Annual U.S. Disclosure Document

Year ended 30 June 2012

Contents

Introduction

Introduction

Certain material information about the Group, including information regarding the Group's risk management policies and procedures, the use of derivative financial instruments and the market risk attributable to such instruments, liquidity and capital resources and other important information, is included in the Group's 2011 and 2012 Financial Reports (as defined below). In particular, Note 39 to the 2012 Financial Statements (2011: Note 40) Market Risk describes certain of the Group's risk management policies and procedures. In addition, the Group prepares a Basel II Pillar 3 Capital Adequacy and Risk Disclosures Report, which includes certain information about the Group's capital and assets. As a result, this Annual U.S. Disclosure Document – Year Ended 30 June 2012 (this "Document") should be read in conjunction with:

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

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

Except as otherwise stated, references within this Document to the Financial Report or Notes to the Financial Statements are to the 2012 Financial Report and references to the "Financial Reports" are to the 2012 Financial Report and the 2011 Financial Report.

Except as otherwise stated, all figures herein relate to the financial year ended 30 June 2012 and comparatives for the balance sheet and income statement are to the financial year ended 30 June 2011, '$' and 'AUD' refer to Australian Dollars, 'USD' refers to U.S. Dollars, references to the "Bank" refer to the Commonwealth Bank of Australia and references to the "Group" refer to the Bank and its subsidiaries on a consolidated basis. The Group's financial years end on June 30 of each year. References to the 2012 Financial Year are to the financial year ended 30 June 2012, references to the 2011 Financial Year are to the financial year ended 30 June 2011 and references to the 2010 Financial Year are to the financial year ended 30 June 2010.

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

Segment Disclosure

The Group conducts its businesses through the following segments: Retail Banking Services, Business and Private Banking, Institutional Banking and Markets, Wealth Management, New Zealand, Bankwest and Other. For an overview of each segment, see "Description of Business Environment - Operating Divisions" in this Document and Note 31 to the Financial Statements.

Special Note Regarding Forward-Looking Statements

Certain statements under the captions “Highlights”, “Group Performance Analysis”, “Retail Banking Services”, “Business and Private Banking”, “Institutional Banking and Markets”, “Wealth Management”, “New Zealand”, “Bankwest”, “Other”, “Risk Management”, “Capital Management”, “Commitments”, “Description of Business Environment”, Note 46 to the 2012 Financial Statements – “Disclosures about Fair Values of Financial Instruments” and elsewhere in this Document constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements, including economic forecasts and assumptions and business and financial projections, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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

Significant risk factors applicable to the Group are detailed beginning on page 9 of this Document.

Financial Information Definitions

Basis of preparation

The consolidated Financial Statements of the Group for the years ended 30 June 2012, 2011 and 2010 comply with International Financial Reporting Standards (IFRS).

The Financial Reports are presented in Australian dollars.

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

Appendix A supplies certain 2008, 2009 and 2010 comparative information, prepared on an IFRS basis.

Non-GAAP Financial Measures

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

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

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

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

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

Reclassification of certain Income Statement Information

For the 2012 Fiscal Year, the Group has reclassified the following items:

- Bank acceptance facility fees have been reclassified from other banking income to net interest income, in order to align the accounting and economic treatment of these fees, which constitute part of the total effective yield of the underlying bank bills;
- Net accrual swap costs of economic hedges not in IFRS hedge accounting relationships have been reclassified from other banking income to net interest income, in order to align the accounting treatment to the economic purpose of these hedges; and
- Securitised home loans, debt issues and related interest income/expense have been reclassified into interest earning assets and interest bearing liabilities, in order to align the accounting and economic disclosure of these instruments for reporting net interest margin (NIM). Net interest income used in the NIM calculation aligns to the presentation in the Income Statement.

In order to provide a meaningful comparison to the Group's historical operations, the Group has also reclassified these items in the financial information for the 2011 Financial Year and the 2010 Financial Year presented in this document.

Basel III Information

The Basel III capital disclosures provided in this document have been prepared based on the Group's interpretation of the Basel III rules defined by the Basel Committee on Banking Supervision and draft prudential standards released by APRA, which remain subject to revisions and the development of final prudential standards following further public consultation, respectively. Accordingly, APRA's final prudential standards on Basel III could result in materially different capital requirements for the Group and there can be no assurance that the Group's current Basel III capital planning will result in compliance with the final prudential standards adopted by APRA.

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

Group Performance Highlights

	Full Year Ended		
Net Profit after Income Tax	**30/06/12 $M**	**30/06/11 $M**	**30/06/10 $M**
Statutory basis	**7,090**	6,394	5,664
Cash basis	**7,113**	6,835	6,101

The Group's net profit after tax ("statutory basis") for the year ended 30 June 2012 was $7,090 million, up 11% on the prior year.

Return on Equity ("statutory basis") was 18.7% and Earnings per share ("statutory basis") was 448.9 cents, up 9% on the prior year.

The Group has achieved another solid financial result in a challenging environment, characterised by subdued credit growth, fragile business and consumer confidence, elevated funding costs and continuing volatility in global markets.

The Group's focus on building a long term competitive advantage, combined with a strong financial platform, diversified business model and strong risk management culture (described in the "Risk Management" section) enabled it to effectively manage these unpredictable economic conditions, maintain momentum and generate sustainable returns.

Operating income growth was impacted by the low credit growth environment, increased funding costs and competitive lending and deposit markets. The Markets and Wealth Management businesses also faced challenging market conditions.

Operating expense growth has been contained through disciplined cost management, without disrupting investment in the underlying businesses, including the effective execution of the Core Banking Modernisation initiative. The long-term commitment to productivity to improve customers' experience and Group efficiency is a key strategic priority and is described in more detail in "Description of Business Environment - Business Strategies and Future Developments".

Loan impairment expense decreased, mainly reflecting a reduction in new impaired single name exposures within Institutional Banking and Markets. Economic overlays were maintained, reflecting the Group's conservative approach to provisioning as business conditions remain challenging for some of the Group's customers.

Capital (1)

The Group further strengthened its capital position at 30 June 2012 under the existing Basel II methodology with Common Equity Tier One (CET1) and Tier One Capital ratios of 7.8% and 10.0% respectively.

Under the application of Basel III, which is to be implemented from 1 January 2013, the Group has a CET1 ratio of 9.8% as at 30 June 2012 as measured on a fully internationally harmonised basis. This is well above the minimum prescribed at 1 January 2013 of 4.5% and we believe compares favourably to international peers.

The Board has approved a Basel III CET1 international harmonised target ratio of greater than 9%. This is discussed in more detail in "Capital Management".

Funding

The Group remains well funded, enabling it to provide ongoing support to customers despite the continuing impact of the European sovereign debt crisis. However, wholesale and domestic deposit funding remains expensive and continues to place pressure on the Group's net interest margin. While system credit growth remained subdued, the Group satisfied a higher proportion of its funding requirements from domestic deposits.

Customer deposits increased to $379 billion as at 30 June 2012, up $30 billion over the prior year. Customer deposits represented 62% of the Group's total funding source at 30 June 2012, up from 61% in the prior year.

Covered bonds also became a more significant contributor to the Group's funding following the amendment to banking regulations in October 2011 which allows Australian banks to issue covered bonds.

Dividends

The final dividend declared was $1.97 per share, up 5% on the prior year. The total dividend for the year ended 30 June 2012 was $3.34 per share, taking the dividend payout ratio ("statutory basis") to 75%.

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

Outlook

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

The Group remains positive about the medium to long term outlook for Australia. However, the global economy remains uncertain. It is difficult to see the catalyst for alleviating the uncertainty that continues to affect consumer and corporate confidence. In the near term, the Group expects current revenue trends to continue, while retaining conservative business settings.

Against this backdrop, the Group intends to continue to operate in a disciplined and prudent manner, focused on driving sustainable improvements in business performance and investing in long-term strategic priorities (described in more detail in "Description of Business Environment – Business Strategies and Future Developments"). The Group is confident that our customer focused strategy positions the business well for the long term.

(1) See "Financial Information Definitions-Basel III Information".

Highlights continued

Group Performance Summary	Full Year Ended 30/06/12 $M	30/06/11 $M	30/06/10 $M	Statutory Full Year Ended 30/06/12 $M	30/06/11 $M	30/06/10 $M
Net interest income (1)	**13,157**	12,645	12,008	**13,122**	12,594	12,062
Other banking income (1)	**3,927**	3,996	3,972	**4,089**	3,643	4,068
Total banking income	**17,084**	16,641	15,980	**17,211**	16,237	16,130
Funds management income	**1,957**	2,041	1,898	**1,940**	2,042	1,928
Insurance income	**960**	856	945	**1,233**	1,118	1,230
Total operating income	**20,001**	19,538	18,823	**20,384**	19,397	19,288
Investment experience	**149**	121	236	**n/a**	n/a	n/a
Total income	**20,150**	19,659	19,059	**20,384**	19,397	19,288
Operating expenses	**(9,196)**	(8,891)	(8,601)	**(9,331)**	(9,060)	(8,716)
Loan impairment expense	**(1,089)**	(1,280)	(2,075)	**(1,089)**	(1,280)	(2,379)
Net profit before tax	**9,865**	9,488	8,383	**9,964**	9,057	8,193
Corporate tax expense (2)	**(2,736)**	(2,637)	(2,266)	**(2,858)**	(2,647)	(2,513)
Non-controlling interests (3)	**(16)**	(16)	(16)	**(16)**	(16)	(16)
Net profit after tax ("cash basis")	**7,113**	6,835	6,101	**n/a**	n/a	n/a
Hedging and IFRS volatility (4)	**124**	(265)	17	**n/a**	n/a	n/a
Tax on NZ structured finance transactions	**-**	-	(171)	**n/a**	n/a	n/a
Other non-cash items (after tax)	**(147)**	(176)	(283)	**n/a**	n/a	n/a
Net profit after tax ("statutory basis")	**7,090**	6,394	5,664	**7,090**	6,394	5,664
Represented by:						
Retail Banking Services				**2,934**	2,854	2,461
Business and Private Banking				**1,067**	1,030	898
Institutional Banking and Markets				**1,060**	1,004	1,173
Wealth Management				**511**	608	674
New Zealand				**518**	454	198
Bankwest				**431**	293	(314)
Other				**569**	151	574
Net profit after tax ("statutory basis")				**7,090**	6,394	5,664

(1) Comparative information has been reclassified to conform with presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement Information" for more details.

(2) For purposes of presentation, Policyholder tax expense components of Corporate tax expense are shown on a net basis (30 June 2012: $122 million, 30 June 2011: $166 million, 30 June 2010: $130 million).

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

(4) Hedging and IFRS volatility includes unrealised fair value and losses on economic hedges that do not qualify for hedge accounting under IFRS. Refer to page 18 for more details.

Shareholder Summary	Full Year Ended 30/06/12	30/06/11	30/06/10
Dividends per share - fully franked (cents)	**334**	320	290
Dividend cover - statutory (times)	**1. 3**	1. 3	1. 3
Dividend cover - cash (times)	**1. 3**	1. 4	1. 4
Earnings per share (cents) (1)			
Statutory basis - basic	**448. 9**	411. 2	367. 9
Statutory basis - fully diluted	**432. 9**	395. 1	354. 2
Cash basis - basic	**449. 4**	438. 7	395. 5
Cash basis - fully diluted	**433. 4**	420. 6	379. 8
Dividend payout ratio (%) (1)			
Statutory basis	**75. 2**	78. 3	79. 7
Cash basis	**75. 0**	73. 2	73. 9
Weighted average no. of shares - statutory basic (M) (1)	**1,570**	1,545	1,527
Weighted average no. of shares - cash basic (M) (1)	**1,573**	1,548	1,531
Return on equity - cash (%) (1)	**18. 6**	19. 5	18. 7
Return on equity - statutory (%) (1)	**18. 7**	18. 4	17. 5

(1) For definitions refer to Appendix B.

Market Share Percentage (1)	30/06/12 %	As at 31/12/11 %	30/06/11 %
Home loans	**25. 7**	25. 9	25. 8
Credit cards (2) (3)	**23. 4**	23. 7	23. 0
Personal lending (APRA and other Household) (4)	**14. 8**	14. 6	14. 8
Household deposits	**28. 9**	29. 4	30. 0
Retail deposits (5)	**26. 0**	26. 4	26. 9
Business Lending - APRA (2)	**17. 5**	17. 6	18. 0
Business Lending - RBA (2)	**17. 0**	16. 9	16. 7
Business Deposits - APRA (2)	**20. 4**	20. 5	20. 8
Asset Finance	**13. 6**	13. 7	13. 9
Equities trading	**5. 5**	5. 8	5. 9
Australian Retail - administrator view (2) (6)	**15. 1**	15. 0	15. 1
FirstChoice Platform (2) (6)	**11. 6**	11. 6	11. 5
Australia (total risk) (2) (6)	**13. 4**	13. 2	12. 5
Australia (individual risk) (6)	**13. 3**	13. 3	13. 4
NZ Lending for housing	**21. 6**	22. 0	22. 1
NZ Retail Deposits (2)	**20. 6**	21. 0	21. 3
NZ Lending to business (2)	**9. 0**	9. 0	8. 8
NZ Retail FUM (2)	**18. 8**	15. 1	14. 5
NZ Annual inforce premiums	**30. 3**	30. 2	30. 1

(1) For market share definitions refer to Appendix B.
(2) Prior periods have been restated in line with market updates.
(3) As at 31 May 2012.
(4) Personal lending market share includes personal loans and margin loans.
(5) In accordance with RBA guidelines, these measures include some products relating to both the Retail and Corporate segments.
(6) As at 31 March 2012.

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

(1) On 24 February 2012, Fitch Ratings downgraded the long term credit rating of the Bank to 'AA-', with all major peer domestic banks also rated 'AA-'.

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

Highlights continued

Key Performance Indicators - Group	Full Year Ended 30/06/12	30/06/11	30/06/10
Group			
Statutory profit after tax ($M)	**7,090**	6,394	5,664
Net interest margin (%) (1)	**2. 09**	2. 12	2. 08
Average interest earning assets ($M) (1)	**629,685**	597,406	577,261
Average interest bearing liabilities ($M) (1)	**590,654**	559,095	543,824
Statutory funds management income to average FUA (%)	**0. 98**	1. 04	1. 03
Funds Under Administration (FUA) - average ($M)	**198,115**	196,254	186,418
Statutory insurance income to average inforce premiums (%)	**54. 2**	54. 2	61. 3
Average inforce premiums ($M)	**2,276**	2,063	2,005
Statutory operating expenses to total operating income (%)	**45. 8**	46. 7	45. 2
Statutory effective corporate tax rate (%)	**27. 8**	27. 9	29. 6
Retail Banking Services			
Statutory net profit after tax ($M)	**2,934**	2,854	2,461
Statutory operating expenses to total banking income (%)	**38. 1**	38. 6	39. 5
Business and Private Banking			
Statutory net profit after tax ($M)	**1,067**	1,030	898
Statutory operating expenses to total banking income (%)	**43. 4**	43. 9	44. 9
Institutional Banking and Markets			
Statutory net profit after tax ($M)	**1,060**	1,004	1,173
Statutory operating expenses to total banking income (%)	**36. 3**	33. 6	32. 0
Wealth Management			
Statutory net profit after tax ($M)	**511**	608	674
FUA - average ($M)	**189,699**	188,866	179,802
Average inforce premiums ($M)	**1,806**	1,612	1,572
Statutory funds management income to average FUA (%)	**0. 99**	1. 05	1. 03
Statutory insurance income to average inforce premiums (%)	**45. 4**	48. 8	55. 0
Statutory operating expenses to net operating income (%) (2)	**66. 4**	57. 4	54. 4
New Zealand			
Statutory net profit after tax ($M)	**518**	454	198
FUA - average ($M)	**8,416**	7,388	6,616
Average inforce premiums ($M)	**470**	451	433
Statutory funds management income to average FUA (%)	**0. 52**	0. 54	0. 70
Statutory insurance income to average inforce premiums (%)	**67. 9**	61. 0	61. 4
Statutory operating expenses to net operating income (%)	**46. 6**	49. 7	52. 3
Bankwest			
Statutory net profit after tax ($M)	**431**	293	(314)
Statutory operating expenses to total banking income (%)	**56. 8**	64. 7	60. 0
Capital Adequacy (Basel II)			
Common Equity Tier One (%)	**7. 82**	7. 66	6. 86
Tier One (%)	**10. 01**	10. 01	9. 15
Total Capital (%)	**10. 98**	11. 70	11. 49

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

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

Risk Factors

This section describes the principal risk factors that could materially affect the Group's businesses, its revenues, operating income, net income, net assets, liquidity, funding and capital resources. The factors below should be considered in connection with the "Special Note Regarding Forward-Looking Statements" on page 3 and the Risk Management section as detailed on pages 51 to 55. The Risk Management section provides details on how the Group manages its credit, market (traded and non-traded), funding and liquidity, operational, compliance, business continuity, security risks, strategic business and reputation risks in the course of carrying on its business. Also refer to Notes 37 – 40 of the 2012 Financial Statements.

The Group's businesses may be adversely affected by economic conditions, disruptions in the global credit markets and associated impacts.

Throughout the 2012 Financial Year, global credit and equity markets have been characterised by pervasive uncertainty and volatility, with such markets continuing to demonstrate reduced liquidity, widened credit spreads and decreased price transparency. We believe these challenging market conditions have resulted, primarily, from the ongoing sovereign debt concerns in Europe, the tepid recovery of the US economy, and investor concerns about the sustainability of economic growth in China.

As a diversified financial institution that operates in various financial markets, the Group has been adversely impacted, both directly and indirectly, by these difficult market conditions and may continue to endure similar or heightened adverse impacts in the future. The Group's businesses operate in, or depend on the operation of, these markets, including through exposures in securities, loans, derivatives and other activities. In addition, turmoil in the financial markets can flow into the real economy.

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

The Group continues to monitor industry and company specific developments and the state of the global and Australian economies. It is difficult to predict how long the volatility of the financial markets will persist and which markets, products or other business will be affected most. The volatile financial markets have and may continue to adversely impact the Group's results of operations and funding and liquidity position. These impacts may be exacerbated if market conditions worsen, the Group underperforms or the Group experiences a ratings downgrade.

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

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

Australian economic conditions generally improved during the 2012 Financial Year; however, the recovery remains fragile. Internationally, concerns about sovereign debt and weaknesses in some advanced economies is affecting business and consumer sentiment in Australia and elsewhere. Domestically, Australia has benefited from strong conditions in the resource sector, which has grown strongly while other sectors of the economy, particularly those negatively impacted by the strong Australian dollar, have been relatively weak.

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

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

The ability to obtain debt funding and the cost of debt funding have improved over the past year (in comparison to the market during the 2011 Financial Year). However the market is still more volatile than the pre-2008 period. The global debt and equity markets have experienced significant volatility due to the European sovereign debt crisis and the downgrade of European sovereigns and banks by the ratings agencies. Retail and wholesale funding costs, relatively speaking, have remained elevated (compared to funding costs experienced pre-2008). The Group has increased its levels of deposit funding, thereby reducing its reliance on off-shore wholesale funding; however the Group remains reliant on off-shore wholesale funding markets. In addition, during the 2012 financial year, competition for deposits in Australia drove increases in the cost of this funding. If the Group is unable to pass its increased funding costs on to its customers, its net interest margins will contract, which will adversely impact the Group's results of operations and the ability of the Group to maintain or grow its current business operations.

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

Adverse financial market conditions or specific Group circumstances may significantly affect the Group's ability to access domestic and international capital markets.

Disruptions, uncertainty or volatility in financial markets may limit the Group's ability to access capital markets in a timely manner or at a cost that is acceptable to the Group. There may be circumstances where Group specific conditions (for example reduced profitability), as opposed to general market conditions (for example a global recession), could also limit the Group's access to capital markets. The Group operates an Internal Capital Adequacy Assessment Process (ICAAP) to manage its capital levels and to maintain them above Board approved minimum levels (which in turn are set to exceed regulatory minima). The ICAAP includes forecasting and stress testing of capital levels which guides the Group in selecting any capital management initiatives it may undertake.

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

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

The Group may incur losses associated with its counterparty exposures.

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

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

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

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

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

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

The events in the financial services industry and, more generally, in the international financial markets and the global economy over the past three years, have led to various proposals for changes in the regulation of the financial services industry. In Australia, the Australian Prudential Regulation Authority (APRA) has announced that it intends to adopt regulations (in stages, beginning 1 January 2013) designed to enhance the capital adequacy of, and liquidity and funding risk management by, authorised deposit-taking institutions (ADIs), which are expected to be based on the proposals ultimately adopted by the Basel Committee on Banking Supervision.

In July 2012, the Basel Committee on Banking Supervision also published a discussion paper on domestic "systemically important financial institutions" which may ultimately be adopted by APRA and may subject the Group to additional capital requirements.

In the United States, the Group is expected to be subject to the Volcker Rule provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank"), which, subject to certain exceptions and exemptions, generally prohibit banking entities from engaging in proprietary trading and sponsoring or acquiring an interest in, or transacting with, hedge funds and private equity funds. The Group may also be a "systemically important financial institution" under Dodd-Frank as currently drafted, which may subject the Group to additional capital, liquidity and other regulatory requirements.

While there can be no assurance that any or all of these regulatory changes will ultimately be adopted, or the form that any such regulations may ultimately take, any such changes, if enacted or adopted, may impact the profitability or size of the Group's business activities, require changes to certain business practices, and expose the Group to additional costs. Such additional costs may result from, among other things, holding additional capital and significant levels of liquid assets and undertaking changes to the wholesale funding profile. These changes may also require the Group to invest significant management attention and resources to make any necessary changes, and could therefore also adversely affect the Group's business and operations.

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

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

As with any business operating in the financial services market, the Group utilises complex technology frameworks and systems to deliver its services and manage internal processes. Some of these technology systems are provided and/or supported by third party suppliers and vendors. Additionally, the Group's strategy seeks to establish long term global competitive advantage through leadership in the application of technology.

Disruptions to the technology framework can have a significant impact on the Group's operations. These disruptions can be caused from internal events (e.g. system upgrades) and external events (e.g. failure of vendors' systems or power supplies or technology attacks by third parties).

While the Group employs a range of risk monitoring and risk mitigation techniques, there can be no assurance that the risk management processes and strategies that we have developed in response to current market conditions will adequately anticipate additional market stress or unforeseen circumstances. Therefore the Group may, in the course of the Group's activities, incur losses or reputational harm as a result of technology disruptions.

The Group may face information security risks.

The Group's businesses are highly dependent on its information technology systems. The Group devotes significant effort to protecting the confidentiality, integrity and availability of its computer systems, software and networks, including maintaining the confidentiality of information that may reside on those assets. However, the Group's security measures cannot provide absolute security. It is possible that the Group (or its third party suppliers) may not be able to anticipate or to implement effective measures to prevent or minimise damage that may be caused by all information security threats, because the techniques used can be highly sophisticated, can evolve rapidly and those that would perpetrate attacks can be well resourced. An information security failure could have serious consequences for the Group including operational disruption, financial losses, reputational damage, theft of intellectual property and customer data, and could result in violations of applicable privacy laws, all of which could have a material impact on the Group.

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

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

Market risks could adversely impact the Group's results.

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

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

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

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

For a description of these specific risks, see Note 39 to the 2012 Financial Statements.

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

The Group is subject to liquidity risk, funding risk and life insurance risk which could adversely impact our future results. These risks are described in detail under "Risk Management" commencing on page 51.

The Group faces intense competition, which could adversely impact its results.

The Group faces intense competition in all of its principal areas of operation and geographical markets, principally Australia and New Zealand. Competition in the banking and funds management markets has, however, had the most significant effect on the Group's results and operations. As financial markets recover and the Group's competitors overcome any difficulties they have experienced, competition is expected to increase, especially as non-Australian financial services providers expand in Australia. Further details on the competition faced by the Group are detailed in "Description of Business Environment – Competition" on page 73.

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

From time to time, the Group evaluates and undertakes acquisitions of businesses. With acquisitions there is a risk that we may suffer a downgrade of the Group's credit ratings, the Group may not achieve expected synergies from the acquisition as a result of difficulties in integrating information and other systems, the Group may achieve lower than expected cost savings or otherwise incur losses, the Group may lose customers and market share, the Group may face disruptions to the Group's operations resulting from integrating the systems and processes of the acquired business into the Group, the Group's management's time may be diverted to facilitate the integration of the acquired business into the Group, or the acquisition may have other negative impacts on the Group's results, financial condition or operations. Where acquisitions are in emerging economics, the Group may be exposed to heightened levels of political, social or economic disruption that are currently intrinsic in many such economies. These risks are considered as part of any due diligence undertaken. The Group regularly assesses acquisition opportunities and if it were to undertake significant levels of acquisitions these risks may be exacerbated.

Financial Review

Selected Consolidated Income Statement Data ("Statutory basis")	2012 US$M [4]	2012	2011	2010	2009	2008
	Full Year Ended 30 June					
		(A$ millions, except where indicated)				
Interest income [1]	**39,161**	**38,258**	37,477	32,472	31,642	29,319
Interest expense [1]	**25,729**	**25,136**	24,883	20,410	21,343	21,447
Net interest income [1]	**13,432**	**13,122**	12,594	12,062	10,299	7,872
Impairment expense	**1,115**	**1,089**	1,280	2,379	3,048	930
Non-interest income [1]	**7,433**	**7,262**	6,803	7,226	6,175	6,697
Operating expenses	**9,551**	**9,331**	9,060	8,716	7,960	7,384
Net profit before income tax	**10,199**	**9,964**	9,057	8,193	5,466	6,255
Income tax expense	**2,925**	**2,858**	2,647	2,513	1,696	1,433
Net profit after income tax	**7,274**	**7,106**	6,410	5,680	3,770	4,822
Non-controlling interests	**(16)**	**(16)**	(16)	(16)	(30)	(31)
Net profit attributable to Equity holders of the Bank	**7,258**	**7,090**	6,394	5,664	3,740	4,791
Dividend declared [2]	**3,211**	**3,137**	2,930	2,633	1,747	2,029
Weighted average number of shares (basic) (M)		**1,570**	1,545	1,527	1,420	1,307
Earnings per share, basic (cents)	**459. 5**	**448. 9**	411. 2	367. 9	328. 5	363. 0
Earnings per share, fully diluted (cents)	**443. 1**	**432. 9**	395. 1	354. 2	313. 4	348. 7
Dividends per share (cents)	**342**	**334**	320	290	228	266
Dividend payout ratio (%) [3]		**75. 2**	78. 3	79. 7	73. 1	74. 1

(1) Comparative information has been reclassified to conform with presentation in the current period as described in "Financial Information Definitions – Reclassification of certain Income Statement Information".

(2) Represents final dividend declared for each respective year ended 30 June.

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

(4) USD translated from AUD using 30 June 2012 month end Noon Buying Rate, as described below.

Exchange Rates

For each of the Group's Financial Years indicated, as well as for July and August (to date) of 2012, the period end and average exchange rates are set out below, together with the high, low and month end rates (unless otherwise indicated) for recent months. All rates referred to are the noon buying rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") .

To calculate the USD figures provided, the 30 June 2012 month end Noon Buying Rate was used.

	2012	2011	2010	2009	2008
	Full Year Ended 30 June				
	(expressed in US$ per A$1.00)				
Period End	**1.0236**	1.0732	0.8480	0.8055	0.9562
Average Rate	**1.0323**	0.9905	0.8820	0.7546	0.9007

	August [1]	July	June	May	April	March
	Month Ended 2012					
	(expressed in US$ per A$1.00)					
High	**1.0591**	1.0522	1.0236	1.0345	1.0447	1.0803
Low	**1.0451**	1.0131	0.9688	0.9709	1.0255	1.0326
Month End Noon Buying Rates	**1.0509**	1.0522	1.0236	0.9711	1.0410	1.0367

(1) Represents the most current August 2012 exchange rate data ended 15 August 2012.

Consolidated Balance Sheet Data	2012 US$M [2]	2012	2011	2010	2009	2008
	Full Year Ended 30 June					
		(A$ millions, except where indicated)				
Assets						
Cash and liquid assets	**20,130**	**19,666**	13,241	10,119	11,340	7,736
Receivables due from other financial institutions	**11,143**	**10,886**	10,393	10,072	14,421	6,984
Assets at fair value through income statement:						
Trading	**14,142**	**13,816**	20,469	22,851	25,401	21,676
Insurance	**14,868**	**14,525**	14,998	15,940	17,260	20,650
Other	**1,003**	**980**	824	654	1,677	3,266
Derivative assets	**39,856**	**38,937**	30,317	27,689	26,358	18,232
Available-for-sale investments	**62,263**	**60,827**	45,171	32,915	21,504	11,488
Loans, bills discounted and other receivables	**538,088**	**525,682**	500,057	493,459	466,631	361,282
Bank acceptances of customers	**9,946**	**9,717**	10,734	11,569	14,728	18,278
Property, plant and equipment	**2,562**	**2,503**	2,366	2,351	2,472	1,640
Investments in associates	**1,943**	**1,898**	1,712	1,490	1,047	906
Intangible assets	**10,524**	**10,281**	9,603	9,420	9,245	8,258
Deferred tax assets	**1,003**	**980**	1,300	1,270	1,653	76
Other assets	**7,694**	**7,517**	6,681	6,482	6,070	6,492
	735,165	**718,215**	667,866	646,281	619,807	486,964
Assets held for sale	**14**	**14**	33	49	565	608
Total Assets	**735,179**	**718,229**	667,899	646,330	620,372	487,572
Liabilities						
Deposits and other public borrowings	**447,984**	**437,655**	401,147	374,663	368,721	263,706
Payables due to other financial institutions	**22,648**	**22,126**	15,899	12,608	15,109	17,672
Liabilities at fair value through income statement	**6,710**	**6,555**	10,491	15,342	16,596	15,526
Derivative liabilities	**40,147**	**39,221**	33,976	24,884	32,134	19,541
Bank acceptances	**9,946**	**9,717**	10,734	11,569	14,728	18,278
Current tax liabilities	**1,573**	**1,537**	1,222	1,056	883	768
Deferred tax liabilities	**346**	**338**	301	221	168	266
Other provisions	**1,253**	**1,224**	1,277	1,197	1,243	1,174
Insurance policy liabilities	**13,301**	**12,994**	13,652	14,592	16,056	18,495
Debt issues	**127,655**	**124,712**	118,652	130,210	101,819	85,817
Managed fund units on issue	**1,018**	**995**	1,048	880	914	1,109
Bills payable and other liabilities	**9,787**	**9,561**	10,652	10,025	8,520	7,524
Total Liabilities	**682,368**	**666,635**	619,051	597,247	576,891	449,876
Loan capital [1]	**10,260**	**10,022**	11,561	13,513	12,039	11,559
Total liabilities and loan capital	**692,628**	**676,657**	630,612	610,760	588,930	461,435
Net Assets	**42,551**	**41,572**	37,287	35,570	31,442	26,137
Total Shareholders' Equity	**42,551**	**41,572**	37,287	35,570	31,442	26,137
Other equity instruments	**961**	**939**	939	939	939	939
Total Shareholders' Equity excluding other equity instruments	**41,590**	**40,633**	36,348	34,631	30,503	25,198

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

(2) USD translated from AUD at 30 June 2012 (see month end Noon Buying Rate in the table on page 12).

Financial Review continued

Consolidated Ratios and Operating Data	2012 US$M (2)	2012	2011	2010	2009	2008
		Full Year Ended 30 June (A$ millions, except where indicated)				
Profitability						
Net interest margin (%) (1)(3)		**2. 09**	2. 12	2. 08	1. 99	1. 88
Interest spread (%) (1)(4)		**1. 82**	1. 83	1. 86	1. 76	1. 58
Return on average Shareholders' Equity (%) (5)		**18. 7**	18. 4	17. 5	16. 8	19. 8
Return on average total assets (%) (5)		**1. 0**	1. 0	0. 9	0. 9	1. 0
Productivity						
Total operating income per full-time staff equivalent (6)	**465,281**	**454,554**	421,125	428,384	394,794	367,709
Staff expense/total operating income (%)		**24. 3**	24. 7	23. 5	22. 9	25. 0
Total operating expenses/total operating income (%) (6)		**45. 8**	46. 7	45. 2	45. 6	50. 7
Ratio of earnings to fixed charges (7)		**1. 4**	1. 4	1. 4	1. 3	1. 3
Capital Adequacy (at year end) (8)						
Basel II						
Risk weighted assets	**309,933**	**302,787**	281,711	290,821	288,836	205,501
Tier One capital	**31,014**	**30,299**	28,213	26,601	23,311	16,791
Tier Two capital	**3,008**	**2,939**	4,749	6,819	6,784	7,013
Total capital (8)	**34,022**	**33,238**	32,962	33,420	30,095	23,804
Tier One capital/risk weighted assets (%)		**10. 01**	10. 01	9. 15	8. 07	8. 17
Tier Two capital/risk weighted assets (%)		**0. 97**	1. 69	2. 34	2. 35	3. 41
Total capital/risk weighted assets (%)		**10. 98**	11. 70	11. 49	10. 42	11. 58
Average Shareholders' Equity/average total assets (%)		**5. 6**	5. 5	5. 2	5. 2	5. 5

(1) Comparative information reflects the reclassification to conform with presentation in the current period as described in "Financial Information Definitions – Reclassification of certain Income Statement Information".

(2) USD translated from AUD at 30 June 2012 (see month end Noon Buying Rate in the table on page 12).

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

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

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

(6) Total operating income represents net interest income before deducting loan impairment expense plus non-interest income.

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

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

Consolidated Ratios and Operating Data	2012	2012	2011	2010	2009	2008
	US$M [6]	(A$ millions, except where indicated)				
Asset Quality Data [1]						
Non-accrual loans [2]	**4,318**	**4,218**	4,923	4,864	3,900	683
Total impaired assets [3]	**4,605**	**4,499**	5,297	5,216	4,210	683
Individually assessed provisions for impairment	**2,055**	**2,008**	2,125	1,992	1,729	279
Collective provisions for impairment	**2,904**	**2,837**	3,043	3,461	3,225	1,466
Net impaired assets (net of interest reserved)	**2,550**	**2,491**	3,172	3,224	2,481	404
Total provisions for impairment/average credit risk (%) [4]		**0. 6**	0. 7	0. 7	0. 7	0. 3
Loan impairment expense/average credit risk (%) [4]		**0. 1**	0. 2	0. 3	0. 4	0. 2
Gross impaired assets/credit risk (%) [5]		**0. 5**	0. 7	0. 7	0. 6	0. 1
Net impaired assets/total Shareholders' Equity (%)		**6. 0**	8. 5	9. 1	7. 9	1. 2
Collective provision for impairment/risk weighted assets (%) Basel II		**0. 9**	1. 1	1. 2	1. 1	0. 7

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

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

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

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

(5) Gross impaired assets as a percentage of credit risk as disclosed in Note 14 to the 2012 Financial Statements less unearned income as presented in Note 13 to the 2012 Financial Statements.

(6) USD translated from AUD at 30 June 2012 (see month end Noon Buying Rate for 2012 Financial Year in the table on page 12).

Summary Cash Flows Data

Further details of the Group's cash flows are found in the 2012 Financial Statements and Notes to the Financial Statements.

Summary Cash Flows [2]	2012	2012	2011	2010	2009	2008
	US$M [1]	(A$ millions, except where indicated)				
Net Cash (used in)/provided by operating activities	**(2,952)**	**(2,884)**	17,169	(26,928)	(8,510)	3,270
Net Cash (used in)/provided by investing activities	**(1,311)**	**(1,281)**	(1,041)	(511)	(3,214)	(128)
Net Cash (used in)/provided by financing activities [3]	**(1,728)**	**(1,688)**	(13,117)	30,170	11,645	(4,961)
Net (decrease)/increase in cash and cash equivalents	**(5,991)**	**(5,853)**	3,011	2,731	(79)	(1,819)
Cash and cash equivalents at beginning of period	**8,115**	**7,928**	4,917	2,186	2,265	4,084
Cash and cash equivalents at end of period	**2,124**	**2,075**	7,928	4,917	2,186	2,265

(1) USD translated from AUD at 30 June 2012 (see month end Noon Buying Rate for 2012 Financial Year in the table on page 12).

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

(3) Includes the balance 'Effect of foreign exchange rates on cash and cash equivalents'.

Group Performance Analysis

Forward-Looking Statements

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

Financial Performance and Business Review

Financial Year 2012 compared to Financial Year 2011

The Group's net profit after tax ("statutory basis") for the year ended 30 June 2012 was $7,090 million, which represented an 11% increase on the prior year.

Earnings per share ("statutory basis") increased 9% on the prior year to 448.9 cents per share and Return on Equity ("statutory basis") increased 30 basis points to 18.7%.

The Group delivered a solid financial performance in a challenging environment impacted by ongoing volatility and uncertainty in global markets. This result reflects the Group's financial strength and continued momentum despite the subdued credit growth environment, the impact of increased domestic deposit and wholesale funding costs, and difficult trading conditions for the markets-related businesses. Key elements of the Group result included:

- Net interest income increased 4% to $13,122 million, reflecting a 5% increase in average interest earning assets, partly offset by a three basis point decline in net interest margin;
- Other banking income increased 12% to $4,089 million, driven by favourable hedging and IFRS volatility, higher credit card interchange income and Institutional lending fee growth, partly offset by lower equities trading volumes and Markets trading income, including an unfavourable counterparty fair value adjustment;
- Funds management income decreased 5% to $1,940 million, impacted by declining investment markets, a higher proportion of customer funds invested in cash, fixed interest and deposit products, reflecting cautious investor sentiment and the managed contraction of the CommInsure closed investment portfolios;
- Insurance income increased 10% to $1,233 million, driven by 10% average inforce premium growth, partly offset by higher domestic claims;
- Operating expenses increased 3% to $9,331 million, driven by inflation-related salary increases, property transition costs related to the new Sydney CBD office premises and higher compliance costs. This was partly offset by the continued focus on productivity initiatives to improve customer experience and Group efficiency; and
- Loan impairment expense decreased 15% to $1,089 million, mainly reflecting a reduction in new impaired single name exposures within Institutional Banking and Markets. Economic overlays remain unchanged reflecting the Group's conservative approach to provisioning as business conditions remain challenging for some of the Group's customers.

More comprehensive disclosure of performance highlights by key business segments is contained on pages 25-49.

Financial Year 2011 compared to Financial Year 2010

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

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

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

- Net interest income increased 4% to $12,594 million, reflecting a four basis point increase in net interest margin to 2.12% and 3% growth in average interest earning assets to $597 billion;
- Other banking income declined 10% to $3,643 million, with unfavourable hedging and IFRS volatility, reduced retail fees and commissions, lower CommSec brokerage and Markets trading income partly offset by improved Treasury earnings derived through management of short dated interest rate exposures;
- Funds management operating income increased 6% to $2,042 million, supported by a 5% increase in average funds under administration and stronger investment performance, partly offset by the appreciation of the Australian dollar;
- Insurance income declined 9% to $1,118 million, partly reflecting the sale of the St Andrew's insurance business on 1 July 2010. After adjusting for the sale of St Andrew's, insurance income decreased 5% due to higher claims in the wholesale and retail life businesses;
- Operating expenses increased 4% on 30 June 2010 to $9,060 million, with 1% of the growth driven by continued investment in projects supporting the Group's strategic priorities. Operating expenses, excluding investment expenses, increased 3% reflecting the Group's disciplined approach and continued focus on productivity initiatives which have delivered operational efficiencies; and
- Impairment expense decreased 46% to $1,280 million, mainly reflecting lower Bankwest property related impairments.

Net Interest Income

Financial Year 2012 compared to Financial Year 2011

Net interest income increased by 4% on the prior year to $13,122 million. This was a result of growth in average interest earning assets of 5% partly offset by a three basis point decline in net interest margin to 2.09%.

Financial Year 2011 compared to Financial Year 2010

Net interest income increased by 4% on the prior year to $12,594 million for the year ended 30 June 2011. This was a result of growth in average interest earning assets of 3% together with a four basis point improvement in net interest margin to 2.12%.

Average Interest Earning Assets

Financial Year 2012 compared to Financial Year 2011

Average interest earning assets increased by $32 billion on the prior year to $630 billion, reflecting an $18 billion increase in average lending interest earning assets and a $14 billion increase in average non-lending interest earning assets.

Home loan average balances increased by $15 billion or 5% over the year ended 30 June 2011 to $343 billion.

Average balances for business and corporate lending increased by $3 billion over the year ended 30 June 2011 to $165 billion, largely driven by growth in Institutional lending.

Average non-lending interest earning assets increased $14 billion over the year ended 30 June 2011 to $101 billion primarily due to higher levels of liquid assets driven by conservative business settings and balance sheet growth.

Financial Year 2011 compared to Financial Year 2010

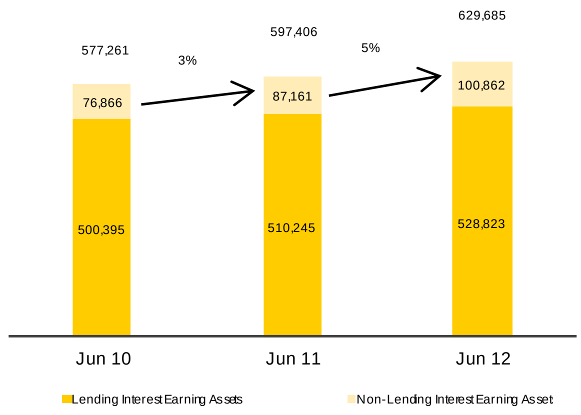
Average interest earning assets increased by $20 billion on the prior year to $597 billion, reflecting a $10 billion increase in average lending interest earning assets and a $10 billion increase in average non-lending interest earning assets.

Home loan average balances increased by $19 billion or 6% over the year ended 30 June 2010 to $328 billion.

Average balances for business and corporate lending decreased by $10 billion over the year ended 30 June 2010 to $162 billion, largely due to institutional clients deleveraging their balance sheets, a strategic shift away from higher risk property and complex lending in Bankwest and the impact of the strengthening Australian dollar on foreign currency denominated loans.

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

Average Interest Earning Assets ($M)



Net Interest Margin

Financial Year 2012 compared to Financial Year 2011

The Group's net interest margin decreased three basis points compared to the prior year to 2.09%.

The Australian contribution to Group net interest margin decreased five basis points. The key drivers were:

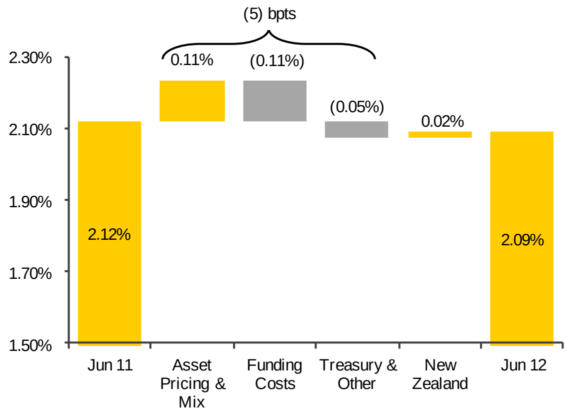
Asset pricing and mix: Increase in margin of 11 basis points, reflecting the repricing of the lending portfolios in response to the sustained increase in both wholesale and deposit funding costs.

Funding costs: Decrease in margin of 11 basis points reflecting continued increases in wholesale funding costs, ongoing intense competition for deposits and the falling cash rate environment.

Treasury and other: Decrease of five basis points, driven by holding higher levels of liquid assets.

New Zealand's contribution to the Group's net interest margin increased two basis points. This reflected the benefit from fixed rate loan repricing and the continued shift in portfolio mix as customers switched from fixed to variable rate home loans.

NIM movement - June 2011 to June 2012



Additional information, including the average balances, is set out in Note 4 to the 2012 Financial Statements.

Financial Year 2011 compared to Financial Year 2010

The Group's net interest margin increased four basis points compared to the prior year to 2.12% for the year ended 30 June 2011.

The Australian contribution to Group net interest margin increased one basis point. The key drivers were:

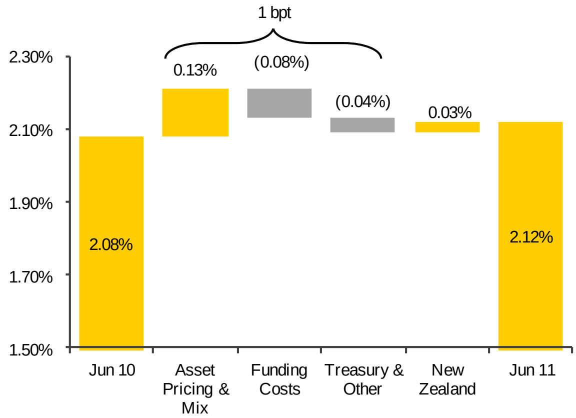
Asset pricing and mix: Increase in margin of thirteen basis points, reflecting the impact of repricing on home loans and personal loans, and an increase in business lending margins.

Funding costs: Decrease of eight basis points as market competition for retail deposits continued to impact Investment account margins. In addition, the favourable impact of the increasing cash rate environment on transaction and savings account margins was more than offset by a reduction in replicating portfolio benefit and an increase in wholesale funding costs.

Treasury and other: Decrease of four basis points, driven by holding higher levels of liquid assets.

New Zealand's contribution to the Group's net interest margin increased three basis points. This reflects a shift in portfolio mix as customers switched from fixed to variable rate home loans, together with repricing initiatives.

NIM movement – June 2010 to June 2011



Additional information, including the average balances, is set out in Note 4 to the 2012 Financial Statements.

Group Performance Analysis continued

Other Banking Income

	Full Year Ended		
	30/06/12	30/06/11	30/06/10
	$M	$M	$M
Commissions	**1,997**	1,946	2,006
Lending fees [1]	**997**	982	1,036
Trading income	**522**	717	597
Other income	**411**	351	333
Other banking income ("cash basis")	**3,927**	3,996	3,972
Hedging and IFRS volatility	**162**	(346)	119
Gain/loss on disposal of controlled entities	**-**	(7)	(23)
Other banking income ("statutory basis")	**4,089**	3,643	4,068

(1) Comparative information has been restated for the reclassification of bank bill facility fee income to Net interest income to conform with presentation in the current period. For additional details refer to "Financial Information Definitions – Reclassification of Certain Income Statement Information".

Financial Year 2012 compared to Financial Year 2011

Other banking income increased 12% on the prior year to $4,089 million driven by:

- Commissions: increased 3% on the prior year to $1,997 million, including higher credit card interchange income with the continued success of the Diamond Awards card driving customer growth, increased foreign exchange volumes and higher home loan package fee income. This was partly offset by a decrease in brokerage income due to lower retail trading volumes, reflecting subdued market trading conditions.
- Lending fees: increased 2% on the prior year to $997 million, driven by higher fees from strong balance growth in Institutional lending, higher syndication fees and customer growth in overdrafts. This was partly offset by the abolition of home loan switching and deferred establishment fees.
- Trading income: decreased 27% on the prior year to $522 million. This was due to lower Markets income impacted by adverse trading conditions and unfavourable counterparty fair value adjustments from widening credit spreads and the decreasing interest rate environment.
- Other income: increased 17% on the prior year to $411 million mainly due to gains from the sale of Sydney CBD properties previously held by the Group, and higher equity accounted income from the Bank of Hangzhou.
- Hedging and IFRS volatility: includes unrealised fair value gains or losses on economic hedges that do not qualify for hedge accounting under IFRS, including cross currency interest rate swaps hedging foreign currency denominated debt issues and foreign exchange hedges relating to future New Zealand earnings.

  Fair value gains or losses on all these economic hedges are excluded from cash profit since the asymmetric recognition of the gains or losses does not affect the Group's performance over the life of the hedge. A $162 million gain was recognised in the year ended 30 June 2012 (30 June 2011: $346 million loss; 30 June 2010: $119 million gain).

Financial Year 2011 compared to Financial Year 2010

Other banking income decreased 10% on the prior year to $3,643 million driven by:

- Commissions: decreased 3% on the prior year to $1,946 million. This was primarily driven by lower dishonour exception fees, customer migration to lower fee products and lower contract note volumes in CommSec.
- Lending fees: decreased 5% on the prior year to $982 million. This was driven by lower early repayment and overdrawn exception fees.
- Trading income: increased 20% on the prior year to $717 million. This was primarily due to improved Treasury earnings relating to the management of short dated interest rate exposures, partly offset by lower Institutional Banking and Markets earnings that were impacted by a challenging environment characterised by lower domestic volatility, flattening yield curves and narrowing credit spreads.
- Other income: increased 5% on the prior year to $351 million mainly due to higher leasing fee income.

Funds Management Income

	Full Year Ended		
	30/06/12	30/06/11	30/06/10
	$M	$M	$M
CFS GAM	**883**	907	789
Colonial First State	**845**	860	811
CommInsure	**160**	208	224
New Zealand and Other	**69**	66	74
Funds management income ("cash basis")	**1,957**	2,041	1,898
Treasury shares valuation adjustment	**(15)**	(24)	(51)
Policyholder tax	**(9)**	62	50
Investment experience	**7**	(37)	31
Funds management income ("statutory basis")	**1,940**	2,042	1,928

Financial Year 2012 compared to Financial Year 2011

Funds management income decreased 5% on the prior year to $1,940 million impacted by:

- A 2% decrease in average funds under management (FUM) to $147 billion, impacted by declining investment markets (ASX200 Index down 11%; MSCI Emerging Markets Index (AUD) down 14%);
- A higher proportion of customer funds invested in cash, fixed interest and deposit products, reflecting cautious investor sentiment;
- The managed contraction in the CommInsure closed investment portfolios; partly offset by
- The contribution from the Count Financial business acquired in November 2011.

FirstChoice and FirstWrap continued to increase market share and the acquisition and integration of Count Financial resulted in further expansion of the distribution footprint.

Funds management income to average funds under administration (FUA) margin decreased by six basis points to 0.98%, impacted by the shift in business mix to cash, fixed interest and deposit products.

Financial Year 2011 compared to Financial Year 2010

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

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

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

Insurance Income

	Full Year Ended		
	30/06/12	30/06/11	30/06/10
	$M	$M	$M
CommInsure	**691**	625	684
Sovereign and Other	**269**	231	261
Insurance income ("cash basis")	**960**	856	945
Policyholder tax	**131**	104	80
Investment experience	**142**	158	205
Insurance income ("statutory basis")	**1,233**	1,118	1,230

Financial Year 2012 compared to Financial Year 2011

Insurance income increased by 10% on the prior year to $1,233 million driven by:

- Average inforce premium growth of 10% to $2,276 million;
- Improved life insurance claims experience and lapse rates in New Zealand; partly offset by
- Higher domestic life and general insurance claims.

Financial Year 2011 compared to Financial Year 2010

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

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

Operating Expenses

	Full Year Ended		
	30/06/12	30/06/11	30/06/10
	$M	$M	$M
Staff expenses	**4,947**	4,787	4,536
Occupancy and equipment expenses	**1,056**	993	970
IT Services expenses	**1,159**	1,193	1,093
Other expenses	**2,034**	1,918	2,002
Operating expenses ("cash basis")	**9,196**	8,891	8,601
Merger related amortisation (1)	**75**	75	75
Integration expenses (2)	**60**	94	40
Operating expenses ("statutory basis")	**9,331**	9,060	8,716

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

(2) The current year comprises expenses related to the Count Financial Limited acquisition. The prior years comprise of expenses related to the Bankwest integration.

Financial Year 2012 compared to Financial Year 2011

Operating expenses increased 3% on the prior year to $9,331 million. The key drivers were:

Staff expenses: increased by 3% to $4,947 million, driven by inflation-related salary increases, growth in offshore businesses and higher defined benefit superannuation plan expense, partly offset by productivity improvements;

Occupancy and Equipment expenses: increased by 6% to $1,056 million, largely impacted by the transition to the new office premises at Darling Quarter in the Sydney CBD and Bankwest Place in Perth, inflation-related rent reviews and higher operating lease depreciation;

Information Technology Services expenses: decreased by 3% to $1,159 million, driven by disciplined vendor expense management, efficiency gains from on demand infrastructure improvements and de-commissioning of legacy systems;

Other expenses: increased by 6% to $2,034 million, impacted by higher compliance and credit card rewards programme expenses.

During the year the Group acquired 100% of the issued share capital of Count Financial Limited (Count Financial), an independent, accountant-based financial advice business. As part of the acquisition, the Group incurred retention, advisory and other expenses totalling $60 million, disclosed as integration expenses.

Financial Year 2011 compared to Financial Year 2010

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

Staff Numbers

	Full Year Ended		
Full-Time Equivalent Staff	2012	2011	2010
Australia	**35,964**	37,504	36,987
Total	**44,844**	46,060	45,025

Group Expense to Income Ratio

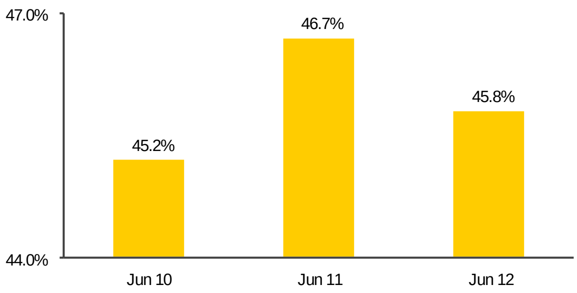
Financial Year 2012 compared to Financial Year 2011

The Group expense to income ratio decreased by 90 basis points over the prior year to 45.8% reflecting the continued focus on technology and operating efficiencies, underpinned by the long term commitment to productivity.

Financial Year 2011 compared to Financial Year 2010

The Group expense to income ratio ("statutory basis") increased by 150 basis points from 45.2% at 30 June 2010 to 46.7% at 30 June 2011.

Group Expense to Income Ratio



Loan Impairment Expense

Financial Year 2012 compared to Financial Year 2011

Loan impairment expense for the year was $1,089 million, which represented 21 basis points of average gross loans and acceptances. Loan impairment expense decreased 15% on the prior year, largely driven by:

- A substantial decrease in loan impairment expense for the Institutional Banking and Markets business due to a reduction in new impaired single name exposures;
- A reduction in Bankwest's loan impairment expense as higher risk business loans continued to run-off; partly offset by
- Higher Retail Bank loan impairment expense, primarily due to increased write-offs in the unsecured retail portfolio.

Financial Year 2011 compared to Financial Year 2010

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

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

Provisions for Impairment

Financial Year 2012 compared to Financial Year 2011

The Group believes it maintains a prudent and conservative approach to provisioning, with total provisions for impairment losses of $4,845 million as at 30 June 2012, which is a 6% reduction on 30 June 2011. The current level of provision reflects:

- Lower Commercial and Bankwest individually assessed provisions as the level of impaired commercial assets reduced over the year;
- The reduction of Bankwest collective provisions as higher risk business loans continued to run-off; and
- A reduction in management overlays, with economic overlays unchanged since 30 June 2011.

Financial Year 2011 compared to Financial Year 2010

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

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

Taxation Expense

	Full Year Ended 30 June		
	2012	2011	2010
Income Tax	**$M**	**$M**	**$M**
Retail Banking Services	**1,238**	1,206	1,062
Business and Private Banking	**459**	413	363
Institutional Banking and Markets	**282**	311	339
Wealth Management	**209**	240	267
New Zealand	**164**	150	99
Bankwest	**227**	199	(20)
Other	**157**	118	156
Total income tax expense ("cash basis")	**2,736**	2,637	2,266
Non-cash tax expense	**122**	10	247
Total income tax expense ("statutory basis")	**2,858**	2,647	2,513

	2012	2011	2010
Effective Tax	**%**	**%**	**%**
Retail Banking Services	**29. 7**	29. 7	30. 1
Business and Private Banking	**30. 1**	28. 6	28. 8
Institutional Banking and Markets	**21. 0**	23. 7	22. 4
Wealth Management	**27. 3**	28. 1	28. 0
New Zealand	**25. 4**	24. 0	56. 9
Bankwest	**33. 1**	34. 7	22. 5
Total – corporate	**27. 8**	27. 9	29. 6

Financial Year 2012 compared to Financial Year 2011

The income tax expense was $2,858 million, representing an effective tax rate of 27.8%.

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

Financial Year 2011 compared to Financial Year 2010

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

Core Banking Modernisation

Financial Year 2012 compared to Financial Year 2011

During the year, the Group invested $368 million on the Core Banking Modernisation initiative which continues to make significant progress. Highlights over the year include:

- Migration of the majority of business deposit and transaction accounts onto the new platform, allowing customers to enjoy the benefits of real-time banking, including everyday settlement;
- Implementation of functionality which will enable the migration of existing commercial loan accounts, as well as improved features for new accounts; and
- Implementation of SAP Business Partner as the Group's new core customer information store, providing the Group with streamlined customer-centric processes.

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

Financial Year 2011 compared to Financial Year 2010

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

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

Review of Group Assets and Liabilities

Financial Year 2012 compared to Financial Year 2011

Asset growth of $50 billion or 8% since 30 June 2011 was driven by an increase in home lending, business and corporate lending, and non-lending interest earning assets, as a result of higher liquid asset holdings held by the Group.

The continued low credit growth environment, together with strong deposit growth, has allowed the Group to satisfy its funding requirements mainly through deposits. Customer deposits made up 62% of total funding as at 30 June 2012 (30 June 2011: 61%).

Financial Year 2011 compared to Financial Year 2010

Asset growth of $22 billion or 3% since 30 June 2010, was driven mainly by growth of $12 billion or 4% in home lending and growth of $14 billion or 18% in non-lending interest earning assets, partly offset by lower business and corporate lending balances as a result of institutional clients deleveraging and strengthening of the Australian dollar.

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

Home Loans

Financial Year 2012 compared to Financial Year 2011

Home loans balances increased by $15 billion to $351 billion as at 30 June 2012, reflecting a 4% increase on the prior year. This outcome was the result of subdued system credit growth and intense price competition. The Group continues to maintain its competitive position through focusing on profitable growth and delivering excellent customer service.

Financial Year 2011 compared to Financial Year 2010

Home loans experienced steady growth with balances increasing $12 billion to $336 billion as at 30 June 2011, a 4% increase on 30 June 2010. This outcome was impacted by moderating credit growth and intense price competition. The Group maintained its competitive position through product innovation, targeted discounting and a focus on customer service.

Personal Loans

Financial Year 2012 compared to Financial Year 2011

Personal loans, including credit cards, margin lending and other personal loans, increased 1% over the prior year to $21 billion. Strong growth in credit card balances and personal loans was driven by new product offerings and successful campaigns, including the Diamond Awards credit card launched in the first half of the year. This was partly offset by lower margin lending balances reflecting conservative investor sentiment as equity markets remained volatile over the year.

Financial Year 2011 compared to Financial Year 2010

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

Business and Corporate Loans

Financial Year 2012 compared to Financial Year 2011

Business and corporate loans increased $9 billion to $169 billion as at 30 June 2012, a 6% increase on the prior year. This was driven by strong growth in Institutional lending balances.

Financial Year 2011 compared to Financial Year 2010

Business and corporate loans declined by $7 billion to $159 billion as at 30 June 2011, a 4% decrease on 30 June 2010. This was driven mainly by institutional clients deleveraging, a decline in Bankwest loans and the strengthening of the Australian dollar. This decline was partly offset by solid growth in business lending in Business and Private Banking.

Non-lending Interest Earning Assets

Financial Year 2012 compared to Financial Year 2011

Non-lending interest earning assets increased $16 billion to $104 billion as at 30 June 2012, an 18% increase on the prior year. This was driven by higher liquid asset balances held as a result of balance sheet growth and prudent business settings.

Financial Year 2011 compared to Financial Year 2010

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

Other Assets

Financial Year 2012 compared to Financial Year 2011

Other assets including derivative assets, insurance assets and intangibles, increased by $10 billion to $74 billion as at 30 June 2012, a 15% increase on the prior year. This increase primarily reflected higher derivative asset balances driven by volatility in interest rate and foreign exchange markets.

Financial Year 2011 compared to Financial Year 2010

Other assets, including derivative assets, insurance assets and intangibles, increased $3 billion to $64 billion on 30 June 2011, a 4% increase on 30 June 2010. This was impacted by higher derivative asset balances as a result of volatility in foreign exchange and interest rate markets.

Interest Bearing Deposits

Financial Year 2012 compared to Financial Year 2011

Interest bearing deposits increased $37 billion to $428 billion as at 30 June 2012, a 9% increase on the prior year.

Continued global market volatility and customer preference for lower risk investments, together with targeted campaigns in a highly competitive market, resulted in growth of $21 billion in investment deposits, $7 billion in savings deposits, $4 billion in transaction accounts and a $4 billion increase in other demand deposits.

Financial Year 2011 compared to Financial Year 2010

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

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

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

Debt Issues

Financial Year 2012 compared to Financial Year 2011

Debt issues increased $5 billion to $134 billion as at 30 June 2012, a 4% increase on the prior year. While deposits satisfied the majority of the Group's funding requirements during the year, strong access was maintained to both domestic and international wholesale debt markets.

Following the introduction of the Covered Bond legislation in October 2011, the Group completed several Covered Bond transactions across a range of tenors and currencies, raising $13 billion during the second half of the year. Refer to "Liquidity and Capital Resources" in this Document for further information on debt programmes and issuance for the year ended 30 June 2012.

Financial Year 2011 compared to Financial Year 2010

Debt issues have decreased $12 billion to $129 billion as at 30 June 2011, an 9% decrease on 30 June 2010. The decrease in term funding was driven by the strengthening Australian dollar in addition to maturing debt being replaced by the growth in customer deposits. Refer to "Liquidity and Capital Resources" in this Document for further information on debt programmes and issuance for the year ended 30 June 2011.

Other Interest Bearing Liabilities

Financial Year 2012 compared to Financial Year 2011

Other interest bearing liabilities, including loan capital, liabilities at fair value through the income statement and amounts due to other financial institutions, increased $1 billion to $39 billion as at 30 June 2012, a 2% increase on the prior year.

Financial Year 2011 compared to Financial Year 2010

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

Non-interest Bearing Liabilities

Financial Year 2012 compared to Financial Year 2011

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased by $4 billion to $75 billion as at 30 June 2012, a 5% increase on the prior year. This was largely due to derivative liabilities hedging term debt impacted by foreign exchange volatility.

Financial Year 2011 compared to Financial Year 2010

Non-interest bearing liabilities, including derivative liabilities and insurance policy liabilities, increased $10 billion to $71 billion as at 30 June 2011, a 16% increase on 30 June 2010. This was driven predominantly by foreign exchange volatility impacting derivative liabilities hedging term debt.

Group Performance Analysis continued

Total Group Assets & Liabilities	As at 30/06/12 $M	30/06/11 $M	30/06/10 $M
Interest earning assets			
Home loans [1]	**350,633**	335,841	323,573
Personal	**21,057**	20,943	20,572
Business and corporate [2]	**168,536**	159,154	166,311
Loans, bills discounted and other receivables [3]	**540,226**	515,938	510,456
Non-lending interest earning assets	**104,304**	88,142	74,610
Total interest earning assets	**644,530**	604,080	585,066
Other assets [1][2][3]	**73,699**	63,819	61,264
Total assets	**718,229**	667,899	646,330
Interest bearing liabilities			
Transaction deposits	**83,401**	79,466	73,783
Savings deposits	**88,982**	81,680	79,435
Investment deposits	**197,138**	176,100	156,694
Other demand deposits	**58,852**	54,613	55,957
Total interest bearing deposits	**428,373**	391,859	365,869
Debt issues [4]	**134,429**	129,386	141,779
Other interest bearing liabilities	**38,704**	37,950	41,461
Total interest bearing liabilities	**601,506**	559,195	549,109
Non-interest bearing liabilities [4]	**75,151**	71,417	61,651
Total liabilities	**676,657**	630,612	610,760
Provisions for impairment losses			
Collective provision	**2,837**	3,043	3,461
Individually assessed provisions	**2,008**	2,125	1,992
Total provisions for impairment losses	**4,845**	5,168	5,453
Less: Off balance sheet provisions	**(18)**	(21)	(25)
Total provisions for loan impairment	**4,827**	5,147	5,428

(1) Comparative information has been restated for the reclassification of Securitised home loans from Other assets to Home loans to conform with presentation in the current period.

(2) Comparative information has been restated for the reclassification of Bank acceptances of customers from Other assets to Business and corporate to conform with presentation in the current period.

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

(4) Comparative information has been restated for the reclassification of Bank acceptances and Securitised debt issues from Non-interest bearing liabilities to Debt issues.

Forward-Looking Statements

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

Financial Performance and Business Review

Financial Year 2012 compared to Financial Year 2011

Retail Banking Services statutory net profit after tax for the full year ended 30 June 2012 was $2,934 million, which represented an increase of 3% on the prior year. The result reflected subdued volume growth, an ongoing focus on efficiency, a slight decrease in net interest margin, and an increase in loan impairment expense.

Financial Year 2011 compared to Financial Year 2010

Retail Banking Services statutory net profit after tax for the year ended 30 June 2011 was $2,854 million, representing a 16% increase on the prior year. The result was driven by solid growth in net interest income partially offset by lower other banking income, sound management of operational expenses and an improvement in loan impairment expense.

Banking Income

Financial Year 2012 compared to Financial Year 2011

Net interest income for the year ended 30 June 2012 was $6,342 million, an increase of 2% on the prior year. The consumer finance portfolio had strong volume growth, resulting from product innovation and in-branch and online campaigns. Lower demand for secured credit, and increased wholesale funding costs coupled with competitive pricing resulted in flat net interest income growth for both home lending and deposits.

Other banking income increased 7% to $1,410 million, primarily due to higher net interchange fee income for credit cards and deposits, and strong foreign exchange sales. This was partly offset by a decline in home lending fees following the abolition of certain fees.

Financial Year 2011 compared to Financial Year 2010

Net interest income for the year ended 30 June 2011 was $6,209 million, an increase of 9% on the prior year and other banking income decreased 2% on the prior year to $1,312 million for the reasons discussed below.

Home Loans

Financial Year 2012 compared to Financial Year 2011

Home loan income for the year ended 30 June 2012 was $2,892 million, slightly lower than the prior year. Average volume growth was 3%, with new business remaining subdued across the broader market. Net interest margin fell as the increase in wholesale funding costs was not matched by variable rate re-pricing. Other banking income decreased by 5%, primarily due to the removal of re-financing fees from March 2011.

Financial Year 2011 compared to Financial Year 2010

Home loan income for the year ended 30 June 2011 was $2,904 million, a 21% increase on the prior year. Average volume growth was 6% in a period of reduced market activity. Net interest margin improved, benefitting from portfolio repricing and the continued roll off of fixed rate loans written at relatively low margins. Funding costs continued to increase as lower cost funding rolled off and was replaced with higher priced new wholesale debt.

Consumer Finance

Financial Year 2012 compared to Financial Year 2011

Consumer finance income for the year ended 30 June 2012 was $1,896 million, an increase of 11% on the prior year. Volume growth in both credit cards and personal lending was strong, driven by continued success of new products and campaigns. Credit card and personal loan margins both improved, the latter through an increased focus on risk based pricing strategies.

Other banking income increased 12%, primarily reflecting the penetration of Amex companion credit cards and strong growth of the Diamond Awards credit card which attracts higher interchange fees.

Financial Year 2011 compared to Financial Year 2010

Consumer Finance income for the year ended 30 June 2011 was $1,703 million, an increase of 9% on the prior year. This result benefited from improved margins and volume growth in both the Credit Card and Personal Lending portfolios. Other banking income was flat as the impact from the reduction in over-limit and late payment fees was offset by higher volume related income.

Retail Deposits

Financial Year 2012 compared to Financial Year 2011

Retail deposit income for the year ended 30 June 2012 of $2,612 million was slightly up on the prior year. Average balance growth was strong at 9%, with the majority of the growth in term deposit products. Deposit margins decreased during the year, impacted by the falling cash rate environment, unfavourable mix impacts as customers shifted to higher yielding products and continued competitive market pressure.

Other banking income increased 3% primarily due to a decrease in debit scheme interchange expenses following structural changes in the industry.

Financial Year 2011 compared to Financial Year 2010

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

Distribution (1)

Financial Year 2012 compared to Financial Year 2011

Distribution income increased 15% on the prior year to $352 million. This was driven by strong demand for foreign currency and a continued increase in product penetration. Average products per customer was 2.83, which remains the highest of the major Australian banks(2).

Financial Year 2011 compared to Financial Year 2010

Distribution income for the year ended 30 June 2011 was $305 million, an increase of 11% on the prior year. This reflected increased revenue from foreign exchange products and commissions received from the distribution of Business Banking and Wealth Management products through the retail network.

Retail Banking Services continued

Operating Expenses

Financial Year 2012 compared to Financial Year 2011

Operating expenses for the year were $2,957 million, up 2% on the prior year. The increase was primarily driven by continued investment in technology through the Core Banking Modernisation initiative, the Branch Refurbishment programme, as well as staff and property inflationary pressures. This was partially offset by efficiency gains achieved through a continued focus on productivity and streamlining of business processes, resulting in improved service measures.

Customer satisfaction remained at the highest level in CBA's history[(3)], with strong performance across all retail channels.

The expense to income ratio was 38.1%, an improvement of 50 basis points against the prior year.

Financial Year 2011 compared to Financial Year 2010

Expenses for the year ended 30 June 2011 were $2,903 million, up 4% on the prior year, with the cost to income ratio falling to 38.6%. Expenses included investment spend relating to the Core Banking Modernisation initiative. Underlying expense growth was 2%, driven primarily by staff inflationary increases.

Loan Impairment Expense

Financial Year 2012 compared to Financial Year 2011

Loan impairment expense for the year ended 30 June 2012 was $623 million, an increase of 12% on the prior year.

This result was driven by increased write-offs related to prior year growth combined with continued challenging economic conditions. Personal loan growth remained strong, offset by lower relative growth in home loan and credit card portfolios and improvement in arrears across all portfolios.

Financial Year 2011 compared to Financial Year 2010

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

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

(2) Roy Morgan Research, Australians 18+, Average Banking and Finance products held at the bank per Banking and Finance customers, 6 months to June 2012. Major Australian Banks include the CBA, Westpac, NAB and ANZ.

(3) Roy Morgan Research. Australians 14+, CBA MFI Satisfaction score, 6 months to June 2012.

	Full Year Ended 30 June 2012				
	Home Loans $M	Consumer Finance [1] $M	Retail Deposits $M	Distribution $M	Total $M
Net interest income	2,703	1,424	2,215	-	6,342
Other banking income	189	472	397	352	1,410
Total banking income	2,892	1,896	2,612	352	7,752
Operating expenses					(2,957)
Loan impairment expense					(623)
Net profit before tax					4,172
Corporate tax expense					(1,238)
Cash net profit after tax					2,934
Statutory net profit after tax					2,934

	Full Year Ended 30 June 2011				
	Home Loans $M	Consumer Finance [1] $M	Retail Deposits $M	Distribution $M	Total $M
Net interest income	2,706	1,281	2,222	-	6,209
Other banking income	198	422	387	305	1,312
Total banking income	2,904	1,703	2,609	305	7,521
Operating expenses					(2,903)
Loan impairment expense					(558)
Net profit before tax					4,060
Corporate tax expense					(1,206)
Cash net profit after tax					2,854
Statutory net profit after tax					2,854

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

	As at		
Balance Sheet	30/06/12 $M	30/06/11 $M	30/06/10 $M
Home loans (including securitisation)	**269,543**	260,583	250,428
Consumer finance	**15,035**	13,989	12,961
Other assets	**176**	201	250
Total assets	**284,754**	274,773	263,639
Transaction deposits	**19,505**	19,357	19,050
Savings deposits	**63,311**	59,127	59,206
Investments and other deposits	**96,742**	83,951	71,719
Deposits not bearing interest	**3,136**	3,057	2,840
Other liabilities	**2,708**	2,926	2,519
Total liabilities	**185,402**	168,418	155,334

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

Business and Private Banking

Forward-Looking Statements

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

Financial Performance and Business Review

Financial Year 2012 compared to Financial Year 2011

Business and Private Banking achieved a statutory net profit after tax of $1,067 million for the year ended 30 June 2012, which represented a 4% increase on the prior year. The major driver of this result was business banking income growth of 5%, partly offset by a 12% decrease in Equities and Margin Lending income. The result was further strengthened by disciplined expense management together with lower impairment expense.

Financial Year 2011 compared to Financial Year 2010

Business and Private Banking delivered a strong performance, achieving statutory net profit after tax of $1,030 million for the year ended 30 June 2011, which represented a 15% increase on the prior year.

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

Banking Income

Financial Year 2012 compared to Financial Year 2011

Net interest income of $2,231 million increased 5% on the prior year, driven by solid growth in deposit balances. Net interest margin improved primarily as a result of higher lending product margins. This was partly offset by the impact of intense competition for deposits.

Other banking income of $866 million decreased 4% on the prior year. Strong growth in the sale of risk management related products and foreign exchange products, was offset by a decrease in merchant acquiring income driven by structural industry changes and changes in consumer product preferences. While equities trading yields were higher, this was more than offset by a 24% decrease in average volumes.

Financial Year 2011 compared to Financial Year 2010

Net interest income of $2,134 million increased 7% on the prior year and other banking income increased 1% to $905 million for the reasons discussed below.

Corporate Financial Services

Financial Year 2012 compared to Financial Year 2011

Corporate Financial Services income increased 10% on the prior year to $1,086 million. Lending income increased 17% on the prior year, driven by 10% growth in balances reflecting continued customer demand for market rate linked products and higher new business margins.

Deposit income increased 4% on the prior year reflecting 7% growth in balances offset by declining margins primarily due to strong competition for deposits and customer demand for higher yield products. Interest and exchange rate volatility resulted in strong demand for risk management related products with revenue increasing significantly on the prior year.

Financial Year 2011 compared to Financial Year 2010

Corporate Financial Services income in the 2011 Financial Year increased 13% on the prior year to $984 million. This was driven by commercial lending balance growth of 10% and deposit balance growth of 13%.

Regional and Agribusiness Banking

Financial Year 2012 compared to Financial Year 2011

Regional and Agribusiness Banking income increased 9% on the prior year to $489 million. Lending income increased 10% on the prior year, including modest growth in balances and higher new business margins.

Deposit income increased 5% driven by balance growth of 11%, partly offset by lower margins due to customer demand for higher yield products. Income from the sale of risk management related products increased on the prior year.

Financial Year 2011 compared to Financial Year 2010

Regional and Agribusiness Banking income in the 2011 Financial Year increased 8% on the prior year to $448 million. This reflected a 5% increase in lending balances and a 5% increase in deposit balances, whilst margins were stable.

Through the Specialised Agri Solutions team, the business continued to focus on identifying and delivering innovative solutions to customers with more complex needs. In addition, the business continued to make targeted investment in frontline staff and brand awareness.

Local Business Banking

Financial Year 2012 compared to Financial Year 2011

Local Business Banking income increased 5% on the prior year to $850 million. Deposit income increased 10% reflecting 13% growth in deposit balances, partly offset by lower deposit margins, driven by customer demand for higher yield products. Asset finance income increased 24% due to a 6% increase in balances and higher new business margins.

Lending income increased 5% on the prior year, driven by modest balance growth and higher new business margins. Income from merchant acquiring activities decreased 18% following structural changes in the industry and a change in consumer product preferences.

Financial Year 2011 compared to Financial Year 2010

Local Business Banking income in the 2011 Financial Year increased 9% on the prior year to $813 million. This was driven by growth in both lending and deposit balances of 9%.

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

Private Bank

Financial Year 2012 compared to Financial Year 2011

Private Bank income increased 1% on the prior year to $251 million. Home lending balances increased 5% with higher funding costs impacting margins. Advisory income increased 10%, driven by a 20% increase in funds under advice and the benefit of higher advice fees.

Deposit income was flat with customer demand for higher yield deposit products offset by balance growth of 1%.

Financial Year 2011 compared to Financial Year 2010

Private Bank income in the 2011 Financial Year increased 5% on the prior year to $249 million. This result was driven by growth in home lending and deposit balances.

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

Equities and Margin Lending

Financial Year 2012 compared to Financial Year 2011

Equities and Margin Lending income decreased 12% on the prior year to $362 million. This was primarily due to a 24% decrease in equities trading volumes as markets were affected by cautious investor sentiment. CommSec held market share and increased yields, with a higher average value per trade undertaken, despite lower volumes.

Margin lending average balances decreased 20% due to customers deleveraging and subdued investor appetite for this product, reflecting the uncertainty in equity markets. Deposit income increased 8% as investors exchanged equities for cash.

Financial Year 2011 compared to Financial Year 2010

Equities and Margin Lending income in the 2011 Financial Year decreased 12% on the prior year to $413 million. This result reflected lower market volumes in equities trading and subdued market volumes in margin lending, while cautious investor sentiment contributed to strong balance growth in cash management products.

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

Operating Expenses

Financial Year 2012 compared to Financial Year 2011

Operating expenses of $1,344 million increased 1% on the prior year reflecting disciplined expense management. The focus on productivity initiatives, including call centre consolidation and the wind-down of the receivables finance business, assisted in containing cost growth. This was more than offset by salary related inflation and higher volume related expenses due to strong sales of risk management related products.

Financial Year 2011 compared to Financial Year 2010

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

Loan Impairment Expense

Financial Year 2012 compared to Financial Year 2011

Loan impairment expense of $227 million decreased 13% on prior year, supported by the strong underlying quality of the business lending portfolio.

Financial Year 2011 compared to Financial Year 2010

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

Business and Private Banking continued

	Full Year Ended 30 June 2012						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	819	397	611	187	168	49	2,231
Other banking income	267	92	239	64	194	10	866
Total banking income	1,086	489	850	251	362	59	3,097
Operating expenses							(1,344)
Loan impairment expense							(227)
Net profit before tax							1,526
Corporate tax expense							(459)
Cash net profit after tax							1,067
Statutory net profit after tax							1,067

	Full Year Ended 30 June 2011 (1)						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	760	373	580	186	179	56	2,134
Other banking income	224	75	233	63	234	76	905
Total banking income	984	448	813	249	413	132	3,039
Operating expenses							(1,335)
Loan impairment expense							(261)
Net profit before tax							1,443
Corporate tax expense							(413)
Cash net profit after tax							1,030
Statutory net profit after tax							1,030

	Full Year Ended 30 June 2010 (1)						
	Corporate Financial Services $M	Regional & Agri-business $M	Local Business Banking $M	Private Bank $M	Equities & Margin Lending $M	Other $M	Total $M
Net interest income	708	340	516	182	183	58	1,987
Other banking income	164	74	228	56	284	89	895
Total banking income	872	414	744	238	467	147	2,882
Operating expenses							(1,295)
Loan impairment expense							(326)
Net profit before tax							1,261
Corporate tax expense							(363)
Cash net profit after tax							898
Statutory net profit after tax							898

	As at		
Balance Sheet	30/06/12 $M	30/06/11 $M	30/06/10 $M
Interest earning lending assets (excluding margin loans) (2)	**78,029**	77,545	73,287
Non-lending interest earning assets	**365**	480	295
Margin loans	**3,287**	4,213	4,771
Other assets (3)	**476**	690	448
Total assets	**82,157**	82,928	78,801
Transaction deposits	**51,973**	49,309	45,026
Savings deposits	**5,669**	5,720	4,744
Investments deposits	**41,468**	41,650	37,147
Certificates of deposit and other	**41**	57	162
Due to other financial institutions	**1,042**	403	895
Debt issues (4)	**9,070**	9,808	10,155
Other non-interest bearing liabilities (3)	**5,738**	6,341	5,169
Total liabilities (5)	**115,001**	113,288	103,298

(1) Comparative information has been reclassified to conform with presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement Information" for more details.

(2) Comparative information has been restated to include Bank acceptances of customers to conform with presentation in the current period (30 June 2012: $9.1 billion; 30 June 2011: $9.8 billion; 30 June 2010 $10.2 billion).

(3) Other assets include intangible assets, and other non-interest bearing liabilities include non-interest bearing deposits.

(4) Debt issues include Bank acceptances.

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

Forward-Looking Statements

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

Financial Performance and Business Review

Financial Year 2012 compared to Financial Year 2011

Institutional Banking and Markets achieved a statutory net profit after tax of $1,060 million for the year ended 30 June 2012, which represented a 6% increase on the prior year. The result was driven by improved lending balance growth, transactional banking deposit volume growth and lower loan impairment expense. This was partly offset by weaker performance in the trading book, which was significantly impacted by unfavourable counterparty fair value adjustments.

Financial Year 2011 compared to Financial Year 2010

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

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

Banking Income

Financial Year 2012 compared to Financial Year 2011

Net interest income increased 6% on the prior year to $1,409 million. This increase was driven by growth in lending assets, a strong performance in the offshore Markets business, solid Asset Leasing balance growth in the UK and higher deposit volumes from transactional banking customers. This was partly offset by lower deferred fees recognised from the early repayment of debt facilities.

Other banking income was $937 million, a decrease of 18% on the prior year. This result was impacted by a weaker performance in the trading book, particularly in the first quarter, and the unfavourable impact of counterparty fair value adjustments. This was partly offset by an increase in lending and leasing fees, and strong growth in customer activity in the Markets business.

Financial Year 2011 compared to Financial Year 2010

Net interest income of $1,331 million decreased 4% on the prior year and other banking income decreased 6% to $1,136 million for the reasons discussed below.

Institutional Banking

Financial Year 2012 compared to Financial Year 2011

Net interest income increased 5% on the prior year to $1,172 million due to strong lending growth with Institutional Banking year end balances increasing 19% since 30 June 2011. Year end balance growth was generated from a diverse range of industries, with particular success in the investment grade commercial property and natural resources sectors. The Asset Leasing business also experienced solid offshore loan growth.

Additionally, deposit volumes increased 5% driven by a strong focus on new and existing Transaction Banking customers.

Other banking income increased 7% on the prior year to $801 million driven by solid progress in the Asset Leasing business and growth in fees as lending volumes increased. In addition, the Equity and Advisory Solutions Group benefitted from a gain on the sale of an equity investment in a domestic school and a UK hospital Public Private Partnership (PPP).

Financial Year 2011 compared to Financial Year 2010

Net interest income for the year ended 30 June 2011 decreased 6% on the prior year to $1,112 million as a result of a 10% decrease in average loan balances, higher funding costs and reduced margins on deposits from transactional banking customers. This was partly offset by the recognition of deferred fees from the early repayment of debt facilities and improved deposit volumes from transactional banking customers.

Other banking income for the year ended 30 June 2011 increased 5% on the prior year to $748 million driven by increased leasing fee income and a favourable contribution from hedging credit exposures.

Markets

Financial Year 2012 compared to Financial Year 2011

Net interest income increased 8% on the prior year to $237 million primarily due to strong offshore performance in the interest rates business.

Other banking income decreased 65% on the prior year to $136 million due to the adverse market conditions arising from the downgrade of the US sovereign credit rating in the first quarter and ongoing European sovereign debt concerns. In addition, the decrease in income was significantly impacted by unfavourable counterparty fair value adjustments of $121 million for the year ended 30 June 2012 compared to the favourable counterparty adjustment in the prior year of $94 million. This impact was primarily as a result of the falling interest rate environment and widening credit spreads.

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

Financial Year 2011 compared to Financial Year 2010

Net interest income for the year ended 30 June 2011 increased 6% on the prior year to $219 million primarily due to modest growth in interest earning assets.

Other banking income for the year ended 30 June 2011 decreased 21% on the prior year to $388 million due to a challenging trading environment as a result of flattening yield curves, lower domestic market volatility, narrowing spreads and weaker activity in equity capital markets. This was partly offset by the favourable contribution of the counterparty fair value mark to market valuation as credit spreads tightened.

Operating Expenses

Financial Year 2012 compared to Financial Year 2011

Operating expenses increased 3% on the prior year to $851 million. Excluding the impact of higher depreciation expenses related to growth in the Asset Leasing business, operating expenses increased 2%.

Financial Year 2011 compared to Financial Year 2010

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

Loan Impairment Expense

Financial Year 2012 compared to Financial Year 2011

Loan impairment expense of $153 million was 53% lower than the prior year, driven by a decrease in new single name exposures.

The overall internal credit rating of the Institutional lending portfolio has remained stable.

Financial Year 2011 compared to Financial Year 2010

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

Corporate Tax Expense

Financial Year 2012 compared to Financial Year 2011

The corporate tax expense for the year ended 30 June 2012 was $282 million. The effective tax rate of 21% is lower than the prior year and benefitted from a higher proportion of profit generated in offshore jurisdictions that have lower corporate tax rates.

Financial Year 2011 compared to Financial Year 2010

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

	Full Year Ended 30 June 2012		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	1,172	237	1,409
Other banking income	801	136	937
Total banking income	1,973	373	2,346
Operating expenses			(851)
Loan impairment expense			(153)
Net profit before tax			1,342
Corporate tax expense			(282)
Cash net profit after tax			1,060
Statutory net profit after tax			1,060

	Full Year Ended 30 June 2011 (1)		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	1,112	219	1,331
Other banking income	748	388	1,136
Total banking income	1,860	607	2,467
Operating expenses			(828)
Loan impairment expense			(324)
Net profit before tax			1,315
Corporate tax expense			(311)
Cash net profit after tax			1,004
Statutory net profit after tax			1,004

	Full Year Ended 30 June 2010 (1)		
	Institutional Banking $M	Markets $M	Total $M
Net interest income	1,181	207	1,388
Other banking income	710	493	1,203
Total banking income	1,891	700	2,591
Operating expenses			(830)
Loan impairment expense			(249)
Net profit before tax			1,512
Corporate tax expense			(339)
Cash net profit after tax			1,173
Statutory net profit after tax			1,173

	As at		
Balance Sheet	30/06/12 $M	30/06/11 $M	30/06/10 $M
Interest earning lending assets (2)	**56,466**	49,022	56,306
Non-lending interest earning assets	**34,267**	32,664	29,434
Other assets (3)	**35,463**	30,342	8,755
Total assets	**126,196**	112,028	94,495
Certificates of deposit and other	**12,440**	8,241	12,834
Investments deposits	**12,200**	6,982	5,082
Due to other financial institutions	**15,856**	13,457	10,055
Liabilities at fair value through Income Statement	**2,754**	4,234	3,974
Debt issues (4)	**1,487**	4,415	3,920
Loan capital	**564**	544	627
Other non-interest bearing liabilities (3)	**29,361**	25,758	22,406
Total liabilities	**74,662**	63,631	58,898

(1) Comparative information has been reclassified to conform with presentation in the current period. Refer to "Financial Information Definitions – Reclassification of certain Income Statement Information" for more details.

(2) Comparative information has been restated to include Bank acceptances of customers to conform with presentation in the current period (30 June 2012: $0.6 billion; 30 June 2011: $0.9 billion; 30 June 2010 $1.4 billion).

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

(4) Debt issues include Bank acceptances.

Wealth Management

Forward-Looking Statements

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

Financial Performance and Business Review

Financial Year 2012 compared to Financial Year 2011

Statutory net profit after tax for the year ended 30 June 2012 was $511 million, which represented a 16% decrease on the prior year. The result reflects continued weakness in global investment markets and costs involved in the acquisition of Count Financial Limited (Count Financial) effective 29 November 2011, which was partly offset by a solid insurance performance. Underlying profit after tax (which excludes investment experience and non-cash items) was $492 million, representing a 15% decrease on the prior year.

The funds businesses delivered a resilient result with Funds under Administration up 2% to $193 billion, despite significant pressure on investment markets. Market conditions resulted in strong investor flows weighted towards less volatile asset classes, reflecting low investor risk appetite. The insurance businesses experienced inforce premium growth of 20% to $1,971 million, benefitting from new business and improved cross-sell in aligned retail channels.

The business continued to invest in growth and productivity initiatives. These included the expansion of global and domestic fund management capabilities and distribution, the acquisition of Count Financial and improvements to insurance claims processing. In addition, the business continues to prepare for regulatory change described in “Description of Business Environment – Insurance and Wealth Management Regulations”.

Financial Year 2011 compared to Financial Year 2010

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

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

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

CFS Global Asset Management (CFSGAM)

Financial Year 2012 compared to Financial Year 2011

Underlying profit after tax was $234 million, a 15% decrease on the prior year. The result reflects slightly lower Funds under Management (FUM) and continued investment to support global growth initiatives across the US, Europe and Australasia.

FUM as at 30 June 2012 was $146 billion, down 2% on the prior year, reflecting the uncertainty in global equity markets. This performance compared favourably with the ASX 200 and MSCI Emerging Markets(1) indices, which fell 11% and 14% respectively over the same period.

Investment performance was sound with 67% of funds outperforming investment benchmarks over a three year period. However, persistent uncertainty in the global economic outlook continued to shift investor preference towards cash and fixed interest products over equities, now representing 73% of total inflows at 30 June 2012 (30 June 2011: 64%). During the year, the business continued to diversify and expanded its footprint globally, opening offices in Paris, Frankfurt and New York, with 55% of revenue now sourced offshore. Despite the global economic conditions, Global Equities FUM was resilient and the newly formed Emerging Markets Debt team sourced over $500 million in Funds under Management in its first nine months.

Statutory net profit after tax of $245 million represented a decrease of 13% on the prior year.

Financial Year 2011 compared to Financial Year 2010

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

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

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

Colonial First State (CFS)

Financial Year 2012 compared to Financial Year 2011

Underlying profit after tax was $106 million, a 25% decrease on the prior year. The result reflects continued weakness in market conditions, increased compliance related costs and remediation expenses.

The CFS flagship platforms FirstChoice and FirstWrap continued to grow market share, attracting 34% share of market net flows(2). FirstChoice retained the position of the largest platform and increased its Australian market share to 11.6%(2) as at 31 March 2012. Equity market weakness contributed to strong investment flows into cash, fixed interest and deposit products.

The acquisition and integration of Count Financial resulted in CFS expanding its distribution footprint to become the second largest adviser network in the market(3).

Statutory net profit after tax of $76 million represented a decrease of 47% on the prior year.

Financial Year 2011 compared to Financial Year 2010

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

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

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

CommInsure

Financial Year 2012 compared to Financial Year 2011

Underlying profit after tax was $246 million, a 3% decrease on the prior year. The business achieved strong inforce premium growth across all insurance lines of business, reflected in insurance income growth of 11%. However, this was partly offset by the impact of the run-off of the closed investment portfolios.

Retail Life Insurance results were mixed, with premium income up 11% on the prior year. Inforce premiums as at 30 June 2012 were $815 million, up 10% on the prior year, supported by solid sales from Bank channels, with overall sales growing by 21%. However, in the current economic environment, the industry continued to see deterioration in claims experience as well as an increase in lapses.

The Wholesale Life Insurance business generated strong inforce premiums growth of 41%, mainly due to the acquisition of new business and solid organic growth in existing business.

General Insurance income benefitted from lower event claims and strong inforce premium growth of 16%. During the year, the motor claims handling process was successfully integrated into CommInsure claims management.

Funds management income declined 23% to $160 million, reflecting the managed contraction of the closed portfolios and constrained growth in open business due to uncertain markets.

Statutory net profit after tax of $299 million represented an increase of 2% on the prior year.

Financial Year 2011 compared to Financial Year 2010

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

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

Operating Expenses

Financial Year 2012 compared to Financial Year 2011

Operating expenses increased 7% on the prior year to $1,369 million. This reflects organic offshore growth in CFSGAM, preparation for regulatory changes and the acquisition of Count Financial effective 29 November 2011. Employee numbers increased on the prior year as distribution investment gained momentum.

Productivity and process excellence remained a key focus with a systematic roll out of programmes. These initiatives resulted in productivity improvements across call centres and operations, providing better customer experience and turnaround times.

Financial Year 2011 compared to Financial Year 2010

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

(1) MSCI Emerging Markets Index (AUD).

(2) Plan for Life quarterly release.

(3) March 2012 Rainmaker quarterly release.

Wealth Management continued

	Full Year Ended 30 June 2012				
		Colonial			
	CFSGAM	First State	CommInsure	Other	Total
	$M	$M	$M	$M	$M
Funds management income	883	845	160	-	1,888
Insurance income	-	-	691	-	691
Total operating income	883	845	851	-	2,579
Volume expenses	(140)	(192)	(208)	-	(540)
Net operating income	743	653	643	-	2,039
Operating expenses	(439)	(505)	(292)	(133)	(1,369)
Net profit before tax	304	148	351	(133)	670
Corporate tax expense	(70)	(42)	(105)	39	(178)
Underlying profit after tax	234	106	246	(94)	492
Investment experience after tax	11	13	53	-	77
Cash net profit after tax	245	119	299	(94)	569
Treasury share valuation adjustment (after tax)	-	-	-	(15)	(15)
Count Financial acquisition costs (after tax)	-	(43)	-	-	(43)
Statutory net profit after tax	245	76	299	(109)	511

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

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

Summary	Full Year Ended 30/06/12 $M	30/06/11 $M	30/06/10 $M
Funds under administration - average (1)	**189,699**	188,866	179,802
Funds under administration - spot (1)	**192,781**	188,511	179,614
Funds under management - average (1)	**146,742**	150,396	144,624
Funds under management - spot (1)	**146,220**	148,639	144,298
Retail Net funds flows (Australian Retail)	**194**	(349)	246

Funds Under Management (FUM) (1)	Full Year Ended 30/06/12 $M	30/06/11 $M	30/06/10 $M
Australian equities	**18,366**	22,336	21,499
Global equities	**50,003**	50,860	45,685
Cash and fixed interest	**54,242**	50,946	54,180
Property and Infrastructure (2)	**23,609**	24,497	22,934
Total	**146,220**	148,639	144,298

Sources of Profit from CommInsure	Full Year Ended 30/06/12 $M	30/06/11 $M	30/06/10 $M
Life insurance operating margins			
Planned profit margins	**170**	164	166
Experience variations	**(46)**	(36)	6
Funds management operating margins	**89**	112	120
General insurance operating margins	**33**	14	7
Operating margins	**246**	254	299
Investment experience after tax	**53**	51	97
Cash net profit after tax	**299**	305	396

Annual Inforce Premiums - Risk Business (Full Year Ended 30 June 2012)	Opening Balance 30/06/11 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 30/06/12 $M
Retail life	743	216	(144)	-	815
Wholesale life	461	263	(73)	-	651
General insurance	436	120	(51)	-	505
Total	1,640	599	(268)	-	1,971

Annual Inforce Premiums - Risk Business (Full Year Ended 30 June 2011)	Opening Balance 30/06/10 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 30/06/11 $M
Retail life	677	178	(112)	-	743
Wholesale life	428	97	(64)	-	461
General insurance	408	100	(72)	-	436
Sub-total	1,513	375	(248)	-	1,640
St Andrew's Insurance (3)	71	-	-	(71)	-
Total	1,584	375	(248)	(71)	1,640

Annual Inforce Premiums - Risk Business (Full Year Ended 30 June 2010)	Opening Balance 30/06/09 $M	Sales/New Business $M	Lapses $M	Other $M	Closing Balance 30/06/10 $M
Retail life	697	200	(115)	-	782
Wholesale life	435	66	(178)	-	323
General insurance	360	107	(59)	-	408
Sub-total	1,492	373	(352)	-	1,513
St Andrew's Insurance (3)	68	23	(20)	-	71
Total	1,560	396	(372)	-	1,584

(1) FUM & FUA do not include the Group's interest in the China Cinda JV.
(2) This asset class includes wholesale and listed property trusts as well as indirect listed property securities funds which are traded through the ASX.
(3) The St. Andrew's insurance business was sold effective 1 July 2010.

Wealth Management continued

Funds Under Administration	Opening Balance 30/06/11 $M	Inflows $M	Outflows $M	Net Flows $M	Investment Income & Other [6] $M	Closing Balance 30/06/12 $M
	Full Year Ended 30 June 2012					
FirstChoice	49,118	13,955	(12,272)	1,683	(787)	50,014
Custom Solutions [1]	7,436	4,410	(2,739)	1,671	(26)	9,081
Standalone (including Legacy) [2]	20,640	2,686	(5,743)	(3,057)	(315)	17,268
Retail products [3]	77,194	21,051	(20,754)	297	(1,128)	76,363
Other retail [4]	1,105	35	(138)	(103)	(1)	1,001
Australian retail	78,299	21,086	(20,892)	194	(1,129)	77,364
Wholesale	39,624	22,752	(19,641)	3,111	708	43,443
Property	18,908	187	(311)	(124)	(90)	18,694
Other [5]	3,083	29	(140)	(111)	460	3,432
Domestically sourced	139,914	44,054	(40,984)	3,070	(51)	142,933
Internationally sourced	48,597	9,460	(8,294)	1,166	85	49,848
Total Wealth Management	188,511	53,514	(49,278)	4,236	34	192,781

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

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

(1) Custom Solutions includes the FirstWrap product.

(2) Includes cash management trusts.

(3) Retail Funds that align to Plan for Life market share releases.

(4) Includes regular premium plans. These retail products are not reported in market share data.

(5) Includes life company assets sourced from retail investors but not attributable to a funds management product.

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

Forward-Looking Statements

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

Financial Performance and Business Review

Financial Year 2012 compared to Financial Year 2011

New Zealand[1] statutory net profit after tax[2] for the year ended 30 June 2012 was NZ$674 million, which represented an increase of 19% on the prior year. The result was driven by a solid performance from ASB Bank with net interest margin improvement and lower loan impairment expenses. This was partly offset by a lower contribution from Sovereign due to the impact of unfavourable actuarial policy liability valuations.

Financial Year 2011 compared to Financial Year 2010

New Zealand statutory net profit after tax[2] for the year ended 30 June 2011 was NZ$568 million, a significant increase on the prior year net profit after tax of NZ$230 million. The result was driven by a strong performance from ASB Bank with margins benefiting from a shift in portfolio mix towards variable rate loans and repricing initiatives. Sovereign’s growth in inforce premiums, positive claims experience and lower lapse rates were more than offset by the impacts of the Christchurch earthquakes.

ASB Bank

Financial Year 2012 compared to Financial Year 2011

ASB Bank statutory net profit after tax[2] for the year ended 30 June 2012 was NZ$616 million, up 27% on the prior year, primarily driven by an improved net interest margin and lower loan impairment expense.

Financial Year 2011 compared to Financial Year 2010

ASB Bank statutory net profit after tax[2] for the year ended 30 June 2011 was NZ$484 million, up significantly on the prior year. Other banking income for the year ended 30 June 2011 was NZ$367 million, up 7%.

Banking Income

Financial Year 2012 compared to Financial Year 2011

Net interest income was NZ$1,223 million, an increase of 10% on the prior year benefitting from fixed rate loan repricing and a shift in customer preference to higher margin variable loans. Wholesale funding costs continued to increase as a result of global market uncertainty, with retail deposit margins remaining flat. Volume growth in customer deposits was solid, with lending growth subdued in a low credit growth environment.

Other banking income was NZ$323 million, down 12% on the prior year. This included lower trading income and lower transaction and lending fees, which were partly offset by a focus on bancassurance sales with an increase in income over the prior year.

Financial Year 2011 compared to Financial Year 2010

Net interest income of NZ$1,107 million increased 22% on the prior year. Other banking income increased 7% to NZ$367 million on the prior year due to higher trading income, partially offset by lower early repayment adjustment fees from customers.

Home Loans

Financial Year 2012 compared to Financial Year 2011

Home loan balances of NZ$37 billion remained flat on the prior year reflecting the low credit growth environment. Home loan margins have benefitted from the repricing of fixed rate loans and the shift from fixed rate to variable rate loans. The shift to variable rate loans subsided in recent months with both existing and new customers taking up fixed rate loans in a greater proportion. The proportion of the portfolio which was variable rate in nature at 30 June 2012 was 63% (30 June 2011: 59%).

Financial Year 2011 compared to Financial Year 2010

Home loan margins improved as a result of a continued shift by customers from fixed to variable rate loans and repricing initiatives. Home loan balances remained steady at NZ$37 billion.

Business Loans

Financial Year 2012 compared to Financial Year 2011

Business loan balances increased 4% on the prior year to NZ$15 billion, driven by solid growth in lending volumes in the second half of the year. Margins improved to more normalised levels as low margin fixed rate loans repriced.

Financial Year 2011 compared to Financial Year 2010

Business lending margins benefited from a shift in portfolio mix from fixed to variable rate loans and from risk based pricing initiatives. Business lending balances declined slightly as customers continued to deleverage.

Customer Deposits

Financial Year 2012 compared to Financial Year 2011

Customer deposit balances of NZ$37 billion have increased 4% on the prior year, outpacing lending growth, and reflecting customer demand for low risk investments. There has been a continued focus on profitable deposit growth notwithstanding the highly competitive market. The portfolio mix change, as customers move towards higher yielding products, has unfavourably impacted margins.

Financial Year 2011 compared to Financial Year 2010

Deposit margins remained under pressure in a competitive local market with customers moving towards higher yielding investment deposits. Balances increased 7% to NZ$35 billion at 30 June 2011.

Operating Expenses

Financial Year 2012 compared to Financial Year 2011

Operating expenses for the full year ended 30 June 2012 were NZ$743 million, up 1% on the prior year. The increase was attributable to business restructuring, together with inflation related staff and property expenses. Strategic initiatives to improve customer experience have delivered efficiency improvements, including further customer migration to online statements and smartphone payment applications. The expense to income ratio was 46.6%, down 140 basis points on the prior year.

Financial Year 2011 compared to Financial Year 2010

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

Loan Impairment Expense

Financial Year 2012 compared to Financial Year 2011

Loan impairment expense for the year ended 30 June 2012 was NZ$47 million, a decrease of 35% on the prior year. This result benefitted from the non-recurrence of the Christchurch Earthquake provision raised in the prior year, as arrears and hardship levels in Christchurch improved. In addition, arrears rates across the rest of the Retail portfolio were relatively stable, with a slight improvement in 90+ day arrears rates.

Financial Year 2011 compared to Financial Year 2010

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

Sovereign

Financial Year 2012 compared to Financial Year 2011

Statutory net profit after tax(2) for the year ended 30 June 2012 was NZ$52 million, down 40% on the prior year. The decline in profit was impacted by unfavourable actuarial policy liability valuations, including a decrease in New Zealand Government bond rates. Business performance was sound, including solid inforce premium growth, partly offset by an associated increase in commission expense.

Financial Year 2011 compared to Financial Year 2010

Sovereign statutory net profit after tax(2) for the year ended 30 June 2011 was NZ$86 million, a decrease of 17% on the prior year. The major drivers of the result were:

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

Insurance Income

Financial Year 2012 compared to Financial Year 2011

Insurance income of NZ$274 million was up 7% on the prior year with favourable claims experience, strong persistency and inforce premium growth of 7%. The inforce premium growth was driven by a solid increase in new business and improved lapse rates.

Operating Expenses

Operating expenses of NZ$229 million were up 5% on the prior year, driven by increased renewal commission expense due to growth in inforce premiums. Excluding commission expenses, operating expenses were up 2% on the prior year reflecting disciplined expense management.

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

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

	Full Year Ended 30 June 2012				
	ASB NZ$M	Sovereign NZ$M	Other (1) NZ$M	Total NZ$M	Total A$M
Net interest income	1,223	-	(13)	1,210	944
Other banking income (2)	323	-	(36)	287	214
Total banking income	1,546	-	(49)	1,497	1,158
Funds management income	50	-	7	57	44
Insurance income	-	274	18	292	227
Total operating income	1,596	274	(24)	1,846	1,429
Operating expenses	(743)	(229)	40	(932)	(727)
Loan impairment expense	(47)	-	-	(47)	(37)
Net profit before tax	806	45	16	867	665
Corporate tax expense	(226)	18	(1)	(209)	(159)
Underlying profit after tax	580	63	15	658	506
Investment experience after tax	-	(11)	(9)	(20)	(16)
Cash net profit after tax	580	52	6	638	490
Hedging and IFRS volatility (after tax)	36	-	-	36	28
Statutory net profit after tax	616	52	6	674	518

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

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

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

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

New Zealand continued

Balance Sheet	As at 30/06/12 NZ$M	30/06/11 NZ$M	30/06/10 NZ$M
Home lending	**37,410**	37,444	37,778
Assets at fair value through Income Statement	**2,200**	4,165	5,815
Other lending assets	**15,808**	15,148	15,960
Non-lending interest earning assets	**4,841**	4,003	1,543
Other assets	**5,380**	4,597	4,723
Total assets	**65,639**	65,357	65,819
Customer deposits (1)	**36,696**	35,117	32,861
Debt issues	**6,309**	6,910	3,806
Other interest bearing liabilities (2)	**11,139**	11,484	17,776
Non-interest bearing liabilities	**6,099**	6,673	6,640
Total liabilities	**60,243**	60,184	61,083
Assets			
ASB Bank	**63,392**	63,050	63,557
Other	**2,247**	2,307	2,262
Total assets	**65,639**	65,357	65,819
Liabilities			
ASB Bank	**59,206**	59,103	60,010
Other	**1,037**	1,081	1,073
Total liabilities	**60,243**	60,184	61,083

Sources of Profit from Insurance Activities	Full Year Ended 30/06/12 NZ$M	30/06/11 NZ$M	30/06/10 NZ$M
The Margin on Services profit from ordinary activities after income tax is represented by:			
Planned profit margins	**60**	58	60
Experience variations	**3**	15	31
Operating margins	**63**	73	91
Investment experience after tax	**(11)**	13	12
Cash net profit after tax	**52**	86	103

New Zealand - Funds Under Administration	Full Year Ended 30/06/12 NZ$M	30/06/11 NZ$M	30/06/10 NZ$M
Opening balance	**10,407**	8,771	7,389
Inflows	**2,477**	2,528	3,233
Outflows	**(1,627)**	(1,529)	(2,439)
Net Flows	**850**	999	794
Investment income & other	**120**	637	588
Closing balance	**11,377**	10,407	8,771

New Zealand - Annual Inforce Premiums	Full Year Ended 30/06/12 NZ$M	30/06/11 NZ$M	30/06/10 NZ$M
Opening balance	**584**	554	516
Sales/New business	**98**	87	97
Lapses	**(58)**	(55)	(59)
Other movements	**(1)**	(2)	-
Closing balance	**623**	584	554

(1) Customer deposits including all interest bearing deposits carried at amortised cost or as liabilities at fair value through Income Statement.
(2) Includes NZ$6.6 billion due to Group companies (30 June 2011: NZ$6.3 billion; 30 June 2010: NZ$5.4 billion.)

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Bankwest

Forward-Looking Statements

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

Financial Performance and Business Review

Financial Year 2012 compared to Financial Year 2011

Bankwest statutory net profit after tax for the year ended 30 June 2012 was $431 million, up 47% on the prior year. The result was driven by a 1% increase in banking income due to strong home lending growth, a 2% decrease in operating expenses benefitting from productivity initiatives, a 44% decrease in loan impairment expense supported by improved business lending credit quality and a 35% reduction in merger related amortisation and integration expenses (after tax). Balance and margin movements have been discussed below.

Financial Year 2011 compared to Financial Year 2010

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

Key drivers of the year's performance were:

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

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

Banking Income

Financial Year 2012 compared to Financial Year 2011

Net interest income of $1,457 million increased 3% compared to the prior year. This was mainly driven by strong home loan volume growth despite the subdued credit growth environment and competitive market. Other banking income of $207 million decreased 6% compared to the prior year due to customer preference for low fee accounts, lower new business volumes and the impact of unfavourable counterparty fair value adjustments.

Financial Year 2011 compared to Financial Year 2010

Banking income increased to $1,640 million, up 5% compared to the prior year, mainly due to improved deposit margins and above system home loan balance growth. Further reasons are discussed below.

Home Loans

Financial Year 2012 compared to Financial Year 2011

Home loan balances increased to $51 billion, up 12% on the prior year, and significantly higher compared to system growth of 5%. This was driven by a competitive product proposition, with strong growth in the premium select home loan product, targeted marketing campaigns and the continued expansion and maturity of the East Coast branch network.

Home loan margins declined compared to the prior year as repricing initiatives were offset by the increase in wholesale funding costs.

Financial Year 2011 compared to Financial Year 2010

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

Business Loans

Financial Year 2012 compared to Financial Year 2011

Business loan balances decreased to $20 billion, down 2% on the prior year. The decrease was due to the continued run off of pre-acquisition higher risk loans. Excluding the pre-acquisition higher risk loans, balances increased 7% over the prior year and grew ahead of system growth.

Financial Year 2011 compared to Financial Year 2010

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

Customer Deposits

Financial Year 2012 compared to Financial Year 2011

Solid growth in deposit balances reflected customer preferences for lower risk investments as a result of uncertainty driven by ongoing global market volatility.

Retail deposit balances increased to $17 billion, up 7% on the prior year. Margins decreased as a result of both increased competition and lower cash rates.

Business deposit balances increased 5% on the prior year to $28 billion, mainly as a result of growth in money market and term deposits. Margins decreased driven by strong competition, particularly for money market deposits.

Financial Year 2011 compared to Financial Year 2010

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

Operating Expenses

Financial Year 2012 compared to Financial Year 2011

Operating expenses of $852 million decreased 2% on the prior year reflecting lower staff costs. This was the result of productivity gains from business wide efficiency initiatives which included a new call centre model and the consolidation of loan processing functions to a single area. Lower staff costs were partly offset by higher home loan volume related expenses.

Other key productivity initiatives include the relocation of the Bankwest corporate headquarters to Bankwest Place and the adoption of an activity based working model which reduced office space requirements.

Financial Year 2011 compared to Financial Year 2010

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

Loan Impairment Expense

Financial Year 2012 compared to Financial Year 2011

Loan impairment expense was $61 million, down 44% compared to the prior year. This reflects the improving credit quality of Bankwest's loan portfolio.

Home Loans and Credit Card 90+ day arrears decreased compared to the prior year as a result of strong collections processes along with improvements in credit quality.

Financial Year 2011 compared to Financial Year 2010

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

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

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

Bankwest continued

	Full Year Ended		
	30/06/12	30/06/11	30/06/10
	$M	$M	$M
Net interest income	**1,457**	1,420	1,336
Other banking income	**207**	220	233
Total banking income	**1,664**	1,640	1,569
Operating expenses	**(852)**	(869)	(880)
Loan impairment expense	**(61)**	(109)	(754)
Net profit before tax	**751**	662	(65)
Corporate tax expense	**(227)**	(199)	20
Cash net profit after tax	**524**	463	(45)
Hedging and IFRS volatility (after tax)	**(4)**	(33)	(66)
Pre-acquisition loan impairment (after tax)	**-**	-	(212)
Merger related amortisation and integration expenses (after tax)	**(89)**	(137)	9
Statutory net profit after tax	**431**	293	(314)

	As at		
	30/06/12	30/06/11	30/06/10
Balance Sheet	$M	$M	$M
Home lending	**50,998**	45,673	41,681
Other lending assets	**22,255**	22,722	25,975
Other assets	**9,342**	8,433	7,028
Total assets	**82,595**	76,828	74,684
Transaction deposits	**9,055**	8,731	8,409
Savings deposits	**7,333**	7,033	6,848
Investments deposits	**28,692**	26,956	26,584
Certificates of deposit and other	**264**	59	130
Debt issues	**9,414**	9,064	10,211
Due to other financial institutions (1)	**18,854**	16,644	15,382
Other liabilities	**2,958**	3,068	2,304
Total liabilities	**76,570**	71,555	69,868

(1) Includes amounts due to Group companies (30 June 2012: $18.7 billion; 30 June 2011: $16.5 billion; 30 June 2010: $15.4 billion).

Forward-Looking Statements

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

Financial Performance and Business Review

IFS Asia

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

Financial Year 2012 compared to Financial Year 2011

IFS Asia statutory net profit after tax for the year ended 30 June 2012 was $79 million, an increase of 49% over the prior year. The result was characterised by strong contributions from the Bank of Hangzhou and the proprietary banking and insurance businesses in Indonesia.

Financial Year 2011 compared to Financial Year 2010

IFS Asia statutory net profit after tax for the year ended 30 June 2011 was $53 million, an increase of 18% over the prior year.

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

Banking Income

Financial Year 2012 compared to Financial Year 2011

Net interest income increased 24% over the prior year to $99 million, primarily due to strong lending growth and higher margins in PT Bank Commonwealth in Indonesia. Lending balances increased 37% during the year, and were in excess of $1 billion at 30 June 2012. The consumer, business and SME portfolio balance growth during 2012 amounted to 93%, 89% and 62% respectively. Expansion of the Group's footprint in Indonesia continued during the year with eight new PT Bank Commonwealth branches being opened, bringing the total number of branches to 92.

Two additional China County banks were opened during the year, bringing the total number of CBA's proprietary banks in China to five. While still a number of years away from achieving critical mass, lending balances continued to grow strongly.

The proprietary banking businesses in India and Vietnam also continue to grow steadily.

Proprietary customer numbers in Asia increased by 22% to 292,000 compared to the prior year.

Other banking income increased 18% to $146 million driven by a strong equity accounted profit contribution from the Bank of Hangzhou, benefitting from lending growth and higher margins. The result also included strong wealth management, bancassurance and treasury income growth from the Indonesian retail banking business. This was partially offset by a lower contribution to earnings from Qilu Bank as a result of the ongoing impact of a prior year fraud incident.

Financial Year 2011 compared to Financial Year 2010

Banking income increased 10% to $204 million driven by strong lending growth from the Indonesian retail business together with strong contributions from the Bank of Hangzhou and Vietnam International Bank (VIB) investments.

Insurance Income

Financial Year 2012 compared to Financial Year 2011

Insurance income increased 43% to $67 million, reflecting strong growth in sales volumes at PT Commonwealth Life in Indonesia. Inforce premium income grew 39% on the prior year. PT Commonwealth Life also opened four new life offices, bringing the total to 28.

The BoComm Life joint venture in China also grew steadily, with inforce premium income up 38% on the prior year.

Financial Year 2011 compared to Financial Year 2010

Insurance income increased by 18% to $47 million, reflecting improved sales volumes from the Indonesian life insurance business, particularly bancassurance sales.

Operating Expenses

Financial Year 2012 compared to Financial Year 2011

Operating expenses were up 15% to $212 million, reflecting higher volume related expenses in line with sales growth in the Indonesian insurance business, and the continued investment in Indonesia and China.

Financial Year 2011 compared to Financial Year 2010

Operating expenses increased by 12% to $184 million, largely due to the continued expansion of the Indonesian businesses.

Fiji

The Fiji business was sold on 15 December 2009.

Corporate Centre

Financial Year 2012 compared to Financial Year 2011

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

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

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

Corporate Centre statutory net profit after tax for the year ended 30 June 2012 was $486 million, a significant increase on the prior year.

Total banking income increased 7% to $867 million driven by:

- Higher income from the increase in the liquid asset portfolio held as a result of balance sheet growth and conservative business settings; partially offset by
- Reduced earnings on unallocated capital due to the lower interest rate environment.

Operating expenses increased 29% to $344 million compared to the prior year mainly driven by a $31 million increase in the defined benefit superannuation plan expense and the impact of the transition to the new office premises at Darling Quarter in the Sydney CBD.

Favourable hedging and IFRS volatility movements also significantly contributed to the increase in statutory net profit after tax.

Financial Year 2011 compared to Financial Year 2010

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

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

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

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

Eliminations/Unallocated

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

Financial Year 2012 compared to Financial Year 2011

Eliminations/Unallocated statutory net profit after tax increased by $88 million on the prior comparative period including the gains from the sale of Sydney CBD properties previously held by the Group.

Financial Year 2011 compared to Financial Year 2010

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

	Full Year Ended 30 June 2012				
	IFS Asia	Corporate Centre	Eliminations [1]/ Unallocated	Total	Fiji
	$M	$M	$M	$M	$M
Net interest income	99	729	(54)	774	-
Other banking income	146	138	9	293	-
Total banking income	245	867	(45)	1,067	-
Funds management income	-	-	25	25	-
Insurance income	67	-	(25)	42	-
Total operating income	312	867	(45)	1,134	-
Operating expenses	(212)	(344)	-	(556)	-
Loan impairment expense	(11)	-	23	12	-
Net profit before tax	89	523	(22)	590	-
Corporate tax expense	(7)	(137)	11	(133)	-
Non-controlling interests	(4)	-	(12)	(16)	-
Underlying profit after tax	78	386	(23)	441	-
Investment experience after tax	1	-	27	28	-
Cash net profit after tax	79	386	4	469	-
Hedging and IFRS volatility (after tax)	-	100	-	100	-
Statutory net profit after tax	79	486	4	569	-

	Full Year Ended 30 June 2011				
	IFS Asia	Corporate Centre	Eliminations [1]/ Unallocated	Total	Fiji
	$M	$M	$M	$M	$M
Net interest income	80	718	(87)	711	-
Other banking income	124	94	(81)	137	-
Total banking income	204	812	(168)	848	-
Funds management income	-	-	26	26	-
Insurance income	47	-	(27)	20	-
Total operating income	251	812	(169)	894	-
Operating expenses	(184)	(267)	-	(451)	-
Loan impairment expense	(10)	-	36	26	-
Net profit before tax	57	545	(133)	469	-
Corporate tax expense	(5)	(142)	47	(100)	-
Non-controlling interests	(2)	-	(14)	(16)	-
Underlying profit after tax	50	403	(100)	353	-
Investment experience after tax	3	-	16	19	-
Cash net profit after tax	53	403	(84)	372	-
Hedging and IFRS volatility (after tax)	-	(216)	-	(216)	-
Other (after tax)	-	(10)	-	(10)	5
Statutory net profit after tax	53	177	(84)	146	5

	Full Year Ended 30 June 2010				
	IFS Asia	Corporate Centre	Eliminations [1]/ Unallocated	Total	Fiji
	$M	$M	$M	$M	$M
Net interest income	62	883	(70)	875	9
Other banking income	124	1	(106)	19	3
Total banking income	186	884	(176)	894	12
Funds management income	-	-	28	28	-
Insurance income	40	-	2	42	6
Total operating income	226	884	(146)	964	18
Operating expenses	(164)	(268)	-	(432)	(12)
Loan impairment expense	(11)	-	100	89	1
Net profit before tax	51	616	(46)	621	7
Corporate tax expense	(7)	(167)	20	(154)	(1)
Non-controlling interests	(2)	-	(14)	(16)	-
Underlying profit after tax	42	449	(40)	451	6
Investment experience after tax	3	-	48	51	-
Cash net profit after tax	45	449	8	502	6
Hedging and IFRS volatility (after tax)	-	109	-	109	-
Loss on sale of Fiji (after tax)	-	-	-	-	(30)
Other (after tax)	-	(13)	-	(13)	-
Statutory net profit after tax	45	545	8	598	(24)

(1) Represents Group wide eliminations.

Group Operating Expenses

The following table sets out the Group's operating expenses for Financial Years 2012, 2011 and 2010.

	2012 $M	2011 $M	2010 $M
Staff Expenses			
Salaries and wages [1]	**4,136**	4,015	3,805
Share-based compensation	**185**	156	130
Superannuation - defined contribution plans	**42**	48	48
Superannuation - defined benefit plan	**168**	137	103
Provisions for employee entitlements [1]	**101**	120	90
Payroll tax	**213**	213	202
Fringe benefits tax	**35**	38	40
Other staff expenses [1]	**67**	60	118
Total staff expenses	**4,947**	4,787	4,536
Occupancy and Equipment Expenses			
Operating lease rentals	**585**	532	527
Depreciation:			
Buildings	**37**	35	30
Leasehold improvements	**107**	103	98
Equipment	**76**	82	90
Operating lease assets	**50**	42	45
Repairs and maintenance	**90**	87	84
Other [1]	**111**	112	96
Total occupancy and equipment expenses	**1,056**	993	970
Information Technology Services			
Application, maintenance and development [1]	**322**	324	273
Data processing	**241**	267	227
Desktop	**105**	120	141
Communications	**226**	221	199
Amortisation and impairment of software assets	**183**	183	178
IT equipment depreciation	**82**	78	75
Total information technology services	**1,159**	1,193	1,093
Other Expenses			
Postage	**112**	112	115
Stationery	**85**	84	97
Fees and commissions:			
Fees payable on trust and other fiduciary activities	**563**	537	497
Other	**310**	318	367
Advertising, marketing and loyalty	**459**	457	398
Amortisation of intangible assets (excluding software and merger related amortisation)	**18**	16	27
Non-lending losses	**81**	83	103
Other [1]	**406**	311	398
Total other expenses	**2,034**	1,918	2,002
Total expenses	**9,196**	8,891	8,601
Investment and restructuring			
Integration expenses [2]	**60**	94	40
Merger related amortisation [3]	**75**	75	75
Total investment and restructuring	**135**	169	115
Total operating expenses	**9,331**	9,060	8,716

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

(2) The current year comprises expenses related to Count Financial Limited acquisition. The prior year comprises expenses related to the Bankwest integration.

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

Risk Governance

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

Risk Management Organisation

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

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

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

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

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

Further information on financial risk governance and management is included in Note 37 to the Financial Statements.

Risk Appetite

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

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

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

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

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

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

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

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

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

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

Principal Risk Types

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

Risk Type	Governing Policies	How Policy Supports Risk Appetite
Credit Risk including Concentration Risk	The Group Credit Framework and Policies, including: Large Credit Exposure Policy; Country Risk Exposure Policy; and Industry Sector Concentration Policy.	**Quantitative limits/tolerances:** Exposures to a single counterparty or group of related counterparties (limits differentiated by counterparty type, PD rating and security cover); Country Risk (exposure limits to control transfer / cross-border and sovereign default risks); and Industry concentrations (exposure and risk adjusted concentration limits).
Market Risk	Group Market Risk Policy; and Funds Management and Insurance Market Risk Policy.	**Quantitative limits/tolerances:** Traded Market Risk (VaR and Stress Testing limits); Interest Rate Risk in the Banking Book (Market Value Sensitivity and Net Interest Earnings at Risk limits); Seed Trust Market Risk limits; Lease Residual Value Risk limits; Investment mandates for insurance Asset and Liability Management risk (VaR and stress testing limits); and Non-Traded Equity limits.
Liquidity and Funding Risk	Group Liquidity and Funding Policy.	**Quantitative limits/tolerances:** Liquid asset holdings under name crisis scenario; and Source of funding (e.g., wholesale) limits and term funding limits.
Operational Risk	Operational Risk Policy and Framework.	**Management via:** A number of risk mitigating policies; Reporting and case management of loss and near loss incidents; Comprehensive risk assessment and control assurance processes; Quantitative Risk Assessment Framework and Capital modelling; and Support from skilled risk professionals embedded throughout the Group.
Insurance Risk	Risk Management Framework.	**Management via:** Risk Management Strategy and Risk Statement; Underwriting and claims standards; Retaining the right to amend premiums on risk policies; and Re-insurance purchase under policy guidance.
Compliance Risk	Compliance Risk Management Framework (CRMF).	**Management via:** The CRMF Minimum Group Standards for Compliance, Risk Management Obligations Register and Guidance Notes that detail specific requirements and accountabilities for each Business Unit; Business Unit compliance frameworks; and Support from skilled compliance professionals embedded throughout the Group.
Strategic Business Risk	Strategic Framework.	**Management via elements of other risk type policies and processes in addition to management controls including:** Strategic planning; Strategic implementation; and Financial management.
Reputational Risk	Cultural Framework and Statement of Professional Practice.	**Management via elements of other risk type policies and processes in addition to:** Support from risk professionals embedded throughout the Group; and Crisis management testing of leadership team.

Credit Risk

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

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

The measurement of credit risk is based on an internal credit risk-rating system, which uses analytical tools to estimate expected and unexpected loss for the credit portfolio.

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

Market Risk

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

Further information on market risk is included in Note 39 to the Financial Statements.

Liquidity and Funding Risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.

Further information on liquidity and funding risk is included in Note 40 to the Financial Statements and "Liquidity and Capital Resources".

Operational Risk

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

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

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

Insurance Risk

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

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

The major methods of mitigating insurance risk are:

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

Further information on the Life Insurance Business is included in Note 32 to the Financial Statements.

Compliance Risk

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

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

These are complemented by Business Unit compliance frameworks including obligations registers, standards and procedures.

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

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

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

Strategic Business Risk

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

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

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

Reputational Risk

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

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

Stress Testing Framework

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

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

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

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

The stress testing framework includes:

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

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

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

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

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

Risk Management Initiatives

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

- Implementation of key projects and initiatives aligned to achieving the risk management strategic plan;
- Update of the risk appetite statements for the Group and for each of the Group's major Business Units;
- Implementation of the Group's integrated Operational Risk and Compliance system, promoting a more comprehensive, single integrated view of operational risk and compliance data;
- Simplification of the Group's credit manual, creating a more user-friendly document that also encourages a culture of ownership and accountability across the Group;
- Refresh of the credit risk assessment models;
- Undertaking of further risk optimisation strategies and portfolio reviews that have provided insight into key risk dependencies and resulted in adjusting risk exposure levels based on available risk-adjusted returns;
- Refinement of the internal capital allocation framework to provide performance measurement that better supports the optimisation of shareholder returns;
- Continuation of projects that will substantially enhance core risk systems, data and processes;
- Creation of the Group Credit Structuring (GCS) team by combining the specialist workout resources from Credit Risk Solutions and Specialised Lending Services. The combined GCS team is better placed to ensure consistency of service delivery for business customers and to ensure the full resources of the Group can be utilised on problem exposures;
- Commencement of the Workout Integration Project. Following on from the creation of GCS, this project will integrate the workout functions across the Group (ASB, Bankwest and CBA) with consistent processes which will improve interactions with internal and external customers, enhance productivity and result in better outcomes as well as providing deeper career opportunities for staff;
- Enhancement of the structured learning framework (across credit, market and operational risk) that is available to risk management and front line staff;
- Implementation of a more targeted and comprehensive Product Approval Process, to ensure that the risks associated with innovative new products and variations to existing ones, are identified, understood, priced and managed accordingly;
- Enhancement of the Group's risk modelling and stress testing frameworks to meet the demands of an ever-changing macroeconomic environment; and
- Monitoring of and responding to regulatory changes and likely future regulatory changes (particularly in regards to Basel 2.5 and Basel III).

Cross Border Outstandings

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

At 30 June 2012, bank and sovereign cross border outstanding exposures of $15.4 billion and $8.2 billion, respectively, exceeded 1% of the Group’s total assets. At 30 June 2012, the United States, with cross border outstandings of $8.2 billion, was the only country other than Australia that exceeded 0.75% of the Group’s total assets.

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

Capital Management

Capital Management

The Basel III capital disclosures provided in this document have been prepared based on the Group's interpretation of the Basel III rules defined by the Basel Committee on Banking Supervision and draft prudential standards released by APRA, which remain subject to revisions and the development of final prudential standards following further public consultation, respectively. Accordingly, APRA's final prudential standards on Basel III could result in materially different capital requirements for CBA and there can be no assurance that the Group's current Basel III capital planning will result in compliance with the final prudential standards adopted by APRA.

Basel II Regulatory Capital – Current Environment

The Group maintains a strong capital position with ratios well in excess of APRA and the Board Approved minimum levels at all times throughout the year ended 30 June 2012.

The Group's Common Equity Tier One (CET1) and Tier One ratios as at 30 June 2012 were 7.8% and 10.0% respectively (30 June 2011: 7.7% and 10.0% respectively, 30 June 2010: 6.9% and 9.2% respectively). Tier One Capital remained flat compared to 30 June 2011 with a solid profit performance offset by an increase in Risk Weighted Assets, including the adoption of stricter regulatory requirements under Basel 2.5.

The Group's CET1 and Tier One ratios as at 30 June 2012 under the Financial Services Authority (the UK regulator) method were 11.1% and 13.6% respectively (30 June 2011: 10.9% and 13.7% respectively, 30 June 2010: 10.1% and 12.8% respectively).

Basel III Regulatory Capital

From 1 January 2013, the Group will adopt the Basel III measurement and monitoring of regulatory capital.

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

In March 2012, Australian Prudential Regulation Authority (APRA) published a discussion paper and draft prudential standards relating to the implementation of the Basel III capital reforms in Australia. APRA proposes to adopt a more conservative approach than the minimum standards published by the BCBS and to adopt an accelerated timetable for implementation.

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

It is expected that APRA will publish a final set of prudential standards later this calendar year.

Implementation of Basel III Capital Reforms

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

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

Adoption of a CET1 target based on internationally harmonised principles will enable a more meaningful comparison of the Group's capital levels relative to its international peers.

In establishing a CET1 target of greater than 9%, the Board undertook a detailed analysis of a range of factors including:

- The higher CET1 capital requirements applicable under Basel III;
- The economic capital requirements of the Group;
- The results of various stress tested scenarios which have been used to establish appropriate buffers above minimum regulatory requirements; and
- Consideration of capital levels across global peers.

In setting such a high CET1 target (greater than 9%), the Group would expect that in times of severe stress, the CET1 capital may fall below this level. If this happens for a material period, the Group can deploy a range of capital management initiatives to restore capital levels. This reflects the lower relative profit volatility of the Group due to lower exposure to global investment banking and the higher exposure to stable, low risk mortgages and the broader retail banking market.

Whilst the Group has set a CET1 target, consistent with the proactive approach to management of capital, the Group keeps targets under continuing review, assessing the Group's financial experience and outlook against the volatile external environment, as well as the continuing evolution of the regulatory regime.

Basel III Capital (Internationally Harmonised) as at 30 June 2012

The Group is well positioned to meet the Board approved internationally harmonised Common Equity target with a CET1 ratio of 9.8% as at 30 June 2012.

The Group believes it has adopted a conservative and proactive approach to capital management and this is reflected in the overall strength of its capital position. The CET1 ratio (on an internationally harmonised basis) has increased by over 40% since the Global Financial Crisis (June 2007).

The Group's 30 June 2012 internationally harmonised CET1 ratio of 9.8%, places it well above the average of its international peers (approximately 8.4%).

Basel III Capital (APRA) as at 30 June 2012

The Group has a CET1 ratio of 7.5% under the Basel III APRA draft prudential standards, above the minimum ratio of 4.5%.

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

Deductions

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

Risk Weighted Assets

APRA requires capital to be held for Interest Rate Risk in the Banking Book (IRRBB). There is no similar requirement on an internationally harmonised basis.

APRA requires a minimum Loss Given Default (LGD) floor of 20% to be applied to mortgages.

Other Regulatory Changes

General and Life Insurers

In May 2012, APRA released a number of draft and final prudential standards with respect to capital requirements for general and life insurers. Final versions of the remaining prudential standards are expected to be released by APRA before the end of this calendar year. Implementation of the majority of the reforms is scheduled for 1 January 2013.

Superannuation Funds Management

APRA has released draft prudential standards that will introduce new financial requirements for registered superannuation trustees. Final prudential standards are expected to be released before the end of this calendar year, with the new requirements to be implemented on 1 July 2013.

In November 2011, the Australian Securities and Investments Commission (ASIC) released new financial requirements that apply to Responsible Entities. These new requirements, which are not expected to have a material impact, will become effective on 1 November 2012.

Supervision of Conglomerate Groups

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

Draft capital standards are expected to be released before the end of the calendar year, with implementation expected from 1 January 2014.

Dividends

Final Dividend for the Year Ended 30 June 2012

A final dividend of $1.97 per share was declared, an increase of 5% on the prior year. The total dividend for the year ended 30 June 2012 was $3.34 per share, up 4% on the prior year, taking the payout ratio ("statutory basis") for the year to 75%.

The final dividend will be fully franked and will be paid on 5 October 2012 to owners of ordinary shares at the close of business on 24 August 2012 (record date). Shares were quoted ex-dividend on 20 August 2012.

Dividend Reinvestment Plan (DRP)

The DRP will continue to operate but no discount will be applied to shares issued under the plan for the final dividend.

Dividend Policy

As part of the review of its Capital policy the Board has also reviewed its dividend policy. The Group will seek to:

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

The payout ratio for interim dividends will be increased in future periods to approximately 70% of interim profit to ensure a more even distribution of dividends across the year.

Consideration will be given in future periods to minimise the dilutive impact of the DRP through the on-market purchase of the number of shares required to satisfy the DRP participation.

Current Regulatory Framework

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

The regulatory capital requirements are measured for the Extended Licence Entity Group ("Level One", comprising the Bank and APRA approved subsidiaries) and for the Bank and all of its banking subsidiaries, which includes both Bankwest and ASB Bank ("Level Two" or the "Group").

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

- The insurance and funds management operations; and
- The entities through which securitisation is conducted.

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

Capital adequacy is measured by means of a risk based capital ratio. The capital ratios reflect capital as a percentage of total Risk Weighted Assets (RWA). RWA represents a risk weighted assessment of the Group's assets and other related exposures.

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

The Group's capital ratios throughout the 2011 and 2012 financial years were in compliance with both APRA minimum capital adequacy requirements and the Board Approved minimum.

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

Banks may not pay dividends if, immediately after payment, they are unable to meet the minimum capital requirements. APRA does not permit banks to pay dividends from retained profits without prior approval.

Basel II Regulatory Framework

The Basel II framework consists of three pillars:

- Pillar 1 – defines the rules for calculating the minimum regulatory capital requirements;
- Pillar 2 – addresses the supervisory review process; and
- Pillar 3 – specifies public disclosure requirements.

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

The Advanced Internal Ratings Based Approach (AIRB) for credit risk and the Advanced Measurement Approaches (AMA) for operational risk were adopted in the calculation of RWA from 1 January 2008.

Interest Rate Risk in the Banking Book (IRRBB), which relates to the risk that the Bank's profit derived from net interest income is adversely impacted from changes to interest rates. IRRBB was included in the calculations of RWA from 1 July 2008. This is not a requirement under the Basel II Pillar 1 framework.

Basel II enhancements announced in July 2009, relating to securitisation and market risk were implemented on 1 January 2012.

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

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

ASB Bank Limited

ASB Bank Limited (ASB) operates as a stand-alone Bank under Basel II advanced status and is subject to regulation by the Reserve Bank of New Zealand (RBNZ). The RBNZ applies a similar methodology to APRA in calculating regulatory capital requirements.

ASB had a Tier One ratio of 11.67% and a Total Capital ratio of 12.57% at 30 June 2012. ASB Bank was in compliance with its regulatory capital requirements at all times during the year.

Bankwest

Bankwest currently operates as a stand-alone Bank under Basel II standardised status and is separately regulated by APRA. In line with APRA's regulations which require Australian subsidiaries of major banks to operate under the same licence as their parent, Bankwest is expected to relinquish its Australian ADI licence in October 2012. This event will have no impact on the Group's capital levels as Bankwest is already included within the Group's capital numbers.

There is a separate programme to extend the Group's advanced accreditation to include the assets of Bankwest. Bankwest's Tier One ratio was 8.48% and Total Capital was 12.04% at 30 June 2012. Bankwest was in compliance with its regulatory capital requirements at all times during the year.

Insurance and Funds Management Business

The Group's insurance and funds management companies held $1,318 million of assets in excess of regulatory solvency requirements at 30 June 2012 (30 June 2011: $1,014 million). In addition, these companies held assets in excess of regulatory capital requirements as at 30 June 2012.

Pillar 3 Disclosures

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

Capital Management

The Group maintains a strong capital position with the capital ratios well in excess of APRA minimum capital adequacy requirements (Prudential Capital Ratio (PCR)) and the Board Approved minimum levels at all times throughout the year ended 30 June 2012.

The Group's Common Equity Tier 1 (CET1), Tier One and Total Capital ratios (which include ASB Bank and Bankwest) as at 30 June 2012 were 7.82%, 10.01% and 10.98% respectively.

The Group's CET1 and Tier One Capital ratios increased by 15 and 11 basis points respectively over the prior half. This was primarily driven by capital generated from earnings (net of dividend and DRP) partially offset by the adoption of Basel II enhancements related to market risk and securitisation ("Basel 2.5"), which came into effect 1 January 2012.

The Group's Total Capital ratio decreased 13 basis points over the prior half to 10.98%, with the benefits from the improvement in Tier One Capital, offset by the planned redemption of Lower Tier Two instruments.

Compared to the prior year, the Group's CET1 Capital ratio increased 16 basis points, whilst Tier One Capital remained flat, with a solid profit performance offset by an increase in RWA.

Total Capital decreased 72 basis points compared to the prior year, primarily driven by the planned redemption of a number of Lower Tier Two Instruments.

RWA were $303 billion at 30 June 2012, an increase of $21 billion since 30 June 2011, primarily driven by a corporate lending volume related increase in credit RWA.

Under the application of Basel III, which is due to be implemented from 1 January 2013, the Group's 30 June 2012 CET1 ratio is 9.8%, as measured under the internationally harmonised basis and is 7.5% based on APRA's proposed Basel III methodology.

The Group's CET1, Tier One and Total Capital ratios as at 30 June 2012 under the Financial Services Authority (the UK regulator) method of calculating regulatory capital as a percentage of RWA were 11.1%, 13.6% and 14.1% respectively. This has been provided for comparative purposes as the Group is not regulated by the Financial Services Authority.

Capital Initiatives

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

Tier One Capital

- The allocation of $832 million of ordinary shares in order to satisfy the DRP in respect of the final dividend for the 2010/2011 financial year, representing a participation rate of 28.4%;
- The issue of $237 million of ordinary shares associated with the acquisition of Count Financial Limited in December 2011; and
- The allocation of $531 million of ordinary shares in order to satisfy the DRP in respect of interim dividend for the 2011/2012 financial year, representing a participation rate of 24.5%.

Tier Two Capital

- Redemption of four separate subordinated Lower Tier Two debt issues totalling $1,361 million in the December 2011 half year; and
- Redemption of a further two separate subordinated Lower Tier Two debt issues totalling $500 million in May 2012.

	As at		
	30/06/12	31/12/11	30/06/11
Risk Weighted Capital Ratios (Basel II)	%	%	%
Common Equity Tier One (1)	**7. 82**	7. 67	7. 66
Tier One	**10. 01**	9. 90	10. 01
Tier Two	**0. 97**	1. 21	1. 69
Total Capital	**10. 98**	11. 11	11. 70

(1) Represents Fundamental Tier One Capital net of Tier One deductions.

	As at		
	30/06/12	31/12/11	30/06/11
Regulatory Capital (Basel II)	$M	$M	$M
Fundamental Tier One Capital After Deductions	**23,664**	22,837	21,575
Total Tier One Capital	**30,299**	29,473	28,213
Total Tier Two Capital	**2,939**	3,588	4,749
Total Capital	**33,238**	33,061	32,962

	As at		
	30/06/12	31/12/11	30/06/11
Risk Weighted Assets (Basel II)	$M	$M	$M
Credit risk exposures	**261,429**	258,446	246,742
Traded market risk	**4,842**	3,105	3,162
Interest rate risk in the banking book	**9,765**	11,525	9,699
Operational risk	**26,751**	24,629	22,108
Total risk weighted assets	**302,787**	297,705	281,711

Capital Management continued

Regulatory Capital (Basel II)	As at 30/06/12 $M	31/12/11 $M	30/06/11 $M
Ordinary Share Capital	**25,175**	24,651	23,602
Treasury shares [1]	**323**	316	294
Ordinary Share Capital and Treasury Shares	**25,498**	24,967	23,896
Other Equity Instruments	**939**	939	939
Trust Preferred Securities 2006 [2]	**(939)**	(939)	(939)
Total Other Equity Instruments	**-**	-	-
Reserves [3]	**1,571**	829	392
Cash flow hedge reserve	**(644)**	(234)	402
Employee compensation reserve	**(136)**	(95)	(135)
Asset revaluation reserve	**(195)**	(191)	(191)
Available-for-sale investments reserve [4]	**-**	-	(245)
Foreign currency translation reserve related to non-consolidated subsidiaries	**171**	153	149
Total Reserves	**767**	462	372
Retained Earnings and current period profits	**13,356**	11,928	11,826
Expected dividend [5]	**(3,137)**	(2,166)	(2,930)
Estimated reinvestment under Dividend Reinvestment Plan [6]	**784**	542	733
Retained earnings adjustment for non-consolidated subsidiaries [7]	**(126)**	35	227
Other	**(219)**	(178)	(189)
Net Retained Earnings	**10,658**	10,161	9,667
Non-controlling Interest [8]	**531**	528	528
ASB Perpetual Preference Shares [8]	**(505)**	(505)	(505)
Non-controlling interests less ASB Perpetual Preference Shares	**26**	23	23
Total Fundamental Tier One Capital	**36,949**	35,613	33,958

(1) Represents shares held by the Group's life insurance operations and employee share scheme trusts.

(2) Trust Preferred Securities 2006 issued 15 March 2006 of USD700 million. These instruments qualify as Tier One Innovative Capital of the Group.

(3) The Group's general reserve, capital reserve and foreign currency translation reserve (excluding balances related to non consolidated subsidiaries) qualify as Fundamental Tier One Capital.

(4) As at 30 June 2012, the Available-for-Sale reserve had a deficit balance of $63 million, resulting in the requirement to recognise this deficit in the regulatory Capital Calculations (31 December 2011:$83 million deficit.)

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

(6) DRP in respect of the June 2012 final dividend is to be satisfied through the issue of shares, with the assumed reinvestment rate based on reinvestment experience as approved by APRA. The DRP in respect of the December 2011 interim and June 2011 final dividend was satisfied by the issue of shares. The DRP in respect of the June 2010 final dividend was satisfied in full by an on market purchase and transfer of shares.

(7) Represents cumulative current year profit and retained earnings adjustment for subsidiaries not consolidated for regulatory purposes. This includes adjustments to the extent to which retained earnings from non-consolidated subsidiaries have not been repatriated to the Bank in dividends (June 2011: $525 million, December 2010: $522 million, June 2010: $360 million). The retention of these profits are used to fund the future growth of these operations. This has been offset by the one-off write back adjustments upon adoption of IFRS of $752 million.

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

Regulatory Capital (Basel II)	As at 30/06/12 $M	31/12/11 $M	30/06/11 $M
Tier One Capital Deductions - 100%			
Goodwill and other intangibles (excluding software) (1)	**(8,581)**	(8,546)	(8,306)
Capitalised expenses	**(263)**	(240)	(252)
Capitalised computer software costs	**(1,700)**	(1,480)	(1,297)
Defined benefit superannuation plan surplus (2)	**-**	-	(53)
General reserve for credit losses top up (3)	**(209)**	(183)	(132)
Deferred tax	**(548)**	(383)	(287)
Tier One Capital deductions - 100%	**(11,301)**	(10,832)	(10,327)
Tier One Capital Deductions - 50% (4)			
Equity investments in other entities (5)	**(612)**	(638)	(639)
Equity investments in non-consolidated subsidiaries (net of intangibles) (6)	**(629)**	(594)	(526)
Expected impairment losses (before tax) in excess of eligible credit provisions (net of deferred tax) (7)	**(630)**	(646)	(817)
Other deductions (5)	**(113)**	(66)	(74)
Tier One Capital deductions - 50%	**(1,984)**	(1,944)	(2,056)
Total Tier One Capital Deductions	**(13,285)**	(12,776)	(12,383)
Fundamental Tier One Capital after Deductions	**23,664**	22,837	21,575
Residual Tier One Capital			
Innovative Tier One Capital			
Non-cumulative preference shares (8)	**2,625**	2,626	2,598
Non-controlling Interests (9)	**505**	505	505
Eligible loan capital	**98**	98	128
Total Innovative Tier One Capital	**3,228**	3,229	3,231
Non-Innovative Residual Tier One Capital (10)	**3,407**	3,407	3,407
Total Residual Tier One Capital	**6,635**	6,636	6,638
Total Tier One Capital	**30,299**	29,473	28,213

(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) Capital deduction at 30 June 2012 of $209 million after tax (31 December 2011: $183 million, 30 June 2011: $132 million) to ensure the Group has sufficient provisions and capital to cover credit losses estimated to arise over the full life of the individual facilities, as required by APS 220.

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

(5) Represents the Group's non-controlling interest in other entities. Prior period comparatives restated with reclassification between equity investments and other deductions.

(6) Represents the net equity within the non-consolidated subsidiaries (primarily the Colonial Group) which is deducted 50% from Tier One and 50% from Tier Two Capital. This deduction is net of $1,214 million in Non-Recourse Debt issued by Colonial Finance Limited (31 December 2011: $1,880 million; 30 June 2011: $1,452 million) and $1,000 million in Colonial Group Subordinated Notes issued in April 2012. The Colonial Hybrid issue of $700 million was redeemed in two equal tranches, $350 million in April 2012 and $350 million in November 2011.

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

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

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

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

Capital Management continued

Regulatory Capital (Basel II)	30/06/12 $M	As at 31/12/11 $M	30/06/11 $M
Tier Two Capital			
Upper Tier Two Capital			
Prudential general reserve for credit losses (net of tax) (1)	**595**	631	620
Asset revaluation reserve (2)	**88**	86	86
Upper Tier Two note and bond issues	**358**	368	336
Other	**176**	151	124
Total Upper Tier Two Capital	**1,217**	1,236	1,166
Lower Tier Two Capital			
Lower Tier Two note and bond issues (3) (4)	**3,726**	4,314	5,728
Holding of own Lower Tier Two Capital	**(20)**	(18)	(89)
Total Lower Tier Two Capital	**3,706**	4,296	5,639
Tier Two Capital Deductions			
50% Deductions from Tier Two Capital (5)	**(1,984)**	(1,944)	(2,056)
Total Tier Two Capital	**2,939**	3,588	4,749
Total Capital	**33,238**	33,061	32,962

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

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

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

(4) For regulatory capital purposes, Lower Tier Two note and bond issues are amortised by 20% of the original amount during each of the last five years to maturity.

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

Risk Weighted Assets (Basel II)	30/06/12 $M	As at 31/12/11 $M	30/06/11 $M
Credit risk			
Subject to advanced IRB approach			
Corporate	**49,331**	45,983	39,180
SME Corporate	**22,319**	22,155	22,471
SME Retail	**4,071**	4,486	4,435
Sovereign	**3,003**	3,201	2,517
Bank	**7,619**	7,925	7,216
Residential mortgage	**54,545**	53,844	55,709
Qualifying revolving retail	**6,703**	6,491	6,398
Other retail	**8,462**	8,116	7,253
Impact of the regulatory scaling factor (1)	**9,363**	9,132	8,711
Total risk weighted assets subject to advanced IRB approach	**165,416**	161,333	153,890
Specialised lending exposures subject to slotting criteria	**36,141**	36,915	35,990
Subject to Standardised approach			
Corporate	**10,430**	9,950	8,048
SME Corporate	**6,580**	6,803	7,389
SME Retail	**4,836**	4,230	4,461
Sovereign	**107**	308	103
Bank	**1,243**	1,303	1,238
Residential mortgage	**25,705**	24,660	23,515
Other retail	**2,559**	2,627	2,574
Other assets	**3,240**	5,215	4,751
Total risk weighted assets subject to standardised approach	**54,700**	55,096	52,079
Securitisation	**2,833**	2,695	2,670
Equity exposures	**2,339**	2,407	2,113
Total risk weighted assets for credit risk exposures	**261,429**	258,446	246,742
Traded market risk	**4,842**	3,105	3,162
Interest rate risk in the banking book	**9,765**	11,525	9,699
Operational risk	**26,751**	24,629	22,108
Total risk weighted assets (2)	**302,787**	297,705	281,711

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

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

Liquidity and Capital Resources

The Group's key funding tools include:

- Its consumer retail funding base which includes a wide range of retail transaction accounts, investment accounts, term deposits and retirement style accounts for individual consumers;
- Its customer, small business and institutional deposit base; and
- Its wholesale international and domestic funding programmes which include it's Australian dollar Negotiable Certificates of Deposit; Australian dollar bank bills; Asian Transferable Certificates of Deposit programme; Australian, U.S. and Euro Commercial Paper programmes; Bankwest Euro Commercial Paper programme; U.S. Extendible Notes programmes; Australian dollar Domestic Debt Programme; U.S. Rule 144A/ Regulation S Medium Term Note Programme; Euro Medium Term Note Programme; Covered Bond Programme; US 3(a)(2) Programme and its Medallion and Swan securitisation programmes.

At 30 June 2012 virtually all of the Group's Australian dollar liquid assets qualified for repurchase by the RBA at any time.

Recent Market Environment

The incremental cost of wholesale funding generally rose over the 2012 financial year due mostly to unsettled conditions in European markets. The Group remains dependent upon wholesale funding markets outside of Australia, with approximately 63% of wholesale funding being undertaken in the international capital markets as at 30 June 2012. The Group continually monitors the cost of funding markets and investor appetite for debt issues of the Group. The Group seeks to manage its debt portfolio to avoid concentrations such as dependence on single sources of funding, by type or by investor, and has continued to seek to maintain a diversified funding base and significant funding capacity in the domestic and global unsecured and secured debt markets.

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

Covered Bond legislation was introduced during the 2012 Financial Year enabling the Group to issue covered bonds for the first time in domestic and international wholesale markets.

Liquidity and Capital Resources continued

Commitments for capital expenditure not provided for	2012 $M	2011 $M
Not later than one year	**54**	13
Total commitments for capital expenditure not provided for	**54**	13

Debt Issues (for further details see Note 23 to the 2012 Financial Statements)

	2012 $M	2011 $M	2010 $M
Medium term notes	**69,923**	73,107	94,152
Commercial paper	**34,142**	36,121	27,826
Securitisation notes	**7,858**	9,424	8,232
Covered bonds	**12,789**	-	-
Total debt issues	**124,712**	118,652	130,210
Short Term Debt Issues by currency			
USD	**28,437**	28,937	20,423
EUR	**99**	2,005	1,981
AUD	**181**	123	494
GBP	**5,305**	4,913	4,980
Other currencies	**120**	143	88
Long term debt issues with less than one year to maturity	**15,983**	15,342	21,791
Total short term debt issues	**50,125**	51,463	49,757
Long Term Debt Issues by currency			
USD	**31,017**	31,389	41,074
EUR	**12,492**	7,973	11,044
AUD	**13,035**	9,507	9,796
GBP	**2,071**	1,707	1,558
NZD	**2,715**	2,384	1,112
JPY	**7,018**	8,265	8,808
Other currencies	**6,195**	5,922	6,971
Offshore loans (all JPY)	**44**	42	90
Total long term debt issues	**74,587**	67,189	80,453
Maturity Distribution of Debt Issues (1)			
Less than three months	**24,586**	27,721	27,939
Between three and twelve months	**25,539**	23,742	21,818
Between one and five years	**54,863**	48,259	61,741
Greater than five years	**19,724**	18,930	18,712
Total debt issues	**124,712**	118,652	130,210

(1) Represents the contractual maturity of the underlying instruments; other than for RMBS which is based on expected life.

Debt Issues (continued)

The following table details the current debt programmes and issuing shelves along with programme or shelf size as at 30 June 2012. Access in a timely and flexible manner to a diverse range of debt markets and investors is provided by the following programmes.

Debt Programmes and Issuing Shelves

Programme/Issue Shelf	Programme/Issuing Shelf Type
Australia	
Unlimited	Domestic Debt Issuance Programme
Unlimited (3)	CFL A$ Debt Issuance Programme
Euro Market	
EUR 7 billion (4)	ASB Covered Bond Programme
USD 7 billion	ASB Euro Commercial Paper Programme
USD 20 billion (3)	CBA Euro Commercial Paper Programme
USD 70 billion	Euro Medium Term Note Programme (1)(2)
USD 10 billion	ASB Extendible Notes Programme
USD 9 billion (3)	Bankwest Euro Commercial Paper Programme
Asia	
JPY 500 billion	Uridashi shelf (2)
USD 5 billion	Asian Transferable Certificates of Deposit Programme
New Zealand	
Unlimited	ASB Domestic Medium Term Note Programme
Unlimited	ASB Registered Certificate of Deposit Programme
Unlimited	CBA Domestic Medium Term Note Programme
United States	
USD 7 billion	ASB Commercial Paper Programme
USD 35 billion (3)	CBA Commercial Paper Programme
USD 50 billion	U.S. Rule 144A/ Regulation S Medium Term Note Programme
USD 30 billion (4)	CBA Covered Bond Programme
USD 25 billion (4)	CBA 3(a)(2) Programme

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

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

(3) Programme limit was changed during the year.

(4) New programme added during the year.

An analysis of our borrowings and outstandings from existing debt programmes and issuing shelves including the maturity profile, currency and interest rate structure can be found in Notes 23 and 25 to the 2012 Financial Statements.

Off-Balance Sheet Arrangements

Off-Balance Sheet Arrangements

The Group is a full service financial institution that offers a range of on-balance sheet and off-balance sheet arrangements and commitments to customers in the normal course of business. In addition, the Group has a number of other arrangements that form part of its day-to-day business operations. Such activities include traditional off-balance sheet credit risk related instruments, commitments under capital and operating leases, long term debt issues, provision of liquidity facilities to securitisation programmes and other contractual arrangements. These transactions combine varying levels of credit, interest rate, foreign exchange and liquidity risk. Risk Concentrations are managed by a combination of risk policies which limit exposures to individual counterparties, countries, industries, markets and liquidity risk. The impact on the Consolidated Income Statement from these off-balance sheet arrangements is not material.

Consolidated Entities

The Group is involved with a number of special purpose entities in the ordinary course of business, primarily to provide funding and financial services to our customers. Under accounting standards these entities are consolidated in the Financial Statements if they meet the definition of control. The definition of control depends upon substance rather than form and, accordingly, determination of the existence of control involves management judgment. The Group has no such Off-Balance Sheet financing entities that it has determined falls within the control criteria.

Special Purpose Entities

The Group conducts a Loan Securitisation programme through which it packages loans and issues securities to investors. The Group also conducts a Covered Bond Programme whereby it issues securities to investors that are secured by a pool of residential mortgage loans originated and sold by the Group to a trust. The Group has a policy of funding diversification and assets are securitised to provide greater diversification of the Group's funding sources. The Group is not over-reliant on funding from any one market sector (refer to Note 40 to the 2012 Financial Statements – Liquidity and Funding Risk). In addition, the Group's capital management benefits from reduced risk under APRA Prudential capital adequacy guidelines.

The Group securitises mortgage loans through Special Purpose Entities (SPEs). The SPEs are separate, bankruptcy-remote vehicles that operate under master series agreements. The SPEs operate through segregated series and the securities issued in different series may have different credit ratings. The primary source of repayment of the securities issued is the cash flow from the pools of assets. Investors in the securities issued have no recourse to the general assets of the Group. Under accounting standards the assets and liabilities of the SPEs are deemed to be controlled and therefore consolidated into the Group's balance sheet.

Fee income is recognised on an accruals basis in relation to the period in which the costs of providing these services are incurred. The Group is entitled to any residual income of the programmes after all payments due to investors and costs of the programme have been met. The value of securitisation fee and residual income is not a material component of the Group's fee income.

Similarly, securities issued under the Group's Covered Bond Programme are guaranteed by a trust. The trust is a separate, bankruptcy-remote SPE and its assets comprise a pool of residential mortgage loans originated and sold to the trust by the Group. Investors in such securities have recourse against the general assets of the Group and also receive the benefit of a guarantee provided by the trust. Under applicable accounting standards, the residential mortgage loans sold to the trust have not been derecognized from the Group's balance sheet.

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

Group Arrangements with Issuers	2012 $M	2011 $M	2010 $M
Liquidity facilities utilised by Issuers	**884**	1,061	1,014
Derivatives fair value provided to Issuers	**1,519**	1,478	1,011

Credit Risk Related Instruments

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

As these items are contingent upon the clients default or drawdown of the commitment, the potential funded exposure is expected to be significantly less than the face value.

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

The only material category of commitments is the $128 billion of commitments to provide credit (2011: $126 billion). These are committed but undrawn facilities available to borrowers at call. The commitment to provide cash under these instruments is managed within the Group's liquidity and funding policies under current APRA Prudential Standards.

Details of contingent liabilities and Off-Balance Sheet business are set out in Note 35 to the 2012 Financial Statements – Contingent Liabilities, Contingent Assets and Commitments.

Off-Balance Sheet Arrangements continued

	Face Value			Credit Equivalent		
	2012	2011	2010	2012	2011	2010
	$M	$M	$M	$M	$M	$M
Credit risk related instruments						
Guarantees	**5,358**	4,462	3,658	**5,357**	4,462	3,364
Standby letters of credit	**201**	236	817	**201**	237	809
Bill endorsements	**23**	28	57	**23**	28	57
Documentary letters of credit	**1,763**	1,723	1,521	**1,759**	1,719	1,520
Performance related contingents	**1,677**	1,996	1,240	**1,605**	1,910	1,208
Commitments to provide credit	**127,833**	126,334	107,970	**113,503**	111,016	88,470
Other commitments	**2,093**	1,355	478	**1,468**	1,159	266
Total credit risk related instruments	**138,948**	136,134	115,741	**123,916**	120,531	95,694

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

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

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

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

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

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

Other commitments include underwriting facilities and commitments with certain drawdowns.

Fixed rate or fixed spread commitments extended to customers that allow net settlement of the change in the value of the commitment are written options and are recorded at fair value (Refer to Note 35 to the 2012 Financial Statements – Contingent Liabilities, Contingent Assets and Committments).

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

These transactions are categorised and credit equivalents calculated under APRA guidelines for the risk-based measurement of capital adequacy. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty.

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

As the potential loss depends on counterparty performance, the Group utilises the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Group takes collateral where it is considered necessary to support off- balance sheet financial instruments with credit risk. If an event has occurred that gives rise to a present obligation and it is probable a loss will eventuate, then provisions are raised.

The carrying value of net future payments that may be required for Guarantees as defined in ASC Codification Topic 460: Guarantees, is set out by term below:

	Carrying Value (1)		
	2012	2011	2010
	$M	$M	$M
Guarantees	**-**	-	1
Standby letters of credit	**-**	2	4
Bill endorsements	**3**	1	1
Documentary letters of credit	**-**	-	1
Performance related contingents	**15**	18	18
Total	**18**	21	25

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

Securitisation of Assets

The Group conducts a Loan Securitisation programme through which it packages loans and issues securities to investors. The Group has a policy of funding diversification and assets are securitised to provide greater diversification of the Group's funding sources. The Group is not over-reliant on funding from any one market sector (refer to Note 40 to the 2012 Financial Statements – Liquidity and Funding Risk). In addition, the Group's capital management benefits from reduced risk under APRA Prudential capital adequacy guidelines.

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

The outstanding balance of securitised loans at 30 June 2012 was $9,279 million (2011: $11,296 million). No credit losses were incurred by the Group in relation to these securitised loans during the Financial Years 2012 and 2011. The credit risk in respect of these loans is fully covered through mortgage insurance.

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

Liquidity facilities and derivatives are disclosed in Note 47 of the 2012 Financial Statements. These commitments are considered minor in the totality of the Group's business.

Fee income is recognised in income on an accruals basis in relation to the period in which the costs of providing these services are incurred. The Group is entitled to any residual income of the programme after all payments due to investors and costs of the programme have been met. The value of securitisation fee and residual income is not a material component of the Group's fee income. For further information on the Group's securitisation activities refer to Note 47 of the 2012 Financial Statements.

Forward-Looking Statements

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

Commitments

At the end of Financial Years 2012 and 2011 the Group had commitments for capital expenditure (see Note 35 to the 2012 Financial Statements) and lease commitments (see Note 34 to the 2012 Financial Statements). These commitments are minor in the totality of the Group's commitments.

The Group also had various monetary contractual liabilities, such as deposits and other public borrowings, payables to other financial institutions, bank acceptances, life liabilities, debt issues and loan-capital, and other monetary liabilities. Refer to Note 40 to the 2012 Financial Statements for the maturity distribution of these monetary contractual liabilities. Details of the Group's contractual obligations are set out in the following table:

Contractual Obligations

	Payments due by period at 30 June 2012					
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Unspecified
	$M	$M	$M	$M	$M	$M
On-Balance Sheet (1)						
Debt Issues	142,105	53,898	39,177	22,619	26,411	-
Deposits and other Public Borrowings	442,189	425,410	12,654	3,599	526	-
Loan Capital	13,985	2,531	3,520	817	7,117	-
Total On-Balance Sheet	598,279	481,839	55,351	27,035	34,054	-
Off-Balance Sheet						
Credit risk related instruments (2)	138,948	138,948	-	-	-	-
Lease commitments - Property, Plant and Equipment (3)	2,622	499	778	486	859	-
Commitments for capital expenditure not provided for in the accounts (4)	54	54	-	-	-	-
Total Off-Balance Sheet	141,624	139,501	778	486	859	-

(1) Contractual On-Balance sheet obligations also include contractual interest; refer to Note 40 to the 2012 Financial Statements.

(2) Credit risk related instruments, see page 67.

(3) Refer Note 34 to the 2012 Financial Statements.

(4) Refer Note 35 to the 2012 Financial Statements.

Commitments continued

Lease Arrangements

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

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

Failure to Settle Risk

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

Capital Commitments

The Group is committed for capital expenditure, under contract of $54 million as at 30 June 2012 (2011: $13 million; 2010: $19 million). The Bank is committed for $14 million (2011: $13 million; 2010: $17 million). These commitments are expected to be extinguished within 12 months.

Services Agreements

The maximum contingent liability for termination benefits in respect of service agreements with the Chief Executive Officer and other Group Key Management Personnel at 30 June 2012 was $4.7 million (2011: $4.2 million; 2010: $6.5 million).

Transactions in Own Shares

The Group had the following employee share plans in place during the year ended 30 June 2012:

- Commonwealth Bank Employee Share Plan (ESP);
- Commonwealth Bank Group Leadership Reward Plan (GLRP);
- Commonwealth Bank Equity Participation Plan (EPP);
- Commonwealth Bank Group Leadership Share Plan (GLSP);
- Employee share Acquisition Plan (ESAP);
- Employee Salary Sacrifice Share Plan (ESSSP);
- Non Executive Directors Share Plan (NDSP); and
- Commonwealth Bank Equity Reward Plan (ERP).

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

For further information regarding compensation arrangements and agreements with Group Key Management Personnel, see the Remuneration Report in the 2012 Financial Report.

Forward-Looking Statements

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

Overview

The Commonwealth Bank of Australia provides a comprehensive range of banking, financial, life and risk business insurance and Funds Management services in Australia, New Zealand, throughout Asia and in the United Kingdom. The Bank is Australia's largest bank in terms of housing loans and retail deposits. At 30 June 2012, the Group had total consolidated assets of over $718 billion and loans outstanding of over $525 billion. The Group's statutory net profit after tax was $7,090 million for the 2012 Financial Year.

The address of the Bank's principal executive office is Ground Floor, Tower 1, 201 Sussex Street, Sydney, New South Wales 2000, Australia and its telephone number is (612) 9118 4500.

The Group conducts its operations primarily through the following business units: Retail Banking Services through which the Group conducts its Australian retail business; Business and Private Banking through which the Group conducts its Corporate Financial Services, Regional and Agribusiness, Local Business, Private Bank, and Equities and Margin Lending businesses; Institutional Banking and Markets through which the Group conducts its Institutional Banking and Markets businesses; Wealth Management, through which the Group conducts its Australian Funds Management and insurance businesses; New Zealand, through which the Group conducts its New Zealand banking and insurance businesses, Bankwest, through which the Group conducts full service retail and commercial banking services within Australia under the Bankwest brand and IFS Asia, through which the Group conducts banking and insurance business in Asia. Each of these business groups is discussed in more detail below.

Operating Divisions

Retail Banking Services (RBS)

Retail Banking Services includes both the origination 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.

RBS contributed 41% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2012 and represented 40% of its total assets at that date.

Business and Private Banking (BPB)

Business and Private Banking provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec. In addition, commission is received for the distribution of retail banking products through the Business and Private Banking network.

BPB contributed 15% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2012 and represented 11% of its total assets at that date.

Institutional Banking and Markets (IB&M)

Institutional Banking and Markets services the Group's major corporate, institutional and government clients, creating customised solutions based on specific needs, industry trends and market conditions. The Total Capital Solutions offering includes debt and equity capital raising, financial and commodities risk management and transactional banking capabilities. This segment has international operations in London, Malta, New York, New Zealand, Singapore, Hong Kong, Japan and Shanghai.

IB&M contributed 15% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2012 and represented 18% of its total assets at that date.

Wealth Management

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

Wealth Management contributed 7% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2012 and represented 3% of its total assets at that date. As of 30 June 2012, Wealth Management had $193 billion of funds under administration and $1,971 million of inforce insurance premiums.

New Zealand

New Zealand includes the Banking, Funds Management and Insurance businesses operating in New Zealand (excluding the international business of Institutional Banking and Markets).

New Zealand contributed 7% of the Group's statutory net profit after tax for the Financial Year ended 30 June 2012 and represented 7% of its total assets at that date.

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 contributed 6% of the Group's statutory net profit after tax for the financial year ended 30 June 2012 and represented 11% of its total assets as at that date.

Other

The following parts of the business are included in Other divisions:

- International Financial Services Asia incorporates the Asian retail and SME banking operations (Indonesia, China, Vietnam and India), investments in Chinese and Vietnamese retail banks, the joint venture Chinese life insurance business and the life insurance operations in Indonesia. It does not include the Business and Private Banking, Institutional Banking and Markets and Colonial First State Global Asset Management business in Asia;
- Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Group Tax, Secretariat and Treasury; and
- Group wide eliminations/unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Description of Business Environment continued

Business Strategies and Future Developments

Core Banking Modernisation

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

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

History and Ownership

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Australia

Financial Services

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

Banking

While the Australian economy has performed well relative to developed economies over the past twelve months, ongoing uncertainty in global markets has resulted in some early signs of weakness. The Reserve Bank of Australia has proactively sought to address domestic pressures by reducing the official cash rate by 1.25% to 3.50% during the financial year.

The domestic banking environment has not been immune to the broader economic conditions, encountering headwinds characterised by strong competition, muted credit growth, elevated funding costs, and fragile business and consumer confidence.

These challenging operating conditions have resulted in subdued growth in operating income across the banking sector. Despite these difficult conditions, major banks have retained strong capital and liquidity positions, which should see them well placed to meet upcoming Basel III requirements.

In the short to medium term, significant challenges and uncertainties remain for both the domestic and global financial systems. Domestic credit growth is likely to remain subdued and strong levels of competition are likely to continue. Finally, concerns about sovereign debt credit risk, particularly in Europe, continue to impact global financial markets. This is expected to result in a continuation of elevated funding costs, conservative capital and liquidity settings.

Funds Management

Market volatility and investor uncertainty continues to create a challenging business environment. However, the long term growth outlook of the Australian funds management industry is strong, underpinned by the increase in compulsory superannuation contributions from 9% to 12% by the 2020 financial year. Global funds management is also expected to continue to grow in the long term, driven by increasing wealth in developing countries.

The demand for simple, transparent and lower fee products is expected to continue as investors shift towards cash products and focus on net-of-fee performance. Australia's ageing population and the requirement for income streams for retirement is expected to drive demand for products which address market volatility, inflationary threats and longevity risks.

Margin pressure within the funds management industry will remain as a result of investor product preferences and further regulatory change, which is expected to reduce revenue and increase capital requirements and costs. Consolidation is expected to continue as participants seek scale and expand capabilities to counteract these impacts.

Insurance

Australian insurance market growth is expected to continue, largely driven by greater consumer awareness and access through a wider array of channels. Bancassurance, master trusts and industry funds continue to be the strongest areas of growth, with a particular focus on direct channels. To meet the growing needs of consumers, insurance manufacturers are placing a greater emphasis on technology and service efficiency.

There continues to be a large number of ongoing government reviews and regulatory consultations in both the life and general insurance industries. The proposed changes are expected to increase insurance coverage and improve transparency of policy information.

Advice-based product profitability is being impacted by increasing lapse rates and loss ratios. Lapse rates have been increasing due to heightened competition and advisers seeking to replace lost income in light of regulatory changes, while loss ratios have been increasing due to the current economic environment, leading to increased loss recognition and strengthening of reserves amongst competitors.

The general insurance market remains highly competitive and concentrated amongst a few large players. The industry has continued to be impacted by significant global weather events over the last 12 months, and as a result, many insurers are implementing premium rate increases and moving to minimise reinsurance and claims costs where possible.

New Zealand

The Group's banking activities in New Zealand are conducted by ASB Bank and also by the New Zealand branch of CBA. The Group's insurance activities in New Zealand are conducted by Sovereign Assurance Company.

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

Wholesale funding costs remain elevated, and competition for retail deposits remains strong as banks continue to secure increased domestic funding whilst at the same time reducing reliance on wholesale funding.

During most of the financial year, there continued to be a shift towards higher margin variable rate home loans from lower margin fixed rate home loans.

NZ economic activity over the financial year was underpinned by the boost from the Rugby World Cup, higher milk production as a result of excellent weather conditions on pasture growth, and post-earthquake rebuilding. There are encouraging signs of a recovery in domestic demand taking place.

Competition

Australia and New Zealand

Competitive Landscape

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

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

In addition, the Wealth Management businesses compete with both domestic and international funds management and insurance providers. The domestic competitors include AMP, ANZ, WBC, NAB, IAG, QBE, Suncorp and specialist providers.

Trends

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

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

Changes in the financial needs of consumers, regulatory changes, and technology developments have also changed the competitive landscape. In particular, the development of electronic delivery channels and the reduced reliance on a physical network facilitate the entry of new players from related industries, such as retailers, telecommunication companies and utilities. Technological change has provided opportunities for new entrants with differing combinations of expertise and has enabled the unbundling of the value chain.

New Zealand

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

Employees

The Group employs approximately 45,000 people on a full time equivalent basis.

We are committed to making the Group a great place to work and we aim to create an environment where our people feel engaged in their role, passionate about our organisations goals, and valued for their contribution.

Each year we seek feedback from our people through the annual People and Culture survey. In 2012 we achieved an overall engagement score of 80%. This is a Global Best in Class result.

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

Our primary focus on increasing gender diversity in senior leadership continues, as we understand the business benefits attained by having broader gender diversity across all levels of the organisation. Our programmes are helping us to achieve our goal and we have been recognised in 2012 with the prestigious global Catalyst Award for gender diversity and the Employer of Choice for Women citation from the Equal Opportunity for Women in the Workplace Agency (EOWA).

The Group has considerably enhanced its focus on the development of its talent during the year. The talent review process requires talent review plans to be discussed by the Executive Committee on a regular basis, providing a robust assessment of the workforce. Talent dashboards are produced enabling senior leaders to get an in-depth view of the talent pipeline within their business and are used as a source of talent decision making. In response, leadership development programmes are tailored across a range of career levels and audiences.

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

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

The past few years saw significant decreases in the Group's Lost Time Injury Frequency Rate (LTIFR) which can be attributed to the continued implementation of the safety management system. In the 12 months to June 2012 the LTIFR was 2.1.

Financial System Regulation in Australia

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

The main regulators of financial services in Australia are the Reserve Bank of Australia, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Transaction Reports and Analysis Centre and the Australian Competition and Consumer Commission. Each agency has system-wide responsibilities for the different objectives of government oversight of the financial system. A description of these agencies and their general responsibilities and functions is set out below.

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

The Australian Prudential Regulation Authority (APRA) has responsibility for the prudential supervision of banks, building societies and credit unions, life and general insurance companies, friendly societies and superannuation funds (pension funds). Unless an institution is authorised under the Banking Act 1959 or exempted by APRA, it is prohibited from engaging in the general business of deposit-taking.

The Australian Securities and Investments Commission (ASIC) has responsibility for regulating and enforcing Company and financial services laws that protect consumers, investors and creditors, including the Corporations Act 2001. The Corporations Act 2001 provides for a single licensing regime for sales, advice and dealings in financial products and services, consistent and comparable financial product disclosure and a single authorisation procedure for financial exchanges and clearing and settlement facilities. ASIC is also responsible for the National Consumer Credit Protection Act and the responsible lending framework it imposes upon credit providers.

The Australian Transaction Reports and Analysis Centre (AUSTRAC) has responsibility for overseeing compliance with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 and the Financial Transaction Reports Act 1988. As a provider of financial services in Australia and internationally, the Group is committed to the principles of the Financial Action Task Force as the international standard setter for anti-money laundering and counter-terrorism financing efforts.

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

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

Supervisory Arrangements

The Bank and its subsidiary Bank of Western Australia are Authorised Deposit-taking Institutions (ADIs) under the Banking Act 1959 and are subject to prudential regulation by APRA.

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

APRA's broader supervision programme includes a combination of on-site thematic reviews, regular engagement with the Board and senior management of individual institutions and prudential consultation and reviews of regular statistical returns reported by individual institutions.

In addition, APRA has established arrangements under which each bank's external auditor reports to APRA regarding observance of prudential standards and other supervisory requirements.

The prudential framework applied by APRA is embodied in a series of prudential standards and other requirements including:

(i) Capital, Funding and Liquidity

APRA has approved the Bank's application to use the advanced internal ratings-based approach to credit risk and the advanced measurement approach to operational risk for the purposes of calculating capital requirements under the Basel II Framework.

APRA exercises liquidity control by requiring each bank to develop a liquidity management strategy that is appropriate for itself. Each policy is formally approved by APRA. A key element of the Group's liquidity policy is the holding of high quality liquid assets to meet liquidity requirements.

The liquid assets held are assets that are available for repurchase by the RBA (over and above those required to meet the Real-time Gross Settlement obligations, Certificates of Deposit / Bills of other banks and overnight interbank loans) and other highly liquid marketable securities. More detailed comments on the Group's liquidity and funding risks are provided in Note 40 to the Financial Statements.

APRA's prudential standards for funding and liquidity are significantly guided by the frameworks provided by the Basel Committee on Banking Supervision (BCBS). The BCBS has approved significant changes to the Basel II framework (such changes being commonly referred to as "Basel III") and on June 1, 2011 issued its final guidance, which envisages a substantial strengthening of existing capital rules, including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and a minimum leverage ratio for financial institutions. In particular, the changes include, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "liquidity coverage ratio" and the "net stable funding ratio"). Member countries will be required to implement the new capital standards from January 2013, the new "liquidity coverage ratio" from January 2015 and the "net stable funding ratio" from January 2018.

On November 4, 2011, the Basel Committee also introduced additional capital requirements for global systemically important banks, to take effect from 2016. Similarly, on June 29, 2012, the Basel Committee also introduced a principles-based capital framework for domestic systemically important banks, which are also intended to take effect from 2016.

The Basel III capital disclosures provided in this Document have been prepared based on the Group's interpretation of the Basel III rules defined by the Basel Committee on Banking Supervision and draft prudential standards released by APRA, which remain subject to revisions and the development of final prudential standards following further public consultation, respectively. Accordingly, APRA's final prudential standards on Basel III could result in materially different capital requirements for the Group and there can be no assurance that the Group's current Basel III capital planning will result in compliance with the final prudential standards adopted by APRA.

(ii) Large Credit Exposures

APRA requires banks to ensure that, other than in exceptional circumstances, individual credit exposures to non-bank, non-government clients do not exceed 25% of the capital base. Exposure to unrelated ADIs is not to exceed 50% of the capital base. Prior consultation must be held with APRA if a bank intends to exceed set thresholds. For information on the Group's large exposures refer to Note 38 to the Financial Statements.

(iii) Ownership and Control

In pursuit of transparency and risk minimisation, the Financial Sector (Shareholding) Act 1998 embodies the principle that regulated financial institutions should maintain widespread ownership. The Act applies a common 15% shareholding limit for ADIs, insurance companies and their holding companies.

The Commonwealth Treasurer has the power to approve acquisitions exceeding 15% where this is in the national interest, taking into account advice from the ACCC in relation to competition considerations and APRA on prudential matters. The Treasurer may also delegate approval powers to APRA where one financial institution seeks to acquire another.

The Government's present policy is that mergers among the four major banks will not be permitted until the Government is satisfied that competition from new and established participants in the financial industry has increased sufficiently.

Proposals for foreign acquisition of Australian banks are subject to approval by the Treasurer under the Foreign Acquisitions and Takeovers Act 1975.

(iv) Banks' Association with Non-Banks

There are formal guidelines (including maximum exposure limits) that control investments and dealings with subsidiaries and associates. A bank's equity associations with other institutions should normally be in the field of finance. APRA has expressed an unwillingness to allow subsidiaries of a bank to exceed a size which would endanger the stability of the parent. No bank can enter into any agreements or arrangements for the sale or disposal of its business, or effect a reconstruction or carry on business in partnership with another bank, without the consent of the Treasurer.

(v) Fit and Proper and Governance

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

(vi) Supervision of Non-Bank Group Entities

The Australian life insurance company subsidiaries, general insurance company subsidiaries and the superannuation trustees of the Group also come within the supervisory review of APRA.

APRA's prudential supervision of both life insurance and general insurance companies is exercised through the setting of minimum standards for solvency and financial strength to ensure obligations to policyholders can be met. Trustees operating APRA regulated superannuation entities are required to hold a Registrable Superannuation Entity (RSE) licence from APRA.

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

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

Insurance and Wealth Management Regulation

The Group conducts general and life insurance business, funds management, asset management, custodial services, financial advice and superannuation (trustee) businesses through its Wealth Management division. The key regulators for the Group's wealth management businesses are APRA and ASIC. The Group's insurance and superannuation businesses are required to comply with relevant legislations including the Life Insurance Act 1995, Insurance Act 1973 and the Superannuation Industry (Supervision) Act 1993. They are also required to comply with APRA's prudential standards. These standards cover, amongst others, capital adequacy, governance and risk management. The Group's wealth management businesses are also governed by the Corporations Act 2001 which is administered by ASIC. In regard to the Group's life insurance business in Australia, the Life Insurance Act 1995 includes a two tiered framework for the calculation of regulatory capital requirements for life insurance companies – 'solvency' and 'capital adequacy'. The capital adequacy test for statutory funds is always equal to or greater than the solvency test[(1)].

There are no regulatory capital requirements for life insurance companies in New Zealand, though the directors of any company must certify its solvency under the Companies Act 1993. The Group determines the minimum capital requirements for its New Zealand life insurance business according to the professional standard, 'Solvency Reserving for Life Insurance Business', issued by the New Zealand Society of Actuaries. The Group's general insurance businesses are regulated by APRA under the Insurance Act 1973. The Group determines capital requirements for general insurance businesses in accordance with APRA Prudential Standards.

Fund managers in Australia are subject to 'Responsible Entity' regulation by the Australian Securities and Investment Commission (ASIC). The regulatory capital requirements vary depending on the type of Australian Financial Services Licence or Authorised Representatives' Licence held, but a requirement of up to $5 million of net tangible assets applies.

APRA supervises approved trustees of superannuation funds and requires them to also maintain net tangible assets of at least $5 million. These requirements are not cumulative where an entity is both an approved trustee for superannuation purposes and a responsible entity.

Legal Proceedings

Neither the Bank nor any of its controlled entities are engaged in any litigation or claim which is likely to have a materially adverse effect on the business, financial condition or operating results of the Bank or any of its controlled entities. Where some loss is probable and can be reliably estimated, an appropriate provision has been made.

Storm Proceedings

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

In 2009, the Bank separately established a resolution scheme for clients of Storm Financial who borrowed money from the Bank. The resolution scheme is nearing completion, having settled the claims of over 1,800 individuals, and the Bank believes that appropriate provisions are held to cover the outcomes and costs of the scheme. Certain borrowers who have opted out of the resolution scheme, or who chose not to participate, are pursuing litigation against the Bank.

Exception Fee Litigation

Class action proceedings regarding certain "exception fees" were commenced in the Federal Court against the Bank on 16 December 2011 and against Bankwest on 18 April 2012. These proceedings have been stayed until 7 December 2012 pending the determination by the High Court of certain issues in similar proceedings which have been commenced against ANZ.

Critical Accounting Policies and Estimates

Note 1 to the 2012 Financial Statements contains a summary of the Group's significant accounting policies. Certain of these policies are considered to be more important in the determination of the Group's financial position, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. Management discusses the accounting policies which are sensitive to the use of judgement, estimates and assumptions with the Board Audit Committee.

These policies include provisions for impairment, actuarial assumptions in determining life insurance policy liabilities, determining whether certain entities should be consolidated, determining the fair value of financial instruments, assessing goodwill for impairment and actuarial assumptions in determining defined benefit plan obligations. An explanation of these policies and the related judgements and estimates involved is set out in Note 1 to the 2012 Financial Statements.

Remuneration of Auditors

Disclosure of the Remuneration of Auditors is set out in Note 33 to the 2012 Financial Statements.

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

Introduction

This statement outlines the key aspects of the Commonwealth Bank's corporate governance framework. The Board has consistently placed great importance on good corporate governance practices of the Group, which it believes is vital to the Group's well-being. The Board has adopted a comprehensive framework of Corporate Governance Guidelines, designed to properly balance performance and conformance. This enables the Group to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and practices of the Group comply with the revised "Corporate Governance Principles and Recommendations", dated 30 June 2010, released by the ASX Corporate Governance Council.

Charter

The Board's role and responsibilities are set out in the Board Charter. The responsibilities include:

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

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

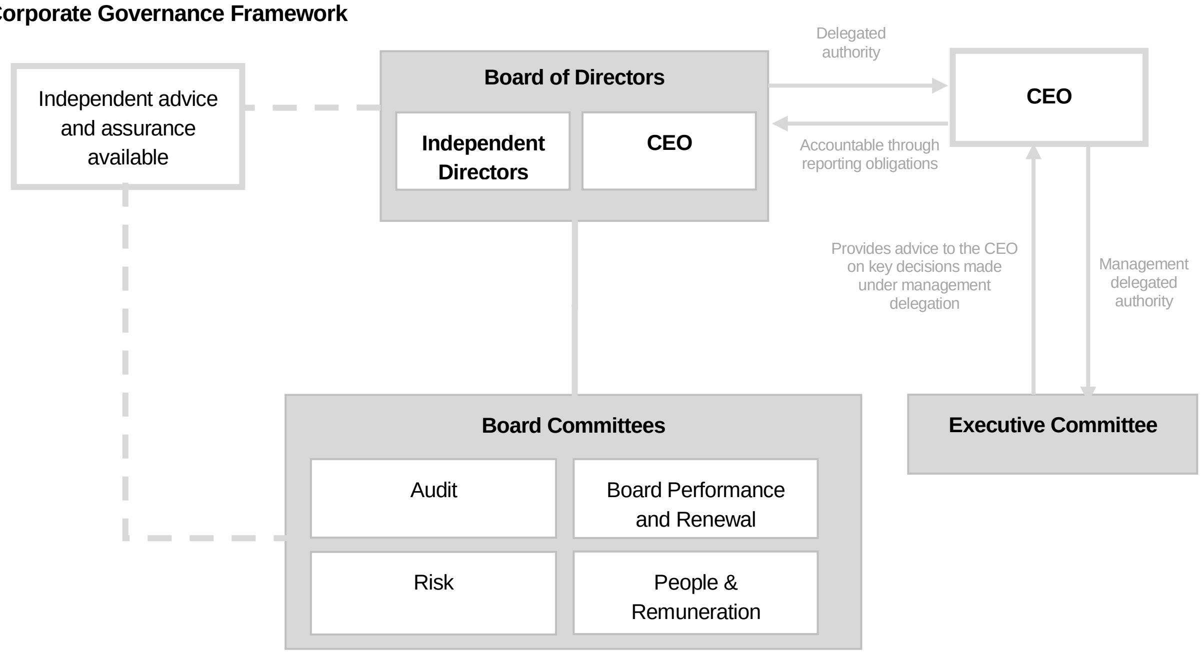
Delegation of Authority

The Board delegates to the CEO the responsibility to achieve the Group's objective of creating long term value for its shareholders through excelling in customer service and providing sustained best-in-industry performance in safety, community reputation and environmental impact.

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

An overview of the Group's Corporate Governance framework is outlined below.

Corporate Governance Framework



Corporate Governance continued

Composition

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

Membership of the Board and Committees is set out below:

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

(1) Ms Inman was appointed to the Board with effect from 16 March 2011. She was elected at the Annual General Meeting held on 8 November 2011.

Constitution

The Constitution of the Bank specifies that:

- The CEO and any other Executive Directors are not eligible to stand for election as Chairman of the Bank;
- The number of Directors will not be less than nine nor more than thirteen (or such lower number as the Board may from time to time determine). The Board has decided that there will be eleven Directors; and
- At each Annual General Meeting (AGM) one third of Directors (other than the CEO) will retire from office and may stand for re-election.

The Board has established a policy which limits the Directors' appointment term to 12 years (except where succession planning for Chairman and appointment of Chairman requires an extended term). On appointment, the Chairman will be expected to be available for that position for five years.

Independence

The Group's Non-Executive Directors are required to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment. The Board regularly assess each Directors' independence to ensure ongoing compliance with this requirement.

Directors are required to conduct themselves in accordance with the ethical policies of the Group and be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act 2001. This disclosure extends to the interests of family companies and spouses. Directors must also strictly adhere to the participation and voting constraints in relation to matters in which they may have an interest in. Each Director may from time to time have personal dealings with the Group or be involved with other companies or professional firms which may have dealings with the Group. Details of offices held by Directors with other organisations are disclosed in the Directors' Report and on the Group's website. Full details of related party dealings are set out in the notes to the Financial Statements as required by law.

All the current Non-Executive Directors of the Bank have been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

- The specific disclosures made by each Director;
- Where applicable, the related party dealings referrable to each Director;
- That no Director is, or has been associated directly with, a substantial shareholder of the Bank;
- That no Non-Executive Director has ever been employed by the Bank or any of its subsidiaries;
- That no Director is, or has been associated with, a supplier, professional adviser, consultant to or customer of the Group which is material under accounting standards;
- That no Non-Executive Director personally carries on any role for the Group other than that as a Director of the Bank; and
- That no Non-Executive Director has a material contractual relationship with the Group other than as a Director of the Bank.

Education and Review

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

This year the Board also received an external assessment of shareholders' perception of performance and strategy, which helped update the Board on the Bank's external profile amongst investors.

Board Performance and Renewal Committee

The Non-Executive Directors meet at least annually without management, in a forum intended to allow for an open discussion on Board and management performance. This is in addition to the consideration of the CEO's performance and remuneration which is conducted by the Board in the CEO's absence.

Performance evaluations in accordance with the above processes have been undertaken during the year. Details on management performance evaluations are contained in the Remuneration Report section of the Directors' Report, contained in the 2012 Financial Report.

The Board Performance and Renewal Committee annually review the Group's corporate governance procedures. It considers the composition and effectiveness of the Commonwealth Bank of Australia Board and also the boards of the major wholly owned subsidiaries. It also considers the effectiveness of the Board and ensures that the Board annually reviews its own performance, policies and practices. These reviews seek to identify where improvements can be made in Board processes. They also assess the quality and effectiveness of information made available to Directors. The review process includes a performance assessment of the Board Committees and each Director. Every two years, this process is also facilitated by an external consultant.

The Board used an independent facilitator in this year's performance review. The review endorsed the current Board and Committee processes and also suggested ways in which collective and individual Director performance might be improved. The assessment has been considered by the Board and individual Director assessments have been diarised with Directors by the Chairman of the Board.

After considering the results of the performance assessment, the Board will determine its endorsement of the Directors to stand for re-election at the next AGM.

In accordance with the Board's policies, the Committee consists solely of independent Non-Executive Directors, with the CEO attending the meeting by invitation.

Selection of Directors

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

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

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

The Board Performance and Renewal Committee will assess the skills, experience and personal qualities of these candidates. It will also take into consideration other attributes including diversity to ensure that any appointment decisions adequately reflect the environment in which the Group operates. Information on the Group's diversity strategy more generally can also be found in the Sustainability section of the Annual Report.

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

The Chairman will provide a letter to all new Directors setting out the terms of appointment and relevant Board policies. These include time commitment, code of ethics and continuing education. All current Directors have been provided with a letter confirming the terms of their appointment.

Policies

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

- The Board will consist of a majority of independent Non-Executive Directors;
- The Board Performance and Renewal, People & Remuneration and Audit Committees should consist solely of independent Non-Executive Directors. The Risk Committee should consist of a majority of independent Non-Executive Directors;
- The Chairman will be an independent Non-Executive Director;
- The Audit Committee will be chaired by an independent Non-Executive Director other than the Chairman;
- The Board will meet on a regular and timely basis. The meeting agendas will provide adequate information about the affairs of the Group. It also enables the Board to guide and monitor management, and assist in its involvement in discussions and decisions on strategy. Strategic matters are given priority on regular Board meeting agendas. In addition, ongoing strategy is the major focus of at least one Board meeting annually;
- An agreed policy on the basis that Directors are entitled to obtain access to Group documents and information, and to meet with management; and
- A procedure whereby, after appropriate consultation, Directors are entitled to seek independent professional advice, at the expense of the Group, to assist them to carry out their duties as Directors. The policy of the Group provides that any such advice is generally made available to all Directors.

Ethical Standards

Conflicts of Interest

In accordance with the Constitution and the Corporations Act 2001, Directors are required to disclose to the Board any material contract in which they may have an interest. In compliance with section 195 of the Corporations Act 2001 any Director with a material personal interest in a matter being considered by the Board will not vote on or be present when the matter is being considered. If the material personal interest is disclosed or identified before a Board or Committee meeting takes place those Directors will also not receive a copy of any paper dealing with the matter.

Share Trading

The Board has adopted a Group Securities Trading policy which prohibits Directors, employees and contractors of the Group from:

- Dealing in the Group's securities if they are in possession of unpublished price-sensitive information; and
- Communicating unpublished price-sensitive information to other people.

Directors are also only permitted to deal with the Group's securities within certain periods, as long as they are not in the possession of unpublished price-sensitive information. These periods include the 30 days after the half yearly and final results announcements, and 14 days after quarterly trading update releases.

The Policy also requires that Directors do not deal on the basis of considerations of a short term nature or to the extent of trading in those securities. Similar restrictions apply to Executives of the Group, which is in addition to the prohibition of any trading (including hedging) in positions prior to vesting of shares or options.

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

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

Remuneration Arrangements

Details of the governance arrangements and policies relevant to remuneration are set out in the Remuneration Report in the 2012 Financial Report.

Audit Arrangements

Audit Committee

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

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

These include:

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

Auditor

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

The PwC partner managing the Group's external audit will attend the 2012 AGM and be available to respond to shareholder questions relating to the external audit.

In line with current legislations, the Group requires that the partner be changed within five years of being appointed.

The Group and its external auditor must continue to comply with U.S Auditor independence requirements. U.S. Securities and Exchange Commission (SEC) rules still apply to various activities that the Group undertakes in the United States, even though the Bank is not registered under the Exchange Act.

Non-Audit Services

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

The policy is designed to ensure that the external auditors do not:

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

Audit Arrangements (continued)

Under the policy, the external auditor will not provide certain services including the following services:

- Bookkeeping or other services relating to accounting records or Financial Statements of the Group;
- Financial information systems design and implementation;
- Appraisal or valuation services (other than certain tax only valuation services) and fairness opinions or contribution-in-kind reports;
- Actuarial services unless approved in accordance with independence guidelines;
- Internal audit outsourcing services;
- Management functions, including acting as an employee and secondment arrangements;
- Human resources;
- Broker-dealer, investment adviser or investment banking services;
- Legal services;
- Expert services for the purpose of advocating the interests of the Group;
- Services relating to marketing, planning or opining in favour of the tax treatment of certain transactions;
- Tax services in connection with certain types of tax transactions;
- Tax services to individuals, and any immediate family members of any individuals, in a Financial Reporting Oversight Role; and
- Certain corporate recovery and similar services.

In general terms, the permitted services are:

- Audit services to the Group or an affiliate;
- Related services connected with the lodgement of statements or documents with the ASX, ASIC, APRA or other regulatory or supervisory bodies;
- Services reasonably related to the performance of the audit services;
- Agreed-upon procedures or comfort letters provided by the external auditor to third parties in connection with the Group's financing or related activities; and
- Other services pre-approved by the Audit Committee.

Risk Management

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

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

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

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

Risk Committee

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

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

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

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

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

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

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

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

The Committee reviews significant correspondence with regulators, receives reports from management on regulatory relations and reports any significant regulatory issues to the Board.

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

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

Risk Management (continued)

Framework

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

A description of the functions of the framework and the nature of the risks is set out in the Risk Management section of the 2012 Financial Report and in Notes 37 to 40 to the Financial Statements.

Continuous Disclosure

Matters which could be expected to have a material effect on the price or value of the Company's securities must be disclosed under the Corporations Act 2001 and the ASX Listing Rules. The Group's "Guidelines for Communication between the Bank and Shareholders" is available on the Group's website. These set out the processes to ensure that shareholders and the market are provided with full and timely information about the Group's activities in compliance with continuous disclosure requirements.

Continuous Disclosure policy and processes are in place throughout the Group to ensure that all material matters which may potentially require disclosure are promptly reported to the CEO. This is achieved via established reporting lines or as a part of the deliberations of the Group's Executive Committee. Matters reported are assessed and, where required by the ASX Listing Rules, advised to the market. A Disclosure Committee has also been formed to provide advice on the requirements for disclosing information to the market. The Company Secretary is responsible for communications with the ASX and for ensuring that such information is not released to any person until the ASX has confirmed its release to the market.

Shareholder Communication

The Group believes it is very important for its shareholders to make informed decisions about their investment in the Group. In order for the market to have an understanding of the business operations and performance, the Group aims to provide shareholders with access to quality information in the form of:

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

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

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

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

Ethical Policies

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

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

Statement of Professional Practice

The Group's code of ethics, known as a Statement of Professional Practice, sets standards of behaviour required of all employees and directors including:

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

These standards are regularly communicated to the Group's people. The Group has also established the Group Securities Trading policy to ensure that unpublished price-sensitive information is not used in an illegal manner for personal advantage.

Our People

The Group has implemented various policies and systems to enable its people to carry out their duties in accordance with the Group's values. These include:

- Fair Treatment Review;
- Equal Employment Opportunity;
- Occupational Health and Safety;
- Recruitment and selection;
- Performance management;
- Talent management and succession planning;
- Remuneration and recognition;
- Employee share plans; and
- Supporting Professional Development.

Information on the Group's diversity strategy can be found in the Sustainability section of the 2012 Financial Report.

Behaviour Policy

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

The policy includes reporting of auditing and accounting issues. These are reported to the Chief Compliance Officer by the Chief Security Officer, who administers the reporting and investigation system. The Chief Security Officer reports any such matters to the Audit Committee, noting the status of resolution and actions to be taken.

Code of Conduct

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

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

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

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

Five Year Financial Summary

	Years ended 30 June				
	2012	**2011**	**2010**	**2009**	**2008**
Income Statement	$M	$M	$M	$M	$M
Net interest income [1]	**13,157**	12,645	12,008	10,184	7,872
Other operating income [1][2]	**6,993**	7,014	7,051	6,634	6,469
Total operating income	**20,150**	19,659	19,059	16,818	14,341
Operating expenses	**(9,196)**	(8,891)	(8,601)	(7,765)	(7,021)
Impairment expense	**(1,089)**	(1,280)	(2,075)	(3,048)	(930)
Operating profit before goodwill and income tax expense	**9,865**	9,488	8,383	6,005	6,390
Corporate tax expense	**(2,736)**	(2,637)	(2,266)	(1,560)	(1,626)
Non-controlling interests	**(16)**	(16)	(16)	(30)	(31)
Net profit after tax ("cash basis")	**7,113**	6,835	6,101	4,415	4,733
Defined benefit superannuation plan income/(expense) [3]	**-**	-	-	(10)	9
Treasury shares valuation adjustment	**(15)**	(22)	(44)	(28)	60
Hedging and IFRS volatility	**124**	(265)	17	(245)	(42)
Visa Initial Public Offering gain after tax	**-**	-	-	-	295
Investment and restructuring	**-**	-	-	-	(264)
One-off expenses	**-**	-	-	(23)	-
Tax on NZ Structured finance transactions	**-**	-	(171)	-	-
Loss on disposal of controlled entities/investments	**-**	(7)	(23)	-	-
Bankwest non cash items	**(89)**	(147)	(216)	614	-
Count Financial acquisition costs	**(43)**	-	-	-	-
Net profit after income tax attributable to Equity holders of the Bank	**7,090**	6,394	5,664	4,723	4,791
Contributions to profit (after tax)					
Retail Banking Services	**2,934**	2,854	2,461	2,107	1,911
Business and Private Banking	**1,067**	1,030	898	736	721
Institutional Banking and Markets	**1,060**	1,004	1,173	166	771
Wealth Management	**492**	581	592	514	789
New Zealand	**506**	469	387	438	n/a
Bankwest	**524**	463	(45)	113	n/a
International Financial Services	**n/a**	n/a	n/a	n/a	555
Other [3]	**441**	353	457	537	(1)
Net profit after tax ("underlying basis")	**7,024**	6,754	5,923	4,611	4,746
Investment experience after tax	**89**	81	178	(196)	(13)
Net profit after tax ("cash basis")	**7,113**	6,835	6,101	4,415	4,733
Defined benefit superannuation plan (expense)/income [3]	**-**	-	-	(10)	9
Treasury shares valuation adjustment	**(15)**	(22)	(44)	(28)	60
Hedging and IFRS volatility	**124**	(265)	17	(245)	(42)
Visa Initial Public Offering gain after tax	**-**	-	-	-	295
Investment and restructuring	**-**	-	-	-	(264)
One-off expenses	**-**	-	-	(23)	-
Tax on NZ Structured finance transactions	**-**	-	(171)	-	-
Loss on disposal of controlled entities/investments	**-**	(7)	(23)	-	-
Bankwest non cash items	**(89)**	(147)	(216)	614	-
Count Financial acquisition costs	**(43)**	-	-	-	-
Net profit after tax ("statutory basis")	**7,090**	6,394	5,664	4,723	4,791
Balance Sheet					
Loans, bills discounted and other receivables	**525,682**	500,057	493,459	466,631	361,282
Total assets	**718,229**	667,899	646,330	620,372	487,572
Deposits and other public borrowings	**437,655**	401,147	374,663	368,721	263,706
Total liabilities	**676,657**	630,612	610,760	588,930	461,435
Shareholders' equity	**41,572**	37,287	35,570	31,442	26,137
Net tangible assets	**29,821**	26,217	24,688	20,738	16,422
Risk weighted assets	**302,787**	281,711	290,821	288,836	205,501
Average interest earning assests [4]	**629,685**	597,406	577,261	510,510	418,829
Average interest earning liabilities [5]	**590,654**	559,095	543,824	483,283	395,989
Assets (on Balance Sheet) - Australia	**621,355**	581,695	561,618	528,354	410,225
Assets (on Balance Sheet) - New Zealand	**55,499**	54,993	56,948	59,606	54,312
Assets (on Balance Sheet) - Other	**41,375**	31,211	27,764	32,412	23,035

(1) To reflect market practice, comparatives have been restated for the reallocation of bank bill facility fee income and IFRS reclassification of net swap costs from Other banking income into Net interest income.

(2) Includes investment experience.

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

(4) Comparatives have been restated for the reallocation of Bank Acceptances of customers and securitised home loans to Interest earning assets.

(5) Comparatives have been restated for the reallocation of Bank Acceptances and securitised debt issues to interest bearing liabilities.

Five Year Financial Summary continued

	Years ended 30 June				
	2012	**2011**	**2010**	**2009**	**2008**
Shareholder summary					
Dividends per share - fully franked (cents)	**334**	320	290	228	266
Dividends cover - statutory (times)	**1.3**	1.3	1.3	1.3	1.3
Dividends cover - cash (times)	**1.3**	1.4	1.4	1.3	1.3
Earnings per share (cents)					
Basic					
Statutory	**448.9**	411.2	367.9	328.5	363.0
Cash basis	**449.4**	438.7	395.5	305.6	356.9
Fully diluted					
Statutory	**432.9**	395.1	354.2	313.4	348.7
Cash basis	**433.4**	420.6	379.8	292.4	343.1
Dividend payout ratio (%)					
Statutory	**75.2**	78.3	79.7	73.1	74.1
Cash basis	**75.0**	73.2	73.9	78.2	75.0
Net tangible assets per share ($)	**18.7**	16.8	15.9	13.7	12.4
Weighted average number of shares (statutory basic) (M)	**1,570**	1,545	1,527	1,420	1,307
Weighted average number of shares (statutory fully diluted) (M)	**1,674**	1,668	1,640	1,548	1,424
Weighted average number of shares (cash basic) (M)	**1,573**	1,548	1,531	1,426	1,313
Weighted average number of shares (cash fully diluted) (M)	**1,677**	1,671	1,644	1,554	1,430
Number of shareholders	**792,906**	792,765	784,382	776,283	741,072
Share prices for the year ($)					
Trading high	**53.80**	55.77	60.00	46.69	62.16
Trading low	**42.30**	47.05	36.20	24.03	37.02
End (closing price)	**53.10**	52.30	48.64	39.00	40.17
Performance ratios (%)					
Return on average Shareholders' equity					
Statutory	**18.7**	18.4	17.5	16.8	19.8
Cash basis	**18.6**	19.5	18.7	15.8	20.4
Return on average total assets					
Statutory	**1.0**	1.0	0.9	0.9	1.0
Cash basis	**1.0**	1.0	1.0	0.8	1.0
Capital adequacy - Tier One	**10.01**	10.01	9.15	8.07	8.17
Capital adequacy - Tier Two	**0.97**	1.69	2.34	2.35	3.41
Capital adequacy - Total	**10.98**	11.70	11.49	10.42	11.58
Net interest margin	**2.09**	2.12	2.08	1.99	1.88
Other information (numbers)					
Full-time equivalent employees	**44,844**	46,060	45,025	44,218	39,621
Branches/services centres (Australia)	**1,167**	1,160	1,147	1,142	1,009
Agencies (Australia)	**3,818**	3,795	3,884	3,859	3,814
ATM's (proprietary)	**4,213**	4,173	4,149	4,075	3,301
EFTPOS terminals	**175,436**	170,855	165,621	167,025	187,377
Productivity (1)					
Total income per full-time (equivalent) employee ($)	**446,013**	424,186	418,057	386,381	362,384
Employee expense/Total income (%)	**24.7**	24.5	24.1	23.3	25.5
Total operating expenses/Total income (%)	**46.0**	45.5	45.7	45.4	48.9

(1) The productivity metrics have been calculated on a "cash basis".

Appendix A – Additional Historical Information

For the purposes of providing investors with a thorough understanding of the Group's performance, this Appendix provides relevant Financial Year 2008 and 2009 information not provided within the 2012 Financial Report.

Provisions for Impairment

Provisions for impairment losses	2009 $M	2008 $M
Collective provision		
Opening balance	1,466	1,156
Acquisitions	250	-
Net collective provision funding	1,176	627
Impairment losses written off	(472)	(381)
Impairment losses recovered	73	77
Fair value and other	732	(13)
Closing balance	3,225	1,466
Individually assessed provisions		
Opening balance	279	100
Acquisitions	380	-
Net new and increased individual provisioning	1,686	336
Write-back of provisions no longer required	(179)	(33)
Discount unwind to interest income	(45)	(9)
Fair value and other	279	7
Impairment losses written off	(671)	(122)
Closing balance	1,729	279
Total provisions for impairment losses	4,954	1,745
Less: Off balance sheet provisions	(30)	(32)
Total provisions for loan impairment	4,924	1,713

Provision ratios	2009 %	2008 %
Collective provision as a % of gross loans and acceptances	**0. 66**	0. 38
Collective provision as a % of risk weighted assets - Basel II	**1. 12**	0. 71
Total provision as a % of credit risk weighted assets - Basel II	**1. 92**	-
Individually assessed provisions for impairment as a % of gross impaired assets	**41. 1**	40. 8
Total provisions for impairment losses as a % of gross loans and acceptances	**1. 01**	0. 46

Credit Risk Management

The following tables set out the Group's impaired asset position by industry and asset class as at 30 June 2010, 2009 and 2008.

							2010
Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
Australia							
Sovereign	1,571	-	-	-	-	-	-
Agriculture	5,158	222	(75)	147	10	-	10
Bank and other financial	9,221	414	(254)	160	383	-	383
Home loans	292,140	671	(150)	521	95	(3)	92
Construction	3,438	271	(132)	139	72	-	72
Personal	15,979	15	(21)	(6)	651	(59)	592
Asset Financing	8,621	81	(15)	66	72	(3)	69
Other commercial and industrial	108,818	2,947	(1,268)	1,679	604	(5)	599
Total Australia	444,946	4,621	(1,915)	2,706	1,887	(70)	1,817
Overseas							
Sovereign	1,213	-	-	-	-	-	-
Agriculture	5,450	193	(15)	178	7	-	7
Bank and other financial	6,344	4	(1)	3	50	-	50
Home loans	31,433	165	(12)	153	25	-	25
Construction	472	-	-	-	-	-	-
Personal	822	4	-	4	18	(6)	12
Asset Financing	768	-	-	-	-	-	-
Other commercial and industrial	9,821	124	(49)	75	86	(1)	85
Total overseas	56,323	490	(77)	413	186	(7)	179
Gross balances	501,269	5,111	(1,992)	3,119	2,073	(77)	1,996

Appendix A – Additional Historical Information

Credit Risk Management (continued)

Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
							2009
Australia							
Sovereign	1,539	-	-	-	-	-	-
Agriculture	4,717	257	(77)	180	2	(1)	1
Bank and other financial	9,900	878	(483)	395	110	(1)	109
Home Loans	261,504	246	(82)	164	36	(1)	35
Construction	4,072	242	(104)	138	4	-	4
Personal	15,148	42	(23)	19	496	(52)	444
Asset Financing	7,923	46	(31)	15	58	(5)	53
Other commercial and industrial	108,570	1,901	(760)	1,141	255	(10)	245
Total Australia	413,373	3,612	(1,560)	2,052	961	(70)	891
Overseas							
Sovereign	1,466	-	-	-	-	-	-
Agriculture	5,483	60	(9)	51	-	-	-
Bank and other financial	7,619	109	(68)	41	86	-	86
Home Loans	30,702	196	(10)	186	18	-	18
Construction	635	-	-	-	4	-	4
Personal	743	1	-	1	14	(3)	11
Asset Financing	717	-	-	-	-	-	-
Other commercial and industrial	13,034	211	(82)	129	60	-	60
Total overseas	60,399	577	(169)	408	182	(3)	179
Gross balances	473,772	4,189	(1,729)	2,460	1,143	(73)	1,070

Credit Risk Management (continued)

Industry	Loans $M	Gross Impaired Loans $M	Individually Assessed Provisions $M	Net Impaired Loans $M	Write-offs $M	Recoveries $M	Net Write-offs $M
							2008
Australia							
Sovereign	1,568	-	-	-	-	-	-
Agriculture	2,547	15	(4)	11	3	-	3
Bank and other financial	8,917	58	(27)	31	5	-	5
Home Loans	186,926	157	(34)	123	23	(1)	22
Construction	1,647	11	(1)	10	1	(1)	-
Personal	19,233	14	(9)	5	364	(61)	303
Asset Financing	7,894	55	(12)	43	49	(5)	44
Other commercial and industrial	80,423	310	(161)	149	34	(5)	29
Total Australia	309,155	620	(248)	372	479	(73)	406
Overseas							
Sovereign	1,230	-	-	-	-	-	-
Agriculture	4,814	1	-	1	-	-	-
Bank and other financial	6,743	4	(4)	-	4	-	4
Home Loans	28,817	37	(7)	30	1	-	1
Construction	606	3	(8)	(5)	1	-	1
Personal	532	2	(2)	-	13	(3)	10
Asset Financing	548	1	(2)	(1)	-	-	-
Other commercial and industrial	12,779	15	(8)	7	5	(1)	4
Total overseas	56,069	63	(31)	32	24	(4)	20
Gross balances	365,224	683	(279)	404	503	(77)	426

Appendix A – Additional Historical Information

Credit Risk Management (continued)

The following tables set out the Group's credit risk by industry and asset class as at 30 June 2010, 2009 and 2008.

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

At 30 June 2010

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	6,343	-	-	-	-	-	-	6,343
Receivables due from other financial institutions	-	-	5,355	-	-	-	-	-	-	5,355
Assets at fair value through Income Statement:										
Trading	8,618	-	4,931	-	-	-	-	2,511	-	16,060
Insurance (1)	1,478	-	9,148	1,393	101	-	-	2,157	-	14,277
Other	-	-	-	-	-	-	-	-	-	-
Derivative assets	163	35	19,269	-	24	-	-	3,188	-	22,679
Available-for-sale investments	12,588	-	3,661	-	-	-	-	12,015	-	28,264
Loans, bills discounted and other receivables (2)	1,571	5,158	9,221	292,140	3,438	15,979	8,621	108,818	-	444,946
Bank acceptances	5	3,090	263	-	529	-	-	7,682	-	11,569
Other assets (3)	5	39	5,442	4	40	14	13	378	13,630	19,565
Total on balance sheet Australia	24,428	8,322	63,633	293,537	4,132	15,993	8,634	136,749	13,630	569,058
Credit risk exposures relating to off balance sheet assets:										
Guarantees	73	16	236	24	370	-	-	2,791	-	3,510
Loan commitments	1,187	992	3,575	51,995	1,441	17,206	-	22,008	-	98,404
Other commitments	25	26	168	11	357	-	-	1,713	-	2,300
Total Australia	25,713	9,356	67,612	345,567	6,300	33,199	8,634	163,261	13,630	673,272
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	3,776	-	-	-	-	-	-	3,776
Receivables due from other financial institutions	-	-	4,717	-	-	-	-	-	-	4,717
Assets at fair value through Income Statement:										
Trading	2,900	-	1,473	-	-	-	-	2,418	-	6,791
Insurance (1)	-	-	1,663	-	-	-	-	-	-	1,663
Other	-	6	584	-	-	3	-	61	-	654
Derivative assets	388	-	3,814	-	-	-	-	808	-	5,010
Available-for-sale investments	674	-	879	-	-	-	-	3,098	-	4,651
Loans, bills discounted and other receivables (2)	1,213	5,450	6,344	31,433	472	822	768	9,821	-	56,323
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (3)	12	-	95	1	-	-	-	67	1,322	1,497
Total on balance sheet overseas	5,187	5,456	23,345	31,434	472	825	768	16,273	1,322	85,082
Credit risk exposures relating to off balance sheet assets:										
Guarantees	15	-	2	-	38	-	-	93	-	148
Loan commitments	247	469	233	3,366	116	1,109	-	5,476	-	11,016
Other commitments	45	-	-	164	1	-	-	153	-	363
Total overseas	5,494	5,925	23,580	34,964	627	1,934	768	21,995	1,322	96,609
Total gross credit risk	31,207	15,281	91,192	380,531	6,927	35,133	9,402	185,256	14,952	769,881

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Credit Risk Management (continued)

Maximum Exposure to Credit Risk by Industry and Asset Class before Collateral Held or Other Credit Enhancements

At 30 June 2009

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,509	-	-	-	-	-	-	5,509
Receivables due from other financial institutions	-	-	8,590	-	-	-	-	-	-	8,590
Assets at fair value through Income Statement:										
Trading	3,473	-	14,438	-	-	-	-	2,291	-	20,202
Insurance (1)	1,631	-	5,134	-	295	-	-	8,509	-	15,569
Other	-	60	1	-	-	-	-	29	-	90
Derivative assets	284	33	15,441	-	43	-	-	6,372	-	22,173
Available-for-sale investments	7,237	-	1,384	-	-	-	-	7,281	-	15,902
Loans, bills discounted and other receivables	1,539	4,717	9,900	261,504	4,072	15,148	7,923	108,570	-	413,373
Bank acceptances	7	2,972	327	-	547	-	-	10,874	-	14,727
Other assets (2)	233	66	6,674	11	13	17	141	723	11,076	18,954
Total on balance sheet Australia	14,404	7,848	67,398	261,515	4,970	15,165	8,064	144,649	11,076	535,089
Credit risk exposures relating to off balance sheet assets:										
Guarantees	64	22	197	26	279	-	-	2,625	296	3,509
Loan commitments	900	1,286	2,415	52,253	1,348	16,413	-	31,208	718	106,541
Other commitments	26	21	145	12	443	-	1	2,174	28	2,850
Total Australia	15,394	9,177	70,155	313,806	7,040	31,578	8,065	180,656	12,118	647,989
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	5,831	-	-	-	-	-	-	5,831
Receivables due from other financial institutions	-	-	5,831	-	-	-	-	-	-	5,831
Assets at fair value through Income Statement:										
Trading	2,476	-	1,543	-	-	-	-	1,180	-	5,199
Insurance (1)	1,370	-	321	-	-	-	-	-	-	1,691
Other	228	7	1,286	-	-	3	-	63	-	1,587
Derivative assets	173	77	3,408	-	3	-	-	524	-	4,185
Available-for-sale investments	435	-	1,694	-	-	-	-	3,473	-	5,602
Loans, bills discounted and other receivables	1,466	5,483	7,619	30,702	635	743	717	13,034	-	60,399
Bank acceptances	-	-	-	-	-	-	-	1	-	1
Other assets (2)	185	1	125	2	-	-	-	111	1,674	2,098
Total on balance sheet overseas	6,333	5,568	27,658	30,704	638	746	717	18,386	1,674	92,424
Credit risk exposures relating to off balance sheet assets:										
Guarantees	24	1	-	-	29	-	-	79	-	133
Loan commitments	159	390	74	2,936	238	1,165	-	6,380	-	11,342
Other commitments	24	1	-	133	2	-	-	174	-	334
Total overseas	6,540	5,960	27,732	33,773	907	1,911	717	25,019	1,674	104,233
Total gross credit risk	21,934	15,137	97,887	347,579	7,947	33,489	8,782	205,675	13,792	752,222

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit risk exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in "Other" for the purpose of reconciling to the Balance Sheet.

Credit Risk Management (continued)

At 30 June 2008

	Sovereign $M	Agri-culture $M	Bank & Other Financial $M	Home Loans $M	Constr-uction $M	Personal $M	Asset Financing $M	Other Comm & Indust. $M	Other $M	Total $M
Australia										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	4,841	-	-	-	-	-	-	4,841
Receivables due from other financial institutions	-	-	4,880	-	-	-	-	-	-	4,880
Assets at fair value through Income Statement:										
Trading	2,043	-	12,910	-	-	-	-	3,504	-	18,457
Insurance (1)	4,096	-	3,527	313	24	-	-	10,716	-	18,676
Other	-	-	295	-	-	-	-	-	-	295
Derivative assets	204	15	13,560	-	5	-	-	2,555	-	16,339
Available-for-sale investments	2,981	-	1,419	-	-	-	-	2,764	-	7,164
Loans, bills discounted and other receivables	1,568	2,547	8,917	186,926	1,647	19,233	7,894	80,423	-	309,155
Bank acceptances	8	2,764	485	-	533	-	-	14,488	-	18,278
Other assets (2)	20	32	1,018	2,338	21	240	99	1,405	10,647	15,820
Total on balance sheet Australia	10,920	5,358	51,852	189,577	2,230	19,473	7,993	115,855	10,647	413,905
Credit risk exposures relating to off balance sheet assets:										
Guarantees	51	9	176	25	110	-	-	2,335	-	2,706
Loan commitments	907	840	8,262	38,094	770	12,124	-	24,256	-	85,253
Other commitments	155	6	634	69	2,145	-	-	7,689	-	10,698
Total Australia	12,033	6,213	60,924	227,765	5,255	31,597	7,993	150,135	10,647	512,562
Overseas										
Credit risk exposures relating to on balance sheet assets:										
Cash and liquid assets	-	-	2,895	-	-	-	-	-	-	2,895
Receivables due from other financial institutions	-	-	2,104	-	-	-	-	-	-	2,104
Assets at fair value through Income Statement:										
Trading	823	-	1,425	-	-	-	-	971	-	3,219
Insurance (1)	394	-	1,070	-	-	-	-	510	-	1,974
Other	1,069	33	1,204	-	40	29	-	596	-	2,971
Derivative assets	54	19	1,213	-	-	-	-	607	-	1,893
Available-for-sale investments	225	-	2,031	-	-	-	-	2,068	-	4,324
Loans, bills discounted and other receivables	1,230	4,814	6,743	28,817	606	532	548	12,779	-	56,069
Bank acceptances	-	-	-	-	-	-	-	-	-	-
Other assets (2)	23	89	125	535	11	10	10	433	924	2,160
Total on balance sheet overseas	3,818	4,955	18,810	29,352	657	571	558	17,964	924	77,609
Credit risk exposures relating to off balance sheet assets:										
Guarantees	-	1	1	-	25	-	-	69	-	96
Loan commitments	267	360	541	2,884	195	1,141	-	6,663	-	12,051
Other commitments	41	1	86	-	2	-	-	145	-	275
Total overseas	4,126	5,317	19,438	32,236	879	1,712	558	24,841	924	90,031
Total gross credit risk	16,159	11,530	80,362	260,001	6,134	33,309	8,551	174,976	11,571	602,593

(1) In most cases the credit risk of insurance assets is borne by policyholders. However, on certain insurance contracts the Group retains exposure to credit risk.

(2) Other assets predominantly comprises assets which do not give rise to credit exposure, including intangible assets, property, plant and equipment, and defined benefit superannuation plan surplus, which are shown in “Other” for the purpose of reconciling to the Balance Sheet.

Credit Risk Management (continued)

Large Exposures

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

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

	2010 Number	2009 Number	2008 Number
5% to less than 10% of the Group's capital resources	-	1	1
10% to less than 15% of the Group's capital resources	-	-	-

Appendix A – Additional Historical Information

Asset Quality

Financial assets individually assessed as impaired

	2010 Gross Impaired Assets $M	2010 Individually Assessed Provisions $M	2010 Net Impaired Assets $M
Australia			
Loans and other receivables:			
Housing loans	671	(150)	521
Other personal	15	(21)	(6)
Asset financing	81	(15)	66
Other commercial and industrial	3,959	(1,729)	2,230
Financial assets individually assessed as impaired - Australia	4,726	(1,915)	2,811
Overseas			
Loans and other receivables:			
Housing loans	165	(12)	153
Personal	4	-	4
Asset financing	-	-	-
Other commercial and industrial	321	(65)	256
Financial assets individually assessed as impaired - overseas	490	(77)	413
Total financial assets individually assessed as impaired	5,216	(1,992)	3,224

	2009 Gross Impaired Assets $M	2009 Individually Assessed Provisions $M	2009 Net Impaired Assets $M	2008 Gross Impaired Assets $M	2008 Individually Assessed Provisions $M	2008 Net Impaired Assets $M
Australia						
Loans and other receivables:						
Housing loans	274	(82)	192	157	(34)	123
Other personal	27	(23)	4	14	(9)	5
Asset financing	72	(31)	41	55	(12)	43
Other commercial and industrial	3,260	(1,424)	1,836	394	(193)	201
Financial assets individually assessed as impaired - Australia	3,633	(1,560)	2,073	620	(248)	372
Overseas						
Loans and other receivables:						
Housing loans	203	(10)	193	37	(7)	30
Personal	1	-	1	2	(2)	-
Asset financing	-	-	-	1	(2)	(1)
Other commercial and industrial	373	(159)	214	23	(20)	3
Financial assets individually assessed as impaired - overseas	577	(169)	408	63	(31)	32
Total financial assets individually assessed as impaired	4,210	(1,729)	2,481	683	(279)	404

Asset Quality (continued)

	Australia 2010 $M	Overseas 2010 $M	Total 2010 $M
Non-Performing Loans by Size of Loan			
Less than $1 million	692	40	732
$1 million to $10 million	1,425	148	1,573
Greater than $10 million	2,609	302	2,911
Total	4,726	490	5,216

	Australia 2009 $M	Overseas 2009 $M	Total 2009 $M	Australia 2008 $M	Overseas 2008 $M	Total 2008 $M
Non-Performing Loans by Size of Loan						
Less than $1 million	493	172	665	189	39	228
$1 million to $10 million	843	171	1,014	175	24	199
Greater than $10 million	2,297	234	2,531	256	-	256
Total	3,633	577	4,210	620	63	683

Euro-zone Exposures

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

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

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

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

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

	Sovereign Exposure	Non Sovereign Exposure		Total Exposure
		Bank	Corporate	
Financial Instrument	**$M**	**$M**	**$M**	**$M**
Italy				
Loans and Leases	-	86	18	**104**
Available for Sale Assets	250	-	-	**250**
Derivative Assets	-	21	-	**21**
	250	**107**	**18**	**375**
Spain				
Loans and Leases	-	52	270	**322**
Derivative Assets	-	-	-	**-**
	-	**52**	**270**	**322**
Ireland				
Loans and Leases	-	-	566	**566**
Derivative Assets	-	-	-	**-**
	-	-	**566**	**566**
Greece				
Loans and Leases	-	-	16	**16**
Derivative Assets	-	-	-	**-**
	-	-	**16**	**16**
Total Exposure	**250**	**159**	**870**	**1,279**

Appendix A – Additional Historical Information

Average Balances and Related Interest

			2010
	Avg Bal	Income	Yield
Net interest margin	$M	$M	%
Total interest bearing assets	577,261	32,490	5. 63
Total interest bearing liabilities	543,824	20,482	3. 77
Net interest income and interest spread		12,008	1. 86
Benefit of free funds			0. 22
Net interest margin			2. 08

Loans, Advances and Other Receivables

	2010 $M	2009 $M	2008 $M
Australia			
Overdrafts	**19,924**	17,829	20,047
Home loans [1]	**292,140**	261,504	186,926
Credit card outstandings	**10,200**	9,055	7,555
Lease financing	**4,657**	4,572	4,239
Bills discounted [2]	**14,379**	10,936	5,868
Term loans	**101,794**	107,337	83,431
Other lending	**1,288**	1,616	1,076
Other securities	**564**	524	13
Total Australia	**444,946**	413,373	309,155
Overseas			
Overdrafts	**652**	744	716
Home loans	**31,433**	30,702	28,817
Credit card outstandings	**589**	573	538
Redeemable preference share financing	**-**	744	1,194
Lease financing	**570**	541	563
Term loans	**23,052**	27,079	23,916
Other lending	**27**	16	25
Other securities	**-**	-	300
Total overseas	**56,323**	60,399	56,069
Gross loans, bills discounted and other receivables	**501,269**	473,772	365,224
Less			
Provisions for Loan Impairment (Note 14):			
Collective provision	**(3,436)**	(3,195)	(1,434)
Individually assessed provisions	**(1,992)**	(1,729)	(279)
Unearned income:			
Term loans	**(1,213)**	(1,134)	(1,047)
Lease financing	**(1,169)**	(1,083)	(1,182)
	(7,810)	(7,141)	(3,942)
Net loans, bills discounted and other receivables	**493,459**	466,631	361,282

(1) Includes securitised loan balances for 2010 of $9,696 million (2009: $12,568 million; 2008: $11,676 million) in the Group. Liabilities of similar values are included in Debt Issues (Group).

Finance Leases	2010 $M	2009 $M	2008 $M
Minimum lease payments receivable:			
Not later than one year	**1,360**	1,479	1,354
Later than one year but not later than five years	**2,803**	2,554	2,328
Later than five years	**1,064**	1,080	1,120
Total finance leases	**5,227**	5,113	4,802

Appendix A – Additional Historical Information

Deposits and Other Public Borrowings

	2010 $M
Australia	
Certificates of deposit	40,891
Term deposits	122,712
On demand and short term deposits	158,874
Deposits not bearing interest	7,236
Securities sold under agreements to repurchase	5,440
Total Australia	335,153
Overseas	
Certificates of deposit	7,849
Term deposits	20,119
On demand and short term deposits	9,664
Deposits not bearing interest	1,558
Securities sold under agreements to repurchase	320
Total overseas	39,510
Total deposits and other public borrowings	374,663

Market Share Definitions

Retail Banking Services

Home Loans	CBA Total Housing Loans (APRA) + CBA Securitised Housing Loans (APRA) + Home Path Balance / Total Housing Loans (incl securitisations) (from RBA which includes NBFI's unlike APRA) (1)
Credit Cards	CBA Personal Credit Card Lending (APRA) / Credit Cards excluding those issued to Business with Interest Free + without Interest Free (from RBA which includes NBFI's unlike APRA) (1)
Personal Lending (Other Household Lending)	CBA Term Personal Lending + 88% of Margin Lending balances + Personal Leasing + Revolving credit / Other Loans to Households (APRA)
Household Deposits	Total transaction and investment account deposit balances recorded on the domestic books of CBA from individual Australian residents excluding self-managed superannuation funds (as per APRA definitions) / Total Bank Household Deposits (from APRA monthly banking statistics)
Retail Deposits	CBA Deposits from Residents excluding those by Banks and Governments and also excluding FX AUD equivalent / Total RBA: Current Deposits with banks + Term (excl CD's) + Other with banks (from RBA monthly bulletin statistics) (1)

Business Market Share

Business Lending (APRA)	Loans to residents that are recorded on the domestic books of CBA within the non-financial corporation's sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporation's (as per lending balances submitted to APRA in ARF 320.0) / Total loans to the non-financial corporation's sector for all licensed banks that submit to APRA
Business Lending (RBA)	CBA and CBFC (subsidiary) business lending and credit (specific 'business lending' categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book, ARF 320.1 Debt Securities Held and ARF 320.4 Accepted and Endorsed Bills) / Total of business lending and credit to the private non-financial sector by all financial intermediaries (sourced from RBA table Lending & Credit Aggregates which is in turn sourced from specific 'business lending' categories in lodged APRA returns – 320.0, 320.1 and 320.4) (includes bills on issue and securitised business loans) (1)
Business Deposits (APRA)	Total transaction and non-transaction account deposit balances recorded on the domestic books of CBA from residents within the non-financial corporation's sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporation's (as per deposit balances submitted to APRA in ARF 320.0) / Total transaction and non-transaction deposit balances from the non-financial corporation's sector for all licensed banks that submit to APRA
Equities Trading	Twelve months rolling average of total value of equities trades / Twelve months rolling average of total value of equities market trades as measured by ASX

Wealth Management

Australian Retail Funds	Total funds in CBA Wealth Management retail investment products (including WM products badged by other parties) / Total funds in retail investment products market (from Plan for Life)
FirstChoice Platform	Total funds in FirstChoice platform / Total funds in platform/masterfund market (from Plan for Life)
Australia (Total Life Insurance Risk)	Total risk inforce premium of all CBA Group Australian life insurance companies / Total risk inforce premium for all Australian life insurance companies (from Plan for Life)
Australia (Individual Life Insurance Risk)	(Individual lump sum + individual risk income) inforce premium of all CBA Group Australian life insurance companies / Individual risk inforce premium for all Australian life insurance companies (from Plan for Life)

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

Appendix B – Market Share Definitions

Market Share Definitions (continued)

New Zealand

Lending for housing	All ASB residential mortgages to personal customers for housing purposes (including off balance sheet)	Total New Zealand residential mortgages to personal customers for housing purposes (from New Zealand Reserve Bank)
Lending to Business	All New Zealand dollar claims on ASB Balance Sheet excluding agriculture, Finance, Insurance, Government, Household and Non-Resident sector loans	Total New Zealand dollar credit to the resident business sector, based on Australia New Zealand Standard Industrial Classification (ANZSIC) excluding the following: Agriculture, Finance, Insurance, General Government, Household and Non-Resident sector loans (from New Zealand Reserve Bank)
Retail Deposits	All New Zealand dollar retail deposits on ASB Balance Sheet	Total New Zealand dollar retail deposits of all New Zealand registered banks (from New Zealand Reserve Bank)
Retail FUM	Total ASB FUM + Sovereign FUM	Total Market net Retail Funds under Management (from Fund Source Research Limited)
Inforce Premiums	Total Sovereign inforce premiums excluding health (inforce annual premium income + new business – exits – other)	Total inforce premium for New Zealand (from ISI statistics)

Bankwest

Home Loans	Bankwest Total Housing Loans (APRA) + Bankwest Securitised Housing loans (APRA)	Total Housing Loans (incl securitisations) (from RBA which includes NBFI's unlike APRA) [1]
Business Lending (APRA)	Loans and advances to residents that are recorded on the domestic books of Bankwest within the non-financial corporations sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporations (as per lending balances submitted to APRA in ARF 320.0)	Total loans and advances to the non-financial corporations sector for all licensed banks that submit to APRA
Business Lending (RBA)	Bankwest business lending and credit (specific 'business lending' categories in lodged APRA returns – ARF 320.0 Statement of Financial Position Domestic Book and ARF 320.4 Accepted and Endorsed Bills)	Total of business lending and credit to the private non-financial sector by all financial intermediaries (sourced from RBA table Lending & Credit Aggregates which is in turn sourced from specific 'business lending' categories in lodged APRA returns - 320.0, 320.1 and 320.4) (includes bills on issue and securitised business loans) [1]
Credit Cards	Bankwest Personal Credit Card Lending (APRA)	Credit Cards excluding those issued to Business with Interest Free + without Interest Free (from RBA which includes NBFI's unlike APRA) [1]
Personal Lending (Other Household Lending)	Bankwest Term Personal Lending + Margin Lending net balances + Personal Leasing + Revolving credit	Other Loans to Households (APRA)
Household Deposits	Total transaction and investment account deposit balances recorded on the domestic books of Bankwest from individual Australian residents excluding self-managed superannuation funds (as per APRA definitions)	Total Bank Household Deposits (from APRA monthly banking statistics)
Business Deposits (APRA)	Total transaction and non-transaction account deposit balances recorded on the domestic books of Bankwest from residents within the non-financial corporations sector, where this sector comprises private trading corporations, private unincorporated businesses and commonwealth, state, territory and local government non-financial corporations (as per deposit balances submitted to APRA in ARF 320.0)	Total transaction and non-transaction deposit balances from the non-financial corporations sector for all licensed banks that submit to APRA
Retail Deposits	BWA Deposits from Residents excluding those by Banks, other ADIs and Governments and also excluding FX AUD equivalent	Total RBA: Current Deposits with banks + Term (excl CD's) + Other with banks (from RBA monthly bulletin statistics)

(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.