Profit Announcement (U.S. Version)

Half Year ended 31 December 2008

ASX Appendix 4D

Results for announcement to the market [1]

Report for the half year ended 31 December 2008	$M	
Revenue from ordinary activities	**21,035**	**Up 19%**
Profit/(loss) from ordinary activities after tax attributable to Equity holders	**2,573**	**Up 9%**
Net profit/(loss) for the period attributable to Equity holders	**2,573**	**Up 9%**
Dividends (distributions)		
Interim Dividend - fully franked (cents per share)		**113**
Record date for determining entitlements to the dividend		**20 February 2009**

(1) Rule 4.2C.3

Refer to Appendix 14 ASX Appendix 4D on page 89, for disclosures required under ASX Listing Rules.

Important Dates for Shareholders

Interim Result and Interim Dividend Announcement	11 February 2009
Ex-dividend Date	16 February 2009
Record Date	20 February 2009
Interim Dividend Payment Date	23 March 2009
Full Year Results Announcement (provisional)	12 August 2009
Ex-dividend Date (provisional)	17 August 2009
Record Date (provisional)	21 August 2009
Final Dividend Payment Date (provisional)	To be advised
Annual General Meeting (provisional)	To be advised

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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. Other terms used in this Profit Announcement (U.S.Version) are defined in Appendix 21 Definitions.

Except where otherwise stated, all figures relate to the half year ended 31 December 2008. The term "prior comparative period" refers to the half year ended 31 December 2007, while the term "prior half" refers to the half year ended 30 June 2008.

Except where otherwise stated, all financial disclosures of the Group as at 31 December 2008 include provisional estimates of the carrying value of the assets and liabilities acquired on the purchase of the Bank of Western Australia Ltd ("Bankwest") and St Andrew's Australia Pty Ltd ("St Andrew's") which occurred on 19 December 2008. No earnings relating to the acquired entities have been recognised in the half year ended 31 December 2008, though a provisional gain on acquisition has been recognised as a non-cash item. Refer to Appendix 16, page 94 for further details.

Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, “Group Performance Analysis”, “Retail Banking Services”, “Premium Business Services”, “Wealth Management”, “International Financial Services”, “Bankwest”, “Other” 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, assumptions, business and financial projections, involve known and unknown risks, uncertainties and other factors. These factors may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such factors include demographic changes, changes in competitive conditions in Australia, New Zealand, Asia, the United States or the United Kingdom, changes in the regulatory structure of the banking, life insurance and funds management industries in Australia, New Zealand, the United Kingdom or Asia, changes in political, social, credit and economic conditions in Australia, New Zealand, the United Kingdom, Asia or the United States, the availability and cost of funding, legislative proposals for reform of the banking, life insurance and funds management industries in Australia or New Zealand, and various other factors beyond the Group's control that may also affect the performance of the Group. Given these risks, uncertainties and other factors, investors are cautioned not to place undue reliance on such forward looking statements.

Details on significant risk factors applicable to the Group are detailed on page 14 of the Bank’s Annual U.S. Disclosure document for the Year Ended 30 June 2008 posted to the Group’s U.S. Investor website.

http://www.commbank.com.au/usinvestors

Financial Information Definitions

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

In this document, the Group presents its profit from ordinary activities after tax on a "statutory basis", which is calculated in accordance with the Australian equivalents to the International Financial Reporting Standards ("AIFRS").

The Group also presents its results on a "cash basis". "Cash basis" is defined by management as net profit after tax and minority interests, before provisional gain on acquisition of controlled entities, gain on Visa Initial Public Offering, provisions for investment and restructuring, treasury shares valuation adjustment, defined benefit superannuation plan income/expense and unrealised gains and losses related to hedging and AIFRS volatility (refer to footnote 1 on page 12). Management believes "cash basis" is a meaningful measure of the Group's performance and it provides the basis for determination of the Bank's dividends.

The Group also presents its earnings per share on a statutory basis and on a cash basis. Earnings per share on a statutory basis are affected by the impact of provisional gain on acquisition of controlled entities, gain on Visa Initial Public Offering, provisions for investment and restructuring, changes in the treasury shares valuation adjustment, defined benefit superannuation plan expense, and unrealised gains and losses related to hedging and AIFRS volatility. Earnings per share ("cash basis") is defined by management as "cash basis" net profit after tax as described above, divided by the weighted average of the Bank's ordinary shares outstanding over the relevant period.

The Group 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 attributable to members of the Bank after dividends on other equity instruments divided by dividends on ordinary shares for the financial year, and "Dividend cover – cash", which is net profit attributable to members of the Bank ("cash basis") after dividends on other equity instruments divided by dividends on ordinary shares for the financial year. These ratios are provided on both a statutory and cash basis since net profit after tax, the primary component of these ratios, is also presented on a statutory and cash basis, for the reasons described above.

In addition, in wealth Management, the Group reports (i) funds under administration, (funds administered by the Group and managed externally) and (ii) fund under management, (funds the Group directly manages). The Group derives funds management fees from funds under administration and funds under management and we believe that the reporting of these measures assists investors in evaluating the Group's funds management operations.

Basis of preparation

The consolidated Financial Statements of the Group for the half years ended 31 December 2008 and 2007 comply with current Australian Accounting Standards, which consist of Australian equivalents to International Financial Reporting Standards ("AIFRS") and also with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This document does not include all notes of the type normally included within the 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 Financial Report (U.S. Version) Year Ended 30 June 2008 and any public announcements made by the Group since the date of that Annual Report that have been posted to the Group's U.S. Investor website at http://www.commbank.com.au/usinvestors.

Critical Accounting Policies and Estimates

Critical Accounting Policies and Estimates

The accounting policies followed in this Financial Report are the same as those applied in the Bank's Financial Report (U.S. Version) Year Ended 30 June 2008 except for those items referred to in Note 1 of this Financial Report. Certain of these policies are considered to be more important in the determination of the Group's financial position, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. These decisions are reviewed by 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, at an amount adequate to cover assessed credit related losses.

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 facilities in the credit risk rated managed segment where a loss of $10,000 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 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 retail statistically managed segment, the history of arrears and losses 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.

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 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.

Accounting for the Acquisition of Bankwest and St Andrew’s

On December 19, 2008, the Group competed its acquisition of Bank of Western Australia Ltd and St Andrew’s Australia Pty Ltd (the “Bankwest Acquisition”), which was accounted for using the purchase method of accounting. The cost of the acquisition was measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition, plus costs directly attributable to the acquisition.

The fair value of the acquisition was represented by approximately $2.5 billion in total cash consideration payable (including transaction costs). The purchase price of Bankwest and St Andrew’s was allocated to the identifiable assets, liabilities and contingent liabilities of the acquired entities at the acquisition date, irrespective of the extent of any minority interests, on a provisional basis, relying predominately on their carrying values at 31 December 2008.

The fair value of the assets acquired in the Bankwest Acquisition in excess of the cost of the acquisition as of the acquisition date was recorded as a gain on acquisition and recorded in the current half year ended 31 December 2008. The fair values will be finalised with the acquisition adjustment in the period ending 30 June 2008. Refer to Appendix 16 for further details.

Bankwest

Except where otherwise stated, all financial disclosures of the Group as at 31 December 2008 include provisional estimates of the carrying value of the assets and liabilities acquired on the purchase of the Bank of Western Australia Ltd (“Bankwest”) and St Andrew’s Australia Pty Ltd (“St Andrew’s”) which occurred on 19 December 2008. No earnings relating to the acquired entities have been recognised in the half year ended 31 December 2008, though a provisional gain on acquisition has been recognised as a non-cash item. Refer to Appendix 16, page 94 for further details. The fair values will be finalised with the acquisition adjustment in the period ending 30 June 2009.

Highlights

Group Performance Highlights

Net Profit after Income Tax	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M
Statutory basis	**2,573**	2,420	2,371

The Group's net profit after tax ("statutory basis") for the half year ended 31 December 2008 was $2,573 million, which represents an increase of 9% on the prior comparative period. Included in this result is a provisional estimate of the non-cash gain recognised on acquisition of Bankwest of $547 million after tax. The Group purchased Bankwest at a discount to the estimated fair value of the identifiable net assets. In accordance with AIFRS, a gain was recorded in the current period equal to this discount, which is treated as a non-cash item by management.

Earnings per share ("statutory basis") increased 4% on the prior comparative period to 188.4 cents per share. Return on Equity ("statutory basis") for the current half was 19.0%, compared to 19.8% in the prior comparative period, reflecting in part the Group's strengthened capital position.

The global economic environment during the current half has been characterised by declining equity markets, large corporate defaults, a changing regulatory environment and continued funding pressures. The availability of the Commonwealth guarantee, described in "Liquidity and Capital Resources", has enabled the Group to access funding in major capital markets, however the credit margin payable on the debt together with the government guarantee fee has resulted in long term debt being raised at historically wide spreads over underlying benchmark rates.

In these challenging market conditions, the Group's operating performance has exhibited solid growth in both lending and deposit balances, together with increased trading income, driving an increase in operating income of 15% over the prior comparative period. Operating expense growth over the same period was 5%, resulting in a significantly improved expense to income ratio of 44.3%.

Highlights of the Group's financial performance include:

- Net interest income growth of 17% on the prior comparative period to $4,543 million, with 18% increase in average interest earning assets to $436.7 billion;
- Other banking income growth of 32% on the prior comparative period to $2,036 million, reflecting a strong result in Treasury and higher commissions and lending fees;
- Funds management income decline of 12% on the prior comparative period to $1,005 million, due to the equity market downturn;
- Insurance income growth of 10% over the prior comparative period to $432 million, following an 18% increase in average inforce premiums to $1.7 billion;
- Investment experience of $183 million loss, compared to a loss of $59 million in the prior comparative period, as a result of the challenging market conditions described above; and
- Operating expense growth of 5% on the prior comparative period to $3,551 million, reflecting the impact of a full six months of IWL, the effect of inflation on salary and general expenses as well as higher occupancy and volume expenses. IWL was a provider of non-advisory (primarily online) stockbroking services that was acquired by the Group in August 2007 for $373 million.

Despite this solid operating performance, the Group's financial performance during the half year was adversely impacted by an increased impairment expense, up $1,274 million on the prior comparative period to $1,607 million, reflecting a $367 million write off of listed notes issued by ABC Learning Ltd, additional individual and collective provisions taken to cover a small number of single name corporate exposures, an increased management overlay and generally higher retail and corporate portfolio provisioning.

During the current half, the Group undertook several strategic transactions that the Group believes will position it well for the medium to long term, including:

- The $2.1 billion acquisition of Bankwest and St Andrew's at a substantial discount to book value, which provides the Group with the opportunity to expand its business in the Western Australian market. Integration costs for this acquisition of approximately $31 million will be capitalised; and
- The purchase of a 33% holding in Aussie Home Loans Pty Limited, a leading player in the Australian home loan broker market, for approximately $65 million.

Capital

The Group's Tier One capital ratio at 31 December 2008 was 8.75%, which represents an increase of 58 basis points since 30 June 2008. This reflects recent initiatives undertaken to strengthen the Group's capital position in response to uncertain economic and financial market conditions, including two capital raisings during the period.

Dividends

The interim dividend for the year is $1.13 per share, in line with the prior comparative period, representing a dividend payout ratio ("statutory basis") for the half year of 65.3%.

The interim dividend payment will be fully franked and will be paid on 23 March 2009 to owners of ordinary shares at the close of business on 20 February 2009 ("record date"). Shares will be quoted ex–dividend on 16 February 2009.

The Group issued $694 million of shares to satisfy shareholder participation in the Dividend Reinvestment Plan ("DRP") in respect of the final dividend for 2007/08.

Outlook

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

With domestic and global economies slowing or in recession, sentiment continues to deteriorate. While key indicators such as credit growth and unemployment remained reasonably benign in Australia, conditions are expected to become more difficult in the second half.

Forecasting exactly how the Australian, New Zealand and world economies will perform and what impact this will have on the Group and its customers is extremely difficult. What is clear, however, is that both domestic and global financial markets will continue to be dominated by uncertainty and volatility for at least the next twelve months.

In this environment, the Group remains cautious and will endeavour to continue to manage its businesses prudently. The Group's top priorities will be to maintain an appropriate level of capital, ensure continued access to a broad funding base, retain high levels of liquidity and maintain a conservative approach to provisioning.

Group Performance Summary	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Net interest income	**4,543**	4,008	3,899	13	17
Other banking income	**2,036**	1,771	1,541	15	32
Total banking income	**6,579**	5,779	5,440	14	21
Funds management income	**1,005**	1,166	1,141	(14)	(12)
Insurance income	**432**	439	393	(2)	10
Total operating income	**8,016**	7,384	6,974	9	15
Investment experience (1)	**(183)**	(59)	42	large	large
Total income	**7,833**	7,325	7,016	7	12
Operating expenses	**3,551**	3,643	3,378	(3)	5
Impairment expense	**1,607**	597	333	large	large
Net profit before income tax	**2,675**	3,085	3,305	(13)	(19)
Corporate tax expense (2)	**646**	721	905	(10)	(29)
Minority interests (3)	**16**	16	15	-	7
Net profit after tax ("cash basis") (4)	**2,013**	2,348	2,385	(14)	(16)
Provisional gain on acquisition of controlled entities	**547**	-	-	large	-
Gain on Visa Initial Public Offering	**-**	295	-	large	-
Investment and restructuring	**-**	(264)	-	large	-
Defined benefit superannuation plan (expense)/income	**(13)**	13	(4)	large	large
Treasury shares valuation adjustment	**34**	73	(13)	(53)	large
Hedging and AIFRS volatility	**(8)**	(45)	3	(82)	large
Net profit after income tax ("statutory basis")	**2,573**	2,420	2,371	6	9
Represented by:					
Retail Banking Services	**1,119**	907	975	23	15
Premium Business Services	**205**	769	706	(73)	(71)
Wealth Management	**209**	416	381	(50)	(45)
International Financial Services	**229**	285	303	(20)	(24)
Other	**811**	43	6	large	large
Net profit after income tax ("statutory basis")	**2,573**	2,420	2,371	6	9

(1) The Income Statement line item previously referred to as "Shareholder Investment Returns" has been renamed "Investment Experience" to align with the terminology applied by wealth management industry peers.

(2) For purposes of presentation, Policyholder tax (benefit)/expense components of Corporate tax expense are shown on a net basis (31 December 2008: $(195) million, 30 June 2008: $(151) million, and 31 December 2007: $36 million).

(3) Minority interests includes preference dividends paid to holders of preference shares in ASB Capital.

(4) For definitions refer to Appendix 21, page 102.

Shareholder Summary	Half Year Ended 31/12/08	30/06/08	31/12/07	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Dividends per share - fully franked (cents)	**113**	153	113	(26)	-
Dividend cover - statutory (times)	**1. 5**	1. 2	1. 6	25	(6)
Dividends cover - cash (times)	**1. 2**	1. 1	1. 6	9	(25)
Earnings per share (cents) (1)					
Statutory basis - basic	**188. 4**	182. 6	180. 4	3	4
Cash basis - basic	**146. 3**	176. 2	180. 7	(17)	(19)
Dividend payout ratio (%)					
Statutory basis	**65. 3**	84. 6	63. 4	(23)	3
Cash basis	**83. 6**	87. 3	63. 0	(4)	33
Weighted average no. of shares - statutory basic (M) (1)	**1,352**	1,314	1,300	3	4
Weighted average no. of shares - cash basic (M) (2)	**1,358**	1,319	1,306	3	4
Return on equity - statutory (%)	**19. 0**	19. 7	19. 8	(4)	(4)
Return on equity - cash (%)	**15. 0**	19. 9	20. 8	(490)bpts	(580)bpts

(1) For definitions refer to Appendix 21, page 102.

(2) Fully diluted EPS and weighted average number of shares (fully diluted) are disclosed in Appendix 17, page 95.

Highlights continued

Balance Sheet Summary	As at 31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Lending assets [1]	**449,861**	369,597	351,208	22	28
Total assets	**618,761**	487,572	472,664	27	31
Total liabilities	**588,774**	461,435	447,026	28	32
Shareholders' Equity	**29,987**	26,137	25,638	15	17
Assets held and Funds Under Administration (FUA)					
On Balance Sheet:					
Banking assets	**595,051**	461,944	445,695	29	34
Insurance Funds Under Administration	**16,174**	17,345	18,940	(7)	(15)
Other insurance and internal funds management assets	**7,536**	8,283	8,029	(9)	(6)
	618,761	487,572	472,664	27	31
Off Balance Sheet:					
Funds Under Administration [2]	**148,275**	173,960	188,762	(15)	(21)
Total assets held and FUA	**767,036**	661,532	661,426	16	16

(1) Lending assets comprise Loans, Advances, and Other Receivables (gross of provisions for impairment and excluding securitisation) and Bank acceptances of customers.

(2) Includes Funds Under Administration balances relating to St Andrew's of $178 million as at 31 December 2008.

Key Performance Indicators	Half Year Ended 31/12/08	30/06/08	31/12/07	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Group					
Net profit after tax ("statutory basis") ($M)	**2,573**	2,420	2,371	6	9
Net interest margin (%) (1)	**2. 04**	1. 98	2. 06	6bpts	(2)bpts
Average interest earnings assets ($M) (2)	**436,722**	400,678	370,819	9	18
Average interest bearing liabilities ($M) (2)	**410,880**	375,930	348,716	9	18
Funds management income to average funds under administration (%)	**1. 11**	1. 18	1. 19	(7)bpts	(8)bpts
Average funds under administration ($M)	**179,371**	198,801	191,447	(10)	(6)
Insurance income to average inforce premiums (%)	**50. 2**	56. 8	54. 1	(12)	(7)
Average inforce premiums ($M)	**1,708**	1,554	1,444	10	18
Operating expenses to total operating income (%)	**44. 3**	49. 3	48. 4	(10)	(8)
Effective corporate tax rate (%)	**24. 1**	23. 4	27. 4	3	(12)
Retail Banking Services					
Net profit after tax ("statutory basis") ($M)	**1,119**	907	975	23	15
Operating expenses to total operating banking income (%)	**42. 4**	46. 9	45. 3	(10)	(6)
Premium Business Services					
Net profit after tax ("statutory basis") ($M)	**205**	769	706	(73)	(71)
Operating expenses to total banking income (%)	**38. 2**	44. 0	43. 1	(13)	(11)
Wealth Management					
Net profit after tax ("statutory basis") ($M)	**209**	416	381	(50)	(45)
Average funds under administration ($M) (1)	**173,001**	191,721	183,548	(10)	(6)
Average inforce premiums ($M)	**1,314**	1,172	1,058	12	24
Funds management income to average funds under administration (%)	**1. 11**	1. 18	1. 20	(6)	(8)
Insurance operating income to average inforce premiums (%)	**46. 3**	50. 8	49. 1	(9)	(6)
Operating expenses to net operating income (%) (3)	**56. 3**	53. 8	51. 6	5	9
International Financial Services					
Net profit after tax ("statutory basis") ($M)	**229**	285	303	(20)	(24)
Average funds under administration ($M)	**6,370**	7,080	7,899	(10)	(19)
Average inforce premiums ($M)	**394**	382	386	3	2
Funds management income to average funds under administration (%)	**0. 81**	0. 74	0. 55	9	47
Insurance income to average inforce premiums (%)	**59. 9**	69. 5	61. 8	(14)	(3)
Operating expenses to net operating income (%) (4)	**53. 8**	49. 8	54. 2	8	(1)
Capital Adequacy Ratios (Basel II) (4)					
Tier One (%)	**8. 75**	8. 17	8. 17	58bpts	58bpts
Total (%)	**11. 39**	11. 58	12. 08	(19)bpts	(69)bpts

(1) Average interest earning assets and average interest bearing liabilities have been adjusted to remove the impact of securitisation. Assets and liabilities relating to Bankwest have been excluded from average balances. Refer to Average Balances and Related Interest Page 66.

(2) Funds under administration amounts relating to St Andrew's have been excluded from average balances.

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

(4) APRA has approved Bankwest to be treated as a non-consolidated subsidiary as at 31 December 2008. Capital ratios reported have been calculated accordingly. The Group's Tier One ratio will marginally decrease once Bankwest is consolidated for regulatory capital purposes. For additional information, refer to Appendix 9 Capital Adequacy.

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

(1) On 2 March 2009, Moody's Investor Services revised the Group's outlook to negative from stable, together with several other Australian banks, as a result of its view that global economic conditions are continuing to worsen, however, Moody's also stated that on an absolute basis, all three banks it put on negative outlook continue to have strong credit profiles and that even in a severe downside scenario it would expect Australia's major banks to remain solidly positioned within the Aa rating band.

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

The Group continues to maintain a strong capital position which is reflected in its credit ratings which remained unchanged for the half year. Additional information regarding the Bank's capital is disclosed in Appendix 9, pages 80 to 83.

Group Performance Analysis

Financial Performance and Business Review

The Group's statutory net profit after tax for the half year was $2,573 million, which represents a 9% increase on the prior comparative period.

Key drivers of performance during the half year were:

- Strong growth of 13% in net interest income to $4,543 million, primarily driven by:
  - Solid growth in lending balances, with home lending up 14% to $232 billion and business lending up 17% to $141 billion since December 2007 (excluding Bankwest);
  - Strong domestic deposit volume growth of 23% to $271 billion since December 2007 (excluding Bankwest); and
  - Underlying net interest margin improvement of five basis points since June 2008 and contracted two basis points since December 2007;
- A 10% increase in insurance income to $432 million, driven by CommInsure average inforce premium growth of 24% since December 2007 to $1,314 million, reflecting strong sales volumes in both the Life and General insurance businesses, partly offset by;
- Average funds under administration decline of 6% on the prior comparative period to $179 billion, impacted by market falls in Australian and global equity markets and outflows of short term cash mandates, which resulted in a 12% decrease in funds management fee income to $1,005 million;
- Investment experience losses of $183 million due to unrealised mark to market losses from widening credit spreads on the valuation of assets backing the Guaranteed Annuities portfolio;
- Operating expense growth of 5%, primarily due to the impact of a full six months of IWL, the effect of inflation on salary and general expenses as well as higher occupancy and volume expenses; and
- Significant increase in loan impairment expense of $1,607 million due to a small number of single name corporate exposures and higher retail and corporate collective provisioning.

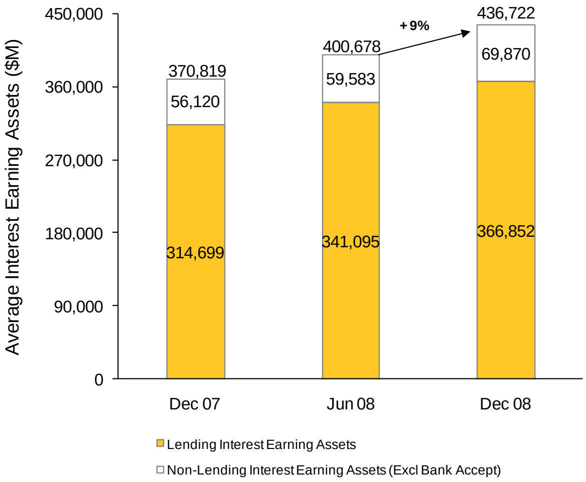
More comprehensive disclosure of performance highlights by key business segments is contained on pages 16-36.

Net Interest Income

Net interest income increased by 17% on the prior comparative period to $4,543 million. The growth was driven by a strong increase in average interest earning assets of 18%, which more than offset a two basis point decrease in net interest margin over the 12 month period ended 31 December 2008.

Average Interest Earning Assets

Average interest earning assets increased by $36 billion on the prior half to $437 billion, reflecting a $26 billion increase in average lending interest earning assets and a $10 billion increase in average non-lending interest earning assets.



Home loan average balances excluding the impact of securitisation increased by 17% since December 2007 and 8% since June 2008, reflecting above market home lending growth achieved whilst maintaining credit standards.

Average balances for business and corporate lending increased by 19% since December 2007 and 10% since June 2008, benefiting from strong volume growth in Institutional Banking.

Personal lending average balances have decreased by 3% since December 2007 and 5% since June 2008, reflecting the impact of investor sentiment and activity on margin lending balances.

Net Interest Margin

Underlying net interest margin improved five basis points on the prior half and declined two basis points over the prior comparative period. The movement since 31 December 2007 comprised of a five basis point contraction due to increased holdings of liquid assets, partly offset by a three basis points increase resulting from pricing and mix changes. AIFRS hedging volatility had no impact. The key drivers of the decline in underlying margin were:

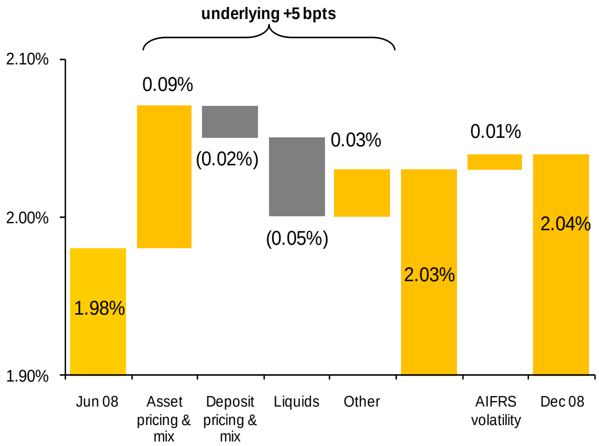
Asset Pricing & Mix: Overall decrease in margin of one basis point, reflecting the impact of repricing undertaken in response to the dislocation in global credit markets and the Group's inability to fully pass on increased funding costs on to customers during the period. Home loan margins in Australia and New Zealand fell six basis points, reflecting the increased funding costs that have been borne over the past year. Personal lending margins increased three basis points due to repricing, and a higher credit card revolve rate. Business lending margins increased two basis points due to the benefit of repricing outweighing the negative impact of greater relative growth in the lower margin institutional portfolio.

Deposit Pricing & Mix: Deposit margins increased five basis points, due to increased in replicating portfolio benefit (in falling cash rate environment) and despite increased reliance on more expensive wholesale funding.

Liquids: Average liquid asset holdings increased $14 billion since December 2007, resulting in seven basis points of margin compression. Of this amount, the additional liquid assets acquired to fund Bankwest's operations upon acquisition resulted in a decrease of two basis points, with the remaining decrease due to higher levels of liquid assets held in response to uncertain economic and financial market conditions.

Other: Increase of two basis points due to higher earnings on additional assets acquired following the $4 billion of additional capital raised in the current half year, together with higher margins in offshore business units.

NIM movement since June 2008



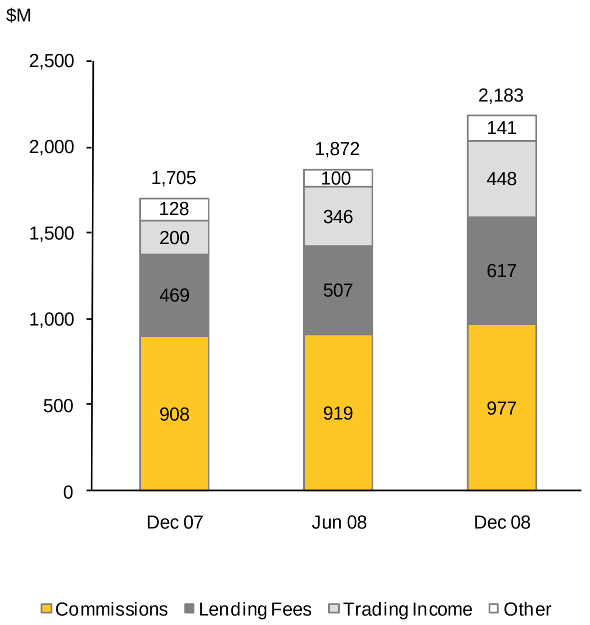
Additional information, including the average balances, is set out on pages 66 to 67.

Group Performance Analysis continued

Other Banking Income

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Commissions	**977**	919	908
Lending fees	**617**	507	469
Trading income	**448**	346	200
Other income	**141**	100	128
	2,183	1,872	1,705
AIFRS reclassification of net swap costs [1]	**(147)**	(101)	(164)
Other banking income	**2,036**	1,771	1,541

(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 AIFRS hedge accounting, recognised in Other banking income, (cash basis). Refer to Appendix 5, page 70.



Factors impacting Other banking income were:

- Commissions: increased by 8% on the prior comparative period to $977 million, driven by higher volumes together with the impact of a full six months of IWL income, partly offset by lower brokerage commissions within CommSec due to weaker volumes;
- Lending fees: increased by 32% on the prior comparative period to $617 million, reflecting growth in retail and corporate lending fees due to increased lending volumes together with higher structured asset finance fees;
- Trading income: increased by $248 million on the prior comparative period to $448 million, principally due to Treasury income derived through the management of short dated interest rate risk exposures as interest rates fell substantially during the current period; and
- Other income: increased by 10% on the prior comparative period to $141 million, following a realised gain on repurchase of debt from investors seeking liquidity and an increase in equity accounted gains from the Group's Asian investments.

Funds Management Income

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
CFS GAM	**442**	567	501
Colonial First State	**367**	408	476
CommInsure & Other	**157**	152	129
ASB, Other & Eliminations / Unallocated	**39**	39	35
Funds management income	**1,005**	1,166	1,141

Funds management income decreased by 12% on the prior comparative period to $1,005 million. The decrease was as a result of a decline in average funds under administration (FUA) of 6% on the prior comparative period to $179 billion, reflecting falls in investment markets and outflows of short term cash mandates from institutional investors.

Funds under administration as at 31 December 2008 was $164 billion, representing a 21% decrease since 31 December 2007.

Funds management income to average FUA declined by eight basis points on the prior comparative period to 1.11%, reflecting timing of seed asset sales and the greater dilutionary impact of short term cash mandates in the current half.

Insurance Income

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
CommInsure & Other	**307**	296	261
Sovereign, Other & Eliminations / Unallocated	**125**	143	132
Insurance income	**432**	439	393

Insurance income increased by 10% on the prior comparative period to $432 million. The current half result is a combination of growth in average inforce premiums of 18% following strong sales in both Life and General insurance, partly offset by lower margins and adverse claims experience in Sovereign.

Operating Expenses

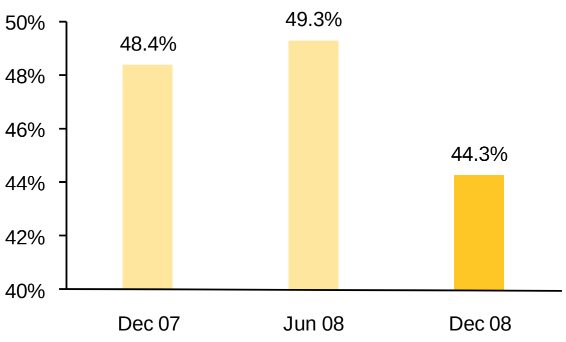
Group operating expenses increased by 5% over the prior comparative period to $3,551 million. Key drivers of the increase in operating expenses were:

- The impact of a full six months of expenses of IWL in the current half;
- Average salary increases reflecting the impact of inflation together with additional staff in key businesses;
- Increased occupancy expenses driven by market rent increases and relocation of offices to Sydney Olympic Park and Darling Park; and
- Higher volume expenses resulting from strong growth in inforce premiums and increased payments relating to credit card loyalty programs.

Operating expenses decreased by 3% over the prior half, with the benefit of cost reduction initiatives implemented in the current half more than offsetting the impact of salary increases. Gross investment continued to be strong, up 32% on the prior comparative period to $577 million, reflecting spend on the Core Banking Modernisation program that is discussed in the Group's Annual Report Management Discussion and Analysis for the year ended 30 June 2008 and other key strategic initiatives.

Group Expense to Income Ratio

The expense to income ratio improved by 8% over the prior comparative period to 44.3%. This improvement reflects the Group's strong income growth and disciplined expense management in an extremely challenging environment.



Impairment Expense

The total charge for impairment for the current half was $1,607 million, which represents 81 basis points of average gross loans and acceptances on an annualised basis (excluding Bankwest), a 49 basis point increase since 30 June 2008. The increase was due to a write off of listed notes issued by ABC Learning Limited (19 basis points), the Group's exposure to a small number of single name corporate customers (20 basis points), an increase in management overlay (four basis points), with the remaining increase largely due to higher retail and corporate collective and individual provisioning (six basis points).

Home loan arrears over 90 days have increased marginally over the current half, but remain at close to historic lows. Credit card arrears over 90 days have increased significantly, impacted by a one off increase in minimum payment levels, whilst personal arrears have increased slightly.

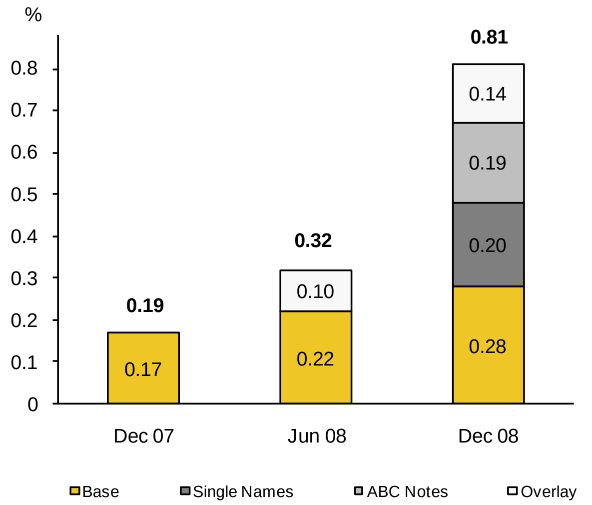
The corporate lending portfolio has been significantly impacted by a large increase in specific provisioning due to a number of single name exposures. In addition, corporate collective provisioning has increased consistent with the deterioration in market conditions.

Gross impaired assets significantly increased by $2,031 million over the prior half to $2,714 million as at 31 December 2008. This includes $770 million relating to Bankwest.

The Group's total provisions for impairment losses at 31 December 2008 were $3,608 million, $803 million of which relates to Bankwest. This represents a $2,228 million increase since December 2007 and a $1,863 million increase since June 2008. The current level reflects:

- A significant concentration of the loan portfolio in home loans, which are traditionally lower risk;
- Significantly increased provisioning in the corporate portfolio resulting from a deterioration in market conditions and exposure to a number of single name corporate customers;
- A management overlay for economic conditions of $1,082 million;
- Some softening in the unsecured retail lending portfolio;
- No direct exposure to US sub-prime or non-recourse mortgages; and
- No material exposure to Collateralised Debt Obligations ("CDO's").

Impairment Expense to Average Gross Loans and Acceptances



Taxation Expense

The corporate tax charge for the half year was $694 million, representing an effective tax rate of 25.6%. The effective tax rate in the current half is lower than the expected long term effective tax rate due to $39 million of tax benefits from structured finance transactions, which were offset by an equivalent reduction in pre-tax operating income, and an increased domestic impairment expense which resulted in a higher proportion of profit coming from offshore jurisdictions which have lower corporate tax rates.

The effective tax rate is higher than the prior half, which was favourably impacted by the resolution of long outstanding issues with tax authorities, and lower than the prior comparative period, which included a higher level of concessionally taxed dividends.

Group Performance Analysis continued

Total Group Assets & Liabilities	As at 31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Interest earning assets					
Home loans including securitisation	**265,694**	215,743	203,885	23	30
Less: securitisation	**(14,769)**	(11,676)	(13,177)	26	12
Home loans excluding securitisation	**250,925**	204,067	190,708	23	32
Personal	**19,303**	20,265	20,838	(5)	(7)
Business and corporate	**164,901**	126,987	119,857	30	38
Loans, advances and other receivables (1)	**435,129**	351,319	331,403	24	31
Provisions for loan impairment	**(3,578)**	(1,713)	(1,352)	large	large
Net loans, advances and other receivables	**431,551**	349,606	330,051	23	31
Non-lending interest earning assets	**74,391**	49,385	51,065	51	46
Total interest earning assets	**509,520**	400,704	382,468	27	33
Other assets (2)	**109,241**	86,868	90,196	26	21
Total assets	**618,761**	487,572	472,664	27	31
Interest bearing liabilities					
Transaction deposits	**65,579**	59,917	60,210	9	9
Saving deposits	**74,993**	53,420	54,659	40	37
Investment deposits	**115,829**	98,745	84,328	17	37
Other demand deposits	**84,338**	44,014	45,889	92	84
Total interest bearing deposits	**340,739**	256,096	245,086	33	39
Deposits not bearing interest	**9,445**	7,610	8,021	24	18
Deposits and other public borrowings	**350,184**	263,706	253,107	33	38
Debt issues	**91,999**	73,785	65,699	25	40
Other interest bearing liabilities	**51,859**	44,756	49,597	16	5
Total interest bearing liabilities	**484,597**	374,637	360,382	29	34
Securitisation debt issues	**10,400**	12,032	13,673	(14)	(24)
Non-interest bearing liabilities (3)	**93,777**	74,766	72,971	25	29
Total liabilities	**588,774**	461,435	447,026	28	32
Provisions for impairment losses					
Collective provision	**2,474**	1,466	1,191	69	large
Individually assessed provisions	**1,134**	279	189	large	large
Total provisions for impairment losses	**3,608**	1,745	1,380	large	large
Less off balance sheet provisions (4)	**30**	32	28	(6)	7
Total provisions for loan impairment	**3,578**	1,713	1,352	large	large

Asset Quality	Half Year Ended 31/12/08	30/06/08	31/12/07	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Gross loans and acceptances ($M)	**466,868**	383,502	366,313	22	27
Risk weighted assets ("RWA") - Basel II ($M) (5)	**239,289**	205,501	198,228	16	21
Credit risk weighted assets	**221,231**	187,440	181,836	18	22
Gross impaired assets ($M)	**2,714**	683	562	large	large
Net impaired assets ($M)	**1,580**	404	373	large	large
Collective provision as a % of RWA - Basel II (6)	**0. 89**	0. 71	0. 60	25	48
Collective provision as a % of credit risk weighted assets - Basel II (6)	**0. 95**	0. 78	0. 65	22	46
Collective provision as a % of gross loans and acceptances	**0. 53**	0. 38	0. 33	39	60
Individually assessed provisions for impairment as a % of gross impaired assets	**41. 8**	40. 8	33. 6	2	24
Impairment expense annualised as a % of average risk weighted assets - Basel I (7)	**-**	-	0. 26	-	-
Impairment expense annualised as a % of average risk weighted assets - Basel II (8)	**1. 43**	0. 59	-	large	-
Impairment expense annualised as a % of average gross loans and acceptances (7) (9)	**0. 81**	0. 32	0. 19	large	large

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

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

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

(4) Included in Other provisions.

(5) Basel II RWA and associated ratios for 31 December 2007 are on a pro-forma basis. RWA for Interest Rate Risk in the Banking Book was effective from 1 July 2008 only; and was $ nil as at 31 December 2008.

(6) The ratio at 31 December 2008 is adjusted to include an estimate of Bankwest credit risk weighted assets.

(7) Average of opening and closing balances.

(8) This ratio uses a simple average pro-forma Basel II RWA at 30 June 2008.

(9) For the purposes of providing comparable information the gross loans and advances of $58,694 million relating to Bankwest entities have been excluded from this calculation.

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Retail Banking Services

Financial Performance and Business Review

Retail Banking Services performed strongly over the half year ended 31 December 2008 with net profit after tax increasing by 15% on the prior comparative period. The result was underpinned by a combination of strong income growth, disciplined expense control and strategic business investment.

A number of initiatives have contributed to these outcomes:

- The continued roll-out of the modernised branch design, including the introduction of a concierge service for customers;
- New product launches focusing on customer needs, including the new Debit MasterCard and First Home Saver Account;
- Enhancements to the NetBank online banking service which provides a more convenient way for customers to do business;
- The launch of the '60 minute' home loan application process, where eligible customers can obtain a home loan within an hour of walking into a branch; and
- The purchase of a 33% holding in Aussie Home Loans Pty Ltd ("Aussie"), a leading player in the Australian home loan broker market. This was followed by Aussie's purchase of the Wizard brand and distribution network in conjunction with the Group's announcement that it will be acquiring up to $4 billion of Wizard originated home loans.

Home Loans

Home loan income increased by 11% on the prior comparative period to $801 million. The result was supported by average balance growth of 15%, which was significantly above market growth of 8% and was achieved whilst maintaining credit standards. This was partially offset by lower margins mainly due to higher funding costs resulting from the dislocation of global credit markets that were not fully passed on to customers. Part of these increased funding costs were recovered through restructured broker commissions re-pricing. Fee growth was up 15% on the prior comparative period, underpinned by volume related growth and package fee income.

Home loan income increased 34% on the prior half following a period of declining income growth due to the impact of significantly higher funding costs. The strong result reflects pricing initiatives during the current half to partially recover the higher funding costs.

Consumer Finance

Consumer Finance income increased by 23% on the prior comparative period to $665 million. Credit card balances increased by 5%, on the prior comparative period reflecting a focus on profitable growth through sustainable balance growth and continued management of margin.

Personal loans experienced strong volume growth of 8%. Margins have expanded, reflecting the use of risk based pricing.

Retail Deposits

Deposit income increased 10% on the prior comparative period to $1,602 million. Financial market uncertainty has seen deposit balance growth benefit from a flight-to-quality. This resulted in strong balance growth of 22% compared to market growth of 19%. This performance extends the Group's market leading position in deposits and was achieved in a highly competitive environment. Strong inflows have been recorded in both Term Deposits and NetBank Saver, while Transaction account balances have grown by 4%.

Deposit income was slightly down on the prior half due to margin decreases as a result of declining cash rates and increased competition. Volume growth remained strong, up 13% on the prior half to $136 billion.

Distribution

Commissions received primarily from the distribution of business banking, wealth management, and foreign exchange products through the retail distribution network increased 33% on the prior comparative period to $116 million. This increase was driven by foreign exchange income growth, together with volume growth relating to cross-sell initiatives.

Operating Expenses

Expenses have grown 6% on the prior comparative period to $1,351 million resulting in total impairment provisions of $689 million. This result reflects staff related pay increases and higher occupancy and loyalty programme expenses, partially offset by continued efficiency gains from increased productivity in the back office.

Expenses were flat on the prior half reflecting sound expense disciplines. The expense to income ratio (refer to Appendix 21) has decreased to 42.4%, an improvement of 10% on the prior half.

Impairment Expense

Impairment expense increased 68% on the prior comparative period to $237 million. This result was mainly due to increased provisions across all lending portfolios up to $689 million, reflecting both higher volumes and arrears.

Impairment expense as a proportion of average Gross Loans and Acceptances on an annualised basis was 23 basis points, which was similar to levels recorded over the last three years.

Credit card arrears over 90 days were significantly higher, impacted by a one-off increase in minimum payment levels. Home loan arrears over 90 days have increased by 12 basis points but off a low base, while personal lending arrears increased slightly.

See Note 6 to the Group's financial statements for more information about impairment expenses and impaired assets.

For more information about the Group's credit exposures, refer to Appendix 7.

In view of the higher arrears levels, increased resources have been deployed to collections and a strong focus on risk management disciplines.

Market Share Percentage (1)	31/12/08	30/06/08	31/12/07
Home loans (2)	**20. 3**	19. 2	18. 8
Credit cards (2) (3)	**18. 2**	18. 3	18. 5
Personal lending (APRA and other Household) (4)	**14. 2**	15. 8	16. 7
Household deposits	**29. 1**	29. 1	28. 9
Retail deposits (2) (5)	**23. 2**	23. 4	22. 0

(1) For market share definitions refer to Appendix 22, page 103.

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

(3) As at 30 November 2008.

(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.

Retail Banking Services continued

	Half Year Ended 31 December 2008				
		Consumer	Retail		
	Home Loans	Finance	Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	719	447	1,246	-	2,412
Other banking income	82	218	356	116	772
Total banking income	801	665	1,602	116	3,184
Operating expenses					1,351
Impairment expense					237
Net profit before tax					1,596
Corporate tax expense					477
Cash net profit after tax					1,119
Investment and restructuring					-
Net profit after tax ("statutory basis")					**1,119**

	Half Year Ended 30 June 2008				
		Consumer	Retail		
	Home Loans	Finance	Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	527	403	1,258	-	2,188
Other banking income	70	181	351	86	688
Total banking income	597	584	1,609	86	2,876
Operating expenses					1,349
Impairment expense					190
Net profit before tax					1,337
Corporate tax expense					401
Cash net profit after tax					936
Investment and restructuring					(29)
Net profit after tax ("statutory basis")					**907**

	Half Year Ended 31 December 2007				
		Consumer	Retail		
	Home Loans	Finance	Deposits	Distribution	Total
	$M	$M	$M	$M	$M
Net interest income	651	376	1,123	-	2,150
Other banking income	71	165	328	87	651
Total banking income	722	541	1,451	87	2,801
Operating expenses					1,270
Impairment expense					141
Net profit before tax					1,390
Corporate tax expense					415
Cash net profit after tax					975
Investment and restructuring					-
Net profit after tax ("statutory basis")					**975**

	As at				
	31/12/08	30/06/08	31/12/07	Dec 08 vs	Dec 08 vs
Major Balance Sheet Items (gross of impairment)	$M	$M	$M	Jun 08 %	Dec 07 %
Home loans (including securitisation)	**200,460**	186,942	173,784	7	15
Consumer finance [1]	**11,737**	11,428	11,027	3	6
Total assets - Retail Banking Services products	**212,197**	198,370	184,811	7	15
Home loans (net of securitisation)	**190,381**	175,266	160,607	9	19
Transaction deposits	**20,315**	18,267	19,470	11	4
Savings deposits	**50,005**	44,261	44,906	13	11
Investments and other deposits	**62,778**	55,388	44,230	13	42
Deposits not bearing interest	**2,882**	2,305	2,543	25	13
Total liabilities - Retail Banking Services products	**135,980**	120,221	111,149	13	22

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

Premium Business Services

Financial Performance and Business Review

Net profit after tax was $205 million in Premium Business Services, which represents a 71% decrease on the prior comparative period. This result was impacted by a significant increase in impairment expense during the current half to $1,316 million, driven by significant deterioration in economic conditions.

The impact of these impairment expenses was partially offset by a 22% increase in income on the prior comparative period, underpinned by strong performances across all business segments.

Highlights during the period included:

- A continued focus on cross-sell, generating over 90,000 new customer leads and a significant increase in converted business referrals;
- The active management of the asset portfolio through targeted lending growth, increased pricing hurdles and sell-down of certain industries;
- The introduction of a new business credit card; and
- The continued success of CommSec's integrated cash management solution, launched in May 2008 as part of the online trading platform, resulting in more than $1 billion of new business.

Institutional Banking

Institutional Banking income increased by 34% on the prior comparative period to $1,180 million, reflecting balance growth and higher margins primarily due to repricing. Institutional Banking has focussed on meeting customer capital management requirements, whilst maintaining pricing and credit disciplines to ensure high asset quality levels are maintained.

Private Client Services

Private Client Services' income increased 5% on the prior comparative period to $335 million. This result was supported by strong deposit growth within the Private Bank and the introduction of CommSec's new integrated cash management product together with the beneficial impact of the IWL acquisition, partly offset by weaker retail brokerage and margin lending income.

Corporate Financial Services

Corporate Financial Services income increased 14% over the prior comparative period to $499 million, reflecting growth in lending and deposit balances. Three new Business Banking Centres were opened during the current half in New South Wales, Victoria and Western Australia. Continued focus on client relationships as well as assisting clients during more challenging times through regular quality contact and value add services such as research and access to specialists, has supported improved customer retention levels. There has also been a strong focus on industry specialisation to service industries, including accounting, legal and commercial property.

Agribusiness

Agribusiness income increased 12% on the prior comparative period to $151 million. The result was underpinned by solid balance growth and expanding margins, achieved through the continuation of servicing clients through both local specialists and AgriLine, a purpose built customer service centre.

Local Business Banking

With Business Bankers now operating across more than 700 branches, income increased by 23% on the prior comparative period to $287 million. This performance has been delivered through the implementation of a number of strategic initiatives, including the establishment of a dedicated International Trade team, the introduction of tailored marketing and client seminars throughout local communities, together with a significant improvement in the number of cross-sell referrals provided through the retail network.

Operating Expenses

Operating expenses of $928 million increased by 8% over the prior comparative period though decreased by 2% over the prior half largely due to lower incentive based compensation. The increase over the prior comparative period has been driven by continued investment in the business banking franchise as well as the November 2007 acquisition of IWL (which contributed 2% of the 8% increase). The business has continued to focus on operational efficiencies, resulting in an improved cost to income ratio of 38.2% in the current half.

Impairment Expense

Impairment expense increased by $1,141 million on the prior comparative period to $1,316 million, resulting in impairment provisions of $1,805 million, directly impacted by the deterioration in the global economic environment. The increase was due to a $367 million write off of listed notes issued by ABC Learning Ltd, an increase in the collective provision, reflecting increased provisioning of the loan portfolio during periods of economic volatility, as well as a large increase in individual provisions reflecting the Group's exposure to a small number of single name clients in the Institutional Banking business.

See Note 6 to the Group's financial statements for more information about impairment expenses and impaired assets.

For more information about the Group's credit exposures, refer to Appendix 7.

Corporate Tax Expense

The Corporate tax expense for the current half benefitted from $39 million of tax benefits relating to structured finance transactions, which are offset by an equivalent reduction in pre-tax operating income, and an increased domestic impairment expense which results in a higher proportion of profit coming from offshore jurisdictions which have lower corporate tax rates.

Market share percentage (1) (2)	31/12/08	30/06/08	31/12/07
Business lending - APRA	**13.5**	13.6	13.9
Business lending - RBA	**13.2**	13.3	13.8
Business deposits - APRA	**17.2**	16.6	15.9
Equities trading (CommSec)	**6.0**	6.3	6.4

(1) For market share definitions refer to Appendix 22, page 103.

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

	Half Year Ended 31 December 2008						
	Institutional Banking $M	Private Client Services $M	Corporate Financial Services $M	Agri-business $M	Local Business Banking $M	Eliminations $M	Total $M
Net interest income	678	157	311	101	191	-	1,438
Other banking income	502	178	188	50	96	(25)	989
Total banking income	1,180	335	499	151	287	(25)	2,427
Operating expenses							928
Impairment expense							1,316
Net profit before tax							183
Corporate tax expense							(22)
Cash net profit after tax							205
Investment and restructuring							-
Defined benefit superannuation plan expense							-
Net profit after tax ("statutory basis")							**205**

	Half Year Ended 30 June 2008						
	Institutional Banking $M	Private Client Services $M	Corporate Financial Services $M	Agri-business $M	Local Business Banking $M	Eliminations $M	Total $M
Net interest income	531	119	267	97	147	-	1,161
Other banking income	426	196	202	54	120	(8)	990
Total banking income	957	315	469	151	267	(8)	2,151
Operating expenses							947
Impairment expense							251
Net profit before tax							953
Corporate tax expense							168
Cash net profit after tax							785
Investment and restructuring							(15)
Defined benefit superannuation plan expense							(1)
Net profit after tax ("statutory basis")							**769**

	Half Year Ended 31 December 2007						
	Institutional Banking $M	Private Client Services $M	Corporate Financial Services $M	Agri-business $M	Local Business Banking $M	Eliminations $M	Total $M
Net interest income	499	121	243	81	143	-	1,087
Other banking income	383	198	196	54	90	(22)	899
Total banking income	882	319	439	135	233	(22)	1,986
Operating expenses							856
Impairment expense							175
Net profit before tax							955
Corporate tax expense							248
Cash net profit after tax							707
Investment and restructuring							-
Defined benefit superannuation plan expense							(1)
Net profit after tax ("statutory basis")							**706**

Premium Business Services continued

Major Balance Sheet Items (gross of impairment)	As at 31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Interest earning lending assets (excluding margin loans)	**127,493**	113,828	110,386	12	15
Bank acceptances of customers	**14,732**	18,278	19,805	(19)	(26)
Non-lending interest earning assets	**28,675**	18,705	21,917	53	31
Margin loans	**5,295**	7,817	8,721	(32)	(39)
Other assets (1)	**23,841**	14,902	17,511	60	36
Total assets	**200,036**	173,530	178,340	15	12
Transaction deposits	**39,255**	39,791	38,843	(1)	1
Other demand deposits	**10,816**	5,602	7,634	93	42
Deposits not bearing interest	**3,990**	3,839	3,785	4	5
Certificates of deposits and other	**42,466**	33,922	29,741	25	43
Due to other financial institutions	**15,613**	16,659	16,971	(6)	(8)
Liabilities at fair value through the Income Statement	**2,416**	1,914	2,555	26	(5)
Debt issues	**24,437**	25,438	25,011	(4)	(2)
Loan capital	**720**	581	714	24	1
Other non-interest bearing liabilities (1)	**58,970**	38,763	45,483	52	30
Total liabilities	**198,683**	166,509	170,737	19	16

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

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Wealth Management

Financial Performance and Business Review

Net profit after tax for the Wealth Management business was down 41% on the prior comparative period to $209 million, related to a 13% decrease in funds management income to $996 million due to declining funds under administration, $153 million of unrealised mark to market losses from widening credit spreads on the valuation of assets backing the Guaranteed Annuities portfolio and a $61 million pre-tax writedown of the Group's investment in the Commonwealth Property Office Fund.

The Funds Management businesses were impacted by continuing falls in investment markets with Funds under Administration down 21% on the prior comparative period to $158 billion at 31 December 2008.

CommInsure achieved strong growth over the current half with total inforce premiums up 26% to $1.4 billion at 31 December 2008.

CFS Global Asset Management (CFS GAM)

CFS Global Asset Management provides asset management services to wholesale and institutional investors. Net profit after tax of $88 million was down 49% on the prior comparative period driven by declining investment markets and the $61 million pre-tax write down of holdings in the Commonwealth Property Office Fund ("CPA"), reflecting a write down of the carrying value to the unit price of CPA as at 31 December 2008.

Funds under Management as at 31 December 2008 was $129 billion, down 22% on the prior comparative period reflecting falling equity markets and the outflows of short-term cash mandates from institutional investors.

Investment performance has improved relative to the market with 74% of funds outperforming benchmark over a three year period.

Highlights include:

- The launch of the innovative First State Media Works Fund, attracting USD 130 million from investors;
- First State Investments (FSI) have consistently ranked in the top 10 for net flows in the UK. As at 31 December 2008, 91% of funds had outperformed benchmark over a 3 year period; and
- The property management business continued to perform relatively well compared to the sector with the flagship Listed Property Funds outperforming the sector. Colonial First State Retail Property Trust successfully completed a $325 million institutional placement which will be used to enhance the trust's financial flexibility, and assist in the delivery of its development pipeline.

Colonial First State

Colonial First State provides product packaging, administration, distribution and advice to retail customers. Net profit after tax was down 52% on the prior comparative period to $60 million.

Net operating income was down 24% on the prior comparative period to $287 million primarily due to lower Funds under Administration as a result of declining investment markets.

The FirstChoice and Avanteos platforms performed well in a tough market with positive net flows of $1.4 billion for the half year ended 31 December 2008. FirstChoice retained the number two Flagship platform position with a market share of 9.6%. FirstChoice captured 16% of master fund net flows in the 12 months to September 2008.

Highlights include:

- Continued development of the FirstChoice platform including the addition of a cash deposit product – FirstRate Saver, a suite of enhanced index funds and further insurance options;
- Colonial First State's Generation Investment Management has been rolled out to six external platforms; and
- A strategic alliance was formed with US firm Research Affiliates for the exclusive right to utilise the enhanced Research Affiliates Fundamental Index (RAFI) methodology to manage and distribute index funds in Australia.

CommInsure

CommInsure is a provider of life and general insurance.

The life insurance business attracted strong new business volumes in both retail and wholesale lines driving an 18% growth in inforce premiums to $1,054 million at 31 December 2008. Life Insurance planned margins were in line with prior periods.

The general insurance business also experienced strong growth with Inforce Premiums up 60% to $324 million at 31 December 2008 related to strong cross-sell volumes from the branch network and the launch of motor vehicle underwriting. General Insurance operating margins improved slightly due primarily to higher volumes, partly offset by business mix changes following the launch of motor vehicle underwriting.

Net profit after tax was down 52% on the prior comparative period to $61 million, due primarily to unrealised mark to market losses of $153 million in the Guaranteed Annuities portfolio recognised within investment experience. Actual losses are expected to be lower as the underlying assets in the portfolio mature in future periods.

Operating Expenses

Total operating expenses of $580 million were flat on the prior comparative period and decreased by 7% on the prior half. Expenses have been managed in line with current market conditions while maintaining strategic investment spend.

Key drivers of the expense reductions on the prior comparative period are:

- Cost management initiatives across Wealth Management;
- Reduced employee incentives, commensurate with lower profits; and
- Reduced project spend.

St Andrew's Australia Pty Ltd

St Andrew's Australia Pty Ltd was acquired by the Group on 19 December 2008. St Andrew's is a provider of life and general insurance and wealth management products in Australia.

As at 31 December 2008, St Andrew's Funds Under Advice was $1.5 billion and Inforce Premiums was $66 million. These balances have been excluded from Wealth Management segment tables as at 31 December 2008.

	Half Year Ended 31 December 2008				
	CFS GAM	Colonial First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	442	367	158	(1)	966
Insurance income	-	-	307	-	307
Total operating income	442	367	465	(1)	1,273
Volume expenses	74	80	89	-	243
Net operating income	368	287	376	(1)	1,030
Operating expenses	180	208	131	61	580
Net profit before tax	188	79	245	(62)	450
Corporate tax expense	48	24	64	(14)	122
Underlying profit after tax	140	55	181	(48)	328
Investment experience after tax	(52)	5	(120)	14	(153)
Cash net profit after tax	88	60	61	(34)	175
Treasury share valuation adjustment	-	-	-	34	34
Net profit after tax ("statutory basis")	**88**	**60**	**61**	**-**	**209**

	Half Year Ended 30 June 2008				
	CFS GAM	Colonial First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	567	408	148	4	1,127
Insurance income	-	-	294	2	296
Total operating income	567	408	442	6	1,423
Volume expenses	83	95	84	-	262
Net operating income	484	313	358	6	1,161
Operating expenses	178	205	170	72	625
Net profit before tax	306	108	188	(66)	536
Corporate tax expense	68	34	54	(17)	139
Underlying profit after tax	238	74	134	(49)	397
Investment experience after tax	3	7	(49)	(15)	(54)
Cash net profit after tax	241	81	85	(64)	343
Treasury share valuation adjustment	-	-	-	73	73
Net profit after tax ("statutory basis")	**241**	**81**	**85**	**9**	**416**

	Half Year Ended 31 December 2007				
	CFS GAM	Colonial First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	501	476	131	(2)	1,106
Insurance income	-	-	263	(2)	261
Total operating income	501	476	394	(4)	1,367
Volume expenses	70	97	79	-	246
Net operating income	431	379	315	(4)	1,121
Operating expenses	191	211	151	25	578
Net profit before tax	240	168	164	(29)	543
Corporate tax expense	68	50	49	(16)	151
Underlying profit after tax	172	118	115	(13)	392
Investment experience after tax	-	7	11	(16)	2
Cash net profit after tax	172	125	126	(29)	394
Treasury share valuation adjustment	-	-	-	(13)	(13)
Net profit after tax ("statutory basis")	**172**	**125**	**126**	**42**	**381**

		As at		
		31/12/08	30/06/08	31/12/07
Market Share Percentage [(1)]	Rank [(4)]	%	%	%
Australian Retail - administrator view [(2) (3)]	1	**14. 0**	14. 0	14. 1
FirstChoice Platform [(2) (3)]	2	**9. 6**	9. 7	9. 6
Australia (total risk) [(2) (3)]	1	**14. 8**	14. 7	14. 1
Australia (individual risk) [(2) (3)]	2	**13. 2**	13. 2	13. 0

(1) For market share definitions refer to Appendix 22, page 103.

(2) Prior period comparatives have been restated.

(3) As at 30 September 2008

(4) Ranking based on size of share of market reported from Plan for Life, 30 September 2008.

Wealth Management continued

Funds Under Management (FUM) [1]	31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
			As at		
Australian equities	**16,725**	23,502	29,618	(29)	(44)
Global equities	**29,679**	35,589	40,945	(17)	(28)
Cash and fixed interest	**56,813**	66,729	66,694	(15)	(15)
Property and alternative investments	**25,377**	27,120	27,102	(6)	(6)
Total	**128,594**	152,940	164,359	(16)	(22)

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

Funds Under Administration (FUA)	31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
			As at		
Funds under administration - average	**173,001**	191,721	183,548	(10)	(6)
Funds under administration - spot	**158,026**	184,970	199,834	(15)	(21)
Funds under management - average	**141,247**	158,650	152,022	(11)	(7)
Funds under management - spot	**128,594**	152,940	164,359	(16)	(22)
Retail Net funds flows (Australian Retail)	**(1,015)**	279	1,609	large	large

Sources of Profit from CommInsure	31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
			As at		
The Margins on Services profit from ordinary activities after income tax is represented by:					
Planned profit margins	**75**	74	71	1	6
Experience variations	**10**	11	1	(9)	large
Funds management operating margins	**98**	61	56	61	75
General insurance operating margins	**(2)**	(12)	(13)	83	85
Operating margins	**181**	134	115	35	57
Investment experience after tax	**(120)**	(49)	11	large	large
Cash net profit after tax	**61**	85	126	(28)	(52)

Annual Inforce Premiums [1]	Opening Balance 30/06/08 $M	Sales/New Business $M	Lapses $M	Other [2] Movements $M	Closing Balance 31/12/08 $M
			Half Year Ended 31 December 2008		
General insurance	279	72	(27)	-	324
Retail life	605	97	(51)	-	651
Wholesale life	366	58	(21)	-	403
Total	1,250	227	(99)	-	1,378

Annual Inforce Premiums [1]	Opening Balance 31/12/07 $M	Sales/New Business $M	Lapses $M	Other [2] Movements $M	Closing Balance 30/06/08 $M
			Half Year Ended 30 June 2008		
General insurance	203	74	(19)	21	279
Retail life	568	83	(46)	-	605
Wholesale life	323	60	(17)	-	366
Total	1,094	217	(82)	21	1,250

Annual Inforce Premiums [1]	Opening Balance 30/06/2007 $M	Sales/New Business $M	Lapses $M	Other [2] Movements $M	Closing Balance 31/12/07 $M
			Half Year Ended 31 December 2007		
General insurance	184	39	(20)	-	203
Retail life	530	73	(35)	-	568
Wholesale life	308	31	(16)	-	323
Total	1,022	143	(71)	-	1,094

(1) Inforce premium relates to risk business. Savings products are disclosed within Funds Management.

(2) Other movements represent prior year renewals not previously included in comparatives.

Funds Under Adminstration	Half Year Ended 31 December 2008 Opening Balance 30/06/08 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other (5) $M	Closing Balance 31/12/08 $M
FirstChoice	38,707	5,548	(4,805)	743	(6,278)	33,172
Avanteos	6,257	1,231	(564)	667	(1,197)	5,727
Cash management	2,576	754	(1,114)	(360)	83	2,299
Legacy products (1)	27,500	861	(2,864)	(2,003)	(2,972)	22,525
Retail products (2)	75,040	8,394	(9,347)	(953)	(10,364)	63,723
Other retail (3)	1,366	29	(91)	(62)	(52)	1,252
Australian retail	76,406	8,423	(9,438)	(1,015)	(10,416)	64,975
Wholesale	52,376	6,113	(16,738)	(10,625)	(2,088)	39,663
Property	20,210	717	(931)	(214)	446	20,442
Other (4)	3,248	459	(82)	377	(317)	3,308
Domestically sourced	152,240	15,712	(27,189)	(11,477)	(12,375)	128,388
Internationally sourced	32,730	3,746	(4,742)	(996)	(2,096)	29,638
Total Wealth Management	184,970	19,458	(31,931)	(12,473)	(14,471)	158,026

Funds Under Adminstration	Half Year Ended 30 June 2008 Opening Balance 31/12/07 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other (5) $M	Closing Balance 30/06/08 $M
FirstChoice	42,814	6,613	(5,208)	1,405	(5,512)	38,707
Avanteos	6,278	1,281	(497)	784	(805)	6,257
Cash management	2,947	751	(1,200)	(449)	78	2,576
Legacy products (1)	32,133	1,155	(2,571)	(1,416)	(3,217)	27,500
Retail products (2)	84,172	9,800	(9,476)	324	(9,456)	75,040
Other retail (3)	1,340	75	(120)	(45)	71	1,366
Australian retail	85,512	9,875	(9,596)	279	(9,385)	76,406
Wholesale	54,746	9,827	(9,776)	51	(2,421)	52,376
Property	18,551	1,575	(690)	885	774	20,210
Other (4)	3,528	95	(97)	(2)	(278)	3,248
Domestically sourced	162,337	21,372	(20,159)	1,213	(11,310)	152,240
Internationally sourced	37,497	7,610	(5,380)	2,230	(6,997)	32,730
Total Wealth Management	199,834	28,982	(25,539)	3,443	(18,307)	184,970

Funds Under Adminstration	Half Year Ended 31 December 2007 Opening Balance 30/06/07 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other (5) $M	Closing Balance 31/12/07 $M
FirstChoice	39,545	10,924	(7,402)	3,522	(253)	42,814
Avanteos	5,875	1,084	(582)	502	(99)	6,278
Cash management	3,130	1,016	(1,211)	(195)	12	2,947
Legacy products (1)	34,061	1,322	(3,539)	(2,217)	289	32,133
Retail products (2)	82,611	14,346	(12,734)	1,612	(51)	84,172
Other retail (3)	1,577	134	(137)	(3)	(234)	1,340
Australian retail	84,188	14,480	(12,871)	1,609	(285)	85,512
Wholesale	34,469	27,270	(7,694)	19,576	701	54,746
Property	14,843	1,906	(1,023)	883	2,825	18,551
Other (4)	3,635	64	(170)	(106)	(1)	3,528
Domestically sourced	137,135	43,720	(21,758)	21,962	3,240	162,337
Internationally sourced	31,675	9,871	(6,662)	3,209	2,613	37,497
Total Wealth Management	168,810	53,591	(28,420)	25,171	5,853	199,834

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

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

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

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

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

International Financial Services

Financial Performance and Business Review

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

Net profit after tax for the half year was $229 million, a decrease of 24% on the prior comparative period. After removing the impact of realised gains and losses associated with the hedge of the New Zealand operations and other foreign exchange movements the underlying increase was 3% on the prior comparative period. This result reflects the impact of increased funding costs due to the dislocation of credit markets and the recession in New Zealand, with higher impairment expense in ASB Bank and lower banking income growth.

ASB Bank

ASB Bank Net profit after tax for the half year was $206 million, a decrease of 5% over the prior comparative period. Excluding the impact of realised gains on the hedge of New Zealand operations, profit increased by 6% on the prior comparative period. The result was achieved in a very challenging environment for the New Zealand banking industry, with strong competition placing downward pressure on margins. The major drivers of the ASB Bank result for the current half were:

- Significantly higher impairment expense of $57 million was driven by increased specific corporate provisions and higher collective provisions as a result of a general deterioration in loan arrears. Past due and impaired assets have increased from historic lows across all asset classes;
- Home loan balances increased by 6% over the prior comparative half, with market share increasing to 23.4%. Business lending market share decreased to 8.6%, following 10% growth in balances over the prior comparative period. Rural lending showed strong growth for the year. Retail deposits grew by 15% to NZD30.1 billion at 31 December 2008. Market share for retail deposits increased to 21.6%;
- Trading income was strong, principally due to Treasury income derived through the management of short dated interest rate and foreign exchange risk exposures;
- Net interest margin declined by 17 basis points on the prior half due to higher wholesale funding costs and intense competition for retail deposits; and
- In October 2008, the New Zealand government introduced a guarantee scheme for retail depositors of financial institutions. ASB has opted into the scheme which includes payment of a fee to the New Zealand government.

Sovereign Insurance

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

Sovereign's Net profit after tax for the half year was $48 million, a 12% increase on the prior comparative period and 16% increase excluding exchange rate differences. The main drivers of this result were:

- Market leading growth in new business sales with Sovereign capturing 34.4% of new business sales market share to 30 September 2008 on a rolling 12 month basis compared to 33.6% for the comparative period;
- Growth in inforce premiums of 6% on the prior comparative period;
- Lower persistency levels and stable claims levels; and
- Strong investment returns.

Sovereign pre-tax income in the current half has been adversely impacted by a change in accounting treatment, which results in the recognition of a $10 million tax benefit under current New Zealand tax legislation within tax expense, offset by an equivalent reduction in Sovereign pre-tax income.

Other Asia Pacific Business

Focus on the Asia Pacific region has continued during the current half. Significant developments in the region were:

- Indonesia: PT Bank Commonwealth established an additional eight branches during the current half, bringing the total number of branches up to 59 from 51 as at 30 June 2008. In addition, the bank extended the ATM service for its customers by forming an alliance with a major local bank. PT Bank Commonwealth has also completed the rebranding of 21 ANK branches since completing the merger;
- Vietnam: The Group's first branch in Vietnam was opened in August 2008 in Ho Chi Minh city;
- China: The shareholding in Jinan City Commercial Bank was increased to 20.0% in December 2008 from 11% at June 2008. The banking investments in China achieved strong profit growth during the current half;
- India: In October 2008 the Group was granted a licence to open a branch in Mumbai; and
- The Fiji business performed soundly with an improved net interest margin and limited deterioration in impairment expenses.

Operating Expenses

Operating expenses increased by 8% to $443 million over the prior comparative period. The main driver of expense movements were:

- Expanding the Group's presence in Asia, including branch openings in PT Bank Commonwealth in Indonesia, the branch opening in Vietnam and new product initiatives in Japan;
- Average 5% wage inflation in New Zealand together with additional staff due to expansion in a number of branches;
- Wage inflation in China and Indonesia in excess of 7%;
- Higher volume costs in Sovereign; and
- Depreciation of the Australian dollar against Asian currencies, offset by an appreciation against the NZD.

Market Share

Housing market share in New Zealand improved slightly over the current half to 23.4%.

Retail deposit market share in New Zealand was 21.6% as at 31 December 2008, an increase from 21.2% at June 2008.

Retail funds under management market share in New Zealand increased 3.7% related to the launch of the new ASB cash fund.

The market share of inforce premiums at 31 December 2008 was 31.7%.

Market Share Percentage (1)	31/12/08	30/06/08	31/12/07
NZ lending for housing (2)	**23. 4**	23. 3	23. 0
NZ lending to business	**8. 6**	8. 8	8. 8
NZ retail deposits	**21. 6**	21. 2	21. 3
NZ retail FUM	**20. 1**	16. 4	16. 1
NZ annual inforce premiums	**31. 7**	31. 7	31. 8

(1) For market share definitions refer to Appendix 22, page 103.

(2) The prior period comparative has been restated.

	Half Year Ended 31 December 2008 [1]			
	ASB	Sovereign	Other	Total
	$M	$M	$M	$M
Net interest income	376	-	55	431
Other banking income	212	-	35	247
Total banking income	588	-	90	678
Funds management income	28	-	(2)	26
Insurance income	-	96	23	119
Total operating income	616	96	111	823
Operating expenses	283	84	76	443
Impairment expense	57	-	3	60
Net profit before tax	276	12	32	320
Corporate tax expense	70	(18)	(2)	50
Minority interests	-	-	1	1
Underlying profit after tax	206	30	33	269
Investment experience after tax	-	18	(9)	9
Cash net profit after tax	206	48	24	278
Gain on Visa Initial Public Offering	-	-	-	-
Investment and restructuring	-	-	-	-
Hedging and AIFRS volatility	-	-	(49)	(49)
Net profit after tax ("statutory basis")	**206**	**48**	**(25)**	**229**

	Half Year Ended 30 June 2008 [1]			
	ASB	Sovereign	Other	Total
	$M	$M	$M	$M
Net interest income	402	-	69	471
Other banking income	160	-	40	200
Total banking income	562	-	109	671
Funds management income	28	-	(2)	26
Insurance income	-	107	25	132
Total operating income	590	107	132	829
Operating expenses	260	75	78	413
Impairment expense	28	-	3	31
Net profit before tax	302	32	51	385
Corporate tax expense	99	(4)	3	98
Minority interests	-	-	1	1
Underlying profit after tax	203	36	47	286
Investment experience after tax	-	17	(11)	6
Cash net profit after tax	203	53	36	292
Gain on Visa Initial Public Offering	-	-	25	25
Investment and restructuring	-	-	(10)	(10)
Hedging and AIFRS volatility	-	-	(22)	(22)
Net profit after tax ("statutory basis")	**203**	**53**	**29**	**285**

International Financial Services continued

	Half Year Ended 31 December 2007 (1)			
	ASB	Sovereign	Other	Total
	$M	$M	$M	$M
Net interest income	382	-	51	433
Other banking income	157	-	26	183
Total banking income	539	-	77	616
Funds management income	29	-	(7)	22
Insurance income	-	108	12	120
Total operating income	568	108	82	758
Operating expenses	282	75	54	411
Impairment expense	6	-	6	12
Net profit before tax	280	33	22	335
Corporate tax expense	77	(2)	(10)	65
Minority interests	-	-	1	1
Underlying profit after tax	203	35	31	269
Investment experience after tax	-	8	12	20
Cash net profit after tax	203	43	43	289
Gain on Visa Initial Public Offering	-	-	-	-
Investment and restructuring	-	-	-	-
Hedging and AIFRS volatility	-	-	14	14
Net profit after tax ("statutory basis")	**203**	**43**	**57**	**303**

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

	As at				
Major Balance Sheet Items (gross of impairment)	31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Home lending	**30,781**	28,347	29,723	9	4
Assets at fair value through Income Statement	**5,755**	5,186	7,333	11	(22)
Other lending assets	**14,379**	12,328	11,088	17	30
Non-lending interest earning assets	**2,537**	1,654	1,803	53	41
Other assets	**6,778**	4,119	4,428	65	53
Total assets	**60,230**	51,634	54,375	17	11
Debt issues	**3,944**	3,556	2,473	11	59
Deposits (1)	**27,711**	22,810	23,971	21	16
Liabilities at fair value through Income Statement	**12,722**	12,592	18,724	1	(32)
Other liabilities	**6,839**	3,792	4,340	80	58
Total liabilities	**51,216**	42,750	49,508	20	3
Balance Sheet					
Assets					
ASB Bank	**54,786**	46,958	49,434	17	11
Other	**5,444**	4,676	4,941	16	10
Total assets	**60,230**	51,634	54,375	17	11
Liabilities					
ASB Bank	**47,069**	39,231	45,542	20	3
Other	**4,147**	3,519	3,966	18	5
Total liabilities	**51,216**	42,750	49,508	20	3

(1) Exclude deposits held in other overseas countries (31 December 2008: $14 billion, 30 June 2008: $7 billion and 31 December 2007: $8 billion).

Sources of Profit from Insurance Activities	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M
The Margin on Services profit from ordinary activities			
after income tax is represented by:			
Planned profit margins	**36**	38	38
Experience variations	**1**	10	1
Operating margins	**37**	48	39
Investment experience after tax	**19**	9	32
Cash net profit after tax	**56**	57	71

New Zealand - Funds Under Administration	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M
Opening balance	**6,335**	7,868	8,261
Inflows	**1,076**	1,332	1,050
Outflows	**(979)**	(1,837)	(1,068)
Net Flows	**97**	(505)	(18)
Investment income & other	**(187)**	(1,028)	(375)
Closing balance	**6,245**	6,335	7,868

New Zealand - Annual Inforce Premiums	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M
Opening balance	**371**	392	379
Sales/New business	**32**	25	29
Lapses	**(9)**	(9)	(5)
Other movements	**22**	(37)	(11)
Closing balance	**416**	371	392

Bankwest

Business Overview

On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Ltd (Bankwest) at a substantial discount to book value. The acquisition provides the opportunity to expand the Group's business in the Western Australian market. Refer to Note 14, page 60 for further details relating to the acquisition.

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

Bankwest serves more than 860,000 customers through an extensive network: 131 retail branches, 54 Business Banking Centres, direct and third party distribution channels, agencies and electronic, telephone and internet banking facilities.

Bankwest is a market leader in Western Australia with about one quarter of all bank advances and deposits.

APRA have approved Bankwest to be treated as a non-consolidated subsidiary for capital purposes as at 31 December 2008. Reported Capital ratios have been calculated accordingly. Refer to Appendix 9, page 80 for further details.

Market share percentage (1)	31/12/08
Home loans	3. 0
Business lending (APRA)	4. 7
Credit cards (2)	2. 7
Personal lending (Other Household lending) (3)	6. 1
Household deposits (4)	3. 5
Business deposits (APRA)	4. 8

(1) For market share definitions refer to Appendix 22, page 103.

(2) As at 30 November 2008.

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

(4) In accordance with APRA guidelines these measures include both retail and corporate products.

Major Balance Sheet Items (gross of impairment) (1)	As at 31/12/2008 $M
Home lending	33,685
Other lending assets (2)	25,009
Assets at fair value through income statement	5,776
Other assets (3)	1,726
Total assets	**66,196**
Deposits (4)	50,383
Debt issues	5,221
Due to other financial institutions	4,587
Other liabilities	2,324
Total liabilities	**62,515**

(1) These balances have been calculated on a provisional basis relying predominantly on Bankwest carrying values at 31 December 2008. Their fair values will be finalised with the acquisition adjustment at 30 June 2009. Refer to Appendix 16 for further details.

(2) Other lending assets include Personal assets of $1,113 million and Business and Corporate assets of $23,896 million.

(3) Included in Other assets is a provision for impairment of $803 million.

(4) Deposits include Transaction deposits of $3,030 million, Savings and Investment deposits of $13,031 million, Other demand deposits of $33,809 million and Deposits not bearing interest of $513 million.

Financial Performance

Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury. Net profit after tax increased by $805 million on the prior comparative period to $811 million, following higher Treasury income derived through the management of short dated interest rate risk and the passing on of additional funding costs absorbed by Treasury in the prior comparative period to the revenue generating businesses in the current and prior halves. In addition, a $547 million gain was recognised on the acquisition of Bankwest and St Andrew's as Other income.

See Apppendix 16 and "Critical Accounting Policies and Estimates – Accounting for the Acquisition of Bankwest and St Andrew's" for more information.

Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses. Net profit has increased $805 million over the prior half, largely due to a centralised impairment expense taken in the prior half. The equivalent centralised impairment expense has been allocated to revenue generating business units in the current half.

	Half Year Ended 31 December 2008		
	Corporate Centre $M	Eliminations/ Unallocated $M	Total $M
Net interest income [1]	249	(134)	115
Other banking income [1]	115	60	175
Total banking income	364	(74)	290
Funds management income	-	13	13
Insurance income	-	6	6
Total operating income	364	(55)	309
Operating expenses	6	-	6
Impairment expense	-	(6)	(6)
Net profit before tax	358	(49)	309
Corporate tax expense	84	(14)	70
Minority interests	-	15	15
Underlying profit after tax	274	(50)	224
Investment experience after tax	-	12	12
Cash net profit after tax	274	(38)	236
Provisional gain on acquisition of controlled entities	-	547	547
Gain on Visa Initial Public Offering	-	-	-
Investment and restructuring	-	-	-
Defined benefit superannuation plan (expense)/income	-	(13)	(13)
Hedging and AIFRS volatility	-	41	41
Net profit after tax ("statutory basis")	**274**	**537**	**811**

Other continued

	Half Year Ended 30 June 2008		
	Corporate Centre $M	Eliminations/ Unallocated $M	Total $M
Net interest income [1]	157	(70)	87
Other banking income [1]	36	(42)	(6)
Total banking income	193	(112)	81
Funds management income	-	13	13
Insurance income	-	11	11
Total operating income	193	(88)	105
Operating expenses	47	-	47
Impairment expense	-	125	125
Net profit before tax	146	(213)	(67)
Corporate tax expense	46	(113)	(67)
Minority interests	-	15	15
Underlying profit after tax	100	(115)	(15)
Investment experience after tax	-	7	7
Cash net profit after tax	100	(108)	(8)
Provisional gain on acquisition of controlled entities	-	271	271
Gain on Visa Initial Public Offering	-	-	-
Investment and restructuring	-	(210)	(210)
Defined benefit superannuation plan (expense)/income	-	15	15
Hedging and AIFRS volatility	-	(25)	(25)
Net profit after tax ("statutory basis")	**100**	**(57)**	**43**

	Half Year Ended 31 December 2007		
	Corporate Centre $M	Eliminations/ Unallocated $M	Total $M
Net interest income [1]	131	(66)	65
Other banking income [1]	(48)	20	(28)
Total banking income	83	(46)	37
Funds management income	-	13	13
Insurance income	-	12	12
Total operating income	83	(21)	62
Operating expenses	17	-	17
Impairment expense	-	5	5
Net profit before tax	66	(26)	40
Corporate tax expense	28	(16)	12
Minority interests	-	14	14
Underlying profit after tax	38	(24)	14
Investment experience after tax	-	6	6
Cash net profit after tax	38	(18)	20
Provisional gain on acquisition of controlled entities	-	-	-
Gain on Visa Initial Public Offering	-	-	-
Investment and restructuring	-	-	-
Defined benefit superannuation plan (expense)/income	-	(3)	(3)
Hedging and AIFRS volatility	-	(11)	(11)
Net profit after tax ("statutory basis")	**38**	**(32)**	**6**

(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 AIFRS hedge accounting (December 2008: $147 million; June 2008: $101 million; December 2007: $164 million).

Investment Experience

Investment Experience	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Wealth Management	**(222)**	(77)	3	large	large
International Financial Services	**16**	1	24	large	(33)
Eliminations	**23**	17	15	35	53
Investment experience before tax [1]	**(183)**	(59)	42	large	large
Corporate tax expense	**(51)**	(18)	14	large	large
Investment experience after tax	**(132)**	(41)	28	large	large

(1) Investment experience of $(183) million before tax was impacted by unrealised annuities mark to market losses of $189 million and the write down of an investment in a listed property trust of $61 million.

Investment Experience Asset Mix (%)	As at 31 December 2008 Australia %	New Zealand %	Asia %	Total %
Local equities	1	-	-	-
International equities	-	-	12	1
Property	17	-	29	14
Sub-total	18	-	41	15
Fixed interest	33	60	58	40
Cash	49	40	1	45
Sub-total	82	100	59	85
Total	100	100	100	100

Investment Experience Asset Mix ($M)	As at 31 December 2008 Australia $M	New Zealand $M	Asia $M	Total $M
Local equities	10	-	-	10
International equities	-	2	12	14
Property	294	-	28	322
Sub-total	304	2	40	346
Fixed interest	569	312	56	937
Cash	828	207	1	1,036
Sub-total	1,397	519	57	1,973
Total	1,701	521	97	2,319

Liquidity and Capital Resources

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 complement the Group's liquidity policies by ensuring 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, Premium Banking Services, Wealth Management and International Financial Services businesses, during periods of unfavourable market conditions, such as have been experienced since August 2007.

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 retail funding was approximately 59% of its total funding requirements at 31 December 2008.

The Risk Management Framework for Liquidity and Funding

The Group's liquidity and funding policies are approved by the Board and agreed with the Australian Prudential Regulation Authority ("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 CBFC Limited 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 relatively small banking subsidiaries in Indonesia and Fiji that manage their 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, including 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 are 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 un-drawn lending obligations being drawn by customers, as calculated based on draw down estimates and forecasts; and
- The Group maintains certain levels of liquid assets categories within its 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 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.

At 31 December 2008, almost 100% of the Group's Australian dollar liquid assets qualify for repurchase by the RBA at any time.

The Group's key liquidity tools include:

- A liquidity management model similar to a "cash flow ladder" or "maturity 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 its obligations as and when they fall due;
- The RBA's repurchase agreement facilities provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- The Group's various short term funding programmes 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.

The Group's key funding tools include:

- Its consumer, small business and institutional deposit base;
- Its consumer retail funding base which includes a wide range of retail transaction accounts, investment accounts, term deposits and retirement style accounts for individual consumers; and

- Its wholesale international and domestic funding programmes which includes its: Australian dollar Negotiable Certificates of Deposit programme; Australian dollar bank bill programme; US Commercial Paper programme; US and Euro Commercial Paper programme; US Extendible Notes programme; Australian dollar domestic borrowing programme; US "Rule 144A" Medium Term Note Programme; Euro Medium Term Note Programme; Medallion "Regulation AB" securitisation programme; various Japanese wholesale and retail programmes; and a series of other related programmes in American, European and Asian jurisdictions.

	Half Year Ended		
Debt Issues	**31/12/08 $M**	**30/06/08 $M**	**30/12/07 $M**
Short term debt issues	**27,444**	35,877	28,607
Long term debt issues	**74,955**	49,940	59,918
Total debt issues	**102,399**	85,817	88,525

The following table details the current debt programmes and issuing shelves along with programme or shelf size and outstandings as at 31 December 2008. Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programmes as at 31 December 2008.

Debt Programmes and Issuing Shelves

Programme/Issue Shelf	Outstanding as at 31 December 2008	Programme/Issuing Shelf Type
Australia		
No Limit	A$ 6,922 million	Transferable Certificates of Deposit Programme
No Limit	A$ 25 million	Debt Issuance Programme
No Limit	A$ 6,397 million	Medium Term Note Programme
A$ 3 billion	A$ 1,715 million	CBFC Domestic Borrowing Programme
A$ 3 billion	A$ 1,1415 million	CFL Domestic Borrowing Programme
Euro Market		
US$ 7 billion	US$ 1,106 million	ASB Euro Commercial Paper Programme
US$ 7 billion	US$ 842 million (1)	CBA Euro Commercial Paper Programme
US$ 70 billion	US$ 47,592 million (1)	Euro Medium Term Note Programme (2)
US$ 10 billion	Nil	ASB Extendible Notes Programme
Japan		
JPY 500 billion	JPY 77 billion	Uridashi shelf (3)
New Zealand		
No Limit	NZ$ 1,088 million	ASB Domestic Medium Term Note Programme
No Limit	NZ$ 3,603 million	ASB Registered Certificate of Deposit Programme
No Limit	Nil	CBA Domestic Medium Term Note Programme
United States		
US$ 7 billion	US$ 2,889 million	ASB Commercial Paper Programme
US$ 20 billion	US$ 8,732 million	CBA Commercial Paper Programme
US$ 1 billion	US$ 300 million	Securities Exchange Commission registered shelf
US$ 15 billion	US$ 3,504 million	U.S. Medium Term Note Programme

(1) Outstandings are recorded at historic exchanges rates (per programme documentation).

(2) ASB Bank Limited is also an issuer under this program.

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

Liquidity and Capital Resources continued

For an analysis of the liquidity profile of the Group's current outstanding indebtedness, broken down by type of debt instrument and maturity and a discussion of recent funding conditions, refer to Appendix 7.

In addition to the debt instruments referred to in Appendix 7, the Group has made certain contractual and commercial commitments to make expenditures. The contractual obligations profile of the Group is presented under "Contractual Commitments" beginning on page 59 of the Group's Financial Report (U.S. Version) Year Ended 30 June 2008. The Group is not aware of any material changes to this profile since 30 June 2008.

For more information on the Group's funding programs and liquidity and capital resources, see "Liquidity and Capital Resources" beginning on page 154 of the Group's Financial Report (U.S. Version) Year Ended 30 June 2008.

Details of the Group's regulatory capital position and capital management activities are disclosed in Appendix 9: Capital Adequacy.

Recent Market Environment

Although the cost of liquidity and funding have increased significantly since August 2007 due to market conditions as discussed under "Highlights", the Group's liquidity and funding policies have remained unchanged throughout this period, as they have proven to be effective and the Group's liquidity and funding arrangements have remained within the requirements of these policies.

The Group has managed its liquidity during adverse market conditions to avoid concentrations such as dependence on single sources of funding and has taken advantage of the Group's diversified funding base. For example, the Group has shifted a portion of its funding to the Japanese retail funding market from its large scale international securitizations. The Group has also controlled its funding requirements by carefully planning its asset origination activities.

In addition, the Commonwealth of Australia (the "Commonwealth") has undertaken a variety of measures to thaw frozen credit markets and stimulate economic growth, including the implementation of two government guarantee schemes aimed at improving confidence in the Australian banking sector. These schemes are:

- Guarantee of deposits: Effective 12 October 2008 the Commonwealth has guaranteed the deposits in eligible Australian banks (including the Group) for a period of three years. The Group will be required to pay certain levies to fund certain of the Commonwealth's costs and a fee for the guarantee of deposits over A$1,000,000, which, based on the Grooup's current rating by Standard and Poor's of AA, is 70 basis points per annum.
- Guarantee of wholesale term funding: Effective 28 November 2008, the Commonwealth has implemented the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding, under which Australian banks may apply for a guarantee of the Commonwealth of senior unsecured liabilities which are "not complex" and issued domestically or off shore with terms of up to 60 months. The Group is required to pay a fee based on the aggregate principal amount of guaranteed indebtedness, which, based on its current rating by Standard and Poor's of AA, is 70 basis points per annum. The Commonwealth has announced that the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding will be reviewed on an ongoing basis and revised if necessary, and will be withdrawn once market conditions have normalized.

These schemes have been largely successful in restoring confidence in the deposits of Australian banks and in restoring the availability of wholesale funding markets for funding by Australian banks.

The Group has issued $3,449 million of wholesale funding that is guaranteed by the Commonwealth since the inception of the guarantee scheme.

Off-Balance Sheet Arrangements

For further details regarding the Group's off-balance sheet arrangements, please see "Off-Balance Sheet Arrangements" beginning on page 56 of the Group's Financial Report (U.S. Version) Year Ended 30 June 2008.

Directors' Report

The Directors submit their report for the half year ended 31 December 2008.

Directors

The names of the Directors holding office during the half year ended 31 December 2008 and until the date of this report were:

J M Schubert	Chairman
R J Norris	Managing Director and Chief Executive Officer
J A Anderson KBE	Director
R J Clairs AO	Director
C R Galbraith AM	Director
J S Hemstritch	Director
S C H Kay	Director
A M Mohl	Director (Appointment effective 1 July 2008)
F D Ryan	Director
D J Turner	Director
H H Young	Director

Review and Results of Operations

Commonwealth Bank recorded a statutory net profit after tax of $2,573 million for the half year ended 31 December 2008, compared with $2,371 million for the prior comparative period, an increase of 9%. The increase was principally due to strong growth in banking income resulting from growth in both lending and deposit balances, a $547 million gain on acquisition of controlled entities (net of tax), partly offset by significant increase in impairment provisioning.

The statutory net profit after tax from Retail Banking Services of $1,119 million (December 2007: $975 million) reflects growth in home loans and retail deposits together with disciplined expense management, partly offset by a higher impairment expense.

The statutory net profit after tax from Premium Business Services of $205 million (December 2007: $706 million) reflects a significantly higher impairment expense, partly offset by strong banking income.

The statutory net profit after tax from Wealth Management of $209 million (December 2007: $381 million), reflects continuing falls in investment markets and a significant decrease in Investment experience.

The statutory net profit after tax from International Financial Services of $229 million (December 2007: $303 million) reflects a solid result in a challenging New Zealand banking environment.

During the half year ended 31 December 2008 the Bank acquired control of Bank of Western Australia Ltd and St Andrew's Australia Pty Ltd. The contribution to statutory net profit after tax in this period was $547 million, arising from the provisional gain on acquisition.

In accordance with the ASX Principles of Good Corporate Governance and Best Practice Recommendations, the Chief Executive Officer and the Chief Financial Officer have provided the Board with a written statement that the accompanying Financial Report represents a true and fair view, in all material respects, of the Group's financial position as at 31 December 2008 and performance for the half year ended 31 December 2008, in accordance with relevant accounting standards.

Signed in accordance with a resolution of the Directors.

J M Schubert
Chairman
11 February 2009

R J Norris
Managing Director and Chief Executive Officer

Financial Statements

Consolidated Income Statement

For the half year ended 31 December 2008

		Half Year Ended		
		31/12/08	30/06/08	31/12/07
	Note	$M	$M	$M
Interest income	2	**16,462**	15,453	13,781
Interest expense		**11,919**	11,445	9,882
Net interest income		**4,543**	4,008	3,899
Other operating income		**2,019**	2,014	1,545
Net banking operating income		**6,562**	6,022	5,444
Funds management income	2	**909**	1,231	1,138
Investment (expense)/revenue		**(913)**	(845)	320
Claims and policyholder liability revenue/(expense)		**861**	824	(305)
Net funds management operating income		**857**	1,210	1,153
Premiums from insurance contracts	2	**784**	712	661
Investment (expense)/revenue		**(213)**	(237)	210
Claims and policyholder liability expense from insurance contracts		**(313)**	(182)	(424)
Insurance margin on services operating income		**258**	293	447
Total net operating income		**7,677**	7,525	7,044
Gain on acquisition of controlled entities	14	**782**	-	-
Impairment expense	6	**1,607**	597	333
Operating expenses	3	**3,551**	4,020	3,378
Defined benefit superannuation plan (expense)/income		**(18)**	20	(6)
Net profit before income tax		**3,283**	2,928	3,327
Corporate tax expense	4	**889**	643	905
Policyholder tax (benefit)/expense	4	**(195)**	(151)	36
Net profit after income tax		**2,589**	2,436	2,386
Minority interests		**(16)**	(16)	(15)
Net profit attributable to Equity holders of the Bank		**2,573**	2,420	2,371

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	Cents per Share		
Earnings per share:			
Statutory basic	**188. 4**	182. 6	180. 4
Statutory diluted	**173. 6**	175. 6	177. 7
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**113**	153	113
Trust preferred securities (TPS) - issued 8 March 2006	**3,753**	3,284	3,566

Financial Statements continued

Consolidated Balance Sheet (1)

As at 31 December 2008

Assets	Note	As at 31/12/08 $M	30/06/08 $M	31/12/07 $M
Cash and liquid assets		**12,588**	7,736	6,951
Receivables due from other financial institutions		**14,846**	6,984	7,779
Assets at fair value through Income Statement:				
Trading		**29,721**	21,676	22,321
Insurance		**17,974**	20,650	21,926
Other		**2,052**	3,266	5,540
Derivative assets		**43,661**	18,232	15,583
Available-for-sale investments		**17,350**	11,488	10,518
Loans, advances and other receivables	5	**446,320**	361,282	343,228
Bank acceptances of customers		**14,732**	18,278	19,805
Property, plant and equipment		**2,428**	1,640	1,490
Investment in associates		**1,062**	906	872
Intangible assets		**8,486**	8,258	8,213
Deferred tax assets		**1,399**	76	220
Other assets		**5,511**	6,492	6,960
		618,130	486,964	471,406
Assets held for sale	11	**631**	608	1,258
Total assets		**618,761**	487,572	472,664

Liabilities	Note	As at 31/12/08 $M	30/06/08 $M	31/12/07 $M
Deposits and other public borrowings	7	**350,184**	263,706	253,107
Payables due to other financial institutions		**21,682**	17,672	17,972
Liabilities at fair value through Income Statement		**16,390**	15,526	17,439
Derivative liabilities		**41,811**	19,541	15,507
Bank acceptances		**14,732**	18,278	19,805
Current tax liabilities		**401**	768	584
Deferred tax liabilities		**283**	266	848
Other provisions		**1,191**	1,174	875
Insurance policy liabilities		**16,897**	18,495	20,671
Debt issues		**102,399**	85,817	81,468
Managed fund units on issue		**350**	1,109	185
Bills payable and other liabilities		**7,812**	7,524	6,453
		574,132	449,876	434,914
Loan capital		**14,642**	11,559	12,112
Total liabilities		**588,774**	461,435	447,026
Net assets		**29,987**	26,137	25,638

Shareholders' Equity	Note	As at 31/12/08 $M	30/06/08 $M	31/12/07 $M
Share capital:				
Ordinary share capital	9	**20,365**	15,727	15,356
Other equity instruments	9	**939**	939	939
Reserves	9	**958**	1,206	1,673
Retained profits	9	**7,206**	7,747	7,159
Shareholders' equity attributable to Equity holders of the Bank		**29,468**	25,619	25,127
Minority interests:				
Controlled entities		**519**	518	511
Total Shareholders' equity		**29,987**	26,137	25,638

(1) Refer to Appendix 16 for further details on the impact of the Bankwest and St Andrew's acquisition on the financial position of the Group.

Consolidated Statement of Recognised Income and Expense

For the half year ended 31 December 2008

	Half Year Ended		
	31/12/08	**30/06/08**	**31/12/07**
	$M	**$M**	**$M**
Actuarial gains and losses from defined benefit superannuation plans	**(1,012)**	(280)	40
Gains and losses on cash flow hedging instruments:			
Recognised in equity	**(1,482)**	9	413
Transferred to the Income Statement	**31**	(211)	(362)
Gains and losses on available-for-sale investments:			
Recognised in equity	**179**	330	(68)
Transferred to the Income Statement on disposal	**-**	(312)	-
Revaluation of properties	**-**	20	-
Exchange differences on translation of foreign operations	**525**	(543)	(105)
Income tax on items transferred directly to/from equity:			
Foreign currency translation reserve	**49**	49	4
Available-for-sale investments revaluation reserve	**(66)**	13	31
Revaluation of properties	**-**	(5)	1
Cash flow hedge reserve	**435**	66	(14)
Net expense recognised directly in equity	**(1,341)**	(864)	(60)
Profit for the period	**2,589**	2,436	2,386
Total net income recognised for the period	**1,248**	1,572	2,326
Attributable to:			
Equity holders of the Bank	**1,232**	1,556	2,311
Minority interests	**16**	16	15
Total net income recognised for the period	**1,248**	1,572	2,326

Financial Statements continued

Consolidated Statement of Cash Flows (1)

For the half year ended 31 December 2008

		Half Year Ended		
		31/12/08	30/06/08	31/12/07
	Note	$M	$M	$M
Cash Flows from operating activities				
Interest received		**16,612**	16,008	13,456
Interest paid		**(11,598)**	(11,661)	(9,125)
Other operating income received		**2,809**	2,854	2,460
Expenses paid		**(3,678)**	(3,516)	(3,366)
Income taxes paid		**(1,448)**	(687)	(1,218)
Net (increase)/decrease in assets at fair value through Income Statement (excluding life insurance)		**(1,272)**	4,146	(5,136)
Net increase/(decrease) in liabilities at fair value through Income Statement:				
Life insurance:				
Investment income		**58**	106	403
Premiums received (2)		**1,010**	1,130	1,174
Policy payments (2)		**(1,719)**	(1,645)	(2,144)
Other liabilities at fair value through Income Statement		**(438)**	184	626
Cash Flows from operating activities before changes in operating assets and liabilities		**336**	6,919	(2,870)
Changes in operating assets and liabilities arising from cash flow movements				
Movement in available-for-sale investments:				
Purchases		**(21,035)**	(16,357)	(18,756)
Proceeds from sale		**1,799**	442	168
Proceeds at or close to maturity		**14,265**	14,463	17,511
Net change in deposits with regulatory authorities		**44**	40	(27)
Net (increase) in loans, advances and other receivables		**(28,170)**	(25,751)	(25,819)
Net (increase)/decrease in receivables due from other financial institutions not at call		**(5,358)**	1,045	(3,666)
Net (increase)/decrease in securities purchased under agreements to resell		**(941)**	(676)	1,310
Life insurance business:				
Purchase of insurance assets at fair value through Income Statement		**(5,623)**	(3,111)	(5,608)
Proceeds from sale/maturity of insurance assets at fair value through Income Statement		**6,202**	4,452	6,707
Net increase in deposits and other public borrowings		**26,538**	17,513	32,090
Net proceeds from issuance of debt securities		**10,933**	3,083	(7,899)
Net (decrease)/increase in payables due to other financial institutions not at call		**(5,251)**	1,259	3,227
Net increase/(decrease) in securities sold under agreements to repurchase		**8,473**	(1,756)	(8)
Changes in operating assets and liabilities arising from cash flow movements		**1,876**	(5,354)	(770)
Net cash provided by/(used in) operating activities	10 (a)	**2,212**	1,565	(3,640)
Cash Flows from investing activities				
Payment for acquisition of controlled entities	10 (e)	**(1,801)**	-	(241)
Proceeds from disposal of controlled entities		**-**	2	-
Dividends received		**38**	38	1
Proceeds from sale of property, plant and equipment		**3**	9	5
Purchases of property, plant and equipment		**(709)**	(295)	(187)
Payments for acquistions of investments in associates/joint ventures		**(144)**	-	-
(Purchases)/sale of assets held for sale		**(26)**	651	115
Purchase of intangible assets		**(195)**	(155)	(71)
Net (increase)/decrease in other assets		**(541)**	138	(162)
Net cash (used in)/provided by investing activities		**(3,375)**	388	(540)

(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 2008

		Half Year Ended		
		31/12/08	30/06/08	31/12/07
	Note	$M	$M	$M
Cash flows from financing activities				
Proceeds from the issue of shares (net of issue costs)		**3,967**	-	3
Dividends paid (excluding Dividend Reinvestment Plan)		**(1,342)**	(1,099)	(1,252)
Net movement in other liabilities		**135**	647	(94)
Net (purchase)/sale of treasury shares		**(23)**	(30)	21
Issue of loan capital		**500**	-	2,091
Redemption of loan capital		**-**	(7)	-
Other		**(269)**	426	(298)
Net cash provided by/(used in) financing activities		**2,968**	(63)	471
Net increase/(decrease) in cash and cash equivalents		**1,805**	1,890	(3,709)
Cash and cash equivalents at beginning of period		**2,265**	375	4,084
Cash and cash equivalents at end of period	10 (b)	**4,070**	2,265	375

(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.

Notes to the Financial Statements

Note 1 Accounting Policies

General Information

The Financial Statements of the Commonwealth Bank of Australia (the "Bank") and the Bank and its subsidiaries (the "Group") for the half year ended 31 December 2008, were approved and authorised for issue by the Board of Directors on 11 February 2009.

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 Level 7, 48 Martin Place, Sydney NSW 1155, Australia.

The Group is one of Australia's leading providers of integrated financial services including retail, business and institutional banking, superannuation, life insurance, general insurance, funds management, broking services and finance company activities. The principal activities of the Group during the financial period were:

(i) Retail Banking Services

The Group provides retail banking services within Australia including housing loans, credit cards, personal loans, savings and cheque accounts, and demand and term deposits.

(ii) Premium Business Services

The Group offers commercial products within Australia including business loans, equipment and trade finance, and rural and agribusiness products and provides private banking services to high net worth individuals and direct trading and margin lending through CommSec. This segment also has wholesale banking operations in London, New York, Singapore, Hong Kong and Malta.

(iii) Wealth Management

The Wealth Management segment conducts Australian funds management business comprising wholesale and retail investment, superannuation and retirement funds. Investments are across all major asset classes including Australian and international shares, property, fixed interest and cash. This segment also has funds management businesses in the United Kingdom and Asia.

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

On 19 December 2008 the Wealth Management segment acquired St Andrew's Australia Pty Ltd, a domestic provider of life and general insurance and wealth management products.

(iv) International Financial Services

The Group has full service banking operations in New Zealand, Fiji and Indonesia. The Group also has banking operations in Indonesia, regions of China and Tokyo. The Group's International Financial Services segment also conducts life insurance operations in New Zealand, where it has the leading market share, as well as Asia and the Pacific, and conducts funds management business in New Zealand.

(v) Bankwest

Since the acquisition of Bank of Western Australia Ltd on 19 December 2008, the Group operates retail and business banking services under the Bankwest brand, predominantly in Western Australia.

(a) Bases of accounting

This general purpose Financial Report for the half year ended 31 December 2008 has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 Interim Financial Reporting and in compliance with IAS 34 Interim Financial Reporting.

This half year Financial Report complies with current Australian Accounting Standards which consist of Australian equivalents to International Financial Reporting Standards (AIFRS) and also with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This half year Financial Report does not include all notes of the type normally included within the 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 2008 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 followed in this half year Financial Report are the same as those applied in the 30 June 2008 Annual Financial Report, with the following exceptions:

- AASB 2008-10 Amendments to Australian Accounting Standards – Reclassification of Financial Assets is applicable from 1 July 2008 and permits reclassification of certain financial assets in limited circumstances. Upon adoption effective 1 July 2008 the Bank and the Group reclassified $364 million of Assets at fair value through Income Statement to Available-for-sale investments;
- AASB Interpretation 4 Determining whether an Arrangement contains a Lease is applicable to annual reporting periods beginning on or after 1 January 2008. The initial application of AASB Interpretation 4 has not had a material impact on the Bank's or Group's financial results;
- AASB Interpretation 12 Service Concession Arrangements and AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 are applicable to annual reporting periods beginning on or after 1 January 2008. The initial application of AASB Interpretation 12 has not had a material impact on the Bank's or Group's financial results; and
- AASB Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction is applicable to annual reporting periods beginning on or after 1 January 2008. The initial application of AASB Interpretation 14 has not had a material impact on the financial results of the Bank or the Group.

The business combination of Bank of Western Australia Ltd and St Andrew's Australia Pty Ltd has been accounted for on a provisional basis using the purchase method of accounting.

Note 2 Income from Ordinary Activities

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Banking			
Interest income	**16,462**	15,453	13,781
Fees and commissions	**1,594**	1,426	1,377
Trading income	**448**	346	200
Net gains/(losses) on disposal of available-for-sale investments	**-**	310	(1)
Net losses on disposal of non-trading instruments	**-**	(1)	-
Net hedging ineffectiveness	**3**	(44)	(14)
Net (losses)/gains on other financial instruments:			
Fair value through Income Statement	**(28)**	(21)	12
Reclassification of net interest on swaps	**(147)**	(101)	(164)
Non-trading derivatives	**27**	19	18
Dividends	**12**	38	1
Net losses on sale of property, plant and equipment	**(2)**	(8)	(7)
Other income	**112**	50	123
	18,481	17,467	15,326
Funds Management, Investment contract and Insurance contract revenue			
Funds management and investment contract income including premiums	**909**	1,231	1,138
Insurance contract premiums and related income	**784**	712	661
Funds management claims and policy holder liability revenue	**861**	824	-
Investment income	**-**	-	530
	2,554	2,767	2,329
Total income from ordinary activities	**21,035**	20,234	17,655

Notes to the Financial Statements continued

Note 3 Operating Expenses

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Staff expenses			
Salaries and wages	**1,574**	1,592	1,505
Share-based compensation	**63**	57	49
Superannuation contributions	**8**	10	4
Provisions for employee entitlements	**66**	44	46
Payroll tax	**93**	77	85
Fringe benefits tax	**17**	16	16
Other staff expenses	**60**	85	75
Total staff expenses	**1,881**	1,881	1,780
Occupancy and equipment expenses			
Operating lease rentals	**223**	203	200
Depreciation:			
Buildings	**14**	14	13
Leasehold improvements	**40**	33	30
Equipment	**42**	43	41
Operating lease assets	**16**	11	9
Repairs and maintenance	**38**	45	36
Other	**36**	45	44
Total occupancy and equipment expenses	**409**	394	373
Information technology services			
Application maintenance and development	**62**	103	121
Data processing	**98**	95	100
Desktop	**68**	58	56
Communications	**79**	92	82
Amortisation of software assets	**49**	46	42
IT equipment depreciation	**24**	16	15
Total information technology services	**380**	410	416
Other expenses			
Postage	**57**	60	59
Stationery	**51**	49	49
Fees and commissions:			
Fees payable on trust and other fiduciary activities	**227**	281	257
Other	**163**	147	133
Advertising, marketing and loyalty	**177**	188	160
Amortisation of other intangible assets (excluding software)	**8**	11	4
Non-lending losses	**37**	46	32
Other	**161**	176	115
Total other expenses	**881**	958	809
Investment and restructuring			
Write-down of leasehold improvements	**-**	18	-
Write-down of software	**-**	77	-
Other provisions	**-**	282	-
Total investment and restructuring	**-**	377	-
Total operating expenses	**3,551**	4,020	3,378

Note 4 Income Tax Expense

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Profit from ordinary activities before Income Tax			
Retail Banking Services	**1,596**	1,297	1,390
Premium Business Services	**183**	930	953
Wealth Management	**62**	431	560
International Financial Services	**293**	372	395
Other	**1,149**	(102)	29
Net profit from ordinary activities before income tax	**3,283**	2,928	3,327
Prima Facie Income Tax at 30%			
Retail Banking Services	**479**	389	417
Premium Business Services	**55**	279	286
Wealth Management	**19**	129	168
International Financial Services	**88**	112	119
Other	**344**	(30)	8
	985	879	998
Tax effect of non-deductible/non-assessable income in determining taxable profit:			
Current period			
Taxation offsets and other dividend adjustments	**(39)**	(23)	(42)
Tax adjustment referable to policyholder income	**(137)**	(107)	26
Tax losses recognised	**-**	(89)	-
Difference in overseas tax rates	**(39)**	(17)	(18)
Offshore banking unit	**(49)**	(7)	(9)
Other	**7**	(39)	3
	(257)	(282)	(40)
Prior periods			
Other	**(34)**	(105)	(17)
Total income tax expense	**694**	492	941
Income Tax Attributable to Profit from ordinary activities			
Retail Banking Services	**477**	390	415
Premium Business Services	**(22)**	161	247
Wealth Management	**75**	159	159
International Financial Services	**36**	93	75
Other	**323**	(160)	9
Corporate tax expense	**889**	643	905
Policyholder tax (benefit)/expense	**(195)**	(151)	36
Total income tax expense	**694**	492	941
Effective Tax Rate	**%**	%	%
Total – corporate	**25. 6**	20. 9	27. 5
Retail Banking Services – corporate	**29. 9**	30. 1	29. 9
Premium Business Services – corporate	**(12. 0)**	17. 3	25. 9
Wealth Management – corporate	**26. 4**	27. 6	29. 5
International Financial Services – corporate	**13. 5**	24. 5	19. 7

Note 5 Loans, Advances and Other Receivables

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Australia			
Overdrafts	**17,596**	20,047	18,973
Housing loans (including securitisation) [1]	**234,170**	186,926	173,269
Credit card outstandings	**8,875**	7,555	7,370
Lease financing	**4,641**	4,239	3,839
Bills discounted	**10,079**	5,868	3,713
Term loans	**106,306**	83,431	82,579
Other lending	**6,262**	1,076	675
Other securities	**492**	13	5
Total Australia	**388,421**	309,155	290,423
Overseas			
Overdrafts	**1,345**	716	775
Housing loans	**31,524**	28,817	30,616
Credit card outstandings	**628**	538	594
Lease financing	**607**	563	508
Term loans	**28,845**	23,916	21,905
Redeemable preference share financing	**744**	1,194	1,194
Other lending	**22**	25	51
Other securities	**-**	300	442
Total Overseas	**63,715**	56,069	56,085
Gross loans, advances and other receivables	**452,136**	365,224	346,508
Less:			
Provisions for Loan Impairment:			
Collective provision	**(2,444)**	(1,434)	(1,163)
Individually assessed provisions	**(1,134)**	(279)	(189)
Unearned income:			
Term loans	**(1,082)**	(1,047)	(978)
Lease financing	**(1,156)**	(1,182)	(950)
	(5,816)	(3,942)	(3,280)
Net loans, advances and other receivables	**446,320**	361,282	343,228

(1) As at 31 December 2008 Bankwest had securitisation assets of $4,690 million. Refer to Appendix 16, page 94 for further details on the impact of Bankwest and St Andrew's on the Group's financial position.

Note 6 Provisions for Impairment and Asset Quality

	As at 31 December 2008 [1]				
	Housing Loans	Other Personal	Asset Financing	Other Commercial Industrial	Total
	$M	$M	$M	$M	$M
Loans and Advances which were neither Past Due nor Impaired					
Investment Grade	192,573	3,647	-	108,855	305,075
Pass Grade	52,670	12,209	7,555	46,585	119,019
Weak	6,881	1,706	-	3,599	12,186
Total loans and advances which were neither past due nor impaired	252,124	17,562	7,555	159,039	436,280
Loans and Advances which were Past Due but not Impaired [2]					
Past due 1 - 29 days	4,561	868	349	2,256	8,034
Past due 30 - 59 days	1,680	345	78	313	2,416
Past due 60 - 89 days	613	185	44	116	958
Past due 90 - 179 days	675	152	29	213	1,069
Past due 180 days or more	518	20	17	110	665
Total loans and advances past due but not impaired	8,047	1,570	517	3,008	13,142

(1) All figures in the current half include a provisional estimate for Bankwest, which affects the comparability of prior periods.

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

	As at 30 June 2008				
	Housing Loans	Other Personal	Asset Financing	Other Commercial Industrial	Total
	$M	$M	$M	$M	$M
Loans and Advances which were neither Past Due nor Impaired					
Investment Grade	156,110	2,631	-	70,886	229,627
Pass Grade	47,432	13,764	8,028	45,996	115,220
Weak	6,017	2,200	-	2,532	10,749
Total loans and advances which were neither past due nor impaired	209,559	18,595	8,028	119,414	355,596
Loans and Advances which were Past Due but not Impaired [1]					
Past due 1 - 29 days	3,676	746	233	1,087	5,742
Past due 30 - 59 days	1,034	192	77	146	1,449
Past due 60 - 89 days	433	90	27	92	642
Past due 90 - 179 days	497	109	21	73	700
Past due 180 days or more	349	15	1	47	412
Total loans and advances past due but not impaired	5,989	1,152	359	1,445	8,945

(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)

	As at 31 December 2007				
	Housing Loans $M	Other Personal $M	Asset Financing $M	Other Commercial Industrial $M	Total $M
Loans and Advances which were neither Past Due nor Impaired					
Investment Grade	135,123	2,466	-	59,198	196,787
Pass Grade	56,169	14,510	6,988	51,231	128,898
Weak	7,701	2,202	120	2,650	12,673
Total loans and advances which were neither past due nor impaired	198,993	19,178	7,108	113,079	338,358
Loans and Advances which were Past Due but not Impaired (1)					
Past due 1 - 29 days	3,077	752	250	952	5,031
Past due 30 - 59 days	809	173	70	167	1,219
Past due 60 - 89 days	289	83	27	89	488
Past due 90 - 179 days	257	110	19	80	466
Past due 180 days or more	292	8	7	77	384
Total loans and advances past due but not impaired	4,724	1,126	373	1,365	7,588

(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.

	Half Year Ended		
	31/12/08 $M	30/06/08 $M	31/12/07 $M
Movement in Impaired Asset Balances			
Gross impaired assets - opening balance	**683**	562	421
New and increased	**1,646**	538	566
Acquisitions	**770**	-	-
Balances written off	**(253)**	(246)	(224)
Returned to performing or repaid	**(132)**	(171)	(201)
Gross impaired assets - closing balance	**2,714**	683	562

	As at		
	31/12/08 $M	30/06/08 $M	31/12/07 $M
Impaired Assets by Size of Loan			
Less than $1 million	**798**	228	205
$1 million to $10 million	**400**	199	143
Greater than $10 million	**1,516**	256	214
Gross impaired assets	**2,714**	683	562
Less individually assessed provisions for impairment	**(1,134)**	(279)	(189)
Net impaired assets	**1,580**	404	373

	As at		
	31/12/08 %	30/06/08 %	31/12/07 %
Asset Quality Ratios			
Gross impaired assets as a percentage of gross loans and acceptances	**0. 58**	0. 18	0. 15
Loans and advances 90 or more days past due but not impaired as a percentage of gross loans and acceptances	**0. 37**	0. 29	0. 23

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.

Available-for-sale investments are subject to impairment based on their fair value.

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Provisions for impairment losses			
Collective provision			
Opening Balance	**1,466**	1,191	1,156
Acquisitions	**115**	-	-
Collective provision funding	**601**	437	190
Impairment losses written off	**(205)**	(189)	(192)
Impairment losses recovered	**39**	37	40
Adjustments (1)	**458**	(10)	(3)
Closing balance	**2,474**	1,466	1,191
Individually assessed provisions			
Opening Balance	**279**	189	100
Acquisitions	**238**	-	-
New and increased provisioning	**738**	183	153
Write-back of provisions no longer required	**(99)**	(23)	(10)
Discount unwind to interest income	**(8)**	(5)	(4)
Adjustments for foreign exchange movements and other items	**52**	8	(1)
Impairment losses written off	**(66)**	(73)	(49)
Closing balance	**1,134**	279	189
Total provisions for impairment losses	**3,608**	1,745	1,380
Less: Off balance sheet provisions	**(30)**	(32)	(28)
Total provisions for loan impairment	**3,578**	1,713	1,352

(1) Includes an estimated fair value adjustment relating to Bankwest of $450 million.

	31/12/08	30/06/08	31/12/07
	%	%	%
Provision Ratios (1)			
Collective provision as a % of gross loans and acceptances	**0. 53**	0. 38	0. 33
Collective provision as a % of risk weighted assets - Basel II (2) (3)	**0. 89**	0. 71	0. 60
Individually assessed provisions for impairment as a % of gross impaired assets	**41. 8**	40. 8	33. 6
Total provisions for impairment losses as a % of gross impaired assets	**132. 9**	255. 5	245. 6
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 77**	0. 46	0. 38

(1) Comparatives have been restated to reflect revised measurement of collective provisions from December 2008.

(2) Basel II Risk weighted assets as at 31 December 2007 were calculated on a proforma basis.

(3) The ratio for 31 December 2008 is adjusted to include an estimate of Bankwest credit risk weighted assets.

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
Impairment Expense	$M	$M	$M
Loan Impairment Expense			
Collective provisioning funding (1)	**601**	437	190
New individually assessed provisions	**738**	183	153
Write-back of individually assessed provisions	**(99)**	(23)	(10)
Total loan impairment expense	**1,240**	597	333
Available-for-sale investments impairment expense	**367**	-	-
Total impairment expense	**1,607**	597	333

(1) Includes $2 million off balance sheet impairment write back (June 2008: $4 million expense, December 2007: $5 million expense).

Notes to the Financial Statements continued

Note 7 Deposits and Other Public Borrowings [1]

	As at		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Australia			
Certificates of deposit	**44,356**	36,981	37,292
Term deposits	**101,627**	71,637	58,023
On demand and short term deposits	**144,873**	117,712	117,045
Deposits not bearing interest	**7,384**	6,142	6,328
Securities sold under agreements to repurchase	**10,062**	1,462	2,433
Total Australia	**308,302**	233,934	221,121
Overseas			
Certificates of deposit	**7,915**	4,139	3,250
Term deposits	**20,658**	15,687	16,895
On demand and short term deposits	**11,248**	8,351	9,235
Deposits not bearing interest	**2,061**	1,468	1,693
Securities sold under agreements to repurchase	**-**	127	913
Total Overseas	**41,882**	29,772	31,986
Total deposits and other public borrowings	**350,184**	263,706	253,107

(1) Refer to Appendix 16 for further details on the impact of the Bankwest and St Andrew's acquisition on the financial position of the Group.

Note 8 Financial Reporting by Segments

This note sets out segment reporting in accordance with statutory reporting requirements. Refer to the business analysis at the front of this report for detailed Income Statements by segment.

Business Segment Information	Half Year Ended 31 December 2008						
	Retail Banking Services	Premium Business Services	Wealth Management	International Financial Services	BankWest	Other	Total
Income Statement	$M	$M	$M	$M	$M	$M	$M
Interest income	8,258	4,841	-	2,213	-	1,150	**16,462**
Insurance premium and related revenue	-	-	592	192	-	-	**784**
Other income	772	990	1,713	203	-	111	**3,789**
Total revenue	9,030	5,831	2,305	2,608	-	1,261	**21,035**
Equity accounted earnings	2	1	2	41	-	21	**67**
Revenue from external customers	8,964	5,683	2,334	2,498	-	1,489	**20,968**
Revenue from other operating segments	64	147	(31)	69	-	(249)	**-**
Interest expense	3,388	3,131	-	1,744	-	3,656	**11,919**
Segment result before income tax	1,596	183	62	293	-	1,149	**3,283**
Income tax expense	(477)	22	147	(63)	-	(323)	**(694)**
Segment result after income tax	1,119	205	209	230	-	826	**2,589**
Minority interests	-	-	-	(1)	-	(15)	**(16)**
Segment result after income tax and minority interests	1,119	205	209	229	-	811	**2,573**
Less: Non-cash items	-	-	34	(49)	-	575	**560**
Net profit after tax ("cash basis")	1,119	205	175	278	-	236	**2,013**
Non–Cash Expenses							
Intangible asset amortisation	1	25	-	9	-	22	**57**
Impairment expense	237	1,316	-	60	-	(6)	**1,607**
Depreciation	10	30	2	21	-	73	**136**
Defined benefit superannuation plan expense	-	-	-	-	-	18	**18**
Other	14	8	6	3	-	35	**66**
Balance Sheet							
Total assets	215,477	200,036	22,275	60,230	66,196	54,547	**618,761**
Acquisition of property, plant & equipment, intangibles and other non–current assets (1)	5	499	25	28	1,049	239	**1,845**
Investments in associates	68	17	682	293	-	2	**1,062**
Total liabilities	138,012	198,683	19,175	55,755	62,515	114,634	**588,774**

(1) Includes those acquired as part of the acquisition of controlled entities (refer to Note 14).

Notes to the Financial Statements continued

Note 8 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2007					
Business Segment Information	Retail Banking Services	Premium Business Services	Wealth Management	International Financial Services	Other	Total
Income Statement	$M	$M	$M	$M	$M	$M
Interest income	6,834	4,462	-	1,969	516	13,781
Insurance premium and related revenue	-	-	470	191	-	661
Other income	651	899	1,530	308	(175)	3,213
Total revenue	7,485	5,361	2,000	2,468	341	17,655
Equity accounted earnings	-	-	32	10	1	43
Revenue from external customers	7,434	5,000	1,999	2,457	722	17,612
Revenue from other operating segments	51	361	(31)	1	(382)	-
Interest expense	2,369	3,294	44	1,489	2,686	9,882
Segment result before income tax	1,390	953	560	395	29	3,327
Income tax expense	(415)	(247)	(179)	(91)	(9)	(941)
Segment result after income tax	975	706	381	304	20	2,386
Minority interests	-	-	-	(1)	(14)	(15)
Segment result after income tax and minority interests	975	706	381	303	6	2,371
Less: Non–cash Items	-	(1)	(13)	14	(14)	(14)
Net profit after tax ("cash basis")	975	707	394	289	20	2,385
Non-Cash Expenses						
Intangible asset amortisation	9	23	-	6	8	46
Impairment expense	141	175	-	12	5	333
Depreciation	9	18	2	20	59	108
Defined benefit superannuation plan expense	-	2	-	-	4	6
Other	14	8	6	4	14	46
Balance Sheet						
Total assets	186,666	178,340	26,025	54,375	27,258	472,664
Acquisition of property, plant & equipment, intangibles and other non–current assets	8	370	5	38	129	550
Investments in associates	-	1	717	153	1	872
Total liabilities	112,756	170,737	22,304	49,508	91,721	447,026

Note 8 Financial Reporting by Segments (continued)

Geographical Segments Financial Performance	Half Year Ended 31/12/08 $M	31/12/08 %	31/12/07 $M	31/12/07 %
Revenue				
Australia	**17,061**	**81.1**	13,884	78.6
New Zealand	**2,637**	**12.5**	2,432	13.8
Other countries (1)	**1,337**	**6.4**	1,339	7.6
	21,035	**100.0**	17,655	100.0
Non-Current Assets				
Australia	**12,018**	**89.6**	9,865	88.6
New Zealand	**1,031**	**7.7**	984	8.8
Other countries (1)	**357**	**2.7**	291	2.6
	13,406	**100.0**	11,140	100.0

(1) Other countries were: United Kingdom, United States of America, Japan, Singapore, Malta, Hong Kong, Grand Cayman, Fiji, Indonesia, China and Vietnam.

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

Note 9 Detailed Consolidated Statement of Changes in Equity

	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M
Equity Reconciliations			
Ordinary Share Capital			
Opening balance	**15,727**	15,356	14,483
Issue of shares (net of issue costs)	**3,966**	-	141
Dividend reinvestment plan	**694**	400	709
Exercise of executive options under employee share ownership schemes	**1**	-	3
(Purchase)/sale and vesting of treasury shares (1)	**(23)**	(29)	20
Closing balance	**20,365**	15,727	15,356
Other Equity Instruments			
Closing balance	**939**	939	939
Retained Profits			
Opening balance	**7,747**	7,159	6,367
Loyalty program adjustment	**-**	-	(5)
Restated opening balance	**7,747**	7,159	6,362
Actuarial (losses)/gains from defined benefit superannuation plans	**(1,012)**	(280)	40
Realised gains and dividend income on treasury shares held within the Group's life insurance statutory funds (1)	**19**	17	9
Transfers from general reserve for credit losses	**-**	-	350
Operating profit attributable to Equity holders of the Bank	**2,573**	2,420	2,371
Total available for appropriation	**9,327**	9,316	9,132
Transfers (to)/from general reserve	**(74)**	(75)	(10)
Interim dividend - cash component (2)	**-**	(1,087)	-
Interim dividend - dividend reinvestment plan	**-**	(400)	-
Final dividend - cash component	**(1,335)**	-	(1,229)
Final dividend - dividend reinvestment plan	**(694)**	-	(709)
Dividends - other equity instrument	**(18)**	(7)	(25)
Closing balance	**7,206**	7,747	7,159

(1) Relates to movements in treasury shares held within life insurance statutory funds and the employee share scheme trust.
(2) Includes $98 million of shares purchased on-market to partly satisfy the Dividend Reinvestment Plan.

Notes to the Financial Statements continued

Note 9 Detailed Consolidated Statement of Changes in Equity (continued)

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Reserves			
General Reserve			
Opening balance	**1,252**	1,177	1,167
Appropriation from retained profits	**74**	75	10
Closing balance	**1,326**	1,252	1,177
Capital Reserve			
Opening balance	**293**	292	287
Reversal of revaluation surplus on sale of property	**1**	1	5
Closing balance	**294**	293	292
Asset Revaluation Reserve			
Opening balance	**195**	181	185
Revaluation of properties	**-**	20	-
Transfer on sale of properties	**(1)**	(1)	(5)
Tax on revaluation of properties	**-**	(5)	1
Closing balance	**194**	195	181
Foreign Currency Translation Reserve			
Opening balance	**(795)**	(301)	(200)
Currency translation adjustments of foreign operations	**722**	(506)	(49)
Currency translation on net investment hedge	**(197)**	(37)	(56)
Tax on translation adjustments	**(8)**	36	(13)
Tax on net investment hedge movement	**57**	13	17
Closing balance	**(221)**	(795)	(301)
Cash Flow Hedge Reserve			
Opening balance	**341**	477	440
Gains/(losses) on cash flow hedging instruments:			
Recognised in equity	**(1,482)**	9	413
Transferred to Income Statement:			
Interest income	**143**	21	67
Interest expense	**(112)**	(232)	(429)
Tax on cash flow hedging instruments	**435**	66	(14)
Closing balance	**(675)**	341	477
Employee Compensation Reserve			
Opening balance	**(39)**	(81)	(51)
Current period movement	**7**	42	(30)
Closing balance	**(32)**	(39)	(81)
General Reserve for Credit Losses			
Opening balance	**-**	-	350
Appropriation to retained profits	**-**	-	(350)
Closing balance	**-**	-	-
Available-for-Sale Investments Reserve			
Opening balance	**(41)**	(72)	(35)
Net gains and (losses) on available-for-sale investments	**179**	330	(68)
Net gains and (losses) on available-for-sale investments transferred to Income Statement on disposal	**-**	(312)	-
Tax on available-for-sale investments	**(66)**	13	31
Closing balance	**72**	(41)	(72)
Total reserves	**958**	1,206	1,673
Shareholders' equity attributable to Equity holders of the Bank	**29,468**	25,619	25,127
Shareholders' equity attributable to minority interests	**519**	518	511
Total Shareholders' equity	**29,987**	26,137	25,638

Note 10 Notes to the Statement of Cash Flows

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

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Net profit after income tax	**2,589**	2,436	2,386
Net decrease/(increase) in interest receivable	**31**	464	(277)
Increase/(decrease) in interest payable	**374**	(200)	649
Net decrease/(increase) in assets at fair value through Income Statement (excluding life insurance)	**637**	3,085	(2,889)
Net gain on sale of investments	**-**	(1)	-
Net increase in derivative assets	**(25,320)**	(2,618)	(2,841)
Net loss on sale property plant and equipment	**2**	6	9
Net gain on sale of Visa Initial Public Offering	**-**	(127)	-
Equity accounting profit	**(47)**	(28)	(11)
Gain on acquisition of controlled entities	**(782)**	-	-
Impairment expense	**1,607**	597	333
Depreciation and amortisation (including asset write downs)	**193**	269	154
(Decrease)/increase in liabilities at fair value through Income Statement (excluding life insurance)	**(139)**	(883)	(1)
Increase/(decrease) in derivative liabilities	**24,955**	4,279	343
(Decrease)/increase in other provisions	**(68)**	299	(3)
(Decrease)/increase in income taxes payable	**(72)**	277	(248)
(Decrease) in deferred income taxes payable	**(45)**	(432)	(211)
(Increase)/decrease in deferred tax assets	**(1,163)**	(8)	186
Decrease/(increase) in accrued fees/reimbursements receivable	**136**	(112)	(41)
(Decrease)/increase in accrued fees and other items payable	**(214)**	125	(700)
Net (decrease)/increase in life insurance contract policy liabilities	**(1,003)**	1	183
(Decrease)/increase in cash flow hedge reserve	**(1,451)**	(202)	52
Changes in operating assets and liabilities arising from cash flow movements	**1,876**	(5,354)	(770)
Other	**116**	(308)	57
Net cash provided by/(used in) operating activities	**2,212**	1,565	(3,640)

(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		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Notes, coins and cash at banks	**4,926**	2,476	3,399
Other short term liquid assets	**2,770**	1,309	709
Receivables due from other financial institutions – at call (1)	**6,858**	3,357	2,670
Payables due to other financial institutions – at call (1)	**(10,484)**	(4,877)	(6,403)
Cash and cash equivalents at end of half year	**4,070**	2,265	375

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

(c) Disposal of Controlled Entities

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Other assets	**-**	1	-
Profit on sale	**-**	1	-
Net cash inflow on disposal	**-**	2	-

Notes to the Financial Statements continued

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

(d) Non-cash financing and investing activities

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Shares issued under the Dividend Reinvestment Plan	694	400	709

(e) Acquisition of controlled entities

The initial accounting for the acquisition of controlled entities at 31 December 2008 has been prepared on a provisional basis due to the fair values of identifiable assets, liabilities and contingent liabilities and the cost of controlled entities being determined provisionally.

	As at time of acquisition					
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	31/12/08	31/12/08	30/06/08	30/06/08	31/12/07	31/12/07
	$M	$M	$M	$M	$M	$M
Assets acquired:						
Cash and liquid assets	330	330	-	-	24	24
Receivables due from other financial institutions	378	378	-	-	-	-
Assets at fair value through Income Statement:						
Trading	5,661	5,661	-	-	-	-
Insurance	279	279	-	-	-	-
Other	115	115	-	-	-	-
Derivative assets	1,043	1,043	-	-	-	-
Available-for-sale investments	3	3	-	-	112	112
Loans, advances and other receivables	58,337	57,887	-	-	241	241
Property, plant and equipment	177	177	-	-	-	-
Intangible assets	90	90	-	-	4	64
Deferred tax assets	161	236	-	-	-	-
Other assets	304	304	-	-	11	11
Total assets	66,878	66,503	-	-	392	452
Deposits and other public borrowings	50,370	50,370	-	-	202	202
Payables due to other financial institutions	4,587	4,587	-	-	130	130
Liabilities at fair value through Income Statement	242	242	-	-	-	-
Derivative liabilities	515	515	-	-	-	-
Current tax liabilities	5	5	-	-	-	-
Deferred tax liabilities	64	3	-	-	-	-
Other provisions	85	85	-	-	-	-
Insurance policy liabilities	204	204	-	-	-	-
Debt issues	5,221	5,221	-	-	-	-
Bills payable and other liabilities	289	289	-	-	11	30
Loan capital	1,211	1,211	-	-	-	-
Net assets	4,085	3,771	-	-	49	90
Preference share placement	-	(530)	-	-	-	-
Goodwill	-	-	-	-	50	316
Discount on acquisition	-	(782)	-	-	-	-
Provision for remaining consideration	-	(328)	-	-	-	-
Cash consideration paid (including transaction costs)	-	2,131	-	-	-	406
Less: Cash and cash equivalents acquired	-	330	-	-	-	24
Net consideration paid	-	1,801	-	-	-	382
Less: Non-cash consideration	-	-	-	-	-	141
Net cash outflow on acquisition	-	1,801	-	-	-	241

(f) Financing Facilities

Standby funding lines are immaterial.

Note 11 Assets Held for Sale

The Group holds a stake in both AWG plc and ENW plc, held through preference shares and Eurobonds that are classified as Assets held for sale.

The Group also holds land, buildings and other assets classified as Assets held for sale.

Note 12 Events after the end of the Financial Period

Dividends

The Directors have declared a fully franked dividend of 113 cents per share – amounting to $1,662 million for the half year ended 31 December 2008.

Segment Structure

From 27 January 2009 the existing Premium Business Services structure will be separated into two divisions:

- Business and Private Banking will include the existing Business and Corporate divisions, including Agribusiness, and Private Client Services, (which includes CommSec). The division will focus on continuing to meet the needs of business and private banking customers and drive improvements in customer satisfaction across these segments.
- Institutional Banking and Markets area will become a stand-alone business unit. This separation of current operations recognises the strong business growth and the diverse customer segments the Group's businesses operate in.

The Directors are not aware of any other matter or circumstance that has occurred since the end of the half year that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Note 13 Contingent Liabilities

There have been no material changes in contingent liabilities since those disclosed in the Financial Statements for the year ended 30 June 2008. Refer to Note 41 in the 2008 Annual Report.

Notes to the Financial Statements continued

Note 14 Acquisition of Controlled Entities

On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Ltd (consisting of retail and business banking), St Andrew's Australia Pty Ltd (consisting of insurance and wealth management services businesses) and HBOSA Group (Services) Pty Ltd (an internal administrative support entity) for cash consideration of $2.1 billion.

Details of net assets acquired and the provisional discount arising on acquisition are as follows:

Purchase consideration	$M
Cash paid	2,100
Provision for remaining consideration	328
Direct costs relating to the acquisition	31
Total purchase consideration	2,459
Provisional fair value of net identifiable assets acquired (see below)	3,771
Less: Preference share placement	(530)
Provisional discount on acquisition before tax	782

The provisional discount on acquisition, has arisen after the Group's reassessment of the acquired entities' identifiable assets, liabilities and contingent liabilities and the cost of the acquisition, and has been recognised in the Group's statutory net profit in the current period. The provisional discount on acquisition will be adjusted in the next reporting period on finalisation of fair value procedures.

The assets and liabilities arising from the acquisition, reported in aggregate for the acquired entities, are as follows:

	Pre-acquisition carrying amount $M	Recognised values on acquisition $M
Cash and liquid assets	330	330
Receivables due from other financial institutions	378	378
Assets at fair value through Income Statement:		
Trading	5,661	5,661
Insurance	279	279
Other	115	115
Derivative assets	1,043	1,043
Available-for-sale investments	3	3
Loans, advances and other receivables	58,337	57,887
Property, plant and equipment	177	177
Intangible assets	90	90
Deferred tax assets	161	236
Other assets	304	304
Total assets	66,878	66,503
Deposits and other public borrowings	50,370	50,370
Payables due to other financial institutions	4,587	4,587
Liabilities at fair value through Income Statement	242	242
Derivative liabilities	515	515
Current tax liabilities	5	5
Deferred tax liabilities	64	3
Other provisions	85	85
Insurance policy liabilities	204	204
Debt issues	5,221	5,221
Bills payable and other liabilities	289	289
Loan capital	1,211	1,211
Total liabilities	62,793	62,732
Net assets	4,085	3,771
Outflow of cash to to acquire business, net of cash acquired:		
Cash consideration	n/a	2,100
Direct costs relating to acquisition	n/a	31
Cash and cash equivalents in subsidiaries acquired	n/a	(330)
Cash outflow on acquisition	n/a	1,801

Note 15 Ratio of Earnings to Fixed Charges

Ratio of Earnings to Fixed Charges	Half Year Ended 31/12/08	30/06/08	31/12/07
Net profit before tax and fixed charges (interest expense and rental costs) ($M)	**15,276**	14,441	13,276
Fixed charges ($M)	**12,019**	11,536	9,974
Ratio of earnings to fixed charges (times)	**1. 3**	1. 3	1. 3

Note 16 Earnings Per Share

Earnings Per Share – Computation	Half Year Ended 31/12/08	30/06/08	31/12/07
Net profit available for ordinary shareholders ($M)	**2,547**	2,398	2,346
Add back preference dividends (after tax) ($M)	**118**	115	107
Net profit for diluted EPS ($M)	**2,665**	2,513	2,452
Weighted average number of shares (M)	**1,352**	1,314	1,300
Diluted weighted average number of shares (M)	**1,535**	1,431	1,380
Earnings per share (cents) basic	**188. 4**	182. 5	180.4
Earnings per share (cents) diluted	**173. 6**	175. 6	177. 7

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 39 to 61 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 2008 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.

J M Schubert

Chairman

R J Norris

Managing Director and Chief Executive Officer

Dated: 11 February 2009

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 (the company), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Commonwealth Bank of Australia Group (the consolidated entity) included on pages 39 to 61. The consolidated entity comprises both the Commonwealth Bank of Australia (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Commonwealth Bank of Australia, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

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 2008 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

RChowdry

Rahoul Chowdry

Sydney

Partner

11 February 2009

Appendices

1. Net Interest Income

	Half Year Ended				
	31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Interest Income					
Loans	**14,576**	13,631	11,967	7	22
Other financial institutions	**303**	197	277	54	9
Cash and liquid assets	**284**	230	243	23	17
Assets at fair value through Income Statement	**847**	1,014	919	(16)	(8)
Available-for-sale investments	**452**	381	375	19	21
Total interest income	**16,462**	15,453	13,781	7	19
Deposits	**7,638**	6,864	5,529	11	38
Other financial institutions	**403**	497	492	(19)	(18)
Liabilities at fair value through Income Statement	**549**	536	593	2	(7)
Debt issues	**2,898**	3,134	2,890	(8)	-
Loan capital	**431**	414	378	4	14
Total interest expense	**11,919**	11,445	9,882	4	21
Net interest income	**4,543**	4,008	3,899	13	17

2. Net Interest Margin

	Half Year Ended		
	31/12/08 %	30/06/08 %	31/12/07 %
Australia			
Interest spread (1)	**1.79**	1.72	1.86
Benefit of interest-free liabilities, provisions and equity (2)	**0.27**	0.27	0.27
Net interest margin (3)	**2.06**	1.99	2.13
Overseas			
Interest spread (1)	**1.33**	1.08	1.14
Benefit of interest-free liabilities, provisions and equity (2)	**0.48**	0.65	0.49
Net interest margin (3)	**1.81**	1.73	1.63
Total Bank			
Interest spread (1)	**1.72**	1.62	1.74
Benefit of interest-free liabilities, provisions and equity (2)	**0.32**	0.36	0.32
Net interest margin (3)	**2.04**	1.98	2.06

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

(2) A portion of the Group's interest earning assets is funded by 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.

Appendices

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 2008, 30 June 2008 and 31 December 2007. 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.

The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities.

The official cash rate in Australia decreased by 300 basis points during the half year while rates in New Zealand decreased by 325 basis points.

Assets and liabilities balances relating to Bankwest and St Andrew's have been excluded from average balance sheet reporting. Refer to Appendix 16 for details of these balances.

Average Balances

	Half Year Ended 31/12/08			Half Year Ended 30/06/08			Half Year Ended 31/12/07		
	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	212,956	8,311	7. 74	197,771	7,767	7. 90	182,095	6,787	7. 41
Personal [1]	19,528	1,225	12. 44	20,655	1,204	11. 72	20,130	1,115	11. 02
Business and corporate [2]	134,368	4,618	6. 82	122,669	4,129	6. 77	112,474	3,508	6. 20
Loans, advances and other receivables	366,852	14,154	7. 65	341,095	13,100	7. 72	314,699	11,410	7. 21
Cash and other liquid assets	27,447	587	4. 24	17,450	427	4. 92	16,821	520	6. 15
Assets at fair value through Income Statement (ex life insurance)	26,623	847	6. 31	29,973	1,014	6. 80	27,061	919	6. 76
Available-for-sale investments	15,800	452	5. 67	12,160	381	6. 30	12,238	375	6. 10
Non-lending interest earning assets	69,870	1,886	5. 35	59,583	1,822	6. 15	56,120	1,814	6. 43
Total interest earning assets (excluding securitisation) [3]	436,722	16,040	7. 29	400,678	14,922	7. 49	370,819	13,224	7. 09
Securitisation home loan assets	10,815	422	7. 74	12,438	531	8. 59	14,405	557	7. 69
Non-interest earning assets	89,880			77,492			75,805		
Total average assets	537,417			490,608			461,029		

	Half Year Ended 31/12/08			Half Year Ended 30/06/08			Half Year Ended 31/12/07		
Interest Bearing	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Liabilities	$M	$M	%	$M	$M	%	$M	$M	%
Transaction deposits	59,766	801	2. 66	59,813	853	2. 87	57,641	734	2. 53
Saving deposits	57,666	1,357	4. 67	54,988	1,322	4. 83	54,127	1,271	4. 67
Investment deposits	111,024	3,854	6. 89	93,902	3,344	7. 16	81,140	2,664	6. 53
Certificate of deposits and other [2]	50,984	1,626	6. 33	44,128	1,345	6. 13	36,226	860	4. 72
Total interest bearing deposits	279,440	7,638	5. 42	252,831	6,864	5. 46	229,134	5,529	4. 80
Payables due to other financial institutions	20,699	403	3. 86	20,732	497	4. 82	18,094	492	5. 41
Liabilities at fair value through Income Statement	16,499	549	6. 60	14,331	536	7. 52	15,696	593	7. 51
Debt issues [2]	80,660	2,518	6. 19	75,836	2,662	7. 06	72,918	2,394	6. 53
Loan capital [2]	13,582	431	6. 29	12,200	414	6. 82	12,874	378	5. 84
Total interest bearing liabilities	410,880	11,539	5. 57	375,930	10,973	5. 87	348,716	9,386	5. 35
Securitisation debt issues	11,204	380	6. 73	12,915	472	7. 35	15,083	496	6. 54
Non-interest bearing liabilities	87,271			75,988			72,189		
Total average liabilities	509,355			464,833			435,988		

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

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

(3) Used for calculating net interest margin.

3. Average Balances and Related Interest (continued)

Net Interest Margin	Half Year Ended 31/12/08 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30/06/08 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31/12/07 Avg Bal $M	Interest $M	Yield %
Total interest earning assets excluding securitisation	**436,722**	**16,040**	**7. 29**	400,678	14,922	7. 49	370,819	13,224	7. 09
Total interest earning liabilities excluding securitisation	**410,880**	**11,539**	**5. 57**	375,930	10,973	5. 87	348,716	9,386	5. 35
Net interest income & interest spread (excluding securitisation)		**4,501**	**1. 72**		3,949	1. 62		3,838	1. 74
Benefit of free funds			**0. 32**			0. 36			0. 32
Net interest margin			**2. 04**			1. 98			2. 06

Geographical Analysis of Key Categories

Loans Advances and Other Receivables	Half Year Ended 31/12/08 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30/06/08 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31/12/07 Avg Bal $M	Interest $M	Yield %
Australia	**305,007**	**11,590**	**7. 54**	285,251	10,766	7. 59	261,129	9,281	7. 07
Overseas	**61,845**	**2,564**	**8. 22**	55,844	2,334	8. 40	53,570	2,129	7. 91
Total	**366,852**	**14,154**	**7. 65**	341,095	13,100	7. 72	314,699	11,410	7. 21
Non-Lending Interest Earning Assets									
Australia	**41,477**	**1,256**	**6. 01**	36,874	1,220	6. 65	34,857	1,077	6. 15
Overseas	**28,393**	**630**	**4. 40**	22,709	602	5. 33	21,263	737	6. 89
Total	**69,870**	**1,886**	**5. 35**	59,583	1,822	6. 15	56,120	1,814	6. 43
Total Interest Bearing Deposits									
Australia	**239,762**	**6,424**	**5. 31**	220,459	5,806	5. 30	200,239	4,594	4. 56
Overseas	**39,678**	**1,214**	**6. 07**	32,372	1,058	6. 57	28,895	935	6. 44
Total	**279,440**	**7,638**	**5. 42**	252,831	6,864	5. 46	229,134	5,529	4. 80
Other Interest Bearing Liabilities									
Australia	**80,275**	**2,718**	**6. 72**	76,778	2,846	7. 45	73,426	2,441	6. 61
Overseas	**51,165**	**1,183**	**4. 59**	46,321	1,263	5. 48	46,156	1,416	6. 10
Total	**131,440**	**3,901**	**5. 89**	123,099	4,109	6. 71	119,582	3,857	6. 42

The overseas component comprises overseas branches of the Bank 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, advances and other receivables.

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

4. Interest Rate and Volume Analysis

Interest Earning Assets	Half Year Ended Dec 08 vs Jun 08			Half Year Ended Dec 08 vs Dec 07		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Home loans	594	(50)	544	1,177	347	1,524
Personal	(68)	89	21	(36)	146	110
Business and corporate	398	91	489	718	392	1,110
Loans, advances and other receivables	991	63	1,054	1,952	792	2,744
Cash and other liquid assets	229	(69)	160	278	(211)	67
Assets at fair value through Income Statement (excluding life insurance)	(110)	(57)	(167)	(14)	(58)	(72)
Available-for-sale investments	109	(38)	71	106	(29)	77
Non-lending interest earning assets	296	(232)	64	408	(336)	72
Total interest earning assets	1,333	(215)	1,118	2,385	431	2,816
Securitisation home loan assets	(66)	(43)	(109)	(139)	4	(135)

Interest Bearing Liabilities	Half Year Ended Dec 08 vs Jun 08			Half Year Ended Dec 08 vs Dec 07		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Transaction deposits	(1)	(51)	(52)	28	39	67
Saving deposits	64	(29)	35	83	3	86
Investment deposits	602	(92)	510	1,009	181	1,190
Certificate of deposits and other	214	67	281	411	355	766
Total interest bearing deposits	725	49	774	1,294	815	2,109
Payables due to other financial institutions	(1)	(93)	(94)	61	(150)	(89)
Liabilities at fair value through Income Statement	77	(64)	13	29	(73)	(44)
Debt issues	160	(304)	(144)	248	(124)	124
Loan capital	45	(28)	17	22	31	53
Total interest bearing liabilities	1,001	(435)	566	1,709	444	2,153
Securitisation debt issues	(60)	(32)	(92)	(130)	14	(116)

Change in Net Interest Income (excluding securitisation)	Half Year Ended Dec 08 vs Jun 08 Increase/(Decrease) $M	Half Year Ended Dec 08 vs Dec 07 Increase/(Decrease) $M
Due to changes in average volume of interest earning assets	366	681
Due to changes in interest margin	143	(18)
Due to variation in time period	43	-
Change in net interest income	552	663

4. Interest Rate and Volume Analysis (continued)

Geographical analysis of key categories	Half Year Ended Dec 08 vs Jun 08 Volume $M	Rate $M	Total $M	Half Year Ended Dec 08 vs Dec 07 Volume $M	Rate $M	Total $M
Loans Advances and Other Receivables						
Australia	748	76	824	1,613	696	2,309
Overseas	250	(20)	230	336	99	435
Total	991	63	1,054	1,952	792	2,744
Non-Lending Interest Earning Assets						
Australia	146	(110)	36	203	(24)	179
Overseas	138	(110)	28	203	(310)	(107)
Total	296	(232)	64	408	(336)	72
Total Interest Bearing Deposits						
Australia	513	105	618	983	847	1,830
Overseas	231	(75)	156	339	(60)	279
Total	725	49	774	1,294	815	2,109
Other Interest Bearing Liabilities						
Australia	124	(252)	(128)	230	47	277
Overseas	122	(202)	(80)	135	(368)	(233)
Total	263	(471)	(208)	367	(323)	44

These volume and rate analyses are for half year periods. The calculations are based on balances over the half year. The volume and rate variances for total interest earning assets and liabilities have been calculated separately (rather than being the sum of the individual categories).

5. Other Banking Operating Income

	Half Year Ended				
	31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Loan service fees:					
From financial assets	**590**	494	439	19	34
Other	**27**	13	30	large	(10)
Commission and other fees:					
From financial liabilities	**263**	246	261	7	1
Other	**714**	673	647	6	10
Trading income	**448**	346	200	29	large
Net gains/(losses) on disposal of available-for-sale investments	**-**	310	(1)	large	large
Net losses on disposal of other non-trading instruments	**-**	(1)	-	large	-
Dividends	**12**	38	1	(68)	large
Net losses on sale of property, plant and equipment	**(2)**	(8)	(7)	(75)	(71)
Other income	**112**	50	123	large	(9)
	2,164	2,161	1,693	-	28
Net hedging ineffectiveness	**3**	(44)	(14)	large	large
Net losses on other financial instruments:					
Fair value through Income Statement	**(28)**	(21)	12	33	large
Derivative yield reclassification (1)	**(147)**	(101)	(164)	46	(10)
Non-trading derivatives	**27**	19	18	42	50
Total other banking operating income	**2,019**	2,014	1,545	-	31

(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 AIFRS 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		
	31/12/08 $M	30/06/08 $M	31/12/07 $M
Other banking income ("cash basis")	**2,036**	1,771	1,541
Gain on Visa Initial Public Offering	**-**	308	-
Revenue hedge of New Zealand operations - unrealised	**(34)**	14	11
Hedging and AIFRS volatility excluding tax	**17**	(79)	(7)
Other banking income ("statutory basis")	**2,019**	2,014	1,545

6. Operating Expenses

Expenses by Segment	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Operating Expenses					
Retail Banking Services	**1,351**	1,349	1,270	-	6
Premium Business Services	**928**	947	856	(2)	8
Wealth Management	**823**	887	824	(7)	-
International Financial Services	**443**	413	411	7	8
Other	**6**	47	17	(87)	(65)
	3,551	3,643	3,378	(3)	5
Investment and restructuring [1]	**-**	377	-	large	-
Total	**3,551**	4,020	3,378	(12)	5

Expenses by Category	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
Staff	**1,881**	1,881	1,780	-	6
Occupancy and equipment	**409**	394	373	4	10
Information and technology services	**380**	410	416	(7)	(9)
Other	**881**	958	809	(8)	9
	3,551	3,643	3,378	(3)	5
Investment and restructuring [1]	**-**	377	-	large	-
Total	**3,551**	4,020	3,378	(12)	5

[1] Relates to a non-cash item recognised for the implementation of Core Banking Modernisation and other strategic initiatives in the prior half.

Capitalisation of Computer Software Costs

Capitalised computer software costs (net of amortisation) totalled $571 million as at 31 December 2008 (June 2008: $353 million and December 2007: $316 million). Expenditure in the half year principally comprised development of customer focussed systems. The balance movement in the current half year also includes software acquired as part of the acquisition of controlled entities (refer to Appendix 16, page 94 for further details).

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

The major categories of risk actively managed by the Group include credit risk, liquidity and funding risk, market risk and other operational and compliance risks. The 2008 Annual Report "Integrated Risk Management" section on pages 28 to 29, details the major risks managed by a diversified financial institution.

Credit Risk

The Group uses a portfolio approach for the management of its credit risk. 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 exposures across industry, region and commercial credit quality.

	31/12/08	30/06/08	31/12/07
By Industry	%	%	%
Agriculture, forestry and fishing	**2.5**	2.3	2.2
Banks	**10.3**	11.8	11.2
Business services	**1.1**	0.9	0.7
Construction	**1.3**	0.8	0.9
Culture and recreational services	**1.2**	0.9	1.0
Energy	**1.7**	1.8	1.8
Finance - Other	**6.3**	7.5	8.7
Health and community service	**0.9**	0.9	1.0
Manufacturing	**3.1**	2.9	2.9
Mining	**1.3**	1.2	1.4
Property	**7.9**	6.9	6.9
Retail trade and wholesale trade	**2.8**	2.7	2.8
Sovereign	**4.0**	5.3	4.3
Transport and storage	**1.7**	1.7	1.7
Other	**5.2**	5.5	5.6
Consumer	**48.7**	46.9	46.9
	100.0	100.0	100.0

The bulk of the Group's committed exposures are concentrated in Australia and New Zealand.

	31/12/08	30/06/08	31/12/07
By Region	%	%	%
Australia	**76.1**	73.1	74.3
New Zealand	**10.8**	11.3	12.4
Europe	**8.1**	10.4	8.4
Americas	**2.7**	3.0	2.8
Asia	**1.9**	1.9	1.8
Other	**0.4**	0.3	0.3
	100.0	100.0	100.0

	31/12/08	30/06/08	31/12/07
Commercial Portfolio Quality	%	%	%
AAA/AA	**27**	36	31
A	**18**	18	19
BBB	**19**	17	20
Other	**36**	29	30
	100	100	100

As a measure of individually risk rated commercial portfolio exposure (including finance and insurance), the Group has 64% of commercial exposures at investment grade quality.

7. Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 42 of the 2008 Annual 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 an appropriate method of risk measurement other risk measures have been used, as specified by the heading or accompanying footnotes of the tables provided.

Traded Market Risk (1)	Average VaR Dec 2008 $M	Average VaR Jun 2008 $M	Average VaR Dec 2007 $M
Risk Type			
Interest rate risk	**4. 09**	3. 88	3. 92
Exchange rate risk	**2. 04**	1. 34	0. 99
Implied volatility risk	**1. 41**	1. 04	0. 86
Equities risk	**1. 02**	0. 45	0. 35
Commodities risk	**0. 79**	0. 92	0. 74
Credit spread risk	**3. 07**	4. 65	4. 00
Diversification benefit	**(5. 84)**	(5. 62)	(4. 80)
Total general market risk	**6. 58**	6. 66	6. 06
Undiversified risk	**2. 04**	3. 08	2. 33
ASB Bank	**1. 33**	1. 11	0. 73
Total	**9. 95**	10. 85	9. 12

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

Appendices

7. Integrated Risk Management (continued)

Non-Traded Insurance Market Risk VaR (20 day 97.5% confidence) [1]	Average VaR Dec 2008 $M	Average VaR Jun 2008 $M	Average VaR Dec 2007 $M
Total insurance business	61. 8	41. 6	37. 8

(1) Converted to a 1-day VaR in the 2008 Annual Report, divide the values stated in the table above by 6 for comparison with past results.

Non-Traded Residual Value Risk	10% fall of residual value Dec 2008 $M	10% fall of residual value Jun 2008 $M	10% fall of residual value Dec 2007 $M
Residual value risk margin	132. 0	86. 0	84. 5

Non-Traded Equity Risk [1]	10% fall in book value Dec 2008 $M	10% fall in book value Jun 2008 $M	10% fall in book value Dec 2007 $M
Equity risk	161. 0	161. 0	227. 0

(1) Refer to Note 42 of the 2008 Annual Report for a description of qualifying investments.

Interest Rate Risk in the Balance Sheet

Interest rate risk in the banking book is discussed within Note 42 of the 2008 Annual 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		Dec 2008 $M	Jun 2008 $M	Dec 2007 $M
Average monthly exposure	AUD	120. 8	28. 1	45. 0
	NZD	19. 9	15. 6	6. 9
High month exposure	AUD	159. 6	70. 0	57. 5
	NZD	29. 0	24. 3	12. 9
Low month exposure	AUD	58. 0	0. 4	29. 0
	NZD	12. 3	3. 9	3. 1

(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 [1]	Average VaR Dec 2008 $M	Average VaR Jun 2008 $M	Average VaR Dec 2007 $M
AUD Interest rate risk	72. 8	123. 6	65. 8
NZD Interest rate risk [2]	1. 1	3. 8	4. 2

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

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

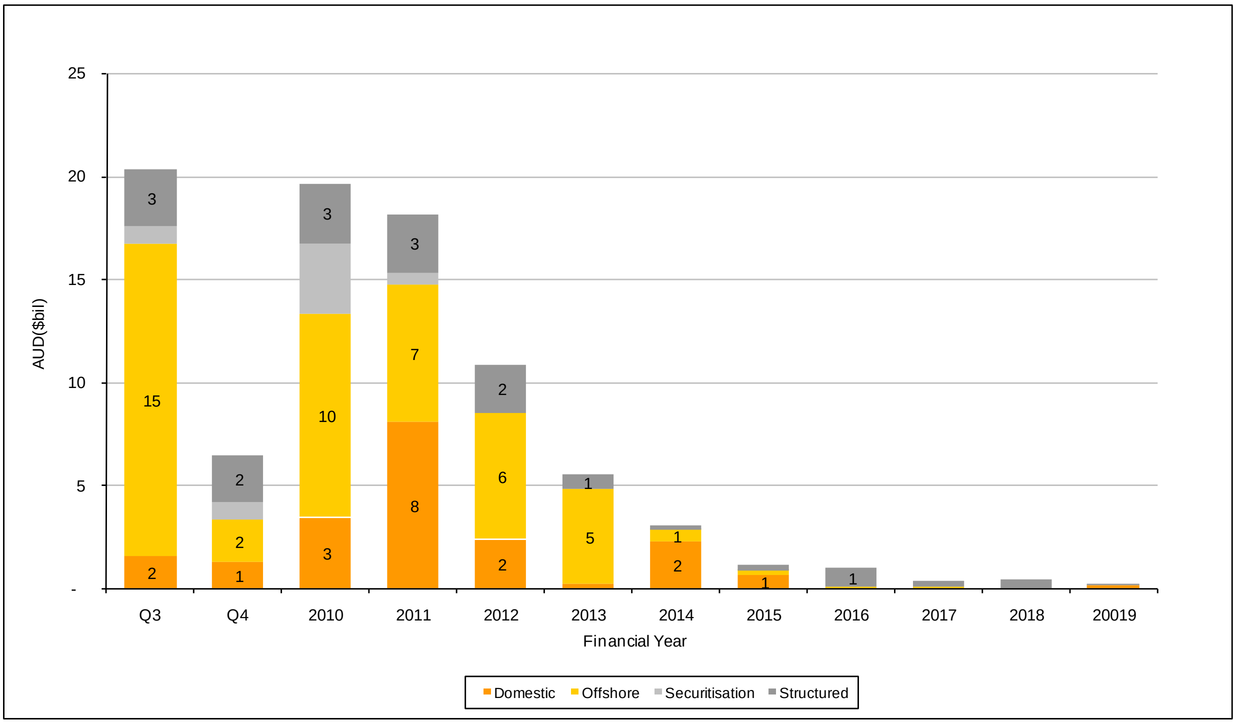
7. Integrated Risk Management (continued)

Liquidity and Funding Risk

The cost of liquidity and funding has remained much higher since the start of the ongoing volatility in global credit markets in August 2007, notwithstanding the introduction of a Government guarantee in November 2008 for certain types of borrowings. The Group's 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, issuance of both Government guaranteed and non-guaranteed debt across a range of markets and increased use of consolidated special purpose entities housing the Group's own residential mortgages that are eligible for repurchase by the RBA or RBNZ. These facilities have increased substantially from $15 billion at 30 June 2008 to $50 billion at 31 December 2008 as set out in Appendix 8.

The chart below illustrates the liquidity profile of the Group's outstanding wholesale long-term debt liabilities as at 31 December 2008, detailed by type of debt instrument and maturity. The Group's short-term wholesale debt liabilities as at 31 December 2008 were $27.4 billion.



8. 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. The main type of SPEs are securitisation vehicles and structured finance entities.

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 2008 Annual 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.

The main types of 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. This note reflects the nature of the Group's SPEs with securitisation exposures and accordingly does not include every transaction with an SPE that the Group has entered into.

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

Structured finance entities

- Reason for establishment - These entities are established to assist the Group's Structured Finance function with the structuring of client or Group financing. The resulting lending and investment arrangements are entered into under the Group's approved lending criteria and are subject to appropriate credit approval processes. The assets arising from these financing activities are generally included in Receivables due from other financial institutions, Available-for-sale investments or Loans, advances 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. 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 acquires 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's Leveraged Finance area provides secured debt financing for the acquisition of companies that are typically highly leveraged, to private equity firms and other corporations with operations in Australia and New Zealand. Target businesses are those 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

As at 31 December 2008 the Group had an exposure of USD 14.8 million (June 2008: USD 4.8 million) to hedge funds, with no exposure to diversified funds that invest in hedge funds (June 2008: USD 34 million). Uncollateralised mark to market exposure to hedge funds via cross currency and interest rate swaps was $8 million at 31 December 2008. (June 2008: No material exposure).

Collateralised debt obligations (CDOs) and credit linked notes

The Group has exposure of $60 million (June 2008: $90 million), of which $7 million (June 2008: $45 million) is collateralised by cash and AAA Australian Residential Mortgage Backed Securities. The exposure to CDOs includes one contingent unhedged exposure of USD 33 million (June 2008: USD 33 million), supported by performing CDOs.

Lenders mortgage insurance

Lenders mortgage insurance is provided by Genworth Financial Mortgage Insurance Pty Ltd. The annualised expected loss claim, representing the total value of claims that would be due from Genworth to the Group, on the basis of current market conditions, is approximately $30 million.

Monoline insurers

At 31 December 2008 the Group had $250 million (June 2008: $245 million) in exposures to securities wrapped by monoline insurers. The underlying debt instruments are predominately Australian, ranging in rating from BBB- to A-.

8. Counterparty and Other Credit Risk Exposures (continued)

Securitisation vehicles

Below is an analysis of the assets of, and exposures to, consolidated securitisation vehicles which the Group has established or manages.

		Australia		New Zealand		Total
	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08
Total securitisation assets of SPEs	$M	$M	$M	$M	$M	$M
Residential mortgages - Group originated backing mortgage-backed securities (including those held for potential repurchase with central banks)	**45,931**	15,662	**4,538**	-	**50,469**	15,662
Residential mortgages - Group originated	**14,769**	11,676	**-**	-	**14,769**	11,676
Residential mortgages - Non-Group originated	**-**	200	**-**	-	**-**	200
Commercial mortgages	**-**	79	**-**	-	**-**	79
Other	**-**	120	**-**	-	**-**	120
Total securitisation assets of SPEs	**60,700**	27,737	**4,538**	-	**65,238**	27,737

		Funded		Unfunded		Total
	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08
Exposure to securitisation SPEs	$M	$M	$M	$M	$M	$M
Residential mortgage backed securities held for potential repurchase with central banks	**48,460**	15,020	**-**	-	**48,460**	15,020
Other residential mortgage backed securities	**2,009**	642	**-**	-	**2,009**	642
Other derivatives (1)	**1,245**	1,886	**-**	-	**1,245**	1,886
Liquidity support facilities	**1,026**	1,206	**815**	516	**1,841**	1,722
Other facilities	**-**	-	**250**	266	**250**	266
Total exposure to securitisation SPEs	**52,740**	18,754	**1,065**	782	**53,805**	19,536

(1) Derivatives are measured on the basis of Potential Credit Exposure, a credit risk measurement of maximum risk over the term of the transaction.

8. Counterparty and Other Credit Risk Exposures (continued)

Asset-backed securities

Below is an analysis of the exposure to non-Group originated asset-backed securities and related facilities.

Summary of asset-backed securities	Carrying Amount 31/12/08 $M	Carrying Amount 30/06/08 $M
Commercial mortgage backed securities	123	56
Residential mortgage backed securities	3,152	3,336
Other asset-backed securities	1	2
Total	3,276	3,394

Asset-backed securities by underlying asset

	Trading portfolio		AFS portfolio [1]		Other		Total	
	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08
	$M	$M	$M	$M	$M	$M	$M	$M
Sub-prime	-	-	-	-	-	-	-	-
Non-conforming (Alt-A)	4	5	45	23	-	-	49	28
Prime mortgages	292	754	1,670	1,417	1,141	1,137	3,103	3,308
Other assets	-	-	124	58	-	-	124	58
Total	296	759	1,839	1,498	1,141	1,137	3,276	3,394

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

Asset-backed securities by credit rating and geography

	AAA & AA		A		BBB		BB and below including not rated		Total	
	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia	2,061	2,201	20	10	1	-	-	-	2,082	2,211
New Zealand	-	-	-	-	-	-	-	-	-	-
Europe	1,141	1,127	-	-	-	-	-	-	1,141	1,127
UK	53	56	-	-	-	-	-	-	53	56
Total	3,255	3,384	20	10	1	-	-	-	3,276	3,394

Warehousing financing facilities [1]	Funded Commitments 31/12/08 $M	Funded Commitments 30/06/08 $M	Unfunded Commitments 31/12/08 $M	Unfunded Commitments 30/06/08 $M	Total 31/12/08 $M	Total 30/06/08 $M
Australia	5,137	4,081	1,755	3,949	6,892	8,030
New Zealand	396	402	14	12	410	414
Europe	376	280	-	-	376	280
Canada	8	4	-	48	8	52
Total	5,917	4,767	1,769	4,009	7,686	8,776

(1) Includes reverse mortgage commitments of approximately $1 billion.

Commercial paper standby liquidity facilities [1]	Funded Commitments 31/12/08 $M	Funded Commitments 30/06/08 $M	Unfunded Commitments 31/12/08 $M	Unfunded Commitments 30/06/08 $M	Total 31/12/08 $M	Total 30/06/08 $M
Standby liquidity facilities	296	245	431	666	727	911

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

8. Counterparty and Other Credit Risk Exposures (continued)

Leveraged finance

The tables below provide an analysis of the credit exposures arising from providing leverage finance. This excludes all public company acquisition finance because it does not expose the Group to the same level of risk.

Exposure by industry

	Funded exposure		Unfunded commitments		Total gross exposure		Individual provision		Net exposure	
	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Retail	**158**	187	**24**	36	**182**	223	**2**	-	**180**	223
Manufacturing	**222**	183	**34**	32	**256**	215	**-**	-	**256**	215
Media	**139**	141	**14**	31	**153**	172	**-**	-	**153**	172
Healthcare	**101**	115	**8**	4	**109**	119	**-**	-	**109**	119
Equipment hire	**77**	85	**8**	31	**85**	116	**-**	-	**85**	116
Financial services	**52**	54	**9**	8	**61**	62	**-**	-	**61**	62
Other	**119**	117	**23**	31	**142**	148	**-**	-	**142**	148
Total [1]	**868**	882	**120**	173	**988**	1,055	**2**	-	**986**	1,055

(1) Excludes derivative exposures of $126 million (June 2008:$164 million).

Exposure by geography

	Funded exposure		Unfunded commitments		Total gross exposure		Individual provision		Net exposure	
	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08	31/12/08	30/06/08
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Australia	**741**	758	**109**	141	**850**	899	**2**	-	**848**	899
New Zealand	**127**	124	**11**	32	**138**	156	**-**	-	**138**	156
Total [1]	**868**	882	**120**	173	**988**	1,055	**2**	-	**986**	1,055

(1) Excludes derivative exposures of $126 million (June 2008:$164 million).

	As at	
	31/12/08	30/06/08
Movements in individual provisions	$M	$M
Opening balance	**-**	-
Impairment expense	**8**	-
Exposures written off	**(6)**	-
Total individual provisions	**2**	-

Appendices

9. Capital Adequacy

Risk Weighted Capital Ratios	Basel II 31/12/08	Basel II 30/06/08	Basel II 31/12/07
Tier One	**8. 75**	8. 17	8. 17
Tier Two	**2. 64**	3. 41	3. 91
Capital Base	**11. 39**	11. 58	12. 08

Regulatory Capital	31/12/08 $M	30/06/08 $M	31/12/07 $M
Tier One Capital			
Fundamental Tier One Capital			
Total shareholders' equity (1)	**29,987**	26,137	25,638
Adjustments to total shareholders' equity:			
Provisional gain on acquisition recognised on consolidation of BankWest (2)	**(547)**	-	-
Expected dividend (3)	**(1,662)**	(2,029)	(1,487)
Estimated reinvestment under Dividend Reinvestment Plan (4)	**548**	609	400
Treasury shares	**287**	264	235
Cash flow hedge reserve	**675**	(341)	(477)
Employee compensation reserve	**32**	39	81
Asset revaluation reserve	**(194)**	(195)	(181)
Available-for-sale investments reserve	**(72)**	41	72
Foreign currency translation reserve related to non-consolidated subsidiaries	**(32)**	39	(13)
Deferred fees	**40**	2	54
Retained earnings (5)	**752**	752	752
Trust Preferred Securities 2006 (6)	**(939)**	(939)	(939)
Minority Interests (7)	**(505)**	(505)	(505)
Other	**(117)**	(67)	(40)
Total Fundamental Tier One Capital	**28,253**	23,807	23,590
Residual Tier One Capital			
Innovative Tier One Capital			
Irredeemable non-cumulative preference shares (8)	**3,621**	3,396	3,451
Minority Interests (7)	**505**	505	505
Eligible loan capital	**291**	209	236
Total Innovative Tier One Capital	**4,417**	4,110	4,192
Non-Innovative Residual Tier One Capital (9)	**1,443**	1,443	1,443
Less: Residual capital in excess of prescribed limits transferred to Upper Tier Two Capital (10)	**(627)**	(1,359)	(1,592)
Total Residual Tier One Capital	**5,233**	4,194	4,043

(1) Represents Total shareholders' equity as disclosed in the Group's Consolidated Balance Sheet.

(2) APRA have prescribed that the provisional gain recognised on acquisition of Bankwest be excluded from capital whilst Bankwest is treated as a non-consolidated subsidiary for capital purposes. The Group's Tier One ratio will marginally decrease once Bankwest is consolidated for regulatory capital purposes.

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

(4) Based on reinvestment experience related to the Bank's Dividend Reinvestment Plan and approved by APRA.

(5) Represents the write back of retained earnings adjustment upon adoption of AIFRS within the non-consolidated subsidiaries. This retained earnings write back is incorporated as part of the net equity deduction of non-consolidated subsidiaries.

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

(7) Minority interest classified as Tier One Innovative Capital under Basel II regulations. Comprised predominately of ASB Perpetual Preference Shares of NZD 550 million issued by New Zealand subsidiary entities. These shares are non-redeemable and carry limited voting rights.

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

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

(10) Residual Capital eligible for inclusion as Tier One Capital is subject to an APRA prescribed limit of 25% of Tier One Capital with any excess transferred to Upper Tier Two Capital. The Group was granted transitional relief to 1 January 2010 with respect to the Innovative Capital limit of 15% of Tier One capital of $765 million. This relief is to be reduced by 20% each quarter, effective from March 2009 onwards.

9. Capital Adequacy (continued)

	31/12/08 $M	30/06/08 $M	31/12/07 $M
Tier One Capital Deductions - 100%			
Goodwill [1]	**(7,915)**	(8,010)	(8,030)
Capitalised expenses	**(137)**	(110)	(100)
Capitalised computer software costs	**(571)**	(353)	(316)
Defined benefit superannuation plan surplus [2]	**(36)**	(1,075)	(1,314)
Deferred tax	**(157)**	(38)	(27)
	(8,816)	(9,586)	(9,787)
Tier One Capital Deductions - 50% [3]			
Equity investments in other companies and trusts [4]	**(506)**	(561)	(723)
Equity investments in non-consolidated subsidiaries (net of intangibles) [5]	**(519)**	(376)	(296)
Investment in BankWest [6]	**(1,828)**	-	-
Expected impairment losses (before tax) in excess of eligible credit provisions (net of deferred tax) [7]	**(605)**	(587)	(536)
Other deductions	**(264)**	(100)	(95)
	(3,722)	(1,624)	(1,650)
Total Tier One Deductions	**(12,538)**	(11,210)	(11,437)
Total Tier One Capital	**20,948**	16,791	16,196

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

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

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

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

(5) 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. The deduction is net of $1,739 million in non-recourse debt issued by Colonial Finance Limited (June 2008: $1,739 million; December 2007: $1,701 million).

(6) APRA have approved Bankwest to be treated as a non-consolidated subsidiary as at 31 December 2008. As a result the capital invested into Bankwest, represented by ordinary share capital and subordinated Lower Tier Two Capital, must be deducted from the Group's capital, 50% Tier One and 50% Tier Two.

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

Appendices

9. Capital Adequacy (continued)

Regulatory Capital	31/12/08 $M	30/06/08 $M	31/12/07 $M
Tier Two Capital			
Upper Tier Two Capital			
Residual capital in excess of prescribed limits transferred from Tier One Capital (1)	**627**	1,359	1,592
Asset revaluation reserve (2)	**87**	88	81
Upper Tier Two note and bond issues	**320**	196	203
Other	**42**	57	45
Total Upper Tier Two Capital	**1,076**	1,700	1,921
Lower Tier Two Capital			
Lower Tier Two note and bond issues (3) (4)	**8,966**	6,977	7,532
Holding of own Lower Tier Two Capital	**(11)**	(40)	(45)
Total Lower Tier Two Capital	**8,955**	6,937	7,487
Tier Two Capital Deductions			
50% Deductions from Tier Two Capital (5)	**(3,722)**	(1,624)	(1,650)
Total Tier Two Capital	**6,309**	7,013	7,758
Total Capital	**27,257**	23,804	23,954

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

(2) 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.

			Group
Risk Weighted Assets	**31/12/08 $M**	**30/06/08 $M**	**31/12/07 (1) $M**
Credit Risk			
Subject to Advanced IRB approach			
Corporate	**93,131**	81,431	
Sovereign	**2,144**	1,802	
Bank	**12,510**	5,292	
Residential mortgage	**45,231**	39,128	
Qualifying revolving retail	**5,562**	6,070	
Other retail	**5,479**	5,274	
Other	**-**	-	
Impact of the Basel II scaling factor (2)	**9,843**	8,340	
Total risk weighted assets subject to Advanced IRB approach	**173,900**	147,337	
Specialised lending (SL) exposures subject to slotting criteria	**26,624**	21,053	
Subject to Standardised approach			
Corporate	**6,491**	5,347	
Sovereign	**430**	84	
Bank	**116**	320	
Residential mortgage	**316**	241	
Other retail	**-**	-	
Other	**8,763**	9,229	
Total risk weighted assets subject to standardised approach	**16,116**	15,221	
Securitisation	**2,890**	3,536	
Equity exposures	**1,701**	293	
Total risk weighted assets for credit risk exposures	**221,231**	187,440	181,836
Market risk	**4,138**	4,501	4,374
Interest rate risk in the Banking Book (3)	**-**	-	-
Operational risk	**13,920**	13,560	12,018
Total risk weighted assets	**239,289**	205,501	198,228

(1) The risk weighted assets as at 31 December 2007 represent figures on a Basel II pro forma basis.

(2) The Australian Prudential Regulatory Authority (APRA) requires risk weighted assets amounts that are derived from IRB risk weight functions be multiplied by a factor of 1.06.

(3) Risk weighted assets for Interest Rate Risk in the Banking Book was not effective until 1 July 2008; and was $ nil as at 31 December 2008.

9. Capital Adequacy (continued)

Capital Management

The Group maintains a strong capital position. The Tier One Capital and Total Capital ratios as at 31 December 2008 are 8.75% and 11.39% respectively.

The Group's capital ratios throughout the period were in compliance with both APRA minimum capital adequacy requirements (Prudential Capital Requirement ("PCR")) and the Board Approved Target Ranges.

Tier One Capital increased by 58 basis points over the prior half, primarily driven by capital raising initiatives as detailed below in the capital initiatives section.

The Group's Total Capital ratio remained strong at 11.39%, only 19 bps below the prior half. The benefit of both the Tier One Capital initiatives as well as favourable exchange rate movements on its lower Tier Two debt instruments were offset by the growth in Risk Weighted Assets ("RWA").

Risk Weighted Assets are $239 billion at 31 December 2008, representing an increase of $34 billion or 16% over the prior half.

Target Range

The Group's Tier One target range was formally amended by the Board in February 2009 from a range of 6.50 to 7.0% to above 7.0%.

With the full implementation of Basel II, the Group no longer monitors or reports on its Adjusted Common Equity ("ACE") capital position.

Capital Initiatives

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

Tier One Capital

- Issue of $694 million shares in October 2008 to satisfy the Dividend Reinvestment Plan ("DRP") in respect of the final dividend for 2007/08;
- Issue of $2 billion worth of shares in October 2008, via a share placement, to fund the acquisition of Bankwest and St Andrew's (52.6 million shares at $38.00 per share); and
- The issue of $2 billion worth of shares through the following share placements in December 2008; $357 million at a weighted average price of $28.37 per share and a further $1.65 billion shares at $26.00 per share.

The proceeds from the share placement in December 2008 will be used to redeem the PERLS II securities ($750m), which mature in March 2009.

The Bank has also announced a retail share placement plan intended to further strengthen the Group's capital position.

The share purchase plan will not be offered to U.S. shareholders or any other shareholders in jurisdictions outside Australia or New Zealand.

The price of the shares will be the lower of $26.00 and the 5-day Volume Weighted Average Price of the Group's shares up to and including 11 March 2009.

The 2009 interim dividend will not be paid on the shares.

Tier Two Capital

- Issue of $500 million of Lower Tier Two debt in September 2008.

Bankwest and St Andrew's Acquisition

In October 2008, the Group agreed to acquire Bankwest and St Andrew's for $2.1 billion, funded through a share placement, as detailed above.

APRA has allowed the Group to initially treat Bankwest as a non-consolidated subsidiary for regulatory capital purposes. APRA has prescribed that the capital invested into Bankwest, both in the form of ordinary shares as well as subordinated Tier Two capital, be deducted from the Group's capital, 50% from Tier One and 50% from Tier Two. The provisional discount on acquisition (recognised as part of the acquisition of Bankwest) together with Bankwest's RWA have been excluded from the Group's capital as at 31 December 2008.

Bankwest operates as a separate Authorised Deposit-taking Institution ("ADI") and is separately regulated by APRA. Bankwest's capital ratios, as at 31 December 2008, are in excess of both APRA minimum requirements and board approved targeted levels.

Bankwest currently operates under the existing Basel I prudential rules but is expected to adopt the standardised Basel II methodology in the second half of the 2009 financial year. Upon adoption of Basel II, Bankwest will be consolidated from a regulatory capital perspective.

The net assets of St Andrew's, which includes both life and general insurance operations, are deducted from the Group's capital, 50% from Tier One and 50% from Tier Two.

Life Insurance and Funds Management Business

The Group's life insurance and funds management companies held assets in excess of regulatory capital requirements at 31 December 2008. The Group's Australian and New Zealand life insurance and funds management businesses held $887 million of assets in excess of regulatory solvency requirements at 31 December 2008 (30 June 2008: $949 million, 31 December 2007: $1,051 million).

Basel II Regulatory Items

The Group was granted Basel II advanced status in December 2007. As a result of receiving this advanced status, the advanced internal ratings based (AIRB) approach for credit risk and the advanced measurement approach (AMA) for operational risk was adopted in the calculation of RWA effective from 1 January 2008. Interest Rate Risk in the Banking Book (IRRBB) was incorporated into the calculation of RWA from 1 July 2008. The agreed methodology for measuring market risk for traded assets remains unchanged from Basel I.

APRA has limited the amount of Residual (25%) and Innovative Capital (15%) that qualifies as Tier One Capital, with any excess transferred to upper Tier Two Capital. Innovative transitional relief of $765 million (based on the 31 December 2008 levels utilised) was granted to the Group by APRA. This relief, which expires on 1 January 2010, is to be reduced by 20% each quarter (effective from March 2009 onwards).

APRA implemented transitional capital floors based on 90% of the capital required under Basel II. As at 31 December 2008 these transitional floors did not have any impact on the Group's capital levels.

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.

10. Share Capital

Ordinary Share Capital	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M
Opening balance (excluding Treasury Shares deduction)	**15,991**	15,591	14,738
Dividend reinvestment plan: Final dividend prior year	**694**	-	709
Dividend reinvestment plan: Interim dividend	**-**	400	-
Share issue - including issue costs	**3,966**	-	141
Exercise of executive options	**1**	-	3
Closing balance (excluding Treasury Shares deduction)	**20,652**	15,991	15,591
Less: Treasury shares	**(287)**	(264)	(235)
Closing balance	**20,365**	15,727	15,356

Shares on Issue	Half Year Ended 31/12/08 Number	30/06/08 Number	31/12/07 Number
Opening balance (excluding Treasury Shares deduction)	**1,326,130,877**	1,315,962,276	1,300,583,376
Dividend reinvestment plan issue:			
2006/2007 Final dividend fully paid ordinary shares $54.80	**-**	-	12,938,969
2007/2008 Interim dividend fully paid ordinary shares $39.44	**-**	10,156,101	-
2007/2008 Final dividend fully paid ordinary shares $42.41	**16,372,698**	-	-
Issue of shares	**128,665,883**	-	2,327,431
Exercise of executive option plan	**30,000**	12,500	112,500
Closing balance (excluding Treasury Shares deduction)	**1,471,199,458**	1,326,130,877	1,315,962,276
Less: Treasury shares	**(7,925,748)**	(7,988,013)	(6,991,385)
Closing balance	**1,463,273,710**	1,318,142,864	1,308,970,891

Terms and Conditions of Ordinary Share Capital

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Bank, to participating in the proceeds from sale of surplus assets in proportion to the number of and amounts paid up on shares held.

A shareholder has one vote on a show of hands and one vote for each fully paid share on a poll. A shareholder may be present at a general meeting in person or by proxy or attorney, and if a body corporate, it may also authorise a representative.

Dividend Franking Account

After fully franking the interim dividend to be paid for the half year ended 31 December 2008, the amount of credits available as at 31 December 2008 to frank dividends for subsequent financial years is $554 million (June 2008: $495 million). This figure is based on the combined franking accounts of the Bank at 31 December 2008, which have been adjusted for franking credits that will arise from the payment of income tax payable on profits for the half year ended 31 December 2008, franking debits that will arise from the payment of dividends proposed for the year 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 it to be able to fully frank future dividend payments. These calculations have been based on the taxation law as at 31 December 2008.

Dividends

The Directors have declared a fully franked interim dividend of 113 cents per share amounting to $1,662 million. The dividend will be payable on 23 March 2009 to shareholders on the register at 5pm on 20 February 2009.

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 $548 million of shares in respect of the Dividend Reinvestment Plan for the interim dividend for the half year ended 31 December 2008.

Record Date

The register closes for determination of dividend entitlement and for participation in the DRP at 5:00pm on 20 February 2009 at Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235.

Ex-Dividend Date

The ex-dividend date is 16 February 2009.

11. Life Insurance Business

Life Insurance contract liabilities

Appropriately qualified actuaries have been appointed in respect of each life insurance business and they have reviewed and satisfied themselves as to the accuracy of the policy liabilities included in the Financial Report, including compliance with the regulations of the Life Insurance Act ("Life Act") 1995 where appropriate. Details are set out in the various statutory returns of these life insurance entities.

Life Investment contract liabilities

Investment contracts include both unit linked contracts and term certain annuities. They consist of a financial instrument and an investment management services element, both of which are measured at fair value. For unit linked contracts, the resulting liability to policyholders is closely linked to the performance and value of the assets (after tax) that support those liabilities. The fair value of such liabilities is the same as the fair value of those assets, after allowing for tax.

	As at		
	31/12/08	30/06/08	31/12/07
Components of Policy Liabilities [1]	$M	$M	$M
Future policy benefits [2]	**22,335**	21,525	22,817
Future bonuses	**806**	1,182	1,327
Future expenses	**2,983**	2,510	2,316
Future shareholder profit margins	**1,911**	1,669	1,590
Future shareholder tax on profit margins	**349**	291	251
Future charges for acquisition expenses	**(776)**	(601)	(576)
Balance of future premiums	**(11,001)**	(8,330)	(7,164)
Provision for bonuses not allocated to participating policyholders	**90**	104	110
Total net policy liabilities	**16,697**	18,350	20,671

(1) Includes both investment and insurance business.

(2) Including bonuses credited to policyholders in prior years. This figure includes policy benefits relating to St Andrew's Australia Pty Ltd.

Taxation

Taxation has been allowed for in the determination of policy liabilities in accordance with the relevant legislation applicable in each market.

Actuarial Methods and Assumptions

Insurance contract policy liabilities have been calculated in accordance with AASB 1038 "Life Insurance Contracts" and the Margin on Services ("MoS") methodology as set out in Prudential Standard LPS 1.04 – Valuation of Policy Liabilities issued by Australian Prudential Regulation Authority. The principal methods and profit carriers used for particular product groups were as follows:

Product Type	Method	Profit Carrier
Individual		
Conventional	Projection	Bonuses or expected claim payments
Investment account	Projection	Bonuses or funds under management
Lump sum risk	Projection	Premiums
Income stream risk	Projection	Premiums
Lifetime annuities	Projection	Annuity payments
Group		
Investment account	Projection	Bonuses or funds under management
Lump sum risk	Accumulation	Expected claim payments
Income stream risk	Accumulation	Expected claim payments

The "Projection Method" measures the present values of estimated future policy cash flows to calculate policy liabilities. The policy cash flows incorporate investment income, premiums, expenses, redemptions and benefit payments.

Bonuses are amounts added, at the discretion of the life insurer, to the benefits currently payable under Participating Business. Bonuses may take a number of forms including reversionary bonuses, interest credits and terminal bonuses (payable on the termination of the policy).

Actuarial assumptions

Set out on page 86 is a summary of the material assumptions used in the calculation of policy liabilities.

Discount rates

Discount rates are used to discount future cash flows in the determination of policy liabilities. Where insurance contract benefits are linked to the performance of the underlying assets, the discount rates are based on the expected earnings rate on the assets held (Traditional and Investment Account contracts). For all other insurance contracts, the discount rates are based on risk free rates of return. Allowance is made for taxation where relevant and for the nature and term of the liabilities. The following table shows the applicable rates for the major classes of business in Australia and New Zealand. The changes relate to changes in long term earnings rates and asset mix or to changes in the risk free rates of return.

11. Life Insurance Business (continued)

Class of Business - Australia (1)	December 2008 Rate Range %			June 2008 Rate Range %		
Traditional - ordinary business (after tax)	2. 79	-	4. 94	4. 52	-	6. 74
Traditional - superannuation business (after tax)	3. 39	-	6. 04	5. 48	-	8. 24
Annuity - term and lifetime (exempt from tax)	2. 76	-	4. 44	6. 31	-	8. 17
Term insurance (before tax)	1. 27	-	4. 44	6. 44	-	7. 25
Income protection - (before tax)	1. 27	-	4. 44	6. 44	-	7. 25
Investment account - ordinary (after tax)	3. 05	-	3. 59	4. 79	-	5. 35
Investment account - superannuation (after tax)	3. 71	-	4. 38	5. 83	-	6. 52
Investment account - annuities (exempt from tax)	4. 33	-	5. 07	6. 79	-	7. 53

(1) For New Zealand investment earning rates assumed were 3.2% to 6.0% net of tax.

Bonuses

The valuation assumes that the long-term supportable bonuses will be paid, which is in line with company bonus philosophy. There have been no significant changes to these assumptions.

Maintenance expenses

The maintenance expenses are based on an internal analysis of experience and are assumed to increase in line with inflation each year. The expenses are expected to be sufficient to cover the cost of servicing the business in the coming year, after adjusting for one-off expenses. To be consistent with other legal entities within the Group, from 1 July 2008 Group overheads will no longer be allocated to the life company and accordingly, no allowance for Group Overheads is included in the expense assumptions. For Australian Participating Business, expenses continue on the previous charging basis with adjustments for actual experience and are assumed to increase in line with inflation each year.

Investment management expenses

Investment management expense assumptions vary by asset classes and are based on the recently negotiated investment fees as set out in Fund Management Arrangements. There has been no significant change to overall investment fees.

Inflation

The inflation assumption is consistent with the investment earning assumptions. The inflation assumption was reduced from 3% at 30 June 2008 to 2.5% at 31 December 2008.

Benefit indexation

The indexation rates are based on an analysis of past experience and estimated long term inflation and vary by business and product type. There have been no significant changes to these assumptions.

Taxation

The taxation basis and rates assumed vary by market and product type. There has been no significant change to the taxation basis.

Voluntary discontinuance

Discontinuance rates are based on recent company experience and vary by market, product, age and duration inforce. There have been no significant changes to these assumptions.

Surrender values

Current surrender value bases are assumed to apply in the future. There have been no significant changes to these assumptions.

Mortality and morbidity

Rates vary by sex, age, product type and smoker status. Rates are based on standard mortality tables applicable to each market (e.g. IA95-97 in Australia for retail risk, IM/IF80 for annuities), adjusted for recent company experience where appropriate. There have been no significant changes to these assumptions.

Solvency

Australian life insurers:

Australian life insurers are required to hold prudential reserves in excess of policy liabilities. These reserves are required to support solvency requirements and provide protection against adverse experience. Prudential Standard LPS 2.04 Solvency Standard ("LPS 2.04") prescribes a minimum solvency requirement and the minimum level of assets required to be held in each insurance fund. All controlled Australian insurance entities complied with the solvency requirements of LPS 2.04.

Overseas life insurers:

Overseas insurance subsidiaries are required to hold reserves in excess of policy liabilities in accordance with local Acts and prudential rules. Each of the overseas subsidiaries complied with local requirements.

Managed assets & fiduciary activities

Arrangements are in place to ensure that asset management and other fiduciary activities of controlled entities are independent of the insurance funds and other activities of the Group.

Disaggregated information

Life Insurance business is conducted through a number of life insurance entities in Australia and overseas. Under the Australian Life Insurance Act 1995, life insurance business is conducted within one or more separate statutory funds, which are separated from the shareholders' funds. The financial statements of Australian life insurers, which are lodged annually with the relevant Australian regulators, show all major components of the financial statements disaggregated between the various life insurance statutory funds and their shareholders' funds, as well as between life insurance and life investment business.

12. Intangible Assets

	As at		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Total Intangible Assets			
Goodwill	**7,484**	7,484	7,462
Computer software costs	**571**	353	316
Management fee rights	**311**	311	311
Other	**120**	110	124
Total intangible assets	**8,486**	8,258	8,213
Goodwill			
Purchased Goodwill - Colonial	**6,705**	6,705	6,705
Purchased Goodwill - other	**779**	779	757
Total goodwill	**7,484**	7,484	7,462
Computer Software Costs			
Cost	**909**	629	481
Accumulated amortisation	**(299)**	(199)	(165)
Accumulated write-offs	**(39)**	(77)	-
Total computer software costs	**571**	353	316
Management Fee Rights			
Cost	**311**	311	311
Total management fee rights	**311**	311	311
Other			
Cost	**182**	159	162
Accumulated amortisation	**(62)**	(49)	(38)
Total other	**120**	110	124

	Half Year Ended		
	31/12/08	30/06/08	31/12/07
	$M	$M	$M
Goodwill (reconciliation)			
Opening balance	**7,484**	7,462	7,163
Additions	**-**	24	299
Disposals	**-**	(2)	-
Closing balance	**7,484**	7,484	7,462
Computer Software Costs (reconciliation)			
Opening balance	**353**	316	297
Additions:			
From acquisitions [(1)]	**135**	79	11
From internal development [(2)]	**132**	81	50
Amortisation	**(49)**	(46)	(42)
Impairment	**-**	(77)	-
Closing balance	**571**	353	316
Management Fee Rights (reconciliation)			
Opening balance	**311**	311	311
Closing balance	**311**	311	311
Other (reconciliation)			
Opening balance	**110**	124	64
Additions:			
From acquisitions	**18**	-	64
Disposals	**-**	(3)	-
Amortisation	**(8)**	(11)	(4)
Closing balance	**120**	110	124

(1) Includes $72 million acquired as part of the Bankwest acquisition.

(2) Due primarily to Core Banking Modernisation project.

13. ASB Bank Group – Statutory View

Income Statement [1]	Half Year Ended 31/12/08 NZDM	30/06/08 NZDM	31/12/07 NZDM	31/12/08 $M	30/06/08 $M	31/12/07 $M
Interest income	**2,574**	2,424	2,223	**2,137**	2,039	1,925
Interest expense	**2,091**	1,917	1,729	**1,736**	1,613	1,497
Net interest earnings	**483**	507	494	**401**	426	428
Other income	**244**	175	189	**206**	146	164
Total operating income	**727**	682	683	**607**	572	592
Impairment expense	**67**	35	5	**57**	29	5
Total operating income after loan impairment expense	**660**	647	678	**550**	543	587
Total operating expense	**336**	292	296	**279**	244	257
Salaries and other staff expense	**197**	171	175	**164**	143	152
Building occupancy and equipment expense	**53**	52	49	**44**	44	42
Information technology expense	**33**	28	26	**27**	23	23
Other expenses	**53**	41	46	**44**	34	40
Net surplus before taxation	**324**	355	382	**271**	299	330
Taxation	**86**	107	115	**72**	90	99
Net surplus after taxation	**238**	248	267	**199**	209	231

Balance Sheet [2]	As at 31/12/08 NZDM	30/06/08 NZDM	31/12/07 NZDM	31/12/08 $M	30/06/08 $M	31/12/07 $M
Assets						
Cash and liquid assets	**1,291**	1,155	1,412	**1,084**	914	1,245
Due from other banks	**953**	710	660	**800**	562	582
Money market advances	**287**	1,223	3,351	**241**	968	2,955
Securities at fair value through Income Statement	**6,097**	4,962	4,485	**5,120**	3,928	3,955
Derivative assets	**3,623**	952	880	**3,043**	754	776
Advances to customers	**52,119**	49,835	44,926	**43,768**	39,456	39,619
Property, plant and equipment	**155**	159	151	**130**	126	133
Intangible assets	**109**	56	49	**92**	44	43
Current taxation assets	**93**	-	-	**78**	-	-
Deferred taxation assets	**308**	26	-	**259**	21	-
Other assets	**308**	272	261	**259**	215	230
Total assets	**65,343**	59,350	56,175	**54,874**	46,988	49,538
Total interest earning and discount bearing assets	**60,531**	57,765	54,651	**50,832**	45,733	48,193
Liabilities						
Money and market deposits	**21,412**	20,545	18,593	**17,981**	16,266	16,396
Derivative liabilities	**4,093**	744	805	**3,437**	589	710
Deposits from customers	**30,132**	27,789	26,240	**25,304**	22,001	23,139
Due to other banks	**5,561**	5,627	5,745	**4,670**	4,455	5,066
Other liabilities	**582**	591	469	**489**	468	415
Deferred taxation liabilities	**-**	-	106	**-**	-	93
Current tax liability	**-**	26	19	**-**	21	17
Subordinated debt	**870**	829	823	**731**	656	726
Total liabilities	**62,650**	56,151	52,800	**52,612**	44,456	46,562
Shareholders' Equity						
Contributed capital - ordinary shareholder	**1,973**	1,973	1,563	**1,657**	1,562	1,378
Asset revaluation reserve	**29**	29	27	**24**	23	24
Available for sale reserve	**13**	19	-	**11**	15	-
Cash flow hedge reserves	**(604)**	27	256	**(506)**	21	226
Foreign translation currency reserve	**1**	-	-	**1**	-	-
Retained earnings	**-**	-	-	**-**	-	-
Accumulated surplus	**731**	601	979	**613**	476	863
Ordinary shareholders' equity	**2,143**	2,649	2,825	**1,800**	2,097	2,491
Contributed capital - perpetual preference shareholders	**550**	550	550	**462**	435	485
Total Shareholders' equity	**2,693**	3,199	3,375	**2,262**	2,532	2,976
Total liabilities and Shareholders' equity	**65,343**	59,350	56,175	**54,874**	46,988	49,538
Total interest and discount bearing liabilities	**55,525**	52,938	49,485	**46,664**	41,911	43,638

(1) The Income Statement has been translated at AUD 1.00= NZD 1.2050 for the half year ended 31 December 2008 (AUD 1.00= NZD 1.1945 for the half year ended 30 June 2008 and AUD 1.00= NZD 1.1547 for the half year ended 31 December 2007).

(2) Refer to Appendix 19 for rates at which the Balance Sheet has been translated.

14. ASX Appendix 4D

Compliance Statement

This interim report for the half year ended 31 December 2008 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 year.

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

11 February 2009

14. ASX Appendix 4D (continued)

Details of entities over which control was lost during the half year (Item 4)	Date control lost	Ownership Interest Held (%)
The Group did not lose control of any entities during the half year to 31 December 2008	-	-

Details of associates and joint ventures

As at 31 December 2008	Ownership interest held (%)
Acadian Asset Management (Australia) Limited	50%
CMG CH China Funds Management Limited	50%
Equigroup Pty Limited	50%
Equion Health (Barts) Limited	50%
First State Media (Ireland) Limited	50%
Five D Holdings Pty Limited	50%
Forth Health Holdings Limited	50%
John Laing Health (Pembury) Limited	50%
Sandalwood Pte Ltd	50%
China Life CMG Life Assurance Company Limited	49%
First State Cinda Fund Management Company Limited	46%
Healthcare Support (Newcastle) Limited	40%
Aussie Home Loans Pty Limited	33%
International Private Equity Real Estate Fund	33%
Vipro Pty Ltd	33%
AMTD Group Company Limited	30%
452 Capital Pty Limited	30%
Cash Services Australia Pty Limited	25%
Jinan City Commercial Bank Co. Ltd.	20%
Bank of Hangzhou Co. Ltd.	19.9%
FS Media Works Fund 1, LP	11%
CFS Retail Property Trust	9%
Commonwealth Property Office Fund	7.8%

Any other significant information

There is no other significant information other than as disclosed in note 12.

Post Balance Date Events

There have been no significant events occurring since the balance sheet date other than as disclosed in note 12.

Foreign Entities (Item 8)

Not Applicable.

15. Profit Reconciliation

Profit Reconciliation	Net profit after tax "cash basis" $M	Provisional gain on acquisition of controlled entities $M	Defined benefit superannuation plan expense $M	Treasury shares valuation adjustment $M	Hedging and AIFRS volatility $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Half Year Ended 31 December 2008							
Group								
Net interest income	**4,543**	-	-	-	-	-	-	**4,543**
Other banking income	**2,036**	-	-	-	(17)	-	-	**2,019**
Total banking income	**6,579**	-	-	-	(17)	-	-	**6,562**
Funds management income	**1,005**	-	-	56	-	(138)	(66)	**857**
Insurance income	**432**	-	-	-	-	(57)	(117)	**258**
Total operating income	**8,016**	-	-	56	(17)	(195)	(183)	**7,677**
Provisional gain on acquisition of controlled entities	**-**	782	-	-	-	-	-	**782**
Operating expenses	**3,551**	-	18	-	-	-	-	**3,569**
Impairment expenses	**1,607**	-	-	-	-	-	-	**1,607**
Net profit before tax	**2,858**	782	(18)	56	(17)	(195)	(183)	**3,283**
Tax expense	**697**	235	(5)	22	(9)	(195)	(51)	**694**
Minority interests	**16**	-	-	-	-	-	-	**16**
Underlying profit after tax	**2,145**	547	(13)	34	(8)	-	(132)	**2,573**
Investment experience after tax	**(132)**	-	-	-	-	-	132	**-**
Net profit after tax	**2,013**	547	(13)	34	(8)	-	-	**2,573**

15. Profit Reconciliation (continued)

Profit Reconciliation	Net profit after tax "cash basis" $M	Gain on Visa Initial Public Offering $M	Investment and restructuring $M	Defined benefit superannuation plan income $M	Treasury shares valuation adjustment $M	Hedging and AIFRS volatility $M	Policyholder tax $M	Investment experience $M	Net profit after tax "statutory basis" $M
	Half Year Ended 30 June 2008								
Group									
Net interest income	**4,008**	-	-	-	-	-	-	-	**4,008**
Other banking income	**1,771**	308	-	-	-	(65)	-	-	**2,014**
Total banking income	**5,779**	308	-	-	-	(65)	-	-	**6,022**
Funds management income	**1,166**	-	-	-	108	-	(94)	30	**1,210**
Insurance income	**439**	-	-	-	-	-	(57)	(89)	**293**
Total operating income	**7,384**	308	-	-	108	(65)	(151)	(59)	**7,525**
Operating expenses	**3,643**	-	377	(20)	-	-	-	-	**4,000**
Impairment expenses	**597**	-	-	-	-	-	-	-	**597**
Net profit before tax	**3,144**	308	(377)	20	108	(65)	(151)	(59)	**2,928**
Tax expense	**739**	13	(113)	7	35	(20)	(151)	(18)	**492**
Minority interests	**16**	-	-	-	-	-	-	-	**16**
Underlying profit after tax	**2,389**	295	(264)	13	73	(45)	-	(41)	**2,420**
Investment experience after tax	**(41)**	-	-	-	-	-	-	41	**-**
Net profit after tax	**2,348**	295	(264)	13	73	(45)	-	-	**2,420**

15. Profit Reconciliation (continued)

	Half Year Ended 31 December 2007						
	Net profit after tax "cash basis"	Defined benefit superannuation plan expense	Treasury shares valuation adjustment	Hedging and AIFRS volatility	Policyholder tax	Investment experience	Net profit after tax "statutory basis"
Profit Reconciliation	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Group							
Net interest income	**3,899**	-	-	-	-	-	**3,899**
Other banking income	**1,541**	-	-	4	-	-	**1,545**
Total banking income	**5,440**	-	-	4	-	-	**5,444**
Funds management income	**1,141**	-	(12)	-	16	8	**1,153**
Insurance income	**393**	-	-	-	20	34	**447**
Total operating income	**6,974**	-	(12)	4	36	42	**7,044**
Operating expenses	**3,378**	6	-	-	-	-	**3,384**
Impairment expenses	**333**	-	-	-	-	-	**333**
Net profit before tax	**3,263**	(6)	(12)	4	36	42	**3,327**
Tax expense	**891**	(2)	1	1	36	14	**941**
Minority interests	**15**	-	-	-	-	-	**15**
Underlying profit after tax	**2,357**	(4)	(13)	3	-	28	**2,371**
Investment experience after tax	**28**	-	-	-	-	(28)	**-**
Net profit after tax	**2,385**	(4)	(13)	3	-	-	**2,371**

16. Consolidated Balance Sheet Impact of Bankwest and St Andrew's Acquisition

Consolidated Balance Sheet	Pre-acquisition Commonwealth Bank Group $M	BankWest $M	St Andrew's $M	Eliminations $M	Commonwealth Bank Group $M
	As at 31 December 2008				
Cash and liquid assets	12,258	330	-	-	12,588
Receivables due from other financial institutions	29,171	374	17	(14,716)	14,846
Assets at fair value through Income Statement:					
Trading	24,862	5,661	-	(802)	29,721
Insurance	17,695	-	279	-	17,974
Other	1,937	115	-	-	2,052
Derivative assets	43,209	1,043	-	(591)	43,661
Available-for-sale investments	17,347	3	-	-	17,350
Loans, advances and other receivables	388,433	57,891	-	(4)	446,320
Bank acceptances of customers	14,732	-	-	-	14,732
Property, plant and equipment	2,251	175	2	-	2,428
Investment in associates	1,062	-	-	-	1,062
Intangible assets	8,396	72	18	-	8,486
Deferred tax assets	1,163	236	-	-	1,399
Shares in and loans to controlled entities	2,989	-	-	(2,989)	-
Other assets	5,230	296	8	(23)	5,511
Assets held for sale	631	-	-	-	631
Total assets	571,366	66,196	324	(19,125)	618,761
Deposits and other public borrowings	313,368	50,383	-	(13,567)	350,184
Payables due to other financial institutions	18,041	4,587	-	(946)	21,682
Liabilities at fair value through Income Statement	16,148	242	-	-	16,390
Derivative liabilities	41,887	515	-	(591)	41,811
Bank acceptances	14,732	-	-	-	14,732
Current tax liabilities	396	5	-	-	401
Deferred tax liabilities	45	-	3	235	283
Other provisions	1,106	67	18	-	1,191
Insurance policy liabilities	16,693	-	204	-	16,897
Debt issues	97,178	5,221	-	-	102,399
Managed fund units on issue	350	-	-	-	350
Bills payable and other liabilities	7,523	284	9	(4)	7,812
	527,467	61,304	234	(14,873)	574,132
Loan capital	14,459	1,211	-	(1,028)	14,642
Total liabilities	541,926	62,515	234	(15,901)	588,774
Net assets	29,440	3,681	90	(3,224)	29,987
Share capital:					
Ordinary share capital	20,365	2,607	72	(2,679)	20,365
Other equity instruments	939	-	-	-	939
Reserves	958	-	-	-	958
Retained profits	6,659	1,074	18	(545)	7,206
Shareholders' equity attributable to Equity holders of the Bank	28,921	3,681	90	(3,224)	29,468
Minority interests:					
Controlled entities	519	-	-	-	519
Total Shareholders' equity	29,440	3,681	90	(3,224)	29,987

17. Analysis Template

Profit Summary - Input Schedule	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M	Page References
Income - Cash Basis				
Net interest income	**4,543**	4,008	3,899	Page 6
Other banking operating income	**2,036**	1,771	1,541	Page 6
Total banking income	**6,579**	5,779	5,440	Page 3
Funds management income	**1,005**	1,166	1,141	Page 6
Insurance income	**432**	439	393	Page 6
Operating income	**8,016**	7,384	6,974	Page 3
Investment experience	**(183)**	(59)	42	Page 6
Total income	**7,833**	7,325	7,016	Page 6
Expenses - Cash Basis				
Retail Banking Services	**1,351**	1,349	1,270	Page 14
Premium Business Services	**928**	947	856	Page 16
Wealth Management - operating expenses	**580**	625	578	Page 20
Wealth Management - volume expenses	**243**	262	246	Page 20
International Financial Services	**443**	413	411	Page 24
Other	**6**	47	17	Page 29
Total operating expenses	**3,551**	3,643	3,378	Page 6
Profit before impairment expense	**4,282**	3,682	3,638	
Impairment expense	**1,607**	597	333	Page 6
Profit before income tax	**2,675**	3,085	3,305	Page 6
Corporate tax expense	**646**	721	905	Page 6
Operating profit after tax	**2,029**	2,364	2,400	
Minority interest	**16**	16	15	Page 6
Net profit after tax - cash basis	**2,013**	2,348	2,385	Page 6
Provisional gain on acquisition of controlled entities	**547**	-	-	Page 6
Gain on Visa Initial Public Offering	**-**	295	-	Page 6
Investment and restructuring	**-**	(264)	-	Page 6
Defined benefit superannuation plan income/(expense)	**(13)**	13	(4)	Page 6
Treasury shares valuation adjustment	**34**	73	(13)	Page 6
Hedging and AIFRS volatility	**(8)**	(45)	3	Page 6
Net profit after tax - statutory basis	**2,573**	2,420	2,371	Page 6
Investment experience	**(183)**	(59)	42	Page 31
Tax expense on Investment experience	**(51)**	(18)	14	Page 31
Investment experience - after tax	**(132)**	(41)	28	Page 31
Net profit after tax - underlying basis	**2,145**	2,389	2,357	Page 6
Total Operating Income				
Retail Banking Services	**3,184**	2,876	2,801	Page 14
Premium Business Services	**2,427**	2,151	1,986	Page 16
Wealth Management (net of volume expenses)	**1,030**	1,161	1,121	Page 20
International Financial Services	**823**	829	758	Page 24

Appendices

17. Analysis Template (continued)

Profit Summary - Input Schedule	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M	Page References
Other Data				
Net interest income (excluding securitisation)	**4,501**	3,949	3,838	Page 53
Average interest earning assets (excluding securitisation)	**436,722**	400,678	370,819	Page 52
Average net assets [(1)]	**28,062**	25,888	25,041	Page 27
Average minority interest [(1)]	**519**	515	512	Page 27
Average preference shares & other equity instruments [(1)]	**939**	939	939	Page 27
Average treasury shares [(1)]	**(276)**	(250)	(245)	Page 70
Average defined benefit superannuation plan net surplus [(1)]	**515**	1,154	1,267	-
Distributions - other equity instruments	**26**	23	25	-
Interest expense (after tax) - Perls II	**15**	16	14	-
Interest expense (after tax) - Perls III	**35**	35	33	-
Interest expense (after tax) - Perls IV	**31**	32	26	-
Interest expense (after tax) - TPS	**14**	13	12	-
Interest expense (after tax) - Convertible notes	**23**	20	21	-
Weighted average number of shares - statutory basis	**1,352**	1,314	1,300	Page 3
Weighted average number of shares - fully diluted - statutory	**1,535**	1,431	1,380	-
Weighted average number of shares - cash and underlying	**1,358**	1,319	1,306	Page 3
Weighted average number of shares - fully diluted - cash and underlying	**1,541**	1,437	1,386	-
Weighted average number of shares - Perls II	**27**	18	12	-
Weighted average number of shares - Perls III	**42**	28	19	-
Weighted average number of shares - Perls IV	**52**	36	23	-
Weighted average number of shares - TPS	**29**	13	10	-
Weighted average number of shares - Convertible notes	**33**	23	16	-
Dividends per share (cents)	**113**	153	113	Page 3
No. of shares at end of period	**1,471**	1,326	1,316	Page 70
Average funds under administration	**179,371**	198,801	191,447	Page 5
Average inforce premiums	**1,708**	1,554	1,444	Page 5
Net assets	**29,987**	26,137	25,638	Page 27
Total intangible assets	**8,486**	8,258	8,213	Page 27
Minority interests	**519**	518	511	Page 27
Other equity instruments	**939**	939	939	Page 27

(1) Average of reporting period balances

17. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M
EPS			
Net profit after tax - cash basis	**2,013**	2,348	2,385
Less distribution - other equity instruments	**26**	23	25
Adjusted profit for EPS calculation	**1,987**	2,325	2,360
Average number of shares (M)	**1,358**	1,319	1,306
Earnings per share - cash basis (cents)	**146. 3**	176. 2	180. 7
Earnings per share - dilutions			
Interest expense (after tax) - Perls II	**15**	16	14
Interest expense (after tax) - Perls III	**35**	35	33
Interest expense (after tax) - Perls IV	**31**	32	26
Interest expense (after tax) - TPS	**14**	13	12
Interest expense (after tax) - Convertible notes	**23**	20	21
Profit impact of assumed conversions (after tax)	**118**	116	106
Weighted average number of shares - Perls II (M)	**27**	18	12
Weighted average number of shares - Perls III (M)	**42**	28	19
Weighted average number of shares - Perls IV (M)	**52**	36	23
Weighted average number of shares - TPS (M)	**29**	13	10
Weighted average number of shares - Convertible Notes (M)	**33**	23	16
Weighted average number of shares - dilutive securities (M)	**183**	118	80
Adjusted cash profit for EPS calculation	**1,987**	2,325	2,360
Add back profit impact of assumed conversions (after tax)	**118**	116	106
Adjusted diluted profit for EPS calculation	**2,105**	2,441	2,466
Average number of shares (M)	**1,358**	1,319	1,306
Add back weighted average number of shares (M)	**183**	118	80
Diluted average number of shares (M)	**1,541**	1,437	1,386
EPS diluted - cash basis (cents)	**136. 6**	169. 9	177. 9
Net profit after tax - underlying	**2,145**	2,389	2,357
Less distribution - other equity instruments	**26**	23	25
Adjusted profit for EPS calculation	**2,119**	2,366	2,332
Average number of shares (M)	**1,358**	1,319	1,306
Earnings per share - underlying basis (cents)	**156. 0**	179. 5	178. 4

17. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M
DPS			
Dividends			
Dividends per share (cents)	**113**	153	113
No of shares at end of period (M)	**1,471**	1,326	1,316
Total dividends	**1,662**	2,029	1,487
Dividend payout ratio - cash basis			
Net profit after tax - cash basis	**2,013**	2,348	2,385
NPAT - available for distribution to ordinary shareholders	**1,987**	2,325	2,360
Total dividends	**1,662**	2,029	1,487
Payout ratio - cash basis (%)	**83. 6**	87. 3	63. 0
Dividend cover			
NPAT - available for distribution to ordinary shareholders	**1,987**	2,325	2,360
Total dividends	**1,662**	2,029	1,487
Dividend cover - cash basis	**1. 2**	1. 1	1. 6
ROE			
Return on equity - cash basis			
Average net assets	**28,062**	25,888	25,041
Less:			
Average minority interests	**(519)**	(515)	(512)
Average preference shares	**(939)**	(939)	(939)
Average equity	**26,604**	24,434	23,590
Add average treasury shares	**276**	250	245
Less average defined benefit superannuation plan net surplus	**(515)**	(1,154)	(1,267)
Net average equity	**26,365**	23,530	22,568
NPAT ("cash basis")	**2,013**	2,348	2,385
Less distribution - other equity instruments	**26**	23	25
Adjusted profit for ROE calculation	**1,987**	2,325	2,360
Return on equity - cash basis (%)	**15. 0**	19. 9	20. 8
Return on equity - underlying basis			
Average net assets	**28,062**	25,888	25,041
Less:			
Average minority interests	**(519)**	(515)	(512)
Average preference shares	**(939)**	(939)	(939)
Average equity	**26,604**	24,434	23,590
Add average treasury shares	**276**	250	245
Less average defined benefit superannuation plan net surplus	**(515)**	(1,154)	(1,267)
Net average equity	**26,365**	23,530	22,568
NPAT ("underlying basis")	**2,145**	2,389	2,357
Less distribution other equity instruments	**26**	23	25
Adjusted profit for ROE calculation	**2,119**	2,366	2,332
Return on equity - underlying basis (%)	**15. 9**	20. 2	20. 6
NIM			
Net interest income (excluding securitisation)	**4,501**	3,949	3,838
Average interest earning assets (excluding securitisation)	**436,722**	400,678	370,819
NIM (%pa)	**2. 04**	1. 98	2. 06

17. Analysis Template (continued)

Ratios - Output Summary	Half Year Ended 31/12/08 $M	30/06/08 $M	31/12/07 $M
Productivity			
Group operating expense to total operating income ratio			
Operating expenses	**3,551**	3,643	3,378
Total operating income	**8,016**	7,384	6,974
Operating expenses to total operating income (%)	**44. 3**	49. 3	48. 4
Retail Banking Services expense to income ratio			
Operating expenses	**1,351**	1,349	1,270
Total banking income	**3,184**	2,876	2,801
Operating expenses to total operating income (%)	**42. 4**	46. 9	45. 3
Premium Business Services operating expense to total banking income ratio			
Operating expenses	**928**	947	856
Total banking income	**2,427**	2,151	1,986
Operating expenses to total operating income (%)	**38. 2**	44. 0	43. 1
Wealth Management operating expense to net operating income ratio			
Operating expenses	**580**	625	578
Net operating income	**1,030**	1,161	1,121
Operating expenses to net operating income (%)	**56. 3**	53. 8	51. 6
International Financial Services operating expense to total operating income ratio			
Operating expenses	**443**	413	411
Total operating income	**823**	829	758
Operating expenses to net operating income (%)	**53. 8**	49. 8	54. 2
Net Tangible Assets (NTA) per share			
Net assets	**29,987**	26,137	25,638
Less:			
Intangible assets	**(8,486)**	(8,258)	(8,213)
Minority interests	**(519)**	(518)	(511)
Other equity instruments	**(939)**	(939)	(939)
Total net tangible assets	**20,043**	16,422	15,975
No of shares at end of period (M)	**1,471**	1,326	1,316
Net tangible assets (NTA) per share ($)	**13. 63**	12. 38	12. 14

Appendices

18. Summary

Group		Page	31/12/08	30/06/08	31/12/07	Dec 08 vs Jun 08 %	Dec 08 vs Dec 07 %
			Half Year Ended				
Net profit after tax - underlying basis	$M	3	**2,145**	2,389	2,357	(10)	(9)
Net profit after tax - cash basis	$M	3	**2,013**	2,348	2,385	(14)	(16)
Provisional gain on acquisition of controlled entities	$M	3	**547**	-	-	large	-
Gain on Visa Initial Public Offering	$M	3	**-**	295	-	large	-
Investment and restructuring - after tax	$M	3	**-**	(264)	-	large	-
Defined benefit superannuation plan income/(expense) - after tax	$M	3	**(13)**	13	(4)	large	large
Treasury shares valuation adjustment - after tax	$M	3	**34**	73	(13)	(53)	large
Hedging and AIFRS volatility	$M	3	**(8)**	(45)	3	(82)	large
Net profit after tax - statutory	$M	3	**2,573**	2,420	2,371	6	9
Earnings per share - cash basis - basic	cents	3	**146. 3**	176. 2	180. 7	(17)	(19)
Dividends per share	cents	3	**113**	153	113	(26)	-
Dividends pay-out ratio - cash basis	%	3	**83. 6**	87. 3	63. 0	(4)	33
Tier One Capital - Basel II	%	5	**8. 75**	8. 17	8. 17	58bpts	58bpts
Total Capital - Basel II	%	5	**11. 39**	11. 58	12. 08	(19)bpts	(69)bpts
Number of full time equivalent staff	No.	-	**45,013**	39,621	38,452	14	17
Return on equity - cash	%	3	**15. 0**	19. 9	20. 8	(490)bpts	(580)bpts
Return on equity - underlying	%	84	**15. 9**	20. 2	20. 6	(430)bpts	(470)bpts
Weighted average number of shares - statutory	M	3	**1,352**	1,314	1,300	3	4
Net tangible assets per share	$	85	**13.63**	12.38	12.14	10	12
Net interest income	$M	3	**4,543**	4,008	3,899	13	17
Net interest margin	%	5	**2. 04**	1. 98	2. 06	6bpts	(2)bpts
Other banking income ("cash basis")	$M	3	**2,036**	1,771	1,541	15	32
Other banking income/total banking income	%	-	**30. 9**	30. 6	28. 3	30bpts	260bpts
Operating expense to total operating income	%	5	**44. 3**	49. 3	48. 4	(10)	(8)
Average interest earning assets	$M	5	**436,722**	400,678	370,819	9	18
Average interest earning liabilities	$M	5	**410,880**	375,930	348,716	9	18
Impairment expense	$M	3	**1,607**	597	333	large	large
Impairment expense to average risk weighted assets - Basel II	%	9	**1. 43**	0. 59	-	large	-
Total provision for impairment losses to gross impaired assets - Basel II	%	38	**132. 9**	255. 5	245. 6	(48)	(46)
Individually assessed provisions for impairment to gross impaired assets	%	9	**41. 8**	40. 8	33. 6	2	24
Risk weighted assets	$M	9	**239,289**	205,501	198,228	16	21
Retail Banking Services							
Cash net profit after tax	$M	5	**1,119**	936	975	20	15
Premium Business Services							
Cash net profit after tax	$M	5	**205**	785	707	(74)	(71)
Wealth Management							
Cash net profit after tax	$M	3	**175**	343	394	(49)	(56)
Underlying profit after tax	$M	5	**328**	397	392	(17)	(16)
Investment experience	$M	23	**(222)**	(77)	3	large	large
FUA - average	$M	5	**173,001**	191,721	183,548	(10)	(6)
FUA - spot	$M	16	**158,026**	184,970	199,834	(15)	(21)
Net funds flow	$M	17	**(12,473)**	3,443	25,171	large	large
Average inforce premiums	$M	5	**1,314**	1,172	1,058	12	24
Inforce premiums - spot	$M	16	**1,378**	1,250	1,094	10	26
Funds management income to average FUA	%	5	**1. 11**	1. 18	1. 20	(6)	(8)
Insurance income to average inforce premiums	%	5	**46. 3**	50. 8	49. 1	(9)	(6)
International Financial Services							
Cash net profit after tax	$M	5	**278**	292	289	(5)	(4)
FUA - average	$M	5	**6,370**	7,080	7,899	(10)	(19)
FUA - spot	$M	20	**6,245**	6,335	7,868	(1)	(21)
Average inforce premiums	$M	5	**394**	382	386	3	2
Inforce premiums - spot	$M	20	**416**	371	392	12	6
Funds management income to average FUA	%	5	**0. 81**	0. 74	0. 55	9	47
Insurance income to average inforce premiums	%	5	**59. 9**	69. 5	61. 8	(14)	(3)

19. Foreign Exchange Rates

Exchange Rates Utilised		As at		
		31/12/08	30/06/08	31/12/07
AUD 1. 00 =	USD	**0. 6923**	0. 9656	0. 8815
	GBP	**0. 4795**	0. 4841	0. 4412
	JPY	**62. 5491**	102. 070	98. 748
	NZD	**1. 1908**	1. 2631	1. 134
	HKD	**5. 3657**	7. 5323	6. 878
	EUR	**0. 4916**	0. 6113	0. 5980
	CAD	**0. 8439**	0. 9734	0. 8619
	CHF	**0. 7327**	0. 9821	0. 9903
	ILS	**2. 6018**	3. 2298	3. 3922
	SGD	**0. 9952**	1. 3145	1. 2698

20. Independent Auditors

With respect to the unaudited financial information of Commonwealth Bank for the six-month periods ended 31 December 2008, 30 June 2008, and 31 December 2007, included in this report, PricewaterhouseCoopers, an Australian partnership ("PwC Australia") reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated 11 February 2009 appearing herein states that they did not audit and they do not express an 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.

Appendices

21. 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.
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 monthly moving averages and are based on respondents aged 14+. The measure is the percentage of customers who answered as being either very or fairly satisfied.
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 revenue.
International Financial Services	International Financial Services includes the Banking, Funds Management and Insurance businesses operating in New Zealand, Fiji, Indonesia, China, Japan, India and Vietnam excluding the international business of Premium Business Services in New Zealand.
Net profit after tax (“Cash basis”)	Represents profit after tax and minority interests before the provisional gain on acquisition of controlled entities, the gain on Visa Initial Public Offering, investment and restructuring, defined benefit superannuation plan income/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility.
Net profit after tax (“Statutory basis”)	Represents profit after tax, the provisional gain on acquisition of controlled entities, the gain on Visa Initial Public Offering, investment and restructuring, minority interests, defined benefit superannuation plan income/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS 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, minority interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period.
Operating expense to net operating income ratio	Represents operating expenses (excluding volume expenses) as a percentage of total operating income less volume expenses.
Overseas	Represents amounts booked in branches and controlled entities outside Australia.
Premium Business Services	Premium Business Services 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 Premium Business network.
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 equity – Cash basis	Based on cash net profit after tax and minority interests less other equity instruments’ distributions applied to average shareholders equity, excluding minority interests, other equity instruments, treasury shares and defined benefit superannuation plan net surplus.
Return on equity – Statutory basis	Based on net profit after tax (“statutory basis”) less other equity instruments’ distributions applied to average shareholders’ equity, excluding minority interests and other equity instruments.
Staff numbers	Staff numbers include all permanent full time staff, part time staff equivalents and external contractors employed by 3rd party agencies.
Wealth Management	Wealth Management includes the Global Asset Management, Platform Administration and Life and General Insurance businesses of the Australian operations.
Weighted average number of shares (“Cash basic”)	Includes an adjustment to deduct from ordinary shares only those “Treasury Shares” related to the 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.

22. Market Share Definitions

Retail Banking Services

Home Loans	Total Household Loans (APRA) – MISA (Pre Sep 04) + Securitised Assets (APRA) + Homepath / Total Housing Loans (incl securitisations) (from RBA which includes NBFI's unlike APRA) (1)
Credit Cards	CBA Total Credit Card Lending (APRA) / Total Credit Cards with Interest Free + Total Credit Cards without Interest Free (from RBA which includes NBFI's unlike APRA) (1)
Personal Lending (Other Household Lending)	CBA Term Personal Lending + Margin Lending net balances + Personal Leasing + Revolving credit / Total Market Term Personal Lending + Margin Lending + Personal Leasing + Revolving credit from APRA
Household Deposits	CBA Household Deposits (as reported to APRA) - MISA (Pre Sep 04) / Total Bank Household Deposits (from APRA monthly banking statistics)
Retail Deposits	CBA Current Deposits + Term (excl CD's) + Other (All as reported to RBA) / Total RBA: Current Deposits with banks + Term (excl CD's) + Other with banks (from RBA monthly bulletin statistics) (1)

Premium Business Services

Business Lending (APRA)	Loans and advances to residents that are recorded on the domestic books of CBA within the non-financial corporations sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial 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)	CBA business lending and credit (specific 'business lending' categories in lodged APRA returns - 320.0, 320.1 and 320.4) / Total of business lending and credit to the private non-financial sector by all financial intermediaries (sourced from RBA table Lending & Credit Aggregates which is in turn sourced from specific 'business lending' categories in lodged APRA returns - 320.0, 320.1 and 320.4) (includes bills on issue and securitised business loans). (1)
Business Deposits (APRA)	Total transaction and non-transaction account deposit balances recorded on the domestic books of CBA from residents within the non-financial 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
Equities Trading (CommSec)	Six months rolling average of total value of CommSec equities trades / Six months rolling average of total value of equities market trades as measured by ASX SEATS

(1) The RBA restates the total of all financial intermediaries retrospectively when required. This may be due to a change in definition, the inclusion of a new participant or correction of errors in prior returns. CBA restates its market share where the RBA total has changed based on current balances less implied percentage growth rates now reported by the RBA for previous months.

22. Market Share Definitions (continued)

Wealth Management

Measure	Definition
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)

International Financial Services

Measure	Definition
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)
New Zealand 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 of business sector, based on Australia New Zealand Standard Industrial Classification (ANZSIC) excluding the following: Agriculture, Finance, Insurance, General Government, Household and Non-Resident sectore loans. (from New Zealand Reserve Bank)
New Zealand Retail Deposits	All New Zealand dollar retail deposits on ASB Balance Sheet / Total New Zealand dollar deposits of all New Zealand registered banks (from New Zealand Reserve Bank)
New Zealand Retail FUM	Total ASB + Sovereign / Total Market net Retail Funds under Management (from Fund Source Research Limited)
New Zealand Inforce Premiums	Total Sovereign excluding health (inforce annual premium income + new business – exits – other) / Total inforce premium for New Zealand (from ISI statistics)

Bankwest

Measure	Definition
Home Loans	Total Household Loans (APRA) + Securitised Assets (APRA) / Total Housing Loans (incl securitisations) (from RBA which includes NBFI's unlike APRA) (1)
Business Lending (APRA)	Loans and advances to residents that are recorded on the domestic books of Bankwest within the non-financial corporations sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporations (as per lending balances submitted to APRA in ARF 320.0) / Total loans and advances to the non-financial corporations sector for all licensed banks that submit to APRA
Credit Cards	Bankwest Total Credit Card Lending (APRA) / Total Credit Cards with Interest Free + Total Credit Cards without Interest Free (from RBA which includes NBFI's unlike APRA) (1)
Personal Lending (Other Household Lending)	Bankwest Term Personal Lending + Margin Lending net balances + Personal Leasing + Revolving credit / Total Market Term Personal Lending + Margin Lending + Personal Leasing + Revolving credit from APRA
Household Deposits	Bankwest Household Deposits (as reported to APRA) / Total Bank Household Deposits (from APRA monthly banking statistics)
Business Deposits (APRA)	Total transaction and non-transaction account deposit balances recorded on the domestic books of Bankwest from residents within the non-financial corporations sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporations (as per deposit balances submitted to APRA in ARF 320.0) / Total transaction and non-transaction deposit balances from the non-financial corporations sector for all licensed banks that submit to APRA

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