**Determined** to offer strength in uncertain times.

# Profit Announcement

## For the half year ended 31 December 2008

WINNER Money MAGAZINE AWARDS 2008 BANK OF THE YEAR

**Determined** to be different

11 February 2009

Commonwealth Bank of Australia ACN 123 123 124

**ASX Appendix 4D**

**Results for announcement to the market [1]**

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

(1) Rule 4.2C.3

Refer to Appendix 14 ASX Appendix 4D on page 75, for disclosures required under ASX Listing Rules.

This report should be read in conjunction with the 30 June 2008 Annual Financial Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

| **Important Dates for Shareholders** | |
|---|---|
| **Ex-dividend Date** | 16 February 2009 |
| **Record Date** | 20 February 2009 |
| **Interim Dividend Payment Date** | 23 March 2009 |

**For further information contact:**

**Investor Relations**

Warwick Bryan
Phone: 02 9378 5979
Facsimile: 02 9378 3698
Email: ir@cba. com. au

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

Except where otherwise stated, all financial disclosures of the Group as at 31 December 2008 include provisional estimates of the carrying value of the assets and liabilities acquired on the purchase of the Bank of Western Australia Ltd (“BankWest”) and St Andrew’s Australia Pty Ltd (“St Andrew’s”) which occurred on 19 December 2008. No earnings relating to the acquired entities have been recognised in the half year ended 31 December 2008, though a provisional gain on acquisition has been recognised as a non-cash item. Refer to Appendix 16, page 80 for further details.

# Highlights

## Group Performance Highlights

| Net Profit after Income Tax | Half Year Ended 31/12/08 $M | 30/06/08 $M | 31/12/07 $M |
|---|---|---|---|
| **Statutory basis** | **2,573** | 2,420 | 2,371 |
| **Cash basis** | **2,013** | 2,348 | 2,385 |
| **Underlying basis** | **2,145** | 2,389 | 2,357 |

The Group's net profit after tax ("statutory basis") for the half year ended 31 December 2008 was $2,573 million, which represents an increase of 9% on the prior comparative period. Included in this result is a provisional estimate of the non-cash gain recognised on acquisition of BankWest of $547 million after tax.

Net profit after tax ("cash basis") for the half year was $2,013 million, which represents a decrease of 16% on the prior comparative period. This result was impacted by a significant increase in impairment expense during the half year.

The Group's net profit after tax ("underlying basis"), which excludes Investment experience, was $2,145 million, representing a 9% decrease on the prior comparative period.

Cash earnings per share decreased 19% on the prior comparative period to 146.3 cents per share. Return on Equity ("cash basis") for the half year ended 31 December 2008 was 15.0%, reflecting in part the Group's strengthened capital position.

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

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

Highlights of the Group's financial performance include:

- Net interest income growth of 17% on the prior comparative period, following an 18% increase in average interest earning assets;
- Other banking income growth of 32% on the prior comparative period, reflecting a strong result in Treasury and higher commissions and lending fees;
- Funds management income decline of 12% on the prior comparative period, due to the equity market downturn;
- Insurance income growth of 10% over the prior comparative period, following an 18% increase in average inforce premiums; and
- Operating expense growth of 5% on the prior comparative period, reflecting the impact of a full six months of IWL, the effect of inflation on salary and general expenses as well as higher occupancy and volume expenses.

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

Performance highlights relating to strategic priorities that will position the Group well for the medium to long term include:

- Acquisition of Bank of Western Australia Ltd ("BankWest") and St Andrew's Australia Pty Ltd ("St Andrew's") at a substantial discount to book value, providing the opportunity to expand the Group's business in the Western Australian market;
- The purchase of a 33% holding in Aussie Home Loans Pty Limited, a leading player in the Australian home loan broker market;
- Strong gains in both retail and business customer satisfaction;
- Continued progress on the Core Banking Modernisation project, an initiative that will deliver a step change improvement in customer service and efficiency; and
- CommInsure awarded 2008 "Best Life Insurance Company of the Year" in the Australian Banking and Finance Awards.

### Capital

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

### Dividends

The interim dividend for the year is $1.13 per share, in line with the prior comparative period, representing a dividend payout ratio ("cash basis") for the half year of 83.6%.

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

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

### Outlook

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

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

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

| Group Performance Summary | 31/12/08 $M | 30/06/08 $M | 31/12/07 $M | Dec 08 vs Jun 08 % | Dec 08 vs Dec 07 % |
|---|---|---|---|---|---|
| | Half Year Ended | | | | |
| Net interest income | **4,543** | 4,008 | 3,899 | 13 | 17 |
| Other banking income | **2,036** | 1,771 | 1,541 | 15 | 32 |
| **Total banking income** | **6,579** | 5,779 | 5,440 | 14 | 21 |
| Funds management income | **1,005** | 1,166 | 1,141 | (14) | (12) |
| Insurance income | **432** | 439 | 393 | (2) | 10 |
| **Total operating income** | **8,016** | 7,384 | 6,974 | 9 | 15 |
| Investment experience (1) | **(183)** | (59) | 42 | large | large |
| **Total income** | **7,833** | 7,325 | 7,016 | 7 | 12 |
| Operating expenses | **3,551** | 3,643 | 3,378 | (3) | 5 |
| Impairment expense | **1,607** | 597 | 333 | large | large |
| **Net profit before income tax** | **2,675** | 3,085 | 3,305 | (13) | (19) |
| Corporate tax expense (2) | **646** | 721 | 905 | (10) | (29) |
| Minority interests (3) | **16** | 16 | 15 | - | 7 |
| **Net profit after tax ("cash basis")** | **2,013** | 2,348 | 2,385 | (14) | (16) |
| Provisional gain on acquisition of controlled entities | **547** | - | - | large | - |
| Gain on Visa Initial Public Offering | **-** | 295 | - | large | - |
| Investment and restructuring | **-** | (264) | - | large | - |
| Defined benefit superannuation plan (expense)/income | **(13)** | 13 | (4) | large | large |
| Treasury shares valuation adjustment | **34** | 73 | (13) | (53) | large |
| Hedging and AIFRS volatility | **(8)** | (45) | 3 | (82) | large |
| **Net profit after tax ("statutory basis")** | **2,573** | 2,420 | 2,371 | 6 | 9 |
| Represented by: | | | | | |
| Retail Banking Services | **1,119** | 936 | 975 | 20 | 15 |
| Premium Business Services | **205** | 785 | 707 | (74) | (71) |
| Wealth Management | **175** | 343 | 394 | (49) | (56) |
| International Financial Services | **278** | 292 | 289 | (5) | (4) |
| Other | **236** | (8) | 20 | large | large |
| **Net profit after income tax ("cash basis")** | **2,013** | 2,348 | 2,385 | (14) | (16) |
| Investment experience after tax | **132** | 41 | (28) | large | large |
| **Net profit after income tax ("underlying basis")** | **2,145** | 2,389 | 2,357 | (10) | (9) |

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

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

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

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

(1) For definitions refer to Appendix 20, page 88.

(2) Fully diluted EPS and weighted average number of shares (fully diluted) are disclosed in Appendix 17, page 83.

# **Highlights** continued

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

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

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

| Key Performance Indicators | Half Year Ended 31/12/08 | 30/06/08 | 31/12/07 | Dec 08 vs Jun 08 % | Dec 08 vs Dec 07 % |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Underlying profit after tax ($M) (1) | **2,145** | 2,389 | 2,357 | (10) | (9) |
| Net interest margin (%) (2) | **2. 04** | 1. 98 | 2. 06 | 6bpts | (2)bpts |
| Average interest earnings assets ($M) (2) | **436,722** | 400,678 | 370,819 | 9 | 18 |
| Average interest bearing liabilities ($M) (2) | **410,880** | 375,930 | 348,716 | 9 | 18 |
| Funds management income to average funds under administration (%) | **1. 11** | 1. 18 | 1. 19 | (7)bpts | (8)bpts |
| Average funds under administration ($M) | **179,371** | 198,801 | 191,447 | (10) | (6) |
| Insurance income to average inforce premiums (%) | **50. 2** | 56. 8 | 54. 1 | (12) | (7) |
| Average inforce premiums ($M) | **1,708** | 1,554 | 1,444 | 10 | 18 |
| Operating expenses to total operating income (%) | **44. 3** | 49. 3 | 48. 4 | (10) | (8) |
| Effective corporate tax rate (%) | **24. 1** | 23. 4 | 27. 4 | 3 | (12) |
| **Retail Banking Services** | | | | | |
| Cash net profit after tax ($M) | **1,119** | 936 | 975 | 20 | 15 |
| Operating expenses to total operating banking income (%) | **42. 4** | 46. 9 | 45. 3 | (10) | (6) |
| **Premium Business Services** | | | | | |
| Cash net profit after tax ($M) | **205** | 785 | 707 | (74) | (71) |
| Operating expenses to total banking income (%) | **38. 2** | 44. 0 | 43. 1 | (13) | (11) |
| **Wealth Management** | | | | | |
| Underlying profit after tax ($M) (1) | **328** | 397 | 392 | (17) | (16) |
| Average funds under administration ($M) (3) | **173,001** | 191,721 | 183,548 | (10) | (6) |
| Average inforce premiums ($M) | **1,314** | 1,172 | 1,058 | 12 | 24 |
| Funds management income to average funds under administration (%) | **1. 11** | 1. 18 | 1. 20 | (6) | (8) |
| Insurance operating income to average inforce premiums (%) | **46. 3** | 50. 8 | 49. 1 | (9) | (6) |
| Operating expenses to net operating income (%) (4) | **56. 3** | 53. 8 | 51. 6 | 5 | 9 |
| **International Financial Services** | | | | | |
| Underlying profit after tax ($M) (1) | **269** | 286 | 269 | (6) | - |
| Average funds under administration ($M) | **6,370** | 7,080 | 7,899 | (10) | (19) |
| Average inforce premiums ($M) | **394** | 382 | 386 | 3 | 2 |
| Funds management income to average funds under administration (%) | **0. 81** | 0. 74 | 0. 55 | 9 | 47 |
| Insurance income to average inforce premiums (%) | **59. 9** | 69. 5 | 61. 8 | (14) | (3) |
| Operating expenses to net operating income (%) (4) | **53. 8** | 49. 8 | 54. 2 | 8 | (1) |
| **Capital Adequacy Ratios (Basel II) (5)** | | | | | |
| Tier One (%) | **8. 75** | 8. 17 | 8. 17 | 58bpts | 58bpts |
| Total (%) | **11. 39** | 11. 58 | 12. 08 | (19)bpts | (69)bpts |

(1) Cash net profit after tax less Investment experience after tax.

(2) Average interest earning assets and average interest bearing liabilities have been adjusted to remove the impact of securitisation. Assets and liabilities relating to BankWest have been excluded from average balances. Refer to Average Balances and Related Interest Page 52.

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

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

(5) APRA has approved BankWest to be treated as a non-consolidated subsidiary as at 31 December 2008. Capital ratios reported have been calculated accordingly. The Group's Tier One ratio will marginally decrease once BankWest is consolidated for regulatory capital purposes.

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

The Group continues to maintain a strong capital position which is reflected in its credit ratings which remained unchanged for the half year. Additional information regarding the Bank's capital is disclosed in Appendix 9, pages 66 to 69.

# Group Performance Analysis

## Financial Performance and Business Review

The Group's underlying net profit after tax for the half year was $2,145 million, which represents a 9% decrease on the prior comparative period.

Key drivers of performance during the half year were:

- Solid growth in lending balances, with home lending up 14% to $232 billion and business lending up 17% to $141 billion since December 2007 (excluding BankWest);
- Strong domestic deposit volume growth of 23% to $271 billion since December 2007 (excluding BankWest);
- Underlying net interest margin improvement of five basis points since June 2008;
- Average funds under administration decline of 6% on the prior comparative period to $179 billion, impacted by market falls in Australian and global equity markets and outflows of short term cash mandates;
- CommInsure average inforce premium growth of 24% since December 2007 to $1,314 million, reflecting strong sales volumes in both the Life and General insurance businesses, partly offset by;
- Operating expense growth of 5%, due to the impact of a full six months of IWL, the effect of inflation on salary and general expenses as well as higher occupancy and volume expenses; and
- Significant increase in loan impairment provisioning levels due to a small number of single name corporate exposures and higher retail and corporate collective provisioning.

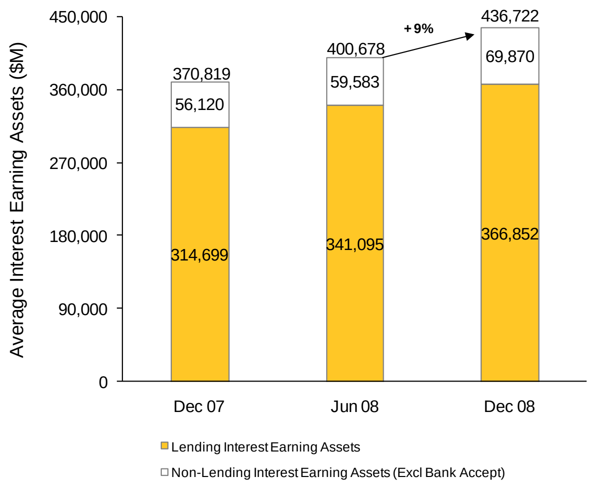
More comprehensive disclosure of performance highlights by key business segments is contained on pages 10-23.

### Net Interest Income

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

### Average Interest Earning Assets

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




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

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

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

### Net Interest Margin

Underlying net interest margin improved five basis points on the prior half. This comprised a seven basis points increase resulting from pricing and mix changes partly offset by a two basis point contraction due to liquids and other. AIFRS hedging volatility resulted in a one basis point increase, bringing the increase in headline margin to six basis points. The key drivers of the improvement in underlying margin were:

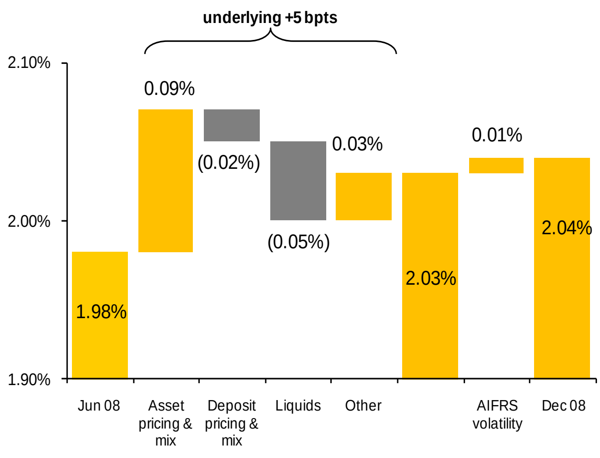
Asset Pricing & Mix: Overall increase in margin of nine basis points, reflecting the impact of repricing undertaken in response to the dislocation in global credit markets. Home loan margins increased three basis points, reflecting the repricing implemented to recover some of the increased funding costs that have been borne over the past year. Personal lending margins also increased three basis points due to repricing, and a higher credit card revolve rate. Business lending margins increased three basis points due to the benefit of repricing outweighing the negative impact of greater relative growth in the lower margin institutional portfolio.

Deposit Pricing & Mix: Deposit margins decreased two basis points, due to the adverse impact of recent decreases in the official cash rate (net of the Group's replicating portfolio) and the ongoing portfolio mix impact of higher interest rate products.

Liquids: Average liquid asset holdings increased $10 billion since June 2008, resulting in five basis points of margin compression. Of this amount, the additional liquid assets acquired to fund BankWest's operations upon acquisition resulted in a decrease of two basis points, with the remaining decrease due to higher levels of liquid assets held in response to uncertain economic and financial market conditions.

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

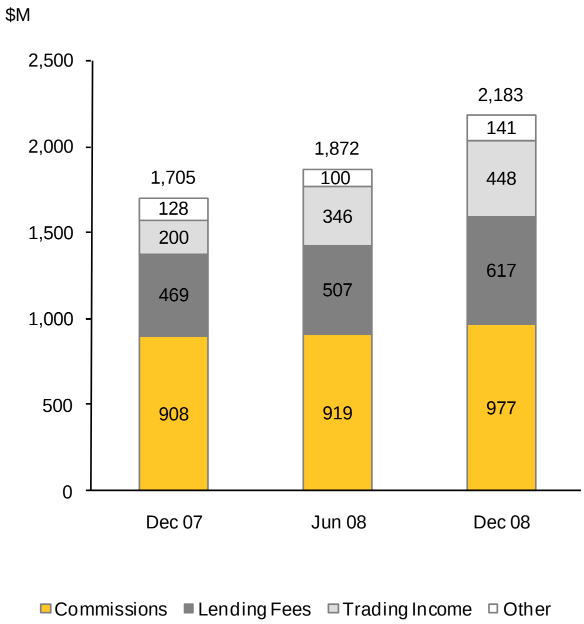
### NIM movement since June 2008




Additional information, including the average balances, is set out on pages 52 to 53.

### Other Banking Income

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




Factors impacting Other banking income were:

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

### Funds Management Income

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

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

Funds under administration as at 31 December 2008 was $164 billion, representing a 21% decrease since 31 December 2007. This compares favourably to the ASX 200 which fell 41% over the same period, reflecting the diversification of funds under administration by asset class and geography.

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

### Insurance Income

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

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

# Group Performance Analysis continued

### Operating Expenses

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

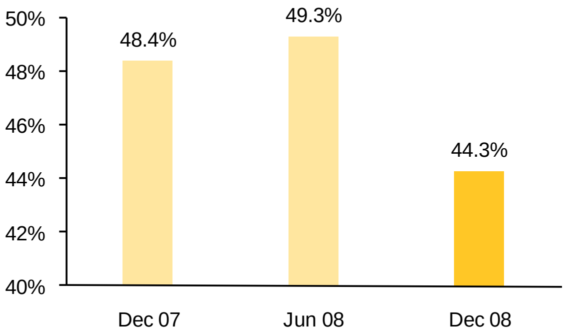
- The impact of a full six months of IWL in the current half;
- Average salary increases reflecting the impact of inflation together with additional staff in key businesses;
- Increased occupancy expenses driven by market rent increases and relocation of offices to Sydney Olympic Park and Darling Park;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

Operating expenses decreased by 3% over the prior half, with the benefit of cost reduction initiatives implemented in the half more than offsetting the impact of salary increases. Gross investment continued to be strong, up 32% on the prior comparative period to $577 million, reflecting spend on Core Banking Modernisation and other key strategic initiatives.

### Group Expense to Income Ratio

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

### Productivity




### Impairment Expense

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

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

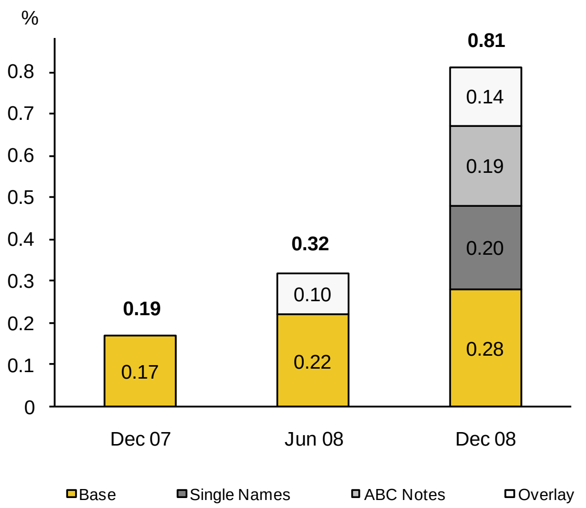
The corporate lending portfolio has been significantly impacted by a large increase in specific provisioning due to a number of single name exposures. In addition, corporate collective provisioning has increased consistent with the deterioration in market conditions.

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

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

- The low risk, high quality nature of the home lending portfolio;
- Significantly increased provisioning in the corporate portfolio resulting from a deterioration in market conditions and exposure to a number of single name corporate customers;
- A management overlay of $1,082 million;
- Some softening in the unsecured retail lending portfolio;
- No direct exposure to US sub-prime or non-recourse mortgages; and
- No material exposure to Collateralised Debt Obligations ("CDO's").

### Impairment Expense to Average Gross Loans and Acceptances




### Taxation Expense

The corporate tax charge for the half year was $646 million, representing an effective tax rate of 24.1%. The effective tax rate is lower than the expected long term underlying effective tax rate of between 27% and 28% due to $39 million of tax benefits from structured finance transactions, which are offset by an equivalent reduction in pre-tax operating income, and an increased domestic impairment expense which results in a higher proportion of profit coming from offshore jurisdictions which have lower corporate tax rates.

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

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

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

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

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

(4) Included in Other provisions.

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

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

(7) Average of opening and closing balances.

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

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

# Retail Banking Services

## Financial Performance and Business Review

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

The continued focus on customer service has resulted in further improvement to customer satisfaction scores, recording the greatest increase over the last six months relative to industry peers(1) and reaching 10 year highs (Source: Roy Morgan Research).

A number of initiatives have been implemented that have contributed to these achievements. Highlights include:

- Gold award winner of "Best Term Deposit – Long Term" and "Cheapest Home Loan Packages" in the 2009 Money Magazine's Best of the Best Awards;
- The continued roll-out of the modernised branch design, including the introduction of a concierge service for customers;
- New product launches focusing on customer needs, including the new Debit MasterCard and First Home Saver Account;
- Enhancements to the NetBank online banking service which provides a more convenient way for customers to do business;
- The launch of the '60 minute' home loan application process, where eligible customers can obtain a home loan within an hour of walking into a branch; and
- The purchase of a 33% holding in Aussie Home Loans Pty Limited, a leading player in the Australian home loan broker market. This was followed by Aussie's purchase of the Wizard brand and distribution network in conjunction with the Group's announcement that it will be acquiring up to $4 billion of Wizard originated home loans.

### Home Loans

Home loan income increased by 11% on the prior comparative period to $801 million. The result was supported by balance growth of 15%, which was significantly above market growth of 8% and was achieved whilst maintaining credit standards. This was partially offset by lower margins mainly due to higher funding costs resulting from the dislocation of global credit markets. Part of these increased funding costs were recovered through restructured broker commissions and taking a considered approach to re-pricing. Fee growth was up 15% on the prior comparative period, underpinned by volume related growth and package fee income.

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

### Consumer Finance

Consumer Finance income increased by 23% on the prior comparative period to $665 million. Credit card balances increased by 5%, with the focus on profitable growth resulting in sustainable balance growth together with continued management of margin.

Personal loans have performed well with strong volume growth of 8%. Margins have expanded through sound risk management and the use of risk based pricing.

### Retail Deposits

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

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

### Distribution

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

### Operating Expenses

Expenses have grown 6% on the prior comparative period. This result reflects staff related pay increases, higher occupancy and loyalty expenses, partially offset by continued efficiency gains.

Expenses were flat on the prior half reflecting sound expense disciplines. The expense to income ratio has decreased to 42.4%, a productivity improvement of 10% on the prior half.

### Impairment Expense

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

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

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

In view of the higher arrears levels, increased resources have been deployed to collections and strong risk management disciplines continue to be demonstrated.

| Market Share Percentage (2) | 31/12/08 | 30/06/08 | 31/12/07 |
|---|---|---|---|
| Home loans (3) | **20. 3** | 19. 2 | 18. 8 |
| Credit cards (3) (4) | **18. 2** | 18. 3 | 18. 5 |
| Personal lending (APRA and other Household) (5) | **14. 2** | 15. 8 | 16. 7 |
| Household deposits | **29. 1** | 29. 1 | 28. 9 |
| Retail deposits (3) (6) | **23. 2** | 23. 4 | 22. 0 |

(1) Peer group consists of WBC, ANZ, SGB, and NAB. Survey results relate to the six months to December 2008.

(2) For market share definitions refer to Appendix 21, page 89.

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

(4) As at 30 November 2008.

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

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

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

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

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

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

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

# Premium Business Services

## Financial Performance and Business Review

Premium Business Services income increased by 22% on the prior comparative period, underpinned by strong performances across all business segments.

Despite this strong performance, cash net profit after tax was $205 million, which represents a 71% decrease on the prior comparative period. This result was impacted by a significant increase in impairment expense during the half year.

During the period Premium Business Services achieved an improvement in customer satisfaction as measured by TNS Business Finance Monitor, with the percentage of satisfied and very satisfied customers increasing by 11% to 76.8%. Other highlights during the period included:

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

### Institutional Banking

Institutional Banking income increased by 34% on the prior comparative period. This was driven by balance growth and higher margins due to repricing. Institutional Banking has focussed on meeting customer's capital management requirements, whilst maintaining pricing and credit disciplines to ensure high asset quality levels are maintained. East & Partners recently ranked Institutional Banking "Best in Market" for both Understanding Customers' Business and Loyalty to Relationship.

### Private Client Services

Private Client Services' income increased 5% on the prior comparative period. This result was supported by strong deposit growth within the Private Bank and the introduction of CommSec's new integrated cash management product together with the beneficial impact of the IWL acquisition, partly offset by weaker retail brokerage and margin lending income. During the half year, the business continued to receive a number of awards including "Best Feature-Packed Online Broker 2009", "Best Featured Margin Loan 2009" and 'Best Innovative Product – Cash Management Account" in Money Magazine's Best of the Best awards.

### Corporate Financial Services

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

### Agribusiness

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

### Local Business Banking

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

### Operating Expenses

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

### Impairment Expense

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

### Corporate Tax Expense

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

| Market share percentage (1) (2) | 31/12/08 | 30/06/08 | 31/12/07 |
|---|---|---|---|
| Business lending - APRA | **13. 5** | 13. 6 | 13. 9 |
| Business lending - RBA | **13. 2** | 13. 3 | 13. 8 |
| Business deposits - APRA | **17. 2** | 16. 6 | 15. 9 |
| Equities trading (CommSec) | **6. 0** | 6. 3 | 6. 4 |

(1) For market share definitions refer to Appendix 21, page 89.

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

# Premium Business Services continued

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

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

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

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

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

# Wealth Management

## Financial Performance and Business Review

Underlying profit after tax decreased 16% on the prior comparative period to $328 million.

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

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

Cash net profit after tax for the Wealth Management business was down 56% on the prior comparative period to $175 million, primarily due to unrealised mark to market losses from widening credit spreads on the valuation of assets backing the Guaranteed Annuities portfolio and the write down of an investment in a listed property trust.

### CFS Global Asset Management (CFS GAM)

CFS Global Asset Management provides asset management services to wholesale and institutional investors. Underlying net profit after tax of $140 million was down 19% on the prior comparative period, impacted by declining investment markets.

Funds under Management as at 31 December 2008 was $129 billion, down 22% on the prior comparative period driven by falling equity markets and the outflows of short-term cash mandates from institutional investors. The fall in Funds under Management compares favourably with the ASX200 index which fell 41% over the same period reflecting CFS GAM's diversification by asset class and geography.

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

Highlights include:

- The launch of the innovative First State Media Works Fund, attracting USD 130 million from investors;
- First State Investments (FSI) have consistently ranked in the top 10 for net flows in the UK reflecting the profile and performance of its suite of specialist funds. As at 31 December 2008, 91% of funds are outperforming benchmark over a 3 year period. Throughout 2008, FSI have won numerous awards for their Emerging Markets funds and were voted Specialist Group of the year for 2008; and
- The property management business continues to perform well with the flagship Listed Property Funds outperforming the sector and is well positioned in a deteriorating economic environment. Colonial First State Retail Property Trust successfully completed a $325 million institutional placement which will be used to enhance the trust's financial flexibility, and assist in the delivery of its development pipeline.

Cash net profit after tax was down 49% on the prior comparative period to $88 million due to the $61 million pre-tax write down of holdings in the Commonwealth Property Office Fund ("CPA"), reflecting a write down of the carrying value to the unit price of CPA as at 31 December 2008.

### Colonial First State

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

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

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

Highlights include:

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

### CommInsure

CommInsure is a provider of life and general insurance. Underlying profit after tax, which excludes unrealised annuity impacts, increased 57% on the prior comparative period to $181 million.

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

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

Highlights include:

- Awarded the "Best Life Insurance Company" at the 2008 Australian Banking & Finance Insurance Awards; and
- Received a coveted five-star rating from Cannex on home insurance products.

Cash net profit after tax was down 52% on the prior comparative period to $61 million, due to unrealised mark to market losses of $189 million before tax in the Guaranteed Annuities portfolio. Actual losses are expected to be lower as the underlying assets in the portfolio mature in future periods.

### Operating Expenses

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

Drivers of the expense reductions on the prior half are:

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

### St Andrew's Australia Pty Ltd

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

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

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

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

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

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

(1) For market share definitions refer to Appendix 21, page 90.

(2) Prior period comparatives have been restated.

(3) As at 30 September 2008

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

# Wealth Management continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# International Financial Services

## Financial Performance and Business Review

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

Cash net profit after tax for the half year was $278 million (1), a decrease of 4% on the prior comparative period. After removing the impact of realised gains and losses associated with the hedge of the New Zealand operations and other foreign exchange movements the underlying increase was 3% on the prior comparative period. This result reflects the impact of increased funding costs due to the dislocation of credit markets and the recession in New Zealand, with higher impairment expense in ASB and lower banking income growth.

### ASB Bank

ASB Bank cash net profit after tax for the half year was $206 million (1). Excluding the impact of realised gains on the hedge of New Zealand operations, profit increased by 6% on the prior comparative period. The result was achieved in a very challenging environment for the New Zealand banking industry, with strong competition placing downward pressure on margins. The major drivers of the ASB result for the half year were:

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

### Sovereign Insurance

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

Sovereign's cash net profit after tax for the half year was $48 million (1), a 12% increase on the prior comparative period and 16% increase excluding exchange rate differences. The main drivers of this result were:

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

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

### Other Asia Pacific Business

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

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

### Operating Expenses

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

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

### Market Share

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

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

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

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

| Market Share Percentage (2) | 31/12/08 | 30/06/08 | 31/12/07 |
|---|---|---|---|
| NZ lending for housing (3) | **23.4** | 23.3 | 23.0 |
| NZ lending to business | **8.6** | 8.8 | 8.8 |
| NZ retail deposits | **21.6** | 21.2 | 21.3 |
| NZ retail FUM | **20.1** | 16.4 | 16.1 |
| NZ annual inforce premiums | **31.7** | 31.7 | 31.8 |

(1) Represents Group Management view for the product segment rather than statutory view.

(2) For market share definitions refer to Appendix 21, page 90.

(3) The prior period comparative has been restated.

# International Financial Services continued

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

| | Half Year Ended 30 June 2008 (1) | | | |
|---|---|---|---|---|
| | ASB | Sovereign | Other | Total |
| | $M | $M | $M | $M |
| Net interest income | 402 | - | 69 | 471 |
| Other banking income | 160 | - | 40 | 200 |
| Total banking income | 562 | - | 109 | 671 |
| Funds management income | 28 | - | (2) | 26 |
| Insurance income | - | 107 | 25 | 132 |
| Total operating income | 590 | 107 | 132 | 829 |
| Operating expenses | 260 | 75 | 78 | 413 |
| Impairment expense | 28 | - | 3 | 31 |
| Net profit before tax | 302 | 32 | 51 | 385 |
| Corporate tax expense | 99 | (4) | 3 | 98 |
| Minority interests | - | - | 1 | 1 |
| Underlying profit after tax | 203 | 36 | 47 | 286 |
| Investment experience after tax | - | 17 | (11) | 6 |
| **Cash net profit after tax** | 203 | 53 | 36 | 292 |

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

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

# International Financial Services continued

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

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

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

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

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

## Business Overview

On 19 December 2008, the Group acquired 100% of the share capital of Bank of Western Australia Ltd (BankWest) at a substantial discount to book value. The acquisition provides the opportunity to expand the Group's business in the Western Australian market. Refer to Note 14, page 47 for further details relating to the acquisition.

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

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

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

Strategic highlights achieved by BankWest include:

- Gold award winner for six products in Money Magazine's 2008 Best of the Best Awards;
- Awarded 2008 Lender of the Year at the Mortgage and Finance Association of Australia Excellence Awards; and
- Awarded 2008 Regional Bank of the Year at the Australian Banking and Finance Magazine Awards.

APRA have approved BankWest to be treated as a non-consolidated subsidiary for capital purposes as at 31 December 2008. Reported Capital ratios have been calculated accordingly. Refer to Appendix 9, page 66 for further details.

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

(1) For market share definitions refer to Appendix 21, page 90.
(2) As at 30 November 2008.
(3) Personal lending market share includes personal loans and margin loans.
(4) In accordance with APRA guidelines these measures include both retail and corporate products.

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

(1) These balances have been calculated on a provisional basis relying predominantly on BankWest carrying values at 31 December 2008. Their fair values will be finalised with the acquisition adjustment at 30 June 2009. Refer to Appendix 16 for further details.
(2) Other lending assets include Personal assets of $1,113 million and Business and Corporate assets of $23,896 million.
(3) Included in Other assets is a provision for impairment of $803 million.
(4) Deposits include Transaction deposits of $3,030 million, Savings and Investment deposits of $13,031 million, Other demand deposits of $33,809 million and Deposits not bearing interest of $513 million.

# Other

| | Half Year Ended 31 December 2008 | | |
|---|---|---|---|
| | Corporate Centre | Eliminations/ Unallocated | Total |
| | $M | $M | $M |
| Net interest income [1] | 249 | (134) | 115 |
| Other banking income [1] | 115 | 60 | 175 |
| Total banking income | 364 | (74) | 290 |
| Funds management income | - | 13 | 13 |
| Insurance income | - | 6 | 6 |
| Total operating income | 364 | (55) | 309 |
| Operating expenses | 6 | - | 6 |
| Impairment expense | - | (6) | (6) |
| Net profit before tax | 358 | (49) | 309 |
| Corporate tax expense | 84 | (14) | 70 |
| Minority interests | - | 15 | 15 |
| Underlying profit after tax | 274 | (50) | 224 |
| Investment experience after tax | - | 12 | 12 |
| **Cash net profit after tax** | 274 | (38) | 236 |

| | Half Year Ended 30 June 2008 | | |
|---|---|---|---|
| | Corporate Centre | Eliminations/ Unallocated | Total |
| | $M | $M | $M |
| Net interest income [1] | 157 | (70) | 87 |
| Other banking income [1] | 36 | (42) | (6) |
| Total banking income | 193 | (112) | 81 |
| Funds management income | - | 13 | 13 |
| Insurance income | - | 11 | 11 |
| Total operating income | 193 | (88) | 105 |
| Operating expenses | 47 | - | 47 |
| Impairment expense | - | 125 | 125 |
| Net profit before tax | 146 | (213) | (67) |
| Corporate tax expense | 46 | (113) | (67) |
| Minority interests | - | 15 | 15 |
| Underlying profit after tax | 100 | (115) | (15) |
| Investment experience after tax | - | 7 | 7 |
| **Cash net profit after tax** | 100 | (108) | (8) |

| | Half Year Ended 31 December 2007 | | |
|---|---|---|---|
| | Corporate Centre | Eliminations/ Unallocated | Total |
| | $M | $M | $M |
| Net interest income [1] | 131 | (66) | 65 |
| Other banking income [1] | (48) | 20 | (28) |
| Total banking income | 83 | (46) | 37 |
| Funds management income | - | 13 | 13 |
| Insurance income | - | 12 | 12 |
| Total operating income | 83 | (21) | 62 |
| Operating expenses | 17 | - | 17 |
| Impairment expense | - | 5 | 5 |
| Net profit before tax | 66 | (26) | 40 |
| Corporate tax expense | 28 | (16) | 12 |
| Minority interests | - | 14 | 14 |
| Underlying profit after tax | 38 | (24) | 14 |
| Investment experience after tax | - | 6 | 6 |
| **Cash net profit after tax** | 38 | (18) | 20 |

(1) Excludes the impact of the reclassification of net swap costs from Net interest income to Other banking income related to certain economic hedges which do not qualify for AIFRS hedge accounting (December 2008: $147 million; June 2008: $101 million; December 2007: $164 million).

Corporate Centre includes the results of unallocated Group support functions such as Investor Relations, Group Strategy, Secretariat and Treasury. Cash net profit after tax increased by $236 million on the prior comparative period, following higher Treasury income derived through the management of short dated interest rate risk and the passing on of additional funding costs absorbed by Treasury in the prior comparative period to the revenue generating businesses in the current and prior halves. Eliminations/Unallocated includes intra-group elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses. Cash net profit has increased $70 million over the prior half, largely due to a centralised impairment expense taken in the prior half. The equivalent centralised impairment expense has been allocated to revenue generating business units in the current half.

# Investment Experience

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

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

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

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

# Directors' Report

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

**Directors**

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

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

**Review and Results of Operations**

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

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

The cash net profit after tax from Premium Business Services of $205 million (December 2007: $707 million) reflects a significantly higher impairment expense, partly offset by strong banking income.

The cash net profit after tax from Wealth Management of $175 million (December 2007: $394 million), reflects continuing falls in investment markets and a significant decrease in Investment experience.

The cash net profit after tax from International Financial Services of $278 million (December 2007: $289 million) reflects a solid result in a challenging New Zealand banking environment.

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

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

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

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

**Auditor's Independence Declaration**

As lead auditor for the audit of Commonwealth Bank of Australia for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PricewaterhouseCoopers

RChowdry

Rahoul Chowdry
Partner

PricewaterhouseCoopers
Sydney, 11 February 2009

Signed in accordance with a resolution of the Directors.

J M Schubert

Chairman

11 February 2009

R J Norris

Managing Director and Chief Executive Officer

# Financial Statements

## Consolidated Income Statement

For the half year ended 31 December 2008

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

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

## Consolidated Balance Sheet (1)

As at 31 December 2008

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

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

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

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

# Financial Statements continued

## Consolidated Statement of Recognised Income and Expense

For the half year ended 31 December 2008

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

## Consolidated Statement of Cash Flows (1)

For the half year ended 31 December 2008

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

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

(2) Represents gross premiums and policy payments before splitting between policyholders and shareholders.

## Consolidated Statement of Cash Flows (1) (continued)

For the half year ended 31 December 2008

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

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

## Note 1 Accounting Policies

### General Information

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

The Bank is incorporated and domiciled in Australia. It is a company limited by shares that are publicly traded on the Australian Securities Exchange ("ASX"). The address of its registered office is Level 7, 48 Martin Place, Sydney NSW 1155, Australia.

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

(i) Retail Banking Services

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

(ii) Premium Business Services

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

(iii) Wealth Management

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

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

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

(iv) International Financial Services

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

(v) BankWest

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

### (a) Bases of accounting

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

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

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

As a result, this report should be read in conjunction with the 30 June 2008 Annual Financial Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

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

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

The accounting policies followed in this half year Financial Report are the same as those applied in the 30 June 2008 Annual Financial Report, with the following exceptions:

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

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

## Note 2 Income from Ordinary Activities

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

## Note 3 Operating Expenses

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

# Notes to the Financial Statements continued

## Note 4 Income Tax Expense

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

## Note 5 Loans, Advances and Other Receivables

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

(1) As at 31 December 2008 BankWest had securitisation assets of $4,690 million. Refer to Appendix 16, page 80 for further details on the impact of BankWest and St Andrew's on the Group's financial position.

# Notes to the Financial Statements continued

## Note 6 Provisions for Impairment and Asset Quality

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

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

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

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

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

## Note 6 Provisions for Impairment and Asset Quality (continued)

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

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

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

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

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

## Note 6 Provisions for Impairment and Asset Quality (continued)

### Provisioning Policy

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

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

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

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

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

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

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

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

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

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

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

## Note 7 Deposits and Other Public Borrowings (1)

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

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

# Notes to the Financial Statements continued

## Note 8 Financial Reporting by Segments

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

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

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

## Note 8 Financial Reporting by Segments (continued)

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

# Notes to the Financial Statements continued

## Note 8 Financial Reporting by Segments (continued)

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

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

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

## Note 9 Detailed Consolidated Statement of Changes in Equity

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

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

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

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

# Notes to the Financial Statements continued

## Note 10 Notes to the Statement of Cash Flows

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

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

### (b) Reconciliation of Cash

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

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

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

### (c) Disposal of Controlled Entities

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

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

### (d) Non-cash financing and investing activities

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

### (e) Acquisition of controlled entities

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

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

### (f) Financing Facilities

Standby funding lines are immaterial.

## Note 11 Assets Held for Sale

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

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

## Note 12 Events after the end of the Financial Period

### Dividends

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

### Segment Structure

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

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

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

## Note 13 Contingent Liabilities

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

## Note 14 Acquisition of Controlled Entities

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

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

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

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

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

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

# Directors' Declaration

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

(a) The half year consolidated financial statements and notes as set out on pages 26 to 47 are in accordance with the Corporations Act 2001 and:

(i) give a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of its performance for the half year ended on that date; and

(ii) comply with the Accounting Standards and any further requirements in the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the Directors.

J M Schubert

Chairman

R J Norris

Managing Director and Chief Executive Officer

Dated: 11 February 2009

**INDEPENDENT AUDITOR'S REVIEW REPORT to the members of Commonwealth Bank of Australia**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of the Commonwealth Bank of Australia (the company), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Commonwealth Bank of Australia Group (the consolidated entity) included on pages 26 to 48. The consolidated entity comprises both the Commonwealth Bank of Australia (the company) and the entities it controlled during that half-year.

***Directors' Responsibility for the Half-Year Financial Report***

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

***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Commonwealth Bank of Australia, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

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

This review report relates to the financial report of the Commonwealth Bank of Australia (the company) for the half-year ended 31 December 2008 included on the Commonwealth Bank of Australia's web site. The company's directors are responsible for the integrity of the Commonwealth Bank of Australia's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

***Independence***

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

***Conclusion***

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

RChowdry

Rahoul Chowdry

Sydney

Partner

11 February 2009

Liability limited by a scheme approved under Professional Standards Legislation

# Appendices

## 1. Net Interest Income

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

## 2. Net Interest Margin

| | Half Year Ended | | |
|---|---|---|---|
| | 31/12/08 % | 30/06/08 % | 31/12/07 % |
| **Australia** | | | |
| Interest spread (1) | **1. 79** | 1. 72 | 1. 86 |
| Benefit of interest-free liabilities, provisions and equity (2) | **0. 27** | 0. 27 | 0. 27 |
| Net interest margin (3) | **2. 06** | 1. 99 | 2. 13 |
| **Overseas** | | | |
| Interest spread (1) | **1. 33** | 1. 08 | 1. 14 |
| Benefit of interest-free liabilities, provisions and equity (2) | **0. 48** | 0. 65 | 0. 49 |
| Net interest margin (3) | **1. 81** | 1. 73 | 1. 63 |
| **Total Bank** | | | |
| Interest spread (1) | **1. 72** | 1. 62 | 1. 74 |
| Benefit of interest-free liabilities, provisions and equity (2) | **0. 32** | 0. 36 | 0. 32 |
| Net interest margin (3) | **2. 04** | 1. 98 | 2. 06 |

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

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

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

### 3. Average Balances and Related Interest

The following table lists the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the half years ending 31 December 2008, 30 June 2008 and 31 December 2007. Averages used were predominantly daily averages. Interest is accounted for based on product yield, while all trading gains and losses are disclosed as trading income within other banking income.

Where assets or liabilities are hedged, the interest amounts are shown net of the hedge.

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

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

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

**Average Balances**

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

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

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

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

(3) Used for calculating net interest margin.

## 3. Average Balances and Related Interest (continued)

| Net Interest Margin | Half Year Ended 31/12/08 Avg Bal $M | Interest $M | Yield % | Half Year Ended 30/06/08 Avg Bal $M | Interest $M | Yield % | Half Year Ended 31/12/07 Avg Bal $M | Interest $M | Yield % |
|---|---|---|---|---|---|---|---|---|---|
| Total interest earning assets excluding securitisation | **436,722** | **16,040** | **7.29** | 400,678 | 14,922 | 7.49 | 370,819 | 13,224 | 7.09 |
| Total interest earning liabilities excluding securitisation | **410,880** | **11,539** | **5.57** | 375,930 | 10,973 | 5.87 | 348,716 | 9,386 | 5.35 |
| **Net interest income & interest spread (excluding securitisation)** | | **4,501** | **1.72** | | 3,949 | 1.62 | | 3,838 | 1.74 |
| Benefit of free funds | | | **0.32** | | | 0.36 | | | 0.32 |
| **Net interest margin** | | | **2.04** | | | 1.98 | | | 2.06 |

### Geographical Analysis of Key Categories

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

The overseas component comprises overseas branches of the Bank and overseas domiciled controlled entities. Overseas intragroup borrowings have been adjusted into the interest spread and margin calculations to more appropriately reflect the overseas cost of funds. Non-accrual loans were included in interest earning assets under Loans, advances and other receivables.

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

## 4. Interest Rate and Volume Analysis

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

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

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

## 4. Interest Rate and Volume Analysis (continued)

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

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

## 5. Other Banking Operating Income

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

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

### Other banking income – reconciliation of cash and statutory basis

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

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

## 6. Operating Expenses

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

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

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

### Capitalisation of Computer Software Costs

Capitalised computer software costs (net of amortisation) totalled $571 million as at 31 December 2008 (June 2008: $353 million and December 2007: $316 million). Expenditure in the half year principally comprised development of customer focussed systems. The balance movement in the current half year also includes software acquired as part of the acquisition of controlled entities (refer to Appendix 16, page 80 for further details).

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

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

### Credit Risk

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

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

| By Industry | 31/12/08<br>% | 30/06/08<br>% | 31/12/07<br>% |
|---|---|---|---|
| Agriculture, forestry and fishing | **2. 5** | 2. 3 | 2. 2 |
| Banks | **10. 3** | 11. 8 | 11. 2 |
| Business services | **1. 1** | 0. 9 | 0. 7 |
| Construction | **1. 3** | 0. 8 | 0. 9 |
| Culture and recreational services | **1. 2** | 0. 9 | 1. 0 |
| Energy | **1. 7** | 1. 8 | 1. 8 |
| Finance - Other | **6. 3** | 7. 5 | 8. 7 |
| Health and community service | **0. 9** | 0. 9 | 1. 0 |
| Manufacturing | **3. 1** | 2. 9 | 2. 9 |
| Mining | **1. 3** | 1. 2 | 1. 4 |
| Property | **7. 9** | 6. 9 | 6. 9 |
| Retail trade and wholesale trade | **2. 8** | 2. 7 | 2. 8 |
| Sovereign | **4. 0** | 5. 3 | 4. 3 |
| Transport and storage | **1. 7** | 1. 7 | 1. 7 |
| Other | **5. 2** | 5. 5 | 5. 6 |
| Consumer | **48. 7** | 46. 9 | 46. 9 |
| | **100. 0** | 100. 0 | 100. 0 |

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

| By Region | 31/12/08<br>% | 30/06/08<br>% | 31/12/07<br>% |
|---|---|---|---|
| Australia | **76. 1** | 73. 1 | 74. 3 |
| New Zealand | **10. 8** | 11. 3 | 12. 4 |
| Europe | **8. 1** | 10. 4 | 8. 4 |
| Americas | **2. 7** | 3. 0 | 2. 8 |
| Asia | **1. 9** | 1. 9 | 1. 8 |
| Other | **0. 4** | 0. 3 | 0. 3 |
| | **100. 0** | 100. 0 | 100. 0 |

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

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

## 7. Integrated Risk Management (continued)

### Market Risk

Market risk in the Balance Sheet is discussed within Note 42 of the 2008 Annual Report.

### Value at Risk (VaR)

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

VaR is modelled at a 97.5% confidence level over a 1-day holding period for trading book positions and over a 20-day holding period for banking book interest rate risk and insurance business market risk.

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

| Traded Market Risk (1) | Average VaR Dec 2008 $M | Average VaR Jun 2008 $M | Average VaR Dec 2007 $M |
|---|---|---|---|
| **Risk Type** | | | |
| Interest rate risk | **4.09** | 3.88 | 3.92 |
| Exchange rate risk | **2.04** | 1.34 | 0.99 |
| Implied volatility risk | **1.41** | 1.04 | 0.86 |
| Equities risk | **1.02** | 0.45 | 0.35 |
| Commodities risk | **0.79** | 0.92 | 0.74 |
| Credit spread risk | **3.07** | 4.65 | 4.00 |
| Diversification benefit | **(5.84)** | (5.62) | (4.80) |
| Total general market risk | **6.58** | 6.66 | 6.06 |
| Undiversified risk | **2.04** | 3.08 | 2.33 |
| ASB Bank | **1.33** | 1.11 | 0.73 |
| **Total** | **9.95** | 10.85 | 9.12 |

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

## 7. Integrated Risk Management (continued)

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

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

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

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

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

### Interest Rate Risk in the Balance Sheet

Interest rate risk in the banking book is discussed within Note 42 of the 2008 Annual Report.

(a) Next 12 months' Earnings

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

| Net Interest Earnings at Risk | | Dec 2008 $M | Jun 2008 $M | Dec 2007 $M |
|---|---|---|---|---|
| Average monthly exposure | AUD | **120. 8** | 28. 1 | 45. 0 |
| | NZD | **19. 9** | 15. 6 | 6. 9 |
| High month exposure | AUD | **159. 6** | 70. 0 | 57. 5 |
| | NZD | **29. 0** | 24. 3 | 12. 9 |
| Low month exposure | AUD | **58. 0** | 0. 4 | 29. 0 |
| | NZD | **12. 3** | 3. 9 | 3. 1 |

(b) Economic Value

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

| Non-Traded Interest Rate [1] | Average VaR Dec 2008 $M | Average VaR Jun 2008 $M | Average VaR Dec 2007 $M |
|---|---|---|---|
| AUD Interest rate risk | **72. 8** | 123. 6 | 65. 8 |
| NZD Interest rate risk [2] | **1. 1** | 3. 8 | 4. 2 |

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

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

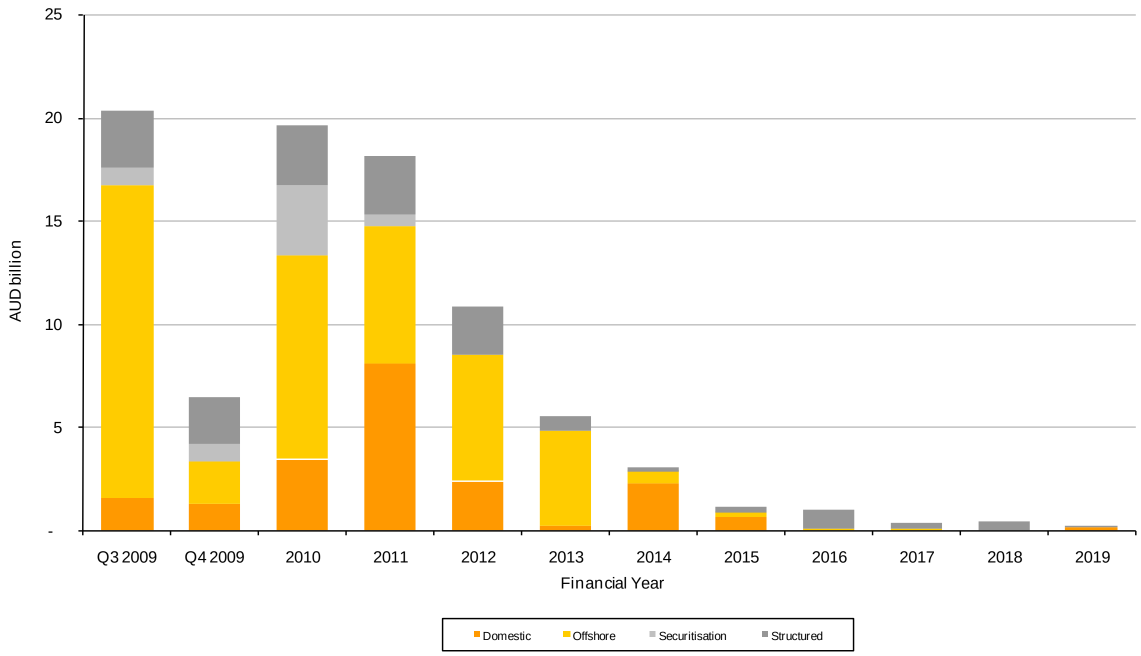
## 7. Integrated Risk Management (continued)

**Liquidity and Funding Risk**

The cost of liquidity and funding has remained much higher since the start of the ongoing volatility in global credit markets in August 2007, notwithstanding the introduction of a Government guarantee in November 2008 for certain types of borrowings. The Group's liquidity and funding policies have remained unchanged throughout this period, as they have proven to be effective.

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

The chart below illustrates the liquidity profile of the Group's outstanding wholesale debt liabilities as at 31 December 2008, detailed by type of debt instrument and maturity.



## 8. Counterparty and Other Credit Risk Exposures

### Special purpose and off-balance sheet entities

The Group invests in or establishes special purpose entities (SPEs) in the ordinary course of business, primarily to provide funding and financial services for its customers. The main type of SPEs are securitisation vehicles and structured finance entities.

These SPEs are consolidated in the Financial Statements if they meet the criteria of control as outlined in Note 1 to the Financial Statements of the 2008 Annual Report. The definition of control depends upon substance rather than form and accordingly, determination of the existence of control involves management judgement. The Group assesses whether an SPE should be consolidated based on whether the majority of risks and rewards in the entity pass to the Group.

The main types of SPEs with which the Group is involved are detailed below, including the reason for their establishment and the control factors associated with the Group's interest in them. The Group does not bear the majority of residual risks and rewards of the SPEs which are not consolidated. This note reflects the nature of the Group's SPEs with securitisation exposures and accordingly does not include every transaction with an SPE that the Group has entered into.

### Securitisation vehicles

- Reason for establishment - Securitisation is a financing technique whereby assets are transferred to an SPE, which funds the purchase of assets by issuing securities to investors. The Group has a policy of funding diversification and assets are securitised to provide greater diversification of the Group's funding sources.
- Control factors - The Group may manage these securitisation vehicles, service assets in the vehicle, provide hedging, or provide other facilities such as liquidity facilities. The Group retains the risks associated with the provision of these services. The Group is also entitled to any residual income from the SPEs after all payments due to investors and costs of the program have been met.

### Structured finance entities

- Reason for establishment - These entities are established to assist the Group's Structured Finance function with the structuring of client or Group financing. The resulting lending and investment arrangements are entered into under the Group's approved lending criteria and are subject to appropriate credit approval processes. The assets arising from these financing activities are generally included in Receivables due from other financial institutions, Available-for-sale investments or Loans, advances and other receivables. Exposures in the form of guarantees or undrawn credit lines are included within Contingent liabilities and credit related commitments.
- Control factors - The Group may manage these vehicles, hold minor amounts of capital, provide financing or transact derivatives. These entities are generally consolidated by the Group.

### Asset-backed securities

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

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

### Leveraged finance

The Group's Leveraged Finance area provides secured debt financing for the acquisition of companies that are typically highly leveraged, to private equity firms and other corporations with operations in Australia and New Zealand. Target businesses are those with stable and established earnings and the ability to reduce borrowing levels.

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

### Hedge funds

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

### Collateralised debt obligations (CDOs) and credit linked notes

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

### Lenders mortgage insurance

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

### Monoline insurers

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

## 8. Counterparty and Other Credit Risk Exposures (continued)

### Securitisation vehicles

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

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

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

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

## 8. Counterparty and Other Credit Risk Exposures (continued)

### Asset-backed securities

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

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

### Asset-backed securities by underlying asset

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

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

### Asset-backed securities by credit rating and geography

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

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

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

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

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

## 8. Counterparty and Other Credit Risk Exposures (continued)

### Leveraged finance

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

### Exposure by industry

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

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

### Exposure by geography

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

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

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

## 9. Capital Adequacy

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

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

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

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

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

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

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

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

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

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

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

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

## 9. Capital Adequacy (continued)

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

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

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

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

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

(5) Represents the net equity within the non-consolidated subsidiaries (primarily the Colonial Group) which is deducted 50% from Tier One and 50% from Tier Two Capital. The deduction is net of $1,739 million in non-recourse debt issued by Colonial Finance Limited (June 2008: $1,739 million; December 2007: $1,701 million).

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

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

## 9. Capital Adequacy (continued)

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

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

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

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

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

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

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

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

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

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

## 9. Capital Adequacy (continued)

### Capital Management

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

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

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

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

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

### Target Range

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

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

### Capital Initiatives

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

### Tier One Capital

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

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

The Bank has also announced a retail share placement which will further strengthen the Group's capital position.

### Tier Two Capital

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

### BankWest and St Andrew's Acquisition

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

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

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

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

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

### Life Insurance and Funds Management Business

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

### Basel II Regulatory Items

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

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

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

### Pillar 3 Disclosures

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

# Appendices

## 10. Share Capital

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

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

### Terms and Conditions of Ordinary Share Capital

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

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

### Dividend Franking Account

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

### Dividends

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

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

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

### Dividend Reinvestment Plan

The Bank expects to issue around $548 million of shares in respect of the Dividend Reinvestment Plan for the interim dividend for the half year ended 31 December 2008.

### Record Date

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

### Ex-Dividend Date

The ex-dividend date is 16 February 2009.

## 11. Life Insurance Business

### Life Insurance contract liabilities

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

### Life Investment contract liabilities

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

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

(1) Includes both investment and insurance business.

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

### Taxation

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

### Actuarial Methods and Assumptions

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

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

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

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

### Actuarial assumptions

Set out on page 72 is a summary of the material assumptions used in the calculation of policy liabilities.

### Discount rates

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

## 11. Life Insurance Business (continued)

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

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

### Bonuses

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

### Maintenance expenses

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

### Investment management expenses

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

### Inflation

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

### Benefit indexation

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

### Taxation

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

### Voluntary discontinuance

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

### Surrender values

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

### Mortality and morbidity

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

### Solvency

Australian life insurers:

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

Overseas life insurers:

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

### Managed assets & fiduciary activities

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

### Disaggregated information

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

## 12. Intangible Assets

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

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

(1) Includes $72 million acquired as part of the BankWest acquisition.
(2) Due primarily to Core Banking Modernisation project.

## 13. ASB Bank Group – Statutory View

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

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

(1) The Income Statement has been translated at AUD 1.00= NZD 1.2050 for the half year ended 31 December 2008 (AUD 1.00= NZD 1.1426 for the half year ended 30 June 2008 and AUD 1.00= NZD 1.1547 for the half year ended 31 December 2007).

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

## 14. ASX Appendix 4D



### Compliance Statement

This interim report for the half year ended 31 December 2008 is prepared in accordance with the ASX listing rules. It should be read in conjunction with any announcements to the market made by the Group during the year.

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

The Financial Statements of the Group have not been audited.

John Hatton

Company Secretary

11 February 2009

## 14. ASX Appendix 4D (continued)

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

**Details of associates and joint ventures**

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

### Any other significant information

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

### Post Balance Date Events

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

### Foreign Entities (Item 8)

Not Applicable.

## 15. Profit Reconciliation

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

## 15. Profit Reconciliation (continued)

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

## 15. Profit Reconciliation (continued)

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

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

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

## 17. Analysis Template

| Profit Summary - Input Schedule | Half Year Ended 31/12/08 $M | 30/06/08 $M | 31/12/07 $M | Page References |
|---|---|---|---|---|
| **Income - Cash Basis** | | | | |
| Net interest income | **4,543** | 4,008 | 3,899 | Page 3 |
| Other banking operating income | **2,036** | 1,771 | 1,541 | Page 3 |
| **Total banking income** | **6,579** | 5,779 | 5,440 | Page 3 |
| Funds management income | **1,005** | 1,166 | 1,141 | Page 3 |
| Insurance income | **432** | 439 | 393 | Page 3 |
| Operating income | **8,016** | 7,384 | 6,974 | Page 3 |
| Investment experience | **(183)** | (59) | 42 | Page 3 |
| **Total income** | **7,833** | 7,325 | 7,016 | Page 3 |
| **Expenses - Cash Basis** | | | | |
| Retail Banking Services | **1,351** | 1,349 | 1,270 | Page 11 |
| Premium Business Services | **928** | 947 | 856 | Page 13 |
| Wealth Management - operating expenses | **580** | 625 | 578 | Page 15 |
| Wealth Management - volume expenses | **243** | 262 | 246 | Page 15 |
| International Financial Services | **443** | 413 | 411 | Page 19 |
| Other | **6** | 47 | 17 | Page 22 |
| **Total operating expenses** | **3,551** | 3,643 | 3,378 | Page 3 |
| Profit before impairment expense | **4,282** | 3,682 | 3,638 | |
| Impairment expense | **1,607** | 597 | 333 | Page 3 |
| Profit before income tax | **2,675** | 3,085 | 3,305 | Page 3 |
| Corporate tax expense | **646** | 721 | 905 | Page 3 |
| Operating profit after tax | **2,029** | 2,364 | 2,400 | |
| Minority interest | **16** | 16 | 15 | Page 3 |
| **Net profit after tax - cash basis** | **2,013** | 2,348 | 2,385 | Page 3 |
| Provisional gain on acquisition of controlled entities | **547** | - | - | Page 3 |
| Gain on Visa Initial Public Offering | **-** | 295 | - | Page 3 |
| Investment and restructuring | **-** | (264) | - | Page 3 |
| Defined benefit superannuation plan income/(expense) | **(13)** | 13 | (4) | Page 3 |
| Treasury shares valuation adjustment | **34** | 73 | (13) | Page 3 |
| Hedging and AIFRS volatility | **(8)** | (45) | 3 | Page 3 |
| **Net profit after tax - statutory basis** | **2,573** | 2,420 | 2,371 | Page 3 |
| Investment experience | **(183)** | (59) | 42 | Page 23 |
| Tax expense on Investment experience | **(51)** | (18) | 14 | Page 23 |
| Investment experience - after tax | **(132)** | (41) | 28 | Page 23 |
| **Net profit after tax - underlying basis** | **2,145** | 2,389 | 2,357 | Page 3 |
| **Total Operating Income** | | | | |
| Retail Banking Services | **3,184** | 2,876 | 2,801 | Page 11 |
| Premium Business Services | **2,427** | 2,151 | 1,986 | Page 13 |
| Wealth Management (net of volume expenses) | **1,030** | 1,161 | 1,121 | Page 15 |
| International Financial Services | **823** | 829 | 758 | Page 19 |

## 17. Analysis Template (continued)

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

(1) Average of reporting period balances

## 17. Analysis Template (continued)

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

## 17. Analysis Template (continued)

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

## 17. Analysis Template (continued)

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

# Appendices

## 18. Summary

| Group | | Page | Half Year Ended 31/12/08 | 30/06/08 | 31/12/07 | Dec 08 vs Jun 08 % | Dec 08 vs Dec 07 % |
|---|---|---|---|---|---|---|---|
| Net profit after tax - underlying basis | $M | 3 | **2,145** | 2,389 | 2,357 | (10) | (9) |
| Net profit after tax - cash basis | $M | 3 | **2,013** | 2,348 | 2,385 | (14) | (16) |
| Provisional gain on acquisition of controlled entities | $M | 3 | **547** | - | - | large | - |
| Gain on Visa Initial Public Offering | $M | 3 | **-** | 295 | - | large | - |
| Investment and restructuring - after tax | $M | 3 | **-** | (264) | - | large | - |
| Defined benefit superannuation plan income/(expense) - after tax | $M | 3 | **(13)** | 13 | (4) | large | large |
| Treasury shares valuation adjustment - after tax | $M | 3 | **34** | 73 | (13) | (53) | large |
| Hedging and AIFRS volatility | $M | 3 | **(8)** | (45) | 3 | (82) | large |
| Net profit after tax - statutory | $M | 3 | **2,573** | 2,420 | 2,371 | 6 | 9 |
| Earnings per share - cash basis - basic | cents | 3 | **146. 3** | 176. 2 | 180. 7 | (17) | (19) |
| Dividends per share | cents | 3 | **113** | 153 | 113 | (26) | - |
| Dividends pay-out ratio - cash basis | % | 3 | **83. 6** | 87. 3 | 63. 0 | (4) | 33 |
| Tier One Capital - Basel II | % | 5 | **8. 75** | 8. 17 | 8. 17 | 58bpts | 58bpts |
| Total Capital - Basel II | % | 5 | **11. 39** | 11. 58 | 12. 08 | (19)bpts | (69)bpts |
| Number of full time equivalent staff | No. | - | **45,013** | 39,621 | 38,452 | 14 | 17 |
| Return on equity - cash | % | 3 | **15. 0** | 19. 9 | 20. 8 | (490)bpts | (580)bpts |
| Return on equity - underlying | % | 84 | **15. 9** | 20. 2 | 20. 6 | (430)bpts | (470)bpts |
| Weighted average number of shares - statutory | M | 3 | **1,352** | 1,314 | 1,300 | 3 | 4 |
| Net tangible assets per share | $ | 85 | **13.63** | 12.38 | 12.14 | 10 | 12 |
| Net interest income | $M | 3 | **4,543** | 4,008 | 3,899 | 13 | 17 |
| Net interest margin | % | 5 | **2. 04** | 1. 98 | 2. 06 | 6bpts | (2)bpts |
| Other banking income ("cash basis") | $M | 3 | **2,036** | 1,771 | 1,541 | 15 | 32 |
| Other banking income/total banking income | % | - | **30. 9** | 30. 6 | 28. 3 | 30bpts | 260bpts |
| Operating expense to total operating income | % | 5 | **44. 3** | 49. 3 | 48. 4 | (10) | (8) |
| Average interest earning assets | $M | 5 | **436,722** | 400,678 | 370,819 | 9 | 18 |
| Average interest earning liabilities | $M | 5 | **410,880** | 375,930 | 348,716 | 9 | 18 |
| Impairment expense | $M | 3 | **1,607** | 597 | 333 | large | large |
| Impairment expense to average risk weighted assets - Basel II | % | 9 | **1. 43** | 0. 59 | - | large | - |
| Total provision for impairment losses to gross impaired assets - Basel II | % | 38 | **132. 9** | 255. 5 | 245. 6 | (48) | (46) |
| Individually assessed provisions for impairment to gross impaired assets | % | 9 | **41. 8** | 40. 8 | 33. 6 | 2 | 24 |
| Risk weighted assets | $M | 9 | **239,289** | 205,501 | 198,228 | 16 | 21 |
| **Retail Banking Services** | | | | | | | |
| Cash net profit after tax | $M | 5 | **1,119** | 936 | 975 | 20 | 15 |
| Operating expense to total banking income | % | 5 | **42. 4** | 46. 9 | 45. 3 | (10) | (6) |
| **Premium Business Services** | | | | | | | |
| Cash net profit after tax | $M | 5 | **205** | 785 | 707 | (74) | (71) |
| Operating expense to total banking income | % | 5 | **38. 2** | 44. 0 | 43. 1 | (13) | (11) |
| **Wealth Management** | | | | | | | |
| Cash net profit after tax | $M | 3 | **175** | 343 | 394 | (49) | (56) |
| Underlying profit after tax | $M | 5 | **328** | 397 | 392 | (17) | (16) |
| Investment experience | $M | 23 | **(222)** | (77) | 3 | large | large |
| FUA - average | $M | 5 | **173,001** | 191,721 | 183,548 | (10) | (6) |
| FUA - spot | $M | 16 | **158,026** | 184,970 | 199,834 | (15) | (21) |
| Net funds flow | $M | 17 | **(12,473)** | 3,443 | 25,171 | large | large |
| Average inforce premiums | $M | 5 | **1,314** | 1,172 | 1,058 | 12 | 24 |
| Inforce premiums - spot | $M | 16 | **1,378** | 1,250 | 1,094 | 10 | 26 |
| Funds management income to average FUA | % | 5 | **1. 11** | 1. 18 | 1. 20 | (6) | (8) |
| Insurance income to average inforce premiums | % | 5 | **46. 3** | 50. 8 | 49. 1 | (9) | (6) |
| Operating expense to net operating income | % | 5 | **56. 3** | 53. 8 | 51. 6 | 5 | 9 |
| **International Financial Services** | | | | | | | |
| Underlying profit after tax | $M | 5 | **269** | 286 | 269 | (6) | - |
| FUA - average | $M | 5 | **6,370** | 7,080 | 7,899 | (10) | (19) |
| FUA - spot | $M | 20 | **6,245** | 6,335 | 7,868 | (1) | (21) |
| Average inforce premiums | $M | 5 | **394** | 382 | 386 | 3 | 2 |
| Inforce premiums - spot | $M | 20 | **416** | 371 | 392 | 12 | 6 |
| Funds management income to average FUA | % | 5 | **0. 81** | 0. 74 | 0. 55 | 9 | 47 |
| Insurance income to average inforce premiums | % | 5 | **59. 9** | 69. 5 | 61. 8 | (14) | (3) |
| Operating expense to net operating income | % | 5 | **53. 8** | 49. 8 | 54. 2 | 8 | (1) |

## 19. Foreign Exchange Rates

**Exchange Rates Utilised**

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

# Appendices

## 20. Definitions

| Term | Description |
|---|---|
| BankWest | BankWest is a full service bank active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products. BankWest also provides specialist services in international banking and project finance. |
| Customer satisfaction – external survey | This represents satisfaction with Main Financial Institution (MFI) based on the relationship with the financial institution as measured by Roy Morgan Research. The figures are six monthly moving averages and are based on respondents aged 14+. The measure is the percentage of customers who answered as being either very or fairly satisfied. |
| Dividend payout ratio | Dividends paid on ordinary shares divided by earnings (earnings are net of dividends on other equity instruments). |
| DRP | Dividend reinvestment plan. |
| DRP participation | The percentage of total issued capital participating in the dividend reinvestment plan. |
| Earnings per share | Calculated in accordance with AASB 133: Earnings per Share. |
| Expense to income ratio | Represents operating expenses as a percentage of total operating revenue. |
| International Financial Services | International Financial Services includes the Banking, Funds Management and Insurance businesses operating in New Zealand, Fiji, Indonesia, China, Japan, India and Vietnam excluding the international business of Premium Business Services in New Zealand. |
| Net profit after tax (“Cash basis”) | Represents profit after tax and minority interests before the provisional gain on acquisition of controlled entities, the gain on Visa Initial Public Offering, investment and restructuring, defined benefit superannuation plan income/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility. |
| Net profit after tax (“Statutory basis”) | Represents profit after tax, the provisional gain on acquisition of controlled entities, the gain on Visa Initial Public Offering, investment and restructuring, minority interests, defined benefit superannuation plan income/expense, treasury shares valuation adjustment and unrealised gains and losses related to hedging and AIFRS volatility. This is equivalent to the statutory item “Net profit attributable to Equity holders of the Bank”. |
| Net profit after tax (“Underlying basis”) | Represents net profit after tax (“cash basis”) excluding investment experience. |
| Net tangible assets per share | Net assets excluding intangible assets, minority interests, preference shares and other equity instruments divided by ordinary shares on issue at the end of the period. |
| Operating expense to net operating income ratio | Represents operating expenses (excluding volume expenses) as a percentage of total operating income less volume expenses. |
| Overseas | Represents amounts booked in branches and controlled entities outside Australia. |
| Premium Business Services | Premium Business Services provides specialised banking services to relationship managed business and Agribusiness customers, private banking to high net worth individuals and margin lending and trading through CommSec. In addition commission is received for the distribution of retail banking products through the Premium Business network. |
| Retail Banking Services | Retail Banking Services includes both the manufacturing of home loan, consumer finance and retail deposit products and the sales and servicing of all Retail bank customers. In addition commission is received for the distribution of business and wealth management products through the retail distribution network. |
| Return on average shareholders’ equity – Cash basis | Based on cash net profit after tax and minority interests less other equity instruments’ distributions applied to average shareholders equity, excluding minority interests, other equity instruments, treasury shares and defined benefit superannuation plan net surplus. |
| Return on average shareholders’ equity – Statutory basis | Based on net profit after tax (“statutory basis”) less other equity instruments’ distributions applied to average shareholders’ equity, excluding minority interests and other equity instruments. |
| Staff numbers | Staff numbers include all permanent full time staff, part time staff equivalents and external contractors employed by 3rd party agencies. |
| Wealth Management | Wealth Management includes the Global Asset Management, Platform Administration and Life and General Insurance businesses of the Australian operations. |
| Weighted average number of shares (“Cash basic”) | Includes an adjustment to deduct from ordinary shares only those “Treasury Shares” related to the investment in the Bank’s shares held by the employee share scheme trust. |
| Weighted average number of shares (“Statutory basic”) | Includes an adjustment to exclude “Treasury Shares” related to investments in the Bank’s shares held by both the life insurance statutory funds and by the employee share scheme trust. |

## 21. Market Share Definitions

### Retail Banking Services

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

### Premium Business Services

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

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

## 21. Market Share Definitions (continued)

### 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) |

### International Financial Services

| | | |
|---|---|---|
| New Zealand Lending for housing | All ASB residential mortgages to personal customers for housing purposes (including off balance sheet) | Total New Zealand residential mortgages to personal customers for housing purposes (from New Zealand Reserve Bank) |
| New Zealand Lending to Business | All New Zealand dollar claims on ASB Balance Sheet excluding agriculture, Finance, Insurance, Government, Household and Non-Resident sector loans. | Total New Zealand dollar credit to the resident of business sector, based on Australia New Zealand Standard Industrial Classification (ANZSIC) excluding the following: Agriculture, Finance, Insurance, General Government, Household and Non-Resident sectore loans. (from New Zealand Reserve Bank) |
| New Zealand Retail Deposits | All New Zealand dollar retail deposits on ASB Balance Sheet | Total New Zealand dollar deposits of all New Zealand registered banks (from New Zealand Reserve Bank) |
| New Zealand Retail FUM | Total ASB + Sovereign | Total Market net Retail Funds under Management (from Fund Source Research Limited) |
| New Zealand Inforce Premiums | Total Sovereign excluding health (inforce annual premium income + new business – exits – other) | Total inforce premium for New Zealand (from ISI statistics) |

### BankWest

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

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