1	31
Cash net profit after tax	126	66	134	(43)	283
Treasury share valuation adjustment (after tax)	-	-	-	(10)	(10)
Statutory net profit after tax	126	66	134	(53)	273

	Half Year Ended 31 December 2010				
	CFSGAM $M	Colonial First State $M	CommInsure $M	Other $M	Total $M
Funds management income	449	426	108	(1)	982
Insurance income	-	-	340	-	340
Total operating income	449	426	448	(1)	1,322
Volume expenses	(71)	(84)	(96)	1	(250)
Net operating income	378	342	352	-	1,072
Operating expenses	(190)	(230)	(136)	(63)	(619)
Net profit before tax	188	112	216	(63)	453
Corporate tax expense	(46)	(33)	(63)	18	(124)
Underlying profit after tax	142	79	153	(45)	329
Investment experience after tax	13	(2)	18	1	30
Cash net profit after tax	155	77	171	(44)	359
Treasury share valuation adjustment (after tax)	-	-	-	(12)	(12)
Other (after tax)	-	-	(12)	-	(12)
Statutory net profit after tax	155	77	159	(56)	335

Wealth Management continued

Summary	Half Year Ended 31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Funds under administration - average [1]	**186,266**	191,252	186,849	(3)	-
Funds under administration - spot [1]	**184,045**	188,511	191,454	(2)	(4)
Funds under management - average [1]	**145,385**	151,411	149,723	(4)	(3)
Funds under management - spot [1]	**141,930**	148,639	152,791	(5)	(7)
Retail Net funds flows (Australian Retail)	**(509)**	317	(666)	large	(24)

Funds Under Management (FUM) [1]	Half Year Ended 31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Australian equities	**18,391**	22,336	23,716	(18)	(22)
Global equities	**47,955**	50,860	52,831	(6)	(9)
Cash and fixed interest	**51,849**	50,946	52,097	2	-
Property and Infrastructure [2]	**23,735**	24,497	24,147	(3)	(2)
Total	**141,930**	148,639	152,791	(5)	(7)

Sources of Profit from CommInsure	Half Year Ended 31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Life insurance operating margins					
Planned profit margins	**81**	86	78	(6)	4
Experience variations	**(4)**	(40)	4	(90)	large
Funds management operating margins	**45**	53	59	(15)	(24)
General insurance operating margins	**18**	2	12	large	50
Operating margins	**140**	101	153	39	(8)
Investment experience after tax	**11**	33	18	(67)	(39)
Cash net profit after tax	**151**	134	171	13	(12)

Annual Inforce Premiums - Risk Business	Half Year Ended 31 December 2011 Opening Balance 30/06/11 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 31/12/11 $M
Retail life [3]	743	108	(70)	-	781
Wholesale life [3]	461	133	(36)	-	558
General insurance	436	58	(26)	-	468
Total	1,640	299	(132)	-	1,807

Annual Inforce Premiums - Risk Business	Half Year Ended 30 June 2011 Opening Balance 31/12/10 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 30/06/11 $M
Retail life [3]	706	91	(54)	-	743
Wholesale life [3]	445	53	(37)	-	461
General insurance	424	49	(37)	-	436
Total	1,575	193	(128)	-	1,640

Annual Inforce Premiums - Risk Business	Half Year Ended 31 December 2010 Opening Balance 30/06/10 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 31/12/10 $M
Retail life [3]	677	87	(58)	-	706
Wholesale life [3]	428	44	(27)	-	445
General insurance	408	51	(35)	-	424
Sub-total	1,513	182	(120)	-	1,575
St Andrew's Insurance [4]	71	-	-	(71)	-
Total	1,584	182	(120)	(71)	1,575

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

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

(3) Comparatives have been realigned with Management's view.

(4) St Andrew's Insurance business was sold effective 1 July 2010.

Funds Under Administration	Half Year Ended 31 December 2011 Opening Balance 30/06/11 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 31/12/11 $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

Funds Under Administration	Half Year Ended 30 June 2011 Opening Balance 31/12/10 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 30/06/11 $M
FirstChoice	47,729	6,969	(5,589)	1,380	9	49,118
Custom Solutions [1]	6,887	1,404	(807)	597	(48)	7,436
Standalone (including Legacy) [2]	22,224	1,749	(3,358)	(1,609)	25	20,640
Retail products [3]	76,840	10,122	(9,754)	368	(14)	77,194
Other retail [4]	1,155	20	(71)	(51)	1	1,105
Australian retail	77,995	10,142	(9,825)	317	(13)	78,299
Wholesale	41,183	10,617	(13,026)	(2,409)	850	39,624
Property	18,523	188	(63)	125	260	18,908
Other [5]	3,243	17	(74)	(57)	(103)	3,083
Domestically sourced	140,944	20,964	(22,988)	(2,024)	994	139,914
Internationally sourced	50,510	4,827	(5,690)	(863)	(1,050)	48,597
Total Wealth Management	191,454	25,791	(28,678)	(2,887)	(56)	188,511

Funds Under Administration	Half Year Ended 31 December 2010 Opening Balance 30/06/10 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 31/12/10 $M
FirstChoice	43,640	6,721	(5,605)	1,116	2,973	47,729
Custom Solutions [1]	6,114	1,092	(792)	300	473	6,887
Standalone (including Legacy) [2]	22,942	1,840	(3,852)	(2,012)	1,294	22,224
Retail products [3]	72,696	9,653	(10,249)	(596)	4,740	76,840
Other retail [4]	1,153	19	(89)	(70)	72	1,155
Australian retail	73,849	9,672	(10,338)	(666)	4,812	77,995
Wholesale	41,050	8,041	(10,043)	(2,002)	2,135	41,183
Property	17,167	1,760	(289)	1,471	(115)	18,523
Other [5]	3,033	16	(82)	(66)	276	3,243
Domestically sourced	135,099	19,489	(20,752)	(1,263)	7,108	140,944
Internationally sourced	44,515	8,030	(3,772)	4,258	1,737	50,510
Total Wealth Management	179,614	27,519	(24,524)	2,995	8,845	191,454

(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

Financial Performance and Business Review

New Zealand[1][3] statutory net profit after tax[2] for the half year ended 31 December 2011 was NZ$357 million, which represented an increase of 26% on the prior comparative period. The result was driven by a strong performance from ASB Bank with margins benefitting from a continued shift in portfolio mix towards variable rate loans and lower loan impairment expenses reflecting improved asset quality and favourable hedging and IFRS volatility. Sovereign's underlying performance was also strong with a continuation of favourable claims experience and significant growth in new business. Sovereign's statutory net profit after tax has been adversely impacted by falling New Zealand Government bond rates which resulted in unfavourable policy valuation adjustments.

Statutory net profit after tax[2] increased 26% compared to the prior half driven by margin improvement, disciplined expense management, improved asset quality, favourable hedging and IFRS volatility and the impact of the Christchurch earthquakes on the prior half.

ASB Bank

ASB Bank statutory net profit after tax[2] for the half year ended 31 December 2011 was NZ$323 million, up 36% on the prior comparative period.

Statutory net profit after tax[2] was up 31% over the prior half, reflecting margin improvement, lower operating expenses, favourable hedging and IFRS volatility and the impact of the Christchurch earthquakes on the prior half.

Banking Income

Net interest income was NZ$602 million, an increase of 12% on the prior comparative period, driven principally by a continued shift by customers to variable rate loans. Lower deposit margins and increased Cash and Liquid Assets, driven by uncertainty in the offshore funding markets as a result of the European sovereign debt crisis, also impacted the net interest margin. Volume growth in customer deposits was solid, with lending growth subdued in a low credit growth environment.

Other banking income for the half year ended 31 December 2011 was NZ$161 million, down 10% on the prior comparative period. This included lower transaction account and credit card interchange fees, partly offset by a focus on cross-sell which has seen insurance commission income increase over the prior comparative period.

Home loans

Home loans continued to benefit from the shift from fixed rate to variable rate loans. The proportion of the portfolio which was variable rate in nature at 31 December 2011 was 63% (30 June 2011: 59%; 31 December 2010: 48%). Additionally, net interest margin has benefitted from portfolio repricing initiatives.

Home loan balances of NZ$37 billion remained flat in a low credit growth environment.

Business loans

Business loans also benefitted from customers increasingly shifting from fixed to variable rate loans. The proportion of the portfolio which was variable rate in nature at 31 December 2011 was 87% (30 June 2011: 86%; 31 December 2010: 82%). Additionally, net interest margin has benefitted from portfolio repricing initiatives.

Business loans were down 3% on the prior comparative period to $14 billion.

Customer deposits

Customer deposit margins remained under pressure due to continued intense market competition. This was particularly prevalent over the last quarter of the 2011 calendar year, as global uncertainties compounded, resulting in a deterioration of new business margins during that period. In addition, Customer deposit margins have been impacted by a mix shift in the portfolio as customers continue to move towards higher yielding products.

Customer deposit balances increased 9% on the prior comparative period to NZ$37 billion.

Operating Expenses

Operating expenses for the half year ended 31 December 2011 were NZ$355 million, flat on the prior comparative period. Disciplined cost management and productivity improvements were offset by staff and property inflation driven expenses. The continued investment in strategic initiatives to benefit and support customers has delivered efficiency improvements. The expense to income ratio for the Bank was 45.1%, down 270 basis points on the prior comparative period.

Loan Impairment Expense

Loan impairment expense for the half year ended 31 December 2011 was NZ$14 million, a decrease of 61% on the prior comparative period. The key driver of the decrease was in the business lending portfolio where the rural portfolio, mainly dairy farming, delivered the greatest improvement. In the retail sector, there was also a decrease in unsecured delinquencies and home loan write-offs. Arrears rates were relatively stable over the half, with slight improvements in the 90+ day home loan and credit card arrears rates.

Sovereign

Statutory net profit after tax[2] for the half year ended 31 December 2011 was NZ$39 million, a decrease of 13% on the prior comparative period. The result was driven by the unfavourable impact of falling New Zealand Government bond rates on policy liability valuations. Excluding this impact, underlying profit after tax increased 11%, driven by favourable claims experience and solid growth in inforce premiums.

Statutory net profit after tax[2] was down 5% on the prior half, again due to the impact of falling New Zealand Government bond rates on policy liability valuations. Excluding this impact, underlying profit after tax was up 8%.

Insurance Income

Insurance income of NZ$140 million was up 7% on the prior comparative period with favourable claims experience and inforce premium growth of 6%. Inforce premium growth was driven by a strong increase in new business and improvements in lapse rates.

Operating Expenses

Operating expenses of NZ$113 million were up 2% on the prior comparative period. This was driven by increased renewal commission expense due to growth in inforce premiums. Other expenses were flat compared to the prior half with increased salary costs offset by productivity improvements.

(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.

(3) The New Zealand result has also been presented in Australian dollars on the following page. Other banking income disclosed in Australian dollars includes gains or losses associated with the hedge of the New Zealand operations.

	Half Year Ended 31 December 2011				
	ASB	Sovereign	Other (1)	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	602	-	(8)	594	463
Other banking income (2)	161	-	(17)	144	108
Total banking income	763	-	(25)	738	571
Funds management income	24	-	3	27	21
Insurance income	-	140	10	150	116
Total operating income	787	140	(12)	915	708
Operating expenses	(355)	(113)	12	(456)	(355)
Loan impairment expense	(14)	-	-	(14)	(11)
Net profit before tax	418	27	-	445	342
Corporate tax expense	(116)	13	-	(103)	(79)
Underlying profit after tax	302	40	-	342	263
Investment experience after tax	-	(1)	(5)	(6)	(5)
Cash net profit after tax	302	39	(5)	336	258
Hedging and IFRS volatility (after tax)	21	-	-	21	16
Revenue hedge of New Zealand operations - unrealised (after tax)	-	-	-	-	12
Statutory net profit after tax	323	39	(5)	357	286

	Half Year Ended 30 June 2011				
	ASB	Sovereign	Other (1)	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	569	-	(12)	557	421
Other banking income (2)	189	-	(17)	172	148
Total banking income	758	-	(29)	729	569
Funds management income	27	-	(1)	26	20
Insurance income	-	126	15	141	105
Total operating income	785	126	(15)	896	694
Operating expenses	(378)	(107)	13	(472)	(356)
Loan impairment expense	(36)	-	-	(36)	(26)
Net profit before tax	371	19	(2)	388	312
Corporate tax expense	(113)	18	-	(95)	(77)
Underlying profit after tax	258	37	(2)	293	235
Investment experience after tax	-	4	(2)	2	1
Cash net profit after tax	258	41	(4)	295	236
Hedging and IFRS volatility (after tax)	(11)	-	-	(11)	(9)
Revenue hedge of New Zealand operations - unrealised (after tax)	-	-	-	-	(9)
Statutory net profit after tax	247	41	(4)	284	218

	Half Year Ended 31 December 2010				
	ASB	Sovereign	Other (1)	Total	Total
	NZ$M	NZ$M	NZ$M	NZ$M	A$M
Net interest income	538	-	2	540	419
Other banking income (2)	178	-	(13)	165	138
Total banking income	716	-	(11)	705	557
Funds management income	27	-	(1)	26	20
Insurance income	-	131	4	135	106
Total operating income	743	131	(8)	866	683
Operating expenses	(355)	(111)	19	(447)	(348)
Loan impairment expense	(36)	-	-	(36)	(28)
Net profit before tax	352	20	11	383	307
Corporate tax expense	(106)	16	-	(90)	(73)
Underlying profit after tax	246	36	11	293	234
Investment experience after tax	-	9	(9)	-	-
Cash net profit after tax	246	45	2	293	234
Hedging and IFRS volatility (after tax)	(9)	-	-	(9)	(7)
Revenue hedge of New Zealand operations - unrealised (after tax)	-	-	-	-	9
Statutory net profit after tax	237	45	2	284	236

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

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

New Zealand continued

Balance Sheet	31/12/11 NZ$M	30/06/11 NZ$M	31/12/10 NZ$M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
	As at				
Home lending	**37,382**	37,444	37,508	-	-
Assets at fair value through Income Statement	**2,560**	4,165	4,232	(39)	(40)
Other lending assets	**15,332**	15,148	15,740	1	(3)
Non-lending interest earning assets	**7,336**	4,003	3,665	83	large
Other assets	**5,100**	4,597	4,714	11	8
Total assets	**67,710**	65,357	65,859	4	3
Customer Deposits (1)(3)	**36,552**	35,117	33,445	4	9
Debt issues	**6,654**	6,910	5,680	(4)	17
Other interest bearing liabilities (2)(3)	**12,893**	11,484	15,194	12	(15)
Non-interest bearing liabilities (1)(3)	**6,439**	6,673	6,525	(4)	(1)
Total liabilities	**62,538**	60,184	60,844	4	3
Assets					
ASB Bank	**65,451**	63,050	63,496	4	3
Other	**2,259**	2,307	2,363	(2)	(4)
Total assets	**67,710**	65,357	65,859	4	3
Liabilities					
ASB Bank	**61,430**	59,103	59,686	4	3
Other	**1,108**	1,081	1,158	2	(4)
Total liabilities	**62,538**	60,184	60,844	4	3

Sources of Profit from Insurance Activities	31/12/11 NZ$M	30/06/11 NZ$M	31/12/10 NZ$M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
	Half Year Ended				
The Margin on Services profit from ordinary activities after income tax is represented by:					
Planned profit margins	**30**	29	29	3	3
Experience variations	**10**	8	7	25	43
Operating margins	**40**	37	36	8	11
Investment experience after tax	**(1)**	4	9	large	large
Cash net profit after tax	**39**	41	45	(5)	(13)

New Zealand - Funds Under Administration	31/12/11 NZ$M	30/06/11 NZ$M	31/12/10 NZ$M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
	Half Year Ended				
Opening balance	**10,407**	9,580	8,771	9	19
Inflows	**1,163**	1,151	1,377	1	(16)
Outflows	**(752)**	(439)	(1,090)	71	(31)
Net Flows	**411**	712	287	(42)	43
Investment income & other	**(139)**	115	522	large	large
Closing balance	**10,679**	10,407	9,580	3	11

New Zealand - Annual Inforce Premiums	31/12/11 NZ$M	30/06/11 NZ$M	31/12/10 NZ$M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
	Half Year Ended				
Opening balance	**584**	570	554	2	5
Sales/New business	**50**	42	45	19	11
Lapses	**(29)**	(27)	(28)	7	4
Other movements	**(1)**	(1)	(1)	-	-
Closing balance	**604**	584	570	3	6

(1) Customer deposits including all interest bearing deposits carried at amortised cost or as liabilities at fair value through Income Statement.
(2) Includes NZ$6.3 billion due to Group companies (30 June 2011: NZ$6.3 billion; 31 December 2010: NZ$6.3 billion).
(3) Comparatives have been restated to conform with presentation in the current period.

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Bankwest

Financial Performance and Business Review

Bankwest statutory net profit after tax for the half year ended 31 December 2011 was $220 million, up 49% from the prior comparative period. The improved performance was driven by a 7% increase in banking income, continued cost discipline as well as lower loan impairment expense and lower hedging and IFRS volatility and integration related expenses.

Statutory net profit after tax increased 52% compared to the prior half. Higher home loan balances, lower operating and integration related expenses, hedging and IFRS volatility and loan impairment expense were partially offset by lower lending and deposit margins.

Banking Income

Net interest income of $748 million increased 10% compared to the prior comparative period. This was mainly supported by improved net interest margin and above system volume growth in home loans.

Other banking income of $103 million decreased 13% compared to the prior comparative period due to lower Retail Banking fee income and the impact of counterparty fair value adjustments.

Compared to the prior half, net interest income increased 1%, impacted by lower lending margins due to increased funding costs and strong competition for deposits. This was offset by strong home loan growth, up 7%.

Home loans

Home loan balances increased to $49 billion, up 13% on the prior comparative period and well above system growth. This result was driven by product innovation, targeted marketing campaigns and the maturing of the East Coast branch network. Home loan pricing has been maintained at competitive levels, without price matching to industry lows.

Home loan margins improved compared to the prior comparative period with customers moving from expiring discounted introductory loans into higher yield products. Compared to the prior half, home loan margins decreased, impacted by the escalation in wholesale funding costs.

Business loans

Business loan balances decreased to $21 billion, down 7% on the prior comparative period due to a reduction in higher risk exposures. Lending margins were broadly in line with the prior comparative period.

Customer Deposits

Retail deposit balances increased to $17 billion, up 12% on the prior comparative period, due to higher online and term deposit balances. This was driven by a more competitive pricing position which resulted in slightly lower margins.

Business deposit balances increased 2% compared to the prior comparative period, to $28 billion. Margins improved due to both pricing and improved product mix.

Operating Expenses

Operating expenses of $430 million were relatively flat on the prior comparative period. Increased home loan volume related expenses, occupancy expenses on new East Coast branches and a new IT data centre were offset by continued productivity gains from business wide efficiency initiatives.

Operating expenses decreased by 2% compared to the prior half due to continued operational efficiencies, partially offset by inflationary pressures on staff expenses.

The expense to income ratio of 50.5% continued to improve, down 320 basis points compared to the prior comparative period, reflecting a strong focus on expense management.

Loan Impairment Expense

Loan impairment expense of $38 million was 22% lower than the prior comparative period.

The improved quality of the business loan book is due to the strategic focus on Straightforward Banking, offering easy to understand lending products to the SME sector. Troublesome, impaired and watchlist loans decreased compared to 30 June 2011.

Home loan arrears decreased compared to the prior comparative period due to a continued focus on the collections process. Credit card arrears increased due to the economic environment, while personal loan arrears decreased slightly.

	Half Year Ended				
	31/12/11	30/06/11	31/12/10	Dec 11 vs	Dec 11 vs
	$M	$M	$M	Jun 11 %	Dec 10 %
Net interest income	**748**	741	679	1	10
Other banking income	**103**	102	118	1	(13)
Total banking income	**851**	843	797	1	7
Operating expenses	**(430)**	(441)	(428)	(2)	-
Loan impairment expense	**(38)**	(60)	(49)	(37)	(22)
Net profit before tax	**383**	342	320	12	20
Corporate tax expense	**(115)**	(103)	(96)	12	20
Cash net profit after tax	**268**	239	224	12	20
Hedging and IFRS volatility (after tax)	**(13)**	(1)	(32)	large	(59)
Merger related amortisation and integration expenses (after tax)	**(35)**	(93)	(44)	(62)	(20)
Statutory net profit after tax	**220**	145	148	52	49

	As at				
	31/12/11	30/06/11	31/12/10	Dec 11 vs	Dec 11 vs
Balance Sheet	$M	$M	$M	Jun 11 %	Dec 10 %
Home lending (including securitisation)	**48,668**	45,673	43,070	7	13
Other lending assets	**22,479**	22,722	23,956	(1)	(6)
Other assets	**8,895**	8,433	8,813	5	1
Total assets	**80,042**	76,828	75,839	4	6
Transaction deposits	**8,596**	8,731	8,034	(2)	7
Savings deposits	**7,718**	7,033	7,189	10	7
Investments deposits	**28,892**	26,956	27,766	7	4
Certificates of deposit and other	**282**	59	25	large	large
Debt issues	**9,588**	9,064	8,637	6	11
Due to other financial institutions [(1)]	**16,272**	16,644	15,682	(2)	4
Other liabilities	**2,972**	3,068	3,647	(3)	(19)
Total liabilities	**74,320**	71,555	70,980	4	5

(1) Includes amounts due to Group companies (31 December 2011: $16.2 billion; 30 June 2011: $16.5 billion; 31 December 2010: $15.7 billion).

Other

Financial Performance and Business Review

IFS Asia

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

IFS Asia statutory net profit after tax for the half year ended 31 December 2011 was $37 million, an increase of 42% over the prior comparative period. The result was characterised by strong contributions from the Indonesian businesses and the Bank of Hangzhou.

IFS Asia statutory net profit after tax for the half year ended 31 December 2011 was up 37% compared to the prior half driven by similar themes.

Banking Income

Net interest income increased 20% over the prior comparative period to $48 million driven by strong lending growth and higher margins in Indonesia. PT Bank Commonwealth lending balances increased 64% during the half. The consumer, commercial and SME portfolio balance growth amounted to 210%, 104% and 52% respectively.

The three China County Banks, opened in the 2011 financial year, are performing well.

Other banking income increased 17% to $70 million driven by strong wealth management, bancassurance and treasury income from the Indonesian retail business together with a 43% increase in the equity accounted profit contribution from the Bank of Hangzhou. This was partially offset by a lower contribution to earnings from Qilu Bank as a result of the ongoing impact of a prior year fraud incident.

Insurance Income

Insurance income increased 36% to $34 million, reflecting improved sales volumes across all channels.

Operating Expenses

Operating expenses were up 11% to $105 million, largely due to increased staff numbers, technology and marketing costs supporting growth in the Indonesian lending and insurance businesses.

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Corporate Centre

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:

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

Corporate Centre statutory net profit after tax for the half year ended 31 December 2011 was $274 million, a significant increase on the prior comparative period driven by favourable hedging and IFRS volatility.

Total Banking income was $384 million, down 14% on the prior comparative period due to:

- Lower Asset and Liability Management earnings from the impact of the recent market volatility on the mark to market portfolios; and
- Reduced Capital Management earnings from the lower interest rate environment.

Group wide Eliminations/Unallocated

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

Group wide Eliminations/Unallocated statutory net profit after tax for the half year ended 31 December 2011 was $30 million, a $127 million increase compared to the prior comparative period. This was primarily driven by centrally held loan impairment provisions recognised in the prior comparative period.

	Half Year Ended 31 December 2011			
	IFS Asia	Corporate Centre	Eliminations [2]/ Unallocated	Total
	$M	$M	$M	$M
Net interest income [1]	48	365	17	430
Other banking income [1]	70	19	-	89
Total banking income	118	384	17	519
Funds management income	-	-	11	11
Insurance income	34	-	(13)	21
Total operating income	152	384	15	551
Operating expenses	(105)	(150)	-	(255)
Loan impairment expense	(6)	-	18	12
Net profit before tax	41	234	33	308
Corporate tax expense	(4)	(60)	(11)	(75)
Non-controlling interests	(2)	-	(7)	(9)
Underlying profit after tax	35	174	15	224
Investment experience after tax	2	-	15	17
Cash net profit after tax	37	174	30	241
Hedging and IFRS volatility (after tax)	-	100	-	100
Statutory net profit after tax	37	274	30	341

	Half Year Ended 30 June 2011			
	IFS Asia	Corporate Centre	Eliminations [2]/ Unallocated	Total
	$M	$M	$M	$M
Net interest income [1]	40	351	(31)	360
Other banking income [1]	64	14	(35)	43
Total banking income	104	365	(66)	403
Funds management income	(1)	-	12	11
Insurance income	22	-	(14)	8
Total operating income	125	365	(68)	422
Operating expenses	(89)	(84)	-	(173)
Loan impairment expense	(8)	-	98	90
Net profit before tax	28	281	30	339
Corporate tax expense	(2)	(70)	(29)	(101)
Non-controlling interests	-	-	(7)	(7)
Underlying profit after tax	26	211	(6)	231
Investment experience after tax	1	-	19	20
Cash net profit after tax	27	211	13	251
Hedging and IFRS volatility (after tax)	-	(30)	-	(30)
Other (after tax)	-	(6)	-	(6)
Statutory net profit after tax	27	175	13	215

Other continued

	Half Year Ended 31 December 2010			
	IFS Asia	Corporate Centre	Eliminations [(2)]/ Unallocated	Total
	$M	$M	$M	$M
Net interest income [(1)]	40	367	(56)	351
Other banking income [(1)]	60	80	(46)	94
Total banking income	100	447	(102)	445
Funds management income	1	-	14	15
Insurance income	25	-	(13)	12
Total operating income	126	447	(101)	472
Operating expenses	(95)	(183)	-	(278)
Loan impairment expense	(2)	-	(62)	(64)
Net profit before tax	29	264	(163)	130
Corporate tax expense	(3)	(72)	76	1
Non-controlling interests	(2)	-	(7)	(9)
Underlying profit after tax	24	192	(94)	122
Investment experience after tax	2	-	(3)	(1)
Cash net profit after tax	26	192	(97)	121
Hedging and IFRS volatility (after tax)	-	(186)	-	(186)
Other (after tax)	-	1	-	1
Statutory net profit after tax	26	7	(97)	(64)

(1) Excludes the impact of the reclassification of net swap costs from Net interest income to Other banking income related to certain economic hedges which do not qualify for IFRS hedge accounting (December 2011: $181 million; June 2011: $271 million; December 2010: $227 million).

(2) Represents Group wide eliminations.

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, Bankwest, and Asian businesses, during periods of unfavourable market conditions. The Group's liquid assets increased over the period from $93 billion at 31 December 2010 to $115 billion at 31 December 2011 primarily in response to the deteriorating conditions in Europe.

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. The Group's customer deposit funding accounted for approximately 62% of its total funding requirements at 31 December 2011 (61% at 30 June 2011 and 60% at 31 December 2010).

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.

Larger domestic subsidiaries, such as Bankwest and subsidiaries within the Colonial Group, also apply their own liquidity and funding methods to address their specific needs. The Group's New Zealand banking subsidiary, ASB Bank Limited ("ASB"), 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 Financial Services and Risk Management divisions provide prudential oversight of the Group's liquidity and funding risk and manage the Group's relationship with prudential regulators.

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 and reviewed regularly based on surveys and analysis of market capacity;
- A minimum level of assets are retained in highly liquid form;
- The 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 category includes negotiable certificates of deposit of Australian banks, bank bills, Commonwealth of Australia Government and Australian state and semi-government bonds and supra-national bonds. All securities are eligible for repurchase by the Reserve Bank of Australia (RBA) at any time. The second category is AAA and A-1+ rated Australian residential mortgage backed securities that meet certain minimum requirements; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets as required. All securities are eligible for repurchase by the relevant local central bank at any time.

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 programmes which include its: Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit programme; Australian, U.S. and Euro Commercial Paper programmes; Bankwest Euro Commercial Paper Programme; U.S. Extendible Notes programme; Australian dollar Domestic Debt programme; U.S. Medium Term Note Programme; Euro Medium Term Note programme, multi jurisdiction Covered Bonds programme and its Medallion and Swan securitisation programmes.

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 programmes 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.

Liquidity and Capital Resources continued

Debt Issues	31/12/11 $M	30/06/11 $M	31/12/10 $M
	Half Year Ended		
Short term debt issues	**57,071**	51,463	51,341
Long term debt issues	**62,236**	67,189	62,268
Total debt issues	**119,307**	118,652	113,609

Maturity Distribution of Debt Issues	31/12/11 $M	30/06/11 $M	31/12/10 $M
Less than three months	**36,514**	27,721	29,370
Between three and twelve months	**20,557**	23,742	21,971
Between one and five years	**47,072**	48,259	51,250
Greater than five years	**15,164**	18,930	11,018
Total debt issues	**119,307**	118,652	113,609

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 2011.

Debt Programmes and Issuing Shelves

Programme/Issue Shelf	Programme/Issuing Shelf Type
Australia	
No Limit	CBA Domestic Debt Issuance Programme
AUD 3 billion	CFL Domestic Borrowing Programme
Euro Market	
USD 7 billion	ASB Euro Commercial Paper Programme
USD 7 billion	CBA Euro Commercial Paper Programme
USD 70 billion	Euro Medium Term Note Programme (1)
USD 7.5 billion	Bankwest Euro Commercial Paper Programme
USD 10 billion	ASB Extendible Notes Programme
USD 30 billion	CBA Covered Bond Programme(4)
EUR 7 billion	ASB Covered Bond Programme(4)
Asia	
USD 5 billion	CBA Asian Transferable Certificates of Deposit Programme
JPY 500 billion	CBA Uridashi Shelf (2)
New Zealand	
No Limit	ASB Domestic Medium Term Note Programme
No Limit	ASB Registered Certificate of Deposit Programme
No Limit	CBA Domestic Medium Term Note Programme
United States	
USD 7 billion	ASB Commercial Paper Programme
USD 35 billion	CBA Commercial Paper Programme
USD 50 billion	CBA US Medium Term Note Programme(3)

(1) Commonwealth Bank Limited and ASB Finance Limited (unconditionally and irrevocable guaranteed by ASB Bank Limited) are issuers under this programme.

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

(3) Represents the Group's current Rule 144A/ Regulation S Medium-Term Note Programme. As of the date of this Profit Announcement, the Group expects to establish an additional US$25 billion US funding programme through its New York branch.

(4) In addition to the Euro Market, these Covered Bond programmes also enable access to other jurisdictions.

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 "Contingent Liabilities, Contingent Assets and Commitments" beginning on page 118 of the 2011 Financial Report. Except as noted in Note 12 to the consolidated financial statements of the Group for the half year ended 31 December 2011, the Group is not aware of any material changes to this profile since 30 June 2011.

For more information on the Group's funding programs and liquidity and capital resources, see "Liquidity and Funding Risk" beginning on page 141 of the 2011 Financial Report.

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

Recent Market Environment

Wholesale funding market conditions deteriorated notably in the current half. The recent funding market disruptions, caused by the European sovereign debt crisis, resulted in higher borrowing rates for financial institutions, similar to those levels experienced at the end of 2008. The Group has not been immune to the widening interest rate spreads. However, the Group was still able to meet its funding needs during the half with strong access to offshore short term wholesale markets and the domestic wholesale market. The Group has managed its portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and has continued to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and secured debt markets.

Standard and Poor's (S&P) lowered the senior unsecured rating of CBA from AA to AA- on 1 December 2011. The change followed a review of ratings methodology by S&P, which saw the ratings for all Australian major banks lowered by one notch with similar downgrades for many banks outside Australia. CBA's short term rating was unchanged at A-1+ and the long term rating of AA- means CBA remains one of a limited number of banks in the 'AA' ratings category.

On 24 February 2012, Fitch Ratings downgraded the long-term credit rating of the Bank, along with two other major Australian banks, from AA to AA-. The rating outlook is stable. Our short term rating of F1+ remains unchanged. The rating actions have been taken in the context of a broader review of the larger and highly rated banks in Fitch's rating portfolio.

In October 2011, the Australian Government passed legislation to allow Australian banks to issue covered bonds. CBA has established programme documentation to undertake such issuance and issued its first covered bonds in January 2012. Covered bonds are expected to provide access to a wider investor base, at a more efficient cost and with longer tenors than would otherwise be available compared with issuing unsecured debt.

On 6 September 2011, the Australian Prudential Regulation Authority ("APRA") released its discussion paper, *Implementing Basel III Capital Reforms in Australia*. This discussion paper is subject to industry consultation until December 2, 2011, with a further discussion paper on counterparty credit risk expected in late calendar 2011 and draft standards are currently expected to be released in early calendar 2012. In the first discussion paper, APRA has indicated that, subject to industry consultation, it will adopt as a minimum for Authorised Deposit-taking Institutions ("ADIs") the capital framework proposed under the Basel III framework, which is described under "Capital Management – Regulatory Changes - Banking – Basel Committee Changes" in the 2011 Annual Disclosure Document, with some additional conservatism. Prudential Capital Requirements ("PCRs") will be set by APRA for each ADI at or about the minima set out in the Basel III arrangements. The APRA discussion paper proposes that these capital requirements will need to be met in full from January 1, 2013. In addition, from January 1, 2016, ADIs will be required to hold a capital conservation buffer of up to 2.5%, comprised of Common Equity Tier 1. These deadlines do not include the phase-in arrangements contemplated by the Basel III arrangements. APRA also proposes to introduce the countercyclical buffer proposed by Basel III where APRA judges that excess credit growth has led to a build-up of system-wide risk. In its discussion paper, APRA proposes that the Basel III non-viability loss absorbency requirements be included in the terms of all Additional Tier 1 and Tier 2 instruments, and that the requirements be included in the contractual terms and conditions of each instrument eligible as regulatory capital from 1 January 2013.

On 16 November 2011, APRA released a second discussion paper, *Implementing Basel III Liquidity Reforms in Australia*, and a draft standard, *Prudential Standard APS 210 Liquidity ("APS 210")*. The discussion paper is subject to industry consultation until February 17, 2012 and the final standard is expected to be released in mid-2012. The discussion paper proposes to apply the quantitative requirements in the Basel III liquidity framework to larger ADIs, with minor modifications. The draft APS 210 includes proposed requirements for enhanced board oversight of an ADI's liquidity risk management framework and implementation. The Basel III liquidity measures include the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"). The LCR aims to ensure that banks have sufficient high-quality liquid assets to survive an acute stress scenario lasting for one month and the NSFR aims to strengthen the longer-term resilience of an ADI by requiring it to maintain a sustainable maturity structure of assets and liabilities on an ongoing basis. APRA proposes to apply the Basel III liquidity measures with minor adjustments. For instance, since there are insufficient high quality liquid assets that comprise part of the LCR to meet the Australian dollar liquidity requirements of ADIs, APRA and the Reserve Bank of Australia ("RBA") propose to allow an ADI to use a secured committed liquidity facility with the RBA for a fee to cover any shortfall in Australian dollars between an ADI's liquidity needs and its holdings of high quality liquid assets. Consistent with the international timetable, APRA intends to implement the LCR from 1 January 2015 and the NSFR from January 1, 2018. APRA is proposing a standardized reporting framework of monthly LCR data and quarterly NSFR data for larger, more complex ADIs, such as the Group, that are required under current APS 210 to conduct their own scenario analysis under a wide range of operating conditions, and APRA is proposing that such ADIs provide quarterly LCR and NSFR reports on a best endeavors basis from January 2012. Formal reporting requirements will be subject to industry consultation in 2012. APRA also proposes to amend *Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information* to require key qualitative and quantitative liquidity information to be disclosed on a semi-annual basis.

In addition, the Reserve Bank of Australia announced it would provide a Committed Liquidity Facility from 1 January 2015. This will enable the Group to access a pre-specified amount of liquidity by entering into repurchase agreements on a broad range of eligible securities. The specific application of these requirements to each bank is the subject of ongoing discussions with APRA.

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 69 of the Annual Disclosure Document.

Corporate Governance

Changes to Executive Team

On 16 September 2011, the Group announced that Mr. Grahame Petersen has been appointed Group Executive Business and Private Banking with effect from 1 October 2011. Mr. Petersen has over 31 years of banking and financial services experience with the Group. Most recently, since 2006, he has led the Group's Wealth Management businesses.

Consequent upon Mr. Petersen's appointment, the Group also announced a further two appointments. Ms. Annabel Spring, formerly the Group Head of Strategy, was appointed Group Executive Wealth Management, also with effect from 1 October 2011. Ms. Spring joined the Group two and a half years ago from Morgan Stanley where she was Head of Firm Strategy and Execution and previously held roles in banking and markets. She has worked in New York, Asia and Australia.

Mr. Robert Jesudason has replaced Ms. Spring as Group Head of Strategy effective December 2011. Mr. Jesudason joined the Group from Credit Suisse where his most recent role has been Managing Director and Head of Global Emerging Markets within the Financial Institutions Group based in Hong Kong. Mr. Jesudason joined Credit Suisse in October 2007 as Head of the APAC Financial Institutions Group. Prior to joining Credit Suisse, Mr. Jesudason worked for JP Morgan, where he was a Managing Director in the Asian special situations group responsible for investments in financial services. Prior to this, Mr. Jesudason worked at Barclays PLC as Global Head of Corporate Development. Earlier in his career, Mr. Jesudason worked at GE Capital both in their European and Japanese M&A teams and within their Insurance business. He was an Associate Principal in McKinsey's Corporate Finance and Strategy practice. Mr. Jesudason holds a Bachelor of Science in Managerial and Administrative Studies from Aston University in Birmingham, UK.

Change of Audit Committee Chairman

Following the 2011 Annual General Meeting held on 8 November 2011, Mr. Fergus Ryan retired as Chairman of the Board's Audit Committee and was replaced in that capacity by Mr. Brian Long. Mr. Ryan will continue as a Director of the Commonwealth Bank of Australia and will remain as a member of the Audit and Risk Committee. Mr. Long has over 30 years of experience as audit partner with Ernst & Young, prior to his retirement in 2010.

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 2011.

Directors

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

D J Turner	Chairman
R J Norris KNZM	Managing Director and Chief Executive Officer (Resigned effective 30 November 2011)
I Narev	Managing Director and Chief Executive Officer (Appointed effective 1 December 2011)
J A Anderson KBE	Director
C R Galbraith AM	Director
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
H H Young	Director

Review and Results of Operations

Commonwealth Bank of Australia earned a consolidated statutory net profit after tax of $3,624 million for the half year ended 31 December 2011, compared with $3,052 million for the prior comparative period, an increase of 19%. The result was principally supported by solid volume growth in a low credit growth environment, improved net interest margin and portfolio credit quality.

The statutory net profit after tax from Retail Banking Services was $1,439 million (December 2010: $1,397 million) reflecting modest volume growth together with an increase in net interest margin. This was partly offset by higher loan impairment expense with some of the Group's customers finding conditions challenging.

The statutory net profit after tax from Business and Private Banking was $551 million (December 2010: $502 million), driven by strong business banking income growth and a reduction in loan impairment expense, which reflected the quality of the portfolio. This was partly offset by lower brokerage revenue due to subdued market trading conditions.

The statutory net profit after tax from Institutional Banking and Markets was $547 million (December 2010: $498 million), driven by improved lending momentum, higher margins and lower loan impairment expense. This was partly offset by lower Markets income due to the challenging market conditions.

The statutory net profit after tax from Wealth Management was $240 million (December 2010: $335 million), which reflected deteriorating global investment markets. This offset a solid insurance performance, supported by strong inforce premium growth and stable claims experience.

The statutory net profit after tax from New Zealand was $286 million (December 2010: $236 million), driven by improved net interest margin together with a solid insurance result due to improved claims experience and growth in new business.

The statutory net profit after tax from Bankwest was $220 million (December 2010: $148 million). This result reflected lower impairment expense together with strong home loan growth and improved net interest margin.

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 2011 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 the Commonwealth Bank of Australia for the half-year ended 31 December 2011, 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 the Commonwealth Bank of Australia and the entities it controlled during the period.

Rahoul Chowdry
Partner
PricewaterhouseCoopers

15 February 2012

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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

15 February 2012

I Narev

Managing Director and Chief Executive Officer

Financial Statements

Consolidated Income Statement

For the half year ended 31 December 2011

		Half Year Ended		
		31/12/11	30/06/11	31/12/10
	Notes	$M	$M	$M
Interest income	2	**19,235**	18,834	18,470
Interest expense		**(12,698)**	(12,356)	(12,341)
Net interest income		**6,537**	6,478	6,129
Other banking income		**2,172**	1,850	1,780
Net banking operating income		**8,709**	8,328	7,909
Funds management income		**981**	1,030	966
Investment (expense)/revenue		**(135)**	224	630
Claims and policyholder liability revenue/(expense)		**111**	(223)	(585)
Net funds management operating income		**957**	1,031	1,011
Premiums from insurance contracts		**1,006**	942	942
Investment revenue		**218**	240	307
Claims and policyholder liability expense from insurance contracts		**(602)**	(650)	(663)
Net insurance operating income		**622**	532	586
Total net operating income		**10,288**	9,891	9,506
Loan impairment expense	6	**(545)**	(558)	(722)
Operating expenses	3	**(4,682)**	(4,598)	(4,462)
Net profit before income tax		**5,061**	4,735	4,322
Corporate tax expense	4	**(1,388)**	(1,320)	(1,161)
Policyholder tax expense	4	**(40)**	(66)	(100)
Net profit after income tax		**3,633**	3,349	3,061
Non-controlling interests		**(9)**	(7)	(9)
Net profit attributable to Equity holders of the Bank		**3,624**	3,342	3,052

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	Cents per Share		
Earnings per share:			
Basic	**230. 8**	214. 7	196. 5
Diluted	**222. 1**	206. 1	189. 1

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

Financial Statements continued

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2011

	Half Year Ended		
	31/12/11	30/06/11	31/12/010
	$M	$M	$M
Profit from ordinary activities after income tax for the period	**3,633**	3,349	3,061
Other comprehensive income/(expense):			
Actuarial gains and losses from defined benefit superannuation plans	**(420)**	(181)	92
Gains and losses on cash flow hedging instruments:			
Recognised in equity	**710**	(391)	(363)
Transferred to Income Statement	**193**	516	253
Gains and losses on available-for-sale investments:			
Recognised in equity	**(410)**	320	(196)
Transferred to Income Statement on disposal	**(53)**	(3)	(21)
Revaluation of properties	**4**	9	(3)
Foreign currency translation reserve	**11**	(60)	(486)
Income tax on items transferred directly to/from equity:			
Foreign currency translation reserve	**(8)**	7	9
Available-for-sale investments revaluation reserve	**135**	(94)	66
Revaluation of properties	**-**	(2)	2
Cash flow hedge reserve	**(267)**	(37)	37
Other comprehensive income/(expense) net of income tax	**(105)**	84	(610)
Total comprehensive income for the period	**3,528**	3,433	2,451
Total comprehensive income for the period is attributable to:			
Equity holders of the Bank	**3,519**	3,426	2,442
Non-controlling interests	**9**	7	9
Total comprehensive income for the period	**3,528**	3,433	2,451

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

Consolidated Balance Sheet

As at 31 December 2011

Assets	Notes	31/12/11 $M	30/06/11 $M	31/12/10 $M
Cash and liquid assets		**19,220**	13,241	14,362
Receivables due from other financial institutions		**8,428**	10,393	12,771
Assets at fair value through Income Statement:				
Trading		**16,512**	20,469	20,240
Insurance		**14,410**	14,998	15,205
Other		**1,227**	824	358
Derivative assets		**37,191**	30,317	25,988
Available-for-sale investments		**59,971**	45,171	38,029
Loans, bills discounted and other receivables	5	**513,108**	500,057	491,882
Bank acceptances of customers		**10,732**	10,734	10,146
Property, plant and equipment		**2,448**	2,366	2,268
Investment in associates		**1,863**	1,712	1,683
Intangible assets		**10,026**	9,603	9,482
Deferred tax assets		**1,471**	1,300	1,334
Other assets		**5,345**	6,681	5,855
		701,952	667,866	649,603
Assets held for sale		**34**	33	39
Total assets		**701,986**	667,899	649,642

Liabilities	Notes	31/12/11 $M	30/06/11 $M	31/12/10 $M
Deposits and other public borrowings	7	**431,827**	401,147	395,345
Payables due to other financial institutions		**17,424**	15,899	13,242
Liabilities at fair value through Income Statement		**9,986**	10,491	12,578
Derivative liabilities		**38,212**	33,976	32,092
Bank acceptances		**10,732**	10,734	10,146
Current tax liabilities		**1,428**	1,222	971
Deferred tax liabilities		**394**	301	249
Other provisions		**1,255**	1,277	1,194
Insurance policy liabilities		**12,881**	13,652	14,099
Debt issues		**119,307**	118,652	113,609
Managed funds units on issue		**1,028**	1,048	851
Bills payable and other liabilities		**8,204**	10,652	8,056
		652,678	619,051	602,432
Loan capital		**10,433**	11,561	11,861
Total liabilities		**663,111**	630,612	614,293
Net assets		**38,875**	37,287	35,349

Shareholders' Equity	Notes	31/12/11 $M	30/06/11 $M	31/12/10 $M
Share capital:				
Ordinary share capital	9	**24,651**	23,602	23,083
Other equity instruments	9	**939**	939	939
Reserves	9	**829**	392	269
Retained profits	9	**11,928**	11,826	10,534
Shareholders' equity attributable to Equity holders of the Bank		**38,347**	36,759	34,825
Non-controlling interests	9	**528**	528	524
Total Shareholders' equity		**38,875**	37,287	35,349

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 2011

	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 2010	23,081	939	1,089	9,938	**35,047**	523	**35,570**
Total comprehensive income for the period	-	-	(702)	3,144	**2,442**	9	**2,451**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid (1)	-	-	-	(2,650)	**(2,650)**	-	**(2,650)**
Other equity movements:							
Share based payments	6	-	(25)	-	**(19)**	-	**(19)**
Sale/(purchase) and vesting of treasury shares	(3)	-	-	-	**(3)**	-	**(3)**
Other changes	(1)	-	(93)	102	**8**	(8)	**-**
As at 31 December 2010	23,083	939	269	10,534	**34,825**	524	**35,349**
Total comprehensive income for the period	-	-	265	3,161	**3,426**	7	**3,433**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(2,057)	**(2,057)**	-	**(2,057)**
Dividend reinvestment plan (net of issue costs)	511	-	-	-	**511**	-	**511**
Other equity movements:							
Share based payments	-	-	35	-	**35**	-	**35**
(Purchase)/sale and vesting of treasury shares	7	-	-	-	**7**	-	**7**
Other changes	1	-	(177)	188	**12**	(3)	**9**
As at 30 June 2011	23,602	939	392	11,826	**36,759**	528	**37,287**
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	-	-	-	(2,945)	**(2,945)**	-	**(2,945)**
Dividend reinvestment plan (net of issue costs)	832	-	-	-	**832**	-	**832**
Other equity movements:							
Share based payments	-	-	(40)	-	**(40)**	-	**(40)**
Issue of shares	237	-	-	-	**237**	-	**237**
(Purchase)/sale and vesting of treasury shares	(22)	-	-	-	**(22)**	-	**(22)**
Other changes	2	-	162	(157)	**7**	(9)	**(2)**
As at 31 December 2011	24,651	939	829	11,928	**38,347**	528	**38,875**

(1) The dividend reinvestment plan in respect of the final dividend for 2009/10 was satisfied in full through the on market purchase and transfer of $679 million of shares to participating shareholders

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

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	Cents per Share		
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**137**	188	132
Trust preferred securities (TPS) - issued 15 March 2006	**2,946**	2,912	3,108

Consolidated Statement of Cash Flows [1]

For the half year ended 31 December 2011

		Half Year Ended		
		31/12/11	30/06/11	31/12/10
	Notes	$M	$M	$M
Cash flows from operating activities				
Interest received		**19,119**	18,792	18,169
Interest paid		**(12,777)**	(12,041)	(12,237)
Other operating income received		**2,803**	2,948	2,777
Expenses paid		**(4,633)**	(3,709)	(4,765)
Income taxes paid		**(1,201)**	(1,229)	(1,141)
Net decrease in assets at fair value through Income Statement (excluding life insurance)		**2,830**	1,762	2,690
Net increase/(decrease) in liabilities at fair value through Income Statement:				
Life insurance:				
Investment income		**80**	237	315
Premiums received [2]		**1,002**	1,235	965
Policy payments [2]		**(1,260)**	(1,684)	(1,690)
Other liabilities at fair value through Income Statement		**(572)**	(2,348)	(1,969)
Cash flows from operating activities before changes in operating assets and liabilities		**5,391**	3,963	3,114
Changes in operating assets and liabilities arising from cash flow movements				
Movement in available-for-sale investments:				
Purchases		**(42,101)**	(32,709)	(30,024)
Proceeds from sale		**4,555**	(383)	4,823
Proceeds at or close to maturity		**23,754**	26,441	18,976
Net change in deposits with regulatory authorities		**(12)**	(48)	(24)
Net increase in loans, bills discounted and other receivables		**(14,014)**	(9,587)	(1,902)
Net decrease/(increase) in receivables due from other financial institutions not at call		**1,237**	(409)	1,524
Net (increase)/decrease in securities purchased under agreements to resell		**(668)**	938	(3,772)
Life insurance business:				
Purchase of insurance assets at fair value through Income Statement		**(2,425)**	(1,583)	(2,518)
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**2,992**	2,017	3,897
Net (increase)/decrease in other assets		**(175)**	53	148
Net increase in deposits and other public borrowings		**32,141**	8,313	23,580
Net (decrease)/increase in payables due to other financial institutions not at call		**(1,472)**	2,750	2,362
Net decrease in securities sold under agreements to repurchase		**(365)**	(423)	(1,275)
Net decrease in other liabilities		**(320)**	(131)	(444)
Changes in operating assets and liabilities arising from cash flow movements		**3,127**	(4,761)	15,351
Net cash provided by/(used in) operating activities	10 (a)	**8,518**	(798)	18,465
Cash flows from investing activities				
Net proceeds from disposal of controlled entities	10 (c)	**-**	-	19
Payment for acquisition of controlled entities	10 (e)	**(125)**	-	-
Proceeds from disposal of entities and businesses (net of cash disposals)		**12**	15	-
Dividends received		**24**	(1)	27
Proceeds from sale of property, plant and equipment		**15**	17	10
Purchases of property, plant and equipment		**(267)**	(270)	(173)
Payments for acquistions of investments in associates/joint ventures		**(65)**	(4)	(160)
Purchase of intangible assets		**(278)**	(299)	(234)
(Purchase)/sale of assets held for sale		**(1)**	5	7
Net cash used in investing activities		**(685)**	(537)	(504)

(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) 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 2011

		Half Year Ended		
		31/12/11	30/06/11	31/12/10
	Notes	$M	$M	$M
Cash flows from financing activities				
Proceeds from the issue of shares (net of issue costs)		**2**	1	5
Dividends paid (excluding Dividend Reinvestment Plan)		**(2,099)**	(1,543)	(2,645)
Net (payments)/proceeds from issuance of debt securities		**(2,573)**	13	(8,334)
Net (purchase)/sale of treasury shares		**(62)**	7	(3)
Redemption of loan capital		**(1,271)**	(274)	(790)
Other		**7**	16	(68)
Net cash used in financing activities		**(5,996)**	(1,780)	(11,835)
Net increase/(decrease) in cash and cash equivalents		**1,837**	(3,115)	6,126
Cash and cash equivalents at beginning of period		**7,928**	11,043	4,917
Cash and cash equivalents at end of period [2]	10 (b)	**9,765**	7,928	11,043

(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) 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 2011, were approved and authorised for issue by the Board of Directors on 15 February 2012.

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) Bases of accounting

This general purpose financial report for the half year ended 31 December 2011 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 2011 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 to the company 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 2011. Certain comparatives have been restated for consistency in presentation at 31 December 2011. The affected comparatives are footnoted and 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 124 'Related Party Disclosures' and AASB 2009-12 'Amendments to Australian Accounting Standards';
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project';
- AASB 2010-5 'Amendments to Australian Accounting Standards';
- AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets';
- AASB 2011-1 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project'; and
- AASB 1054 'Australian Additional Disclosures'.

Notes to the Financial Statements continued

Note 2 Income from Ordinary Activities

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Banking			
Interest income	**19,235**	18,834	18,470
Fees and commissions	**1,744**	1,721	1,692
Trading income	**241**	291	426
Net gain on disposal of available-for-sale investments recognised in Income Statement	**53**	3	21
Net gain/(loss) on other non-fair value financial instruments	**1**	10	(14)
Net hedging ineffectiveness	**63**	68	(64)
Net (loss)/gain on other fair valued financial instruments:			
Fair value through Income Statement	**47**	2	(4)
Reclassification of net interest on swaps (1)	**(181)**	(271)	(227)
Non-trading derivatives	**62**	(115)	(186)
Dividends	**2**	3	2
Net gain/(loss) on sale of property, plant and equipment	**(2)**	(8)	2
Other income	**142**	146	132
	21,407	20,684	20,250
Funds Management, Investment Contract and Insurance Contract Revenue			
Funds management and investment contract income including premiums	**981**	1,030	966
Insurance contract premiums and related income	**1,006**	942	942
Funds management claims and policyholder liability revenue	**111**	-	-
Investment income	**218**	464	937
	2,316	2,436	2,845
Total income	**23,723**	23,120	23,095

(1) Relates to certain economic hedges which do not qualify for IFRS hedge accounting.

Note 3 Operating Expenses [1]

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Staff Expenses			
Salaries and wages	**2,079**	1,991	2,024
Share-based compensation	**90**	75	81
Superannuation - defined contribution plans	**16**	30	18
Superannuation - defined benefit plan	**80**	53	84
Provisions for employee entitlements	**56**	63	57
Payroll tax	**109**	105	108
Fringe benefits tax	**18**	19	19
Other staff expenses	**30**	34	26
Total staff expenses	**2,478**	2,370	2,417
Occupancy and Equipment Expenses			
Operating lease rentals	**289**	273	259
Depreciation:			
Buildings	**17**	17	18
Leasehold improvements	**56**	53	50
Equipment	**36**	40	42
Operating lease assets	**23**	22	20
Repairs and maintenance	**45**	45	42
Other	**55**	61	51
Total occupancy and equipment expenses	**521**	511	482
Information Technology Services			
Application maintenance and development	**150**	172	152
Data processing	**119**	138	129
Desktop	**64**	55	65
Communications	**117**	124	97
Amortisation of software assets	**93**	102	81
IT equipment depreciation	**38**	39	39
Total information technology services	**581**	630	563
Other Expenses			
Postage	**57**	55	57
Stationery	**41**	45	39
Fees and commissions:			
Fees payable on trust and other fiduciary activities	**273**	277	260
Other	**188**	170	148
Advertising, marketing and loyalty	**230**	275	182
Amortisation of intangible assets (excluding software and merger related amortisation)	**8**	8	8
Non-lending losses	**38**	51	32
Other	**187**	91	220
Total other expenses	**1,022**	972	946
Investment and Restructuring			
Integration expenses [2]	**43**	76	18
Merger related amortisation [3]	**37**	39	36
Total investment and restructuring	**80**	115	54
Total operating expenses	**4,682**	4,598	4,462

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

(2) The current half comprises expenses related to the Count Financial Limited acquisition. The prior periods comprise expenses related to the Bankwest Integration.

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

Notes to the Financial Statements continued

Note 4 Income Tax Expense

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Profit before Income Tax	**5,061**	4,735	4,322
Prima facie income tax at 30%	**1,518**	1,420	1,297
Effect of amounts which are non deductible/(assessable) in calculating taxable income:			
Taxation offsets and other dividend adjustments	**(3)**	(5)	(2)
Tax adjustment referable to policyholder income	**28**	46	70
Tax losses not previously brought to account	**(14)**	(1)	(5)
Offshore tax rate differential	**(32)**	(27)	(28)
Offshore banking unit	**(17)**	(3)	(14)
Investment allowance	**-**	-	(2)
Effect of changes in tax rates	**-**	3	-
Income tax under/(over) provided in prior year	**(15)**	(1)	(70)
Other	**(37)**	(46)	15
Total income tax expense	**1,428**	1,386	1,261
Corporate tax expense	**1,388**	1,320	1,161
Policyholder tax expense/(benefit)	**40**	66	100
Total income tax expense	**1,428**	1,386	1,261

Effective Tax Rate	**%**	%	%
Total – corporate	**27. 6**	28. 3	27. 5
Retail Banking Services – corporate	**29. 4**	29. 5	29. 9
Business and Private Banking – corporate (3)	**30. 0**	27. 2	30. 1
Institutional Banking and Markets – corporate (3)	**22. 5**	23. 7	23. 6
Wealth Management – corporate	**27. 7**	29. 6	26. 9
New Zealand - corporate (1)	**23. 9**	24. 0	23. 9
Bankwest - corporate (2)	**29. 9**	34. 8	34. 5

(1) The New Zealand corporate tax rate reduced from 30% to 28% for tax years starting on or after 1 April 2011. This change was effective for the Group from 1 July 2011.

(2) Comparative effective tax rates have been adjusted for the reallocation of central capital charges to Bankwest.

(3) Comparative effective tax rates have been adjusted for the impact of business resegmentation.

Note 5 Loans, Bills Discounted and Other Receivables

	As at		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Australia			
Overdrafts	**21,671**	21,930	17,725
Home loans (including securitisation)	**313,940**	306,250	298,513
Credit card outstandings	**11,088**	10,798	10,624
Lease financing	**4,428**	4,404	4,674
Bills discounted	**15,322**	14,820	15,297
Term loans	**100,315**	96,097	99,066
Other lending	**1,004**	1,310	1,627
Other securities	**5**	4	558
Total Australia	**467,773**	455,613	448,084
New Zealand			
Overdrafts	**448**	502	544
Home loans	**28,434**	28,927	28,491
Credit card outstandings	**590**	572	582
Lease financing	**378**	388	416
Term loans	**13,493**	13,460	13,955
Total New Zealand	**43,343**	43,849	43,988
Other Overseas			
Overdrafts	**159**	127	103
Home loans	**726**	664	700
Lease financing	**103**	80	75
Term loans	**8,058**	7,008	6,663
Other lending	**5**	-	20
Total Other Overseas	**9,051**	7,879	7,561
Gross loans, bills discounted and other receivables	**520,167**	507,341	499,633
Less:			
Provisions for Loan Impairment:			
Collective provision	**(2,963)**	(3,022)	(3,302)
Individually assessed provisions	**(2,097)**	(2,125)	(2,169)
Unearned income:			
Term loans	**(1,136)**	(1,153)	(1,183)
Lease financing	**(863)**	(984)	(1,097)
	(7,059)	(7,284)	(7,751)
Net loans, bills discounted and other receivables	**513,108**	500,057	491,882

Note 6 Provisions for Impairment and Asset Quality

	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					
Investment Grade	211,162	3,926	582	86,971	302,641
Pass Grade	107,962	13,018	7,873	51,040	179,893
Weak	13,133	2,560	126	4,184	20,003
Total loans which were neither past due nor impaired	332,257	19,504	8,581	142,195	502,537
Loans which were past due but not impaired (1)					
Past due 1 - 29 days	4,403	731	132	1,062	6,328
Past due 30 - 59 days	1,961	185	46	208	2,400
Past due 60 - 89 days	992	109	25	130	1,256
Past due 90 - 179 days	1,197	192	4	122	1,515
Past due 180 days or more	1,328	47	4	243	1,622
Total loans past due but not impaired	9,881	1,264	211	1,765	13,121

	As at 30 June 2011				
	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	197,257	3,054	781	83,558	284,650
Pass Grade	114,903	11,807	8,373	48,554	183,637
Weak	12,158	1,809	170	5,440	19,577
Total loans which were neither past due nor impaired	324,318	16,670	9,324	137,552	487,864
Loans which were past due but not impaired (1)					
Past due 1 - 29 days	4,575	749	87	1,419	6,830
Past due 30 - 59 days	1,952	193	29	226	2,400
Past due 60 - 89 days	1,045	121	18	155	1,339
Past due 90 - 179 days	1,494	204	25	193	1,916
Past due 180 days or more	1,553	28	17	244	1,842
Total loans past due but not impaired	10,619	1,295	176	2,237	14,327

	As at 31 December 2010				
	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	193,996	3,236	567	75,291	273,090
Pass Grade	115,708	13,153	7,528	53,463	189,852
Weak	7,560	3,054	115	7,534	18,263
Total loans which were neither past due nor impaired	317,264	19,443	8,210	136,288	481,205
Loans which were past due but not impaired (1)					
Past due 1 - 29 days	4,329	774	107	1,378	6,588
Past due 30 - 59 days	1,865	194	44	246	2,349
Past due 60 - 89 days	892	110	13	168	1,183
Past due 90 - 179 days	1,219	168	9	271	1,667
Past due 180 days or more	1,343	23	12	179	1,557
Total loans past due but not impaired	9,648	1,269	185	2,242	13,344

(1) 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		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Movement in Impaired Asset Balances			
Gross impaired assets - opening balance	**5,297**	5,184	5,216
New and increased	**1,801**	2,500	2,119
Balances written off	**(929)**	(1,048)	(750)
Returned to performing or repaid	**(1,477)**	(1,339)	(1,401)
Gross impaired assets - closing balance (1)	**4,692**	5,297	5,184

(1) Includes $4,509 million of loans and advances and $183 million of other financial assets (30 June 2011: $5,150 million of loans and advances and $147 million of other financial assets; 31 December 2010: $5,084 million of loans and advances and $100 million of other financial assets).

	As at		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Impaired Assets by Size of Asset			
Less than $1 million	**847**	788	735
$1 million to $10 million	**1,589**	1,544	1,577
Greater than $10 million	**2,256**	2,965	2,872
Gross impaired assets	**4,692**	5,297	5,184
Less individually assessed provisions for impairment	**(2,097)**	(2,125)	(2,169)
Net impaired assets	**2,595**	3,172	3,015

	As at		
	31/12/11	30/06/11	31/12/10
	%	%	%
Asset Quality Ratios			
Gross impaired assets as a percentage of gross loans and acceptances	**0. 88**	1. 02	1. 02
Loans 90 or more days past due but not impaired as a percentage of gross loans and acceptances	**0. 59**	0. 73	0. 63

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		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Provision for impairment losses			
Collective provision			
Opening Balance	**3,043**	3,327	3,461
Net collective provision funding	**201**	(102)	147
Impairment losses written off	**(356)**	(320)	(326)
Impairment losses recovered	**101**	152	54
Other	**(5)**	(14)	(9)
Closing balance	**2,984**	3,043	3,327
Individually assessed provisions			
Opening Balance	**2,125**	2,169	1,992
Net new and increased individual provisioning	**540**	889	713
Net write-back of provisions no longer required	**(196)**	(229)	(138)
Discount unwind to interest income	**(63)**	(68)	(79)
Other	**178**	191	183
Impairment losses written off	**(487)**	(827)	(502)
Closing balance	**2,097**	2,125	2,169
Total provisions for impairment losses	**5,081**	5,168	5,496
Less: Off balance sheet provisions	**(21)**	(21)	(25)
Total provisions for loan impairment	**5,060**	5,147	5,471

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	%	%	%
Provision Ratios			
Collective provision as a % of credit risk weighted assets	**1. 15**	1. 23	1. 36
Total provision as a % of credit risk weighted assets	**1. 97**	2. 09	2. 25
Individually assessed provisions for impairment as a % of gross impaired assets	**44. 69**	40. 12	41. 84
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 96**	1. 00	1. 08

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Loan Impairment Expense			
Net collective provisioning funding	**201**	(102)	147
Net new and increased individual provisioning	**540**	889	713
Write-back of individually assessed provisions	**(196)**	(229)	(138)
Total impairment expense	**545**	558	722

Note 7 Deposits and Other Public Borrowings

	As at		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Australia			
Certificates of deposit	**50,093**	45,544	48,296
Term deposits	**148,135**	137,192	133,546
On demand and short term deposits	**175,519**	169,190	158,925
Deposits not bearing interest	**7,757**	7,630	7,707
Securities sold under agreements to repurchase	**3,600**	3,696	4,485
Total Australia	**385,104**	363,252	352,959
New Zealand			
Certificates of deposit	**255**	355	421
Term deposits	**16,531**	15,940	15,058
On demand and short term deposits	**10,735**	8,083	7,923
Deposits not bearing interest	**1,648**	1,565	1,555
Securities sold under agreements to repurchase	**80**	262	-
Total New Zealand	**29,249**	26,205	24,957
Other Overseas			
Certificates of deposit	**7,419**	4,345	9,109
Term deposits	**9,027**	6,364	7,490
On demand and short term deposits	**938**	783	826
Deposits not bearing interest	**74**	93	4
Securities sold under agreements to repurchase	**16**	105	-
Total Other Overseas	**17,474**	11,690	17,429
Total deposits and other public borrowings	**431,827**	401,147	395,345

Notes to the Financial Statements continued

Note 8 Financial Reporting by Segments

	Half Year Ended 31 December 2011							
	Retail Banking Services	Business and Private Banking	Institutional Banking and Markets	Wealth Management	New Zealand	Bankwest	Other (1)	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Net interest income	3,189	852	688	-	463	748	611	**6,551**
Other banking income	705	720	476	-	108	103	(92)	**2,020**
Total banking income	3,894	1,572	1,164	-	571	851	519	**8,571**
Funds management income	-	-	-	945	21	-	11	**977**
Insurance income	-	-	-	364	116	-	21	**501**
Total operating income	3,894	1,572	1,164	1,309	708	851	551	**10,049**
Investment experience (2)	-	-	-	33	(6)	-	29	**56**
Total income	3,894	1,572	1,164	1,342	702	851	580	**10,105**
Operating expenses (3)	(1,490)	(675)	(425)	(972)	(355)	(430)	(255)	**(4,602)**
Loan impairment expense	(365)	(110)	(33)	-	(11)	(38)	12	**(545)**
Net profit before income tax	2,039	787	706	370	336	383	337	**4,958**
Corporate tax expense	(600)	(236)	(159)	(98)	(78)	(115)	(87)	**(1,373)**
Non-controlling interests	-	-	-	-	-	-	(9)	**(9)**
Net profit after tax ("cash basis") (4)	1,439	551	547	272	258	268	241	**3,576**
Hedging and IFRS volatility	-	-	-	-	28	(13)	100	**115**
Other non-cash items	-	-	-	(32)	-	(35)	-	**(67)**
Net profit after tax ("statutory basis")	1,439	551	547	240	286	220	341	**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	279,953	82,485	121,155	20,434	51,502	80,042	66,415	**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	179,054	115,336	72,975	20,235	47,568	74,320	153,623	**663,111**

(1) Includes the impact of reclassification of net swap costs within net interest income related to certain economic hedges which do not qualify for IFRS hedge accounting of $181 million.

(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)

	Half Year Ended 31 December 2010							
	Retail Banking Services [4] $M	Business and Private Banking [4] $M	Institutional Banking and Markets [4] $M	Wealth Management $M	New Zealand $M	Bankwest $M	Other [1] [4] $M	Total $M
Net interest income	2,993	851	650	-	419	679	578	**6,170**
Other banking income	671	655	610	-	138	118	(133)	**2,059**
Total banking income	3,664	1,506	1,260	-	557	797	445	**8,229**
Funds management income	-	-	-	982	20	-	15	**1,017**
Insurance income	-	-	-	340	106	-	12	**458**
Total operating income	3,664	1,506	1,260	1,322	683	797	472	**9,704**
Investment experience [2]	-	-	-	31	-	-	4	**35**
Total income	3,664	1,506	1,260	1,353	683	797	476	**9,739**
Operating expenses [3]	(1,417)	(653)	(415)	(869)	(348)	(428)	(278)	**(4,408)**
Loan impairment expense	(253)	(135)	(193)	-	(28)	(49)	(64)	**(722)**
Net profit before income tax	1,994	718	652	484	307	320	134	**4,609**
Corporate tax expense	(597)	(216)	(154)	(125)	(73)	(96)	(4)	**(1,265)**
Non-controlling interests	-	-	-	-	-	-	(9)	**(9)**
Net profit after tax ("cash basis") [5]	1,397	502	498	359	234	224	121	**3,335**
Hedging and IFRS volatility	-	-	-	-	2	(32)	(186)	**(216)**
Bankwest non-cash items	-	-	-	(24)	-	(44)	1	**(67)**
Net profit after tax ("statutory basis")	1,397	502	498	335	236	148	(64)	**3,052**
Additional information								
Intangible asset amortisation	(10)	(28)	(6)	(1)	(13)	(44)	(23)	**(125)**
Depreciation	(5)	(11)	(21)	(2)	(12)	(19)	(99)	**(169)**
Balance Sheet								
Total assets	269,231	77,905	114,142	20,953	50,026	75,839	41,546	**649,642**
Acquisition of property plant and equipment, intangibles and other non-current assets	2	10	23	2	14	24	123	**198**
Investment in associates	77	29	18	776	-	-	783	**1,683**
Total liabilities	163,428	102,426	65,616	18,711	46,216	70,980	146,916	**614,293**

(1) Includes the impact of reclassification of net swap costs within net interest income related to certain economic hedges which do not qualify for IFRS hedge accounting of $227 million.

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

(3) Operating expenses include volume related expenses.

(4) Results have been restated for the impact of business re-segmentation.

(5) 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.

Notes to the Financial Statements continued

Note 8 Financial Reporting by Segments (continued)

Geographical Information	Half Year Ended			
	31/12/11	31/12/11	31/12/10	31/12/10
Financial Performance & Position	$M	%	$M	%
Revenue				
Australia	**20,963**	**88. 3**	20,193	87. 4
New Zealand	**1,913**	**8. 1**	2,003	8. 7
Other locations (1)	**847**	**3. 6**	899	3. 9
Total Revenue	**23,723**	**100.0**	23,095	100.0
Non-Current Assets				
Australia	**13,311**	**92. 9**	12,485	92. 9
New Zealand	**853**	**5. 9**	823	6. 1
Other locations (1)	**173**	**1. 2**	125	1. 0
Total non-current assets	**14,337**	**100.0**	13,433	100.0

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

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

Note 9 Shareholders' Equity

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Ordinary Share Capital			
Opening balance	**23,602**	23,083	23,081
Issue of shares	**237**	-	-
Dividend reinvestment plan (net of issue costs) (4)	**832**	511	-
Exercise of executive options under employee share ownership schemes	**2**	1	5
Sale/(purchase) and vesting of treasury shares (1)	**(22)**	7	(3)
Closing balance	**24,651**	23,602	23,083
Other Equity Instruments			
Opening balance	**939**	939	939
Closing balance	**939**	939	939
Retained Profits			
Opening balance	**11,826**	10,534	9,938
Actuarial (losses)/gains from defined benefit superannuation plans	**(420)**	(181)	92
Realised gains and dividend income on treasury shares	**6**	11	9
Operating profit attributable to Equity holders of the Bank	**3,624**	3,342	3,052
Total available for appropriation	**15,036**	13,706	13,091
Transfers from/(to) general reserve	**(162)**	177	93
Transfers from employee compensation reserve	**(1)**	-	-
Interim dividend - cash component	**-**	(1,532)	-
Interim dividend - dividend reinvestment plan (4)	**-**	(513)	-
Final dividend - cash component	**(2,098)**	-	(2,633)
Final dividend - dividend reinvestment plan (2)	**(832)**	-	-
Other dividends (3)	**(15)**	(12)	(17)
Closing balance	**11,928**	11,826	10,534

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

(2) The DRP in respect of the 2010 final dividend was satisfied in full by an on market purchase and transfer of shares to participating shareholders.

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

(4) The 2010/2011 interim dividend includes an amount attributable to the DRP of $513 million, with $511 million issued in ordinary shares due to rounding under the plan rules.

Note 9 Shareholders' Equity (continued)

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Reserves			
General Reserve			
Opening balance	**978**	1,155	1,248
Appropriation (to)/from retained profits	**162**	(177)	(93)
Closing balance	**1,140**	978	1,155
Capital Reserve			
Opening balance	**328**	323	319
Revaluation surplus on sale of property	**4**	5	4
Closing balance	**332**	328	323
Asset Revaluation Reserve			
Opening balance	**191**	189	194
Revaluation of properties	**4**	9	(3)
Transfers on sale of properties	**(4)**	(5)	(4)
Tax on revaluation of properties	**-**	(2)	2
Closing balance	**191**	191	189
Foreign Currency Translation Reserve			
Opening balance	**(1,083)**	(1,030)	(553)
Currency translation adjustments of foreign operations	**7**	(65)	(494)
Currency translation on net investment hedge	**4**	5	8
Tax on translation adjustments	**(8)**	7	9
Closing balance	**(1,080)**	(1,083)	(1,030)
Cash Flow Hedge Reserve			
Opening balance	**(402)**	(490)	(417)
Gains and losses on cash flow hedging instruments:			
Recognised in equity	**710**	(391)	(363)
Transferred to Income Statement:			
Interest income	**(24)**	(84)	43
Interest expense	**217**	600	210
Tax on cash flow hedging instruments	**(267)**	(37)	37
Closing balance	**234**	(402)	(490)
Employee Compensation Reserve			
Opening balance	**135**	100	125
Current period movement	**(40)**	35	(25)
Closing balance	**95**	135	100
Available-for-Sale Investments Reserve			
Opening balance	**245**	22	173
Net gains and losses on revaluation of available-for-sale investments	**(410)**	320	(196)
Net gains and losses on available-for-sale investments transferred to Income Statement on disposal	**(53)**	(3)	(21)
Tax on available-for-sale investments	**135**	(94)	66
Closing balance	**(83)**	245	22
Total reserves	**829**	392	269
Shareholders' equity attributable to Equity holders of the Bank	**38,347**	36,759	34,825
Shareholders' equity attributable to non-controlling interests	**528**	528	524
Total Shareholders' equity	**38,875**	37,287	35,349

Notes to the Financial Statements continued

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 [1]

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Net profit after income tax	**3,633**	3,349	3,061
Increase in interest receivable	**(116)**	(62)	(162)
(Decrease)/increase in interest payable	**(79)**	339	137
Net decrease in assets at fair value through Income Statement (excluding life insurance)	**3,067**	287	2,410
Net (gain)/loss on sale of controlled entities and associates	**(12)**	(14)	7
Net loss/(gain) on sale of investments	**-**	1	(2)
Net (increase)/decrease in derivative assets	**(5,075)**	(5,925)	1,701
Net loss/(gain) on sale of property, plant and equipment	**2**	8	(2)
Equity accounting profit	**(61)**	(73)	(68)
Loan impairment expense	**642**	558	722
Depreciation and amortisation (including asset write downs)	**308**	320	294
Decrease in liabilities at fair value through Income Statement (excluding life insurance)	**(572)**	(2,087)	(2,764)
Increase/(decrease) in derivative liabilities	**4,853**	6,087	(1,444)
(Decrease)/increase in other provisions	**(27)**	64	16
Increase in income taxes payable	**130**	70	35
Increase in deferred tax liabilities	**208**	52	28
(Increase)/decrease in deferred tax assets	**(85)**	33	(63)
(Increase)/decrease in accrued fees/reimbursements receivable	**(4)**	38	(39)
(Decrease)/increase in accrued fees and other items payable	**(315)**	469	(568)
Net (decrease)/increase in life insurance contract policy liabilities	**(684)**	288	547
(Decrease)/increase in cash flow hedge reserve	**(38)**	88	(73)
Decrease in fair value hedged items	**(209)**	(11)	(416)
Changes in operating assets and liabilities arising from cash flow movements	**3,127**	(4,761)	15,351
Other	**(175)**	84	(243)
Net cash provided by/(used in) operating activities	**8,518**	(798)	18,465

(1) Comparative information has been restated to conform with 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.

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Notes, coins and cash at banks	**10,985**	5,424	6,361
Other short term liquid assets	**1,052**	1,301	547
Receivables due from other financial institutions – at call [1]	**5,841**	7,261	8,950
Payables due to other financial institutions – at call [1]	**(8,113)**	(6,058)	(4,815)
Cash and cash equivalents at end of period	**9,765**	7,928	11,043

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

(c) Disposal of Controlled Entities – Fair value of asset disposal

The Group disposed of certain St Andrew's operations effective 1 July 2010.

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Net assets	**-**	-	60
(Loss)/gain on sale (excluding realised foreign exchange losses and other related costs)	**-**	-	(10)
Cash consideration received	**-**	-	50
Less cash and cash equivalents disposed	**-**	-	(31)
Net cash inflow/(outflow) on disposal	**-**	-	19

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

(d) Non-Cash Financing and Investing Activities

	Half Year Ended		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan (1)	**832**	511	-

(1) The dividend reinvestment plan in respect of the final dividend for 2010 was satisfied in full by an on market purchase and transfer of $679 million of shares to participating shareholders.

(e) Acquisition of controlled entities

The Group gained 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 independent, accountant-based financial advice business. This acquisition will support the Group in growing its distribution capabilities through the expansion of its adviser network.

The provisional fair value of the identifiable assets acquired and liabilities assumed at the acquisition date are as follows:

	Fair Value at acquisition $M
Cash and cash equivalents	**10**
Trade receivables	**7**
Investments in associates	**55**
Available-for-sale investments	**36**
Identifiable intangible assets	**55**
Other assets	**10**
Payables	**(5)**
Borrowings	**(12)**
Current tax liabilities	**(2)**
Deferred tax liabilities	**(11)**
Net identifiable assets at fair value	**143**
Add: Goodwill	**229**
Purchase consideration transferred	**372**
Less: Cash and cash equivalents acquired	**(10)**
	362
Less: Non-cash consideration	**(237)**
Net cash outflow on acquisition	**125**

	31/12/11
Details of equity instruments issued as part of business combinations	
Number of equity instruments issued	**5,042,949**
Fair value of equity issued ($M)	**237**

Count contributed revenues of $12 million and a loss of $3 million to the Group for the period from 29 November 2011 to 31 December 2011. If the acquisition had occurred on 1 July 2011, the revenue for the half year ended 31 December 2011 would have been $63 million and the profit would have been $2 million (31 December 2010: $47 million profit, includes a one-off gain from the partial sale of Countplus Limited).

The goodwill recognised above is attributable to the expected synergies and other benefits arising from integrating the assets and activities of Count with the Group. None of the goodwill is expected to be deductible for income tax purposes.

The fair value and gross contractual amount of trade receivables is $7 million. At acquisition date, all trade receivables were expected to be collected in full.

Advisory related acquisition costs of $8 million are included as other expenses in the income statement and are part of operating cash flows in the statement of cash flows.

Note 11 Events Subsequent to Balance Date

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.

Note 12 Contingent Liabilities

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 2011. Refer to Note 36 of the 2011 Financial Report.

Storm Financial

The Australian Securities and Investments Commission (ASIC) has commenced legal proceedings against the Bank in relation to Storm Financial, a Queensland-based financial planning firm that collapsed and went into receivership in March 2009. However no damages have been claimed at this stage and no estimate can be made. In addition, class action proceedings have been commenced against the Group in relation to Storm Financial. At this stage the damages sought on behalf of class members have not been quantified.

The Group has established a resolution scheme for clients of Storm Financial who borrowed money from the Group. The resolution scheme is in the process of finalising individual claims on a case by case basis. The Group believes that appropriate provisions are held to cover the outcomes and costs of the scheme and any exposures arising from the class action referred to above.

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; to date no proceedings have been 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.

Directors' Declaration

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 44 to 66 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 2011 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 company 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

I Narev

Managing Director and Chief Executive Officer

Dated: 15 February 2012

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 the Commonwealth Bank of Australia, which comprises the consolidated balance sheet as at 31 December 2011, 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 Group (the consolidated entity). The consolidated entity comprises both the Commonwealth Bank of Australia and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the 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 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 an Interim 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 2011 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 the 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 the 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 2011 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

Rahoul Chowdry

Rahoul Chowdry
Partner

Sydney
15 February 2012

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Appendices

Appendices

1. Net Interest Income

	Half Year Ended				
	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Interest Income					
Loans and bills discounted	**17,382**	17,212	16,980	1	2
Other financial institutions	**54**	33	59	64	(8)
Cash and liquid assets	**172**	157	134	10	28
Assets at fair value through Income Statement	**409**	415	462	(1)	(11)
Available-for-sale investments	**1,218**	1,017	835	20	46
Total interest income ("statutory basis")	**19,235**	18,834	18,470	2	4
Interest Expense					
Deposits	**9,048**	8,918	8,429	1	7
Other financial institutions	**99**	104	118	(5)	(16)
Liabilities at fair value through Income Statement	**249**	245	345	2	(28)
Debt issues	**3,000**	2,765	3,126	8	(4)
Loan capital	**302**	324	323	(7)	(7)
Total interest expense ("statutory basis")	**12,698**	12,356	12,341	3	3
Net interest income ("statutory basis")	**6,537**	6,478	6,129	1	7

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				
	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Total interest income ("cash basis")	**19,253**	18,847	18,483	2	4
Fair value adjustment interest income	**(13)**	(13)	(13)	-	-
Hedging and IFRS volatility	**(5)**	-	-	large	large
Total interest income ("statutory basis")	**19,235**	18,834	18,470	2	4
Total interest expense ("cash basis")	**12,702**	12,359	12,313	3	3
Hedging and IFRS volatility	**(4)**	(3)	28	33	large
Total interest expense ("statutory basis")	**12,698**	12,356	12,341	3	3

2. Net Interest Margin

	Half Year Ended		
	31/12/11 %	30/06/11 %	31/12/10 %
Australia			
Interest spread (1)	**1. 93**	1. 99	1. 90
Benefit of interest-free liabilities, provisions and equity (2)	**0. 28**	0. 32	0. 29
Net interest margin (3)	**2. 21**	2. 31	2. 19
New Zealand			
Interest spread (1)	**1. 78**	1. 67	1. 57
Benefit of interest-free liabilities, provisions and equity (2)	**0. 32**	0. 34	0. 35
Net interest margin (3)	**2. 10**	2. 01	1. 92
Other Overseas			
Interest spread (1)	**1. 08**	1. 04	0. 84
Benefit of interest-free liabilities, provisions and equity (2)	**0. 09**	0. 08	0. 03
Net interest margin (3)	**1. 17**	1. 12	0. 87
Total Group			
Interest spread (1)	**1. 89**	1. 95	1. 84
Benefit of interest-free liabilities, provisions and equity (2)	**0. 26**	0. 30	0. 28
Net interest margin (3)	**2. 15**	2. 25	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 are 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 2011, 30 June 2011 and 31 December 2010. 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 comprises 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 rates in New Zealand were unchanged.

Average Balances

	Half Year Ended 31/12/11			Half Year Ended 30/06/11			Half Year Ended 31/12/10		
	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	$M	$M	%	$M	$M	%	$M	$M	%
Home loans excluding securitisation	**328,475**	**11,194**	**6. 78**	320,505	10,959	6. 90	316,002	10,695	6. 71
Personal [1]	**20,709**	**1,348**	**12. 95**	21,009	1,348	12. 94	20,342	1,279	12. 47
Business and corporate [2]	**152,606**	**4,521**	**5. 89**	148,925	4,618	6. 25	151,654	4,745	6. 21
Loans, bills discounted and other receivables	**501,790**	**17,063**	**6. 76**	490,439	16,925	6. 96	487,998	16,719	6. 80
Cash and liquid assets	**27,437**	**226**	**1. 64**	25,832	190	1. 48	27,240	193	1. 41
Assets at fair value through Income Statement (excluding life insurance)	**20,864**	**409**	**3. 90**	20,475	415	4. 09	22,819	462	4. 02
Available-for-sale investments	**51,153**	**1,218**	**4. 74**	42,236	1,017	4. 86	35,743	835	4. 63
Non-lending interest earning assets	**99,454**	**1,853**	**3. 71**	88,543	1,622	3. 69	85,802	1,490	3. 44
Total interest earning assets (excluding securitisation) [3]	**601,244**	**18,916**	**6. 26**	578,982	18,547	6. 46	573,800	18,209	6. 30
Securitisation home loan assets	**10,770**	**337**	**6. 22**	10,087	300	6. 00	9,330	274	5. 83
Non-interest earning assets	**87,496**			79,853			68,303		
Total average assets	**699,510**			668,922			651,433		

	Half Year Ended 31/12/11			Half Year Ended 30/06/11			Half Year Ended 31/12/10		
Interest Bearing Liabilities	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
	$M	$M	%	$M	$M	%	$M	$M	%
Transaction deposits	**79,937**	**860**	**2. 14**	75,047	841	2. 26	72,461	792	2. 17
Saving deposits	**86,308**	**1,696**	**3. 91**	81,670	1,607	3. 97	79,591	1,551	3. 87
Investment deposits	**183,909**	**4,850**	**5. 25**	175,815	4,701	5. 39	166,743	4,305	5. 12
Certificates of deposit and other [2]	**63,267**	**1,642**	**5. 16**	60,391	1,770	5. 91	60,138	1,781	5. 87
Total interest bearing deposits	**413,421**	**9,048**	**4. 35**	392,923	8,919	4. 58	378,933	8,429	4. 41
Payables due to other financial institutions	**17,517**	**99**	**1. 12**	15,124	104	1. 39	14,232	118	1. 64
Liabilities at fair value through Income Statement [2]	**10,562**	**249**	**4. 69**	11,191	245	4. 41	15,285	345	4. 48
Debt issues [2]	**111,628**	**2,703**	**4. 82**	109,735	2,491	4. 58	115,558	2,850	4. 89
Loan capital [2]	**11,615**	**306**	**5. 24**	11,799	327	5. 59	12,940	327	5. 01
Total interest bearing liabilities	**564,743**	**12,405**	**4. 37**	540,772	12,086	4. 51	536,948	12,069	4. 46
Securitisation debt issues	**9,865**	**297**	**5. 99**	9,081	273	6. 06	8,761	244	5. 52
Non-interest bearing liabilities	**88,303**			82,401			70,247		
Total average liabilities	**662,911**			632,254			615,956		

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

(2) Comparisons between reporting periods are impacted by the reclassification of net swap interest from Net interest income to Other banking income related to certain economic hedges which do not qualify for IFRS hedge accounting.

(3) Used for calculating net interest margin.

3. Average Balances and Related Interest (continued)

Net Interest Margin	Half Year Ended 31/12/11 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30/06/11 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31/12/10 Avg Bal $M	Interest $M	Yield %
Total interest earning assets excluding securitisation	**601,244**	**18,916**	**6. 26**	578,982	18,547	6. 46	573,800	18,209	6. 30
Total interest bearing liabilities excluding securitisation	**564,743**	**12,405**	**4. 37**	540,772	12,086	4. 51	536,948	12,069	4. 46
Net interest income and interest spread (excluding securitisation)		**6,511**	**1. 89**		6,461	1. 95		6,140	1. 84
Benefit of free funds			**0. 26**			0. 30			0. 28
Net interest margin			**2. 15**			2. 25			2. 12

Geographical Analysis of Key Categories

	Half Year Ended 31/12/11 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30/06/11 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31/12/10 Avg Bal $M	Interest $M	Yield %
Loans, Bills Discounted and Other Receivables									
Australia	**448,791**	**15,526**	**6. 88**	439,292	15,414	7. 08	434,721	15,079	6. 88
New Zealand	**44,156**	**1,367**	**6. 16**	43,109	1,357	6. 35	45,343	1,480	6. 47
Other overseas	**8,843**	**170**	**3. 82**	8,038	154	3. 86	7,934	160	4. 00
Total	**501,790**	**17,063**	**6. 76**	490,439	16,925	6. 96	487,998	16,719	6. 80
Non-Lending Interest Earning Assets									
Australia	**68,767**	**1,648**	**4. 77**	60,665	1,437	4. 78	57,952	1,294	4. 43
New Zealand	**7,403**	**114**	**3. 06**	6,699	103	3. 10	6,792	115	3. 36
Other overseas	**23,284**	**91**	**0. 78**	21,179	82	0. 78	21,058	81	0. 76
Total	**99,454**	**1,853**	**3. 71**	88,543	1,622	3. 69	85,802	1,490	3. 44
Total Interest Bearing Deposits									
Australia	**368,525**	**8,359**	**4. 51**	351,272	8,252	4. 74	336,703	7,691	4. 53
New Zealand	**27,066**	**581**	**4. 27**	23,758	554	4. 70	23,560	621	5. 23
Other overseas	**17,830**	**108**	**1. 20**	17,893	113	1. 27	18,670	117	1. 24
Total	**413,421**	**9,048**	**4. 35**	392,923	8,919	4. 58	378,933	8,429	4. 41
Other Interest Bearing Liabilities									
Australia	**119,321**	**3,084**	**5. 14**	117,666	2,820	4. 83	127,658	3,229	5. 02
New Zealand	**13,484**	**230**	**3. 39**	15,987	317	4. 00	16,089	350	4. 32
Other overseas	**18,517**	**43**	**0. 46**	14,196	30	0. 43	14,268	61	0. 85
Total	**151,322**	**3,357**	**4. 41**	147,849	3,167	4. 32	158,015	3,640	4. 57

The New Zealand and Other Overseas components comprises 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.

In calculating net interest margin, assets, liabilities, interest income and interest expense related to securitisation vehicles have been excluded. This has been done to more accurately reflect the Group's underlying net interest margin.

4. Interest Rate and Volume Analysis

	Half Year Ended Dec 11 vs Jun 11			Half Year Ended Dec 11 vs Dec 10		
	Volume	Rate	Total	Volume	Rate	Total
Interest Earning Assets	$M	$M	$M	$M	$M	$M
Home loans excluding securitisation	272	(37)	235	423	76	499
Personal	(20)	20	-	23	46	69
Business and corporate	112	(209)	(97)	29	(253)	(224)
Loans, bills discounted and other receivables	388	(250)	138	471	(127)	344
Cash and liquid assets	13	23	36	2	31	33
Assets at fair value through Income Statement (excluding life insurance)	8	(14)	(6)	(39)	(14)	(53)
Available-for-sale investments	213	(12)	201	363	20	383
Non-lending interest earning assets	201	30	231	245	118	363
Total interest earning assets	706	(337)	369	867	(160)	707
Securitisation home loan assets	22	15	37	44	19	63

	Half Year Ended Dec 11 vs Jun 11			Half Year Ended Dec 11 vs Dec 10		
	Volume	Rate	Total	Volume	Rate	Total
Interest Bearing Liabilities	$M	$M	$M	$M	$M	$M
Transaction deposits	53	(34)	19	81	(13)	68
Saving deposits	91	(2)	89	131	14	145
Investment deposits	215	(66)	149	448	97	545
Certificates of deposit and other	79	(207)	(128)	87	(226)	(139)
Total interest bearing deposits	456	(327)	129	761	(142)	619
Payables due to other financial institutions	15	(20)	(5)	23	(42)	(19)
Liabilities at fair value through Income Statement	(14)	18	4	(109)	13	(96)
Debt issues	44	168	212	(96)	(51)	(147)
Loan capital	(5)	(16)	(21)	(34)	13	(21)
Total interest bearing liabilities	532	(213)	319	618	(282)	336
Securitisation debt issues	23	1	24	32	21	53

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).

	Half Year Ended	
	Dec 11 vs Jun 11	Dec 11 vs Dec 10
	Increase/(Decrease)	Increase/(Decrease)
Change in Net Interest Income	$M	$M
Due to changes in average volume of interest earning assets	246	295
Due to changes in interest margin	(285)	76
Due to variation in time period	89	-
Change in net interest income (excluding securitisation)	50	371

"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).

Appendices

4. Interest Rate and Volume Analysis (continued)

Geographical analysis of key categories	Half Year Ended Dec 11 vs Jun 11			Half Year Ended Dec 11 vs Dec 10		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Loans, Bills Discounted and Other Receivables						
Australia	331	(219)	112	488	(41)	447
New Zealand	32	(22)	10	(38)	(75)	(113)
Other overseas	15	1	16	17	(7)	10
Total	388	(250)	138	471	(127)	344
Non-Lending Interest Earning Assets						
Australia	192	19	211	249	105	354
New Zealand	11	-	11	10	(11)	(1)
Other overseas	9	-	9	9	1	10
Total	201	30	231	245	118	363
Total Interest Bearing Deposits						
Australia	397	(290)	107	724	(56)	668
New Zealand	74	(47)	27	84	(124)	(40)
Other overseas	-	(5)	(5)	(5)	(4)	(9)
Total	456	(327)	129	761	(142)	619
Other Interest Bearing Liabilities						
Australia	42	222	264	(213)	68	(145)
New Zealand	(46)	(41)	(87)	(51)	(69)	(120)
Other overseas	10	3	13	14	(32)	(18)
Total	76	114	190	(151)	(132)	(283)

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				
	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Lending fees	**735**	760	707	(3)	4
Commissions	**1,009**	961	985	5	2
Trading income	**241**	291	426	(17)	(43)
Net gains on disposal of available-for-sale investments	**53**	3	21	large	large
Net gains/(losses) on disposal of other non-fair valued financial instruments	**1**	10	(14)	(90)	large
Dividends	**2**	3	2	(33)	-
Net gains/(losses) on sale of property, plant and equipment	**(2)**	(8)	2	(75)	large
Net hedging ineffectiveness	**63**	68	(64)	(7)	large
Net gains/(losses) on other fair valued financial instruments:					
Fair value through Income Statement	**47**	2	(4)	large	large
Reclassification of net interest on swaps (1)	**(181)**	(271)	(227)	(33)	(20)
Non-trading derivatives	**62**	(115)	(186)	large	large
Other	**142**	146	132	(3)	8
Total other banking income	**2,172**	1,850	1,780	17	22

(1) Relates to the impact of the reclassification of net swap costs from Net interest income to Other banking income related to certain economic hedges which do not qualify for IFRS hedge accounting.

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		
	31/12/11 $M	30/06/11 $M	31/12/10 $M
Other banking income ("cash basis")	**2,020**	1,924	2,059
Revenue hedge of New Zealand operations - unrealised	**18**	(15)	13
Gains/(losses) on disposal of controlled entities/investments	**-**	-	(7)
Hedging and IFRS volatility	**134**	(59)	(285)
Other banking income ("statutory basis")	**2,172**	1,850	1,780

Appendices

6. Integrated Risk Management (Excludes Insurance and Funds Management)

The major categories of risk actively managed by the Group include credit risk, market risk, liquidity and funding risk and other 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 Annual Disclosure Document.

Additionally, further disclosures in respect of capital adequacy and risk are provided in the 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)	31/12/11 %	30/06/11 %	31/12/10 %
Agriculture, forestry and fishing	**2. 1**	2. 2	2. 3
Banks	**10. 9**	11. 6	10. 8
Business services	**0. 9**	0. 9	1. 0
Construction	**1. 0**	1. 0	1. 0
Consumer	**52. 7**	53. 1	54. 9
Culture and recreational services	**0. 9**	0. 7	0. 8
Energy	**1. 0**	1. 0	1. 1
Finance - Other	**3. 7**	3. 6	3. 9
Health and community service	**0. 7**	0. 8	0. 8
Manufacturing	**2. 0**	2. 0	2. 1
Mining	**1. 0**	0. 8	0. 8
Property	**6. 3**	6. 3	6. 7
Retail trade and wholesale trade	**2. 6**	2. 4	2. 5
Sovereign	**7. 9**	7. 3	4. 9
Transport and storage	**1. 5**	1. 4	1. 4
Other	**4. 8**	4. 9	5. 0
	100. 0	100. 0	100. 0

By Region (1)	31/12/11 %	30/06/11 %	31/12/10 %
Australia	**80. 8**	80. 0	80. 6
New Zealand	**8. 1**	8. 3	8. 8
Europe	**4. 6**	6. 0	5. 2
Americas	**4. 1**	3. 5	2. 9
Asia	**2. 3**	2. 1	2. 4
Other	**0. 1**	0. 1	0. 1
	100. 0	100. 0	100. 0

Commercial Portfolio Quality (1)	31/12/11 %	30/06/11 %	31/12/10 %
AAA/AA	**34**	33	29
A	**17**	17	18
BBB	**16**	15	15
Other	**33**	35	38
	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 67% of commercial exposures at investment grade quality.

6. Integrated Risk Management (continued)

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.

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

	Sovereign	Non Sovereign Exposure		Total
	Exposure	Bank	Corporate	Exposure
Financial Instrument	$M	$M	$M	$M
Italy				
Loans and Leases	-	156	33	**189**
Available for Sale Assets	246	-	-	**246**
Derivative Assets	-	27	-	**27**
	246	**183**	**33**	**462**
Spain				
Loans and Leases	-	199	316	**515**
Derivative Assets	-	3	-	**3**
	-	**202**	**316**	**518**
Ireland				
Loans and Leases	-	-	535	**535**
Derivative Assets	-	-	10	**10**
	-	-	**545**	**545**
Greece				
Loans and Leases	-	-	25	**25**
Derivative Assets	-	-	-	**-**
	-	-	**25**	**25**
Total Exposure	**246**	**385**	**919**	**1,550**

Funding sources

The table on the following page 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.

Appendices

6. Integrated Risk Management (continued)

	As at				
	31/12/11 $M	30/06/11 $M	31/12/10 $M	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Transaction deposits	**82,186**	79,466	72,150	3	14
Savings deposits	**89,194**	81,680	81,798	9	9
Investment deposits	**188,917**	176,100	168,770	7	12
Other customer deposits (1)	**10,167**	11,975	13,221	(15)	(23)
Total customer deposits	**370,464**	349,221	335,939	6	10
Wholesale funding					
Short term					
Certificates of deposit	**35,678**	30,608	38,009	17	(6)
Bank acceptances	**10,732**	10,475	9,206	2	17
ECP commercial paper programme	**8,629**	9,867	6,928	(13)	25
US commercial paper programme	**33,001**	28,614	25,618	15	29
Securities sold under agreements to repurchase	**3,696**	4,062	4,485	(9)	(18)
Other (2)	**23,298**	21,292	18,507	9	26
Total short term funding	**115,034**	104,918	102,753	10	12
Total long term funding - less than one year residual maturity (3)	**32,391**	28,674	29,310	13	11
Long term - greater than one year residual maturity (3)					
Transferable certificates of deposit (4)	**19,580**	15,901	16,540	23	18
Euro medium term note programme	**26,213**	28,910	29,006	(9)	(10)
US medium term note programme	**23,622**	28,658	29,929	(18)	(21)
Other debt issues (5)	**4,956**	6,170	7,500	(20)	(34)
Securitisation	**6,901**	7,490	6,304	(8)	9
Loan capital	**7,481**	9,519	10,039	(21)	(25)
Other	**981**	974	994	1	(1)
Total long term funding - greater than one year residual maturity	**89,734**	97,622	100,312	(8)	(11)
IFRS MTM and derivative FX revaluations	**(6,975)**	(11,012)	(10,594)	(37)	(34)
Total wholesale funding	**230,184**	220,202	221,781	5	4
Total funding	**600,648**	569,423	557,720	5	8
Reported as					
Deposits and other public borrowings	**431,827**	401,147	395,345	8	9
Payables due to other financial institutions	**17,424**	15,899	13,242	10	32
Liabilities at fair value through income statement	**9,986**	10,491	12,578	(5)	(21)
Bank acceptances	**10,732**	10,734	10,146	-	6
Debt issues	**119,307**	118,652	113,609	1	5
Loan capital	**10,433**	11,561	11,861	(10)	(12)
Share capital - other equity interests	**939**	939	939	-	-
Total funding	**600,648**	569,423	557,720	5	8

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

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

(3) 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.

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

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

Customer deposits accounted for 62% of total funding at 31 December 2011, compared to 60% 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 38% of total funding comprised various wholesale debt issuance. The Group's total wholesale funding was $230 billion at 31 December 2011, a 4% increase over the prior comparative period.

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, debt issued under Euro and US Commercial paper programmes by CBA, Bankwest and ASB

Despite the difficult market conditions, the Group maintained access and pricing in short term wholesale markets with short term wholesale funding accounting for 50% of total wholesale funding at 31 December 2011 (30 June 2011: 48%; 31 December 2010: 46%).

In the half, the Group issued two benchmark long term wholesale transactions in AUD and one in JPY. Bankwest also raised $500 million through the issuance of a Swan RMBS.

The Group continued to issue cost effective private placements and domestic bonds rather than more expensive offshore benchmark transactions. The weighted average maturity (WAM) of new long term wholesale debt issued in the December 2011 half year was four years. The WAM of outstanding long term wholesale debt remained at 3.6 years at 31 December 2011.

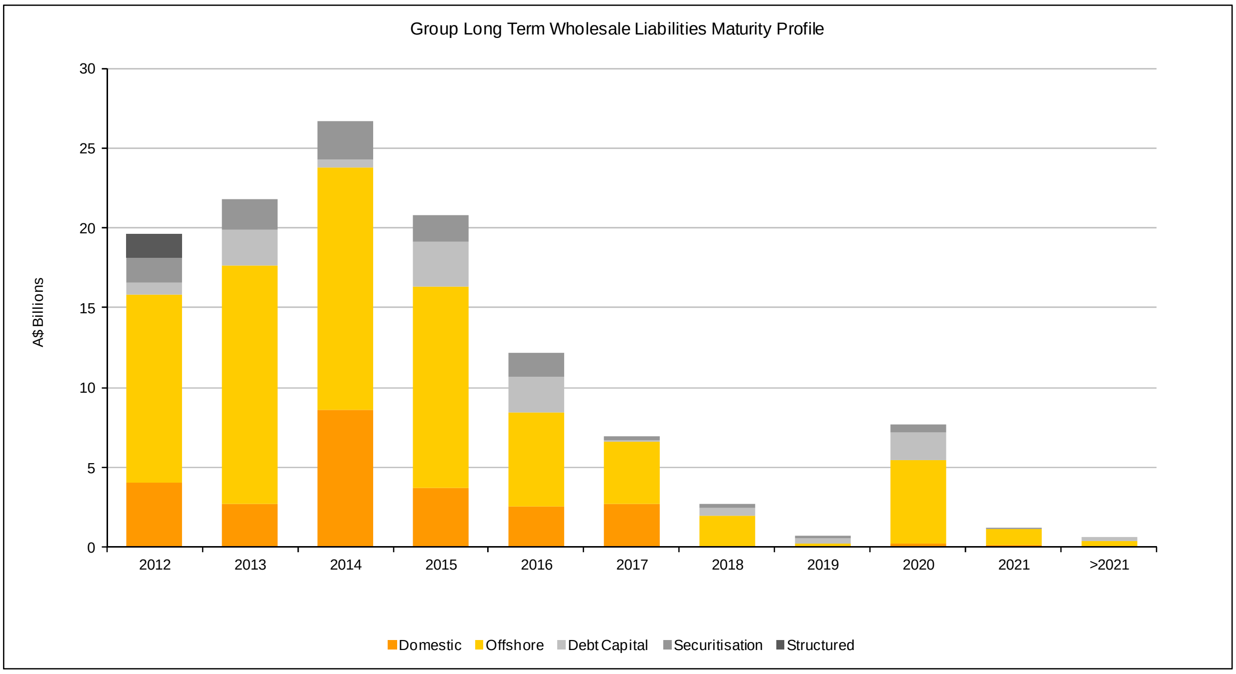
6. Integrated Risk Management (continued)

Liquidity and Funding Risk

The cost of liquidity and funding remains high compared to pre-global financial crisis levels. The Group liquidity and funding policies have remained unchanged throughout this period, as they have proven to be effective.

The Group has managed its liquidity during adverse market conditions to avoid concentrations such as dependence on single sources of funding through active deposit raising and issuance of both short and long-term wholesale funding across a range of markets.

The chart below illustrates the maturity profile of the Group's outstanding long-term wholesale funding as at 31 December 2011, detailed by type of debt instrument and maturity. Short-term wholesale funding as at 31 December 2011 was $115 billion.



Market Risk

Market risk in the Balance Sheet is discussed within Note 40 of the 2011 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		
	31/12/11	30/06/11	31/12/10
Traded Market Risk (1)	$M	$M	$M
Risk Type			
Interest rate risk	**2. 9**	5. 1	5. 9
Exchange rate risk	**0. 9**	1. 9	1. 8
Implied volatility risk	**2. 2**	2. 0	1. 9
Equities risk	**2. 1**	1. 2	1. 5
Commodities risk	**1. 3**	1. 3	1. 1
Credit spread risk	**3. 2**	2. 7	3. 8
Diversification benefit	**(6. 5)**	(7. 6)	(8. 5)
Total general market risk	**6. 1**	6. 6	7. 5
Undiversified risk	**3. 5**	3. 2	3. 5
ASB Bank	**2. 5**	1. 3	1. 8
Bankwest	**0. 1**	0. 1	0. 1
Total	**12. 2**	11. 2	12. 9

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

6. Integrated Risk Management (continued)

Non-Traded VaR in Australian Life Insurance Business (20 day 97.5% confidence)	Average VaR [3] 31/12/11 $M	30/06/11 $M	31/12/10 $M
Shareholder funds [1]	**26. 1**	28. 1	26. 4
Guarantees (to Policyholders) [2]	**35. 4**	35. 6	51. 7

(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) Half year ended

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.

Non-Traded Equity Price Risk VaR (20 day 97.5% confidence)	As at VaR 31/12/11 $M	VaR 30/06/11 $M	VaR 31/12/10 $M
VaR	**99. 0**	67. 0	95. 5

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is discussed within Note 40 of the 2011 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:

Net Interest Earnings at Risk [1]		31/12/11 $M	30/06/11 $M	31/12/10 $M
Average monthly exposure	AUD	**211. 8**	168. 4	157. 5
	NZD	**27. 0**	12. 3	6. 3
High month exposure	AUD	**284. 3**	241. 2	209. 6
	NZD	**32. 5**	26. 1	7. 9
Low month exposure	AUD	**154. 0**	74. 3	76. 1
	NZD	**18. 0**	1. 1	2. 5

(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.

Non-Traded Interest Rate Risk [1]	Average VaR [3] 31/12/11 $M	30/06/11 $M	31/12/10 $M
AUD Interest rate risk	**142. 7**	116. 4	136. 6
NZD Interest rate risk [2]	**1. 3**	2. 4	1. 1

(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 2011 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 programme 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 2011 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 $66 million from Genworth and $6 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 2011 the Group had $179 million in exposures to these instruments (June 2011: $159 million).

7. Counterparty and Other Credit Risk Exposures (continued)

Securitisation vehicles

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

	Australia		New Zealand		Total	
	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11
Total securitisation assets	$M	$M	$M	$M	$M	$M
Residential mortgages [1]	**40,953**	41,385	**2,887**	2,964	**43,840**	44,349
Residential mortgages - Group originated	**10,455**	11,296	**-**	-	**10,455**	11,296
Other	**-**	-	**232**	204	**232**	204
Total securitisation assets of SPEs	**51,408**	52,681	**3,119**	3,168	**54,527**	55,849

	Funded		Unfunded		Total	
	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11
Exposure to securitisation	$M	$M	$M	$M	$M	$M
Residential mortgage backed securities held for potential repurchase with central banks	**43,087**	43,662	**-**	-	**43,087**	43,662
Other residential mortgage backed securities	**1,948**	2,125	**-**	-	**1,948**	2,125
Other derivatives [2]	**1,343**	1,478	**-**	-	**1,343**	1,478
Liquidity support facilities	**170**	163	**795**	809	**965**	972
Other facilities	**898**	898	**38**	63	**936**	961
Total exposure to securitisation SPEs	**47,446**	48,326	**833**	872	**48,279**	49,198

(1) Group originated residential mortgages which back securities held for potential repurchase with central banks.

(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 31/12/11 $M	30/06/11 $M
Commercial mortgage backed securities	**31**	71
Residential mortgage backed securities	**3,781**	2,702
Total	**3,812**	2,773

Asset-backed securities by underlying asset

	Trading portfolio		AFS portfolio [1]		Other		Total	
	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11
	$M	$M	$M	$M	$M	$M	$M	$M
Sub-prime	**-**	-	**-**	-	**-**	-	**-**	-
Non-conforming (Alt-A)	**1**	1	**2**	6	**-**	-	**3**	7
Prime mortgages	**36**	54	**3,573**	2,414	**169**	227	**3,778**	2,695
Other assets	**-**	-	**31**	71	**-**	-	**31**	71
Total	**37**	55	**3,606**	2,491	**169**	227	**3,812**	2,773

Asset-backed securities by credit rating and geography

	AAA & AA		A		BBB		BB and below including not rated		Total	
	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia	**3,543**	2,479	**35**	24	**9**	12	**25**	-	**3,612**	2,515
New Zealand	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Europe	**-**	-	**-**	-	**-**	-	**169**	227	**169**	227
UK	**-**	-	**31**	31	**-**	-	**-**	-	**31**	31
Total	**3,543**	2,479	**66**	55	**9**	12	**194**	227	**3,812**	2,773

Warehousing financing facilities	Funded Commitments 31/12/11 $M	30/06/11 $M	Unfunded Commitments 31/12/11 $M	30/06/11 $M	Total 31/12/11 $M	30/06/11 $M
Australia	**4,396**	2,980	**1,227**	1,627	**5,623**	4,607
New Zealand	**713**	517	**44**	43	**757**	560
Europe	**318**	320	**-**	-	**318**	320
Total	**5,427**	3,817	**1,271**	1,670	**6,698**	5,487

Commercial paper standby liquidity facilities [2]	Funded Commitments 31/12/11 $M	30/06/11 $M	Unfunded Commitments 31/12/11 $M	30/06/11 $M	Total 31/12/11 $M	30/06/11 $M
Standby liquidity facilities	**24**	-	**200**	300	**224**	300

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

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

7. Counterparty and Other Credit Risk Exposures (continued)

Leveraged finance

The tables below are an analysis of the credit exposures arising from providing leverage finance to entities acquired by private equity firms.

Exposure by industry (1)(2)

	Funded exposure		Unfunded commitments		Total gross exposure		Individual provision		Net exposure	
	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Retail	**184**	181	**35**	29	**219**	210	**(42)**	-	**177**	210
Manufacturing	**240**	206	**34**	23	**274**	229	**(18)**	(18)	**256**	211
Media	**38**	154	**2**	13	**40**	167	**-**	-	**40**	167
Healthcare	**122**	136	**15**	21	**137**	157	**-**	-	**137**	157
Equipment hire	**87**	80	**15**	-	**102**	80	**-**	-	**102**	80
Financial services	**87**	28	**4**	5	**91**	33	**-**	-	**91**	33
Other	**223**	175	**21**	25	**244**	200	**-**	-	**244**	200
Total	**981**	960	**126**	116	**1,107**	1,076	**(60)**	(18)	**1,047**	1,058

Exposure by geography (1)(2)

	Funded exposure		Unfunded commitments		Total gross exposure		Individual provision		Net exposure	
	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11	31/12/11	30/06/11
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia	**880**	813	**118**	102	**998**	915	**(60)**	(18)	**938**	897
New Zealand	**101**	147	**8**	14	**109**	161	**-**	-	**109**	161
Total	**981**	960	**126**	116	**1,107**	1,076	**(60)**	(18)	**1,047**	1,058

	As at	
	31/12/11	30/06/11
Movements in individual provisions (2)	$M	$M
Opening balance	**18**	18
Impairment expense	**42**	-
Total individual provisions	**60**	18

(1) Excludes derivative exposures of $119 million (June 2011: $105 million).

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

8. Capital Adequacy

Risk Weighted Capital Ratios	As at 31/12/11 %	30/06/11 %	31/12/10 %
Common Equity [1]	**7.67**	7.66	7.35
Tier One	**9.90**	10.01	9.71
Tier Two	**1.21**	1.69	1.79
Total Capital	**11.11**	11.70	11.50

Regulatory Capital	As at 31/12/11 $M	30/06/11 $M	31/12/10 $M
Ordinary Share Capital	**24,651**	23,602	23,083
Treasury shares [2]	**316**	294	301
Ordinary Share Capital and Treasury Shares	**24,967**	23,896	23,384
Other Equity Instruments	**939**	939	939
Trust Preferred Securities 2006 [3]	**(939)**	(939)	(939)
Total Other Equity Instruments	**-**	-	-
Reserves [4]	**829**	392	269
Cash flow hedge reserve	**(234)**	402	490
Employee compensation reserve	**(95)**	(135)	(100)
Asset revaluation reserve	**(191)**	(191)	(189)
Avaliable-for-sale investments reserve [5]	**-**	(245)	(22)
Foreign currency translation reserve related to non-consolidated subsidiaries	**153**	149	118
Total Reserves	**462**	372	566
Retained Earnings and current period profits	**11,928**	11,826	10,534
Expected dividend [6]	**(2,166)**	(2,930)	(2,045)
Estimated reinvestment under Dividend Reinvestment Plan [7]	**542**	733	511
Retained earnings adjustment for non-consolidated subsidiaries [8]	**35**	227	230
Other	**(178)**	(189)	(63)
Net Retained Earnings	**10,161**	9,667	9,167
Non-controlling Interest [9]	**528**	528	524
ASB Perpetual Preference Shares [9]	**(505)**	(505)	(505)
Non-controlling interests less ASB Perpetual Preference Shares	**23**	23	19
Total Fundamental Tier One Capital	**35,613**	33,958	33,136

(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 31 December 2011 the Available-for-sale reserve had a deficit balance of $83 million, resulting in the requirement to recognise this deficit in the regulatory capital calculations.

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

(7) Dividend Reinvestment Plan (DRP) in respect of the December 2011 interim dividend is to be satisfied through the issue of shares, with the assumed reinvestment rate based on reinvestment experience as approved by APRA. The DRP in respect of both the June 2011 final and December 2010 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 2011: $717 million; June 2011: $525 million; December 2010: $522 million). The retention of these profits are used to fund the future growth of these operations. This has been offset by the one-off write back adjustments upon 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. Capital Adequacy (continued)

Regulatory Capital	As at 31/12/11 $M	30/06/11 $M	31/12/10 $M
Tier One Capital Deductions - 100%			
Goodwill and other intangibles (excluding software) (1)	**(8,546)**	(8,306)	(8,382)
Capitalised expenses	**(240)**	(252)	(242)
Capitalised computer software costs	**(1,480)**	(1,297)	(1,100)
Defined benefit superannuation plan surplus (2)	**-**	(53)	(255)
General reserve for credit losses top up (3)	**(183)**	(132)	(106)
Deferred tax	**(383)**	(287)	(47)
Tier One Capital Deductions - 100%	**(10,832)**	(10,327)	(10,132)
Tier One Capital Deductions - 50% (4)			
Equity investments in other companies and trusts (5)	**(287)**	(317)	(328)
Equity investments in non-consolidated subsidiaries (net of intangibles) (6)	**(594)**	(526)	(539)
Expected impairment losses (before tax) in excess of eligible credit provisions (net of deferred tax) (7)	**(646)**	(817)	(748)
Other deductions	**(417)**	(396)	(390)
Tier One Capital Deductions - 50%	**(1,944)**	(2,056)	(2,005)
Total Tier One Capital Deductions	**(12,776)**	(12,383)	(12,137)
Fundamental Tier One Capital After Deductions	**22,837**	21,575	20,999
Residual Tier One Capital			
Innovative Tier One Capital			
Non-cumulative preference shares (8)	**2,626**	2,598	2,626
Non-controlling interests (9)	**505**	505	505
Eligible loan capital	**98**	128	198
Total Innovative Tier One Capital	**3,229**	3,231	3,329
Non-Innovative Residual Tier One Capital (10)	**3,407**	3,407	3,407
Total Residual Tier One Capital	**6,636**	6,638	6,736
Total Tier One Capital	**29,473**	28,213	27,735

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

(2) In accordance with APRA regulations, when the Bank's defined benefit superannuation fund is in surplus it is required to be deducted from Tier One Capital.

(3) Capital deduction at 31 December 2011 of $183 million after tax (30 June 2011: $132 million; 31 December 2010: $106 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.

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

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

(6) Represents the net equity within the non-consolidated subsidiaries (primarily the Colonial Group) which is deducted 50% from Tier One and 50% from Tier Two Capital. This deduction is net of $1,880 million in Non-Recourse Debt issued by Colonial Finance Limited (June 2011: $1,452 million; December 2010: $1,446 million) and the Colonial Hybrid Issue $350 million (June 2011: $700 million; December 2010: $700 million). In November 2011 $350 million of the Colonial Hybrid issue was redeemed.

(7) Regulatory Expected Loss (pre tax) using stressed loss given default assumptions associated with the loan portfolio in excess of eligible credit provisions (collective provision and general reserve for credit losses net of tax and individually assessed provision pre tax) are deducted 50% from both Tier One and Tier Two Capital.

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

(9) Non-controlling interest classified as Tier One Innovative Capital under Basel II regulations. Comprised predominantly of ASB Perpetual Preference Shares of NZ$550 million issued by New Zealand subsidiary entities. These shares are non-redeemable and carry limited voting rights.

(10) Comprises PERLS IV $1,465 million (less costs) issued by the Bank in July 2007 and PERLS V $2,000 million (less costs) issued by the Bank in October 2009. These have been approved by APRA as Tier One Non-Innovative Capital instruments.

8. Capital Adequacy (continued)

Regulatory Capital	As at 31/12/11 $M	30/06/11 $M	31/12/10 $M
Tier Two Capital			
Upper Tier Two Capital			
Prudential general reserve for credit losses (net of tax) [1]	**631**	620	618
Asset revaluation reserve [2]	**86**	86	85
Upper Tier Two note and bond issues	**368**	336	350
Other	**151**	124	108
Total Upper Tier Two Capital	**1,236**	1,166	1,161
Lower Tier Two Capital			
Lower Tier Two note and bond issues [3] [4]	**4,314**	5,728	5,990
Holding of own Lower Tier Two Capital	**(18)**	(89)	(35)
Total Lower Tier Two Capital	**4,296**	5,639	5,955
Tier Two Capital Deductions			
50% Deductions from Tier Two Capital [5]	**(1,944)**	(2,056)	(2,005)
Total Tier Two Capital	**3,588**	4,749	5,111
Total Capital	**33,061**	32,962	32,846

(1) 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.

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

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

(4) 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.

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

8. Capital Adequacy (continued)

Risk Weighted Assets	As at 31/12/11 $M	30/06/11 $M	31/12/10 $M
Credit Risk			
Subject to Advanced IRB approach			
Corporate	**45,983**	39,180	40,129
SME Corporate	**22,155**	22,471	22,071
SME Retail	**4,486**	4,435	4,896
Sovereign	**3,201**	2,517	2,557
Bank	**7,925**	7,216	6,686
Residential mortgage	**53,844**	55,709	56,412
Qualifying revolving retail	**6,491**	6,398	6,761
Other retail	**8,116**	7,253	6,398
Impact of the regulatory scaling factor (1)	**9,132**	8,711	8,755
Total risk weighted assets subject to Advanced IRB approach	**161,333**	153,890	154,665
Specialised lending exposures subject to slotting criteria	**36,915**	35,990	34,339
Subject to Standardised approach			
Corporate	**9,950**	8,048	8,040
SME Corporate	**6,803**	7,389	7,597
SME Retail	**4,230**	4,461	4,377
Sovereign	**308**	103	99
Bank	**1,303**	1,238	1,583
Residential mortgage	**24,660**	23,515	22,605
Other retail	**2,627**	2,574	2,510
Other assets	**5,215**	4,751	4,619
Total risk weighted assets subject to standardised approach	**55,096**	52,079	51,430
Securitisation	**2,695**	2,670	1,894
Equity exposures	**2,407**	2,113	2,280
Total risk weighted assets for credit risk exposures	**258,446**	246,742	244,608
Traded market risk	**3,105**	3,162	3,873
Interest rate risk in the banking book (IRRBB)	**11,525**	9,699	17,033
Operational risk	**24,629**	22,108	20,049
Total risk weighted assets (2)	**297,705**	281,711	285,563

(1) APRA requires risk weighted assets amounts that are derived from IRB risk weight functions be multiplied by a factor of 1.06.
(2) Risk Weighted Assets (RWA) include the consolidation of Bankwest which operates under the Basel II Standardised methodology.

Capital Management

The Group maintains a strong capital position with the capital ratios well in excess of APRA minimum capital adequacy requirements (Prudential Capital Ratio (PCR)) and the Board Approved minimum levels at all times throughout the half year ended 31 December 2011.

The Group's Common Equity, Tier One Capital and Total Capital ratios (which include ASB Bank and Bankwest) as at 31 December 2011 were 7.67%, 9.90% and 11.11% respectively.

The Group's Common Equity and Tier One Capital ratios remained relatively stable during the half year, with the capital generated from earnings (net of dividend and Dividend Reinvestment Plan (DRP)) offset by increases in Risk Weighted Assets (RWA) and the actuarial losses from the defined benefit superannuation fund recognised in equity.

The Group's Total Capital ratio decreased 59 basis points over the prior half to 11.11%, driven by both the movement in Tier One Capital and the planned redemption of a number of lower Tier Two Debt instruments.

RWA were $298 billion at 31 December 2011, an increase of $16 billion since 30 June 2011 primarily driven by higher Credit RWA. Credit RWA increased by $12 billion, driven by higher liquid assets and lending volume growth.

The Group's Common Equity, Tier One and Total Capital ratios as at 31 December 2011 under the Financial Services Authority (the UK regulator) method of calculating regulatory capital as a percentage of RWA were 10.6%, 13.2% and 14.1% respectively. This has been provided for comparative purposes as the Group is not regulated by the Financial Services Authority.

Capital Initiatives

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

Tier One Capital

- The allocation of $832 million of ordinary shares in order to satisfy the Dividend Reinvestment Plan (DRP) in respect of the final dividend for the 2010/2011 financial year, representing a participation rate of 28.4%; and
- The issue of $237 million of ordinary shares associated with the acquisition of Count Financial Limited.

8. Capital Adequacy (continued)

Tier Two Capital

- Redemption of four separate subordinated Lower Tier Two debt issues totalling $1,361 million.

Banking Regulatory Framework

The Group, excluding Bankwest, operates under Basel II advanced status which resulted in the advanced internal ratings based (AIRB) approach for credit risk and the advanced measurement approach (AMA) for operational risk being adopted in the calculation of RWA effective from 1 January 2008. IRRBB was incorporated into the calculation of RWA from 1 July 2008. The agreed methodology for measuring market risk for traded assets remained unchanged from Basel I.

Bankwest's operations are included in the Group's Capital requirements. However, Bankwest operates as a stand-alone Bank under Basel II standardised status and is separately regulated by APRA. There is a programme to extend the Group's advanced accreditation to determine regulatory capital for Bankwest. Once Basel III reforms are implemented, Bankwest will be required to report a common equity ratio.

ASB's operations are included in the Group's Capital requirements. However, ASB operates as a stand-alone Bank under Basel II advanced status and is subject to regulation by the Reserve Bank of New Zealand (RBNZ). The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements. Once Basel III reforms are implemented, ASB will be required to report a common equity ratio.

Insurance and Funds Management Business

The Group's insurance and funds management businesses held $1,108 million of assets in excess of regulatory solvency requirements at 31 December 2011 (30 June 2011: $1,014 million; 31 December 2010: $1,147 million). In addition, these companies held assets in excess of regulatory capital requirements as at 31 December 2011.

Regulatory Changes

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

Banking – Basel Committee Changes

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

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

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

The reforms are phased in from 1 January 2013 to 1 January 2019.

Banking – APRA Changes

On 6 September 2011, APRA released their Discussion Paper on "Implementing Basel III capital reforms in Australia". APRA proposes to adopt a more conservative approach than the minimum standards published by the BCBS, and adopting an accelerated timetable for implementation.

The BCBS and APRA continue to conduct several Quantitative Impact Studies (QIS) to assess the impact of the proposed changes. APRA are expected to release draft prudential standards in early 2012.

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

General and Life Insurers

APRA commenced a review of general and life insurance capital standards in May 2010 with the release of a discussion paper titled "*Review of capital standards for general insurers and life insurers*". Since that time APRA has released a number of technical papers, a response paper and conducted two QIS's. In December 2011 APRA released a second response paper and a number of draft prudential standards. Final prudential standards are expected to be released by APRA during 2012.

The RBNZ issued final solvency standards for life insurance operations in August 2011.

Supervision of Conglomerate Groups

APRA released a discussion paper titled "*Supervision of Conglomerate Groups*" in March 2010. APRA is seeking to extend its current prudential supervision framework to Conglomerate Groups that have material operations in more than one APRA regulated industry and/or have one or more material unregulated entities. The aims of the Level 3 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.

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

Pillar 3 Disclosures

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

9. Share Capital

Shares on Issue	Half Year Ended 31/12/11 Number	30/06/11 Number	31/12/10 Number
Opening balance (excluding Treasury Shares deduction)	**1,558,637,244**	1,548,907,074	1,548,737,374
Issue of shares [1]	**5,042,949**	-	-
Dividend reinvestment plan issue: [2]			
2010/2011 Interim dividend fully paid ordinary shares $52.92	**-**	9,682,670	-
2010/2011 Final dividend fully paid ordinary shares $47.48	**17,524,300**	-	-
Exercise of executive option plan	**76,100**	47,500	169,700
Closing balance (excluding Treasury Shares deduction)	**1,581,280,593**	1,558,637,244	1,548,907,074
Less: Treasury Shares [3]	**(6,774,861)**	(6,363,549)	(6,619,596)
Closing balance	**1,574,505,732**	1,552,273,695	1,542,287,478

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

(2) The DRP in respect of the 2009/2010 final dividend was satisfied in full through the on market purchase and transfer of 13,123,121 shares to participating shareholders.

(3) 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 2011, the amount of credits available at the 30% tax rate to frank dividends for subsequent financial years, is $435 million (June 2011: $510 million; December 2010: $642 million). This figure is based on the franking accounts of the Bank at 31 December 2011, adjusted for franking credits that will arise from the payment of income tax payable on profits for the half year, franking debits that will 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 2011.

Dividends

The Directors have declared a fully franked interim dividend of 137 cents per share amounting to $2,166 million. There is no foreign conduit income attributed to the final dividend. The dividend will be payable on 5 April 2012 to shareholders on the register at 5:00pm EST on 24 February 2012.

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

The Bank expects to issue around $542 million of ordinary shares in respect of the Dividend Reinvestment Plan for the interim dividend for the half year ended 31 December 2011.

Record Date

The register closes for determination of dividend entitlement and for participation in the DRP at 5:00pm EST on 24 February 2012 at Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235.

Ex-Dividend Date

The ex-dividend date is 20 February 2012.

10. Intangible Assets

	As at		
	31/12/11	30/06/11	31/12/10
	$M	$M	$M
Intangible Assets			
Goodwill	**7,624**	7,399	7,430
Computer software costs	**1,480**	1,297	1,100
Core deposits (1)	**282**	317	353
Management fee rights (2)	**316**	311	311
Brand name (3)	**190**	186	186
Other (4)	**134**	93	102
Total intangible assets	**10,026**	9,603	9,482
Goodwill			
Purchased goodwill	**7,624**	7,399	7,430
Accumulated impairment	**-**	-	-
Total goodwill	**7,624**	7,399	7,430
Computer Software Costs			
Cost	**2,182**	1,895	1,758
Accumulated amortisation	**(698)**	(598)	(619)
Accumulated impairment	**(4)**	-	(39)
Total computer software costs	**1,480**	1,297	1,100
Core Deposits (1)			
Cost	**495**	495	495
Accumulated amortisation	**(213)**	(178)	(142)
Total core deposits	**282**	317	353
Management Fee Rights (2)			
Cost	**316**	311	311
Total management fee rights	**316**	311	311
Brand Name (3)			
Cost	**190**	186	186
Total brand name	**190**	186	186
Other (4)			
Cost	**253**	203	202
Accumulated amortisation	**(119)**	(110)	(100)
Total other	**134**	93	102

(1) Core deposits represents the value of the Bankwest deposit base compared to the avoided cost of alternative funding sources such as securitisation and wholesale funding. This asset has 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 impairment. No impairment was required as a result of this assessment.

(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, so is not subject to amortisation.

(4) Other includes the value of credit card relationships acquired from Bankwest. 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 attrition rates of the Bankwest credit cardholders.

Appendices

11. ASX Appendix 4D

Compliance Statement

This interim report for the half year ended 31 December 2011 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.

John Hatton
Company Secretary
15 February 2012

11. ASX Appendix 4D (continued)

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

	Date control gained	Ownership Interest Held (%)
Count Financial Limited	29 November 2011	100%

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

As at 31 December 2011	Ownership interest held (%)
Acadian Asset Management (Australia) Limited	50%
Aegis Correctional Partnership Trust	50%
Aegis Securitisation Trust	50%
Aegis Correctional Partnership Pty Ltd	50%
Aegis Securitisation Nominees Pty Ltd	50%
Aspire Schools Financing (Qld) Pty Limited	50%
Aspire Schools Holdings (Qld) Pty Limited	50%
Equigroup Pty Limited	50%
Pinnacle Education SA Holding Company Pty Ltd (1)	50%
Sentinel Partnership Pty Ltd	50%
First State Cinda Fund Management Company Limited	46%
BoCommLife Insurance Company Limited	38%
Countplus Limited	38%
Aussie Home Loans Pty Limited	33%
International Private Equity Real Estate Fund	33%
Vipro Pty Ltd	33%
452 Capital Pty Limited	30%
First State European Diversified Investment Fund	30%
Cardlink Services Limited	25%
Cash Services Australia Pty Limited	25%
Paymark Limited(2)	25%
Bank of Hangzhou Co. Ltd.	20%
Qilu Bank Co., Ltd.	20%
Vietnam International Commercial Joint Stock Bank	20%
Payments NZ Limited	19%
Interchange and Settlement Limited	12%
CFS Retail Property Trust	8%
Commonwealth Property Office Fund	6%

(1) Formally known as CIPL SA Schools Pty Limited.
(2) Formerly known as Electronic Transaction Services Limited.

Other significant information

There is no other significant information other than as disclosed in Note 11.

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.

Appendices

12. Profit Reconciliation

	Half Year Ended 31 December 2011							
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items (1)	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	**6,551**	(1)	(13)	-	-	-	-	**6,537**
Other banking income	**2,020**	152	-	-	-	-	-	**2,172**
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**

(1) Includes merger related amortisation through net interest income of $13 million; merger related amortisation through operating expenses of $37 million; and income tax benefit of $15 million.

12. Profit Reconciliation (continued)

Profit Reconciliation	Half Year Ended 30 June 2011						
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items [1]	Treasury shares valuation adjustment	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
	$M	$M	$M	$M	$M	$M	$M
Group							
Net interest income	**6,488**	3	(13)	-	-	-	**6,478**
Other banking income	**1,924**	(74)	-	-	-	-	**1,850**
Total banking income	**8,412**	(71)	(13)	-	-	-	**8,328**
Funds management income	**1,024**	-	-	(11)	8	10	**1,031**
Insurance income	**398**	-	-	-	58	76	**532**
Total operating income	**9,834**	(71)	(13)	(11)	66	86	**9,891**
Investment experience	**86**	-	-	-	-	(86)	**-**
Total income	**9,920**	(71)	(13)	(11)	66	-	**9,891**
Operating expenses	**(4,483)**	-	(115)	-	-	-	**(4,598)**
Loan impairment expenses	**(558)**	-	-	-	-	-	**(558)**
Net profit before tax	**4,879**	(71)	(128)	(11)	66	-	**4,735**
Corporate tax expense	**(1,372)**	22	29	1	(66)	-	**(1,386)**
Non-controlling interests	**(7)**	-	-	-	-	-	**(7)**
Net profit after tax	**3,500**	(49)	(99)	(10)	-	-	**3,342**

(1) Includes merger related amortisation through net interest income of $13 million; merger related amortisation through operating expenses of $39 million; integration expenses of $76 million; and income tax benefit of $29 million.

12. Profit Reconciliation (continued)

	Half Year Ended 31 December 2010							
	Net profit after tax "cash basis"	Hedging and IFRS volatility	Bankwest non-cash items (1)	Loss on disposal of controlled entities/ investments	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	**6,170**	(28)	(13)	-	-	-	-	**6,129**
Other banking income	**2,059**	(272)	-	(7)	-	-	-	**1,780**
Total banking income	**8,229**	(300)	(13)	(7)	-	-	-	**7,909**
Funds management income	**1,017**	-	-	-	(13)	54	(47)	**1,011**
Insurance income	**458**	-	-	-	-	46	82	**586**
Total operating income	**9,704**	(300)	(13)	(7)	(13)	100	35	**9,506**
Investment experience	**35**	-	-	-	-	-	(35)	**-**
Total income	**9,739**	(300)	(13)	(7)	(13)	100	-	**9,506**
Operating expenses	**(4,408)**	-	(54)	-	-	-	-	**(4,462)**
Loan impairment expenses	**(722)**	-	-	-	-	-	-	**(722)**
Net profit before tax	**4,609**	(300)	(67)	(7)	(13)	100	-	**4,322**
Corporate tax expense	**(1,265)**	84	19	-	1	(100)	-	**(1,261)**
Non-controlling interests	**(9)**	-	-	-	-	-	-	**(9)**
Net profit after tax	**3,335**	(216)	(48)	(7)	(12)	-	-	**3,052**

(1) Includes merger related amortisation through net interest income $13 million; merger related amortisation through operating expense of $36 million; integration expenses of $18 million; and income tax benefit of $19 million.

13. Analysis Template

Profit Summary - Input Schedule	Half Year Ended 31/12/11 $M	30/06/11 $M	31/12/10 $M
Net interest income	**6,551**	6,488	6,170
Other banking income	**2,020**	1,924	2,059
Total banking income	**8,571**	8,412	8,229
Funds management income	**977**	1,024	1,017
Insurance income	**501**	398	458
Total operating income	**10,049**	9,834	9,704
Investment experience	**56**	86	35
Total income	**10,105**	9,920	9,739
Operating Expense			
Retail Banking Services	**(1,490)**	(1,486)	(1,417)
Business and Private Banking	**(675)**	(682)	(653)
Institutional Banking and Markets	**(425)**	(413)	(415)
Wealth Management - operating expenses	**(680)**	(661)	(619)
Wealth Management - volume expenses	**(292)**	(271)	(250)
New Zealand	**(355)**	(356)	(348)
Bankwest	**(430)**	(441)	(428)
Other	**(255)**	(173)	(278)
Total operating expenses	**(4,602)**	(4,483)	(4,408)
Profit before loan impairment expense	**5,503**	5,437	5,331
Loan impairment expense	**(545)**	(558)	(722)
Net profit before income tax	**4,958**	4,879	4,609
Corporate tax expense	**(1,373)**	(1,372)	(1,265)
Operating profit after tax	**3,585**	3,507	3,344
Non-controlling interests	**(9)**	(7)	(9)
Net profit after tax - ("cash basis")	**3,576**	3,500	3,335
Treasury shares valuation adjustment (after tax)	**1**	(10)	(12)
Hedging and IFRS volatility (after tax)	**115**	(49)	(216)
Loss on disposal of controlled entities/investments (after tax)	**-**	-	(7)
Bankwest non-cash items (after tax)	**(35)**	(99)	(48)
Count Financial acquisition costs (after tax)	**(33)**	-	-
Net profit after tax - ("statutory basis")	**3,624**	3,342	3,052

13. Analysis Template (continued)

Profit Summary - Input Schedule	Half Year Ended 31/12/11 $M	30/06/11 $M	31/12/10 $M
Other Data			
Net interest income (excluding securitisation) ("cash basis")	**6,511**	6,461	6,140
Average interest earning assets (excluding securitisation)	**601,244**	578,982	573,800
Average net assets [(1)]	**38,081**	36,318	35,460
Average non-controlling interests [(1)]	**528**	526	524
Average other equity instruments [(1)]	**939**	939	939
Average treasury shares [(1)]	**(306)**	(298)	(300)
Distributions - other equity instruments	**20**	20	22
Interest expense (after tax) - Perls III	**25**	25	25
Interest expense (after tax) - Perls IV	**23**	23	23
Interest expense (after tax) - Perls V	**45**	44	43
Interest expense (after tax) - TPS	**11**	10	12
Interest expense (after tax) - Convertible notes	**-**	13	17
Weighted average number of shares - ("statutory basis") (M)	**1,561**	1,547	1,542
Weighted average number of shares - ("statutory diluted") (M)	**1,669**	1,668	1,666
Weighted average number of shares - ("cash basis") (M)	**1,564**	1,551	1,546
Weighted average number of shares - ("cash diluted") (M)	**1,672**	1,672	1,669
Weighted average number of shares - Perls III (M)	**24**	24	24
Weighted average number of shares - Perls IV (M)	**30**	29	29
Weighted average number of shares - Perls V (M)	**41**	40	40
Weighted average number of shares - TPS (M)	**12**	11	11
Weighted average number of shares - Convertible notes (M)	**-**	15	18
Weighted average number of shares - Executive options (M)	**1**	2	1
Dividends per share (cents) - fully franked	**137**	188	132
No. of shares at end of period excluding Treasury Shares deduction (M)	**1,581**	1,559	1,549
Funds under administration (FUA) - average	**194,421**	198,851	194,011
Average inforce premiums	**2,180**	2,050	2,022
Net assets	**38,875**	37,287	35,349
Total intangible assets	**10,026**	9,603	9,482
Non-controlling interests	**528**	528	524
Other equity instruments	**939**	939	939

(1) Average of reporting period balances.

13. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31/12/11 $M	30/06/11 $M	31/12/10 $M
EPS			
Net profit after tax - ("cash basis")	**3,576**	3,500	3,335
Less distribution - other equity instruments	**(20)**	(20)	(22)
Adjusted profit for EPS calculation	**3,556**	3,480	3,313
Average number of shares (M)	**1,564**	1,551	1,546
Earnings per share - ("cash basis") (cents) [1]	**227. 2**	224. 4	214. 3
Interest expense (after tax) - Perls III	**25**	25	25
Interest expense (after tax) - Perls IV	**23**	23	23
Interest expense (after tax) - Perls V	**45**	44	43
Interest expense (after tax) - TPS	**11**	10	12
Interest expense (after tax) - Convertible notes	**-**	13	17
Profit impact of assumed conversions (after tax)	**104**	115	120
Weighted average number of shares - Perls III (M)	**24**	24	24
Weighted average number of shares - Perls IV (M)	**30**	29	29
Weighted average number of shares - Perls V (M)	**41**	40	40
Weighted average number of shares - TPS (M)	**12**	11	11
Weighted average number of shares - Convertible Notes (M)	**-**	15	18
Weighted average number of shares - Executive Options (M)	**1**	2	1
Weighted average number of shares - dilutive securities (M)	**108**	121	123
Adjusted cash profit for EPS calculation	**3,556**	3,480	3,313
Add back profit impact of assumed conversions (after tax)	**104**	115	120
Adjusted diluted profit for EPS calculation	**3,660**	3,595	3,433
Average number of shares (M)	**1,564**	1,551	1,546
Add back weighted average number of shares (M)	**108**	121	123
Diluted average number of shares (M)	**1,672**	1,672	1,669
Earnings per share diluted - ("cash basis") (cents) [1]	**218. 7**	215. 1	205. 7
Net profit after tax - ("statutory basis")	**3,624**	3,342	3,052
Less distribution - other equity instruments	**(20)**	(20)	(22)
Adjusted profit for EPS calculation	**3,604**	3,322	3,030
Average number of shares (M)	**1,561**	1,547	1,542
Earnings per share - ("statutory basis") (cents) [1]	**230. 8**	214. 7	196. 5

(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 31/12/11 $M	30/06/11 $M	31/12/10 $M
DPS			
Dividends			
Dividends per share (cents)	**137**	188	132
No of shares at end of period (M)	**1,581**	1,559	1,549
Total dividends	**2,166**	2,930	2,045
Dividend payout ratio - ("cash basis")			
Net profit after tax - ("cash basis")	**3,576**	3,500	3,335
NPAT - available for distribution to ordinary shareholders	**3,556**	3,480	3,313
Total dividends	**2,166**	2,930	2,045
Payout ratio - ("cash basis") (%)	**60. 9**	84. 2	61. 7
Dividend cover			
NPAT - available for distribution to ordinary shareholders	**3,556**	3,480	3,313
Total dividends	**2,166**	2,930	2,045
Dividend cover - ("cash basis") (times)	**1. 6**	1. 2	1. 6
ROE			
Return on equity - ("cash basis")			
Average net assets	**38,081**	36,318	35,460
Less:			
Average non-controlling interests	**(528)**	(526)	(524)
Average other equity instruments	**(939)**	(939)	(939)
Average equity	**36,614**	34,853	33,997
Add average treasury shares	**306**	298	300
Net average equity	**36,920**	35,151	34,297
Net profit after tax - ("cash basis")	**3,576**	3,500	3,335
Less distribution - other equity instruments	**(20)**	(20)	(22)
Adjusted profit for ROE calculation	**3,556**	3,480	3,313
Return on equity - ("cash basis") (%)	**19. 2**	20. 0	19. 2
Return on equity - ("statutory basis")			
Average net assets	**38,081**	36,318	35,460
Average non-controlling interests	**(528)**	(526)	(524)
Average other equity interests	**(939)**	(939)	(939)
Average equity	**36,614**	34,853	33,997
Net profit after tax - ("statutory basis")	**3,624**	3,342	3,052
Less distribution other equity instruments	**(20)**	(20)	(22)
Adjusted profit for ROE calculation	**3,604**	3,322	3,030
Return on equity - ("statutory basis") (%)	**19.6**	19. 2	17. 7
NIM			
Net interest income (excluding securitisation)	**6,511**	6,461	6,140
Average interest earning assets (excluding securitisation)	**601,244**	578,982	573,800
NIM (%pa)	**2. 15**	2. 25	2. 12

13. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31/12/11 $M	30/06/11 $M	31/12/10 $M
Productivity			
Group operating expenses to total operating income ratio - ("cash basis")			
Operating expenses - ("cash basis")	**4,602**	4,483	4,408
Total operating income - ("cash basis")	**10,049**	9,834	9,704
Operating expenses to total operating income (%) - ("cash basis")	**45. 8**	45. 6	45. 4
Retail Banking Services operating expenses to total banking income ratio - ("cash basis")			
Operating expenses - ("cash basis")	**1,490**	1,486	1,417
Total banking income - ("cash basis")	**3,894**	3,857	3,664
Operating expenses to total banking income (%) - ("cash basis")	**38. 3**	38. 5	38. 7
Business and Private Banking operating expenses to total banking income ratio - ("cash basis")			
Operating expenses - ("cash basis")	**675**	682	653
Total banking income - ("cash basis")	**1,572**	1,533	1,506
Operating expenses to total banking income (%) - ("cash basis")	**42. 9**	44. 5	43. 4
Institutional Banking and Markets operating expenses to total banking income ratio - ("cash basis")			
Operating expenses - ("cash basis")	**425**	413	415
Total banking income - ("cash basis")	**1,164**	1,207	1,260
Operating expenses to total banking income (%) - ("cash basis")	**36. 5**	34. 2	32. 9
Wealth Management operating expenses to net operating income ratio - ("cash basis")			
Operating expenses - ("cash basis")	**680**	661	619
Net operating income - ("cash basis")	**1,017**	1,007	1,072
Operating expenses to net operating income (%) - ("cash basis")	**66. 9**	65. 6	57. 7
New Zealand operating expenses to total operating income ratio - ("cash basis")			
Operating expenses - ("cash basis")	**355**	356	348
Total operating income - ("cash basis")	**708**	694	683
Operating expenses to total operating income (%) - ("cash basis")	**50. 1**	51. 3	51. 0
Bankwest operating expenses to total banking income ratio - ("cash basis")			
Operating expenses - ("cash basis")	**430**	441	428
Total banking income - ("cash basis")	**851**	843	797
Operating expenses to total banking income (%) - ("cash basis")	**50. 5**	52. 3	53. 7
Net Tangible Assets (NTA) per share			
Net assets	**38,875**	37,287	35,349
Less:			
Intangible assets	**(10,026)**	(9,603)	(9,482)
Non-controlling interests	**(528)**	(528)	(524)
Other equity instruments	**(939)**	(939)	(939)
Total net tangible assets	**27,382**	26,217	24,404
No. of shares at end of period (M)	**1,581**	1,559	1,549
Net tangible assets (NTA) per share ($)	**17. 32**	16. 82	15. 75

Appendices

14. Summary

Group		Half Year Ended 31/12/11	30/06/11	31/12/10	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Net profit after tax - ("cash basis")	$M	**3,576**	3,500	3,335	2	7
Treasury shares valuation adjustment (after tax)	$M	**1**	(10)	(12)	large	large
Hedging and IFRS volatility (after tax)	$M	**115**	(49)	(216)	large	large
Loss on disposal of controlled entities/investments (after tax)	$M	**-**	-	(7)	-	(100)
Bankwest non-cash items (after tax)	$M	**(35)**	(99)	(48)	(65)	(27)
Count Financial acquisition costs (after tax)	$M	**(33)**	-	-	large	large
Net profit after tax - ("statutory basis")	$M	**3,624**	3,342	3,052	8	19
Earnings per share - ("cash basis") - basic	cents	**227. 2**	224. 4	214. 3	1	6
Dividends per share (fully franked)	cents	**137**	188	132	(27)	4
Dividend pay-out ratio - ("cash basis")	%	**60. 9**	84. 2	61. 7	large	(80)bpts
Common Equity	%	**7. 67**	7. 66	7. 35	1 bpt	32 bpts
Tier One Capital	%	**9. 90**	10. 01	9. 71	(11)bpts	19 bpts
Total Capital	%	**11. 11**	11. 70	11. 50	(59)bpts	(39)bpts
Number of full time equivalent staff	No.	**45,810**	46,060	45,025	(1)	2
Return on equity - ("cash basis")	%	**19. 2**	20. 0	19. 2	(80)bpts	-
Return on equity - ("statutory basis")	%	**19. 6**	19. 2	17. 7	40 bpts	190 bpts
Weighted average no. of shares - ("statutory basis") - basic	M	**1,561**	1,547	1,542	1	1
Net tangible assets per share	$	**17. 32**	16. 82	15. 75	3	10
Net interest income - ("cash basis")	$M	**6,551**	6,488	6,170	1	6
Net interest margin	%	**2. 15**	2. 25	2. 12	(10)bpts	3 bpts
Other banking income - ("cash basis")	$M	**2,020**	1,924	2,059	5	(2)
Other banking income/total banking income - ("cash basis")	%	**23. 6**	22. 9	25. 0	70 bpts	(140)bpts
Operating expense to total operating income - ("cash basis")	%	**45. 8**	45. 6	45. 4	20 bpts	40 bpts
Average interest earning assets	$M	**601,244**	578,982	573,800	4	5
Average interest bearing liabilities	$M	**564,743**	540,772	536,948	4	5
Loan impairment expense	$M	**545**	558	722	(2)	(25)
Impairment expense annualised as a % of average gross loans and acceptances	%	**0. 21**	0. 22	0. 28	(1)bpt	(7)bpts
Individually assessed provisions for impairment to gross impaired assets	%	**44. 69**	40. 12	41. 84	457 bpts	285 bpts
Risk weighted assets	$M	**297,705**	281,711	285,563	6	4
Retail Banking Services						
Net profit after tax - ("cash basis")	$M	**1,439**	1,457	1,397	(1)	3
Operating expense to total banking income - ("cash basis")	%	**38. 3**	38. 5	38. 7	(20)bpts	(40)bpts
Business and Private Banking						
Net profit after tax - ("cash basis")	$M	**551**	528	502	4	10
Operating expense to total banking income - ("cash basis")	%	**42. 9**	44. 5	43. 4	(160)bpts	(50)bpts
Institutional Banking and Markets						
Net profit after tax - ("cash basis")	$M	**547**	506	498	8	10
Operating expense to total banking income - ("cash basis")	%	**36. 5**	34. 2	32. 9	230 bpts	360 bpts

14. Summary (continued)

		Half Year Ended				
		31/12/11	30/06/11	31/12/10	Dec 11 vs Jun 11 %	Dec 11 vs Dec 10 %
Wealth Management						
Net profit after tax - ("cash basis")	$M	**272**	283	359	(4)	(24)
Underlying profit after tax - ("cash basis")	$M	**249**	252	329	(1)	(24)
Investment experience after tax	$M	**23**	31	30	(26)	(23)
Funds Under Administration - (average)	$M	**186,266**	191,252	186,849	(3)	-
Funds Under Administration - (spot)	$M	**184,045**	188,511	191,454	(2)	(4)
Net funds flows	$M	**2,248**	(2,887)	2,995	large	(25)
Average inforce premiums	$M	**1,724**	1,608	1,580	7	9
Annual Inforce premiums - (spot)	$M	**1,807**	1,640	1,575	10	15
Funds management income ("cash basis") to average FUA	%	**1. 01**	1. 05	1. 04	(4)bpts	(3)bpts
Insurance income ("cash basis") to average inforce premiums	%	**42. 0**	35. 7	42. 7	large	(70)bpts
Operating expense to net operating income - ("cash basis")	%	**66. 9**	65. 6	57. 7	130 bpts	large
New Zealand						
Net profit after tax - ("cash basis")	$M	**258**	236	234	9	10
Underlying profit after tax - ("cash basis")	$M	**263**	235	234	12	12
Funds Under Administration - (average)	$M	**8,155**	7,599	7,162	7	14
Funds Under Administration - (spot)	$M	**8,123**	8,040	7,277	1	12
Average inforce premiums	$M	**456**	442	442	3	3
Annual Inforce premiums - (spot)	$M	**460**	451	433	2	6
Funds management income ("cash basis") to average FUA	%	**0. 51**	0. 53	0. 55	(2)bpts	(4)bpts
Insurance income ("cash basis") to average inforce premiums	%	**50. 6**	47. 9	47. 6	270 bpts	300 bpts
Operating expense to total operating income - ("cash basis")	%	**50. 1**	51. 3	51. 0	(120)bpts	(90)bpts
Bankwest						
Net profit after tax - ("cash basis")	$M	**268**	239	224	12	20
Operating expense to total banking income - ("cash basis")	%	**50. 5**	52. 3	53. 7	(180)bpts	(320)bpts

15. Foreign Exchange Rates

Exchange Rates Utilised		As at		
		31/12/11	30/06/11	31/12/10
AUD 1.00 =	USD	**1. 0159**	1. 0740	1. 0170
	EUR	**0. 7855**	0. 7410	0. 7648
	GBP	**0. 6591**	0. 6677	0. 6587
	JPY	**78. 7664**	86. 3984	82. 8878
	NZD	**1. 3147**	1. 2944	1. 3165

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

	Full Year Ended 30 June					Half Year Ended 31 December
	2007	2008	2009	2010	2011	2011
	(expressed in US$ per A$1.00)					
Period End	0.8491	0.9562	0.8055	0.8480	1.0732	**1.0251**
Average Rate	0.7867	0.9007	0.7546	0.8820	0.9905	**1.0319**

	Month ended 2011/12					
	September	October	November	December	January	February [(1)]
	(expressed in US$ per A$1.00)					
High	1.0750	1.0707	1.0366	1.0298	1.0651	1.0806
Low	0.9744	0.9453	0.9686	0.9904	1.0215	1.0676
Month End Closing Rates	0.9744	1.0610	1.0244	1.0251	1.0598	1.0695

(1) Through to 17 February 2012

Appendices

16. 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 ending 31 December 2011, 30 June 2011, and 31 December 2010, 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 an Interim Financial Report. Their separate report dated 15 February 2012 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.

17. Definitions

Term	Description
Bankwest	Bankwest is a full service bank active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products. Bankwest also provides specialist services in international banking and project finance.
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. In addition commission is received for the distribution of retail banking products through the Business and Private Banking network.
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.
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 retail banks, the joint venture 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 acquisition costs 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 acquisition costs 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).
Operating expense 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.

Appendices

17. Definitions (continued)

Term	Description
Retail Banking Services	Retail Banking Services includes both the manufacturing of home loan, consumer finance and retail deposit products and the sales and servicing of all Retail bank customers. In addition commission is received for the distribution of business and 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.
Staff numbers	Staff numbers include the full time equivalent number of all permanent full time staff, part time staff equivalents and external contractors employed by third party agencies.
Wealth Management	Wealth Management includes the Global Asset Management (including operations in Asia), Platform Administration and Life and General Insurance businesses of the Australian operations.
Weighted average number of shares ("Cash basic")	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 basic")	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.

18. Market Share Definitions

Retail Banking Services

	Numerator	Denominator
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

	Numerator	Denominator
Business Lending (APRA)	Loans to residents that are recorded on the domestic books of CBA within the non-financial corporation's sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporation's (as per lending balances submitted to APRA in ARF 320.0)	Total loans to the non-financial corporation's sector for all licensed banks that submit to APRA
Business Lending (RBA)	CBA and CBFC (subsidiary) business lending and credit (specific 'business lending' categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills)	Total of business lending and credit to the private non-financial sector by all financial intermediaries (sourced from RBA table Lending & Credit Aggregates which is in turn sourced from specific 'business lending' categories in lodged APRA returns – 320.0, 320.1 and 320.4) (includes bills on issue and securitised business loans)
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

	Numerator	Denominator
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)

The RBA and APRA restate the total of all financial intermediaries retrospectively when required. This may be due to a change in definition, the inclusion of a new participant or correction of errors in prior returns.

Appendices

18. 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)

The RBA and APRA restate the total of all financial intermediaries retrospectively when required. This may be due to a change in definition, the inclusion of a new participant or correction of errors in prior returns.